

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



**MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
September 14, 2017**

These minutes reflect the business transacted at the September 14, 2017, 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 10:27 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 two 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.

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.

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 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 the meeting be closed at that point.

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 August 10, 2017 (BM-14-SEP-17-01)

Mr. Hall moved to approve the minutes for the August 10, 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-14-SEP-17-01)**

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

New Business

Fall 2017 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions and the Fall 2017 Regulatory Project Plan

(BM-14-SEP-17-02)

Joi Neal of the Office of Regulatory Policy and **Laura McFarland** of the Office of General Counsel presented the **Fall 2017 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions and the Fall 2017 Regulatory Project Plan**.

Chairman Tonsager opened the discussion for questions by the Board.

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

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

Mr. Hall moved that the Board approve the Fall 2017 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions and the Fall 2017 Regulatory Project Plan.

Chairman Tonsager seconded the motion.

Chairman Tonsager asked if there was any further discussion.

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

The **Secretary** polled the Members and the motion carried unanimously. **(BM-14-SEP-17-02)**

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

Reports

Quarterly Report on Economic Conditions and Farm Credit System (FCS) Conditions

Steve Gabriel of the Office of Regulatory Policy and **Hal Johnson** of the Office of Examination presented the Quarterly Report on Economic Conditions and FCS Conditions.

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

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

Chairman Tonsager convened the closed session of the meeting at 9:58 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.

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.)

Members of the Board present were:

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

Others present included **Dale Aultman**, Secretary to the Board; and **Charles Rawls**, General Counsel. (A list of staff attendees is attached as Exhibit A).

Office of Examination Quarterly Report

Robert Coleman of the Office of Examination presented the update on OE Supervisory and Oversight Activities.

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, **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 10:27 a.m.

NOTATIONAL VOTE ACTIONS

There were eight notational vote actions approved by the FCA Board from August 11, 2017, through September 13, 2017 as follows:

Item Number	Action Date	Voting Results	Subject
NV 17-20	08/15/2017	Approved	Farm Credit Leasing Services Corporation to purchase interests in Motor Vehicle Titling Trusts
NV 17-21	08/16/2017	Approved	Compeer Financial, ACA to Redeem Certain Identified Equities of Borrowers with Defaulted Loans
NV 17-22	08/16/2017	Approved	Compeer Financial, ACA Internal Control Attestation Extension from FY 2018 to FY 2019
NV 17-23	08/16/2017	Approved	AgCountry FCS, ACA Internal Control Attestation Extension from FY 2018 to FY 2019
NV 17-24	08/24/2017	Approved	Update to FCA Board Policy Statement #62 on EEO and Diversity
NV 17-25	09/06/2017	Approved	Revised FCA FY 2018 and Proposed FY 2019 Budgets
NV 17-26	08/24/2017	Approved	CoBank, ACB, to purchase up to \$6 million in taxable bonds to be issued by a nonprofit organization that provides community health services in rural Minnesota
NV 17-27	09/08/2017	Approved	Authorize FCA Chief Financial Officer to reallocate funds within the FCA budget to fund information technology projects directed toward meeting strategic initiatives, and to reclassify and reallocate funds to meet the fiscal year-end accounting needs of FCA

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on September 14, 2017.

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

_____/s/
 Dale L. Aultman
 Secretary to the Board

Approved: **October 12, 2017**

**STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
September 14, 2017**

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

OFFICE	OPEN SESSION	CLOSED SESSION
Office of the Board		
Aultman, Dale	X	X
Batta, Todd	X	X
Kramp, Kevin	X	X
Calhoun, Gaye	X	
Corey, Kathryn	X	
COO		
Hoffman, William	X	X
OIT		
Golley, Jerry	X	X
OCPA		
Stokke, Mike	X	X
OSMO		
Rea, Laurie	X	X
Hudson, Bruce	X	X
OGC		
Rawls, Charles	X	X
Donner, Mary Alice	X	X
Strickland, Joy	X	X
McFarland, Laura	X	
OE		
Coleman, Robert	X	X
Johnson, Hal	X	X

OFFICE	OPEN SESSION	CLOSED SESSION
OIG		
Laguarda, Wendy	X	X
ORP		
Van Meter, Gary	X	X
Mardock, Barry	X	X
Gabriel, Steve	X	X
Neal, Joi	X	X
Gibbs, Paul	X	X
OCFO		
Smith, Stephen	X	X
Gandy, Doug	X	
OAS		
McCain, Veronica	X	X
FCSIC		
Smith, Gregory	X	X
Wynn, Wade	X	X
GENERAL PUBLIC	2	

**PUBLIC ANNOUNCEMENT OF
 MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT
 Farm Credit Administration Board
 Regular Meeting
 September 14, 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 September 14, 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: Parts of this meeting of the Board will be open to the public (limited space available), and parts will be closed to the public. 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 August 10, 2017
- New Business**
- 2 Fall 2017 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions and the Fall 2017 Regulatory Project Plan
- Reports**
- 3 Quarterly Report on Economic Conditions and FCS Conditions

CLOSED SESSION

- 4 Office of Examination Quarterly Report¹

 September 5, 2017
 Date

 /s/
 Dale L. Aultman
 Secretary to the Board

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

Farm Credit Administration

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

BOARD ACTION ITEM



FCA BOARD ACTION ON

Minutes for August 10, 2017 Regular Board Meeting

BM-14-SEP-17-01

Effective Date: September 14, 2017

Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the minutes for August 10, 2017, Regular Board Meeting as submitted.

DATED THIS 14th DAY OF SEPTEMBER 2017

BY ORDER OF THE BOARD

_____/s/
Dale L. Aultman
Secretary to the Board

Farm Credit Administration

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

BOARD ACTION ITEM



FCA BOARD ACTION ON

**Fall 2017 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory
Actions and the Fall 2017 Regulatory Projects Plan**

BM-14-SEP-17-02

Effective Date: September 14, 2017

Effect on Previous Action: None

Source of Authority: Executive Order 12866 and sections 5.9 and 5.17 of the Farm Credit Act of 1971, as amended.

THE FCA BOARD HEREBY:

- Approves the Fall 2017 Regulatory Projects Plan and Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions;
- Authorizes staff to publish the documents on FCA's Web site and as may be required by the Office of Management and Budget's Office of Information and Regulatory Affairs; and
- Authorizes staff to make any technical or grammatical changes that may be necessary prior to publication and any other changes that may be required by the Office of Information and Regulatory Affairs.

DATED THIS 14th DAY OF SEPTEMBER 2017

BY ORDER OF THE BOARD

_____/s/
Dale L. Aultman
Secretary to the Board



FCA Board Meeting

September 2017

Quarterly Report on FCS Condition

September 14, 2017

Stephen Gabriel

Hal Johnson

Exhibit E





Topics for Open Session

- Economic Conditions Affecting the FCS
- FCS Condition and Performance





Economic Conditions Affecting the Farm Credit System

Stephen Gabriel
Chief Economist
Office of Regulatory Policy



Economic growth at 2.5% or less—the new normal?



Consensus Forecasts (percent)

Red indicates forecast

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
GDP growth*	0.6	2.2	2.8	1.8	1.2	3.0	2.8	2.4	2.2	2.3	2.2	2.2
CPI*	0.1	2.3	1.8	3.0	3.1	-0.3	1.6	2.4	2.2	2.1	2.1	2.3
Unemployment rate	4.9	4.9	4.9	4.7	4.7	4.4	4.3	4.3	4.2	4.2	4.1	4.1
3 Month T-Bill	0.2	0.3	0.3	0.5	0.8	1.0	1.1	1.3	1.4	1.6	1.8	2.0
10 Yr T-Bond	1.8	1.5	1.6	2.5	2.4	2.3	2.4	2.6	2.7	2.9	3.0	3.1

Source: Consensus Economics, Inc.

