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March 1st, 2019

Submitted Electronically to: www.regulations.gov

Mr. William Northey
Under Secretary
U.S. Department of Agriculture
14th Street and Independence Ave. SW
Washington, DC 20250

RE: 2018 Farm Bill Implementation Listening Session Federal Register, Vol. 84, No. 31,
Thursday, February 14, 2019 Docket ID USDA–2019–0001

Dear Under Secretary Northey:

This letter is on behalf of the Independent Community Bankers of America (ICBA), which represents the nation's community banks comprised of over 52,000 locations across the country. We appreciate USDA conducting a recent listening session in Washington, D.C. along with the opportunity to provide comments to help guide USDA's implementation of the 2018 farm bill. This letter provides our initial comments on several important issues in the farm bill and we anticipate submitting additional comments as appropriate and after further discussions with community bankers across America. In addition to this initiative, we encourage USDA to provide a means for continued input by those interested in USDA decision making related to the farm bill.

The farm bill is very important to the nation's farmers and ranchers and the community banks that finance them. Community banks of under \$10 billion in assets finance approximately 75 percent of all agricultural loans from the commercial banking sector. The farm bill provides community banks and their farm and ranch customers a long-term framework for making business and strategic planning decisions. The farm bill programs are essential for helping provide a price floor under commodity programs. Crop insurance is essential for helping producers manage risks. Guaranteed farm and rural development loans are important mechanisms for allowing community banks to provide credit to borrowers who may not otherwise qualify for commercial loans. Conservation programs are vital for helping protect farmers' soil and water resources.

Our comments follow.

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Title I—Commodities

We appreciate Secretary Perdue stating USDA will work diligently to ensure producers can sign up for next year's commodity programs starting September 1st. We believe it will be useful for USDA and their collaborators in the university system to make calculators and other decision-making tools available as soon as possible.

Dairy producers have been hard hit by low prices and are anxiously awaiting the benefits promised under the new farm bill. Allowing producers to sign up for this program as soon as possible and providing them promised refunds is important to helping maintain their financial survival. Again, providing producers with up-to-date calculators will be helpful.

The Hemp provisions in the farm bill hold great promise to producers and related businesses. However, there is great uncertainty regarding implementation and how quickly producers will be able to grow hemp under provisions of the farm bill. It is somewhat disappointing to learn that the full scope of implementing the farm bill's hemp provisions won't apply until growers prepare for the 2020 crop. We urge USDA to quickly approve state plans submitted for USDA's approval without trying to make these plans uniform across the nation and without undergoing a rulemaking process for states submitting their own plans.

A subsequent rulemaking process can be instigated for those states that do not submit a plan to USDA if the department feels a formal rulemaking process is necessary. USDA should also engage in outreach to banking regulators to ensure they understand that producers of hemp as well as businesses marketing or handling hemp-derived products under the guidelines of the farm bill are indeed legal enterprises and able to access loans and financial services from community banks. Bank examiners should also be made aware of the legality of these businesses due to the farm bill's exemption of hemp from the list of Schedule 1 drugs.

Title V—Credit

The ability of banks to offer guaranteed farm operating and ownership loans is essential for the continuation of many family farm and ranch operations. Through use of these programs commercial banks and other non-USDA lenders provide well over \$3 billion in credit annually to family farmers and ranchers. These borrowers would not otherwise qualify for commercial credit without obtaining a guarantee from a bank or other lender. It is important for USDA to grant maximum flexibility to the banking community in offering these loans while seeking to reduce regulatory burden where possible.

ICBA appreciates that Congress raised loan limits for guaranteed operating and ownership loans. We believe the higher limits for these loans will allow community banks to work with many more legitimate family farmers to keep their operations viable during the current low-price era.

We do not agree with some self-labeled family farm advocates that claim the higher loan limits will have a negative impact on family farmers. Frankly, the increases in loan limits is quite modest and is still insufficient to serve many family farmers and ranchers. Higher loan limits will allow community banks to serve some of their borrowers whose financing needs are higher than in previous years due to the farm's growth or the increased costs for land, equipment and inputs.

