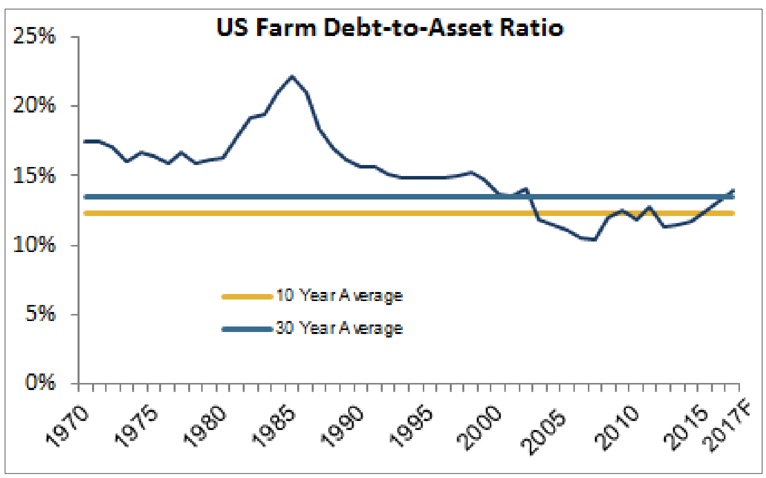
Testimony of
Doug Stark, President and CEO
Farm Credit Services of America/Frontier Farm Credit
on behalf of the Farm Credit System
before the U.S. House Committee on Agriculture
March 29, 2017

Mr. Chairman, Ranking Member Peterson, and members of the committee, thank you for the opportunity to testify today on behalf of the Farm Credit System. My name is Doug Stark and I am President and CEO of Farm Credit Services of America and Frontier Farm Credit, headquartered in Omaha, Nebraska, and Manhattan, Kansas, respectively.

Farm Credit Services of America and Frontier Farm Credit are part of the nationwide Farm Credit System. My testimony today will provide some background on the Farm Credit System, an overview of current credit conditions, and comments on the diverse ways that we in Farm Credit are fulfilling our mission to support rural communities and agriculture.

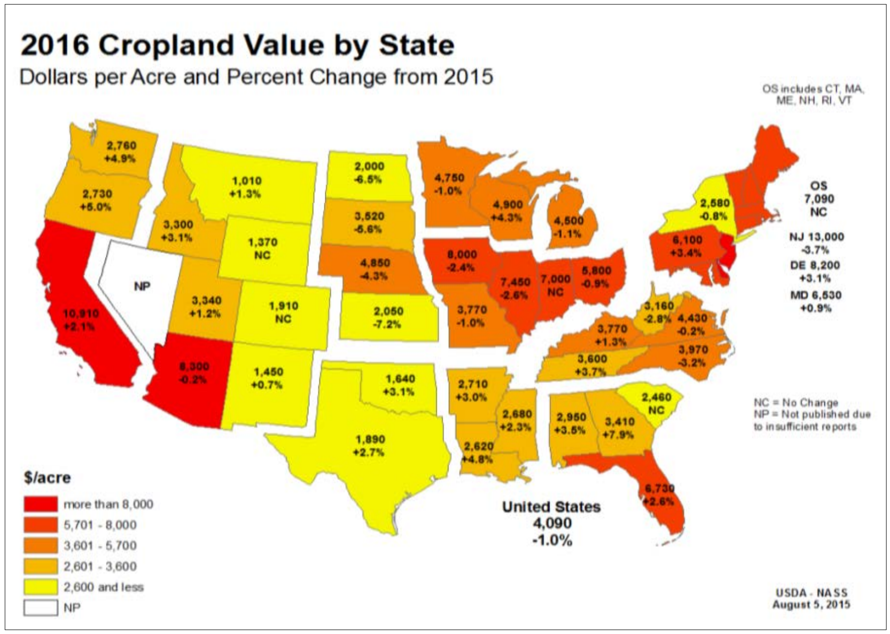
The committee's hearing today is timely. After years of strong performance, the agricultural economy now finds itself in very challenging times. Last month, the committee heard testimony from Federal Reserve Bank of Kansas City economist Nathan Kauffman, who described the outlook for the U.S. farm economy as "subdued," with producers realizing a modest increase in financial stress over the past year. We agree.



Commodity prices have fallen while the cost of raising crops has remained high. Many row crop farmers found profits elusive the past three years and are projecting barely break-even or losses for the 2017 crop year. Cotton farmers are even harder hit, with many now facing multiple years of losses. Forecasters see little chance of a quick commodity price rebound barring unexpected changes in commodity demand, supply, or both.

