

Dallas P. Tonsager, Chairman and Chief Executive Officer  
Jeffery S. Hall, Board Member  
Glen R. Smith, Board Member



**MINUTES OF THE REGULAR MEETING  
OF THE  
FARM CREDIT ADMINISTRATION BOARD  
February 8, 2018**

These minutes reflect the business transacted at the February 8, 2018, Regular Meeting of the Farm Credit Administration Board (FCA Board) pursuant to the Government in the Sunshine Act, 5 U.S.C. § 552b, and the regulations of the Farm Credit Administration (FCA) adopted thereunder.

The FCA Board meeting was held at the FCA office in McLean, Virginia, beginning at 9:00 a.m. and concluding at 10:18 a.m. Members of the Board present were:

**Dallas P. Tonsager, Chairman and Chief Executive Officer**  
**Jeffery S. Hall, Member**  
**Glen R. Smith, Member**

The above named constitute the full Board.

Others present included **Charles Rawls**, General Counsel; **Dale Aultman**, Secretary to the Board; staff of the FCA and the Farm Credit System Insurance Corporation; and one member of the general public. (A list of staff attendees is attached as Exhibit A.)

**Board Chairman Tonsager** welcomed **Mr. Smith's** new Executive Assistant **Jim Morris** to the meeting.

The **Secretary** read a statement that announced the meeting would be conducted according to the requirements of the Government in the Sunshine Act.

**Board Chairman Tonsager** reviewed the published Agenda. (A copy of the Public Announcement publishing the Agenda for the meeting is attached as Exhibit B.)

**Mr. Hall** moved to adopt the Agenda as published.

**Mr. Smith** seconded the motion.

There being no further discussion, **Board Chairman Tonsager** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

**Mr. Smith** noted that the Agenda *did* include portions of the meeting that should be closed to the public as permitted by the Government in the Sunshine Act and therefore moved that the meeting be closed at that point.

**Mr. Hall** seconded the motion.

There being no further discussion, **Board Chairman Tonsager** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

## OPEN SESSION

### Approval of Minutes

#### Minutes for January 11, 2018 (BM-8-FEB-18-01)

**Mr. Hall** moved to approve the minutes for the January 11, 2018, FCA Regular Board Meeting.

**Mr. Smith** seconded the motion.

There being no further discussion, **Board Chairman Tonsager** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-8-FEB-18-01)**

(A copy of the official "Board Action Item" is attached as Exhibit C.)

## Report

### Cost of Production Trends for Grain and Soybean Producers

**Steve Gabriel**, of the **Office of Regulatory Policy** presented the report on Cost of Production Trends for Grain and Soybean Producers.

**Board Chairman Tonsager** asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.

(A copy of the PowerPoint presentation is attached as Exhibit D.)

## CLOSED SESSION

**Board Chairman Tonsager** noted that this was a Closed Session and ensured that nonessential staff were not in the room so the Board could meet in Closed Session with the Office of Secondary Market Oversight.

**Board Chairman Tonsager** convened the closed session of the meeting at 9:43 a.m. and instructed the **Secretary** to activate the electronic recording device so that the proceedings of the closed session were properly recorded as required by the Government in the Sunshine Act.

**Board Chairman Tonsager** then instructed the **General Counsel** to furnish the **Secretary** with a certification, pursuant to 5 U.S.C. § 552b(f), that the portions of the meeting held in closed session may be properly closed to the public. (A copy of the Certification is attached hereto as Exhibit E.)

Members of the Board present were:

**Dallas P. Tonsager, Chairman and Chief Executive Officer**  
**Jeffery S. Hall, Board Member**  
**Glen R. Smith, Board Member**

Others present included **Dale Aultman**, Secretary to the Board; and **Charles Rawls**, General Counsel. (A list of staff attendees is attached as Exhibit A).

## **Report**

### **Office of Secondary Market Oversight Report**

**Laurie Rea and Jeremy Del Moral**, of the **Office of Secondary Market Oversight (OSMO)** presented the OSMO Periodic Report.

**Board Chairman Tonsager** asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.

## **ADJOURNMENT**

There being no further business to come before the Board, **Board Chairman Tonsager** indicated he would entertain a motion to adjourn the meeting.

**Mr. Smith** moved that the meeting be adjourned.

**Mr. Hall** seconded the motion.

**Board Chairman Tonsager** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

The meeting adjourned at 10:18 a.m.



**STAFF PRESENT AT THE  
FCA REGULAR BOARD MEETING  
February 8, 2018**

Dallas P. Tonsager, Chairman and Chief Executive Officer  
Jeffery S. Hall, Board Member  
Glen R. Smith, Board Member

OFFICE	OPEN SESSION	CLOSED SESSION
<b>Office of the Board</b>		
Aultman, Dale	X	X
Batta, Todd	X	X
Kramp, Kevin	X	X
Morris, James	X	X
Corey, Kathryn	X	
Buccolo, Debra	X	
Calhoun, Gaye	X	
<b>COO</b>		
Hoffman, William	X	X
<b>OIT</b>		
Golley, Jerald	X	X
<b>OCPA</b>		
Stokke, Michael	X	X
Delancey, Toni	X	X
Middleton, Russell	X	X
<b>OSMO</b>		
Rea, Laurie	X	X
Del Moral, Jeremy	X	X
Hudson, Bruce	X	X
Conner, Joe	X	X
<b>OGC</b>		
Rawls, Charles	X	X
Virga, Jane	X	X
Donner, Mary Alice	X	X
<b>OE</b>		
Coleman, Robert	X	X
Paulsen, Roger	X	X
<b>OIG</b>		
Laguarda, Wendy	X	X
<b>ORP</b>		
Mardock, Barry	X	X
Gabriel, Steve	X	X
<b>OCFO</b>		
Smith, Stephen	X	X
<b>OAS</b>		
Fowlkes, Jerome	X	X
Bell, Vonda	X	X
<b>FCSIC</b>		
Wynn, Wade	X	X

OFFICE	OPEN SESSION	CLOSED SESSION
GENERAL PUBLIC	1	

Farm Credit Administration

1501 Farm Credit Drive  
McLean, VA 22102-5090  
(703) 883-4000



**PUBLIC ANNOUNCEMENT OF  
MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT**

**Farm Credit Administration Board  
Regular Meeting  
February 8, 2018**

**Summary:** Notice is hereby given, pursuant to the Government in the Sunshine Act (5 U.S.C. Sec. 552b(e) (1)), of the forthcoming regular meeting of the Farm Credit Administration Board.

**Date and Time:** The regular meeting of the Board will be held February 8, 2018. The meeting is scheduled to be held at the office of the Farm Credit Administration in McLean, Virginia, from 9:00 a.m. until such time as the Board may conclude its business.

**Address:** Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102-5090. Submit attendance requests via e-mail to [VisitorRequest@FCA.gov](mailto:VisitorRequest@FCA.gov). See SUPPLEMENTARY INFORMATION for further information about attendance requests.

**For Further Information Contact:** Dale L. Aultman, Secretary to the Farm Credit Administration Board (703) 883-4009. TTY is (703) 883-4056.

**Supplementary Information:** Parts of this meeting of the Board will be open to the public (limited space available), and parts will be closed to the public. Please send an e-mail to [VisitorRequest@FCA.gov](mailto:VisitorRequest@FCA.gov) at least 24 hours before the meeting. In your e-mail include: name, postal address, entity you are representing (if applicable), and telephone number. You will receive an e-mail confirmation from us. Please be prepared to show a photo identification when you arrive. If you need assistance for accessibility reasons, or if you have any questions, contact Dale L. Aultman, Secretary to the Farm Credit Administration Board, at (703) 883-4009. The matters to be considered at the meeting are:

**OPEN SESSION**

**Approval of Minutes**

- 1 January 11, 2018

**Report**

- 2 Cost of Production Trends for Grain and Soybean Producers

**CLOSED SESSION**

- 3 Office of Secondary Market Oversight Periodic Report

\_\_\_\_\_  
Date January 29, 2018

\_\_\_\_\_/s/  
Dale L. Aultman  
Secretary to the Board

Farm Credit Administration

1501 Farm Credit Drive  
McLean, VA 22102-5090  
(703) 883-4000

**BOARD ACTION ITEM**

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**FCA BOARD ACTION ON**

**Minutes for January 11, 2018 Regular Board Meeting**

**BM-8-FEB-18-01**

**Effective Date:** February 8, 2018

**Effect on Previous Action:** None

**THE FCA BOARD HEREBY:**

Approves the minutes for January 11, 2018, Regular Board Meeting as submitted.

