

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



**MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
December 12, 2024**

These minutes reflect the business transacted at the December 12, 2024, regular meeting of the Farm Credit Administration (FCA) Board pursuant to the Government in the Sunshine Act, 5 U.S.C. § 552b, and the regulations of the FCA adopted thereunder.

The meeting was held at the FCA office in McLean, Virginia. The meeting began at 10:00 a.m. and concluded at 10:47 a.m. The meeting was a hybrid physical/virtual meeting.

Members of the Board present were:

Vincent G. Logan, Chairman and CEO
Jeffery S. Hall, Member
Glen R. Smith, Member

The above named constitute the full Board.

Others present included **Ashley Waldron**, Secretary to the Board; **David Grahn**, General Counsel; and staff of the FCA and Farm Credit System Insurance Corporation (FCSIC). There were 11 members of the general public in attendance. (A list of Board and staff attendees is attached as Exhibit A.)

Chairman Logan called the meeting to order.

The **Secretary** addressed technical and protocol items and read a statement that announced the meeting would be conducted according to Government in the Sunshine Act requirements.

ADOPTION OF AGENDA

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.

CONSIDERATION TO CLOSE PORTIONS OF THE MEETING

Mr. Smith noted that the agenda did not 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 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 14, 2024

(BM-12-DEC-24-01)

Mr. Hall moved to approve the minutes for the November 14, 2024, FCA regular board meeting, as presented.

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-12-DEC-24-01)**

(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

Greg Lyons of the **Office of Data Analytics and Economics** and **Nicole Yaddof** of the **Office of Examination** presented the Quarterly Report on Economic Conditions and Farm Credit System Condition and Performance.

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

Semiannual Report on Office of Examination Operations

Angela Greenlee and **Rachel Connolly** of the **Office of Examination** presented the Semiannual Report on Office of Examination Operations.

(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.

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

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

The meeting adjourned at 10:47 a.m.

NOTATIONAL VOTE ACTIONS

There were two notational vote actions approved by the FCA Board from November 14, 2024, through December 11, 2024.

Item Number	Action Date	Voting Results	Subject
NV 24-23	11/21/2024	Approved	Office of Secondary Market Oversight's 2025 Oversight and Examination Plan
NV 24-24	11/27/2024	Approved	2025 FCA Compensation Program

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 12, 2024.

_____/s/
Vincent G. Logan
Chairman and CEO

_____/s/
Ashley Waldron
Secretary to the Board

Approved: January 8, 2025

**BOARD AND STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
December 12, 2024**

Vincent G. Logan, Chairman and CEO
 Jeffery S. Hall, Board Member
 Glen R. Smith, Board Member

ATTENDEES	OPEN SESSION
Office of the Board	
Logan, Vincent	X
Hall, Jeffery	X
Smith, Glen	X
Gallegos, Luke	X
Donner, Mary Alice	X
Stokke, Michael	X
Greer, Kristin	X
Calhoun, Gaye	X
Lewandrowski, Barbara	X
Waldron, Ashley	X
OCOS	
Duran, Maribel	X
Coleman, Robert	X
Cunningham, Lesley	X
OEEOI	
Burlew, Thais	X
Major, Sara Lynn	X
OIT	
Versace, Jerry	X
Rana, Ben	X
Amaya, Victor	X
OCPA	
Yaghmour, Emily	X
OGC	
Grahn, David	X
Griffin, Ward	X
OE	
Duffy, Mike	X
Fennewald, Dan	X
Greenlee, Angela	X
Connolly, Rachel	X
Yaddof, Nicole	X
ODAE	
D'Antoni, Jeremy	X
Shields, Dennis	X
Iannetta, Sal	X
Lyons, Greg	X
Ocheltree, Skyler	X

ATTENDEES	OPEN SESSION
OIG	
Novak, Nick	X
Miller, Kevin	X
Cerne, Sonya	X
OSMO	
Fay, Thomas	X
Hudson, Bruce	X
Booker, Jennifer	X
ORP	
Kramp, Kevin	X
Leist, Ryan	X
OCFO	
Gandy, Doug	X
Soares, Ily	X
OAS	
Bell, Vonda	X
Clark, Patrina	X
FCSIC	
Simonson, John	X
Morgan, Matthew	X
GENERAL PUBLIC	11

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 12, 2024

TIME AND DATE: 10 a.m., Thursday, December 12, 2024.

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, 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 Minutes for November 14, 2024
- 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

December 3, 2024

Farm Credit Administration

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

BOARD ACTION ITEM



FCA BOARD ACTION ON

Minutes for November 14, 2024, Regular Board Meeting

BM-12-DEC-24-01

Effective Date: December 12, 2024

Impact on Prior Board Actions: None

THE FCA BOARD HEREBY:

- Approves the minutes for the November 14, 2024, regular Board meeting.

DATED THIS 12th DAY OF DECEMBER 2024

BY ORDER OF THE BOARD

_____/s/
Ashley Waldron
Secretary to the Board

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



December 12, 2024

Greg Lyons – Senior Economist,
Office of Data Analytics and Economics

Nicole Yaddof – Financial Analyst,
Office of Examination





Topics for Open Session

Economic Conditions Affecting the Farm Credit System

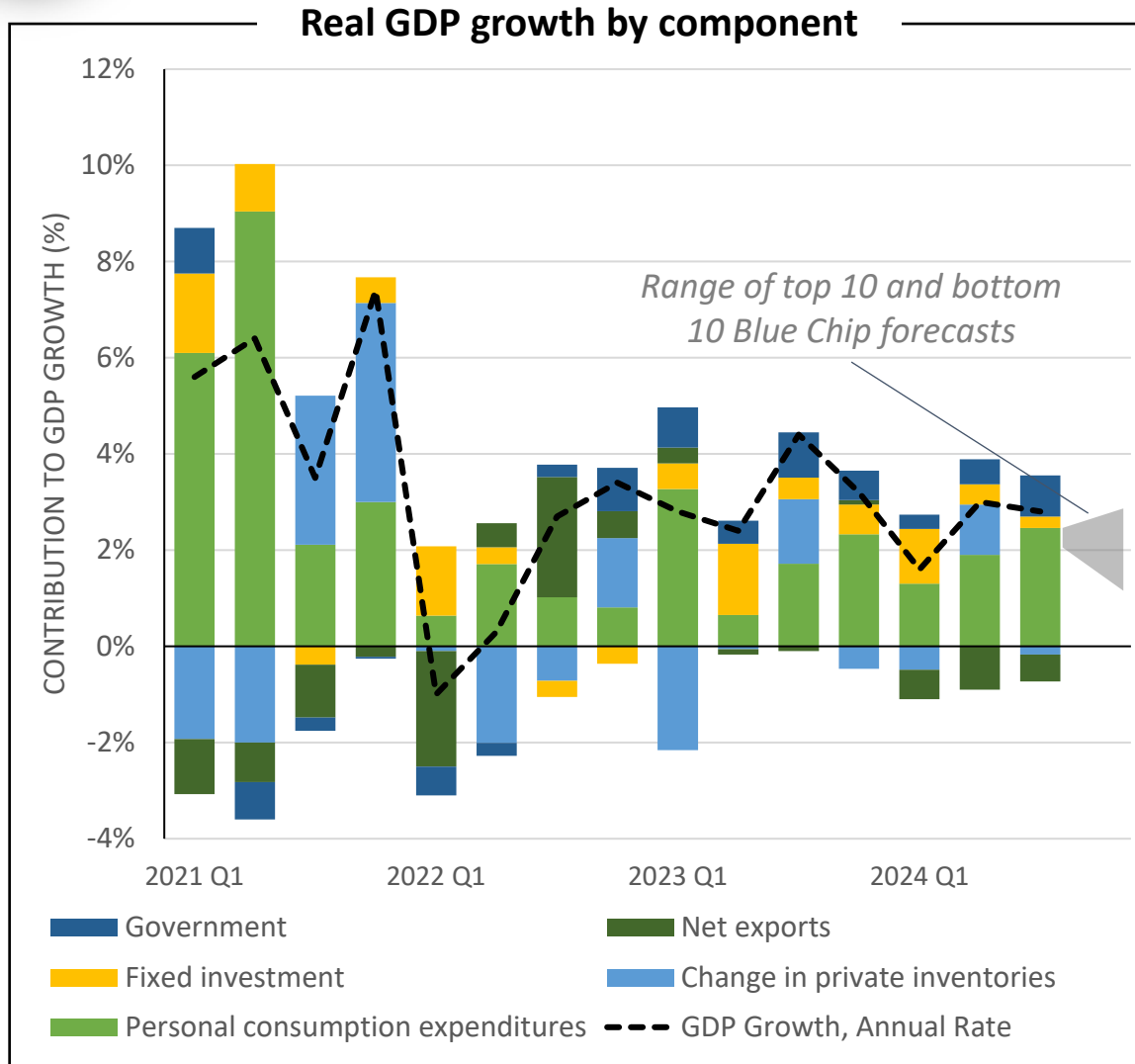
- ▶ Macroeconomic conditions
- ▶ Agricultural incomes
- ▶ Farmland markets

Farm Credit System Condition and Performance

- ▶ System growth and loan portfolio
- ▶ Earnings and capital
- ▶ Financial Institution Rating System (FIRS)



Modest economic growth continues with resilient consumer spending, higher productivity, and income gains



Solid signals entering 2025

- Robust productivity growth
- Recession probabilities continue to fall

Continued resilience in personal consumption

- Food-at-home, food-away-from-home rise
- Good purchases begin to rise again

Warning signs for low-income households?

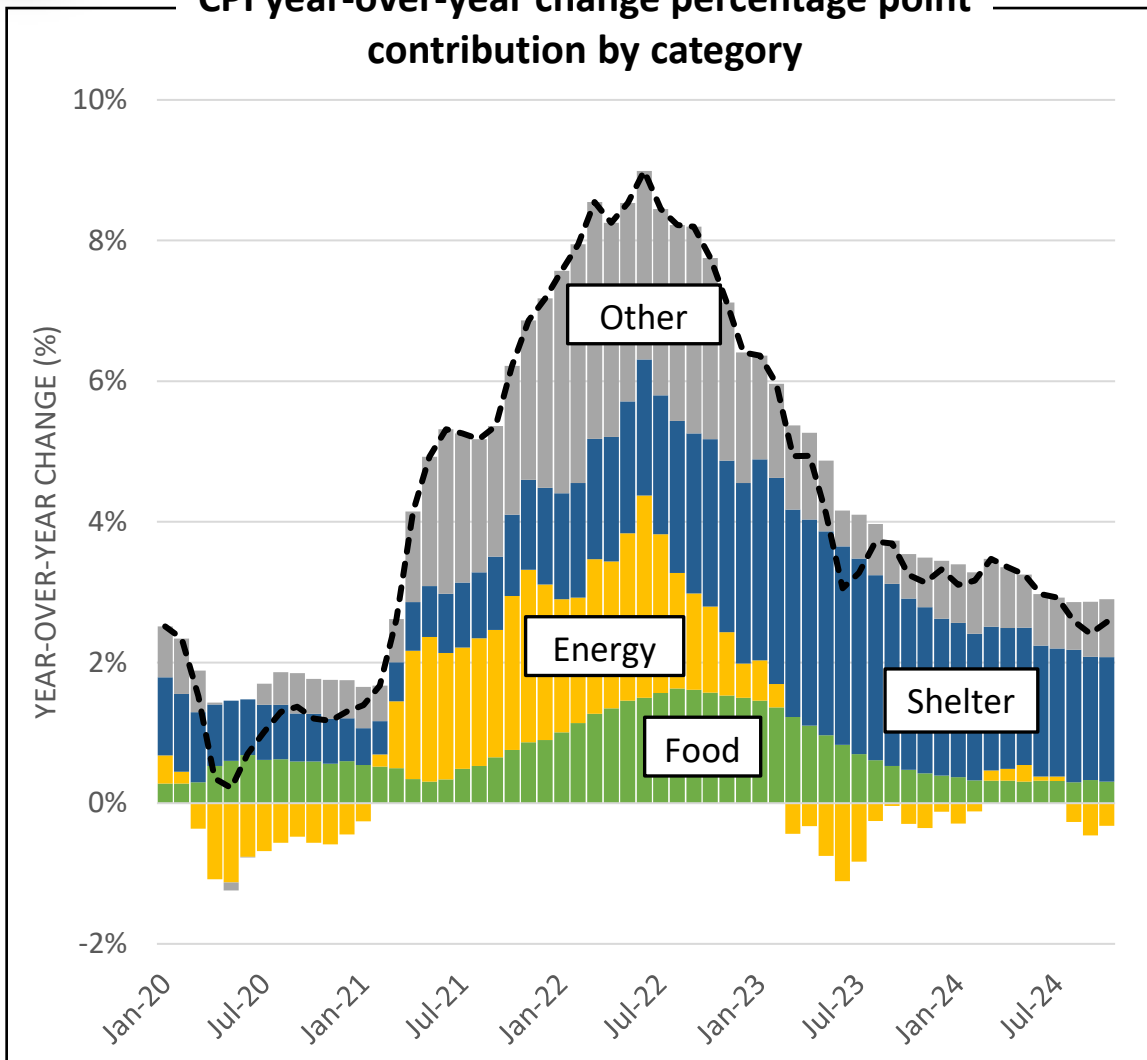
- Credit card delinquencies highest since 2011
- Real median income below 2019 levels
- Multiple job holders back to 2019 levels

Source: Bureau of Economic Analysis, Gross Domestic Product (Second Estimate).
Blue Chip forecast range from Federal Reserve Bank of Atlanta GDPNow.

