These minutes reflect the business transacted at the July 13, 2017, 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 9:54 a.m. Members of the Board present were:

Dallas P. Tonsager, Chairman and Chief Executive Officer
Jeffery S. Hall, Member

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.)

Statements Regarding Retirement of Inspector General Elizabeth Dean

Chairman Tonsager noted that FCA Inspector General Elizabeth Dean is retiring later in the month. He directed the Board Secretary to attach to the minutes his statement regarding Elizabeth’s service to the Federal Government. (A copy of the statement is attached as Exhibit B.)

Mr. Hall stated that he also had a statement which he requested to be attached to the minutes. Chairman Tonsager directed the Board Secretary to attach the statement to the minutes. (A copy of the statement is attached as Exhibit C.)

Inspector General Elizabeth Dean thanked the Board Members and FCA Senior Staff for their support in positively furthering FCA’s mission and operations.
The Secretary read a statement that announced the meeting would be conducted according to the requirements of the Government in the Sunshine Act.

Chairman Tonsager reviewed the published Agenda. (A copy of the Public Announcement publishing the Agenda for the meeting is attached as Exhibit D.)

Mr. Hall moved to adopt the Agenda as published.

Chairman Tonsager seconded the motion.

There being no further discussion, Chairman Tonsager called the question.

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

Mr. Hall 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.

Chairman Tonsager seconded the motion.

There being no further discussion, Chairman Tonsager called the question.

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

**OPEN SESSION**

**Approval of Minutes**

Minutes for June 8, 2017
(BM-13-JUL-17-01)

Mr. Hall moved to approve the minutes for the June 8, 2017, FCA Regular Board Meeting.

Chairman Tonsager seconded the motion.

There being no further discussion, Chairman Tonsager called the question.

The Secretary polled the Board Members and the motion carried unanimously. (BM-13-JUL-17-01)

(A copy of the official “Board Action Item” is attached as Exhibit E.)
Report

Why We Are Not Facing Another 1980s-Style Farm Sector Crisis

Chief Economist Stephen Gabriel of the Office of Regulatory Policy presented a report titled, “Why We Are Not Facing Another 1980s-Style Farm Sector Crisis.”

Chairman Tonsager 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.)

ADJOURNMENT

There being no further business to come before the Board, Chairman Tonsager indicated he would entertain a motion to adjourn the meeting.

Mr. Hall moved that the meeting be adjourned.

Chairman Tonsager seconded the motion.

Chairman Tonsager called the question.

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

The meeting adjourned at 9:54 a.m.

NOTATIONAL VOTE ACTIONS

There were five notational vote actions approved by the FCA Board from June 9, 2017, through July 13, 2017 as follows:

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Action Date</th>
<th>Voting Results</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>NV 17-14</td>
<td>06/15/2017</td>
<td>Approved</td>
<td>Preliminary approval, with conditions, of proposed plan of merger of Farm Credit Ness City, FLCA with and into Farm Credit of High Plains, FLCA, a wholly owned subsidiary of High Plains Farm Credit, ACA. If all conditions for final approval are met, the merger is scheduled to take effect October 1, 2017.</td>
</tr>
<tr>
<td>NV 17-15</td>
<td>06/21/2017</td>
<td>Approved</td>
<td>Federal Agricultural Mortgage Corporation’s request to invest up to $250 million in Rural Enterprise Bonds secured by agricultural chattel loans.</td>
</tr>
<tr>
<td>NV 17-16</td>
<td>06/28/2017</td>
<td>Approved</td>
<td>Authorization to the Chief Financial Officer to reallocate funds in the Office of Information Technology’s budget.</td>
</tr>
<tr>
<td>NV 17-17</td>
<td>06/29/2017</td>
<td>Approved</td>
<td>CoBank’s request to invest, with conditions, up to $2.8 million in bonds issued by a subsidiary of a rural hospital in Colorado.</td>
</tr>
<tr>
<td>NV 17-18</td>
<td>07/13/2017</td>
<td>Approved</td>
<td>Appointment of Wendy R. Laguarda to the position of FCA Inspector General.</td>
</tr>
</tbody>
</table>
The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on July 13, 2017.

