

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
June 13, 2024**

These minutes reflect the business transacted at the June 13, 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 10:51 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 eight 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 May 9, 2024

(BM-13-JUN-24-01)

Mr. Hall moved to approve the minutes for the May 9, 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-13-JUN-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 **Lun Nguyen** 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

Chelsea Mercer and **Nicole Peek** 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 10:51 a.m.

NOTATIONAL VOTE ACTIONS

There were three notational vote actions approved by the FCA Board from May 9, 2024, through June 12, 2024.

Item Number	Action Date	Voting Results	Subject
NV 24-07	5/10/2024	Approved	Spring 2024 Abstract Update to the Unified Agenda of Federal Regulatory and Deregulatory Actions, Executive Order 12866 Annual Review of Significant Regulatory Actions, and Spring 2024 Regulatory Plan
NV 24-08	5/23/2024	Approved	Amendments to FCA Board Policy Statement 64 – Rules for the Transaction of Business of the FCA Board
NV 24-09	6/10/2024	Approved	Delegation of Authority to Approve Certain Capital-Related Requests

The undersigned hereby certify that the foregoing minutes are the official minutes of the regular meeting of the Farm Credit Administration Board held on June 13, 2024.

_____/s/
Vincent G. Logan
Chairman and CEO

_____/s/
Ashley Waldron
Secretary to the Board

Approved: July 11, 2024

**BOARD AND STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
June 13, 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
Lund, Zachary	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
Diaz, Mauricio	X
OEEOI	
Burlew, Thais	X
Fish, Tyler	X
Major, Sara Lynn	X
OIT	
Versace, Jerry	X
Matos, Ricardo	X
Rana, Ben	X
OCPA	
Reuschel, Trevor	X
Rezendes, Andrew	X
OGC	
Grahn, David	X
OE	
Duffy, Mike	X
Fennewald, Dan	X
Greenlee, Angela	X
Nguyen, Lun	X
Mercer, Chelsea	X
Peek, Nicole	X
Holmes, Graham	X
ODAE	
Shields, Dennis	X

ATTENDEES	OPEN SESSION
Lyons, Greg	X
OIG	
Laguarda, Wendy	X
Miller, Kevin	X
OSMO	
Fay, Thomas	X
Hudson, Bruce	X
ORP	
Kramp, Kevin	X
Agans, Autumn	X
OCFO	
Gandy, Doug	X
OAS	
Bell, Vonda	X
Adkins, Byron	X
FCSIC	
Simonson, John	X
Wynn, Wade	X
Morgan, Matthew	X
Bowen, Mark	X
GENERAL PUBLIC	8

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 June 13, 2024

TIME AND DATE: 10 a.m., Thursday, June 13, 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](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 Minutes for May 9, 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

June 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 May 9, 2024, Regular Board Meeting

BM-13-JUN-24-01

Effective Date: June 13, 2024

Impact on Prior Board Actions: None

THE FCA BOARD HEREBY:

- Approves the minutes for the May 9, 2024, regular Board meeting, as presented.

DATED THIS 13th DAY OF JUNE 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

June 13, 2024

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

Lun Nguyen — Supervisory Senior Examiner,
Office of Examination





Topics for Open Session

Economic Conditions Affecting the Farm Credit System

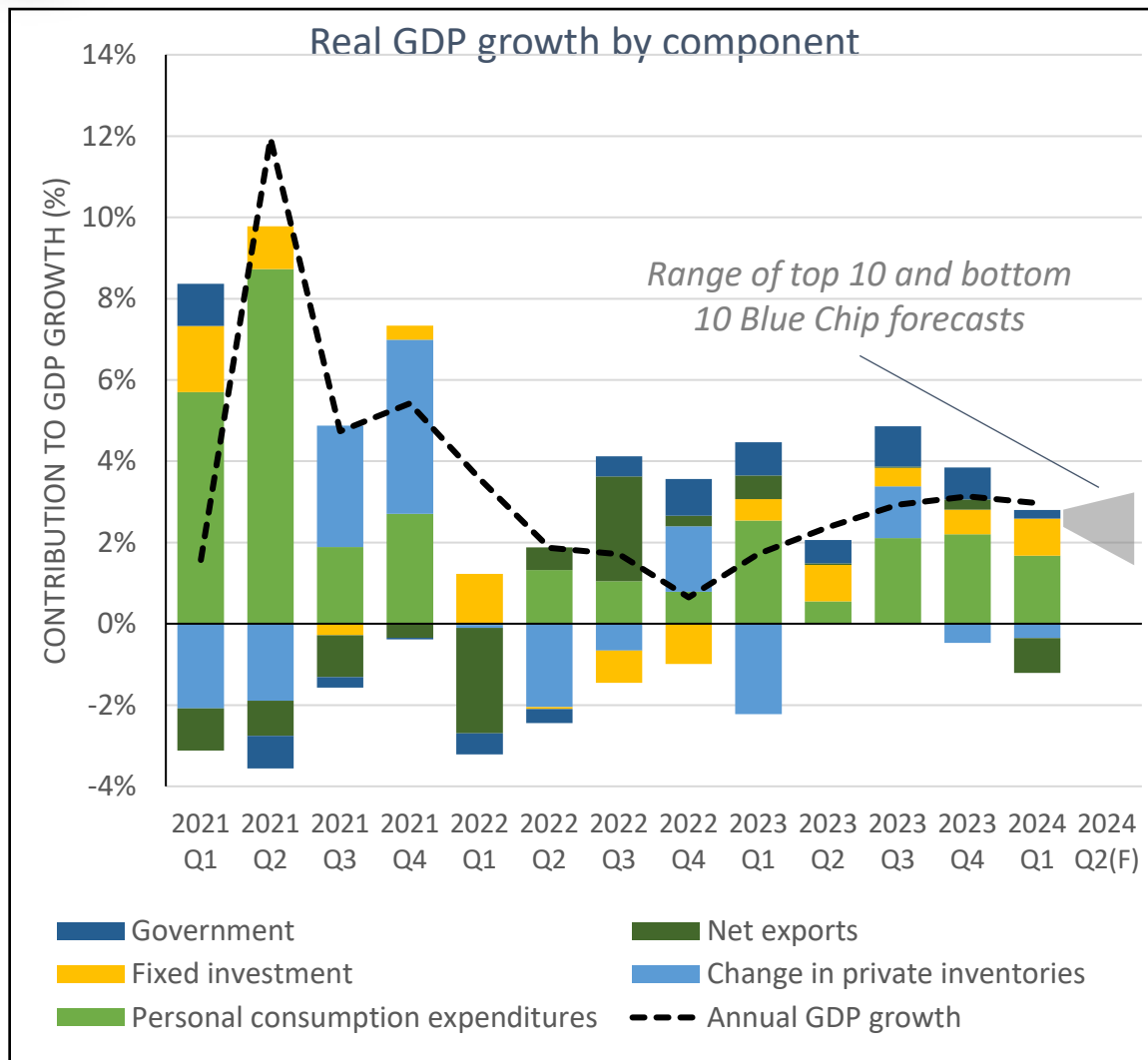
- ▶ Macroeconomic conditions
- ▶ Agricultural incomes
- ▶ Farmland markets

Farm Credit System Condition and Performance

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



Slow growth forecast for 2024, with downside risk



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

GDP forecasts slip, but remain positive

- Growth expectations below 2023 levels
- 12-month ahead recession probabilities fall

Personal spending capacity falls

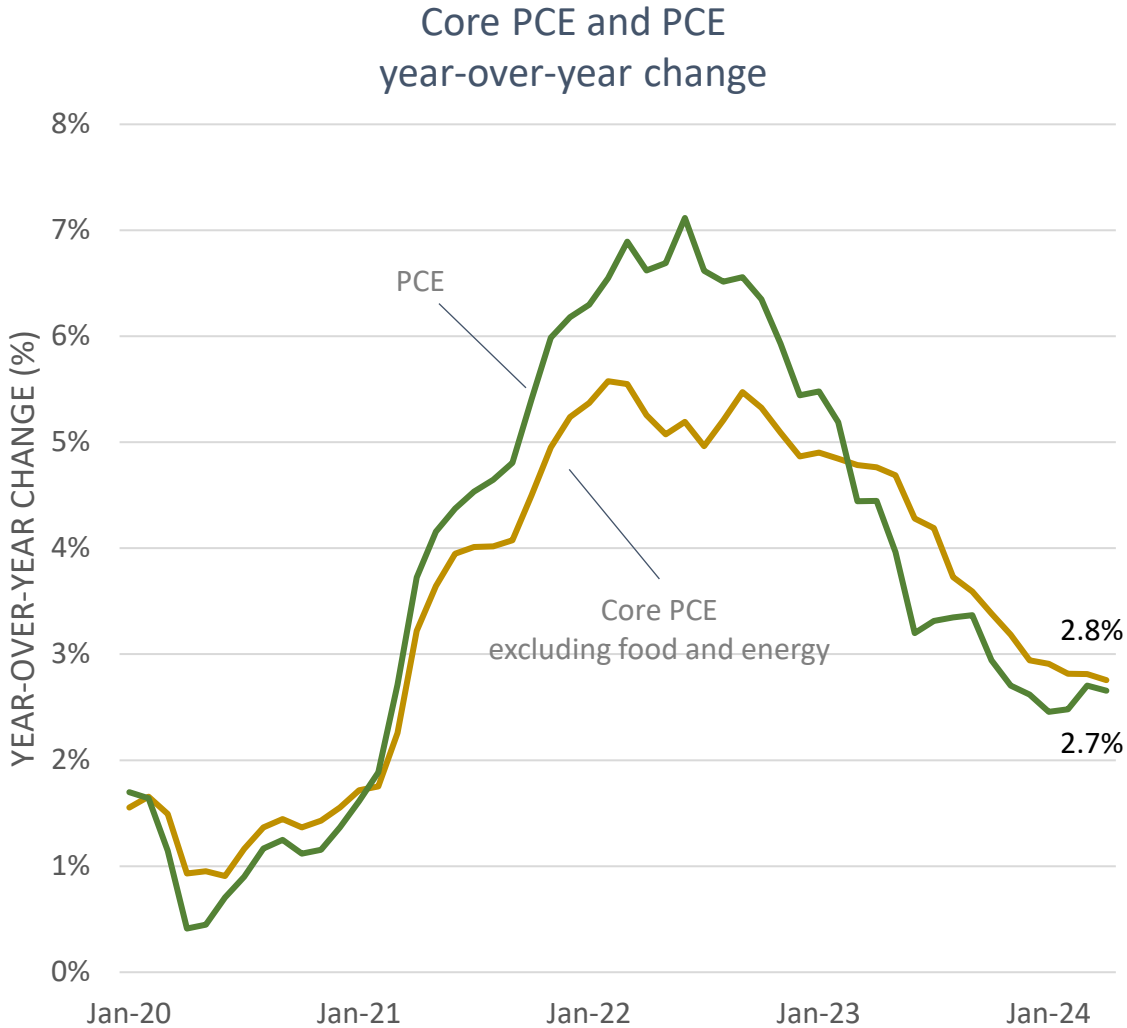
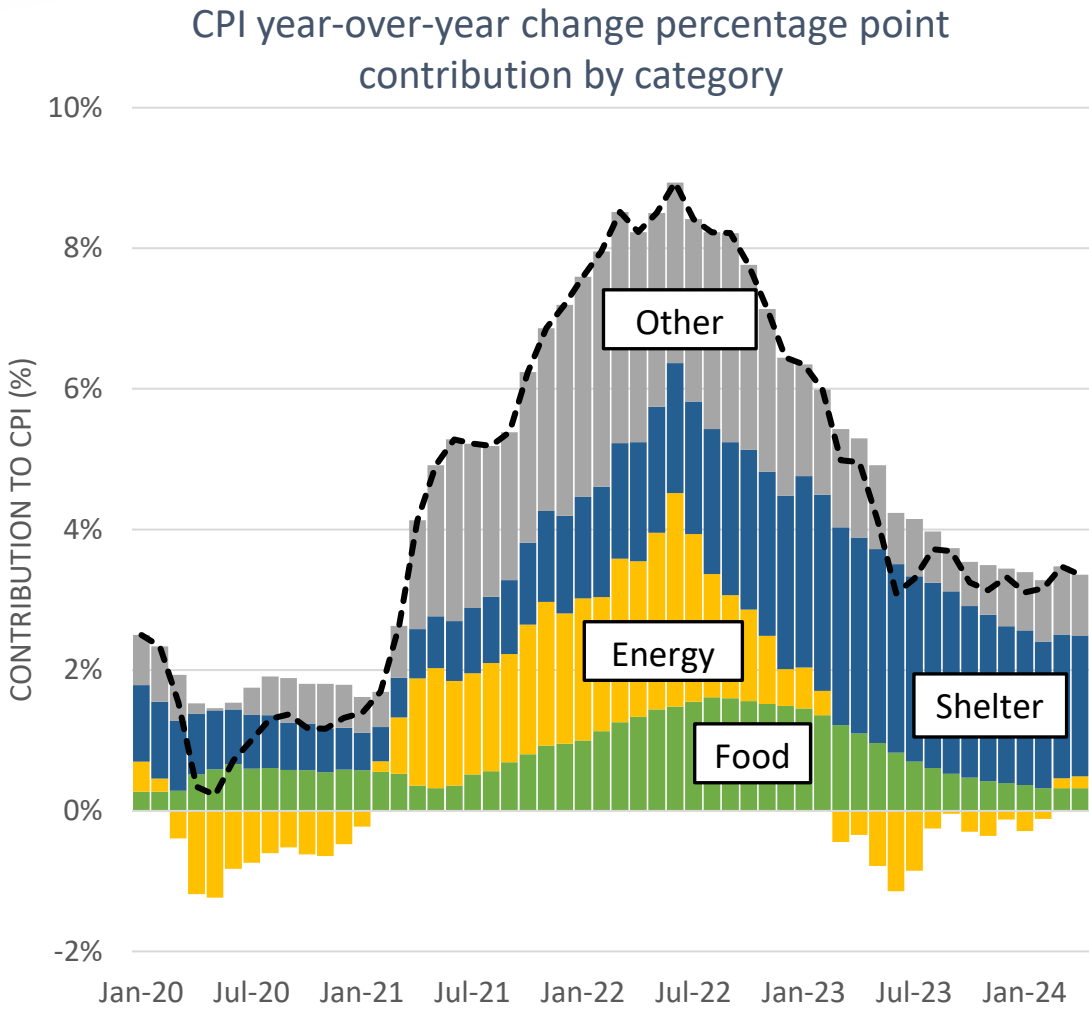
- Personal saving rates decline
- Credit card delinquencies rise
- Consumer loan demand weakens

