



### For Immediate Release

NR 17-07 (04-13-17)

Contact: Mike Stokke or Christine Quinn,  
703-883-4056

Email: [info-line@fca.gov](mailto:info-line@fca.gov)

## FCA Board Receives Report on Economic Conditions Affecting Agriculture and Update on Farm Credit System Condition

McLEAN, Va., April 13, 2017 — At its monthly meeting today, the Farm Credit Administration board received a quarterly report on the economic conditions affecting agriculture and an update on the condition of the Farm Credit System (System) as of year-end 2016.

According to the report, the U.S. Department of Agriculture projects net farm income, which includes noncash items such as the value of inventory adjustment and depreciation, to decline 9 percent in 2017; however, net cash income is expected to rise by 2 percent. Prices remain low for certain commodities because of strong production levels and ample supplies. South America, which is expected to produce record corn and soybean crops this year, directly competes with the United States in the export of these crops.

In general, the protein and dairy sectors should be profitable in 2017, helped by strong demand and low feed costs. There is, however, heightened concern in the poultry sector because avian flu was detected recently in a small number of commercial flocks.

For 2016, the System reported strong earnings and higher capital levels. Portfolio credit quality remained favorable although risk indicators, while still relatively low, were higher. While the challenges facing agriculture will affect credit quality in its loan portfolio, the System continues to be financially safe and sound and is well-positioned for the risk environment.

### Auditor's Report on FCS Building Association

In other business, the FCA board received an auditor's report on the 2016 financial statements of the FCS Building Association. Cherry Bekaert LLP, an independent auditing firm, provided an unmodified opinion of the Building Association's financial statements for the years ended Dec. 31, 2016 and 2015.

According to the report, the Building Association's financial statements present fairly, in all material respects, the financial position of the FCS Building Association as of Dec. 31, 2016 and 2015, and the results of its operations and its cash flows for those years conformed with accounting principles generally accepted in the United States of America.

### **Closed Sessions**

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

During a closed executive session, the board met with the Cherry Bekaert auditors to discuss the Building Association's audit in greater detail.

### **Notational Votes**

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

- On March 14, the board approved the request of CoBank, ACB, to redeem the stock of former borrowers in the amount of \$4,007.
- On March 16, the board approved CoBank's request to redeem its floating rate series 2007A subordinated notes in the outstanding principal amount of \$500 million.
- On April 7, the board approved a request from AgStar Financial Services, ACA, to invest up to \$2.5 million in taxable bonds to be issued by a rural continuous care facility in Texas. These bonds will provide construction and permanent financing for the expansion of the facility on the existing campus. FCA placed conditions on AgStar in conjunction with this investment.

###

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, and Jeffery S. Hall.

Note: FCA news releases are available on the web at [www.fca.gov](http://www.fca.gov).