

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



**MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
December 8, 2022**

These minutes reflect the business transacted at the December 8, 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 10:06 a.m.

Members of the Board present were:

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

The above named constitute the full Board.

Others present included **Ashley Waldron**, Secretary to the Board; **Clark Ogilvie**, General Counsel; staff of the FCA and Farm Credit System Insurance Corporation (FCSIC); and 10 members of the general public. (A list of Board and staff attendees is attached as Exhibit A.)

Chairman Logan announced that this meeting of the Board is a hybrid physical/virtual meeting.

Chairman Logan asked everyone to say the Pledge of Allegiance with him as the Flag was displayed on the presentation screen.

Chairman Logan asked the Secretary to the Board to conduct a roll call and to address 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 Logan reviewed the published Agenda. (A copy of the Public Announcement publishing the agenda for the meeting is attached as Exhibit B.)

Mr. Hall moved to adopt the agenda as published.

Mr. Smith seconded the motion.

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

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

Mr. Smith noted that the agenda did not include 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.

Mr. Hall seconded the motion.

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

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

OPEN SESSION

Approval of Minutes

Minutes for November 10, 2022

(BM-8-DEC-22-01)

Mr. Hall moved to approve the minutes for the November 10, 2022, FCA Regular Board meeting.

Mr. Smith seconded the motion.

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

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-8-DEC-22-01)**

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

Reports

Quarterly Report on Economic Conditions and Farm Credit System Condition and Performance

Yuri Katrinic of the **Office of Data Analytics and Economics** and **Hal Johnson** of the **Office of Examination** presented the Quarterly Report on Economic Conditions and Farm Credit System Condition and Performance.

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

There were no further questions or comments.

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

Semiannual Report on Office of Examination Operations

Dan Fennewald and **Angela Greenlee** of the **Office of Examination** presented the Semiannual Report on Office of Examination Operations.

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

There were no further questions or comments.

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

ADJOURNMENT

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

Mr. Smith moved that the meeting be adjourned.

Mr. Hall seconded the motion.

Chairman Logan called the question.

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

The meeting adjourned at 10:06 a.m.

NOTATIONAL VOTE ACTIONS

There were two notational vote actions approved by the FCA Board from November 10, through December 7, 2022.

Item Number	Action Date	Voting Results	Subject
NV 22-31	11/23/2022	Approved	Farm Credit Administration 2023 Compensation Program
NV 22-32	11/30/2022	Approved	Office of Secondary Market Oversight Fiscal Year 2023 Oversight 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 December 8, 2022.

_____/s/_____
Vincent G. Logan
Chairman and Chief Executive Officer

_____/s/_____
Ashley Waldron
Secretary to the Board

Approved: January 12, 2023

**BOARD AND STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
December 8, 2022**

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

ATTENDEES	OPEN SESSION
Office of the Board	
Logan, Vincent	X
Hall, Jeff	X
Smith, Glen	X
Hoffman, Bill	X
Donner, Mary Alice	X
Morris, James	X
Calhoun, Gaye	X
Lewandrowski, Barbara	X
Waldron, Ashley	X
COO	
Coleman, Robert	X
OEEOI	
Major, Sara Lynn	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
OE	
Duffy, Mike	X
Fennwald, Dan	X
Greenlee, Angela	X
Johnson, Hal	X
ODAE	
D'Antoni, Jeremy	X
Iannetta, Sal	X
Katrinic, Yuri	X
OIG	
Laguarda, Wendy	X
Miller, Kevin	X

ATTENDEES	OPEN SESSION
OSMO	
Connor, Joe	X
Hudson, Bruce	X
ORP	
Kramp, Kevin	X
Agans, Autumn	X
OCFO	
Walters, Sandi	X
Gandy, Doug	X
OAS	
Bell, Vonda	X
Clark, Patrina	X
FCSIC	
Rubin, Howard	X
Simonson, John	X
Grimaldi, Andrew	X
Wynn, Wade	X
Smith, Gregory	X
Morgan, Matt	X
GENERAL PUBLIC	10

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 December 8, 2022

TIME AND DATE: 9:00 a.m., Thursday, December 8, 2022.

PLACE: You may observe this meeting in person at 1501 Farm Credit Drive, McLean, Virginia 22102-5090, or virtually. If you would like to observe, at least 24 hours in advance, visit [FCA.gov](https://www.fca.gov), select "Newsroom," then select "Events." From there, access the linked "Instructions for board meeting visitors" and complete the described registration process.

STATUS: This meeting will be open to the public.

MATTERS TO BE CONSIDERED: The following matters will be considered:

- Approval of November 10, 2022, Minutes
- Quarterly Report on Economic Conditions and Farm Credit System Condition and Performance
- Semiannual Report on Office of Examination Operations

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

_____/s/
Ashley Waldron
Secretary to the Board

November 28, 2022

Farm Credit Administration

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

BOARD ACTION ITEM



FCA BOARD ACTION ON

Minutes for November 10, 2022

BM-8-DEC-22-01

Effective Date: December 8, 2022

Impact on Prior Board Actions: None

THE FCA BOARD HEREBY:

- Approves the minutes for November 10, 2022.

DATED THIS 8th DAY OF DECEMBER 2022

BY ORDER OF THE BOARD

_____/s/
Ashley Waldron
Secretary to the Board



FCA Board Meeting December 2022

Exhibit D

Quarterly Report on FCS Condition December 8, 2022

Yuri Katrinic
Hal Johnson





Topics for Open Session

- ▶ Economic Conditions Affecting the Farm Credit System
 - Macroeconomic update
 - Supply chains and input costs
 - Production risks for 2023
- ▶ Farm Credit System Condition and Performance
 - System growth and loan portfolio
 - Earnings and capital
 - Financial Institution Rating System (FIRS)





Economic Conditions Affecting the Farm Credit System

Yuri Katrinic

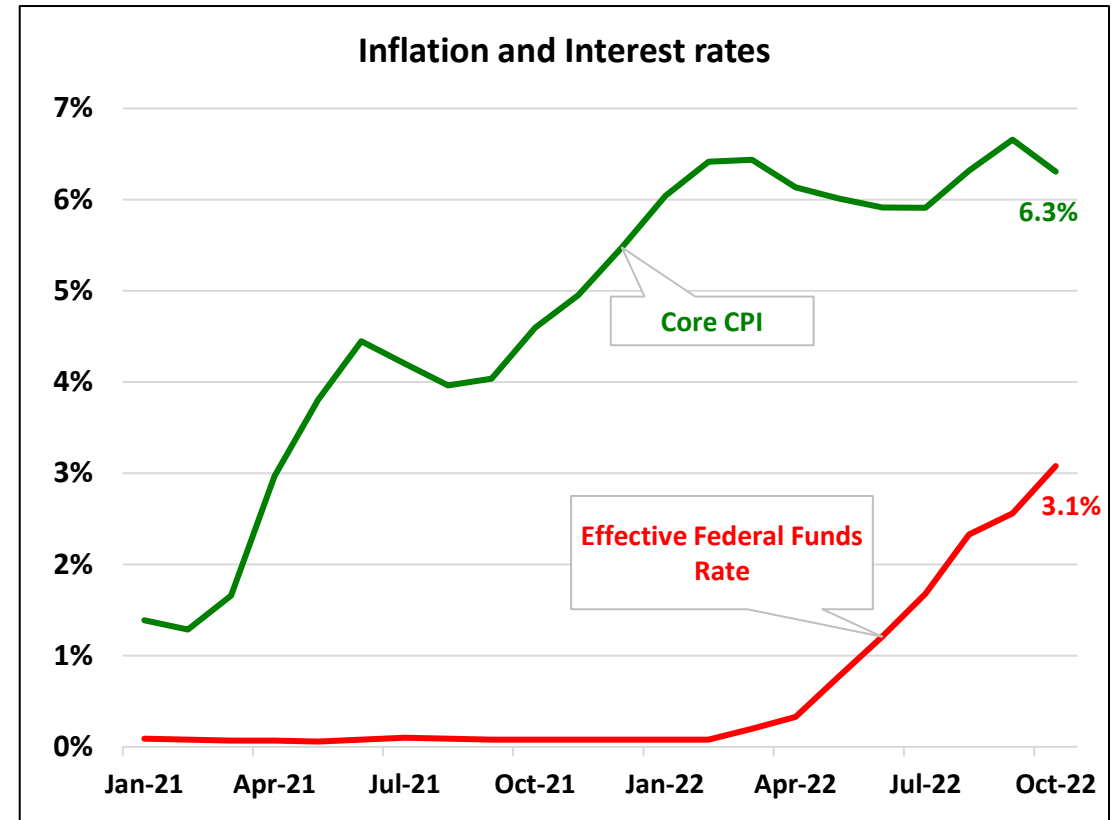
Senior Economist

Office of Data Analytics and Economics



Inflation slows, interest rates continue to climb

- ▶ Inflation has plateaued in response to higher interest rates.
- ▶ Pressure to raise rates will continue until inflation falls.
- ▶ Consumers' response to high rates and prices will play an important role in 2023.