Consumers are more selective

- Falling good purchases
- A plateau in food services



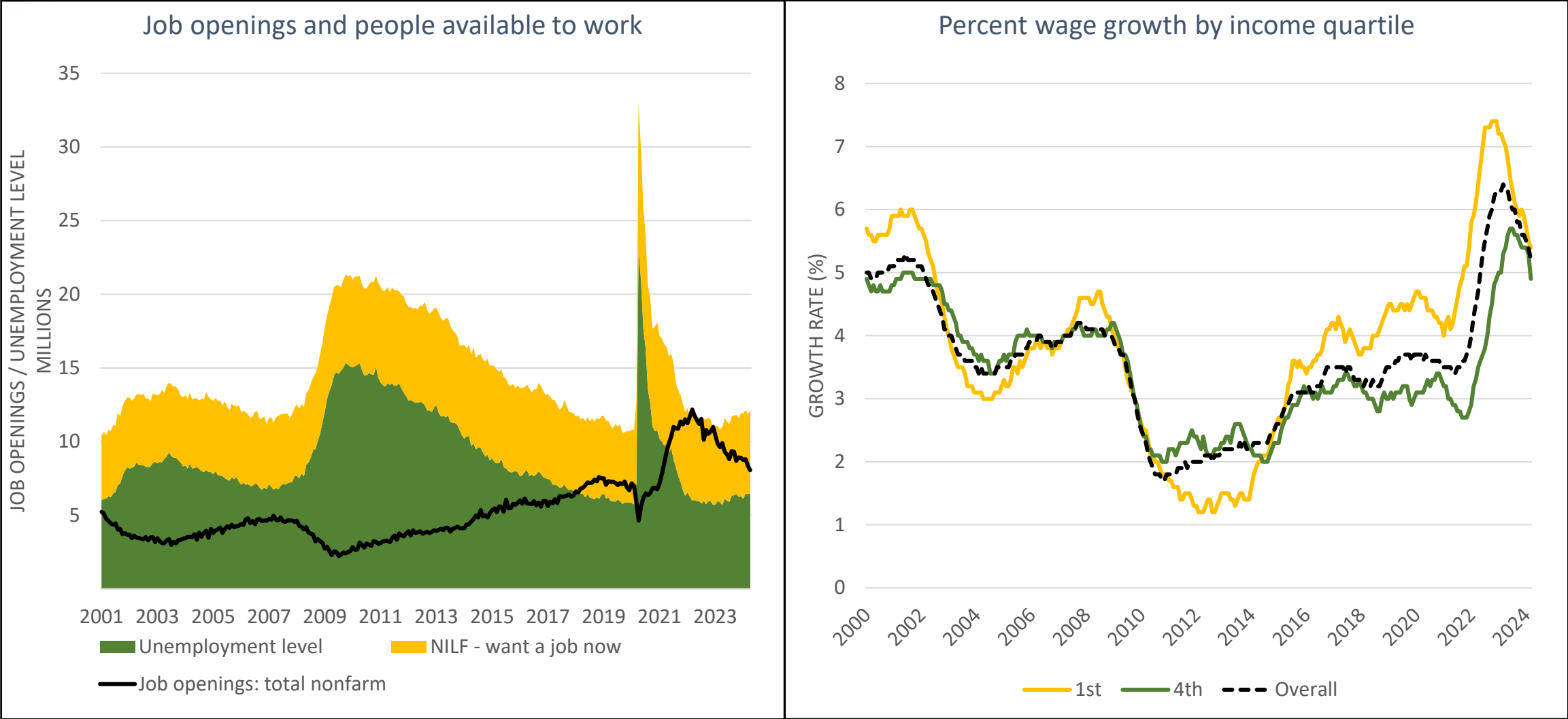
Inflation continues to moderate, but progress has slowed



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



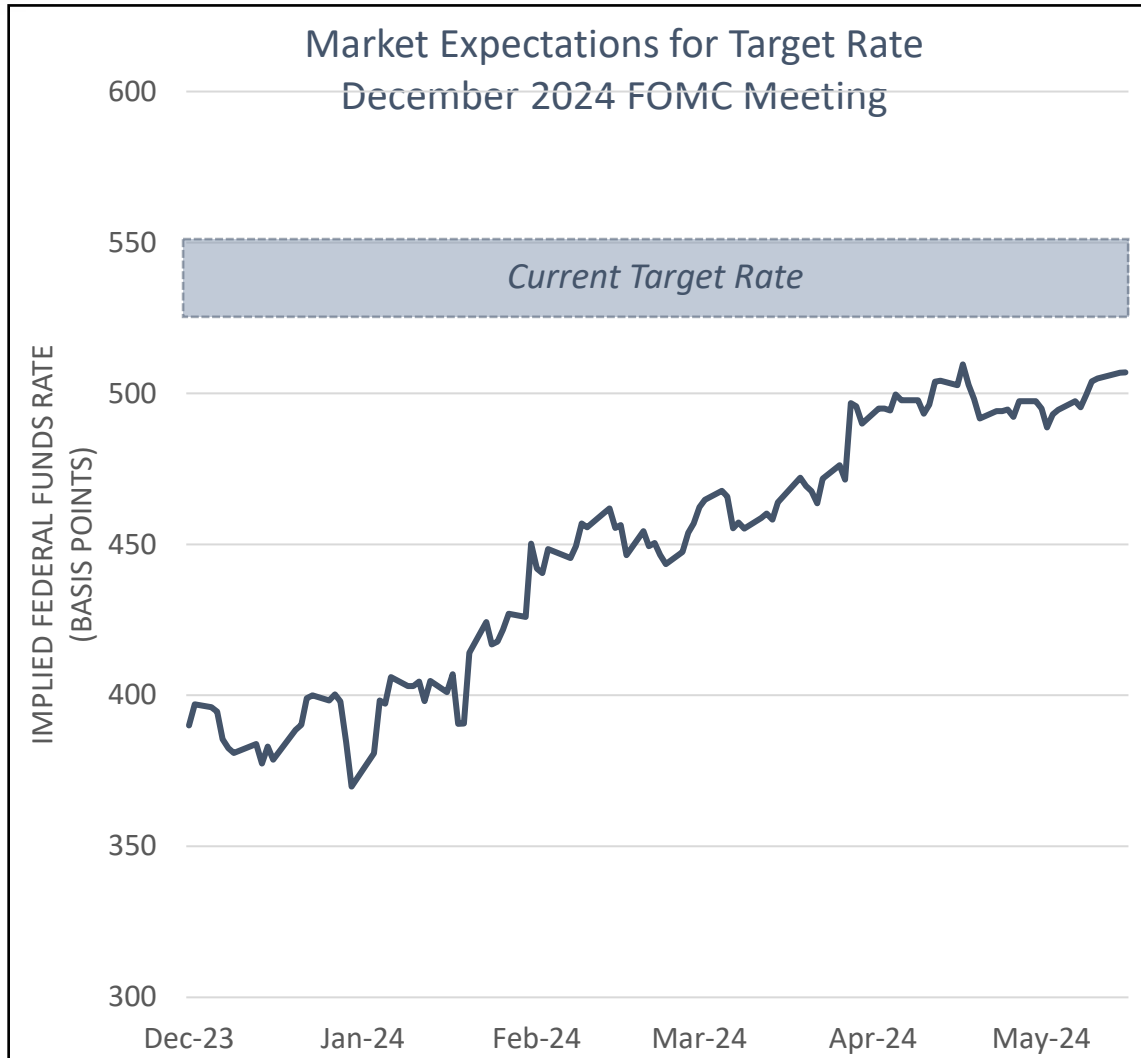
Labor markets cool, but job openings and wage growth point towards residual tight conditions



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.