**DATED THIS 8th DAY OF FEBRUARY 2018**

**BY ORDER OF THE BOARD**

\_\_\_\_\_/s/  
**Dale L. Aultman**  
**Secretary to the Board**





# **FCA Board Meeting**

## **February 2018**

Exhibit D

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# **Cost of Production Trends for Grain and Soybean Producers**

**February 8, 2018**

**Stephen Gabriel**  
**Chief Economist**  
**Office of Regulatory Policy**

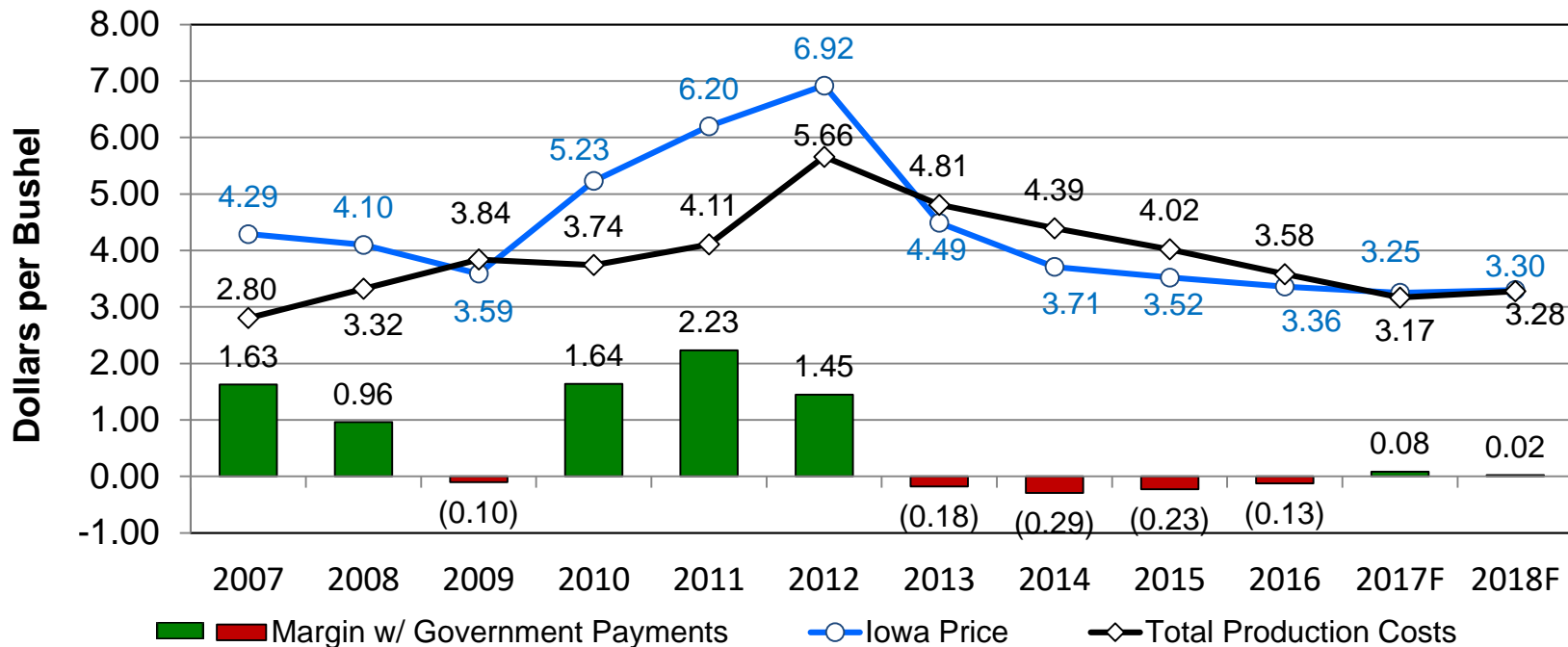




# Iowa corn producers to earn thin profits in 2017 and 2018

As of 1/12/2018

## Iowa Season-average Corn Profit Margin Estimates



Source: FCA-ORP using data from USDA and Iowa State University. 2018 forecast assumes USDA baseline price and trendline yields.

