

# 2024

## Annual Report of the Farm Credit Administration Regulator of the Farm Credit System





## The Farm Credit Administration

is a federal government agency that oversees the Farm Credit System, a federally chartered cooperative banking system that provides the largest source of agricultural lending in the United States.

The following are eligible, subject to certain requirements, for Farm Credit System loans:

- Farmers and ranchers
- Farm-related businesses
- Aquatic producers and harvesters
- Farmer-owned agricultural co-ops
- Rural utilities
- Rural homebuyers
- Certain agricultural importers and exporters

FCA also regulates the Federal Agricultural Mortgage Corporation (Farmer Mac), which is by law an institution of the Farm Credit System. Its mission, however, is unique in that it serves as a secondary market for agricultural real estate loans, government-guaranteed portions of certain loans, rural housing mortgage loans, and eligible rural utility cooperative loans.

**Cover:** Corn harvest on the Fayette County, Iowa, family farm of FCA Chief Examiner Mike Duffy in 2024.

◀ **Top to bottom:** 1. As part of the 2024 precommissioning training, associate examiners visit Iowa State University's swine hoop finishing barn. (Photo by Brent Duey, FCA supervisory senior credit risk specialist.) 2. The ArborOne Farm Credit loan review team tours a South Carolina cotton operation. 3. The FCA board speaks with new employees at the 2024 FCA "Meet the Leaders" training. (Photo by Cassandra Matos, FCA public affairs specialist.) 4. Lee Thomas, FCA supervisory contract specialist, on his farm in Shenandoah County, Virginia. 5. Brigham, son of FCA examiner Cindi Burke, walks his 4-H bucket calf. 6. Summer interns and associate examiners tour an agritourism operation in Maryland. (Photo provided by Freya Birkas-Dent, associate FCA examiner.) 7. Mini horses on Chief Financial Officer Mary Peterman's hobby farm in Virginia.

# Contents

<b>About this report</b> .....	<b>3</b>
<b>FCA and the Farm Credit System</b> .....	<b>5</b>
Examination .....	5
Regulation .....	6
Our authorities and governance .....	6
The Farm Credit System Insurance Corporation .....	6
<b>FCA organization and leadership</b> .....	<b>9</b>
Organization of FCA .....	9
FCA's leadership .....	9
<b>Message from the board</b> .....	<b>13</b>
Ensuring safety and soundness .....	13
Upholding the System's public mission .....	14
Maximizing operational efficiency and effectiveness .....	14
Current conditions in the Farm Credit System .....	16
Current conditions in the economy .....	17
In conclusion .....	18
<b>FCS banks and associations</b> .....	<b>20</b>
The structure of the System's cooperative network .....	20
Borrowers served .....	22
System funding for other lenders .....	23
Farm debt and market shares .....	23
Financial condition .....	25
<b>Safety and soundness</b> .....	<b>37</b>
Examination .....	37
Regulation .....	45
<b>Serving young, beginning, and small farmers and ranchers</b> .....	<b>49</b>
Results .....	50
<b>Farmer Mac</b> .....	<b>59</b>
Examining and regulating Farmer Mac .....	60
Financial condition of Farmer Mac .....	60
<b>Appendix</b> .....	<b>67</b>
Glossary .....	67
Abbreviations .....	71
Additional information .....	73

## **Photo information and accessibility:**

This annual report is illustrated with photos of FCA employees' family farms and FCA staff at work in 2024. In group photos, we list the home offices of our examiners in parentheses. We've tagged most photos as artifacts, but essential graphics are described in readable body text or, when necessary, in alternate text.

# KANSAS HISTORICAL MARKER

## BIRTHPLACE OF FARM CREDIT

This 280 acres was collateral for the nation's first Federal Land Bank loan made on April 10, 1917 to farmer-stockman A. L. Stockwell. In those days, farmers and ranchers found credit hard to come by. If available, it was often very expensive, as much as 10 percent per month.

Recognizing the importance of agriculture to our nation's economy, Congress passed the Federal Farm Loan Act which was signed into law by U.S. President Woodrow Wilson in 1916. The Federal Land Bank, which makes long-term real estate loans to farmers and ranchers, was the first of the three lending institutions which comprise today's cooperative Farm Credit System.

Wichita was granted the first of 12 Federal Land Bank charters nationwide and charged with developing lending programs in Kansas, Oklahoma, Colorado and New Mexico. In turn, it issued the first local association charter to the Pawnee County National Farm Loan Association of Larned.

Originally started with money appropriated by Congress, the system has long since repaid all government loans and is entirely owned by the farmers and ranchers.

Erected by Kansas

Department of Transportation



HOW  
EWE  
DOING  
LAWSONVILLE

## About this report

This is the Farm Credit Administration's annual report to Congress. Section 5.17(a)(3) of the Farm Credit Act of 1971, as amended, requires this report to include the following:

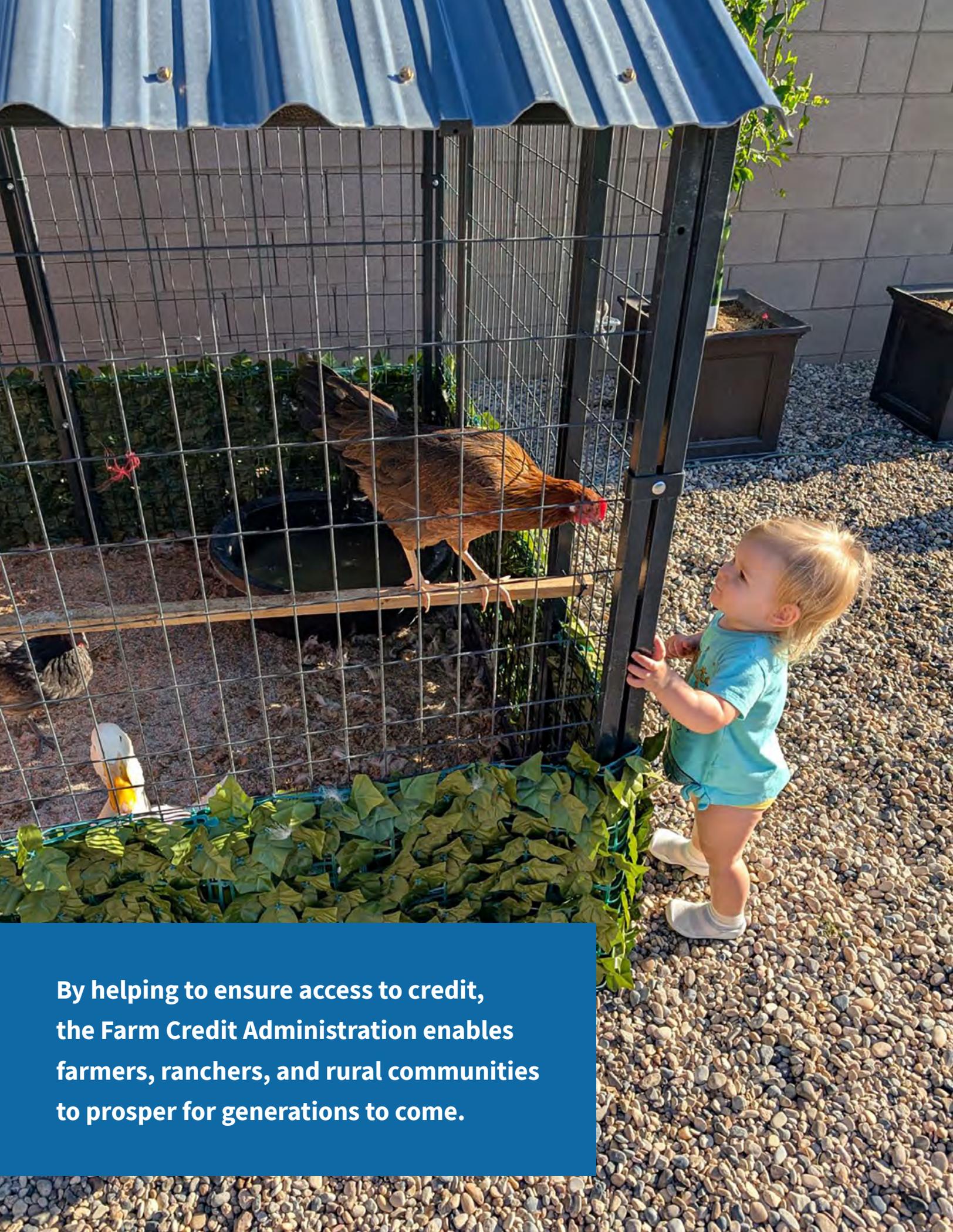
- An annual report to Congress on the condition of the Farm Credit System (FCS or System) and its institutions and on the manner and extent to which the objectives of the Farm Credit Act are being carried out
- A summary and analysis of the annual reports submitted to us by the FCS banks regarding programs for serving young, beginning, and small farmers and ranchers

The report also includes information about our agency and the work we do to ensure that the System continues to meet its mission and to operate safely and soundly.

Many FCA employees have close connections to agriculture. Special thanks to the following employees for supplying the photos displayed throughout this report: Cindi Burke, FCA examiner; Mike Duffy, chief examiner; Susan Graves, associate FCA examiner; Jeff Hall, board chairman and CEO; Rebecca Kaiser, senior economist; Ben Mosely, director of FCA's Office of Congressional and Public Affairs; Mary Peterman, chief financial officer; Jessica Potter, senior policy analyst; Glen Smith, board member; and Lee Thomas, supervisory contract specialist.

◀ The High Plains Farm Credit FCA examination team in Larned, Kansas, where the first-ever federal land bank loan was made. FCA team left to right: Cassidy Barker (McLean), William McCain (McLean), Dena Tunzi (Sacramento), Stefan Cosma (Dallas), Jonathan Weir (McLean), Joshua Alford (Denver), Gina Chmielewski (Sacramento), Travis Mueller (Denver), Reyna Baltazar (Sacramento), David Wise (Denver), Anthony Haas (Bloomington), and Freya Birkas-Dent (McLean).





**By helping to ensure access to credit,  
the Farm Credit Administration enables  
farmers, ranchers, and rural communities  
to prosper for generations to come.**

# FCA and the Farm Credit System

The Farm Credit Administration is a federal 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).<sup>1</sup>

The System is a nationwide network of borrower-owned financial institutions that provide credit to farmers, ranchers, residents of rural communities, agricultural and rural utility cooperatives, and other eligible borrowers.

Farmer Mac is a federally chartered corporation that provides a secondary market for agricultural real estate loans, government-guaranteed portions of certain loans, rural housing mortgage loans, and eligible rural utility cooperative loans.

FCA's 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. We have two primary functions: examination and regulation.

## Examination

We conduct onsite examinations at every System institution on a regular basis to do the following:

- Evaluate its financial condition
- Evaluate its compliance with laws and regulations
- Identify any risks that may affect the institution or the System as a whole
- Ensure it is fulfilling its public mission to serve the credit and related needs of farmers and ranchers, including those who are young, beginning, or small

If a System institution violates a law or regulation or operates in an unsafe or unsound manner, we use our supervisory and enforcement authorities to bring about appropriate corrective action.

---

<sup>1</sup> Although Farmer Mac is an FCS institution under the Farm Credit Act, we discuss Farmer Mac separately from the other institutions of the FCS. Therefore, throughout this report, unless Farmer Mac is explicitly mentioned, the Farm Credit System refers only to the banks and associations of the System. For more information about Farmer Mac, see page 59.

## Regulation

We issue policies and regulations governing how System institutions conduct their business and interact with borrowers. These policies and regulations focus on the following:

- Protecting System safety and soundness
- Implementing the Farm Credit Act
- Providing minimum requirements for lending, related services, investments, capital, and mission
- Ensuring adequate financial disclosure and governance

We also approve corporate charter changes, System debt issuances, and other financial and operational matters.

## Our authorities and governance

FCA derives its powers and authorities from the Farm Credit Act of 1971, as amended (12 U.S.C. 2001–2279cc). The U.S. Senate Committee on Agriculture, Nutrition, and Forestry and the U.S. House of Representatives Committee on Agriculture oversee FCA and the FCS.

FCA does not receive a federal appropriation. We maintain a revolving fund financed primarily by assessments from the institutions we regulate. Other sources of income for the revolving fund are interest earned on investments with the U.S. Treasury and reimbursements for services we provide to federal agencies and others. FCA's access to the revolving fund, however, is regulated through congressional appropriations legislation.

FCA is governed 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. Board members serve a six-year term and may remain on the board until a successor is appointed. The president designates one member as chairman of the board. The chairman also serves as our chief executive officer. For information about our current board, see page 9.

## The Farm Credit System Insurance Corporation

FCA board members also serve as the board of directors for the Farm Credit System Insurance Corporation (FCSIC), which was established by the Agricultural Credit Act of 1987 in the wake of the agricultural credit crisis of the 1980s. The purpose of FCSIC is to protect investors in Systemwide debt securities by insuring the timely payment of principal and interest on obligations issued by FCS banks.

It fulfills this purpose by maintaining the Farm Credit Insurance Fund, a reserve that represents the corporation's equity. FCSIC reports the balance of the Insurance Fund in its quarterly financial statements, which are posted on its website at [www.fcsic.gov](http://www.fcsic.gov).

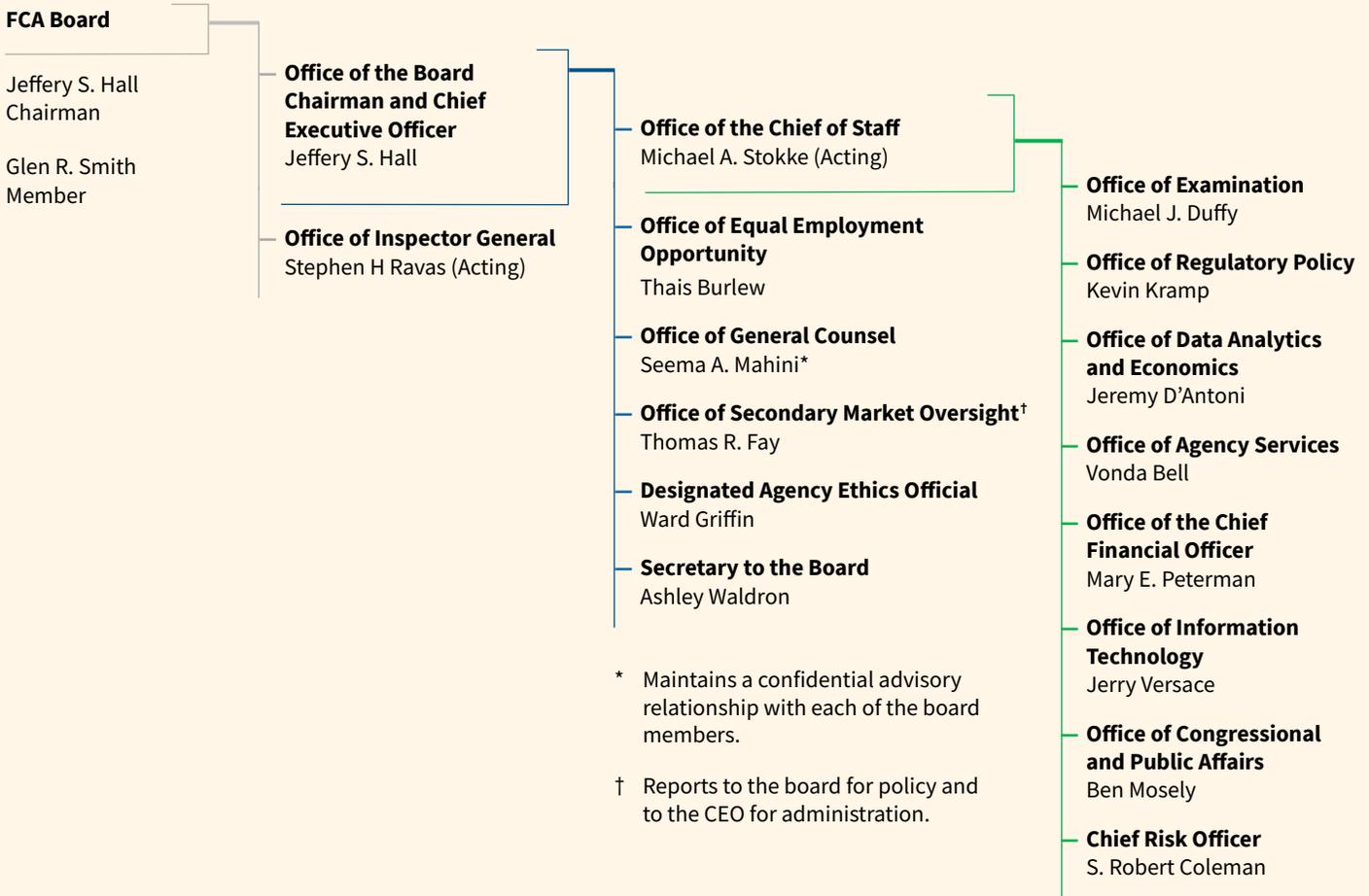


FIGURE 1

**FCA organizational chart**

As of October 2025

For an accessible version of this chart, visit [www.fca.gov/about/fca-organizational-chart](http://www.fca.gov/about/fca-organizational-chart).



# FCA organization and leadership

## Organization of FCA

FCA's headquarters is in McLean, Virginia. We also have field offices in Bloomington, Minnesota; Dallas, Texas; Denver, Colorado; and Sacramento, California. As of September 30, 2025, we had 333 employees.

## FCA's leadership

Currently, the FCA board has only two sitting board members: Chairman Jeffery S. Hall and Board Member Glen R. Smith. The board has one vacancy because former Board Member Vincent G. Logan retired from federal service in March 2025.



**Jeffery S. Hall,  
FCA Board  
Chairman and CEO**

Jeffery S. Hall was appointed to the FCA board on March 17, 2015, and was named board chairman and CEO by President Donald Trump on January 20, 2025.

Chairman Hall also serves as a member of the board of directors of the Farm Credit System Insurance Corporation (FCSIC), a U.S. government-controlled corporation that insures the timely payment of principal and interest on obligations issued jointly by Farm Credit System banks. He served as chairman of the FCSIC board of directors from November 29, 2016, until his designation as chairman of the FCA board.

Chairman Hall was president of The Capstone Group, an association management and consulting firm that he co-founded in 2009. He was the state executive director for the U.S. Department of Agriculture's Farm Service Agency in Kentucky from 2001 to 2009. In that role, he had responsibility for farm program and farm loan program delivery and compliance.

From 1994 to 2001, Chairman Hall served as assistant to the dean of the University of Kentucky College of Agriculture, advising the dean on state and federal legislative activities and managing a statewide economic development initiative called Ag-Project 2000.

