

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



**MINUTES OF THE REGULAR MEETING  
OF THE  
FARM CREDIT ADMINISTRATION BOARD  
April 14, 2022**

These minutes reflect the business transacted at the April 14, 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 10:29 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; and staff of the FCA and the Farm Credit System Insurance Corporation (FCSIC). Also, there were eight members of the general public registered to attend. (A list of the FCA and FCSIC staff in attendance is attached as Exhibit A.)

**Chairman Smith** announced that this meeting of the Board is a hybrid physical/virtual meeting due to the COVID-19 pandemic.

**Chairman Smith** welcomed the staff observing the meeting who recently joined the Offices of Regulatory Policy and General Counsel.

**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 March 10, 2022, Regular Board Meeting (BM-14-APR-22-01)**

**Mr. Hall** moved to approve the minutes for the March 10, 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-14-APR-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**

**Sarah Tulman** 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 further discussion from the Board.

There were no further questions or discussion.

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

**New Business**  
**Implementation of Current Expected Credit  
Losses Methodology Final Rule  
(BM-14-APR-22-02)**

**Ryan Leist** of the **Office of Regulatory Policy** and **Jennifer Cohn** of the **Office of General Counsel** presented the Implementation of Current Expected Credit Losses Methodology Final Rule.

**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 Implementation of Current Expected Credit Losses Methodology Final Rule.

**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-14-APR-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 10:04 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 shown in Exhibit A.) (A copy of the certification is attached hereto as Exhibit F.)

**Office of Examination Quarterly Report on  
Supervisory and Oversight Activities**

**Mike 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 further discussion from the Board.

There were no further questions or discussion.

**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 10:29 a.m.

**NOTATIONAL VOTE ACTIONS**

There were three notational vote actions approved by the FCA Board from March 10, 2022, through April 13, 2022, as follows:

<b>Item Number</b>	<b>Action Date</b>	<b>Voting Result</b>	<b>Subject</b>
NV 22-04	03/17/2022	Approved	Delta Agricultural Credit Association Voluntary Liquidation
NV 22-07	04/04/2022	Approved	Merger of AgChoice Farm Credit, ACA and MidAtlantic Farm Credit, ACA (Horizon, ACA)
NV 22-06	04/11/2022	Approved	FCA 2022 Enhanced Workforce Benefits

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on April 14, 2022.

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

\_\_\_\_\_/s/  
Ashley Waldron  
Secretary to the Board

Approved: May 12, 2022

**STAFF PRESENT AT THE  
FCA REGULAR BOARD MEETING  
April 14, 2022**

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

<b>ATTENDEES</b>	<b>OPEN SESSION</b>	<b>CLOSED SESSION</b>
<b>Office of the Board</b>		
Smith, Glen	X	X
Hall, Jeff	X	X
Morris, James	X	X
Donner, Mary Alice	X	X
Lewandrowski, Barbara	X	X
Roque-Brehm, Awilda	X	X
Calhoun, Gaye	X	
Waldron, Ashley	X	X
<b>COO</b>		
Coleman, Robert	X	X
<b>OIT</b>		
Golley, Jerry	X	X
Versace, Jerry	X	X
Matos, Ricardo	X	X
Rana, Ben	X	X
<b>OCPA</b>		
Stokke, Mike	X	X
Middleton, Russell	X	X
<b>OGC</b>		
Ogilvie, Clark	X	X
Cohn, Jennifer	X	
Virga, Jane	X	X
Grossman, Andra	X	X
<b>OE</b>		
Duffy, Mike	X	X
Fennewald, Dan	X	X
Greenlee, Angela	X	X
MacLean, Mike	X	X
Johnson, Hal	X	X
<b>ODAE</b>		
D'Antoni, Jeremy	X	X
Iannetta, Sal	X	X
Tulman, Sarah	X	X
<b>OIG</b>		
Laguarda, Wendy	X	X

<b>ATTENDEES</b>	<b>OPEN SESSION</b>	<b>CLOSED SESSION</b>
Miller, Kevin	X	X
Coccaro, Chris	X	X
<b>OSMO</b>		
Rea, Laurie	X	X
<b>ORP</b>		
Kramp, Kevin	X	X
Agans, Autumn	X	X
Edelstein, Jeremy	X	X
Johansen, Mark	X	X
Leist, Ryan	X	
Gallegos, Luke	X	X
Perry, Aga	X	X
West, Corbin	X	X
Wilson, Chris	X	X
<b>OCFO</b>		
Walters, Sandra	X	X
Gandy, Doug	X	X
<b>OAS</b>		
Bell, Vonda	X	X
Clark, Patrina	X	X
<b>FCSIC</b>		
Rubin, Howard	X	X
Simonson, John	X	X
Grimaldi, Andrew	X	X
Smith, Gregory	X	X
Wynn, Wade	X	X
Morgan, Matt	X	X
<b>GENERAL PUBLIC</b>	<b>8</b>	<b>N/A</b>

# 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 April 14, 2022

**TIME AND DATE:** 9:00 a.m., Thursday, April 14, 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](http://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 March 10, 2022, Minutes
- Quarterly Report on Economic Conditions and Farm Credit System Condition and Performance
- Implementation of Current Expected Credit Losses Methodology Final Rule

#### Portions Open to the Public

- Office of Examination Quarterly Report on Supervisory and Oversight Activities<sup>1</sup>

**CONTACT PERSON FOR MORE INFORMATION:** If you need more information or assistance for accessibility reasons, or if you have questions, contact Ashley Waldron, Secretary to the Board. Telephone: 703-883-4009. TTY: 703-883-4056.

\_\_\_\_\_/s/  
Ashley Waldron  
Secretary to the Board

April 4, 2022

<sup>1</sup> 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**

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### **FCA BOARD ACTION ON**

**Minutes for March 10, 2022**

**BM-14-APR-22-01**

**Effective Date:** April 14, 2022

**Impact on Prior Board Actions:** None

#### **THE FCA BOARD HEREBY:**

- Approves the minutes for March 10, 2022.

**DATED THIS 14<sup>th</sup> DAY OF APRIL 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

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### FCA BOARD ACTION ON

#### Implementation of Current Expected Credit Losses Methodology Final Rule

**BM-14-APR-22-02**

**Effective Date:** April 14, 2022

**Impact on Prior Board Actions:** Finalizes a rule that amends FCA's tier 1/tier 2 capital rules and makes conforming changes to other FCA regulations.

#### THE FCA BOARD HEREBY:

- Approves the final rule, which amends the Tier 1/Tier 2 Capital Framework to address changes to U.S. generally accepted accounting principles described in Accounting Standards Update No. 2016-13, Topic 326, Financial Instruments—Credit Losses and make conforming amendments to other regulations to accurately reference credit losses.
- Authorizes FCA staff to make any technical or grammatical changes to the final rule that may be necessary prior to publication in the Federal Register.

**DATED THIS 14<sup>th</sup> DAY OF APRIL 2022**

**BY ORDER OF THE BOARD**

\_\_\_\_\_/s/  
Ashley Waldron  
Secretary to the Board



# FCA Board Meeting April 2022

Exhibit E

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## Quarterly Report on FCS Condition April 14, 2022

**Sarah Tulman  
Hal Johnson**





# Topics for Open Session

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- ▶ Economic Conditions Affecting the Farm Credit System
  - Macroeconomy
  - Impact of war in Ukraine
  - U.S. agricultural sector
- ▶ Farm Credit System Condition and Performance
  - System growth and loan portfolio
  - Earnings and capital
  - Financial Institution Rating System (FIRS)





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# Economic Conditions Affecting the Farm Credit System

