

Testimony of Ms. Karen Lowe  
CoBank Senior Vice President and Division Manager of Agriculture Export Finance  
Before the US House of Representatives  
Committee on Agriculture  
Hearing on H.R. 3687, the Cuba Agricultural Exports Act  
September 14, 2016

Good morning Chairman Conaway, Ranking Member Peterson and members of the Committee. I appreciate the opportunity to appear before the Committee today. I am Karen Lowe, Senior Vice President and Division Manager of Agriculture Export Finance for CoBank. Thank you for calling this hearing.

CoBank is one of the nation's largest private providers of credit to agriculture and other rural industries. With approximately \$125 billion in assets, the bank provides loans, leases and other financial services to farmer-owned agricultural cooperatives and rural infrastructure businesses in all 50 states. That includes my division which provides export financing for companies shipping agricultural commodities and food products to markets all over the world.

CoBank is a member of the Farm Credit System and also serves as the funding bank for affiliated Farm Credit associations serving approximately 75,000 farmers and ranchers around the country. As a borrower-owned financial institution, CoBank returned \$514 million in patronage to our customers in 2015. That provided a 100 basis point reduction in the interest rate paid by most of our retail customers. Over the last 5 years, that the total patronage returned has exceeded \$2.2 billion. That is revenue that is invested and stays in our rural communities.

I am here to discuss CoBank's export financing work and the impact that Congressman Crawford's bill, H.R. 3687, the Cuba Agricultural Exports Act would have on removing barriers to exporting agricultural commodities to Cuba.

CoBank is a leading global trade finance provider for U.S. agricultural exports, with approximately \$4.5 billion in export loans outstanding. CoBank provides trade finance for the export of multiple American commodities to over 30 countries, including developing markets. These are the products grown in Congressional Districts represented on this Committee. Your farmers produce these products, but they typically don't export them directly. We work with the companies and banks that engage in those exports to make efficient and effective markets for American farmers.

As the members of this Committee well realize, we are in an extended period of low prices on most agricultural commodities. This harsh reality makes every market, no matter the size, important to help move the crop and support prices. At the same time, sovereign risk in many emerging markets is increasing due to economic and geopolitical risk factors, which increases exporters' need for payment risk mitigation as well as the need for financing.

CoBank offers trade finance products such as letters of credit and loans. These products help our customers mitigate their receivables collection risk and/or offer payment terms to make their products more competitive in the marketplace.

CoBank's export finance business benefits U.S. companies, including those focused on emerging markets. These include countries like China, Indonesia, Vietnam, Turkey, Saudi Arabia, Colombia, and Guatemala. Our largest market is South Korea and our smallest the Dominican Republic. CoBank's Agriculture Export Finance Division ("AEFD") has two types of customers: the American exporter and the correspondent bank in the importer's country.

We are proud of our work to support the export of agriculture commodities and it is an important benefit to our customers and our country's economy.

I would like to focus for a moment on H.R. 3687, the Cuba Agricultural Exports Act introduced by Congressman Crawford. CoBank appreciates this effort to reduce barriers to ag exports to Cuba. Specifically, his bill would repeal restrictions on export financing for ag shipments to Cuba. In this time of low prices, that would help expand a market just 90 miles from Florida.

The bill would also give producers and processors – CoBank's customers -- access to the USDA promotion programs for ag exports, such as the Market Access Program and the Foreign Market Development Program. These can help American producers compete more effectively in this market, while ensuring that U.S. taxpayer funds do not end up in the hands of the Cuban Government.

At CoBank we fully recognize that this bill will not eliminate all the challenges in trading with Cuba. A number of additional issues will need to be addressed, including a lack of transparency in the Cuban banking system, questions of repayment ability, contract enforceability, even the establishment of a non-government import entity. All of these challenges will need to be addressed going forward to completely open the flow of trade between our countries.

But, in the meantime, CoBank strongly believes that every effort should be made to expand markets. That will help us further realize the world-leading production capabilities of U.S. farmers and ranchers, as well as further solidify our position as the premier provider of food, fiber and nutrition to a growing world population. This will provide meaningful benefits to your constituents, U. S. agriculture, our rural communities, and the broader U.S. economy. We think H.R. 3687 is a good idea.

I appreciate the chance to join you today and look forward to the opportunity to address your questions.