

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
April 13, 2023**

These minutes reflect the business transacted at the April 13, 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 began at 9:00 a.m. and concluded at 9:39 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; **Clark Ogilvie**, General Counsel; staff of the FCA and Farm Credit System Insurance Corporation (FCSIC); and 11 members of the general public. (A list of Board and staff attendees is attached as Exhibit A.)

Chairman Logan announced that this meeting of the Board is 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 March 9, 2023

(BM-13-APR-23-01)

Mr. Hall moved to approve the minutes for the March 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-13-APR-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

Gregory Lyons of the **Office of Data Analytics and Economics** and **Hal Johnson** of the **Office of Examination** presented the Quarterly Report on Economic Conditions and Farm Credit System Condition and Performance.

Chairman Logan asked if there were any questions or comments from the Board.

There were no further questions or comments.

(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.

Chairman Logan called the question.

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

The meeting adjourned at 9:39 a.m.

NOTATIONAL VOTE ACTIONS

There were five notational vote actions approved by the FCA Board from March 9, 2023, through April 12, 2023.

Item Number	Action Date	Voting Results	Subject
NV 23-05	03/20/2023	Approved	Spring 2023 Abstract Update of the Unified Agenda of Federal Regulatory and Deregulatory Actions and Spring 2023 Regulatory Projects Plan
NV 23-06	03/21/2023	Approved	Extension of Comment Period: Advance Notice of Proposed Rulemaking – Farmer Mac Capital Framework
NV 23-07	04/05/2023	Approved	Proposed Plan of Merger of Farm Credit of New Mexico, ACA, and American AgCredit, ACA
NV 23-08	04/06/2023	Approved	Retroactive 2023 Locality Rate Adjustment for Bloomington, Dallas, Denver, and Sacramento
NV 23-09	04/07/2023	Approved	Establishment of the Office of the Chief of Staff and Realignment of Offices and Functions

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 13, 2023.

_____/s/_____
Vincent G. Logan
Chairman and Chief Executive Officer

_____/s/_____
Ashley Waldron
Secretary to the Board

Approved: May 11, 2023

**BOARD AND STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
April 13, 2023**

Vincent G. Logan, Chairman and Chief Executive Officer
 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
Lewandowski, Barbara	X
Waldron, Ashley	X
Hoffman, Bill	X
COO	
Coleman, Robert	X
OEEOI	
Burlew, Thais	X
Fish, Tyler	X
Major, Sara Lynn	X
OIT	
Versace, Jerry	X
Matos, Ricardo	X
Rana, Ben	X
OCPA	
Reuschel, Trevor	X
Middleton, Russell	X
OGC	
Ogilvie, Clark	X
Griffin, Ward	X
OE	
Duffy, Mike	X
Fennewald, Dan	X
Greenlee, Angela	X
Johnson, Hal	X
ODAE	
Shields, Dennis	X
Iannetta, Sal	X
Lyons, Greg	X
OIG	
Laguarda, Wendy	X

ATTENDEES	OPEN SESSION
Miller, Kevin	X
OSMO	
Connor, Joe	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
Wynn, Wade	X
Smith, Gregory	X
Morgan, Matthew	X
GENERAL PUBLIC	11

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 13, 2023

TIME AND DATE: 9:00 a.m., Thursday, April 13, 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, 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 March 9, 2023, Minutes
- 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 29, 2023

Farm Credit Administration

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

BOARD ACTION ITEM



FCA BOARD ACTION ON

Minutes for March 9, 2023

BM-13-APR-23-01

Effective Date: April 13, 2023

Impact on Prior Board Actions: None

THE FCA BOARD HEREBY:

- Approves the minutes for March 9, 2023.

DATED THIS 13th DAY OF APRIL 2023

BY ORDER OF THE BOARD

_____/s/
Ashley Waldron
Secretary to the Board

FCA Board Meeting
April 2023



Quarterly Report on FCS Condition
April 13, 2023

Greg Lyons
Hal Johnson





Topics for Open Session

Economic Conditions Affecting the Farm Credit System

- Farm income outlook
- Review of recent shocks to farm incomes
- Farmland markets