Chairman Hall also served as a senior staff member in the office of U.S. Senator Mitch McConnell from 1988 until 1994. During that time, he was the legislative assistant for agriculture, accountable for internal and external issue management.

Before joining Senator McConnell's staff, Chairman Hall served on the staff of the Kentucky Farm Bureau Federation. Over the course of his long career in agriculture, he has held leadership positions in the following nonprofits: the Kentucky Agricultural Council, the Agribusiness Industry Network, the Louisville Agricultural Club, the Kentucky Agricultural Water Quality Authority, and the Governor's Commission on Family Farms.

Chairman Hall was raised on a family farm in southern Indiana, which has been in his family for more than 200 years. He is currently a partner in the farm with his mother and sister. He holds a Bachelor of Science from Purdue University.



**Glen R. Smith,  
FCA Board  
Member**

Glen R. Smith was designated FCA board chairman and CEO of the Farm Credit Administration by President Donald Trump on July 17, 2019. He served in this position until Oct. 21, 2022. Mr. Smith has been a member of the FCA board since December 2017.

He also serves as chairman of the board of directors of the Farm Credit System Insurance Corporation, a U.S. government-controlled corporation that insures the timely payment of principal and interest on obligations issued jointly by Farm Credit System banks.

Mr. Smith is a native of Atlantic, Iowa, where he was raised on a diversified crop and livestock farm. His farm experience started at a very early age, after his father was involved in a disabling farm accident. He graduated from Iowa State University in 1979 with a Bachelor of Science in agricultural business and accepted a position with Doane Agricultural Services as state manager of the company's farm real estate division.



In 1982, Mr. Smith and his wife, Fauzan, moved back to his hometown and started farming and developing his ag service business. Today, their family farm, Smith Generation Farms Inc., encompasses about 2,000 acres devoted to corn, soybeans, hay, and a small beef cow herd.

Mr. Smith is founder and co-owner of Smith Land Service Co., an ag service company that specializes in farm management, land appraisal, and farmland brokerage, serving about 30 Iowa counties. From 2001 to 2016, he was also co-owner and manager of S&K Land Co., an entity involved in the acquisition, improvement, and exchange of Iowa farmland. Mr. Smith has served on numerous community, church, and professional boards. He was elected to the

Atlantic Community School Board of Education on which he served for nine years.

In 1990, he earned the title of Accredited Rural Appraiser from the American Society of Farm Managers and Rural Appraisers. In 2000, he served as president of the Iowa chapter of that organization. He is a lifelong member of the Farm Bureau, Iowa Corn Growers Association, Iowa Soybean Association, and Iowa Cattlemen's Association.

The Smiths have four grown children and six grandchildren. Three of their children are directly involved in production agriculture. Their son Peter has assumed managerial responsibilities for both the family farm and business.



◀ Board Member Glen Smith takes associate examiners on a tour of Smith Generation Farms, his family's farming operation in Atlantic, Iowa.

A professional photograph of two men in business attire. The man on the left is seated at a dark, reflective table, wearing a dark suit, a white shirt, a red and white striped tie, and glasses. His hands are clasped on the table. The man on the right is standing, also in a dark suit, white shirt, and a red, white, and blue striped tie. He has his hands in his pockets. In the background, there are several American flags. A blue text box is overlaid on the upper left portion of the image.

**As Farm Credit System assets have grown over the years and institutions have become more complex, it is a source of pride for us that the relative cost of FCA operations has trended down.**

# Message from the board

## October 2025

On behalf of the Farm Credit Administration board, we present the agency's 2024 annual report. We are pleased to report that the Farm Credit System, including the Federal Agricultural Mortgage Corporation (Farmer Mac), remains strong and financially sound. The System continues to be well-positioned to meet the credit needs of American farmers, ranchers, and rural communities.

While the results detailed in this report are from 2024, this message outlines our accomplishments in 2025 and the critical work that continues to maintain the safety and soundness of the Farm Credit System, uphold the System's public mission to support rural communities and agriculture, and maximize the efficiency and effectiveness of our operations. Finally, we include a summary of current conditions (as of late summer) in the Farm Credit System, Farmer Mac, and in the general and farm economies.

## Ensuring safety and soundness

Providing approximately 46% of our nation's agricultural lending, the \$557-billion Farm Credit System is critical, not just to farmers and rural communities, but to the food and economic security of the entire country. That's why FCA's top priority is to ensure that the System remains a safe, sound, and dependable source of credit. Our effective examination and regulation of the System's institutions are key to this mission.

As required by the Farm Credit Act, we examine every institution on a regular basis, and we continually monitor institutions between statutory examinations. We implement a risk-based approach to oversight and examination, with examinations customized to each institution. To maximize our effectiveness, we assign highest priority to institutions that present the greatest risk.

Because we provide careful oversight of the System, its investors remain confident, knowing that we regularly monitor and examine loans, investments, and other activities. In addition to our examinations, we develop oversight plans each fall to identify the areas that require our greatest focus in the coming fiscal year. (You will find highlights of our FY 2025 National Oversight Plan on page 38.)

On the regulatory front, our approach is to streamline regulations and make the regulatory environment more efficient. A final notice approved by the board in February demonstrates how we accomplish this. The notice responded to comments we received from the public on regulations that may duplicate other requirements, are ineffective, are not based on law, or impose burdens that are greater than the benefits received. Many of our regulations are principles-based, which is ideal for a system with institutions that vary greatly in size and structure. System institutions have flexibility to tailor policies and procedures to address the principles that a regulation seeks to address. Our final rule on cyber risk management that took effect on Jan. 1, 2025, for example, gives the institutions flexibility in determining how best to detect, monitor, and manage risks.

## Upholding the System's public mission

While safety and soundness must always be FCA's top priority, it can't be our only priority. We must also ensure that the System fulfills its public mission as a government-sponsored enterprise (GSE) to support rural communities and agriculture with reliable, consistent credit and financial services, in good times and bad.

Congress created the System as the nation's first GSE in 1916 to enhance the flow of credit to the agricultural economy. GSE status provides confidence to the investors who supply the funds that the System lends. That's why protecting the System's GSE status is so important, and the best way to do that is to stay true to mission.

Another important part of the System's mission relates to its cooperative business model. Because System institutions are cooperatives, their borrowers participate in the management, control, and ownership of their institutions. This structure ensures that borrowers — both big and small — have a voice in the operation of the institutions and receive a share of the profits in the form of patronage. It keeps the focus of the institution on fulfilling its congressionally mandated public purpose of improving the income and

well-being of American farmers and ranchers by providing them with credit and related services. Therefore, it is one of FCA's priorities to critically review any structural changes that could jeopardize borrower-member control at System institutions.

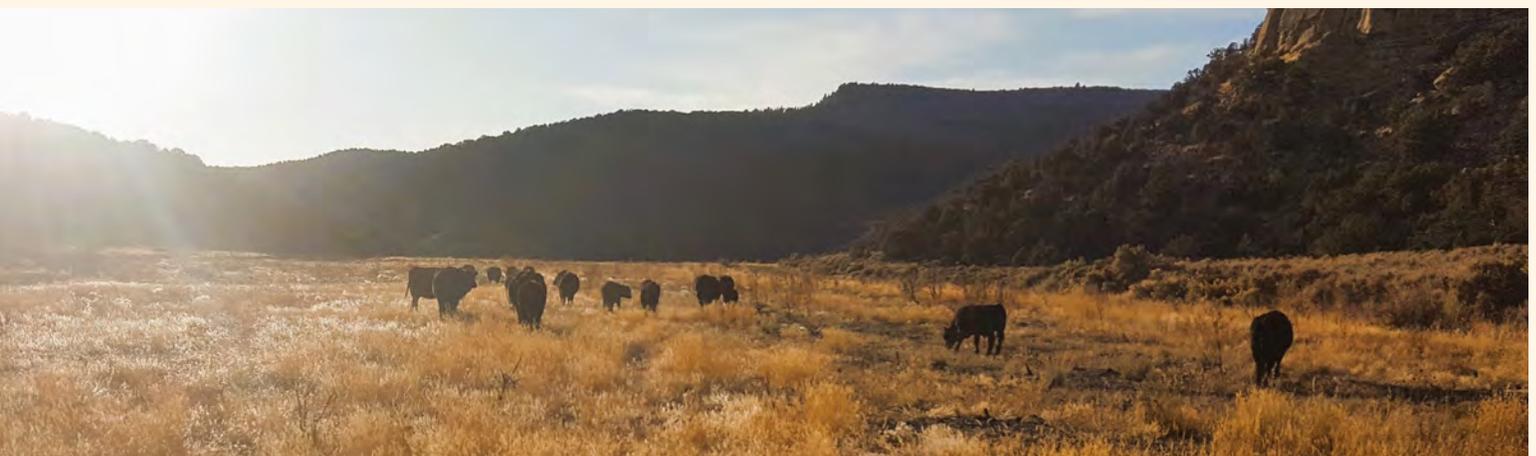
## Maximizing operational efficiency and effectiveness

As a lean and agile regulator of one of the world's most technologically sophisticated industries, we are optimizing our agency's efficiency and effectiveness with technological advancements and streamlined processes, all while maintaining a lean and strong workforce.

It is also a source of pride for us that, as System assets have grown over the years and institutions have become more complex, the relative cost of FCA operations has trended down. We are committed to keeping our costs low so the System can efficiently fulfill its mission to serve all eligible, creditworthy borrowers.

## Transformational technological advancements

System growth will continue to outpace our staffing footprint, but through our planned investments in technology, we can mitigate



this trend and even increase our oversight capacity.

We are enhancing our network to ensure cybersecurity, data redundancy, and compliance with federal IT standards. Our secure mobile systems allow field examiners to work efficiently across remote locations nationwide, supported by our cloud analytics platform, which delivers real-time insights into trends affecting borrower risk and System liquidity in an ever-changing environment. (See page 40 for an example of the insights produced by this platform.)

Within Office of Management and Budget guidelines, we are piloting artificial intelligence (AI) tools to streamline document review, risk assessment, and general productivity. We are also surveying System institutions about how they are using AI and how they are managing and governing AI-related risks.

We are delivering tools to retrieve and analyze data that enhance virtually all aspects of agency activities. These tools allow a smaller team to accomplish more, faster, without sacrificing integrity or safety, from more effective and efficient examinations and better-informed regulatory activity, to improved risk identification and more informative performance measurement.

And last year, we also rolled out to the System the culmination of another multiyear effort: a modernized platform for collecting call report data, which we expect to improve the quality of data we receive from institutions while reducing their reporting burden.

### Streamlined processes

Streamlining processes to save time, reduce error, and do more with less has long been integral to FCA culture.

As we continue to automate many time-consuming operational tasks, we have automated the collection of data on young,

beginning, and small farmers and ranchers. The culmination of a multiyear process, this enhancement has enabled us to receive comprehensive, transparent information in a more timely manner. We are also surveying System institutions to better understand which automation techniques they use. (You can find detailed information on our 2024 YBS activities on page 49.)

We are also streamlining processes to enhance borrower complaint coordination. Our chief financial officer's group has reduced rework and improved efficiency in travel-related processes — which is crucial for an agency whose nationwide, on-site examinations are mission-critical. And on-site PIV card activation at our McLean headquarters has saved many hours of employee travel into Washington, D.C.

### Lean and strong workforce

FCA has long operated with a lean workforce and a high-performance culture.

On the staffing front, we have reduced our workforce by more than 10%, and we continue to analyze our current staffing levels to ensure continuity in mission-critical roles and key functions.

Effectively regulating a multibillion-dollar financial system requires a workforce equipped with the skills to meet both current and future demands. In 2024, the FCA Office of Agency Services implemented strategies to enhance employees' technical capabilities and leadership skills while expanding training technology to ensure that our highly mobile workforce can access training from anywhere, on demand.

On the leadership front, our Office of Examination was recognized in the latest Federal Employee Viewpoint Survey. OE supervisors received the highest scores across the federal government for effective leadership.

## Current conditions in the Farm Credit System

What follows is a brief update about current conditions in the Farm Credit System and Farmer Mac, as well as conditions in the general and farm economies.

### The Farm Credit System

The Farm Credit System reported solid financial results through the first half of 2025, including modest asset growth, sound earnings, and increased capital levels.

From January 1 to June 30, System net income equaled \$3.90 billion compared with \$3.92 billion for the same period a year ago. While net income was largely unchanged, net interest income grew by \$357 million from a year ago, primarily because of the positive impact of loan growth on average earning assets. However, higher loan loss provisions of \$391 million offset the increase in net interest income.

Loan quality in the System's portfolio remained sound, but credit risk measures increased as certain agricultural sectors continue to face challenging market conditions. Nonperforming assets (nonaccrual loans, accruing loans that are 90 days or more past due, and other property owned) increased to 1.02% of outstanding loans and other property owned, compared with 0.81% as of December 31. Nonaccrual loans, which represent the largest share of nonperforming assets, increased to \$3.9 billion as of June 30, compared with \$3.2 billion as of December 31. Credit classifications within the portfolio continued to indicate favorable loan quality, with the percentage of loans classified less than acceptable equaling 5.9%, compared with 5.3% as of December 31.

A strong capital base ensures that System institutions have the risk-bearing capacity to support U.S. farmers and ranchers during uncertain times. Overall, favorable earnings in the first six months of 2025 continued to support System capital growth. As of June 30, System capital totaled \$82.4 billion compared with \$78.8 billion as of December 31. Capital as a percentage of total assets was 14.8% as of June 30, up from 14.5% at year-end. Regulatory capital ratios for all System banks and associations remained sound and continued to be well above minimum capital requirements. The System's liquidity portfolio, for which there is a regulatory requirement of at least a minimum 90 days' coverage of maturing debt, provided 178 days of coverage as of June 30 compared with 177 days at year-end. Overall, we expect the System to continue to have ready access to the capital markets that supply the funds System institutions lend to farmers, ranchers, and other eligible borrowers.

### Farmer Mac

Farmer Mac, also part of the Farm Credit System, remains safe and sound. For the first half of 2025, its outstanding business volume grew from \$29.5 billion to \$30.6 billion, or 3.6%. The infrastructure finance portfolio, which includes the power and utilities, broadband infrastructure, and renewable energy lines of business, drove this growth, increasing by \$1.4 billion (15.4%) over the six-month period. This growth was partially offset by a \$0.3 billion (1.6%) decrease in agricultural finance volume, which includes the farm and ranch and corporate agricultural finance lines of business.

Farmer Mac's core capital was \$1.6 billion as of June 30, 2025, up 4.1% for the six-month period, which is \$602.1 million above the minimum requirement. Farmer Mac's direct credit risk exposure increased slightly for the



six-month period but remained manageable. Loans classified as 90 days past due increased from 0.9% to 1.0% of the agricultural finance mortgage loan portfolio. Similarly, the percentage of agricultural finance mortgage loans classified as special mention and substandard increased from 7.3% at year-end 2024 to 8.2% on June 30, 2025.

### Current conditions in the economy

Because conditions in both the general and the agricultural economies have a powerful effect on the performance and condition of the institutions we regulate, our economists, chief risk officer, and policy analysts look closely at economic indicators.

#### The general economy

The U.S. economy grew modestly in 2024 as gains in productivity supported real wage growth and lifted consumer spending. Inflation continued to ease throughout the year, paving the way for the Federal Reserve to begin cutting interest rates in September. By year-end, the Federal Reserve's inflation measures plateaued slightly above the 2% target level, and labor markets cooled enough to alleviate the tight conditions of the previous several years.

Economic growth in the first half of 2025 moderated from earlier expectations due in part to consumers and businesses adjusting to the effects of an uncertain tariff environment and high interest rates. Favorable indicators showed the unemployment rate holding near 4% and consumer prices rising only slightly. Potential signs of economic weakness included rising consumer loan delinquencies and bankruptcy filings.

As 2025 continues to unfold, the U.S. economy faces several challenges. As of August 2025, economic growth is positive but slowing. Inflation measures are near 3%, the labor market is showing signs of losing momentum, and interest rates remain relatively high. Fluctuations in global tariffs give pause to consumers and businesses alike, dampening prospects for economic growth. Finally, the weakening dollar is increasing the cost of imported goods but positively affecting export-dependent sectors like agriculture.

#### The farm economy

There are also numerous challenges specific to the farm economy, particularly in the crops sector. In 2024, income for cash grain farmers was down sharply. In contrast, cattle and dairy farms had strong income as lower feed costs benefited producers across the livestock sector. Income for specialty

commodity producers was flat as they continued to be exposed to fast-growing costs such as labor and interest on farm debt.

In 2025, weak or negative crop returns have continued for the third consecutive year because of large supplies and an uncertain trade environment. Farmers with significant leverage and those who rent farmland are experiencing the most strain. In many cases, crop income is being supported by payments authorized under the American Relief Act passed in late 2024. For the livestock and poultry sectors, producer margins are generally positive. Cattle and beef prices remain at record-high levels. Maintaining protein demand is key to current market strength, which in turn depends on consumer disposable income and exports. Producers and their lenders will need to be ready for financial pressures ahead.

Farm asset prices have softened recently. In Iowa, for example, farm real estate prices for medium- and low-quality land have declined. Farm equipment cash values have also fallen. With relatively high current interest rates and declining farm income, collateral risk could increase for lenders going forward.

Government payments to farmers have bolstered farm income with significant support in recent years from ad hoc assistance rather than traditional farm program payments. Support from commodity programs has been limited because payment triggers for program crops were generally set below market levels. However, following enactment of Public Law No. 119–21 on July 4 of this year, reference prices were raised 11% to 21%, which will boost downside price protection, beginning with crops harvested this year, and reduce potential losses for farmers. However, these program payments will not be distributed to farmers until the end of the marketing year in the fall of 2026. The new law also increased premium

subsidies for federal crop insurance, making higher coverage levels more affordable for producers.

Regardless of the course of the farm economy, the Farm Credit System will continue its vital role of providing financing at competitive rates to the agriculture industry.

## In conclusion

As we look ahead, the FCA board remains committed to ensuring that the Farm Credit System continues to operate in a safe, sound, and mission-focused manner. Through prudent oversight; principles-based regulation; and strategic investment in people, processes, and technology, FCA will continue to safeguard the System's ability to serve agriculture and rural America effectively.

The accomplishments we discuss here are thanks to employees whose standards and hard work are unparalleled. We are privileged and grateful to work alongside them.

The world is changing rapidly. Technologies are becoming ever more sophisticated, leading to dramatic changes in agriculture and the financial services industry. We will be ready for these changes because one thing will not change: FCA's strong foundation in ensuring that safe, reliable, and affordable credit for farmers, ranchers, and rural Americans remains available in the years to come.

