

**Statement on the Drought**  
**Kenneth Spearman, Board Member**  
**Farm Credit Administration Board Meeting**  
**July 12, 2012**

I concur with the concerns raised by my fellow Board members at today's Farm Credit Administration Board meeting regarding the need for the agency to closely monitor the developing drought situation in the Midwest described by Chairman Strom. As a contrast, I just returned from a visit to agricultural regions in the Pacific Northwest where there have been excellent weather conditions for agricultural production.

Recent years have evidenced increasingly volatile climatic conditions affecting agriculture in various regions across the United States, including the severe and prolonged drought affecting Texas and the Southwest. While these climate issues have not yet had a material adverse effect on System institutions, as the regulator of the nationwide Farm Credit System, we must continue to monitor potential weather-related risks in all areas of the country from a safety and soundness perspective. I appreciate and recognize the efforts of our Office of Examination in effectively monitoring all sorts of risks, including risks related to weather.