

Jill Long Thompson, Board Chair and Chief Executive Officer
Kenneth A. Spearman, Board Member
Leland A. Strom, Board Member



**MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
December 12, 2013**

These minutes reflect the business transacted at the December 12, 2013, Regular Meeting of the Farm Credit Administration Board (FCA Board) pursuant to the Government in the Sunshine Act (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 10:16 a.m. Members of the Board present were:

**Jill Long Thompson, Board Chair and Chief Executive Officer
Kenneth A. Spearman, Member
Leland A. Strom, 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 Farm Credit System Insurance Corporation (FCSIC); and four 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 Chair Long Thompson reviewed the published Agenda. (A copy of the Public Announcement publishing the Agenda for the meeting is attached as Exhibit B.)

Mr. Spearman moved to adopt the Agenda as published.

Mr. Strom seconded the motion.

There being no further discussion, **Board Chair Long Thompson** called the question.

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

Mr. Strom noted that the Agenda did include a portion 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.

Mr. Spearman seconded the motion.

There being no further discussion, **Board Chair Long Thompson** called the question.

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

OPEN SESSION

Approval of Minutes

Minutes for November 14, 2013 Regular Board Meeting (BM-12-DEC-13-01)

Mr. Spearman moved to approve the minutes for November 14, 2013 Regular Board Meeting.

Mr. Strom seconded the motion.

There being no further discussion, **Board Chair Long Thompson** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-12-DEC-13-01)**

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

New Business

Reports of Accounts and Exposures – Final Rule (BM-12-DEC-13-02)

Susan Coleman of the Office of Regulatory Policy and **Jane Virga** of the Office of General Counsel presented the **Reports of Accounts and Exposures – Final Rule**.

Board Chair Long Thompson opened the discussion for questions by the Board.

Board Chair Long Thompson asked if there was any further discussion and asked staff to provide their recommendation. Staff provided their recommendation.

Board Chair Long Thompson called for a motion on the staff's recommendation regarding the final rule.

Mr. Strom moved that the Board approve the **Reports of Accounts and Exposures – Final Rule**.

Mr. Spearman seconded the motion.

Board Chair Long Thompson asked if there was any further discussion.

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

The Secretary polled the Members and the motion carried unanimously. **(BM-12-DEC-13-02)**

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

Reports

Quarterly Report on Economic Conditions and Farm Credit System 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 Farm Credit System Conditions.

Board Chair Long Thompson 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 Examinations Operations

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

Board Chair Long Thompson 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.)

CLOSED SESSION

Board Chair Long Thompson announced that the next topic on the Agenda was a closed session item pursuant to previous Board action.

The **Board Chair** instructed all members of the public to exit.

Board Chair Long Thompson convened the closed session of the meeting at 9:48 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.

The **Board Chair** 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 G.)

Members of the Board present were:

Jill Long Thompson, Board Chair and Chief Executive Officer
Kenneth A. Spearman, Member
Leland A. Strom, Member

The above named constitute the full Board.

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

Reports

Office of Examination Quarterly Report

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

Board Chair Long Thompson asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.

The closed session ended at 10:15 a.m.

ADJOURNMENT

There being no further business to come before the Board, **Board Chair Long Thompson** indicated she would entertain a motion to adjourn the meeting.

Mr. Spearman moved that the meeting be adjourned.

Mr. Strom seconded the motion.

Board Chair Long Thompson called the question.

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

The meeting adjourned at 10:16 a.m.

NOTATIONAL VOTE ACTIONS

There were three notational vote actions approved by the FCA Board from November 14, 2013, through December 11, 2013, as follows:

Item Number	Action Date	Voting Results	Subject
NV 13-25	12/03/2013	Approved	Mission-Related Investments in Peak Ridge AgTech Funds II (an Equity Venture Capital Investment Fund) by Badgerland Financial, ACA
NV 13-26	11/21/2013	Approved	Farm Credit System Building Association 2014 Budget, Operating Plan, and Bank Assessments
NV 13-27	11/22/2013	Approved	Consideration of a Draft Proposed Rule on Non-binding, Advisory Votes on Senior Officer Compensation

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on December 12, 2013.

_____/s/_____
Jill Long Thompson
Board Chair and Chief Executive Officer

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

Approved: **January 9, 2014**

**STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
December 12, 2013**

JILL LONG THOMPSON, Board Chair and Chief Executive Officer
KENNETH A. SPEARMAN, Board Member
LELAND A. STROM, Board Member

OFFICE	OPEN SESSION	CLOSED SESSION
Office of the Board		
Aultman, Dale	X	X
Smulkstys, Inga	X	X
Corey, Kathryn	X	
Buccolo, Deb	X	
Johansen, Mark	X	X
Calhoun, Gaye	X	
Middleton, Russell	X	X
OCOO		
Hoffman, William	X	X
OCPA		
Stokke, Mike	X	X
Meaux, Willy	X	X
OSMO		
Rea, Laurie	X	X
Connor, Joe	X	X
OGC		
Rawls, Charles	X	X
Strickland, Joy	X	X
Pienta, Jeff	X	X
Donner, Mary Alice	X	
Virga, Jane	X	

OFFICE	OPEN SESSION	CLOSED SESSION
OE		
Coleman, Robert	X	X
Paulsen, Roger	X	X
Johnson, Hal	X	X
Fennewald, Dan	X	X
OIG		
Dean, Elizabeth	X	X
Gallo, Kathy	X	X
ORP		
Van Meter, Gary	X	X
Mardock, Barry	X	X
Gabriel, Steve	X	X
Wilson, Debbie	X	X
Coleman, Susan	X	
OMS		
Smith, Stephen	X	X
FCSIC		
Rubin, Howard	X	X
Pfizinger, Rick	X	X
EEO & Inclusion		
Burlew, Thais	X	
GENERAL PUBLIC	4	

**PUBLIC ANNOUNCEMENT OF
 MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT
 Farm Credit Administration Board
 Regular Meeting
 December 12, 2013**

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 December 12, 2013. 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 November 14, 2013

- New Business**
- 2 Reports of Accounts and Exposures – Final Rule

- Reports**
- 3 Quarterly Report on Economic Conditions and Farm Credit System Conditions
- 4 Semi-Annual Report on Office of Examination Operations

CLOSED SESSION

- 5 Office of Examination Quarterly Report¹

December 3, 2013

 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 November 14, 2013 Regular Board Meeting

BM-12-DEC-13-01

Effective Date: December 12, 2013

Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the minutes for November 14, 2013, Regular Board Meeting as submitted.

