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June 17, 2015

The Honorable Robert Aderholt  
Chairman  
House Ag Appropriations Subcommittee  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Sam Farr  
Ranking Member  
House Ag Appropriations Subcommittee  
United States House of Representatives  
Washington, D.C. 20515

Dear Chairman Aderholt and Ranking Member Farr:

On behalf of the more than 6,000 community banks represented by the Independent Community Bankers of America, I write to share our views regarding important agricultural and rural issues related to the agricultural appropriations process for fiscal year (FY) 2016.

The House Agriculture Committee's June 2<sup>nd</sup> hearing highlighted that crop prices have fallen significantly in recent months with net farm income projected down 43 percent since the peak levels set in 2013. Given low crop prices and high input costs, many very capable producers are spending down cash reserves and reducing working capital. While many farmers are restructuring debt to stretch out payments, we are witnessing greater reliance on USDA guaranteed farm operating loans (GOL). The demand for such loans will increase, perhaps dramatically, in the near future. Last year's guaranteed operating loan volume level of approximately \$1.4 billion may need to be increased significantly. An additional \$5 to \$10 million above the USDA budget request should accommodate an additional \$500 million to \$1 billion in new guaranteed farm operating loans.

We appreciate last year's appropriations providing funds and flexibility to accommodate a total of \$2.5 billion in guaranteed farm ownership loans (GFO) and this level should be maintained.

Given heightened farm financial stress and declining farm income levels, it is inevitable for financial stress to also be felt on Main Street. Thus, we urge you to ensure a strong financial commitment to USDA's Business and Industry (B&I) guaranteed loan program. USDA's budget recommended only \$31 million in budget authority to produce approximately \$750 million in guaranteed small businesses loans. However, Congress enacted \$67 million for FY 2014 to generate \$958 million in guaranteed loans and appropriated funds to yield a similar level of guaranteed B&I loans in FY 2015. We believe this program should be funded adequately to generate guaranteed loans matching or exceeding the levels of recent years.

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In addition, although USDA's budget recommends providing, for the first time, \$6 million for the Rural Business Investment Program (RBIP), we believe these funds could be best used to better fund the B&I program and/or other rural development programs. RBIP appears unusable for many community banks and provides benefits and competitive advantages to a small number of large lenders. Further evaluation and review is necessary to ensure this program is useable by a broader set of rural lenders such as community banks.

USDA's budget recommends \$5 million for the Rural Energy for America Program (REAP) for guaranteed loans. We believe this amount should be \$10 million to \$20 million with no changes in mandatory program spending (CHIMPS). This program allows lenders to provide guaranteed loans for renewable energy systems for both producers and small businesses.

Congress invested tremendous resources and efforts in enacting the 2014 farm bill in order to provide a safety net for America's farmers and ranchers and rural communities. One program that effectively complements Congress's efforts is the 'Competitive Farm Financial Benchmarking Program.' Congress provided \$1.45 million for this program in FY 2015 which provides data to assist young farmers as well as established farmers in understanding how to improve the efficiency of their operations. A slight increase in funds to \$2 million will allow more states to participate in this program. Currently fifteen programs serve more than 25,000 producers who are members of farm management associations or educational programs that help them with financial analysis and record keeping. These programs are essential in helping farmers enhance their risk and financial management skills and ensure their long-term survivability.

We urge Congress to protect crop insurance funding at current levels. Crop insurance is a key linchpin of the new farm bill and an essential element in protecting the operations of America's farm families. It provides lenders greater certainty that loans will be repaid in the event their farm borrowers are impacted by catastrophes such as weather related disasters.

While there are many programs of importance to rural America, the programs highlighted above benefit tens of thousands of farmers and ranchers and small businesses in rural America. These programs are used by a broad variety of rural lenders on behalf of their rural borrowers. Thank you for considering our views as Congress considers appropriations for these and other important programs.

Sincerely,

/S/

Mark Scanlan  
Sr. Vice President, Agriculture & Rural Policy

cc: Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies

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