

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



**MINUTES OF THE REGULAR MEETING  
OF THE  
FARM CREDIT ADMINISTRATION BOARD  
April 8, 2021**

These minutes reflect the business transacted at the April 8, 2021, Regular Meeting of the Farm Credit Administration Board (FCA Board) pursuant to the Government in the Sunshine Act, 5 U.S.C. § 552b, and the regulations of the Farm Credit Administration (FCA) adopted thereunder.

The meeting began at 9:00 a.m. and concluded at 10:30 a.m.

Members of the Board present were:

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

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

**Chairman Smith** welcomed a group of examiners and trainers observing the meeting who were participating in a virtual Management Integration Training.

**Chairman Smith** announced that this meeting of the Board is a hybrid meeting with some personnel in the Board room, and most personnel teleworking due to the COVID 19 pandemic.

**Chairman Smith** asked everyone to say 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 March 11, 2021 Regular Board Meeting (BM-8-APR-21-01)**

**Mr. Hall** moved to approve the minutes for the March 11, 2021, 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-8-APR-21-01)**

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

## **Report**

### **Quarterly Report on Economic Conditions and FCS Condition 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 Condition 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.)

## **New Business**

### **Collateral Evaluation – Proposed Rule (BM-8-APR-21-02)**

**Darius Hale** and **Dennis Carpenter** of the **Office of Regulatory Policy**, and **Laura McFarland** of the **Office of General Counsel** presented the Collateral Evaluation – Proposed Rule.

**Chairman Smith** open the discussion for questions by the Board.

**Chairman Smith** asked if there was any further discussion and asked staff to provide their recommendation. Staff provided their recommendation.

**Chairman Smith** called for a motion on the staff's recommendation.

**Mr. Hall** moved to approve the Collateral Evaluation – Proposed Rule as recommended by staff.

**Chairman Smith** seconded the motion.

**Chairman Smith** asked if there was any further discussion.

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

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-8-APR-21-02)**

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

### **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** asked OIT staff to ensure that outside visitors had been disconnected so the Board could meet in Closed Session with the Office of Examination.

**Chairman Smith** convened the closed session of the meeting at 10:04 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.

**Chairman Smith** then instructed the **Acting 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.

**OIT Staff** confirmed that the recording has started.

The **Secretary** noted the start time of the closed session, indicated he had the **Acting General Counsel** certification, and called the roll. (Attendees are shown on Exhibit A.)

(A copy of the Acting General Counsel Certification is attached hereto as Exhibit F.)

### **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

Before adjourning the meeting, **Chairman Smith** thanked OIT staff for making the hybrid virtual / physical meeting a success. He also thanked Joy Strickland for being Acting General Counsel.

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 10:30 a.m.

## NOTATIONAL VOTE ACTIONS

There were three notational vote actions approved by the FCA Board from March 11, 2021, through April 7, 2021 as follows:

Item Number	Action Date	Voting Results	Subject
NV 21-05	03/15/2021	Approved	Farm Credit Administration 2021 Enhanced Workforce Benefits
NV 21-06	03/30/2021	Approved	Appoint Christopher Clark Ogilvie to General Counsel at FCA
NV 21-07	04/07/2021	Approved	Compeer Financial ACA request to purchase bonds issued by intermediate care facility in rural North Dakota, subject to conditions

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on April 8, 2021.

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

                                    /s/                                      
Dale Aultman  
Secretary to the Board

Approved: May 13, 2021

**ATTENDANCE LIST - FCA REGULAR BOARD MEETING  
April 8, 2021**

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

OFFICE	OPEN SESSION	CLOSED SESSION
<b>Office of the Board</b>		
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
<b>COO</b>		
Coleman, Robert	X	X
<b>OIT</b>		
Golley, Jerald	X	X
Matos, Ricardo	X	X
Johnson, Mike	X	X
Versace, Jerry	X	X
<b>OCPA</b>		
Stokke, Michael	X	X
Middleton, Russell	X	X
<b>OGC</b>		
Strickland, Joy	X	X
McFarland, Laura	X	X
<b>OE</b>		
Paulsen, Roger	X	X
Waldron, Ashley	X	X
Johnson, Hal	X	X
Howard, Chris	X	
Austin, Danielle	X	
Wondra, Craig	X	
Braesch, Eric	X	
Eldridge, Ethan	X	
Glidden, Ethan	X	
Irvin, Elissa	X	
Rouin, Kaileen	X	
Toner, Katherine	X	
Hull, Conor	X	
<b>OSMO</b>		
Rea, Laurie	X	X
Hudson, Bruce	X	X
Greenlee, Angela	X	X

OFFICE	OPEN SESSION	CLOSED SESSION
<b>ORP</b>		
Kramp, Kevin	X	X
Hale, Darius	X	X
Carpenter, Dennis	X	
Johansen, Mark	X	X
<b>ODAE</b>		
D'Antoni, Jeremy	X	X
Shields, Dennis	X	X
<b>OIG</b>		
Laguarda, Wendy	X	X
Miller, Kevin	X	X
<b>OCFO</b>		
Smith, Stephen	X	X
Gandy, Doug	X	X
<b>OAS</b>		
Bell, Vonda	X	X
Clark, Patrina	X	X
<b>FCSIC</b>		
Smith, Greg	X	
Morgan, Matt	X	X
Powalski, Lynn	X	X
Wynn, Wade	X	X
Grimaldi, Andrew	X	X
<b>GENERAL PUBLIC</b>	8	<b>N/A</b>

## Farm Credit Administration

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



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

#### Farm Credit Administration Board Regular Meeting April 8, 2021

**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 April 8, 2021, 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 March 11, 2021

##### **Report**

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

##### **New Business**

- 3 Collateral Evaluation – Proposed Rule

#### **CLOSED SESSION**

- 4 Office of Examination Quarterly Report<sup>1</sup>

\_\_\_\_\_  
/s/

Dale Aultman  
Secretary to the Board

<u>March 29, 2021</u> Date
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<sup>1</sup> Closed session is exempt pursuant to 5 U.S.C. Section 552b(c)(2).

# **Farm Credit Administration**

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

## **BOARD ACTION ITEM**

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### **FCA BOARD ACTION ON**

**Minutes for March 11, 2021**

**BM-8-APR-21-01**

**Effective Date:** April 8, 2021

**Effect on Previous Action:** None

#### **THE FCA BOARD HEREBY:**

Approves the minutes for March 11, 2021.

