These minutes reflect the business transacted at the April 9, 2019, Regular Meeting of the Farm Credit Administration Board (FCA Board) pursuant to the Government in the Sunshine 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 10:10 a.m. Members of the Board present were:

Dallas P. Tonsager, Chairman and Chief Executive Officer
Jeffery S. Hall, Member
Glen R. Smith, 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 the Farm Credit System Insurance Corporation; and one member 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 Chairman Tonsager reviewed the published Agenda. (A copy of the Public Announcement publishing the Agenda for the meeting is attached as Exhibit B.)

Mr. Hall moved to adopt the Agenda as published.

Mr. Smith seconded the motion.

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

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

Mr. Smith 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 meeting be closed as shown on the Agenda.

Mr. Hall seconded the motion.
There being no further discussion, **Board Chairman Tonsager** called the question. The **Secretary** polled the Board Members and the motion carried unanimously.

**OPEN SESSION**

**Approval of Minutes**

**Minutes for March 14, 2019**

(BM-9-APR-19-01)

**Mr. Hall** moved to approve the minutes for the March 14, 2019, FCA Regular Board Meeting. **Mr. Smith** seconded the motion.

There being no further discussion, **Board Chairman Tonsager** called the question. The **Secretary** polled the Board Members and the motion carried unanimously. (BM-9-APR-19-01)

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

**Reports**

**Quarterly Report on**

**Economic Conditions and FCS Condition and Performance**

**Dennis Shields** of the **Office of Regulatory Policy** and **Hal Johnson** of the **Office of Examination** presented the Quarterly Report on Economic Conditions and FCS Condition and Performance.

**Board 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 D.)

**Farm Credit System Building Association Auditor’s**

**Report on 2018 Financial Audit**

**Rick Albrecht**, President of the **Farm Credit System Building Association** and **Brynn McNeil** and **Jeremy Burgess** of **Cherry Beakert, LLP** presented the FCSBA Auditor’s Report on 2018 Financial Audit.

**Board 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 E.)
CLOSED SESSION

Board Chairman Tonsager noted that this was a Closed Session and ensured that nonessential staff were not in the room so the Board could meet in Closed Session with the Office of Examination.

Board Chairman Tonsager convened the closed session of the meeting at 9:45 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.

Board Chairman Tonsager 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 F.)

Office of Examination Quarterly Report

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

Board Chairman Tonsager asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.

CLOSED EXECUTIVE SESSION

Farm Credit System Building Association Auditor

Board Chairman Tonsager announced that the next topic on the Agenda was closed executive session pursuant to previous Board action and 5 U.S.C. § 552b(c)(2), and convened the executive session at 10:07 a.m.

Board Chairman Tonsager instructed all to exit except for the Board Members, Executive Assistants, the General Counsel and the Secretary to the Board so that the Board could meet with Brynn McNeil and Jeremy Burgess as approved by the Board previously.

Board Chairman Tonsager reminded those speaking to state their name before speaking and asked the Auditors to further discuss the audit.

Board Chairman Tonsager asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.

ADJOURNMENT

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

Mr. Smith moved that the meeting be adjourned.

Mr. Hall seconded the motion.

Board Chairman Tonsager called the question.
The Secretary polled the Board Members and the motion carried unanimously.

The meeting adjourned at 10:10 a.m.

**NOTATIONAL VOTE ACTIONS**

There were no notational vote actions approved by the FCA Board from March 14, 2019, through April 8, 2019.

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 9, 2019.

/s/ Jeffery S. Hall
Presiding Board Member

/s/ Dale L. Aultman
Secretary to the Board

Approved: May 9, 2019
Exhibit A

STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
April 9, 2019

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

<table>
<thead>
<tr>
<th>OFFICE</th>
<th>OPEN SESSION</th>
<th>CLOSED SESSION</th>
<th>CLOSED EXECUTIVE SESSION</th>
</tr>
</thead>
<tbody>
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<td>CLOSED EXECUTIVE SESSION</td>
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<td>CHERRY BEAKERT, LLP</td>
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PUBLIC ANNOUNCEMENT OF
MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT

Farm Credit Administration Board
Regular Meeting
April 9, 2019

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 9, 2019. 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 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 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 March 14, 2019

Reports
2 Quarterly Report on Economic Conditions and FCS Condition and Performance
3 FCSBA Auditor’s Report on 2018 Financial Audit

Closed Session
4 Office of Examination Quarterly Report
5 Executive Session – FCS Building Association Auditor’s Report

March 28, 2019 /s/
Dale L. Aultman
Secretary to the Board
FCA BOARD ACTION ON

Minutes for March 14, 2019 Regular Board Meeting

BM-9-APR-19-01

Effective Date: April 9, 2019
Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the minutes for March 14, 2019, Regular Board Meeting as submitted.

