

# National Association of Credit Specialists Farm Service Agency

December 11, 2016

## Washington Report - McAllister & Quinn

### News from the Halls of Congress & The White House Continuing Resolution Opens Up Funds for USDA Farm Loans

The continuing resolution to fund the federal government released late Dec. 6 grants the USDA more funding to process farm loan applications, just in time for the peak winter and spring lending periods. The legislation provides funding to the Department of Agriculture up to the rate for operations necessary to fund loans for which applications are approved, allowing the department to meet spikes in loan demand and avoid past backlogs in applications caused by limited resources.

As fiscal 2016 drew to a close, a \$137 million shortfall at the USDA's Farm Service Agency caused a backlog of loan applications. Another continuing resolution later opened up funds to clear those applications. A group of 13 farm and banking groups called on appropriators to provide the additional funding in a Dec. 2 letter, saying that without the provision, capital for loans would dry up during the period in which the continuing resolution was in effect.

The National Farmers Union praised the provision: "we applaud Congress for listening to the requests of family farmers and ranchers and providing funds in the continuing resolution for FSA to meet the record demand for operating loans," NFU President Roger Johnson said in a statement. "Providing additional funding to FSA before the next fiscal year will help alleviate those producers waiting on direct operating loans and allow more applicants to access capital."

A recent report by the Federal Reserve Bank of Kansas City highlighted the tough credit and capital environment in the agriculture industry. Declining commodity prices and farm income have taken a chunk out of farmers' working capital. More than 90 percent of bankers surveyed reported deterioration in the level of working capital in the crop sector, compared to 1 percent of bankers who reported an improvement compared to the year prior. Lower farm income has also led to increased demand for farm loans, as well as loan renewals and extensions, with most of the money going to repay operating expenses