

**Oral Statement by the Honorable Glen R. Smith
Board Chairman and Chief Executive Officer
Farm Credit Administration
Before the Subcommittee on Agriculture,
Rural Development, Food and Drug Administration,
and Related Agencies
U.S. House of Representatives Committee on Appropriations
February 12, 2020**

Mr. Chairman and Members of the Subcommittee, I am Glen R. Smith, board chairman and CEO of the Farm Credit Administration, and sitting to my left is my fellow board member Jeffery S. Hall, who is chairman of the Farm Credit System Insurance Corporation. Our past chairman, the late Dallas Tonsager, last testified before this committee in April of 2019. In his memory and on behalf of the dedicated staff of our agency, I am pleased to provide this testimony.

Before I give my remarks, I would like to thank this committee for your help with two issues in last year's bill. First, you raised our funding cap to address an unanticipated FERS assessment after our FY 2020 budget submission. The second issue involved a statutory limitation that could have reduced export sales of domestic farm products. You and your staff worked with the authorizing committee and your Senate counterparts to resolve the issue, and for that we are grateful.

Our fiscal year 2021 proposed budget request of \$81.01 million is an increase of 4.35% over the FY 2020 revised budget. Eighty-six percent of our budget is dedicated to compensation and benefits. The budget request anticipates increases in the agency's contributions for retirements and includes \$610,000 in reimbursable funding.

To maintain our talent pool of dedicated employees, we aggressively recruit every year on a rotation of 16 schools, including HBCUs. Retention is just as important as recruiting, and we strive to maintain a positive working environment. In 2019, FCA was recognized as the second-best place to work of all small agencies in the federal government. And I'm proud to report that one of the subcategories for this higher ranking was support of diversity, in which we ranked number 1.

Since I became chairman last year, we have been working on a number of important rulemakings. Some of them focus on strengthening the System while at least half of them focus on streamlining our regulations to make them clearer for System institutions to follow.

Another priority of mine is the mission to serve young, beginning and small farmers and ranchers. Our initial efforts are to improve data accuracy, meet with stakeholders, and explore best practices. Our goal is to further enhance the System's YBS mission and ensure that America's next generation of farmers and ranchers have access to the tools they need to succeed.

The U.S. farm sector continues to face challenging economic conditions. In 2019, farmers and ranchers encountered declining financial conditions amid large commodity supplies, weak prices, and weather extremes. High operating costs for labor, farm inputs, and other

expenses are putting stress on farm cash flows. In fact, federal farm subsidy payments, crop insurance, and particularly MFP payments were the difference between a net operating loss and breaking even for many farm operators.

Despite challenges in the overall farm economy, I am pleased to report that the System's banks and associations, as well as Farmer Mac, are fundamentally safe and sound with strong levels of capital. As of September 2019, the System reported positive earnings that continue to support capital growth. Although overall portfolio credit quality continues to decline slightly, System institutions have strong risk-bearing ability. Meanwhile, we're monitoring any changes closely.

Compared to a year ago, I see some positive factors that should improve the ag outlook for 2020. A year ago we had almost no trade agreements in place; this year we have the USMCA, bilaterals with Japan and South Korea, and phase one with China. It may take patience, but at least the groundwork for trade normalization and improved farm prices has been laid. And the Fed's policy of lowering interest rates certainly improves margins in this highly capitalized industry.

So I am cautiously optimistic for improvement in agriculture as we enter a new decade. As Congress intended over 100 years ago, the Farm Credit System, with the Farm Credit Administration as its regulator, is well-positioned to meet the credit needs of the American farmer and rancher.

Thank you, and I'm happy to answer your questions.