

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



**MINUTES OF THE REGULAR MEETING  
OF THE  
FARM CREDIT ADMINISTRATION BOARD  
July 13, 2017**

These minutes reflect the business transacted at the July 13, 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 9:54 a.m. Members of the Board present were:

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

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 four members of the general public. (A list of staff attendees is attached as Exhibit A.)

**Statements Regarding Retirement of Inspector General Elizabeth Dean**

**Chairman Tonsager** noted that FCA Inspector General Elizabeth Dean is retiring later in the month. He directed the **Board Secretary** to attach to the minutes his statement regarding Elizabeth's service to the Federal Government. (A copy of the statement is attached as Exhibit B.)

**Mr. Hall** stated that he also had a statement which he requested to be attached to the minutes. Chairman Tonsager directed the Board Secretary to attach the statement to the minutes. (A copy of the statement is attached as Exhibit C.)

**Inspector General Elizabeth Dean** thanked the Board Members and FCA Senior Staff for their support in positively furthering FCA's mission and operations.

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

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

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

**Chairman Tonsager** seconded the motion.

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

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

**Mr. Hall** 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.

**Chairman Tonsager** seconded the motion.

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

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

## **OPEN SESSION**

### **Approval of Minutes**

#### **Minutes for June 8, 2017 (BM-13-JUL-17-01)**

**Mr. Hall** moved to approve the minutes for the June 8, 2017, FCA Regular Board Meeting.

**Chairman Tonsager** seconded the motion.

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

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-13-JUL-17-01)**

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

## Report

### **Why We Are Not Facing Another 1980s-Style Farm Sector Crisis**

Chief Economist **Stephen Gabriel** of the Office of Regulatory Policy presented a report titled, “**Why We Are Not Facing Another 1980s-Style Farm Sector Crisis.**”

**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 F.)

## ADJOURNMENT

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

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

**Chairman Tonsager** seconded the motion.

**Chairman Tonsager** called the question.

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

The meeting adjourned at 9:54 a.m.

## NOTATIONAL VOTE ACTIONS

There were five notational vote actions approved by the FCA Board from June 9, 2017, through July 13, 2017 as follows:

<b>Item Number</b>	<b>Action Date</b>	<b>Voting Results</b>	<b>Subject</b>
NV 17-14	06/15/2017	Approved	Preliminary approval, with conditions, of proposed plan of merger of Farm Credit Nesh City, FLCA with and into Farm Credit of High Plains, FLCA, a wholly owned subsidiary of High Plains Farm Credit, ACA. If all conditions for final approval are met, the merger is scheduled to take effect October 1, 2017.
NV 17-15	06/21/2017	Approved	Federal Agricultural Mortgage Corporation’s request to invest up to \$250 million in Rural Enterprise Bonds secured by agricultural chattel loans.
NV 17-16	06/28/2017	Approved	Authorization to the Chief Financial Officer to reallocate funds in the Office of Information Technology’s budget.
NV 17-17	06/29/2017	Approved	CoBank’s request to invest, with conditions, up to \$2.8 million in bonds issued by a subsidiary of a rural hospital in Colorado.
NV 17-18	07/13/2017	Approved	Appointment of Wendy R. Laguarda to the position of FCA Inspector General.



**STAFF PRESENT AT THE  
FCA REGULAR BOARD MEETING  
July 13, 2017**

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

<b>OFFICE</b>	<b>OPEN SESSION</b>
<b>Office of the Board</b>	
Aultman, Dale	X
Laguarda, Wendy	X
Kramp, Kevin	X
Calhoun, Gaye	X
Corey, Kathryn	X
<b>COO</b>	
Hoffman, William	X
<b>OIT</b>	
Golley, Jerry	X
<b>OCPA</b>	
Stokke, Mike	X
Middleton, Russell	X
<b>OSMO</b>	
Rea, Laurie	X
<b>OGC</b>	
Rawls, Charles	X
Donner, Mary Alice	X
Strickland, Joy	X

<b>OFFICE</b>	<b>OPEN SESSION</b>
<b>OE</b>	
Coleman, Robert	X
<b>OIG</b>	
Dean, Elizabeth	X
<b>ORP</b>	
Van Meter, Gary	X
Johansen, Mark	X
Gabriel, Stephen	X
<b>OCFO</b>	
Smith, Stephen	X
<b>OAS</b>	
Fowlkes, Jerome	X
<b>FCSIC</b>	
Rubin, Howard	X
Pfitzinger, Rick	X
<b>GENERAL PUBLIC</b>	<b>4</b>

**Statement**  
**Dallas P. Tonsager, Chairman**  
**Farm Credit Administration Board Meeting, July 13, 2017**

Before we get started on the agenda, I'd like to take a few minutes to acknowledge the retirement of one of FCA's longstanding leaders – our Inspector General, Elizabeth Dean.

Liz has been at FCA since 1986, where she served as a senior attorney in our Office of General Counsel for 3 years. Prior to coming to FCA, Liz served on active duty as a United States Navy Judge Advocate from 1982-1986. She retired from the United States Naval Reserves in 2000.

Liz has been in the Inspector General's office since 1989, where she served as Deputy IG, Counsel to the IG, and as the Inspector General for the last 4 years.

We thank you, Liz, for your service to our country and for all the fine contributions you made to FCA over the years. We wish you the best in your well-deserved retirement and hope that you'll come back and visit us from time to time.

**Statement**  
**Jeffery S. Hall, Member**  
**Farm Credit Administration Board Meeting, July 13, 2017**

Mr. Chair, when first approached about becoming a Board Member of the Farm Credit Administration I wondered what I could offer if confirmed to this position. I determined one area was to continue and perhaps improve the efficient and effective governance of the Farm Credit System. When I finally was confirmed to the Board I instantly recognized that I was going to have several partners in this pursuit. One of the first who introduced herself was Elizabeth Dean.

She has a keen interest to ensure accountability to the ideals of good government in general and the Agency specifically. Liz fiercely defended the Inspector General's independence and always called it like she saw it. That reputation made her a respected leader in the IG community.

The men and women of the IG community have a huge burden. Liz developed partnerships with those "in the line" to make sure the FCA operated efficiently and effectively. I wish her nothing but the best in retirement. Liz, take a deep breath, look back and take pride in how much your leadership has affected this agency. We are grateful for your service to the Agency and to our Nation.



**PUBLIC ANNOUNCEMENT OF  
MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT  
Farm Credit Administration Board  
Regular Meeting  
July 13, 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 July 13, 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](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:** This meeting of the Board will be open to the public (limited space available). 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**

- 1     **Approval of Minutes**  
      June 8, 2017
- 2     **Report**  
      Why We Are Not Facing Another 1980s-Style Farm Sector Crisis

July 3, 2017  
Date

/s/  
Dale L. Aultman  
Secretary to the Board

**Farm Credit Administration**

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

**BOARD ACTION ITEM**

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**FCA BOARD ACTION ON**

**Minutes for June 8, 2017 Regular Board Meeting**

**BM-13-JUL-17-01**

**Effective Date:** July 13, 2017

**Effect on Previous Action:** None

**THE FCA BOARD HEREBY:**

Approves the minutes for June 8, 2017, Regular Board Meeting as submitted.

