

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
September 14, 2023**

These minutes reflect the business transacted at the September 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 10:31 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 three members of the general public in attendance. (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 August 10, 2023

(BM-14-SEP-23-01)

Mr. Hall moved to approve the minutes for the August 10, 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-SEP-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

Greg Lyons of the **Office of Data Analytics and Economics** and **Mindy Stultz** 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.

**BOARD AND STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
September 14, 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
Lewandrowski, Barbara	X
Waldron, Ashley	X
Hoffman, Bill	X
OCOS	
Duran, Maribel	X
Cunningham, Lesley	X
OCOO	
Coleman, Robert	X
OEEOI	
Burlew, Thais	X
OIT	
Golley, Jerry	X
Versace, Jerry	X
Matos, Ricardo	X
Rana, Ben	X
OCPA	
Reuschel, Trevor	X
Middleton, Russell	X
OGC	
Grahn, David	X
Griffin, Ward	X
OE	
Duffy, Mike	X
Fennewald, Dan	X
Greenlee, Angela	X
Stultz, Mindy	X
Johnson, Hal	X
ODAE	
D'Antoni, Jeremy	X

ATTENDEES	OPEN SESSION
Lyons, Greg	X
OIG	
Laguarda, Wendy	X
OSMO	
Fay, Thomas	X
Hudson, Bruce	X
ORP	
Kramp, Kevin	X
OCFO	
Walters, Sandi	X
Gandy, Doug	X
OAS	
Bell, Vonda	X
Clark, Patrina	X
FCSIC	
Simonson, John	X
Grimaldi, Andrew	X
Wynn, Wade	X
Smith, Gregory	X
Morgan, Matthew	X
GENERAL PUBLIC	3

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 September 14, 2023

TIME AND DATE: 10:00 a.m., Thursday, September 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, 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 August 10, 2023
- 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

August 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 August 10, 2023

BM-14-SEP-23-01

Effective Date: September 14, 2023

Impact on Prior Board Actions: None

THE FCA BOARD HEREBY:

- Approves the minutes for August 10, 2023.

DATED THIS 14th DAY OF SEPTEMBER 2023

BY ORDER OF THE BOARD

_____/s/
Ashley Waldron
Secretary to the Board

FCA Board Meeting
September 2023



Quarterly Report on FCS Condition
September 14, 2023

Greg Lyons
Mindy Stultz





Topics for Open Session

Economic Conditions Affecting the Farm Credit System

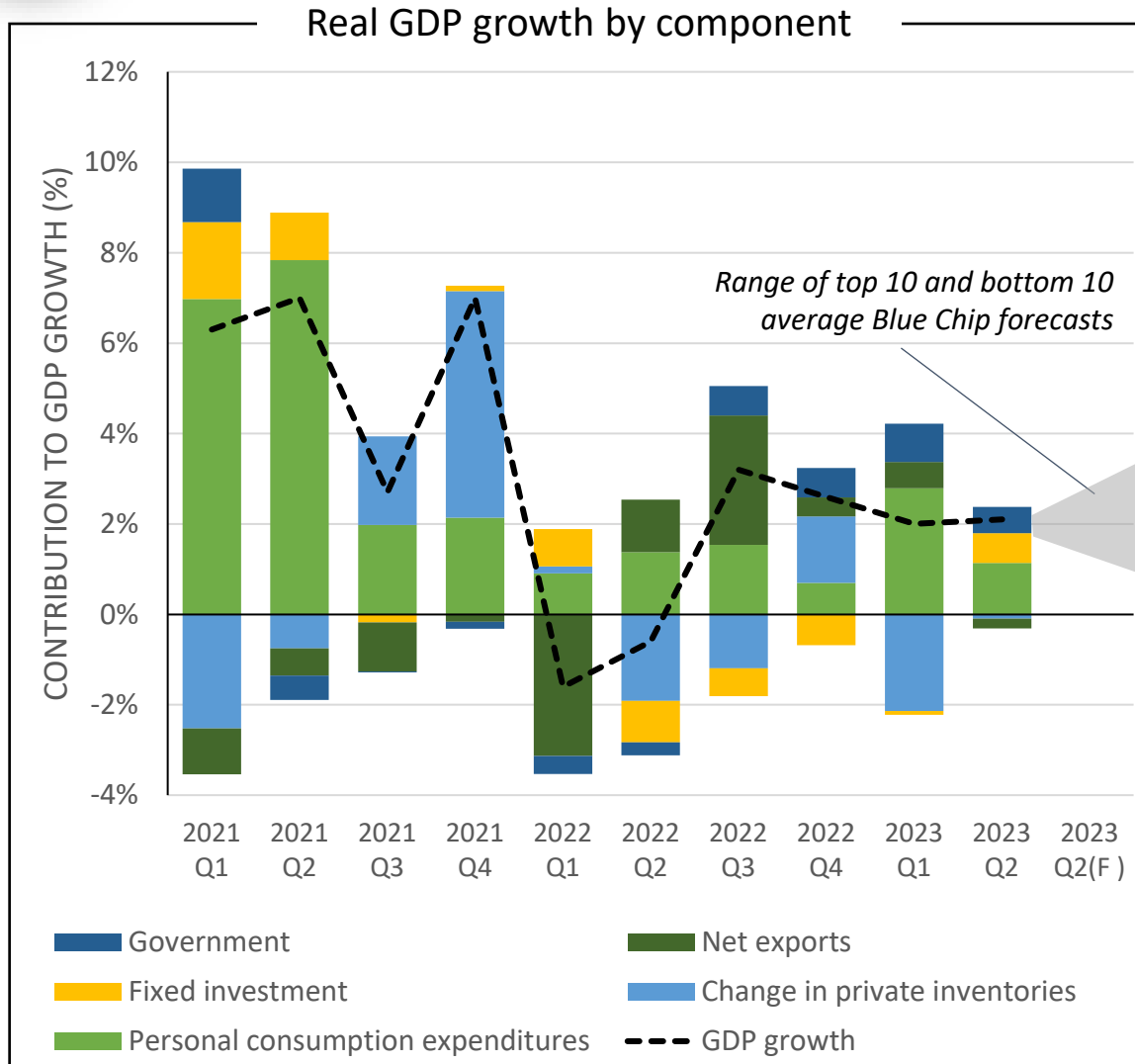
- Near term economic resilience
- Contributions to inflation
- Agricultural incomes
- Farmland markets

Farm Credit System Condition and Performance

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



Economic growth continues to defy expectations amidst near-term uncertainty



Slow but stable growth to date

- Consumer spending drives recent growth
- Labor markets support consumer activity
- Improving outlook for second-half 2023

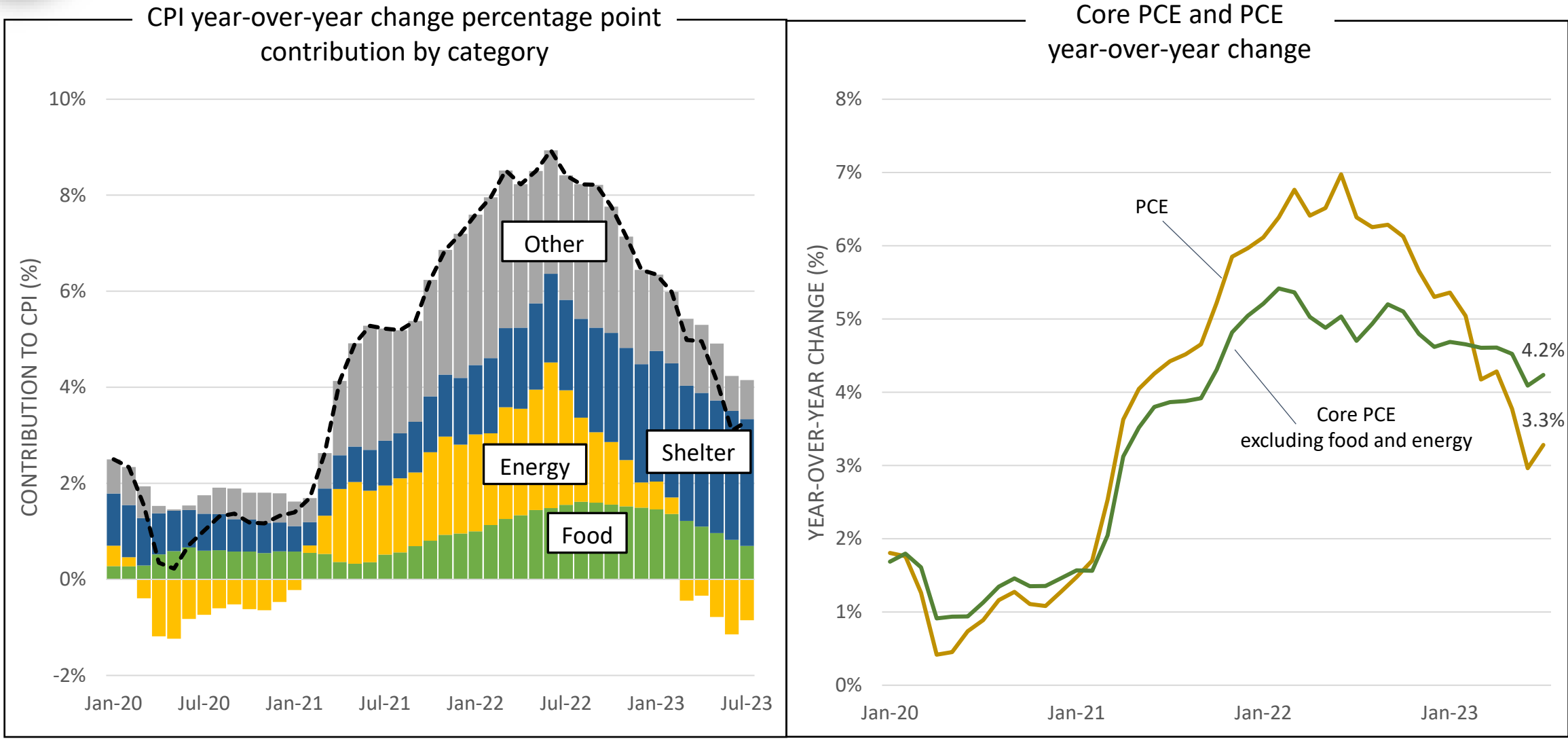
Uncertain 2024 outlook

- Consumer sentiment falls
- Manufacturing pulls back
- Inflation

Source: Bureau of Economic Analysis, Gross Domestic Product (Second Estimate). Blue Chip forecast range from Federal Reserve Bank of Atlanta GDPNow.