Current economic conditions give Federal Reserve room to watch and wait



Less economic pressure for rate reductions

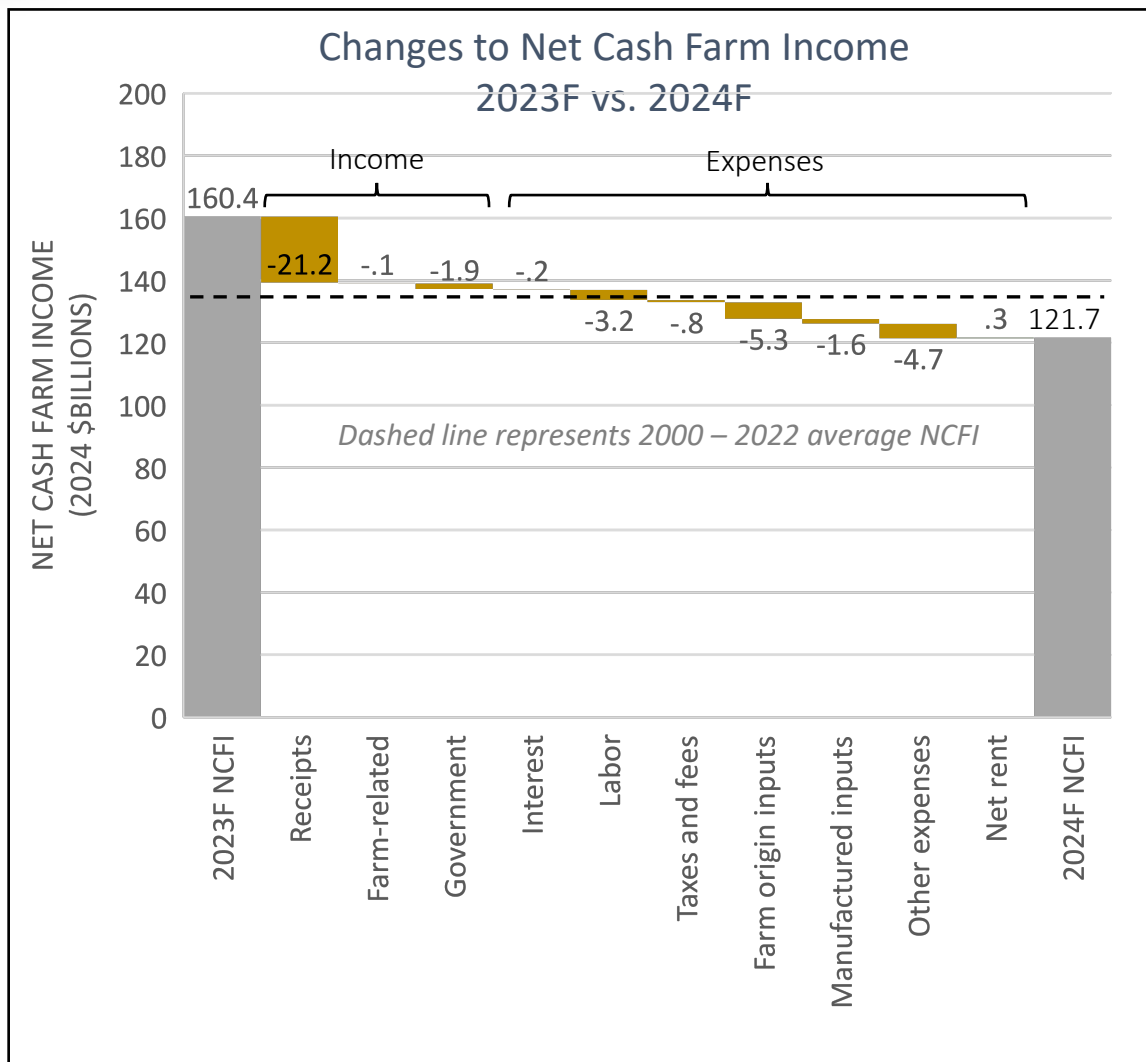
- Lower recession probabilities
- Sticky inflation measures
- Supportive labor market

“The [Federal Open Market] Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent.”

- FOMC Apr/May Statement



USDA projects second year of sharp income declines as receipts fall and expenses continue to climb



Income continues marked decline

- Price declines offset higher quantities
- Corn, soybean receipts drive fall
- Lower supplemental, ad-hoc payments

Expenses continue to rise

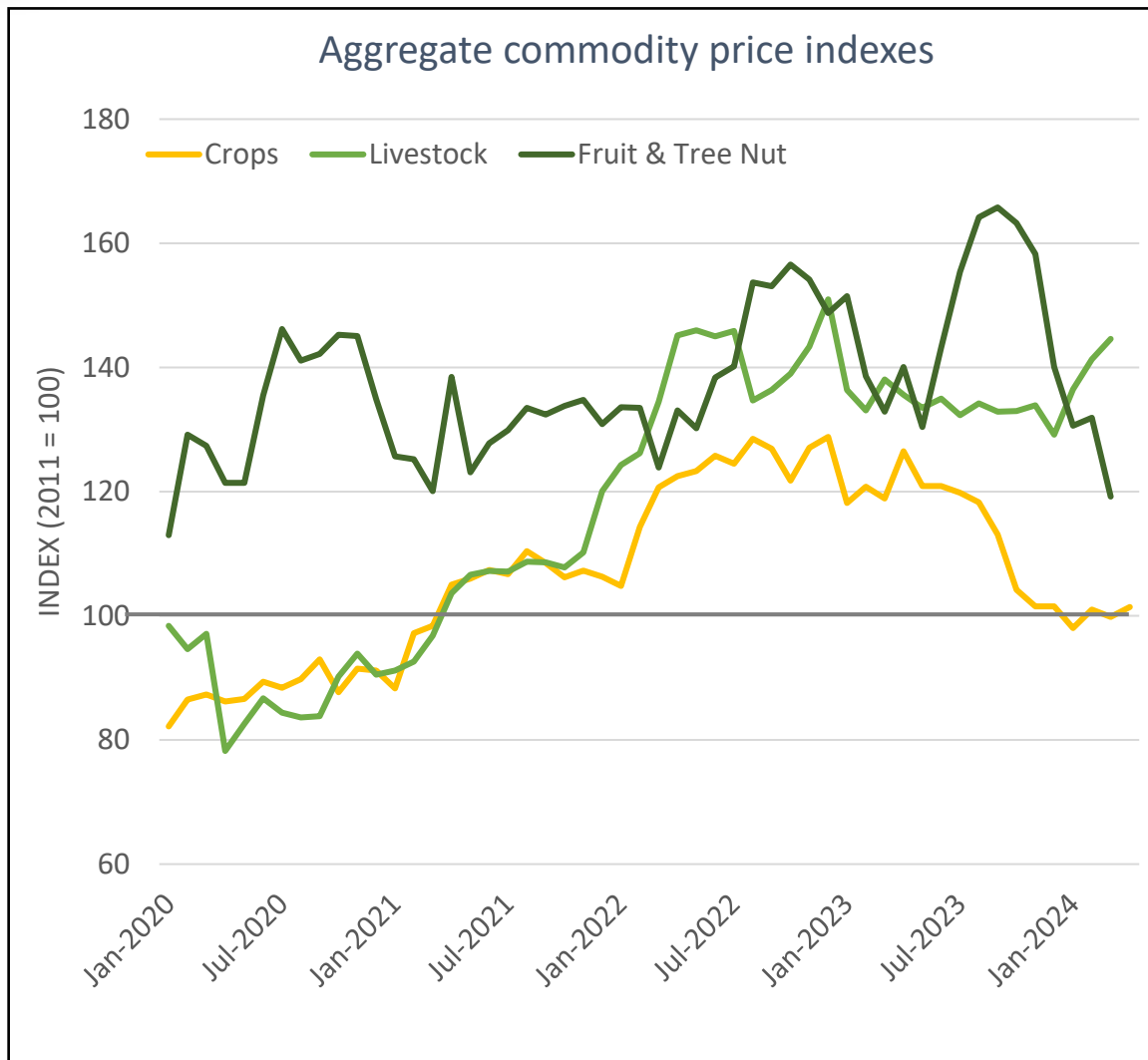
- Highest real expenses since 2014
- Interest, labor, livestock lead increases

Financial ratios fall from recent highs

- Liquidity, profitability ratios fall
- Solvency ratios show continued strength



Livestock sector sees stronger prices while other sectors search for footing



Source: USDA NASS Agricultural Prices. Indexes represent prices received by growers.

Crops

- Marketing opportunities follow brief run
- Cash grains look for next price support
- Breakeven prices

Livestock

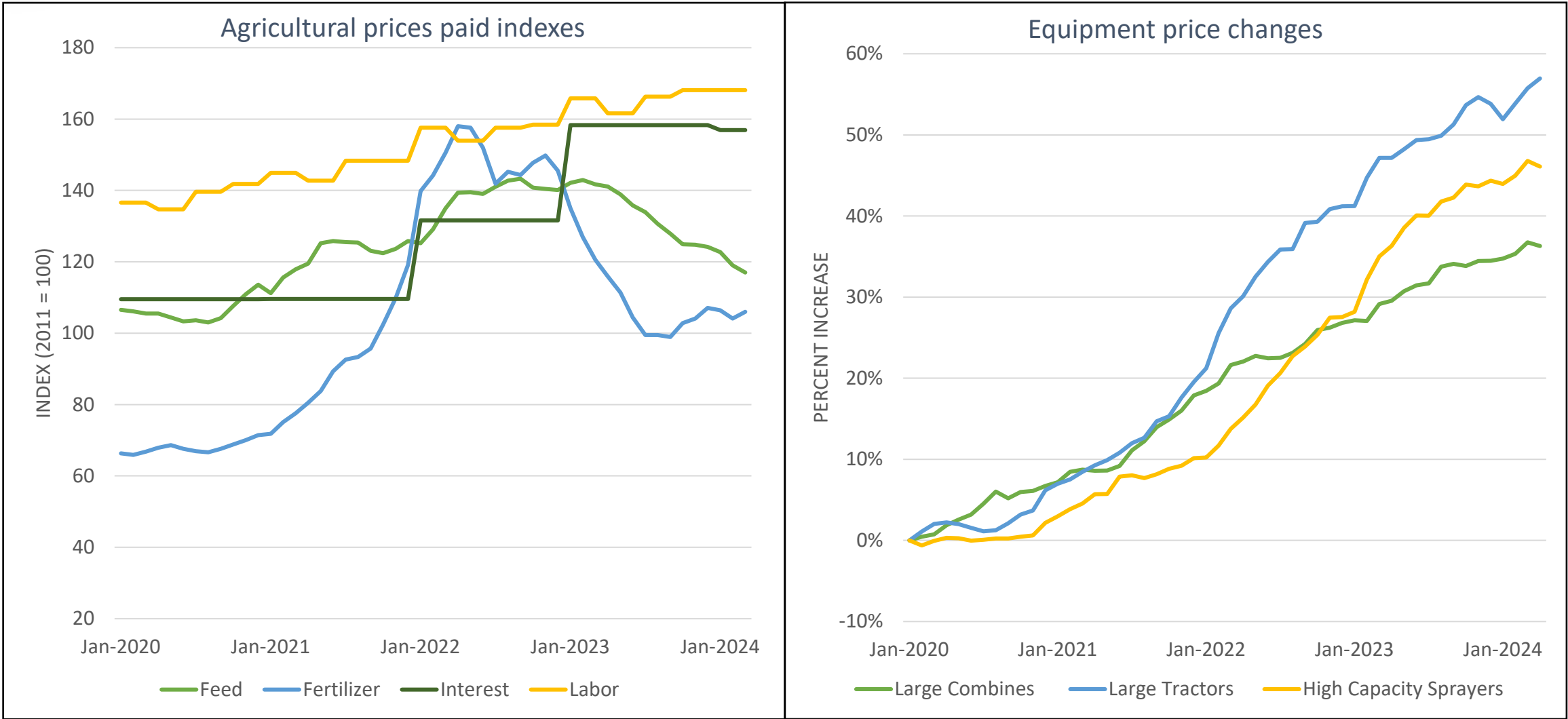
- Cattle shine, but profits mixed across sector
- Feed costs vs. nonfeed costs
- Consumer demand strong – for now

