Remarks by Vincent G. Logan
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Thank you, Bo, for your kind introduction, and thank you, Todd, for the invitation to speak at the Farm Credit Council's 2023 annual meeting. I've had a chance to meet many of you, and we've had some great conversations. I look forward to many more such conversations during my tenure.

Flying down here, I was thinking about the importance of this speech—how it's the first public address of my tenure as FCA board chairman and CEO. As Special Trustee (for American Indians), I gave a lot of speeches and booked a lot of miles in that capacity. We had 54 offices scattered throughout the country, but mainly in the West.

During my three-plus years, I traveled to over 30 of the offices, many on isolated Indian reservations. I would meet with staff and tribal officials at each stop. It was great to get out in the field, but lots of challenges—tough weather and long drives! A few uneasy moments, but plenty of levity.

Any Oklahomans in the audience? You will appreciate this story, as will most sports fans.

I was visiting our office in El Reno, and when I arrived, I was greeted by the staff, all decked out in Sooner attire—T-shirts, football jerseys, a tailgate atmosphere. They did it because they thought I was a governor for the Oklahoma University Foundation. However, I was actually a governor for the Oklahoma State Foundation (and a major Cowboy sports fan). Needless to say, big difference. But I didn't point it out and happily put on my Sooner football jersey they bought me and enjoyed the makeshift tailgate. But I'll tell you—it's tough to put on the rival's colors!

I learned a lot from those field office visits—talking to the staff who served the public and supported the mission—and I was able to take what I learned back with me to Washington and apply that knowledge in my job. I look forward to doing the same thing in my role at FCA. By being here today, visiting your institutions, and speaking with you and your customers, I'll gain insights that will help me do a better job as a regulator.

Who I am

In his introduction, Bo told you about my professional background. Now I'd like to briefly share a few personal details that shed light on my values and priorities.

Both of my parents were raised in rural Oklahoma on family farms; both were members of the Osage Nation, and both served in the military during World War II. My father enlisted in the U.S. Marine Corps at the age of 17 and fought with the Fifth Division in Iwo Jima. He received a Purple Heart after being critically wounded in that historic battle. My mother served in the U.S. Army as a nurse stationed at Walter Reed Hospital in Washington.

As they amply demonstrated, my parents believed in service to our communities and our country, and they instilled these values in me. These values led me to serve our country as Special Trustee for American Indians during the Obama Administration and to accept the role as chairman of the FCA board. I am truly honored to serve in this new role, where I intend to put my expertise in finance and investments to good use.

Although the Farm Credit System and FCA have very different roles (you're the lenders, we're the regulator), our mission is ultimately the same: To ensure that *all* creditworthy U.S. farmers, ranchers, and other rural Americans have access to dependable and affordable credit.

The supply chain shortages we experienced during the pandemic served as a reminder to us all that we cannot take plentiful food for granted. As farmers and ranchers and as lenders to agriculture, you can be extremely proud of the industry and the mission you're a part of. By making low-cost funds available to our nation's agricultural producers, you are contributing to the food security of our nation and much of the world. And, of course, anything that contributes to food security also contributes to our national security.

Good governance

To meet the credit needs of U.S. ag producers, the Farm Credit System sells securities to investors in the credit markets. Given my experience as a professional investor, I can tell you one thing with great certainty: Good governance at System institutions matters to potential investors because it allows them to invest with confidence. Investors understand that well-governed institutions are less likely to be rocked by corruption, fraud, waste, and abuse.

Fortunately, good governance is baked into the System's business model. Because you are cooperative institutions, your borrowers are your owners, and that fact alone tells investors you have a personal stake in governing your institutions with integrity and accountability.

As the regulator of the System, we reinforce good governance by laying out our governance expectations in our regulations. And through our examinations, we ensure that institutions meet those expectations.

Our goal is to ensure that each institution

- conducts itself with integrity;
- maintains high ethical standards for board members and managers;
- maintains strong internal controls, and independent and robust audit capabilities; and
- provides transparent reporting.

Following these principles not only makes complying with FCA regulations less burdensome, it also assures your investors that your securities are solid investments. As we've seen repeatedly, nothing sends investors running like revelations of wrongdoing.

When I joined the board, I was pleased to learn that the agency had recently finalized new regulations on standards of conduct. These regulations, which took effect last month, clarify our governance expectations. They enhance the role of boards of directors by allowing each institution to tailor a standards-of-conduct program to address its particular needs and risks. Enhancing the role of institution boards also serves to strengthen local control because it promotes diversity of thought and reduces key-person risk.

I'll wrap up my thoughts on governance by underscoring this point: For the System, good governance is directly tied to the bottom line. As you know better than anyone, the System's ability to attract investors to your debt instruments directly affects the amount of capital you can raise for lending and the cost your customers must pay to borrow it. That's why the importance of good governance cannot be overstated.

Regulatory philosophy

As the regulator of the System, we address many governance issues in our regulations, so I'll briefly share a few thoughts with you about my regulatory philosophy: I want to be deliberate, thoughtful, and forward-looking when considering regulatory actions. I recognize that effective rulemaking depends on quality data. It takes time, so I don't want to rush anything. Our goal is to get things right the first time.

