

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
September 11, 2014**

These minutes reflect the business transacted at the September 11, 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 10:18 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.

Board Chair Long Thompson read a statement reflecting on the Thirteenth Anniversary of the September 11 Attacks. (The statement is attached as Exhibit A.)

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 B.)

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 C.)

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 include a portion 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 August 14, 2014 Regular Board Meeting (BM-11-SEP-14-01)

Mr. Spearman moved to approve the minutes for August 14, 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-11-SEP-14-01)**

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

New Business

Fall 2014 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions and Fall 2014 Regulatory Projects Plan (BM-11-SEP-14-02)

Jeremy Edelstein of the Office of Regulatory Policy and **Nancy Tunis** of the Office of General Counsel presented the Fall 2014 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions and Fall 2014 Regulatory Projects Plan.

Board Chair Long Thompson opened the discussion for questions by the Board.

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 proposed merger.

Mr. Strom moved that the Board approve the Fall 2014 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions and Fall 2014 Regulatory Projects Plan.

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-11-SEP-14-02)**

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

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 staff to provide additional information regarding soybean prices and yields over the past two years. Staff agreed to provide the information.

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 F.)

CLOSED SESSION

Board Chair Long Thompson announced that the next topic on the Agenda was a closed session item pursuant to previous Board action.

The **Board Chair** instructed all members of the public to exit.

Board Chair Long Thompson convened the closed session of the meeting at 9:52 a.m. and instructed the **Secretary** to activate the electronic recording device so that the proceedings of the closed session were properly recorded as required by the Government in the Sunshine Act.

The **Board Chair** then instructed the **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 G.)

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 **Dale Aultman**, Secretary to the Board; and **Charles Rawls**, General Counsel. (A list of staff attendees is attached as Exhibit B).

Reports

Office of Examination Quarterly Report

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

Board Chair Long Thompson asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.

The closed session ended at 10:17 a.m.

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 10:18 a.m.

NOTATIONAL VOTE ACTIONS

There were four notational vote actions approved by the FCA Board from August 15, 2014, through September 10, 2014, as follows:

Item Number	Action Date	Voting Results	Subject
NV 14-17	9/02/2014	Approved	FCA Revised FY 2015 and Proposed FY 2016 Budget
NV 14-16	8/26/2014	Approved	Margin and Capital Requirements for Covered Swap Entities - Joint Proposed Rulemaking
NV 14-14	8/21/2014	Approved	Proposed Merger of AgTexas FCS, ACA, with and into Great Plains AgCredit, ACA
NV 14-15	8/20/2014	Approved	Updated FCA Policy Statement #62 on Equal Employment Opportunity and Diversity

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on September 11, 2014.

_____/s/_____
Jill Long Thompson
Board Chair and Chief Executive Officer

_____/s/_____
Dale L. Aultman
Secretary to the Board

Approved: October 9, 2014

Reflections on the Thirteenth Anniversary of the September 11 Attacks
Statement by Jill Long Thompson, Board Chair
Farm Credit Administration Board Meeting
September 11, 2014

Thirteen years ago today our nation changed forever. The attacks on September 11 took 2,977 lives.

While these brutal attacks appalled and frightened, they also strengthened our resolve to stand up to those who threaten us. And they strengthened our appreciation for the kind of country we live in and the democratic and capitalist ideals upon which our nation is built.

We at the Farm Credit Administration have the privilege of regulating a government-sponsored enterprise that reflects these ideals and adds value to our capitalist economy. As cooperatives, the banks and lending associations of the Farm Credit System are democratic organizations, owned and controlled by their borrowers. Just as our democratic nation champions the ideal of equal opportunity for all, the System's banks and associations are open to all who are creditworthy and meet the eligibility requirements to borrow from the System.

As we go forward in time, further and further from that tragic day, I hope we will never forget the lives lost and the lessons learned. I hope we will never lose our appreciation for the great fortune we enjoy as Americans. And I hope that we, as citizens of this great democracy, will never cease to work toward the ideals for which our country stands.

**STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
September 11, 2014**

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

OFFICE	OPEN SESSION	CLOSED SESSION
Office of the Board		
Aultman, Dale	X	X
Smulkstys, Inga	X	X
Corey, Kathryn	X	
Buccolo, Deb	X	
Johansen, Mark	X	X
Calhoun, Gaye	X	
Middleton, Russell	X	X
OCOO		
Hoffman, William	X	X
OCPA		
Stokke, Mike	X	X
Meaux, Willy	X	X
Quinn, Christine	X	X
OSMO		
Rea, Laurie	X	X
Hudson, Bruce	X	X
Beckers, Christel	X	X
OGC		
Rawls, Charles	X	X
Strickland, Joy	X	X
Tunis, Nancy	X	X
Donner, Mary Alice	X	X

OFFICE	OPEN SESSION	CLOSED SESSION
OE		
Coleman, Robert	X	X
Paulsen, Roger	X	X
Johnson, Hal	X	X
OIG		
Dean, Elizabeth	X	X
ORP		
Van Meter, Gary	X	X
Mardock, Barry	X	X
Gabriel, Steve	X	X
Edelstein, Jeremy	X	X
OMS		
Smith, Stephen	X	X
Fowlkes, Jerome	X	X
FCSIC		
Rubin, Howard	X	X
Pfitzinger, Rick	X	X
EEO & Inclusion		
Burlew, Thais	X	
GENERAL PUBLIC	3	

Farm Credit Administration

Farm Credit Administration
 1501 Farm Credit Drive
 McLean, Virginia 22102-5090

**PUBLIC ANNOUNCEMENT OF
 MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT
 Farm Credit Administration Board
 Regular Meeting
 September 11, 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 September 11, 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. 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. Please send an e-mail to 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 August 14, 2014
- New Business**
 - 2 Fall 2014 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions and Fall 2014 Regulatory Projects Plan
- Reports**
 - 3 Quarterly Report on Economic Conditions and FCS Conditions

CLOSED SESSION

- 4 Office of Examination Quarterly Report¹

 August 29, 2014
 Date

 /s/
 Dale L. Aultman
 Secretary to the Board

¹Session 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



FCA BOARD ACTION ON

Minutes for August 14, 2014 Regular Board Meeting

BM-11-SEP-14-01

Effective Date: September 11, 2014

Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the minutes for August 14, 2014, Regular Board Meeting as submitted.

DATED THIS 11th DAY OF SEPTEMBER 2014

BY ORDER OF THE BOARD

_____/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

**Fall 2014 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions
and
Fall 2014 Regulatory Projects Plan**

BM-11-SEP-14-02

Effective Date: September 11, 2014

THE FCA BOARD HEREBY:

1. Approves the Fall 2014 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions and authorizes the staff to prepare and submit the necessary documents for publication on the Internet at www.reginfo.gov;
2. Approves the Fall 2014 Regulatory Projects Plan and authorizes publication on FCA's Web site; and
3. Authorizes staff to make any technical or grammatical changes that may be necessary prior to publication.

DATED THIS 11th DAY OF SEPTEMBER 2014

BY ORDER OF THE BOARD

/s/
Dale L. Aultman
Secretary to the Board



FCA Board Meeting

September 2014

Quarterly Report on FCS Condition

September 11, 2014

Stephen Gabriel

Hal Johnson

Exhibit F





Topics for Open Session

- Economic Conditions Affecting the FCS
- FCS Condition and Performance





Economic Conditions Affecting the Farm Credit System

Stephen Gabriel
Chief Economist
Office of Regulatory Policy



Economy is gaining momentum; higher inflation and interest rates

Consensus Forecasts (percent)*

	2013	2014	2015
GDP growth	2.2	2.1	3.1
CPI	1.5	1.9	2.1
Unemployment rate	7.4	6.2	5.7
10 Yr T-Bond (Dec '13; Nov '14; Aug '15)	3.0	2.9	3.5

Source: Consensus Economics, Inc.

