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

McLEAN, Va., Dec. 13, 2018 — At its monthly meeting today, the Farm Credit Administration board 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, 2018.

According to the report, USDA forecasts an 8 percent drop in net cash farm income in 2018. Although favorable economic conditions continue to support domestic and foreign demand for agricultural products, increasing production costs have cut into net income levels. Also, trade policy remains unsettled, especially with the all-important China market, adding price uncertainty for producers.

Marketing opportunities for cash grains could be limited in early 2019, putting continued financial pressure on corn and soybean producers. With large soybean supplies, production may shift to corn and other crops, putting downward pressure on prices. For high-debt producers, limited marketing opportunities will put more stress on liquidity levels.

Poor margins have been forcing some high-cost dairy producers to liquidate their herds. In contrast, cow/calf producers have seen moderate profits the past two years, and the same is expected in 2019.

Overall, the System is safe and financially sound. For the first nine months of 2018, the System reported strong earnings, which continued to support capital growth. While portfolio credit quality has slipped compared to a year ago, System institutions have strong risk-bearing ability and are well-positioned for the challenges facing agriculture.

Semiannual report on Office of Examination operations

The FCA board also received the semiannual report on Office of Examination operations. For fiscal year 2018, the Office of Examination met its risk supervision and examination objectives as planned. FCA examiners conducted on-site activities at more than 92 percent of System associations, all four funding banks, and a number of other entities.
Closed session

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

Notational votes

Since the Nov. 8 FCA board meeting, the following notational votes have occurred. Notational votes are actions taken by the FCA board between board meetings.

- On Nov. 19 the board approved the 2019 operating budget of the FCS Building Association, including 2019 capital improvements and major building repairs. The board also approved an assessment of the Farm Credit System banks to cover Building Association expenses for 2019.
- On Nov. 28 the FCA board approved a request by Compeer Financial, ACA, to retire certain allocated equities.
- On Dec. 7 the board approved FCA’s 2019 compensation and benefits program.
- On Dec. 12 the FCA board approved a request by CoBank, ACB, and a request by Compeer Financial, ACA, to purchase bonds issued by a healthcare foundation in rural Louisiana. The approval of both requests is subject to conditions.
- On Dec. 12 the board approved a request by Compeer Financial, ACA, to purchase taxable bonds issued by a hospital district in rural Illinois. The approval is subject to conditions.
- On Dec. 12 the FCA Board voted to allow associations meeting certain requirements to continue, for up to one year and while the Board studies the issues involved, to purchase as investments in the secondary market portions of obligations that non-FCS lenders originate and the United States Department of Agriculture fully and unconditionally guarantees.

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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 www.fca.gov.