Farm Credit Administration

Fiscal Year 2025 Proposed Budget and Performance Plan

Table of Contents

List of Tables

List of Figures

List of Acronyms and Abbreviations

ACA ....agricultural credit association

CAMELS ....capital, assets, management, earnings, liquidity, and sensitivity

Farm Credit Act........................Farm Credit Act of 1971, as amended

Farmer Mac..............................Federal Agricultural Mortgage Corporation

FCA..Farm Credit Administration

FCS or System ....Farm Credit System

FCSIC ....Farm Credit System Insurance Corporation

FIRREA....................................Financial Institutions Reform, Recovery, and Enforcement Act

FIRS ....Financial Institution Rating System

FLCA ....Federal Land Credit Association

FTE..full-time equivalent

FTP..full-time permanent

FY ....fiscal year

Funding Corporation ....Federal Farm Credit Banks Funding Corporation

GSE ....government-sponsored enterprise

IT...information technology

NCB ....National Consumer Cooperative Bank

OSMO......................................Office of Secondary Market Oversight

PCA ....Production Credit Association

RBC ....risk-based capital

USDA ....U.S. Department of Agriculture

YBS..young, beginning, and small (farmers and ranchers)

Preface

The Farm Credit Administration is an independent agency in the executive branch of the U.S. government. We are responsible for regulating and supervising the Farm Credit System (its banks, associations, and related entities) and the Federal Agricultural Mortgage Corporation (Farmer Mac).[1]

Created by an executive order of the president in 1933, FCA now derives its powers and authorities primarily from the Farm Credit Act of 1971, as amended (12 U.S.C. 2001 – 2279cc). We issue regulations to implement the act, and we examine System institutions for compliance with the act and regulations, and with safe and sound banking practices. Our mission is to ensure that System institutions, including Farmer Mac, are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America.

This document presents and justifies our proposed budget for fiscal year 2025 (Part I). It discusses our agency's functions and program activities (Part II) and presents an overview of the financial condition of the FCS, including Farmer Mac (Part III). Also included is the fiscal year 2025 performance budget, which ties proposed expenditures to the goals and objectives in our strategic plan (Part IV).

[1] Although Farmer Mac is an FCS institution under the Farm Credit Act (12 U.S.C. 2279aa-1(a)(2)), we often discuss Farmer Mac separately from the other entities of the FCS because of the secondary market authorities unique to Farmer Mac. Therefore, when we refer to FCS or System institutions without specifically including Farmer Mac, Farmer Mac should be considered excluded in that context. Farmer Mac is not jointly and severally liable on debt issuances with other parts of the System.

Part I

Fiscal Year 2025

Proposed Budget

Fiscal Year 2025 Budget Overview

Our FY 2025 proposed budget request, as shown in table 1, includes $100.43 million in assessments (current year and carryover funds) from FCS institutions, including Farmer Mac. Reimbursable funding from the Farm Credit System Insurance Corporation and the National Consumer Cooperative Bank adds $450,000 to this amount, bringing our total proposed FCA budget request to $100.88 million.

Table 1. FY 2025 proposed budget

Description	Amount proposed (in dollars)	Percentage of total budget
Full-time-permanent personnel (FTP)	$59,562,561	59.1%
Other than FTP	421,513	0.4%
Other personnel compensation	1,335,369	1.3%
Total personnel compensation	**$61,319,443**	**60.8%**
Personnel benefits	26,786,994	26.6%
Benefits former personnel	25,000	0.0%
Total compensation and benefits	**$88,131,437**	**87.4%**
Travel and transportation of persons	3,672,393	3.6%
Transportation of things	144,913	0.1%
Rent, communications, and utilities	530,590	0.5%
Printing and reproduction	228,473	0.2%
Consulting and other services	6,095,961	6.1%
Supplies and materials	1,971,204	2.0%
Equipment	100,029	0.1%
Total budget	**$100,875,000**	**100.0%**

The FY 2025 proposed budget of $100.88 million increased by $6.13 million or 6.5% over the FY 2024 revised budget of $94.75 million.

We continue to leverage technology and emphasize savings and efficiencies in operations to keep our costs reasonable. As a result, we present a prudent, cost-effective budget.

The budget provides resources for three general purposes:

- To support the System's mission as a dependable source of credit and related services for agriculture and rural America
- To develop regulations and policy positions that implement statutes
- To promote the safety and soundness of the FCS, including Farmer Mac

The FY 2025 budget is necessary to maintain an effective examination program. A robust examination program will help us identify any emerging risks early so that we can better protect the safety and soundness of the Farm Credit System banks, associations, and Farmer Mac. The environment in which the FCS operates is dynamic and increasingly complex.

The budget continues to implement the FCA board's philosophy on risk-based examination. We have included sufficient resources to ensure that risks are properly identified, managed, and controlled. These resources will enable us to send our examiners to the institutions we regulate to perform on-site testing of the institutions' credit reviews, internal audits, and internal controls. In addition, to help us identify risk throughout the System, we will continue to focus on priority issues and invest in

- information technology (IT),
- data management and modernizing applications, and
- support of the examination function.

The budget also includes resources both to invest in skills necessary to address increasing technology-related demands and to hire contractors when we need technical specialists and technology upgrades for specific short-term related efforts. For more information about our risk-based examination and supervision, see page 34.

The agency has placed an emphasis on innovation and modernization, recognizing that innovation is critical to the success of the financial institutions we regulate. With the advancement of various technologies and tools including artificial intelligence, distributed ledger technology (blockchain), and cloud computing, the banking industry continues to change swiftly.

Among our innovation priorities has been supporting data analytics and management, and dedicating staff resources to improving the quality and usefulness of our agency data assets. We continue to focus on delivering analytical tools to enhance effectiveness and efficiency in virtually all aspects of agency activities, including objective decision-making agency operations. We are also investing in training so that staff learn how to use these tools to improve their work and gain deeper insights.

We expect that this will continue to yield multiple benefits: more effective examination processes, better informed regulatory activity, improved risk identification, and more effective organization performance measures. Through these efforts, we continue to enhance service across the entire organization.

With innovation comes risk. As FCS institutions continue to innovate and evolve to meet the needs of agriculture and rural America, the board anticipates that there will be new challenges on the horizon and plans to devote adequate agency resources to this priority.

The agency believes it is important to focus on a more comprehensive risk management strategy at FCA. The benefits include becoming more proactive in the discussion of emerging risks and trends that could impact both FCA's ongoing ability to ensure mission fulfillment and the safety and soundness of the Farm Credit System. The expanded risk management strategy supports better decision-making for policies, regulatory decisions, and examination activities covering the FCS.

Good governance is critically important, within both the agency and the System institutions we regulate.

As FCA evolves, we must continue to operate efficiently and effectively, and reflect ethics and integrity in our actions. The emphasis on good governance emcompasses strong internal controls, including robust policies, procedures, and plans, as well as transparent reporting and accountability.

We also emphasize good governance among System institutions. We consider this area increasingly important as the System strives to maintain investor confidence in a period of growing uncertainty in the banking industry.

As an agency covered by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), we must also strive to achieve comparability in compensation and benefit programs with other agencies covered under the act. Therefore, the budget includes a significant investment in strategic and tactical human capital initiatives to continue the efforts begun in the previous year.

In the FY 2025 proposed budget, we maintain a full-time-equivalent (FTE) staffing level consistent with the FTE level in the FY 2024 budget. A key priority for the agency is focused on retention and the leadership and professional development of our workforce. Therefore, the FY 2025 budget anticipates increases in spending for salaries and benefits because of pay and benefit increases, promotions, funded leave, relocations, travel, contractual services, publications, subscriptions, and equipment life cycle replacements.

Consistently recognized as a “Best Place to Work in the Federal Government” by the Partnership for Public Service, we have made it a top agency priority to assure that FCA remains one of the federal government’s best places to work. Maintaining this high ranking is critical to our efforts to fulfill our mission of ensuring the safety and soundness of the Farm Credit System. To recruit and retain the most talented workforce, we focus heavily on our university recruitment strategy and our commitment to internal professional development and mobility.

We continue to apply evidence-based solutions to help us better address our organizational challenges and opportunities. With approximately 28.3% of our employees eligible to retire within the next five years, we continue investing in programs that foster a diverse and engaged workforce as well as succession-planning efforts. We continue to harness and build on the results-oriented culture within the agency with an emphasis on professional and personal growth. Our efforts and programs also emphasize the importance of technical expertise, collaboration, and performance excellence.

We are deliberate in our efforts to enhance the way our employees experience the workplace. Our strategic imperative to drive employee performance, innovation, inclusion, and engagement is foremost. Knowledge management remains a key component of our continuous learning strategy. Internal mobility has been an effective knowledge-sharing practice. Through this process, we’ve been able to move employees from one position or team to another inside the agency. This has also allowed us to provide employees with more opportunities. We provide developmental opportunities for supervisors and managers to enhance their leadership skills. We continuously work to ensure we have the right people in the right places working on the right things in the right ways. Our budget supports our continued investment in our employees and maintains compensation and benefits comparable to the other FIRREA agencies.

Our emphasis on employee development, engagement, and well-being contributed to our strong showing in the 2023 Federal Employee Viewpoint Survey. According to the 2023 survey results, the agency continues to make significant strides, as evidenced by our 10 highest scores:

1. My supervisor holds me accountable for achieving results. (98%)

2. Employees in my work unit meet the needs of our customers. (96%)

3. My supervisor supports my need to balance work and other life issues. (96%)
4. Employees in my work unit contribute positively to my agency's performance. (96%)
5. My supervisor treats me with respect. (96%)
6. Supervisors in my work unit support employee development. (95%)
7. I know how my work relates to the agency's goals. (95%)
8. The people I work with cooperate to get the job done. (93%)
9. I am held accountable for the quality of work I produce. (93%)
10. Employees in my work unit share job knowledge. (93%)

The FY 2025 budget is also necessary to meet our agency's IT needs for cybersecurity enhancements, data efficiencies, application development, and infrastructure maintenance. As the complexity of our IT networks and the needs for servers and equipment increase, so does the need for funding to address these ever-changing complexities. Our budget also helps us to continue to respond to the volume of new or updated IT-related federal mandates. These mandates are multiyear efforts that require resources to ensure compliance.

As part of our overall information resources management (IRM) program, we maintain a strong capital planning and investment control process. Our Office of Information Technology invites FCA operating units to submit proposals for information technology projects throughout the year. Our IT staff also holds partnership meetings throughout the year with staff from each operating unit to discuss the projects. These discussions define the priority, urgency, and scope of each project. The project review process considers cost, risk, anticipated return, and alignment with and impact on FCA's agencywide IT systems. In addition, with the goal of continuous improvement, the IT staff conducts an annual customer survey to better understand the experiences of agency employees.

The chief information officer may reprioritize IRM initiatives during the year to accommodate changing business needs. The IRM Strategic Plan initiatives listed in table 2 are multiyear efforts that support our agency's primary program areas. By focusing on those strategic outcomes, we can direct our resources to the areas that will result in the highest value outcomes.

Table 2. Information Resource Management Strategic Plan initiatives

	Description
Goal 1	Ensure a sound financial system that provides a sustainable source of credit for agriculture and rural America.
Goal 2	Foster the long-term viability of the U.S. agricultural economy while supporting young, beginning, and small (YBS) farmers, ranchers, and aquatic producers.

Initiative	Goal 1	Goal 2	Distributed
Mission tools & approach			X
Data management			X
DevOps/Process automation			X
Technology platforms			X
Information security and compliance	X		
OIT management	X		
Customer support			X
FCA open data			X

* Initiatives that apply to both goals 1 and 2 are referred to as “Distributed.”

Budget approach

We expect the FCS to continue to evolve in the coming years to meet the demands of an increasingly complex marketplace for agriculture and rural America. As FCS institutions grow and change, their operations become more complex. We expect mergers and consolidations to continue. Because of challenges in the global economy, we expect the System’s asset base to grow at only a moderate pace. Currently, the average asset base of System associations exceeds $1 billion.

Our budget strategy will enable us to leverage and invest in our most valuable investment — our people. It will enable us to continue to streamline, modernize, and improve operations and to enhance staff expertise to meet challenges and opportunities that may arise. Our budget strategy will also support our IT needs, allowing us to acquire and maintain the infrastructure we need, to protect our data against the growing number of cyberthreats, and to remain agile in our ability to respond to evolving threats and reporting requirements.

FCA program areas

For purposes of our budget, the agency has two primary programs areas: policy and regulation and safety and soundness. All FCA office activities and related costs support these programs directly or indirectly. These primary program areas are crosscutting and support the goals in the agency strategic plan.

The policy and regulation program

The budget provides resources for administering the agency’s policy and regulation program. This program involves developing regulations and policy positions that implement applicable statutes, promote the safety and soundness of the FCS, and support the System's mission as a dependable source of credit and related services for agriculture and rural America.

In addition, the budget provides for ongoing activities such as evaluating and recommending regulatory and funding approvals, managing merger and chartering activities, and providing strategic and systemic policy research and analyses of risks and other issues facing the System.

The budget also provides for support activities, including communication of the agency’s position on issues, and training and development for staff. In total, policy and regulation activities account for approximately $19.3 million, including 52.13 FTEs, in the proposed FY 2025 budget (see table 28 on page 79).

The safety and soundness program

The budget provides resources for administering the agency’s safety and soundness program. The budget resources provided through this program also ensure that FCS institutions comply with applicable laws and regulations and are financially positioned to meet the needs of agriculture and rural America.

The budget continues to implement the FCA board's philosophy of a risk-based approach to oversight and examination, which maximizes the effectiveness of examinations. Sufficient resources are included to ensure that the FCS properly identifies, manages, and controls risk. Examination resources are allocated to matters presenting the highest risk or potential risk to the System. Activities include developing risk topics and focus areas, examining institutions on-site, and testing the institutions' credit reviews, internal audits, and internal controls.

A small number of FCS institutions require heightened supervision as they address weaknesses or risks we have identified. Examiners work with FCS institutions to ensure that these and other risks are recognized and mitigated in a timely manner.

In total, safety and soundness activities account for approximately $80.4 million, including 283.38 FTEs, in the proposed FY 2025 budget (see table 28 on page 79).

Office of Inspector General's FY 2025 budget request

In accordance with 5 U.S.C. 406(g)(1), FCA's Office of Inspector General (OIG) has provided the agency with the following information:

- OIG's total budget request: $2,310,666
- OIG's training budget: $35,000
- OIG's support for the Council of the Inspectors General on Integrity and Efficiency: $9,206

By including this information in our budget request to the president, the FCA board has fulfilled the requirement in 5 U.S.C. 406(g)(2).

Budget Trends

Over the past three years our annual budget requests increased on average by 6.0%. The most recent increase is 6.5%.