Fruit / Nut

- Near-record production weighs on tree nuts
- Aggregate fruit, nut prices fall



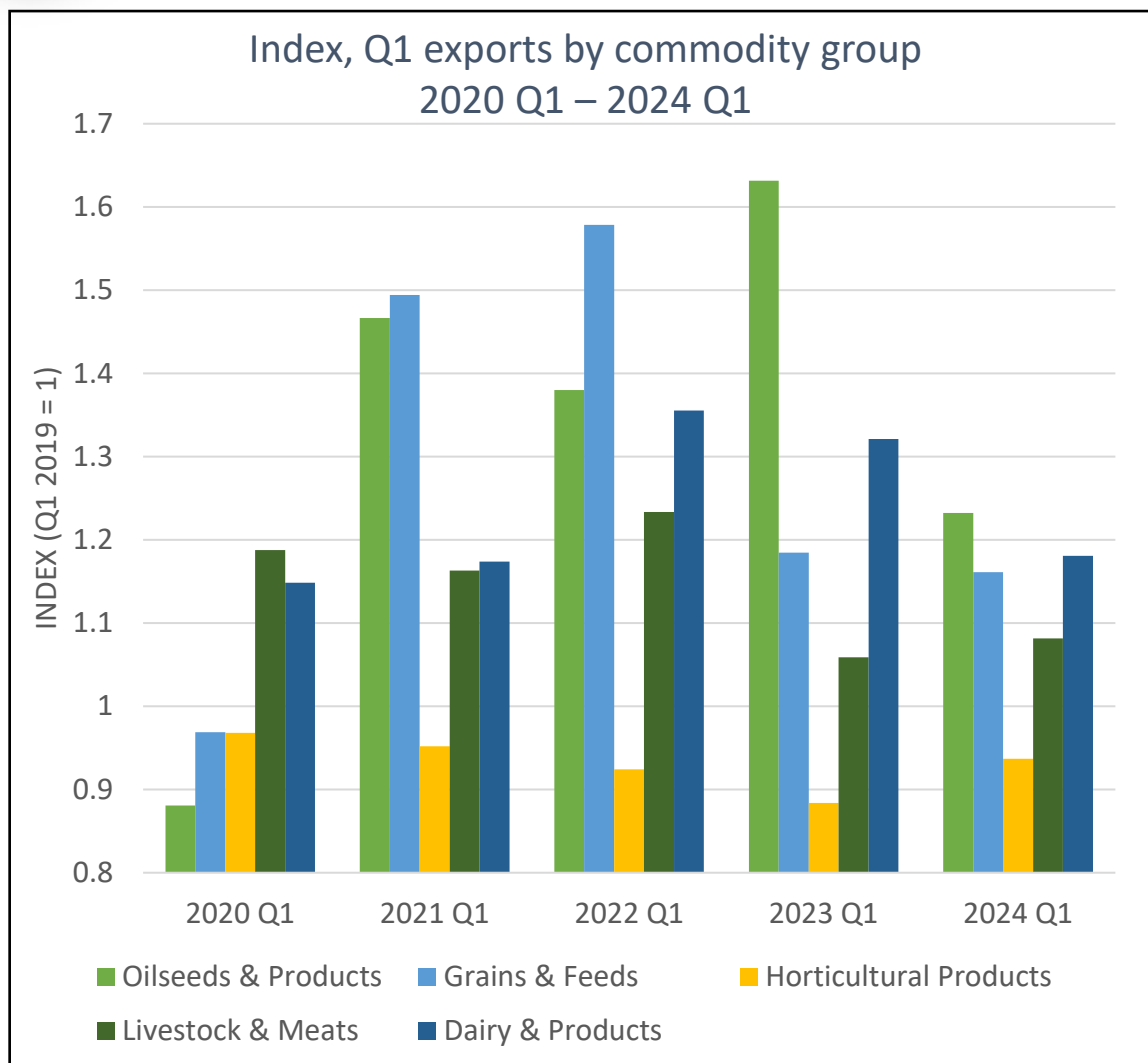
Select input prices moderate, but higher cost environment likely to persist



Sources: USDA NASS Agricultural Prices and Iron Solutions



Exports remain strong to start 2024, but downside risk remains



Economic headwinds to exports

- Strong dollar hinders ag exports
- Forecast slower growth in emerging markets

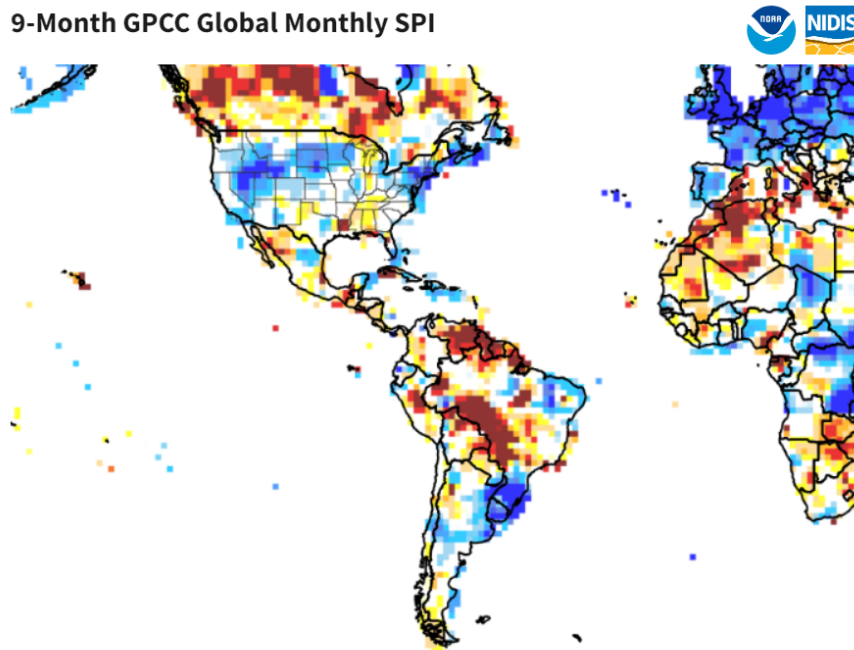
Divergent stories

- Soybean exports decline globally
- Continued strength from Mexico, Canada
- Consumer-oriented goods persist
- Geopolitical pressures



Favorable weather conditions to start 2024 growing season

9-Month GPCC Global Monthly SPI



Dry Conditions



Wet Conditions



Source(s): GPCC
Data Valid: 05/10/24

Drought.gov

Current U.S. conditions supportive for growth

- Crop plantings planted / emerging on time
- Drought in parts of the Plains

Domestic 3-month forecast show few risks

- Warmer weather across the country
- Less precipitation in Mountain, northwest
- Wetter conditions in Southeast

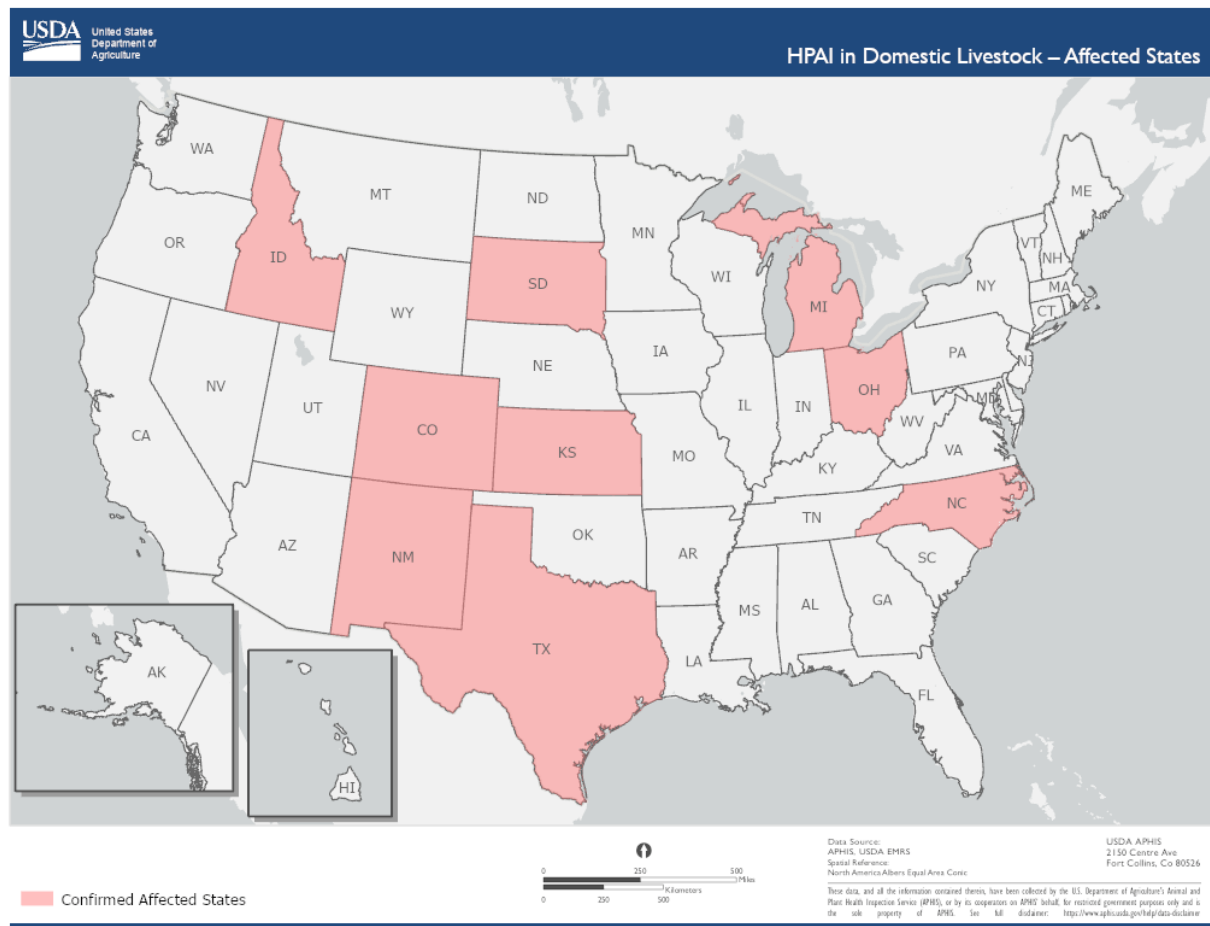
Some price upside from global conditions

