

Dallas P. Tonsager, Chairman and Chief Executive Officer
Jeffery S. Hall, Board Member
Kenneth A. Spearman, Board Member (by telephone)



**MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
March 9, 2017**

These minutes reflect the business transacted at the March 9, 2017, Regular Meeting of the Farm Credit Administration Board (FCA Board) pursuant to the Government in the Sunshine Act (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 9:31 a.m. Members of the Board present were:

Dallas P. Tonsager, Chairman and Chief Executive Officer
Jeffery S. Hall, Member
Kenneth A. Spearman, Member (by telephone)

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 Farm Credit System Insurance Corporation (FCSIC); and two members of the general public. (A list of staff attendees is attached as Exhibit A.)

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

The **Board Chairman** 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. Spearman 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. Spearman noted that the Agenda did **not** include any items that should be discussed in closed session, as permitted by the Government in the Sunshine Act, and therefore moved that the entire meeting remain open to the public.

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 February 9, 2017 (BM-9-MAR-17-01)

Mr. Hall moved to approve the minutes for the February 9, 2017, FCA Regular Board Meeting.

Mr. Spearman 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-9-MAR-17-01)**

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

Report

Annual Farm Credit System Funding Update

David Lewandrowski of the Office of Regulatory Policy presented the Annual Farm Credit System Funding Update Report.

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

There was no further discussion.

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

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. Hall moved that the meeting be adjourned.

Mr. Spearman seconded the motion.

Board Chairman Tonsager called the question.

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

The meeting adjourned at 9:31 a.m.

NOTATIONAL VOTE ACTIONS

There were three notational vote actions approved by the FCA Board from February 10, 2017, through March 8, 2017 as follows:

Item Number	Action Date	Voting Results	Subject
NV 17-04	2/16/2017	Approved	Proposed Merger of Badgerland, ACA and 1 st FCS, ACA; with and into Agstar, ACA, and name change to Compeer Financial, ACA subject to certain conditions. If the voting stockholders of the three associations vote to approve the plan of merger and all conditions for final approval are met, the merger will take effect on July 1, 2017.
NV 17-05	3/6/2017	Approved	Proposed Merger of United Farm Credit Services, ACA with and into AgCountry Farm Credit Services, ACA subject to certain conditions. If all requirements for the final approval are satisfied, the merger will take effect on July 1, 2017.
NV 17-06	3/8/2017	Approved	Removal of regulatory capital conditions and limitations FCA had previously imposed on System institutions' outstanding issuances of preferred stock and subordinated debt to outside investors (i.e., investors other than the cooperative member-borrowers of the institutions) and confirmed the regulatory capital treatment of these issuances under FCA's new tier 1/tier 2 capital rule. The new capital rule became effective on January 1, 2017.

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on March 9, 2017.

_____/s/
Dallas P. Tonsager
Chairman and Chief Executive Officer

_____/s/
Dale L. Aultman
Secretary to the Board

Approved: April 13, 2017

**STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
March 9, 2017**

Dallas P. Tonsager, Chairman and Chief Executive Officer
Jeffery S. Hall, Board Member
Kenneth A. Spearman, Board Member (by telephone)

OFFICE	OPEN SESSION
Office of the Board	
Aultman, Dale	X
Middleton, Russell	X
Laguarda, Wendy	X
Corey, Kathryn	X
Kramp, Kevin	X
Calhoun, Gaye	X
EEOI	
Burlew, Thais	X
COO	
Hoffman, Bill	X
OIT	
Golley, Jerald	X
OCPA	
Stokke, Mike	X
Meaux, Willy	X
OSMO	
Rea, Laurie	X
OGC	
Rawls, Charles	X
Strickland, Joy	X

OFFICE	OPEN SESSION
OE	
Coleman, Robert	X
Paulsen, Roger	X
OIG	
Dean, Elizabeth	X
ORP	
Van Meter, Gary	X
Mardock, Barry	X
Lewandrowski, David	X
OCFO	
Smith, Stephen	X
OAS	
Fowlkes, Jerome	X
FCSIC	
Rubin, Howard	X
Pfitzinger, Rick	X
GENERAL PUBLIC	2

