

Jeffery S. Hall, Presiding Board Member and Chief Executive Officer  
Glen R. Smith, Board Member



**MINUTES OF THE REGULAR MEETING  
OF THE  
FARM CREDIT ADMINISTRATION BOARD  
June 13, 2019**

These minutes reflect the business transacted at the June 13, 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 10:20 a.m. Members of the Board present were:

**Jeffery S. Hall, Presiding Board Member  
Glen R. Smith, Member**

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 three members of the general public. (A list of staff attendees is attached as Exhibit A.)

**Mr. Hall** noted that accordance with FCA Board Policy Statement #64, he would be Presiding Board Member for the meeting.

**Mr. Hall** took a moment to recognize the recent death of **FCA Chairman Dallas P. Tonsager**, highlighting many milestones. He directed the **Secretary** to attach his more detailed remarks to the minutes, which also included memories of staff. (That statement is attached as Exhibit B.)

**Mr. Smith** also spoke about **Mr. Tonsager's** recent passing, recognizing how he held some of the highest positions in rural development and agricultural credit. **Mr. Smith** noted he was fortunate to know and work with **Mr. Tonsager**.

The **Secretary** read a statement that announced the meeting would be conducted according to the requirements of the Government in the Sunshine Act.

**Mr. Hall** reviewed the published Agenda. (A copy of the Public Announcement publishing the Agenda for the meeting is attached as Exhibit C.)

**Mr. Smith** moved to adopt the Agenda as published.

**Mr. Hall** seconded the motion.

There being no further discussion, **Mr. Hall** 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, **Mr. Hall** called the question.

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

## **OPEN SESSION**

### **Approval of Minutes**

#### **Minutes for May 9, 2019 Regular Board Meeting (BM-13-Jun-19-01)**

**Mr. Smith** moved to approve the minutes for the May 9, 2019, FCA Regular Board Meeting.

**Mr. Hall** seconded the motion.

There being no further discussion, **Mr. Hall** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-13-JUN-19-01)**

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

## **Reports**

### **Quarterly Report on Economic Conditions and FCS Conditions**

**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 Conditions.

**Mr. Hall** 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.)

### **Semi-Annual Report on Office of Examination Operations**

**Hal Johnson** of the **Office of Examination** presented the Semi-Annual Report on the Office of Examination Operations.

**Mr. Hall** 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.)

### **Retirement of ORP Director**

**Mr. Hall** concluded the Open Session by recognizing the upcoming retirement of Office of Regulatory Policy Director **Gary Van Meter**. **Mr. Hall** highlighted Mr. Van Meter's educational and professional achievements. **Mr. Hall** directed the Secretary to attach his comments to the minutes. (Those comments are attached as exhibit G.)

**Mr. Smith** also congratulated **Mr. Van Meter** on his upcoming retirement and wished him luck as he moved to the family farm permanently.

### **CLOSED SESSION**

**Mr. Hall** 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.

**Mr. Hall** convened the closed session of the meeting at 10:04 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.

**Mr. Hall** 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 H.)

### **Office of Examination Quarterly Report**

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

**Mr. Hall** 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, **Mr. Hall** indicated he would entertain a motion to adjourn the meeting.

**Mr. Smith** moved that the meeting be adjourned.

**Mr. Hall** seconded the motion.

**Mr. Hall** called the question.

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

The meeting adjourned at 10:20 a.m.

## NOTATIONAL VOTE ACTIONS

There were three notational vote actions approved by the FCA Board from May 10, 2019, through June 12, 2019 as follows:

Item Number	Action Date	Voting Results	Subject
NV 19-13	05/24/2019	Approved	Conclusion that no regulatory action currently in FCA's Unified Regulatory Agenda meets the definition of "significant regulatory Action." As a result, FCA is not required to develop a regulatory plan for submission to the Office of Information and Regulatory Affairs.
NV 19-14	05/29/2019	Approved	Proposed plan to combine Farm Credit Services of Hawaii and American AgCredit, ACA.
NV 19-15	06/4/2019	Approved	Request by CoBank, ACB, to purchase bonds issued by a hospital district in rural Illinois, subject to conditions.

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on June 13, 2019.

                    /s/                      
Jeffery S. Hall  
Presiding Board Member and  
Chief Executive Officer

                    /s/                      
Dale L. Aultman  
Secretary to the Board

Approved: July 11, 2019

**STAFF PRESENT AT THE  
FCA REGULAR BOARD MEETING  
June 13, 2019**

Jeffery S. Hall, Presiding Board Member  
Glen R. Smith, Board Member

<b>OFFICE</b>	<b>OPEN SESSION</b>	<b>CLOSED SESSION</b>
<b>Office of the Board</b>		
Aultman, Dale	X	X
Kramp, Kevin	X	X
Morris, James	X	X
Lopez, Carmen	X	
Roque-Brehm, Awilda	X	
Calhoun, Gaye	X	
<b>COO</b>		
Hoffman, William	X	X
<b>OIT</b>		
Golley, Jerald	X	X
Thomas, Mark	X	X
Bhurjee, Nikki	X	X
<b>OCPA</b>		
Stokke, Michael	X	X
Middleton, Russell	X	X
<b>OGC</b>		
Rawls, Charles	X	X
Donner, Mary Alice	X	
Strickland, Joy	X	X
<b>OE</b>		
Coleman, Robert	X	X
Paulsen, Roger	X	X
Johnson, Hal	X	
<b>OIG</b>		
Laguarda, Wendy	X	X
Leshko, Sean	X	
<b>OSMO</b>		
Rea, Laurie	X	X
Hudson, Bruce	X	X
<b>ORP</b>		
Van Meter, Gary	X	X
Mardock, Barry	X	X
Shields, Dennis	X	X
Kuhns, Ryan	X	X
Johansen, Mark	X	X
<b>OCFO</b>		
Smith, Stephen	X	X
Gandy, Doug	X	X
Cabrera, Victoria	X	X
<b>OAS</b>		

<b>OFFICE</b>	<b>OPEN SESSION</b>	<b>CLOSED SESSION</b>
Bell, Vonda	X	X
Clark, Patrina	X	
<b>FCSIC</b>		
Rubin, Howard	X	X
Wynn, Wade	X	X
Powalski, Lynn	X	X
<b>GENERAL PUBLIC</b>	<b>4</b>	<b>N/A</b>

**Statement  
Jeffery S. Hall  
Board Member and Acting Chief Executive Officer  
Farm Credit Administration Board Meeting  
June 13, 2019**

On May 21, 2019, Farm Credit Administration Chairman Dallas Tonsager passed away. We lost more than the chairman of our agency, we lost a respected colleague and a true champion for rural America.

He was raised on a dairy farm near Oldham, South Dakota, and earned his bachelor's degree in mechanized agriculture at South Dakota State. He spent the earlier years of his life farming with his brother Doug and serving in advocacy roles with the South Dakota Farmers Union through the 1980s farm crisis and into the 1990s.

He served two terms as president of the South Dakota Farmers Union, from 1988 to 1993, after which he was named by President Bill Clinton to be USDA's state director for rural development in South Dakota, a job he held until Clinton left office in 2001.

From 1990 to 1993, he was a member of the advisory board for the Commodity Futures Trading Commission. From 2002 to 2004, he was the executive director of the South Dakota Value-Added Agriculture Development Center, a nonprofit that helped the development of new ventures to create economic opportunity for farmers. That is when I first met Dallas — when he came to Kentucky for a conference.

In 2004, he was confirmed to serve on the FCA board. Dallas left FCA in 2009 when President Obama nominated him to be undersecretary for rural development at USDA, a position he served in until 2013. While at USDA, he oversaw an expansion of rural broadband development, expanded the department's water and wastewater programs, increased funding for first- and second-generation biofuels production, and established venture capital funds.

In 2014, Dallas and I were nominated to serve on the FCA board and were finally confirmed in March of 2015. It was his second time to serve on the FCA board, and he holds the distinction of serving the most time as a board member. Dallas was appointed chairman in November of 2016, succeeding Ken Spearman. During his career, he held four presidentially appointed positions at USDA and FCA, and was appointed by three presidents from both political parties.

I have asked a few people who worked most closely with Dallas to offer some memories.

