

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



**MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
February 10, 2022**

These minutes reflect the business transacted at the February 10, 2022, 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 10:17 a.m.

Members of the Board present were:

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

Others present included **Ashley Waldron**, Secretary to the Board; **Clark Ogilvie**, General Counsel; and staff of the FCA and the Farm Credit System Insurance Corporation (FCSIC). Also, there were 16 members of the general public registered to attend. (A list of the FCA and FCSIC staff in attendance is attached as Exhibit A.)

Chairman Smith announced that this meeting of the Board is a hybrid physical/virtual meeting 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 not* include any portions of the meeting that should be closed to the public as permitted by the Government in the Sunshine Act and therefore moved that the entire meeting remain open.

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 January 13, 2022, Regular Board Meeting (BM-10-FEB-22-01)

Mr. Hall moved to approve the minutes for the January 13, 2022, 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-FEB-22-01)**

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

Reports

Report on the Young, Beginning, and Small Farmers and Ranchers Forum

Barbara Lewandrowski of the **Office of the Board** and **Jessica Potter** of the **Office of Regulatory Policy** presented the Report on the Young, Beginning, and Small Farmers and Ranchers Forum.

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

There were no further questions or comments.

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

Report on Farm Input Prices

Brent Duey of the **Office of Examination** and **Steve Koenig** of the **Office of Data Analytics and Economics** presented the Report on Farm Input Prices.

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

There were no further questions or comments.

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

New Business
Conservators and Receivers Proposed Rule
(BM-10-FEB-22-02)

Jason Moore of the **Office of Regulatory Policy** and **Richard Katz** of the **Office of General Counsel** presented the Conservators and Receivers Proposed Rule.

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

There being no further questions or comments, **Chairman Smith** asked the staff to provide their recommendation. The staff provided their recommendation.

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

Mr. Hall moved to approve the staff's recommendation regarding the Conservators and Receivers Proposed Rule.

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-10-FEB-22-02)**

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

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 10:17 a.m.

NOTATIONAL VOTE ACTIONS

There were two notational vote actions approved by the FCA Board from January 13, 2022, through February 9, 2022, as follows:

| Item Number | Action Date | Voting Results | Subject |
|-------------|-------------|----------------|---|
| NV 22-02 | 01/31/2022 | Approved | Temporary Appointment of Sandra Walters as Acting CFO and OCFO Director |
| NV 22-03 | 01/31/2022 | Approved | Appointment of Michael Duffy as Chief Examiner and OE Director |

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on February 10, 2022.

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

_____/s/_____
Ashley Waldron
Secretary to the Board

Approved: March 10, 2022

**STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
February 10, 2022**

Glen R. Smith, Board Chairman / CEO

Jeffery S. Hall, Board Member

| | OPEN SESSION |
|----------------------------|-------------------------|
| Office of the Board | |
| Smith, Glen | X |
| Hall, Jeff | X |
| Morris, James | X |
| Donner, Mary Alice | X |
| Roque-Brehm, Awilda | X |
| Lewandrowski, Barbara | X |
| Calhoun, Gaye | X |
| Waldron, Ashley | X |
| COO | |
| Coleman, Robert | X |
| OIT | |
| Golley, Jerry | X |
| Versace, Jerry | X |
| Matos, Ricardo | X |
| Rana, Ben | X |
| OCPA | |
| Stokke, Mike | X |
| Middleton, Russell | X |
| Meaux, Willy | X |
| OGC | |
| Ogilvie, Clark | X |
| Griffin, Ward | X |
| Virga, Jane | X |
| Katz, Richard | X |
| LoPresti, Heather | X |
| Isawi, Hazem | X |
| OE | |
| Duffy, Mike | X |
| Fennewald, Dan | X |
| Bednarz, Curtis | X |
| Duey, Brent | X |
| ODAE | |
| Shields, Dennis | X |
| Iannetta, Sal | X |
| Koenig, Steven | X |
| OIG | |
| Laguarda, Wendy | X |
| Miller, Kevin | X |

| | OPEN SESSION |
|-----------------------|-------------------------|
| OSMO | |
| Rea, Laurie | X |
| ORP | |
| Kramp, Kevin | X |
| Agans, Autumn | X |
| Leist, Ryan | X |
| Moore, Jason | X |
| Potter, Jessica | X |
| OCFO | |
| Walters, Sandi | X |
| Gandy, Doug | X |
| OAS | |
| Bell, Vonda | X |
| Clark, Patrina | X |
| FCSIC | |
| Rubin, Howard | X |
| Powalski, Lynn | X |
| Simonson, John | X |
| Smith, Greg | X |
| Morgan, Matt | X |
| | |
| GENERAL PUBLIC | 16 |

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 January 13, 2022

TIME AND DATE: 9:00 a.m., Thursday, January 13, 2022

PLACE: Because of the COVID-19 pandemic, the public may only virtually attend the open portions of this meeting. If you would like to virtually attend, at least 24 hours in advance, visit [FCA.gov](https://www.fca.gov), select "Newsroom," and then select "Events." From there, access the linked "Instructions for board meeting visitors."