**PUBLIC ANNOUNCEMENT OF
MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT
Farm Credit Administration Board
Regular Meeting
March 9, 2017**

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 March 9, 2017. 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. 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). Please send an e-mail to 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

- 1 **Approval of Minutes**
 February 9, 2017

- 2 **Report**
 Annual FCS Funding Update

February 28, 2017

Date

/s/
Mary Alice Donner
Acting Secretary to the Board

Farm Credit Administration

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

BOARD ACTION ITEM



FCA BOARD ACTION ON

Minutes for February 9, 2017 Regular Board Meeting

BM-9-MAR-17-01

Effective Date: March 9, 2017

Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the minutes for February 9, 2017, Regular Board Meeting as submitted.

DATED THIS 9th DAY OF MARCH 2017

BY ORDER OF THE BOARD

_____/s/
Dale L. Aultman
Secretary to the Board



The Farm Credit System's Funding Conditions



Recent High Finance Headlines

- Federal Reserve Eyes Aggressive Rate Increases





Recent High Finance Headlines

- U.S. Government bonds dropped sharply Wednesday, pushing the yield on the two-year Treasury note to its highest close in more than seven years.





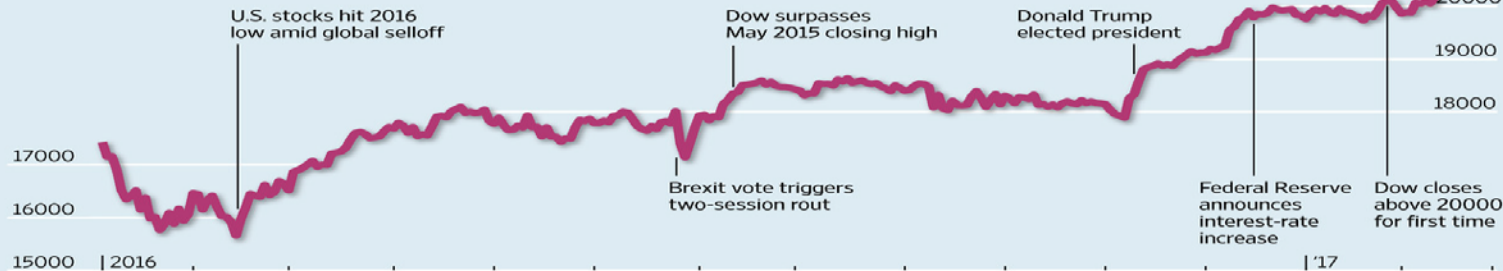
Recent High Finance Headlines



Wednesday's stock-market rally echoed the response to the Nov. 8 U.S. election, when investors bet market-friendly policy shifts would help boost economic growth, inflation and interest rates.

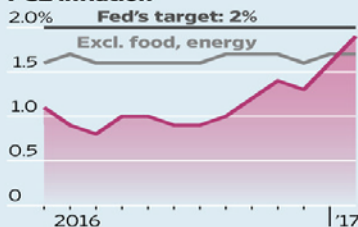
Wednesday
21115.55

The Dow has now risen more than 2,000 points in just a few months...



...reflecting in part optimism that faster inflation and growth point to a more-normal economy with a stronger dollar and higher bond yields.

PCE inflation*



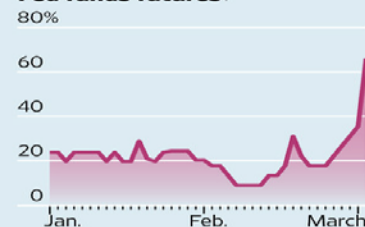
WSJ Dollar index



Yield on two-year Treasury note



Fed funds futures†



*Personal consumption expenditures, a gauge favored by the Federal Reserve. †Reflecting market expectations that the Fed will raise short-term rates at its next meeting, March 14-15. Sources: WSJ Market Data Group (Dow, dollar); Commerce Department (inflation); Tullett Prebon (treasuries); CME Group (fed funds futures).

THE WALL STREET JOURNAL.