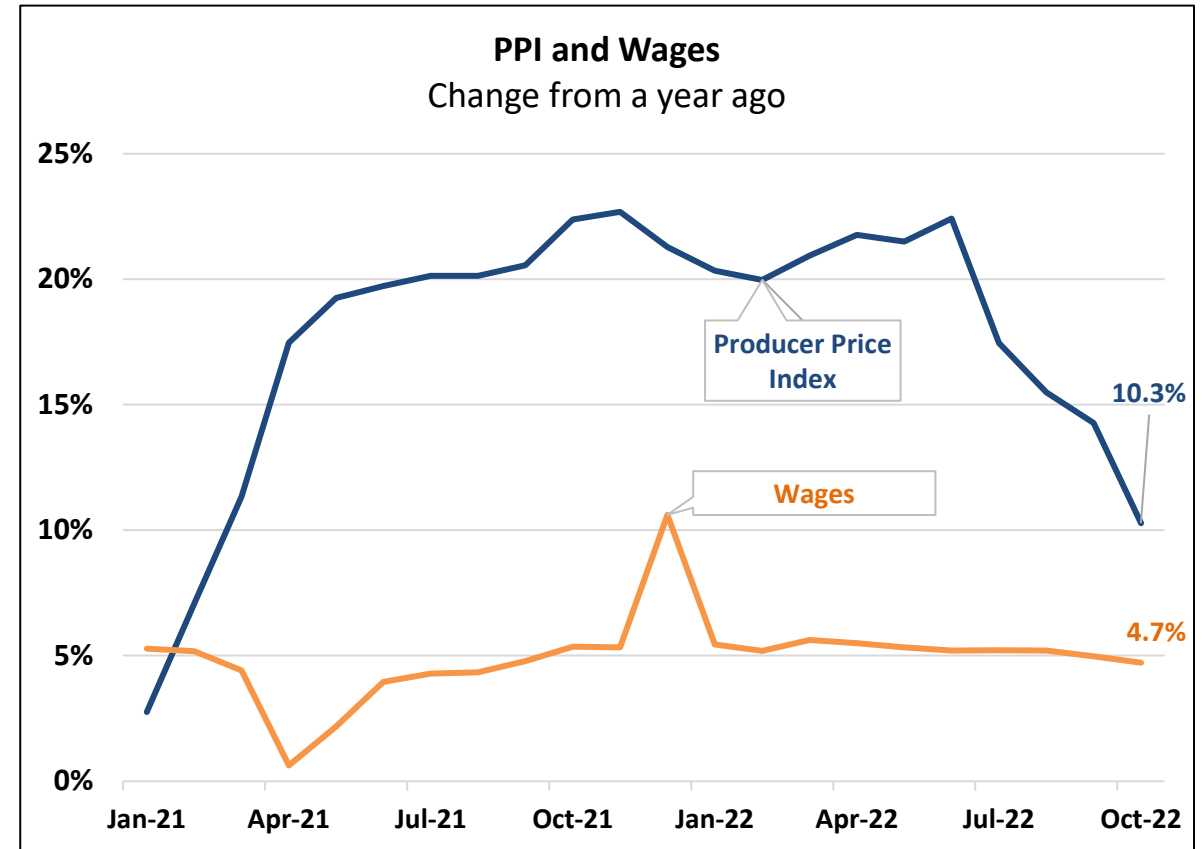


Sources: [Bureau of Labor Statistics](#) and [Board of Governors of the Federal Reserve System](#)



Wages and wholesale prices

- ▶ Wholesale inflation and wage growth are leading indicators for inflation.
- ▶ Declines suggest consumer inflation will continue to cool off.

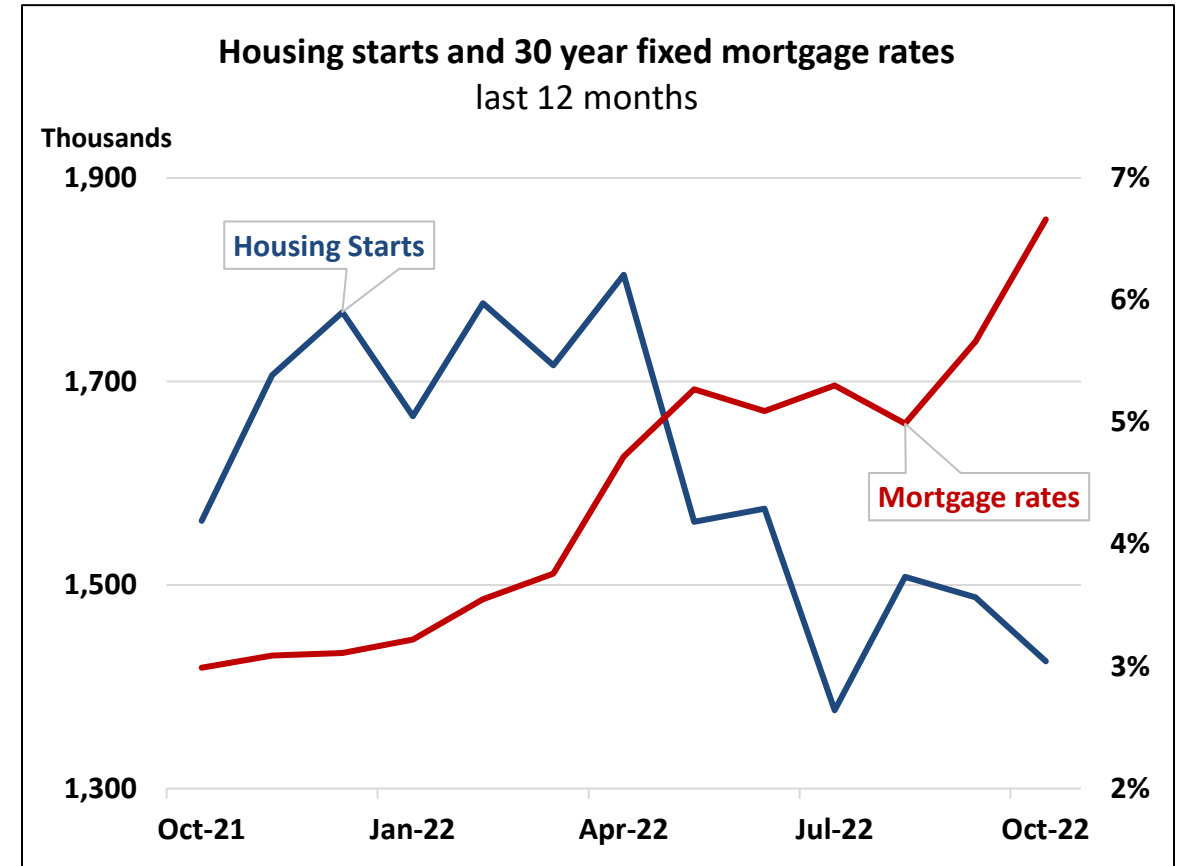


Source: [Bureau of Labor Statistics](https://www.bls.gov/)



Higher interest rates cool off housing market amid weakening sub-prime credit quality

- ▶ Higher rates slowing demand for refinance.
- ▶ Early payment defaults for FHA-backed loans have doubled in the past year.
- ▶ Weakness in housing creates headwinds for economic growth and employment.

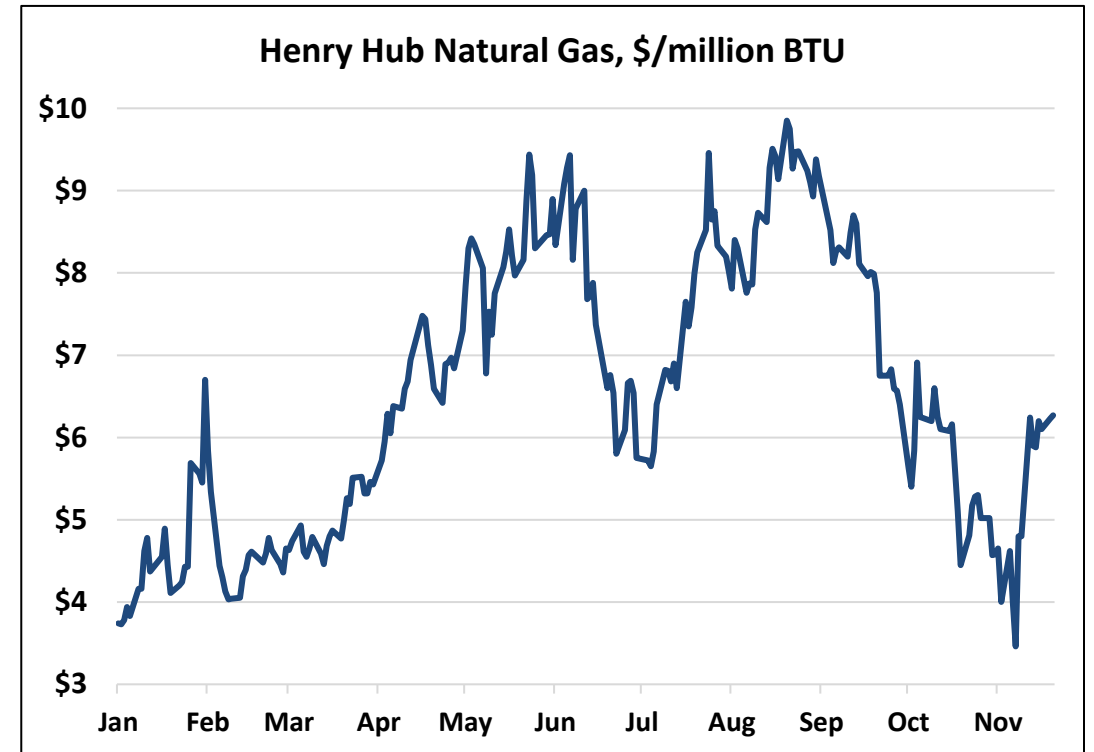


Source: [US Census Bureau](#) , [Freddie Mac](#)



Natural gas and fertilizer outlook remains volatile

- ▶ EU boosted gas storage to lower risk of rationing this winter.
- ▶ Continued risk of disruptions and ensuing shortages.
- ▶ Natural gas is the primary input for nitrogen fertilizer.
- ▶ Fertilizer and other inputs will be crucial for margins in 2023.

