

**Remarks by Glen R. Smith  
Board Chairman and CEO  
Farm Credit Administration  
Farm Credit Council Annual Meeting  
New Orleans, Louisiana  
February 8, 2022**

**Building on Success**



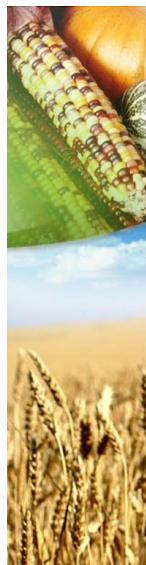
It is so great to be here this morning (live not virtual), and I thank Todd Van Hoose and Chairman John Marthedal for the invitation.

It's been two years since I spoke before this group in Washington, D.C. (Little rusty with public speaking). Two years, but it seems like a decade to me; so much stress, disruption, uncertainty, even chaos, due primarily to the pandemic.

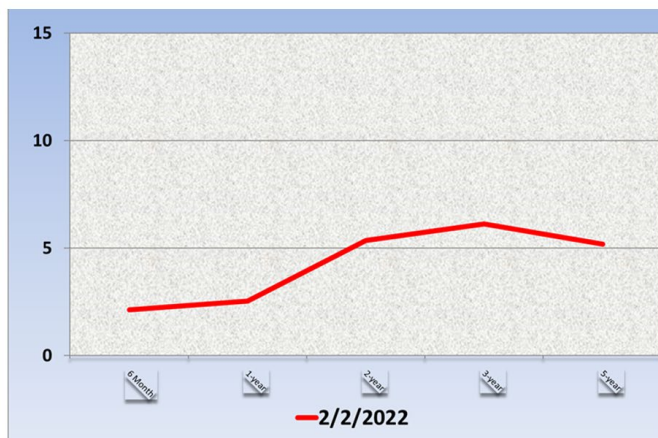
Two years ago at this conference, right before COVID broke, our concerns were primarily economic, following about six years of disappointing farm income, weakening land values, and the prospect of higher interest rates. Within a month, those economic concerns soon paled in comparison to losing loved ones, over-capacity hospitals, huge disruptions to our supply chains and businesses, and schools closing. I read last week in the Wall Street Journal that the mortality rate due to COVID in the U.S. has now exceeded the loss of life attributable to WWII as we approach 1 million lives lost in a shorter period of time. Pretty sobering statistic.

When we entered the early stages of the pandemic, it was no small comfort to know the System collectively was well prepared, with strong levels of capital and liquidity to deal with the unknown. That's been your mission, to serve agriculture equally in good times as well as bad.

## FCS basis point spreads over Treasuries



### FCS basis point spreads over Treasuries



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Throughout it all, the System barely missed a lick in funding — funding at historically narrow margins to Treasuries. Those narrow margins are a product of the good reputation of the System with the investors in Farm Credit securities. That is a tremendous competitive advantage and means more money in the pockets of American farmers and ranchers.

How do we preserve that good reputation? I'm going to quote Moody's and Fitch, the rating agencies, on what they like about Farm Credit securities:

- The System has a strong regulator, which provides safety and soundness.
- The Farm Credit System Insurance Corporation protects investors by guaranteeing security performance.
- The System's GSE (government-sponsored enterprise) status implies U.S. government backing.
- The System's mission to serve agriculture appeals to investors.

## Recent System accomplishments



### Recent System accomplishments



- Total assets were \$410.6 billion.
- Total capital was \$69.5 billion, including \$5.8 billion associated with the Farm Credit System Insurance Corporation.
- The System's capital-to-assets ratio was 16.9%.
- Nonperforming assets were down 23% year-over-year.
- Nonperforming assets were 0.55% of total loans and other property owned, which is the lowest level since 2007.
- Loan delinquencies were a low 0.22% of accruing loans.
- Consolidated net income was \$5.2 billion, up 17% from the same period last year.

