

Kenneth A. Spearman, Board Chairman and Chief Executive Officer
Dallas Tonsager, Board Member
Jeffery S. Hall, Board Member



**MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
September 8, 2016**

These minutes reflect the business transacted at the September 8, 2016, 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 10:15 a.m. Members of the Board present were:

Kenneth A. Spearman, Board Chairman and Chief Executive Officer (by telephone)
Dallas Tonsager, Member
Jeffery S. Hall, 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 Farm Credit System Insurance Corporation (FCSIC); and one member 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. Tonsager moved to adopt the Agenda as published.

Mr. Hall seconded the motion.

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

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

Mr. Hall noted that the Agenda did include a portion 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. Tonsager seconded the motion.

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

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

OPEN SESSION

Approval of Minutes

Minutes for August 11, 2016 Regular Board Meeting (BM-8-SEP-16-01)

Mr. Tonsager moved to approve the minutes for August 11, 2016, FCA Regular Board Meeting.

Mr. Hall seconded the motion.

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

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-8-SEP-16-01)**

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

New Business

Final Rule: Amendment of Freedom of Information Act (FOIA) Regulations Required by the FOIA Improvement Act of 2016 (BM-8-SEP-16-02)

Mike Wilson of the Office of Regulatory Policy and **Autumn Agans** of the Office of General Counsel presented the Final Rule: Amendment of Freedom of Information Act (FOIA) Regulations Required by the FOIA Improvement Act of 2016.

Board Chairman Spearman opened the discussion for questions by the Board.

Board Chairman Spearman asked if there was any further discussion and asked staff to provide their recommendation. Staff provided their recommendation.

Board Chairman Spearman called for a motion on the staff's recommendation.

Mr. Hall moved that the Board approve the Final Rule: Amendment of Freedom of Information Act Regulations Required by the FOIA Improvement Act of 2016.

Mr. Tonsager seconded the motion.

Board Chairman Spearman asked if there was any further discussion.

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

The **Secretary** polled the Members and the motion carried unanimously. (**BM-8-SEP-16-02**)

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

Reports

Quarterly Report on Economic Conditions and FCS Conditions

Steve Gabriel of the Office of Regulatory Policy and **Hal Johnson** of the Office of Examination presented the Quarterly Report on Economic Conditions and FCS Conditions.

Board Chairman Spearman 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 E.)

CLOSED SESSION

The **Board Chairman** noted that this was a Closed Session and ensured that members of the public and nonessential FCA and FCSIC staff were not in the room so the Board could meet with Office of Examination staff in Closed Session.

Board Chairman Spearman convened the closed session of the meeting at 9:57 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.

The **Board Chairman** then instructed the **General Counsel** to furnish the **Secretary** with a certification, pursuant to 5 U.S.C. § 552b(f), that the portion of the meeting held in closed session may be properly closed to the public.

(A copy of the Certification is attached hereto as Exhibit F.)

Members of the Board present were:

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

The above named constitute the full Board.

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

Office of Examination Quarterly Report

Robert Coleman and **Roger Paulsen** of the Office of Examination presented the update on OE Supervisory and Oversight Activities.

Board Chairman Spearman 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 Spearman** indicated that he would entertain a motion to adjourn the meeting.

Mr. Tonsager moved that the meeting be adjourned.

Mr. Hall seconded the motion.

Board Chairman Spearman called the question.

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

The meeting adjourned at 10:15 a.m.

NOTATIONAL VOTE ACTIONS

There were two notational vote actions approved by the FCA Board from August 12, 2016, through September 7, 2016 as follows:

Item Number	Action Date	Voting Results	Subject
NV 16-15	8/26/2016	Approved	Authorized the Chief Financial Officer to reallocate funds within FCA's approved fiscal year 2016 budget in order to better utilize remaining 2016 funds to meet the Agency's safety and soundness goals
NV 16-16	8/31/2016	Approved	Fall 2016 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions and Fall 2016 Regulatory Project Plan

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on September 8, 2016.

_____/s/
Kenneth A. Spearman
Board Chairman and Chief Executive Officer

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

Approved: **October 13, 2016**

**STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
September 8, 2016**

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

OFFICE	OPEN SESSION	CLOSED SESSION
Office of the Board		
Aultman, Dale	X	X
Middleton, Russell	X	X
Corey, Kathryn	X	
Kramp, Kevin	X	X
Calhoun, Gaye	X	
Laguarda, Wendy	X	X
OCPA		
Stokke, Mike	X	X
Meaux, Willy	X	X
OIT		
Golley, Jerry	X	X
OSMO		
Hudson, Bruce	X	X
OGC		
Rawls, Charles	X	X
Strickland, Joy	X	X
Agans, Autumn	X	

OFFICE	OPEN SESSION	CLOSED SESSION
OE		
Coleman, Robert	X	X
Paulsen, Roger	X	X
Johnson, Hal	X	X
OIG		
Dean, Elizabeth	X	X
ORP		
Van Meter, Gary	X	X
Gabriel, Steve	X	X
Wilson, Mike	X	
Gibbs, Paul	X	
OCFO		
Smith, Stephen	X	X
OAS		
Fowlkes, Jerome	X	X
FCSIC		
Pfitzinger, Rick	X	X
Rubin, Howard	X	X
GENERAL PUBLIC	1	

**PUBLIC ANNOUNCEMENT OF
MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT
Farm Credit Administration Board
Regular Meeting
September 8, 2016**

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 September 8, 2016. 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), and parts will be closed to the public. 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

Approval of Minutes
1 August 11, 2016

New Business
2 Final Rule: Amendment of Freedom of Information Act (FOIA) Regulations Required by the FOIA Improvement Act of 2016
3 Quarterly Report on Economic Conditions and FCS Conditions

CLOSED SESSION

4 Office of Examination Quarterly Report¹

August 30, 2016
Date

/s/
Dale L. Aultman
Secretary to the Board

¹Session Closed-Exempt pursuant to 5 U.S.C. Section 552b(c)(8) and (9).

Farm Credit Administration

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

BOARD ACTION ITEM



FCA BOARD ACTION ON

**Final Rule: Amendment of Freedom of Information Act (FOIA)
Regulations Required by the FOIA Improvement Act of 2016**

BM-8-SEP-16-02

Effective Date: September 8, 2016

THE FCA BOARD HEREBY:

1. Approves the Final Rule: Amendment of Freedom of Information Act (FOIA) Regulations Required by the FOIA Improvement Act of 2016
2. Authorizes staff to make any technical or grammatical changes that may be necessary prior to publication.

DATED THIS 8th DAY OF SEPTEMBER 2016

BY ORDER OF THE BOARD

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



FCA Board Meeting

September 2016

Quarterly Report on FCS Condition

September 8, 2016

Stephen Gabriel

Hal Johnson

Exhibit E





Topics for Open Session

- Economic Conditions Affecting the FCS
- FCS Condition and Performance





Economic Conditions Affecting the Farm Credit System

Stephen Gabriel
Chief Economist
Office of Regulatory Policy



Economic growth expected to continue at sub-par pace



Consensus Forecasts (percent)

Red indicates forecast

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
GDP growth*	2.0	2.6	2.0	0.9	0.8	1.2	2.8	2.5	2.2	2.3	2.1	2.0
CPI*	-2.9	2.4	1.4	0.8	-0.3	2.5	2.1	2.2	2.2	2.4	2.3	2.5
Unemployment rate	5.6	5.4	5.2	5.0	4.9	4.9	4.8	4.7	4.6	4.6	4.5	4.5
10 Yr T-Bond	2.0	2.4	2.0	2.2	1.8	1.5	1.6	1.8	1.9	2.1	2.3	2.5

Source: Consensus Economics, Inc.

