Farm Credit Council Annual Meeting
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Farm Credit Administration

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Agenda

- FCA Operations and Organizational Changes
- FCA’s Strategic Plan
- Economic and Agricultural Outlook
- Risk Profile for the FCS
- Office of Examination Priorities
- Regulatory Overview
Agency Overview

- FCA Operations
  - Travel, training, technology and retirements
- Organizational Changes
  - New people
- FCA’s Strategic Plan
  - Mission
  - Guiding Principles
Economic Outlook

- European sovereign debt crisis
- U.S. GDP growth rates
- Unemployment rate
- Inflation
- Interest rates
Agricultural Outlook – Volatility

- Grain prices to remain volatile while input costs rise
  - Tight corn supplies and weather concerns in South America
- Midwest farmland prices continue to surge
  - Sustainability of incomes and cap rates raise concerns of the prospect of a correction
- Cow-calf, swine, dairy and ethanol sectors benefitting from strong product prices. Broiler margins should be positive after months of losses
  - Substantial uncertainty exists—potential global economic problems could affect demand while feed (feedstock) costs remain volatile
Risk Level is Stable but Elevated

The above chart includes only the 5 System banks and their affiliated direct-lender associations.
Source: FCA's FIRS ratings database
Risk Level by Asset Volume

Percentage of Bank and Association Assets by Composite FIRS Rating (1)

- **09/30/11**
  - 1 Rated: 32.9%
  - 2 Rated: 65.2%
  - 3 Rated: 1.8%
  - 4 Rated: 0.2%

- **12/31/10**
  - 1 Rated: 33.2%
  - 2 Rated: 63.1%
  - 3 Rated: 3.5%
  - 4 Rated: 0.2%

- **12/31/09**
  - 1 Rated: 26.0%
  - 2 Rated: 70.0%
  - 3 Rated: 3.7%
  - 4 Rated: 0.3%

(1) represents cumulative Bank and Association assets prior to any adjustments for eliminations.
Source: FCA’s FIRS ratings database and Consolidated Reporting System
Office of Examination Priorities

- Proactive Risk Supervision
  - Loan Portfolio Management
  - Collateral Risk Management
  - Profitability and Repayment Capacity
  - Public Mission of the FCS
- Higher Risk Institutions
- Improving Loan Information
Regulatory Overview

- Proposed Rules
  - Planning—Diversity and Inclusion
  - Senior Officer Compensation Disclosures
  - Liquidity and Funding
  - Investment Management
  - Rural Community Investments

- Other Projects
  - Rural Business Investment Companies
  - Capital
Planning—Diversity and Inclusion

- Require business plans to include
  - Human Capital Plan (HCP)
    - Achieve diversity and inclusion within the institution’s workforce, management, and governance structure
  - Marketing Plan
    - Strategies for providing the institution’s products and services to all creditworthy and eligible persons
Senior Officer Compensation Disclosures

- Shareholders’ nonbinding advisory vote on senior officer compensation
- Disclose supplemental executive retirement plans for senior officers
- Disclose certain significant or material events
- Clarify and enhance responsibilities of compensation committees
Liquidity & Funding

- Specifies additional criteria and attributes to determine marketability of investments
- Two levels of liquidity
  - First Level—Highly liquid assets to continue normal operations for 30 days
  - Second Level—Maintain liquid assets sufficient to fund operations for the next 60 days during a prolonged stress scenario
- Supplemental liquidity buffer
- Strengthen contingency funding plan
Investment Management

- Additional board policy requirements and enhanced internal controls of investments
- Stress testing for all investments
- Determine eligibility of investments only at the time of purchase
- Seeks comment on alternative creditworthiness standards for eligible investments
Rural Community Investments

- Proposed rule resulted in over 10,000 comment letters
- Working on another proposed rule
  - Focusing on rural community essential facilities and infrastructure projects in collaboration with Federal and state agencies and other rural lenders
Rural Business Investment Companies (RBICs)

- USDA Regulation on non-leveraged RBICs
- Working with USDA
Capital

- Capital characteristics
  - Proportional to risk
  - Put at risk in one location
  - Held where the risk is retained
  - Available to absorb potential losses
  - Sensitive to System structure
  - Consistent with that required of other regulated financial institutions
  - Supportive of the System’s mission and cooperative nature
Closing Comments

- Questions
- Thank you
Contact Information

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