



## FCA Board Announces Philosophy Statement Initiatives

The Farm Credit Administration (FCA) Board recently announced plans to implement two initiatives related to the Philosophy Statement it adopted in July 1998.

"We think these initiatives will further deregulate Farm Credit System (FCS or System) institutions so that they will remain relevant to the ever-changing credit needs of agriculture and rural America," said FCA Board Chairman Michael M. Reyna.

Reyna said the FCA's first priority is to remove geographic barriers by granting national charters to FCS direct lender associations. This initiative is an alternative approach to removing geographic restrictions in lieu of moving forward with the Customer Choice regulation.

"National charters offer the potential of lowering the cost of credit and improving service for customers, while providing associa-

tions the opportunity for greater loan diversity and better risk management," said Reyna. He noted that FCA will develop a streamlined charter application process that will be easy for associations to use. "We plan to coordinate the approval of applications so that all requests received by a set date will become effective at the same time," Reyna added.

FCA Board Member Ann Jorgensen said the second phase of the plan involves cross titles for direct lender associations, Titles I and II of the Farm Credit Act. "We will consider allowing Production Credit Associations and Federal Land Credit Associations to convert to an Agricultural Credit Association charter without merging with an existing association," she said.

Jorgensen said cross-title lending allows one-stop shopping for customers seeking long- and short-term credit. "It also allows associations to

expand their product offerings, diversify their portfolios, and spread operating costs over a larger base," she added.

FCA staff is drafting details of the required information to be provided to the Agency on expanded charters. Reyna said the FCA Board will consider staff recommendations in the near future after hearing from all FCS institutions at the Information Exchange meetings.

"We gathered a lot of good ideas on how to implement our new approach at the first round of meetings," said Reyna. "We look forward to additional suggestions at our next Information Exchange in late April. We plan to issue specific guidance to System institutions shortly after those meetings." Reyna also noted that the FCA Board expects to vote by the end of the year on association applications meeting the Agency's guidelines.

## FCA Submits Testimony to Congress for Fiscal Year 2001 Budget

FCA Board Chairman Michael M. Reyna provided testimony to the House and Senate Agriculture Appropriations subcommittees on March 16. His testimony supported FCA's fiscal year (FY) 2001 proposed budget and Annual Performance Plan that was submitted to Congress in February.

FCA's proposed budget for FY 2001 is \$36.8 million, an increase of \$1.0 million or 2.8 percent above the amount requested for FY 2000

operations. Most of the increase is due to adjustments in compensation and benefits for the Agency's workforce.

In his testimony, Reyna highlighted FCA's accomplishments during FY 1999. "We continued our commitment to improving efficiency, minimizing the cost burden on FCS borrowers, adding value in everything we do, and helping our customers meet the challenges and opportunities of the approaching

millennium," he said. "Moreover, we continued to reduce regulatory burden during FY 1999 without compromising our ability to oversee the safety and soundness of System institutions."

Reyna noted that FCA implemented a number of important regulatory and policy initiatives during FY 1999 including:

- Proposing a regulation that would provide FCS customers the

## FCA Receives Top Awards for Charitable Giving

FCA employees won double honors as a result of their generous contributions to the Combined Federal Campaign (CFC). The CFC is the annual fund-raising drive conducted by Federal employees in their workplace each year, similar to the private sector's United Way Campaign. Each year Federal employees and military personnel raise millions of dollars through the CFC that benefit thousands of non-profit charities.

Donna E. Shalala, Secretary of Health and Human Services, served as Chair of the 1999 Combined Federal Campaign of the National Capital Area. "When I served as CFC Campaign Chair in 1995," Secretary Shalala said, "I was so impressed by the generosity and commitment of Federal workers to community service and giving. When the President asked me to serve again this year, I saw it as an opportunity to give back and get involved in working together to do something extraordinary for those less fortunate in our community, our nation, and around the world."

For the sixth year in a row, FCA earned the President's Award, the highest award a Federal agency can receive for CFC contributions. To qualify, 75 percent of an agency's



*Donna E. Shalala, Secretary of Health and Human Services, congratulates Chairman Michael M. Reyna on his leadership of FCA's Combined Federal Campaign.*

employees must contribute to the CFC or the per capita gift must be at least \$275. FCA also won the Pacesetter Award, which recognizes agencies that exceed the previous year's contributions by a specified

percentage. The criterion this past year was a 2.8 percent increase. FCA employees exceeded all expectations, with contributions of \$51,927, almost 11 percent above the previous year's contributions of \$46,329.

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freedom to do business with the FCS lender of their choice.

- Adopting a final rule revising the investment regulations to provide FCS institutions increased flexibility, a wider range of eligible investments, and improved investment practices.
- Issuing a policy statement reemphasizing the importance of lending to young, beginning, and small farmers.

- Providing guidance to FCS institutions on interest-rate-risk management practices.
- Encouraging System institutions to work closely with pork producers whose operations were under stress.
- Approving a direct final rule that reduces the regulatory burden on the System by repealing or amending several regulations.

"We believe these regulatory initiatives enable us to effectively ensure the safety and soundness of the System and compliance with the law while minimizing the burden on the institutions we regulate," Reyna said.

## Dim Picture for Agriculture in 2000

The U.S. Department of Agriculture's recent annual outlook conference in Washington, D.C., found the program presenters generally painting a dim picture for the coming year. FCA staff attending the conference reported the following highlights:

- Net farm income may drop 20 percent this year, even with the second highest level of Government payments on record.
- Major crop prices are 30 to 40 percent below their 1996 highs, and abundant production and stiff foreign competition promise to keep them low for another year.
- Exports may edge up only slightly from last year's \$49 billion figure, reflecting some strength in cotton and livestock sales.
- The livestock sector offers some encouragement for the coming year, as red meat production will

be down about 3 percent, which will boost prices and profits.

