

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



**MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
March 14, 2019**

These minutes reflect the business transacted at the March 14, 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 9:38 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 three members 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 not* include any portions of the meeting that should be closed to the public as permitted by the Government in the Sunshine Act and therefore moved that the entire meeting remain open.

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 February 14, 2019 (BM-14-MAR-19-01)

Mr. Hall moved to approve the minutes for the February 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-14-MAR-19-01)**

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

Report

Annual Farm Credit System Funding Update

David Lewandrowski, of the **Office of Regulatory Policy** provided the Annual Farm Credit System Funding Update.

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.)

New Business

Interest Rate Risk Management Guidance for Farmer Mac (BM-14-MAR-19-02)

Joe Connor of the **Office of Secondary Market Oversight** (OSMO) and **Jane Virga** of the **Office of General Counsel** (OGC) presented the Interest Rate Risk Management Guidance for Farmer Mac action item.

Board Chairman Tonsager open the discussion for questions by the board.

Board Chairman Tonsager asked if there was any further discussion and asked staff to provide their recommendation. Staff provided their recommendation.

Board Chairman Tonsager called for a motion on the staff's recommendation.

Mr. Smith moved to approve the Interest Rate Risk Management Guidance for Farmer Mac as recommended by staff.

Mr. Hall seconded the motion.

Board Chairman Tonsager asked if there was any further discussion.

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

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-14-MAR-19-02)**

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

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. Hall moved that the meeting be adjourned.

Mr. Smith seconded the motion.

Board Chairman Tonsager called the question.

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

The meeting adjourned at 9:38 a.m.

**STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
March 14, 2019**

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

OFFICE	OPEN SESSION
Office of the Board	
Aultman, Dale	X
Batta, Todd	X
Kramp, Kevin	X
Morris, James	X
Lopez, Carmen	X
Roque-Brehm, Awilda	X
Calhoun, Gaye	X
EEOI	
Burlew, Thais	X
OIT	
Golley, Jerald	X
OCPA	
Stokke, Michael	X
DeLancy, Toni	X
Middleton, Russell	X
OSMO	
Rea, Laurie	X
Hudson, Bruce	X
Connor, Joe	X
OGC	
Rawls, Charles	X
Virga, Jane	X
Donner, Mary Alice	X
Strickland, Joy	X
OE	
Coleman, Robert	X
OIG	
Laguarda, Wendy	X
Miller, Kevin	X
ORP	
Van Meter, Gary	X
Mardock, Barry	X
Lewandrowski, Dave	X
D'Antoni, Jeremy	X
OCFO	
Smith, Stephen	X
Soares, Ily	X

OFFICE	OPEN SESSION
OAS	
Bell, Vonda	X
FCSIC	
Wynn, Wade	X
Powalski, Lynn	X
GENERAL PUBLIC	3

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
March 14, 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 March 14, 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: 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 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 February 14, 2019

Report

2 Annual Farm Credit System Funding Update

New Business

3 Interest Rate Risk Management Guidance for Farmer Mac

March 4, 2019
Date

/s/
Dale L. Aultman
Secretary to the Board

Farm Credit Administration

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

BOARD ACTION ITEM



FCA BOARD ACTION ON

Minutes for February 14, 2019 Regular Board Meeting

BM-14-MAR-19-01

Effective Date: March 14, 2019

Effect on Previous Action: None

THE FCA BOARD HEREBY:

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

DATED THIS 14th DAY OF MARCH 2019

BY ORDER OF THE BOARD

Dale L. Aultman
Secretary to the Board



The Farm Credit System's Funding Update



Recent High Finance Headlines

- **Treasurys Gain After Fed Chief's Testimony**





Recent High Finance Headlines

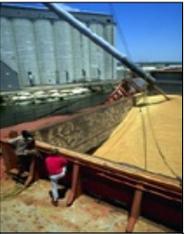
- **U.S. Treasury's weaken as Powell Testifies**





