

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



**MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
September 10, 2020**

These minutes reflect the business transacted at the September 10, 2020, Regular Meeting of the Farm Credit Administration Board (FCA Board) pursuant to the Government in the Sunshine Act, 5 U.S.C. § 552b, and the regulations of the Farm Credit Administration (FCA) adopted thereunder.

The virtual meeting began at 9:00 a.m. and concluded at 10:04 a.m.

Members of the Board present were:

Glen R. Smith, Chairman and Chief Executive Officer
Jeffery S. Hall, Member

Others present included **Charles Rawls**, General Counsel; **Dale Aultman**, Secretary to the Board; staff of the FCA and the Farm Credit System Insurance Corporation; and seven members of the general public. (A list of staff attendees is attached as Exhibit A.)

Chairman Smith announced that this meeting of the Board is a virtual meeting, and Agency personnel are teleworking due to the COVID 19 pandemic, noting he was participating in the Board Room and FCA Inspector General Wendy Laguarda was safely joining him.

Chairman Smith noted that the next day was the 19th Anniversary of the 9/11 Attacks and America remains resilient and dealing with COVID 19 and will continue to overcome, adapt, and persevere. He then asked everyone to join him in saying the Pledge of Allegiance with him as the Flag was displayed on the presentation screen.

Chairman Smith asked the Secretary to the Board to conduct a roll call and to address a few technical and protocol items.

The **Secretary** conducted a roll call and addressed technical and protocol items.

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

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

Mr. Hall moved to adopt the Agenda as published.

Chairman Smith seconded the motion.

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

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

Mr. Hall noted that the Agenda *did* include portions of the meeting that should be closed to the public as permitted by the Government in the Sunshine Act and therefore moved that meeting be closed as shown on the Agenda.

Chairman Smith seconded the motion.

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

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

OPEN SESSION

Approval of Minutes

Minutes for August 13, 2020 Regular Board Meeting (BM-10-SEP-20-01)

Mr. Hall moved to approve the minutes for the August 13, 2020, FCA Regular Board Meeting.

Chairman Smith seconded the motion.

There being no further discussion **Chairman Smith** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. (BM-10-SEP-20-01)

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

Reports

Quarterly Report on Economic Conditions and FCS Conditions and Performance

Dennis Shields of the **Office of Data Analytics and Economics** and **Hal Johnson** of the **Office of Examination** presented the Quarterly Report on Economic Conditions and FCS Conditions and Performance.

Chairman Smith asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.

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

CLOSED SESSION

Chairman Smith noted that this was a Closed Session and asked **OIT Staff** to disconnect the outside visitors, and asked FCA and FCISIC staffers to leave the virtual meeting if they do not normally observe the closed session.

Chairman Smith convened the closed session of the meeting at 9:42 a.m. and instructed **OIT Staff** to start recording so that the proceedings of the Closed Session were properly recorded as required by the Government in the Sunshine Act so that the Board could receive the OE presentation.

OIT Staff confirmed that the recording has started.

Chairman Smith asked the Secretary to note the time of the closed session and those present.

Chairman Smith then instructed the **General Counsel** to furnish the **Secretary** with a certification, pursuant to 5 U.S.C. § 552b(f), that the portions of the meeting held in Closed Session may be properly closed to the public.

The **Secretary** noted the start time of the closed session and called the roll. (Attendees are shown on Exhibit A.)

(A copy of the Certification is attached hereto as Exhibit E.)

Office of Examination Quarterly Report

Roger Paulsen of the **Office of Examination** presented OE Quarterly Report.

Chairman Smith asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.

ADJOURNMENT

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

Mr. Hall moved that the meeting be adjourned.

Chairman Smith seconded the motion.

Chairman Smith called the question.

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

The meeting adjourned at 10:04 a.m.

NOTATIONAL VOTE ACTIONS

There were seven notational vote actions approved by the FCA Board from August 13, 2020, through September 9, 2020 as follows:

Item Number	Action Date	Voting Results	Subject
NV 20-21	8/17/2020	Approved	Investment Request from Compeer Financial, ACA to Invest in Rural Healthcare Facility in Kentucky
NV 20-22	9/01/2020	Approved	Final Rule – District Financial Reporting
NV 20-23	8/17/2020	Approved	FCA-Policy Statement #62 on Equal Employment Opportunity and Diversity (Annual Review and Technical Changes)
NV 20-24	8/23/2020	Approved	2020 Leave Payout & Restoration Program
NV 20-25	8/26/2020	Approved	Prior Approval of AgriBank’s Request to Redeem Certain Equities Included in CET1 Capital
NV 20-26	9/3/2020	Approved	FCA Revised FY 2021 Budget and Proposed 2022 Budget
NV 20-27	9/9/2020	Approved	Fall 2020 Unified Agenda and Regulatory Projects Plan

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on September 10, 2020.

_____/s/_____
 Glen R. Smith
 Board Chairman and Chief Executive Officer

_____/s/_____
 Dale Aultman
 Secretary to the Board

Approved: October 8, 2020

**STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
September 10, 2020**

Glen R. Smith, Board Chairman / CEO
Jeffery S. Hall, Board Member

OFFICE	OPEN SESSION	CLOSED SESSION
Office of the Board		
Smith, Glen	X	X
Hall, Jeff	X	X
Morris, James	X	X
Donner, Mary Alice	X	X
Roque-Brehm, Awilda	X	
Calhoun, Gaye	X	
Aultman, Dale	X	X
COO		
Coleman, Robert	X	X
OIT		
Golley, Jerald	X	X
Matos, Ricardo	X	X
Versace, Jerry	X	X
OCPA		
Stokke, Michael	X	X
Middleton, Russell	X	X
OGC		
Rawls, Charles	X	X
Kramp, Kevin	X	X
OE		
Paulsen, Roger	X	X
Waldron, Ashley	X	X
Johnson, Hal	X	X
ODAE		
D'Antoni, Jeremy	X	X
Shields, Dennis	X	X
OIG		
Laguarda, Wendy	X	X
Miller, Kevin	X	X
Coccaro, Chris	X	X
OSMO		
Rea, Laurie	X	X
Hudson, Bruce	X	X
ORP		
Grahn, David	X	X
OCFO		
Smith, Stephen	X	X
Gandy, Doug	X	X

OFFICE	OPEN SESSION	CLOSED SESSION
OAS		
Bell, Vonda	X	X
Clark, Patrina	X	X
FCSIC		
Rubin, Howard	X	X
Wynn, Wade	X	X
Smith, Greg	X	X
GENERAL PUBLIC	7	N/A

Farm Credit Administration

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



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

**Farm Credit Administration Board
Regular Meeting
September 10, 2020**

Summary: Notice is hereby given, pursuant to the Government in the Sunshine Act (5 U.S.C. Sec. 552b(e) (1)), of the forthcoming regular meeting of the Farm Credit Administration Board.

