



# FARM CREDIT

**Testimony of  
Jimmy Dodson, Chairman of the Board  
Farm Credit Bank of Texas  
on behalf of the Farm Credit System  
before the U.S. House Committee on Agriculture  
March 29, 2017**

Chairman Conaway and members of the committee, it is an honor for me to be here today. Thank you for the opportunity to testify on behalf of Farm Credit.

My name is Jimmy Dodson and I am the chairman of the board of directors of the Farm Credit Bank of Texas. More importantly, I am a third-generation farmer, raising cotton, corn, wheat, hay, and grain sorghum on our family farm near Corpus Christi, Texas. My colleagues and I are here today to provide the committee with a clear view into how Farm Credit is organized, the breadth of its activities, and its financial strength. But, most importantly of all, we are here today to talk to you about Farm Credit's vital mission to support rural communities and agriculture and how we are accomplishing that mission in the face of some pretty difficult times in agriculture.

Please let me start by saying thank you. Mr. Chairman, Ranking Member Peterson, Congressman Scott and Congressman Scott, last year the four of you were the original cosponsors of the congressional resolution congratulating Farm Credit on its 100th anniversary of support for rural communities and agriculture. We are very proud that so many of your colleagues on this committee also cosponsored that resolution. We are grateful for the committee's support as we begin the next 100 years of fulfilling our mission.

It is planting season in south Texas right now and we are working long days and nights on the farm, but I was willing to break away to testify because Farm Credit is important to me and many other American farmers and rural Americans. We have a good story to tell.

Farm Credit is different from other financial institutions in two essential ways. First, we are a cooperative, owned and governed by our customers. This ownership and governance structure means that farmers and ranchers who are our member-borrowers elect directors from their ranks who make the decisions about the strategic direction of the organization. Farm Credit's primary motivation is to help make its customers successful. From strategic decisions about product offerings, to building financial soundness, to evaluating organizational leadership and structural options, our boards of directors start with one simple question: "Is it good for our customer-owners?" When our organizations succeed financially, the profits go to improve services, build capacity, and to patronage dividends for our borrowers!

Our board at Farm Credit Bank of Texas is typical of Farm Credit leadership, with all seven members having agricultural backgrounds and six having day-to-day leadership of farms and ranches. In addition to me, our Vice Chair Lester Little grows corn, milo, hay, and wheat in Lavaca

County, Texas. Brad Bean is a dairy farmer in Gilsburg, Mississippi. Ralph “Buddy” Cortese is a rancher in Fort Sumner, New Mexico. Linda Floerke raises cattle and hay in Lampasas County, Texas. Betty Flores, one of our two appointed outside directors, was mayor of Laredo, Texas, serves on the board of the Texas Agricultural Cooperative Council, and is a partner in a ranching/real estate operation. Phil Guthrie, our other appointed outside director, is rooted in his family farm in Louisiana although he does not actively manage that operation today. They serve because they believe in Farm Credit’s mission. They understand that our mission is as vital today as it was 100 years ago and they want to see that mission continue for generations to come.

The second reason Farm Credit is different is that we have a specific mission, assigned to us by Congress more than 100 years ago, to ensure that farmers like me and rural communities like mine have a reliable, consistent source of financing irrespective of cycles in the economy or vagaries of the financial markets. As I put together my farm operating plan for this year, I knew – just like thousands of other farmers around the nation know – that Farm Credit had the financial strength and strong desire to finance that plan and to help me succeed.

My Farm Credit story is typical of the men and women who serve on Farm Credit boards. It began for our family in 1953, even though our Texas farming roots were planted in 1867, when my grandfather moved to East Texas with his family. When he was thirty, he moved to Corpus Christi and bought 80 acres. With hard work, he raised his family and kept the farm going, and his youngest son – my father – began his farm in 1937 in the middle of the Great Depression. As you might imagine, Dad’s timing wasn’t the best and his farm struggled, but he persevered. He and Mom had three children had several good years in the 1940’s.

The year I was born, 1953, things got worse. The 1950s drought was terrible and Dad needed credit in the worst way, but his banker would not make him a loan. It wasn’t personal – the bank had decided to lessen their exposure to farm lending as the drought deepened. Dad’s friends told him to try the local Farm Credit institution, then-known as Coastal Bend Production Credit Association. Farm Credit was created to provide liquidity to credit in agriculture to help creditworthy farmers like my dad, and unlike that banker, the local Farm Credit loan officer knew something about farming. He made Dad a loan, Dad made a crop, and our farm was saved. His relationship with Farm Credit deepened as he expanded his operation. One of my earliest memories is of going along with Dad to the local Farm Credit office to make his payments and to set up annual operating loans. I can still remember eating peppermints given to me by Mrs. Rader, who worked in the front office.

