

Quarterly Report on Economic Conditions and Farm Credit System Condition and Performance

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Topics for Open Session

Economic Conditions Affecting the Farm Credit System

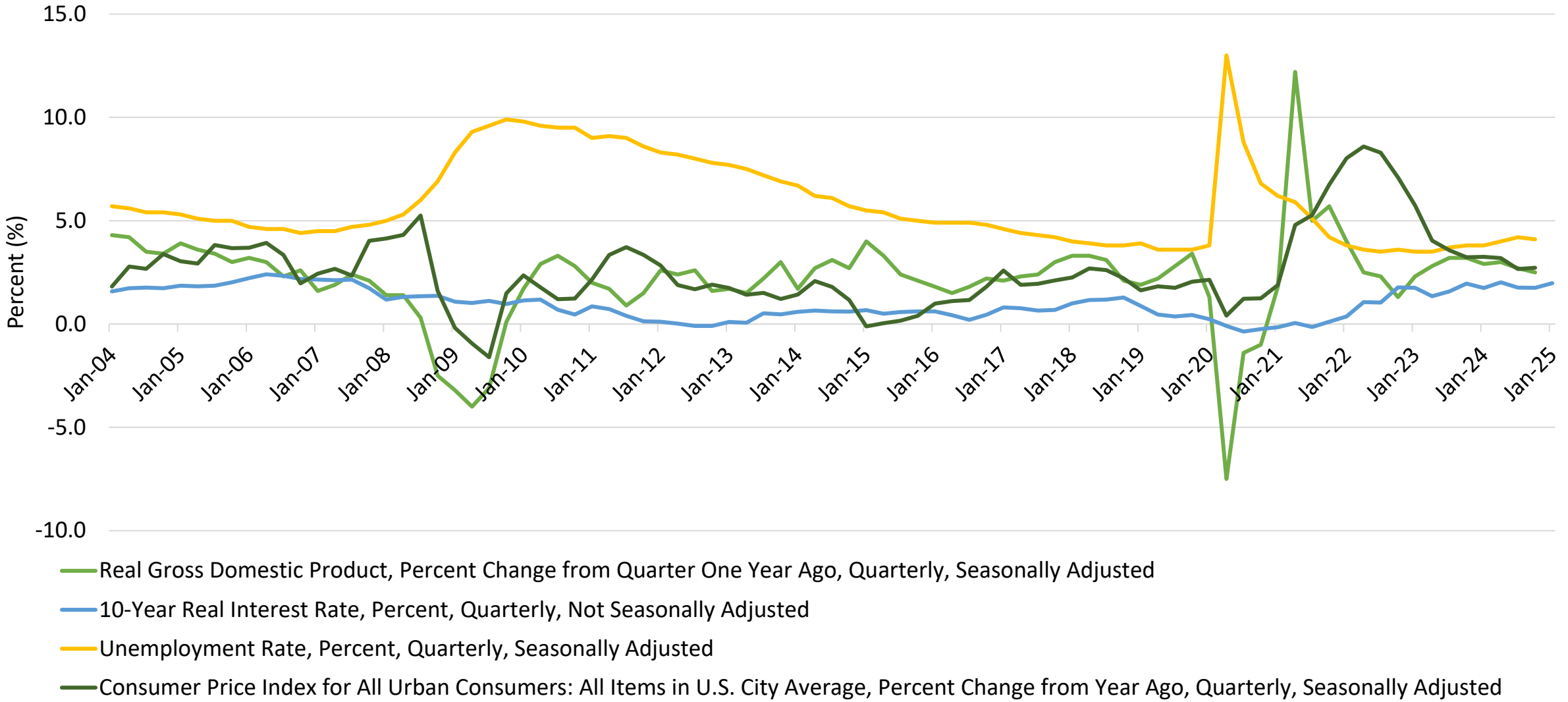
- ▶ Macroeconomic and tariff update
- ▶ Commodity markets and returns
- ▶ Real estate markets and farm financials

Farm Credit System Condition and Performance

- ▶ System growth and loan portfolio
- ▶ Earnings and capital
- ▶ Financial Institution Rating System (FIRS)



Favorable economic indicators entering 2025

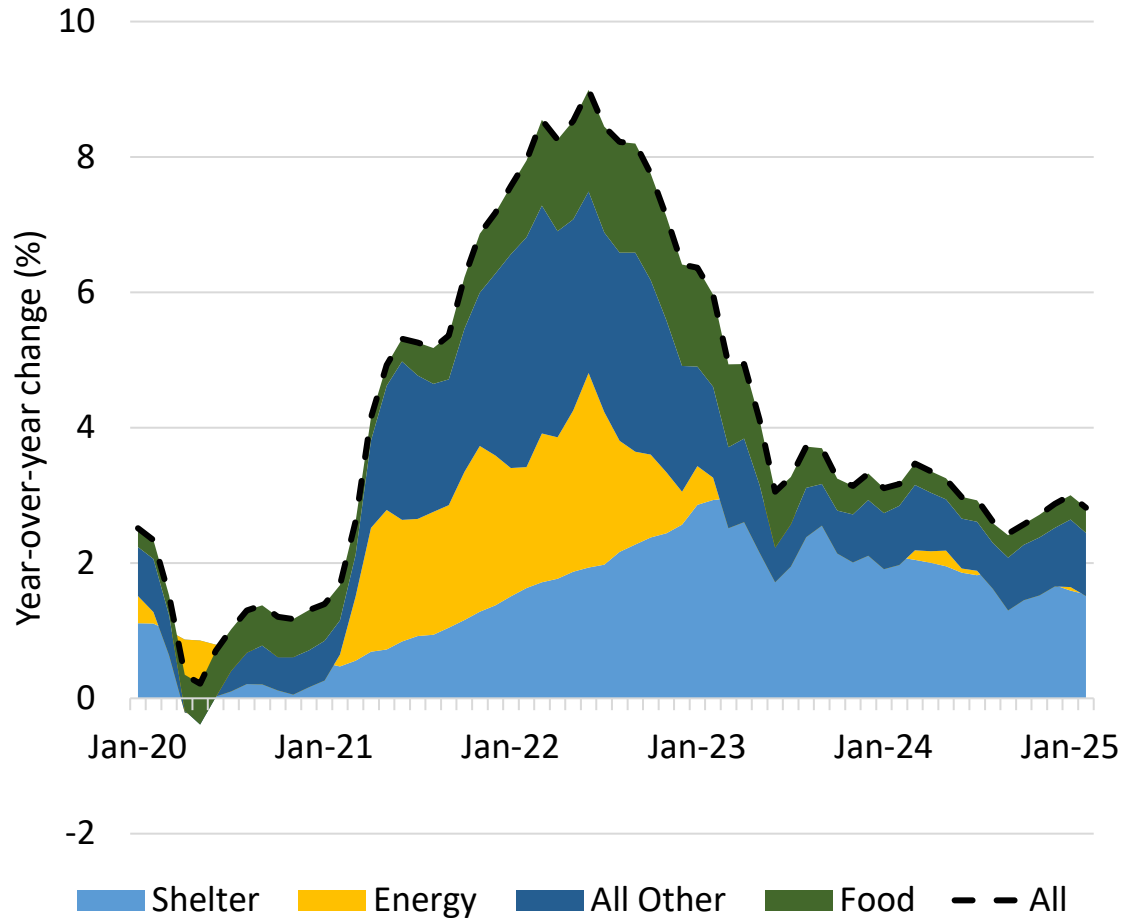


Source: Federal Reserve Economic Data (FRED)

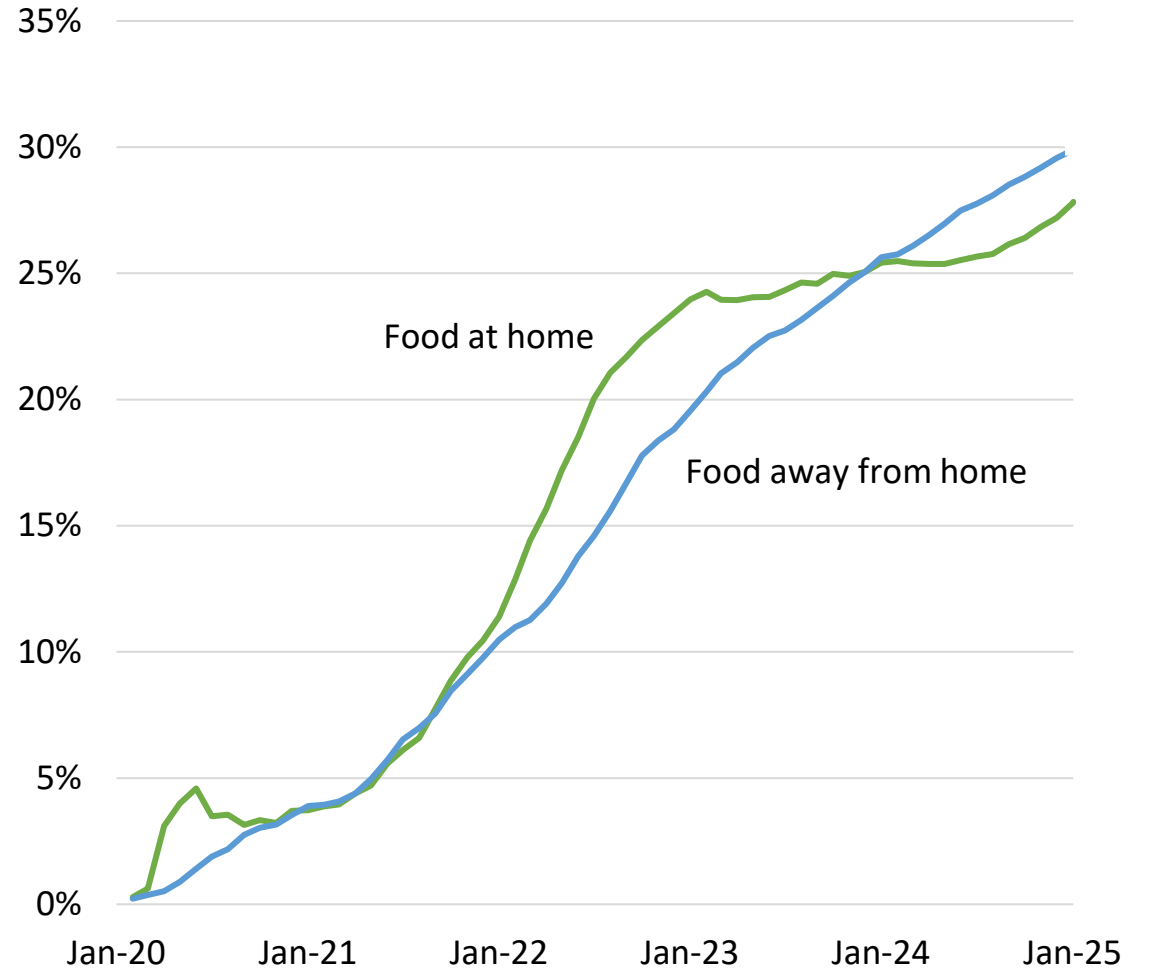


Inflation nearing Fed's mandate

CPI Year-over-year change percentage point contribution by category



Cumulative Price Change (%)