Survey date - August 8, 2016

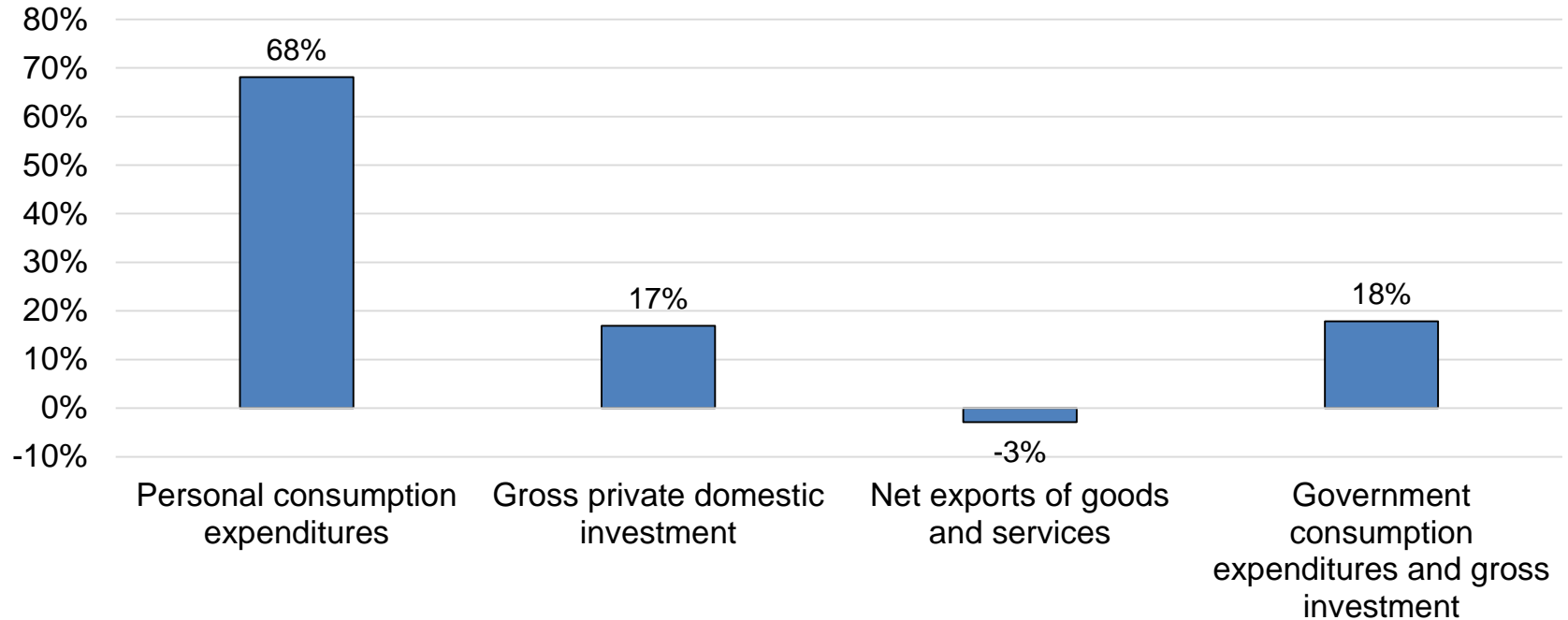
* % change from prior quarter, seasonally adjusted annual rate



Personal consumption accounts for the lion's share of the U.S. economy



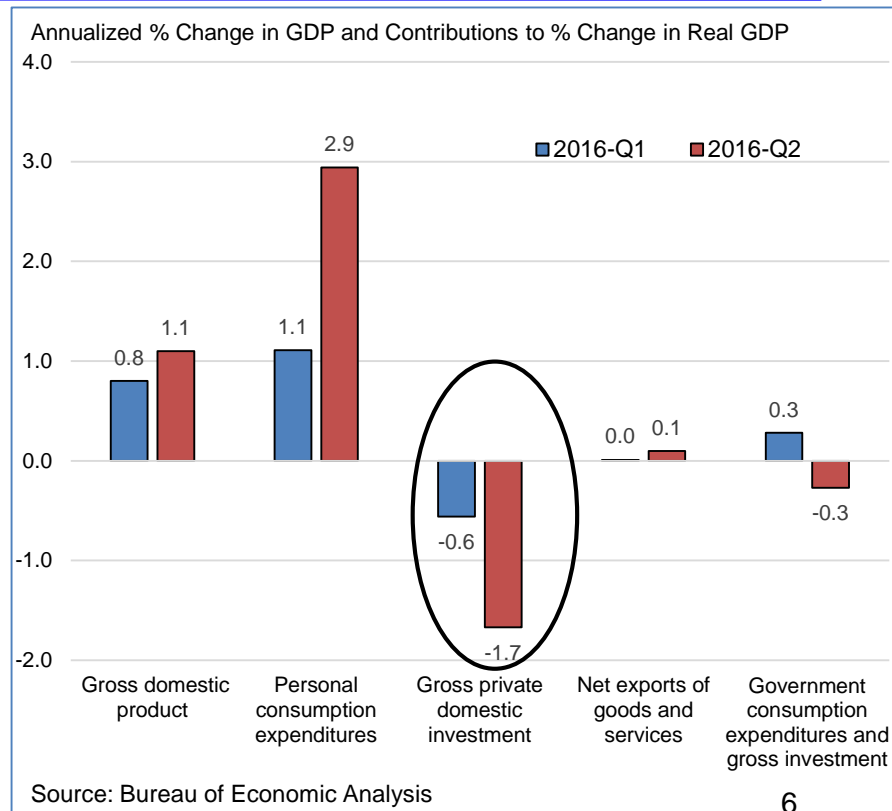
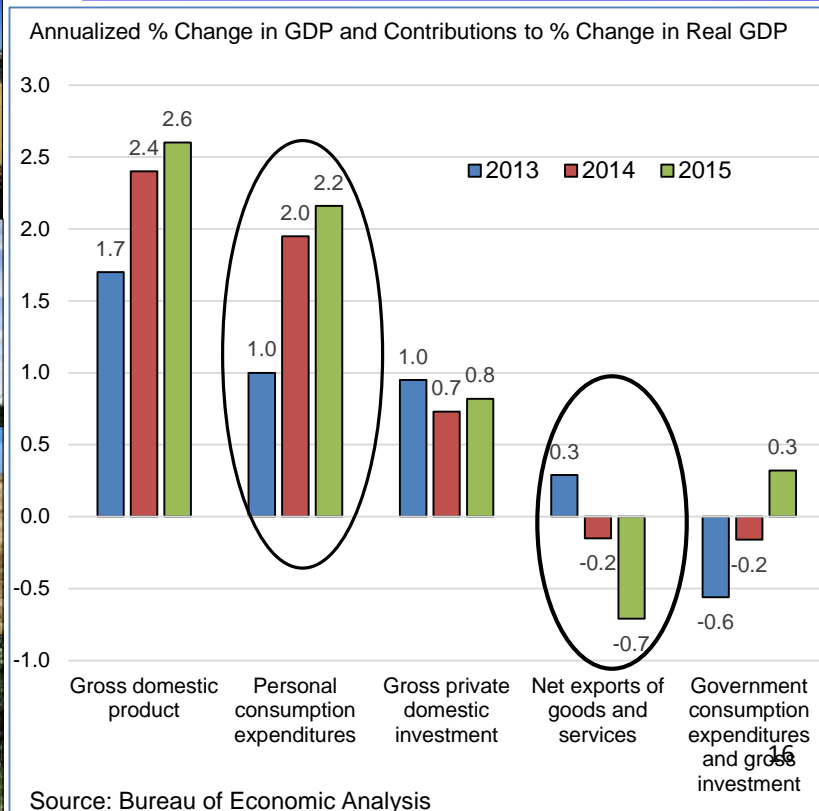
Economic Activity as a Percent of U.S. GDP, 2015



