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**IOWA BANKERS ASSOCIATION**

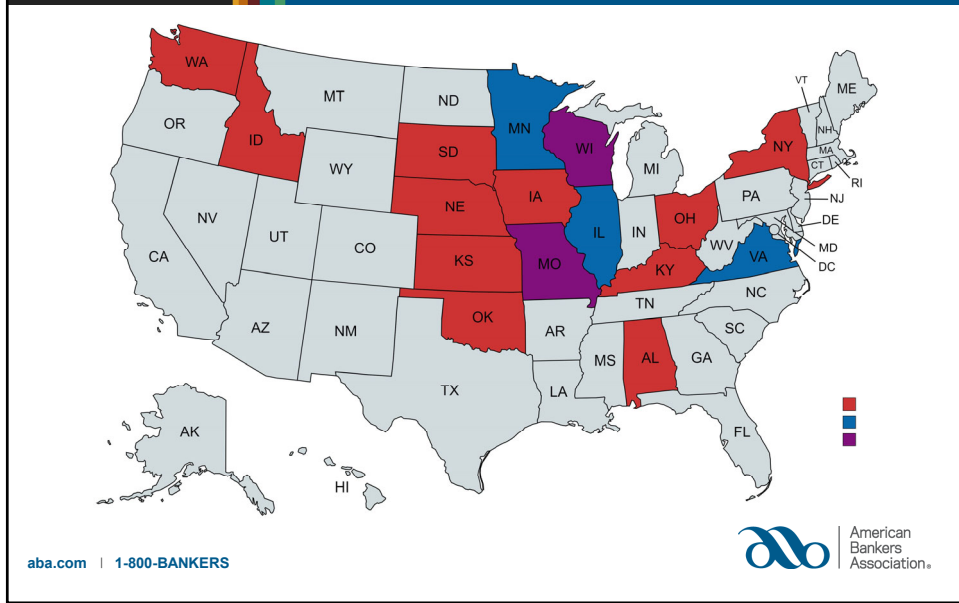
Ed Elfmann, Senior Vice President, Agriculture and Rural Banking Policy  
American Bankers Association

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## ABA Ag and Rural Bankers Committee



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## ABA in Washington, D.C.

- Work with all 541 Congressional Offices
  - 100 Senators
  - 435 Voting Representatives
  - 5 Delegates and 1 Resident Commissioner (Puerto Rico)
- House Focus: Financial Services, Ways and Means, Energy and Commerce, Agriculture, Appropriations, Judiciary, Small Business and Oversight Committees
- Senate Focus: Banking, Finance, Commerce, Agriculture, Appropriations, Judiciary, Small Business and Oversight

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## ABA Agricultural Finance Issues

- USDA Loan Programs
- House and Senate Agriculture Committees
- ACRE Act
- Farm Credit System
- Rural Development
- Hemp/Cannabis Financing
- Carbon Credits/Climate
- Crop Insurance

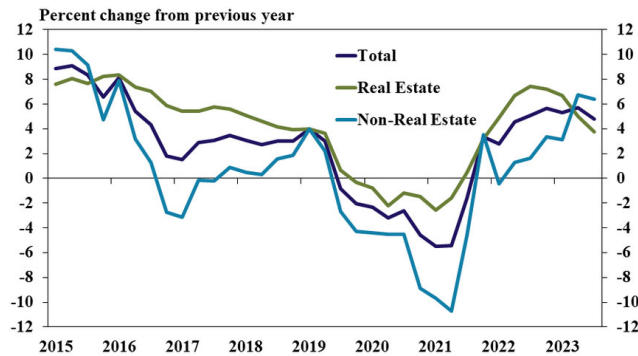
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## Farm Debt Increasing