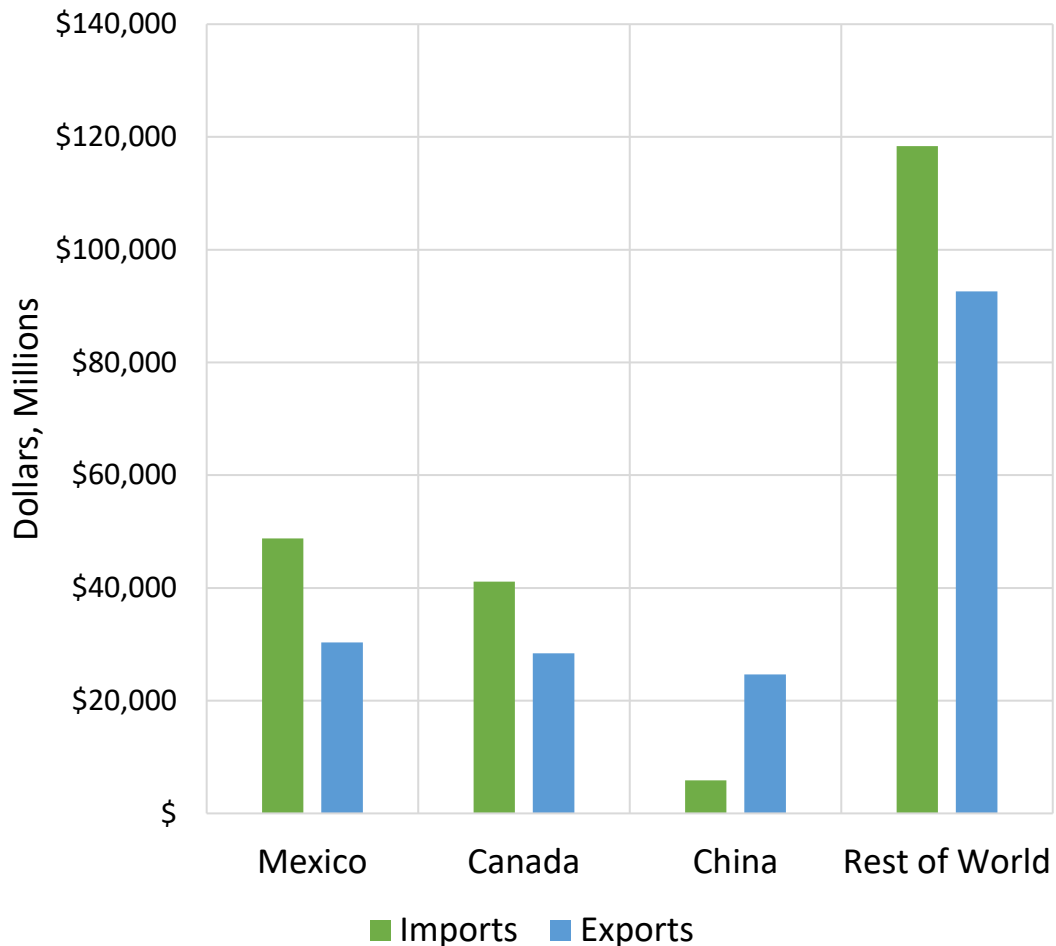


Source: Federal Reserve Economic Data (FRED), Bureau of Labor Statistics

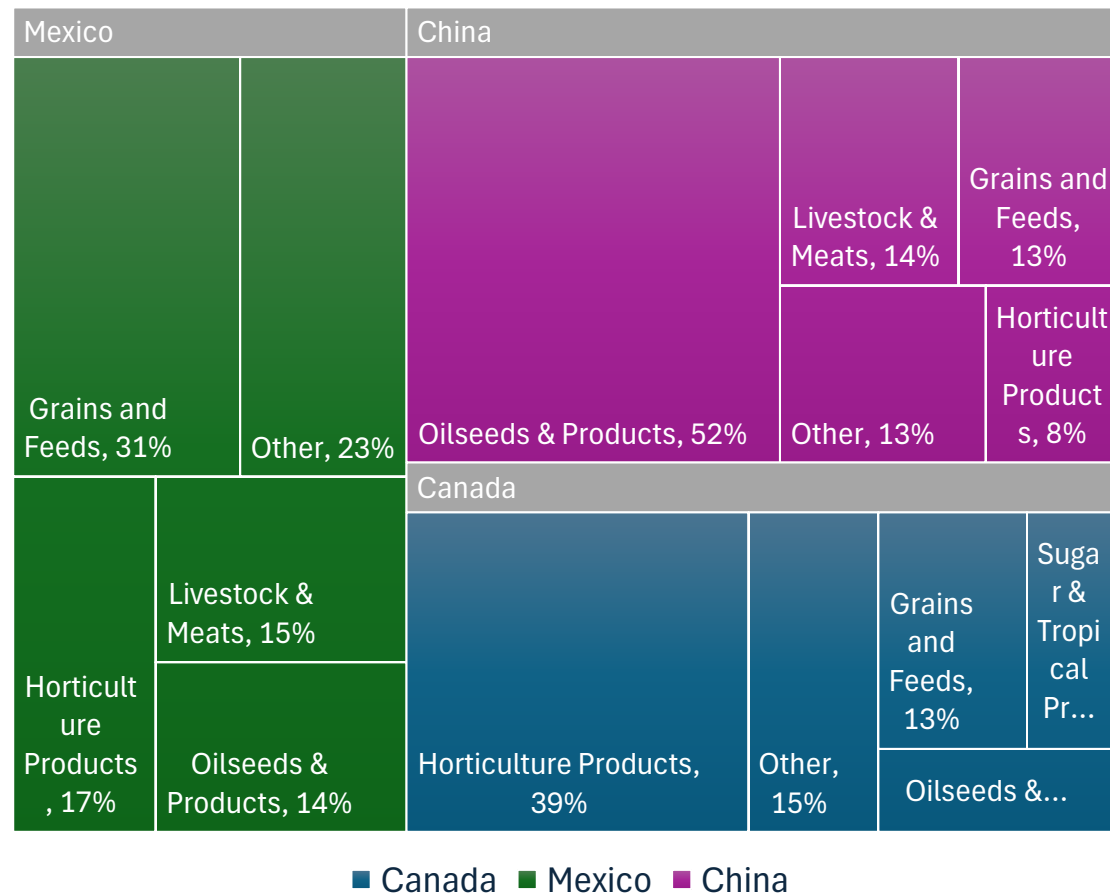


Trade uncertainty rises in the economy and ag sector

U.S. Ag Trade Balance



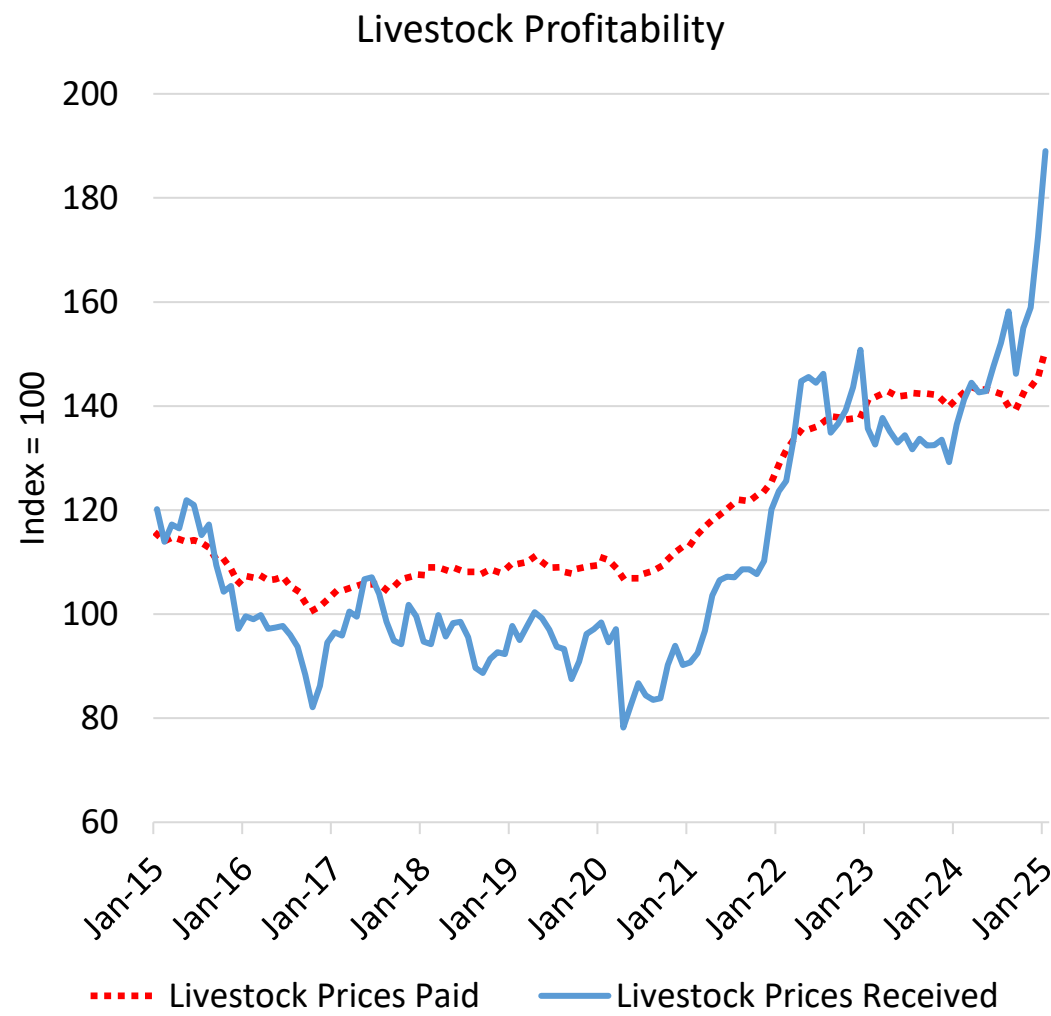
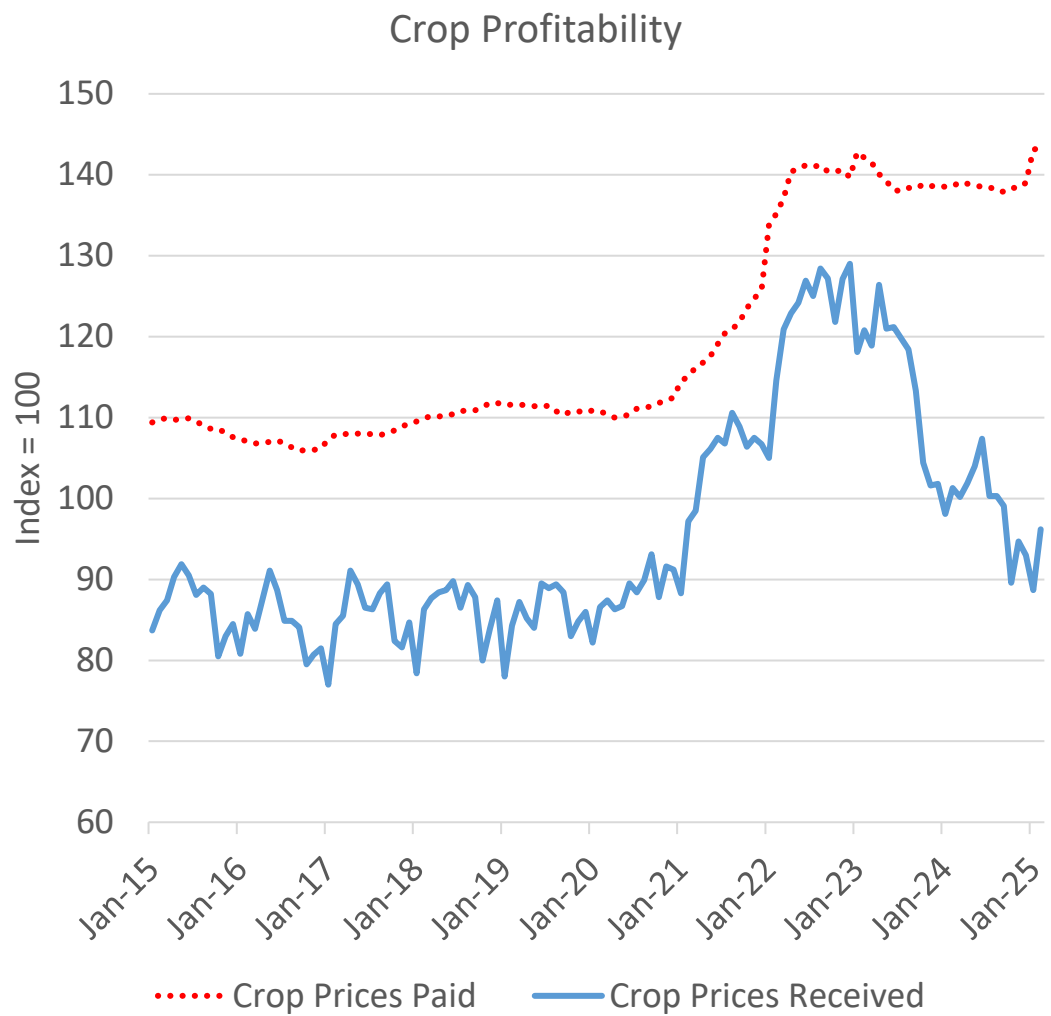
2024 Ag Export Composition to Mexico, Canada, and China



