

**Remarks by Glen R. Smith
Board Member
Farm Credit Administration
Farm Credit West Board Meeting
Monterey, California
August 1, 2018**

Thank you, Mark. As a board member of the Farm Credit Administration, I would like to thank you for the invitation to attend the Farm Credit West conference in beautiful Monterey, California. These past seven months have been an exciting and exhilarating life change for my wife and me. This week will mark exactly seven months since we pulled out of our rural home driveway, our only home in our 36 years of marriage.... Quite a change! I would like to take this opportunity to introduce my wife, Fauzan.

We hail from West Central Iowa. Like most of your directors, I will introduce myself first as a farmer. My wife and I, together with our son Peter and his wife, own and operate a 2,000-acre corn, soybean, and small cow/calf operation. In addition, I have spent a lifetime in the farmland service business, primarily in land appraisal and brokerage and farm management. 2018 will make the 36th year since I started our business, Smith Land Service Co.

Throughout the years in both our farm operation and business, we have worked closely as partners with Farm Credit. We had numerous long-term real estate loans over the years in several ownership entities. Our company contracted regularly with Farm Credit in the '80s and '90s, and our company appraisers regularly exchanged sales information with the Farm Credit appraisers in our area. It was a valuable partnership that worked well both ways. Of course, as a board member, I have now divested all ties to the Farm Credit System.

As a farmer and ag businessman, I have the basic financial skills necessary to survive and prosper. However, they are nowhere near the level of financial expertise and talent required in an oversight agency like FCA. After seven months on the job, I can say I have never worked around a more talented group of people than what you will find at FCA — people that I can confidently say will keep the System true to its mission in providing safe, reliable credit to American agriculture.

As an example of that dedication, my first move upon arriving at the agency was hiring my executive assistant, Jim Morris, who is with me today. Many of you personally know Jim as a veteran of the agency, dating back to 1987. He is a licensed attorney in Washington, D.C.; Illinois; and New York and has an incredible wealth of experience in almost all facets of the agency's operation and history. Along with Jim on this trip, we are delighted to be joined by his wife.

I see my job this first year as listening and learning. One of the areas I'm particularly interested in hearing about is your association's success in promoting your YBS (young, beginning, and small) farmer programs. As I worked through the interview and Senate confirmation phase of my FCA position, almost unanimously at every Senate Ag Committee office, I was asked the question: "What can we do to promote and help young farmers and ranchers get started?" Members of Congress are acutely aware of the

advanced age of the American farmer and rancher today and very concerned about the implications for the future.

I'll confess that this subject is near and dear to my heart, as my wife and I started out as true beginning farmers. Although our son makes the sixth generation in our family to farm in Pymosa Township, almost all the land owned by my great-grandfather's and grandfather's generations had been sold throughout the years. We started out in 1982 as sharecroppers with about \$2,500 equity in my wife's 1979 Olds Cutlass, but we both had good educations and plenty of ambition. Through those tenuous early years, a patient, conscientious, and — most important — *loyal* lender stayed with us, allowing us to prosper when economic times turned for the better.

I'm interested in hearing what is working in your association's YBS program, and maybe by that information-gathering and brainstorming process, we can see these programs grow Systemwide. Jim and I and FCA staff have researched the history of YBS and the authority FCA has under section 4.19 of the Farm Credit Act, and as we move ahead, it is my personal desire and goal to see this program grow.

I mentioned that I see my first year in this job as listening and learning. I'm from the Midwest, in the backyard of Farm Credit Services of America, the largest association in the country, in the heart of AgriBank, the second-largest district in the System. I know quite a bit about corn, soybeans, cattle, and hogs — I've raised all of them, and I can tell you we've got some problems. I'm not as familiar with other areas of the country, and that will be part of my education as a Farm Credit Administration board member. So far this year, I have traveled to Texas, Arizona, South Carolina, West Virginia, and now California. Before the end of the year, I plan to be in Vermont, Minnesota, North Dakota, and Louisiana. I need to know what makes things click in these areas — what types of issues currently exist.

Here in California, since the first of the week, I've visited a dairy, an almond and pistachio operation, a cattle feedlot, extensive food processing facilities, and a winery. You have tremendous diversity, but you have problems, too, ranging from tariffs to water to labor. Other areas of the country are doing quite well. That is the strength of the System: the diversity of enterprises as well as geographic location. And that's how we'll get through tough times together, by working together in the spirit of cooperation.

If I may, I'd like to digress a little bit to a story from my youth. Sometimes these early events shape our lives into the adults we are today. I was 10 years old and working in my grandfather's corn crib, helping to shell corn. In the 1960s, most farmers still harvested their corn crop and stored it as the whole ear in cribs. Then later in the year when prices were good or the livestock needed feed, a corn sheller, which was basically a small, stationary combine, was booked for the day, the neighbors would show up for trading labor and we would go to work.

It was hard, back-breaking work, scooping and raking the ear corn into the drag, but I was big and strong for my age and very proud to be pulling my weight alongside the men of the neighborhood at \$1.25 per hour. I happened to look up to see my Dad racing across the yard on an open tractor, pulling a wagon heaped with shelled corn. In a split instant, the front-end of the tractor hit a rut and took a violent bounce, throwing Dad in front of the rear tires. He tried to crawl away but the front tires of the wagon hit him, rolled him

over with the back tires passing over as well. Dad survived, but he spent months in the hospital hovering between life and death. Meanwhile, I took care of the chores.

At that time, we had about 200 head of cattle on feed, but it was mid-summer, no hay had been put up yet, and we were running out of feed. Then one day, several neighbors showed up and mowed all our hay fields. A couple days later the whole neighborhood showed up — I think over 40 people — to rake, bale, haul, and mow away enough hay to fill two big barns to the roof. All the farmwives gathered to cook a huge noon meal for the work crews. To this day, I keep a picture of that whole neighborhood gathered on our front porch after lunch in July 1966.

That is the spirit of cooperation. That is the spirit of agriculture. That is the spirit of America embedded in the mission of the Farm Credit System. Sticking together — that is how we're going to get through these tougher times, only to prosper in better times.

I'm somewhat a student of agricultural cycles. I'm fascinated by stories of great family wealth generated by multi-generations, only to be lost in one generation, or tremendous farm wealth generated in just one generation by sheer guts and determination. Hard work and management skill may not be enough. Sometimes it just comes down to the luck of timing in a given agricultural cycle. My father was born in 1930, spent his formative years in the Depression and grew into an adult who was very scared of risk and debt. I cut my teeth as an entry-level farmer in the '80s and don't want to repeat those challenging times. Financial institutions should learn from those same history lessons.

Decisions and practices established in the past during good times don't always apply to the future. Since the '80s, we have had a pretty good run in agriculture. Almost two-and-a-half decades of steadily increasing incomes, land values, and balance sheets. Not so much today or in the last several years. As we continue to work with very tight profit margins, decreasing liquidity, and what I feel are fragile land values, let us be vigilant in establishing the best lending practices pertinent to the times. I believe these practices need to be cautious as we look ahead to ensure the mission of Farm Credit in providing a safe, reliable source of credit to American agriculture and rural America.