Recent High Finance Headlines

- **Solid Growth Caps a Robust Year**





Recent High Finance Headlines

- **U.S. Posts Record Annual Trade Deficit**





Recent High Finance Headlines

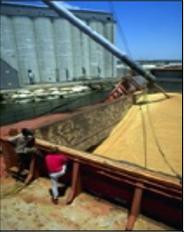
- **Investors Pull Back Inflation Bets**





Recent High Finance Headlines

- **Treasurers Consider Changes to Bank Accounts, Cash Pools Ahead of Brexit**





Funding Update Topics

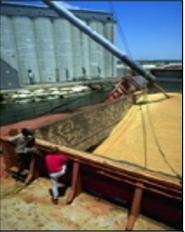
- Global Market
- Agency Debt Market
- Yields & Spreads on FCS Debt
- Funding Corporation Activity
- FCS Liquidity
- SOFR





Global Market

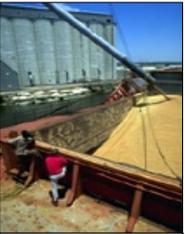
- Federal Reserve
- European Central Bank, Bank of England, Bank of Japan
- U.S. Treasury
- China





Credit Rating Agencies - Outlook for the United States

- Standard & Poors – AA+
Outlook – Stable
- Moody's – Aaa
Outlook – Stable
- Fitch – AAA
Outlook – Stable





System High Level Financials



- Assets – \$ 348.9 billion (+ 5.9%)
- Loans – \$ 271.9 billion (+ 5.1%)
- A.L.L. – \$ 1.7 billion (+ 7.3%)
- Cash & Invt. – \$ 67.9 billion (+ 9.9%)
- Capital – \$ 58.4 billion (+ 5.5%)
- Net Income – \$ 5.3 billion (+ 2.8%)



Agency Debt Issuance

Billions of Dollars	2014	2015	2016	2017	2018
F.H.L.B.	\$1,719	\$2,054	\$2,382	\$2,498	\$2,856
Fannie Mae	N/A	247	655	710	556
Freddie Mac	312	604	597	480	413
FCS	330	298	334	278	308
Total	\$2,361	\$3,203	\$3,968	\$3,996	\$3,825

Source: Agency Websites



Agency Debt Outstanding

Billions of Dollars	2014	2015	2016	2017	2018
F.H.L.B.	\$ 847	\$ 905	\$ 989	\$ 1,034	\$1,032
FCS	222	242	258	265	282
Freddie Mac	450	418	354	307	249
Fannie Mae	460	390	329	278	233
Tenn.V.A.	25	25	25	25	24
Farmer Mac	13	14	15	16	16
Total	\$2,017	\$1,994	\$1,970	\$1,924	\$1,836

Source: Agency Websites



Funding Corp.'s Dealer Group



BNY Mellon Capital Mkts, LLC

Barclays Capital Inc.

Cantor Fitzgerald & Co

Citigroup Global Mkts.

Daiwa Capital Mkts. America Inc.

Deutsche Bank Securities Inc.

First Tennessee Bank N.A.

Goldman, Sachs & Co.

HSBC Securities (USA) Inc.

INTL FCStone Fin. Inc. - BD Rates Div.

Incapital LLC

J.P. Morgan Securities LLC

Jefferies LLC

Loop Capital Mkts LLC

Merrill Lynch, Inc.

Mizuho Securities USA Inc.

Morgan Stanley & Co. LLC

Multi-Bank Securities, Inc.

NatWest Market Securities Inc. *

Nomura Securities Inter. Inc.

Piper Jaffray & Co.

RBC Capital Markets, LLC

Raymond James & Associates

Robert W. Baird & Co. Inc.

Stifel, Nicolaus & Company Inc

SunTrust Robinson Humphrey Inc.