Source: USDA.gov/GATS



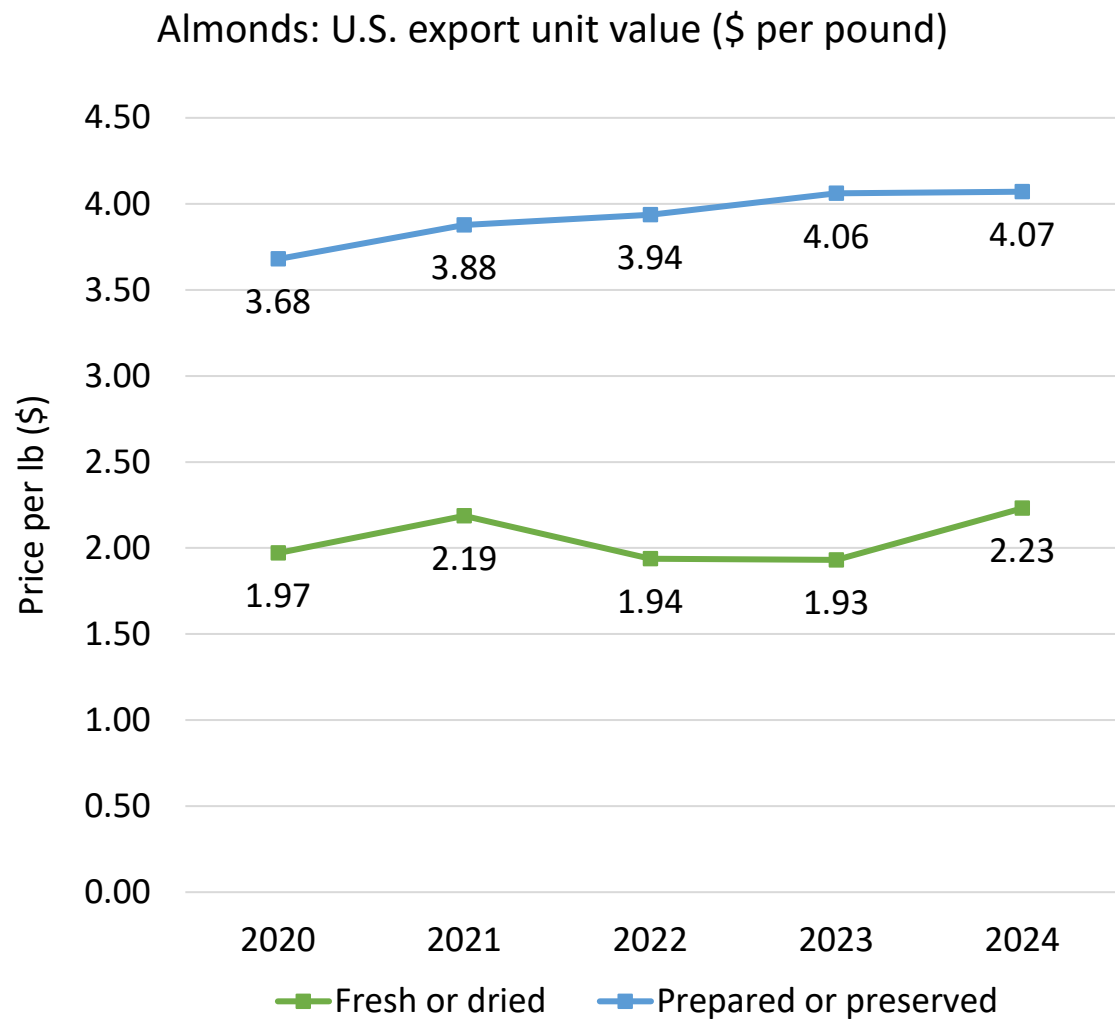
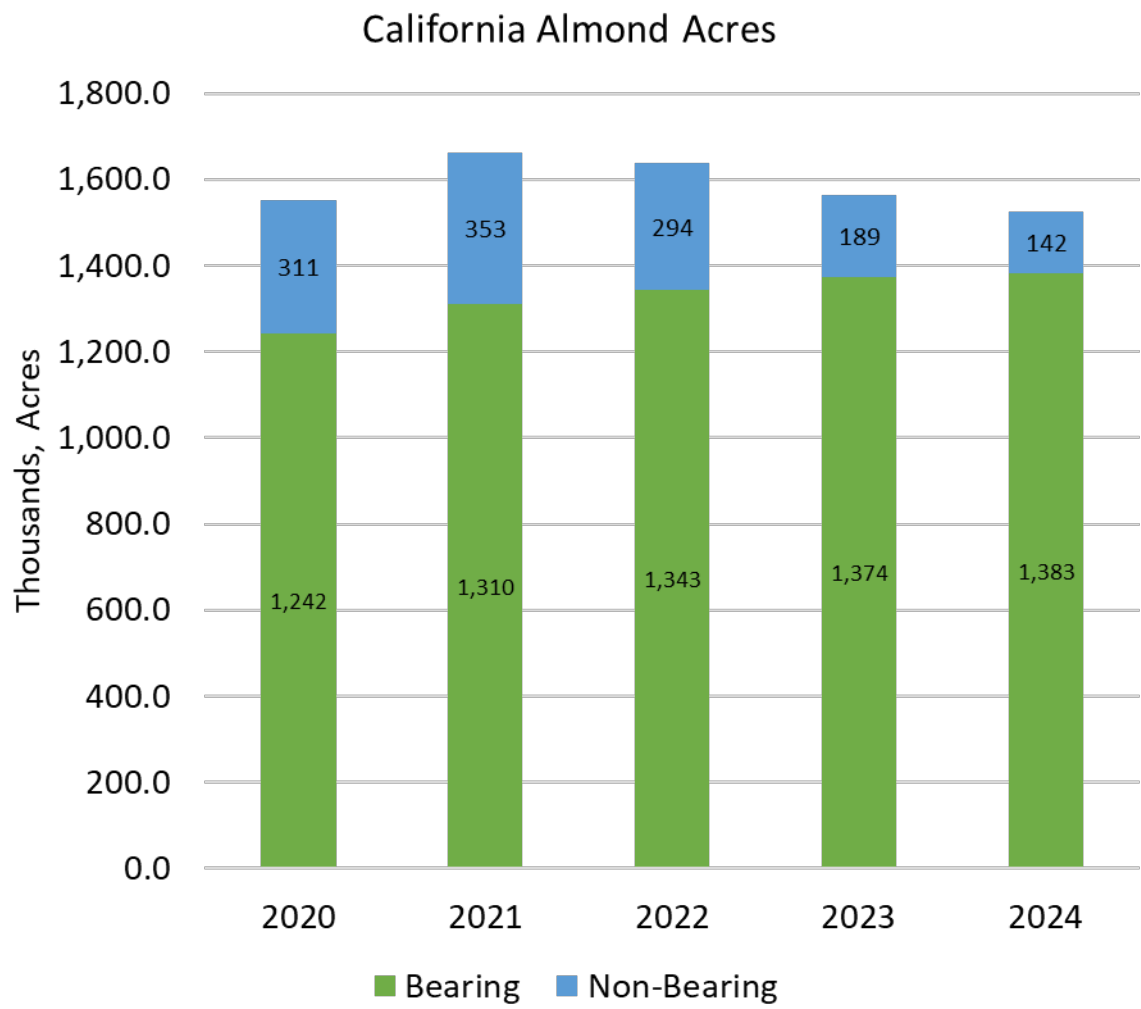
U.S. crop and livestock industries experience opposing market conditions



Source: USDA National Agricultural Statistics Service



Tree nut prices showing slight improvement with declining acreage

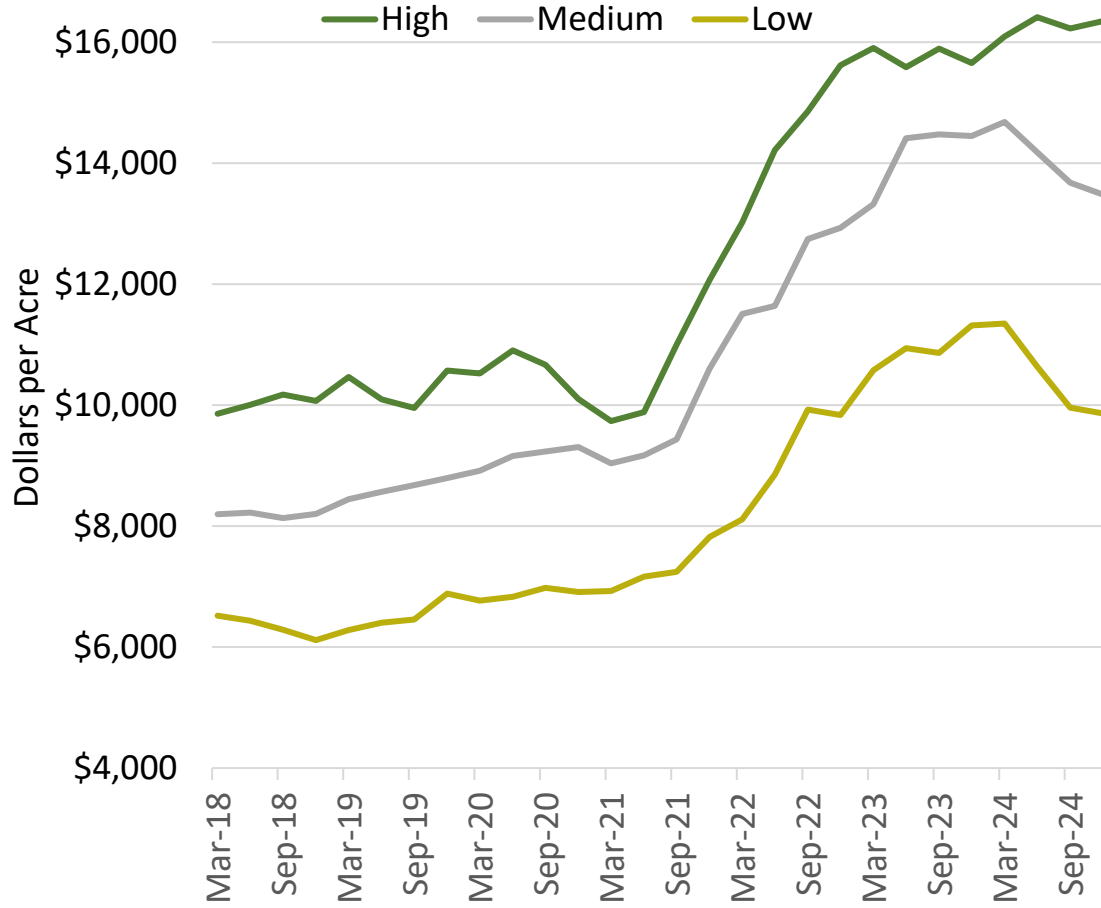


Sources: Almond Board of California, USDA, Economic Research Service, using data from U.S. Department of Commerce, Census Bureau.



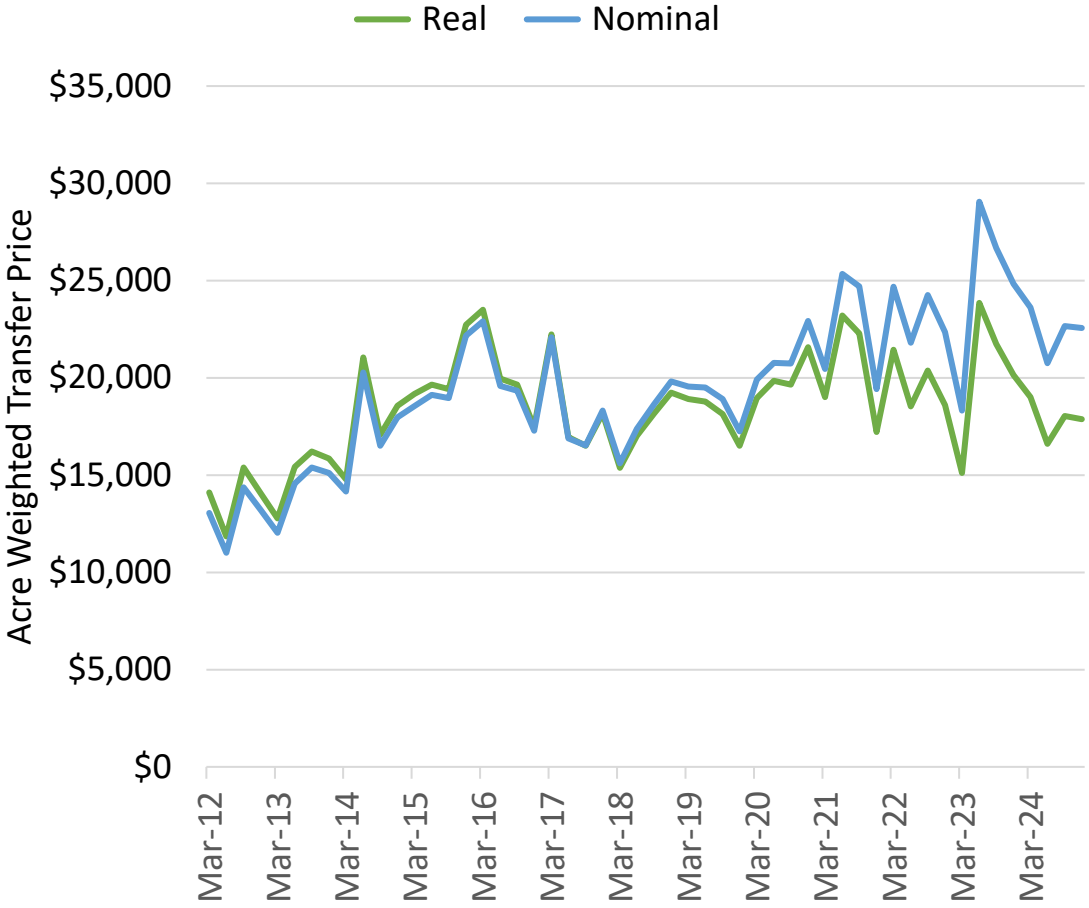
Real estate price declines in lower quality ground

Four Quarter Moving Average of Median Transacted Agricultural Parcels by Land Quality



