



For Immediate Release
NR 18-07 (04-12-2018)

Contact: Mike Stokke or Toni DeLancey,
703-883-4056
Email: info-line@fca.gov

FCA board receives quarterly report on conditions in agriculture and the Farm Credit System

McLEAN, Va., April 12, 2018 — 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 Dec. 31, 2017.

According to the report, 2018 will be another challenging year for many agricultural producers. Based on its first forecast of the 2018 farm economy, USDA projects net farm income to decline by 6.7 percent, with both crop and animal receipts down from last year.

Profit margins for corn and soybean producers are expected to be at or just above breakeven, with prices remaining near current levels. The outlook for most livestock sectors remains positive although less favorable than 2017. Dairy producers will likely see greater losses in the near term, with higher global production and reduced demand driving margins lower.

The current trade environment with China has introduced considerable uncertainty within many sectors of the farm economy.

Overall, the Farm Credit System is safe and financially sound, and System institutions are well-positioned for the risks facing agriculture. For 2017, the System reported favorable financial results: Loan growth was modest; earnings increased; and capital levels were strong. Portfolio loan quality remains favorable, but the challenges facing agriculture are significant, and credit risk for certain agricultural sectors is likely to intensify.

Auditor's report on FCS Building Association

In other business, the FCA board received an auditor's report on the 2017 financial statements of the FCS Building Association. Cherry Bekaert LLP, an independent auditing firm, provided an unqualified opinion of the Building Association's financial statements for the years ended Dec. 31, 2017 and 2016.

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,

2017 and 2016, and the results of its operations and its cash flows for those years conformed with accounting principles generally accepted in the United States.

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 8 FCA board meeting, the following notational vote has occurred. Notational votes are actions taken by the FCA board between board meetings.

On March 20, the board approved the request of Compeer Financial, ACA, to purchase up to \$10 million in bonds to be issued by a healthcare foundation in rural Illinois. This approval is subject to the conditions specified in the approval letter.

###

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 www.fca.gov.