Source: Bureau of Economic Analysis



Domestic investment has become a drag on GDP growth





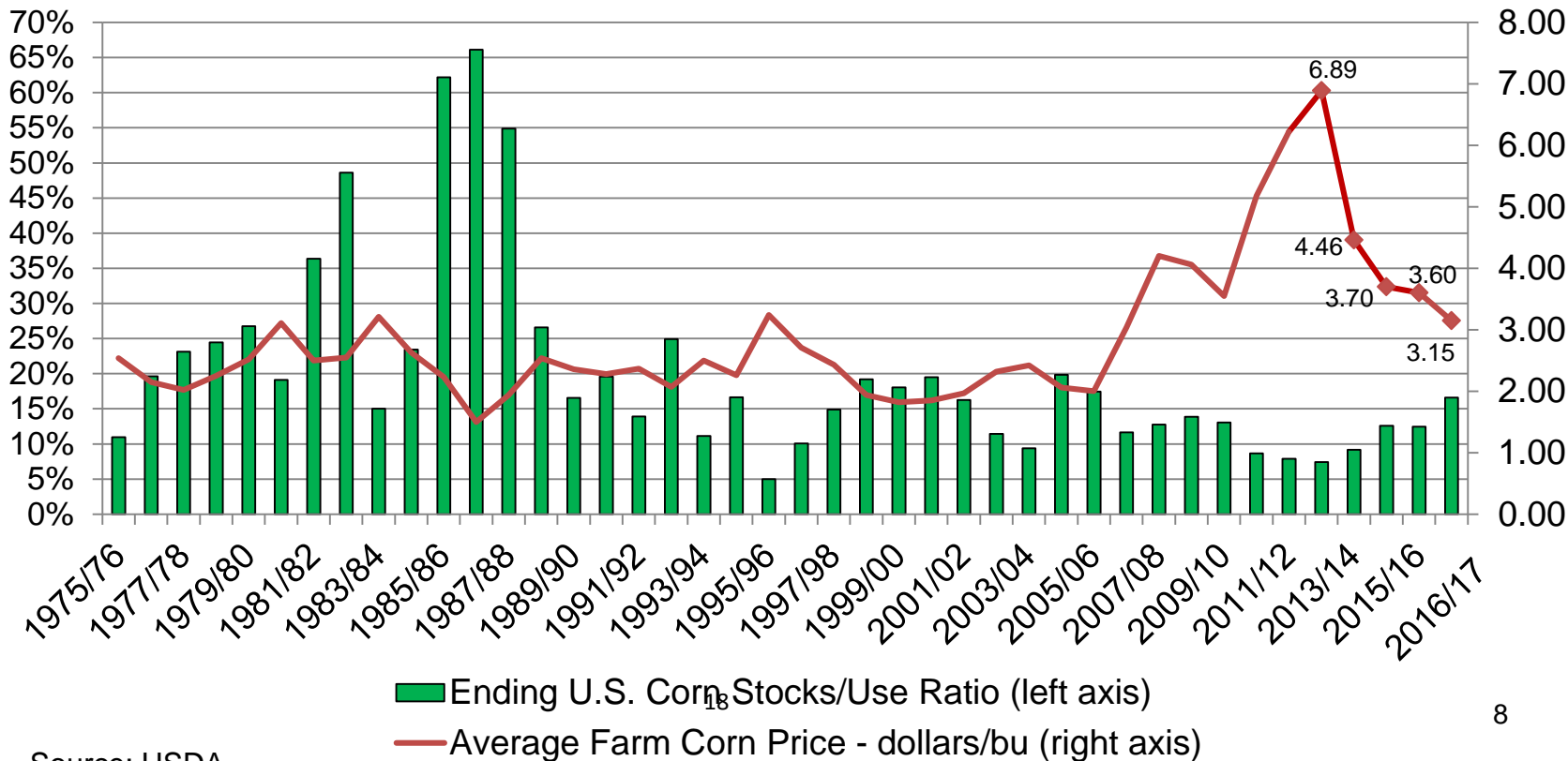
Farm sector developments and concerns

- USDA projecting record corn and soybean crops
- Corn and soybean exports projected to be strong in the next marketing year
- Continued concerns about shrinking grain and soybean profit margins and working capital
- Production growth in the protein and dairy sectors is pressuring prices and margins
- A soft landing for Midwest farmland markets?





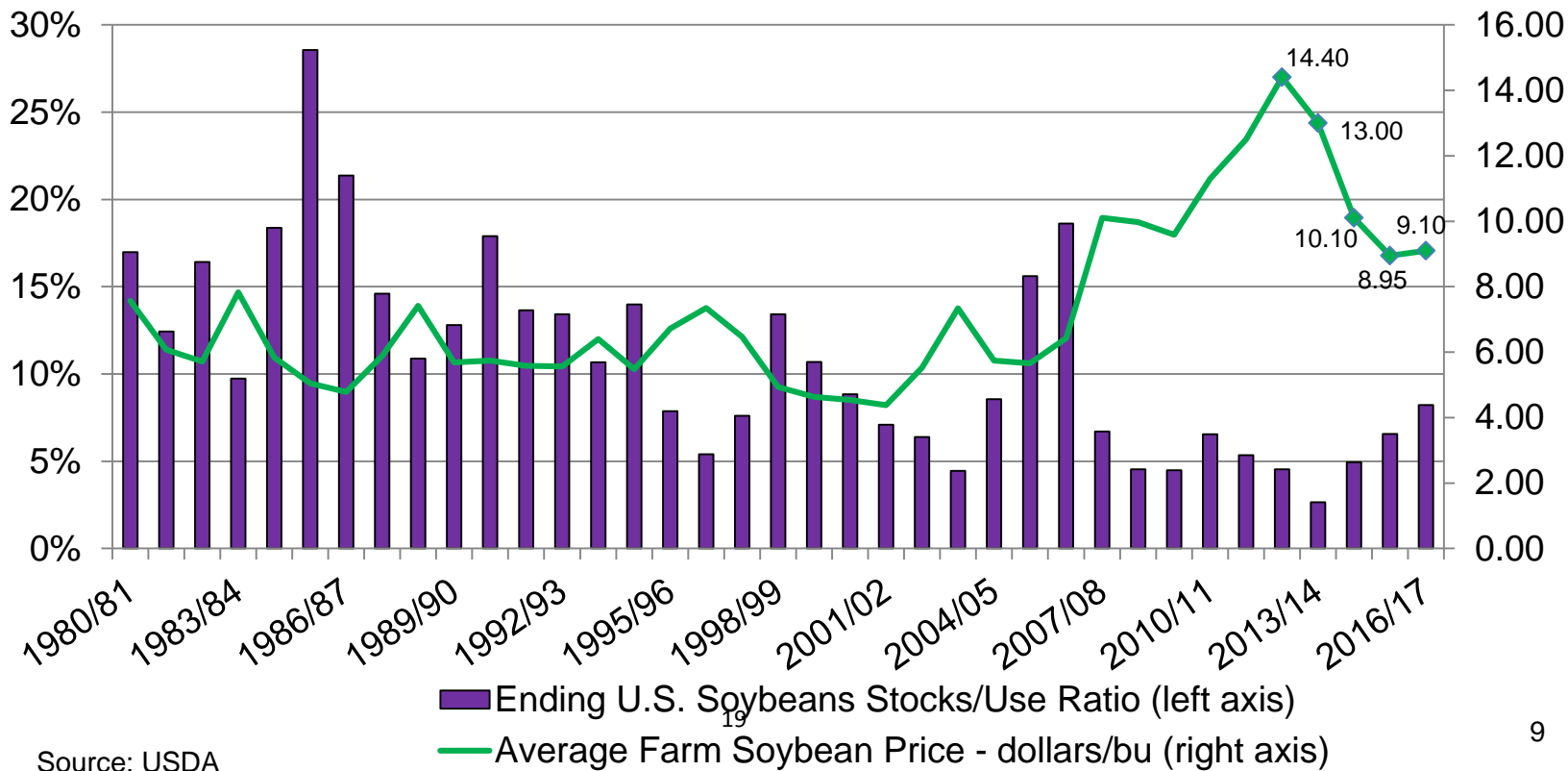
USDA projects sharply higher corn yields



