



FCA Board Members Address FCS Presidents' Planning Committee

Farm Credit Administration (FCA) Board Chairman Michael M. Reyna and Board Member Ann Jorgensen addressed the Farm Credit System's (FCS or System) Presidents' Planning Committee February 28 in Dallas, Texas. Reyna stressed his desire to forge a stronger working relationship. He said his priority is to tackle the System's structural issues early in his tenure.

During his remarks, Reyna also noted the importance of good relationships, both on a personal and professional level. "Solid relationships are based upon trust, honesty, good communication, understanding, and mutual respect," he said.

Reyna pointed out that there are pending issues before the FCA Board and much work lies ahead. "As we approach our task, we will do so with a sense of urgency and a sense of purpose," he said. Reyna restated his strong support for the Board's philosophy statement, the need to

continue pursuing regulatory relief, and other issues important to the System. "Beyond the near-term issues, we need to focus on the broader role the System can play in rural America," he added.

Jorgensen, recently named Chair of the Farm Credit System Insurance Corporation (FCSIC), addressed her priorities for FCSIC. "I plan to focus my efforts on FCSIC's primary mission—protecting investors who purchase the System's insured debt," she said. She discussed the status of the Insurance Fund and how the fund is invested.

Jorgensen noted there will soon be an update to an earlier insurance risk study to review changes to the agricultural industry, the FCS, and the financial services sector. She also stressed the need for System institutions to maintain strong capital and collateral positions to defend against a broad range of risks.

SBA Renews Contract with FCA for Examination Services

During 1999, FCA assisted the Small Business Administration (SBA) by performing examinations of 14 Small Business Lending Companies (SBLCs). The initial year was a success and SBA renewed its contract with FCA to again conduct these examinations during 2000.

"Although we don't perform full-scope examinations like we do with FCS institutions, we thoroughly

examine for safety and soundness," said Tom Holland, director of the Special Examination and Supervision Division. "We focus on risk by evaluating asset quality, credit administration, and compliance with the SBA capital regulation," he added.

SBLCs are licensed by SBA to make guaranteed loans to small businesses. SBA is responsible for supervising, examining, and regulat-

FCA Holds Second New Director Orientation

Twenty-three new Farm Credit System directors representing 12 associations attended the second session of the FCA's "New Director Orientation," February 10-11, at FCA's headquarters in McLean, Virginia. FCA held the initial session last July, which attracted 25 new directors.

Like the previous orientation, the participants found the session very helpful. The orientation provided the new directors a thorough overview of the role of the FCA, as well as the Farm Credit System Insurance Corporation. Other topics included:

- the System's public responsibility as a Government-sponsored enterprise;
- legal and fiduciary responsibilities of directors;
- roles and responsibilities of System directors from the regulator's viewpoint;
- FCA policy and regulation development;
- reviewing a report of examination;
- understanding the Financial Institution Rating System (FIRS); and
- the examination process.

In addition to getting acquainted with their fellow directors, the participants also appreciated the opportunity to visit with the FCA Board and office directors.

Farm Credit System Insurance Corporation Elects New Chair

Ann Jorgensen has been elected Chair of the Farm Credit System Insurance Corporation. She succeeds Michael M. Reyna who was appointed by President Clinton as Chairman and Chief Executive Officer of the Farm Credit Administration following the death of Marsha Pyle Martin.

By law, FCA Board members serve concurrently as Directors of the FCSIC. However, the FCA Board Chairman cannot serve as Chairman of the FCSIC Board of Directors. The FCSIC is an independent U.S. Government corporation responsible for ensuring the timely payment of principal and interest on notes, bonds, debentures, and other obligations issued by FCS banks. It manages a \$1.4 billion insurance fund.

Before her appointment to the FCA Board in May 1997, Jorgensen farmed in partnership with her husband and ran a small business. She also brings to her position 10 years' experience as a tax accountant and seven years as a licensed commodity broker.

She has extensive experience serving on many governing boards for the State of Iowa, including the Board of Regents. The Board of Regents is responsible for the state's three universities, including the University of Iowa Hospital, a world-renowned teaching hospital, and its affiliated clinics. She has also served as a board member for the Iowa Department of Economic Development and chair of the Iowa Rural Development Council.

An Iowa native, Jorgensen holds a B.A. degree from the University of Iowa.



Ann Jorgensen

Insurance Fund Increases to \$1.37 Billion

FCSIC Chair Ann Jorgensen recently announced that the Insurance Fund closed out 1999 with a balance of \$1.37 billion, up 9 percent from 1998. Net income for the Insurance Fund for the year was \$115 million. Jorgensen noted contributors to net income were \$81.7 million in investment income and \$45.5 million in insurance premiums.

The Insurance Fund's total expenses were \$12 million for 1999. Expenses consisted of \$1.6 million in operating expenses and \$10.4 million for the annual amount set aside for retirement of the Financial Assistance Corporation debt issued to resolve the Federal Land Bank of Jackson.

The Insurance Fund balance represents the difference between its total assets and liabilities, including

its insurance obligations (\$159 million). Total Insurance Fund assets at yearend were \$1.53 billion, an increase of 10 percent from 1998.

"The Insurance Fund balance was 1.99 percent of insured debt outstanding at the end of 1999," said Jorgensen. "As of February 1, 2000, it was slightly above the 2 percent secure base amount required by the Farm Credit Act."

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Editor
Office of Congressional
and Public Affairs
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090
Phone: 703-883-4056
Fax: 703-790-3260
E-mail: info-line@fca.gov
Website: <http://www.fca.gov>

Chairman and CEO
Michael M. Reyna

Board Member
Ann Jorgensen

The Farm Credit Administration is the Federal agency responsible for the regulation and examination of the Farm Credit System, a nationwide network of cooperatively owned agricultural lending institutions and their service organizations.