STATUS: this meeting entirely open to the public.

MATTERS TO BE CONSIDERED:

Portions Open to the Public

- Approval of January 13, 2022 Minutes
- Report on the Young, Beginning, and Small Farmers and Ranchers Forum
- Report on Farm Input Prices
- Conservators and Receivers Proposed Rule

Portions Closed to the Public

- Executive Session with Financial Statement Auditors¹
- Report on FY 2021 FISMA Audit²

CONTACT PERSON FOR MORE INFORMATION: If you need more information, need assistance for accessibility reasons, or have questions, contact Ashley Waldron, Secretary to the Board. Telephone: 703-883-4009. TTY: 703-883-4056.

_____/s/
Ashley Waldron
Secretary to the Board

January 27, 2022

¹ Session Closed-Exempt pursuant to 5 U.S.C. Section 552b(c)(2).

² Session Closed-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



FCA BOARD ACTION ON

Minutes for January 13, 2022

BM-10-FEB-22-01

Effective Date: February 10, 2022

Impact on Prior Board Actions: None

THE FCA BOARD HEREBY:

- Approves the minutes for January 13, 2022.

DATED THIS 10th DAY OF FEBRUARY 2022

BY ORDER OF THE BOARD

_____/s/
Ashley Waldron
Secretary to the Board

Farm Credit Administration

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

BOARD ACTION ITEM



FCA BOARD ACTION ON

Conservators and Receivers Proposed Rule

BM-10-FEB-22-02

Effective Date: February 10, 2022

Impact on Prior Board Actions: This Board action does not have any material impact on prior Board actions. This proposed rule implements provisions in the 2018 Farm Bill concerning FCA's appointment of the Farm Credit System Insurance Corporation (FCSIC) as the conservator or receiver of a Farm Credit System (System) bank, association, service corporation, or the Funding Corporation.

THE FCA BOARD HEREBY:

- Approves the proposed rule that reorganizes, restructures, and revises regulations in part 12 CFR 627 governing the appointment of the FCSIC as conservator or receiver of any distressed System institution, except the Federal Agricultural Mortgage Corporation, and makes conforming amendments to exclude bridge System banks from other regulations that apply to System banks and institutions.
- Authorizes staff to make any technical or grammatical changes to the direct final rule that may be necessary prior to publication in the *Federal Register*.

DATED THIS 10th DAY OF FEBRUARY 2022

BY ORDER OF THE BOARD

_____/s/
Ashley Waldron
Secretary to the Board



COLLEGE OF
AGRICULTURAL SCIENCES
COLORADO STATE UNIVERSITY

Farm Credit Administration
and
Colorado State University

Barbara Lewandrowski, OB
Jessica Potter, ORP

NATIONAL YOUNG, BEGINNING AND SMALL FARMERS FORUM

March 22-24, 2022

GOALS AND OBJECTIVES

Chairman's Goal:

“Bring lenders, regulators, producers, and stakeholders together so all may share best practices, identify resources and tools, and expand YBS programs in the Farm Credit System.”

Forum Objectives:

- **Educate** one another on positive YBS tools and resources
- **Share** best practices
- **Emphasize** diverse and underserved programs as well as rural infrastructure
- **Recognize** forum as FCA's first annual national event
- **Gain** FSA national participation
- **Encourage** FCS dialogue regarding YBS final rule / rating system

ACHIEVING OUR GOALS

Strategy 1: Daylong Open Forum (March 23)

Supporting Tactics:

- Create national dialogue by decision makers who can bring YBS tools to producers
- Create a communications plan which will:
 - Promote CSU's partnership
 - Advertise the open forum day and speakers
 - Encourage FCS participation on-site

Strategy 2: FCS Session Working Breakfast (March 24)

Supporting Tactics:

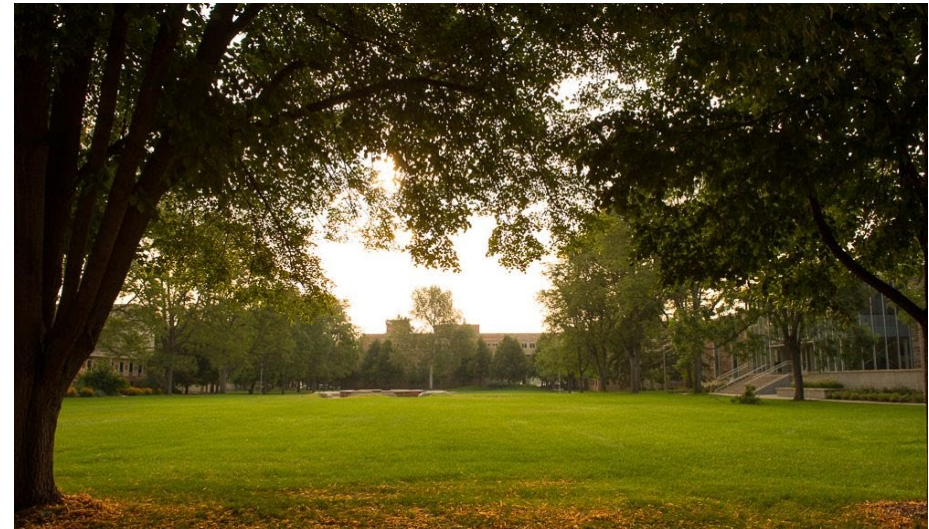
- Discussion of the YBS Proposed Rule
- Discussion of the YBS Rating System
- FSA's remarks to the System

Top Line Messages – Chairman's Remarks at Invitational FCS Meetings (February and March):

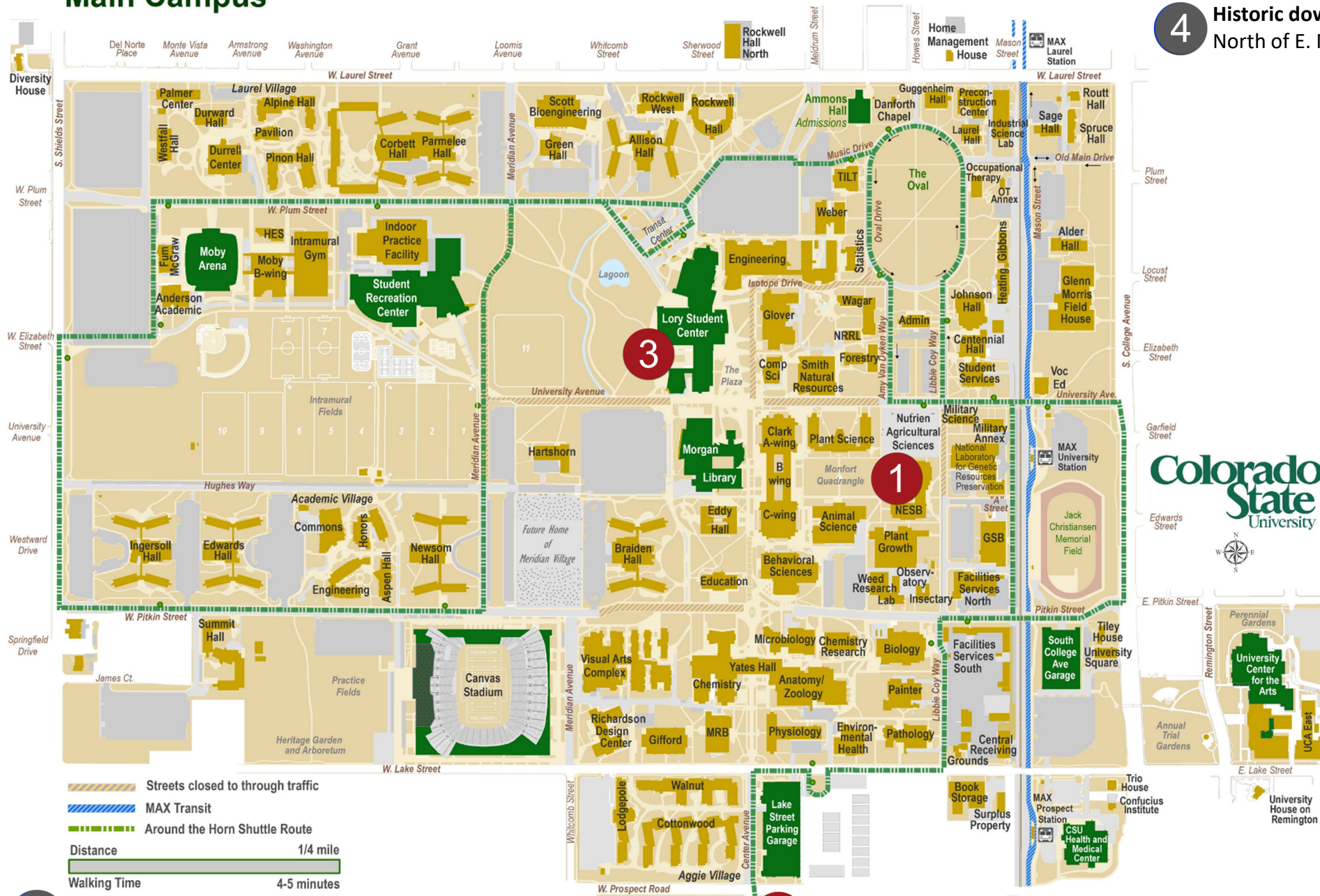
- FCA is committed to bringing together YBS decision makers and lenders to assist YBS programs with best practices
- Participation in the national forum will be collaborative
- Working together will ensure all associations are able to offer YBS farmers and ranchers every tool available

