

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



**MINUTES OF THE REGULAR MEETING  
OF THE  
FARM CREDIT ADMINISTRATION BOARD  
July 8, 2015**

These minutes reflect the business transacted at the July 8, 2015, 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 9:51 a.m. The meeting was held one day earlier than regularly scheduled and was approved by FCA Board Notational Vote 15-07 on June 22, 2015. Members of the Board present were:

**Kenneth A. Spearman, Board Chairman and Chief Executive Officer**  
**Dallas P. Tonsager, Member**  
**Jeffery S. Hall, 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 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.

The **Board Chairman** reviewed the published Agenda. (A copy of the Public Announcement publishing the Agenda for the meeting is attached as Exhibit B.)

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

**Mr. Hall** seconded the motion.

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

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

**Mr. Hall** noted that the Agenda did **not** include any items that should be discussed in closed session, as permitted by the Government in the Sunshine Act, and therefore moved that the entire meeting remain open to the public.

**Mr. Tonsager** seconded the motion.

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

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

## **OPEN SESSION**

### **Approval of Minutes**

#### **Minutes for June 11, 2015 (BM-08-JUL-15-01)**

**Mr. Hall** moved to approve the minutes for June 11, 2015, FCA Regular Board Meeting.

**Mr. Tonsager** seconded the motion.

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

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-08-JUL-15-01)**

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

## **REPORTS**

### **The Strong Dollar: Implications for U.S. Agriculture**

**Steve Gabriel** and **Walt Gardiner** of the Office of Regulatory Policy presented a report on, "The Strong Dollar: Implications for U.S. Agriculture."

**Board Chairman Spearman** 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.)



**STAFF PRESENT AT THE  
FCA REGULAR BOARD MEETING  
July 8, 2015**

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

<b>OFFICE</b>	<b>OPEN SESSION</b>
<b>Office of the Board</b>	
Aultman, Dale	X
Middleton, Russell	X
Buccolo, Deb	X
Laguarda, Wendy	X
Rodgers, Cecelia	X
Kramp, Kevin	X
Calhoun, Gaye	X
<b>EEOI</b>	
Burlew, Thais	X
<b>COO</b>	
Hoffman, William	X
Ibelli, Heyam	X
<b>OCPA</b>	
Quinn, Christine	X
<b>OSMO</b>	
Connor, Joe	X
<b>OGC</b>	
Rawls, Charles	X
Donner, Mary Alice	X

OFFICE	OPEN SESSION
<b>OE</b>	
Coleman, Robert	X
Paulsen, Roger	X
<b>OIG</b>	
Dean, Elizabeth	X
<b>ORP</b>	
Van Meter, Gary	X
Mardock, Barry	X
Gabriel, Steve	X
Koenig, Steve	X
Gardiner, Walt	X
<b>OMS</b>	
Smith, Stephen	X
Fowlkes, Jerome	X
<b>GENERAL PUBLIC</b>	2

**PUBLIC ANNOUNCEMENT OF  
MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT  
Farm Credit Administration Board  
Regular Meeting  
July 8, 2015**

**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 July 8, 2015. 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 L. 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](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 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 June 11, 2015
- Reports**
- 2 The Strong Dollar: Implications for U.S. Agriculture
- 3 2015 Drought Update

\_\_\_\_\_  
June 29, 2015  
Date

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





# FCA Board Meeting

## July 2015

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# The Strong Dollar: Implications for U.S. Agriculture July 8, 2015

**Walter Gardiner**  
**Senior Economist**  
**Office of Regulatory Policy**

Exhibit D





# Exchange rates for key currencies



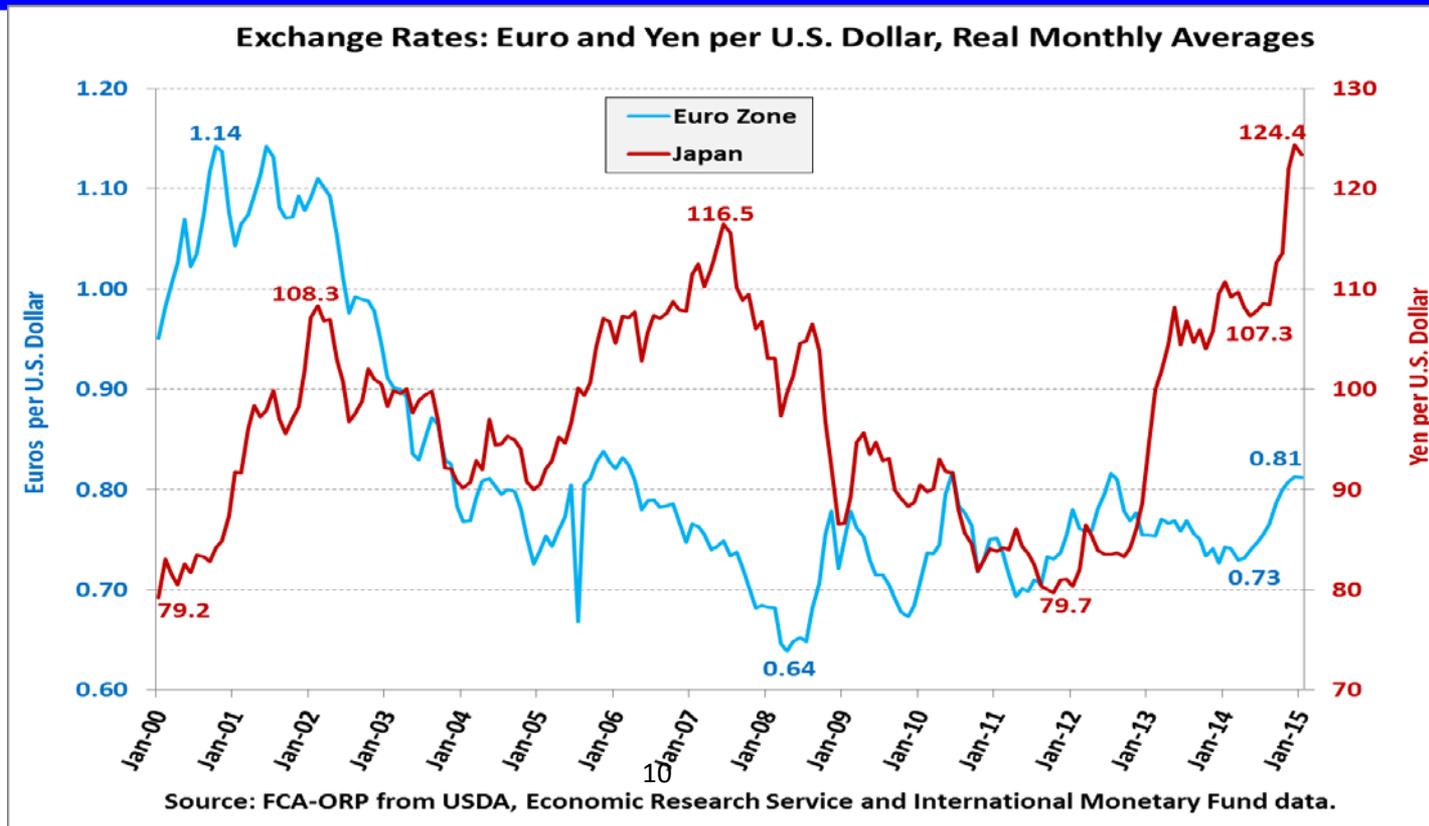
## FOREIGN EXCHANGE CROSS RATES

Majors	Americas	Europe, Middle East & Africa			Asia-Pacific			
	USD	EUR	JPY	GBP	CHF	CAD	AUD	HKD
USD	–	1.1162	0.0082	1.5732	1.0704	0.8017	0.7707	0.1290
EUR	0.8960	–	0.0073	1.4094	0.9592	0.7186	0.6906	0.1156
JPY	122.1400	136.3300	–	192.1270	130.7440	97.9250	94.1360	15.7566
GBP	0.6357	0.7095	0.0052	–	0.6804	0.5097	0.4899	0.0820
CHF	0.9344	1.0425	0.0076	1.4696	–	0.7491	0.7200	0.1205
CAD	1.2473	1.3918	0.0102	1.9622	1.3350	–	0.9613	0.1609
AUD	1.2975	1.4483	0.0106	2.0412	1.3889	1.0405	–	0.1674
HKD	7.7520	8.6531	0.0635	12.1935	8.2962	6.2148	5.9741	–

Source: Bloomberg L.P., June 30, 2015, 12 p.m.