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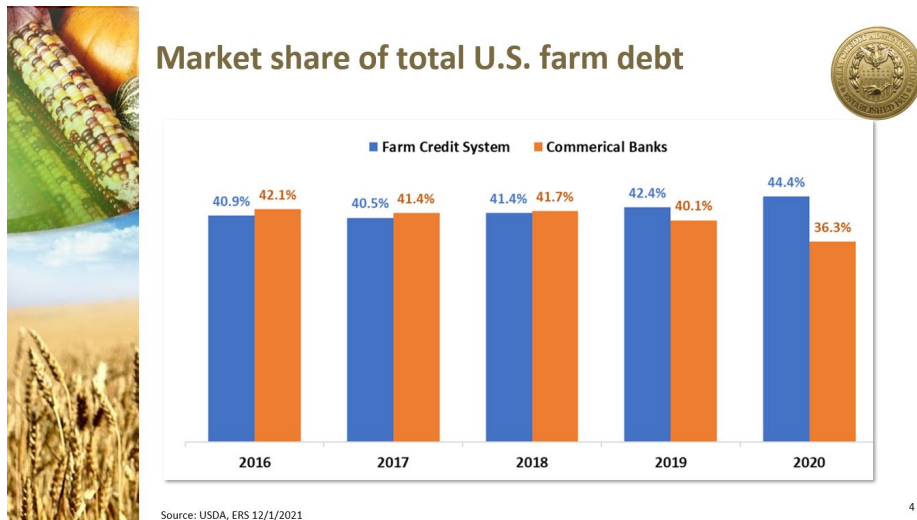
Looking back to this conference two years ago, who would have predicted the impressive growth and success of the System in the following two years — especially given the challenges of COVID? Congratulations to everybody who contributed to this success.

Beginning in early 2020, the healing benefits of the government's Market Loss Payment program began to accumulate, which led to a dramatic improvement in commodity prices by late fall. This of course continued throughout 2021, resulting in record farm income. Prospects look good for 2022 but are hampered by rapidly increasing farm input costs.

Two years ago, with a turnaround in fiscal direction, the Fed pumped trillions into our money supply to counter the effects of the pandemic, which resulted in a decreasing interest rate environment. Farm Credit loan pricing has been very competitive in this environment, resulting in a remarkable increase in market share.

It will be interesting to see how the System competes in the new rapidly increasing interest rate environment.

## Market share of total U.S. farm debt

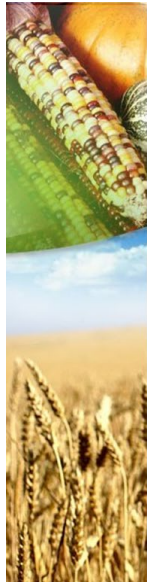


I remember looking at this graph four years ago when it showed the Farm Credit System within a fraction of a point of the commercial ag banking sector. A 5% growth in market share in four years, that is truly remarkable, but could be a double-edged sword which I'll come back to later.

By the middle of March 2020, all government agencies, including the Farm Credit Administration, were ordered to shut down, and we quickly converted to a virtual, telework environment. All field offices, in addition to McLean, were shut down. About 60% of our workforce is in the Office of Examination, which was well-versed in telework due to the nature of their jobs. Our IT staff, led by Jerry Golley and his deputy, Jerry Versace, did an outstanding job of bringing the rest of us quickly up to the new-age technical world. Our chief operating officer, Robert Coleman, did a great job of keeping all the trains running.

We weren't far into the pandemic when it became apparent we needed to closely track the health metrics in our home as well as field offices around the country. Transmission rates, positivity, hospitalization, vaccination, and mortality rates, among others, were all closely monitored by our data analytics people and were reported, first on a monthly, then shortly thereafter, on a weekly basis. This fact-based approach to developing our COVID policies became a model for other agencies. **In fact, the Federal Employee Viewpoint Survey ranked FCA #1 of all 86 federal agencies last year for our approach to COVID.**

## Chairman Smith with son and grandson: Social distancing Iowa style



Chairman Smith with son and grandson:  
Social-distancing Iowa style!



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Fauzan and I stuck around for a couple of weeks that March before heading west. One of the perks at that time was being able to regularly attend to FCA business while helping to plant the 2020 crop and seeing it off to a good start before returning to D.C. Since then, we have been traveling back and forth on a monthly basis. I found that, while teleworking is a useful tool, some issues just plain need to be handled in person, especially when it comes to human resources.

Human resources have been a challenge at FCA, almost entirely due to baby boomer retirements. It is a phenomenon that's occurring throughout the country. So far in my tenure as chairman, the board will have placed 7 new people on our 11-member senior management staff. Many of you board members are going through the same generational changes in your home operations as I did with my son 4½ years ago before I came to D.C.

