

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



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

These minutes reflect the business transacted at the September 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 10:42 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; staff of the FCA and the Farm Credit System Insurance Corporation (FCSIC); and 12 members of the general public. (A list of staff attendees is attached as Exhibit A.)

Chairman Smith announced that this meeting of the Board was a hybrid physical/virtual meeting.

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

Chairman Smith asked the Secretary to the Board to conduct a roll call and to address a few technical and protocol items.

The **Secretary** conducted a roll call and addressed technical and protocol items.

The **Secretary** read a statement that announced the meeting would be conducted according to the requirements of the Government in the Sunshine Act.

Chairman Smith reviewed the published agenda. (A copy of the Public Announcement publishing the agenda for the meeting is attached as Exhibit B.)

Mr. Hall moved to adopt the agenda as published.

Chairman Smith seconded the motion.

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

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

Mr. Hall noted that the agenda did include portions of the meeting that should be closed to the public as permitted by the Government in the Sunshine Act and therefore moved that the meeting be closed at that point as shown on the agenda.

Chairman Smith seconded the motion.

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

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

OPEN SESSION

Approval of Minutes

Minutes for August 11, 2022, Regular Board Meeting (BM-08-SEP-22-01)

Mr. Hall moved to approve the minutes for the August 11, 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-08-SEP-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 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.)

New Business

Fall 2022 Unified Agenda (BM-08-SEP-22-02)

Aga Perry of the **Office of Regulatory Policy** and **Heather LoPresti** of the **Office of General Counsel** presented the Fall 2022 Unified Agenda.

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 Fall 2022 Unified Agenda.

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-08-SEP-22-02)**

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

CLOSED SESSION

Chairman Smith thanked members of the public for attending and noted that this was a closed session.

Chairman Smith asked members of the public to disconnect from the virtual portion of the meeting or exit the Board Room, and asked FCA and FCSIC staff to leave the meeting (by disconnecting or exiting the Board Room) if they do not normally observe the closed session.

Chairman Smith asked OIT staff to confirm that the public had been disconnected so the Board could meet in closed session. **OIT staff** provided that confirmation.

Chairman Smith convened the closed session of the meeting at 10:17 a.m. and asked OIT staff to confirm that the proceedings of the closed session were being recorded as required by the Government in the Sunshine Act. **OIT staff** provided that confirmation.

Chairman Smith then instructed the **General Counsel** to furnish the **Secretary** with a certification, pursuant to 5 U.S.C. § 552b(f), that the portions of the meeting held in closed session may be properly closed to the public.

The **Secretary** noted the start time of the closed session, indicated she had the certification from the **General Counsel**, and called the roll. (Attendees are listed on Exhibit A.) (A copy of the General Counsel certification is attached hereto as Exhibit F.)

Office of Examination Quarterly Report on Supervisory and Oversight Activities

Michael MacLean of the **Office of Examination** presented the Office of Examination Quarterly Report on Supervisory and Oversight Activities.

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

There were no further questions or comments.

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 10:42 a.m.

NOTATIONAL VOTE ACTIONS

There were five notational vote actions approved by the FCA Board from August 11, through September 7, 2022, as follows:

Item Number	Action Date	Voting Results	Subject
NV 22-17	08/15/2022	Approved	Merger of Western Oklahoma, ACA and Enid, ACA
NV 22-18	08/19/2022	Approved	Fiscal Year 2022 Fourth Quarter Leave Buyback Program
NV 22-19	08/23/2022	Approved	Fiscal Year 2022 Fourth Quarter FCA Budget Reallocation
NV 22-20	08/25/2022	Approved	AgTexas FCS Prior Approval Request to Redeem Certain Preferred Stock
NV 22-21	08/29/2022	Approved	Updated FCA-PS-62 Equal Employment Opportunity and Diversity

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on September 8, 2022.

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

/s/
Ashley Waldron
Secretary to the Board

Approved: October 13, 2022

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

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

ATTENDEES	OPEN SESSION	CLOSED SESSION
Office of the Board		
Smith, Glen	X	X
Hall, Jeff	X	X
Morris, Jim	X	X
Donner, Mary Alice	X	X
Lewandowski, Barbara	X	X
Calhoun, Gaye	X	
Waldron, Ashley	X	X
Hoffman, Bill	X	
COO		
Coleman, Robert	X	X
OIT		
Golley, Jerry	X	X
Versace, Jerry	X	X
Matos, Ricardo	X	X
Rana, Ben	X	X
OCPA		
Stokke, Mike	X	X
Middleton, Russell	X	X
Meaux, Willy	X	X
OGC		
Ogilvie, Clark	X	X
Griffin, Ward	X	X
LoPresti, Heather	X	X
Virga, Jane	X	X
Baker, Jacqueline	X	X
Hunter, Karen	X	X
Isawi, Hazem	X	
Grossman, Andra	X	
OE		
Duffy, Mike	X	X
Fennwald, Dan	X	X
Greenlee, Angela	X	X
MacLean, Michael	X	X
Johnson, Hal	X	
ODAE		
D'Antoni, Jeremy	X	X
Shields, Dennis	X	
Iannetta, Sal	X	X
Katrinic, Yuri	X	X
OIG		

ATTENDEES	OPEN SESSION	CLOSED SESSION
Laguarda, Wendy	X	X
Miller, Kevin	X	X
OSMO		
Rea, Laurie	X	X
ORP	X	X
Kramp, Kevin	X	X
Agans, Autumn	X	X
Johansen, Mark	X	X
Perry, Aga	X	X
OCFO		
Walters, Sandi	X	X
Gandy, Doug	X	X
OAS		
Bell, Vonda	X	X
Clark, Patrina	X	X
FCSIC		
Simonson, John	X	X
Smith, Gregory	X	X
Morgan, Matt	X	X
Wynn, Wade	X	X
GENERAL PUBLIC	12	N/A

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 September 8, 2022

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

PLACE: You may observe the open portions of 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: Parts of this meeting will be open to the public. The rest of the meeting will be closed to the public.

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

Portions Open to the Public

- Approval of August 11, 2022, Minutes
- Quarterly Report on Economic Conditions and Farm Credit System Condition and Performance
- Fall 2022 Unified Agenda

Portions Closed to the Public

- Office of Examination Quarterly Report on Supervisory and Oversight Activities¹

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

August 23, 2022

¹ Session Closed-Exempt pursuant to 5 U.S.C. Section 552b(c)(8) and (9).

Farm Credit Administration

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

BOARD ACTION ITEM



FCA BOARD ACTION ON

Minutes for August 11, 2022

BM-08-SEP-22-01

Effective Date: September 8, 2022

Effect on Previous Action: None

THE FCA BOARD HEREBY:

- Approves the minutes for August 11, 2022.

DATED THIS 8TH DAY OF SEPTEMBER 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

Fall 2022 Unified Agenda

BM-08-SEP-22-02

Effective Date: September 8, 2022

Source of Authority: Executive Order 12866 and sections 5.9 and 5.17 of the Farm Credit Act of 1971, as amended.

THE FCA BOARD HEREBY:

- Approves the Fall 2022 Abstract Update of the Unified Agenda of Federal Regulatory and Deregulatory Actions and Fall 2022 Regulatory Plan.
- Authorizes staff to submit the preamble and information from the Fall 2022 updated Abstract of the Unified Agenda to the Office of Management and Budget's Office of Information and Regulatory Affairs.
- Authorizes staff to publish the Fall 2022 Regulatory Plan on FCA's external website after the Fall 2022 Update of the Unified Agenda submissions have been accepted by the Office of Information and Regulatory Affairs.
- Authorizes staff to make any technical or grammatical changes that may be necessary for publication of FCA's submission to the government-wide Fall 2022 Update of the Unified Agenda and any other changes that may be required by the Office of Information and Regulatory Affairs prior to publication.

