

Statement for the Record
On Behalf of
American Bankers Association
Before the
Agriculture Committee
of the
United States House of Representatives
May 23, 2024



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On behalf of the members of the American Bankers Association (ABA)¹, please see below our views on the Farm, Food, and National Security Act of 2024 (H.R. 8467), sponsored by Chairman GT Thompson (R-PA), which is scheduled for consideration by the Committee on May 23, 2024. Thank you for the opportunity to express our views on these measures.

Banks continue to be one of the first places farmers and ranchers turn to when seeking agricultural loans. Banks that offer agricultural credit products typically finance a wide array of customers, including large and small farms, urban farmers, beginning farmers, and USDA-defined historically underserved farmers, which include women and minority farmers and ranchers. Agricultural lending is critical to our economy, and the banking industry stands ready to provide credit to agricultural producers.

Summary

The Farm, Food, and National Security Act of 2024, commonly known as the 2024 Farm Bill, includes comprehensive risk management tools for farmers and ranchers, loan guarantees for agricultural loans, rural development projects, nutrition support and investments in conservation. Banks play a critical role in rural America, and this legislation provides a vehicle for the banking industry to help meet the financial needs of farmers, ranchers, and agricultural communities across the country. Meaningful changes proposed in the 2024 Farm Bill will allow bankers to better serve their customers and ensure they have high levels of credit availability in the years to come.

As set forth in greater detail below, the ABA commends the Committee for including many of ABA's priorities in this important legislation,² including modernizing FSA loan guarantee limits,

¹ ABA is the voice of the nation's \$23.7 trillion banking industry, which is composed of small, regional, and large banks that together employ more than 2.1 million people, safeguard \$18.8 trillion in deposits, and extend \$12.5 trillion in loans.

² <https://www.aba.com/-/media/documents/advocacy/what-we-stand-for/2023-aba-farm-bill-priorities.pdf?rev=6e2953efd9ef417e9e69fcc7a1fa1cfb&hash=F0EFA3040E447A06EC220D5BF0DB8F3F>

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.

Title I: Commodities

While not directly impacting agriculture and rural banks, the bill makes significant investments in farm support programs which support shallow market losses in specific covered commodities. The bill includes a 10% to 20% increase to the statutory reference price for all covered commodities based on an analysis of the average annual increase in per-unit cost of production since such reference prices were established in the 2014 Farm Bill.

The bill maintains an annual election between ARC and PLC. For producers electing the ARC program, the bill increases the ARC guarantee to 90% of the benchmark revenue for both ARC-IC and ARC-CO. The bill streamlines the administration of payment limitations for certain entities like LLCs and S-Corps and provides for an inflation-adjusted limitation if an operation derives 75% or more of its income from farming, ranching, or forestry.

Further, the legislation provides authority to expand the number of eligible acres for farm programs by providing a one-time opportunity to establish base acres for producers who currently do not have base or whose average planted and prevent plant acres exceed the current base acres on the farm. The bill authorizes 30 million additional acres makes the base update is available to any producer whose planted acres exceed, including prevent plant acres. If sign-up exceeds the cap, acre allocations will be prorated evenly.

Farm, Food, and National Security Act of 2024 Statutory Reference Price (SRP) Increases		
Commodity	Current SRP	New SRP
Corn	\$3.70	\$4.10
Sorghum	\$3.95	\$4.40
Barley	\$4.95	\$5.45
Oats	\$2.40	\$2.65
Soybeans	\$8.40	\$10.00
Wheat	\$5.50	\$6.35
Seed Cotton	\$0.37	\$0.42
Rice	\$14.00	\$16.90
Peanuts	\$535.00	\$630.00
Other Oilseeds	\$20.15	\$23.75
Dry Peas	\$11.00	\$13.10
Lentils	\$19.97	\$23.75
Small Chickpeas	\$19.04	\$22.65
Large Chickpeas	\$21.54	\$25.65

For banks lending to dairy operations, the bill increases the cap on Tier I coverage for the Dairy Margin Coverage (DMC) program to 6 million pounds, as seen in [H.R. 4125](#). Further, it provides an opportunity to update production history for DMC and creates a 25% discount on DMC premiums for operations that enroll in coverage for the life of the 2024 Farm Bill. In addition, the bill requires biennial cost surveys to ensure allowances accurately reflect the cost of manufacturing dairy products as seen in [H.R. 1756](#). Finally, the legislation restores the “higher-of” formula for the calculation of the price of Class I (fluid) milk until such time that updates to a Federal Milk Marketing Order are ratified, a modification of the provisions of [H.R. 1756](#).

Enhances standing disaster programs and expands eligibility for assistance. The bill enhances the Livestock Indemnity Program (LIP) by increasing the payment rate to 100% of the fair market value of the animal if the loss is caused by an attack by a federally protected species, similar to provisions within [H.R. 2695](#). To address recent fires impacting ranchers, the bill allows for a supplemental indemnity payment for the loss of unborn livestock if the loss of the gestating animal qualifies for assistance, as seen in [H.R. 8229](#). The legislation also includes [H.R. 4127](#) to ensure farming operations are eligible for assistance under LIP, ELAP, TAP, Livestock Forage Program (LFP), and the Noninsured Crop Disaster Assistance Program (NAP) if the operation derives 75% or more of its income from farming, ranching, or forestry.