Wendy Laguarda, our inspector general and former executive assistant to Dallas, said:

*Everyone who came in contact with Dallas professionally was helped. He certainly helped my career.*

David Grahm, who worked with Dallas at both USDA and FCA, commented:

*Dallas was a decent man and passionate advocate for rural America. At USDA and FCA, he challenged me and everyone he worked with to find ways to improve the quality of life in rural America.*

Todd Batta, who worked with him at USDA and was his last executive assistant at FCA, said:

*Dallas was truly an extraordinary and humble public servant. He worked hard to support and build a strong rural America. And he always remained his authentic self — that small dairy farmer from Oldham, South Dakota. He was a great friend, mentor, and leader. We will all miss him.*

Charlie Rawls, our chief counsel, who worked with Dallas over the past 20 years, shared his memories:

*A few things occur to me to say about Dallas. First, he was just a remarkably kind and caring man. He was always interested in you and your family, and whatever problem or concern might be on your mind. Not that he wasn't also extremely passionate about the things he cared about. Obviously, farmers, ranchers, and rural communities were always at the top of that list. But never in the name of his own agenda would he insist on enforcing his often-rightful authority.*

*He would never think of making an important decision without a full discussion and airing of disagreements. He was not reluctant or embarrassed to change his mind or modify a decision. It seems that he was actually persuaded by the better argument! He asked good and insightful questions. He made hard decisions and was actually willing to take responsibility for having done so. That is so refreshing and remarkable among political leaders.*

*Meanwhile, he succeeded in keeping a good humor and positive outlook. He treated each of us with respect and grace. That came easy because he was fundamentally authentic, and it all came from the heart. He genuinely respected your knowledge and experience. Even when he disagreed with the information or advice given. He freely debated and enjoyed a good argument. At the end of a spirited discussion, he was happy to put differences aside and enjoy the simple fellowship of human connection.*

*Dallas was a good soul and a very unique individual. I will miss him. Prayers for him, Sharon, and his family.*

It is still difficult to believe Dallas is gone. Just two months ago he and I participated in a hearing before a House subcommittee. He did an excellent job as always and fielded every question from members. Dallas received many honors over his career. All of them earned. A humble man, he never sought glory for his many accomplishments; it was just his way of making rural America better. He leaves a legacy that should be respected and admired.



## Farm Credit Administration

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



**PUBLIC ANNOUNCEMENT OF  
MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT**

**Farm Credit Administration Board  
Regular Meeting  
June 13, 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 June 13, 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](mailto: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](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 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 May 9, 2019

**Reports**

- 2 Quarterly Report on Economic Conditions and FCS Conditions
- 3 Semi-Annual Report on Office of Examination Operations

**Closed Session**

- 4 Office of Examination Quarterly Report

\_\_\_\_\_  
June 3, 2019  
Date

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

<sup>1</sup>Session Closed-Exempt pursuant to 5 U.S.C. Section 552b(c)(8) and (9).

# Farm Credit Administration

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

## **BOARD ACTION ITEM**

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### **FCA BOARD ACTION ON**

**Minutes for May 9, 2019**

**BM-13-JUN-19-01**

**Effective Date:** June 13, 2019

**Effect on Previous Action:** None

#### **THE FCA BOARD HEREBY:**

Approves the minutes for May 9, 2019, regular Board Meeting.

**DATED THIS 13th DAY OF JUNE 2019**

**BY ORDER OF THE BOARD**

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



# FCA Board Meeting June 2019

Exhibit E

## Quarterly Report on FCS Condition June 13, 2019

Dennis A. Shields  
Hal Johnson





# Topics for Open Session

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- ▶ Economic Conditions Affecting the Farm Credit System
  - Commodity price outlook
  - Farm programs and other government assistance
  - Weather, trade, and other 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



# Weather moved the markets in May



## Corn futures



## Soybean futures

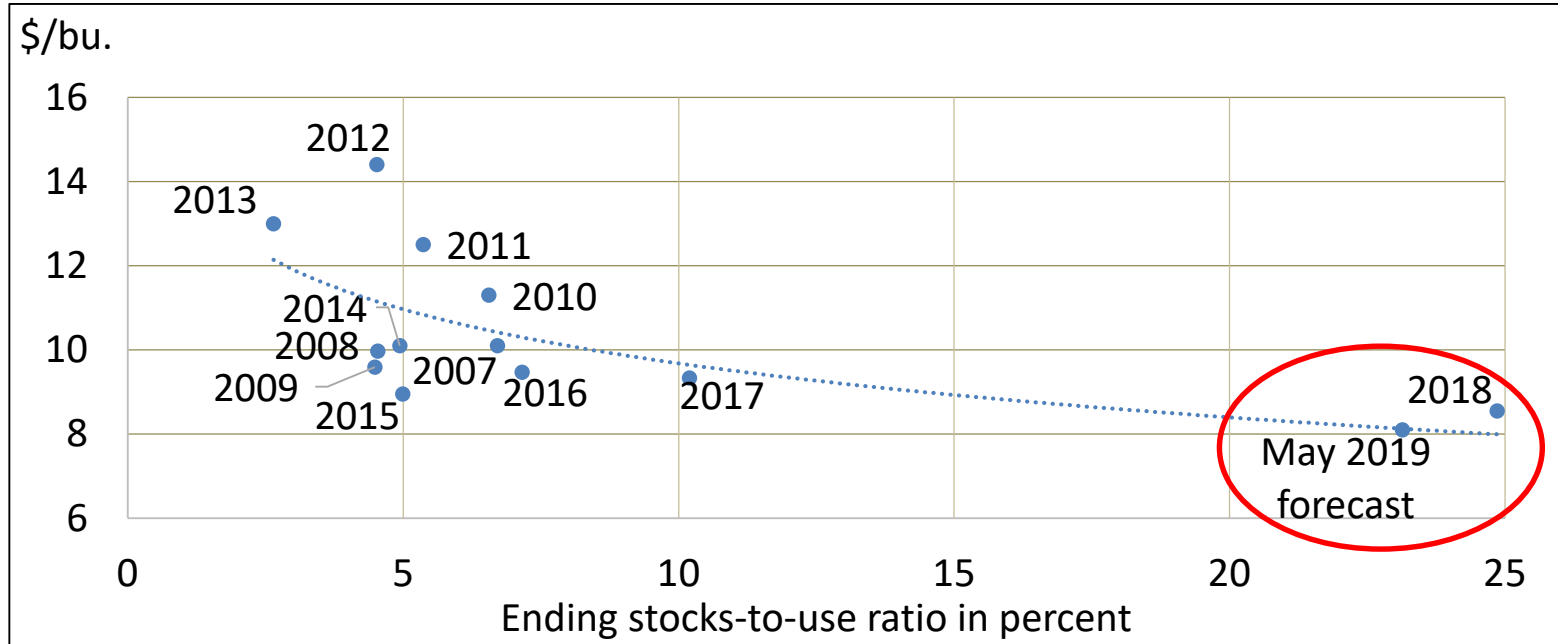


Source: CME Group. Note: December 2019 corn futures and November 2019 soybean futures.



# Soybean stocks-to-use ratio to remain high

U.S. soybean price and stocks-to-use ratio

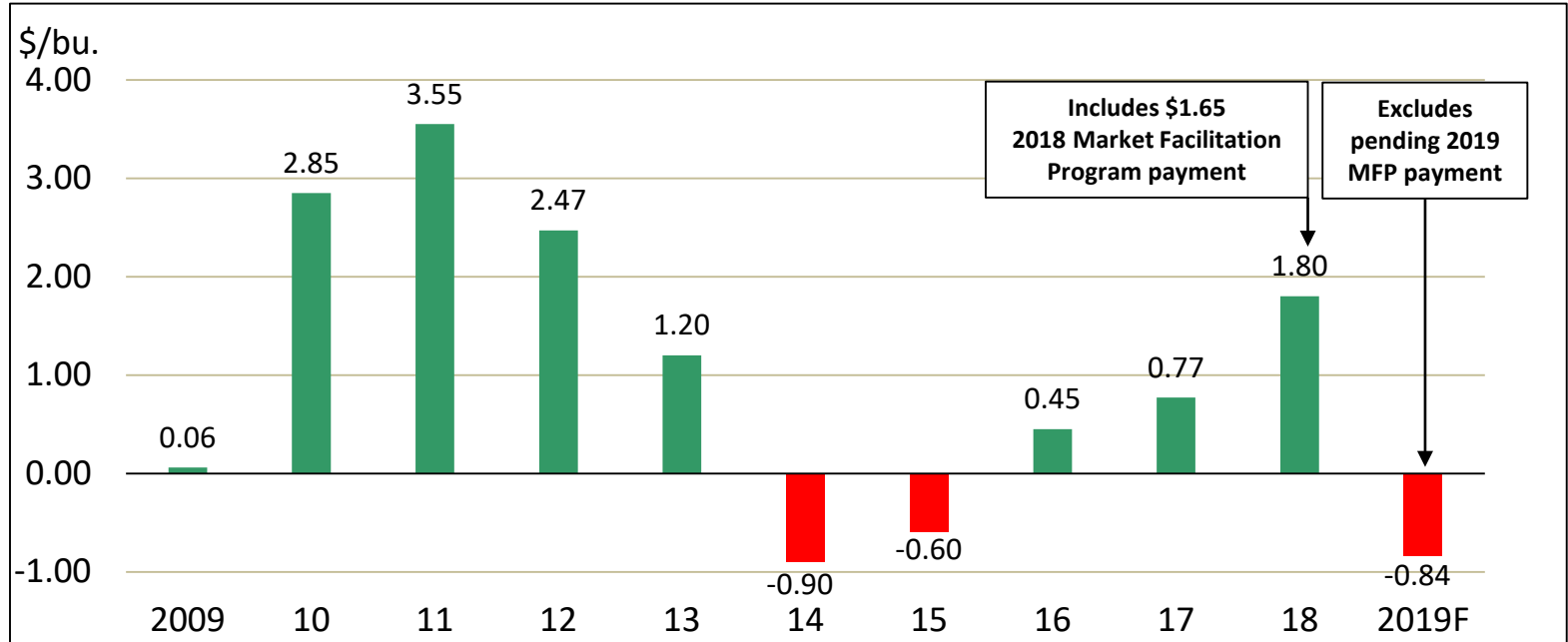


Source: FCA using USDA data (May).