Fortunately, the industry balance sheet was mostly strong entering this cycle after several years of favorable profits in agriculture. While we have seen debt-to-asset ratios increase slightly in the past three years, they remain nearly even with the 30-year average and far below the levels seen in the mid-1980s. The trend, however, is concerning.

Depending on geography and land type, the impact of the downturn on farmland values has been mixed. As farmland values rose sharply in the past decade, particularly in grain production areas, farmers and lenders both became increasingly conservative in leveraging real estate assets. Farmers bought increasingly high-cost ground but largely were using cash generated from higher commodity prices and borrowing less on a percentage basis. For the most part, Farm Credit lenders and commercial banks were unwilling to loan much more than 50 to 60 percent of farmland values in areas where prices had jumped most aggressively. Some even put hard caps on the dollar amount loaned per acre.



Crop input prices, including cash rent, have not yet fallen in step with commodity price declines, squeezing profitability at the individual farm level. While we anticipate adjustments will come, it remains difficult to accurately predict timing. Perhaps the best news for farmers is that interest rates remain historically low and are often at fixed versus variable rates, another key difference compared to the downturn in the 1980s. While forecasters predict slightly rising rates over the coming months, those small increases start from an extremely low level. Debt costs are expected to remain low by historical standards.

Similar to the producers we serve, Farm Credit built financial strength in anticipation of this challenging economic cycle. We have been fulfilling our mission for more than 100 years and have deep experience in the inevitable cycles of agriculture. Like most in agriculture, we could not predict with accuracy when this cycle would begin or end. But we knew it was coming, and our institutions prepared for it. We built capital. We loaned conservatively. Today, Farm Credit is financially the strongest it has ever been and is prepared to use that strength to support our customers and fulfill our mission.

We continue to see modest loan growth in both our agricultural and rural infrastructure loan portfolios. The credit quality of our loan portfolio remains high as our members continue to meet their obligations. Credit quality in Farm Credit loan portfolios hit all-time highs during the years of high commodity prices but has now fallen back down to historical averages. While we anticipate some deterioration in our loan quality as this cycle continues, we are committed to working with our customers.

Our philosophy on credit today is this: we know our customers well, understand and respond to their needs, and work cooperatively with them to analyze and structure our transactions to give them the best chance to succeed.

We have been working for some time to help our customer-owners plan for the current environment. Many of our institutions, including my own, have allocated more resources specifically to work with producers most impacted by lower commodity prices. We are proactively reaching out and helping our customers understand their financial position so they can work through business plans and make good decisions that, hopefully, lead to the most positive outcome for them. We are restructuring debt to spread out payments and are providing other loan structuring options when necessary and appropriate. We are working to make sure that our members have the best information to help them manage costs and strengthen their risk-bearing capacity.

As price forecasts stay low, most producers' only option is to very closely manage the cost structure of their operations. We are seeing many producers eliminate non-essential expenses, scale back expansion plans, and delay new equipment purchases. This is also a time when supporting key tools such as crop insurance, the current Farm Bill, the renewable fuels standard, and promoting strong export markets has never been more important to maintaining the viability of the industry. Passage of a strong Farm Bill next year is essential.

Farm Credit is committed to remaining reliable and supportive of rural communities and agriculture, just as we have for the last 100 years. That means we are staying abreast of industry cycles, identifying risks, and consulting with our customers about them. We know we must be patient and allow time for adjustments, while potentially exploring enhanced controls on terms, collateral, and conditions as appropriate. We continue to have a positive long-term outlook for U.S. agriculture, with the knowledge that Farm Credit's financial strength and expertise position us well to support our customer-owners through industry cycles.

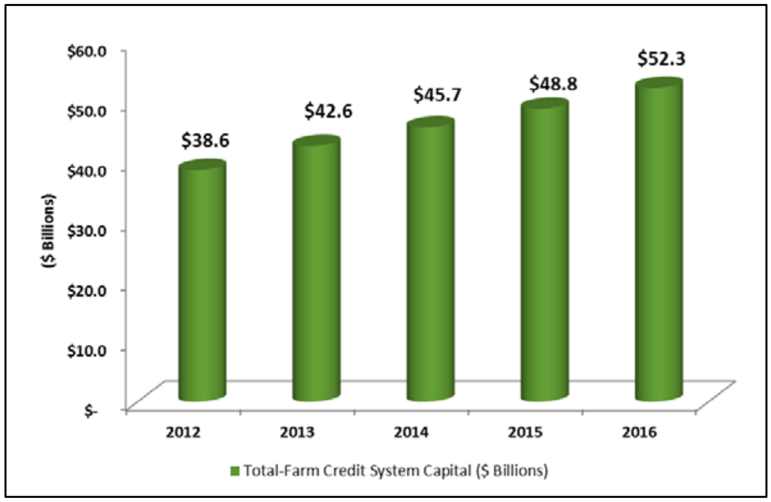
We understand that being dependable does not mean that we can save every operation. It does not mean that we are able to ignore good credit judgment or make credit decisions that are not constructive for the customer-owner or us as a lender. It does not mean that we will undertake undue risk or make all of the adjustments. We and our customer-owners will both need to make adjustments – and we are working hard to take those steps together.