I also want to let you know that I understand your perspective on regulations. In my private-sector roles, I worked in industries heavily regulated by agencies like the FAA, FINRA, and the SEC, so I understand the burden and expense of regulatory compliance.

That's why I take public comments very seriously—as I have in the other agencies where I've worked. I want to hear your thoughts and concerns when we propose regulatory actions. I'm particularly interested in the comments we've received on our recent regulatory burden project, which seeks to identify rules that create undue hardship or no longer serve a useful purpose.

As head of a regulatory agency, I do, of course, believe in the value of regulations. They help ensure that regulated entities fulfill their public mission and remain safe and sound. But I certainly do not believe we should regulate merely for the sake of regulating.

We've all heard the saying, "Don't work harder, work smarter." I think regulators should apply the same principle: Don't regulate more; regulate more effectively—in ways that don't hinder innovation. Which leads me to my next point.

Innovation

Innovation is critical to any financial institution's success. Why? Because customers expect it! Your competitors will certainly be innovating, as tools such as artificial intelligence, distributed ledger technology (or "blockchain"), and cloud computing—just to name a few—continue to drive innovation and reshape the competitive landscape of the financial industry. Therefore, you'll have to innovate to stay competitive.

Federal Reserve Governor Michelle Bowman made the same point in a speech last month. "As regulators," she said, "we should support innovation and recognize that the banking industry must evolve to meet consumer demand." I agree with this statement wholeheartedly.

It seems like every time you watch or read the news, a new innovation is in the spotlight. Recently, the White House Office of Science and Technology Policy published a "Technical Evaluation for a U.S. Central Bank Digital Currency System," which set forth policy objectives for a potential U.S. digital currency. During my travels around the country to visit System institutions, I look forward to hearing your thoughts about innovations like these. I also look forward to better understanding your operations.

Here are some of the questions I've been thinking about:

- What fintech products and services do System institutions currently offer customers, and what's on the drawing board?
- What technologies and innovations are your customers exploring, adopting, and expecting—both in their operations and in yours? And how might that change the risk profile of your loan portfolios?
- Taking a longer view, how will System lending change over time, and what tools or innovations will drive these changes? What will the System look like in 20 years?
- Finally, as your regulator, what can we do to facilitate innovation without sacrificing safety and soundness?

That last clause is particularly important: *without sacrificing safety and soundness*. As we all know, innovation can introduce risk. I'd like to hear any concerns you may have about adopting certain financial products and services.

I realize that what may be a valuable innovation may create different opportunities, challenges, and risks for different institutions. For example, what works for bigger institutions may not work for smaller ones. The value of certain types of innovation can be subjective, so I absolutely understand the importance of proceeding cautiously. It's important to consider the needs and constraints of all institutions, regardless of size.

Fortunately, there are ways to mitigate challenges and risks, and this brings me back to good governance. Managing your institution in accordance with strong governance principles, implemented through sound internal controls, can safeguard against a variety of risks, including those stemming from the adoption of new technology.

The future belongs to institutions that have good governance and innovation as twin priorities.

Serving *all* creditworthy producers, including underserved groups and veterans

As I mentioned earlier, I'm interested in visiting with you, not only to learn about the fintech products and innovation you've adopted and plan to adopt but to talk about the ways you're meeting your mission in a broad sense.

The objective of the Farm Credit Act is to encourage farmers and ranchers to participate in the management, control, and ownership of a permanent system of credit for agriculture that will be responsive to the credit needs of all types of ag producers with a basis for credit.

I'm particularly aware of the needs of groups that have historically been underserved by our nation's financial systems. So I'm pleased to see that the Farm Credit Act calls for the System to serve *all* creditworthy borrowers. You could argue that this represents an implicit appeal for equity. After all, if you're going to serve all creditworthy producers, you need to reach out to underserved groups.

I'm pleased to hear that many of you already have programs and activities that are geared to serving these groups. I appreciate your efforts in this area, and I look forward to learning more about these efforts when I visit.

I also know that serving these groups can be challenging. According to the GAO [Government Accountability Office] study mentioned in the 2018 Farm Bill, one challenge in serving Native American producers is the limited data we have on the ag credit needs on tribal lands.

As a Native American myself, I can share with you some additional challenges. There are 574 federally recognized tribes in the U.S., with 574 ways of doing things, so cookie-cutter solutions are not going to work.

- One tribe may have 400,000 members; another may have only 40.
- One tribe may have $10 billion in the bank; another just $10,000.
- One may have enough land to equal the size of a small state; another just a small parcel.

The tribal governance structures also vary considerably from tribe to tribe—some tribes have chiefs, some have governors, some have mikos, some have chairmen. In New Mexico, they don't have tribes; they have pueblos. In Alaska, they have Alaska Native corporations and villages. All these complexities can make serving this market segment extremely difficult.

At the same time, the business opportunities of serving Native American groups are greater than many people realize. Approximately 46 million of the 56 million acres that the federal government holds in trust for Indian tribes and their members can be used for ag purposes.