# Soybean margins to turn negative without Market Facilitation Program payments

## Iowa soybean margins



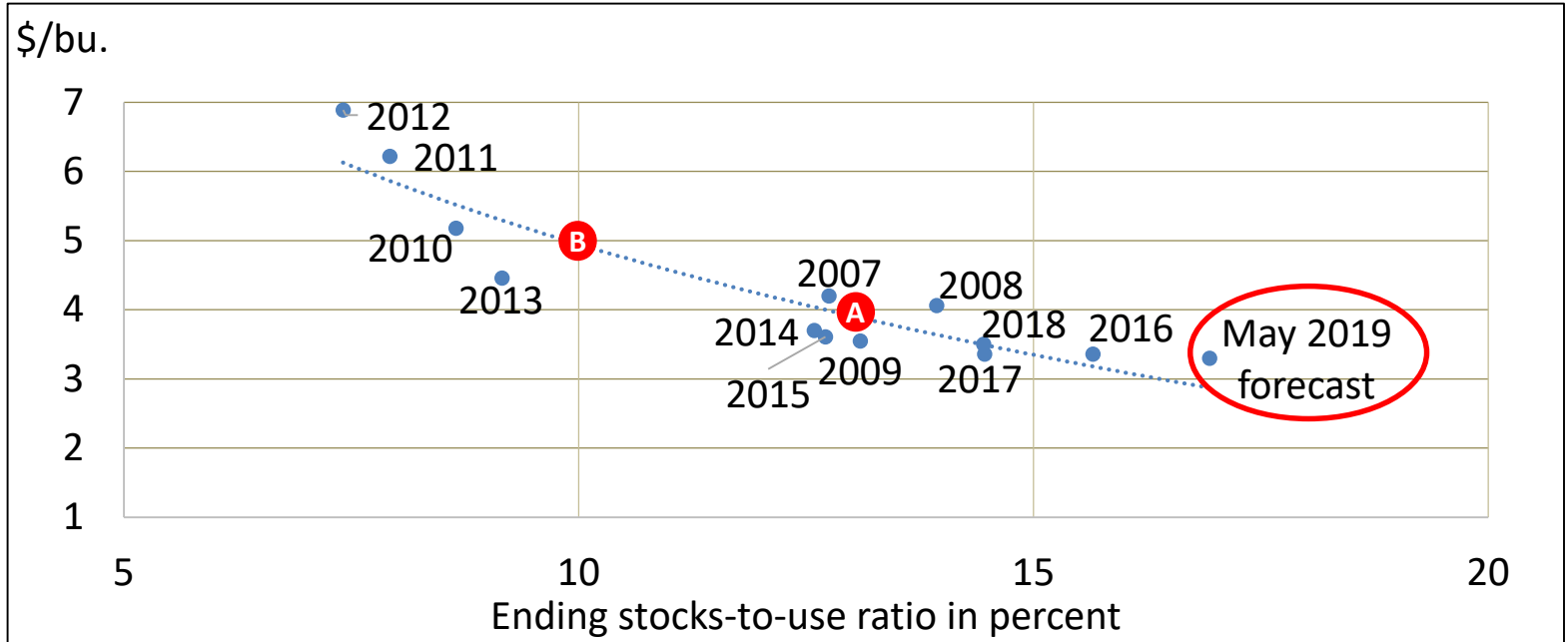
Source: FCA using USDA (May) and Iowa State University data.





# Corn stocks-to-use ratio could decline sharply from initial forecast

U.S. corn price and stocks-to-use ratio



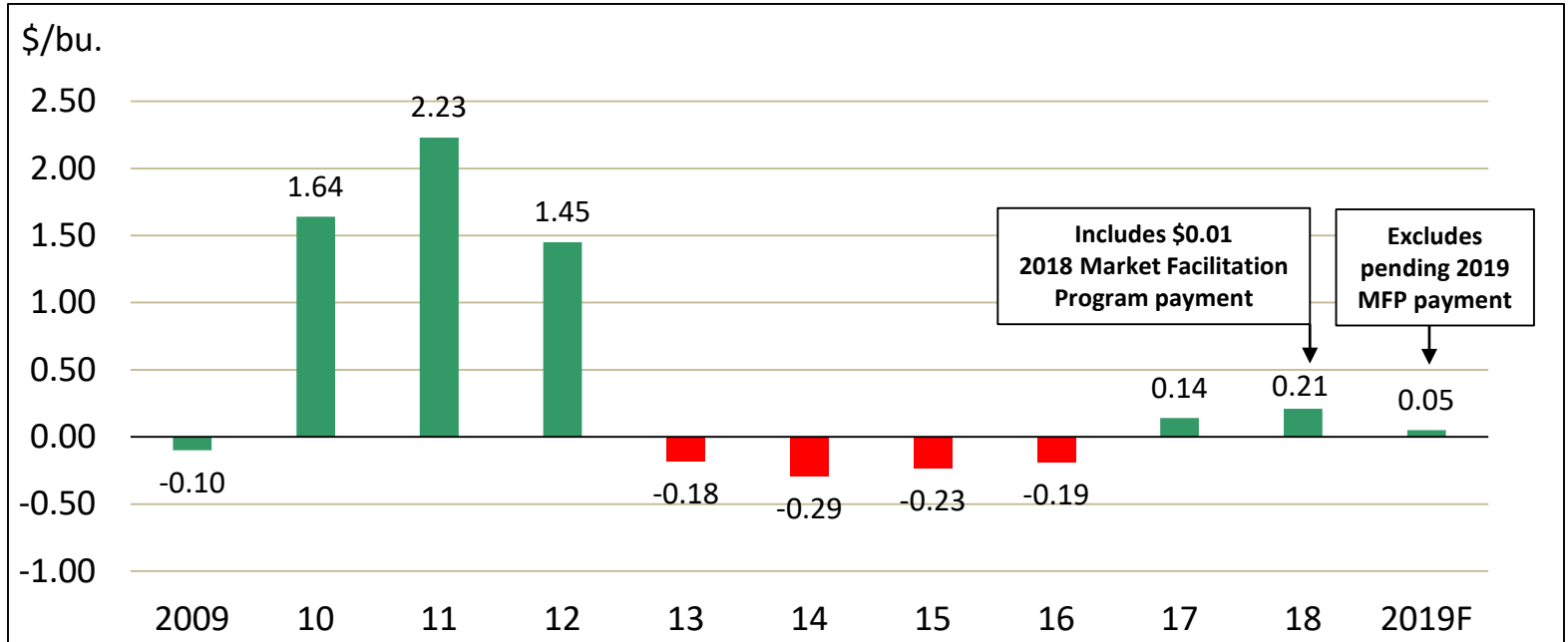
Source: FCA using USDA data. Note: 2019 production scenario A=- 0.9 mil. bu. and B=-1.4 bil. bu. from May forecast. 17



# Corn margins to remain near break-even levels



## Iowa corn margins



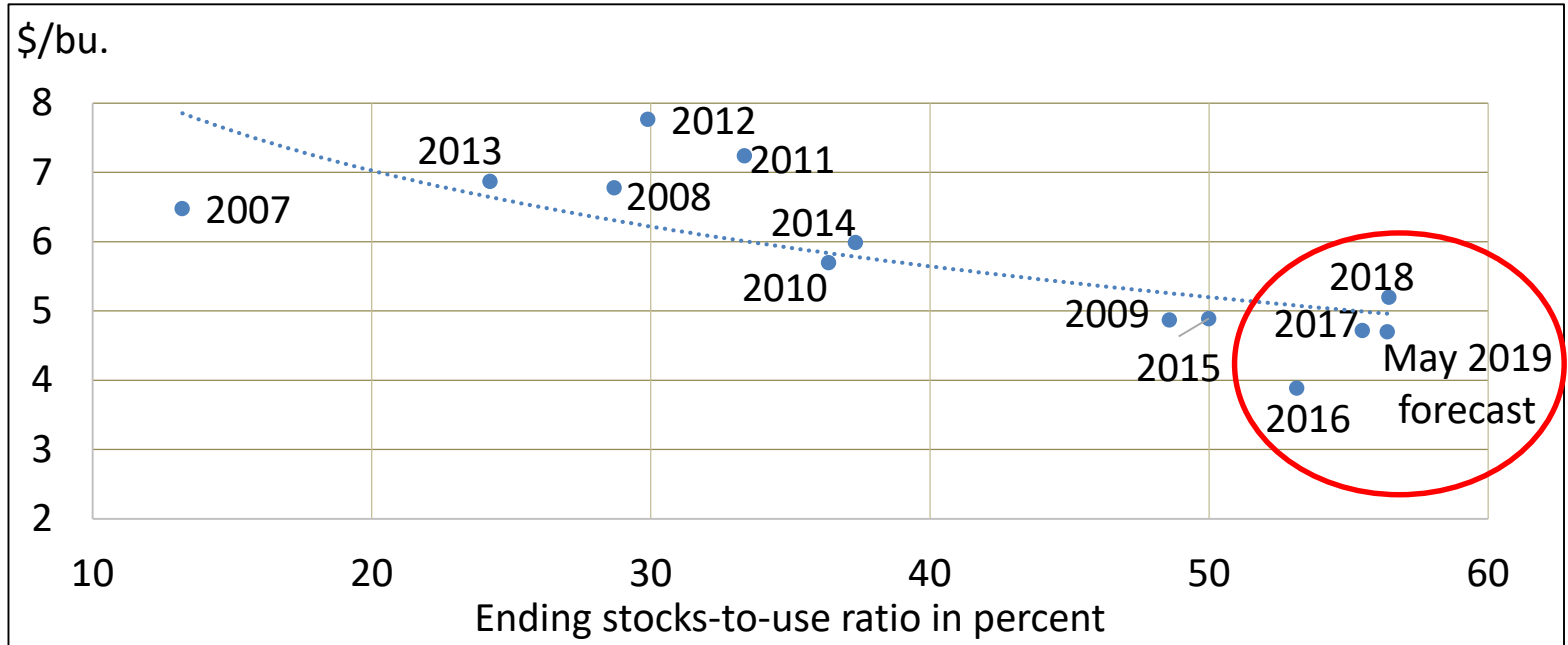
Source: FCA using USDA (May) and Iowa State University data.