Farm Credit System Condition and Performance

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



Economic Conditions Affecting the Farm Credit System

Greg Lyons

Senior Economist

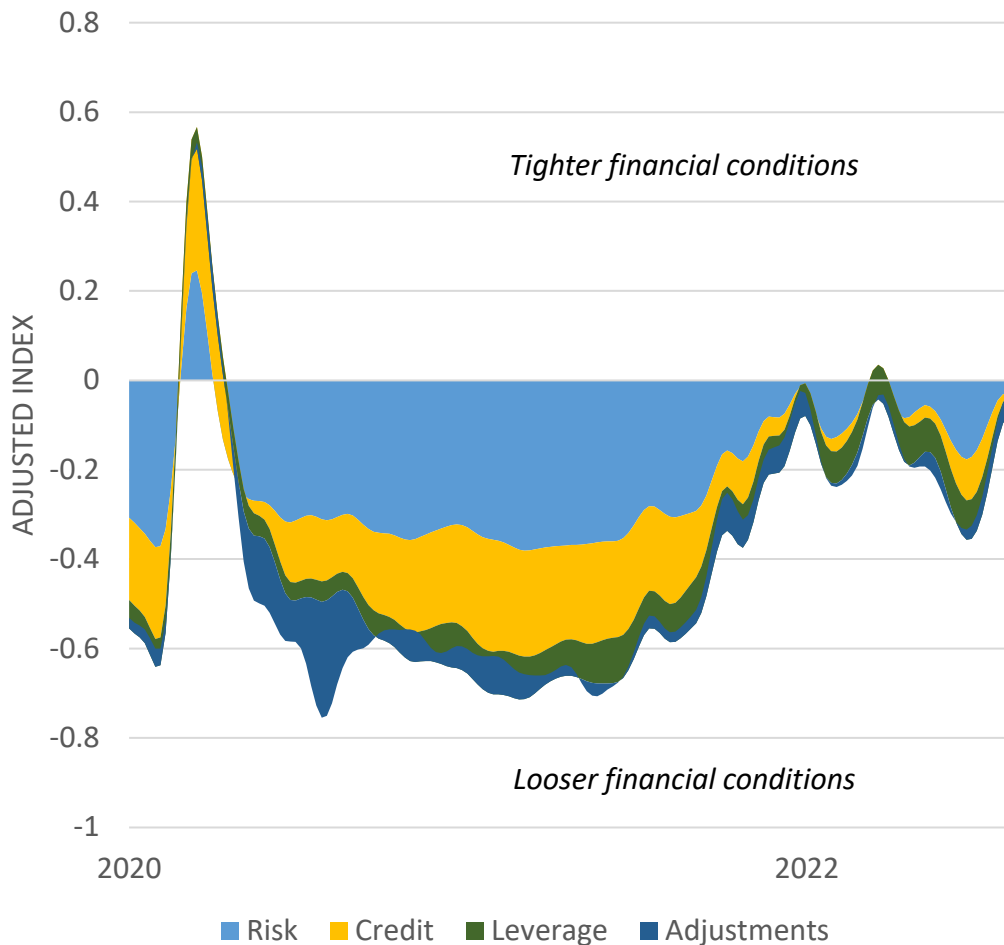
Office of Data Analytics and Economics



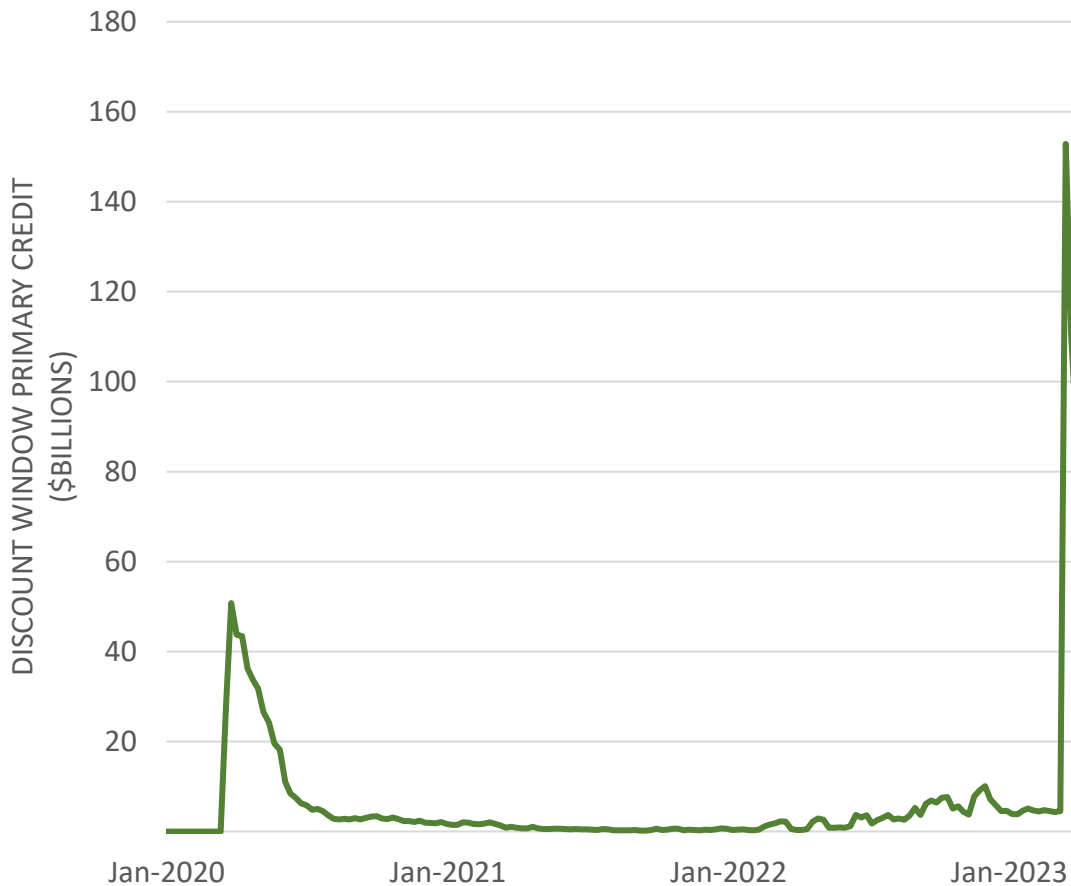


Commercial banking update

Adjusted National Financial Conditions Index



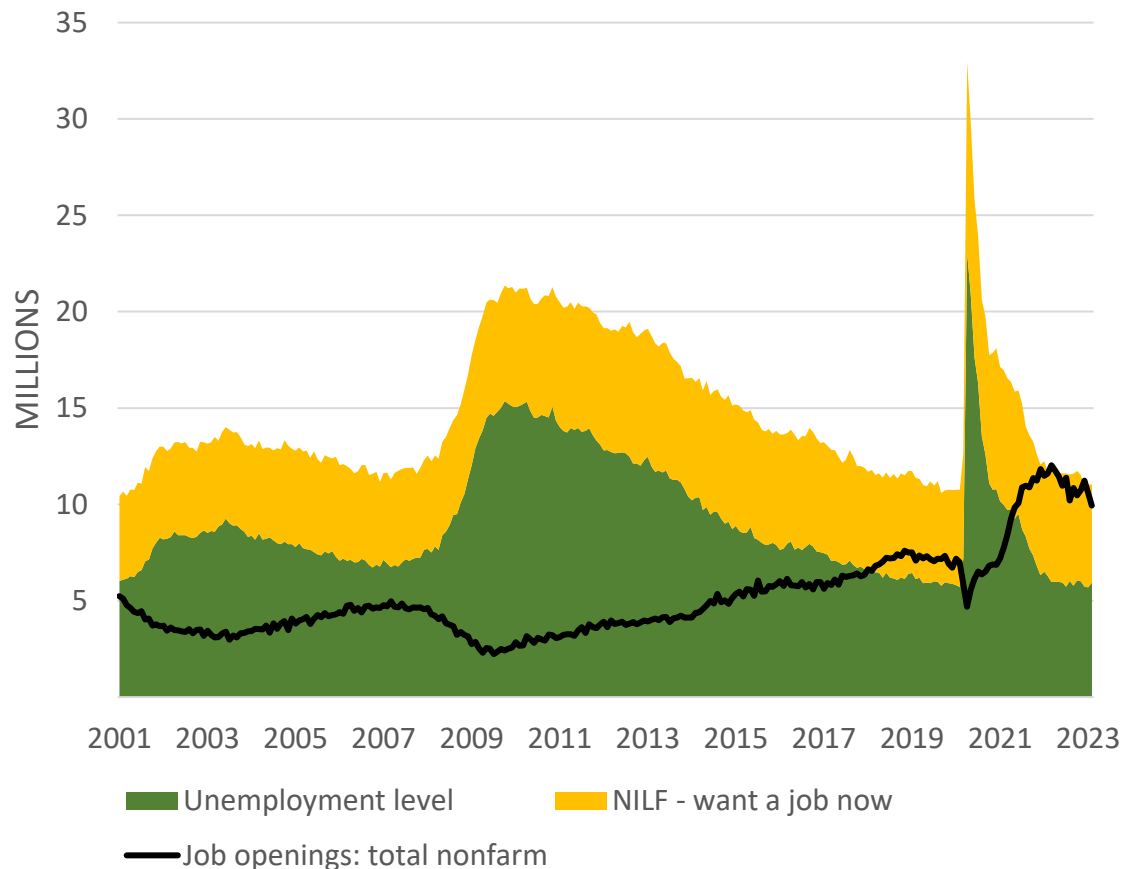
Discount Window Primary Credit



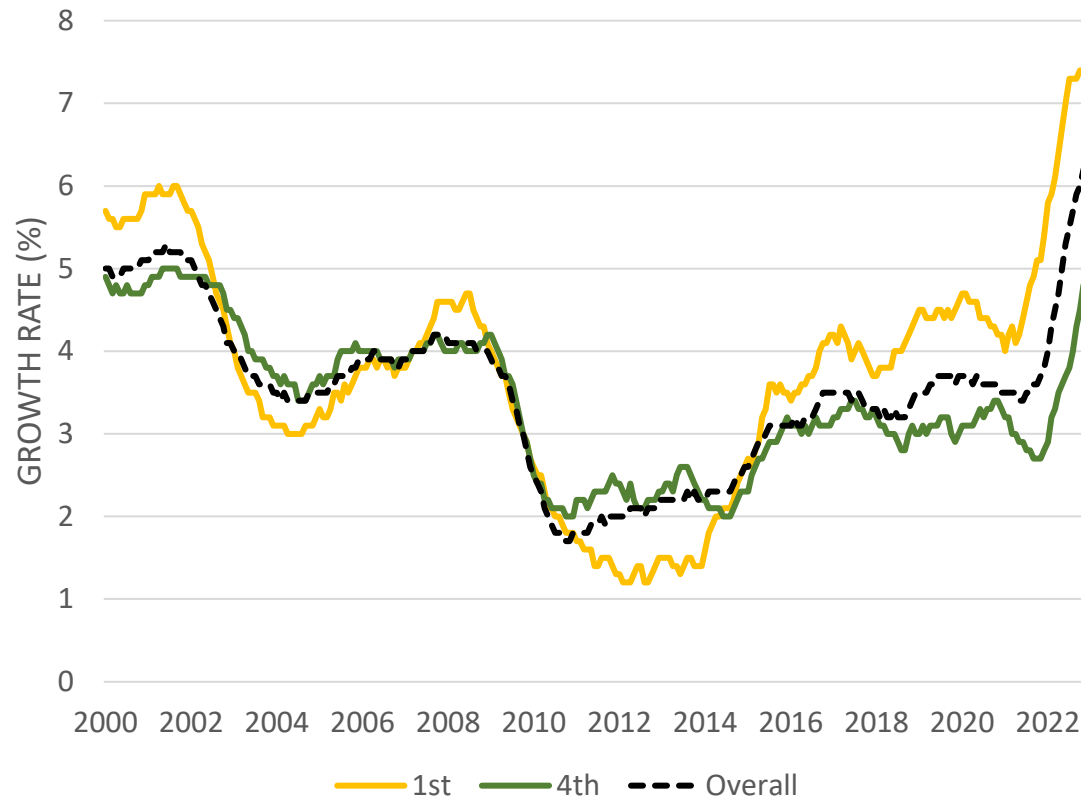


Labor markets are very tight, with few signs of near-term improvement

Job openings and people available to work



Percent wage growth by income quartile



Source: BLS Employment Situation Report; BLS Job Openings and Labor Turnover Survey and Federal Reserve Bank of Atlanta Wage Growth Tracker. NILF = not in the labor force; individuals who are not working, and who have not actively looked for work in the last 4 weeks. Wage growth rate represents 12-month moving average.



Inflation shows some signs of moderating

Mixed evidence of easing costs

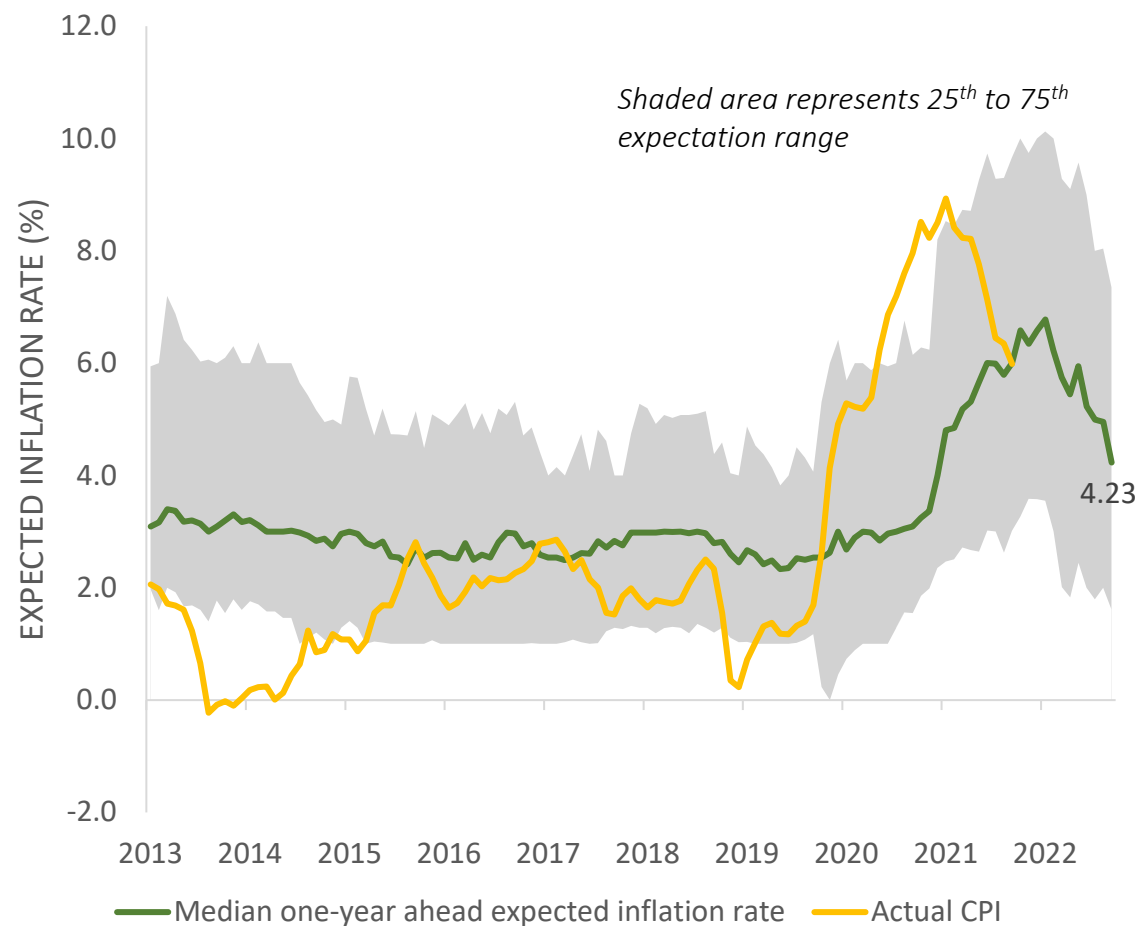
- Energy and food plateau
- Wage growth has not slowed
- Service / good producer costs diverge

Consumer demand strong at the moment

- Savings and credit show strain
- Goods purchases slow

Federal Reserve response

Actual vs. Consumer Expected Inflation Rate



Source: Federal Reserve Survey of Consumer Expectations. Expected inflation rate represents one-year-ahead expectations.



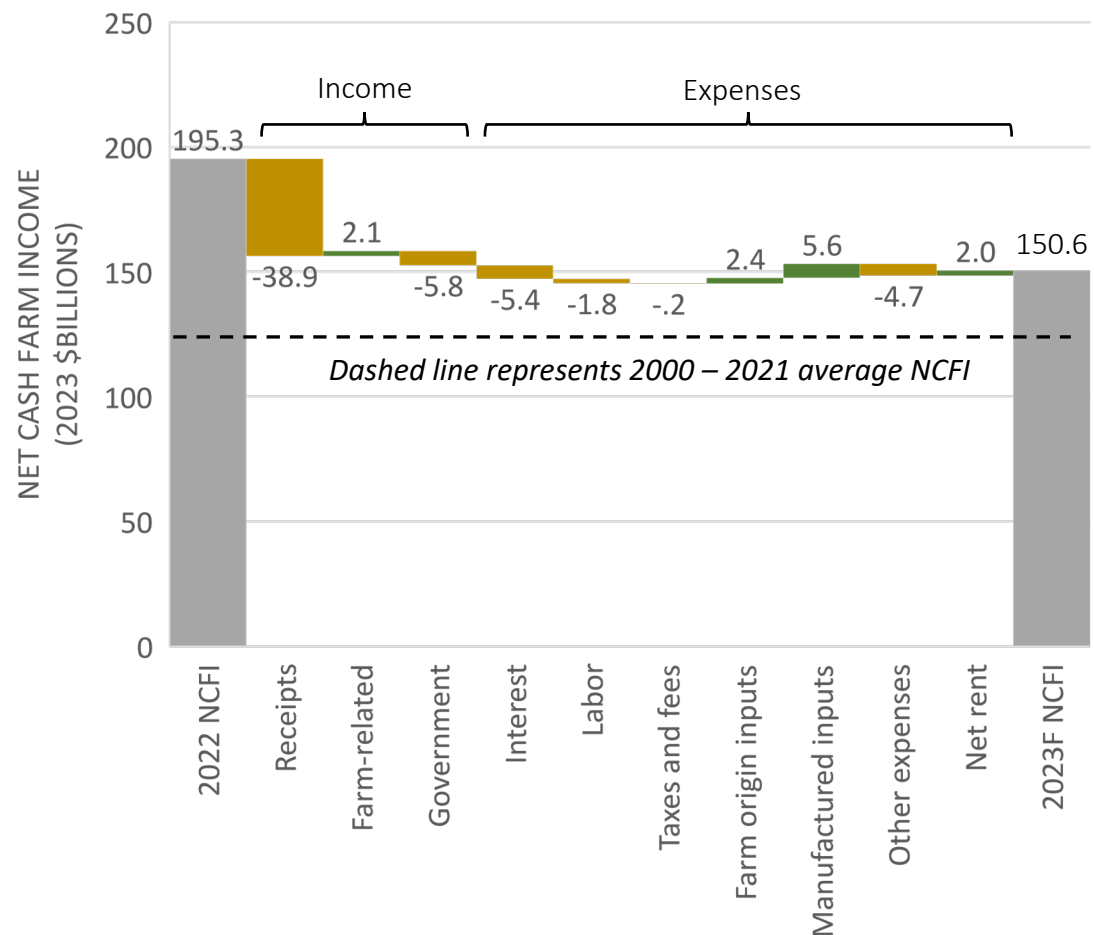
Farm income forecast trends towards baseline

Net farm income projected to fall, but remain well above recent historic averages