Date and Time: The regular meeting of the Board will be held September 10, 2020, from 9:00 a.m. until such time as the Board may conclude its business. *Note: Because of the COVID-19 pandemic, we will conduct the board meeting virtually. If you would like to observe the open portion of the virtual meeting, see instructions below for board meeting visitors.*

Attendance: To observe the open portion of the virtual meeting, go to FCA.gov, select "Newsroom," then "Events." There you will find a description of the meeting and a link to "Instructions for board meeting visitors." See SUPPLEMENTARY INFORMATION for further information about attendance requests.

Contact: Dale Aultman, Secretary to the Farm Credit Administration Board (703) 883-4009. TTY is (703) 883-4056.

Supplementary Information: Parts of this meeting of the Board will be open to the public, and parts will be closed. If you wish to observe the open portion, follow the instructions above in the "Attendance" section at least 24 hours before the meeting. If you need assistance for accessibility reasons or if you have any questions, contact Dale Aultman, Secretary to the Farm Credit Administration Board, at (703) 883-4009. The matters to be considered at the meeting are as follows:

OPEN SESSION

Approval of Minutes

- 1 August 13, 2020

Reports

- 2 Quarterly Report on Economic Conditions and FCS Conditions and Performance

CLOSED SESSION

- 3 Office of Examination Quarterly Report¹

_____/s/
Dale Aultman
Secretary to the Board

August 28, 2020
Date

¹ Closed session is exempt pursuant to 5 U.S.C. Section 552b(c)(8) and (9).

Farm Credit Administration

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

BOARD ACTION ITEM



FCA BOARD ACTION ON

Minutes for August 13, 2020

BM-10-SEP-20-01

Effective Date: September 10, 2020

Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the minutes for August 13, 2020.

DATED THIS 10th DAY OF SEPTEMBER 2020

BY ORDER OF THE BOARD

_____/s/
Dale Aultman
Secretary to the Board



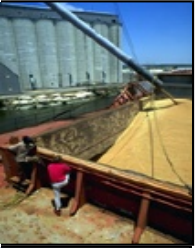
FCA Board Meeting September 2020

Exhibit D

Quarterly Report on FCS Condition September 10, 2020

Dennis A. Shields
Hal Johnson

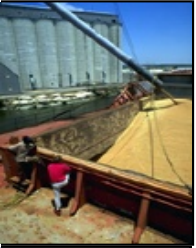
From YG 9/3/2020_4:31 p.m.





Topics for Open Session

- ▶ Economic Conditions Affecting the Farm Credit System
 - Economic indicators during COVID-19
 - Commodities and trade
 - Agriculture sector income
- ▶ FCS Condition and Performance
 - System growth and loan portfolio
 - Earnings and capital
 - Financial Institution Rating System (FIRS)





Economic Conditions Affecting the Farm Credit System

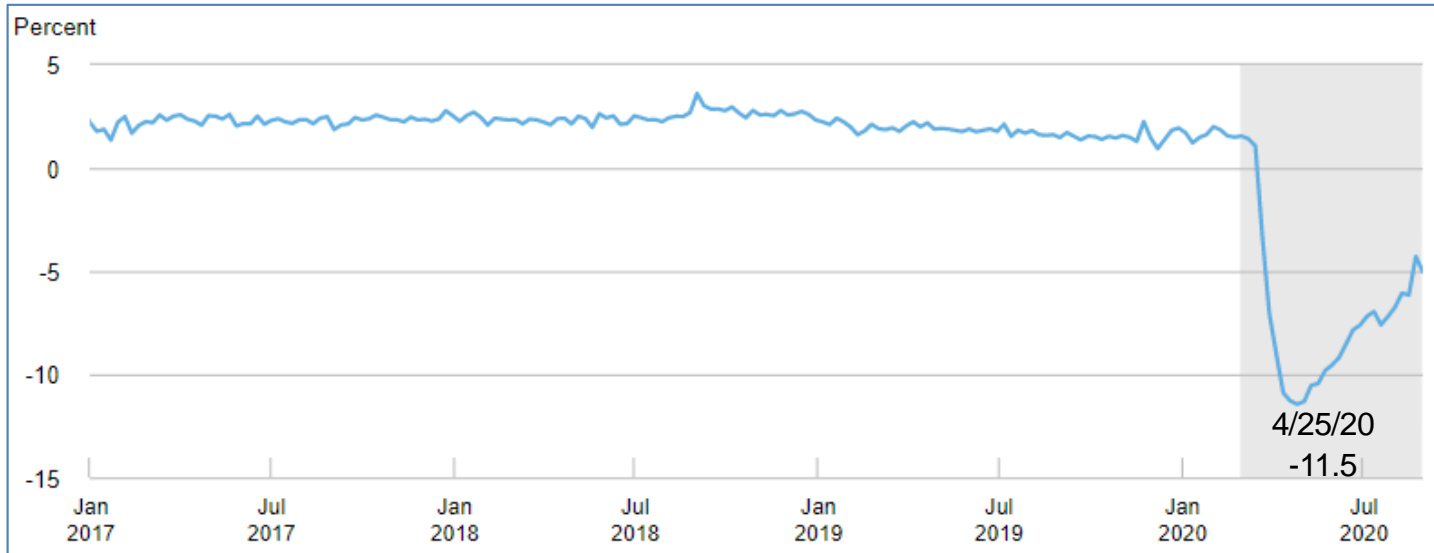
Dennis A. Shields
Chief Economist
Office of Data Analytics and Economics



U.S. economy continues recovery after steep contraction in spring



Weekly Economic Index



8/22/20
-4.3
8/29/20
-5.0

Source: Federal Reserve Bank of New York, <https://www.newyorkfed.org/research/policy/weekly-economic-index>.

