

Jill Long Thompson, Board Chair and Chief Executive Officer  
Kenneth A. Spearman, Board Member  
Leland A. Strom, Board Member



**MINUTES OF THE REGULAR MEETING  
OF THE  
FARM CREDIT ADMINISTRATION BOARD  
April 10, 2014**

These minutes reflect the business transacted at the April 10, 2014, 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 10:05 a.m. Members of the Board present were:

**Jill Long Thompson, Board Chair and Chief Executive Officer  
Kenneth A. Spearman, Member  
Leland A. Strom, 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 three members 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 Chair** reviewed the published Agenda. (A copy of the Public Announcement publishing the Agenda for the meeting is attached as Exhibit B.)

**Mr. Spearman** moved to adopt the Agenda as presented.

**Mr. Strom** seconded the motion.

There being no further discussion, **Board Chair Long Thompson** called the question.

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

**Mr. Strom** noted that the Agenda did include portions 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. Spearman** seconded the motion.

There being no further discussion, **Board Chair Long Thompson** called the question.

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

### **OPEN SESSION**

#### **Approval of Minutes**

##### **Minutes for March 13, 2014 (BM-10-APR-14-01)**

**Mr. Spearman** moved to approve the minutes for March 13, 2014, regular board meeting.

**Mr. Strom** seconded the motion.

There being no further discussion, **Board Chair Long Thompson** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-10-APR-14-01)**

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

### **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 Farm Credit System Conditions.

**Board Chair Long Thompson** 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 D.)

## CLOSED SESSION

The **Board Chair** convened the closed session of the meeting at 9:37 a.m. and instructed the **Secretary** to activate the electronic recording device so the proceedings of the Closed Session could be properly recorded, as required by the Government in the Sunshine Act.

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

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

Members of the Board present were:

**Jill Long Thompson, Board Chair and Chief Executive Officer**  
**Kenneth A. Spearman, Member**  
**Leland A. Strom, Member**

The above named constitute a quorum of the Board.

Others present included **Dale Aultman**, Secretary to the Board; **Joy Strickland**, Deputy General Counsel; **Inga Smulkstys**, Executive Assistant to the Board Chair and CEO; **Russell Middleton**, Executive Assistant to Board Member Spearman; and **Mark Johansen**, Executive Assistant to Board Member Strom. (A list of staff attendees is attached hereto as Exhibit A).

## OE Quarterly Report

The **Board Chair** asked the Secretary to ensure that recording continued for this portion of the meeting.

**Robert Coleman** and **Roger Paulsen** of the Office of Examination presented the OE Quarterly Report.

The **Board Chair** thanked the OE staff at the conclusion of their report.

## ADJOURNMENT

There being no further business to come before the Board, **Board Chair Long Thompson** indicated she would entertain a motion to adjourn the meeting.

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

**Mr. Spearman** seconded the motion.

**Board Chair Long Thompson** called the question.

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

The meeting adjourned at 10:05 a.m.

**NOTATIONAL VOTE ACTIONS**

There was one notational vote action approved by the FCA Board from March 14, 2014, through April 9, 2014 as follows:

<b>Item Number</b>	<b>Action Date</b>	<b>Voting Results</b>	<b>Subject</b>
NV 14-07	03/24/2014	Approved	Mission-Related Investments in Peak Ridge AgTech Funds II by United FCS, ACA

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on April 10, 2014.

\_\_\_\_\_/s/\_\_\_\_\_  
Jill Long Thompson  
Board Chair and Chief Executive Officer

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

Approved: May 8, 2014

**STAFF PRESENT AT THE  
FCA REGULAR BOARD MEETING  
April 10, 2014**

JILL LONG THOMPSON, Board Chair and Chief Executive Officer  
KENNETH A. SPEARMAN, Board Member  
LELAND A. STROM, Board Member

<b>OFFICE</b>	<b>OPEN SESSION</b>	<b>CLOSED SESSION</b>
<b>Office of the Board</b>		
Aultman, Dale	X	X
Corey, Kathryn	X	
Smulkstys, Inga	X	X
Calhoun, Gaye	X	
Middleton, Russell	X	X
Buccolo, Deb	X	
Johansen, Mark	X	X
<b>COO</b>		
Hoffman, William	X	X
<b>EEO-I</b>		
Burlew, Thais	X	
<b>OCPA</b>		
Stokke, Mike	X	X
Quinn, Christine	X	X
Meaux, Willy	X	X
<b>OSMO</b>		
Rea, Laurie	X	X
Hudson, Bruce	X	X
<b>OGC</b>		
Rawls, Charles	X	X
Strickland, Joy	X	X
Donner, Mary Alice	X	X

<b>OFFICE</b>	<b>OPEN SESSION</b>	<b>CLOSED SESSION</b>
<b>OE</b>		
Coleman, Robert	X	X
Paulsen, Roger	X	X
Johnson, Hal	X	X
Fennewald, Dan	X	X
<b>OIG</b>		
Dean, Elizabeth	X	X
<b>ORP</b>		
Van Meter, Gary	X	X
Mardock, Barry	X	X
Gabriel, Steve	X	X
<b>OMS</b>		
Smith, Stephen	X	X
Fowlkes, Jerome	X	X
<b>FCSIC</b>		
Pfizinger, Rick	X	X
Rubin, Howard	X	X
<b>GENERAL PUBLIC</b>	3	

**PUBLIC ANNOUNCEMENT OF  
 MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT  
 Farm Credit Administration Board  
 Regular Meeting  
 April 10, 2014**

**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 April 10, 2014. 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:** 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](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**  
       March 13, 2014
  
- 2      **Reports**  
       Quarterly Report on Economic Conditions and FCS Conditions

**CLOSED SESSION**

- 3      Office of Examination Quarterly Report<sup>1</sup>

\_\_\_\_\_  
 March 31, 2014  
 Date

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

<sup>1</sup>Session 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**

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**FCA BOARD ACTION ON**

**Minutes for March 13, 2014 Board Meeting**

**BM-10-APR-14-01**

**Effective Date:** April 10, 2014

**Effect on Previous Action:** None

**THE FCA BOARD HEREBY:**

Approves the minutes for March 13, 2014, as submitted.

