

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



**MINUTES OF THE REGULAR MEETING  
OF THE  
FARM CREDIT ADMINISTRATION BOARD  
December 14, 2023**

These minutes reflect the business transacted at the December 14, 2023, regular meeting of the Farm Credit Administration Board (FCA Board) pursuant to the Government in the Sunshine Act, 5 U.S.C. § 552b, and the regulations of the Farm Credit Administration (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 11:06 a.m.

Members of the Board present were:

**Vincent G. Logan, Chairman and Chief Executive Officer**  
**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 10 members of the general public registered to attend. (A list of Board and staff attendees is attached as Exhibit A.)

**Chairman Logan** announced that this meeting of the Board was a hybrid physical/virtual meeting.

**Chairman Logan** asked everyone to say the Pledge of Allegiance with him as the flag was displayed on the presentation screen.

**Chairman Logan** asked the Secretary to the Board to address technical and protocol items.

The **Secretary** addressed technical and protocol items.

The **Secretary** read a statement that announced the meeting would be conducted according to the requirements of the Government in the Sunshine Act.

**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.

**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 November 9, 2023**

**(BM-14-DEC-23-01)**

**Mr. Hall** moved to approve the minutes for the November 9, 2023, FCA Regular Board meeting.

**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-14-DEC-23-01)**

(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**

**Yuri Katrinic** of the **Office of Data Analytics and Economics** and **Jarvis Tillman** 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.)

### **Semiannual Report on Office of Examination Operations**

**Dan Fennewald** of the **Office of Examination** presented the Semiannual Report on Office of Examination Operations.

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

## 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 11:06 a.m.

## NOTATIONAL VOTE ACTIONS

There were five notational vote actions approved by the FCA Board from November 9, 2023, through December 13, 2023.

Item Number	Action Date	Voting Results	Subject
NV 23-35	11/09/2023	Approved	System Institution Request to Make an Investment for Which FCA Regulations Require Prior Approval
NV 23-36	11/16/2023	Approved	FCS Building Association 2024 Budget
NV 23-37	12/04/2023	Approved	Office of Secondary Market Oversight FY 2024 Oversight Plan
NV 23-38	12/07/2023	Approved	Limited Delegation of Authority to the FCA Director of the Office of Regulatory Policy for Certain Capital Requests
NV 23-39	12/13/2023	Approved	Farm Credit Administration 2024 Compensation Program

The undersigned hereby certify that the foregoing minutes are the official minutes of the regular meeting of the Farm Credit Administration Board held on December 14, 2023.

\_\_\_\_\_/s/  
Vincent G. Logan  
Chairman and Chief Executive Officer

\_\_\_\_\_/s/  
Ashley Waldron  
Secretary to the Board

Approved: January 11, 2024

**BOARD AND STAFF PRESENT AT THE  
FCA REGULAR BOARD MEETING  
December 14, 2023**

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

<b>ATTENDEES</b>	<b>OPEN SESSION</b>
<b>Office of the Board</b>	
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
Hoffman, Bill	X
<b>OCOS</b>	
Duran, Maribel	X
Coleman, Robert	X
Cunningham, Lesley	X
<b>OEEOI</b>	
Burlew, Thais	X
Fish, Tyler	X
<b>OIT</b>	
Versace, Jerry	X
Matos, Ricardo	X
Rana, Ben	X
<b>OCPA</b>	
Reuschel, Trevor	X
Middleton, Russell	X
<b>OGC</b>	
Grahn, David	X
Griffin, Ward	X
<b>OE</b>	
Duffy, Mike	X
Fennewald, Dan	X
Tillman, Jarvis	X
Hanson, Angela	X
Wondra, Craig	X
Austin, Danielle	X
Ababiy, Jonathan	X
Aycock, Joshua	X
Baltazar, Maria	X

<b>ATTENDEES</b>	<b>OPEN SESSION</b>
Bell, Justin	X
Brown, Torey	X
Chung, Nancy	X
Fortunati, Frank	X
Graves, Susan	X
Holmes, Graham	X
Link, Tyler	X
States, Elizabeth	X
<b>ODAE</b>	
D'Antoni, Jeremy	X
Iannetta, Sal	X
Katrinic, Yuri	X
<b>OIG</b>	
Laguarda, Wendy	X
Miller, Kevin	X
<b>OSMO</b>	
Fay, Thomas	X
Hudson, Bruce	X
McGee, Brianna	X
<b>ORP</b>	
Kramp, Kevin	X
Agans, Autumn	X
<b>OCFO</b>	
Walters, Sandi	X
Gandy, Doug	X
<b>OAS</b>	
Bell, Vonda	X
Clark, Patrina	X
<b>FCSIC</b>	
Grimaldi, Andrew	X
Simonson, John	X
Wynn, Wade	X
Smith, Gregory	X
Morgan, Matthew	X
Bowen, Mark	X
<b>GENERAL PUBLIC</b>	10

# 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 December 14, 2023**

**TIME AND DATE:** 10 a.m., Thursday, December 14, 2023.

**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](http://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 November 9, 2023
- Quarterly Report on Economic Conditions and Farm Credit System Condition and Performance
- Semiannual Report on Office of Examination Operations

**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

November 27, 2023

# Farm Credit Administration

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

## BOARD ACTION ITEM

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### FCA BOARD ACTION ON

Minutes for November 9, 2023

BM-14-DEC-23-01

**Effective Date:** December 14, 2023

**Impact on Prior Board Actions:** None

#### THE FCA BOARD HEREBY:

- Approves the minutes for November 9, 2023.

**DATED THIS 14<sup>th</sup> DAY OF DECEMBER 2023**

**BY ORDER OF THE BOARD**

\_\_\_\_\_/s/  
Ashley Waldron  
Secretary to the Board



# Quarterly Report on FCS Conditions

## December 14, 2023

Yuri Katrinic - Senior Economist

Jarvis Tillman - Supervisory Senior Examiner







# Topics for Open Session

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## Economic Conditions Affecting the Farm Credit System

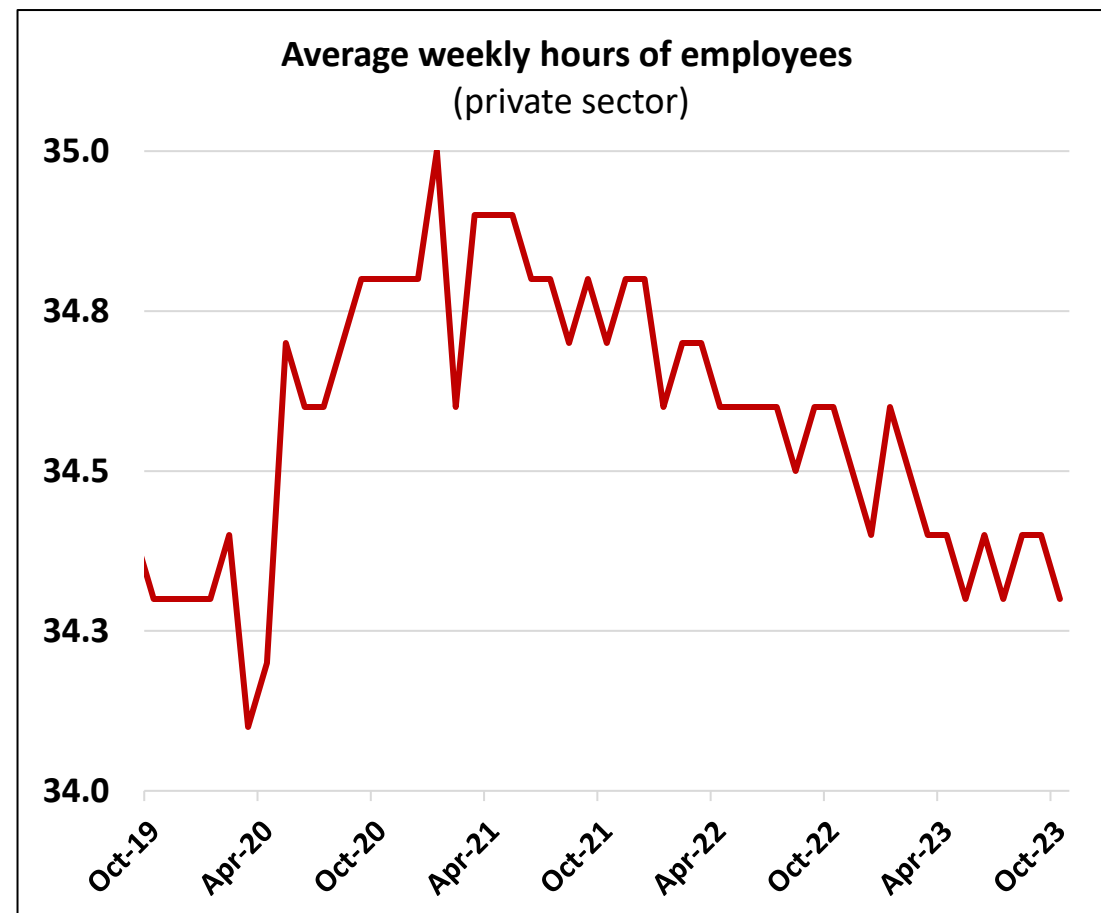
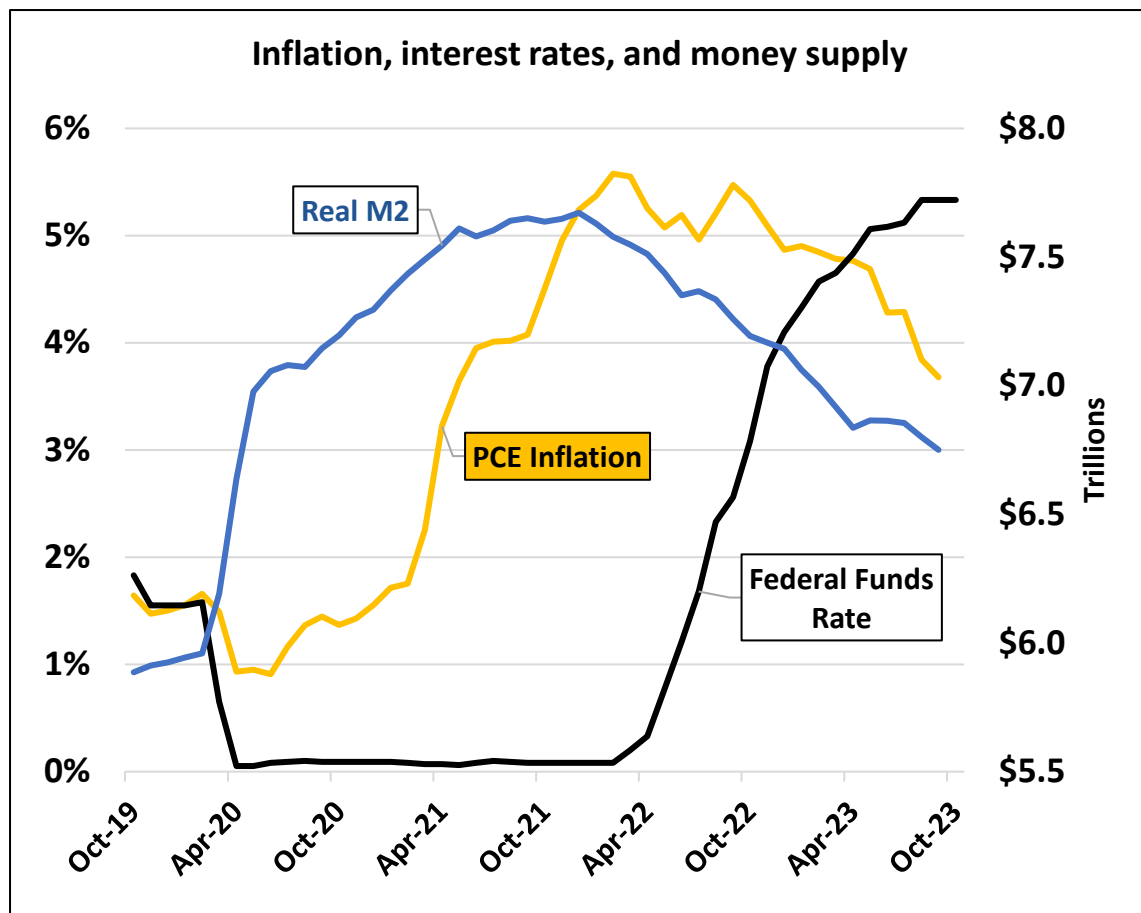
- Macroeconomic conditions
- Supply and demand for commodities
- Farm and ranch margin outlook