- Poor conditions in parts of Brazil, Argentina
- Dryness, frost hit Russian wheat
- Keeping an eye on China



Highly pathogenic avian influenza detections in livestock add some uncertainty to outlook

Confirmed cases of HPAI in Domestic Livestock



Minor impacts to production to date

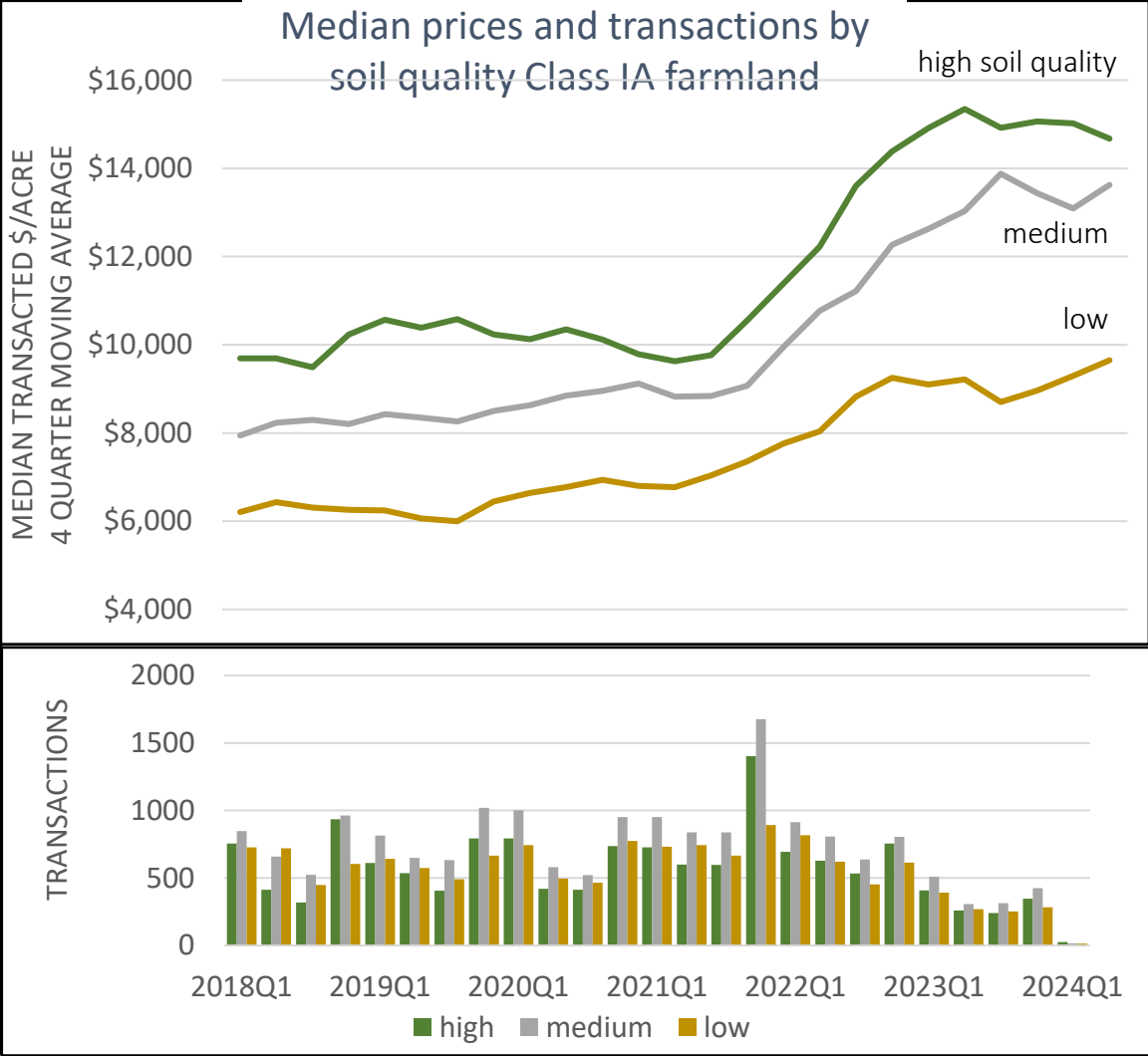
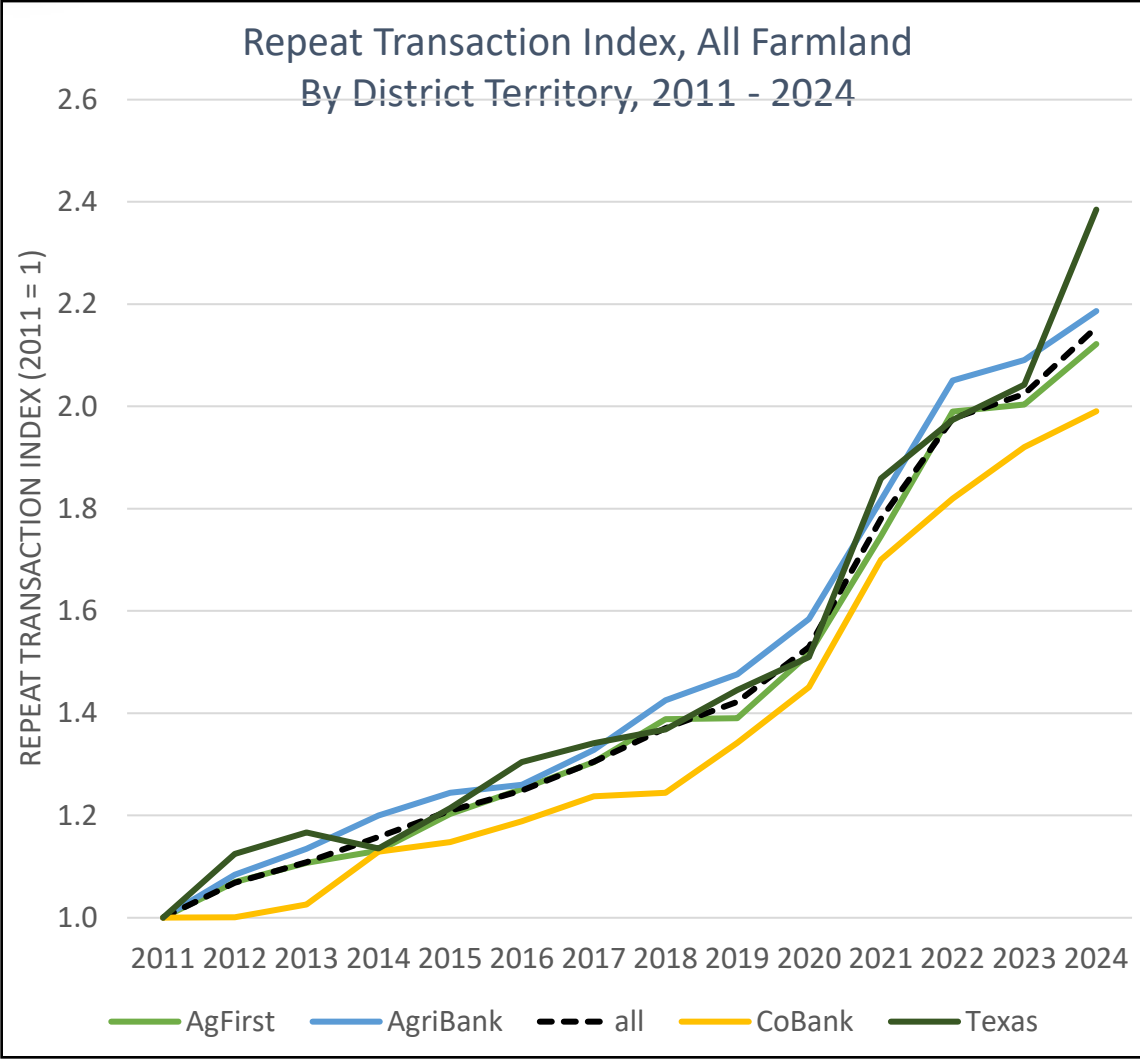
- 1% decline in milk herd during Q1
- 80 unique confirmed outbreaks

Risks remain

- Confirmed cases in other livestock
- Containment introduces new expenses



Select farmland markets show second year of little or no growth to start 2024



Source: CoreLogic Transaction Database, ODAE calculations



Questions?



