

U.S. Agriculture Credit Conditions

*USApple Outlook Conference
August 2024*





108-Year-Old Mission

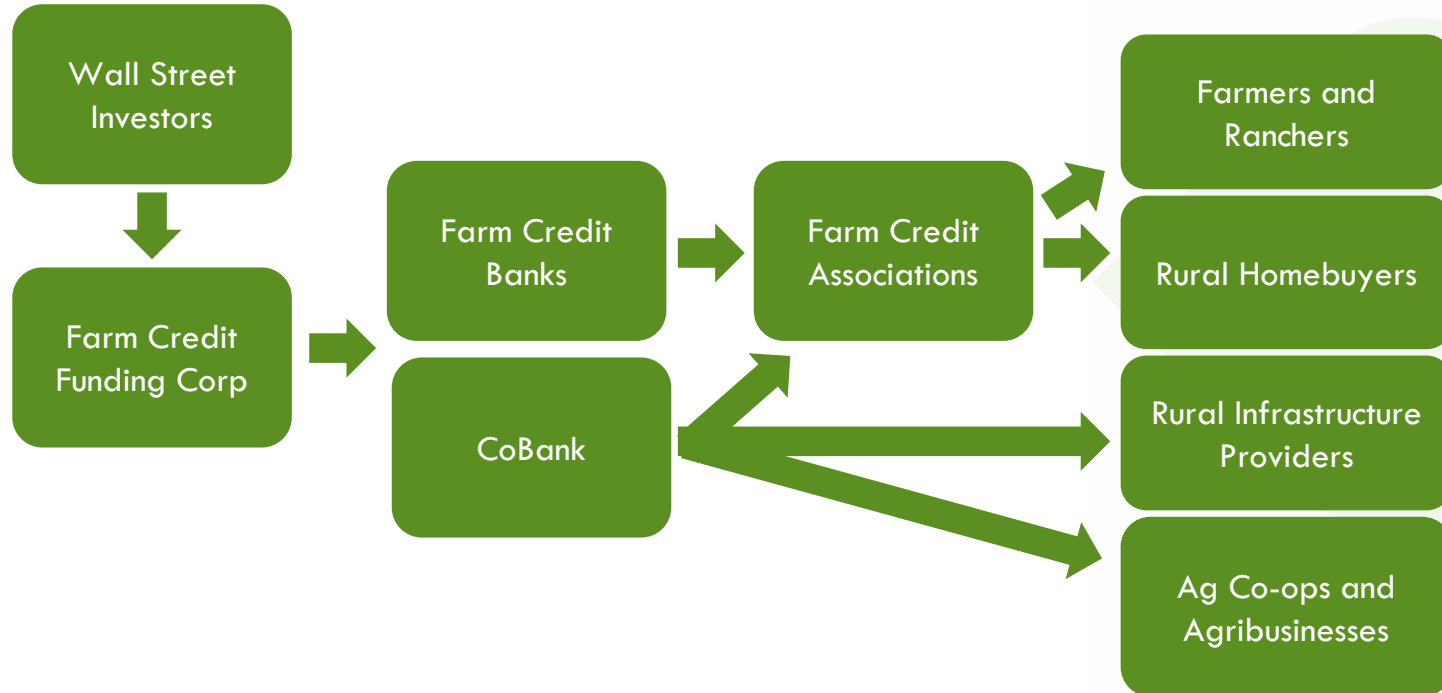
Support rural communities and agriculture with reliable, consistent credit and financial services today and tomorrow.

Farm Credit Facts

- Customer-owned Cooperative
- Provides Loans and Financial Services
- Nationwide Service
- No Government Funding
- Created in 1916
- Federally Regulated by the Farm Credit Administration
- House/Senate Agriculture Committee Oversight

Fulfilling Our Mission

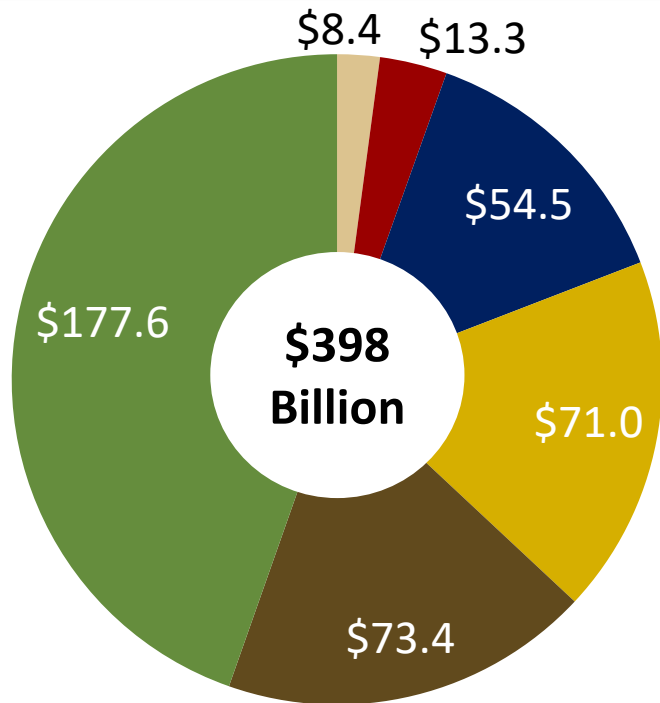
Farm Credit Funding Flows from Wall Street to Rural America





Supporting Rural Communities and Agriculture

Farm Credit Loans



- U.S. Ag Exports
- Rural Home Lending & Other Loans
- Rural Infrastructure
- Farm Co-ops & Agribusinesses
- Farm Production Loans
- Farm Real Estate Loans



Supporting Rural Communities and Agriculture

Farm Credit Loans by Size

Range (\$ thousands)	Amount Outstanding (\$ millions)	% of Portfolio (Loan Volume)	Number of Borrowers	% of Portfolio (# of borrowers)
\$249 and under	\$ 32,602	8%	429,733	71%
\$250 - \$499	\$ 28,754	7%	81,979	14%
\$500 - \$999	\$ 32,098	8%	46,075	8%
\$1,000 - \$4,999	\$ 77,738	20%	39,214	6%
\$5,000 - \$24,999	\$ 59,842	15%	6,157	1%
\$25,000 - \$99,999	\$ 55,978	14%	1,155	Less than 1%
\$100,000 - \$249,999	\$ 45,967	12%	296	Less than 1%
Over \$250,000	\$ 65,197	16%	141	Less than 1%
Total	\$ 398,176	100%	604,750	100%



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**85% of Farm
Credit loans are
for less than
\$500,000**

Supporting Rural Communities and Agriculture

Farm Credit Volume of Loans Outstanding by State

State	Loan Volume (Billions)	State	Loan Volume (Billions)	State	Loan Volume (Billions)
California	\$ 42.7	Wisconsin	\$ 9.9	Kentucky	\$ 6.2
Texas	\$ 33.6	Washington	\$ 9.6	Idaho	\$ 6.2
Illinois	\$ 20.9	Missouri	\$ 9.4	North Dakota	\$ 6.0
Iowa	\$ 17.8	Florida	\$ 9.2	Virginia	\$ 5.3
Minnesota	\$ 16.4	Georgia	\$ 9.1	Alabama	\$ 5.2
Ohio	\$ 14.9	North Carolina	\$ 8.8	Oregon	\$ 4.9
Nebraska	\$ 14.6	South Dakota	\$ 8.7	Oklahoma	\$ 4.0
Indiana	\$ 12.9	Colorado	\$ 8.6	Louisiana	\$ 4.5
Michigan	\$ 11.9	Tennessee	\$ 8.4	Mississippi	\$ 4.5
Kansas	\$ 11.2	Arkansas	\$ 7.6	Others	\$ 46.1
New York	\$ 11.0	Pennsylvania	\$ 6.4		

