News Release

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

McLEAN, Va., Sept. 12, 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 June 30, 2019.

Amid trade disruptions, production uncertainty, and large global stocks, the Food and Agricultural Policy Research Institute projects crop prices to remain weak. As a net exporter, the U.S. farm sector depends on global demand for its agricultural products. Slower economic growth in key U.S. agricultural export markets is a growing concern.

Also, in part because of retaliatory tariffs by China, U.S. exports are down overall from 2018 — even though shipments have increased to other markets. To help offset the impact of retaliatory tariffs, USDA outlined a 2019 Market Facilitation Program (MFP) in late July. These program payments represent considerable support for the U.S. farm sector. In areas with good yields, the payments could lift average crop margins from at, or below, breakeven levels to positive levels. Elsewhere, producers will depend on crop insurance indemnities to recoup some of their production losses.

Land values generally have remained stable, supported by the limited supply of farmland for sale. Farm sector real estate debt has been rising for the past several years and is approaching the historical 10-year average. Also, total farm debt relative to income in 2019 is high, but the MFP has slowed its advance.

For the first six months of 2019, the System reported steady earnings and higher capital, but a decline in loan quality. Although the levels of portfolio credit risk are acceptable, they are rising, and this increase underscores the significant operating challenges facing System borrowers. Overall, the System remains financially safe, strongly capitalized, and well-positioned to support agricultural producers.

Closed session

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

Notational votes

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

- On Aug. 9, the board approved a request by AgCredit, ACA, to purchase bonds to be issued by a skilled nursing and rehabilitation facility in rural Wyoming.
- On Aug. 16, the board authorized the agency's chief financial officer to make an internal reallocation of funds.
- On Aug. 27, the board approved the appointment of S. Robert Coleman as chief operating officer. In a separate vote, the board also approved the appointment of David Grahn as director of the Office of Regulatory Policy.
- On Sept. 9, the board approved the agency's FY 2020 revised budget and its FY 2021 proposed budget.

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