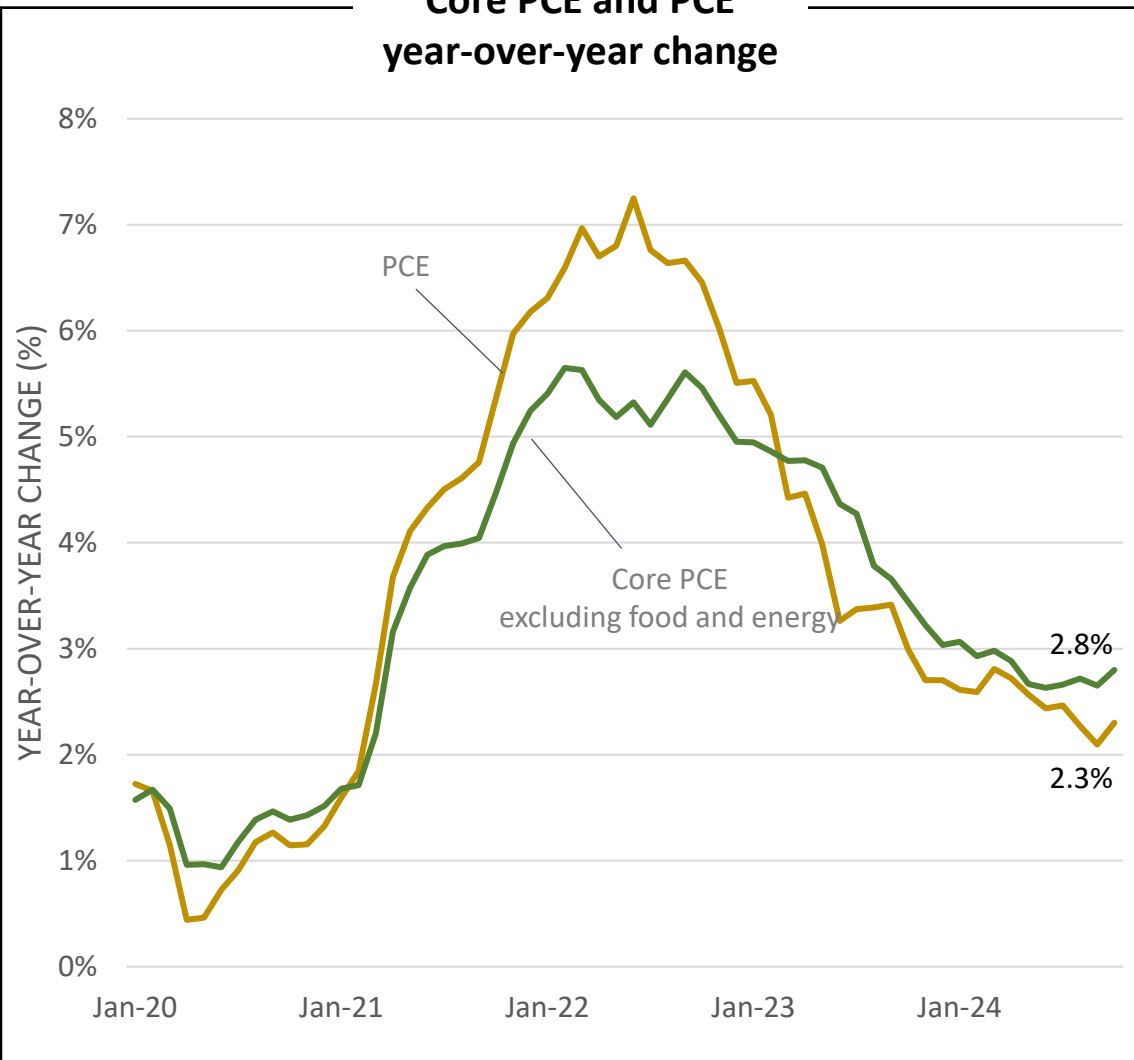


Headline inflation continues to fall, but more stable measures show modest residual inflation

CPI year-over-year change percentage point contribution by category



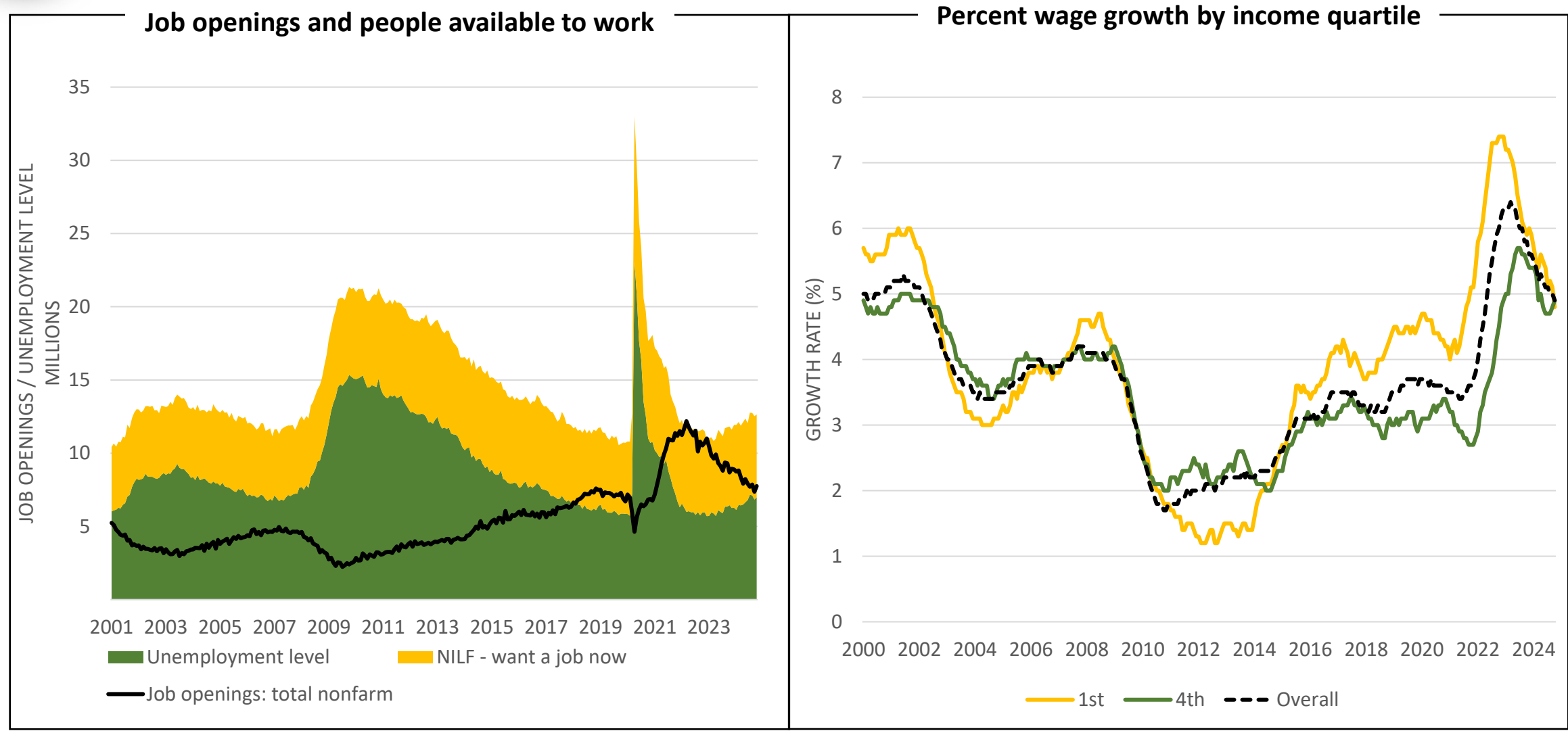
Core PCE and PCE year-over-year change



Source: U.S. Bureau of Labor Statistics Consumer Price Index, author's calculations and U.S. Bureau of Economic Analysis Personal Income and Outlays.



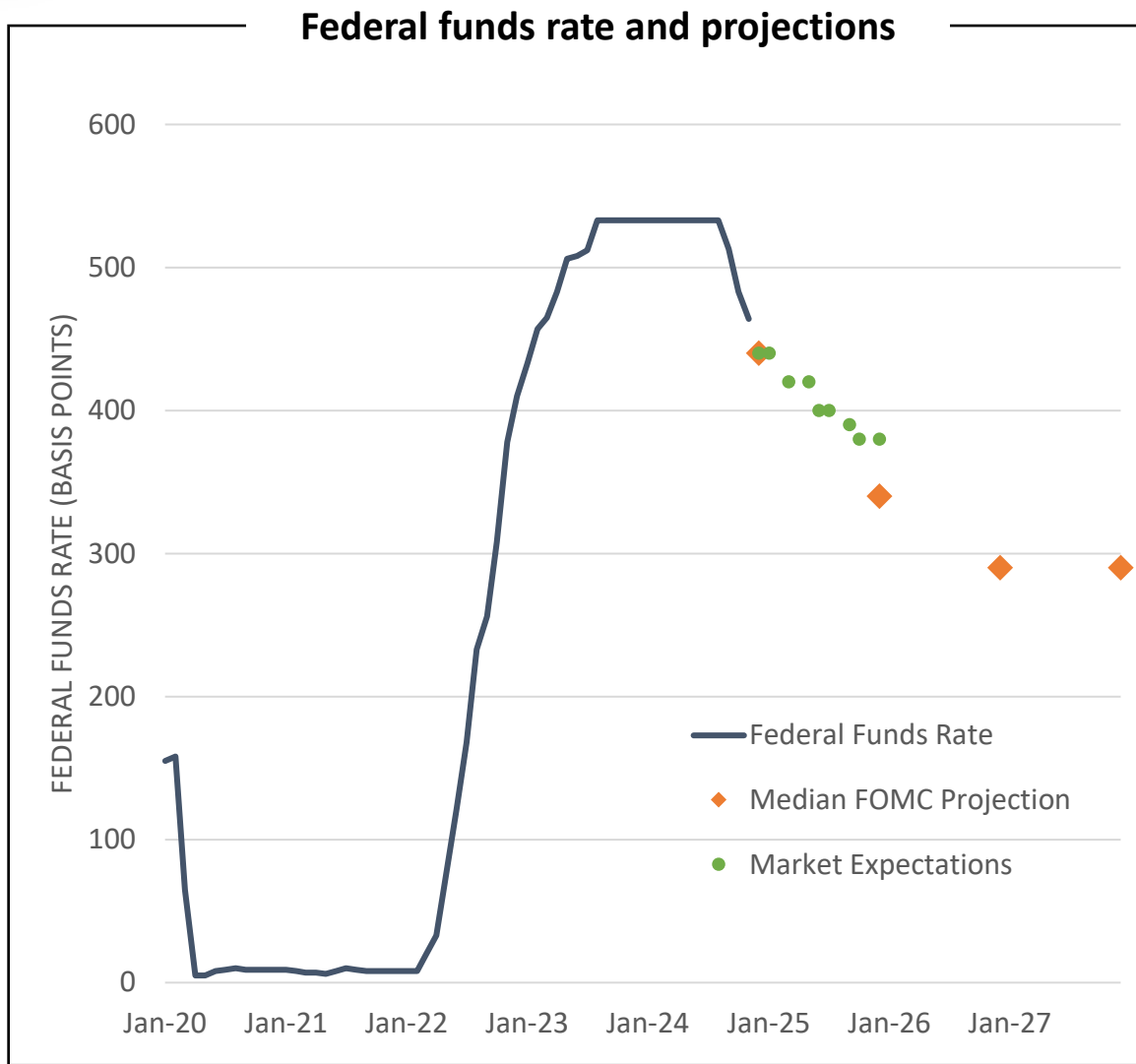
Labor markets return to normal, though real income growth remains positive



Source: BLS Employment Situation Report; BLS Job Openings and Labor Turnover Survey and Federal Reserve Bank of Atlanta Wage Growth Tracker.
NILF = not in the labor force; individuals who are not working, and who have not actively looked for work in the last 4 weeks. Wage growth is 12-month moving average.