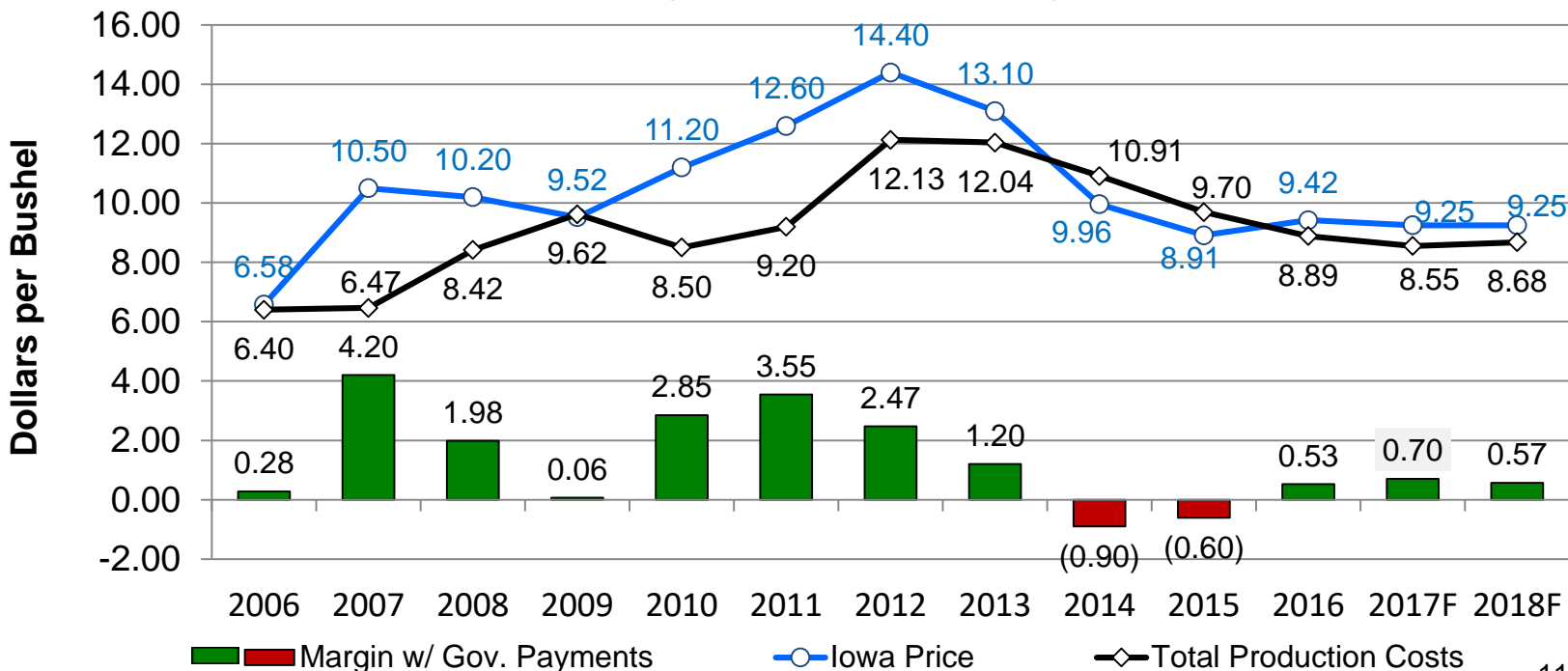


# Good yields helped boost Soybean producers' profits



As of 1/12/2018

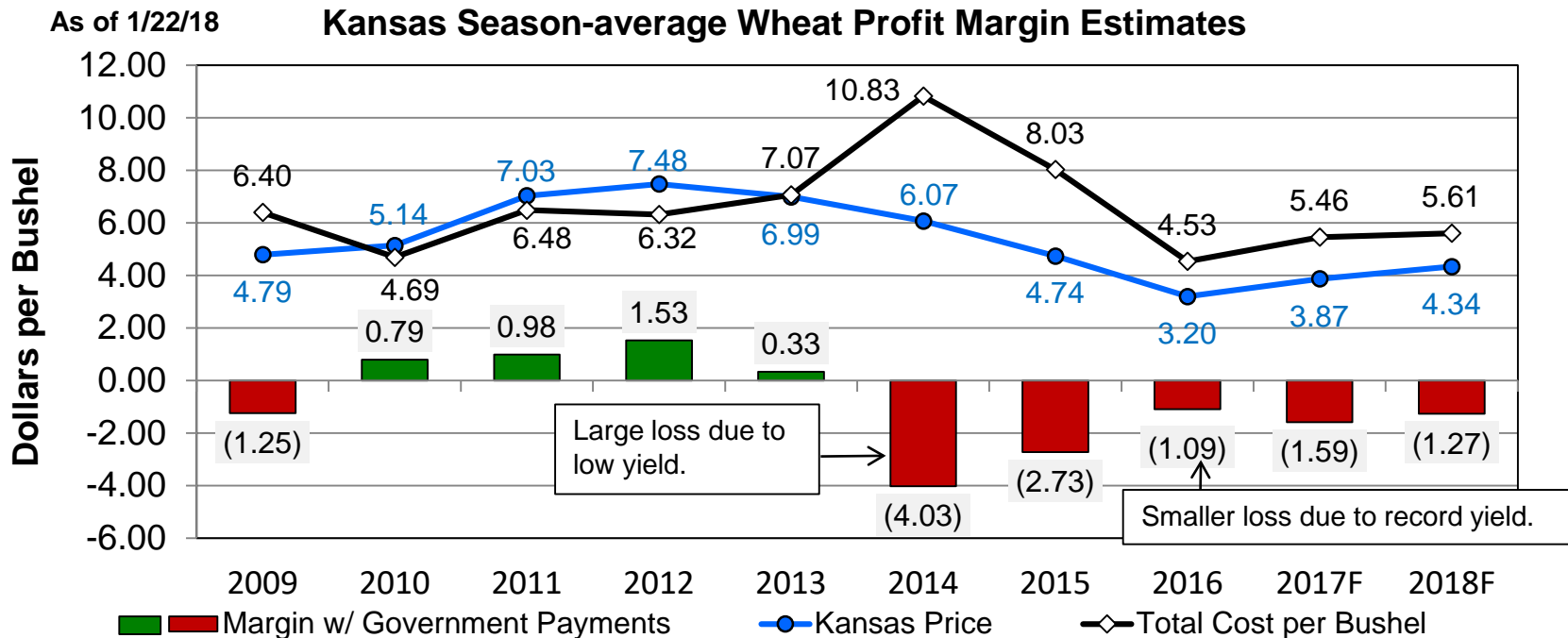
## Iowa Season-average Soybean Profit Margin Estimates



Source: FCA-ORP using data from USDA and Iowa State University. 2018 forecast uses USDA Baseline prices and trendline yields.



# Wheat producers face another year of red ink

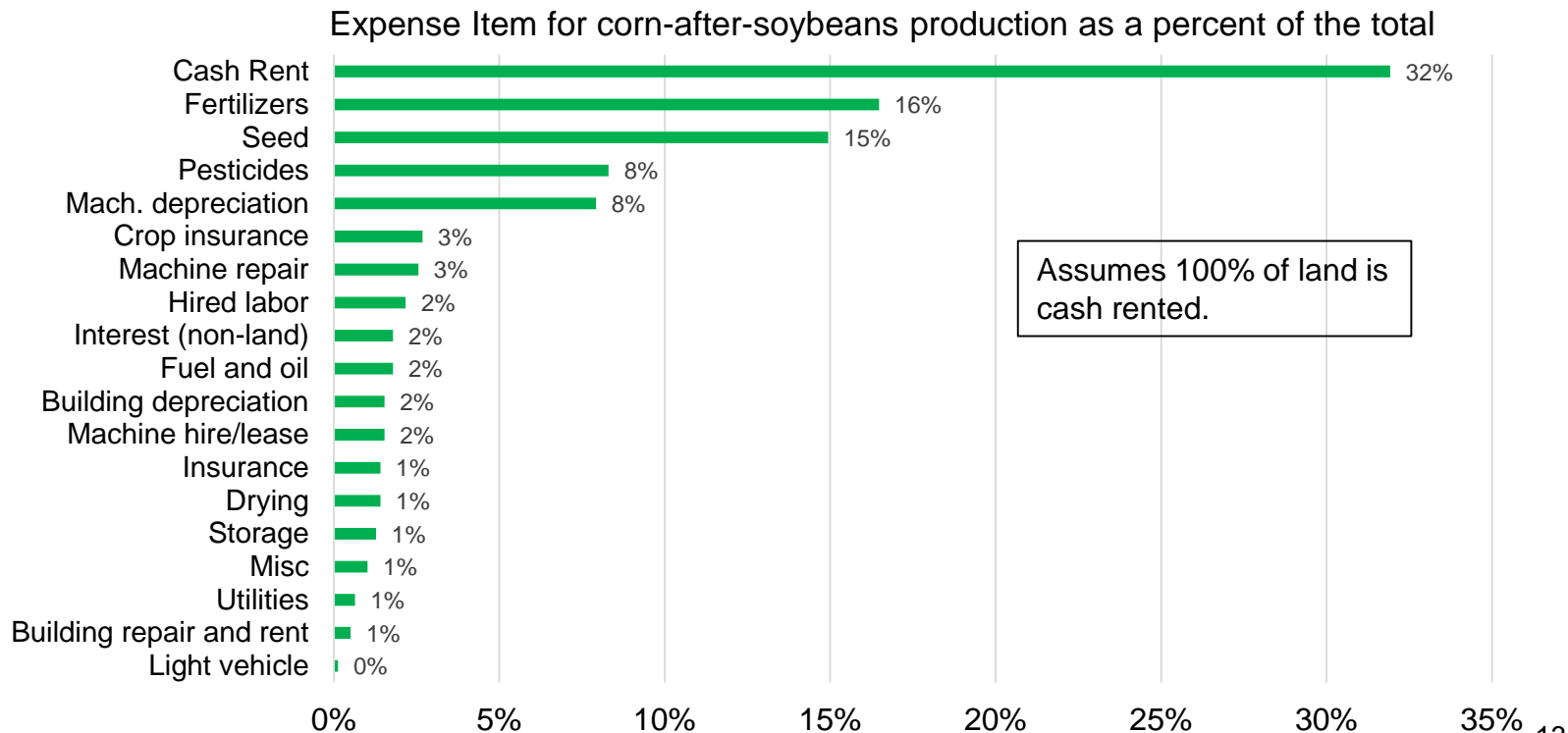


Source: FCA-ORP using data from USDA and Kansas State University.

Notes: For 2014-2018F, government payment is Agriculture Risk Coverage and excludes loan deficiency payments. For 2017 and 2018, ARC payment is expected to be zero, compared with about 60 cents for Price Loss Coverage.



