

**Remarks by Glen R. Smith  
Board Chairman and CEO  
Farm Credit Administration  
Office of Examination (OE) Conference  
Scottsdale, Arizona  
December 14, 2021**

It is wonderful to be with you this morning. My compliments to Roger and Dan and the OE staff who have worked to make it a success — particularly to organizers Hillary and Bri. Scottsdale is just a great place to visit and one of my wife's and my favorite places to visit.

When my wife and I made the momentous decision four years ago to take on the challenge of this position and move from our rural Iowa home to Washington, D.C., the real challenge was not this job but figuring out how to transition our farm operation and agricultural businesses to the next generation. You just don't walk away from a lifetime investment of blood, sweat, and tears. Fortunately, one of our sons had been actively involved for a couple years, and at the age of 28, he took on the challenge of managing our family enterprises.

Another son has recently moved back and contributes much-needed labor during peak times. And both our daughters, while still in their early 20s and pursuing their own professional careers, have personally invested in farmland included in our family operation. In fact, 40 years ago we aptly named our family farm corporation, Smith Generation Farms Inc.

I tell you all this and give you some of my background because I believe as a leader, whether it be private business or being head of a government agency like FCA, when it comes to generational transfer, you can't forget what it was like to be in your 20s, 30s, 40s and working your way up the career ladder.

**Why OE needed this conference**

It's no secret I pushed hard to have this conference. Over the past two years, we have recruited almost 20% more examiners, including 20 new examiners just this past year — many of whom had never met each other before this conference. Sharon Wilhite, you have done a wonderful job recruiting and training, and I'm sure you will agree that this new group couldn't wait to meet each other and get acquainted.

We also have seven newly accredited examiners. To those examiners, because of your commitment and the agency's investment in you, you should be feeling pretty good about yourselves right now. I know the agency is proud of you.

And we have several new people in key OE management positions: Dan Fennewald, Robin Boston, Cris Beckers, and Jody Muller. They are digging into their new positions with enthusiasm and proving that they are well capable and looking forward to interacting with you here this week.

This conference gives you a chance to meet co-workers for the first time, receive training, ask questions, celebrate advancements, share advice, and reconnect with old friends. OE, you needed this conference!

### **Financing: the lifeblood of the agriculture industry**

As I mentioned before, I came to this position directly from agriculture. When I first interviewed at the White House Office of Personnel and then testified in front of the Senate Ag Committee, this drew many nods of affirmation. In short, they wanted somebody directly from the industry.

I know firsthand the vital importance of affordable, accessible financing to the American farmer and rancher — it's truly the lifeblood of our agricultural system. It has been my personal mission to make sure every FCA employee understands that importance and how it relates to their jobs, especially you examiners out there on the frontlines.

### **Growth in the System's market share**

The Farm Credit System is the lead ag financier in this country, with an estimated 45% market share, about 7 points above the nearest competitor, commercial ag banks. I believe a big part of this market share growth is attributable to Farm Credit's unique funding structure, which involves selling securities into the global market. This works beautifully as long as investors have confidence in the safety and soundness of the System, and that's where you examiners play a lead role.

### **The System's financial condition and low cost of funds**

At last week's board meetings, Roger and Dan reported the end of third quarter 2021 System results, with total assets of \$410.6 billion and total loans of \$325.8 billion. Despite the challenges of COVID, the System continues to see impressive growth in lending levels and earnings. Equally impressive is the System's growth in capital and liquidity, which are well above statutory minimums. Loan portfolio quality is very good, with delinquencies down dramatically since the start of the global financial crisis in 2007. The graph we saw on nonperforming assets, which showed 0.55%, was half what was reported 8 years ago and the lowest since 2007.

But here's the great part (and I don't want to take away from Tracy McCabe's presentation tomorrow): With the healthy financial metrics and high investor confidence, the System's cost of funds is at a historic narrow spread to Treasuries. I heard recently that it's 25 basis points (0.25 of a percentage point) to 10-year Treasuries and just 6 basis points (0.06 of a percentage point) to 2-year Treasuries, which are perceived as among the safest investments in the world.

That is truly remarkable. It means the System is doing its job. It means FCA is doing its job and you examiners are doing yours. And it means more money in the pockets of American farmers and ranchers, which is what we're all about.