DATED THIS 12th DAY OF DECEMBER 2013

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
Reports of Accounts and Exposures – Final Rule
BM-12-DEC-13-02**

Effective Date: December 12, 2013

THE FCA BOARD HEREBY:

- Approves the final rule to establish a regulatory framework for the reporting of Farm Credit System accounts and exposures and make conforming changes to various FCA regulatory sections; and
- Authorizes staff to make any technical or grammatical changes that may be necessary prior to publication in the Federal Register.

DATED THIS 12th DAY OF DECEMBER 2013

BY ORDER OF THE BOARD

/s/
Dale L. Aultman
Secretary to the Board



FCA Board Meeting

December 2013

Quarterly Report on FCS Condition

December 12, 2013

**Stephen Gabriel
Hal Johnson**





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



The economy: Some improvement, but still lackluster next year

Consensus Forecasts (percent)*

	2013	2014
GDP growth	1.7	2.6
CPI	1.5	1.8
Unemployment rate	7.5	6.9
10 Yr T-Bond	2.8	3.2

*Survey date - Nov. 11, 2013





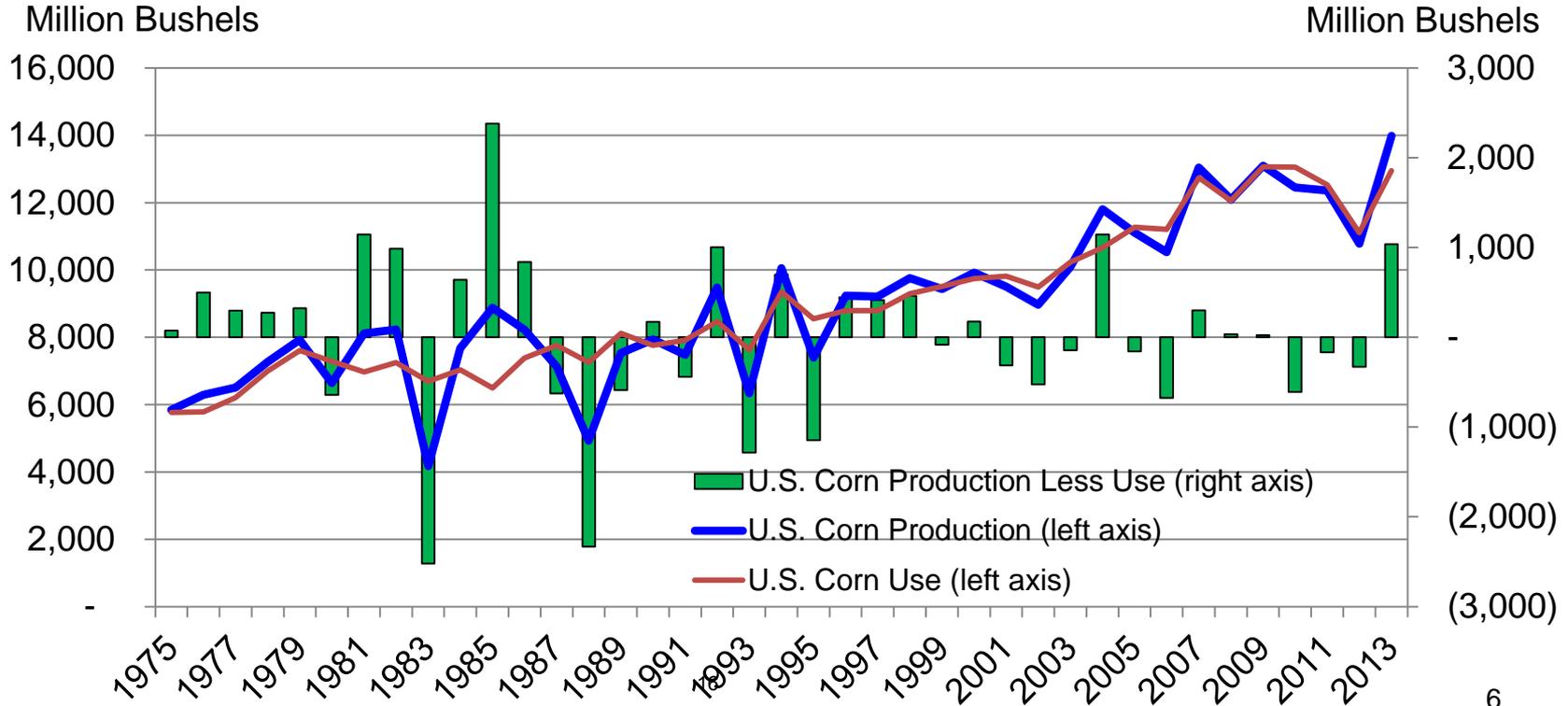
The farm economy's risk profile is shifting



- Profitability outlook for the protein sector and dairy producers is strong
 - Sharply lower feed costs
 - Strong product prices
- Crop farmers to see tighter margins
- Farmland prices are poised to correct



