

## News Release

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**For Immediate Release**  
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### **FCA Board Hears Auditor's Report on FCA's FY 2009/2008 Financial Statements**

McLEAN, Va., January 14, 2010 — The Farm Credit Administration (FCA) Board today heard the auditor's report on FCA's fiscal year 2009/2008 financial statements.

Brown & Company CPAs, PLLC, the independent accounting firm that performed the financial audit, concluded that the agency's principal financial statements presented fairly, in all material respects, the financial position of FCA as of September 30, 2009 and 2008, in conformity with generally accepted accounting principles.

In addition, the firm found no material weaknesses in internal control over financial reporting and noted no reportable instances of statutory or regulatory noncompliance that could have a direct and material effect on the determination of financial statement amounts.

FCA's Inspector General concurred with the reports and stated that Brown & Company's work provided a reasonable basis for its opinion.

#### **Report on the Condition of the Farm Credit System and FCA's Examination Operations**

In other business, the Board received a report on agricultural economic conditions and their impact on the financial condition and performance of the Farm Credit System (FCS or System) by staff from the Office of Examination (OE). Staff also reported on OE's operating results for FY 2009.

According to the report, agriculture is facing significant challenges, and these challenges are affecting the System's financial performance. During the first nine months of 2009, the pace of borrowing slowed sharply primarily because of decreased demand, with total loan growth of

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less than 1 percent. However, despite the difficult operating environment, the System remains fundamentally sound and has been able to meet its funding needs, build capital, and sustain its earnings performance.

Asset quality of System institutions continues to be satisfactory overall, but the level of adverse assets and nonaccruals has continued to rise. Although the outlook has improved for some agricultural sectors such as ethanol and dairy, profits remain elusive in the livestock sector, and the profit margins of some crop producers are being squeezed by lower prices. Thus, some additional deterioration in asset quality is expected in coming months.

An increasing number of System institutions have received lower Financial Institution Rating System (FIRS) risk ratings. As a result, FCA has increased its examination and oversight of the portfolios, management actions, and internal controls of System lenders.

Over the past year OE has increased its staff and its on-site presence at FCS institutions. Significant examination guidance has been provided to examiners and to the System in light of the heightened risk environment. OE continues to build staff levels to maintain a corps of seasoned examiners.

## **CLOSED SESSION**

During the closed session, the Board received a report from OE on new and existing supervisory and oversight issues regarding specific FCS institutions. The report highlighted FCA supervisory strategies and the progress of certain institutions in addressing and correcting issues related to their condition and operations.

## **NOTATIONAL VOTES**

Since the December 10, 2009, FCA Board meeting, six notational votes have occurred. Notational votes are actions taken by the FCA Board between Board meetings.

1. On December 12, the Board approved the 2010 compensation program for FCA employees.
2. On December 17, the Board approved a divestiture plan, authorizing the Federal Agricultural Mortgage Corporation (Farmer Mac) to retain an ineligible nonprogram investment.
3. On December 18, the Board determined that the Farm Credit Bank of Texas may choose to risk-weight senior-most positions in non-agency securitizations at 100 percent, rather than use the approach prescribed by FCA regulations for calculating regulatory capital.
4. On December 18, the Board made a similar regulatory capital determination for risk-weighting senior-most positions in non-agency securitizations held by CoBank, ACB.

5. On December 18, the Board made a similar regulatory capital determination for risk-weighting senior-most positions in non-agency securitizations held by AgriBank, FCB.
6. On January 12, the Board approved Regulatory Enforcement Committee recommendation 10-01 to pursue a formal supervisory action concerning an FCS institution.

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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; Nancy C. Pellett; and Kenneth A. Spearman.

Note: FCA news releases are available on the Web at [www.fca.gov](http://www.fca.gov).