

Vincent G. Logan, Chairman and Chief Executive Officer (CEO)
Jeffery S. Hall, Board Member
Glen R. Smith, Board Member



**MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
April 11, 2024**

These minutes reflect the business transacted at the April 11, 2024, regular meeting of the Farm Credit Administration (FCA) Board pursuant to the Government in the Sunshine Act, 5 U.S.C. § 552b, and the regulations of the FCA adopted thereunder.

The meeting was held at the FCA office in McLean, Virginia. The meeting began at 10:00 a.m. and concluded at 10:38 a.m. The meeting was a hybrid physical/virtual meeting.

Members of the Board present were:

Vincent G. Logan, Chairman and CEO
Jeffery S. Hall, Member
Glen R. Smith, Member

The above named constitute the full Board.

Others present included **Ashley Waldron**, Secretary to the Board; **David Grahn**, General Counsel; and staff of the FCA and Farm Credit System Insurance Corporation (FCSIC). There were nine members of the general public in attendance. (A list of Board and staff attendees is attached as Exhibit A.)

Chairman Logan called the meeting to order.

The **Secretary** addressed technical and protocol items and read a statement that announced the meeting would be conducted according to Government in the Sunshine Act requirements.

ADOPTION OF AGENDA

Chairman Logan reviewed the published agenda. (A copy of the Public Announcement publishing the agenda for the meeting is attached as Exhibit B.)

Mr. Hall moved to adopt the agenda as published.

Mr. Smith seconded the motion.

There being no further discussion, **Chairman Logan** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

CONSIDERATION TO CLOSE PORTIONS OF THE MEETING

Mr. Smith noted that the agenda did not include portions of the meeting that should be closed to the public as permitted by the Government in the Sunshine Act and therefore moved that the entire meeting remain open.

Mr. Hall seconded the motion.

There being no further discussion, **Chairman Logan** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

OPEN SESSION

Approval of Minutes

Minutes for March 14, 2024

(BM-11-APR-24-01)

Mr. Hall moved to approve the minutes for the March 14, 2024, FCA regular board meeting, as presented.

Mr. Smith seconded the motion.

There being no further discussion, **Chairman Logan** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-11-APR-24-01)**

(A copy of the official "Board Action Item" is attached as Exhibit C.)

Reports

Quarterly Report on Economic Conditions and Farm Credit System Condition and Performance

Rebecca Kaiser of the **Office of Data Analytics and Economics** and **Brianna Tomlinson** of the **Office of Examination** presented the Quarterly Report on Economic Conditions and Farm Credit System Condition and Performance.

(A copy of the PowerPoint presentation is attached as Exhibit D.)

ADJOURNMENT

There being no further business to come before the Board, **Chairman Logan** indicated he would entertain a motion to adjourn the meeting.

Mr. Smith moved that the meeting be adjourned.

Mr. Hall seconded the motion.

There being no further discussion, **Chairman Logan** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

The meeting adjourned at 10:38 a.m.

NOTATIONAL VOTE ACTIONS

There was one notational vote action approved by the FCA Board from March 14, 2024, through April 10, 2024.

Item Number	Action Date	Voting Results	Subject
NV 24-05	4/4/2024	Approved	Clearance of a System Institution's Proposed Offering Circular for Issuance of Preferred Stock and Confirmation of Capital Treatment

The undersigned hereby certify that the foregoing minutes are the official minutes of the regular meeting of the Farm Credit Administration Board held on April 11, 2024.

/s/
Vincent G. Logan
Chairman and CEO

/s/
Ashley Waldron
Secretary to the Board

Approved: May 9, 2024

**BOARD AND STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
April 11, 2024**

Vincent G. Logan, Chairman and CEO
 Jeffery S. Hall, Board Member
 Glen R. Smith, Board Member

ATTENDEES	OPEN SESSION
Office of the Board	
Logan, Vincent	X
Hall, Jeffery	X
Smith, Glen	X
Lund, Zachary	X
Donner, Mary Alice	X
Stokke, Michael	X
Greer, Kristin	X
Calhoun, Gaye	X
Lewandrowski, Barbara	X
Waldron, Ashley	X
OCOS	
Duran, Maribel	X
Coleman, Robert	X
Scribner, Tyler	X
Cunningham, Lesley	X
OEEOI	
Burlew, Thais	X
Fish, Tyler	X
OIT	
Golley, Jerry	X
Versace, Jerry	X
Matos, Ricardo	X
Rana, Ben	X
OCPA	
Reuschel, Trevor	X
Rezendes, Andrew	X
OGC	
Grahn, David	X
Griffin, Ward	X
OE	
Duffy, Mike	X
Fennewald, Dan	X
Greenlee, Angela	X
Tomlinson, Brianna	X
Yaddof, Nicole	X
ODAE	
D'Antoni, Jeremy	X
Shields, Dennis	X

ATTENDEES	OPEN SESSION
Iannetta, Sal	X
Kaiser, Rebecca	X
OIG	
Laguarda, Wendy	X
Miller, Kevin	X
OSMO	
Fay, Thomas	X
Hudson, Bruce	X
ORP	
Kramp, Kevin	X
Agans, Autumn	X
OCFO	
Walters, Sandi	X
Gandy, Doug	X
OAS	
Bell, Vonda	X
Clark, Patrina	X
FCSIC	
Simonson, John	X
Smith, Gregory	X
Wynn, Wade	X
Morgan, Matthew	X
GENERAL PUBLIC	9

Farm Credit Administration

1501 Farm Credit Drive
McLean, VA 22102-5090
(703) 883-4000



PUBLIC ANNOUNCEMENT OF MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT

Farm Credit Administration Board Regular Meeting April 11, 2024

TIME AND DATE: 10 a.m., Thursday, April 11, 2024.

PLACE: You may observe this meeting in person at 1501 Farm Credit Drive, McLean, Virginia 22102-5090, or virtually. If you would like to observe, at least 24 hours in advance, visit FCA.gov, select "Newsroom," then select "Events." From there, access the linked "Instructions for board meeting visitors" and complete the described registration process.

STATUS: This meeting will be open to the public.

MATTERS TO BE CONSIDERED: The following matters will be considered:

- Approval of Minutes for March 14, 2024
- Quarterly Report on Economic Conditions and Farm Credit System Condition and Performance

CONTACT PERSON FOR MORE INFORMATION: If you need more information or assistance for accessibility reasons, or have questions, contact Ashley Waldron, Secretary to the Board. Telephone: 703-883-4009. TTY: 703-883-4056.

/s/
Ashley Waldron
Secretary to the Board

March 28, 2024

Farm Credit Administration

1501 Farm Credit Drive
McLean, VA 22102-5090
(703) 883-4000

BOARD ACTION ITEM



FCA BOARD ACTION ON

Minutes for March 14, 2024, Regular Board Meeting

BM-11-APR-24-01

Effective Date: April 11, 2024

Impact on Prior Board Actions: None

THE FCA BOARD HEREBY:

- Approves the minutes for the March 14, 2024, regular Board meeting.

DATED THIS 11th DAY OF APRIL 2024

BY ORDER OF THE BOARD

_____/s/
Ashley Waldron
Secretary to the Board



Quarterly Report on FCS Conditions

April 11, 2024

Rebecca Kaiser – Economist

Brianna Tomlinson – Supervisory Examiner





Topics for Open Session

Economic Conditions Affecting the Farm Credit System

- ▶ Macroeconomic conditions
- ▶ Farm sector income and margin squeeze
- ▶ Issues shaping risk in livestock industry

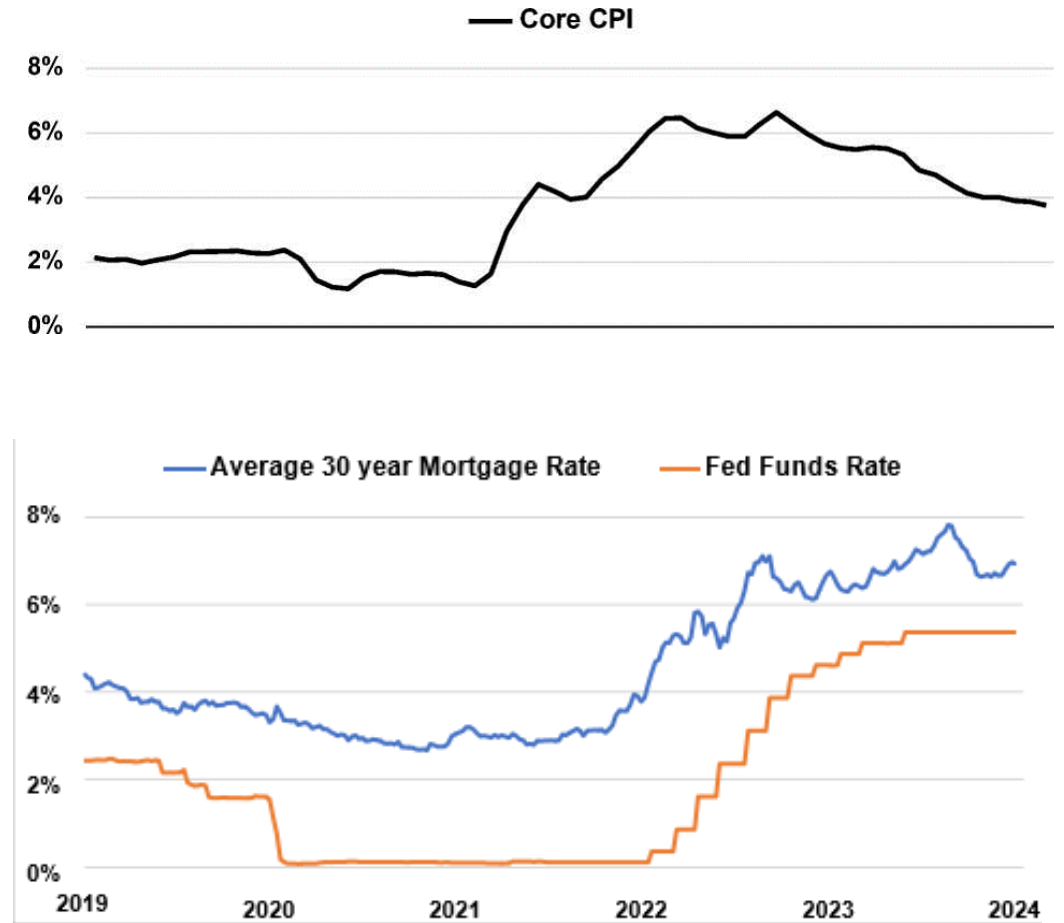
Farm Credit System Condition and Performance

