

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



**MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
August 11, 2016**

These minutes reflect the business transacted at the August 11, 2016, 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 10:28 a.m. Members of the Board present were:

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

The above named constituted the full Board.

Others present included **Charles Rawls**, General Counsel; **Dale Aultman**, Secretary to the Board; staff of the FCA; 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.

Board Chairman Spearman 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 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.

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 July 14, 2016 Regular Board Meeting (BM-11-AUG-16-01)

Mr. Tonsager moved to approve the minutes for July 14, 2016, 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-11-AUG-16-01)**

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

Reports

Economic Implication of Brexit

Walter Gardiner of the Office of Regulatory Policy presented the Economic Implication of Brexit.

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.)

CLOSED SESSION

Board Chairman Spearman noted that this was a Closed Session and ensured that members of the public and nonessential FCA staff were not in the room so the Board could meet with Office of Secondary Market Oversight (OSMO) in Closed Session.

Board Chairman Spearman 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.

Board Chairman Spearman 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 E.)

Members of the Board present were:

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

The above named constituted 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 Secondary Market Oversight Quarterly Report

Joe Connor of the Office of Secondary Market Oversight presented the OSMO Quarterly Report.

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. Hall moved that the meeting be adjourned.

Mr. Tonsager seconded the motion.

Board Chairman Spearman called the question.

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

The meeting adjourned at 10:28 a.m.

NOTATIONAL VOTE ACTION

There was one notational vote action approved by the FCA Board from July 15, 2016, through August 10, 2016 as follows:

| Item Number | Action Date | Voting Results | Subject |
|--------------------|--------------------|-----------------------|---|
| NV 16-14 | 8/8/16 | Approved | Updated Policy Statement #62 on Equal Employment Opportunity and Diversity. |

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on August 11, 2016.

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

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

Approved **September 8, 2016**

**STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
August 11, 2016**

Kenneth A. Spearman, Board Chairman and Chief Executive Officer
Dallas 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 |
| Laguarda, Wendy | X | X |
| Kramp, Kevin | X | X |
| Calhoun, Gaye | X | |
| Corey, Kathryn | X | |
| Donerson, Alexandra | X | |
| | | |
| COO | | |
| Hoffman, William | X | X |
| | | |
| OIT | | |
| Golley, Jerald | X | X |
| | | |
| OCPA | | |
| Stokke, Mike | X | X |
| Meaux, Willy | X | X |
| | | |
| OSMO | | |
| Rea, Laurie | X | X |
| Connor, Joe | X | X |
| Hudson, Bruce | X | X |
| | | |
| OGC | | |
| Rawls, Charles | X | X |
| Donner, Mary Alice | X | |
| Strickland, Joy | X | X |

| OFFICE | OPEN SESSION | CLOSED SESSION |
|-----------------------|---------------------|-----------------------|
| OE | | |
| Paulsen, Roger | X | X |
| | | |
| EEOI | | |
| Burlew, Thais | X | |
| | | |
| OIG | | |
| Dean, Elizabeth | X | X |
| | | |
| ORP | | |
| Van Meter, Gary | X | X |
| Mardock, Barry | X | X |
| Gardiner, Walter | X | |
| Gabriel, Steve | X | X |
| | | |
| OCFO | | |
| Smith, Stephen | X | X |
| | | |
| OAS | | |
| Fowlkes, Jerome | X | X |
| | | |
| | | |
| GENERAL PUBLIC | 2 | |

**PUBLIC ANNOUNCEMENT OF
MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT
Farm Credit Administration Board
Regular Meeting
August 11, 2016**

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 August 11, 2016. 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

1 **Approval of Minutes**
 July 14, 2016

2 **Reports**
 Economic Implications of Brexit

CLOSED SESSION

3 Office of Secondary Market Oversight Quarterly Report¹

August 1, 2016

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 July 14, 2016 Regular Board Meeting

BM-11-AUG-16-01

Effective Date: August 11, 2016

Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the minutes for July 14, 2016, Regular Board Meeting as submitted.

DATED THIS 11th DAY OF AUGUST 2016

BY ORDER OF THE BOARD

/s/
Dale L. Aultman
Secretary to the Board



FCA Board Meeting

August 2016

Economic Implications of Brexit

August 11, 2016

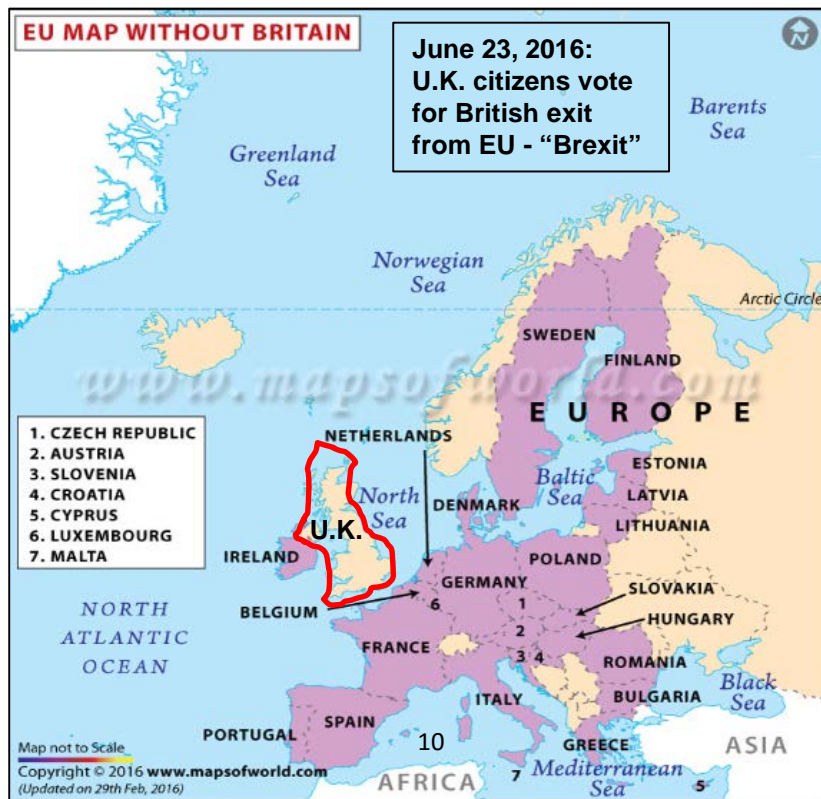
Walter Gardiner
Senior Economist
Office of Regulatory Policy

Exhibit D





European Union becoming “disunited”