The FY 2025 increased budget will address the following goals:

- To cover salaries, benefits, and training associated with new hires
- To provide career ladder promotions
- To provide funded leave
- To provide career progression
- To provide funds for relocation of hard-to-fill positions
- To provide pay increases, which helps us maintain comparability in employee compensation and benefits with other bank regulators, as required by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989
- To support innovation initiatives
- To support IT security enhancements, application development, data governance and efficiencies, IT maintenance, and equipment life cycle replacement purchases

In recent years, our budget requests have increased moderately and reflect a focus on being good stewards of our budget while addressing agency priorities and the growth and changing complexities of the FCS. The primary drivers for our budget increases include human capital initiatives, investments in IT security, and data analytics. These investments enable us to maintain effectiveness and drive efficiencies across the agency. See table 3 for information on FCA budget trends.

Table 3. FCA budgets, FYs 2023 – 2025

Budget categories	FY 2023 revised budget	FY 2024 revised budget	FY 2025 proposed budget
Full-time permanent (FTP)	$52,482,529	$57,418,663	$59,562,561
Other than FTP	493,900	541,883	421,513
Other personnel compensation	1,076,335	635,292	1,335,369
Total personnel compensation	**$54,052,764**	**$58,595,838**	**$61,319,443**
Personnel benefits	23,643,191	25,242,385	26,786,994
Benefits for former personnel	25,000	12,500	25,000
Total compensation and benefits	**$77,720,955**	**$83,850,723**	**$88,131,437**
Travel and transportation of persons	3,170,441	2,949,568	3,672,393
Transportation of things	117,416	69,805	144,913
Rent, communications, and utilities	758,548	618,214	530,590
Printing and reproduction	165,548	146,874	228,473
Consulting and other services	5,306,543	5,325,654	6,095,961
Supplies and materials	1,529,289	1,710,902	1,971,204
Equipment	141,260	78,260	100,029
Total budget	**$88,910,000**	**$94,750,000**	**$100,875,000**

We continue our efforts to reduce costs, leverage technology, and increase efficiencies. In table 4, we list some of the more notable ways we've improved operations and increased efficiency in the past few years.

Table 4. FCA actions and resulting impact

Action	Resulting impact
Scrutinized issuance of information technology devices and specialized software	Cost efficiencies by only purchasing items that meet agency business needs
Enhanced OE management reporting and analysis of System conditions by leveraging business intelligence tools	Improvements in operational efficiency and quicker systemic risk analysis in a rapidly changing environment.
Improved workflow and functionality through the Enterprise Documentation Guidance (EDGe) project	Improved efficiencies
Implemented virtual desktop review of loans to allow exam teams to conduct loan reviews from agency offices	Better managed travel costs and improved efficiency
Increased reliance on FCS Loan Database to conduct analytics	Promotes focus on safety and soundness activities, builds effectiveness and operational efficiency
Ensured service provider costs were well-managed	Cost effectiveness
Developed internal and customer focused procedures and checklists for travel and credit card programs. Established a centralized database for agency's purchase card transaction records using Microsoft SharePoint technology	Reduced rework, improved operational efficiency and safeguarding of agency records
Redesigned the FCA Network Configuration	Increased reliability and bandwidth while reducing costs.
Modernized several applications	Improved efficiencies
Implemented required continuous monitoring tools.	Improved efficiencies, improved security, and complied with mandates
Centralized content management and integration of agencywide annual training requirements	Gained efficiencies by standardizing and streamlining the delivery and evaluation of training, eliminating several administrative tasks
Updated collaboration tools and continued collaboration and resource sharing across FCA offices	Improved efficiencies

Sources of FCA revenue and funding

We maintain a revolving fund financed primarily from assessments to System institutions, including Farmer Mac. We also earn interest from investments with the U.S. Department of the Treasury, and we perform reimbursable work for the National Consumer Cooperative Bank and the Farm Credit System Insurance Corporation. Table 5 shows budgeted sources of revenue and funding for FYs 2023 to 2025.

Table 5. Budgeted sources of FCA revenue and funding, FYs 2023 – 2025

Source	FY 2023 revised budget	FY 2024 revised budget	FY 2025 proposed budget
Assessments			
Banks, associations, and related entities	81,975,000	90,400,000	TBD
Federal Agricultural Mortgage Corporation	3,325,000	2,900,000	TBD
Carryover funds[a]	3,200,000	1,000,000	TBD
Assessments available for obligation	**$ 88,500,000**	**$ 94,300,000**	**$100,425,000** [b]
Reimbursements[c]			
National Consumer Cooperative Bank	8,540	7,053	5,080
Farm Credit System Insurance Corporation	401,460	442,947	444,920
Total	**$ 88,910,000**	**$ 94,750,000**	**$100,875,000**

Note: “TBD” stands for “to be determined.”

a. Carryover funds are amounts brought forward from prior years’ assessments that remain available for obligation. We will determine assessments and carryover amounts for FY 2025 in September of FY 2024.

b. Each year Congress limits the dollar amount of assessments that we may use to pay for administrative expenses. For FY 2025, we propose a limit of $100.43 million.

c. From a budget standpoint, reimbursements do not include indirect costs.

FCA reserve

The institutions we oversee are involved in two volatile industries — agriculture and finance. Volatility can produce financial stress for institutions, creating a need for heightened oversight and supervision. To ensure that we have the resources to provide the necessary supervision and oversight during periods of financial stress, we established an agency reserve. Congress granted approval for the reserve under section 5.15(a)(1)(B) of the Farm Credit Act, and the FCA board established guidelines for it.

The reserve ensures that we can effectively and efficiently respond to safety and soundness issues arising within the System. It allows us to respond to these issues without increasing assessments at a time that may be financially difficult for System institutions. At the end of FY 2023, the reserve totaled approximately $16.1 million.

Assessments

FCA's operating costs are financed by direct assessments collected from System institutions, including Farmer Mac. Table 6 shows assessments for FYs 2015 through 2024. Assessments in 2015 were particularly low because we used large amounts of carryover from prior-year assessments to help fund our operations. To fund the FY 2024 budget, we used $1.0 million of carryover and increased assessments by $8.0 million.

Table 6. FCS assessments, FYs 2015 – 2024

Fiscal year	Assessment (in millions)
2015	$51.5[a]
2016	$58.3
2017	$66.8[b]
2018	$68.2[b]
2019	$72.7
2020	$73.0[c]
2021	$76.3[d]
2022	$82.7
2023	$85.3
2024	$93.3

a. The original assessment was $54.5 million and was reduced by $3.0 million during the year.

b. Because of the budget limitation in the continuing resolution, the assessment was reduced in the fourth quarter by $3.0 million.

c. The original assessment was $76.0 million and was reduced by $3.0 million during the year primarily because of restricted business travel.

d. The original assessment was $79.8 million and was reduced by $3.5 million during the year primarily because of restricted business travel.

In FY 2023, we assessed the System $85.3 million and ended the year with $1.0 million in reimbursable revenue and deobligations (see table 7). During the year, we had obligations of $88.5 million. The difference between our obligations and funding was $–2.2 million, which represents the decrease to carryover.

Table 7. FCA funding, obligations, and assessment carryover, Fys 2022 and 2023 (in millions)

Budget item	FY 2022	FY 2023
Current-year assessments	$82.7	$85.3
Reimbursable revenue and deobligations	1.2	1.0
Total funding	**$83.9**	**$86.5**
Obligations	82.1	88.5
Total funding minus obligations	**$1.8**	**$−2.2**
Assessment carryover from prior years	2.4	4.2
Carryover from assessments at end of fiscal year	**$4.2**	**$2.0**

FCA's net cost to System borrowers

FCA's net cost to System borrowers is based on the relationship between our total System assessments and assets held (not including Farmer Mac). The FCS held $492.8 billion in total assets as of Aug. 30, 2023, up from $464.7 billion a year earlier.

As table 8 shows, FCS borrowers incurred a net cost of approximately 1.7 basis points, or 1.7 cents for every $100 of assets held, to pay for FCA operations in FY 2023. Since FY 2014, the net cost to borrowers has averaged 1.8 basis points.

Table 8. FCA's net cost to System borrowers, FYs 2014 – 2023

Fiscal year ended September 30	Basis points
2014	1.8
2015	1.7
2016	1.8
2017	2.0
2018	2.0
2019	2.0
2020	1.8
2021	1.8
2022	1.7
2023	1.7

Assessments for the Federal Agricultural Mortgage Corporation (Farmer Mac)

Farmer Mac's assessment for FY 2024 is $2.9 million. The assessment for FY 2025 is not yet available because the Office of Secondary Market Oversight will not complete the FY 2025 budget and estimation of examination, oversight, and regulatory costs pertaining to Farmer Mac until September 2024. Table 9 shows Farmer Mac assessments for fiscal years 2015 to 2024. These assessments include costs associated with examination, regulation and policy development, and oversight activities.

Table 9. Farmer Mac assessments, FYs 2015 – 2024

Fiscal year	Assessment (in millions)
2015	$2.40
2016	$2.45
2017	$2.50
2018	$2.50
2019	$2.75
2020	$2.90
2021	$3.00
2022	$3.25
2023	$3.33
2024	$2.90

Part II

Farm Credit Administration

Profile of the Farm Credit Administration

The Farm Credit Administration was created through an executive order of President Franklin D. Roosevelt and currently derives its powers and authorities primarily from the Farm Credit Act of 1971, as amended. As an independent agency within the executive branch of the federal government, we are responsible for regulating and supervising the Farm Credit System (FCS or System) banks, associations, and related entities, as well as the Federal Agricultural Mortgage Corporation (Farmer Mac).

The FCS is the oldest of the financial government-sponsored enterprises (GSEs). The Farm Credit Act states that the objective of the FCS is to improve the income and well-being of American farmers and ranchers by furnishing sound, adequate, and constructive credit and closely related services to them, their cooperatives, and selected farm-related businesses.

The System consists primarily of a nationwide network of borrower-owned, cooperative financial institutions that provide credit and related services to

- farmers and ranchers,
- producers and harvesters of aquatic products,
- farm-related businesses,
- rural homeowners,
- agricultural and aquatic cooperatives,
- agribusinesses, and
- rural utilities.

The FCS had $385.1 billion in outstanding loans to agriculture and rural America as of Sept. 30, 2023.

Farmer Mac is a stockholder-owned, federally chartered instrumentality of the United States and an institution of the FCS, and its authority is derived from Title VIII of the Farm Credit Act. Farmer Mac was established in 1988 to create a secondary market for agricultural real estate loans and rural housing mortgage loans. In 2008, Farmer Mac's secondary market authorities were expanded to include rural utility loans. It provides secondary market services through a network of agricultural lenders and intermediaries, including commercial banks, FCS banks and associations, life insurance companies, mortgage companies, and rural utility cooperatives. As of Sept. 30, 2023, Farmer Mac's outstanding program activity totaled $27.7 billion.

On a reimbursable basis, we perform examinations of certain entities that are not part of the Farm Credit System. FCA is required by the National Consumer Cooperative Bank Act of 1978, as amended, to examine and report on the condition of the National Consumer Cooperative Bank (NCB). Since the passage of this law, we have conducted safety and soundness examinations of NCB and issued reports of examination to NCB's board of directors. NCB is a federally chartered, privately owned banking corporation. It is not a federal instrumentality, and it is not part of the FCS. In addition, we provide examination services on behalf of the Farm Credit System Insurance Corporation.

The U.S. Senate Committee on Agriculture, Nutrition, and Forestry and the U.S. House of Representatives Committee on Agriculture oversee the FCS, Farmer Mac, and FCA. Our operations are funded through assessments paid by the System institutions and by our reimbursable activities; we do not receive a federal appropriation.

Mission statement

As stated in the FCA Strategic Plan for FYs 2022 – 2026, our mission is to ensure that System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America. To fulfill this mission, we issue regulations and conduct examinations of FCS institutions, including Farmer Mac, to evaluate and oversee the safety and soundness of their activities.

Our examinations evaluate whether institutions are complying with laws and regulations and are operating in a safe and sound manner. They also evaluate compliance with the congressional mandate requiring System associations to have programs to make credit and services available to young, beginning, and small (YBS) farmers and ranchers. In addition, we research, develop, and adopt rules, regulations, and other guidelines that govern how institutions conduct their business and interact with customers.

If any System institution, including Farmer Mac, violates laws or regulations, or if we determine that its operations are unsafe or unsound, we may use our enforcement authority to ensure that the problem is corrected in a timely manner. We also ensure that the rights of certain borrowers are protected.[2]

Other statutory duties require us to issue and amend FCS institution charters, to report to Congress on the System's and Farmer Mac's financial condition and performance, and to approve the issuance of debt obligations by System banks.

FCA board and governing philosophy

Our policy and regulations are established by a full-time, three-person board whose members are appointed by the president of the United States with the advice and consent of the Senate. They serve staggered six-year terms and may not be reappointed to succeed themselves after serving a full term or more than three years of a previous member's unexpired term. A board member may serve after expiration of his or her term until a successor has been appointed and qualified. The president designates one member as chairman of the board; this member serves as chairman until the end of his or her term. The board chairman also serves as the agency's chief executive officer.

The FCA board approves charters of FCS institutions, oversees the agency's supervision and examination of those institutions, and issues enforcement actions. The governing philosophy of the FCA board is grounded in the Farm Credit Act. The board believes that the cooperative principles on which the System was founded are just as important today as they were in the early decades of the 20th century.

FCA organizational structure

Figure 1 presents our organizational structure and shows how the offices provide strategic support to the FCA board and ensure that our mission and goals are performed effectively and efficiently. We have our headquarters in McLean, Virginia, with field offices in Bloomington, Minnesota; Dallas, Texas; Denver, Colorado; and Sacramento, California. Our workforce is our biggest asset in accomplishing our mission.

Figure 1. FCA organizational chart as of January 2024

For an accessible version of this chart, go to https://www.fca.gov/about/fca-organizational-chart.

[2] Provisions in the Farm Credit Act regarding borrower rights do not apply to loans to cooperatives.

FCA Board

Vincent G. Logan
Chairman

Jeffery S. Hall
Member

Glen R. Smith
Member

Office of the Board Chairman and Chief Executive Officer
Vincent G. Logan

Office of Inspector General
Wendy R. Laguarda

Office of the Chief of Staff
Maribel Duran

Office of Equal Employment Opportunity and Inclusion
Thais Burlew

Office of General Counsel
David Grahn*

Office of Secondary Market Oversight†
Thomas R. Fay

Designated Agency Ethics Official
Jane Virga

Secretary to the Board
Ashley Waldron

Office of Examination
Michael J. Duffy

Office of Regulatory Policy
Kevin Kramp

Office of Data Analytics and Economics
Jeremy D'Antoni

Office of Agency Services
Vonda Bell

Office of the Chief Financial Officer
Sandi Walters

Office of Information Technology
Jerald Golley

Office of Congressional and Public Affairs
Trevor Reuschel

Chief Risk Officer
S. Robert Coleman

* Maintains a confidential advisory relationship with each of the board members.

† Reports to the board for policy and to the CEO for administration.