## Farm Credit System Condition and Performance

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



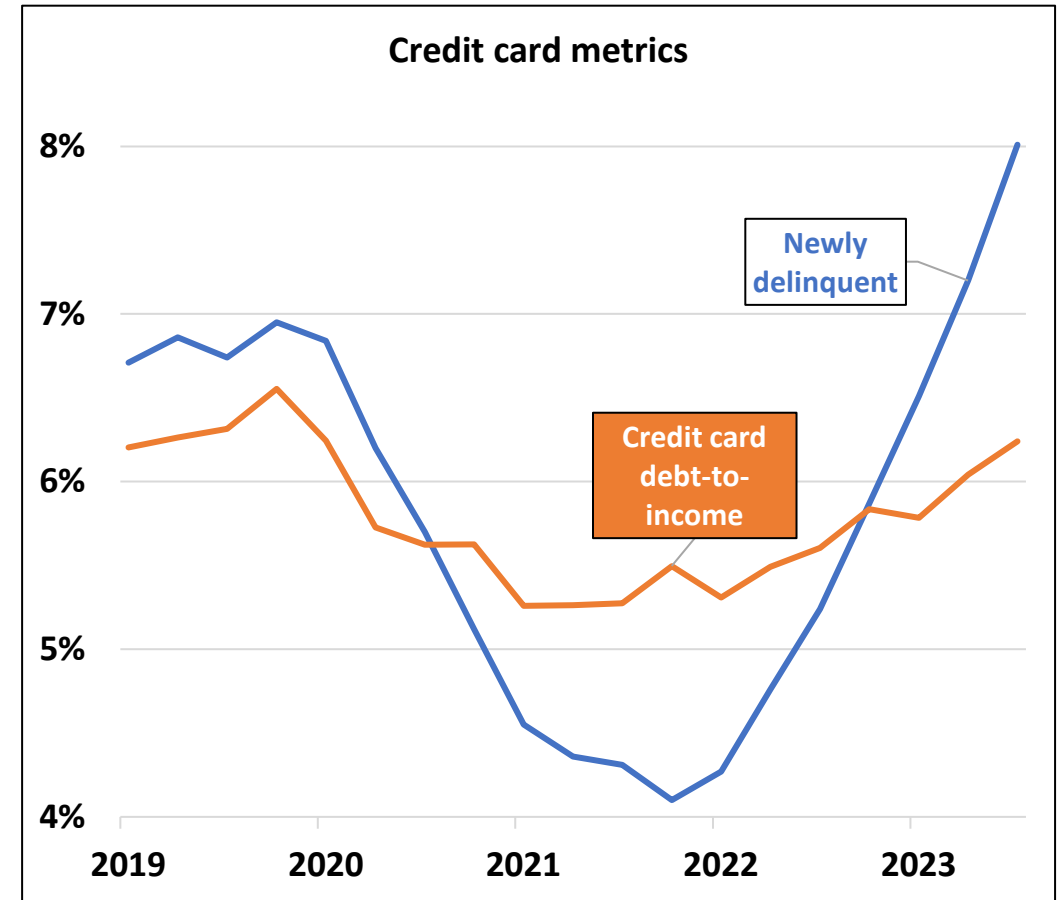
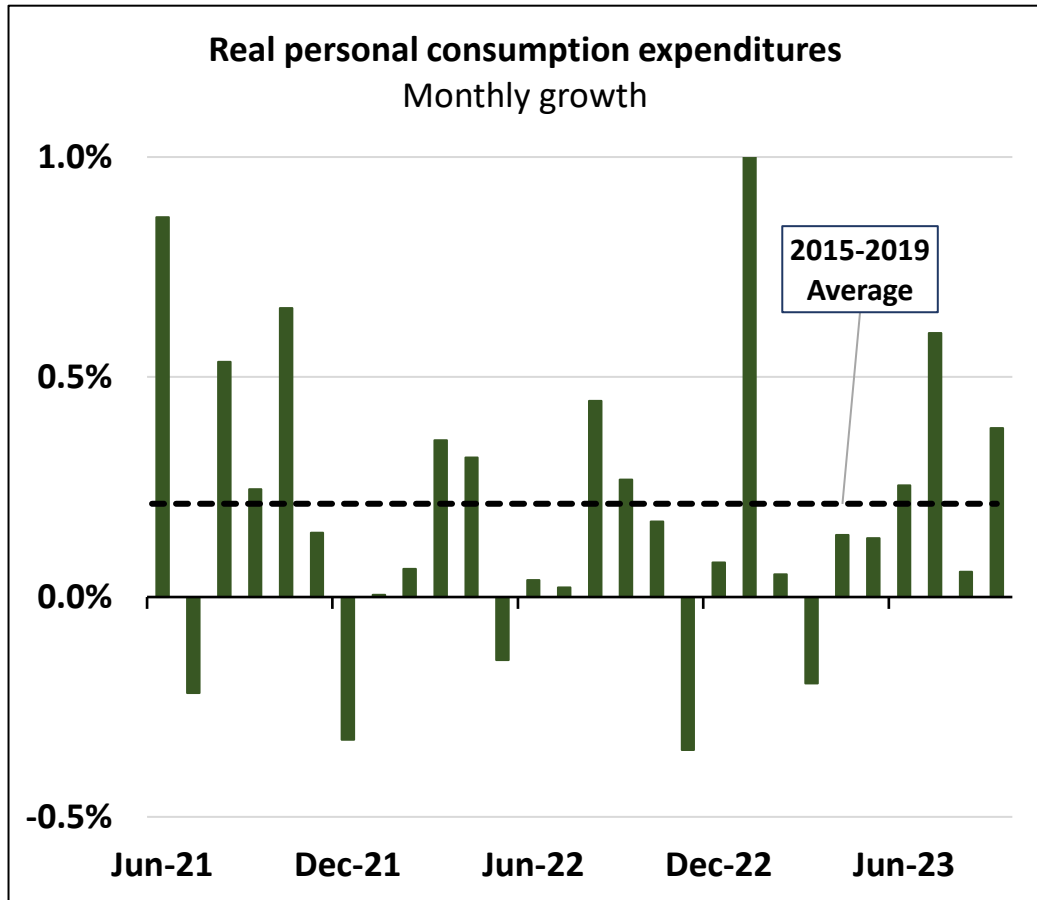
# Higher interest rates cool inflation, labor market



Sources: [Bureau of Economic Analysis](#), [Bureau of Labor Statistics](#), [Federal Reserve Bank of St. Louis](#)



# Consumer spending resilient despite signs of stress

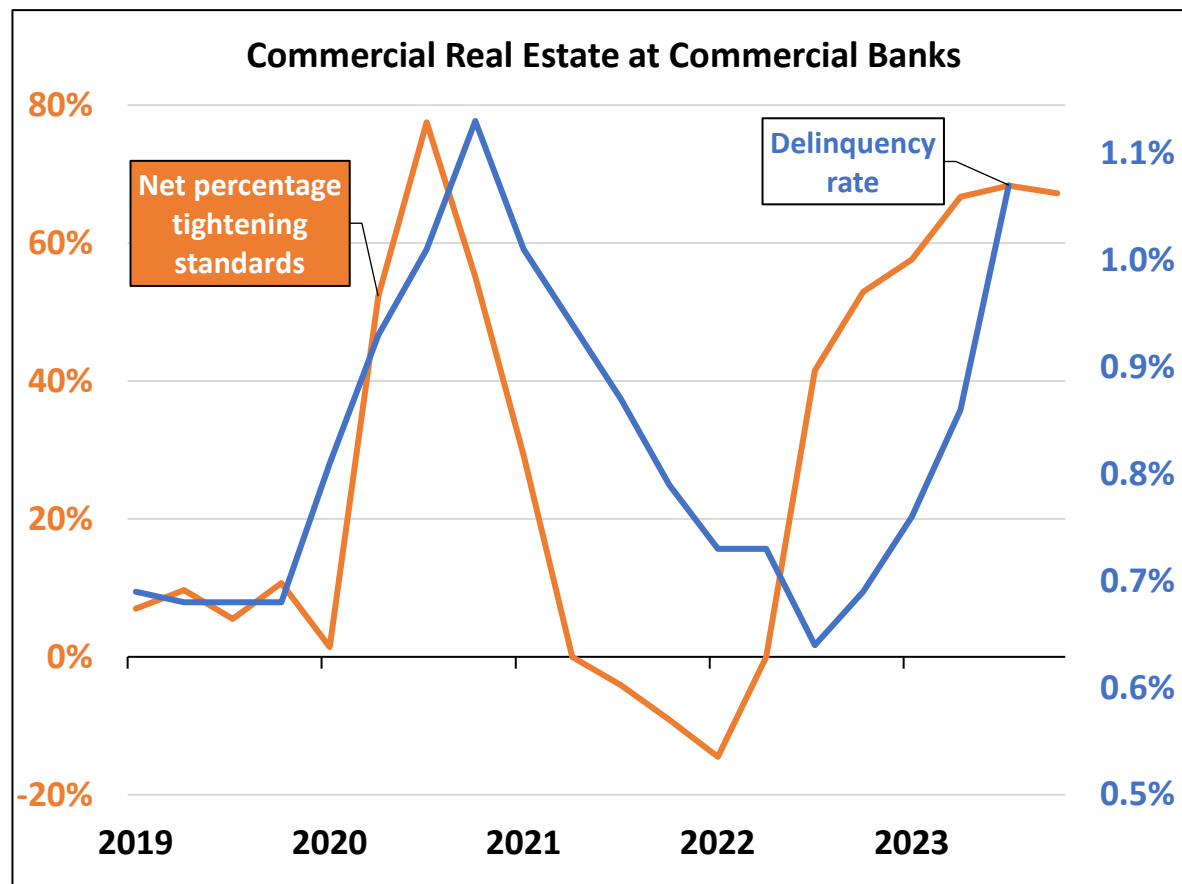


Sources: [Bureau of Economic Analysis](#), [New York Federal Reserve](#), [Center for Microeconomic Data](#)



# Financial challenges for lenders and borrowers including in commercial real estate

- Maturing debt for commercial real estate must be refinanced at higher rates.
- Expensive deposits, tighter net interest margins for some lenders.
- Costly operating lines for farmers.

