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FCA Board Receives Quarterly Report on Conditions in Agriculture and the Farm Credit System

McLEAN, Va., Dec. 14, 2017 — The Farm Credit Administration board today received a quarterly report 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, 2017.

According to the report, USDA's latest forecast indicates farm income appears to be stabilizing near its historical average. USDA expects net cash farm income to increase from \$93.3 billion in 2016 to \$96.9 billion in 2017. The gain is driven by stronger cash receipts for cattle and calves, hogs, broilers, and dairy.

Cash receipts are forecast down for most crop categories in 2017. Adjusted for inflation, net cash income is near the long-term average (1960 to 2016) for the second consecutive year.

Several economic and policy issues could affect the System. With strong production levels weighing down prices, demand is key to the strength of the crop and protein sectors. Also, changes to farm and trade policy in 2018 could affect farm sector income and the ability of farmers to manage risk.

Therefore, concerns remain about whether some farmers will have enough liquidity to cover farm expenses and to repay their loans. Current farm debt is relatively high — at four times the income for the sector, whereas the historical average for farm debt is three times the sector's income. As interest rates increase, producers with debt are at greater risk.

Overall, the System is safe and financially sound, and System institutions are well-positioned for the risks facing agriculture. For the first nine months of 2017, the System reported favorable earnings and higher capital levels. Overall, loan growth has been lower in 2017 compared with the same period in 2016. Portfolio loan quality remains favorable although credit risk for certain agricultural sectors is likely to intensify.

Semiannual Report on Office of Examination Operations

The FCA board also received the semiannual report on Office of Examination operations. During fiscal year 2017, FCA examiners conducted onsite activities at more than

90 percent of System associations, all four funding banks, six 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 Nov. 9 FCA board meeting, the following notational votes have occurred. Notational votes are actions taken by the FCA board between board meetings.

On Nov. 16, the board approved the 2018 operating budget of the FCS Building Association, including 2018 capital improvements and major building repairs. The board also approved an assessment of the Farm Credit System banks to cover Building Association expenses for 2018.

On Nov. 30, the board voted not to object to Compeer Financial, ACA's payment of cash patronage and cash dividends and its retirement of certain purchased and allocated equities, subject to certain conditions. This action relates to a condition placed on the recent merger involving the association.

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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 Glen R. Smith.

Note: FCA news releases are available on the web at <http://www.fca.gov>.