/s/ Dallas P. Tonsager
Board Chairman and Chief Executive Officer

/s/ Dale L. Aultman
Secretary to the Board

Approved: August 10, 2017
STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
July 13, 2017

Dallas P. Tonsager, Chairman and Chief Executive Officer
Jeffery S. Hall, Board Member

<table>
<thead>
<tr>
<th>OFFICE</th>
<th>OPEN SESSION</th>
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<tbody>
<tr>
<td>Office of the Board</td>
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<tr>
<td>Aultman, Dale</td>
<td>X</td>
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<tr>
<td>Lagarda, Wendy</td>
<td>X</td>
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<tr>
<td>Kramp, Kevin</td>
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<tr>
<td>Calhoun, Gaye</td>
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<tr>
<td>Corey, Kathryn</td>
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<tr>
<td>COO</td>
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<tr>
<td>Hoffman, William</td>
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<td>OIT</td>
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<td>Golley, Jerry</td>
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<td>OCPA</td>
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<td>Stokke, Mike</td>
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<tr>
<td>Middleton, Russell</td>
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<td>OSMO</td>
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<td>Rea, Laurie</td>
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<td>Rawls, Charles</td>
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<td>Donner, Mary Alice</td>
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<td>Strickland, Joy</td>
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<tr>
<td>OFFICE</td>
<td>OPEN SESSION</td>
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<tr>
<td>OE</td>
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<tr>
<td>Coleman, Robert</td>
<td>X</td>
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<td>OIG</td>
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<td>Dean, Elizabeth</td>
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<td>ORP</td>
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<td>Van Meter, Gary</td>
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<td>Johansen, Mark</td>
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<td>Gabriel, Stephen</td>
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<td>Smith, Stephen</td>
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<td>OAS</td>
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<td>Fowlkes, Jerome</td>
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<td>FCSIC</td>
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<tr>
<td>Rubin, Howard</td>
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<tr>
<td>Pfitzinger, Rick</td>
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<tr>
<td>GENERAL PUBLIC</td>
<td>4</td>
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</table>
Before we get started on the agenda, I’d like to take a few minutes to acknowledge the retirement of one of FCA’s longstanding leaders – our Inspector General, Elizabeth Dean.

Liz has been at FCA since 1986, where she served as a senior attorney in our Office of General Counsel for 3 years. Prior to coming to FCA, Liz served on active duty as a United States Navy Judge Advocate from 1982-1986. She retired from the United States Naval Reserves in 2000.

Liz has been in the Inspector General’s office since 1989, where she served as Deputy IG, Counsel to the IG, and as the Inspector General for the last 4 years.

We thank you, Liz, for your service to our country and for all the fine contributions you made to FCA over the years. We wish you the best in your well-deserved retirement and hope that you’ll come back and visit us from time to time.
Mr. Chair, when first approached about becoming a Board Member of the Farm Credit Administration I wondered what I could offer if confirmed to this position. I determined one area was to continue and perhaps improve the efficient and effective governance of the Farm Credit System. When I finally was confirmed to the Board I instantly recognized that I was going to have several partners in this pursuit. One of the first who introduced herself was Elizabeth Dean.

She has a keen interest to ensure accountability to the ideals of good government in general and the Agency specifically. Liz fiercely defended the Inspector General's independence and always called it like she saw it. That reputation made her a respected leader in the IG community.

The men and women of the IG community have a huge burden. Liz developed partnerships with those "in the line" to make sure the FCA operated efficiently and effectively. I wish her nothing but the best in retirement. Liz, take a deep breath, look back and take pride in how much your leadership has affected this agency. We are grateful for your service to the Agency and to our Nation.
PUBLIC ANNOUNCEMENT OF
MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT
Farm Credit Administration Board
Regular Meeting
July 13, 2017

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 July 13, 2017. 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: This meeting of the Board will be open to the public (limited space available). 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 June 8, 2017

Report
2 Why We Are Not Facing Another 1980s-Style Farm Sector Crisis

__________________________    ________________________
Date  ________________________

/s/
Dale L. Aultman
Secretary to the Board
FCA BOARD ACTION ON

Minutes for June 8, 2017 Regular Board Meeting

BM-13-JUL-17-01

Effective Date: July 13, 2017
Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the minutes for June 8, 2017, Regular Board Meeting as submitted.

DATED THIS 13th DAY OF JULY 2017

BY ORDER OF THE BOARD

/s/
Dale L. Aultman
Secretary to the Board
Why we are not facing another 1980s-style farm sector crisis

July 13, 2017

Stephen Gabriel
Chief Economist
Office of Regulatory Policy
The 1980s crisis was preceded by the golden era of the 1970s

- Farm income was high, peaking in 1973
- Exports surged (Russian wheat deal)
- Inflation raged
- Farmland values soared
- Real interest rates were low
- Farm debt swelled
A confluence of adverse factors hammered the farm sector in the ‘80s

- Inflation
- Interest rates
- Oil prices
- U.S. recessions
- World economic growth
- U.S. dollar exchange rate
- Agricultural exports
Inflation exceeded 13% in 1980; under 2% today

CPI for All Urban Consumers: All Items, % Change from Year Ago, Annual, Seasonally Adjusted

Source: U.S. Bureau of Labor Statistics
Interest rates were very high in 1981; historically low now

Source: Federal Reserve
Low real interest rates in the ‘70s gave way to soaring rates in the ‘80s.

