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

McLEAN, Va., Sept. 14, 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 June 30.

Quarterly Report on Conditions in Agriculture and the Farm Credit System

Because of persistent strength in labor markets and consumer spending, economic growth during the first half of 2023 was stronger than anticipated. Inflation and some recessionary indicators in the second half make prospects for growth less promising as we head into next year.

Inflation has continued to fall, but recent declines have been driven by volatile factors such as food and energy costs. Core inflation measures have fallen more slowly as shelter costs have grown. The Federal Reserve has indicated that it will continue with restrictive monetary policy until it observes sustained moderation in core inflation.

Farm income is expected to remain above historic averages for 2023, but margin compression is hampering profitability. Cash receipts have fallen while many farm expenses have remained high or even increased. Meanwhile, grain prices have moderated following a rebound in global production and a decline in U.S. agricultural exports. Returns for dairy and hog producers are negative but strong for cattle producers who have adequate forage.

Harsh weather — particularly drought and excessive moisture — has taken a toll on U.S. agriculture thus far in 2023. However, most measures indicate that crop loss in the first half of 2023 was lower than it was last year. Growth in farmland values has begun to slow, driven by declining revenue potential and higher borrowing costs.

The System reported solid financial results for the period ended June 30. System growth slowed in the first 6 months of 2023, compared with the past several years, with higher interest rates and tighter margins affecting loan demand.

Portfolio quality remained strong despite a slight increase in credit risk indicators. Year-to-date earnings through June were $3.5 billion, marginally lower than they were a year ago. The System also maintained its strong capital position and robust liquidity. Overall, System

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institutions are well positioned to meet the credit and liquidity needs of agricultural producers and rural America.

Notational votes

Since the Aug. 10 FCA board meeting, five notational votes have occurred. Notational votes are actions the FCA board takes between board meetings.

On Aug. 11, the board voted to authorize the chief financial officer to reallocate funds to cover an increase in personnel compensation, benefits, travel, equipment, and supplies.

In a notational vote on Aug. 15, the board approved two documents: the Fall 2023 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions, and the Fall 2023 Regulatory Plan.

The information in the abstract will be used 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 Aug. 28, the board approved the establishment of the position of chief risk officer and selected Samuel Robert Coleman to assume the role on Oct. 1. The creation of the new chief risk officer role reflects the board's commitment to good governance, as well as its focus on innovation both inside and outside the agency. The chief risk officer will work across the agency, focusing on both internal and external organizational risks. By creating this new role, the agency is adopting an emerging risk management best practice.

Mr. Coleman brings to this new role decades of senior leadership experience and expertise at the agency. Since August 2019, he has served as the agency's chief operating officer, and from 2010 to 2019, he served as chief examiner and director of FCA's Office of Examination. From 2005 to 2010, he was director of the agency's Office of Secondary Market Oversight, and from 2003 to 2005, he was director of the agency's Regulation and Policy Division. He first joined the agency as an examiner in 1986.

In addition, the notational vote reassigns the strategic planning function formerly held by the chief operating officer to the chief of staff, and it requires certain offices to report directly to the chief of staff.

On Sept. 1, the board voted to authorize the chief financial officer to reallocate funds to cover an increase in leave liability.

On Sept. 11, the board voted to grant preliminary approval for the proposed plan of merger of Ag New Mexico Farm Credit Services, ACA, and its wholly owned subsidiaries (Ag New Mexico Farm Credit Services, PCA, and Ag New Mexico Farm Credit Services, FLCA) with and into Lone Star, ACA, and its wholly owned subsidiaries (Lone Star, PCA, and Lone Star, FLCA). The continuing association will be renamed AgTrust, ACA, with subsidiaries AgTrust, PCA, and AgTrust, FLCA. The board's preliminary approval is subject to certain conditions.

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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.