FCA Internal Operations

Ranked the sixth best place to work among small agencies in the federal government in 2022, we already have significant strengths on which to build, and we continue to promote and encourage practices that foster well-being, inclusion, resiliency, creativity, innovation, and accountability.

Human capital management

The agency's Strategic Plan reflects our commitment to maintaining a diverse, engaged and capable workforce. Our objectives address maintaining a skilled, motivated workforce; ensuring adequate succession planning and knowledge transfer; and promoting diversity, ethics, and engagement. We achieve this in part by ensuring that employees have clear, measurable performance expectations aligned with FCA's mission and strategic plan, ensuring employees receive targeted training and development opportunities, and ensuring agency policies and practices demonstrate a culture of respect and professionalism toward all individuals, internal and external to FCA.

We periodically assess external and internal workforce trends and integrate best practices. We also monitor the System's changing environment so that we can adjust staffing levels and maintain the necessary skill sets by hiring additional staff and by providing employee training and development. We review our workforce-planning strategies annually. See table 10 for full-time-equivalent (FTE) staffing levels (rounded to the nearest whole number) from FYs 2015 through 2025.

Table 10. Full-time-equivalent staffing levels, FYs 2015 – 2025

Fiscal year	FTE staffing level
2015	277
2016	290
2017	296
2018	298
2019	308
2020	297
2021	314
2022	313
2023	331
2024	341 (authorized)
2025	340 (authorized)

Note: From FYs 2015 to 2025, the ratio of managers and supervisors to other personnel has ranged between one to five and one to six.

We annually review workforce demographic profiles to monitor changes, such as the age and grade of employees, and explore trends. From this analysis, we develop five-year projections to determine and mitigate the impact of employee retirements and separations. In 2025, the agency will also launch a succession-planning effort to further support continuity across mission-critical and key dependencies.

As of Sept. 30, 2023, almost 17.9% of our personnel were eligible to retire; we expect that number to maintain a similar level over the next few years. By FY 2028, approximately 28.3% of our workforce will be eligible to retire. See table 11 for retirement eligibility projections.

Table 11. FCA retirement eligibility, FYs 2023 – 2028

Fiscal year	Number of staff first eligible during the fiscal year	Number of staff eligible at fiscal year-end	Percentage of staff eligible to retire at fiscal year-end
2023	5	62	17.9%
2024	13	75	21.7%
2025	4	79	22.8%
2026	6	85	24.4%
2027	5	90	26.0%
2028	8	98	28.3%

Note: This table assumes that staff eligible for retirement remain employed.

We continue to promote a safe and healthy workforce at every level of the organization. In the 2023 Federal Employee Viewpoint Survey, 95% of our employees reported that employees are protected from health and safety hazards on the job.

Throughout the fiscal year, we initiated several agencywide activities designed to promote meaningful engagement at the office and among our employees, with events such as farm tours, special emphasis programs, and Bring Your Child to Work Day. Our current hybrid operating model includes both required time in the office and continuing to enable staff to telework, offering maximum flexibility for our employees. Our culture of supporting health and well-being is an important factor contributing to FCA's continuously being named one of the Best Places to Work in the Federal Government by the Partnership for Public Service.

Training

FCA remains committed to developing and delivering world-class learning resources to ensure that our workforce can meet current and future performance needs. During 2023, the Office of Agency Services used strategies to enhance technical capabilities and leadership skills while expanding our training technology deployment to support our employees in our geographically dispersed, hybrid work environment. Examples of these strategies and activities include the following:

- Technical capabilities — Continued to partner with Virginia Tech's Department of Agriculture and Applied Economics to develop and deliver for-credit, graduate level courses and professional development certificates with an emphasis in agricultural business, financial risk management, and data analytics

- Leadership skills — Focused on leadership coaching and team dynamic development through a series of events in the Leader as a Coach Training workshop. This workshop was designed to provide FCA supervisors with essential coaching skills to empower them to adopt a coaching approach in their leadership style. FCA deployed a nationally recognized talent assessment across several offices, which enabled teams to identify interpersonal strengths among team members

- Technology deployment — Expanded the number of e-learning platform (Percipio) licenses to cover all employees. During the first nine months of enterprisewide access, our employees accessed content on the platform nearly 2,200 times. This represents nearly seven training interactions per FCA employee at FCA.

Our emphasis on training has contributed to our strong showing in the rankings of the Best Places to Work in the Federal Government based on the results of the annual Federal Employee Viewpoint Survey. Moving forward, FCA's Learning and Organizational Change Team plans to build on existing efforts to develop our workforce by instituting a more systemic and integrated set of learning solutions. Our plans include the following:

- Continue to update all learning, training, and education policies by modernizing and streamlining procedures to support a more mission-driven and results-oriented approach to meeting the needs of our workforce

- Revise the agency's leadership competency model to reflect a framework that supports effective succession management

- Continue to increase the utility of the agency's e-learning platform by centralizing all required and discretionary learning resources

- Partner with key offices to support skills training related to innovation, technology tools and data utilization

Examiner commissioning program

Through our Commissioning Program, we are developing the next generation of diverse and highly skilled examiners, ensuring they have the knowledge, skills, and talents necessary to accomplish the agency's mission. The program helps examiners develop their skills in FCA's primary areas of oversight — credit, finance, and operations, as well as examination management.

We also invest in the development of our commissioned examiners through human capital planning, examiner career development, and specialty programs. The specialty programs enable examiners to gain technical expertise and encourage them to pursue professional development and certification. Various professional development and certification programs are available to help our examiners hone their expertise. Further, we are exploring trainings and workshops focused on data utilization and management as well as learning new technological tools.

Diversity and inclusion

Because we recognize the value of diversity and inclusion to the agency, we work hard to attract and retain staff with varied backgrounds and skills. Our recruiters regularly visit job fairs at universities with high minority enrollment, and we have several Special Emphasis Programs to raise awareness about diversity and inclusion in our workforce. FCA sponsors several diversity-and-inclusion events throughout the year. As a result of our emphasis on diversity and inclusion, in 2022 the Partnership for Public Service ranked FCA number 1 among small federal agencies for support of diversity.

FCA compensation program

Section 5.11(c)(2)(A) of the Farm Credit Act was amended in 1989 by the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA). This provision authorizes the FCA chairman to set and adjust FCA employees' compensation without regard to the general pay schedule applicable to most federal agencies. The chairman may also provide additional pay and benefits to enable FCA to maintain comparability with other federal banking agencies as defined in FIRREA.

Section 1206 of FIRREA was subsequently amended to require the heads of FCA, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the National Credit Union Administration Board, the Federal Housing Finance Board, the Office of Financial Research, and the Bureau of Consumer Finance Protection to inform Congress and one another of their compensation and benefits and to "seek to maintain comparability regarding compensation and benefits."

To comply with FIRREA, we participate in a biennial survey of the other federal financial regulators and adjust our employees' compensation and benefits accordingly. Our compensation rates are similar to the average market rate provided by other agencies covered under FIRREA.

We use a pay-for-performance program to adjust each employee's salary according to his or her performance rating and salary range position. We make salary adjustments each calendar year based on several factors, including the compensation programs of other FIRREA regulators and available funding.

The FCA board approved for the 2024 compensation program a 1% increase in our base salary range structures and a merit pay matrix with pay increases ranging from 1.0% to 3.8%, depending on each employee's performance rating and placement in the salary range for his or her grade. The board also approved increases to locality rates to align them with the locality rates of the Federal Deposit Insurance Corporation. Table 12 provides the revised 2024 locality rates for FCA locations.

Table 12. FYs 2022, 2023, and 2024 locality rates

Locality	2023 rate	2024 rate
McLean	32.11%	32.99%
Bloomington	22.37%	26.89%
Denver	24.75%	29.55%
Dallas	23.60%	26.87%
Sacramento	25.76%	28.80%
Rest of the United States	16.50%	17.00%

External contracting and shared services – Procurement

As table 13 shows, we continue to outsource several functions. We have a shared-service agreement with the Bureau of the Fiscal Service (BFS). We outsource our payroll function to USDA's National Finance Center and our personnel security and credentialing function to the Department of Interior's Business Center. Outsourcing these services allows us to manage employee benefits and other agency functions without additional personnel costs.

Table 13. Shared services, FY 2023

Contract	Services provided	Amount
Administrative Service Center (BFS)	Full-service accounting, e-Travel, credit card, and platform procurement services	$1,035,836
National Finance Center (USDA)	Payroll services	$56,709
Department of Interior	Personal security and credential services	$34,405
Defense Counterintelligence Security Agency	Background investigation services	$90,000

Tables 14 and 15 provide a summary of our competitive consulting service contracts for FYs 2022 and 2023.

Table 14. Competitive consulting service contracts of more than $25,000, FY 2022

Contract	Purpose	Amount
Second Pillar Consulting (17-FCA-450-005)	Financial risk evaluation and assessment for the Office of Secondary Market Oversight	$75,000
August Schell (20-FCA-651-006)	U.S. federal production support	$60,774
Harper, Rains, Knight & Company (18-FCA-700-001)	Financial statement audit services	$57,021
Principal Financial Group (21-FCA-641-018)	Retirement administration services	$88,240
Williams Adley (20-FCA-700-003)	FISMA evaluation services	$70,453
Personnel Decisions Research Institutes (PDRI) (20-FCA-301-001)	Commission test and staff evaluation services	$67,248
Guidehouse (22-FCA-621-005)	Internal controls support services	$214,109

Table 15. Competitive consulting service contracts of more than $25,000, FY 2023

Contract	Purpose	Amount
Second Pillar Consulting (23-FCA-450-001)	Financial risk evaluation and assessment for the Office of Secondary Market Oversight	$75,000
August Schell (20-FCA-651-006)	U.S. federal production support	$119,491
Harper, Rains, Knight & Company (23-FCA-700-002)	Financial statement audit services	$61,188
Williams Adley (20-FCA-700-003)	FISMA evaluation services	$71,790
Personnel Decisions Research Institutes (PDRI) (20-FCA-301-001)	Commission test and staff evaluation services	$82,032
Guidehouse (22-FCA-621-005)	Internal controls support services	$200,891

Other functions and activities

In FY 2023, we spent $457 on events and representation expenses and had no foreign travel expenses.

Leveraging FCA technology

We have designed a flexible information technology (IT) program at FCA that can adapt to changing technical and business needs. The Office of Information Technology holds regular partnership meetings with staff from other business units to understand their needs, ensure that we make strategic investments in IT, and adjust our priorities as needed. Through these partnership meetings, as well as customer feedback through our annual survey and FCA board priorities, we identify multiyear IT initiatives and include these in our annual Information Resources Management (IRM) Strategic Plan.

The IRM Strategic Plan drives IT spending through the current fiscal year and beyond. In 2025, we will continue to improve FCA's records management, data reporting, dashboard, and analysis capabilities and strengthen our cybersecurity. We will engage contractors when we need specialized expertise, and we will expand use of cloud services where appropriate. As we work on innovation and modernization across the agency, we will also keep up with the evolving technological landscape through training.

In 2023, we accomplished the following:

- Increased bandwidth while reducing internet service costs
- Upgraded software and life-cycle equipment
- Continued to develop new, and to upgrade existing, applications to support FCA's examination procedures
- Improved data loading and support, including modernization of applications to simplify data collection
- Continued to migrate to cloud services
- Continued to strengthen our IT security program and our privacy program
- Continued to improve our records management program, including receiving positive remarks on the NARA inspection

For more information about the ways we will use technology in FYs 2024 and 2025 to achieve our strategic goals, see table 2.

Independent auditing and accountability

The Office of Inspector General contracted with Harper, Rains, Knight & Company to perform the FY 2023 audit of FCA's financial statements. On Nov. 13, 2023, Harper, Rains, Knight & Company issued an unmodified opinion on our financial statements for the fiscal year ended Sept. 30, 2023.

The auditors opined that the financial statements presented fairly, in all material respects, FCA's financial position as of Sept. 30, 2023, in conformity with generally accepted accounting principles. In addition, although the auditors did not express an opinion on the matter, they did not identify any deficiencies in internal control over financial reporting that would be considered material weaknesses.

The auditors also did not identify any instances of noncompliance with selected provisions of laws and regulations or other reportable matters that could have a direct and material effect on the financial statements.

Ensuring Safety and Soundness

The Farm Credit Administration's role is to regulate the Farm Credit System to ensure System institutions, including Farmer Mac, comply with applicable laws and regulations. In doing so, we ensure the safety and soundness of the System.

The first section below, titled "The Farm Credit System," summarizes examination and supervisory activities performed on the banks, associations, and service organizations of the FCS. Because the role of Farmer Mac is different from the rest of the System, we discuss Farmer Mac separately in the second section below. In addition, we provide examination and other services on a reimbursable basis to certain entities that are not part of the System. These activities are summarized in the third section below, titled "Other Entities."

Our examination and supervision responsibilities are carried out by staff located in our headquarters in McLean, Virginia, and in four field offices — in Bloomington, Minnesota; Dallas, Texas; Denver, Colorado; and Sacramento, California. We do not expect any changes in the field office structure in FY 2025.

The Farm Credit System

Statutory and regulatory requirements

The Farm Credit Act requires FCA to examine each FCS institution at least once every 18 months. We meet this requirement through a risk-based process of oversight and examination designed to maximize efficiency while addressing System risk effectively.

To monitor and evaluate the System's safety and soundness, we need loan portfolio and other data from System institutions. Our regulations include the following reporting requirements:

- Each System institution must prepare and file reports of condition and performance with FCA each quarter in accordance with 12 CFR 621.12. These reports provide detailed information on each institution's financial performance and portfolio quality and other relevant information.

- System banks and the Federal Farm Credit Banks Funding Corporation must prepare consolidated System information and make this information available to investors and the public in accordance with 12 CFR part 630.

System institutions submit other data to us through our Consolidated Reporting System. Some of the submitted information is available to the public on our website (www.fca.gov). We also collect loan data from all System institutions in accordance with 12 CFR 621.15. We have been expanding loan data collection and analysis to enhance our evaluation of risk to the System as a whole.

In addition to overseeing and examining the System, we establish policies and regulations to ensure the System addresses key risk areas. For example, our regulations require System institutions to have effective loan underwriting and loan administration processes, to achieve and maintain minimum capital levels, to demonstrate strong asset-liability management, and to establish high standards for governance and transparent disclosures for shareholder information.

Risk-based examination and supervision

We design examination and supervision processes to address material risks and emerging issues at the institution level and Systemwide. We base our examination and supervision strategies on institution size, existing and prospective risk exposure, and the scope and nature of each institution's business model. We also evaluate whether each institution's business model will ensure that it fulfills its public mission as a government-sponsored enterprise. In addition to overseeing and examining individual institutions, we identify and evaluate Systemwide emerging risks and allocate examination resources to matters of highest priority and potential risk.