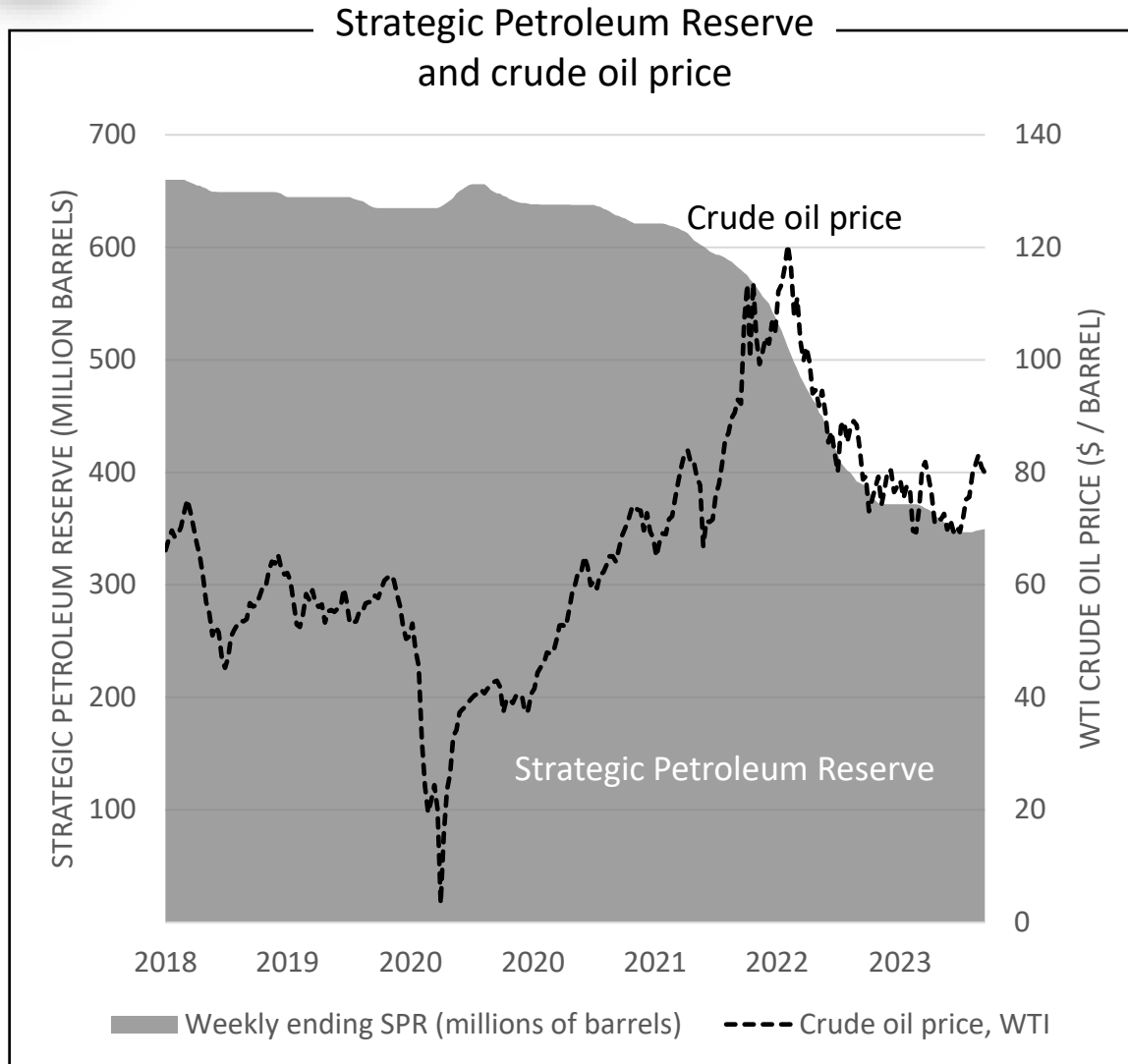
Overall inflation moderates, but core inflation shows slower declines



Source: U.S. Bureau of Labor Statistics Consumer Price Index, author's calculations and U.S. Bureau of Economic Analysis Personal Income and Outlays.



Energy price declines have contributed to slower inflation



No further price declines anticipated

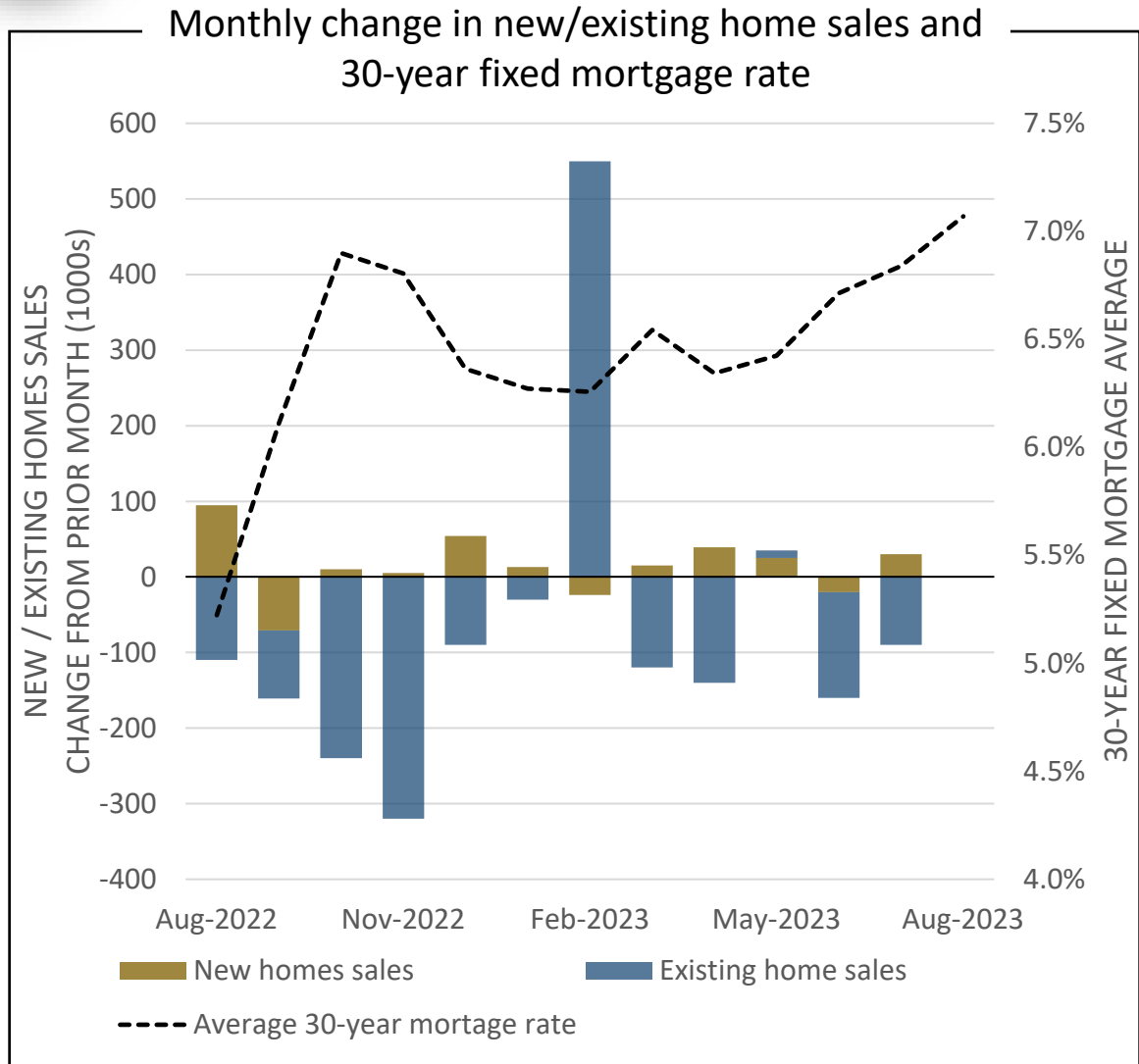
- Refilling the SPR
- Impacts to inflation largely accounted for

Stable short-term price outlooks

- Gains in U.S., other non-OPEC production
- Production cuts add uncertainty



Shelter cost growth remains high due to low inventories, some signs of moderation



Low inventories pressure shelter prices

- High mortgage rates
- Fewer “plans to move”

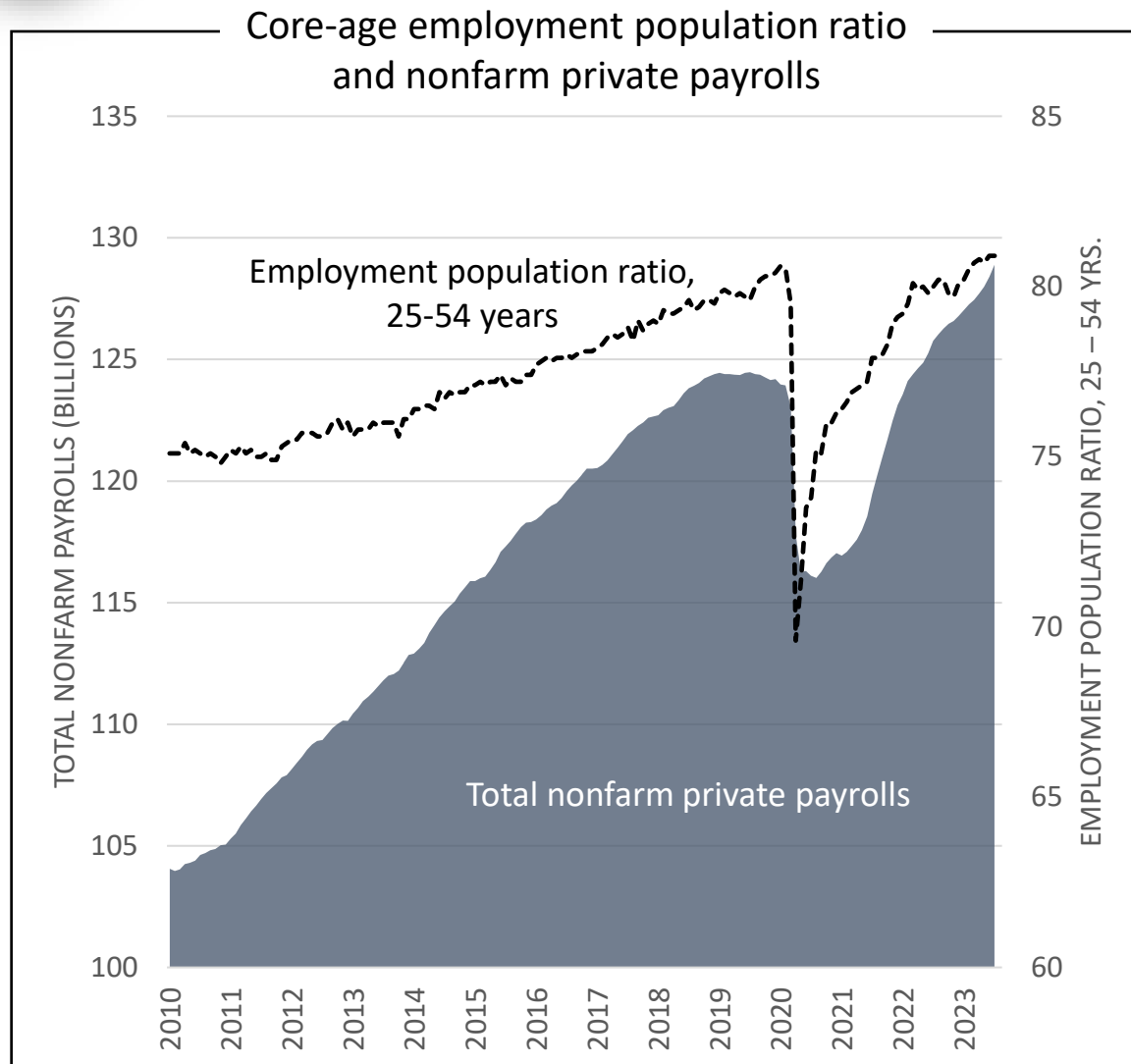
A peak in shelter prices?

