

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
September 10, 2015**

These minutes reflect the business transacted at the September 10, 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 10:13 a.m. 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 six 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 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. 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 August 13, 2015 (BM-10-SEP-15-01)

Mr. Tonsager moved to approve the minutes for August 13, 2015, FCA Regular Board Meeting.

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. **(BM-10-SEP-15-01)**

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

New Business

Fall 2015 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions and Fall 2015 Regulatory Projects Plan (BM-10-SEP-15-02)

Ryan Leist of the Office of Regulatory Policy and **Nancy Tunis** of the Office of General Counsel presented the Fall 2015 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions and Fall 2015 Regulatory Projects Plan.

Board Chairman Spearman opened the discussion for questions by the Board.

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

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

Mr. Hall moved that the Board approve the Fall 2015 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions and Fall 2015 Regulatory Projects Plan.

Mr. Tonsager seconded the motion.

Board Chairman Spearman asked if there was any further discussion.

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

The **Secretary** polled the Members and the motion carried unanimously. **(BM-10-SEP-15-02)**

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

Reports

Quarterly Report on Economic Conditions and 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.

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 E.)

CLOSED SESSION

The **Board Chairman** 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 staff in Closed Session.

Board Chairman Spearman convened the closed session of the meeting at 9:53 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 Chairman** 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:

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 **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 and **Roger Paulsen** of the Office of Examination presented the update on OE Supervisory and Oversight Activities.

Board Chairman Spearman 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, Board **Chairman Spearman** indicated he would entertain a motion to adjourn the meeting.

Mr. Tonsager moved that the meeting be adjourned.

Mr. Hall seconded the motion.

Board Chairman Spearman called the question.

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

The meeting adjourned at 10:13 a.m.

NOTATIONAL VOTE ACTIONS

There were five notational vote actions approved by the FCA Board from August 14, 2015, through September 9, 2015 as follows:

Item Number	Action Date	Voting Results	Subject
NV 15-10	08/18/15	Approved	Updated Board Policy Statement on Equal Employment Opportunity and Diversity. The only substantive change was to clarify that sex discrimination includes discrimination on the basis of sexual orientation.
NV 15-11	08/25/15	Approved	Approved the request by AgStar Financial Services, ACA, for case-by-case approval of an investment under regulation 12 C.F.R. 615.5140(e). Under the approved request, AgStar may invest up to \$11 million in bonds issued by a rural community medical facility. FCA placed conditions on AgStar in conjunction with this investment.
NV 15-12	08/25/15	Approved	Granted preliminary approval to the proposed plan of merger of Farm Credit Services Southwest, ACA, with Farm Credit West. If the voting stockholders of both associations vote to approve the plan of merger and all conditions for final approval are met, the plan of merger will take effect on November 1, 2015.
NV 15-13	08/31/15	Approved	Updated Board Policy Statements on internal FCA operations. An index of FCA Board Policy Statements is published annually in the <u>Federal Register</u> , and these updated policies will be included.
NV 15-14	09/09/15	Approved	Approved the Oversight and Examination Plan for the Office of Examination for FY 2016.

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 10, 2015.

_____/s/
 Kenneth A. Spearman
 Board Chairman and Chief Executive Officer

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

Approved: **October 8, 2015**

**STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
September 10, 2015**

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

OFFICE	OPEN SESSION	CLOSED SESSION
Office of the Board		
Aultman, Dale	X	X
Middleton, Russell	X	X
Buccolo, Deb	X	
Corey, Kathryn	X	
Kramp, Kevin	X	X
Calhoun, Gaye	X	
COO		
Hoffman, William	X	X
Ibelli, Heyam	X	
OCPA		
Stokke, Mike	X	X
Meaux, Willy	X	X
OSMO		
Rea, Laurie	X	X
OGC		
Rawls, Charles	X	X
Strickland, Joy	X	X
Donner, Mary Alice	X	X
Nancy, Tunis	X	X

OFFICE	OPEN SESSION	CLOSED SESSION
OE		
Coleman, Robert	X	X
Paulsen, Roger	X	X
Johnson, Hal	X	X
OIG		
Dean, Elizabeth	X	X
ORP		
Van Meter, Gary	X	X
Mardock, Barry	X	X
Gabriel, Steve	X	X
Shields, Dennis	X	X
Leist, Ryan	X	
Marshall, Ira	X	
Gibbs, Paul	X	
OMS		
Smith, Stephen	X	X
Fowlkes, Jerome	X	X
FCSIC		
Pfitzinger, Rick	X	X
Rubin, Howard	X	X
GENERAL PUBLIC	6	

Farm Credit Administration

Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

**PUBLIC ANNOUNCEMENT OF
MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT
Farm Credit Administration Board
Regular Meeting
September 10, 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 September 10, 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. 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 13, 2015
- New Business**
 - 2 Fall 2015 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions and Fall 2015 Regulatory Projects Plan
- Reports**
 - 3 Quarterly Report on Economic Conditions and FCS Conditions

CLOSED SESSION

- 4 Office of Examination Quarterly Report¹

August 28, 2015

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 13, 2015 Board Meeting

BM-10-SEP-15-01

Effective Date: September 10, 2015

Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the minutes for August 13, 2015, Regular Board Meeting as submitted.

DATED THIS 10th DAY OF SEPTEMBER 2015

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 2015 Abstract of the Unified Agenda of Federal
Regulatory and Deregulatory Actions
and Fall 2015 Regulatory Projects Plan**

BM-10-SEP-15-02

Effective Date: September 10, 2015

THE FCA BOARD HEREBY:

1. Approves the Fall 2015 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions and authorizes the staff to prepare and submit the necessary documents for publication on the Internet at www.reginfo.gov;
2. Approves the Fall 2015 Regulatory Projects Plan and authorizes publication on FCA's Web site; and
3. Authorizes staff to make any technical or grammatical changes that may be necessary prior to publication.

DATED THIS 10th DAY OF SEPTEMBER 2015

BY ORDER OF THE BOARD

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



FCA Board Meeting

September 2015

Quarterly Report on FCS Condition

September 10, 2015

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



Global economic issues boost uncertainty

- Interest rates poised to rise in the U.S.
- Chinese economic turmoil
 - Slower growth, stock market, exchange rate
- Oil price decline
- Trans-Pacific Partnership (TPP)
- Greek economic bailout
- Geopolitical issues – Iran deal, ISIS, Ukraine





The new normal for economic growth seems to be under 3 percent



Consensus Forecasts (percent)

Red indicates forecast

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
GDP growth*	-0.9	4.6	4.3	2.1	0.6	3.7	2.6	2.8	2.7	2.8	2.7	2.6
CPI*	2.1	2.4	1.2	-0.9	-3.1	3.0	1.6	1.5	1.7	2.2	2.3	2.3
Unemployment rate	6.6	6.2	6.1	5.7	5.6	5.4	5.3	5.1	5.0	5.0	4.9	4.8
10 Yr T-Bond	2.7	2.5	2.4	2.2	2.0	2.4	2.5	2.6	2.8	2.9	3.1	3.3

Source: Consensus Economics, Inc.