**DATED THIS 10<sup>th</sup> DAY OF APRIL 2014**

**BY ORDER OF THE BOARD**

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Dale L. Aultman  
Secretary to the Board



# FCA Board Meeting

April 2014

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## Quarterly Report on FCS Condition

April 10, 2014

Stephen Gabriel

Hal Johnson

Exhibit D





# Topics for Open Session

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- Economic Conditions Affecting the FCS
- FCS Condition and Performance





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# Economic Conditions Affecting the Farm Credit System

**Stephen Gabriel**  
Chief Economist  
Office of Regulatory Policy



# The economy: Steady, but slow improvement expected

## Consensus Forecasts (percent)\*

	2014	2015
<b>GDP growth</b>	2.8	3.1
<b>CPI</b>	1.7	2.0
<b>Unemployment rate</b>	6.4	5.9
<b>10 Yr T-Bond (Jun '14; Mar '15)</b>	3.0	3.5

\*Survey date - March 10, 2014





# Farm sector developments and concerns

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- We have a new Farm Bill
- Farm income to drop sharply in 2014
- Crop margins are compressing
- Farmland markets are cooling
- PEDv threatens hog industry
- Severe drought in the West
- Tensions in the Ukraine<sup>13</sup>





# Lower crop receipts and government payments in 2014

## Key Farm Income Components

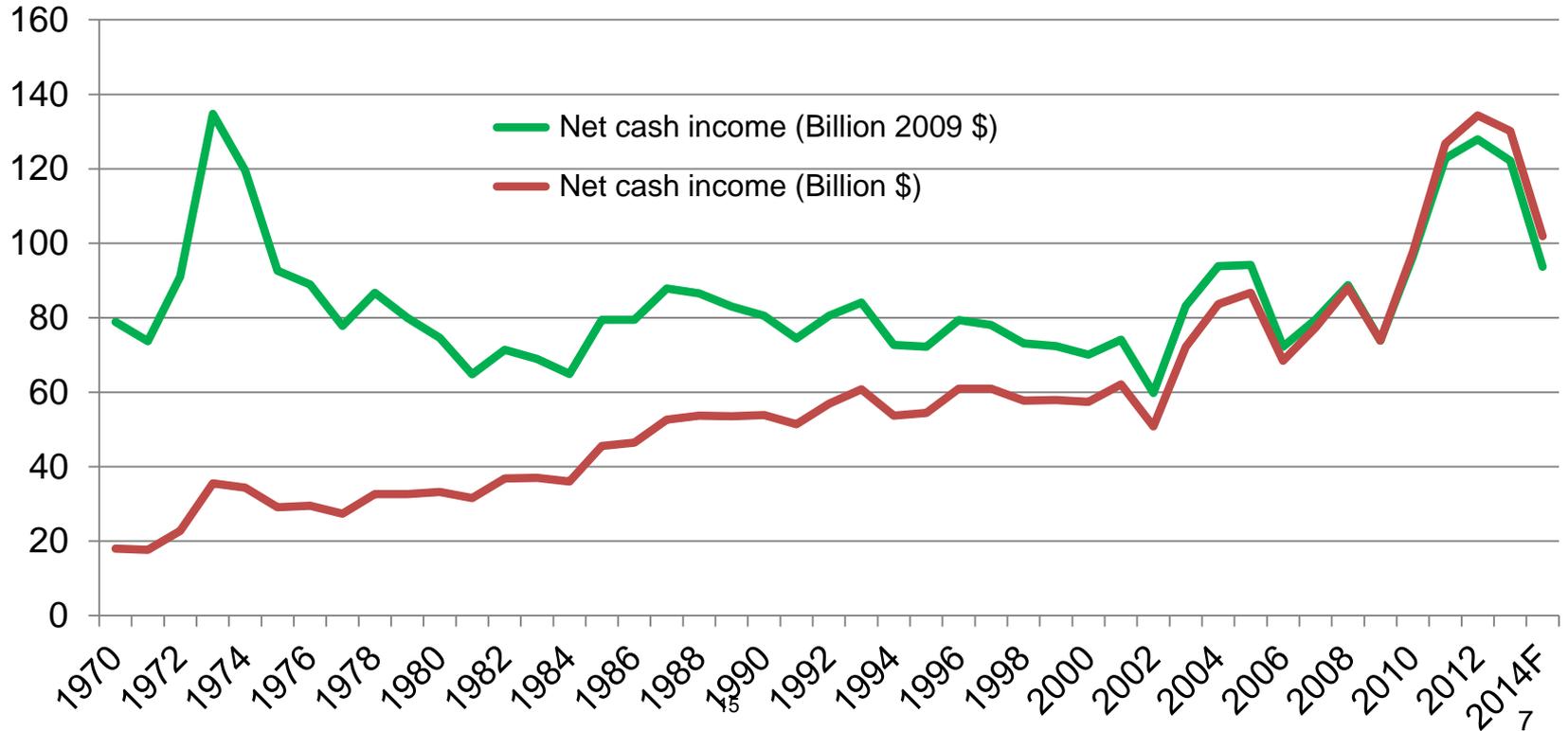
	2012 - 2013F	2013F - 2014F
	% Change	% Change
Cash receipts	0.8	-6.4
Crops	-3.3	-12.4
Livestock	6.2	0.7
Direct Gov. payments	5.3	-45.4
Cash expenses	3.3	-1.5
Net cash income	-3.2	-21.7
Net farm income	14.7	-26.6

Source: USDA





# Farm sector net cash income is projected to drop sharply in 2014



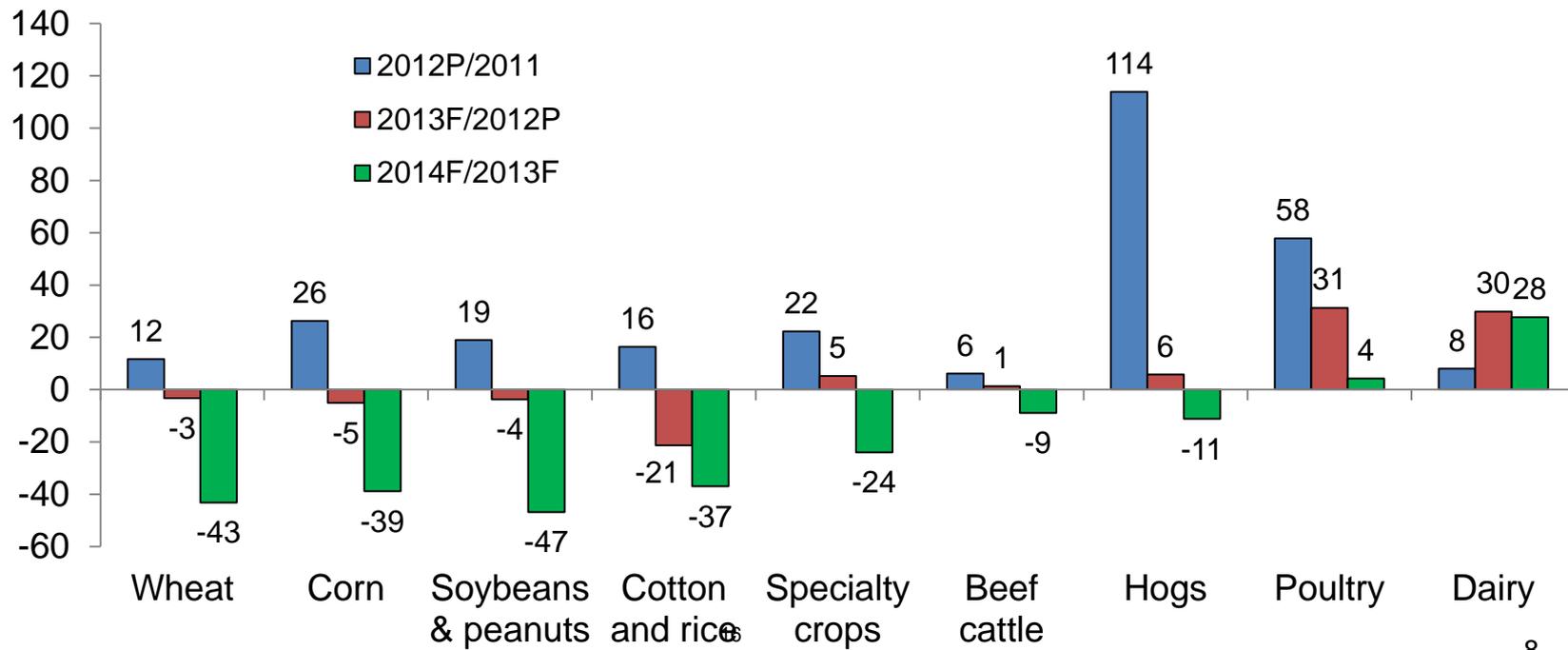
Source: USDA, ERS



# Profits for crop producers to drop sharply in 2014



Farm Business Average Net Cash Income (percent change from prior year)