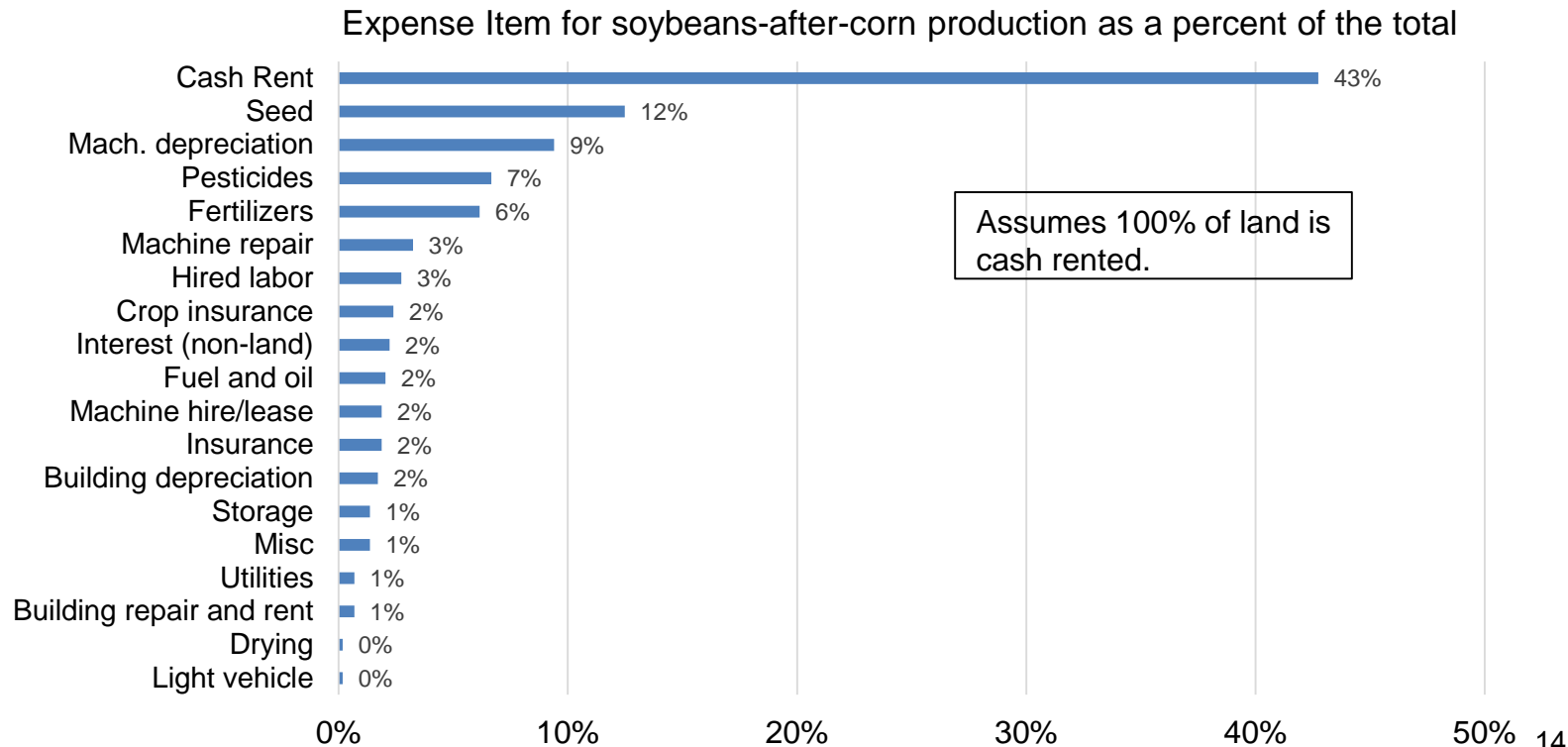
# Illinois corn producers' expenses concentrated in rent, fertilizer, seed



Source: 2018 Crop Budgets, Central Illinois - High Productivity Farmland, University of Illinois.



# Illinois soybean farmers' expenses concentrated in rent, seed, machinery



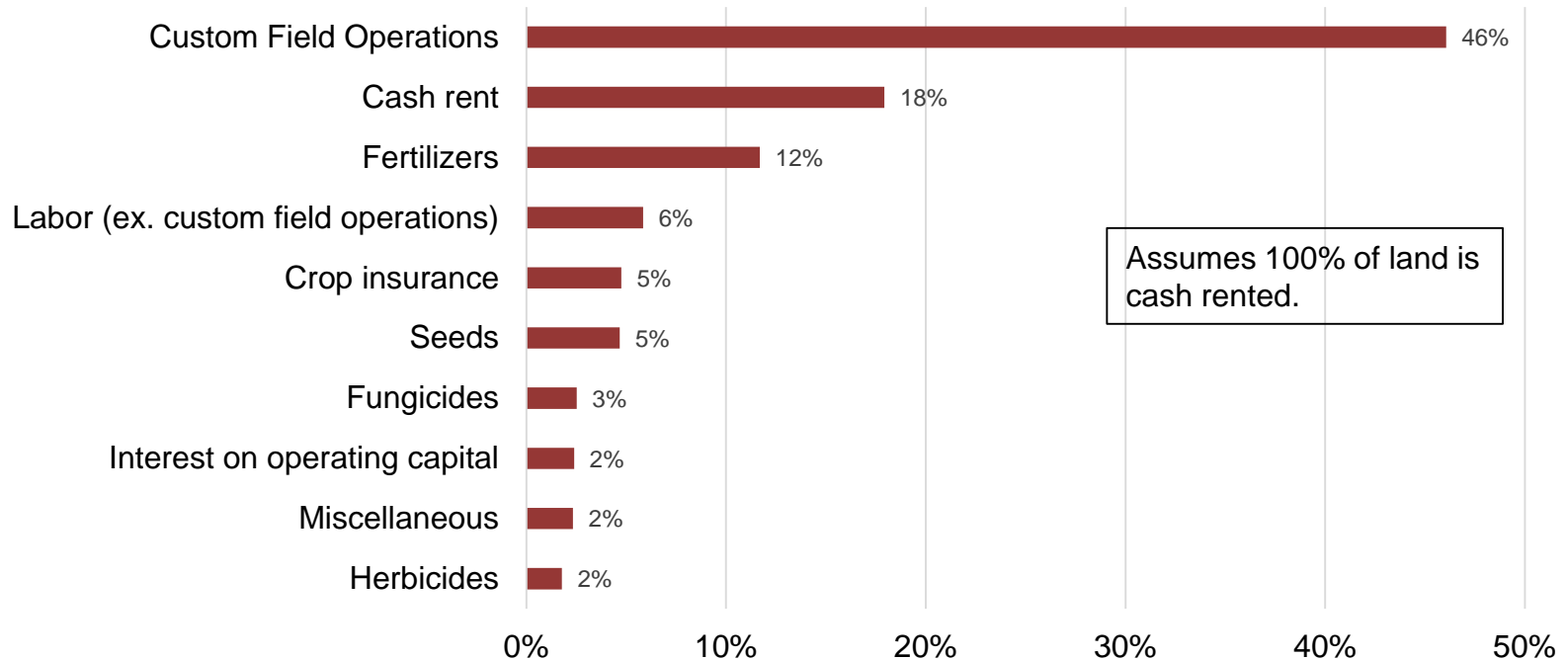
Source: 2018 Crop Budgets, Central Illinois - High Productivity Farmland, University of Illinois.



