

News Release

Farm Credit Administration
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FCA Reaffirms Commitment to Cooperative Principles

McLEAN, Va., October 14, 2010 — The Farm Credit Administration (FCA) Board today approved a resolution and a policy statement reaffirming its commitment to the cooperative structure and principles under which Farm Credit System (FCS or System) institutions are required to operate.

In its policy statement, the Board stresses the importance of the participation of the System's member-borrowers in their institutions. The statement encourages each institution to engage its members as owners, to communicate with its members, and to provide value-added benefits to members.

Approval of Draft Joint and Several Liability Reallocation Agreement

In other business, the FCA Board approved a draft Joint and Several Liability Reallocation Agreement among the System banks and the Federal Farm Credit Banks Funding Corporation.

The agreement establishes a procedure for nondefaulting System banks to pay maturing System-wide debt on behalf of defaulting banks prior to a statutory joint and several call by FCA. The agreement provides for allocating such payments according to the banks' relative System-wide debt obligations.

At the August Board meeting, the FCA Board adopted a notice to publish the agreement for comment in the Federal Register. The 30-day comment period for the notice ended on September 17; no comments were received. The agreement will now be published in the Federal Register with a Notice of Approval by FCA.

The FCA's approval is conditioned upon the parties to the agreement signing it and the Farm Credit System Insurance Corporation expressing no objections.

Approval of Plan of Merger

The FCA Board also voted to grant preliminary approval of the proposed plan of merger and related stockholder disclosure documents for a merger of Farm Credit of North Florida, ACA, and/or Farm Credit of Southwest Florida, ACA, along with their subsidiaries, with and into Farm Credit of South Florida, ACA, and its subsidiaries. Provided stockholders approve the merger and certain other conditions are met, the merger is expected to be consummated on December 31, 2010.

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Quarterly Report by the Office of Examination

The FCA Board also received a quarterly report by the Office of Examination. The report provided an overview of current economic conditions and identified potential risks to the agricultural economy. It also discussed the condition and performance of the System as of the second quarter of 2010.

As reported, the outlook for the general economy remains tenuous as high unemployment weighs on consumer confidence. For agriculture, commodity price volatility, as well as stress in certain farm sectors, will present significant challenges going forward.

As a result of the adverse impact of the economy on loan demand, the System's loan portfolio had declined by 1.6 percent at the end of the second quarter. System asset quality is satisfactory overall as the risk environment continues to be elevated but credit quality measures remain steady. The System again posted strong earnings in the second quarter.

Overall, the System is fundamentally safe and sound, has reliable access to funding, and continues to build capital levels. Only one System institution received a lower Financial Institution Rating System risk rating in the most recent quarter.

Closed Session

During the closed session, the Board received a report on the Office of Examination's supervisory, enforcement, and oversight activities.

Notational Votes

Since the FCA Board meeting on September 8, two notational votes have occurred. Notational votes are actions taken by the FCA Board between Board meetings.

1. On September 30, the Board approved the Office of Examination's FY 2011 National Oversight Plan.
2. On September 9, the Board voted to reopen, for an additional 30 days, the comment period for the proposed rule that would permit System institutions with direct-lending authority to purchase certain agricultural and cooperative loans from the Federal Deposit Insurance Corporation.

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The Farm Credit Administration is the safety and soundness regulator of the cooperative Farm Credit System and the Federal Agricultural Mortgage Corporation (Farmer Mac). FCA charters, regulates, and examines the 99 banks, associations, and service corporations of the Farm Credit System, which makes loans to agricultural producers and their cooperatives nationwide. FCA also examines and regulates Farmer Mac, which provides a secondary market for agricultural real estate loans, rural housing mortgage loans, and certain rural utility loans. Members of the FCA Board are Leland A. Strom, Chairman and CEO; Kenneth A. Spearman; and Jill Long Thompson.

Note: FCA news releases are available on the Web at www.fca.gov.