Creating a Farm Credit Equitable and Sustainable Ag Grant Program

As agriculture's primary Government Sponsored Enterprise (GSE), the Farm Credit lending system is well positioned to dedicate 10% of its annual profits to build a high impact Equitable and Sustainable Ag grant program. Created by Congress in 1916 to ensure farmer access to credit, Farm Credit lending institutions now cumulatively earn nearly $5 billion in annual profits. A 10% of profits grant program would provide $500 million *annually* to support ag and food system-related small businesses, address ag system racial inequities, support climate related ag initiatives, expand access to healthy, local food, and foster rural economic opportunities.

Like all GSEs, Farm Credit has implicit federal government backing. That translates into significant tax and funding advantages compared to private lenders. Many argue that Farm Credit, while serving many American farmers well, should be providing more public benefit given its public mission, taxpayer support and profitability. Using 10% of its annual profits to help address our pressing ag and food system needs – further exposed by COVID - would ensure Farm Credit more fully meets its public mission.

The concept of a Farm Credit 10% grant program is modeled in part on the successful Federal Home Loan Banks' Affordable Housing Program (AHP), which has provided over $5.8 billion in grants since 1989. An amendment creating a Farm Credit grant program was drafted by Sen. Sherrod Brown's office for consideration under the 2008 Farm Bill. Elizabeth Warren's presidential campaign included the proposal in her platform to increase equity for farmers of color and it was supported by Reform Farm Credit, an American Bankers Association initiative. The National Sustainable Agriculture Coalition (NSAC) wrote in a 2019 comment letter that FCS institutions should "… reinvest 10 % of profits to better support Young, Beginning, and Small Farmers, as well as other underserved farmers..."

By all measures, the FHLBs' AHP is a success. A University of Florida study on the Economic Benefits of FHLB-Atlanta's AHP found that "for every $1 million invested in AHP, $14.3 million of housing is constructed or rehabilitated and 158 jobs are created. That means new potential customers and increased goodwill for member institutions and a thriving community." When accounting for the economic multiplier effect, the study found that every AHP $1 million helps generate $24.6 million in economic activity. The FHLB AHP is now a key source of affordable housing funding while also supporting overall FHLB growth and impact.

Some are concerned that a Farm Credit grant program would hurt current member-borrowers by reducing their patronage (dividend) payments. This is unclear. Like the FHLBs' AHP, a Farm Credit grant program can spur economic activity increasing Farm Credit profitability by more than 10% and even increase member patronage.

A Farm Credit grant program would also answer critics. Farm Credit has come under increasing criticism for its profitability and perceived mission creep. For example, Reform Farm Credit critiqued 2019 GAO reports required under the 2018 Farm Bill on Farm Credit service to SDFRs and Farm Credit service to Indian Tribes. A 10% grant program would expand Farm Credit's overall impact (and arguably its profitability), increase public awareness and ensure it more fully meets its public mission.

Farm Credit's favored GSE status, its profitability and our pressing sustainable ag needs all point to a grant program whose time has come. It is a transformative opportunity to help fund the more equitable and sustainable ag and food systems that our nation so clearly needs.

Last edited 2/9/21. For more contact David Beck at david.beck@self-help.org