**DATED THIS 8th DAY OF APRIL 2021**

**BY ORDER OF THE BOARD**

\_\_\_\_\_/s/  
**Dale Aultman**  
**Secretary to the Board**





# FCA Board Meeting April 2021

Exhibit D

## Quarterly Report on FCS Condition April 8, 2021

Dennis A. Shields  
Hal Johnson





# Topics for Open Session

- ▶ Economic Conditions Affecting the Farm Credit System
  - Trade and commodities
  - Farm sector income
  - Government policies
- ▶ FCS Condition and Performance
  - System growth and loan portfolio
  - Earnings and capital
  - Financial Institution Rating System (FIRS)





# Economic Conditions Affecting the Farm Credit System

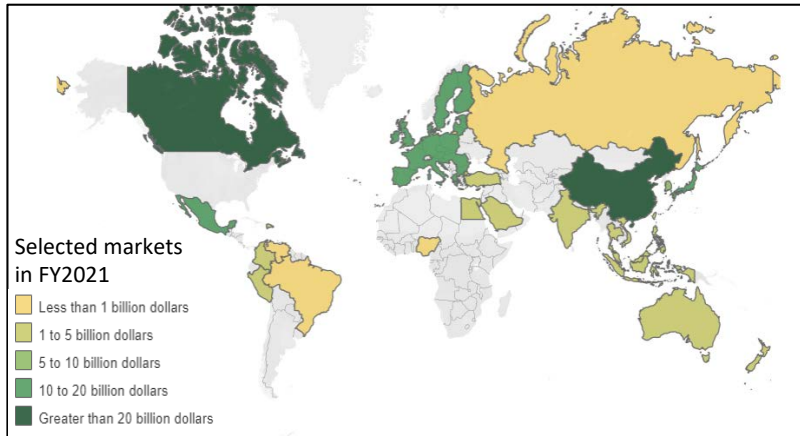
**Dennis A. Shields**

**Chief Economist**

**Office of Data Analytics and Economics**



# U.S. ag exports ramp up as shipments to China increase to record level



Source: USDA.

Note: Forecasts as of February 18, 2021.

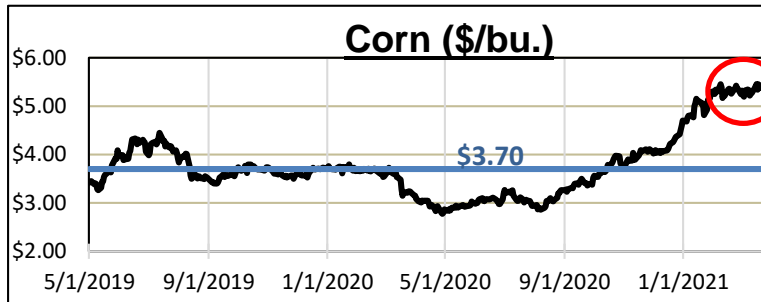
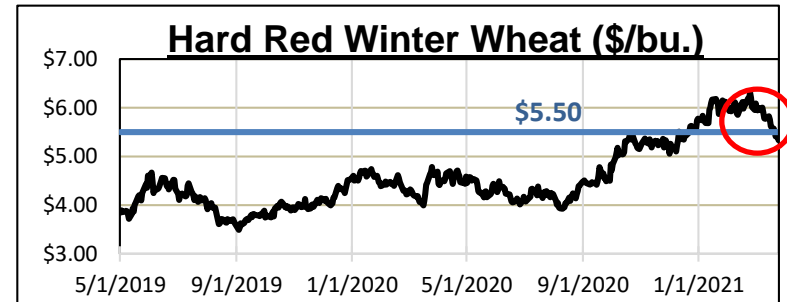
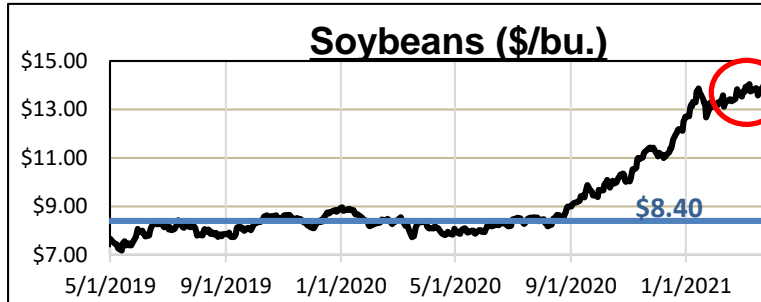
Fiscal year U.S. ag exports (\$ bil.)

	2019	2020	2021 forecast
China	\$10.1	\$17.0	\$31.5
Canada	\$21.0	\$20.8	\$21.0
Mexico	\$19.0	\$18.1	\$19.5
Europe	\$13.2	\$11.7	\$11.9
Japan	\$12.1	\$11.4	\$12.4
World	\$135.5	\$135.7	\$157.0



# Crop prices remain at high levels, supporting producer margins

— Elevator daily cash bids (national index)  
— Farm Bill reference price that triggers Price Loss Coverage payments using season average farm price



A distant past . . .  
low prices in June 2019, as seen  
through the elevator window.

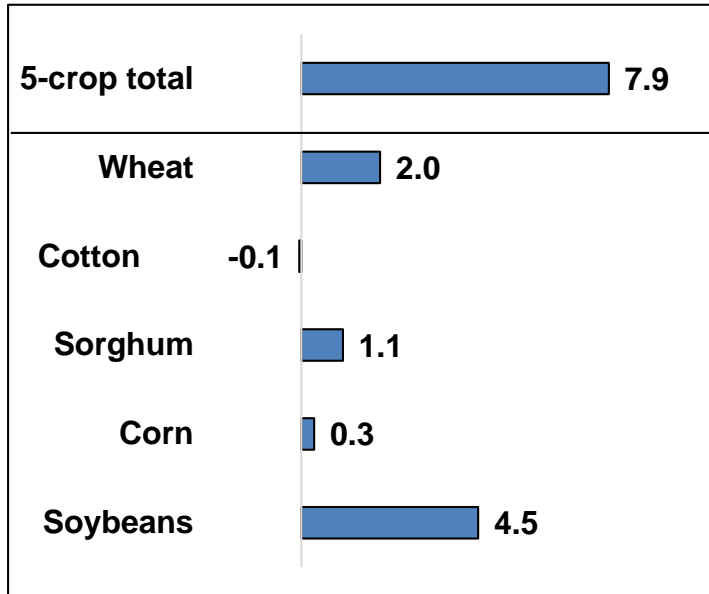


Source: MGEX elevator daily cash bids.