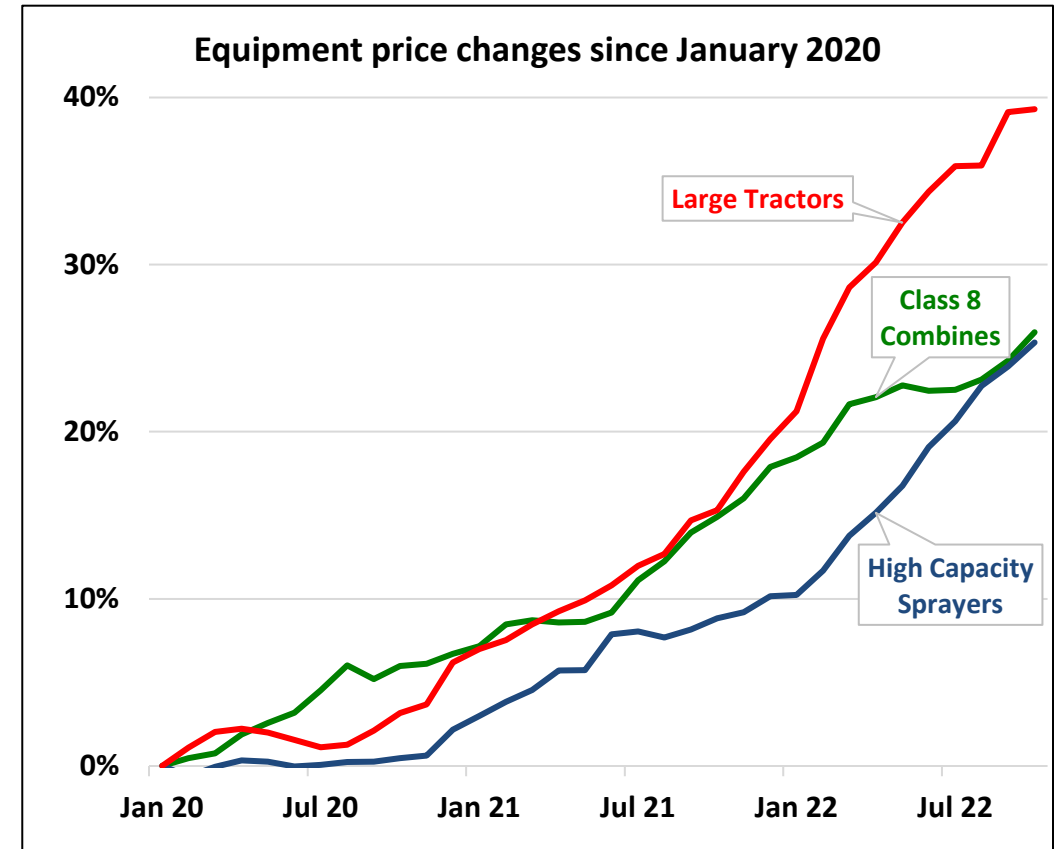
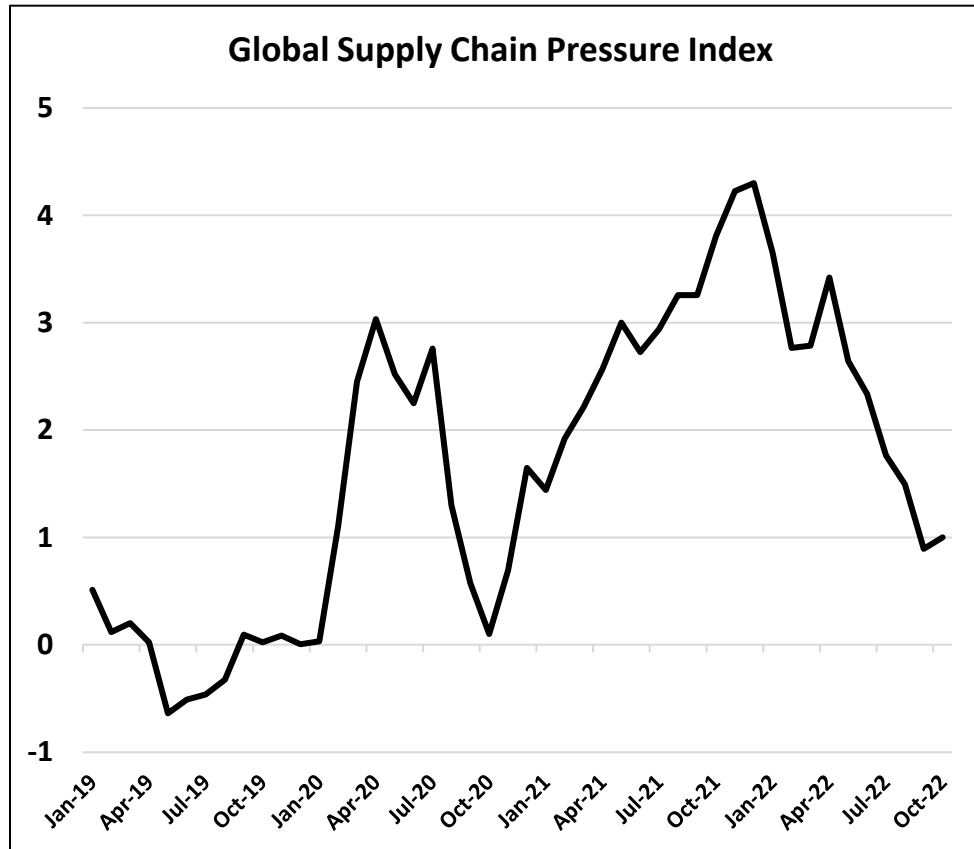
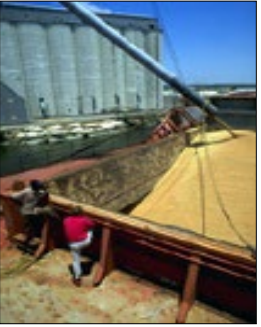


Source: [New York Mercantile Exchange](https://www.nymer.com/markets/natural-gas)





Supply chains have improved, but still problematic for farm equipment and parts

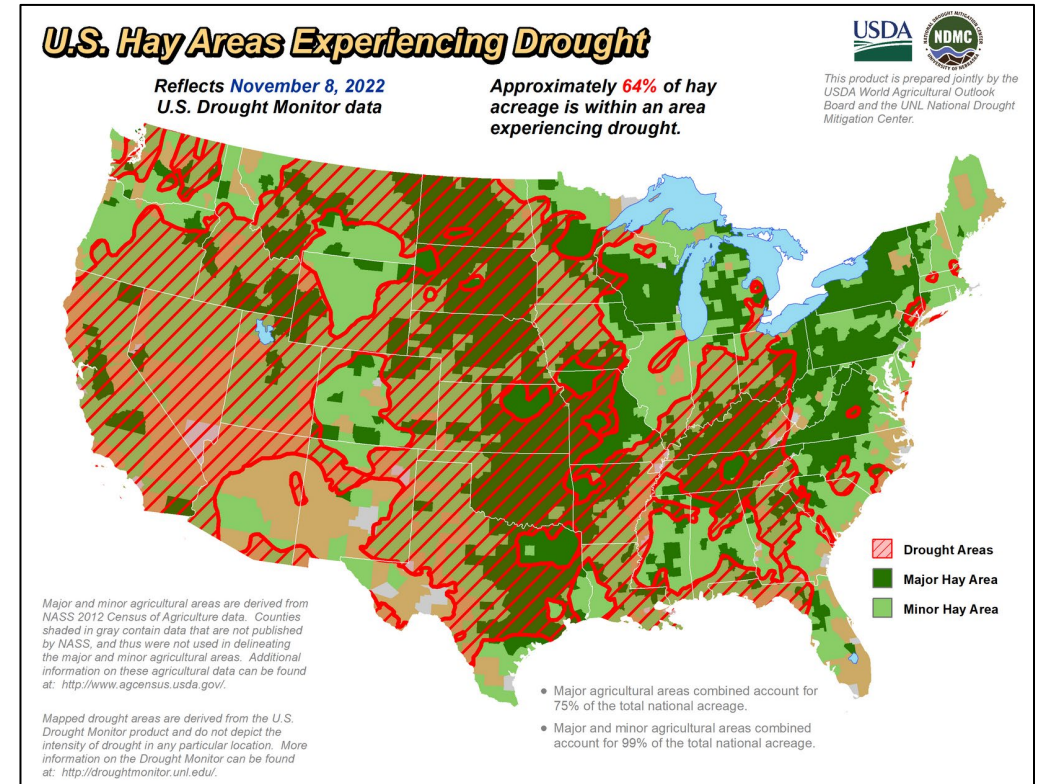


Sources: [Federal Reserve Bank of New York](https://www.frb.org/) and Iron Solutions



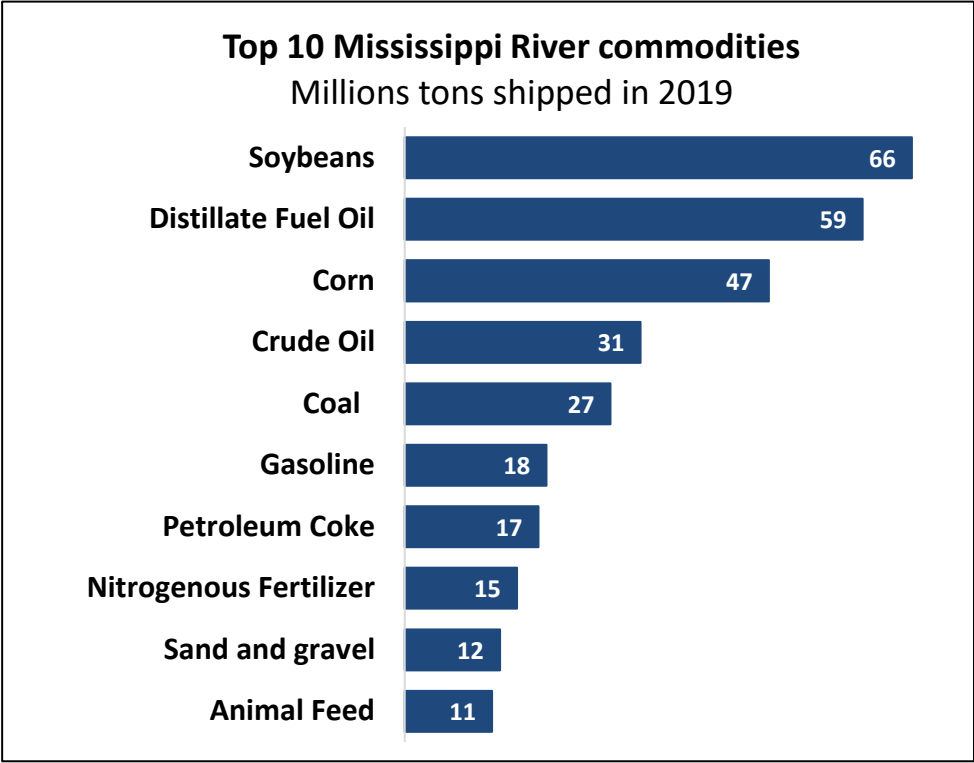
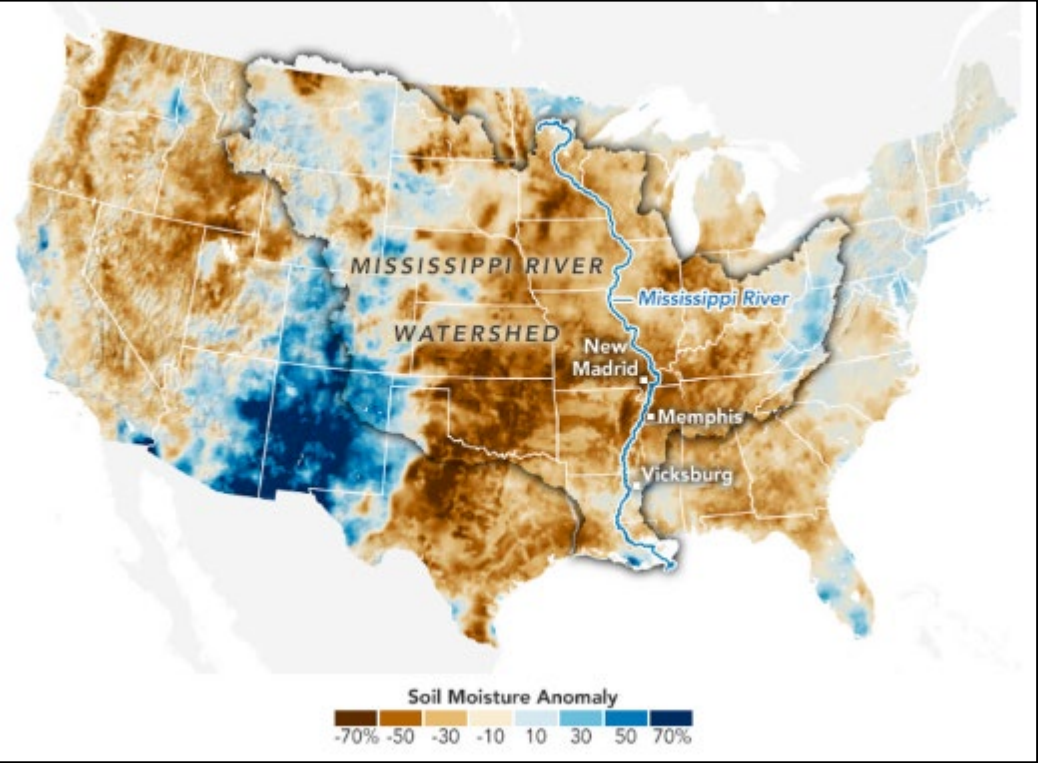
Drought continues in much of the United States, including cattle and wheat regions