COLORADO STATE UNIVERSITY PARTNERSHIP

- Cohost (provide internal coordination efforts and specialized venue selections)
- Hosting lunch on Wednesday, March 23, on the Monfort Quadrangle (student catered)
- Academic leaders participating as both moderators and subject matter expert panelists
- Coordinating breaks and pre-forum and evening events
- Inviting local leaders and stakeholders with regional and national interest
- Student and Alumni YBS producers invited to participate (Open Sessions/Events) and *Career Fair*



Main Campus



1. Ag School Quad (Monfort Quad)
2. Hilton, 425 W. Prospect Rd
3. Lory Student Center
4. Campus Map: catalog.colostate.edu/general-catalog/welcome/map
5. Downtown Ft. Collins & Arts District: downtownfortcollins.com
dfccd.org

FORUM AGENDA

March 22, National Ag Day

- Arrival
- Icebreaker with Participants, CSU

March 23, Open Session

- Leader Remarks
- USDA and FSA Topics with Leadership (Speaker)
- YBS Best Practices, Tools, and Resources (Panel)
- YBS Rural Investing and Infrastructure (Speaker or Panel)
- Intergenerational Transfer / Succession Planning (Panel)
- Farm Credit Council Outreach (Speaker)
- Climate and Resiliency in Ag (Speaker)
- Career Fair (Simultaneous)
- Evening Event



Farm Credit Administration and Colorado State University
NATIONAL YOUNG, BEGINNING AND SMALL FARMERS FORUM
March 22-24, 2022

FORUM AAR
FCA AAR and 2023 Event Plan

YBS FORUM
COMMITTEE
Weekly meetings begin



19 JAN
FCS Mailing

21 JAN
FSA COMMITS

INVITATIONS SENT

FCC ANNUAL MEETING
7-9 FEB New Orleans
Chairman Smith Remarks

PANELISTS CONFIRM

AGRIBANK ANNUAL
7-8 MARCH, Charlotte
Chairman Smith Remarks

ABA AG & RURAL BANKERS
9 MARCH, Washington D.C.
Chairman Smith Remarks TBD

March 2021
f t in

MEDIA ADVISORY
15 MARCH
Chairman Smith Interviews
Event Details

STAFF TRAVEL
20 MARCH

FORUM EVENTS

- 22 Arrival and Icebreaker
- 23 First Day (Open)
Media Reception
- 24 Second Day (Closed)



 Board Meeting

 Complete

 In Progress

DRAFT//PRE-DECISIONAL

as of 2 FEB 22

Questions?



FCA Board Meeting February 2022

Exhibit F

Higher Production Costs Facing Agriculture

Steven R. Koenig, ODAE
Brent R. Duey, OE





Agenda

- ▶ Inflation environment for 2022
- ▶ Cost inflation in agriculture
- ▶ Impact on FCS borrowers and portfolios
- ▶ Examination & oversight