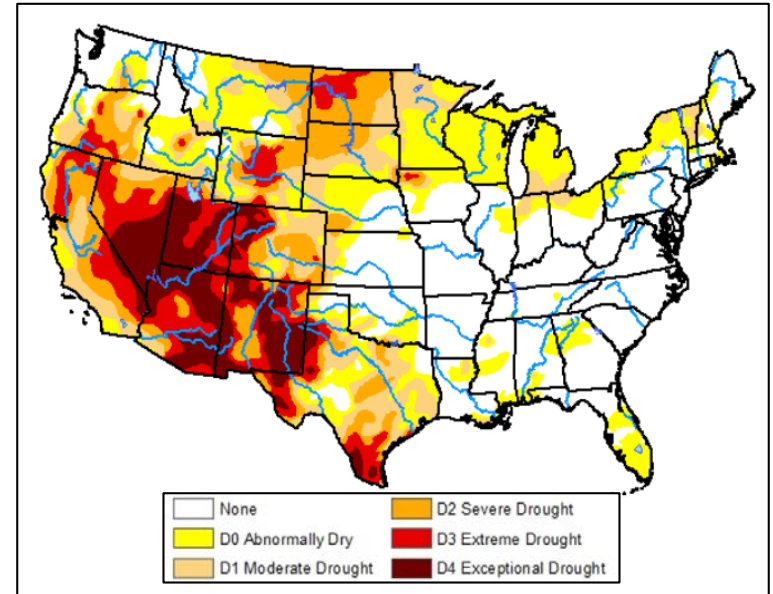
# Farmers to expand plantings in 2021; drought is a concern

## Prospective plantings: Million-acre change in 2021



Source: *Prospective Plantings*, 3/31/21, USDA/NASS.

## Drought covers much of the western U.S.



Source: [U.S. Drought Monitor](https://www.drought.gov/) released 3/25/2021.





# Livestock producers face higher feed costs

- ▶ Cow-calf margins are expected to be near breakeven in 2021; lingering drought conditions and higher feed costs remain a concern.
- ▶ Hog margins have deteriorated as feed costs increase, but lower hog inventory is supporting prices.
- ▶ Meat export demand is relatively strong.



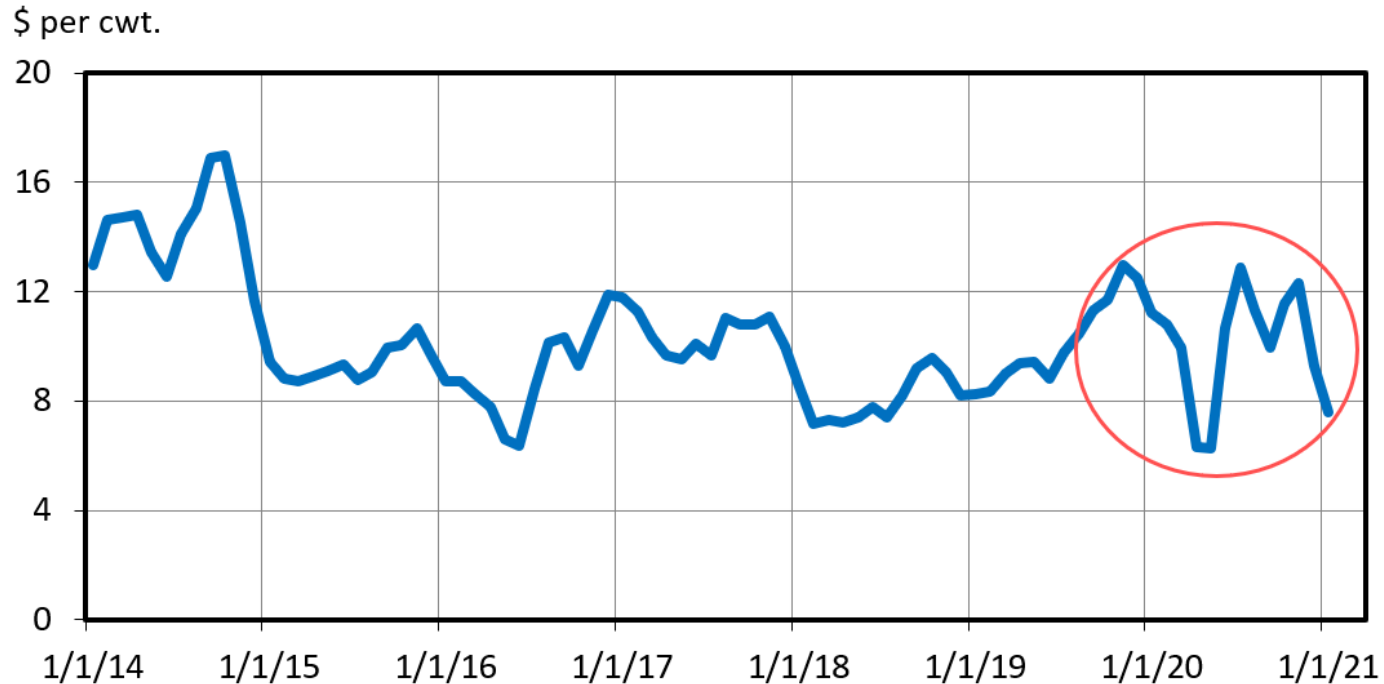
Newborn calf with attentive cow.





# Dairy farms challenged by income variability; returns depend on level of fixed costs

Midwest dairy income over feed costs



Source: Livestock Marketing Information Center.