What a Difference a Century Makes

As we ponder the future of agriculture at the start of the 21st century, a glance back can help us understand how much agriculture has changed.

- Mechanization revolutionized agriculture during the last century, transforming the U.S. from an agrarian to an urban society.
- While agricultural output grew dramatically during the past century, the more rapid expansion of the nonfarm sector reduced agriculture's share of the nation's output from around 23 percent to less than 1 percent today.
- As the nation's population nearly quadrupled, the farming population fell from around 42 percent of the total to 1.8 percent today.
- Advances in plant and animal genetics contributed significantly to agriculture's productivity (corn yields +376%, milk/cows +358%), allowing fewer farmers to produce for an expanding market.
- Food supply rose faster than demand during this period, leading to a sharp decline in commodity prices (deflated: corn -73%, cotton -68%, beef -38%, hogs -67%, milk -56%).
- The number of farmers dropped from 5.7 million to around 2 million today, yet average farm size more than tripled to 487 acres as farmers who remained in agriculture expanded their operations to offset price declines.
- Just 2 percent of farmers now account for half of commodity sales versus 17 percent in 1900.
- Consumers have benefited enormously from a highly productive agricultural sector as income devoted to food fell from around 30 percent at the beginning of the century to around 11 percent today. On average, Americans have earned enough to pay for their food bill by February 9 each year.
- The Federal Government's role in agriculture grew dramatically during the 20th century with the enactment of a myriad of farm, consumer, and environmental laws.
- In 1900, farmers received virtually no income support from the Government; in 1999, farmers received a record \$22.7 billion in assistance (38% of net cash income).

What a difference a century makes!

SBA Renews Contract (continued from page 1)

ing the SBLCs, many of which are subsidiaries of major corporations, such as GE Capital, First Union, and Transamerica.

"The exams are conducted on a full-cost-recovery basis," noted Holland. "The reimbursement we receive from SBA helps offset FCA's cost of regulation."

The examinations are staffed with examiners from all FCA field offices, as well as FCA's Office of Policy and Analysis. "This arrangement has given examiners the opportunity to broaden their experience through exposure to a different lending environment," said Holland. "They are enjoying this new opportunity."

In Brief . . .

The "Annual Performance Plan for Fiscal Years 2000 and 2001" is on FCA's Website under Publications and Audio Tapes. It provides details about how the Agency will carry out initiatives contained in the FCA Strategic Plan for fiscal years 1998–2003 and then measure the results of Agency operations. The Performance Plan shows clear linkages among the Strategic Plan, performance measures and goals, and the Agency's budgetary needs.

The FCA Board recently approved FCA's Revised Regulatory Performance Plan for fiscal year 2000. The plan contains the projected schedule for regulation development during the fiscal year

beginning October 1, 1999. While keeping the public and customers in mind, the Agency placed special emphasis on developing regulations using innovative customer-focused techniques. These include Advanced Notice of Proposed Rulemaking (ANPRM), Direct Final Rulemaking, Negotiated Rulemaking, Streamlined Fast-track Rulemaking, and other methods of gathering additional information from clients and customers. The FCA also encourages the public to submit comments on regulatory proposals electronically by visiting our Website at www.fca.gov or sending an e-mail to reg-comm@fca.gov. The revised plan is displayed on page 4.

FY 2000 Regulatory Performance Plan (Revised 2/17/00)

Regulation Project/Date	Type of Action	Purpose
October – December 1999		
Flood Insurance Amendment	Direct Final	To remove regulatory reference to the Federal Emergency Management Agency's standard flood hazard determination form and make other technical amendments needed.
Stock Issuance	Proposed	To consider permitting Farm Credit System institutions, including service corporations, to issue additional amounts of certain classes of stock and allow service corporations to issue non-voting stock to non-System institutions.
January – March 2000		
Customer Choice	Final	To provide additional flexibility for borrowers to obtain financing from System institutions of their choice and to otherwise deregulate lending restrictions on FCS entities.
Loans to Designated Parties	Proposed	To provide Farm Credit System institutions greater flexibility concerning the approval of insider loans.
Disclosure–Annual Report	Proposed	To consider eliminating the requirement that FCBs distribute their financial reports to the stockholders of their associations.
April – June 2000		
OFI Lending	ANPRM	To seek input on possible impediments to OFIs' obtaining System funding and to consider revising the current risk-weighting requirements for OFI direct loans.
Regulatory Burden (Phase II)	Notice	To address comments received from the Regulatory Burden Notice published in August 1998. Would specifically inform the public of the Agency's rationale for retaining certain regulations due to statutory requirements or safety and soundness concerns.
Eligibility	Direct Final	To amend the eligibility and scope of financing regulations for farm-related service businesses and rural homeowners in response to the Court of Appeals' ruling in IBAA v. FCA .
Loan Participations & Purchases	Proposed	To remove regulatory restrictions affecting the System's ability to purchase interests in eligible loans and address any technical changes necessary.
Standards of Conduct Plain Language Revision	Direct Final	To revise existing Standards of Conduct regulations so they are written in "Plain Language."
July – September 2000		
Mission-Related Investments	Proposed	To develop safety and soundness standards and other criteria for mission-related investment activity. Mission-related investment activities are those that directly relate to agriculture, increase the flow of funds to farmers, ranchers, cooperatives, and rural areas, or otherwise support the ongoing mission of the FCS.
Comprehensive Borrower Rights	Proposed	To revise the borrower rights regulations to provide clarification and remove unnecessary burdens.
Termination Regulations	Final	To establish regulations under which a bank or large association within the Farm Credit System can terminate its charter as provided in the Farm Credit Act of 1971, as amended.