Supporting Rural Communities and Agriculture

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Supporting Young, Beginning and Small Farmers

NEW LOANS ORIGINATED BY FARM CREDIT IN 2023

	Young (<36 Yrs)	Beginning (<10 Yrs)	Small (<\$250K)	All Farm Credit Borrowers
# of Loans	50,541	69,333	108,248	279,619
\$ of Loans	\$12.1 billion	\$18.9 billion	\$14.9 billion	\$132.4 billion

The figures shown in the young, beginning, and small categories above **CANNOT** be combined. A single loan to a 25-year-old rancher in her third year of ranching with annual sales of \$100,000 could be counted in the young, beginning, and small categories. We report this way for two reasons: our regulator requires it and, more importantly, it is the most accurate portrayal of who we serve.

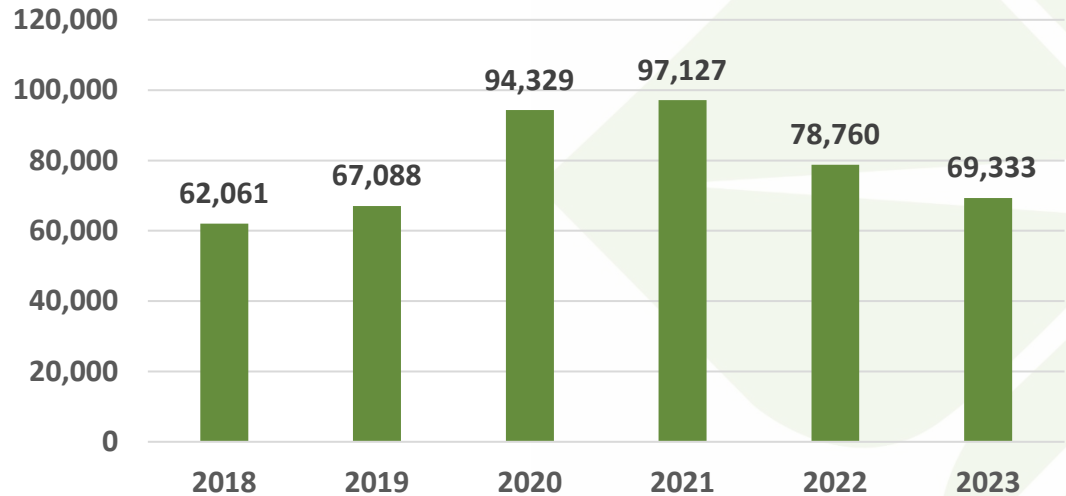


Supporting the Next Generation

468,698

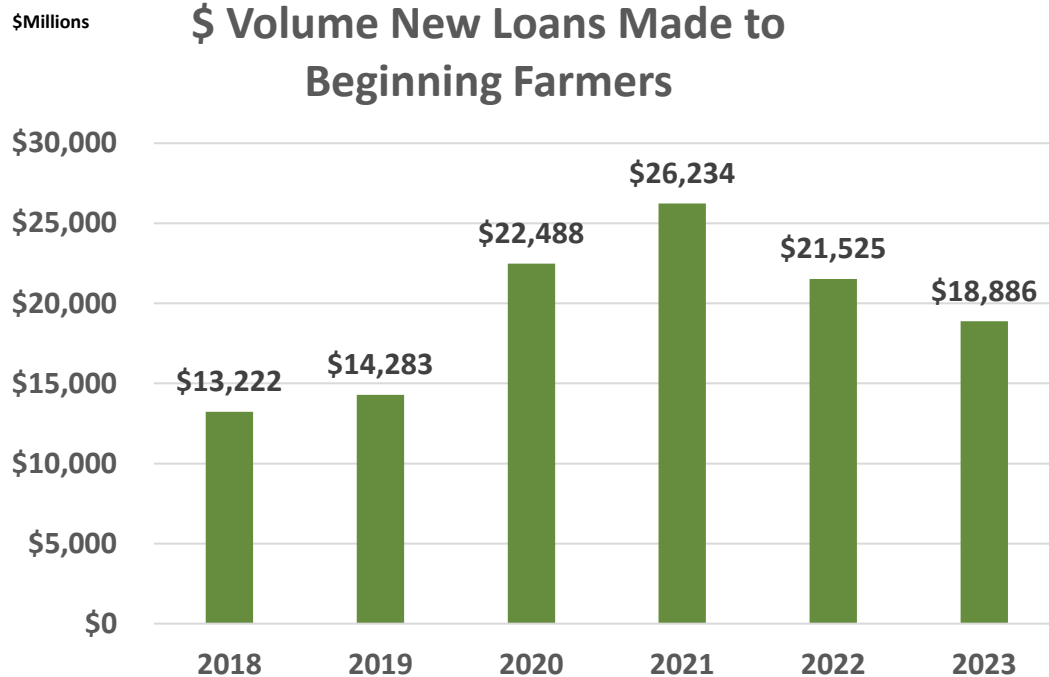
FCS New Loans Made to
Beginning Farmers, 2018-
2023