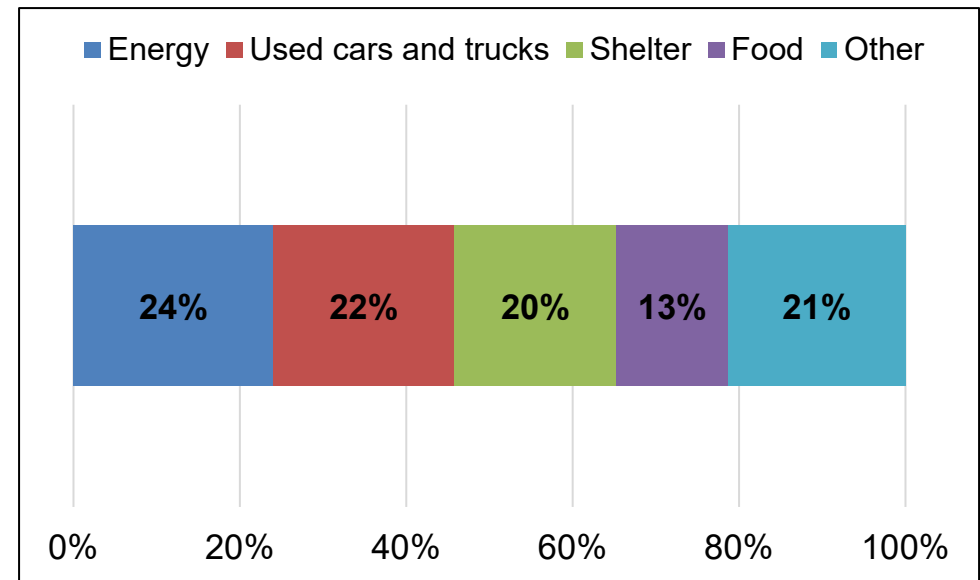
**Sarah Tulman, PhD**  
**Senior Economist**  
**Office of Data Analytics and Economics**



# Inflation remains high for both consumers and producers

- ▶ Consumer Price Index (CPI) up 7.9% in February from a year earlier.
- ▶ Increase led by energy (primarily motor fuel), used cars and trucks, shelter, and food.
- ▶ Producer Price Index (PPI) up 10% in February from a year earlier.
  - Tied with January for largest annual rate of increase.
  - 40% of increase was from motor fuel.

**Contributions to the 7.9% annual increase in CPI**



Source: [Bureau of Labor Statistics](#) (CPI)





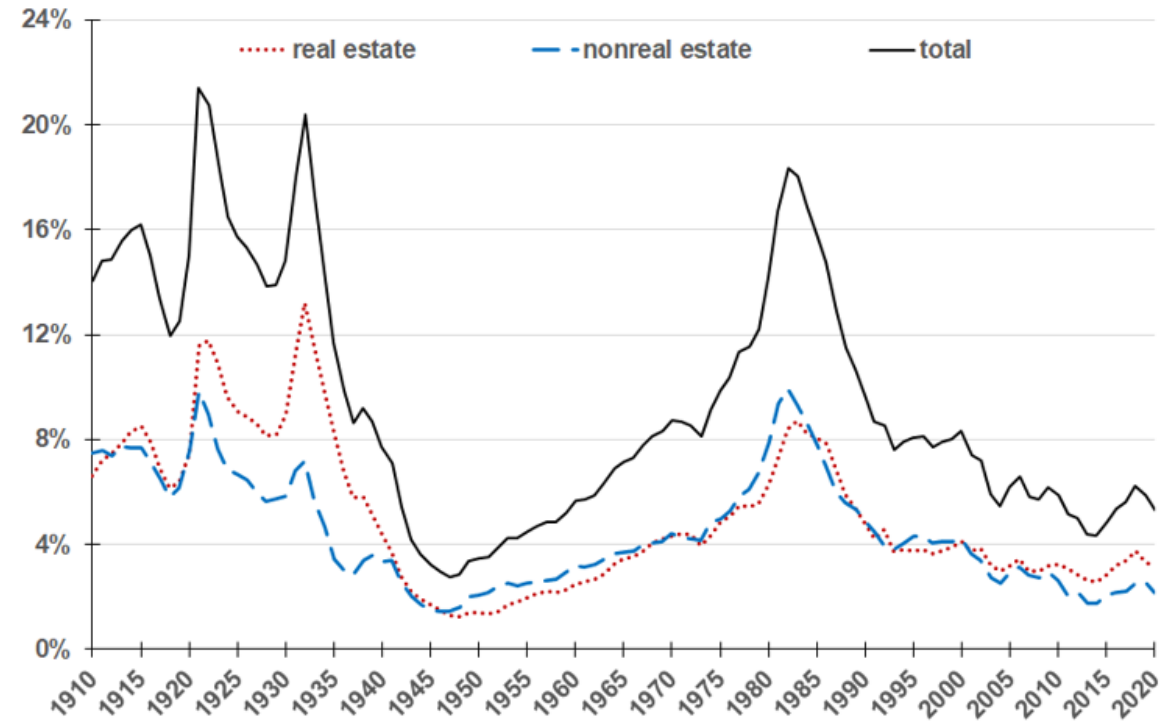


# Higher interest rates to increase U.S. farm production expenses

- ▶ Since 1991, farm debt has increased by more than 200%, which was faster than inflation.
- ▶ Downward trend in interest expense as a share of cash production expense reflects declining interest rates.
- ▶ Rising interest rates combined with the increase in farm debt to put pressure on farm income in 2022 and beyond.



Interest expense as a share of cash production expenses, excluding operator dwellings

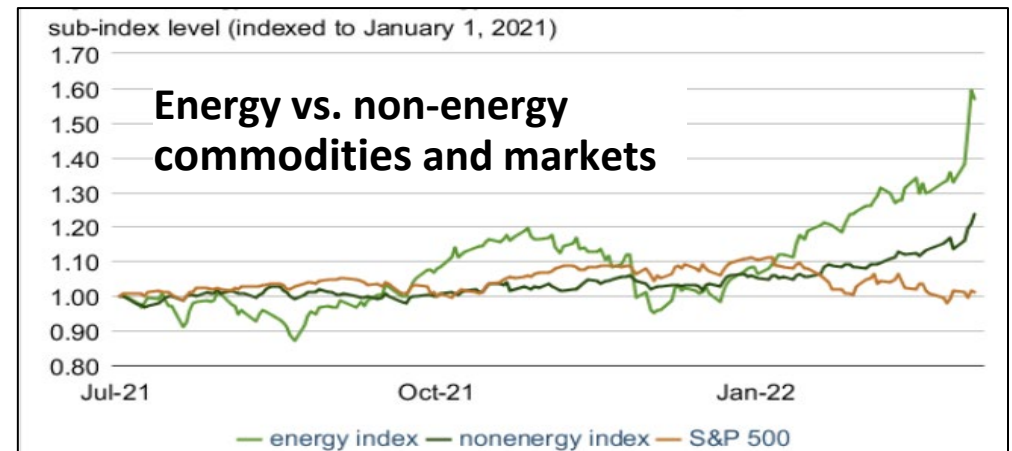
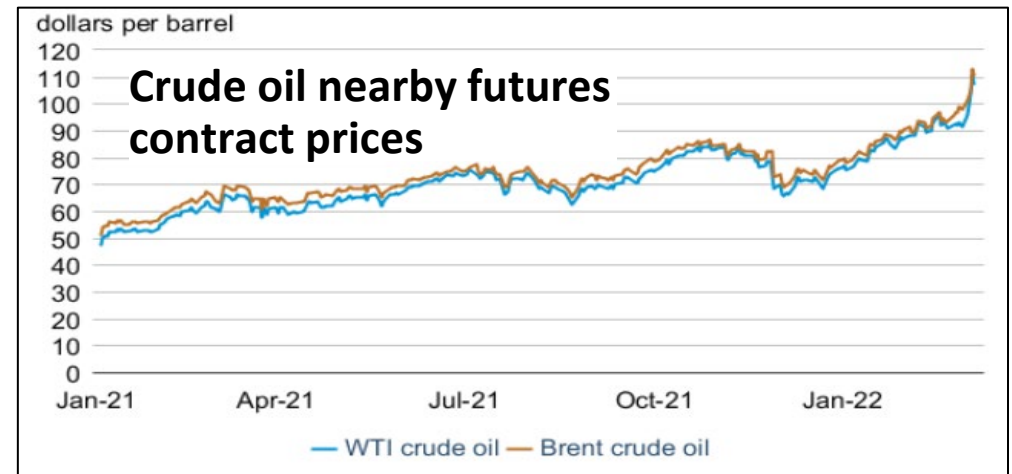


Source: [farmdoc daily](https://farmdocdaily.com), March 21, 2022



# Oil price rise was accelerated by the impact of the war in Ukraine

- ▶ Oil prices were already increasing when invasion of Ukraine took place.
- ▶ Increase in oil prices have outpaced the increase in non-energy commodity prices.
- ▶ U.S. has banned Russian oil imports and involvement in the sector.