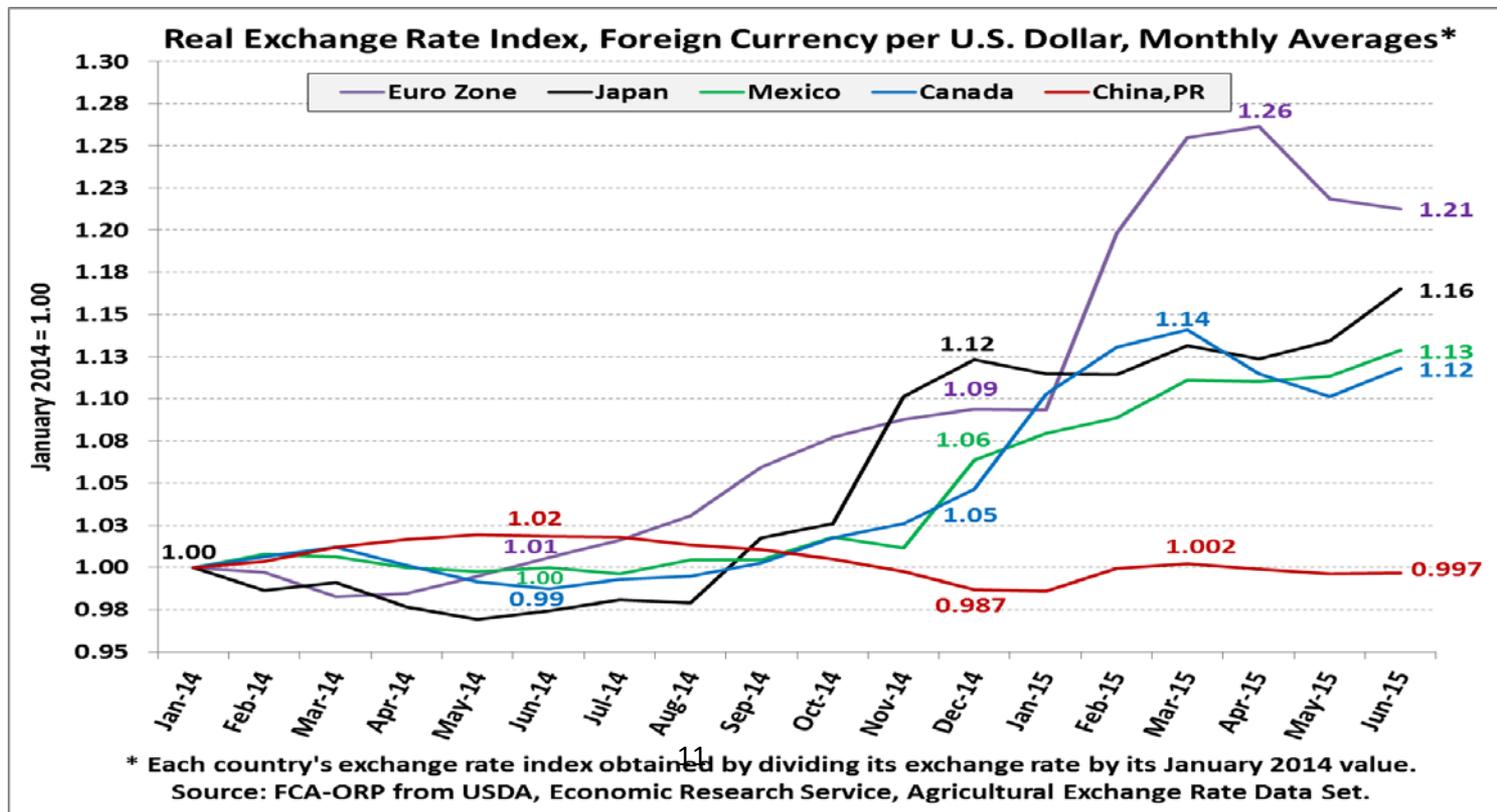


# Recent trends in the euro and the yen versus the U.S. dollar



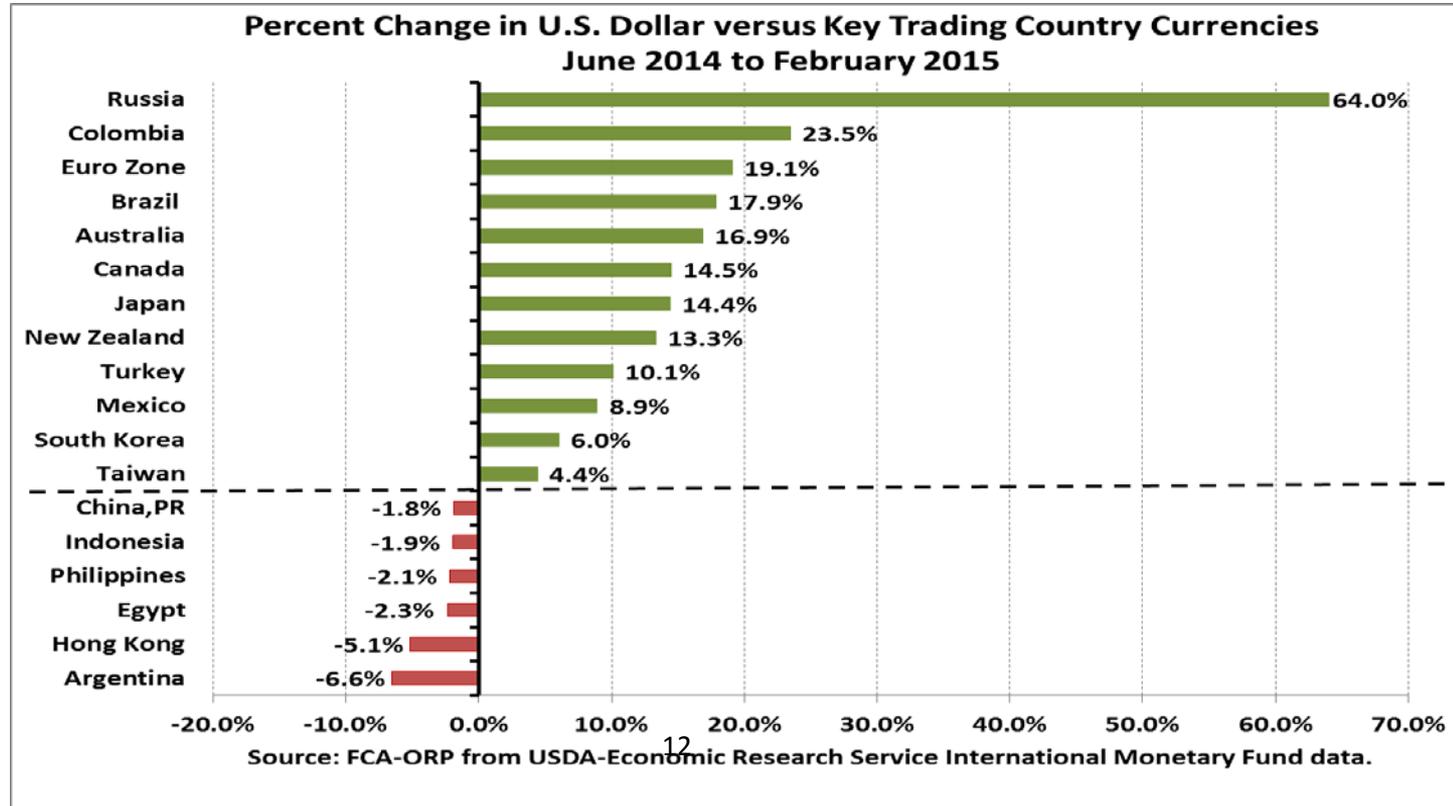


# U.S. dollar has appreciated against currencies of top export customers



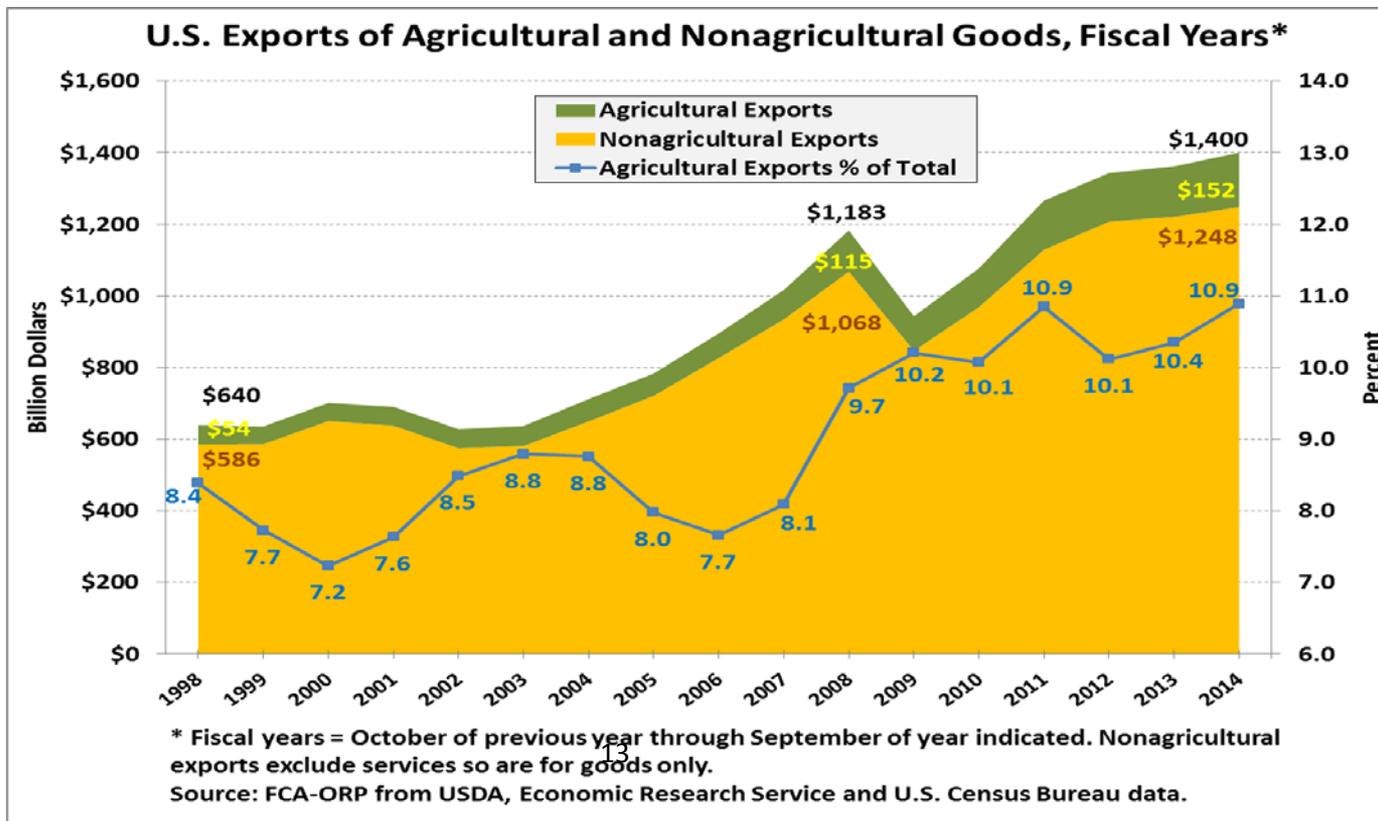


# Dollar strengthens against currencies of key importers and exporters



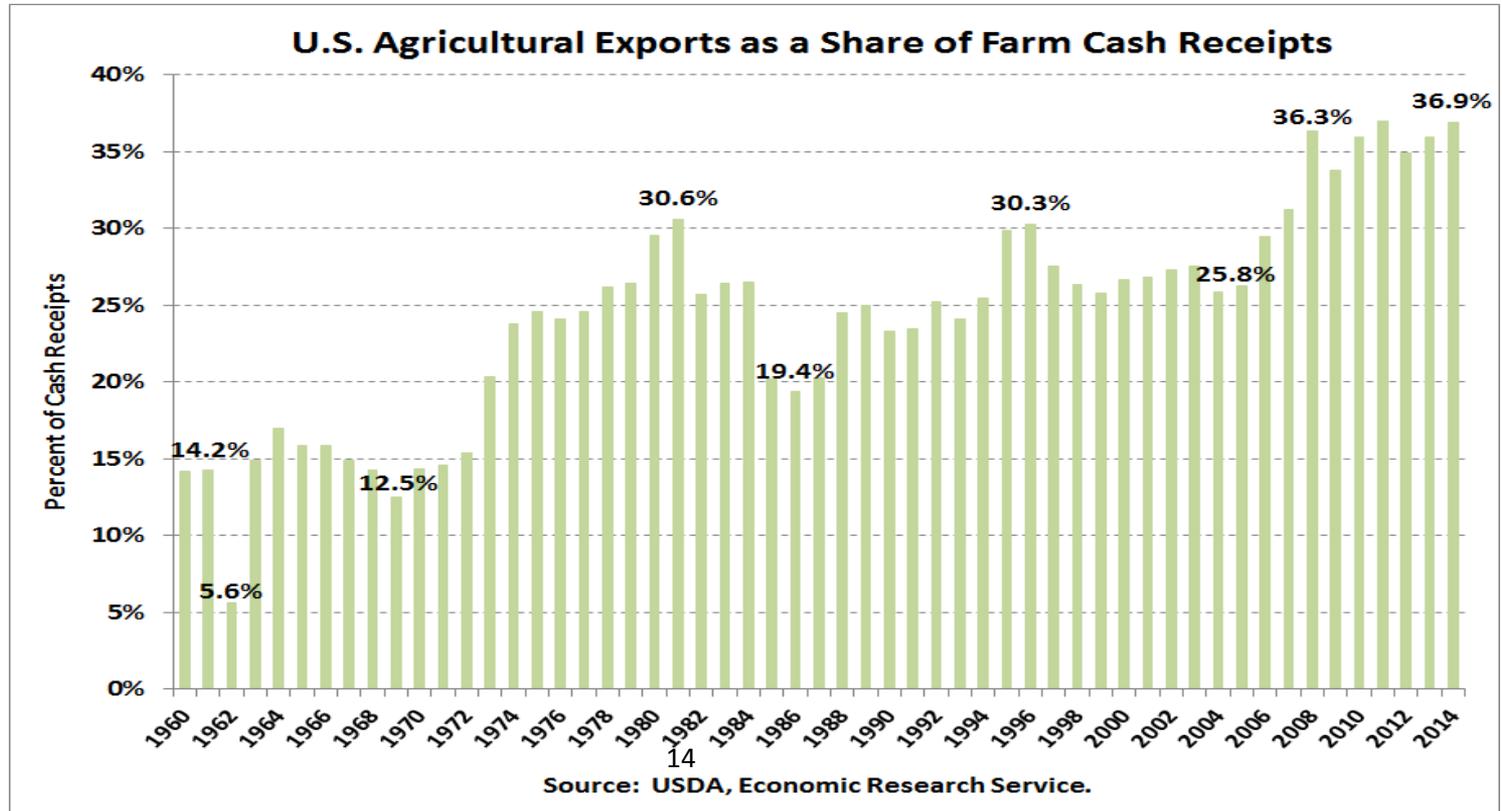


# U.S. agricultural exports growing as a share of total exports



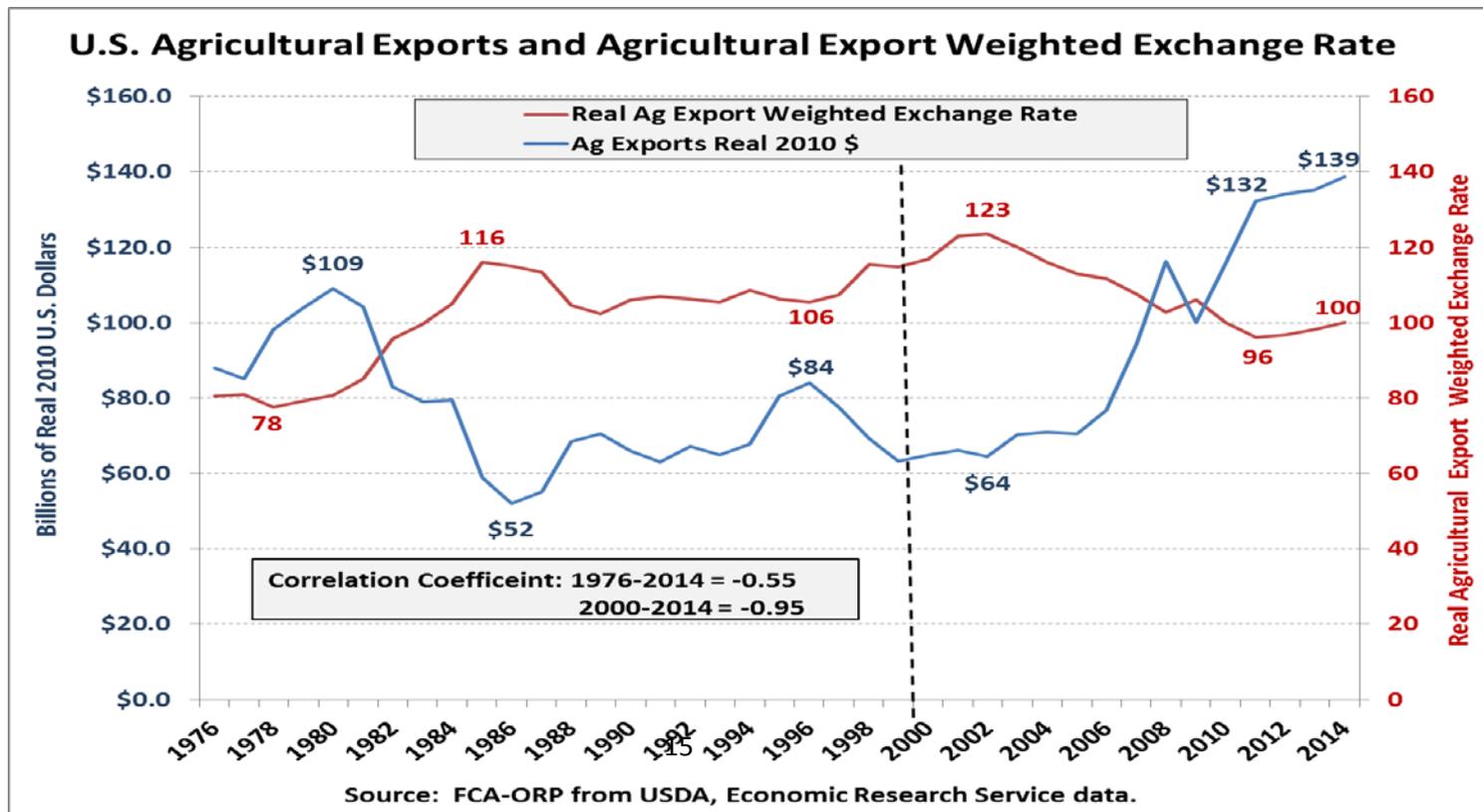


# Agricultural exports up sharply as a share of farm cash receipts



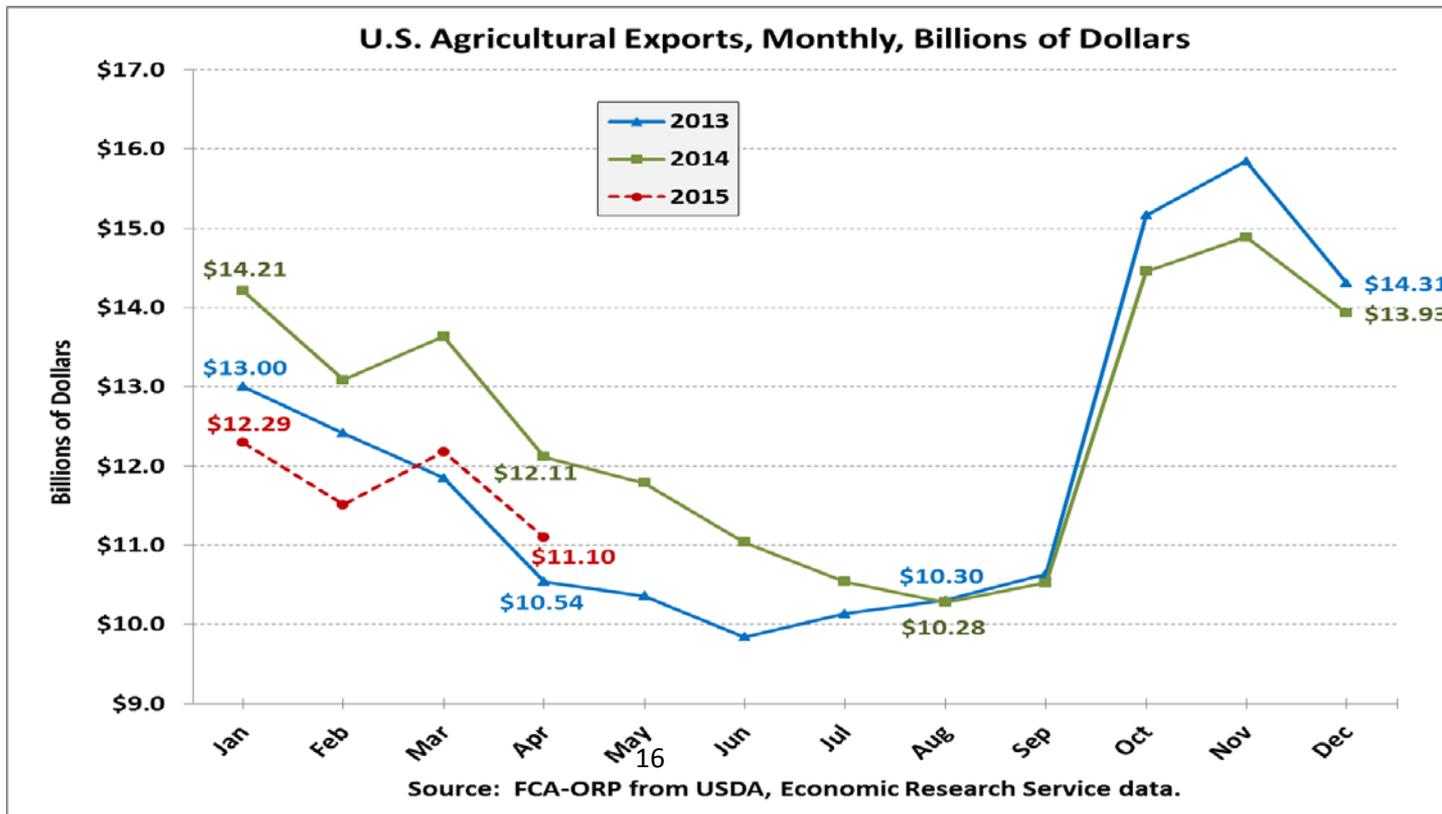