- ▶ System growth and loan portfolio
- ▶ Earnings and capital
- ▶ Financial Institution Rating System (FIRS)



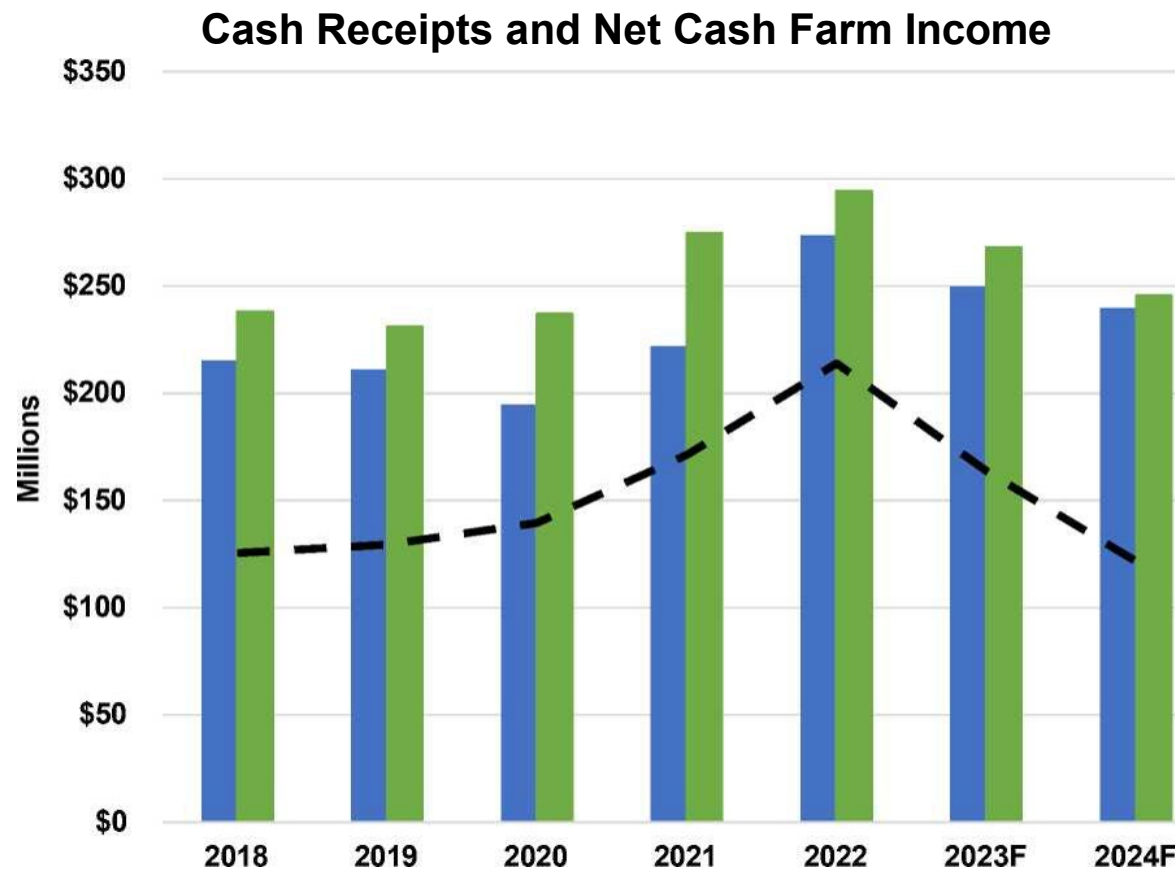
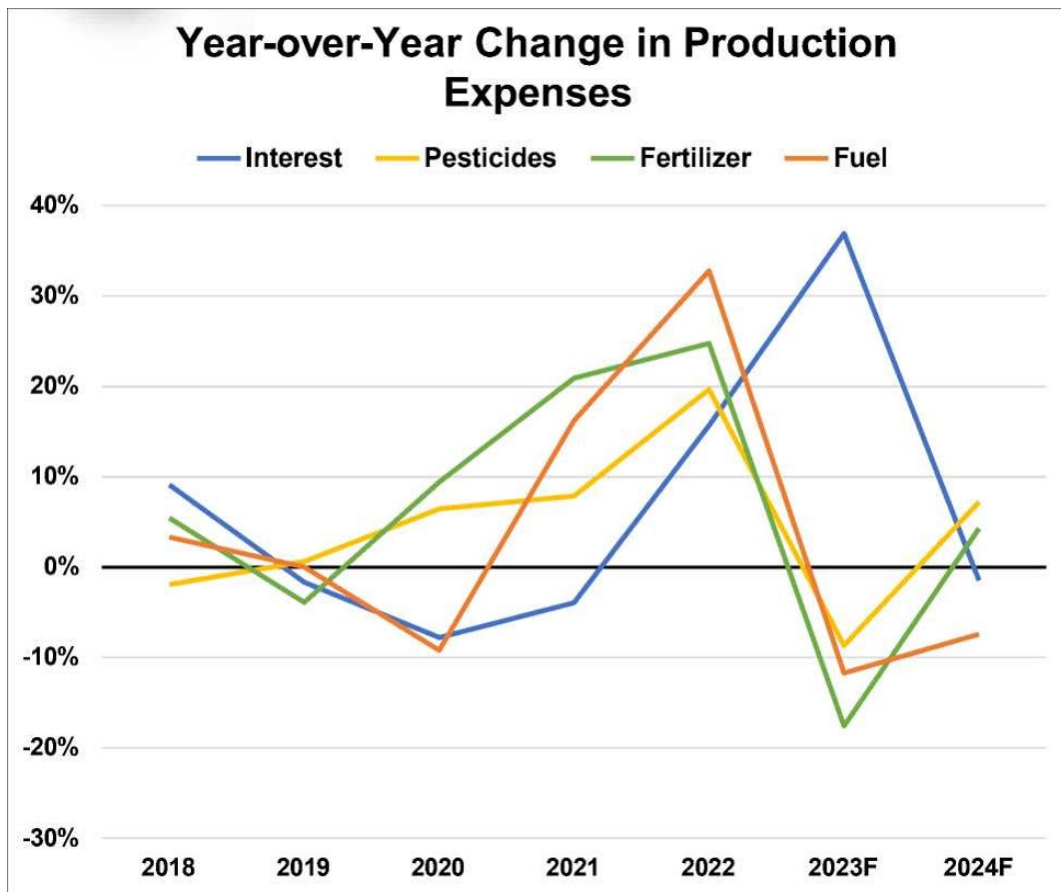
Interest rates steady amid inflation risk

- ▶ High inflation in 2022 and 2023 led to sharp increase in interest rates aimed at bringing it down to 2%.
- ▶ The Fed has signaled possible rate cuts in 2024.
- ▶ Concerns about recession loom, but some economic indicators remain strong.





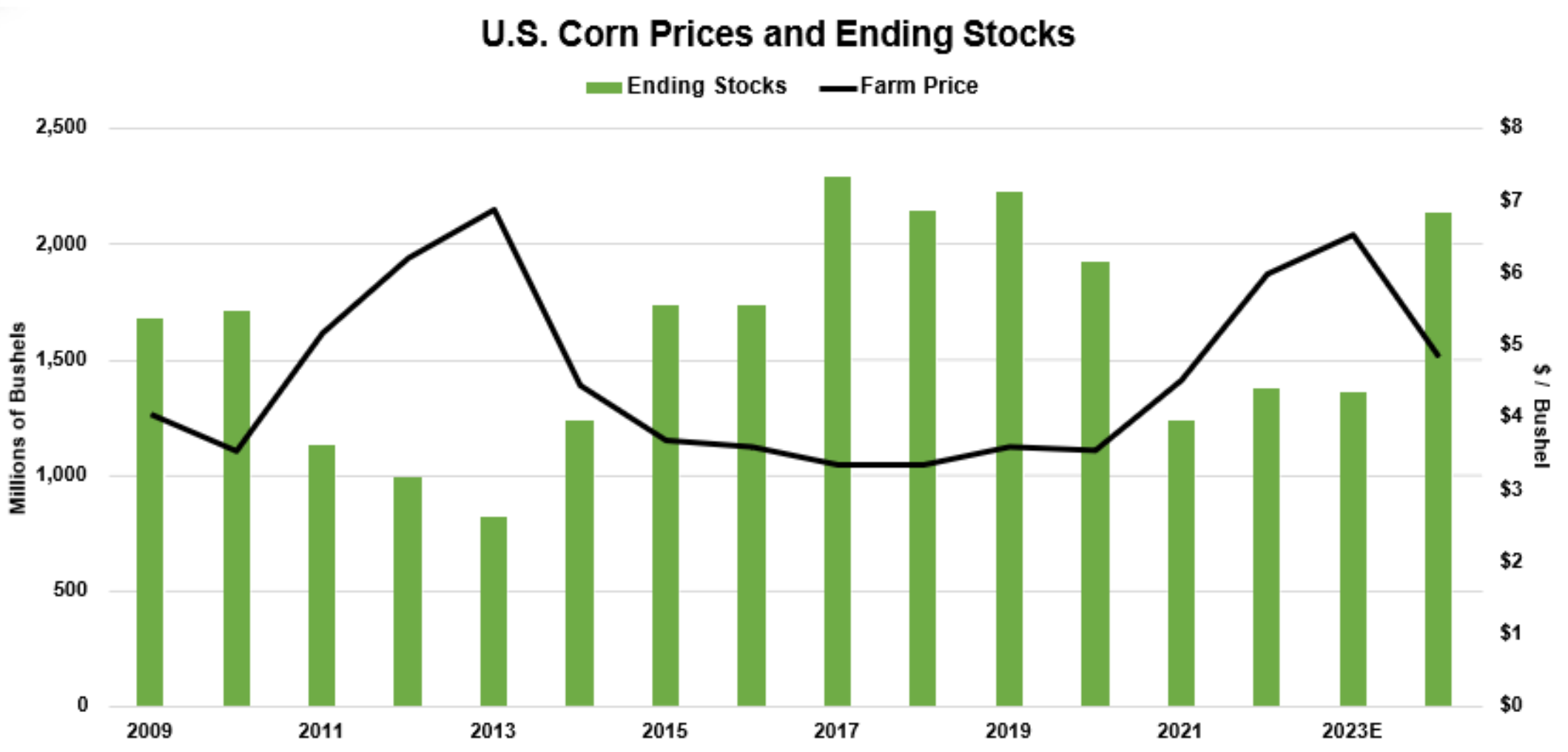
Farm income expected to drop substantially



