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

McLEAN, Va., Dec. 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 Sept. 30.

Quarterly report on conditions in agriculture and the Farm Credit System

Inflation has declined this fall as interest rates have risen, cooling the economy and the labor market. Consumer spending continues to be resilient overall, despite signs of stress like higher default rates on consumer debt and higher credit card balances.

Rising interest rates have had a negative impact on many finance-heavy sectors, including commercial real estate, banking, and farming. High mortgage rates have caused a decline in residential housing starts, and this decline has in turn slowed demand in housing-related sectors like forestry, turf, and nursery.

While many agricultural inputs are considerably less costly than they were a year ago, profit margins for many farmers are tighter this year. Crop producers continue to see lower commodity prices, especially for corn and wheat, compared with a year ago. Further price risk stems from lower water levels in key waterways used to transport cash grains. Profit margins for some livestock and specialty crop producers are tighter due to weak commodity prices.

The System reported solid financial results through the first nine months of 2023. System growth has slowed in 2023 against a backdrop of higher interest rates and tighter margins in a number of agricultural sectors.

The loan portfolio continued to perform well, and nonperforming assets remained low at 0.53% of loans outstanding and other property owned. Year-to-date earnings through September were \$5.5 billion, slightly above earnings a year ago.

Regulatory capital and liquidity levels remained sound and are well above regulatory minimums. Overall, the System remains financially sound and is well positioned to meet the funding and liquidity needs of U.S. farmers and ranchers.

Semiannual report on Office of Examination operations

In other news, the FCA board received the [semiannual report \(PDF\)](#) on Office of Examination operations. For fiscal year 2023, the Office of Examination completed the

objectives and strategies identified in its operating plan, including those associated with risk supervision and examination. FCA examiners conducted onsite examination and oversight activities at all funding banks, 51 associations, and 5 other entities.

Notational votes

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

On Nov. 9, the board voted to approve the request of a System institution to make an investment for which FCA regulations require prior approval.

On Nov. 16, the FCA board approved the FCS Building Association's 2024 operating budget, as well as its budget for capital improvements and major building repairs. In addition, the board approved an assessment of FCS banks to cover Building Association expenses for 2024.

On Dec. 4, the board approved the oversight plan of the Office of Secondary Market Oversight for fiscal year 2024.

On Dec. 7, the board approved a limited delegation of authority to the FCA director of the Office of Regulatory Policy for certain capital requests.

On Dec. 13, the board approved the FCA 2024 compensation program.

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The Farm Credit Administration is the 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.