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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 Agricultural Finance Issues

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

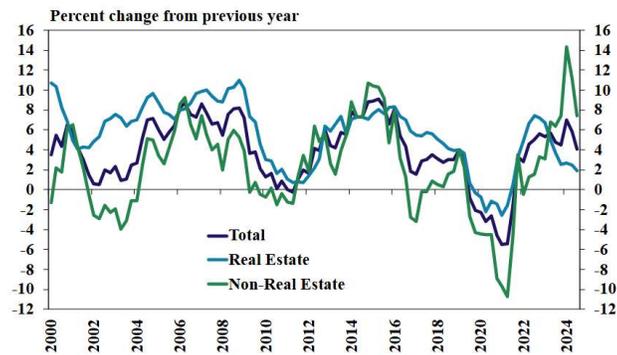
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Farm Debt Increasing

Farm Debt Outstanding at Commercial Banks



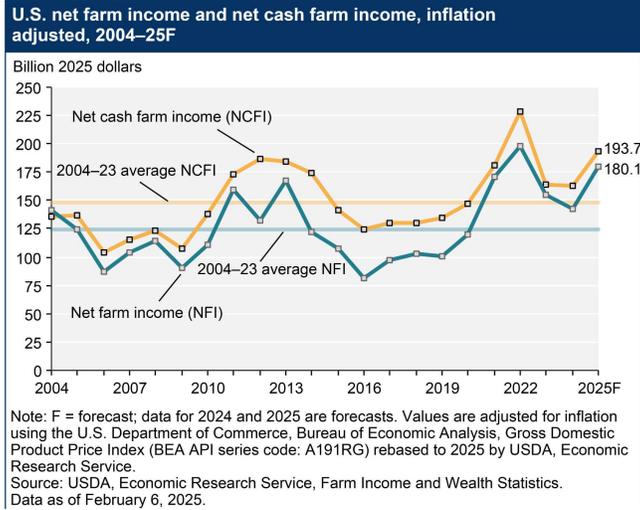
Sources: Reports of Condition and Income and Federal Reserve Board of Governors

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Net Farm Income Increasing?

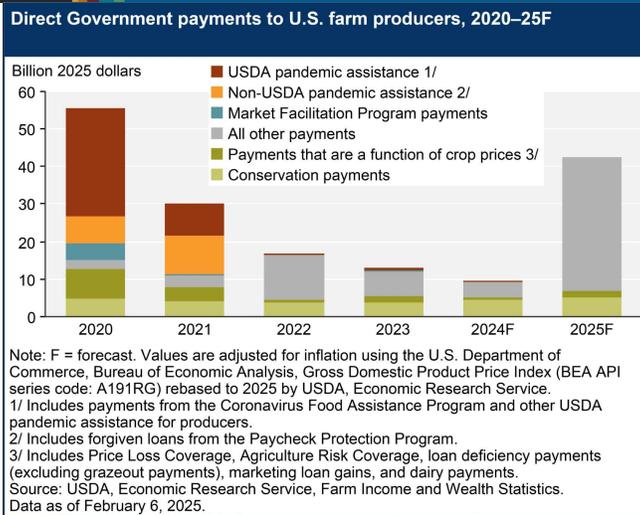


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Payments to Farmers will Increase in 2025



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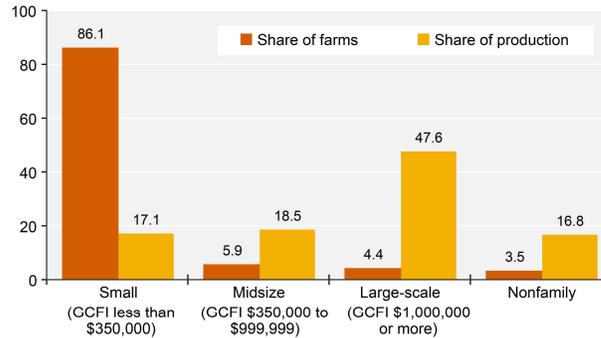
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Farm Size and Production Continues to Change

- 10% of farms account for 66% of production
- 86% of farms are small
- Where does your farm or ranch fall on this spectrum?

U.S. farms and their value of production by farm type, 2023

Percent of U.S. farms or production



GCFI = annual gross cash farm income before expenses.

Note: Nonfamily farms are those where the majority of the operation is not owned by an operator and their relatives. Components may not sum to 100 percent because of rounding.

Source: USDA, Economic Research Service and USDA, National Agricultural Statistics Service, Agricultural Resource Management Survey. Data as of December 3, 2024.

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Supplemental Disaster Relief Program

- \$30 billion in Congressionally mandated disaster funding
- Stage One
 - Sign up started July 10th at FSA county offices
 - Pre-filled forms have been sent to producers
 - Eligible losses must have occurred in 2023 or 2024
 - Drought at D2 for 8 weeks, D3 or greater qualify
- Stage Two
 - Early fall sign up for eligible shallow or uncovered losses

Producers who receive SDRP, must purchase federal crop insurance at 60% or higher for the next two crop years

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H.R. 1, the One Big Beautiful Bill Act

- Section 199A Pass Thru Deduction
 - Made permanent and remains at 20%
 - New Markets Tax Credit
 - Made permanent
 - Estate and Gift Tax Exemption
 - Made permanent and increased to \$15 million
 - Section 179 Expensing
 - Made permanent
 - Increases to \$2.5 million and increases phaseout amount to \$4 million
 - Individual Income Tax Rates
 - Made permanent
 - State and Local Tax Deduction
 - Increased from \$10k to \$40k
- December 31, 2028 Expiration
- No Tax on Tips
 - No Tax on Overtime
 - Bonus Deduction for Seniors

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ACRE in OBBS

Within the OBBS, ACRE will allow qualified lenders to not include 25 percent of the gross income earned by interest for tax purposes for qualified real estate loans.

