Remarks by
The Honorable Jill Long Thompson
Board Chair and CEO, Farm Credit Administration
FCA Symposium on System Consolidation
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Good morning! It is my privilege to welcome you to the first session of Farm Credit Administration's Symposium on Consolidation in the Farm Credit System.

Twenty years ago, there were 9 banks in the Farm Credit System and well over 200 direct-lending institutions. Today, the System has 4 banks and 78 direct-lending institutions.

And the consolidation shows no signs of stopping. In the past year, the total number of associations dropped by four.

As the independent, arm's-length regulator of the System, FCA must approve all merger applications. The purpose of this symposium is to ensure that we—the Board and management of FCA—ask the right questions when we consider merger requests. I want to make sure that we understand all implications of a proposed merger—the benefits, as well as any potential pitfalls.

We must, of course, consider the financial implications of a merger, and we do. We consider the impact to the institutions and borrower-shareholders involved in any given merger, and we consider the financial impact on the System as a whole.

But consolidation can affect far more than financial condition of the merged institution. Mergers can provide economies of scale that help institutions provide greater outreach and technical assistance to eligible and creditworthy borrowers. The right kinds of mergers have proven to benefit agriculture across the country.

Because the System is a Government-sponsored enterprise, it has a higher purpose than merely ensuring its financial health. According to the Farm Credit Act, the purpose of the System is to "improve the income and well-being of American farmers and ranchers by furnishing sound, adequate, and constructive credit and closely related services."

Toward that end, in the Agricultural Credit Act of 1987, Congress actually directed the System to consolidate, in order to strengthen the System. And it has worked. The question for us is: when we evaluate a proposed merger, what all must we take into consideration to ensure the mission is fulfilled?

I believe that the panelists we will hear from today, as well as the panelists for the February session, will help us better understand the myriad ways consolidation can affect the System's mission. It can also help us understand how the structure of a merger can affect the mission.

I thank our panelists now, in advance, for their willingness to help us think through these issues. I also thank staff, particularly our Chief Economist Steve Gabriel, for their hard work in organizing this symposium. And thank all of you in the audience for coming out today to participate in this symposium.

Finally, I thank the participants from the System. The relationship between a regulator and a regulated entity can at times feel adversarial. I applaud your willingness to join us today and to take advantage of an opportunity to contribute to the information gathering regarding the implications of System consolidation. In the end, I believe that FCA and the System want the very same things—to meet the credit needs of America's farmers and ranchers and to do so safely and soundly.