One important part of Farm Credit's ability to support our members is through our regulator, the Farm Credit Administration (FCA). We are fortunate that our independent federal regulator has deep knowledge of agriculture and considerable experience in the inevitable business cycles our members face. Their ability to look holistically at a customer's operation and understand an individual customer's risk-bearing capacity and equity position will, in many cases, determine whether we can continue with that customer. If the FCA is overly restrictive in its approach, it might tie our hands as we work to help members through this cycle. We are optimistic about the FCA's continued good judgment.

Financial Strength to Fulfill Our Mission

Farm Credit supports rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow. Fulfilling that mission, especially during downturns in the agricultural economy, takes extraordinary financial strength – strength that Farm Credit has built over decades. After all, we have been supporting farmers and ranchers for more than 100 years and understand the inevitable cycles in agriculture.

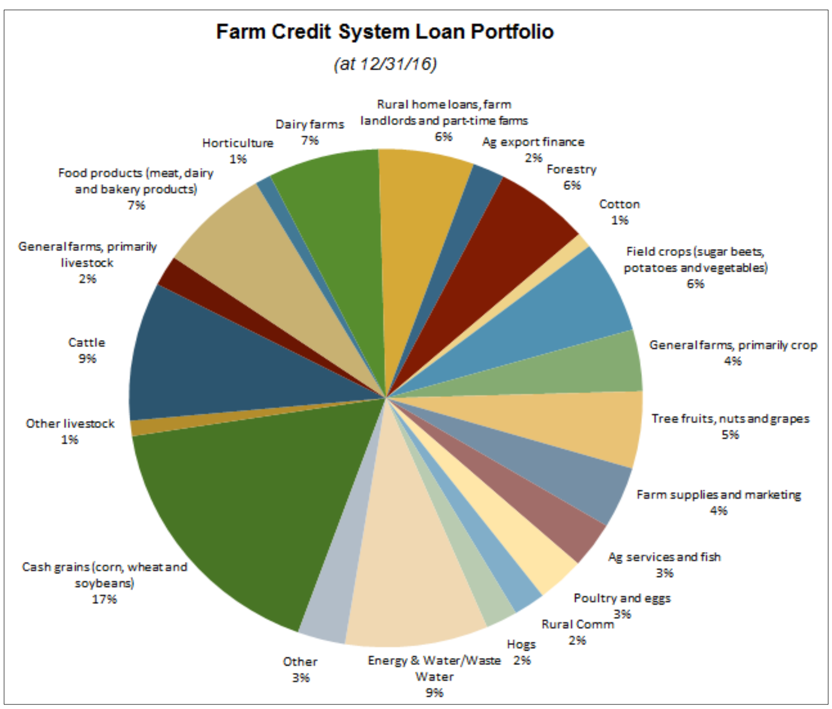
Farm Credit remains very strong financially and continues to experience moderate loan growth. Strong earnings across the past decade allowed Farm Credit to build capital levels to protect against deterioration in loan quality that might result from the downturn in the agricultural economy.



The first line of defense against an economic downturn for any financial institution is earnings, and Farm Credit earnings have been strong for many years. Farm Credit generated $4.85 billion in combined net income during 2016. Farm Credit institutions are customer-owned cooperatives. The net income they generate can be used in only two ways: retained within a Farm Credit institution as capital to build financial strength that ensures continued lending, OR passed to customer-owners by way of cooperative dividends, which effectively lowers the cost of borrowing for our customers.

At the end of 2016, Farm Credit's more than $52 billion in capital represented almost 16.4 percent of its total assets – more than double the minimum required by law. This strength means that Farm Credit can support its customers in difficult times and help keep American farmers, ranchers, and rural communities strong.