FCS New Loans Made to Beginning Farmers





Supporting the Next Generation

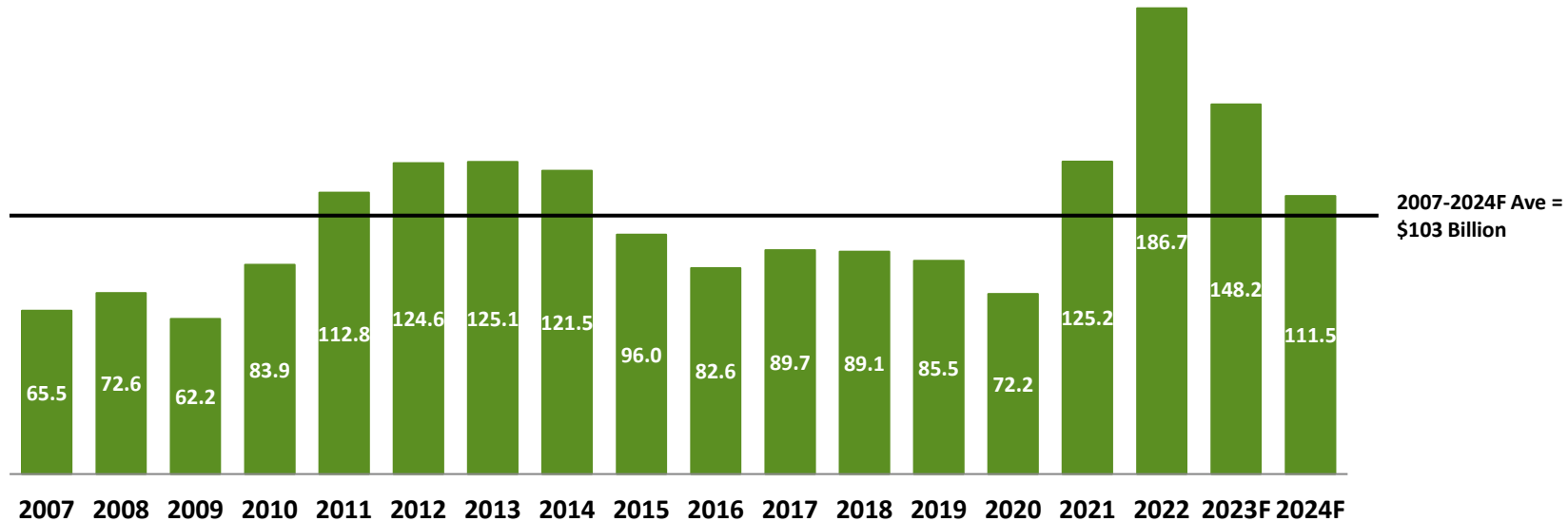


\$116.6 Billion

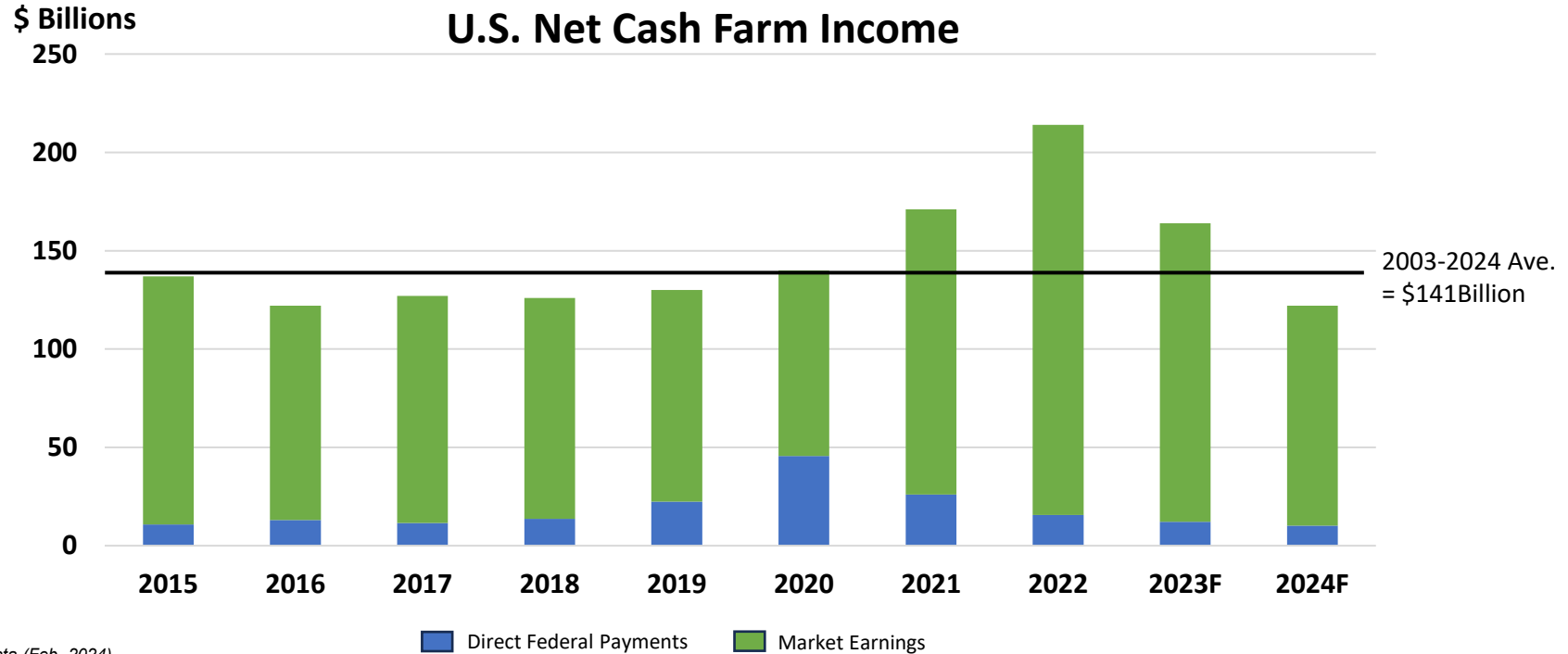
FCS New Loans Made to
Beginning Farmers
2018-2023

Get ready for a cycle...

FARMER'S NET CASH INCOME, 2007 - 2024

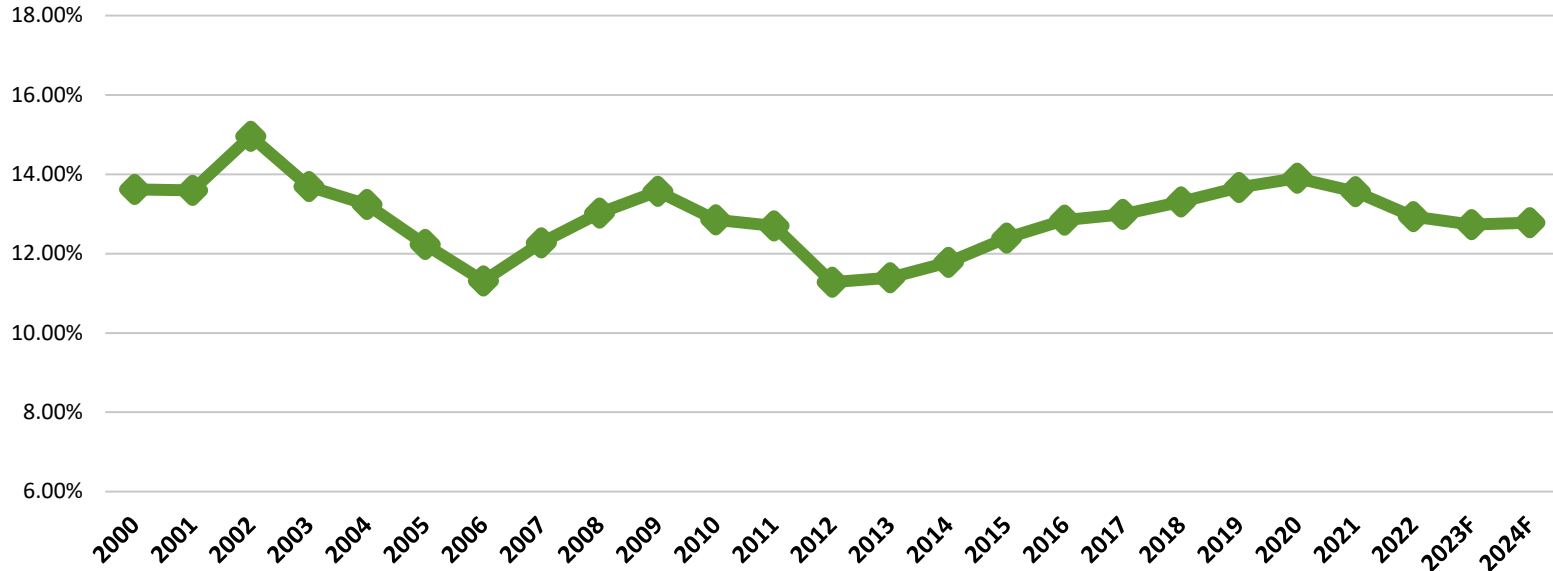


Get ready for a cycle...