Chart 1: Farm Debt Outstanding at Commercial Banks



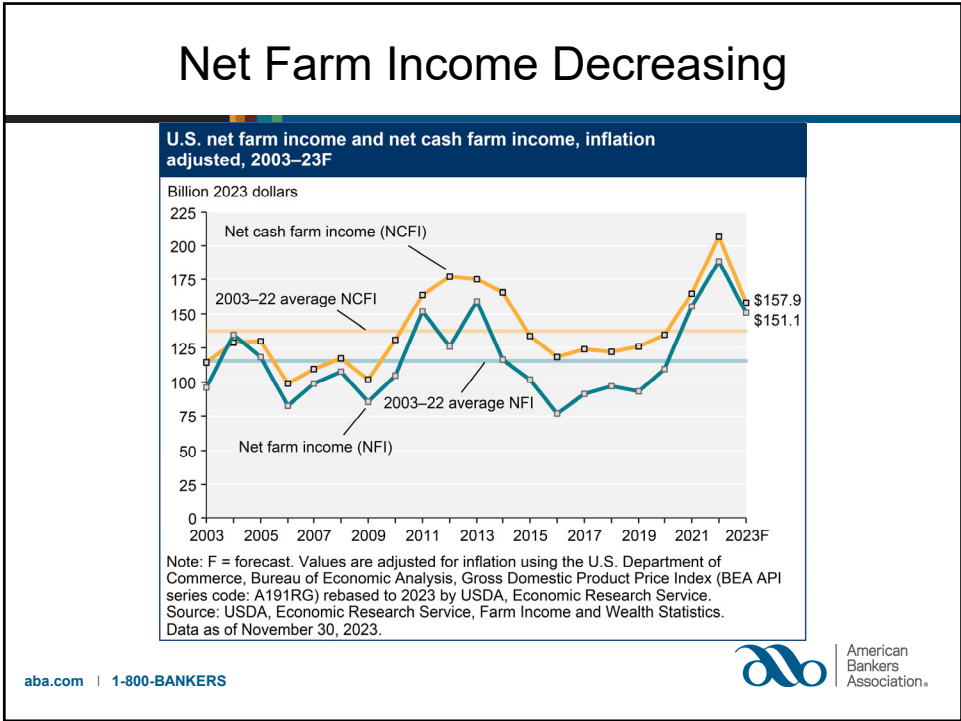
Sources: Reports of Condition and Income and Federal Reserve Board of Governors

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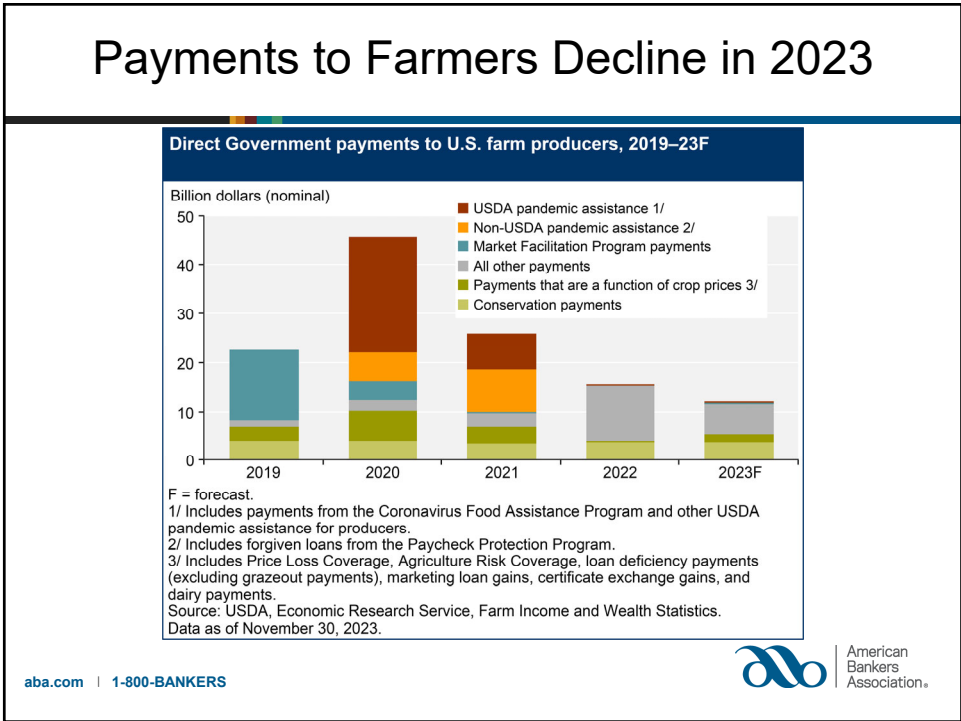
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## Net Farm Income Decreasing



