Testimony of
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Before the
U.S. Senate Committee on Agriculture, Nutrition, and Forestry
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Chairman Boozman, Ranking Member Klobuchar, and members of the Committee, thank you for calling this hearing today to discuss the agricultural economy and for allowing me to testify. My name is Tara Durbin. I serve as Chief Lending Officer of Farm Credit Mid-America, headquartered in Louisville, Kentucky.

Farm Credit Mid-America is a financial cooperative providing financing, crop insurance and related services to more than 145,000 farmers, ranchers, agribusinesses and rural homeowners in Arkansas, Indiana, Kentucky, Missouri, Ohio, and Tennessee. More than 1,600 team members serve our customer-owners across our 391-county territory. We provided $34.4 billion in loans to farmers and ranchers as of September 30, 2024.

Most importantly, our association is a customer-owned, locally governed cooperative and proud member of the Farm Credit System, which was created by Congress more than a century ago. Along with 55 other Farm Credit institutions, we share a critical mission to support rural communities and agriculture with reliable, consistent credit and financial services, irrespective of cycles in the economy or fluctuations in financial markets.

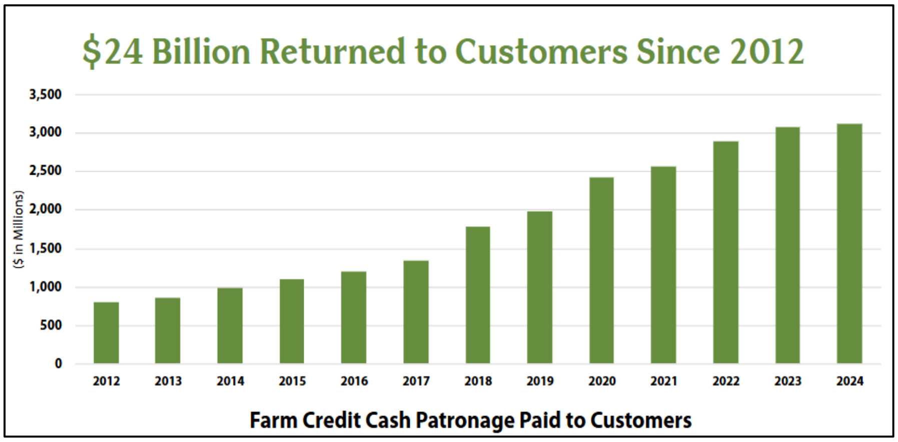
As this Committee has heard over the course of this hearing series, there are numerous challenges facing US agriculture. However, hundreds of thousands of farmers around the country developed a farm operating plan this year knowing that Farm Credit has the financial strength to finance that plan and the strong desire and ability to help them succeed. As margins have tightened for farmers across the country, our mission to serve all of agriculture in good and challenging times is especially important.

There is no federal funding provided to Farm Credit, and we do not take deposits. Instead, we issue debt securities on the public markets and use proceeds from the sale of those securities to fund our lending activities. While the interest rates we pay for our funding have risen sharply, funding remains plentiful. Our access to funding, along with our financial strength, means that Farm Credit is well positioned to continue providing competitively priced credit.

Farm Credit's unique cooperative structure means that the customer-owners who sit on our boards of directors are living, working and raising their families in rural communities. They are deeply invested in the success of those communities and are interested in finding more ways for Farm Credit to contribute to that success.

Farm Credit's cooperative structure also means the profits generated by our institutions directly benefit our customer-owners. Farm Credit profits are used only two ways — either retained in the institution to build financial strength and support more lending to our customers or returned to our customers via patronage dividends.

In 2024 alone, Farm Credit returned over $3 billion in patronage to our customers, representing 39% of total earnings. Since 2012, Farm Credit has returned $24 billion in patronage to our customers.



Later this month, Farm Credit Mid-America will return $260 million in patronage back to our customers-owners. Over the last nine years, we have returned to more than $1.5 billion through our patronage program.

The portion of Farm Credit's earnings not returned to customers provides the critical support for more lending to the agricultural producers, agribusinesses, rural infrastructure providers and rural homebuyers we serve. Farm Credit's lending has grown by an average of over 8% per year for the past 5 years as demand for loans increased and farmers and ranchers relied more heavily on Farm Credit to meet their credit needs.

