FINANCING FARM OPERATIONS: THE IMPORTANCE OF CREDIT AND RISK MANAGEMENT

HEARING

BEFORE THE

SUBCOMMITTEE ON GENERAL FARM COMMODITIES, RISK MANAGEMENT, AND CREDIT

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

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WITNESSES

FINANCING FARM OPERATIONS: THE IMPORTANCE OF CREDIT AND RISK MANAGEMENT

WEDNESDAY, JULY 16, 2025

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GENERAL FARM COMMODITIES, RISK MANAGEMENT, AND CREDIT,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Subcommittee met, pursuant to call, at 2:02 p.m., in Room 1300, Longworth House Office Building, Hon. Austin Scott of Georgia, [Chairman of the Subcommittee] presiding.

Present: Representatives Austin Scott of Georgia, Rouzer, Crawford, Bost, Finstad, Harris, Taylor, Davids of Kansas, Brown, Budzinski, Sorensen, and McDonald Rivet.

Staff Present: Laurel Lee Chatham, John Hendrix, Harlea Hoelscher, Sofia Jones, Joshua Maxwell, Thomas Newberry, Sam Rogers, John Konya, Suzie Cavalier, Joshua Lobert, Clark Ogilvie, and Jackson Blodgett.

OPENING STATEMENT OF HON. AUSTIN SCOTT, A REPRESENTATIVE IN CONGRESS FROM GEORGIA

The CHAIRMAN. All right. The Committee will come to order. Welcome, and thank you for joining today's hearing entitled, *Financing Farm Operations: The Importance of Credit and Risk Management.* After brief opening remarks, Members will receive testimony from our witnesses today, and then the hearing will be open to questions.

In consultation with the Ranking Member and pursuant to Rule XI(e), I want to make Members of the Subcommittee aware that other Members of the full Committee may join us today.

Today, we will hear from lenders representing diverse regions across the country, along with a producer, all of whom bring first-hand insight into the challenges farmers face when seeking the capital necessary for success.

The reality is that farming is getting tougher every year. Input costs are up, and market prices are down. If we don't support today's farmers, there won't be a next generation ready to step in. We must ensure the resources available to those who provide capital to our producers can meet the moment.

This is why farm bill programs matter. They form the foundation of affordable, reliable credit for our producers. Lending tools and risk management programs like crop insurance and commodity programs work hand in hand to help farmers withstand downturns and sustain their operations. From loan programs to the safety net, it is critical that producers and their lenders have as many tools in the toolbox as possible to ensure dependable access to capital. It is essential to maintain the safest, most abundant food supply in the world.

Over the past 6 years, we have seen nearly $130 billion in *ad hoc* assistance flow to producers, many of that in my district. While that support was necessary in times of crisis, it is no substitute for a durable, predictable safety net. We owe it to farmers and lenders alike to build a system that doesn't rely on *ad hoc* assistance every time a disaster strikes. And I might add, the *ad hoc* assistance in many cases takes well over a year to get to the producers.

That is exactly what the One Big Beautiful Bill (Pub. L. 119–21, To provide for reconciliation pursuant to title II of H. Con. Res. 14.) does. We have strengthened the farm safety net, increased reference prices, expanded access to crop insurance, and the opportunity to add additional base acres are just a few of the real improvements that will bring more certainty to producers and reduce risk for lenders. Additionally, the bill significantly raises the Federal estate tax exemptions and makes it permanent in the Tax Code, allowing farmers more clarity to plan for their future.

We know our work cannot stop there. Today, our loan programs don't reflect the realities of the modern family farm. Loan limits are outdated, and the lending process is often slow and burdensome. We must ensure that the credit programs at the Farm Service Agency are improved to serve both producers and lenders. That is why today's hearing is so important. The discussion today will help guide the next steps in our farm bill reauthorization process and ensure that the credit title complements the changes we made in the One Big Beautiful Bill. It will also underscore the need to support our producers who take the risk to grow the food, fiber, and fuel our country depends on.

I want to thank our witnesses for being here and for all of the work that you do every day. Your insight is critical to helping this Committee get it right.

[The prepared statement of Mr. Austin Scott follows:]

PREPARED STATEMENT OF HON. AUSTIN SCOTT, A REPRESENTATIVE IN CONGRESS FROM GEORGIA

This hearing of the General Farm Commodities, Risk Management, and Credit Subcommittee will now come to order. Today, we will hear from lenders representing diverse regions across the country, along with a producer, all of whom bring firsthand insight into the challenges farmers face when seeking the capital necessary for success.

The reality is that farming is getting tougher every year. Input costs are up and market prices are down. If we don't support today's farmers, there won't be a next generation ready to step in. We must ensure the resources available to those who provide capital to our producers can meet the moment.

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Lending tools and risk management programs—like crop insurance and commodity programs—work hand in hand to help farmers withstand downturns and sustain their operations.

From loan programs to the farm safety net, it is critical that producers and their lenders have as many tools in the toolbox as possible to ensure dependable access to capital. This is essential to maintaining the safest, most abundant food supply in the world.

Over the past six years, we've seen nearly $130 billion in *ad hoc* assistance flow to producers. While that support was necessary in times of crisis, it's no substitute for a durable, predictable safety net. We owe it to farmers and lenders alike to build a system that doesn't rely on *ad hoc* assistance every time disaster strikes.

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But we know the work cannot stop there. Today, our loan programs don't reflect the realities of the modern family farm. Loan limits are outdated, and the lending process is often slow and burdensome. We must ensure that the credit programs at the Farm Service Agency are improved to serve both producers and lenders.

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I want to thank our witnesses for being here and for all the work you do every day. Your insight is critical to helping this Committee get it right.

With that, I yield to Ranking Member Davids, for any opening remarks she would like to make.

The CHAIRMAN. With that, I would like to welcome the distinguished Ranking Member, the gentlelady from Kansas, Ms. Davids, for any opening remarks she would like to give.

OPENING STATEMENT OF HON. SHARICE DAVIDS, A REPRESENTATIVE IN CONGRESS FROM KANSAS

Ms. DAVIDS of Kansas. Thank you, Chairman Scott, for convening this important hearing.

Kansas is home to more than 55,000 farms, and agriculture remains the number one economic driver in our state. When I speak to Kansas producers, one issue consistently rises to the top, and that is the importance of the farm safety net.

Since Congress last passed a full bipartisan farm bill in 2018, the landscape for producers has changed dramatically. Farmers and ranchers are facing high input costs, rising interest rates, supply chain disruptions, and market volatility driven by global uncertainty, including tariffs. These pressures make programs like crop insurance and access to affordable credit, especially through USDA's credit programs, that much more critical. That is particularly true for beginning farmers and those in under-served communities who are trying to break into agriculture at a time when the average age of a Kansas producer is nearly 60 years old.

Kansas producers have always been resilient, adapting to challenges that are immense, the Dust Bowl, droughts, climate change. But resilience is in the DNA of Kansans, but it does take partnership. And it is our job on this Committee and in the Congress to be that partner, to ensure that the risk management tools that farmers rely on are strong, that they are accessible, and that they are responsive to the needs of the folks making use of them.

And I want to thank you, our panel today, for being here, for sharing your insights and expertise. Your experiences are certainly critical to this Committee, to our ability to ensure that Federal agricultural policy works for all farmers, and that includes new ones, inexperienced, experienced farmers, large and small, and folks in every corner of our country. So I look forward to hearing your testimony, and I appreciate the time.

Thank you, Mr. Chairman, and I yield back.

[The prepared statement of Ms. Davids of Kansas follows:]

PREPARED STATEMENT OF HON. SHARICE DAVIDS, A REPRESENTATIVE IN CONGRESS FROM KANSAS

Good afternoon, and thank you, Chairman Scott, for convening this important hearing.

Kansas is home to more than 55,000 farms, and agriculture remains the number one economic driver in our state.

When I speak with Kansas producers, one issue consistently rises to the top: the importance of the farm safety net.

Since Congress last passed a full, bipartisan farm bill in 2018, the landscape for producers has changed dramatically.

Farmers and ranchers are facing high input costs, rising interest rates, supply chain disruptions, and market volatility driven by tariffs and global uncertainty.

These pressures make programs like crop insurance and access to affordable credit—especially through USDA's credit programs—more critical than ever.

That's particularly true for beginning farmers and those in under-served communities who are trying to break into agriculture at a time when the average age of a Kansas producer is nearly 60 years old.

Kansas producers have always been resilient—adapting through challenges like the Dust Bowl, droughts, and now climate change.

But resilience requires partnership.

It's our job to be that partner and ensure the risk management tools farmers rely on are strong, accessible, and responsive to their needs.

I want to thank today's panel of witnesses for being here and sharing your insight.

Your experiences are critical to helping this Committee ensure that Federal agriculture policy works for all farmers—new and experienced, large and small, in every corner of the country.

With that, I look forward to your testimony. Thank you again, Chairman Scott, and I yield back.

The CHAIRMAN. Thank you, Ranking Member Davids.

The chair would request that other Members submit their opening statements for the record so the witnesses may begin their testimony and ensure that there is ample time for questions.

Please limit your statements to approximately 5 minutes. You have a marker in front of you, red, yellow, green. Green is good, yellow is getting close, and red means blue light is coming.

Our first witness today, Mr. Clint Hood, is from my home State of Georgia. With almost 4 decades of experience, Clint has an extensive background in banking. He currently serves as Senior Vice President and the Director of the Ag and Timber Group at Synovus Banking Company.

Our next witness is Ms. Mandy Minick, the Senior Vice President of Stakeholder Relations at AgWest Farm Credit.

Our third witness, and let me say this, my fellow Subcommittee Chairman, Mr. Johnson, Justice Johnson, is on the Floor of the House of Representatives right now. Our next witness is Brian Gilbert of South Dakota from his home state. Mr. Gilbert is Senior Vice President and the Ag Banking Manager at First National Bank in Sioux Falls, South Dakota.

And our final witness is Mr. John Russel Wicks, the owner and operator of Timber Ridge Organics in Ledger, Montana.

Thank you all to all of our witnesses for joining us today. We will now proceed to your testimony. As I said, you each have 5 minutes. I am sure you understand the timer.

Mr. Hood, please begin when you are ready.

STATEMENT OF J. CLINT HOOD, SENIOR VICE PRESIDENT AND HEAD, AGRICULTURE AND TIMBER DIVISION, SYNOVUS BANK, DUBLIN, GA; ON BEHALF OF AMERICAN BANKERS ASSOCIATION

Mr. HOOD. Thank you, Chairman Scott, Ranking Member Davids, and Members of the Subcommittee. My name is Clint Hood, and, yes, I am a Senior Vice President with Synovus Bank down in Dublin, Georgia. I am the Head of our Ag and Timber Division, where we finance production agriculture, agribusiness, and forest industries.

I have worked in agricultural finance for over 37 years for banks of all sizes. Prior to banking, I farmed with my father in east central Georgia on a very diverse row crop and livestock family farm. My wife and I now live on our farm in Dublin, and I have enjoyed instilling farm values in our children and our growing number of grandchildren. I am a proud Georgia Bulldog, Go Dawgs, and I have always been lucky, felt lucky, to be around agriculture my entire life.

I believe my story is somewhat similar to other agricultural bankers. I have passion for agriculture that extends well beyond the bank. All my career, I have been involved with many agricultural organizations, including Georgia Farm Bureau, Georgia Agribusiness Council, Georgia FFA Foundation, and the Georgia Cattlemen's Association. My favorite organization of those is the FFA, and this is the reason. It strives, the FFA strives, to teach kids values and disciplines of agriculture through its youth programs.

As an agricultural banker, I believe it is vital that we are working closely with our agriculture producers and agricultural groups. I appreciate this opportunity to present the views of agricultural banking at this hearing.

Banks continue to be one of the first places that farmers and ranchers look for when they are trying to find agricultural loans, and over 80 percent of the banks in the United States have agriculture in their portfolio. Bankers finance all types of agriculture in every part of the country. Agricultural lending is noble, but it is a tough profession. We work with our customers to improve their businesses, their livelihoods, both in the long- and the short-term.

The current state of the agricultural economy is not healthy right now. However, the Emergency Commodity Assistance Program payments, better known as ECAP, have been very helpful not only to the farmers and ranchers but to the ag bankers as well, and we thank Congress and the USDA for getting those payments out quickly.

But ECAP payments are a short-term solution to a long-term problem. All the farmers in my area continue to struggle financially due to low commodity prices and high input costs. I recently had to have a discussion with a farmer who does not borrow any working capital. He and his brother needed to cash out a long-term CD, a CD that had been in their family for years, but they had to cash it out in order to pay their shortfall in their operating costs because their margins continue to be upside down. Farmers are trying to find solutions to keep their operations going as working capital lines dry up and without taking any unnecessary extra debt.

Congress took the first steps to provide new economic relief to our farmers and ranchers by increasing reference prices for commodities and by increasing the cost-share for crop insurance in the recent tax legislation. Our farmers and ranchers have badly needed those provisions to be modernized to reflect where agriculture is now, not where it was 12 to 15 years ago.

I still believe we need a long-term farm bill to help our rural communities. To me, the farm bill is really a food bill, as it supports the financial stability of our nation's food producers, but it also guarantees the consumer's access to that food. We need to get a farm bill done now, or we are going to see the demise of American farmers and ranchers, the agricultural lenders that support them, and the rural communities where they live.

ABA has a list of priorities that bankers would like to see in the next farm bill that I have highlighted in my written testimony. This includes increasing FSA-guaranteed and direct loan programs. Additionally, changes to eligibility for beginning farmers and ranchers is vital to bringing the next generation of farmers and ranchers. Last, Farmer Mac is a tremendous partner, and we support efforts to modernize Farmer Mac to meet the needs of rural America.

Beyond the farm bill, bankers continue to work on additional solutions to help our customers during these tough times. I would like to thank Congressman Randy Feenstra, Congressman Don Davis, and the additional cosponsors of the Access to Credit for our Rural Economy Act of 2025 (H.R. 1822),[1] better known as the ACRE Act, which recently passed into law. In rural communities across this country, and especially the five-state footprint of my employer, Synovus Bank, farmers and ranchers will see real benefit from the ACRE Act, and lowering costs for farmers and ranchers is vital at this time.

Bankers are proud of the work that we do to support our nation's farmers and ranchers. The agriculture community is a critical part of our economy, and America's banks remain committed to serve it through good times and bad.

Thank you, and I will be happy to answer any questions.

[The prepared statement of Mr. Hood follows:]

PREPARED STATEMENT OF J. CLINT HOOD, SENIOR VICE PRESIDENT AND HEAD, AGRICULTURE AND TIMBER DIVISION, SYNOVUS BANK, DUBLIN, GA; ON BEHALF OF AMERICAN BANKERS ASSOCIATION

Chairman Scott, Ranking Member Davids, and Members of the Subcommittee, my name is Clint Hood. I am a Senior Vice President for Synovus Bank in Dublin, Georgia and I currently lead our multi-state Agriculture and Timber Division. I have over 37 years of experience in financial services, and I have been in many different positions with banks of all sizes. Prior to my career in banking, I farmed with my father on our family farm in east central Georgia, and I continue to live on a farm in central Georgia. At Synovus Bank, the Agriculture and Timber Division provides lending to a wide variety of commodities from row crops, including cotton and peanuts, to fruits, vegetables and nuts, to livestock including cattle and poultry. Additionally, our portfolio includes timber and sod operations. I am proud of the team

[1] **Editor's note:** the bill was included in Pub. L. 119-21 under Title VII—Subtitle A—Part V—Chapter 4—Subchapter D—Sec. 70435. Exclusion of interest on loans secured by rural or agricultural real property.

of bankers in our Agriculture and Timber Division and our scope of lending in our rural communities.

Agricultural bankers have a deep appreciation for the important role producers play in our economy and the unique challenges they face. I appreciate the opportunity to present the views of the ABA for the hearing titled "Financing Farm Operations: The Importance of Credit and Risk Management".

The American Bankers Association (ABA) is the voice of the nation's $24.5 trillion banking industry, which is composed of small, regional and large banks that together employ approximately 2.1 million people, safeguard $19.5 trillion in deposits and extend $12.8 trillion in loans. ABA is uniquely qualified to comment on agricultural credit issues as banks have provided credit to the agriculture industry since the founding of our country. At year-end 2024, 3,725 banks—82 percent of all banks nationwide—reported agricultural loans on their books with a total outstanding portfolio of more than $205 billion.

Over the past year, ABA has strongly supported the passage of a long-term farm bill. Bankers were in constant conversation with both the House Committee on Agriculture and the Senate Committee on Agriculture during the development of a 2024 Farm Bill. In addition to the 2024 Farm Bill, bankers worked with Members of Congress to provide market data highlighting he need for economic assistance for our farmers and ranchers. Bankers continue to monitor the agricultural economy, and we are very cognizant of how economic headwinds affect our customers. Congress has several tools to help the farm economy—starting with the passage of a strong and durable farm bill. Additionally, outside this Committee's jurisdiction, would like to thank Congress for including a partial version of the Access to Credit for our Rural Economy (ACRE) Act of 2025 in H.R. 1, the One Big Beautiful Bill Act. ACRE is a solution that will provide another form of economic relief for farmers and ranchers by lowering the cost of credit and making credit more widely available for these customers.

To ABA, fostering the next generation of producers goes further than a program—it's part of what drives our bankers in our rural communities every day.

Introduction

In May of 2024, the House Committee on Agriculture held a full Committee markup of the Farm, Food, and National Security Act of 2024 (H.R. 8467), commonly known as the "2024 Farm Bill." This legislation included comprehensive risk management tools for farmers and ranchers, loan guarantees for agricultural loans, rural development programs, nutrition support and investments in conservation. Banks play a critical role in rural America, and this legislation provided a vehicle for the banking industry to help meet the financial needs of farmers, ranchers, and agricultural communities across the country. The meaningful changes proposed in the 2024 Farm Bill would allow bankers to better serve their customers and ensure they have high levels of credit availability in the years to come.

ABA commends the House Committee on Agriculture for including many of our priorities in the 2024 Farm Bill,[1 *] including modernizing the USDA's Farm Service Agency (FSA) loan guarantee limits, clarifying *bona fide* operator rules for beginning farmer programs, modernizing and raising limits for the down payment assistance program, and providing robust risk management tools that allow our customers to have greater stability and predictability for each growing season. We look forward to working with the House Committee on Agriculture developing farm bill this year that will potentially include many of the same banker-supported provisions as the 2024 House Farm Bill.

In addition to the farm bill, bankers were supportive of the economic assistance measures enacted for farmers and ranchers. Bankers joined commodity groups to have meetings on Capitol Hill with Congressional offices to push for the Emergency Commodity Assistance Program (ECAP) payments that became part of Congressional appropriations legislation. Farmers and Ranchers are still struggling throughout the country, and bankers work with these customers every day to create solutions to ease economic challenges. Even with ECAP payments, farmers and ranchers continue to have cash-flow issues that have adversely affected their operations. As the agricultural economy continues to struggle, bankers stand ready to work with their customers through this economic downturn.