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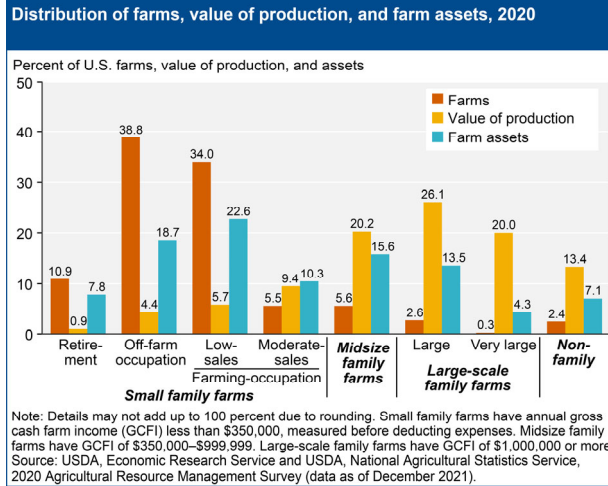
## Payments to Farmers Decline in 2023



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## Farm Size and Production Continues to Change

- 9% of farms account for 66% of production and 33% of assets
- 89% of farms are small and hold 60% of assets
- Where do your farm or ranch customers fall on this spectrum?



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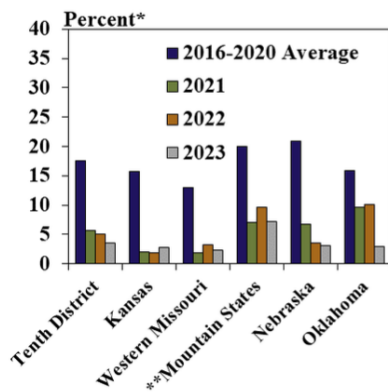


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## Agricultural Loan Growth 2022 to 2023

- Farm Lending Grew
  - Farm Real Estate 7%
  - Farm Non-Real Estate 3%
- Farm Debt Increased
- Land Prices Increase
  - Lower increase than previous year
- Ag Credit Remains Strong

New Loans Involving Restructuring to Meet Liquidity Needs



<https://www.kansascityfed.org/agriculture/agfinance-updates/farm-loan-performance-remains-solid-and-ag-bank-liquidity-improves/>

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## Congressional State of Play

### Continuing Resolutions

- March Extensions
  - Department of Agriculture included under first minibuss
- Becoming more difficult to pass
- Farm Bill markup in House agriculture was expected in March
  - Majority of titles are written, but most expensive titles unfinished
  - Highly unlikely now

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## USDA Loan Relief

\$1.3 billion allocated for distressed borrowers by Inflation Reduction Act

- \$800 million distributed to 13,000 borrowers beginning October 2022
- Additional \$500 million for guaranteed borrowers started on 8-11-23
- Case by case for borrowers
  - Direct loans first
  - USDA will work with lenders on guaranteed loans

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## 2023/24 Agriculture Committee Agenda

### Farm Bill Hearings

- Farm Bill expired September 30<sup>th</sup>, 2023
  - Extension through September 30<sup>th</sup>, 2024
- Hearings will likely cover all topics surrounding the Farm Bill
  - Need to update data used for ARC and PLC
  - Potential changes to reference prices
  - Nutrition program work requirements
  - Dairy and livestock changes
  - Credit title changes
  - Climate provisions