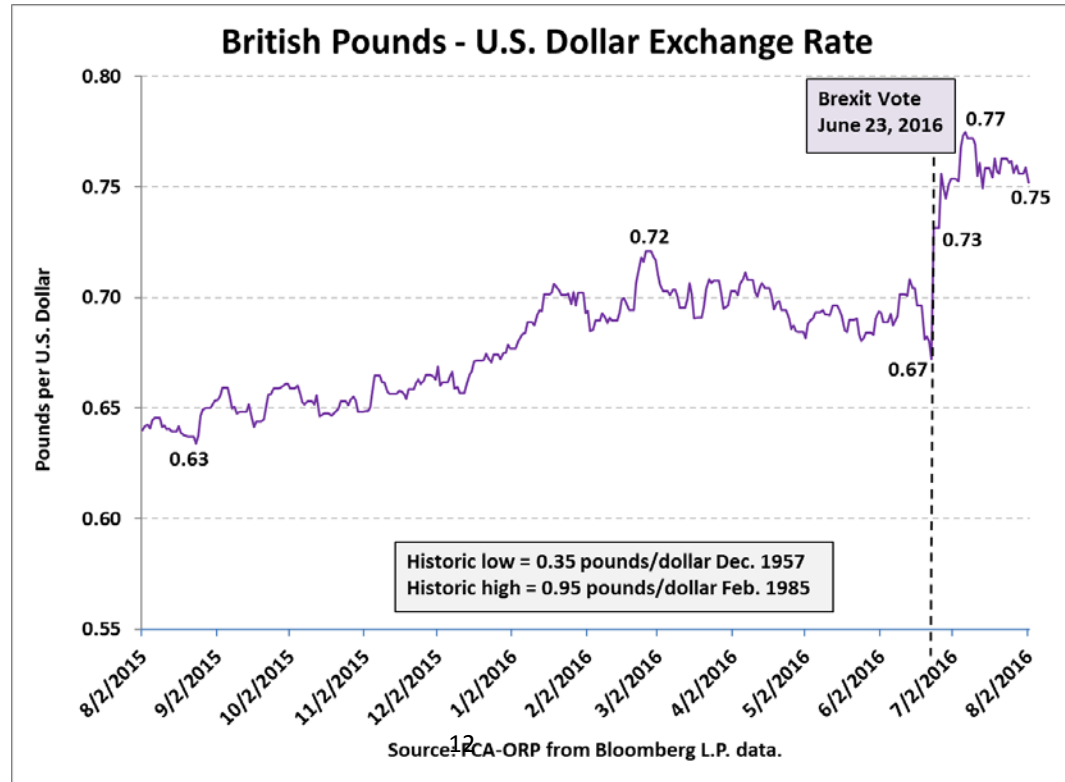
Brexit shocks global financial markets the day after the vote

- Equity markets dropped from 3% to 11% in value.
- Dow Jones industrial average fell 600 points, or 3.5%, erasing \$3 trillion in value.
- S&P, Fitch and Moody's downgraded UK debt.
- British pound depreciated by largest amount in 1 day.
- U.S. dollar appreciated against most currencies.
- Government bond yields dropped in most countries.