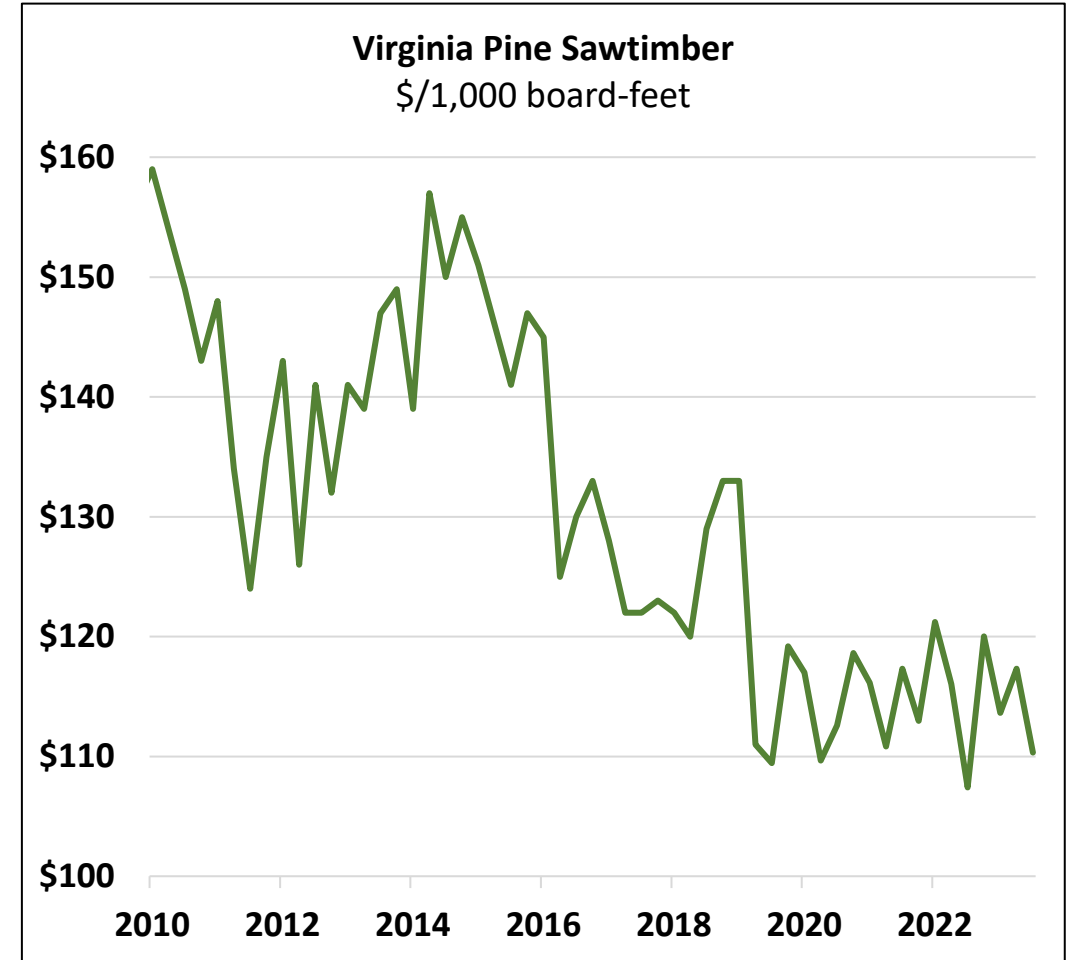
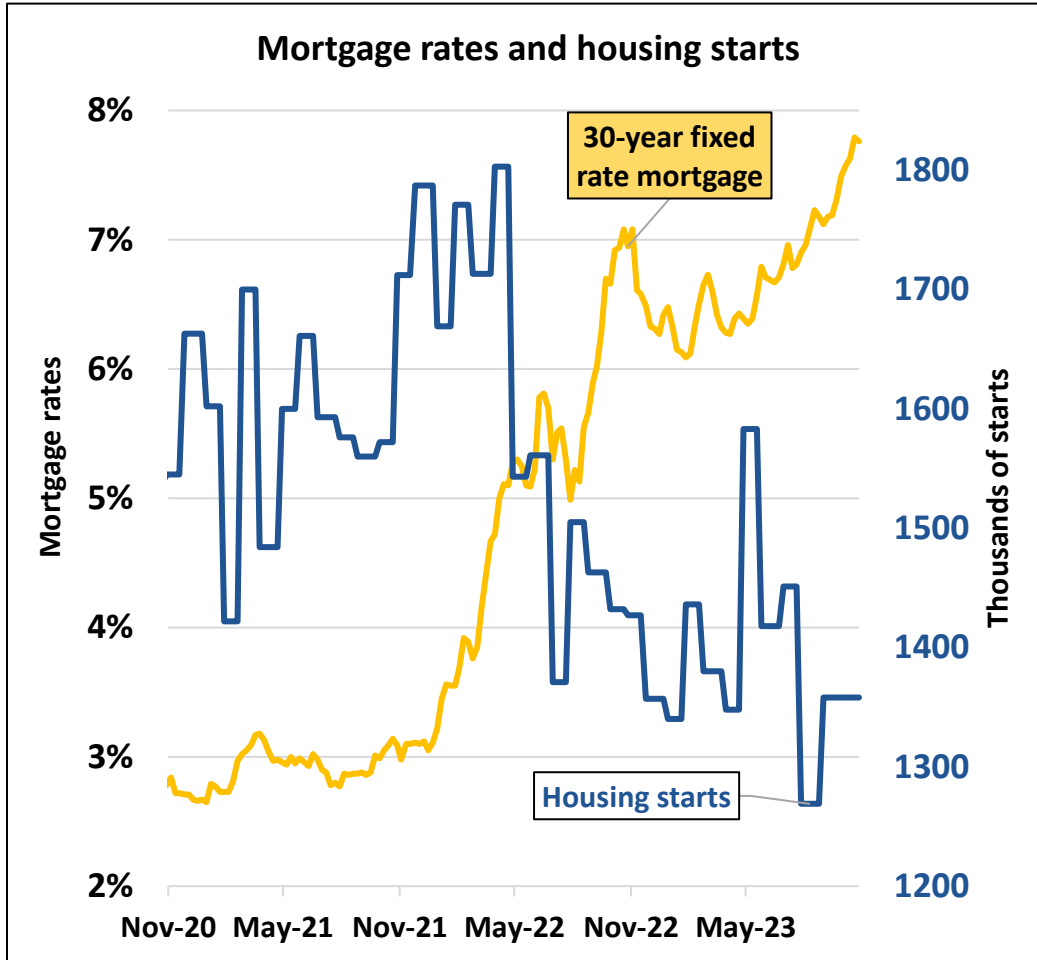


Sources: [Federal Reserve Board of Governors](#)

Net percentage is the percentage of respondents who are tightening standards minus the percentage of respondents who are loosening standards.



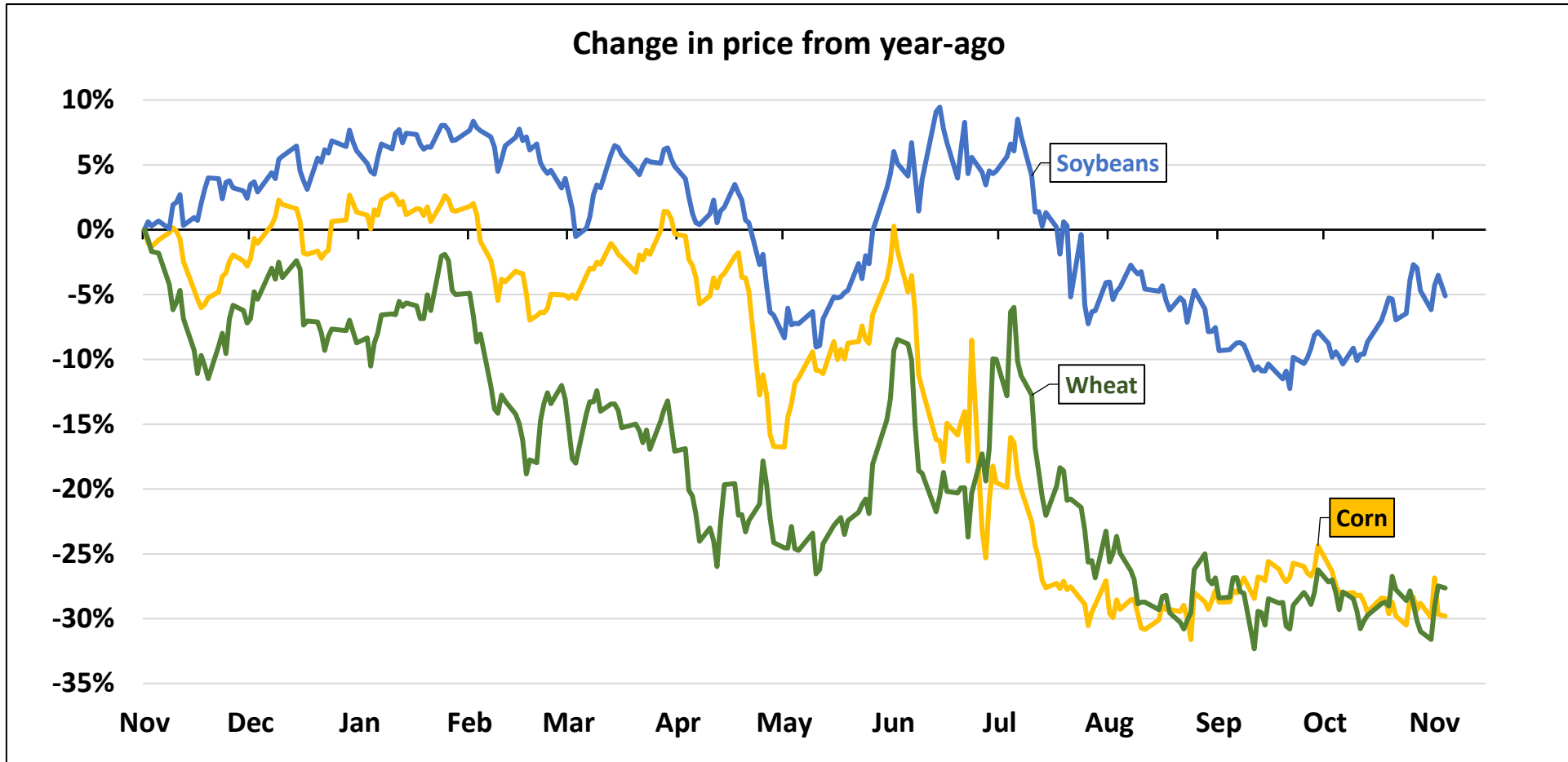
# Higher interest rates slowing construction and related industries like timber