DATED THIS 9th DAY OF APRIL 2019

BY ORDER OF THE BOARD

_____________________/s/_____________________
Dale L. Aultman
Secretary to the Board
Quarterly Report on FCS Condition
April 9, 2019

Dennis A. Shields
Hal Johnson
Topics for Open Session

- Economic Conditions Affecting the Farm Credit System
  - Macroeconomic factors
  - Commodity indicators and farm income prospects
  - Diversification of farm sector and risks ahead

- FCS Condition and Performance
  - System growth
  - Loan portfolio
  - Earnings and capital
  - Financial Institution Rating System (FIRS)
Economic Conditions Affecting the Farm Credit System

Dennis A. Shields
Chief Economist
Office of Regulatory Policy
Economic factors remain favorable

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019F</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. real gross dom. product (change)</td>
<td>+2.2%</td>
<td>+2.9%</td>
<td>+2.4%</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>4.4%</td>
<td>3.9%</td>
<td>3.7%</td>
</tr>
<tr>
<td>10-year Treasury yield (end of year)</td>
<td>2.8%</td>
<td>2.7%</td>
<td>3.1%</td>
</tr>
<tr>
<td>U.S. dollar (change)</td>
<td>1.7% stronger</td>
<td>1.1% weaker</td>
<td>0.1% stronger</td>
</tr>
<tr>
<td>Crude oil price</td>
<td>$51/barrel</td>
<td>$65/barrel</td>
<td>$56/barrel</td>
</tr>
<tr>
<td>Diesel fuel</td>
<td>$2.65 per gal.</td>
<td>$3.18 per gal.</td>
<td>$3.01 per gal.</td>
</tr>
</tbody>
</table>

U.S. agricultural exports increased in 2018, but final quarter was weak

Source: USDA/FAS Global Agricultural Trade System.
Trade impact: the market is telling farmers to plant fewer soybeans (but weather matters)

Prospective plantings:
2019 change from 2018

<table>
<thead>
<tr>
<th>Crop</th>
<th>Million acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>All crops</td>
<td>-4.4</td>
</tr>
<tr>
<td>Wheat</td>
<td>-2.0</td>
</tr>
<tr>
<td>Cotton</td>
<td>-0.3</td>
</tr>
<tr>
<td>Sorghum</td>
<td>-0.6</td>
</tr>
<tr>
<td>Corn</td>
<td>3.7</td>
</tr>
<tr>
<td>Soybeans</td>
<td>-4.6</td>
</tr>
</tbody>
</table>

Source: Prospective Plantings, 3/29/19, USDA/NASS.

Soil is saturated in major producing areas

Source: NOAA/National Weather Service.
Soybean stocks to remain high for 2019 crop year even if planted area declines

U.S. soybean prices and ending stocks

Source: USDA.
Weak or negative crop margins put pressure on farm returns

Crop margin including government payments

Sources: FCA-ORP using data from Iowa State Univ. (soybeans and corn), Kansas State Univ. (wheat) and USDA.
Farm prices depend on location

Soybean prices in February ($/bu.)

<table>
<thead>
<tr>
<th>Location</th>
<th>Price ($/bu.)</th>
</tr>
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<tbody>
<tr>
<td>U.S. farm price</td>
<td>$8.52</td>
</tr>
<tr>
<td>North Dakota</td>
<td>$7.82</td>
</tr>
<tr>
<td>Iowa</td>
<td>$8.38</td>
</tr>
<tr>
<td>Illinois</td>
<td>$8.71</td>
</tr>
<tr>
<td>Ohio</td>
<td>$8.86</td>
</tr>
</tbody>
</table>

Source: USDA/NASS (monthly farm price).

Soybean basis (cash minus futures)

Milk production growth slows; farm prices begin to recover

Source: USDA.
Production growth in 2019 to slow for beef and broiler meat

U.S. production

% change in production

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>+3.8</td>
<td>+2.6</td>
<td>+1.5</td>
</tr>
<tr>
<td>Broiler</td>
<td>+2.4</td>
<td>+2.2</td>
<td>+1.1</td>
</tr>
<tr>
<td>Pork</td>
<td>+2.6</td>
<td>+2.9</td>
<td>+4.2</td>
</tr>
</tbody>
</table>

Sources: USDA and Livestock Marketing Information Center.
Net cash farm income in 2019 looks like the four-year period before the boom

Source: USDA/ERS.