- CPI shelter price growth slows
- New construction rebounds

Source: U.S. Census Bureau, New Residential Construction. Freddie Mac, Primary Mortgage Market Survey.



Tight labor markets show signs of softening



Existing labor force remains tight

- Core-age employment ratios at record high
- 65+ population employment remains low

Some signs of easing conditions

- Job openings, quits come off record highs
- Increases in foreign-born labor population

Payrolls driving looser conditions

- Payroll growth slows
- Some sectors signal reduced labor needs



Net farm income drops sharply in 2023 driven by falling cash receipts, select expenses

Farm incomes forecast above average

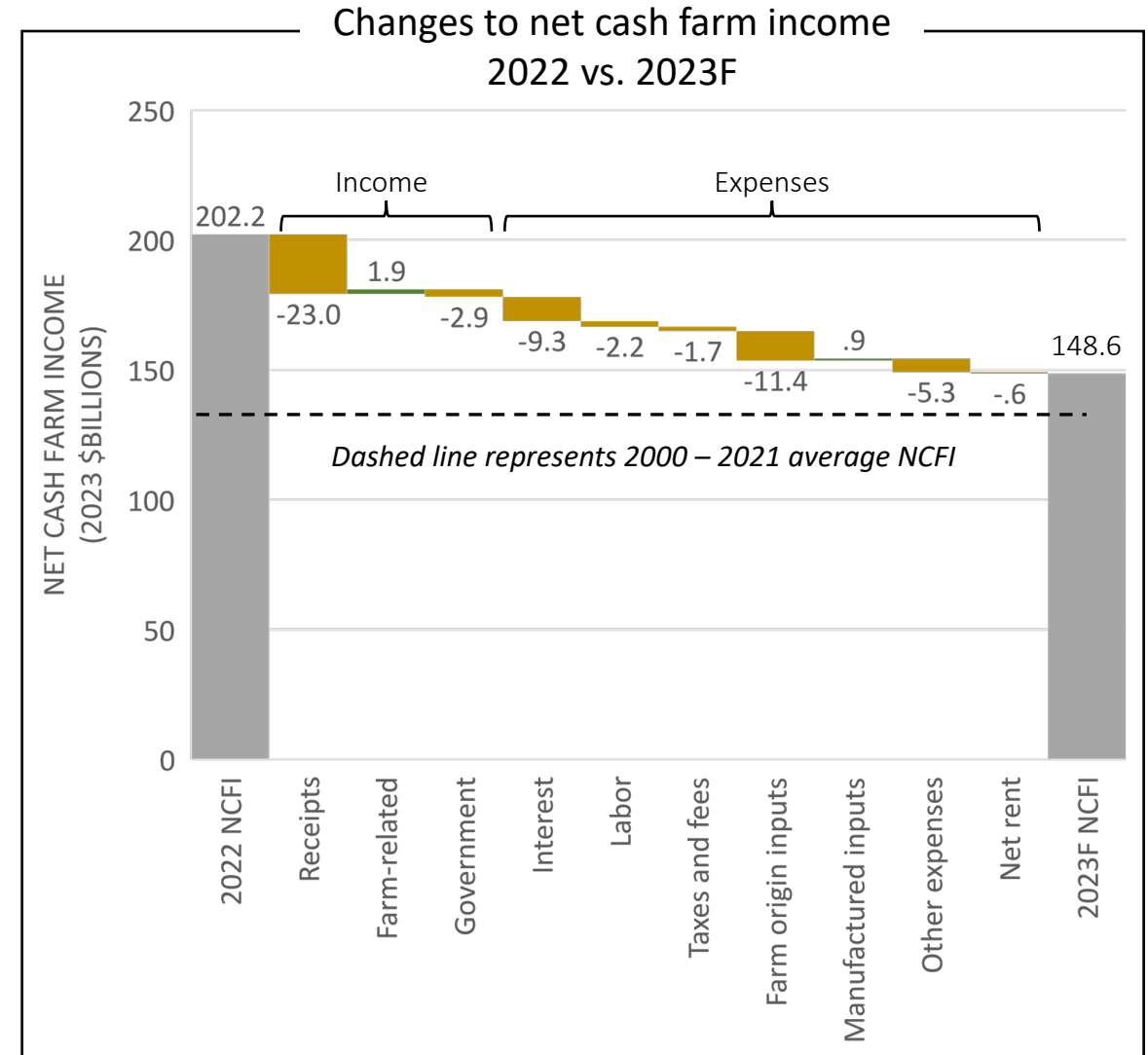
- Cash receipt declines dominate
- Receipts remain near record highs

Revised forecast shows broader declines

- Nonreal estate interest expenses
- Government payments near multi-decade lows

Farm sector financial ratios remain strong

- Solvency ratios improve for 4th consecutive year
- Liquidity, profitability metrics fall from peak



Source: USDA Economic Research Service Farm Income and Wealth Statistics, August 31, 2023 Release.



Commodity profitability forecast to fall through 2024

Crops

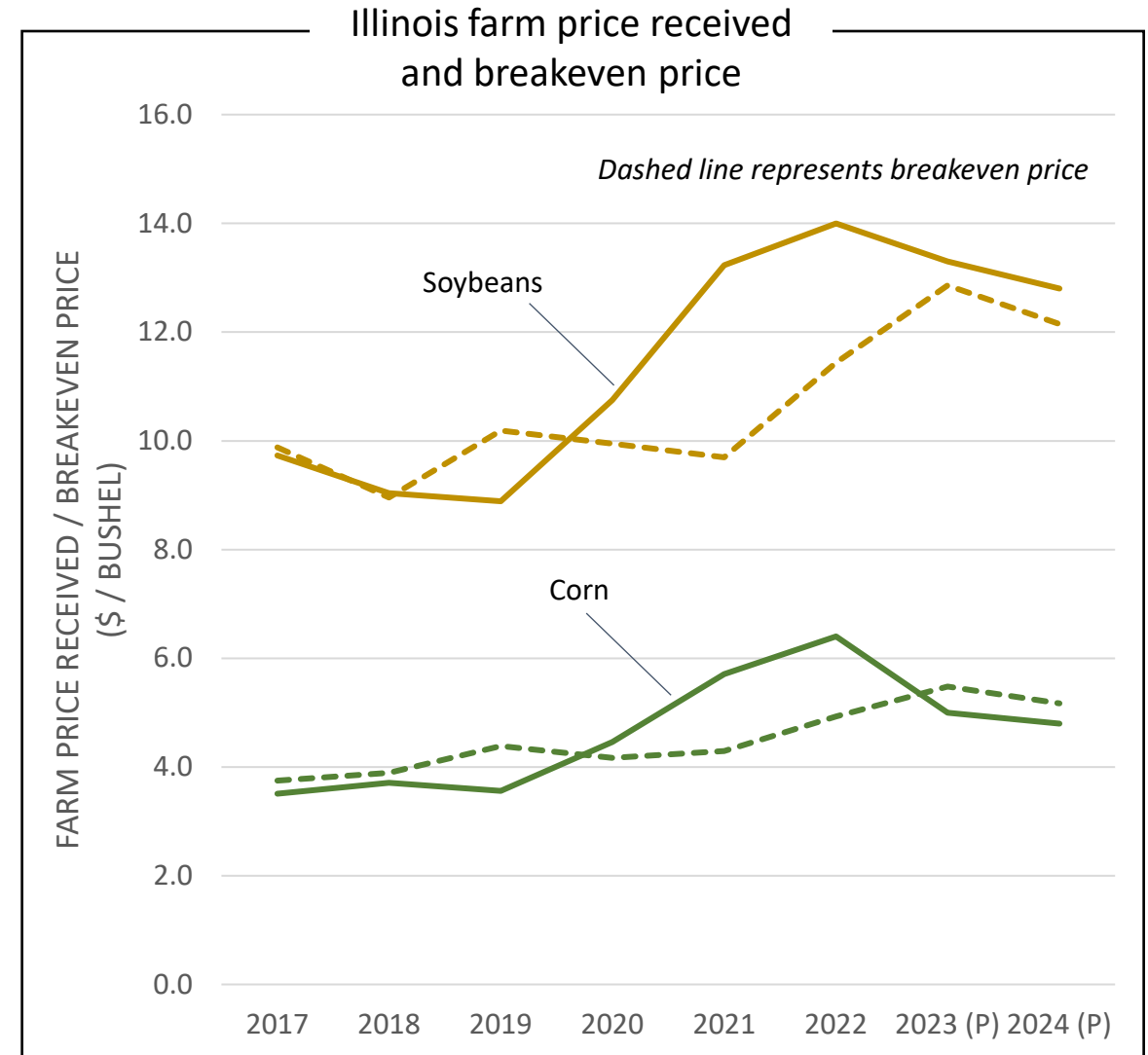
- Slightly below trend domestic yields
- Global production rebounds

