FCA Board Receives Annual Report on the Farm Credit System’s Young, Beginning and Small Farmer Lending

McLEAN, Va., June 11, 2015 — At its monthly meeting today, the Farm Credit Administration Board received FCA’s 2014 Annual Report on the Farm Credit System’s Young, Beginning and Small (YBS) Farmer Mission Performance.

From 2013 to 2014, each YBS category’s share of the System’s total new farm loans rose. The number of loans made in 2014 to young and beginning farmers increased by 2.0 percent and 1.8 percent from 2013, while overall the number of farm loans made by the System fell 1.8 percent. The number of loans to small farmers declined by 1.4 percent, but because it declined less than overall farm loan numbers declined, the share of small farmer loans increased as well.

For more information about the System’s YBS farmer lending in 2014, see the related fact sheet.

Report on Economic Conditions Affecting Agriculture, Update on System Condition

In other business, the FCA Board received a quarterly report on key economic issues affecting agriculture, together with an update on the financial condition and performance of the System as of the first quarter of 2015.

In its most recent projections, the U.S. Department of Agriculture provided its first price outlook for corn, soybeans and wheat in the 2015/2016 marketing year. Prices for these crops are projected to be lower than the previous year. With lower prices, many grain producers may face significant cash flow challenges. The protein and dairy sectors should remain profitable in 2015 but at a much lower level than a year ago.

Drought in California has stretched into its fourth year with almost 50 percent of the state under exceptional drought. In general, California supplies most of the nation’s popular fruits and nuts. On a geographic basis, California accounts for the largest share of the System’s loan portfolio, at almost 10 percent.
For the first quarter of 2015, the System reported favorable earnings, higher capital levels and continued strong portfolio credit quality. Overall, the System continues to be fundamentally safe and sound, and its financial condition and performance remains strong.

Office of Examination Semiannual Report
In addition, the Board received the Semiannual Report on Office of Examination Operations. Through the first six months of fiscal year 2015, FCA examiners had conducted onsite activities at all four System funding banks, 59 percent of System associations and six other System service entities.

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

• On May 29, the FCA Board voted to adopt a resolution stating that no regulatory action currently in the agency’s Unified Regulatory Agenda meets the definition of a “significant regulatory action”; therefore, the agency is not required to develop a Regulatory Plan to submit to the Office of Management and Budget’s Office of Information and Regulatory Affairs.
• On May 29, the FCA Board voted to authorize the creation of the Office of Information Technology. The Board approved a functional statement for the office and a revision of the agency’s organizational chart. It also approved budget and staffing matters needed to implement the new office.
• On June 4, the Board approved a request by AgFirst Farm Credit Bank to purchase and hold rural housing mortgage-backed securities for a purpose other than those specified in FCA regulations at 615.5132. These securities are eligible investments listed in FCA regulations at 615.5140. Specifics of the program, however, require approval of FCA under 615.5140(e), and FCA’s approval is subject to a number of conditions.

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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.