Income drivers are similar to 2022, though impacts are lessened

Higher expenses often outlast higher incomes through agricultural cycles

Changes to Net Cash Farm Income, 2022 vs. 2023F



Source: USDA Economic Research Service Farm Income and Wealth Statistics



Commodity prices remain elevated, but futures indicate potential weakening

Common themes

- High input costs
- Slowing exports

Crops

- Global stocks remain low through 2022/23
- Rebound in global harvested in 2023

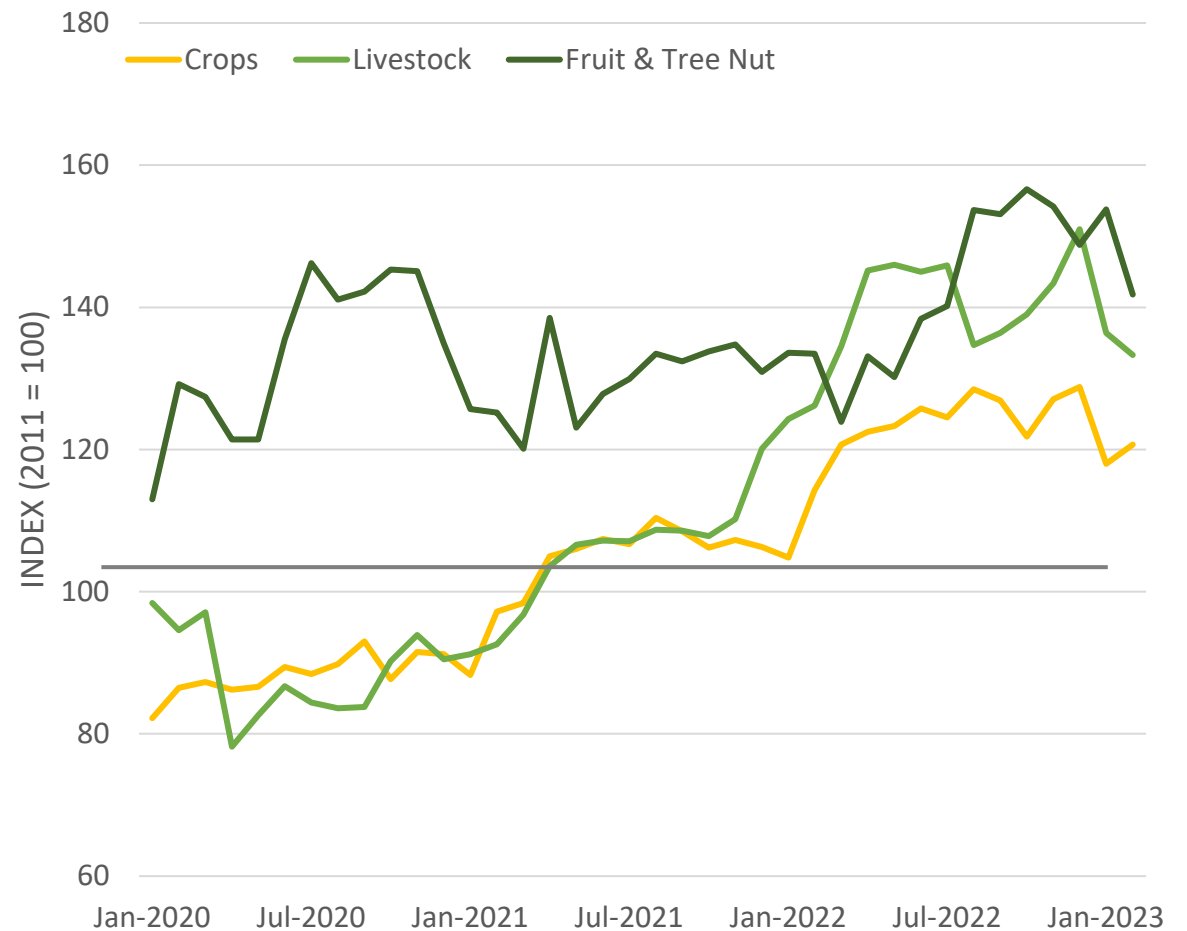
Livestock

- Lower demand tightens profitability
- Endemic animal diseases add uncertainty

Specialty Commodities

- Weather-dependent outcomes
- Export concentration shapes outlook

Aggregate Commodity Indexes

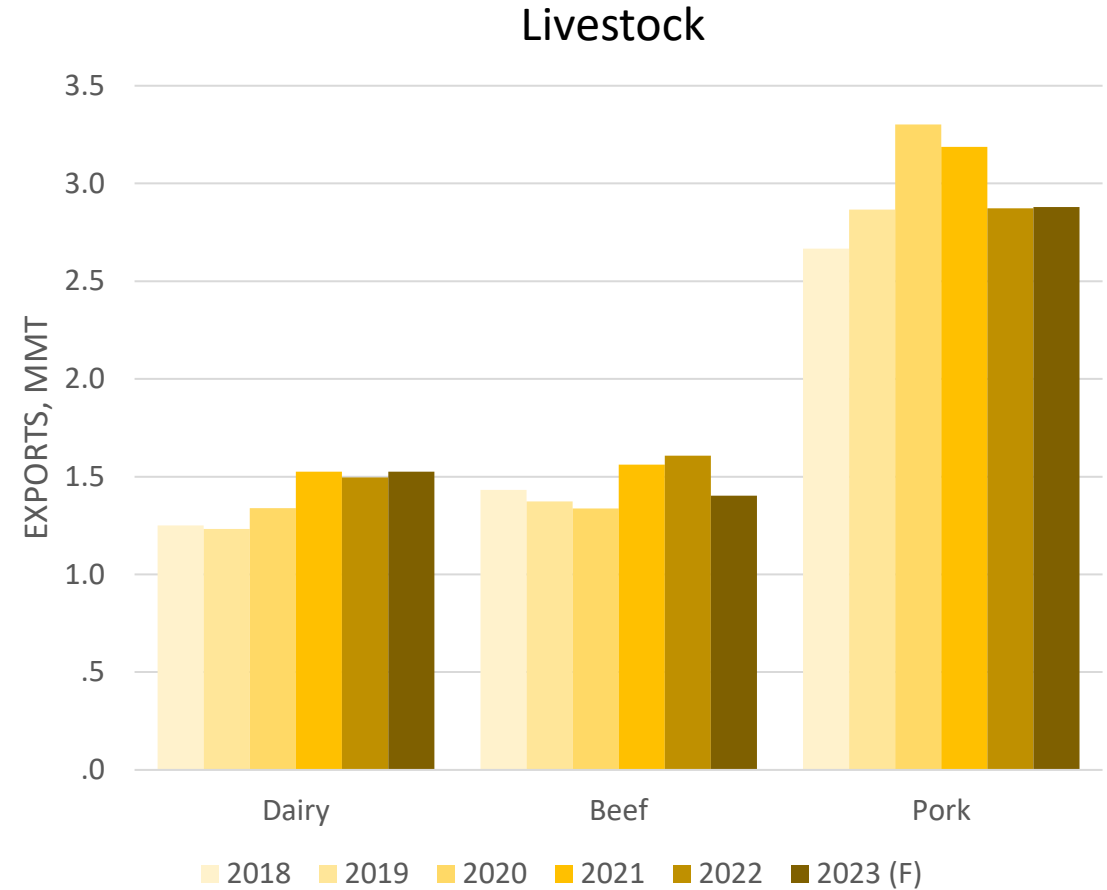
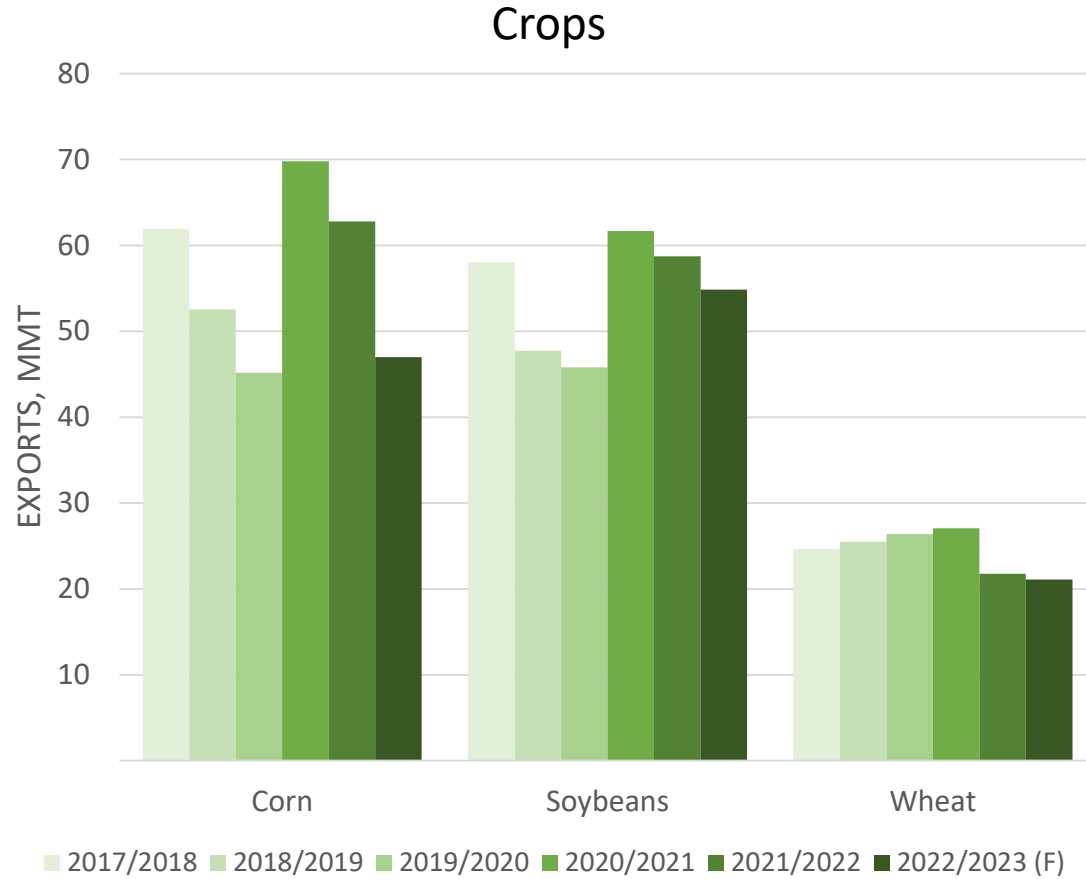


Source: USDA NASS *Agricultural Prices*. Indexes represent prices received by growers.



High U.S. prices and foreign competition slow exports

U.S. annual export quantities



Source: USDA Foreign Agricultural Service Production, Supply and Distribution Database. Marketing year for crops; calendar year for livestock products. (F) denotes March 2023 forecast.

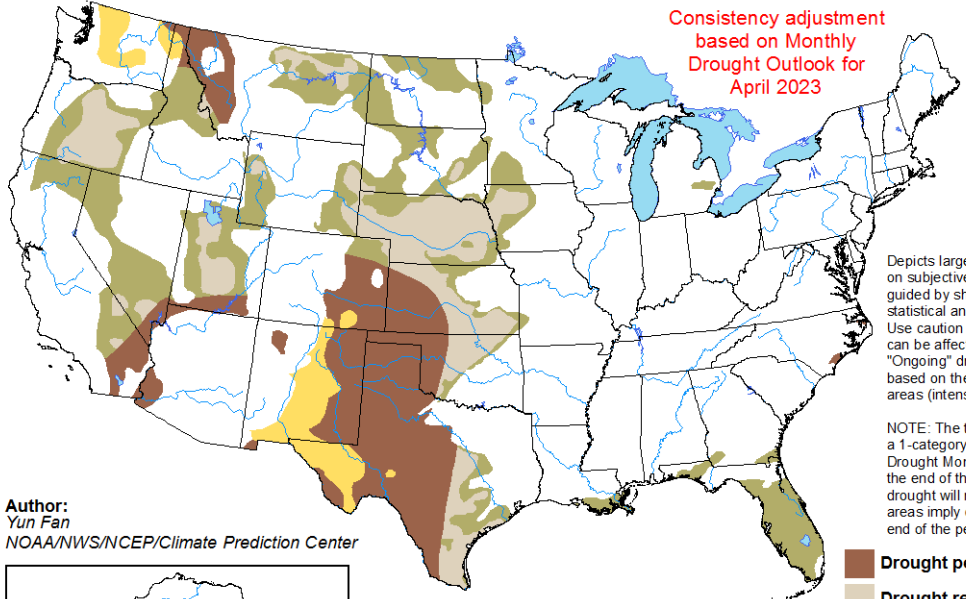


End of La Niña helps moderate drought, but large pockets of strain persist

U.S. Seasonal Drought Outlook Drought Tendency During the Valid Period

Valid for April 1 - June 30, 2023
Released March 31, 2023

Consistency adjustment
based on Monthly
Drought Outlook for
April 2023



Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Use caution for applications that can be affected by short lived events. "Ongoing" drought areas are based on the U.S. Drought Monitor areas (intensities of D1 to D4).

NOTE: The tan areas imply at least a 1-category improvement in the Drought Monitor intensity levels by the end of the period, although drought will remain. The green areas imply drought removal by the end of the period (D0 or none).

- Drought persists
- Drought remains but improves
- Drought removal likely
- Drought development likely



<http://go.usa.gov/3eZ73>

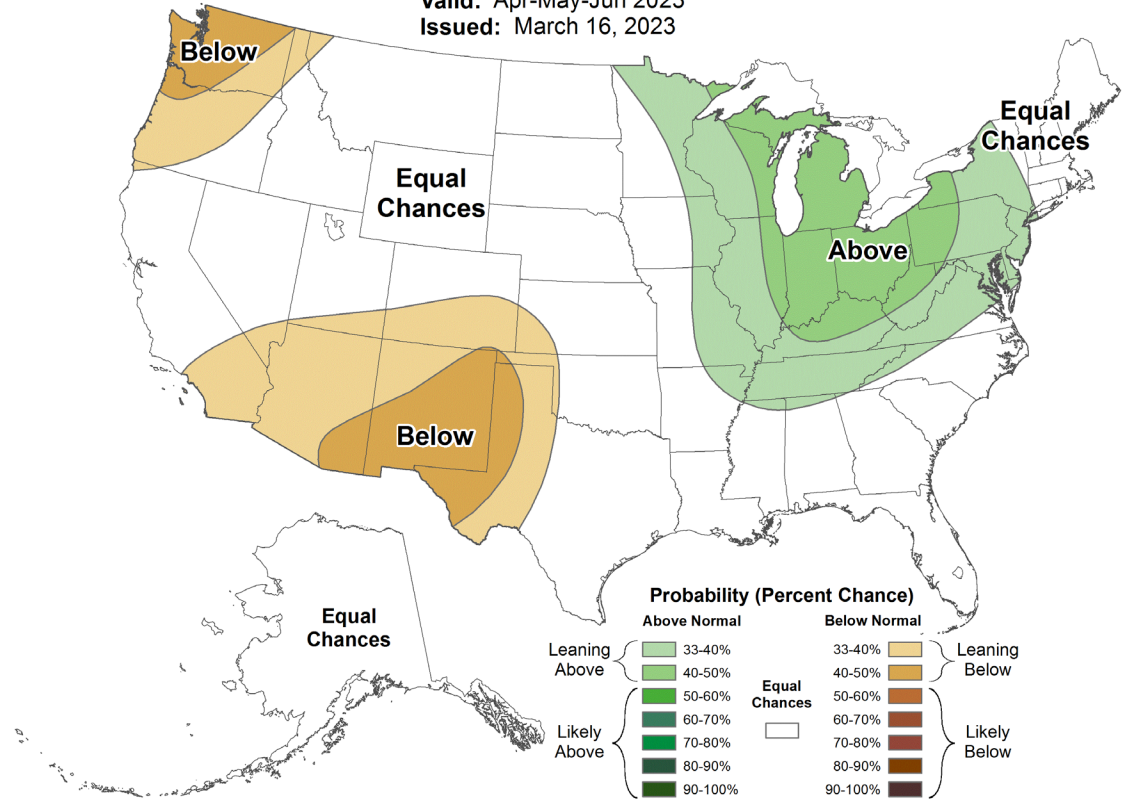
Author:
Yun Fan
NOAA/NWS/NCEP/Climate Prediction Center