Survey date - August 10, 2015

* % change from prior quarter, seasonally adjusted annual rate



Farm sector developments and concerns



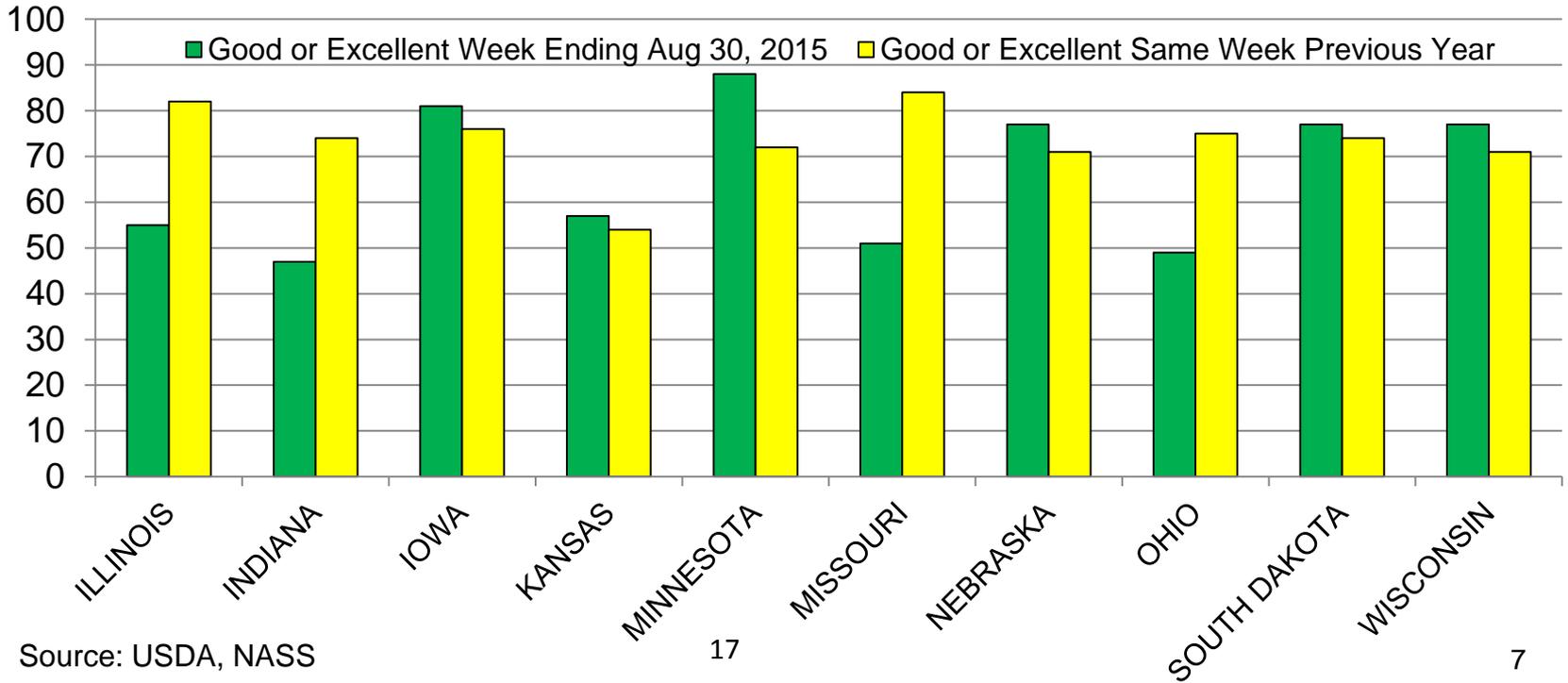
- USDA's revised forecast shows net farm income down 36 percent in 2015; net cash income down 21 percent
- Excess moisture in the Midwest introduced greater production uncertainty and volatile prices
- Grain and oilseed producers to experience tighter margins
- Dairy and broiler operations face negative margins
- USDA and Federal Reserve surveys show cropland values down in some key states



Favorable corn condition in key states may offset poor yields in others



Percent of corn crop rated good or excellent, week ending August 30 and same time previous year