### **Jeffery S. Hall**

FCA Board Chairman and CEO

### **Glen R. Smith**

FCA Board Member



**Farmers, ranchers, and agricultural cooperatives participate in the management, control, and ownership of member-owned Farm Credit System institutions.**

## FCS banks and associations

The banks and associations of the Farm Credit System form a network of borrower-owned cooperative financial institutions and service organizations serving all 50 states and the Commonwealth of Puerto Rico. Created by Congress in 1916 to provide American agriculture with a dependable source of credit, the FCS is the nation's oldest government-sponsored enterprise.

As federally chartered cooperatives, the banks and associations of the Farm Credit System are limited-purpose lenders. Congress created them to improve “the income and well-being of American farmers and ranchers” by providing credit and related services for them, their cooperatives, and “selected farm-related businesses necessary for efficient farm operations.” Congress also gave the Farm Credit System the authority to support rural economic development by financing rural residences and rural utilities.

Congress formed the banks and associations of the FCS as a system of member-owned cooperatives to ensure that farmers, ranchers, and agricultural cooperatives can participate in the management, control, and ownership of their institutions. The participation of member-borrowers helps keep the institutions focused on serving their members' needs.

The System helps to meet broad public needs by providing liquidity and competition in rural credit markets in both good and bad economic times. Accomplishing this public goal benefits all eligible borrowers, including young, beginning, and small farmers, as well as rural homeowners.

The System obtains the money it lends by selling debt obligations in national and international money markets through the Federal Farm Credit Banks Funding Corporation. Established under the Farm Credit Act, the Funding Corporation issues and markets debt securities on behalf of the FCS banks to raise funds. The System's debt issuances are subject to FCA approval. The U.S. government does not guarantee the obligations that the System issues.

The banks are jointly and severally liable for the principal and interest on all Systemwide debt securities. Therefore, if a bank is unable to pay the principal or interest on a Systemwide debt security and if the Farm Credit Insurance Fund has been exhausted, then FCA must call on all non-defaulting banks to satisfy the liability.

### The structure of the System's cooperative network

The System's cooperative network includes the following four banks:

- CoBank, ACB
- AgriBank, FCB
- AgFirst Farm Credit Bank
- Farm Credit Bank of Texas

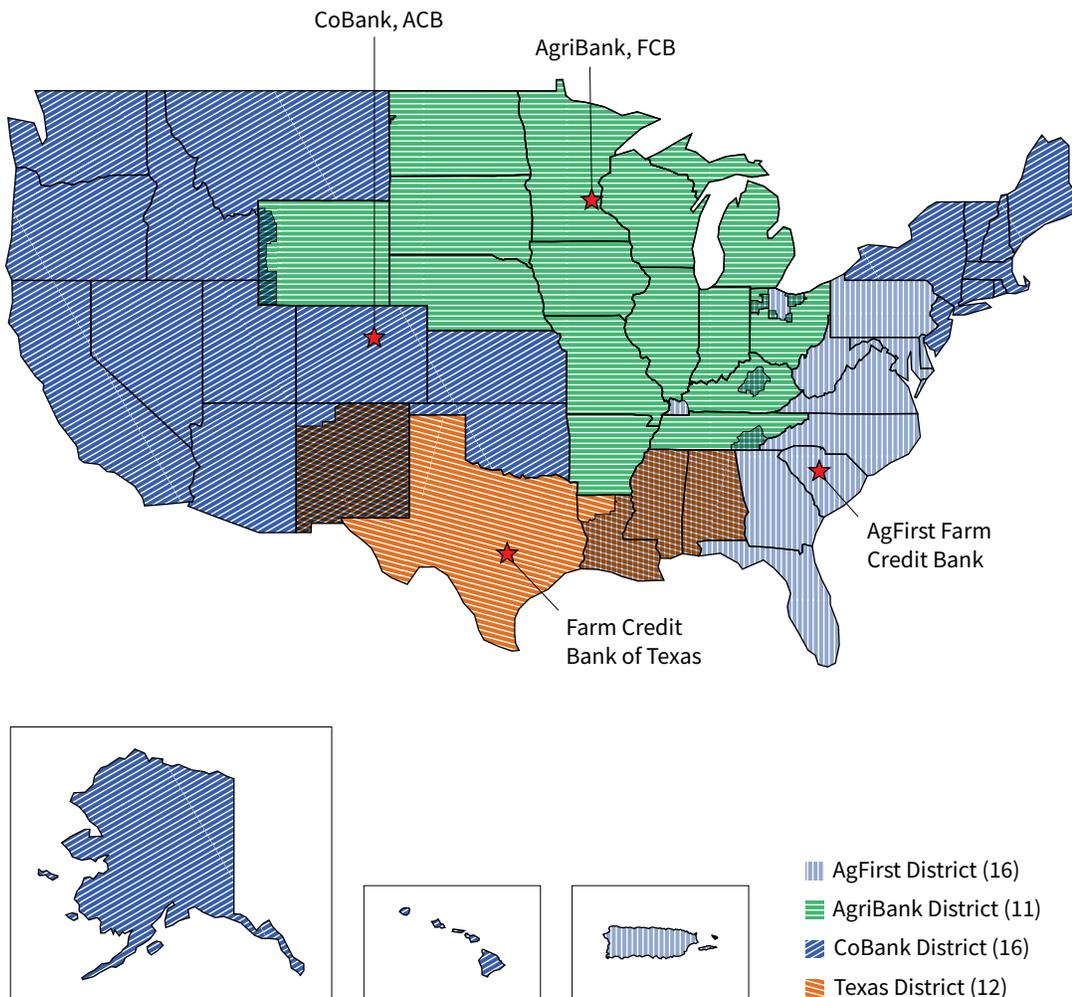
As of July 1, 2025, these banks provide loans to 55 associations, which in turn make loans to farmers, ranchers, and other eligible borrowers. (See figure 2.) Three of these banks are structured as farm credit banks; the other, CoBank, is structured as an agricultural credit bank with a farm credit bank subsidiary.

All but one of the System’s 55 associations are structured as agricultural credit associations (ACAs) with two subsidiaries — a production credit association (PCA) and a federal land credit association (FLCA). The PCA primarily makes agricultural production and intermediate-term loans, and the FLCA primarily makes real estate loans. FLCAs are federal land bank associations that have direct-lending authority. The ACA’s parent-subsidary structure allows the association to preserve the tax-exempt status of the FLCA and to build and use capital more efficiently.

The remaining association (Plains Land Bank) is a stand-alone FLCA.

In addition to funding 16 ACAs through its farm credit bank, CoBank has a nationwide charter to make loans to agricultural and aquatic cooperatives and rural utilities, as well as to other persons or organizations that have transactions with, or are owned by, the cooperatives. CoBank finances U.S. agricultural exports and imports and provides international banking services for farmer-owned cooperatives.

**Chartered territories of FCS banks**



**FIGURE 2**

As of July 1, 2025

Note: CoBank funds 16 associations in the indicated areas and serves cooperatives nationwide; Farm Credit Bank of Texas funds 12 associations; AgriBank, FCB, funds 11 associations; and AgFirst Farm Credit Bank funds 16 associations. The Farm Credit System contains a total of 59 banks and associations.

### Borrowers served

Under the Farm Credit Act of 1971, as amended, the System has the authority, subject to certain conditions, to make the following types of loans:

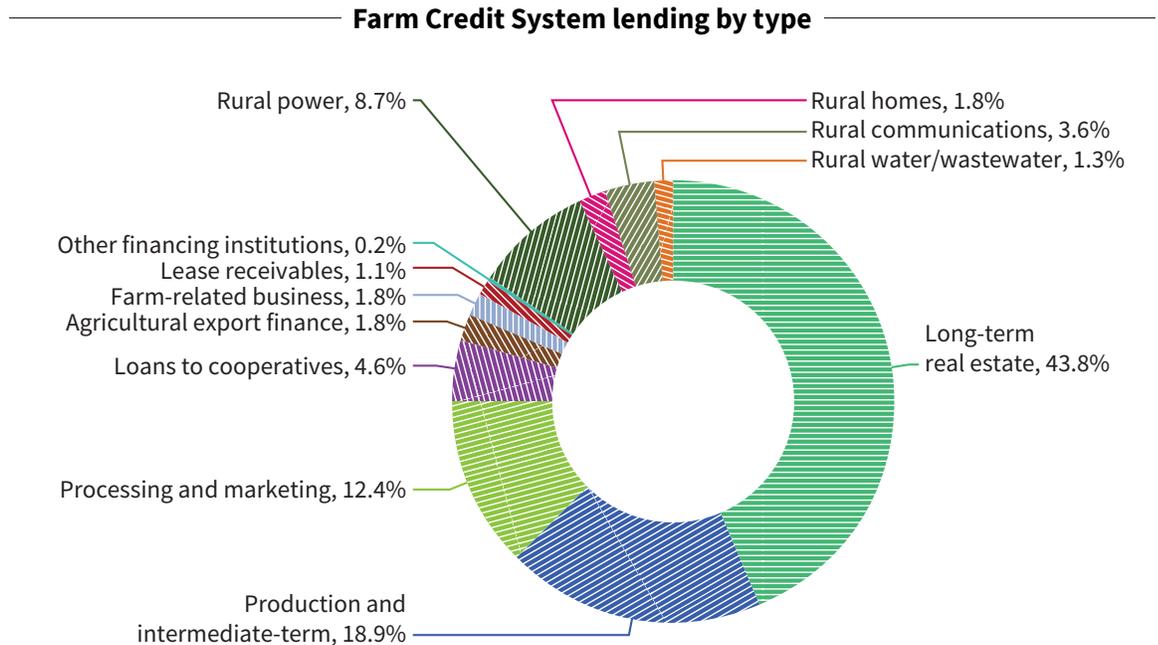
- Agricultural real estate loans
- Agricultural production and intermediate-term loans (e.g., for farm equipment)
- Loans to producers and harvesters of aquatic products
- Loans to certain farmer-owned agricultural processing facilities and farm-related businesses
- Loans to farmer-owned agricultural cooperatives
- Rural home mortgages
- Loans that finance agricultural exports and imports
- Loans to rural utilities
- Loans to farmers and ranchers for other credit needs

Also, under its similar-entity 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. Through these participations, the System diversifies its portfolio, reducing the risks associated with serving a single industry.

As required by law, borrowers own stock or participation certificates in System institutions. The FCS had approximately 1,059,000 loans and 675,000 stockholders at year-end 2024. Approximately 88% of the stockholders were farmers or cooperatives with voting stock. The remaining percent were nonvoting stockholders, including rural homeowners and other financing institutions that borrow from the System.

Nationwide, the System had \$428.9 billion in gross loans outstanding as of December 31, 2024. Loans for agricultural production and agricultural real estate purposes represented by far the largest type of lending, with \$269 billion, or 63%, of the total dollar amount of loans outstanding. (See figure 3.)

**FIGURE 3**  
As of December 31, 2024  
Source: 2024 Annual Information Statement of the Federal Farm Credit Banks Funding Corporation.



## System funding for other lenders

### Other financing institutions

Under the Farm Credit Act, System banks may further serve the credit needs of rural America by providing funding and discounting services to certain non-System lending institutions described in our regulations as “other financing institutions” (OFIs). These include the following:

- Commercial banks
- Savings institutions
- Credit unions
- Trust companies
- Agricultural credit corporations
- Other specified agricultural lenders that are significantly involved in lending to agricultural and aquatic producers and harvesters

The System served 17 OFIs at year-end 2024, unchanged from the previous year. Outstanding loan volume to OFIs decreased to approximately \$1 billion at year-end 2024.

### Syndications and loan participations with non-FCS lenders

In addition to the authority to provide services to OFIs, the Farm Credit Act gives FCS banks and associations the authority to partner with financial institutions outside the System in making loans to agriculture and rural America. Generally, System institutions partner with these financial institutions through loan syndications and participations to increase diversification and earnings (when they purchase volume) or to reduce credit risk and comply with lending limits (when they sell volume).

A loan syndication (or “syndicated bank facility”) is a large loan for which a group of financial institutions work together to provide funds. Usually, one financial institution takes the lead, acting as an agent

for all syndicate members and serving as a liaison between them and the borrower. The System’s gross loan syndication volume increased by \$3.5 billion over the past year to \$40.6 billion at year-end 2024.

Loan participations are loans in which two or more lenders share in providing loan funds to a borrower. At year-end 2024, the System had \$8.9 billion in net eligible-borrower loan participations with non-System lenders.

As noted above, FCS institutions also have the authority to lend to “similar-entity” borrowers (that is, those who are not eligible to borrow directly from the System but whose operations are functionally similar to those of eligible borrowers). This authority allows FCS institutions to participate with other lenders in loans to similar-entity borrowers. The System had \$26.7 billion in net similar-entity loan participations with non-System lenders as of December 31, 2024, up from \$26.3 billion the prior year. (See figure 4.)

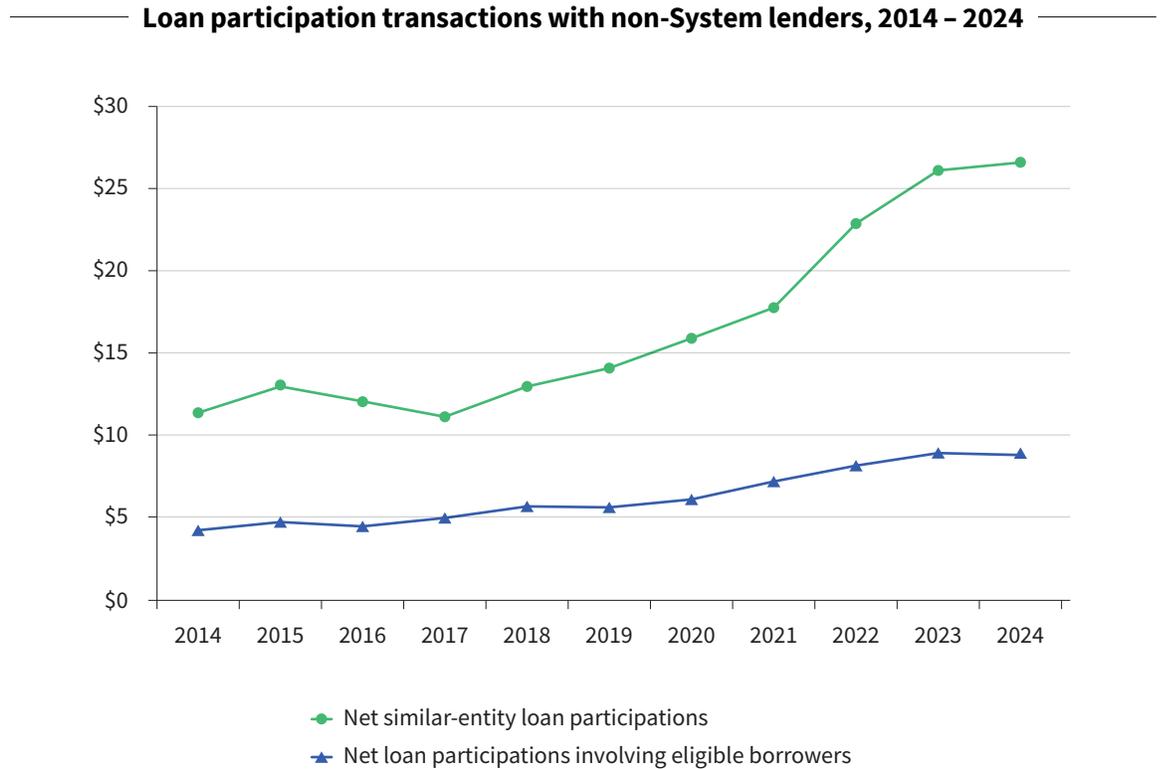
## Farm debt and market shares

The U.S. Department of Agriculture’s estimate of total farm business debt for the year ended December 31, 2023, was \$519 billion, up 4.6% from its \$496 billion estimate for year-end 2022. The System’s market share of total farm business debt declined from 45.9% at the end of 2022 to 45.8% at the end of 2023. (See figure 5. Also, please note that 2024 data was not available at the time of publication of this report.)

The FCS has held the largest market share of farm business debt secured by real estate for more than two decades. At year-end 2023, the System held 48.8% of this \$345 billion of debt; by comparison, commercial banks held 31.6%. Commercial banks have historically dominated non-real estate farm lending. At year-end 2023, commercial banks held 41.5% of this \$174 billion of debt, and the System held 40.0%.

**FIGURE 4**

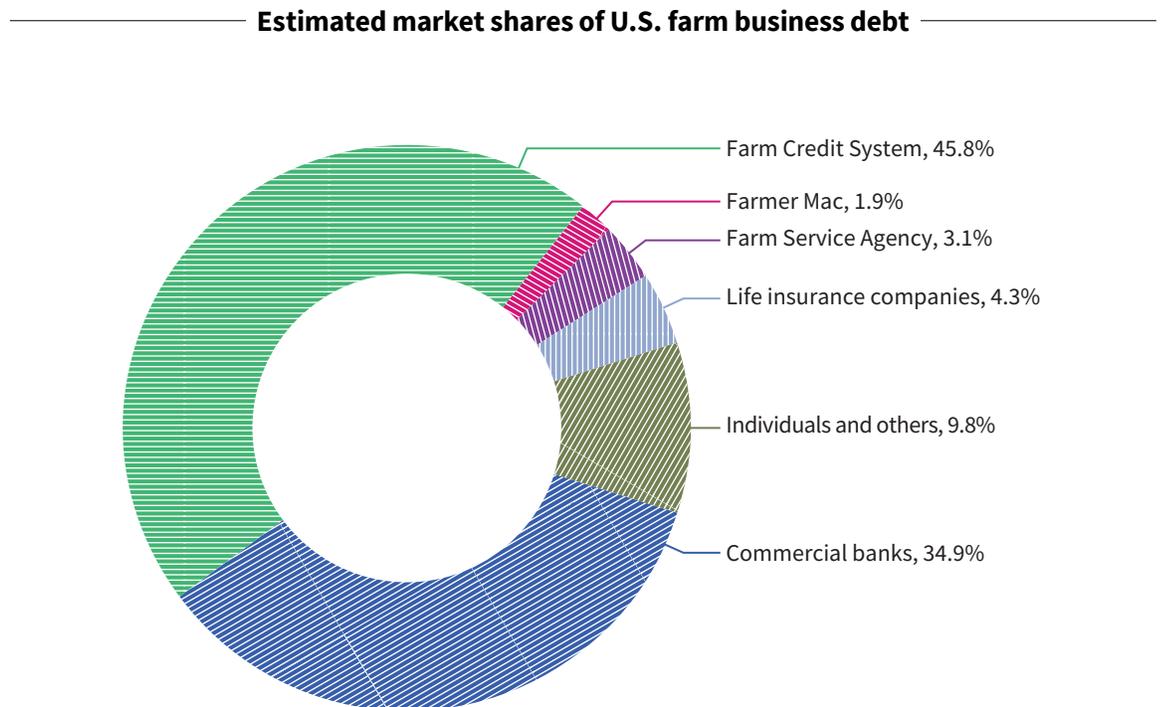
As of December 31  
 Dollars in billions  
 Sources: Farm Credit System Call Reports.