This financial strength also means that the investors who continue to make their capital available to farmers, ranchers, and rural America through Farm Credit feel secure that they will be repaid. That confidence is mirrored in the high ratings Farm Credit has earned from the credit rating agencies.



Risk Mitigation Through Diversification

With our defined mission of supporting rural communities and agriculture, Farm Credit does not enter and exit agricultural lending as farm profitability strengthens or weakens. Instead, we are committed to supporting these vital industries in good times and bad, regardless of economic cycle. Diversification is one of the keys to our financial strength through the many cycles of rural lending. By diversifying the industries we serve, the size of loans we make, the areas of the country we serve, and the rural infrastructure upon which it all depends, Farm Credit is able to minimize risk and counter the innately cyclical nature of many of the industries we serve.

The largest segment of our portfolio consists of loans to cash grain producers and represents just 17 percent of the total. The next largest segment is the cattle industry at 9 percent of the overall portfolio. Even within our agricultural loan portfolio, Farm Credit benefits from significant industry diversification with several industry segments that are countercyclical to each other – infrastructure helps to balance agriculture, livestock often balances out with grain, and specialty crops balance more conventional plantings.

Similarly, since Farm Credit lends in all 50 states and Puerto Rico, the geographic diversification of our portfolio minimizes the overall potential impact of local agricultural events and helps us effectively manage risk. California is home to Farm Credit's greatest geographic concentration but represents just 10 percent of the loan portfolio. Texas is next with just under 7 percent and all other states have about 5 percent or less.

Farm Credit also diversifies its portfolio by making loans of all sizes, many of which are considered small. Of the more than 552,000 borrowers Farm Credit supports, 77 percent have loans of less than $250,000 and 88 percent have loans of less than $500,000.

Farm Credit Loans By Size
(As of 12/31/2016)

Loans Size Range ($ thousands)	Amount Outstanding ($ millions)	% of Portfolio (volume)	# of Borrowers	% of Portfolio (borrowers)
$1 -- $249	32,925	13	425,256	77
$250 -- $499	21,146	9	60,331	11
$500 -- $999	24,404	10	34,917	6
$1,000 -- $4,999	53,102	21	27,450	5
$5,000 -- $24,999	37,255	15	3,774	<1
$25,000 -- $99,999	32,749	13	702	<1
$100,000 -- $249,999	21,970	9	148	<1
Over $250,000	25,217	10	60	<1
TOTAL	248,768	100	552,638	100

The chart at right demonstrates the diversity in size of borrowings from Farm Credit. Our loans range from a few thousand dollars to get a beginning farmer started to the millions of dollars necessary to finance rural electric cooperatives and farmer-owned cooperatives all across the country.

Farm Credit makes extraordinary efforts to support young, beginning, and small (YBS) farmers and ranchers. Unlike commercial banks, Farm Credit institutions are required to report specifically on their YBS lending activities. Each year, the Farm Credit Administration compiles data on Farm Credit YBS lending and reports it to Congress.

Based on reports from the Federal Farm Credit Banks Funding Corporation and the Farm Credit Administration:

- Farm Credit made more than 64,000 loans to young producers (under age 36) in 2016 for a total of $9.3 billion. Those are actual new loans originated in 2016. When Farm Credit first began reporting this specific information in 2001, new loan levels were at 33,000 loans to young producers for $3.1 billion.

- Farm Credit made more than 81,000 loans to beginning producers (10 years or less experience) for $12.7 billion in 2016. This is double the number and triple the dollar amount of beginning farmer loans made in 2001 when Farm Credit made 37,000 loans for $4.2 billion to beginning farmers.

- Farm Credit institutions made more than 155,000 loans to small producers (less than $250,000 in annual sales) for $12.2 billion in 2016, a substantial increase from the 114,000 loans for $7.6 billion made in 2001.