# Kansas wheat farmers' top costs are custom field work, rent, fertilizer



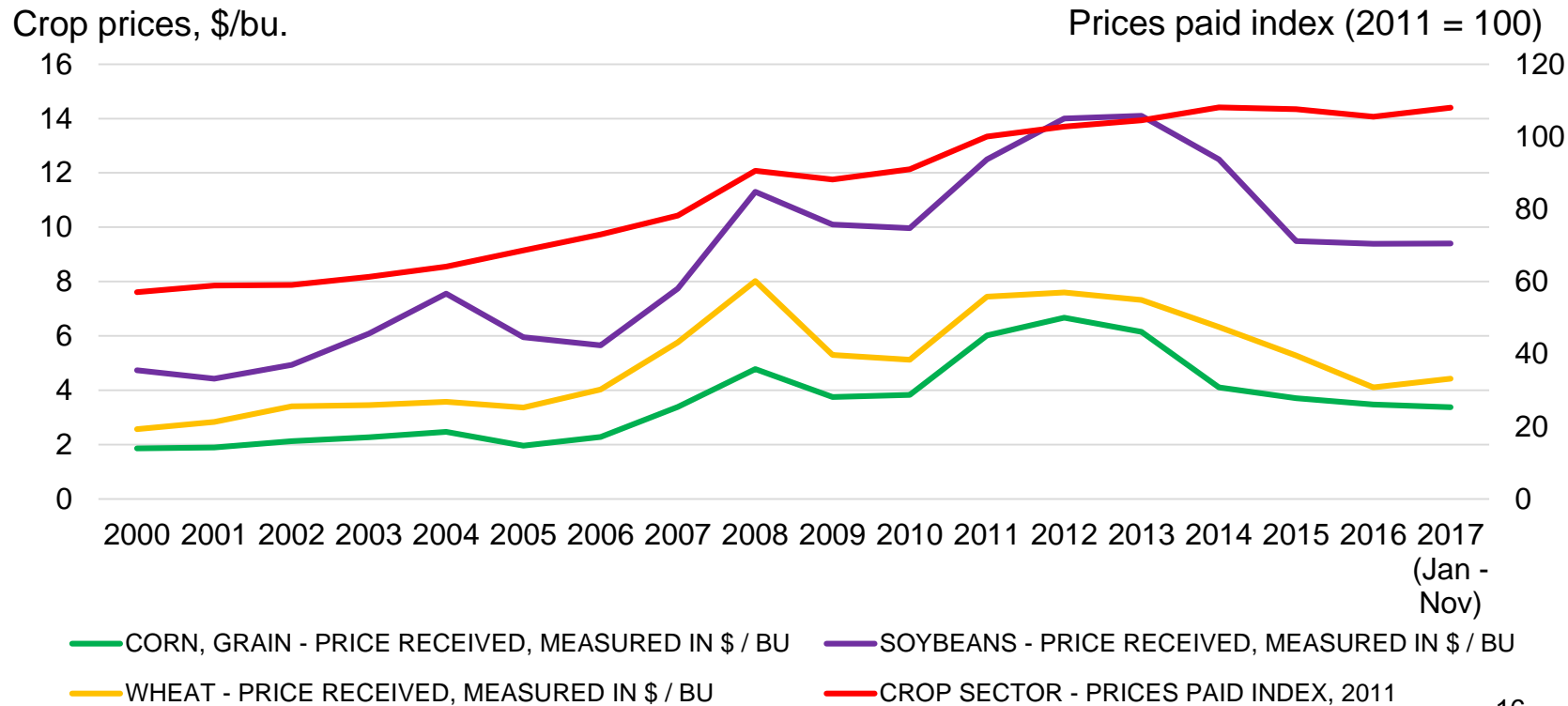
Expense item for continuous wheat production as a percent of the total



Source: 2018 Continuous Wheat Cost and Returns Budget, South Central Kansas, Kansas State University.



# Crop sector input prices paid seem impervious to declining crop prices



Source: USDA, NASS.