A few months before I graduated from college, my father was offered an opportunity to buy out a neighbor’s operation, but he couldn’t handle the extra land by himself. I was glad to partner with him and began farming in 1974. Farm Credit gave me the loan that helped me get started. Our operation has grown and become more capital and technology-dependent, and my Farm Credit lender has broadened its expertise and improved loan diversification to be even more dependable for me. My children are part owners with my wife Barbara and me, and I have a younger partner now as well. All of them have a relationship with Farm Credit. Farm Credit makes a priority of helping young and beginning farmers.

Knowing this story, you can understand why I was glad for an opportunity to serve on the board of my local Farm Credit association back in 1982. I understood at a personal level what Farm Credit meant to farmers in my area and wanted to help make sure that it was ready for the needs of future generations of farmers.

There are thousands of other stories like mine in Farm Credit. They are the reason Farm Credit makes extraordinary efforts to serve young and beginning farmers. They are the reason that Farm Credit works hard to find successful outcomes for producers – even during the toughest of times. Seeing what Farm Credit is accomplishing for people in agriculture and rural America is gratifying. The time I've spent serving Farm Credit has been worthwhile – it's been a growing relationship that has spanned all of my 64 years.

Farm Credit's mission is as vital today as it's ever been. 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 critical 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 is also helping ensure the vibrancy of communities throughout rural America.

For the past few years, accomplishing that mission has been more difficult as farmers like me are facing a long run of low prices for the products we grow. For many grain farmers, this is the fourth year in a row with prices below break-even. For cotton farmers like me, this will be the fifth year of tough prices, and producers are struggling. We know that credit can't be a fix for chronic low prices, but farmers need a lender that understands this cycle and can help them understand options as they make plans for the future. Farm Credit is that lender.

The current cycle in agriculture makes this committee's work on the next Farm Bill crucial. We need a strong Farm Bill to provide a safety net against sustained market downturns. American farmers are the most efficient in the world, but they cannot compete against foreign governments when they manipulate prices and limit market access. The federal crop insurance program remains a critical part of that safety net. We pledge our support for this committee's efforts to pass a strong Farm Bill next year. Thank you for your hard work!

Farm Credit's mission extends well beyond the farm gate. Our mission includes financing for farmer-owned cooperatives and other agribusinesses that farmers depend on to succeed. Farm Credit finances over \$5 billion in exports of U.S. agricultural products. We make more than \$7 billion in loans for families to buy homes in very rural areas.

Rural infrastructure is also a critical part of Farm Credit's mission. Tom Halverson will describe our infrastructure efforts in detail in a few moments but I want to make a point that the infrastructure needs in rural America are unique. Farm Credit finances nearly \$28 billion in rural infrastructure, including rural electric co-ops, rural water systems, and rural telecommunications and broadband providers. These loans improve the quality of life in our rural communities, providing clean drinking water, broadband for our schools, and reliable energy for rural families and businesses.

As my colleagues will tell you in a few moments, Farm Credit is institutionally strong and financially sound and poses no threat to the federal treasury. We do NOT use federally appropriated funds. We are NOT guaranteed by the federal government. We are privately owned by our customers and fund our operations by issuing debt in the capital markets.

We pay the full cost of our federal regulation by the Farm Credit Administration, which has the full range of examination and enforcement authorities attributable to all independent federal financial regulatory agencies. We pay the full costs of an insurance fund that guarantees timely payment of the debt securities we issue to fund our loans.

Our financial strength, our cooperative ownership, and our mission are all reasons that Farm Credit is leaning in to this downturn in agricultural prices. We expected this cycle would come and we built financial strength to meet it and fulfill the mission this committee has given us. We will do our part to help our customers through this difficult time. When farmers are successful, especially in spite of trials, all Americans benefit. Affordable, abundant, and safe food and fiber helps every one of our citizens, and proportionally those on fixed and low income benefit the most. What a blessing! What a great result of people and policy working together!

We are grateful for the opportunity to testify today and grateful for this committee's support for Farm Credit and its mission. I am happy to answer your questions.