



Farm Credit Council Annual Meeting

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Farm Credit Administration

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Regulatory Policy





Agenda

- FCA Operations and Organizational Changes
- FCA's Strategic Plan
- Economic and Agricultural Outlook
- Risk Profile for the FCS
- Office of Examination Priorities
- Regulatory Overview





Agency Overview

- FCA Operations
 - Travel, training, technology and retirements
- Organizational Changes
 - New people
- FCA's Strategic Plan
 - Mission
 - Guiding Principles





Economic Outlook

- European sovereign debt crisis
- U.S. GDP growth rates
- Unemployment rate
- Inflation
- Interest rates





Agricultural Outlook – Volatility

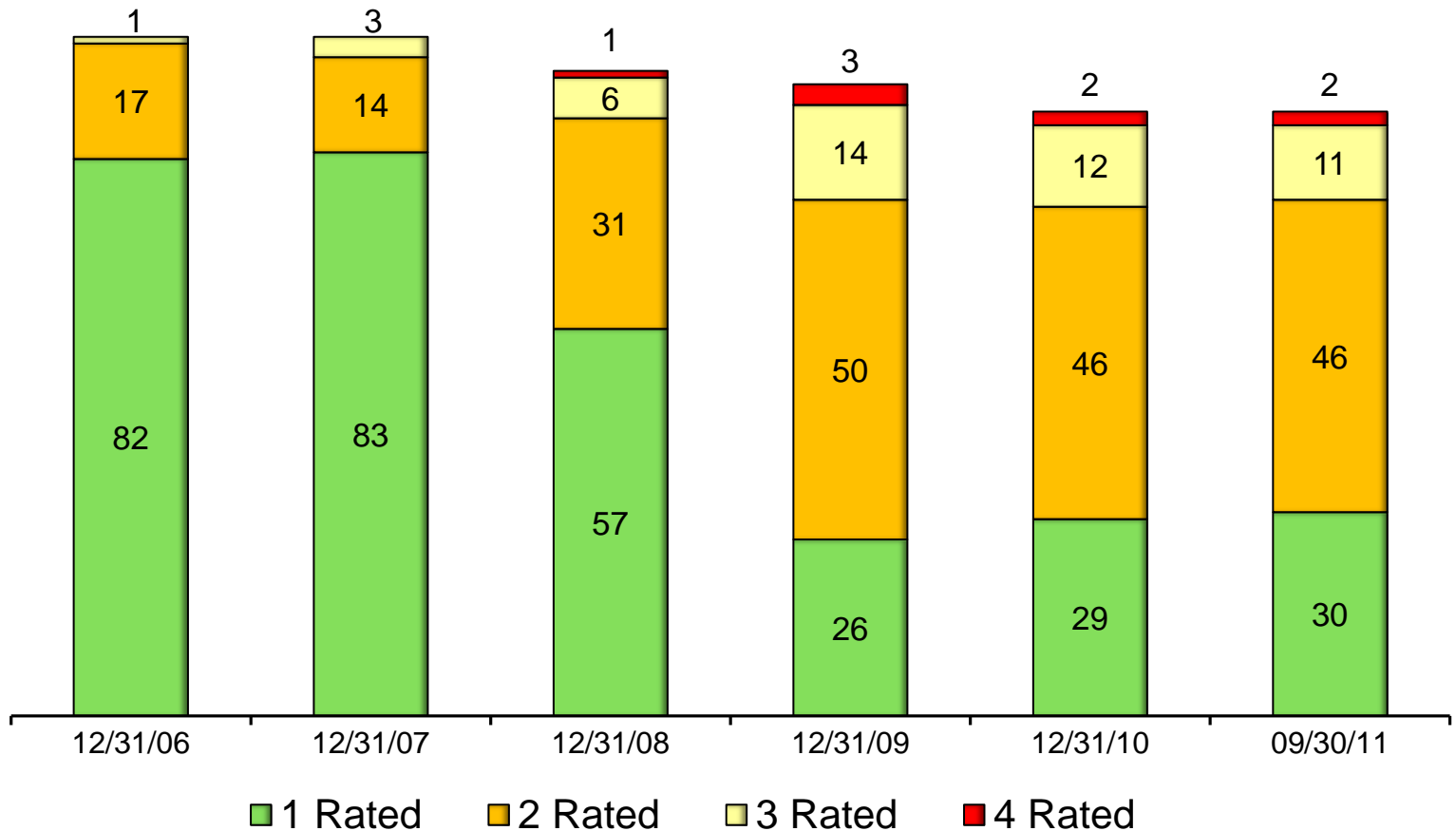
- Grain prices to remain volatile while input costs rise
 - Tight corn supplies and weather concerns in South America
- Midwest farmland prices continue to surge
 - Sustainability of incomes and cap rates raise concerns of the prospect of a correction
- Cow-calf, swine, dairy and ethanol sectors benefitting from strong product prices. Broiler margins should be positive after months of losses
 - Substantial uncertainty exists—potential global economic problems could affect demand while feed (feedstock) costs remain volatile





