



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

McLEAN, Va., Dec. 8, 2016—The Farm Credit Administration board today received a quarterly report on the Farm Credit System (System) and a semiannual report on FCA's examination activities.

According to the report, the operating environment remains challenging for many agricultural sectors. Farm debt levels remain high while net cash farm income is declining. Interest rates, while still low, have begun to increase. Also, with USDA forecasting record or near-record corn, soybean, and wheat production, crop prices are expected to remain weak.

These factors continue to put downward pressure on Midwest farmland values. High production levels are also weighing on pricing and profit margins in the protein and dairy sectors.

Overall, the System is safe and financially sound, and System institutions are well-positioned for the challenging risk environment facing agriculture. For the first nine months of 2016, the System reported modest loan growth, favorable earnings, and higher capital levels. The System's portfolio loan quality remains favorable, but credit risk measures show increasing stress.

Semiannual Report on Office of Examination Operations

The board also received the semiannual report on Office of Examination operations. During fiscal year 2016, FCA examiners conducted onsite activities at 96 percent of System associations, all four funding banks, eight System-related 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. 17, the board approved the 2017 operating budget of the FCS Building Association, including 2017 capital improvements and major building repairs. The board also approved the Building Association's 2017 assessment of Farm Credit System banks.

On Dec. 5, the board approved the issuance of letters to System banks that require the banks to follow, for certain securitizations, the capital treatment specified in the capital rules that will become effective on Jan. 1, 2017, and the liquidity treatment specified in the existing liquidity regulation. These letters withdraw previous direction on the capital and liquidity treatment of these securitizations.

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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 Dallas P. Tonsager, Board Chairman and CEO; Jeffery S. Hall; and Kenneth A. Spearman.

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