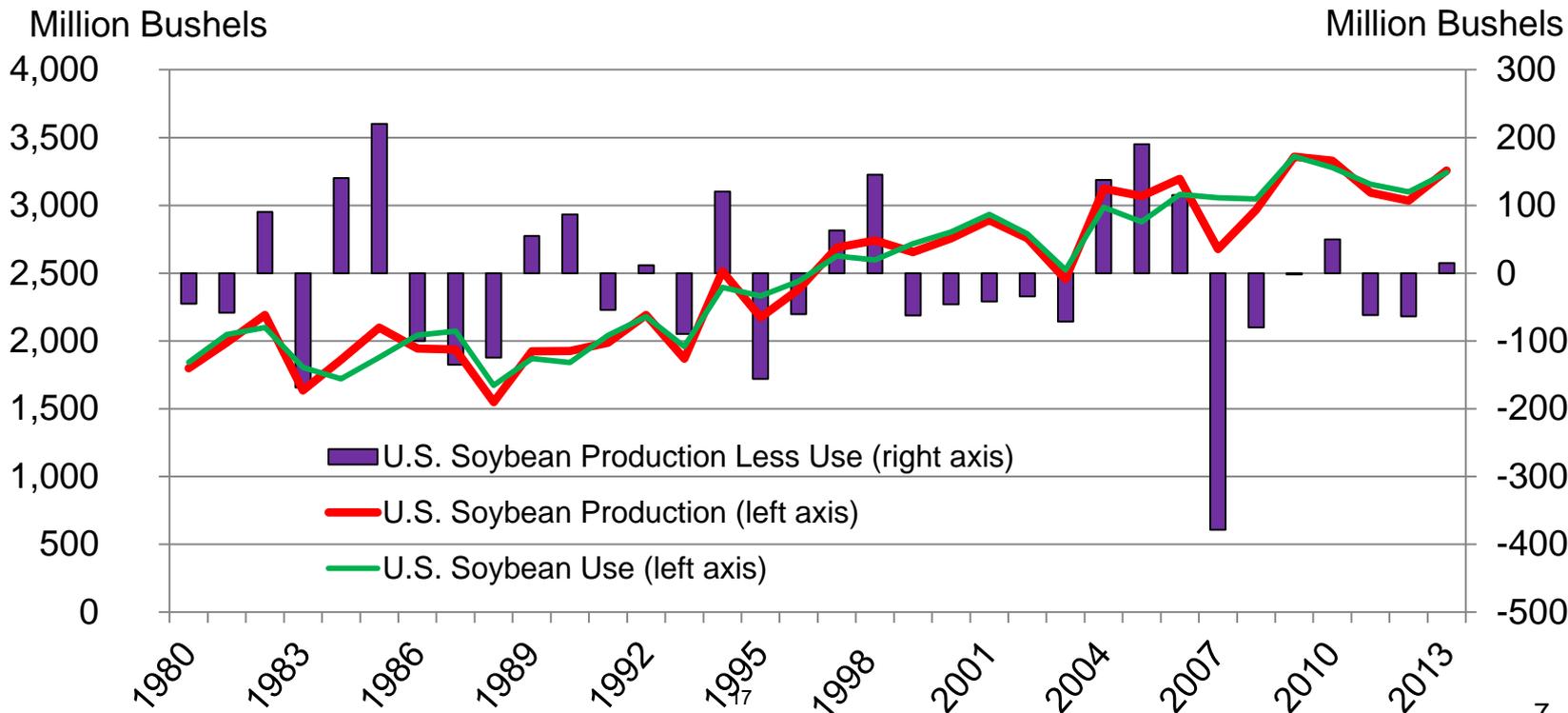
Record corn production this year exceeds use by a billion bushels



Source: USDA



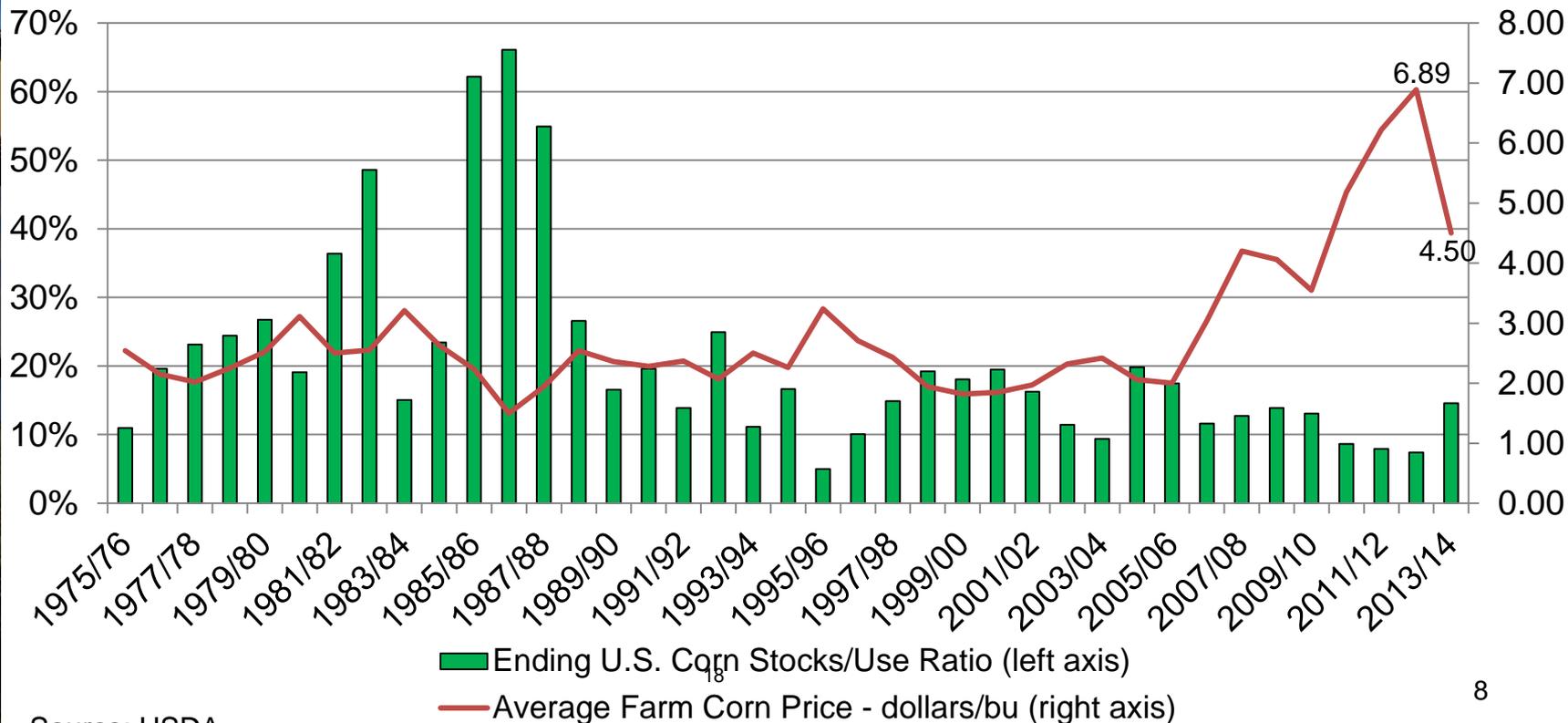
Soybean production and use this year expected to almost balance