ICBA is very concerned with suggestions by some self-labeled family farm advocates who incorrectly suggest the banking industry is not meeting what they describe as mandatory lender obligations to maximize credit extended under set-asides for socially disadvantaged (SDA) and young, beginning, and small (YBS) farmers.

Set-asides under statute for these categories of farmers are not "mandatory lender obligations" to require a specified amount of credit is thrown at SDA/YBS farmers. These caps were arbitrarily developed with little basis in market demand. The intent is to ensure that SDA and YBS farmers have definite access to loan programs. If the caps are not achieved in a given year, and they typically are not, it reflects the lack of demand by SDA and YBS farmers and/or their inability to show they would be credit worthy borrowers who have an ability to repay their loans. Regulators require banks to warrant those receiving bank loans can show an ability to repay such loans.

If producers of any type do not qualify for guaranteed loans, they can apply for direct loans from USDA. We note delinquencies on direct loans have risen to a nine year high according to a recent article by the Associated Press (AP). Guaranteed loans, by contrast, have a very low default rate.

Some 'family farm' advocates have suggested a greater regulatory burden be imposed on the banking industry in order to utilize guaranteed loans on behalf of family farmers. These suggestions include requiring banks to 1) monitor lending by categories of borrowers; 2) develop outreach materials and strategies for reaching these categories of borrowers; 3) provide documentation regarding these efforts; and 4) make such information available to the public. We strongly disagree with such onerous requirements being imposed upon community banks as the result will be an exodus from using guaranteed loans, thus causing direct harm to farm and ranch families.

Requiring community banks to pay for outreach programs would cause many banks to lose money on every guaranteed loan. In small rural communities, residents already know their financial institution and the services provided. Banks do use USDA outreach or promo materials when available. Heavy-handed governmental imposed monitoring can become bureaucratic and simply provides information and data with which others can use to litigate against the banking industry. The "tracking" – especially when borrowers progress from one category to another – can be problematic and subject to reporting inaccuracies.

Banks do routinely attend – as presenters, attendees, sponsors, and exhibitors – annual ag day celebrations, county fairs, and other gatherings of producers, which is simply good business. Imposing additional burdens leads to banks spending time and financial resources engaging in non-productive compliance activities, thus detracting from time spent with SDA and YBS and other farmers/ranchers. Banks desire to make loans available to all credit worthy borrowers. Imposing greater burdens on bankers does not create additional demand for guaranteed loans and ultimately hurts financially challenged family farms. Recommendations to impose added monitoring and compliance burdens on community banks should be unequivocally rejected.

Title VI—Rural Development

ICBA submitted extensive comments to USDA on rural development programs related to USDA’s OneRD proposal. We recommend USDA review these comments for our suggestions regarding rural development.

Title X—Crop Insurance

Crop insurance is an essential program for both producers and lenders. For producers, it allows them to cover much of their risks in producing and marketing products while avoiding a financial crisis from which they are unable to recover in the event of a weather catastrophe. For lenders and their regulators, crop insurance helps ensure producers will be able to repay loans.

Recently, ICBA joined sixty other farm-related organizations in writing both Congressional budget committees and Secretary Perdue urging no proposed cuts to the crop insurance program. Cutting funding for the crop insurance program would result in lessening the ability of farm families to manage their risks and would increase uncertainty in their ability to repay bank loans.

Conclusion

ICBA appreciates USDA’s desire to hear from stakeholders on implementation of the 2018 farm bill. One of ICBA’s key principals for the farm bill is that implementing regulations should closely adhere to statutory language without imposing regulations not required by statute that disadvantages one or more groups of stakeholders. We strongly urge USDA to follow this principal and to carefully consider the recommendations made in this letter. We look forward to continuing to work with USDA on farm bill implementation issues.

Sincerely,

/s/

Mark Scanlan
Sr. V.P., Agriculture and Rural Finance