*Survey date - August 11, 2014



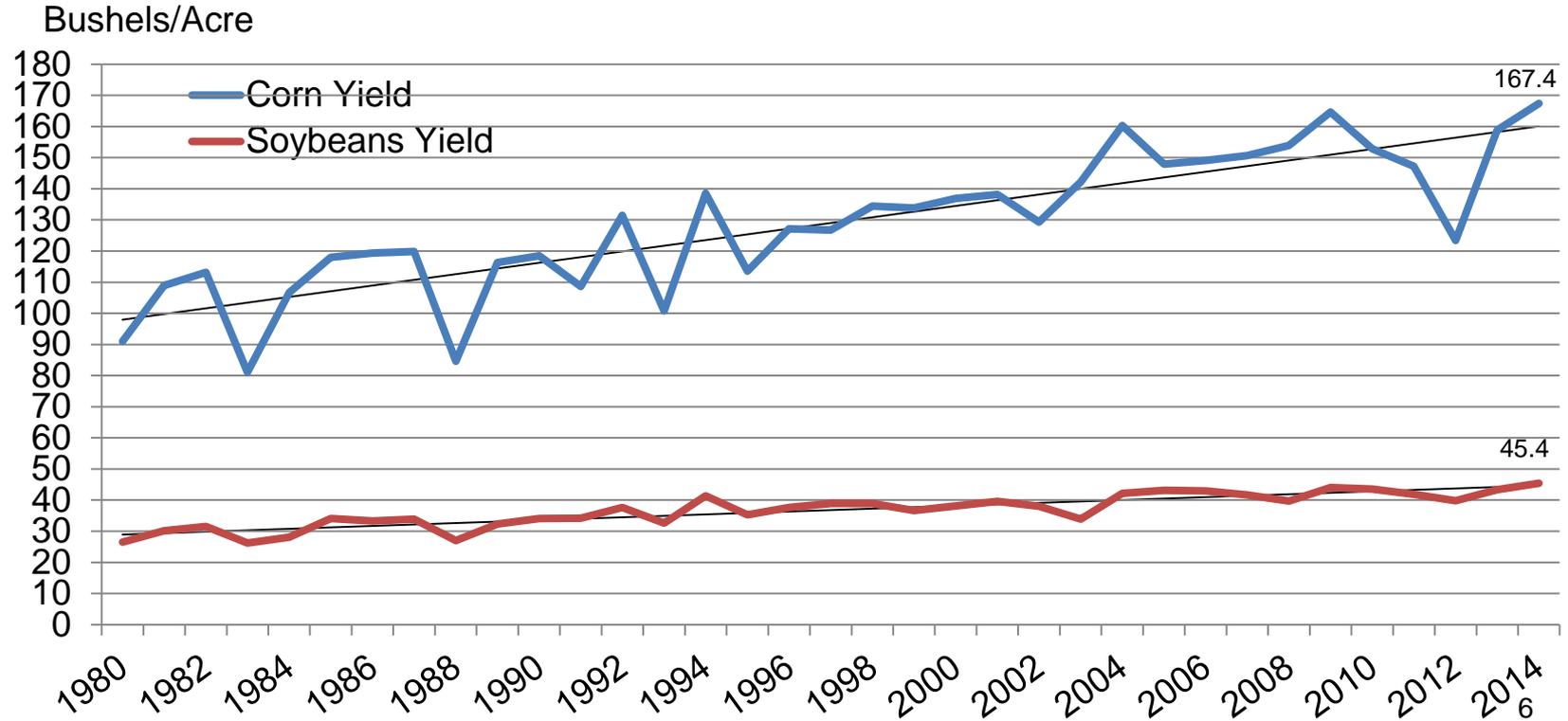
Farm sector developments and concerns



- Corn and soybean prices plunge
- Crop margins are compressing
- Farmland markets are cooling
- Protein, dairy and ethanol posting profits
- California drought persists
- Russian food import ban - impact not large



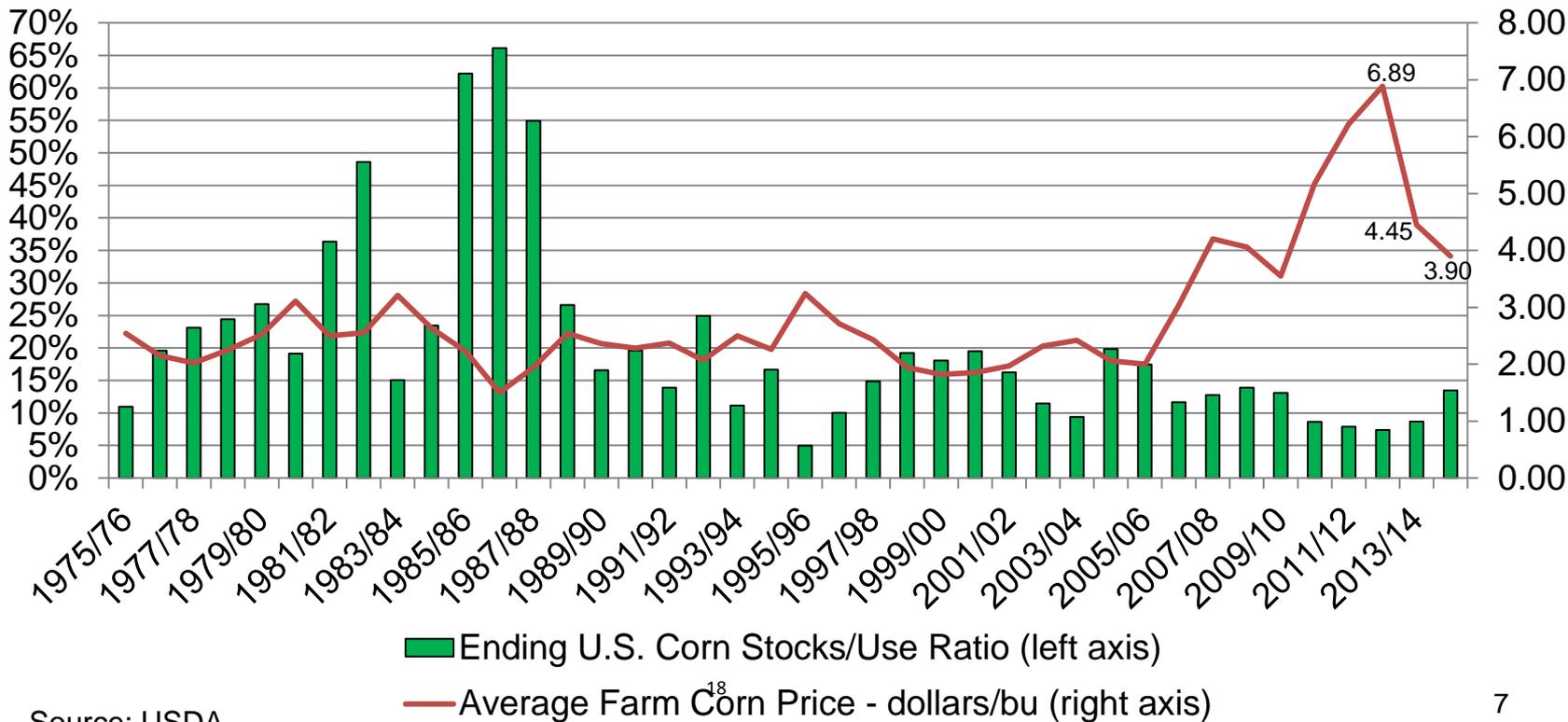
Corn yields expected to be above trend this year



