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

McLEAN, Va., April 13, 2023 — 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, 2022.

Inflation continues to be a core economic issue despite recent declines. Inflation has been driven in part by the tightness in the labor market, and rising production costs and consumer demand. Recent events in the commercial banking sector have led to tighter financial conditions and less certainty about future interest rates.

Strong prices for many commodities have continued into 2023. Tight global grain stocks, declining cattle inventory, and disruptions to specialty crop production continue to support prices. However, exports have fallen from record 2022 levels because of high prices and strong foreign competition. Net farm income is projected to fall in 2023 but remain well above the historic average.

Input costs are expected to remain high for producers in 2023, curbing farm profitability. National supply chain constraints have normalized, but residual impacts remain for agricultural machinery and selected inputs. Fertilizer costs have fallen with declines in energy prices although they remain above historic averages. Producers have seen persistent growth in costs for labor, rent, and interest expense this year.

With the end of the three-year La Niña pattern, drought conditions have improved across much of the country. Drought coverage has reached its lowest level in nearly three years following record snowpack across the West and northern Plains. In contrast, a large part of the central and southern Plains remains in severe drought as the growing season gets underway.

The System reported strong financial results in 2022, including strong loan growth and higher earnings. (See the [latest financial indicator data](#).) The System's loan portfolio continued to perform well, and portfolio credit quality remained strong. Although total capital declined slightly for the year, capital levels remained sound. The System liquidity position of 180 days at year-end was unchanged from a year ago and well above the 90-day regulatory minimum.

Notational votes

Since the March 9 FCA board meeting, five notational votes have occurred. Notational votes are actions the FCA board takes between board meetings.

On March 20, the board approved two documents: the Spring 2023 Abstract Update of the Unified Agenda of Federal Regulatory and Deregulatory Actions, and the Spring 2023 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.

On March 21, the board voted to extend by 30 days the comment period of the advance notice of proposed rulemaking on the Farmer Mac capital framework. The extended comment period will close on April 26.

On April 5, the board voted to grant preliminary approval for the proposed plan of merger of Farm Credit of New Mexico, ACA, and its wholly owned subsidiaries (Farm Credit of New Mexico, FLCA, and Production Credit Association of Southern New Mexico), with and into American AgCredit, ACA, and its wholly owned subsidiaries (American AgCredit, FLCA, and American AgCredit, PCA). The board's preliminary approval is subject to certain conditions.

On April 6, the board approved locality rate adjustments for FCA employees in the agency's Bloomington, Dallas, Denver, and Sacramento field offices.

On April 7, the board approved the establishment of the Office of the Chief of Staff.

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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.