Livestock

- Higher prices, but profitability concerns
- Value and volume of exports fall

Specialty commodities

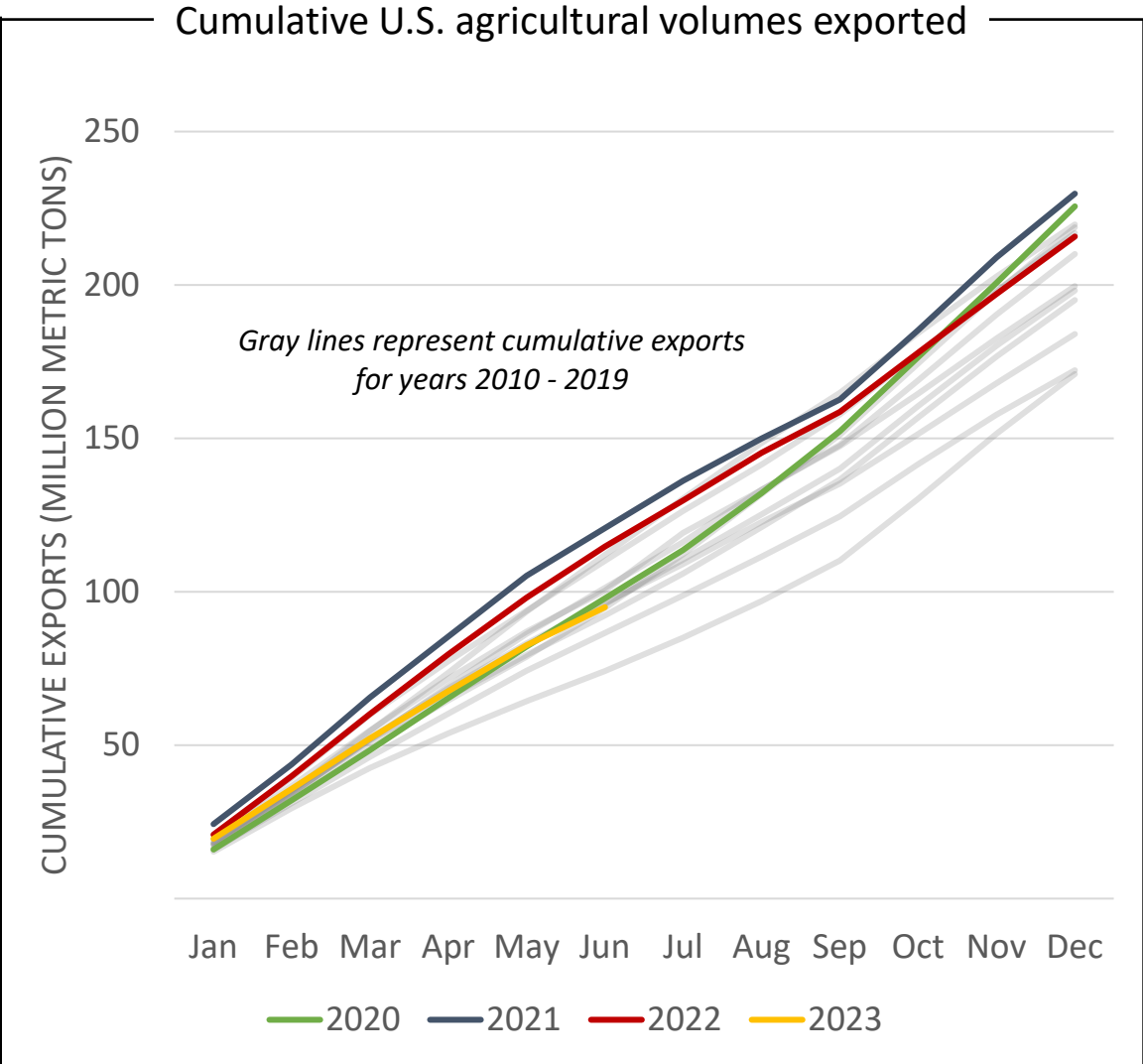
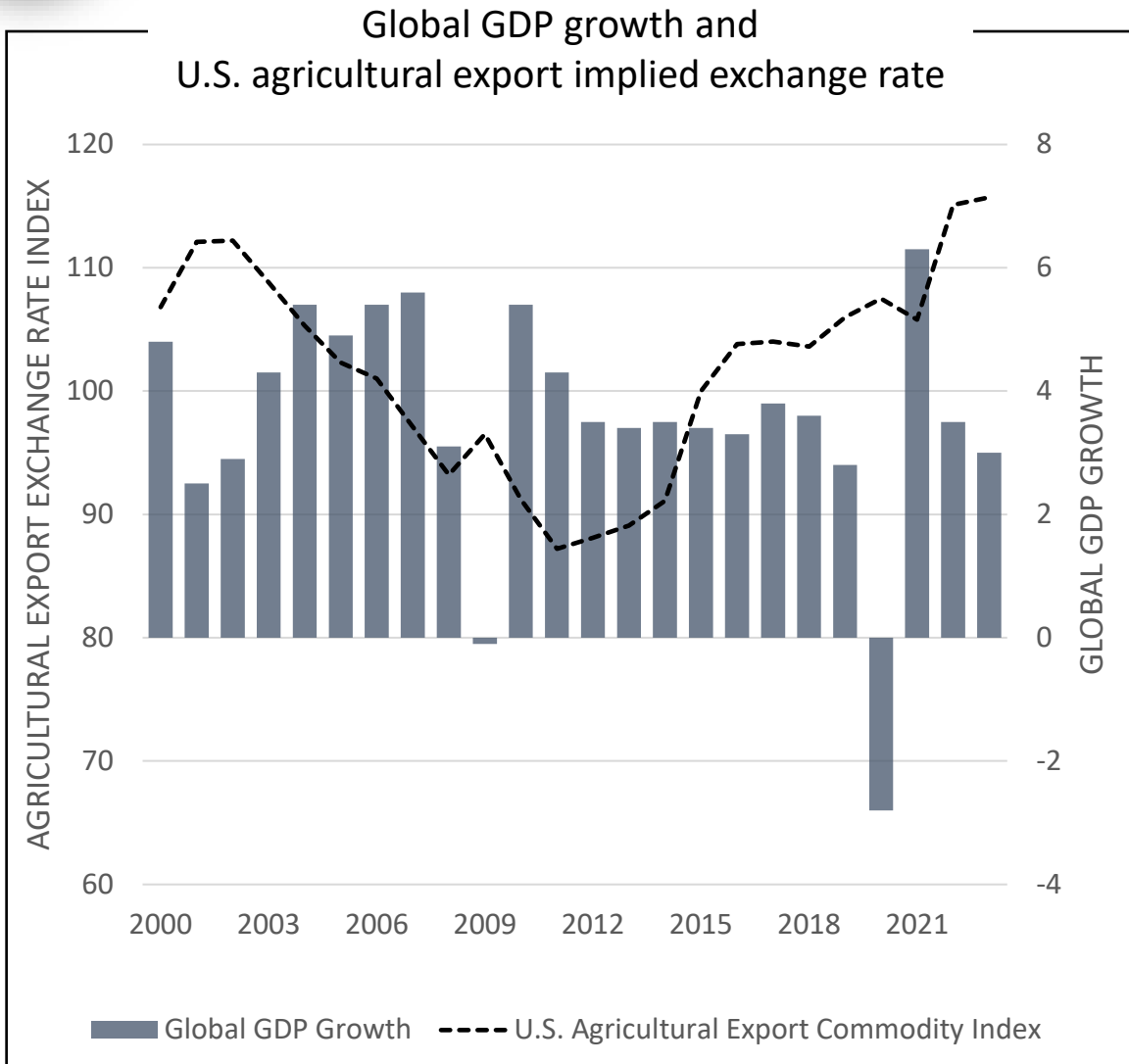
- Consumer-oriented goods face pressure
- High income nations drive export declines



Source: University of Illinois, Revenue and Costs for Illinois Grain Crops.
Breakeven price reflects only cash receipt income and includes land costs.



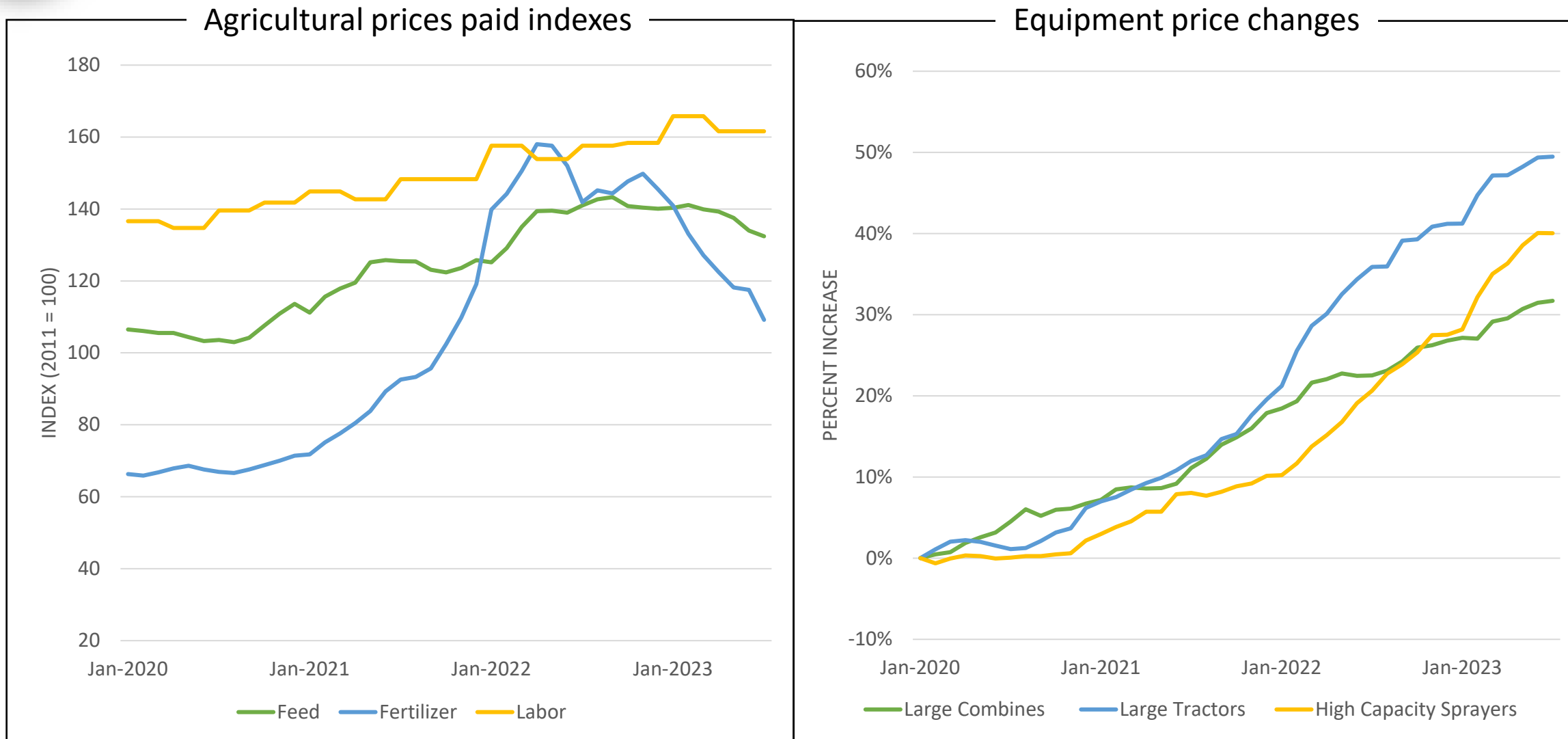
Export demand returns to baseline on higher food cost, slower global growth



Source: USDA FAS Global Agricultural Trade System, International Monetary Fund World Economic Outlook, USDA ERS Agricultural Exchange Rate Data Set.