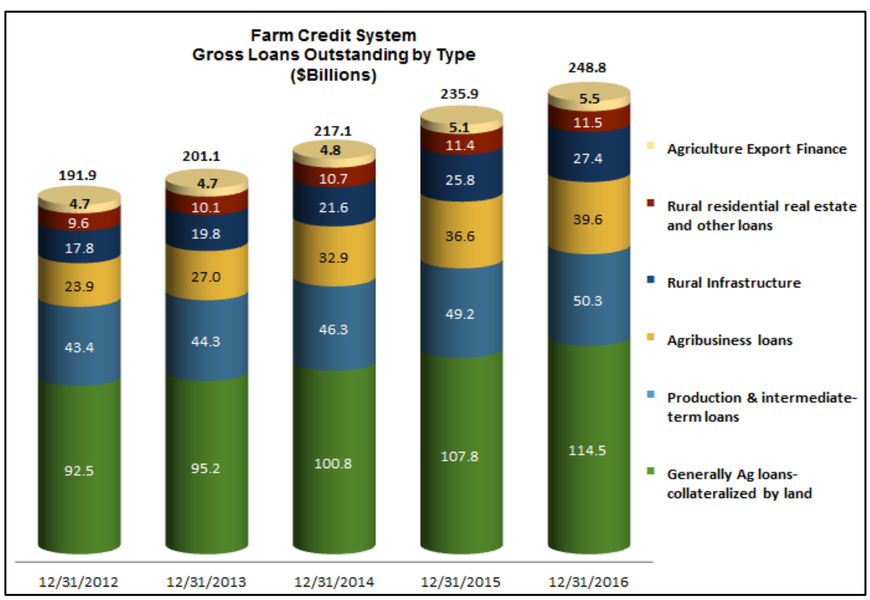
To put Farm Credit's lending to small farmers and ranchers into perspective, at year-end 2016 Farm Credit had more than 1 million loans of all kinds outstanding, and slightly more than 500,000 of those loans outstanding were to small farmers and ranchers.

The numbers above cannot be combined. A single loan to a 25-year-old rancher in her third year of ranching with annual sales of $100,000 could be counted in the young, beginning, and small categories. We report this way for two reasons: our regulator requires it and, more importantly, it is the most accurate portrayal of who we serve.

Farm Credit institutions go beyond just providing loans to YBS farmers, in many cases offering special incentives, education, and other support to these producers. Farm Credit organizations nationwide provide training and host seminars on topics such as intergenerational transfer of family farms, risk management techniques, and establishing and maintaining effective business plans. We engage across the spectrum with those entering agriculture, whether they are focused on conventional, organic, sustainable, local food-related operations, direct-to-retail, or other emerging business models.

Farm Credit's Mission to Support Rural Communities and Agriculture
Farm Credit supports rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow. Farm Credit's mission is to help these areas grow and thrive by financing vital infrastructure and communication services and providing farmers and agribusinesses with the capital they need to make their businesses successful. Because a steady flow of credit means more jobs and economic growth, Farm Credit helps ensure the vibrancy of communities throughout rural America.

Farm Credit is a nationwide network of 77 borrower-owned lending institutions that all share a critical mission assigned to them by Congress. These independent, privately owned institutions include four wholesale banks and 73 direct lending local associations, all of which are cooperatively owned by their customers: farmers, ranchers, farmer-owned cooperatives and other agribusinesses, rural utilities,



and others in rural America.

Farm Credit is well-known for its 100-year-old mission providing financing to all types of U.S. farmers and ranchers. In addition, Farm Credit's agricultural mission includes financing aquatic producers, many agribusinesses, and U.S. agricultural exports. A constant supply of credit to all of these areas has helped make agriculture one of the driving engines for the U.S. economy and enables our nation's agricultural producers to feed the world.

Farm Credit's mission beyond agriculture is just as important. Rural homebuyers face obstacles unknown in more urban settings, and Farm Credit provides loans tailored to these unique circumstances. Farm Credit also provides financing for companies that provide vital infrastructure to rural communities in the U.S., helping to bring clean water to rural families, reliable energy to farms and rural towns, and modern, high speed telecommunications that connect rural America to the rest of the world. Modern infrastructure makes rural communities competitive, provides jobs, and helps improve the quality of life for rural families.

All the loans Farm Credit makes directly support our mission and are authorized under the Farm Credit Act of 1971, as amended. While Congress sets Farm Credit's mission, Congress does not appropriate any dollars for Farm Credit System operations. There is no federal funding for Farm Credit. Instead, the four Farm Credit System banks together own the Federal Farm Credit Banks Funding Corporation that markets to the investing public the debt securities that are used to fund the lending operations of all Farm Credit institutions. Detailed information about the Farm Credit System's specific financial results and about Farm Credit System debt securities is available on the Funding Corporation's website at www.farmcreditfunding.com.

Unlike commercial banks, Farm Credit institutions cannot fund their loan-making activities through secured deposits guaranteed by the Federal Deposit Insurance Corporation and backed by the full faith and credit of the U.S. government. Instead, we rely on the investment community, which consistently recognizes the value and stability of our Farm Credit System-issued debt securities. Farm Credit System debt securities are NOT explicitly guaranteed by the U.S. government.