# Agricultural exports and exchange rates closely linked



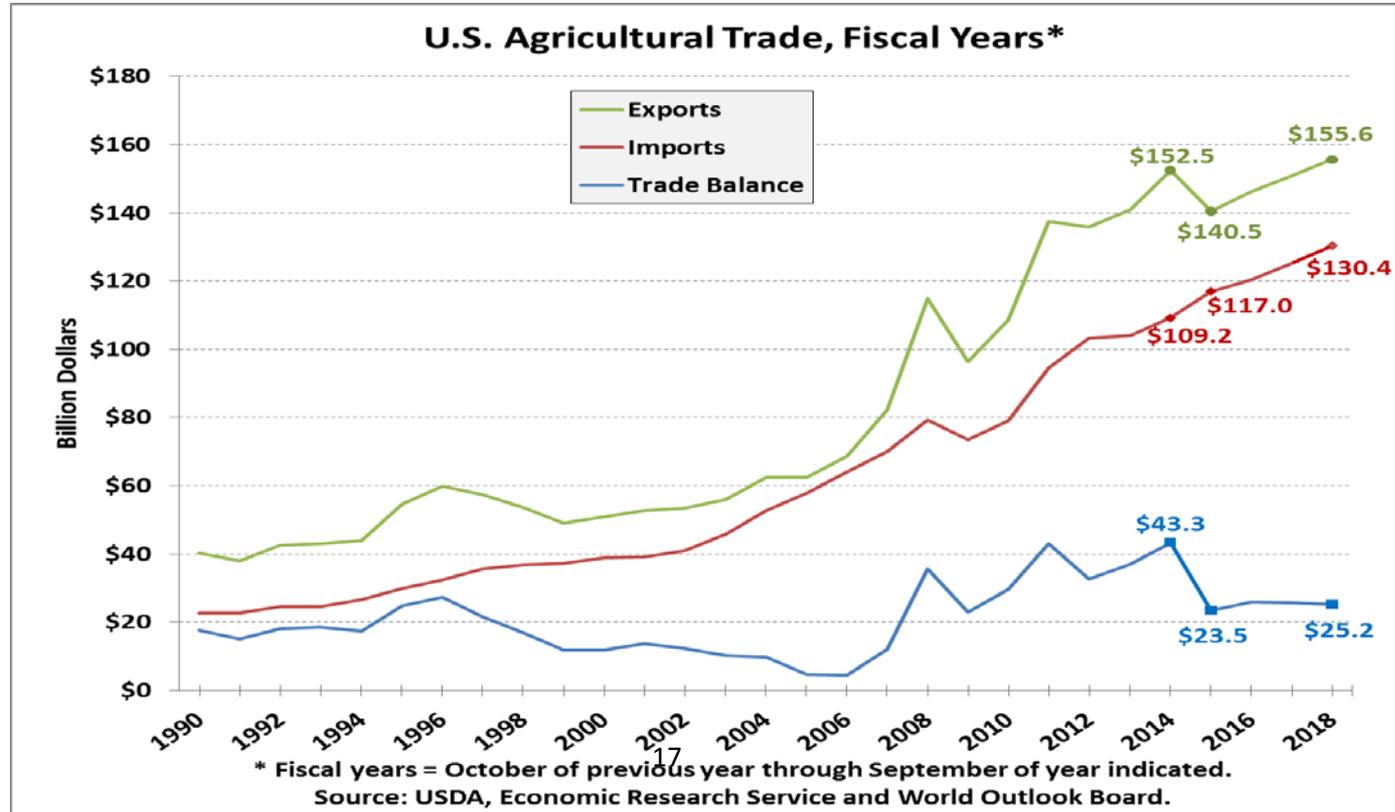


# Agricultural exports off monthly pace starting in August 2014



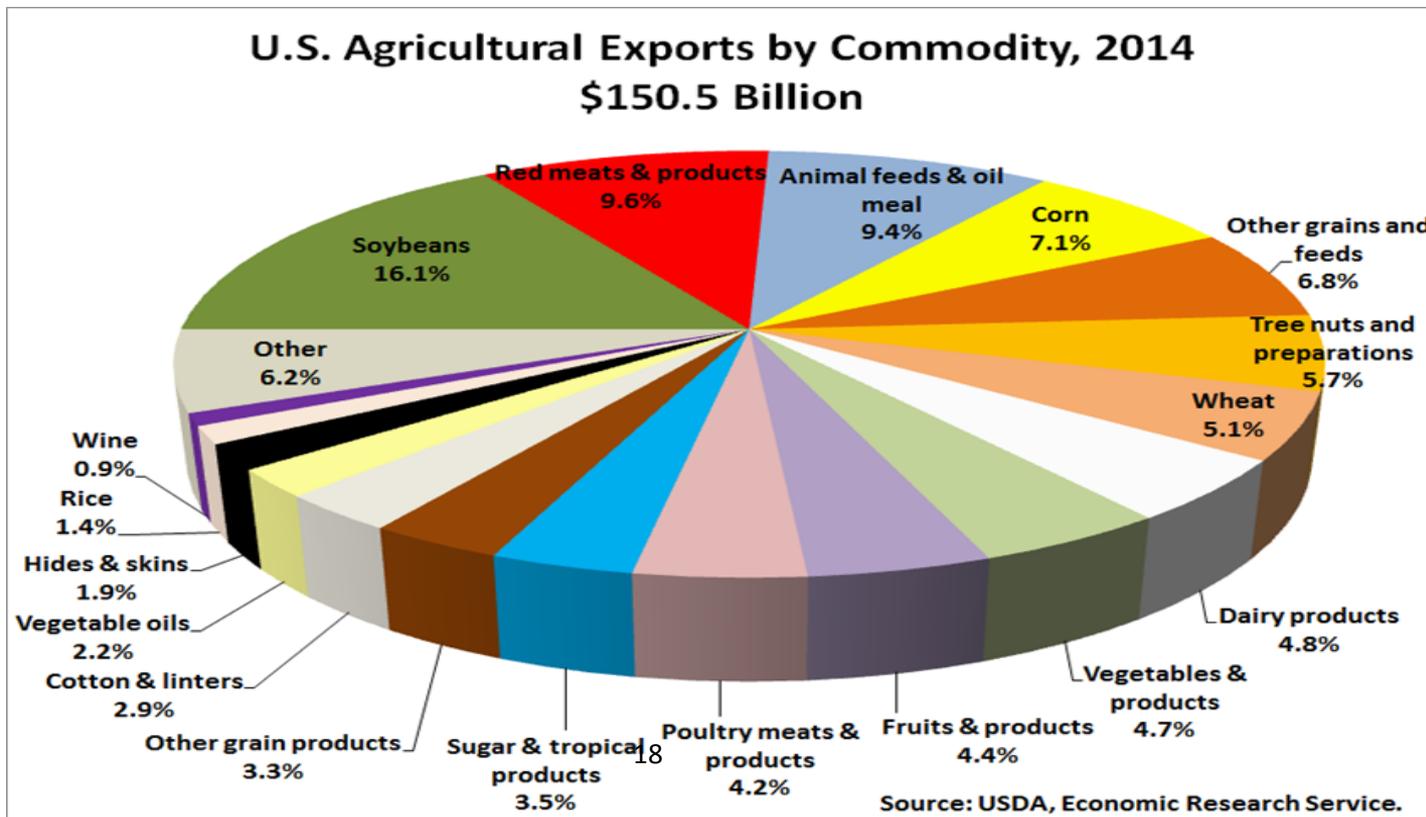


# U.S. agricultural exports projected to drop by 8 percent for 2015



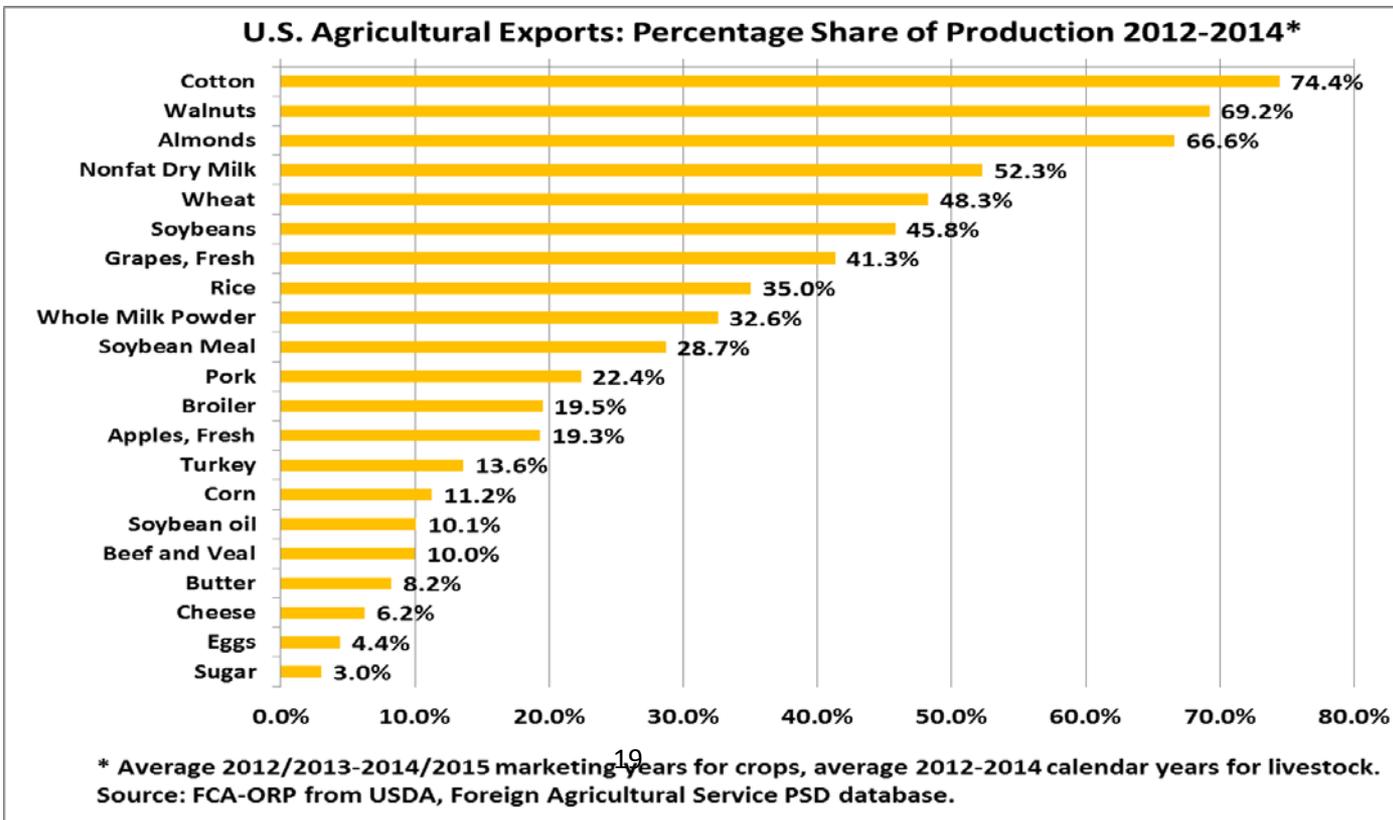


# Grains, soybeans and red meats account for over half of ag exports



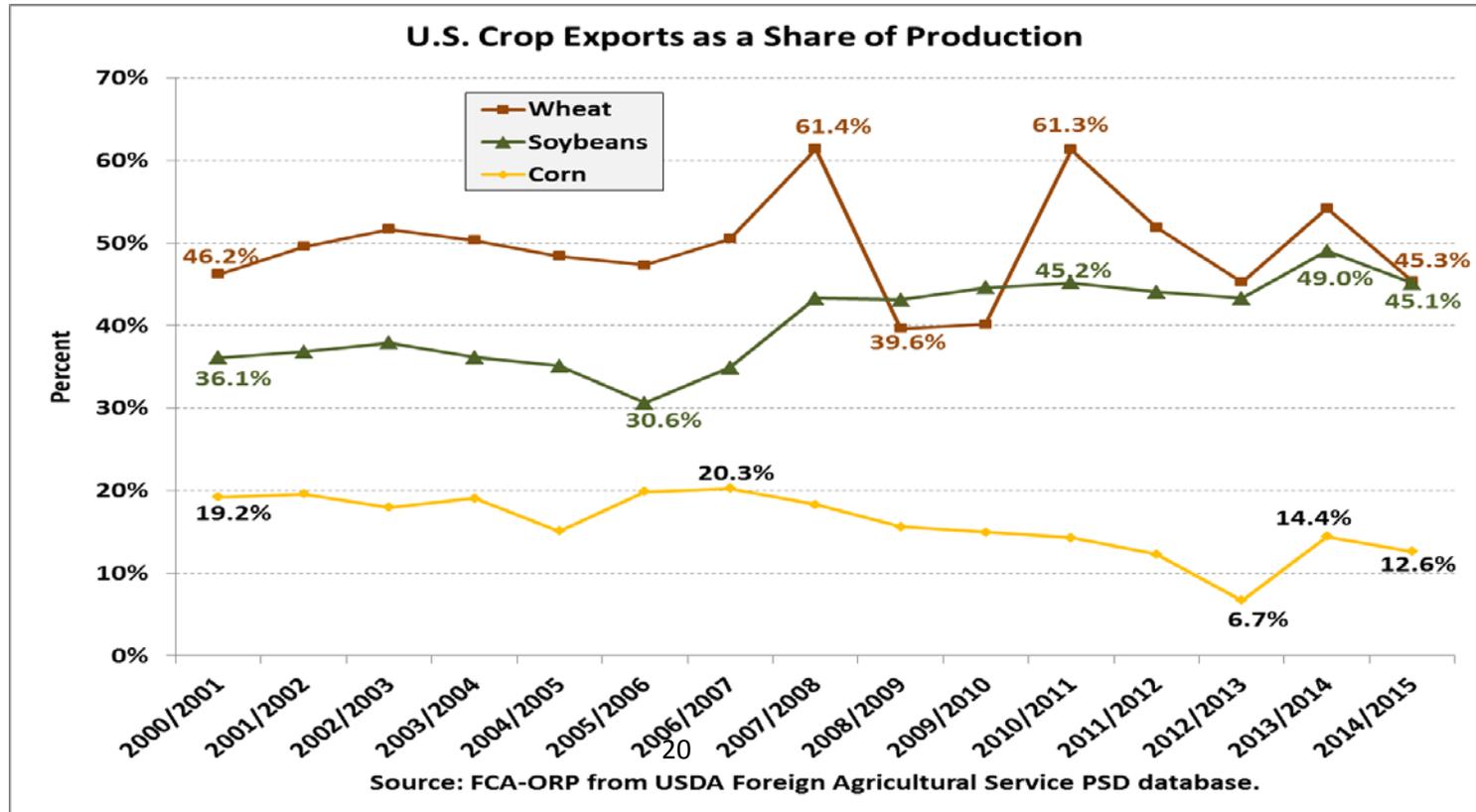


# U.S. crops and livestock products highly dependent on foreign sales



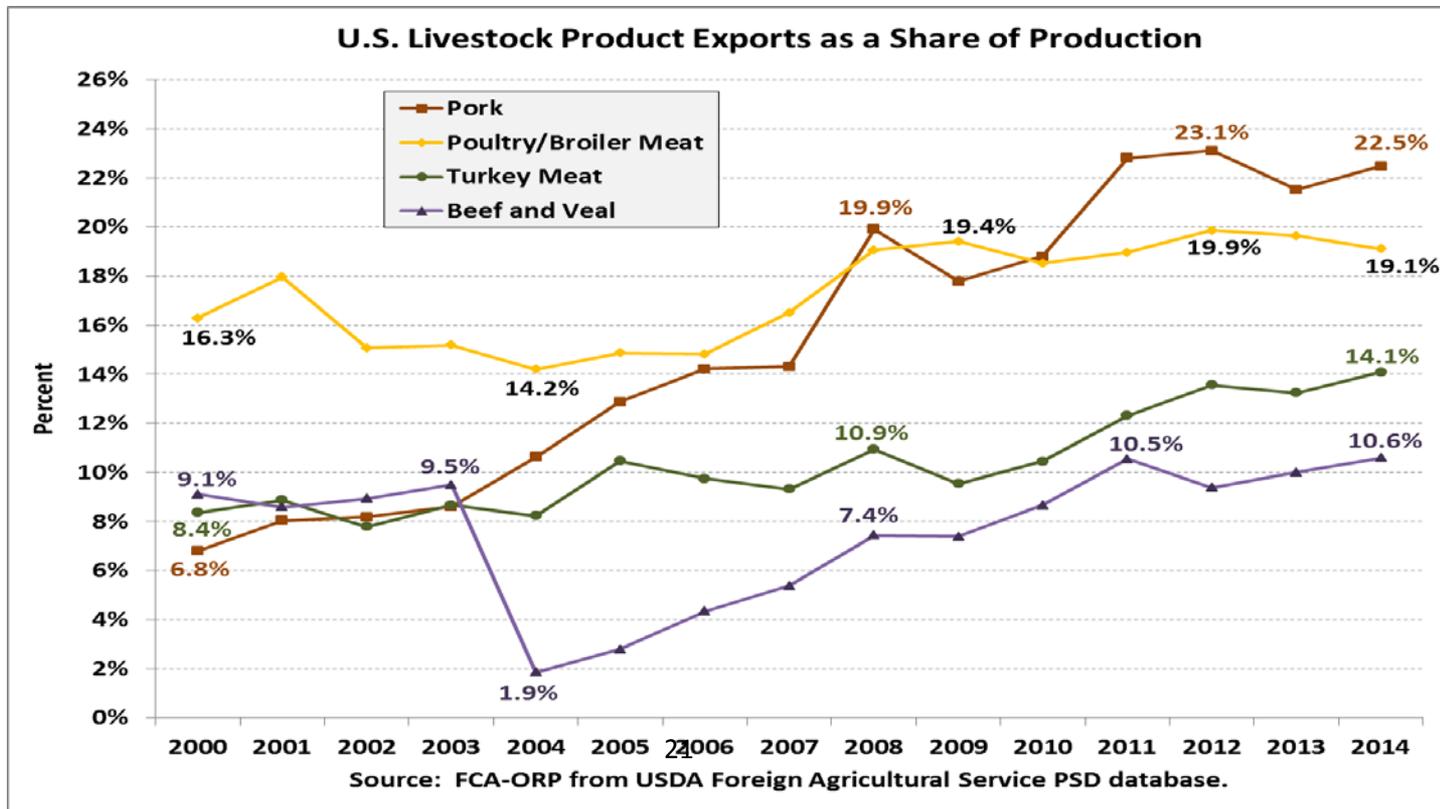


