

Farm Credit System establishes central headquarters operation

DENVER, CO. — The Farm Credit System, the nation's largest agricultural lending organization, has formed a central headquarters corporation that will help it effectively manage problems resulting from the continuing financial stress being experienced by the U.S. agricultural industry.

The new corporation, called the Farm Credit Corporation of America, is headquartered in Denver, Colorado. Alton B. Cook, formerly president of the Federal Intermediate Credit Bank of Louisville, and prior to that, the FICB of Wichita, has been appointed as interim CEO of the new corporation. Recruitment for a permanent CEO currently is underway.

"The creation of a corporate headquarters for the Farm Credit System is not simply a response to the recent serious financial problems in U.S. agriculture," Cook said. "The need for central direction and decision-making for the system was identified in a major strategic planning study that began in the fall of 1983.

"However," he added, "the worsening condition of the nation's agricultural economy and the resulting impact on many of our banks and associations did influence the decision to create a central policy and decision-making mechanism as soon as possible."

The charter for the Farm Credit Corporation of America was officially issued by the Farm Credit Administration, the independent federal agency which oversees the operations of the Farm Credit System.

In issuing the corporation's charter, FCA Governor Donald E. Wilkinson said, "In chartering this corporation, I see it as enabling the Farm Credit System to begin to function as a full-fledged member

of the financial community. It will allow the system to analyze problems of the environment in which it functions and professionally and rapidly evaluate options, select plans of action and initiate the changes necessary to permit the institutions of the system to function as true business entities."

The Farm Credit Corporation will serve as the central policy-making institution for the nationwide cooperative lending system and will carry out a self-regulatory function.

Cook emphasized that the new corporation does not represent any change in the system's cooperative principles in directorship and control by farmer-stockholders.

"If anything," Cook said, "the Farm Credit Corporation provides for stronger control by the system's stockholders."

Cook explained that local and district representation remains unchanged with borrower-stockholders electing boards of directors at the local association and district bank levels.

"Now, however," Cook said, "each of the 12 Farm Credit districts will elect one of its board members to the board of the Farm Credit Corporation of America. As a result, each district will have a direct voice in how the entire Farm Credit System operates. Districts have not had this kind of representation and influence before."

The Farm Credit Corporation will develop standardized policies, set and enforce financial, credit and financial reporting standards, and oversee system capital management including the administration of loss-sharing agreements among the Farm Credit banks.

The new corporation also will

serve as the central spokesman to present system views and positions, and oversee appropriate financial disclosure, to federal and state legislators, regulatory and other government officials, investors and the public.

"One of our highest priorities is the development and monitoring of systemwide financial and credit standards," Cook said. "We started working in this area even before the Farm Credit Corporation was chartered. This is an important step toward effectively managing the problems that the financial stress in agriculture currently is causing some of our banks," he said.

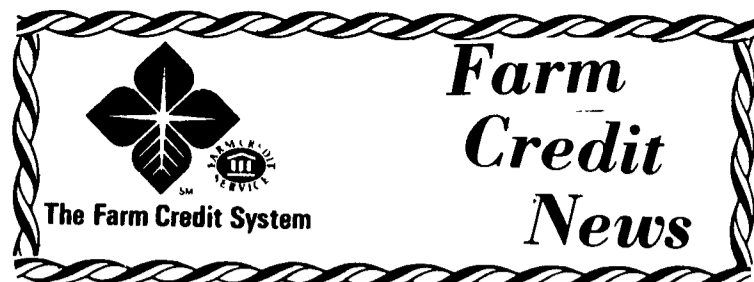
The formation of the Farm Credit Corporation of America represents a major change in the system's structure and operations.

Cook noted that each of the 12 Farm Credit districts contains a Federal Land Bank, a Federal Intermediate Credit Bank and a Bank for Cooperatives. There is also a Central Bank for Cooperatives located in Denver.

"Traditionally," Cook said, "the districts, and the three bank systems, operated more or less independently. Because of the changes occurring in agriculture, it's important that we now operate as a single, nationwide system. This means common objectives, a unified planning process and uniform standards in finance and credit."

Cook admitted that the Farm Credit System recently has gotten criticism from the press, from legislators, and in some cases from its stockholders.

"Some of that criticism is due



either to misinformation, or a lack of information, but some of it is well informed," Cook said.

"In general," Cook said, "we have not communicated as well as we would have liked. This is partly because we haven't had any institution that could make decisions for the system or that could speak for the system as a whole. Now we do, through the Farm Credit Corporation of America."

Cook noted that all sectors of the agriculture industry currently are experiencing stress. But, he said, lenders are especially vulnerable because of agriculture's current dual problem in liquidity and equity.

"Both commercial banks and Farm Credit System institutions are being affected by the simultaneous problems of lack of cash flow and declining land values," Cook said.

Cook explained that in the past agriculture rarely has had to deal with these two issues at the same time. Usually, asset values increased enough to offset concerns about cash flow. Now, however, the recent declines in land values have dramatically changed

agriculture's financial condition.

"Liquidity problems are now compounded by the erosion of equity," Cook said. "Both problems affect debt repayment capacity."

"We think the Farm Credit System can deal effectively with this situation as a unified organization," Cook said. "It's going to take several years before things are back on an even keel. But we feel we have the resources-human and financial-to do it."

"Agriculture is undergoing, not just a period of severe stress, but a major restructuring as well," Cook said. "The key to success and survival in agriculture - for farmers, for agribusinesses and for lenders - will continue to be an ability to withstand and manage risk in an increasingly high-risk business."

Cook views the Farm Credit Corporation of America as the system's key to effectively managing risk.

"If the Farm Credit System is able to manage risk better, so will the farmers, ranchers and cooperatives who are its borrowers and stockholders," Cook said.


Natural Living Convention

GETTYSBURG — Thomas B. Harding Jr., president of Progressive Agri-Systems, Inc., will be one of 10 featured speakers at the Pennsylvania Natural Living Convention to be held at Gettysburg College, July 26 to 28.


The founder and past president of the Institute for Alternative Agriculture, Harding currently

aids farmers in reducing operating costs and improving management techniques. His firm also manufactures organic pest controls for farm and home use.

Registration for the convention begins at 2 p.m., July 26, with a full slate of seminars scheduled for Saturday and Sunday. For further information call 717-677-7224.



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