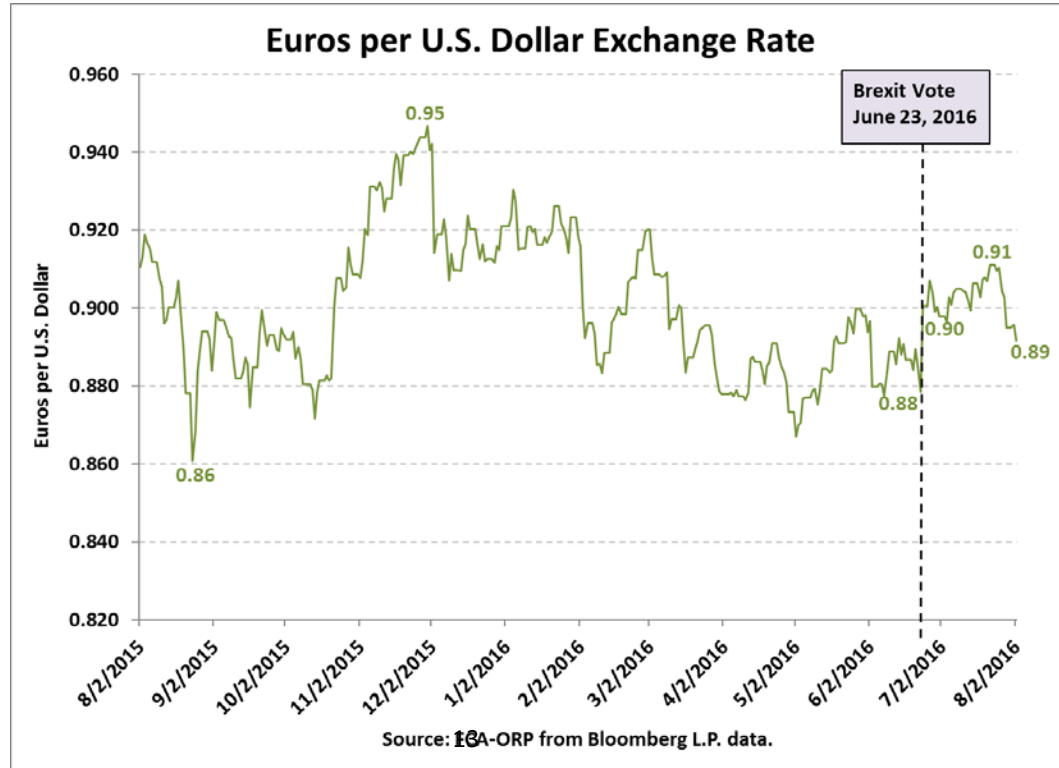


Dollar surged 15% against British pound but has settled around 12% higher



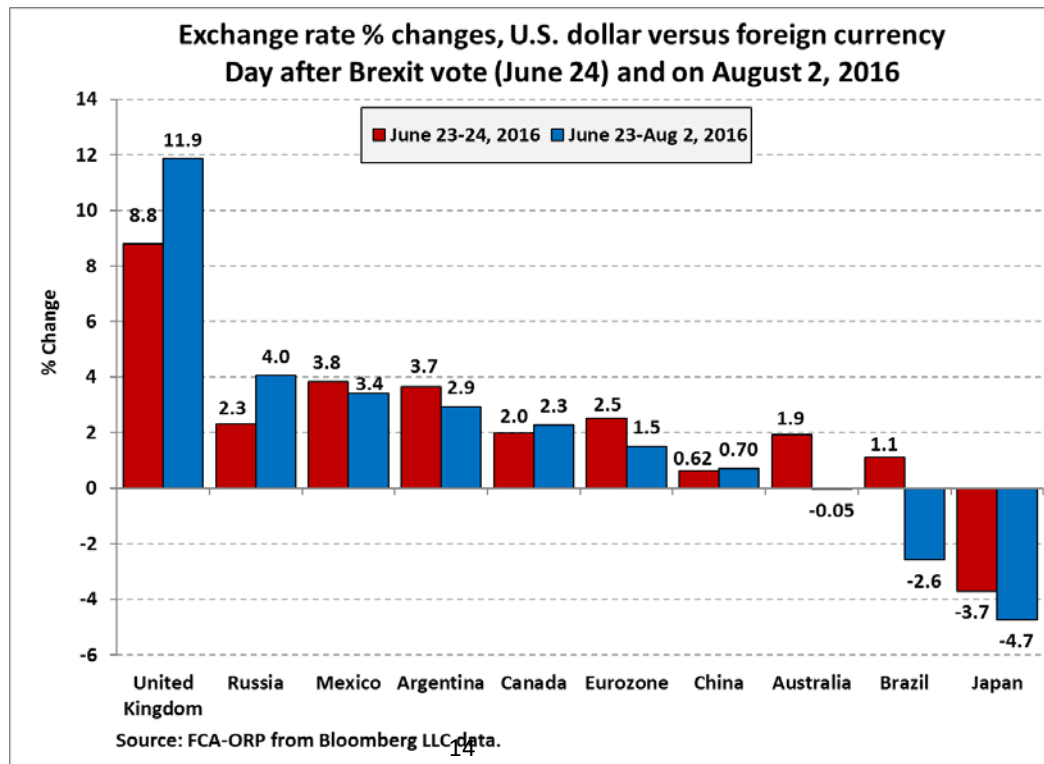


Dollar increased 3.4% on euro but has recently settled to 1.5% higher



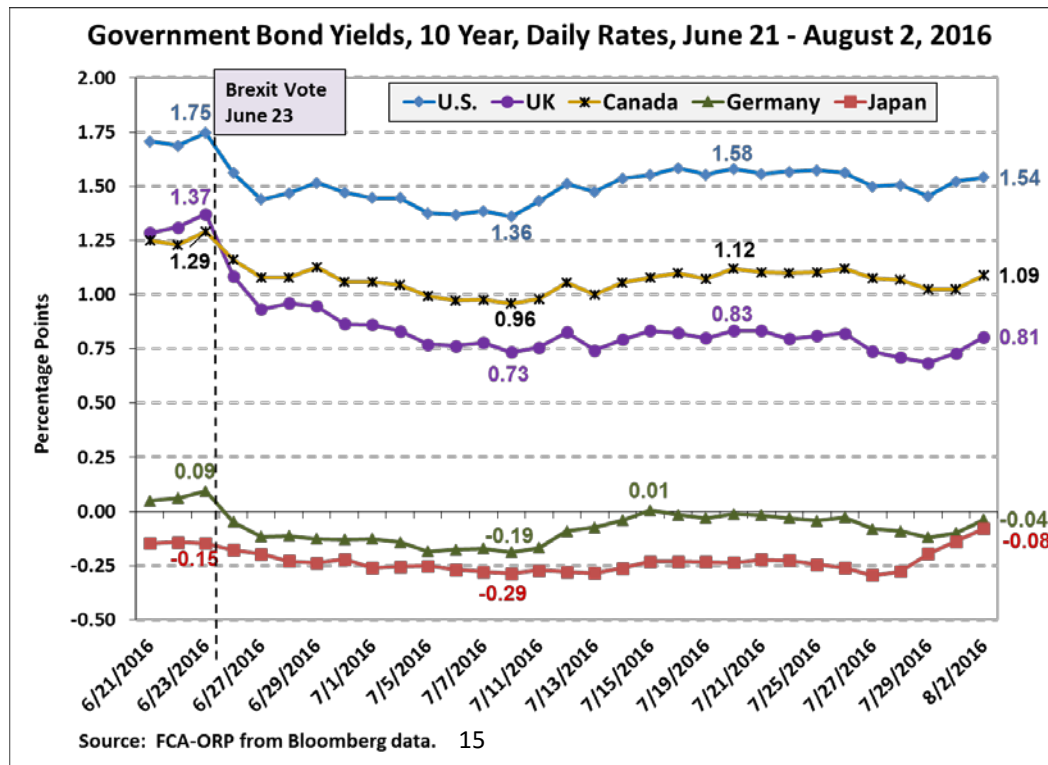


U.S. dollar mixed against most currencies today



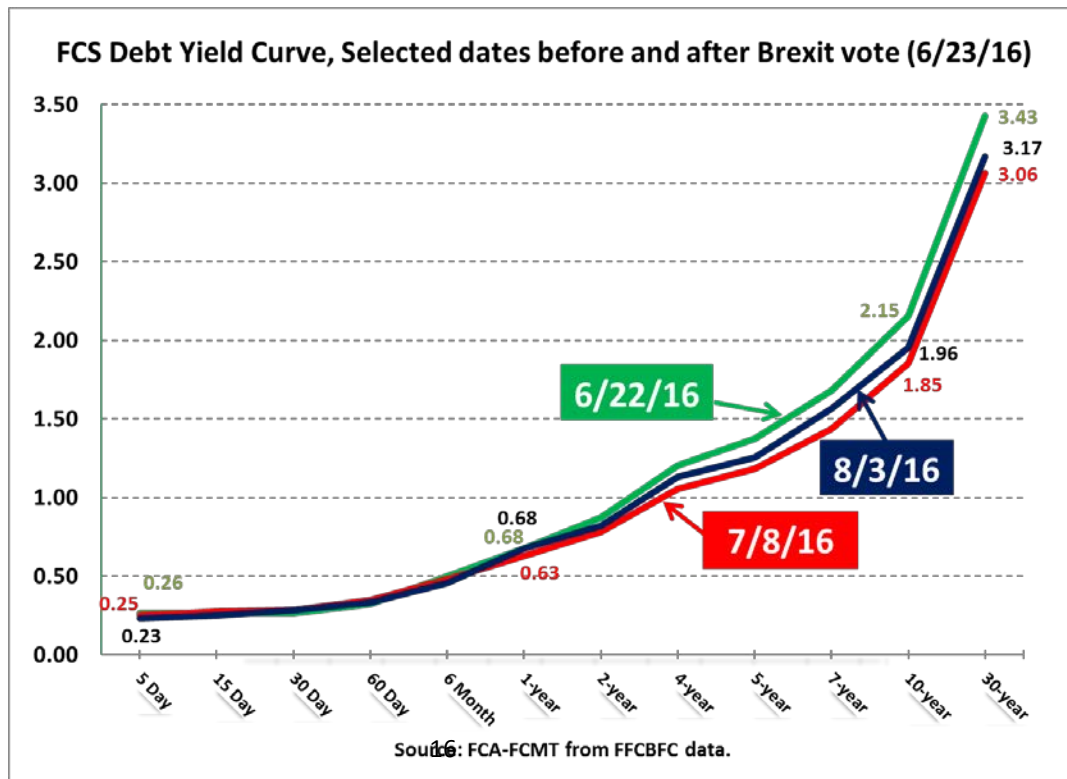


Bond yields drop then recover somewhat



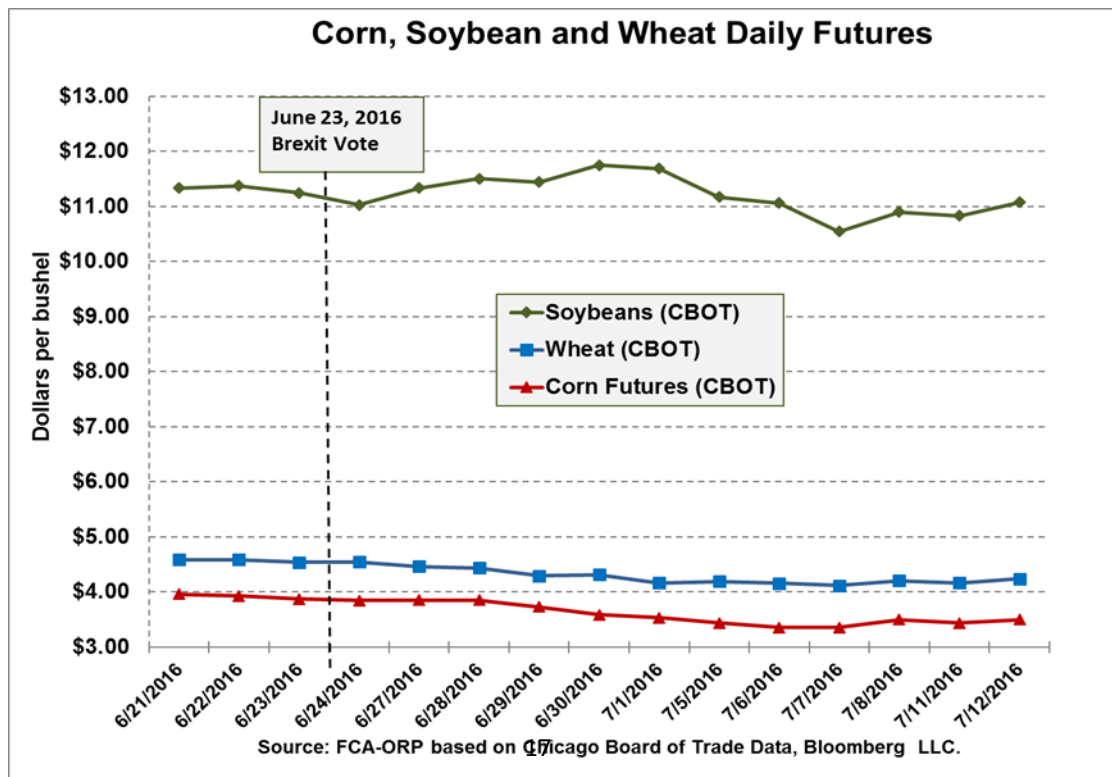