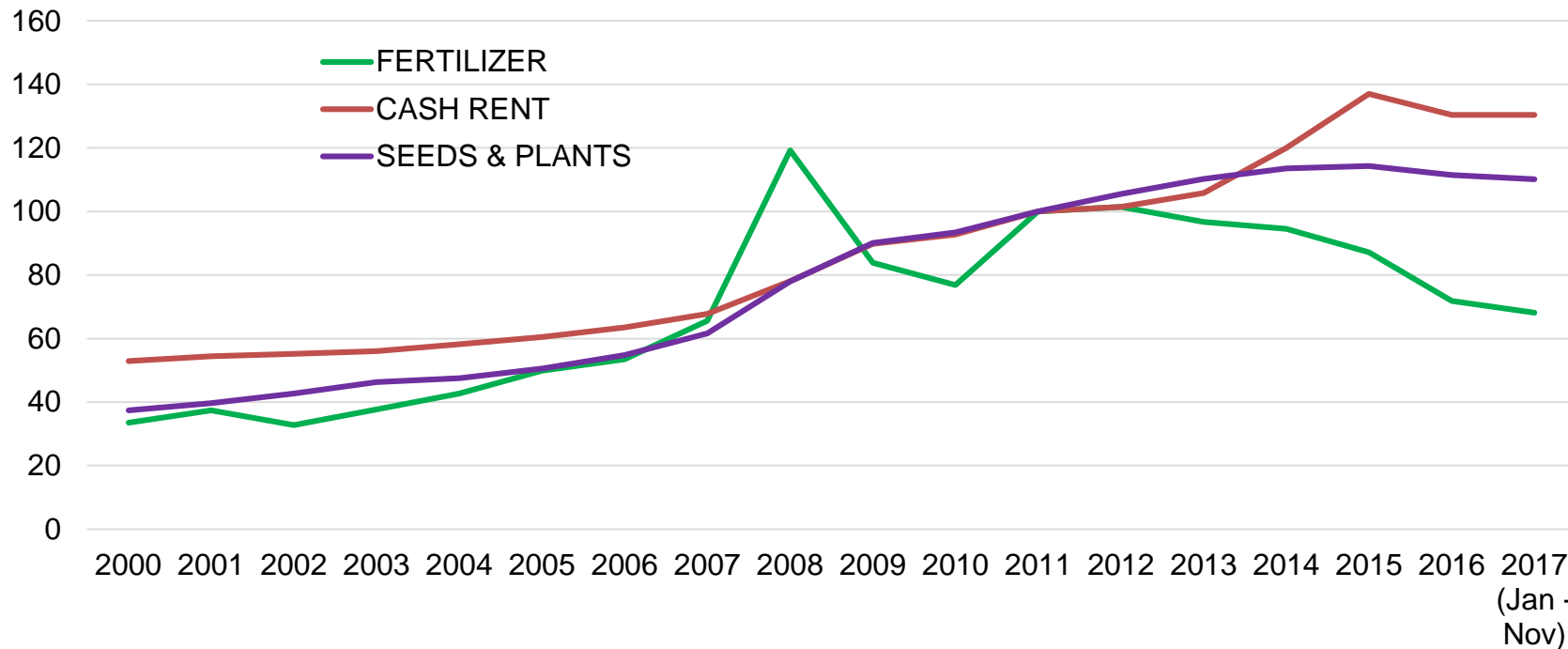




# Cash rent and seed prices have declined recently, but still high



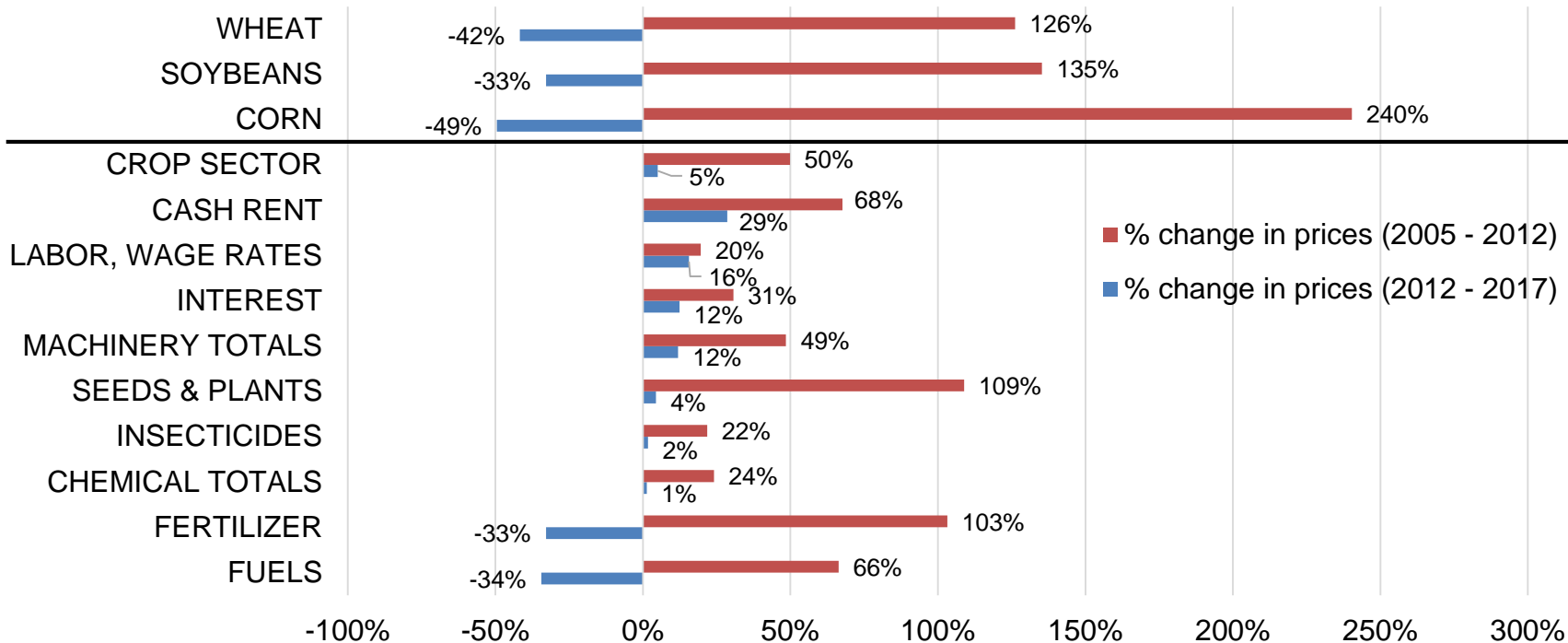
Index of Prices Paid (2011 = 100)



Source: USDA, NASS.



# Most input prices continued to rise despite collapse in grain prices



Source: USDA, NASS.

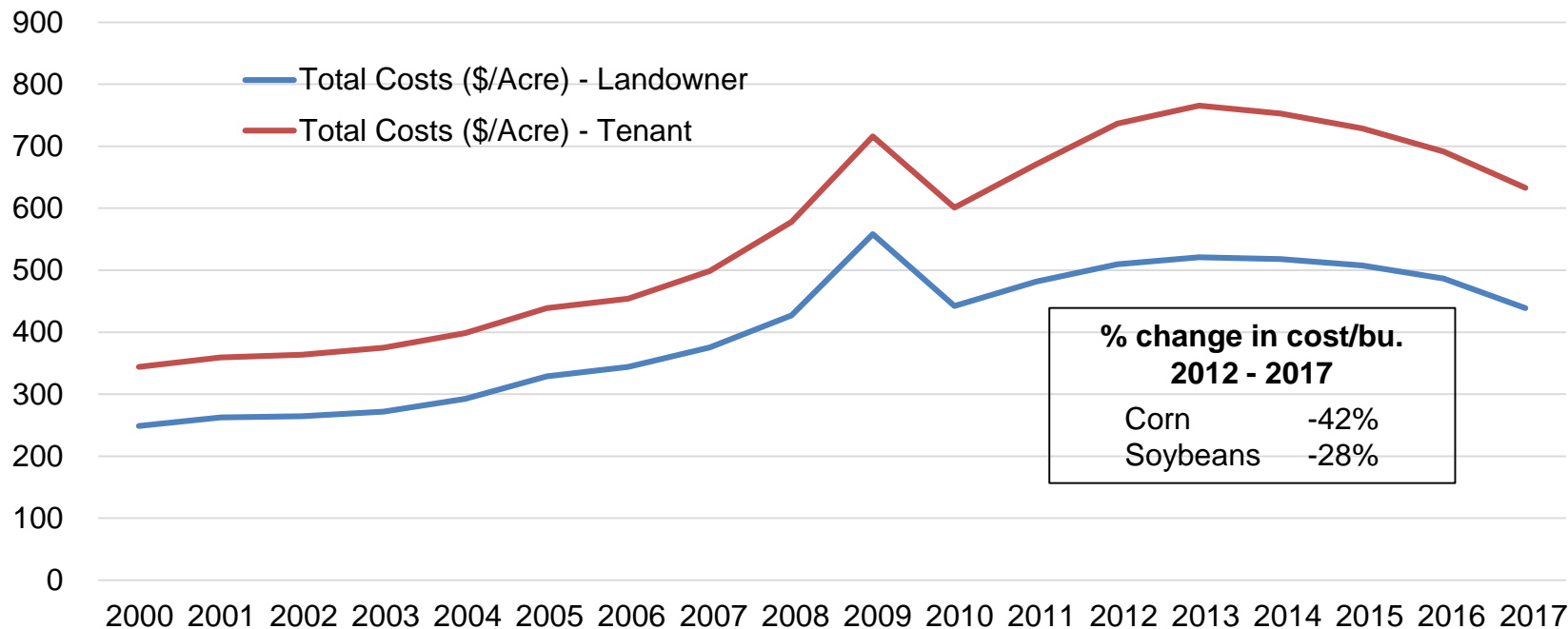
Percent change in crop prices measured in dollars/bu. Percent change in input prices based on index for prices paid, 2011.



# Iowa corn farmers' cost per acre is down just 14% since 2012



Dollars/Acre



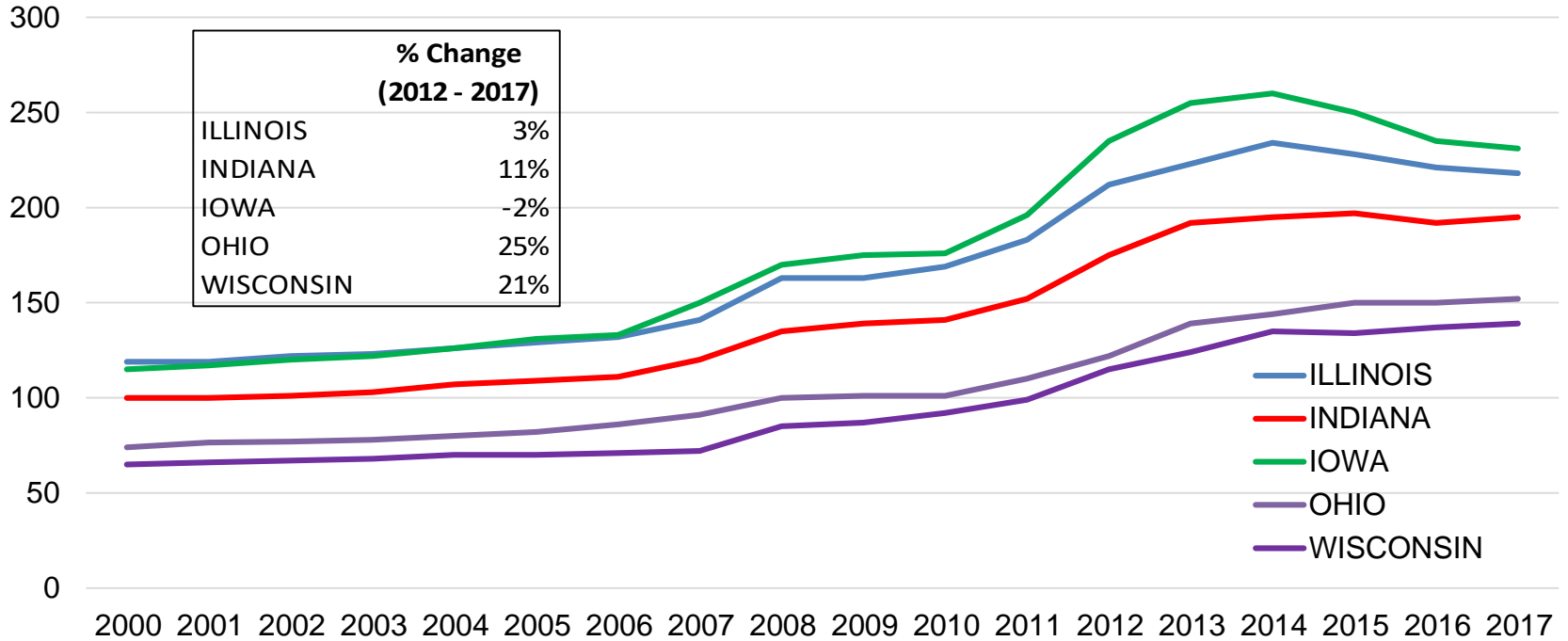
Source: Iowa State University.