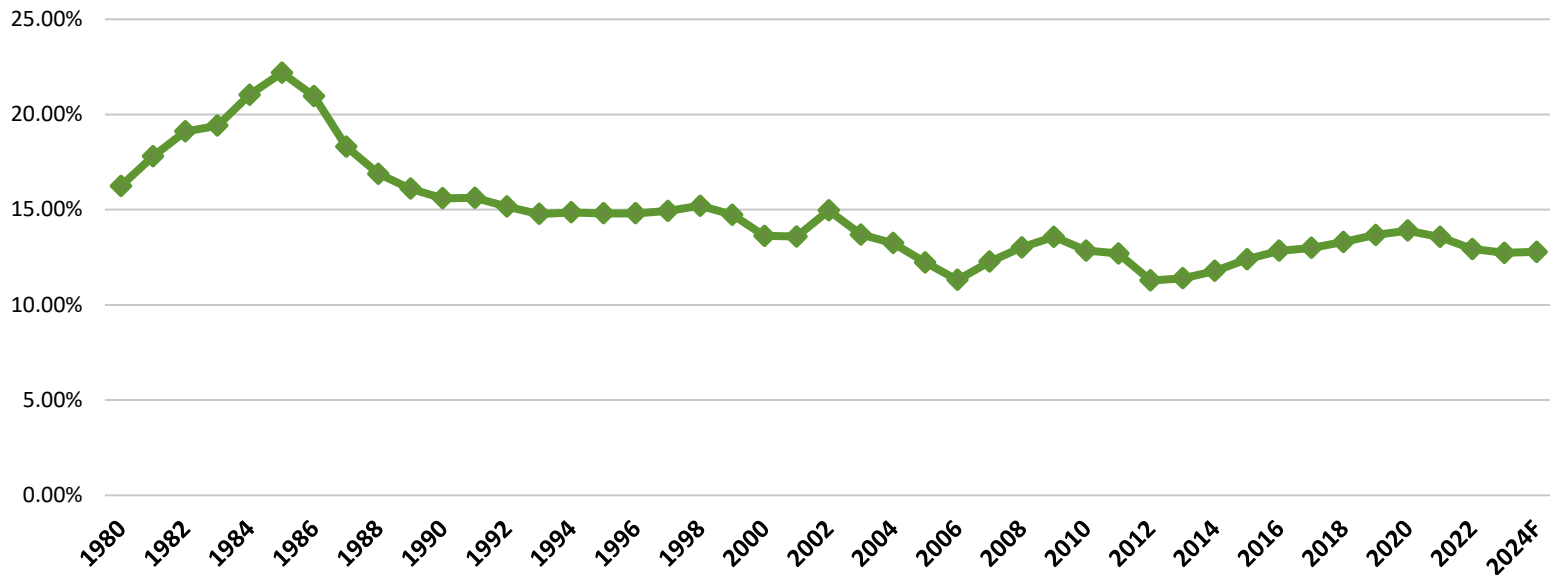
Source: USDA-ERS data (Feb. 2024)