Banks continue to be one of the first places that farmers and ranchers turn when looking for agricultural loans. Agricultural credit portfolios among banks of all types are very diverse—banks finance large and small farms, urban farmers, beginning farmers, women farmers and minority farmers. To bankers, agricultural lending is

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[*] **Editor's note:** Mr. Hood's prepared statement contains footnote references, but ***does not*** contain footnotes or endnotes. The statement has been reproduced herein as submitted.

a productive way to serve our communities the right way: we make credit available to all who can demonstrate they have a sound business plan and the ability to repay. With our deep connection to farmers and ranchers, banks are often the first to see changes within balance sheets and cash flows on farm operations, often due to changing economic conditions—and to help them manage those changes.

In 2024, farm banks—banks with more than 14.27 percent of their loans made to farmers or ranchers—increased lending by 6.4 percent to meet the rising needs of farmers and ranchers and now provide $115 billion in total farm loans. Farm banks are an essential resource for small farmers, holding more than $45.3 billion in small farm loans, with $9.1 billion in micro-small farm loans (loans with origination values less than $100,000). Farm banks are healthy, well-capitalized, and stand ready to meet the credit demands of our nation's farmers, large and small.

In addition to our commitment to farmers and ranchers, thousands of farm-dependent businesses—food processors, retailers, transportation companies, storage facilities, manufacturers, *etc.*—receive financing from the banking industry as well. Agriculture is a vital industry to our country, and financing our agricultural economy is an essential business for many banks.

Banks work closely with the FSA to make additional credit available by utilizing the Guaranteed Farm Loan Programs. The increased loan limits on FSA guaranteed loans is the right policy to ensure more credit availability to farmers and ranchers. Additionally, entities like Farmer Mac provide another avenue for banks to increase credit availability. By purchasing guaranteed loans from banks, Farmer Mac allows banks to lower interest rates for their customers and provide better loan products.

Our nation's farmers and ranchers are a critical resource to our broader economy. Ensuring that they continue to have access to adequate credit to thrive is essential for the well-being of our whole nation. America's banks remain well equipped to serve the borrowing needs of farmers of all sizes.

In my testimony today, I will elaborate on the following points:

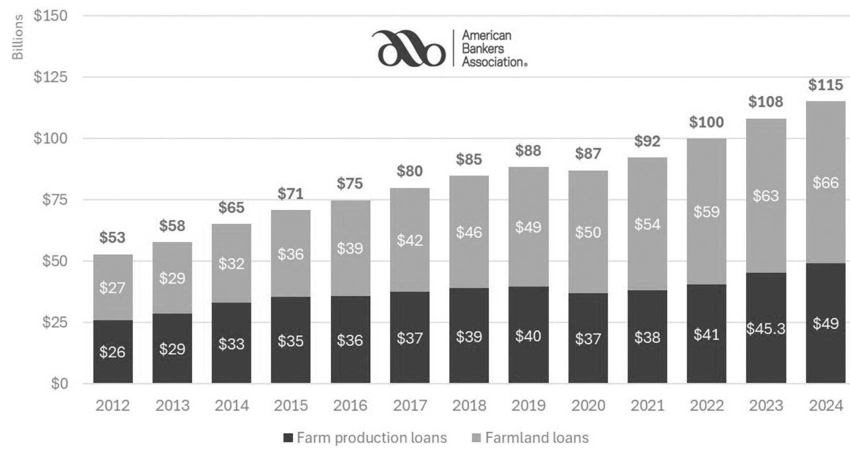
- Banks are a primary source of credit to farmers and ranchers in the United States.
- The agricultural economy is experiencing headwinds and economic assistance will provide some relief.
- Agricultural provisions in H.R. 1, the One Big Beautiful Bill Act provide a strong backstop for agricultural producers, but a long-term farm bill is still needed
- The 2025 Farm Bill provides an opportunity to make needed changes to the Credit Title including increased limits for the FSA Guaranteed Loan Programs, changes to the *bona fide* operator definitions, and modifications to Farmer Mac eligibility.
- The passage of the Access to Credit for our Rural Economy (ACRE) Act as part of H.R. 1, the One Big Beautiful Bill Act will provide more competition for agricultural lending and lower the costs for producers.

I. Banks Are a Primary Source of Credit to Farmers and Ranchers in the U.S.

For many of ABA's members, agricultural lending is a significant component of their business activities. ABA has studied and reported on the performance of farm banks for decades and, we are pleased to report that the performance of these highly specialized agricultural lending banks continue to be strong. ABA defines a farm bank as one with more than 14.27 percent farm or ranch loans (to all loans).

At the end of 2024, there were 1,398 banks that met this definition. Farm lending posted solid growth over the year. Total farm loans at farm banks increased by 6.4 percent to $115 billion in 2024 up from $110 billion for these banks in 2023. Approximately one in every three dollars lent by a farm bank is an agricultural loan.

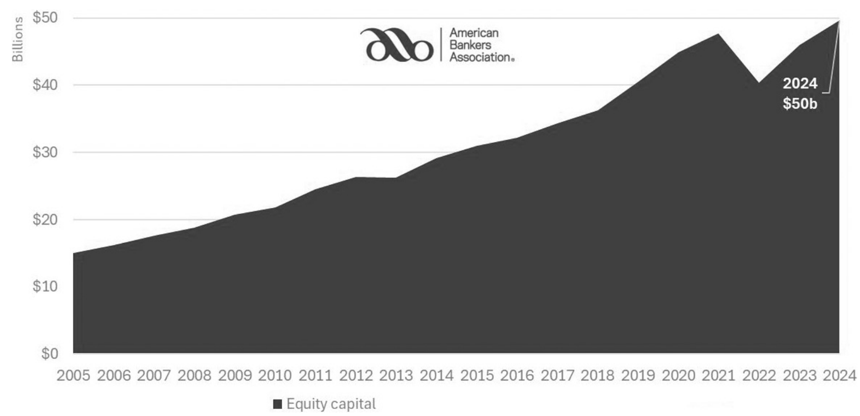
Farm Banks Exhibit Continued Farm Loan Growth



Source: Federal Deposit Insurance Corporation & American Bankers Association analysis.

Farm production loans grew at a faster rate than farm real estate loans. Outstanding farm production loans rose by 8.9 percent to $49.3 billion, whereas farm real estate loans grew at a pace of 4.7 percent to a total of $62.9 billion. Farm banks are a major source of credit to small farmers—holding more than $45.3 billion in small farm loans (origination value less than $500,000) with $9.1 billion in micro-small farm loans (origination value less than $100,000) at the end of 2024. The number of outstanding small farm loans at farm banks totaled 676,181, and over ½—406,698 loans—have origination values less than $100,000. Farm banks are healthy, well capitalized, and stand ready to meet the credit demands of our nation's farmers large and small.

Equity Capital Continues To Increase at Farm Banks



Source: Federal Deposit Insurance Corporation & American Bankers Association analysis.

Equity capital at farm banks increased 8.1%, or $3.7 billion, to $49.6 billion in 2024. Meanwhile, tier 1 capital increased by 6.7%, or $3.5 billion, to $55.7 billion.[2]

Aggregate tier 1 leverage ratios[3] increased 6 basis points (bps) in 2024 to 10.7%. Aggregate tier 1 capital ratios (assessed on risk-based assets) increased slightly to 14.3%, down 1 bps from 2023 indicating that farm banks are still well capitalized.[4] Farm banks' median tier-1 leverage ratio remained 71 bps above where it was before the start of the Great Recession (2007).

In 2020–2021, banks experienced an unprecedented influx of deposits, alongside a pullback in loan demand. This led many banks to increase their holdings of long-term assets such as Treasury securities. When the Federal Reserve began rapidly raising the Federal funds rate over the course of 2022, the market value of those bonds fell in the rising interest rate environment. Under tangible capital calculations, unrealized gains and losses are recorded as though the bank intends to sell those securities immediately at market value. This volatility in market valuations can distort assessment of a bank's financial health; post Dodd-Frank, regulatory capital has replaced equity capital as a reliable measure of the capital available at banks to absorb shocks.

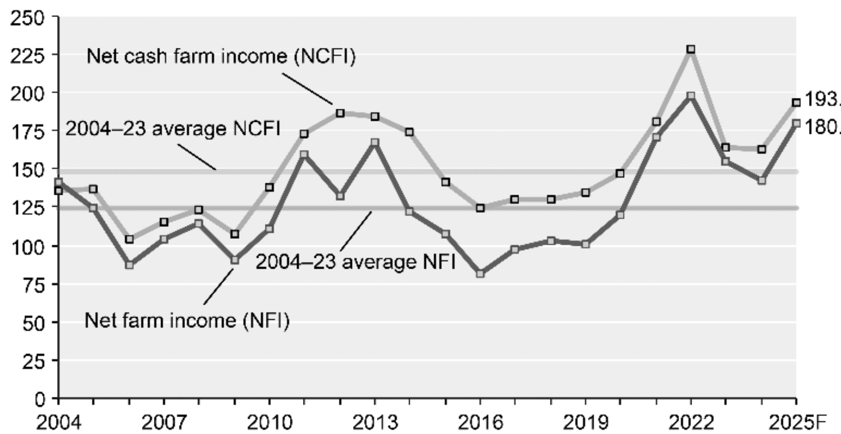
Farm banks have built strong, high-quality capital reserves and remain liquid and prepared to manage potential economic headwinds.

II. The Agricultural Economy is Experiencing Headwinds

The agricultural economy is in a position it has not been in for many years. There is a return to the cyclical agricultural conditions that were present before the surge of government support during the COVID–19 pandemic. Despite ever rising input prices, the USDA Economic Research Service has forecasted a 29.5 percent increase in farm income in 2025 that will be mostly driven by ECAP payments.

U.S. Net Farm Income and Net Cash Farm Income, Inflation Adjusted, 2004–25F

Billion 2025 Dollars



Note: F = forecast; data for 2024 and 2025 are forecasts. Values are adjusted for inflation using the U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product Price Index (BEA API series code: A191RG) re-based to 2025 by USDA, Economic Research Service.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

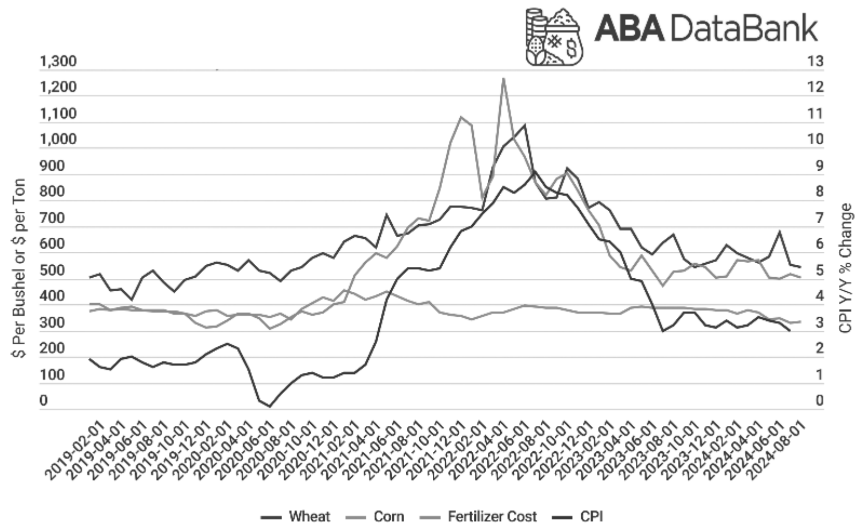
Data as of February 6, 2025.

[*https://www.ers.usda.gov/data-products/chart-gallery/chart-detail?chartId=82240*]

[Net farm income, a broad measure of profits, is forecast to increase in 2025 after declining in 2023 and 2024 from a record high in 2022. Forecast at $180.1 billion for 2025, net farm income would be $41.0 billion (29.5 percent) higher than in 2024. Net cash farm income is forecast at $193.7 billion for 2025, an increase of $34.5 billion (21.7 percent) relative to 2024 (not adjusted for inflation).]

With rising input costs and lower commodity prices, farmers and ranchers have worked through the liquidity and working capital they built over the past few years at a more rapid pace than anticipated. As a result, farmers and ranchers are naturally turning to credit to finance their agricultural operations. This has resulted in increased debt levels for agricultural producers across the country.

Agriculture Commodities Fall from 2022 High



Key agricultural commodity prices are off their recent highs. Fertilizer prices were a big concern after the invasion of Ukraine; while prices have softened, reflecting weakness in the agriculture sector, farmers' margins are under pressure from lower crop prices and higher overall price inflation.

* *Week ended Friday.*

Source: Bloomberg.

[*https://bankingjournal.aba.com/2024/07/aba-data-bank-agriculture-commodities-fall-from-2022-high/*]

The ECAP payments that were included in last year's continuing resolution will help provide some relief for farmers and ranchers. Bankers had many conversations with Members of Congress on the need to push economic assistance out to agricultural producers. Bankers were pleased with the work by USDA to push the ECAP payments to producers in a timely fashion. These payments have provided some relief, but a long-term farm bill is vital for rural America.

III. The One Big Beautiful Bill Act Provided Needed Agricultural Provisions, but a 2025 Farm Bill is Vital to Rural America.

The farm bill provisions included in H.R. 1, the One Big Beautiful Bill Act (OBBB) are a meaningful first step in providing an economic backstop for agricultural producers. Bankers commend the inclusion of increased reference prices and increased cost share for crop insurance programs, among the many other positive provisions. However, changes are still needed in the credit space to provide farmers and ranchers with the credit they need to work through the current downturn in the agricultural economy.

Bankers look forward to working with the House Committee on Agriculture to develop a new farm bill in 2025. Many provisions in the 2024 House Farm Bill provided a blueprint for policy changes to the credit title that will improve credit availability for rural America. The most significant change bankers would like to see in the next farm bill is an increase in the FSA Guaranteed Farm Ownership Loan Program to $3.5 million and the FSA Guaranteed Farm Operating Loan Program to $3 million. As the cost of agriculture continues to increase, it is vital to have the FSA loan programs keep pace with modern agriculture. These new limits will achieve that goal. We thank Representative Brad Finstad (R–MN) and Ranking Member Craig (D–MN) for their work on H.R. 1991, the Producer and Agricultural Credit Enhancement (PACE) Act. We believe this legislation is a step in the right direction for modernizing FSA loan programs.

FSA loan programs, and the FSA employees that administer the program, play a critical role in the agricultural economy particularly during times of economic uncertainty. Bankers will continue to work with FSA at all levels to ensure credit is available when it is needed most. However, the need for technology to improve FSA programs continues to be an issue. For too long, USDA has ignored the need for new technology within the FSA loan programs. ABA has provided information to the [] House Agriculture Committee and USDA on potential changes in the technology space that would improve the loan making process. The 2025 Farm Bill is a great opportunity to improve FSA loan programs through technology and create greater efficiency for loan origination.

For beginning farmers and ranchers, credit availability is vital to their survival. For this reason, ABA supports re-examining the 10 year eligibility limits for FSA Beginning Farmer and Rancher programs. Beginning farmers and ranchers are often starting to get their footing when their eligibility runs out. Collectively, we need to do everything we can to help beginning farmers and ranchers succeed.

Bankers support a change to the down payment assistance program by removing arbitrary cap on the size of the loan. Instead, we support a cap on down payment loans at 45 percent of the lesser of acquired price or appraised value. Senator Tuberville has legislation that provides a revised definition of owner-operator that allows various business structures to increase eligibility to beginning farmer guaranteed loan programs to more producers and customers. This should be included in the next farm bill.

Bankers endorse allowing Farmer Mac to support all USDA guaranteed loan programs financing. Farmer Mac is a valuable tool for agricultural bankers because it provides another avenue for banks to increase credit availability. By purchasing guaranteed loans from banks, Farmer Mac allows banks to lower interest rates for their customers and provide better loan products. Further, ABA continues to recommend the removal of the cooperative lender requirement for energy loans to be sold to Farmer Mac. This requirement limits the ability of banks to participate in rural energy projects, limiting available credit in rural America.

Additionally, the next farm bill must include provisions that will speed up the USDA loan approval process while making it easier for producers to use USDA loan programs. USDA loan programs are likely to provide lifelines to agricultural producers through this economic downtown. There are many innovative approaches that could be implemented at USDA and all options should be on the table.

Crop, livestock, and dairy insurance continue to be extremely important for bankers. Our customers know these programs well and heavily use them. We appreciate the inclusion of insurance programs in the One Big, Beautiful Bill Act to assist in the cost share for insurance.

Finally, we note that the language to modify the Consumer Financial Protection Bureau's 1071 Final Rule reporting requirements for the Farm Credit System is problematic for the banking industry. ABA supports efforts to provide relief from the 1071 Final Rule, but that relief should be equal across all lenders.

IV. The Access to Credit for our Rural Economy Act

ABA is a proud supporter of H.R. 1822, the Access to Credit for our Rural Economy Act (ACRE Act) of 2025 led by Rep. Randy Feenstra (R–IA) and Rep. Don Davis (D–NC). Bankers across the country are thankful for the inclusion of the ACRE Act in H.R. 1, the One Big Beautiful Bill Act.

The ACRE Act will be beneficial to both new and existing farmers by lowering interest rates on agricultural real estate. However, access to credit can be much more difficult for "Beginning Farmers and Ranchers" and "Socially Disadvantaged Farmers and Ranchers" due to a lack of preexisting land ownership and access to other sources of capital. 54 percent of young farmers say they need more land. ACRE will help new farmers and ranchers by lowering their cost to acquire land, which is the most capital intense portion of any farming operation and a critical asset to achieve long-term, reliable access to credit. Lastly, ACRE will reduce the need for farmers and ranchers to find off-farm income by reducing interest payments, which increases the cash-flow from their operation and reduces the need for off-farm income.

Conclusion

The banking industry is well positioned to meet the needs of U.S. farmers and ranchers. Rising input prices and declining commodity prices, however, have resulted in lower net farm income for agricultural producers. Moreover, debt levels have been increasing, and bankers are concerned that without changes to government policy, agricultural producers may experience a tightening of credit availability. The 2025 Farm Bill and the ACRE Act provide opportunities to make the changes necessary to provide the credit needed for farmers and ranchers to successfully navigate tougher economic times. Bankers continue to see great opportunities in agriculture and will continue to stand with farmers and all our partners in agriculture going forward. We will also continue to work constructively with the Committee and your colleagues in Congress on the 2025 Farm Bill and ACRE Act to help ensure that farmers have the credit they need to be a successful and strong part of the U.S. economy.

Thank you for the opportunity to express the views of the American Bankers Association. I would be happy to answer any questions that you may have.

The CHAIRMAN. Ms. Minick, please begin when you are ready.

STATEMENT OF MANDY MINICK, SENIOR VICE PRESIDENT, STAKEHOLDER RELATIONS, AGWEST FARM CREDIT, ROCKFORD, WA; ON BEHALF OF FARM CREDIT COUNCIL

Ms. MINICK. Chairman Scott, Ranking Member Davids, and Members of the Committee, thank you for hosting this hearing today to discuss the importance of the farm bill on lending and credit. My name is Mandy Minick. I hold the position of Senior Vice President, Stakeholder Relations with AgWest Farm Credit, located in Spokane, Washington.

The CHAIRMAN. Could you bring your microphone a little closer, please?

Ms. MINICK. Is that better? Okay. AgWest Farm Credit offers dependable credit, crop insurance, and business resources supporting farmers, ranchers, fishermen, foresters, and rural residents in Alaska, Arizona, Idaho, Montana, Oregon, Washington, and parts of California. This includes support for growers that produce traditional crops, as well as many crops categorized as specialty by the USDA. We are a member-owned, locally governed cooperative and a proud member of the Farm Credit System. Along with 58 other farm credit institutions, we share a critical mission to support rural communities and agriculture with reliable, consistent credit and financial services today and tomorrow.

