

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  
March 13, 2014**

These minutes reflect the business transacted at the March 13, 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 9:44 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 four 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.

**Board Chair Long Thompson** 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 published.

**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 **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.

**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 February 18, 2014 Regular Board Meeting (BM-13-MAR-14-01)**

**Mr. Spearman** moved to approve the minutes for February 18, 2014 Regular Board Meeting, that was rescheduled from February 13, 2014, per FCA Notational Vote Notational Vote 14-06, approved February 12, 2014.

**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-13-MAR-14-01)**

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

#### **New Business**

##### **Advisory Votes – Interim Final Rule (BM-13-MAR-14-02)**

**Deborah Wilson** of the Office of Regulatory Policy and **Laura McFarland** of the Office of General Counsel presented the **Advisory Votes - Interim Final Rule**.

**Board Chair Long Thompson** asked that her written statement pertaining to the vote be attached as an exhibit to the minutes. (A copy is attached at Exhibit D.)

**Mr. Spearman** concurred with the Board Chair's comments.

**Mr. Strom** asked that his written statement pertaining to the vote be attached as an exhibit to the minutes. (A copy is attached at Exhibit E.)

**Board Chair Long Thompson** asked if there was any further discussion and asked staff to provide their recommendation. Staff provided their recommendation.

**Board Chair Long Thompson** called for a motion on the staff's recommendation regarding the final rule.

**Mr. Strom** moved that the Board approve the **Advisory Votes – Interim Final Rule**.

**Mr. Spearman** seconded the motion.

**Board Chair Long Thompson** asked if there was any further discussion.

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

The **Secretary** polled the Members and the motion carried unanimously. (**BM-13-MAR-14-02**)

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

## Reports

### Report on the Farm Credit System's Funding Conditions

Before the report began, **Board Chair Long Thompson** noted that as **William Dunn** was planning to retire soon, this may be his last report. She thanked him for his contributions to Rural America all his efforts at FCA.

**William Dunn** and **David Lewandrowski** of the Office of Office of Regulatory Policy presented the **Report on the Farm Credit System's Funding 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 G.)

## 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. Spearman** moved that the meeting be adjourned.

**Mr. Strom** 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 9:44 a.m.

**NOTATIONAL VOTE ACTIONS**

There were no notational vote actions by the FCA Board from February 19, 2014, through March 12, 2014.

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on March 13, 2014.

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

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

Approved: **April 10, 2014**

**STAFF PRESENT AT THE  
FCA REGULAR BOARD MEETING  
March 13, 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>Office of the Board</b>	
Aultman, Dale	X
Smulkstys, Inga	X
Corey, Kathryn	X
Buccolo, Deb	X
Johansen, Mark	X
Calhoun, Gaye	X
Middleton, Russell	X
<b>OCOO</b>	
Hoffman, William	X
<b>OCPA</b>	
Stokke, Mike	X
<b>OSMO</b>	
Rea, Laurie	X
<b>OGC</b>	
Rawls, Charles	X
Strickland, Joy	X
Donner, Mary Alice	X
McFarland, Laura	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
Mardock, Barry	X
Dunn, William	X
Lewandrowski, David	X
Wilson, Deborah	X
<b>OMS</b>	
Smith, Stephen	X
<b>FCSIC</b>	
Rubin, Howard	X
Pfizinger, Rick	X
<b>EEO &amp; Inclusion</b>	
Burlew, Thais	X
<b>GENERAL PUBLIC</b>	<b>4</b>

**PUBLIC ANNOUNCEMENT OF  
MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT  
Farm Credit Administration Board  
Regular Meeting  
March 13, 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 March 13, 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:** 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**

- Approval of Minutes**
- 1 February 18, 2014
  
- New Business**
- 2 Advisory Votes – Interim Final Rule
  
- Reports**
- 3 Report on the Farm Credit System’s Funding Conditions

March 6, 2014  
\_\_\_\_\_  
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**

---



**FCA BOARD ACTION ON**

**Minutes for February 18, 2014 Regular Board Meeting**

**BM-13-MAR-14-01**

**Effective Date:** March 13, 2014

**Effect on Previous Action:** None

**THE FCA BOARD HEREBY:**

Approves the minutes for February 18, 2014, Regular Board Meeting as submitted.