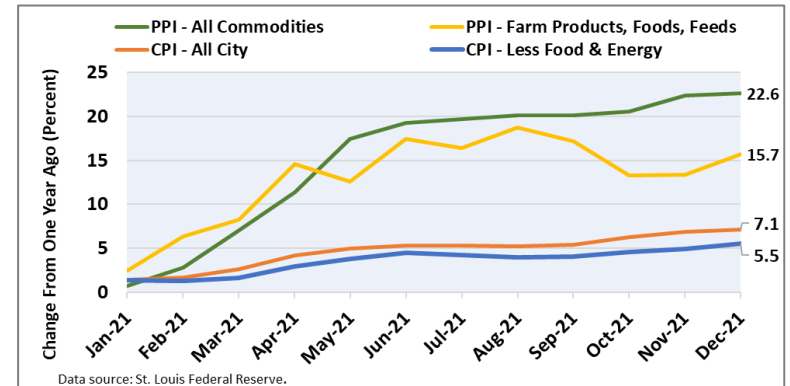




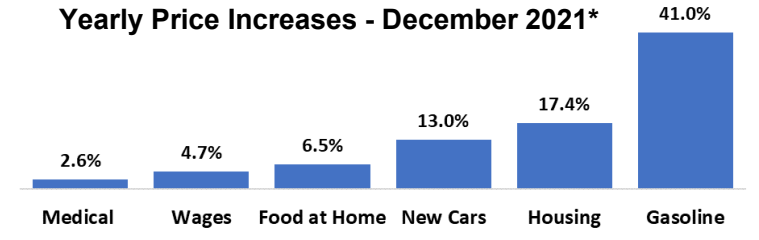
Price “inflation” dominates economic concerns

- ▶ Disrupted supply chains hinder ability to meet strong demand:
 - Government stimulus continues
 - Pandemic still impacting worldwide production
 - Distribution bottlenecks slow to resolve
 - Global energy supply not meeting demand
 - Tight labor markets

Broad Price Rise



Yearly Price Increases - December 2021*



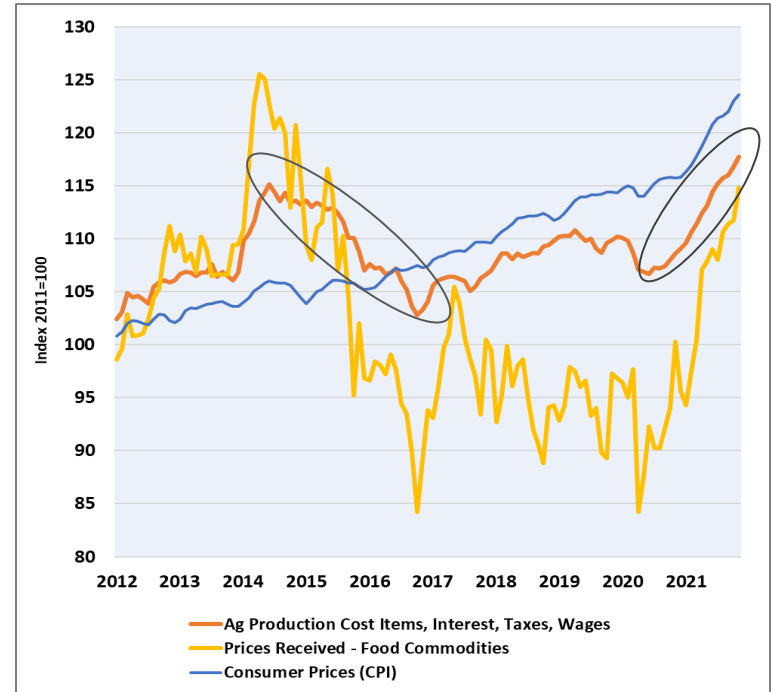
* CPI-U.S. Medical Care Services, BLS-Average Hourly Private Wages, CPI-At Home Food Prices, JD Powers-Average New Car Price, FHFA House Price Index, USIA-Regular All Formulations Gas.



Rising production costs in agriculture

- ▶ Prices paid for farm inputs increased 10% from mid-2020 to December 2021
- ▶ Prices received by farmers jumped 24% during the same period
- ▶ Prices paid by farmers are sticky, prices received by farmers are volatile

Indexes of Ag Prices and Production Prices Paid



Data source: USDA/NASS.