As a cooperative, Farm Credit profits are used in only two ways, either retained in the institution to build financial strength and support more lending to our customers or returned to our customers via patronage dividends. Annually, our board approves the distribution of cash dividends to customers through our patronage program. Representing 54 percent of our total earnings in 2024, this equated to $414 million returned to eligible customers last year.

While patronage benefits help to effectively reduce the total borrowing costs for our customers, today's producers in the western U.S. are facing down markets across most crops. It is troubling when specialty crops, which are mainly influenced by market demand at home and abroad, are incurring multiple years of loss. The struggle in today's ag economy are serious, and what makes this economic downturn unique is the widespread impact across most commodities. Price declines, higher input costs, shrinking margins, tariff volatility, ag labor, environmental and regulatory pressures, and farm bill uncertainty are impacting not only business viability but also the mental health in rural communities. Farmers and ranchers are managing today's problems under the 2018 Farm Bill solutions, which served agricultural well then but no longer adequately address current challenges. And the longer this takes, the more problems elevate.

One thing that we can control in the current ag environment is advocating for the certainty that a strong farm bill will bring our customers. Important to AgWest producers is the passage of a strong farm bill to advance multiple important tools and programs. Federal crop insurance is a vital risk mitigation tool for our customers. AgWest is committed to serving all producers regardless of size, complexity, or commodities that they grow. Whole Farm Revenue Protection and micro farm policies are successful risk tools for traditional crops like apples in Washington, grapes in California, and nontraditional crops like wasabi and kiwi berries that they grow in Oregon. We are grateful to Congress for their ongoing investment and improvements in this program.

AgWest supports the Producer and Agricultural Credit Enhancement of 2025 (H.R. 1991/S. 899), PACE Act that would modernize FSA loan programs through increased loan limits that reflect current costs of production agriculture. Full details are included in my written testimony in which I share how strong FSA-guaranteed loan programs assist agricultural lenders in providing opportunities, particularly for young and beginning farmers.

The Fishing Industry Credit Enhancement Act of 2025 (H.R. 2518/S. 1217) would allow farm credits to provide commercial fishing-related businesses access to Farm Credit loans, just like other farm businesses do. Reliable credit sources for fishing-related businesses, such as tinder boats or diesel mechanics, in the communities that count on fishing to survive is a much-needed resource.

In my written testimony, I have included additional items for the farm bill that would benefit agriculture and rural communities.

AgWest Farm Credit appreciates the farm and farm-related tax legislation included in the recent budget reconciliation package. Passing a strong farm bill remains a top priority to provide safety, certainty, and much-needed support to our producer-owners in these very uncertain and challenging times.

Thank you for having us today, and I look forward to your questions.

[The prepared statement of Ms. Minick follows:]

Prepared Statement of Mandy Minick, Senior Vice President, Stakeholder Relations, AgWest Farm Credit, Rockford, WA; on Behalf of Farm Credit Council

Chairman Scott, Ranking Member Davids, and Members of the Committee, thank you for convening this hearing today to discuss the importance of the farm bill on lending and credit. My name is Mandy Minick. I hold the position of Senior Vice President—Stakeholder Relations with AgWest Farm Credit, located in Spokane, Washington.

AgWest Farm Credit is a lending cooperative serving the agriculture industry. We offer dependable credit, risk management tools, and business resources to help farmers, ranchers, and rural residents succeed. For more than a century, we have provided financing expertise and support for rural communities located in Alaska, Arizona, Idaho, Montana, Oregon, Washington, and parts of California. As of March 31, 2025, we have provided more than $31.35 billion in loans throughout seven states, where we operate in 59 locations.

AgWest is part of the Farm Credit System, a nationwide network of cooperative lending institutions. Our mission is to support rural communities and agriculture with reliable, consistent credit and financial services today and tomorrow. Together, Farm Credit associations provide approximately 46 percent of commercial agricultural credit.

The Farm Credit System

Farm Credit lenders were assigned a vital mission by Congress a century ago.

Our mission is to ensure rural communities and agriculture have a reliable, consistent source of financing irrespective of cycles in the economy or vagaries of the financial markets. As this Committee has heard, there are numerous challenges facing U.S. agriculture. However, hundreds of thousands of farmers around the country developed a farm operating plan this year knowing that Farm Credit has the financial strength to finance that plan and the strong desire and ability to help them succeed. As margins have tightened for farmers across the country, our mission to serve all of agriculture in good times and bad is especially important.

Although Congress created Farm Credit in 1916, we do not receive any government funding or tax dollars. Instead, Farm Credit reverses the traditional flow of funds by raising money on Wall Street and bringing it back to rural communities.

Like AgWest Farm Credit, all Farm Credit institutions rely on the availability of certain USDA programs to make credit decisions. A customer's ability to purchase crop insurance and the strength of the coverage available is a key factor in determining if and how much credit to extend to a borrower. The Farm Service Agency guarantee and direct lending programs help Farm Credit institutions to work with customers that may have higher risk profiles, particularly young and beginning producers. The availability of the many types of indemnity programs is essential to the survival of farm operations who suffer during natural or other disasters and ensure those borrowers can pay down existing debt and access credit for future years. The many commodity programs, such as ARC and PLC that are administered through USDA provide a level of certainty for the producer and gives lenders assurances that in difficult price environments customers have tools to manage their risk.

Finally, Farm Credit member institution, CoBank, provides significant financing to rural infrastructure providers. Their customers provide water and waste services, electricity, telecommunications, and broadband to rural communities across the country. The USDA Rural [Utilities] Service is not only a partner to CoBank in order to help make electricity costs more affordable for people living in rural America, but their loan guarantee programs are an essential tool for rural utility providers. Their programs help CoBank address the unique credit needs in the hardest to reach places.

As a cooperative, Farm Credit is owned and governed by our borrowers. Nationally, Farm Credit returned over $3 billion in patronage (cash dividends) to our customers, representing 40% of total earnings in 2024. Since 2012, Farm Credit has returned $24 billion in patronage to our customers.

As a Farm Credit institution, the AgWest Farm Credit Board of Directors consists of agriculture producers who are invested in supporting local communities and agriculture. Annually, our board approves the distribution of patronage (cash dividends) to customers through our patronage program, representing 54.4% of our total earnings in 2024. This equated to $414 million returned to borrowers.

The Farm Economy

Farmers operate in a cyclical, unpredictable, and sometimes risky environment. AgWest is proud to be a trusted resource for producers by sustaining and strengthening their operations through these dynamic cycles and supporting a thriving future for agriculture.

AgWest serves a remarkably diverse portfolio, financing hundreds of specialty crops and bulk commodities, with the most significant loan volume last year concentrated in dairy, tree nuts, cattle and livestock, diversified crops, tree fruit, grains, wine, and forest products. We also serve fisheries and aquaculture markets in our coastal regions.

AgWest offers tailored financial products based on the needs of our customers. Our lending programs consist of real estate mortgages, intermediate-term and revolving lines of credit, equipment leasing, crop insurance and appraisal services. This range of products allows AgWest to respond to borrowers' needs and market changes. A strong capital base is critical in our ability to provide steady lending capacity during this cyclical downturn.

The current agricultural economy is encountering substantial challenges affecting numerous commodities. It is unusual to observe such widespread economic pressures simultaneously influencing multiple sectors within agriculture. In nearly all areas, farmers are grappling with price declines, rising input costs, shrinking margins, and financial strain.

Additionally, trade policy and tariff volatility, labor shortages, environmental and climate pressures and uncertainty surrounding the farm bill are exacerbating these issues.

Specialty Crops

USDA defines specialty crops as "fruits and vegetables, tree nuts, dried fruits, horticulture, and nursery crops (including floriculture)." This includes many items you might find on your dinner table. Specialty crop growers encounter challenges not faced by bulk commodity producers. These crops have shorter harvest periods, are vulnerable to weather and pests, often require manual harvesting, and must be quickly delivered to market due to their perishability. It is not uncommon for tomatoes harvested in the morning to be canned in the afternoon. Cherries are often harvested in the field, meticulously washed, and sorted, then immediately cold packaged for export, and shipped by air freight to foreign markets on the same day. Market availability, trade restrictions, and shipping container access are critical for fresh, perishable products. Labor shortages in any part of the supply chain, delays in shipping, or issues with customs can significantly reduce marketability.

The health of the specialty crop economy depends on product type and is mainly influenced by market demand at home and abroad. Export markets are crucial. Shifting trade dynamics have created uncertainty. Drought and extreme weather continue to challenge growers in all the states that we serve. Additionally, increased expenses related to labor, energy, transportation, compliance with new regulations, litigation and water are substantial factors. These numerous headwinds, along with other barriers to entering agriculture, continue to contribute to the increasing number of farm consolidations.

AgWest Commodity Overview

At the end of 2024, almond producers were slightly unprofitable yet remained hopeful that conditions would improve during 2025. Recently, pricing has increased as demand has improved. Pistachio producers ended 2024 slightly profitable. With minimal inventory carry-over from 2024 and strong demand, prices should continue to support profitability. Pistachio trees are alternate bearing, suggesting that 2025 crop will be larger than 2024, which may reduce pricing for the 2025–26 marketing season.

Conventional apple prices are holding flat, while input costs and water allocations are ongoing concerns. Organic apples (13% of the total supply) are maintaining stronger pricing. California leads the nation in citrus production, yet growers have reported escalating input costs (fuel, fertilizer, labor), increased regulatory burden and rising packaging and marketing expenses. Lemon markets remain weak, and production capacity is likely to exceed demand over the next year. According to a recent report by California Citrus Mutual, the average cost to grow navel oranges in the state has risen by 28% over the past five years. Reduction in tree fruit imports may help domestic prices; however, the benefits may not be enough to offset the current challenges.

Falling wine demand, excess inventory and production capacity are pressuring prices and margin. Declining export demands may further challenge this industry.

Ending in 2024, wood product mills were slightly profitable, a trend expected to continue in 2025. The industry is reliant on the growth of the housing market to increase demand for wood products. Potential tariffs on imported lumber may also support prices.

Regional topography and unique climates across the states AgWest serves makes the production of specialty crops possible—and nowhere is that more evident than in California. The state produces more than 400 commodities and represents over a third of the country's vegetables and over ¾ of the country's fruit and nut production. Like the rest of the nation, California producers have experienced substantial increases in expenses. Exacerbating these rising costs is continual implementation of new regulations. In a recent study, California Polytechnic University, San Luis Obispo professors Dr. Lynn Hamilton and Dr. Michael McCullough report that growers have experienced a 1,366% increase in costs solely to comply with regulations in 2024 when compared to 2006. This environment has produced extreme barriers to entry and agricultural sustainability, impacting producers in the state and potentially threatening our nation's food supply.

While not specialty crops, substantial volume of beef and dairy products are produced in the western United States. The livestock industry is navigating a complex but cautiously optimistic landscape shaped by evolving market dynamics, regulatory pressures, and strategic outreach efforts. According to USDA, beef production is projected to rise in 2025, buoyed by heavier slaughter weights and increased cattle placements. However, the overall cattle herd remains historically tight, keeping prices firm.

Dairy margins have improved over the past year due to expanded processing capacity, stronger milk prices and lower feed costs, but Federal reforms to milk pricing formulas are likely to hurt prices received by Western dairies. Challenges loom for producers as strong beef prices have reduced availability of replacement dairy heifers.

Input Costs

Headwinds in this current environment for producers include input costs. We are seeing crop input costs rise with ocean freight and fertilizer pricing. Container rates started to accelerate in the first week of June. Companies are once again front-loading goods to the U.S. in anticipation of higher tariffs in July and August. A rapid increase in import volumes could lead to temporary port congestion and trucking/rail bottlenecks over the next month or two.

Fertilizer prices rose across the board over the last month due to increased demand from spring applications and global supply constraints. It remains unclear as to how much urea China plans to export in 2025, though the consensus is that it will keep shipments well below average.

Specialty Crop Challenges

Price declines, rising input costs and shrinking margins, credit access and financial strain, trade policy and tariff volatility, labor shortages, environmental and climate pressures and farm bill uncertainty are impacting not only business viability but also mental health in rural communities. Farmers and ranchers are managing today's problems under the 2018 Farm Bill solutions, which served agriculture well then, but no longer adequately addresses current challenges. We need a new farm bill to help mitigate these rising challenges.

The struggles in today's agricultural economy are serious. Unique to this downturn is the widespread impact across most commodities AgWest serves. Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs offer price support for 22 covered commodities. The recently enacted improvements to these programs will greatly help our grain producers, but our specialty crop growers do not have access to these programs.

Serving Young and Beginning Producers

Congress assigned Farm Credit a mission to serve all sectors of agriculture, and we fulfill that mission every day. From the largest producers to the more specialized local producers, Farm Credit offers a wide range of loan products to support specific needs across all 50 states and Puerto Rico.

Congress also directs Farm Credit specifically to serve the needs of young and beginning farmers and ranchers. In 2024, Farm Credit made just over 129,000 loans to YBS producers which is about 57% of the total of new Farm Credit loans made during the year. The chart below details Farm Credit loans made last year to Young, Beginning, and Small producers.

[Note: The numbers above cannot be combined. A single loan to a 25 year old rancher in her third year of ranching with annual sales of $100,000 could be counted in the young, beginning, and small categories. We report this way for two reasons: our regulator requires it and, more importantly, it is the most accurate portrayal of who we serve.]

With this mission as our focus, AgWest has developed a unique and robust program focused exclusively on serving young, beginning and small producers grow and sustain their operation. With the average age of U.S. farmers just over 58, there is a need to develop the next generation of producers to ensure the sustainability and viability of the agriculture industry for years to come.

The AgWest AgVision program offers qualified producers loan options with modified underwriting guidelines, preferred interest rates, fee waivers, FSA guarantee fee coverage and financial incentives for producers to further their education and invest in their operation. AgWest also supports these producers with in-depth financial and business training opportunities to help them grow and refine their business management skills.

Eligible participants in this program are 35 years old or younger, have farmed for 10 years or less or generate under $350,000 in annual gross agricultural income. AgWest has offered the AgVision loan products and programs for over 25 years, during which time we have seen many producers develop their farming, ranching, and aquatic production operations into viable businesses. These operations have grown to be both successful and sustainable, reflecting the effectiveness of the program's approach.

Tighter financial conditions in the broader economy have impacted businesses and consumers. Borrowing costs and stricter credit standards may increase barriers to obtaining credit. This is especially problematic for new producers.

FSA Lending Programs

AgWest supports and participates in Farm Service Agency lending programs, including guaranteed loans and direct lending, to serve producers. We use joint financing structures that combine FSA and AgWest programs for greater support, particularly for our AgVision customers.

We support the Producer and Agricultural Credit Enhancement (PACE) Act to modernize Farm Service Agency loan programs, including increased loan limits that reflect current costs of production agriculture. A strong FSA Guaranteed Loan Program assist agriculture lenders in working with farmers and ranchers dealing with these challenges and provides opportunities for young and beginning farmers and ranchers.

Farmland values and input costs have soared in recent years, making it more expensive for farmers and ranchers to finance land and their agricultural operations. FSA-guaranteed loan limits must keep pace with the increased costs of production agriculture.

Crop Insurance

Federal crop insurance is a vital tool in stabilizing access to credit, sustaining farming communities and protecting the nation's food supply, making it a sound investment for taxpayers. The Federal Crop Insurance Program works as intended by Congress when coverage is available and purchased. Crop insurance allows producers to customize risk mitigation plans that protect our national food supply from unforeseen disasters. Federal crop insurance is a cost-share investment between taxpayers and producers, and as such, farmers and ranchers pay premiums. In contrast, *ad hoc* disaster relief programs are 100% funded by taxpayers, unpredictable and subject to political gridlock.

Recent *ad hoc* disaster programs have delivered billions in relief, but their *ad hoc* nature creates uncertainty, distribution delays and often gives very little consideration to specialty crops. Ad hoc disaster relief programs are most effective when complementing structured crop insurance plans and should not be used to substitute for producers properly planning to mitigate impacts of a disaster. For maximum success, *ad hoc* disaster programs must be anchored in crop insurance and support program distribution to include specialty crop producers.

America Needs a Strong Farm Bill

We appreciate the efforts in both chambers of Congress throughout the Budget Reconciliation process that have led to key reforms in crop insurance and agriculture policy. Further improvements need to address coverage gaps for underserved and uninsurable commodities. Passing a strong farm bill this year would give America's farmers and ranchers much needed stability and prioritize farmers in the bill.

Farmers and ranchers need a new farm bill to help mitigate unprecedented challenges in a difficult economic environment. Farm Credit encourages Congress to pass a strong, five year farm bill, and we have highlighted several of our priorities in this testimony.

In addition to the PACE Act, we also encourage Congress to support rural communities and agriculture by:

> Allowing U.S. commercial fishing related businesses to access Farm Credit—just as related farm businesses do—to support the industry, as proposed in the Fishing Industry Credit Enhancement Act (S. 1217/H.R. 2518);
>
> Authorizing Farm Credit institutions to voluntarily collect customer demographic data with the Farm Credit Administration as their primary regulator, as outlined in H.R. 1063, the Farm Credit Administration Independent Authority Act;
>
> Enhancing the development of essential rural community facilities—including hospitals, rural clinics, and skilled nursing facilities—by clarifying the authority of Farm Credit institutions to finance such projects and promoting collaborative partnerships with community banks, as demonstrated by H.R. 1246, the Investing in Rural America Act;
>
> Allowing more time between examinations for low-risk institutions, like the 118th Congress's H.R. 6564, the Farm Credit Adjustment Act;
>
> Modestly increasing Farm Credit's rural home lending population limit, like the 118th Congress's S. 3497, the FARM Home Loans Act;
>
> Expanding access for rural businesses to equity capital investment by eliminating unnecessary restrictions on Rural Business Investment Companies (RBIC) and allowing RBICs to access Federal leverage funding, similar to how small business investment companies operate;
>
> Improving the transparency and safety and soundness of the Federal Agricultural Mortgage Company (Farmer Mac) by requiring the company to obtain and maintain public ratings on its debt securities.

Thank you very much, Chairman Scott and Ranking Member Davids, for allowing me to testify today. Farm Credit is committed to fulfilling the mission Congress charged us with 109 years ago, and we look forward to working with you as you reauthorize the farm bill.

The CHAIRMAN. Perfect. Mr. Gilbert, please begin when you are ready. Thank you, ma'am.

STATEMENT OF BRIAN GILBERT, SENIOR VICE PRESIDENT, AG BANKING MANAGER, FIRST NATIONAL BANK IN SIOUX FALLS; MEMBER, RURAL AMERICA AND AGRICULTURE COMMITTEE, INDEPENDENT COMMUNITY BANKERS OF AMERICA, SIOUX FALLS, SD

Mr. GILBERT. Chairman Scott, Ranking Member Davids, and Subcommittee Members, thank you for the opportunity to discuss financing farms. I am Brian Gilbert, Senior VP and Ag Banking Manager at the First National Bank in Sioux Falls, representing Independent Community Bankers of America. I own and operate a family farm that raises cow-calf pairs, finishes approximately 750 head of cattle each year, and I also raise corn and soybeans.