Source: USDA



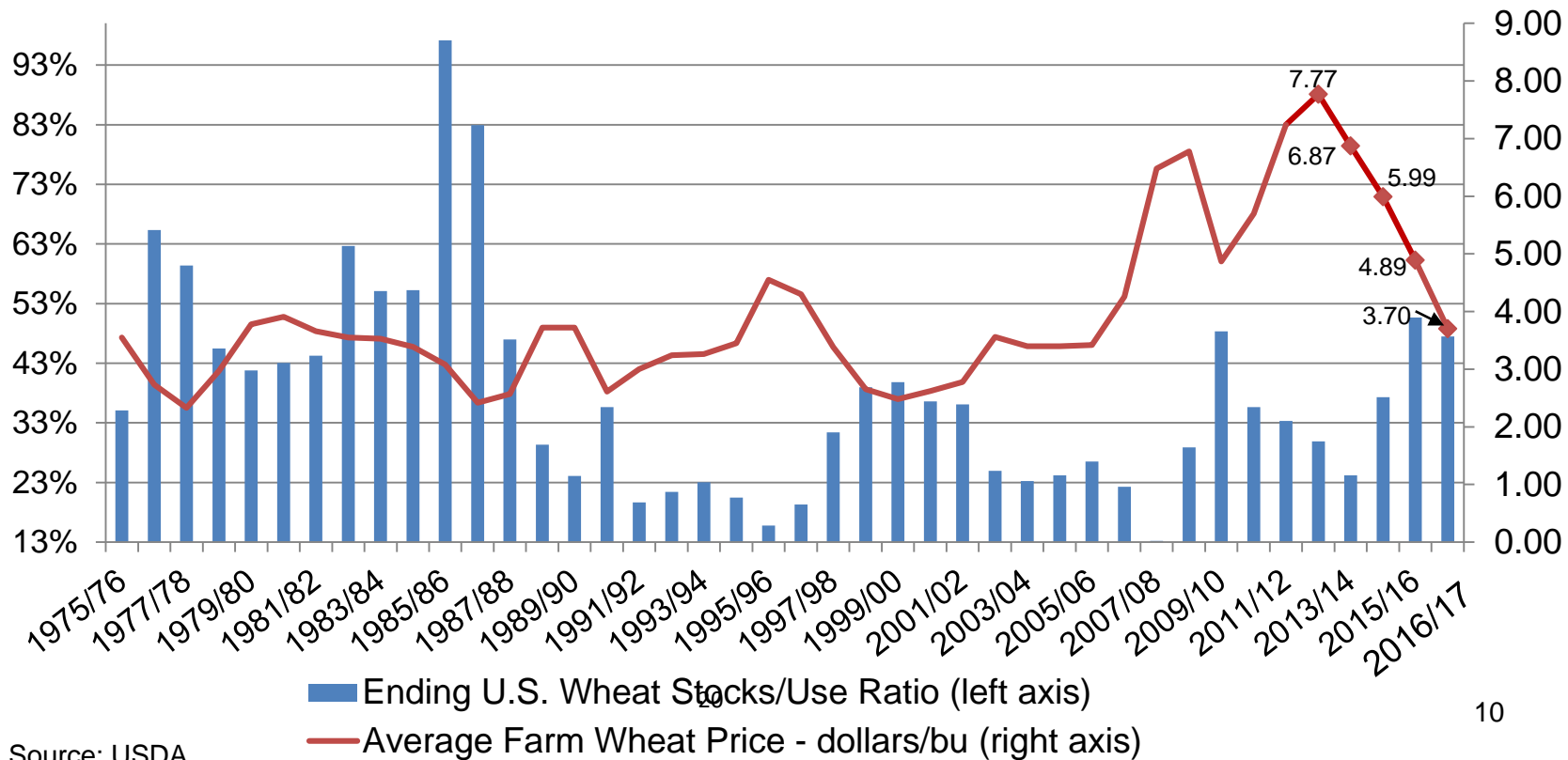
Soybean prices supported by strong export demand



Source: USDA



A world awash in wheat pressures prices



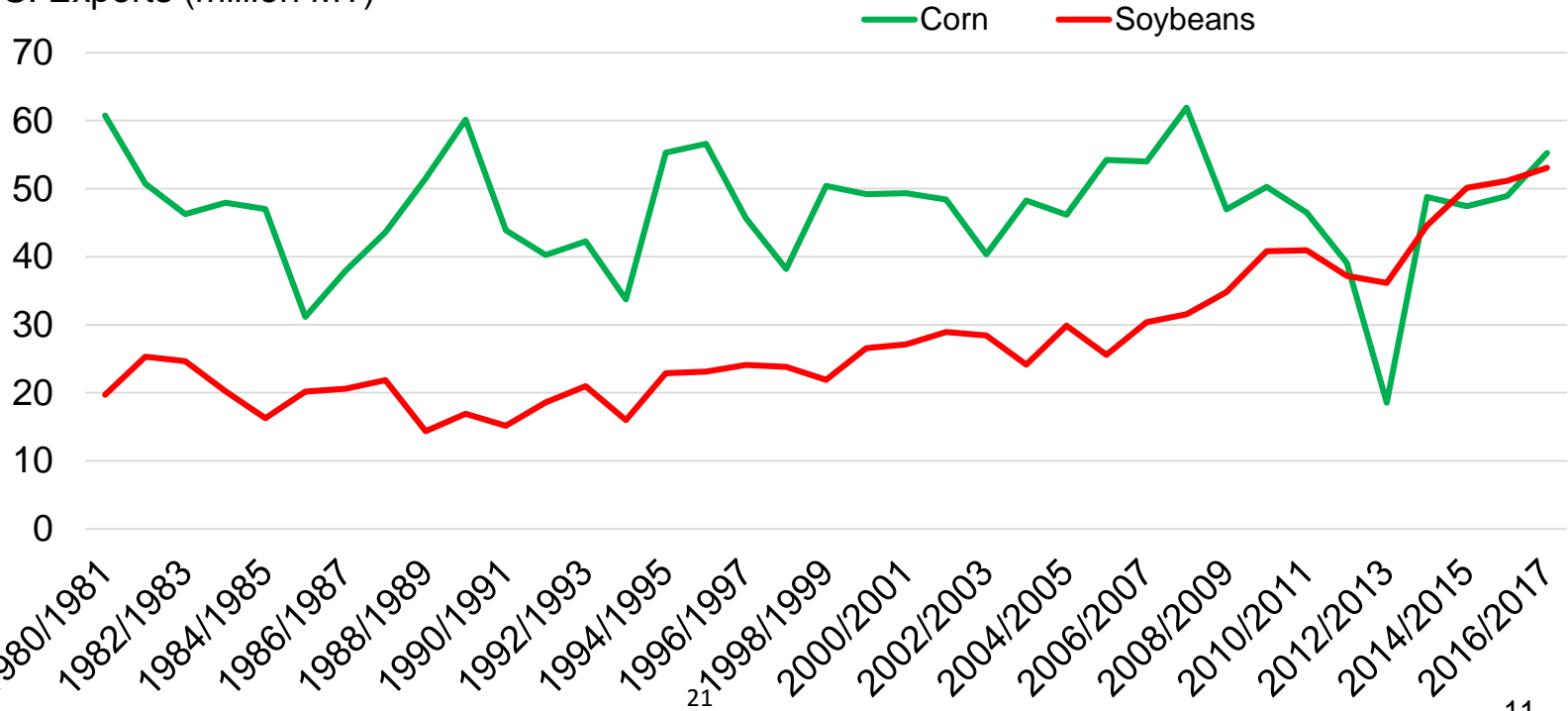
Source: USDA



Corn and soybean exports projected higher next year



U.S. Exports (million MT)