We have developed a comprehensive regulatory and supervisory framework to promote and help ensure the System's safety and soundness and its compliance with laws and regulations. This approach recognizes each institution's responsibility and ability to identify and manage both institution-specific and systemic risks. Our examination and supervision program promotes accountability in System institutions for their programs, policies, procedures, and controls. System institutions have developed effective risk-management cultures in response to our examination and supervision programs and our policies and regulations. These programs, policies, and regulations continue to set high standards for the System.

Because of volatility in the agricultural and credit markets as well as significant changes in the financial markets, ensuring the safety and soundness of the System is more important and challenging than ever. To address these challenges, we annually evaluate areas of risk and identify focus areas to set examination priorities, identify potential regulatory issues, allocate resources, and monitor emerging risk exposures. The examination and supervision program includes strategies for addressing these emerging risks and communicating our expectations to both internal and external audiences. Focus areas for 2024 are the following:

- Cybersecurity threats and a changing operational environment
- Capital markets loan growth and increased risk in large, shared assets and commodity segments
- Long-term financial stewardship
- Stress analysis in a period of heightened volatility and uncertainty
- Standards of conduct

When our examiners identify unsafe and unsound practices or conditions within a System institution or find that an institution has violated a law or regulation, we outline the corrective actions the institution must take in a Report of Examination or other form of communication. If necessary, we use our enforcement powers to bring about changes in an institution's policies and practices to correct unsafe or unsound conditions or violations of law or regulations. However, in most cases, we achieve corrective action without the use of formal enforcement powers.

Measuring the safety and soundness of the System

We use our Financial Institution Rating System (FIRS) as a key method to assess the safety and soundness of each FCS institution. The FIRS provides a general framework, consisting of component and composite ratings, for evaluating and assimilating significant financial, asset quality, and management factors. Similar to systems used by other federal financial regulators, the FIRS evaluates six key component areas to properly assess the degree of risk in an institution. These key component areas are capital, assets, management, earnings, liquidity, and sensitivity (CAMELS).

Based on our CAMELS ratings, we assign an overall composite rating for the institution. The rating system ranges from 1 to 5. A composite rating of 1 indicates that an institution is sound in every respect and exhibits the strongest performance and risk-management practices, whereas a rating of 5 represents an extremely high, immediate, or near-term probability of failure.

Our examiners continually evaluate institutional risk and regularly review and update FIRS ratings to reflect current risks and conditions in each System institution. We provide guidance on both quantitative benchmarks and qualitative factors to help examiners apply the FIRS process consistently.

We disclose these confidential FIRS composite and component ratings to the institution's board to provide perspective on relative safety and soundness. Examination reports and other forms of communication also provide the institution's board with an assessment of the governance, management, quality of assets, and financial condition and performance of the institution.

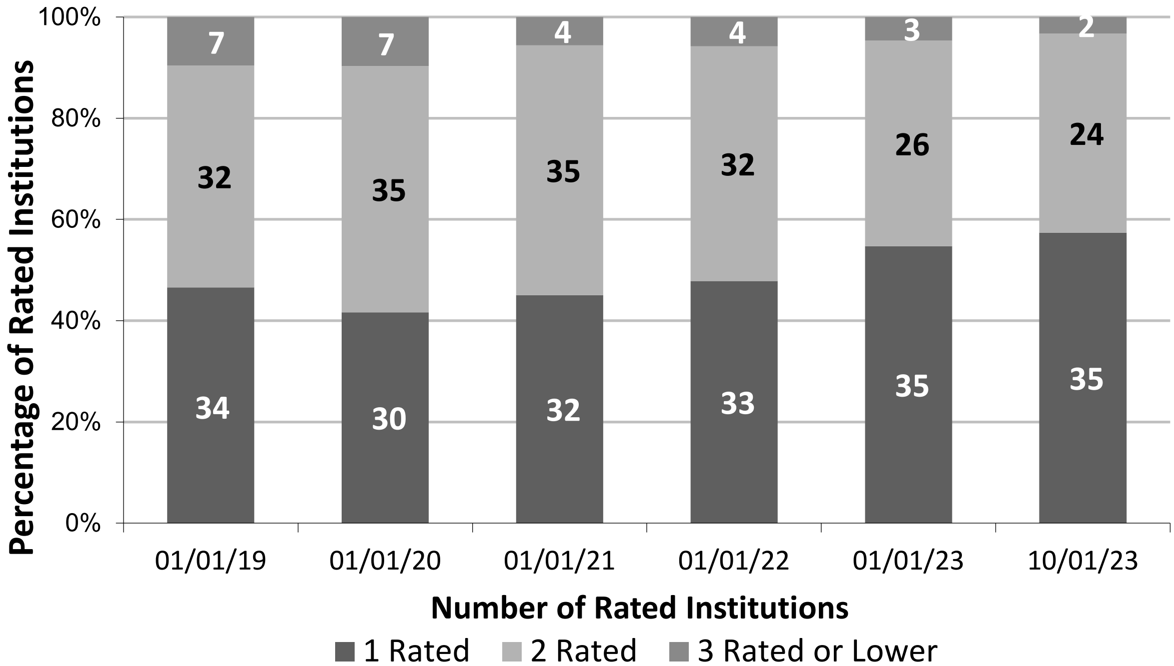
Recent results

As the composite FIRS ratings show, the System's condition and performance have been sound over the past several years. The following summarizes FIRS ratings for System banks and associations that were active as of Oct. 1, 2023:

- Thirty-five institutions were rated 1.
- Twenty-four were rated 2.
- Two were rated 3 or lower.

See figure 2 for information on FIRS rating trends. For a more detailed discussion of the financial condition and performance of the System, see part III of this report. (Note: The most recent FIRS ratings available at this writing were released on Oct. 1, 2023, when System institutions totaled 61. Elsewhere in this report, where we have listed number of System banks and associations as of Jan. 1, 2024, you will find that the number of banks and associations declined to 60. The total number of FCS institutions as of Jan. 1, 2024, was 69 because the System also includes eight service corporations and special-purpose entities, plus Farmer Mac.)

Figure 2. Farm Credit System Financial Institution Rating System (FIRS) composite ratings



Source: FCA's FIRS Ratings Database.

Note: This chart reflects ratings for only the actively reporting System's banks and associations; it does not include ratings for the System's service corporations, Farmer Mac, or the Federal Farm Credit Banks Funding Corporation.

Matching data table for figure 2

FIRS Ratings	01/01/19	01/01/20	01/01/21	01/01/22	1/01/23	10/01/23
1 rating	34	30	32	33	35	35
2 rating	32	35	35	32	26	24
3 rating or lower	7	7	4	4	3	2
Total	**73**	**72**	**71**	**69**	**64**	**61**

Note: Data refers to number of institutions with each FIRS rating.

Federal Agricultural Mortgage Corporation

Through our Office of Secondary Market Oversight (OSMO), we provide for the examination, regulation, and general supervision of Farmer Mac's safe and sound performance of its powers, functions, and duties. OSMO performs annual CAMELS-based examinations, which include examination of capital, assets, management, earnings, liquidity, and sensitivity. By providing a secondary market for agricultural real estate and other loans, Farmer Mac has a very different role from the System's banks and associations. Therefore, some of our examination processes for Farmer Mac differ from those for other System institutions. A Sept. 24, 2021, finding by the FCA Office of Inspector General recommended that we document the policies and procedures unique to Farmer Mac examination. In 2022 and 2023, we developed guidance to address some aspects of the Farmer Mac examination process.

Statutory authority

OSMO was established in 1992 by the Food, Agriculture, Conservation, and Trade Act Amendments of 1991 (Public Law 102 – 237), which amended section 8.11 of the Farm Credit Act. OSMO is required to be managed by a full-time director who reports to the FCA board, and OSMO's activities, to the extent practicable, must be carried out by individuals not responsible for supervising the banks and associations of the FCS.

Data reporting requirements

Farmer Mac is required to submit quarterly call reports to OSMO in addition to meeting several other periodic reporting requirements related to Farmer Mac's regulatory risk-based capital, mission, liquidity, and financial derivatives portfolio. Farmer Mac is also subject to the disclosure and reporting requirements of the Securities and Exchange Commission.

Financial condition and performance

Farmer Mac's financial condition and performance trends were generally positive in FY 2023 despite a modest increase in troubled loan volume.

- Net income available to common shareholders was $168.6 million for the 12 months ended Sept. 30, 2023, compared with $ 141.4 million during FY 2022.
- Farmer Mac's statutory core capital totaled $1.4 billion at the end of FY 2023, compared with $1.3 billion at the end of FY 2022. The minimum statutory core capital requirement for Farmer Mac's on- and off-balance-sheet exposures totaled $840.1 million at the end of FY 2023. Thus, Farmer Mac exceeded its statutory minimum core capital requirement by approximately $581.1 million.
- At the end of FY 2023, Farmer Mac had $1.4 billion in regulatory capital (as defined in the Farm Credit Act) available to meet the $177 million minimum requirement established by FCA's Risk-Based Capital (RBC) Model.
- Program activity increased approximately 9.5%, ending FY 2022 at $27.7 billion. Farmer Mac had $4.9 billion in its liquidity portfolio as of the year-end.

Credit quality remained stable and generally good. Total acceptable loan volume increased 30 basis points to 98.1% in FY 2023.

Risk-Based Capital (RBC) Model

Section 8.32 of the Farm Credit Act requires the RBC Model to be used to determine the amount of regulatory capital that Farmer Mac needs to maintain positive capital during a 10-year period under certain credit risk and interest rate risk situations. The RBC Model must estimate credit losses on agricultural mortgages and rural utility loans owned or guaranteed by Farmer Mac.

The rate of loan default and severity of losses on agricultural mortgages must be reasonably related to the default rate and severity of losses experienced in contiguous areas of the United States; the contiguous areas considered must contain at least 5% of the total U.S. population that experienced the highest rate of default and severity of agricultural mortgage losses during the past two consecutive years or more. The rate of loan default and severity of losses on rural utility loans must be reasonably related to risks in electric and telephone facility loans.

The Farm Credit Act also requires the RBC Model to incorporate an interest rate risk stress scenario based on prescribed changes in interest rates on Treasury obligations of various terms. In addition, the Farm Credit Act requires Farmer Mac to maintain capital to protect against management and operational risks. This additional capital must amount to 30% of the sum of the credit loss and interest rate risk components of the RBC Model.

The output of the stress test depends on Farmer Mac's risk profile. High-risk loan assets or significant interest rate risk exposure causes the RBC Model to calculate a higher regulatory capital requirement. Conversely, if Farmer Mac maintains a low risk profile in both its loan portfolio and interest rate risk exposure, the stress test will calculate a low capital requirement. Our regulations require Farmer Mac to have its operation of the RBC Model validated by an independent third party at least every three years. In all these third-party validations, Farmer Mac has been found to be operating the model appropriately.

Other entities

On a reimbursable basis, we perform examinations of certain entities that are not part of the Farm Credit System.

As mandated by 12 U.S.C. 3025, we oversee the safety and soundness examinations of the National Consumer Cooperative Bank (NCB), which owns a federal savings bank, has a congressional charter, and specializes in nonagricultural cooperative loans. Costs have been negligible because of our agreement with the Office of the Comptroller of the Currency. Through this agreement, we generally rely on their safety and soundness examinations to effectively and more efficiently carry out our statutory responsibilities with respect to NCB.

From time to time, the U.S. Department of Agriculture contracts with us to provide examination services for specific USDA programs. We annually review the resources dedicated to providing these services, and we have no current contracts.

We also provide services on a reimbursable basis to the Farm Credit System Insurance Corporation (FCSIC), an independent, government-controlled corporation that insures the timely payment of principal and interest on certain System notes, bonds, and other obligations issued to investors. The FCSIC board consists of the members of the FCA board. Section 5.59(a)(5) of the Farm Credit Act provides that, to the extent practicable, FCSIC must use FCA personnel and resources to minimize duplication of effort and reduce costs.

Developing Regulations and Policies

FCA routinely issues regulations, informational memorandums, policy statements, and other guidance to ensure that the System complies with the law, operates in a safe and sound manner, and efficiently carries out its statutory mission.

We are committed to providing a flexible regulatory environment that allows the System to offer high-quality, reasonably priced credit and related services to farmers and ranchers, their cooperatives, rural residents, and other entities on which farming operations depend.

We strive to develop balanced, well-reasoned, and flexible regulations, always considering both the benefits and the costs of these regulations to System institutions. Our objectives are to ensure that the System's activities remain consistent with the law and safety and soundness principles and to encourage participation by member-borrowers in the management, control, and ownership of their institutions.

Regulatory and policy projects active at end of FY 2023

The FCA board reviews its regulatory agenda semiannually to evaluate progress on open projects and to determine the need for additional initiatives. The FCA board-approved agenda is part of the federal Unified Agenda, which is published online at www.reginfo.gov. We publish our Regulatory Projects Plan on our website to notify the public of our upcoming regulatory actions and to encourage the public to participate in the regulatory process, but we are not obligated to act on our agenda items. The following list summarizes the topics for which we are considering regulatory action.

Collateral evaluation: We continue to consider updating collateral appraisals and valuations requirements to address changing credit and economic conditions.

Permanent capital revisions: We plan to issue a proposed rule that would replace certain references to permanent capital ratio with references to tier 1/tier 2 capital and make other revisions as appropriate. These revisions would seek to reduce computational, call reporting, shareholder reporting, and capital planning requirements.

Annual independent audits and internal controls over financial reporting: We plan to issue a proposed rule that would amend existing regulations concerning annual independent audits to include audits of internal controls over financial reporting for System institutions.

Borrower rights: We plan to issue a proposed rule to clarify disclosure and servicing requirements related to borrower rights.

Limitations on bank director compensation: We plan to issue a proposed rule that would revise FCA regulations on compensation of bank directors to comply with the Agriculture Improvement Act of 2018.

Bank liquidity reserve: We plan to issue a proposed rule to amend our liquidity regulations to more closely align with the Basel III liquidity framework and the approach of other federal bank regulatory agencies.

Loan participations and territorial concurrence: We plan to issue an advance notice of proposed rulemaking that would consider revising loan participation requirements related to loans outside of chartered territories.

Similar entities: We plan to issue an advance notice of proposed rulemaking on similar-entity lending. Under the similar-entity lending authority, the System may participate with other lenders to make loans to those who are not eligible to borrow directly from the System but whose activities are functionally similar to those of eligible borrowers. The rulemaking would consider clarifying the types of activities that are similar to those of eligible borrowers, as well as the types of loans that would qualify under the similar-entity authority.

Cooperative principles: We plan to complete a review of cooperative principles and practices at System institutions.

Troubled debt restructuring (TDR) accounting standards: We plan to issue a rule to remove from FCA regulations the requirement to measure and report formally restructured loans (TDRs) due to changes in Generally Accepted Accounting Principles.

Civil money penalty adjustment: We plan to issue a final rule making the annual adjustment to FCA's civil money penalties for inflation.

High-volatility commercial real estate: We plan to issue a final rule that would amend the tier 1/tier 2 capital rule to address a risk weight for high-volatility commercial real estate exposures. This rulemaking is like recent changes to the capital rules of the federal banking regulatory agencies, but it considers the System's unique features.