Farm Credit System Condition and Performance as of March 31, 2024

Lun Nguyen
Supervisory Senior Examiner
Office of Examination

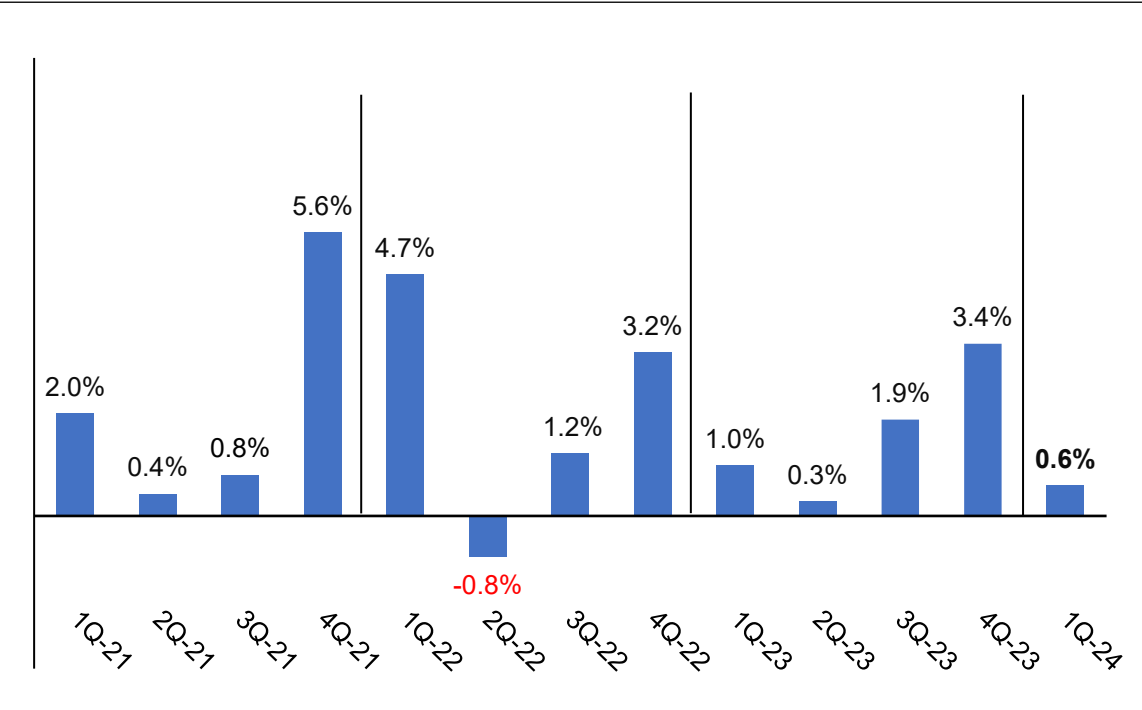




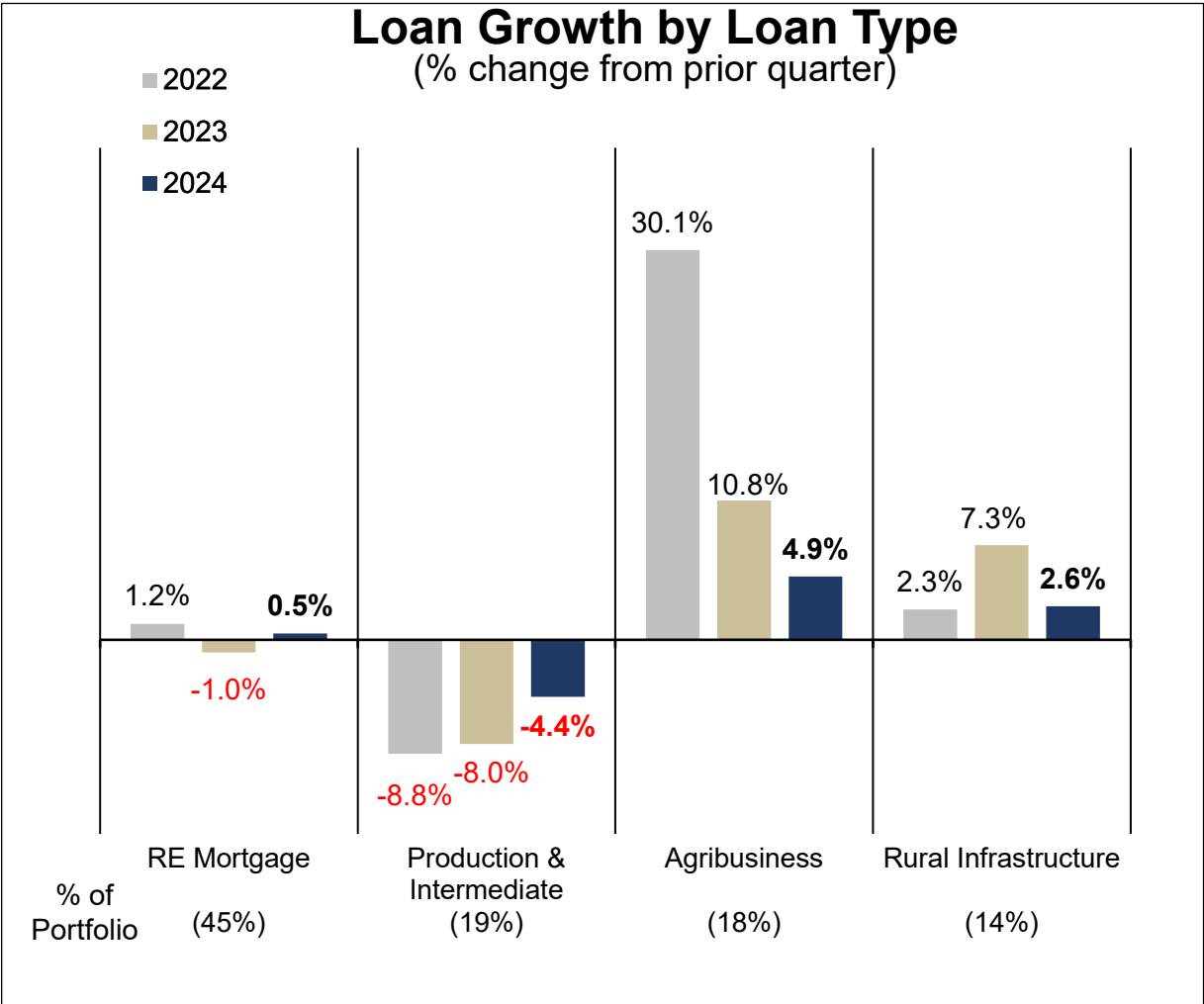
System reports modest growth in the 1st quarter, seasonal factors drive financing needs

Total Assets 03/31/24	\$504.5 billion	-0.7% Qtr +4.1% 12M	Gross Loans 03/31/24	\$400.5 billion	+0.6% Qtr +6.2% 12M

Portfolio Loan Growth



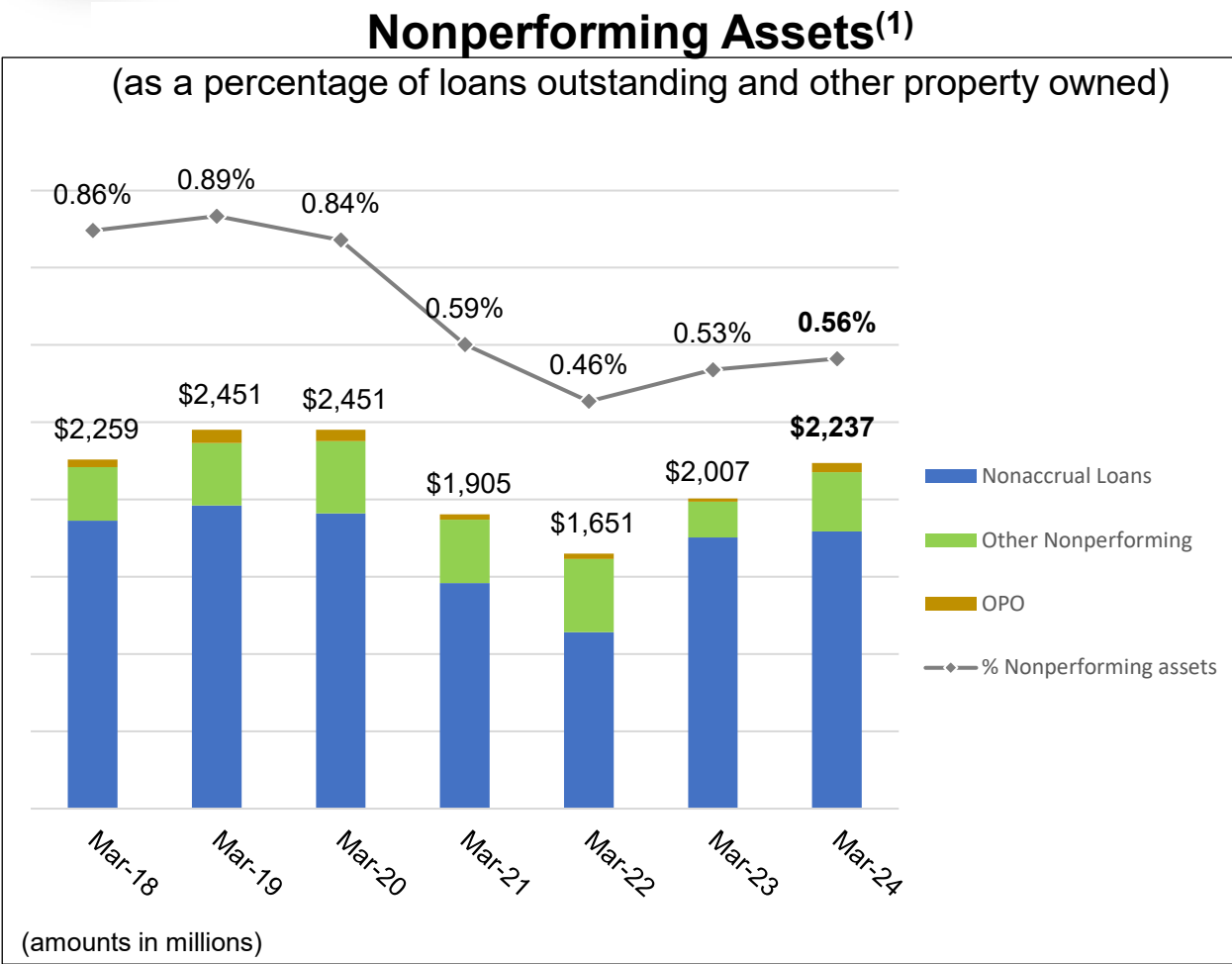
Loan Growth by Loan Type
(% change from prior quarter)