Survey date - August 7, 2017

* % change from prior quarter, seasonally adjusted annual rate



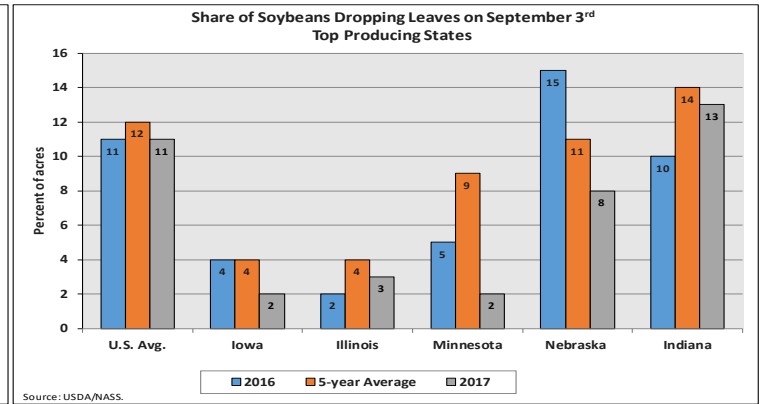
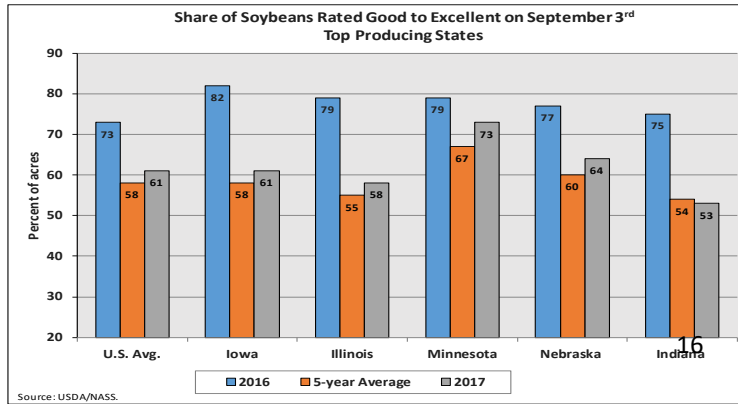
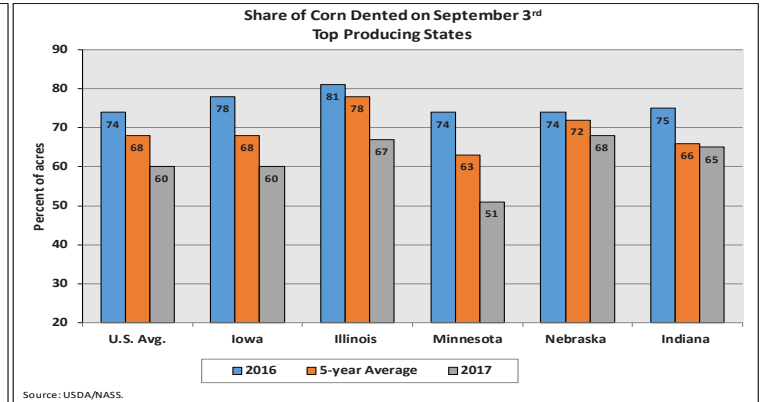
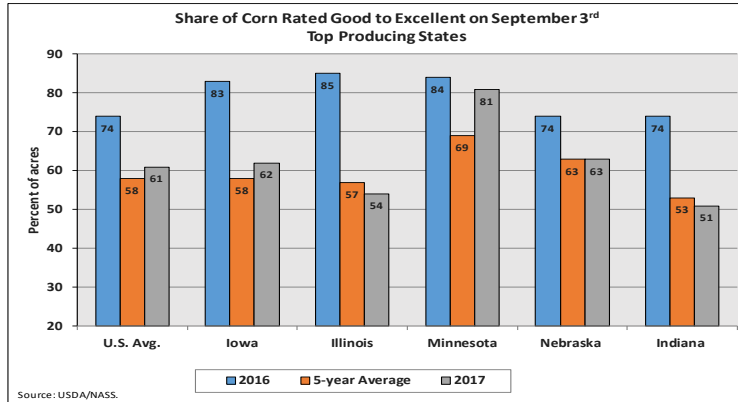
Farm sector developments and concerns

- USDA projects farm income to rise in 2017
- Huge corn and soybean crops were produced in South America
- USDA projects a record soybean crop; third largest corn crop in 2017
- The hog, broiler and dairy sectors are generally profitable; cow-calf at about break-even
- Changes in farmland values vary by state or region