Congress assigned Farm Credit a mission to serve all sectors of agriculture, and we fulfill that mission every day. From the largest producers to the more specialized local producers, Farm Credit offers a wide range of loan products to support specific needs across all 50 states and Puerto Rico.

Congress specifically directs Farm Credit to serve the needs of young, beginning, and small (YBS) farmers and ranchers. In 2024, Farm Credit made just over 129,000 loans to YBS producers which is about 57% of the total of new Farm Credit loans made during the year. The chart below details Farm Credit loans made last year to YBS producers.

	For Year Ended December 31, 2024			
	Number of New Loans	Volume	Percentage of New Loans	Percentage of Volume
		($ in Millions)		
Young Only	6,548	$ 5,853	2.9%	3.1%
Young & Beginning	10,787	$ 7,879	4.8%	4.1%
Young & Small	4,507	$ 856	2.0%	0.5%
Beginning Only	7,355	$ 7,482	3.3%	3.9%
Beginning & Small	24,833	$ 8,468	11.0%	4.5%
Small Only	52,914	$ 12,522	23.5%	6.6%
Young, Beginning, and Small	22,190	$ 5,112	9.9%	2.7%
Non-YBS	95,706	$ 141,666	42.6%	74.6%
Total	224,840	$ 189,838	100.0%	100.0%

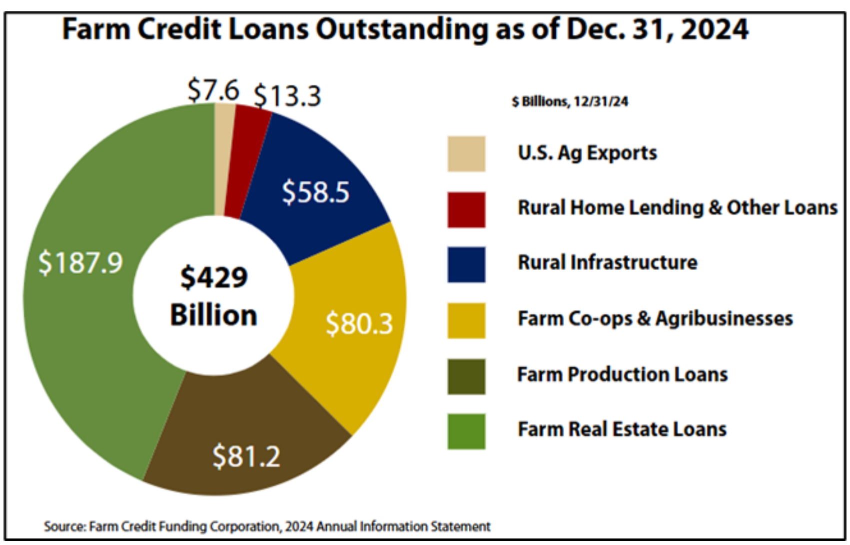
New for 2024, the Farm Credit Administration made substantial changes to the way Farm Credit institutions were required to collect and report YBS loan data. Changes were made to both the categories being reported and to the criteria for inclusion in those categories. For instance, FCA increased the annual gross farm income threshold for small farmers to $350,000 where previously it had been $250,000. As a result, 2024 data cannot be compared to previous years.

Considering these new FCA reporting requirements, at year-end 2024, Farm Credit institutions had approximately 618,000 loans outstanding to YBS producers for about $185.6 billion. Again, because of the regulatory reporting requirement changes, these numbers cannot be compared to previous years. *[Note: The numbers cannot be combined. A single loan to a 25-year-old rancher in her third year of ranching with annual sales of $100,000 could be counted in the young, beginning, and small categories.]*

Farm Credit Associations proudly meet the YBS mission by offering unique loan programs and tools to serve these customers in the way that is most appropriate for their specific agriculture products and geographic region. Farm Credit Mid-America does this through our Growing Forward Program. Growing Forward provides special underwriting standards and tier one interest rates along with personal and business financial education programs. Growing Forward customers are also expected to create business plans and work with their loan officers regularly to make sure they are on track to accomplish their goals. Through these conversations, they also receive financial coaching to support the operation's long-term viability regardless of margin or economic cycle.