**DATED THIS 13<sup>th</sup> DAY OF JULY 2017**

**BY ORDER OF THE BOARD**

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



# FCA Board Meeting

July 2017

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## Why we are not facing another 1980s-style farm sector crisis

July 13, 2017

Stephen Gabriel

Chief Economist

Office of Regulatory Policy

Exhibit F





# The 1980s crisis was preceded by the golden era of the 1970s

- Farm income was high, peaking in 1973
- Exports surged (Russian wheat deal)
- Inflation raged
- Farmland values soared
- Real interest rates were low
- Farm debt swelled





# A confluence of adverse factors hammered the farm sector in the '80s



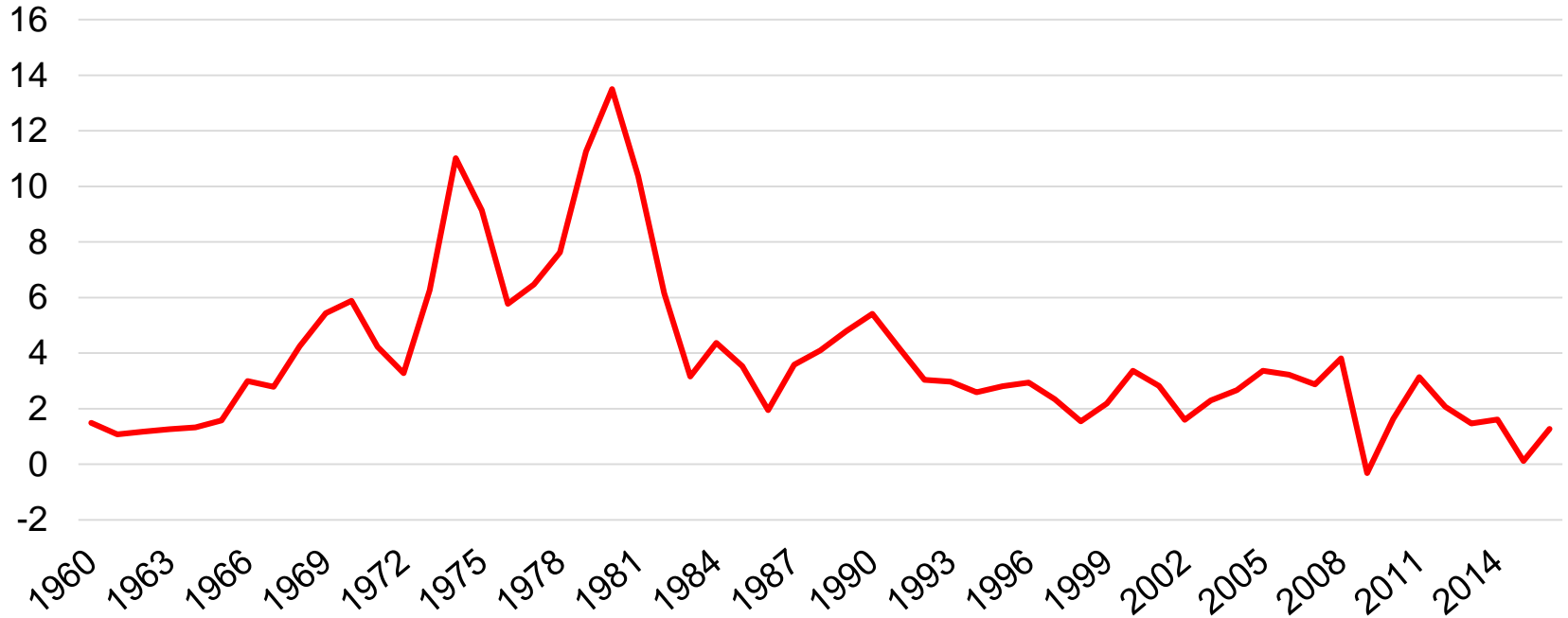
- Inflation
- Interest rates
- Oil prices
- U.S. recessions
- World economic growth
- U.S. dollar exchange rate
- Agricultural exports



# Inflation exceeded 13% in 1980; under 2% today



CPI for All Urban Consumers: All Items, % Change from Year Ago, Annual, Seasonally Adjusted



