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

McLEAN, Va., Dec. 13, 2019 — At its monthly meeting yesterday, 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, 2019.

It's been a difficult year for U.S. farmers and ranchers. Trade disruptions, weather extremes, and low farm prices have presented significant economic challenges for agricultural producers. Crop insurance indemnities, farm programs, and Market Facilitation Program payments continue to provide important financial support to the farm economy. The level of support under these programs varies by region and commodity.

Although the trade situation remains unsettled, there have been some positive developments recently. U.S. pork exports to China are increasing because of the overseas outbreak of African swine fever. And China continues to purchase soybeans periodically although the level of future transactions remains uncertain.

With large global supplies, crop prices are expected to remain low in 2020. This will limit attractive price opportunities for U.S. farmers. Livestock and dairy returns are likely to be positive in early 2020, but trade risks remain elevated.

For the first nine months of 2019, the System reported steady earnings and higher capital. Portfolio credit risk is higher for the year, but levels remain acceptable. Although credit stress in the System's portfolio is up, System institutions are financially sound and well capitalized. They continue to have the risk-bearing capacity to respond to the credit needs of U.S. agriculture.

Semiannual report on Office of Examination operations

The board also received the [semiannual report](#) on Office of Examination operations. For fiscal year 2019, FCA examiners conducted onsite activities at all 4 System funding banks, 64 of 68 associations, and several other related entities.

Briefing on YBS reporting

The board also received a briefing on the agency's progress toward improving the System's reporting on young, beginning, and small (YBS) farmers and ranchers.

The agency continues to modernize YBS reporting both by using existing data assets and by requiring enhancements to the data provided by System institutions. Using existing data collected with some enhancements reduces regulatory burden, improves efficiency, and increases reporting consistency.

As described in FCA's February 2019 advance notice of proposed rulemaking, the agency's long-term goal is to update guidance, methodology, data collection, and evaluation of YBS activities.

Proposed rule on district financial reporting

In other business, the board issued a proposed rule to revise FCA regulation 620.2(g)(2) to add another presentation option for the disclosure of the financial information of its affiliated associations within the bank's Annual Report to Shareholders.

Currently, the financial information of affiliated associations must be included as a footnote in the bank's Annual Report to Shareholders when the bank prepares its annual financial statements on a standalone basis. The proposed rule gives the bank the option to disclose affiliated financial information in either a footnote or a supplement.

Closed session

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

Notational votes

Since the Nov. 14 FCA board meeting, the following notational votes have occurred. Notational votes are actions taken by the FCA board between board meetings.

- On Dec. 10, the board approved delegating to the director of the Office of Regulatory Policy the authority to approve or deny new requests by System associations to purchase, in the secondary market, portions of loans fully and unconditionally guaranteed by USDA. The board also authorized the director to extend existing approvals either until June 30, 2020, or until a final rule on this topic would become effective, whichever would occur earlier.
- On Dec. 5, the board approved rescheduling the April 2020 board meeting to April 16.
- On Nov. 22, the board approved the appointment of Jeremy D'Antoni as director of the Office of Data Analytics and Economics.
- On Nov. 20 the board approved the 2020 operating budget of the FCS Building Association, including capital improvements and major building repairs. The board also approved an assessment of the System banks to cover Building Association expenses for 2020.

- On Nov. 20, the board approved the merger of the Federal Land Bank Association of Hawaii, FLCA, with and into American AgCredit, FLCA. It also approved the merger of Hawaii Production Credit Association with and into American AgCredit, PCA.

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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.