FCS debt yields decline on Brexit





Little change in commodity prices





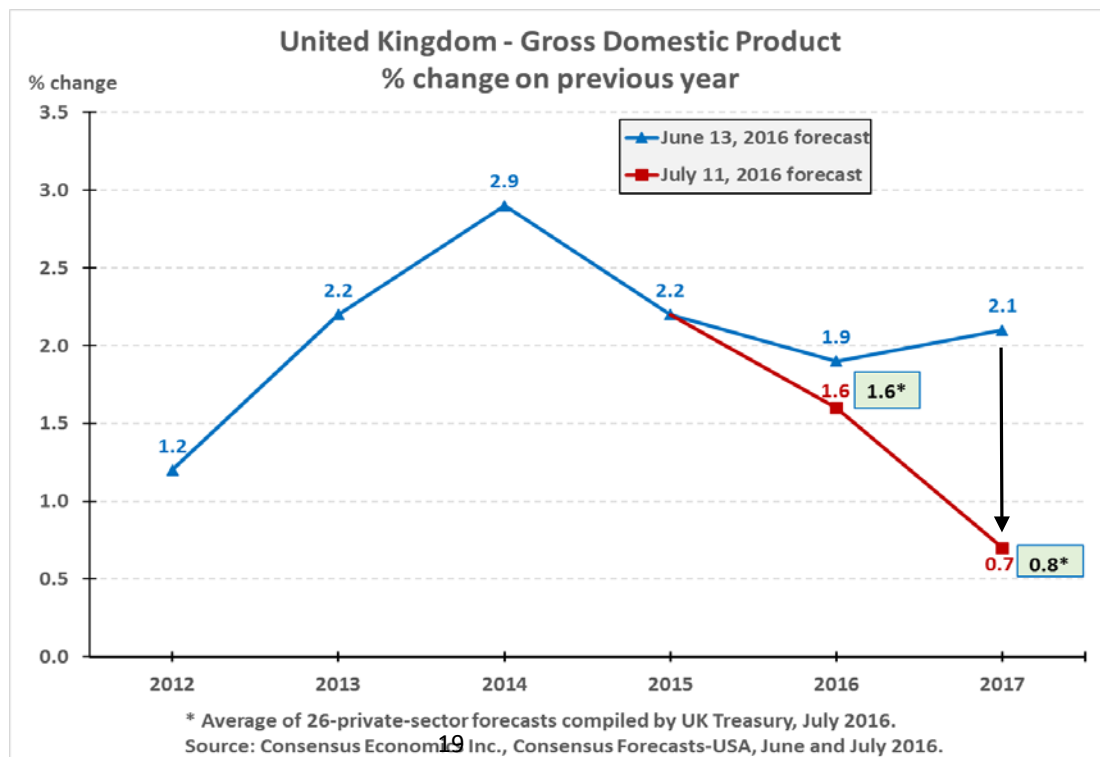
UK economy to slow post-Brexit



- Loss of wealth from sharp decline in stock market
- Capital flight from the UK to safe havens like U.S.
- Depreciating pound raises cost of imports
- Consumer confidence shaken, spending reduced
- Loss of free trade with EU in 2 years
- Foreign-based companies may leave the UK
- Sovereign debt downgraded by rating agencies