Market expectations for monetary policy continue to shift



Fed continues to emphasize its dual mandate

- Sticky core inflation measures
- Labor market softening
- Aiming for the soft landing

“The Committee judges that the risks to achieving its employment and inflation goals are roughly in balance. The economic outlook is uncertain, and the Committee is attentive to the risks to both sides of its dual mandate.”

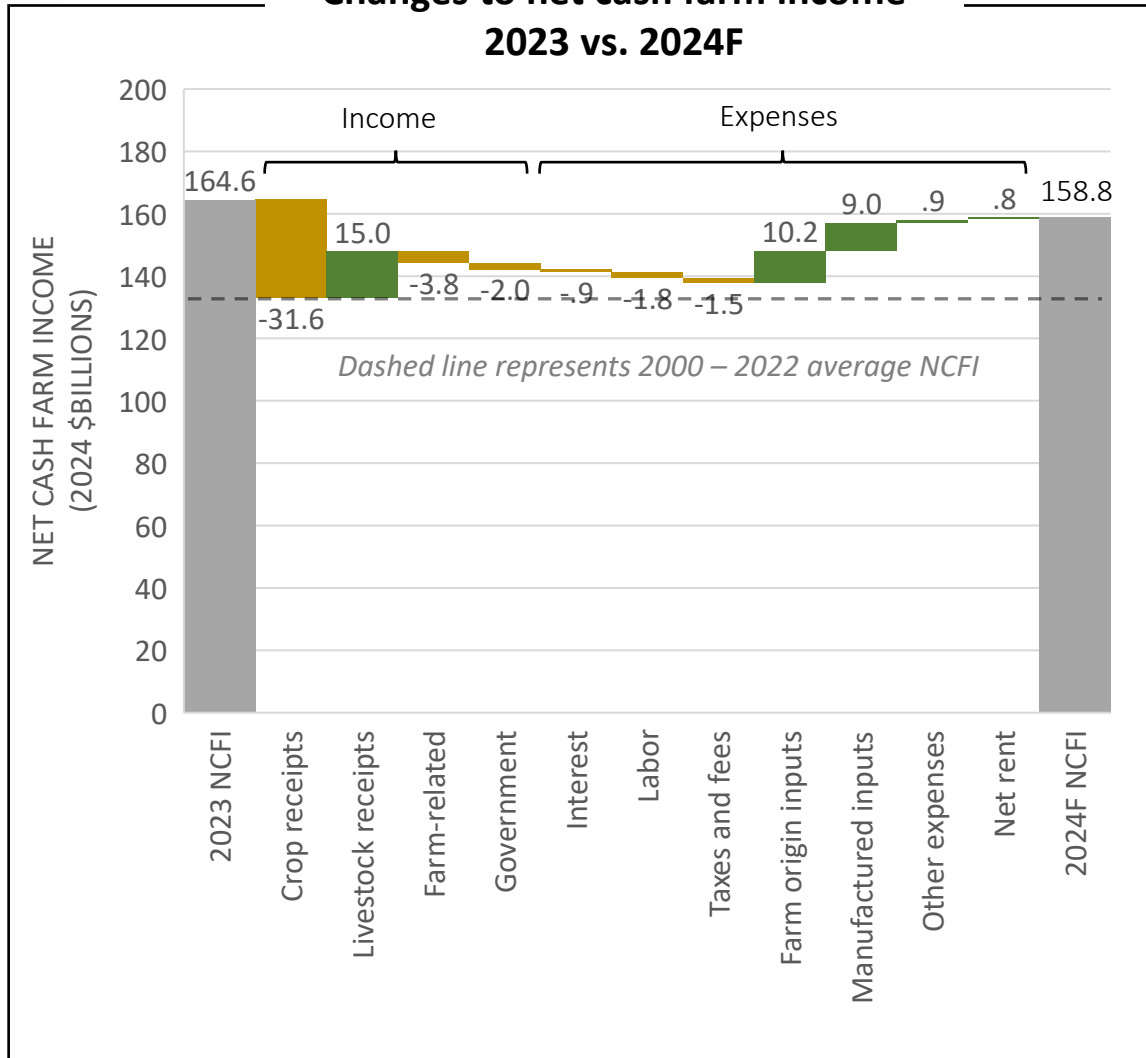
- FOMC November Statement

Sources: FOMC Projection Materials (September 2024); CME Group FedWatch Tool



USDA projections show lower expenses, higher livestock receipts offset crop receipt declines

Changes to net cash farm income
2023 vs. 2024F



Income continues decline from record levels

- Price declines offset higher quantities sold
- Divergent crops, livestock receipts
- Lower supplemental, ad-hoc payments

A reversal in expenses?

- USDA observes sharp expense declines
- Feed, fertilizer, fuels lead declines

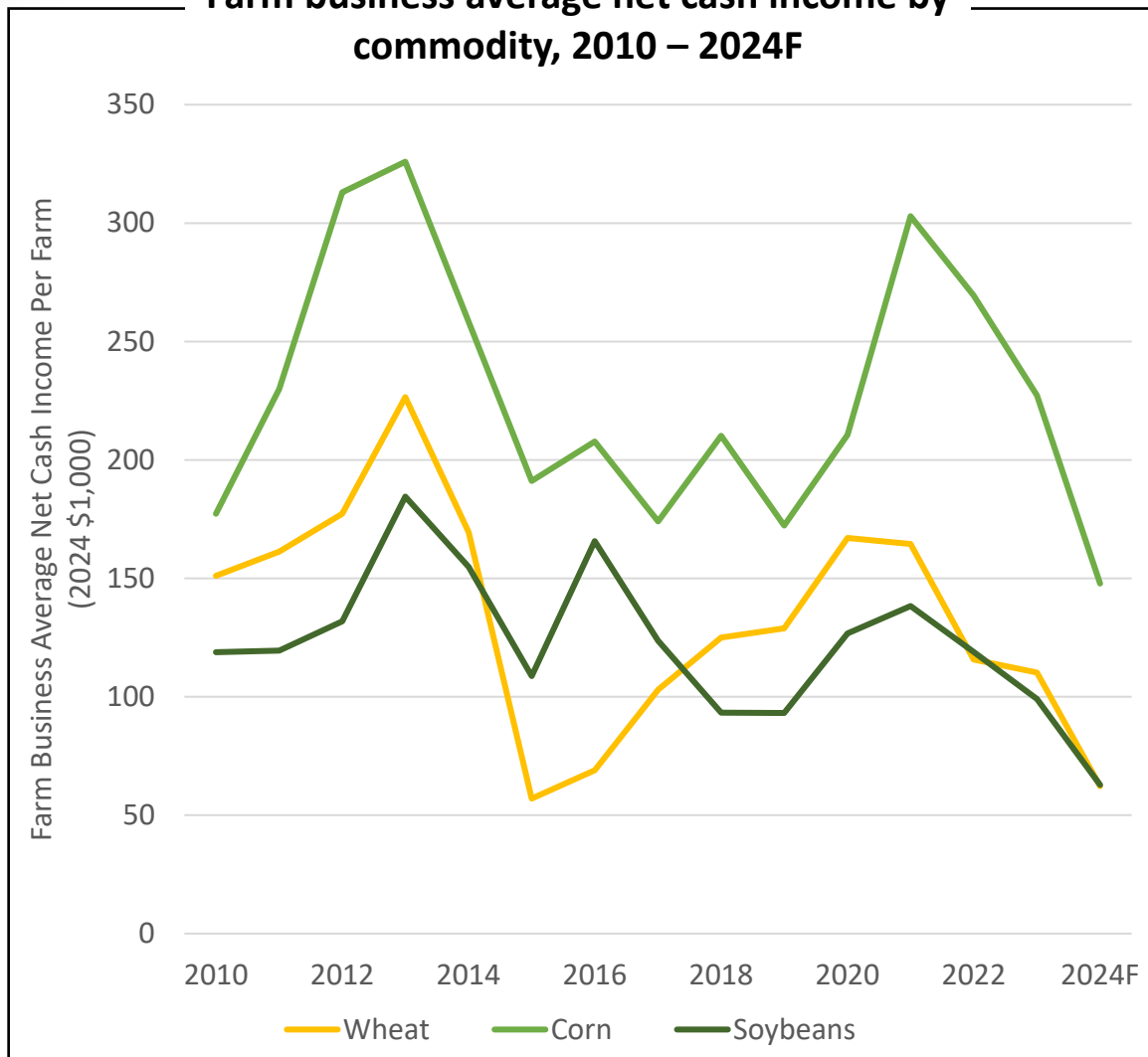
Sector financial ratios suggest stability

- Liquidity, profitability ratios largely stable
- Solvency ratios improve
- Aggregate story masks subsector strains



Livestock operators see strong returns, while crop producers face significant margin compression

Farm business average net cash income by commodity, 2010 – 2024F



Source: USDA ERS Farm Income and Wealth Statistics.

Crops

- Corn, soybean operator income at recent lows
- High expenses overwhelm crop prices
- Margin compression key story for 24/25

