

**Remarks of
David W. Baker, Farm Transition Specialist
Beginning Farmer Center, Iowa State University
Farm Credit Administration Symposium on
Consolidation in the Farm Credit System
McLean, Virginia
January 16, 2014**

I wish to give a sincere thank you to the FC System for supporting beginning farmers and many great efforts involving the next generation. I appreciate the opportunity to speak with you and share my thoughts.

Causes:

1. Technology affects how we communicate and conduct business and allows faster processing from greater distances. So much is done with computers including strategic planning, research, analysis, and application. Documentation can also be accomplished using technology.
2. Economies of Scale — Costs doing business and regulation (demands from government and competition in lending). Sometimes this is necessary to fulfill the mission of serving a diversified client base and to remain a safe and sound provider of capital.
3. Changes in demographics.

Who does Farm Credit serve? Average size farm in Midwest – 1200 acres, Corn & Soybean producers average age of farmer 60 plus. We are slowly losing the middle sized farms (400-800 acres) which have been consolidated into large farm operations of 2000 acres or more. Suspect it is similar across U. S. where more acres are controlled and operated by fewer individuals. The less than 400 acre farms are held by part-time farmers (with off-farm income – operator and spouse) and retirement age farmers. This is a key area of farm demographics for the BFC. The programs that we administer include Ag Link which is a computerized matching service for non-related parties to continue farm businesses and Farm Succession Workshops which facilitate intergenerational business transfer over 5-10 years. Many times livestock is involved and should be encouraged because of the labor available with young farmers.

The aging of our farmers should concern all of us. Whether you are a bank, local business (livestock, grain, and supporting agriculture), school, church, and community betterment group retiring farmers affects you. (NASS survey chart displays the amount of clients we have to work with)

I have seen an increase in women farmland owners through inheritance and women farm operators due in part to niche production and direct-marketed products for the local food movement. There is no shortage of young people interested in farming. There has been growth

in programs wishing to assist veterans hoping to return to the rural areas. The shortage that I face is in the number of existing farms contemplating business succession options.

Future Concentration of the Farm Credit System and its effects on the small producer and beginning farmer:

Lower grain prices are causing a reshuffling of the cards with livestock operators gaining a better hand to play. Grain producers will have to play smarter and limit risk. Agriculture should have both to be complete. BF will have more opportunities with livestock.

Strategies for Farm Credit Systems:

1. Promote livestock operations of proper size for borrower. Encourage existing borrowers and members to consider succession plans of their livestock operations.
2. Develop training programs for members and landowners to bring in next generation. Apprenticeship or mentorship should be encouraged for everyone to benefit.
3. Assist with farm business succession planning. Training available through the International Farm Transition Network on facilitating the transition of farm businesses.
4. Business modeling for new entrants using benchmark operations as examples of our top producers. Show these new borrowers the best scenarios for success. Including risk-management, long range planning, and adapting to technology when feasible.
5. Encourage leadership within the community by new members. Supporting others through peer groups.
6. Develop loan programs for underserved groups such as veterans, women, minorities, and refugees. Business start-up loans, micro-loans, down-payment loans, and specialty crop financing.
7. Partner with existing USDA and state beginning farmer financing programs.

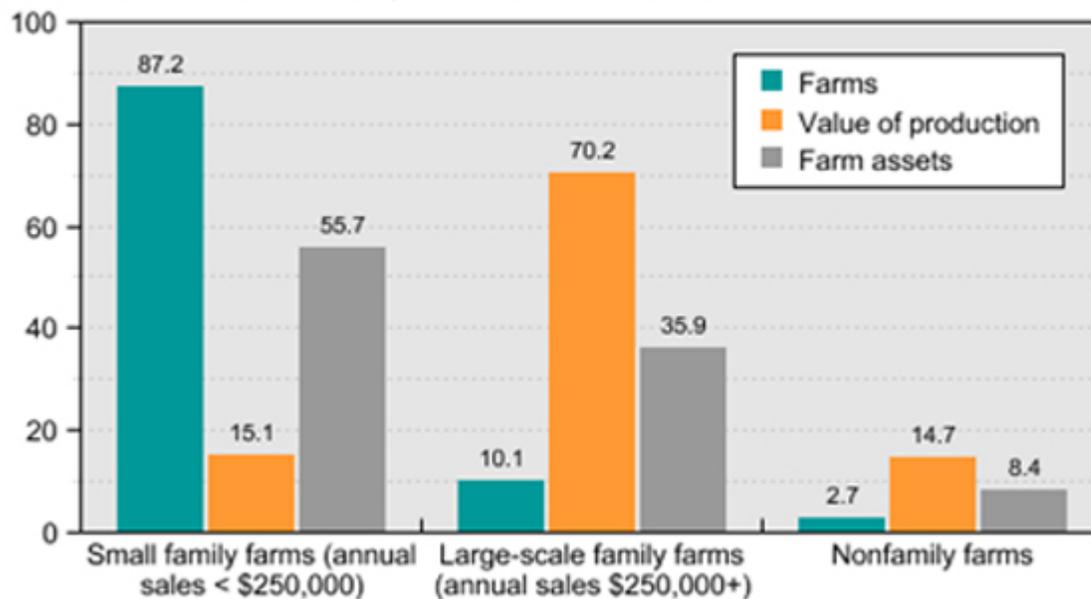
In conclusion, take a long-term and conservative approach to lending that builds capacity to serve the future of farm families. Maintain a trusting relationship and good reputation with existing farmers that will naturally flow to the next generation. All of my strategies will require that Farm Credit loan officers (representatives) remain involved with farm families as business partners.

David W. Baker, **Farm Transition Specialist**
Beginning Farmer Network Advisor
Email-baker@iastate.edu

ISU Extension - Beginning Farmer Center
10861 Douglas Avenue, Ste. B
Urbandale, IA 50322
877-232-1999
515-252-7801

Share of total farms, value of production, and farm assets, 2011

Percent of U.S. farms, value of production, or farm assets



Source: USDA, Economic Research Service and National Agricultural Statistics Service, 2011 Agricultural Resource Management Survey, Phase III.