FCA Board Approves Proposed Rule Affecting Processing and Marketing Operations

McLEAN, Va., September 14, 2006 — The Farm Credit Administration (FCA or Agency) Board today approved a proposed rule to amend the criteria used to determine whether a processing or marketing operation is eligible for financing from a Farm Credit System (FCS) institution.

The current rule provides that a legal entity engaged in processing or marketing is eligible to borrow if eligible borrowers own more than 50 percent of the voting stock or equity. The Agency proposes to revise the regulation to provide three new criteria to define eligibility for a legal entity consistent with statutory authority.

The proposed changes recognize the changing ownership structures of processing or marketing operations. The first proposed criterion defines eligibility for financing for processing or marketing operations by measuring the extent to which eligible borrowers control the entity. The second criterion defines eligibility by measuring the commitment (as defined through ownership and throughput) of eligible borrowers to the processing or marketing entity. The third proposed criterion defines eligibility by the extent to which the processing or marketing entity is an extension or outgrowth of an eligible borrower’s production operation.

The proposed rule will be published in the Federal Register for a 60-day comment period. Comments for the proposed rule may be submitted by electronic mail to reg-comm@fca.gov, through the Pending Regulations section of FCA’s Web site at www.fca.gov, or through the Federal government Web portal at www.regulations.gov.
The Board also approved a final rule that amends several FCA regulations to update and correct certain citations and to conform the regulations to Executive order 13,292, which prescribes a uniform system for classifying, safeguarding, and declassifying national security information. Following its publication in the Federal Register, the final rule will take effect after 30 days during which either house of Congress is in session.

In other business, the Board received a quarterly report on operations of the FCS Building Association, which manages facilities to house FCA’s headquarters and field offices.

In closed session, the Office of Secondary Market Oversight provided its regular quarterly report on operations of the Federal Agricultural Mortgage Corporation.

**Notational Votes**

Since the August 10 FCA Board meeting, two notational votes have occurred. Notational votes are actions taken by the FCA Board between Board meetings.

The Board approved a request by CoBank, ACB, to invest in rural housing mortgage-backed securities under a three-year mission-related investment pilot program. In addition, the Board did not object to the proposal by East Carolina Farm Credit, ACA, to issue up to $100 million of nonvoting cumulative preferred stock to its members.

###

The FCA is the safety and soundness regulator of the cooperative Farm Credit System. The FCA charters, regulates, and examines the 109 banks, associations, and service corporations of the System. System institutions make loans to agricultural producers and their cooperatives nationwide. Members of the FCA Board are Nancy C. Pellett, Chairman and CEO, Douglas L. “Doug” Flory, and Dallas P. Tonsager.

Note: FCA news releases are available on the Internet. Access the FCA Home Page at www.fca.gov.