Regulatory and policy projects completed in FY 2023 and early FY 2024

Following is a list of projects we completed in FY 2023 and early FY 2024, along with a list of communications we issued to System institutions to clarify our rules.

Conservators and receivers: We issued a final rule that updates certain FCA regulations and provides clarification on the applicability of bridge bank requirements for System banks.

Cyber-risk management: We issued a final rule that revises our information technology regulations to address information security, multifactor authentication, and cybersecurity.

Young, beginning, and small farmers and ranchers: We issued a final rule governing the System's service to young, beginning, and small farmers and ranchers.

Regulatory burden: We issued a notice and request for comment regarding outdated or burdensome FCA regulations.

Civil money penalty adjustment: We published a final rule to adjust FCA's civil money penalties for inflation as required by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015.

Certificates of good standing, authenticity, and merger or consolidation: We issued an informational memorandum to provide guidance for requesting certificates of good standing, authenticity, and merger or consolidation for Farm Credit institutions.

Capital request guidance: We issued an informational memorandum that provides guidance to System institutions on the process for submitting capital-related requests to FCA. This informational memorandum does not apply to Farmer Mac.

Farmer Mac capital framework: We issued an advance notice of proposed rulemaking to solicit comments on potential opportunities to amend and strengthen the regulatory capital framework for Farmer Mac.

FCS corporate activity and other prior approvals and clearances

In accordance with the Farm Credit Act and our regulations, we issue prior approvals for corporate and noncorporate applications. Corporate applications include requests from FCS institutions for us to issue new or amended charters, as well as to cancel charters because of mergers, consolidations, liquidations, or terminations of System status.

Noncorporate applications include clearance and capital determination requests related to stock requirements and to offerings of preferred stock and subordinated debt. They also include requests for prior approval of funding, mission-related investments, and any new financially related services.

Corporate activities in FY 2023 and early FY 2024

On Nov. 1, 2022, two agricultural credit associations (ACAs) affiliated with CoBank merged: Farm Credit of Enid, ACA, and its subsidiaries merged with and into Farm Credit of Western Oklahoma, ACA, and its subsidiaries.

On Jan. 1, 2023, two ACAs affiliated with AgFirst merged: Cape Fear Farm Credit, ACA, and its subsidiaries merged with and into AgCarolina Farm Credit, ACA, and its subsidiaries.

On Jan. 1, 2023, two ACAs affiliated with CoBank merged: Farm Credit West, ACA, and its subsidiaries merged with and into Northwest Farm Credit Services, an Agricultural Credit Association, and its subsidiaries. The name of the merged association was changed to AgWest, ACA.

On Apr. 1, 2023, two ACAs affiliated with AgFirst merged: Carolina Farm Credit, ACA, and its subsidiaries merged with and into AgSouth Farm Credit, ACA, and its subsidiaries.

On Oct. 1, 2023, two ACAS affiliated with CoBank merged: Farm Credit of New Mexico, ACA, and its subsidiaries merged with and into American AgCredit, ACA, and its subsidiaries.

On Dec. 1, 2023, two ACAs affiliated with Texas merged: Ag New Mexico, Farm Credit Services, ACA, and its subsidiaries merged with and into Lone Star, ACA, and its subsidiaries. The name of the merged association was changed to AgTrust, ACA.

Projected mergers and FCS institution size

As of Jan. 1, 2024, the System had 56 direct-lender associations and four banks for a total of 60 banks and associations. Eight service corporations and special-purpose entities (see pages 53 and 54) brings the total number of FCS institutions, including Farmer Mac, to 69. Because of mergers and consolidations, the number of FCS associations has decreased by 33% since 2010, and the number of FCS banks has decreased by 20%.

Merger and combination activity has increased over the past two years. Therefore, we estimate that the number of direct-lender associations will continue to decrease. These mergers, coupled with asset growth, will increase the size of System entities. System institutions will also have more complex management systems and offer a broader range of financial services to their borrowers.

Securities offerings by individual associations during FY 2023

There were no securities offerings in FY 2023.

Funding Corporation activity

The FCS raises funds for loans and investments primarily by selling Systemwide debt securities through the Federal Farm Credit Banks Funding Corporation, the fiscal agent for the FCS banks. In this way, funds flow from worldwide capital market investors to agricultural producers, agricultural cooperatives, and rural communities, providing them with efficient access to global resources. Systemwide debt securities are issued as discount notes, master notes, bonds, or designated bonds. As required by the Farm Credit Act, the System must obtain FCA approval for all debt issuances.

For the 12 months ended Sept. 30, 2023, the FCS issued $294 billion in Systemwide debt, compared with $420 billion in FY 2022 and $378 billion in FY 2021. Systemwide debt issuances decreased significantly in FY 2023 compared with FY 2022 primarily because of a steeply inverted yield curve that caused a higher cost of funding for short-term debt instruments than that of most longer-term ones. As a result, issuance of short-term discount notes decreased 50 percent, which caused the overall decrease in issuance for FY 2023. Call options exercised in FY 2023 totaled $10.2 billion, compared with $3.7 billion in FY 2022. The increase in callable activity occurred because the System issued a sizable amount of short-term, callable, floating-rate debt securities to meet investors' market demands, and routinely exercised those call options despite the inverted yield curve.

Interest rates for Systemwide debt, compared with rates for U.S. Treasuries of similar maturities remained favorable for maturities of five years and less. However, interest rates for longer-term maturities and callable debt issuances experienced significant premiums due to persistent debt market volatility. Investor demand for FCS debt instruments remained strong, due in large part to the System's long-standing solid financial performance, although market conditions were constraining at times for certain types of debt issuances.

On Aug. 2, 2023, Fitch Ratings downgraded the long-term issuer default rating for the System banks to reflect the downgrade in the U.S. sovereign credit rating. However, the downgrade did not affect the System's access to markets. Systemwide debt outstanding increased to $403 billion for the fiscal year ending 2023, an increase of $25 billion from the end of FY 2022.

At the same time, FCS debt outstanding decreased to 20.4% of the cumulative GSE debt outstanding at the end of FY 2023 compared with 21.4% at the end of FY 2022 because of outsized growth in other GSE debt outstanding, namely that of the Federal Home Loan Banks.

The financial markets experienced significant volatility because of the rising interest rates, persistent inflation, negative events in the commercial banking sector, and geopolitical risks (wars in Ukraine and the Middle East). In 2022 and 2023, the Federal Reserve, along with other central banks, began aggressive actions to reduce and remove very accommodative monetary policies put in place during the global pandemic to try and subdue subsequent global inflationary pressures. In late FY 2023, global inflation pressures eased, and the Federal Reserve's Summary of Economic Projections showed the potential for interest rates to decrease in FY 2024.

Part III

Farm Credit System

Profile of the Farm Credit System

The Farm Credit System consists of a network of borrower-owned cooperative financial institutions, along with related service organizations, the Federal Farm Credit Banks Funding Corporation, and the Federal Agricultural Mortgage Corporation. The Farm Credit System was created by Congress in 1916 to provide American agriculture with a dependable source of credit. It is the oldest of the government-sponsored enterprises (GSEs). As of Jan. 1, 2024, the System had four banks providing loan funds to

- 55 agricultural credit association (ACA) parent organizations, each of which generally has two subsidiaries — a production credit association (PCA) and a federal land credit association (FLCA), and
- 1 stand-alone FLCA.

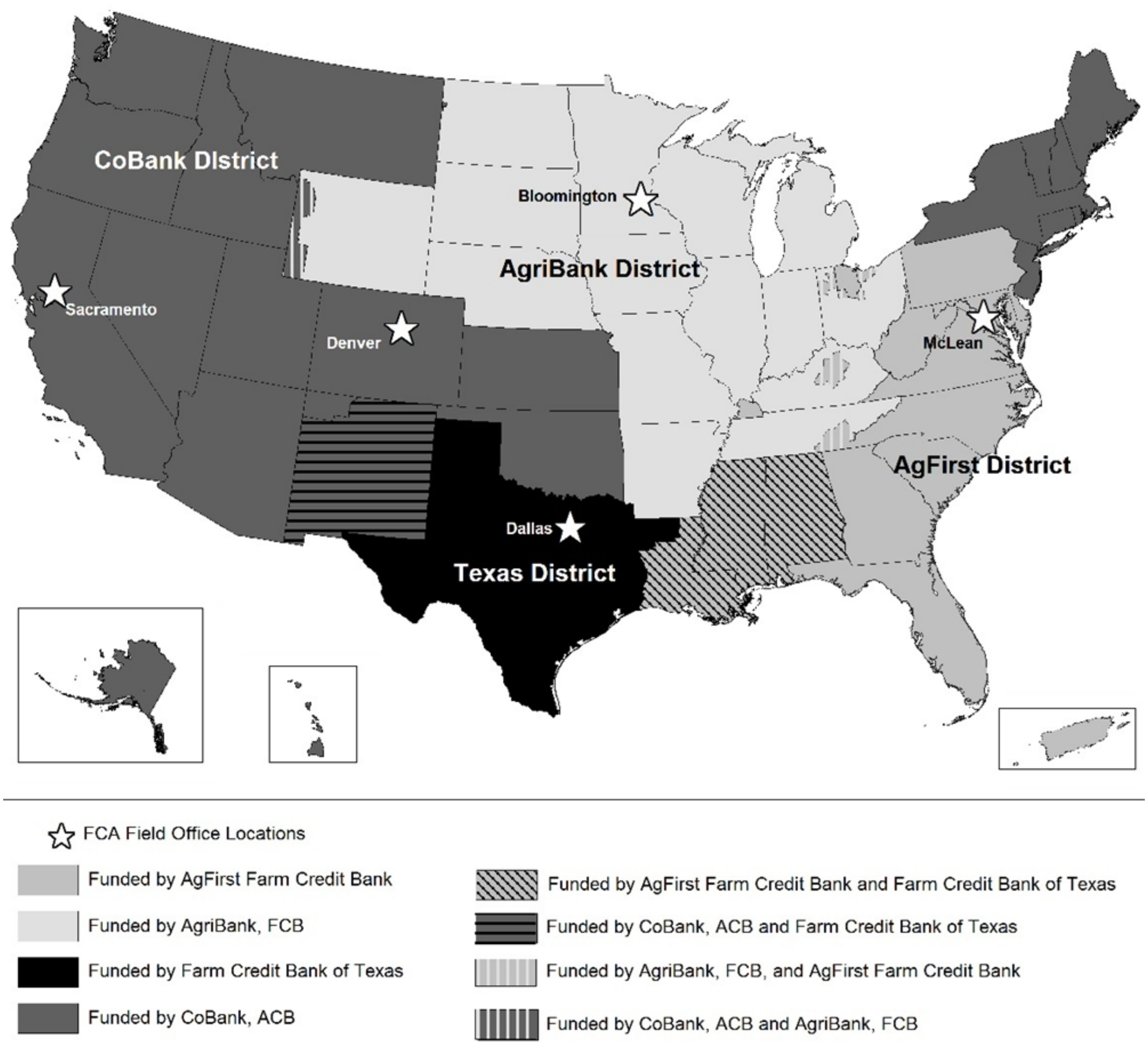
The map in figure 3 shows each bank's chartered territory.

Although legally separate, the ACA and its PCA and FLCA subsidiaries operate as an integrated lending business, with loans made through the subsidiaries appropriate to the authority of each subsidiary. The ACA, the PCA, and the FLCA are jointly and severally liable for the full amount of their indebtedness to the funding bank under a general financing agreement. In addition, the parent company and its subsidiaries pledge their respective assets as security for each other's debts and obligations and share each other's capital.

The three associations have a common board and management and a common set of shareholders. Under the Farm Credit Act, ACAs make long-term agricultural mortgage loans and short- and intermediate-term operating loans. PCAs make short- and intermediate-term loans. FLCAs, which are organized as federal land bank associations, originate long-term agricultural mortgages. FLCAs are exempt from federal and state income taxes; ACAs and PCAs are not tax-exempt.

System institutions provide credit and financially related services to farmers, ranchers, producers or harvesters of aquatic products, and farmer-owned cooperatives. Institutions also make loans for agricultural processing and marketing activities, rural housing, certain farm-related businesses, agricultural and aquatic cooperatives, rural utilities, and foreign and domestic entities in connection with international agricultural trade. The System raises its loan funds by selling debt securities in the national and international money markets. These securities are subject to FCA's approval, but they are not guaranteed by the U.S. government.

Figure 3. The chartered territories of Farm Credit System banks as of Jan. 1, 2024



Note: CoBank, ACB, funds 16 associations in the indicated areas and serves cooperatives nationwide; Farm Credit Bank of Texas funds 13 associations; AgriBank, FCB, funds 11 associations; and AgFirst Farm Credit Bank funds 16 associations. The Farm Credit System contains a total of 60 banks and associations as of Jan. 1, 2024.

Additional System entities and service corporations

In addition to the System's banks and associations, we are responsible for regulating and examining the Federal Agricultural Mortgage Corporation (Farmer Mac) and the Federal Farm Credit Banks Funding Corporation. We also regulate and examine the six service corporations organized under section 4.25 of the Farm Credit Act:[3]

- AgVantis, Inc.
- Farm Credit Leasing Services Corporation
- Farm Credit Financial Partners, Inc.
- FCS Building Association
- Farm Credit Foundations
- SunStream Business Services

Federal Agricultural Mortgage Corporation – Farmer Mac[4] is a stockholder-owned, federally chartered instrumentality of the United States and an institution of the FCS. It was created in 1988 to establish a secondary market for agricultural real estate and rural housing mortgage loans. In May 2008, the Food, Conservation, and Energy Act of 2008 expanded Farmer Mac's program authorities by allowing it to purchase and guarantee securities backed by rural utility loans made by cooperatives.

Farmer Mac conducts its operations through two lines of business:

- Agricultural finance, which includes Farm & Ranch and Corporate Agrifinance segments
- Rural infrastructure, which includes Rural Utilities and Renewable Energy segments

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[3] Section 4.25 of the Farm Credit Act provides that one or more FCS banks or associations may organize a service corporation to perform functions and services on their behalf. These federally chartered service corporations are prohibited from extending credit or providing insurance services.

[4] Farmer Mac is established in law as a federal instrumentality of the FCS. However, Farmer Mac has no liability for the debt of any other System institution, and the other System institutions have no liability for Farmer Mac's debt. Farmer Mac is organized as an investor-owned corporation, not a member-owned cooperative. Investors in voting stock may include commercial banks, insurance companies, other financial organizations, and FCS institutions. Nonvoting stock may be owned by any investor. Farmer Mac is regulated by FCA through the Office of Secondary Market Oversight. The director of this office reports directly to the FCA board on matters of policy.