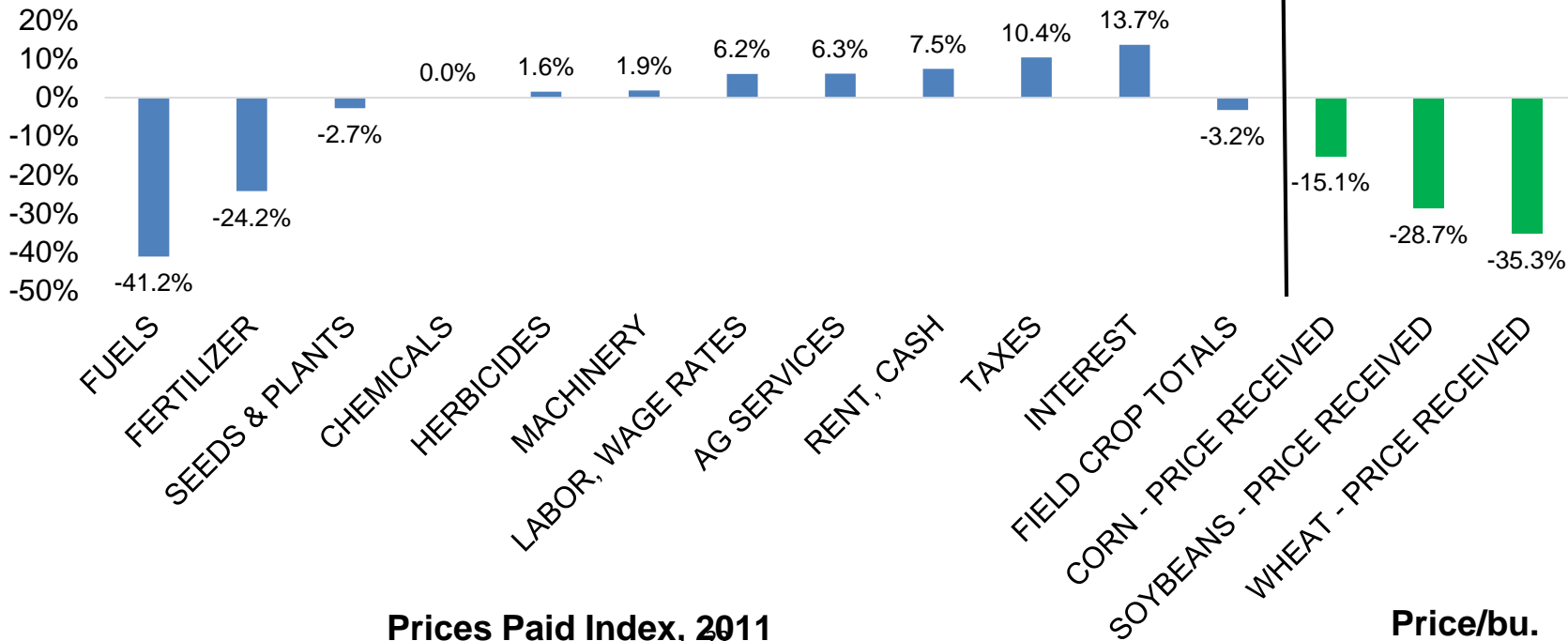
Source: USDA, FAS



Most crop input prices are adjusting slower than grain prices



Percent Change, June 2014 to June 2016



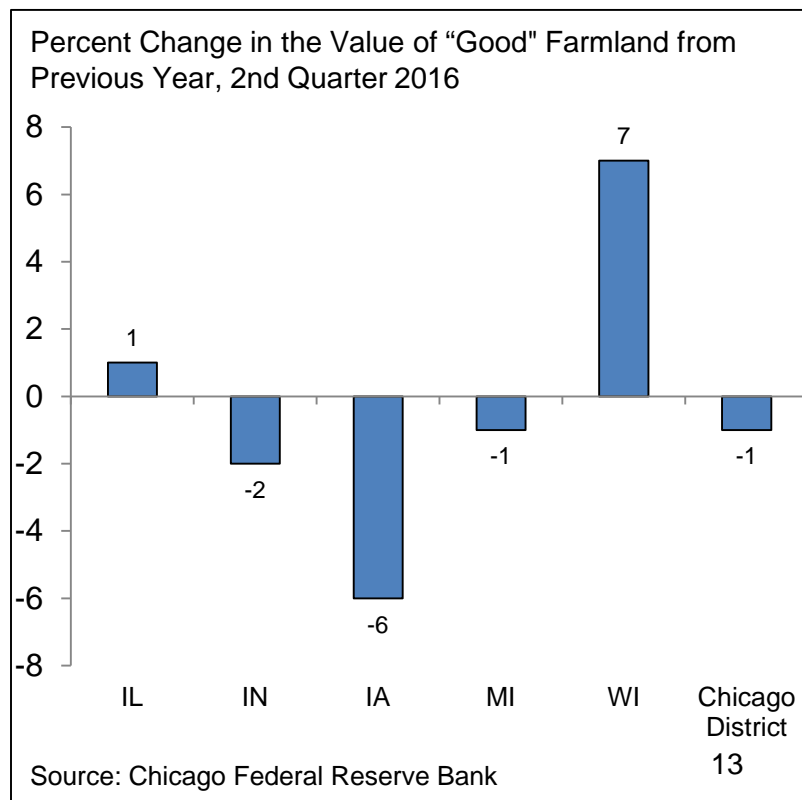
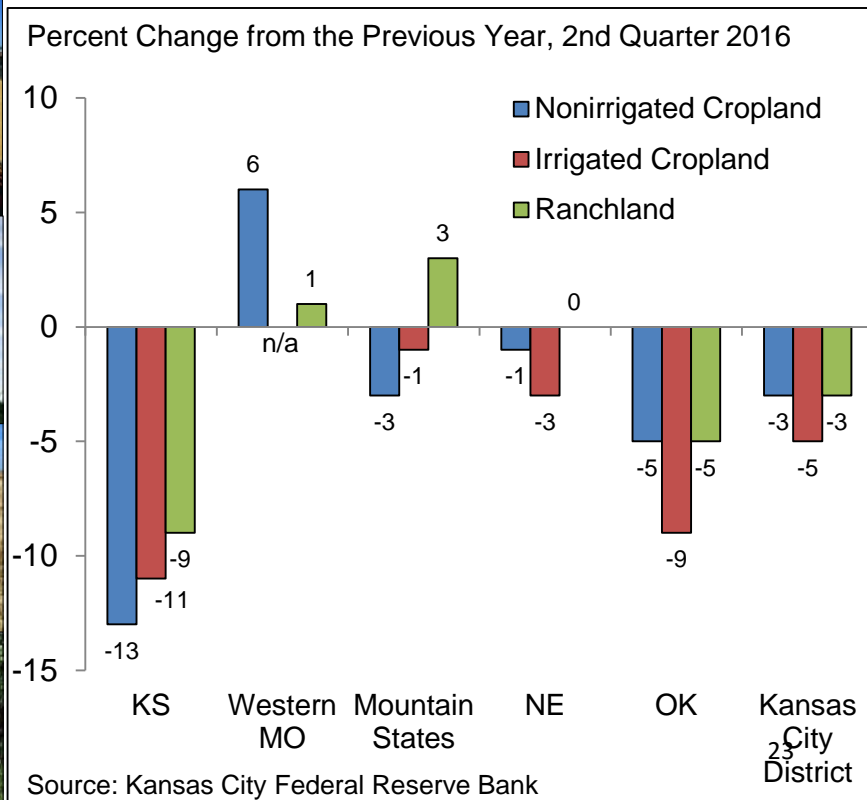
Prices Paid Index, 2011

Price/bu.