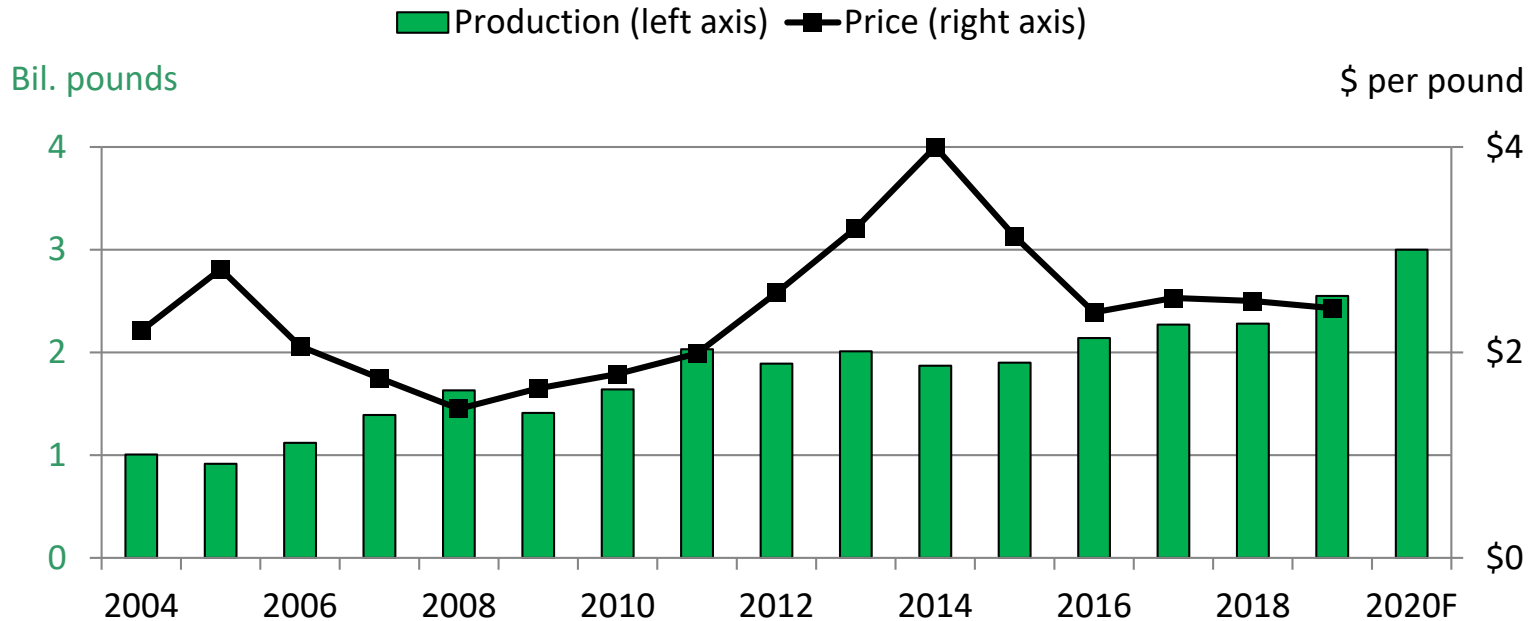






# Almond output expands; prices remain steady to lower

U.S. almond production and average grower price



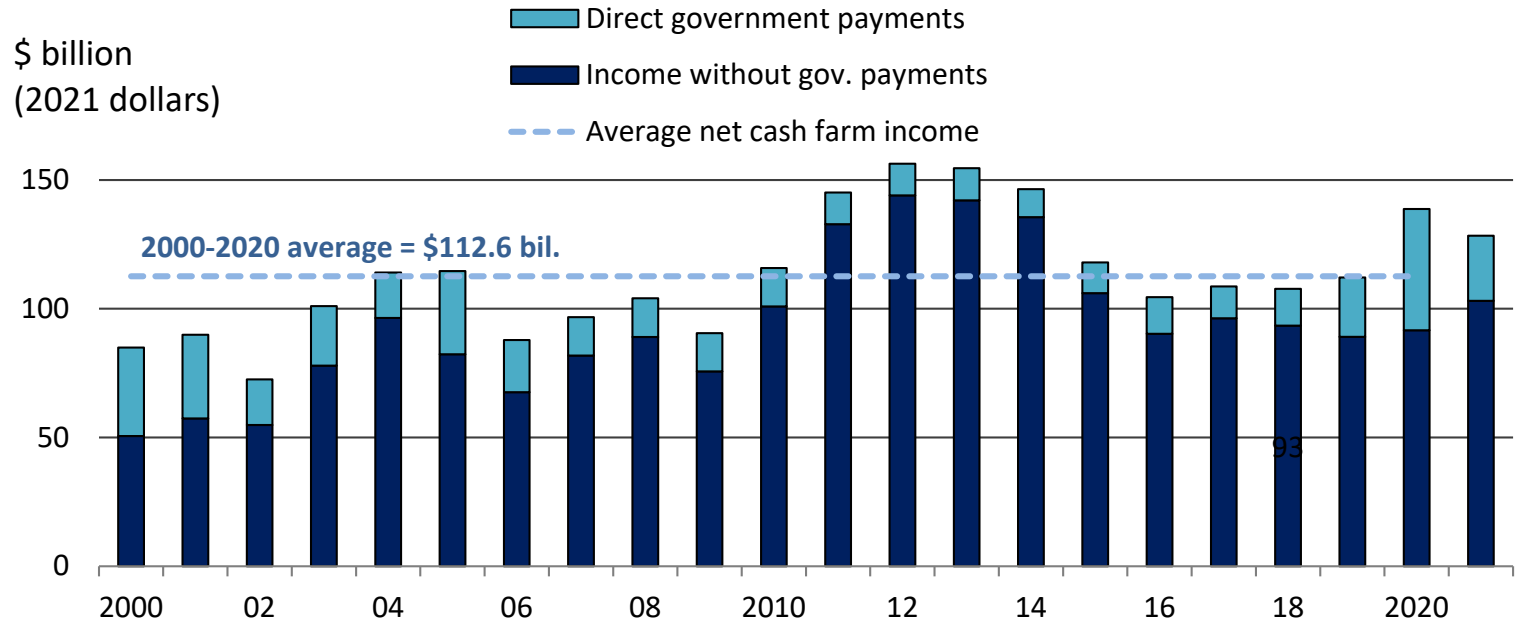
Source: USDA/NASS.



# Farm income to remain above average in 2021



## U.S. net cash farm income (adjusted for inflation)



Source: USDA/ERS, February 5, 2021.



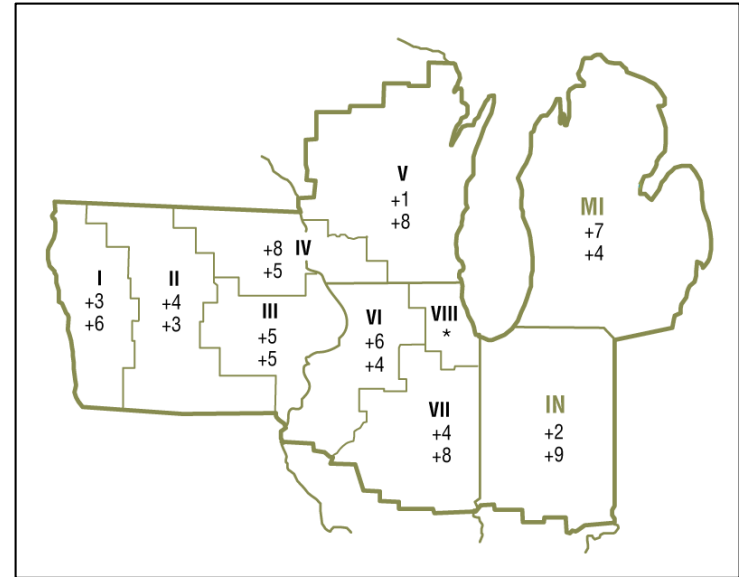
# Farmland values are strong in early 2021

- ▶ In the Midwest, strong demand for land and not much is available for sale.
- ▶ Illinois real estate professionals expect land values up 5-10% in 2021.
- ▶ In Texas, values in fourth quarter 2020 were +4% for cropland and +10% for ranchland.