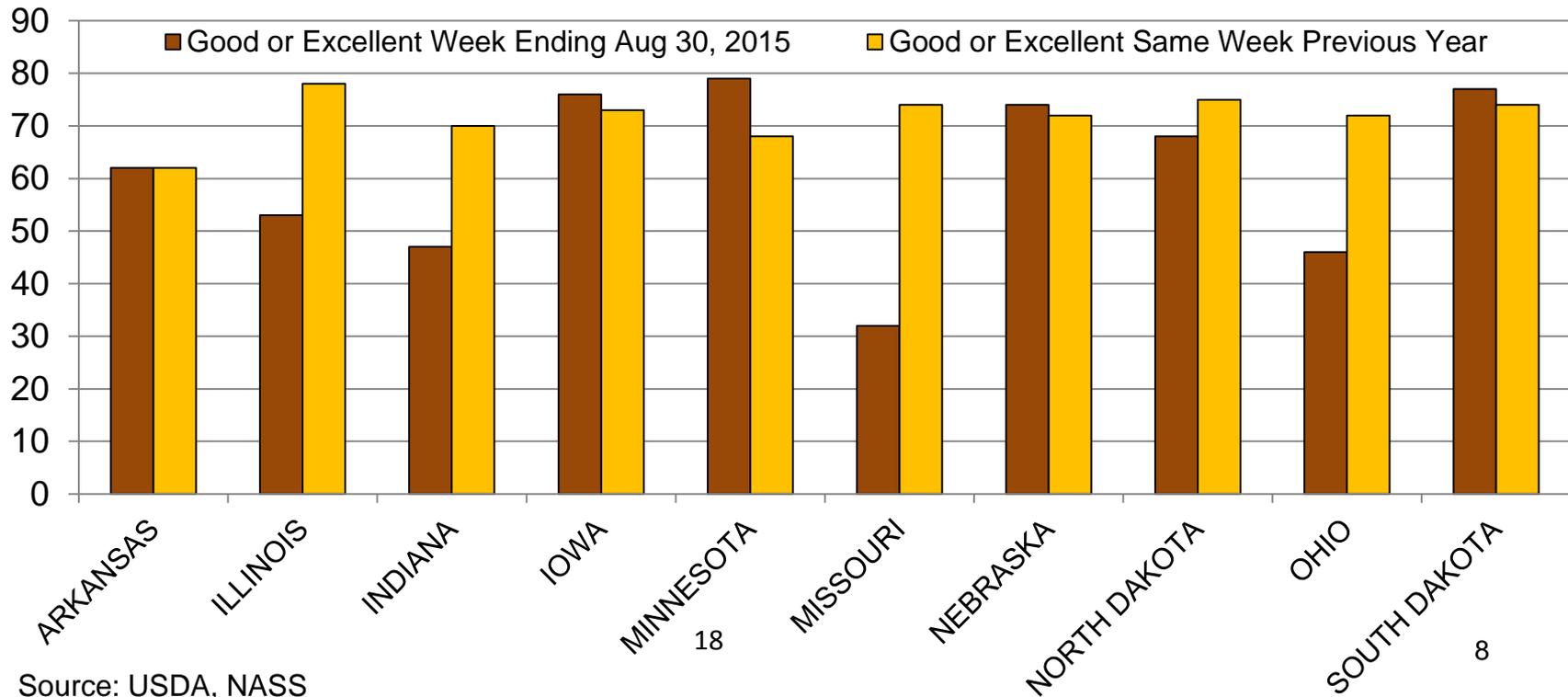
Source: USDA, NASS



Soybean crop looks good in some states, not in others



Percent of soybean crop rated good or excellent, week ending August 30 and same time previous year



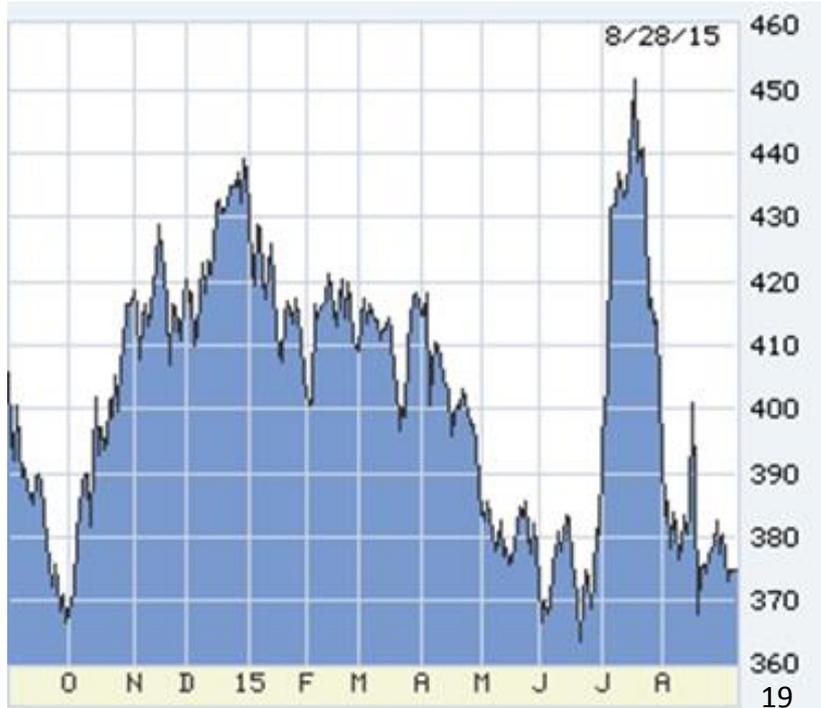
Source: USDA, NASS



Weather introduced extreme price volatility for crops this summer



Corn, December 2015



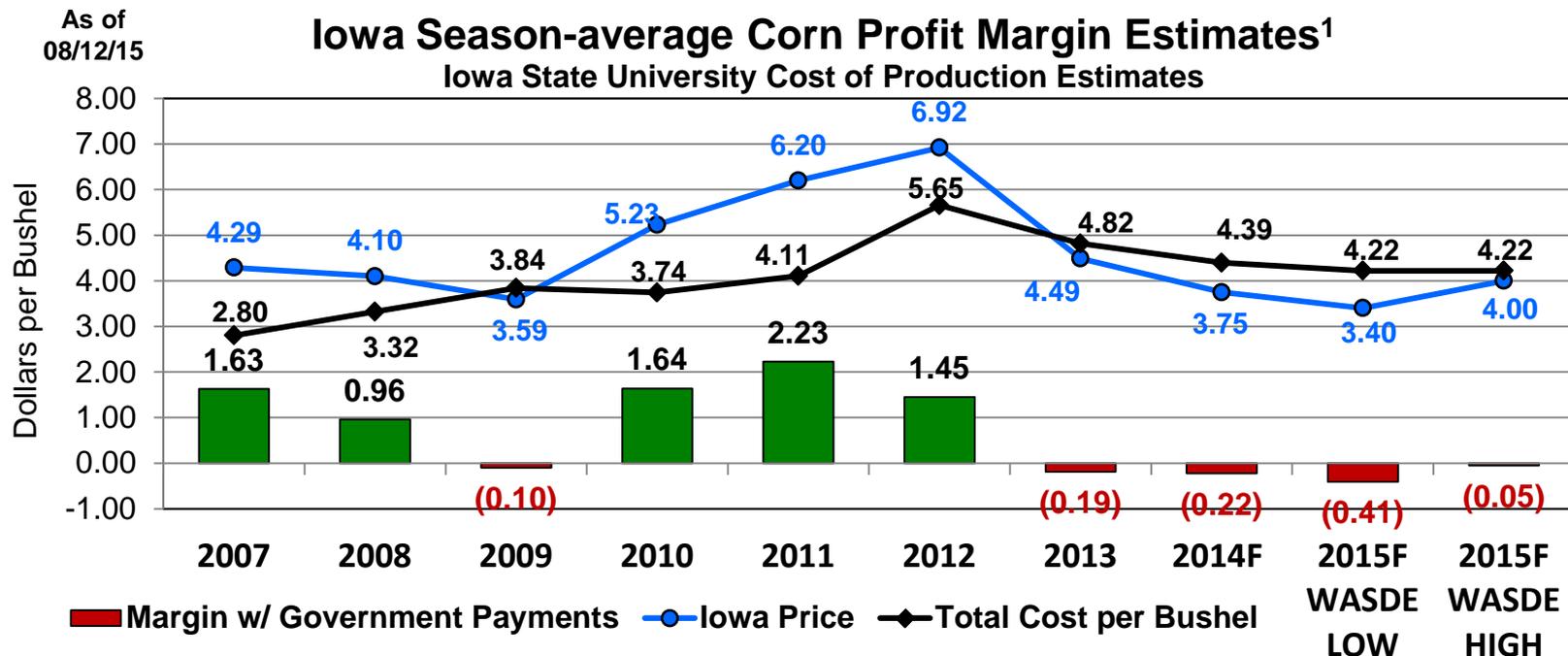
Soybeans, November 2015



Source: Wall Street Journal



Corn farmers will see slim margins at best this year



¹ 2009-2013 prices are season averages received by Iowa farmers, the 2014 and 2015 prices are from the USDA WASDE forecast (adjusted for Iowa). Margins reflect total production costs and actual state average yields, except for 2015, which reflects the 183 bushel per acre USDA yield estimate. Government payments for 2014 and 2015 assume the Agriculture Revenue Coverage County (ARC-CO) program is selected, prior years include direct farm program payments made under expired legislation.