Our nation's more than 4,000 community banks make nearly 80 percent of all ag loans made by commercial banks, or $151 billion. Community banks have deep roots in their communities. More than 1,000 banks are more than 100 years old and have survived the Great Depression, the Great Recession, and are still standing by their customers through good times and bad. Community banks are relationship lenders that fund local loans with local deposits.

First National Bank in Sioux Falls started 140 years ago in 1885. We are a $2 billion bank heavily involved in ag lending and risk management with a bank-owned crop insurance agency. Several of our bank's one dozen ag lenders own family farms. We want to help producers buy that next parcel of ground, add to their herd, or figure out how to make their operations more efficient and productive. As a farmer myself, I can attest that agriculture can often be difficult and have great uncertainty due to extreme fluctuations in prices, weather, markets, diseases.

Our bank works with farmers to prepare them for a wide variety of challenges. We look at whether producers can cash-flow, and crop insurance is a very important tool. We have an insurance agency called First Ag Risk Management, or FARM. Due to the unpredictable weather, financial risks are always present. Drought, hail, floods, and other weather events put farmers and ranchers and their crops and livestock in danger. Crop insurance enables producers to repay bank loans and qualify for credit. Crop insurance fits into the bigger system of inputs, marketing, risk mitigation. Our FARM agency solutions help producers build a customized risk management plan.

USDA's Livestock Risk Protection Program is also quite important, and we have many producers that utilize that program.

We offer education through our Farmers and Bankers Program. Topics include farm financials, crop insurance, marketing, trust and estate planning, and taxes. Having strong marketing skills can generate profits.

USDA loan guarantees allow banks to work with borrowers who cannot qualify for conventional credit or who are beginning farmers. A USDA express loan program requiring USDA to approve guaranteed loan applications within a couple days in exchange for a lower guarantee amount for loans up to $1 million is needed.

SBA's Express Loan program works well. To have real impact, the USDA Express concept should apply to standard and certified lenders.

We appreciate the Committee's higher USDA guaranteed farm loan limits: $3.5 million for ag real estate loans, and $3 million for guaranteed operating loans are necessary given today's land values and production costs. I purchased my first farm ground, 240 acres, with USDA's down payment loan program. It is a great program for a beginning farmer.

The Farm Credit System has major proposals that would fuel tens of billions of dollars or more in new non-farm financing for the FCS at the expense of taxpaying community banks. As a government-sponsored enterprise, FCS' effective tax rate in 2024 was only 2 percent, far below what community banks pay. The FCS' essential community facility proposal to finance schools, fire stations, health clinics, *et cetera,* without regulators' pre-approval considerably broadens their scope. FCS should at most be a supplemental source of credit once the private sector lenders have committed to providing the majority of funds. FCS proposes expanding housing loans in towns of 10,000, a 300 percent increase. Seventy-five percent of all towns are below or at 5,000 population. The Farm Credit Act should be tightened to limit FCS deposit-taking activities, which is draining community banks of deposits.

In conclusion, we appreciate the Committee's work, and we thank Congress for the $10 billion in economic loss payments, $20 billion in disaster aid, and higher reference prices and continued crop insurance protections. We appreciate the inclusion of the ACRE Act in H.R. 1 but encourage the 25 percent tax exemption to be raised to 100 percent. Thank you.

[The prepared statement of Mr. Gilbert follows:]

PREPARED STATEMENT OF BRIAN GILBERT, SENIOR VICE PRESIDENT, AG BANKING MANAGER, FIRST NATIONAL BANK IN SIOUX FALLS; MEMBER, RURAL AMERICA AND AGRICULTURE COMMITTEE, INDEPENDENT COMMUNITY BANKERS OF AMERICA, SIOUX FALLS, SD

Introduction

Chairmen Scott, Vice Chair Rou[z]er, Ranking Member Davids and Members of the Subcommittee:

Thank you for the opportunity to appear before you today and share my views on *Financing Farm Operations: The Importance of Credit and Risk Management.*

I am Brian Gilbert, Senior Vice President and Agriculture Banking Manager of the first National Bank in Sioux Falls, S.D. I am here today representing the Independent Community Bankers of America (ICBA) and I serve on ICBA's Rural America and Agriculture Committee.

I also am an operator of a family farm. Our farm runs a significant cow/calf operation. I finish about 500–750 head of cattle per year in South Dakota and Nebraska. Additionally, I own 300 cows personally and another 900 cows in a partnership. I am pleased to serve on the Board of Directors of the South Dakota Cattlemen's Foundation. The South Dakota Cattlemen's Foundation facilitates the generosity of the beef industry to educate and build trust with the state's consumers, ensuring the industry's long-term viability and provides educational opportunities to develop future leaders in our industry. I also own several hundred acres of crop land producing corn and soybeans.

In addition to operating a family farm, for the past 20 years I have worked as an ag banker at the First National Bank in Sioux Falls. First National is a $2 billion asset bank heavily involved in agricultural lending and risk management with a bank-owned crop insurance agency.

Commitment to Farmers and Ranchers

As SVP/Agriculture Banking Manager, I work with over a dozen ag lending specialists. Several of our lenders are also involved in their own family farms. Our Ag Bankers are ready to help producers buy that next parcel of land, add to their herd, or figure out how to make their operations smarter, more efficient, and more productive. When producers grow with us, they have a partner who will weather the ups and downs with them.

Our ag banking staff takes pride in helping farmers achieve their financial goals and we understand the importance of keeping the family farm's legacy strong through both calm times as well as challenging times. Our ag lender team members are industry leaders and experts that understand family farm ownership and the cyclical nature of agriculture.

Before commenting further on the role that First National Bank plays in meeting the needs of our farm and ranch customers, I'd like to briefly mention the role that community banks serve in meeting the needs of America's agricultural sector.

Community Banks Service to Farmers and Ranchers

Community Banks with under $10 billion in assets make approximately 78 percent of all agricultural loans made by commercial banks. This amounts to $150.7 billion of the $193 billion in ag loans from the commercial banking sector.[1]

There are over 4,000 community banks in this country with 45,000 locations. Community banks have deep roots in the communities they serve, often for many generations. More than 1,000 community banks are more than 100 years old and have survived the Great Depression, the Great Recession, and numerous other systemic shocks, standing by their customers in catastrophic times and good times. Others are *de novo* or new bank charters, that are poised for growth. When Congress considers adopting new legislation, it is important to ensure these policies do not disadvantage community banks by granting non-bank competitors who have favorable tax and regulatory policies competitive advantages over community banks.

In community banks, local deposits are reinvested back into local credit needs, not exported to distant markets. Community banks often serve communities overlooked by larger, out-of-market lenders. In one in three counties, community banks are the only on-the-ground banking option.

These points have been affirmed by the Federal Reserve Bank of Kansas City which stated, "Community banks are often known as 'relationship bankers.' Community banks serve businesses and consumers throughout the country, in both rural and urban areas, and are leading providers of credit to small businesses, often with strong relationships in their communities. At the core, community banks primarily rely on relationship lending, funding local loans with local deposits."[2]

The Kansas City Fed added that community banks "can offer personalized service and maintain greater connection to their customers. Community bankers are able to develop relationships, understand the needs of customers, and maintain vast knowledge of their local market. Community banks are typically locally owned and managed and are staffed by individuals that live in the communities they serve. This contributes to the health of the local economy through employment and provides close connections and understanding of community needs. In serving local markets, community banks have a heavily vested interest in the success of their communities. Given a primary purpose of a community bank is to serve the credit needs of the community, these activities facilitate the growth and prosperity of local businesses."[3]

Unlike other institutions, community banks take the time and care to customize products and services based on the unique needs of our customers. Commoditized products are poor fit for many rural communities.

First National Bank in Sioux Falls Serves Farmers and Ranchers

The First National Bank in Sioux Falls began its long-term commitment to the Sioux Falls area in 1885. The oldest bank founded in Sioux Falls owes its longevity to a combination of service, stability, innovation, and family involvement.

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[1] *How the Composition of U.S. Commercial Banks Participating in Agricultural Lending has Changed Since 2007,* FARMDOC DAILY, June 14, 2024, *Table 2.*

[2] *The Critical Role of Community Banks,* Federal Reserve Bank of Kansas City. August 2024, *https://www.kansascityfed.org/banking/community-banking-bulletins/the-critical-role-of-community-banks/.*

[3] *Ibid.*

For 140 years, The First National Bank in Sioux Falls has worked diligently to promote the growth and vitality of our city and the surrounding area. The Bank strives to continually be recognized as a community leader by reinvesting financial resources back into the communities it serves and encouraging active employee involvement in community volunteer organizations.

The First National Bank in Sioux Falls retains its 140 year commitment to be the principal locally owned, independent community bank in Sioux Falls and the communities it serves in the upper Midwest.

As a farmer myself, I can attest that agriculture can often be difficult and have great uncertainty due to the extreme fluctuations in prices, weather, domestic and foreign markets and disease outbreaks to name a few challenges. Our bank works with our farm customers to prepare them for a wide variety of challenges to ensure they will have viable farming operations well into the future. We look at several criteria to help farmers qualify as credit worthy.

Can the Producer Cash-Flow? First, we want to ensure that producers can cash-flow to see if their income will cover their expenses. If not, we may need to work with producers to restructure their operations or their loan. This could include selling some assets, extending loan terms and similar steps. We also want to see if the producer has positive working capital.

Over the past several years many crop producers have faced lower prices and higher production costs for items like seed, fuel, and fertilizer. This has led to many producers losing money each year on their operations. Community banks have tried to work with many of these producers. Some producers have decided to retire as a way to maintain their equity and prevent higher debt loads.

The $10 billion in economic loss payments Congress passed in December was a lifeline for many farmers. The higher reference prices ranging from 10–20 percent increases will also be beneficial to the financial condition of many producers and will enhance their credit worthiness. However, some lenders will tell you that producers could use additional economic assistance this year.

If producers have very thin profit margins and do not qualify for standard bank loans, we may turn to USDA's guaranteed loan programs. First National Bank is a preferred lender, which allows us to get quicker loan approvals. I have made several recommendations on USDA guaranteed loans below.

Does the Producer Have Crop Insurance or Livestock Insurance? One of the most important tools lenders use to help producers is crop insurance. First National has an insurance agency to assist producers called First Ag Risk Management or FARM.

Due to the unpredictable weather in the Midwest, financial risks are always present in ag production. Drought, tornadoes, hail, and everything in between put farmers and ranchers and their crops and livestock in danger, often without advance notice. Having this protection better enables producers to repay their bank loans and enhances their ability to qualify for credit going forward.

Lenders across the nation and their farm and ranch customers greatly appreciate Congress providing up to $20 billion as part of the American Relief Act of 2025 to assist producers who suffered from severe natural disasters in 2023 and 2024.

To keep farmers protected and prevent immense financial loss in their operations due to circumstances beyond their control, First Ag Risk Management offers a variety of crop insurance and risk management services for producers.

One lesson we've learned is that crop insurance shouldn't be a one-size-fits-all or nuisance expense. It should be a custom-tailored solution that provides each producer with exactly what they need, and it should come from specialists who are producers themselves, who understand the coverage levels and who know the right questions to ask, which is what our FARM agency is all about.

For livestock producers, the Livestock Risk Protection program offered by USDA is quite important, although there'll be a number of changes as we move from 2025 into 2026. Producers will need to keep up with the evolution of the LRP program.

Now more than ever, a sound risk management plan will be key to maintaining profitability should margins become compressed. There are many ways to manage risk through futures, options, and the Livestock Risk Protection program.

Our experts understand how crop insurance fits into a bigger system of inputs, marketing, and risk mitigation for producers' bottom line. Why? Because we're producers too. Our FARM solutions help producers build a customized risk management plan that's optimized for their operation's goals and needs.

Nationally, the Federal Crop Insurance Program (FCIP) covers approximately 540,000 acres with producers holding 2.3 million policies. Approximately ½ of this total is for forage crops, which have low indemnity rates. Keep in mind that farmers and ranchers pay 35–40 percent of the cost of premiums for their crop insurance protection.

Farmers ['N] Bankers Education

As the ag industry continues to change and develop, it's important for South Dakota family farms to grow and adapt their operations accordingly. Through our Farmers 'N Bankers program, we bring together area producers for interactive sessions, excursions, and leadership experiences that will give them the additional tools they need to succeed while preparing them to meet today's challenges while ensuring they'll one day be able to pass their operation on to the next generation.

This program offers producers sessions throughout the year. For example, we all know that death and taxes are two guarantees in life, and planning for these events can be easy to move down the "To Do" list. Because of this, we give participants the opportunity to hear from industry professionals on why these topics are important and what can be done to simplify the process.

During the "Farmers 'N Bankers" sessions throughout the year, we discuss topics in key areas to strengthen producers financial and risk management skills. These include:

- Financials
- Crop insurance
- Marketing
- Trust and estate settlement
- Taxes

We also give producers the opportunity to tour local ag-related businesses and learn more about how they operate.

I mentioned the importance of producers having sound financials and enrolling in adequate crop insurance programs. In addition, having strong marketing skills can enable a producer to have a profitable year whereas their neighbors with similar operations but without good marketing skills may encounter losses. The education and skills that successful producers need in the current farm economy are multifaceted and a lifelong learning experience.

USDA Guaranteed Loan Programs

USDA loan guarantees allow banks to work with borrowers who cannot qualify for conventional credit. As mentioned above, our bank is a preferred lender, allowing us to get quicker loan approvals. However, not all banks can qualify for this status due to insufficient demand or other factors.

Express Loan Program. Lenders who do not have the preferred status can face significant delays in their loan approval times. Some loan applications face considerable delays of 30 to 60 days or more. This can be a long time for producers to wait on their financing during critical junctures of the production cycle.

ICBA has proposed a USDA Express loan program to require USDA to approve guaranteed loan applications within a couple of days in exchange for a lower guarantee of 50–75 percent for loans up to $1 million. The SBA's Express loan program has worked well as applicants quickly obtaining financing. The language in the 2024 Farm Bill version from the House Agriculture Committee is a good first step but only applies to preferred lenders, which basically adopts current USDA procedures. With banks taking much more risk due to the lower guarantee, there is little risk in extending the Express program to certified and standard lender categories.

USDA needs some accountability on this issue. The language could have benchmarks that USDA should meet during the life of the farm bill as they work to improve application approval timeframes. Under the Express loan program, lenders are shouldering a much greater level of risk due to the lower guarantee level. The program should also reduce USDA staff hours since banks will determine eligibility and do the underwriting on these loans, which they will need to do in order to minimize the bank's losses. We can provide the Committee with recommended legislative changes.

Increase Loan Limits. The House Agriculture Committee's farm bill language setting higher guaranteed loan limits at $3.5 million for agricultural real estate loans and $3.0 million for guaranteed operating loans is quite necessary given the rise in land values in recent years. Cropland values now average $4,000 per acre. However, cropland in several states are three to five times that number.

Converting Guaranteed Loans to Direct Loans. This provision should have tight limitations to ensure that the USDA doesn't end up competing with private sector lenders on good quality loans. Limitations should include only allowing conversions when the guaranteed loan is in foreclosure or bankruptcy.

Streamlining USDA Guaranteed Loan Applications. USDA's guaranteed loan applications should be streamlined similarly to how direct loan applications were streamlined by USDA.

USDA guaranteed farm loans are an important backstop for many producers especially when times are tough in agriculture. Guaranteed loans can also be used to help beginning farmers get started. For example, I used the USDA's Down Payment loan program in which producers put down five percent of the loan, USDA provides up to 45 percent and a commercial lender provides the remainder of the funding. Commercial lenders can receive a 95 percent guarantee of the loan. I used the program to purchase my first farm ground, buying 240 acres of farmland. I subsequently purchased the adjacent 80 acres using a traditional community bank loan. This was a great loan to have available when I was getting my farm started.

We need to ensure the USDA guaranteed loan programs are efficient, with streamlined applications and adequate USDA staff levels and quicker approval times. We appreciate the work of the Committee and Members of Congress in helping improve these programs and look forward to working with you.

Farmer Mac Proposals

Farmer Mac, the secondary market for ag real estate loans, has proposed four additional solutions for the farm bill which we support. For example, allowing Farmer Mac to purchase all types of USDA guaranteed loans, including loans from programs established outside of the *Consolidated Farm and Rural Development Act of 1971* (Con Act), would provide additional liquidity to all lenders in rural America. Allowing Farmer Mac to purchase infrastructure loans from lenders that are not cooperatives would also be helpful in supplying more capital and liquidity to the marketplace.

Block the FCS's Expanded Powers Push

The Farm Credit System (FCS) apparently intends to use the new farm bill as their own Christmas tree arrayed in the ornaments of many new powers for non-farm lending purposes. They have presented to Congress a half dozen major expansion and regulatory proposals. As is the case whenever the farm credit system proposes expansive new powers, they are couched in the terminology of "technical corrections or minor adjustments," and "ways to assist their borrowers." In reality, these proposals if granted could provide the FCS with tens of billions of dollars, or more, of new lending authority with the worst part being almost all of it coming at the expense of tax paying community banks.

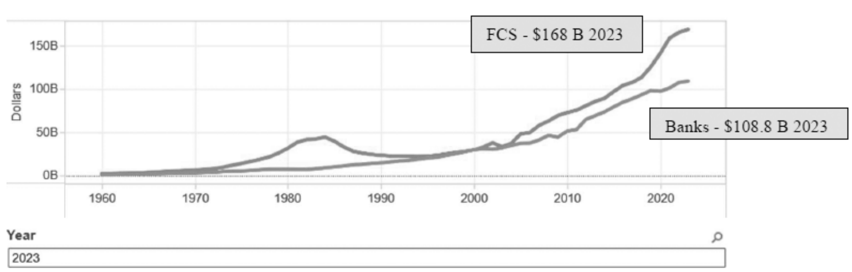
The FCS is a **government sponsored enterprise** or GSE and therefore has tremendous tax and funding advantages, and other benefits not afforded to the private-sector. Traditionally, the purpose of GSE's is to fill gaps in specific credit markets or compliment private-sector lending, as is the case with Fannie Mae and Freddie Mac. But the FCS competes directly with private sector tax paying community banks which is why Congress limited FCS's lending authorities.

The FCS pays no taxes on interest income from real estate loans. FCS lenders also do not pay taxes on their retained earnings, which they use to grow their business. The FCS utilizes their tax advantages to under-price loans in local markets. This ultimately drives out private sector lenders like community banks from many markets and market segments. How can this be a good recipe for serving the credit needs of rural America? It's not. These proposals are simply a way to grant FCS more and more latitude to take away loans from the private sector.

It is clear what happens when the FCS is allowed broad entry into specific credit markets. The chart below shows that while the FCS and banks had roughly the same amount of ag real estate loans as recently as 2003, the FCS now has $40 billion more in ag real estate loans than banks.

The FCS, quite frankly, raids the best customers of community banks by offering below market pricing, pricing that is below any other private-sector lender in the local area.