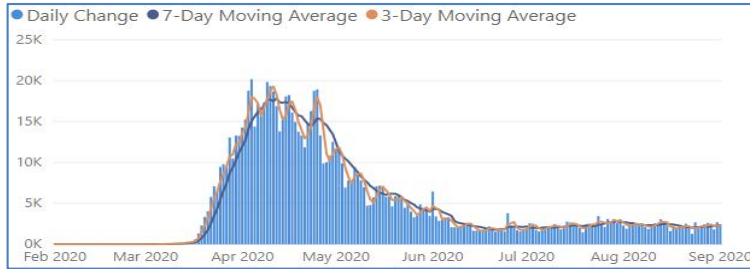
Note: The Weekly Economic Index is scaled to an annual GDP growth rate and is an index of ten daily and weekly indicators covering consumer behavior, the labor market, and production.



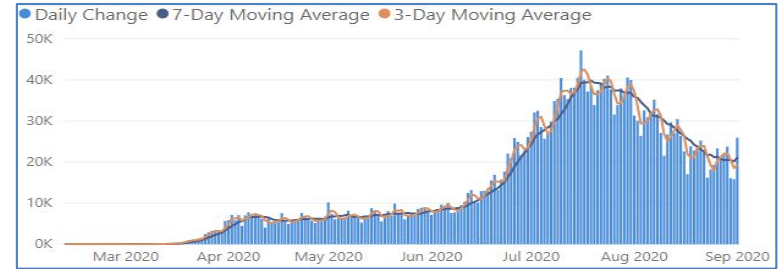
Trend in COVID-19 cases varies by U.S. region



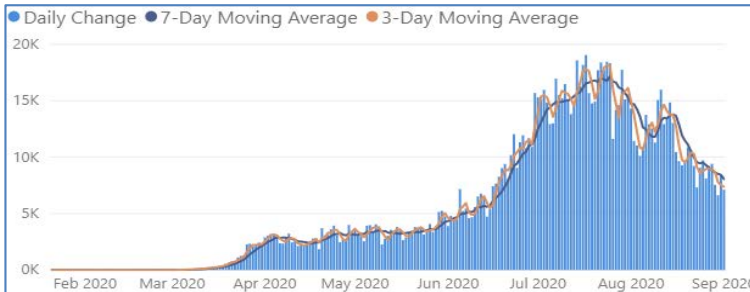
Northeast



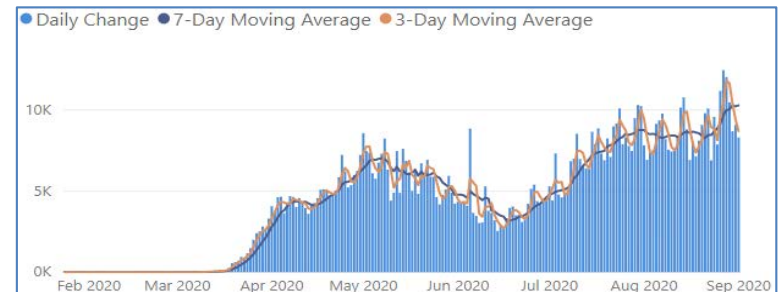
South



West



Midwest

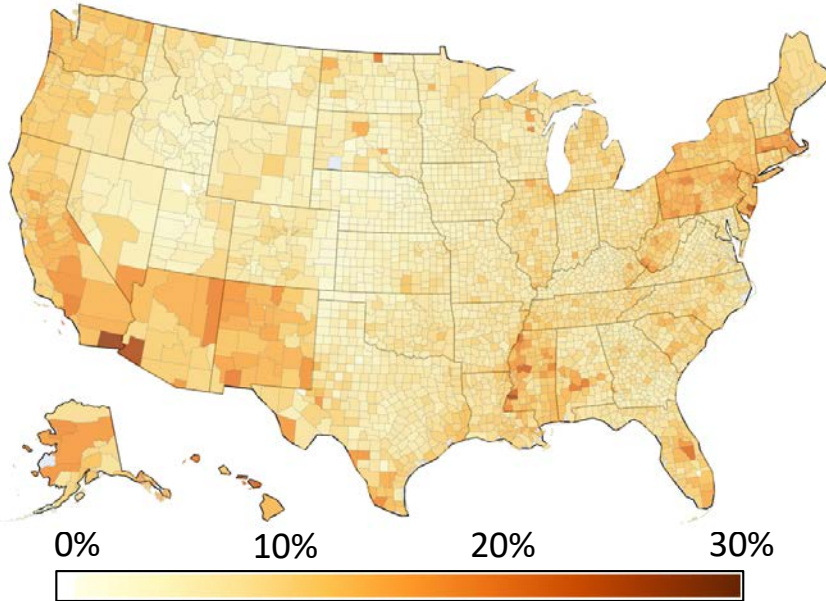


Source: Data from Johns Hopkins University Center for System Science and Engineering (as of 9/2/20).



Unemployment remains elevated in many areas of the United States

Unemployment rate by county in July 2020



	July 2019	July 2020
Employed	157.3 mil.	143.5 mil.
Unemployed	6.0 mil.	16.3 mil.
Unemployment rate	3.7%	10.2%