## Senior leadership at FCA



**Senior leadership at FCA**

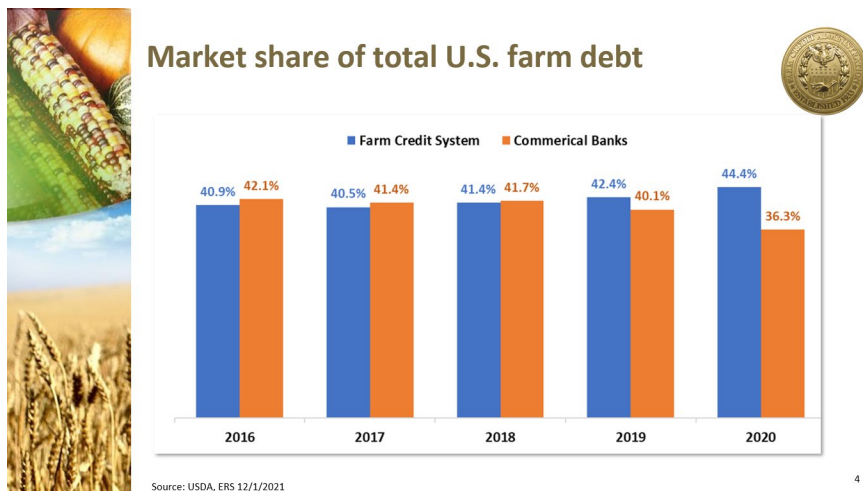
				
<b>Robert Coleman</b> Chief Operating Officer	<b>Vonda Bell</b> Chief Human Capital Officer and Director, Office of Agency Services	<b>Sandi Walters</b> Chief Financial Officer (Acting)	<b>Michael Stokke</b> Director, Office of Congressional and Public Affairs	<b>Jeremy D'Antoni</b> Chief Data Officer and Director, Office of Data Analytics and Economics
				
<b>Mike Duffy</b> Chief Examiner and Director, Office of Examination	<b>Clark Ogilvie</b> General Counsel	<b>Jerry Golley</b> Chief Information Officer and Director, Office of Information Technology	<b>Kevin Kramp</b> Director, Office of Regulatory Policy	<b>Laurie Rea</b> Director, Office of Secondary Market Oversight
				
				<b>Ashley Waldron</b> Secretary to the Board

But, as I told the agency examiners at their conference in Phoenix last December, new faces are good. They offer a fresh look — an openness to change and improve on past practices and to re-invent new ones. It also gives us an opportunity to enhance the diversity of our workforce, something we encourage all System institutions to emulate. This slide details our current senior leadership, which Board Member Hall and I are working very well with. The newest member is long-time examiner Mike Duffy who was recently promoted to chief examiner, replacing Roger Paulsen, who retired after 33 years with FCA.

Speaking of Board Member Hall, he is entering his seventh year of service on the FCA board and as chairman of the Farm Credit Service Insurance Corp. Jeff and I think very much alike, which is probably why we've accomplished so much in our time together. We're not sure how long his tenure on the board will last, we're just very grateful for his experience and commonsense approach to decision-making while he remains on the board.

At this time, I'd like to introduce the staff who accompanied me on this trip: Longtime OCPA [Office of Congressional and Public Affairs] director Mike Stokke; special assistant to my office, Barbara Lewandrowski, who came to us the first of the year from her prior position as public affairs director for Arlington National Cemetery; ORP [Office of Regulatory Policy] director Kevin Kramp, who was previously Board Member Hall's executive assistant; and Kevin's deputy in ORP, Autumn Agans.

## Market share of total U.S. farm debt



I'm going to go back now to that slide on market share with a warning: When you are the industry leader with enviable rapid growth, expect to have a big bull's eye painted on you. Expect to be a target of renewed scrutiny and criticism from your competitors, especially powerful groups like the ABA and the community bankers. My guess is the council's CEO had this thought in mind when he made this statement at the RISK 360 Conference last September.

**"The Farm Credit System should not take its GSE status for granted."**



**"The Farm Credit System should not take its GSE status for granted."**

—Todd Van Hoose

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Todd, I think I just made history with a hard-nosed, arms-length regulator quoting the lobbyist. But I believe we share the same belief: The System has to be prepared to defend its GSE status and prove it's fulfilling its mission of service to agriculture. Without GSE status, your shareholders lose the benefits of that competitive advantage, period.

## Serving young, beginning, and small farmers and ranchers



From the very beginning of my board tenure, it has been my profound belief that advancement and growth of the Farm Credit System's young, beginning, and small farmer and rancher programs offers the best evidence that the System is fulfilling its mission as stated in section 4.19 of the Farm Credit Act.

Strong support for YBS transcends generations. It transcends agricultural enterprises and regions of the country. It also transcends party lines. In my hearings and meetings, if I want to bring a smile to a congressman's face, I talk about the progress we're making in advancing YBS.

We all know the urgency is there; we all know the average age of the American farmer is advancing rapidly. In my home state of Iowa, Iowa State University estimates that 60% of the state's farmland is owned by people over the age of 65, one-third is owned by those over 75. The urgency is there.