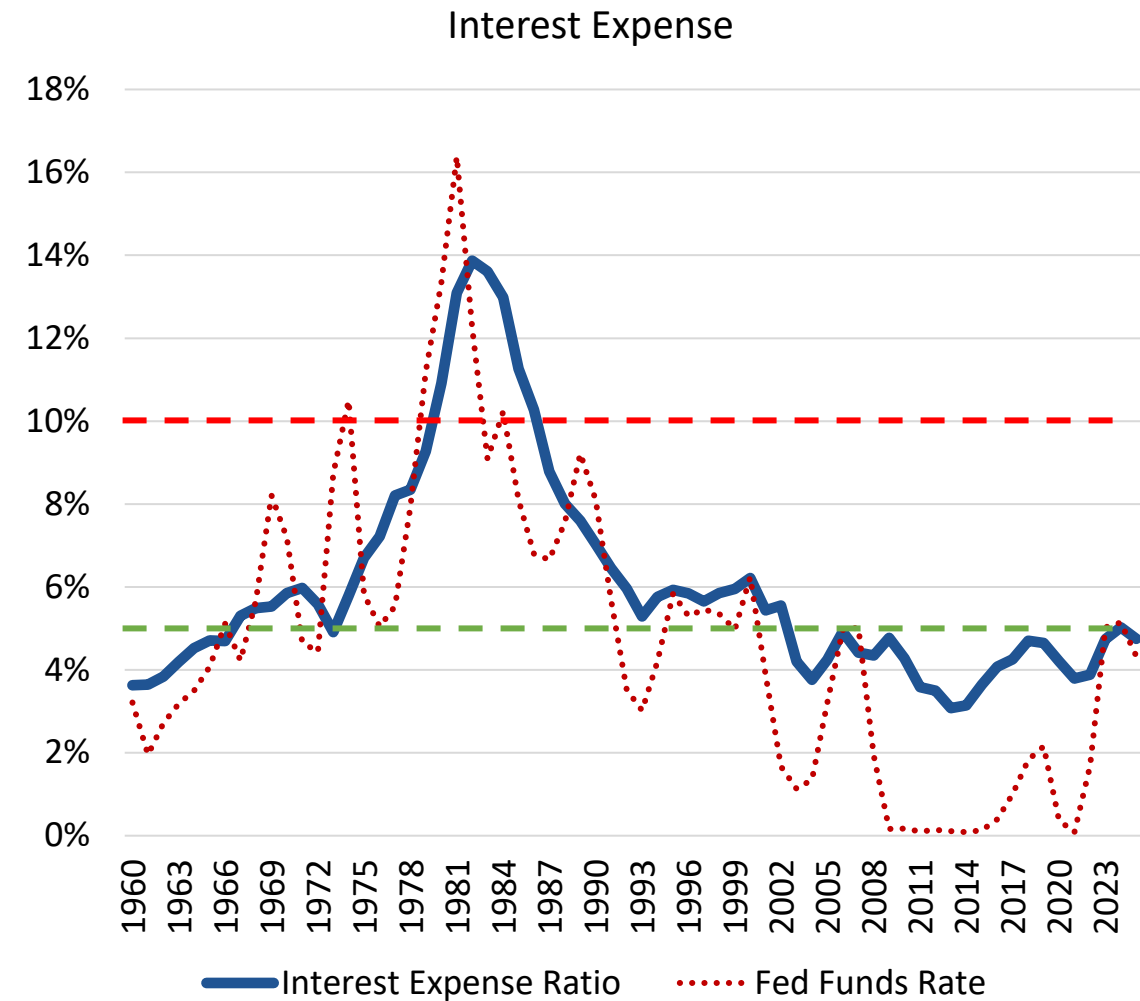
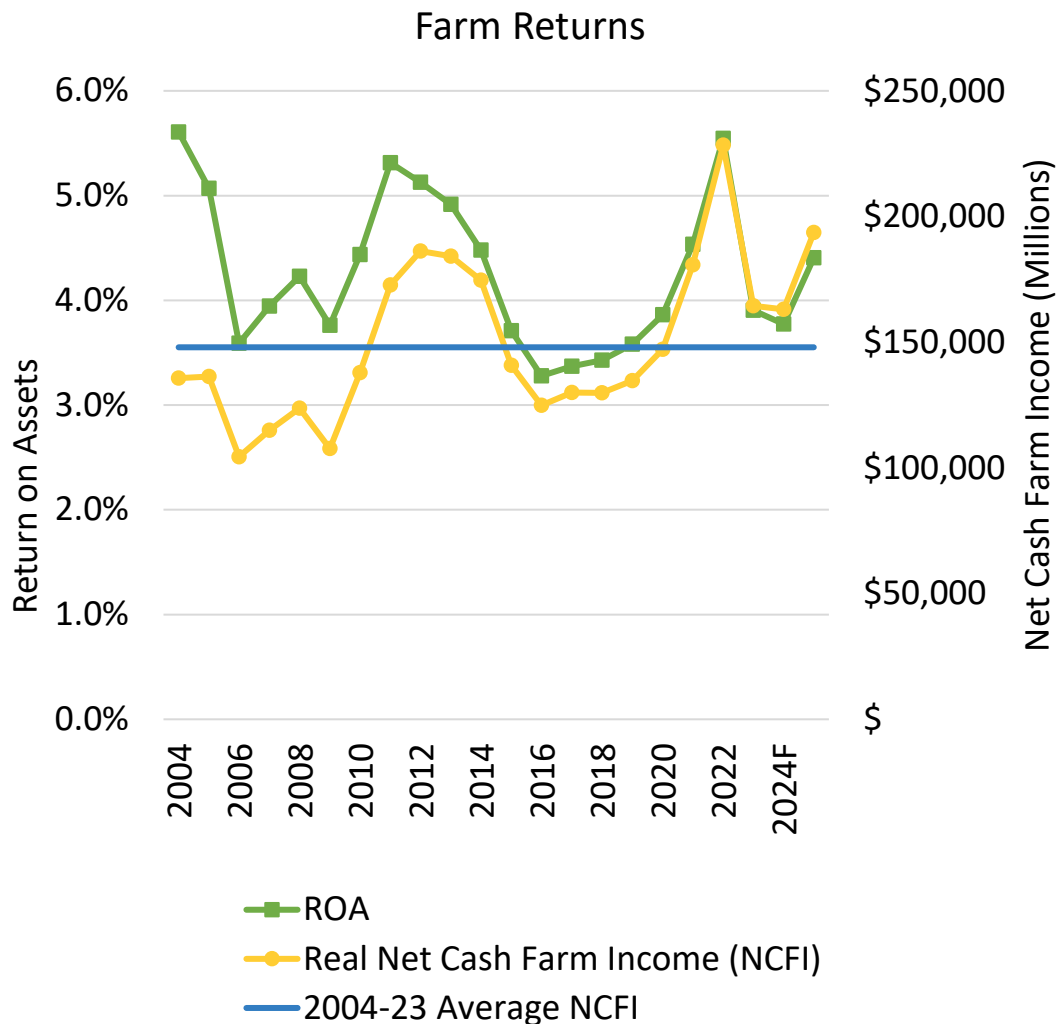
Source: CoreLogic

Weighted Per Acre Price of Parcels with Almonds in 2023





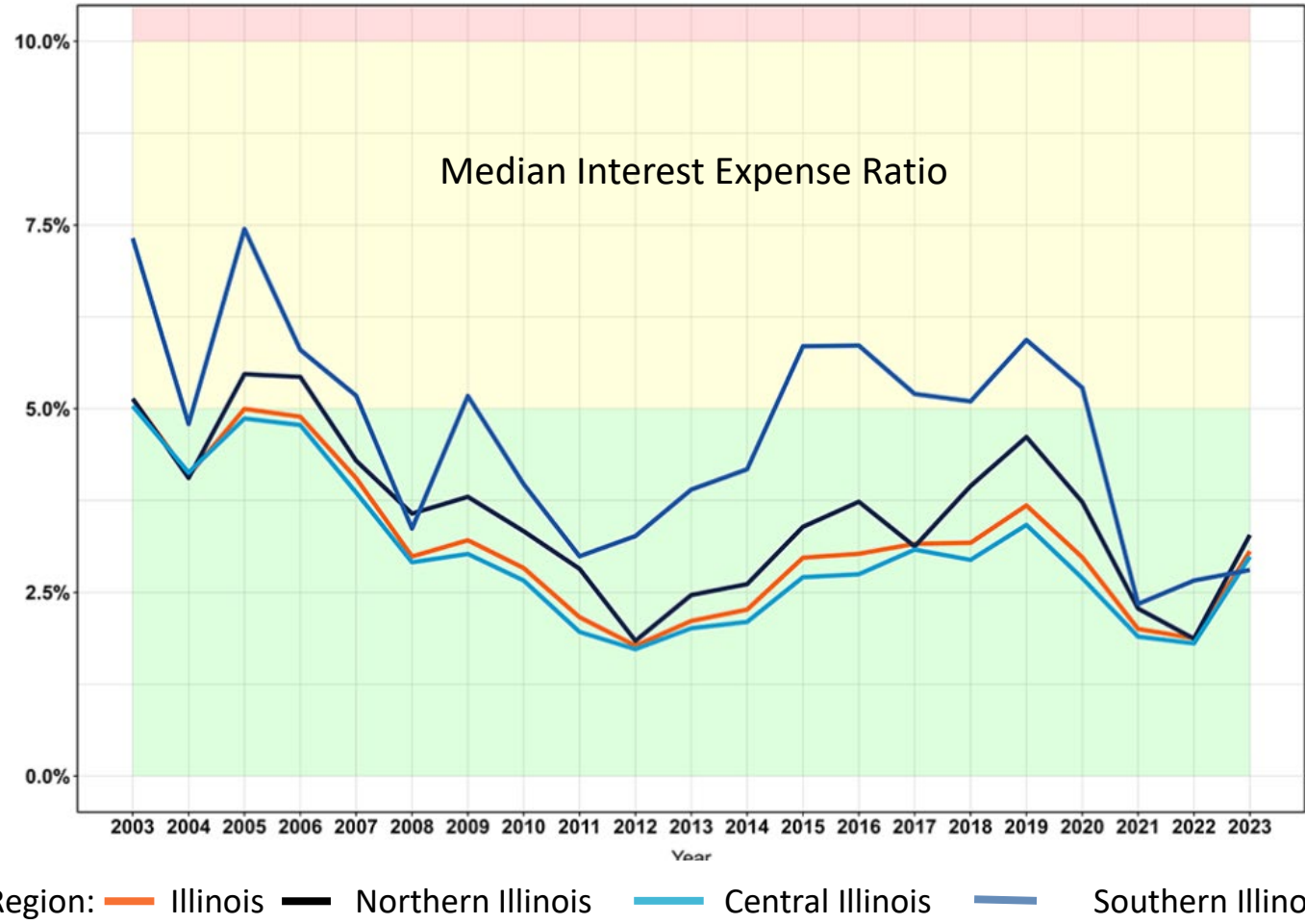
U.S. farm income to rise in 2025 with boost in government payments