# Wheat stocks are also large relative to use



U.S. wheat price and stocks-to-use ratio



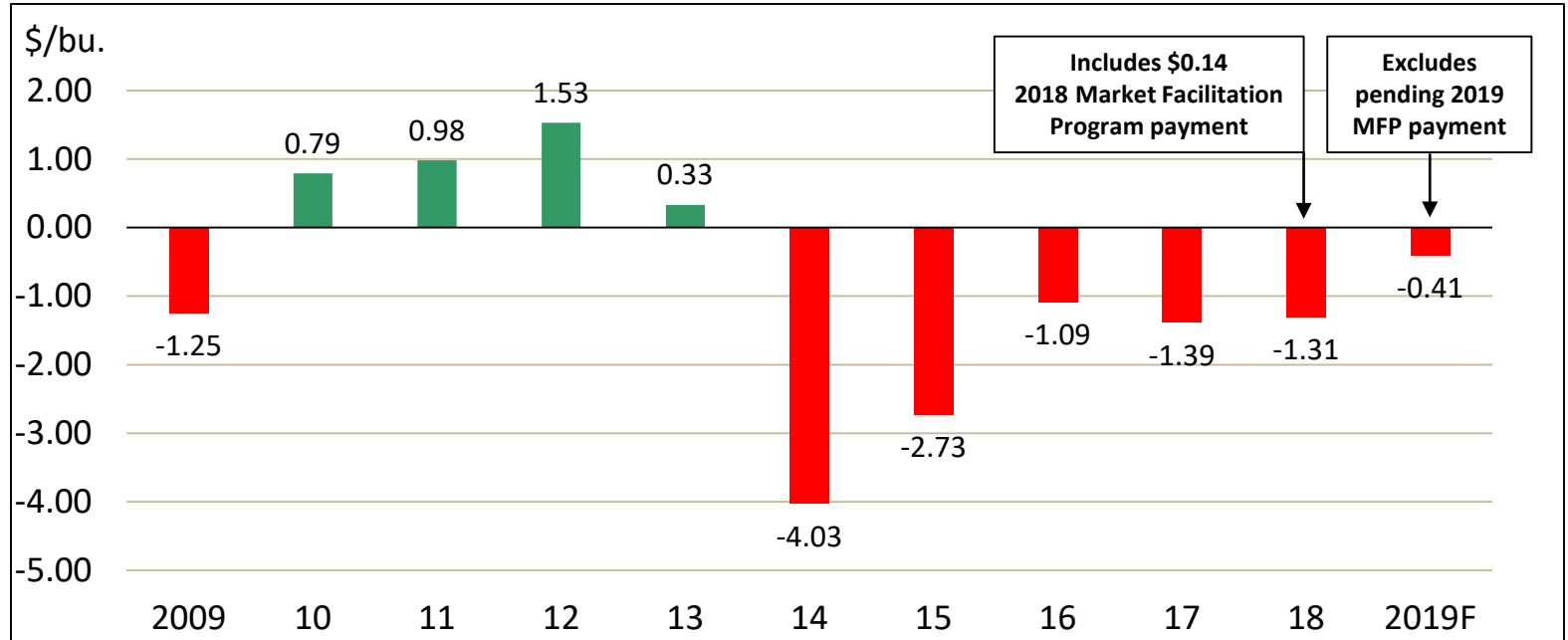
Source: FCA using USDA data (May).



# Wheat margin loss continues to narrow



Kansas wheat margins



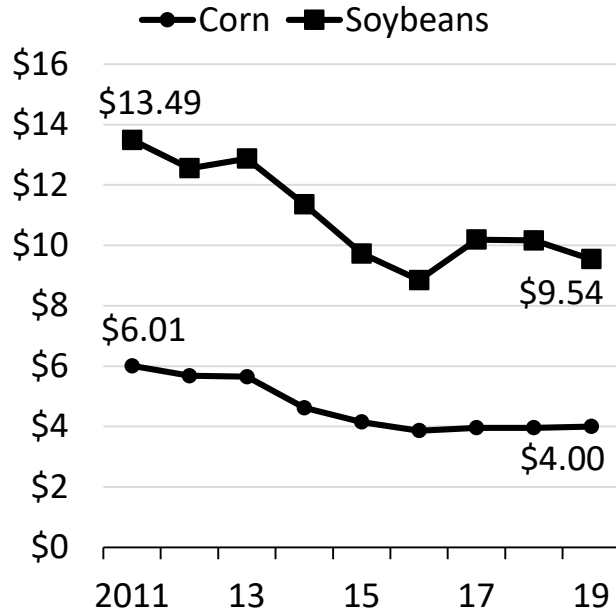
Source: FCA using USDA (May) and Kansas State University data.



# Weather drives crop insurance and planting decisions



Projected crop insurance price (\$/bu.)



Source: USDA/RMA.

Expected net returns in 2019 (\$/acre)

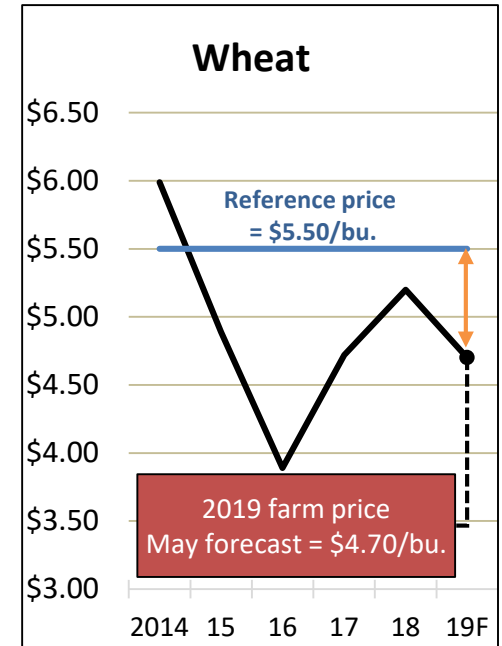
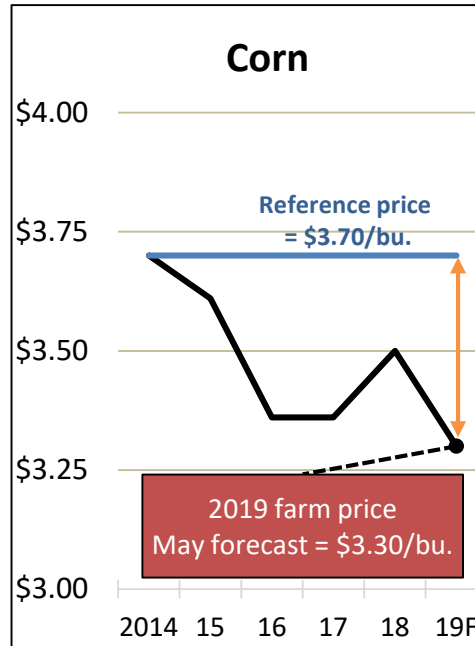
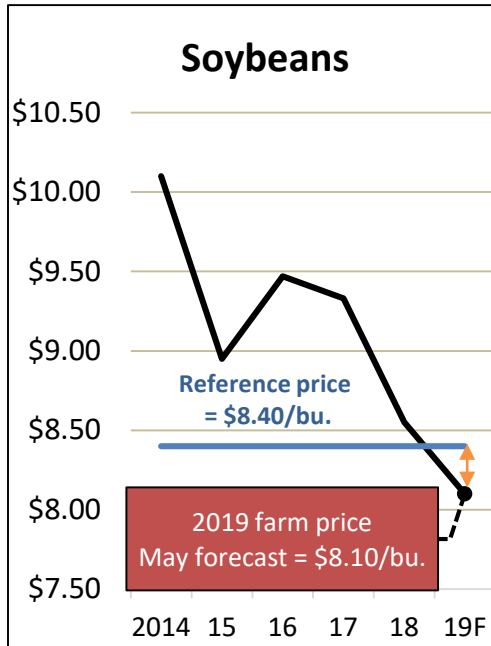
Scenario: Low corn yield and prices below projected levels	Corn	Soybeans
Prevent plant indemnity (after weed control) <u>OR</u>	\$331	\$252
Crop revenue	\$581	\$475
+ crop insurance indemnity	+ \$41	+ 0
- non-land costs	- \$469	- \$256
= expected return before land cost	= \$153	= \$219

Source: Farmdoc daily, May 14, 2019.