DATED THIS 8TH DAY OF SEPTEMBER 2022

BY ORDER OF THE BOARD

_____/s/
Ashley Waldron
Secretary to the Board



FCA Board Meeting September 2022

Exhibit E

Quarterly Report on FCS Condition September 8, 2022

Yuri Katrinic
Hal Johnson





Topics for Open Session

- ▶ Economic Conditions Affecting the Farm Credit System
 - Macroeconomic update
 - Drought risks
 - Rural infrastructure outlook
- ▶ 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

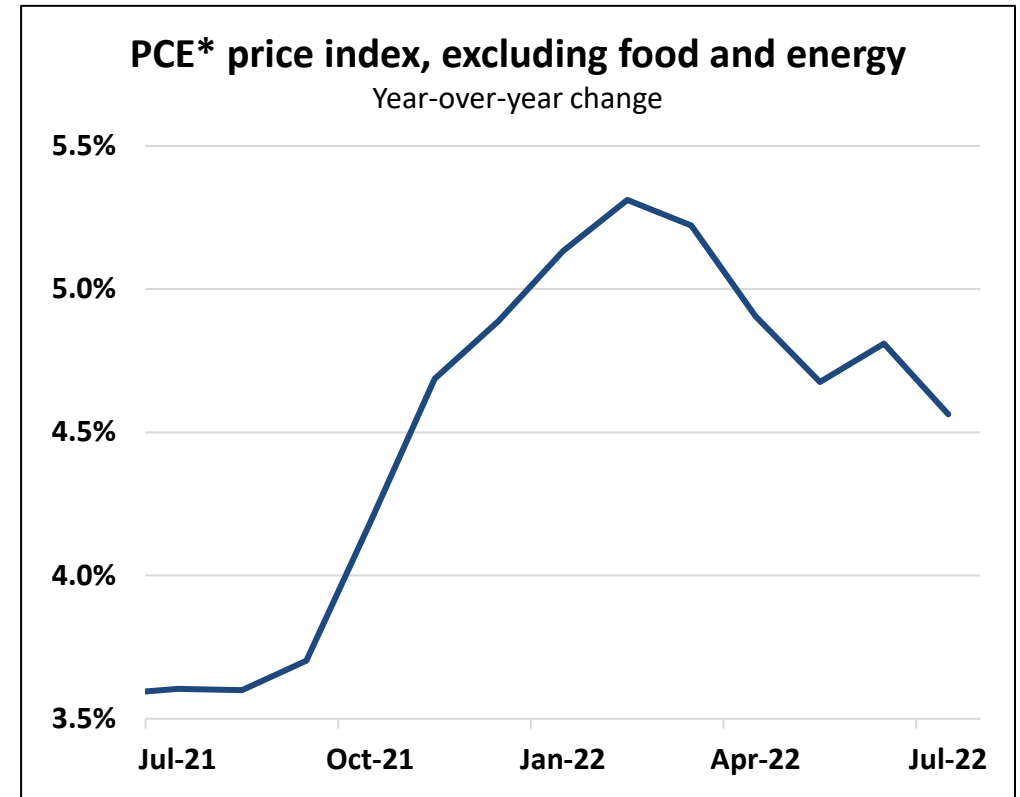
Senior Economist

Office of Data Analytics and Economics



Economic risks continue: Inflation, interest rates, and geopolitical tensions

- ▶ Inflation has plateaued with an uncertain future trajectory.
- ▶ Rising interest rates slow housing market and investment.
- ▶ Ukraine situation remains volatile, despite grain export deal.
- ▶ Risk of global energy crunch this winter.

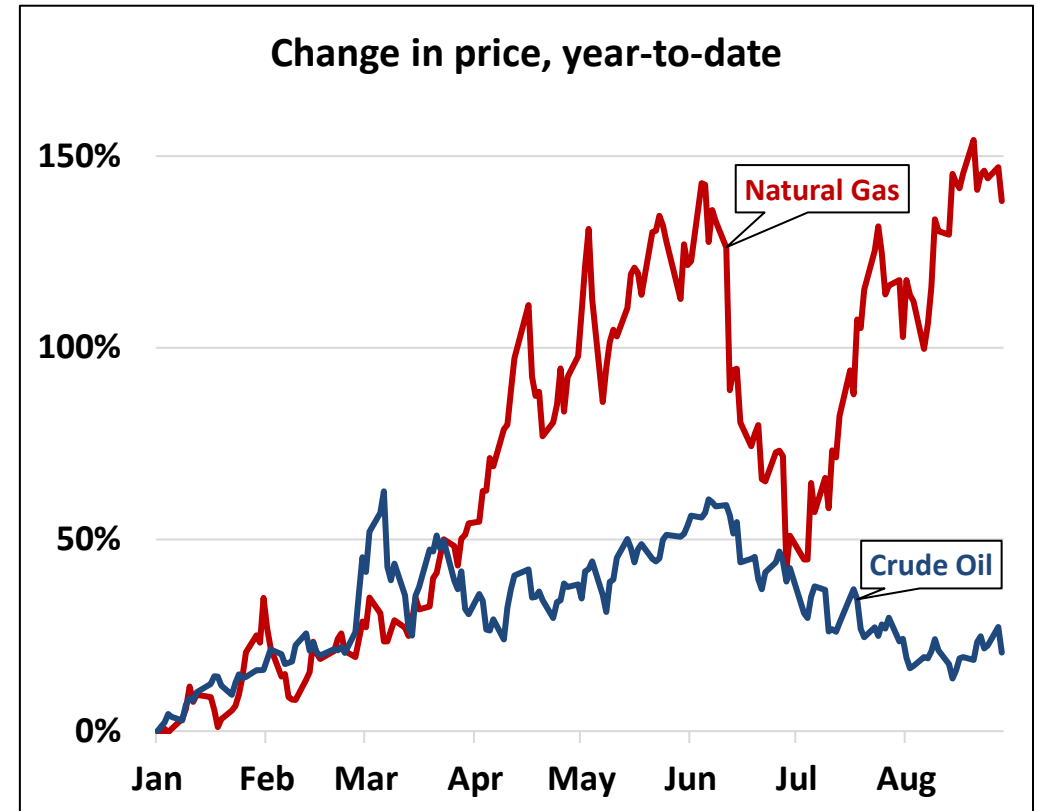


*Personal Consumption Expenditures
Source: [Bureau of Economic Analysis](#)



Threat of global energy crunch driving price volatility for fuel and fertilizer

- ▶ European reliance on Russian natural gas drives price volatility.
- ▶ Shutdowns and low deliveries on Nord stream pipeline ahead of winter.
- ▶ Volatility in natural gas will be reflected in fertilizer prices and production.
- ▶ Higher oil and gas prices would affect inflation and the broader economy.

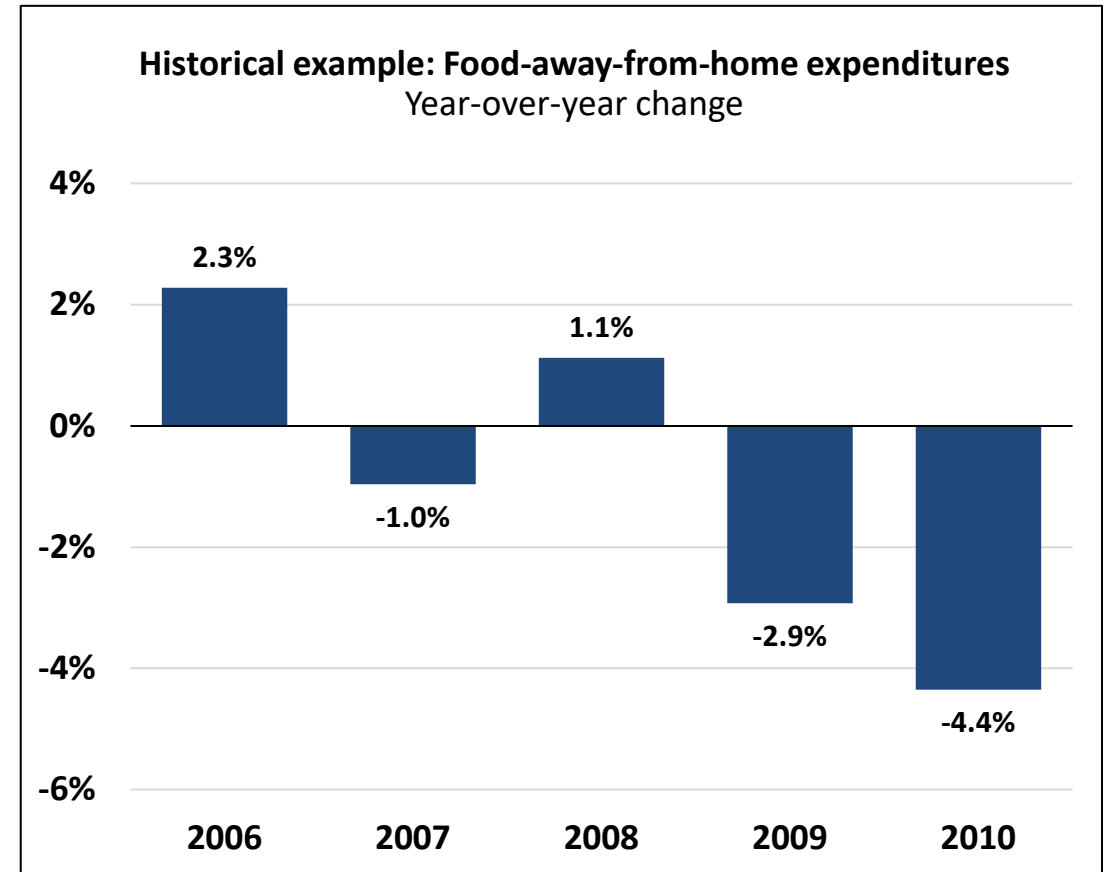


Source: [New York Mercantile Exchange](https://www.nymer.com)