# Grain exports share of production down from previous highs, soybeans stable





# Pork exports share of production up sharply, beef finally back from BSE fallout





# Some of System's loan portfolio has significant trade exposure



The Farm Credit System's Loan Portfolio by Commodity as of Dec. 31, 2014, and Commodity Exports as a Percent of Production			
Commodity Loan Type	Amount	Share of Total	Exports as a Percent of Production *
	\$ in billions	Percentage	Percentage
Corn, wheat & soybeans	\$39.78	26.7%	Corn 11.2%, Wheat 48.3%, Soybeans 45.8%, Meal 28.7%, and Oil 10.1%
Cattle	20.91	14.0%	Beef & veal 10.0%
Food products (meat, dairy & bakery)	14.90	10.0%	
Dairy farms	14.33	9.6%	NFDry Milk 52.3%, Whole Milk Powder 32.6%, Butter 8.2%, Cheese 6.2%
Sugar beets, potatoes & vegetables	11.85	8.0%	Sugar 3.0%
Tree fruits, nuts & grapes	10.14	6.8%	Walnuts 69.2%, Almonds 66.6%, Grapes 41.3%, Apples 19.3%
General farms, primarily crop	8.68	5.8%	Rice 35.0%
Poultry & eggs	5.45	3.7%	Broilers 19.5%, Turkeys 13.6%, Eggs 4.4%
Hogs	4.42	3.0%	Pork 22.4%
General farms, primarily livestock	4.02	2.7%	