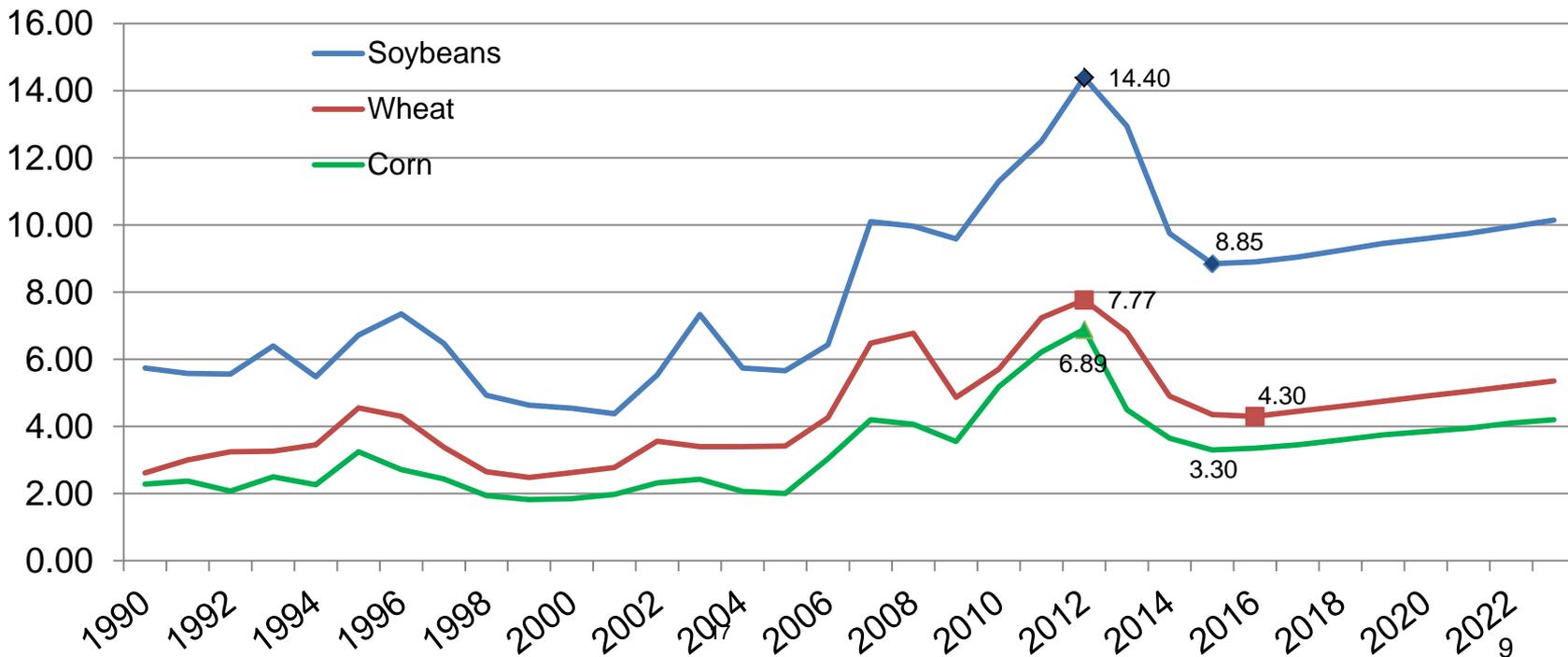
Source: USDA, ERS



# The long-term outlook points to much lower grain prices



Average Price Received by Farmers (Dollars Per Bushel)