Title V: Credit

As outlined by ABA³, the bill enhances financing options for producers and lenders to address barriers to entry for producers. Most notably, the bill Updates Farm Service Agency loan limits as proposed in [H.R. 5631](#).

- Guaranteed Operating Loans – \$3 million, Indexed to CPI
- Guaranteed Ownership Loans – \$3.5 million, Indexed to land values
 - Direct Operating Loans – \$750,000
 - Direct Ownership Loans – \$850,000
 - Microloans – \$100,000

As supported by ABA, the bill also makes improvements to the down payment assistance program by removing arbitrary cap on the size of the loan and instead caps down payment loans at 45% of the lesser of acquired price or appraised value. The bill also includes a revised definition of owner-operator that allows for various business structures to open up eligibility to beginning farmer guaranteed loan programs to more producers and customers.

The bill expands options for the Agricultural Mortgage Secondary Market (FarmerMac) by allowing guaranteed loans under the 9007 Rural Energy for America program to be eligible. The legislation also provides flexibility on farm structure acreage caps by allowing the Farm Credit Administration (FCA) to establish alternative loan amount limitations to reflect the treatment as a qualified loan or a moderately sized agricultural mortgage loan, as determined by the FCA, accounting for adjustments in geographic differences and valuations.

³ ABA Statement for the Record Farm Bill 2023 Commodity Programs Crop Insurance and Credit

ABA is disappointed that banks are not included in the 2024 Farm Bill language to provide alternative reporting options for data on small businesses, rather than the burdensome Consumer Financial Protection Bureau’s (CFPB) final 1071 rule. It should be noted that the one-time costs for CFPB’s final 1071 rule implementation for banks under \$500 million in assets averaged \$74,236, which was significantly higher than banks with \$500 million to \$1 billion in assets, which averaged \$19,244, according to a recent ABA survey.⁴ The 2024 Farm Bill creates an alternative authority to the FCA that provides additional time to Farm Credit institutions to report to the FCA as their sole regulator. ABA will continue to seek solutions for agricultural banks that fall under the CFPB’s final 1071 rule.

Additionally, while the bill provides a narrow authority for Farm Credit System institutions to participate in rural development loans, the draft included language to ensure that (1) loans are reported and made publicly available and that (2) system lenders must offer participation to a bank in the local area.

Title VI: Rural Development

This title provides a few new loan guarantee programs to be administered by USDA Rural Development.

It broadens the Business and Industry Loan Guarantee Program to support new investments in food infrastructure across aggregation, processing, storage, and distribution for a more resilient and diverse U.S. food supply chain, similar to USDA’s Supply Chain Loan Guarantee Program, authorized by the American Rescue Plan.⁵ The bill establishing a 3% cap on guaranteed loan lender fees for all guaranteed loan programs at USDA Rural Development.

The bill reauthorizes the Rural Business Investment Program at \$20 million per year for 5 years, which aims to promote economic development in rural areas by providing venture capital to rural businesses through licensed Rural Business Investment Companies (RBICs). These RBICs are privately managed investment funds that invest equity capital in small and emerging rural businesses. Additionally, the Farm Bill increases the cap on how much a Farm Credit System institution can invest in a RBIC fund from 50% to 75%.

Title XI: Crop Insurance

The Federal Crop Insurance Program provides subsidy rates to producers to ensure they establish a floor to their revenue in the event of weather or other events that would impact yield or crop losses. Importantly, the bill expands premium discounts for beginning and veteran farmers for the first 10 years of farming, consistent with the definition of beginning farmer under other USDA programs.

⁴ https://bankingjournal.aba.com/2024/02/the-true-cost-of-too-much-data/?_gl=1*ass6wl*_ga*MTc1NTI3MTAyMi4xNzE1NjQwMTIy*_ga_SYPZD5B62B*MTcxNjMzNjY4MS4yLjE1uMTcxNjMzNjk4Ny42MC4wLjA.*_gcl_au*OTUxODkxNzQ1LjE3MTU2NDAxMjI.

⁵ <https://www.rd.usda.gov/food-supply-chain-guaranteed-loans>

The bill also increases premium support for the Supplemental Coverage Option (SCO) to 80%, providing access for all commodities to a policy similar to the Stacked Income Protection Plan for Upland Cotton (STAX), while maintaining the option to participate in SCO and Price Loss Coverage under Title I. Lastly, it increases the maximum coverage level to 90% for Whole Farm Revenue Protection (WFRP) and SCO.

Conclusion

The ABA commends the Committee for including many of ABA's priorities in the Farm, Food, and National Security Act (H.R. 8467), including modernizing 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.

Banks play a critical role in rural America, and this legislation would enhance the banking industry's ability to help meet the financial needs of farmers, ranchers, and agricultural communities across the country. The 2024 Farm Bill provides meaningful changes that would allow bankers to better serve their customers and ensure they have high levels of credit availability in the years to come.

Thank you for the opportunity to express our views and we look forward to working with the Members of the Committee on this important legislation.