Source: USDA



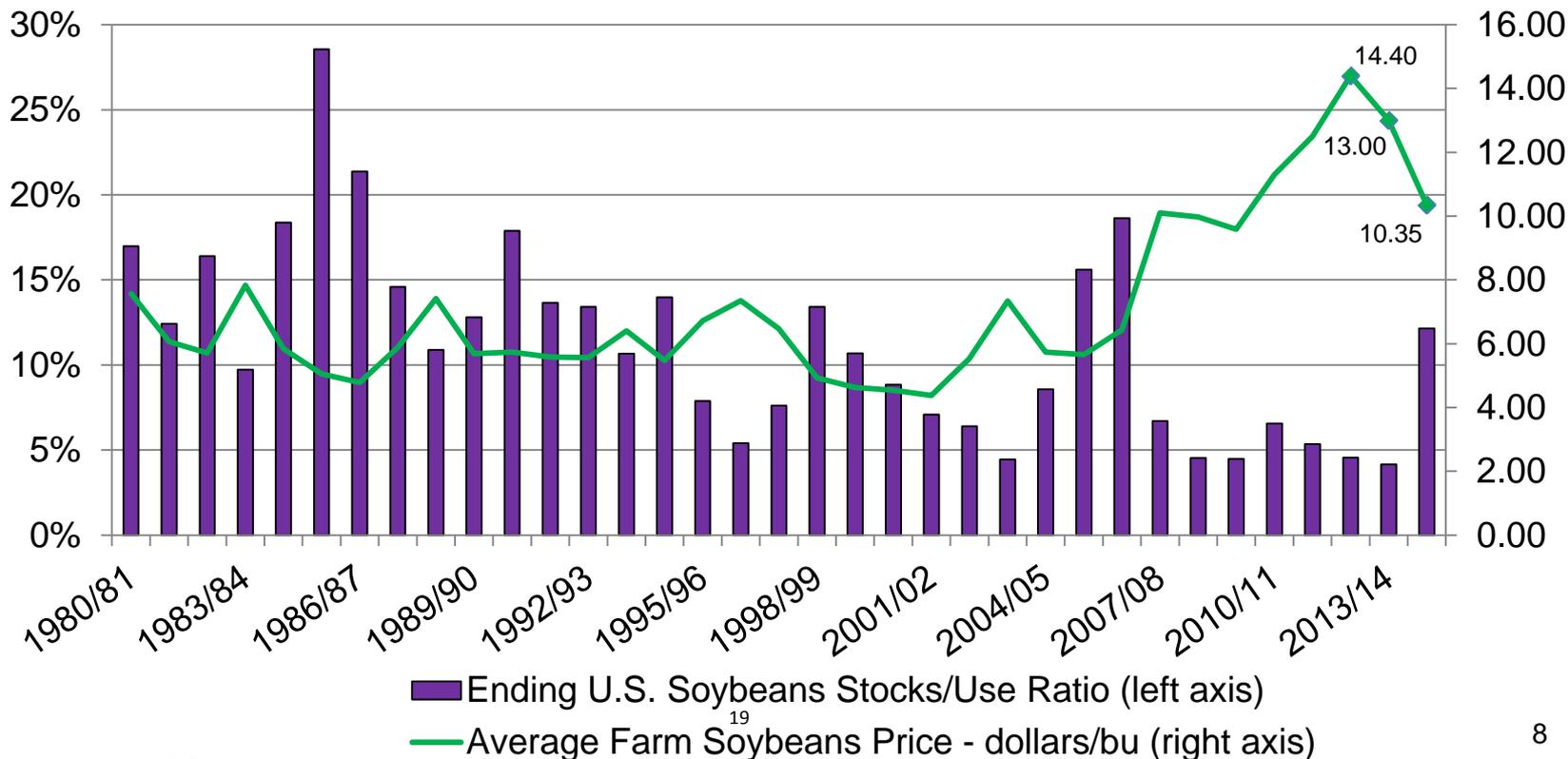
Record corn crop pushes price to five year low



Source: USDA



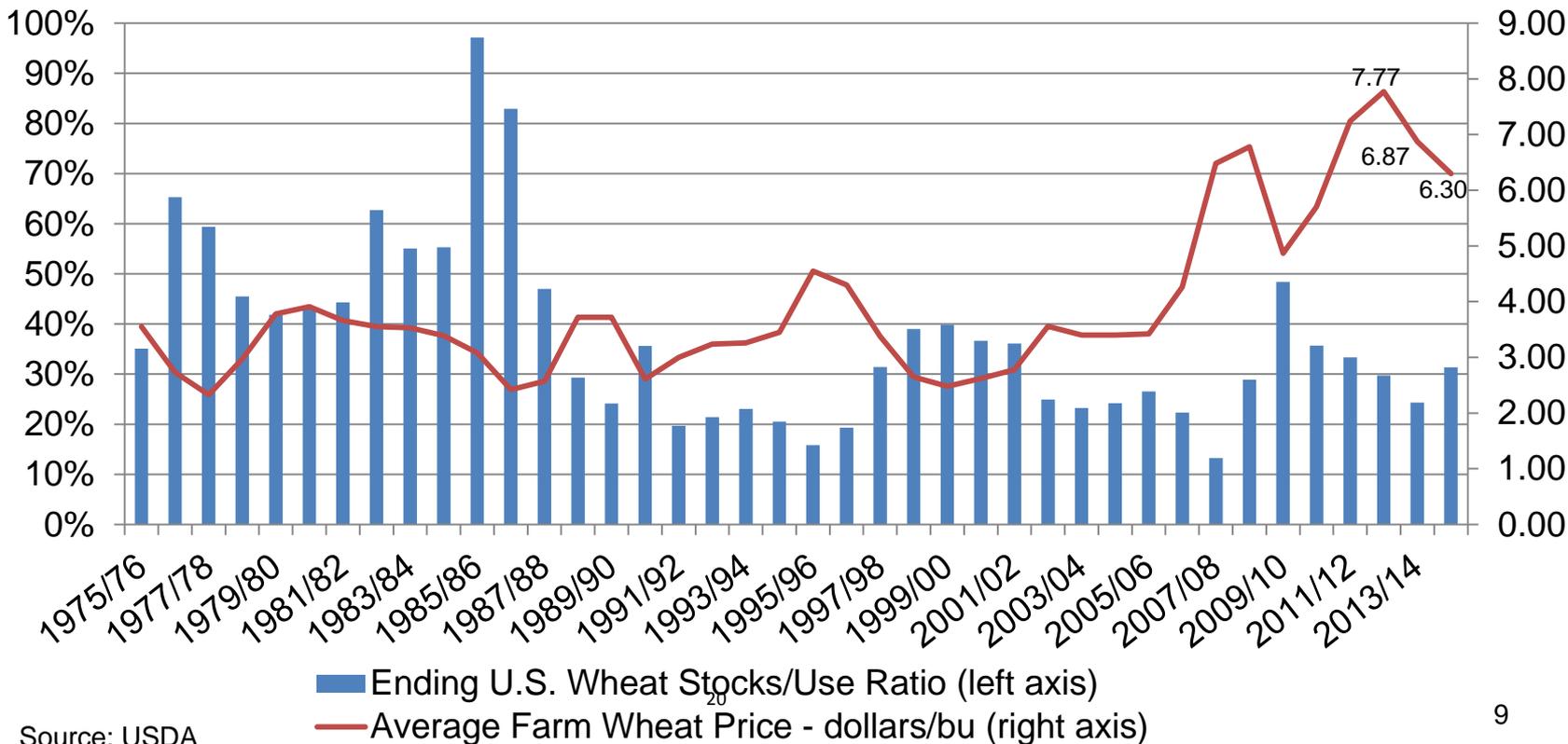
Huge soybean harvest to boost supplies and depress price