Source: USDA



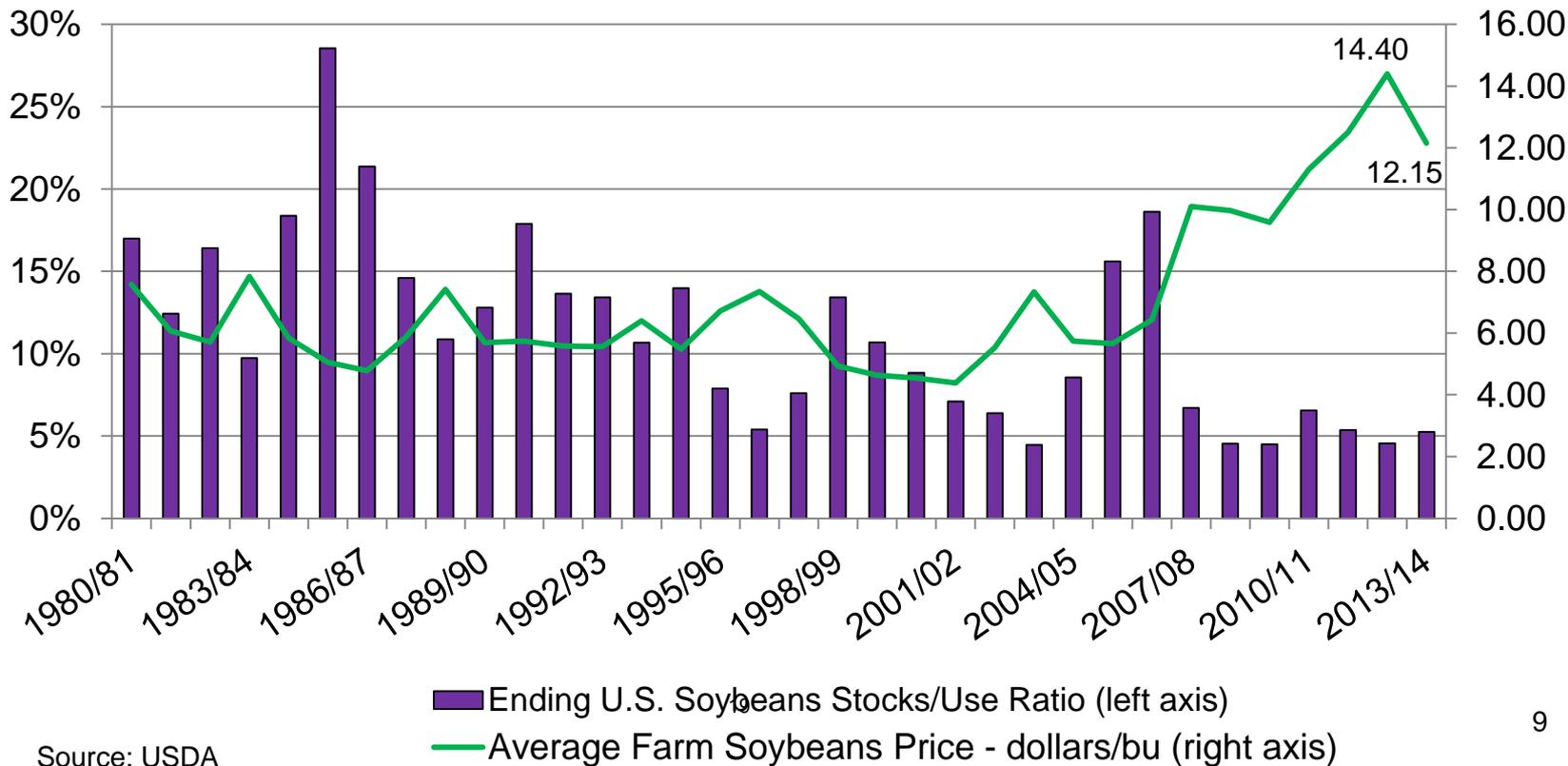
Corn prices projected to drop as supplies build