Real Estate Debt by Lender, 1960 to 2023



Many Members of Congress recognized that offering banks a reduced tax rate on their interest income on ag real estate loans would help banks' farm and ranch customers. This is why the OBBB included the ACRE legislation (S. 838/H.R. 1822), although the tax exemption was limited to 25 percent. The 25 percent tax reduction on interest income will help producers, particularly less credit worthy producers, qualify for credit and thus remain viable in their operations. However, it is not a full 100 percent exemption which the FCS enjoys, and we urge Congress to further increase the exemption under ACRE for the benefit of producers.

These FCS proposals, such as the 'essential community facilities' (ECF) proposals, or the proposal to allow FCS to own up to 75 percent of a Rural Business Investment Corporation (RBIC) involved in FCS ineligible activities for equity investments, are not tailored to filling credit gaps. In the case of RBICs, what would prevent FCS from using RBICs to engage in non-farm business lending all across rural America? While the RBICs may have a few banks as partners, they would be able to take away financing that is **already being provided** by community banks and other lenders.

Key Question on FCS Expansion Proposals—A question that applies to each of the expanded powers proposals the FCS seeks is what prevents the FCS from using their tax advantages to take away loans ***that are already being made*** by tax-paying, private-sector lenders? Such FCS expansion would not be "cost free." In addition to siphoning away the best loans from community bank portfolios, these expansions will siphon away enormous sums of revenue from states and local governments, forcing them to increase taxes to maintain services.

Analyzing FCS's Essential Community Facilities (ECF) Proposal—For example, we analyze the FCS proposal to finance ECFs.

1. **Need for Blocking and Limiting FCS Authorities**—FCS seeks non-farm financing of "essential community facilities" without the current case-by-case approval of their regulator, the Farm Credit Administration (FCA). The FCS's proposal does not define "essential community facilities" other than referencing the Con Act. The Con Act allows financing of essential community facilities that serve rural businesses and other rural residents. This language should prohibit FCS from financing rural businesses and the general public.
2. FCS's description of these loans as being health care related is misleading as the "*etc.*" and "and more" used in their descriptions means many other types of loan could be made. If 'health care' facilities are the intended focus, limit the authority to just health care facilities.
3. **Questions that Need to be Asked**—Would restaurants, grocery stores, accounting firms, lawyers offices, funeral homes, car dealers, "*etc.*" and "and more" be eligible?
4. The text in last year's farm bill requires FCS to offer the loan as a participation with a community bank first, a step in the right direction, although we have additional concerns. Due to FCS's tax advantages, they can offer rates significantly below community banks' rates and could forego community bank involvement using the justification the bank's loan rate, which would be higher than the FCS's loan rate, is not "at terms acceptable to the customer," since the customer will only want the FCS's lower rate. To be workable, any such proposal needs to be based on a blended rate offered to the customer. Also, does "an offer" mean the FCS loan officer quickly phones the bank loan officer and before moving on to a large national lender?
5. As a GSE, FCS institutions should not be the driving force for ECF financing. FCS should be restricted to being a **supplemental** lender when additional credit is needed and once private sector lenders have committed to a majority of the financing. This would ensure private sector financing to the maximum extent.
6. **No Accounting for FCS's Minimal Tax Rate**—Will FCS be required to pay taxes on interest income from loans made under this authority like all other lenders? If not, why not? Community banks would not be able to compete on these deals due to the tax-exempt lending status of the FCS, which had **only a 2.0 percent effective tax rate** in 2024. FCS could undercut community banks on these loans.
7. **What Proof Exists that FCS Needs These Authorities?** Community banks, either individually or jointly through loan participations, already finance essential community facilities. FCS points to a 'study' showing a need of $89 billion in rural America, but this 'study' has no substantive data disclosed. Did the FCS fund the study?

8. **Removes the FCA from Close FCS Oversight, Increasing Risks**—FCA's pre-approval review of FCS investments for this broad category of lending would be eliminated. FCA's pre-approval was designed to ensure a modicum of rationale for an FCS entity to engage in this type of **non-farm** financing. By removing the regulator's oversight with case-by-case approvals of such loans, this proposal raises FCS's safety and soundness risks and opens the floodgates for non-farm lending. FCS would grant **themselves** the ability, with no regulatory pre-approval, to determine who qualifies for these loans.

Congress should reject these proposals and have substantive hearings to reform and refocus the FCS. We are happy to continue to make available our full set of concerns on all of the FCS's proposals: ECFs; RBICs; residential mortgages; businesses serving aquaculture; *etc.*

FCS's Deposit Equivalent Accounts

While the FCS and their regulator, the Farm Credit Administration (FCA), claims the FCS does not take deposits, this is a dubious line given FCS's ongoing collection of uninsured deposits. FCS institutions, for example, operate 'Funds Held Account' programs (aka, "advanced payment accounts" or "future prepayment accounts") which allow deposits from customers equal to the amount of a loan a borrower has. FCS promotes these accounts as:

- Paying interest up to the amount of the loan rate.
- Offering unlimited number of withdrawals.
- Allowing disbursements to pay down the loan or "for other purposes."
- Providing gains that are not taxed at the state or local level.

In essence, FCS institutions are operating like banks that collect deposits that, although 'uninsured,' are backed by a **government sponsored enterprise.** These "FCS banks" offer cash management services that compete with the cash management services offered by community banks. My bank, for example, has lost **over $25 million** of deposits to these programs.

If the FCS were to obtain the significantly expanded powers they seek, we conclude that FCS institutions would offer "funds held" deposit-like accounts to essential community facilities, small businesses financed by RBICs, businesses that serve aquaculture and others. This could cause major damage to the deposit base of community banks. The relevant section (Sec. 4.37. Application of Uninsured Accounts) of the Farm Credit Act is loosely worded, allowing inappropriately broad latitude to the FCA to write the regulations to allow these accounts far beyond the use of farmers and ranchers. We urge the Committee to limit the use of these accounts and to ensure they apply only to farm and ranch accounts. Siphoning deposits out of community banks was not ever the intention of Congress in creating the FCS.

Scope and Eligibility Issues

The FCA allows loans for non-eligible purposes inconsistent with the Farm Credit Act. For example, although the statute states that FCS lenders may finance rural housing, this is required to be only in towns of up to 2,500 population. Yet, the FCA will allow FCS to finance a home anywhere, even in towns of 20,000 population or more, if the owner of the home is a "producer." Under FCA definitions, a producer is anyone who is or is expecting to be involved in agriculture in the future. Likewise, the FCA will allow FCS to finance a business in a non-rural area if the FCS can claim that ***one*** of the owners of the business is a 'producer.'

It's easy to understand how such lax oversight of FCS activities can lead to tremendous abuse of their authorities. Should community banks and the public trust how any new powers will be administered by the FCA? Not without reforms to the Farm Credit Act to prevent the FCS from sidestepping the intent and purposes of the statute by playing definitional games. The farm bill should tighten eligibility for financing non-farm purposes.

Conclusion—Need for a New and Improved Farm Bill

We appreciate the Committee's work on a new farm bill. Let's be sure we get the details in the "skinny farm bill" right. We urge the Committee to adopt the recommendations regarding USDA loan programs and Farmer Mac and we urge you to deny the FCS's expanded powers push or provide limitations to ensure the FCS fulfills the traditional role of a GSE as a **supplemental** source of credit to private sector lenders while keeping their focus on their mission of serving farmers and ranchers. To ensure adequate credit for rural America, it is important to ensure the FCS not be allowed to muscle community banks off of main street USA. Thank you.

The CHAIRMAN. Thank you, Mr. Gilbert.

Mr. Wicks, please begin.

STATEMENT OF JOHN R. WICKS, OWNER/OPERATOR, TIBER RIDGE INC.; PRESIDENT, LIBERTY/TOOLE LOCAL FARMERS UNION, LEDGER, MT; ON BEHALF OF NATIONAL FARMERS UNION

Mr. WICKS. Thank you, Chairman Scott and Ranking Member Davids, for your invitation to testify today. My name is John Wicks, and I am a fourth-generation farmer in Montana. I am a Farmers Union member, and I serve as President of the Liberty/Toole Local Farmers Union.

I grew up on a dry land farm and have been running our family farm since 2007. I was attending college when my father passed, and I returned to the farm where I primarily raised lentils, chickpeas, wheat, durum, rye, and barley. Farming is a way of life, an important part of my identity, but it is also a business, which demands significant investment in land, equipment, and inputs to succeed. It also comes with inescapable risks. That is why I need access to affordable and reliable credit and risk management tools to build and sustain a successful farm business. I will focus much of my testimony today on how important USDA FSA loan programs have been for my farm.

While FSA lending is a small percentage of the overall agricultural lending portfolio, it has been critical for me and many others. My first experience with FSA loan programs was when I was 14 years old. I received a $5,000 youth loan to purchase cattle, and I ran those cattle alongside my dad's herd for 4 years. The proceeds helped fund my college education.

Many beginning farmers lack equity, credit history, and can have difficulty accessing capital. USDA loan programs are designed to provide a pathway for beginning farmers to access credit, and this made a big difference for my farm. When I was starting out, our farm's combine suffered a major breakdown during harvest. Our bank wasn't able to provide another line of credit, but through FSA, I quickly purchased a replacement combine, which saved our harvest and helped me build equity in an operation still paying dividends today.

FSA loan programs came in handy once again when I started growing pulse crops like lentils and chickpeas, which are more delicate to handle than grain crops. To make handling pulses feasible, I needed to purchase hopper-bottom bins, which I bought using FSA's farm storage facility loan. FSA loans also helped us transition the farm to the next generation. An FSA farm ownership loan helped me to take over land and the generational debt that was tied to it through a relatively safe loan option.

I ask the Committee to make important updates and improvements to FSA loan programs this year, including adjusting loan limits to reflect current economic environment, making it more feasible for farmers to restructure debt when needed and ensuring those programs meet the unique needs of all types of producers.

My family is also a customer of AgWest Farm Credit. We remain grateful for the time that AgWest helped us through a period of major financial stress. They understood the value of what we were trying to accomplish on our farm and more accurately evaluated our risk compared to other lenders we consulted. While access to affordable and reliable credit and well-functioning risk management tools are important for family farmers, we must have fair and competitive markets and a robust farm safety net.

Farm bankruptcies are on the rise. Recent changes to improve the farm safety net may help alleviate some challenges with persistently high input costs and low commodity prices, but farmers will face major economic stress as long as corporate monopolies in agriculture remain unchecked the way they are today.

Thankfully, lawmakers can take action to address these challenges. For example, you can strengthen the connection between the USDA and our chief Federal competition and antitrust law enforcers, the DOJ and the FTC, by passing the Meat and Poultry Special Investigator Act (H.R. 1380/S. 1312). We can ensure that recently finalized Packers and Stockyard Act rules are retained and forcefully implemented. You can reestablish country-of-origin labeling for beef so consumers know where their food is really coming from and so farmers and ranchers are paid fairly. You can guarantee farmers the right to repair their own farm equipment. You can expand local and regional market opportunities for farmers such as by investing in new local meat processing. And you can strengthen these markets with more financial and technical support, local and regional food procurement by food banks, schools, and other institutions.

Thank you for the opportunity to testify today, and I look forward to answering your questions.

[The prepared statement of Mr. Wicks follows:]

PREPARED STATEMENT OF JOHN R. WICKS, OWNER/OPERATOR, TIBER RIDGE INC.; PRESIDENT, LIBERTY/TOOLE LOCAL FARMERS UNION, LEDGER, MT; ON BEHALF OF NATIONAL FARMERS UNION

Thank you for the invitation and the opportunity to provide testimony on behalf of National Farmers Union (NFU) and Montana Farmers Union. NFU is made up of more than 200,000 family farmers and ranchers across the country. Similarly, Montana Farmers Union is a grassroots, nonprofit organization dedicated to preserving the agricultural way of life, our rural communities, and family farms and ranches. We believe that no farmer or rancher should stand alone, and we are fighting for the issues that will preserve agriculture and our communities for the next generation.

I am a fourth-generation farmer in Liberty County, Montana. I grew up on a dryland wheat farm south of Chester, Montana, and I spent a lot of time in Eastend, Saskatchewan, where my family also farmed until the late 1990s. I have been running our family farm in north central Montana since 2007. I primarily raise lentils, chickpeas, wheat, durum, rye, and barley. I farmed both conventionally and organically for a period of time, and the entire 4,000 acre farm became USDA certified organic in 2021. I previously served on the Liberty County Farm Service Agency (FSA) County Committee for nine years. I currently chair the Montana Agriculture Development Council, I am President of the Liberty/Toole Local of Montana Farmers Union, and I serve on the executive board of the Montana Organic Association (MOA).

Credit

Farming is not just a way of life—it is a business that demands significant investment. Land, equipment, and inputs like seeds, fertilizer, and other materials are foundational for generating revenue and profit. Access to affordable and reliable credit is a necessity for building and sustaining a successful farm business.

NFU's grassroots, member-driven policy, stands for a lending system that is fair and provides opportunities for all types of farmers to thrive. We also believe that the USDA FSA farm loan programs are foundational to providing credit for farmers when it cannot be obtained elsewhere. Congress should ensure that the FSA farm loan system remains adequately funded to meet producer demand as it fluctuates and ensures fair, equitable, and supportive approaches to debt restructuring or debt forgiveness when needed. These lending opportunities should be made available to equitably assist all family farmers and ranchers, including those who are beginning, socially disadvantaged, or historically under-served.[1]

Importance of FSA Loan Programs

I could not have built my farm to what it is today without USDA FSA loan programs. Even though FSA lending as a percentage of the overall agricultural lending portfolio is relatively small, it is critical, as my own experience demonstrates.

My experience with FSA loan programs dates back to when I was 14 years old, and I received a $5,000 youth loan to purchase cattle. I ran those cattle alongside my dad's herd for four years, and the proceeds helped fund my college education.

Loan opportunities to help beginning farmers at FSA came in especially handy for me when our farm's combine suffered a major breakdown right at the start of harvest one year. At the time, our bank was unable to extend another line of credit until we had post-harvest financials in place. Thanks to FSA loans and the support of FSA staff, I was able to quickly purchase a replacement combine. This not only saved our harvest but also helped me build equity in our operation. The special focus at USDA on supporting beginning farmers and understanding the unique circumstances beginning farmers face can make a big difference.

Of course, it is important that USDA is also helping farmers receive the education and training we need to avoid defaulting. Our local FSA hosts a "Next Gen" conference, of which attendance is required for new borrowers. It covers a range of topics, from agricultural lending to crop insurance.

FSA loans also helped my operation evolve when it needed to. I started growing pulse crops like lentils, which can be more complicated to manage than cereal/grain crops—including by requiring specialized equipment. One thing I especially needed to make growing pulses feasible was hopper bottom bins, which are specialized storage containers for these crops. To acquire these, I used FSA's Farm Storage Facility Loan Program, which had a lower interest rate than other options at the time; I am not sure I would have been able to make this transition work without that resource.

The investment in on-farm storage had long-term value beyond just convenience. Those bins now serve multiple purposes like storing seed, facilitating efficient crop load-out, and even saving truckers significant time. It is an example of how a small, well-placed investment can ripple across the entire operation.

Like many family farms, we faced challenges with succession planning. Transitioning the operating line of credit and securing the land required for collateral were major hurdles. An FSA Farm Ownership Loan made it possible for me to take over land and the generational debt tied to it through a safe loan option that helped stabilize our operation and increase the likelihood of intergeneration success in farming.

My experience with FSA loan programs is part of why I support the Producer and Agricultural Credit Enhancement (PACE) Act (H.R. 1991), led in the House by Rep. Brad Finstad (R–MN) and Ranking Member Angie Craig (D–MN). This bill would update FSA loan limits to ensure they make sense in the current economic environment. The bill also takes the innovative step of helping distressed borrowers by allowing for the refinancing of guaranteed loans into direct loans and drives home the point that FSA loan programs must be fully funded to meet producer demand.

The critical role played by FSA lending programs is also why we are deeply disappointed by USDA's recent decision to remove the "socially disadvantaged"[2] definition from numerous USDA programs, including USDA loan programs. NFU's grassroots, member-driven policy notes that we support a "Farm Credit policy that . . . provide(s) special assistance to beginning and socially disadvantaged farmers."[3] The socially disadvantaged designation does not discriminate against anyone; it simply provides a hand-up for people who have faced historical discrimination in our soci-

[1] NFU Policy Book, March 2025. *https://nfu.org/policy/*.

[2] The 1990 Farm Bill defined "socially disadvantaged" farmers and ranchers as members of a group subjected to racial or ethnic discrimination. USDA's 1990 definition for socially disadvantaged farmers lists farmers who identify as Black, or African American, Native American or Native Alaskan, Hispanic, Asian and Native Hawaiian or Pacific Islander. Women were also added to the definition in 1992 for loan programs.

[3] NFU Policy Book, March 2025. *https://nfu.org/policy/*.

ety. According to reporting, the rule could affect approximately 20 percent of USDA's farm loan volume.[4]

Additionally, a memo issued by USDA on April 29, 2025, is concerning because it stated that all direct and guaranteed loans over $500,000 will require further clearance from the Office of the Secretary and the Department of Government Efficiency (DOGE) to ensure lending complies with an Executive Order from President Trump on government cost efficiency.[5] The integrity of all USDA programs is very important, but access to credit also needs to be timely—whether for operating loans to ensure farmers can get a crop in the ground at the optimal time, or for ownership loans where there can be stiff competition for land purchases. This move could impact thousands of potential borrowers each year. Accessing credit is already challenging and can be very stressful; we ask the Subcommittee to make sure the Administration is not adding unreasonable or duplicative review steps to FSA loan approvals and is transparent and fair in its review processes.

Importance of the Farm Credit System and Other Credit Options for Farmers

My family is a customer of AgWest Farm Credit. Our experience has been very positive, and they helped us through a very difficult patch with our farm. After my father passed away and my mother and I began operating the farm together, we ended up needing to find a new bank. The good news is we found a lender, but the bad news was that at that time, our profitability was very up and down year-to-year. Part of how we improved our profitability was by shifting to organic production, which provided us some important opportunities. But our banker lacked experience with organic production systems, and at one point they cut our operating line of credit before we reached our agreed loan limit. This put us in a major bind and we faced a period of extreme financial stress.

We ended up finding a path forward with AgWest, who both approved our financing for that season and took on our long-term debt. They understood the value of the price guarantees that we had received and were able to more accurately evaluate our production risk. They also helped us through some challenges in transitioning our debt to them. We are thankful for the positive working relationship we have with AgWest, and we are on very solid footing today in part thanks to our partnership with them.

Risk Management and Disaster Programs

Market volatility and economic uncertainty are harmful to the finances of family farmers and ranchers and undermine their ability to access credit. Enacting better Federal risk management programs helps protect family farmers and ranchers against natural disasters and lower prices. This reduction in risk makes getting a loan or line of credit more accessible and affordable for family farmers. Farmers Union supports improvements to crop insurance, including some of the changes in the recently passed reconciliation bill, which bolsters the Supplemental Coverage Option (SCO) and increases premium subsidies.

Outside of the recent improvements to crop insurance, Congress has frequently authorized *ad hoc* disaster programs over the last several years. Most recently, the American Relief Act of 2024 included $30 billion for farmers who suffered losses due to weather disasters or low prices. The economic assistance portion of the aid, known as the Emergency Commodity Assistance Program (ECAP), disbursed $7.8 billion and remains open for participation for another month.[6] Meanwhile, the disaster assistance programs are mostly up and running, but family farmers and ranchers need assistance quickly. This Committee and USDA should closely review disaster programs like these—and other recent *ad hoc* efforts such as the Coronavirus Food Assistance Program, Wildfire and Hurricane Indemnity Program (WHIP), WHIP+, and Emergency Relief Program (ERP)—to evaluate their effectiveness. These programs helped keep family farmers and ranchers in business but must be made as responsive and equitable as possible.