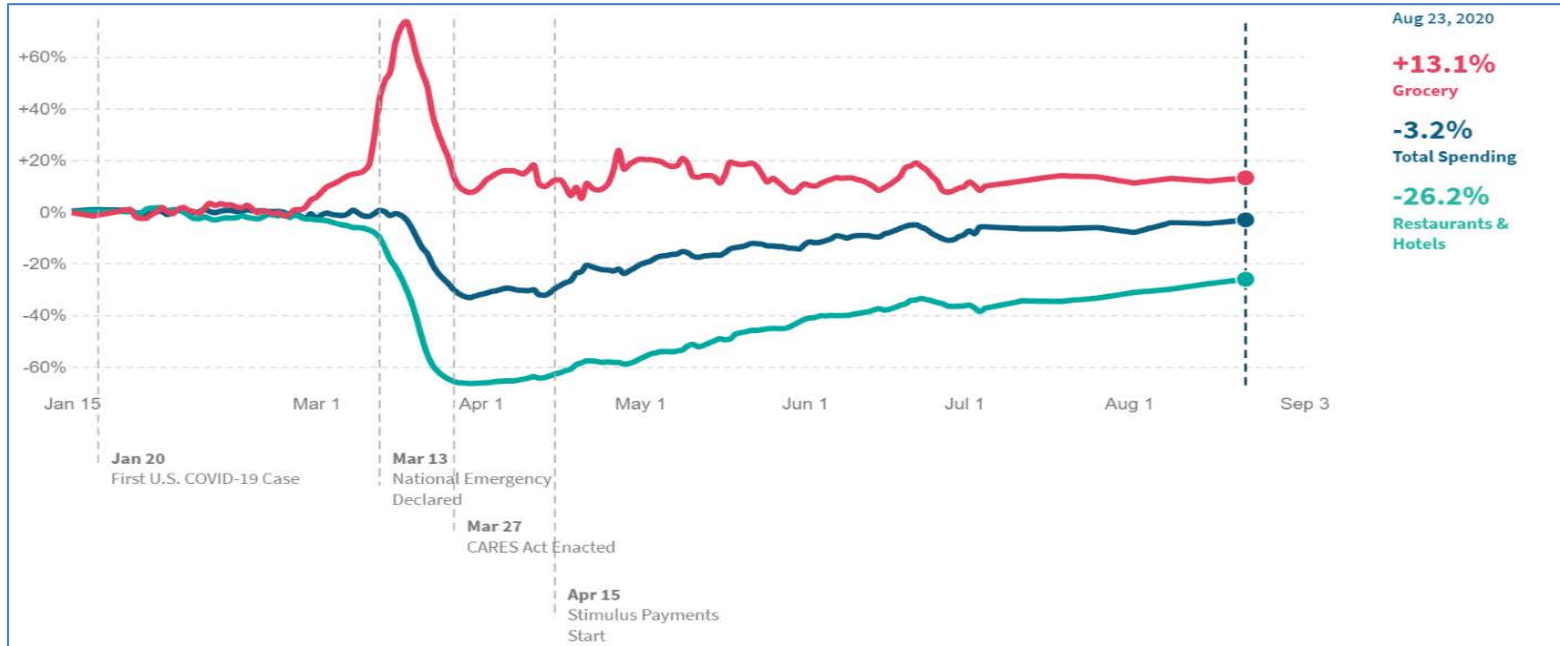


Source: FCA using data from U.S. Bureau of Labor Statistics, <https://www.bls.gov/news.release/empsit.a.htm>.



Consumer spending has recovered some

Change in average consumer credit and debit card spending since January



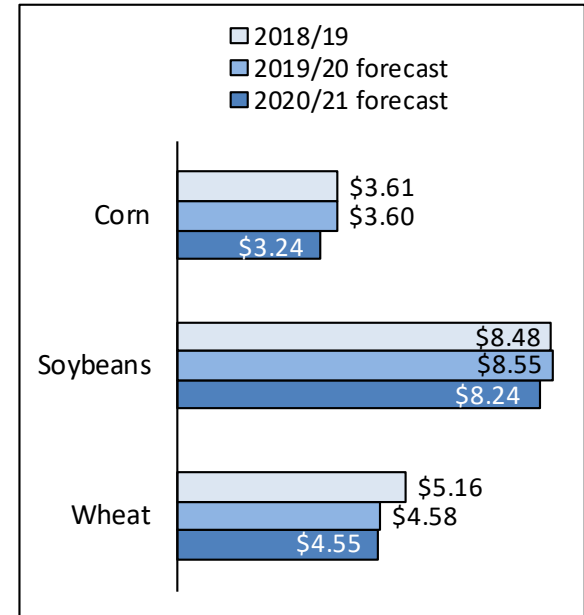
Source: www.tracktherecovery.org.



Expectations for large corn and soybean crops are tempered by poor weather in parts of the Midwest

- ▶ Farm prices for 2020 crops are forecast lower, but drought and exports have lifted markets recently.
- ▶ Price Loss Coverage payments supplement market returns when corn price < \$3.70 per bu. and soybean price < \$8.40 per bu.
- ▶ Wheat prices remain weak as large global stocks continue to overhang the market.

U.S. season-average farm price (\$/bu.)



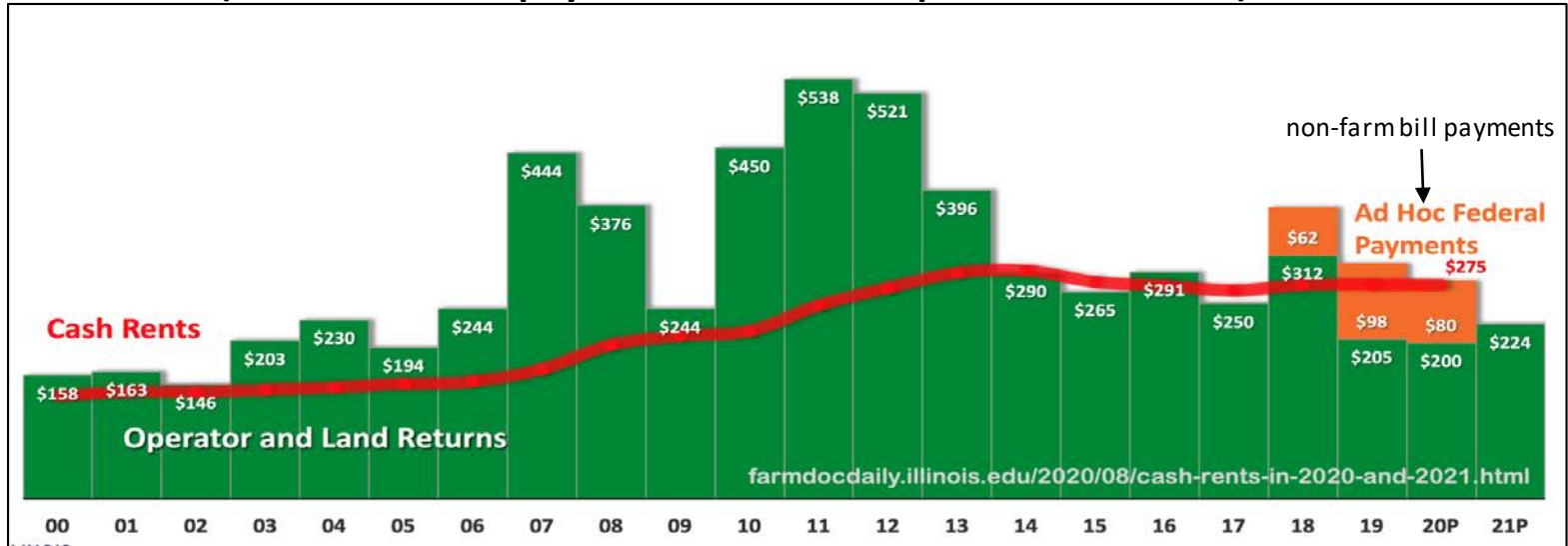
Source: FAPRI using August data.