**DATED THIS 13<sup>th</sup> DAY OF MARCH 2014**

**BY ORDER OF THE BOARD**

---

Dale L. Aultman  
Secretary to the Board

**Statement**  
**Jill Long Thompson, Board Chair**  
**Farm Credit Administration Board Meeting**  
**March 13, 2014**

I thank Debbie Wilson and Laura McFarland, as well as the Offices of Regulatory Policy and General Counsel for their hard and expeditious work on this interim final rule. I also commend my colleague Lee Strom for taking on this issue several years ago when it was learned the Board of one of the institutions in the System had approved a compensation package whose total cost it did not fully comprehend.

The compensation rule we adopted in 2012 has merit and I was proud to support it. But, I completely respect the authorities of the United States Congress. And they have spoken. Title VI of the 2014 Appropriations Act prohibits FCA from using funds to implement or enforce this requirement. And the Farm Bill states very clearly that the oversight of compensation practices is the responsibility of the boards of directors, exclusive of, but accountable to their shareholders. This interim final rule will make our regulation compliant with current law.

I am also pleased our action today will preserve the enhanced transparency of compensation disclosures, as well as the enhanced responsibilities of the compensation committee of the boards of directors.

**Statement**  
**Leland Strom, Board Member**  
**Farm Credit Administration Board Meeting**  
**March 13, 2014**

The final regulation we approved in September 2012—Compensation, Retirement Programs, and Related Benefits—encourages member-borrowers of Farm Credit System institutions to participate in the management, control, and ownership of their institutions. We developed the rule after some unusual compensation payments were made in the Farm Credit System.

We responded initially by creating two pieces of guidance—an Informational Memorandum on Executive Compensation and Benefits Programs and a Bookletter regarding Compensation Committees. Later we developed the compensation rule.

In the 2014 Farm Bill, Congress affirmed the benefits of disclosure and transparency to the member-borrowers of Farm Credit System institutions. I fully support Congress' findings, and I agree that a primary responsibility of the boards of directors of System institutions is to oversee compensation practices.

In making compensation decisions, institution boards of directors should carefully consider all of the issues, such as performance and retention, appropriate compensation, benefits packages, and concerns of their cooperative membership. In addition, boards should fully quantify and understand both the near-term and long-term expenses and financial consequences associated with the executive compensation programs they approve. As Government-sponsored enterprises, institutions should also pay particular attention to any potential reputation risks their compensation programs might create.

My hope going forward is that each board of directors will remain vigilant in evaluating its compensation program. An effective compensation program strikes a balance between the goal of attracting and retaining talented senior leadership and the long-term costs of the compensation provided. Failing to strike this balance can adversely affect an institution's ability to provide cost-effective credit to its member-borrowers and its ability to fulfill its mission. Further, it is my hope that FCA, through examinations and policy development, will continue to review and enforce our regulations on compensation practices and disclosure.

As a network of farmer-owned cooperatives, the System holds a unique and distinguished position in agricultural financing and plays an increasingly significant role in lending to agriculture and rural America. It is essential that the System remain safe, sound, and financially strong so it can be there for America's next generation of farmers, ranchers, cooperatives, and rural communities. To ensure this outcome, System institutions must remain accountable to their respective shareholders, maintain strong governance practices, and demonstrate financial prudence in their decisions, including those on executive compensation.

**Farm Credit Administration**

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

**BOARD ACTION ITEM**

---



**FCA BOARD ACTION ON  
Advisory Votes – Interim Final Rule  
BM-13-MAR-14-02**

**Effective Date:**                      **March 13, 2014**

**Effect on Previous Actions:**

The FCA Board Notational Vote of November 22, 2013, is rendered moot by adopting the interim final rule that removes FCA regulations related to non-binding, advisory votes.

