

**Remarks by
The Honorable Dallas Tonsager
Agri-Access Third Annual Lenders Conference
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It's good to be here in Des Moines at the Lenders Conference hosted by AgStar's Agri-Access. I was pleased to accept Paul's invitation to speak to you about the Farm Credit Administration's mission and, specifically, its recent policies intended to encourage Farm Credit System institutions to partner with other financial institutions so that agriculture and rural communities may be better served.

As one of the three board members of the Farm Credit Administration, which oversees, examines, and regulates the 90-year-old Farm Credit System, we are responsible for ensuring the safety and soundness of the Farm Credit System, and, equally important, ensuring the System is meeting its congressionally mandated mission of making credit available to farmers and ranchers and their cooperatives, and for rural residences.

My colleagues and I hail from three contiguous Midwestern States. Chairman Nancy Pellett is from Iowa, Board member Leland Strom is from Illinois, and, as you know, I am from South Dakota. We are all from rural communities and know well the many challenges and struggles that rural communities and residents face in maintaining a sustainable rural economy and, in some cases, simply trying to provide for basic needs. We strongly believe the Farm Credit System has the authority and ability to not only serve farmers and ranchers and their cooperatives but also the communities in which they live.

In fact, part of the Farm Credit System's congressional mandate is "to provide an adequate and flexible flow of money into rural areas." Consistent with statutory requirements, FCA is committed to helping ensure a dependable, affordable flow of funds to agriculture and rural areas so that farmers, ranchers, and their rural communities can flourish. In an effort to allow the Farm Credit System to better fulfill its mandate, the Farm Credit Administration issued guidance that gave System institutions a provisional opportunity to make additional mission-related investments through pilot programs supporting investments in rural America.

The pilot programs are intended to strengthen the System's mission to provide for an adequate and flexible flow of funds to agriculture and rural communities across the country. These programs recognize that there is a strong link between the economic vibrancy of rural areas and the economic well-being of American farmers and ranchers. Further, the pilot investment programs are intended to provide Farm Credit System institutions greater flexibility to partner with Government agencies and agricultural and rural lenders in providing the flow of funds needed by rural areas to prosper and grow. Through these pilot investment programs, FCA is looking to gain a better understanding of the diverse financing needs of agriculture and rural communities and of how FCS institution investments could help increase the availability and efficiency of funds to these markets in a collaborative manner. For example, **rural America bonds** and **agricultural and rural community bonds** focus on investments that provide funding for economic development, infrastructure, essential community facilities, and revitalization and

stabilization projects that are necessary to maintain a vibrant American agriculture and strong rural communities. A key objective of these pilot programs is to stimulate FCS partnerships and alliances with other agricultural and rural lenders to increase the availability of cost-effective funds to agriculture and rural communities.

For example, AgStar was one of a number of Farm Credit System institutions that stepped in to help finance the hospital expansion in St James, Minnesota, a part of Minnesota's system of critical access hospitals serving rural areas. This project struggled for years until FCS partnered with Morgan Keegan and USDA by issuing bonds under the pilot program. It is a shining example of what can be accomplished by working together to find solutions to the challenges that face rural Americans.

AgPool Securities is another excellent example of Farm Credit System institutions partnering with commercial banks. In this case, Western New York, ACA, extended pass-through notes backed by pools of distressed agricultural loans originated by a commercial lender. The transactions prevented a significant number of agricultural assets from hitting the market at one time, which would have had the potential to negatively impact the local agricultural economy. The transaction also helped the local commercial bank overcome the financial difficulties it was experiencing due to its agricultural portfolio.

These are only two of many projects that have been financed by the System since the announcement of the Investments in Rural America Pilot Program nearly two and one-half years ago. They clearly demonstrate there is a need for long-term capital financing in rural communities and for the Farm Credit System to play an important role in helping to meet the needs of rural America. There is even greater potential for rural communities when System institutions and other lenders work together for the good of rural Americans.

I have had considerable experience in rural economic development by working with communities, producers, and entrepreneurs to develop business plans for projects and then working to bring together the many interested parties to turn the idea into a reality. Before being appointed to the FCA Board, I served as USDA's Rural Development Director for South Dakota and later as executive director of the South Dakota Value-Added Agriculture Development Center. In those positions, I worked closely with Farm Credit System institutions, commercial bankers, insurance companies, and anyone else I could put together a deal with for a wide range of rural projects. Capital and financing were very difficult to come by for many of the projects we worked on, and this has unfortunately not changed.

If I may, for a moment, I want to take off my regulator "hat" and talk to you about my passion above all else: advancing a prosperous agricultural economy and economic opportunities for rural America. I enjoy my current position and my Board colleagues and all the fine people of the Farm Credit Administration and Farm Credit System. But I do at times miss "the hunt" of putting together a package deal for a value-added processing plant, a rural medical care facility, or a tribal community center.

Watching the ribbon being cut on a new business or a community center built collaboratively gives everyone involved with the project a great sense of accomplishment and fulfillment.

The Midwest Biodiesel Producers plant of Alexandria, South Dakota is a real success story of a group of South Dakota farmers' ingenuity and determination in building the State's first certified biodiesel plant. The plant got its start 5 years ago when one of the farmers perfected biodiesel chemistry in his home blender after taking a course on biodiesel production and economic planning at Iowa State University. The group of farmers persevered by overcoming many obstacles and doubters, including two feasibility assessments that concluded the project was not viable. Although the original plan to build a 20 million-gallon plant was scaled back to 7 million gallons, the plant is up and running and delivering added value to local crop producers.

Much of the success of projects I have been involved in putting together was due in large part to collaboration and partnership. Partnership... that is why I was so eager to accept Paul's invitation to speak before you today about ways in which the Farm Credit System and commercial lenders can work together for the common good.

There are many examples of commercial banks and Farm Credit System associations sharing in loans through syndications, participations, and assignments. These are excellent tools for spreading risk and providing greater lending capacity for the borrowers they serve. Investment in Rural America through Agri-Access is another great opportunity for commercial lenders to work with a FCS institution to provide more capital to rural America.

I've come here to Des Moines to encourage you to consider not only using Agri-Access but to seek out all opportunities to partner with FCS institutions. And I am glad to be in the heartland, where the spirit of cooperation and partnership truly exists. After all, it is here, not in Washington, D.C., where deals are made that make life better for you, your family, your neighbors, and your communities. And I believe if agriculture is to prosper in the future and our rural communities are to survive, it will require lenders such as the Farm Credit System, community bankers, and many others to work together.

Now you are probably thinking to yourselves, he's some do-gooder trying to tell us our business. I want to assure you I am not. I've often asked myself why I get so much satisfaction from economic community development. I've come to the conclusion that although I am helping others, my reward is a sense of accomplishment and fulfillment. I realize you have to make a profit to justify a loan or investment. It's OK to make money in the pursuit of the common good.

I want to appeal to you today to work with the Farm Credit System through Agri-Access, Investments in Rural America, and all other avenues, and with other lenders for the betterment and preservation of the communities in which we work and live. Together we can do more for farmers and ranchers and rural communities that benefit us all. Agri-Access provides one path to partner with the Farm Credit System, but it is not the only way private lenders and the Farm Credit System can work together for the common good. By working together to finance rural businesses and community facilities, more jobs are created, which will provide opportunities to retain and attract young people and make our rural economies more vibrant and profitable for you, rural businesses, and America's farmers, ranchers, and aquatic producers.