Rural communities and agriculture are at the heart of what we do. With each loan we make, we're committed to showing how it supports our mission. Whether it's helping a company find the capital to invest in a small rural town's electrical infrastructure or high speed internet, our loans help support rural communities as well as the agriculture that exists alongside them.

Farming and rural life have changed dramatically since the Farm Credit System was established 100 years ago. As a result, Farm Credit is constantly evaluating our programs to ensure that we are able to serve the full breadth of capital needs for rural communities and agriculture. As U.S. agricultural producers gear up to feed a planet of 9 billion people by the year 2050, a significant amount of capital will be needed to make sure our agriculture industry and the infrastructure that supports it are up to the task.

That is why Farm Credit helped organize the Rebuild Rural coalition of more than 200 organizations representing agricultural producers, rural businesses, rural communities, and rural families to advocate for aggressive efforts to meet the unique infrastructure needs of rural communities and agriculture.

Those of us in rural communities have seen our infrastructure deteriorate, jeopardizing jobs, our agricultural competitiveness, and the health of rural families. Past infrastructure initiatives often focused on urban and suburban infrastructure while not adequately addressing the unique needs of rural communities.

American agriculture truly feeds the world and creates millions of jobs for U.S. workers. Our nation's ability to produce food and fiber and transport it efficiently across the globe is a critical factor in U.S. competitiveness internationally. Infrastructure that supports rural communities and links them to global markets has helped make the U.S. the unquestioned leader in agricultural production. Our deteriorating infrastructure threatens that leadership position.

Transportation infrastructure improvement is the most obvious need in rural communities, but not the only one. Highways, bridges, railways, locks and dams, harbors, and port facilities all need major investment if we are to continue efficiently transporting our agricultural products to market. In addition, critical needs exist in providing clean water for rural families, expanding broadband to connect rural communities to the outside world, and enhancing the ability to supply affordable, reliable, and secure power for the rural economy.

The scope of the investment needed is staggering. Clearly the federal government must continue to play an important role in providing funding and those federal investments should increase. However, federal resources likely cannot fill the need entirely. Creative solutions that pair federal investment with state/local government investment and private sources of capital hold promise for raising a portion of the funds necessary to accomplish the job.

Farm Credit's mission encompasses the breadth of rural America and agriculture: young and beginning farmers and alternative business models; traditional production operations and established agribusinesses; rural homeowners; and essential rural infrastructure providers. We exist to provide reliable access to credit to help rural communities thrive. As the Farm Credit Act makes clear, our responsibility is to meet the needs of a wide range of rural enterprises and agricultural producers that have a basis for credit.

Collaboration, Participation, and Competition

Working in collaboration with, as well as competing with other lenders, Farm Credit exists to ensure borrowers not only have access to a sufficient amount of capital but also a choice in lenders. Despite what the banking lobby would have you believe, commercial bankers work with Farm Credit regularly in ways that serve all parties well – including, and most importantly, the borrower. Banks invite Farm Credit to participate in loans to ensure sufficient credit in the marketplace and to diversify their own risk. Farm Credit lenders invite commercial banks into loans as well.

Bankers are not only our allies on the business side, many are our customers. As the former head of Schwertner State Bank and the current operator of a successful cattle operation, Texas businessman Jim Schwertner has been a long-time Farm Credit customer. Jim financed his farm business with Capital Farm Credit and its predecessor Farm Credit organizations from the very beginning.

Here's what Jim has to say about Farm Credit: "Farm Credit understands agriculture. They understand the volatility of the markets, and they're willing to adapt and change as the industry changes. They've always been there for us, and we know that as long as we keep them posted on our operation, they'll stick with us. That's important in an industry that requires more and more capital. Today, we need to be very efficient, and having a banker who will respond with a moment's notice is key."

Similar entity loan participations are an important way that commercial banks and Farm Credit partner to serve customers. Similar entity transactions support Farm Credit's mission by providing valuable diversification that helps ensure Farm Credit can support its core customers through good times and bad. The authority is especially important in the current environment as falling commodity prices are impacting the incomes of many of the farmers, ranchers, and agribusinesses we serve.

My colleague Mr. Halverson will discuss Farm Credit's similar entity loan participation activity in detail in his testimony.

More Efforts to Fulfill Farm Credit's Mission

In the 2002 Farm Bill, Congress authorized the formation of Rural Business Investment Companies (RBIC) and made clear that Farm Credit institutions could create and invest in these entities to further the goal of making available subordinate debt and equity capital for rural entrepreneurs. The final regulations went into place in 2013, allowing our institutions to utilize this authority. Each RBIC operates similar to a private equity investment fund, where a professional investment fund manager raises capital from a group of investors and then invests that money in a variety of private businesses. Under the RBIC structure, the fund is licensed by USDA but no taxpayer funds are utilized.