Source: USDA ERS Farm Income and Wealth Statistics



Cash grain prices decline following highs in 2023



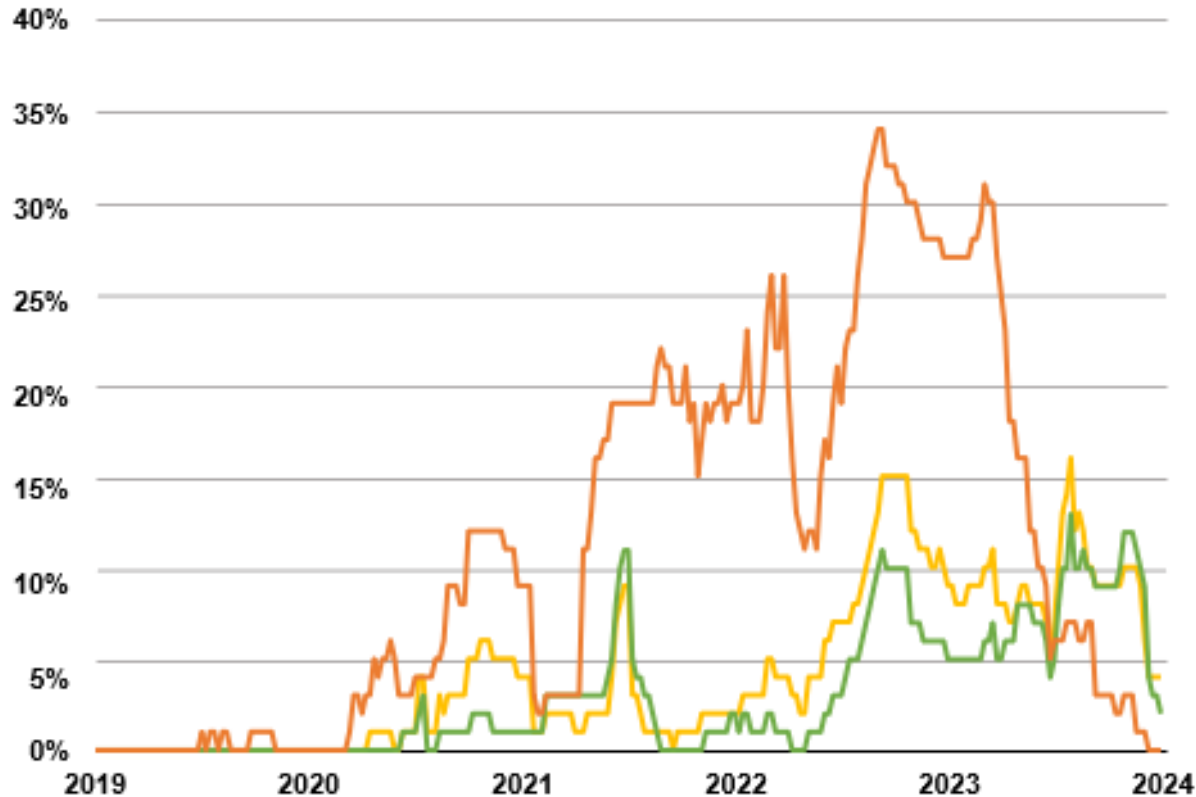
Source: USDA World Agricultural Supply and Demand Estimates
Values for 2023 are estimates and 2024 are projections.



Long-lasting drought eases across the country

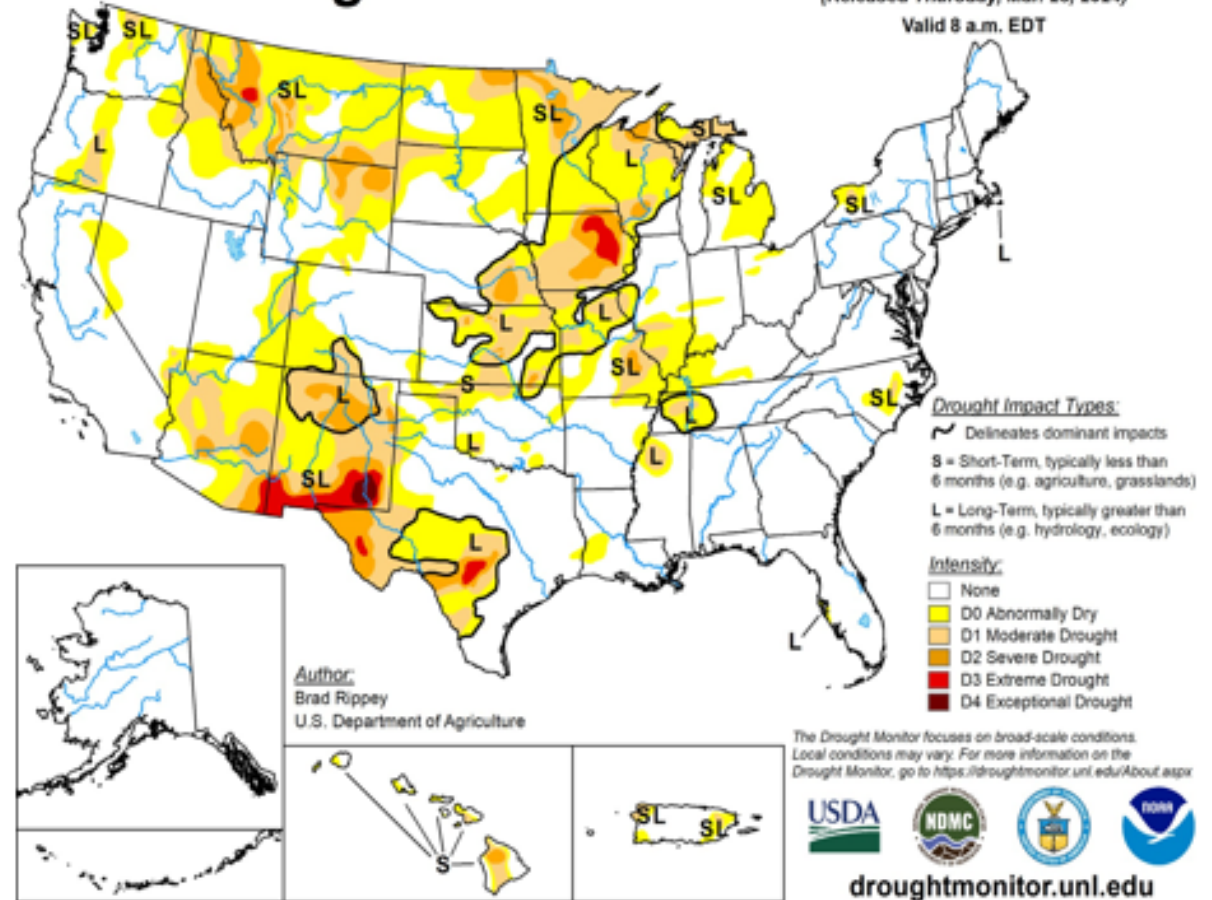
Percent of Cropland in Extreme and Exceptional Drought