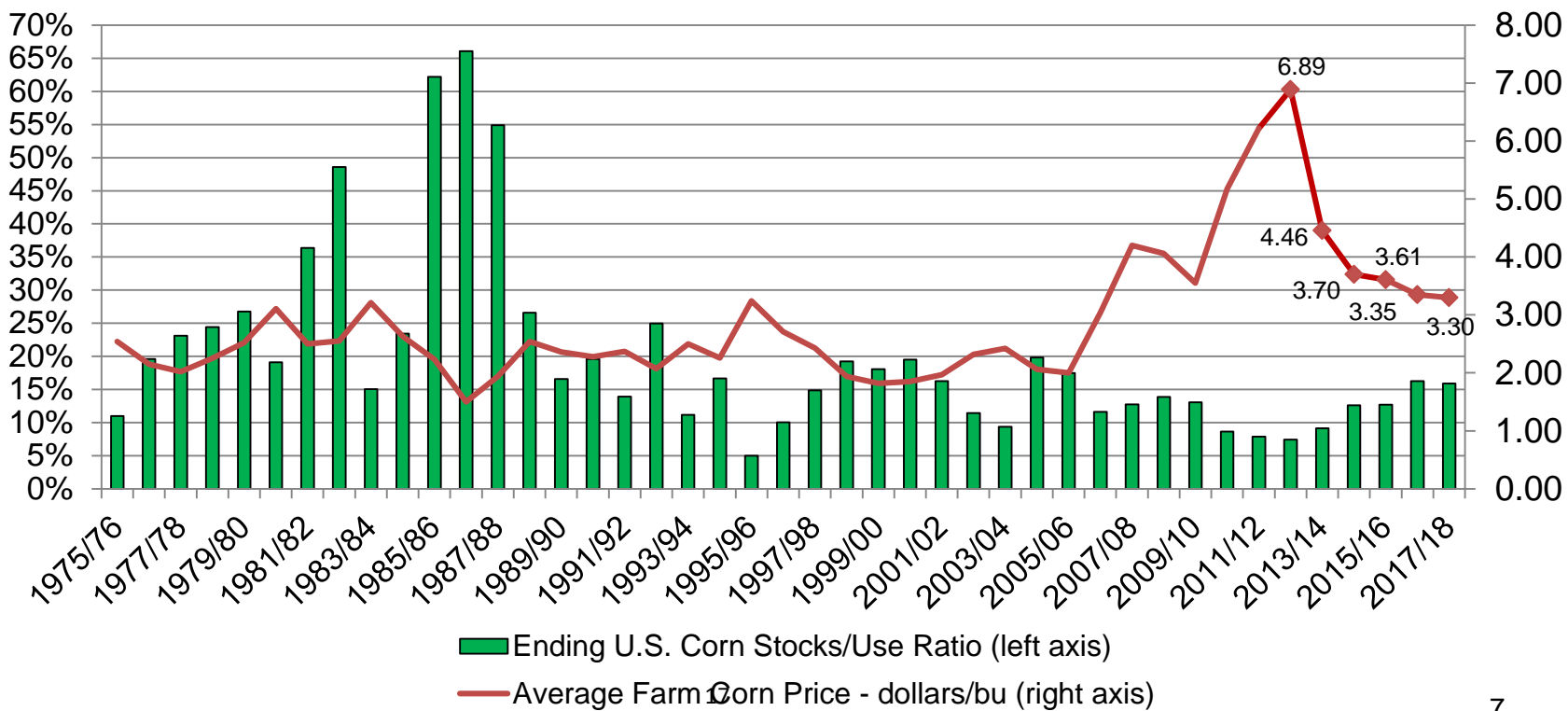


Corn and soybeans condition worse than last year





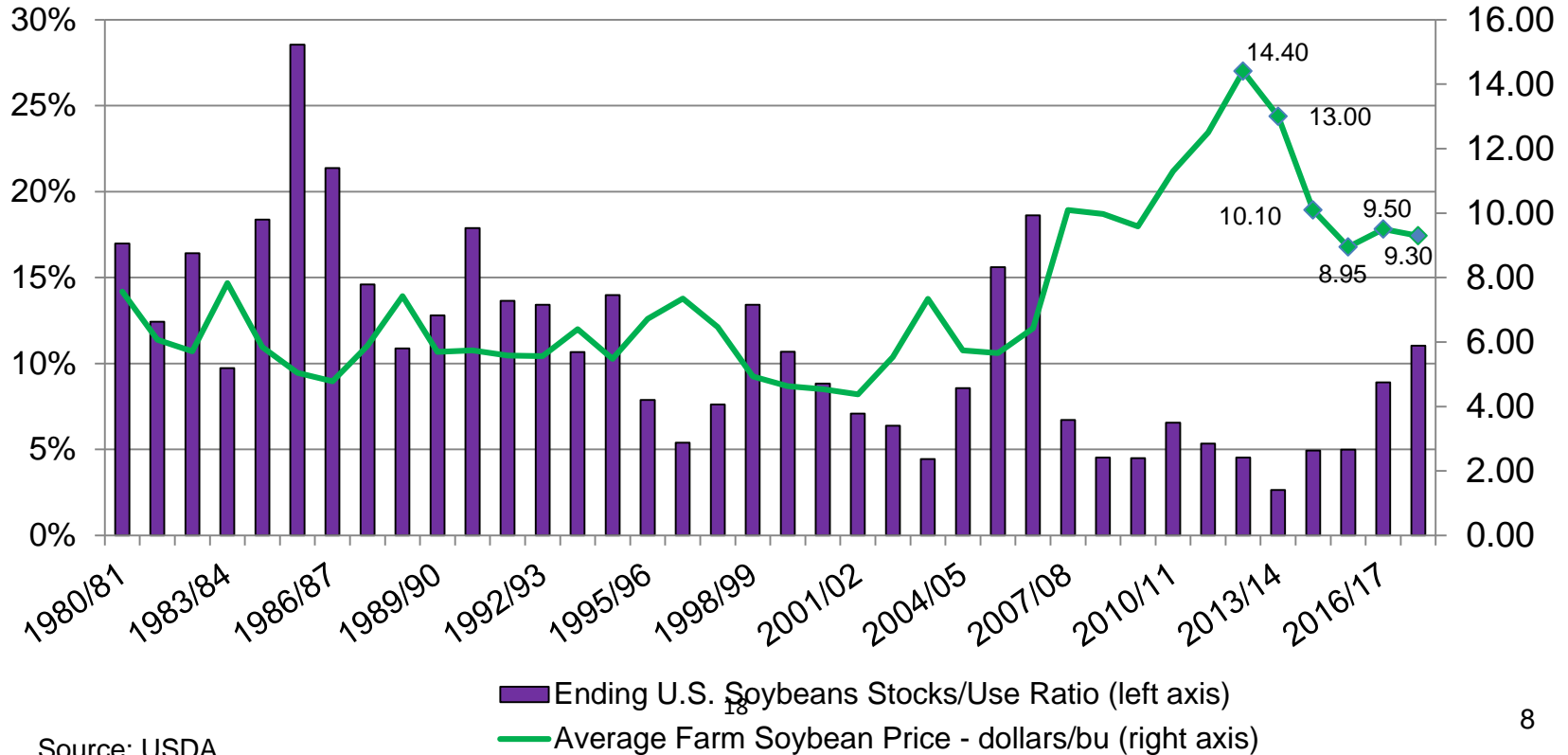
USDA projects third largest corn crop in 2017



Source: USDA



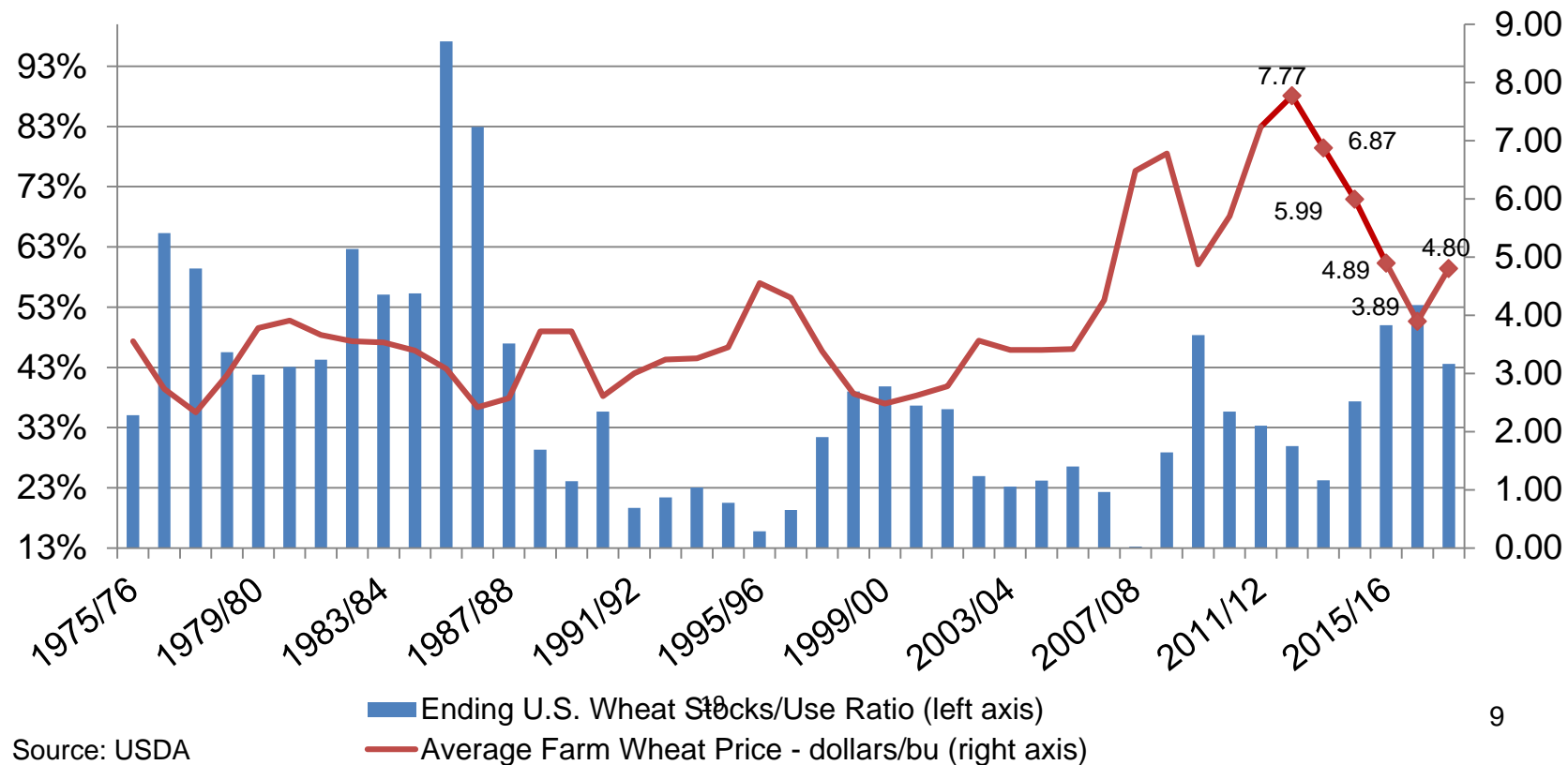
Record large soybean production projected by USDA



