News Release

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FCA board receives briefing on funding conditions for the Farm Credit System

McLEAN, Va., March 11, 2021 — At its monthly meeting today, the Farm Credit Administration board received a briefing on funding conditions for the Farm Credit System.

According to the briefing, the System had $322 billion in debt outstanding as of year-end 2020, amounting to a 10.3% increase from year-end 2019. As of year-end 2020 the System's share of the $1.66 trillion debt market for government-sponsored enterprises (GSEs) increased to 19.4%, ranking second only to the Federal Home Loan Bank System, which held a share of 44%.

In total debt issuance for 2020, the System also ranked second only to the Federal Home Loan Bank System. The System's debt outstanding has increased by 25% since the end of 2016 while the overall GSE debt outstanding decreased by 15%. The briefing 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 for calendar year 2020
- Impacts of COVID-19 on debt markets

The dominant influence on funding conditions for 2020 continued to be the global spread of COVID-19 and its severe economic effects, one of which was a historic level of volatility in the global financial markets.

The extraordinary accommodative monetary policy actions taken by the Federal Reserve and many other central banks helped ameliorate the severe dislocation in the markets. In addition, both the U.S. government and many foreign governments have taken significant fiscal stimulus actions to help counter the economic impacts of COVID-19.

Prominent among the Federal Reserve's numerous actions is the ongoing purchase of U.S Treasury securities and the securities of federal agencies and GSEs. These purchases provide ample liquidity to the financial markets and promote the continuation of low interest rates to help spur an economic resurgence.

As a direct result of the markedly lower interest rates in 2020, the System had nearly continuous opportunities to exercise call options on its callable outstanding debt. During the year, the System exercised over $115 billion in call options, a historical record by a large degree. The reissuance of debt at lower rates significantly enhanced the System's net interest spread and net interest margin during 2020. For all debt maturities, risk premiums for System debt remained favorable compared to corresponding U.S. Treasury debt largely because of the System's resilient condition and performance despite the widespread economic strains caused by the pandemic.

Board approves direct final rule

In other business, the FCA board approved a direct final rule to repeal 10 provisions in part 627 of FCA regulations regarding the receivership or conservatorship of System institutions. These provisions have been superseded by section 5412 of the 2018 Farm Bill, which added a new section 5.61C to the Farm Credit Act of 1971.

The new section of the Farm Credit Act strengthens, clarifies, and updates the powers and duties that the Farm Credit System Insurance Corporation (FCSIC) may exercise if it is appointed as the conservator or receiver of a System institution. It also enhances FCSIC's authority to handle claims against a System institution in conservatorship or receivership. FCSIC's new authorities are now comparable to those of the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Federal Housing Finance Agency.

This direct final rule will soon be published in the Federal Register. It will take effect within 30 days of its publication during which either or both houses of Congress are in session, provided no significant adverse comment is received.

Board approves investment in FarmStart

The FCA board also approved the request of Farm Credit East to increase its capital contribution to FarmStart, a limited liability partnership that invests in startup farming operations in order to furnish them with working capital. Farm Credit East (known at the time as First Pioneer) established the partnership in 2005 to assist starter farmers with good business plans who do not meet the underwriting standards for traditional loans. The investment was approved under FCA's investment regulation 615.5140(e).

Board approves abstract update of the Unified Agenda

In other business, the FCA board approved two documents: the Spring 2021 Abstract Update of the Unified Agenda of Federal Regulatory and Deregulatory Actions, and the Spring 2021 Regulatory Projects Plan.

The information in the abstract will be included in the official Unified Regulatory Agenda, which is published semiannually on the internet at reginfo.gov. The regulatory projects plan describes the regulatory projects scheduled for the next 12 to 24 months. The plan is posted on the agency's Regulatory projects plan webpage after it has been approved by the Office of Management and Budget.

Board recognizes service of General Counsel Charlie Rawls

During the meeting, the board expressed its gratitude to Charlie Rawls for his 18 years of service to FCA as general counsel. Mr. Rawls will retire at the end of this month after nearly 40 years of public service.

Notational vote

Since the Feb. 11 FCA board meeting, one notational vote has occurred. Notational votes are actions the FCA board takes between board meetings.

On March 1, the board voted to approve an interagency notice and request for comment on 24 proposed questions and answers regarding private flood insurance. The questions and answers are intended to help lenders comply with a rule that FCA issued jointly with four other federal regulators in 2019. The 2019 rule implements the private flood insurance provisions of the Biggert-Waters Flood Insurance Reform Act of 2012. For more information, see the joint press release (PDF).

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