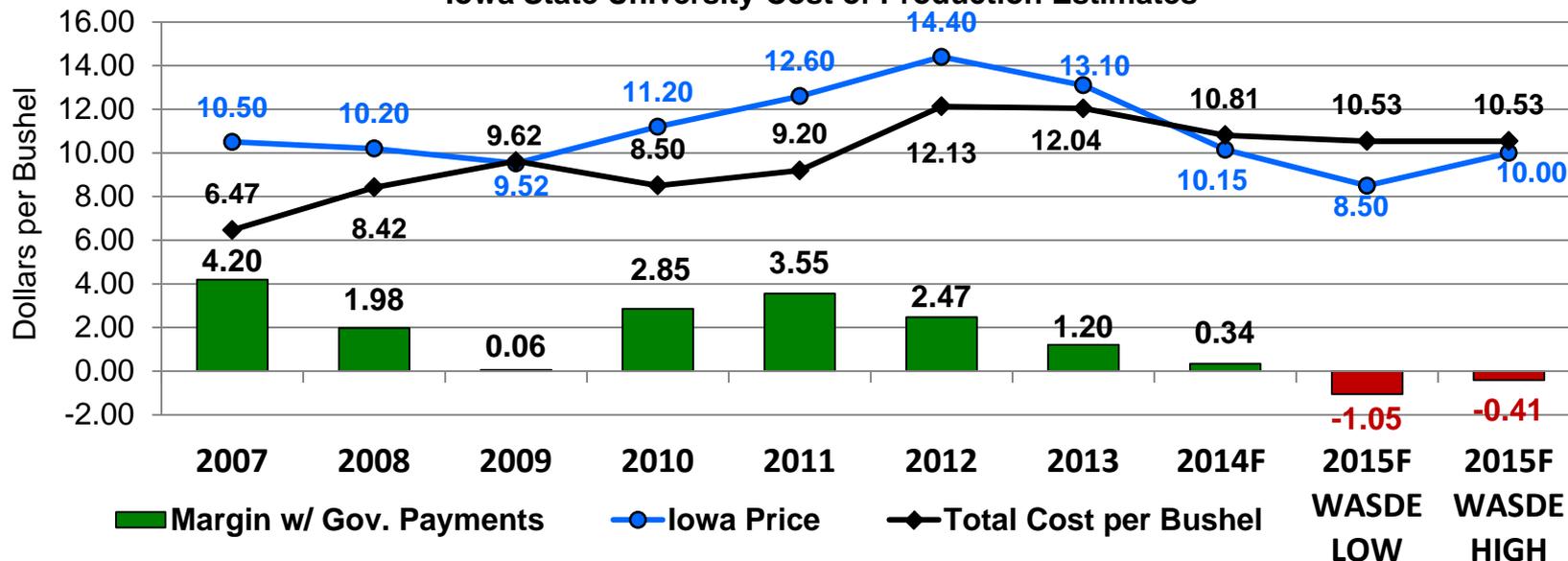
Soybean price to fall while drop in production costs lag



As of 8/12/15

Iowa Season-average Soybean Profit Margin Estimates¹

Iowa State University Cost of Production Estimates



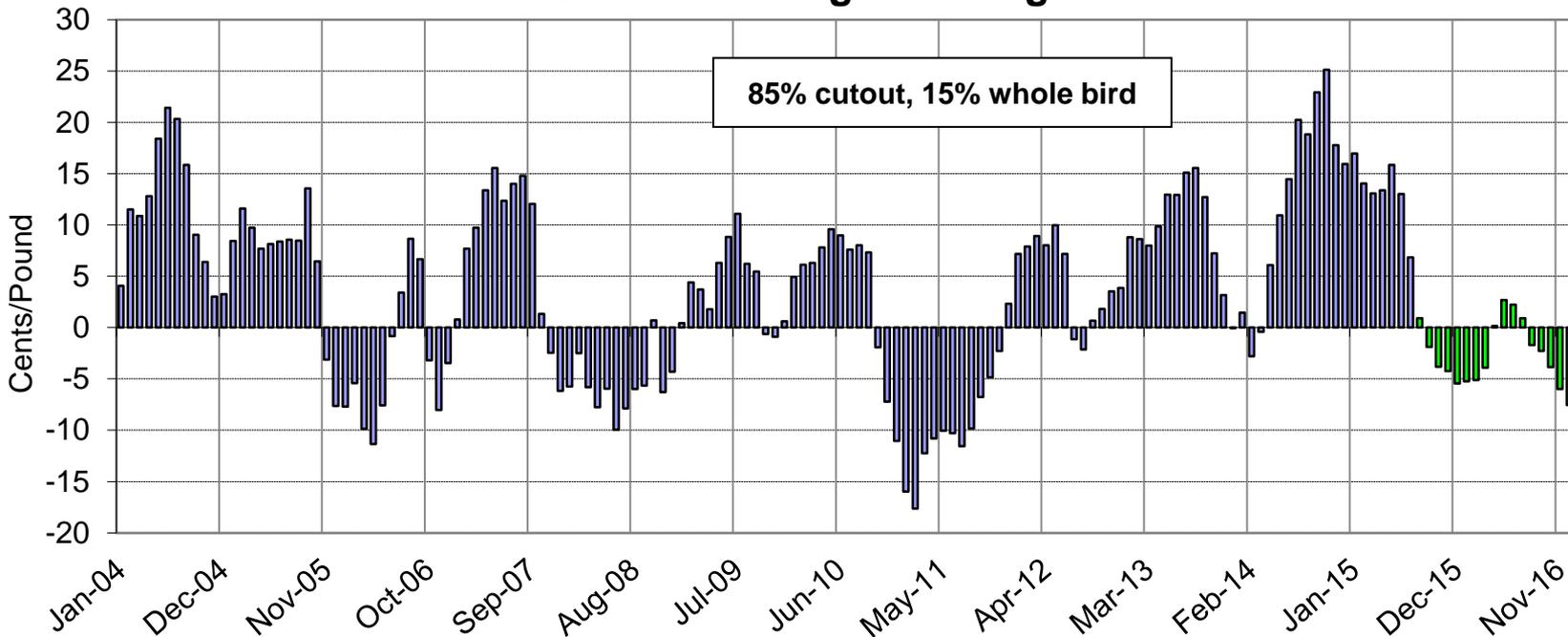
¹ 2009-2013 prices are season averages received by Iowa farmers, the 2014 and 2015 prices are from the USDA WASDE forecast (adjusted for Iowa). Margins reflect total production costs and actual state average yields, except for 2015, which reflects the 52 bushel per acre cost USDA yield estimate. Government payments for 2014 and 2015 assume the Agriculture Revenue Coverage County (ARC-CO) program is selected, prior years include direct farm program payments made under expired legislation.