- A qualified lender includes:
 - Any FDIC insured institution
 - Any state of federally regulated insurance company
 - Any entity wholly owned by a bank holding company
- A qualified real estate loan includes:
 - Any loan secured by rural agricultural real estate or a leasehold mortgage (with a status as a lien) on rural agricultural real estate
 - Any real property which is substantially used for the production of agricultural products
 - Any real property which is substantially used in the trade or business of fishing or seafood processing
 - Any aquaculture facility
- The legislation provides a prohibition for a loan to qualify for the ACRE tax benefit if the loan is a refinancing of a loan made prior to the passage of the OBBS.

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ACRE in OBBB

The OBBB amends Section 265 of the Internal Revenue Code of 1986 (IRC).

- Section (a) of the OBBB excludes from gross income 25 percent of the interest received by a qualified lender on any qualified real estate loan. Section (d) of the bill provides that any qualified real estate loan shall be treated as an obligation described in section 265(a)(2), the interest on which is wholly exempt from tax. Section 265(a)(2) operates by denying a deduction for any interest expense from indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from taxes.
- Under current law, a taxpayer is generally required to include in gross income 100 percent of any interest received that is not exempt from tax but is also subject to certain limitations, permitted to deduct 100 percent of any interest expense. Absent a change to section (d) of the bill, a qualified lender would be denied a deduction on 100 percent of any interest expense from indebtedness related to a qualified real estate loan while only being permitted to exclude from gross income 25 percent of the interest received on such qualified real estate loan. The proposed adjustment to section (d) of the bill seeks to mirror the 25 percent exclusion from gross income in section (a) by limiting the portion of any qualified real estate loan subject to section 265(a)(2) to 25 percent.

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ACRE Questions

Rules and Regulations Needed

- What is the date of enactment?
 - July 4th, 2025
- What is a refinancing?
 - Loan must be made after date of enactment
- What is a person (LLC, Trust, LLP)?
 - All entities should be included based on other parts of the text
- Will the loans be certified?
 - Similar to municipal loans?

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Agriculture Provisions in OBBB

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

- **PLC:** Extends the Price Loss Coverage (PLC) program through crop year 2031 and increases reference prices to those proposed in the farm bill markup for crop year 2025.
- **Base Acres** Maintains all current base acres while providing a one-time voluntary allocation of 30 million new base acres for farm owners who currently do not have base or whose average planted acres and acres prevented from being planted exceed the current base acres on the farm.

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Agriculture Provisions in OBBB

- **Crop Insurance**
 - Supplemental Coverage Option (SCO)
 - Coverage triggered if losses in the area exceed 10% of normal levels.
 - Coverage level increased from 86% to 90%.
 - Premium subsidy is increased from 65% to 80%.
 - Increase in premium cost-share (subsidy amount) as follows
 - 55-64% coverage - 69% cost-share
 - 65-74% coverage - 64% cost-share
 - 75-79% coverage - 60% cost-share
 - 80-84% coverage - 51% cost-share
 - 85%+ coverage - 41% cost-share
 - Whole Farm Revenue Protection (WFPR) - coverage level increased to 90%.
 - A&O Payments
 - Crop insurance companies and agents will get a minimum reimbursement of 17% for their administrative costs when they provide insurance for specialty crops.
- **Trade** - Creates a new supplemental agriculture trade promotion program akin to MAP, funded at \$265 million beginning in fiscal year 2027 and each fiscal year thereafter.
- **Horticulture**
 - Specialty Crop Block Grant Program (SCBG) increased to \$100 million/year (was \$85 million).
 - Plant Pest and Disease Management increased to \$90 million/year (from \$75 million).
- **Adjusted Gross Income (AGI) Limit Exemption** - In determining eligibility for disaster and conservation programs, a person or entity that derives more than 75% of their income from farming activities is exempt from AGI limits.
- **Conservation**
 - Ag Conservation Easement Program (ACEP) is increased incrementally, reaching \$700 million in fiscal year 2031.
 - Quality Incentives Program (EQIP) is increased incrementally, reaching \$3.225 billion fiscal year 2031.
 - Conservation Stewardship Program (CSP) is increased incrementally, reaching \$1.375 billion in fiscal year 2031.
 - Regional Conservation Partnership Program (RCPP) is increased incrementally, reaching \$450 million in fiscal year 2031.

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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 Priorities

- Continue to support full ACRE
- Support oversight and reform for the Farm Credit System
- Build relationships between bankers and agricultural organizations
- Support improvements to FSA
- Support the Farm Financial Standards Council

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Suggested ABA Changes to FSA

- Delegated authority for preferred lenders
 - Exists at SBA
- Increased technology at FSA
 - Online application process
 - Electronic documents
 - Removal of wet signature requirement
- Changes to FSA loan approval process
 - Regional, State, or National level approval
 - Underwriting should be handled by lender

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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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2024 Farm Bill Highlights

- Increases Limits for FSA Guaranteed Loan Programs
 - Currently \$2,236,000
 - 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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2025 Farm Bill Timeline

- House of Representatives
 - Farm Bill hearings
 - October Markup?
- Senate
 - Farm Bill hearings first quarter
 - May wait on House
- Congressional Passage?

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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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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 12-14, 2025
St. Louis, MO
Early Bird \$995 until September 19

CONFERENCE HIGHLIGHTS

Why You Should Attend

 <p>In-Person Networking Opportunities to connect face to face with ag bankers from across the country - finally!</p>	 <p>The National Perspective on Ag Long-term projections for the broader rural economy and state of play in Washington from national experts</p>	 <p>Strategies for Growth Practical knowledge to navigate the current low-rate, highly competitive environment</p>
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Thank you!

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