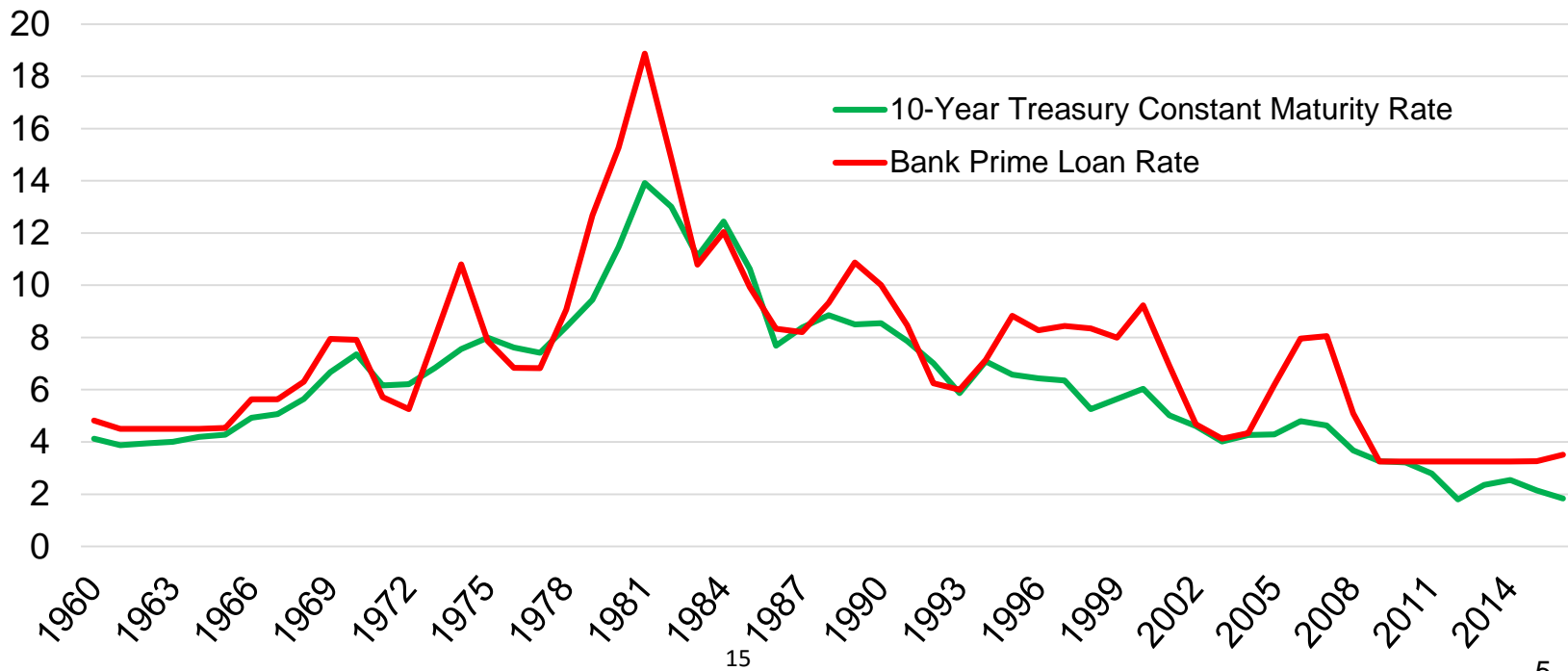
Source: U.S. Bureau of Labor Statistics



# Interest rates were very high in 1981; historically low now



Percent, Annual



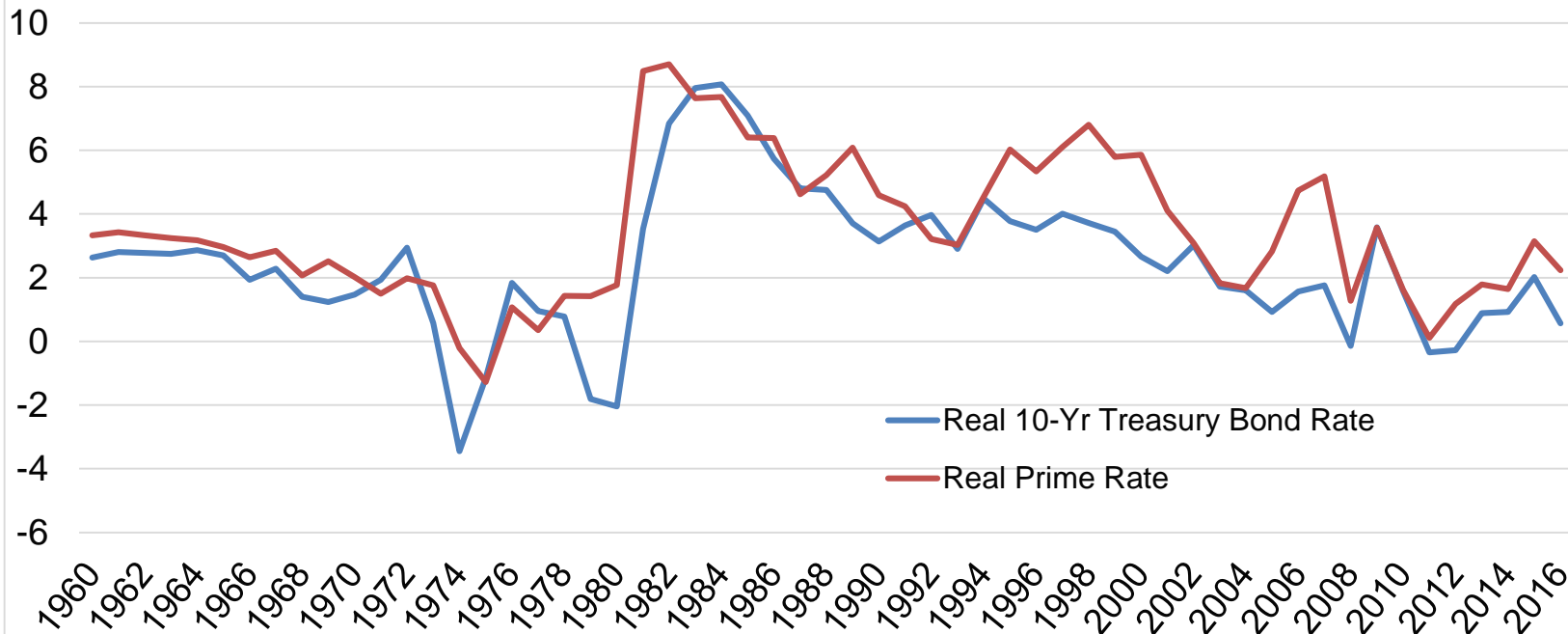
Source: Federal Reserve



# Low real interest rates in the '70s gave way to soaring rates in the '80s



Percent, Annual



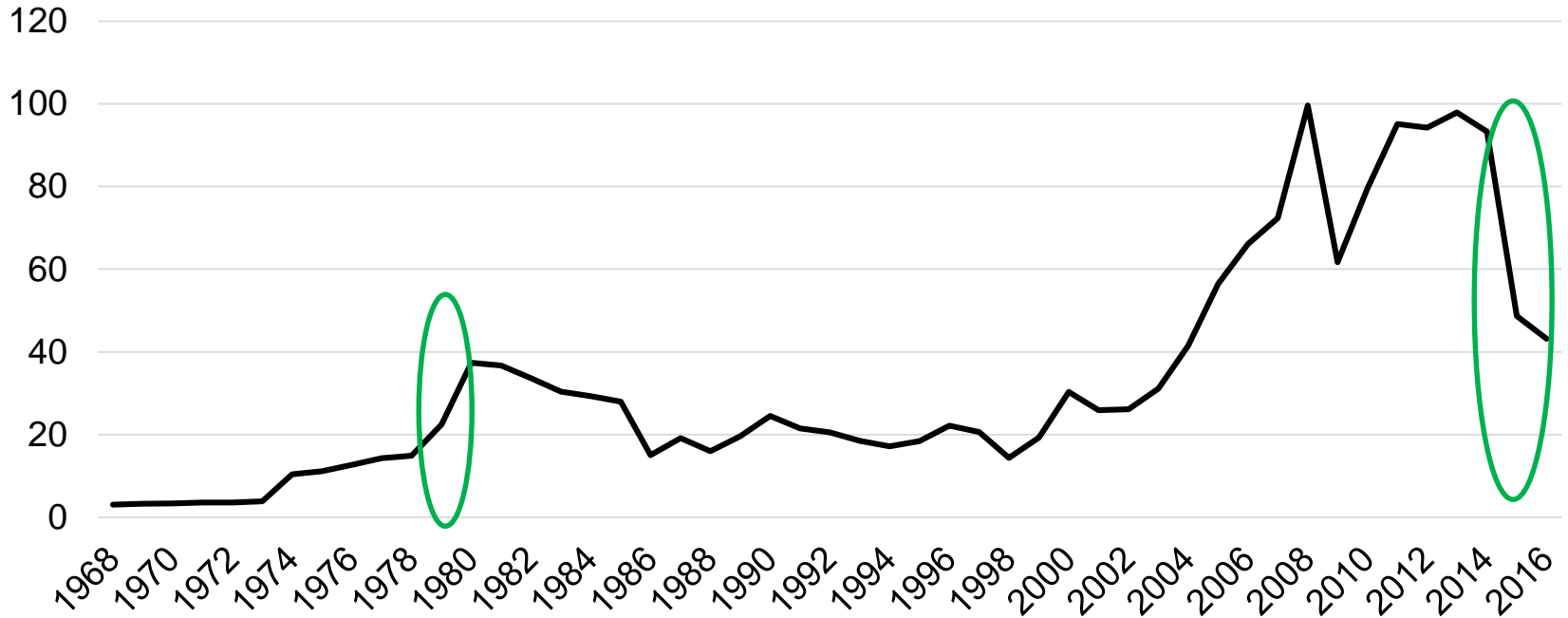
Source: Board of Governors of the Federal Reserve System; Bureau of Labor Statistics