- ▶ Cattle producers continue to face poor pasture conditions in many areas and high feed costs.
- ▶ A poor start for winter wheat crop makes it more vulnerable to winter damage.
- ▶ Longer term water concerns continue in California and Colorado Valley.





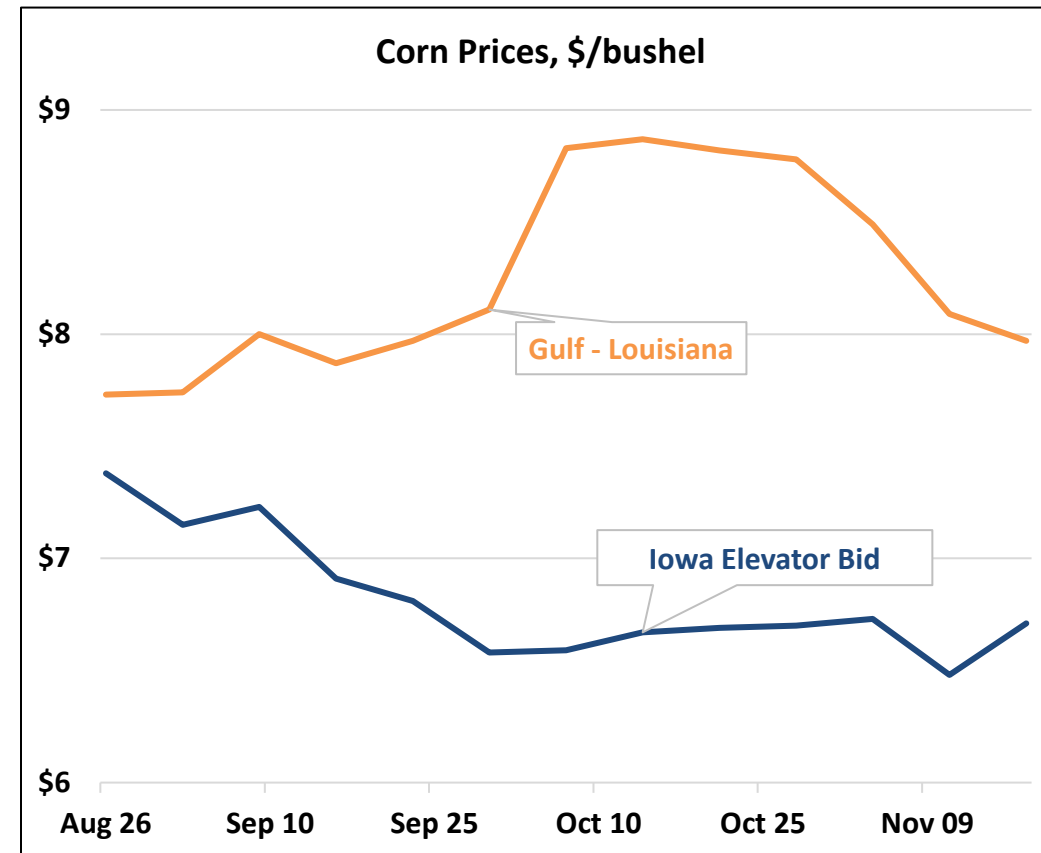
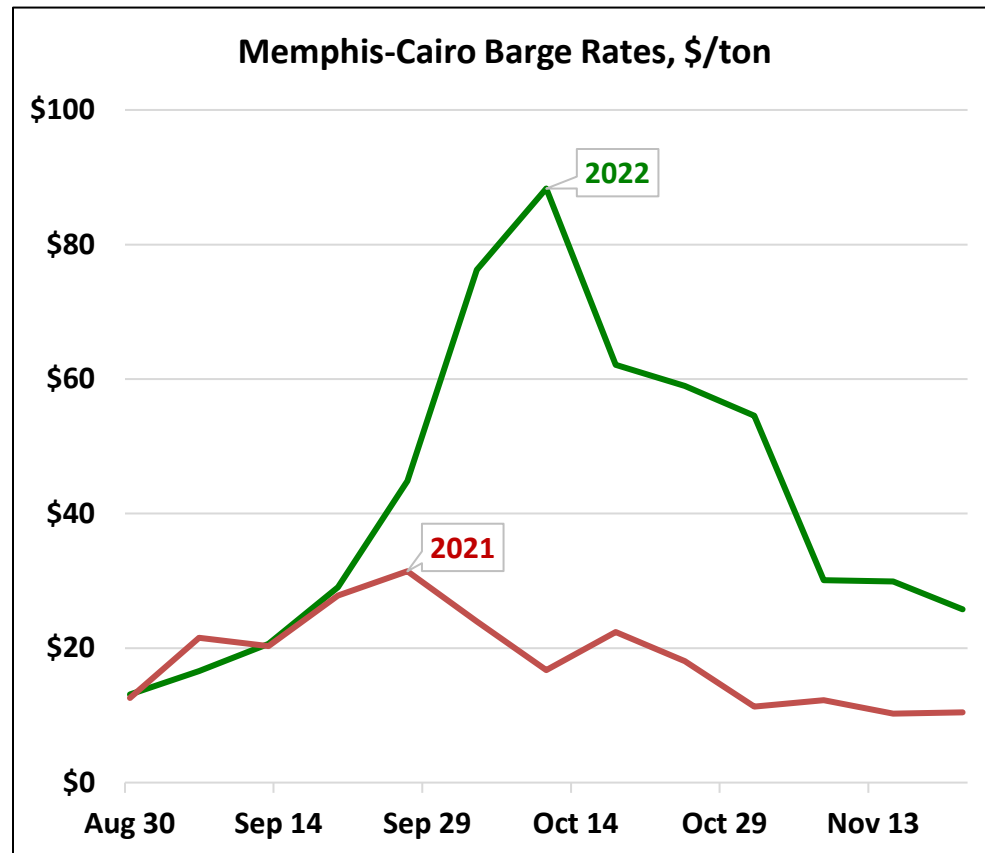
Drought has dropped Mississippi River water levels, snarling barge traffic



Sources: [NASA SPoRT-Lis data](#) and [U.S. Department of Transportation](#)



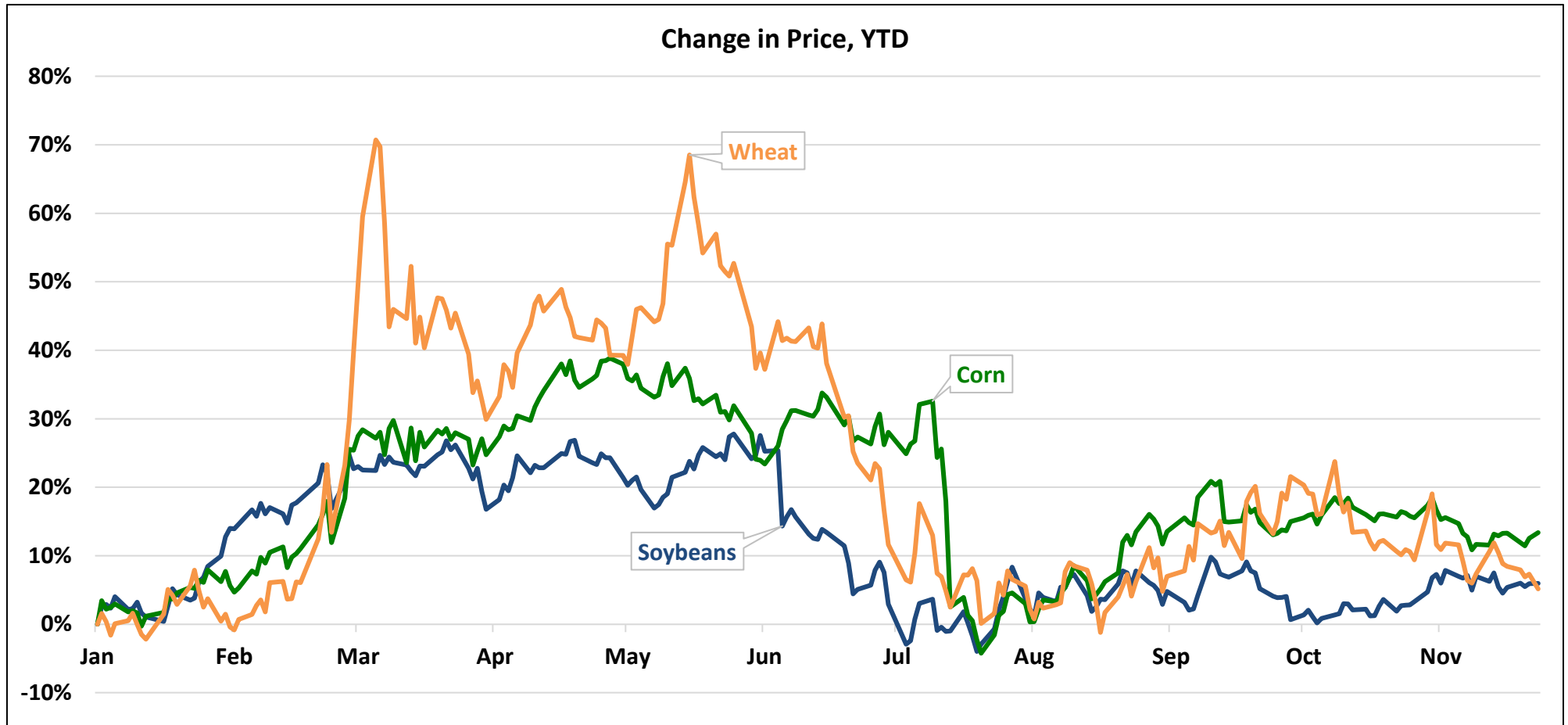
High transportation costs affect farmers through local grain prices



