



March 29, 2017

The Honorable Michael Conaway
Chairman
House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

The Honorable Collin Peterson
Ranking Member
House Committee on Agriculture
1305 Longworth House Office Building
Washington, DC 20515

Dear Chairman Conaway and Ranking Member Peterson:

Thank you for holding today's hearing entitled, "*Review of the Farm Credit System.*" As you are well aware, the farm credit system (FCS) plays an integral role in providing credit to America's farmers, ranchers, and rural communities. Our members, engaged in all forms of agriculture, have relied on FCS and other lending institutions for generations, so that they may feed, fuel, and cloth our nation.

The cooperative model, central to the FCS, is very important to National Farmers Union (NFU) members. Cooperatives, in their many forms, are of critical importance. Our members firmly believe that government policies and programs should help to better develop, protect, advance, and promote cooperatives and the work they carry out. NFU opposes any attempt to revise cooperative laws, administratively or legislatively, that would diminish or jeopardize the democratic nature of cooperatives, their unique governance structure, and ability to maintain financial and ethical integrity.

Cooperatives allow farmers and ranchers to reduce costs of production, maintain a reliable source of inputs, and effectively market and process farm products. Our members across the country actively serve on cooperative boards and provide leadership in the patronage, direction, operation, and development of cooperative enterprises, and in the education of members and the public as to cooperative philosophy and principles. There is no other governing structure that provides for such intimate involvement in the development and direction of business entities.

It is also not lost on NFU, that this hearing is being held in the House Committee on Agriculture and not the House Financial Services Committee. Our members support jurisdiction of the FCS remaining with the committees on agriculture. As previously stated, FCS is critical to the agricultural economy, there is no committee that understands the needs of agriculture better than this one. As you review the structure and operations of the FCS, we ask that you take the opportunity to explore the health of FCS borrowers. As previous hearings in this committee have shown, farmers and ranchers are struggling in this depressed farm economy.

As you are well aware, net farm income has declined 50 percent since 2013. This decline has put significant stress on agricultural operations. Financial institutions across the board are seeing that stress manifest itself within their loan portfolios. Our members have shared stories of their loan officers creatively working towards solutions in order to provide needed credit. At the same time we have heard other situations where our members, despite having strong debt-to-asset ratios, are increasingly challenged to obtain operating credit without selling off assets.

NFU is greatly concerned over the implications of commodity prices remaining lower than the cost of production over a multiyear timeframe. This multiyear downward trend, if uncorrected in the next year or two will do even greater harm to family farmers than what we have already witnessed. The capital burn rate over the last few years has left our producers in a very vulnerable and unsustainable position. As the U.S. Department of Agriculture pointed to earlier this year, financial liquidity measures, including working capital, are forecasted to weaken again in 2017.

As you review the FCS we urge you to explore financial health indicators, which you have done in part during previous hearings, but which nonetheless require continuous attention. NFU remains concerned over the increase of non-performing loans, decline in real estate values, higher collateral requirements, weaker debt-to-asset ratios, increased rolling of short and medium-term debt into long-term debt, high demand for Farm Service Agency loans, and a number of other trends.

The timing of this hearing is particularly important. As many of our nation's farmers are preparing for the spring 2017 planting, credit is a particularly relevant subject. We urge this committee as you explore the FCS, to provide particular focus on a producer's access to credit.

We greatly appreciate your attention in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger Johnson". The signature is fluid and cursive, with the first name "Roger" being more prominent than the last name "Johnson".

Roger Johnson
President, National Farmers Union