



For Immediate Release
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FCA issues advance notice of proposed rulemaking on bank liquidity

McLEAN, Va., June 10, 2021 — In its monthly board meeting today, the board of the Farm Credit Administration approved an advance notice of proposed rulemaking to request public comments on whether to amend or restructure the agency's bank liquidity regulations. The purpose of this advance notice is to gather input to ensure that Farm Credit System (FCS or System) banks have the liquidity they need to withstand crises that adversely impact liquidity and threaten their viability.

The last time the agency substantially updated its liquidity regulations was in 2013. Since then, the Basel Committee on Banking Supervision and federal banking regulators have issued new guidance and regulations to improve bank liquidity. Throughout the COVID-19 pandemic, System banks maintained satisfactory liquidity reserves; however, the pandemic provided FCA the opportunity to observe the existing liquidity framework under adverse market conditions. As a result, FCA has decided to review, and solicit comments regarding, its liquidity framework and the applicability of the Basel III framework to the FCS.

The advance notice will be published in the Federal Register for a 90-day comment period.

Quarterly report on conditions in agriculture and the Farm Credit System

In other business, the board received a [quarterly report \(PDF\)](#) on economic issues affecting agriculture, together with an update on the financial condition and performance of the System as of March 31.

The U.S. economy continued its strong recovery, growing 6.4% in the first quarter. Growth is largely consumer driven, fueled by pent-up demand, low interest rates, and additional government support. With the ramp-up of economic activity, supply chains and labor markets are struggling to adjust. Demand-driven price increases, including for food, housing, and raw materials, have sparked inflationary concerns.

For agricultural producers, the U.S. food system continues to adjust to demand shifts and supply questions. Grain and oilseed prices have soared on strong export demand, tight ending stocks, and global production concerns. Higher crop prices, limited market supply, and greater investor interest are driving farmland values higher.

Rising feed costs have hurt livestock producers, but strong demand and low supplies are lifting prices for hogs and poultry. Strong exports and recovering food service demand are also expected to raise margins for dairy producers.

Drought in the western United States, especially California, is a growing concern. Recent rains in some cattle-producing areas have helped, but conditions remain dry. Snowpack and reservoir levels in California are below average for this time of year.

As of March 31, the System was safe and financially sound. Real estate mortgage lending and seasonal financing at grain and farm supply cooperatives were the principal drivers of loan growth in the first quarter of 2021. Portfolio loan quality remained very good, with little change in credit risk measures. Strong earnings for the quarter continued to support additional capital growth. Overall, System institutions are well-positioned to support the credit needs of agricultural producers and rural America.

Semiannual report on Office of Examination operations

The board also received the [semiannual report \(PDF\)](#) on Office of Examination operations. During the first six months of fiscal year 2021, FCA examiners conducted examinations or oversight activities at all 4 System funding banks, all associations, and 11 other entities.

Closed session

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

Notational votes

Since the May 13 FCA board meeting, five notational votes have occurred. Notational votes are actions the FCA board takes between board meetings.

On June 8, the FCA board approved a request by CoBank, ACB, to renew its streamlined investment process, which allows the bank to invest in certain healthcare-related bonds. The approval is subject to conditions, including a total limit of \$200 million in bonds. Also, the bonds must involve facilities in rural areas.

On June 3, the board authorized the chief financial officer to reallocate funds.

On May 26, the board determined not to object to the proposed offering circular of American AgCredit, ACA, for the issuance of up to \$300 million in preferred stock. In a separate vote that day, the board determined not to object to the proposed offering circular of American AgCredit, ACA, and its subsidiaries for the issuance of up to \$200 million in subordinated notes.

On May 20, the board determined not to object to the proposed offering circular of Compeer Financial, ACA, for the issuance of up to \$200 million in preferred stock.

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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), which 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.