### **Young, beginning, and small (YBS) farmer programs**

Some of you attended the RISK Conference sponsored by the Farm Credit Council last September in California. I heard that CEO Todd Van Hoose made the comment that the

Farm Credit System should not take their GSE status for granted. Now I don't always agree with Todd on System issues (after all, he is the lobbyist), but I think this statement is very insightful.

Remember what I said about the System's being the nation's agricultural leader for market share? When you are the leader, you can expect a higher degree of criticism and scrutiny, especially when directed by powerful lobbying groups like the American Bankers and Community Bankers Associations. That's why I feel the System's young, beginning, and small programs are so important and, in part, provide a response to System critics.

The YBS program is very personal to me. My wife and I started out as beginning farmers with very few financial resources in 1982. We witnessed many of our friends and neighbors exit agriculture due to financial hardships, and we barely survived ourselves. The Farm Credit System and most of the nation's ag financiers were ill-prepared to help agriculture through these crisis years, and it's been said that, because of this, we lost almost a whole generation of farmers and ranchers.

YBS is in part an answer to that loss, and I started asking questions on the System's YBS programs the first week I was at FCA and how we could advance those programs. I might add that fellow board members, the late Dallas Tonsager and my good friend Jeff Hall, were hugely supportive in these efforts. We developed a three-step strategy in promoting and advancing the System's YBS programs:

- 1. Assemble an accurate baseline of information.** Initially, we found inconsistencies in the data, both qualitative and quantitative. To address these issues, we enhanced utilization of our new Office of Data Analytics and Economics, in cooperation with examiners.
- 2. Share best practices.**
  - Over the past four years, I have traveled extensively, observing and asking questions on different YBS programs.
  - Through a joint virtual conference 15 months ago, we reached out to non-System lenders, including FSA [USDA's Farm Service Agency].
  - At the invitation of Congressman Fortenberry, we helped organize and hold a YBS symposium last month at the University of Nebraska in Lincoln. The goal was to enhance YBS decision-making at System institutions. And we are currently planning a national event for this spring.
- 3. Evaluate performance (ratings).** This is the third step in our strategy to promote and advance System YBS programs. For this step, our examiners are key. Our ORP Director Kevin Kramp and Dan Fennewald will have more on this later.

I close on this point: Empowered by Congress through the Agricultural Credit Act of 1987, the Farm Credit Administration is in the best possible position to advance every YBS program in every institution across the country. That's pretty exciting stuff, and, OE, I'm asking you to help make it happen.

## **Filling the chief examiner position**

Before I close, I want to address the question scribbled on everybody's cocktail napkin this week. Who is going to be our next chief examiner? If anybody has a clue, please let me know.

Two and a half years ago, the successions of the chief examiner to COO and of Roger as deputy to chief examiner were logical ones, based upon experience and expertise. It's going to be more difficult today, and all I can say is, Roger, we're going to miss you!

We're going to miss his style of vigilance and dedication to safety and soundness. But he has left us in a great place with the System — maybe as good as it ever has been — and for that we profoundly thank him and wish him the best of success in retirement.

## **FCA's senior management**

The Farm Credit Administration currently has 11 senior-management-level positions at the board table. By early 2022, and within 2½ years of my assuming the chairmanship, the board will have placed seven new people in those positions, along with several new deputies. Presently, of the senior managers, two are in their 30s, three are women, and two are from minority groups.

To say that FCA has a new look is an understatement. With Roger — and as of late our CFO, Steve Smith — we will miss their experience and honor their past contributions; however, succession creates opportunities — opportunities for professional growth and for the board to take a fresh look at FCA operations.

## **Looking to the future**

It's time for me to get off the podium, but I'll repeat myself again for emphasis — OE, you needed this conference! As an agency, we've done very well adapting to the pandemic. According to last fall's Federal Employee Viewpoint Survey, we received the highest rating of all federal agencies in our approach to the pandemic, and many agencies have emulated us.

But it's time we start transitioning back, and this conference is a great start. Most of the institutions we examine are near fully back to work, and don't forget: We serve a grass roots constituency; American farmers and ranchers never take a day off.

Questions?