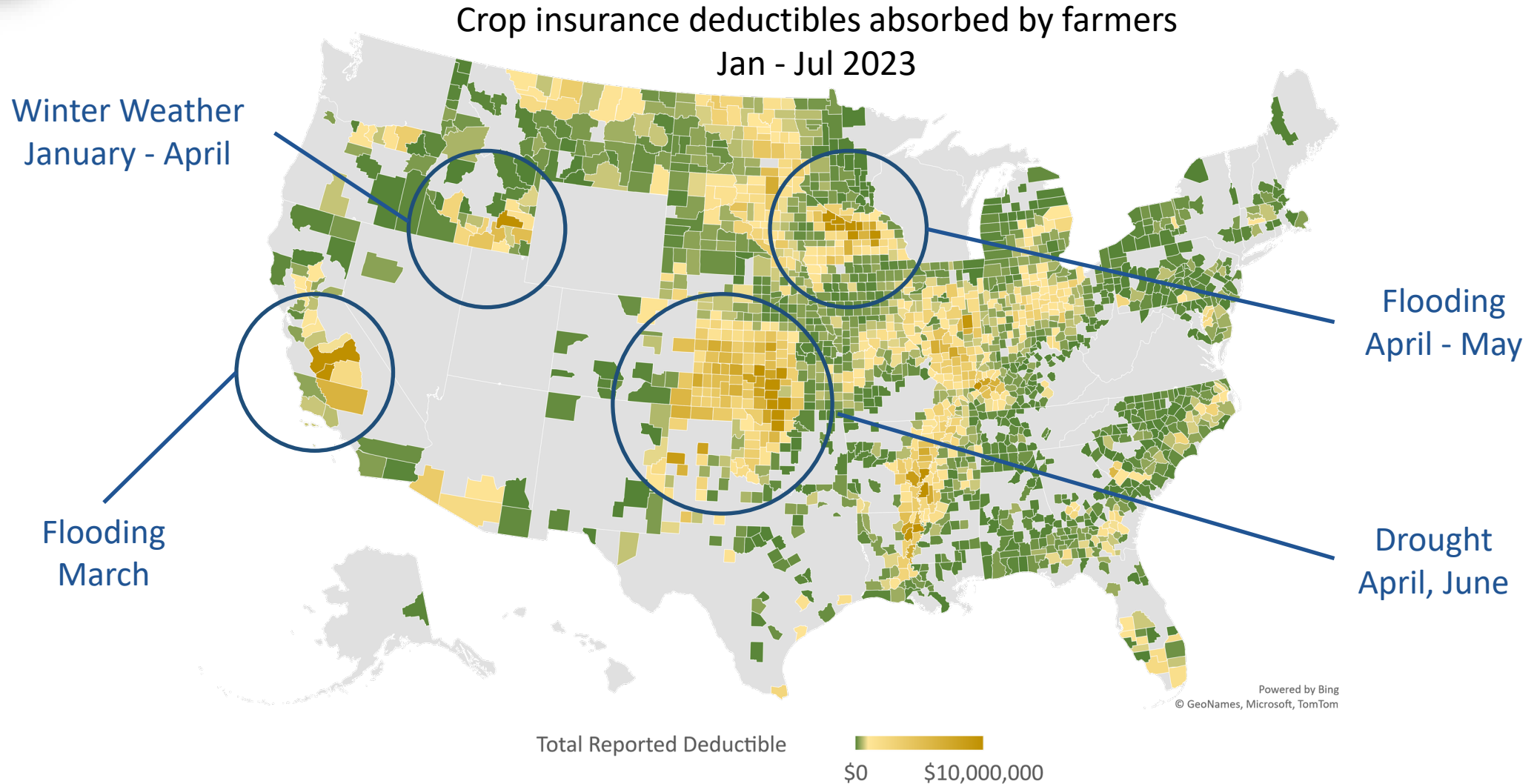
Select farm expenses may have peaked



Sources: USDA NASS Agricultural Prices, Iron Solutions.



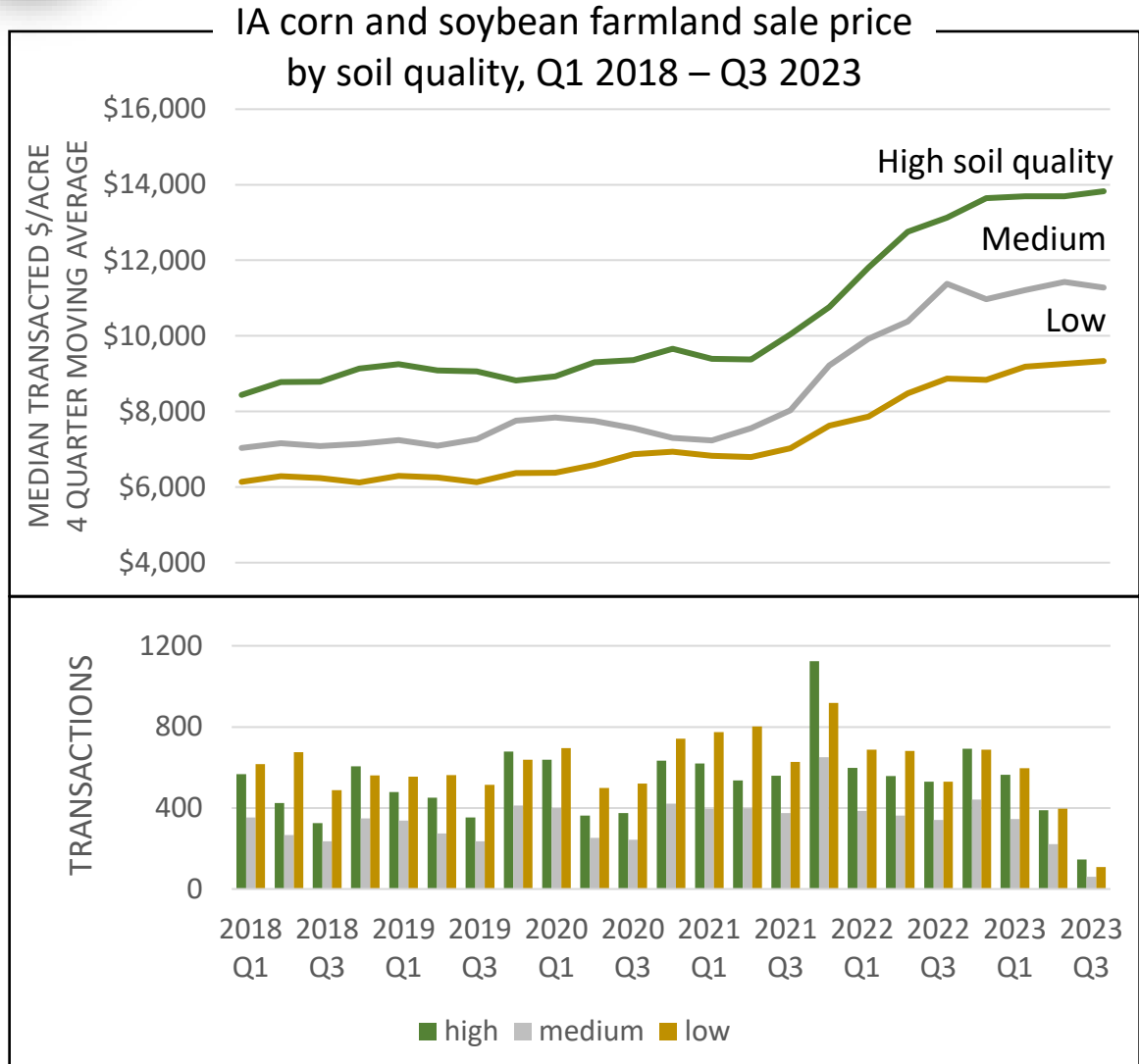
Farmers absorb losses from weather events in 2023



Source: USDA Risk Management Agency, Cause of Loss
Note: Gray regions listed no reported losses as of July 2023.



