

Prepared Statement of Dr. Mark Keenum
Nominee for Board Member of the Farm Credit Administration
Before the United States Senate Committee on
Agriculture, Nutrition, and Forestry
September 24, 2008

Mr. Chairman, Senator Chambliss, and distinguished members of the Committee, I am both honored and humbled to appear before you today for consideration for the position of Board Member for the Farm Credit Administration. I especially want to thank Senator Thad Cochran for his gracious introduction.

I had the privilege of serving on Senator Cochran's staff for over 17 years. In fact, I have spent many hours in this very room participating in staff deliberations, Committee hearings and mark-ups addressing numerous issues important to American agriculture. For over a decade, I served as his Chief of Staff; I am proud to call him Mentor and Friend.

I am currently the Under Secretary for Farm and Foreign Agricultural Services of the U.S. Department of Agriculture -- a role in which I oversee three agencies: Farm Service Agency, Risk Management Agency, and the Foreign Agricultural Service. This mission area has a total operating budget of approximately \$1.7 billion and employs over 16,000 people with more than 2,300 offices nationwide and 98 locations around the globe. The Farm and Foreign Agricultural Services helps to ensure the well-being of American agriculture and the American public through efficient and equitable administration of agricultural commodity, conservation, risk management, emergency assistance, food assistance, and farm credit programs.

I would also like to recognize my best friend and partner in life for the past 24 years, my beloved wife Rhonda, who is the mother of our four children; four year old triplets -- Kathryn, Everett, Mary Phillips, and 2 year old Victoria.

I was born in Starkville, Mississippi, while my father was a student studying agriculture at Mississippi State University. Early in his professional life, my father went to work for the U.S. Department of Agriculture. He has since retired -- after over 30 years with the Natural Resources Conservation Service -- but remains committed to his small family farm in Humphreys County, Mississippi, where my Mother serves as the County's Head Librarian. My paternal grandfather also worked for USDA with the former Soil and Water Conservation Service. He too owned a small farm in the Mississippi Delta.

So -- I have grown up in and around agriculture all my life. My experiences span from working as a farm laborer, crop scout, agricultural extension specialist, agricultural research associate, an agricultural economics professor, and Senate staff member to serving as an Under Secretary of Agriculture.

During my career, I have learned a great deal about the complex nature of agricultural production that farmers face today. U.S. farmers and ranchers are the most efficient and resilient producers in the world. Our nation's Farm Credit System has a mandate to be a dependable lender to agriculture and rural America. It has a key role to play in ensuring that U.S. farmers are able to meet the challenges of producing a bountiful supply of safe and affordable food and fiber products.

Net farm income in 2008 is projected to be up \$9 billion from last year to a record \$96 billion. Net cash farm income is projected to reach a record \$101 billion in 2008, up nearly \$14 billion from 2007. Overall, the balance sheet of the sector remains historically strong with the value of assets increasing at a faster pace than farm debt. The debt-to-asset ratio is forecast to decline to a historic low of 9 percent in 2008.

While today our farm economy is strong, I am mindful of ongoing concerns within the overall agricultural sector. Total production expenses are projected to increase by a record \$40 billion, or 16 percent, in 2008 to \$295 billion, following an increase of over \$20 billion in 2007, a 9 percent increase. Higher production expenses over the past two years have increased the cost structure of crop and livestock producers. According to USDA analysts, for livestock producers, prices must increase to offset the increase in feed costs. For most row crops, prices can retreat somewhat from current levels, but must hold at historically high levels to offset the increase in production expenses. Going forward, agricultural producers face increasing risk of a squeeze in their cash flows due to the volatility of commodity prices and the rising costs for land rent, land ownership, and production inputs. If commodity prices were to decline to anywhere near historic levels, debt repayment capacity would be seriously affected and the System's credit risks would increase. Recent surveys indicate that farm land values have been increasing in most parts of the country at double digit annual rates. The risk of a bust in farmland prices, a possibility if commodity prices were to decline sharply, is a continuing concern for agricultural lenders.

I would be remiss if I did not acknowledge the current crisis in our nation's financial markets and the urgency in which you -- our nation's leaders -- are working to address the current financial environment. You have my word, that if confirmed, I will do everything in my power to work with you to ensure the efficacy and transparency of the Farm Credit Administration.

Mr. Chairman and distinguished members, I have spent the greater part of my career working within the Senate family and therefore I have a keen appreciation for the unique nature of the legislative process. During my tenure, I have especially recognized the importance and the benefits of pursuing solutions in a bipartisan manner. With the turmoil our Nation is currently facing in the financial markets coupled with the historic uncertainties of the agricultural economy, it is more imperative today than ever to ensure that the Farm Credit Administration continues its diligence of a strong surveillance system in its regulatory and examination activities to monitor and address these challenges. If confirmed, I can pledge to this Committee that I will fully dedicate myself

to the broad mission of this important office, and that I will commit to be accessible to all Members and staff.

Again, Mr. Chairman, Senator Chambliss, and distinguished members of the Committee, I want to thank you for allowing me to appear before you today and I welcome any questions or comments. Thank you.

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