What to look for in food and agriculture amid economic challenges

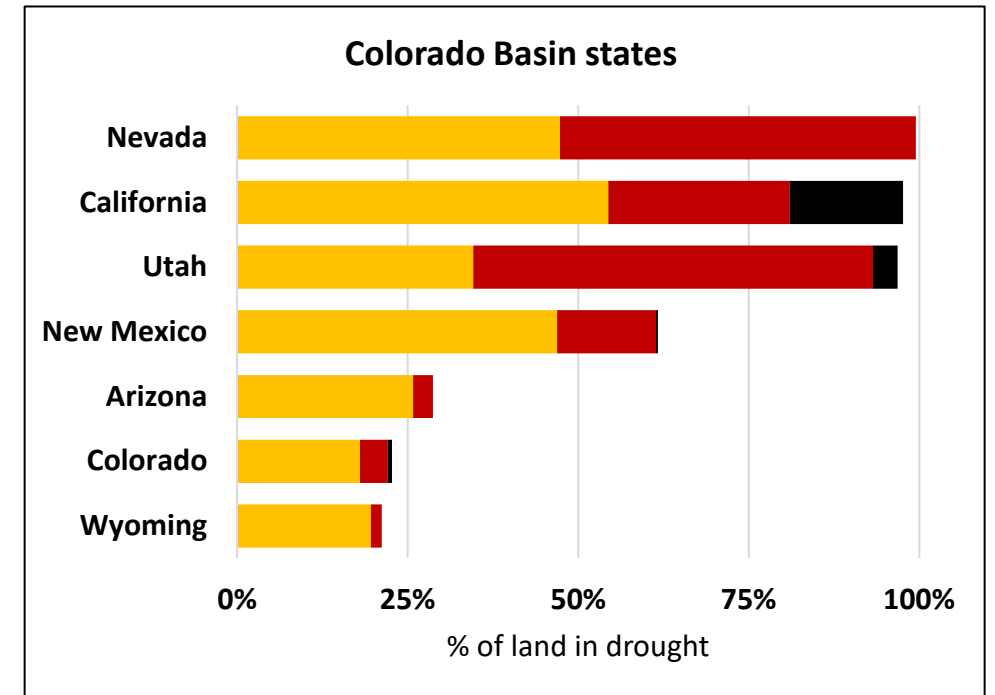
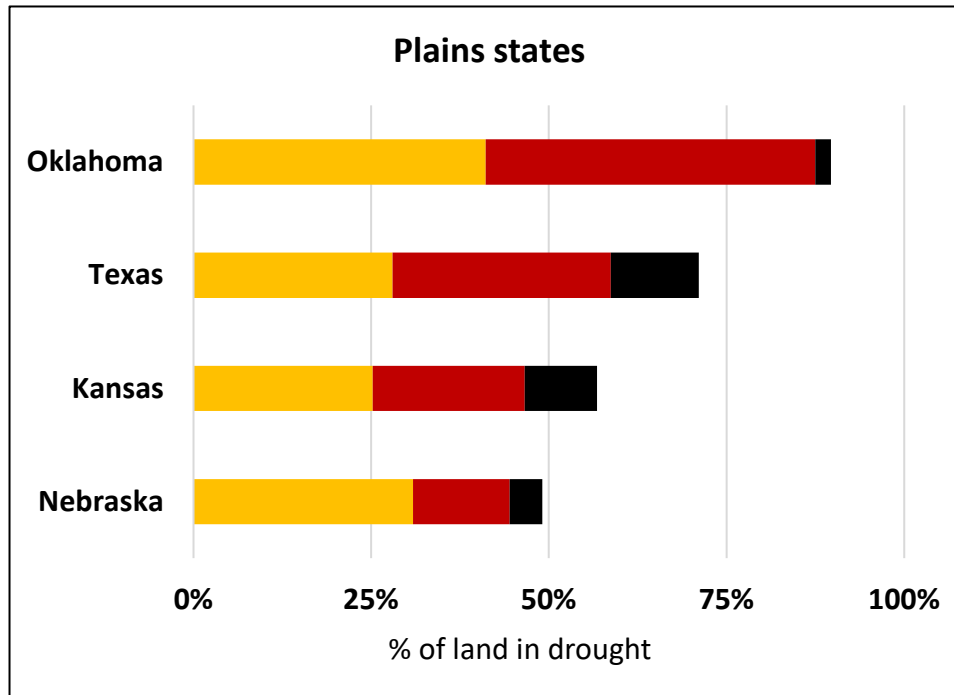
- ▶ CPI for food up 10.9% in the past year.
- ▶ Consumers could move away from dining out and high-value products if their wages do not keep pace.
- ▶ Export impacts due to weak global economy and strong dollar.



Source: [BLS - retrieved from FRED](#)



Drought continues to affect producers in the Plains and Southwest



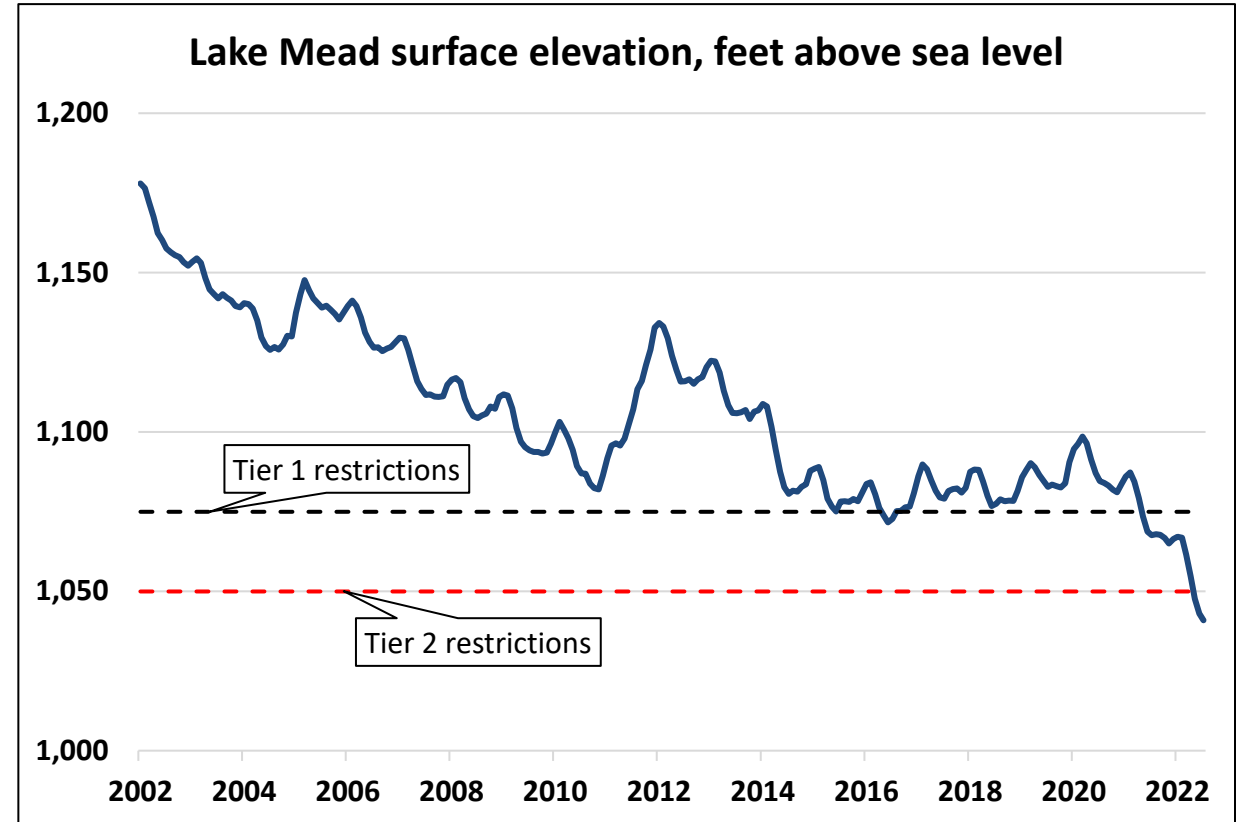
Source: [Current Map | U.S. Drought Monitor \(unl.edu\)](http://Current Map | U.S. Drought Monitor (unl.edu))



Dwindling Colorado River reservoirs are a long-term problem for farmers in the Southwest



