

**Oral Statement by the Honorable Kenneth A. Spearman
Board Chairman and Chief Executive Officer
Farm Credit Administration
U.S. House Committee on Agriculture
December 2, 2015**

Chairman Conaway, Ranking Member Peterson and Members of the Committee, it is a privilege to appear before you today to report on the mission of the Farm Credit Administration. I have a written statement to submit for the record.

President Obama appointed me to the FCA Board on October 13, 2009. On March 13 of this year, the President designated me FCA Chairman and CEO. I have the pleasure of serving on the board with two distinguished colleagues, Dallas Tonsager and Jeff Hall, who are here today.

About the Farm Credit Administration

FCA is an independent federal agency that regulates and examines the banks, associations, and related entities of the Farm Credit System, including the Federal Agricultural Mortgage Corporation, or Farmer Mac. Our responsibility is to ensure that the System meets its congressional mission to provide a dependable source of credit for agriculture and rural America.

FCA was created by an executive order of President Franklin Roosevelt in 1933. During the agricultural credit crisis of the 1980s, this committee restructured FCA, giving it regulatory and enforcement powers similar to those of other federal financial regulators.

FCA is not an appropriated agency. We are funded primarily through assessments paid by System institutions.

About the Farm Credit System

The Farm Credit System, which was established in 1916, is the nation's oldest government-sponsored enterprise. It is a nationwide network of borrower-owned cooperative financial institutions and affiliated service organizations.

Currently, the System includes 4 banks and 75 direct-lending associations. The banks provide loan funds to the associations, which in turn provide operating loans and long-term real estate loans to farmers, ranchers, and other eligible borrowers. One of the System banks also has the authority to lend to agricultural cooperatives and rural utilities.

Farm Credit banks and associations cannot take deposits. The System obtains loan funds by selling securities on the national and international money markets. The securities are not guaranteed by the federal government.

Providing a dependable source of competitive credit

The System is the only GSE that makes loans at the retail level. It was established to provide a dependable source of **competitive** credit to farmers, ranchers, and farm cooperatives. The System was not established to be the "lender of last resort." Its mission is to serve American agriculture in good times and bad. By providing competitive credit, the System has helped our farmers provide abundant, affordable food and fiber to people at home and around the world.

Condition of the Farm Credit System

I am pleased to report that the System's banks and associations are fundamentally safe and sound. They are well-capitalized, with solid earnings and strong credit quality. Farmer Mac is also safe and sound.

But there are clouds on the horizon that may impact the farm sector. USDA projects net farm income to drop by 36 percent in 2015. This decline will no doubt put stress on some producers, but the System is well-positioned to meet this challenge.

And FCA is taking steps to make sure the System *remains* safe and sound. We are updating capital rules, emphasizing internal controls, and monitoring emerging risks.

Emphasizing mission through diversity

We are also emphasizing mission fulfillment. The System must serve all eligible, creditworthy potential borrowers, regardless of race or gender, and regardless of the size of the producers' operations or the commodities they produce. In addition to serving large production operations, we want to make sure System institutions serve small operations that produce organic and value-added foods for local markets.

Relevance of the Farm Credit System

As you all know, the farm economy is cyclical. That's why Congress long ago created a safety net to help farmers survive downturns in the agricultural economy.

In a recent hearing, Chairman Conaway noted that agriculture "is the backbone of the economy." He said, "America has been able to not only survive but thrive because our agricultural safety net helps farmers weather the bad times." I could not agree more, and the Farm Credit System is an important part of that safety net.

Thank you and I'm happy to answer your questions.