Source: [USDA AgTransport data](https://www.usda.gov/agtransport), GeoGrains



Commodity prices have fallen and stabilized despite war in Ukraine and drought

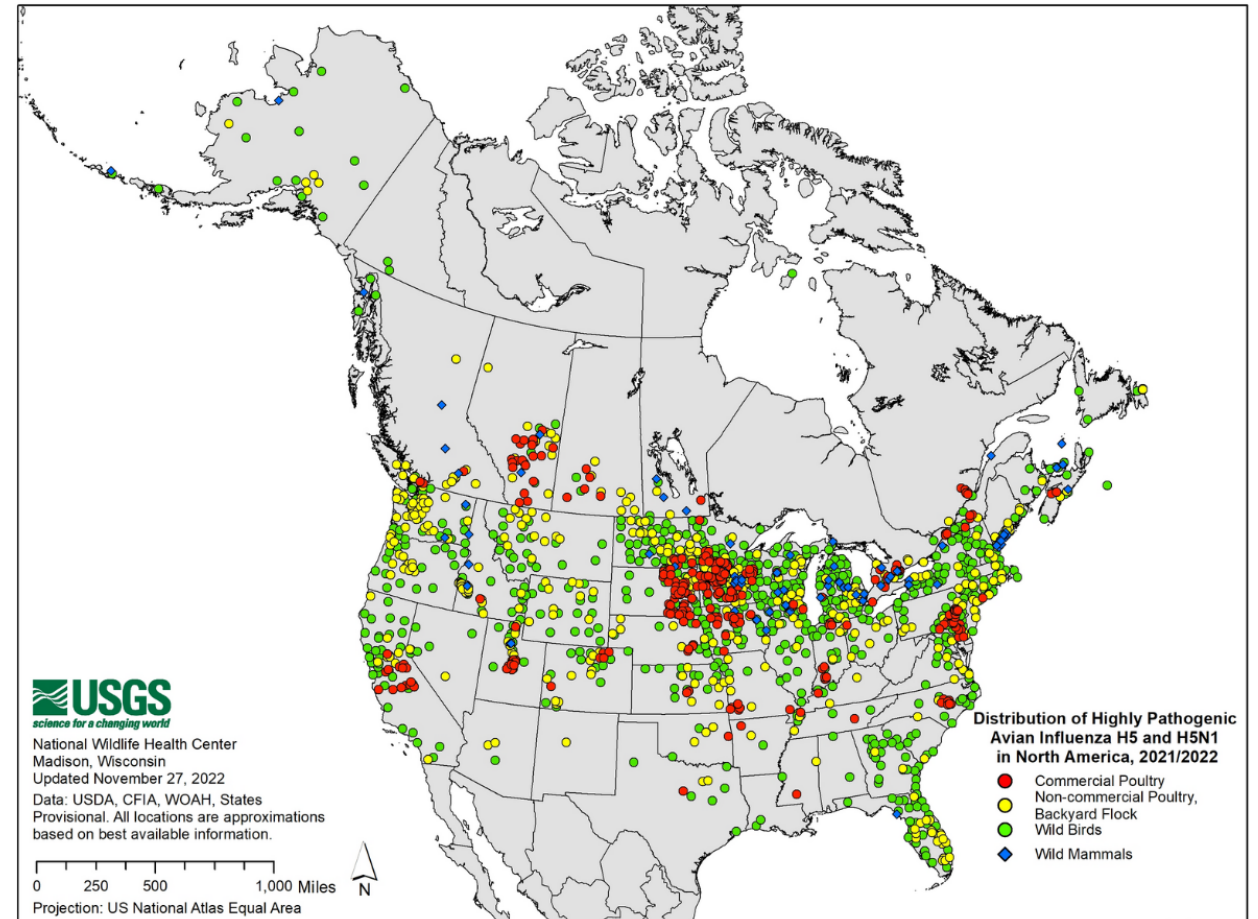


Sources: [Chicago Board of Trade](https://www.cbot.com/)



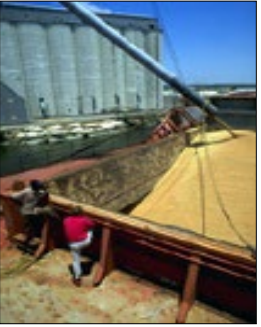
Highly Pathogenic Avian Influenza (H5N1) returns along with wild birds

- ▶ Disease has spread since spring.
- ▶ Over 50 million birds killed.
- ▶ Potential endemic disease.
- ▶ Record high turkey and egg retail prices.
 - Turkey: +73% year-on-year
 - Eggs: +87%
 - Chicken: +30%





Questions



THANK YOU



Farm Credit System Condition and Performance

as of
September 30, 2022

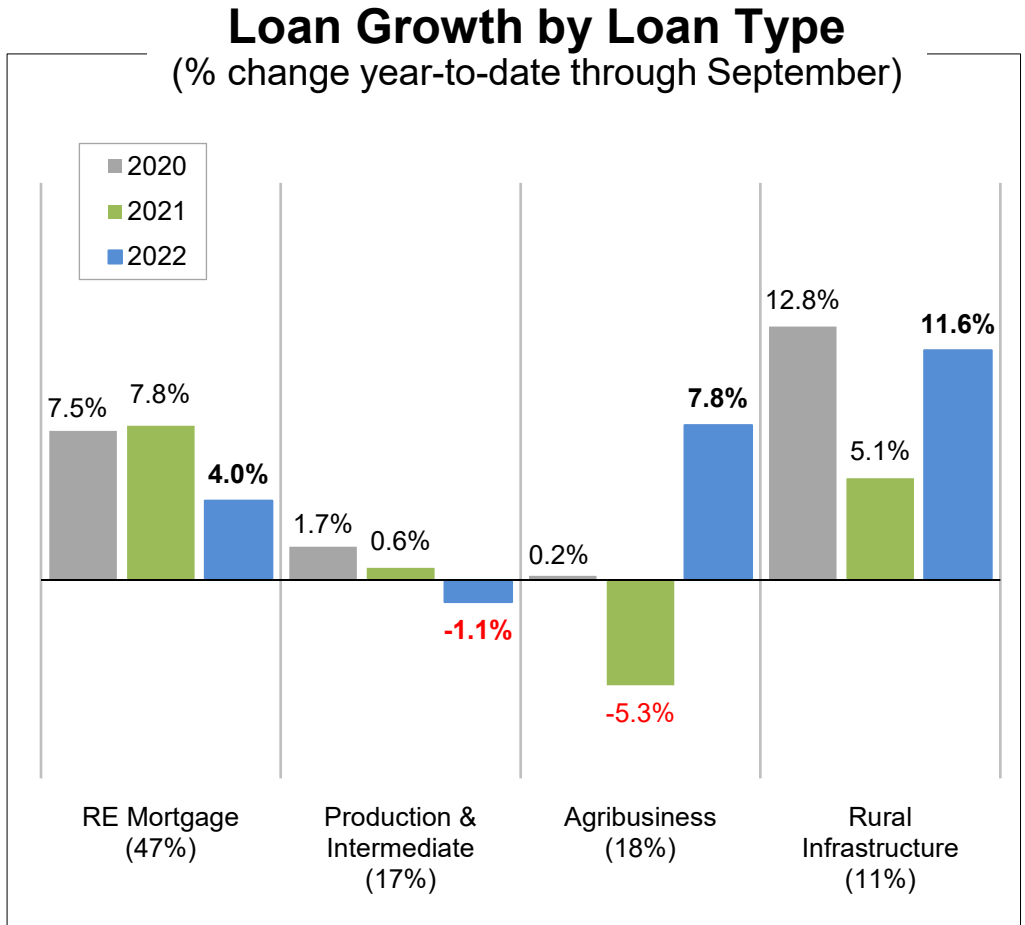
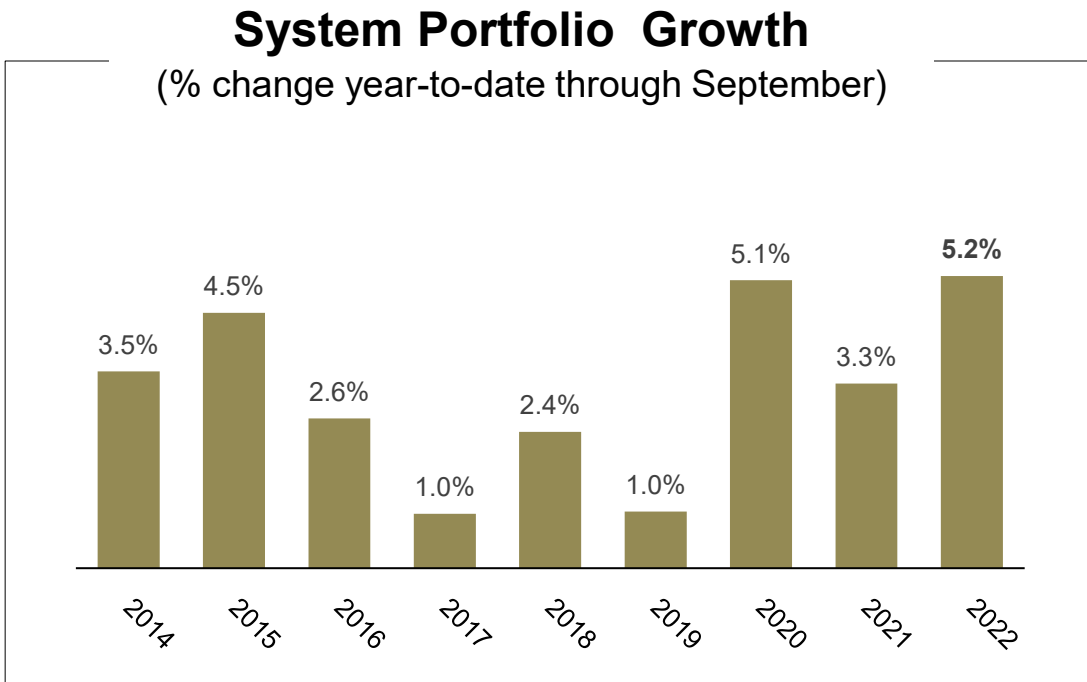
Hal Johnson
Sr. Financial Analyst
Office of Examination