Funding Conditions Topics



- Global Market
- Agency Debt Market
- Yields & Spreads on FCS Debt
- Funding Corporation Activity
- FCS Liquidity



Global Market



- Federal Reserve
- E.C.B., Bank of England, Bank of Japan
- U.S. Treasury
- China



Credit Rating Agencies - Outlook for the United States

- Standard & Poors – AA+
Outlook – Stable
- Moody's – Aaa
Outlook – Stable
- Fitch – AAA
Outlook – Stable





Agency Debt Outstanding

Billions of Dollars	2012	2013	2014	2015	2016
F.H.L.B.	\$ 688	\$ 767	\$ 847	\$905	\$ 989
Fannie Mae	622	534	460	390	329
Freddie Mac	552	511	450	418	354
FCS	197	207	222	242	258
Tenn.V.A.	25	25	25	25	25
Farmer Mac	12	12	13	14	14
Total	\$2,096	\$2,056	\$2,017	\$1,994	\$1,969





Funding Corp.'s Dealer Group



Barclays Capital Inc.
Cantor Fitzgerald & Co
Citigroup Global Mkts.
Daiwa Capital Mkts. America Inc.
Deutsche Bank Securities Inc.
First Tennessee Bank N.A.
Goldman, Sachs & Co.
HSBC Securities (USA) Inc.
INTL FCStone Fin. Inc. - BD Rates Div.
Incapital LLC
J.P. Morgan Securities LLC
Jefferies LLC
Merrill Lynch, Inc.
Mizuho Securities USA Inc.

Morgan Stanley & Co. LLC
Nomura Securities Inter. Inc.
Piper Jaffray & Co.
RBC Capital Markets, LLC
RBS Securities Inc
Raymond James & Associates
Robert W. Baird & Co. Inc.
Stifel, Nicolaus & Company Inc
SunTrust Robinson Humphrey Inc.
TD Securities (USA) LLC
UBS Securities LLC
Vining-Sparks IBG, Ltd. Partnership
Wells Fargo Securities, LLC



Funding Activity by FCS



(\$ millions)	Discount Notes	Designated Bonds	Fixed Rate Bonds		Floating Rate Bonds			Retail Bonds	Other ¹	Total
			Callable	Non-Callable	LIBOR	Prime	Other			
12/31/2016	29,603	4,500	59,964	68,003	81,324	7,975	6,545	252	22	257,918
12/31/2015	31,371	5,000	58,789	60,424	71,355	8,050	6,850	383	24	242,245
12/31/2014	23,975	8,200	56,509	57,534	59,170	7,225	8,850	389	28	221,879
12/31/2013	18,643	11,375	56,465	57,222	42,285	7,370	12,790	405	38	206,594
12/31/2012	14,557	15,325	52,020	50,113	41,955	7,505	14,771	225	46	196,516