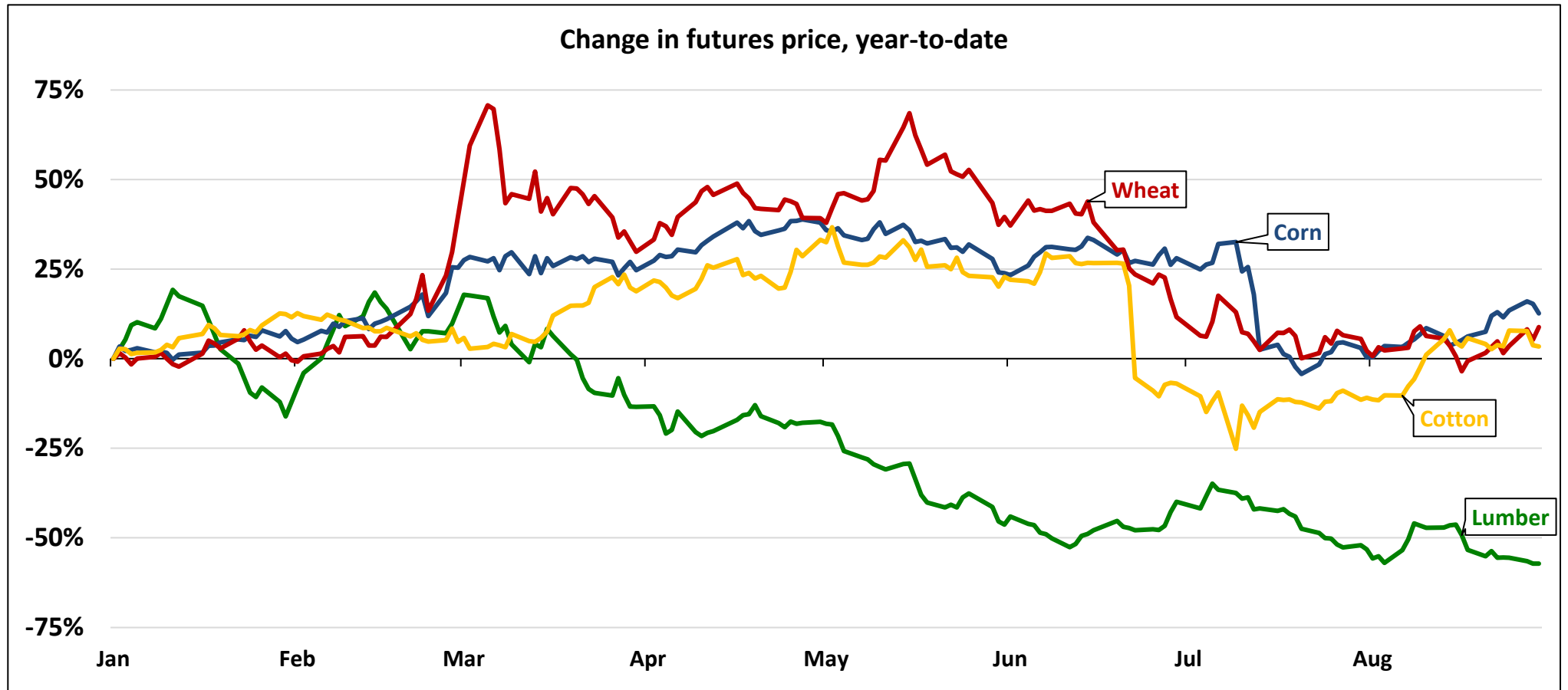
- ▶ Western aridification over 20 years.
- ▶ Federal shortage declaration imposed automatic cuts. More cuts likely to come.
- ▶ Agriculture accounts for 80% of water usage from Lake Mead.
- ▶ Population growth in last decade:
 - Salt Lake County, UT +15.1%
 - Clark County, NV +16.1%
 - Maricopa County, AZ +15.8%



Source: [Bureau of Reclamation](#), [Census Bureau](#)



Economic risks and drought contribute to erratic commodity markets

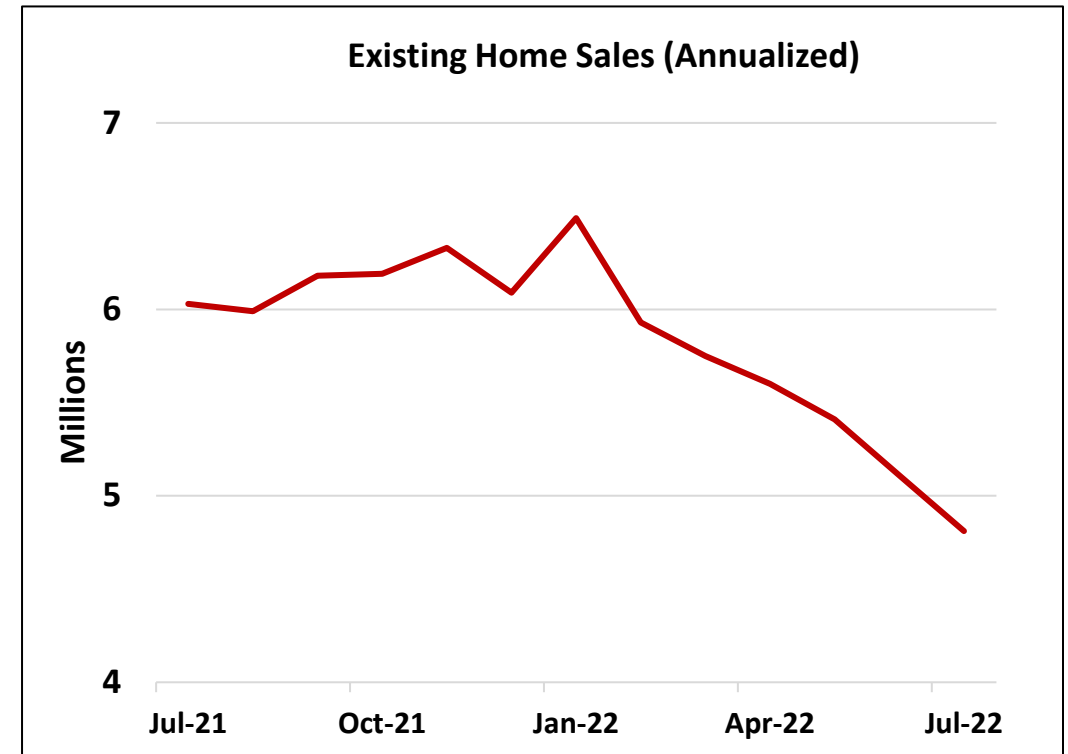


Source: [Intercontinental Exchange](#), [Chicago Board of Trade](#), [CME Group](#)



Housing market slowing down as mortgage interest rates rise

- ▶ Housing prices have stalled or fallen in much of the country.
- ▶ Slower pace of sales and construction.
- ▶ Impact on the broader economy.
- ▶ Implications for the System:
 - Rural home loans
 - Refinancing
 - Forestry

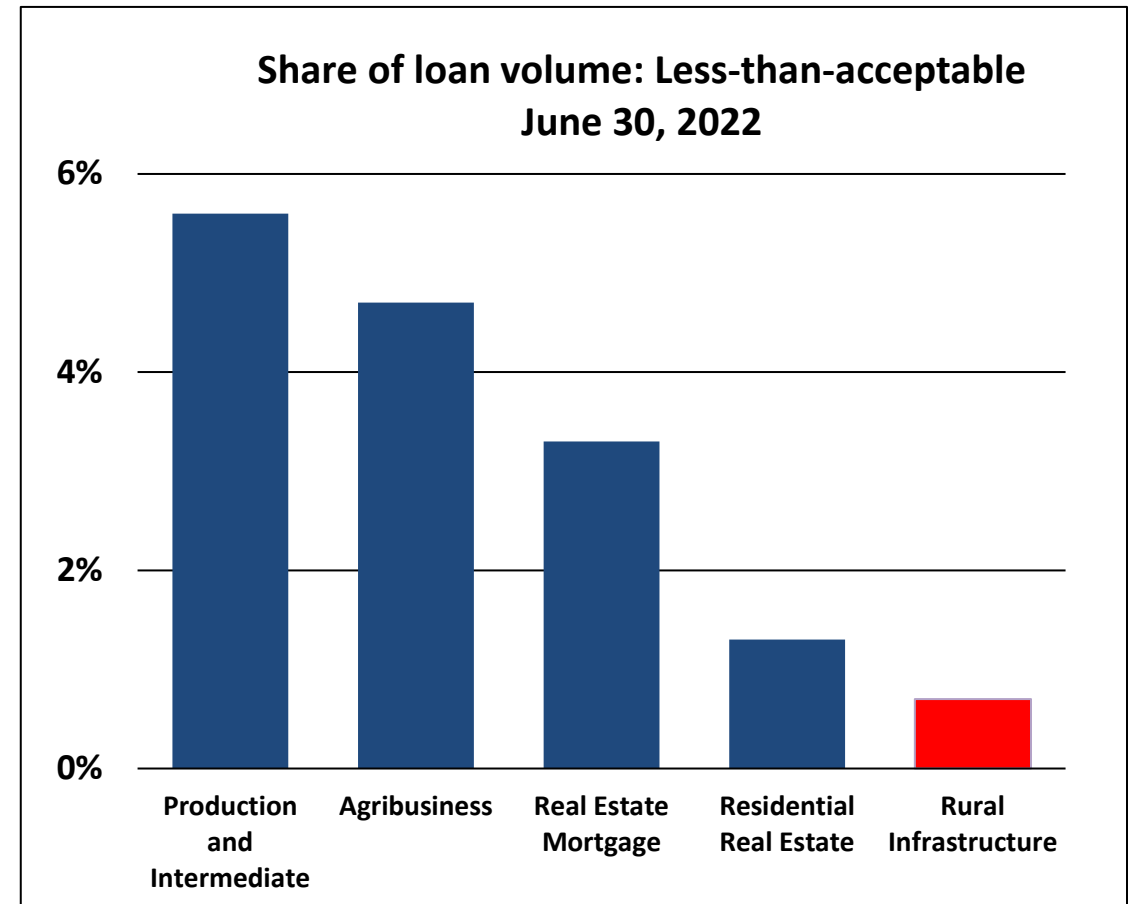


Source: [National Association of Realtors](#)