Livestock

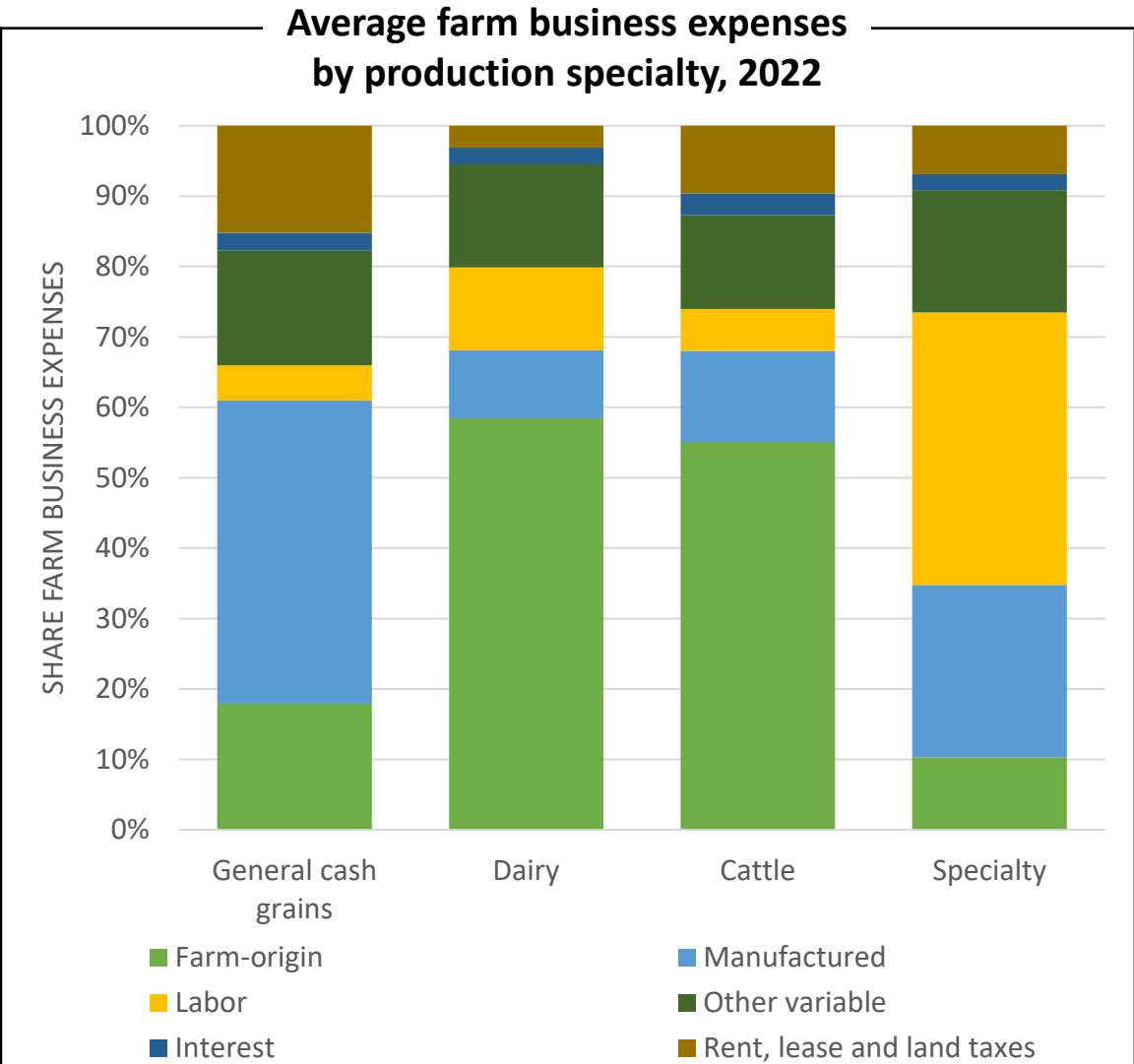
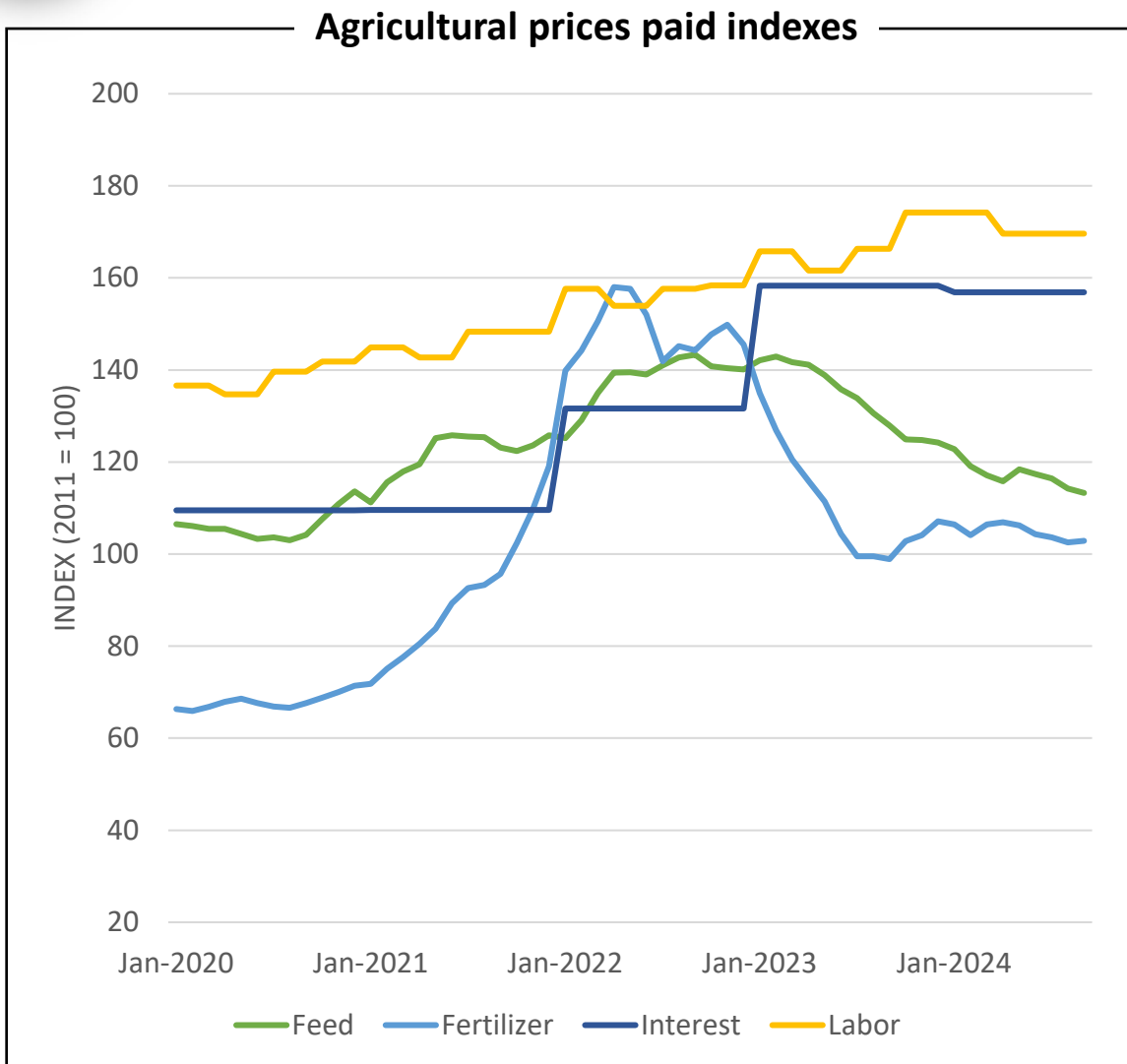
- Prices continue to support profitability
- Pasture conditions offer warning sign

Fruit / Nut

- Most nut prices stabilize at moderate levels
- Hurricane impacts southeast production



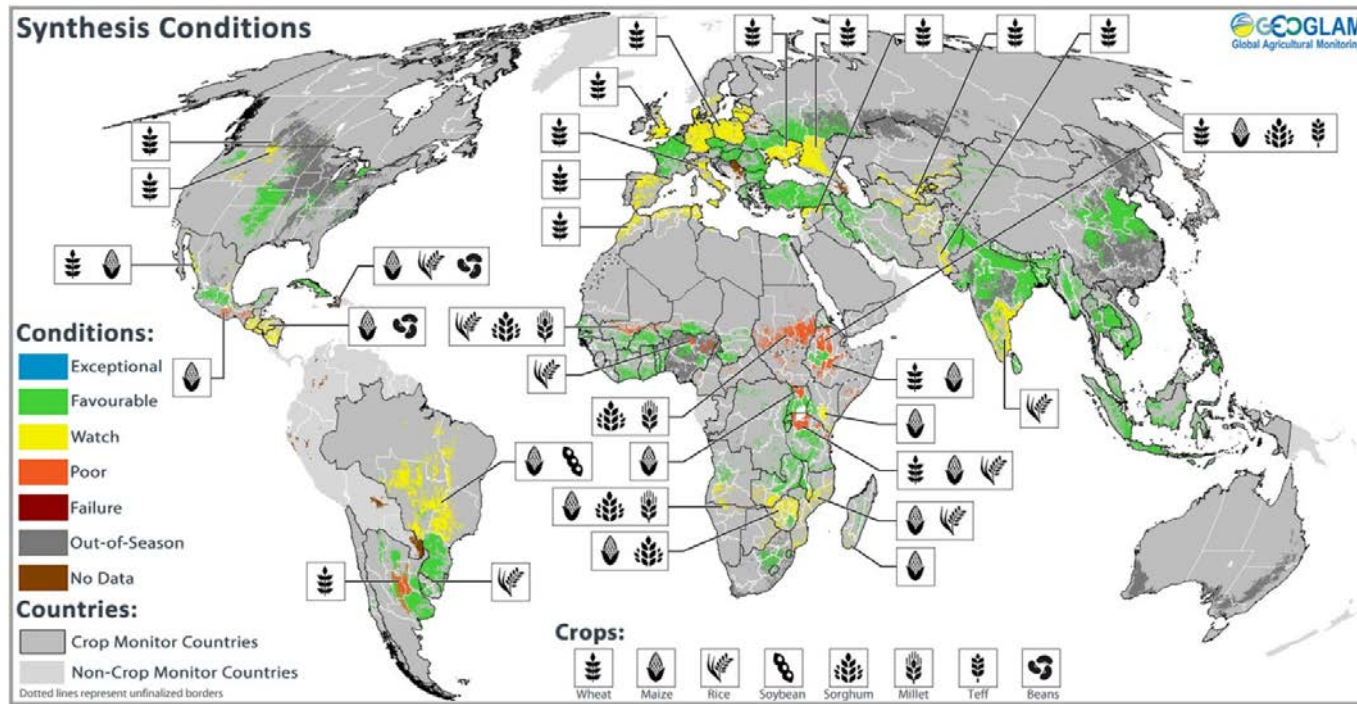
Feed and energy-related input prices continue to decline, but select costs remain elevated



Sources: USDA NASS Agricultural Prices and USDA ERS Agricultural Resource Management Survey



Global weather influences on commodity markets



U.S. Conditions

- Pasture deteriorated through the season
- Variability in winter wheat conditions
- Drought forecast to persist across SE
- No impact in hay prices to date

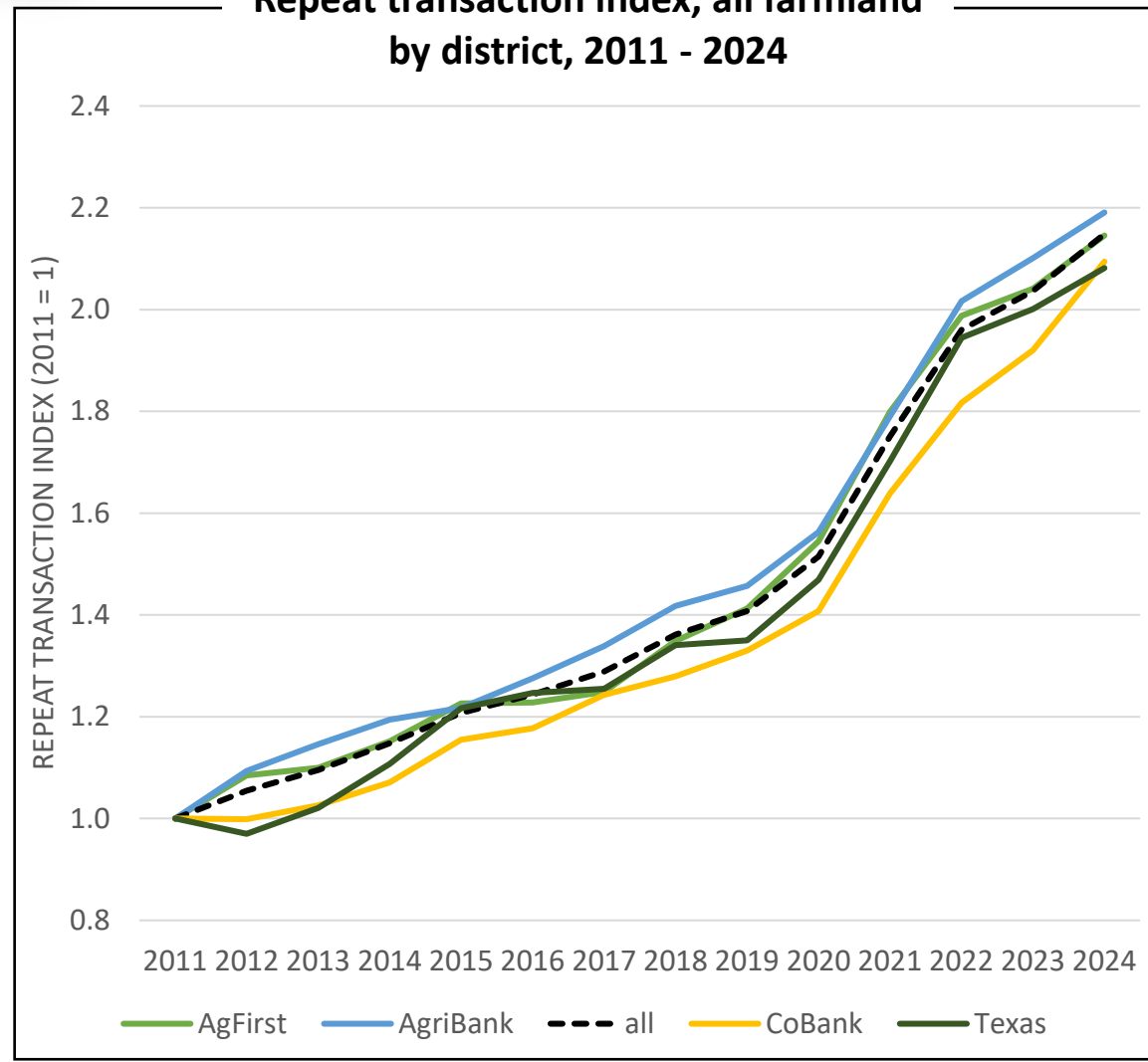
Global conditions

- Drought across parts of South America, Russia
- Total global production largely unchanged