# Farm programs provide *some* downside price protection in 2019

Part of the **gap** between the Farm Bill reference price and the season-average farm price is paid under Price Loss Coverage



Source: FCA using USDA prices (May) and statutory reference prices.

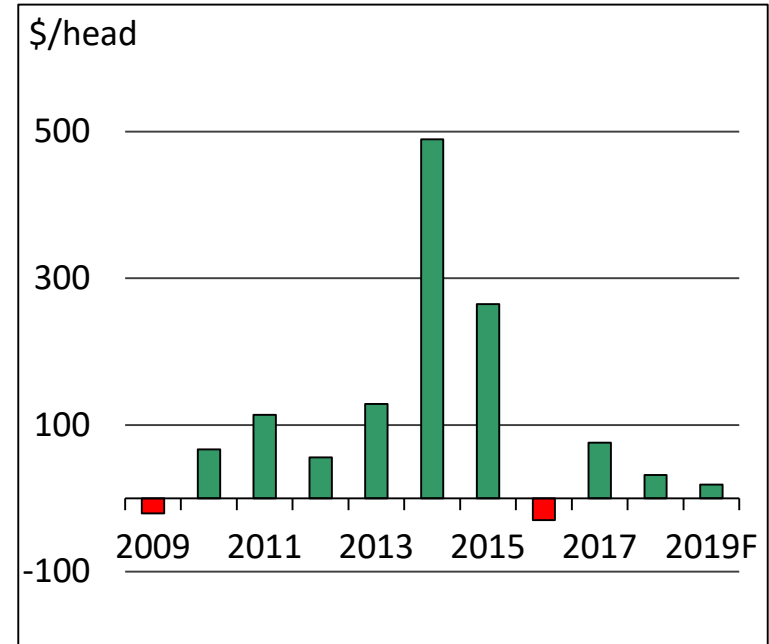


# Cow-calf margins to remain slightly positive

- ▶ High hay costs limit cow-calf margins; May 1 hay stocks down nearly one-third from 2014-18 average
- ▶ Recent export demand strength expected to continue in 2019
- ▶ Domestic beef demand remains healthy



Average cow-calf returns



Source: Informa Economics.



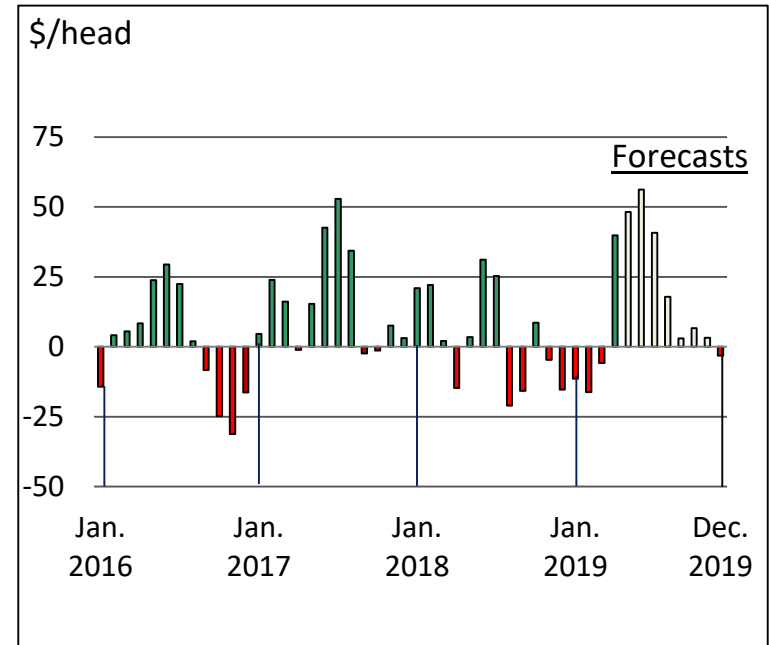


# Hog producers return to profitability

- ▶ African Swine Fever is sharply reducing China's hog inventory
- ▶ Pork exporting opportunities lead to market volatility and hedging opportunities
- ▶ U.S. guards against adverse impacts of a potential outbreak



Hog producer margins



Source: Informa Economics.

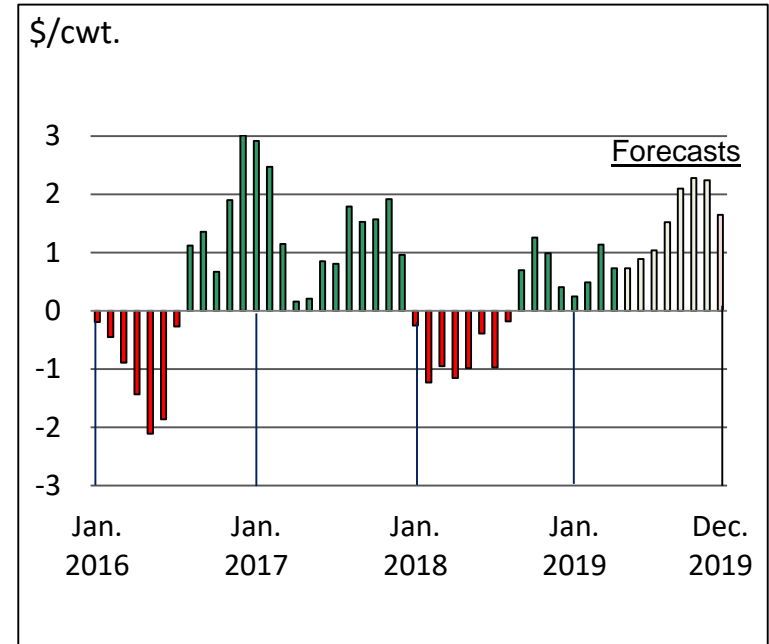




# Dairy margins improve after running in the red in 2018

- ▶ Slowdown in production growth has lifted prices
- ▶ Margins are running slightly above breakeven
- ▶ High-cost producers remain under pressure

Dairy producer margins



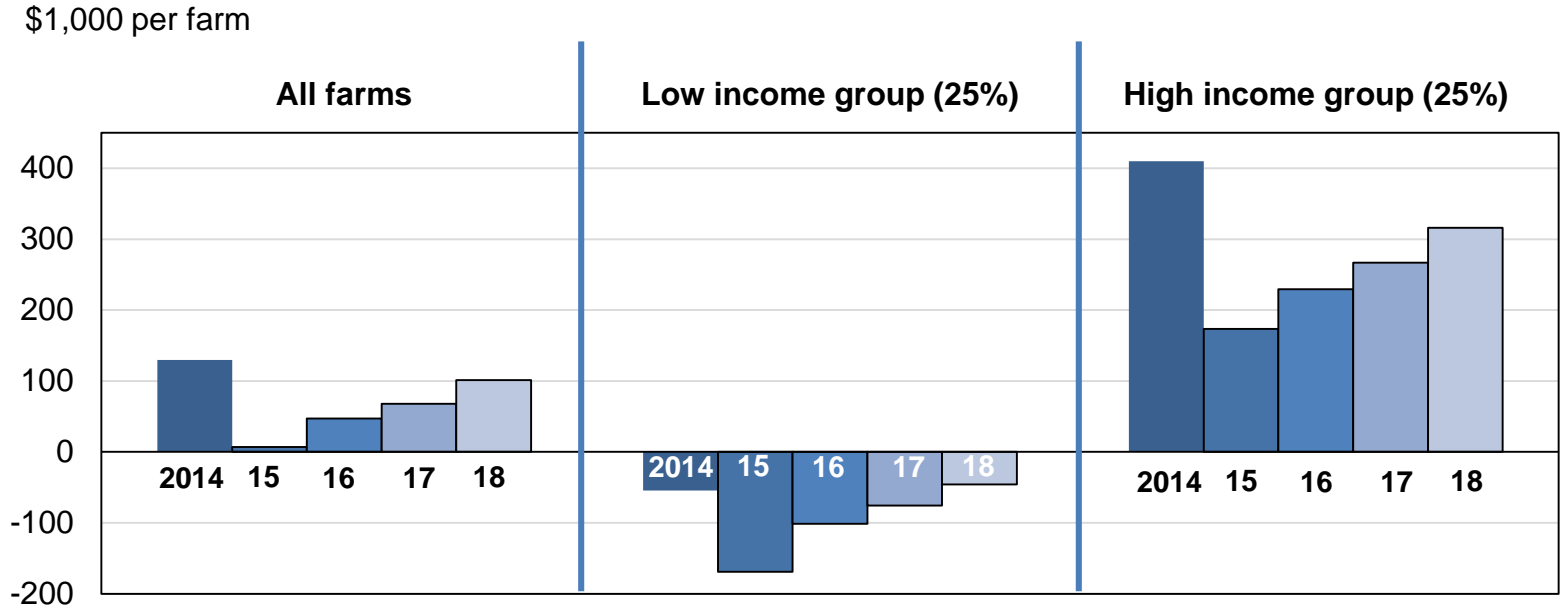
Source: Informa Economics.