— Corn — Soybeans — Winter Wheat



U.S. Drought Monitor

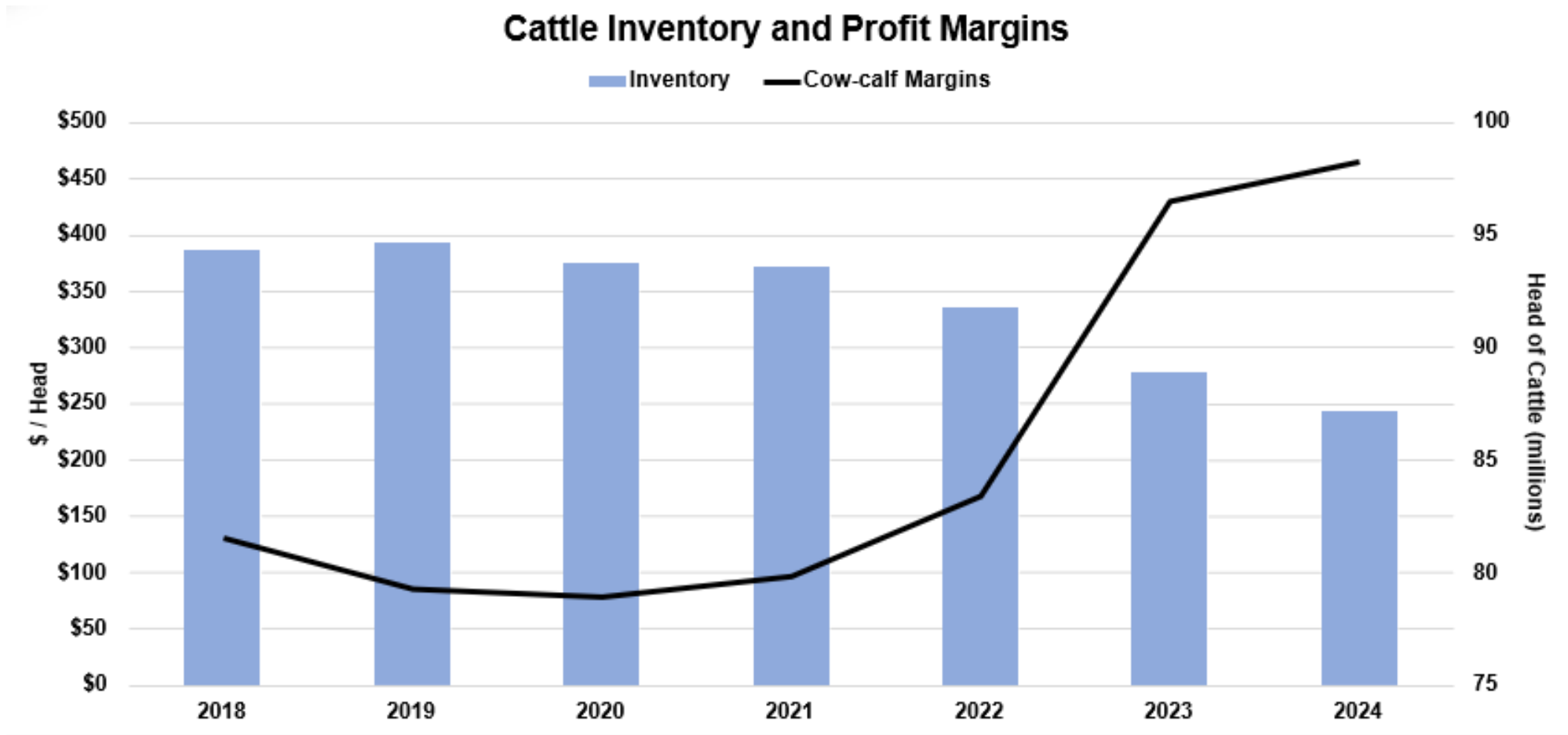
March 26, 2024
(Released Thursday, Mar. 28, 2024)
Valid 8 a.m. EDT



Source: National Drought Mitigation Center, University of Nebraska-Lincoln



Cow-calf margins rise as inventory shrinks



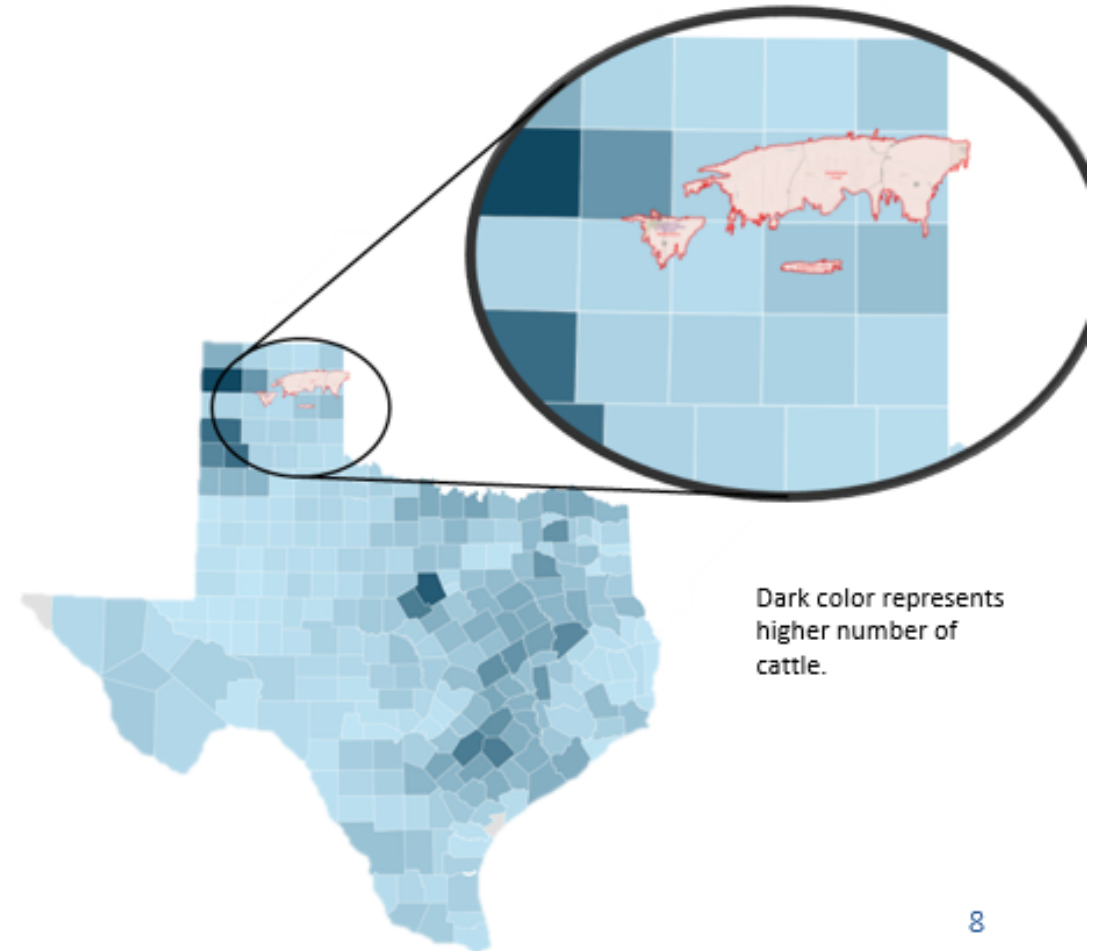
Sources: USDA NASS January 1 Cattle Inventory; Sterling Beef Profit Tracker



Events shaping risk to livestock industry

- ▶ Texas wildfires:
 - Texas panhandle has largest concentration of cattle in the United States.
 - Impact of fires are felt in local areas with negligible effect on national beef supplies.
- ▶ Highly Pathogenic Avian Influenza (HPAI):
 - HPAI detected in dairy cattle in multiple states and has been transmitted from cattle to humans.
 - Questions about how virus moves through and across herds.
 - Egg operation in Texas tested positive.

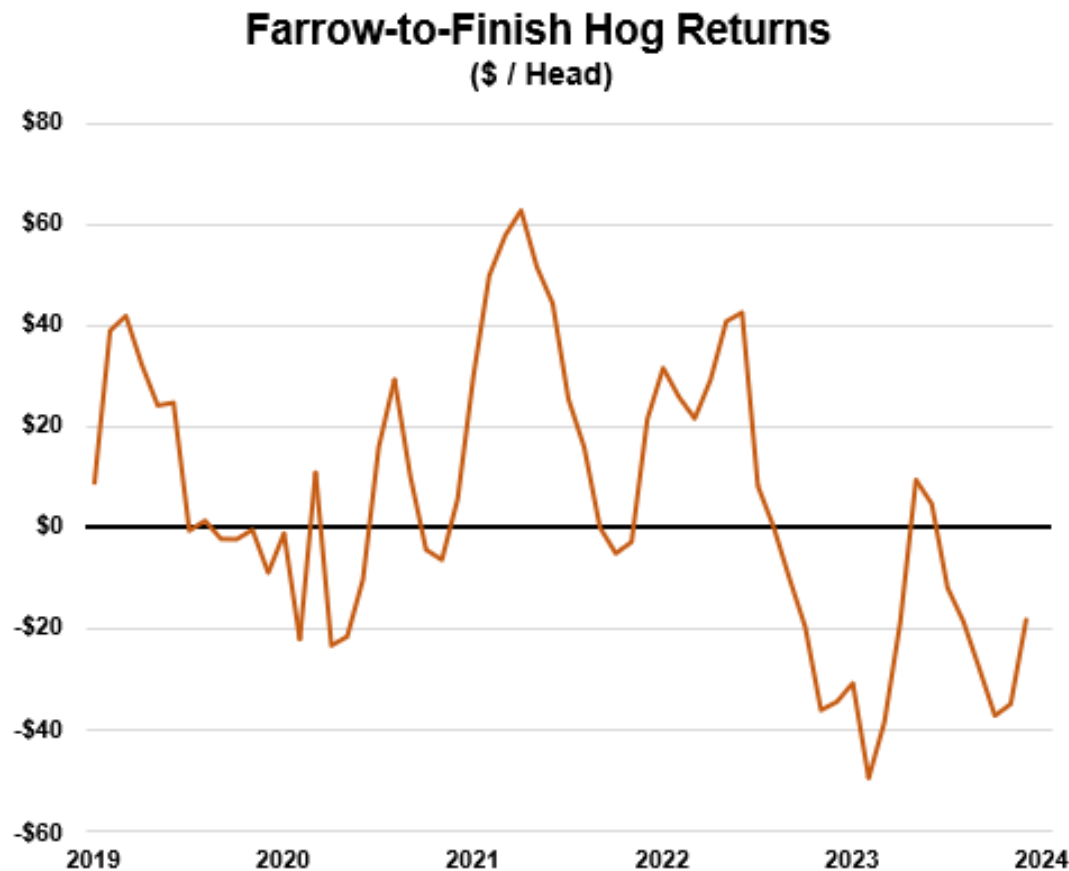
Texas Cattle Inventory and Wildfire Zone





