News Release

Farm Credit Administration
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FCA board receives reports on Farm Credit System funding activities and USDA summit on lending to beginning farmers and ranchers

McLEAN, Va., Nov. 19, 2020 — At its monthly meeting today, the Farm Credit Administration board received an update (PDF) on the Farm Credit System's funding activities.

According to the update, the System had $314 billion in debt outstanding as of Nov. 9, amounting to a 6.9% increase from year-end 2019. As of Sept. 30, the System's share of the $1.76 trillion debt market for government-sponsored enterprises was 17.5%, ranking second only to the Federal Home Loan Bank System, which held a share of 48%. The update also discussed the following topics:

- The System's cost of debt, risk premiums, and various aspects of its debt portfolio, including composition, maturities, and callable activities
- The System's investment holdings in terms of days of liquidity and composition (These investments provide the primary funding backup if the System's access to the debt market is interrupted.)
- The System's financial performance through the third quarter of 2020
- Impacts of COVID-19 on debt markets

The dominant influence on funding conditions throughout nearly all of 2020 continues to be the global spread of COVID-19. The economic effects at the outset of the pandemic during the early spring drove debt yields and equity markets down sharply, inducing unprecedented amounts of volatility that severely constrained liquidity and the functioning of financial markets.

In response, the Federal Reserve sharply cut and actively maintains the federal funds rate at a target range between 0% and 0.25%. In addition, the Federal Reserve announced numerous actions to provide critical support for the economy and the debt markets.

Prominent among these actions has been the Federal Reserve's balance sheet expansion from $4.2 trillion to $7.2 trillion. The purchase of U.S Treasury securities accounts for most of the expansion, but the Federal Reserve's purchase of the securities of federal agencies and government-sponsored enterprises also accounts for a sizable portion of it.

Numerous other central banks have joined the Federal Reserve in taking extraordinary accommodative monetary policy actions. The U.S. government has also taken significant fiscal stimulus actions.

Overall, the System's condition and performance has been resilient despite the widespread economic strains caused by the pandemic. Overall System cost of debt remains well below the cost of debt at the beginning of 2020. In addition, System debt risk premiums over the corresponding U.S. Treasury debt are favorable for all debt maturities.

The markedly lower interest rate environment in 2020 has provided the System many opportunities to exercise call options on outstanding debt. As a result, the System has exercised over $107 billion year to date in call options, compared with $54 billion during all of 2019. The reissuance of debt at lower rates significantly enhanced the System's net interest spread and net interest margin during the first three quarters of 2020. The System's net income increased compared to the same period in 2019 largely because of the decreases in debt costs.

USDA's Beginning Farmers and Ranchers Lending Summit

The board also received a staff report on USDA's Oct. 27 summit on ways to better support the credit needs of beginning farmers and ranchers.

In addition to staff from USDA and FCA, the event included beginning farmers and ranchers and representatives of the American Bankers Association, the Independent Community Bankers Association, the National Rural Lenders, and the Farm Credit Council, as well as agricultural lenders. During the summit, the groups agreed on the following:

- Engaging agricultural lenders and FSA staff in loan-making training sessions and farm loan conferences

- Developing improvements to the FSA loan and loan guarantee programs

For more information, see the Oct. 27 news release (PDF) about the summit.

FCS Building Association 2021 budget and assessments

In other business, the board approved the FCS Building Association's 2021 operating budget, as well as its budget for capital improvements and major building repairs. The board also approved an assessment of the System banks to cover Building Association expenses for 2021.

Notational votes

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

On Oct. 16, the FCA board granted preliminary approval of the proposed plan of merger of AgPreference, ACA, and its wholly owned subsidiaries with and into Farm Credit of Western Oklahoma, ACA, and its wholly owned subsidiaries. The continuing association will be Farm Credit of Western Oklahoma. The board's approval is subject to certain conditions. If the stockholders of the constituent associations approve the merger and all other requirements for final approval are satisfied, the merger will take effect on Jan. 1, 2021.

On Oct. 20, the FCA board approved the Office of Secondary Market Oversight's FY 2021 oversight and examination plan.

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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), which 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.