**FIGURE 5**

As of December 31, 2023

Source: FCA's Office of Data Analytics and Economics, based on Feb. 6, 2025, data from USDA's Economic Research Service.



## Financial condition

The System reported sound 2024 financial results, including strong loan growth, higher earnings, and increased capital. Portfolio loan quality remained favorable; however, credit-risk measures increased as operating conditions for certain agricultural sectors remained challenging.

Tables 1 and 2 provide a summary of the System's major financial indicators. For more information on the condition and performance of the System, see the 2024 Annual Information Statement of the Farm Credit System on the website of the Federal Farm Credit Banks Funding Corporation ([www.farmcreditfunding.com](http://www.farmcreditfunding.com)).

While the System is financially sound, a small number of individual FCS institutions displayed some material weaknesses in 2024. As the System's regulator, we

addressed these weaknesses by increasing our oversight and supervision of these institutions. For more information on our supervisory and enforcement approach, see pages 37 to 44.

For agriculture, the profitability picture was markedly different for crop and livestock sectors in 2024. For cash grain producers, strong production and large supplies drove corn and soybean prices lower. Lower prices combined with higher production costs caused producer returns to decline sharply.

Market conditions for the livestock sector were more favorable, as producers benefited from lower feed costs associated with declining grain prices. Cow-calf producers saw record returns as the cow herd remained at the lowest level in decades. For other livestock sectors, favorable demand and balanced production contributed to positive producer returns.



TABLE 1

**Farm Credit System major financial indicators, by annual comparison**

December 31, 2024

Dollars in millions

Item	31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24
Total assets	\$400,693	\$435,957	\$477,063	\$507,836	\$544,365
Gross loan volume	\$315,490	\$343,929	\$373,266	\$398,176	\$428,913
Bonds and notes	\$325,214	\$356,446	\$395,576	\$421,821	\$453,000
Nonperforming assets <sup>1</sup>	\$1,897	\$1,578	\$1,755	\$1,798	\$3,479
Net income, full year	\$6,002	\$6,796	\$7,268	\$7,445	\$7,798
Nonperforming assets/Gross loans and other property owned	0.60%	0.46%	0.47%	0.45%	0.81%
Total capital/Assets <sup>2</sup>	16.36%	15.94%	14.38%	14.44%	14.48%
Retained earnings/Assets	12.92%	12.59%	12.01%	11.35%	11.28%
Return on average assets	1.57%	1.66%	1.59%	1.53%	1.51%
Return on average capital	9.26%	9.94%	10.45%	10.41%	10.12%
Net interest margin <sup>3</sup>	2.46%	2.46%	2.39%	2.43%	2.41%
Efficiency ratio <sup>4</sup>	35.9%	35.3%	35.1%	34.9%	35.3%
Operating expenses/Average loans <sup>5</sup>	1.18%	1.14%	1.12%	1.15%	1.14%

Sources: FCA's Consolidated Reporting System as of December 31 and the Annual Information Statements of the Federal Farm Credit Banks Funding Corporation.

1 Nonperforming assets are defined as nonaccrual loans, accrual loans 90 or more days past due, and other property owned. Prior to adoption of the current expected credit losses accounting standard (CECL) on January 1, 2023, accruing restructured loans were included in nonperforming assets.

2 Total capital excludes mandatorily redeemable preferred stock and protected borrower capital and includes the Farm Credit Insurance Fund, which is under the direct control of the Farm Credit System Insurance Corporation.

3 Net interest margin ratio measures net income produced by interest-earning assets, including the effect of loanable funds. This ratio is a key indicator of the effectiveness of loan pricing.

4 The efficiency ratio measures total noninterest expenses for the preceding 12 months divided by the sum of net interest income and noninterest income for the preceding 12 months.

5 Operating expenses divided by average gross loans.

TABLE 2

**Farm Credit System major financial indicators, by district**

December 31, 2024

Dollars in millions

<b>Institution Name</b>	<b>Total Assets</b>	<b>Gross Loan Volume</b>	<b>Nonaccrual Loans</b>	<b>Allowance for Loan Losses</b>	<b>Cash and Investments</b>	<b>Capital Stock<sup>1</sup></b>	<b>Total Capital</b>	<b>Net Income</b>
<b>FCS banks</b>								
AgFirst	\$47,032	\$36,665	\$61	(\$28)	\$9,859	\$600	\$1,731	\$283
AgriBank	\$191,931	\$164,659	\$180	(\$40)	\$25,071	\$6,530	\$9,463	\$927
CoBank	\$208,574	\$158,858	\$376	(\$733)	\$47,720	\$4,352	\$12,862	\$1,635
Texas	\$39,496	\$31,821	\$42	(\$35)	\$7,138	\$612	\$1,780	\$222
Total <sup>2</sup>	\$486,531	\$391,691	\$659	(\$836)	\$89,788	\$11,743	\$25,500	\$2,883
<b>FCS associations</b>								
AgFirst	\$33,511	\$32,089	\$134	(\$120)	\$165	\$163	\$6,027	\$659
AgriBank	\$173,740	\$156,995	\$1,163	(\$369)	\$6,384	\$162	\$29,005	\$2,818
CoBank	\$97,551	\$90,403	\$1,102	(\$379)	\$2,254	\$50	\$16,544	\$1,985
Texas	\$32,087	\$30,561	\$115	(\$96)	\$252	\$72	\$4,619	\$590
Total <sup>3</sup>	\$336,970	\$310,046	\$2,515	(\$964)	\$9,067	\$478	\$56,230	\$6,050
Total FCS <sup>2,3</sup>	\$544,365	\$428,913	\$3,171	(\$1,799)	\$98,773	\$2,201	\$78,832	\$7,798

Sources: FCA's Consolidated Reporting System as of December 31, 2024, and the Farm Credit System 2024 Annual Information Statement provided by the Federal Farm Credit Banks Funding Corporation.

1 Includes capital stock and participation certificates, excludes mandatorily redeemable preferred stock and protected borrower capital.

2 Cannot be derived by adding the categories above because of intradistrict and intra-System eliminations used in Reports to Investors. Also, the total FCS numbers exclude mandatorily redeemable preferred stock and protected borrower capital, but they do include restricted capital from the Farm Credit Insurance Fund.

3 Total capital at a consolidated level includes the Farm Credit Insurance Fund.

### Earnings

System net income continued to trend higher in 2024. For the year, System consolidated net income totaled \$7.8 billion, up \$353 million, or 4.7%, from 2023. (See figure 6.) Growth in net income was largely the result of a \$602 million increase in net interest income and a \$45 million decline in provisions for credit losses, partially offset by \$267 million in higher noninterest expenses.

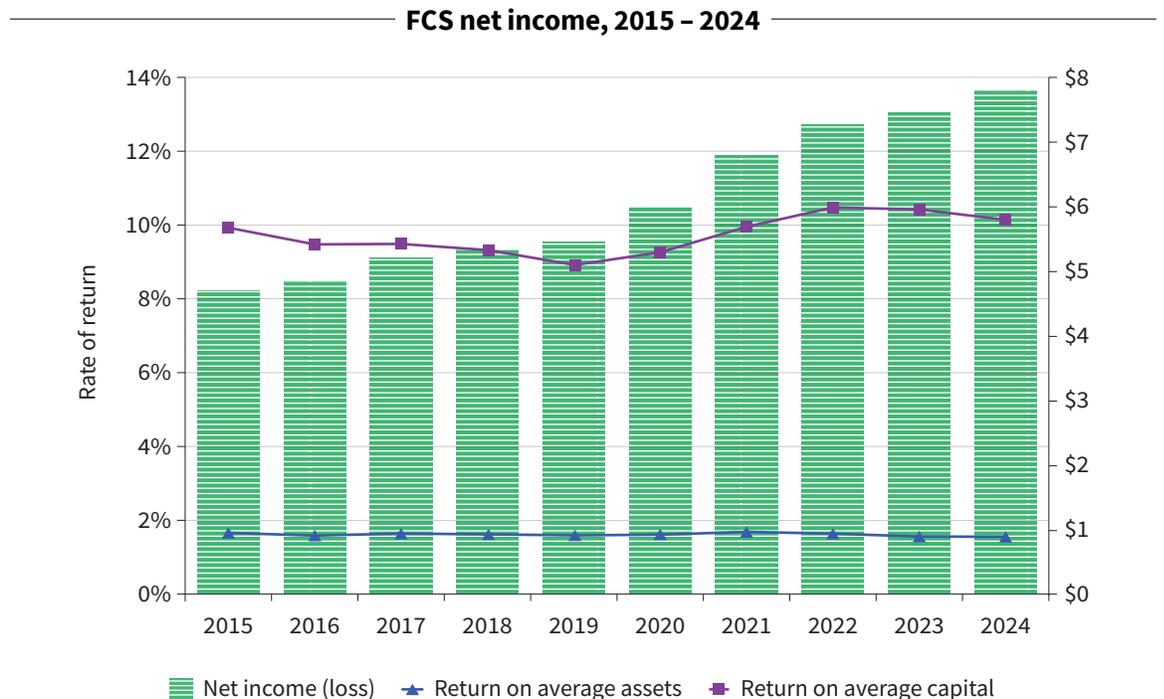
The increase in net interest income was primarily driven by a higher level of average earning assets resulting from strong growth in the System’s loan portfolio. In 2024, average earning assets grew by \$28.4 billion, or 6.0%, to \$499.2 billion. Net interest spread again declined in 2024, dropping 7 basis points to 1.86%. The decrease in net interest spread was largely because of higher debt costs and competitive market pressures on loan spreads. Net interest margin declined 2 basis points to 2.41% for 2024. This drop

reflects the 7 basis point decrease in net interest spread, which was partially offset by a 5 basis point increase in the rate on earning assets funded by noninterest sources (principally capital). The System’s return on average assets was 1.51%, down from 1.53% in 2023. The return on average capital decreased to 10.12% from 10.41%.

As cooperative institutions, FCS banks and associations typically pass on a portion of their earnings as patronage distributions to their borrower-owners. For 2024, System institutions declared a total of \$3.0 billion in patronage distributions — \$2.9 billion in cash and \$97 million to capital stock and participation certificates. This represents 38.9% of the System’s net income for 2023, down from 40.6% in 2023. The System also distributed \$148 million in cash from allocated retained earnings representing patronage distributions declared in previous years.

**FIGURE 6**

As of December 31  
Dollars in billions  
Sources: Annual Information Statements of the Federal Farm Credit Banks Funding Corporation.



**System growth**

The System reported stronger growth in 2024 compared with 2023. For the year, total assets were up 7.2%, or \$36.5 billion, to \$544.4 billion. Loan portfolio balances increased 7.7%, or \$30.7 billion, to \$428.9 billion. (See figure 7 and table 3.)

For 2024, portfolio gains were the result of growth across most major loan categories, including agricultural real estate mortgages, production and intermediate-term, agribusiness, and rural infrastructure.

Real estate mortgages, the largest segment of the loan portfolio at almost 44%, rose by \$10.3 billion, or 5.8%, from a year ago. Two primary factors drove the higher demand for real estate mortgage loans: targeted marketing efforts by certain System institutions and refinancings that coincided with Federal Reserve rate cuts.

Production and intermediate-term lending increased by \$7.8 billion, or 10.7%. This growth was largely related to greater seasonal use of operating lines, caused in part by rising production costs. Agribusiness loan volume increased by \$9.4 billion, or 13.2%, on higher seasonal loans to cooperatives and growth in processing and marketing lending. Rural infrastructure volume grew by \$4.1 billion, or 7.5%, mainly in the power and communications sectors.

With respect to portfolio commodity concentrations, loan volume was up in most major commodity categories in 2024. At year-end, cash grains, food products, and cattle sectors were the System’s three largest commodity concentrations, making up over 33% of the total loan portfolio. For the year, loan volume for these sectors increased 8.1%, 10.1%, and 10.5%, respectively.

**Annual growth rate of FCS loans outstanding, 2013 – 2024**



**FIGURE 7**

As of December 31  
Sources: Annual Information Statements of the Federal Farm Credit Banks Funding Corporation.



TABLE 3

**FCS gross loans outstanding, 2020 – 2024**

As of December 31

Dollars in millions

Loan Type	2020	2021	2022	2023	2024	Percent Change from 2020	Percent Change from 2023
<b>Agricultural real estate mortgage loans</b>	\$147,623	\$164,535	\$172,806	\$177,622	\$187,948	27.32%	5.81%
<b>Agricultural production and intermediate-term loans</b>	\$57,973	\$62,620	\$66,427	\$73,385	\$81,209	40.08%	10.66%
<b>Agribusiness loans to the following:</b>							
Processing and marketing operations	\$31,939	\$34,308	\$41,973	\$47,556	\$53,127	66.34%	11.71%
Cooperatives	\$20,020	\$21,286	\$19,525	\$16,905	\$19,678	(1.71%)	16.40%
Farm-related businesses	\$4,453	\$5,053	\$5,998	\$6,499	\$7,510	68.65%	15.56%
<b>Rural infrastructure loans by type of utility:</b>							
Power	\$22,066	\$23,621	\$27,880	\$34,238	\$37,418	69.75%	9.29%
Communication	\$9,708	\$10,272	\$12,453	\$14,230	\$15,325	57.86%	7.70%
Water/wastewater	\$2,703	\$3,122	\$3,882	\$5,989	\$5,779	113.80%	(3.51%)
<b>Rural residential real estate</b>	\$6,928	\$6,883	\$7,043	\$7,227	\$7,567	9.22%	4.70%
<b>Agricultural export finance</b>	\$6,873	\$7,079	\$10,071	\$8,418	\$7,612	10.75%	(9.57%)
<b>Lease receivables</b>	\$4,345	\$4,165	\$4,146	\$4,705	\$4,782	10.06%	1.64%
<b>Loans to other financing institutions</b>	\$859	\$985	\$1,062	\$1,402	\$958	11.53%	(-31.67)
<b>Total</b>	\$315,490	\$343,929	\$373,266	\$398,176	\$428,913	35.95%	7.72%

Source: Annual Information Statements of the Federal Farm Credit Banks Funding Corporation.



### Asset quality

The System’s portfolio continued to perform well in 2024, and loan quality remained favorable despite rising credit-risk measures.

As of December 31, 2024, nonperforming loans totaled \$3.41 billion, or 0.79% of gross loans outstanding. This compares with \$1.74 billion, or 0.44%, at year-end 2023. (See figure 8.) Loan delinquencies (accruing loans that are 30 days or more past due) were slightly higher, at 0.36% of total accruing loans, compared with 0.34% at year-end 2023. In total, 94.7% of System loans were classified as acceptable, down from 95.9% at year-end 2023.

Provisions for credit losses were \$569 million in 2024, compared with \$614 million in 2023. Provisions in 2024 were largely related to higher reserves related to credit quality deterioration in production and intermediate-term and agribusiness sectors. The allowance for credit losses on loans increased to \$1.80 billion, or 0.42% of loans outstanding, compared with \$1.62 billion, or 0.41% of loans

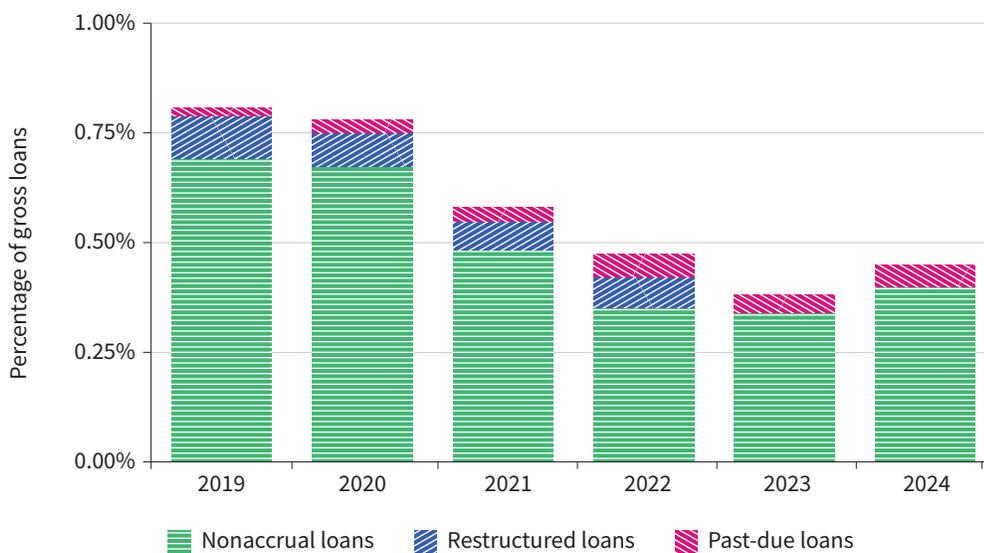
outstanding, at year-end 2023. Although net loan charge-offs increased to \$420 million in 2024 from \$376 million in 2023, the overall level remained low.

### Capital

The System’s capital position remained sound in 2024. At December 31, total capital equaled \$78.8 billion, compared with \$73.3 billion a year ago. (Please note that these numbers include the Farm Credit Insurance Fund, which totaled \$8.0 billion at December 31, 2024.) At year-end, the System’s capital-to-assets ratio was 14.5% compared with 14.4% from a year ago.

As shown in figure 9, retained earnings are the most significant component of capital, equaling 77.9% of total capital at year-end 2023, down from 78.6% a year ago. FCA regulations establish the minimum capital levels that each FCS bank and association must achieve and maintain. As of December 31, 2024, capital levels at all System banks and associations exceeded the regulatory minimum capital requirements.

