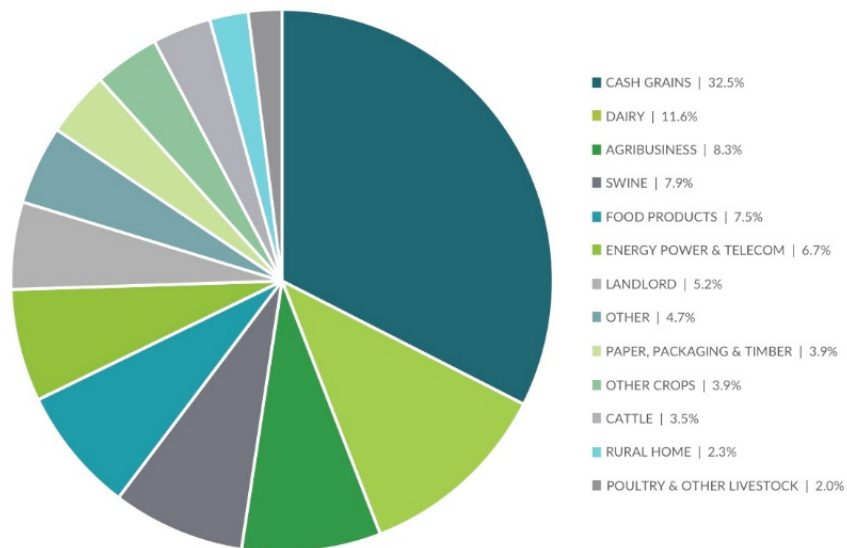


**Testimony of Rod Hebrink, President and CEO, Compeer Financial  
on behalf of the Farm Credit System before the U.S. House Appropriations Agriculture,  
Rural Development, FDA & Related Activities Subcommittee  
April 2, 2019**

Chairman Bishop and members of the House Agriculture Appropriations Subcommittee, thank you for the opportunity to testify today. My name is Rod Hebrink and I'm the President and CEO of Compeer Financial. Compeer is a proud member of the Farm Credit System. Compeer provides loans, leases, risk management and other financial services to farmers and rural communities throughout most of Illinois, Minnesota and Wisconsin, with headquarters in Sun Prairie, WI. As a cooperative, we're owned by our farmer customers and focused on championing the hopes and dreams of rural America. Whether a dairy farmer in Wisconsin, a vegetable grower in Illinois or a rural hospital in Minnesota – our mission drives the passion for all we do.

Compeer serves over 43,000 member-owners and customers focused on feeding and fueling the world, representing the diversity of

Midwestern agriculture ranging from dairy, swine, grain, and renewable energy to pumpkins, potatoes, cranberries and timber. We also have farmers focused on emerging markets – local foods, niche crops and organic production, just to name a few. Ranging from critical access hospitals to assisted living facilities, Compeer also invests in the communities that keep agriculture thriving because agriculture and rural communities are interdependent.



I'm sure this subcommittee is well aware of the current economic challenges facing many farmers. The crop and livestock sectors we serve in agriculture are best described as volatile. While commodity prices have always been cyclical due to the influence of weather and markets, the current economic downturn facing agriculture has been prolonged. This downturn has impacted farmers of all ages, experience levels

and sizes. Certainly the ongoing tariff and trade disputes have contributed to the volatility and we're hopeful these challenges will soon be resolved. We're grateful for the support of Congress in passing a new Farm Bill, which will provide much needed financial support and maintain important risk management tools such as crop insurance.

At Compeer, we're taking a number of proactive steps to help farmers navigate through challenging economic times. While the year-end financials from many of our farmer customers have been slightly better than anticipated, our team is actively meeting with customers one-on-one to review their financial information to help them better understand their costs of production and ways they can improve their operations. We've provided a number of educational seminars for our farmer customers on topics such as risk management, marketing, financial analysis, and benchmarking their operations with their peers. When appropriate, we're also working with farmers to re-amortize loans and make other adjustments to their loan payments.