# The oil price jumped 167% in '79/'80; the price is down sharply today

Spot Crude Oil Price: West Texas Intermediate (WTI), Dollars per Barrel, Annual



Source: Federal Reserve Bank of St. Louis

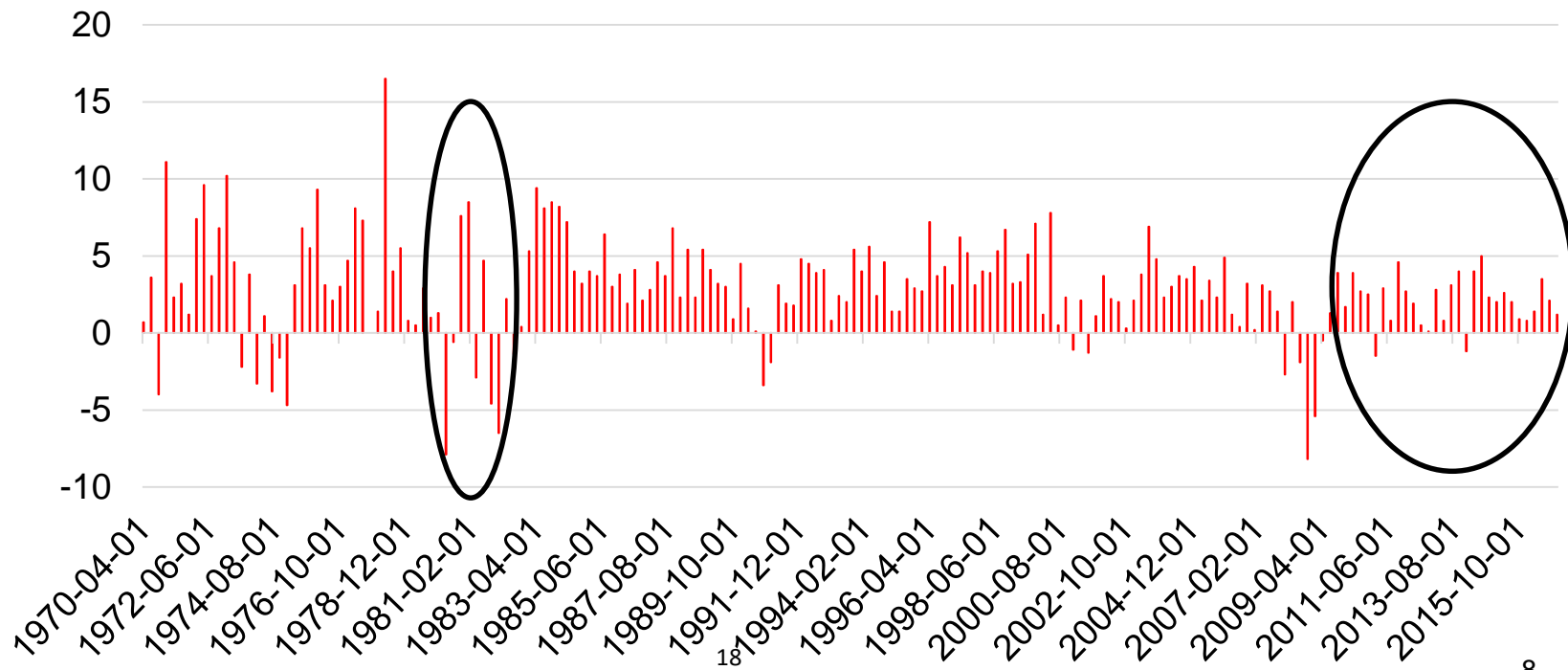




# U.S. recessions in '80 and '81/'82; now in 3<sup>rd</sup> longest post WWII expansion



Real Gross Domestic Product, Percent Change from Preceding Period, Quarterly



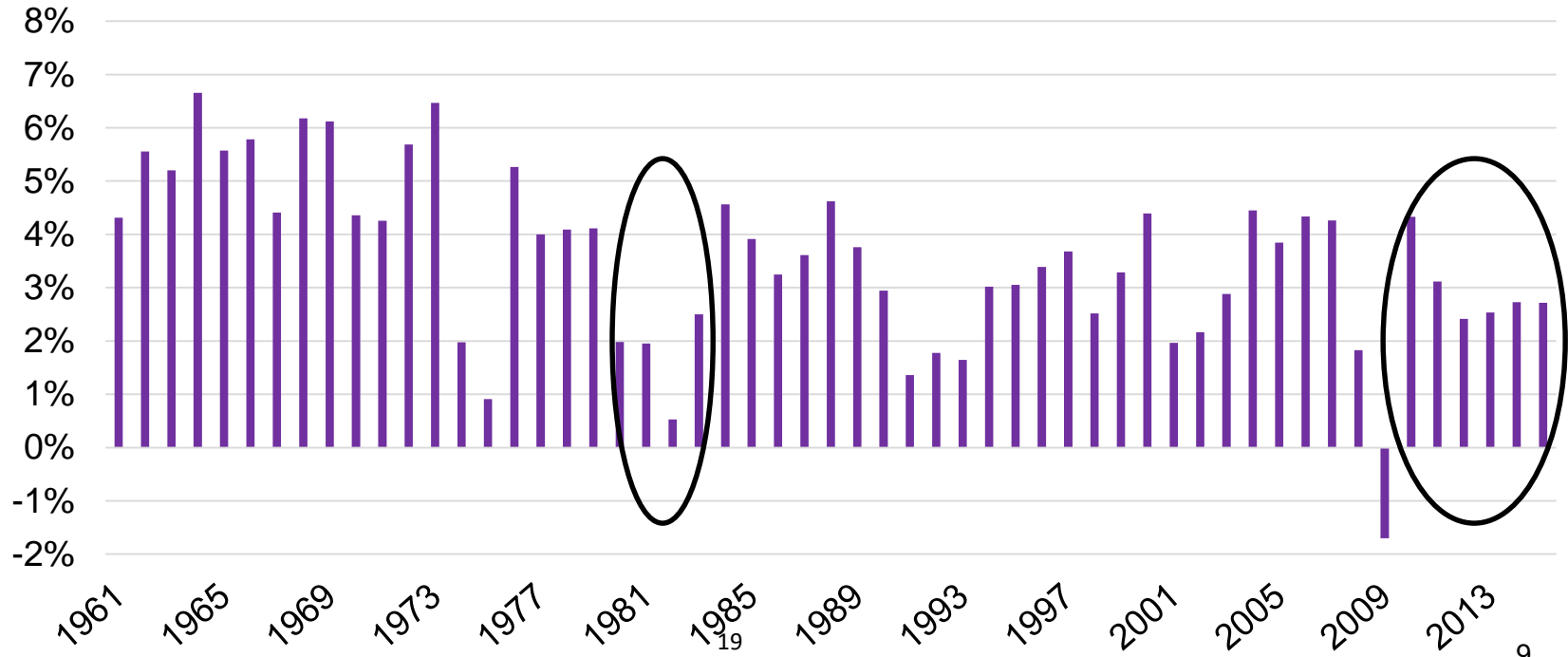
Source: Bureau of Economic Analysis



