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

McLEAN, Va., June 13, 2019 — 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 March 31, 2019.

Several factors continue to influence the farm economy. According to earlier projections, crop prices were expected to be low this year because of large supplies and trade disruptions, particularly for soybeans. However, wet weather in the Midwest has delayed or prevented plantings and introduced substantial production risk, causing a major price rally for corn and soybeans. This has created pricing opportunities for producers who are able to raise crops this year.

Crop insurance indemnities and payments from recently enacted disaster legislation will cover some losses. USDA payments designed to offset trade impacts will also provide some relief. Production and price risk will likely remain elevated as the growing season unfolds.

The outlook for livestock and dairy producers has improved because of slowing production growth and relatively strong domestic and export demand. Returns for U.S. hog producers have also turned positive because the emergence of African swine fever in China has reduced global supplies of pork. However, margins for livestock producers will likely narrow because recent increases in crop prices are expected to boost feed costs.

For the first quarter of 2019, the Farm Credit System reported strong earnings and higher capital levels. Loan quality in the System's portfolio remained at acceptable levels, but credit risk measures were higher for the quarter, underscoring the significant operating challenges facing producers in many ag sectors.

Semiannual report on Office of Examination operations

The board also received the [semiannual report](#) on Office of Examination operations. During the first six months of fiscal year 2019, FCA examiners conducted on-site activities at all 4 System funding banks, 41 associations, and 7 other service entities.

Other business

The board began the meeting today by acknowledging the passing of Chairman Dallas P. Tonsager and the important contributions he made to U.S. agriculture and rural America. See the [statement](#) that Board Member and Acting CEO Jeff Hall delivered at the meeting. Chairman Tonsager died on May 21.

Closed session

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

Notational votes

Since the May 9 FCA board meeting, the following notational votes have occurred. Notational votes are actions taken by the FCA board between board meetings.

- On June 4, the FCA board approved a request by CoBank, ACB, to purchase bonds issued by a hospital district in rural Illinois. The approval is subject to conditions.
- On May 29, the board approved a proposed plan to combine Farm Credit Services of Hawaii and American AgCredit.
- On May 24, the board concluded that no regulatory action currently in FCA's Unified Regulatory Agenda meets the definition of "significant regulatory action." As a result, FCA is not required to develop a regulatory plan for submission to the Office of Information and Regulatory Affairs.

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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 Jeffery S. Hall and Glen R. Smith.

Note: FCA news releases are available on the web at www.fca.gov.