Source: USDA



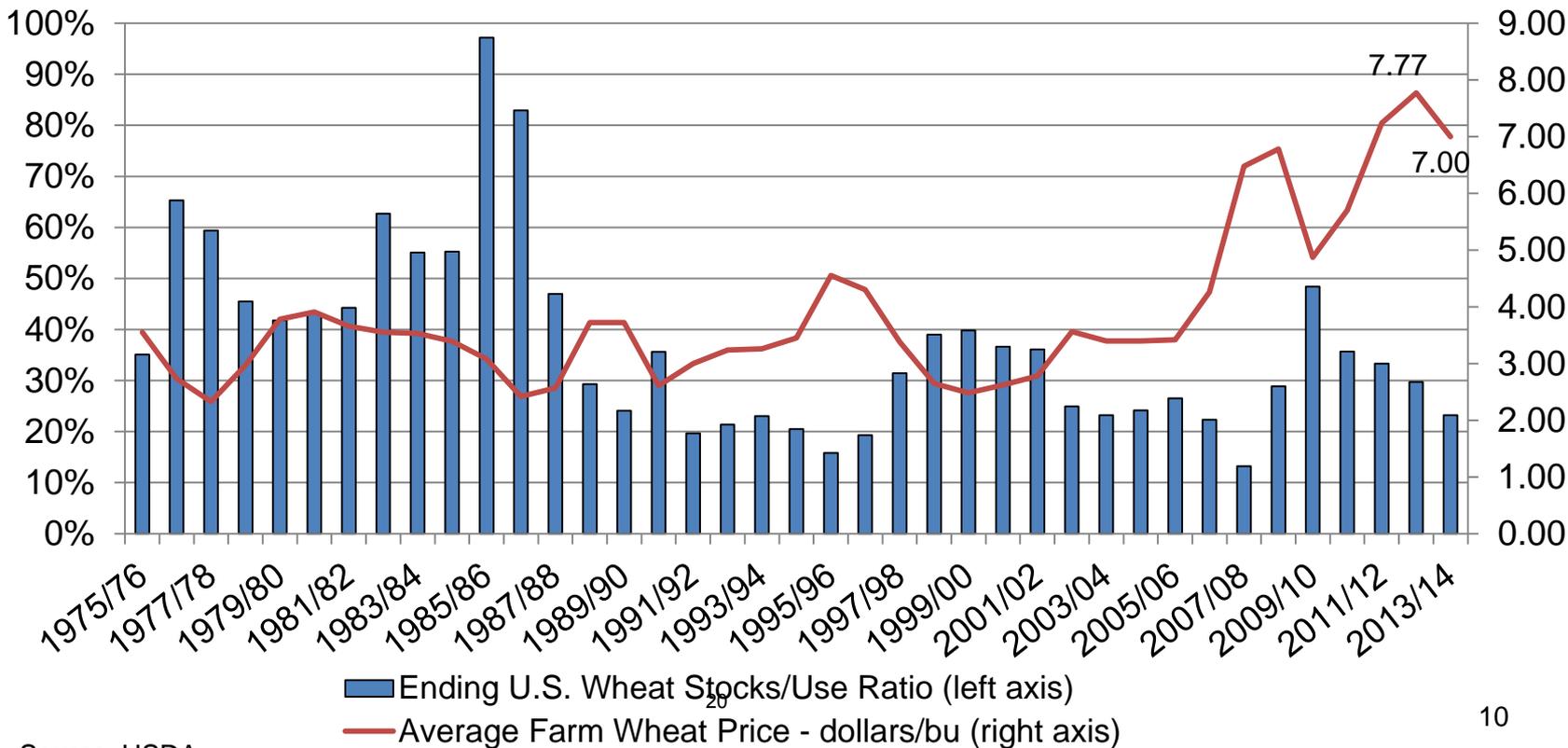
Soybean prices are also projected to decline this year



Source: USDA



Wheat prices are projected to retreat despite tighter supplies



Source: USDA



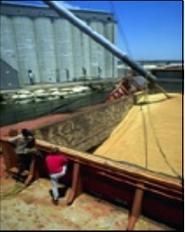
Risks to Watch

- Farmland values
- Crop producers' margin compression
- Long-term interest rate trends
- Farm Bill developments
- Budget/Debt Limit negotiations
- Porcine Epidemic Diarrhea Virus (PEDv)