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## Farm Bill Titles

- Currently 12 Titles in the Farm Bill
  - Title I – Commodities
  - Title II – Conservation
  - Title III – Trade
  - Title IV – Nutrition
  - **Title V – Credit**
  - **Title VI – Rural Development**
  - Title VII – Research, Extension, and Related Matters
  - Title VIII – Forestry
  - Title IX – Energy
  - Title X – Horticulture
  - **Title XI – Crop Insurance**
  - Title XII - Miscellaneous

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## Farm Bill Titles with Loan Programs

- Title II – Conservation
- Title III – Trade
- Title V – Credit
- Title VI – Rural Development
- Title X – Forestry
- Title XII - Miscellaneous

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## Farm Bill Titles That Affect Bankers

- Title V – Credit
  - Farm Credit and Farmer Mac
    - Where changes can be made to both entities
  - FSA Guaranteed Loan Programs
    - Changes to loan limits
    - Directing USDA on how to work with lenders
- Title VI – Rural Development
  - Business and Industry (B&I), Community Facilities (CF), Rural Energy for America (REAP) Loan Programs, Rural Housing Service (RHS)
  - Funding for a variety of rural programs
  - Most consequential title for non-farmers outside of Nutrition Title
- Title XI – Crop Insurance
  - Provides risk management for producers

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## ABA Farm Bill Priorities

- Increase FSA Guaranteed Loan Limits
- Modify the Beginning Farmer and Rancher Programs
- Fix the Down Payment Assistance Program
- Reexamine the Interest Assistance Program
- More Consistent Funding for Rural Development Loan Programs
- Modernize Technology for USDA Loan Programs

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## Other ABA Farm Bill and Ag Issues

- Farmer Age and Farm Transition
  - Average age of the U.S. farmer has increased to 58.1
- Support strong insurance programs
  - Crop Insurance, Dairy Insurance Programs, Pasture Insurance (PRF)
- Support Biofuel Programs
- Tax Issues
  - Estate Taxes, Depreciation, Land Credits, Aggie Bond Programs

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## Prompt Payment in Cattle Markets

- Part of the Packers and Stockyards Act
  - Agricultural Marketing Service
  - Will require legislative action
- Switch to use of electronic payments
- Paper checks create float situations
  - 90% of payments from livestock auctions come from checks in the mail
    - According to Chelsea Good, Livestock Marketing Association

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## Access to Credit for our Rural Economy

- H.R. 3139, the ACRE Act
  - Introduced by Rep. Randy Feenstra (R-IA) and Rep. Wiley Nickel (D-NC)
  - 56 cosponsors
- S. 2371, the ACRE Act
  - Introduced by Sen. Jerry Moran (R-KS) and Sen. Angus King (I-ME)
- ACRE will remove the taxation on income earned from interest
  - This is a 21% tax federally
- ACRE will lower the cost of credit by increasing competition between lenders
- Eligible loans include agricultural real estate, rural home mortgages and aquaculture facilities

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## ACRE and the Farm Bill

- The ACRE Act is a tax bill
  - Tax provisions have traditionally not been included in Farm Bills
  - Creates a jurisdiction issue
- Hearings and Statements for the Record
  - ABA has used statements for the record as an opportunity to discuss the ACRE Act

ABA is asking Ways and Means Committee and Finance Committee to hold hearings on the ACRE Act

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## Eligible Loans

Rural or agricultural real estate

- Any real property which is substantially used for the production of one or more agricultural products
- Any single-family residence
  - Principal residence of the occupant
  - Located in a rural area according to section 1.11(b)(3) of the Farm Credit Act of 1987
    - Residence must be in a rural area or town of less than 2,500 and under \$750,000
- Any aquaculture facility

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## Why ACRE?