System growth reflects a strong farm economy



Total Assets 9/30/22	\$464.7 billion	+1.8%	Qtr	Gross Loans 9/30/22	\$361.7 billion	1.2%	Qtr
		+6.6%	YTD			+5.2%	YTD
		+13.2%	12M			+11.0%	12M



Source: Federal Farm Credit Banks Funding Corporation Information Statements



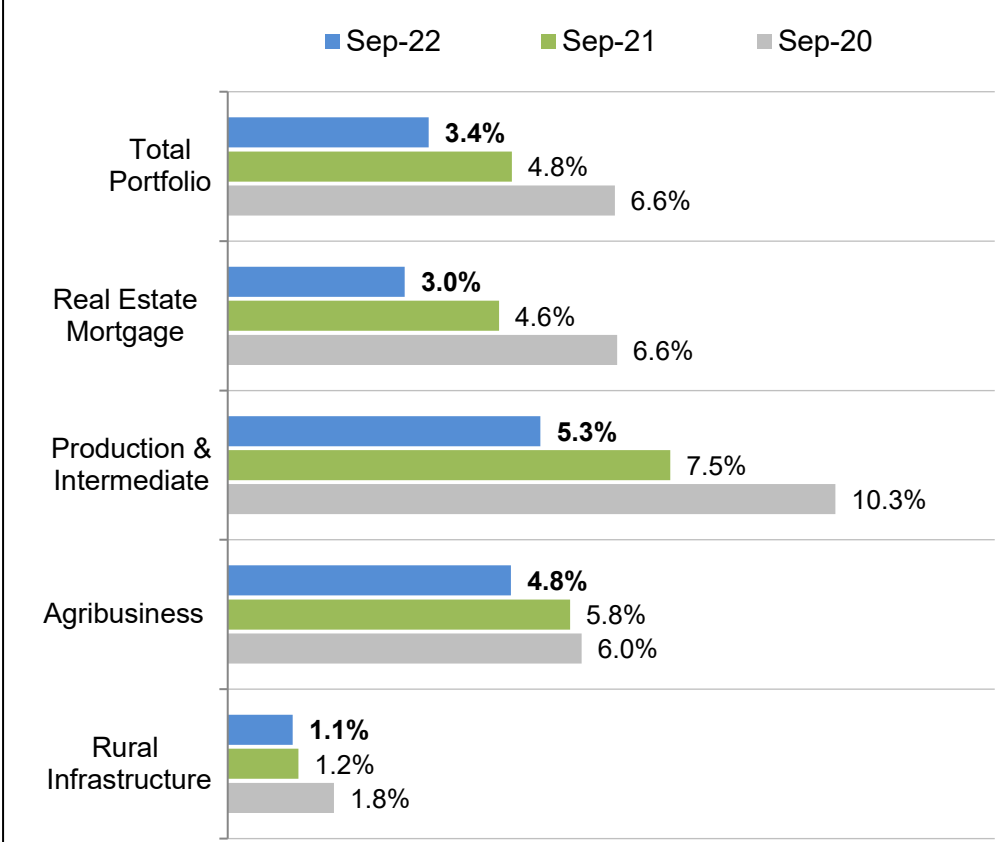
System portfolio continues to perform well



Nonperforming Assets (9/30/22)		\$1.830 billion		Qtr chg.	+61M or 3.4%
				YTD chg.	+252M or 16.0%
				12 month chg.	+46M or 2.6%
Delinquencies ⁽¹⁾ (9/30/22)		0.24%		Q3 '21	0.22%
				Q4 '21	0.27%

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

% of Loans Classified Less than Acceptable

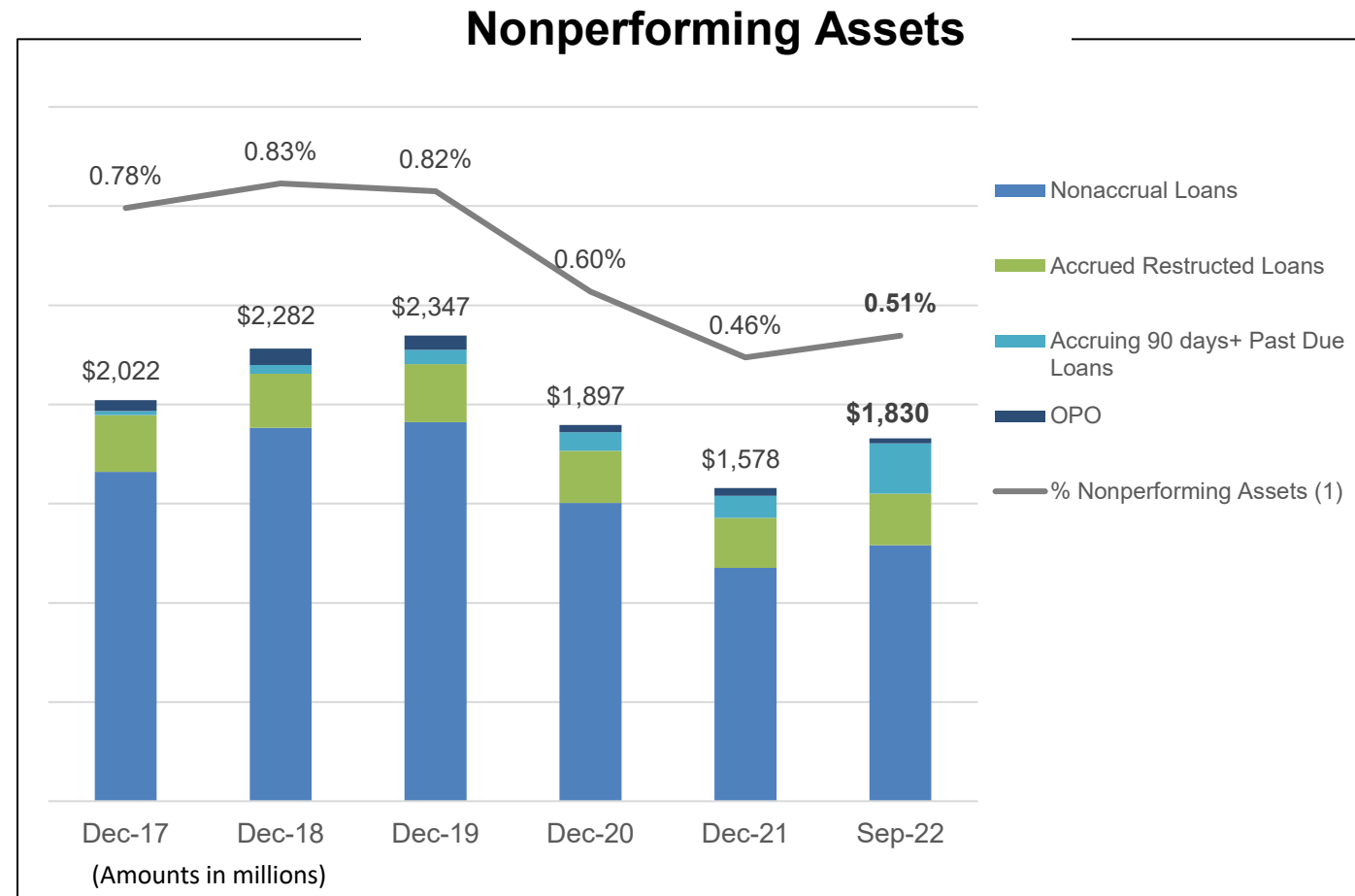


Source: Federal Farm Credit Banks Funding Corporation Information Statements



Nonperforming assets rise but overall level remains low

- ▶ Nonperforming assets were 0.51% of loans outstanding and other property owned compared with 0.46% at year-end.
- ▶ Nonaccrual loans totaled \$1.291 billion, up 9.8% from year-end, but down 3.7% from a year ago.
- ▶ 68.5% of nonaccrual loans were current as to principal and interest, compared with 63.7% at year-end.



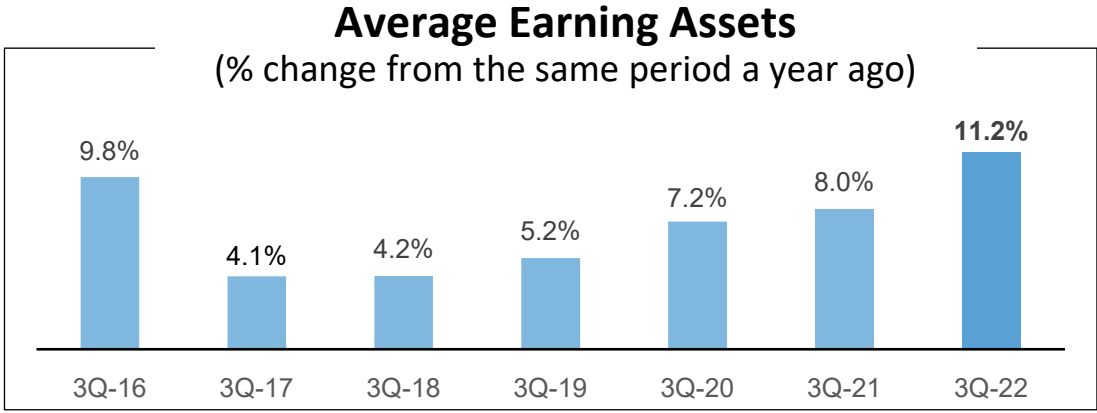
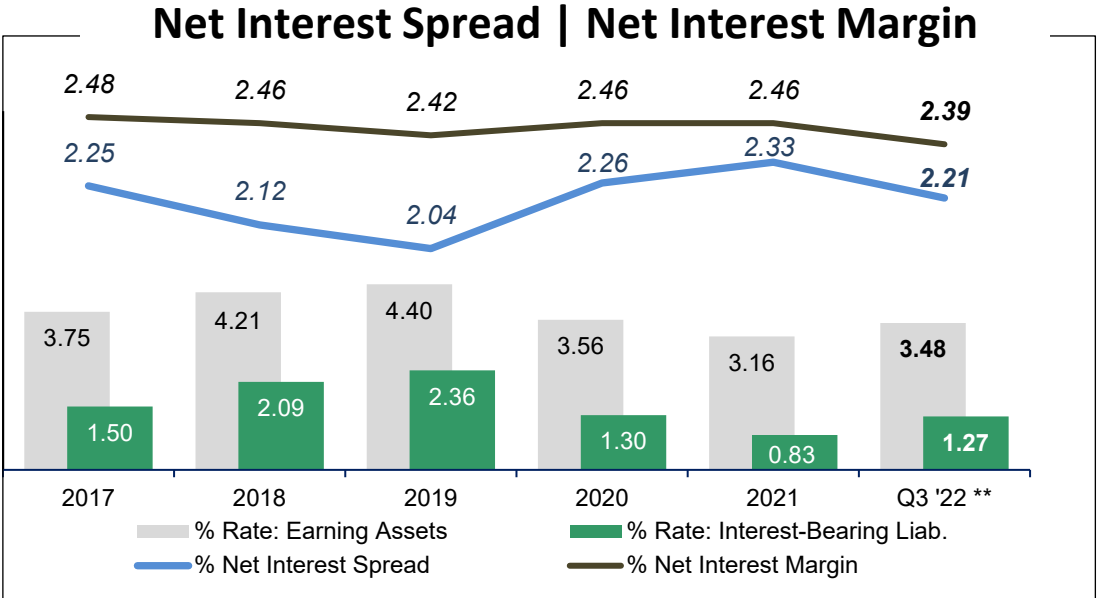
(1) calculated as a percentage of gross loans outstanding and other property owned (OPO)