Federal Farm Credit Banks Funding Corporation: The Funding Corporation is owned by the System banks; it sells debt securities on behalf of the banks to raise funds for loans and other purposes. System banks and, indirectly, associations obtain the majority of their funds through the sale of these securities in the nation's capital markets. These securities, chiefly in the form of bonds and discount notes, are offered by the Funding Corporation through a nationwide group of securities dealers and dealer banks. The Funding Corporation's debt issuance programs provide the System banks with funds to lend to farmers, ranchers, agricultural cooperatives, rural homeowners, and rural utilities; debt issuances also provide the banks with funding for their other operations.

AgVantis, Inc.: AgVantis provides technology-related and other support services to associations in the CoBank, ACB, district. It was chartered by FCA in 2001 and is owned by 10 associations in the CoBank district.

Farm Credit Leasing Services Corporation: The Leasing Corporation, owned by CoBank, provides equipment leasing services to eligible borrowers, including agricultural producers, cooperatives, and rural utilities.

Farm Credit Financial Partners, Inc.: Owned by four agricultural credit associations, Farm Credit Financial Partners provides support services to three associations affiliated with CoBank and two associations affiliated with AgriBank.

FCS Building Association: The Building Association, which acquires, manages, and maintains facilities to house our headquarters and field office staff, was formed in 1981. It is owned by the System banks and is subject to the oversight and direction of the FCA board.

Farm Credit Foundations: Farm Credit Foundations provides human resource services to its employer-owners, including payroll processing, benefits administration, centralized vendor management, workforce management and operations services, corporate tax and financial reporting services, and retirement workshops. It is owned by 28 System entities (25 FCS associations, two service corporations, and one FCS bank).

SunStream Business Services: SunStream provides technology-related and other services to the bank and associations in the AgriBank district. Chartered by FCA in 2020, it is owned by the district bank, two district associations, and an ownership collaboration of eight district associations.

FCS mission fulfillment

The System fulfills its overall mission by lending to agriculture and rural America. Through the System's original authorization in the Federal Farm Loan Act of 1916 and subsequent revisions to the law, System lending authorities have evolved to include the following:

- Long-term agricultural real estate loans and rural home loans
- Short- and intermediate-term agricultural loans
- Loans to producers and harvesters of aquatic products
- Loans to certain farmer-owned agricultural processing facilities and farm-related businesses
- Loans to farmer-owned agricultural cooperatives
- Loans that finance agricultural exports and imports
- Loans for rural utilities
- Limited portions of loans to entities that qualify under the System's similar-entity authority

Financial Condition and Performance

The FCS continued to be safe and financially sound, and was well-positioned to accomplish its mission of providing reliable credit and related services in support of agriculture and rural America. Through the first nine months of 2023, the System reported strong financial results, including higher earnings, increased capital, and robust liquidity levels. The loan portfolio continued to perform well and nonperforming assets remained low. System growth slowed in 2023 with loan demand affected by higher interest rates and tighter profits margins. FCS banks maintained reliable access to debt capital markets and held liquidity positions well above the regulatory minimum.

In 2023, high inflation had eased, with sharply higher interest rates cooling the economy and slowing the labor market. Consumer spending remained strong despite such signs of stress as increasing default rates on consumer debt and higher credit-card balances. Rising interest rates had a negative impact on many finance-heavy sectors, including commercial real estate, banking, and farming. Higher mortgage rates caused a decline in residential housing starts, which in turn, slowed demand in housing-related sectors such as forestry and nursery operations.

The farm economy continued to be resilient despite volatile market conditions, elevated interest expenses, labor-availability issues, and tighter profit margins. Net farm income in 2023 is expected to remain above the historic average, but margin compression has hampered profitability. Weaker commodity prices drove down projected cash receipts for major crops and livestock sectors, apart from cattle. Meanwhile, farm expenses rose as higher costs for interest, labor, and seed purchases offset lower fertilizer and fuel costs. Drought in the Western U.S. eased considerably in 2023, but dry conditions continued to challenge both crop and livestock producers in certain regions.

Note: All financial data in this section are as of Sept. 30, 2023, unless noted otherwise.

Earnings

The FCS earned $5.507 billion in the first nine months of 2023, a 1.1% increase from the $5.449 billion earned in the same period last year. As table 16 shows, net income increased in 2023 because of higher net interest income and noninterest income, although gains were mostly offset by higher provisions for credit losses and increased noninterest expenses.

Table 16. Net income (dollars in millions)

System net income	First 9 months of 2022	First 9 months of 2023	Dollar change	Percent change
Net interest income	$7,836	$8,481	$645	8.2
− Provision (reversal) for loan losses	(9)	464	473	(5,255.6)
= Net interest income after loss provision (reversal)	**$7,845**	**$8,017**	**172**	**2.2**
+ Noninterest income	636	781	145	22.8
− Noninterest expense	2,880	3,149	269	9.3
= Pretax income	$5,601	$5,649	48	0.9
− Provision for income tax	152	142	(10)	(6.6)
= Net income	**$5,449**	**$5,507**	**$58**	**1.1**

Source: Third Quarter 2023 Quarterly Information Statement of the Farm Credit System, p. F-3

Higher average interest-earning assets, which increased to $466.7 billion for the nine months ended Sept. 30, 2023, from $437.2 billion a year earlier, was the primary reason for the increase in net interest income. Net interest margin increased 3 basis points to 2.42% compared with the the same period a year ago (table 17). Net interest spread decreased 26 basis points to 1.95%. The change in net interest spread was driven by a 225-basis-point increase in the annualized rate on interest-bearing liabilities, which was partially offset by a 199-basis-point increase in the rate on total interest-earning assets.

Table 17. Interest margin in annualized percentages

Net interest margin	First 9 months of 2022	First 9 months of 2023	Change (bps)
Total interest-earning assets	3.48	5.47	199
Total loans	3.91	5.84	193
Investments and other assets	1.55	3.87	232
Total interest-bearing liabilities	1.27	3.52	225
Net interest spread	2.21	1.95	(26)
Impact of noninterest-bearing items	0.18	0.47	29
Net interest margin	2.39	2.42	3

Source: Third Quarter 2023 Quarterly Information Statement of the Farm Credit System, p.16; bps = basis points.

As table 18 shows, profitability ratios were mostly lower in 2023. The return on average assets declined in all districts compared with the prior year; return on average capital decreased in the AgFirst and Texas districts but increased in the AgriBank and CoBank districts.

Table 18. Profitability across System districts for the first nine months of year

Profitability ratios		AgFirst	AgriBank	Texas	CoBank
Percentage return on average assets	2022	1.60	1.54	1.58	1.43
	2023	1.22	1.51	1.36	1.38
Percentage return on average capital	2022	10.39	9.35	12.21	11.78
	2023	8.84	9.60	11.29	11.97

Source: Third Quarter 2023 Quarterly Information Statement of the Farm Credit System, p. F-66.

Note: The financial ratios are for the district bank and affiliated associations combined.

System growth

The System reported moderate year-over-year growth. FCS assets were up $28.1 billion or 6.0% to $492.8 billion. Much of the increase resulted from growth in the System's loan portfolio, which grew by $23.5 billion or 6.5%.

Balances for all major loan categories (real estate mortgage, production and intermediate-term, agribusiness, and rural infrastructure) were up in 2023 compared with the same period a year ago. Production and intermediate-term and rural infrastructure lending, which increased 11.9% and 25.3% respectively, were the largest contributors to portfolio loan growth.

All System districts reported year-over-year increases in portfolio loan balances. The AgriBank district reported the largest percentage increase in volume, with loan balances growing 8.3% year over year. Provided in table 19 are the gross loan volume and the percentage change in volume for System districts.

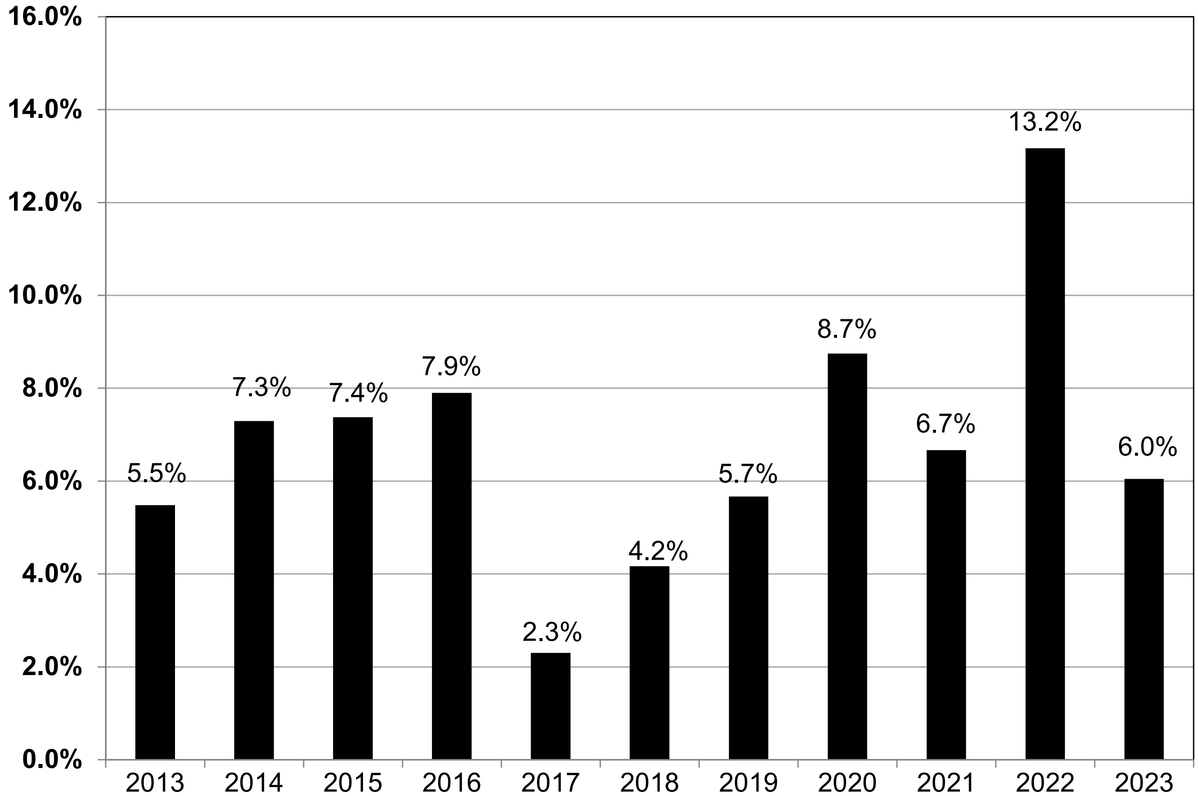
Table 19. Gross loan growth by district and Systemwide (dollars in millions)

District	Sept. 30, 2022		Sept. 30, 2023		Change in dollars	Percent change
	Gross loans	Percent total	Gross loans	Percent total		
AgFirst	$37,493	10.4	$39,818	10.3	$2,325	6.2
AgriBank	147,849	40.9	160,168	41.6	12,319	8.3
Texas	35,999	9.9	37,336	9.7	1,337	3.7
CoBank	146,371	40.5	154,191	40.0	7,820	5.3
Insurance Fund and Intra-System Eliminations	(6,033)	(1.7)	(6,368)	(1.6)	(335)	5.6
Total for System	**$361,679**	**100.0**	**$385,145**	**100.0**	**$23,466**	**6.5**

Source: Third Quarter 2022 Quarterly Information Statement of the Farm Credit System, p. F-52; and Third Quarter 2023 Quarterly Information Statement of the Farm Credit System, p. F-62.

As noted in figure 4 below, the System's total assets increased by 6.0% during the 12-month period, down from 13.2% for the same period a year ago.

Figure 4. Year-over-year percent change in System assets, September 2013 – 2023



Source: Quarterly Information Statements of the Farm Credit System.

Matching data table for figure 4

Year	Year-over-year percent change in System assets
2013	5.5
2014	7.3
2015	7.4
2016	7.9
2017	2.3
2018	4.2
2019	5.7
2020	8.7
2021	6.7
2022	13.2
2023	6.0

Assets – Investments

The System's investments totaled $76.7 billion, up 4.6% from a year earlier. As shown in table 20, investments available-for-sale totaled $72.3 billion. Investments held-to-maturity were $4.4 billion, including $2.5 billion for mortgage-backed securities.

The System increased its holdings of money market instruments, U.S. agency securities, mortgage-backed securities, asset-backed securities, and other securities but reduced its holdings of U.S. Treasury securities.

During the most recent 12-month period, the weighted average yield on investments available-for-sale increased from 2.20% to 3.64%, with yields increasing on all available-for-sale segments. For investments held-to-maturity, the yield increased from 1.87% to 5.45% mainly because of an increase in the yield on mortgage-backed securities and asset-backed securities.

Ineligible investments held by the System totaled $501 million at fair value, down from $545 million a year ago.

Table 20. FCS investments (dollars in millions)

Investment classification		Sept. 30, 2022		Sept. 30, 2023		Change		
		Amount	WAY (%)	Amount	WAY (%)	Dollars	Percent	WAY (bps)
Available for sale (fair value)	Money market instruments	$9,722	3.27	$10,954	5.63	$1,232	12.7	236
	U.S. Treasury securities	22,171	1.61	17,036	2.44	(5,135)	(23.2)	83
	U.S. agency securities	1,739	2.60	2,199	3.22	460	26.5	62
	Mortgage-backed securities	31,212	2.22	34,139	3.63	2,927	9.4	141
	Asset-backed securities	4,235	2.53	5,881	3.83	1,646	38.9	130
	Other securities	1,673	2.16	2,066	3.13	393	23.5	97
	Total	**$70,752**	**2.20**	**$72,275**	**3.64**	**$1,523**	**2.2**	**144**
Held-to-maturity (amortized cost)	Mortgage-backed securities	$1,548	2.09	$2,465	5.17	$917	59.2	308
	Asset-backed securities	985	1.36	1,932	5.80	947	96.1	444
	Other securities	38	6.28	31	6.25	(7)	(18.4)	(3)
	Total	**$2,571**	**1.87**	**4,428**	**5.45**	**$1,857**	**72.2**	**358**
Total	**All FCS investments**	**$73,323**	**2.19**	**$76,703**	**3.74**	**$3,380**	**4.6**	**155**

Source: Third Quarter 2022 Quarterly Information Statement of the Farm Credit System, pp. F-10 – 12; and Third Quarter 2023 Quarterly Information Statement of the Farm Credit System, pp. F-14 – 16.

WAY = weighted average yield; bps = basis points.

Loan quality

System loans continued to perform well in 2023 and portfolio credit risk remained low. As of Sept. 30, System nonperforming assets totaled $2.042 billion or 0.53% of total loans and other property owned, as compared with $1.830 billion or 0.51% a year earlier. Prior to the System's adoption of the current expected credit loss accounting guidance on Jan. 1, 2023, nonperforming assets included accruing restructured loans. At Sept. 30, 2022, accruing restructured loans and related accrued interest equaled $259 million.