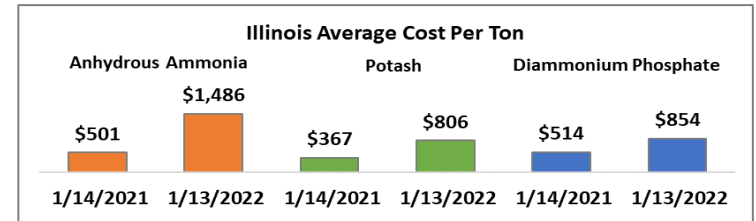
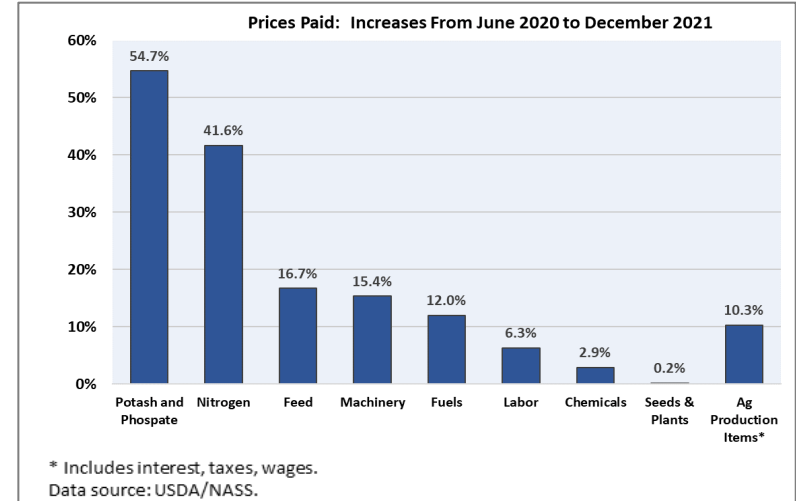


Broad rise in farm input costs

- ▶ Historically high fertilizer costs are a big challenge for crop producers
- ▶ Certain chemicals and seeds are higher this year
- ▶ Higher labor, feed, and capital costs are challenges for livestock



Broad Rise in Farm Input Costs



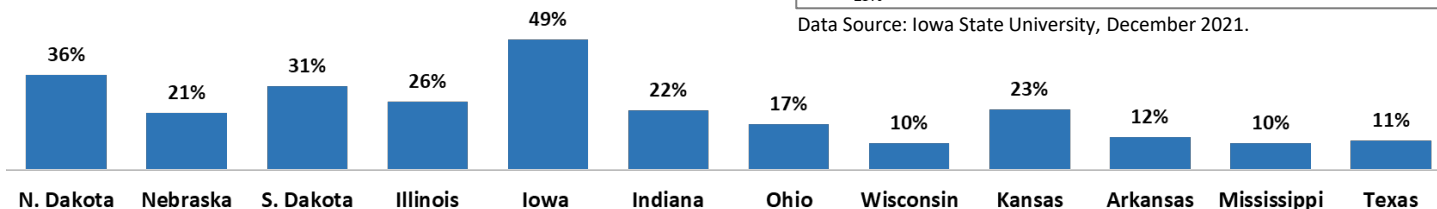
Data source: USDA/AMS.



Higher capital costs: farmland

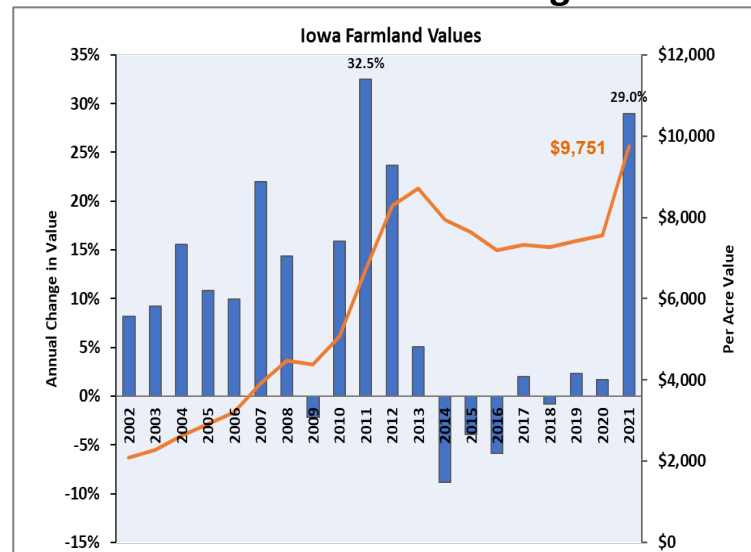
- ▶ Strong farm profits, particularly in cash grains, have translated into higher farm real estate values
- ▶ Higher rental rates in 2022
- ▶ Land rents are stickier than land prices

Average Sale Price Increase per Acre for High Quality Land, 2020 to 2022



Source: Farmers National Company Agent Survey, January 2020 and 2022.

Land Prices Take Off Again



Data Source: Iowa State University, December 2021.



