FCA board receives update on credit conditions

McLEAN, Va., Nov. 14, 2019 — At its monthly meeting today, the Farm Credit Administration board received an update on credit conditions in the Farm Credit System.

Despite increased risk in certain segments of the System’s loan portfolio, overall System credit metrics remain favorable. System institutions have adequate capital to handle additional stress, but some are experiencing credit quality declines.

Prices for key commodities continue to present challenges for some producers going into 2020. Cash grain (corn, wheat, and soybean) producers and dairy producers have gone through extended periods of lower profits. These periods have reduced working capital and elevated borrowing needs for some producers. Loans to cash grain and dairy producers represent about 23 percent of the System’s total portfolio. System loans to these producers are showing higher credit risk. Loans to beef feedlots have also shown deterioration.

Prevented planting acreage and late planting of corn and soybeans could lead to more profit variability among cash grain producers this year. Government farm programs and revenue insurance programs are underpinning farm finances for many producers. Despite improvement in milk prices in 2019, higher-cost dairy farms remain vulnerable to financial stress.

Stability in farm real estate values have provided borrowers with options to address cash flow and working capital shortfalls. When needed, System lenders have been working with producers to constructively restructure their debts to improve their cash flow.

Notational votes

Since the Oct. 10 FCA board meeting, the following notational votes have occurred. Notational votes are actions taken by the FCA board between board meetings.

- On Oct. 10, the FCA board approved the appointment of Roger Paulsen to the position of chief examiner in the Office of Examination. In a separate vote on the same day, the board approved the refurbishment of the roof of the Farm Credit Building in McLean.

- On Oct. 21, the FCA board approved the Office of Examination’s FY 2020 oversight and examination plan.
• On Nov. 5, the FCA board approved the creation of an Office of Data Analytics and Economics and the appointment of Jeremy D'Antoni as its acting director. Four staff members from the Office of Regulatory Policy and one from the Office of the Chief Operating Officer will staff the new office.

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