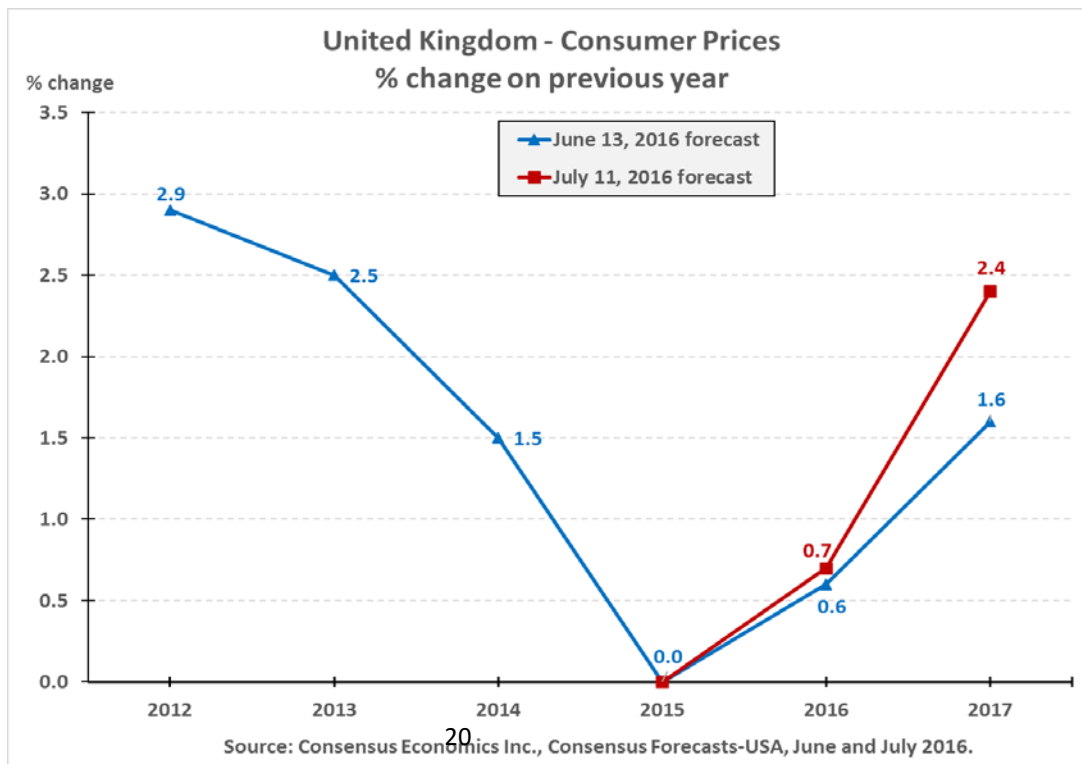


UK GDP growth forecast revised down



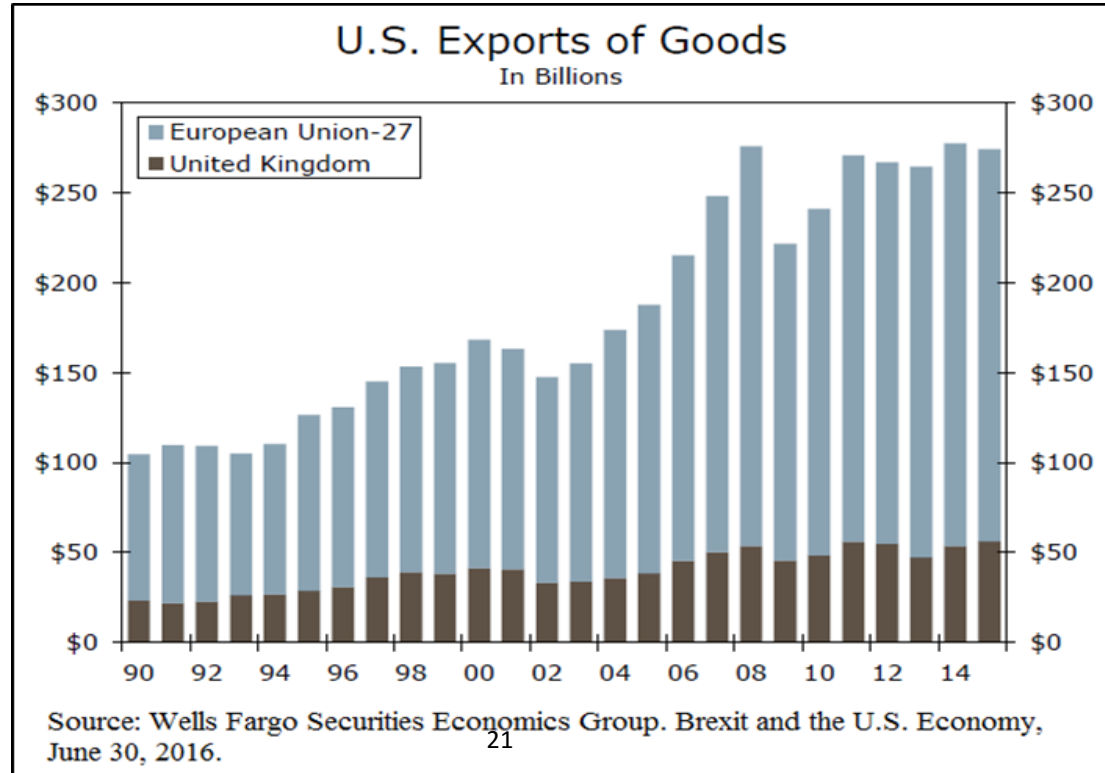


UK inflation expected to rise on higher import prices





U.S. exports to the UK and the EU have stagnated around 2008 peak