Crop returns could fall sharply in 2021 without ad hoc federal assistance

Central Illinois operator and land returns (bars) and cash rents (line)
(assumes ad hoc payments for 2020 crop but not for 2021)



Source: farmdocdaily.illinois.edu/2020/08/cash-rents-in-2020-and-2021.html.

Note: High-productivity farmland.

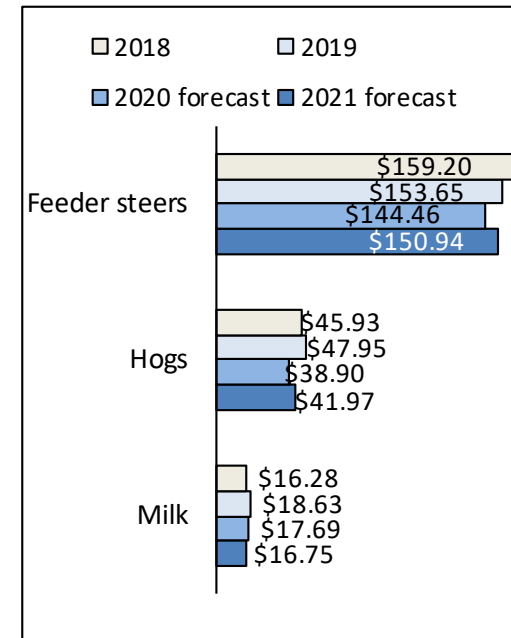


Livestock sector faces weather and price challenges following COVID-related disruptions

- ▶ For cow-calf producers, drought is pushing cows off marginal pastures; 4th quarter calf prices are expected below a year ago.
- ▶ Hog producers are expected to be unprofitable for rest of 2020 as the industry works through backlog of hogs.
- ▶ Dairy margins have been positive this summer with strong cheese demand lifting milk prices.



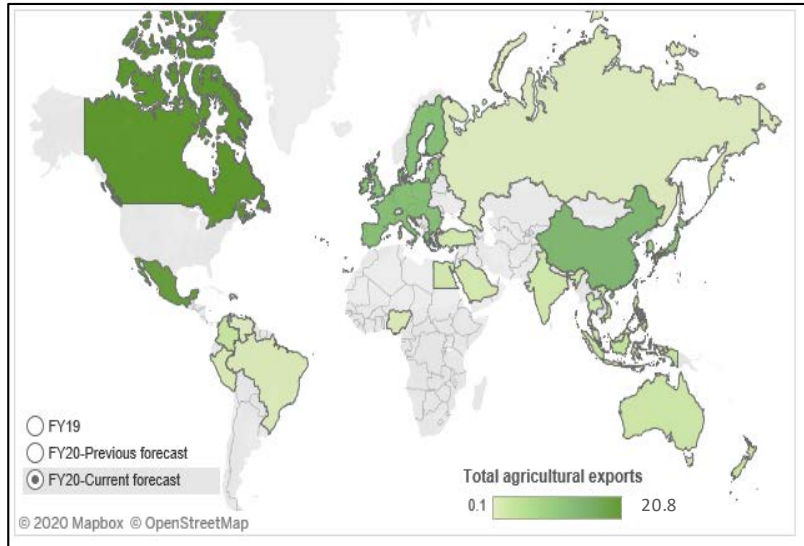
Annual prices (\$/cwt.)



Source: FAPRI using August data.



U.S. ag exports to rise in 2021 as shipments to China advance



Fiscal year U.S. agricultural exports (\$ bil.)

	2019	2020 forecast	2021 forecast
Canada	\$21.0	\$20.8	\$21.0
Mexico	\$19.0	\$19.0	\$19.3
China	\$10.1	\$14.0	\$18.5
Europe	\$13.2	\$11.7	\$11.9
Japan	\$12.1	\$11.6	\$11.8
World	\$135.5	\$135.0	\$140.5

Source: USDA/ERS.

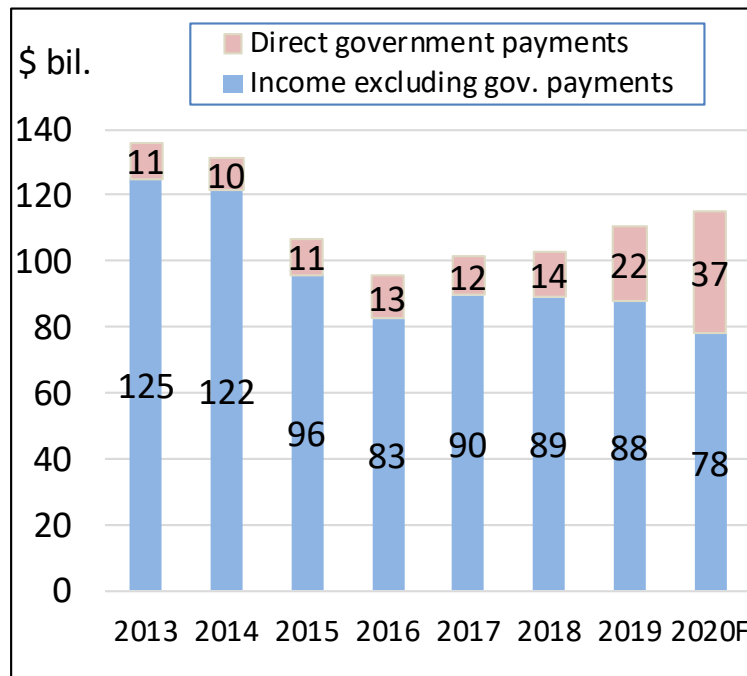
Note: Forecasts as of August 26, 2020.



Government payments continue to strengthen farm income

- ▶ Cash receipts in 2020 are forecast to decline 3.3% to \$358.3 billion.
- ▶ Cash expenses are down 1.3%, driven by lower interest expense.
- ▶ Net cash farm income is forecast to increase 4.5% to \$115.2 billion, which is above the historical inflation-adjusted average.
- ▶ Government payments account for a growing share of farm income.

Net cash farm income



Source: USDA/ERS, September 2, 2020.



