

News Release

Farm Credit Administration
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For Immediate Release
NR 15-19 (12-10-15)

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FCA Board Receives Reports on System's Economic and Funding Conditions and the Agency's Examination Activity

McLEAN, Va., Dec. 10, 2015 — The Farm Credit Administration Board today received two reports on the Farm Credit System and a semiannual report on the agency's examination activities.

In the first report, which covered the Farm Credit System's funding condition, staff reported that the Farm Credit System continues to increase its share of the agency debt market. It discussed trends in the overall agency debt market. It also discussed the various factors that affect investor sentiment toward FCS debt issuances.

The report explained how these factors, including the System's solid financial performance, have affected the cost of its debt and its ability to issue debt. It also discussed the System's interest rate spreads, debt maturities, debt issuances, and the composition of its debt and liquidity portfolios.

Report on Economic Conditions Affecting Agriculture, Update on System Condition

In other business, the FCA Board received a quarterly report on the economic conditions affecting agriculture and an update on the condition of the Farm Credit System.

According to the report, several economic factors are likely to affect the U.S. general economy as well as the agricultural industry in the coming months, the most important of which are the likely increase in interest rates, the slowdown in the Chinese economy, and the effect of the strong dollar on farm exports. Other factors contributing to the uncertainty of the economic outlook are the effect on developing countries of commodity price declines, the tenuous nature of the European economic recovery, and the economic effects of political unrest around the world.

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Another issue that will affect U.S. agriculture in the coming months is the decline in farm income. Grain and oilseed producers, in particular, face narrowing profit margins. The record or near-record corn and soybean harvest this year may further constrain profits. Farm income may affect Midwest farmland values and the broader rural economy.

For the quarter ended Sept. 30, 2015, the System was well-capitalized, with favorable earnings and strong portfolio credit quality. Although the challenges facing the U.S. farm economy will likely have some effects on the System's credit quality, the System is in strong financial condition.

Office of Examination Semiannual Report

The Board also received the semiannual report on Office of Examination operations. During fiscal year 2015, FCA examiners conducted onsite activities at 89 percent of System associations, all four funding banks, all six service organizations, and the National Consumer Cooperative Bank. Examiners from the Office of Examination also provided support to the FCA Office of Secondary Market Oversight in its examination of the Federal Agricultural Mortgage Corporation.

Closed Session

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

Notational Votes

Since the November FCA Board meeting, the following notational votes have occurred. Notational votes are actions taken by the FCA Board between board meetings.

On Nov. 19, the Board approved the 2016 operating budget of the FCS Building Association, including 2016 capital improvements and major building repairs and the association's 2016 assessment of Farm Credit System banks.

The Board approved the termination of enforcement actions involving written agreements between FCA and two System institutions—both Agricultural Credit Associations. The agreements related to supervisory actions that FCA had taken on March 20, 2012, and June 7, 2013, in accordance with section 5.25 of the Farm Credit Act. FCA determined that the weaknesses that necessitated the written agreements had been effectively addressed.

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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. Members of the FCA Board are Kenneth A. Spearman, Board Chairman and CEO; Dallas P. Tonsager; and Jeffery S. Hall.

Note: FCA news releases are available on the Web at www.fca.gov.