Seasonal Precipitation Outlook



Valid: Apr-May-Jun 2023
Issued: March 16, 2023



Probability (Percent Chance)	
Above Normal	Below Normal
Leaning Above 33-40%	 33-40%
 40-50%	 40-50%
 50-60%	 50-60%
 60-70%	 60-70%
 70-80%	 70-80%
 80-90%	 80-90%
 90-100%	 90-100%
 Equal Chances	
	Leaning Below
	Likely Below

Source: NOAA National Weather Service Climate Prediction Center



Supply chains improve, though agricultural transportation sees continued strain

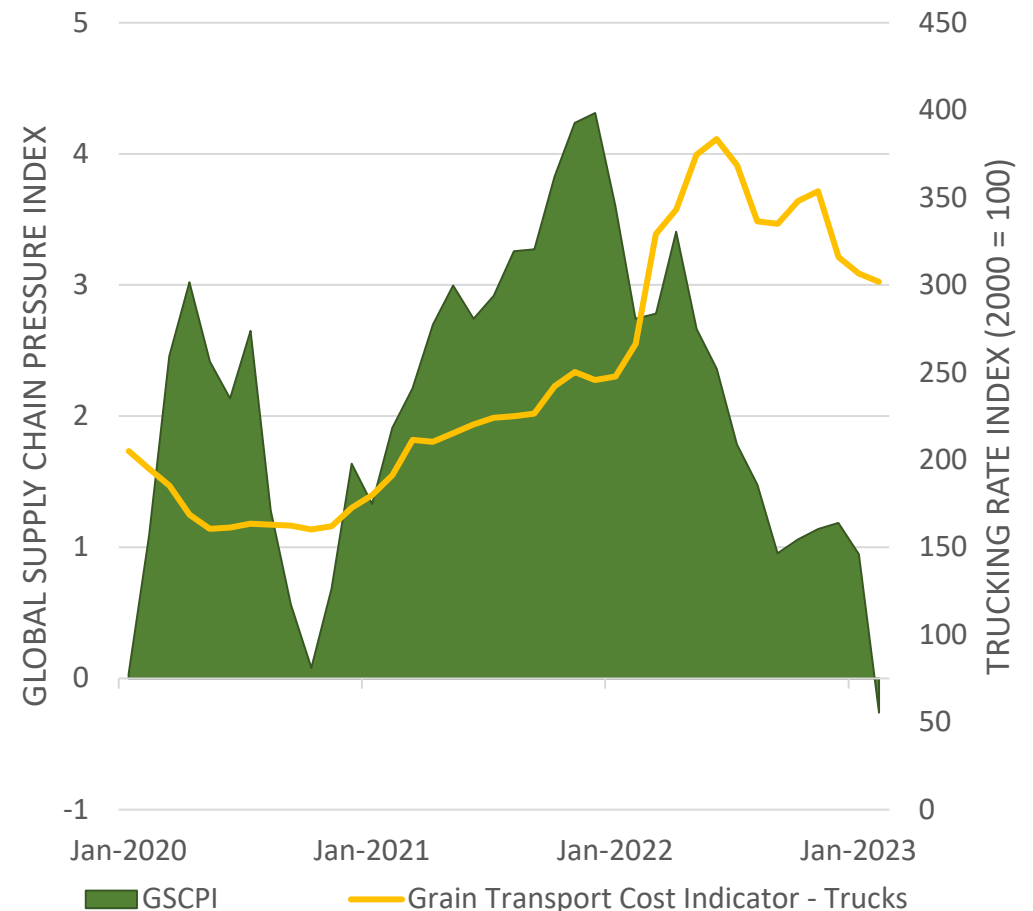
General transport measures normalize

- Shipping volumes
- Vessel container costs
- Trains and vessel absorption

Residual strain within agriculture

- Domestic transportation costs
- U.S. export costs
- Brazilian soybean transport cost advantage

Select transportation indexes

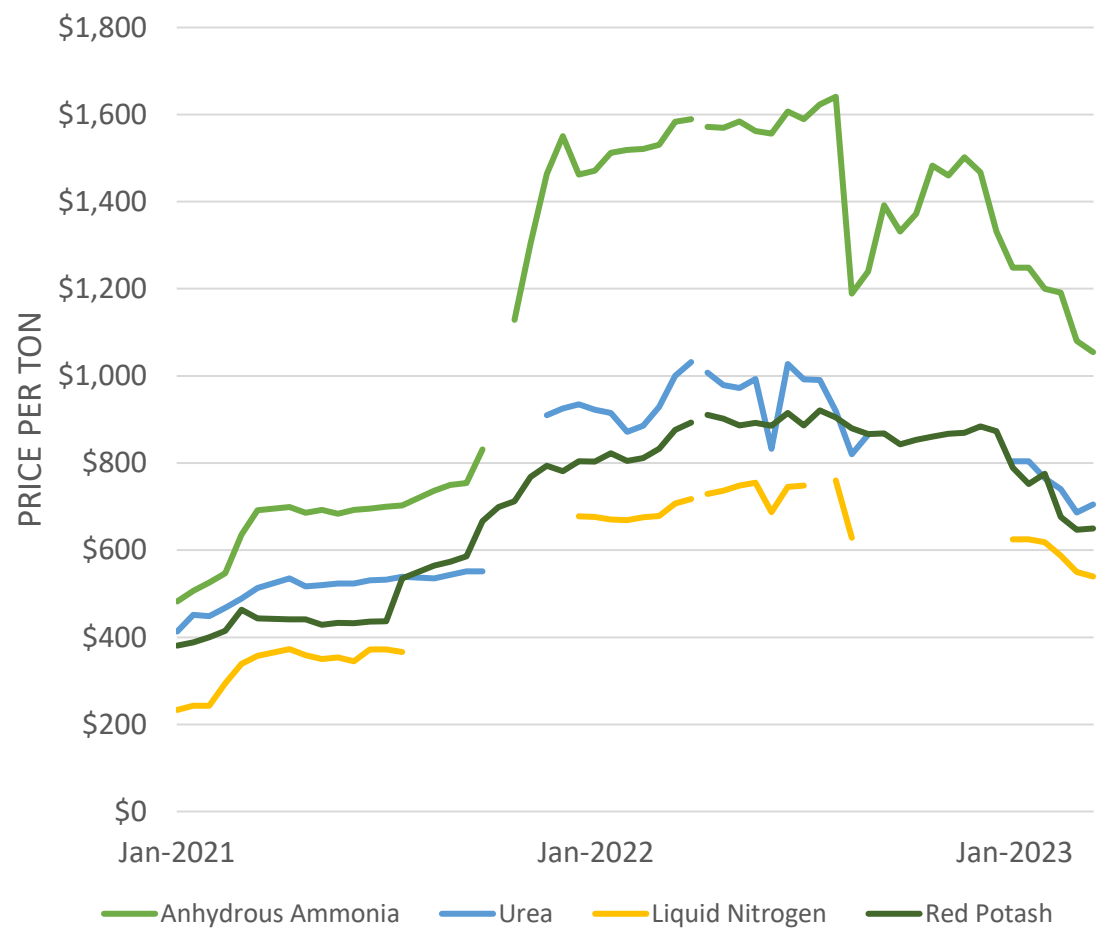


Source: Federal Reserve Bank of New York Global Supply Chain Pressure Index and USDA AMS, Grain Transport Cost Indicators

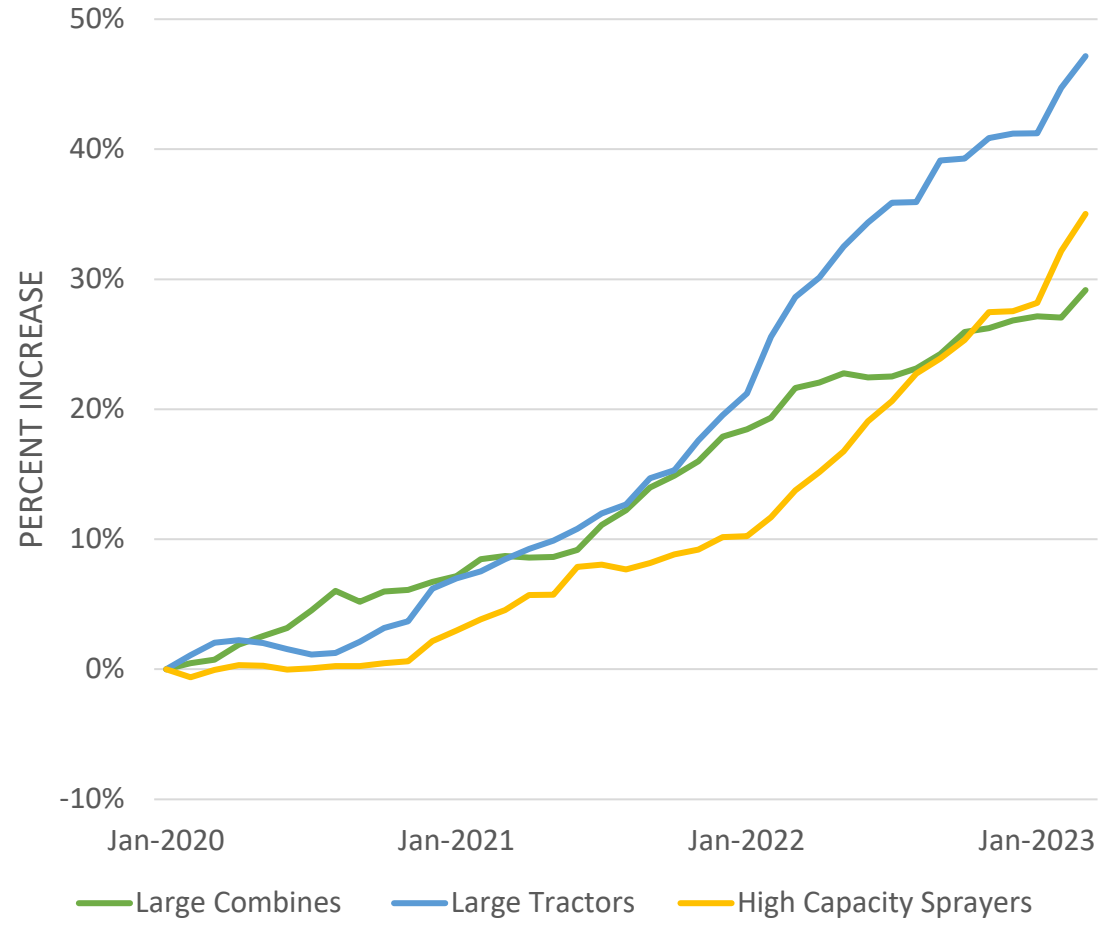


Many input costs decline, but farm machinery continues to face tight supplies, high demand

Iowa average fertilizer costs



Equipment price changes



Sources: USDA Agricultural Marketing Service Iowa Production Cost Report and Iron Solutions



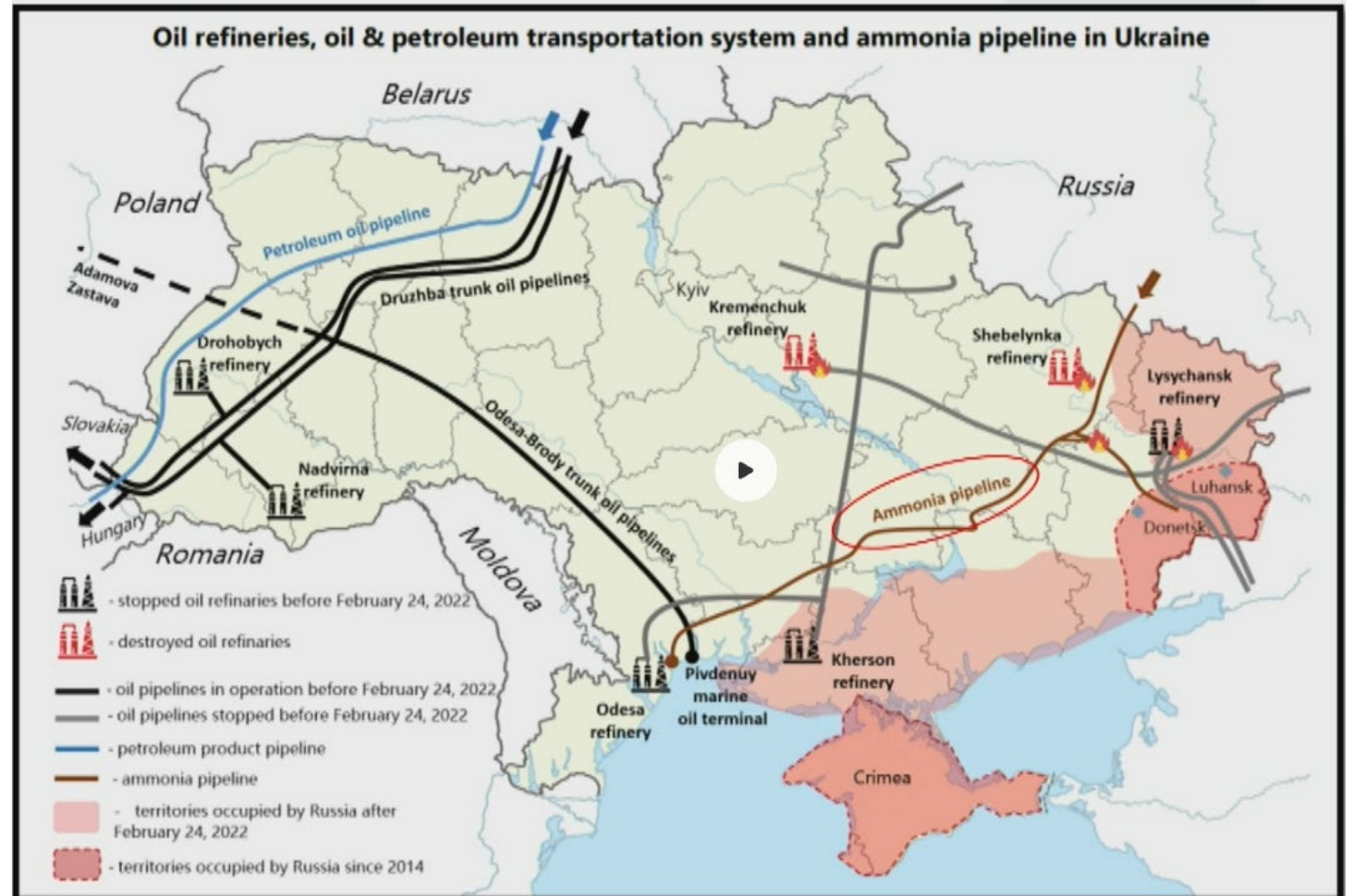
Agricultural impacts from the war in Ukraine will continue after hostilities end

