

News Release

Farm Credit Administration
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FCA Board Hears Auditor's Report on FCA's FY 2010/2009 Financial Statements

McLEAN, Va., January 13, 2011 — The Farm Credit Administration (FCA) Board today heard the auditor's report on FCA's fiscal year 2010/2009 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, 2010 and 2009, 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.

In other business, the Board received two reports from the Office of Examination (OE) during the open session of the meeting — a quarterly report on the Farm Credit System (FCS or System) and a semiannual report on OE operations.

The quarterly report on the FCS highlighted economic conditions and risks facing the System and discussed the condition and performance of the System for the third quarter of 2010. According to this report, the outlook for the general economy has improved, but some uncertainty remains. A number of potential global and geopolitical risks remain that could adversely affect agriculture and the FCS. Overall, the risk environment remains elevated for the FCS.

During the third quarter of 2010, the System's loan portfolio increased by 3.9 percent primarily because the third quarter coincides with harvest season for American grain producers and because commodity prices had increased. Despite uncertain conditions, the System remains fundamentally sound, has reliable access to funding, and continues to build capital and

to generate strong earnings. System asset quality is satisfactory and credit quality indicators are steady, but high grain prices may result in additional stress for the dairy and livestock sectors.

According to the semiannual report on its operations, OE was on schedule with its 2010 Oversight and Examination Plan and continues to emphasize its on-site presence at FCS institutions. Significant examination guidance has been provided to examiners and to the System on safety and soundness issues. OE is building staffing 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's supervisory strategies and the progress of certain institutions in addressing and correcting issues related to their condition and operations.

Notational Vote

Since the December 9, 2010, FCA Board meeting, one notational vote has occurred. Notational votes are actions taken by the FCA Board between Board meetings.

On December 16, the Board approved revisions to the FCA organizational chart to address an amendment to the Inspector General Act, which changes the meaning of "head of the designated Federal entity" from the FCA Chairman to the full FCA Board. Other revisions were made to reflect changes in leadership for the offices of Examination, Regulatory Policy, and Secondary Market Oversight.

Enforcement Action Implemented

On December 9, the FCA Board entered into a formal supervisory agreement with an agricultural credit association.

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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 96 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.