Source: USDA ERS Income and Wealth Statistics, Farm Financial Standards Council



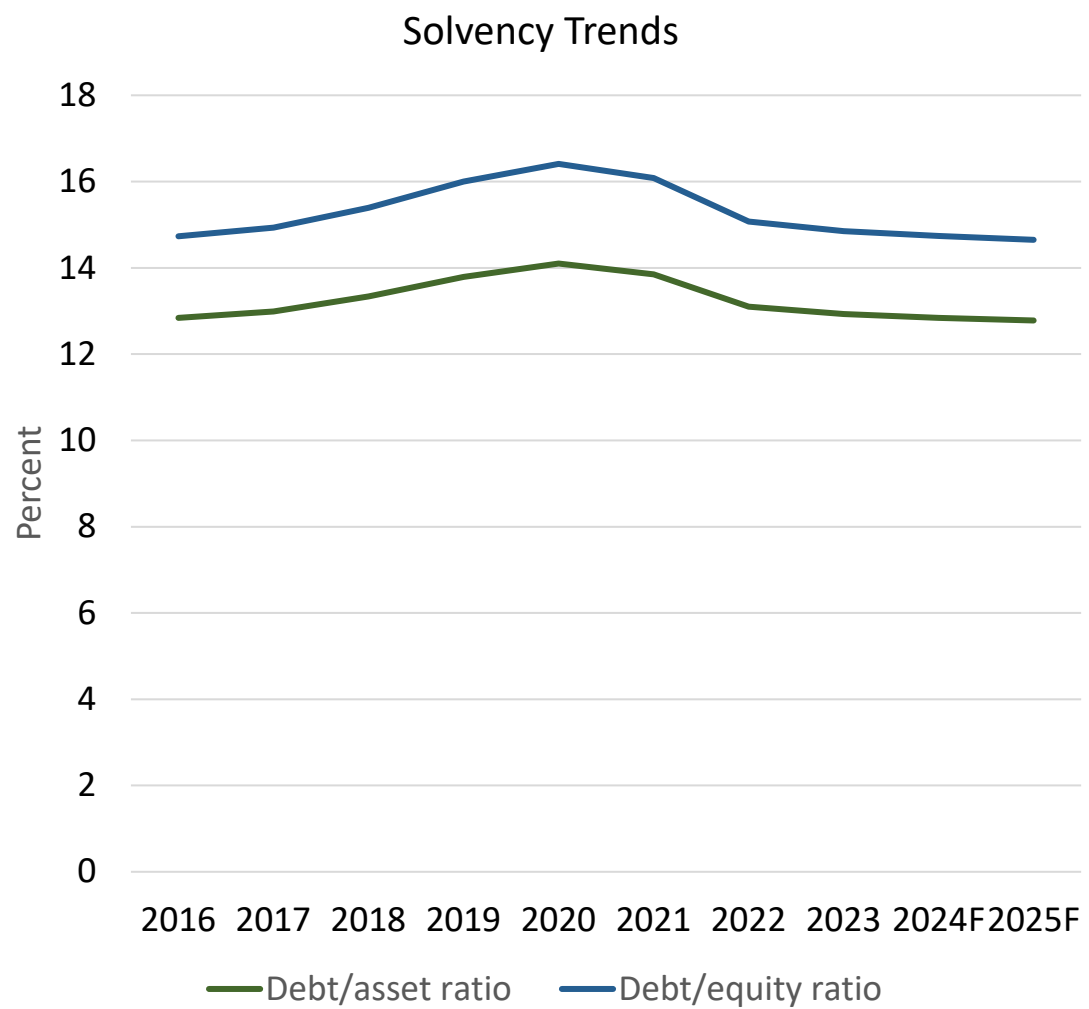
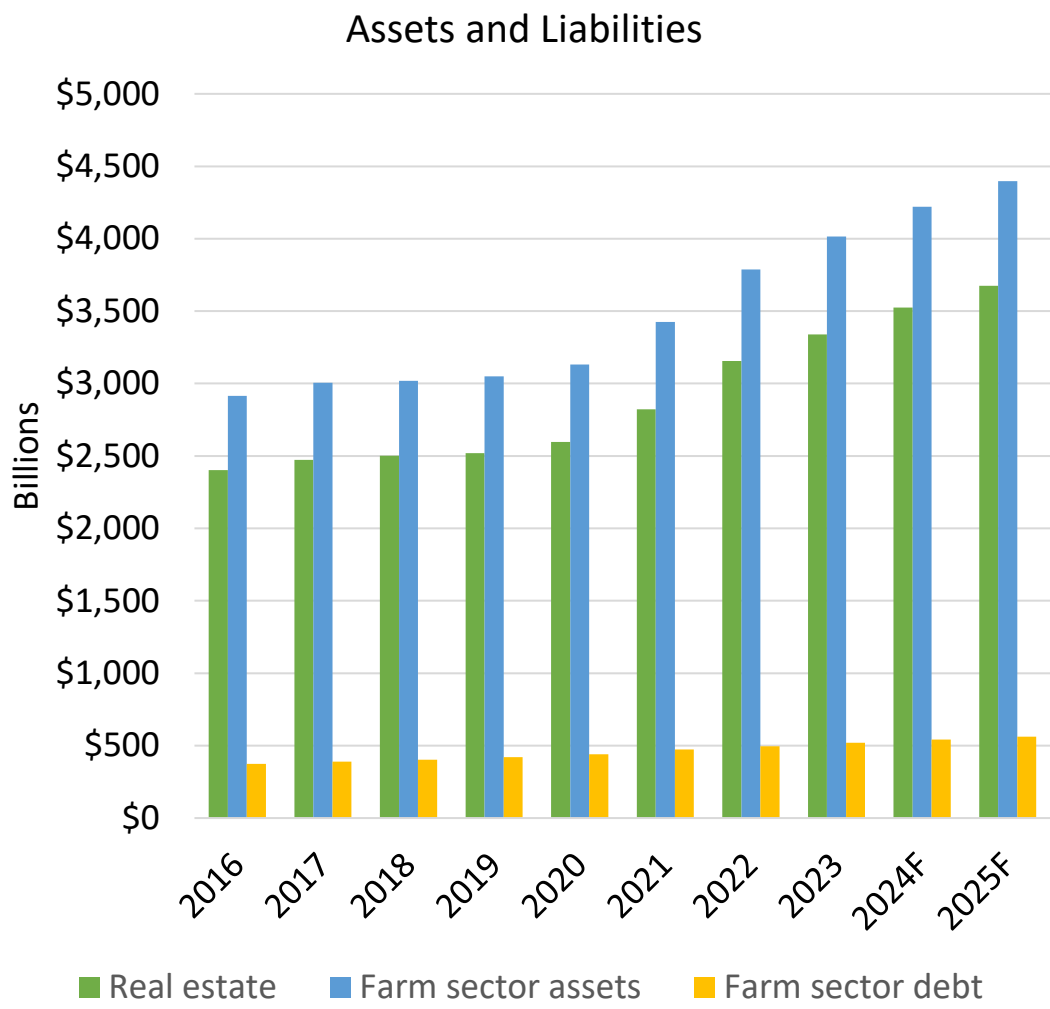
Illinois: Interest expense ratios by region



Source: Mashange, G. and B. Zwilling. "The Financial Efficiency of Illinois Grain Farms: Interest Expense Ratio." *farmdoc daily* (15):39, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, February 28, 2025.



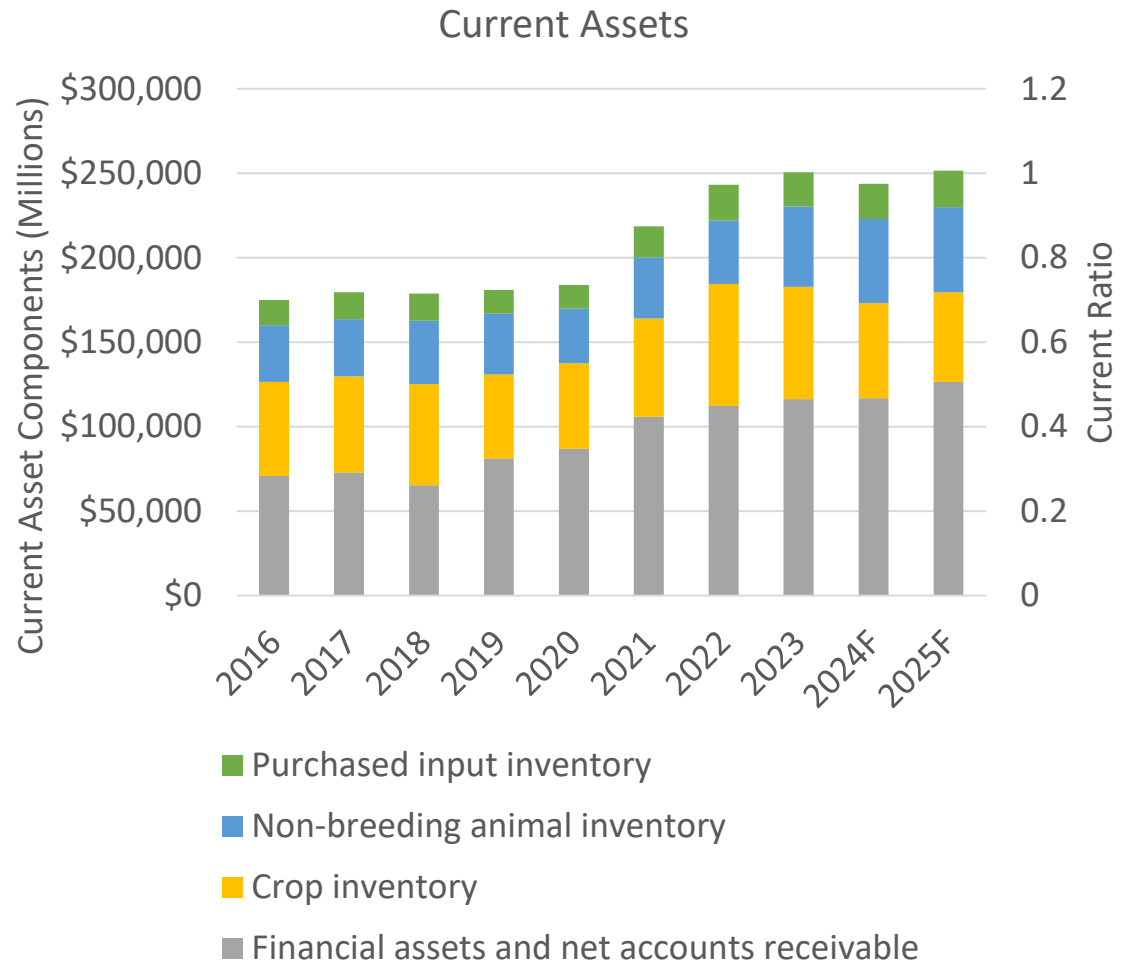
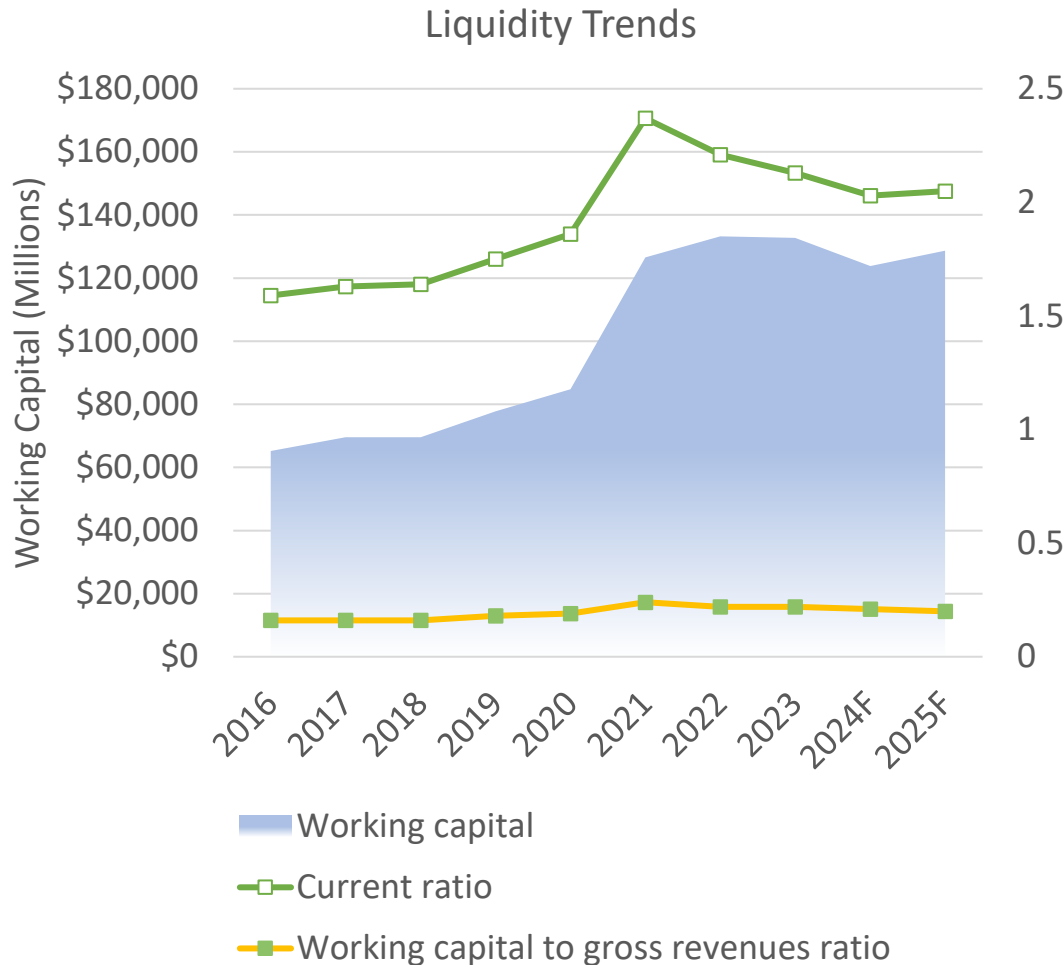
U.S. farm sector balance sheet remains strong



Source: USDA Income and Wealth Statistics



U.S. farm sector flexibility is well positioned

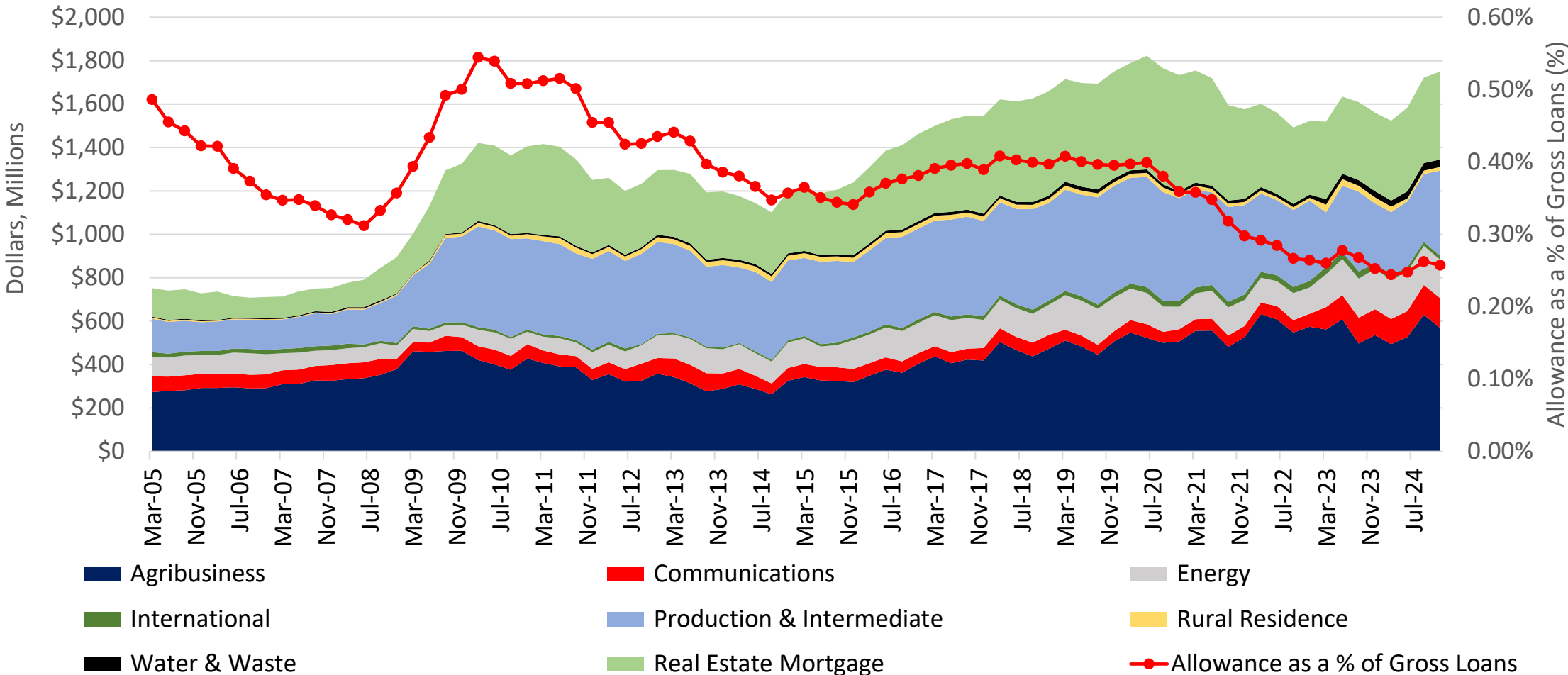


Source: USDA Income and Wealth Statistics



Economic uncertainty and allowance levels begin to rise

Allowance for Loan Losses (ALL)



Source: CRS Data



Questions?