**THE FCA BOARD HEREBY:**

- Adopts the interim final rule that would amend FCA regulations by removing requirements for non-binding, advisory votes; and
- Authorizes staff to make any technical or grammatical changes to the rule that may be necessary for publication in the Federal Register.

**DATED THIS 13<sup>th</sup> DAY OF MARCH 2014**

**BY ORDER OF THE BOARD**

---

Dale L. Aultman  
Secretary to the Board



---

# The Farm Credit System's Funding Conditions

**Exhibit G**



# Funding Conditions Topics

---



- Global Market
- Agency Debt Market
- Yields & Spreads on FCS Debt
- Funding Corporation Activity
- FCS Liquidity



# Global Market

---



- Ukraine
- E.U.
- Federal Reserve Monetary Policy
- U.S. Treasury
- Bitcoin?



# Credit Rating Agencies - Outlook for the United States

---

- Standard & Poors - AA+  
Outlook - Stable
- Moody's - Aaa  
Outlook - Stable
- Fitch – AAA  
Outlook - Negative





# Agency Debt Outstanding

Billions of Dollars	2009	2010	2011	2012	2013
F.H.L.B.	\$ 931	\$ 796	\$ 692	\$ 688	\$767
Fannie Mae	786	794	742	622	534
Freddie Mac	805	728	674	552	511
<b>FCS</b>	<b>176</b>	<b>188</b>	<b>184</b>	<b>197</b>	<b>208</b>
Tenn.V.A.	23	23	25	25	26
Farmer Mac	6	8	10	12	12
<b>Total</b>	<b>\$2,727</b>	<b>\$2,537</b>	<b>\$2,330</b>	<b>\$2,096</b>	<b>\$2,058</b>



