

**Remarks by  
The Honorable Dallas P. Tonsager  
Board Member, Farm Credit Administration  
Wisconsin Farm Credit Legislative Conference  
Madison, Wisconsin  
March 30, 2015**

Good afternoon. It is great to be with you today. I am so glad to return to Wisconsin and the Cooperative Network.

As many of you know, I am now beginning my second Board term with the Farm Credit Administration after spending four years as the USDA Under Secretary for Rural Development. When I began my first term on the FCA Board 10 years ago, I delivered my first official remarks to your group, so I'm pleased to be with you again to deliver the first remarks of my second term.

I look forward to working with my colleagues on the FCA Board, Chairman Ken Spearman and Board Member Jeff Hall. The Chairman has put forward an agenda that makes good sense, and I am pleased to support it. But first I'd like to point out that any opinions I express here today are my own and may not necessarily reflect official Agency views.

Since I am still getting up to speed on the current issues facing the System and since FCA officials are not allowed to discuss pending rules, I thought I would share with you my views of rural America and what I believe the future holds for both rural America and agriculture. And I look forward to hearing your views today, as well. By sharing our perspectives, I believe we can find ways to provide better service to agriculture and rural America.

I am an advocate. I have devoted my career to farming and to strengthening rural communities across the country. As a member of the FCA Board, I will be listening closely to all parties in rural America who seek solutions to the problems we face. I will also be making the case to everyone who listens that rural Americans need to invest in themselves and their friends and neighbors.

Before becoming Under Secretary for Rural Development, I ran a consulting business to help develop rural projects. In fact, I developed a blue cheese processing plant for the Wisconsin Farmers Union; it's located in the village of Montfort, about an hour from here.

I would like to take a moment to talk about arm's length regulation. We all know the history of the Farm Credit System. We remember the challenges the 1980s brought and the transformation that the System and FCA went through.

Much of today's current success is due to the introduction of arm's length regulation. With an arm's length regulator, the System has more credibility among investors. And thanks to investor confidence, the System now has some of the best bond rates in the world. It also enjoys an unprecedented level of confidence from the farm community and members of Congress. For the System to continue to meet the needs of agriculture and rural America, the credibility that FCA gives the System is critical. Because of good examination processes and close oversight, the System largely avoided the financial challenges that plagued the other financial Government-sponsored enterprises six years ago.

I remember the 1980s very well. I was a farmer myself. I remember the hard times that agriculture went through. Because of the extended period of low prices and the collapse in land values, farmers experienced huge losses.

The difficult times also led to a significant contraction of credit, and this contraction only increased the hardship for farmers. Local lenders pulled back, and the Farm Credit System had to restructure and seek financial support from Congress.

Fortunately, the System is now better positioned to manage hard times. Plus, I don't foresee any circumstances on the horizon that would be as dire as those we faced in the 80s, but there are some real concerns.

After several years of strong prices, commodity prices have dropped by nearly half. On top of this, the increase in the value of the dollar is expected to dampen export demand. Also, support for corn ethanol is under increasing pressure.

If these challenges lead to tough times for agriculture, how will private banks and the Farm Credit System respond? This is a critical question to consider because farmers need dependable, affordable sources of credit in hard times even more than they do in good times.

As Under Secretary for Rural Development, one of my biggest concerns was the loss of risk capital in rural America, and I continue to be concerned about this. In rural America, we don't always invest in ourselves and our communities as much as we could. We often wait for others to invest in us. That means the investors get the profits, and we lose out.

Developments in agriculture in the 1990s created lots of opportunity for investment. New-generation cooperatives, biofuels, and value-added agriculture all created financial mechanisms that allowed us to invest locally. As rural Americans, we need to again take some calculated risks to invest in ourselves by finding ways to add to the value of what we produce. We need to give ourselves permission to lose once in a while so we can all succeed in the end.

While I was Under Secretary, I was pleased to have been involved with the Farm Credit System in the creation of new Venture Capital funds. Licensed by USDA Rural Development, these funds are now starting to make their first investments. It is my hope that they will provide new opportunities for investment that will help grow the spirit of entrepreneurship in rural America.

I hope to spend a good part of my term on the FCA Board exploring the work of our land-grant universities in entrepreneurship, new value-added products, and new crops. I believe that these universities may be the source of the next big thing in agriculture—the next ethanol industry or a new crop. As a former farmer, I can say that we have become artists at growing soybeans, corn, wheat, and livestock, but we need to prepare ourselves for what's next. To do that, we need to challenge ourselves and to be open to new opportunities and new risks.

Finally, because of its status as a Government-sponsored enterprise, Farm Credit has a special responsibility to take on hard challenges. Great work has been done to serve small, beginning, and young farmers. And I look forward to seeing progress on other fronts, too. We need to look closely at those people and places that need greater help.

Farm Credit has two powerful resources—its financial success and the skills of its workforce. By building on its financial success, the System can continually improve its service to farmers and ranchers. But I would argue that the skills of its workforce are an even greater resource than its

financial success. Why? You and your employees have proven yourselves time and again to be real problem solvers, and innovation is key to solving the problems of rural America. I hope you will continue to bring those skills to bear.

In closing, I would like to thank you for your leadership and your service to farmers and rural Americans here in Wisconsin. I know you share my concern and my hope for the future of rural America. I look forward to your questions.