Government support has been broadened to include many “non-program” commodities

- ▶ Farm program commodities: corn, soybeans, wheat, rice, cotton, peanuts, lentils, chickpeas, etc.; separate programs for milk and sugar.
- ▶ Recent ad hoc programs have expanded assistance to more commodities:
 - 2018 Market Facilitation Program (MFP)
 - ✓ 4 non-program commodities
 - 2019 MFP
 - ✓ 13 non-program commodities
 - 2020 Coronavirus Food Assistance Program (CFAP)
 - ✓ More than 125 non-program commodities
- ▶ With ad hoc payments, risk is reduced but only after-the-fact.
- ▶ Next farm bill will likely consider breadth and depth of farm support.





Concluding comments

- ▶ U.S. economic recovery is uneven as consumers and businesses adapt to challenges of COVID-19 impacts and attempt to find normalcy.
- ▶ Off-farm income prospects could be most affected in areas with largest changes in employment.
- ▶ Commodity prices and returns continue to pressure producers.
 - Major crop supplies remain plentiful; weather issues this summer have created both production losses (in some areas) but also marketing opportunities with price rallies.
 - Protein sector supplies are also plentiful; drivers include export demand and a rebound in foodservice demand.
 - For specialty crops, availability of farm workers remains a major concern.
- ▶ Substantial ad hoc government payments are helping many producers in 2020; there is no guarantee of a repeat next year.

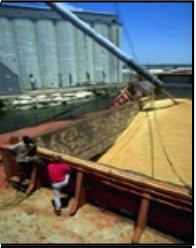




Questions



THANK YOU



Farm Credit System Condition and Performance

as of
June 30, 2020

Hal Johnson
Sr. Financial Analyst
Office of Examination



Topics

- ▶ System growth
- ▶ Portfolio credit quality
- ▶ Earnings
- ▶ Capital | Liquidity
- ▶ FIRS



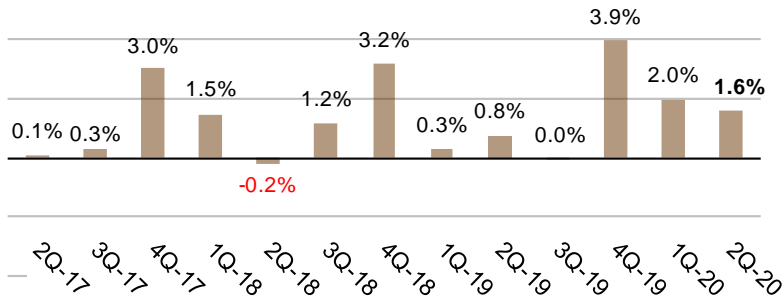


Real estate mortgage lending drives portfolio growth in the 1st half of the year



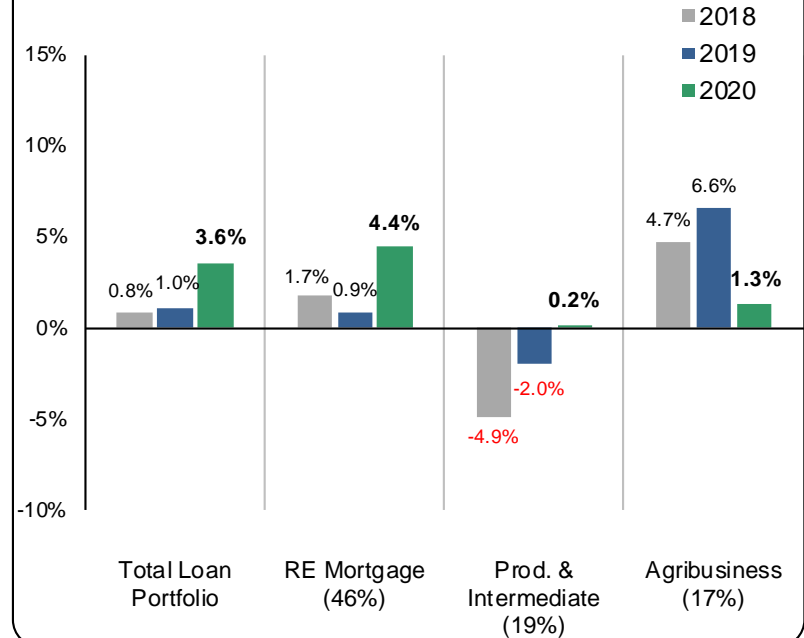
Total Assets 6/30/20	\$384.7	-0.7% Qtr	Qtr	Gross Loans 6/30/20	\$297.2	+1.6% Qtr
	billion	+5.3% YTD			billion	+3.6% YTD

Quarterly System Asset Growth



Loan Growth by Loan Type

% change year-to-date through June



Source: FCS Information Statements



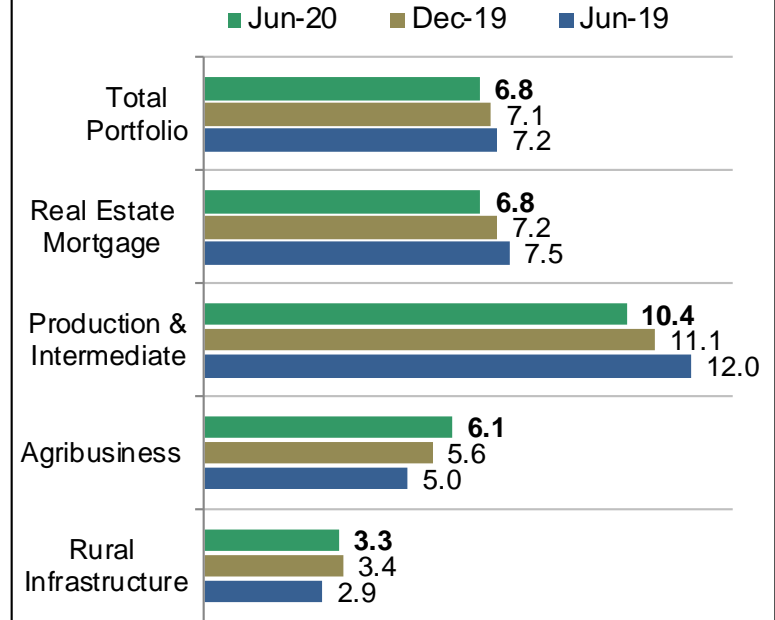
Credit risk indicators mixed; market uncertainty remains high for producers



Nonperforming Assets (6/30/20)	\$2.487 billion	YTD chg. + \$140M or +6.0%
		12 month chg. - \$43M or -1.7%
Delinquencies ⁽¹⁾ (6/30/20)	0.37%	Q4 '19 0.32%
		Q2 '19 0.36%