Source: USDA



Wheat price to jump as production falls to lowest level in 15 years



Source: USDA

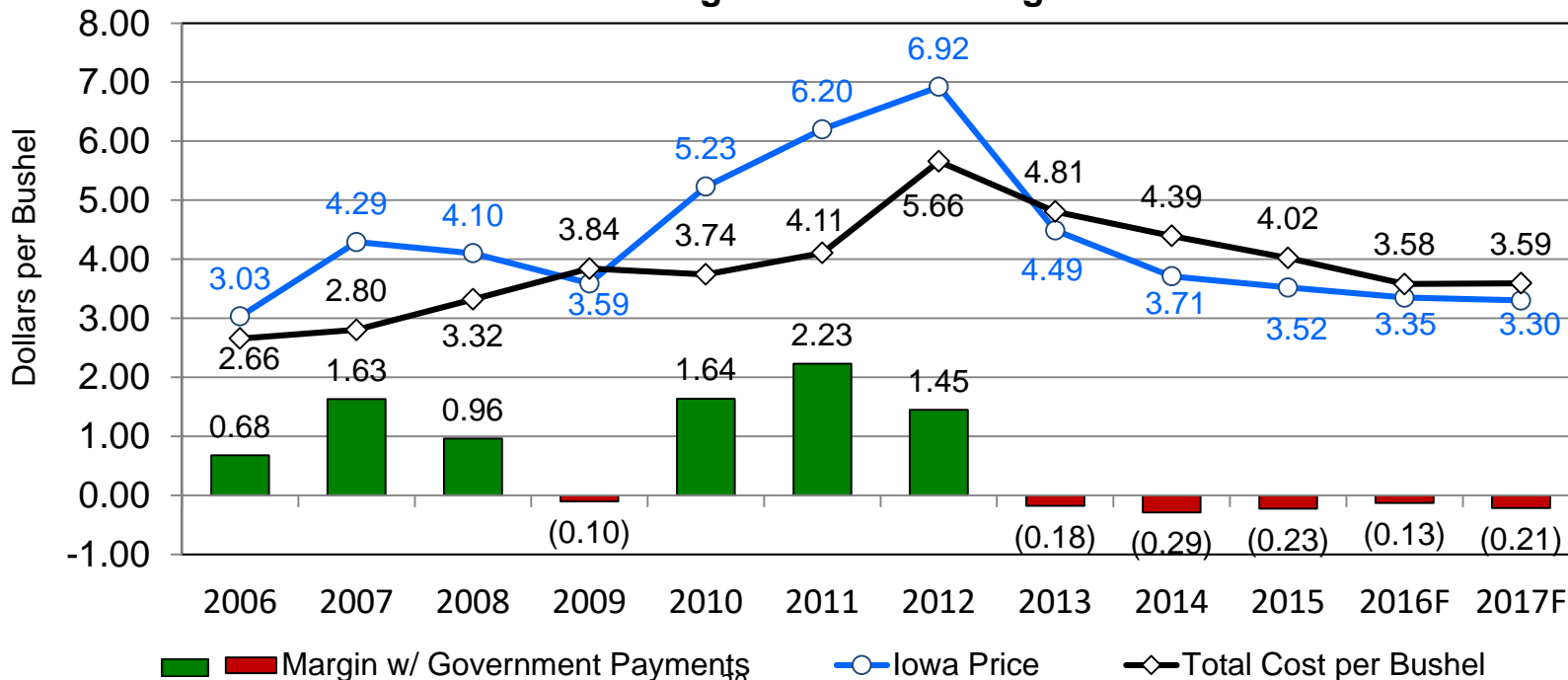


Iowa corn farmers struggle to make ends meet



As of 8/10/2017

Iowa Season-average Corn Profit Margin Estimates



■ Margin w/ Government Payments ● Iowa Price ◆ Total Cost per Bushel

Source: FCA-ORP using data from USDA and Iowa State University.