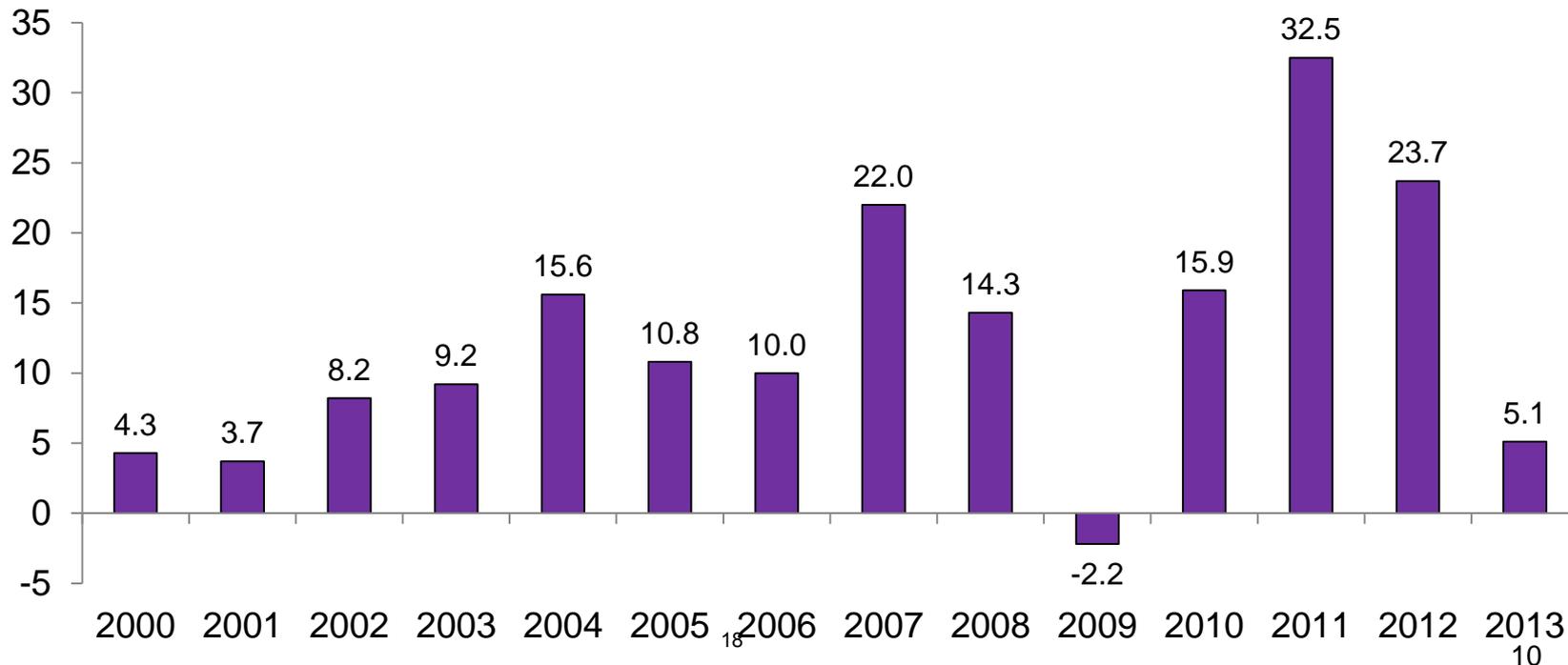
Source: USDA



# Iowa farmland prices decelerate in 2013



Percent Change in Iowa Farmland Values



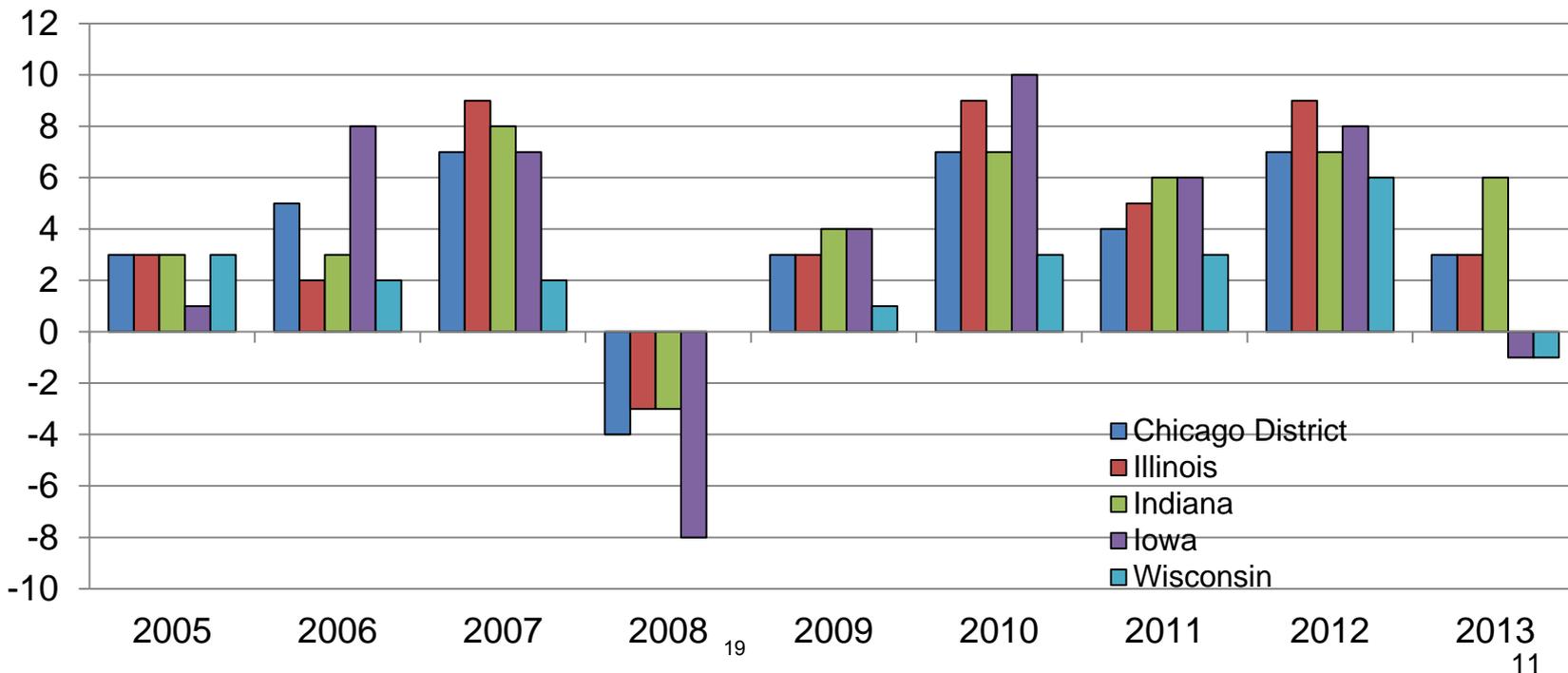
Source: Iowa State University, 2013 Farmland Value Survey



# Chicago Fed District also has a cooling farmland market



Percent Change in the Value of Good Farmland in 4th Qtr, Chicago Federal Reserve District



