

Farm Credit Council Annual Meeting
Panel Presentation: Charting the Needs of Today's
Agriculture
January 20, 2004
Miami, Florida

Note: Ms. Pellett participated in a panel on "Charting the Needs of Today's Agriculture". Other panel participants included Dean Folkvord of Wheat Montana Farms and Bakery, Dr. Joan Fulton of Purdue University, and Dan Kelley of Growmark, Inc. Des Keller of "Progressive Farmer" magazine served as the panel moderator.

Good morning to everyone.

I am honored that you invited me to participate in your conference and to be a member on this distinguished panel.

My portion of the panel presentation is to share with you my family's operation in Iowa. Then I would like to also share a few comments on the topic as the regulator of the System during these times of significant change in agriculture.

But first off, I need to make sure you understand that as an FCA board member, my ethics agreement forbids having an active role in the management of my family's farm or business operations and I will not do so during the remainder of my term on the FCA board.

With that in mind let me first talk about the operation my family has in Iowa.

Our farming operation can be described as a family farm in the truest sense of the word. It is made up of several enterprises but totally owned, managed and operated by family members with the help of one full-time and one part-time employee. (Note: Ms. Pellett provided a more detailed description of her family farming operation and how the family had modified the operation over several years to meet changes and challenges in agriculture.)

I'd like to move next to our value-added enterprise.

My husband and I own controlling interest in a beef company that sells a line of fresh and pre-cooked beef items. We do not own bricks and mortar. The cattle are breed specific and are slaughtered and fabricated at a harvest facility in Omaha.

As is so often the case with small entrepreneurial, value-added companies, it has been under-capitalized from the beginning.

There so often exist inadequacies on the part of both the producer and their lender.

- Both parties need to realize the strong financial guidance that is needed and hiring an experienced CFO/CEO takes money. Many farmers are very astute business people, but this is a whole new ballgame.
- Neither realizes the amount of funds needed for, as I mentioned, expert financial guidance, building of inventories, and marketing specialists.
- Neither realize the time that it takes to develop marketing programs and, hence, sustainable sales and, hence, a profitable bottom line.

It is so right for the producer to move up the food chain, closer to the consumer. In so doing, however, the risks for both the producer and the lender must be realized. But these businesses are capable of making huge differences in rural America, and in its viability.

Based on my experience and the ideas shared by the other panel members, I certainly see the need for all lenders, System or otherwise, to be able to provide more services to value-added operations.

I must tell you that I am very proud to bring the perspective of production agriculture and rural America to the FCA Board discussions, and ultimately the FCA Board decisions, that will affect how the System will operate in the future.

But I am not the first, and by no means the last, to realize the challenges that will be faced by the System, your borrowers, and also, your regulator.

I would like to emphasize that it is not just the System, it is the System in partner with others that can make the most difference in strengthening agriculture and rural America of the future. And how big a partner the System will become seems to be at a threshold right now.

One of the key issues, in my mind at least, is whether the 1971 Act provides the System with all the authorities it needs to serve a rapidly changing agriculture, marketplace, and rural America.

The answer I have heard from most parties over the past year is that the Act is clearly outdated. But what I have also heard is that nobody wants to initiate the process to make needed changes. Generally, this is phrased as “this is not a good time.”

I am wondering when a good time will come along and how much does the System lose by waiting until that quote unquote “good time” magically appears.

Increased scrutiny of Government-Sponsored Enterprises is essentially a fact of life; so I believe there might never be a “good time” if that is what we are waiting for. But, if the System is frustrated by the challenges that arise when they take actions that push the extent of existing law, maybe you should give the originators of your authorities, i.e., Congress, the opportunity to weigh in on what they think.

I must say that I believe your case is strong, but more importantly, your cause is honorable.

Quite frankly, the contributions the System has made, and continues to make, are breathtaking. With a hundred billion dollars provided to over four hundred thousand borrowers you are certainly making your mark on the future landscape of agriculture and rural America. You should be very proud of what you have accomplished. And my statements are coming from one who has come to the FCA Board with a completely open mind.

If the course you think you need to take in order to better serve a changing agriculture and rural areas needs to be redefined, then I think you should pursue the changes needed. Redefining your course seems to directly support your fundamental principles of serving agriculture and rural America.

Please consider that by not doing so, may be a real disservice to the farmers and ranchers of America you are trying to serve and who are doing everything in their power to meet the challenges of a changing rural landscape, a changing political landscape, and a changing marketplace along with the constant challenges of weather, disease, and operational costs.

Last week I attended the System's Wisconsin Legislative Committee Conference. During his remarks, Governor Jim Doyle noted that "the answers to a strong agriculture and rural America don't lie in what happened 20 years ago; they lie in the future."

May each of us, whether we are the borrower, the lender, or the regulator, successfully meet head on the challenges of the New Generation of Agriculture and rural America.

Thank you very much.