Horticulture	2.48	1.7%	
Cotton	2.19	1.5%	Cotton 74.4%
Other livestock	1.77	1.2%	
Biofuels, primarily ethanol	0.83	0.6%	Ethanol 5.7%
Other	7.23	4.9%	
<b>Total</b>	<b>\$148.98</b>	<b>100.0%</b>	

\* Average 2012/2013-2014/2015 marketing years for crops, average 2012-2014 calendar years for livestock.

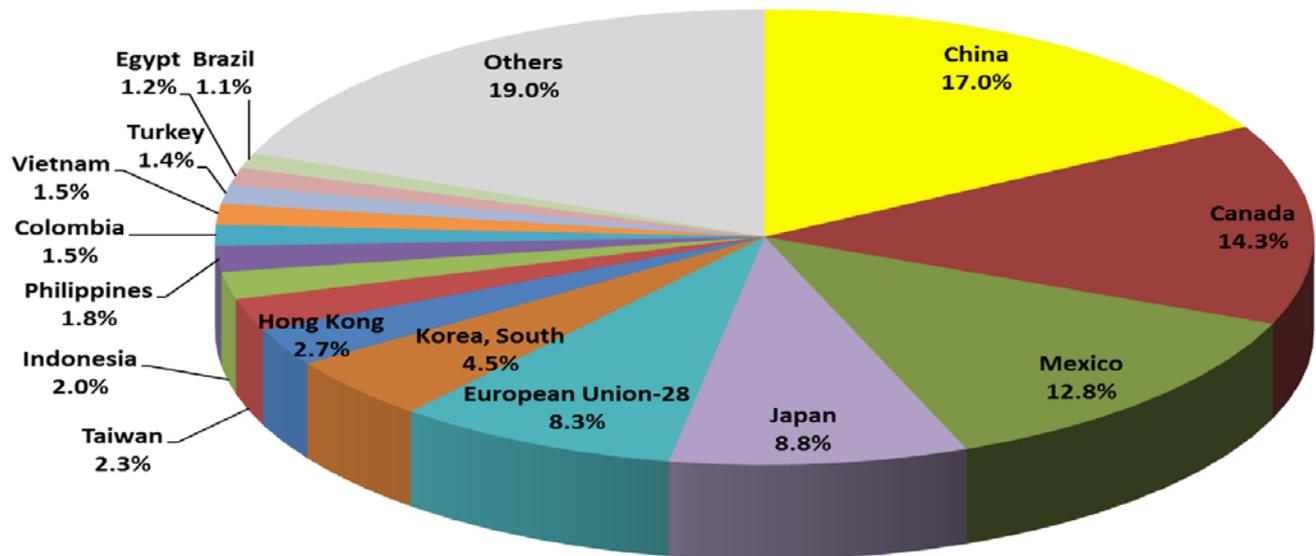
Source: Federal Farm Credit Banks Funding Corporation, 2014 Annual Information Statement of the Farm Credit System, March 11, 2015, p. 51. USDA, Economic Research Service and Foreign Agricultural Service for export and production data.