TD Securities (USA) LLC

UBS Securities LLC

Vining-Sparks IBG, Ltd. Partnership

Wells Fargo Securities, LLC



Funding Activity by FCS



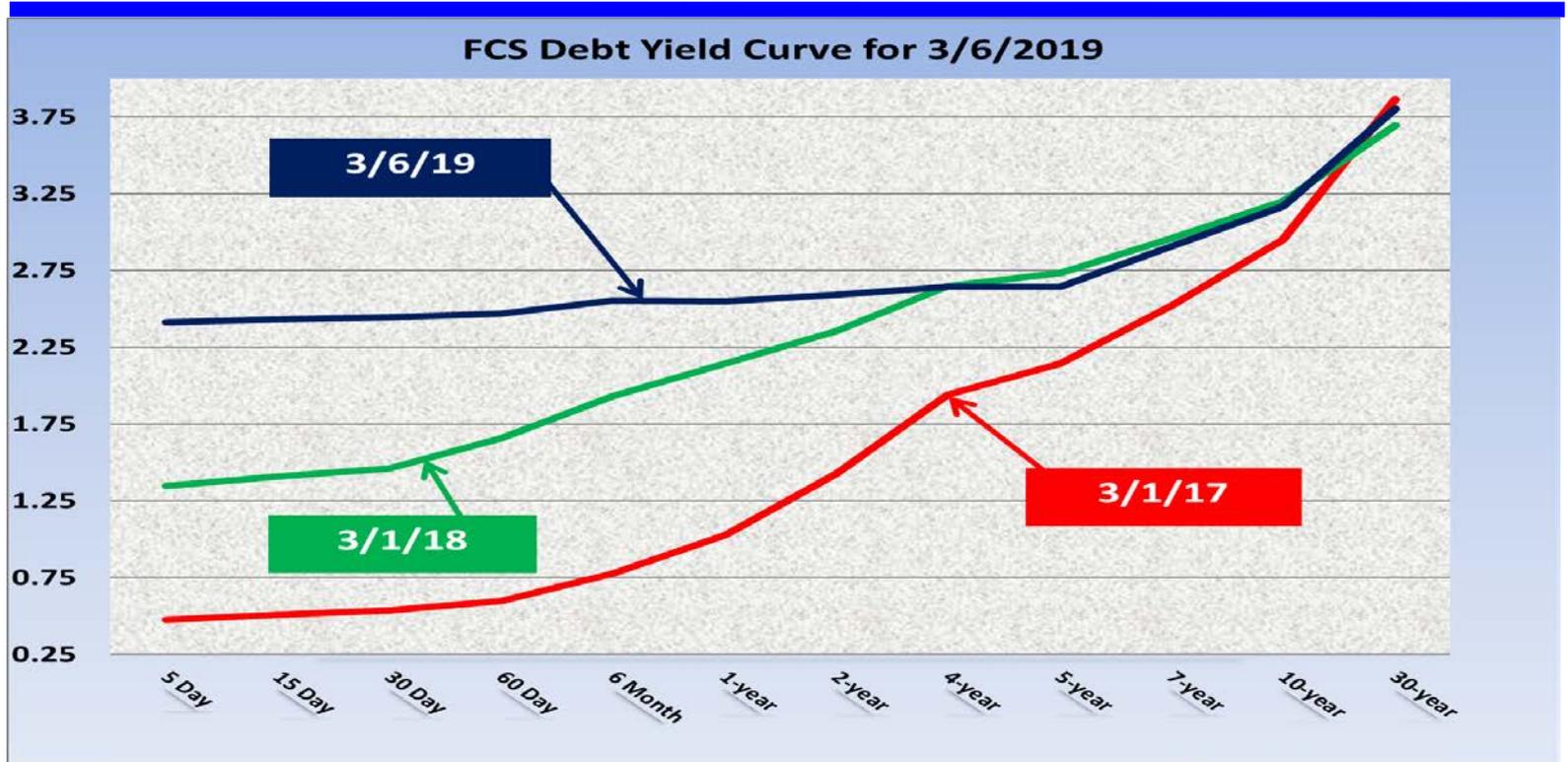
(\$ millions)	Discount Notes	Designated Bonds	Fixed Rate Bonds		Floating Rate Bonds			Retail Bonds	Other ¹	Total
			Callable	Non-Callable	LIBOR	Prime	Other			
12/31/2018	22,774	0	78,971	71,099	82,216	11,325	15,075	201	119	281,780
12/31/2017	25,632	1,000	72,228	67,144	79,425	10,475	9,300	210	19	265,434
12/31/2016	29,603	4,500	59,964	68,003	81,324	7,975	6,545	252	22	257,918
12/31/2015	31,371	5,000	58,789	60,424	71,355	8,050	6,850	383	24	242,245
12/31/2014	23,975	8,200	56,509	57,534	59,170	7,225	8,850	389	28	221,879