Farm Credit's mission to support U.S. agriculture extends well beyond the farm gate. We make loans to farmer-owned cooperatives and other agribusinesses that are critical to farmers' success. We also provide leases for agricultural equipment and facilities, and we finance the export of U.S. agricultural products overseas.

Farm Credit's mission also extends to rural communities where we finance critical rural infrastructure, including power generation and transmission, communications providers, water and waste services, and some community facilities. These loans improve the quality of life in our rural communities, providing clean drinking water, broadband for schools and farms, and reliable energy for rural families and businesses. In addition, we lend to rural homebuyers in very small communities with less than 2,500 in population. Because a steady flow of credit means more jobs and economic growth, Farm Credit helps ensure the vibrancy of communities throughout rural America. Farm Credit's mission is as vital today as it has ever been.



Current Ag Outlook
The Committee's hearing today offers a timely look at the ag economy, as producers of many agricultural products face increasingly difficult economic circumstances. Those already difficult circumstances were exacerbated by hurricanes, drought, wildfires, flooding, and other natural disasters from earlier this year and last year.

Excluding government payments, USDA's inflation-adjusted net farm income has fallen by $43 billion. While some livestock producers have benefited from high cattle and milk prices, low prices for other ag products, coupled with high input costs are tightening margins and creating severe losses for many producers. Some geographic regions and some commodities are being more impacted than others. In some regions and for some producers, 2024 was the second or third consecutive year of loss. Unfortunately, the current economic environment is expected to continue in 2025. As working capital decreases, producers' margin for error is also decreasing.

Current conditions are making it especially difficult for young and beginning producers, many of whom do not have significant equity built up from long-time land ownership. Many of these producers have few remaining options as they work to continue for another growing season. More experienced producers with equity built up also face difficult decisions about how much of their hard-earned equity to risk with little to no sign of profitability on the horizon.

Land values have generally been strong, which bolsters some farmers' balance sheets. However, cash rents remain very high and are compressing margins for farmers who rent land. Additionally, high land prices also create a very real barrier to entry for young and beginning farmers.

As a cooperative and a mission-driven lender, owned and governed by our customers, Farm Credit will continue leveraging our financial strength to support U.S. producers through this difficult period.

Prior to the run up in interest rates, Farm Credit worked with producers over the past several years to lock in very low, long-term interest rates on farm mortgage loans. However, higher interest rates have impacted short-term operating loans and those currently purchasing new farm ground. As all of this margin pressure impacts our customers, we are tailoring financial packages to help farmers deal with the economic situation, including in some cases by restructuring debt to ease short-term cash shortfalls.

Farm Credit works closely with USDA's Farm Service Agency (FSA) across the country to ensure farmers and ranchers have access to the most affordable and flexible credit available to them. FSA's guaranteed loan program is a valuable tool in helping our customers get their start in agriculture or stay in operation.

Farm Credit strongly supports the PACE Act, authored last Congress by Ranking Member Klobuchar and Senator Hoeven, which would increase guaranteed loan limits as well as make other positive changes within FSA's loan programs. Land values and input costs for farmers continue to increase, and current FSA loan limits have simply not kept pace with the rising costs that farmers are currently facing. We were pleased to see that last year's Farm Bill frameworks included this important legislation.

Customers in Farm Credit Mid-America's territory are experiencing a farm economy with both strengths and emerging concerns. The factors that most commonly determine which farm economy is being felt include geographic region, commodity produced, farm diversification, and financial position.

Over the past five years, many traditional row crop producers—particularly those producing corn, soybeans and wheat—have benefited from strong margins, allowing them to build liquidity and reinforce their financial positions. However, this is not the case across all commodities. Cotton and rice producers, particularly in our Arkansas portfolio, have faced multiple years of price volatility, quality concerns, and yield challenges, leading to more rapid liquidity erosion. Meanwhile, the protein sector remains a bright spot within our portfolio, with strong demand, limited supply, and lower feed costs providing a counterbalance to tightening margins in grain production.