Sources: [Census Bureau](#), [Freddie Mac](#), [Virginia Tech Forest Landowner Education Program](#)



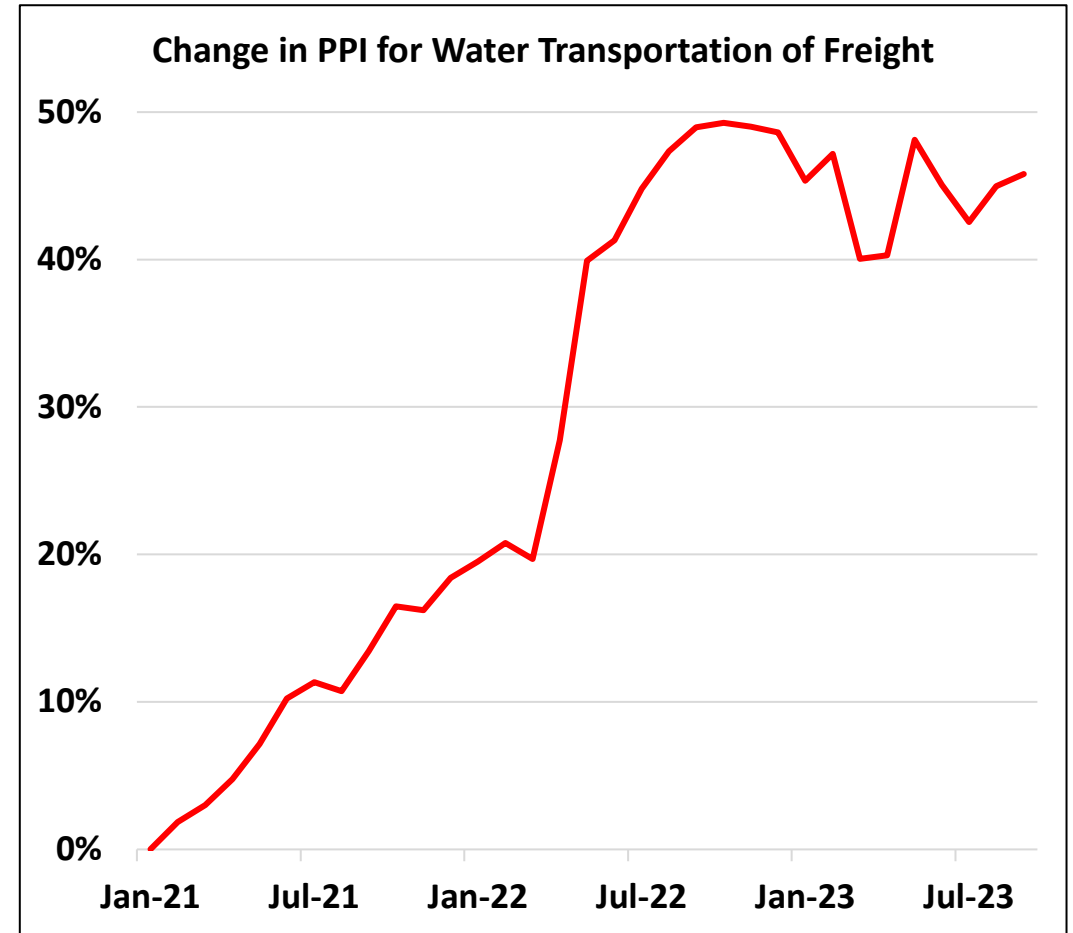
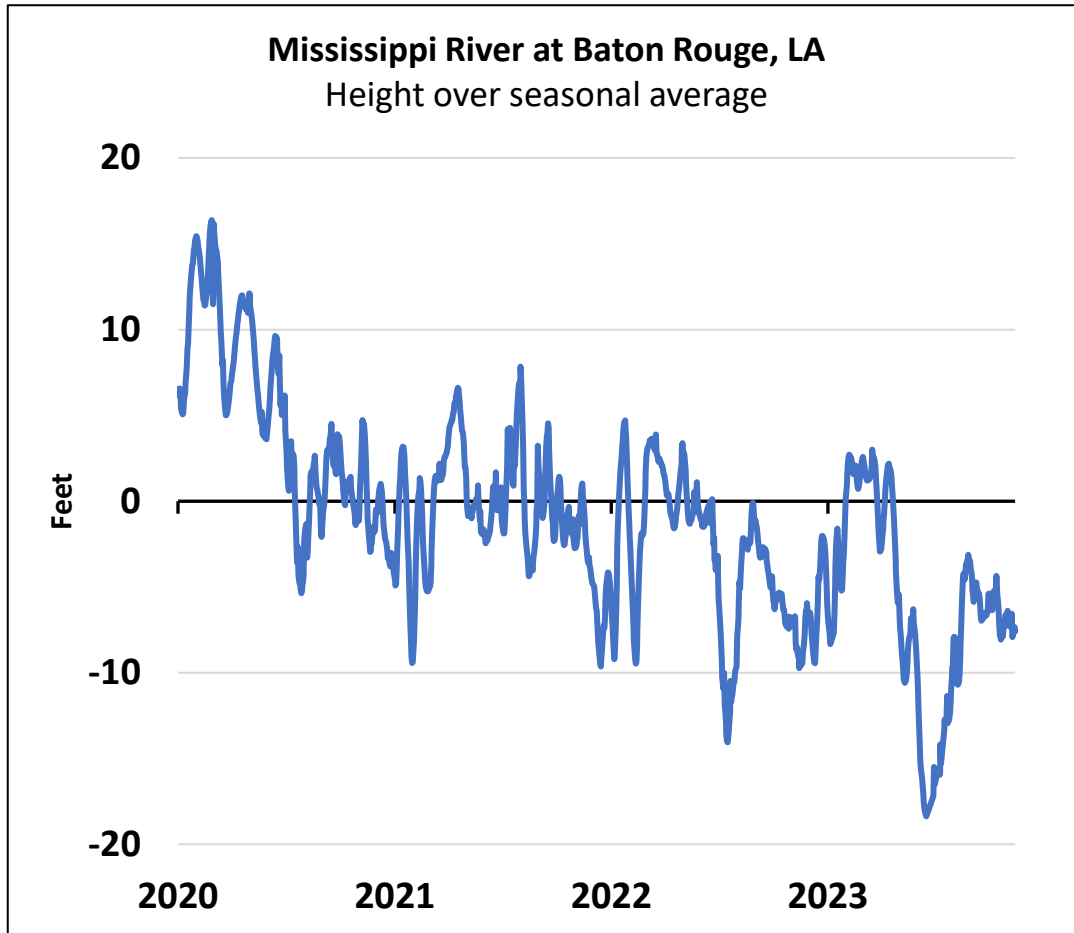
# Grain prices lower than last year



Sources: [CME Group](#), [CBOT](#)



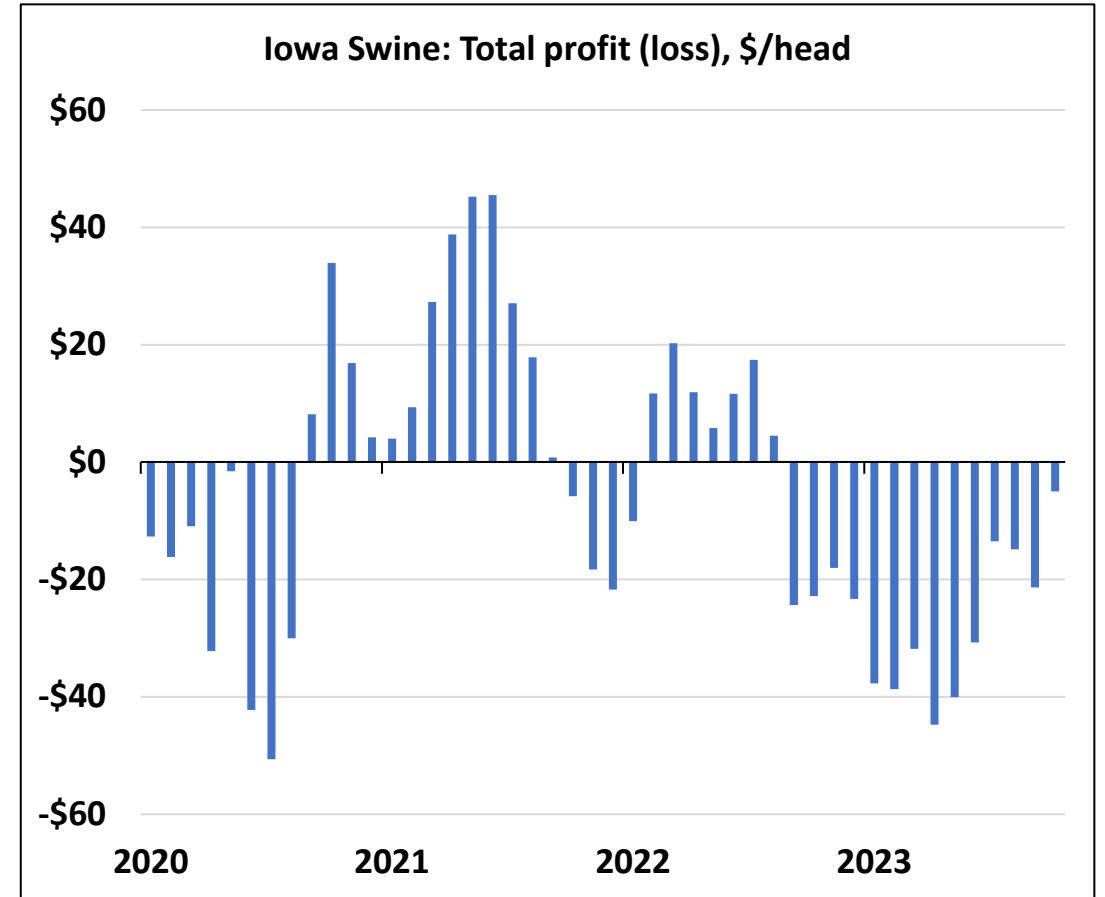
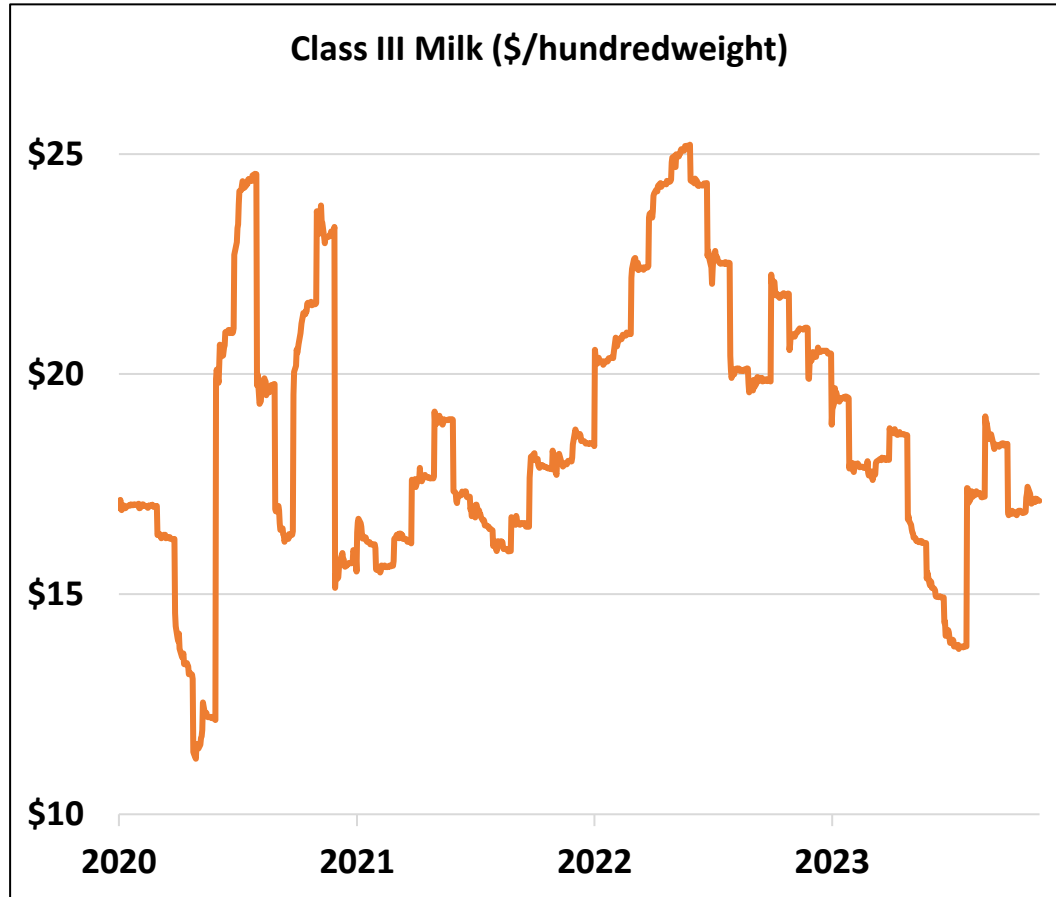
# Falling water levels contribute to higher grain transportation costs