# System High Level Financials

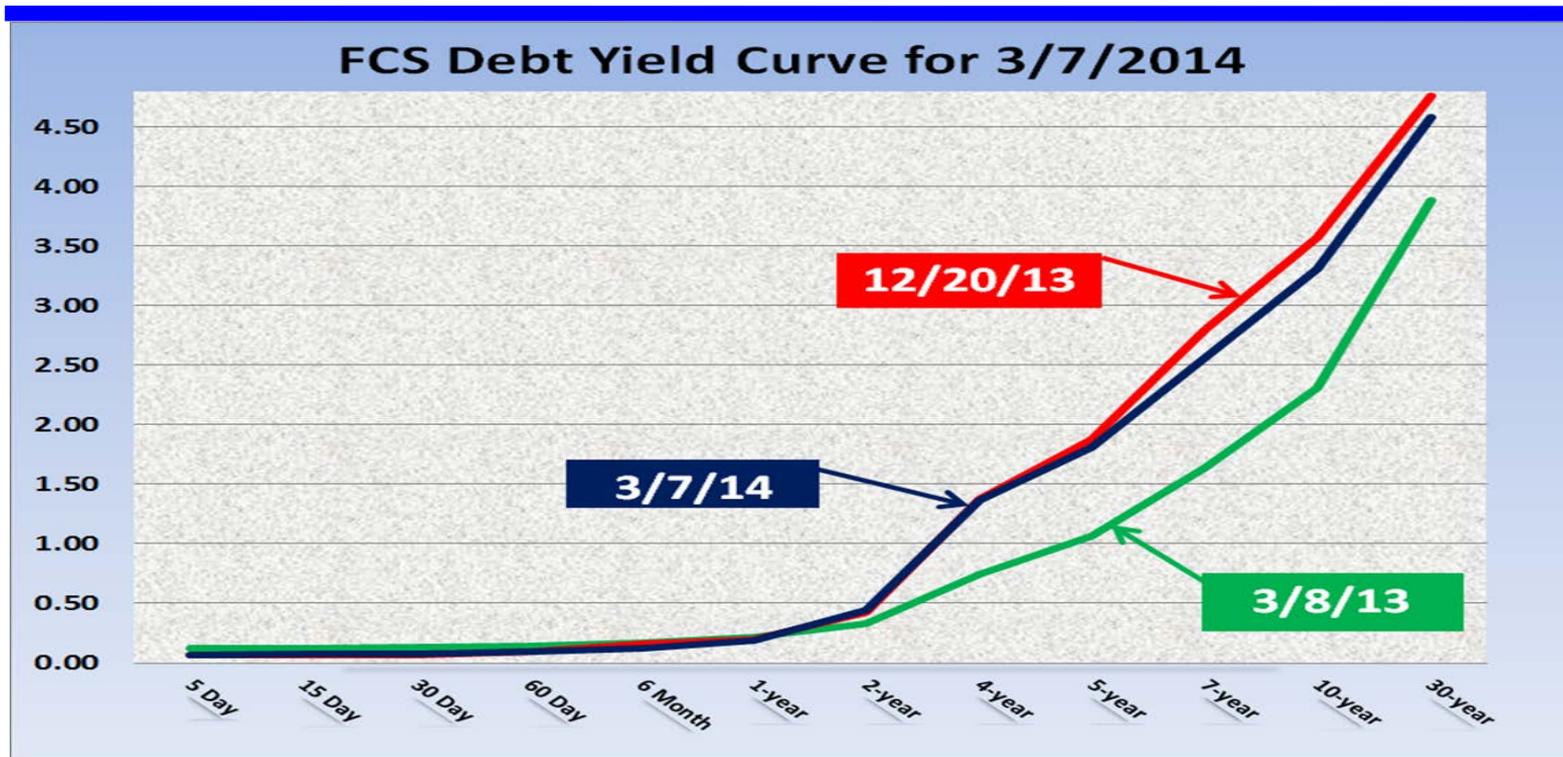
---



- Assets - \$260.8 billion (+ 5.7%)
- Cash & Invt.- \$ 51.9 billion (+10.6%)
- Capital - \$ 42.6 billion (+10.3%)
- Net Income - \$ 4.6 billion (+12.7%)