Leverage Remains Low



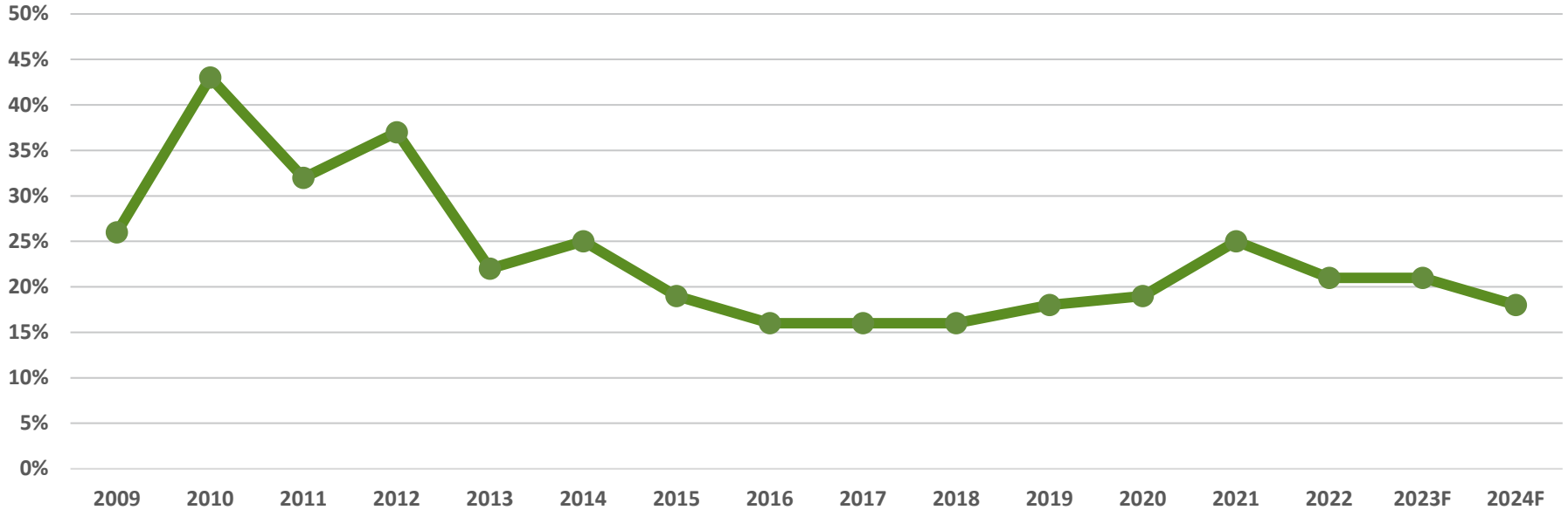
FARM SECTOR DEBT-TO-ASSET RATIO

Especially Compared to 1980s



FARM SECTOR DEBT-TO-ASSET RATIO

Smaller Margin for Error



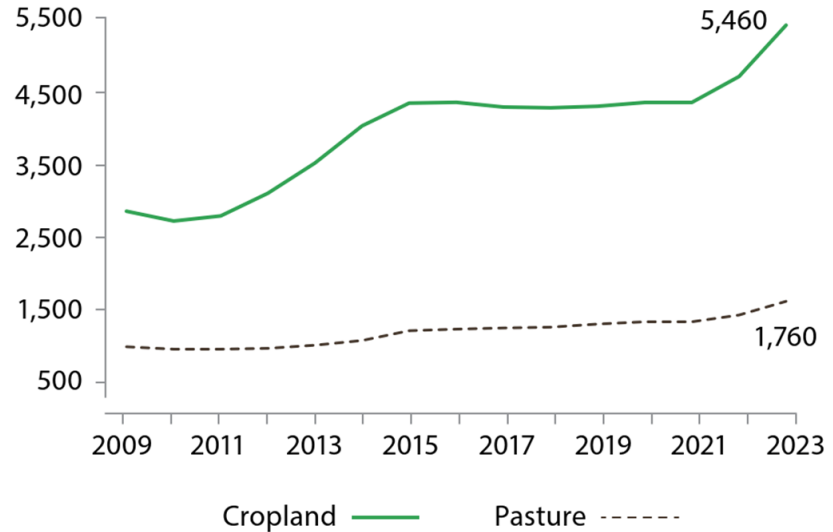
FARMS' WORKING CAPITAL RATIO

Land Values Remain Strong

Top States: Cropland Value

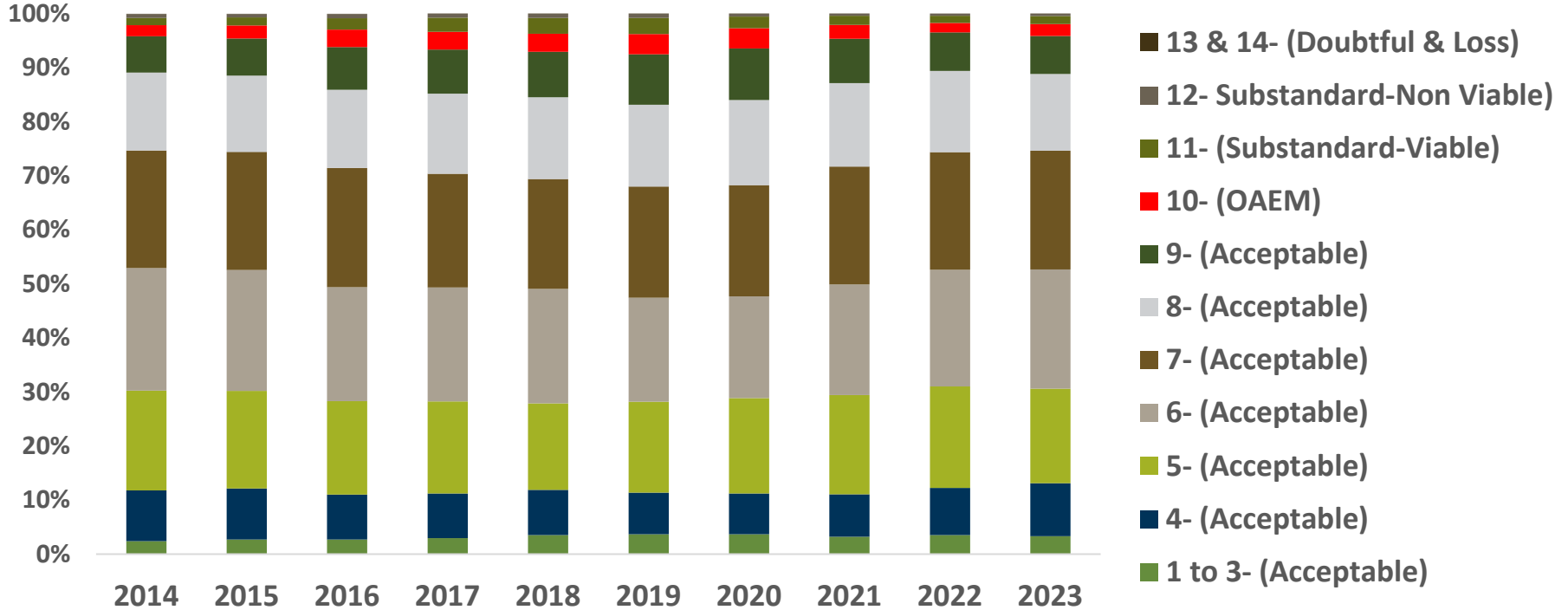
	\$ per acre
New Jersey	18,100
California	15,880
Iowa	10,100
Illinois	9,580
Delaware	9,500
Maryland	8,950
Florida	8,760
Pennsylvania	8,620
Arizona	8,600
Indiana	8,400

Fig. 1. Value of U.S. Cropland and Pasture, 2009–2023 (\$ per acre)



Source: USDA NASS.