Source: Federal Farm Credit Banks Funding Corporation Information Statements

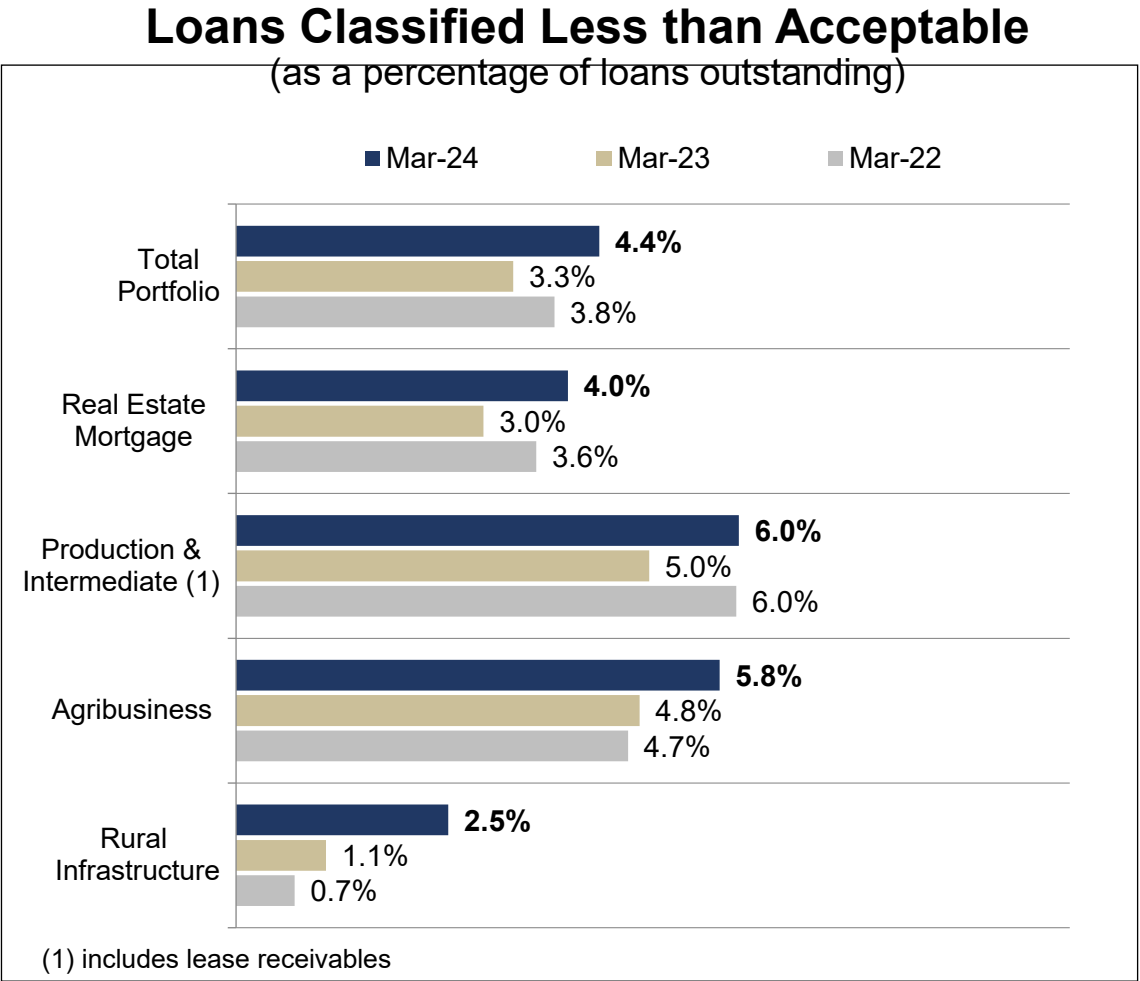


Credit risk measures trend higher, but portfolio risk remains low



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

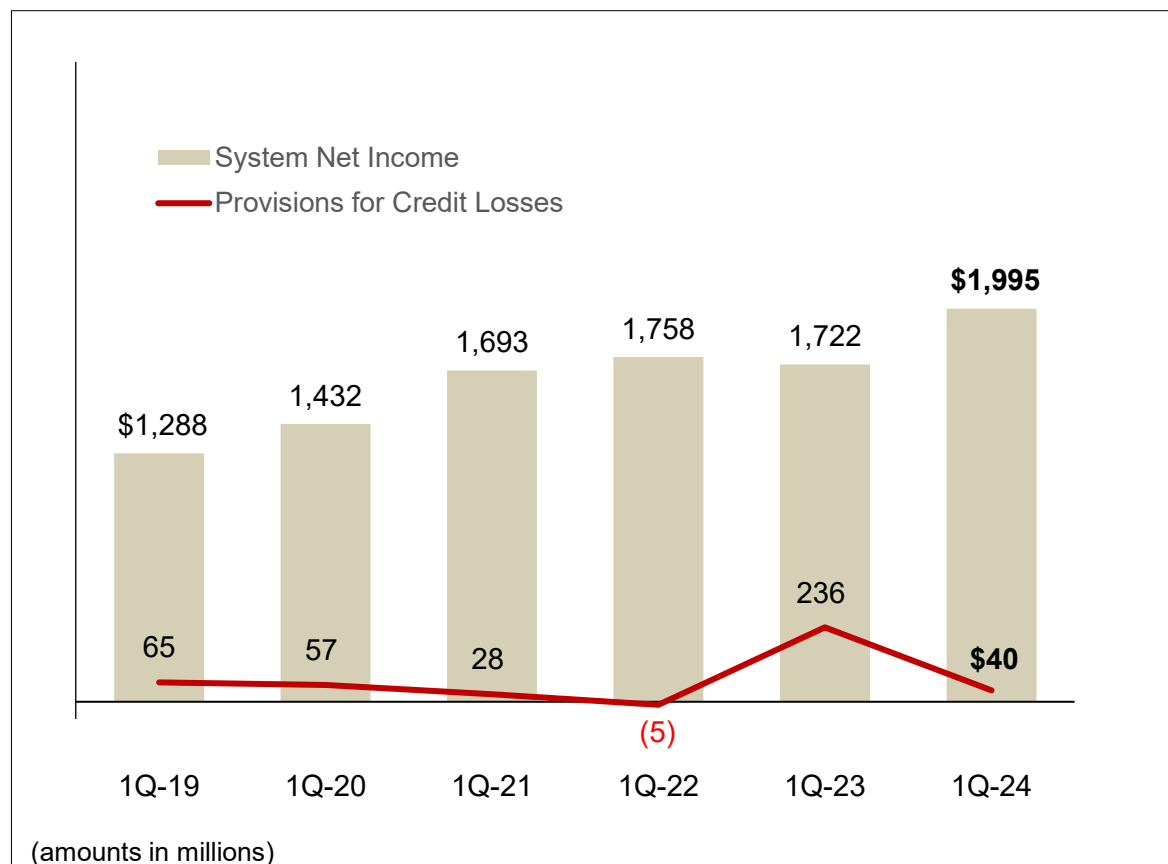
Source: Federal Farm Credit Banks Funding Corporation Information Statements





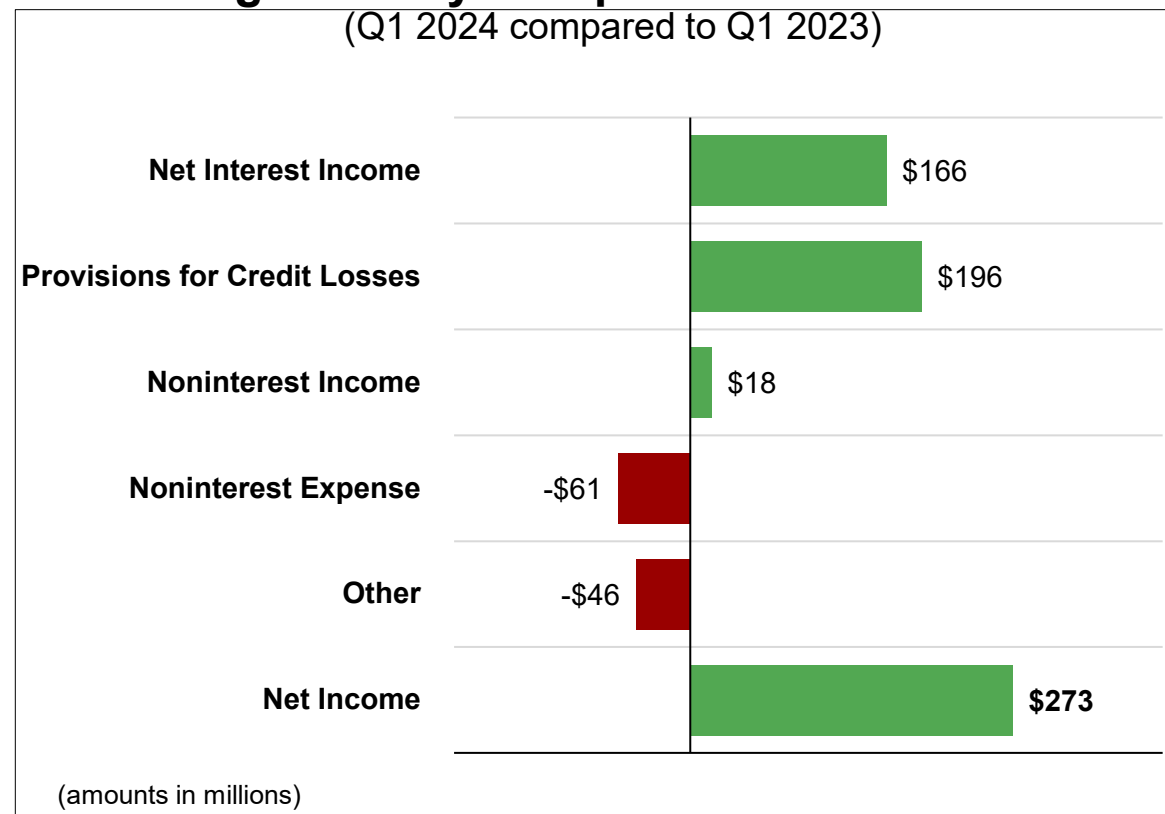
Higher net interest income and lower allowance provisions drive 1st quarter earnings growth

System Earnings (for the quarter ended March 31)



Source: Federal Farm Credit Banks Funding Corporation Information Statements

Changes in Key Components of Net Income (Q1 2024 compared to Q1 2023)

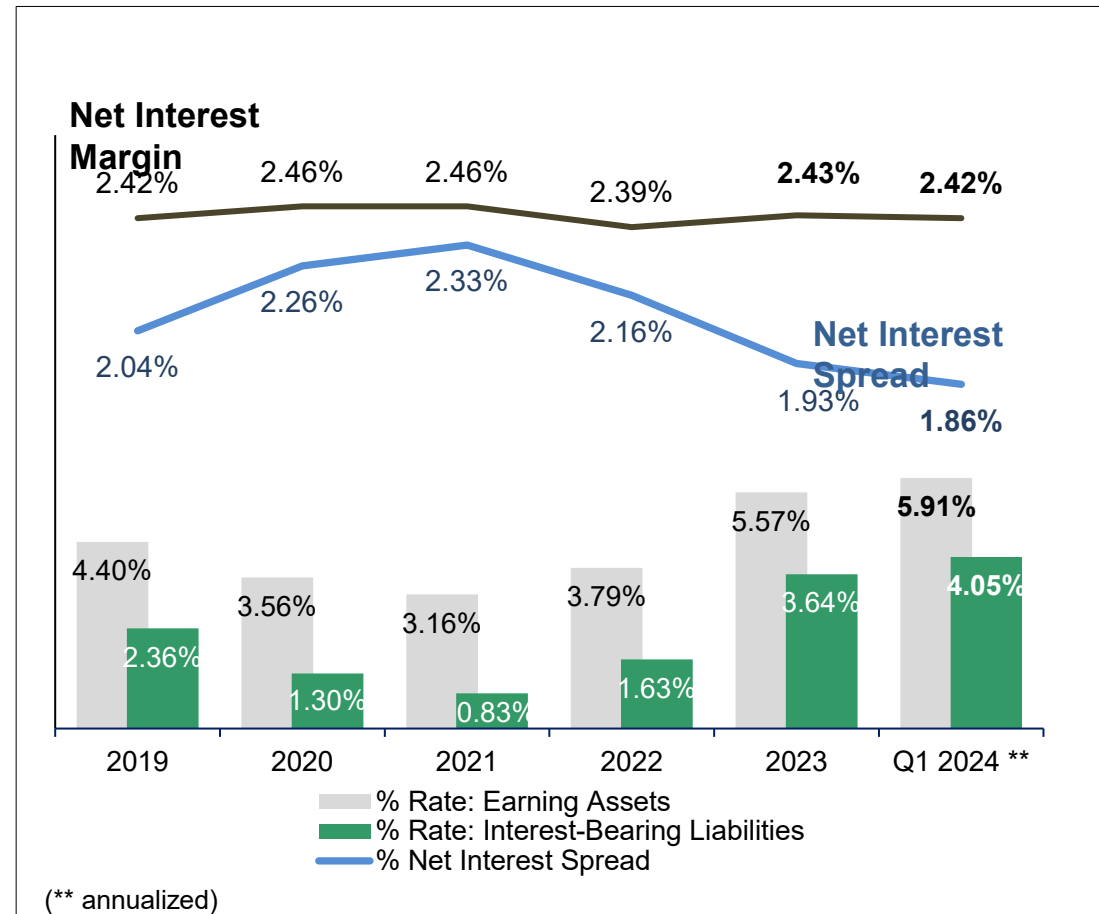




Net interest spread declines on higher funding costs; net interest margin steady

- ▶ Net interest spread continued to compress, dropping 7 basis points primarily related to higher funding costs.
- ▶ Net interest margin remained stable, dropping 1 basis point from year-end 2023 as income earned on noninterest-bearing sources largely offset the decline in net interest spread.