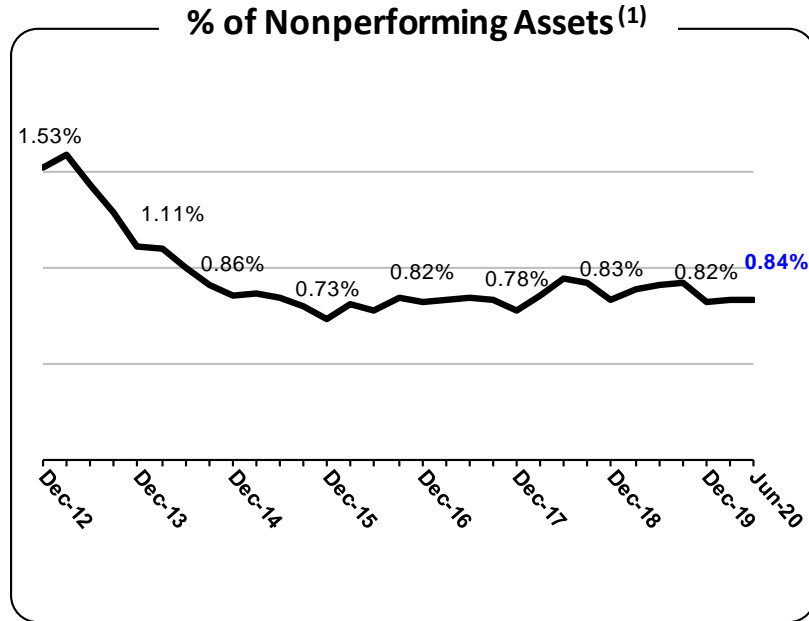
(1) accruing loans 30 days or more past due as a % of accruing loans

% of Loans Classified less than Acceptable



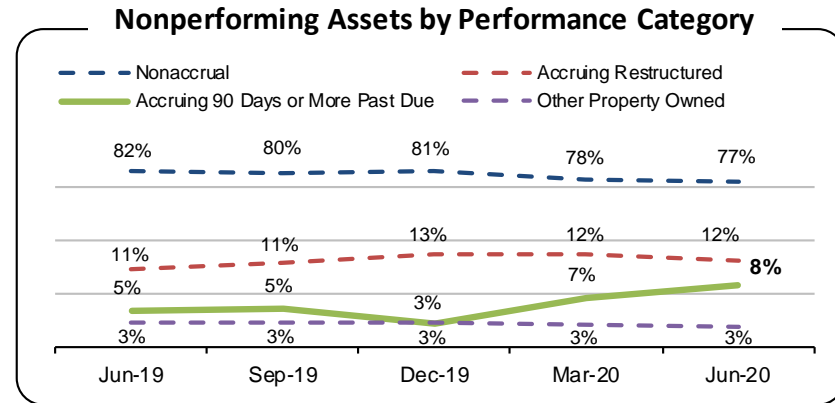
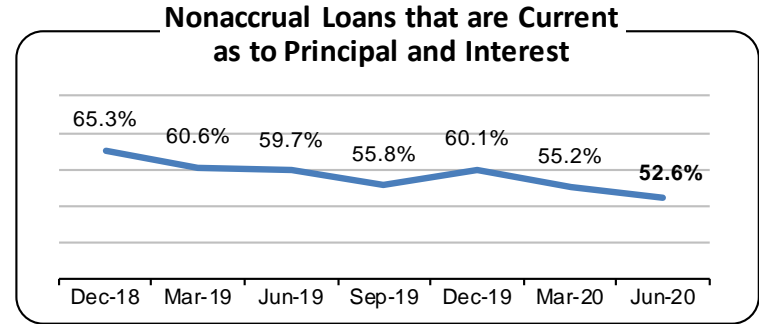


Nonperforming assets edge higher; indications of increasing portfolio stress



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

Source: FCS Information Statements



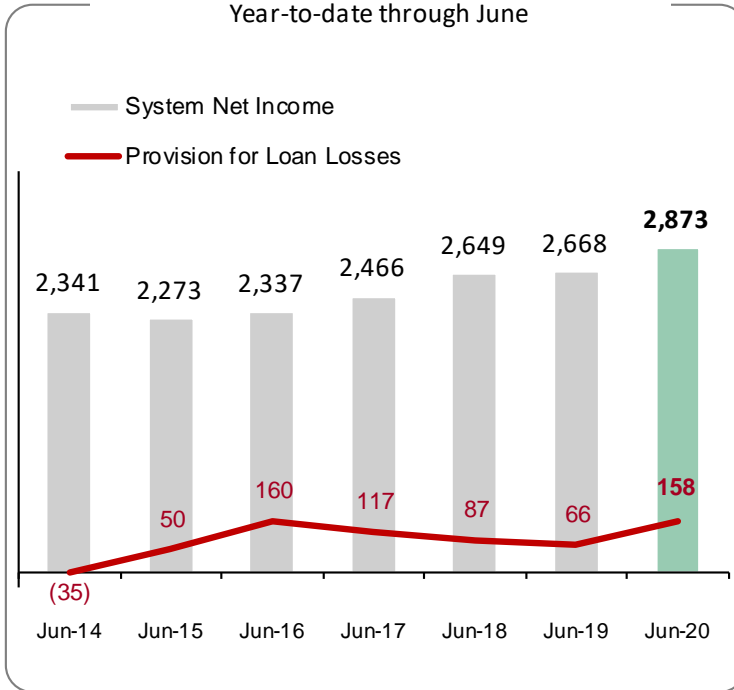


Strong earnings growth year-over-year; loan provisions rise



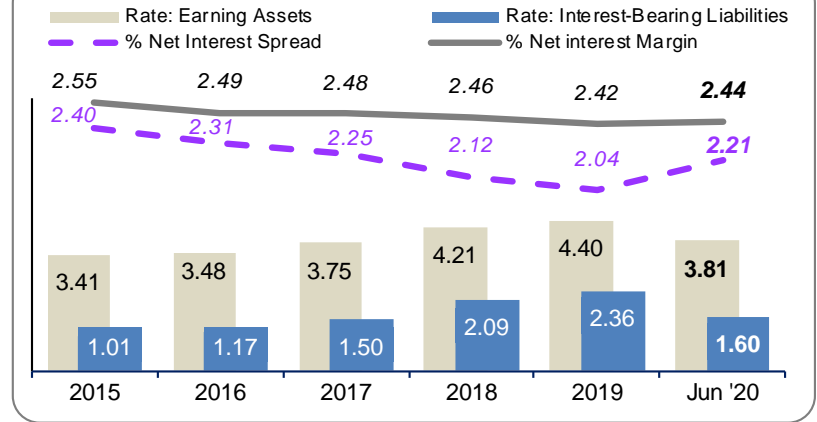
System Earnings (\$M)