# World GDP growth down in '80-'82; averaged about 3% since 2010



World Real GDP Growth, Percent Change Annual

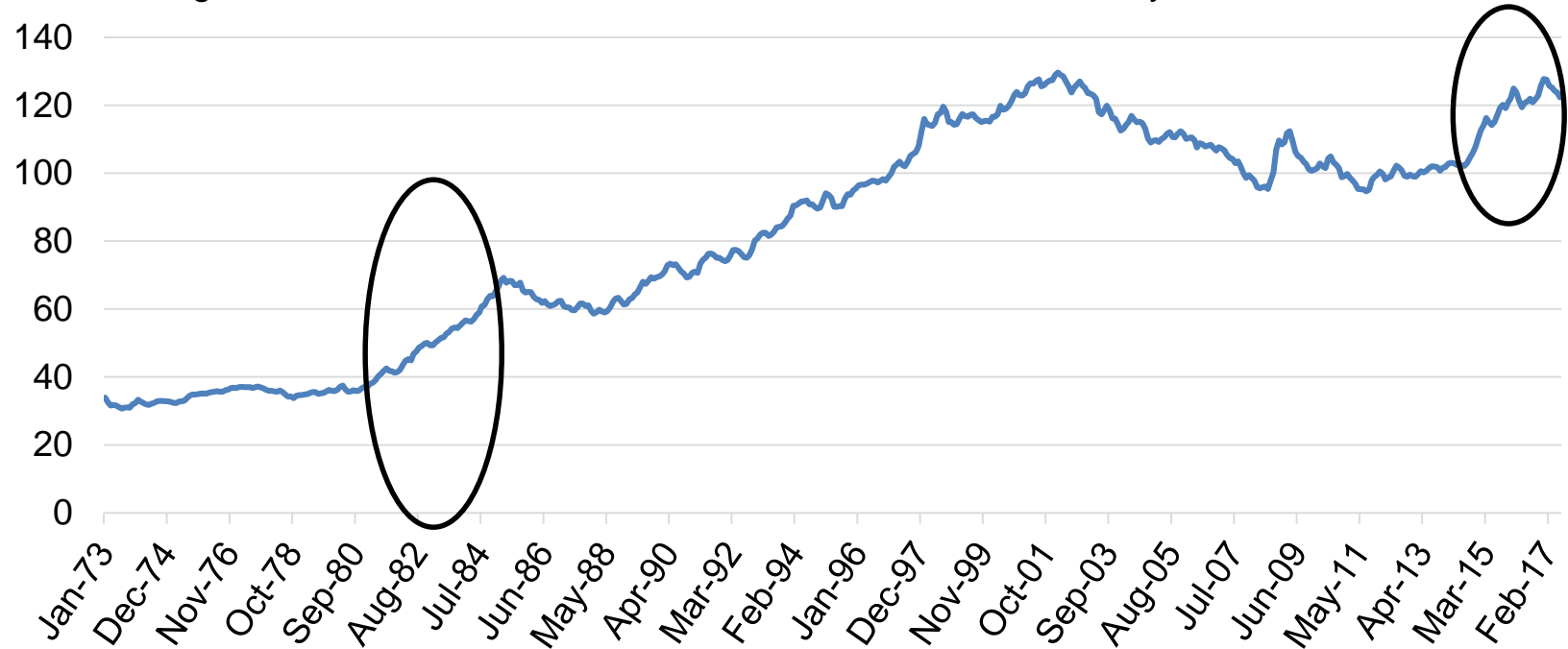


Source: World Bank



# Dollar strengthened in early '80s; also strengthened in recent years

Trade Weighted U.S. Dollar Index: Broad, Index Jan 1997=100, Monthly



Source: Board of Governors, Federal Reserve System

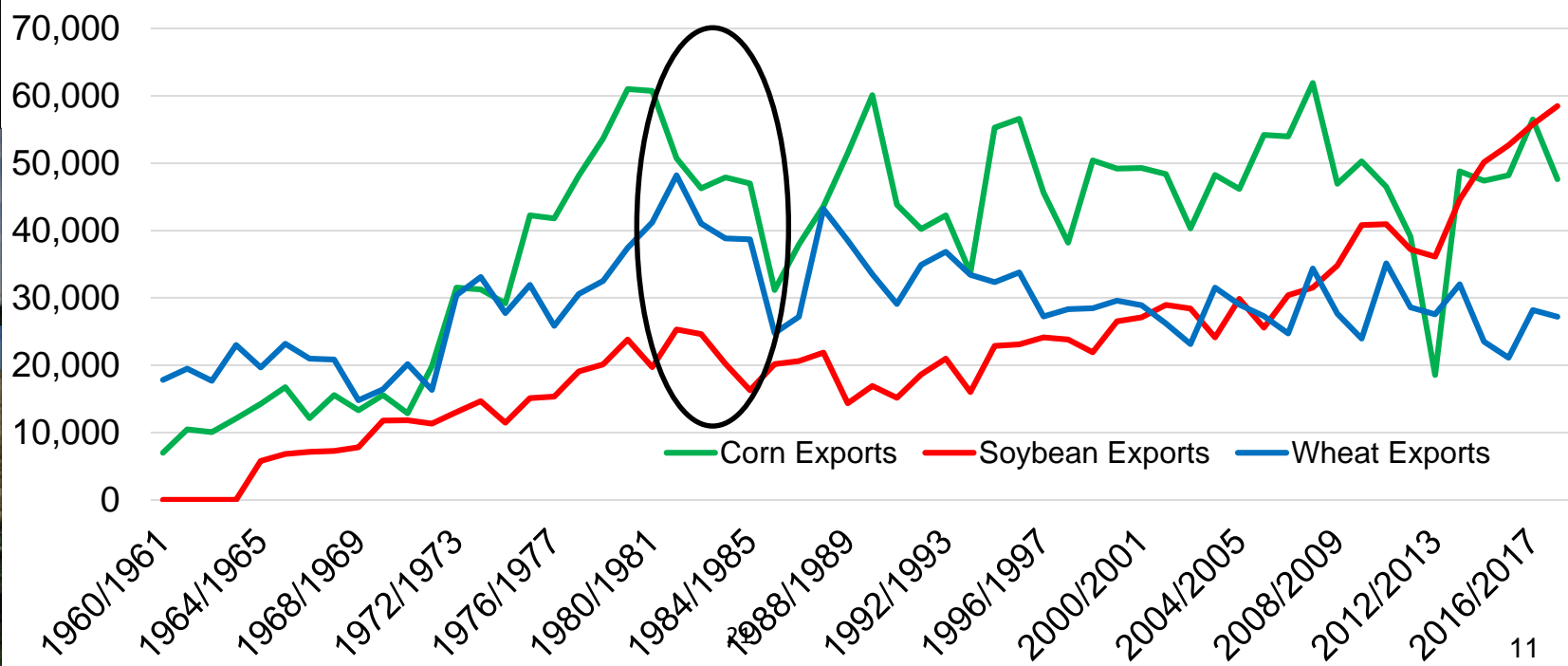




# Exports down sharply from '81-'86; doing well in recent years



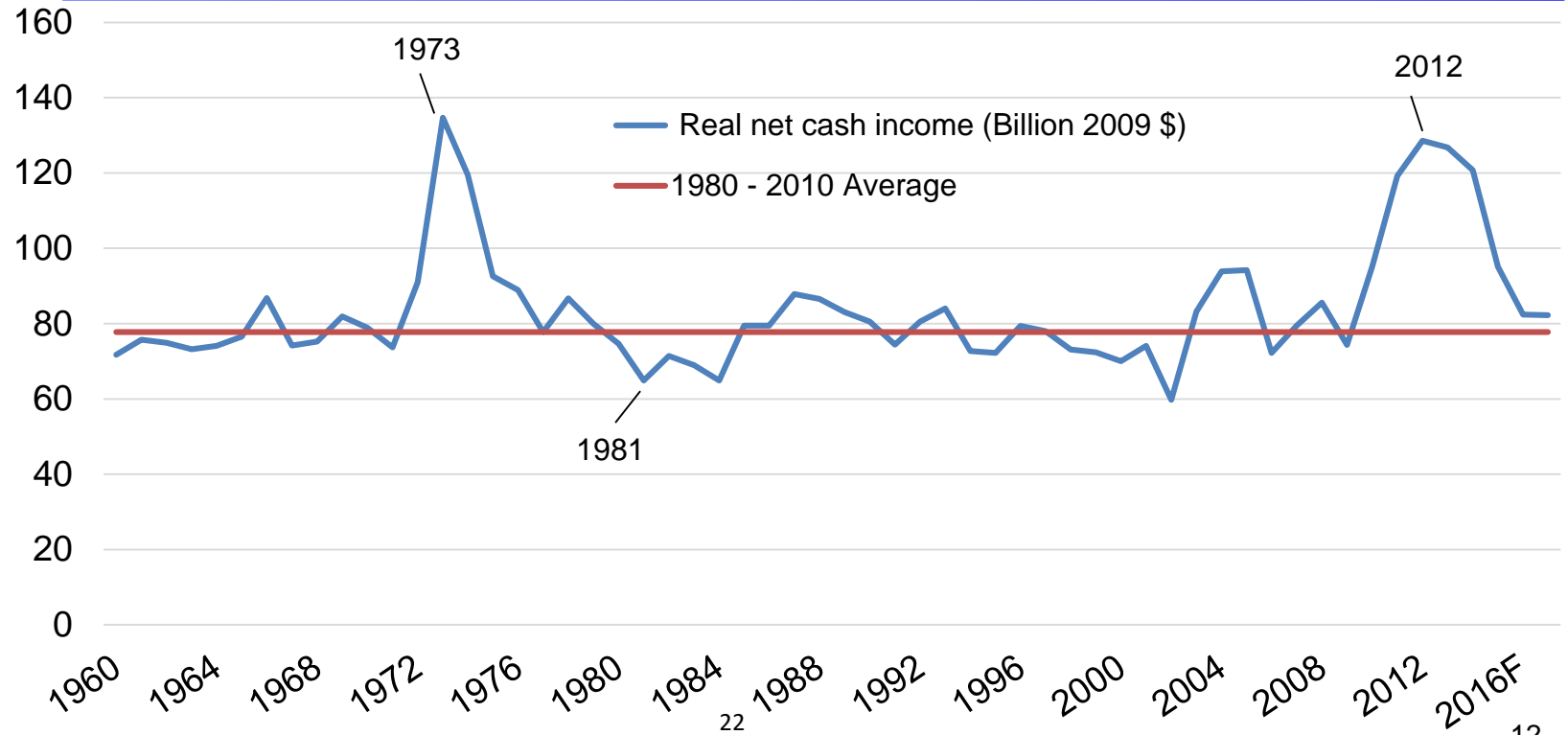
