

Testimony of the Honorable Dallas P. Tonsager
Board Member
Farm Credit Administration
Before the U.S. Senate Committee
on Agriculture, Nutrition, and Forestry
May 19, 2016

Chairman Roberts, Ranking Member Stabenow, and members of the Committee, thank you for the opportunity to testify today.

I am privileged to now be serving a second term on the board of the Farm Credit Administration with my distinguished colleagues, Chairman Spearman and Board Member Hall. I have previously served on the FCA Board from 2004 – 2009. At the outset, I want the committee to know of my absolute commitment to the continued safety and soundness of the Farm Credit System as we navigate through this downward cycle in the agricultural economy. Rural America and the Farm Credit System are important to me both in my role as an FCA Board Member and in my personal connection to farming and rural America, as I was raised on a farm in South Dakota and was engaged in farming for over 40 years.

The Farm Credit System, which is cooperatively-owned by farmers and ranchers, was well positioned to persist through the 2008 financial crisis. In fact, the System's capital and liquidity positions, risk profile, stress testing capacity, and lending presence in the agricultural sector have all significantly strengthened over the last 8 years.

With the challenges now facing the agricultural economy, FCA's oversight role and the Farm Credit System's purpose to be there for agricultural producers and rural communities in bad times as well as good times are more critical than ever. I lived through the difficult years in agriculture in the 1980s, and well understand the importance of the Farm Credit System to farmers and ranchers in such times. I have great confidence in FCA's ability to ensure that Farm Credit System institutions remain a source of sound, adequate, and constructive credit to those farmers and ranchers struggling to keep their ag operations going and remain in their rural communities.

In addition to my duties as Farm Credit Administration Board Member, I serve as Chairman of the Farm Credit System Insurance Corporation, along with my colleagues on the FCA Board.

Congress created the Insurance Corporation to insure the timely payment of principal and interest on the debt issued by the Farm Credit System banks. Congress also gave the Insurance Corporation the responsibility to provide assistance to troubled Farm Credit System institutions and to act as conservator or receiver for a failed System institution.

By law, the Insurance Fund must maintain a secure base amount equivalent to 2 percent of the adjusted insured obligations of System banks. There is currently \$4.1 billion in the Insurance Fund, an amount that is marginally under the secure base amount. This Fund acts as a safety net for the farmer and rancher owners of the Farm Credit System, in addition to the protections afforded by the joint and several liability of the System banks.

This concludes my opening statement. I thank the members of the committee again for this opportunity to testify and to answer your questions.