# FCS Debt Yields Have Risen

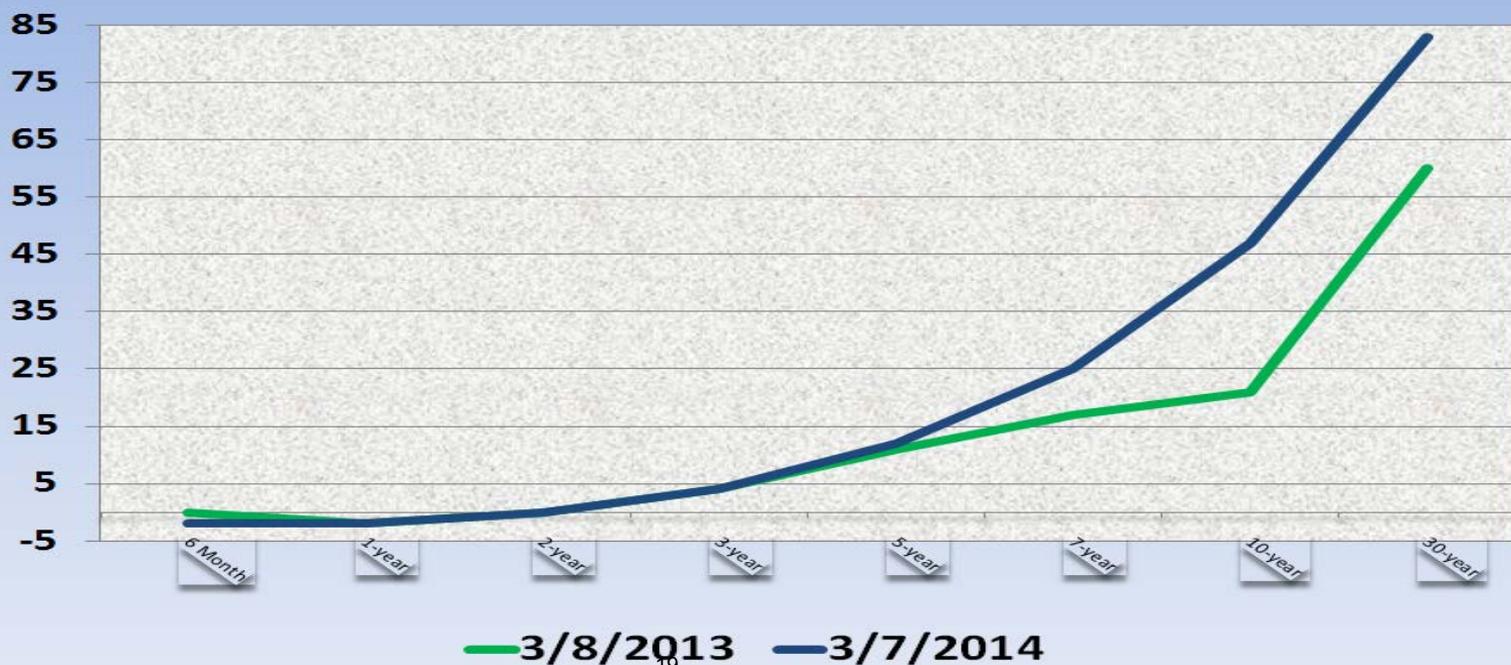




# Higher Spreads over Treasuries



## FCS Basis Points Spread over Treasuries





# Funding Activity by FCS



(\$ millions)	Discount Notes	Designated Bonds	Fixed Rate Bonds		Floating Rate Bonds			Retail Bonds	Other <sup>1</sup>	Total
			Callable	Non-Callable	LIBOR	Prime	Other			
03/09/2014	\$22,709	\$11,075	\$53,107	\$58,543	\$44,210	\$7,445	\$11,690	\$460	\$35	\$209,274
02/28/2014	21,494	11,075	53,815	58,881	43,690	7,370	11,740	460	35	208,559
01/31/2014	18,970	11,375	55,571	58,123	43,820	7,570	12,190	440	36	208,095
12/31/2013	18,643	11,375	56,465	57,222	42,285	7,370	12,790	405	38	206,594
12/31/2012	14,557	15,325	52,020	50,113	41,955	7,505	14,771	225	46	196,516
12/31/2011	14,375	21,450	46,429	43,986	36,155	5,805	15,656	356	66	184,277

<sup>1</sup> Includes Linked Deposits



# Reduced Calls by FCS

---

- Calls in 2013 - \$24 billion
- Calls in 2012 - \$63 billion
- Net Interest Spreads
  - 2.64% versus 2.71% for 2013 and 2012, respectively.





# Debt Maturity

---

➤ Weighted Average Maturity of FCS Debt has been trending higher.

- ❖ Dec./2013 - 2.96 years
- ❖ Dec./2012 - 2.91 years
- ❖ Dec./2011 - 2.80 years





# Regulatory Min. Days of Liquidity

---

- Effective 6/12/13:
- Level 1 = First 15 days
  - Level 2 or better = Second 15 days
  - Level 3 or better = Next 60 days
  - Supplemental Liquidity Buffer (SLB)





# Days of Liquidity

---

- As of 12/31/13 System = 194 days:
- Level 1 = 36 days, Level 2 = 55 days,
  - Level 3 = 83 days, SLB = 20 days
    - AgriBank, FCB - 161 days
    - CoBank, ACB - 181 days
    - AgFirst, FCB - 246 days
    - FCB of Texas - 268 days





# Investments for Liquidity - 2/28/14



(In \$ millions)	Due in 1 year or less	Due after 1 year - 5 years	Due after 5 - 10 yrs.	Due after 10 years	Total
Commercial paper, CDs, bankers' acceptances, and other securities	\$3,879	\$313			\$4,192
US Treasury securities	\$3,596	\$4,531			\$8,127
US agency securities	\$2	\$3,491	\$249	\$989	\$4,731
Mortgage-backed securities		\$110	\$337	\$24,142	\$24,589
Asset-backed securities	\$1	\$685	\$59	\$780	\$1,525
Total fair value	\$7,478	\$9,130	\$645	\$25,911	\$43,164



# Summary

---

- Strong Demand for FCS Debt
- Yields Paid have Increased
- Interest Spreads Wider
- Bottom Line Still Benefitting
- Substantial High Quality Liquidity