# Cash rents peaked in 2014 in some Midwest states; still rising in others



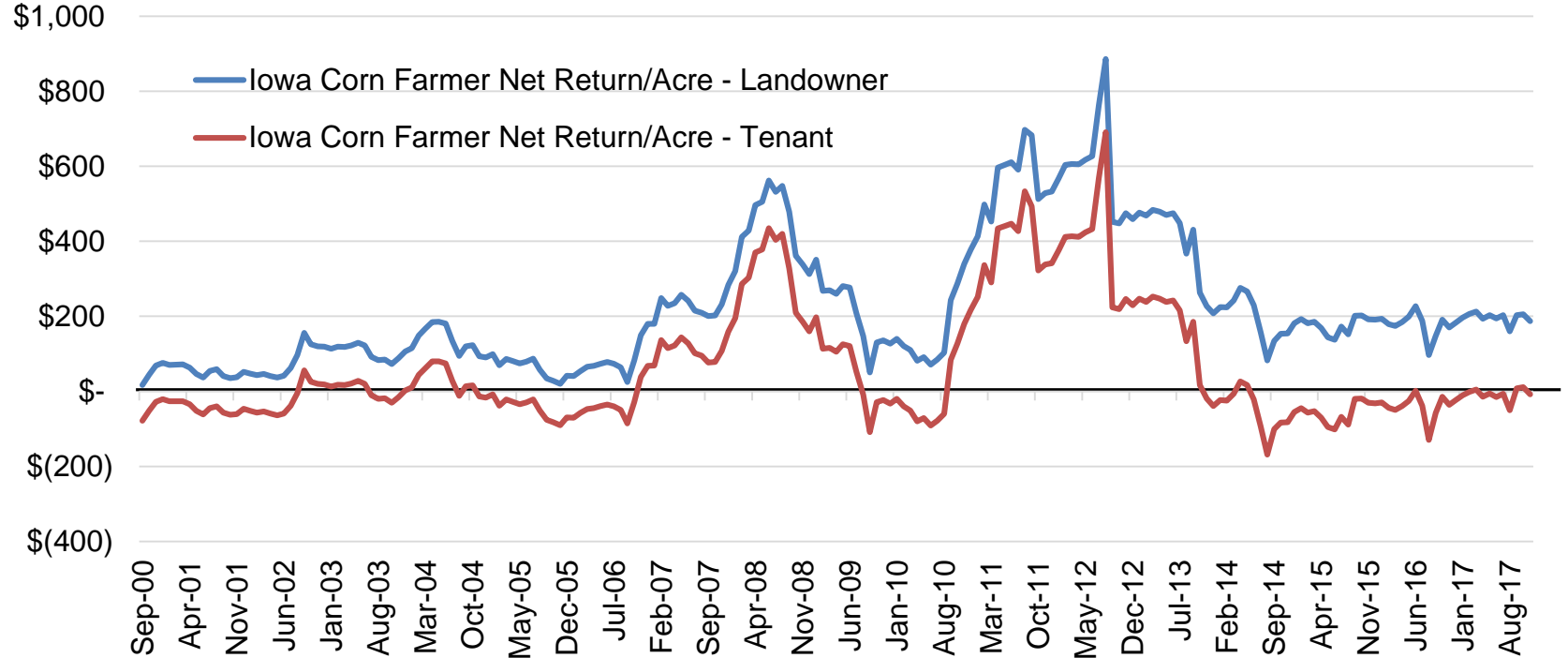
Cash Rent (\$/acre)



Source: USDA, NASS.



# Lower cash rent can be critical to the survival of some farmers



Source: Iowa State University.



# Why Have Cash Rents Not Declined More?

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- Landlords didn't share in the high returns during "fat" years – now catching up
- Many expect that commodity prices will increase in coming years
- Intense competition to rent farmland

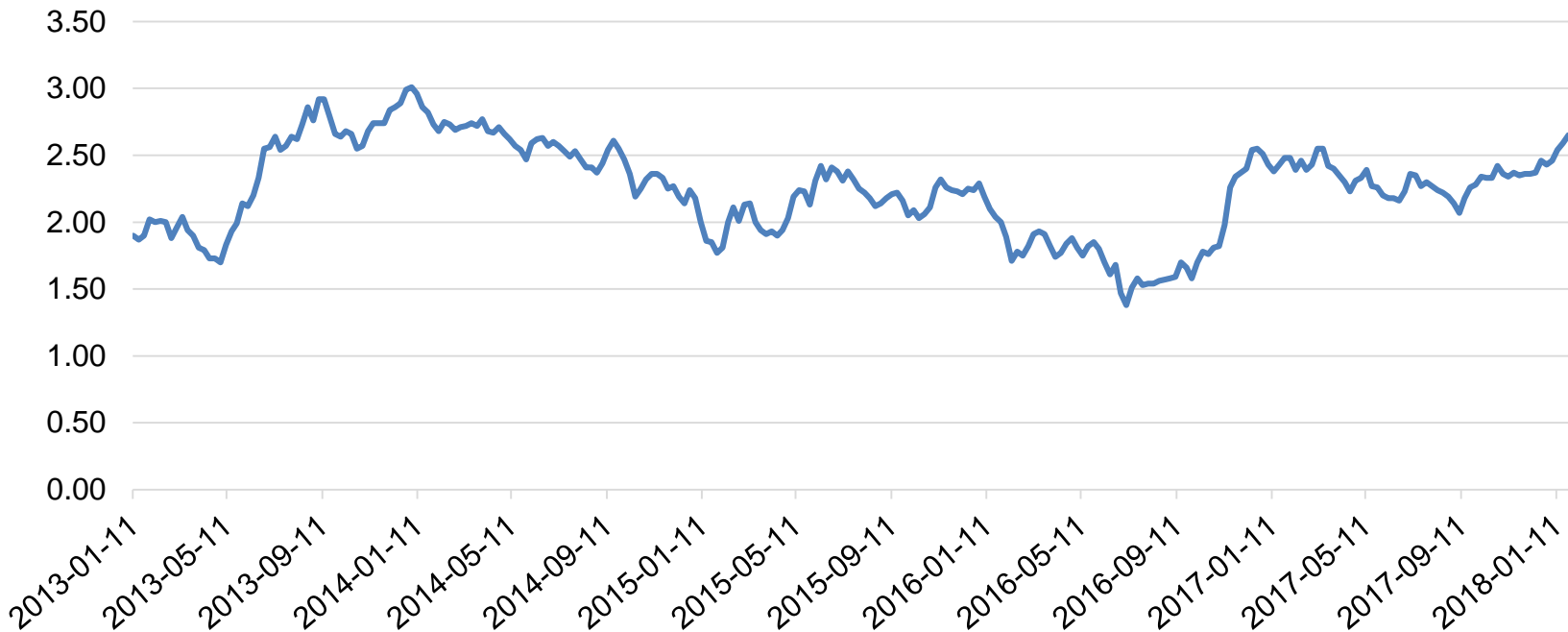
Source: Schnitkey, G. "Illinois Farmland Rents: 2017 State Values and 2018 Outlook." *farmdoc daily* (7):143, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, August 8, 2017.