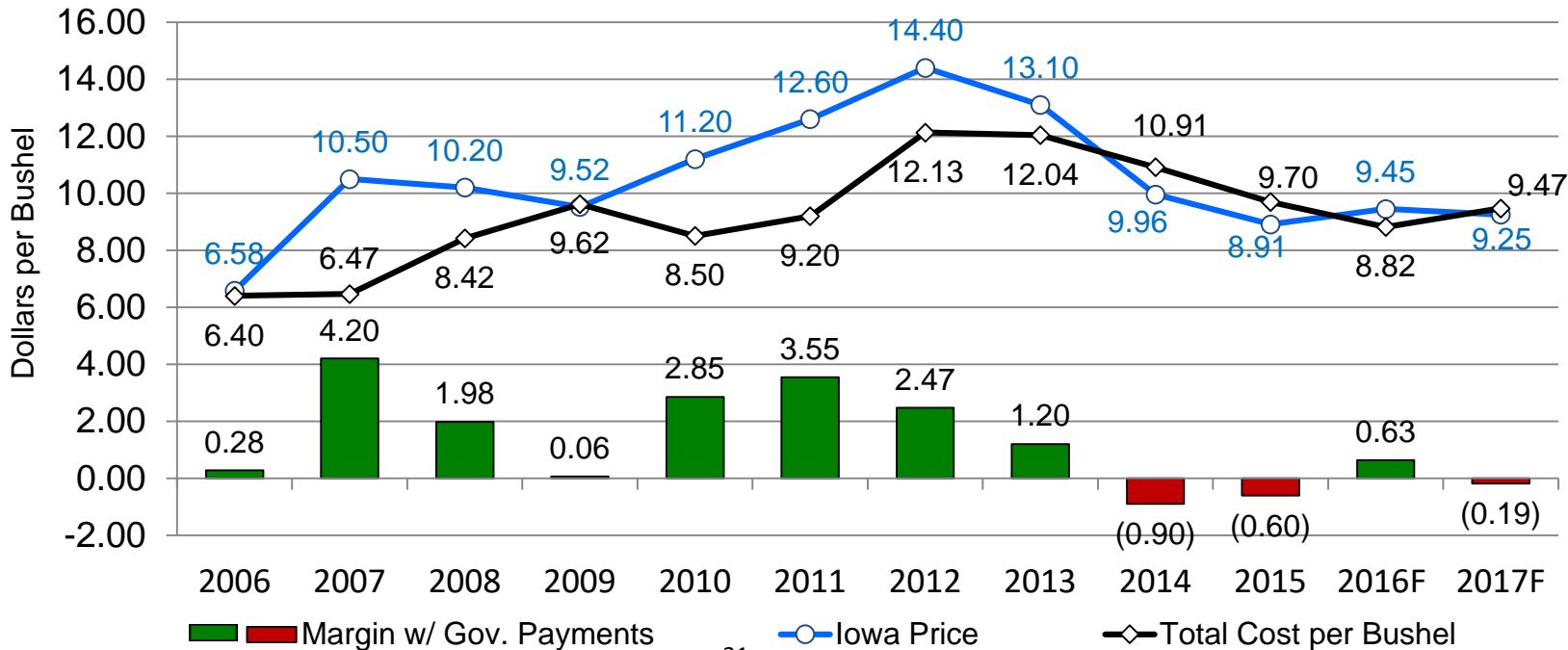


Soybean margins near break-even in 2017



As of 08/10/2017

Iowa Season-average Soybean Profit Margin Estimates

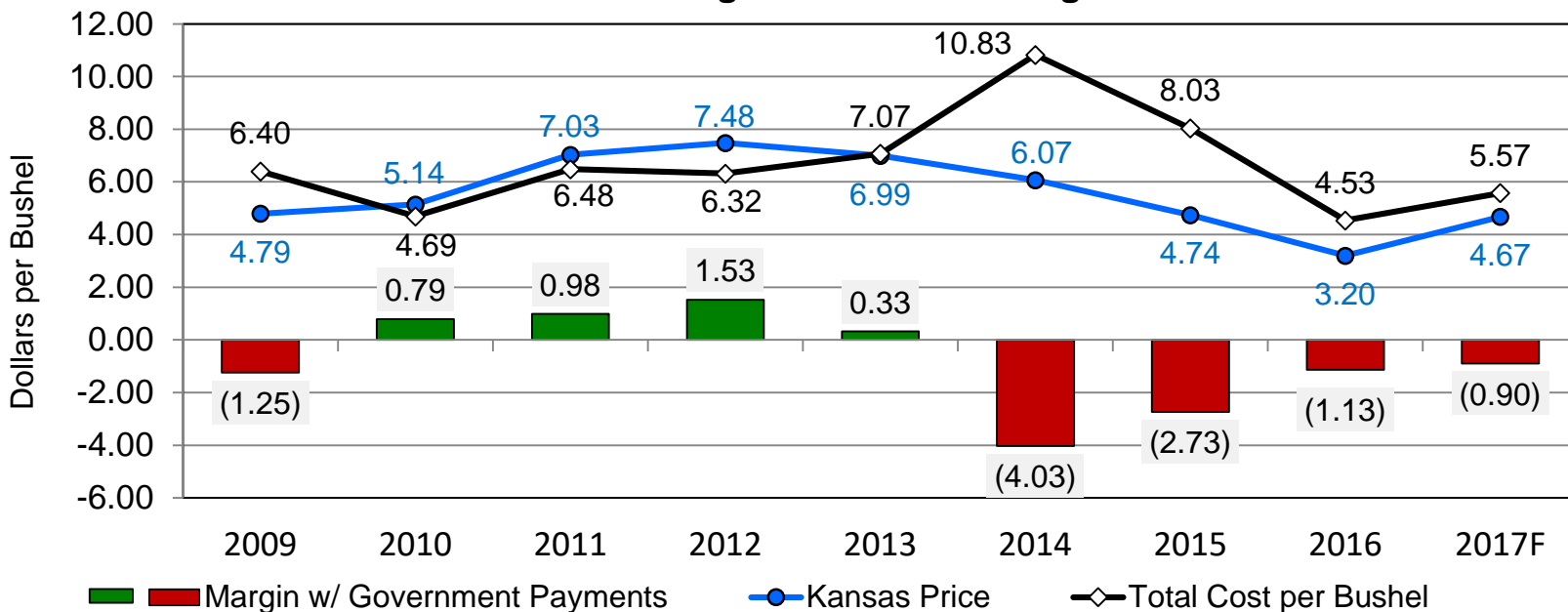




Kansas wheat margins to continue in the red

As of 8/10/17

Kansas Season-average Wheat Profit Margin Estimates



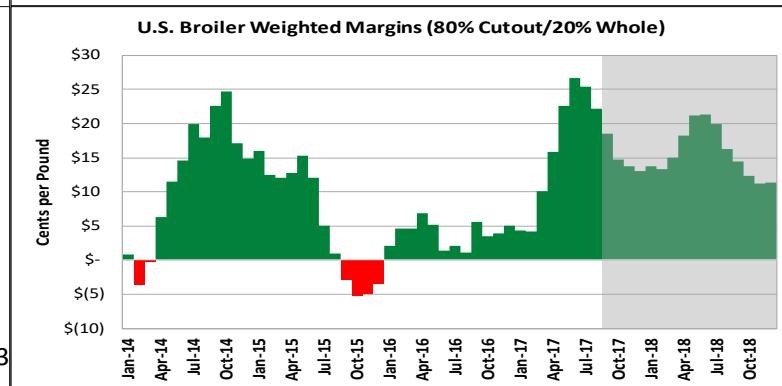
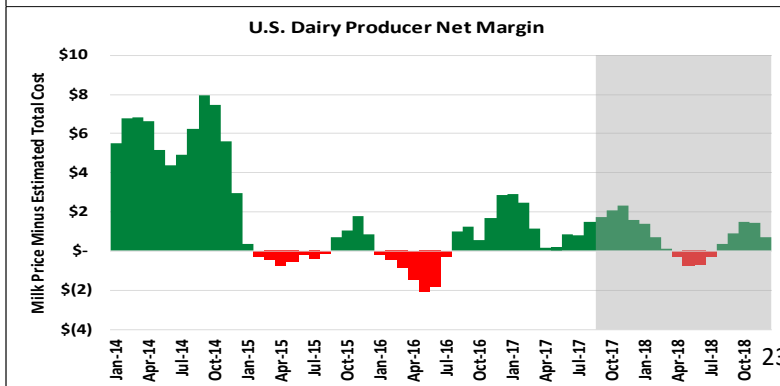
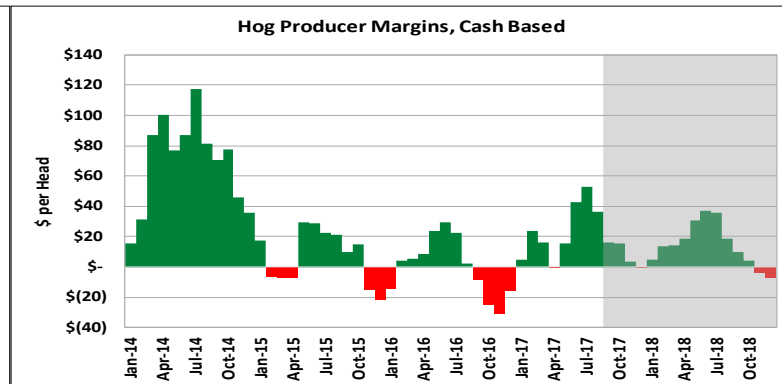
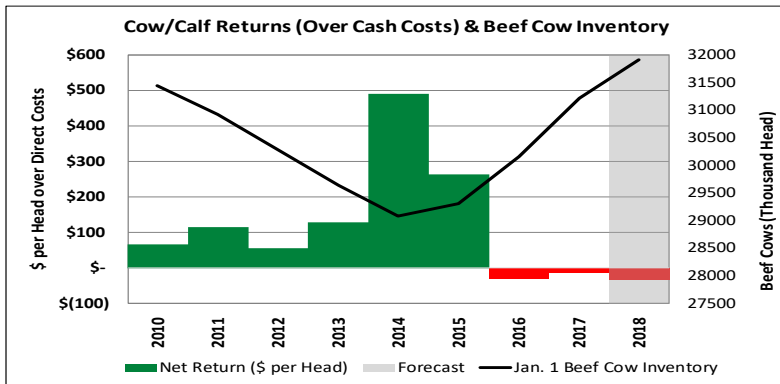
Source: FCA-ORP using data from USDA and Kansas State University

Notes: For 2014-2017F, government payment is Agriculture Risk Coverage and excludes loan deficiency payments.

For 2017, ARC payment is estimated at zero, compared with \$0.47 for Price Loss Coverage.



