News Release

Farm Credit Administration
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FCA board holds virtual meeting to receive reports on the Paycheck Protection Program and the farm economy

McLEAN, Va., April 16, 2020 — At its first-ever virtual monthly meeting, the Farm Credit Administration board today received a report from staff about the participation of the Farm Credit System (System) in the Small Business Administration's Paycheck Protection Program.

According to the report, so far 56 System institutions are participating, or plan to participate, in the Paycheck Protection Program. The program authorizes up to $349 billion in forgivable loans to small businesses to support payroll and certain other needs during the COVID-19 pandemic.

The report discussed the guidance that the agency has issued to System institutions over the past 10 days to facilitate their participation in the program and to answer their questions. To read this guidance, see the Paycheck Protection Program webpage on the agency's website. FCA will continue to add to the guidance provided on this page.

Quarterly report on the farm economy and the condition and performance of the Farm Credit System

In other business, the board received a quarterly report from agency staff on economic issues affecting agriculture, together with an update on the financial condition and performance of the Farm Credit System as of Dec. 31, 2019.

The COVID-19 pandemic has had an immediate and unprecedented impact on communities, businesses, and markets around the world. U.S. economic activity has plunged, resulting in skyrocketing unemployment claims. Disease containment in the United States (and elsewhere) and subsequent consumer behavior will affect the depth and severity of the pullback. Current and future fiscal stimulus is designed to help temper the evolving economic crisis.

Recent events have intensified the volatility and risk to agriculture. Industries that produce goods are important to local economies and are likely to be hit hard during the remainder of 2020. This would have serious implications for off-farm income, which is an important part of farm household income and key to loan repayment in rural America.

Prices for most major commodities are down from what they were a year ago. Corn prices have tumbled in response to steep declines in ethanol demand, oil prices, and worldwide fuel consumption. Crop producer returns this year will depend on the size of supplemental government payments and, as always, the weather.

Across all parts of the livestock marketing chain, declining prices reflect the loss in demand, which has shifted from food service towards retail consumption. As a result, declining beef and fed cattle prices are pressuring feedlot margins and causing declines in calf receipts. Milk futures have declined more than 30% since late 2019. For packers and producers, an increase in the number of plant slowdowns and closures has complicated labor challenges, put downward pressure on livestock prices, and created meat supply disruptions.

For agricultural producers, farm support programs have many components, but not all agricultural commodities are equally protected. The fiscal package provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act added $14 billion to the Commodity Credit Corporation funds and provided $9.5 billion for a wide range of commodity support.

While the impact of the health crisis and the disruption of economic activity on U.S. agriculture is uncertain, the Farm Credit System entered this difficult period from a position of strength. At year-end 2019, the System was safe and financially sound. The System continued to be well-capitalized, with strong earnings supporting capital growth. Portfolio loan quality remained good, and System institutions had significant risk-bearing capacity.

Closed session

During the closed session, the FCA board received a quarterly report from the Office of Examination.

Notational vote

Since the March 12 FCA board meeting, the following notational vote has occurred. Notational votes are actions taken by the FCA board between board meetings.

On April 9, the board voted to delay publication in the Federal Register of the three rules that were approved at the Feb. 13 board meeting. The rules are as follows:

- Proposed rule to amend the tier 1/tier 2 regulatory capital framework
- Final rule on criteria to reinstate nonaccrual loans
- Final rule on eligibility criteria for outside directors

Publication will be delayed until at least June 8. The FCA board believes it is important to focus current efforts on mission-critical actions. The delay will allow both the Farm Credit System and the Farm Credit Administration to focus their efforts on responding to the COVID-19 crisis. Other rulemakings listed on FCA’s Unified Agenda for board action in 2020 will also likely be delayed.

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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. FCA news releases are available on the web at www.fca.gov.