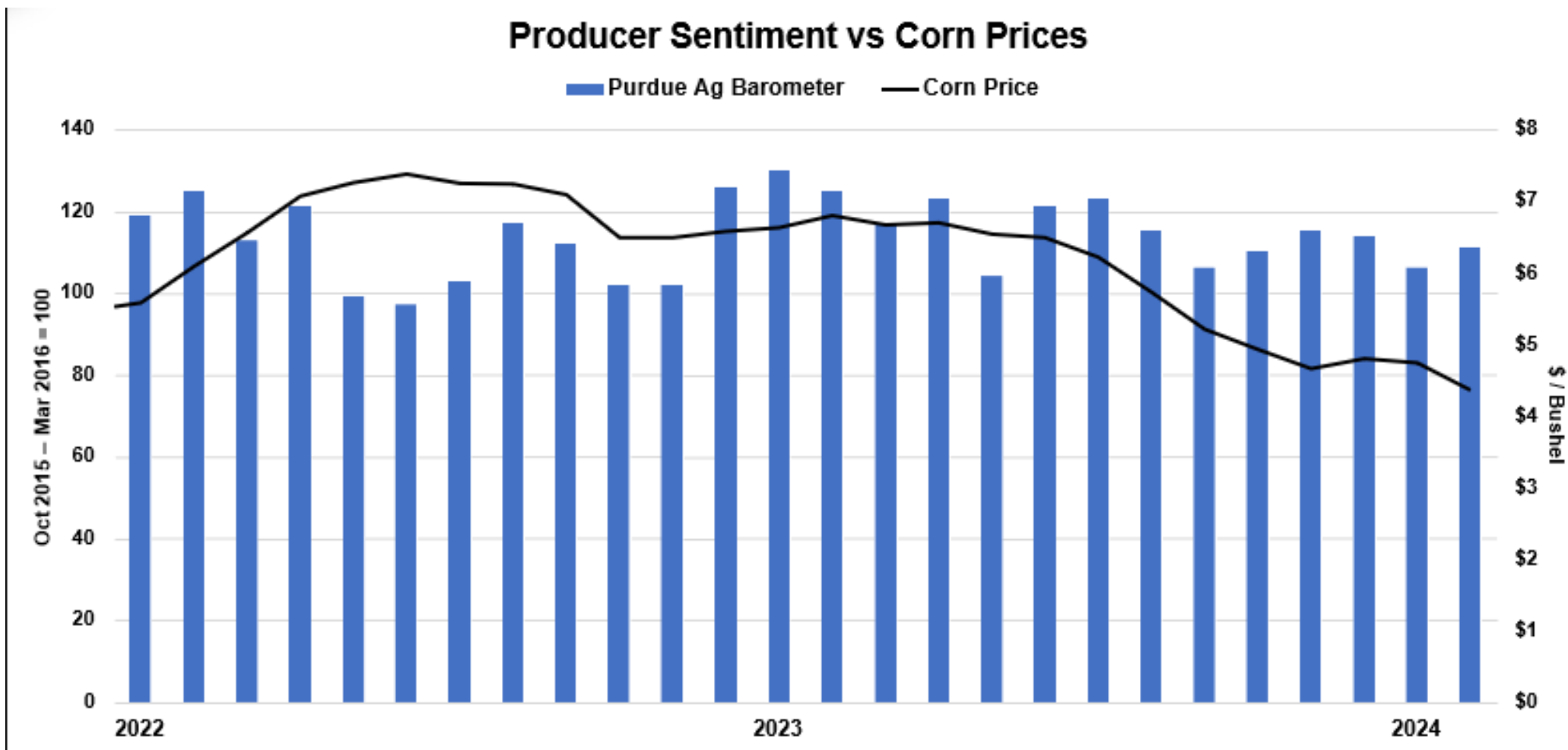
CA Prop 12 arrives with hog margins under pressure

- ▶ California's Proposition 12: Pork provisions prohibit the confinement of breeding pigs. The law went into full effect January 1, 2024.
- ▶ Drawn-out process may have allowed the market to adjust, but some analyses are showing Californians are already paying higher pork prices.
- ▶ Farrow-to-finish returns are already slim and negative.





Producer sentiment holding up better than corn prices



Sources: Purdue Center for Commercial Agriculture, Producer Survey, February 2024; USDA NASS



Questions



Farm Credit System Condition and Performance as of December 31, 2023

Brianna Tomlinson
Supervisory FCA Examiner
Office of Examination

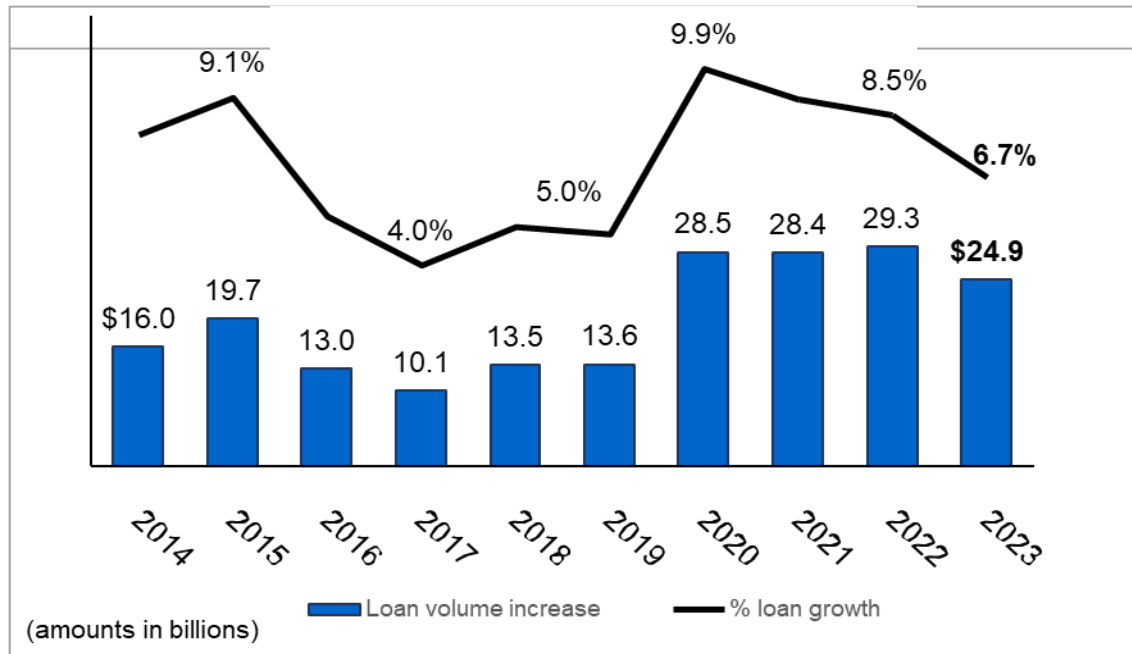




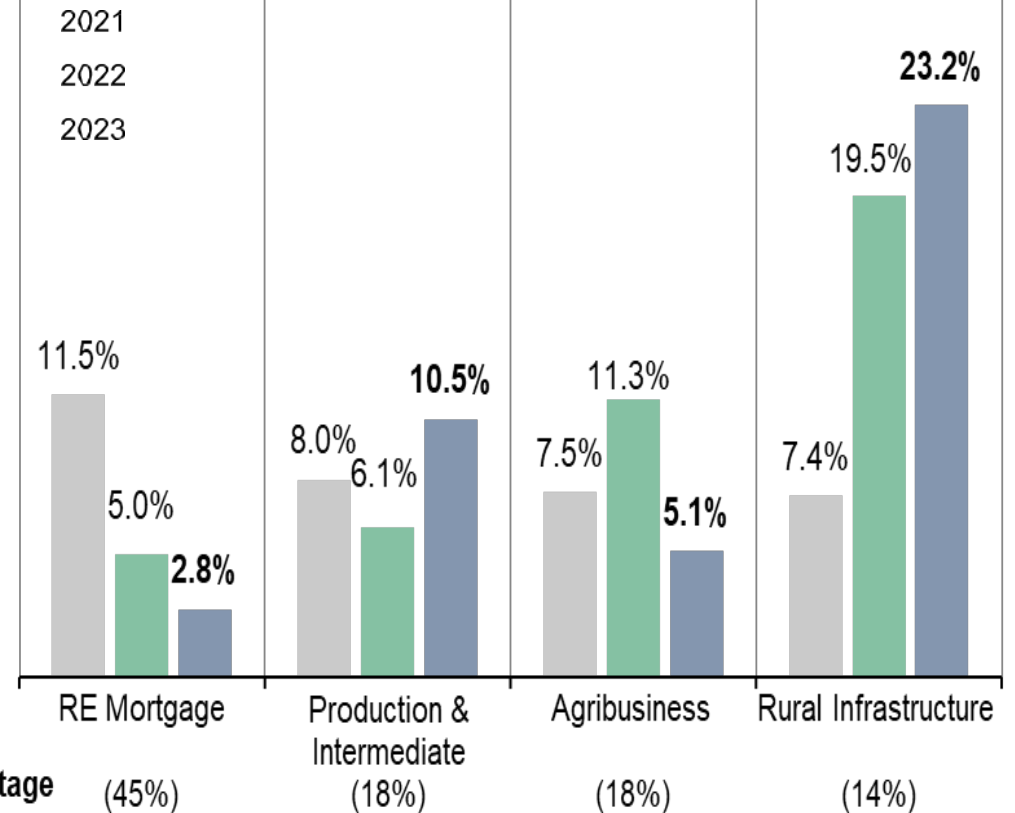
Portfolio growth slowed in 2023, but certain loan categories posted strong gains

Total Assets 12/31/23	\$507.8	+3.1% Qtr	Gross Loans 12/31/23	\$398.2	+3.4% Qtr
	billion	+6.5% 12M		billion	+6.7% 12M

Portfolio Loan Growth
(% change year-over-year)



Loan Growth by Loan Type
(% change year-over-year)



Percentage of Portfolio

(45%)

(18%)

(18%)

