

**Remarks by  
The Honorable Leland A. Strom  
Chairman and CEO, Farm Credit Administration  
USDA's The Many Faces of Know Your Farmer, Know Your Food:  
A Local/Regional Food System Conference  
Chicago, Illinois  
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I appreciate the invitation to participate on this panel and provide my perspective on financing local foods. Before getting into my comments, I want to let you know that as the Chairman and CEO of the Farm Credit Administration my role is to ensure the safe and sound operations of the Farm Credit System—the Government-sponsored enterprise that we regulate. With that in mind, my comments will come from the regulator's perspective, which I hope will be helpful in advancing this topic.

The Farm Credit Administration is an independent agency responsible for examining and regulating the banks and associations that form the Farm Credit System, which is a nationwide network of cooperative lenders to farmers; ranchers; producers or harvesters of aquatic products; and agricultural, aquatic, and other eligible cooperatives.

As directed by Congress, the Farm Credit Administration's mission is to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America. The Agency accomplishes its mission by ensuring that Farm Credit System institutions operate in a safe and sound manner and in compliance with applicable laws and regulations, and by developing policies and regulations that govern how System institutions conduct their business and interact with customers. Our role is similar to the regulatory role of the other federal financial regulators, like the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, or the Board of Governors of the Federal Reserve. As I mentioned, the Farm Credit System is a cooperative, meaning that each institution is owned and controlled by the farmer-borrowers that it serves through the purchase of stock as a condition of receiving a loan. As a result, the farmer-borrowers provide the governance of the institution through an elected farmer-borrower member board of directors. It was my privilege to have served on the board of directors of my local association, the 1<sup>st</sup> Farm Credit Services, for 25 years.

The question most relevant to this morning's panel discussion is, "Who are the farmers that the Farm Credit System can lend to and for what purpose?" The Farm Credit System can finance the agricultural or aquatic credit needs of bona fide farmers. Our regulations define a bona fide

farmer as a person who owns agricultural land or is engaged in agricultural or aquatic production. Bona fide farmers who are actively engaged in agricultural or aquatic production on a full-time basis can also receive financing for their nonagricultural credit needs as needed to support their agricultural operation. The Farm Credit System can also finance entities that process or market an eligible farmer's agricultural product so long as the entity is owned or controlled by farmers, or is a direct extension or outgrowth of a farmer's operation, and the farmers or farmer provide at least some of the throughput or the amount of throughput specified in our regulations. Lastly, they can finance businesses that provide services to eligible farmers and ranchers that are directly related to the farmers' and ranchers' agricultural production. An example of an eligible farm-related service business is Farm Fresh Rhode Island, a business I toured last fall. Located in Pawtucket, Rhode Island, they provide marketing and transportation services to local farmers. Through Farm Fresh's website, local businesses order fresh agricultural products from local producers. These producers then deliver the ordered products to Farm Fresh's facility, which then delivers the products to the intended business. Because the farmers retain ownership of their products until delivery of the products to the local business, Farm Fresh is an eligible farm-related service business.

After eligibility is determined, the issue of creditworthiness is an important issue especially for farmers who have yet to build a strong capital position, for farmers who rent their land, or for farmers who are beginning their agricultural operation. As you know, Congress passed legislation that requires the Farm Credit System to develop programs to provide sound and constructive credit to young, beginning, and small farmers, a category to which many farmers who operate within the local food system will most likely belong. Within these programs, the Farm Credit Administration has suggested that the associations should develop specific loan underwriting standards to make loans to young, beginning, and small farmers in a safe and sound manner. The Farm Credit Administration has provided additional guidance to the Farm Credit System on lending to this group of farmers, and we continue to discuss programs to make sound and constructive credit available to them.

The Farm Credit System's mission of service to all farmers having a basis for credit is one that I take very seriously. During the past couple of years, I have elevated this issue in my speeches to various groups and have taken fact-finding trips, including a trip during the heat of last summer to visit local farming operations outside of Chicago. These visits have helped me to learn about the farmers who operate within the local food system as well as the entities that are assisting them to get food directly to the consumer and local intermediaries. Consistent with this

effort, we proposed a rule on diversity and inclusion that would require the Farm Credit System institutions to develop marketing plans to further their responsiveness to provide service to all farmers and ranchers who have a basis for credit. We noted in the preamble to this rule that one area of diversity is the market segment of farmers and ranchers who operate within the local food system. We are currently analyzing the comments we received—most likely some of you provided comment—and we plan to consider a final rule soon. To further illustrate the Farm Credit Administration's commitment to service to all farmers, we have also created a new advisory position on Young, Beginning, and Small and Local Foods. In addition, we are reviewing whether there are any barriers to the Farm Credit System providing credit for newer products or marketing systems such as local foods.

I will close with the following thoughts. The Farm Credit System has a nearly century-long history of service to agriculture and rural America. It has tremendous capacity to bring credit and related services to producers and agricultural-related entities that work within the agricultural industry. It is my sincere hope and desire that the Farm Credit System will continue to grow and serve in its mission of service to all of agriculture, including assisting new farmers and enterprises to enter into agriculture and become successful.