## % change in \$ value of “good” farmland

Top: Oct. 2020 to Jan. 2021

Bottom: Jan. 2020 to Jan. 2021



Source: Federal Reserve Bank of Chicago.



# Policy developments affecting farm income and risk

- ▶ Trade boom, bust, boom
- ▶ Farm Bill safety net programs
- ▶ Renewed emphasis on climate and conservation



No-till planting soybeans into corn stubble.



# Concluding comments

- ▶ Economic recovery is underway.
- ▶ Grain prices are at high levels, benefiting many crop producers.
- ▶ Livestock margins are tight with higher feed costs.
- ▶ Risk management will be key.
- ▶ Government assistance: depth, breadth, timeliness.





# Questions

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**THANK YOU**





# Farm Credit System Condition and Performance

as of  
December 31, 2020

**Hal Johnson**  
Sr. Financial Analyst  
Office of Examination



# Topics

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- ▶ System growth
- ▶ Loan Portfolio
- ▶ Earnings
- ▶ Capital
- ▶ FIRS



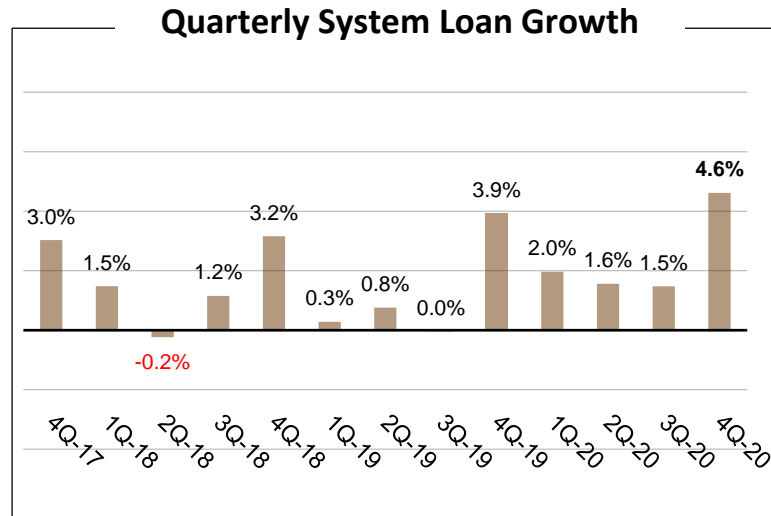




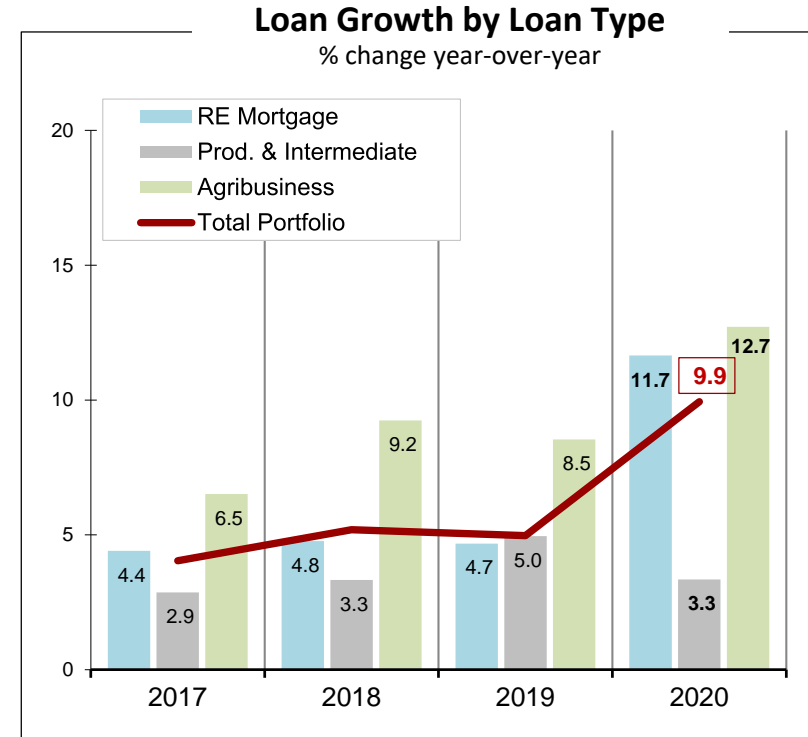
# System growth was the strongest since 2008



Total Assets 12/31/20	\$400.7 billion	+4.1% Qtr +9.7% FY	Gross Loans 12/31/20	\$315.5 billion	+4.6% Qtr +9.9% FY



Source: FCS Information Statements





# The System's loan portfolio performed well in a difficult year



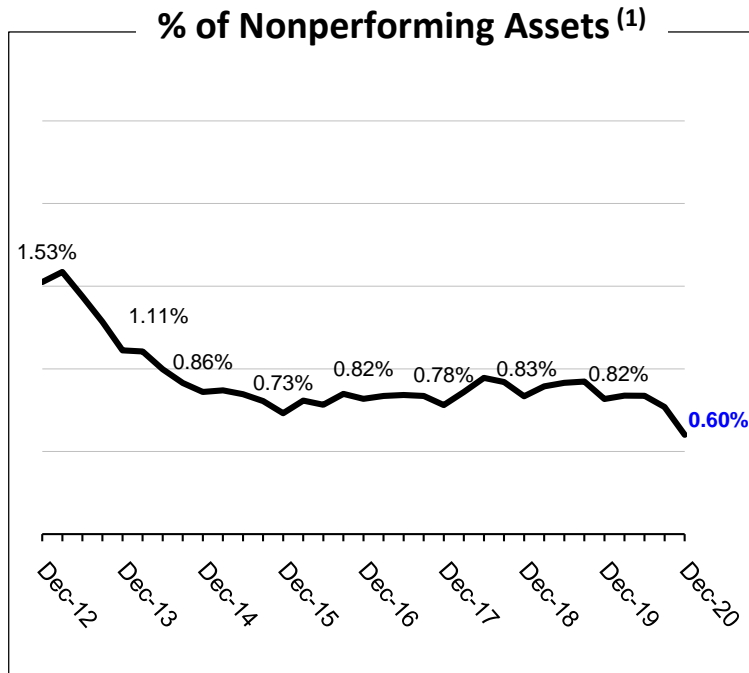
- ▶ Portfolio credit quality remained sound despite the many challenges agricultural producers faced in 2020.
- ▶ Most credit risk measures improved compared to a year ago.
- ▶ Risk remains elevated for certain agricultural sectors and geographical regions.