# Kansas farm management data indicate contrasting returns by income group



Average net income per farm

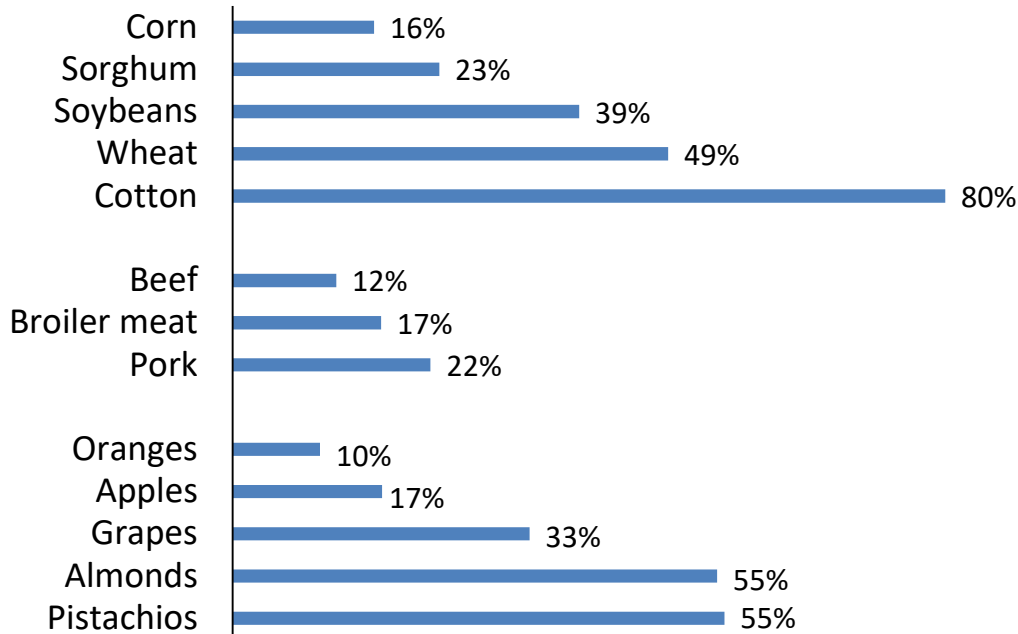


Source: Kansas Farm Management Association, May 2019.



# U.S. export intensity is relatively high for key agricultural commodities

## U.S. exports as a share of production in 2018



### Top 3 markets

Mexico, Japan, S. Korea  
China, Japan, Spain  
China, Mexico, Netherlands  
Japan, Mexico, Philippines  
Vietnam, China, Turkey

Japan, S. Korea, Mexico  
Mexico, Hong Kong, Canada  
Japan, Mexico, Canada

S. Korea, Canada, Japan  
Mexico, Canada, India  
Canada, Mexico, S. Korea  
India, Spain, Hong Kong  
Hong Kong, Germany, Belgium

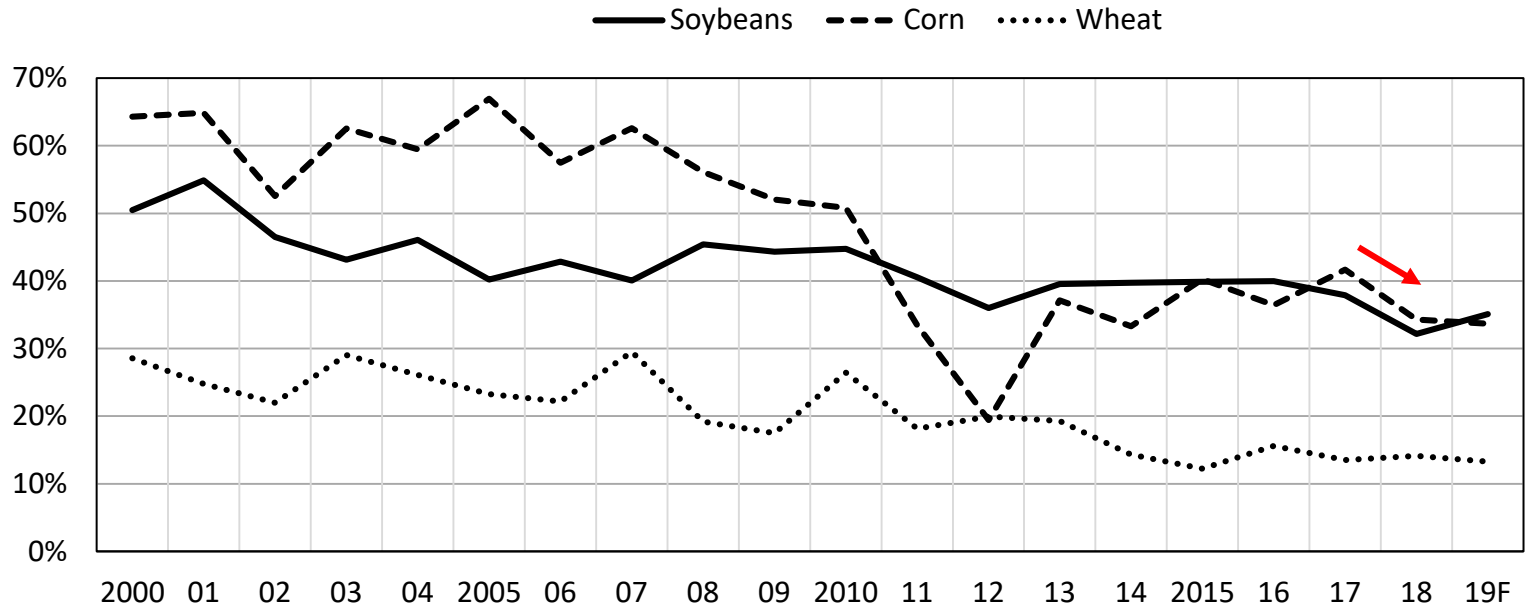
Source: USDA/FAS Production, Supply and Distribution; and Global Agricultural Trade System.



# Waning competitiveness: U.S. share of global exports declined in 2018



U.S. share of global exports by crop year



Source: USDA/FAS Global Agricultural Trade System.



# Concluding comments

- ▶ Weather in 2019 creates production risk and pricing opportunities
- ▶ Additional trade-related payments and disaster assistance form a bridge to next year's loan renewal season
- ▶ Low-cost operations survive and thrive in a low price environment
- ▶ Marginal producers may not survive, even with support

## Risks ahead

- ▶ U.S. animal disease outbreak and market volatility
- ▶ Resilience of U.S. and global economic growth amid trade issues





# Questions

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**THANK YOU**



# Farm Credit System Condition and Performance

as of  
March 31, 2019

**Hal Johnson**  
Sr. Financial Analyst  
Office of Examination



# Topics

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- ▶ System growth
- ▶ Portfolio credit quality
- ▶ Earnings
- ▶ Capital
- ▶ FIRS