Livestock sectors benefiting from low feed costs



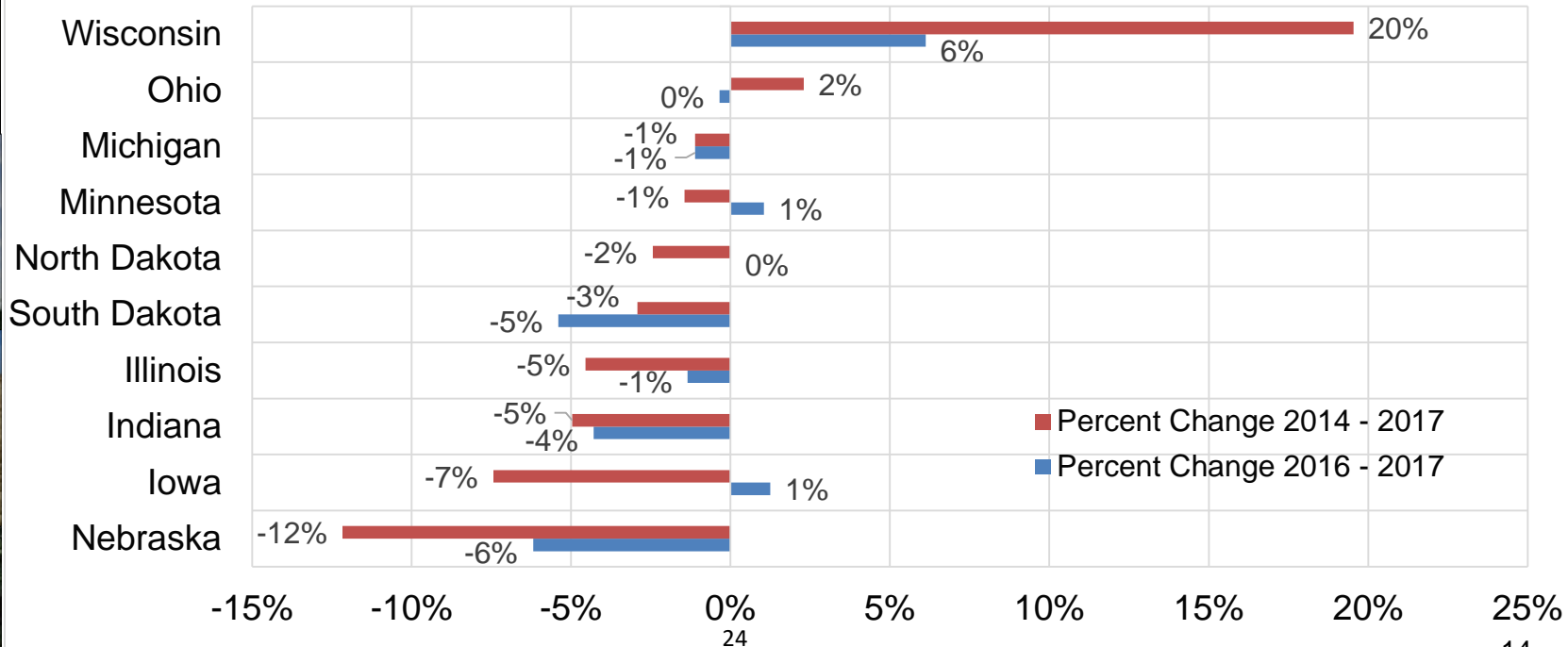
Source: Informa Economics IEG



Cropland values are down from peak in most Midwest states



Percent change in cropland value



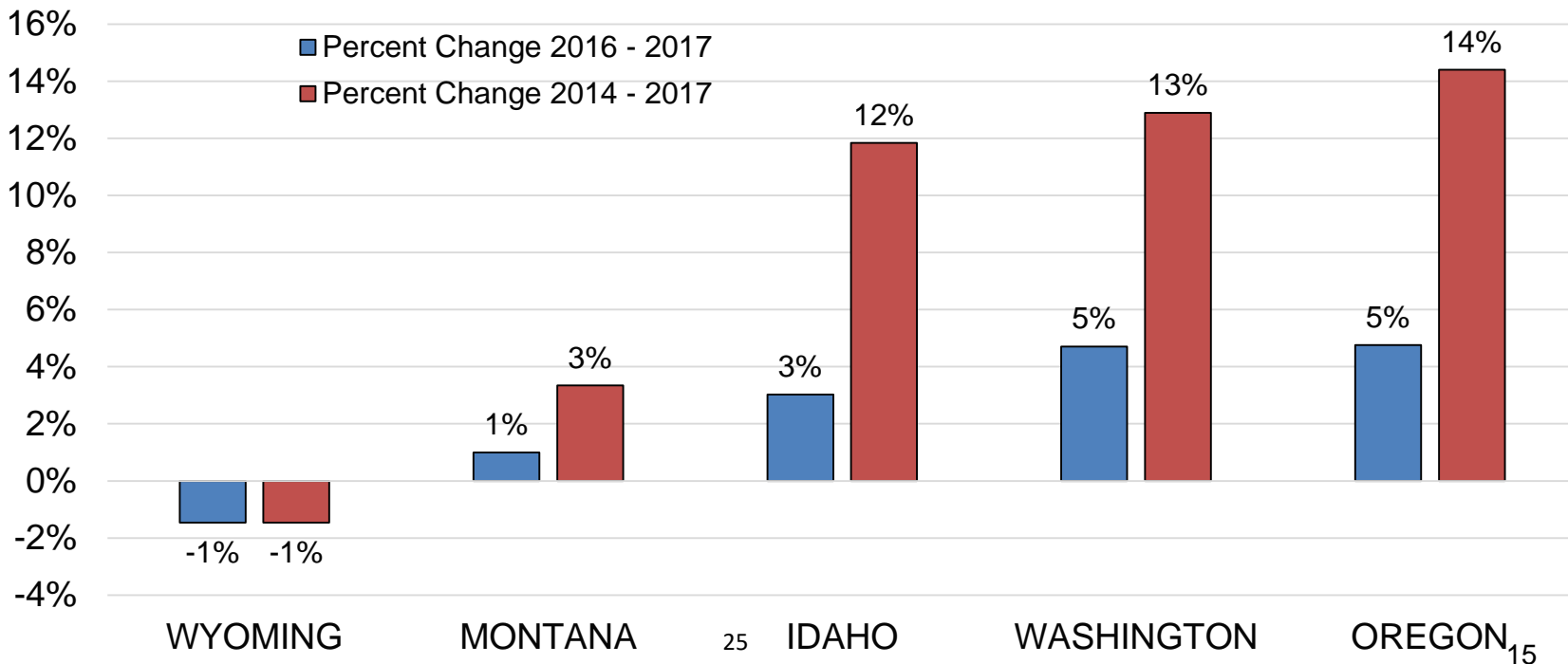
Source: USDA, NASS



Upper northwest experienced healthy cropland value gains



Percent change in cropland value



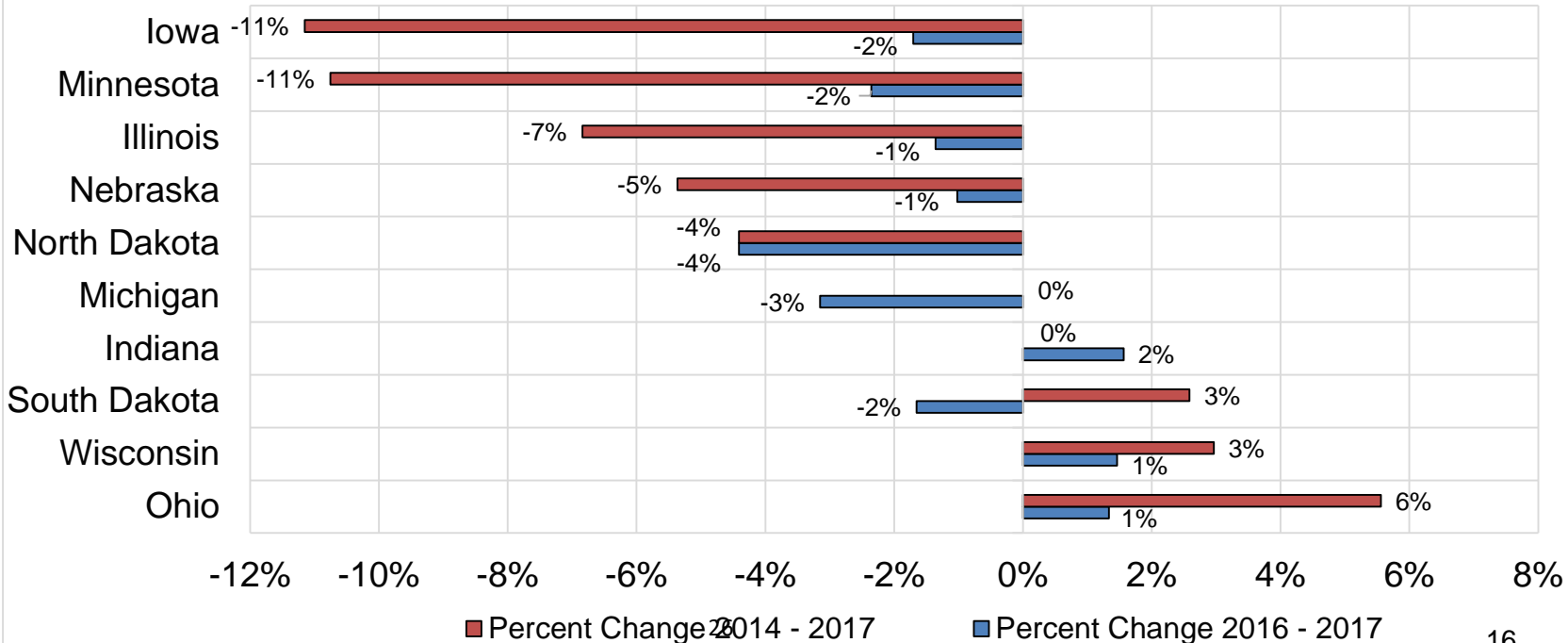
Source: USDA, NASS



Cash rents are adjusting to new market realities



Percent Change in Cropland Cash Rent



Source: USDA, NASS



Risks to watch

- Final harvest results
- Interest rates
- Strength (weakness) of the dollar
- Deteriorating agricultural credit quality
- International trade developments
- Geopolitical developments