<b>Nonperforming Assets</b> (12/31/20)	<b>\$1.897</b> billion	Qtr chg.	- \$424M or -18.3%
		12 month chg.	- \$450M or -19.2%
<b>Delinquencies <sup>(1)</sup></b> (12/31/20)	<b>0.28%</b>	Q3 '20	0.28%
		YE '19	0.32%

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

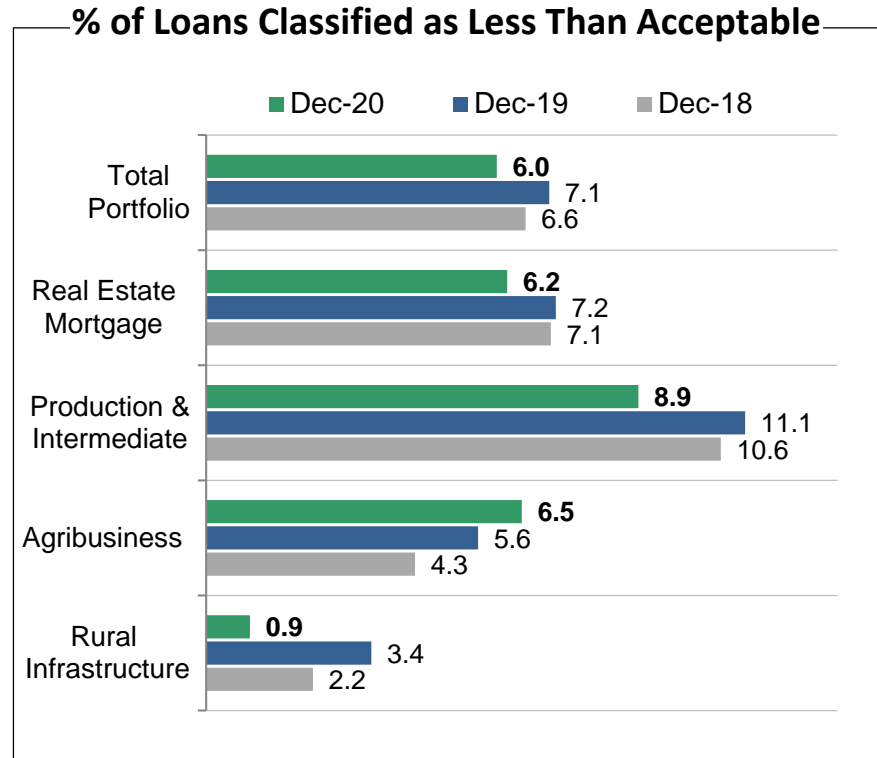


# Credit risk indicators trend lower in 2020; strong loan growth a factor



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

Source: FCS Information Statements

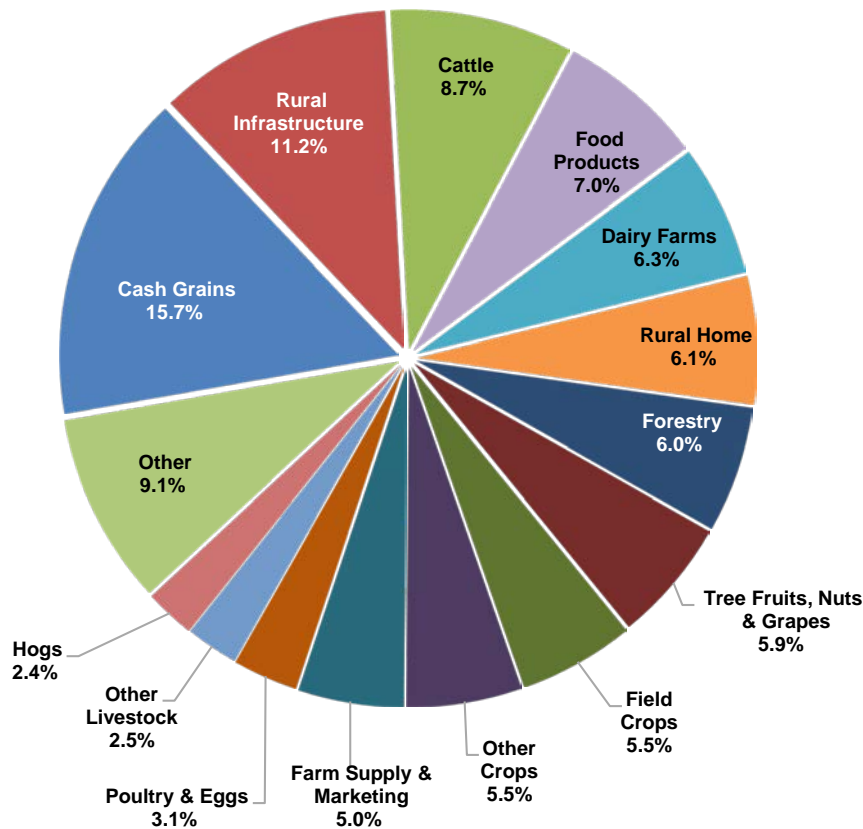




# System's portfolio is diversified by commodity



System Loan Portfolio by Commodity Concentration



System Loan Portfolio (\$ in millions)	Dec-20	% of Total Portfolio	% chg. yr. over yr.
Cash Grains	49,475	15.7%	9.2%
Tree Fruits, Nuts & Grapes	19,145	6.1%	10.1%
Field Crops	17,367	5.5%	7.7%
Other Crop Production	16,657	5.3%	9.9%
<b>Total Crop Production</b>	<b>102,644</b>	<b>32.5%</b>	<b>9.2%</b>
Cattle	27,560	8.7%	6.7%
Dairy Farms	20,017	6.3%	6.4%
Poultry & Eggs	8,698	2.8%	8.4%
Hogs	7,476	2.4%	5.1%
Other Livestock	7,977	2.5%	9.3%
<b>Total Animal Production</b>	<b>71,728</b>	<b>22.7%</b>	<b>6.9%</b>
Rural Infrastructure	34,477	10.9%	16.2%
Food Products	24,049	7.6%	18.4%
Rural Home	19,069	6.0%	9.7%
Forestry	18,567	5.9%	8.8%
Farm Supply & Marketing	15,757	5.0%	12.3%
Other	29,199	9.3%	6.3%
<b>Total</b>	<b>315,490</b>	<b>100.0%</b>	<b>9.9%</b>