While many of our customers have diversified to operate in both protein and row crops, several headwinds are emerging that are making it more difficult for producers to expand or maintain profitability. Two primary drivers include a higher interest rate environment, which has significantly increased borrowing costs, and rising farmland values—driven in part by non-agricultural income and land conversion for commercial uses. Additionally, we are seeing increased reliance on revolving lines of credit as net farm income declines, indicating that producers are drawing down the liquidity they built during more profitable years. While our current revolving credit line utilization rate remains in line with pre-pandemic levels, historical trends highlight the impact of agricultural cycles on liquidity. Over the past decade, utilization of operating lines of credit fluctuated between a low of 34% during stronger financial periods and a peak of 58% during times of greater financial stress. This pattern underscores the critical role of working capital in helping producers navigate downturns and maintain operational stability.

Farm Credit Mid-America and our peers across the Farm Credit System utilize a number of practices to work with producers through challenging cycles. Some of those practices include proactively restructuring debt as necessary to support cash flow concerns, providing financial coaching, and using federally administered programs such as crop insurance and the Farm Service Agency Loan Guarantee Program to mitigate risk. Farm Service Agency loan guarantees help producers secure credit in times of financial strain, ensuring they have access to the capital needed while also managing our cooperative's risk. We are working with customers to navigate rising interest expense, since this is a cost many producers have not had to navigate at this scale in the past several decades.

A Strong, 5-Year Farm Bill

While the *ad hoc* disaster and economic assistance from December 2024 was greatly appreciated, American farmers and ranchers must have the certainty and predictability of a strong, 5-year Farm Bill with additional federal investment that reflects today's market reality.

Farm Credit believes this includes improvements to the federal crop insurance program. Crop insurance is the cornerstone of the farm safety net, with policies covering over 125 different crops and livestock. The program functions as intended. Farmers pay for coverage they can count on when weather decreases production and crop insurance cushions the impact of falling commodity prices – to a degree. We applaud the Committee for exploring ways to enhance this vital tool.

Specifically, Senator Hoeven's FARMER Act would strengthen the crop insurance program and make higher levels of coverage more affordable for producers. Also, the Crop Insurance for Future Farmers Act, authored last Congress by Majority Leader Thune and Ranking Member Klobuchar, would provide more affordable crop insurance options for beginning farmers.

In addition to the items already mentioned in my testimony, Farm Credit developed specific credit-related recommendations for inclusion in the Farm Bill. These proposals will allow Farm Credit to have more tools in the toolbox to support our customers. We appreciate Chairman Boozman including many of these proposals in his Farm Bill Framework last year, and we look forward to working with both him and Ranking Member Klobuchar on a Farm Bill this year that supports rural communities and agriculture.

We encourage Congress to support rural communities and agriculture by:

- Supporting the U.S.-based commercial fishing industry by allowing some fishing- related businesses to borrow from Farm Credit, similar to how farm-related businesses borrow from Farm Credit, like the 118th Congress's S.1756/H.R.4940, the Fishing Industry Credit Enhancement Act.

- Authorizing Farm Credit institutions to collect demographic information from customers on a voluntary basis and ensure that the Farm Credit Administration is the primary regulator of Farm Credit System institutions, like H.R.1063, the Farm Credit Administration Independent Authority Act.

- Boosting development of vital rural community facilities (hospitals, rural clinics, skilled nursing facilities, etc.) by clarifying Farm Credit institutions' authority to finance rural community facilities projects and encouraging partnerships on these projects with community banks, like H.R.1246, the Investing in Rural America Act.

- Allowing more time between examinations for low-risk institutions, like the 118th Congress's H.R.6564, the Farm Credit Adjustment Act.

- Modestly increase Farm Credit's rural home lending population limit, like the 118th Congress's S.3497, the FARM Home Loans Act.

- Expanding access for rural businesses to equity capital investment by eliminating unnecessary restrictions on Rural Business Investment Companies (RBIC) and allowing RBICs to access federal leverage funding, similar to how small business investment companies operate.

- Promoting U.S. ag exports by increasing the amount of export financing CoBank is allowed to provide; and

- Improving the transparency and safety and soundness of the Federal Agricultural Mortgage Company (Farmer Mac) by requiring the company to obtain and maintain public ratings on its debt securities.

Thank you very much, Chairman Boozman and Ranking Member Klobuchar, for allowing me to testify today. Farm Credit is committed to fulfilling the mission Congress charged us with 109 years ago, and we look forward to working with you as you reauthorize the Farm Bill.