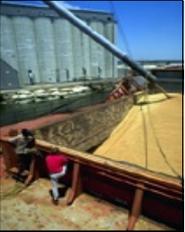




Questions



THANK YOU



Farm Credit System Condition and Performance

as of
September 30, 2013

Hal Johnson
Office of Examination



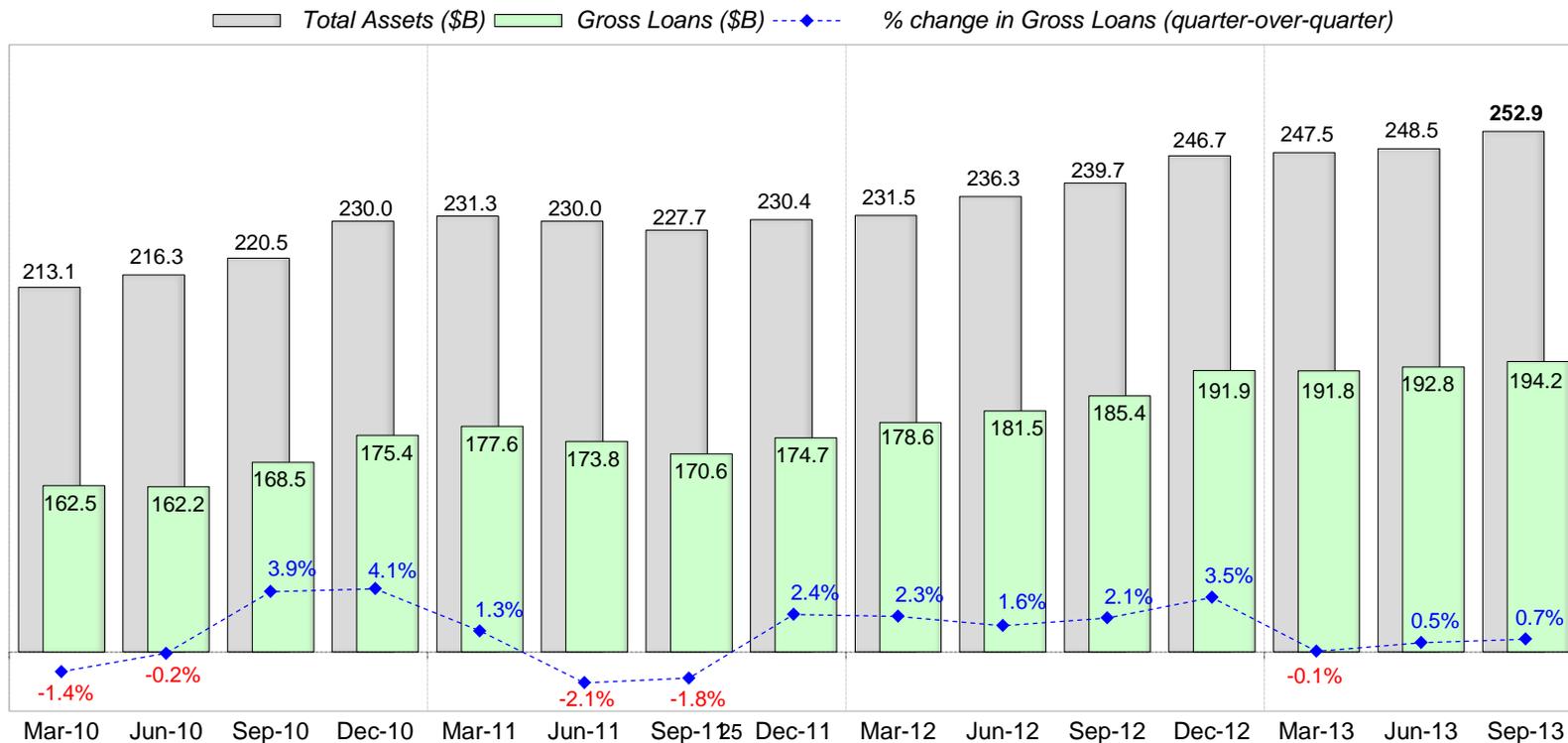
Topics

- System Growth
- Earnings / Capital
- Portfolio Credit Quality
- FIRS





System shows little growth in 2013



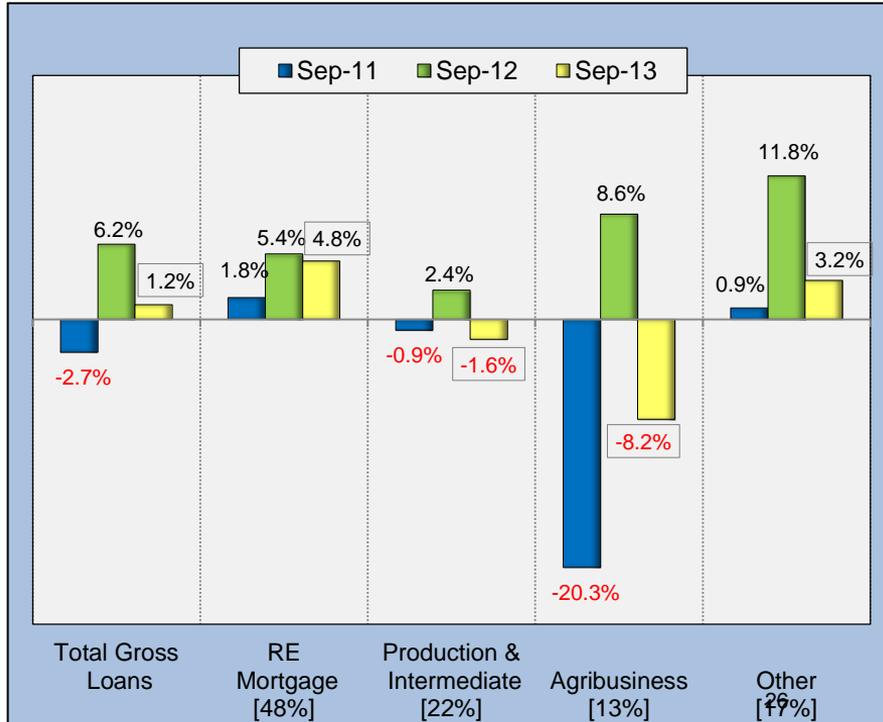
Source: FCS Quarterly Information Statements



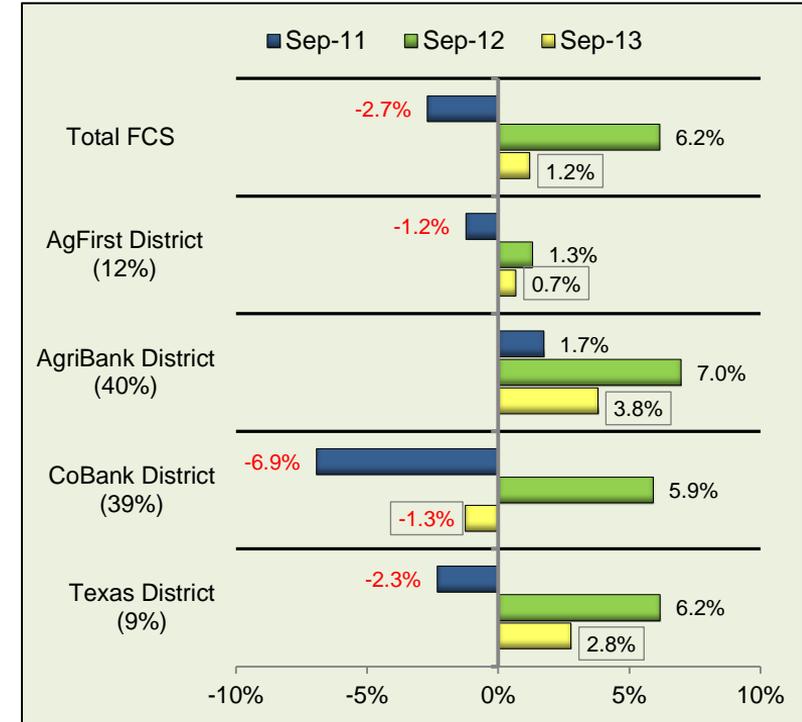
Strongest growth continues to be in real estate lending



Loan Growth by Loan Type (% change year-to-date)



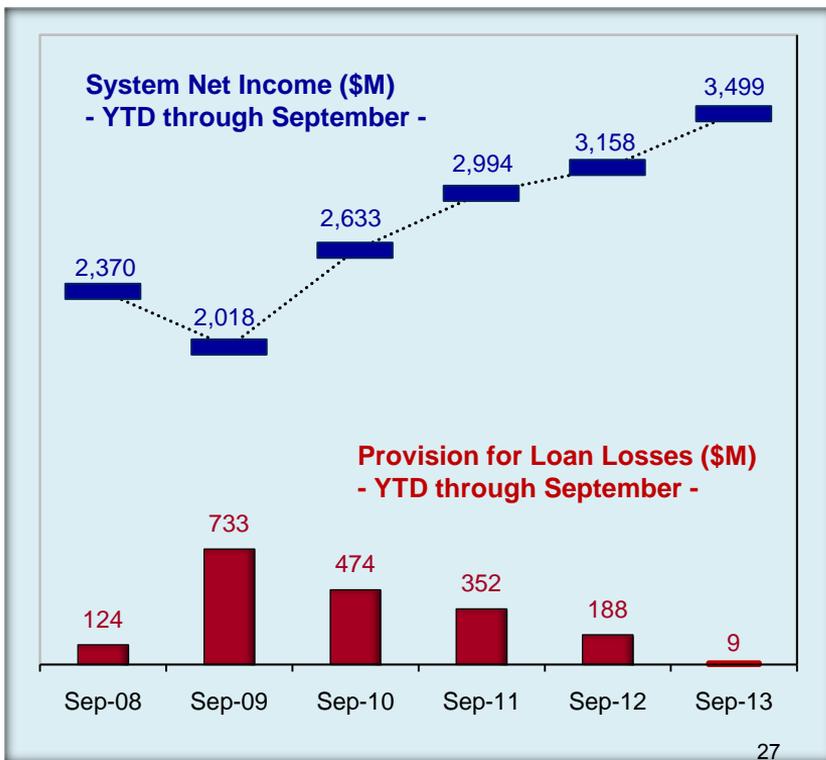
Loan Growth by District (% change year-to-date)