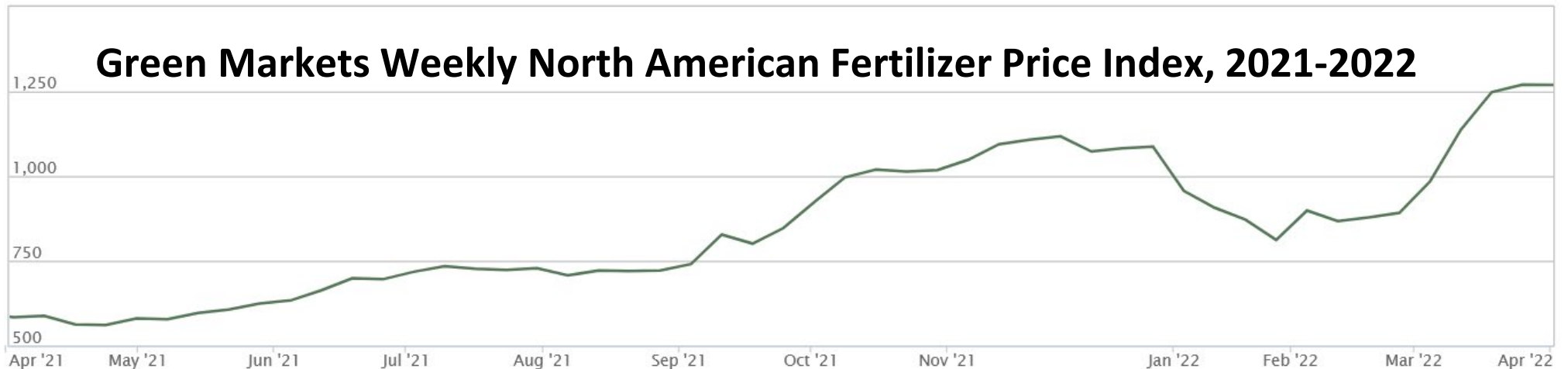
Source: [Short-Term Energy Outlook](#), U.S. Energy Information Agency, as compiled by Bloomberg L.P.





# Fertilizer cost and supply issues intensify

- ▶ Prices were increasing and supplies were constrained even before the Ukraine invasion.
- ▶ Russia suspended fertilizer exports.
- ▶ Longer run: USDA announced \$250 million in grants to support additional fertilizer production.

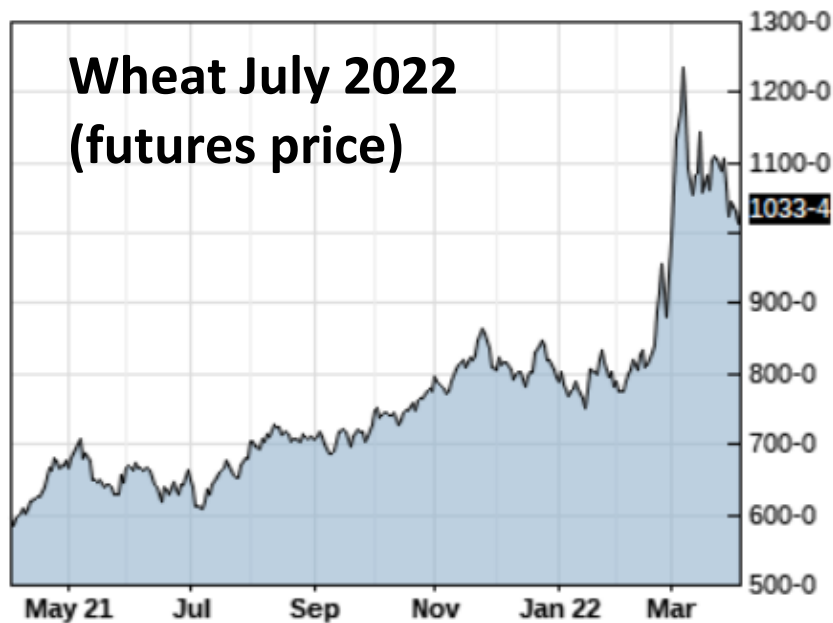


Source: [Green Markets](#), A Bloomberg Company.



# High degree of uncertainty in grain markets

- ▶ Grain price strength and volatility.
- ▶ Ukraine ag status and impacts on global trade.
- ▶ South American weather issues.

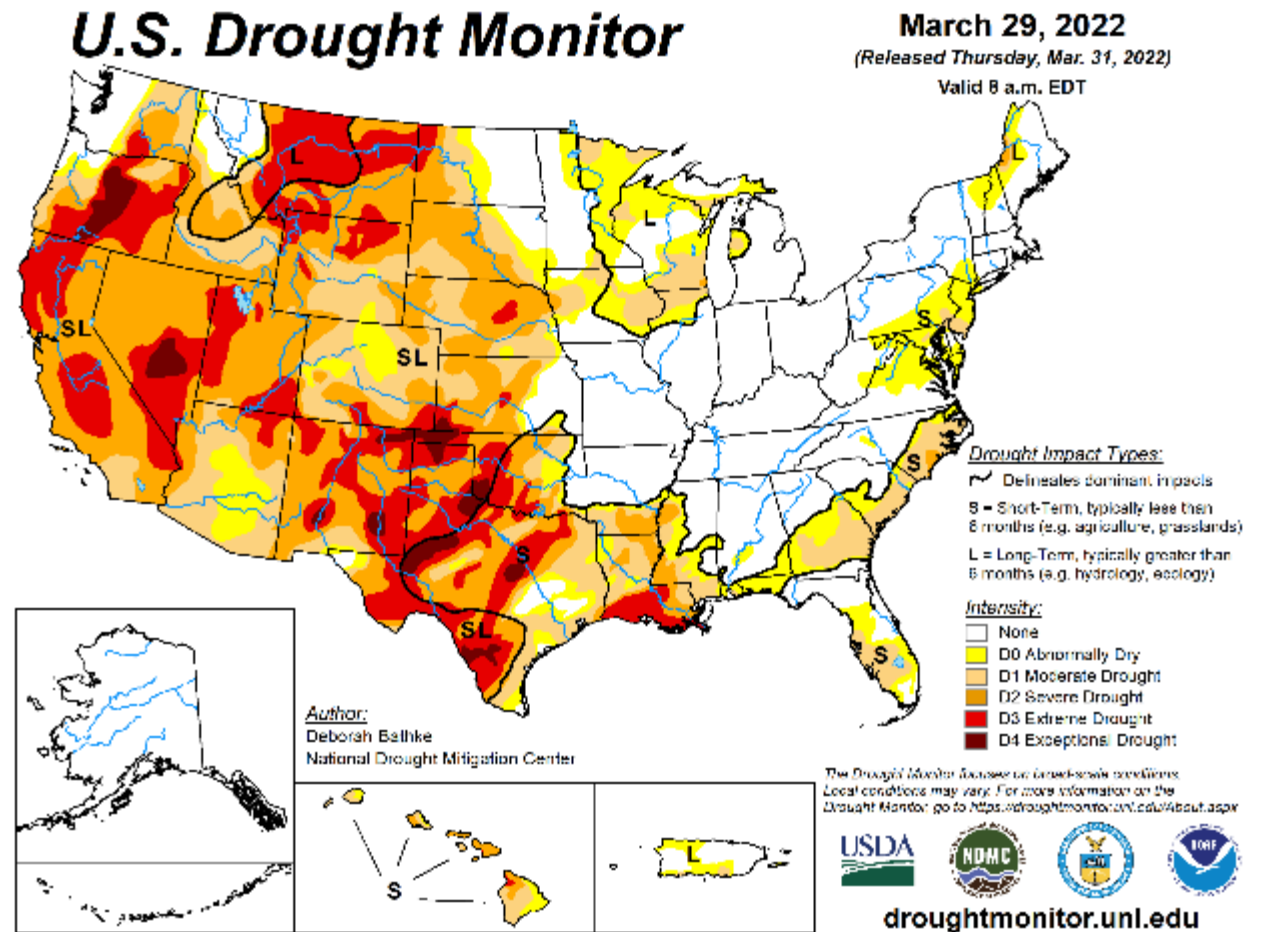


Source: AgWeb ([wheat](#), [corn](#)) using CME Group data.