Source: USDA



Lower wheat production offset by reduced demand lifts supplies



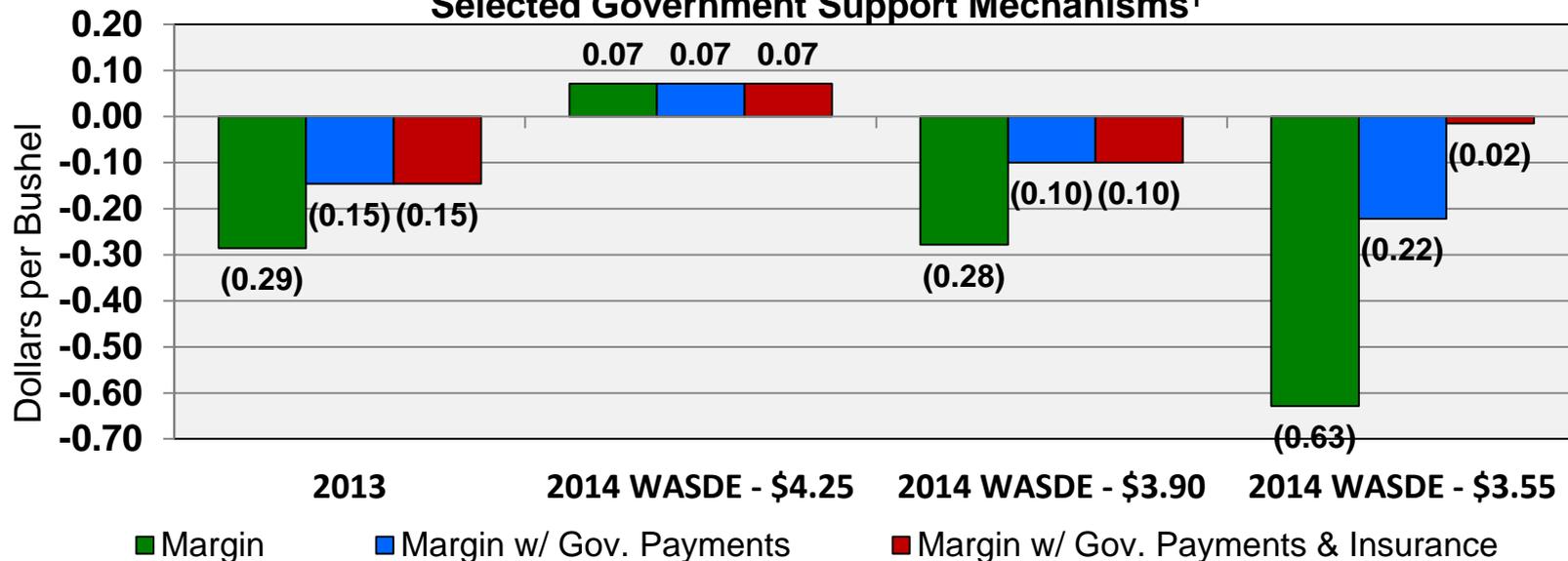
Source: USDA



Risk management is key to how much red ink flows on corn farms

As of 8/12/14

Iowa Corn Profit Margins Under Different Price Assumptions and Selected Government Support Mechanisms¹



^{1/} Margins reflect total production costs and actual state average yields, except for 2014, which reflects the 185 bushel per acre USDA Iowa average yield estimate. Government payments for 2014 assumes Agriculture Revenue Coverage County (ARC-CO) program is selected. 2013 margins with government payments reflect direct payments made under expired legislation. Insurance coverage assumes Revenue 2014 Protection (RP) insurance at the 85% maximum coverage was selected.

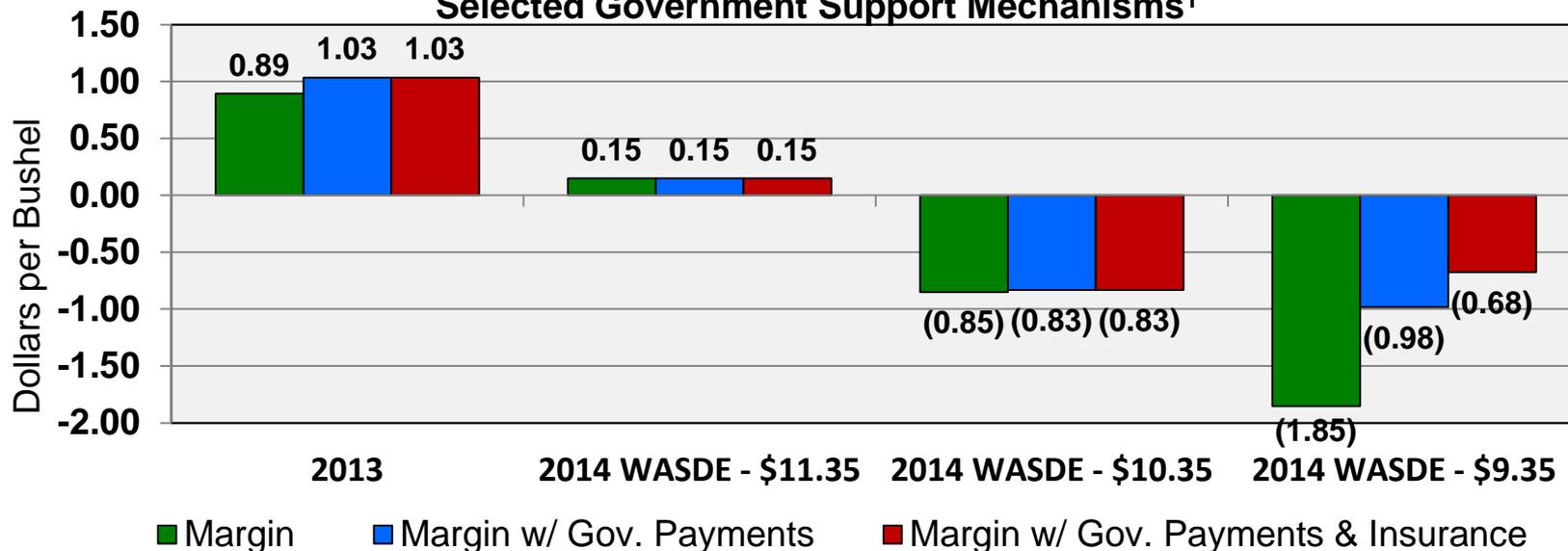


Soybean producers may face losses next crop year



As of 8/12/14

Iowa Soybean Profit Margins Under Different Price Assumptions and Selected Government Support Mechanisms¹