**FCS nonperforming loans, 2019 – 2024**

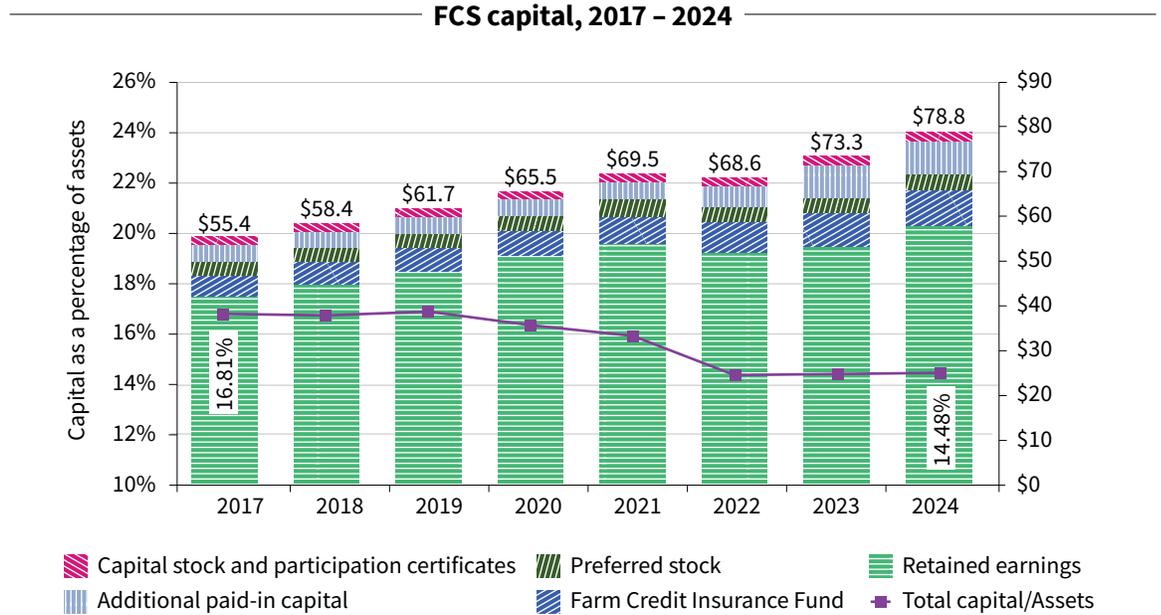


**FIGURE 8**

As of December 31  
 Source: Annual Information Statements of the Federal Farm Credit Banks Funding Corporation.  
 Note: Beginning January 1, 2023, reporting on accruing restructured loans was not required under generally accepted accounting principles.

FIGURE 9

As of December 31  
 Dollars in billions  
 Sources: Annual Information Statements of the Federal Farm Credit Banks Funding Corporation.  
 Note: Total capital includes the Farm Credit Insurance Fund. Retained earnings include accumulated other comprehensive income or loss.



**Funding and liquidity**

The System funds loans and investments primarily with consolidated Systemwide debt, along with a substantial amount of equity capital. The Funding Corporation, the fiscal agent for System banks, sells debt securities every business day, such as discount notes, bonds, and designated bonds, on behalf of the System. This process allows funds to flow efficiently from worldwide capital market investors to agriculture and rural America, thereby providing rural communities with ready access to global capital.

The Federal Reserve, having raised rates in 2023 to combat inflation, maintained rates for the first half of 2024 as inflation indicators remained elevated. The first rate cut came in September 2024, followed by two additional cuts.

As a result of persistent inflation, as well as the potential impact from planned tariffs, global interest rates experienced relative volatility in 2024. Despite this volatile environment, the System was able to maintain reliable access to the debt capital

markets. However, interest rates on its debt securities with maturities of two years and greater moved higher, and the issuance of some types of debt instruments continued to require substantial premiums to promote investor interest. Investors continued to highly favor the System’s debt offerings for a variety of reasons:

- The System is a government-sponsored enterprise (GSE), and certain regulatory requirements promote investment in GSE debt.
- The System’s financial performance continued to be strong.
- The System accounted for 22.2% of GSE debt outstanding at year-end 2024.
- The System accounted for 15.2% of GSE term debt issuance during 2024.

Risk premiums for pricing on System debt securities generally declined in 2024 and remained favorable, particularly for maturities under five years. However, while risk premiums for longer-term and callable System debt securities also declined, they

remained significantly higher than prior to the Fed's 2022 rate-tightening cycle — although still favorable compared with most other financial entities.

The decline in risk premiums was partly due to the resilience of the U.S. economy despite continued inflationary pressures. However, concerns over national debt levels and fiscal stability, along with geopolitical tensions, meant continued market volatility in 2024.

At year-end 2024, Systemwide debt outstanding was \$448.3 billion, representing a 7.74% increase from the preceding year-end. Several factors contributed to the \$32.2 billion increase in Systemwide debt outstanding. Gross loans increased \$30.7 billion in 2024, while the System's combined investments, federal funds, and cash balances increased by \$5.3 billion.

The amount of outstanding debt on which the System exercised its call options increased in 2024 as the Federal Reserve cut rates starting in September. The target federal funds range decreased from 5.25% to 5.50% at the start of 2024 to 4.25% to 4.50% by year-end. While the Fed continued its quantitative tightening in 2024 by reducing the size of its balance sheet, during the middle of the year it slowed the pace of the tightening to ensure the process did not result in financial stress. The System exercised calls on \$40.8 billion in 2024, compared with \$13.5 billion in 2023, \$35.6 billion during 2021, and a record \$115.2 billion in 2020 when the onset of the COVID-19 pandemic sent interest rates plummeting. Of the \$40.3 billion System total debt called in 2024, \$17.8 billion was callable floating rate bonds, which were introduced in 2023 to promote money market investment fund manager engagement.

Favorable investor sentiment continued to provide the System with access to a wide

range of debt maturities in 2024. The weighted average of remaining maturities decreased slightly to 2.9 years at the end of 2024 from 3.0 years at the end of 2023. Meanwhile, the weighted-average interest rates for insured debt decreased from 3.88% as of December 31, 2023, to 3.80% as of December 31, 2024.

The System had \$3.680 billion in outstanding preferred stock at the end of 2024, an increase of \$353 million from the previous year-end. As of the end of 2024, outstanding subordinated debt stood at \$398 million, unchanged from year-end 2023. All preferred stock and subordinated debt issuances are the sole obligations of their respective issuing institutions.

To participate in the issuance of an FCS debt security, a System bank must maintain — free from any lien or other pledge — specified eligible assets (available collateral) that are at least equal in value to the total amount of its outstanding debt securities. Securities subject to the available collateral requirements include Systemwide debt securities for which the bank is primarily liable, investment bonds, and other debt securities that the bank may have issued individually, such as limited life (term) preferred stock and subordinated debt.

Furthermore, our regulations require each FCS bank to maintain a tier 1 leverage ratio (primarily unallocated retained earnings, certain common cooperative equities, and noncumulative perpetual preferred stock, divided by total assets) of not less than 4%. FCA regulations also provide for a tier 1 leverage ratio buffer of an additional 1%. Certain restrictions apply if the buffer does not exceed 1%. Throughout 2024, all System banks maintained their tier 1 leverage ratios and their leverage buffer ratios above the required minimums, with 5.15% being the lowest for any individual bank as of December 31, 2024.

All System banks have kept their days of liquidity, which measures secondary sources of funding, well above the required minimum levels. The lowest liquidity levels at any individual bank as of December 31, 2024, were as follows:

- 34 days (15 days regulatory minimum) of level 1 assets
- 82 days (30 days regulatory minimum) of level 1 and 2 assets
- 120 days (90 days regulatory minimum) of level 1, 2, and 3 assets
- 152 days overall (including the supplemental liquidity buffer)



▲ The ArborOne Farm Credit loan review team visits a peach facility in South Carolina.

In addition to the protections provided by the joint and several liability provisions, the Funding Corporation and the System banks have entered into the following voluntary agreements:

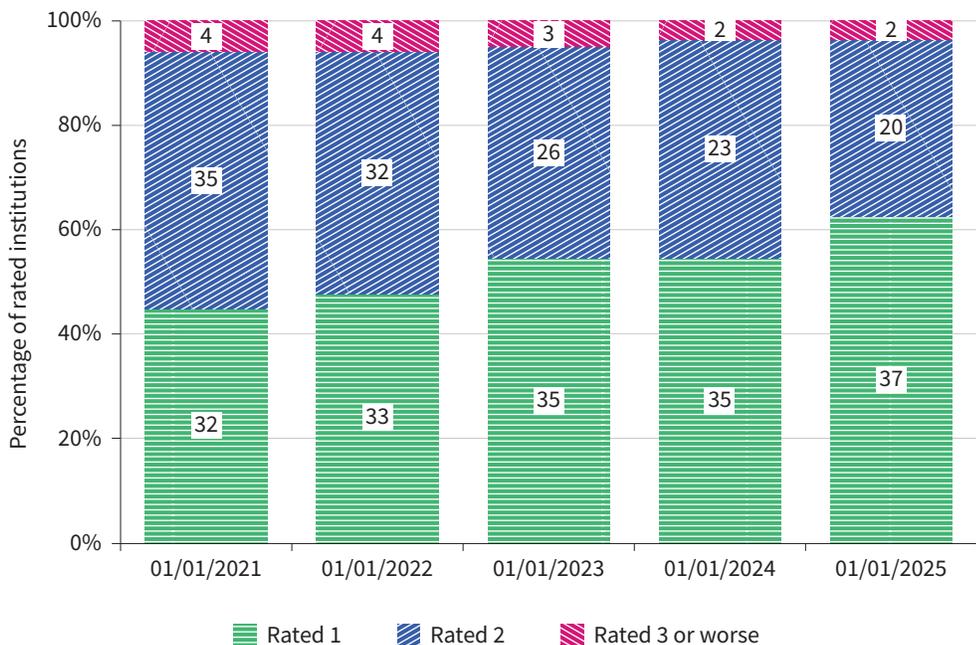
- **The Amended and Restated Market Access Agreement**, which establishes certain financial thresholds and provides the Funding Corporation with operational oversight and control over the System banks’ participation in Systemwide debt obligations. For all of 2024, all Farm Credit System banks maintained financial metrics above the thresholds in the Market Access Agreement.
- **The Amended and Restated Contractual Interbank Performance Agreement**, which is tied to the Market Access Agreement and establishes certain measures that monitor the financial condition and performance of the institutions in each FCS bank’s district. For all of 2024, all Farm Credit System banks maintained scores above the benchmarks in the Contractual Interbank Performance Agreement.

**Ratings**

FCA uses the Financial Institution Rating System (FIRS) to assess the safety and soundness of each FCS institution. Similar to the systems used by other federal banking regulators, FIRS is a framework of component and composite ratings to help FCA examiners evaluate significant financial, asset quality, and management factors. FIRS ratings range from 1 for a sound institution to 5 for an institution that is likely to fail.

As figure 10 shows, the financial condition and performance of the FCS remains strong. The System’s strength reduces the risk to investors in FCS debt, to the Farm Credit System Insurance Corporation, and to FCS institution stockholders. As of January 1, 2025, 57 FCS institutions were rated 1 or 2 (97% of all institutions) and two institutions were rated 3 or worse (3%). The institutions rated 3 or worse represented about 4.0% of the System’s total assets.

— **Financial Institution Rating System (FIRS) composite ratings for the FCS, 2021 – 2025** —



**FIGURE 10**

As of January 1  
 Source: FCA’s FIRS ratings database.  
 Note: Figure 10 reflects ratings for only the Farm Credit System’s banks and direct-lending associations; it does not include ratings for the System’s service corporations, Farmer Mac, or the Federal Farm Credit Banks Funding Corporation. Also, the numbers shown on the bars reflect the total number of institutions with a given rating; please refer to the y-axis to determine the percentage of institutions receiving a given rating.

# HOOSIER HOMESTEAD FARM



Owned by  
the same  
family  
for over  
200  
years

INDIANA STATE DEPARTMENT  
OF AGRICULTURE

The Farm Credit Administration fulfills its mission through developing and enforcing regulations, examining System institutions, and monitoring the farm economy.

# Safety and soundness

## Examination

As the regulator of the Farm Credit System, the Farm Credit Administration examines and supervises System institutions. The overall objective of the examination process is to ensure each System institution operates safely and soundly, complies with laws and regulations, and is financially positioned to meet the needs of agriculture and rural America.

As required by the Farm Credit Act, FCA examines each institution at least once every 18 months. In between these statutory examinations, we also monitor and examine institutions on an ongoing basis.

The risk-based examination concept provides the framework for FCA's examination process. Managing risk is a challenge for all lenders but especially for those lending to a single sector of the economy — in this case, agriculture. To manage this risk, Farm Credit System institutions must have both sufficient capital and effective risk management processes. Our examiners determine how issues affecting agriculture and the economy create risk for System institutions.

We customize our examination activities to each institution's specific risks. To monitor and address FCS risk as effectively and efficiently as possible, we assign highest

priority to institutions, or the parts of an institution's operations, that present the greatest risk.

We require institutions to develop and maintain programs, policies, procedures, and controls to identify and manage risk. For example, our regulations require FCS institutions to have effective loan underwriting and loan administration processes. We also have regulations requiring FCS institutions to maintain strong asset-liability management capabilities.

Our examiners also evaluate whether each institution is fulfilling its chartered mission to provide credit and financially related services to eligible, creditworthy customers. They do so by determining whether each institution is complying with mission-related laws and regulations. This includes evaluating the System's efforts to implement programs for serving the credit needs of eligible agricultural producers and cooperatives, including young, beginning, and small (YBS) farmers and ranchers.

Our examiners also review System institutions' annual reports and business plans and encourage institutions to include a discussion of how they are meeting their mission. Ongoing oversight and examination efforts continue to address YBS data integrity and compliance with YBS regulations.

◀ In the spring of 2021, the family farm of Chairman Jeff Hall was named a Hoosier Homestead Farm by the Indiana State Department of Agriculture. This designation is reserved for Indiana farms that have been in the same family for 100, 150, or 200 years.

### National oversight plan

In addition to monitoring risks that are unique to a single institution, we also monitor risks that affect the System as a whole. Each year we develop a national oversight plan that takes certain systemic risks into account. In fiscal year 2025, we have the following focus areas:

#### Sustainability of capitalization practices

While the System remains well capitalized, a number of institutions face the longer-term challenge of capitalizing their asset growth. As a result, we will continue to focus on the long-term sustainability of System

capitalization practices, with an emphasis on the following processes:

- Evaluating asset growth and the needs of the customer base
- Assessing the impact of profitability, leverage, and capital distributions on the institution's ability to capitalize growth through retained earnings
- Reviewing and recalibrating capital plans and strategies, as necessary

#### Innovation through automation and artificial intelligence

Innovation through automation and artificial intelligence (AI) has significantly transformed traditional banking and financial services.



▲ Class of 2024 associate examiners. Left to right, front row: Michael Moline (Bloomington), Joshua Penland (Dallas), Amara Hayling (McLean), Hollie Hons (Dallas), Rebeka Benoy (Dallas), and Tyler Hand (Denver). Back row: Dylan Wachter (Bloomington), Sandeep Sandhu (Sacramento), Eric Gay (Sacramento), David Wise (Denver), Lila Stern (McLean), Freya Birkas-Dent (Bloomington), and Travis Mueller (Denver).

Automation can improve efficiency and reduce costs by handling repetitive and time-consuming tasks. Advances in computing capacity enable financial institutions to leverage AI for risk-management functions, operational purposes, and enhanced products and services for all creditworthy borrowers. System institutions are pursuing these opportunities and benefits.

As with any new product or service, maintaining sound risk management processes is critical for identifying, reporting, and controlling risks associated with automation and AI. Effective risk management includes due diligence and risk assessment, appropriate staffing, and sound governance and control practices.

We will survey System institutions to better understand which automation techniques they are using, how they are using AI, and, more importantly, how they are managing and governing risks associated with these innovations.

To evaluate automation and AI risk-management practices, we use FCA Examination Manual guidance on such topics as [Model Risk Management \(PDF\)](#), [Third-Party Risk Management \(PDF\)](#), and [Information Technology & Security \(PDF\)](#).

### Sound governance

Consistent with broader market trends, the System is experiencing or anticipating greater turnover among board members and senior managers. Turnover can present a challenge to corporate governance, culture, and control environment. As we continue to monitor turnover and the implications for System institutions, we focus our examinations on areas central to maintaining strong governance and a sound control environment, including but not limited to the areas described below.

- **Succession planning** — Effective succession planning processes are essential to ensuring strong governance and a sound control environment. Succession planning should cover all key positions and aim to build bench strength across the institution. In recent years, we have seen an increase in mergers, joint management agreements, and System consolidation; while these can lead to positive outcomes, they should not stem from lack of succession planning and development of internal staff.
- **Director elections** — Sound processes and controls for director elections help ensure institutions' boards are representative of the stockholder base and have the necessary skill set to fulfill their fiduciary duties. These processes and controls begin with an independent, knowledgeable, and resourceful nominating committee. In addition, impartiality, confidentiality, and security in director elections and voting processes are necessary to ensure stockholder confidence and facilitate sound governance.
- **Standards of conduct (SOC)** — The board and management's commitment to integrity and ethical behavior is critical to the overall control environment of each institution. Since the new SOC regulations took effect on January 1, 2023, steps have been taken to implement them. For example, System institutions revised their SOC guidance, implemented a code of ethics, conducted training, and collected and evaluated disclosures under the new rule. These are vital steps to ensuring sound governance and a strong control environment; however, each institution must then carry out a culture consistent with its SOC guidance and code of ethics. This work begins at the top with the board and executive management.

**FIGURE 11**

Source: FCA’s Office of Data Analytics and Economics using data from Cotality (formerly CoreLogic) and USDA’s Natural Resources Conservation Service Gridded Soil Survey Geographic Database.

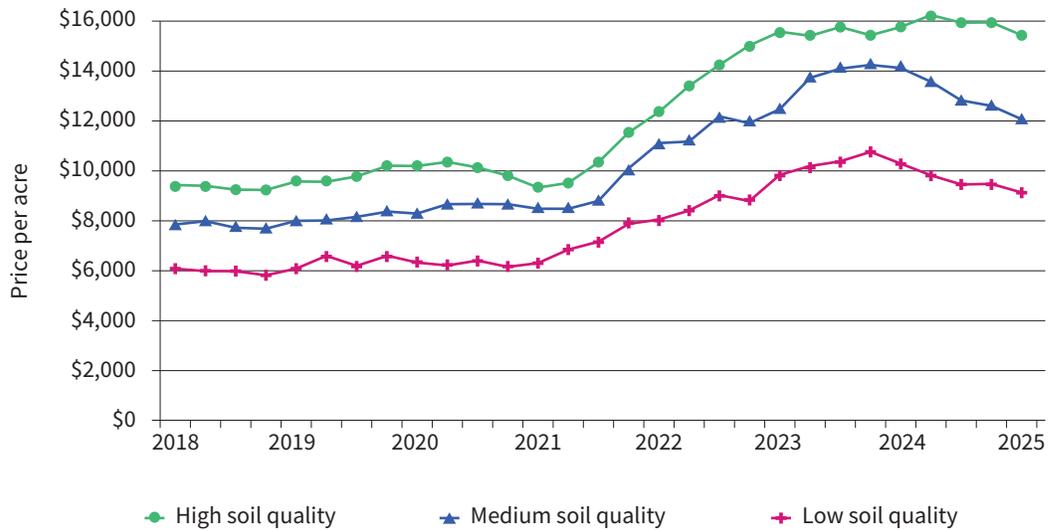
Note: Farmland is defined as bare land parcels of at least five acres without buildings or structures.