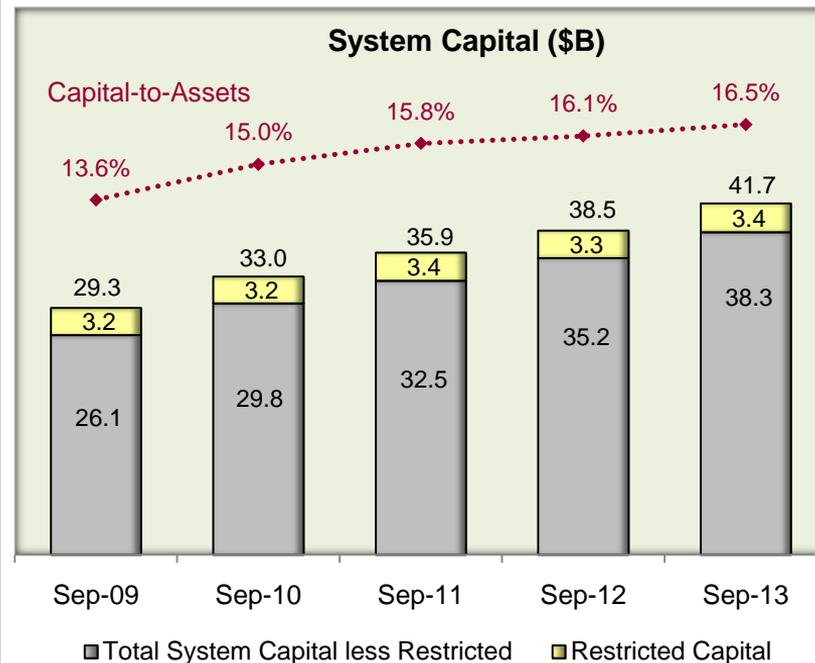
Source: FCS Quarterly Information Statements



System financials remain strong



Source: FCS Quarterly Information Statements



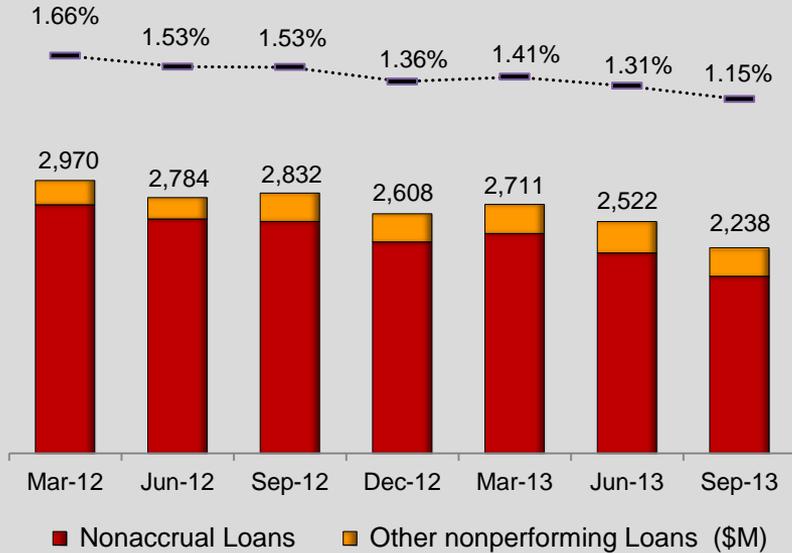
Restricted capital represents capital associated with the Insurance Fund.