Source: USDA, NASS



A soft landing for farmland markets continues to unfold



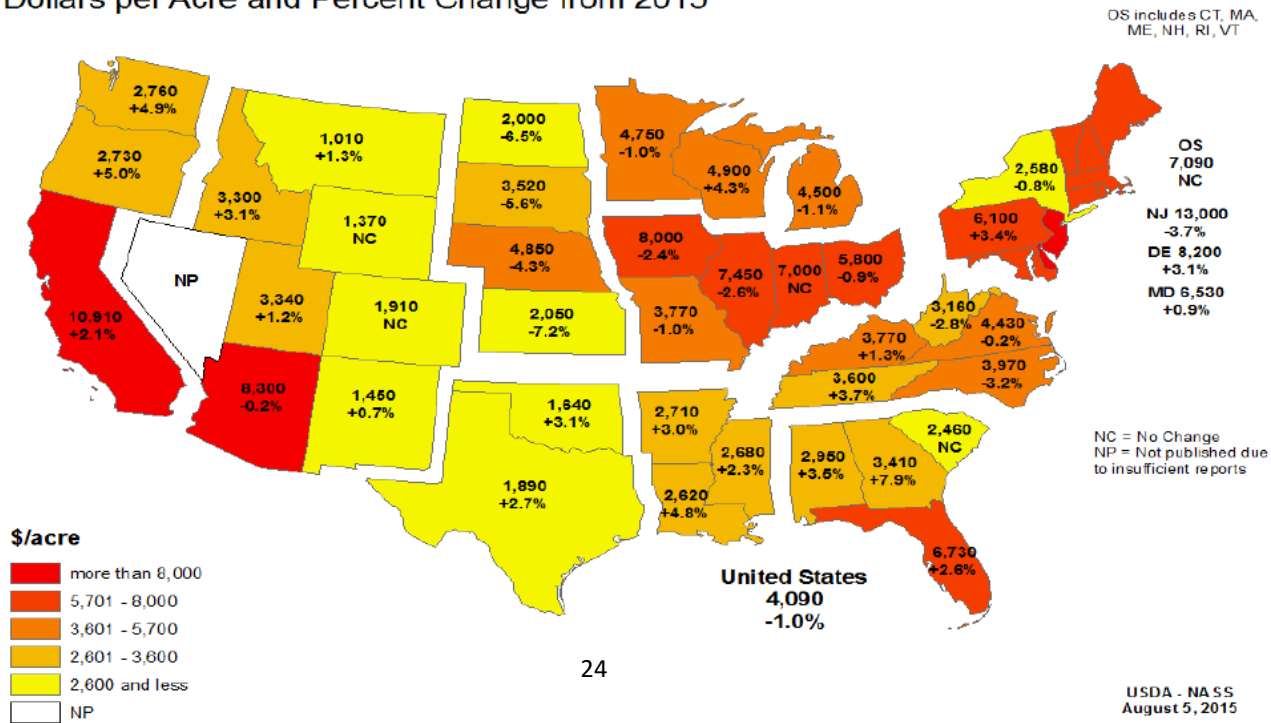


USDA's survey shows cropland values down across the Midwest



2016 Cropland Value by State

Dollars per Acre and Percent Change from 2015

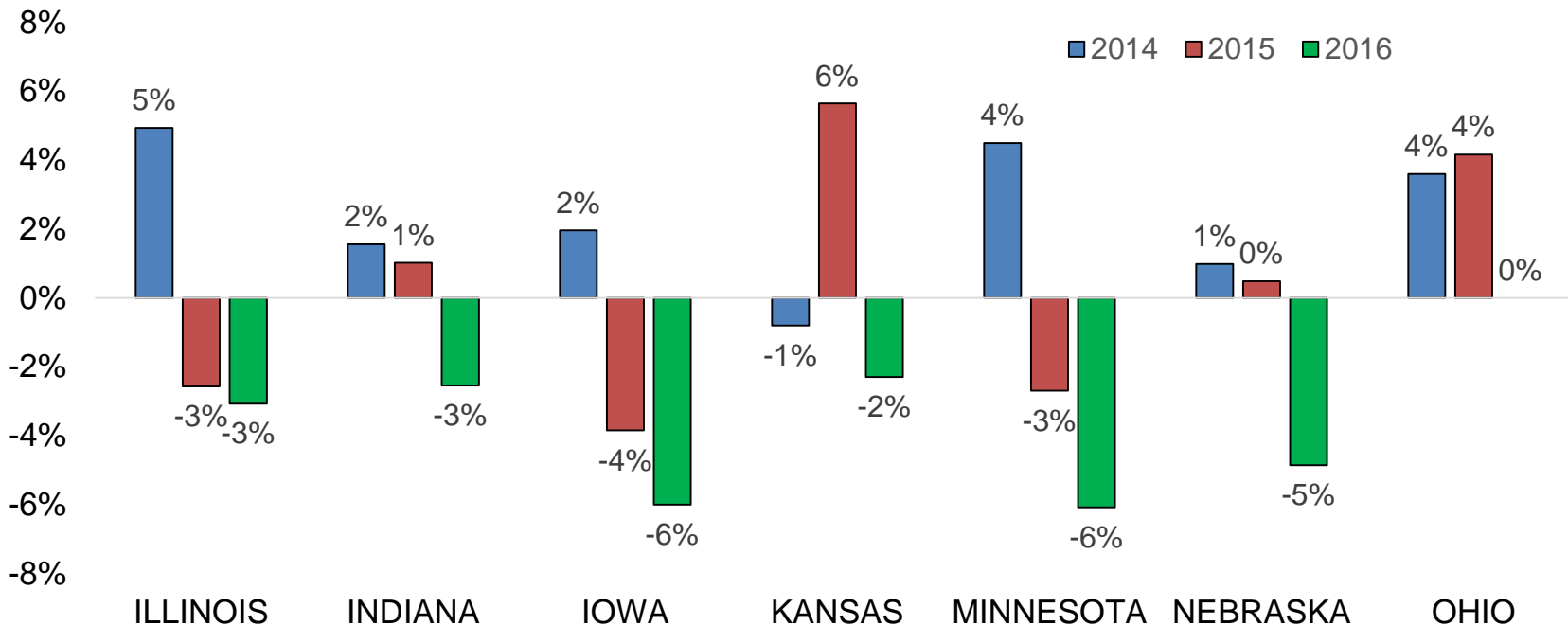




Cash rent down in most Midwest states



Cash Rent on Cropland, Percent Change from Prior Year, June

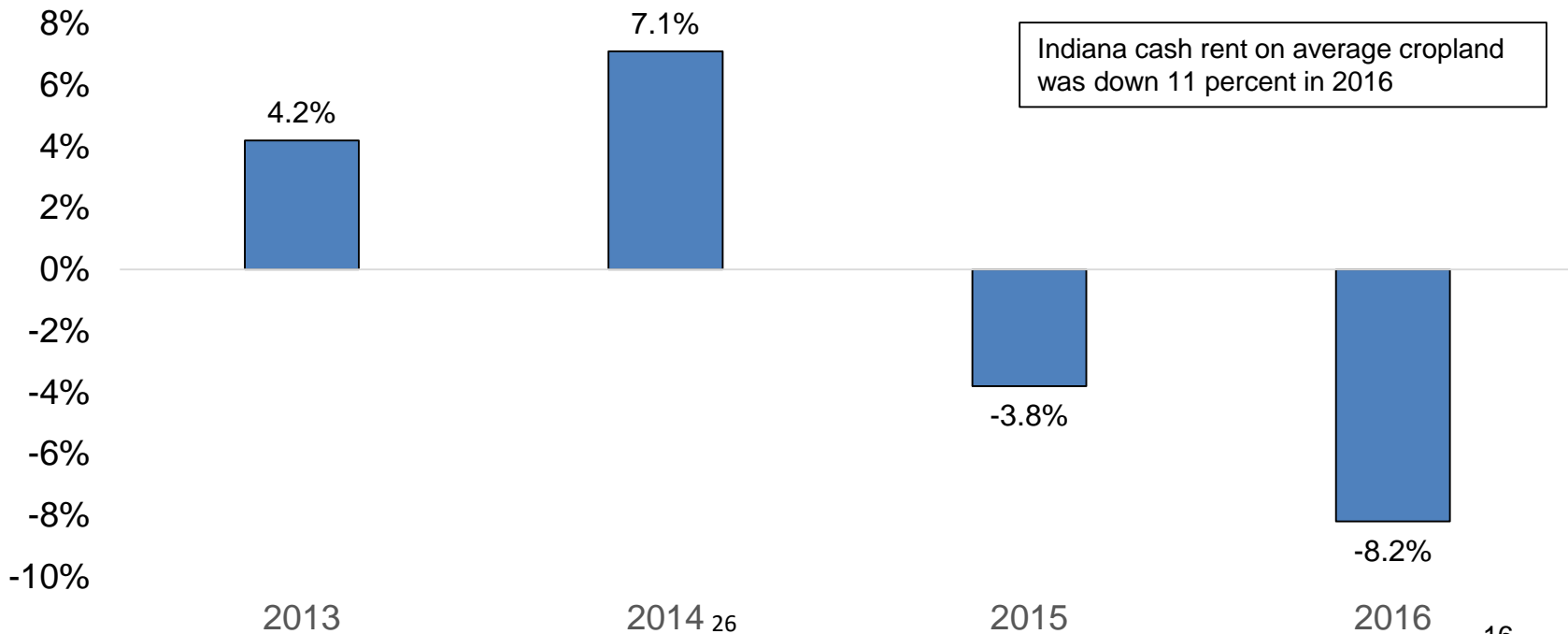


Source: USDA, NASS



Indiana cropland value down 8 percent in 2016

Percent Change in Value of Average Indiana Cropland from Prior Year, June



Source: Purdue Agricultural Economics Reports



Risks to watch

- Crop conditions in South America
- U.S. and global economic growth
- Interest rates
- Strength of the dollar
- Deteriorating agricultural credit quality
- Market response to U.S. presidential election
- Geopolitical developments