# Widespread drought impacting the Western half of the U.S.

- ▶ Widespread western drought continues.
- ▶ California state water allocations cut to 5%, widely expected to be cut again to 0%.
- ▶ Hits both livestock forage availability and hay production.
- ▶ Winter wheat crop threatened and concerns in the Corn Belt.



Source: [U.S. Drought Monitor](https://droughtmonitor.unl.edu).



# Livestock producer margins are favorable but squeezed by higher feed costs

- ▶ Cow-calf margins depend on pasture conditions.
  - In early 2022, calf prices have declined but remain above year-earlier levels.
  - 61% of cattle were in drought-impacted areas in February, twice the level of late summer 2021.
- ▶ Hog margins are supported by stronger prices.
  - Prices driven by decline in slaughter activity, with higher prices offsetting higher feed costs.
  - Export forecasts lowered: lower U.S. supplies, higher pork prices, and inflationary pressures.
- ▶ Broiler margins remain positive on strong consumer demand.
  - Revenue has offset increased feed costs in recent months.
  - Cases of highly pathogenic avian influenza reported beginning in mid-January.
- ▶ Dairy margins expected to remain positive in 2022.
  - Margins bolstered by production cuts and strong dairy demand.







# Concluding comments

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- ▶ Inflation and input costs continue to affect producer returns and consumer demand.
- ▶ The Federal Reserve has begun raising interest rates and is expected to begin reducing its balance sheet. Rising interest rates put pressure on farm margins.
- ▶ War in Ukraine has introduced additional uncertainty into oil prices, fertilizer prices and supply, and grain markets.
- ▶ Drought and water concerns stress some regions and producers.





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# Farm Credit System Condition and Performance

as of  
December 31, 2021

**Hal Johnson**  
Sr. Financial Analyst  
Office of Examination



# Topics

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

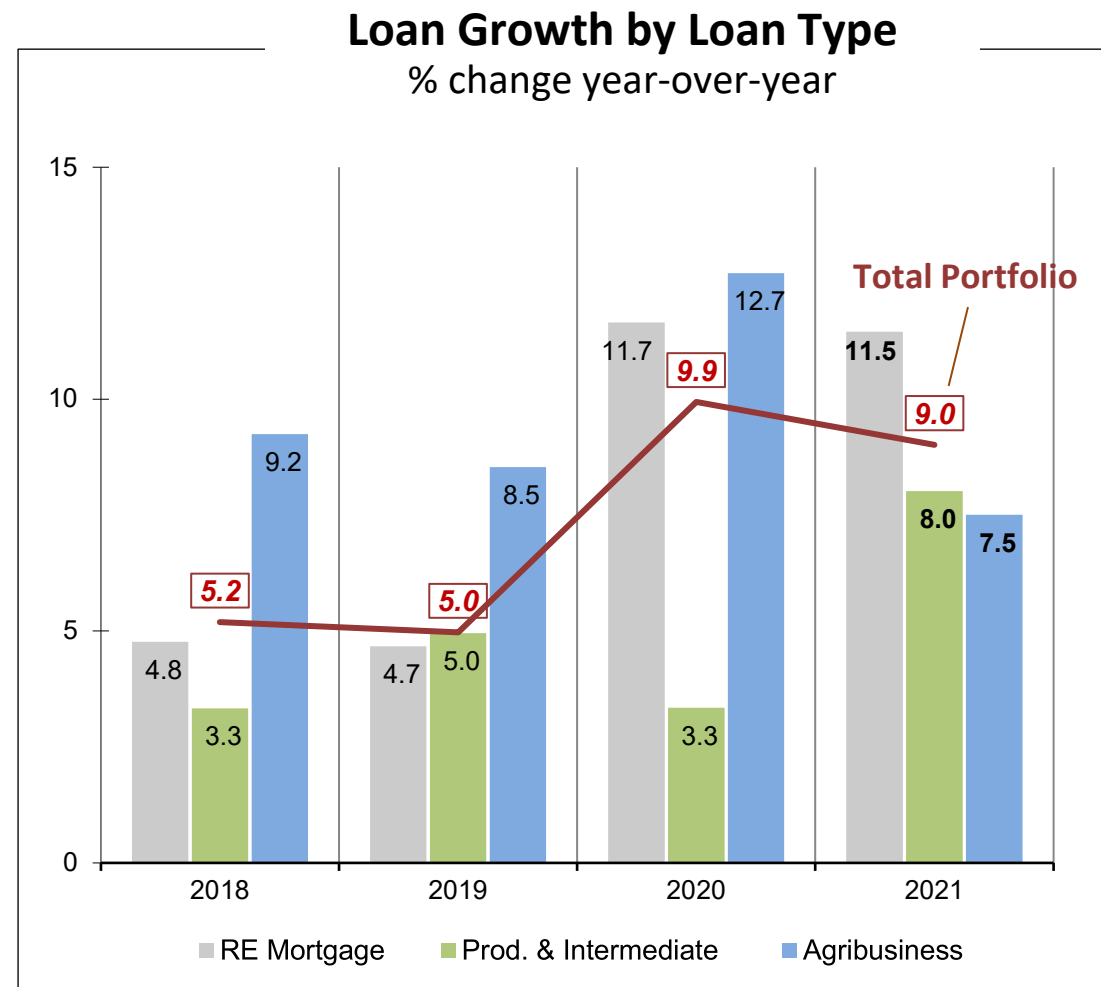
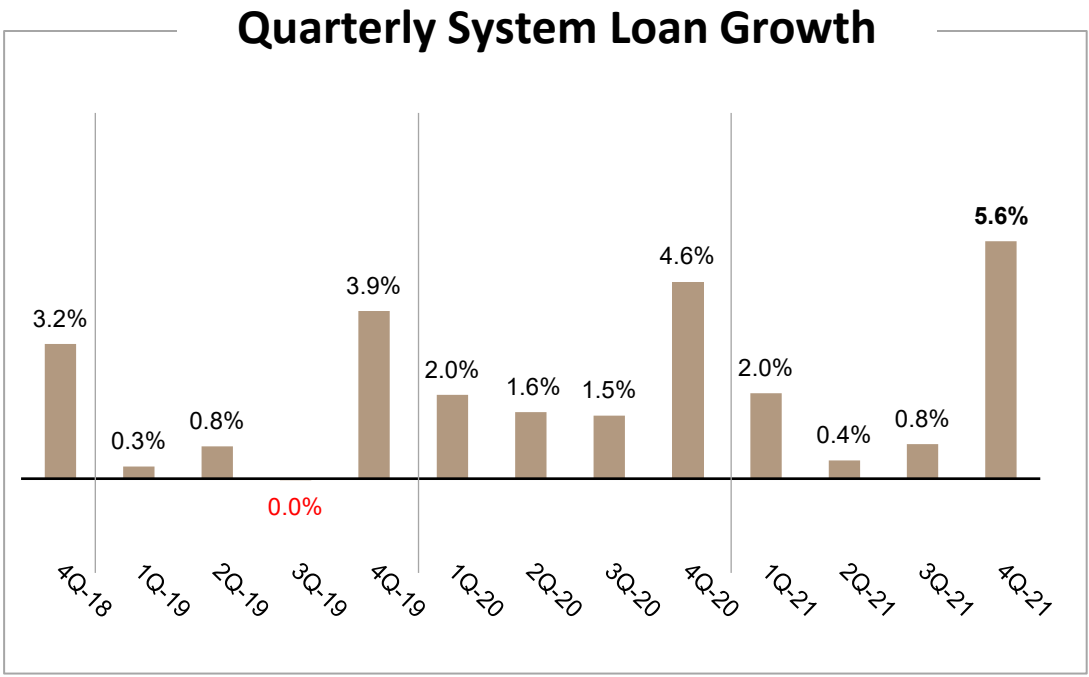