Expanding production and flagging demand push broiler margins lower

5-Aug-15

US Broiler Weighted Margins



Source: Informa Economics

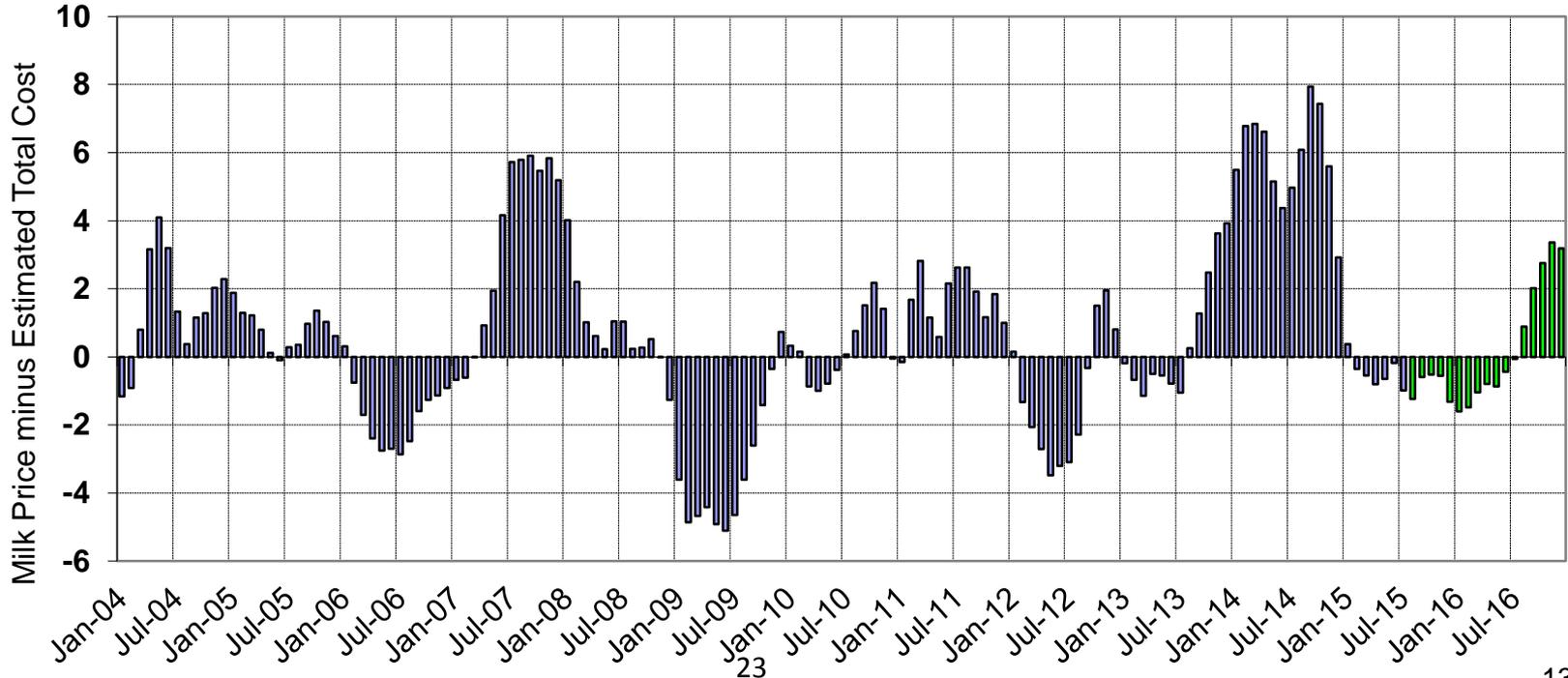


Large global supplies depress milk prices, leading to lower margins



5-Aug-15

US Dairy Producer Net Margins



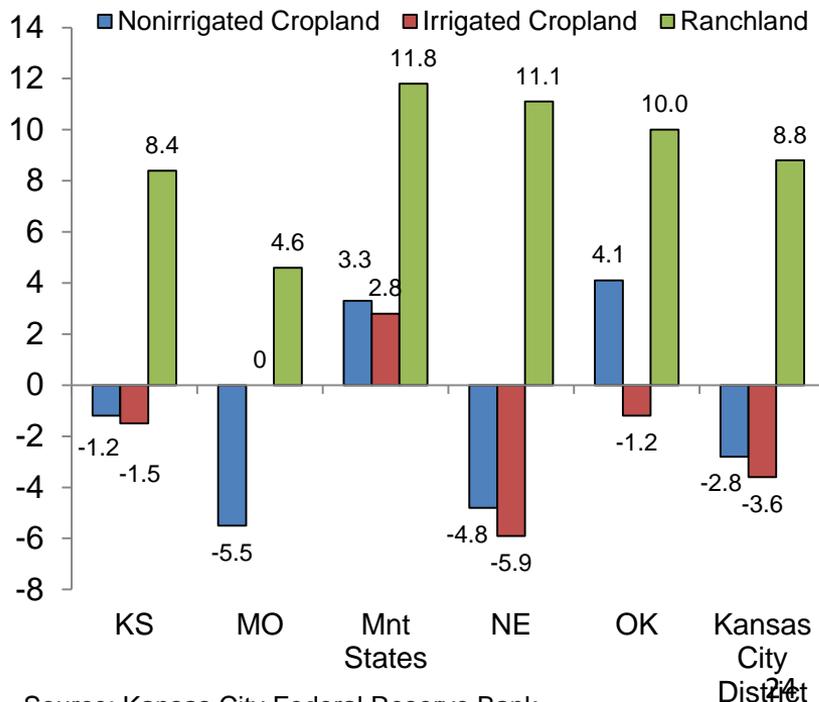
Source: Informa Economics



Farmland values are slipping in the Midwest

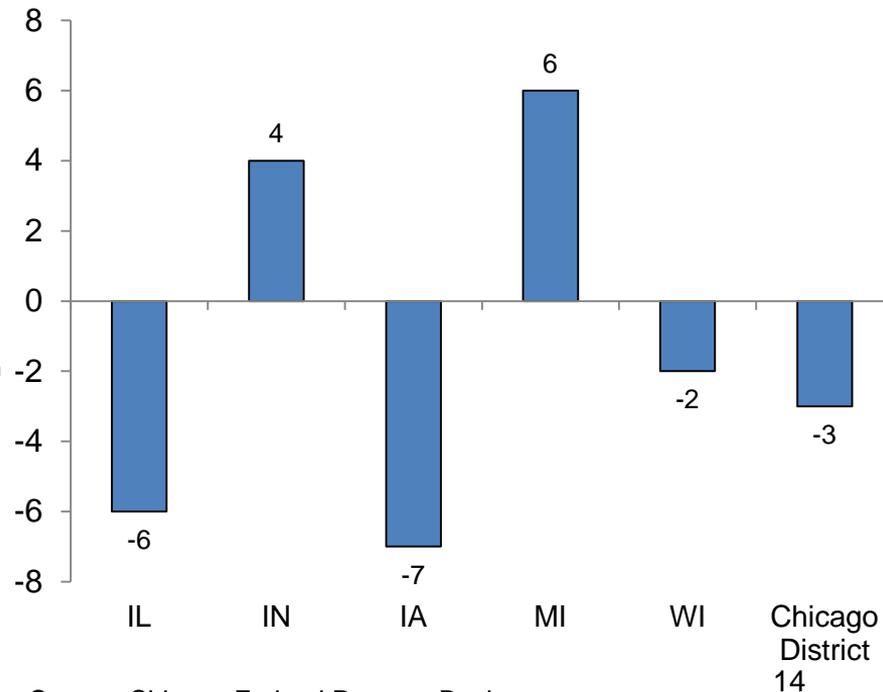


Percent change from the previous year, 2nd quarter 2015



Source: Kansas City Federal Reserve Bank

Percent change in the value of "good" farmland from previous year, 2nd quarter 2015



