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

McLEAN, Va., May 8, 2025 — At its monthly meeting today, the Farm Credit Administration board received a briefing on funding conditions for the Farm Credit System (FCS or System).

As reported in the briefing (PDF), the System had $453 billion in debt outstanding as of March 31, 2025. Since year-end 2021, System debt outstanding has increased by $100 billion, or just over 28%, as of December 2024. The System's share of the nearly $2 trillion debt market for government-sponsored enterprises increased to 22.9% as of March 31, 2025.

The System's total debt issuance for 2024 was $299 billion. Issuance activity remained somewhat muted throughout 2024 and the first quarter of 2025 for two reasons. Interest rates were significantly higher than they were from 2020 through 2022, and fewer short-term securities were issued, specifically discount notes.

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 strategies
- The System's investment holdings (contingency funding) in terms of days of liquidity, composition, and adequacy to provide a sufficient funding source in lieu of Systemwide debt issuances
- Federal Reserve and other central bank actions, geopolitical factors, and the impact of these factors on funding conditions in the first quarter of 2025 and their potential for affecting funding conditions for the System for the remainder of 2025

Interest rates during the latter part of 2024 and early 2025 generally decreased, resulting in a marginal decline in the System's overall funding costs. With the decline in interest rates, opportunities to exercise economically favorable call options for the System's callable debt outstanding have increased but remain fairly limited, and the ability to issue certain debt instruments experienced periodic constraints because of ongoing volatility in capital markets.

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Both elevated interest rates and a generally inverted yield curve continued to negatively affect the System's net interest spread, as well as the market value of its investment portfolio. Risk premiums for System debt securities remained steady and favorable overall, particularly for debt securities with shorter maturities. The favorable risk premiums reflect investor confidence in the continued strength of the System's financial condition and performance.

Closed session

In a closed session, the FCA board received a report on the potential impacts of tariffs on agriculture and the Farm Credit System.

Notational votes

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

On April 18, the board approved documents for submission to the Office of Management and Budget.

On April 22, the board approved a personnel action.

On April 28, the board approved a request from Farm Credit Financial Partners to amend its articles of incorporation to allow it to convert its shares of one class of stock into shares of another class.

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