Thousand Metric Tons



Source: USDA, FAS



# Real net cash income is returning to its long-term average



Source: USDA



# Average price of Iowa cropland dropped 61% from 1981-1987



Dollars/acre

10,000

9,000

8,000

7,000

6,000

5,000

4,000

3,000

2,000

1,000

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Value of Iowa Cropland

Value of Iowa Cropland (inflation-adjusted, 2009 \$)

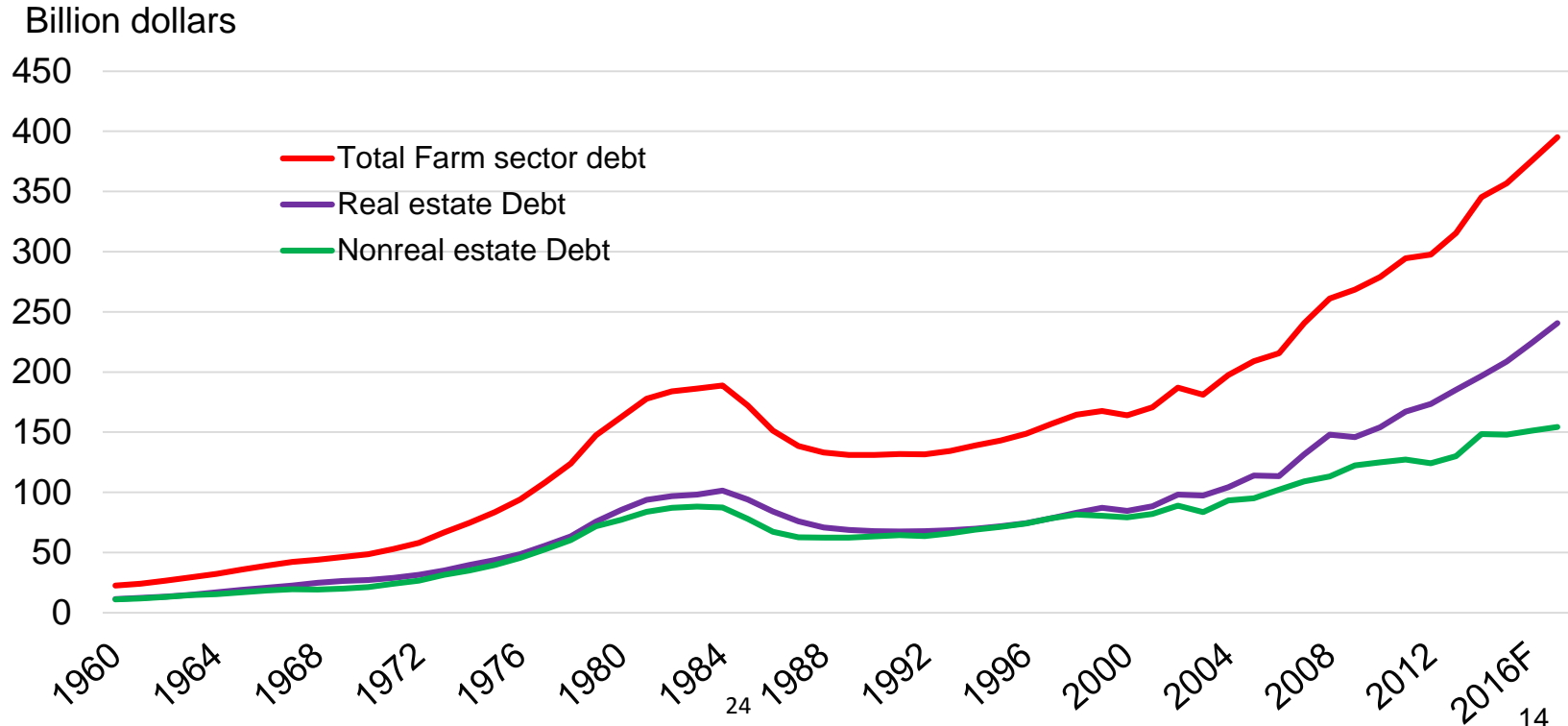
The average price of Iowa cropland rose 383% from 1972 to 1981.

