

**Remarks by
The Honorable Leland A. Strom
Board Member, Farm Credit Administration
FCA Symposium on System Consolidation
January 16, 2014**

Madame Chair, Board Member Spearman, assembled presenters, guests and staff; I appreciate the opportunity to share some thoughts and comments at the beginning of this symposium on the topic of Farm Credit System consolidation.

I have had an active role in the System for all of my agricultural career, beginning as a stockholder of a small Production Credit Association in Illinois in 1978. In 1981, I was elected to the board of directors of that institution, a position I held for 25 years. I served in various board leadership roles including two separate tenures as Chairman. During those years, the association merged on several occasions into what today is 1st Farm Credit Services, a financially sound association serving farmers and agribusinesses in the northern 42 counties of Illinois.

I had the opportunity to participate in many of the discussions surrounding the changes to the Farm Credit Act in the mid-1980s that opened the door to consolidation within the System. In 1988 and 1989, I served on the Restructuring Task Force of the St. Louis (6th) Farm Credit District. This task force was charged with implementing those changes within that district.

I served from 1996 to 2005 on the AgriBank District Board and was serving as its Vice Chair when the merger was completed with the Omaha Association (Farm Credit Services of America) of the former AgAmerica District in 2002. As you can see, I have been involved in System consolidation issues for nearly 30 years.

While I have been a member of the FCA Board, with four and a half years as its Chairman and CEO, we have processed and approved numerous merger requests of System institutions. We have not declined a single merger request, but we have enhanced our review requirements of merger applications and added more disclosure and follow-up reporting as conditions of approval. The merger requests have included the continued consolidation of some of the smaller System associations, as well as the largest merger in System history, the recent CoBank–U.S. AgBank merger.

With this symposium, we will be taking a brief look back in history, with presenters providing us some perspective from the mid-1980s. The presenters will also offer insights into the potential challenges the agriculture sector may face in the years ahead and how FCA and the System can prepare to meet those challenges.

From my perspective, I hope we can address the question of how further consolidation can help System institutions meet their GSE mission, especially when mergers occur between the largest

institutions. Even though the original intent of consolidation was to build strong institutions and glean efficiencies of operations, recent purposes have hinged on building additional lending capacity to meet the needs of expanding large-scale agriculture production. While the financing needs of this segment of agriculture continue to increase and additional capacity may be needed, agriculture and rural America also require a local presence.

During my tenure as Chairman of FCA, I challenged the System to also consider how it will continue to serve all of agriculture, from the smallest of producers to the largest entities. This is an important piece of the System's statutory mission, and FCA is charged with ensuring that all eligible producers have access to System lending. I applaud the System for responding in positive ways regarding this issue.

Greater lending capacity provides opportunity for System institutions like CoBank to participate in large corporate banking transactions such as the recent Verizon purchase of Vodaphone's stake in Verizon Wireless. This loan was made under the Farm Credit Act's similar-entity lending authority as it relates to rural telecom lending. That lending group consisted of some of the largest global banking firms, with CoBank and its subsequent participation to other System institutions representing the largest single piece. When such large and complex lending transactions occur, FCA must ensure it has the resources to adequately examine for safety and soundness. We must also ensure that we fully understand the potential risks to the rest of the System and to the public.

The System is cooperatively structured. I firmly believe that farmer and rancher stockholders should ultimately make the decisions on how their institution should be structured within the framework of the Farm Credit Act. One of our jobs as regulator is to make sure those stockholders have all the necessary information and tools to make well-informed decisions.

It has been nearly three decades since the agriculture crisis of the 1980s resulted in the last major revisions to the Farm Credit Act, which opened the door to consolidation in the Farm Credit System. During that time, the total number of System institutions has declined from more than 1,100 in 1980, to fewer than 85 today. To borrow from some agricultural terminology, "much ground has been plowed" since then, and hopefully this symposium will "sow the seeds" for further constructive dialogue. I also hope it will help FCA to better understand the future needs of the Agency in ensuring the continued safe and sound operation of the System, and most importantly, to continue ensuring that the System meets its mission as established by Congress.

I look forward to the presentations.