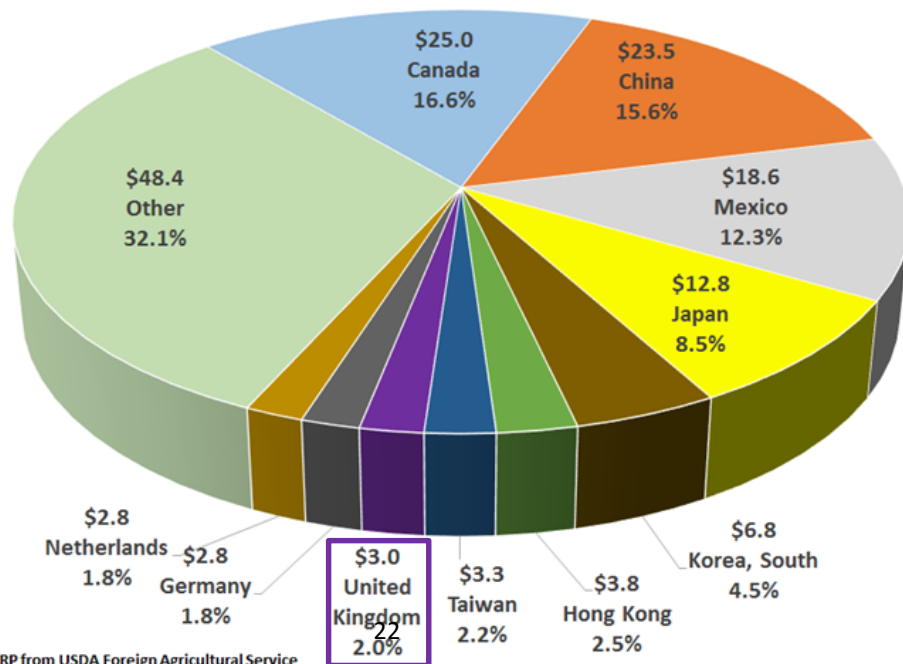




UK: 8th largest market for U.S. agricultural and related products



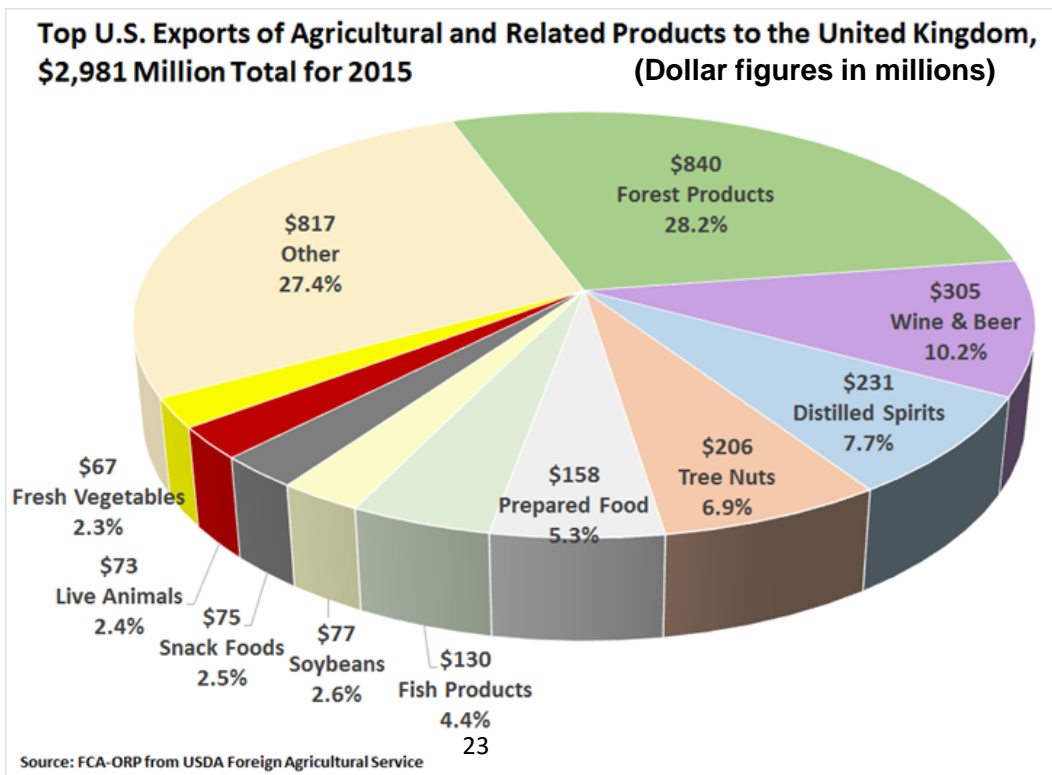
Top Destinations for U.S. Exports of Agricultural and Related Products,
\$150.6 Billion Total for 2015
(Dollar figures in billions)