## YBS initiatives update



### YBS initiatives update

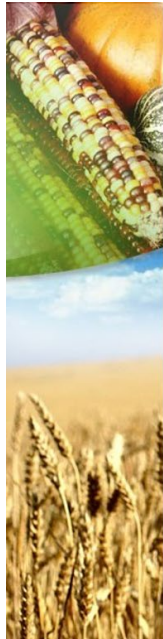


1. Work with FCS data workgroups to modernize collection and reduce burden for reporting of YBS lending data.
2. Improve the Agency's ability to track FCS service to YBS producers and identify best practices used to serve YBS producers, including working with other government agencies for the benefit of YBS producers.
3. Evaluate and rate the effectiveness of each institution's program to serve YBS.

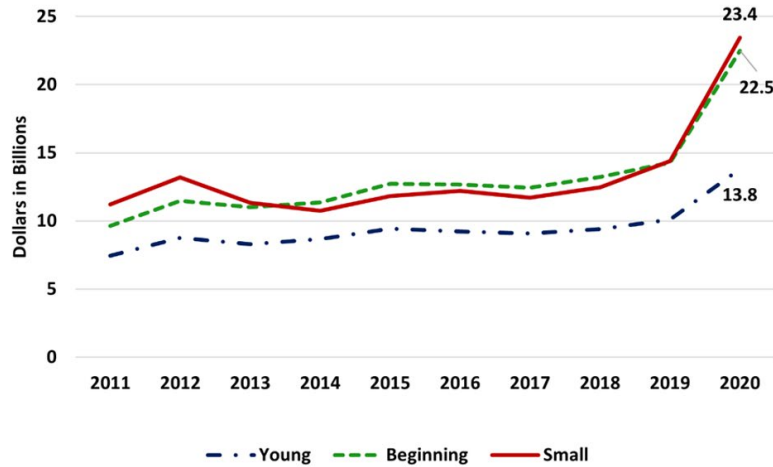
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I'd be lying if I said that the pandemic hasn't hampered our efforts, especially with in-person meetings to share best practices. However, we've remained committed to our three steps in achieving program success.

**YBS new loan volume**



**YBS new loan volume**




Source: Annual Young, Beginning, and Small Farmer Reports submitted by each System lender through the District Banks

Our midsummer report on System YBS metrics shows good progress, and we fully intend to share this in our congressional hearing this spring. Congratulations, Farm Credit! We're getting there.

## The National YBS Forum



## The National YBS Forum



**You Are Invited to Attend**  
**THE NATIONAL FORUM ON SERVING YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS**  
 Cosponsored by  
 The Farm Credit Administration and Colorado State University  
 March 22 – 24, 2022

**Topics for Discussion**  
 Best practices in YBS lending  
 Outreach to YBS producers  
 Intergenerational transfers  
 Investing in rural infrastructure  
 Resiliency in agriculture

**Speakers and Panelists**  
 Leaders from CSU, USDA, FSA, and FCA  
 Farm Credit System leaders  
 Industry stakeholders  
 YBS producers

COLLEGE OF AGRICULTURAL SCIENCES  
 COLORADO STATE UNIVERSITY

Lory Student Center at Colorado State University  
 To register for the forum, please go to [Eventbrite](#) and complete the form.  
 If you have questions, please go to [www.fca.gov](http://www.fca.gov) or contact  
[NationalYBSForum@fca.gov](mailto:NationalYBSForum@fca.gov).

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Now it is my distinct pleasure and primary goal of these remarks to invite you to a National Forum on serving YBS borrowers. It's co-sponsored by the Farm Credit Administration and Colorado State University. Invitations went out last week to Farm Credit CEOs, board chairs, and individuals known to be active in their respective YBS programs.

In sharing best practices, we have found a high correlation of program success with good FSA guarantee/commercial lender collaboration. We have enlisted the support of FSA at the highest national level, with FSA Administrator Zach Ducheneaux and Finance Director Bill Cobb as part of the program in helping to streamline the lending process. Of special interest to Farm Credit institutions, we will also have a closed session for a discussion on the upcoming proposed rule on YBS ratings. A full complement of FCA staff will be available for this Q&A workshop.

CSU has been a wonderful partner in this venture, which should be of interest to anybody interested in advancing their institution's YBS efforts.

## Teleworking with Grandpa!



### Teleworking with Grandpa!



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I couldn't close without this slide. One of the perks of COVID was the chance to really get to know this young lady, our youngest grandchild, Layla, who turns two in another 10 days.

This will likely be the last time I address this group as chairman. It has been a privilege and an honor to serve. I'd like to say that the first 16 months as a new board member — learning how a federal agency operates — was like drinking from a firehose and sometimes hard to swallow. And becoming chairman was like swallowing the whole damned fire hydrant. But I caught on quickly, surrounded myself with good people, and kinda figured out how this whole thing works. For a farmer from Iowa who only occasionally crossed state lines, I guess I've done all right. My best advice for the next people in line is this..... **Never forget what's best for the American farmer and rancher.**

Thank you and have a great conference.