Arguably one of the most serious challenges right now is dairy. The impacts of multi-year losses are being felt by our clients everywhere. The best way for me to bring this to life is with a client story. A Wisconsin dairy farm family with a multi-generational history of working with Compeer is questioning their ability to transfer their dairy to the next generation. They aren't alone. They operate 50 acres of crop land with a 350-head dairy, partnering with Compeer on operating, equipment and land loans, as well as record keeping and tax services, monthly payroll and crop insurance. A hard-working family, their long term production has been good. Unfortunately, multi-year losses have hit them hard. Their liquidity is severely challenged and payables at the local feed co-op are rapidly building. But this family isn't facing these challenges alone. Our philosophy is to work with producers in all the industries we serve, under all economic conditions. We've invested in a team of experts to help guide them through their circumstances, so they can achieve optimal outcomes and see promise in their future. We offer perspectives that can widen the lens of opportunity, looking at situations in different ways to attain goals that may have previously seemed out of reach. But counseling isn't easy. Farmers willingness to revise plans, consider new approaches and be open to alternate financial strategies are all critical responses to a shifting economy. They're faced with the reality of making tough choices to determine their future. Together, however, we're optimistic.

The diversity of Compeer's portfolio, solid financial performance and a strong balance sheet are key strengths as we respond to market volatility and support our member-owners. As a cooperative, strengthening our financial performance translates directly to an increase in patronage paid to our

member-owners. At a time when this Wisconsin farm family is struggling, our diversification has allowed us to provide them with an increase in patronage – cash in their pockets – to support their efforts to withstand a downturn. In real terms, Compeer increased patronage payments in 2019 by more than \$42 million, returning over \$150 million to farmers across our territory.

As this committee is aware, farmers in many regions of the U.S. have faced weather-related disasters in recent months. While most of our farmer customers have not experienced the recent flooding currently impacting parts of the Midwest, we've had an exceptionally long winter with heavy snowfall, resulting in a number of farmers in our territory having barn roof damage or collapses. Through Compeer's Fund for Rural America, we were able to quickly respond by providing a \$1,000 relief payment (\$117,000 in total payments) to customers who sustained substantial structural damage to their buildings. We want them to know their cooperative has their back as they begin the process of recovery.

As part of our mission, Compeer is also committed to helping support the next generation of farmers, such as Young, Beginning and Small (YBS) producers. One such client is Emily, a 24-year old graduate of Kansas State with a Food Science degree, employed by Crest Foods as a research and development manager in Rochelle, IL. Emily also milks 15 head of dairy cattle and sells organic milk. Emily is an innovative and passionate small, niche dairy farm. Along with her father, Compeer Financial guided Emily through her first purchase of a 70-acre farm in 2018 using the YBS program and USDA'S Farm Service Agency's Direct Down Payment Farm Ownership Program. Combined with her incredibly hard work, guidance from her family and expertise and education from Compeer, Emily is actively making her dreams come true. Over the next two crop years, Emily plans to transition her farm to organic and plans to produce her first certified organic crop in 2021. As her partner, we're thankful for the chance to support Emily – and others like her – through their ag journey.

Compeer has a strong commitment to support minority farmers. We partner with government agencies, community, and immigrant organizations to provide training, lending and business support services for minority farmers. We've created effective programs through genuine partnerships; our community and immigrant organization partners recruit the farmers, provide training classes and ongoing support to the farmers, while we focus on lending and technical assistance.

The Hmong American Farmers Association (HAFA) is a great example. HAFA purchased a farm south of the Minneapolis/St. Paul area and leases plots of land to individual farmers. More than 20 families rent five to

10 acre parcels on which they grow food sold directly to area restaurants, CSA's and farmers markets. Compeer and other partners in the Farm Credit System contributed \$70,000 to help HAFA build the infrastructure on the 155-acre farm. In addition, Compeer continues to support HAFA's agriculture program through annual grant. Compeer employees provide business training, technical assistance, and micro-loans to these farmers. As a result of this successful project Hmong American farmers are today leading the Twin Cities local food economy, making up more than 50 percent of all the farmers in metropolitan farmers markets.