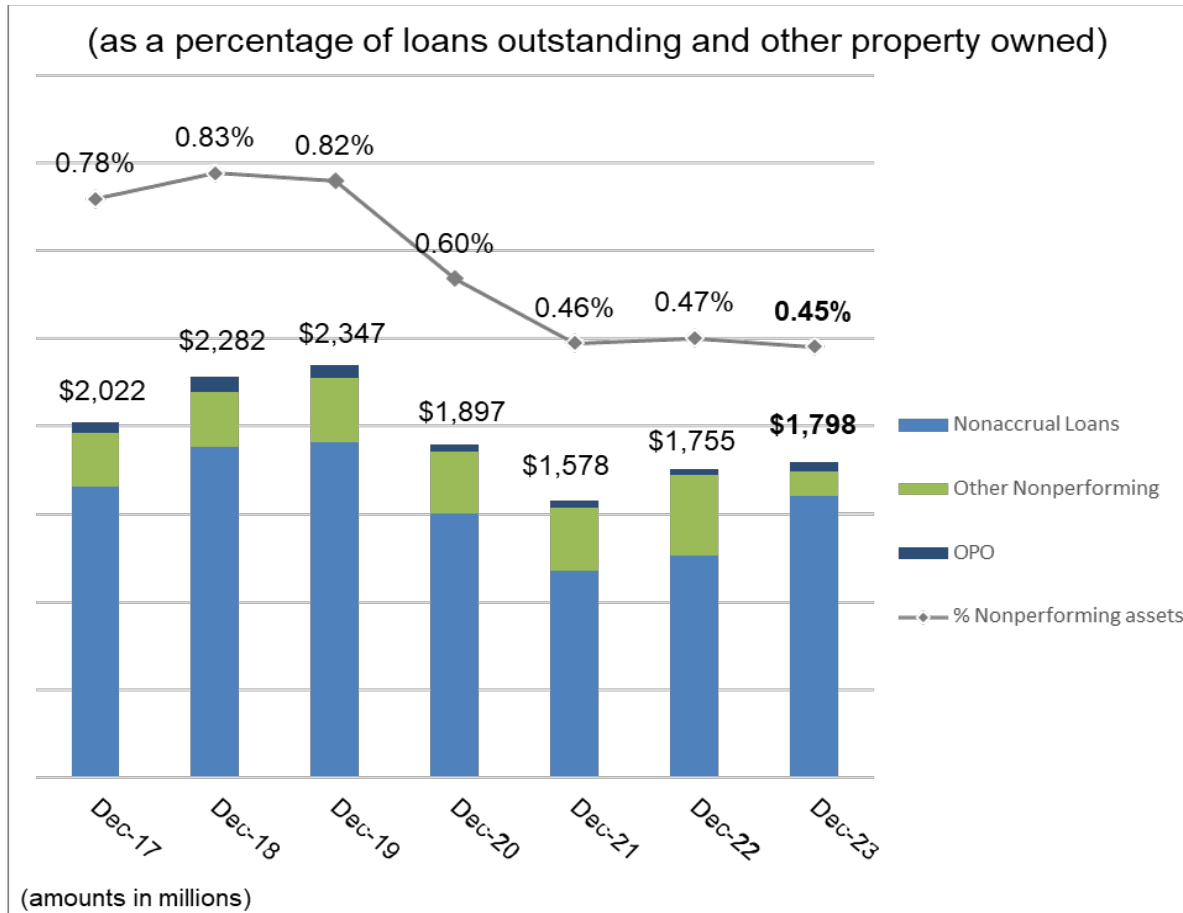
(14%)

Source: Federal Farm Credit Banks Funding Corporation Information Statements

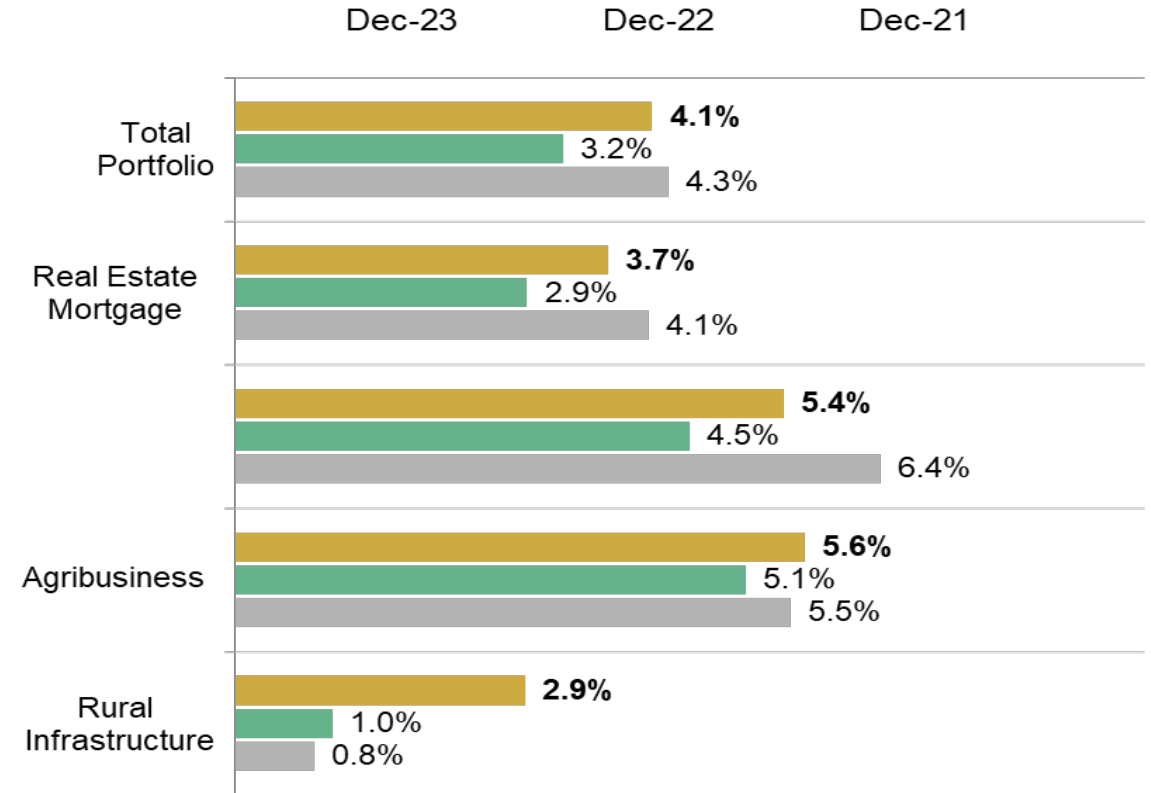


Portfolio credit risk remained low, but nonaccruals and less than Acceptable loans increased in 2023

Nonperforming Assets⁽¹⁾



Loans Classified Less than Acceptable (as a percentage of loans outstanding)



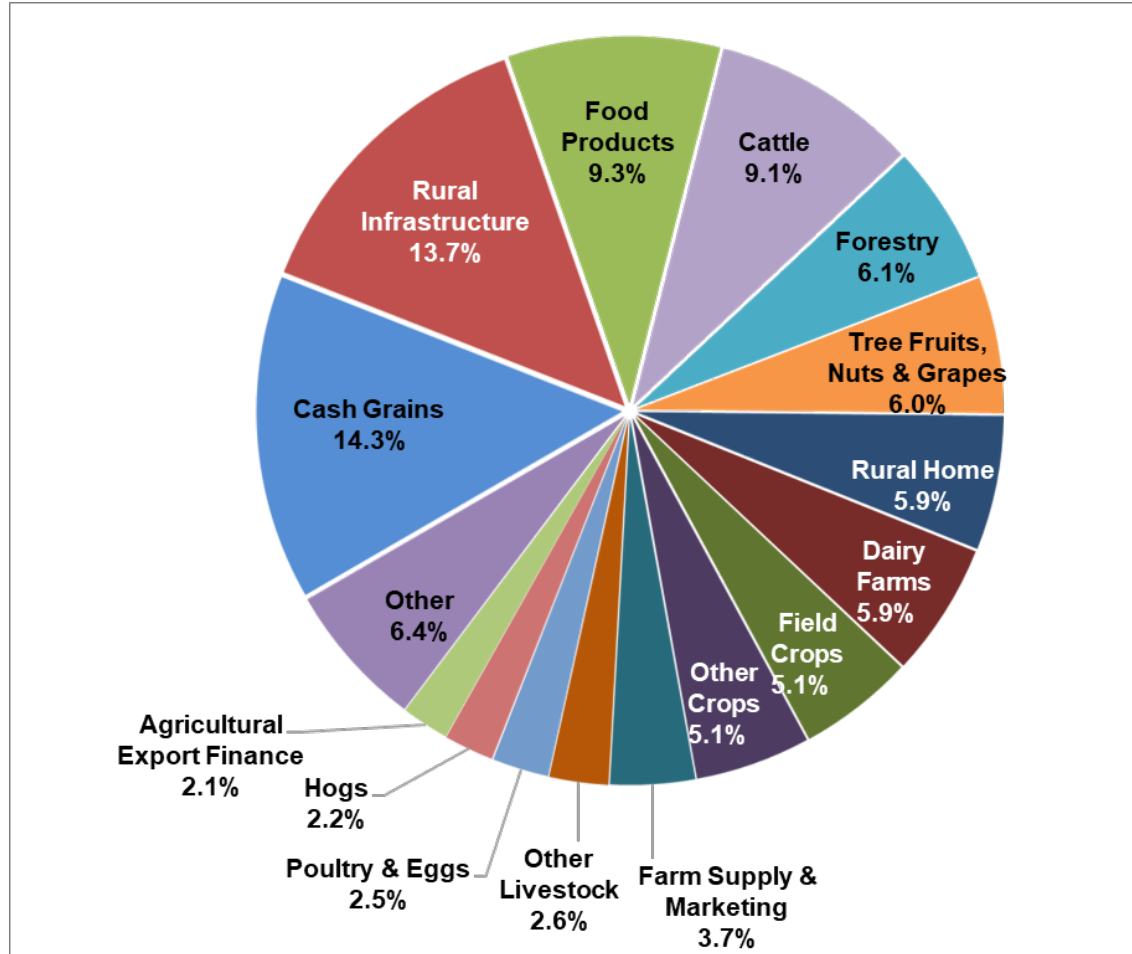
(1) Includes lease receivables

(1) Prior to the adoption of CECL on 1/1/23, nonperforming assets included accruing restructured loans
 Source: Federal Farm Credit Banks Funding Corporation Information Statements