Source: Chicago Federal Reserve Bank

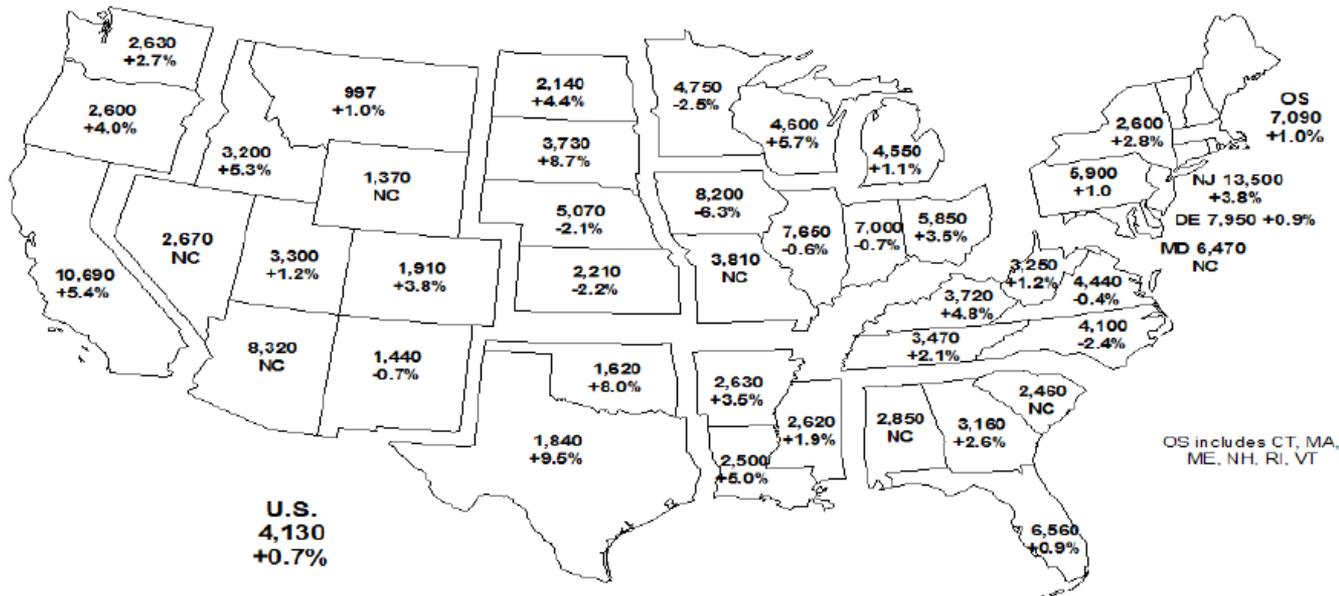


USDA survey shows cropland values down in some Midwest states

2015 Cropland Value by State

Dollars per Acre and Percent Change from 2014

Change during the year ending in June





Risks to watch

- Farmland values correction
- Impact of wet weather on grain/soybean yields
- Cash flow squeeze for grain/soybean farmers
- California drought (Impact of El Niño?)
- Impact of the strong dollar
- Avian Influenza this fall (Broiler sector at risk?)
- Economic developments in China