Farm Credit System Condition and Performance as of December 31, 2024

Gina Chmielewski
Supervisory FCA Examiner
Office of Examination



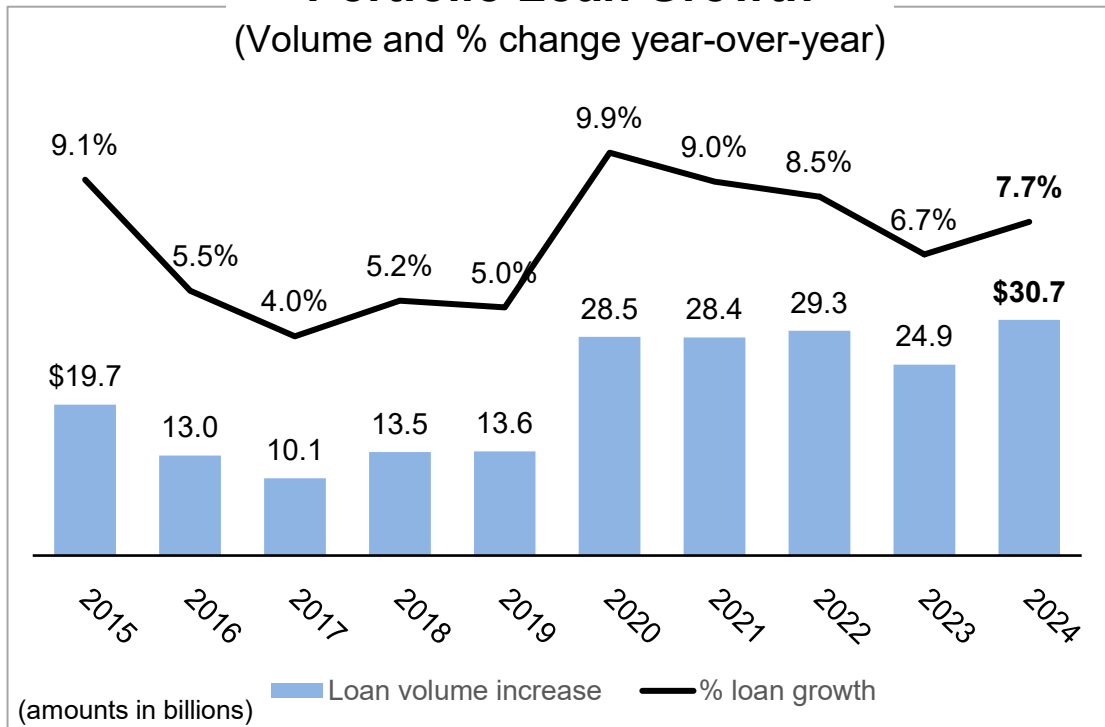


System showed strong portfolio growth in 2024

Total Assets 12/31/24	\$544.4	+3.1% Qtr	Gross Loans 12/31/24	\$428.9	+3.5% Qtr
	billion	+7.2% 12M		billion	+7.7% 12M

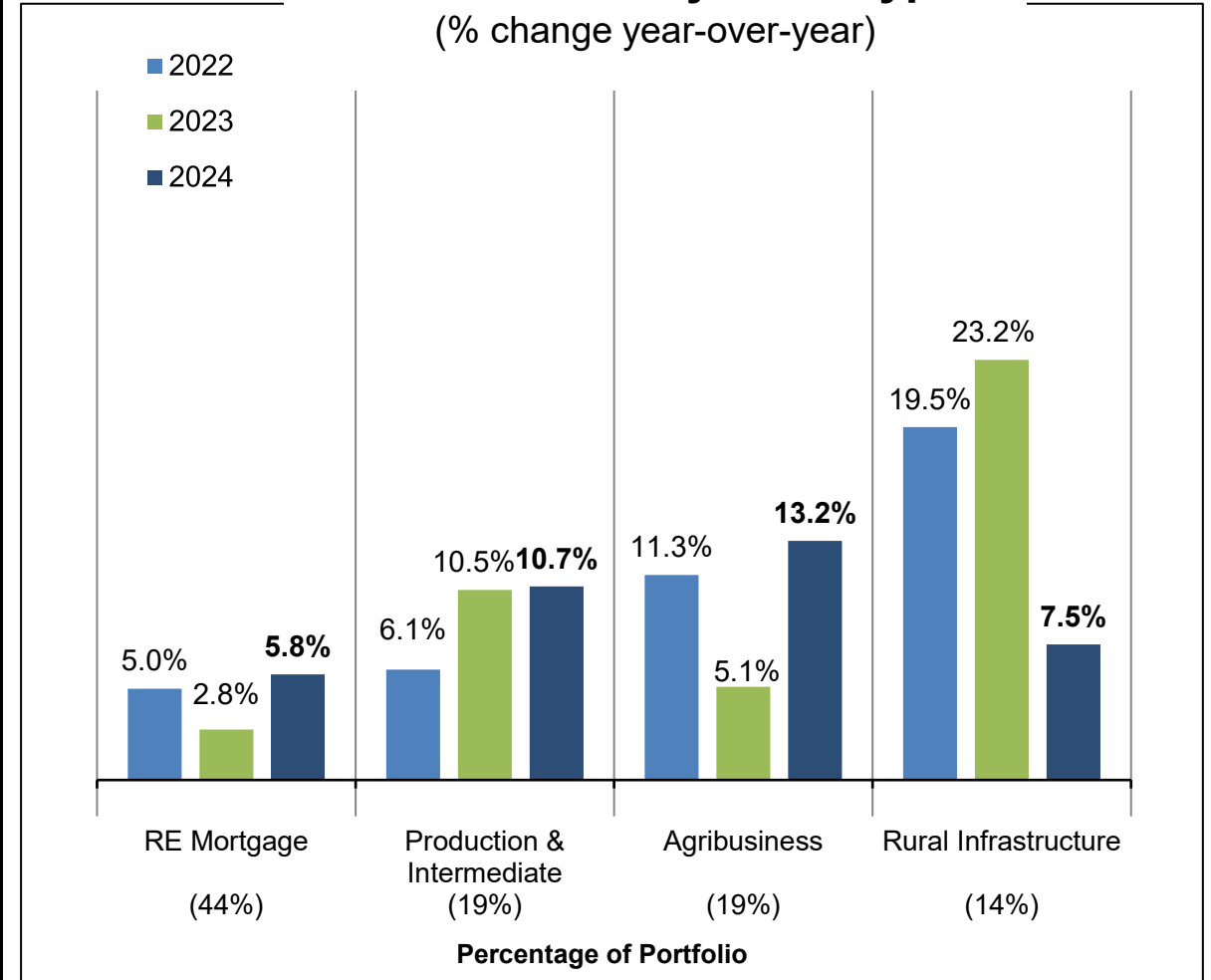
Portfolio Loan Growth

(Volume and % change year-over-year)



Loan Growth by Loan Type

(% change year-over-year)

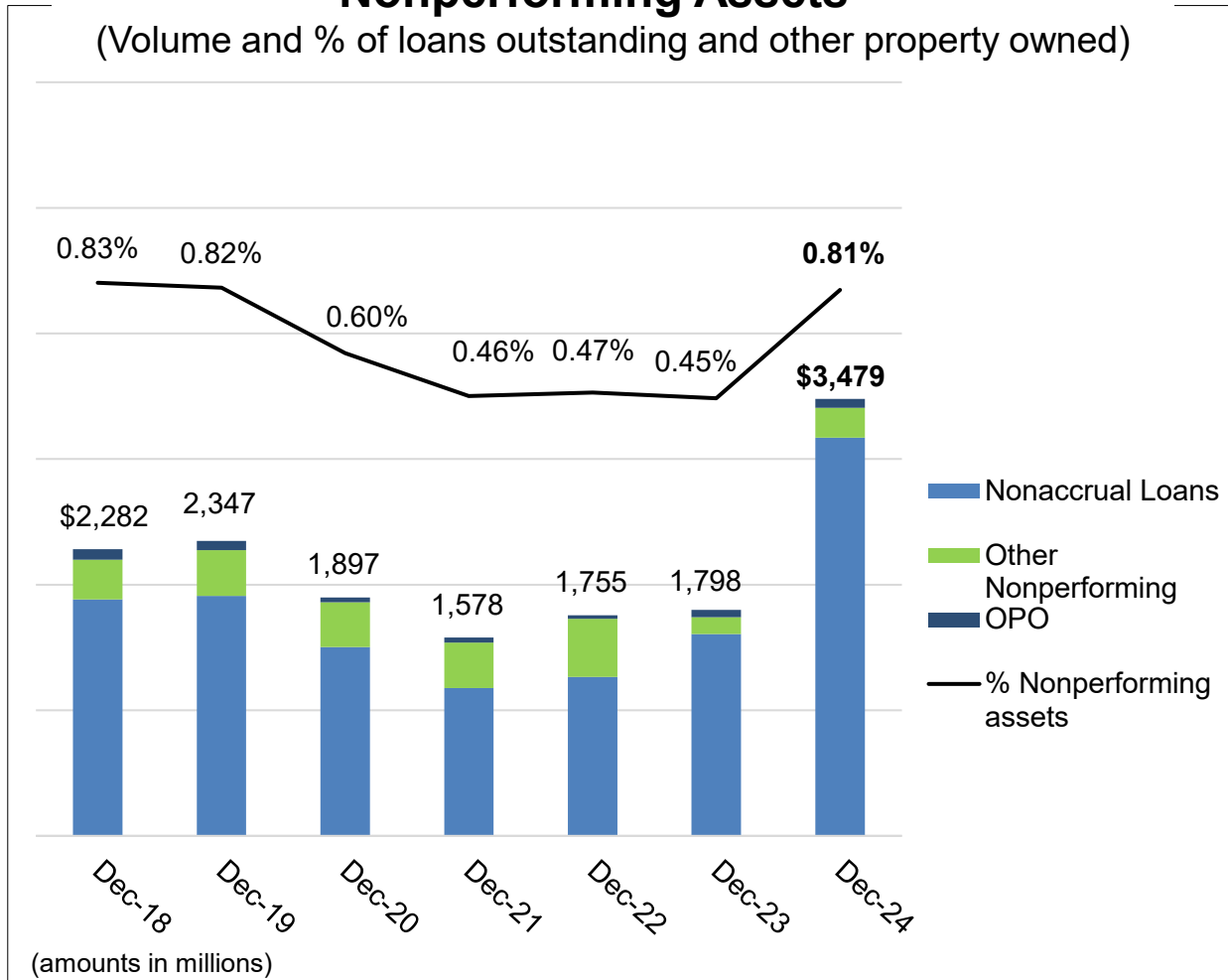




Credit risk measures trended higher in 2024; portfolio loan quality remained sound