# China, Canada and Mexico are top outlets for U.S. agricultural exports



**U.S. Agricultural Exports by Country, Fiscal Year 2014\***  
**\$152.5 Billion**



\* Fiscal year 2014 = Oct. 2013 - Sep. 2014.

Source: FCA-ORP from USDA, Economic Research Service data.



# Shifting trade partners for U.S. agricultural products



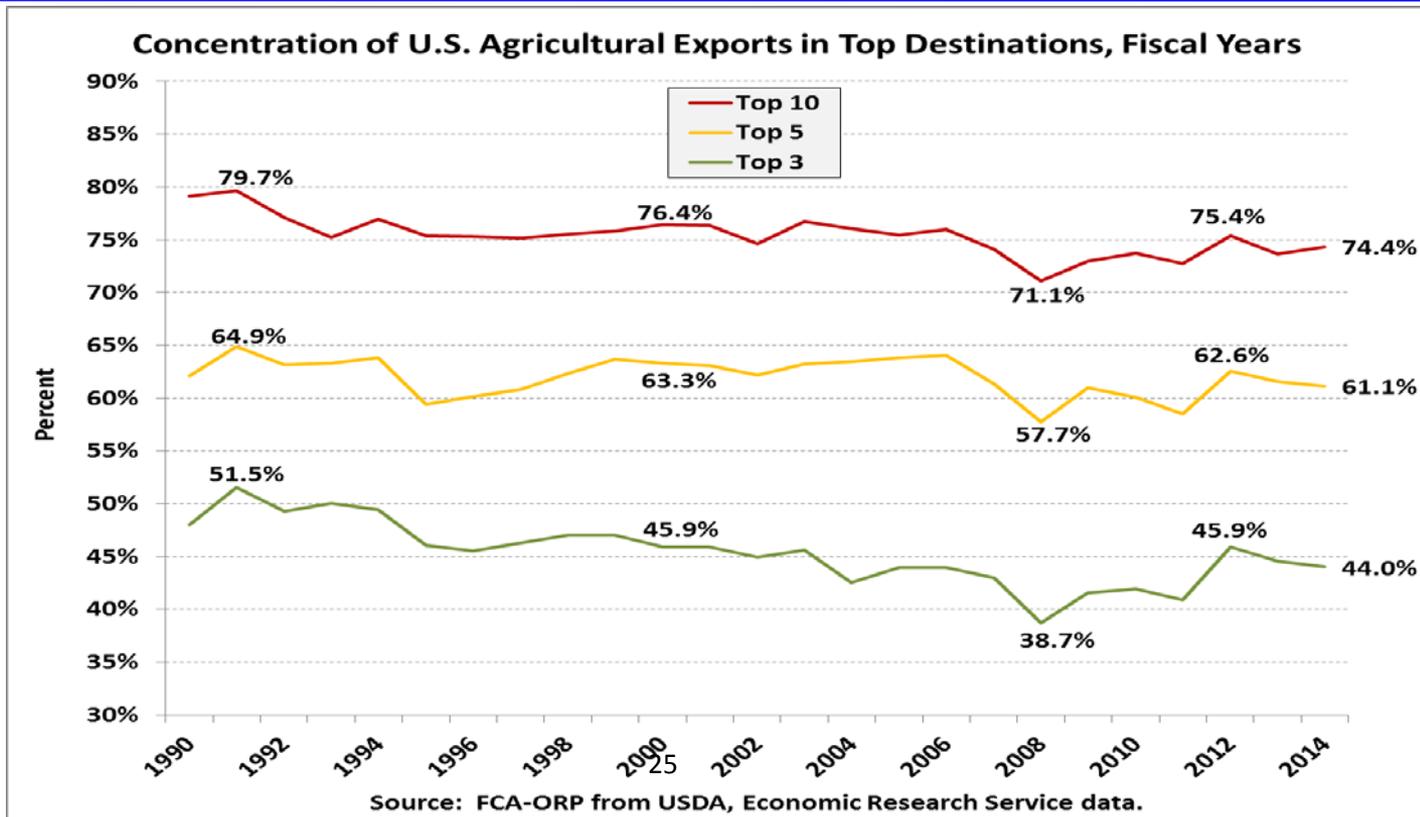
**Top 15 U.S. Agricultural Export Destinations, Fiscal Years 1990 and 2014, Billion U.S. \$**

Rank	Country	FY 1990	Share	Rank	Country	FY 2014	Share
1	Japan	\$8.19	20.3%	1	China	\$25.88	17.0%
2	European Union	\$7.44	18.4%	2	Canada	\$21.74	14.3%
3	Canada	\$3.73	9.3%	3	Mexico	\$19.50	12.8%
4	Former USSR	\$2.99	7.4%	4	Japan	\$13.38	8.8%
5	South Korea	\$2.71	6.7%	5	European Union	\$12.71	8.3%
6	Mexico	\$2.67	6.6%	6	South Korea	\$6.87	4.5%
7	Taiwan	\$1.82	4.5%	7	Hong Kong	\$4.06	2.7%
8	China	\$0.91	2.3%	8	Taiwan	\$3.50	2.3%
9	Egypt	\$0.76	1.9%	9	Indonesia	\$2.99	2.0%
10	Hong Kong	\$0.69	1.7%	10	Philippines	\$2.78	1.8%
11	Saudi Arabia	\$0.50	1.2%	11	Colombia	\$2.27	1.5%
12	Iraq	\$0.50	1.2%	12	Vietnam	\$2.24	1.5%
13	Algeria	\$0.49	1.2%	13	Turkey	\$2.07	1.4%
14	Pakistan	\$0.39	1.0%	14	Egypt	\$1.88	1.2%
15	Philippines	\$0.35	0.9%	15	Brazil	\$1.66	1.1%
	Others	\$6.20	15.4%		Others	\$28.99	19.0%
	<b>World total</b>	<b>\$40.35</b>	<b>100.0%</b>		<b>World Total</b>	<b>\$152.51</b>	<b>100.0%</b>

Source: FCA-ORP from USDA, Economic Research Service data.



# Country concentration risk down from early 1990s but trending up





# Summary

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- Dollar is strengthening against most currencies and expected to continue
- U.S. agricultural products more expensive to foreign buyers, so exports to decline
- Some key commodities System lends to have significant trade exposure
- Main trade partners have changed; country concentration risk down but starting to rise





# FCA Board Meeting

## July 2015

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# California Drought Update

July 8, 2015

**Stephen Gabriel**  
**Chief Economist**  
**Office of Regulatory Policy**

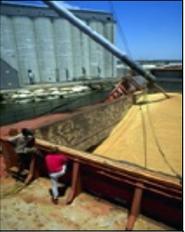
Exhibit E





# The California drought is in its fourth year

- The 3 years ending in the fall 2014 were the driest on record (since 1895)
- The state has implemented water use restrictions
- More land will be fallowed than in 2014
- The economic costs are higher than 2014
- El Niño brings hope





# Nearly three-fourths of California is in extreme drought or worse

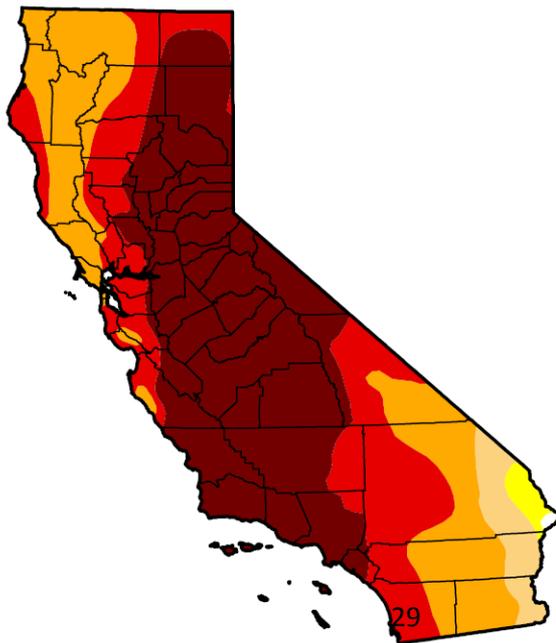


## U.S. Drought Monitor California

June 23, 2015

(Released Thursday, Jun. 25, 2015)

Valid 8 a.m. EDT



Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	0.14	99.86	98.71	94.59	71.08	46.73
Last Week 6/16/2015	0.14	99.86	98.71	94.59	71.08	46.73
3 Months Ago 3/24/2015	0.15	99.85	98.11	93.44	66.60	41.41
Start of Calendar Year 12/30/2014	0.00	100.00	98.12	94.34	77.94	32.21
Start of Water Year 9/30/2014	0.00	100.00	100.00	95.04	81.92	58.41
One Year Ago 6/24/2014	0.00	100.00	100.00	100.00	76.69	32.98

Intensity:



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Author:  
Richard Tinker  
CPC/NOAA/NWS/NCEP