Questions



THANK YOU



Farm Credit System Condition and Performance

as of
June 30, 2016

Hal Johnson
Sr. Financial Analyst
Office of Examination



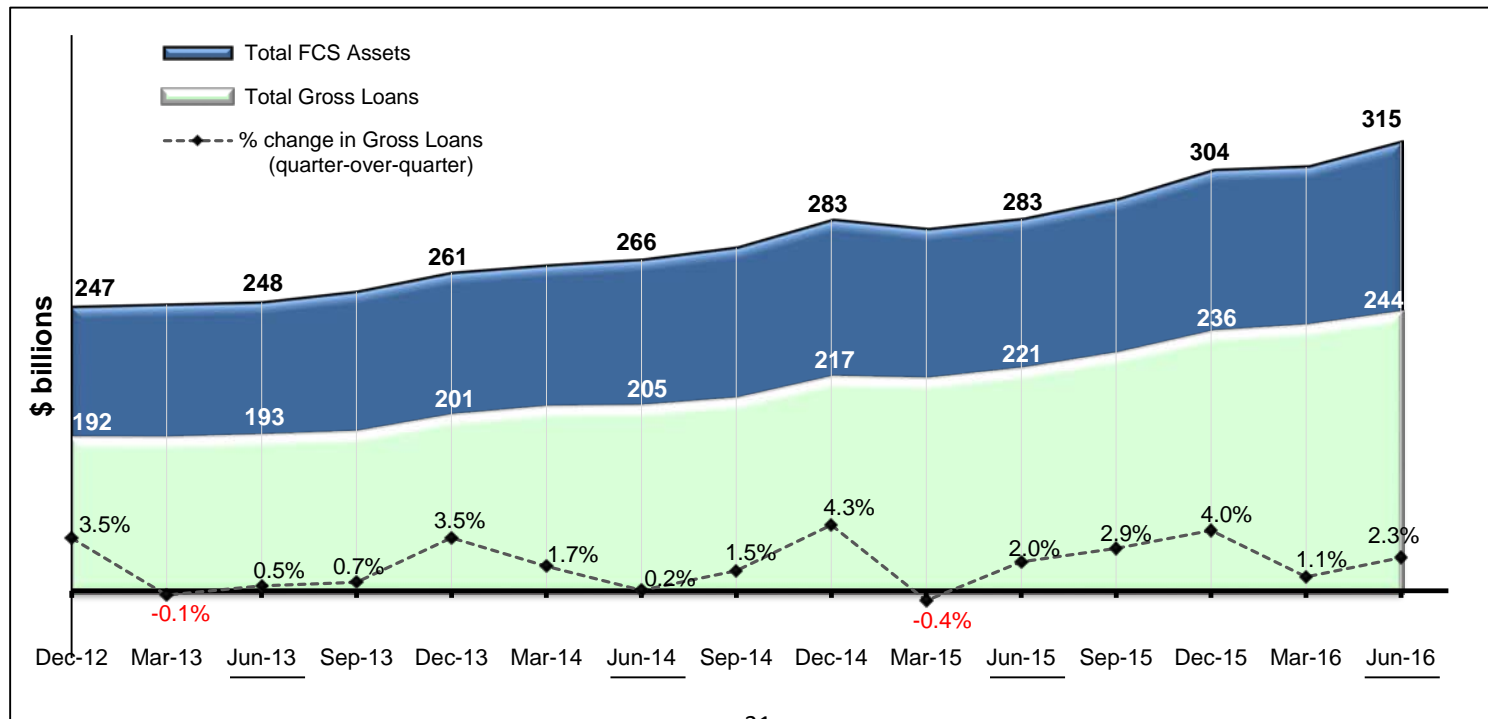
Topics

- System Growth
- Loan Portfolio Growth
- Earnings
- Capital
- FIRS



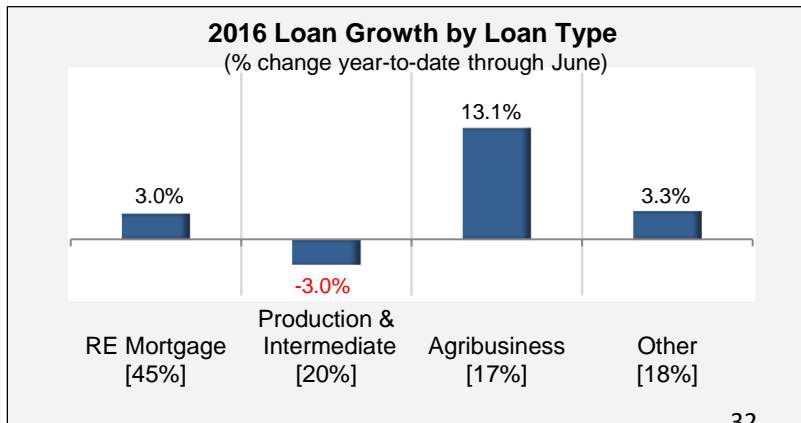
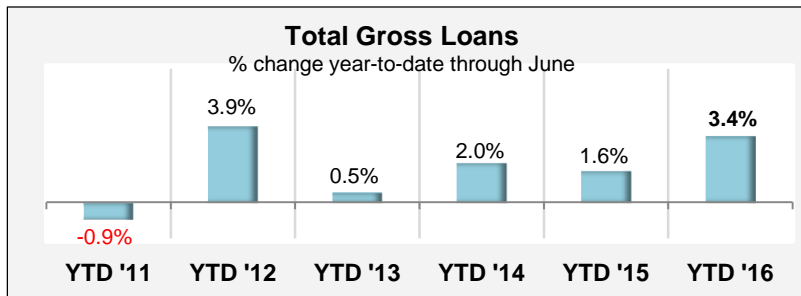


System grows at a moderate pace





Loan growth up compared to the past several years



32

Loan Growth by District (% change year-to-date through June)			
District	Jun-14	Jun-15	Jun-16
AgFirst District (11%)	2.0%	1.3%	3.0%
AgriBank District (39%)	0.4%	0.7%	2.3%
CoBank District (41%)	3.4%	2.4%	4.3%
Texas District (9%)	2.9%	3.3%	4.4%
Total System	2.0%	1.6%	3.4%



Portfolio loan quality remains strong but watchful of rising credit risk

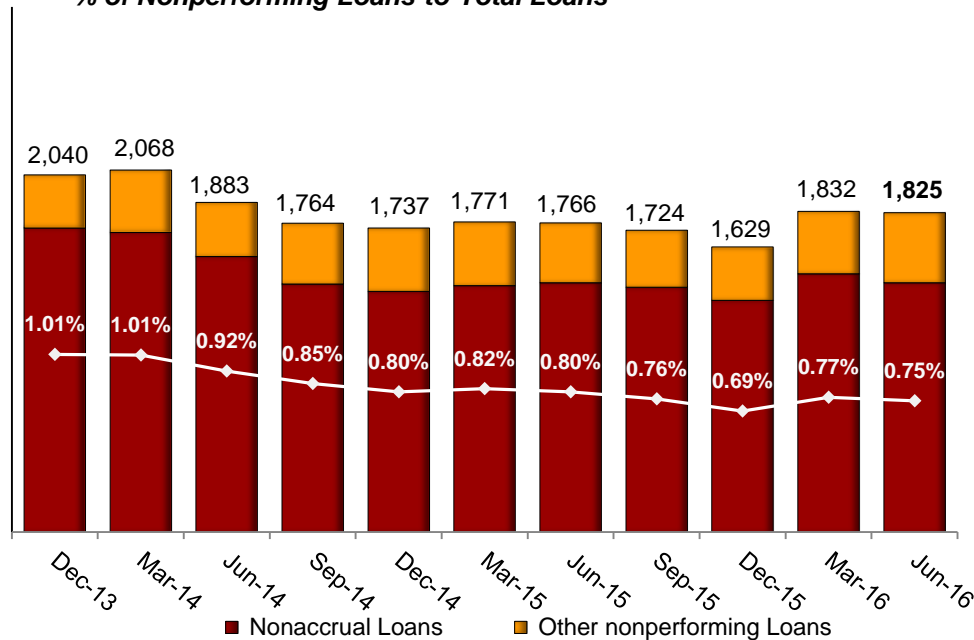


Portfolio Credit Quality as of June 2016

- Nonperforming loans equaled 0.75% of System loans outstanding in the 2nd quarter
- 94.7% of System loans were classified as Acceptable as compared to 96% at yearend 2015
- Loan delinquencies were 0.24% of accruing loans
- The System's allowance for loan losses equaled 79% of nonperforming loans
- Total capital and the allowance for loan losses represented 21.7% of System loans at quarter-end