Broad array of consequences

- Production loss
- Fertilizer
- Transport costs
- Energy

Long tail of impact

- Infrastructure repair
- Capital replacement
- Land rehabilitation



Source: StoneX



Land value growth cools in 2022, with some regional variation

Midwest: slower, but persistent growth

- Divergence in growth by land quality

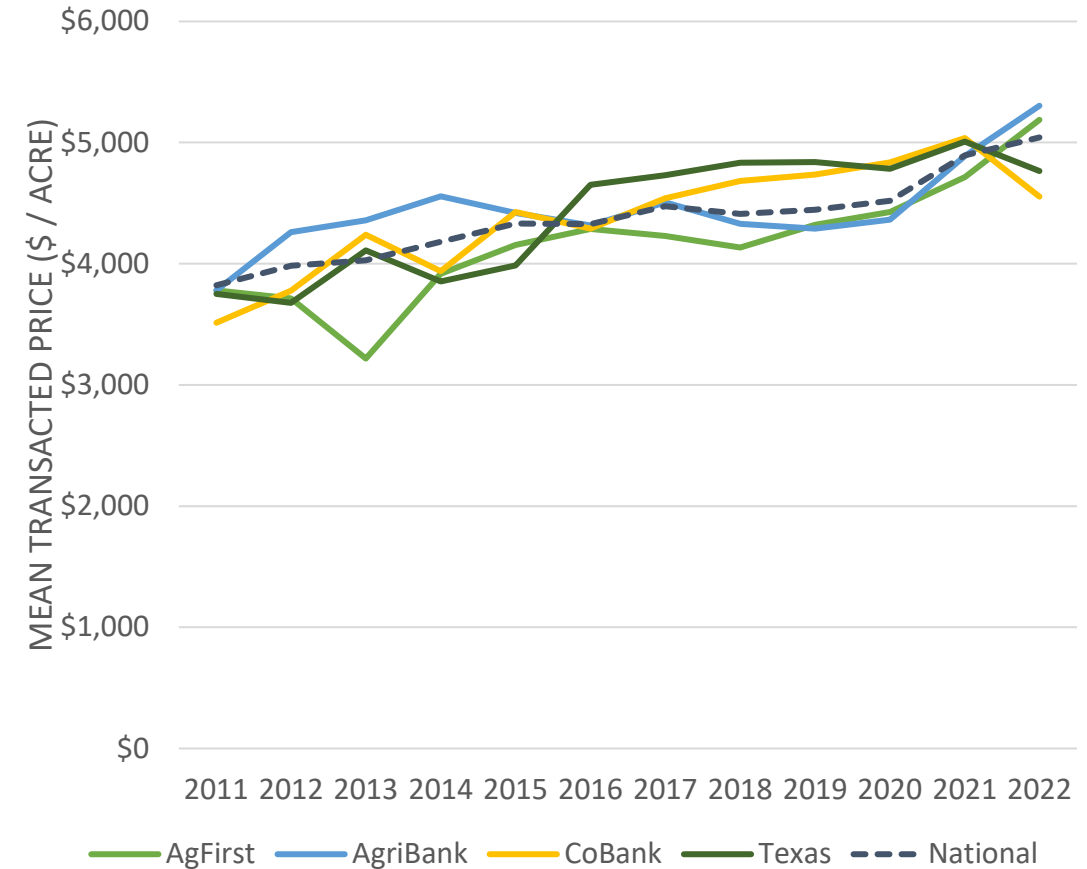
Mixed evidence in West, Southern regions

- Waning non-farm pressures
- Less benefit from current commodity prices

Potential signs of softening

- Declines in total transactions
- Growth in auction values slows

Average transacted farmland value by FCA district territory



Source: ODAE calculation using CoreLogic farmland transaction data



Questions

THANK YOU



Farm Credit System Condition and Performance

Hal Johnson

Senior Financial Analyst
Office of Examination

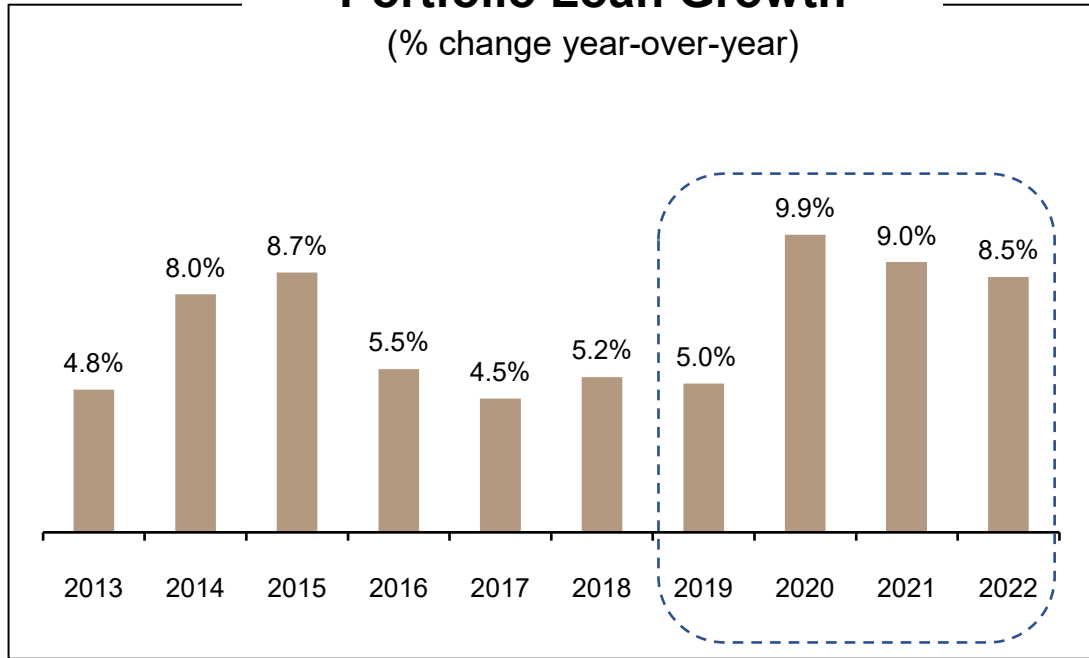




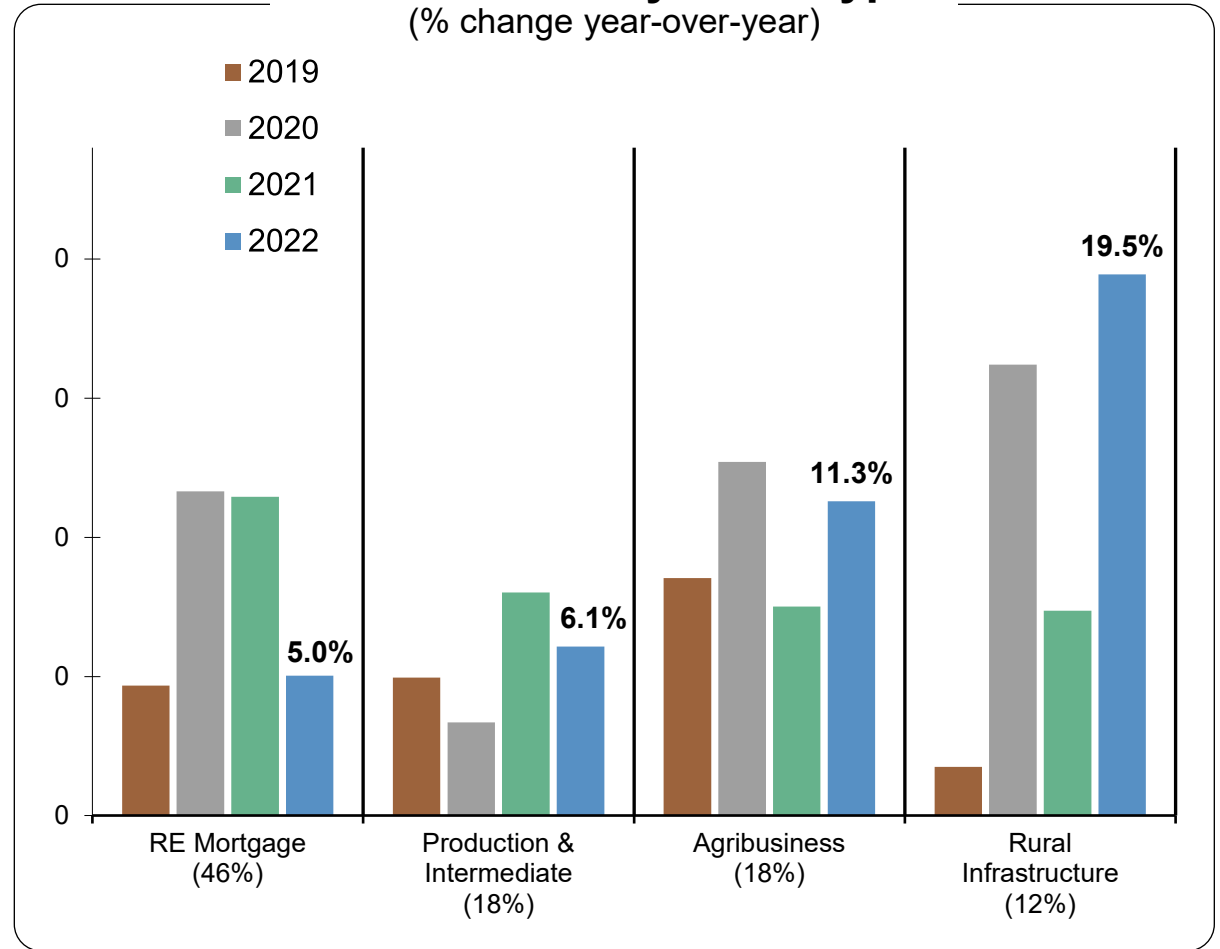
Strong asset growth continued in 2022

Total Assets 12/31/22	\$477.1	+2.7% Qtr	Gross Loans 12/31/22	\$373.3	+3.2% Qtr
	billion	+9.4% 12M		billion	+8.5% 12M

