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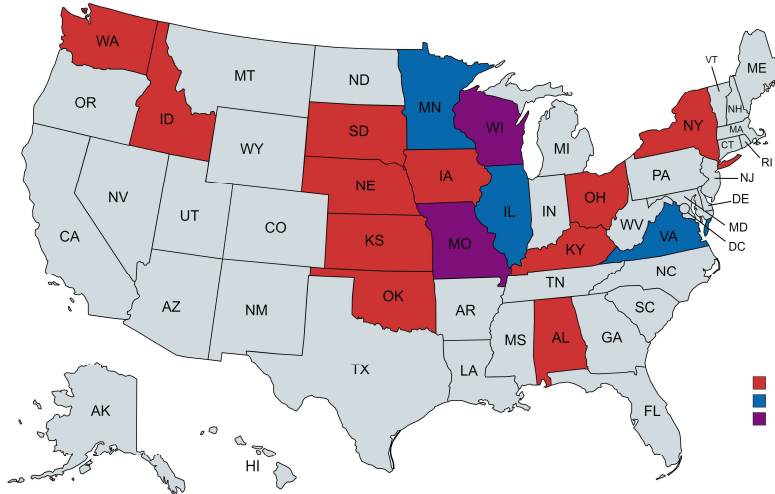
NORTH DAKOTA BANKERS ASSOCIATION

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

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ABA Ag and Rural Bankers Committee



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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American Bankers Association®

ABA Agricultural Finance Issues

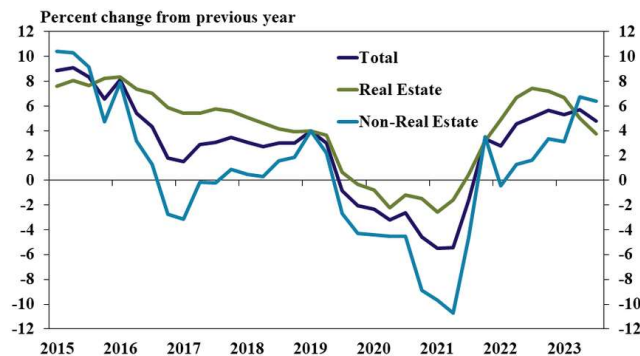
- USDA Loan Programs
- House and Senate Agriculture Committees
- ACRE Act
- Farm Credit System
- Rural Development
- Hemp/Cannabis Financing
- Carbon Credits/Climate
- Crop Insurance

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Farm Debt Increasing

Chart 1: Farm Debt Outstanding at Commercial Banks



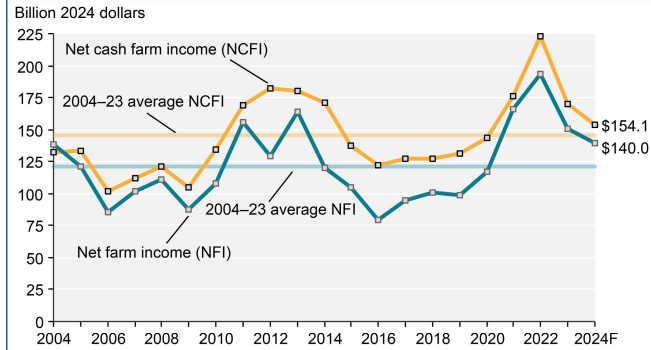
Sources: Reports of Condition and Income and Federal Reserve Board of Governors

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Net Farm Income Decreasing

U.S. net farm income and net cash farm income, inflation adjusted, 2004–24F



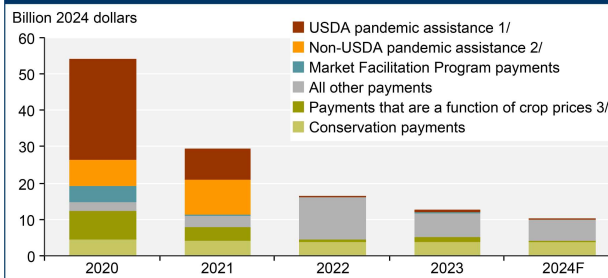
Note: F = forecast. Values are adjusted for inflation using the U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA, Economic Research Service.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of September 5, 2024.

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Payments to Farmers Decline in 2024

Direct Government payments to U.S. farm producers, 2020–24F



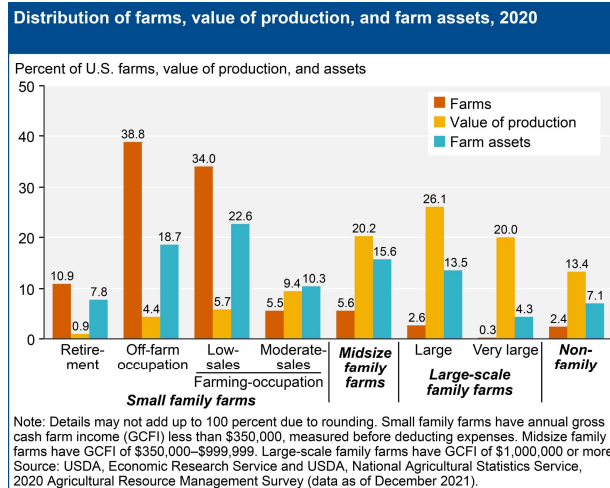
F = forecast. Values are adjusted for inflation using the U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA, Economic Research Service.
1/ Includes payments from the Coronavirus Food Assistance Program and other USDA pandemic assistance for producers.
2/ Includes forgiven loans from the Paycheck Protection Program.
3/ Includes Price Loss Coverage, Agriculture Risk Coverage, loan deficiency payments (excluding grazeout payments), marketing loan gains, and dairy payments.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of September 5, 2024.

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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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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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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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House Farm Bill Highlights

- Increases Limits for FSA Guaranteed Loan Programs
 - Ownership to \$3.5 million
 - Operating to \$3 million
- Fixes Down Payment Assistance Program
- Improves Bona Fide Operator Eligibility Rules
- Expands Farmer Mac Eligibility
 - Allows for purchase of REAP loans
 - Increases flexibility on acreage caps
- Increases Disaster Assistance
- Increases Commodity Programs to 90% Coverage
 - Increases reference prices for commodities

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Congressional State of Play

House Farm Bill

- Passed House Committee for Agriculture on May 24th
 - 33-21
 - Bipartisan
 - Potentially on the House floor in September

Senate Farm Bill

- No Markup Scheduled
 - Frameworks have been released by Majority and Minority

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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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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)
 - 64 cosponsors
- S. 2371, the ACRE Act
 - Introduced by Sen. Jerry Moran (R-KS) and Sen. Angus King (I-ME)
 - 4 cosponsors
- 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 NORTH DAKOTA 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 North Dakota:

 **26,364**

farms would qualify for interest savings on loans secured by real estate

 **171,198**

people live in a community that would qualify for mortgage interest savings under ACRE

 **\$2,311,133**

total rural mortgage savings per year

 **\$23,975,124**

total farm real estate savings per year

 **\$26,286,256** TOTAL ESTIMATED SAVINGS



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*based on ABA estimates

SecureAmericanOpportunity.com/acre



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
- 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

ABA.com/agbanking

- 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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