Also, Native producers occupy 6% of total farmland in the United States, but the ag sales for Native producers account for only 1% of the total market share. Clearly, there's a business opportunity here.

And this may be an area where I can be of service. Because of my role as FCA board chairman and my experience in working with Native American groups, I am uniquely positioned to help Native American producers and the System engage with each other. I'm also interested in how we can create and build upon partnerships between the System, USDA, and other lenders to better serve Native American producers.

Partnerships may be one way to increase service not only to Native producers but to other groups that have been underserved by our nation's financial institutions, including Black farmers and ranchers. February is Black History Month, which recognizes the contributions Black Americans have made to our country, the progress we've made as a nation in redressing some historic wrongs, and the many challenges that Black Americans continue to face.

Service to young, beginning, and small (or YBS) producers is an important part of reaching underserved groups because members of these groups tend to fall into one or all of the YBS categories. I also recognize the importance of YBS lending in general and the emphasis Congress has placed on serving these borrowers. So I want to focus on this important area as we continue to collect data to evaluate the current YBS proposed rule.

Now let me turn for just a moment to a market segment that is particularly near and dear to me: military veterans. May I ask all the U.S. military veterans in our audience today to stand up for a moment? Would you mind?

To everyone who stood up, I would like to say thank you—thank you for your service to our country. With all sincerity, I regard you as national heroes, and I appreciate the personal sacrifices you made for our freedom and security.

As I mentioned earlier, both my parents served our country during World War II, and my partner, Dr. Steven Lieberman, is Deputy Under Secretary for Health in the Department of Veterans Affairs, so service to veterans is personal for me. I want to do whatever I can do to support veterans, especially veterans in agriculture.

I understand that some of your institutions already have programs to reach out to serve veterans, and that’s wonderful. Thank you. I look forward to learning more about these programs and finding out what more can be done.

Finally, I would like to acknowledge that, like Native American tribes, System institutions and territories are diverse. So creative solutions are important when addressing the needs of underserved groups. As your regulator, we encourage you to reach out to all the diverse groups in your territory, but we understand that they vary considerably from one territory to the next.

That’s why the diversity and inclusion rule we adopted in 2012 is flexible. It calls on you to develop a marketing plan that strategically addresses how your institution will be responsive to the credit needs of all types of creditworthy producers in your territory. However, it does not prescribe how you achieve this important goal.

I look forward to learning more about your territories and how you are reaching out to meet the needs of individuals in diverse market segments. This kind of outreach not only helps you more fully meet your public mission as a government-sponsored enterprise; it may also lead to unexpected and lucrative business opportunities.

Safety and soundness

I would be remiss as a regulator not to share a few thoughts with you on the safety and soundness of the System.

Your most recent quarterly report indicates that the System is in very good shape. Through the first nine months of 2022, the System reported continued loan growth, increased earnings, and robust capital levels despite some decline in the capital-to-assets ratio.

Portfolio loan quality stayed strong even though producers in some ag sectors and geographic regions faced some tough operating conditions.

These indicators are good, but complacency is never our friend. At present we are all facing a wide range of challenges, including

- the highest inflation in decades,
- rising interest rates,
- volatile natural gas prices,
- high prices and long waits for equipment parts,
- climate change and erratic weather conditions, and
- the war in Ukraine.

These challenges are daunting, but you've weathered similar conditions in the past. And thanks to your strong financial condition, you are well-positioned to withstand the current challenges.

Conclusion

As I close today, I want to re-emphasize that our roles are different, but our goal is ultimately the same: to ensure that all U.S. farmers, ranchers, and other rural Americans have access to dependable, affordable credit. Further, I want to again acknowledge that you have a difficult and important job. I respect what you do and the contributions you make to U.S. agriculture and rural America.

The System began as an economic experiment more than 100 years ago, and you and your system have abundantly proved your value over that span of time. Your network of cooperative lending institutions is now responsible for around 45% of our nation's farm debt, making the System the number one source of ag credit in the United States. And because credit is so critical to the farming industry, it's not an overstatement to say that American agriculture owes much of its success to the Farm Credit System.

The System also makes important contributions to rural communities. You're a significant source of credit to power, water, and telecommunications cooperatives, as well as to farmer and rancher cooperatives. You also invest in local communities and provide other nontraditional support.

These activities help make the communities in which our farmers and ranchers live more vibrant and appealing. This in turn helps address a concern that has worried Congress for decades: the ever-increasing average age of our farmers and ranchers. By helping bring services like broadband to rural communities, you're making the prospect of entering agriculture—or staying in it—more attractive.

I will conclude my remarks with the point I made at the beginning: By traveling and visiting with individuals, I gained insights that directly informed my work as Special Trustee for American Indians. I look forward to doing the same thing in my role as FCA board chairman and CEO.

Over the course of my tenure, I look forward to visiting Farm Credit System institutions. I want to visit you in your offices. I want to tour farming operations and meet your customers. I want to sit down with you and hear what's on your mind. I especially want to hear your thoughts on how we can work together to ensure that the Farm Credit System remains safe and sound and continues to fulfill its important mission for many years to come.

Thank you.