Rural infrastructure in the System

- ▶ Infrastructure risk factors are distinct from those affecting other sectors.
- ▶ Strong loan growth over the past 5 years.
- ▶ Portfolio mostly consists of loans to rural utility cooperatives.
 - Electricity: Distribution, Generation
 - Telecommunications
 - Water and Sewer





Future of electricity co-ops is shaped by renewable energy and policy change

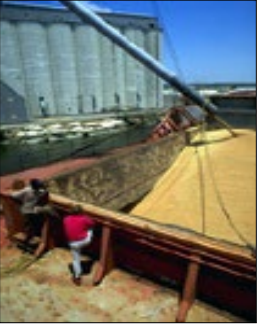


- ▶ Electricity co-ops will be using more renewables and charging more EV's.
- ▶ Grid will have to accommodate these changes.
- ▶ Grid scale battery storage expected to double from 4.6 to 10 GW just this year.
- ▶ Inflation Reduction Act and last year's infrastructure bill include tax credits for:
 - Co-ops, to use more renewables
 - Carbon capture technology
 - Grid scale battery storage
 - Consumers to purchase EVs
 - USDA grants and loans for rural broadband

Source: [EIA - U.S. Battery Storage Market Trends](#)



Questions



THANK YOU



Farm Credit System Condition and Performance

as of
June 30, 2022

Hal Johnson
Sr. Financial Analyst
Office of Examination



Topics

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

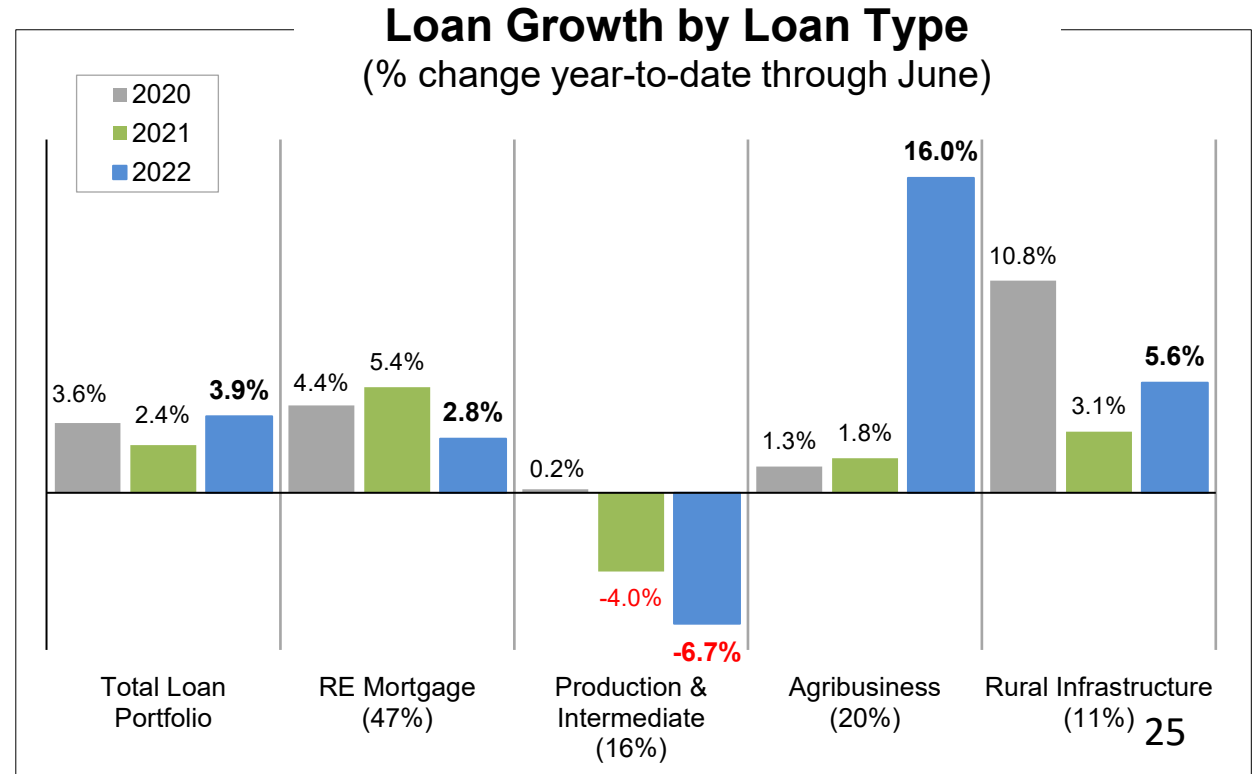




The System experienced continued loan growth

- ▶ Real estate mortgage lending slows.
- ▶ Production and intermediate term loan volume drops on seasonal repayments.
- ▶ Strong commodity prices drive sharp increase in agribusiness lending.
- ▶ Year-to-date loan growth at a district level varied, ranging from 2.2% for the AgriBank district to 5.8% for Texas.

Total Assets 6/30/22	\$456.3 billion	+0.7% Qtr	Gross Loans 6/30/22	\$357.3 billion	-0.8% Qtr
		+4.7% YTD			+3.9% YTD
		+11.9% 12M			+10.6% 12M



Source: Federal Farm Credit Banks Funding Corporation Information Statements



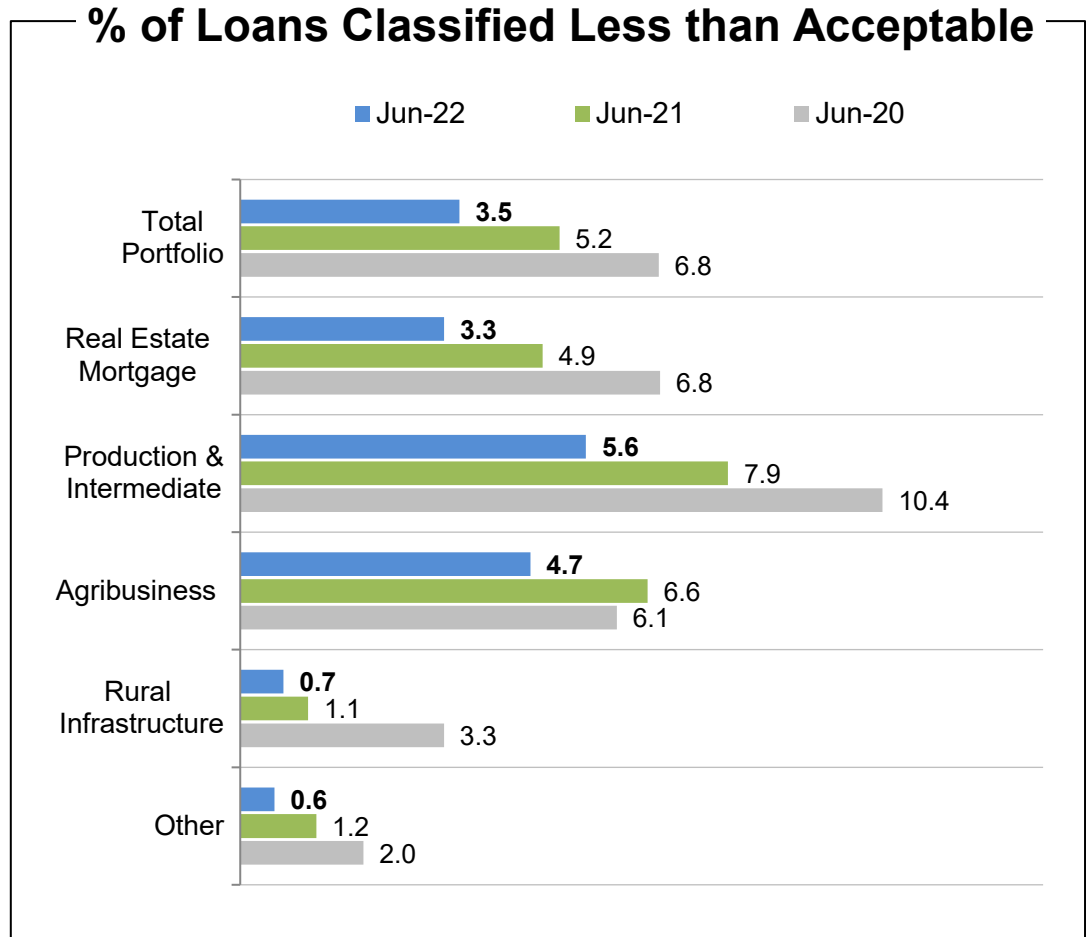


System loans continued to perform well



Nonperforming Assets (6/30/22)	\$1.769 billion	Qtr chg. +118M or 7.1%
		YTD chg. +191M or 12.1%
		12 month chg. - \$92M or -4.9%
Delinquencies ⁽¹⁾ (6/30/22)	0.26%	Q2 '21 0.24%
		Q4 '21 0.27%