Congress should consider policy changes to help beginning farmers have more affordable access to risk management. Beginning farmers often have less equity in their farm operations and are unable to withstand a difficult farm economy.

For example, the Crop Insurance for Future Farmers Act (H.R. 2117), led by Rep. Randy Feenstra (R–IA) and Ranking Member Craig (D–MN) and cosponsored by

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[4] Chris Clayton, "USDA Ends Programs, Policies Supporting 'Socially Disadvantaged' Farmers and Ranchers," *DTN Progressive Farmers,* July 10, 2025. *https://www.dtnpf.com/agriculture/web/ag/news/article/2025/07/10/usda-ends-programs-policies-socially.*

[5] Chris Clayton, "DOGE Will Now Approve Larger USDA Loans," *DTN Progressive Farmer,* May 1, 2025.

[6] *https://www.fsa.usda.gov/resources/programs/emergency-commodity-assistance-program/dashboard* (Data retrieved July 11, 2025).

eleven other Members of Congress, would make crop insurance more affordable for beginning farmers and help these farmers more easily manage their risk, which in turn improves their ability to gain access to credit.

Another valuable risk management option in need of improvement is Whole Farm Revenue Protection (WFRP). WFRP is a crop-neutral revenue insurance product designed to protect a farmer's entire operation, including livestock, and provides diversified farms an option to insure all their crops and livestock under one policy. These farms may not have access to separate policies for each crop they grow, and a well-functioning WFRP could help. Currently, the program is not available to or effective for many producers. Recent legislation, including the Whole Farm Revenue Protection Program Improvement Act in the 118th Congress and the Save Our Small Farms Act (H.R. 2435), led by Rep. Jahana Hayes (D–CT) in the 119th Congress, offer some solutions to these issues by reducing paperwork and increasing premium discounts for family farmers using WFRP. Improvements to the Non-Insured Crop Disaster Assistance Program (NAP) could also help.

While crop insurance and disaster programs are not a replacement for fair market prices and an adequate price support program, they play an important role in today's farm safety net and factor into agricultural credit decisions.

Fair Markets and a Robust Farm Safety Net

While access to affordable and reliable credit and well-functioning risk management tools are essential to farming successfully today, we believe fair and competitive markets and a robust farm safety net are even more foundational. Congress should do more to ensure our antitrust and competition laws are strengthened and better enforced, and invest in building local, regional, and other market opportunities that help farmers capture a larger share of the retail food dollar. While we welcome recent investments and improvements to the farm safety net through the budget reconciliation process, Congress should make further improvements by establishing permanent dual enrollment in the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs, and institute other innovative policies that help farmers improve their bottom lines while ensuring the long-term economic sustainability of their farms.

Advancing Fair and Competitive Markets

Fair, open, and competitive markets are foundational for the well-being of the American economy and our democracy, but farmers must buy from and sell into highly consolidated and uncompetitive markets. Very few firms control the market for agricultural inputs (such as seeds, crop protection products, fertilizer, and farm equipment), processing (including livestock slaughter and processing), food manufacturing, wholesale distribution, food service, and grocery retail. The small number of large, consolidated firms in the middle of the agricultural supply chain wield immense market power.[7, 8, 9] High levels of concentration throughout the food supply chain have contributed to driving down the farmer's share of the retail food dollar while also raising costs for inputs and creating higher prices for consumers. Today, farmers and ranchers on average receive only 15.9¢ of every dollar that consumers spend on food, which remains near historic lows.[10]

We need to tackle these problems to ensure farmers like me have genuine access to fair and open markets, which would allow me to continue investing in and building a business that sustains my family farm, supports my local economy, and helps feed people.

As the Committee looks to further update farm policy, it should take steps to make markets fairer and more competitive by strengthening the connection between USDA and our chief Federal competition and antitrust law enforcers at the Department of Justice (DOJ) and the Federal Trade Commission (FTC), protecting the Packers & Stockyards Act (P&S Act), and spurring the development and expansion of alternative, local, and regional markets.

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[7] Jonathan B. Baker, "Market power in the U.S. economy today," Washington Center for Equitable Growth. March 2017. *https://equitablegrowth.org/market-power-in-the-u-s-economy-today/*.

[8] USDA, Agricultural Marketing Service (AMS), Packers and Stockyards Division. "Packers and Stockyards Division: Annual Report 2021 & 2022," (March 2024). *https://www.ams.usda.gov/reports/psd-annual-reports*.

[9] Claire Kelloway and Sarah Miller, "Food and Power: Addressing Monopolization in America's Food System," Open Markets Institute, May 13, 2019. *https://www.openmarketsinstitute.org/publications/food-power-addressing-monopolization-americas-food-system*.

[10] USDA ERS. November 2024, Food Dollar Series. *http://www.ers.usda.gov/data-products/food-dollar-series/documentation*.

Congress should pass the bipartisan Meat and Poultry Special Investigator Act (H.R. 1380/S. 1312). The bill would establish an independent office at USDA to strengthen enforcement of the P&S Act and to ensure USDA has a liaison to the DOJ and FTC on competition and trade practices matters in the food and agriculture sectors. A raft of private price fixing and other lawsuits in the food and agriculture sector demonstrates that, without strong Federal enforcement of antitrust and competition laws, harmful practices are being carried out under the noses of Congress and at the expense of family farmers and consumers. It is also essential that recently finalized P&S Act rules are maintained and implemented.

There are many other actions Congress should take to make markets more competitive and fair, including ensuring truth-in-labeling through reestablishing country-of-origin labeling for beef, establishing the right to repair our own farm equipment, permanently establishing a Farmer Seed Liaison at USDA to strengthen competition and choice in the seed marketplace, and supporting additional research into consolidation in the livestock industry.

Expanding local, regional, and diverse markets and processing

Anticompetitive practices have eroded local and regional livestock processing options, which limit opportunities in the marketplace for producers while making our food system less resilient. Local and regional market opportunities, supported by adequate alternative processing capacity, can help farmers capture a larger share of the retail food dollar.

In recent years, USDA increased its support for businesses and communities looking to invest in expanded meat and poultry processing. Members of Congress have also taken note of the importance of this issue, introducing the bipartisan Strengthening Local Processing Act (H.R. 3076/S. 1509). USDA's investments are critical, and we must ensure these new facilities are able to operate sustainably and thrive over the long term.

These new facilities are making a big difference in Montana so far. Montana consumers eat about 100,000 head of cattle each year. Before the recent investments in local meat processing, we could only process about 30,000 head annually, far short of the approximately two million calves we sell each year. The disruptions to meat processing during the pandemic made it clear that something needed to change so that we could better feed ourselves. Thanks to recent investments in the state, supported by USDA grants and low-interest loans, we now have the capacity to process over half of the cattle we consume.

These investments are also helping alleviate inflexible scheduling for harvesting livestock due to insufficient shackle space. Montana Farmers Union worked with several direct-to-market producers to form meat processing cooperatives, including the Montana Premium Processing Co-op,[11] which also leveraged USDA grants and low-interest loans to build meat processing plants. Participating member-owners now can schedule harvest in a more manageable period of three months out, rather than more than a year out. Food security is national security, and investing in our food security should be a top priority.

Despite this good news, without strong enforcement of the P&S Act and our antitrust laws, and ongoing and consistent support for new processing facilities from USDA, we fear the major meatpackers will force new, smaller packing plants out of business.

Another way to create more competitive markets and ensure Americans' food security is to strengthen local and regional markets. Until recently, local and regional procurement programs like the Local Food Purchase Assistance (LFPA) and Local Food for Schools (LFS) programs were strengthening local and regional food systems, putting a larger share of the retail food dollar in farmers' pockets, helping farmers expand and build new markets, while also creating a stronger connection between farmers and their local communities. We were disappointed that USDA decided to terminate funding for these programs, especially given their great success in such a short period of time, spurring roughly $400 million in new direct food purchases from farmers and generated an estimated $747 million in new economic activity in rural communities across the country. We have been heartened by the bipartisan support in Congress for permanently authorizing these programs, and we look forward to continuing to work with Members of the House Agriculture Committee and other Members of Congress on this matter.

[11] Montana Premium Processing Cooperative. *https://www.mtpremiumprocessing.com/directors*.

Ensuring and Maintaining a Strong Farm Safety Net

The recently enacted reconciliation bill included major changes and improvements to the farm safety net. Increases to commodity reference prices—ranging from about 10 percent to 20 percent—reflect higher costs of production over the last decade. The provision to automatically boost reference prices based on inflation is also a welcome adjustment. Farmers Union has also long-supported another good provision included in the law: that producers will receive either the ARC guarantee or PLC assistance, whichever is higher. This dual enrollment provision was only added for the 2025 crop year, and we hope that provision will be extended indefinitely, because ARC/PLC does not provide a true safety net if family farmers need to gamble on which program is going to work best for them in any given year.

The reconciliation bill also authorizes a one-time allocation of new base acres, up to a total of thirty million additional acres, to help cover more cropland and farmers. Congress made encouraging improvements to existing permanent disaster programs like the Livestock Indemnity Program (LIP) and Livestock Forage Program (LFP), which will now reflect regional price differences, include unborn livestock losses, and make the trigger for assistance due to drought more responsive.

Despite this progress, Congress should make further improvements to the farm safety net in additional agricultural legislation this year. Congress should take a closer look at the Inventory Management Soil Enhancement Tool (IMSET), which is a voluntary, incentive-based conservation and farm safety net program concept. It has two core purposes: to help conserve our soil and to protect net farm income when agricultural markets falter. By voluntarily enrolling in IMSET, farmers would have an additional opportunity and incentive to participate in working lands conservation programs in exchange for stronger farm safety net protections. This policy concept can address important conservation needs while maintaining fiscal responsibility and merits inclusion in the future farm policy. Congress should also close farm program eligibility loopholes to ensure safety net support is directed to family farmers and ranchers.

Tariffs and Market Instability

Management of relationships with our trading partners also has major implications for farms like mine, and my ability to access the credit I need to stay in business. This past winter, I faced a long and frustrating experience while negotiating contracts for the 2025 lentil crop. Canada has made significant investments in lentil and pulse processing, meaning a large portion of our crop is exported north. Much of that product is then re-imported to the U.S. for sale.

When the threat of tariffs was raised, Canadian processors became hesitant to finalize contracts. Some explicitly stated they would invoke the "act of God" clause to terminate the contract if tariffs were enacted. Others declined to set delivery dates. As a result, Canadian offers dropped, and rather than maintaining U.S. market rates, American buyers followed suit by low-balling offers based on Canadian pricing.

Even though tariffs were only being discussed and not enacted, the speculation alone cost me tens of thousands of dollars and drastically reduced our market opportunities. The uncertainty harmed American producers without achieving any meaningful trade protections.

Federal Funding Freezes and Reductions in Force at USDA

Several Executive Orders, ongoing Federal funding freezes, and massive reductions in staffing levels pursued by the current Administration are continuing to create uncertainty for family farmers, ranchers, and my community. We have already faced inadequate Federal workforce staffing levels for FSA field offices in recent years, and current policy decisions are making matters worse. USDA office closures and reductions in force put more pressure on existing staff, add to wait times for farmers, and increase the burden of getting a loan reviewed and approved. While we should always be striving for greater efficiency, we need well-trained staff in the field who can help farmers navigate USDA programs.

Data show that most of that nearly 13,000 of the approximately 15,000 USDA employees who accepted buyouts from the Trump Administration worked outside of the national capital region. More than 1,100 FSA and county committee employees took buyouts.[12] We worry about how these reductions in force will affect our community and my ability to farm successfully. We also worry that the move to make cuts or prompt early retirements are not over.

[12] *https://www.agri-pulse.com/articles/23031-usda-buyouts-extend-well-beyond-the-beltway-data-shows.*

I urge the Subcommittee to take seriously how current policy is jeopardizing farm livelihoods. Congress and the Administration should review and reform Federal programs and processes if they are performing poorly or can be improved, but they should pursue improvements in an orderly manner, after robust stakeholder feedback. I ask the Subcommittee to seek information, explanations, and clarity from the Administration about the many problems ongoing funding freezes and reductions in force are causing in our rural communities.

Conclusion

Thank you for the opportunity to testify. I appreciate the Subcommittee's attention and look forward to answering your questions.

The CHAIRMAN. Thank you all for your testimony today.

At this time, Members will be recognized for questions in order of seniority, alternating between Majority and Minority Members, and in order of arrival for those who joined us after the hearing convened. Each Member is recognized for 5 minutes in order to allow us to get as many questions as possible.

I now recognize myself for 5 minutes.

To those of you who are lenders here with us today, we all know that the process of approving a loan is not simple. What are some of the lending programs at the Farm Service Agency you are able to utilize to ensure that you are making a sound financial decision when reviewing a loan application?

Additionally, what are some of the changes and improvements we can look at making as we continue our work to finish the farm bill? And I would specifically like to hear your opinion on the time that it takes to get the approval. Mr. Hood?

Mr. HOOD. Ask me again.

The CHAIRMAN. I am sorry?

Mr. HOOD. Were you asking that to me?

The CHAIRMAN. I am asking it to all of you who are lenders.

Mr. HOOD. Okay. Yes, please.

Mr. GILBERT. I can go first. At First National Bank, we have teamed up with FSA on many, many loans. I know in my oral testimony I said that we use FSA for customers that maybe don't qualify for conventional financing and beginning farmers. But I would tell you that that has really expanded. Our partnership with them has really expanded in the last couple years where some of our more sophisticated, younger borrowers are utilizing joint financing where they will finance a portion, 45 percent we'll finance 50, and they only have to put 10 percent down. It is a very great way for a young producer to be able to compete and enter the market, so those farm ownership joint loans.

We utilize the guaranteed program at First National Bank, but probably not as heavily as what a smaller, more rural bank would because of their lending limits *versus* ours, but we do use guaranteed loans.

We are a preferred lender with FSA, so our loan approvals, they come fairly reasonable, but I know we have had some of our banks through ICBA that aren't preferred lenders, and they are saying timing is 30 or 60 or 90 days, which that doesn't really cut it today, just with how fast things are moving.

Ms. MINICK. I would echo that as well. So AgWest is a preferred lender also when we are getting guarantees, so that is very helpful, but oftentimes, even though we go through a rigorous program ahead of time to look at those applications and make sure that they are packaged well, it can still take quite a long time for them to come back from FSA. So making that more streamlined, particularly for preferred lenders, as well as the increase to the loan limits that are out there for those when you send a loan to FSA to get a guarantee or even in the direct lending and it is close to the top of the lending limits, then that puts up some red flags and things that they have to look at a little bit longer. So both of those, making it just easier for our customers to get access more quickly are very important.

Mr. HOOD. Mr. Chairman, I don't have a lot to add to that. My bank handles a very mature ag portfolio, and we don't have the staff right now to do the new farmer, the young farmer programs like I would like to. As we grow our portfolio, I am going to add some more staff.

For me personally, I think it is an extremely valuable tool that bankers can use to help farmers, not just farmers that are farming with their parents or with their family, but also farmers that the bug just hit them that they want to get out on the farm and take the leap. It is hard to do when you don't have the resources. Even when you compare it to what you go to the equipment place to buy this several hundred thousand dollar equipment, it is monumental the task that it takes to be able to finance all that. But I love the first-time farmer programs. We just don't utilize them right now.

The CHAIRMAN. Mr. Hood, you are a banker in my part of the world. You have a front row seat to the economics of what is happening in rural America. You have outlined some of this, and how our economy starts and stops with the farm economy, where we come from. Each season, certainly in the last several seasons especially, farmers have put more and more money at risk to continue to seek from what I can tell is a smaller and smaller profit margin. What does a long-term farm bill mean to that community that you serve? And how can we build on the work of the legislation that is recently passed to make sure that our rural communities and specifically our ag economy can expand?

Mr. HOOD. Yes, sir, Mr. Chairman. That is a vital tool that not just the ag bankers have but the farmers have to be able to have a farm bill that they can count on. And historically, farmers have used the commodities market wherever that market price falls to be able to either break even or make a profit. Now, the commodity market is so depressed that all these margins are upside down. Well, the proverbial safety net that the farm bill has always provided is really way below where that margin needs to be, so the farmer finds themselves in no man's land. The commodity market can't help them survive, and the farm bill can't help them survive. So they are in between, and it is really hard on these families right now.

The CHAIRMAN. My time has expired, but I literally—as my neighbor was talking to me about his concerns with planting cotton, the question I asked him is why would you plant it with the price that it is at? And I know you have the payment on the cotton picker and you have the payments on everything else and sometimes you have to have it in the rotation, but man, it is sure hard to plant when you know you are going to lose X numbers of dollars per acre even if you do everything right.

Mr. HOOD. One hundred and eight dollars per acre loss, with brackets around it, on paper. So, if we are not working on paper, it is not going to work in real life either.

The CHAIRMAN. And that is for cotton.

Mr. HOOD. Yes, sir, cotton.

The CHAIRMAN. Ms. Davids?

Ms. DAVIDS of Kansas. Thank you, Mr. Chairman.

It might seem as though I planned this based on your first question. We didn't coordinate that. We could have. And thank you for holding this hearing.

So, Kansas producers rely, of course, on credit and crop insurance to navigate those ups and downs that we have been hearing about from you all already. And I think those tools are especially important for new and beginning farmers who face significant barriers when trying to get started, whether it is land access, equipment costs, just the securing of a loan. And, in Kansas, less than ten percent of our producers are under the age of 35, and that is concerning, I think not just to me but to quite a few people, and it is something that we need to address if we are going to see a future of farming that is sustainable.

Mr. Wicks, I was hoping to hear from you on the other side of the ledger there for the FSA. In your written testimony and in your oral testimony, you talked about the value of the Farm Service Agency and specifically mentioned the young farmers program. I am curious if you could just share a bit about improvements that we could make to those programs to better support access to credit for beginning farmers and ranchers who are just getting started, and then if others want to chime in after for improved provisions that you think might help.

Mr. WICKS. Yes, thank you. I think it is really important to increase those loan limits a little bit to help with the rising costs of everything and to maybe expedite the process of the paperwork to kind of get people the financing quicker. But the tools are really amazing and really helpful for somebody that, on our farm, we were struggling with. We were reaching the end of our equity and needing a new operator to come in, and that was me. So just having that access to maybe more funding. And, for the farm ownership loan, that was quite a process to start, and it took months, and, I mean, the buyer was my mother, so she knew she was going to sell to me.

Ms. DAVIDS of Kansas. A hard bargain.

Mr. WICKS. In another case, you might have somebody else outbid you while you are going through all the loan approval, I think the pre-approval would be great.

Ms. DAVIDS of Kansas. Oh, okay. Thank you. I was going to ask that specific thing. Okay.

Mr. WICKS. Thank you.

Ms. DAVIDS of Kansas. I don't know if anybody else—go ahead, Mr. Gilbert.

