



**Testimony of Randy Aberle
on behalf of AgCountry Farm Credit Services before the
U.S. House Committee on Agriculture
Subcommittee on Commodity Exchanges, Energy, and Credit
November 16, 2021**

Mr. Chairman, Ranking Member Fischbach, and other distinguished members of the subcommittee, thank you for calling this hearing today to discuss the renewable economy in rural communities and for allowing me to testify on behalf of AgCountry Farm Credit. My name is Randy Aberle, and I am Executive Vice President of Agribusiness and Capital Markets for AgCountry Farm Credit Services, based in Fargo, North Dakota.

AgCountry Farm Credit Services is a financial cooperative providing financing, crop insurance and related services to more than 20,000 farmers, ranchers, agribusinesses, and rural homeowners in eastern North Dakota, western Minnesota, and central Wisconsin. We provide more than \$8 billion in loans through our 37 locations throughout our territory and have nearly 600 employees.

We are a member-owned, locally-governed cooperative and a proud member of the Farm Credit System. Along with 70 other Farm Credit institutions, AgCountry shares a critical mission to support rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow.

Farm Credit is a nationwide network of borrower-owned lending institutions that share a critical mission assigned to them by Congress a century ago. These independent institutions include four wholesale banks and 67 retail lending associations, all of which are cooperatively owned by their customers: farmers, ranchers, cooperatives, agribusinesses, rural utilities and others in rural America.

Our mission is to ensure that rural communities and agriculture have a reliable, consistent source of financing irrespective of cycles in the economy or vagaries of the financial markets. Hundreds of thousands of farmers, agribusinesses and renewable energy producers around the country developed business plans this year knowing that Farm Credit has the financial strength to finance that plan and the strong desire and ability to help them succeed.

Farm Credit's unique cooperative structure means that the customer-owners who sit on our boards of directors are living, working, and raising their families in rural communities. They are deeply invested in the success of those communities and are interested in finding more ways for Farm Credit to contribute to that success.

Farm Credit is committed to supporting a diverse agricultural and rural economy, which certainly includes the renewable energy sector. Our customers span a wide range of climate smart and renewable energy operations including renewable fuel producers, farm operations with methane

digestors selling energy back to the grid, biomass projects, and operations which have incorporated wind and solar energy production.

AgCountry and our customer-owners are deeply involved in the renewable economy in a variety of ways. Farmers, ranchers, and agribusinesses are some of the most creative and entrepreneurial people you will meet.

AgCountry has been lending to the biofuels and alternative energy industries for over two decades. I have personally served as the lead lender on 23 biofuel plants. Each of these plants are multi-million-dollar enterprises owned by farmers and rural entrepreneurs. We are financing projects that reduce carbon emissions at these renewable energy plants, which meet the Low Carbon Fuel Standards of California. AgCountry also is financing investments to capture waste landfill gas to power biofuel plant operations.

Beyond providing loans, we have shown support through sponsorships in regenerative agricultural research to improve the carbon footprint of agriculture production. AgCountry is currently in a public-private partnership with commodity and research groups along with state funding to finance crop research and a small-scale soybean crush facility in rural northwestern Minnesota. One goal of this project is to develop higher oilseed crops for use as biofuel feedstock for renewable diesel and biodiesel production.

The renewable economy offers great opportunities for farmers, ranchers, and agribusinesses and AgCountry is prepared to support our customers as they seek opportunities.

Financing biofuels and other innovative approaches in the renewable economy can be challenging. The size, technology, and maturity of the business all impact on how lenders can best support the effort. Profitability in the sector can also vary greatly. For example, according to Iowa State University research, the average daily operating margin for U.S. fuel ethanol plants ranged from about 5-cents per gallon in June to over 40-cents per gallon in September.

Based on AgCountry's past experience, some biofuel projects can cost anywhere between \$30 to \$100 million or more. Multiple lenders, investors, and others often are required and AgCountry partners closely with other Farm Credit lenders, commercial banks, and equity investors to provide the total financing package necessary while spreading the financial risk among many institutions.

As lenders, we analyze different financial metrics when deciding on whether to fund a project. One of these metrics is recurring cash flows from operations. This measurement helps determine if a project has the ability to repay the loan. Oftentimes, the tax credits or incentives to invest in these types of projects are not enough to meet the required cash flow necessary to get these operations up and running to a level of self-sufficiency.

Financing start-up businesses can be particularly complex and challenging, especially when new technology is involved. A project champion or sponsor needs access to financial capital, which may come from a venture capital partner where both the risk and reward expectations are high. Technology, processes, and products must be able to be replicated for broad acceptance in the financial markets.

Congress could support new technology innovation and start-ups by providing incentives for capital investments to entrepreneurs or sponsors in order to cover startup losses and loan

repayment in the early phase of a project. Additional public-private partnerships can work with adequate grants and investments that provide liquidity until sustainable cash flows can be generated.

From our own lending standpoint, we are doing everything that we can to make projects within the renewable economy work. AgCountry is a patient lender that works with our customer-borrowers to find reasonable solutions when plans do not materialize. As a farmer-owned cooperative, it is our mission to serve agriculture and rural America. These projects provide good paying jobs, new opportunities to our rural communities, and another potential revenue stream for farmers and entrepreneurs.

Farm Credit is proud to serve as the financial partner to many of the nation's rural electric cooperatives and other rural power providers, many of which are making forward looking investments in renewable sources of energy. Farm Credit is working with rural communities and entrepreneurs across the nation to find additional opportunities to support the renewable energy industry.

As the federal government continues to find ways to grow this part of the agricultural economy, we firmly believe policies rooted in voluntary, science-, and incentive-based principles will spur growth in the agriculture industry and will ensure Farm Credit is able to best serve its current and future customers. We would also emphasize that government programs need to be transparent and income streams from them need to be predictable and certain, so lenders can include them in calculations to support loan making.

Thank you again for calling this important hearing. I would be pleased to respond to your questions.