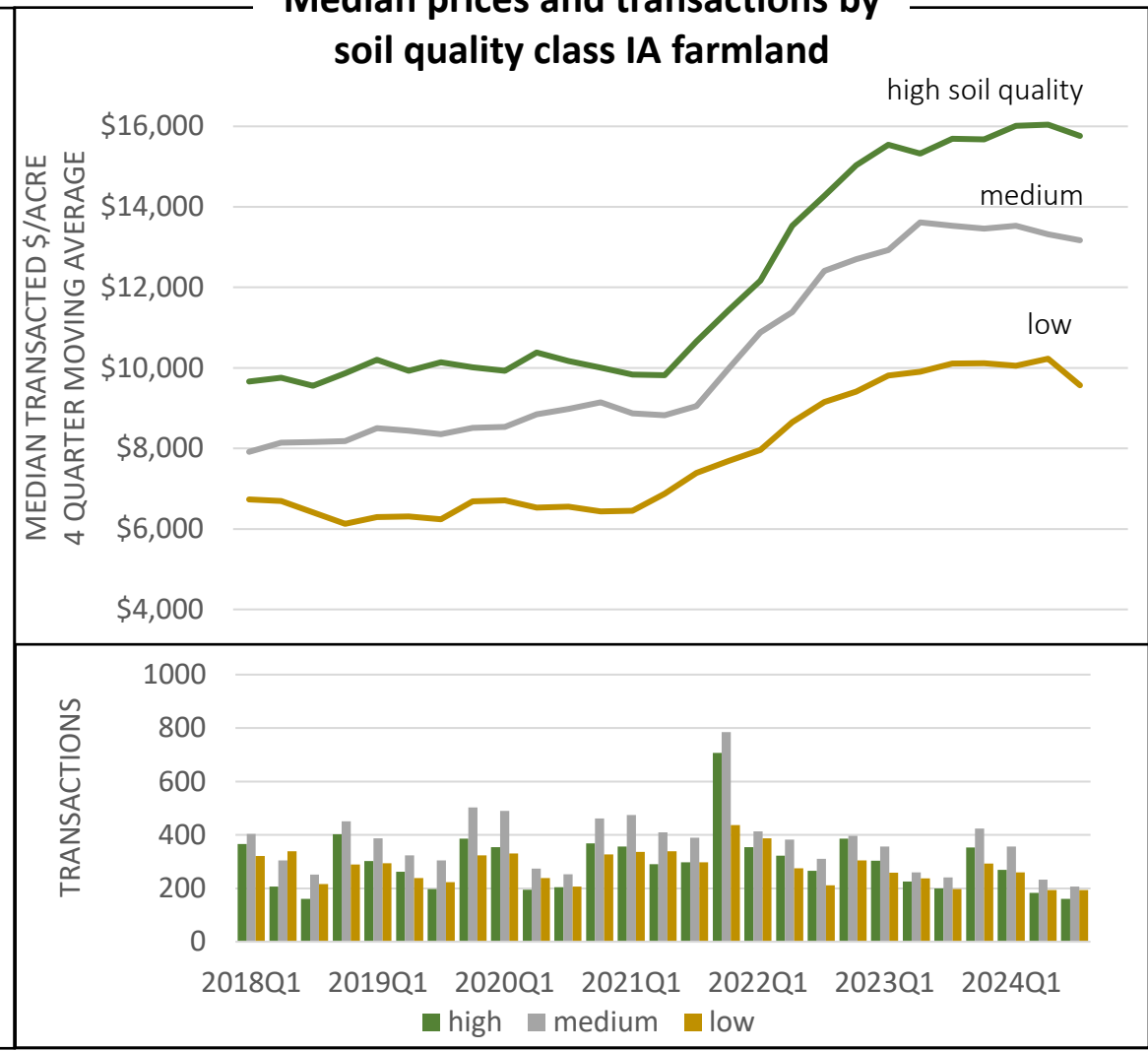


Real land value growth cools, and some leading indicators show weakness

Repeat transaction index, all farmland by district, 2011 - 2024



Median prices and transactions by soil quality class IA farmland

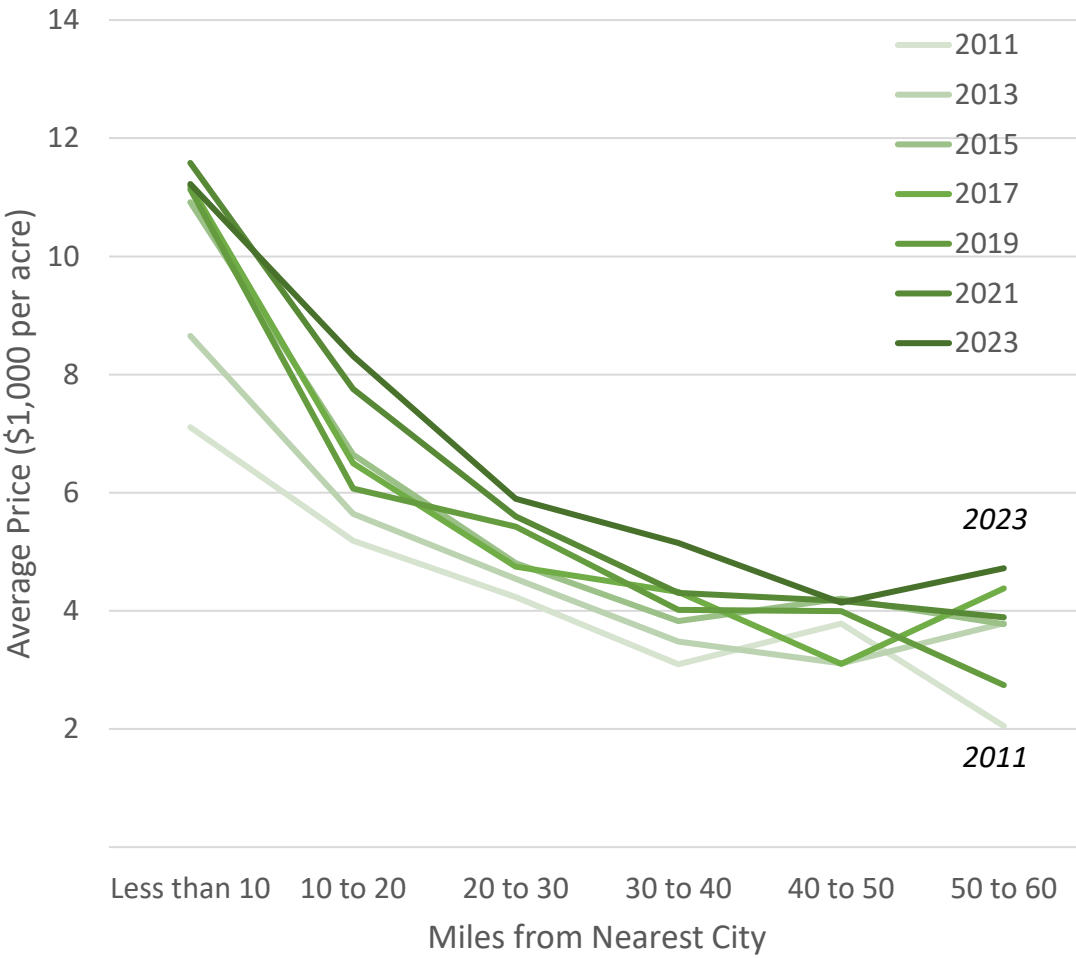


Source: ODAE using CoreLogic data

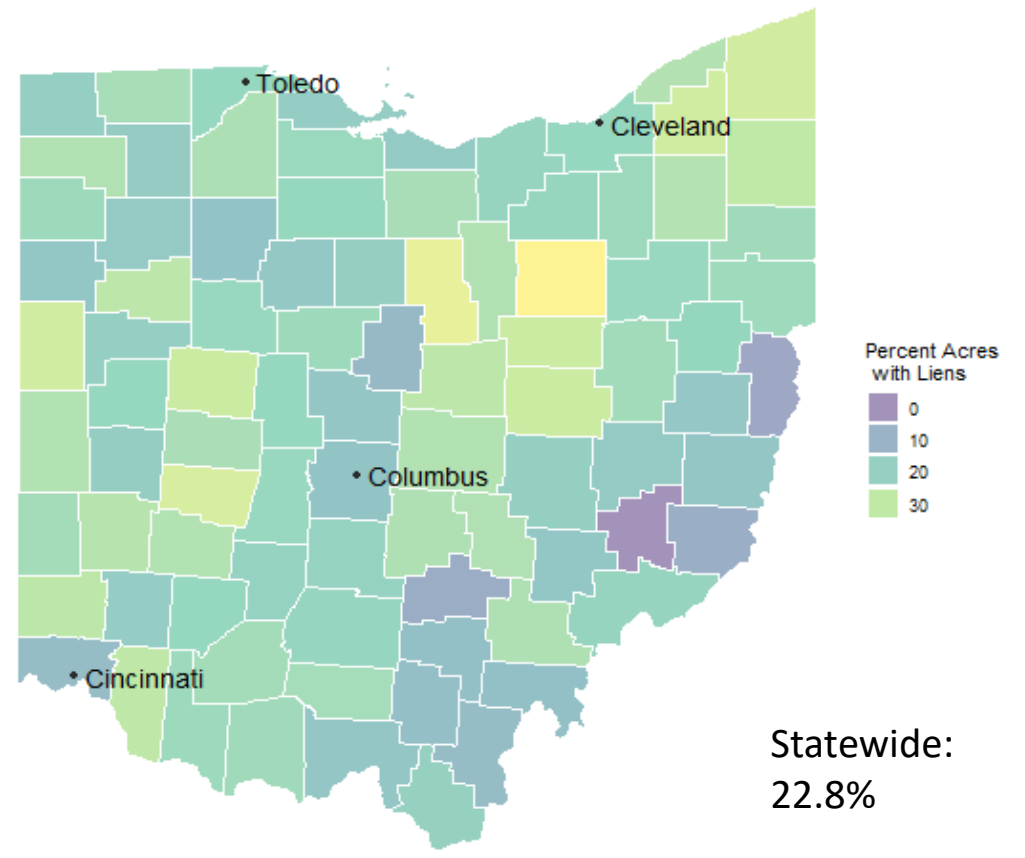


Nonfarm land value growth may have implications for farmland values

Average per acre price of farmland with a lien held by FCS by year and distance from nearest city



Q3 2024: Percent of Ohio farmland acreage with any lien



Source: ODAE using CoreLogic data



Questions?



Farm Credit System Condition and Performance as of September 30, 2024

Nicole Yaddof
Financial Analyst
Office of Examination



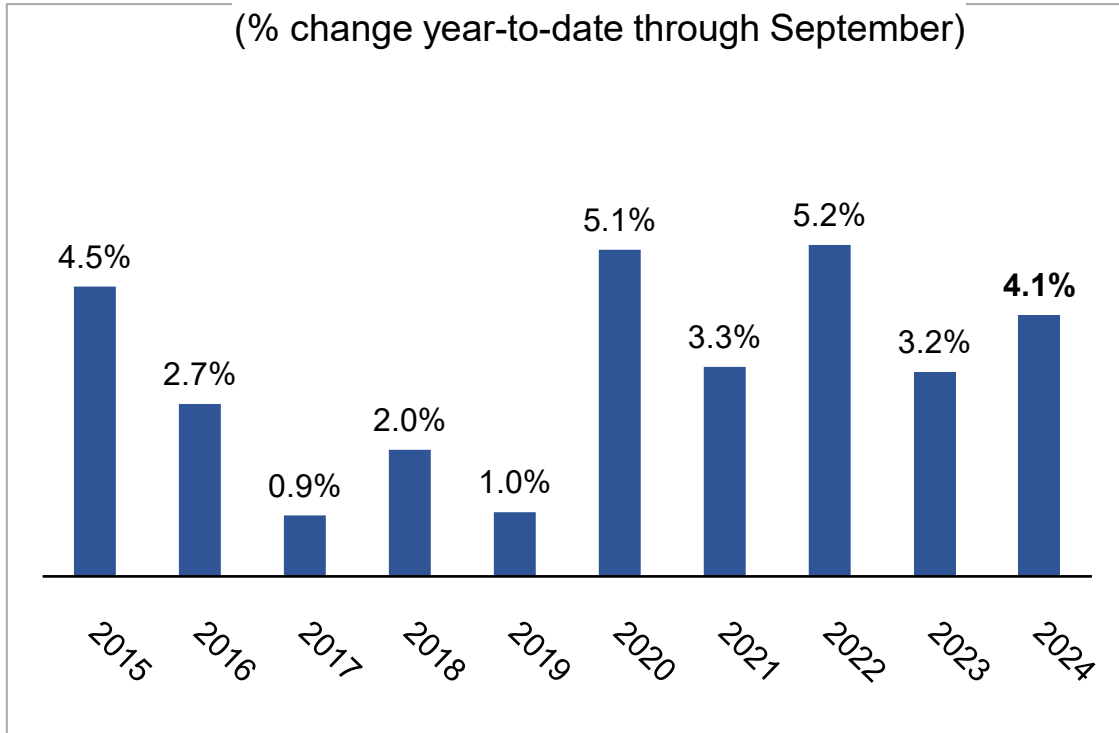


Modest portfolio loan growth continued into the third quarter 2024

Total Assets 09/30/24	\$527.8 billion	+2.7%	Qtr	Gross Loans 09/30/24	\$414.4 billion	+1.9%	Qtr
		+3.9%	YTD			+4.1%	YTD
		+7.1%	12M			+7.6%	12M

