



Farm Credit System Strong Despite Challenges, Chairman Says

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Many sectors of the farm economy are currently experiencing difficult times and the outlook ahead is full of challenges but the credit system is healthy and poised to support and sustain agricultural producers.

This message was delivered by Farm Credit Administration (FCA) Chairman and CEO Leland A. Strom in a speech to the Washington Ag Roundtable yesterday, December 8, 2009 in Washington, D.C.

Strom cited examples in the livestock sector -- particularly poultry, dairy, and pork -- that are struggling under increased feed costs followed by softening demand and declining prices for meat and milk. He also addressed volatility in the ethanol industry and the risk management challenge facing those producers.

Strom said the farm credit system is feeling the impact of these difficult times that the agricultural industry is facing but is in a good position because of cash reserves generated during several prosperous years over the last decade. Another positive point in his presentation was his observation that increases in land value increased many farmers' equity positions.

The FCA is the independent federal agency responsible for examining and regulating the Farm Credit System – a nationwide network of borrower-owned lending institutions and specialized service organizations that provide credit and related services to farmers, ranchers, agricultural cooperatives, and other eligible borrowers. Strom is in his second year as FCA Chairman, and is a third-generation Illinois farmer who weathered the tumultuous credit crisis of the 1980s.

Looking into the future, Strom expressed confidence that management policies that have been put into place will help farmers navigate the more challenging environment that could lie ahead. He also said that the FCA's borrowers' rights policy is a model for other financial sectors.

Strom cautioned that industry integration and interconnectivity in the agriculture may increase risk to farmers. For example, he said, the bankruptcy of poultry processor Pilgrim's Pride Corp. affected not only that company but also growers in Arkansas as well.

The Washington Ag Roundtable, of which AFTC is a member, is a group of leaders in agricultural policy from various public and private commodity and food organizations based in Washington, D.C.