Farm Credit institutions committed to invest $150 million of their members' equity in the Advantage Capital Agribusiness Partners, L.P. investment fund. To date, $54.4 million of that capital has been deployed as subordinate debt and equity investments in later-stage, small businesses involved in agriculture, processing and marketing of agricultural products, farm supply, input suppliers, and branded food products. Since the first investment in February 2015, the fund has put capital to work in 10 companies with operations around the U.S.

The fund also has made investments in companies such as Hortau Corp., a California-based provider of precision irrigation management systems. During the recent extended period of drought in California, Hortau worked to provide innovative tools designed to help agricultural producers manage water shortages. Through investments like these, the Farm Credit-supported RBIC will continue to provide investment dollars to exciting agriculture-related businesses that are vital to rural communities' ongoing economic strength, providing jobs and making rural communities an appealing place to live and work.

Farm Credit is also proud of our partnership with the Farmer Veteran Coalition (FVC) to serve veterans involved in agriculture. Using a grant from Farm Credit, FVC launched a program to allow farmers who are veterans to use a special label to allow consumers to support veterans as they purchase products. With partnership and funding from Farm Credit, FVC broadened the Homegrown by Heroes labeling program from a single-state initiative to a nationwide program.

Farm Credit has a long legacy of partnership with organizations like the National 4-H Council and FFA, whose important work helps ensure a strong future for rural communities and agriculture. Our financial support of National 4-H Council currently provides for scholarships that afford young people from historically black land grant universities and tribal colleges the opportunity to attend Citizenship Washington Focus, a summer program on civic engagement. Hundreds of students attend a weeklong educational program to receive education and collaboratively develop a community action plan to implement back at home. Students also spend an entire day visiting congressional offices on Capitol Hill. In 2015, students from five of the land grant universities were able to attend the congressional hearing recognizing the 125th anniversary of the land grant system. Through this partnership, Farm Credit is able to educate students from rural communities who otherwise would not have the opportunity to learn about the legislative process.

Farm Credit and FFA partner on several programs including New Century Farmer, an annual conference where students develop their careers in production agriculture through practical experience and entrepreneurial leadership training. The FFA Washington Leadership Conference, a summer program that brings thousands of FFA students to Washington, D.C. to learn about the legislative and advocacy process, is another program we proudly support. Finally, our funding of FFA's broadly attended annual convention goes to supporting diversity and inclusion and alumni development initiatives.

Farm Credit has been a long-time supporter of Annie's Project, an educational program dedicated to strengthening women's roles in the modern farm enterprise. Farm Credit provides grants and expertise to support course development and online resources, bring together Annie's Project educators for professional development programs, and expand the program's reach into more communities. To date more than 12,000 farm women have completed Annie's Project courses in 33 states.

Because Farm Credit employees live and work in the rural communities they serve, Farm Credit's commitment to organizations like FVC, 4-H, FFA, and Annie's Project extends far beyond just a financial contribution. Each year Farm Credit employees dedicate thousands of volunteer hours toward making these and other local agriculture events and programs a success.

The future of rural communities and agriculture is dependent upon making rural America a desirable place to live. Because of Farm Credit's capital strength, institutions are also making investments that support the quality of life in rural communities such as bonds issued to support critical care hospitals, nursing facilities, housing for the elderly, and schools. These investments demonstrate the commitment of our customer-owners to making their hometowns a place in which the next generation will choose to live and work.

Regulatory Oversight by the Farm Credit Administration

All Farm Credit System institutions are regulated by the Farm Credit Administration (FCA). The FCA is an arm's-length, independent financial safety and soundness regulator. Its three Board members are nominated by the President and confirmed by the Senate. The FCA has oversight and enforcement powers similar to other federal financial regulators to ensure that Farm Credit institutions operate in a safe and sound manner. Farm Credit System institutions pay the full cost of FCA oversight.

FCA examines each Farm Credit institution at least once every 18 months and, in many cases, each year. These exams are comprehensive, consistent with commercial bank examinations, and exam results are reviewed directly with an institution's board of directors. As one who is on the receiving end of yearly examinations, I can assure you that FCA is thoroughly doing its job.