Source: FCS Quarterly Information Statements

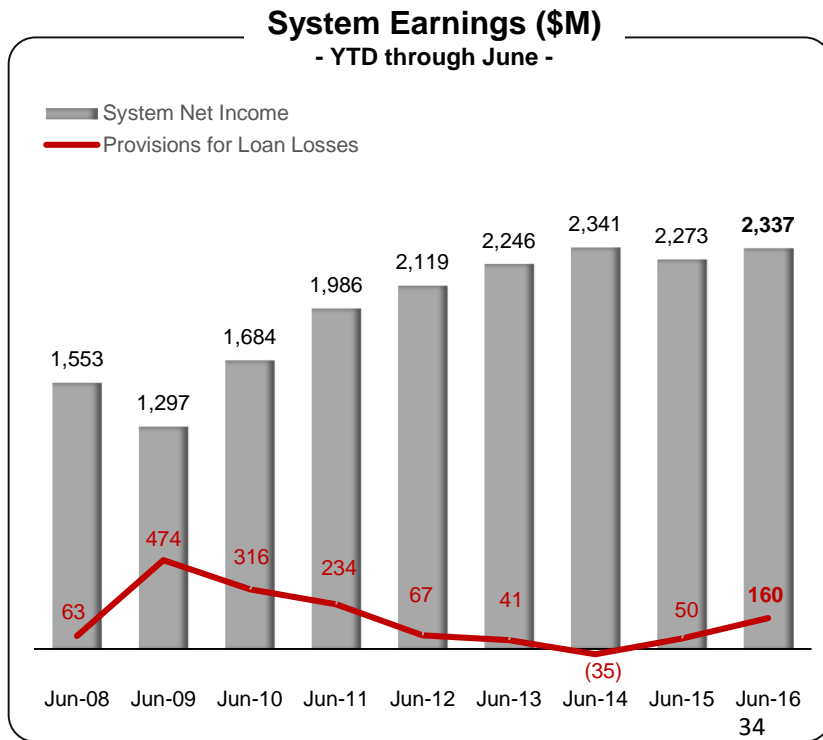
% of Nonperforming Loans-to-Total Loans



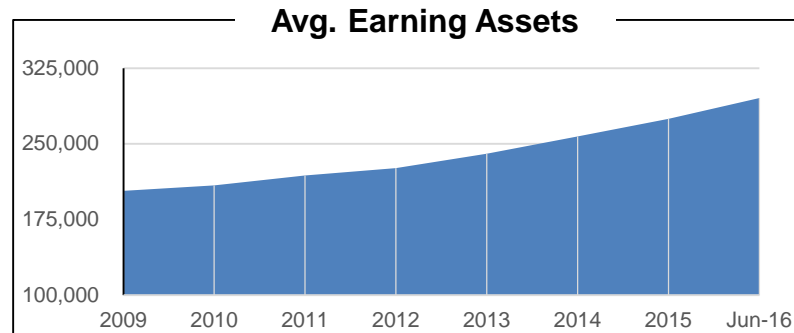
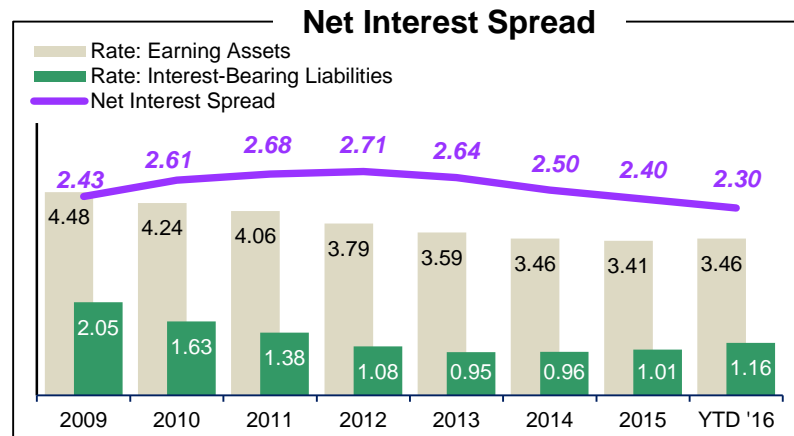
33



System reports solid financial results for the 1st half of 2016



Source: FCS Quarterly Information Statements





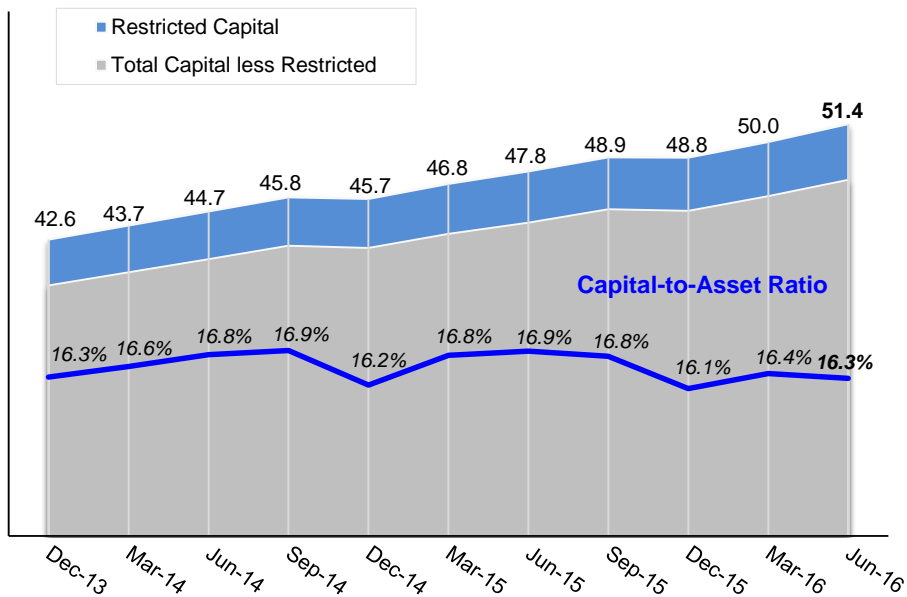
Capital levels remain strong

Capital and Liquidity as of June 2016

- System capital as a percentage of total assets was 16.3% compared to 16.1% at year end 2015
- Surplus as a percentage of total capital equaled 81.9%
- System liquidity equaled 180 days of coverage. Days of available liquidity for the four funding banks ranged from 151 days to 200 days.



Total System Capital (\$B)



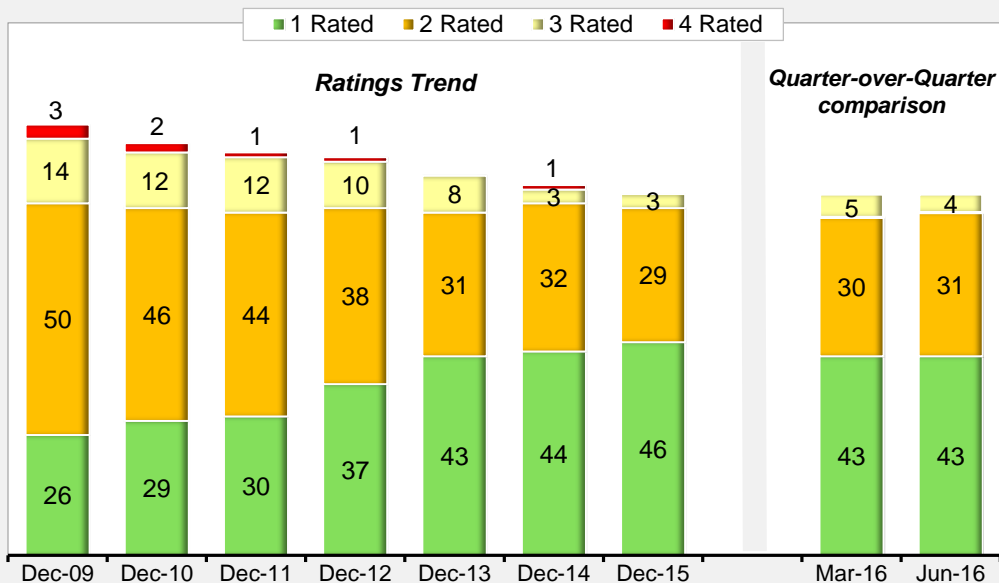
Restricted capital represents capital associated with the Insurance Fund.



System FIRS ratings



Composite FIRS Ratings - System Banks & Associations



FIRS Ratings

- Composite FIRS ratings remain stable.
- Nearly 95% of System Banks and Associations have a Composite FIRS rating of 1 or 2
- 3 rated institutions account for less than 1.1% of total System assets



Summary and final points

- Challenges for agriculture:
 - General economic factors – *sub-par economic growth in the U.S. and abroad, strength of the dollar, rising interest rates*
 - Farm sector concerns – *margins for cash grain producers, Midwest farmland values, profit pressure on dairy and protein sectors*
- The System continues to be financially sound
- Portfolio credit quality remains good but credit risk is anticipated to intensify
- System institutions remain well-positioned for the current risk environment with favorable earnings and strong capital levels





Questions



THANK YOU