Source: FCS Information Statement



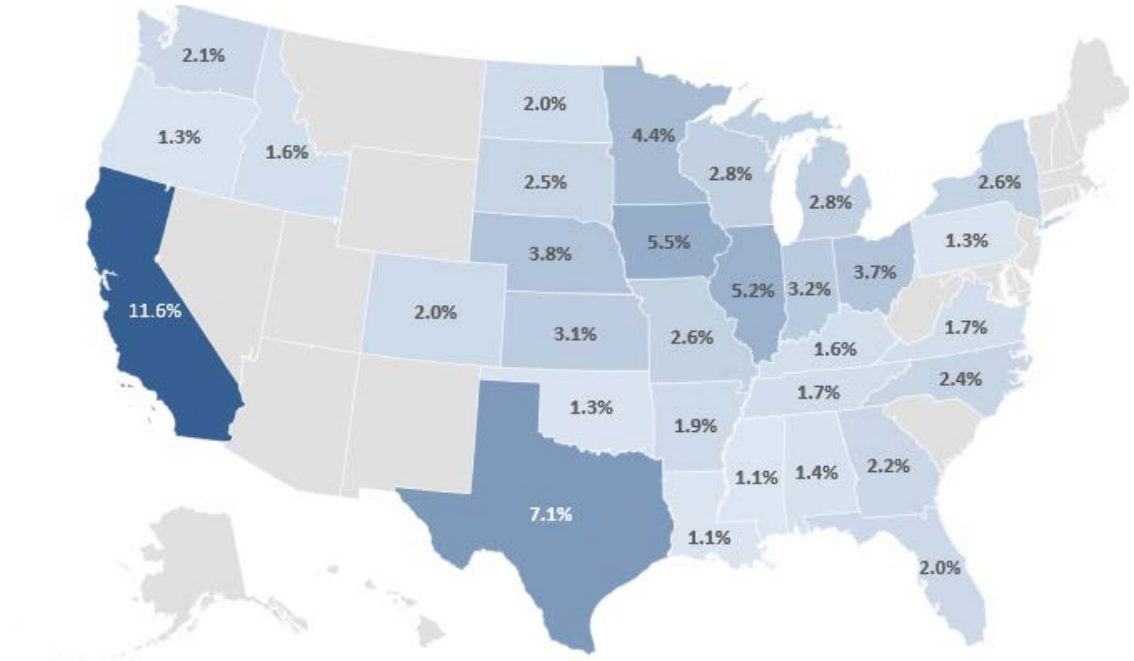
# Portfolio volume is geographically distributed



## % of System Loan Volume by State as of year-end 2020

(only states with at least 1% are displayed)

Top 5 States	% of Portfolio
California	11.6%
Texas	7.1
Iowa	5.5
Illinois	5.2
Minnesota	4.4