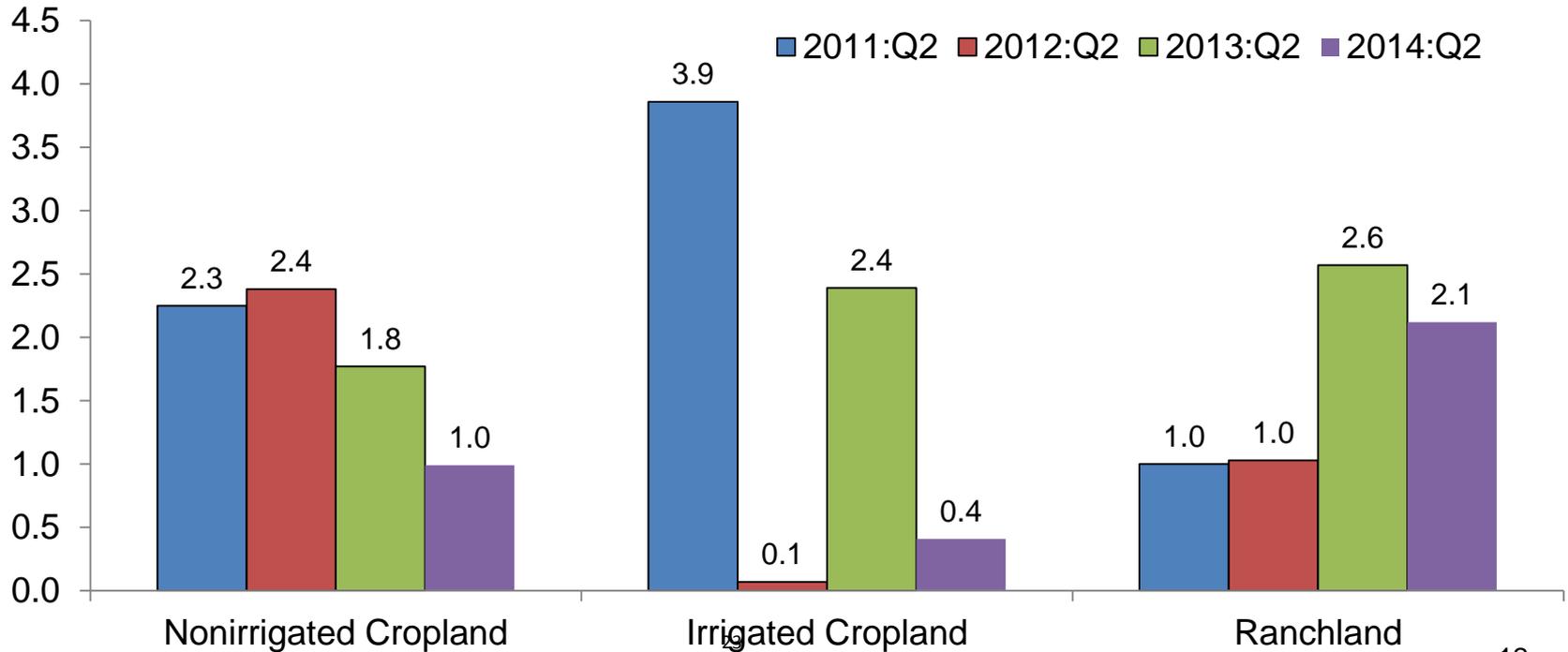
^{1/} Margins reflect total production costs and actual state average yields, except for 2014, which reflects the 50 bushel per acre USDA Iowa average yield estimate. Government payments for 2014 assumes Agriculture Revenue Coverage County (ARC-CO) program is selected. 2013 margins with government payments reflect direct payments made under expired legislation. Insurance coverage assumes Revenue Protection (RP) insurance at the 85% maximum coverage.



Growth in land values decelerated in 2nd quarter in some regions



Farmland values in the Kansas City District (percent change from previous quarter)



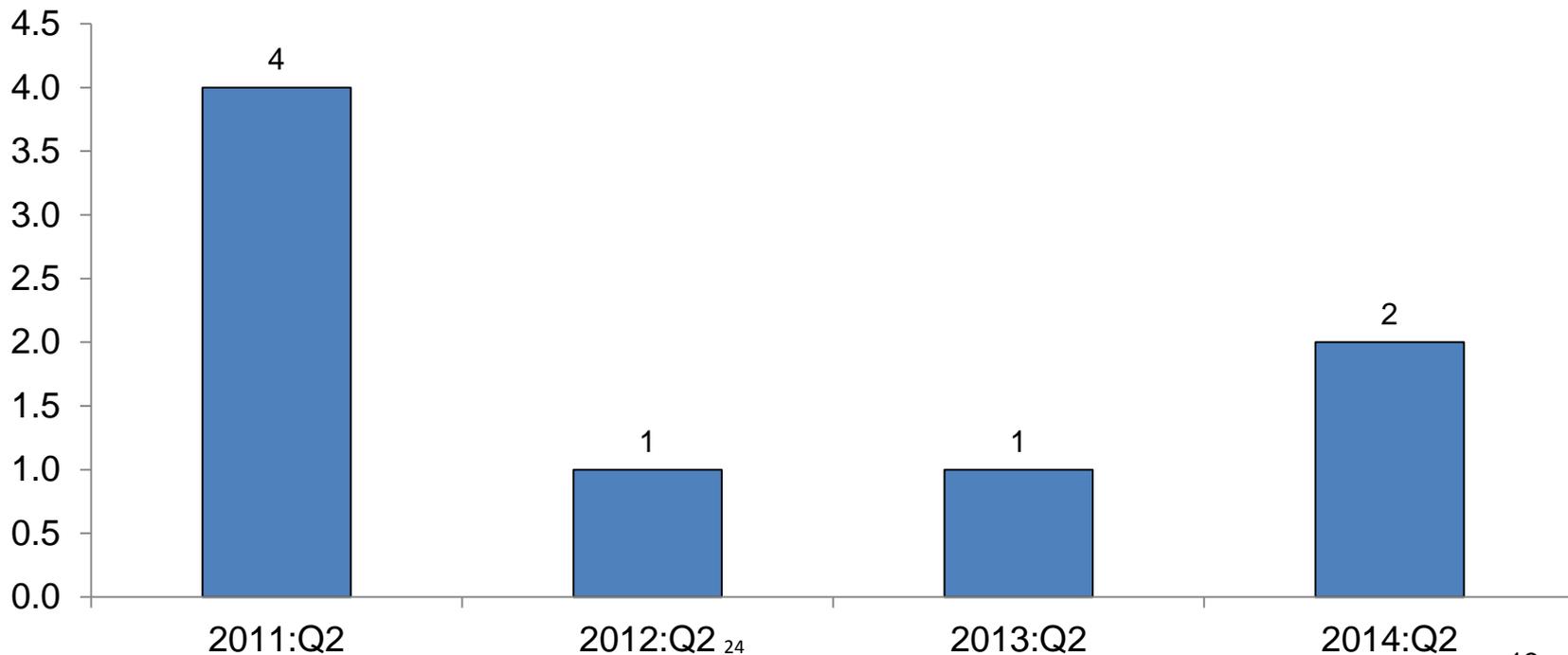
Source: Federal Reserve Bank of Kansas City



Midwest farmland values held steady or improved in the 2nd qtr.