System earnings increase on strong asset growth



Source: Federal Farm Credit Banks Funding Corporation Information Statements





The System continues to be strongly capitalized

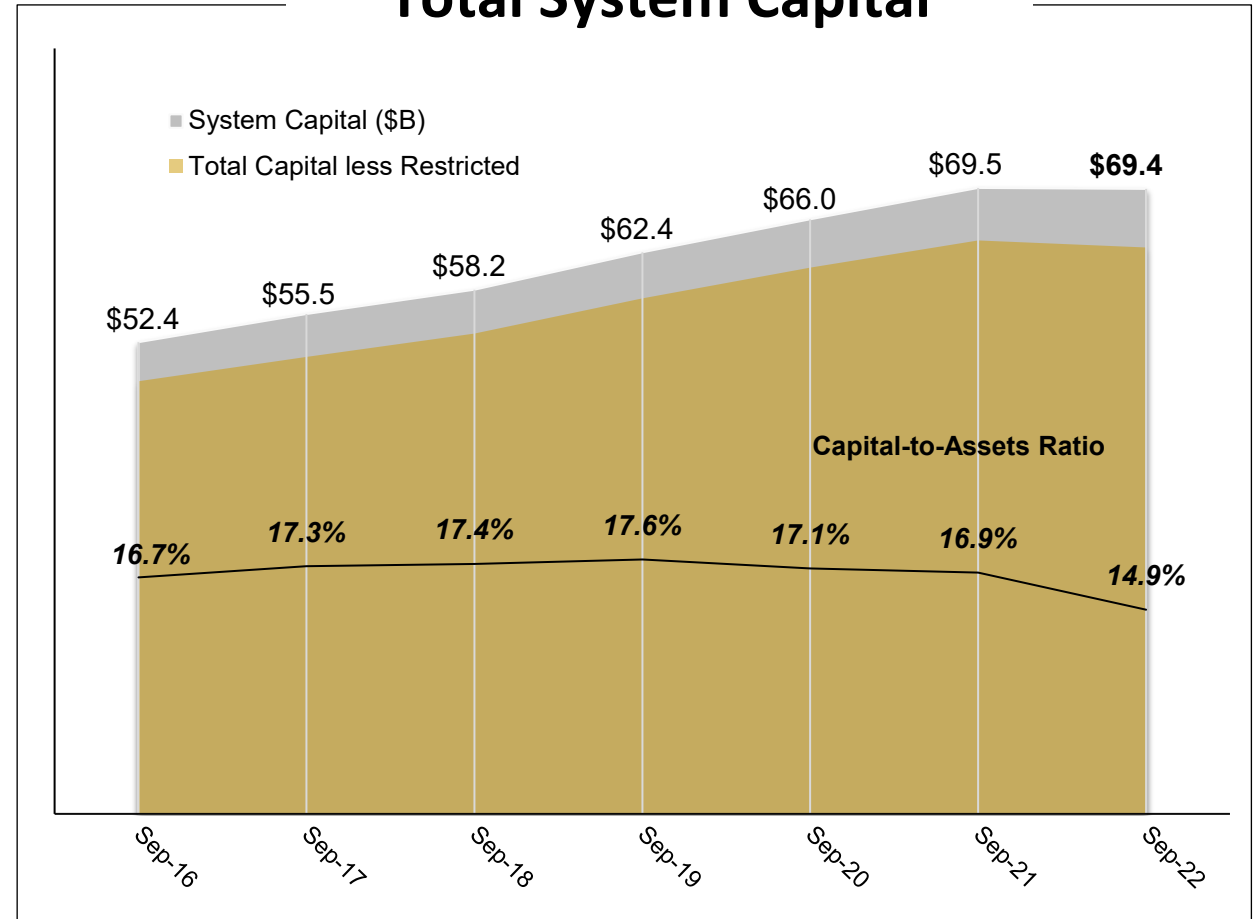
Capital and Liquidity

(as of September 30, 2022)

- ▶ Total Regulatory Capital levels:
Banks: 13.7% to 17.1%
Associations: 11.6% to 31.7%
- ▶ Days of liquidity for the four funding banks ranged from 159 to 214 days
- ▶ 83% of System institutions are in the Capital benchmark 1 range and all are in the benchmark 1 or 2 range

Source: Federal Farm Credit Banks Funding Corporation Information Statements

Total System Capital



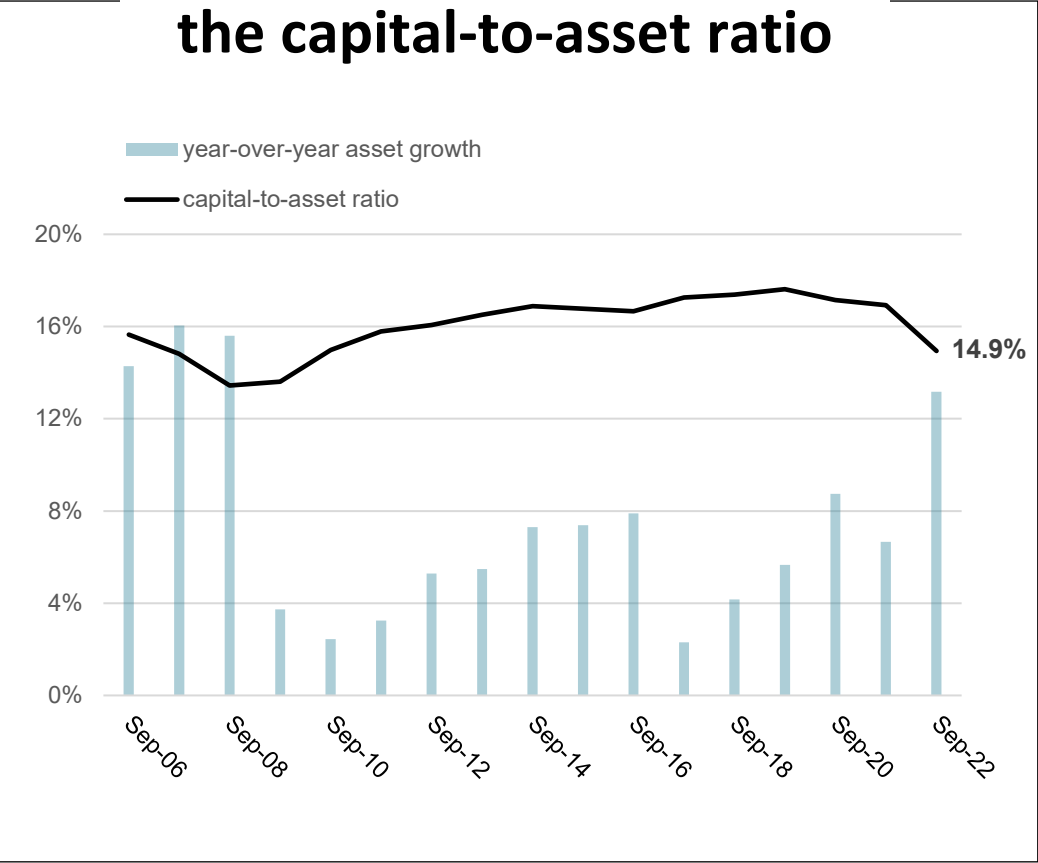
Note: Restricted capital represents capital associated with the Insurance Fund.