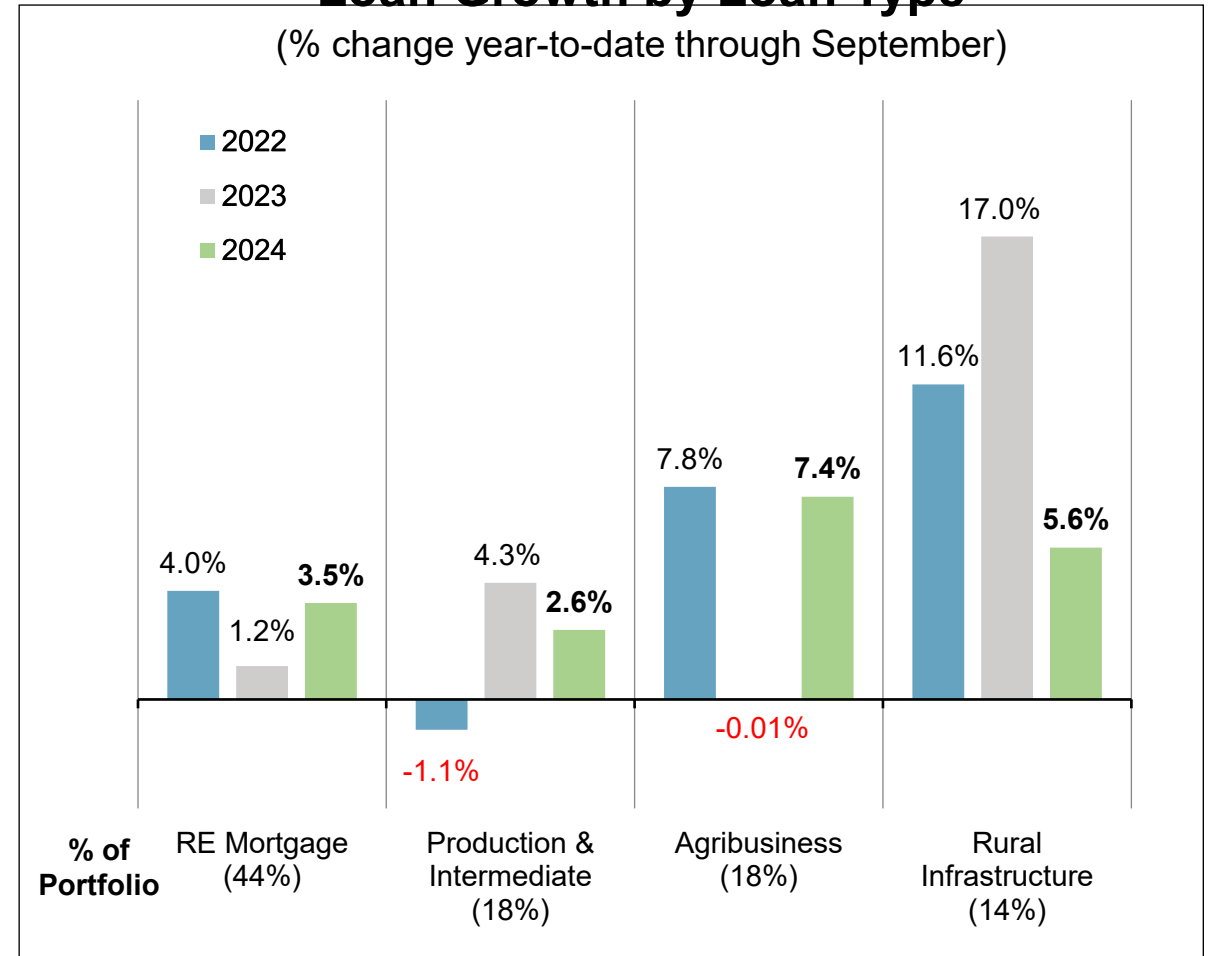
Portfolio Loan Growth

(% change year-to-date through September)



Loan Growth by Loan Type

(% change year-to-date through September)



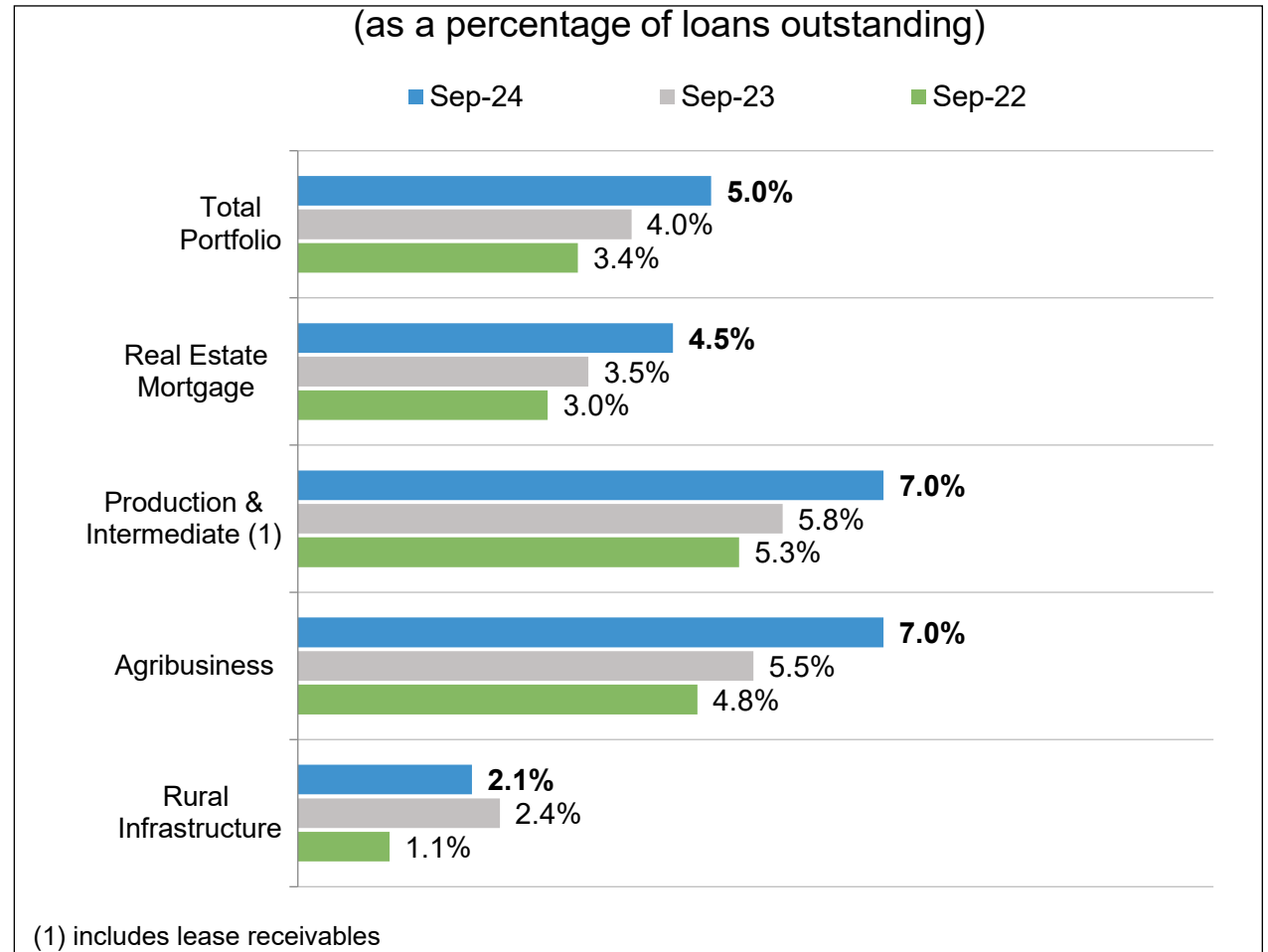


Credit risk measures trend higher

- ▶ Percentage of loans classified less than Acceptable increased in all loan categories apart from rural infrastructure.
- ▶ Certain agricultural sectors and geographical regions continue to experience an elevated level of stress.
- ▶ Accruing loans 30 days or more past due as a percentage of total accruing loans equaled 0.40% at September 30.

Loans Classified Less than Acceptable

(as a percentage of loans outstanding)