¹ Includes Linked Deposits

Source: FFCBFC Website



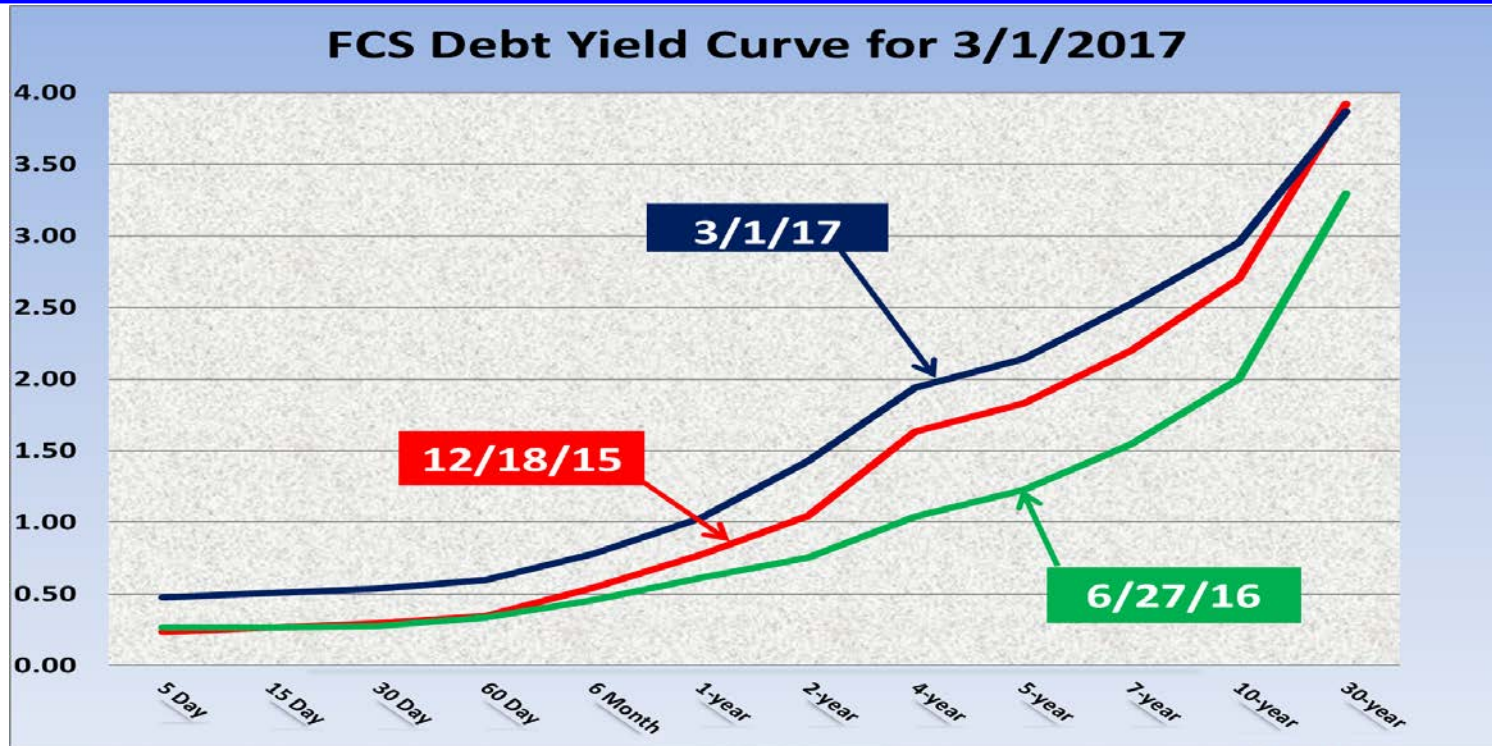
System High Level Financials



- Assets – \$319.9 billion (+ 5.4%)
- Cash & Invt. – \$ 62.6 billion (+ 5.3%)
- Capital – \$ 52.3 billion (+ 7.1%)
- Net Income – \$ 4.8 billion (+ 3.4%)