Sources: [US Geological Survey](#), [Bureau of Labor Statistics](#)



# Dairy and hog producers feel margin stress



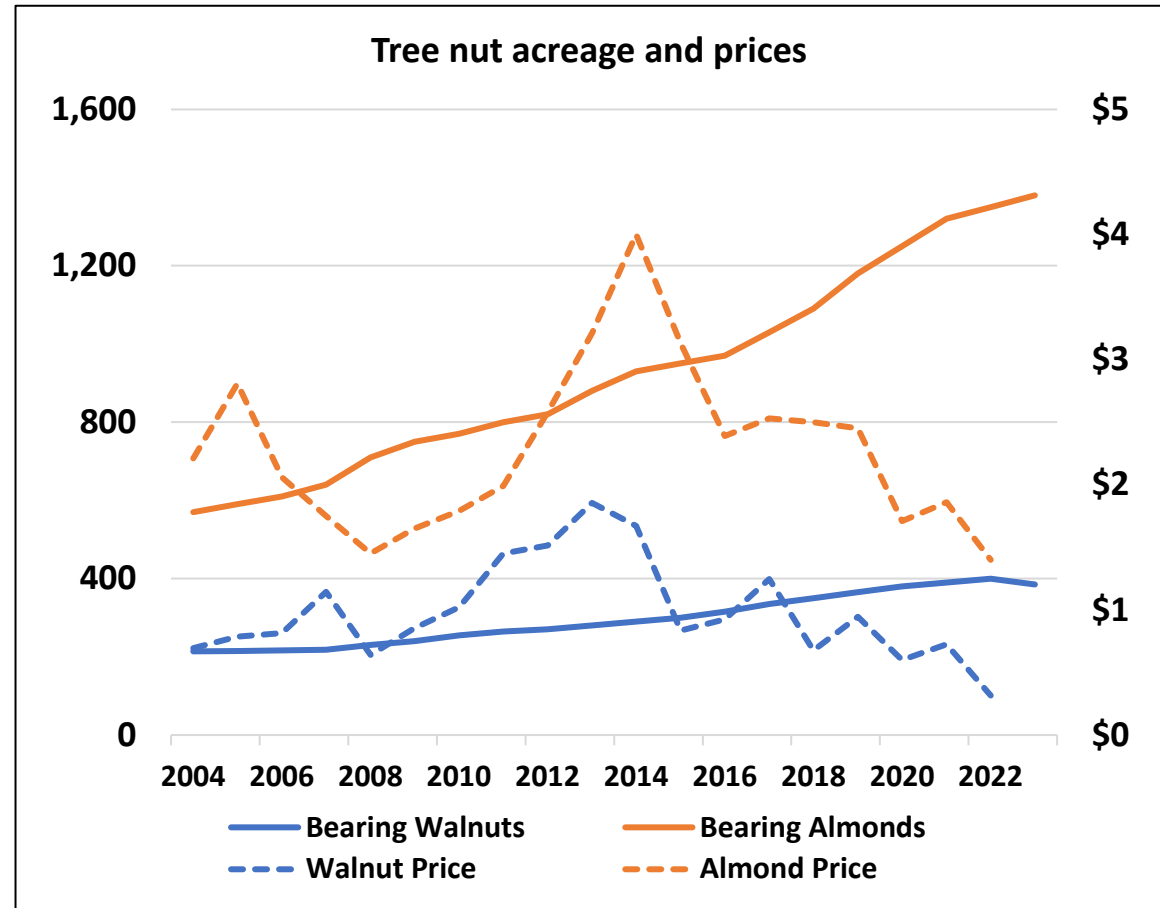
Sources: [USDA](#), [Iowa State University](#)





# California tree nut prices declined following glut of plantings

- High tree nut prices in the last decade encouraged farmers to plant tree nuts.
- 3-to-7-year lead time for trees to bear fruit means oversupply of nuts today.
- Emblematic of risks for many perennial crops.



Sources: [USDA - NASS](#)



# Questions

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# Farm Credit System Condition and Performance as of September 30, 2023

Jarvis Tillman  
Supervisory Senior FCA Examiner  
Office of Examination



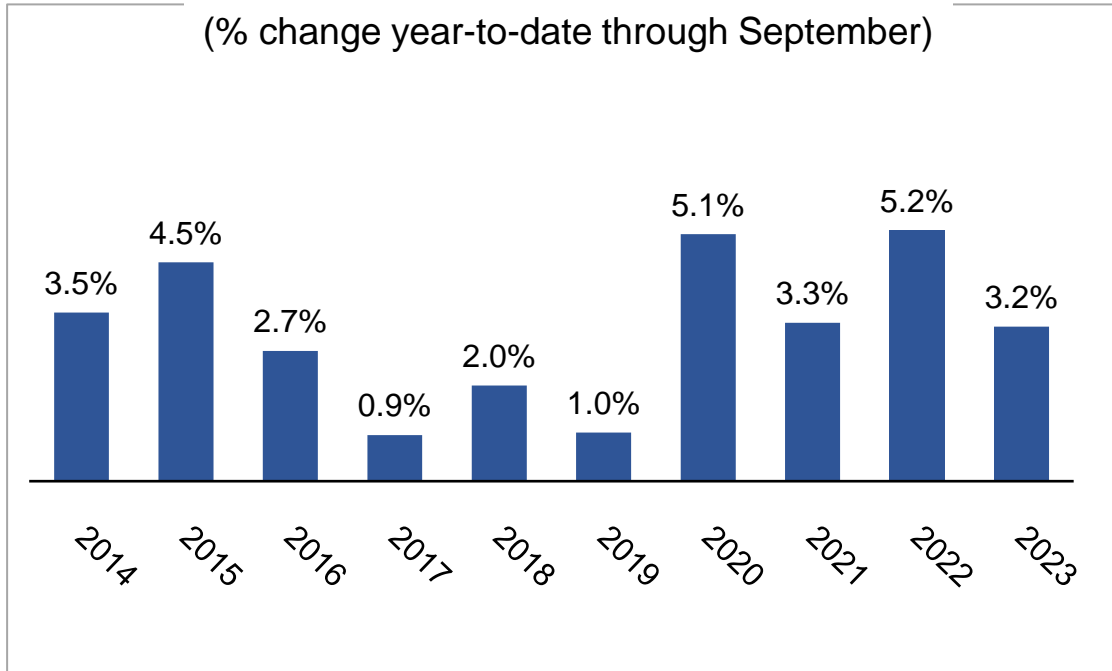


# Loan growth slows; rural infrastructure lending drives gains

<b>Total Assets</b> 9/30/23	<b>\$492.8</b> billion	+1.7%	Qtr	<b>Gross Loans</b> 9/30/23	<b>\$385.1</b> billion	1.9%	Qtr
		+3.3%	YTD			+3.2%	YTD
		+6.0%	12M			+6.5%	12M