Questions



THANK YOU



Farm Credit System Condition and Performance

as of
June 30, 2015

Hal Johnson
Sr. Financial Analyst
Office of Examination



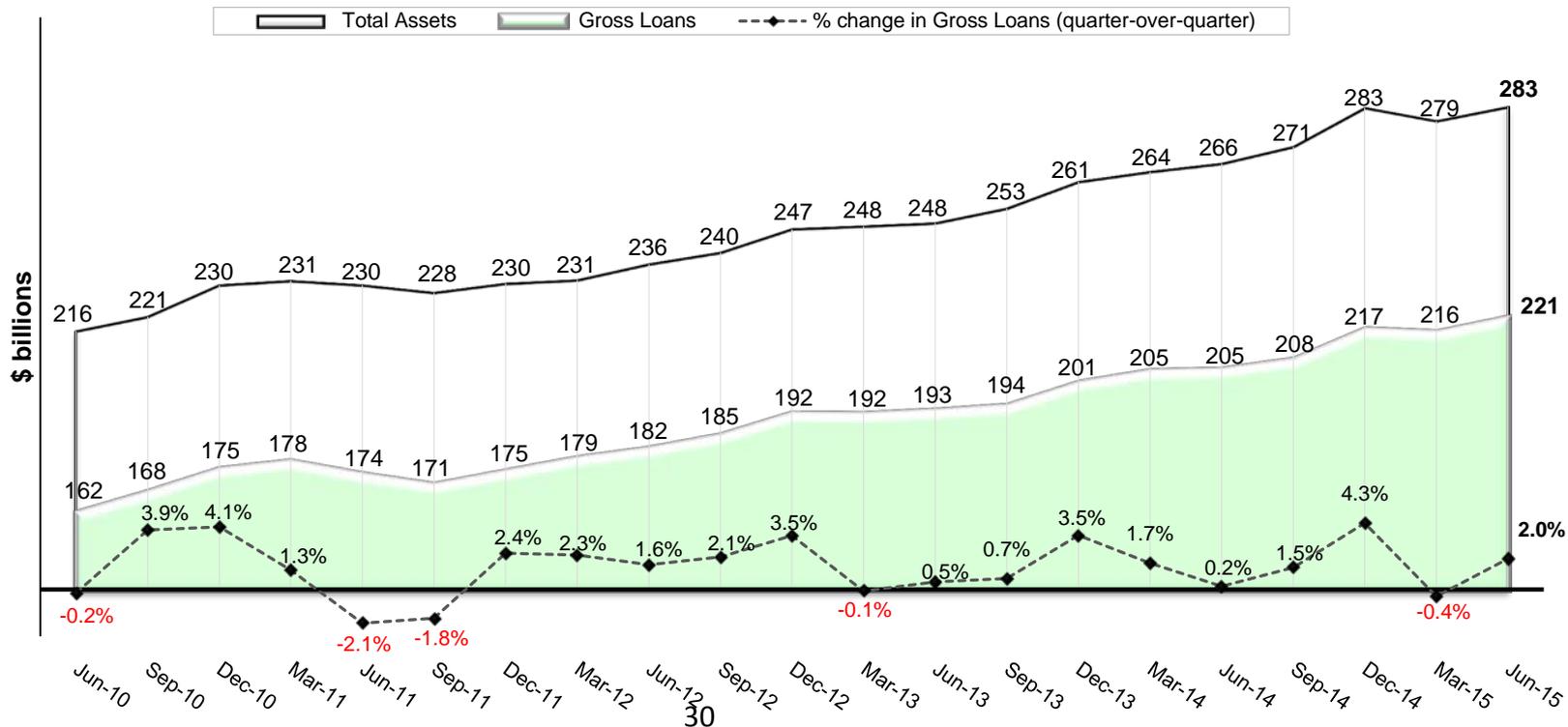
Topics

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





System continues to grow at a measured pace



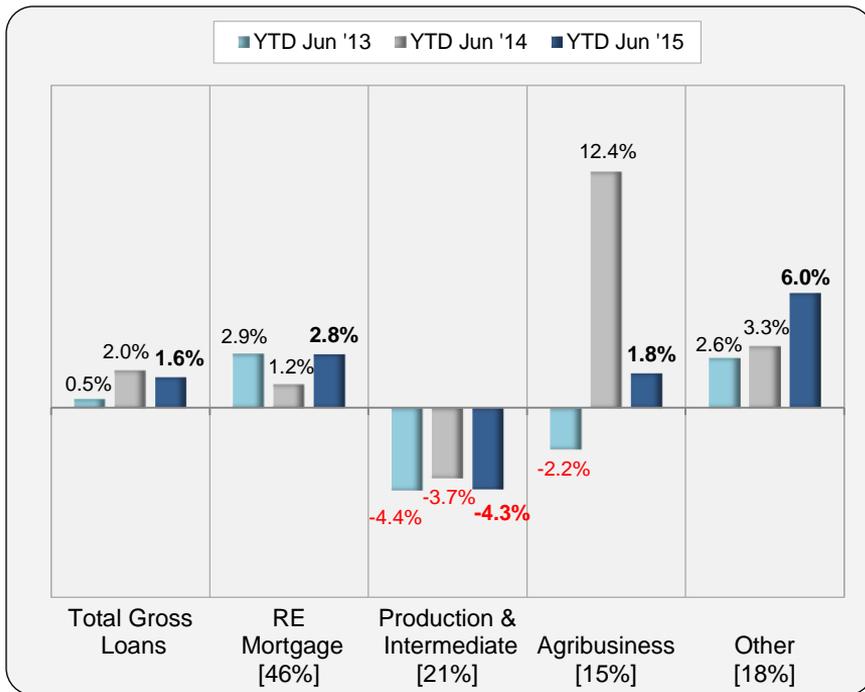
Source: FCS Quarterly Information Statements



Loan growth primarily related to RE Mortgage and Energy lending



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



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

District	Jun-13	Jun-14	Jun-15
AgFirst District (11%)	0.5%	2.0%	1.3%
AgriBank District (39%)	1.3%	0.4%	0.7%
CoBank District (41%)	-0.4%	3.4%	2.4%
Texas District (9%)	1.8%	2.9%	3.3%
Total System	0.5%	2.0%	1.6%