The Farm Credit System's mission, ownership structure, and authorizing legislation are unique among financial institutions. As a result, it is critically important that Farm Credit's safety and soundness regulator fully understands our mission and what it takes to be successful in accomplishing that mission. As in any regulatory oversight relationship, we disagree with FCA from time to time on a wide range of topics but have full confidence in the Agency's competence and professionalism. Investors in Farm Credit debt securities take great comfort from FCA's oversight effort and Farm Credit institutions benefit from strong safety and soundness oversight by the Agency.

Though FCA assesses Farm Credit institutions to cover the full costs of their regulatory efforts, Congress, through the annual appropriations process, sets a limit on the overall amount FCA can assess. The appropriations language typically includes a provision to allow FCA to assess more than the limit should the specific need arise for more funding. For 2016, Congress set the amount FCA can assess Farm Credit institutions for their regulation at $65.6 million.

Self-Financed Insurance Fund to Protect Investors

The Farm Credit System Insurance Corporation (FCSIC), another independent federal regulatory agency, was created in 1988 to protect investors in Farm Credit System debt securities. There are no federal appropriations to support FCSIC. Instead, Farm Credit institutions pay premiums each year to pay for FCSIC operations and to create the Farm Credit System Insurance Fund (the Fund). The Fund exists to protect investors in System debt securities against loss in the event a Farm Credit institution defaults.

There is no taxpayer backstop for the Fund. The Farm Credit System does not have a guaranteed line of credit from the U.S. Treasury or the Federal Reserve. However, FCSIC has an agreement with the Federal Financing Bank (FFB), a federal instrumentality subject to the supervision and direction of the U.S. Treasury, pursuant to which the FFB would advance funds to FCSIC.

Under its existing statutory authority, the FCSIC may use these funds to provide assistance to Farm Credit Banks in exigent market circumstances that threaten the banks' ability to pay maturing debt obligations. Importantly, the FFB line of credit is not available in the event that the Farm Credit System makes bad loans or other mistakes under its control. Instead, the FFB line of credit is only available if general funding market conditions prohibit Farm Credit from its normal funding mechanisms.

In this circumstance, the agreement provides for advances of up to $10 billion and terminates on September 30, 2017, unless otherwise renewed. The decision whether to seek funds from the FFB is at FCSIC's discretion, and each funding obligation of the Federal Financing Bank is subject to various terms and conditions. As a result, there can be no assurance that funding would be available if needed by the Farm Credit System.

The Farm Credit Act sets the funding goal for the Fund at 2 percent of the aggregate outstanding insured obligations of the System. FCSIC also has the authority to examine Farm Credit institutions and would act as the conservator or receiver of a System institution should one fail. The Fund is invested only in U.S. government guaranteed securities and had assets of $4.45 billion as of December 31, 2016.

Conclusion

We are grateful for the opportunity to testify today and update the committee on Farm Credit's ongoing efforts to fulfill the mission with which you have charged us. We welcome the committee's interest in and oversight of our activities. Currently, we face a challenging economic environment and stand ready to confirm our commitment to continuing to fulfill our mission of financing our country's rural communities and agriculture.

We especially appreciate the opportunity to provide an accurate portrayal of Farm Credit and its mission that stands in sharp contrast to the misleading information routinely peddled by lobbyists for the commercial banking industry who seek to gain advantage by trying to damage Farm Credit's reputation. If successful, their efforts would weaken competition for rural loans to the detriment of those who need them. Their message makes clear their view that banker profits are more important than the success of farmers and rural families.

We have no desire to fight with the commercial bank lobby. No good can come of it. No customer will be served and no community will be improved as a result of political bickering between commercial banks and Farm Credit. Not long ago, then-American Bankers Association chief Frank Keating called for the elimination of Farm Credit. Just a year ago, the Independent Community Bankers Association of America joined in the commercial bankers' chorus to kill Farm Credit. We urge them to stop taking self-interested positions that would, by any rational analysis, do harm to agriculture and rural communities.

As more than 50 farm, commodity, and rural organizations said last year in a letter to Congress, "the Farm Credit System and commercial banks play critical roles in ensuring that farmers, ranchers, and other rural Americans have access to constructive, competitive credit on an ongoing basis…. We need all the resources that can be made available to sustain agriculture and rural America now and in the future."

While the market today has its challenges, we remain optimistic. Farmers, ranchers, and rural Americans remain enterprising, entrepreneurial, and committed to their way of life. We pledge to continue fulfilling our mission and working in the best interest of U.S. farmers and ranchers, agribusinesses, rural homebuyers, and companies that provide vital infrastructure services to rural America. We look forward to the next 100 years of Farm Credit.

I will be pleased to respond to your questions.