1999-2018 average = $106 bil.
Farmland values are mixed in early 2019

- Some markets show continued strength; modest declines in others
- Land for sale continues to be relatively modest and balanced with demand
- Surveys of lenders and real estate professionals indicate stable to somewhat lower cropland prices in 2019

% change in $ value of “good” farmland
Bottom: Jan. 2018 to Jan. 2019

Source: Federal Reserve Bank of Chicago.
Trade and farm policy update

- U.S.-Mexico-Canada Agreement contains small improvements over NAFTA for agriculture
- A potential agreement with China
- Farm programs for crops, dairy program upgrade, and assistance for disasters (e.g., Midwest flooding)
Commodity diversification in agricultural production varies by state

The farm sector is more diversified in California than in other states

Concluding comments

- U.S. farmers adjust to tariffs and weak/uncertain returns
  - Plantings to shift away from soybeans, but stocks remain high
  - Expansion slowdown for meat, poultry, and milk supports prices
  - Continued (and potentially severe) farm financial stress results in voluntary exits; others adapt to economic conditions; enhancing marketing and risk management skills are key
  - Farm safety net might not help much if tariff issues are not resolved

Risks ahead
- Permanence of lifting tariffs on U.S. farm exports
- A decline in commodity prices from current levels could impact land values
Questions

THANK YOU
Farm Credit System
Condition and Performance

as of
December 31, 2018

Hal Johnson
Sr. Financial Analyst
Office of Examination
Topics

- System Growth
- Loan Portfolio
- Earnings
- Capital
- FIRS Ratings
The System continues to grow at a measured pace; growth concentrated in the 4th quarter

System Growth

Source: FCS Information Statement

Loan Growth by Loan Type

(% change year-over-year)

Loan type as a % of portfolio: RE Mortgage 46%; Prod. & Intermediate 20%; Agribusiness 17%.
Portfolio credit risk edged higher in 2018

Nonperforming loans

Source: FCS Information Statement

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<thead>
<tr>
<th>Dec-18</th>
<th>Dec-17</th>
<th>Dec-15</th>
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<td>Total Portfolio</td>
<td>6.6</td>
<td>6.1</td>
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<td>Real Estate Mortgage</td>
<td>7.1</td>
<td>6.5</td>
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<tr>
<td>Production &amp; Intermediate</td>
<td>10.6</td>
<td>10.0</td>
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<tr>
<td>Agribusiness</td>
<td>4.3</td>
<td>4.7</td>
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</table>

% of Loans Classified less than Acceptable

Nonperforming loans
System portfolio is diversified by commodity

System Loan Portfolio by Commodity Concentration

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Dec-18 ($ in millions)</th>
<th>%_chg. yr. over yr.</th>
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<tbody>
<tr>
<td>Cash Grains</td>
<td>43,673</td>
<td>1.2%</td>
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<tr>
<td>Tree Fruits, Nuts &amp; Grapes</td>
<td>15,655</td>
<td>9.6%</td>
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<tr>
<td>Field Crops</td>
<td>14,936</td>
<td>2.9%</td>
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<tr>
<td>Other Crop Production</td>
<td>15,290</td>
<td>5.8%</td>
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<td>Cattle</td>
<td>24,738</td>
<td>4.0%</td>
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<tr>
<td>Dairy Farms</td>
<td>18,139</td>
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<td>Poultry &amp; Eggs</td>
<td>7,377</td>
<td>4.2%</td>
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<td>Hogs</td>
<td>6,586</td>
<td>9.6%</td>
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<td>Other Livestock</td>
<td>7,107</td>
<td>2.3%</td>
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<td>Rural Infrastructure</td>
<td>29,160</td>
<td>4.3%</td>
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<td>Food Products</td>
<td>18,857</td>
<td>4.9%</td>
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<td>Rural Home</td>
<td>16,563</td>
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<td>Forestry</td>
<td>15,768</td>
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<td>Farm Supply &amp; Marketing</td>
<td>13,773</td>
<td>12.4%</td>
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<tr>
<td>Other</td>
<td>24,322</td>
<td>12.4%</td>
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<tr>
<td><strong>Total Loans Outstanding</strong></td>
<td><strong>271,944</strong></td>
<td><strong>5.1%</strong></td>
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</table>

Source: FCS Information Statement
Portfolio volume is also geographically distributed

<table>
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<tr>
<th>Top 5 States</th>
<th>% of Portfolio</th>
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<tr>
<td>California</td>
<td>11.0%</td>
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<tr>
<td>Texas</td>
<td>6.9</td>
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<tr>
<td>Iowa</td>
<td>5.4</td>
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<td>Illinois</td>
<td>5.0</td>
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<td>Minnesota</td>
<td>4.5</td>
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Source: FCS Information Statement
The System is financially sound; earnings remained strong in 2018