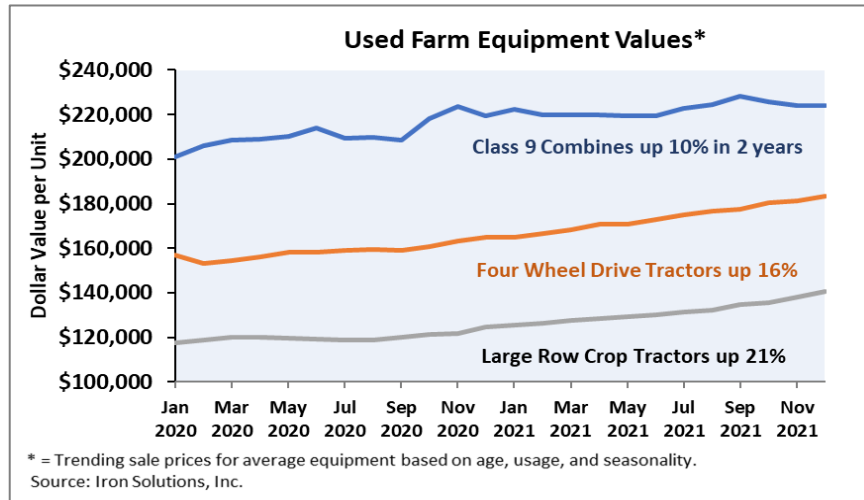


Higher capital costs: machinery and improvements

- ▶ New and used farm machinery values are higher on strong demand, lean inventories, and supply chain issues
- ▶ Higher material and labor costs are increasing building costs across the food system



Tractor and Combine Prices Rise



| Annual New Equipment Sales | 2020 | 2021 | Yearly Change |
|----------------------------|--------|--------|---------------|
| Units sold | | | |
| Self-Propelled Combines | 5,030 | 6,272 | 24.7% |
| Four Wheel Drive Tractors | 2,988 | 3,536 | 18.3% |
| 100+ Horsepower Tractors | 19,144 | 23,762 | 24.1% |

Source: Association of Equipment Manufacturers.



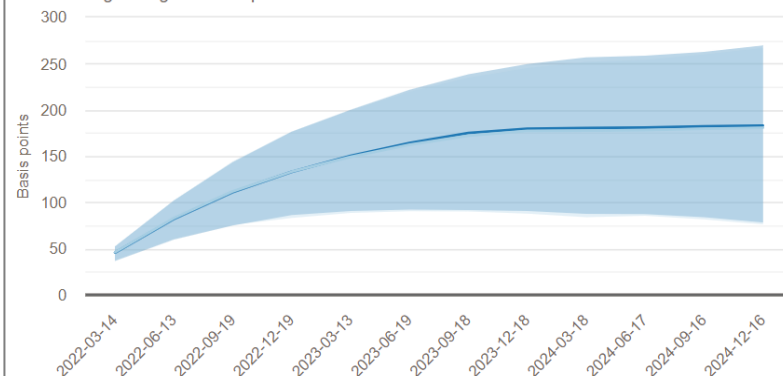
Higher capital costs: interest rates

- ▶ Rising borrowing costs are ahead for the \$450 billion in total farm debt
- ▶ More System loan rates are now locked in for longer time periods but still about half of System loans carry floating rates



The Expected Future Path of the Three-Month Average Fed Funds Rate

Current target range: 0 basis points



Loan Repricing Intervals for System Loans

| | 0 to 6 Months | 6 Months to 1 Year | 1 to 5 Years | Over 5 Years | Total | Total Gross Loans (millions) |
|----------------|------------------|-----------------------|-----------------|-----------------|-------|------------------------------------|
| Share of total | | | | | | |
| 9/30/2021 | 46.9% | 6.8% | 26.3% | 20.1% | 100% | \$325,784 |
| 12/31/2020 | 54.0% | 8.3% | 23.1% | 14.5% | 100% | \$315,490 |
| 12/31/2019 | 51.9% | 7.1% | 24.3% | 16.8% | 100% | \$286,964 |

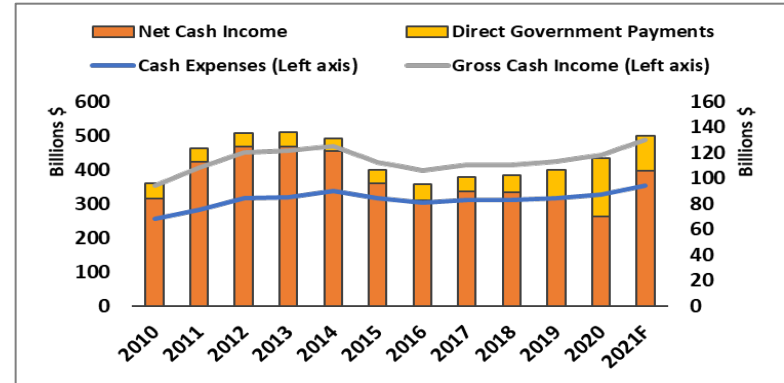
Sources: Atlanta Federal Reserve Bank (accessed 2/1/22) and FCS Funding Corporation Information Statements.



