

**Remarks by
Leland A. Strom
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Good morning. It's good to be here with you at your annual meeting in my new role as Chairman. It has been quite a journey these past 30 years since I started farming as a young farmer. That journey included becoming a borrower and then also a director of my local Production Credit Association, and later a director of the District Farm Credit Bank and the Farm Credit Council. Then, a year and a half ago, I had the wonderful honor to be appointed by President Bush as a Member of the Farm Credit Administration Board. And finally, the President has given me this additional opportunity as FCA Chairman and CEO.

I want to thank your Board Chairman Tom Kelley and your CEO Andy Lowrey for the invitation to participate in the 2008 AgFirst Annual Meeting. I also want to take this opportunity to recognize Andy's contributions and leadership role at the System level. He has just recently retired as Chairman of the Funding Corporation and stepped down from his Chairmanship of the PPC's Finance Committee. Both roles took considerable time, and the importance of Andy's leadership role in the System is greatly appreciated. Such contributions are important to System-wide cohesion and benefit both the System and FCA.

I also want to mention some things going on at FCA. Besides designating a new Chairman, the President has nominated Dr. Mark Keenum to be a new FCA Board member, and he is awaiting confirmation by the U.S. Senate. Also, I recently selected Bill Hoffman, whom many of you know, as the Agency's new Chief Operating Officer. Bill has a tremendous background and experience, both with the Agency and the System. I first got to know Bill when I was serving on the St. Louis District Restructuring Task Force, and he was VP of High Risk Assets at the Bank. Bill's skills and solid proven experience will serve me and the Agency well as we face a more volatile and challenging agricultural environment. I'm also pleased that Mark McBeth will continue as my Executive Assistant. Mark has nearly 35 years of System and FCA experience.

Additionally, as I begin my new leadership role at FCA, I'm pleased with the knowledge, experience, and dedication of the FCA staff. I am fortunate that we have such a talented team of professionals at the Agency. I also look forward to continuing to work together with my colleagues on the Board – Nancy Pellett and Dallas Tonsager – in a unified and collegial manner.

As I begin my term as Chairman, there are several issues that are on my mind as I think about what we may be facing at FCA as well as what you may be facing in the System. Just since I joined the FCA Board a year and a half ago, the pace of change in agriculture has accelerated greatly. Combined with that is the rapid onset of rising commodity prices and extreme volatility. Up to a point, rising commodity prices seem like a good thing, but if it happens too abruptly, it can cause stress and challenges we may not be prepared for.

In light of the issues facing agriculture and the System, we need to continue to maintain a strong examination program, enforcement authority, and proactive supervisory approach.

FCA has been an effective regulator in providing the System appropriate flexibility in serving a changing and evolving agricultural industry, and we will continue to do so. We need to pursue a balanced approach in carrying out the Agency's business by focusing on safety and soundness, while at the same time ensuring the Farm Credit System adequately serves its public purpose and mission-related responsibilities.

Most importantly, we must make sure that Congress, investors, the press, the public, and all interested parties have the confidence in the Agency to carry out its role of ensuring the safety and soundness of the Farm Credit System.

In light of all these issues, I want to highlight three goals that I will focus on as Chairman:

First and foremost: a safe and sound Farm Credit System by maintaining strong examination and supervisory programs. I want to make sure we have an examination process with adequate resources that is cost effective to oversee a more sophisticated and complex Farm Credit System and Farmer Mac.

The System is fundamentally safe and sound. With the current market environment, appropriate loan pricing; loan terms and conditions; and capital retention are critical. The Agency is continuing its tradition as a strong independent safety and soundness regulator. But in light of continuing System growth, agricultural market volatility, and increased general economic concerns, we are increasing examination staffing levels and examination resources. This includes increasing our onsite examination activities with a particular emphasis on testing institutions' credit risk controls and loan review.

We will continue to closely review lending activities, portfolio management, credit risk and controls, earnings generation, and capital maintenance. We will run our examination program in a manner consistent with a highly volatile environment, which means we need to act quickly to address emerging supervisory issues, maintain a well-trained and sophisticated examination staff, and focus resources where they are needed most.

My second key goal is that we establish the right level of regulatory capital for Farm Credit System institutions. We are in the beginning stages of an important initiative to revamp regulatory capital requirements. We see this effort as essential for developing a regulatory capital framework that provides the System flexibility to manage its capital position in volatile market conditions, with risks being appropriately identified and capitalized. While liquidity and earnings are critical, capital is the fundamental underpinning on which System safety and soundness is built. Appropriate capital levels provide the foundation for maintaining strong liquidity and earnings positions, which in turn provide the System the financial strength to carry out its GSE mission consistent with statutory requirements.

Highly volatile times means the System must maintain a strong capital foundation by building capital through earnings retention and other means. We appreciate that the System has recognized this fact and worked hard to build and maintain its capital position over the past two decades.

Finally, my third key goal is to ensure the public purpose and mission-related responsibilities of the System are carried out appropriately. This includes the System's service to young, beginning and small farmers; completing our consideration of the Rural Community Investments regulation; and encouraging System institutions to develop partnerships and

alliances with other financial services institutions to provide for an adequate and flexible flow of money into rural areas through both existing and new programs.

We continue to be committed to creating a flexible and balanced regulatory environment, within the requirements of the Farm Credit Act, that enables the System to provide a flow of funds to agriculture and rural areas. I want to specifically recognize the AgFirst District for your continued leadership in the area of mission-related investments. We look forward to working with you on these mission objectives in the future for the benefit of rural America.

The System has done much to help producers and rural America during these challenging economic times, including the financing of grain elevators, helping borrowers impacted by floods, working with livestock producers as they make difficult choices and making critical infrastructure projects possible through innovative bond financing.

Your reputation as a rural lender is strong; continue to maintain your strong reputation as a GSE by: making good financing decisions; offering new and needed products and services; and maintaining your safety and soundness through prudent fiscal management.

And speaking of reputation, I'm also pleased to note that you're devoting part of your program to the subject of reputation risk management. We recognize and have emphasized the importance of considering reputation and reputation risk as part of the ongoing risk assessment and other activities at all FCS institutions. We at FCA support your proactive efforts to measure, understand, protect and manage reputation and focus on reputation risk as a key area of concern going forward.

In conclusion, I have seen and witnessed much over the years as a farmer, as a System borrower, and as a System director. Today, as the Chairman of the System's regulator, I will strive to work with you to meet the System's mission as a GSE to better serve agriculture and rural America.

Again, thanks for the opportunity to be here with you.