Questions



THANK YOU



Farm Credit System Condition and Performance

as of
June 30, 2017

Hal Johnson
Sr. Financial Analyst
Office of Examination



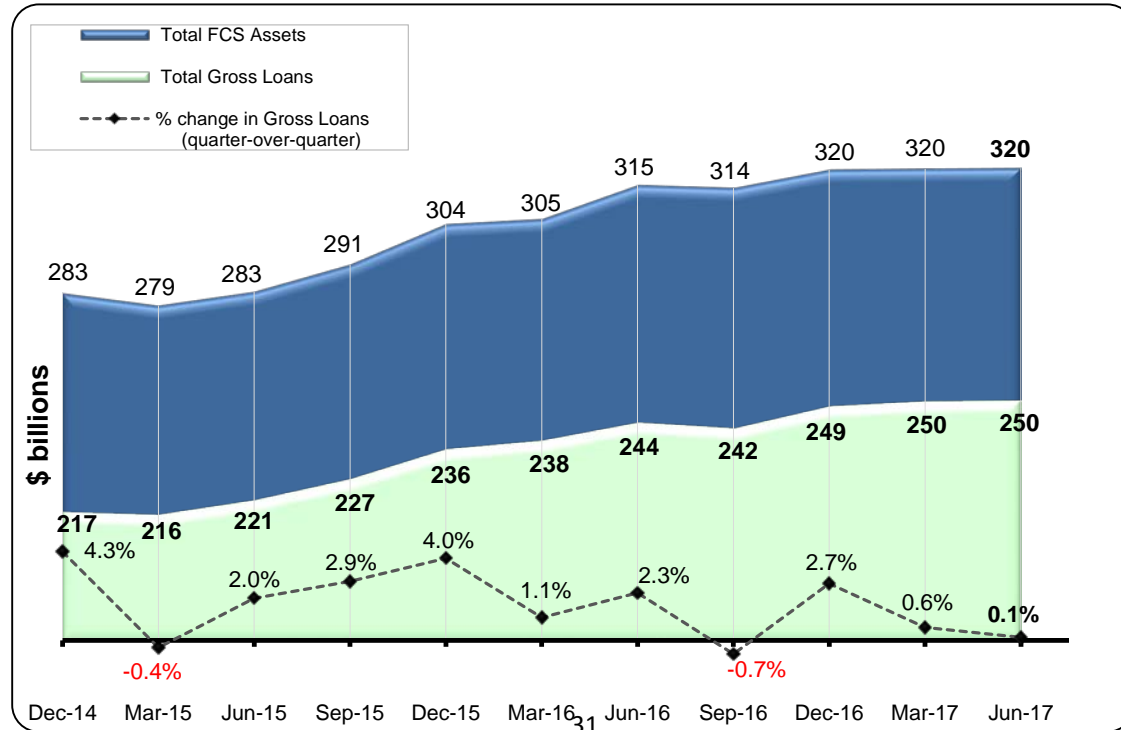
Topics

- System Growth
- Loan Portfolio
- Earnings
- Capital
- FIRS





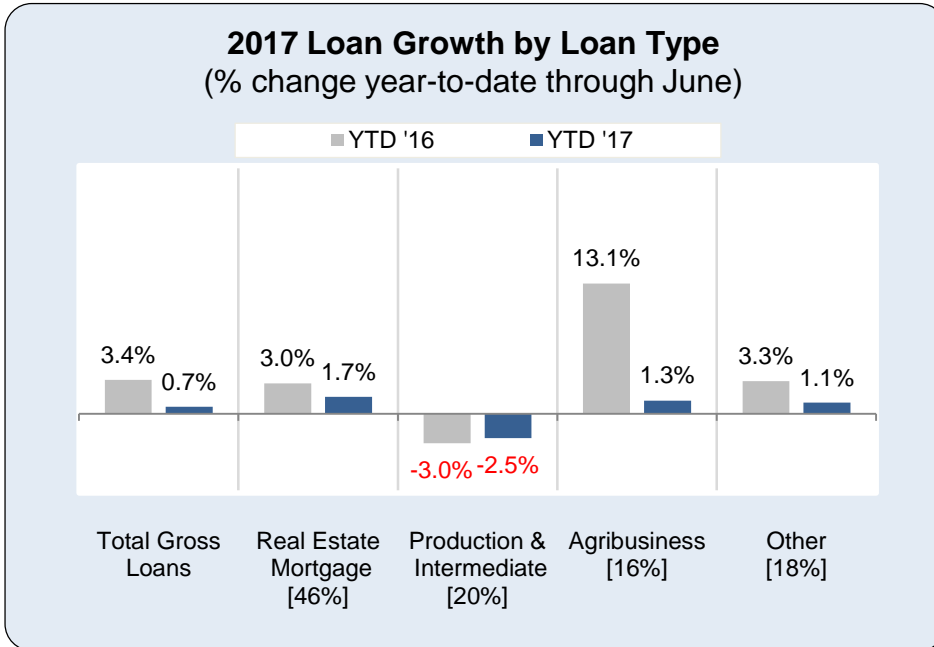
System shows little growth in the 1st half of 2017



Source: FCS Quarterly Information Statements



Loan balances up slightly from year-end 2016



Loan Growth by District (% change year-to-date through June)

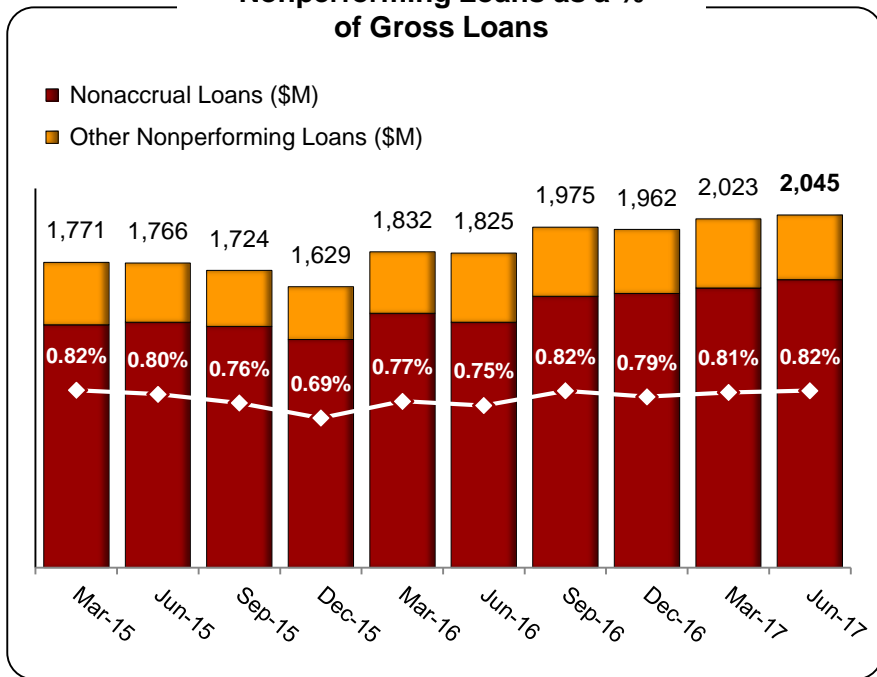
District	YTD-'15	YTD-'16	YTD-'17
AgFirst District (11%)	1.3%	3.0%	1.4%
AgriBank District (39%)	0.7%	2.3%	1.0%
CoBank District (41%)	2.4%	4.3%	0.0%
Texas District (9%)	3.3%	4.4%	2.9%
Total FCS	1.6%	3.4%	0.7%



Portfolio credit quality continues to be favorable; little change in risk measures