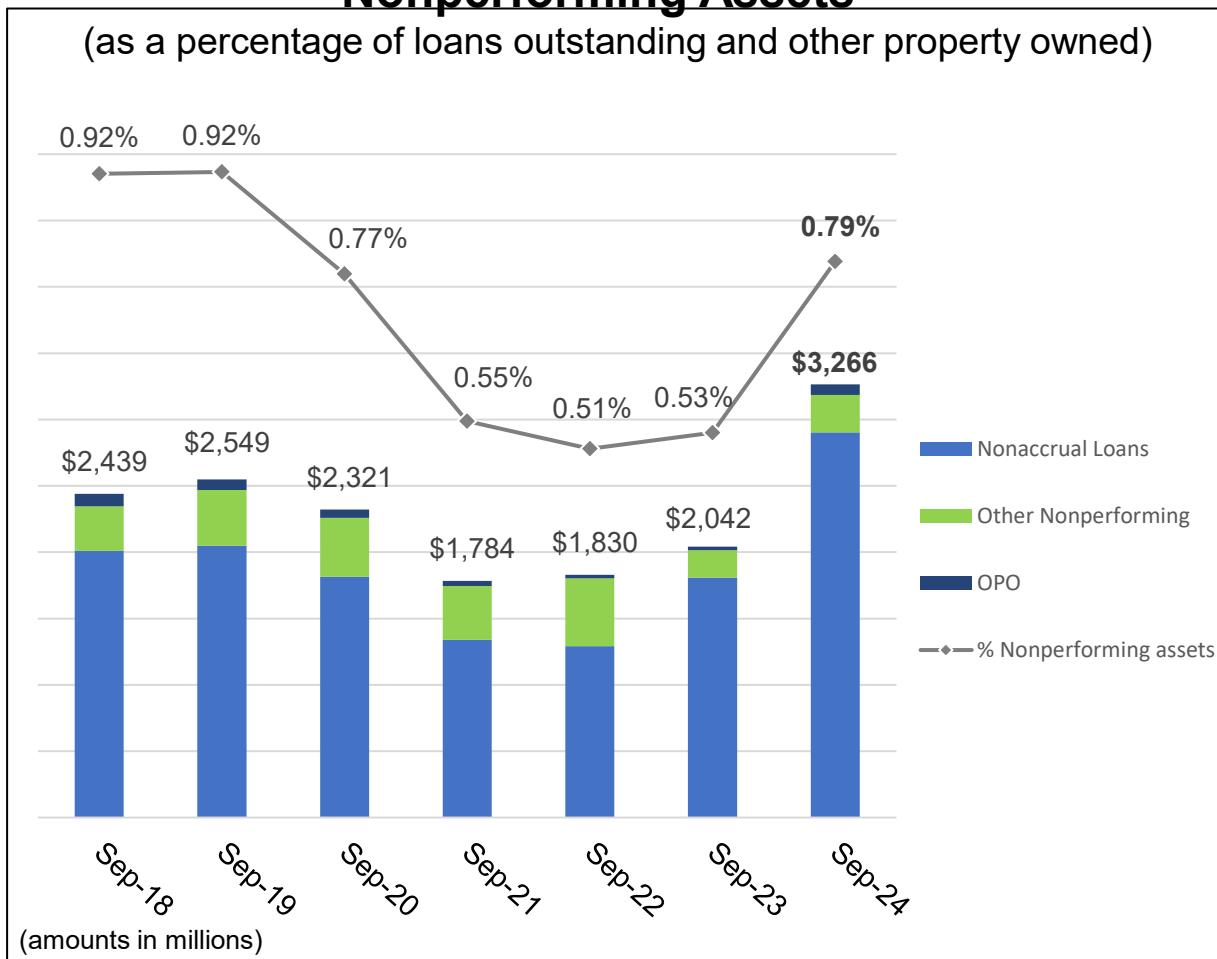




Nonperforming assets rise, but portfolio credit quality remains sound

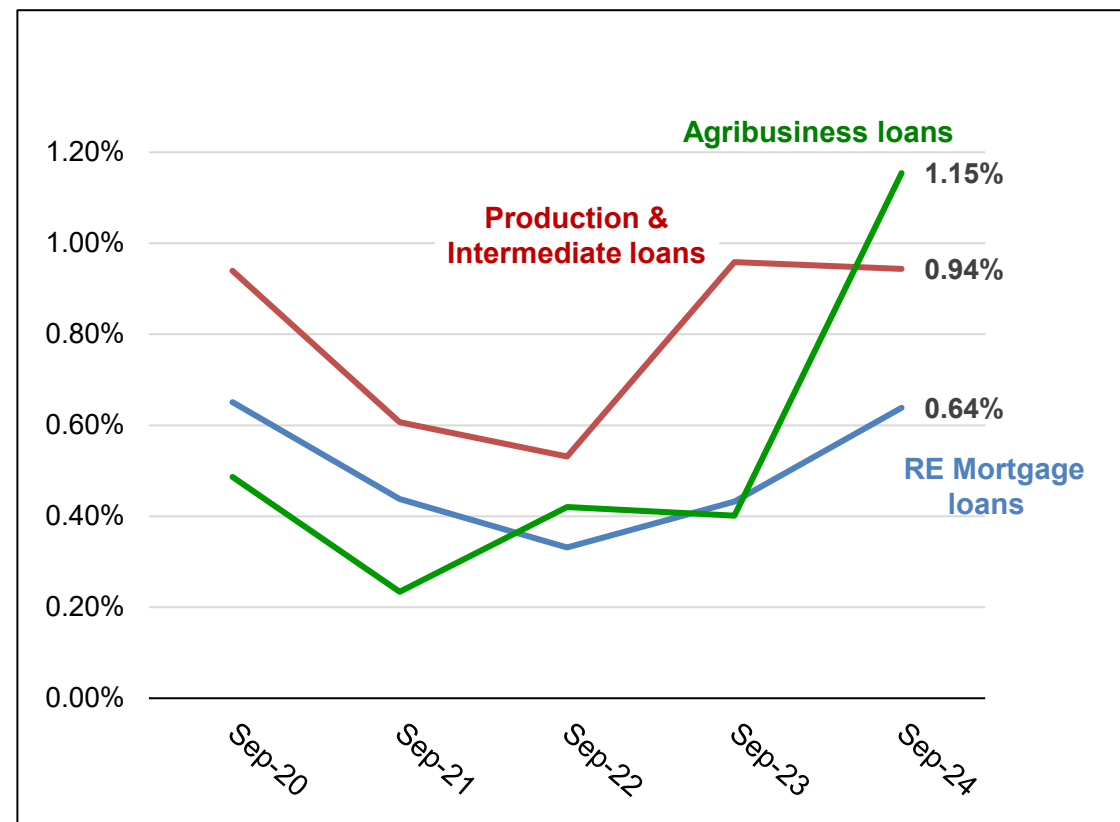
Nonperforming Assets⁽¹⁾

(as a percentage of loans outstanding and other property owned)



Nonaccrual Loans by Loan Type

(as a percentage of loans outstanding)

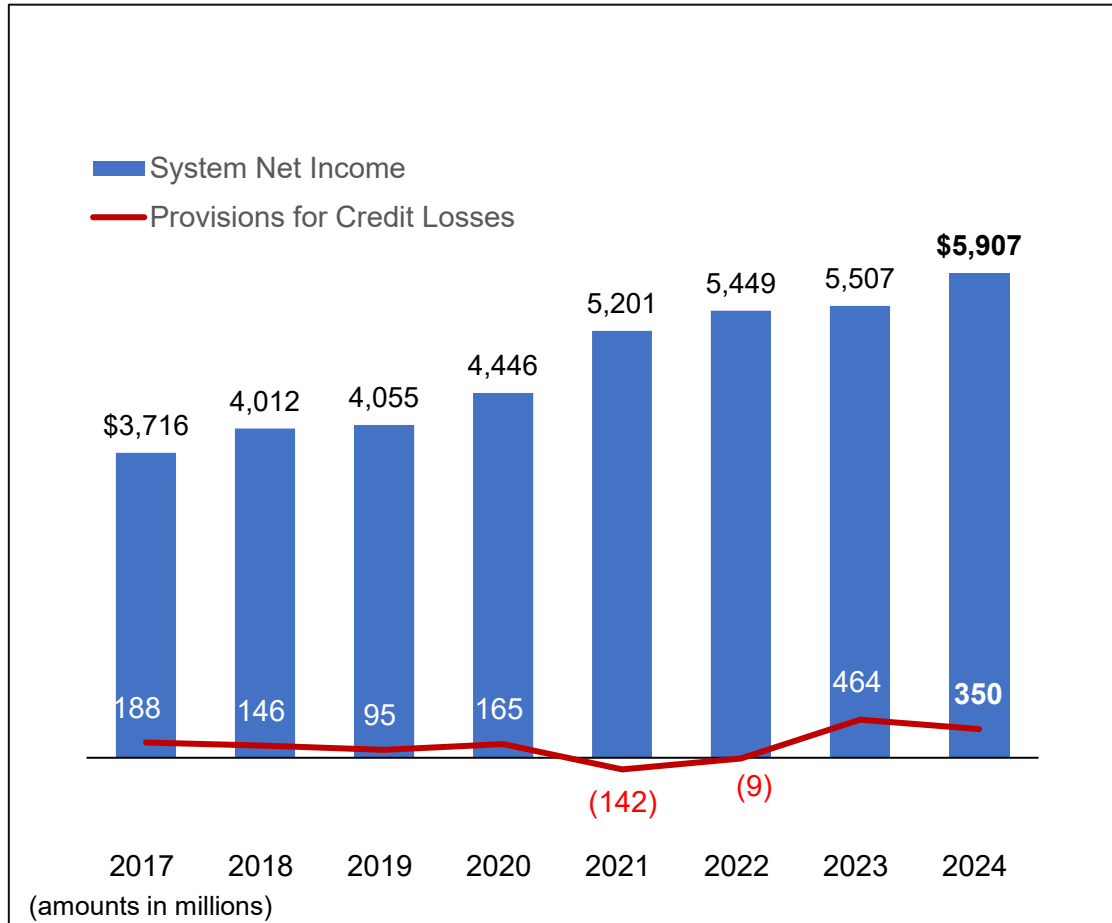


(1) Prior to the adoption of CECL on 1/1/23, nonperforming assets included accruing restructured loans



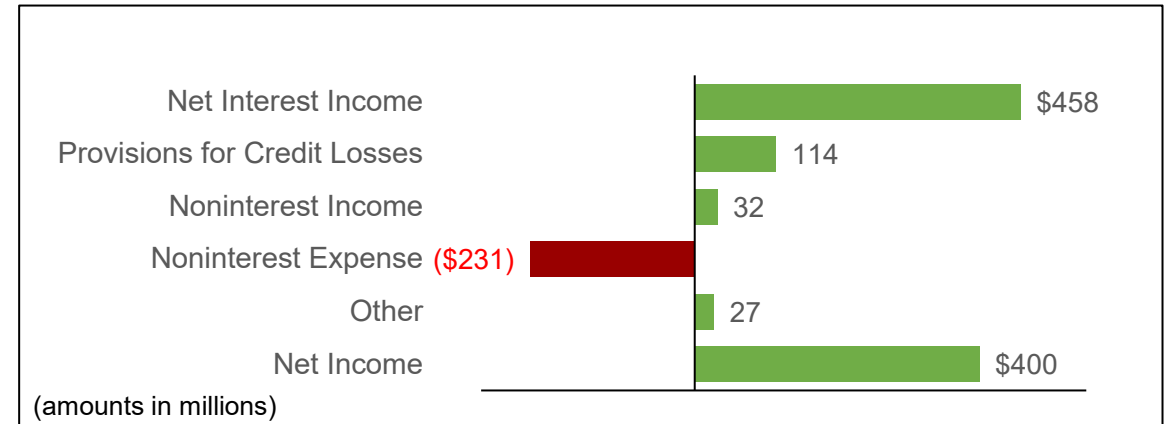
Year-to-date earnings growth driven by strong growth in net interest income

System Earnings (year-to-date through September)

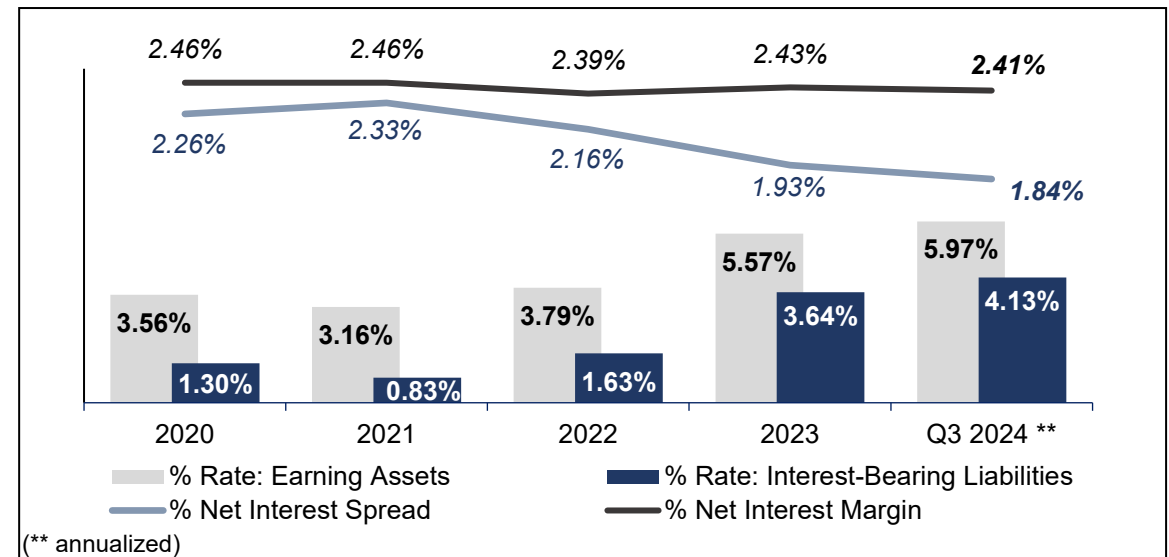


Source: Federal Farm Credit Banks Funding Corporation Information Statements

Change in Net Income (year-to-date through September)