Each quarterly figure is a rolling average of the median farmland transaction price, including private sales. A rolling average is used to smooth out short-term fluctuations and highlight longer-term trends in the data.

The median value separates the higher half from the lower half of the data.

**Farmland price analysis based on Iowa farmland transactions**

In 2024, FCA’s Office of Data Analytics and Economics (ODAE) developed an analysis of farmland prices to generate evidence-based insights into trends affecting borrower and System risk. To monitor prices in near-real time, ODAE estimates farmland prices each quarter using parcel-level data released monthly and segmented by farmland quality.



Above, examiners see trends in Iowa farmland prices, which enables them to evaluate valuations of collateral pledged to secure System loans. As the chart shows, lower-quality farmland in Iowa has been under pressure over the last year, with farmland prices declining from highs. As of the second quarter of 2025, high-quality farmland in Iowa has also begun to exhibit signs of a softening market.



### Credit and collateral risk exposure

Many System institutions have experienced continued growth in their capital markets portfolios. While capital markets lending helps institutions diversify their loan portfolios and provides other benefits, the risk profile of this portfolio has increased since 2023. Additionally, some of these loans are highly leveraged, equity-sponsored, or covenant lite — and all these characteristics require greater System expertise. Therefore, consistent with our examination strategies in FY 2024, we continued to focus on evaluating capital markets portfolios and internal controls, including those related to monitoring and reporting.

While recognizing the cyclical and volatile nature of agriculture, we have emerging concerns regarding the impact of declining farm income and expect a more challenging lending environment. Weaker commodity prices in 2024 and elevated costs, including higher interest rates, created a challenging environment for many producers. Additionally, disease outbreaks, including avian flu, continue to present unique risks and challenges to livestock producers as they deal not only with production losses but also potential market disruptions. Our examinations in FY 2025 covered more loans to customers with higher risk characteristics to ensure accurate and timely risk identification and proactive loan servicing under these more difficult operating conditions.

Lastly, we emphasize the need for institutions to maintain prudent collateral risk management practices because we see early signs of softening real estate values. Farmers and ranchers remain the primary buyers of agricultural land, but declining profit margins, coupled with high interest rates, are likely to pressure land values. In addition, volatility in the general economy could result in reduced demand

for real estate from part-time farmers or investors. As a result, we continued to focus on evaluating institutions' collateral risk management practices and controls, including loan underwriting controls.



### Cyber risk management

The cyber risk management rule became effective January 1, 2025, requiring each institution to implement a comprehensive, written cyber risk management program consistent with the size, risk profile, and complexity of its operations. This rule sets forth the core principles that serve as the foundation for creating a comprehensive

cyber risk management program and framework.

Such a framework should include a vulnerability management program to monitor cyber threats, mitigate any known vulnerabilities, and establish mechanisms for reporting to the institution’s board and FCA. FCA has completed a horizontal examination activity at a sample of System



institutions to evaluate compliance with the new and revised regulations.

### Three tiers of supervision

In examining and overseeing System institutions, we use a three-tiered program: normal supervision, special supervision, and enforcement actions. Institutions under normal supervision are performing in a safe

and sound manner and are complying with laws and regulations. These institutions can correct weaknesses in the normal course of business.

For those institutions displaying more serious or persistent weaknesses, we shift from normal to special supervision, and our examination oversight increases accordingly. Under special supervision,



we give an institution clear and firm guidance to address weaknesses, and we give a time frame for correcting the problems.

If informal supervisory approaches have not been or are not likely to be successful, we use our formal enforcement authorities to ensure that System institutions are safe and sound and that they comply with laws and regulations. We may take an enforcement action for several reasons:

- A situation threatens an institution's financial stability.
- An institution has a safety or soundness problem or has violated a law or regulation.
- An institution's board is unable or unwilling to correct problems we have identified.

Our enforcement authorities include the following powers:

- To enter into formal agreements
- To issue cease and desist orders
- To levy civil money penalties
- To suspend or remove officers, directors, and other persons

If we take an enforcement action, the FCS institution must operate under the conditions of the enforcement document and report back to us on progress in addressing the issues identified. The document may require the institution to take corrective actions, such as reducing risk exposures, increasing capital, enhancing earnings, and strengthening risk management. Our examiners closely monitor the institution's performance to ensure compliance with the enforcement action.

As of January 1, 2025, no FCS institutions were under an enforcement action.

## Borrower rights

We also examine institutions to make sure they are complying with the borrower rights provisions of the Farm Credit Act. These provisions provide certain System borrowers and loan applicants with the following rights:

- To know the current effective rates of interest on their loans by the dates the loans close
- To be informed that they are required to purchase at-risk stock in their FCS institutions
- To receive copies of all the documents they have signed by the time their loans close
- To be informed promptly as to whether their loan applications have been accepted, reduced, or denied
- To be informed of their right to request restructuring for their loans if they cannot make timely payments and their loans become distressed
- To obtain credit committee reviews of denials or reductions of loan requests and denials of restructuring requests
- To have the right of first refusal when their FCS institutions decide to sell agricultural properties their institutions have acquired from them
- To receive cooperation from their FCS institutions if they seek mediation

We also receive and review complaints from borrowers and loan applicants who believe their rights have been denied. If we find violations of law or regulations, we have several options to bring about corrective action. The number of borrower complaints increased from 23 in calendar year 2023 to 35 in calendar year 2024.

## Regulation

As the regulator of the Farm Credit System, we issue regulations, policy statements, and other guidance to ensure that the System, including its banks, associations, Farmer Mac, and other related entities, complies with the law, operates in a safe and sound manner, and efficiently carries out its statutory mission. Our regulatory philosophy is to provide an environment that enables the System to safely and soundly offer high-

quality, reasonably priced credit and related services to farmers and ranchers, agricultural cooperatives, rural residents, and other entities on which farming depends.

We strive to develop balanced, well-reasoned regulations whose benefits outweigh their costs. With our regulations, we seek to meet two general objectives. The first is to ensure that the System continues to be a dependable source of credit and related services for agriculture and rural America



▲ Class of 2024 summer interns. Left to right, front row: Payton States, Lucas Tipper, Ethan Xu, Eleni Jensen, and Samantha Stuart. Back row: Ben Ward, Mason Rose, Rachel Buckner, Kaleb Mayer, Alexis Peck, and Thalia Hernandez.

while also ensuring that System institutions comply with the law and with the principles of safety and soundness. The second is to promote participation by member-borrowers in the management, control, and ownership of their System institutions.

### Regulatory activity in 2024

The following describe some of FCA's regulatory efforts in 2024, along with several projects that will remain active in 2025. More information on these topics is available on our website. From the Laws & regulations tab at [www.fca.gov](http://www.fca.gov), you can read our board policy statements, bookletters, informational memorandums, proposed rules, and any final rules whose effective dates are pending.

**Annual independent audits and internal controls over financial reporting requirements** — In October 2024, the FCA board approved a proposed rule requiring annual independent audits to include audits of internal controls over financial reporting under certain conditions.

**High-volatility commercial real estate (HVCRE)** — In February 2024, the FCA board approved a final rule on risk-weighting HVCRE exposures. The rule was effective on January 1, 2025; however, on October 16, 2024, FCA extended the implementation date to January 1, 2026.

**Loans to similar entities** — In September 2024, the FCA board approved an advance notice of proposed rulemaking so interested members of the public may have the opportunity to provide input on how FCA should amend pivotal aspects of its similar-entity lending regulations.

**Regulatory capital treatment for certain water and wastewater exposures** — In July 2024, the FCA board revised and reissued a booklet that was originally issued in November 2018. The revised booklet clarified treatment of certain exposures under the guidance and removed the sunset provision included in the original version of the booklet.

**Investment asset management** — In July 2024, the FCA board revised and reissued a booklet originally issued in December 2010 on FCA's expectations for System institutions' investment management. Since 2010, FCA has revised and updated investment regulations and other related guidance, which warranted a material update to the booklet.

**Conservators and receivers** — In November 2023, the FCA board approved a final rule governing FCA's appointment of the Farm Credit System Insurance Corporation as the conservator or receiver to make our regulations consistent with section 5412 of the Agricultural Improvement Act of 2018. The rule became effective on January 17, 2024.

**Young, beginning, and small farmers and ranchers** — In October 2023, the FCA board approved a final rule to increase the service of the System's direct-lender associations to young, beginning, and small farmers and ranchers and to reinforce the supervisory responsibilities of the funding banks. The rule became effective on February 14, 2024.

**Loan syndications and assignment markets study** — We continued to study loan syndications and assignment markets to determine whether our regulations should be modified to reflect significant changes in the markets.

### Corporate activity in 2024

In 2024 and early 2025, we analyzed and approved applications for the following merger and other corporate activities. We publish information about corporate applications on our website at [www.fca.gov](http://www.fca.gov).

One merger occurred between January 1, 2024, and January 1, 2025. Table 4 shows the date of the merger and the district in which the merged institution is located. The merging agricultural credit associations (ACAs) were both located in the same bank district. The production credit association and federal land credit association (FLCA) subsidiaries of the merging ACAs also merged.

The total number of associations as of July 1, 2025, was 55 (54 ACAs and 1 FLCA).

### Funding activity in 2024

As the System’s regulator, we have several responsibilities pertaining to System funding activities. The Farm Credit Act requires the System to obtain our approval before distributing or selling Systemwide debt.

Because we make it a high priority to respond efficiently to the System’s requests for debt issuance approvals, we have a long-standing program, which we monitor on an ongoing basis, that allows the System to issue discount notes. The System may issue these short-term debt securities at any time, but the outstanding balance may not exceed \$100 billion. Discount note issuance in 2024 totaled \$102.9 billion.

In addition, we approve most longer-term debt issuances through a monthly “shelf” approval program. For 2024, we approved \$231.0 billion in longer-term debt issuances through this program. For more information about the System’s funding and liquidity, see pages 32 through 35.



TABLE 4

#### Association mergers, January 1, 2024 – January 1, 2025

Date of merger	Bank district in which the merger occurred	Institutions merging	Resulting institution
December 1, 2024	Texas	Texas Farm Credit Heritage Land Bank	Texas Farm Credit





**The Farm Credit System's YBS mission is crucial to enabling YBS farmers to begin, grow, or remain in agricultural production.**

# Serving 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. We define young farmers as those who are 35 years old or younger, and beginning farmers as those who have been farming for 10 years or less.

On December 29, 2023, FCA issued a revised booklet 40, which increased the threshold for small farmers to those with less than \$350,000 in annual gross cash farm income. This change aligns with the U.S. Department of Agriculture and is reflected in our 2024 FCA annual report for new lending that occurred during the calendar year.

All agricultural producers face significant challenges, but for many YBS farmers these challenges can be greater due to their lack of agricultural production history, high entry costs, low capital position, and limited credit history. The System’s YBS mission is crucial to enabling YBS farmers to begin, grow, or remain in agricultural production, and for facilitating the transfer of agricultural operations from one generation to the next.

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
- YBS program provisions ensuring coordination with other System institutions in the territory and other governmental or private sources of credit

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 FCA with 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 each association business plan to include a marketing plan. Associations must consider marketing to all segments of the YBS farm population. Associations should identify YBS farmers and ranchers so they aren’t overlooked or excluded from marketing, education, and outreach efforts. They can reach YBS farmers and ranchers in schools, universities, professional and social organizations, and at community gatherings and local events.

▼ YBS farmer Brennan Duffy, nephew of Chief Examiner Mike Duffy, restored this 1958 Ford 961 as an FFA project. He had to completely tear it down, but his hard work paid off: Brennan received a reserve champion award at the 2025 Iowa State Fair.

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 YBS program performance and market penetration in the YBS area. We continue to work with stakeholders to further improve financing opportunities for YBS farmers and ranchers.

## Results

Starting in 2019, FCA committed to a multiyear effort to improve both the quality and depth of information we collect. We developed new processes to gather information on institutions' lending and nonlending activities to YBS farmers and ranchers. These processes improve the accuracy and usefulness of the data we collect, both for FCA and the FCS, by providing more insight into nonlending activities and more precise views of YBS lending activities by collecting more granular data.



These results report dual features of YBS programs. The first is to observe a range of services, education, and outreach activities made by institutions to serve YBS farmers and ranchers. The second focuses on lending to YBS farmers and ranchers. Taken together, these dual features support our goal of providing a more comprehensive and detailed understanding of how each FCS institution serves YBS farmers and ranchers. With this data, the System has better information to improve its understanding and delivery of credit to YBS producers.

## Nonlending results

FCS institutions provide an array of services and outreach that complement or expand lending to YBS farmers and ranchers. We look at the services institutions provide across the following dimensions:

- **Nonlending capital commitments** — These include investments made under the authority of 12 CFR 615.5140(e) and leases.
- **Related services** — These services include paying fees associated with loan guarantees, financial document preparation, appraisals, and tax preparation.
- **Scholarships** — Institutions provide scholarships to students at traditional universities and colleges and vocational schools. They also provide financial support for students to attend educational events at industry, commodity-group, and other relevant conferences.
- **Grants** — Institutions use grants to help pay tuition for YBS farmers to attend traditional universities and colleges. They may also use them to support youth organizations and state or county grant programs.
- **Conferences, seminars, and workshops** — Institutions provide other educational services to support YBS farmers and ranchers, including business planning, financial management, risk management, commodity marketing, leadership training, estate planning, and industry or commodity-focused programs.
- **Marketing and outreach** — Funds may also be used to reach new YBS farmers and ranchers through marketing and outreach activities. These activities include advertising and promotion, research-firm contracting, in-house



market research, public and community service events, natural disaster relief assistance, fees for speakers to attend local events, new education curricula, and career fairs.

The total value of these services provided to and for YBS farmers and ranchers in 2024 was \$348 million. This total is composed of the following expenditures:

- Approximately 88%, or \$306 million, was for investments and leases.
- Across education and outreach components of their YBS programs, including scholarships, grants, and advertising, institutions reported \$37 million spent in 2024.
- Approximately \$6 million was reported for loan guarantee fee payments, financial document preparation fees, appraisal fees, and tax preparation services for YBS farmers and ranchers.

Additional characteristics of 2024 YBS programs reported to FCA include the following:

- 56% of all institutions had a YBS advisory committee.
- 59% of all institutions had a board member who is a YBS farmer or rancher.
- 78% of institutions had dedicated staff members for administering, organizing, and coordinating the YBS program.
- 93% of institutions reported formal or informal staff training on the YBS program.
- 58% of institutions provided interest rate concessions to YBS farmers and ranchers.
- Total nonlending dollars declined 2.7% from 2023, mostly due to decreases in nonlending capital commitments and grants.

### Lending data collection process

System institutions utilize the YBS reporting structure to satisfy regulatory provisions that require the banks to provide FCA with annual reports summarizing YBS program operations and achievements within their districts. The YBS collection framework leverages the existing FCS data systems and data definitions. The collection and reporting framework is designed to allow for automation and to ease the regulatory reporting burden for FCS over the long term. Ultimately, the process has been streamlined to create a seamless flow of YBS data from the FCS to FCA. The System's cooperation has been valuable, and we continue to incorporate its feedback as we proceed with this reporting process.

FCA provided each district bank with reporting templates that standardized the data fields. Institutions then reported count (number of loans) and volume data for the seven mutually exclusive YBS categories and one non-YBS category. The eight categories collected were as follows:

- Young only
- Beginning only
- Small only
- Young and beginning
- Young and small
- Beginning and small
- YBS
- Non-YBS

In our 2024 reporting instructions to the System, we defined the YBS reporting universe of eligible loan types and record types that were to be included in an institution's lending activity submission. Eligible loan types<sup>1</sup> to be reported for the eight mutually exclusive YBS and non-YBS

<sup>1</sup> Certain record types were excluded from the eligible YBS reporting universe.

categories were real estate mortgages, production and intermediate-term, and process and marketing.

In this report, loan volume is defined as current commitment, which is the dollar amount of disbursed funds plus the undisbursed commitment that is eligible to be drawn. For participated or pooled loans, institutions are credited for the volume they hold.

FCA defined loan count as the total outstanding and paid off loans at year-end. Only loans originated by the institution or sourced from outside the System should be counted. For those loans participated 100% to another System institution, the loan count should be reflected on the report of the institution holding the loan. The overarching goal of the count methodology is to ensure that when loans are aggregated

at a System level, each loan is counted only once.

Reporting loan counts and loan volume in this manner provides FCA with aggregated lending results while allowing us to accurately determine the distribution of loans in each of the mutually exclusive YBS and non-YBS categories. As such, a loan can fit into only one of the eight categories, which gives us a more precise and accurate view of YBS lending.

This is the second year we are reporting detailed lending data in this manner. As stated above, revised booklet 40, effective January 1, 2024, changed the definition of a small farmer from \$250,000 in gross annual sales to \$350,000 in gross cash farm income. The following lending results reflect this change.

▼ Beef cows on the Colorado ranch of Jessica Potter, FCA senior policy analyst, in January 2023, after a foot of heavy snow fell in the night.



### Lending results

The following tables summarize the lending information that FCS institutions provided for their YBS programs (tables 5 and 6). In 2024, the System made 259,564 loans totaling \$131.2 billion. The total number of outstanding loans at year-end 2024 was 1,059,214, amounting to \$401.2 billion.

Table 5 below shows the activity for the number of loans (loan counts) and volume of loans to YBS and non-YBS farmers made by the System in 2024. The percentage of total loan counts and volume for each YBS and non-YBS category is also shown.

As Table 5 shows, 2024 lending results varied considerably by category. Looking at loan counts in 2024, 150,156 or 57.8% of all loans were made to some combination of young, beginning, and small farmers and ranchers (young only, beginning only, young and small, etc.). At 25.0%, the small only

category held the largest percentage of total loans, while the young and small category held the smallest percentage at 2%.

From a loan volume perspective, the System lent more dollars to non-YBS farming and ranching operations. Table 5 shows that \$33.1 billion or 25.2% of total dollars lent in 2024 went to a YBS category.

Figures 12 and 13 below summarize the distribution of loan counts and loan volume to each of the seven mutually exclusive YBS categories.