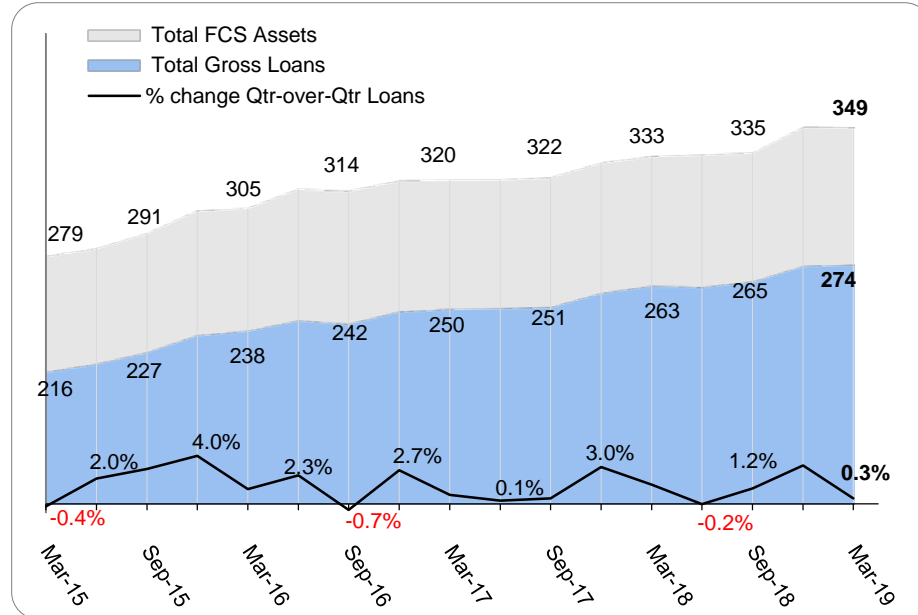




# System reports little growth in the 1<sup>st</sup> quarter, seasonal factors drive financing needs

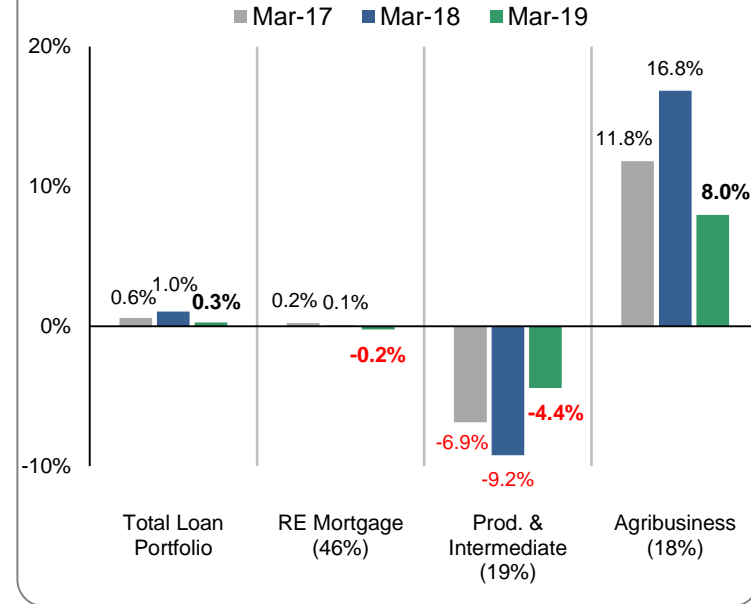


<b>Total Assets</b> 3/31/19	<b>\$348.7</b> billion	<b>-0.1% Qtr</b> <b>+4.7% YOY</b>	<b>Gross Loans</b> 3/31/19	<b>\$274.2</b> billion	<b>+0.3% Qtr</b> <b>+4.4% YOY</b>
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## Loan Growth by Loan Type

(% change quarter-over-quarter)



Source: FCS Information Statements



# Credit risk rises as agricultural producers face continued low prices and market uncertainty



Nonperforming Loans

**\$2.365**  
billion

Qtr chg + \$167M | up 7.6%  
Yr. over Yr. + \$156M | up 7.1%

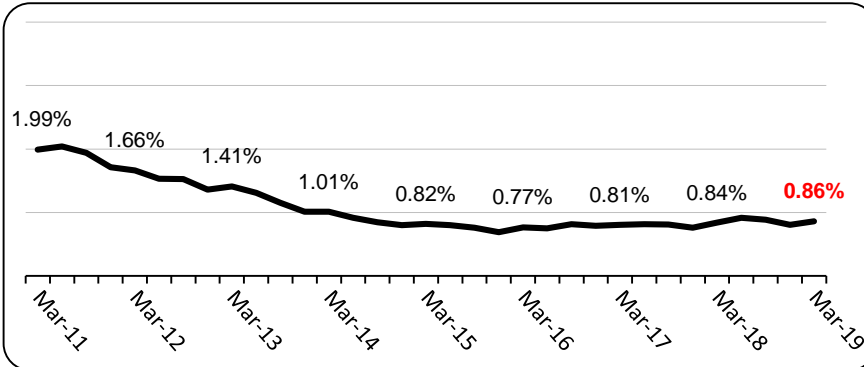
Delinquencies <sup>(1)</sup>

**0.48%**

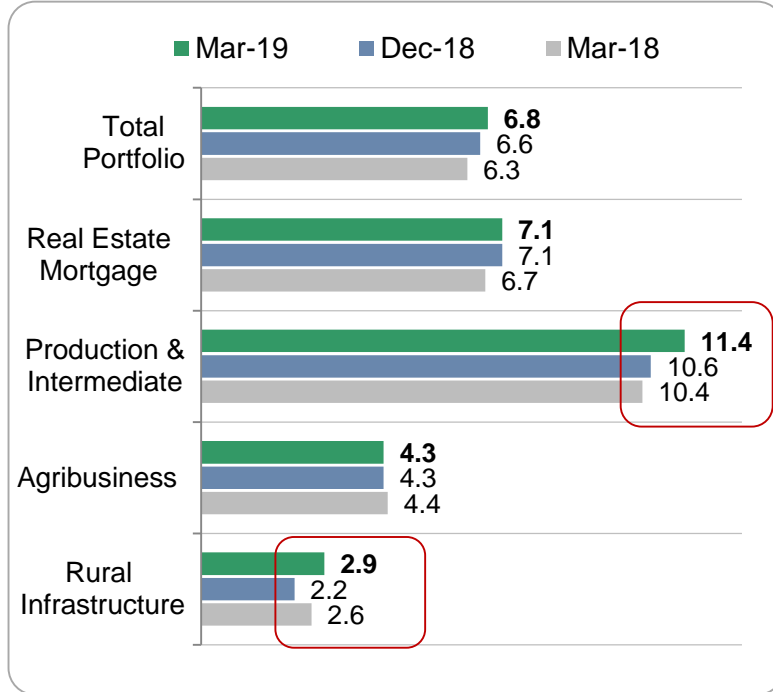
YE '18 0.31%  
Q1 '18 0.34%

(1) accruing loans 30 days or more past due

## Nonperforming Loans as a % of Gross Loans



## % of Loans Classified less than Acceptable



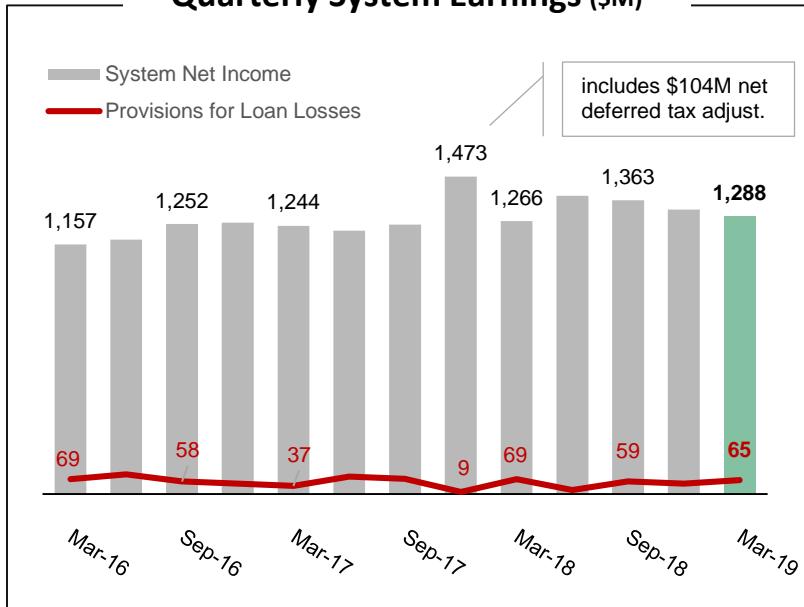
Source: FCS Information Statements



# System earning remained strong in the 1<sup>st</sup> quarter; interest spreads continued to compress



## Quarterly System Earnings (\$M)



Net Interest Spread  
(YTD annualized)

Q1'19  
**2.00%**

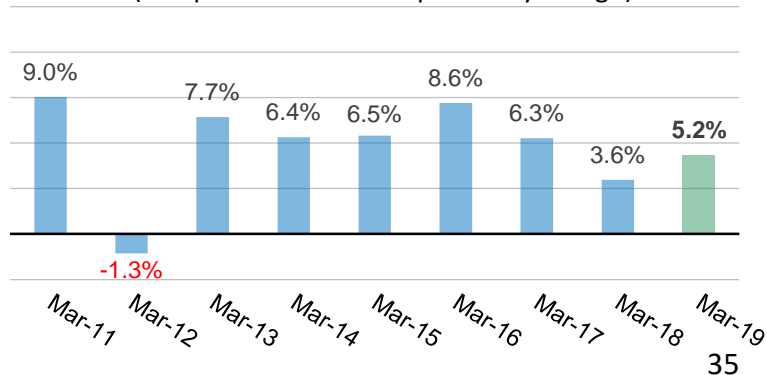
Q1 '18  
**2.15%**

Net Interest Margin  
(YTD annualized)

