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FCA board receives quarterly report on conditions in agriculture and the Farm Credit System

McLEAN, Va., Dec. 08, 2022 — At its monthly meeting today, the Farm Credit Administration board received a [quarterly report \(PDF\)](#) on economic issues affecting agriculture, together with an update on the financial condition and performance of the Farm Credit System (System) as of Sept. 30.

Inflation and rising interest rates continue to be major economic issues despite a recent slowdown in inflation. Rising interest rates have caused a slowdown in the housing market. Consumers' reaction to inflation, higher interest rates, and the labor market will be key drivers for the economy going into next year.

Input costs will be important for farmers in 2023. Volatility in natural gas prices will continue to be passed on to fertilizer prices, though the risk of outright energy shortages in Europe this winter has lessened. Supply chain difficulties persist with agricultural equipment, leading to high prices and long waits for new equipment and replacement parts.

Drought conditions continue in many areas of the country, creating major challenges, particularly for producers of cattle and wheat and for those in California and the Colorado River Valley. This has led to low water levels in the Mississippi River, which in turn has caused shipping delays and increased prices.

Corn, wheat, and soybean futures prices have retreated from record highs earlier this year. Food commodity prices will continue to be driven by global weather, the war in Ukraine, and global economic growth. Avian influenza has killed a record number of turkeys and chickens and could be a new endemic disease faced by poultry producers.

Through the first nine months of 2022, the System reported favorable financial results, including continued loan growth, increased earnings, and robust capital levels despite some decline in the System's capital-to-asset ratio. Portfolio loan quality remained strong although producers in certain agricultural sectors and geographic regions face challenging operating conditions. Overall, System institutions are financially sound and well positioned to meet the credit and liquidity needs of agricultural producers and rural America.

Semiannual Report on Office of Examination Operations

In other news, the FCA board received the [semiannual report \(PDF\)](#) on Office of Examination operations. For fiscal year 2022, the Office of Examination completed the objectives and strategies identified in the operating plan, including those associated with risk supervision and examination. FCA examiners conducted examination and oversight activities at all funding banks, all associations, and eight other entities.

Notational votes

Since the Nov. 10 FCA board meeting, two notational votes have occurred. Notational votes are actions the FCA board takes between board meetings.

On Nov. 23, the board approved the FCA 2023 compensation program.

On Nov. 30, the board approved the oversight plan of the Office of Secondary Market Oversight for fiscal year 2023.

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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.