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

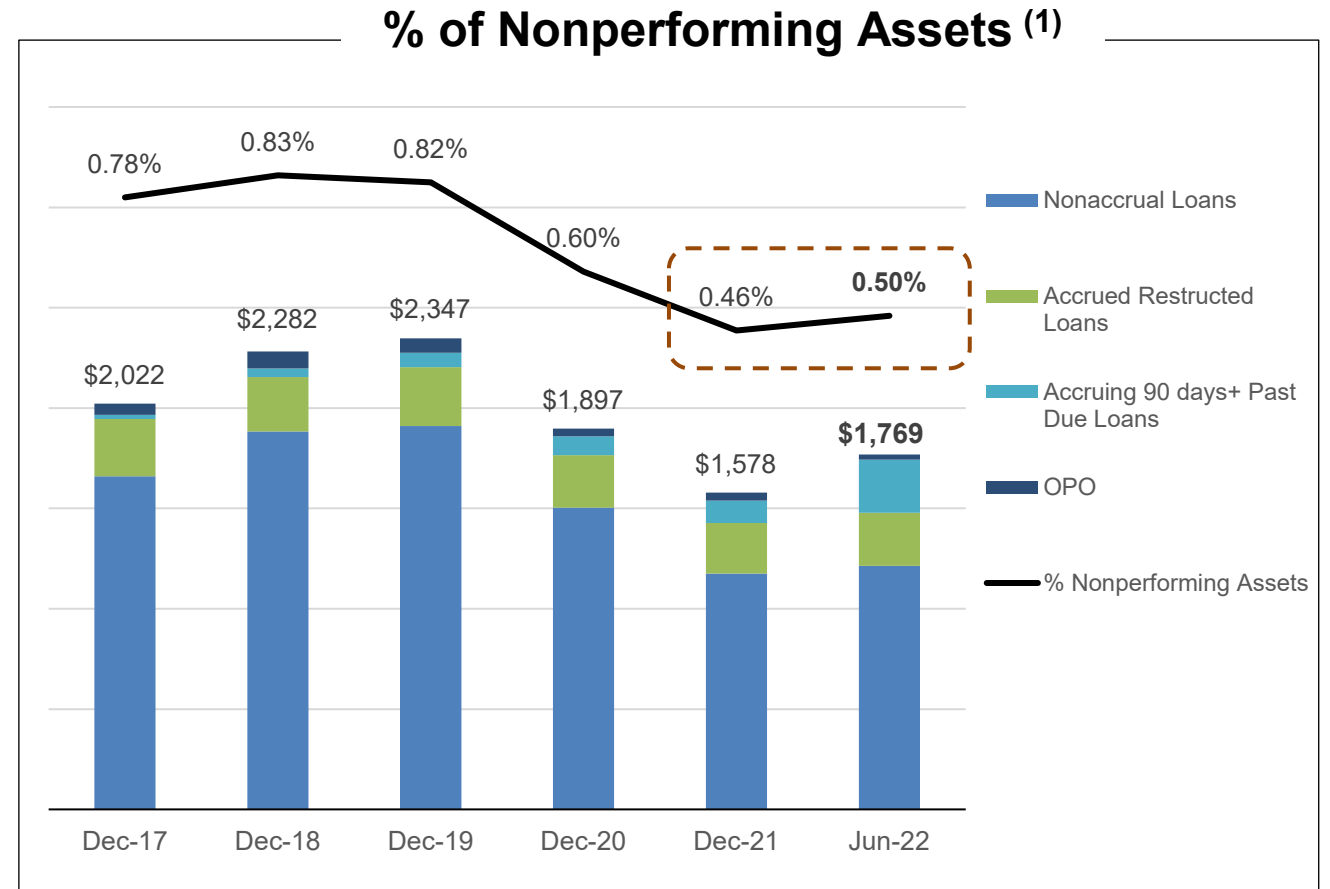




Nonperforming assets edged higher, but remain low



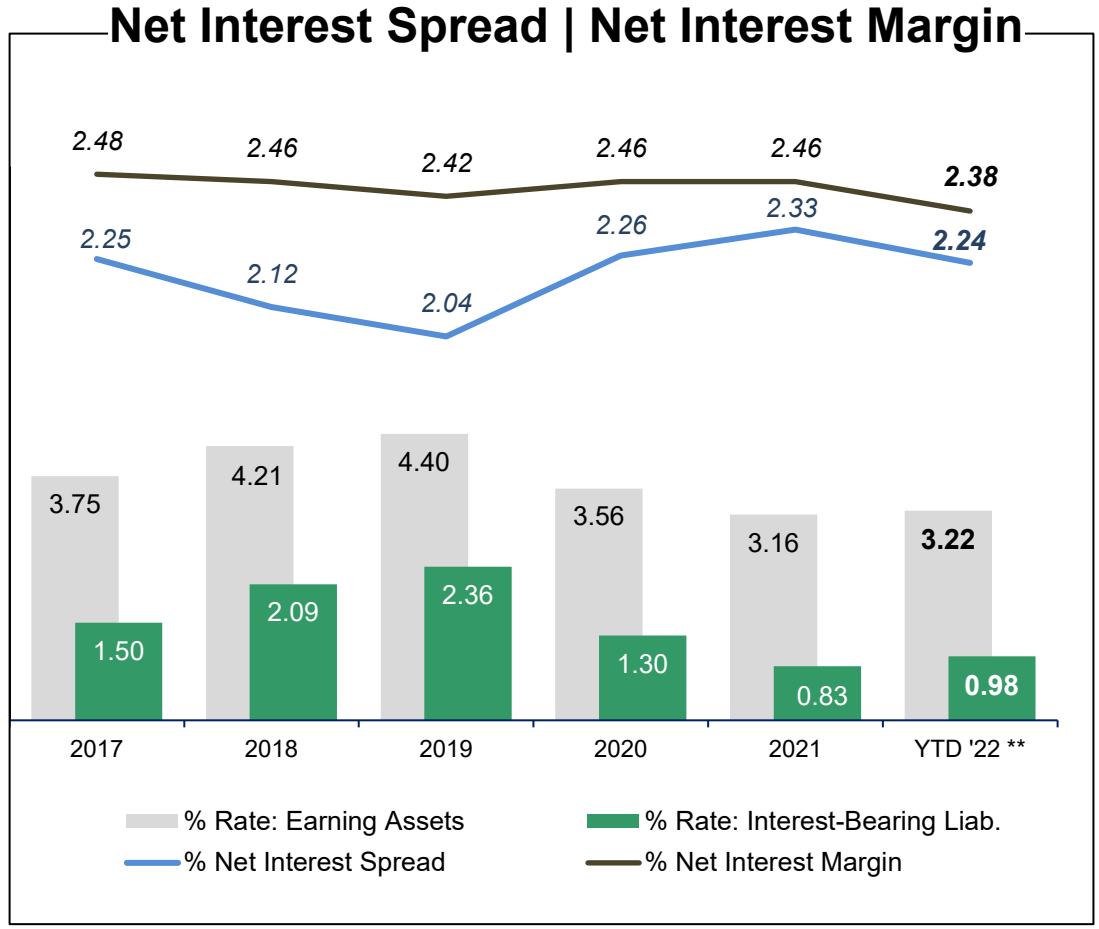
- ▶ Nonperforming assets were 0.50% of loans outstanding and other property owned, up from 0.46% at year-end.
- ▶ Nonaccrual loans totaled \$1.214 billion, up 3% from year-end, but down 15% from a year ago.
- ▶ 63.8% of nonaccrual loans were current as to principal and interest, compared with 63.7% at year-end.



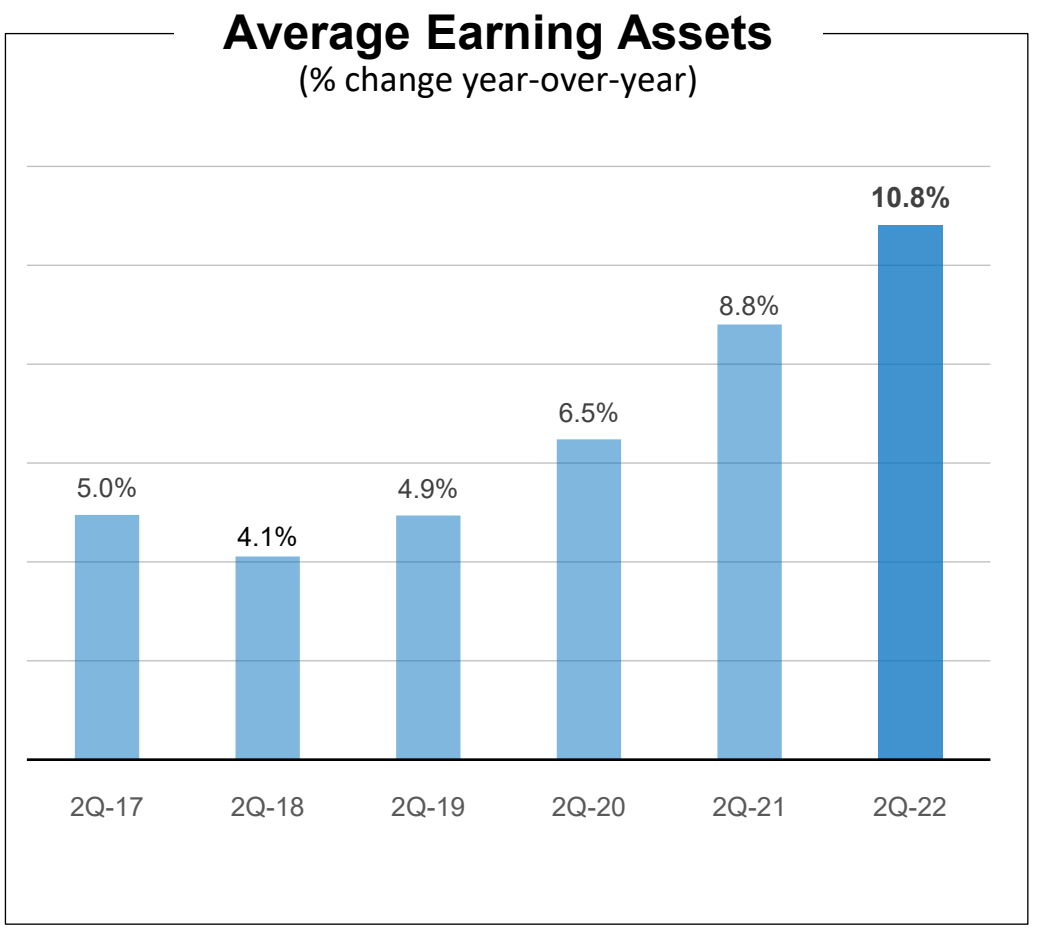
(1) calculated as a percentage of gross loans outstanding and other property owned (OPO)