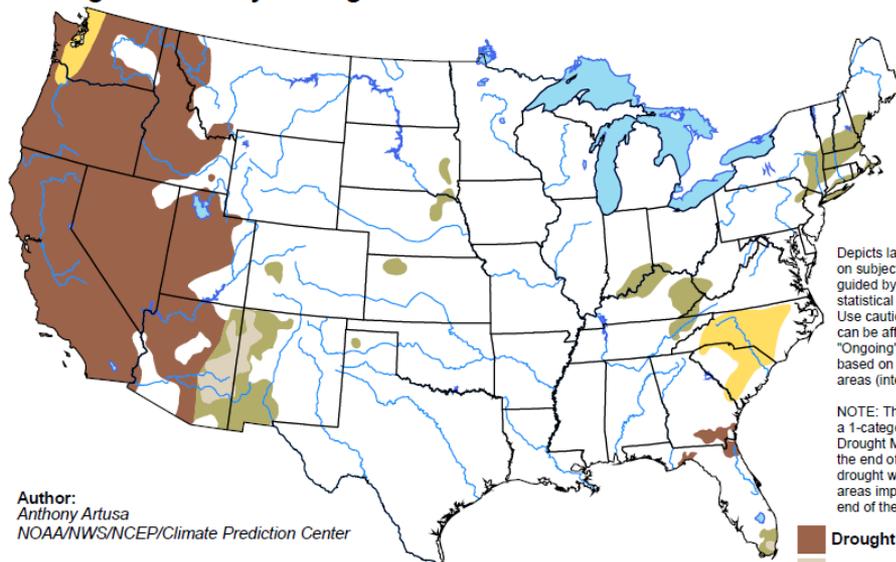




# The outlook is for the western drought to persist or intensify

## U.S. Seasonal Drought Outlook Drought Tendency During the Valid Period

Valid for June 18 - September 30, 2015  
Released June 18, 2015

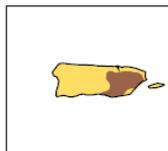
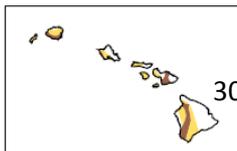
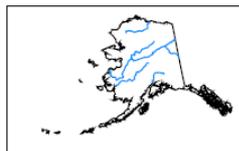


Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Use caution for applications that can be affected by short lived events. "Ongoing" drought areas are based on the U.S. Drought Monitor areas (intensities of D1 to D4).

NOTE: The tan areas imply at least a 1-category improvement in the Drought Monitor intensity levels by the end of the period, although drought will remain. The green areas imply drought removal by the end of the period (D0 or none).

Author:  
Anthony Artusa  
NOAA/NWS/NCEP/Climate Prediction Center

- Drought persists/intensifies
- Drought remains but improves
- Drought removal likely
- Drought development likely



<http://go.usa.gov/hHTe>



# High valued crops are less vulnerable to drought: others at risk

CoBank study says water to be allocated to permanent plantings; higher risk commodities include:

- ✓ Corn, wheat, cotton, rice, hay, pasture, and beans
  - Acreage most likely to be fallowed
- ✓ Dairy
  - Lower milk prices
  - higher priced locally sourced feed





# UC-Davis economists estimate 2015 drought impact



Drought Impact	Loss Quantity
<b>Water Supply</b>	
Surface water reduction	8.7 million acre-feet
Groundwater pumping increase	6.2 million acre-feet
Net water shortage	2.5 million acre-feet
<b>Statewide Costs</b>	
Crop revenue loss	\$856 million
Additional groundwater pumping cost	\$595 million
Livestock revenue loss	\$100 million
Dairy revenue loss	\$250 million
<b>Total direct agricultural costs</b>	<b>\$1.8 billion</b>
<b>Total statewide economic cost</b>	<b>\$2.7 billion</b>
<b>Total job losses</b>	<b>18,600</b>

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# The Tulare Lake Basin region bears most of the state's ag revenue loss

Estimated change in irrigated crop revenues due to drought, 2015 (dollars in millions)

Region	Feed Crops	Vegetables	Orchard & Vines	Grain	Other Field	Total
Sacramento	-52.4	-4.1	-2	-170.6	-2.7	<b>-231.6</b>
San Joaquin	-21.4	3	15.7	-35.7	-13.5	<b>-51.9</b>
Tulare	-87.6	-102.3	-115.5	-141.4	-173.6	<b>-620.3</b>
Central Coast and Southern CA	29.4	-4.4	18.9	-2.2	5.8	<b>47.5</b>
<b>Total</b>	<b>-131.9</b>	<b>-107.7</b>	<b>-82.8</b>	<b>-349.9</b>	<b>-184</b>	<b>-856.3</b>

Source: Howitt, Richard, et. al., Preliminary Analysis: 2015 Drought Economic Impact Study, May 31, 2015





# Summary of drought impacts – 2014 vs. 2015



	2014	2015	% Difference
Net water reduction	1.6 MAF	2.6 MAF	+60%
Drought fallowing	428,000 Acres	564,000 Acres	+32%
Agricultural income loss	\$2.2 billion	\$2.7 billion	+23%

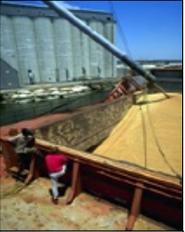
Source: Howitt, Richard, et. al., Preliminary Analysis: 2015 Drought Economic Impact Study, May 31, 2015



# El Niño could be a game changer for the California drought

There is a greater than 90% chance that El Niño will continue through Northern Hemisphere fall 2015, and around an 85% chance it will last through the 2015-16 winter.

-- Climate Prediction Center, NOAA, June 11, 2015





# Likely impact of a moderate to strong El Niño

- **Wetter:** Southern U.S. from CA to the Carolinas then up parts of the East Coast
- **Drier:** Parts of the Ohio Valley, Great Lakes, NW and Northern Rockies
- **Cooler:** Desert SW, Southern Plains, northern Gulf Coast
- **Warmer:** Northern tier of states from the Pacific NW to the Northern Plains, Great Lakes, and NE



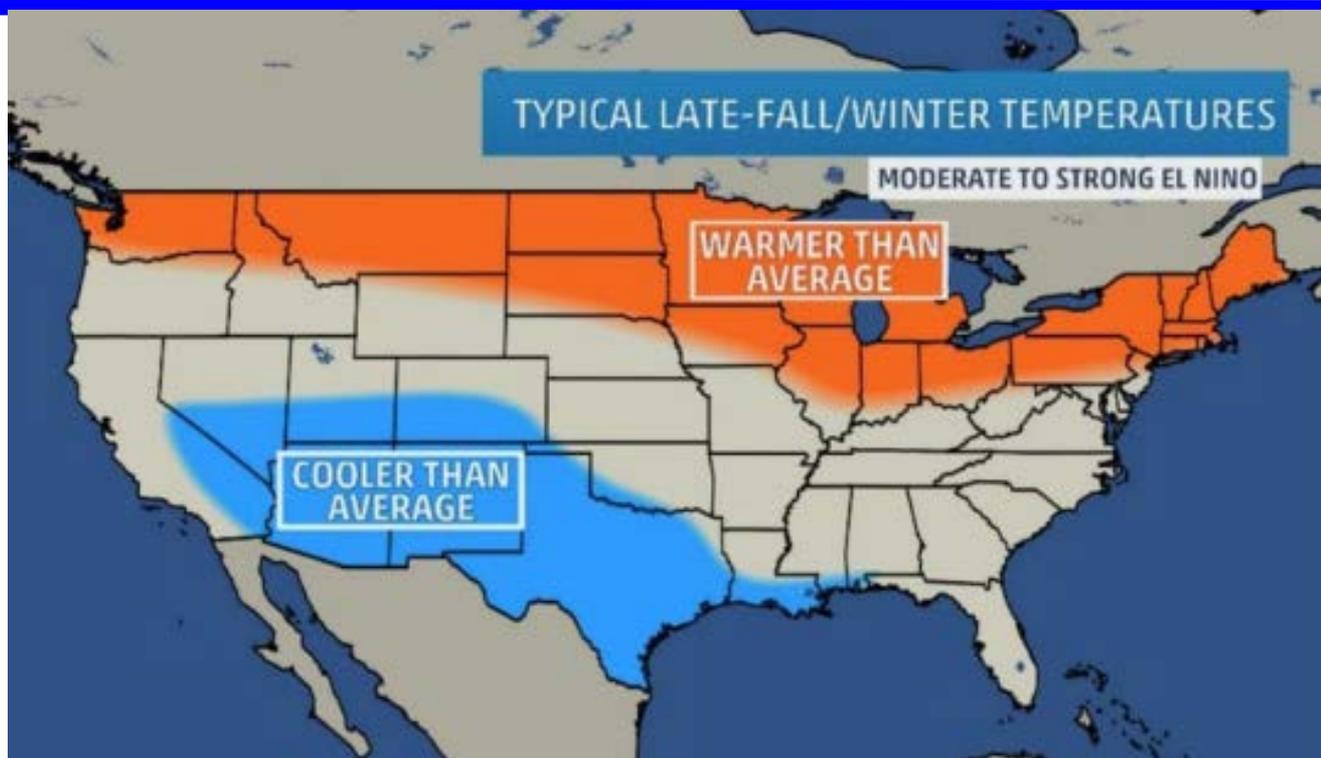


# El Niño could bring needed precipitation to California





# El Niño may bring cooler weather to the Southwest





# Conclusions

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- This is a serious drought in a drought-prone region
- Costs have been manageable so far
- Groundwater pumping has offset much of the surface water shortages
- There is hope that the El Niño will bring enough precipitation to break the drought