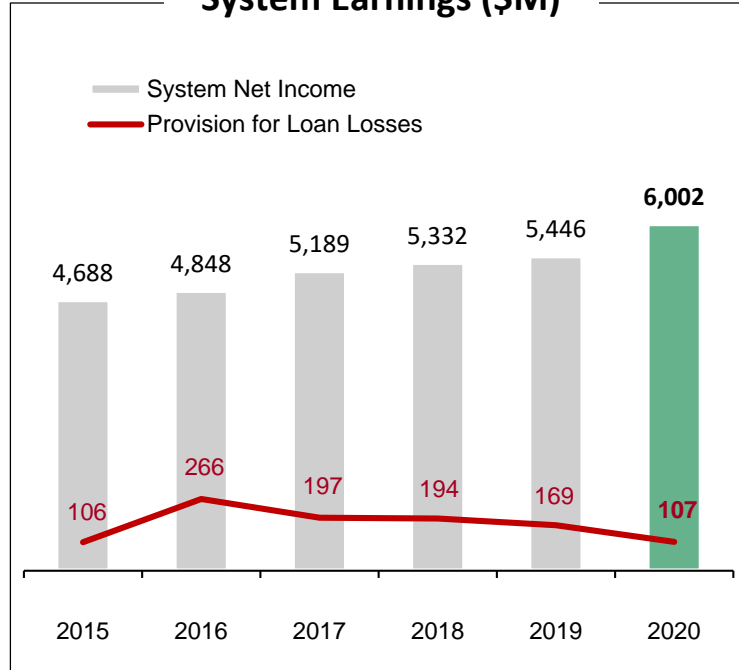
Source: FCS Information Statement



# The System reported strong earnings and improved margins in 2020

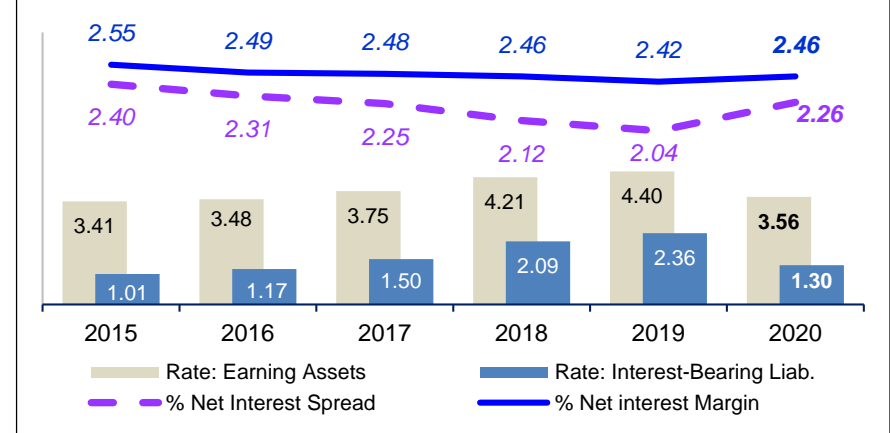


## System Earnings (\$M)

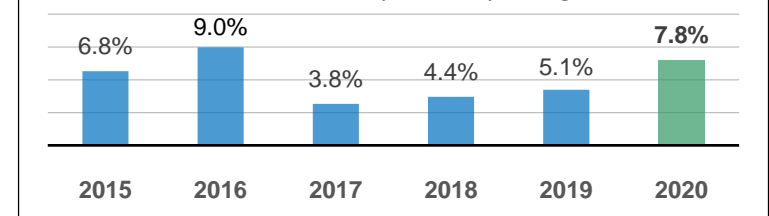


Source: FCS Information Statements

## Net Interest Spread | Net Interest Margin



## % Increase in Average Earning Assets (from the same period a year ago)







# Strong earnings supported continued capital growth

## Capital and Liquidity

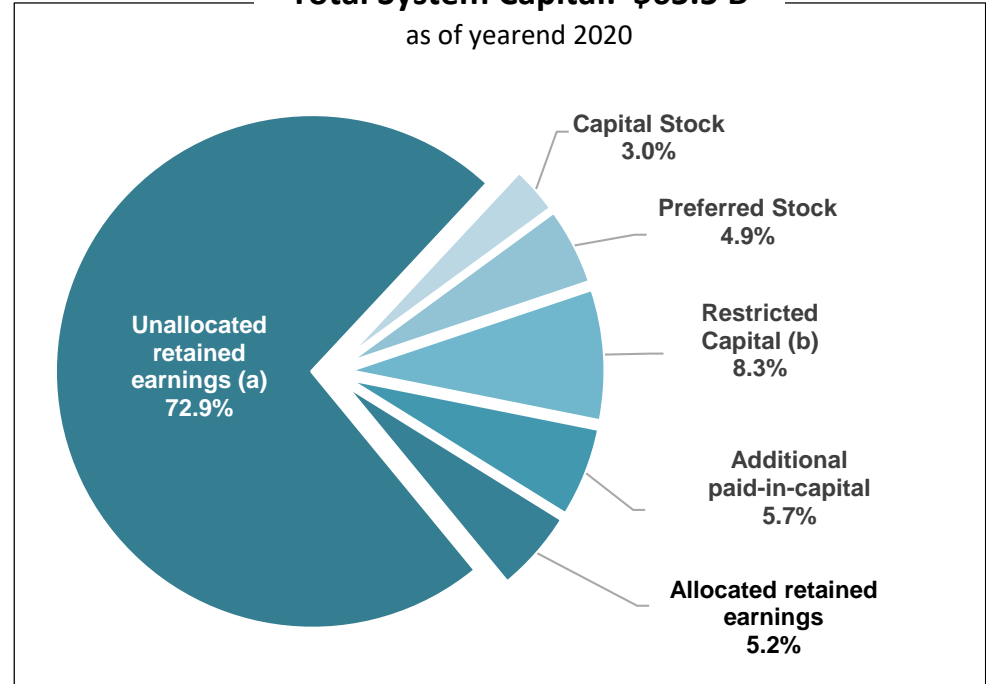
( as of December 31, 2020 )

- ▶ Total Regulatory Capital levels:  
Banks: 15.2% to 19.5%  
Associations: 11.8% to 37.6%
- ▶ Days of available liquidity for the 4 funding banks ranged from 167 to 196 days.
- ▶ Capital and the Allowance for Loan Losses as a % of loans for the combined districts ranged from 17.6% to 22.8%.

Source: FCS Information Statements

## Total System Capital: \$65.5 B

as of yearend 2020



(a) includes \$0.6B in accumulated other comprehensive loss

(b) Restricted Capital represents capital associated with the Insurance Fund



# System FIRS ratings

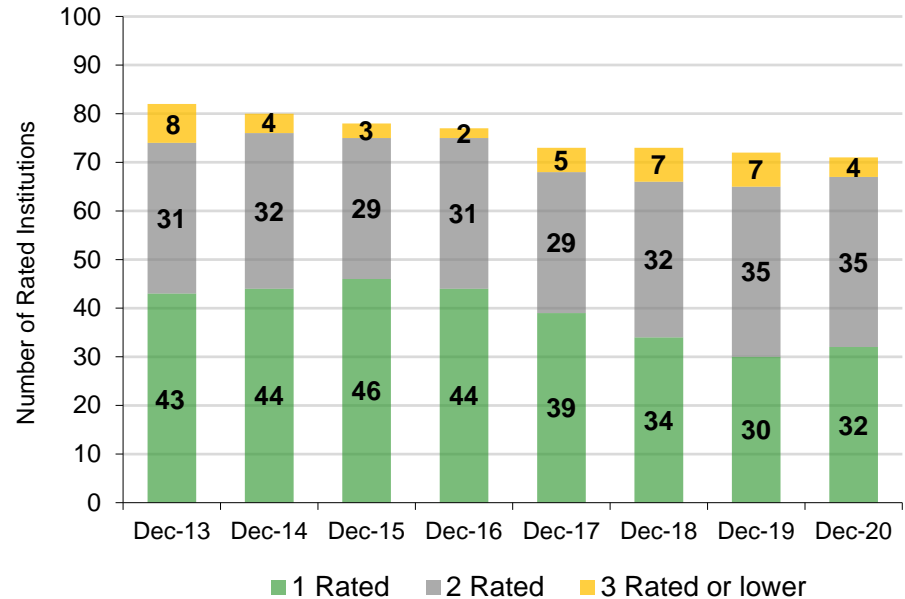
## FIRS Ratings

( based on 12/31/20 financials )

- ▶ Composite FIRS ratings reflect the System's sound condition and strong financial performance.
- ▶ Almost 95% of System Banks and Associations have a Composite FIRS rating of 1 or 2.
- ▶ Institutions rated 3 or lower account for less than 1.5% of System assets.



Composite FIRS Ratings  
Farm Credit System Banks and Associations



Source: FCA's FIRS ratings database





# Summary and final points

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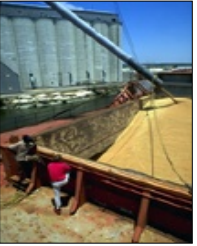
- ▶ Crop producers benefiting from robust exports and strong prices.
- ▶ Rising feed costs squeeze margins for livestock producers.
- ▶ Continuing drought in the West is a concern.
- ▶ Portfolio loan quality is sound, but risks remain elevated for certain agricultural sectors and geographic regions.
- ▶ The Farm Credit System is safe and financially strong.
- ▶ System institutions are strongly capitalized and are well-positioned to support agricultural producers and rural America.





# Questions

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**THANK YOU**

## Farm Credit Administration

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

### BOARD ACTION ITEM

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### FCA BOARD ACTION ON

### Collateral Evaluation – Proposed Rule

**BM-8-April-21-02**

**Effective Date:** April 8, 2021

**Impact on Prior Board Actions:** The proposed rule would amend existing regulations on collateral evaluations contained in subpart F of Part 614. The regulatory provisions have not been substantively amended since 1994.<sup>1</sup>

#### THE FCA BOARD HEREBY:

- Approves the proposed rule that would amend the collateral evaluation regulations of subpart F, Part 614; and
- Authorizes staff to make any technical or grammatical changes that may be necessary for publication in the *Federal Register* or for compliance with the Congressional Review Act.

**DATED THIS 8th DAY OF APRIL 2021**

**BY ORDER OF THE BOARD**

\_\_\_\_\_/s/\_\_\_\_\_  
**Dale Aultman**  
**Secretary to the Board**

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<sup>1</sup> FCA regulation § 614.4265 on valuing real estate was modified in 1994 to increase the business loan exception allowing evaluations instead of USPAP-compliant appraisals for transactions under \$1.0 million. 59 FR 46725, Sept. 12, 1994.

## Farm Credit Administration

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

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### CERTIFICATE OF CLOSED MEETING

The Acting 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 April 8, 2021, 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).

April 8, 2021  
Date

/s/  
Joy Strickland  
Acting General Counsel