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



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

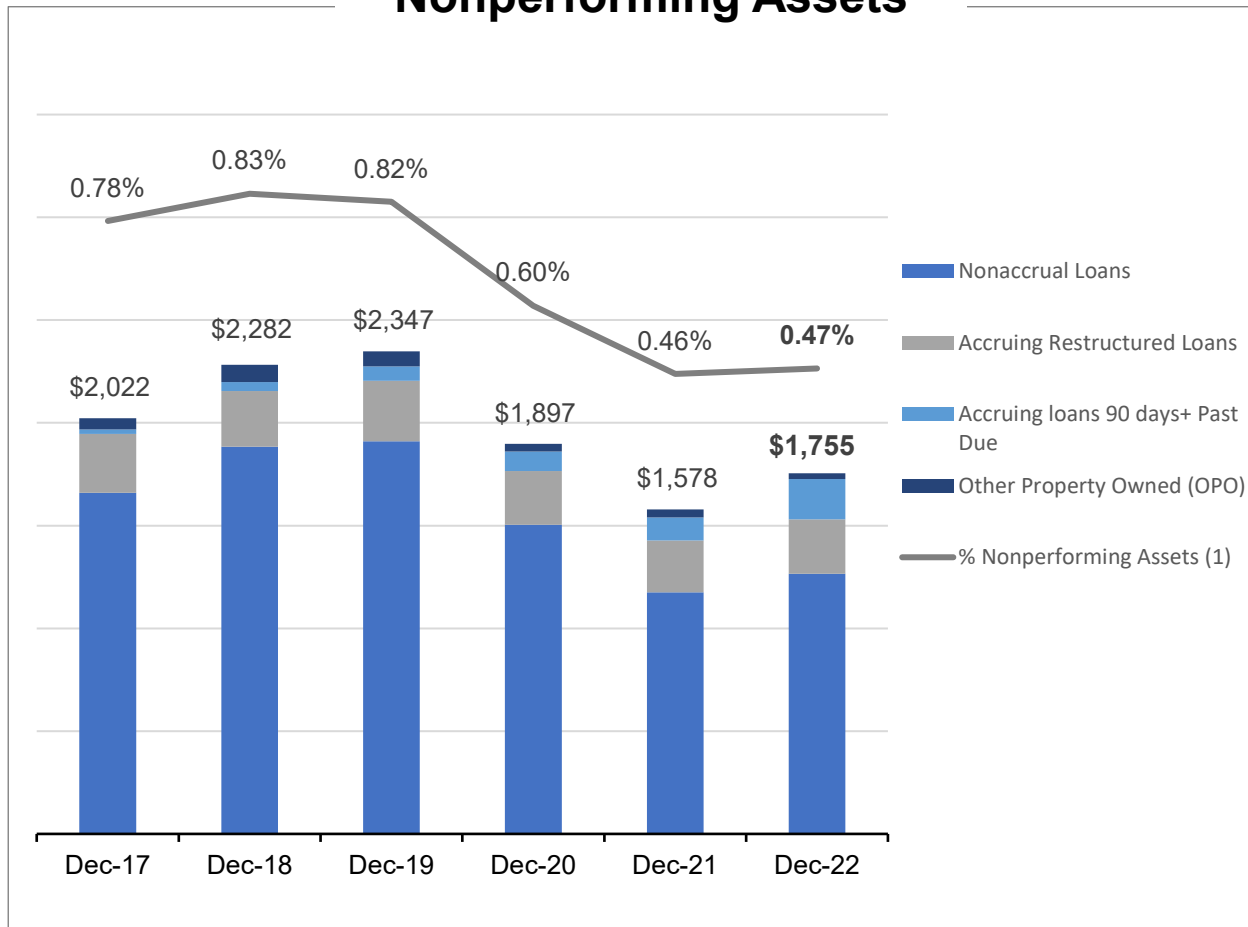


Source: Federal Farm Credit Banks Funding Corporation Information Statements

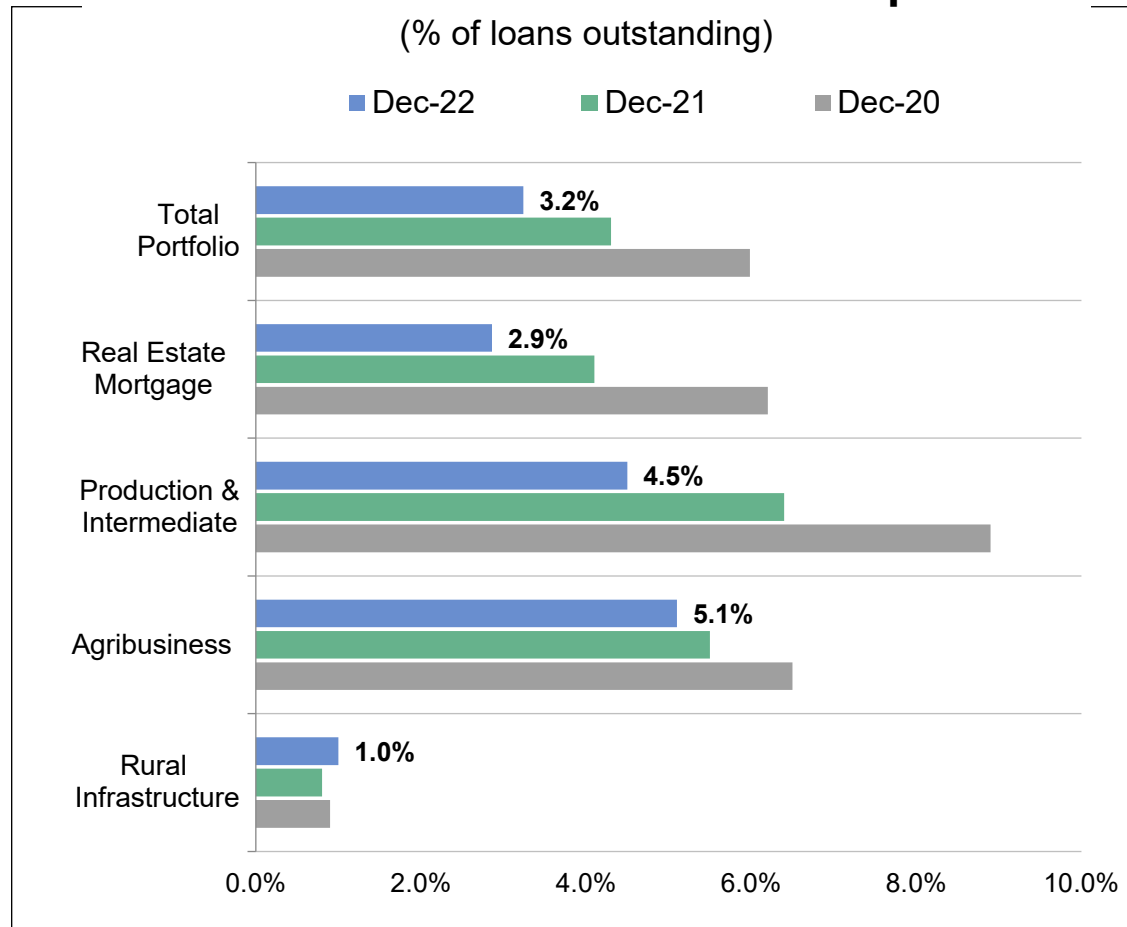


Credit quality remained strong

Nonperforming Assets



Loans Classified Less than Acceptable



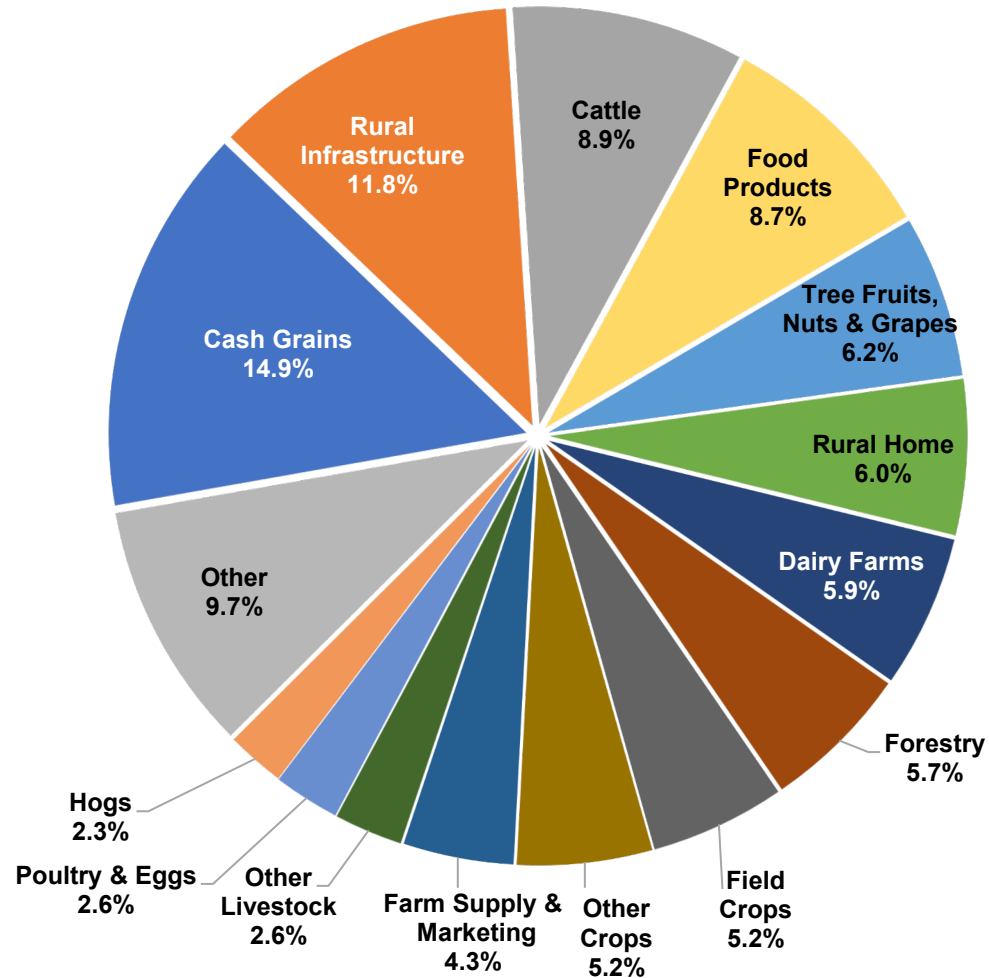
(1) calculated as a percentage of gross loans outstanding and other property owned

Source: Federal Farm Credit Banks Funding Corporation Information Statements



Portfolio is diversified by commodity

Loan Portfolio by Commodity Concentration



System Loan Portfolio (\$ in millions)	Dec-22	% of Total Portfolio	% chg. yr. over yr.
Cash Grains	55,669	14.9%	2.7%
Tree Fruits, Nuts & Grapes	23,289	6.2%	8.2%
Field Crops	19,440	5.2%	4.1%
Other Crop Production	19,342	5.2%	6.4%
Total Crop Production	117,740	31.5%	4.6%
Cattle	33,315	8.9%	6.7%
Dairy Farms	22,016	5.9%	0.9%
Poultry & Eggs	9,520	2.6%	3.0%
Hogs	8,413	2.3%	6.0%
Other Livestock	9,839	2.6%	6.4%
Total Animal Production	83,103	22.3%	4.6%
Rural Infrastructure	44,215	11.8%	19.5%
Food Products	32,379	8.7%	22.3%
Rural Home	22,326	6.0%	7.8%
Forestry	21,444	5.7%	7.7%
Farm Supply & Marketing	15,962	4.3%	-3.2%
Other	36,097	9.7%	15.5%
Total	373,266	100.0%	8.5%

Source: Federal Farm Credit Banks Funding Corporation Information Statements

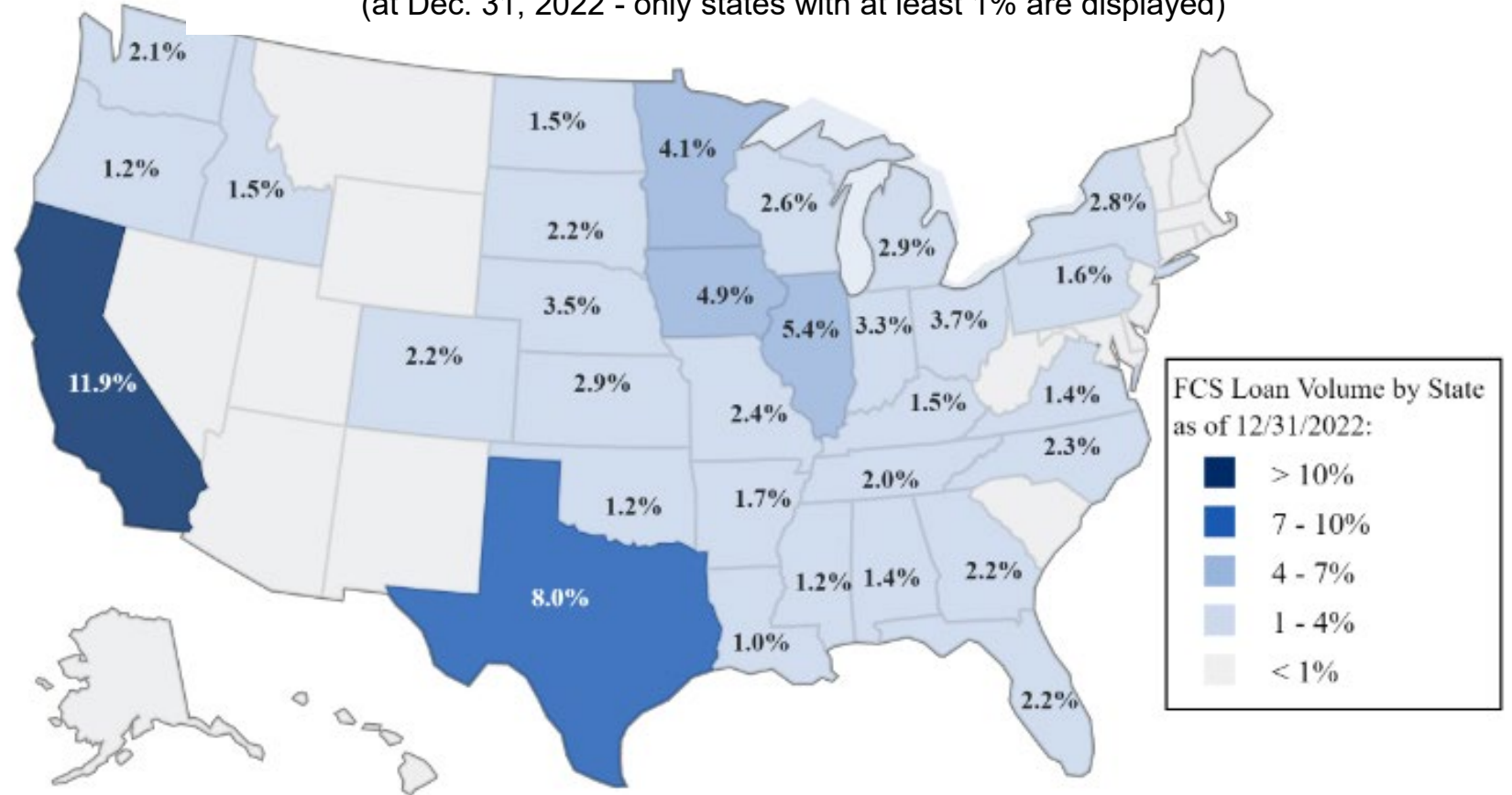


Loan volume is geographically dispersed

Percentage of System Loan Volume by State

(at Dec. 31, 2022 - only states with at least 1% are displayed)