Mr. GILBERT. Yes. I touched on it a little bit, but that express loan program, to get quicker answers. And I think banks across the country, I won't speak for Farm Credit, Mandy can, but I think we would be okay with reducing the level of the guarantee if we could get an answer quicker in some cases so the banks or Farm Credit would take more of the burden, say, if it was a 50/50 guarantee or a 75/25 guarantee *versus* that 90 percent FSA guarantee.

One thing we struggle with a little bit that I could mention is, and John kind of touched on it, but that farm ownership piece, when a piece of land goes to auction and we want to finance it through FSA, it is very difficult because of the time constraints. Usually, they want to close within 60 days. Appraisals are taking longer, title work is taking longer, and the FSA, at least in our area, doesn't allow for the bank to fund it on a bridge loan, say, a 90 day note, and then refinance it with FSA. So we jump through a lot of hoops with that, but there is one thing there that if they would allow us to just finance it initially and then refinance it with FSA with the same borrower, it would be very helpful.

Ms. MINICK. I would agree with that and appreciate the journey we have had with Mr. Wicks on getting his farm up and running. I think that FSA-AgWest Farm Credit partnership is invaluable, so having those partnerships, especially on the preferred lenders, so those of us that have already gone through a lot of qualifications with FSA, if there are a few more things you have to ask us and we have to do ahead of time for us to be able to get those guarantees, that would be another option as opposed to lessening the amount of the guarantees. So tell us what we need to do to qualify more, and then come back and look at those loans later on if you need to. And again, we have already talked about increasing those loan limits for beginning farmers is really important.

Ms. DAVIDS of Kansas. Thank you.

Mr. HOOD. The only thing I would add to that—a great question—I have been in banking for 37 years, and they sucked the fun out of banking years ago, and it takes——

Ms. DAVIDS of Kansas. Did you say Congress?

Mr. HOOD. No.

Ms. DAVIDS of Kansas. I am just kidding. Sorry. Sorry, sorry.

Mr. HOOD. Just the process.

Ms. DAVIDS of Kansas. Yes.

Mr. HOOD. It is very difficult being an ag lender today. It is difficult being a banker in general, especially agriculture. But what I would love to see, anything that can help reduce the time constraints on the process, and there are some really good ideas here, I am in favor of. The reason I haven't put this in place in my bank, it takes a lot more staff to do it because even a commercial loan now takes over 60 days to get through, and the farmer is sitting there waiting on money. The government guarantee is even longer, so anything that can reduce the time constraints.

Ms. DAVIDS of Kansas. Thank you. These are some great ideas, and I will probably end up following up.

Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Thank you. I heard you loud and clear on the bridge loan. We will find out if that is legislative or regulatory and follow up on that.

With that, Mr. Crawford, you are recognized for 5 minutes.

Mr. CRAWFORD. Thank you, Mr. Chairman.

I have a bill that I have been working on actually probably since I have been here in Congress. It is called Farm Risk Abatement and Mitigation Election, or the FRAME Act (H.R. 1400, 115th Congress; H.R. 10045, 118th Congress). What this does is it sets up a tax-deferred savings account for farmers, we call them FRAME accounts, where a farmer can deposit funds tax-free during profitable years and withdraw tax-free during hard times. So it is almost a little bit like an HSA kind of model, but it is geared toward farmers and providing some degree of risk abatement for those. And it opens another option for farmers to invest tax-advantaged profits outside of the traditional section 179 where we are going to run out and buy a new tractor or a combine to avoid a tax liability, but now we have incurred more debt. And so when that is appropriate, I am all for section 179. Buy the new combine. Buy the new cotton picker or tractor as you need it, but not as a tax strategy. I think that creates more problems. So this serves a couple of different things. The other thing it does is the deposit account can be used to help collateralize an operating loan. I mean, there are a lot of advantages to it.

So I want to get your feedback. I know we have some lenders at the table. We have farmers at the table here. I want to get your feedback, understanding that, obviously, in the current crisis, it is really difficult to try to tell farmers to put money in a FRAME account. That is the whole point. It is not always going to be like this. We are going to get back to a point at which we will have some more profitable years, hopefully, hopefully. But you get my point here. I just kind of want to get your feedback.

And, Mr. Hood, I will start with you because you have a long history of ag lending and kind of want to get your perspective on that.

Mr. HOOD. Yes, sir, Congressman, and that is a great question. And I love the premise of what you are trying to do. My first initial question would be, really, to fund the account, you are pulling capital out of the farm enterprise and putting it into account, the same way I do with the bank with my health savings account. I get that. The question I would have, is it subject to seizure? Is it subject to being used in hard times? And does it become an off-balance-sheet item to where the bank can't count that as capital? Because these farmers need all the capital they can get right now to qualify for loans. If it is an on-balance-sheet savings account, then I say, "Heck, yes, put that in." It is not that dissimilar than a CD except you have had to pay taxes on the CD, so I like the idea.

Mr. CRAWFORD. Right. Yes, good. Yes, I think your assessment is right. I do think that would be an on-balance account for those purposes, as you described, so that is our goal there.

Anybody else want to weigh in on that?

Mr. GILBERT. Conceptually, we think it is a great idea as well. I think about, like you said, the number of farmers that have utilized section 179, and some of them should have, but a lot of them probably got in, or some of them got in over their heads. So I think farmers can always benefit from having tax-free accounts. And I think we could accomplish placing a hold on that account or some way to collateralize it. So yes, we would love to work with you on the details to get across——

Mr. CRAWFORD. I have to be careful about that section 179 piece because, having worked in the equipment business for a long time, I don't want to alienate my equipment dealers.

Mr. GILBERT. Right.

Mr. CRAWFORD. But, we also know, too, that it is important for the farmers to make good choices with regard to how that is reflected on the balance sheet and incurring more debt to avoid tax liability is not necessarily a good strategy long-term. Any other comments?

Mr. WICKS. Yes, I would just say that that might be an option. I have never been a fan of spending money, putting on debt, just to avoid a little tax. But I think, as a farmer, I would be more worried about the safety net first and really encouraging that to be a——

Mr. CRAWFORD. You just led into my next question on this.

Mr. WICKS. Okay.

Mr. CRAWFORD. It has been brought up to my attention from some of my constituents that crop insurance companies have been pulling out of areas they consider to be high risk, and that is certainly in my district that has been brought to my attention. Since crop insurance companies receive Federal subsidies to offer services, that is a concern to me. So have any of you heard anything like that? And what is your perspective on that? I mean, I don't think we should be taking a geographic look at crop insurance eligibility, but let me get your thoughts on it.

Mr. WICKS. I haven't had experience in that.

Ms. MINICK. I would like to say thank you, first of all. Some of the relief for that, I think, came in the budget reconciliation around the A&O and then some of the payouts that are going to go to the AIPs. But it is still a problem with the high risk levels that are happening, especially in specialty crops that are one-off. The markets are so volatile because there is such a short period of time to be able to market those crops. So there is still some work to be done to make sure that all of our producers have access to the crop insurance programs that are out there, and there is still some more programs that could be put in place as well.

Mr. CRAWFORD. Thank you. Mr. Chairman, I yield back.

The CHAIRMAN. Mr. Sorensen, you are recognized for 5 minutes.

Mr. SORENSEN. Thank you, Mr. Chairman.

Our farmers are betting big every season with borrowed money up against Mother Nature and economic uncertainty. The stakes get higher every year. In the United States, more farms have filed for bankruptcy in the first 3 months of this year than all of 2024. It is a clear sign that the extreme financial pressures of 2018 and 2019 are coming back. Input costs are rising significantly while commodity prices are dropping. Add to that uncertainty with trade and tariffs, with the cherry on top being any potential drought or flash flood, tornado, or straight-line winds that flatten a crop. In fact, severe weather is in my district ongoing right now over the farm fields of northern Illinois.

The one thing that we can do today is put American farms first. This Administration needs to work harder so producers can be competitive, and it needs to create an environment that is predictable and stable. Even with the most fertile soils on Earth, Illinois is challenged. Lenders remain a critical part of the equation, helping farmers finance the equipment and infrastructure needed to keep operations running. And during downturns, these programs don't replace profitability, but they do reduce income volatility, preserve credit access, and help producers stay afloat so they can get to the next growing season. Crop insurance and price supports are necessary safeguards that not only protect their operations, but are also often required to secure financing.

Farmers in Illinois are some of the most productive and resilient in the country, in the world, but to keep that legacy going, to ensure these operations can be passed on to the next generation, we have to give them the tools to succeed, and that means strengthening the farm safety net, expanding access to credit, and crafting policies that are flexible enough to reflect the real conditions on the ground.

And Mr. Hood, I want to begin with you. In your opening statement just a few moments ago, you talked about the value of the FFA. I am so grateful that I had some young men and women in my office today wearing those corduroy jackets. We need to make sure that that next generation is there for us in agriculture. It is so important. And so I hope that you can talk a little bit more about how we can make sure that we are doing everything when it comes to credit for new and beginning farmers. Could you touch on that?

Mr. HOOD. Yes, sir, I can, Congressman, and I love that topic. Thank you for bringing that up. This is near and dear to my heart, not just because I serve on the Georgia FFA Foundation where we try to raise money to make sure some of these underprivileged kids that want to experience the ag, that they can't do it in their own pocketbook, that we are able to help them do it, so I love that program.

You mentioned the difficulties in various times during the cycle of agriculture. It made me go back to the mid-1980s. When you take 2025 and you subtract my 37 years of banking, you arrive in the mid-1980s. That is when I had to leave the farm. And I have a hard time sometimes talking about it because it is very emotional for me. My family continues to farm today. My brothers have taken over. But I was the oldest son, and I had to leave. One day my daddy stopped at the mailbox. I don't know what was in the mailbox. It was probably something from a bank. But he looked at me in the truck and said, "Clint, you probably need to go do something else for a living because the farm is holding you back."

Well, that was the catalyst for me to leave. Thank goodness God was shining on me, and I went into the ag finance business. But I don't want that happening to people. I have been very fortunate that I could come back and be part of agriculture, but a lot of people can't when this goes, and we are at a crux of time where this is about to happen to these farmers. The 1980s is about to happen again. The only difference in the 1980s and today, in the 1980s, farmers were flat broke. They were insolvent. Their liabilities were higher than their assets. Today, their assets are still higher than their liabilities, but it is because of the equities that they have in the farmland.

Well, as you know, equity is given to you in two different places. Number one, the market can give you equities, running up value, depending on where your farm is. The other way to get equity is to pay debt down. So our equities are eroding right now.

Mr. SORENSEN. And I may open this up to all of you. What is the canary in the coal mine? We talk about the 1980s, and I live in Moline, Illinois. And International Harvester is just a slab, right? John Deere is holding on only because of the diversification and also the international nature of their business. What is the canary in the coal mine when it comes to Farm Credit and making sure that we are there for our producers?

The CHAIRMAN. The gentleman's time has expired. If one of you can answer that real quick.

Mr. GILBERT. I think one of the biggest differences is the crop insurance safety net here *versus* the 1980s, so that is just extremely important to all lenders and all farmers. That is the biggest thing I would say, my takeaway.

Mr. SORENSEN. Thank you, Mr. Chairman, for giving me some extra time, and I yield back.

The CHAIRMAN. Mr. Bost, you are now recognized for 5 minutes.

Mr. BOST. Thank you, Mr. Chairman. I want to thank you all for being here.

And as we were just describing, farming is a risky business, and it requires specific time, energy, and investment. Getting into this industry can be a challenge with the rising cost of land, input prices, and equipment. Many farmers hit the FSA guaranteed loan limit quickly, very quickly. Mr. Hood, can you comment on the importance of increasing FSA loan limits and how it could be mutually beneficial to both farmers and the banks? And additionally, what other provisions should we look at to support in the credit title of the farm bill to help new and beginning farmers gain access?

Mr. HOOD. Yes, sir, Congressman. Thank you for that. I don't see how we can't increase limits. Our cost to put a crop in is unbelievable now. And when you have depressed commodity prices, that gives you a recipe for failure. And I do believe that it is time to increase, in my bank in the last 2 years, I have told my bankers, whether the farmer is asking for an increase in their line of credit for the coming year or not, increase it by 20 percent. It is so much easier to do it on the front-end in March and April than it is August and September when you have to really worry, are they going to be able to pay me back, and then have to go give them a little bit of extra money. You can tell as a banker. You can tell as a farmer. You can tell as a Congress Member. There is not enough money out there to operate on without increases, so I love that idea.

Mr. BOST. So Mr. Gilbert, in your role as a local lender, you are not just providing credit. You are often a trusted advisor for producers making complex business decisions. Can you speak on how you and your institution support producers beyond the loan itself, specifically maybe how you talk to the producer, give them risk management decisions, discussions, and tools like crop insurance or Title I program, and financial advice, giving them to help them understand what is available to them. I know most farmers, if they have been around a long time, they are going to know, but most of our young farmers that we are wanting to keep in don't always know.

Mr. GILBERT. That is right. No, great question. At the First National Bank in Sioux Falls, education and adding value is a huge piece of what we do because we don't want to just lend money, and a big part of that is being a trusted advisor. I spoke to our Farmers and Bankers Program. That is an intense four-to-five-session program where we do teach them or help coach them through their farm financials. We talk about insurance, the importance of marketing, and also the programs that are out there that we can team up with FSA and Farmer Mac and other folks to help them achieve their goals.

Our lenders, the vast majority of them, are licensed to sell crop insurance, as well as livestock risk protection. We take a different approach than what other banks and institutions do. We are not trying to increase our bottom line. What we are trying to do is make our lenders and agents more knowledgeable to help our farmers through that, or through the ups and downs and work with them, especially on the LRP side of things, has been huge.

I can speak from my own personal experience. Margin calls, if you are hedged, are tough. It is easier as a banker to say you made the right choice when it is your own dollars. It is tough. So that LRP program that producers don't have to pay the premium until the end of the period until the cattle are sold has been really beneficial and, quite frankly, I think will stop a huge, I don't want to say this, but a huge decline in profitability. The cattle market is so high right now, and without a risk protection, price protection, there could be severe losses of money, so that program has been awesome for that, in my opinion.

Mr. BOST. Thank you. And I want to thank you all for being here. With that, I am going to yield back.

The CHAIRMAN. Thank you. Ms. Brown, you are now recognized for 5 minutes.

Ms. BROWN. Thank you, Chairman Scott and Ranking Member Davids.

So it seems like the only predictable thing about farming is that it is unpredictable. Whether it is rising input costs, extreme weather, or shifting tariff policies, producers today face uncertainty at every turn. But access to capital and risk management tools shouldn't be a part of that uncertainty. Farmers and ranchers and dairymen and -women need confidence to plan and plant and invest in equipment and recover from a natural disaster. That comes not only from investing meaningfully in key farm bill programs but also making sure that those dollars are backed up by thoughtful and forward-looking policy. Well-funded is only half the battle. Well-designed is the other half.

Unfortunately, the partisan bill passed 2 weeks ago missed the mark. It fractured the historic farm bill coalition and plussed up programs without doing the hard work of improving and modernizing them. That is exactly why we have a farm bill process, to be deliberative and responsive.

So Ms. Minick, your testimony talks about some of the unique challenges that specialty crop farmers face when accessing traditional risk management tools. Ohio ranks fourth in the nation for the diversity of specialty crops grown, so I have heard firsthand about how one size doesn't fit all when it comes to risk management tools. Can you talk about what policy or structural changes would help make those tools more accessible and relevant for specialty crop growers?

Ms. MINICK. Yes, thank you for that question. So California, I believe, is the top state for the specialty crops grown, and so throughout the West Coast, we have many of those in our service territory. And the Whole Farm Revenue Protection Program and the micro farm have been really instrumental in moving things forward because folks with specialty crops that weren't qualified for crop insurance in the past can use those. Those tools have been important, but they are very complex and hard to understand as the agent and as the producer.

We have had a couple of experiences in the last year or two where other crop insurance agencies have come to us saying we have people that work here that are retiring or things like that. Will you take our whole farm revenue portfolio? There is no buying, there is not anything like that because it is so complex. They don't feel like it is worth the investment to learn how to administer those policies. And so if you don't have agents that are willing to learn and know how to work with those customers, then having them out there, if producers can't access them, then it doesn't support that, so really making sure that we can streamline those processes, that they can cover more commodities, and also that agents remain compensated to be able to do that, to keep the lights on is a very important part of that.

And then also continuing to broaden the different specialty crops that are included in some of the different programs. For example, we have been working on an oyster policy for many years that we would like to see come to fruition. Sometimes specialty crops will have policy rolled out in specific geographic areas, but then they are not expanded to other counties where there is a lot of that production or other states. So those are some areas where we could really see some improvements just to have more access for more producers.

Ms. BROWN. Thank you. Mr. Hood, your testimony talks about the importance of supporting young and beginning farmers and ranchers on their journey to enter the industry. Despite increased funding for beginning farmer programs, the average age of farmers in this country is 58 years old and rising. That is a clear sign that our tools need to be improved. Mr. Hood, you know the challenges that beginning farmers face when they enter the industry. Costs are high, programs just don't fit the realities of starting a new operation. What policy changes beyond just increasing funding are most critical to making Federal credit and risk management tools truly accessible and workable for beginning farmers?

Mr. HOOD. Thank you, Congresswoman. That is a very difficult question, and I ask myself that all the time because I am the father of six children, and the first five have not come back to the farm. I am the oldest of five in my family, and three of us did not come back home to the farm. We couldn't afford to. I have a hold out on my 13 year old. Hopefully, he has got enough interest in it to where he will come back.

But the biggest issue that I have seen is just the monumental expense. And it is not just finding the operating money, getting the

FSA guaranteed loan. It is how do you go to John Deere or some of these other equipment places and negotiate hundreds of thousands of dollars of equipment needs? You really have to have a family member that already has that equipment and that they like you and that they will let you use that equipment. Trying to start from scratch in this country today is a daunting task, and I don't have a clear answer for that. I know it needs to be paid attention to, and you guys have the power to do that, and I would welcome any other ideas, but something needs to be done to help preserve this for young people.

Ms. BROWN. My time has expired. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Ms. Brown.

I can tell you my personal scenario, and you know this, Mr. Hood, or Clint, back home. I have a brother, a sister, and five first cousins, and all of our grandparents farmed and none of us farm, and that is what scares me for the future of agriculture.

Mr. Taylor from Ohio, you are recognized for 5 minutes.

Mr. TAYLOR. Thank you, Mr. Chairman and Ranking Member, for holding this hearing today, and great thanks to our witnesses for sharing your expertise on credit in our agricultural industry and the sacrifices you all made to be here with us today.

I want to go further on with the line of questioning. My colleague, Representative Brown, was just talking about over the next 2 decades, almost 50 percent of our farmland is expected to transfer hands. Currently, only nine percent of farmers are under the age of 35, while nearly 40 percent are over the age of 65. As we think about our farmland, in my opinion, it should remain in farmland and not in solar panels, not be sold to adversaries like China and others, and be owned and operated by a local farmer. I mean, that is what my preference would be. I think that would be the most positive road forward. This not only helps the next generations, but it helps all of our rural communities thrive. As a guest in my office earlier put it succinctly, succession is success.

So Mr. Hood, you were asked about it. I want to open it up to the panel. What USDA programs do you folks think have been helpful or productive for beginning farmers who are looking to acquire land and get into the business or take over their family business?