Risk Level is Stable but Elevated

Number of Banks and Associations by Composite FIRS rating

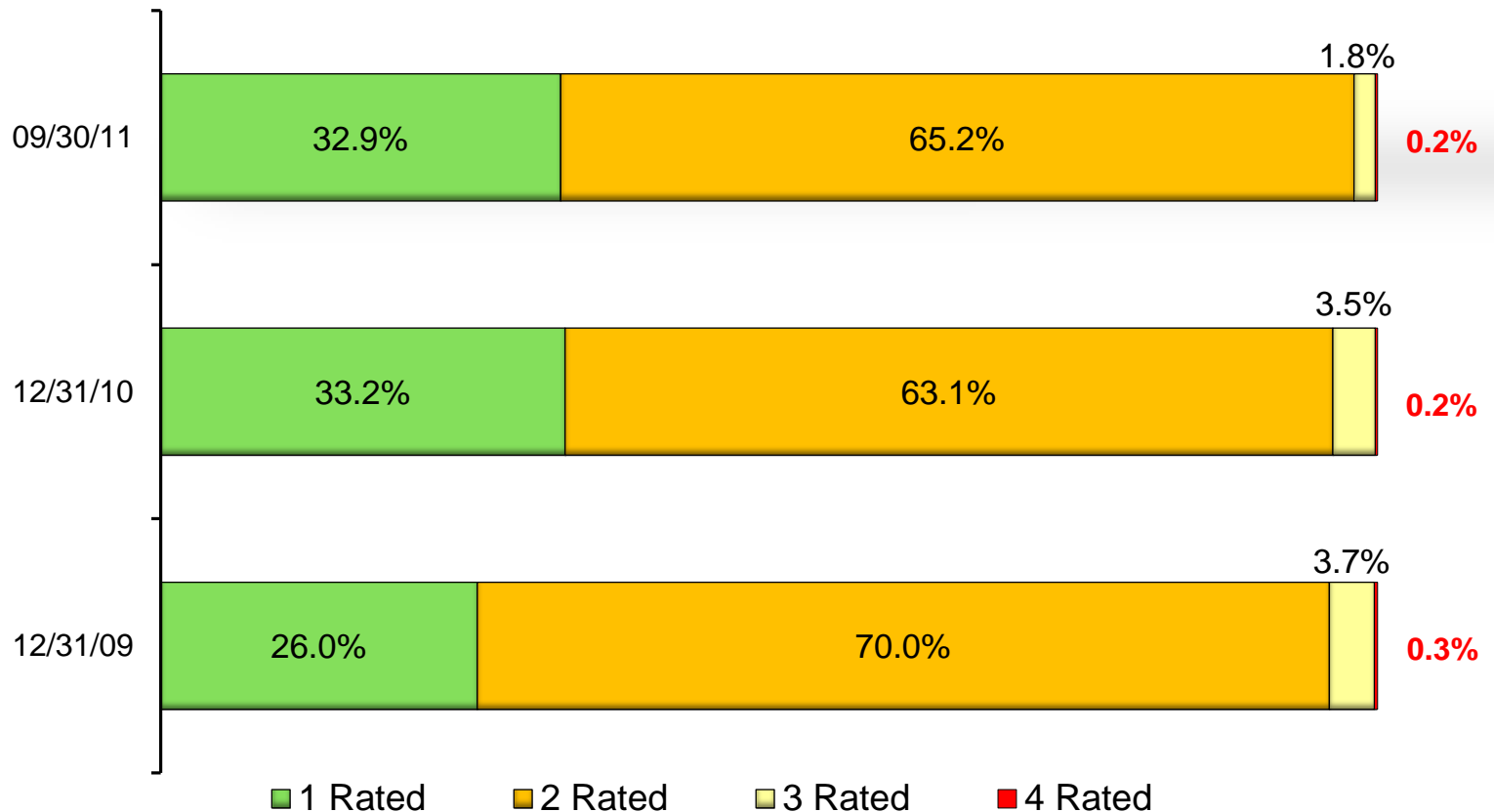


The above chart includes only the 5 System banks and their affiliated direct-lender associations.
Source: FCA's FIRS ratings database



Risk Level by Asset Volume

Percentage of Bank and Association Assets by Composite FIRS Rating ⁽¹⁾



(1) represents cumulative Bank and Association assets prior to any adjustments for eliminations.
Source: FCA's FIRS ratings database and Consolidated Reporting System



Office of Examination Priorities

- Proactive Risk Supervision
 - Loan Portfolio Management
 - Collateral Risk Management
 - Profitability and Repayment Capacity
 - Public Mission of the FCS
- Higher Risk Institutions
- Improving Loan Information





Regulatory Overview

- Proposed Rules
 - Planning—Diversity and Inclusion
 - Senior Officer Compensation Disclosures
 - Liquidity and Funding
 - Investment Management
 - Rural Community Investments
- Other Projects
 - Rural Business Investment Companies
 - Capital





Planning—Diversity and Inclusion

- Require business plans to include
 - Human Capital Plan (HCP)
 - Achieve diversity and inclusion within the institution's workforce, management, and governance structure
 - Marketing Plan
 - Strategies for providing the institution's products and services to all creditworthy and eligible persons





Senior Officer Compensation Disclosures

- Shareholders' nonbinding advisory vote on senior officer compensation
- Disclose supplemental executive retirement plans for senior officers
- Disclose certain significant or material events