Nonperforming Loans as a % of Gross Loans



33

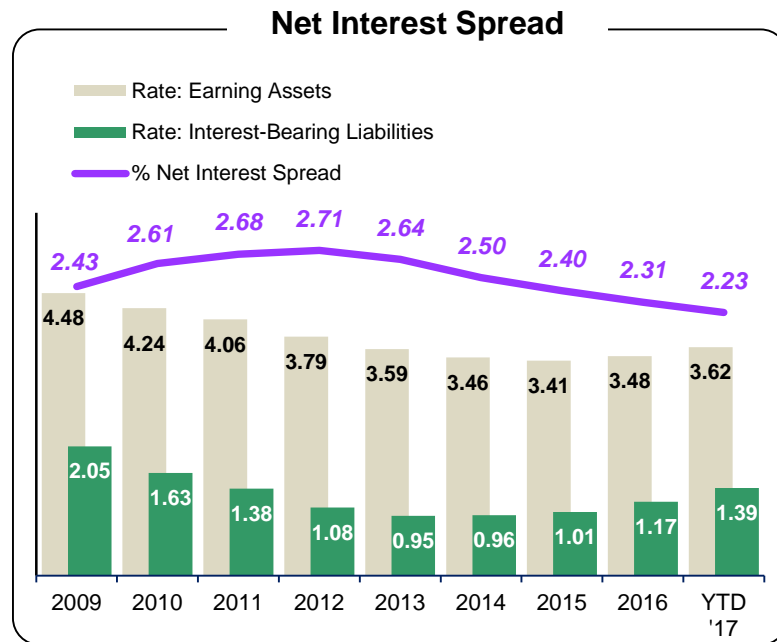
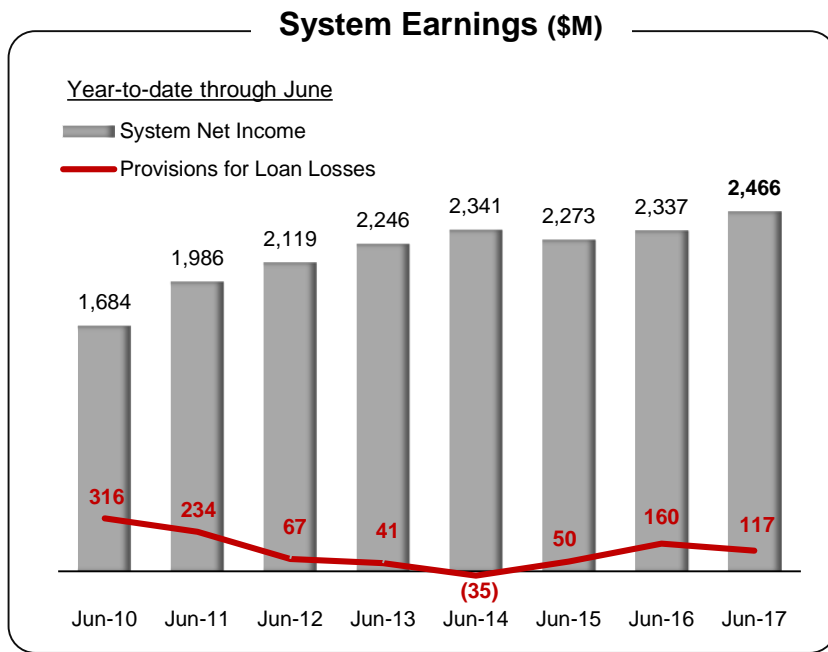
Source: FCS Quarterly Information Statements

% of Loans Classified Less Than Acceptable

Loan Type	Gross Loans Jun-17	Jun-16	Mar-17	Jun-17	Trend Line
RE Mortgage	116,375	4.8%	5.7%	6.2%	▬ ▬ ▬
Production and Intermediate	49,037	8.9%	10.0%	10.6%	▬ ▬ ▬
Agribusiness	40,150	5.2%	4.8%	4.6%	▬ ▬ ▬
Rural Infrastructure	27,738	2.8%	2.5%	2.3%	▬ ▬ ▬
Other	17,164	2.2%	1.4%	1.4%	▬
Total FCS	250,464	5.3%	5.8%	6.2%	▬ ▬ ▬



System reports favorable financial results for the 1st half of 2017





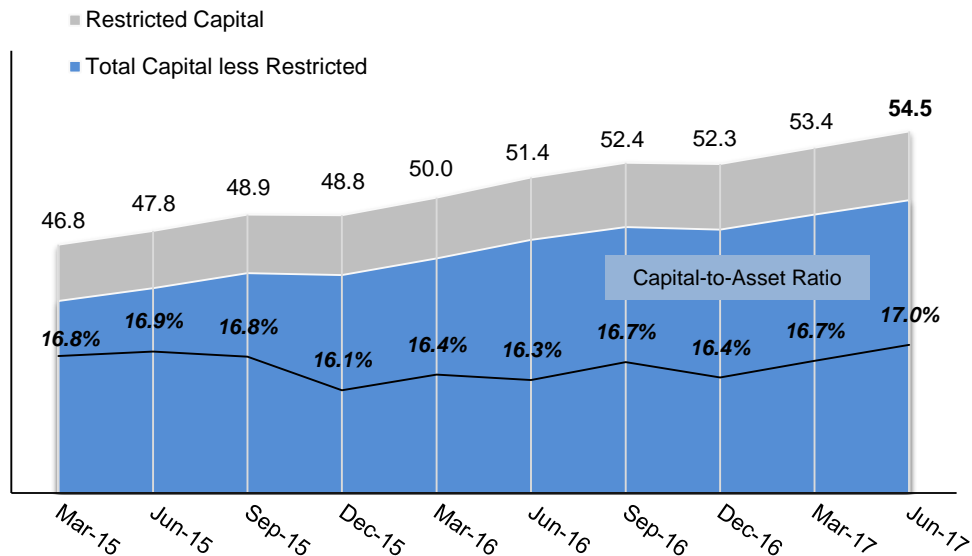
Strong earnings support continued capital growth



Capital and Liquidity as of June 2017

- System capital as a percentage of total assets was 17.0% compared to 16.4% at year end 2016
- Retained earnings as a percentage of total capital equaled 82.2%
- System liquidity equaled 170 days of coverage. As of June, days of available liquidity for the four funding banks ranged from 144 to 208 days.

Total System Capital (\$B)



Restricted capital represents capital associated with the Insurance Fund.



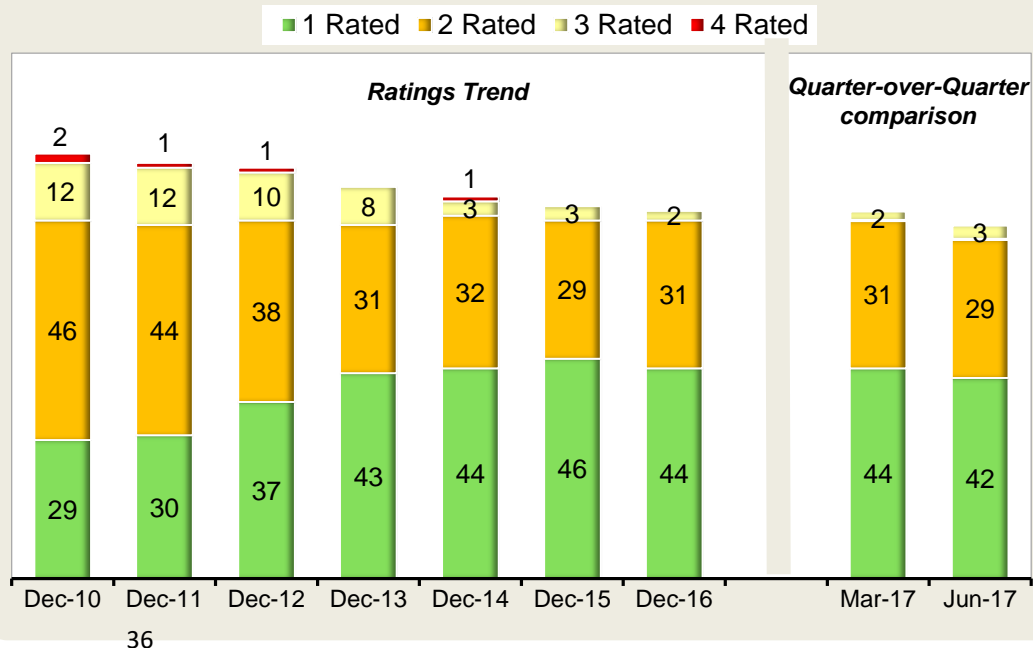
System FIRS ratings



FIRS Ratings

- Composite FIRS ratings reflect the System's sound financial condition and favorable portfolio credit quality
- Almost 96% of System Banks and Associations have a Composite FIRS rating of 1 or 2
- 3 rated institutions account for less than 1.2% of total System assets

Composite FIRS Ratings - System Banks & Associations





Summary and final points



- Challenges for agriculture:
 - General economic factors – *economic growth in the U.S. and abroad, rising interest rates, strength of the dollar*
 - Farm sector concerns – *low grain prices, Midwest farmland values, trade developments*
- The System is financially strong and well-capitalized
- Portfolio loan quality continues to be good, but certain agriculture sectors face significant financial challenges
- While the farm economy continues to face significant challenges, System institutions are well-positioned and have substantial risk-bearing capacity³⁷



Questions



THANK YOU

Farm Credit Administration

1501 Farm Credit Drive
McLean, Virginia 22102-5090



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 September 14, 2017, 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).

_____/s/
Charles R. Rawls
General Counsel

Date: September 14, 2017