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

McLEAN, Va., April 8, 2021 — At its monthly meeting today, the Farm Credit Administration board received a quarterly report (PDF) on economic issues affecting agriculture, together with an update on the financial condition and performance of the Farm Credit System (System) as of Dec. 31, 2020.

Record agricultural exports are contributing to favorable economic conditions for the U.S. farm sector. Exports to China have risen to record levels, with increases in soybeans, corn, wheat, and cotton. High crop prices and strong producer margins are expected to bring more acreage into production, but continuing drought in much of the western United States is a concern.

Rising crop prices are translating to higher feed costs and lower margins for livestock producers. Cow-calf margins are expected to be near breakeven despite the higher costs. For the hog industry, margins have deteriorated, but relatively strong demand and lower hog inventory are helping support prices. Income variability continues to trouble dairy farms. Small and high-cost producers will struggle to produce profits.

Farm sector income is expected to remain above average in 2021. Stronger market prices and receipts are expected to mostly offset the decline in government payments. Strong farmland values, especially in the Midwest, reflect current income prospects, increased interest from both farmers and investors, and low interest rates.

Another development that may affect the farm economy is that policymakers have begun to focus more on climate and conservation recently. Because of its long and rich history of conservation, U.S. agriculture can significantly contribute toward efforts to slow climate change and support conservation. No-till farming and the use of cover crops to sequester carbon are just a couple practices farmers can use to support these efforts. Although selling sequestered carbon may generate additional income streams for farmers, the activity also carries costs and risks, particularly when farmers must deliver and maintain specific carbon benefits.

Despite the shock of the pandemic to the U.S. economy and agriculture, the System remained safe and financially sound in 2020. For the year, the System reported strong
results, including robust loan growth driven by real estate lending, higher earnings, and increased capital. The System’s portfolio performed well throughout the year and loan quality remained sound. Credit risk continues to be elevated for certain agricultural sectors and geographic regions, but System institutions are well positioned to support agricultural producers and rural America.

**Board approves proposed rule on collateral evaluation**

In other business, the FCA board approved a proposed rule on collateral evaluation. Among other things, the proposed rule seeks to achieve the following:

- Adjust the minimum content requirements for chattel evaluations to reflect current industry practices, while requiring System institutions to address additional content requirements in their policies and procedures
- Require institutions to address in their policies and procedures the frequency that collateral values should be updated during the life of a loan
- Clarify that System institutions must provide appraisal and evaluation reports to applicants and borrowers upon request
- Require System institutions to have internal control programs for use when appraisals and evaluations are to be completed and when prior- or post-reviews are to be completed
- Require institutions to include in their policies and procedures requirements regarding when, how, and by whom collateral inspections are to be completed
- Clarify that System institutions can use computer-based models, industry benchmarks and indexes, as well as published industry source information, as tools for developing collateral market values
- Expand the current business transaction exemption for real estate loans to include loans where repayment is from cash rent, but only when that cash rent is from agricultural sources

Following a 30-day period for congressional review, the proposed rule will be published in the Federal Register for a 60-day comment period.

The public may submit comments on proposed rules and notices by electronic mail to reg-comm@fca.gov or through the public comment form on FCA’s website. The public may also submit comments by mail to Kevin Kramp, Director, Office of Regulatory Policy, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102-5090. The public may read submitted comments at the FCA office in McLean, Virginia, or on the comment letters page on FCA’s website.

**Closed session**

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

Since the March 11 FCA board meeting, three notational votes have occurred. Notational votes are actions the FCA board takes between board meetings.

On April 7, the board approved a request by Compeer Financial, ACA, to purchase bonds issued by an intermediate care facility in rural North Dakota. The approval of the request is subject to conditions.

On March 30, the board voted to appoint Clark Ogilvie as FCA’s general counsel.

On March 15, the board voted to approve enhanced workforce benefits for 2021.

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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.