Source: FCA-ORP from USDA Foreign Agricultural Service

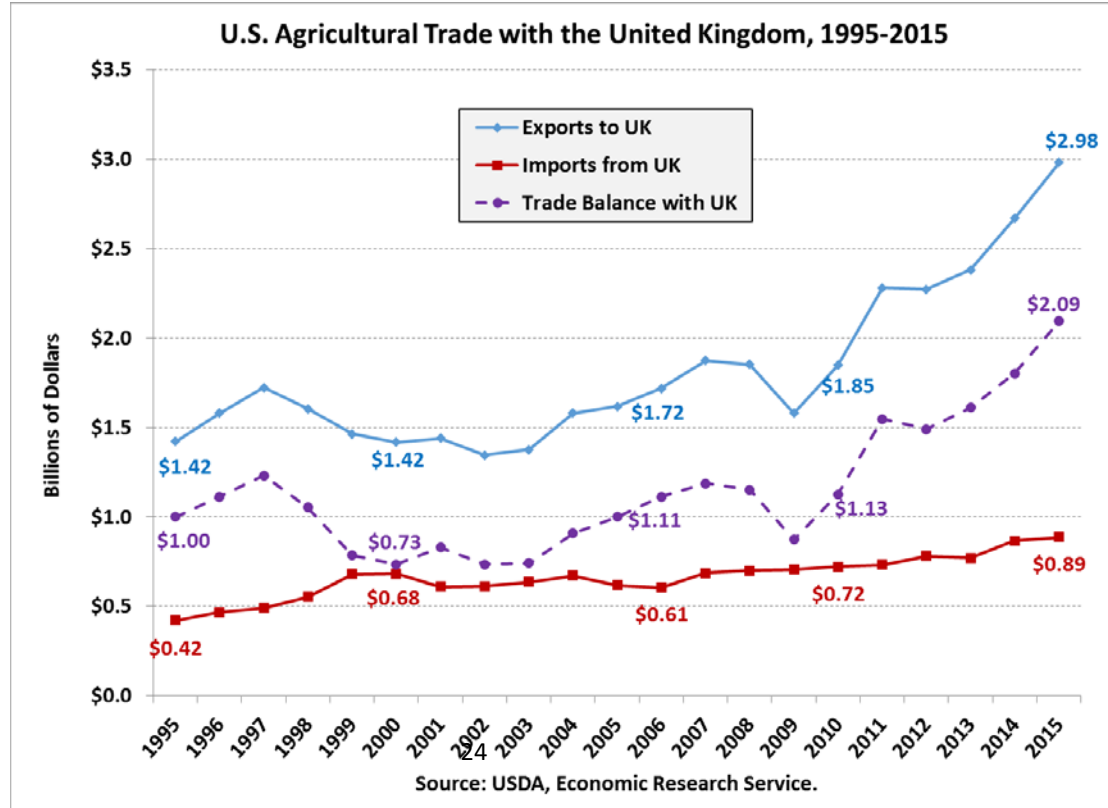


Key U.S. ag exports to UK: forest products, tree nuts, fish, soybeans



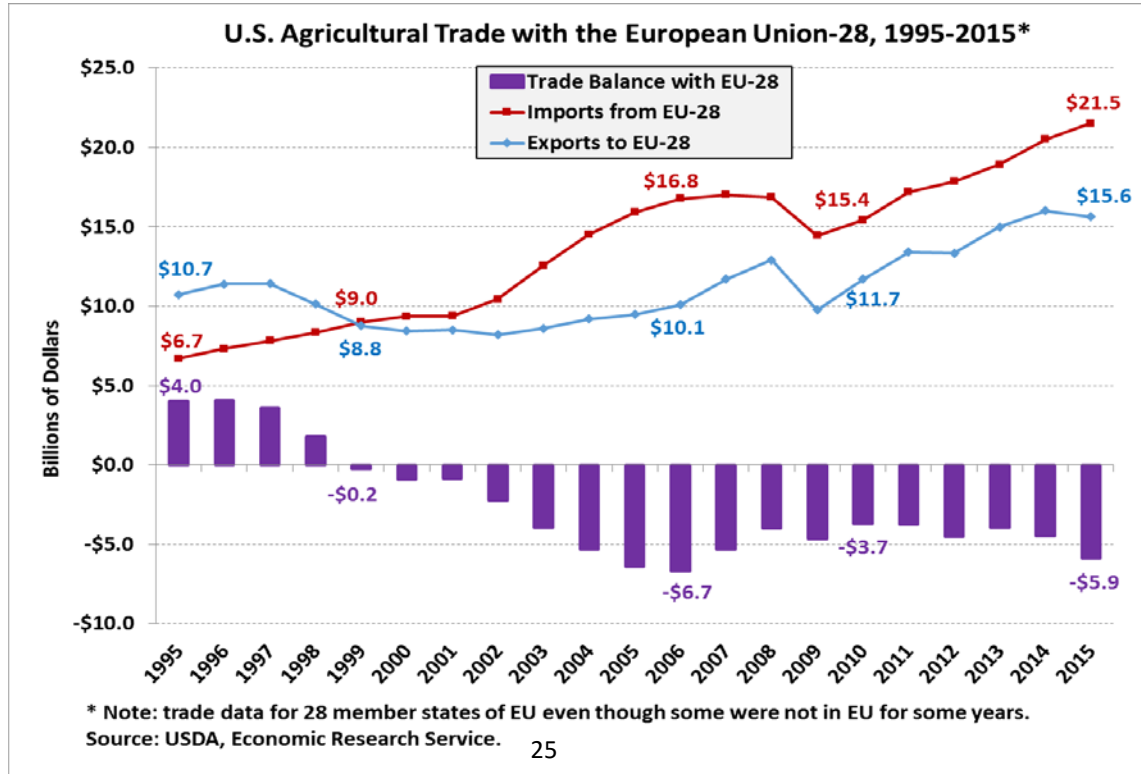


U.S. ag exports to the UK expected to decline with stronger dollar



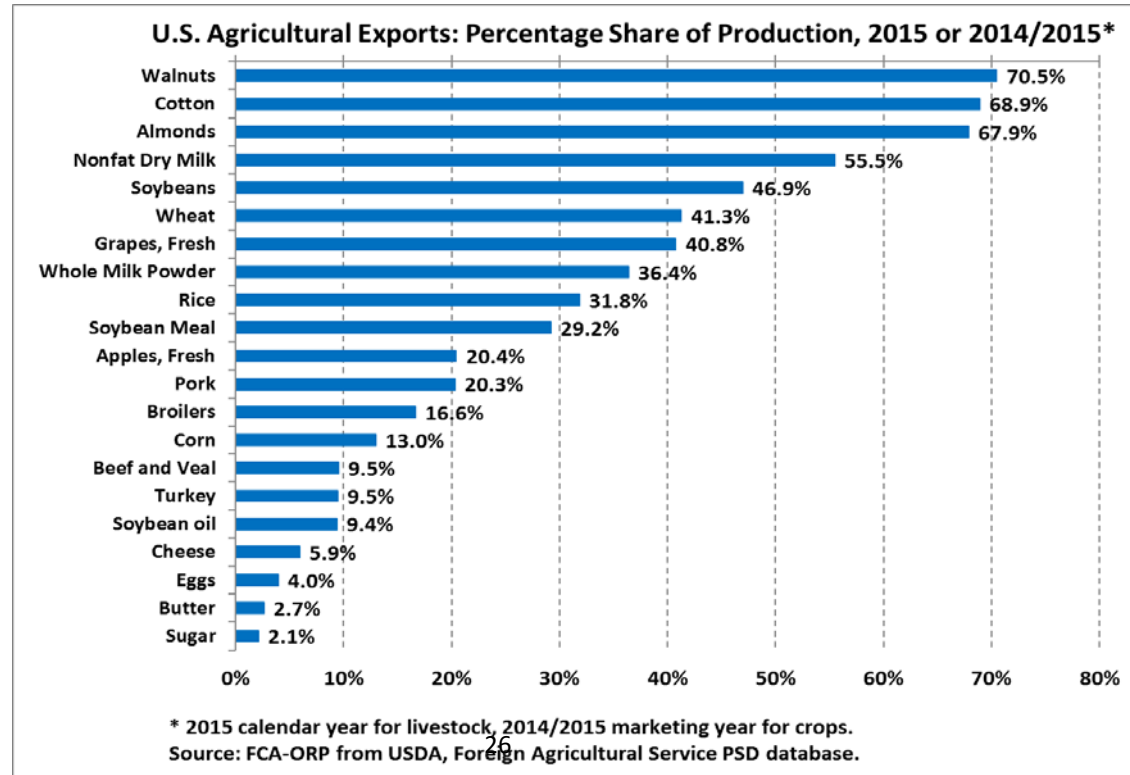


U.S. ag trade deficit with the EU likely to worsen due to strong dollar





U.S. agriculture has significant exposure to international events





FCS has significant concentration in commodities with large trade exposure



| Farm Credit System commodity loans, as of December 31, 2015, and Commodity exports as a % of production, 2015 or 2014/2015 Marketing Year* | | | |
|--|-------------|-------|---|
| Commodity | Amount | % of | Commodity |
| Loan Type | \$ Millions | Total | Exports as a % of production |
| Grains and soybeans | \$41,710 | 17.7% | Soybeans 46.9%, wheat 41.3%, rice 31.8%, soybean meal 29.2%, corn 13.0%, soybean oil 9.4% |
| Cattle | 22,347 | 9.5% | Beef and veal 9.5% |
| Dairy farms | 15,265 | 6.5% | Nonfat dry milk 55.5%, whole milk powder 36.4%, cheese 5.9%, butter 2.7% |
| Forestry | 14,855 | 6.3% | Timber products 18.1% |
| Tree fruits, nuts and grapes | 11,392 | 4.8% | Walnuts 70.5%, almonds 67.9%, grapes 40.8%, apples 20.4% |
| Poultry and eggs | 5,966 | 2.5% | Broilers 16.6%, turkeys 9.5%, eggs 4.0% |
| Hogs | 4,963 | 2.1% | Pork 20.3% |
| Cotton | 2,172 | 0.9% | Cotton 68.9% |
| Biofuels, primarily ethanol | 951 | 0.4% | Ethanol 5.9% |

