FCA Board Adopts Final Rule on Reporting of Accounts and Exposures

McLEAN, Va., Dec. 12, 2013 — At its monthly meeting today, the Farm Credit Administration Board adopted a final rule to establish a regulatory framework for the reporting of Farm Credit System (System) accounts and exposures to FCA. The intent of the rule is to help FCA identify and respond to risk more quickly and effectively. It reaffirms FCA’s authority to collect data on System institution accounts and exposures, including data on shared assets. The FCA Board approved the proposed rule on the reporting of accounts and exposures on June 28 of this year. The final rule will become effective 30 days after publication in the Federal Register during which either body of Congress is in session. Notice of the effective date will be published in the Federal Register. For more information about the final rule, see the related fact sheet.

Office of Examination Semiannual Report

The Board also received the Semiannual Report on Office of Examination Operations. For FY 2013, FCA examiners conducted onsite activities at all the System’s banks, seven service corporations and more than 90 percent of System associations.

Report on the Condition of the Farm Credit System

In its quarterly report on the condition of the System, the Office of Examination reported that the System remains fundamentally safe and sound and is well-positioned for the risks facing agriculture. Overall, the System’s financial position is strong. Loan portfolio credit quality is good, and credit measures continued to improve in the third quarter.

In general, the risk profile for the farm economy is shifting. Because of favorable product pricing and sharply lower feed costs, the profitability outlook is strong for the protein and dairy sectors.

Crop producers, on the other hand, will face tighter margins because a large production year has driven corn and soybean prices down significantly. Lower crop prices will also put pressure on farmland values, particularly in the Midwest.

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Closed Session
During the closed session, the Board received a quarterly report on the Office of Examination’s supervisory and oversight activities.

Notational Votes
Since the Nov. 14 FCA Board meeting, three notational votes have occurred. Notational votes are actions taken by the FCA Board between Board meetings.

• On Nov. 21, the Board approved the 2014 operating budget of the FCS Building Association, including 2014 capital improvements and major building repairs and the association’s 2014 assessment of Farm Credit System member banks.

• On Nov. 22, the Board authorized FCA staff to develop a draft proposed rule to amend FCA regulations to require each System bank or association board of directors to decide whether to either
  o hold a nonbinding, advisory vote when there is an increase of 15 percent or more in CEO or senior officer compensation, or
  o issue a written Compensation Communication Notice to shareholders addressing compensation increases of 15 percent or more for CEOs or other senior officers.

• On Dec. 3, the FCA Board gave approval (with conditions) for Badgerland Financial, ACA, to invest up to $5 million in the AgTech II equity venture capital fund as a limited partner. The investment was approved under section 615.5140(e) of FCA’s regulations as a mission-related investment.