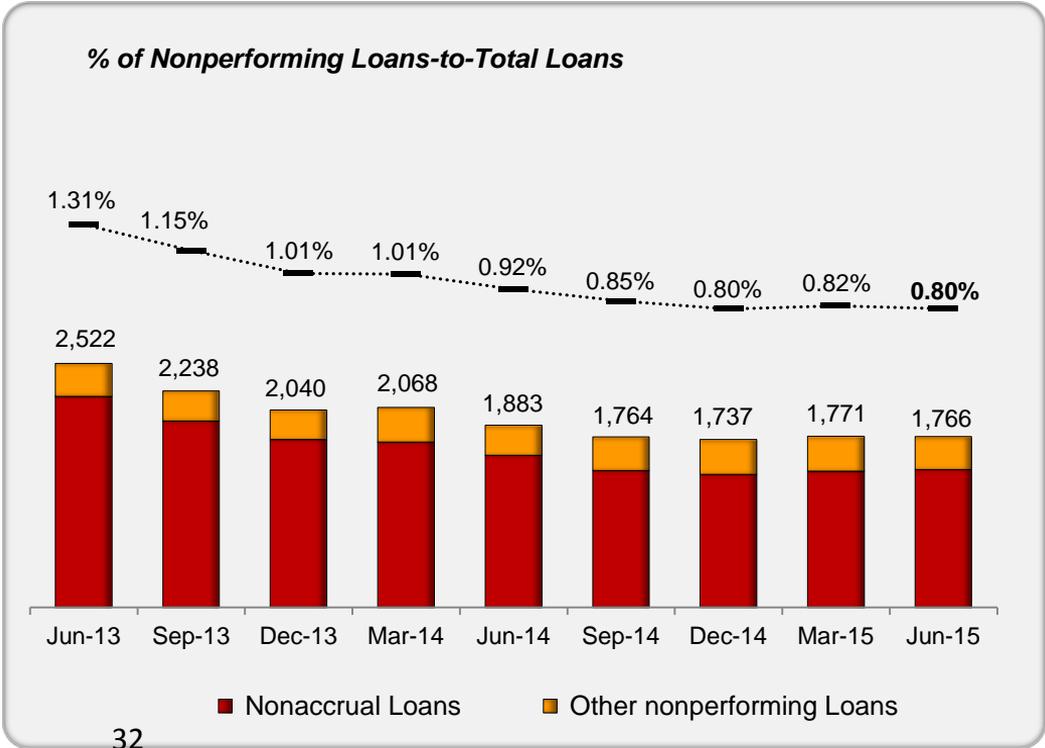


Loan quality in the System's portfolio continues to be very good



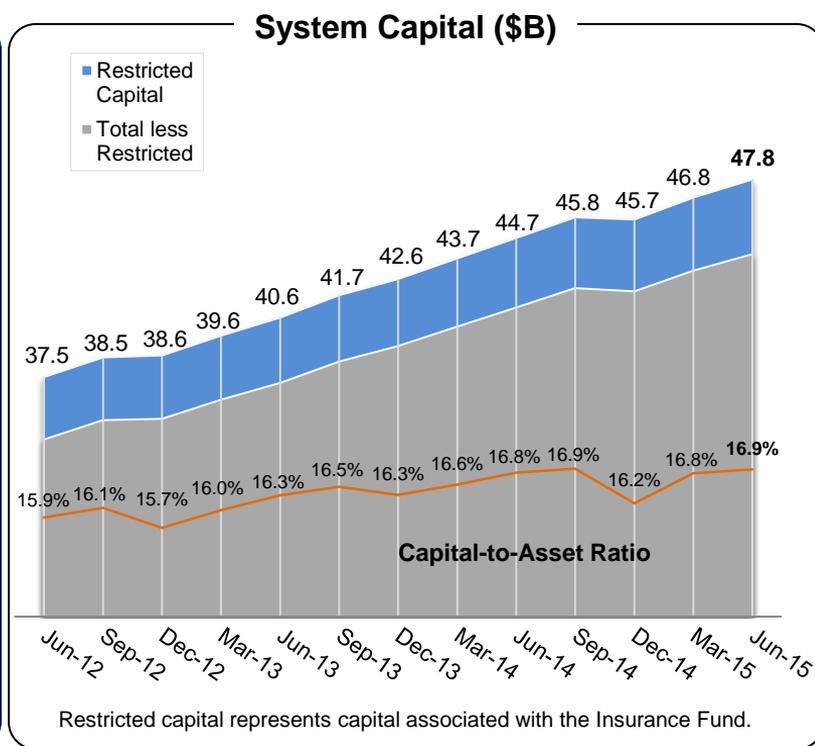
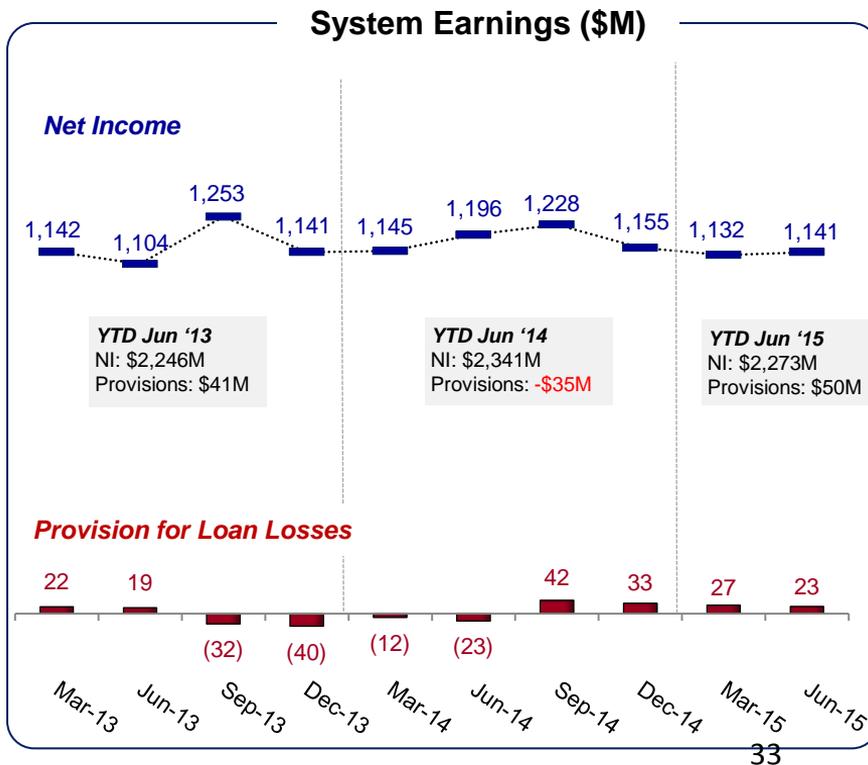
Portfolio Credit Quality as of June 2015

- Nonperforming loans equaled 0.80% of System loans outstanding
- Over 96% of System loans were classified as Acceptable
- The System's allowance for loan losses equaled 70% of nonperforming loans
- Total capital and the allowance for loan losses represented 22.2% of System loans at quarter-end





System earnings dip in the 1st half of 2015; capital position remains strong

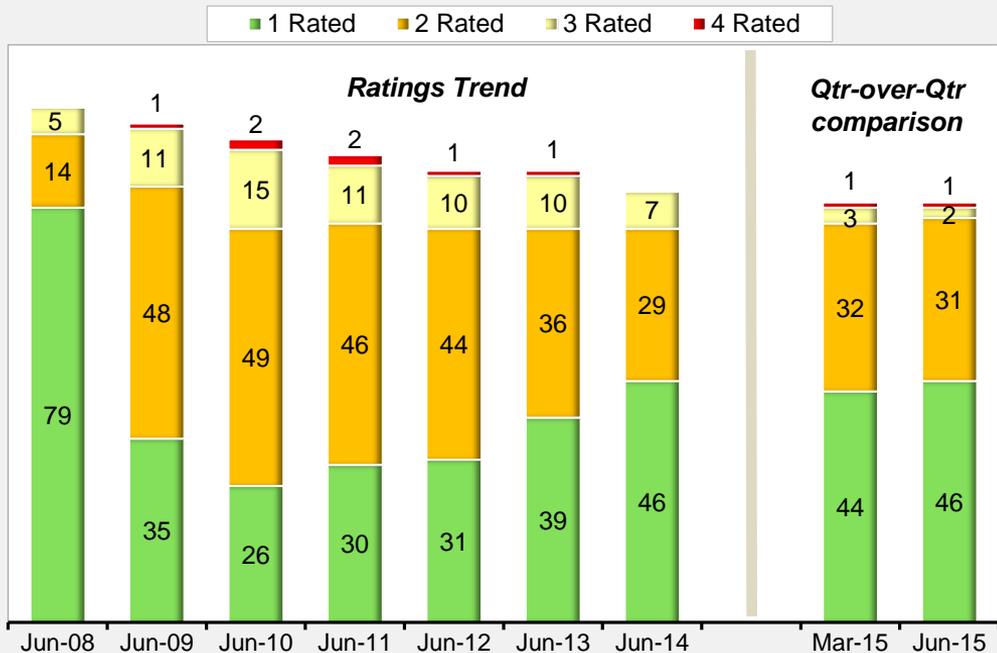




System FIRS ratings



Composite FIRS Ratings - System Banks & Associations



FIRS Ratings

With the most recent FIRS update:

- FIRS ratings continued to improve
- 96% of System Banks and Associations have a Composite FIRS rating of 1 or 2
- 3 and 4 rated institutions account for less than 1% of total System assets



Summary and final points

- Challenges for agriculture:
 - Corn and soybean producers will be tested by low crop prices and high production costs
 - Farmland values in the Midwest slide on low grain prices and interest rate concerns
 - Severe drought persists in California but weather outlook is promising
- The System continues to be financially sound, is well-capitalized, has solid earnings and strong portfolio credit quality
- System institutions' risk-bearing ability remains strong





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 10, 2015, 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 10, 2015