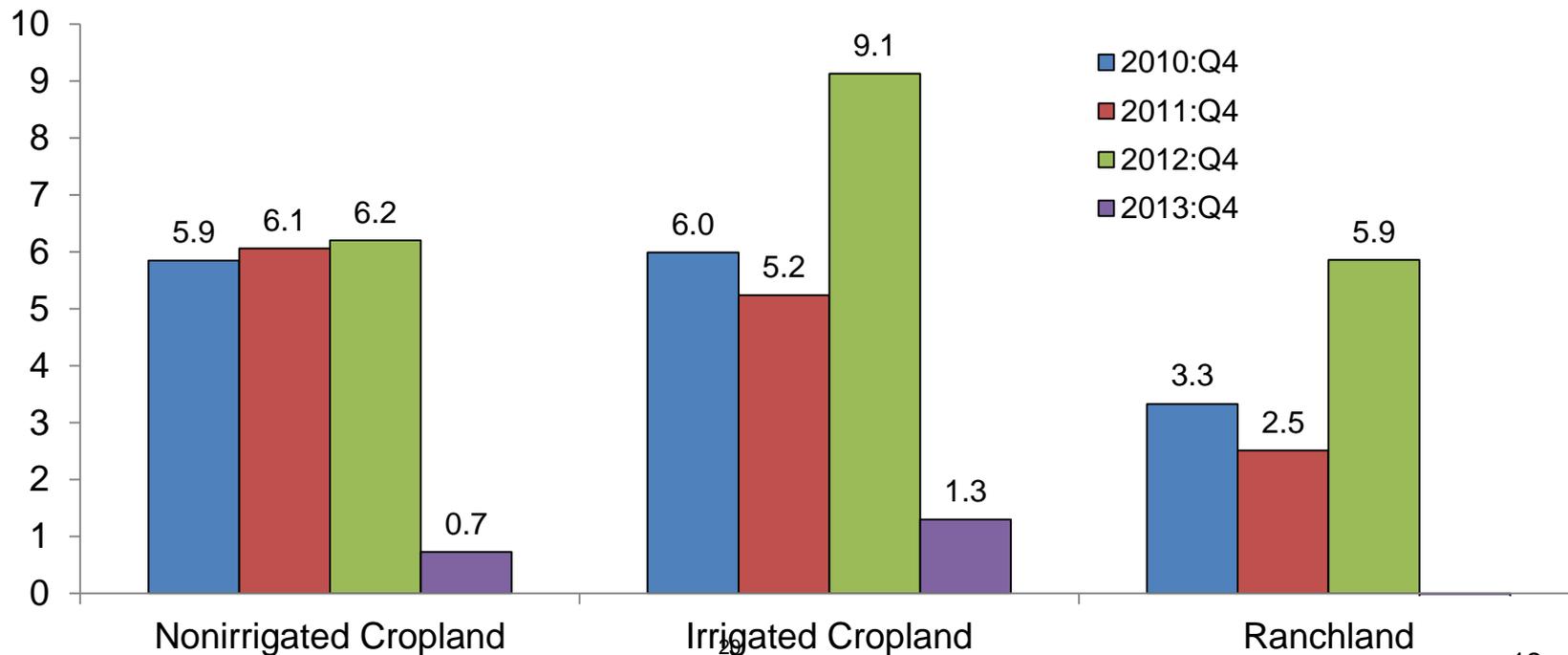
Source: Federal Reserve Bank of Chicago



# Cropland markets subdued in the Kansas City Federal Reserve District



Percent Change in Farmland Values from the Previous Quarter



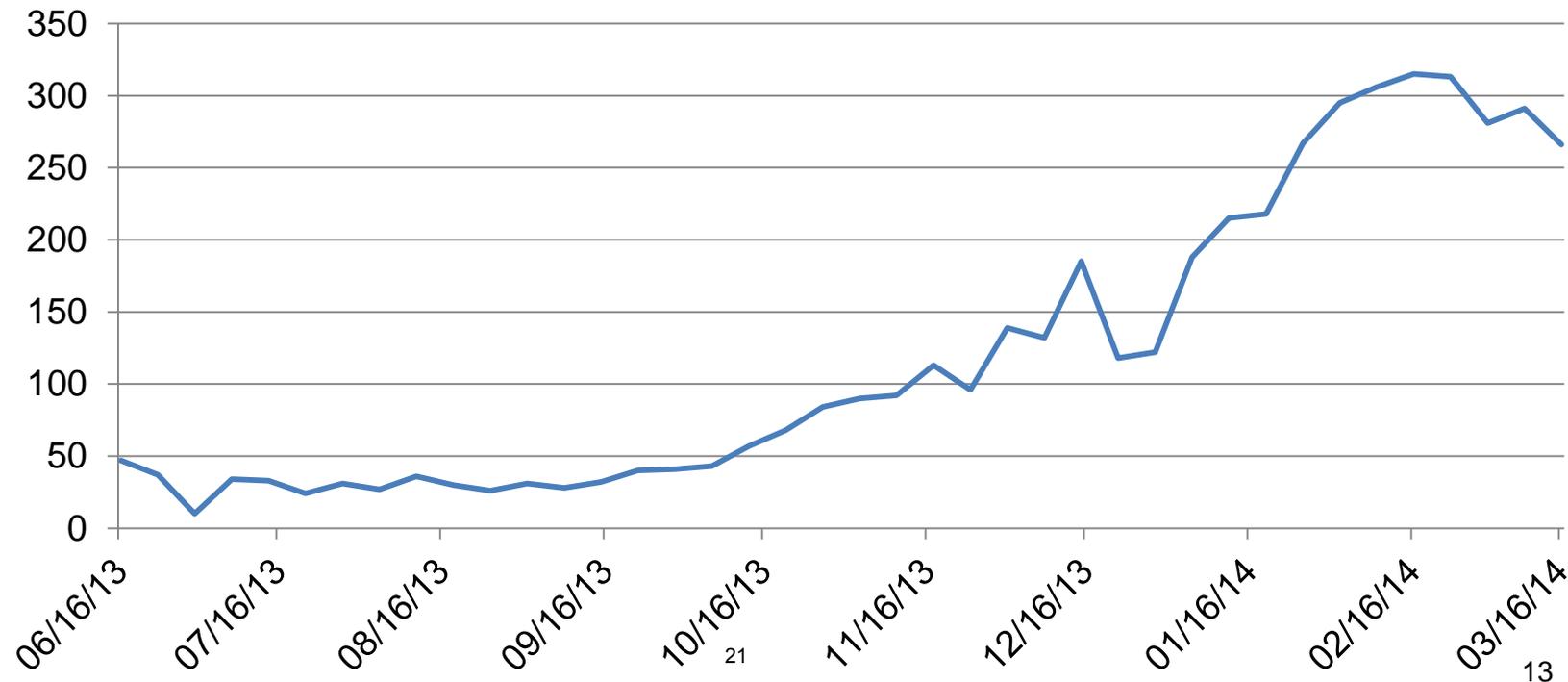
Source: Federal Reserve Bank of Kansas City



# Hog virus continues to spread



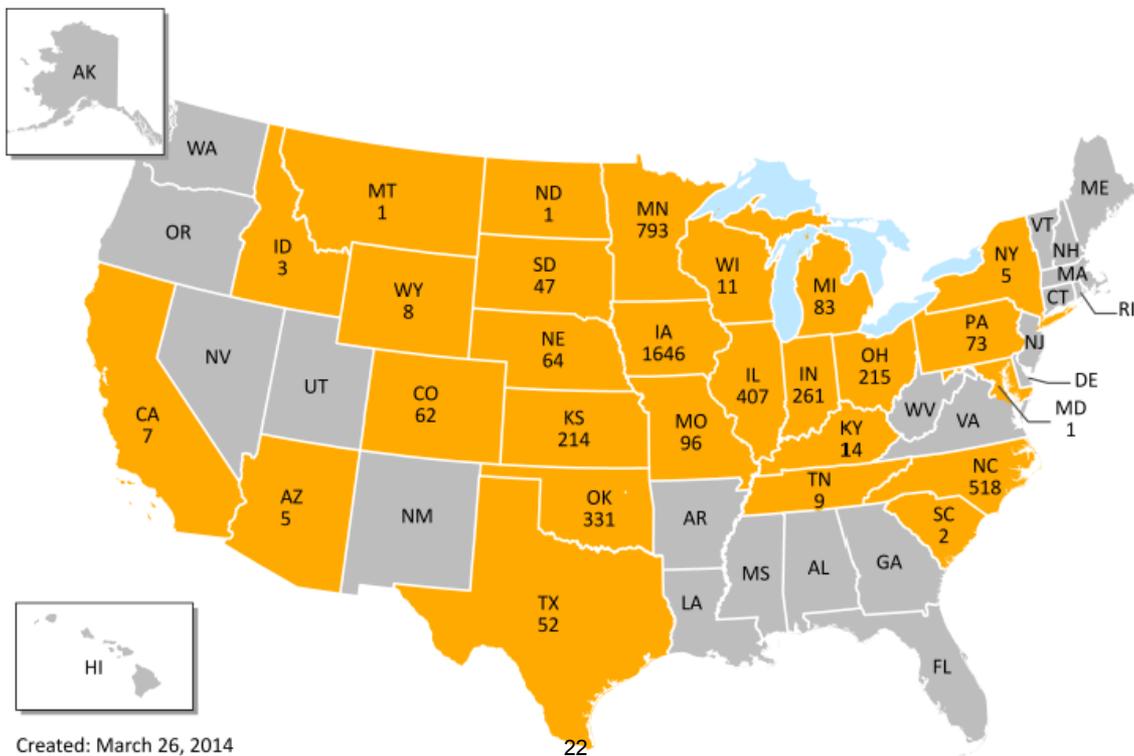
New Cases of Porcine Epidemic Diarrhea Virus (PEDv) Reported by Week