1968 1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2012 2014 2016

Source: USDA, NASS



# Low real interest rates & high income caused debt to grow rapidly in '70s



Source: USDA, ERS

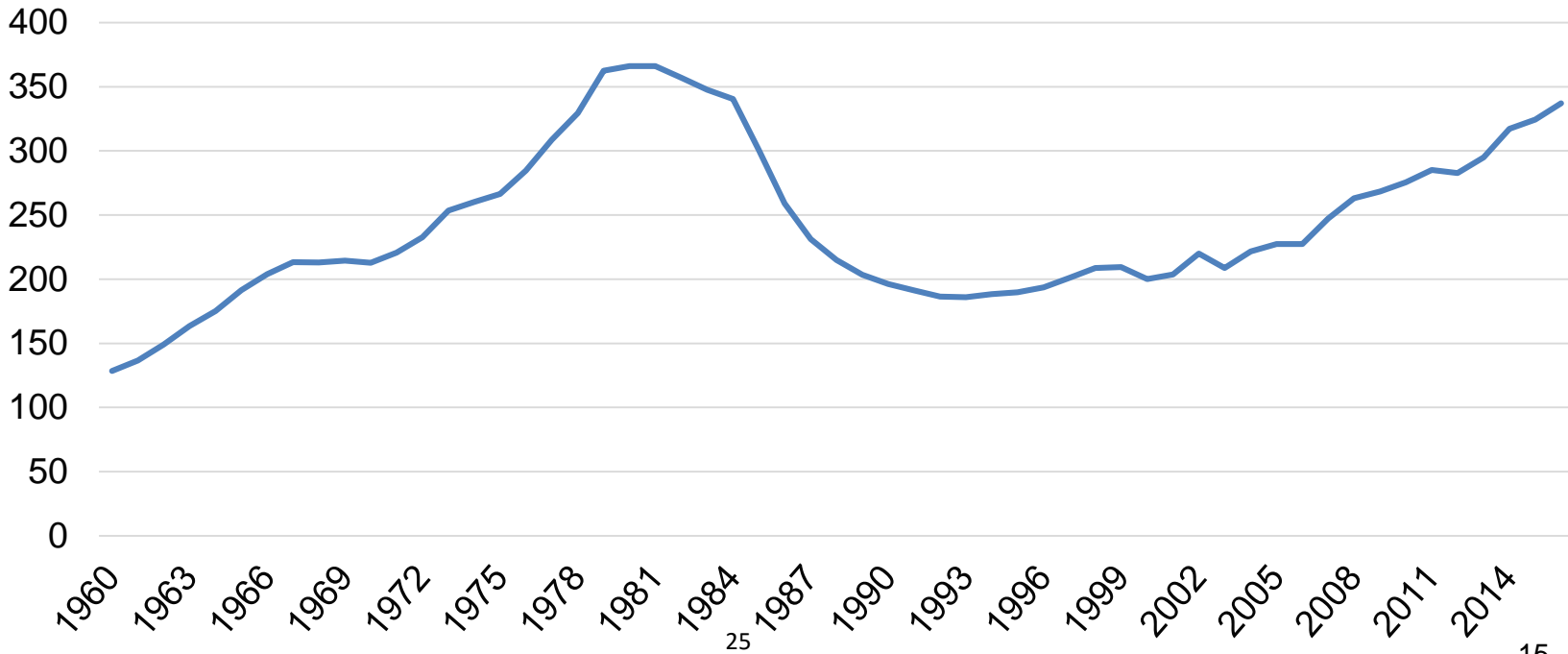




# Real farm debt has not reached the high point of the previous boom



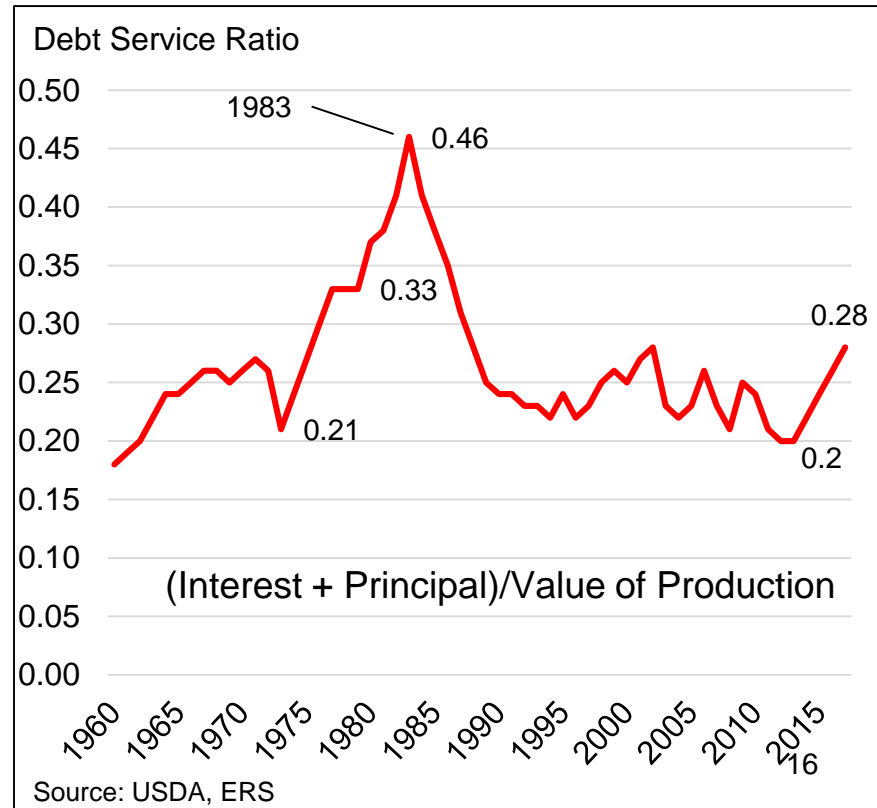
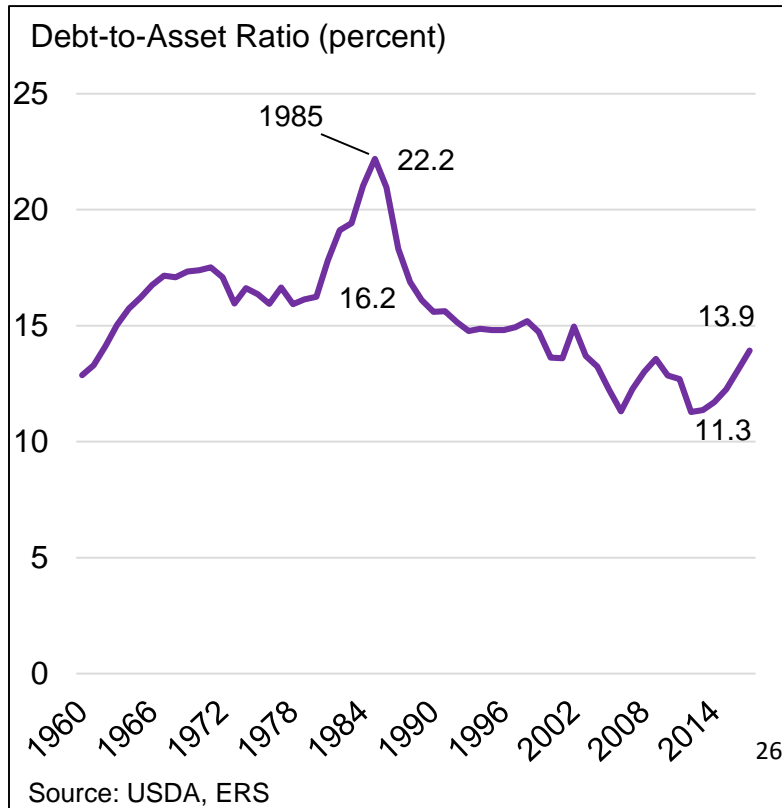
Total Farm Debt (Inflation-Adjusted, 2009 \$)



Source: USDA, ERS



# Measures of the debt burden soared in the early 1980s





# Today's situation is similar to the 80s, but there are important differences



Similarities
Preceded by a demand shock
Prices and Incomes rose sharply
Value of the dollar strengthened
Strong growth in farm debt
Prices and incomes declined sharply
Farmland values declined
Farm programs support farm income

	Differences	
	Then	Now
Interest rates	Very high	Very low, but rising
Inflation	Very high	Very low
Oil prices	Surged	Declining
Recessions	Two recessions	Long, slow expansion
Exports	Declined	Holding up
Demand from biofuels	Low demand	Substantial demand
Farmland values	Declined sharply	Controlled correction
Crop insurance	Limited use	Widespread use
Farm program payments' share of farm revenue	Larger share	Smaller share
Underwriting	Collateral lending	Conservative
FCS regulator	Not arm's length	Arm's length



