Remarks by Glen R. Smith
Board Member
Farm Credit Administration
Farm Credit Council Board of Directors Meeting
Washington, D.C.
June 4, 2018

Thank you, Todd. As a board member of the Farm Credit Administration, I would like to thank you for the invitation to attend your Council meeting here this afternoon. These past five months have been an exciting and exhilarating life change for my wife and me. This week will mark exactly five months since we pulled out of our rural home driveway, our only home in our 36 years of marriage…. Quite a change!

We hail from West Central Iowa. Like most of your directors, I will introduce myself first as a farmer. My wife and I owned and operated a 2,000-acre corn, soybean, and small cow/calf operation. Now that farm is run by our son Peter and his wife. In addition, I have spent a lifetime in the farmland service business, primarily in land appraisal and brokerage and farm management. It’s been 36 years since I started the 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.

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 five 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 I can confidently say will keep the Farm Credit 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.

I see my job this first year as listening and learning. One of the areas I’m particularly interested in hearing about is your different associations’ 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 are 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 associations' YBS programs, and maybe by that information-gathering and brainstorming process, we can see those 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 just reviewed the Funding Corp's quarterly report for the System this past weekend. It looks like 2018 is starting out well, with a combined System net income of $1.266 billion for the first quarter, which is up slightly from $1.244 billion from the first quarter of 2017, with most of that increase coming from an increase in net interest income. Congratulations to all your associations for their collective participation in this performance. Along with those congratulations, I would like to share with you some advice I share regularly with my son back on the farm in Iowa.

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 for my son today or for us in the last several years.

As farmers and ranchers 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.