News Release

Farm Credit Administration
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FCA board adopts final rule on tier 1/tier 2 capital framework

McLEAN, Va., Sept. 9, 2021 — At its monthly meeting today, the Farm Credit Administration board adopted a final rule on the tier 1/tier 2 capital framework.

The rule clarifies numerous provisions of the capital regulations approved by the FCA board in March 2016 and corrects technical errors. It reduces the burden to the Farm Credit System by simplifying certain requirements. The rule also changes the lending and leasing limit base calculation to be computed using total capital instead of permanent capital. In addition, it codifies certain guidance provided in FCA Bookletter 068.

The final rule includes amendments to 16 areas. These substantive and technical amendments do not change the minimum capital requirements or capital buffers. They focus on clarifying and improving other provisions to ensure application of the rules as intended, reduce burden to the System, and make it easier for FCA to determine compliance.

The agency issued a proposed rule on this subject on Sept. 10, 2020. The final rule will become effective on Jan. 1, 2022, or 30 days after publication in the Federal Register during which either house of Congress is in session, whichever is later. Notice of the effective date will be published in the Federal Register. For more information, see the related fact sheet (PDF).

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 June 30.

The U.S. economy continued its strong recovery in the first half of 2021. Growth is being fueled by pent-up demand, low interest rates, and additional government support. With the ramp-up of economic activity, supply chains and labor markets continue to struggle to adjust. Demand-driven price increases have heightened 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 revenues, stronger farm financials, low interest rates, and other factors are driving farmland values higher.

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Rising feed costs have hurt livestock producers, but strong demand and relatively low supplies have supported livestock prices. Despite robust exports and recovering food service demand, margins for dairy producers remain tight.

Drought in the West and the Northern Plains has hurt agricultural production. Cow-calf producers and farmers with unirrigated crops have been particularly affected. Recent rains in some cattle-producing areas have helped, but conditions remain dry.

For the first six months of 2021, the System reported solid financial results with higher earnings and capital. Strong real estate mortgage lending continued to be the principal driver of loan growth in the first half of the year. Portfolio loan quality remained very good, but credit risk is elevated for certain sectors and geographic regions. Overall, System institutions are financially sound and well-positioned to meet borrower funding and liquidity needs.

Closed session

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

Notational votes

Since the Aug. 12 FCA board meeting, five notational votes have occurred. Notational votes are actions the FCA board takes between board meetings.

On Aug. 18, the FCA board approved a request by CoBank to purchase bonds issued by a health care center in rural Kentucky. The approval of the request is subject to conditions.

On Aug. 27, the board approved a request to extend the comment period on the advance notice of proposed rulemaking on the liquidity reserve for Farm Credit System banks. The comment period, which was extended by 60 days, will now expire on Nov. 27.

On Aug. 31, the FCA board reissued policy statement 62, Equal Employment Opportunity and Diversity. Other than minor technical edits, the statement is unchanged from the version that was issued last year. The agency reissues the statement annually to demonstrate its commitment to EEO and diversity principles.

On Sept. 2, the board approved a prior approval request from AgFirst Farm Credit Bank to retire certain preferred stock included in its regulatory capital.

On Sept. 7, the board approved the agency's fiscal year 2022 revised budget and its fiscal year 2023 proposed budget.

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