Earnings Measures





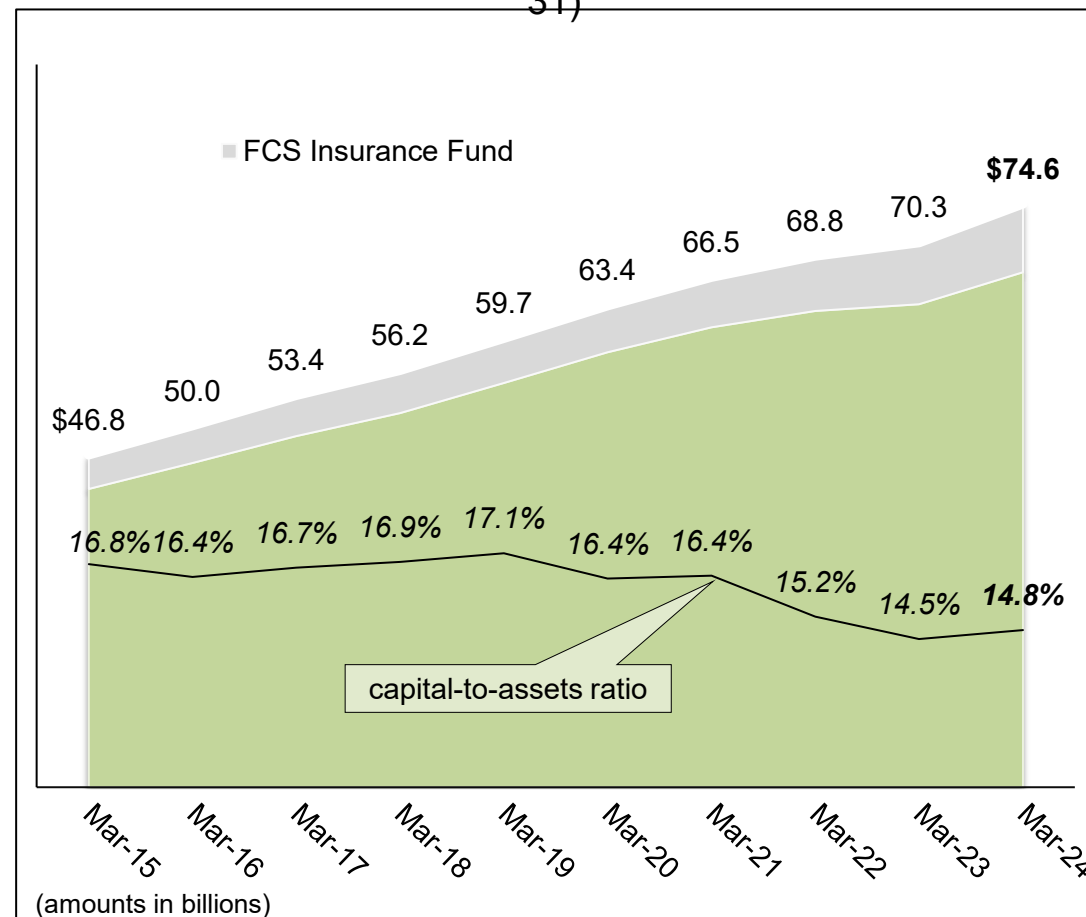
Strong earnings support capital growth

Capital⁽¹⁾

(as of March 31, 2024)

- ▶ Total capital increased \$4.3 billion or 6.1% year-over-year.
- ▶ The System's capital-to-assets ratio increased to 14.8% compared with 14.5% a year ago.
- ▶ Total regulatory capital ratios:
 - - Banks: 13.2% to 15.8%
 - - Associations: 11.9% to 35.3%
- ▶ Days of liquidity for the 4 funding banks ranged from 165 to 198 days.

System Capital⁽¹⁾ (for the quarter ended March 31)





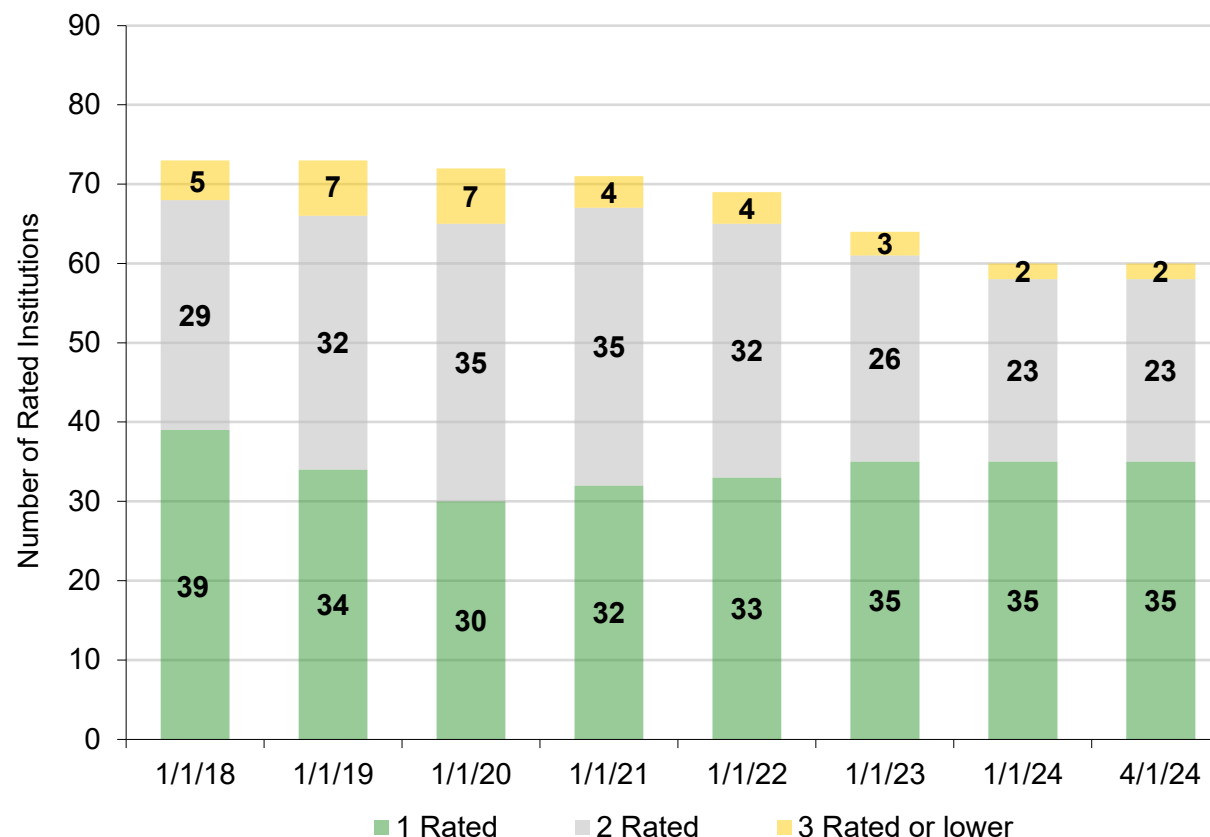
Composite FIRS ratings remain steady

Current FIRS Ratings

(based on 1st quarter 2024 financial reporting)

- ▶ Composite FIRS ratings reflect the System's sound financial condition.
- ▶ Over 96% 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 are facing a more uncertain operating environment:

- ▶ Tighter margins and lower profitability for grain producers
- ▶ Declining liquidity and increased reliance on operating lines
- ▶ Potential impact of higher interest rates and lower profits on real property values
- ▶ Increased stress in certain agricultural segments (tree nuts, swine, poultry)
- ▶ Uncertain outlook for economic growth in the U.S. and abroad
- ▶ Increased global tensions, avian influenza, and weather



FCA Board Meeting June 2024

Exhibit E

Semi-Annual Report on Office of Examination Operations June 13, 2024

Chelsea Mercer, FCA Examiner
Nicole Peek, FCA Examiner
Office of Examination





OE Operations Agenda Topics

► Fiscal Year 2024 Operating Plan Objectives

- Risk Supervision and Examination Activities
- Public Mission
- Operational Efficiency and Effectiveness
- Human Capital





Risk Supervision & Examination

- ▶ Conducted **onsite** examination and/or oversight activities at 3 funding banks, 35 associations (60%), and 6 other entities
- ▶ Issued 24 reports of examination, 17 interim activity letters, and 39 FIRS Letters
- ▶ Maintained a higher level of supervisory oversight at 3 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 or on target to complete the 7 systemic risk strategies and 3 institution risk strategies





Public Mission



- ▶ Young, Beginning, and Small Farmers (YBS) Programs
 - Worked with ORP and ODAE on internal and external YBS FAQs
 - Reviewed 2023 qualitative YBS rating results
 - Proposed changes to exam guidance and rating criteria and provided staff training based on the YBS final rule and BL-040 updates
- ▶ Small, low risk associations
 - Met with CEOs of small associations and received positive feedback on OE steps to address their concerns



Operational Efficiency and Effectiveness

▶ Examination Tool Innovations

- Finalized new Examiner Feedback application
- Made enhancements to the EDGe application and reports

▶ OE Operational Process Innovations

- Continued to modernize OE management reporting, planning, and budgeting processes through PowerBI

▶ FCS Loan Database Use

- Continued to work with the System to assess and improve data reliability and develop new reports





Human Capital

- ▶ On target to complete strategies related to training, development, recruitment, retention, and knowledge transfer
 - Hired 13 associate examiners, 1 commissioned examiner, with plans to hire 6 mid-careers (5 technical specialists and 1 commissioned), and 1 administrative assistant
 - Attrition levels declined to 4 percent compared to 6 percent last year with projected 9 percent attrition for the year





Human Capital (continued)

- ▶ We are on target with total staff, but remain below target for commissioned examiners

Total OE Staff

Total OE Staff	Planned	Projected	Variance
Beginning FY 2024	182	185	3
Attrition Retirements	(18)	(18)	0
Hirings	18	21	3
Ending FY 2024	182	188	6

Commissioned Examiners

Commissioned Examiners	Planned	Projected	Variance
Beginning FY 2024	83	81	(2)
Attrition Retirements	(8)	(8)	0
Hirings	2	2	0
Newly Commissioned	9	9	0
Ending FY 2024	86	84	(2)

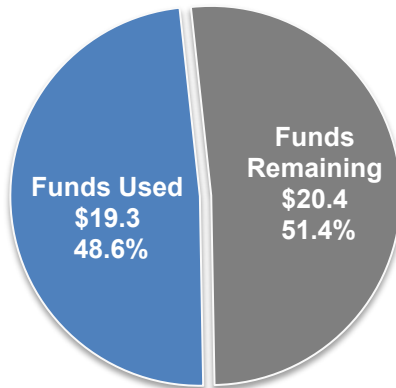


OE Budget Results

► Fiscal YTD as of 3/31/2024

- Actual expenses are in line with net budget with return to normalized travel
- Full Time Equivalents (FTEs) are in line with budget

**FY 2024 OE Budget
As of 3/31/2024**



FTEs	
◆ Budgeted Full Year FTEs	184.69
◆ Projected Full Year FTEs	184.64
Budget Variance	(0.05)



Summary

- ▶ Effectively conducted examination and oversight activities through the 1st half of FY 2024
- ▶ On target to complete FY 2024 Operating Plan objectives
- ▶ Focusing on ensuring OE has sufficient highly skilled staff to accomplish our mission
- ▶ Actively managing our budget as we have returned to normalized travel