# System's loan growth reflects a strong farm economy



<b>Total Assets</b> 12/31/21	<b>\$436.0</b> billion	<b>+6.2%</b> Qtr	<b>Gross Loans</b> 12/31/21	<b>\$343.9</b> billion	<b>+5.6%</b> Qtr
		<b>+8.8%</b> 12M			<b>+9.0%</b> 12M



Source: FCS Information Statements



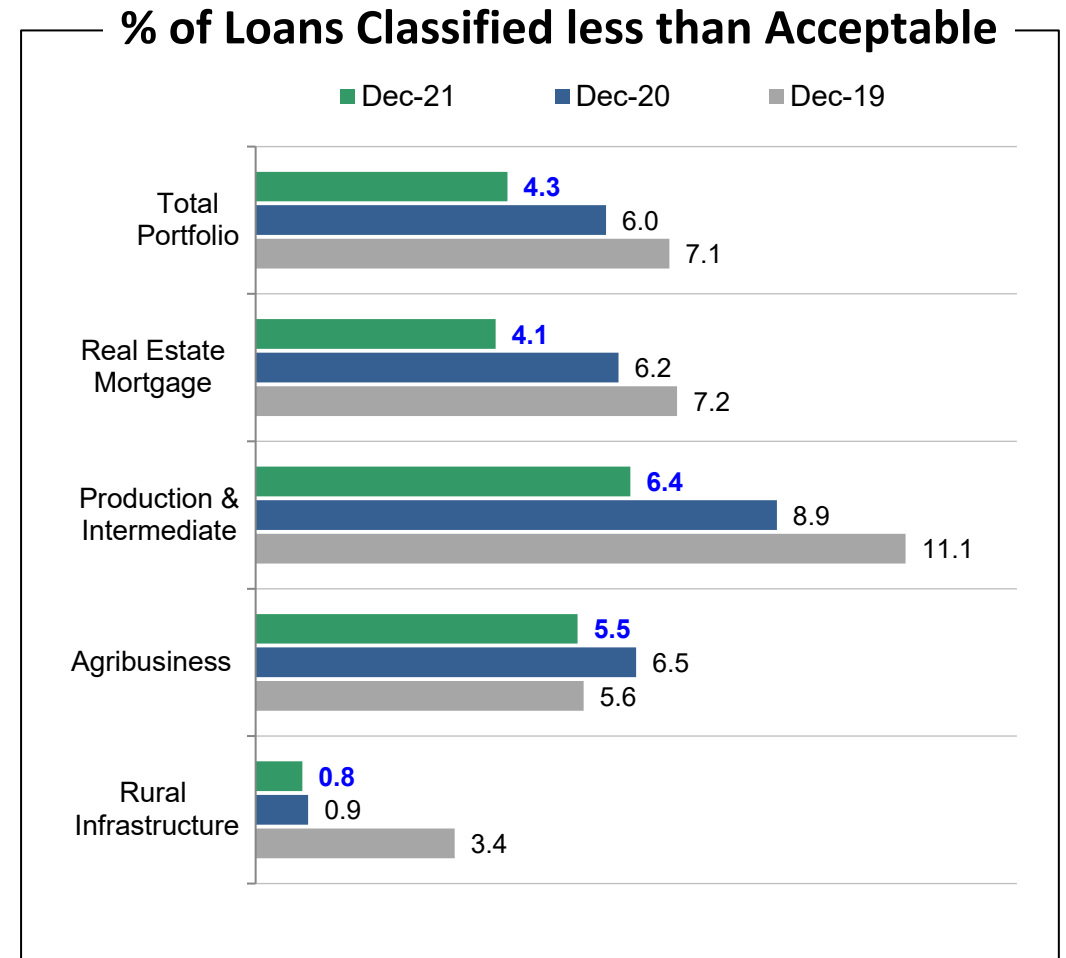


# The System's portfolio performed well in 2021



<b>Nonperforming Assets</b> (12/31/21)	<b>\$1.578</b> billion	<b>Qtr chg.</b> -\$206M or -11.5% <b>12 month chg.</b> -\$319M or -16.8%
<b>Delinquencies <sup>(1)</sup></b> (12/31/21)	<b>0.27%</b>	<b>Q4 '20</b> 0.28% <b>Q3 '21</b> 0.22%

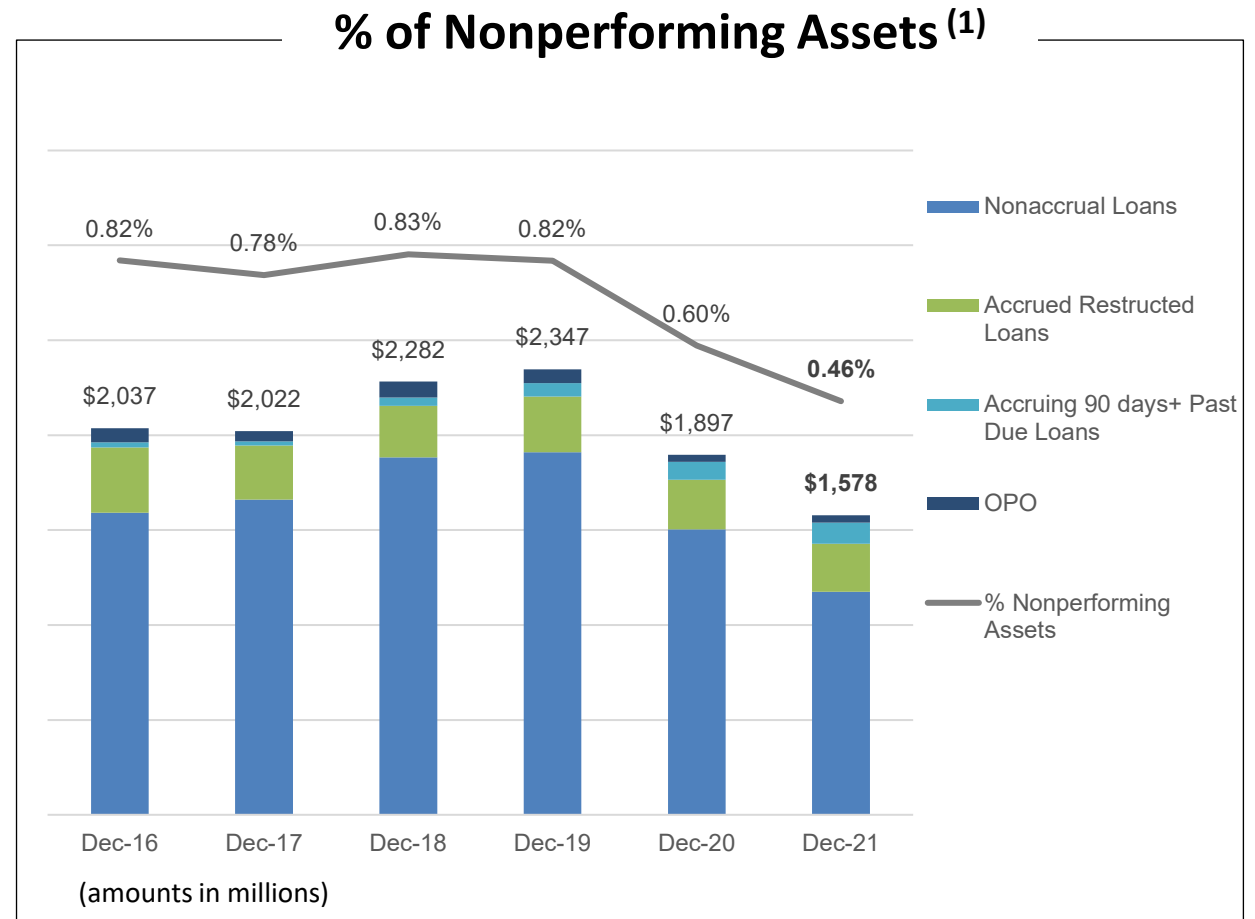
(1) accruing loans 30 days or more past due as a % of accruing loans





# Loan credit quality is very good; focus on strong risk management practices crucial

- ▶ Nonperforming assets were 0.46% of loans outstanding and other property owned, the lowest level since 4<sup>th</sup> quarter 2007.
- ▶ Nonaccrual loans totaled \$1.176 billion on December 31, down 21.8% from a year ago.
- ▶ 63.7% of nonaccrual loans were current as to principal and interest.
- ▶ Higher agricultural production costs and increasing market volatility reinforces the need for strong risk management practices.