Net Interest Spread | Net Interest Margin

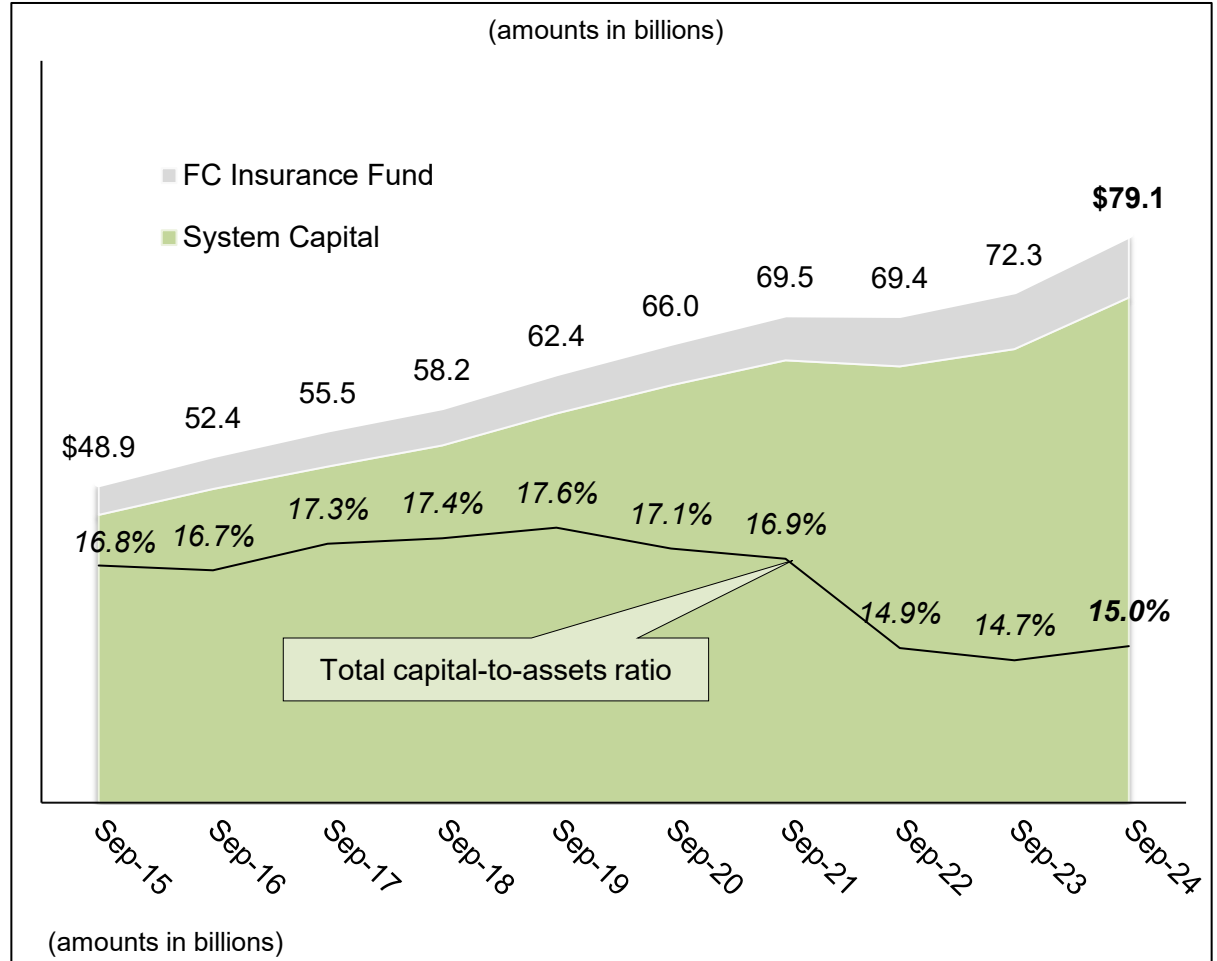




Strong earnings support continued capital growth

- ▶ Total capital increased to \$79.1 billion or 9.4% year-over-year.
- ▶ The System's capital-to-assets ratio increased to 15.0% compared with 14.7% a year ago.
- ▶ Total regulatory capital ratios:
 - Banks: 14.6% to 15.9%
 - Associations: 12.2% to 35.4%
- ▶ Days of liquidity for the 4 funding banks ranged from 155 to 220 days.
- ▶ Capital and the allowance for credit losses on loans equaled 19.5% of loans outstanding as of Sept 30 compared with 19.2% a year ago.

Total Capital⁽¹⁾
(for the quarter ended Sept 30)





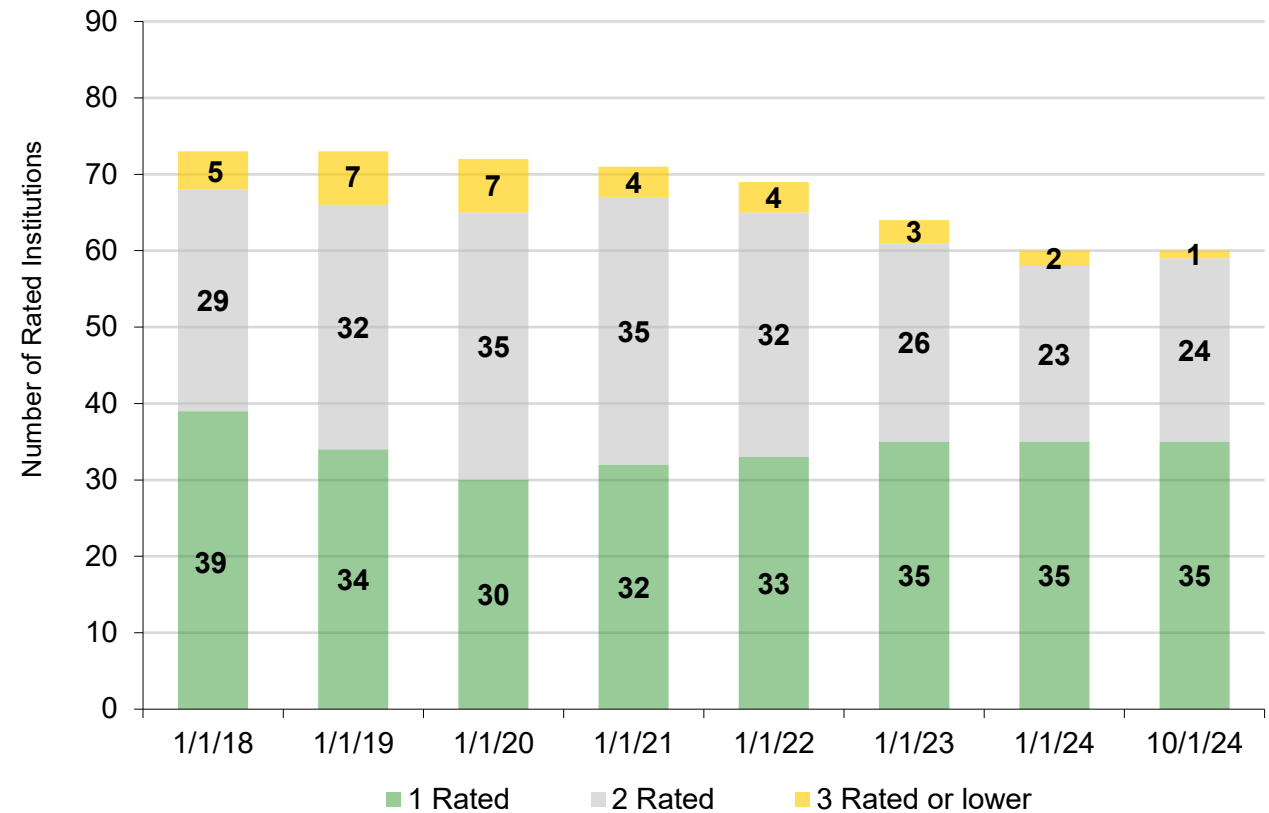
Composite FIRS ratings remain steady

Current FIRS Ratings

(based financial reporting through 9/30/24)

- ▶ Composite FIRS ratings reflect the System’s sound financial condition.
- ▶ Over 98% of System banks and associations have a composite FIRS rating of 1 or 2.
- ▶ Institutions rated 3 or lower hold less than 1% of System assets.

Composite FIRS Ratings Farm Credit System Banks and Associations



Source: FCA’s FIRS ratings database



Risks we are monitoring

Borrowers and System institutions face a more challenging operating environment in 2025.

- ▶ Stress in the grain sector as lower prices and elevated production costs compress margins.
- ▶ Greater reliance on operating lines as liquidity declines.
- ▶ Impact of changing interest rates and lower farm sector income on farmland and collateral values.
- ▶ Potential shocks to agriculture: global regional conflicts, changes to foreign trade policies, avian influenza, and possible farm program changes.



**FCA Board Meeting
December 2024**

Exhibit E

Semi-Annual Report on Office of Examination Operations

December 12, 2024

**Rachel Connolly, FCA Supervisory Examiner
Angela Greenlee, Director of Operations**





OE Operations Agenda Topics

- ▶ Fiscal Year 2024 Operating Plan Objectives
 - Risk Supervision and Examination Activities
 - Public Mission
 - Operational Efficiency and Effectiveness
 - Human Capital

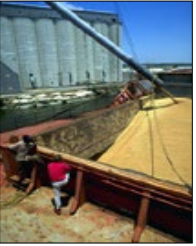
- ▶ Office of Examination Budget Results





Risk Supervision & Examination

- ▶ Conducted **onsite** examination and/or oversight activities as planned at 4 funding banks, 52 associations (90%), and 6 other entities
- ▶ Issued 46 reports of examination, 43 interim activity letters, and 72 FIRS Letters
- ▶ Maintained a higher level of supervisory oversight at 2 System institutions
- ▶ Issued examination guidance





Risk Supervision & Examination (continued)



- ▶ FY2024 National Oversight Plan Focus Areas
 - Cybersecurity threats and a changing operational environment
 - Capital markets loan growth and increased risk in large, shared assets and commodity segments
 - Long-term financial stewardship
 - Stress analysis in a period of heightened volatility and uncertainty
 - Standards of conduct

- ▶ Completed all 7 systemic risk strategies and 3 institution risk strategies



Public Mission



- ▶ Young, Beginning, and Small Farmers (YBS) Programs
 - Proposed changes to exam guidance and rating criteria and provided staff training based on the YBS final rule and BL-040 updates
 - Worked with ORP and ODAE on internal and external YBS FAQs
 - Reviewed 2024 qualitative YBS rating results and prepared a summary

- ▶ Small, low risk associations
 - Met with CEOs of small associations and discussed OE steps to address their concerns



Operational Efficiency and Effectiveness



- ▶ Examination Tool Innovations
 - Continued to enhance the EDGe application and reports
- ▶ OE Operational Process Innovations
 - Continued to modernize OE management reporting and planning processes by transitioning reports to PowerBI
- ▶ FCS Loan Database Improvements
 - Continued to work with the System to add new data fields and assess and improve data reliability
 - Developed new reports



Human Capital

- ▶ Completed strategies related to recruitment, retention, training, development, and knowledge transfer
 - Hired 13 associate examiners, 2 commissioned examiners, 1 mid-career technical specialist for a total of 16 staff.
 - Attrition level remained stable at 8 percent and was slightly below the projected 9 percent attrition for the year.
 - Continued to offer rotational and temporary assignments, post-commissioned training, and training at OE manager and OE all staff meetings, and field office meetings.
 - Continued planning the 2025 OE Conference





Human Capital (continued)

- ▶ Ended FY 2024 above plan on total staff and near our optimum goal of 190
- ▶ Remained below optimal target for commissioned examiners and technical specialists as of 9/30/2024

Total OE Staff

Total OE Staff	Planned	Actual	Variance
Beginning FY 2024	182	185	3
Attrition Retirements	(18)	(15)	3
Hirings	18	16	(2)
Ending FY 2024	182	186	4

Commissioned Examiners

Commissioned Examiners	Planned	Actual	Variance
Beginning FY 2024	83	81	(2)
Attrition Retirements	(8)	(8)	0
Promotion to EMT	0	(1)	(1)
Hirings	2	2	0
Newly Commissioned	9	9	0
Ending FY 2024	86	83	(3)



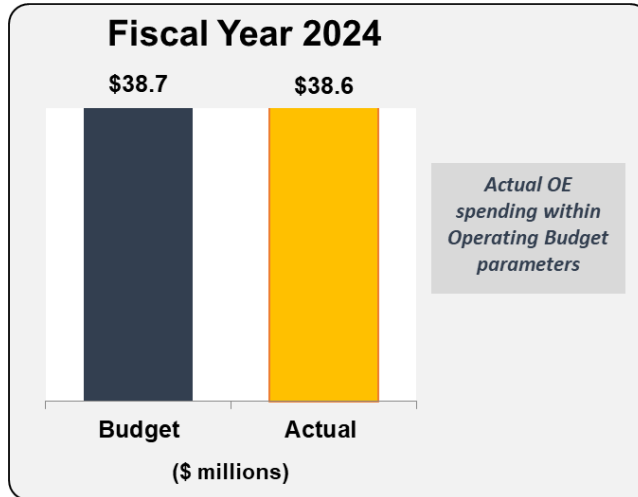


OE Budget Results



► Fiscal Year as of 9/30/2024

- Actual expenses were in line with our adjusted budget with return to normal travel
- Full Time Equivalents (FTEs) were in line with budget



FTEs	
◆ Budgeted Full Year FTEs	184.6
◆ Actual Full Year FTEs	184.8
At Budget	0.2



Summary

- ▶ Effectively conducted all planned examination and oversight activities
- ▶ Completed FY 2024 Operating Plan and NOP strategies
- ▶ Focused on ensuring OE has sufficient highly skilled staff to accomplish our mission
- ▶ Actively managed our budget as we returned to normal travel





Discussion



THANK YOU