

March 14, 2012

The Honorable Debbie Stabenow
Chairwoman
Senate Committee on Agriculture, Nutrition
and Forestry
328A Russell Senate Office Building
Washington, DC 20510

The Honorable Pat Roberts
Ranking Member
Senate Committee on Agriculture, Nutrition
and Forestry
328A Russell Senate Office Building
Washington, DC 20510

Dear Chairwoman Stabenow and Ranking Member Roberts:

As the three major trade associations representing the credit providers to agriculture, we wanted to express our unified view regarding the need to maintain a strong and vibrant Federal crop insurance program as a vital risk management tool for farmers and ranchers.

Agriculture is an inherently risky business, both in terms of weather and markets. It is also a capital intensive business. Federal crop insurance provides producers with an effective tool to manage their risk, and it provides lenders with greater certainty that loans made to producers will be repaid. Federal crop insurance is an important component allowing lenders to take on the additional risk of financing many young and beginning producers who have less collateral and equity.

The Federal crop insurance program has evolved into a broad-based safety net for producers. It is instrumental in assuring that American agriculture remains solid, solvent and globally competitive. Without the risk protection provided by Federal crop insurance, agricultural lenders would be forced to increase underwriting standards, increase costs to offset risk and likely be forced to reduce credit availability to some producers for their production, equipment and land purchase needs.

Financially strong crop insurance companies, reinsurance companies and agents are critical to delivering the benefits derived from a strong program. The private-sector delivery system currently in place for Federal crop insurance is working efficiently and effectively, and we believe its overall framework should remain intact.

In summary, the Federal crop insurance program is working. It continues to provide significant risk management support to producers. Producers enjoy the ability to select revenue and yield protection that enables them to obtain adequate capital from lenders to continue to be successful in their operations.

As the leading credit providers for agriculture, we strongly support consistent levels of funding for Federal crop insurance and urge the Committee to maintain the effectiveness of the program as you consider the next Farm Bill. Should you have any follow-up questions or concerns, we would be pleased to visit with you, and your staff, as the farm bill process further evolves.

Sincerely,

American Bankers Association Independent Community Bankers of America The Farm Credit Council