Percent, Annual

Source: Board of Governors of the Federal Reserve System; Bureau of Labor Statistics
The oil price jumped 167% in ‘79/’80; the price is down sharply today

Spot Crude Oil Price: West Texas Intermediate (WTI), Dollars per Barrel, Annual

Source: Federal Reserve Bank of St. Louis
U.S. recessions in ‘80 and ‘81/’82; now in 3rd longest post WWII expansion

Real Gross Domestic Product, Percent Change from Preceding Period, Quarterly

Source: Bureau of Economic Analysis
World GDP growth down in ’80-’82; averaged about 3% since 2010

Source: World Bank
Dollar strengthened in early ‘80s; also strengthened in recent years

Source: Board of Governors, Federal Reserve System
Exports down sharply from ’81-’86; doing well in recent years

Source: USDA, FAS
Real net cash income is returning to its long-term average

Source: USDA
Average price of Iowa cropland dropped 61% from 1981-1987

The average price of Iowa cropland rose 383% from 1972 to 1981.

Source: USDA, NASS
Low real interest rates & high income caused debt to grow rapidly in ‘70s

Source: USDA, ERS
Real farm debt has not reached the high point of the previous boom

Source: USDA, ERS
Measures of the debt burden soared in the early 1980s

Debt-to-Asset Ratio (percent)

Debt Service Ratio

(Interest + Principal)/Value of Production

Source: USDA, ERS
Today's situation is similar to the 80s, but there are important differences

<table>
<thead>
<tr>
<th>Similarities</th>
<th>Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preceded by a demand shock</td>
<td><strong>Then</strong></td>
</tr>
<tr>
<td>Prices and incomes rose sharply</td>
<td><strong>Now</strong></td>
</tr>
<tr>
<td>Value of the dollar strengthened</td>
<td>Very high</td>
</tr>
<tr>
<td>Strong growth in farm debt</td>
<td>Very high</td>
</tr>
<tr>
<td>Prices and incomes declined sharply</td>
<td>Surged</td>
</tr>
<tr>
<td>Farmland values declined</td>
<td>Two recessions</td>
</tr>
<tr>
<td>Farm programs support farm income</td>
<td>Declined</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Interest rates</strong></th>
<th><strong>Demand from biofuels</strong></th>
<th><strong>Exports</strong></th>
<th><strong>Recessions</strong></th>
<th><strong>Value of the dollar strengthened</strong></th>
<th><strong>Oil prices</strong></th>
<th><strong>Inflation</strong></th>
<th><strong>Prices and Incomes rose sharply</strong></th>
<th><strong>Farmland values declined</strong></th>
<th><strong>Farmland values</strong></th>
<th><strong>Crop insurance</strong></th>
<th><strong>Farm program payments' share of farm revenue</strong></th>
<th><strong>Underwriting</strong></th>
<th><strong>FCS regulator</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>Very low, but rising</td>
<td>Very low</td>
<td>Declining</td>
<td>Long, slow expansion</td>
<td>Holding up</td>
<td>Substantial demand</td>
<td>Controlled correction</td>
<td>Widespread use</td>
<td>Smaller share</td>
<td><strong>Collateral lending</strong></td>
<td><strong>Limited use</strong></td>
<td><strong>Larger share</strong></td>
<td><strong>Conservative</strong></td>
</tr>
</tbody>
</table>
So, we have nothing to worry about?

- Conditions in the farm sector could get worse
- It would likely take multiple adverse events (similar to the 1980s) to cause a 1980s-like crisis
- Agriculture faces many risks
  - Continued low grain and soybean prices
  - International trade disruption
  - Global recession
  - Higher interest rates
The System is well positioned to deal with more stress in its portfolio

- Prudent underwriting
- Credit quality is very good
- Strong capital position
System nonaccruals are at very low levels

Nonaccrual Loans as a % of total loans outstanding

Source: FCS Annual Information Statements
System capital has grown and is better quality

Source: FCS Annual Information Statements
Questions

THANK YOU