Mr. WICKS. I would just say that the farm ownership loan for beginning farmers has been very helpful, along with having access to an operating line. That is quite a bit of money we are talking about for a young person starting out, maybe leasing part of a farm and buying another. So those programs there for farm ownership and equipment purchases are really, really helpful for young people to get into agriculture and remain there for the succession.

Mr. TAYLOR. Sure.

Mr. GILBERT. I know we talked about the average age or the demographic of farmers being about 58½. We have the luxury at First National Bank of having a younger-than-that portfolio. Our average age of our entire portfolio of the farmer is 51½. And there are two things, I think, that have helped our customer base either enter the market or be younger than the average, and not that we are trying to age discriminate, but we all know that we have to get the next generation involved. And those two things are livestock and agribusiness. We have worked tirelessly with the USDA to get EQIP funds, things like that, to help our borrowers, mostly young, build a deep pit cattle barn, or a hog confinement facility to add revenue to their farms.

And we have also really pushed in our area, we are fortunate because we do have very fertile ground in most of our trade territory, but we have really pushed the focus on agribusiness too. A lot of these young farmers have to have something besides just the farm to help.

Mr. TAYLOR. Sure.

Mr. GILBERT. So if there is something we could tie in with that, I think it would be very helpful. And I don't know what that is, but we can get back to you on that, but——

Mr. TAYLOR. Okay. Thank you. Ms. Minick, did you have anything you wanted to add?

Ms. MINICK. I would just agree with what they have all said, and I would also say that those programs where it is not always, especially for a beginning farmer or somebody that has maybe been in farming for a while but they are experiencing some economic downturns to be able to jump straight from FSA to a full-fledged borrower, and so to have some of those down payment assistance, some of those different steppingstones is really important. And then I think working closely, having great folks in your FSA offices, they really understand those customers and want to see them graduate, so I think that that staff at the FSA office is really important as well.

Mr. TAYLOR. Okay. Thank you. Since this is being recorded, I do want to give my position on 58 not actually being old, just so we all agree with it.

We talked about what programs are helping some, and I don't have a whole lot of time left, but is there something anybody on the panel has in their pocket that they say I wish Congress would act on this specific thing, this would make such a big difference for young farmers for succession of family farms?

Ms. MINICK. To your point, since this is being recorded and we have said it a lot is increasing those FSA loan limits would make a huge difference.

Mr. TAYLOR. Okay. Thank you. Anybody else?

Mr. HOOD. I would second that.

Mr. TAYLOR. Okay. Great. Thank you, guys. Oh, go ahead, Mr. Hood.

Mr. HOOD. The only thing I will add to that is I love any program that will help a farmer start to get on their feet, but we still have to adhere to the banker's creed of the five C's of credit: the *character,* the *capital,* the *capacity,* the *conditions,* and the *collateral,* specifically the *character,* which most of that is in place. But that capacity to repay right now is diminished. It is knocked in the head. So if you can't adhere to those five C's of credit, I am not sure what program could help. So we need help in having the capacity to repay the debts.

Mr. TAYLOR. Thank you all very much. I yield back, Mr. Chairman.

The CHAIRMAN. The chair now recognizes Mr. Harris for 5 minutes.

Mr. HARRIS. Thank you, Mr. Chairman. And thanks to all of you for your time and your expertise that you brought. I greatly enjoyed reading through your testimonies that were submitted prior and reading through them.

And I just had a couple of questions, and I think all of us have a lot of the same things on our minds today in this Committee. But I did want to ask, Mr. Hood, in your testimony, you specifically mentioned that raising the limits on guaranteed loans and the down payment assistance program as changes that would greatly help the industry. You also mentioned the need for the Farm Service Agency to have access to new technology. Can you just elaborate more on the need and the value of the new technology you had in mind?

Mr. HOOD. Everybody benefits from new technology, Congressman, and I love that you brought this up. Our bank is constantly spending dollars on new technology to make us better bankers, but especially in the FSA program. My next-door neighbor, who is also a cattle and pecan farmer, she is a retired FSA loan officer, and she and I, we get together for drinks and we talk about this all the time. If they had had today's technology back in the 1970s and 1980s, she said we could have gotten a lot more done for more farmers. So the technology piece, you are spot on. I don't know what all it includes. I still have to have a 7 year old show me how to operate a new phone when I get one. But the need is definitely out there to bring the technology level up.

Mr. HARRIS. Okay. Great. Thank you.

And, Mr. Gilbert, you have a great perspective as both a lender and a producer, and I imagine most farmers don't go into the business because they have a love of finance. However, it is clear that today's farmers have to be savvy on debt and lending while also experts on crops and livestock in the process. So can you share more about the Farmers 'N Bankers program that you mentioned in your testimony and how education on finance is a key part of the farming operations?

Mr. GILBERT. Can we push the non-record button here? No, I am just kidding. The Farmers 'N Bankers program actually was started by our current chief credit officer, and he was a lender at the time. And it was about—I am going to get this wrong—but probably 2016, and we were facing some challenges in our area. And we had noticed that a lot of our customers were just kind of—they were just kind of going through the motions, and they didn't necessarily understand a lot of what it takes to be profitable or to improve margins even to get closer to zero maybe sometimes.

So he had developed a four- or five-session program, and we bring in industry leaders from our ag advisory board that we have at the bank to FSA loan officers to—we bring in tax specialists. We do also have a wealth management department, so we bring them in too for some estate planning to help with that transition, and as well as—I can't remember if I said it—but commodity brokers to just coach on break-evens. And it is just another set of eyes other than their banker saying, hey, this is what you need to do.

But probably the most instrumental thing that we do there is we take them through case studies, and we show them, obviously, we change the names, change the numbers, but show them the decisions that we had to make for farmers that were their age and let them make the decision on whether they would have approved that loan or not.

And I would say in the last 9 years that we have done that, I would say almost every group has said no, and we said yes in both of those case studies, and they are both still customers of ours. So it just helps the producer realize that, hey, there is more than just getting up every day, going out and doing chores, and planting the crop and harvesting the crop. It is a lot. It is not their dad's farm anymore.

Mr. HARRIS. Super. Well, thank you. Thank you so much for sharing that.

Mr. Chairman, I yield back.

The CHAIRMAN. Thank you, Mr. Harris.

Before we adjourn today, I would like to invite Ranking Member Davids to share any closing comments she may have.

Ms. DAVIDS of Kansas. Thank you, Mr. Chairman.

Well, I want to first of all start by thanking all of our witnesses today. Thanks for sharing your time and your expertise and personal experiences.

I mean, this is a crucial part of the work we do here. The Subcommittee definitely needs to understand how producers and farmers are using credit and risk management tools that are available, and then, of course, where improvements can be made. And the testimony we heard today is absolutely going to help with that.

I am certainly committed to strengthening the farm safety net, especially for producers and our rural communities who keep our country and, frankly, the world fed, so thank you again.

And, Mr. Chairman, I yield back.

The CHAIRMAN. Thank you, Ranking Member.

And I have already checked on some of the things I understand are legislative, and we will draft legislation and hopefully work together to try to get some simple changes done that help move this in the right direction.

I appreciate you all for being here. And while lending is a big part of any successful operation, ultimately, you have to have more dollars coming in than you have going out. The safety net is important for those bad years, but long-term, we have to have a system that works for our farmers to have more dollars coming in than they have going out.

That said, under the Rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional materials and supplementary written responses from the witnesses to any questions posed by Members. Thank you, and this hearing of the Subcommittee on General Farm Commodities, Risk Management, and Credit is adjourned.

[Whereupon, at 3:16 p.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUBMITTED QUESTIONS

Questions Submitted by Hon. Mary E. Miller, a Representative in Congress from Illinois

Response from Mandy Minick, Senior Vice President, Stakeholder Relations, AgWest Farm Credit; on behalf of Farm Credit Council

Question 1. Ms. Minick, could you speak about how AgWest Farm Credit has partnered with the FSA Beginning Farmer programs to support new producers in your region?

Answer. Farm Credit's partnership with USDA, through programs such as the 50/50 joint financing option, provides substantial benefits for emerging agricultural producers by enabling access to nearly 100% financing.

AgWest Farm Credit has used FSA guarantees for many of our beginning producers. As they improve financially, they gradually graduate from the guarantees after their first five years. We do this through joint partner land loans with the FSA, which can vary between 50/50 financing and the beginning farmer down payment land loan option (5/45/50). These two programs have been instrumental in allowing us to finance our customers who otherwise would not be able to attain 100% of the loan directly with us. This collaborative approach significantly reduces the up-front capital requirements that would otherwise necessitate substantial down payments, thereby preserving borrowers' liquidity during the critical establishment phase of their operations.

This financing structure proves particularly advantageous for young, beginning, and small-scale (YBS) producers who typically operate with limited capital reserves. By reducing initial equity requirements, these collaborative programs allow producers to maintain adequate working capital reserves to address the inevitable operational challenges that arise during enterprise development. Such flexibility enables borrowers to respond effectively to unexpected expenses, including equipment repairs, additional input costs, market fluctuations, or seasonal cash flow gaps—without jeopardizing their operational viability.

The preservation of working capital through reduced down payment requirements represents a crucial risk mitigation strategy for new agricultural enterprises, where access to liquid funds can determine the difference between successfully navigating startup challenges and potential business failure.

This story highlights a partnership with FSA, creating opportunities for our customers:

> AgWest began working with customer Doug back in the summer of 2015. He farms in remote eastern Washington raising soft white wheat, garbanzo beans, barley and canola. Doug started farming in 2013 and was able to attain direct operating funds from the FSA. Prior to 2013 Doug worked full time for a local farmer and realized how much he loved agriculture. This passion gave him the determination to try and attain his own farm leases. He was fortunate enough that his extended family provided 548 acres of farm ground to lease in 2013. He had very limited assets and no farm equipment, and his only option to start farming was utilizing the FSA's direct operating loan funds. His father-in-law allowed him to use some of his farm equipment to seed, fertilize, spray and harvest his crop.
>
> Doug approached AgWest about providing financing in early 2015 and discussed the possibility of buying out his wife's aunt's farmland. Following the advice and guidance of his FSA loan officer, Doug was able to build up working capital during his first two crop years and became strong enough for AgWest to enroll him into our YBS program called AgVision. We provided his first real estate loan to purchase 227 acres in August 2015 in conjunction with the FSA using their 5/45/50 beginning farmer land loan program. The FSA land loan program allowed Doug to put 5% down in cash and the FSA provided 45% of the funding and we provided the remaining 50%. Without the ability to partner with the FSA on this land loan, Doug would not have been able to put the standard 30% down payment. This would have resulted in the family selling the farmland to another farmer or investor.
>
> In the fall of 2016, we agreed to provide Doug with an operating loan using an FSA loan guarantee. The loan guarantee provided us with additional security in the event of financial deterioration. If we had not been able to attain an FSA guarantee, we would not have been able to provide operating financing, and he would have needed to maintain his direct FSA financing. In 2017 he was able to purchase an additional 116.5 acres from his wife's family, and we utilized the joint 50/50 financing with the FSA for the additional property. While Doug continued to improve financially, we would not have been able to provide

> traditional financing if we had not been able to utilize the FSA joint financing program.
>
> Doug has made substantial improvements throughout the years, and we were able to stop using the FSA guarantee program in 2020. We have since moved him to a traditional operating loan and have been able to provide him with additional traditional loans the last few years. He continues to financially perform and make progress and now farms over 3,200 acres of farmland in the prime Palouse region.

Question 2. Second, based on what you're seeing in the field, Ms. Minick, would raising the program's loan limits be timely and helpful?

Answer. It would be extremely helpful and timely to increase loan limits for both direct and guaranteed loans. Most notably, it would broaden the number of operations that would benefit from FSA financing options at a time when the cost of doing business has significantly increased, input and labor costs are higher, and the amount of capital for beginning farmers is extremely limited. Farmers face an ever-growing array of regulations related to environmental protection, food safety, animal welfare, and traceability. Meeting these standards often requires additional expenditure on infrastructure, certification, documentation, and specialized equipment. While these regulations aim to protect consumers and the environment, they contribute to the rising cost structure of modern farming.

We support the Producer and Agricultural Credit Enhancement (PACE) Act to modernize Farm Service Agency loan programs, including increased loan limits that reflect current costs of production agriculture. Strong FSA Guaranteed Loan Programs assist agriculture lenders in working with farmers and ranchers dealing with these challenges and provide opportunities for young and beginning farmers and ranchers.

Along with increasing the loan limits, streamlining the approval process for Preferred Lender approval of guarantees and lessening the paperwork requirements for loan applications is needed. Time is of the essence for producers, especially those with specialty crops, and anything that can be done to speed up the approval process would be welcomes improvements.

This story illustrates a young, beginning producer hindered by current FSA loan limits:

> Beginning farmer Beau planted his first crop when he was still in high school and came to AgWest after graduating and farming for 4 years in rural eastern Montana. Beau previously borrowed from FSA, but due to LOC limits and higher input costs, borrowing from FSA was no longer an option. Beau came to us as a referral from another AgWest customer. After reviewing Beau's financial information and 2025 cropping plan, we used the FSA Guarantee program to meet his financing needs. Beau had previously visited several other financial institutions, but most were not interested in working with him due to his lack of experience, weaker financial position and lack of a strong cosigner.
>
> Another area of timely concern is the beginning farm purchase program. The value of farmland has risen sharply in many regions, driven by competition from investors, urban expansion, and alternative land uses such as solar farms or real estate development. Higher land prices translate directly into increased costs for farmers.
>
> The biggest hurdle our young producers face when trying to purchase farmland is lack of cash to help with a down payment. Being able to utilize the beginning farmer land loan program with the FSA allows the customer to put 5% down on the purchase, however the loan limit for the FSA portion is only $300,000. We end up needing to provide more than $300,000 for our loan for most producers, but market rates are typically significantly higher than the FSA rate, adding burden to the beginning of producers already challenging situation. Raising these loan limits would be particularly helpful, and I would encourage Congress to approve moving the limit up to $600,000 to match the current loan limit for joint financing 50/50 loans while maintaining 5% down payment requirement.

Question 3. We've also heard from producers innovating in small-scale, high-value specialty markets. Ms. Minick, what are the biggest credit challenges these producers face, and what USDA program fixes could help better serve this growing niche?

Answer. Specialty crop growers encounter challenges not faced by larger commodity producers. These crops have shorter harvest periods, are vulnerable to weather and pests, often require manual harvesting, and must be delivered to market quickly due to their perishability. Our smallest producers feel these outside influences even more as they often have very limited, niche marketing opportunities and little to no capital to fall back on. Timely availability of credit and risk protection is very important.

Collateral and Asset Valuation Challenges

Small-scale innovative operations frequently encounter significant barriers when seeking financing due to insufficient traditional collateral. These enterprises typically operate on limited land bases with specialized equipment that fails to meet conventional asset-backing requirements. While high-value specialty crops can generate substantial revenue per acre, the smaller acreage footprint provides inadequate security from a traditional lending perspective.

This customer story illustrates collateral challenges:

> Kyle and Alix are YBS customers who had an opportunity to purchase a piece of land that bordered their ranch on three sides. They had the overall financial capabilities but lacked collateral for traditional financing. AgWest had worked with the young couple in the past, helping them with other financing needs. They secured a one year, lease-to-own option on the ground and then closed the sale the following year. AgWest, using joint financing with FSA to offset collateral deficiency, allowed Kyle and Alix to purchase the ground. AgWest earned business because of our strong customer relationship and our Preferred Lending Agreement with FSA.

Infrastructure and Risk Assessment Complexities

Specialty crop production often necessitates unique infrastructure investments—including greenhouses, specialized processing equipment, and cold storage facilities—that present elevated risk profiles for lenders. These assets typically have limited resale markets and uncertain residual values, complicating standard risk assessment methodologies used in conventional agricultural lending.

Institutional Knowledge Gaps

A critical barrier stems from lenders' limited familiarity with innovative agricultural business models, specialty crop production systems, and their associated profitability patterns. The complexity and diversity of these operations often exceed the expertise of loan officers trained primarily in traditional commodity agriculture, resulting in conservative underwriting decisions that may not accurately reflect the true risk profile or potential of these enterprises.

This knowledge disparity creates significant geographic inequities in credit access. For instance, certain loan officers who have developed expertise through repeated exposure to innovative operations demonstrate consistently successful lending outcomes with specialty crop producers. However, other offices within the same state frequently decline credit applications for substantially similar business models, primarily due to their limited experience with these operation types. This variance underscores how institutional knowledge gaps can create arbitrary barriers to capital access, where a producer's ability to secure financing may depend more on their geographic location and assigned loan officer's experience than on the actual viability of their enterprise.

Systemic Solutions and Recommendations

Establishing specialized lending expertise at the state or regional level—with officers specifically trained in alternative agricultural models—would significantly reduce access barriers for innovative producers. Such specialization would enable more accurate risk assessment and appropriate loan structuring for non-traditional operations.

Consequences of Current Limitations

These systemic challenges often compel promising small-scale producers toward alternative financing sources that, while accessible, frequently lack the comprehensive financial education and constructive credit-building opportunities essential for early-stage agricultural enterprises. This dynamic can ultimately undermine the long-term financial sustainability and growth potential of innovative farming operations.

Federal crop insurance is a vital tool in stabilizing access to credit. Continued expansion of crop insurance products to specialty crop producers will continue to support small scale producers. The Microfarm policy has helped many and it can continue to be improved. Additional programs for fresh market products and specialty crops must continue to be developed. Streamlining these products will make them more user friendly for both the producer and the agents and will help ensure they remain current and viable tools.

Response from Brian Gilbert, Senior Vice President, Ag Banking Manager, First National Bank in Sioux Falls; Member, Rural America and Agriculture Committee, Independent Community Bankers of America

Question. Mr. Gilbert, how has your institution used FSA guarantees to support younger or less established producers who may not yet be bankable under traditional programs?

Answer. First, I'd like to thank you for taking the time to reach out with your question. The First National Bank in Sioux Falls has a large and diverse Ag portfolio that spans across most of South Dakota, SW Minnesota, NW Iowa, and northern Nebraska.

Given our large geographic footprint we run into several unique situations where a borrower may benefit from utilizing FSA guarantees or direct loans. We have a former FSA Loan Officer on our team and several other experts that have executed several FSA guarantees, assisted borrowers with FSA's direct financing programs and FSA/Bank joint financing.

At FNBSF, we assist the borrowers with the application process and work with producers from application to loan closing.

Specifically, to the FSA guarantee program below are a few of the ways we've helped younger/less established Ag producers:

1. Guaranteed operating loans to lessen the necessary collateral they have to pledge.
2. Guaranteed M&E and Livestock loans to ease the cash flow through longer amortizations.
3. Guaranteed farmland loans that we then sell to Farmer Mac to achieve lower rates and longer amortizations for the borrower.

All of these programs assist the borrowers to build their operations and compete with more established farmers, which is essential to help the next generation be able to come back into the family operation and keep farm operations viable for many years to come. With the price of land and inputs today *vs.* even 6 years ago, we as lenders work diligently to help ease cash flows and mitigate risk to help farmers through the cyclical nature of agriculture.

With my roots growing up as a farm kid from South Dakota, I take great pride in helping our ag producers achieve their financial goals and I know firsthand that things don't always go according to plan with production issues or commodity prices or both. FSA guarantees certainly help give us another tool to keep farmers farming and bring in the next generation of farmers.

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