Source: American Association of Swine Veterinarians



# PEDv has spread to 27 States as of March 22, 2014



Created: March 26, 2014

22

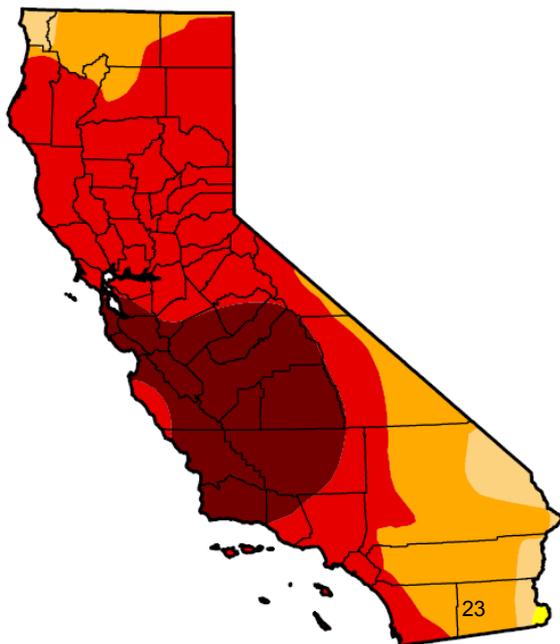
Source: American Association of Swine Veterinarians



# Over two-thirds of California is in extreme drought or worse



## U.S. Drought Monitor California



**March 25, 2014**  
(Released Thursday, Mar. 27, 2014)  
Valid 8 a.m. EDT

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
<b>Current</b>	0.00	100.00	99.80	95.21	71.78	23.42
<b>Last Week</b> 3/18/2014	0.01	99.99	99.80	93.08	71.78	22.37
<b>3 Months Ago</b> 12/24/2013	2.61	97.39	94.25	84.88	27.59	0.00
<b>Start of Calendar Year</b> 12/31/2013	2.61	97.39	94.25	87.53	27.59	0.00
<b>Start of Water Year</b> 10/1/2013	2.63	97.37	95.95	84.12	11.36	0.00
<b>One Year Ago</b> 3/25/2013	0.00	100.00	48.38	24.22	0.00	0.00

Intensity:

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

*The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.*

**Author:**  
David Simeral  
Western Regional Climate Center



<http://droughtmonitor.unl.edu/>



# Risks to Watch

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- Farmland values
- Crop producers' margin compression
- Long-term interest rate trends
- Porcine Epidemic Diarrhea Virus (PEDv)
- Western drought
- Midwest planting conditions
- Economic developments in China
- Geopolitical developments





# Questions

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**THANK YOU**



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# Farm Credit System Condition and Performance

as of  
December 31, 2013

Hal Johnson  
Office of Examination



# Topics

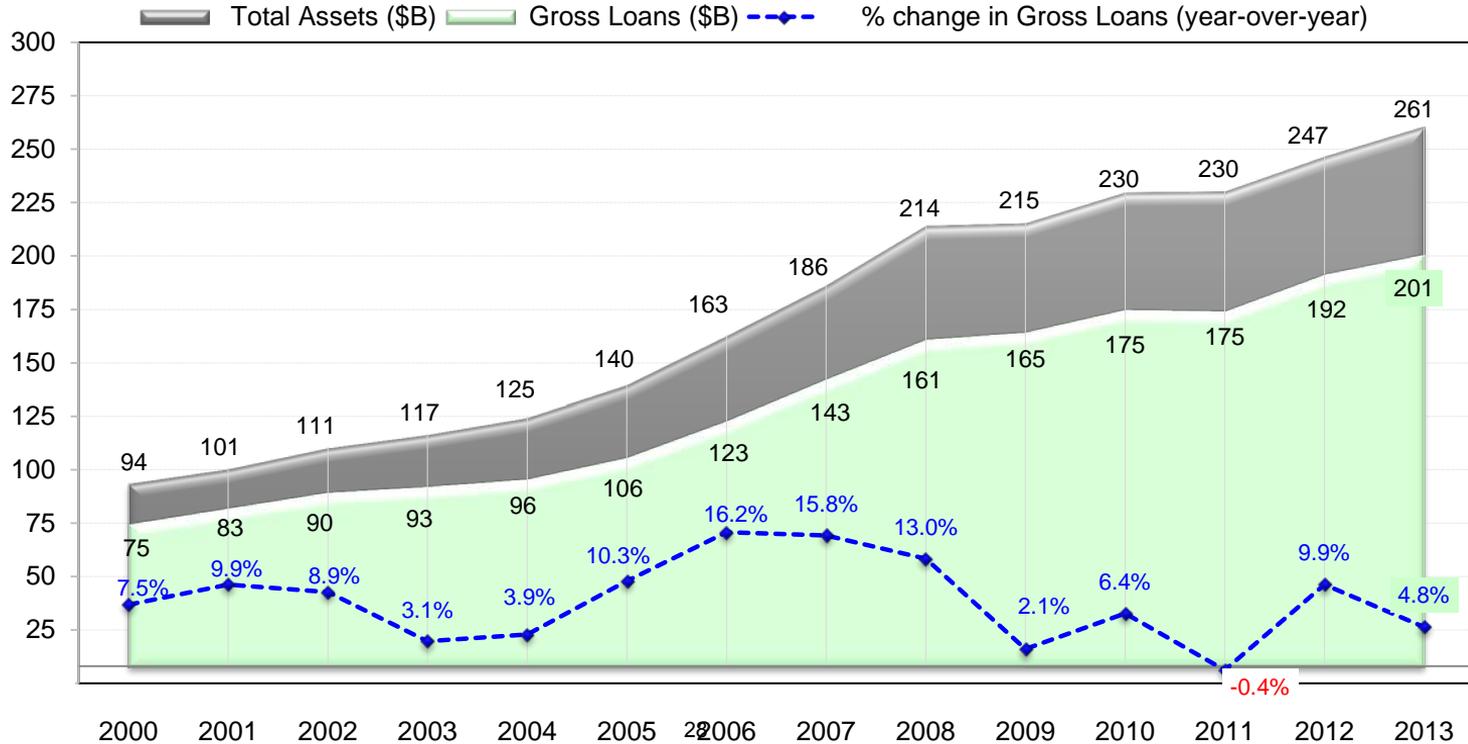
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- System Growth
- Earnings / Capital
- Portfolio Credit Quality
- FIRS





# System reports modest growth in 2013; driven largely by gains in the 4<sup>th</sup> quarter



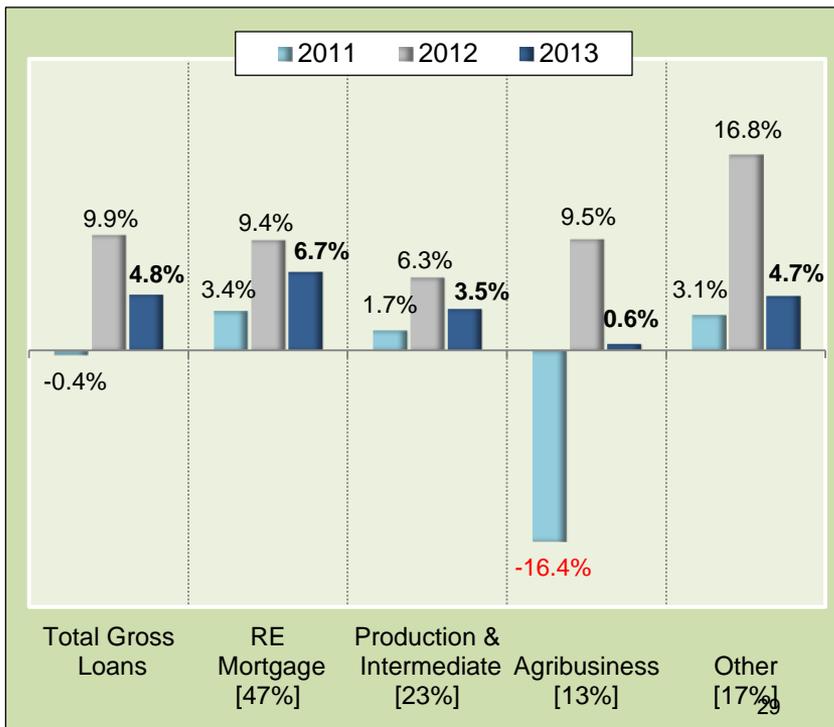
Source: FCS Annual Information Statements