- Clarify and enhance responsibilities of compensation committees





Liquidity & Funding

- Specifies additional criteria and attributes to determine marketability of investments
- Two levels of liquidity
 - First Level—Highly liquid assets to continue normal operations for 30 days
 - Second Level—Maintain liquid assets sufficient to fund operations for the next 60 days during a prolonged stress scenario
- Supplemental liquidity buffer
- Strengthen contingency funding plan





Investment Management

- Additional board policy requirements and enhanced internal controls of investments
- Stress testing for all investments
- Determine eligibility of investments only at the time of purchase
- Seeks comment on alternative creditworthiness standards for eligible investments





Rural Community Investments

- Proposed rule resulted in over 10,000 comment letters
- Working on another proposed rule
 - Focusing on rural community essential facilities and infrastructure projects in collaboration with Federal and state agencies and other rural lenders





Rural Business Investment Companies (RBICs)

- USDA Regulation on non-leveraged RBICs
- Working with USDA





Capital

- Capital characteristics
 - Proportional to risk
 - Put at risk in one location
 - Held where the risk is retained
 - Available to absorb potential losses
 - Sensitive to System structure
 - Consistent with that required of other regulated financial institutions
 - Supportive of the System's mission and cooperative nature





Closing Comments

- Questions
- Thank you





Contact Information



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