

## News Release

Farm Credit Administration  
1501 Farm Credit Drive  
McLean, Virginia 22102-5090

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### For Immediate Release

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Contact: Mike Stokke or Christine Quinn,  
703-883-4056

E-mail: [info-line@fca.gov](mailto:info-line@fca.gov)

Website: [www.fca.gov](http://www.fca.gov)

### FCA Board Considers Impact of Drought on Farmers and Farm Credit System

McLEAN, Va., August 8, 2012 — The FCA Board today received a report from staff in the Office of Examination and the Office of Regulatory Policy on the impact of the drought on farmers and ranchers and, by extension, on the Farm Credit System.

To measure the initial impact of the drought, FCA staff surveyed System associations with high concentrations of corn and soybean producers. The associations reported that a majority of its customers have federal crop insurance contracts. This protection mitigates much of the impact of the drought on grain producers and on their ability to repay their loans. The drought will also affect producers who rely on grain products, such as dairy, livestock, poultry, and ethanol producers. Although some borrowers may face significant challenges as a result of this year's drought, FCA does not believe the drought will affect the System's overall safety and soundness or its ability to serve farmers and ranchers.

Associations reported they are taking steps to work with borrowers affected by the drought. In addition, they are stepping up communication with their borrowers, including holding meetings to make sure they have the information they need. Some associations are contacting customers directly to make sure they know the steps involved in filing crop insurance claims.

FCA regulations give System institutions flexibility to provide borrowers with relief in the aftermath of floods, droughts, and other disasters. FCA's [Board Policy Statement 71](#) outlines steps institutions may take to provide such relief.

"I am pleased that FCS institutions are already taking measures consistent with their individual disaster assistance programs and with FCA's Board Policy Statement on disaster relief," says Leland A. Strom, FCA's Chairman and CEO. "And although the widespread use of crop insurance will mitigate the impact of the drought on grain producers and on System institutions with exposures to these producers, the protein, dairy, and ethanol sectors will face an increasingly challenging operating environment. We will continue to watch the situation closely. Throughout this period, we want to ensure the System continues to provide a stable source of credit to farmers and ranchers."

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The Farm Credit Administration is the safety and soundness regulator of the cooperative Farm Credit System and the Federal Agricultural Mortgage Corporation (Farmer Mac). FCA charters, regulates, and examines the 94 banks,

associations, service corporations and special-purpose entities of the Farm Credit System. The System makes loans to agricultural producers and their cooperatives nationwide. It includes Farmer Mac, which provides a secondary market for agricultural real estate loans, rural housing mortgage loans, and certain rural utility loans. Members of the FCA Board are Leland A. Strom, Chairman and CEO; Kenneth A. Spearman; and Jill Long Thompson.

Note: FCA news releases are available on the Web at [www.fca.gov](http://www.fca.gov).