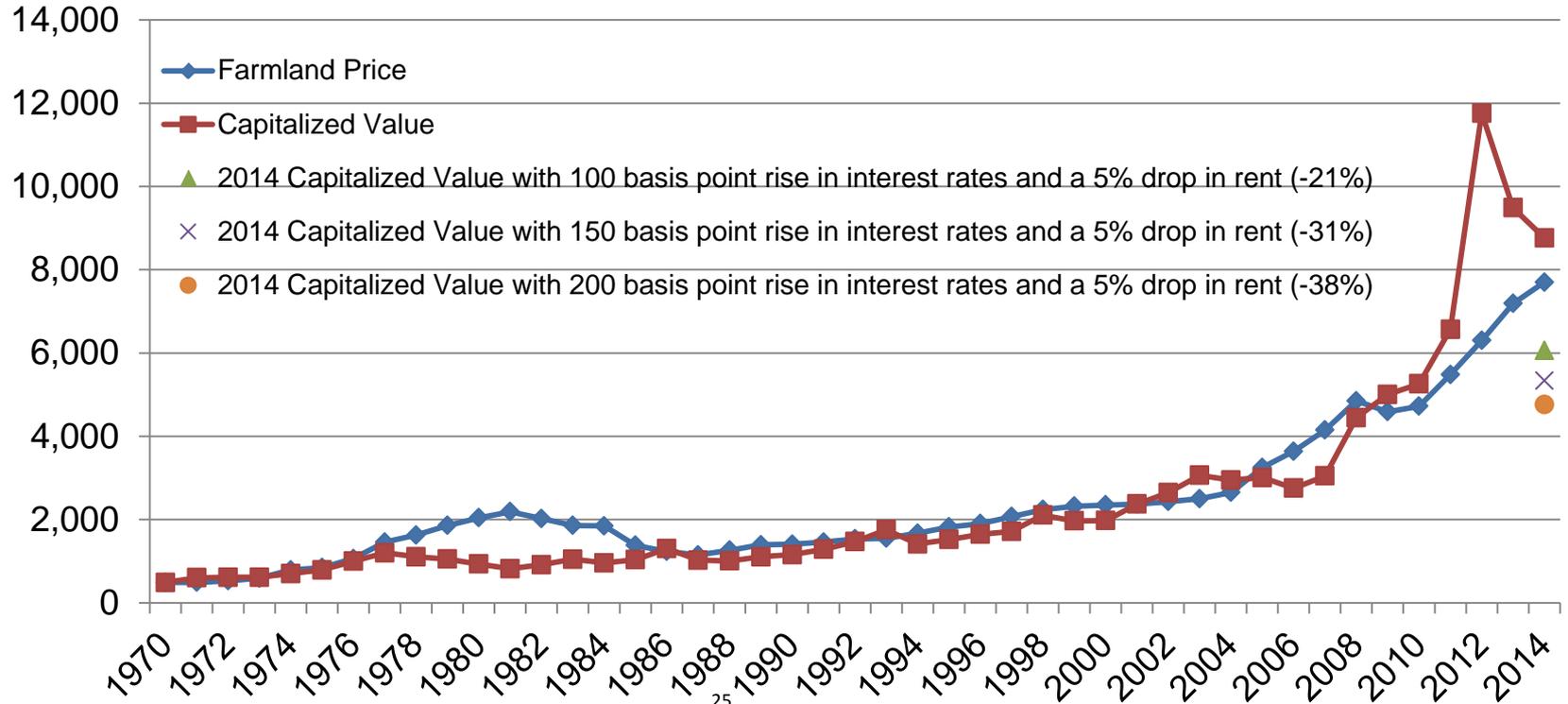
Good farmland values in the Chicago District (percent change from the previous quarter)



Source: Federal Reserve Bank of Chicago



Illinois land undervalued relative to fundamentals; yet, correction looms



Source: USDA, NASS; Gary Schnitkey, University of Illinois; Federal Reserve Board; FCA

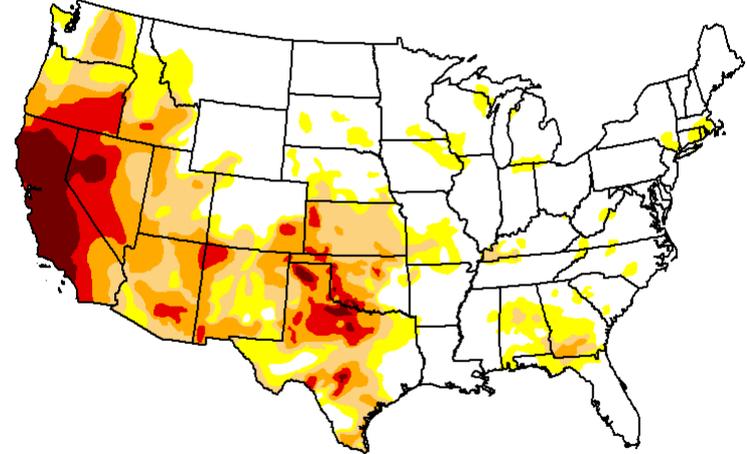
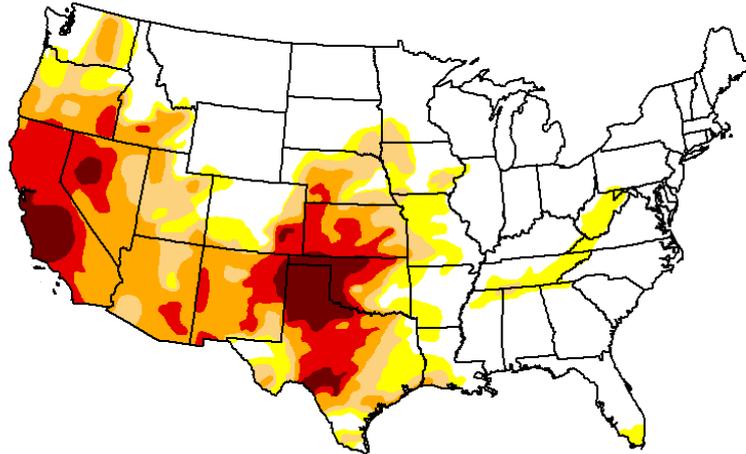


Drought improvement seen in the Plains states; worse in California



May 13, 2014

August 26, 2014





UC Davis economic analysis of impact of 2014 California drought

- Greatest absolute reduction in water availability for California Ag in history
- Reliant on groundwater substitution for depleted surface water
- Drought likely to continue through 2015
- If continued into 2015 and 2016, additional costs to Central Valley crop farming would be \$1 billion per year





Updated study highlights estimated costs of 2014 California drought



Drought impact	Loss quantity	Average year	Percent loss
Crop production			
Water Use	6.6 maf	26 maf	25%
Net shortage after increased groundwater pumping	1.5 maf	26 maf	6%
Fallowed irrigated land	428,000 acres		
Crop revenue loss	\$810 million	\$35 billion	2.3%
Revenue lost plus additional pumping cost (\$454 mil)	\$1.26 billion	n/a	
Economic loss	\$1.75 billion	n/a	
Dairy and livestock production			
Direct revenue losses	\$203 million	\$12.4 billion	1.6%
Total revenue losses	\$442 million	n/a	

Source: Richard Howitt, et al, "Economic Analysis of the 2014 Drought for California Agriculture," UC Davis Center for Watershed Sciences, July 15, 2014.



Risks to watch

- Farmland values correction
- Cash flow squeeze for grain/soybean farmers
- California drought
- Geopolitical developments