Spreads declined on higher funding costs; average earning assets up sharply on strong loan growth



** annualized

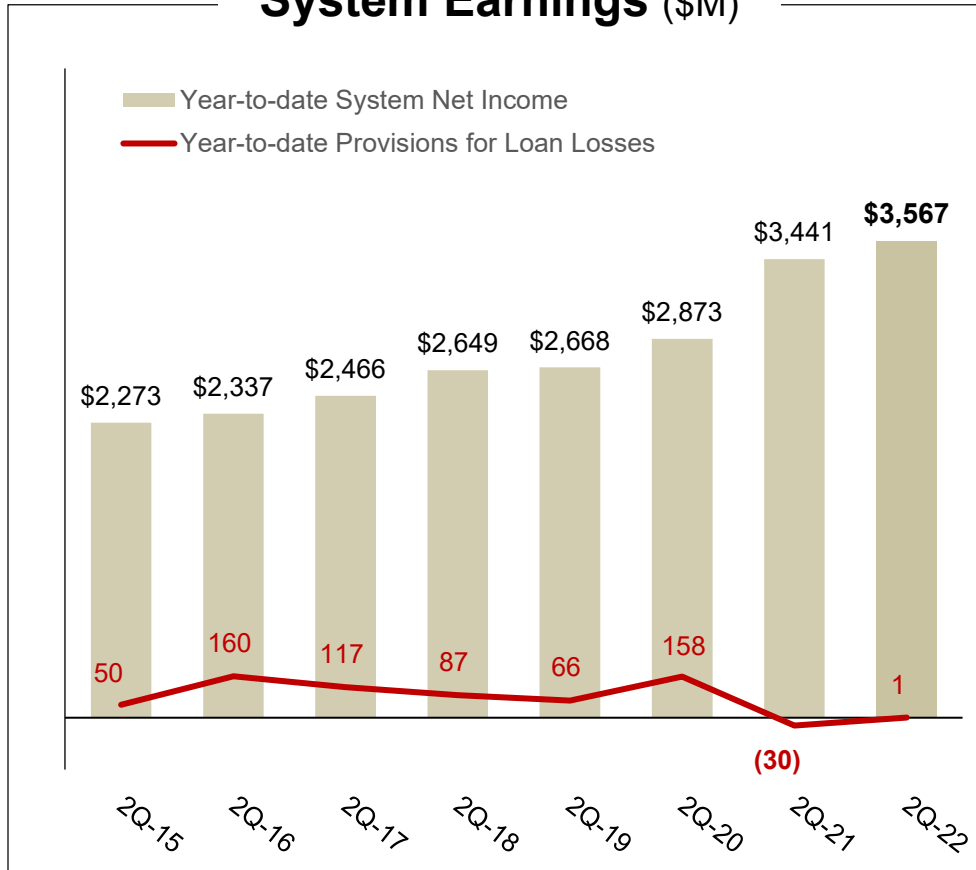




System earnings up year-over-year

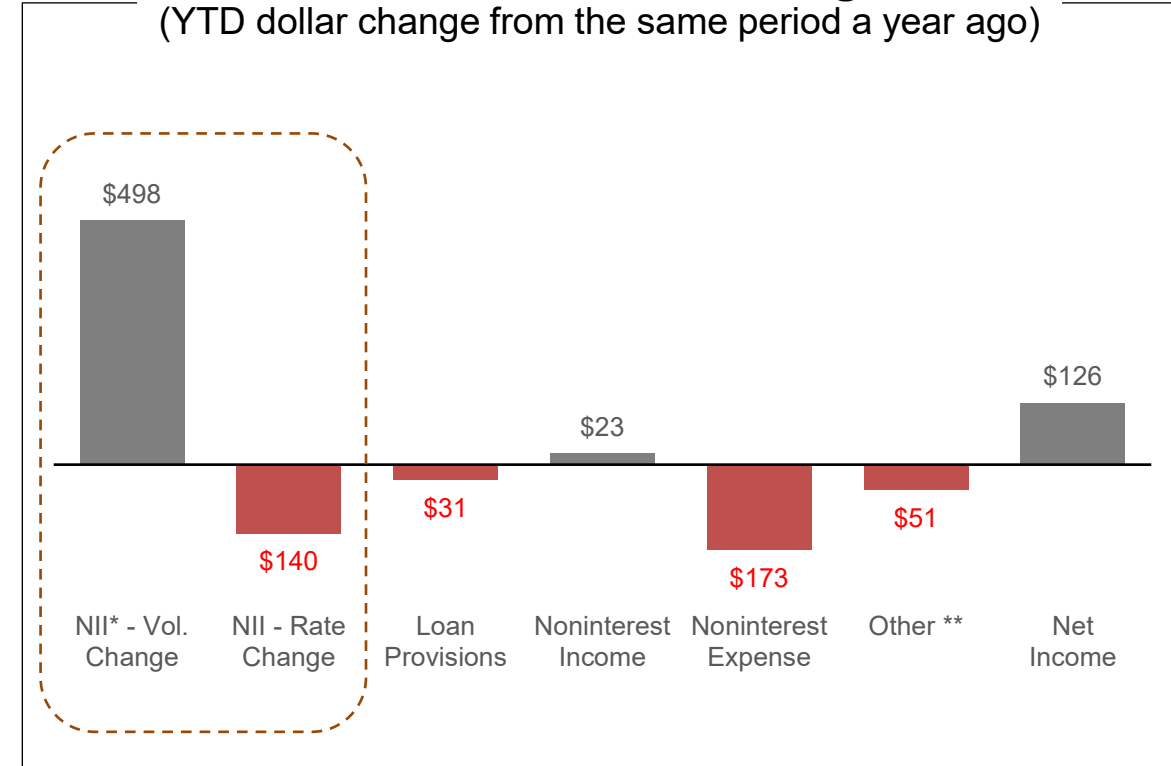


System Earnings (\$M)



Income Statement Changes

(YTD dollar change from the same period a year ago)

