

**Remarks by
The Honorable Jill Long Thompson
Board Chair and CEO, Farm Credit Administration
National Good Food Network
Food Hub Collaboration, Spring 2014 Conference
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Thank you so much for this opportunity to join you today. It is an honor for me to be a part of your conference. I wish I were in Raleigh with you.

I hope my participation in your conference will help in the development of future relationships between local food producers, food hubs, and the Farm Credit System. I am very impressed with the work you're doing at the Wallace Center. By helping connect small and mid-sized ag producers with larger-scale markets, you are providing a wonderful service for both farmers and consumers. What's more, you're creating jobs in rural communities by making it possible for more people to participate in agriculture.

I myself have been in agriculture for a long time. I grew up on a family farm in northern Indiana. From a very young age, I helped with the milking, livestock feeding, and other farm chores.

Just like our neighbors, we had a little bit of everything back then—grain, cows, hogs, and chickens. Compared to the farm my husband and I have today, our operation was small. I remember when we got a four-bottom plow, and we thought we had made it big. Today, we don't even use a plow.

Over my life and career, I have seen a great deal of change in agriculture. In the past 50 years or so, yields have risen tremendously—thanks to more sophisticated machinery, pesticides, commercial fertilizers, advances in genetics, and precision agriculture.

And this increase in productivity has greatly expanded the number of people we can feed. In the 1960s, one farmer could feed about 26 people; today, one farmer can feed 144.

As a result, the cost of food to the consumer has declined greatly. We spent about 17 percent of our disposable personal income on food in 1960; now we spend less than 10 percent.

As yields have gone up, commodity prices have become more volatile, and for many farmers that has meant expanding their operations and their marketing expertise or getting out of the business. Over the years, many farmers have sold out to larger, more profitable farms. As a result, farms have declined in number and have grown considerably bigger. By the 1990s, many people had placed the small family farm on the endangered species list.

But something happened during that decade. Consumers began to demand local and organic foods—products that often came from small farms.

What was the source of this demand? It varied. Many sought local products simply because they wanted the vine-ripened taste they had enjoyed when they were kids. Others had concerns about health and environmental issues.

Whatever the reason for the demand, it has strengthened over time. And this demand has produced a noticeable uptick in the number of small farms in this country.

There's a long list of reasons why I'm so enthusiastic about local food farming. First, it helps solve one of our planet's most pressing problems—how to feed a growing population. By 2050, nine billion people are expected to inhabit this globe. According to one source, to meet this demand, we will have to produce more food in the first half of this century than we produced in the past 10,000 years. That is mind-boggling.

How can we possibly feed all of these people? Technology, of course, is part of the answer. It has allowed us to produce more food with less land and fewer inputs, and technology will continue to help farmers around the world produce the food we need.

But local food farming offers another means to meet the growing demand for food. It has given local communities a chance to generate their own food, and it has created markets for a once-dying breed—the small and mid-sized producer.

Which leads me to the second reason to be enthusiastic about local food farming: I grew up on a family farm. I understand the way of life, and I believe in the value of it. Because of the demand for local farm products, Americans can once again “choose” to farm.

For many years, it has been difficult to become a farmer unless you inherit a farm or marry someone with a farm. Thanks to local food farming, there are now more opportunities for small, first-generation farmers.

And that not only benefits the individuals who choose to farm, it also benefits the communities in which they live. It creates economic opportunities in rural areas. People don't have to leave rural communities to find jobs. They can stay and farm and sell their products locally, and that benefits the broader community.

Another reason I feel so enthusiastic about local food farming is that it provides a means for people who do not have a great deal of capital to enter agriculture. This is near and dear to my heart.

In 2012, the FCA Board adopted a diversity and inclusion regulation to encourage System institutions to reach out to all eligible, creditworthy producers in their lending territories, including members of underserved groups such as women and minorities. And because women and minorities often face greater challenges accessing capital, local food systems provide them with real access to market opportunities.

Of course, another important benefit of local food farming is the positive environmental impact of reducing the distance over which food must be transported from producer to consumer. It reduces the carbon footprint of food distribution. And because many local food consumers want foods produced with minimal pesticides and commercial fertilizers, raising products for local markets encourages farmers to use sustainable production practices.

And the final reason for my optimism about local food farming is simple—I like good, fresh food. When peaches and apples ripen on the tree and tomatoes ripen on the vine, they just taste better. And the only way to eat food like this is to grow your own or buy local. During the summer months, many people buy local produce by shopping at farmers' markets and stopping by roadside farm stands, but not everyone has the time or means to shop like this on a regular basis.

That is the one abiding challenge of local food farming—how to get local foods produced by small and mid-sized producers into wholesale, retail, and institutional markets. In simple terms, how do you get the food from the farm to the fork?