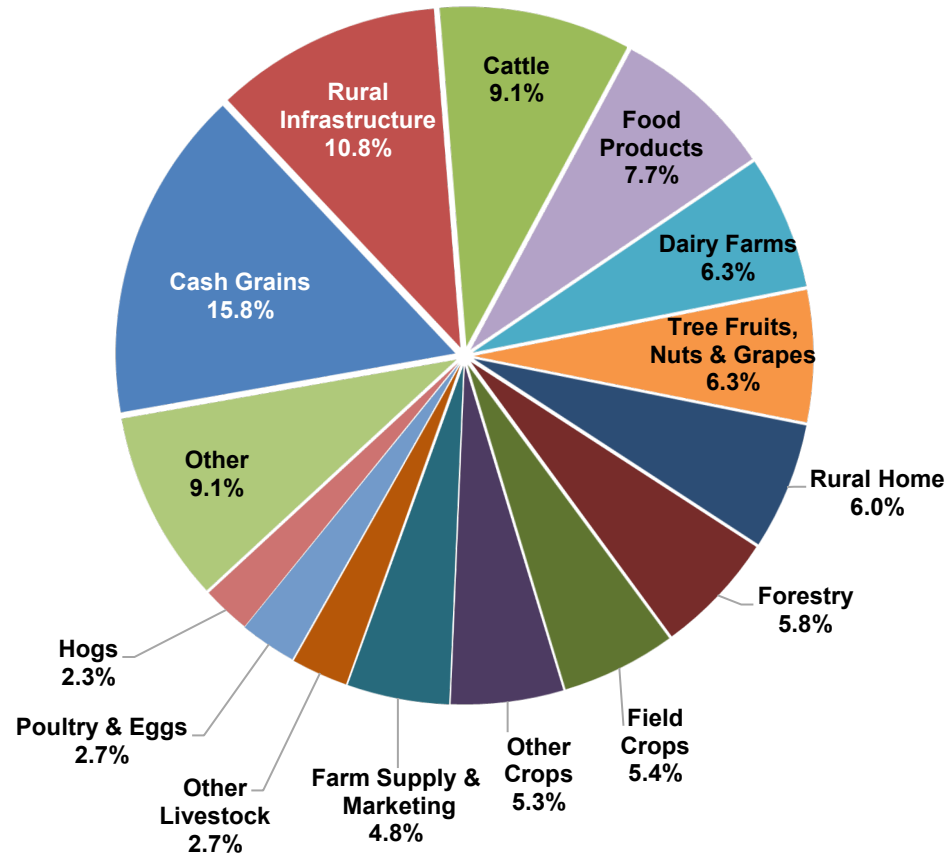
(1) calculated as a percentage of gross loans outstanding and other property owned (OPO)

Source: FCS Information Statements



# System's portfolio is diversified by commodity

## Loan Portfolio by Commodity Concentration



System Loan Portfolio (\$ in millions)	Dec-21	% of Total Portfolio	% chg. yr. over yr.
Cash Grains	54,230	15.8%	9.6%
Tree Fruits, Nuts & Grapes	21,524	6.3%	12.4%
Field Crops	18,668	5.4%	7.5%
Other Crop Production	18,180	5.3%	9.1%
<b>Total Crop Production</b>	<b>112,602</b>	<b>32.7%</b>	<b>9.7%</b>
Cattle	31,228	9.1%	13.3%
Dairy Farms	21,813	6.3%	9.0%
Poultry & Eggs	9,240	2.7%	6.2%
Hogs	7,937	2.3%	6.2%
Other Livestock	9,244	2.7%	15.9%
<b>Total Animal Production</b>	<b>79,462</b>	<b>23.1%</b>	<b>10.8%</b>
Rural Infrastructure	37,015	10.8%	7.4%
Food Products	26,484	7.7%	10.1%
Rural Home	20,707	6.0%	8.6%
Forestry	19,917	5.8%	7.3%
Farm Supply & Marketing	16,498	4.8%	4.7%
Other	31,244	9.1%	7.0%
<b>Total</b>	<b>343,929</b>	<b>100.0%</b>	<b>9.0%</b>

Source: FCS Information Statement



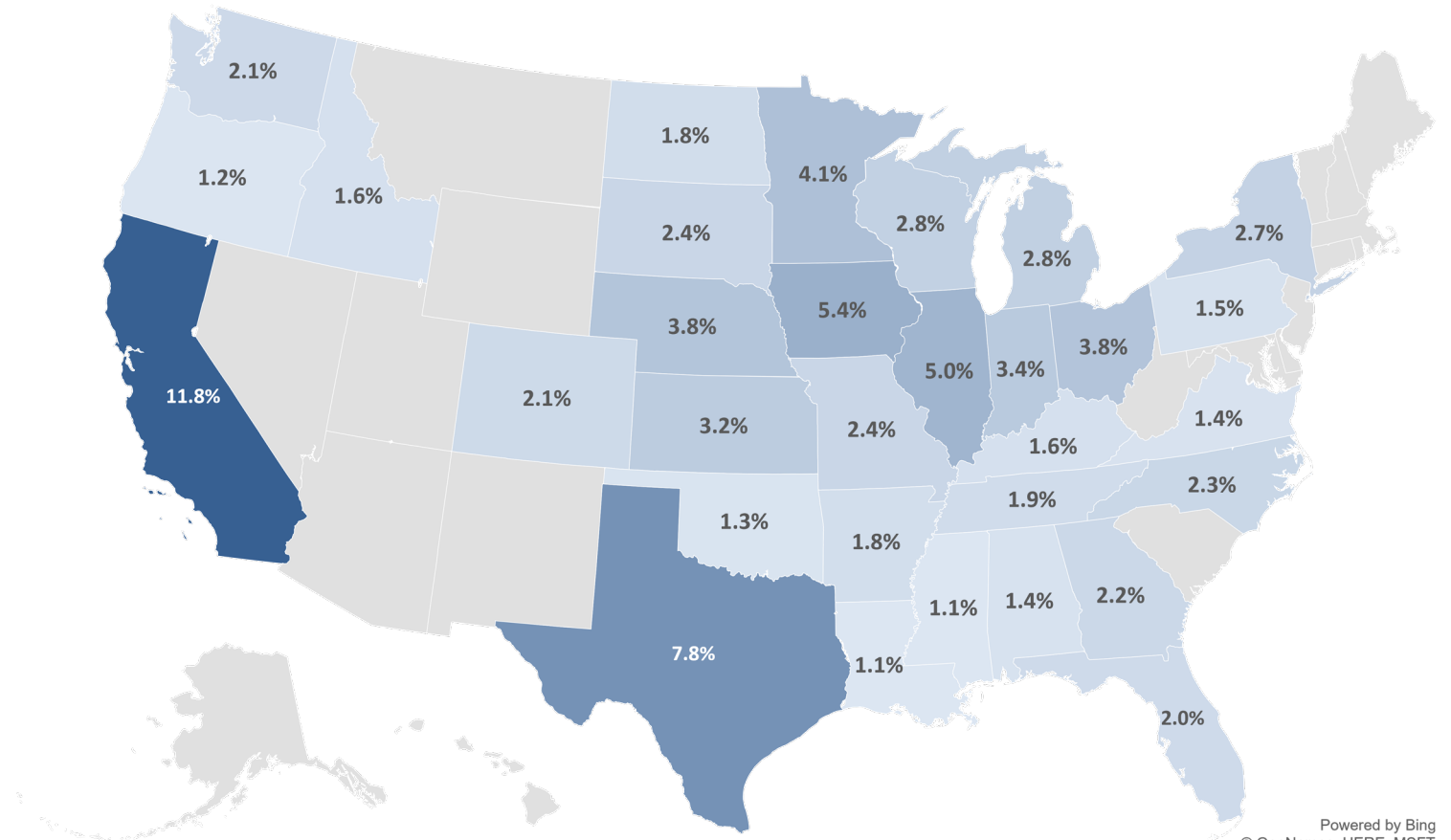
# Portfolio volume is geographically distributed