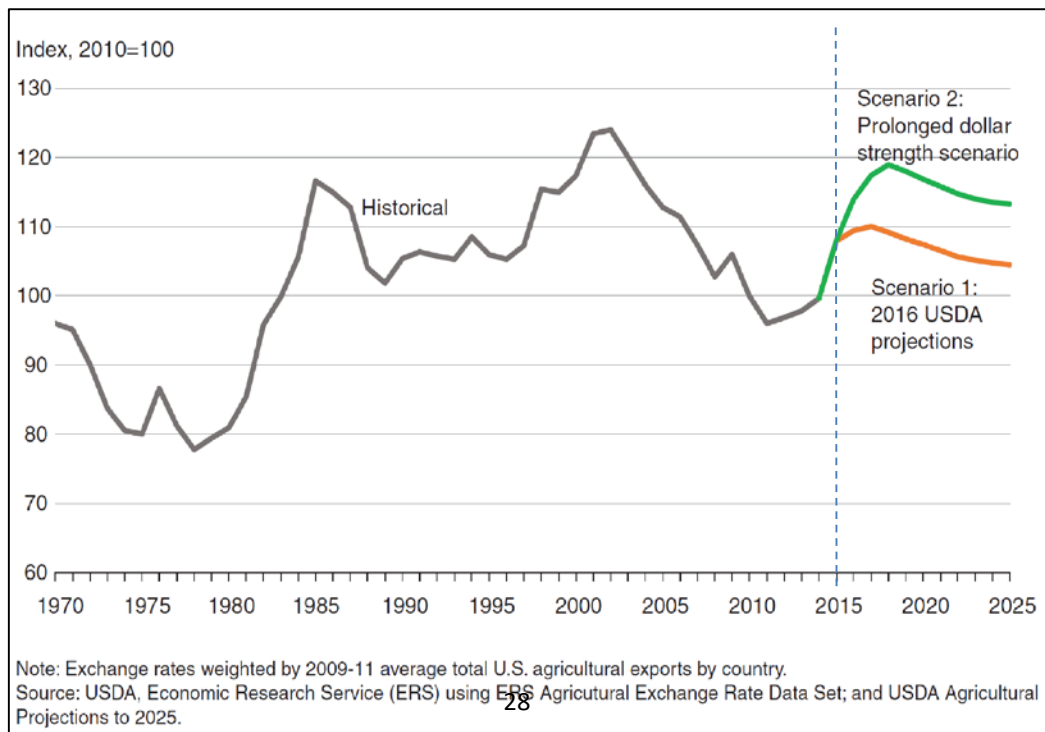
* Exports as a % of production for livestock, dairy products, eggs and ethanol are for calendar year 2015; timber products are for 2013. Crops are on a 2014/2015 marketing year basis.

Source: Loan data from Federal Farm Credit Banks Funding Corporation, 2015 Annual Information Statement. Export and production data from USDA, Foreign Agricultural Service and Forest Service.



What might a prolonged period of dollar strength look like?

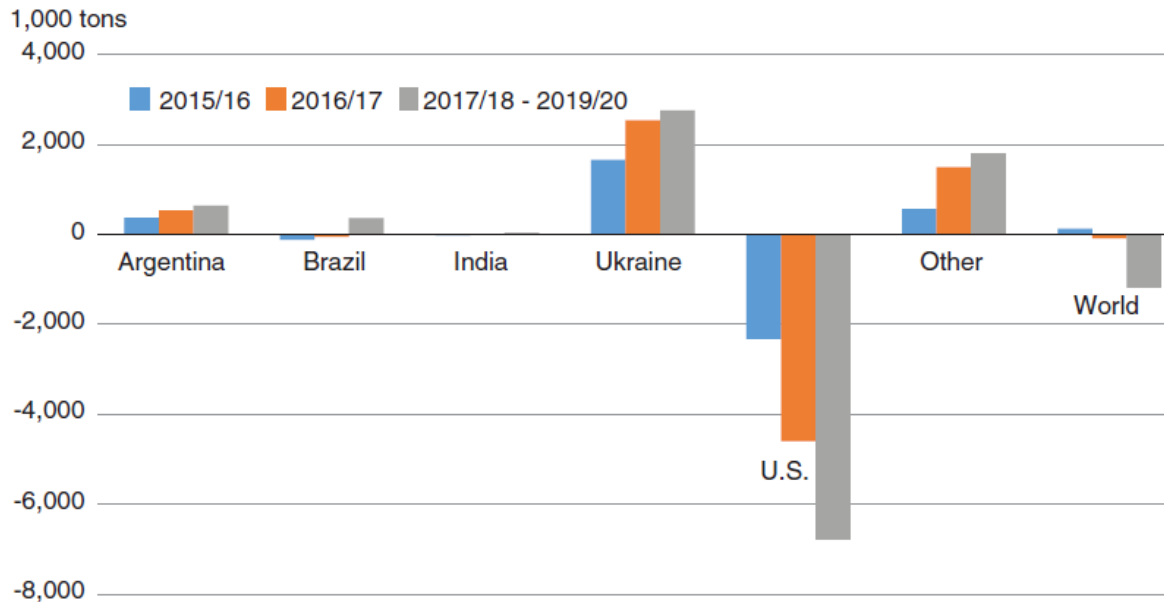
Real ag export-weighted dollar exchange rates and projections





U.S. ag exports would take a hit from prolonged dollar strength

Impact of extended period of dollar strengthening on 2016 USDA projections of corn exports



¹Change in 2016 USDA global export volume projections in a scenario that extends the period of gradual dollar strengthening into 2019.

Source: USDA, Economic Research Service.





Breaking up is hard to do!

- Evolving political crisis in the UK and the EU
- Uncertainties about the separation process
- Volatility in global financial markets
- London's status as the largest global financial center
- Impact on UK economy and spillover effects
- Impact on global trade and U.S. exports





Brexit exacerbates an already difficult trade situation for U.S.



- U.S. exports to and imports from UK are small (0.7% and 0.6% of U.S. GDP, respectively), but trade with world is significant (exports = 12.5% of GDP, imports = 15.3%).
- U.S. had a \$763 billion trade deficit for 2015.
- Stronger dollar will further reduce U.S. exports and increase imports, expanding trade deficit.
- Earnings reduced for export-oriented U.S. companies.
- Cheaper imports will displace U.S. domestic sales.



Take Aways from Brexit

- Market volatility has declined but uncertainty over Brexit will continue to shape markets.
- Interest rate hike by the Fed is delayed.
- Continued low interest rates positive for U.S. agriculture.
- Lower U.S. ag exports puts additional downward pressure on commodity prices and farm income.
- Once UK leaves EU in 2+ years, U.S. farmers could see pick up in trade with UK.





Questions?

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 August 11, 2016, 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: August 11, 2016