

May 11, 2010

The United States Senate

Dear Senator:

Access to reliable, competitively-priced credit is an important input for successful farming operations. The members of our organizations rely on all sources of credit available to agricultural producers, especially the institutions of the Farm Credit System and commercial banks. We are concerned that legislative action would decrease availability of credit for agriculture or increase its cost from our major lenders.

The pending financial institution regulatory reform language (S. 3217) contains the "Volcker Rule" – language that addresses the proprietary trading activity of insured depository institutions, bank holding companies or subsidiaries of these entities. An exemption to these new limitations is provided for obligations of the Federal government and certain government-sponsored enterprises (GSEs): Ginnie May, Fannie Mae and Freddie Mac. This language was included on the assumption that the Volcker Rule limitations might adversely impact the trading of these obligations and their liquidity.

We are extremely concerned that the GSEs that ensure that agriculture has access to the credit it needs – the Farm Credit System, Farmer Mac and the Federal Home Loan Banks (FHLBs) – are not part of this exception. The Farm Credit system serves agriculture directly and both the FHLBs and Farmer Mac provide commercial banks liquidity for their farm lending. The result of the FHLBs and Farmer Mac being excluded from the Volcker Rule exception is that, for the first time, the GSEs that serve agriculture will be treated differently, threatening to alter how their obligations are traded in the future. This could translate into higher interest rates for farmers and greater uncertainty of funding.

We urge that the Volcker Rule language be broadened to ensure that all of the GSE obligations be treated in the same way as U.S. Treasury debt. We are not willing to accept a simple assurance that agricultural GSEs will not be treated differently in the future. The access of farmers and ranchers to the nation's debt markets should not be left to the whim of market-makers in this way. Agriculture must have access to credit on terms that are affordable and reliable. We strongly urge that these concerns be addressed before this legislation leaves the Senate.

Sincerely,

American Beekeeping Federation
American Farm Bureau Federation
American Soybean Association
National Association of Wheat Growers
National Barley Growers Association
National Cattlemen's Beef Association
National Corn Growers Association
National Council of Farmer Cooperatives

National Farmers Union
National Pork Producers Council
National Sorghum Producers
National Sunflower Association
Organization for Competitive Markets
United Dairymen of Arizona
U.S. Canola Association
U.S. Rice Producers Association