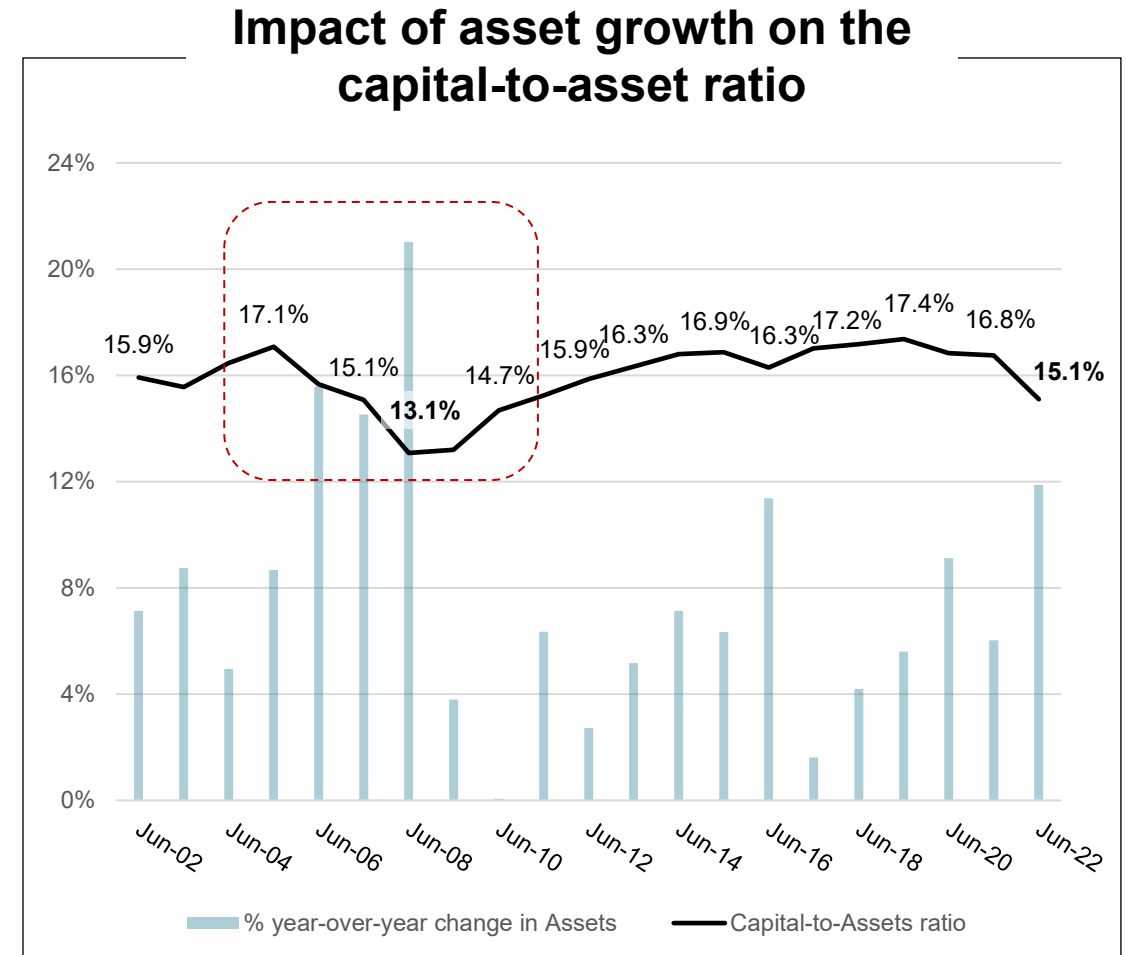
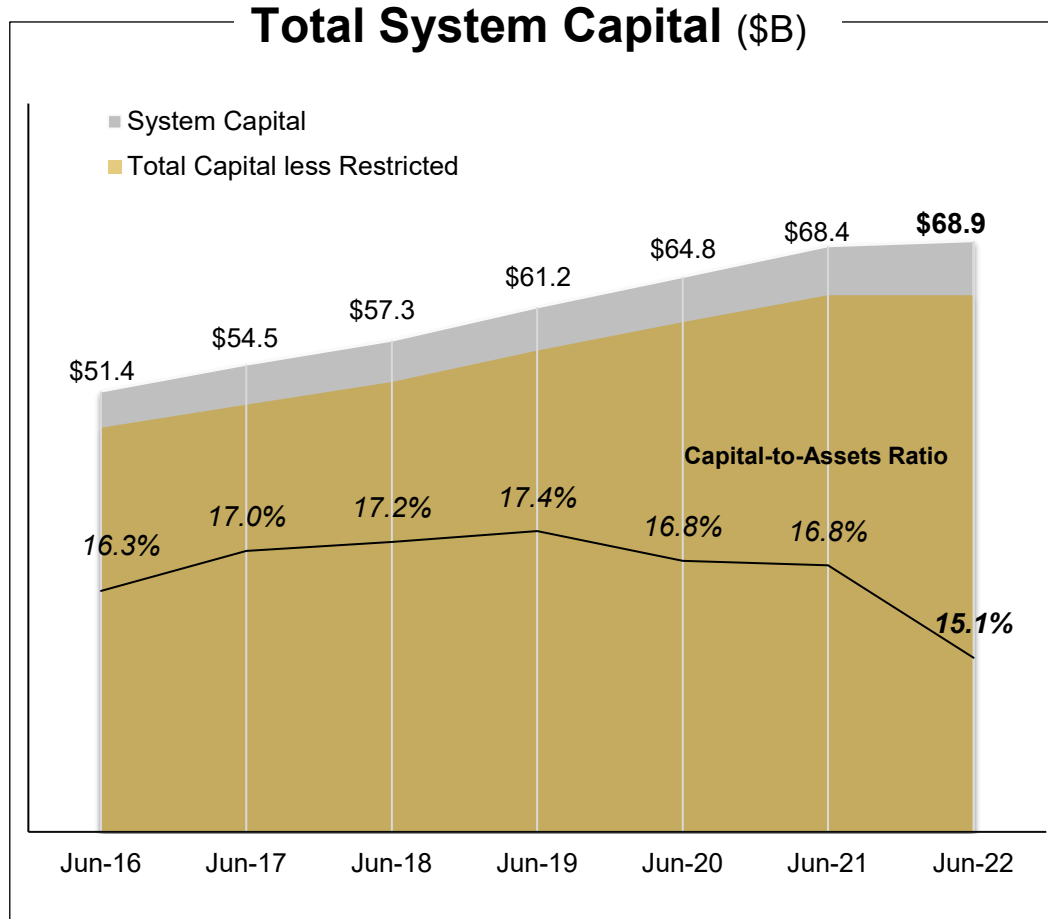


*NII - net interest income

** Includes taxes and net gains/losses on other transactions



System is well-capitalized; capital-to-asset ratio declined on strong asset growth





Composite FIRS ratings remained strong

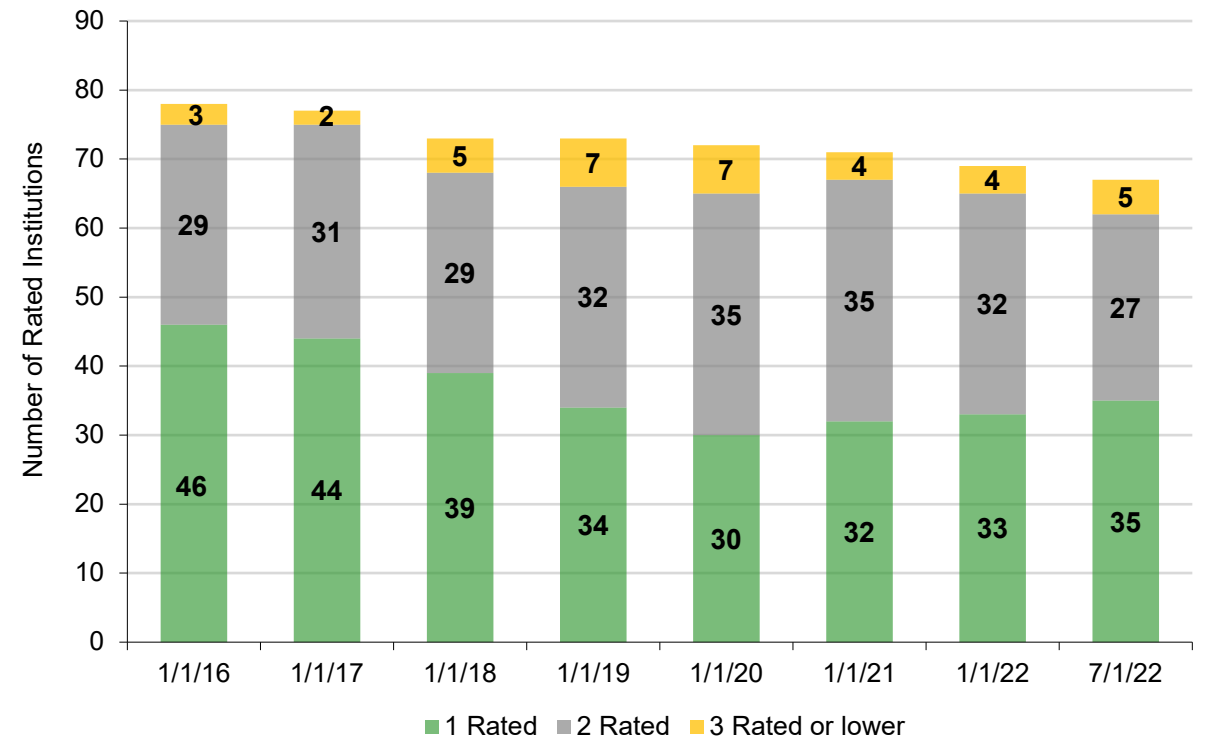


FIRS Ratings

(based on 6/30/22 financial reporting)

- ▶ Composite FIRS ratings reflect the System’s sound financial condition.
- ▶ Over 92% of System Banks and Associations have a Composite FIRS rating of 1 or 2.
- ▶ Institutions rated 3 or lower account for less than 1.5% of System assets.

Composite FIRS Ratings Farm Credit System Banks and Associations



Source: FCA’s FIRS ratings database



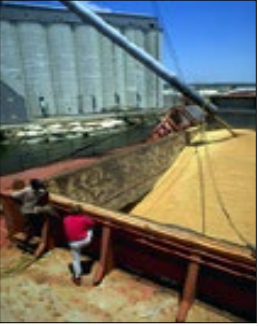
Summary and final points

- ▶ The challenge facing the U.S. economy is balancing economic growth with efforts to lower inflation.
- ▶ Input price risk remains a major concern for producers.
- ▶ Drought persists in the Western U.S.; water availability a longer-term issue for ag producers, especially in the Southwest.
- ▶ The System reported strong financial results for the first half of 2022, including higher earnings and continued strong portfolio credit quality.
- ▶ System institutions are well-capitalized with significant risk-bearing capacity.





Questions



THANK YOU