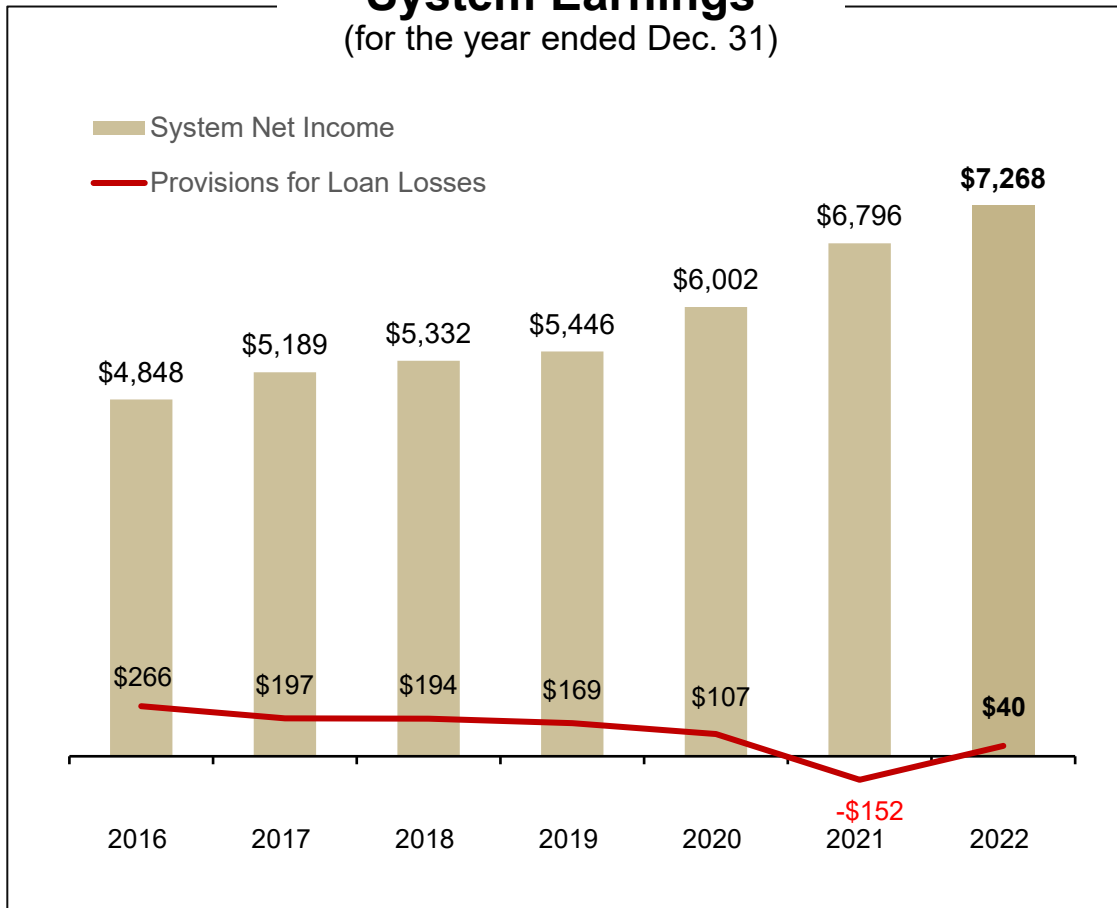
Top 5 States	% of Portfolio
California	11.9%
Texas	8.0
Illinois	5.4
Iowa	4.9
Minnesota	4.1



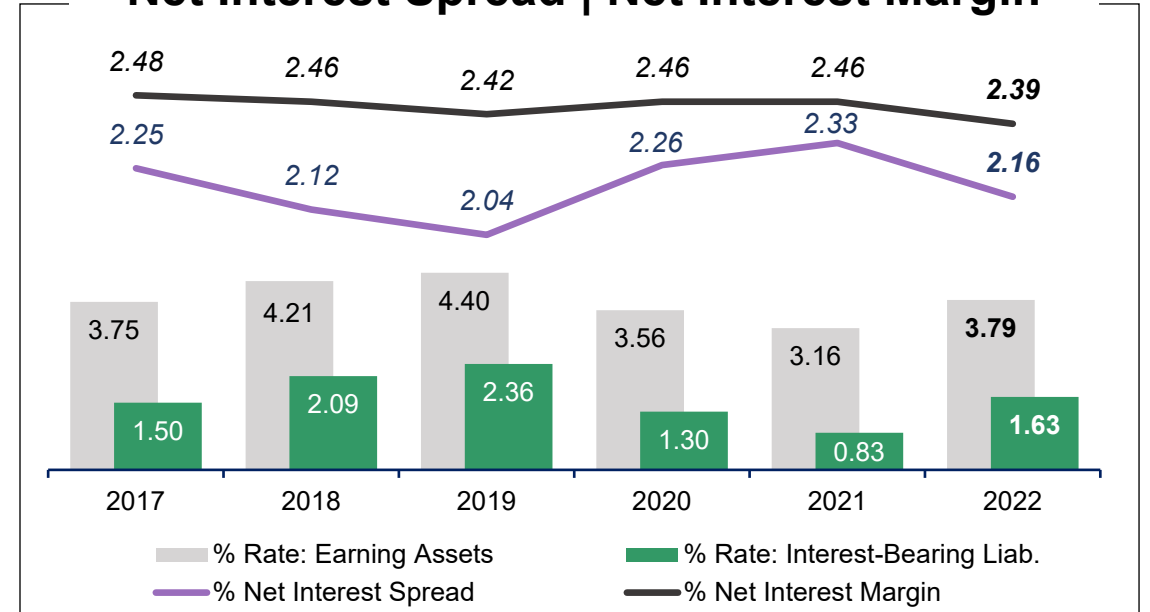


Strong loan growth drives increased earnings

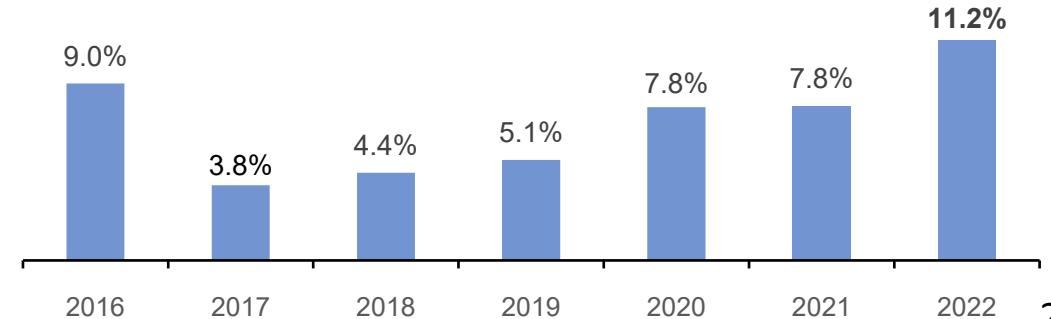
System Earnings (for the year ended Dec. 31)



Net Interest Spread | Net Interest Margin



Average Earning Assets (% change year-over-year)



Source: Federal Farm Credit Banks Funding Corporation Information Statements



Capital levels remain sound despite decline

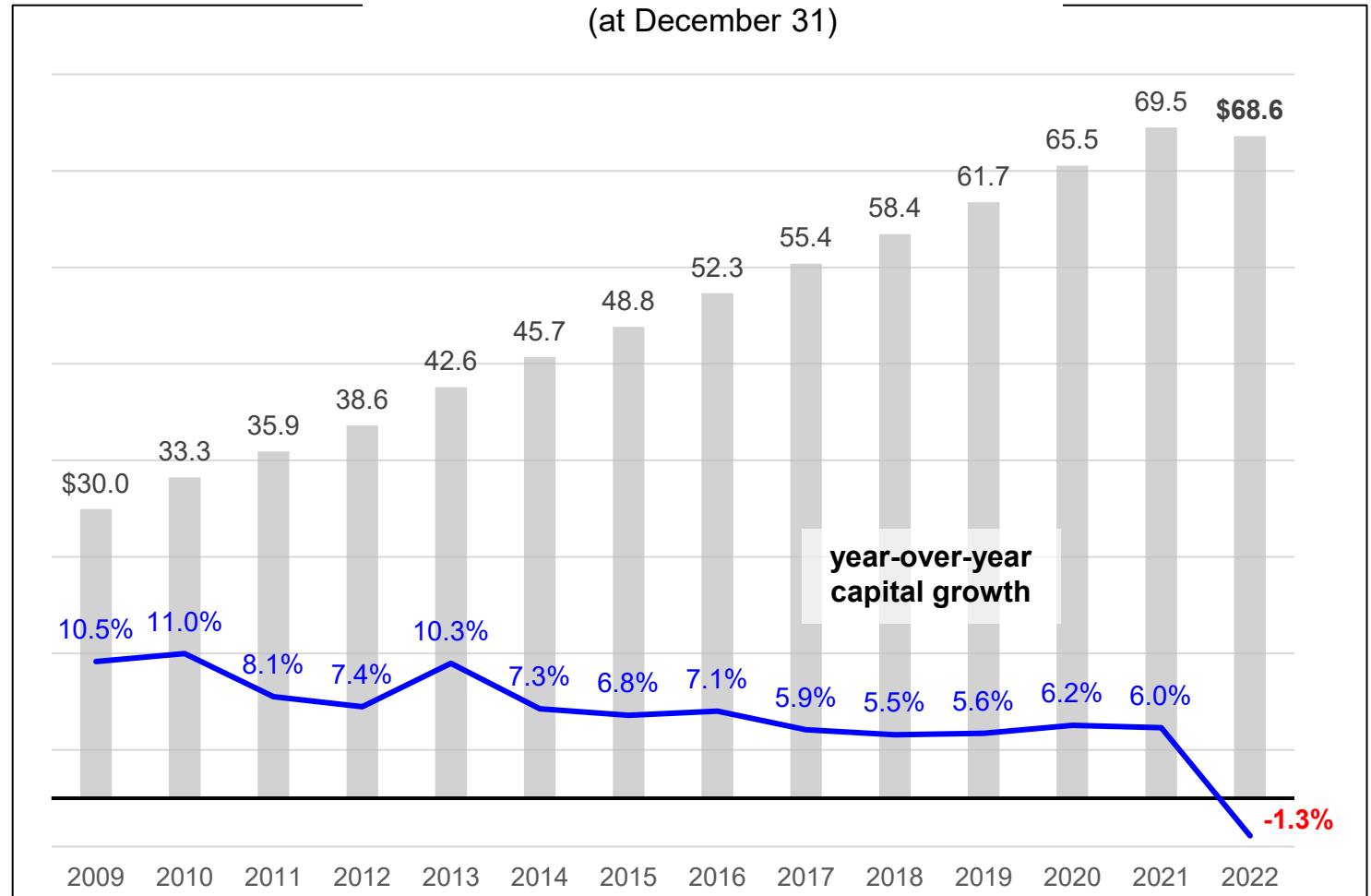
System Capital

(at December 31, 2022)

- ▶ Total Regulatory capital levels:
 - Banks: 13.5% to 16.9%
 - Associations: 12.1% to 33.1%.
- ▶ Over 84% of System institutions were in the Capital benchmark 1 range and all were in the benchmark 1 or 2 range.
- ▶ The System's capital-to-assets ratio equaled 14.4% at year-end, down from 15.9%.