Portfolio credit quality good, indicators continue to improve

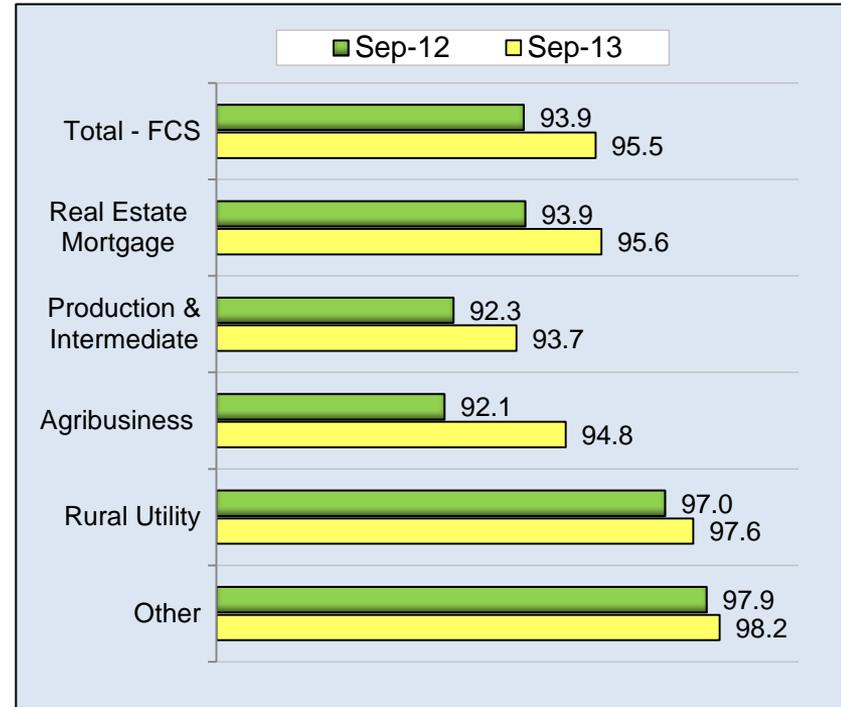


% of Nonperforming Loans-to-Total Loans



28

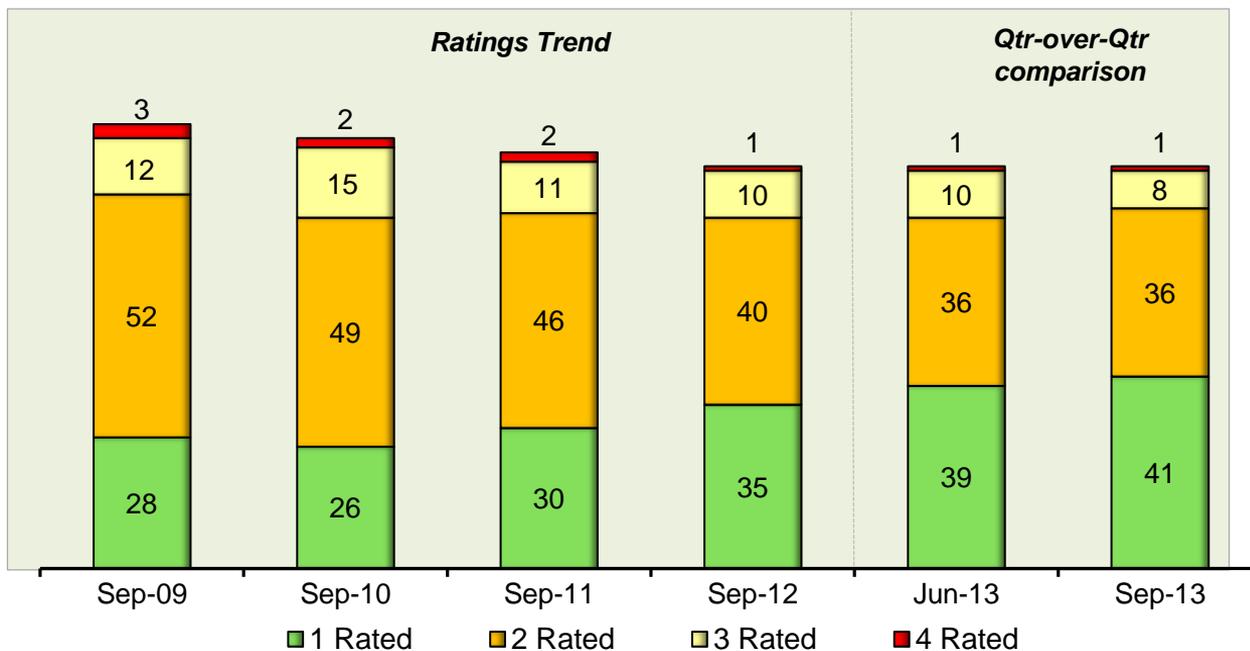
% of Loans Classified as Acceptable by Loan Type





System FIRS ratings

Composite FIRS Ratings - System Banks & Associations



Source: FCA's FIRS ratings database



Summary and final points

- U.S economy improving, but at a lackluster pace
- Large crop production levels have pushed prices lower; tighter margins expected for the crop sector
- Profitability for the protein sector rebounds on sharply lower feed costs and strong product pricing
- The System's performance remains strong. Portfolio credit quality is good; credit indicators continue to improve
- The System remains fundamentally safe and sound; well positioned for the risks facing agriculture





Questions



THANK YOU



FCA Board Meeting

December 2013

Semi-Annual Report on Office of Examination Operations

December 12, 2013

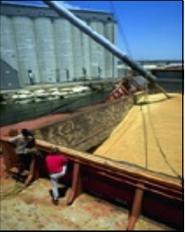
Hal Johnson
Office of Examination

Exhibit F





Highlights of OE Operations



- Operating Plan Objectives
- OE Budget Results
- Staffing Update
- Summary



2013 Operating Plan Objectives

➤ FY 2013 Risk Supervision & Examination Activities Completed as Planned

- Onsite at 93% of associations, all banks, 8 service corporations, Farmer Mac, and NCB
- Issued 59 Reports of Examination and 53 Interim Activity letters
- 8 institutions under Enforcement and 3 institutions under Special Supervision





2013 Operating Plan Objectives

- FY 2013 Risk Supervision & Examination Activities (Continued)
 - Completed assessment of the drought's impact on at-risk sectors (protein sector, dairy, ethanol)
 - Implemented 4 of 6 Loan Portfolio Management Modules
 - Issued Standards of Conduct (SOC) Examination Guidance and Systemwide letter, completed the internal report on 2013 SOC activities, and developed talking points for examiners





2013 Operating Plan Objectives

➤ Public Mission as GSE Activities

Completed as Planned

- Issued examination guidance, Systemwide letter, and frequently asked questions on diversity and inclusion in lending and human capital planning
- Completed internal reports summarizing results for 2013 diversity and inclusion examination activities





2013 Operating Plan Objectives

Progress made on these multiyear strategies

➤ Human Capital

- Recruiting Program, Specialist Programs, Post-Commission Training, Performance Metrics

➤ Operational Efficiency & Effectiveness

- Loan Database, EDGe, Examination Manual, Leveraging Technology





OE Budget Results (thru 9/30/2013)



- **FY 2013 Budget:** \$29.8 million
- **Total Funds Used:** \$27.1 million
 - 91% of FY 2013 budget
 - 77% of FY 2013 travel budget
 - 77% of FY 2013 travel days

- **FTEs of 163.6** (11.5 below Budgeted FTEs)



Staffing Update

- Started FY 2013 with 166 staff on board
 - 3 lower than planned
- Actual Attrition (9/30/2013): 16
 - 14 planned for FY 2013
- Hired (9/30/2013): 18
 - 23 hires planned
- Staff on Board (9/30/2013): 168
 - 10 lower than planned





Summary

- Met OE Operating Plan objectives
- Remained below budget
- Continued on-site presence at FCS institutions
- Used significant resources for Enforcement & Special Supervision
- Challenging recruiting environment and attrition impacted staffing levels
- Improved operational efficiency and effectiveness





Discussion



THANK YOU