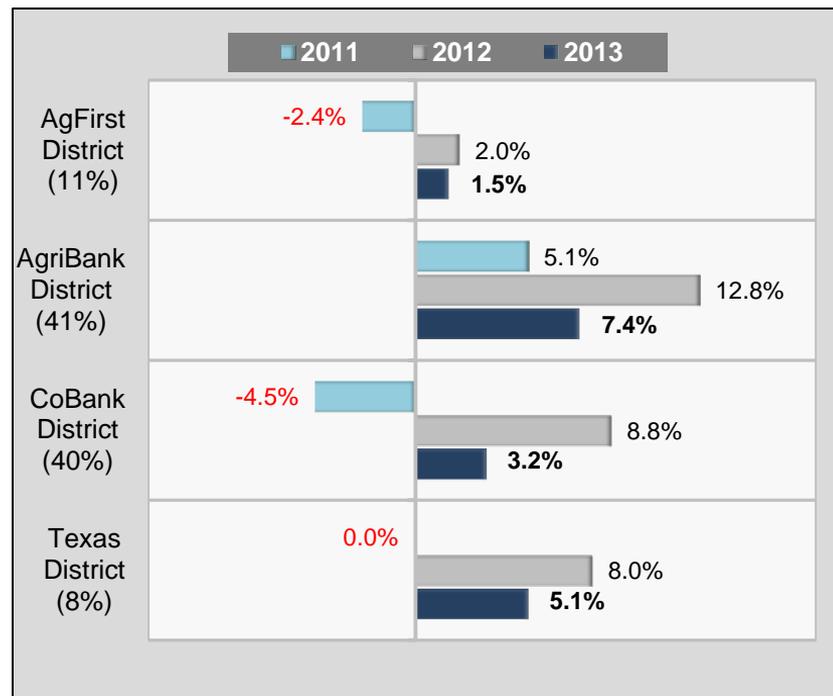
# Real estate lending was the largest driver of loan growth in 2013



Loan Growth by Loan Type (% change year-over-year)



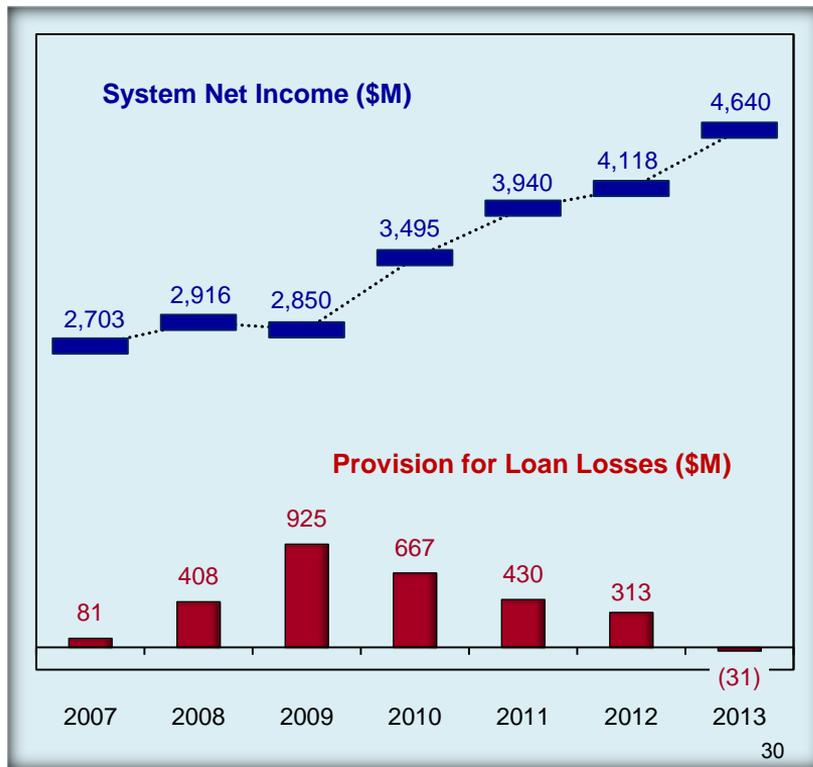
Loan Growth by District (% change year-over-year)



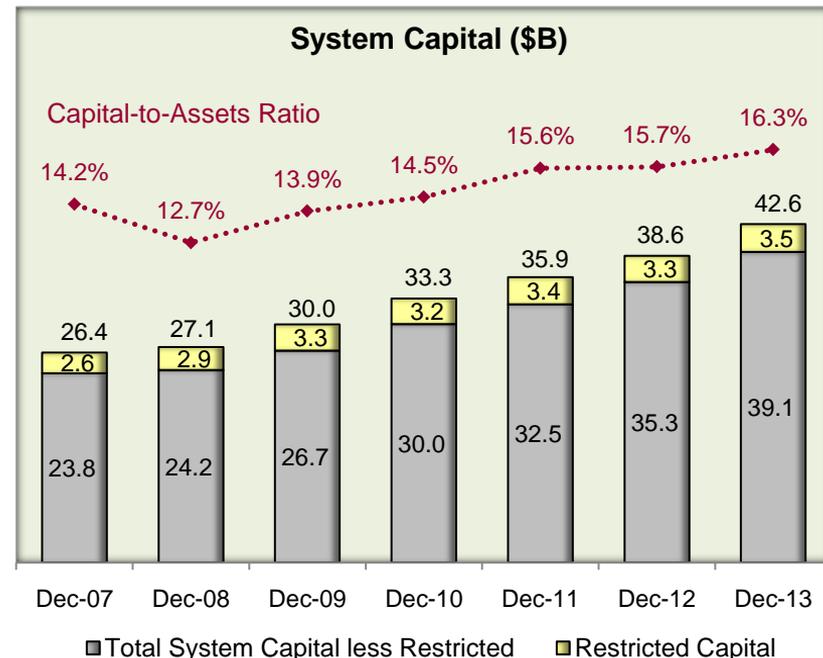
Source: FCS Annual Information Statements



