

**Oral Statement by the Honorable Glen Smith
Board Chairman and Chief Executive Officer
Farm Credit Administration
U.S. House Committee on Agriculture,
Subcommittee on Commodity Exchanges, Energy, and Credit
November 19, 2019**

Chairman Scott, Ranking Member Scott, and Members of the Committee, it's a privilege to appear before you today. I will be reporting to you on the operations of the Farm Credit Administration and its oversight of the Farm Credit System and Farmer Mac. I have a written statement to submit for the record.

I'd like to introduce FCA staff sitting with me today: Chief Operating Officer Robert Coleman, Director of Regulatory Policy David Grahn, and Chief General Counsel Charlie Rawls. Also behind me, fellow Board Member Jeff Hall, who is chairman of the Farm Credit System Insurance Corporation, and my wife, Fauzan.

I became chairman and CEO of FCA four months ago, after the unexpected passing of former Chairman Dallas Tonsager. His death was quite a shock to all of us at FCA, but his life dedication to agriculture and rural America will serve as a great inspiration to us for years to come.

The Farm Credit System is the nation's oldest government-sponsored enterprise. Its nationwide cooperative network of 4 banks and 68 associations provides 41.4% of the nation's agriculture credit. My highest priority as chairman is to ensure the safety and soundness of the System, and I am pleased to report that at this time the System is, in fact, safe and sound. Although we are very concerned and closely monitoring some weakening in credit quality, the institutions are well capitalized, with solid current earnings.

By structuring the System as a cooperative, Congress helped ensure that System institutions would remain true to their mission. It later established provisions to protect the rights of System borrowers. As the regulator, we routinely examine System institutions to ensure they comply with these provisions.

Congress also established features to protect the System's safety and soundness, like joint and several liability among System banks and requirements to ensure adequate capital. To implement these requirements, we established minimum capital levels that each bank and association must hold. The requirement to hold capital at both the bank level and the association level is particularly reassuring to investors during difficult economic times in agriculture.

As you know, the System does not obtain its funds from depositors but relies on the sale of its securities to investors in the financial markets. Protecting the good reputation of System credit and obligations is extremely important in maintaining interest rates that are as reasonable as possible for the American farmer and rancher.

And Congress continues to take measures to strengthen the System. I would like to thank the House and, in particular, this committee for granting FCA several much-needed enforcement authorities in the last Farm Bill.

This committee also has provided valuable guidance to our agency. Mr. Chairman, about a month ago, we had a good conversation about your relationship with our former Chairman Ken Spearman and your mutual goals of improving diversity and inclusion efforts at FCA. Mr. Spearman's legacy in those areas continues today, and I'm proud to report that, for our support of diversity, last year the Partnership for Public Service ranked FCA second among small agencies in the federal government.

I would like to conclude my remarks with one of my priorities at FCA: young, beginning, and small farmers. My wife and I started out as beginning farmers in Iowa 37 years ago. The difficulties and challenges that existed for us then are no different today. The advancing age of the American farmer and rancher is a concern of both Congress and FCA, and we need to do everything we can to encourage and help new entrants to agriculture. Our board this year has initiated efforts to strengthen the System's young, beginning, and small farmer programs, and we look forward to reporting our progress in the years ahead.

This concludes my remarks. I will be happy to answer your questions.