## % of System Loan Volume by State at Dec. 31, 2021

(only states with at least 1% are displayed)

Top 5 States	% of Portfolio
California	11.8%
Texas	7.8
Iowa	5.4
Illinois	5.0
Minnesota	4.1



Powered by Bing  
© GeoNames, HERE, MSFT

Source: FCS Information Statement

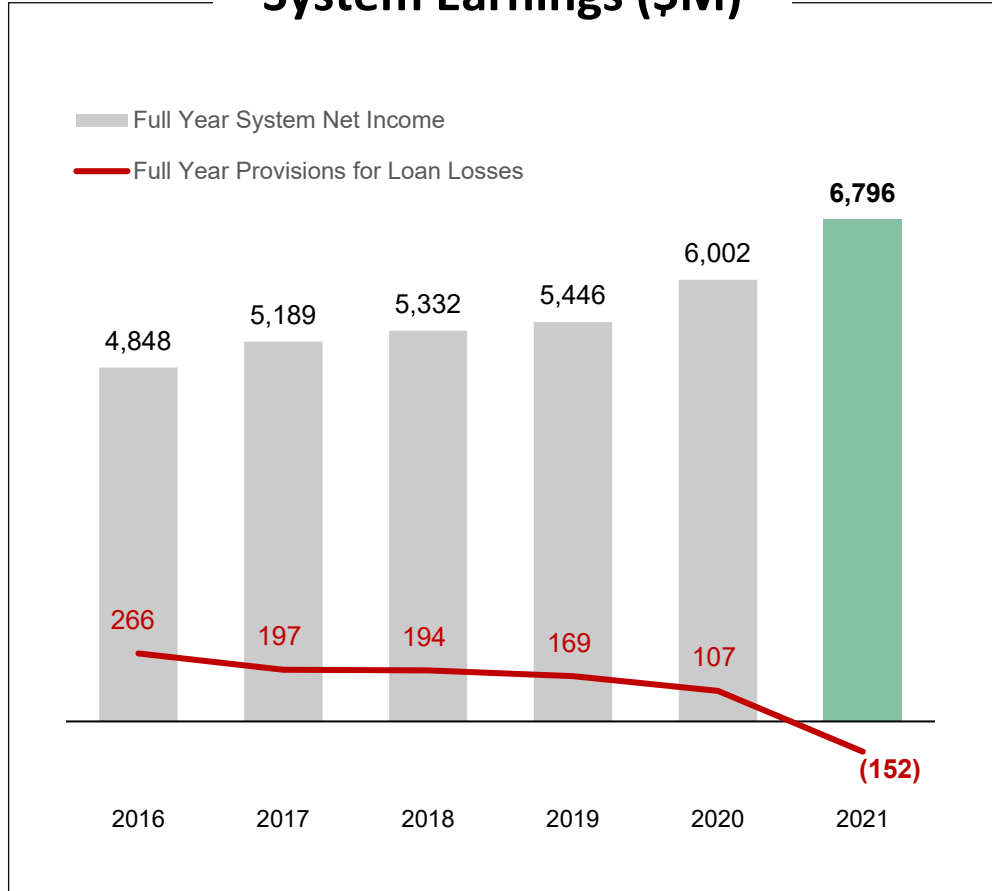




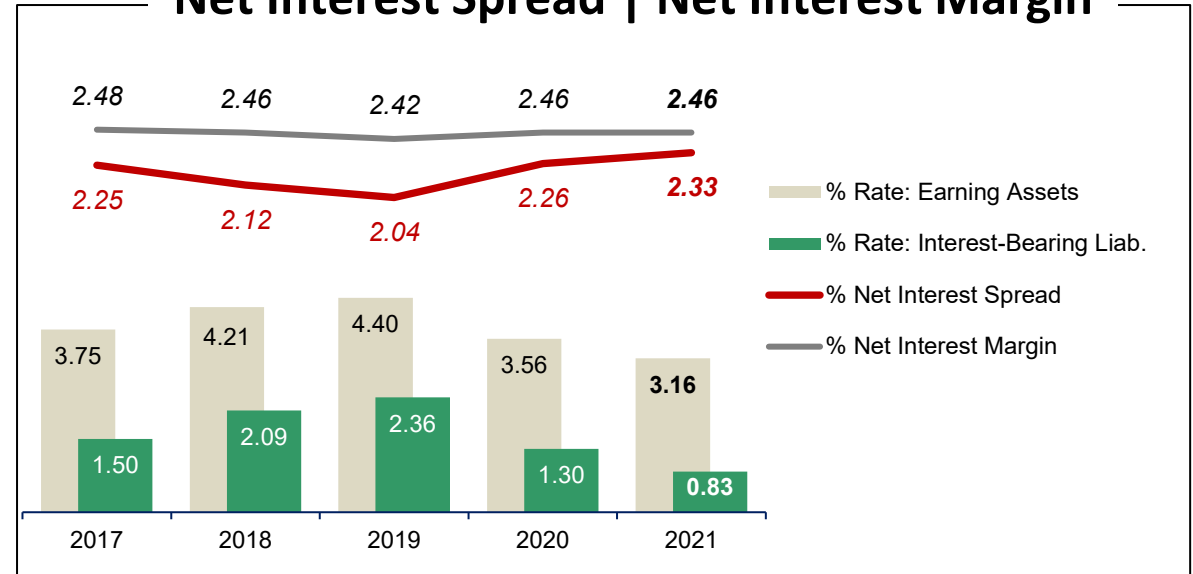
# System reports strong financial results for 2021



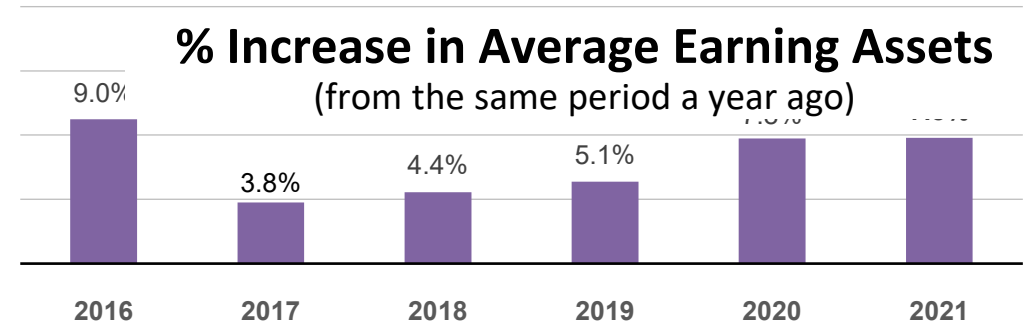
## System Earnings (\$M)



