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# AgLink

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## Key Ag Policy Issues Ahead

The highly contentious 2016 Election is now history, and we will now move forward with the new Trump Administration, as well as with new leadership at the USDA and in other key Federal agencies. There are many major issues that could potentially affect the agricultural industry, which still need to be addressed and resolved by Congress and the White House.

### The Next Farm Bill

The current Farm Bill expires after the 2018 crop year, so early development of the Farm Bill is likely to start occurring in Congress next year. There are many groups and organizations pushing for major policy changes in the next Farm Bill. As usual, the budget allocation toward the next Farm Bill will be a big part of that discussion, with some members of Congress already calling for budget cuts when the next legislation is written.

One of the key ag policy discussions will include whether the county-revenue-based, Ag-Risk Coverage (ARC-CO) farm program option should be continued in the next Farm Bill. The ARC-CO program has been difficult for producers to understand and there have been wide variations in payment levels from county-to-county for the same crop. Other key Farm Bill considerations will include expanding the Conservation Reserve Program (CRP) acreage and funding for other conservation programs, restructuring the Dairy Margin Protection Program, and funding for ag research.

Spending on food and nutrition programs account for almost three-fourths of the Farm Bill budget and some members of Congress would like to see major changes in the requirements and budget allocations for these programs in the next Farm Bill. In addition, some members of Congress have also proposed totally separating the food and nutrition programs from the Farm Bill, which were highly controversial in the development of the current Farm Bill.

### Crop Insurance

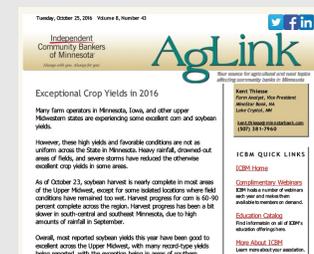
Another segment of the Farm Bill that is likely to come under considerable scrutiny is the Federal Crop Insurance program, with non-agricultural organizations pushing for changes to crop insurance, even before the drafting of the next Farm Bill. Most of

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the push is directed towards lowering the Federal budget for crop insurance expenditures by reducing the premium subsidy, which will increase the farm operators cost of crop insurance. There is also some push to put a cap on insurance payments to individual farmers, which could affect the whole dynamic of the crop insurance industry. In the past, Congressional ag leaders have been able to protect the crop insurance program from extreme budget reductions and changes. Crop insurance continues to be one of the main risk-management tools for crop producers of all sizes and provides added security to ag lenders that are financing farm operations.

### **Rising Health Care Costs**

Rising healthcare costs are a major concern for farm families and other rural families across the country. Some families have seen health insurance premiums rise 50-100 percent in the past couple of years, with individual farm families and small business owners now paying \$30,000 to \$40,000 per year or more for healthcare premiums. Mandated health insurance premium costs are a major issue in many rural areas of the U.S., both from a healthcare and financial standpoint. President-Elect Trump and many members of Congress have pledged to address these issues in 2017.

### **Trade Agreements**

There was not a lot of recognition of agriculture-related issues in the recent Presidential election. However, one topic that did get considerable discussion was past and potential future trade agreements. As recently as 2014, exports of agricultural products accounted for approximately one-third of the total value of U.S. ag production, including 39 percent of total ag cash receipts in Minnesota and 37 percent in Iowa. There are several pending trade agreements that need to be resolved by Congress and the White House, with the biggest being the Trans-Pacific Partnership (TPP) trade agreement with many Asian Countries, including Japan. There was also some discussion of re-opening and possibly revising the NAFTA trade agreement with Canada and Mexico, as well as in regards to trade agreements with China and other countries.

There does not appear to be much momentum to approve the TPP agreement during the "lame-duck" session of Congress late in 2016, even though President Obama strongly supports TPP. Based on comments by President-Elect Trump, passing TPP in Congress and getting Presidential approval in 2017 may be very difficult, unless some changes are made to the currently-proposed TPP agreement. The anti-trade sentiment that was exhibited during this past election cycle has some agriculture leaders a bit worried, due to the potential financial impact on all segments of the agriculture industry.

### **Environmental Issues**

Many members of Congress and farm operators have become increasingly concerned with the enhanced environmental regulations that have been administratively enacted by the Environmental Protection Agency (EPA). Many of the proposed regulations could

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potentially have a direct impact on the future of agriculture in some areas of the U.S. The current item that is garnering considerable attention is the proposal by the EPA to expand the definitions and regulatory controls under the Clean Water Act related to the Waters of the U.S. (WOTUS). Some agriculture analysts feel that if the WOTUS provisions are fully enacted, they would greatly restrict future crop and livestock production in portions of the U.S.

### **Renewable Energy**

The Trump Administration and Congress will need to decide what future direction the U.S. takes regarding the mandated use of renewable fuels through the Renewable Fuels Standards (RFS) and other incentives for renewable fuels, such as tax credits, etc. While there is generally considerable support for the development of alternative energy sources, Congress and many organizations have become quite divided on the RFS and other mandated energy programs. Ethanol production, which is covered by the RFS, has a major economic impact for farm operators and on the overall rural economy, especially in the Midwest.

### **Farm Financial Stress**

Low profitability in both crop and livestock production in the past couple of years has increased financial stress for farm families in many areas of the U.S., including Minnesota, Iowa, and other Midwestern states. Many ag experts expect this trend to continue into 2017 and 2018. Some ag leaders are questioning if current farm-risk management tools and Federal "safety net" programs are adequate to protect farm operators from financial collapse during these downturn periods. Expect this to be a major point of discussion by ag leaders with the new administration, as well as with Congressional leaders in the coming months.

For more information, contact Kent Thiesse, Farm Management Analyst and Vice President, MinnStar Bank, Lake Crystal at: 507-381-7960 or [kent.thiesse@minnstarbank.com](mailto:kent.thiesse@minnstarbank.com).

## **Rising Rural Property Taxes Highlights Annual Legislative Forum on Dec. 8**

Residents and local elected officials are invited to attend the 34th-Annual Rural Legislative Forum on Thursday, December 8 at South Central College in North Mankato.

This year's theme is: "Rapidly Rising Property Taxes Challenging Rural Minnesota."

The legislative forum will provide an overview of the property tax system in Minnesota, including how property taxes are calculated and the use of property tax funds. Participants will also hear about the impact of school bond issues on agriculture property taxes. Eric Willette, Property Tax Research Director for the Minnesota

Department of Revenue, will be the keynote presenter for this thought-provoking forum, which will also touch on the ag property tax legislation that was passed during the 2016 state Legislative session, but was not enacted into law.

Registration and other information can be found [here](#).

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