# System posts continued strong financial results in 2013



Source: FCS Annual Information Statements



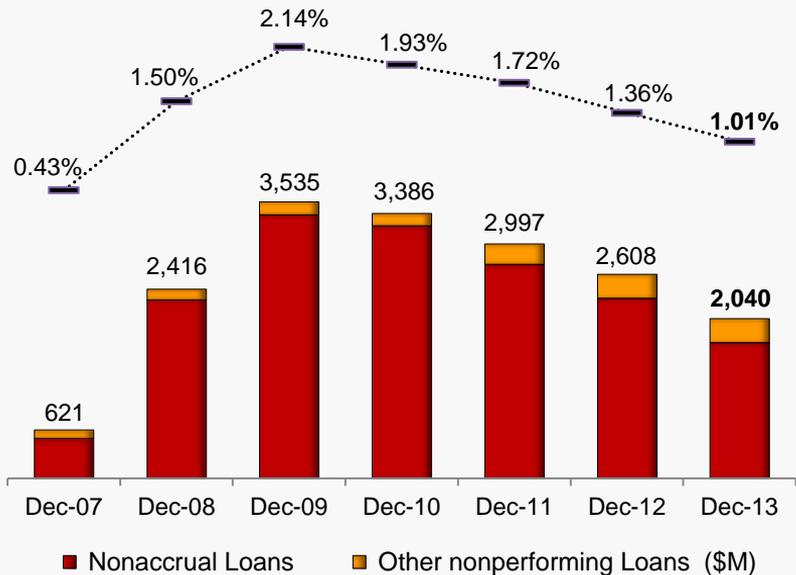
- Restricted capital represents capital associated with the Insurance Fund -



# Portfolio credit quality is sound; credit indicators continued to improve in 2013



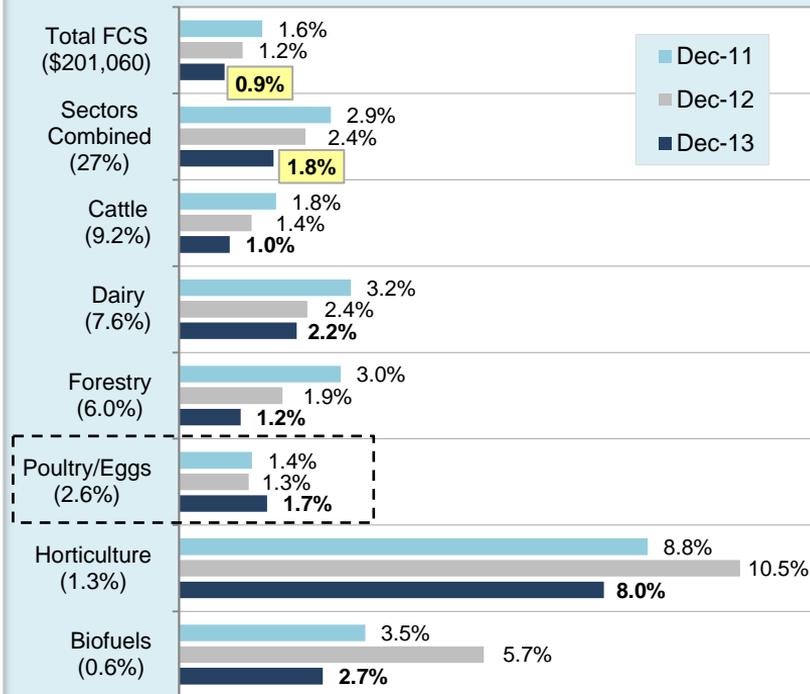
**% of Nonperforming Loans to Total Loans**



31

Source: FCS Annual Information Statements

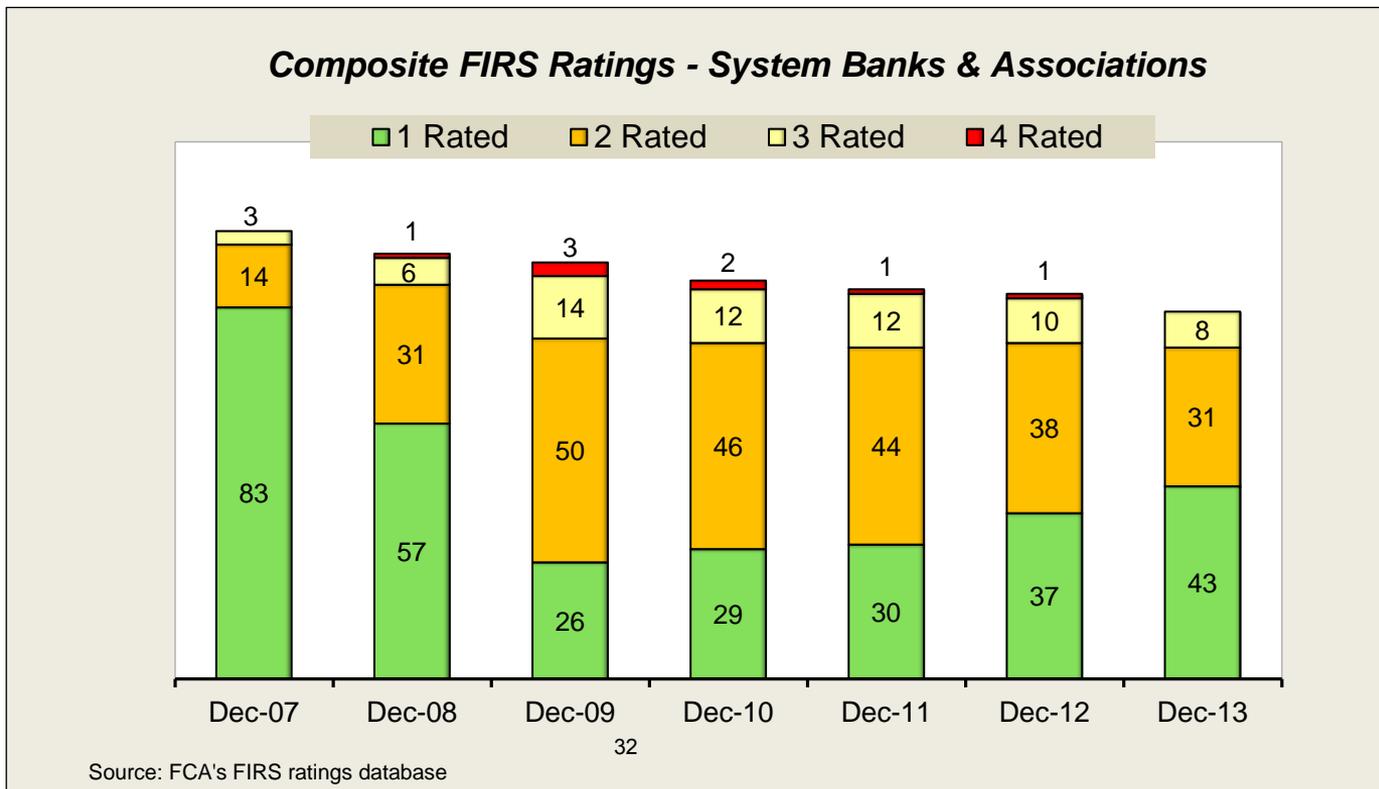
**Nonaccruals as a % of Loans Outstanding**



23



# System FIRS ratings





# Summary and final points

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- Risk profile for agriculture is changing. Profitability for the protein sector is improving while crop producers face tighter margins.
- The farmland market is cooling as lower farm profitability puts pressure on prices
- The System's financial performance remains strong. Credit quality in the System's loan portfolio is good and credit indicators continue to improve.
- The System remains fundamentally safe and sound and is well-positioned for the risks facing agriculture





# Questions

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**THANK YOU**