Figure 12 below shows the distribution of loans made in 2024. The total number of loans was 150,156, and they totaled \$33.1 billion in loan volume. The largest percentages of loans made and dollars lent were to the small only category, with 43.2% of loan counts and 24.4% of loan volume. By contrast, the lowest percentages were to the young and small category, at 3.4% of

FIGURE 12  
As of 2024

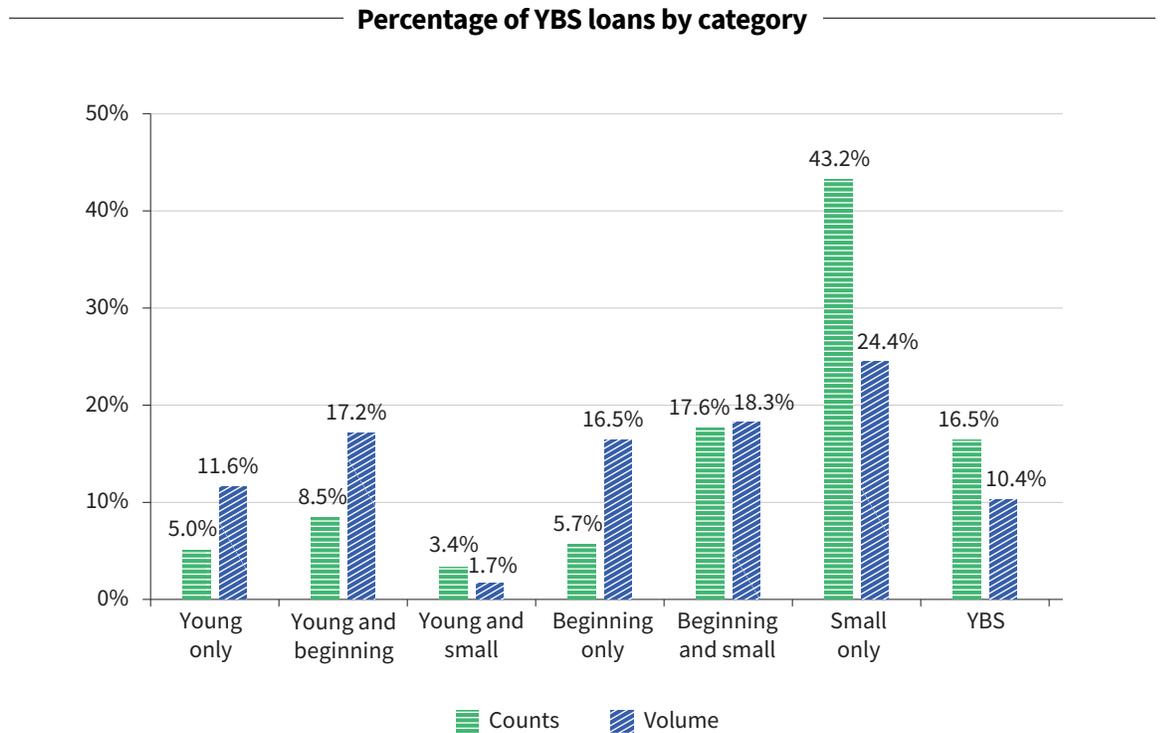




TABLE 5

**Loan count and volume made in 2024**

Category	Loan Counts	Volume in Millions	Percent of Total Loan Counts	Percent of Total Volume
Young only	7,559	\$3,852	2.9%	2.9%
Young & beginning	12,786	\$5,683	4.9%	4.3%
Young & small	5,077	\$556	2.0%	0.4%
Beginning only	8,610	\$5,463	3.3%	4.2%
Beginning & small	26,495	\$6,044	10.2%	4.6%
Small only	64,908	\$8,086	25.0%	6.2%
Young, beginning, & small (YBS)*	24,721	\$3,428	9.5%	2.6%
Non-YBS	109,408	\$98,089	42.2%	74.8%
<b>System total</b>	<b>259,564</b>	<b>\$131,201</b>	<b>100.0%</b>	<b>100.0%</b>

\*The YBS category includes loans made to farmers that meet the criteria for all three categories: young, beginning, and small.





TABLE 6

**Loan counts and volume outstanding as of December 31, 2024**

<b>Category</b>	<b>Loan Counts</b>	<b>Volume in Millions</b>	<b>Percent of Total Loan Counts</b>	<b>Percent of Total Volume</b>
Young only	29,255	\$10,052	2.8%	2.5%
Young & beginning	47,699	\$16,591	4.5%	4.1%
Young & small	23,253	\$2,375	2.2%	0.6%
Beginning only	31,649	\$17,484	3.0%	4.4%
Beginning & small	155,953	\$30,490	14.7%	7.6%
Small only	244,945	\$30,625	23.1%	7.6%
YBS	114,530	\$15,203	10.8%	3.8%
Non-YBS	411,930	\$278,405	38.9%	69.4%
<b>System total</b>	<b>1,059,214</b>	<b>\$401,226</b>	<b>100.0%</b>	<b>100.0%</b>

loan counts and 1.7% of volume. Finally, the beginning and small category accounts for 17.6% of loans made and 18.3% of dollars lent in 2024.

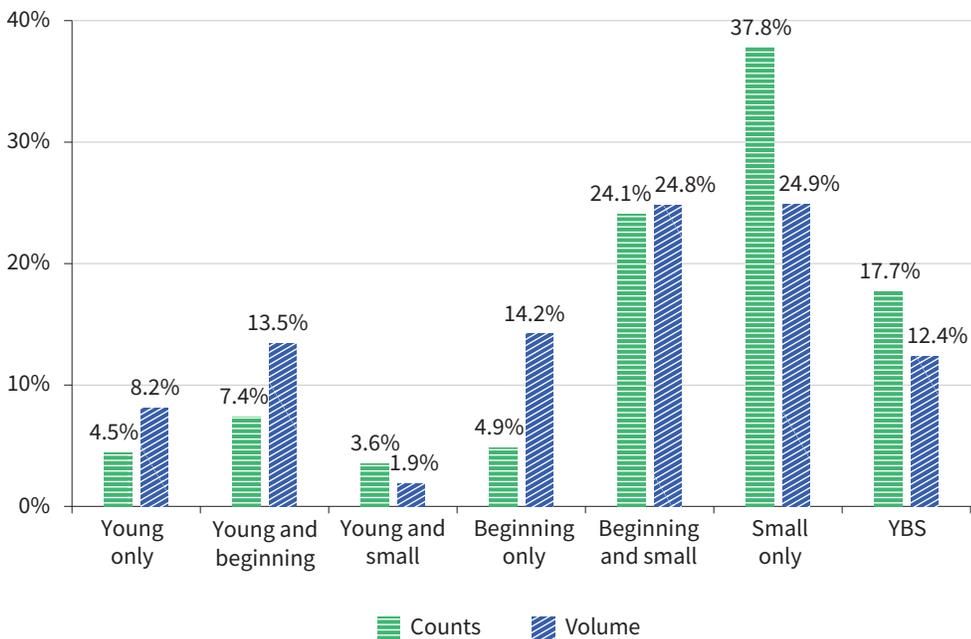
As illustrated in Table 6, the number of loans outstanding to all YBS categories was 647,284 or approximately 61.1% of all System loans. The largest percentage of outstanding loans made in a YBS category was to the small only category at 23.1%, followed by the beginning and small category at 14.7%, with 10.8% of all outstanding loans falling under the YBS category (that is, the borrowers qualify as young, beginning, and small).. The small only and beginning and small categories each accounted for 7.6% of outstanding loan volume. Similar to new loan volume results, \$122.8 billion or 69.4% of outstanding loan volume was to non-YBS farmers.

Figure 13 below shows the distribution of YBS loans outstanding as of December 31, 2024. The total number of loans outstanding to YBS categories was 647,284, totaling \$122.8 billion in loan volume. While the small only category had the highest percentage of loans outstanding (37.8%), the beginning and small and small only categories had the largest percentage of loan volume outstanding, at 24.8% and 24.9%, respectively. As with loans made in 2024 (figure 12), the young and small category also lags behind the other YBS categories in outstanding loans, at 3.6% of loan counts and 1.9% of loan volume.

Compared with 2023, counts of loans made in 2024 increased 2.6%, and volume of loans made in 2024 increased 7.8%. Outstanding loan counts increased 0.4% and outstanding volume increased 5.0% between year-end 2023 and year-end 2024.

**Percentage of YBS loans by category outstanding**

**FIGURE 13**  
As of December 31, 2024





**Farmer Mac is owned by its investors  
and publicly traded on the New York  
Stock Exchange.**

# Farmer Mac

Created in 1988, the Federal Agricultural Mortgage Corporation (Farmer Mac) provides a secondary market for agricultural real estate loans, government-guaranteed portions of certain loans, rural housing mortgage loans, and eligible rural utility cooperative loans. It offers greater liquidity and lending capacity to agricultural and rural lenders, including insurance companies, credit unions, commercial banks, other FCS institutions, and investors.

Farmer Mac is owned by its investors — it is not a member-owned cooperative. Investors in voting stock may include commercial banks, insurance companies, other financial organizations, and other FCS institutions. Any investor may own nonvoting stock; Farmer Mac is public traded on the New York Stock Exchange.

Farmer Mac is a federally chartered instrumentality and an institution of the FCS. However, it has no liability for the debt of any other System institution, and the other System institutions have no liability for Farmer Mac debt.

Farmer Mac has two major lines of business:

- **Agricultural Finance**, which includes mortgage loans secured by first liens on agricultural real estate, including part-time farms and rural housing, and agricultural and rural development loans guaranteed by USDA.
- **Infrastructure Finance**, which includes loans by lenders organized as

cooperatives to finance electrification and telecommunications systems, as well as renewable energy providers and projects in rural areas.

Through these lines of business, it performs the following activities:

- Purchases eligible loans directly from lenders.
- Guarantees and purchases securities issued by lenders and other financial institutions that are secured by pools of eligible loans. (Farmer Mac refers to these as AgVantage securities. Each AgVantage security is secured by an amount at least equal to the outstanding principal amount of the security.)
- Issues and guarantees securities that represent interests in, or obligations secured by, pools of eligible loans. (Securities guaranteed by Farmer Mac may be held either by the originator of the underlying assets or by Farmer Mac, or they may be sold to third-party investors active in capital markets.)
- Provides long-term standby purchase commitments for eligible loans.
- Services eligible loans, including loans that have been purchased or securitized by Farmer Mac or that would be eligible for purchase by Farmer Mac but are owned by a third party.

## Examining and regulating Farmer Mac

FCA regulates Farmer Mac through the Office of Secondary Market Oversight (OSMO), which was established by the Food, Agriculture, Conservation, and Trade Act Amendments of 1991. This office provides for the examination and general supervision of Farmer Mac's safe and sound performance of its powers, functions, and duties, and reviews Farmer Mac's accomplishment of its statutory mission.

The statute requires OSMO to be a separate office within FCA and to report directly to the FCA board. The law also stipulates that OSMO's activities must, to the extent practicable, be carried out by individuals who are not responsible for supervising the banks and associations of the FCS.

Through OSMO, we examine Farmer Mac at least annually for capital adequacy, asset quality, management performance, earnings, liquidity, and interest rate sensitivity. We oversee and evaluate Farmer Mac's safety and soundness and its mission achievement. We also supervise and issue regulations governing Farmer Mac's operations.

▼ Fletcher and Jed Mosely guide the tractor driver to form some beautiful contour rows to minimize erosion on a sloped field (way down yonder) on the Chattahoochee River in Seminole County, Georgia. The boys are the sons of Ben Mosely, director of the Office of Congressional and Public Affairs.



## Financial condition of Farmer Mac

Farmer Mac remained a crucial part of the safe and sound FCS in 2024. Table 7 summarizes Farmer Mac's condensed balance sheets at the end of each calendar year from 2019 to 2024. From 2023 to 2024, its total assets and total liabilities both grew by 6.1%, and its net worth grew by 5.5%. The following sections go into greater detail on Farmer Mac's capital position, program activity, asset quality, and earnings.

### Capital

As of December 31, 2024, Farmer Mac's net worth (that is, equity capital determined using generally accepted accounting principles [GAAP]) was \$1.489 billion compared with \$1.412 billion a year earlier. Its net worth was 4.8% of its on-balance-sheet assets as of December 31, 2024, unchanged from the prior year. Net worth, in terms of dollars, went up primarily because of an increase in retained earnings.

When Farmer Mac's off-balance-sheet program assets (essentially its guarantee obligations) are added to its total on-balance-sheet assets, net worth was 4.1% as of December 31, 2024, unchanged from 2023. Farmer Mac continued to comply with all capital requirements.

At year-end 2024, Farmer Mac's core capital (the sum of the par value of outstanding common stock, the par value of outstanding preferred stock, paid-in capital, and retained earnings) remained above the statutory minimum requirement. It totaled \$1.501 billion, exceeding the statutory minimum capital requirement of \$917.6 million by \$583.5 million or 63.6%.

Risk exposure on USDA guaranteed loans is very low due to USDA backing. Table 8 offers a historical perspective on capital and capital requirements for 2019 through 2024.



TABLE 7

### Farmer Mac condensed balance sheets

As of December 31

Dollars in millions

Item	2019	2020	2021	2022	2023	2024
Total assets	\$21,709.4	\$24,355.5	\$25,145.5	\$27,333.1	\$29,524.4	\$31,324.7
Total liabilities	\$20,910.1	\$23,363.0	\$23,941.1	\$26,061.2	\$28,112.5	\$29,835.7
Net worth or equity capital	\$799.3	\$992.5	\$1,204.4	\$1,272.0	\$1,411.9	\$1,489.0

Sources: Farmer Mac's Annual Reports on Securities and Exchange Commission Form 10-K.

TABLE 8

### Farmer Mac capital positions

As of December 31

Dollars in millions

Item	2019	2020	2021	2022	2023	2024
GAAP equity	\$799.3	\$992.5	\$1,204.4	\$1,272.0	\$1,411.9	\$1,489.7
Core capital	\$815.4	\$1,006.4	\$1,200.6	\$1,322.8	\$1,452.0	\$1,501.2
Regulatory capital	\$828.1	\$1,024.0	\$1,217.0	\$1,340.0	\$1,470.3	\$1,526.5
Statutory requirement	\$618.8	\$680.9	\$713.8	\$805.9	\$862.6	\$917.6
Regulatory requirement	\$122.1	\$197.4	\$218.7	\$204.2	\$186.4	\$175.1
Surplus core capital over statutory requirement*	\$196.7	\$325.5	\$486.8	\$516.9	\$589.4	\$583.5
Capital margin excess over the minimum	31.8%	47.8%	68.2%	64.1%	68.3%	63.6%

Sources: Farmer Mac's Annual Reports on Securities and Exchange Commission Form 10-K.

\* Farmer Mac is required to hold capital at or above the statutory minimum capital requirement or the amount required by FCA regulations as determined by the Risk-Based Capital Stress Test, whichever is higher.



### Program activity

Farmer Mac’s total program activity increased to \$29.5 billion by year-end 2024, up from \$28.5 billion a year earlier. (See figure 14.) Farmer Mac experienced growth in its Infrastructure Finance loan purchases, which was partially offset by the maturation and repayment of AgVantage securities.

Off-balance-sheet program activity consists of purchase commitments, certain agricultural mortgage-backed securities (AMBS) sold to investors, and loans serviced for others. At the end of December 2024, 16.9% of program activity consisted of off-balance-sheet obligations, as compared with 16.5% a year earlier.

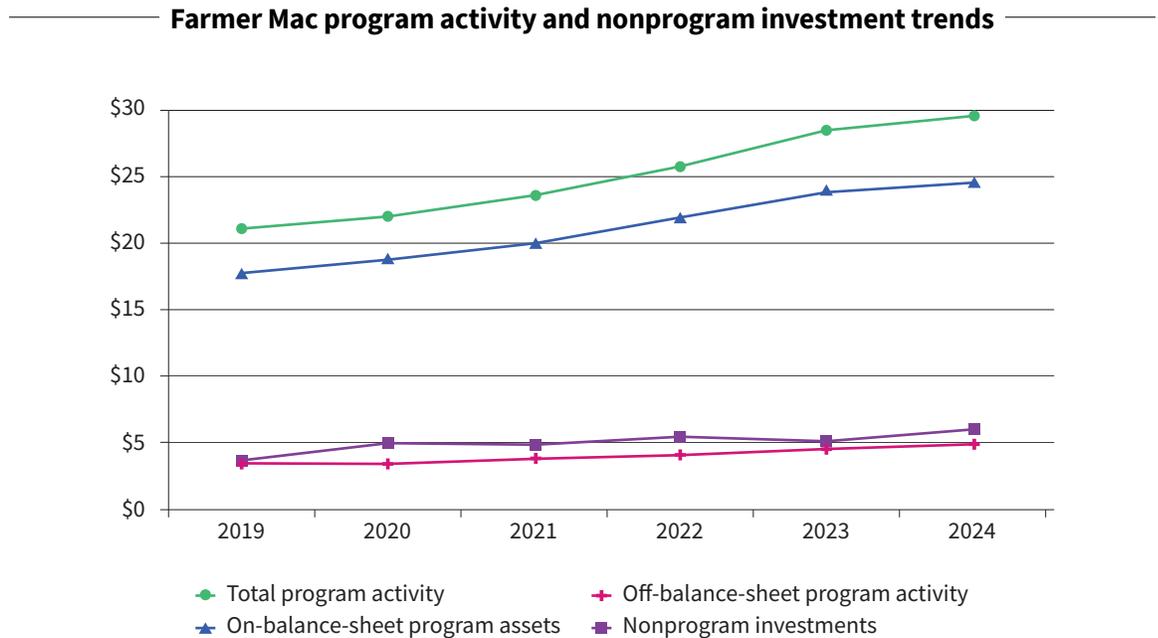
Farmer Mac’s purchase commitments include arrangements to purchase new volume in lenders’ revolving line of credit products and their long-term standby purchase commitments (standbys). The standby product is similar to a guarantee of eligible pools of program loans. Under the standbys, a financial institution pays a fee in return for Farmer Mac’s commitment to stand ready (that is, “stand by”) to purchase loans at face value even under adverse conditions. As shown in figure 15, purchase commitments represented 13.6% of Farmer Mac’s total program activity in 2024.

FIGURE 14

As of December 31

Dollars in billions

Sources: Farmer Mac’s Annual Reports on Securities and Exchange Commission Form 10-K.



### Farmer Mac total program activity



**FIGURE 15**

As of December 31

Sources: Farmer Mac's Annual Report on Securities and Exchange Commission Form 10-K.

AMBS = agricultural mortgage-backed securities

Note: Farmer Mac began servicing loans owned by other lenders in 2021 (\$22.3 million). Since then, Farmer Mac has continued to acquire servicing rights and closed 2024 with \$526.0 million in loans owned by other lenders. This loan servicing activity earns fee income and a portion of both total program activity (off-balance-sheet loans owned by others) and total assets (on-balance-sheet receivables owned by Farmer Mac).