Questions



THANK YOU



Farm Credit System Condition and Performance

as of
June 30, 2014

Hal Johnson
Office of Examination



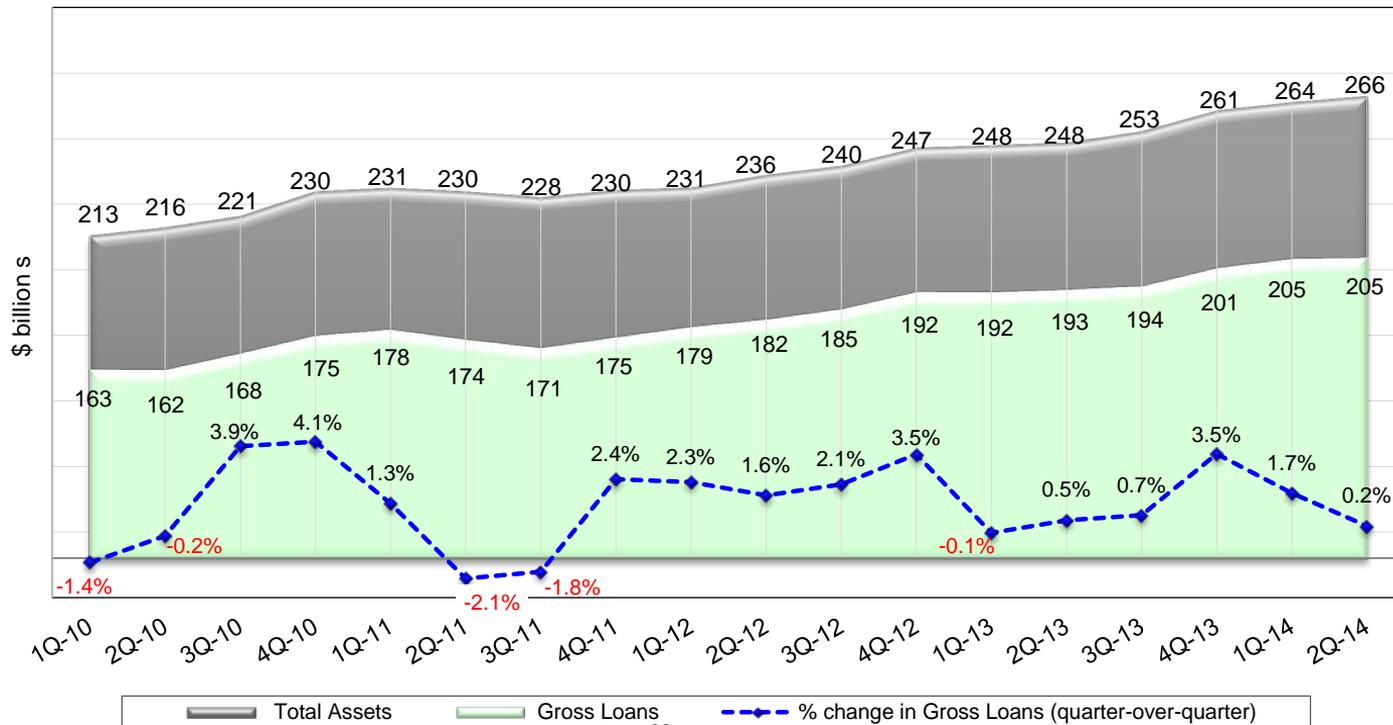
Topics

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





System grows at a modest pace



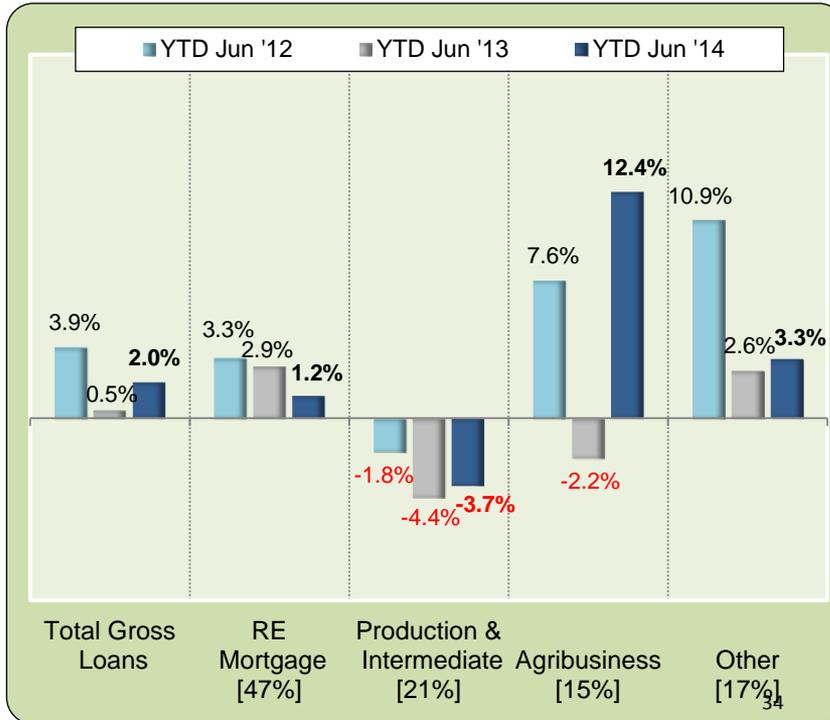
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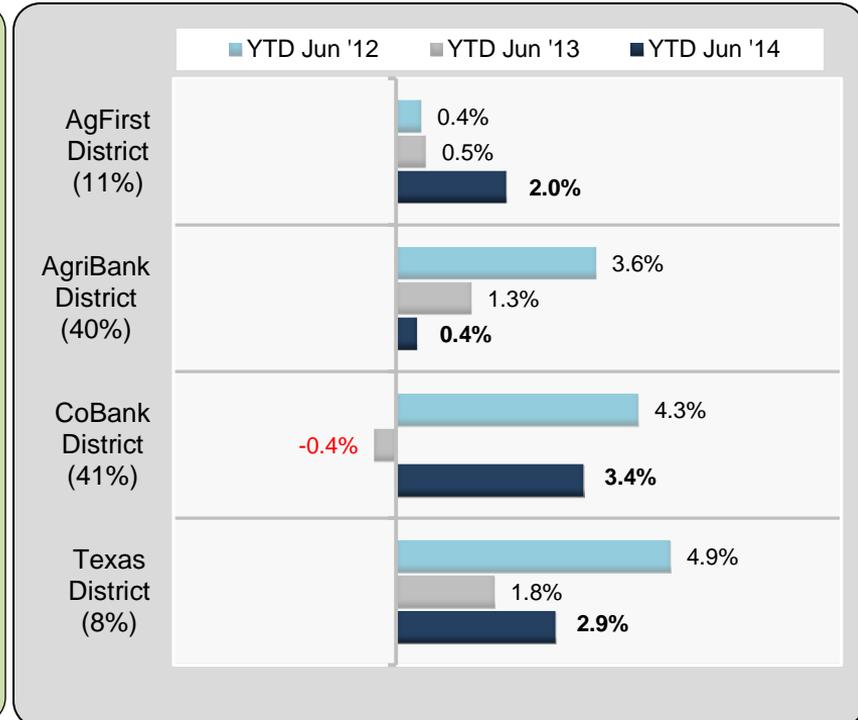
Agribusiness lending drives year-to-date loan growth



Loan Growth by Loan Type (% change year-to-date)



