



October 15, 2020

Makan Delrahim
Assistant Attorney General, Antitrust Division
U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530-0001

RE: "Antitrust Division Banking Guidelines Review"

Dear Mr. Delrahim:

On behalf of the nearly 200,000 family farmer, rancher, and rural members of National Farmers Union (NFU), I am writing regarding the Department of Justice (DOJ) Antitrust Division's consideration of whether to revise the 1995 Banking Guidelines and its competitive analysis of bank mergers. NFU is concerned by the sizeable consolidation in the banking sector over the last several decades and the negative implications for rural communities. The presence of local, community banks and a healthy, competitive banking sector is essential for rural America to thrive.

Much like the extremely consolidated markets farmers face when purchasing inputs like seed and fertilizer, or in the markets where they sell their crops and livestock, the banking sector has also become heavily consolidated over the past several decades. The precipitous drop in the number of U.S. banks, from about 14,500 in the mid-1980s to about 5,600 in 2015¹, has made local banking markets less competitive and reduced access to credit and banking services in rural communities. According a study by the Federal Reserve, between 2012 and 2017, there has been "substantial decline in the number of bank headquarters located in rural markets, driven by industry consolidation."² During this same period, more than 100 banking markets containing at least one bank headquarters lost all of its bank headquarters; nearly all of these markets were rural. Additionally, this study identified 44 counties that had 10 or fewer bank branches in 2012 but lost at least half of those branches by 2017; of those counties, 89 percent were rural.³

¹ Michal Kowalik, Troy Davig, Charles S. Morris, and Kristen Regehr, "Bank Consolidation and Merger Activity Following the Crisis," *Federal Reserve Bank of Kansas City, Economic Review*, First Quarter 2015, <https://www.kansascityfed.org/~media/files/publicat/econrev/econrevarchive/2015/1q15kowalik-davig-morris-regehr.pdf>.

² "Perspectives from Main Street: Bank Branch Access in Rural Communities," *Board of Governors of the Federal Reserve System*, February 2019, <https://www.federalreserve.gov/publications/files/bank-branch-access-in-rural-communities.pdf>.

³ Ibid.

NFU's grassroots, member driven policy states that "Consolidation and anti-competitive actions throughout every industry" harms farmers, ranchers, and rural communities; and "We support stricter anti-trust enforcement and merger standards across all industries."⁴ Mergers in the banking sector may enhance the market power of remaining banks, increase prices to customers, and reduce access to services, especially at the local level and in rural communities.

Family farmers, ranchers, and rural communities depend on access to local, community banks. Community bankers foster long-term relationships with farmers, ranchers, local businesses, and area residents, often developed through bankers' direct service in community organizations. In other cases, lenders themselves are directly involved in the business of agriculture or adjacent businesses. Community banks tend to be more agile than larger banks because they can employ lenders with deep knowledge of the small businesses in their territory and who understand local agricultural markets. These banks are more likely to provide credit and more favorable terms to rural businesses – including farms and ranches – compared to national banks. Thus, it is alarming that rural America is increasingly losing its community and regional banks, and NFU members suffer because they have fewer options among lenders.

NFU opposes the Antitrust Division implementing an internal "de minimis exception for very small transactions" that would allow the Division to stop conducting independent competitive effects analyses of such deals. Rural banking markets are already more concentrated than metropolitan area markets on average.⁵ Thus, there may be an increased risk to harming competition in rural areas when small banks merge. Given the importance of smaller, community banks in rural America, and given the on-average higher concentration of banks in rural areas compared to urban areas, rural mergers should receive heightened scrutiny even if transactions are small.

If you have any questions or would like to further discuss NFU's position, please contact Aaron Shier, NFU Senior Government Relations Representative, via e-mail at [REDACTED] or by phone at 202-554-1600.

Sincerely,



Rob Larew
President

⁴ National Farmers Union, *Policy of the National Farmers Union*, (March 2020).

⁵ David C. Wheelock, "Banking Industry Consolidation and Market Structure: Impact of the Financial Crisis and Recession," *Federal Reserve Bank of St. Louis Review*, November/December 2011, <https://files.stlouisfed.org/files/htdocs/publications/review/11/11/419-438Wheelock.pdf>.