- Rising interest rates require action
- Farmers held nearly \$350 billion of real estate debt in 2022, a 7.7% increase from 2021 (USDA)
- Farmers' interest expense for real estate debt in 2022 was more than \$18 billion (USDA)
- Banks finance approximately a third of all farmland loans — held \$113.7 billion in loans secured by farmland on balance sheets in Q4 2022 (S&P, USDA)
- In 2021, banks held approximately \$58 billion worth of rural mortgages in communities that would benefit from ACRE. (ABA estimates, HMDA, CRA)

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## Benefits to Customers

- ACRE will lower interest rates approximately .5% to 1.5%
- More than 30.6 million people reside in the more than 17,000 rural communities that would benefit from ACRE (Census)
- ACRE will deliver approximately \$1.15 billion worth of annual interest expense savings to farmers and ranchers in 2023—approximately \$950 million for loans secured by farmland and \$200 million for rural mortgages.
  - This savings would equal 118% of farmers' annual personal property taxes in 2022. (ABA estimate, USDA)
- ACRE will expand banks' rural mortgage lending to ACRE communities by approximately \$200,000 per community per year. (ABA estimate)






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## HOW IOWA BENEFITS FROM ACRE

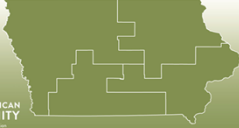
The Access to Credit for our Rural Economy (ACRE) Act (H.R. 3139/ S. 2371) is a bipartisan approach to help lower interest rates for rural borrowers. By expanding an existing tax incentive to all rural lenders, ACRE would increase competition and lower the cost of credit on rural mortgages and farm real estate loans. In Iowa:

 <b>86,104</b> farms would qualify for interest savings on loans secured by real estate	 <b>415,724</b> people live in a community that would qualify for mortgage interest savings under ACRE
 <b>\$4,092,354</b> total rural mortgage savings per year	 <b>\$72,672,552</b> total farm real estate savings per year
 <b>\$76,764,906</b> TOTAL ESTIMATED SAVINGS	



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 Secured by the American Opportunity Tax Credit

\*based on ABA estimates



SecureAmericanOpportunity.com/acre

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## ABA Efforts to Promote ACRE

Sponsoring and Attending Events

- American Farm Bureau Federation Annual Convention
- National Black Growers Council Convention
- Commodity Classic
- Regional Farm Bureau Events
- MN Agribusiness Conference
- National Association of Farm Broadcasters Convention

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## How Bankers Can Promote ACRE

What can you do to help move ACRE?

- [www.aba.com/ACRE](http://www.aba.com/ACRE)
- [www.aba.com/ACREtoolkit](http://www.aba.com/ACREtoolkit)
- Contact your Members of Congress and Senators
- Work with your state agricultural associations
- Reach out to local bankers and state banking association with questions
  - Many states are looking into state level ACRE legislation

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## Farmer Mac Alliance

- Beginning in 2002, ABA bankers started receiving additional benefits from Farmer Mac as part of a newly launched Alliance between ABA and Farmer Mac
- These benefits include:
  - Preferred pricing on select loan products
  - ABA member only communication link to answer product and credit questions
  - “On Demand” instructions for ag lending staff
- 7,000+ loans totaling \$5 billion purchased since 2002
- Over 450 lenders have utilized the Alliance

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## ABA Agricultural Banking Resources

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- Agricultural Lending Education
  - Online class offered yearly
  - Discussions on offering a graduate level school
- Webinars
- ABA Agricultural Banks Performance Scorecard
- Agricultural Lender Survey
- Monthly ABA Ag Journal

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## ABA Agricultural Bankers Conference

November 12-15, 2024  
Milwaukee, WI

CONFERENCE HIGHLIGHTS

### Why You Should Attend



**In-Person Networking**

Opportunities to connect face to face with ag bankers from across the country - finally!



**The National Perspective on Ag**

Long-term projections for the broader rural economy and state of play in Washington from national experts



**Strategies for Growth**

Practical knowledge to navigate the current low-rate, highly competitive environment

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Thank you!

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