Borrower Stress/Credit Quality

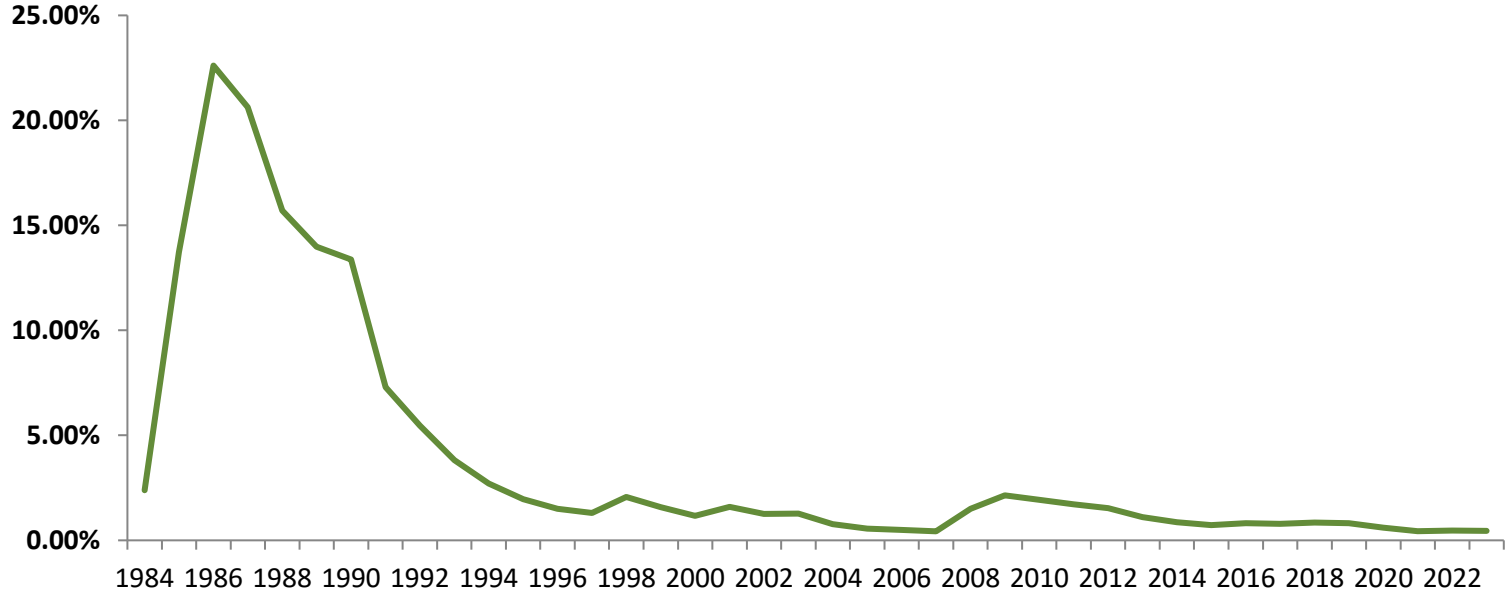


Loan Performance Still Strong



NON-PERFORMING ASSETS AS A % OF TOTAL LOANS

A Little Perspective Helps

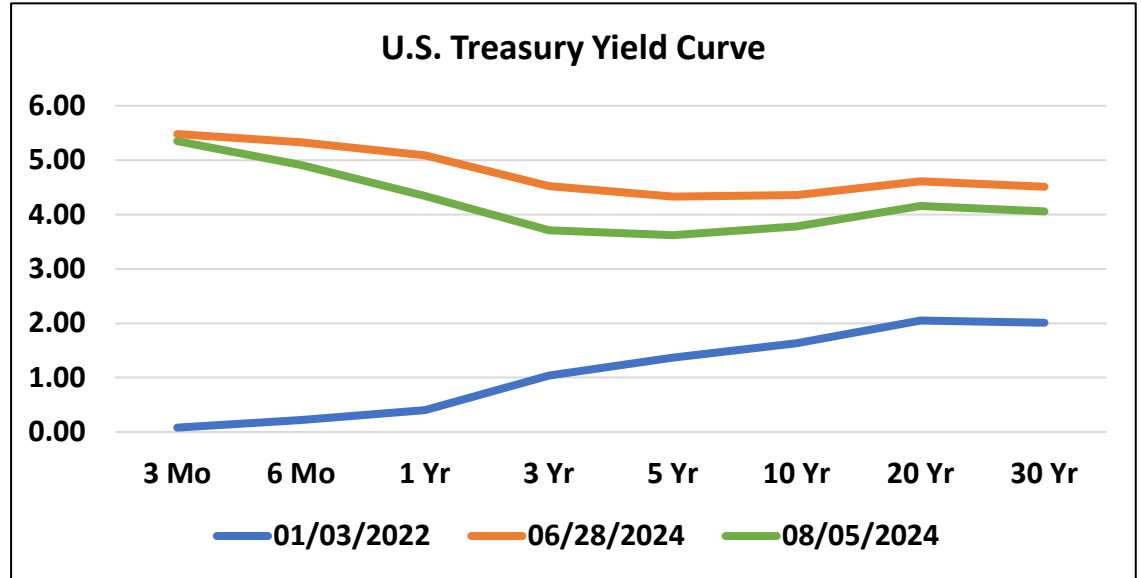


NON-PERFORMING ASSETS AS A % OF TOTAL LOANS

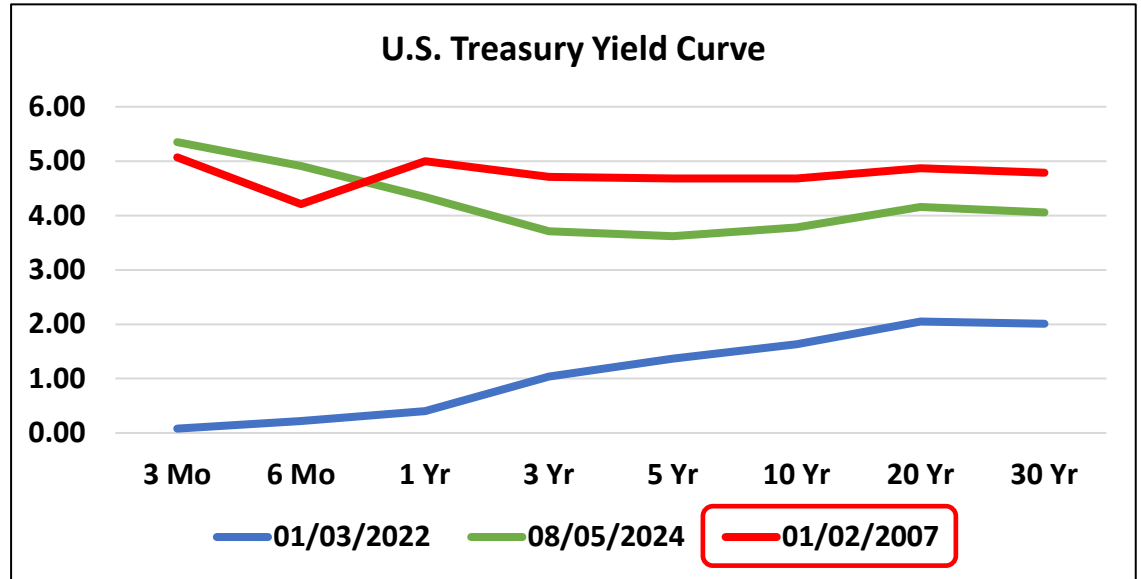
*Some other stuff to
think about...*



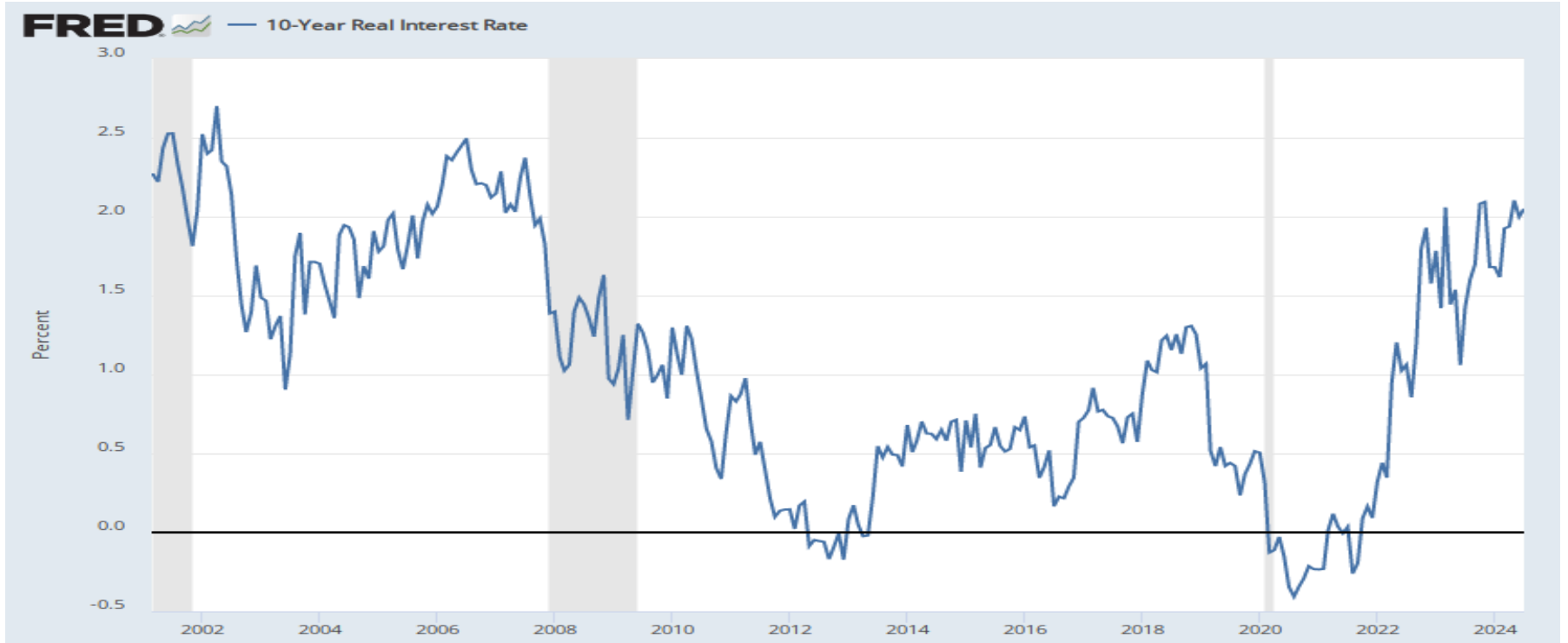
Outlook on Interest Rates?



Outlook on Interest Rates?



Lower Rates Coming?