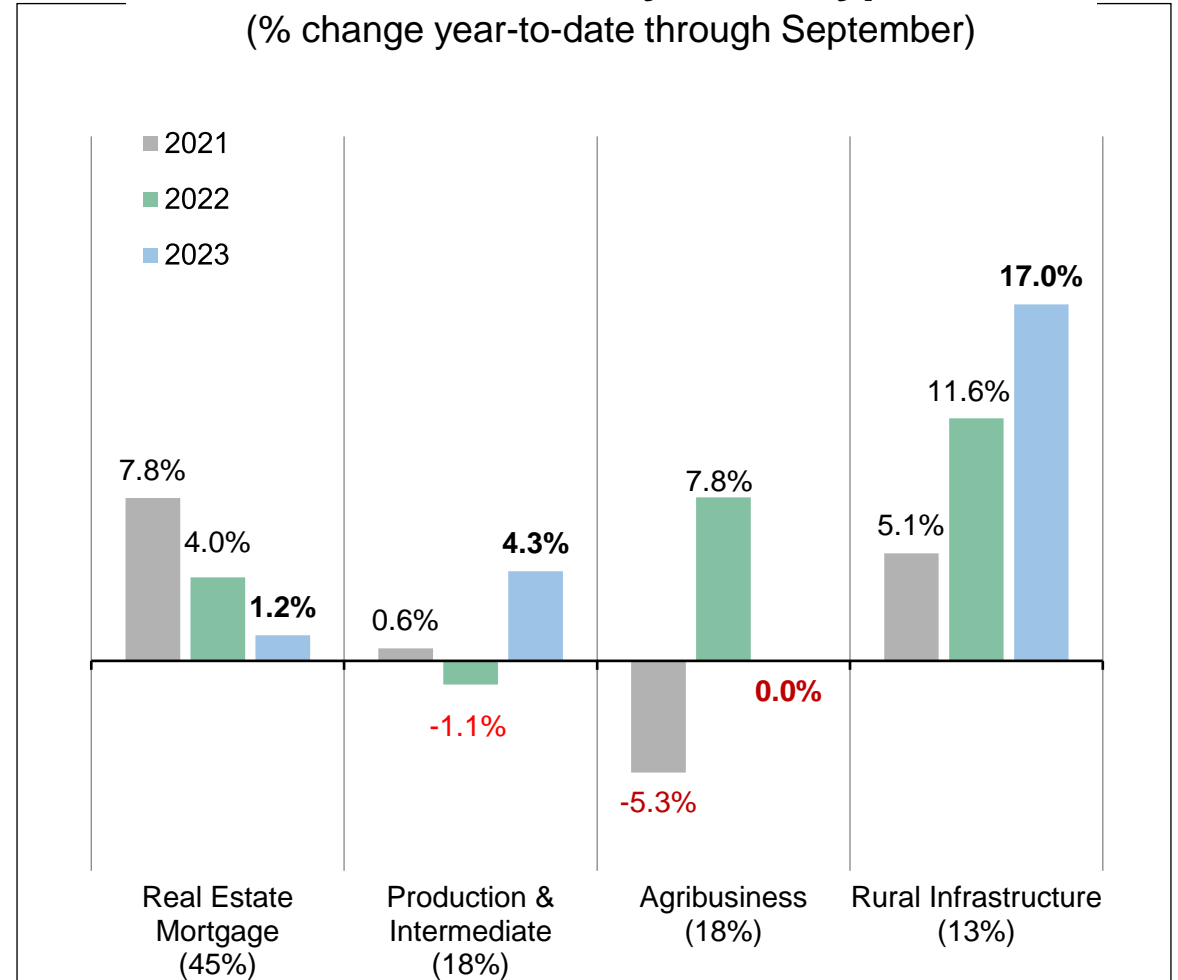
## Portfolio Loan Growth

(% change year-to-date through September)



## Loan Growth by Loan Type

(% change year-to-date through September)

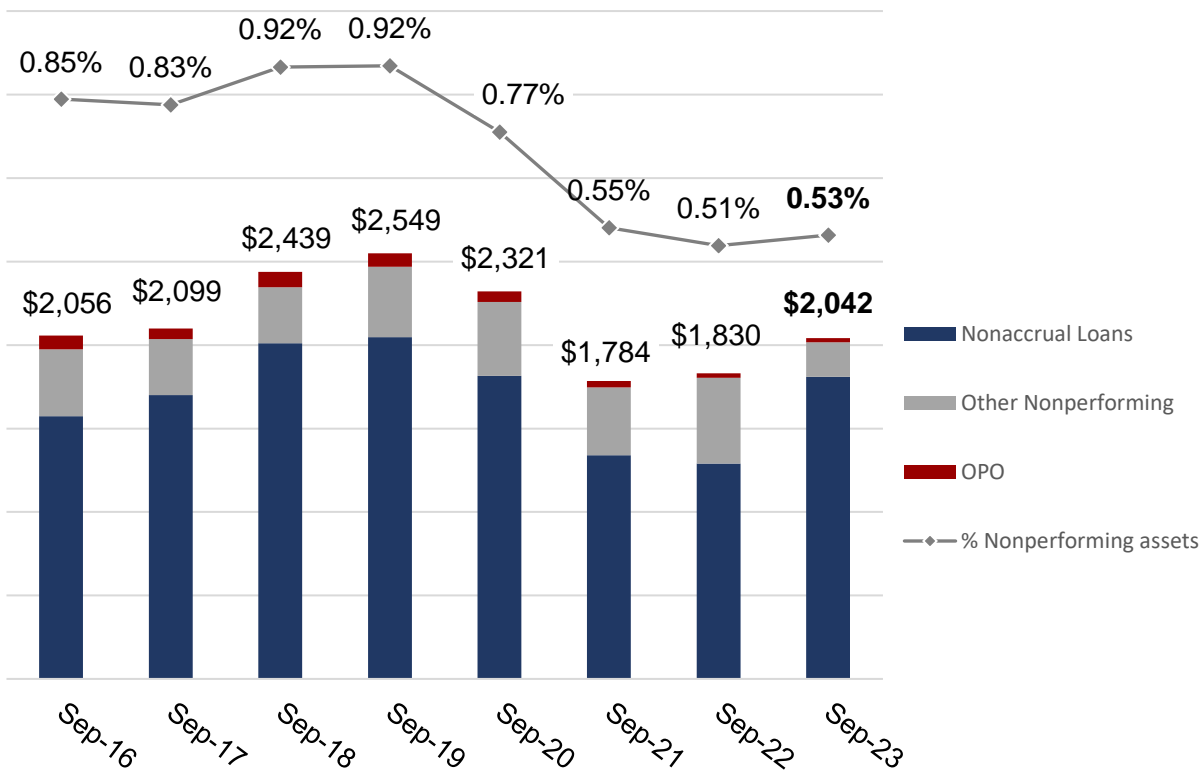




# Portfolio loan quality is strong; credit risk indicators move slightly higher

## Nonperforming Assets<sup>(1)</sup>

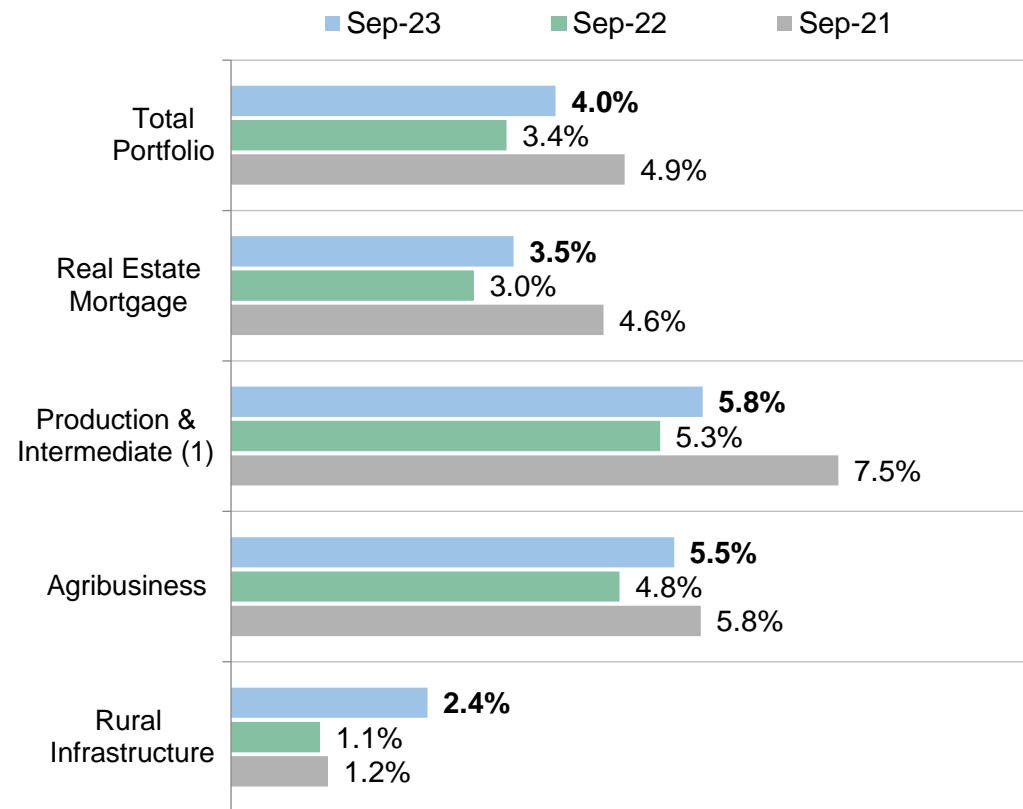
(as a percentage of loans outstanding and other property owned)



(amounts in millions)

## Loans Classified Less than Acceptable

(as a percentage of loans outstanding)



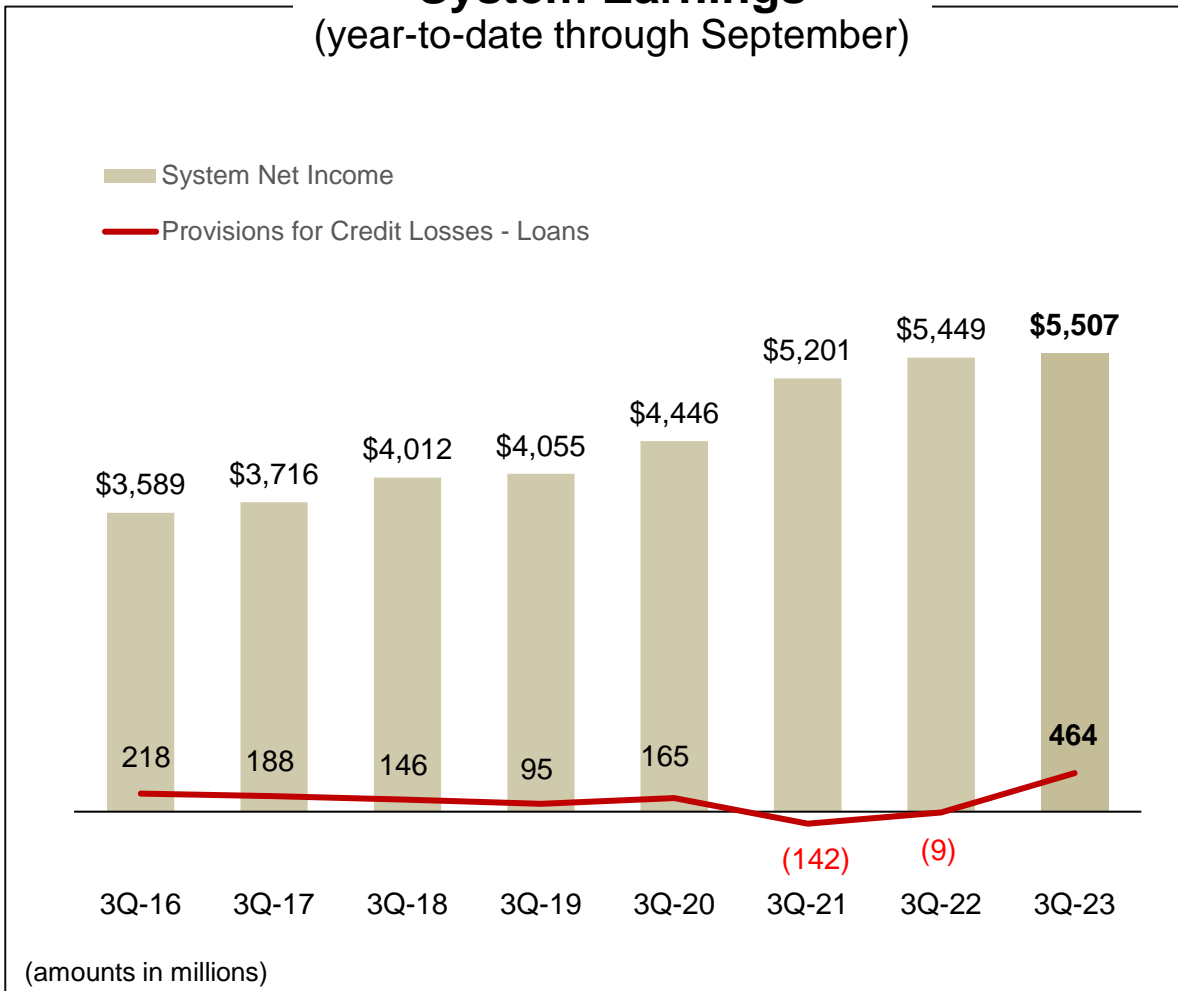
(1) Includes lease receivables

(1) Prior to the adoption of CECL on 1/1/23, nonperforming assets included accruing restructured loans



