News Release

Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

For Immediate Release
NR 22-05 (3-10-22)

Contact: Mike Stokke or Emily Yaghmour,
703-883-4056
Email: info-line@fca.gov

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

McLEAN, Va., March 10, 2022 — At its monthly meeting today, the Farm Credit Administration board received a briefing on funding conditions for the Farm Credit System (FCS or System).

According to the briefing (PDF), the System had $353 billion in debt outstanding as of year-end 2021, amounting to a 9.6% increase from year-end 2020. The System's share of the $1.43 trillion debt market for government-sponsored enterprises (GSEs) increased to 24.6%.

The increase in the System's debt outstanding was in stark contrast to the overall GSE debt outstanding (including the FCS), which continued its yearslong contraction with a 13.7% decline in 2021. In addition, the System's total debt issuance for 2021 of $415 billion contributed to the System's growth in its overall debt outstanding. The total debt issuance also contributed to the 5 percentage point increase in the FCS's overall share of GSE debt outstanding. 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, issuance activities, and LIBOR transition
- Limited aspects of the System's financial performance for calendar year 2021
- The System's investment holdings (contingency funding) in terms of days of liquidity and composition
- Continuing COVID-19 issues, the emergence of significant inflation, the major military conflict in Eastern Europe, and the impact of these factors on funding conditions for 2021 and early 2022

The extraordinary accommodative monetary policy actions taken by the Federal Reserve and many other central banks remained in place for most of 2021. However, strengthening global economies, coupled with reports of high inflation, prompted the Federal Reserve and other central banks in late 2021 to begin to widely discuss the need to begin to curtail many of these accommodative policies. The U.S. government continued to provide fiscal stimulus to help counter the economic impacts of COVID-19, which significantly increased the U.S. national debt to more than $30 trillion in early 2022.

Although the Federal Reserve's ongoing purchase of U.S. Treasury securities and the securities of federal agencies and GSEs continued to foster low interest rates, inflation concerns prompted a significant rise in the yields on longer-term FCS debt securities, resulting in a sizeable increase in the slope of the FCS debt yield curve. As a direct result, the System's opportunities to exercise call options on its callable outstanding debt were greatly reduced. In 2021, it called only $35 billion in outstanding debt, compared with $115 billion in 2020.

The large reissuances of debt at lower rates over the course of the past two years continued to positively affect the System's net interest spread and net interest margin during 2021. For all FCS debt maturities, risk premiums for System debt remained favorable compared to corresponding U.S. Treasury debt securities in large part because the System's strong financial condition fostered high demand by investors for FCS debt securities.

Board approves abstract update of the Unified Agenda

In other business, the FCA board approved two documents: the Spring 2022 Abstract Update of the Unified Agenda of Federal Regulatory and Deregulatory Actions, and the Spring 2022 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 will be posted on the agency's Regulatory projects plan webpage after it has been approved by the Office of Management and Budget.

Closed session

In its closed session, the FCA board received a periodic report from the Office of Secondary Market Oversight.

Notational votes

Since the Feb. 10 FCA board meeting, one notational vote has occurred. Notational votes are actions the FCA board takes between board meetings.

On Feb. 21, the board voted to approve the FCA Strategic Plan for Fiscal Years 2022–2026. FCA will post the plan to its website when the president's budget is submitted to Congress.

###