# So, we have nothing to worry about?

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- Conditions in the farm sector could get worse
- It would likely take multiple adverse events (similar to the 1980s) to cause a 1980s-like crisis
- Agriculture faces many risks
  - ✓ Continued low grain and soybean prices
  - ✓ International trade disruption
  - ✓ Global recession
  - ✓ Higher interest rates





# The System is well positioned to deal with more stress in its portfolio

- Prudent underwriting
- Credit quality is very good
- Strong capital position

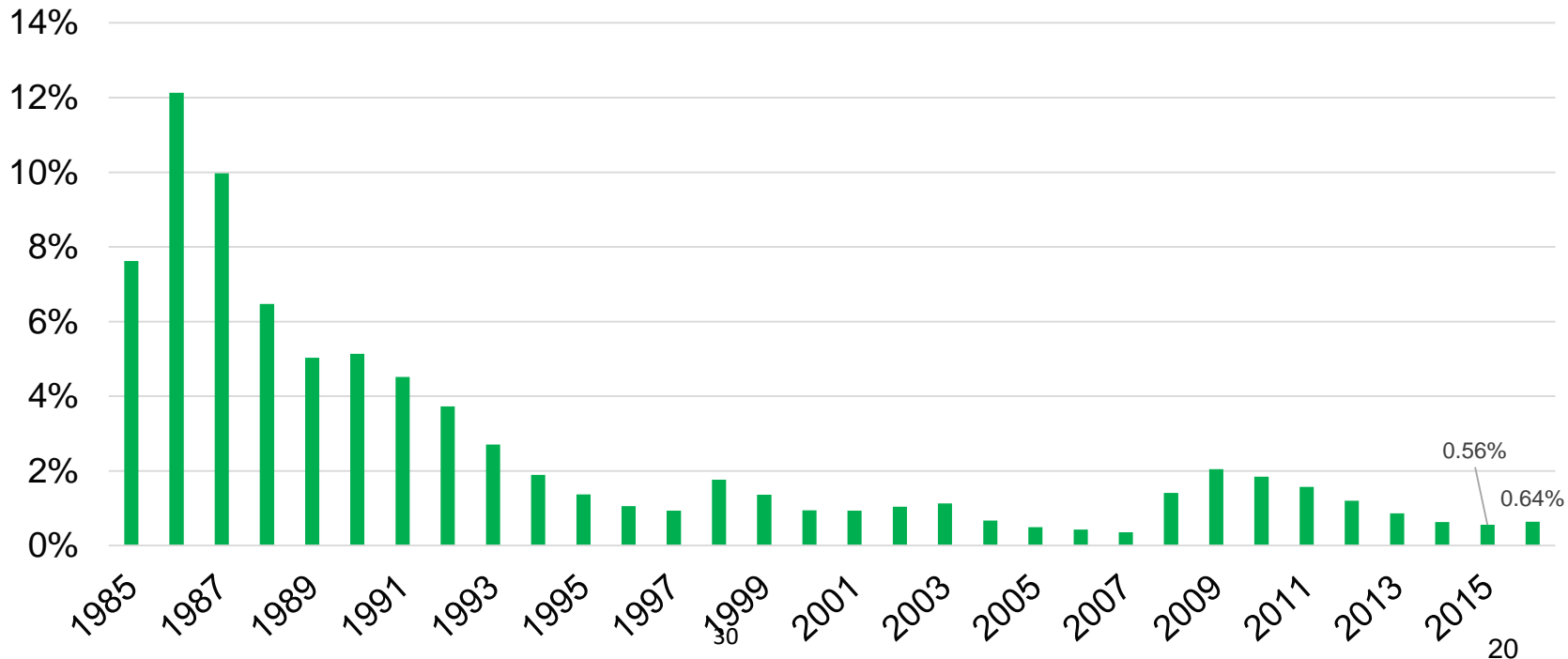




# System nonaccruals are at very low levels



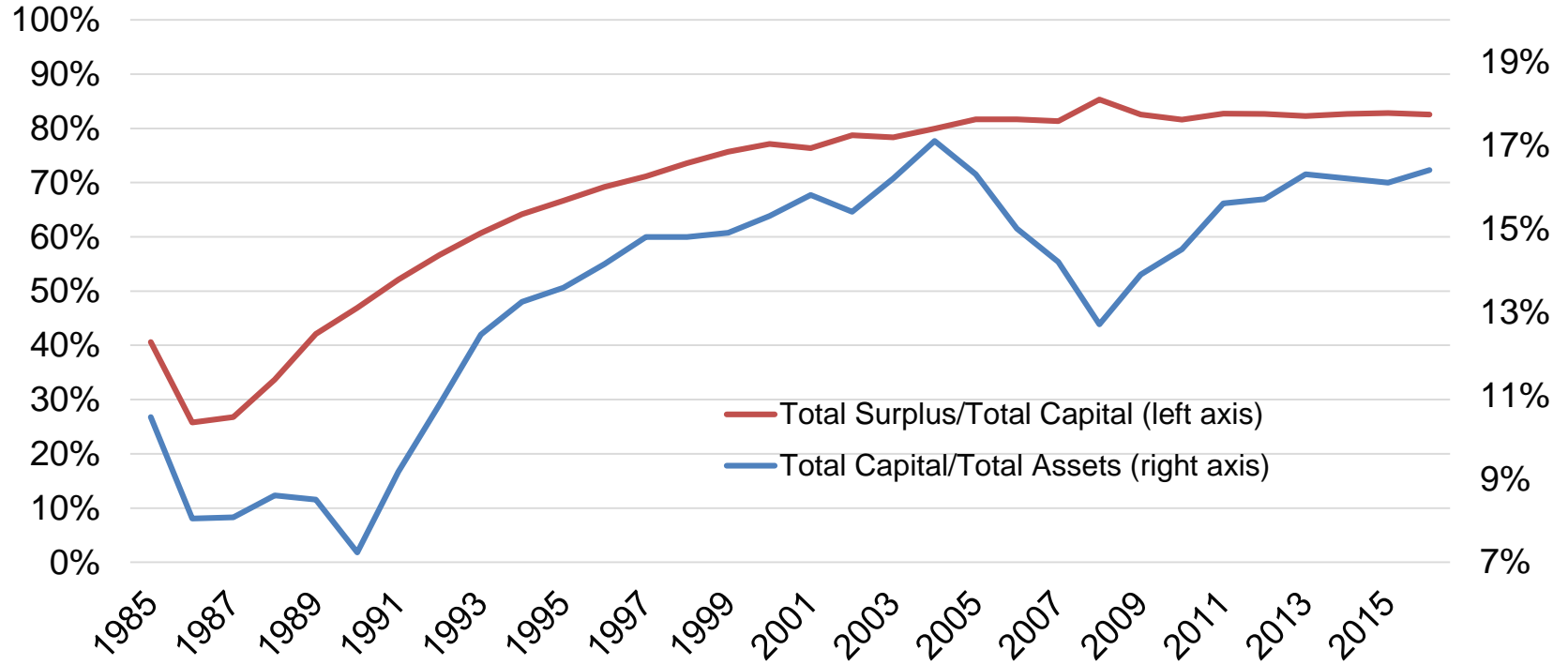
Nonaccrual Loans as a % of total loans outstanding



Source: FCS Annual Information Statements



# System capital has grown and is better quality



Source: FCS Annual Information Statements



# Questions

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**THANK YOU**