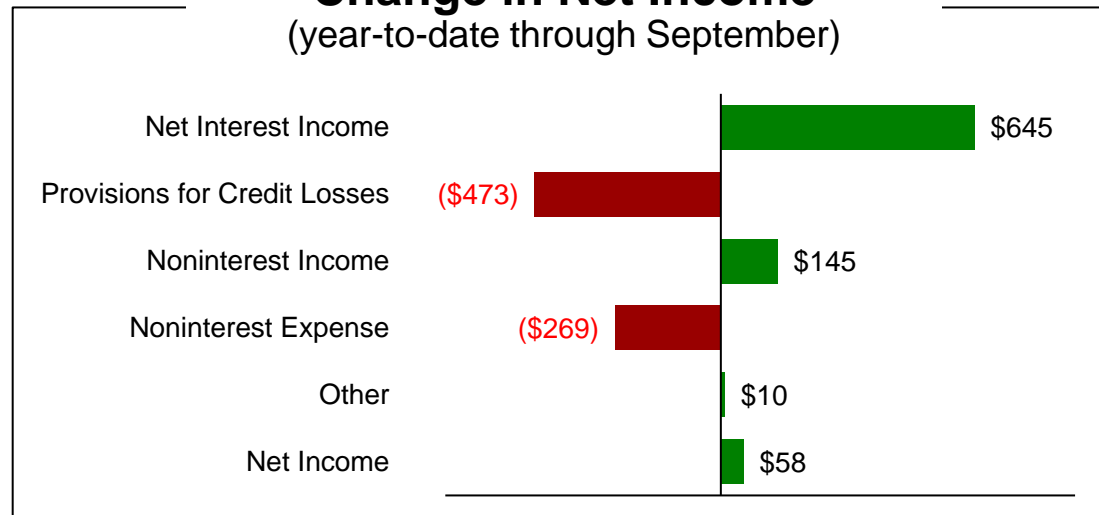
# The System reported solid earnings through the 1<sup>st</sup> nine months

### System Earnings (year-to-date through September)

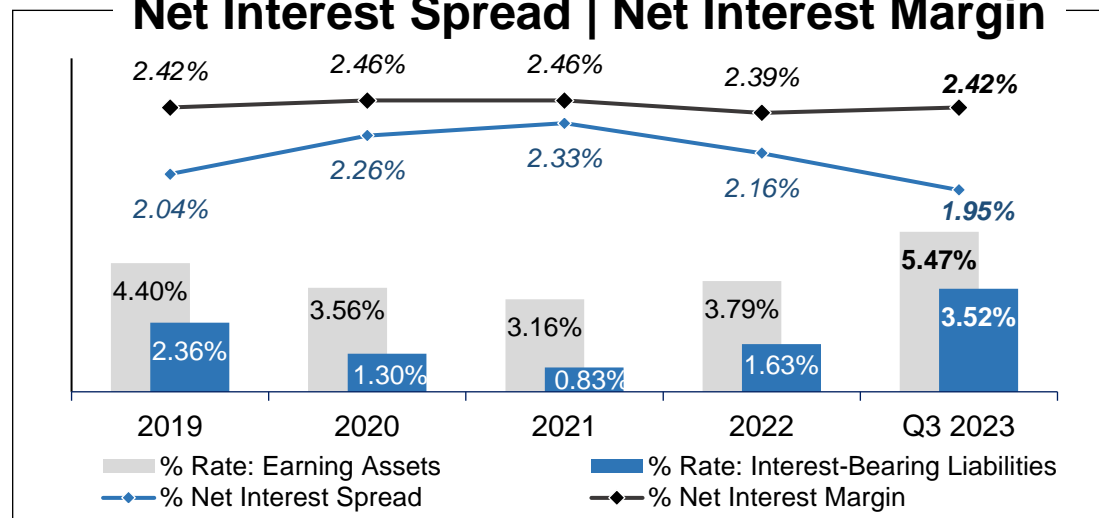


Source: Federal Farm Credit Banks Funding Corporation Information Statements

### Change in Net Income (year-to-date through September)



### Net Interest Spread | Net Interest Margin



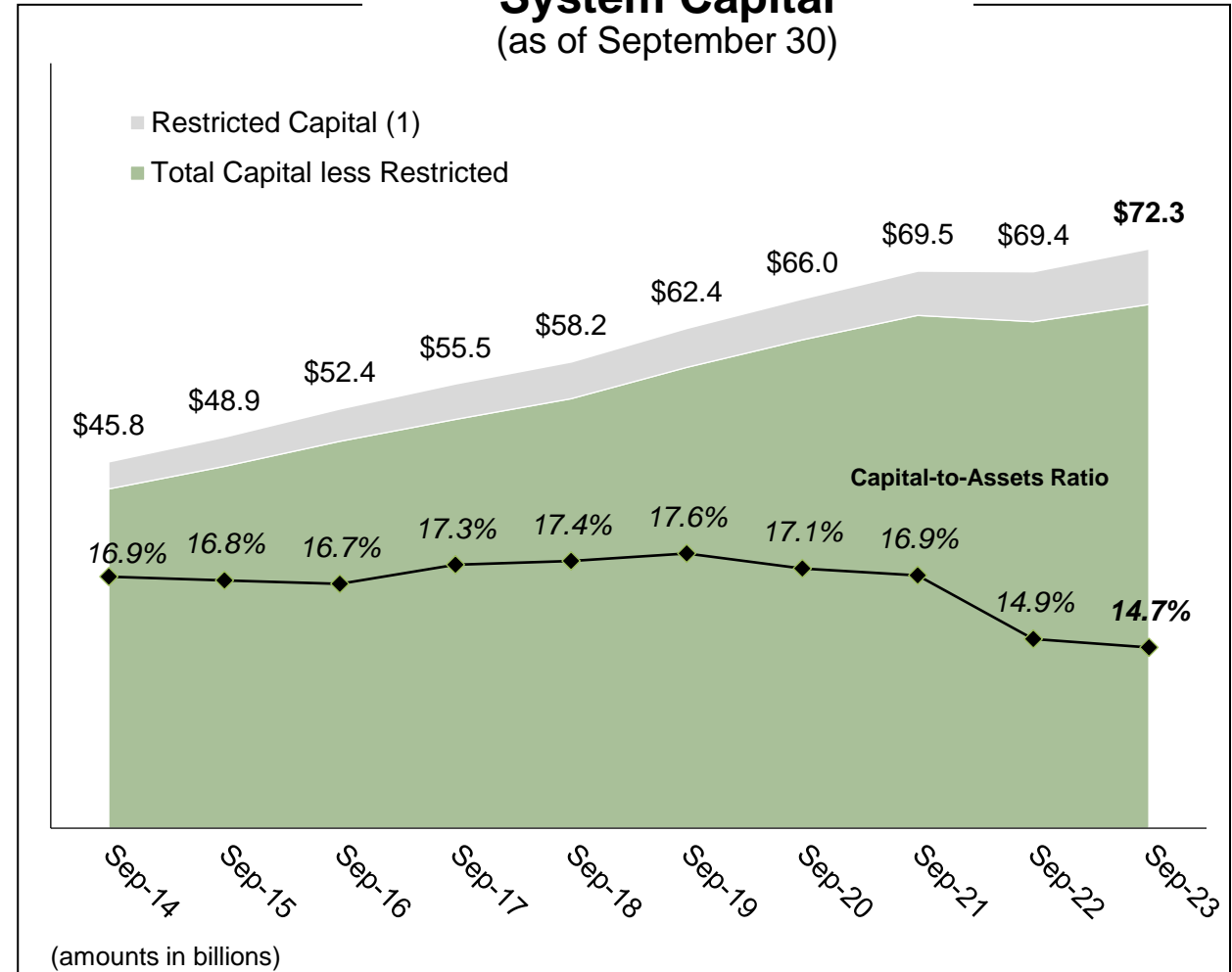


# System capital and liquidity levels are strong

## Capital & Liquidity (as of September 30, 2023)

- ▶ In total, System capital has increased \$2.9 billion or 4.1% year-over-year.
- ▶ Total regulatory capital ratios are sound
  - Banks: 13.2% to 16.9%
  - Associations: 12.5% to 33.9%.
- ▶ Days of liquidity for the 4 funding banks range from 167 to 197 days.
- ▶ Capital and the allowance for credit losses on loans equaled 19.2% of System loans as of September 30 compared with 19.6% a year ago.