Beyond the current economic challenges facing farmers, we continue to see a decline in the health of rural communities as a whole. The ongoing decline in rural population is problematic but strong rural communities help agriculture thrive. We need a new approach for sustaining rural communities because of this integral interdependency. Fully serving our mission includes our commitment to enhancing the vitality of rural communities. Compeer has taken a proactive approach to solving these issues through partnerships with the USDA community facilities program and Rural Business Investment Companies (RBIC). There is a shortage of capital in rural communities to meet all of the infrastructure needs. We understand government funding alone will never fill that void. Rural communities need partnerships between community banks, Farm Credit institutions, and others. Compeer today is working closely with community banks to find unique solutions to regional needs.

Among the many rural communities we've been able to help is, Renville County, Minnesota, which happens to have a very personal connection. Compeer partnered with both community banks, as well as Farm Credit partners AgCountry Farm Credit and CoBank to rebuild the outdated hospital where I was born and provide rural families access to a \$24 million state-of-the-art facility. Combined with the updated equipment and technology, residents now have access to the quality of care previously available only at great distances. We didn't stop there. We partnered again with AgCountry and CoBank to bring Renville telemedicine equipment and training for local staff, allowing cardiologists at Abbott Northwestern in Minneapolis to diagnose life threatening heart conditions in real time. This equipment has allowed rural families' access to specialists by video link instead of having to travel two hours to the Twin Cities, providing immediate access when time is essential. This investment will save lives and improve health.

This is a great example of how Compeer partners with USDA. In fact Compeer is one of USDA-RD's prime partners in the utilization of community facility financing programs. We've partnered on nearly \$760

million of community facility projects across 17 states; Compeer is one of the most active financial institutions in the country in leveraging the USDA Community Facilities Guarantee program for financing health care, senior living and public safety buildings in rural communities. USDA community facility guarantees provide critically important credit enhancements for private lenders. These credit enhancements mitigate risk through a public-private partnership, allowing more non-government dollars to be leveraged and more capital to be invested throughout rural America. More than 75 percent of the community facility projects in which Compeer has participated have involved partnerships with local community banks or credit unions. The public-private partnerships that are forged through the use of community facility guarantees helps ensure that rural communities' needs can be better met, creates jobs and provides an overall economic benefit; resulting in a stronger rural communities. Overall, the investments aid in providing a higher quality of life and a desire to live, work, and raise families in rural communities; as well as off-farm employment opportunities. We thank this Committee for increasing funding for guarantee programs in recent appropriation bills, and urge your continued support of these important programs.

Finally, a significant challenge to the future prosperity of our rural communities is the current lack of equity investment in rural America. Compeer strongly believes that new approaches to attracting investments into rural communities is absolutely essential to help drive innovation and to create new market opportunities for agriculture. One way Compeer is working to attract new investments into rural communities is through RBICs. An RBIC works like a private equity fund: a fund manager raises money from a group of investors and then invests that money in a variety of private businesses. While the fund is supported by the USDA, it is non-leveraged, which means no taxpayer funds will be utilized. We began partnering in this effort after research told us there's a shortage of equity investment capital for rural America. In fact, nearly 1,500 transaction opportunities have been identified in the last five years representing more than \$7.2 Billion in opportunities coast-to-coast, as well as Alaska and Hawaii.

In closing, on behalf of Compeer Financial, I want to thank you for the opportunity to share a snapshot of our business with you. More importantly, on behalf of the farmers and communities we serve, I want to thank you for your time today. As a partner in their success, it's a pleasure to be able to share their stories and the impact they're making each and every day. We're honored to partner with them to champion the hopes and dreams of rural America.