¹ Includes Linked Deposits

Source: FFCBFC Website



FCS Debt Yields Increasing

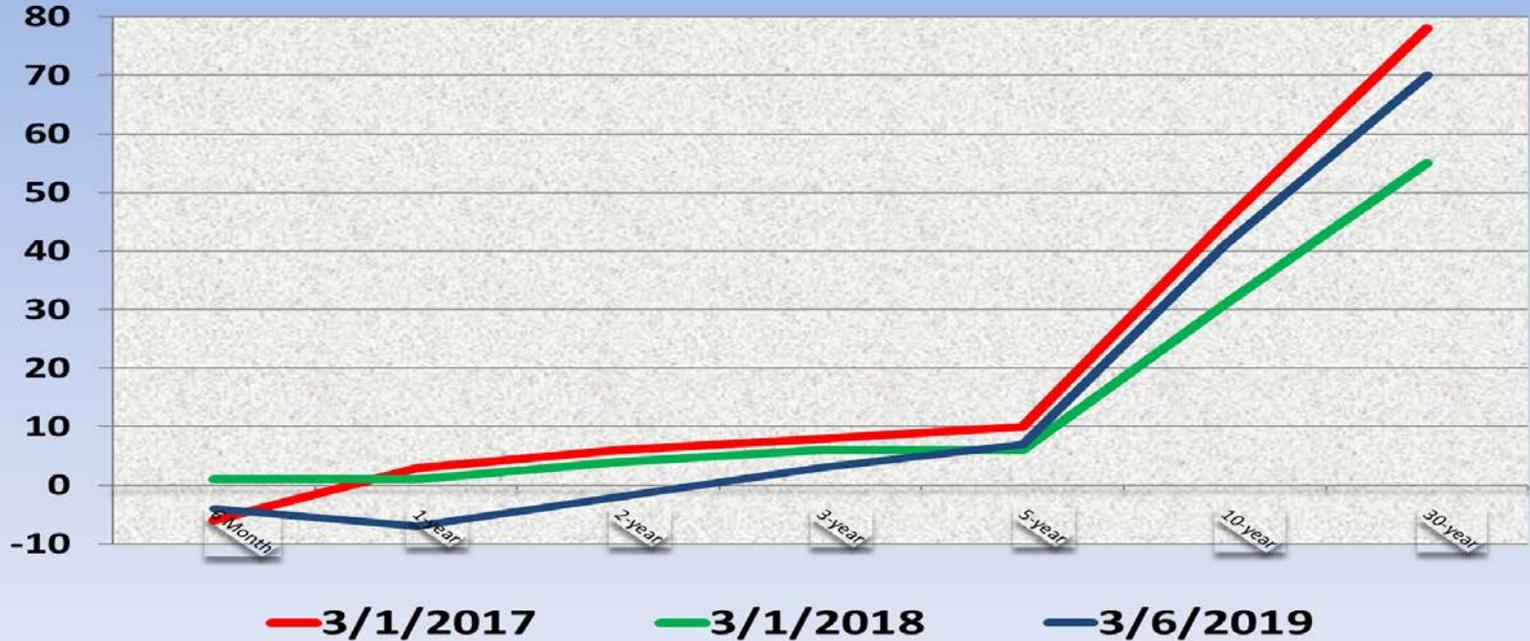




Tighter Spreads over Treasuries



FCS Basis Points Spread over Treasuries





Call Activity

- **Calls in '18 – \$ 29 million**
- Calls in '17 – \$ 5 billion
- Calls in '16 – \$ 58 billion
- Calls in '15 – \$ 34 billion
- Calls in '14 – \$ 19 billion
- Net Interest Spreads
 - **2.12 % for '18**, 2.25% for '17, 2.31% for '16, 2.40% for '15, 2.50% for '14 .
- Net Interest Margins
 - **2.46 % for '18**, 2.48% for '17, 2.49% for '16, 2.55% for '15, 2.64% for '14





Debt Maturity

- Weighted Average Maturity of FCS Debt remained steady.
 - ❖ Dec./2018 – 2.86 years
 - ❖ Dec./2017 – 2.88 years
 - ❖ Dec./2016 – 2.72 years
 - ❖ Dec./2015 – 2.81 years
 - ❖ Dec./2014 – 2.71 years

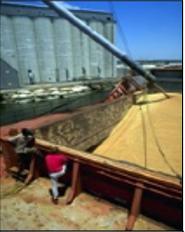




Debt Maturity

➤ Percentage of debt maturing within a year

- ❖ Dec./2018 – 38.8 percent
- ❖ Dec./2017 – 39.1 percent
- ❖ Dec./2016 – 40.3 percent
- ❖ Dec./2015 – 37.6 percent
- ❖ Dec./2014 – 38.6 percent





Days of Liquidity

- As of 12/31/18 System = 182(169) days:
 - AgFirst = 217(192) days, AgriBank = 160(135) days, FCB of TX = 241(226) days, CoBank = 177(169) days
- As of 12/31/17 System = 175(164) days:
 - AgFirst = 207(192) days, AgriBank = 151(130) days, FCB of TX = 227(212) days, CoBank = 176(170)days





SOFR

- Secured Overnight Financing Rate
- Recommended by the Alternative Reference Rate Committee (ARRC) to be the U.S. replacement index for LIBOR
- December 31, 2021, LIBOR's official R.I.P. date