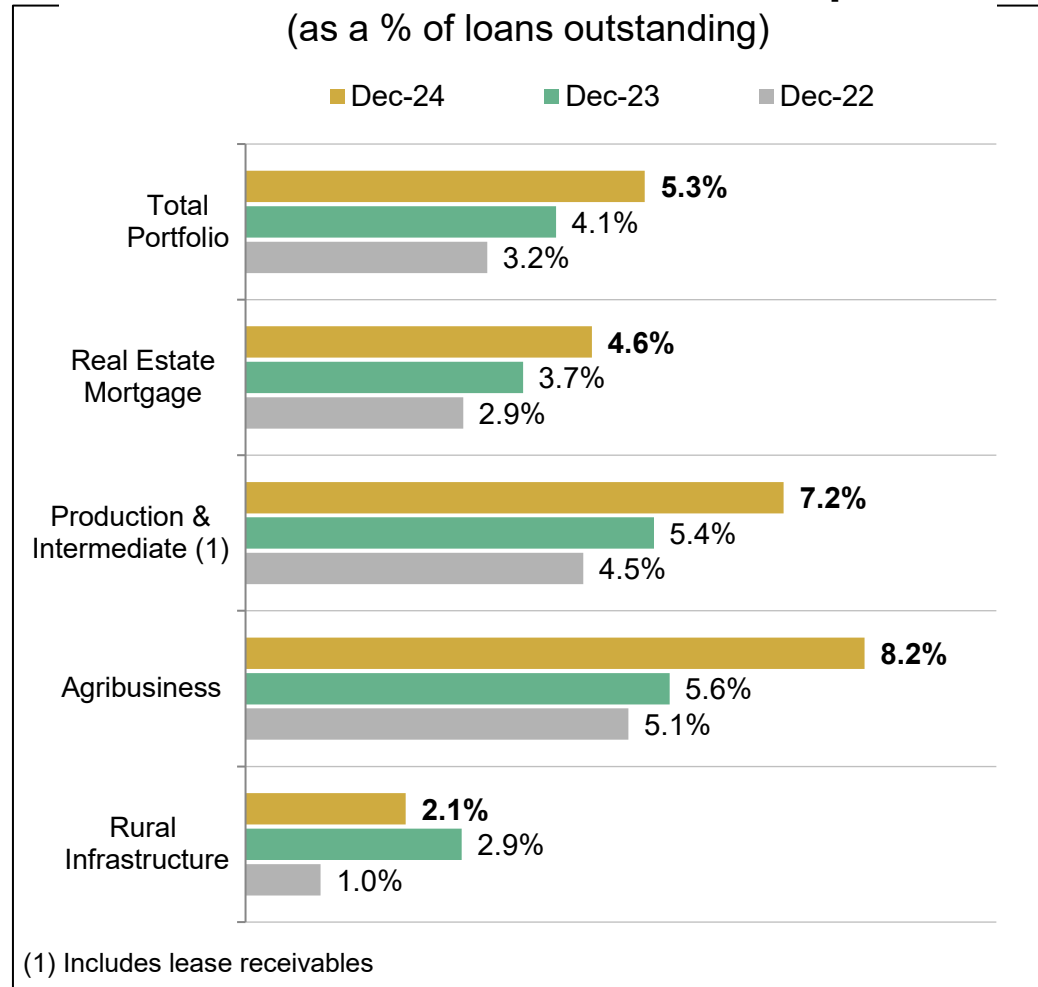
Nonperforming Assets⁽¹⁾

(Volume and % of loans outstanding and other property owned)



Loans Classified Less than Acceptable

(as a % of loans outstanding)

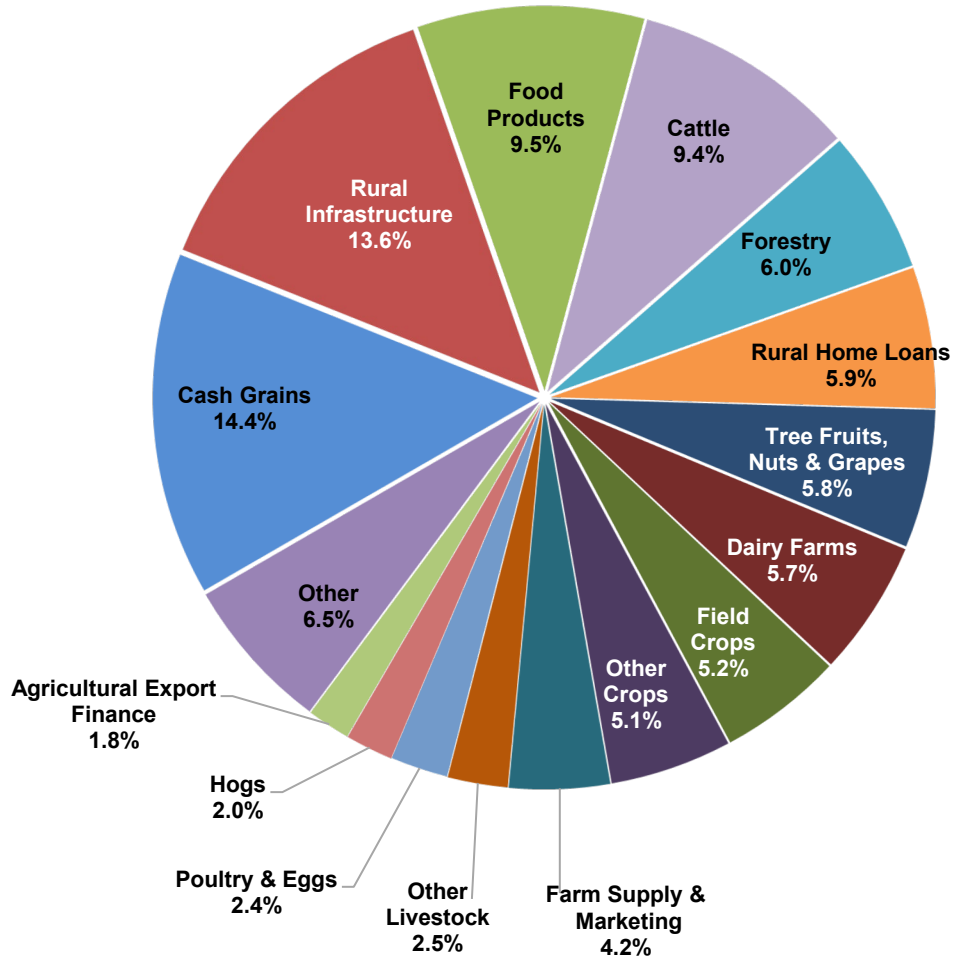


(1) Prior to the adoption of CECL on 1/1/23, nonperforming assets included accruing restructured loans



System portfolio is diversified by commodity

Loan Portfolio by Major Commodity Concentration



System Loan Portfolio (amounts in millions)	Dec-24	% of Total Portfolio	% chg. yr. over yr.
Cash Grains	61,743	14.4%	8.1%
Tree Fruits, Nuts & Grapes	24,910	5.8%	3.9%
Field Crops	22,253	5.2%	9.3%
Other Crop Production	21,734	5.1%	6.2%
Total Crop Production	130,640	30.5%	7.2%
Cattle	40,168	9.4%	10.5%
Dairy Farms	24,491	5.7%	4.6%
Poultry & Eggs	10,339	2.4%	4.6%
Hogs	8,409	2.0%	(2.7%)
Other Livestock	10,744	2.5%	5.5%
Total Animal Production	94,151	22.0%	6.4%
Rural Infrastructure	58,522	13.6%	7.5%
Food Products	40,859	9.5%	10.1%
Rural Home Loans	25,354	5.9%	7.7%
Forestry	25,657	6.0%	6.4%
Farm Supply & Marketing	17,820	4.2%	21.8%
Agricultural export finance	7,612	1.8%	(9.6%)
Other	28,298	6.6%	10.8%
Total	428,913	100.0%	7.7%

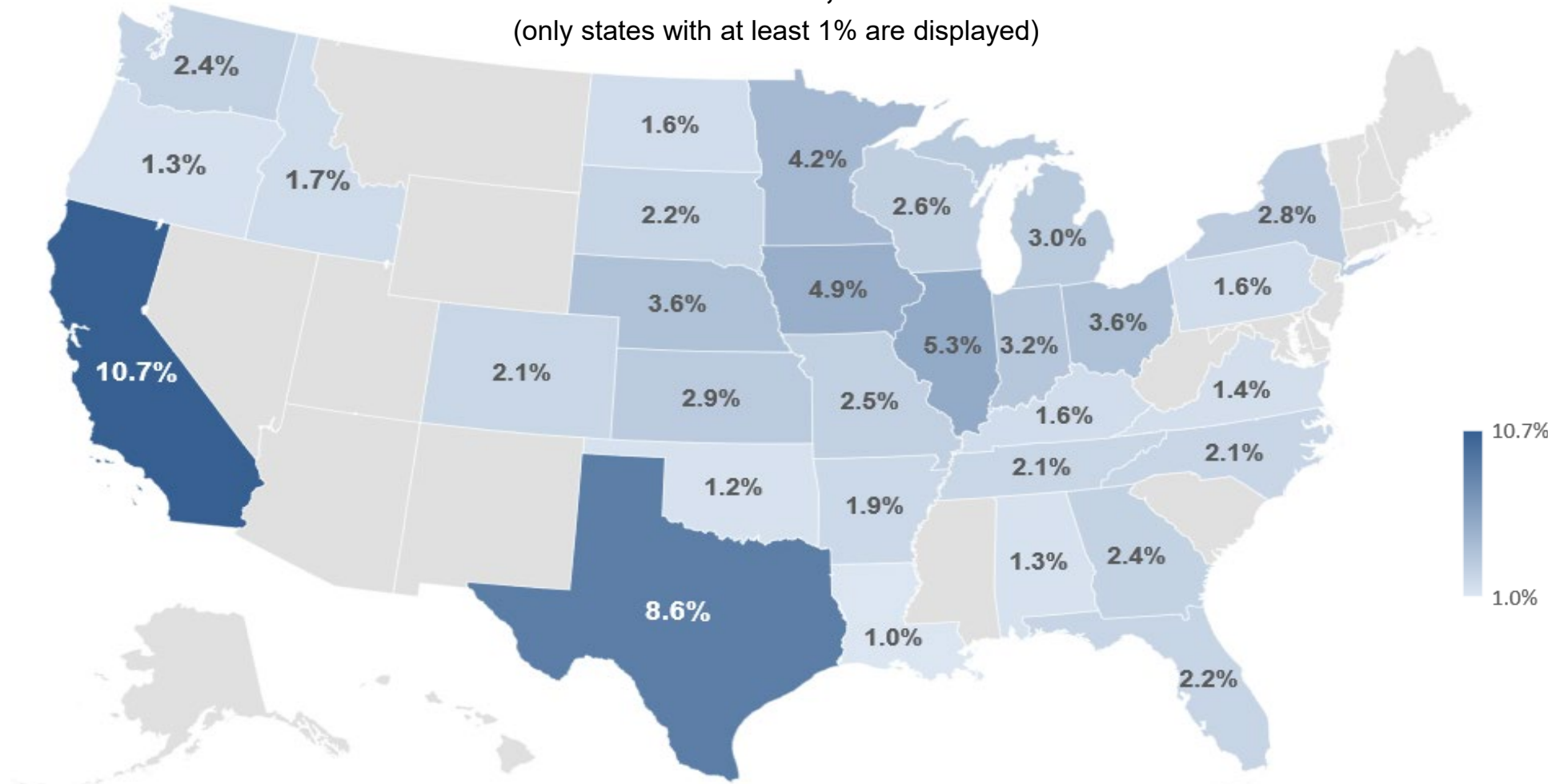
Source: Federal Farm Credit Banks Funding Corporation Information Statements



Portfolio volume is geographically dispersed

**Percentage of System Loan Volume by State
as of Dec. 31, 2024**

(only states with at least 1% are displayed)