Farmland value growth slows, but transactions indicate a potential peak



Land value growth slows

- Weakening fundamentals
- Survey data show slow, positive growth

Sale prices indicate potential plateau

- Number of transactions declines
- Divergence in soil quality

Source: CoreLogic Transaction Database, CropScape, gNATSGO, ODAE calculations



Questions



Farm Credit System Condition and Performance as of June 30, 2023

Mindy Stultz
Supervisory FCA Examiner
Office of Examination

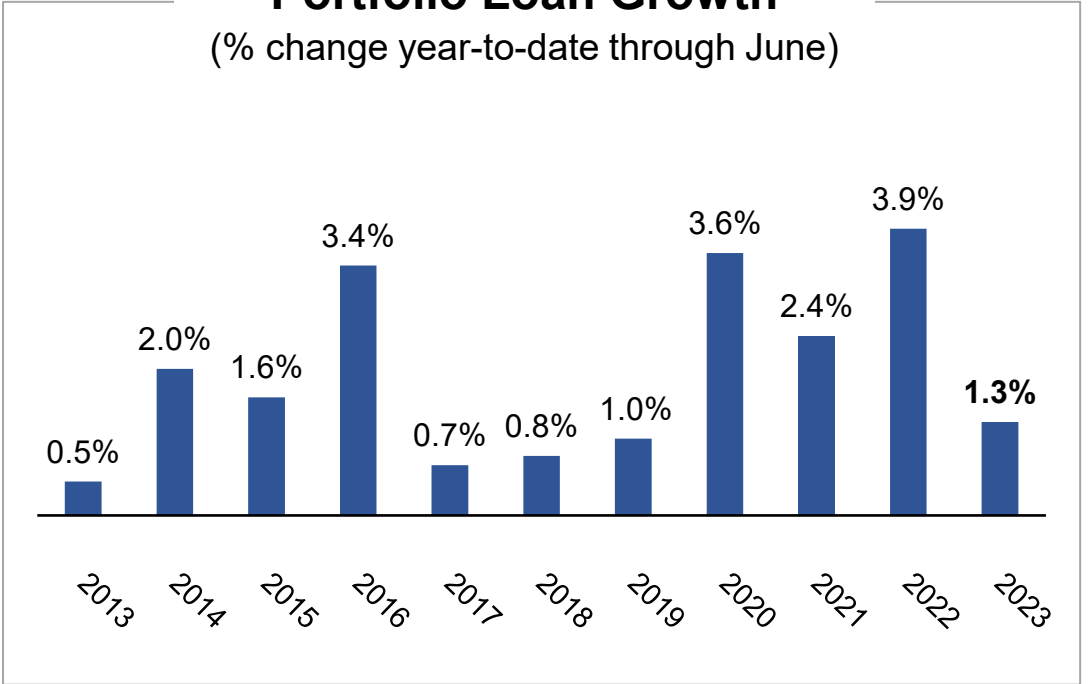




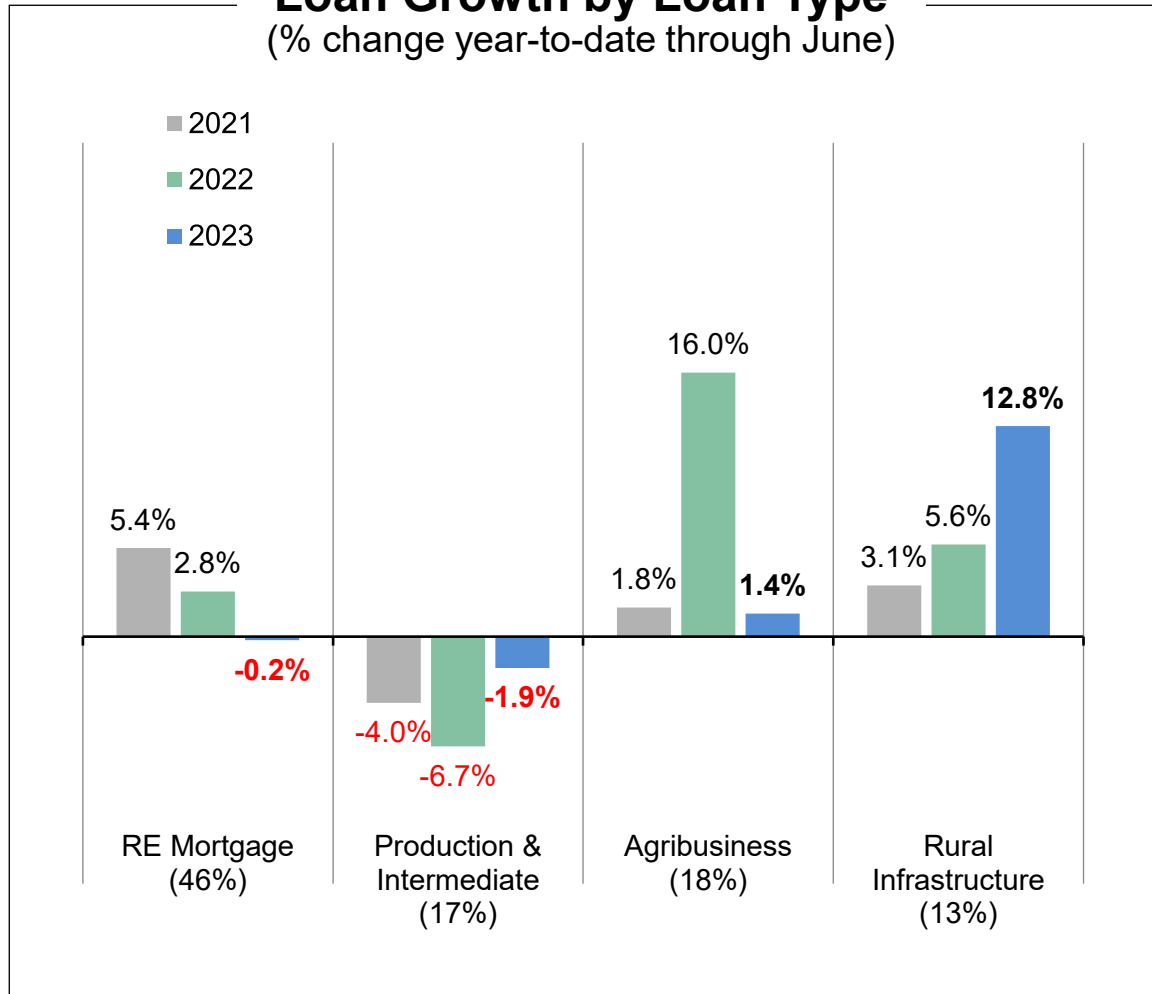
Portfolio growth slows against a backdrop of higher interest rates and tighter margins

Total Assets 6/30/23	\$484.6 billion	+0.0%	Qtr	Gross Loans 6/30/23	\$378.0 billion	0.3%	Qtr
		+1.6%	YTD			+1.3%	YTD
		+6.2%	12M			+5.8%	12M

Portfolio Loan Growth
(% change year-to-date through June)



Loan Growth by Loan Type
(% change year-to-date through June)



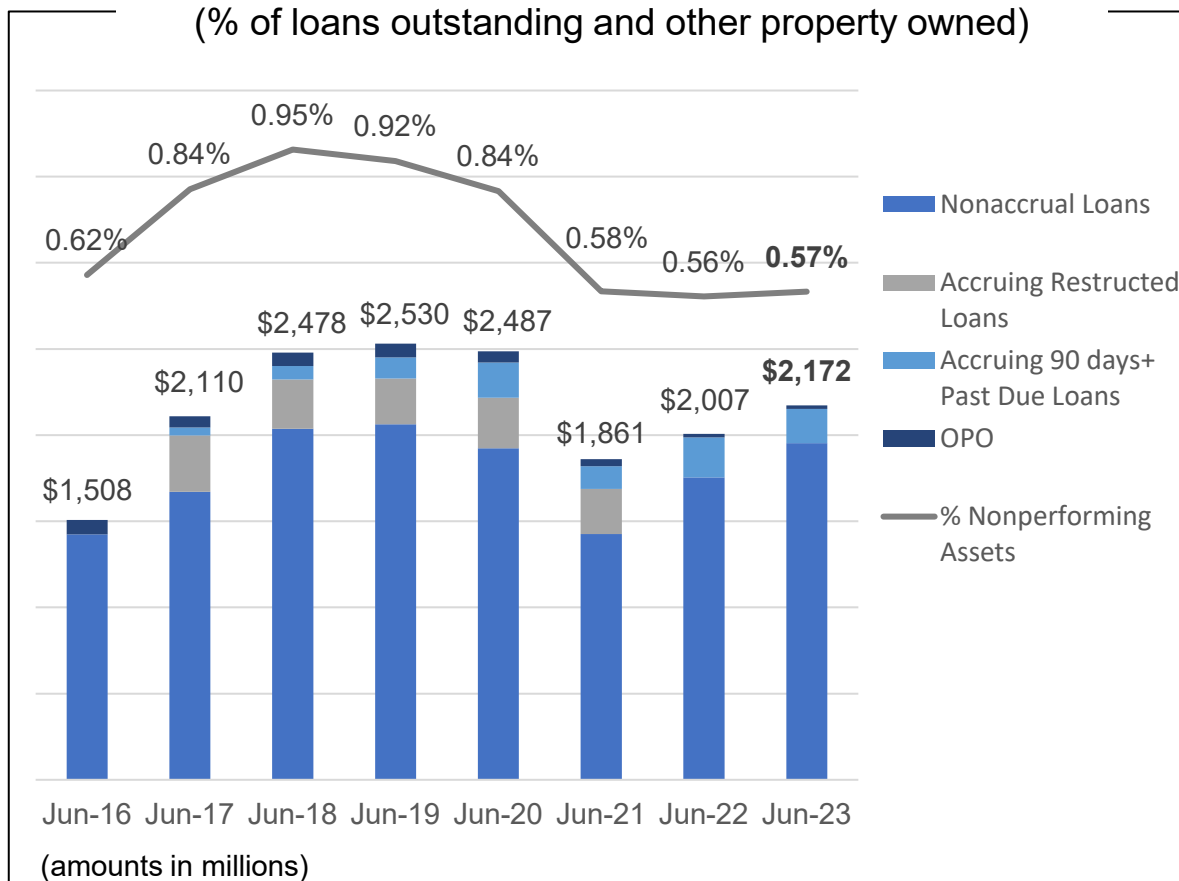
Source: Federal Farm Credit Banks Funding Corporation Information Statements



Credit risk measures edge higher; overall levels remain low

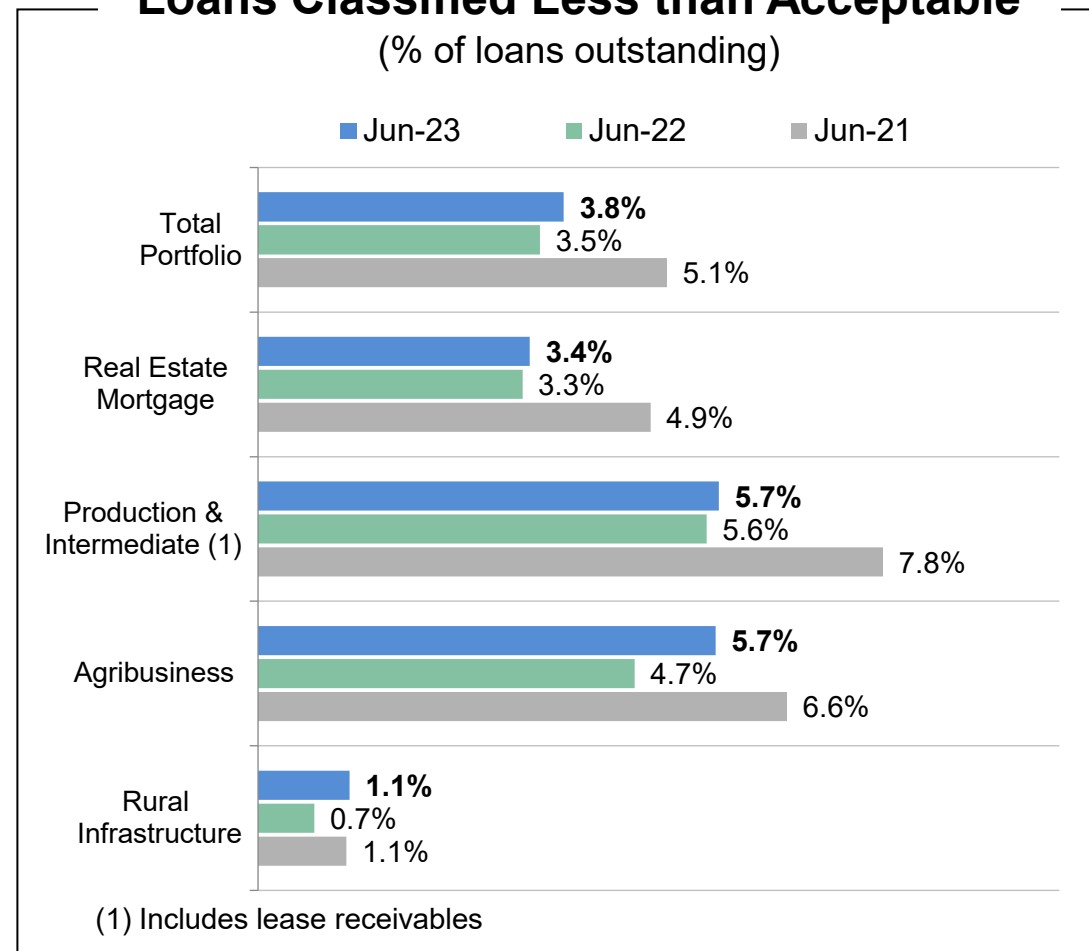
Nonperforming Assets

(% of loans outstanding and other property owned)