## Net Interest Spread | Net Interest Margin



## % Increase in Average Earning Assets (from the same period a year ago)



Source: FCS Information Statements



# Strong earnings drive continued capital growth

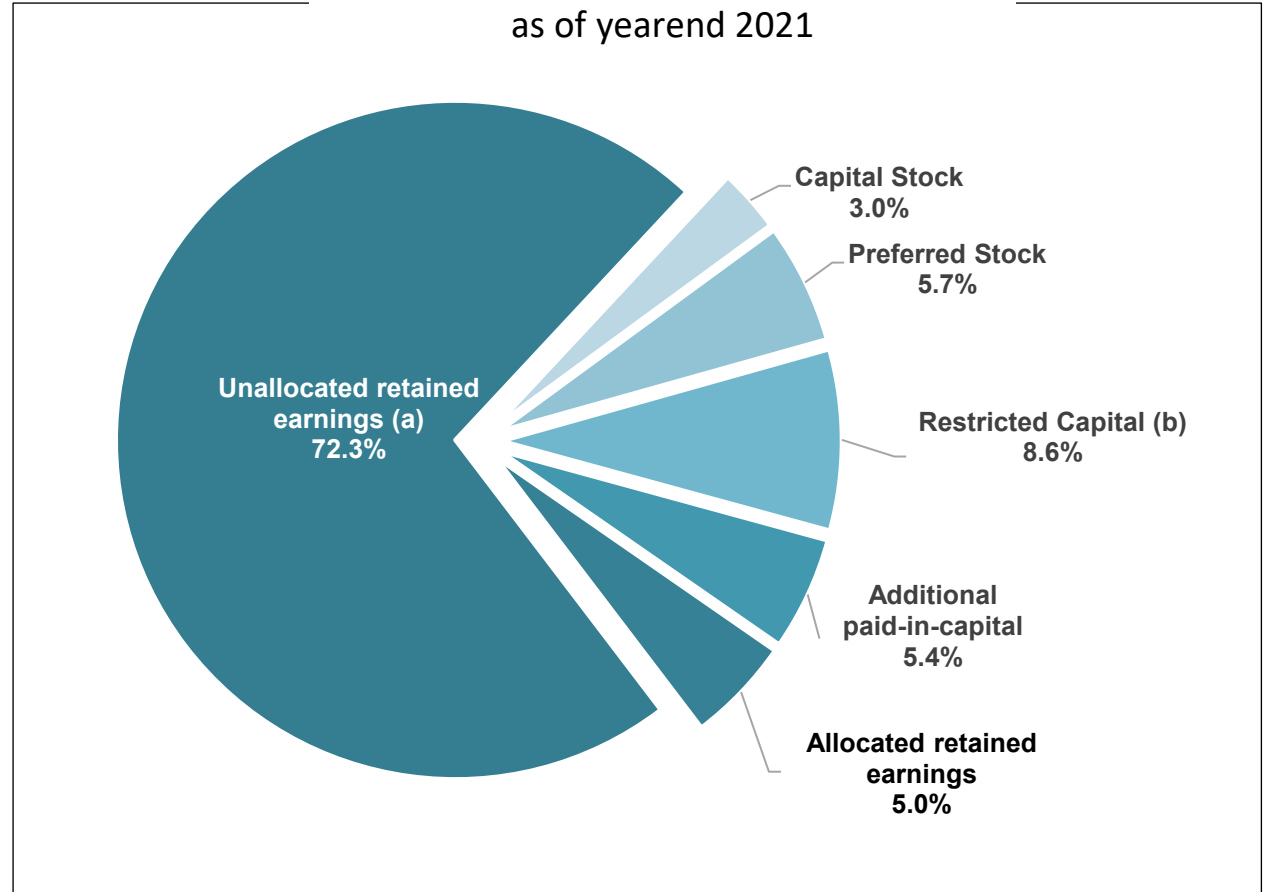
## Capital and Liquidity

(as of December 31, 2021)

- ▶ Total Regulatory Capital levels:  
Banks: 15.2% to 18.9%  
Associations: 12.8% to 34.7%
- ▶ Days of available liquidity for the 4 funding banks ranged from 158 to 235 days.
- ▶ Capital and the allowance for loan losses as a % of loans at a district level ranged from 16.8% to 21.6%.

## Total System Capital: \$69.5 B

as of yearend 2021



(a) includes \$1.2B in accumulated other comprehensive loss

(b) Restricted Capital represents capital associated with the FCS Insurance Fund



# System Composite FIRS ratings

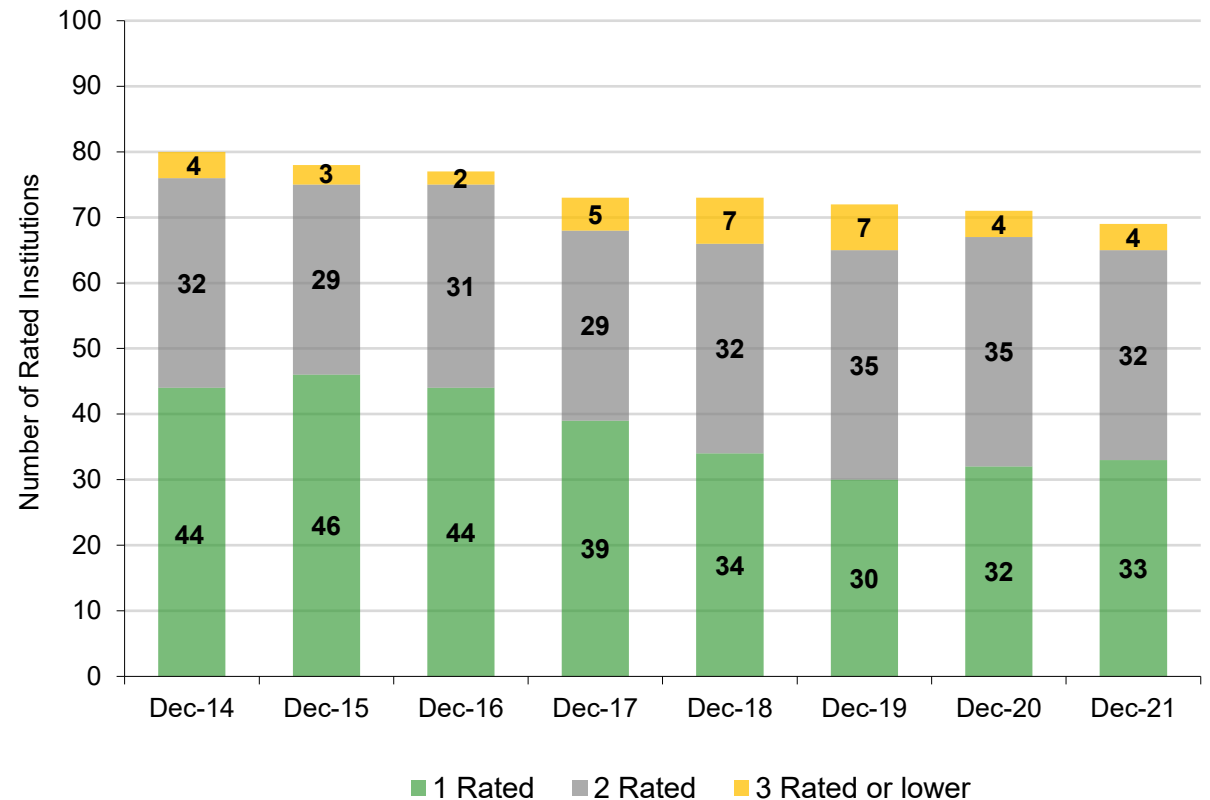


## FIRS Ratings

( based on 12/31/21 financials )

- ▶ Composite FIRS ratings reflect the System's sound condition and strong financial performance.
- ▶ Over 94% of System Banks and Associations have a Composite FIRS rating of 1 or 2.
- ▶ Institutions rated 3 or lower account for less than 1.0% of System assets.

## Composite FIRS Ratings Farm Credit System Banks and Associations



Source: FCA's FIRS ratings database



# Summary and final points

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- ▶ Producers squeezed by broad rise in agricultural production costs.
- ▶ Drought and water availability in the Western half of the U.S. is a continuing concern for agricultural producers.
- ▶ Portfolio loan quality is very good; continued emphasis on sound risk management practices essential.
- ▶ The Farm Credit System is safe and financially strong.
- ▶ System institutions are strongly capitalized and well-positioned to meet the credit needs of U.S. farmers and ranchers.





