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

McLEAN, Va., June 8, 2023 — At its monthly meeting today, the Farm Credit Administration board received two reports: a quarterly report on economic conditions affecting the agricultural economy, and a semiannual report on Office of Examination operations.

Quarterly report on conditions in agriculture and the Farm Credit System

The 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 March 31, 2023.

According to the report, inflation remains elevated in certain sectors of the economy despite interest rate hikes by the Federal Reserve and supply chain improvements. Rising wages have helped sustain inflation as continued job growth outpaces a rebound in labor force participation.

Higher interest rates have made borrowing more costly for homebuyers and consumers in general. The latest data show that, at least for now, consumers are still spending and servicing debts despite these challenges.

For agriculture, drought has declined substantially across the western half of the country, and good spring weather conditions sped up planting progress for many crops. For several states in the Great Plains and Southwest, drought conditions will need to continue to be monitored. With strong prospects for large crops and the building of grain stocks in 2023, prices have weakened. While many input costs also have fallen, crop producers are likely facing tighter margins this year.

Cattle producers are benefiting from improved pasture conditions and high prices following cattle herd reduction last year. For hog producers, weaker prices and elevated feed costs have led to negative returns since last fall.

The System reported solid financial results for the first quarter. Because of rising interest rates and seasonal lending fluctuations, System growth was slower in the first quarter of 2023 than it was for the same quarter the previous three years. The loan portfolio continued to perform well, but nonperforming assets increased. Despite the increase, the overall level of nonperforming assets remained low, at 0.53% of loans outstanding and other property owned.

First-quarter earnings were strong but marginally below the same period a year ago. Capital and liquidity levels also remained strong. Overall, the System is financially sound, and institutions are well-positioned to meet borrower funding and liquidity needs.

Semiannual report on Office of Examination operations

The FCA board also received the [semiannual report \(PDF\)](#) on Office of Examination operations. For the first half of fiscal year 2023, the Office of Examination performed its risk supervision and examination objectives as planned. FCA examiners conducted onsite examination and oversight activities at all funding banks, 29 associations, and 4 other entities.

Statement on Pride Month

In other news, FCA Board Chairman and CEO Vincent Logan issued a [statement \(PDF\)](#) on FCA's observance of Pride Month 2023. For the first time ever, the agency has placed the Pride flag in the board reception area of its headquarters.

"By displaying this flag, FCA is demonstrating that we stand for respect and acceptance for all people," said Chairman Logan in a statement earlier this week to staff. "As a member of the LGBTQI+ community, I am especially proud that the agency is taking this step."

Notational votes

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

On May 12, the board approved a reallocation of funds within the budget of the Office of Information Technology.

On May 22, the board approved the temporary appointment of Ward P. Griffin to serve as FCA's acting general counsel. Mr. Griffin will serve for a period of time not to exceed 90 days, or until the board appoints a permanent general counsel.

On May 31, the board approved a program of enhanced workforce benefits for calendar year 2023.

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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.