Loans Classified Less than Acceptable

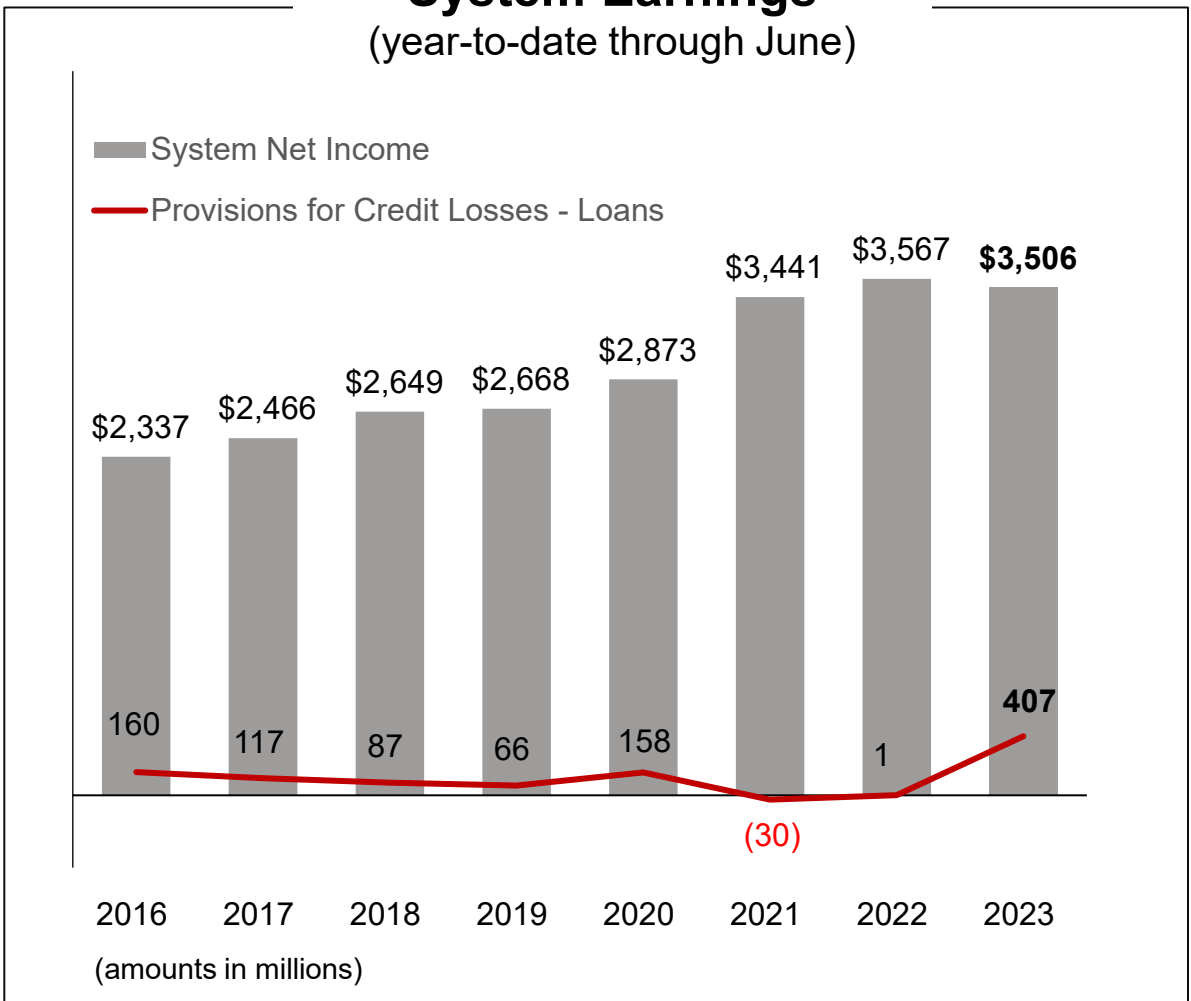
(% of loans outstanding)





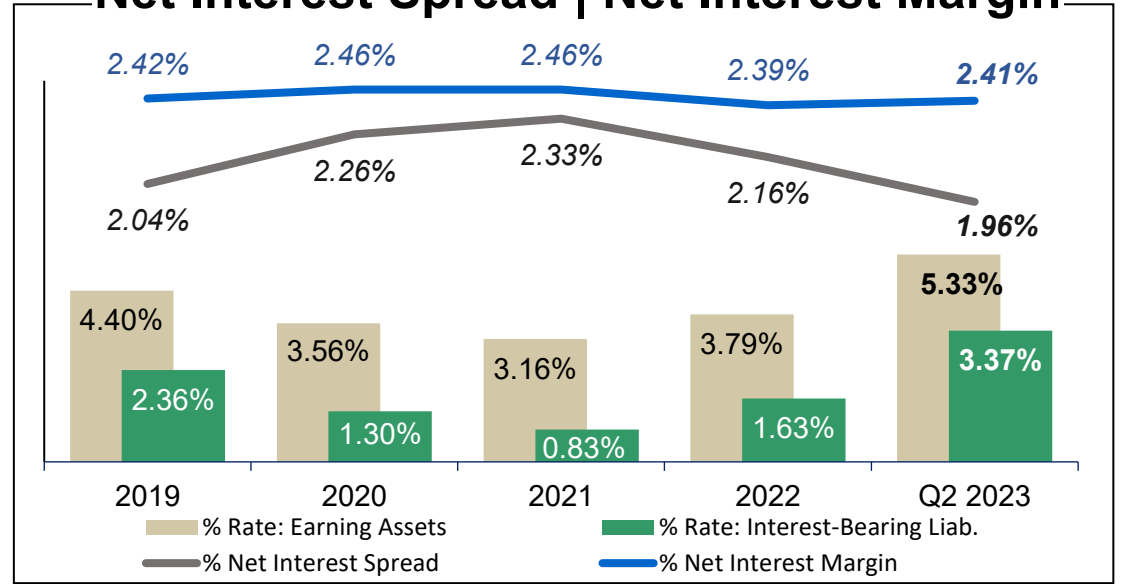
The System reported solid financial results for the 1st half of 2023

System Earnings
(year-to-date through June)

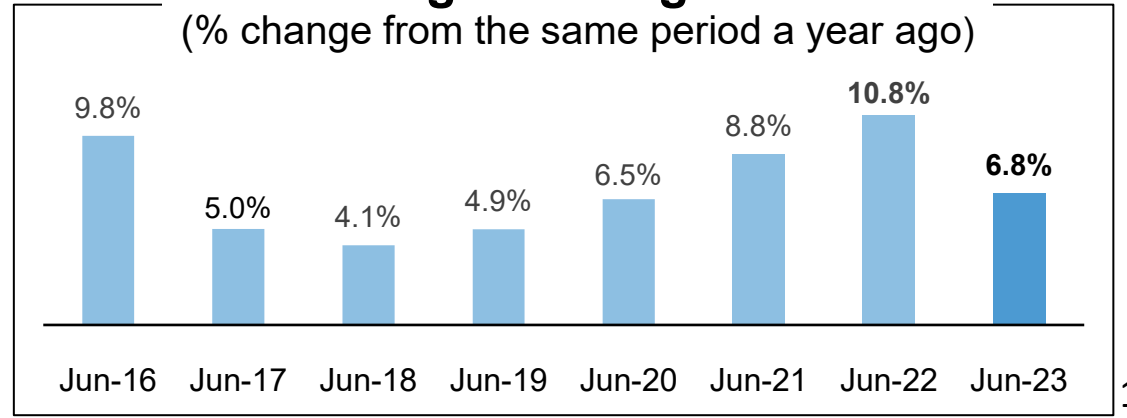


Source: Federal Farm Credit Banks Funding Corporation Information Statements

Net Interest Spread | Net Interest Margin



Average Earning Assets





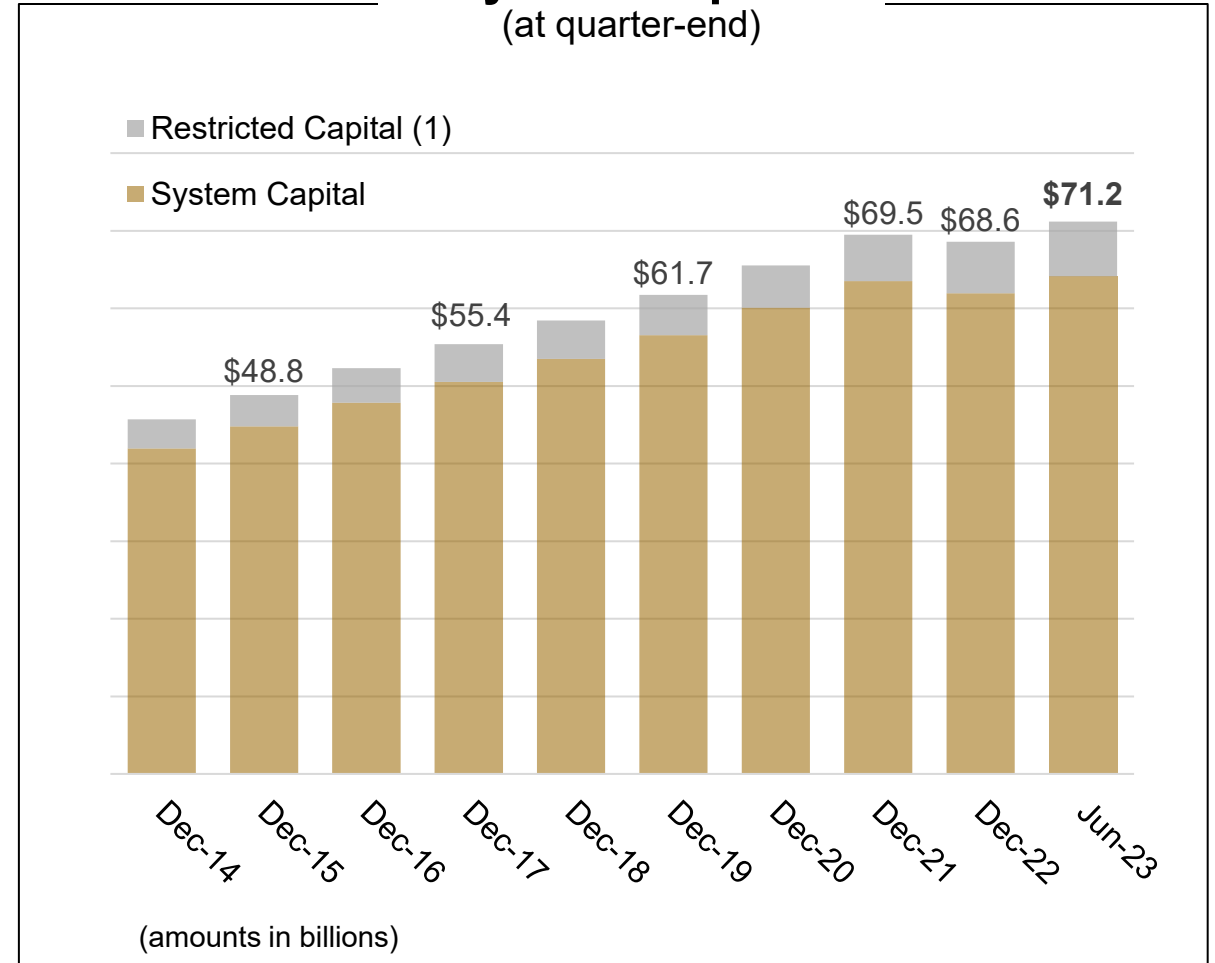
The System continues to be soundly capitalized with strong risk-bearing capacity

Capital

(as of June 30, 2023)

- ▶ Year-to-date, System capital has increased 3.7% or \$2.6 billion.
- ▶ Total regulatory capital ratios are sound:
 - Banks: 13.0% to 17.4%
 - Associations: 12.0% to 34.0%.
- ▶ Capital and the allowance for loan credit losses equaled 19.3% of loans outstanding at June 30 as compared with 19.7% a year ago.