Year-to-date through June



Source: FCS Information Statements

Net Interest Spread | Net Interest Margin



Rate | Volume Impact on Net Interest Income

YTD through June	Increase (decrease) due to:		
	Volume	Rate	Total
Interest Income	467	(1,167)	(700)
Interest Expense	263	(1,303)	(1,040)
Net Interest Income	204	136	340



System is financially sound and well-capitalized

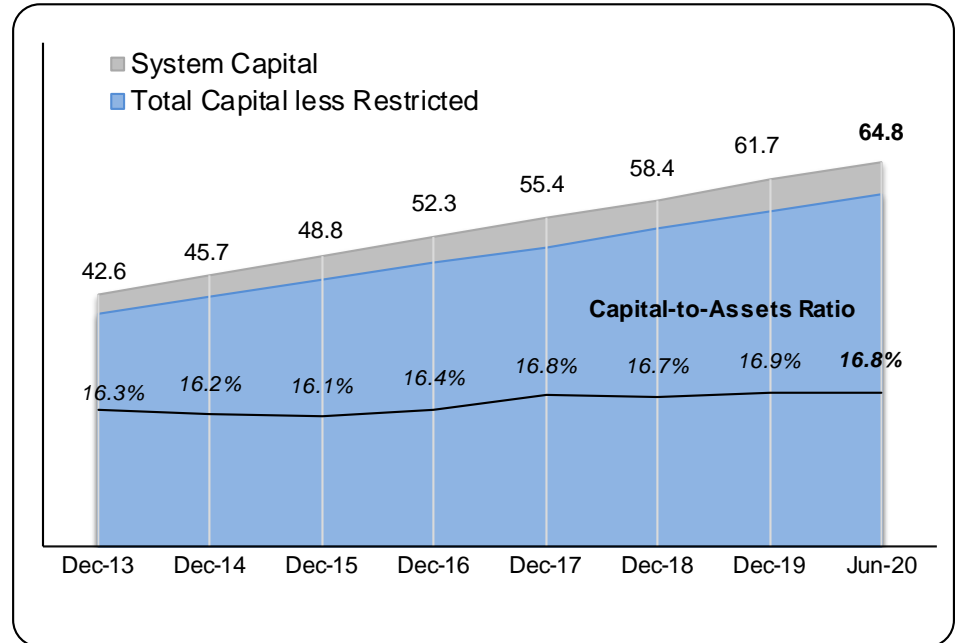
Capital and Liquidity

(as of June 30, 2020)

- ▶ Total Regulatory Capital:
Banks | 15.0% to 18.0%
Associations | 12.4% to 37.5%
- ▶ Days of available liquidity for the 4 funding banks ranged from 180 to 223 days
- ▶ Capital and the allowance for loan losses as a % of loans outstanding ranged from 18.4% to 23.3% at a district level

Source: FCS Information Statements

Total System Capital (\$B)



Note: Restricted capital represents capital associated with the Insurance Fund.



System FIRS ratings

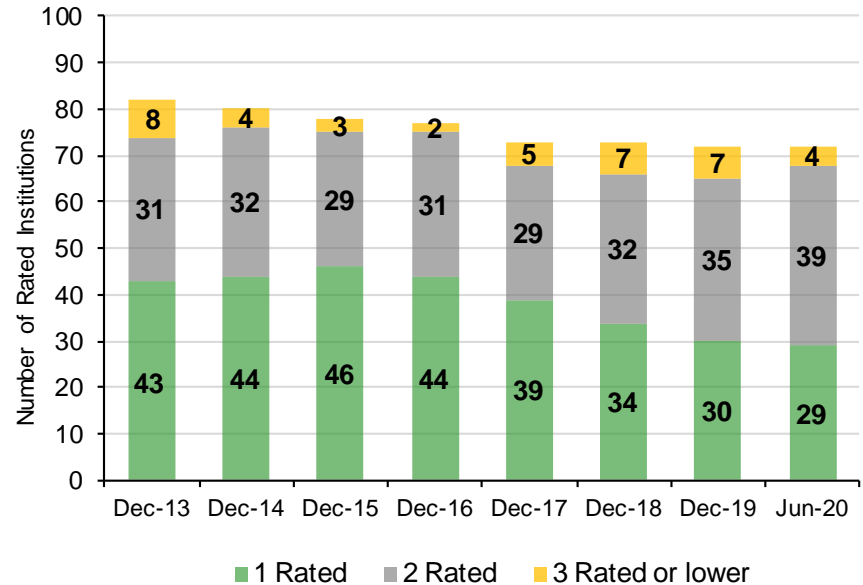
FIRS Ratings

(based on 6/30/20 financial reporting)

- ▶ Composite FIRS ratings remained steady in the 2nd quarter
- ▶ Almost 95% of System Banks and Associations have a Composite FIRS rating of 1 or 2
- ▶ Institutions rated 3 or lower account for about 1.0% of System assets



Composite FIRS Ratings Farm Credit System Banks and Associations



Source: FCA's FIRS ratings database



Summary and final points



- ▶ The U.S. economy is recovering as local economies reopen, but significant uncertainty persists.
- ▶ For agricultural producers, market volatility and price concerns remain high for key crop and livestock sectors.
- ▶ The Farm Credit System remains fundamentally safe and sound.
- ▶ Although portfolio credit quality is expected to deteriorate, System institutions are strongly capitalized with significant risk-bearing capacity.
- ▶ System institutions are well-positioned to support agricultural producers and rural America.



Questions



THANK YOU

Farm Credit Administration

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



CERTIFICATE OF CLOSED MEETING

The General Counsel, in accordance with the Government in the Sunshine Act, 5 U.S.C. § 552b(f)(1), hereby certifies that the Farm Credit Administration Board regular meeting of September 10, 2020, was properly closed to the public on the basis of the exemption set forth below:

- Supervisory and Oversight Activities of FCS Institution(s) – 5 U.S.C. § 552b(c)(8) and (9).

September 10, 2020
Date

/s/
Charles R. Rawls
General Counsel