*Some other stuff to
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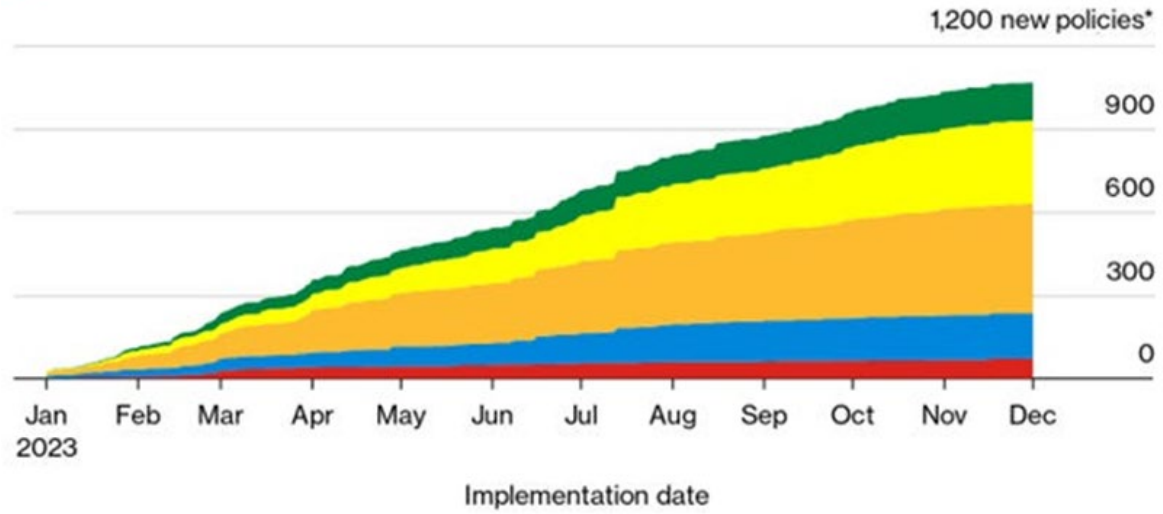


Whatever Happened to Free Trade?

The Rise of New Industrial Policies

Security, resilience and competitiveness are among the big drivers

- National Security
- GVC Resilience
- Strategic Competitiveness
- Climate Mitigation
- Geopolitical Concern



Whatever Happened to Free Trade?

Trump Trade Policy

- **America First**
- **US pushback in WTO**
- **10% tariff on all goods from all countries**
- **60% tariff on all imports from China**
- **Further limits on high tech transfer**
- **Trump 2016 – 2020:**
 - **NAFTA Withdraw, USMCA**
 - **Tariffs on Europe, China**
 - **Market Facilitation Payments**

Biden/Harris Trade Policy

- **Re-engagement**
- **No New Trade Agreements**
- **Maintain Trump Tariffs and Added a Few**
- **Limits on high tech transfer**
- **Union/Worker Concerns Paramount**
- **Climate Considerations**
- **Harris Senate Action:**
 - **Opposed USMCA, TPP**
 - **Sponsored Green New Deal**

Whatever Happened to Free Trade?

U.S. / China Relationship to Dominate



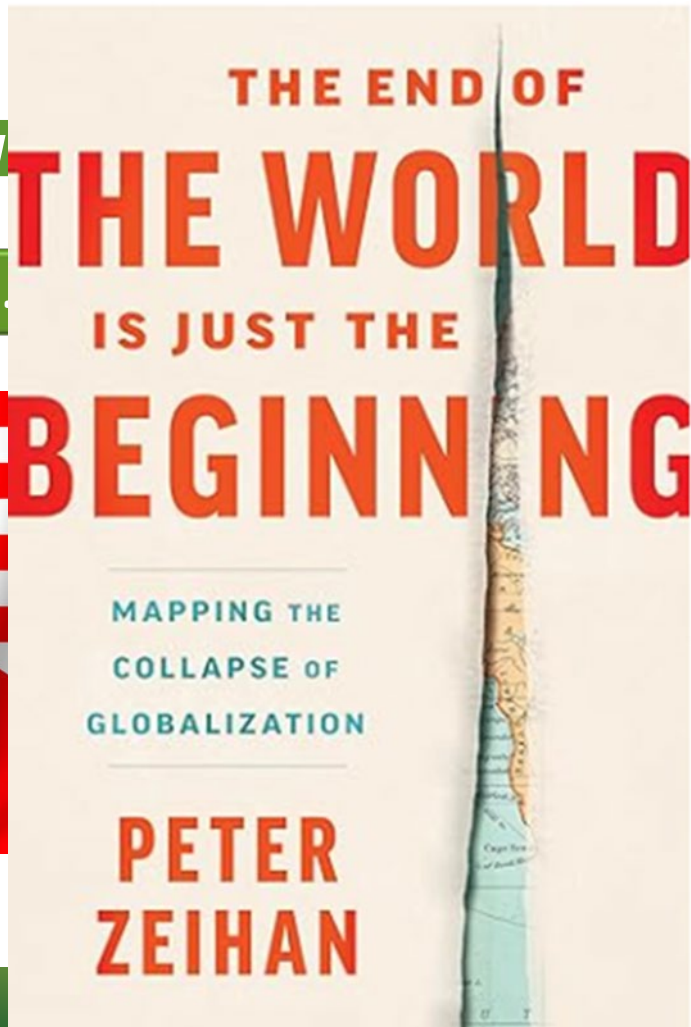
- **De-globalization/On-shoring / Supply Line Shortening Focus**
- **US pushback in WTO**
- **Congressional “China” Committee Action**
- **Trump Tariffs Remain, Plus**
- **“Tit for Tat” Tariffs/Retaliation Likely**
- **U.S. Ag Products Make a Juicy Target**

Whatever Happens

Free Trade?

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-shoring / Supply Line

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*Some other stuff to
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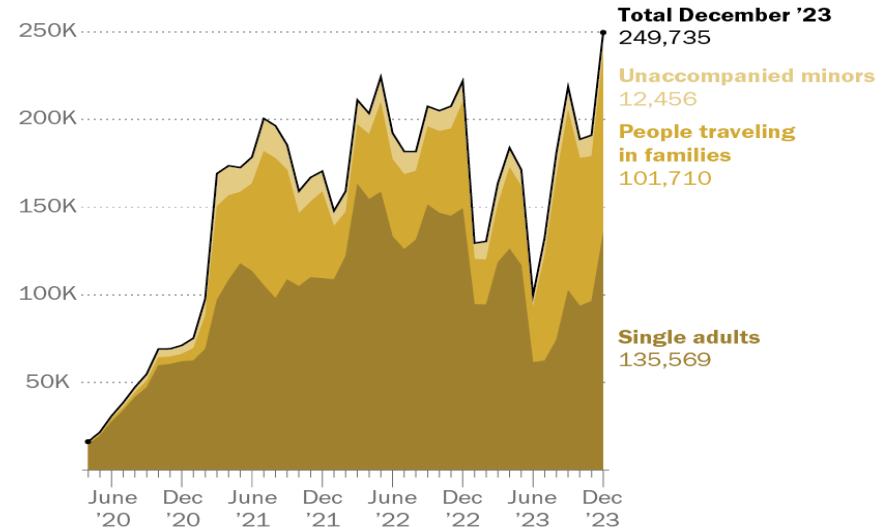


An Unsolvable Problem?



