

FEDERAL AGRICULTURAL MORTGAGE CORP

Form 10-Q

May 10, 2011

As filed with the Securities and Exchange Commission on May 10, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2011

Commission File Number 001-14951

FEDERAL AGRICULTURAL MORTGAGE CORPORATION
(Exact name of registrant as specified in its charter)

Federally chartered instrumentality
of the United States
(State or other jurisdiction of
incorporation or organization)

52-1578738
(I.R.S. employer identification number)

1133 Twenty-First Street, N.W., Suite 600
Washington, D.C.
(Address of principal executive offices)

20036
(Zip code)

(202) 872-7700
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of May 2, 2011 the registrant had 1,030,780 shares of Class A Voting Common Stock, 500,301 shares of Class B Voting Common Stock and 8,812,500 shares of Class C Non-Voting Common Stock outstanding.

PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

The following information concerning Farmer Mac's interim unaudited condensed consolidated financial statements is included in this report beginning on the pages listed below:

Condensed Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010	3
Condensed Consolidated Statements of Operations for the three months ended March 31, 2011 and 2010	4
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FEDERAL AGRICULTURAL MORTGAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31, 2011	December 31, 2010
	(in thousands)	
Assets:		
Cash and cash equivalents	\$779,443	\$ 729,920
Investment securities:		
Available-for-sale, at fair value	1,976,522	1,677,233
Trading, at fair value	88,046	86,096
Total investment securities	2,064,568	1,763,329
Farmer Mac Guaranteed Securities:		
Available-for-sale, at fair value	2,909,914	2,907,264
USDA Guaranteed Securities:		
Available-for-sale, at fair value	1,063,540	1,005,679
Trading, at fair value	274,561	311,765
Total USDA Guaranteed Securities	1,338,101	1,317,444
Loans:		
Loans held for sale, at lower of cost or fair value	408,355	1,212,065
Loans held for investment, at amortized cost	1,093,559	90,674
Loans held for investment in consolidated trusts, at amortized cost	1,214,249	1,265,663
Allowance for loan losses	(11,084)	(9,803)
Total loans, net of allowance	2,705,079	2,558,599
Real estate owned, at lower of cost or fair value	2,881	1,992
Financial derivatives, at fair value	39,449	41,492
Interest receivable	65,576	90,295
Guarantee and commitment fees receivable	31,916	34,752
Deferred tax asset, net	12,735	14,530
Prepaid expenses and other assets	5,950	20,297
Total Assets	\$9,955,612	\$ 9,479,914
Liabilities and Equity:		
Liabilities:		
Notes payable:		
Due within one year	\$4,626,382	\$ 4,509,419
Due after one year	3,806,727	3,430,656
Total notes payable	8,433,109	7,940,075
Debt securities of consolidated trusts held by third parties	781,971	827,411
Financial derivatives, at fair value	97,820	113,687
Accrued interest payable	42,855	57,131
Guarantee and commitment obligation	28,668	30,308
Accounts payable and accrued expenses	74,368	22,113
Reserve for losses	8,378	10,312

Total Liabilities	9,467,169	9,001,037
Commitments and Contingencies (Note 5)		
Equity:		
Preferred stock:		
Series C, par value \$1,000 per share, 100,000 shares authorized, 57,578 shares issued and outstanding	57,578	57,578
Common stock:		
Class A Voting, \$1 par value, no maximum authorization, 1,030,780 shares outstanding	1,031	1,031
Class B Voting, \$1 par value, no maximum authorization, 500,301 shares outstanding	500	500
Class C Non-Voting, \$1 par value, no maximum authorization, 8,770,092 shares outstanding as of March 31, 2011 and 8,752,711 shares outstanding as of December 31, 2010	8,770	8,753
Additional paid-in capital	100,450	100,050
Accumulated other comprehensive income	9,616	18,275
Retained earnings	68,645	50,837
Total Stockholders' Equity	246,590	237,024
Non-controlling interest - preferred stock	241,853	241,853
Total Equity	488,443	478,877
Total Liabilities and Equity	\$9,955,612	\$ 9,479,914

See accompanying notes to condensed consolidated financial statements.

FEDERAL AGRICULTURAL MORTGAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the Three Months Ended	
	March 31, 2011	March 31, 2010
	(in thousands, except per share amounts)	
Interest income:		
Investments and cash equivalents	\$ 7,187	\$ 6,483
Farmer Mac Guaranteed Securities and USDA Guaranteed Securities	27,775	20,831
Loans	29,110	33,418
Total interest income	64,072	60,732
Total interest expense	37,053	37,115
Net interest income	27,019	23,617
Provision for loan losses	(1,281)	(2,850)
Net interest income after provision for loan losses	25,738	20,767
Non-interest income:		
Guarantee and commitment fees	6,387	5,919
Gains/(losses) on financial derivatives	4,005	(5,804)
Gains on trading assets	1,311	3,367
Gains on sale of available-for-sale investment securities	157	240
Gains on sale of real estate owned	97	-
Lower of cost or fair value adjustment on loans held for sale	(808)	(2,274)
Other income	3,898	829
Non-interest income	15,047	2,277
Non-interest expense:		
Compensation and employee benefits	4,497	3,511
General and administrative	2,256	2,503
Regulatory fees	591	563
Real estate owned operating costs, net	368	10
Release of reserve for losses	(1,934)	(1,468)
Other expense	900	-
Non-interest expense	6,678	5,119
Income before income taxes	34,107	17,925
Income tax expense	9,517	4,336
Net income	24,590	13,589
Less: Net income attributable to non-controlling interest - preferred stock dividends	(5,547)	(4,068)
Net income attributable to Farmer Mac	19,043	9,521
Preferred stock dividends	(720)	(1,970)
Loss on retirement of preferred stock	-	(5,784)
Net income available to common stockholders	\$ 18,323	\$ 1,767
Earnings per common share and dividends:		
Basic earnings per common share	\$ 1.78	\$ 0.17
Diluted earnings per common share	\$ 1.72	\$ 0.17

Common stock dividends per common share	\$ 0.05	\$ 0.05
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See accompanying notes to condensed consolidated financial statements.

FEDERAL AGRICULTURAL MORTGAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(unaudited)

	For the Three Months Ended			
	March 31, 2011		March 31, 2010	
	Shares	Amount	Shares	Amount
	(in thousands)			
Preferred stock:				
Balance, beginning of period	58	\$57,578	58	\$57,578
Issuance of Series C preferred stock	-	-	-	-
Balance, end of period	58	\$57,578	58	\$57,578
Common stock:				
Balance, beginning of period	10,284	\$10,284	10,142	\$10,142
Issuance of Class C common stock	15	15	2	2
Exercise of stock options and SARs	2	2	-	-
Balance, end of period	10,301	\$10,301	10,144	\$10,144
Additional paid-in capital:				
Balance, beginning of period		\$100,050		\$97,090
Stock-based compensation expense		715		760
Issuance of Class C common stock		7		11
Exercise, vesting and cancellation of stock options, SARs and restricted stock		(322)		-
Balance, end of period		\$100,450		\$97,861
Retained earnings:				
Balance, beginning of period		\$50,837		\$28,127
Net income attributable to Farmer Mac		19,043		9,521
Cash dividends:				
Preferred stock, Series B (\$8.33 per share)		-		(1,250)
Preferred stock, Series C (\$12.50 per share)		(720)		(720)
Common stock (\$0.05 per share)		(515)		