System portfolio is diversified by commodity

Loan Portfolio by Major Commodity Concentration



Source: Federal Farm Credit Banks Funding Corporation Information Statements

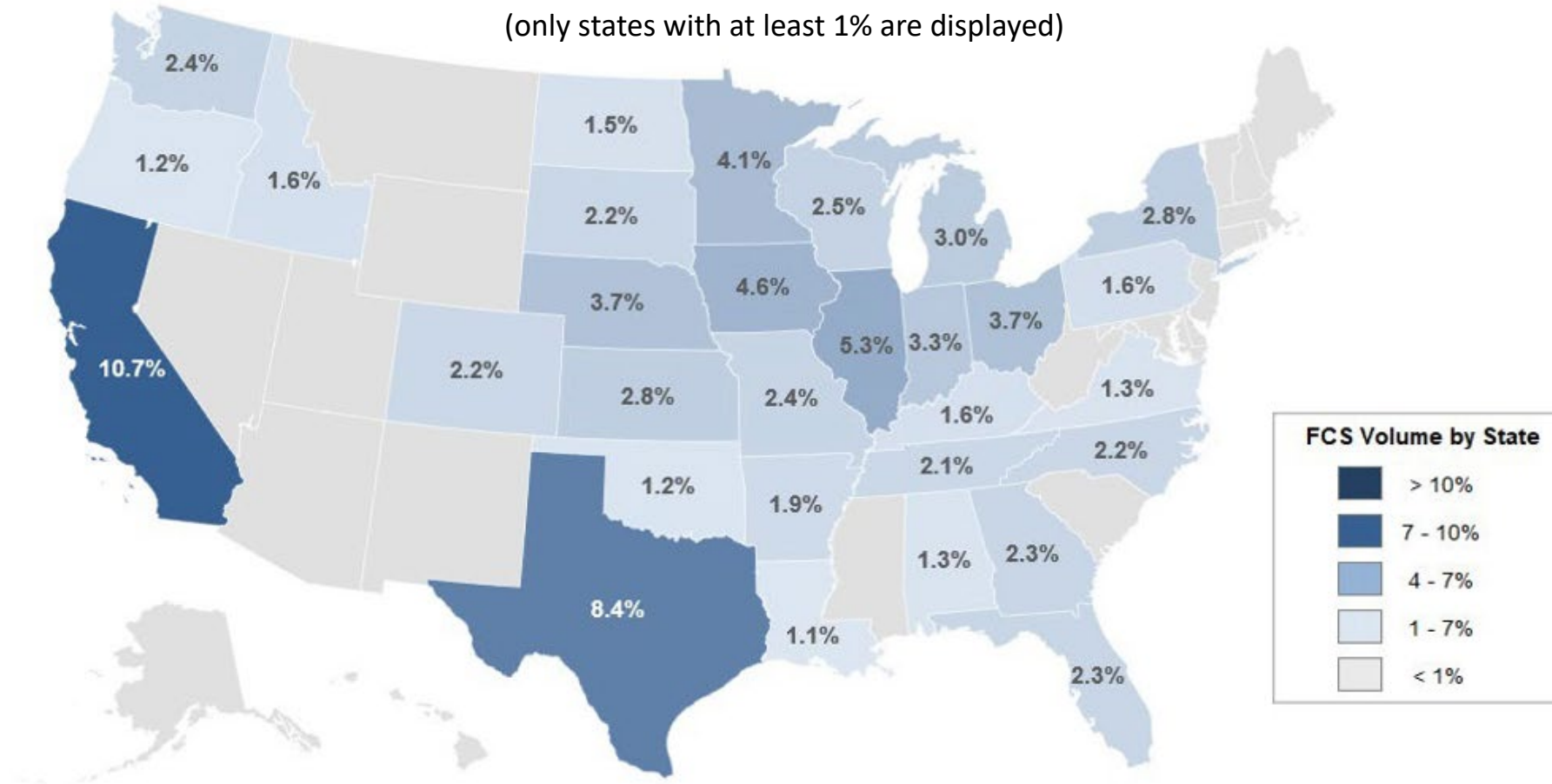
System Loan Portfolio (amounts in millions)	Dec-23	% of Total Portfolio	% chg. yr. over yr.
Cash Grains	57,104	14.3%	2.6%
Tree Fruits, Nuts & Grapes	23,976	6.0%	2.9%
Field Crops	20,351	5.1%	4.7%
Other Crop Production	20,474	5.1%	5.9%
Total Crop Production	121,905	30.6%	3.5%
Cattle	36,364	9.1%	9.2%
Dairy Farms	23,410	5.9%	6.3%
Poultry & Eggs	9,884	2.5%	3.8%
Hogs	8,645	2.2%	2.8%
Other Livestock	10,180	2.6%	3.5%
Total Animal Production	88,483	22.2%	6.5%
Rural Infrastructure	54,457	13.7%	23.2%
Food Products	37,104	9.3%	14.6%
Rural Home Loans	23,541	5.9%	5.4%
Forestry	24,111	6.1%	12.4%
Farm Supply & Marketing	14,627	3.7%	(8.4%)
Agricultural export finance	8,418	2.1%	(16.4%)
Other	25,530	6.4%	(1.9%)
Total	398,176	100.0%	6.7%



Portfolio volume is geographically dispersed

Percentage of System Loan Volume by State
as of Dec. 31, 2023

(only states with at least 1% are displayed)



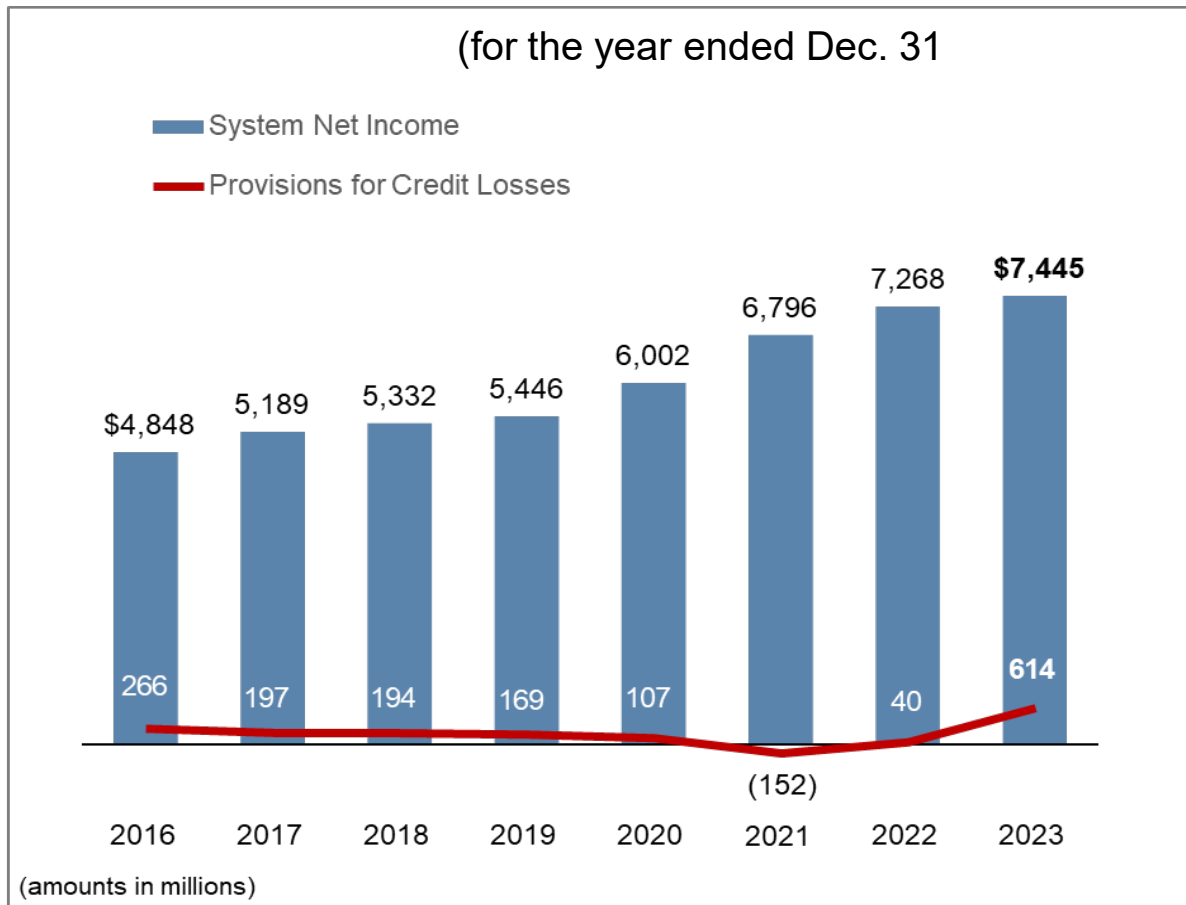
Source: Federal Farm Credit Banks Funding Corporation Information Statements