# Long-term interest rates have been rising since September 2017

10-Year Treasury Constant Maturity Rate, Percent, Weekly

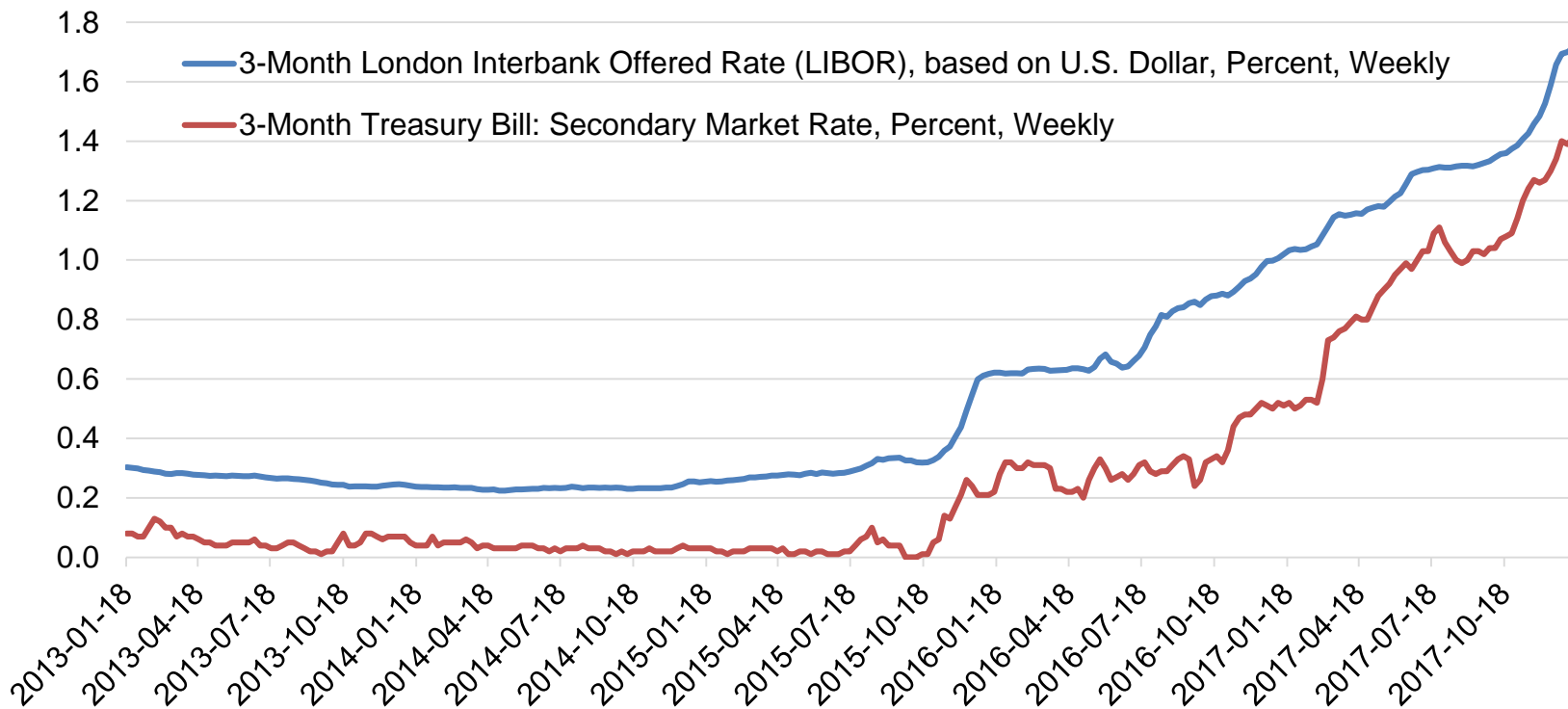


Source: Board of Governors of the Federal Reserve System.





# Short-term interest rates have been rising since October 2015



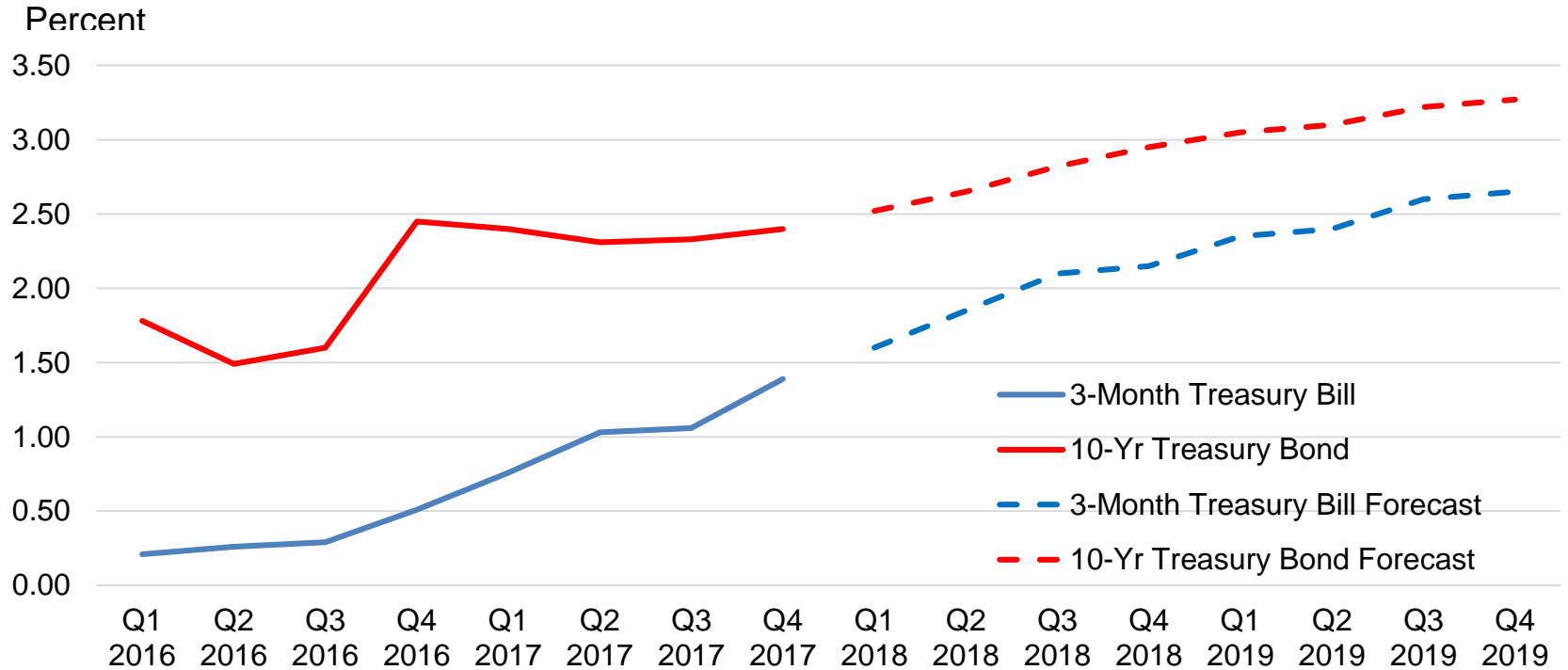
Source: Board of Governors of the Federal Reserve System, IBA.







# Interest rates are forecast to continue to rise



Source: Federal Reserve Board, Forecasts are from Wells Fargo Securities.



# Summary

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- The reduction in costs/acre have lagged the decline in crop prices
- Strong yields in recent years helped support incomes
- Cash rents have been declining in some Midwestern states, but, they are declining slowly
- Fertilizer and cash rents account for most of the decline in costs per acre in several Midwestern states
- Interest rates are rising, posing a risk to land values and cash flow





# Questions

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**THANK YOU**

Farm Credit Administration

1501 Farm Credit Drive  
McLean, VA 22102-5090  
(703) 883-4000

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**CERTIFICATE OF CLOSED MEETING**

The General Counsel, in accordance with the Government in the Sunshine Act, 5 U.S.C. § 552b(f)(1), hereby certifies that the Farm Credit Administration Board regular meeting of February 8, 2018, was properly closed to the public on the basis of the exemption set forth below:

- Supervisory and Oversight Activities of FCS Institution(s) – 5 U.S.C. § 552b(c)(8) and (9).

February 8, 2018  
\_\_\_\_\_  
Date

\_\_\_\_\_  
/s/  
Charles R. Rawls  
General Counsel