Food hubs have become a critical part of meeting this challenge. They are providing much-needed infrastructure to bring more local foods to consumers. They are giving small and mid-sized producers a chance to aggregate their products for sale to larger markets, including schools, hospitals, restaurants, and other institutions.

In addition, many food hubs provide distribution, warehousing, and marketing services to producers. Innovations like food hubs can help ensure that local foods will have a permanent place on the American dinner plate.

So where does the Farm Credit Administration fit into the local food equation? My Agency is the regulator of the Farm Credit System. Many of you may know about the System, but for those of you who don't, I'll describe it briefly.

It's a nationwide network of cooperative lending institutions serving farmers, ranchers, agricultural cooperatives, and other eligible borrowers. The Farm Credit System is America's oldest Government-sponsored enterprise. It's been around for almost 100 years.

The System has 78 institutions that lend directly to farmers and ranchers. The United States is divided into lending territories, and each institution has its own chartered lending territory. Because each institution is a cooperative, its farmer-borrowers actually own and control the institution. The Farm Credit System provides about 43 percent of our nation's farm lending.

Over time, the System has evolved with agriculture. As farms became larger, more of the System's loan volume has been used to finance larger operations. Local food farming, however, has increased the number of young, beginning, and small farmers seeking credit. With the growing strength of local food systems and the increasing number of small farms, many Farm

Credit System institutions are recognizing a good opportunity to broaden their member-customer base.

In fact, serving young, beginning, and small farmers is an important part of the System's mission as a Government-sponsored enterprise. The Farm Credit Act of 1971, which now governs the Farm Credit System, calls on the System to "be responsive to the credit needs of all types of agricultural producers having a basis for credit."

In addition, the act requires each institution to have a program to serve the credit needs of young, beginning, and small farmers. So local food systems are not only creating business opportunities for the Farm Credit System, they are also creating opportunities for the System to better serve its public mission.

As the regulator of the Farm Credit System, my Agency is responsible for ensuring that the System complies with all laws and regulations while remaining safe and sound. In 2012, we issued guidance to encourage System institutions to serve farmers and ranchers who market products through local and regional food systems. We encouraged them to develop new loan products and to find alternative ways to measure the creditworthiness of loan applicants.

And I am pleased to report that many institutions are reaching out to local food producers. Today, I am happy to recognize a couple of institutions in particular for their efforts to reach out to individuals in the local food industry. Last year, Farm Credit East collaborated with the Wallace Center and the Farm Credit Council to complete the National Good Food Network Food Hub Benchmarking Study. The study examined the business and operational characteristics of several food hubs.

The information from this study is valuable to many groups. It can help producers understand how they can use food hubs to access new markets. It can help food hub operators improve their business performance. And it can help lenders understand the funding needs of food hubs and the opportunities for strategic investment.

In addition, using data from USDA, Farm Credit East developed a working list of food hubs. It has formed relationships with a food hub in Connecticut and two in New York State. One of the New York food hubs, Corbin Hill Road Farm, has helped farmers in upstate New York reach markets in Harlem and the Bronx. A follow-up study on food hubs is planned for this year.

MidAtlantic Farm Credit is another Farm Credit System institution that is reaching out to serve local food farmers. It has created a program called New Generation and Local Food Systems, and it calls the loans offered through this program "farm-fresh financing." MidAtlantic partnered with Temple University to conduct a study on local food systems, including food hubs, and it is sharing what it has learned with other institutions in the Farm Credit System. Already MidAtlantic has made many loans to food hubs and other businesses in the local food system.

I commend Farm Credit East and MidAtlantic Farm Credit for their support of local food systems and their willingness to reach out to local food producers. I encourage more Farm Credit System institutions to follow their example.

In addition to financing eligible, creditworthy producers, Farm Credit System institutions may also serve certain farm-related businesses. As the regulator of the System, we interpret the Farm Credit Act and create regulations to implement the act. We are currently reviewing our regulations governing eligibility for System financing to identify opportunities for financing local food businesses.

In addition, many System institutions offer training as part of their efforts to serve young, beginning, and small producers. Since many local food producers belong to at least one of these categories, the System can provide valuable training and development to many producers of local foods.

Agriculture is a noble calling. Whether you are producing food or processing and distributing food, you are helping meet one of humanity's basic needs. And agricultural credit has allowed American agriculture to flourish. It will continue to be critical to the success of farm enterprises, large and small.

I believe that the Farm Credit System and members of the local food movement have an exciting future. Working together, you can help protect our nation's food security, create job opportunities in rural America, and ensure that small and mid-sized producers have a bright future.