System reported increased earnings, but provisions for credit losses were higher

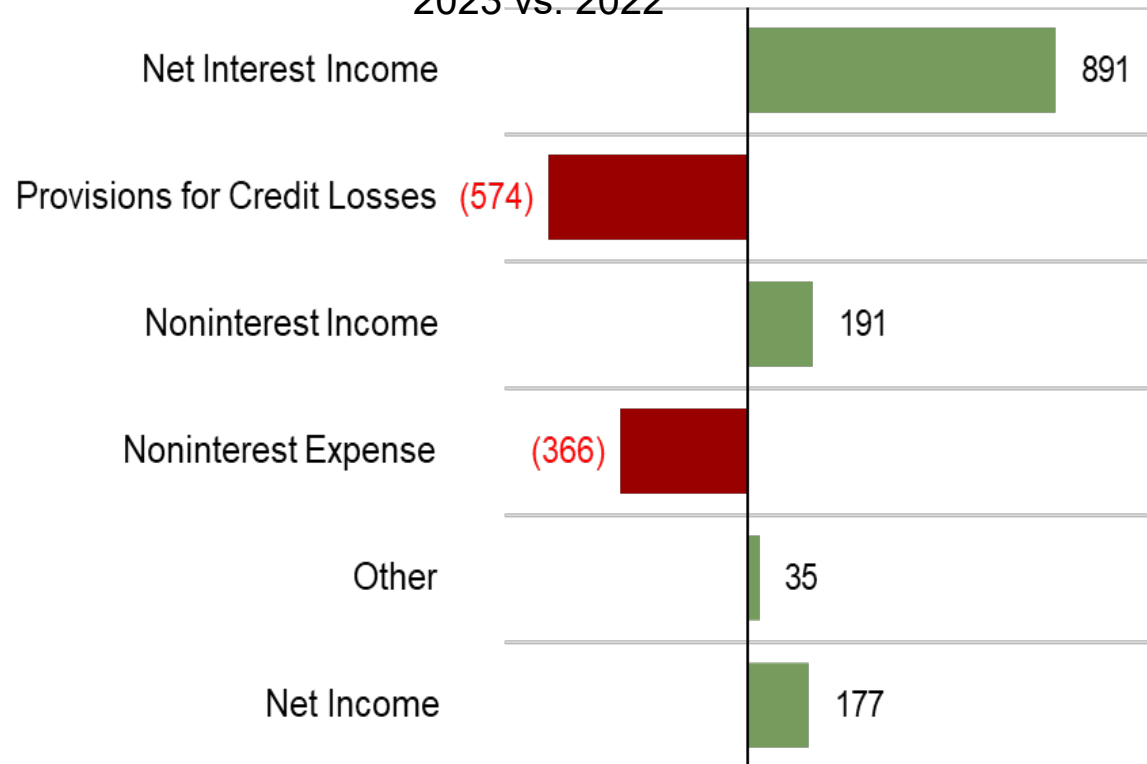
System Net Income

(for the year ended Dec. 31)



Changes in key components of net income

2023 vs. 2022

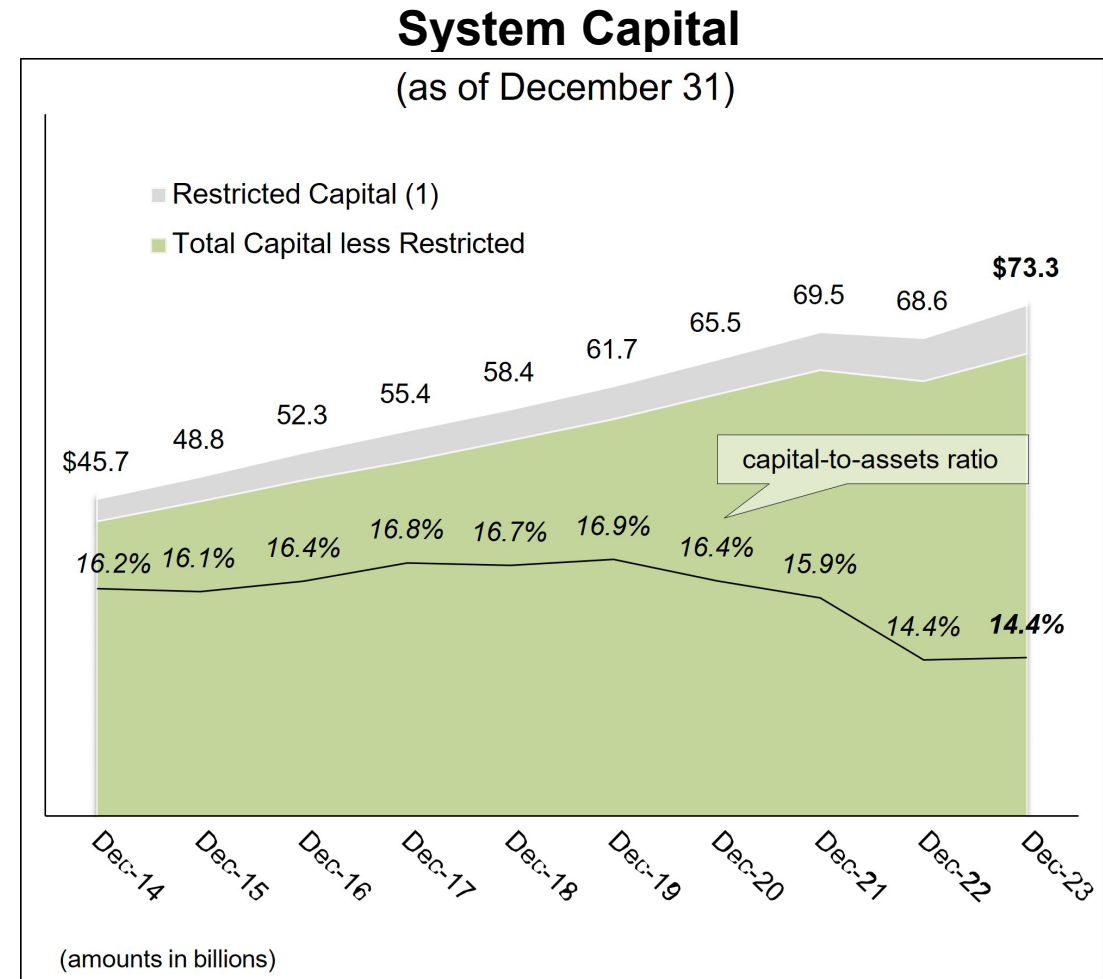


(amounts in millions)



System capital and liquidity levels are strong

- ▶ For 2023, System capital increased \$4.7 billion or 6.9% year-over-year.
- ▶ The System's capital-to-assets ratio at year-end was 14.4%, unchanged from a year ago.
- ▶ Total regulatory capital ratios were sound
 - Banks: 13.4% to 16.0%
 - Associations: 12.5% to 33.4%.
- ▶ Days of liquidity for the 4 funding banks ranged from 161 to 219 days.
- ▶ As of December 31, accumulated other comprehensive loss (AOCL) equaled \$4.5 billion, down from \$5.5 billion a year ago.



Source: Federal Farm Credit Banks Funding Corporation Information Statements (1) Restricted Capital represents capital associated with the FCS Insurance Fund



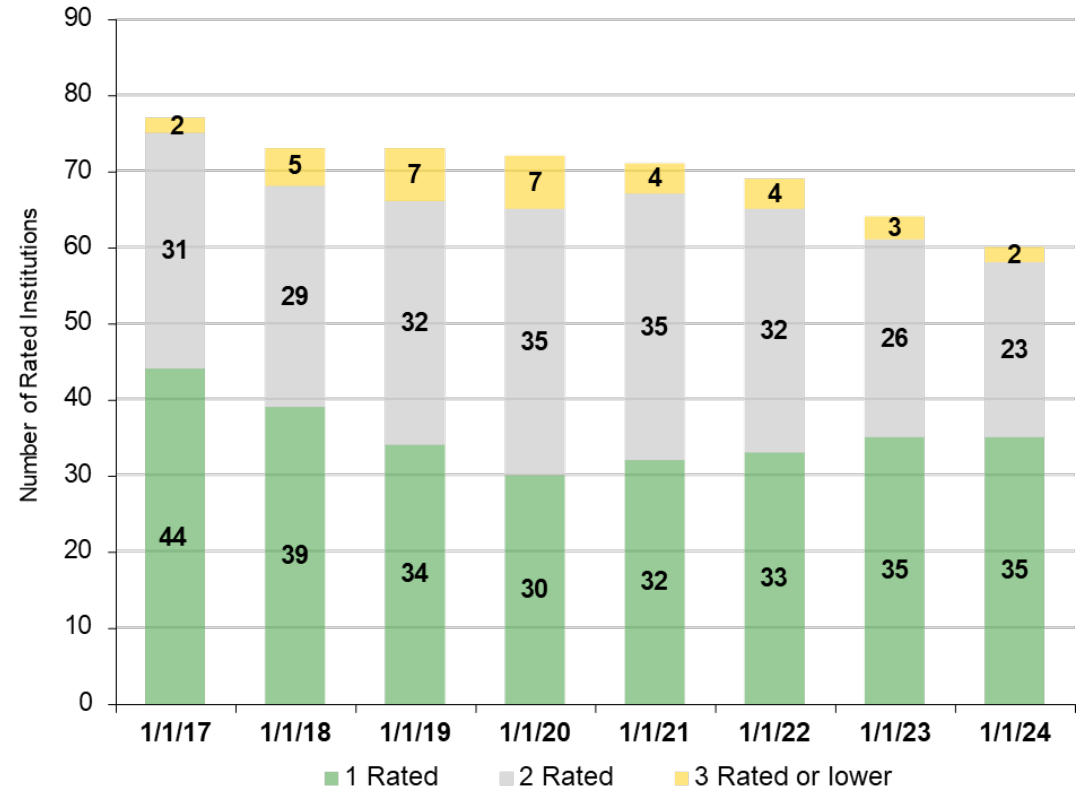
Composite FIRS ratings are strong

Composite FIRS Ratings

(based on 12/31/23 financial reporting)

- ▶ Composite FIRS ratings reflect the System’s sound financial condition.
- ▶ Over 96% of System banks and associations have a Composite FIRS rating of 1 or 2.
- ▶ Institutions rated 3 or lower hold under 1% of System assets.

**Composite FIRS Ratings
Farm Credit System Banks and Associations**



Source: FCA’s FIRS ratings database



Risks we are monitoring

We anticipate a more challenging operating environment for both borrowers and System institutions moving forward:

- Declining net farm income and margin compression (especially for cash grains) resulting from lower commodity prices
- Increased stress in certain industry segments including swine, dairy, tree nuts, and poultry
- Higher interest rates during a period of declining liquidity and increased reliance on operating lines
- The impact of lower profit margins and higher interest rates on real property values
- Other concerns – weather, avian influenza, and increased global tensions