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FCA board receives quarterly report on conditions in agriculture and the Farm Credit System

McLEAN, Va., Dec. 10, 2020 — At its monthly meeting today, the Farm Credit Administration board received a [quarterly report \(PDF\)](#) on economic issues affecting agriculture, together with an update on the financial condition and performance of the Farm Credit System (System) as of Sept. 30.

The U.S. economy rebounded sharply in the third quarter. Labor markets continued to improve but were below the level at the start of 2020. Business investment and consumer spending also improved. However, strong government support contributed significantly to the economic rebound.

Prospects have improved for the major cash crops as a result of tighter-than-expected world supplies. Lower global production estimates and strong demand, especially from China, have boosted grain prices and producer profitability. The strong price movements in corn and soybeans this past fall provided producers with opportunities to price their crops at more profitable levels.

Demand uncertainty, weather, and rising input costs continue to challenge producers in the protein sector. The near-term profit outlook for both the dairy and hog sectors remains favorable, but margins are expected to narrow in the first half of 2021. Recovery of food services and restaurant dining demand is especially key for the poultry industry. Broiler margins are currently below breakeven and are projected to remain so until at least the first quarter of 2021. Western fall and early winter pasture conditions have noticeably deteriorated from a year ago and are a key concern for the cow-calf sector.

As of Sept. 30, the System was safe and financially sound, and is well-positioned to support agricultural producers and rural America. Real estate mortgage lending continued to be the principal driver of loan growth in 2020. Portfolio loan quality remained good, with little change in credit risk measures in the third quarter. Strong year-to-date earnings continued to support capital growth.

Semiannual report on Office of Examination operations

The board also received the [semiannual report \(PDF\)](#) on Office of Examination operations. For fiscal year 2020, FCA examiners conducted oversight and examination activities at all 4 System funding banks, all 68 associations, and several other related entities.

Closed session

During the closed session, the FCA board received a quarterly report from the Office of Examination.

Notational vote

Since the Nov. 19 FCA board meeting, one notational vote has occurred. Notational votes are actions taken by the FCA board between board meetings.

On Dec. 4, the FCA board approved an amendment to the Dec. 10 board meeting agenda after it was published in the Federal Register. The amendment removed the “extension of no action” item regarding the [investment eligibility rule \(PDF\)](#). Since the rule took effect on Dec. 4, the extension is no longer needed.

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The Farm Credit Administration is the safety and soundness regulator of the Farm Credit System. The System consists of two government-sponsored enterprises — a nationwide network of cooperative banks and associations established in 1916, and a secondary market entity known as the Federal Agricultural Mortgage Corporation (Farmer Mac), which was established in 1988. The System’s borrower-owned banks and associations provide credit to farmers, ranchers, residents of rural communities, agricultural and rural utility cooperatives, and other eligible and creditworthy borrowers. Farmer Mac provides a secondary market for agricultural real estate loans, rural housing mortgage loans, and certain rural utility loans. FCA news releases are available on the web at www.fca.gov.