### Asset quality

Figure 16 shows Farmer Mac's allowance for credit losses, its levels of substandard Agricultural Finance (formerly Farm & Ranch) assets, and its 90-day delinquencies relative to its Agricultural Finance portfolio, excluding AgVantage volume.

Farmer Mac's allowance for credit losses totaled \$25.3 million as of December 31, 2024, compared with \$18.3 million the year before.

As of December 31, 2024, \$398.3 million of Farmer Mac's Agricultural Finance mortgage loans were substandard, representing 3.2% of all Agricultural Finance mortgage loans. This was an increase from \$186.0 million on December 31, 2023, due to stress in the

permanent planting, livestock, and crop sectors. The Infrastructure Finance portfolio had \$42.5 million in substandard assets as of December 31, 2024, compared with \$29.4 million one year prior. Assets are considered substandard when they have a well-defined weakness or weaknesses that, if not corrected, are likely to lead to some losses.

As of December 31, 2024, Farmer Mac's 90-day delinquencies increased in volume to \$108.9 million, or 0.88% of Agricultural Finance mortgage loans, from \$34.7 million, or 0.31%, as of December 31, 2023. Farmer Mac reported no delinquencies in its Infrastructure Finance portfolio.

Farmer Mac held \$2.2 million in real estate owned at the end of 2024, compared with \$1.6 million at the end of 2023.

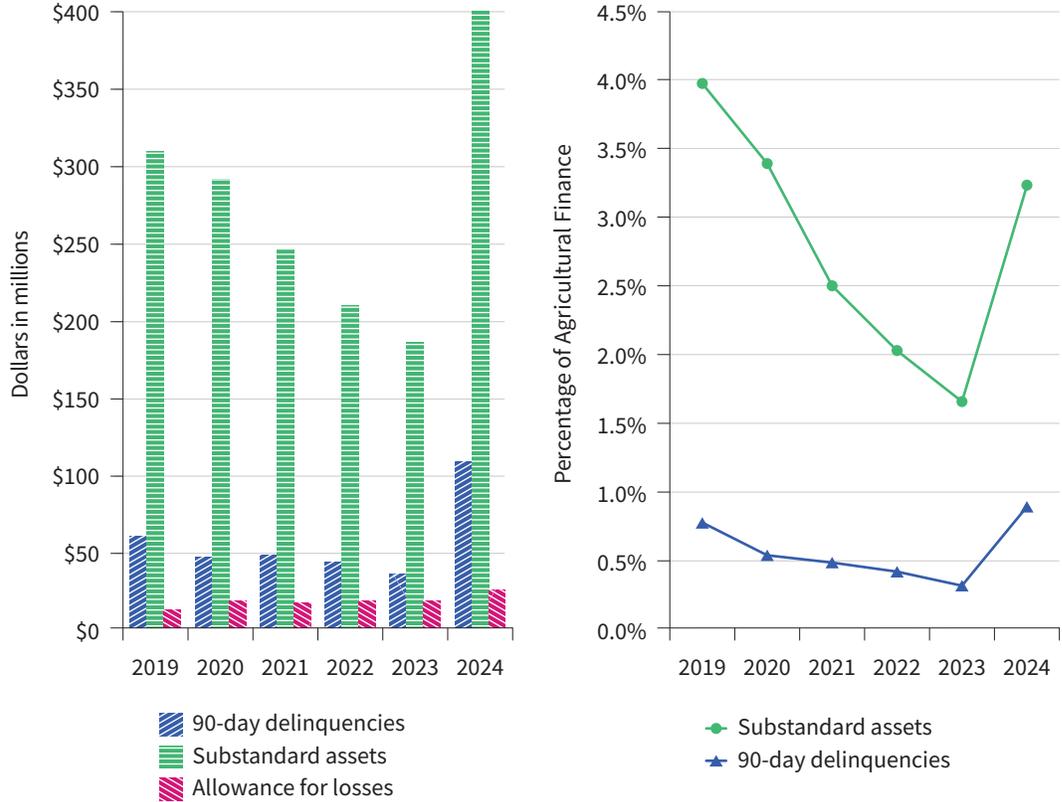
**FIGURE 16**

**Agricultural Finance asset quality, allowance, and delinquency trends 2019 – 2024**

As of December 31

Sources: Farmer Mac’s Annual Reports on Securities and Exchange Commission Form 10-K.

Note: Before 2021, Farmer Mac referred to its Agricultural Finance line of business as Farm & Ranch.



**Earnings**

Farmer Mac reported net income available to common stockholders of \$180.4 million (in accordance with GAAP) for the year ended December 31, 2024, up 4.4% from \$172.8 million reported at year-end 2023. Total revenue increased by 3.7%, while total expenses increased by 2.9%. Core earnings for 2024 were \$171.6 million, relatively unchanged from \$171.2 million in 2023. Net interest income, which excludes guarantee fee income, was reported at \$353.9 million in 2024, up from \$327.5 million in 2023. Before taxes, guarantee and commitment fee income was \$15.7 million in 2024, a

slight decrease from \$16.7 million in 2023. Table 9 shows a six-year trend for the basic components of income.

The Farm Credit System remained safe and sound in 2024, and Farmer Mac is a critical part of the System. Farmer Mac’s program activity drove its asset growth and increased earnings. Despite stress in the agricultural economy, credit risk exposure was reasonable, and Farmer Mac maintained capital in excess of minimum requirements. This allowed Farmer Mac to continue pursuing its core mission as a liquidity provider to the institutions that serve farmers, ranchers, and rural Americans.

► Board Member Jeff Hall addresses an audience of Farm Credit System representatives during the FCA Innovation Symposium in September 2024. Mr. Hall was named FCA board chairman and CEO in January.



TABLE 9

**Farmer Mac condensed statements of operations**

As of December 31

Dollars in millions

Item	2019	2020	2021	2022	2023	2024
Total revenues	\$194.1	\$206.7	\$240.2	\$275.4	\$349.2	\$362.0
Total expenses	\$100.4	\$117.5	\$132.6	\$124.4	\$176.4	\$181.6
Net income available to common stockholders	\$93.7	\$89.2	\$107.6	\$151.0	\$172.8	\$180.4
Core earnings	\$93.7	\$100.6	\$113.6	\$124.3	\$171.2	\$171.6

Sources: Farmer Mac's Annual Reports on Securities and Exchange Commission Form 10-K.



Little Lancers  
CHEER

Goat	Weight	Color	Notes
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

# Appendix

## Glossary

**Agricultural credit association** — An ACA results from the merger of a federal land bank association (or a federal land credit association) and a production credit association (PCA) and has the combined authority of the two institutions. An ACA borrows funds from a farm credit bank or an agricultural credit bank to provide short-, intermediate-, and long-term credit to farmers, ranchers, and producers and harvesters of aquatic products. It also makes loans to these borrowers for certain processing and marketing activities, to rural residents for housing, and to certain farm-related businesses.

**Agricultural credit bank** — An ACB results from the merger of a farm credit bank and a bank for cooperatives and has the combined authorities of those two institutions. An ACB is also authorized to finance U.S. agricultural exports and provide international banking services for farmer-owned cooperatives. CoBank is the only ACB in the FCS.

**Bank for cooperatives** — A BC provided lending and other financial services to farmer-owned cooperatives, rural utilities (electric and telephone), and rural sewer and water systems. It was also authorized to finance U.S. agricultural exports and provide international banking services for farmer-owned cooperatives. The last remaining BC in the FCS, the St. Paul Bank for Cooperatives, merged with CoBank on July 1, 1999.

**Farm Credit Act** — The Farm Credit Act of 1971, as amended, (12 U.S.C. §§ 2001–2279cc) is the statute under which the FCS operates. The Farm Credit Act recodified all previous acts governing the FCS.

**Farm credit bank** — FCBs provide services and funds to local associations that, in turn, lend those funds to farmers, ranchers, producers and harvesters of aquatic products, rural residents for housing, and some agriculture-related businesses. On July 6, 1988, the federal land bank and the federal intermediate credit bank in 11 of the 12 then-existing Farm Credit System districts merged to become FCBs. The mergers were required by the Agricultural Credit Act of 1987.

**Farm Credit Leasing Services Corporation** — The Leasing Corporation is a service entity owned by CoBank, ACB. It provides equipment leasing and related services to eligible borrowers, including agricultural producers, cooperatives, and rural utilities.

**Farm Credit System Insurance Corporation** — FCSIC was established by the Agricultural Credit Act of 1987 as a U.S. government-controlled corporation. Its purpose is to ensure the timely payment of principal and interest on insured notes, bonds, and other obligations issued on behalf of FCS banks and to act as conservator or receiver of FCS institutions. The FCA board serves ex officio as the board of directors for FCSIC. The chairman of the FCSIC board of directors must be an FCA board member other than the current chairman of the FCA board.



▲ Fletcher and Jed Mosely (sons of Ben Mosely, director of FCA's Office of Congressional and Public Affairs) and Mark Hanna (Ben's first cousin) huddle for a serious preplanting meeting in the spring of 2025.

### **Federal Agricultural Mortgage**

**Corporation** — Farmer Mac was created with the enactment of the Agricultural Credit Act of 1987 to provide a secondary market for agricultural real estate and rural housing mortgage loans.

### **Federal Farm Credit Banks Funding**

**Corporation** — The Funding Corporation, based in Jersey City, New Jersey, manages the sale of Systemwide debt securities to finance the loans made by FCS institutions. It uses a network of bond dealers to market its securities.

**Federal intermediate credit bank** — The Agricultural Credits Act of 1923 provided for the creation of 12 FICBs to discount farmers' short- and intermediate-term notes made by commercial banks, livestock loan companies, and thrift institutions. The Farm Credit Act of 1933 authorized farmers to organize PCAs, which could discount notes with FICBs. As a result, PCAs became the primary entities for delivery of short- and intermediate-term credit to farmers and ranchers. The FICBs and the federal land banks merged to become FCBs or part of the ACB. Thus, no FICBs remain within the FCS.

**Federal land bank** — The Federal Farm Loan Act of 1916 provided for the establishment of 12 federal land banks to provide long-term mortgage credit to farmers and ranchers, and later to rural home buyers. All federal land banks and FICBs have merged to become FCBs or part of the ACB. Thus, no federal land banks remain.

**Federal land bank association** — These associations were lending agents for FCBs before they received their affiliated banks' direct-lending authority to make long-term mortgage loans to farmers, ranchers, and rural residents for housing. As lending agents, the associations did not own loan assets but made loans only on behalf of the FCBs with which they were affiliated. As of

October 1, 2000, all active federal land bank associations had received direct-lending authority and did not serve as lending agents for FCBs.

**Federal land credit association** — An FLCA is the regulatory term FCA uses for a federal land bank association that owns its loan assets. An FLCA borrows funds from an FCB to make and service long-term loans to farmers, ranchers, and producers and harvesters of aquatic products. It also makes and services housing loans for rural residents.

**Financial Institution Rating System** — The FIRS is similar to the Uniform Financial Institutions Rating System used by other federal banking regulators. However, unlike the Uniform Financial Institutions Rating System, the FIRS was designed to reflect the nondepository nature of FCS institutions. The FIRS provides a general framework for assimilating and evaluating all significant financial, asset quality, and management factors to assign a composite rating to each System institution. The ratings are described below.

- **Rating 1** — Institutions in this group are basically sound in every respect; any negative findings or comments are of a minor nature and are anticipated to be resolved in the normal course of business. Such institutions are well managed, resistant to external economic and financial disturbances, and more capable of withstanding the uncertainties of business conditions than those with lower ratings. Each institution in this category exhibits the best performance and risk management practices for its size, complexity, and risk profile. These institutions give no cause for regulatory concern.
- **Rating 2** — Institutions in this group are fundamentally sound but may reflect modest weaknesses correctable in the normal course of business. Since the nature and severity of deficiencies are not material, such institutions are stable and able to withstand business fluctuations. Overall risk management practices are satisfactory for the size, complexity, and risk profile of each institution in this group. While areas of weakness could develop into conditions of greater concern, regulatory response is limited to the extent that minor adjustments are resolved in the normal course of business and operations continue in a satisfactory manner.
- **Rating 3** — Institutions in this category exhibit a combination of financial, management, operational, or compliance weaknesses ranging from moderately severe to unsatisfactory. When weaknesses relate to asset quality or financial condition, such institutions may be vulnerable to the onset of adverse business conditions and could easily deteriorate if concerted action is not effective in correcting the areas of weakness. Institutions that are in significant noncompliance with laws and regulations may also be accorded this rating. Risk management practices are less than satisfactory for the size, complexity, and risk profile of each institution in this group. Institutions in this category generally give cause for regulatory concern and require more than normal supervision to address deficiencies. Overall strength and financial capacity, however, still make failure only a remote possibility if corrective actions are implemented.
- **Rating 4** — Institutions in this group have an immoderate number of serious

financial or operating weaknesses. Serious problems or unsafe and unsound conditions exist that are not being satisfactorily addressed or resolved. Unless effective actions are taken to correct these conditions, they are likely to develop into a situation that will impair future viability or constitute a threat to the interests of investors, borrowers, and stockholders. Risk management practices are generally unacceptable for the size, complexity, and risk profile of each institution in this group. A potential for failure is present but is not yet imminent or pronounced. Institutions in this category require close regulatory attention, financial surveillance, and a definitive plan for corrective action.

- **Rating 5** — This category is reserved for institutions with an extremely high, immediate or near-term probability of failure. The number and severity of weaknesses or unsafe and unsound conditions are so critical as to require urgent external financial assistance. Risk management practices are inadequate for the size, complexity, and risk profile of each institution in this group. In the absence of decisive corrective measures, these institutions will likely require liquidation or some form of emergency assistance, merger, or acquisition.

**Government-sponsored enterprise** —

A GSE is typically a federally chartered corporation that is privately owned, designed to provide a source of credit nationwide, and limited to servicing one economic sector. Each GSE has a public or social purpose. GSEs are usually created because the private markets did not satisfy a purpose that Congress deems worthy — either to fill a credit gap or to enhance competitive behavior in the loan

market. Each is given certain features or benefits (called GSE attributes) to allow it to overcome the barriers that prevented purely private markets from developing. The FCS is the oldest financial GSE.

**Participation** — A loan participation is usually a large loan in which two or more lenders share in providing loan funds to a borrower to manage credit risk or overcome a legal lending limit for a single credit. One of the participating lenders originates, services, and documents the loan. Generally, the borrower deals with the institution originating the loan and is not aware of the other participating institutions.

**Production credit association** — PCAs are FCS entities that deliver only short- and intermediate-term loans to farmers and ranchers. A PCA borrows money from its FCB to lend to farmers. PCAs also own their loan assets. As of January 1, 2003, all PCAs were eliminated as independent, stand-alone, direct-lender associations. All PCAs are now subsidiaries of ACAs.

**Service corporation** — Sections 4.25 and 4.28 of the Farm Credit Act authorize FCS banks and associations to organize service corporations for performing functions and services that banks and associations are authorized to perform under the Farm Credit Act, except that the corporations may not provide credit or insurance services to borrowers.

**Syndication** — A loan syndication (or “syndicated bank facility”) is a large loan in which a group of banks work together to provide funds for a borrower. Usually one bank takes the lead, acting as an agent for all syndicate members and serving as the focal point between them and the borrower. All syndicate members are known at the outset to the borrower and they each have a contractual interest in the loan.



## Abbreviations

**ACA** — Agricultural Credit Association

**ACB** — Agricultural credit bank

**AMBS** — Agricultural mortgage-backed securities

**CECL** — Current expected credit losses

**CEO** — Chief Executive Officer

**Farm Credit Act** — Farm Credit Act of 1971, as amended

**Farmer Mac** — Federal Agricultural Mortgage Corporation

**FCA** — Farm Credit Administration

**FCB** — Farm credit bank

**FCS** — Farm Credit System

**FCSIC** — Farm Credit System Insurance Corporation

**FICB** — Federal intermediate credit bank

**FIRS** — Financial Institution Rating System

**FLCA** — Federal land credit association

**Funding Corporation** — Federal Farm Credit Banks Funding Corporation

**GAAP** — Generally accepted accounting principles

**GSE** — Government-sponsored enterprise

**OFIs** — Other financing institutions

**PCA** — Production credit association

**SOC** — Standards of conduct

**USDA** — U.S. Department of Agriculture

**YBS** — Young, beginning, and small (farmers and ranchers)

▲ FCA examiner Nicholas Johnson instructs the 2024 class of associate examiners in Asheville, North Carolina, as part of the formal commissioning program curriculum.



## Additional information

The Farm Credit Administration 2024 Annual Report on the Farm Credit System is available on FCA's website at [www.fca.gov](http://www.fca.gov). For questions about this publication, contact FCA:

### Office of Congressional and Public Affairs

Farm Credit Administration  
1501 Farm Credit Drive  
McLean, VA 22102-5090  
Telephone: **703-883-4056**  
Fax: **703-790-3260**  
Email: [info-line@fca.gov](mailto:info-line@fca.gov)

The Federal Agricultural Mortgage Corporation's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, is available on the Farmer Mac website at [www.farmermac.com/investors/financial-information](http://www.farmermac.com/investors/financial-information). For further information about Farmer Mac, contact its corporate headquarters:

### Federal Agricultural Mortgage Corporation

2100 Pennsylvania Avenue, NW  
Washington, DC 20037  
Telephone: **202-872-7700**

With support from the Farm Credit System banks, the Federal Farm Credit Banks Funding Corporation prepares the financial press releases, the System's Annual and Quarterly Information Statements, and the System's combined financial statements. These documents are available on the Funding Corporation's website at [www.farmcreditfunding.com](http://www.farmcreditfunding.com).

The Farm Credit System Insurance Corporation's annual report is available on its website at [www.fcsic.gov](http://www.fcsic.gov).



◀ A bird's eye view of the northeastern Colorado ranch where FCA senior economist Rebecca Kaiser grew up.



Copies available from:

**Office of Congressional and Public Affairs Farm Credit Administration**  
**1501 Farm Credit Drive**  
**McLean, VA 22102**

**703-883-4056**

**[www.fca.gov](http://www.fca.gov)**

1125/75

◀ **Top to bottom:** 1. Chief Financial Officer Mary Peterman's Kunekune pigs. 2. ArborOne Farm Credit loan review examiner-in-charge Ethan Eldridge rides a cotton picker during a South Carolina farm tour. 3. FCA examiner Cindi Burke's angus cross herd. 4. FCA Board Member Glen Smith speaks to associate examiners on a tour of his family farm in Atlantic, Iowa. 5. Harvest time on the Burke family farm. 6. A South Carolina farm kitten.

