

News Release

Farm Credit Administration
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FCA Board Receives Report on Effect of Strong Dollar on U.S. Agriculture and Report on Drought in California

McLEAN, Va., July 8, 2015 — At its monthly meeting today, the Farm Credit Administration Board received two reports from staff. The first report concerned the current strength of the U.S. dollar and its implications for U.S. agriculture. The second report concerned the severe drought affecting California.

According to the first report, the U.S. dollar is strengthening against most currencies, and it is expected to continue to strengthen. Because a strong dollar makes U.S. products more expensive to foreign buyers, U.S. farm exports are expected to decline.

Exports represent a significant portion of the sales of some agricultural commodities. As a result, Farm Credit System institutions with loan concentrations to producers of these commodities may face heightened risk if exports decline.

The report also showed that the United States' main trade partners have changed over the past few years. Concentration risk by country has declined because of this shift, but it is starting to rise again.

In the second report, staff described the four-year drought affecting California. Although the state is prone to drought, the severity of the current drought is exceptional even there. According to the report, costs have been manageable so far, and groundwater has offset much of the surface water shortages.

In addition, scientists see some hope that the current El Niño will bring enough precipitation over the fall and winter of 2015 to break the drought.

Notational Votes

Since the June 11 FCA Board meeting, four notational votes have occurred. Notational votes are actions taken by the FCA Board between Board meetings.

- On June 15, the FCA Board voted to reopen the comment period for the proposed capital rule. The comment period reopened on June 26 and closes on July 10.

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- On June 16, the Board adopted a final rule to amend its regulation on flood insurance. The amendments bring FCA regulations into conformity with the Biggert-Waters Flood Insurance Reform Act of 2012 and the Homeowner Flood Insurance Affordability Act of 2014.
- On June 22, the Board approved changing the date this year for the regular July Board meeting from July 9 to July 8.
- On June 23, the Board approved a mid-year reprogramming of agency funds.

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The Farm Credit Administration is the safety and soundness regulator of the Farm Credit System. The System consists of two Government-sponsored enterprises—a nationwide network of cooperative banks and associations established in 1916, and a secondary market entity known as the Federal Agricultural Mortgage Corporation (Farmer Mac) that was established in 1988. The System's borrower-owned banks and associations provide credit to farmers, ranchers, residents of rural communities, agricultural and rural utility cooperatives, and other eligible and creditworthy borrowers. Farmer Mac provides a secondary market for agricultural real estate loans, rural housing mortgage loans, and certain rural utility loans. Members of the FCA Board are Kenneth A. Spearman, Board Chairman and CEO; Dallas P. Tonsager; and Jeffery S. Hall.

Note: FCA news releases are available on the Web at www.fca.gov.