## System Capital (as of September 30)

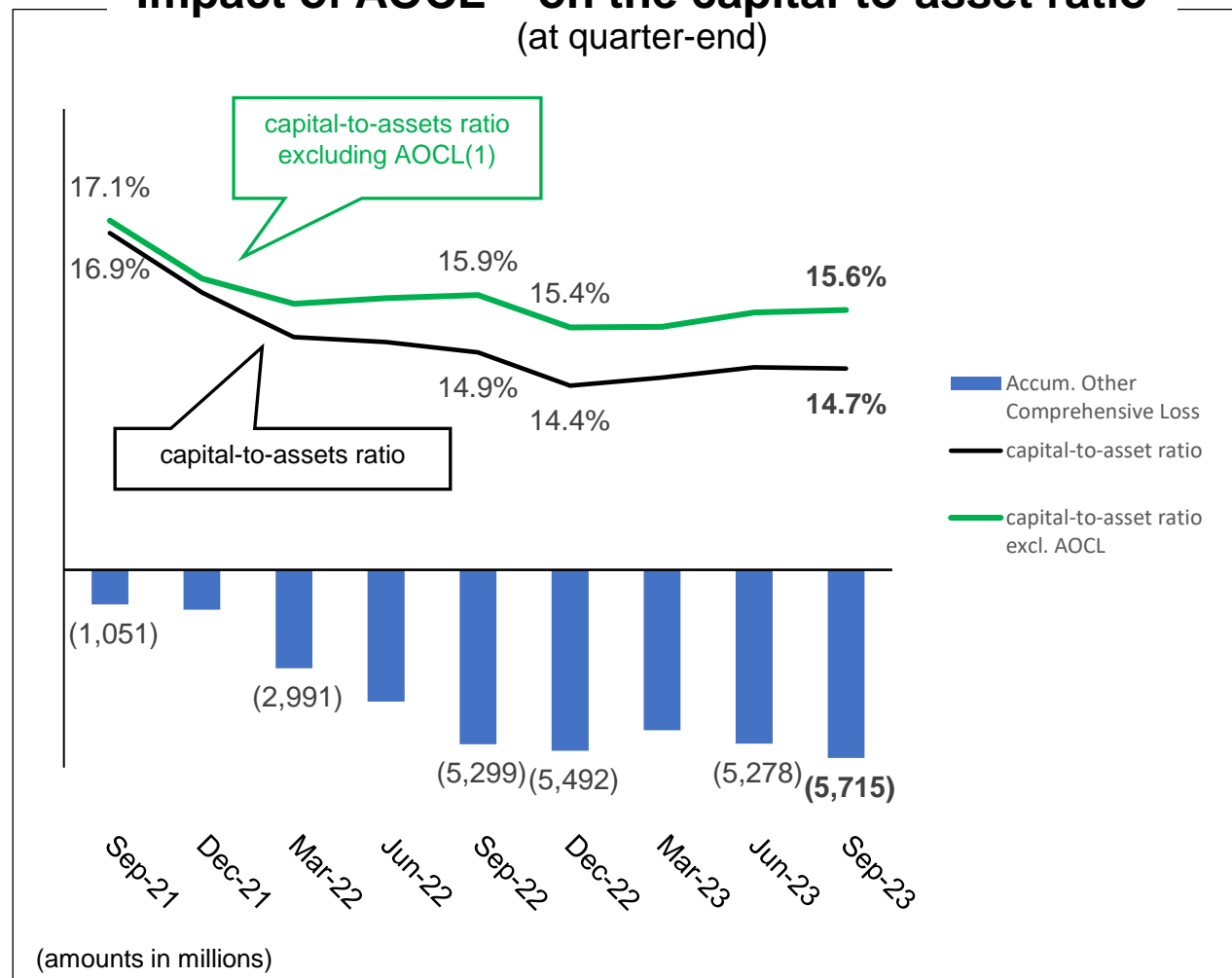




# Capital-to-assets ratio has improved recently despite increase in AOCL

- ▶ The System's capital-to-asset ratio as of September 30 was 14.7% as compared to 14.4% at year-end and 14.9% for the same period year ago.
- ▶ For 2023, accumulated other comprehensive loss (AOCL) has increased \$437 million to \$5.7 billion.
- ▶ Although capital growth has outpaced asset growth in 2023, it continues to lag asset growth year-over-year.

Impact of AOCL<sup>(1)</sup> on the capital-to-asset ratio (at quarter-end)



(1) AOCL refers to accumulated other comprehensive loss





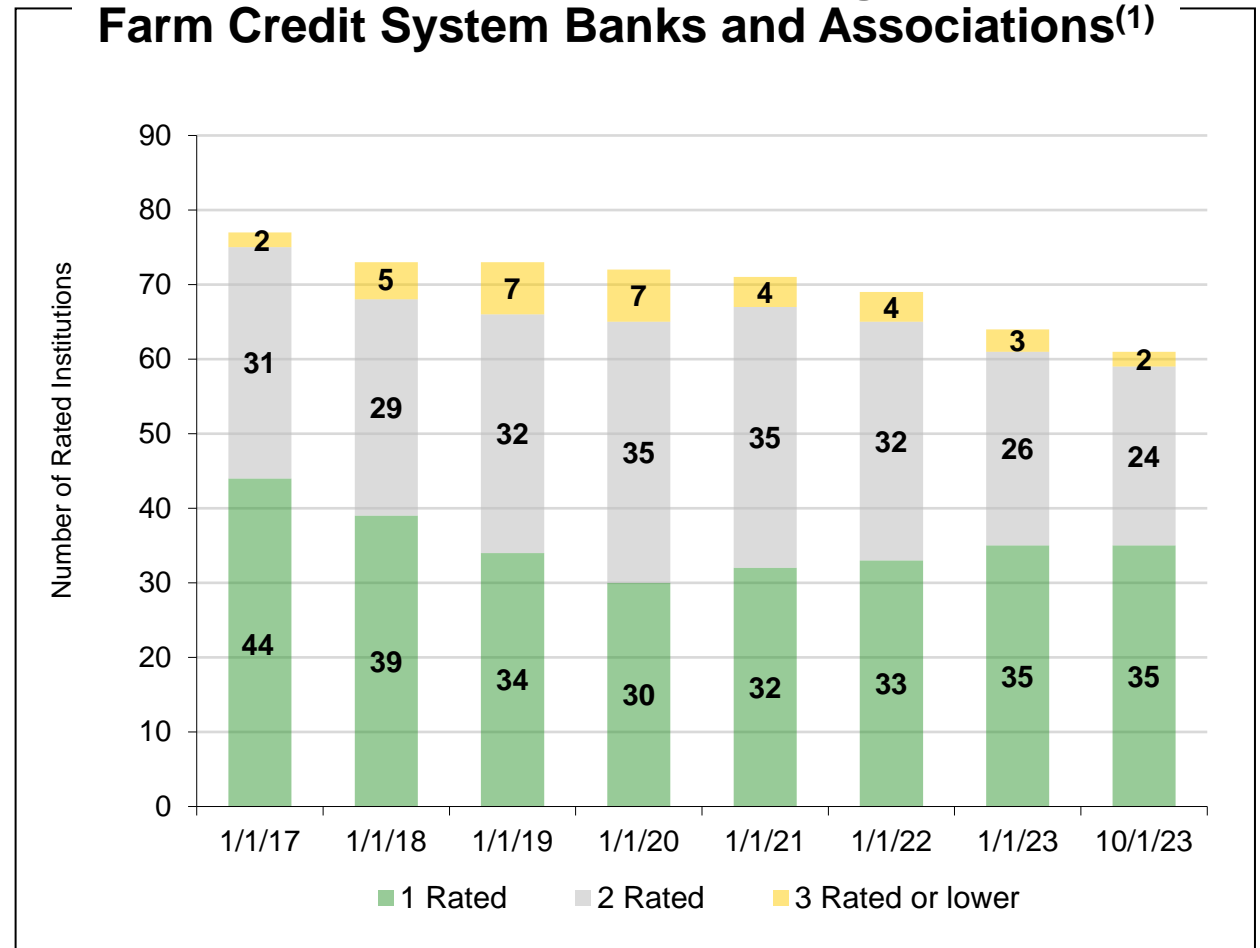
# Composite FIRS ratings remain stable

## Composite FIRS Ratings

(based on 9/30/23 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<sup>(1)</sup>



(1) active and reporting

Source: FCA's FIRS ratings database



# FCA Board Meeting December 2023

Exhibit E

## Semi-Annual Report on Office of Examination Operations December 14, 2023

Dan Fennewald, Deputy Director  
Office of Examination





# OE Operations Agenda Topics

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## ► Fiscal Year 2023 Operating Plan Objectives

- Risk Supervision and Examination Activities
- Public Mission
- Operational Efficiency and Effectiveness
- Human Capital





# Risk Supervision & Examination

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- ▶ Conducted **onsite** examination and/or oversight activities at all funding banks, 51 associations (74%), and 5 other entities
- ▶ Issued 48 reports of examination, 39 interim activity letters, and 70 FIRS Letters
- ▶ Maintained a higher level of supervisory oversight at four System institutions
- ▶ Issued examination guidance





# Risk Supervision & Examination (continued)

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- ▶ National Oversight Plan Focus Areas
  - Risk management practices in an uncertain environment
  - Phaseout of the London Interbank Offered Rate
  - Current Expected Credit Losses (CECL) implementation
  - Standards of Conduct
  
- ▶ Completed all 5 systemic risk strategies and 5 institution risk strategies





# Public Mission

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- ▶ Completed all public mission strategies
  - Implemented the qualitative portion of the Young, Beginning, and Small Farmers (YBS) Programs rating system
  - Worked with ODAE and Systems institutions to improve YBS data quality
  - Issued a memo clarifying our expectations for internal audit programs at certain low-risk institutions
  - Provided additional guidance to examiners on differential expectations for smaller associations with a lower risk profile
  - Met with System's Small Association workgroup



# Operational Efficiency and Effectiveness

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- ▶ Completed all strategies related to examination tools, operational processes, and the FCS Loan Database
  - Made enhancements to the EDGe application and reports
  - Continued the transition to PowerBI generated reports
  - Developed the Risk Control Matrix for OE OMB A-123 audits
  - Continued to assess and improve data reliability and develop new reports





# Human Capital

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- ▶ Completed all strategies related to training, development, recruitment, retention, and knowledge transfer
  - Hired 15 associate examiners, 3 external commissioned examiners, 6 technical specialists, and 1 administrative assistant
  - Attrition levels declined to 8 percent compared to 17 percent last year
  - OE Conference held in August 2023







# Human Capital (continued)

- ▶ We remain below optimal targets for total staff and commissioned examiners



## Total OE Staff

Total OE Staff	Planned	Actual	Variance
Beginning FY 2023	179	173	(6)
Attrition   Retirements	(15)	(13)	2
Hirings	16	25	9
Ending FY 2023	180	185	5

## Commissioned Examiners

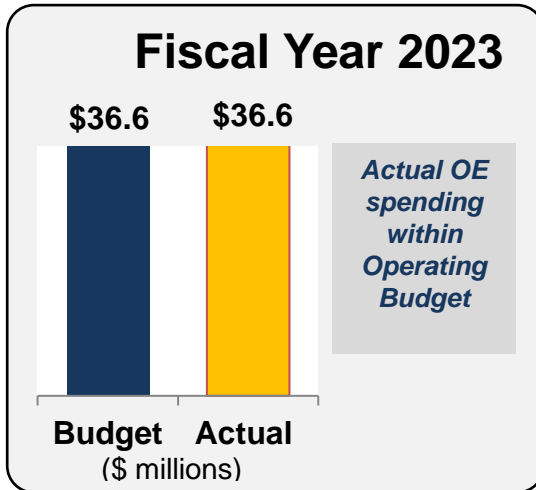
Commissioned Examiners	Planned	Actual	Variance
Beginning FY 2023	87	84	(3)
Attrition   Retirements	(7)	(8)	(1)
Hirings	2	3	1
Newly Commissioned	7	2	(5)
Ending FY 2023	89	81	(8)



# OE Budget Results

## ► Fiscal Year 2023

- Actual expenses were in line with net budget with return to normalized travel after the first quarter
- Full Time Equivalents (FTEs) slightly under budget



FTEs	
◆ Budgeted Full Year FTEs	177.8
◆ Actual Full Year FTEs	177.2
<b>Budget Variance</b>	<b>-0.6</b>



# Summary

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- ▶ Effectively conducted examination and oversight activities
- ▶ Completed 2023 Operating Plan objectives
- ▶ Focused on ensuring OE has sufficient highly skilled staff to accomplish our mission
- ▶ Actively managed our budget as we returned to normalized travel





# Discussion

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**THANK YOU**