Strong asset growth and rising interest rates impact capital-to-asset ratio

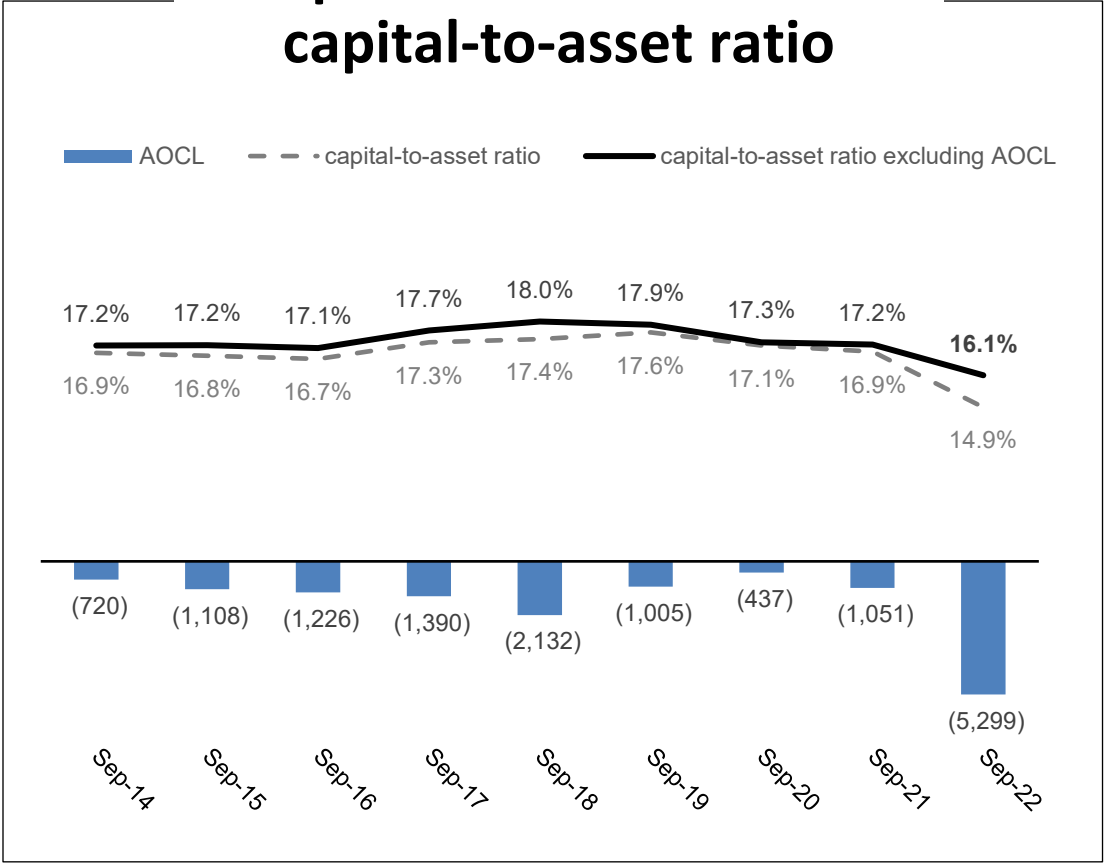


Impact of asset growth on the capital-to-asset ratio



Source: Federal Farm Credit Banks Funding Corporation Information Statements

Impact of AOCL⁽¹⁾ on the capital-to-asset ratio



(1) Accumulated other comprehensive loss



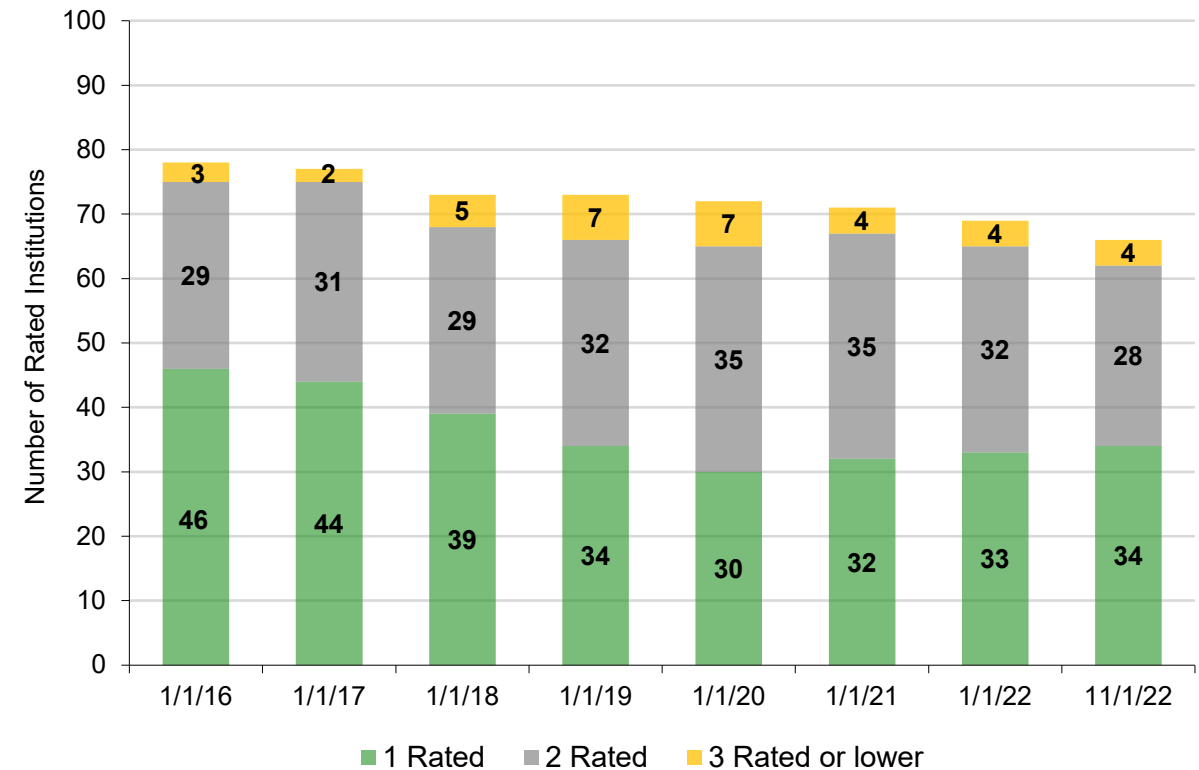
Composite FIRS ratings remain strong

FIRS Ratings

(based on 9/30/22 financial reporting)

- ▶ Composite FIRS ratings reflect the System's sound financial condition.
- ▶ Almost 94% of System banks and associations have a Composite FIRS rating of 1 or 2.
- ▶ Institutions rated 3 or lower represent 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

- ▶ Rising interest rates slow inflation but raise borrowing costs.
- ▶ Input price risk and supply chain uncertainties an ongoing challenge for ag producers.
- ▶ Drought persists in the Western U.S.; pasture conditions remain poor in many areas.
- ▶ The Farm Credit System continues to be safe and financially strong. Portfolio quality is very good, but risks are elevated for certain sectors and geographic regions.
- ▶ System institutions are strongly capitalized and well positioned to meet the credit needs of agricultural producers and rural America.





FCA Board Meeting December 2022

Exhibit E

Semi-Annual Report on Office of Examination Operations December 8, 2022

Dan Fennewald, Deputy Director and
Angela Greenlee, Director of Operations
Office of Examination





OE Operations Agenda Topics

- ▶ Fiscal Year 2022 Operating Plan Objectives:
 - Risk Supervision and Examination Activities
 - FY 2022 National Oversight Plan (NOP)
 - Public Mission
 - Operational Efficiency and Effectiveness
 - Human Capital Update
- ▶ Summary





Risk Supervision & Examination Activities

FCS Institution Activities and Guidance:

- ▶ Conducted examination and/or oversight activities at all funding banks, all associations, and 8 other entities.
- ▶ Issued 53 reports of examination, 43 interim activity letters, and 76 FIRS Letters
- ▶ Conducted a higher level of supervisory oversight at four institutions
- ▶ Issued examination guidance





Risk Supervision & Examination Initiatives

OE Operating Plan Strategies & NOP Risk Topics:

► Cybersecurity and Loan Underwriting

- Completed all 7 strategies related to FCS technology initiatives, cybersecurity, LUS/risk ratings, drought, and cash grain analysis

► Public Mission

- Completed both strategies related to the Young, Beginning, and Small Farmers (YBS) rating system and best lending practices





Operational Efficiency & Effectiveness

OE Operating Plan Strategy:

- ▶ **Examination Tools & Technology Initiatives**
 - Completed strategies related to our Enterprise Documentation & Guidance application (EDGE) and our data analysis tools with assistance from the Office of Information Technology and the Office of Data Analytics and Economics

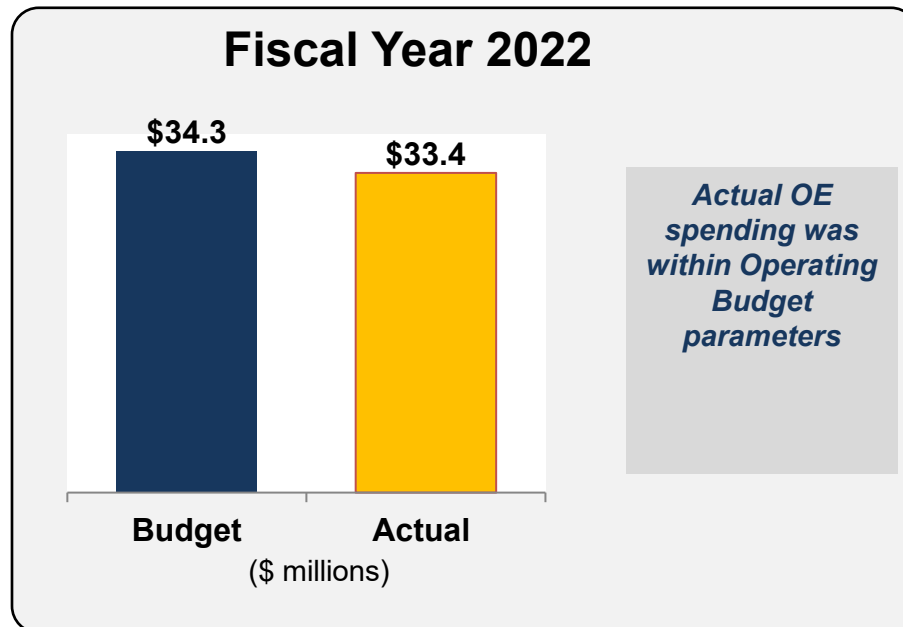




Operational Efficiency & Effectiveness

► OE budget results (Fiscal Year ended 9/30/2022)

- Actual expenses were \$0.9 million under our \$34.3 million budget
- Actual Full Time Equivalents (FTEs) were almost 10 under budget



FTEs	
▪ Budgeted Full Year FTEs	184.8
▪ Actual Full Year FTEs	175.0
Under Budget	-9.8



Human Capital Update



- ▶ Hiring and developing Associate Examiners
- ▶ Development opportunities
- ▶ Post-commission training
- ▶ OE-All hybrid conference

Total OE Staff

Total OE Staff	Planned	Actual	Variance
Beginning FY 2022	184	183	-1
Attrition Retirements	-17	-32	-15
Hirings	16	22	6
Ending FY 2022	183	173	-10

Commissioned Examiners

Commissioned Examiners	Planned	Actual	Variance
Beginning FY 2022	87	87	0
Attrition Retirements	-8	-18	-10
Hirings	0	4	4
Newly Commissioned	10	11	1
Ending FY 2022	89	84	-5



Summary

- ▶ Effectively conducted oversight and examination activities throughout FY 2022
- ▶ Accomplished 2022 OE Operating Plan objectives and strategies
- ▶ Ended the fiscal year under budget
- ▶ Remained focused on ensuring OE had sufficient highly skilled staff to accomplish our mission





Discussion



THANK YOU