In the first nine months of 2023, the System reported net loan charge-offs of $130 million compared with $16 million for the same period a year ago. The allowance for credit losses increased to $1.668 billion in the first nine months of 2023, up 8.3% from the same period in 2022. See table 21 for additional information about the allowance for credit losses — loans and other loan quality measures. The System also reported $203 million of allowance for credit losses on unfunded commitments and $6 million of allowance for credit losses on available-for-sale investments.

Although portfolio loan quality is strong, agricultural producers will likely face increased pressure on profitability as margins tighten. High-cost producers and those with significant leverage will be the most vulnerable to financial stress.

Table 21. FCS loan quality

Loan quality	Sept. 30, 2022	Sept. 30, 2023	Change in percentage points
Nonperforming assets as percentage of total loans and other property owned	0.51%	0.53%	0.02
Nonperforming assets as percentage of capital	2.64%	2.83%	0.19
Nonaccrual loans as percentage of total loans	0.36%	0.47%	0.11
ACLL as percentage of total loans	0.43%	0.43%	0.00
ACLL as percentage of nonperforming assets	84.2%	81.7%	(2.50)
ACLL as percentage of nonaccrual loans	119.3%	92.2%	(27.10)

Source: Third Quarter 2022 Quarterly Information Statement of the Farm Credit System, p. 21 and 24; and Third Quarter 2023 Quarterly Information Statement of the Farm Credit System, pp. 22 and 26.

ACLL = allowance for credit losses — loans

Liabilities, funding, and liquidity

The System's total liabilities increased by 6.4% to $420.5 billion. See table 22 below. Short-term debt securities (due within one year) increased 4.7% to $143.5 billion. Systemwide debt securities due after one year increased 7.6% to $258.3 billion. Short-term debt securities represented 34.1% of the total Systemwide liabilities, down from 34.7% a year earlier.

Table 22. Systemwide debt (dollars in millions)

System debt by maturity	Sept. 30, 2022	Sept. 30, 2023	Change	
			Dollars	Percent
Systemwide discount notes due within one year	$26,529	$16,738	($9,791)	(36.9)
Systemwide bonds, medium-term notes, and master notes due within one year	110,520	126,785	16,265	14.7
Total short-term liabilities	$137,049	143,523	6,474	4.7
Systemwide bonds, medium-term notes, and master notes due after one year	240,105	258,331	18,226	7.6
Other liabilities	18,102	18,626	524	2.9
Total liabilities	**$395,256**	**$420,480**	**$25,224**	**6.4**

Source: Third Quarter 2022 Quarterly Information Statement of the Farm Credit System, p. F-2; and Third Quarter 2023 Quarterly Information Statement of the Farm Credit System, p. F-2.

Liquidity risk management is necessary for the Farm Credit System to ensure its ability to meet its financial obligations. These obligations include the repayment of Systemwide debt securities as they mature, the ability to fund new and existing loans, and the ability to fund operations in a cost-effective manner. The banks' aggregate liquidity position increased slightly to 176 days from 172 days a year earlier. Each bank met the three tiers of the liquidity reserve requirements and exceeded the regulatory minimum of 90 days of liquidity.[5]

[5] The first tier of the liquidity reserve must consist of enough cash and cash-like instruments to cover each bank's financial obligations for 15 days. The second tier must contain enough cash and highly liquid instruments to cover a bank's obligations for the next 15 days, and the third tier of the liquidity reserve must contain enough cash and highly liquid instruments to cover a bank's obligations for the next 60 days.

The aggregate duration gap for the FCS (the sum of the banks' duration gaps) was a positive 3.0 months compared with a positive 3.4 months a year earlier. A duration gap of a positive six months to a negative six months generally indicates a small exposure to interest rate risk. An institution's overall exposure to interest rate risk is a function not only of its duration gap but also of the financial leverage inherent in the institution's capital structure.

Capital

System capital levels increased in 2023, with total capital as of Sept. 30 amounting to $72.3 billion, compared with $69.4 billion a year earlier (see table 23). Retained earnings as a percentage of total capital declined to 80.5% compared with 83.2% a year ago. The System's capital-to-assets ratio dropped to 14.6% compared with 14.9% a year ago, with asset growth exceeding capital growth over the past 12 months.

Table 23. FCS capital composition (dollars in millions)

System capital	Sept. 30, 2022	Sept. 30, 2023	Change	
			Dollars	Percent
Preferred stock	$3,816	$3,426	($390)	(10.2)
Capital stock and participation certificates	2,119	2,115	(4)	(0.2)
Additional paid-in capital	4,533	6,995	2,462	54.3
Restricted capital (Insurance Fund)	6,483	7,249	766	11.8
Accumulated other comprehensive income (loss)	(5,299)	(5,715)	(416)	7.9
Retained earnings	57,744	58,200	456	0.8
Total capital	**$69,396**	**$72,270**	**$2,874**	**4.1**

Source: Data from the Third Quarter 2022 Quarterly Information Statement of the Farm Credit System, p. F-2; and Third Quarter 2023 Quarterly Information Statement of the Farm Credit System, p. F-2.

Note: FCA does not include the Insurance Fund as a capital component in its capital regulations. In addition, FCA regulations treat earnings that have been allocated to members as equities, not retained earnings. Unallocated retained earnings make up most of the System's retained earnings category.

All System institutions were in compliance with FCA's regulatory minimum capital requirements:

- Common equity tier 1 capital (CET1) ratio of 4.5% of risk-adjusted assets
- Tier 1 capital ratio of 6.0% of risk-adjusted assets

- Total capital ratio of 8.0% of risk-adjusted assets
- Tier 1 leverage ratio of 4.0% of total assets, of which at least 1.5% must consist of unallocated retained earnings (URE) and URE equivalents
- Permanent capital ratio of at least 7.0% of risk-adjusted assets

The regulatory capital framework includes a capital cushion (capital conservation buffer) of 2.5% above the CET1 ratio, tier 1 capital ratio, and total capital ratio requirements. The regulations also require a leverage capital buffer of 1.0% above the tier 1 leverage ratio requirements. If capital ratios fall below these buffer thresholds, FCA must approve capital distributions and certain discretionary compensation payments before the distributions are made. Table 24 shows that all banks exceeded all minimum capital regulatory requirements.

Table 24. Regulatory capital ratios of FCS banks

Regulatory capital ratios		AgFirst	AgriBank	Texas	CoBank
Common equity tier 1 ratio	9/30/2022	15.4	16.5	8.7	12.0
	9/30/2023	14.3	16.3	8.3	11.7
Tier 1 capital ratio	9/30/2022	15.4	17.1	13.6	14.0
	9/30/2023	14.3	16.8	13.0	13.4
Tier 1 leverage ratio	9/30/2022	6.0	5.1	5.9	7.0
	9/30/2023	5.8	5.1	5.7	6.8
Permanent capital ratio	9/30/2022	15.4	17.1	13.6	14.1
	9/30/2023	14.3	16.8	13.0	13.5
Total capital ratio	**9/30/2022**	**15.5**	**17.1**	**13.7**	**14.9**
	9/30/2023	**14.6**	**16.9**	**13.2**	**14.3**
	Change	**(0.9)**	**(0.2)**	**(0.5)**	**(0.6)**

Source: Data from the Third Quarter 2022 Quarterly Information Statement of the Farm Credit System, p. F-47; the Third Quarter 2023 Quarterly Information Statement of the Farm Credit System, p. F-57; and the Third Quarter 2022 and 2023 Quarterly Shareholder reports for FCS banks.

System associations also exceeded all minimum requirements, and reported capital levels as follows:

- CET1 capital ratio: 9.9% to 32.6%
- Tier 1 capital ratio: 12.1% to 32.6%
- Tier 1 leverage ratio: 10.4% to 32.4%
- Permanent capital ratio: 12.2% to 33.0%
- Total capital ratio: 12.5% to 33.9%

Young, Beginning, and Small Farmers and Ranchers

FCA supports the Farm Credit System's mission to serve young, beginning, and small (YBS) farmers, ranchers, and producers and harvesters of aquatic products. As of year-end 2021, we defined young farmers as those who are 35 years old or younger, beginning farmers as those who have been farming for 10 years or less, and small farmers as those with less than $250,000 in annual sales.

Effective Jan. 1, 2024, FCA raised the small farmer definition from $250,000 to $350,000. Also in 2024, FCA will transition to a new YBS reporting system to provide a clearer picture of YBS lending by allowing the agency to better break down and categorize loan data. The new reporting system will also provide greater consistency in reporting, leverage the Farm Credit System's existing data systems, and reduce the regulatory reporting burden for institutions over the long term.

The System's YBS mission is outlined in the Farm Credit Act, and we have adopted regulations to implement the YBS provisions of the act. The Farm Credit Act and FCA regulations stipulate that each FCS bank must have written policies that direct each of the associations it supervises to have the following:

- A program for furnishing sound and constructive credit and financially related services to YBS farmers
- A mission statement describing the program's objectives and specific means to achieve the objectives
- Annual quantitative targets for credit to YBS farmers
- Outreach efforts and annual qualitative goals for offering credit and related services that meet the needs of YBS farmers

An association's board oversight and reporting are key parts of every YBS program. Each association must report annually to its supervisory bank on the operations and achievements of its YBS program, and each bank must provide to FCA an annual summary of its district associations' reports. Each association also must establish an internal controls program to ensure that it provides credit in a safe and sound manner.

In addition, FCA regulations require association business plans to include a marketing plan and strategies with special emphasis on diversity and inclusion within each market segment. Operational and strategic business plans must include the goals and targets for the association's YBS lending. System associations must also coordinate with other government and private sources of credit in implementing their YBS programs. FCA's oversight and examination activities monitor each institution's assessment of its performance and market penetration in the YBS area.

In October of 2023, the Farm Credit Administration issued a final rule that improves Farm Credit System YBS programs by

- increasing direct-lender associations' YBS activity to a diverse population of borrowers;
- reinforcing the supervisory responsibilities of the funding banks, authorized by section 4.19 of the Farm Credit Act; and
- requiring each direct lender association to enhance the strategic plan for its YBS program.

This regulation becomes effective whichever is later: Feb. 1, 2024, or at least 30 days after publication in the Federal Register during which either or both Houses of Congress have been in session.

We continue to work with stakeholders to further improve financing opportunities for YBS farmers and ranchers.

Results

The following information summarizes the System's 2022 lending service to YBS farmers, ranchers, and producers or harvesters of aquatic products. (See tables 25 and 26.)

In 2022, the System made a total of 313,439 new loans, totaling $134.5 billion. The total number of outstanding loans at year-end 2022 was 957,161, amounting to $383.3 billion.

Table 25. YBS loans made during 2022

YBS category	Number of loans	Percentage of total number of System loans	Dollar volume of loans in millions	Percentage of total dollar volume of System loans	Average loan size
Young	56,100	17.9%	$13,085	9.7%	$233,248
Beginning	78,742	25.1%	$21,532	16.0%	$273,451
Small	129,288	41.2%	$19,105	14.2%	$147,775

Table 26. YBS loans outstanding (as of December 31, 2022)

YBS category	Number of loans	Percentage of total number of System loans	Dollar volume of loans in millions	Percentage of total dollar volume of System loans	Average loan size
Young	188,756	19.7%	$39,338	10.3%	$208,407
Beginning	305,742	31.9%	$70,857	18.5%	$231,753
Small	473,549	49.5%	$70,322	18.3%	$148,500

Sources: Annual Young, Beginning, and Small Farmer Reports submitted by each System lender through the System banks.

Note: Because the YBS mission is focused on each borrower group separately, data are reported separately for each of the three YBS borrower categories. Since some loans fit more than one category, adding the loans across categories does not produce an accurate measure of the System's YBS lending. As noted above, FCA will transition to a new reporting system next year to eliminate cross reporting and allow the totals to be added.

Young: The System reported making 56,100 new loans to young farmers in 2022, and the volume of these loans amounted to $13.1 billion. The new loans made to young farmers in 2022 represented 17.9% of all loans the System made during the year and 9.7% of the dollar volume of loans made. At the end of 2022, the System reported 188,756 loans outstanding to young farmers, totaling $39.3 billion.

Beginning: In 2022, the System reported making 78,742 loans to beginning farmers. The volume of total new loans to beginning farmers amounted to $21.5 billion in 2022. The loans made to beginning farmers in 2022 represented 25.1% of all System loans made during the year and 16.0% of the dollar volume of loans made. At the end of 2022, the System reported 305,742 loans outstanding to beginning farmers, totaling $70.9 billion.

Small: In 2022, System institutions reported making 129,288 loans, totaling $19.1 billion, to small farmers. The loans in 2022 to farmers in this category represented 41.2% of all loans made during the year and 14.2% of the dollar volume of loans made. At the end of 2022, the System reported 473,549 loans outstanding to small farmers, totaling $70.3 billion.

Market Share of Farm Debt

According to the U.S. Department of Agriculture's December 2023 forecast, total farm debt is estimated to have topped $520 billion at the end of 2023, up 5.0% from a year earlier and up 39% since 2016. Commercial banks and the Farm Credit System are the primary suppliers of credit to farmers; other providers include life insurance companies, USDA programs, Farmer Mac, individuals, and merchants and dealers.

The System's share of the $496 billion farm debt market at the end of calendar year 2022 was 45.9%, up from 45.3% at the end of 2021. The market share for commercial banks stood at 35.2% at the end of 2022, up from 35.0% at the end of 2021. The combined share of other lender groups decreased by 0.9%.

Historically, except for the high credit-stress period of the 1980s and various market adjustments in the 1990s, FCS institutions have typically held the largest share of the farm real estate debt market, while commercial banks have held the largest share of non-real estate farm debt. At year-end 2022, the share of farm debt secured by farm real estate was 49.1% for the System and 31.9% for commercial banks. At year-end 2022, the share of farm debt secured by collateral other than farm real estate was 39.1% for the System and 42.0% for commercial banks.

Part IV

Performance Budget

FY 2025

Performance Budget Overview

Our FY 2025 performance budget reflects our commitment to maintaining a flexible regulatory environment that meets current and future agricultural credit needs while ensuring the safety and soundness of the FCS. FY 2025 will be our third year operating under the strategic plan for FYs 2022 to 2026. Our two core program activities, which are essential to carrying out our agency's mission, remain unchanged. Our strategic goals encompass these core program activities:

- **Policy and regulation:** This program tracks the costs of achieving a regulatory environment that enables the System banks and associations and Farmer Mac to fulfill their public missions.

- **Safety and soundness:** This program tracks the product and service costs of identifying risks and mitigating those risks in a timely fashion.

For purposes of our performance budget, we established a third program activity for our reimbursable activities. We track these activities separately from the two agency mission program budgets for policy and regulation and safety and soundness.

The total performance budget for FY 2025 (see table 27) is $100.88 million and reflects a 6.5% increase from FY 2024.