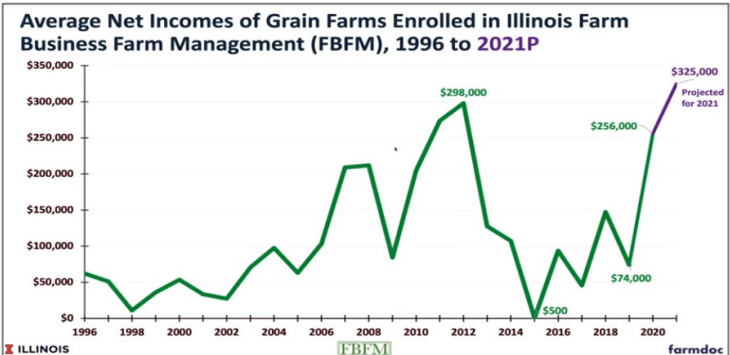
Farm finances are strong going into 2022

- ▶ Farmers, and the food industry in general, have the financial health to weather higher costs - at least initially
- ▶ Near-term outlook is encouraging
- ▶ Longer-term concern: Risk of a “Cost-Price Squeeze” for some parts of the ag industry

U.S. Farm Income



Source: USDA/ERS, December 1, 2021.



Source: Univ. Illinois, December 3, 2021.



Lender outreach

- ▶ Surveyed System lenders to gain additional insight on how the current environment is impacting customers/portfolios
- ▶ Questions focused on:
 - Most significant cost pressures faced by customers
 - Estimated impact on borrowers and portfolio in 2022 and beyond
 - Growth and volume implications
 - Underwriting considerations





Lender responses: most significant cost pressures

- ▶ Inputs – particularly fertilizer, substantially higher
- ▶ Labor – cost and availability will encourage automation
- ▶ Land – prices and cash rents at/near record levels
- ▶ Infrastructure/Equipment – increasing construction costs for facilities and machinery in short supply
- ▶ Transportation – trucking availability and shipping rates
- ▶ Water – cost and availability





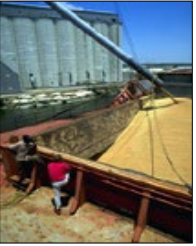
Lender responses: key takeaways

- ▶ Margins projected favorable in 2022, yet lower than 2021
- ▶ Input prices will likely cycle down based on supply/demand
- ▶ Higher fixed cost structure may be more permanent
- ▶ Borrowers can absorb expected increases in interest rates from the current low levels
- ▶ Pricing, risk management, and contract discipline necessary





FCS portfolio impact: credit quality



- ▶ Most institutions have included high-cost scenarios as part of existing stress-testing efforts
- ▶ Lenders do not expect significant adversity in 2022 as projected margins remain generally favorable, but lower than 2021
- ▶ Possible decline in credit quality is “down the road” as both borrowers and portfolios are starting from a position of strength
- ▶ Deterioration could occur sooner in Agribusiness portfolio versus producers as more sensitivity to interest rates, labor and supply chain issues
- ▶ FCS portfolios are diversified which provides some risk mitigation



FCS portfolio impact: growth/volume

- ▶ Operating loan usage is generally down from historical levels as profitability is more than offsetting higher costs
- ▶ Mortgage loan volume has increased as rising land values and higher sales activity have largely offset lower demand from capital improvement projects
- ▶ Moderate overall growth is expected for 2022





FCS underwriting considerations

- ▶ Front-end guidance and projections have been updated to account for the current environment
- ▶ No material underwriting adjustments were reported given:
 - Underwriting standards and practices are designed to be “through the cycle”
 - Near-term and long-term repayment analysis is typically completed
 - Higher costs but also higher revenues thus far – margins are projected to be narrower, yet remain favorable
- ▶ Lenders believe underwriting and risk rating systems are designed to account for various cyclical factors, including higher costs





FCA examination & oversight

- ▶ Fiscal 2022 National Oversight Plan includes risk topic of “Loan Underwriting in a Period of Significant Volatility”
- ▶ Examination work to evaluate:
 - Analyzing, underwriting and servicing of accounts in 2022, with a focus on the cash grains sector
 - Sources and quality of new loans/growth
 - Cost increases and related volatility
- ▶ Will continue to focus management discussions and monitoring activities on impacts of the current high-cost environment





Questions



Thank You