- The poultry industry should hold steady.
  - A surge in milk production will pressure milk prices significantly.
- Ed Harshbarger, FCA's Director of Risk Analysis, said, "To uncover the surprises in the outlook for 2000, we need to study the major drivers of the farm economy." He identified the following questions that must be considered:
- Will Congress again enact emergency legislation in this election year to augment the \$17 billion in payments now slated to go to farmers?
  - Will Congress grant permanent Normal Trade Relations to China as it seeks to join the World Trade Organization?
  - What will be the impact of weather on agriculture?

Harshbarger noted that subsoil moisture levels are low from the driest fall and mildest winter in 105 years. "A hot, dry summer could reduce yields and quickly reverse the price and income picture," he said. "It's going to be an interesting year."

During the outlook conference, Secretary of Agriculture Dan Glickman said the Administration will offer a new farm safety net proposal this year. At its heart are several billion dollars, over the next two crop years, in countercyclical income assistance — payments go up when incomes go down, and vice versa. This assistance is targeted to producers with smaller incomes who suffer the greatest hardships. The proposal includes new direct conservation payments and enhances existing efforts like the Conservation Reserve Program, the Wetlands Reserve Program, and the Farmland

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## FCA Issues First Annual Accountability Report



FCA's *Accountability Report for Fiscal Year 1999* is now available. This is our first endeavor to produce a report that meets the requirements of the 1993 Government Perfor-

mance and Results Act (Results Act). All Federal agencies are required under the Results Act to produce a report on their annual performance goals and report on the measures for those goals. The first such report was to be published by March 31, 2000. In addition, in 1995 Congress passed the Federal Report Elimination and Sunset Act (Sunset Law) that provided for the automatic sunset in 1999 of many reports and reporting requirements. One of the objectives of the Sunset Law was to enable Federal agencies to consolidate reporting as much as possible, eliminating duplicative reports and streamlining the information flow to Congress and the public.

This report provides detailed

information to Congress, the Office of Management and Budget, our stakeholders, and the public that spells out not only what we do, but also how well we are doing in meeting our mission.

The report consolidates both the *FCA Annual Report* (formerly issued by December 31) and the *Report on the Financial Condition and Performance of the Farm Credit System* (formerly issued by June 30). It is posted on the Agency's Web site ([www.fca.gov](http://www.fca.gov)) under the Publications category. Printed copies are available from FCA's Office of Congressional and Public Affairs, 1501 Farm Credit Drive, McLean, VA 22102-5090; phone, 703-883-4056; fax, 703-790-3260; or e-mail, [info-line@fca.gov](mailto:info-line@fca.gov).

## Picture for Agriculture (continued from page 3)

Protection Program. Administratively, the Secretary indicated he will use his authority to freeze loan rates for wheat, corn, soybeans, rice, and cotton for this crop year and give farmers more marketing flexibility by providing low-cost financing for on-farm storage facilities.

Crop insurance will be made more affordable and more accessible, by extending the premium discount on buy-up coverage, offering multi-year coverage, making coverage

available to more kinds of farmers, and expanding the risk management education program.

USDA will expand market opportunities for farmers by promoting farm cooperatives, exploring alternative crop uses through a new bio-energy program, and funding rural Empowerment Zones and Enterprise Communities. USDA wants to redirect unused money from the Export Enhancement

Program to trade-supporting initiatives like international food aid.

However, the Administration's proposal must pass Congress, and getting a consensus there will not be easy. Congress will likely make some changes to Glickman's proposal before it becomes law. Regardless of how farm programs are structured, there is a growing consensus that Congress will be providing more financial assistance to farmers and ranchers this year.

## Farm Credit System Insurance Corporation Adjusts Premium Rates

The Farm Credit System Insurance Corporation (FCSIC) Board of Directors recently announced an adjustment in the rate of insurance premiums charged on nonaccrual loans held by FSC institutions.

The premium rate on nonaccrual loans, which now stands at 25 basis points, will be reduced to zero basis points, beginning July 1, 2000. The Board also approved continuing the premium rates at zero basis points on accrual and guaranteed loans for the remainder of the year. In September, the Board will meet again to review premium rates for 2001 and consider adjustments, if warranted.

The Board's semiannual review is based on an assessment of the level of the Insurance Fund relative to outstanding insured debt obligations, any potential Insurance Fund losses, the financial condition of the System, the outlook for the agricultural economy, and risk in the financial environment.

The law defines the secure base as 2 percent of the level of insured debt outstanding at System banks. The Insurance Fund finished 1999 slightly below the secure base amount, at 1.99 percent or \$1.38 billion, due to a spike in the level of insured debt outstanding in Decem-

ber. Now it has risen slightly above 2 percent due to a small decline in insured debt outstanding.

"The System remains healthy overall, with another year of strong earnings," said FCSIC Chair Ann Jorgensen. "System institutions have continued to build capital and strengthen themselves to ensure their ability to meet agriculture's credit needs. However, the continued weak farm economy remains a major uncertainty and the FCSIC will continue to monitor this, in case there is any adverse effect on the System's financial condition," she said.

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The Farm Credit Administration is the Federal agency responsible for the regulation and examination of the Farm Credit System, a nationwide network of cooperatively owned agricultural lending institutions and their service organizations.