Farm Credit System

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Today's Farm Credit System is a behemoth.

- The Farm Credit System is a $291 billion government sponsored enterprise.[1]
- Like Fannie Mae and Freddie Mac, the Farm Credit System is a GSE that poses risk to taxpayers. Unlike Fannie and Freddie, the FCS makes loans directly to consumers, putting the government in the business of competing directly with the private sector.
- If the Farm Credit System were a bank, it would be the eighth largest in the country.
- Farm Credit System institutions aggressively compete with banks. More than 69 individual FCS associations have more than $1 billion in assets, making them larger than 89 percent of the banks in the country.

The Farm Credit System has lost sight of its mission.

- While Congress directed the Farm Credit System to give credit to small, beginning and young farmers, today's FCS serves larger, wealthier and older farmers and ranchers. Loans to small farmers and ranchers account for less than 15 percent of the Farm Credit System's portfolio.[2]
- Farm Credit associations, as cooperatives, are supposed to lend only to their owner-borrowers. But many today are skirting those limits and lending to just about anybody.
- Today's FCS institutions are venturing far from the farm and providing financing for non-agricultural purposes.

The Farm Credit System's subsidy costs American taxpayers billions of dollars each year.

- The Farm Credit System has used its tax advantages and GSE status to grow by $151 billion in the past 10 years and to take market share away from tax-paying institutions.
- The Farm Credit System made $4.72 billion in profits in 2014 yet paid only $221 million in combined federal, state and local taxes. That's an effective tax rate of less than 5 percent.[2]
- Farm Credit System loans can lend as much as $1.5 billion to any single borrower. Since GSEs have the implied backing of the U.S. government, taxpayers are ultimately on the hook for these loans.
- Since the housing GSE's failed, the implied backing of the U.S. government is now explicit. This is true for the Farm Credit System too.
- The Farm Credit System secured a $10 billion line of credit from the U.S. Treasury in 2013.

Background:
Congress created the Farm Credit System in 1916 to ensure America's farmers and ranchers had access to credit at competitive rates. In the 1980s, Congress directed the FCS to give credit to small, beginning and young farmers to ensure they had the credit they needed to grow, but it never established specific targets for such loans.

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Significant tax and funding advantages were conferred on FCS institutions to help them achieve their mission – advantages that should be reconsidered given the Farm Credit System's mammoth size and loss of mission focus and policymakers' desire to make the tax code more equitable.

Sources:

[1]*Third Quarter 2-15 Quarterly Information Statement of the Farm Credit System*, Farm Credit Administration. Retrieved from http://www.farmcreditfunding.com/ffcb_live/financialInformation.html?tab=statements

[2]*Annual Report*, Farm Credit Administration (2014). Retrieved from http://www.fca.gov/reports/annual_reports.html