Total System Capital (\$B)

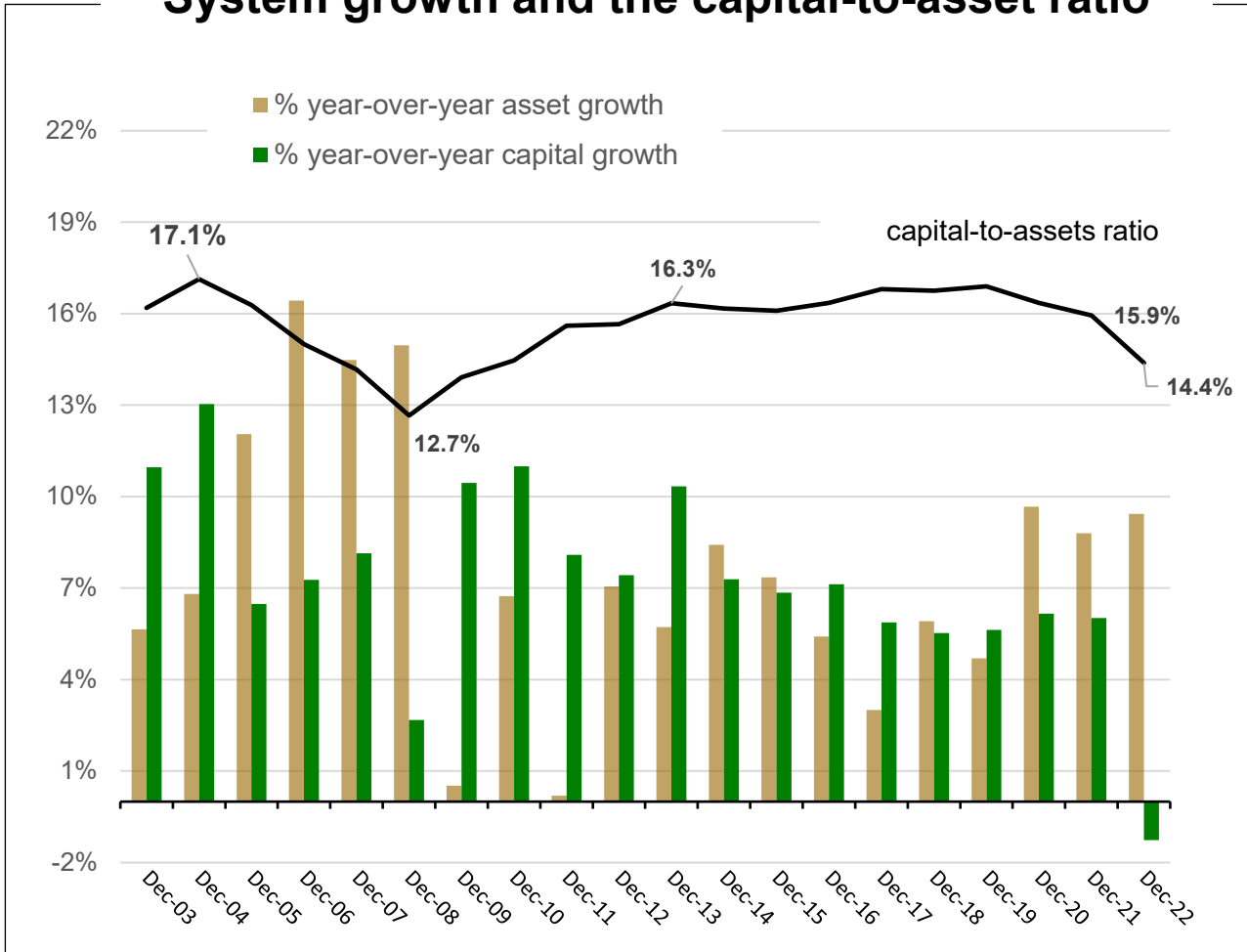
(at December 31)





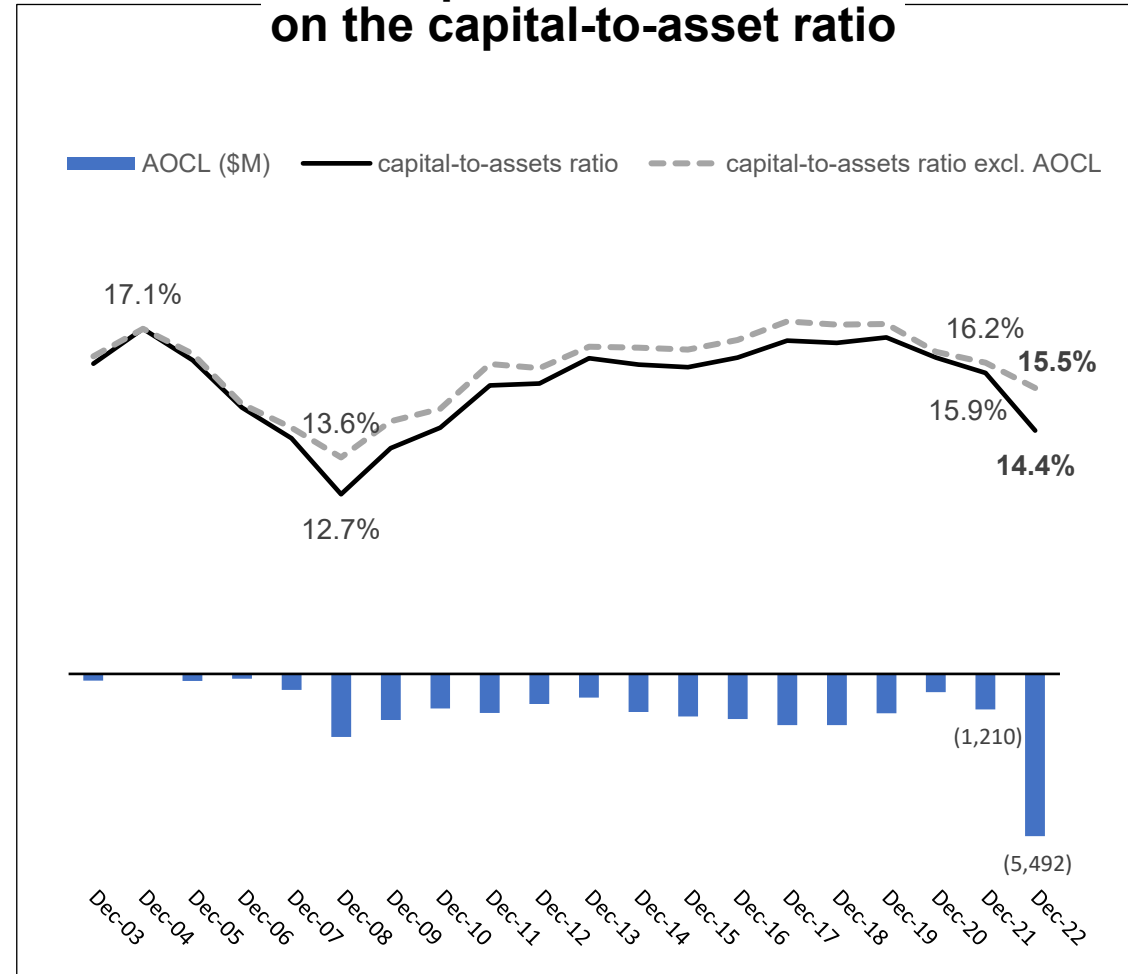
Strong asset growth and rising interest rates impact the System's capital-to-asset ratio

System growth and the capital-to-asset ratio



Source: Federal Farm Credit Banks Funding Corporation Information Statements

Impact of AOCL⁽¹⁾ on the capital-to-asset ratio



(1) Accumulated other comprehensive loss

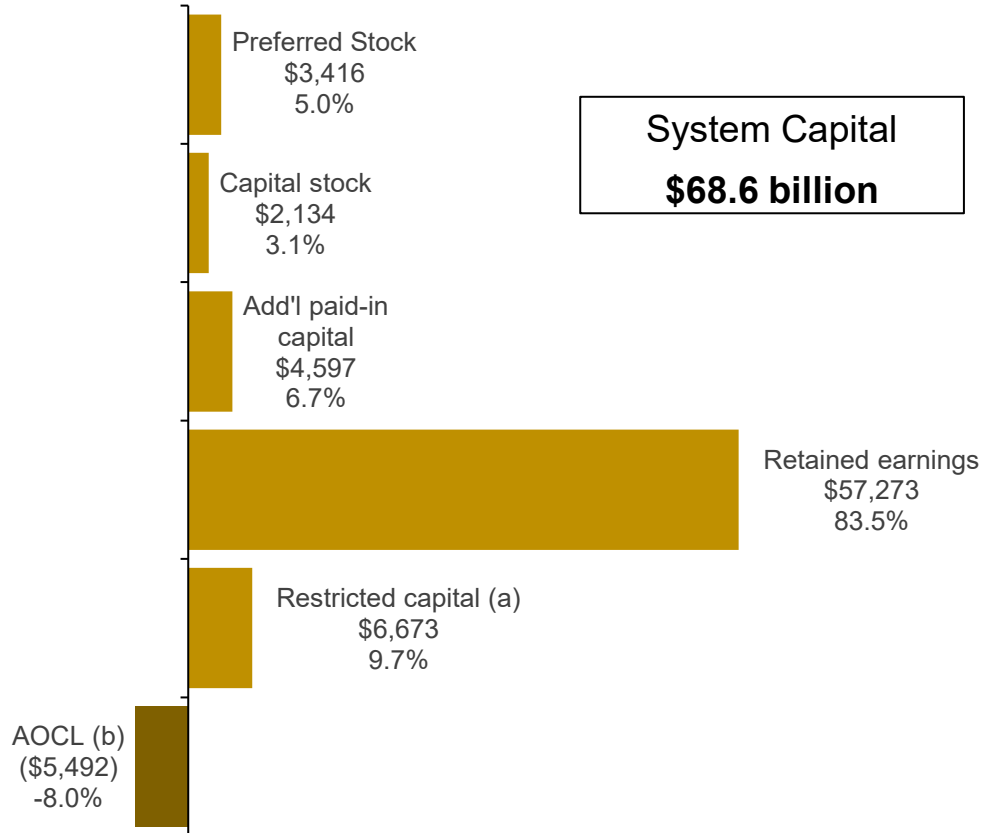


Quality of capital and liquidity are strong

Capital Components

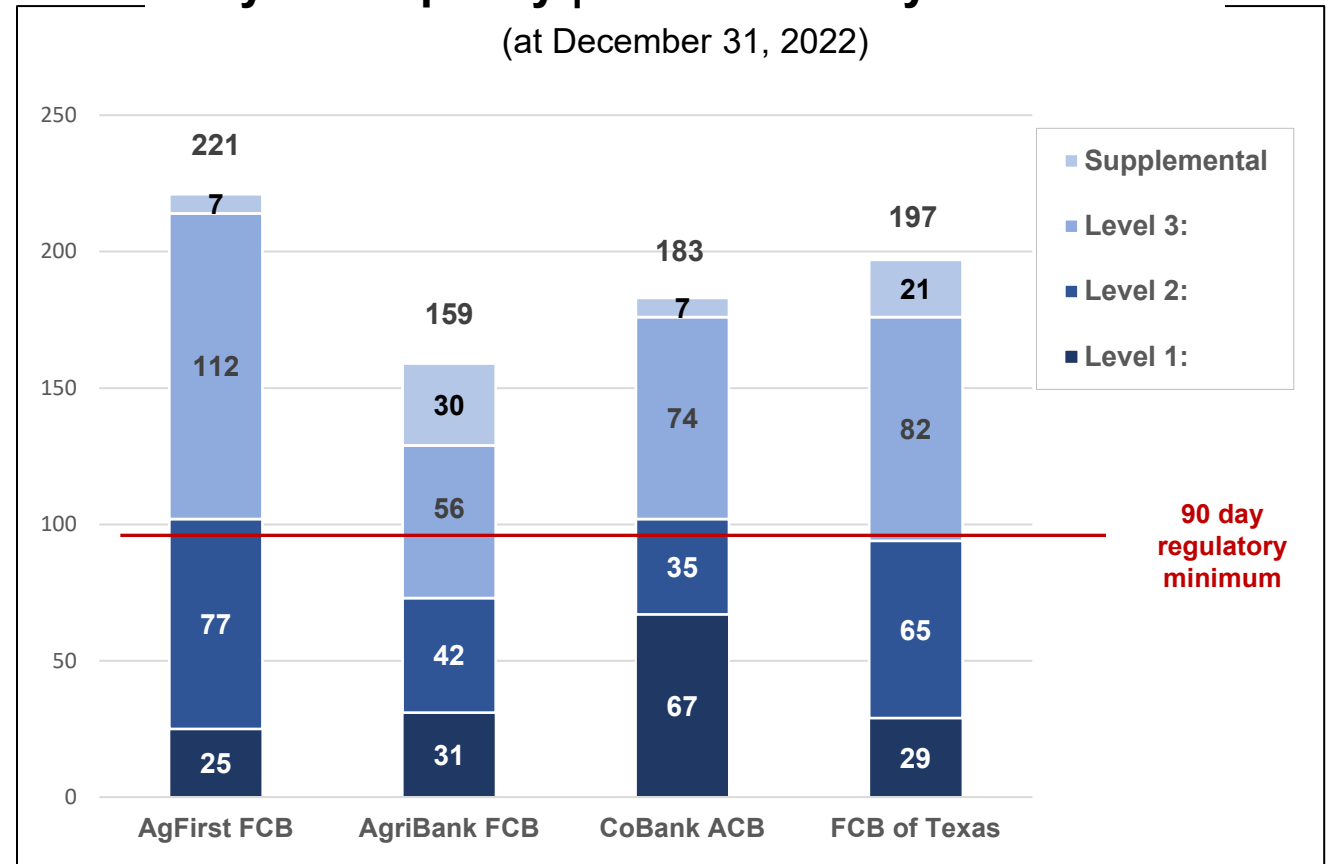
(at December 31, 2022)

**System Capital
\$68.6 billion**



Days of Liquidity | Farm Credit System Banks

(at December 31, 2022)



(a) Restricted capital represents capital associated with the Insurance Fund

(b) Accumulated other comprehensive loss

Source: Federal Farm Credit Banks Funding Corporation Information Statements and Farm Credit System Call Reports



Composite FIRS ratings improve

FIRS Ratings

(based on 12/31/22 financial reporting)

- ▶ Composite FIRS ratings reflect the System's sound financial condition.
- ▶ Over 95% of System banks and associations have a Composite FIRS rating of 1 or 2.
- ▶ Institutions rated 3 or lower represent just over 1% of System assets.

Composite FIRS Ratings Farm Credit System Banks and Associations