**System Earnings ($M)**

<table>
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<th>Year</th>
<th>Net Income</th>
<th>Provision for Loan Losses</th>
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<td>2010</td>
<td>3,495</td>
<td>667</td>
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<tr>
<td>2011</td>
<td>3,940</td>
<td>430</td>
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<td>2012</td>
<td>4,118</td>
<td>313</td>
</tr>
<tr>
<td>2013</td>
<td>4,640</td>
<td>40</td>
</tr>
<tr>
<td>2014</td>
<td>4,724</td>
<td>106</td>
</tr>
<tr>
<td>2015</td>
<td>4,688</td>
<td>266</td>
</tr>
<tr>
<td>2016</td>
<td>4,848</td>
<td>197</td>
</tr>
<tr>
<td>2017</td>
<td>5,189</td>
<td>194</td>
</tr>
<tr>
<td>2018</td>
<td>5,332</td>
<td></td>
</tr>
</tbody>
</table>

**Earnings Ratios**

- **Net Interest Margin**: 2.46
- **Net Interest Spread**: 2.12
- **Rate: Earning Assets**: 2.09
- **Rate: Interest-Bearing Liabilities**: 2.00

Source: FCS Information Statement
System is well-capitalized

Capital and Liquidity
as of December 31, 2018

- Retained earnings as a percentage of total capital equaled 79.5% of total capital
- The System’s liquidity position equaled 182 days of coverage
- Days of available liquidity for the 4 funding banks ranged from 160 to 241 days

Source: FCS Information Statement

Restricted capital represents capital associated with the Insurance Fund.
FIRS Ratings

- Composite FIRS ratings reflect the System’s solid financial performance and acceptable portfolio credit quality
- Over 90% of System Banks and Associations have a Composite FIRS rating of 1 or 2
- 3 rated or lower institutions account for less than 2.5% of total System assets

Source: FCA's FIRS ratings database
Summary and final points

- Challenges facing agriculture:
  - U.S. economic factors are generally favorable, but tariffs, trade uncertainties and labor costs bear watching
  - Farm sector concerns include crop prices and ending stock levels, export demand, rising input costs, and deteriorating liquidity levels

- The System is financially sound and strongly capitalized

- While portfolio loan quality is acceptable, stress remains elevated for agriculture

- System institutions have significant risk-bearing capacity and are well-positioned to support agricultural producers
Questions

THANK YOU
FCS Building Association

Report Regarding Financial Statement Audit for the Year Ended December 31, 2018

SPEAKERS

Brynn McNeil, Partner
bmcneil@cbh.com

Jeremy Burgess, Manager
jburgess@cbh.com
FCS Building Association

Overview of Audit Results

- We have completed our audit procedures related to the FCS Building Association’s year ended December 31, 2018, financial statements.
- Our procedures and scope were substantially consistent with our planned audit strategy, and we did not experience any significant problems during the audit process.
- We issued an unmodified (clean) opinion on the Company’s financial statements.
- We received excellent cooperation from the Company’s personnel.
General Financial Statement Comments

- Strong Balance Sheet as of December 31, 2018
  - Cash reserve balance of $654K
  - Current ratio of 2:1
  - Total liabilities-to-equity ratio 1:8
- Operating income of $655k for the year ended December 31, 2018, due to special assessment for the new tenant
- No new or unusual transactions noted for fiscal year 2018
- No significant new disclosures noted for fiscal year 2018
Areas of Focus for the 2018 Audit

- Procedures with respect to internal control
- Leasing activities
- Capital expenditures and repairs and maintenance
- No significant deficiencies or material weaknesses identified
Required Communications

The auditor’s responsibility under generally accepted auditing standards – reasonable assurance that financial statements are materially correct.

Significant accounting policies are disclosed in Note 2 of the F/S’s.

We have considered management judgments and accounting estimates included in the financial statements and believe them to be reasonable.

There were no disagreements with management during the engagement.

There were no major issues discussed with management prior to our Firm being retained.

No irregularities or fraud identified as part of the audit.
In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)." ASU 2016-02 is intended to improve financial reporting about leasing transactions.

The ASU affects all companies and other organizations that lease assets such as real estate, airplanes and manufacturing equipment.

The ASU will require organizations that lease assets, referred to as "Lessees," to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases.
An organization is to provide disclosures designed to enable users of financial statements to understand the amount, timing and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements concerning additional information about the amounts recorded in the financial statements.

Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months.
Consistent with current GAAP, the recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, the new ASU will require both types of leases (i.e., operating and capital) to be recognized on the balance sheet.

Non-public companies will be required to adopt the new leasing standard for fiscal years beginning after December 15, 2019.
CERTIFICATE OF CLOSED MEETING

The General Counsel, in accordance with the Government in the Sunshine Act, 5 U.S.C. § 552b(f)(1), hereby certifies that the Farm Credit Administration Board regular meeting of April 9, 2019, was properly closed to the public on the basis of the exemptions set forth below:

- Supervisory and Oversight Activities of FCS Institution(s) – 5 U.S.C. § 552b(c)(8) and (9).
- Information related solely to the internal practices of an Agency – 5 U.S.C. § 552b(c)(2).

April 9, 2019
Date

/s/
Charles R. Rawls
General Counsel