- Global U.S. LIBOR referenced instruments total \$200 Trillion
- System's J & S LIBOR directly based debt totals \$83 billion.
- LIBOR based System J & S debt maturing past 12/31/21 equals only 3 percent
- Funding Corporation issued its first SOFR based bond





Summary

- Strong Demand for FCS Debt
- Debt Yields Rising
- Risk Premiums Remain Very Favorable
- Interest Rate Spreads Continue to Narrow
- Bottom Line Benefitting Less
- Substantial Liquidity
- SOFR on Deck



Farm Credit Administration

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

BOARD ACTION ITEM



FCA BOARD ACTION ON

Interest Rate Risk Management Guidance for Farmer Mac

BM-14-MAR-19-02

Effective Date: March 14, 2019

Effect on Previous Action: None

THE FCA BOARD HEREBY:

- Approves Bookletter-071, which:
 - Communicates the Office of Secondary Market Oversight's (OSMO) expectations to the Federal Agricultural Mortgage Corporation (Farmer Mac) regarding interest rate risk management processes and practices;
 - Describes the policies, procedures, and internal controls needed for Farmer Mac to manage its exposure to interest rate risk;
 - Discusses interest rate risk measurement, monitoring, and reporting systems that Farmer Mac should have;
 - Outlines OSMO's expectations regarding interest rate stress scenario analysis; and
- Authorizes staff to make any technical or grammatical changes to BL-071 that may be necessary prior to issuance.

DATED THIS 14th DAY OF MARCH 2019

BY ORDER OF THE BOARD

/s/
Dale L. Aultman
Secretary to the Board