System Capital (at quarter-end)



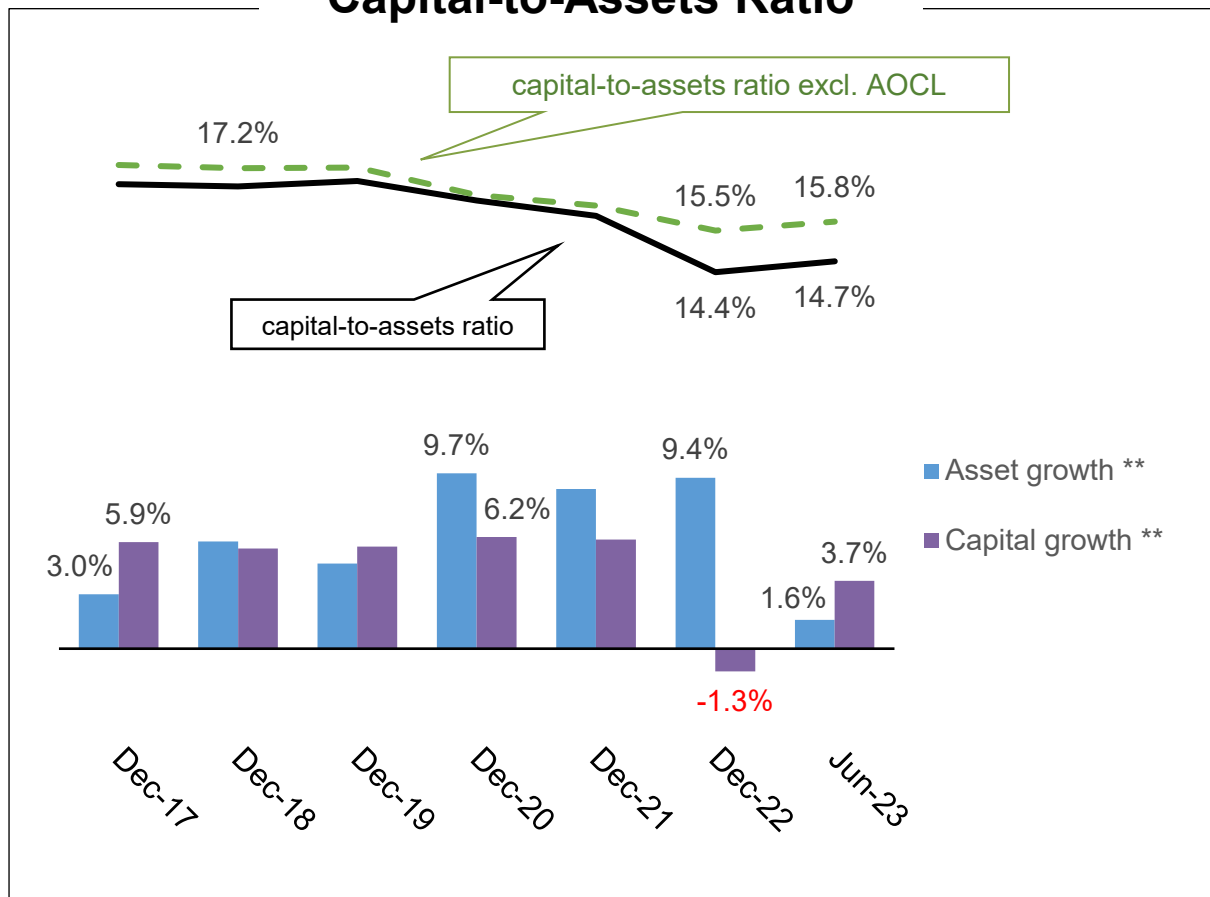
Source: Federal Farm Credit Banks Funding Corporation Information Statements

(1) Restricted Capital represents capital associated with the FCS Insurance Fund



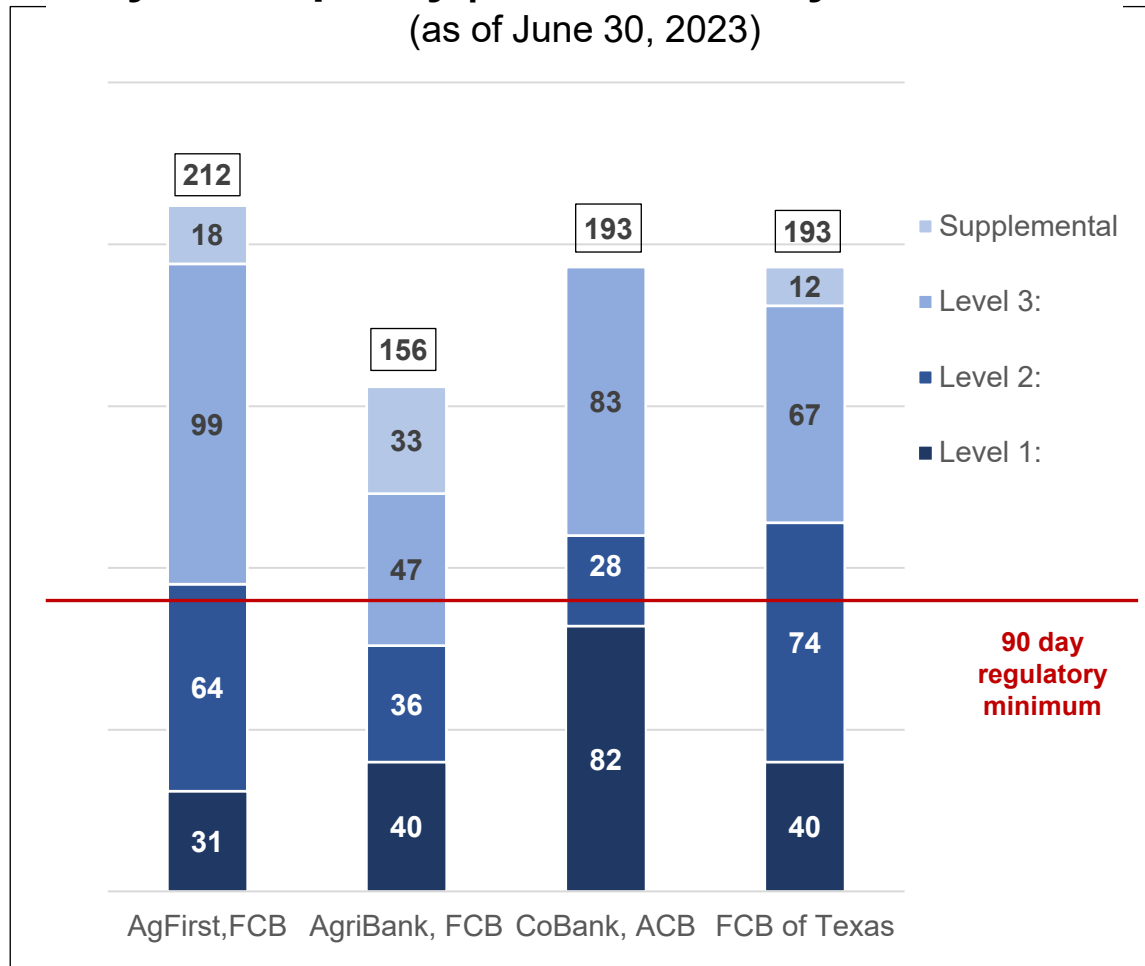
Capital-to-assets ratio improves; banks maintain robust liquidity levels

Capital-to-Assets Ratio



Days of Liquidity | Farm Credit System Banks

(as of June 30, 2023)



** 2017-2022 represents year-over-year growth; 2023 represents year-to-date growth

AOCL refers to accumulated other comprehensive loss

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



Composite FIRS ratings remain stable

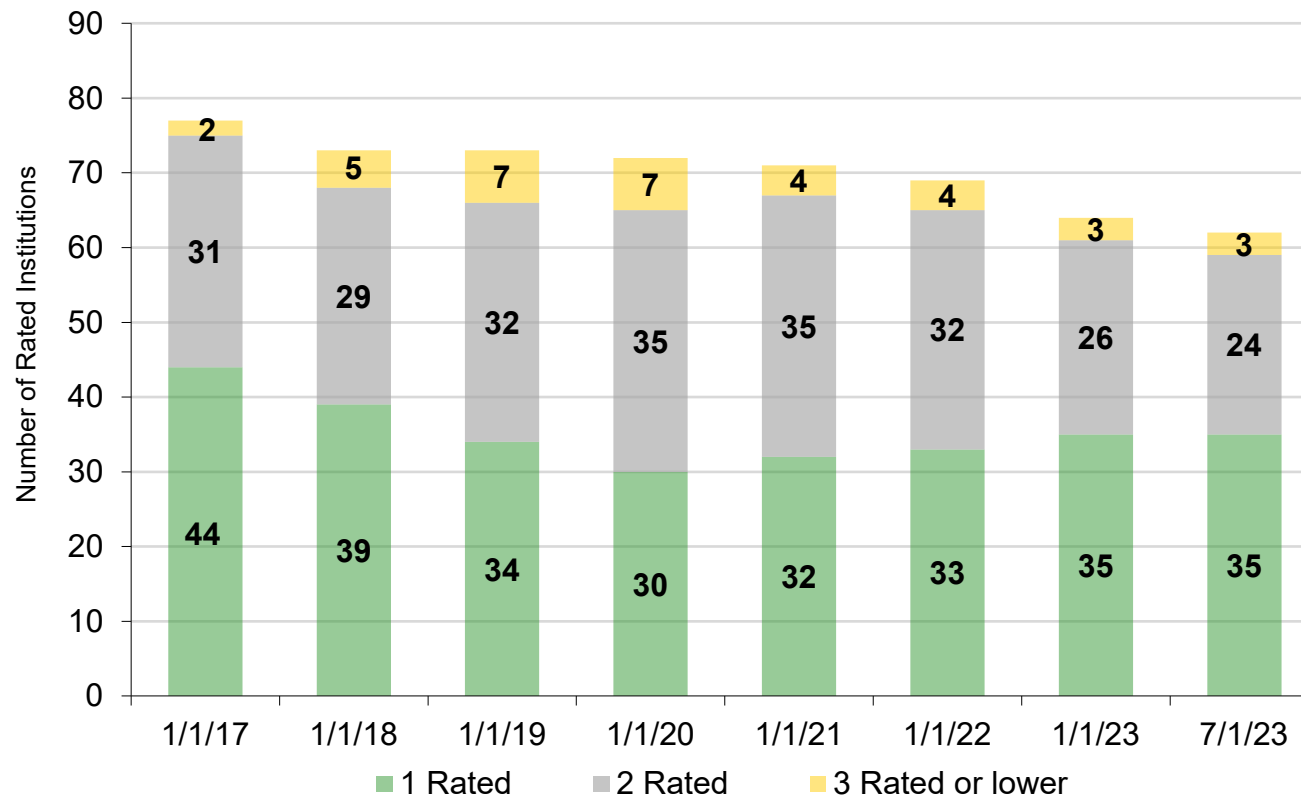
Composite FIRS Ratings

(based on 6/30/23 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 hold just over 1% of System assets.

Source: FCA’s FIRS ratings database

Composite FIRS Ratings Farm Credit System Banks and Associations^(a)



(a) actively reporting