A growing share of migrant encounters involve people traveling in families

Monthly migrant encounters by U.S. Border Patrol at U.S.-Mexico border involving ...

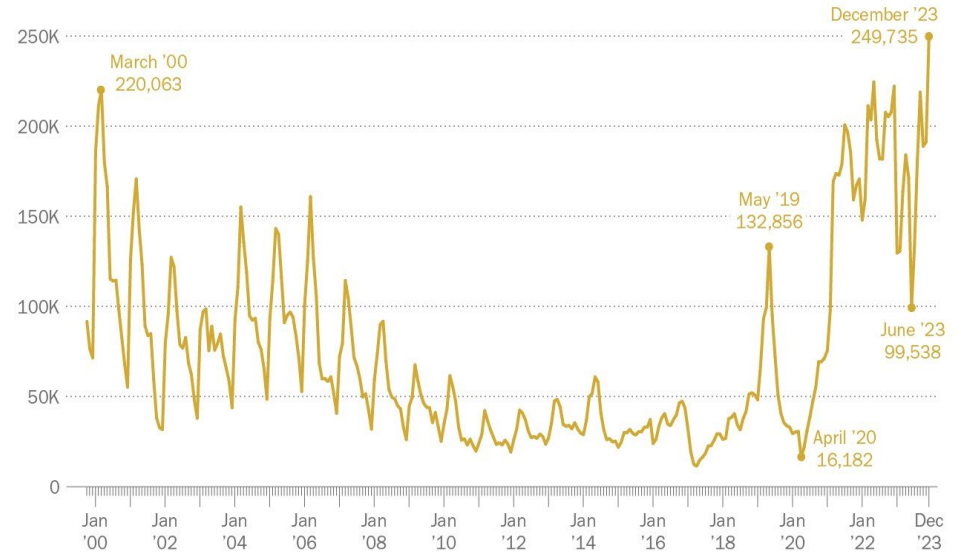


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2023 ended with more migrant encounters at U.S.-Mexico border than any month on record

Monthly migrant encounters by U.S. Border Patrol at U.S.-Mexico border

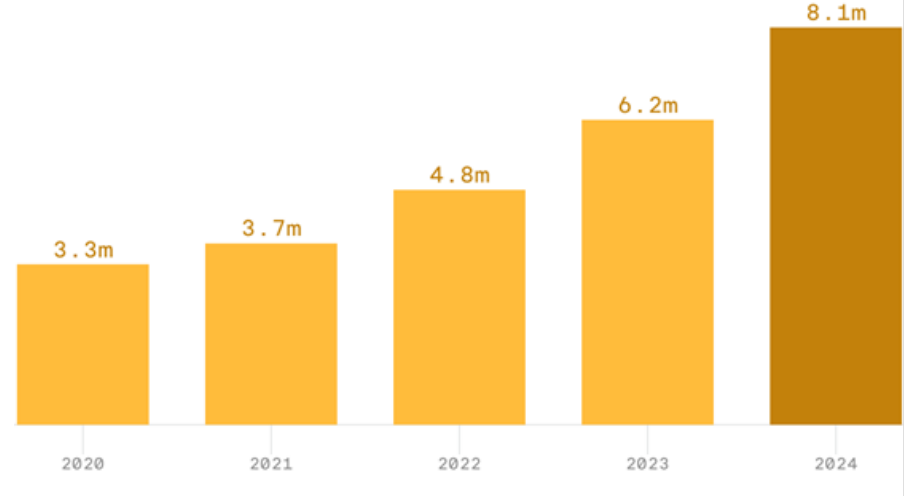


An Unsolvable Problem?



Non-detained asylum seekers and immigrants facing removal

Fiscal years 2020 through 2023, internal projection for fiscal year 2024



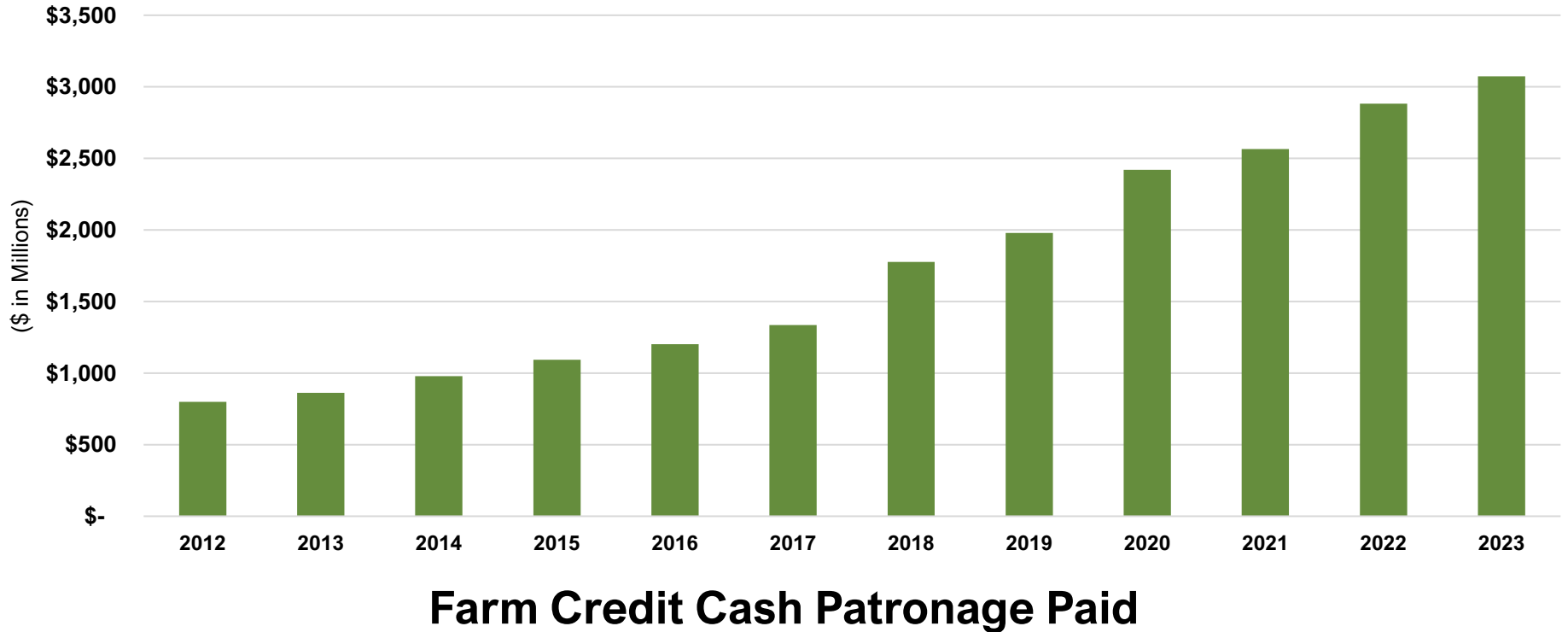
One More Big Thing



Chevron v. NRDC

- “Chevron Doctrine” Overturned
- 40-year-old Court Case
- Courts defer to administrative agencies to interpret their own ambiguous statutes unless the interpretation is “unreasonable.”

\$21 Billion Returned Since 2012



10 Largest U.S. Financial Institutions