Table 27. FCA performance budget, FYs 2023 – 2025

Program areas	FY 2023 revised budget	FY 2024 revised budget	FY 2025 proposed budget
Policy and regulation	$20,815,174	$18,219,465	$19,285,196
Safety and soundness	66,997,656	75,279,997	80,371,010
Reimbursable activities*	1,097,170	1,250,538	1,218,794
Total	**$88,910,000**	**$94,750,000**	**$100,875,000**

* In contrast to the reimbursement numbers in table 5, these totals include indirect costs.

Policy and regulation

Our performance budget includes approximately $19.3 million for the policy and regulation program, a 5.8% increase from FY 2024. Most of the funds requested for policy and regulation in FY 2025 will support regulatory projects that were published in the Unified Agenda in the fall of 2023.

We will also use these funds to support other statutory and regulatory activities, including policy studies and market research; management of our Consolidated Reporting System, which stores the financial information submitted by the System institutions; and approvals of corporate applications, System funding requests, and mission-related investment programs.

Safety and soundness

The performance budget includes approximately $80.4 million for the safety and soundness program, a 6.8% increase from FY 2024. This increase is necessary because we have reallocated resources from reimbursable activities to meet System examination needs.

By statute, we are required to examine each FCS institution at least once every 18 months except Farmer Mac, which we must examine at least once a year. Examiners evaluate the overall condition and performance of these institutions and communicate the results to the institutions' boards of directors and management through discussions and reports of examination. The Financial Institution Rating System ratings are evaluated and assigned to individual institutions at least quarterly. In FY 2025, budgeted monies will continue to support development of examination guidance and systemic risk oversight of System institutions, including Farmer Mac.

Reimbursable activities

During FY 2025, we expect to perform approximately $1.2 million in reimbursable work for the following organizations.

- Farm Credit System Insurance Corporation — We will provide services to support examination, information technology, human resources, and communication and public affairs. We will also help complete one premium audit.
- National Consumer Cooperative Bank (NCB) — We will oversee the NCB's safety and soundness examinations. Costs have been negligible due to our reliance on an agreement with the Office of the Comptroller of the Currency.

Table 28 summarizes the costs associated with our program activities, broken down by products and services.

Table 28. FY 2025 proposed budget and full-time equivalents for program activities

Program activity	Products and services	Budget amount	FTEs
Policy and regulation	Regulation and policy development	$ 13,644,292	37.00
	Statutory and regulatory approvals	5,640,904	15.13
	Total for policy and regulation	**$ 19,285,196**	**52.13**
Safety and soundness	Examination	$ 73,149,428	265.83
	Economic, financial, and risk analysis	6,871,332	16.74
	FCS data management	350,250	0.81
	Total for safety and soundness	**$ 80,371,010**	**283.38**
Reimbursable activities	**Total for reimbursable activities**	**$ 1,218,794**	**4.61**
All program activities	**Total**	**$100,875,000**	**340.12**

Our Strategic Plan Framework

The strategic goals outlined in our FY 2022 – 2026 strategic plan provide an overarching framework for achieving our public mission. They are clear statements of what FCA wants to achieve to advance its mission and address relevant national problems, needs, challenges, and opportunities.

Strategic Goal 1: Ensure a sound financial system that provides a sustainable source of credit for agriculture and rural America.

This strategic goal directly reinforces FCA's mission to ensure that Farm Credit System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America.

This goal also addresses three focus areas for the current planning cycle:

- First, FCA will consider the challenges facing the System's small versus large associations when evaluating merger proposals and administering its examination and regulatory program.

- Second, FCA will evaluate the effectiveness of the contingency plans of System institutions and Farmer Mac in addressing the weather and other environmental threats to agriculture that have been identified through scenario testing.

- Third, FCA will assess the preparedness of System institutions and Farmer Mac for cybersecurity threats and events.

Strategic Goal 2: Foster the long-term viability of the U.S. agricultural economy, while supporting young, beginning, and small (YBS) farmers, ranchers, and aquatic producers.

This strategic goal underscores the importance of continued agricultural production in the United States. FCA is committed to continue promoting the long-term viability of the U.S. agricultural economy and encouraging Farm Credit System institutions to support young, beginning, and small (YBS) farmers, ranchers, and aquatic producers.

The supporting strategic objectives for each strategic goal reflect the outcome or management impact the agency intends to achieve. Each objective is tracked through performance goals and other indicators. Table 29 is a matrix of the strategic objectives associated with each strategic goal.

Table 29. FY 2025 strategic goals and strategic objectives

Strategic goal	Strategic objectives
1. Ensure a sound financial system that provides a sustainable source of credit for agriculture and rural America.	1.1 Support a continued safe and sound System as a continued viable source of credit and related services for creditworthy and eligible borrowers. 1.2 Ensure the System makes available products and services to all creditworthy and eligible borrowers in a fair and impartial manner. 1.3 Ensure Farmer Mac provides secondary market programs that increase the availability of credit and liquidity to agriculture, rural communities, and infrastructure. 1.4 Promote opportunities for stakeholder engagement when establishing and reviewing regulatory and policy proposals. 1.5 Promote System lending for, and investments in, rural infrastructure to foster vitality of rural communities. 1.6 Encourage board and workforce diversity at System institutions and Farmer Mac. 1.7 Ensure the System and Farmer Mac identify and implement safeguards to mitigate the potential impact of established and emerging risks.
2. Foster long-term viability of the U.S. ag economy while supporting young, beginning, and small (YBS) farmers, ranchers, and aquatic producers.	2.1 Promote access to YBS lending programs and financial services for eligible borrowers. 2.2 Encourage effective outreach by System institutions that promote the success of YBS farmers, ranchers, and aquatic producers.

Performance goals and measures

Measuring the achievements

Tables 30 and 31 show the measures we will use to evaluate our efforts to carry out our mission in FY 2025.

Table 30. Strategic Goal: Ensure a sound financial system that provides a sustainable source of credit for agriculture and rural America

Strategic objectives	Performance goals	Measures
SO1.1 – Support a continued safe and sound System as a continued viable source of credit and related services for creditworthy and eligible borrowers.	SO1.1.1 – Ensure policy and regulatory requirements address safety and soundness and their objectives. SO1.1.2 – Evaluate each merger or re-affiliation application for continued safety and soundness for the institution and the System and further the objectives of the Farm Credit Act. SO1.1.3 – Employ examination oversight activities to ensure the continued safety and soundness of individual institutions and the System.	SO1.1.a – Whether most objectives listed in the preamble of each final rule were met on the 2-year anniversary of the rule's effective or implementation date. (Target: Yes) SO1.1.b – Percentage of System institutions where supervisory agreement requirements are at least substantially complied within 18 months of execution. (Target: >80%) SO1.1.c – Percentage of institutions with satisfactory audit and review programs, including institutions with acceptable corrective action plans. (Target: 100%) SO1.1.d – Percentage of System assets with a 1 or 2 composite FIRS rating. (Target: >98%)
SO1.2 – Ensure the System makes available products and services to all creditworthy and eligible borrowers in a fair and impartial manner.	SO1.2.1 – Identify and eliminate unnecessary regulatory burdens and other barriers to the System's ability to serve the needs of all eligible borrowers. SO1.2.2 – Ensure lending programs continue to serve creditworthy and eligible to borrowers.	SO1.2.a – Percentage of FCS institutions providing products and services that serve creditworthy and eligible persons and perform outreach to enhance diversity and inclusion. (Target: 100%) SO1.2.b – Whether FCA solicits comments from the public and other interested parties on certain guidance and all regulations issued by the agency. (Target: Yes) SO1.2.c – Percentage of direct-lender institutions with satisfactory consumer and borrower rights compliance. (Target: > 90%)

Strategic objectives	Performance goals	Measures
SO1.3 – Ensure Farmer Mac provides secondary market programs that increase the availability of credit and liquidity to agriculture, rural communities, and infrastructure.	SO1.3.1 – Develop and implement a dynamic examination, oversight, and risk-monitoring program that ensures the safety and soundness of Farmer Mac. SO1.3.2 – Emphasize Farmer Mac's public purpose and mission through the evaluation of Farmer Mac's mission achievement. SO1.3.3 – Assess regulatory and policy guidance for Farmer Mac as new risks emerge, with focus on capital and stress testing policies that promote long-term resiliency.	SO1.3.a – Whether the Office of Secondary Market Oversight (OSMO) effectively identifies emerging risks as part of the examination and oversight process. (Target: Yes) SO1.3.b – Whether OSMO takes appropriate supervisory and corrective actions to effect change. (Target: Yes) SO1.3.c – Whether OSMO evaluated if Farmer Mac's business plan contains strategies to promote and encourage the inclusion of all qualified loans (including loans to small farms and family farmers) in its secondary market programs. (Target: Yes) SO1.3.d – Whether OSMO evaluated Farmer Mac's progress toward achieving their mission to provide a source of long-term credit and liquidity for qualified loans. (Target: Yes) SO1.3.e – Whether OSMO assessed the need for new or revised regulatory and policy guidance for Farmer Mac as new risks emerged. (Target: Yes)
SO1.4 – Promote opportunities for stakeholder engagement when establishing and reviewing regulatory and policy proposals.	SO1.4.1 – Continue communication with our stakeholders through meetings, briefings, and written communication.	SO1.4.a – Whether FCA requested input from persons outside of FCA for most pre-rulemaking projects and proposed rules. (Target: Yes)
SO1.5 – Promote System lending for, and investments in, rural infrastructure to foster vitality of rural communities.	SO1.5.1 – Reinforce the importance of Farm Credit System serving rural infrastructure needs.	SO1.5.a – Whether FCA mentions importance of rural infrastructure in congressional testimony and public communications. (Target: Yes) SO1.5.b – Whether FCA evaluated System institution requests for compliance with agency regulations and guidance regarding investments in rural infrastructure. (Target: Yes)

Strategic objectives	Performance goals	Measures
SO1.6 – Encourage board and workforce diversity at System institutions and Farmer Mac.	SO1.6.1 – Identify policy and regulatory obstacles for board and workforce diversity. SO1.6.2 – Ensure System institutions' and Farmer Mac's human capital plans, as part of the annual business planning process, incorporate board and workforce diversity initiatives.	SO1.6.a – Whether FCA solicits comments from the public and other interested parties on guidance and regulations issued by the agency. (Target: Yes) SO1.6.b – Percentage of System institutions and Farmer Mac with objectives for addressing board and workforce diversity within the annual business plan. (Target: 100%)
SO1.7 – Ensure the System and Farmer Mac identify and implement safeguards to mitigate the potential impact of established and emerging risks.	SO1.7.1 – Ensure System institutions and Farmer Mac incorporate contingency plans to address weather and other environmental threats to operations. SO1.7.2 – Ensure System institutions and Farmer Mac establish controls to address cybersecurity threats and events. SO1.7.3 – Enhance risk analysis and incorporate findings in policymaking and examination.	SO1.7.a – Percentage of System institutions and Farmer Mac with contingency plans to ensure continued capital adequacy, earnings capacity, and access to funding. (Target: 100%) SO1.7.b – Percentage of System institutions and Farmer Mac addressing cybersecurity threats and controls in risk assessments and internal audit plans. (Target: 100%) SO1.7.c – Whether FCA publishes a semiannual Unified Agenda that outlines the agency's planned regulatory actions. (Target: Yes)

Table 31. Strategic Goal: Foster the long-term viability of the U.S. agricultural economy while supporting young, beginning, and small (YBS) farmers, ranchers, and aquatic producers

Strategic objectives	Performance goals	Measures
SO2.1 – Promote access to YBS lending programs and financial services for eligible borrowers.	SO2.1.1 – Ensure lending programs continue to serve creditworthy and eligible YBS borrowers. SO2.1.2 – Identify best practices through enhanced YBS reporting. SO2.1.3 – Evaluate YBS regulations and guidance to support programming that meets the credit and financial services needs of eligible YBS borrowers. SO2.1.4 – Continue to enhance YBS data analysis to better evaluate and rate the effectiveness of System institution programs in serving YBS borrowers and to identify further opportunities for improving service to these borrowers.	SO2.1.a – Percentage of direct-lender institutions with YBS programs in compliance with YBS regulations. (Target: 100%) SO2.1.b – Whether FCA publishes a semiannual Unified Agenda that outlines the agency's planned regulatory actions, including YBS, for the next 12 to 24 months. (Target: Yes) SO2.1.c – Qualitative and quantitative improvements to YBS data quality. (Target: Yes)
SO2.2 – Encourage effective outreach by System institutions that promote the success of YBS farmers, ranchers, and aquatic producers.	SO2.2.1 – Promote outreach efforts and the sharing of best practices to promote the success of YBS farmers and ranchers and other agricultural producers by System institutions.	SO2.2.a – Percentage of System institutions identifying outreach efforts for YBS in the annual business plan. (Target: > 90%) SO2.2.b – Whether FCA facilitates sharing of YBS effective practices among System institution decision makers. (Target: Yes)

Budgets

We track the associated costs of executing our strategic goals and objectives using two of the three program activities discussed earlier:

- Policy and regulation program: We established the policy and regulation program to track the costs of achieving a regulatory environment that enables the System, including Farmer Mac, to fulfill its public mission. We track costs associated with the following products and services:
  - Regulation and policy development
  - Statutory and regulatory approvals
- Safety and soundness program: We established the safety and soundness program to track the product and service costs of identifying risk and taking timely corrective action. We track costs associated with the following products and services:
  - Examination
  - Economic, financial, and risk analysis
  - FCS data management

Tables 32 and 33 provide the budgeted amounts for FYs 2023 to 2025 in support of our mission and primary program areas.

Table 32. Budgets to achieve policy and regulation program

Budget item	FY 2023 revised budget	FY 2024 revised budget	FY 2025 proposed budget
Regulation and policy development	$15,117,314	$12,899,998	$13,644,292
Statutory and regulatory approvals	5,697,860	5,319,467	5,640,904
Total	**$20,815,174**	**$18,219,465**	**$19,285,196**

Table 33. Budgets to achieve safety and soundness program

Budget item	FY 2023 revised budget	FY 2024 revised budget	FY 2025 proposed budget
Examination	$62,614,825	$68,500,250	$73,149,428
Economic, financial, and risk analysis	3,075,497	6,443,944	6,871,332
FCS data management	1,307,334	335,803	350,250
Total	**$66,997,656**	**$75,279,997**	**$80,371,010**

Performance Measurement and Reporting

Our performance measurement system evaluates our progress in achieving the goals outlined in our Strategic Plan for FYs 2022 to 2026. The system provides a balanced view of our overall performance, considering the inputs used, the products and services produced, and the achievement of desired outcomes. As we have shown in this report, the agency-level measures are tracked at the program activity level and linked to our strategic goals.

Our chief executive officer, with assistance from our chief of staff and designated office directors, is responsible for measuring performance by collecting and analyzing performance data. The chief executive officer monitors the agency’s progress and results relative to the agency-level measures on a quarterly basis. Periodic performance reports are provided to the FCA board. The annual performance report is incorporated in the FCA Performance and Accountability Report, which is submitted to the president and Congress

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