FCS Debt Yields Increasing

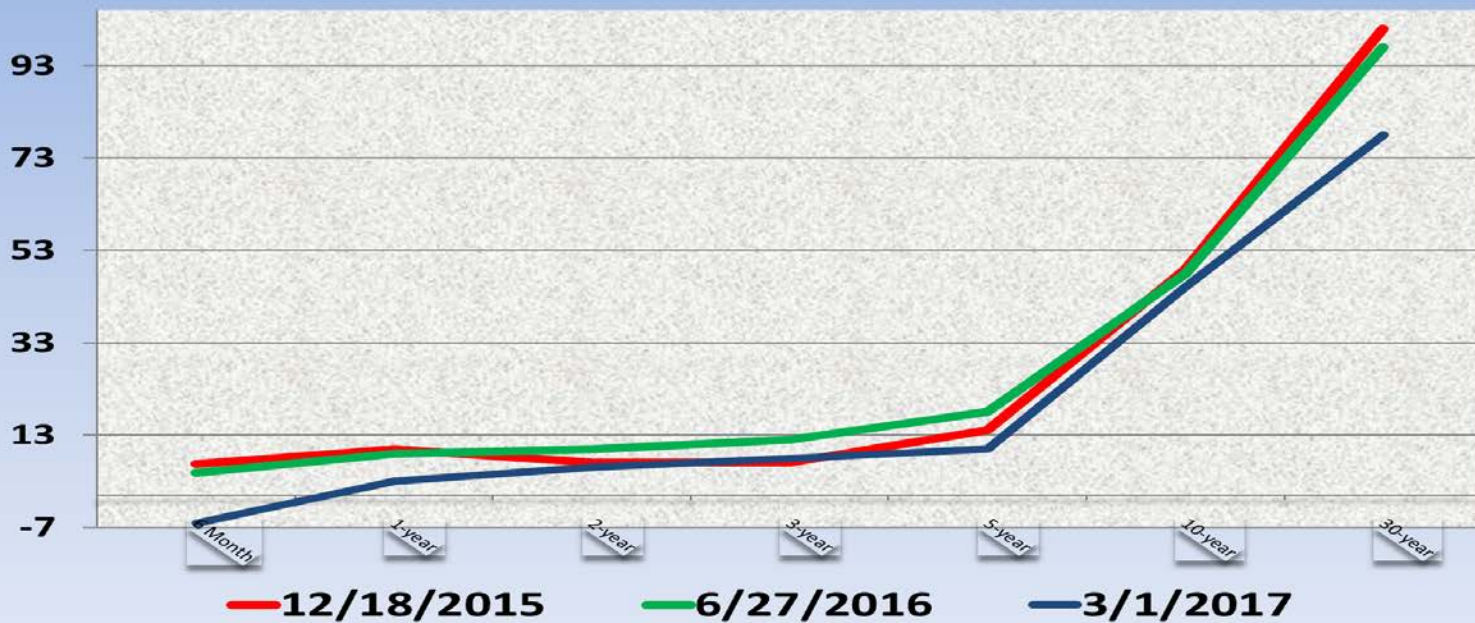




Tight Spreads over Treasuries



FCS Basis Points Spread over Treasuries





Resurgence in Call Activity



- **Calls in '16 – \$ 58 billion**
- Calls in '15 – \$ 34 billion
- Calls in '14 – \$ 19 billion
- Calls in '13 – \$ 24 billion
- Net Interest Spreads
 - **2.31% '16** versus 2.40% for '15, 2.50% for '14, and 2.64% for '13₂₁



Debt Maturity

- Weighted Average Maturity of FCS Debt has ebbed lower.

- ❖ Dec./2016 – 2.72 years
- ❖ Dec./2015 – 2.81 years
- ❖ Dec./2014 – 2.71 years
- ❖ Dec./2013 – 2.96 years



Debt Maturity

➤ Percentage of Debt maturing within a year.

- ❖ Dec./2016 – 40.3 percent
- ❖ Dec./2015 – 37.6 percent
- ❖ Dec./2014 – 38.6 percent
- ❖ Dec./2013 – 33.8 percent





Days of Liquidity



- As of 12/31/16 System = 180 days:
 - AgFirst = 201 days, AgriBank = 143 days,
 - FCB of TX = 199 days, CoBank = 197 days
- As of 12/31/15 System = 181 days:
 - AgFirst = 206 days, AgriBank = 136 days,
 - FCB of TX = 200 days, CoBank = 199 days



Investments for Liquidity

FCS Investments Available-For-Sale

(Fair Value at 12/31/16 by contractual maturity)

(\$ millions)	Due in 1 year or less	Due after 1 year - 5 years	Due after 5 years - 10 years	Due after 10 years	Total	Weighted Avg. Yield
Commercial paper, CDs, bankers' acceptances, and other securities	5,660	145	0	0	5,805	1.07%
US Treasury securities	3,826	8,916	2,802	0	15,544	1.36
US agency securities	1,558	1,592	2,315	0	5,465	1.62
Mortgage-backed securities	13	1,245	2,225	21,860	25,343	1.66
Asset-backed securities	4	1,776	29	761	2,570	1.23
Total fair value	\$11,061	\$13,674	\$7,371	\$22,621	\$54,727	1.49%
Total amortized cost	\$11,058	\$13,655	\$7,453	\$22,673	\$54,839	



Summary

- Strong Demand for FCS Debt
- Debt Yields Rising
- Risk Premiums Very Favorable
- Interest Rate Spreads Continue to Narrow
- Bottom Line Benefitting Less
- Substantial High Quality Liquidity