Q1'19  
**2.40%**

Q1 '18  
**2.44%**

## % increase in Average Earning Assets (compared to the same period a year ago)



Source: FCS Information Statements



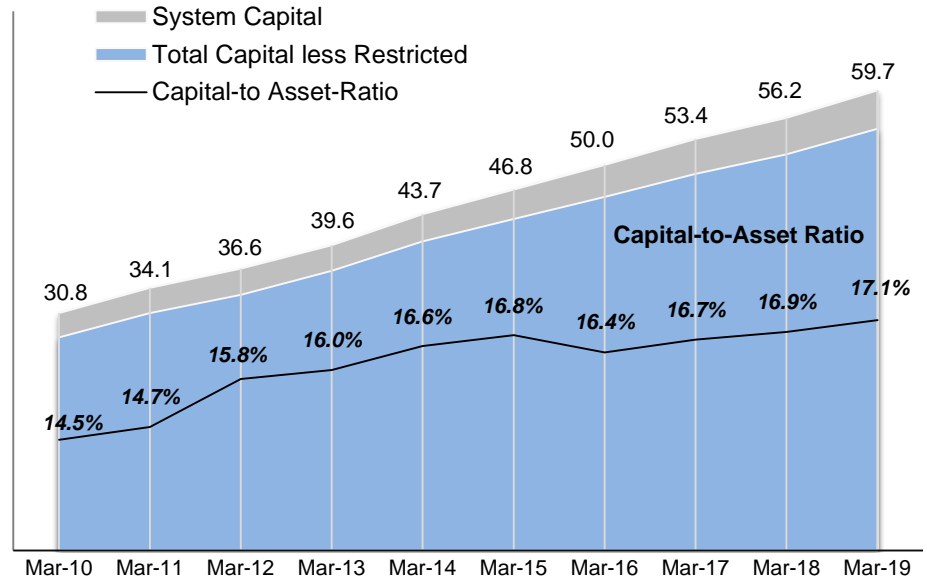
# Strong earnings support continued capital growth

## Capital and Liquidity

- as of March 31, 2019 -

- ▶ Retained earnings as a percentage of total capital equaled 79.4% of total capital.
- ▶ The System's liquidity position equaled 177 days of coverage.
- ▶ Days of available liquidity for the 4 funding banks ranged from 149 to 227 days.

Total System Capital (\$B)



Source: FCS Information Statements

Note: Restricted capital represents capital associated with the Insurance Fund.



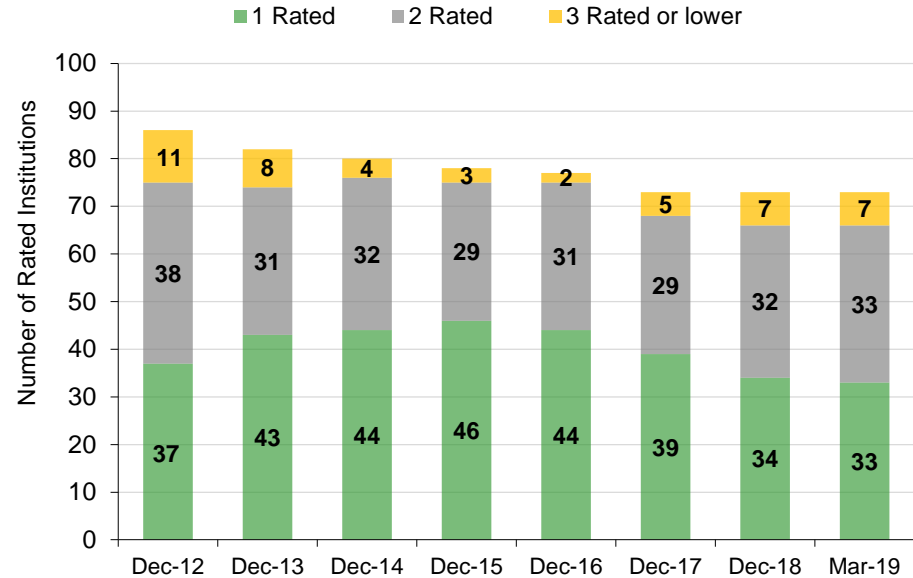
# System FIRS ratings

## 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
- ▶ Institutions rated 3 or lower account for less than 2.5% of System assets



## Composite FIRS Ratings Farm Credit System Banks and Associations



Source: FCA's FIRS ratings database



# Summary and final points

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- ▶ Challenges for the farm economy:
  - Volatile markets, trade issues, weather, low margins, production levels and existing supplies
- ▶ Declining credit quality underscores the significant operating challenges facing System borrowers in many ag sectors
- ▶ The System remains financially sound and strongly capitalized
- ▶ System institutions have the risk-bearing capacity to support agricultural producers





# Questions

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**THANK YOU**





# FCA Board Meeting June 2019

Exhibit F

## Semi-Annual Report on Office of Examination Operations June 13, 2019

**Hal Johnson**  
Sr. Financial Analyst  
Office of Examination



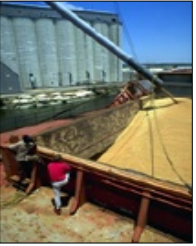




# OE Operations | Focus Areas

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- ▶ Operating Plan Objectives
  - Risk Supervision Activities and Examination Initiatives
  - Operational Efficiency and Effectiveness
  - Human Capital Update
- ▶ Summary





# Risk Supervision & Examination Activities

## System Profile

as of  
3/31/19

### 73 Lending Institutions

- 4 Funding Banks
- 69 Associations

### 7 Service Entities

**\$348.7**  
billion

**Total Assets**

**\$274.2**  
billion

**Gross Loans**

**\$1.3**  
billion

**YTD Earnings**

## FCS Institution Activities and Guidance

(through 2<sup>nd</sup> quarter FY 2019)

- ▶ Conducted onsite activities at all 4 funding banks, 41 associations, and 7 other entities
- ▶ Issued 28 Reports of Examination and 11 Interim Activity Letters
  - Six institutions are under a higher level of supervisory oversight
- ▶ Communications and Guidance issued
  - Internal / external communications
  - Examination manual updates and revisions

Source: FCS Information Statement



# Supervision & Examination Initiatives

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## 2019 NOP Risk Topics and Strategies:

### ► Portfolio Risk | Navigating Rough Waters

- Credit Guidance (Risk ID & Servicing)
- Bank Oversight
- FCS Credit Scoring Systems
- Stressed Industries

### ► Internal Controls | Three lines of Defense

- Internal Controls (Audit)
- ICFR Horizontal Examination Activity Informational Memorandum
- Oversight Talking Points

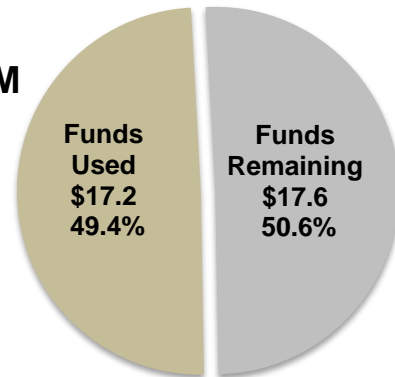




# Operational Efficiency & Effectiveness

- ▶ Examination tools | Ongoing technology initiatives
  - EDGe Phase II & III
  - FCS Loan Database and Data Mart
  - Technology use in examinations
- ▶ OE Budget results (Fiscal YTD thru 3/31/19)

**FY 2019 OE  
Budget: \$34.8M**



## **FTEs**

Projected Full Year FTEs	183.0
Planned Full Year FTEs	<u>178.4</u>
Variance	4.6



# Human Capital Update

- ▶ Post-Commission training
- ▶ Revised Directive 52 competencies
- ▶ Examiner development opportunities
- ▶ Staffing

Total OE Staff	Planned	Projected	Variance
Beginning FY 2019	177	181	4
Attrition   Retirements <sup>(1)</sup>	(16)	(16)	0
Hirings	18	18	0
Ending FY 2019	179	183	4
Commissioned Examiners	Planned	Projected	Variance
Beginning FY 2019	85	87	2
Attrition   Retirements	(6)	(6)	0
Hirings	0	0	0
Newly Commissioned	18	10	(8)
Ending FY 2019	97	91	(6)

(1) Fiscal year-to-date through April 30, there have been 8 staff attritions/retirements



# Summary

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- ▶ Maintained a strong onsite supervision presence with a continued emphasis on risk-based oversight and examination
- ▶ Development of commissioned examiners remains a priority while ensuring OE has sufficient highly skilled staff to accomplish its mission
- ▶ On target to accomplish 2019 Operating Plan objectives and meet or exceed all Agency performance measures





# Discussion

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**THANK YOU**

**Statement  
Jeffery S. Hall  
Board Member and Acting Chief Executive Officer  
Farm Credit Administration Board Meeting  
June 13, 2019**

This will be the last board meeting for Gary Van Meter as the Director of ORP. It is appropriate and well deserved that we recognize Gary for his 31 years of service to the Farm Credit Administration and 40 years of combined federal service.

At age nineteen, Gary enlisted in the Marines and after completion of his military service, he used his GI Bill benefits to earn a degree in accounting and a minor in economics. He continued his education with a law degree at the West Virginia University.

Gary served as judge advocate general with the Navy Reserve. In 1988, Gary joined FCA in the Office of General Counsel as an enforcement attorney. After 17 years in OGC, he became the deputy director in the Office of Regulatory Policy and six years later was promoted to the director position.

Gary and his wife will move back to the family farm in West Virginia. I understand they plan to travel, visiting their four grown children in West Virginia, Virginia, Georgia, and Idaho. We thank Gary for his service in the military and especially his service to FCA and wish him all the best in his retirement. Thank you, Gary.



Farm Credit Administration

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

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### **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 June 13, 2019, was properly closed to the public on the basis of the exemption set forth below:

- Supervisory and Oversight Activities of FCS Institution(s) – 5 U.S.C. § 552b(c)(8) and (9).

June 13, 2019  
Date

/s/  
Charles R. Rawls  
General Counsel