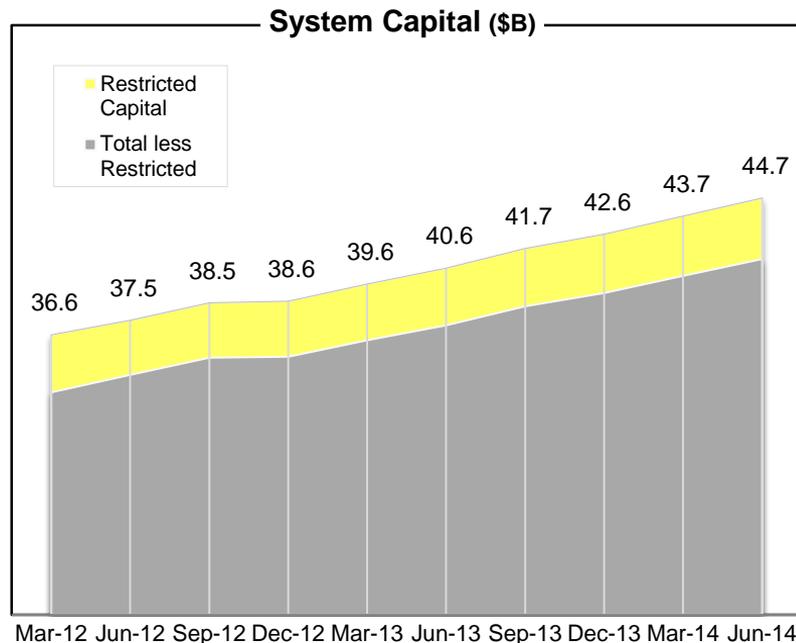
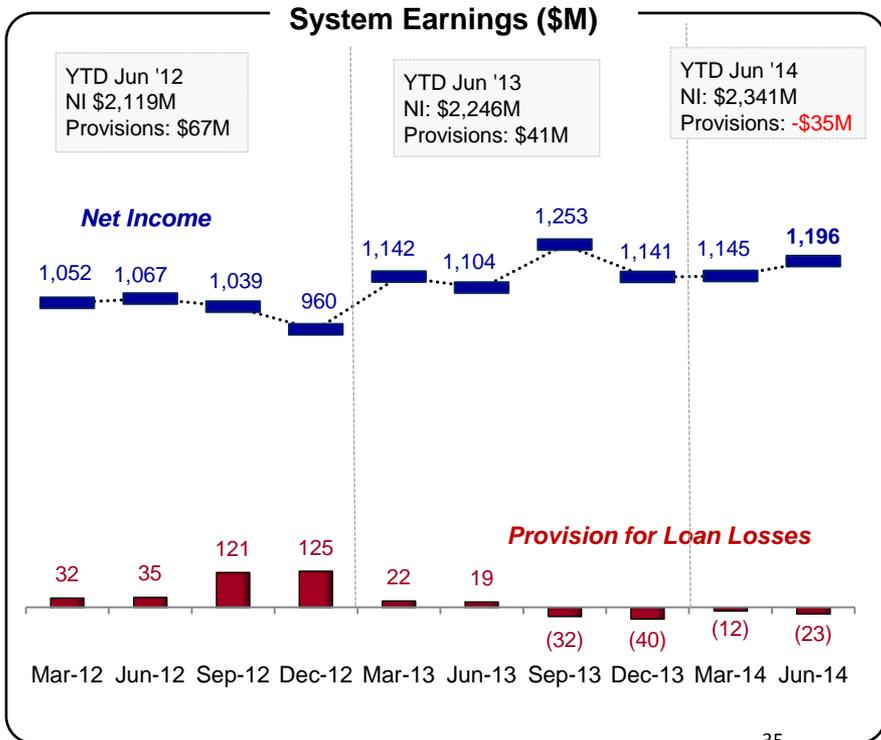
Loan Growth by District (% change year-to-date)



Source: FCS Quarterly Information Statements



System continues to report strong financial results



Restricted capital represents capital associated with the Insurance Fund.



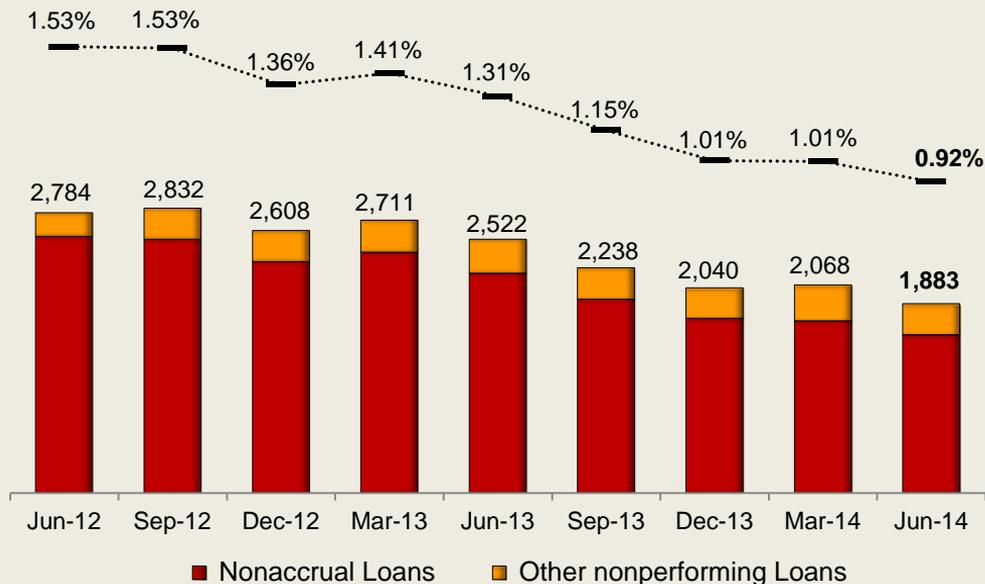
Portfolio credit quality is very good

Highlights – Portfolio Credit Quality

As of June 2014,

- Nonperforming loans equaled 0.92% of System loans outstanding
- 96% of System loans were classified as Acceptable
- The System's allowance for loan losses equaled 63% of nonperforming loans
- Total capital and the allowance for loan losses represented 22.4% of System loans at quarter-end

% of Nonperforming Loans to Total Loans (\$M)



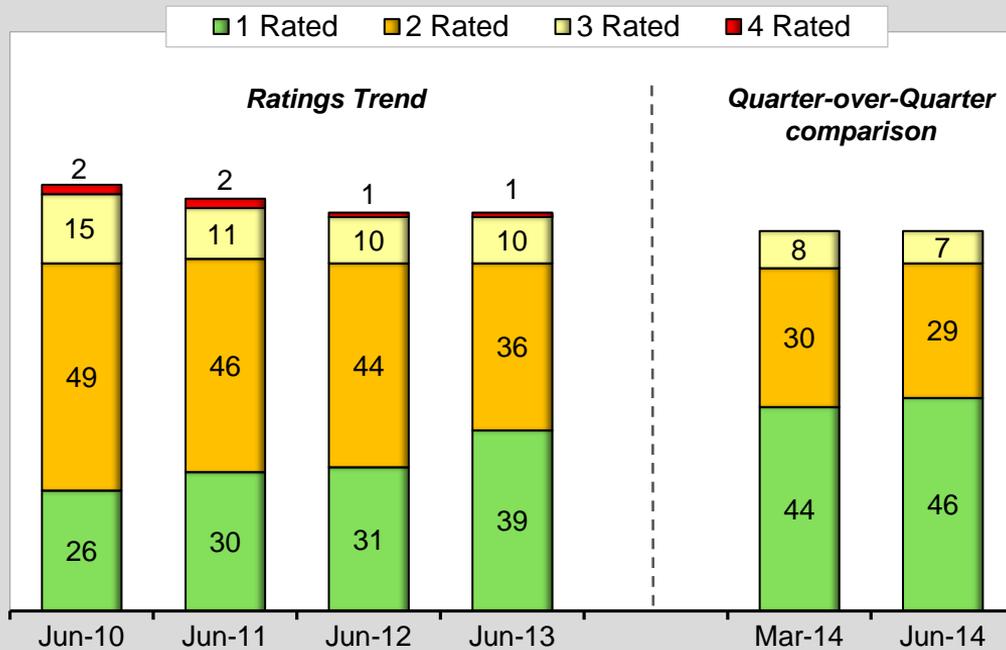
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System FIRS ratings



Composite FIRS Ratings - System Banks & Associations



Highlights – FIRS Ratings

With the most recent update,

- Composite FIRS ratings continued to improve
- Over 91% of System Banks and Associations have a Composite FIRS rating of 1 or 2
- 3 rated institutions account for less than 1.5% of total System assets



Summary and final points



- Risk factors affecting agriculture:
 - Margins for crop producers squeezed as crop prices decline, but profitability is strong in the protein, dairy, and ethanol sectors,
 - Midwest farmland values hold steady in the 2nd quarter, but the market in some regions is cooling off,
 - Drought diminishes in much of the Plains, no relief for California.
- The System is financially sound, well-capitalized, has strong portfolio credit quality, and solid earnings.
- System institutions are well-positioned for the current risk environment.



Questions



THANK YOU