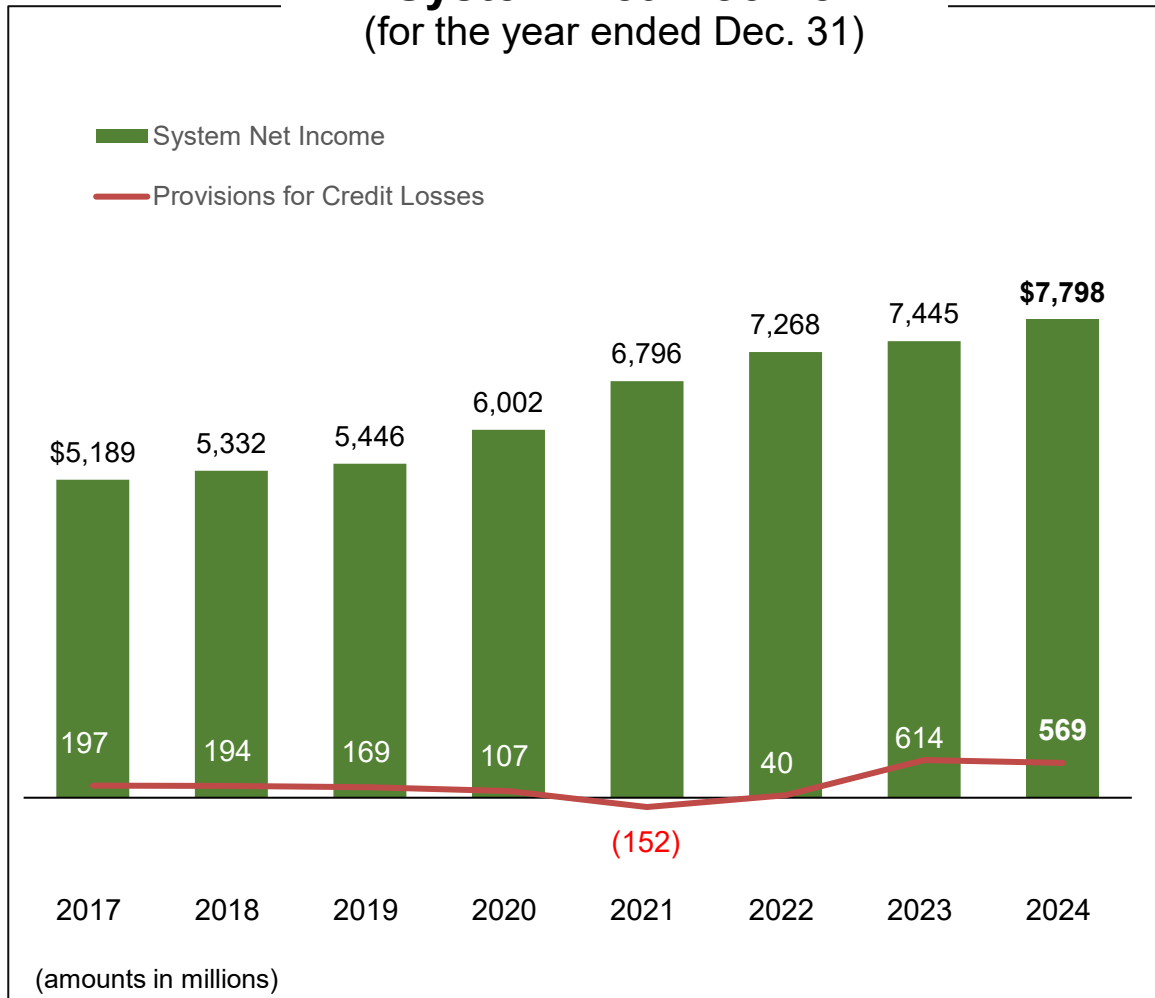


Source: Federal Farm Credit Banks Funding Corporation Information Statements



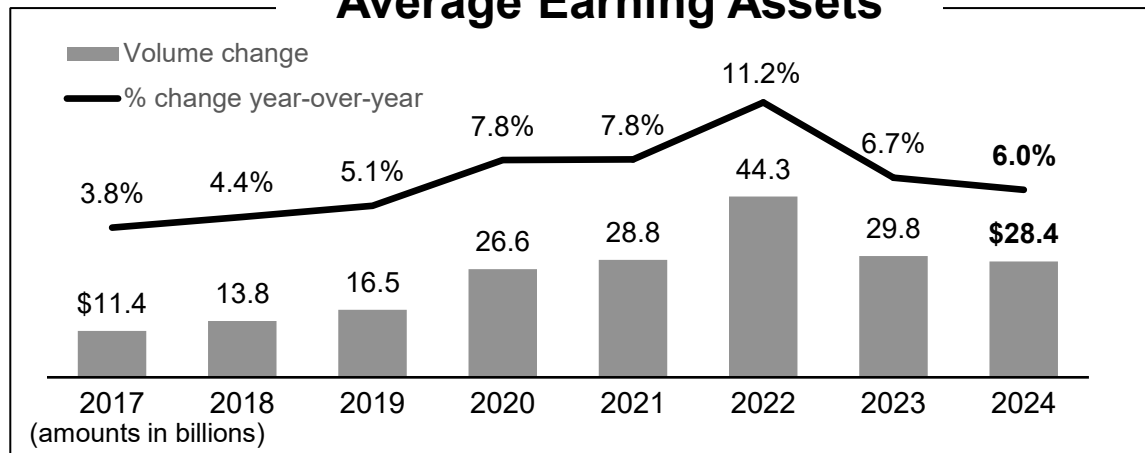
System earnings rise, driven by growth in net interest income

System Net Income (for the year ended Dec. 31)

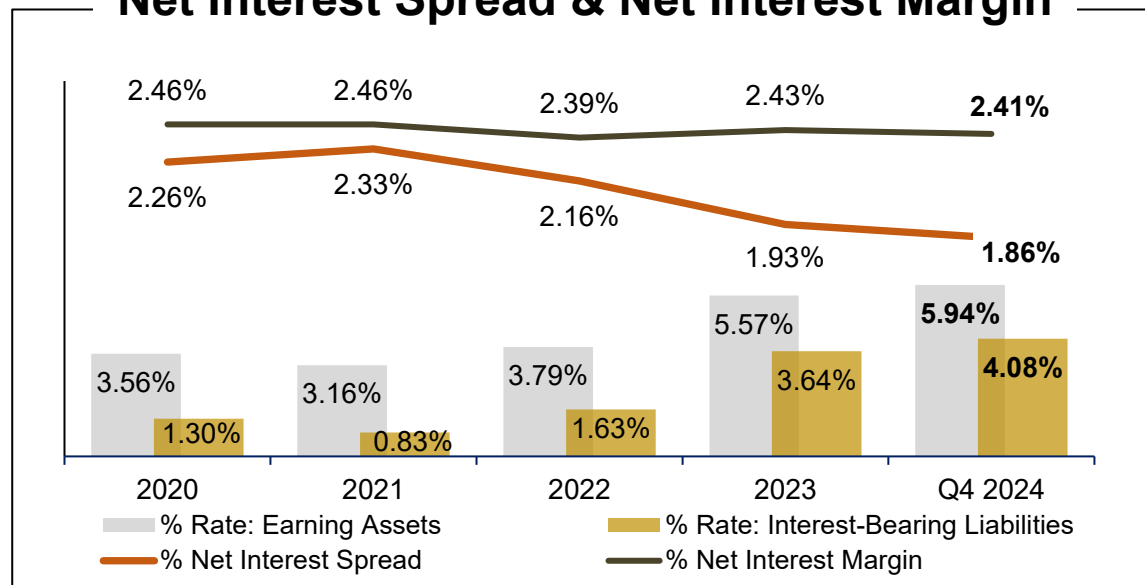


Source: Federal Farm Credit Banks Funding Corporation Information Statements

Average Earning Assets



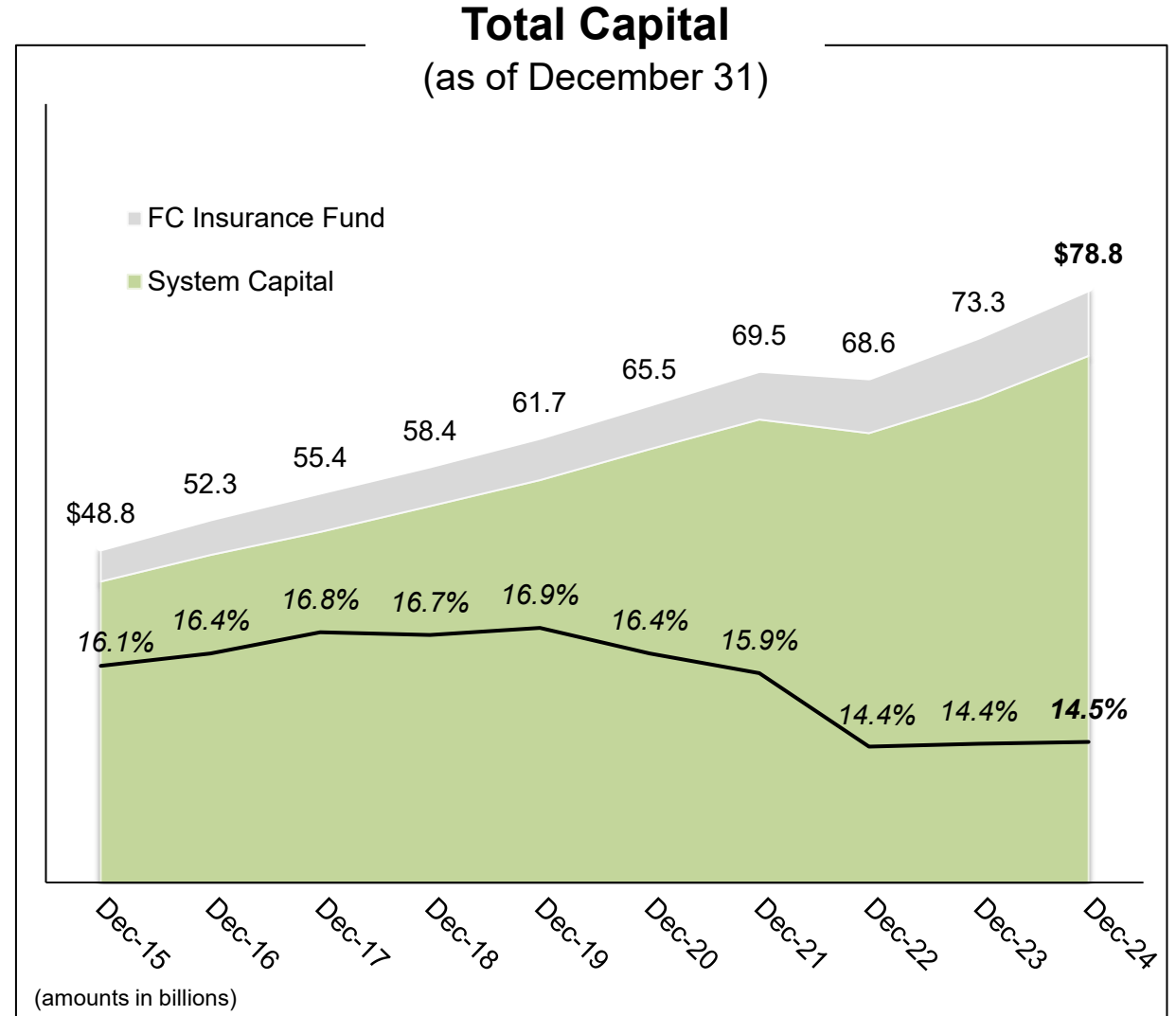
Net Interest Spread & Net Interest Margin





Strong earnings support continued capital growth

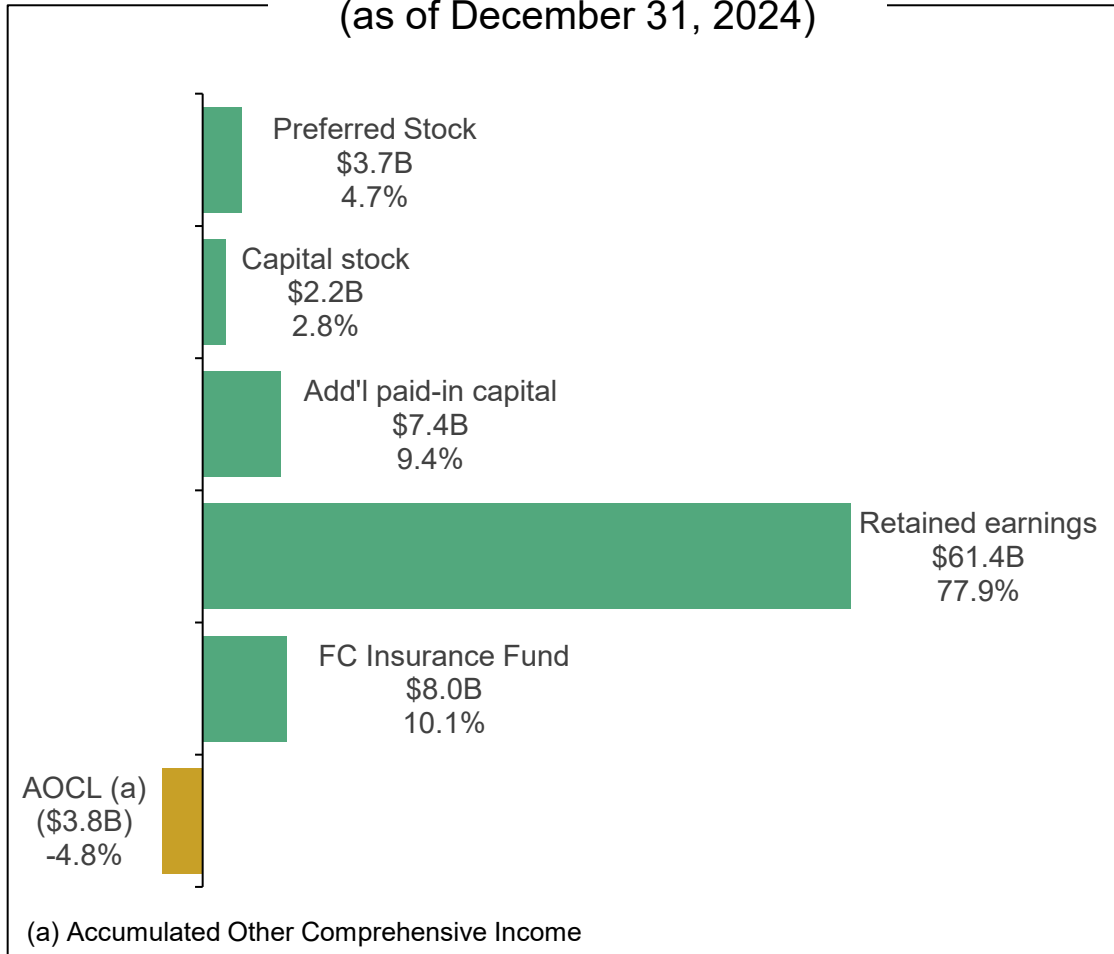
- ▶ For 2024, System capital increased \$5.5 billion or 7.5% year-over-year.
- ▶ The System's capital-to-assets ratio at year-end was 14.5%, up slightly from a year ago.
- ▶ Total regulatory capital ratios were sound
 - Banks: 13.3% to 16.1%
 - Associations: 12.3% to 34.6%.
- ▶ As of December 31, accumulated other comprehensive loss (AOCL) equaled \$3.8 billion, down from \$4.5 billion a year ago.



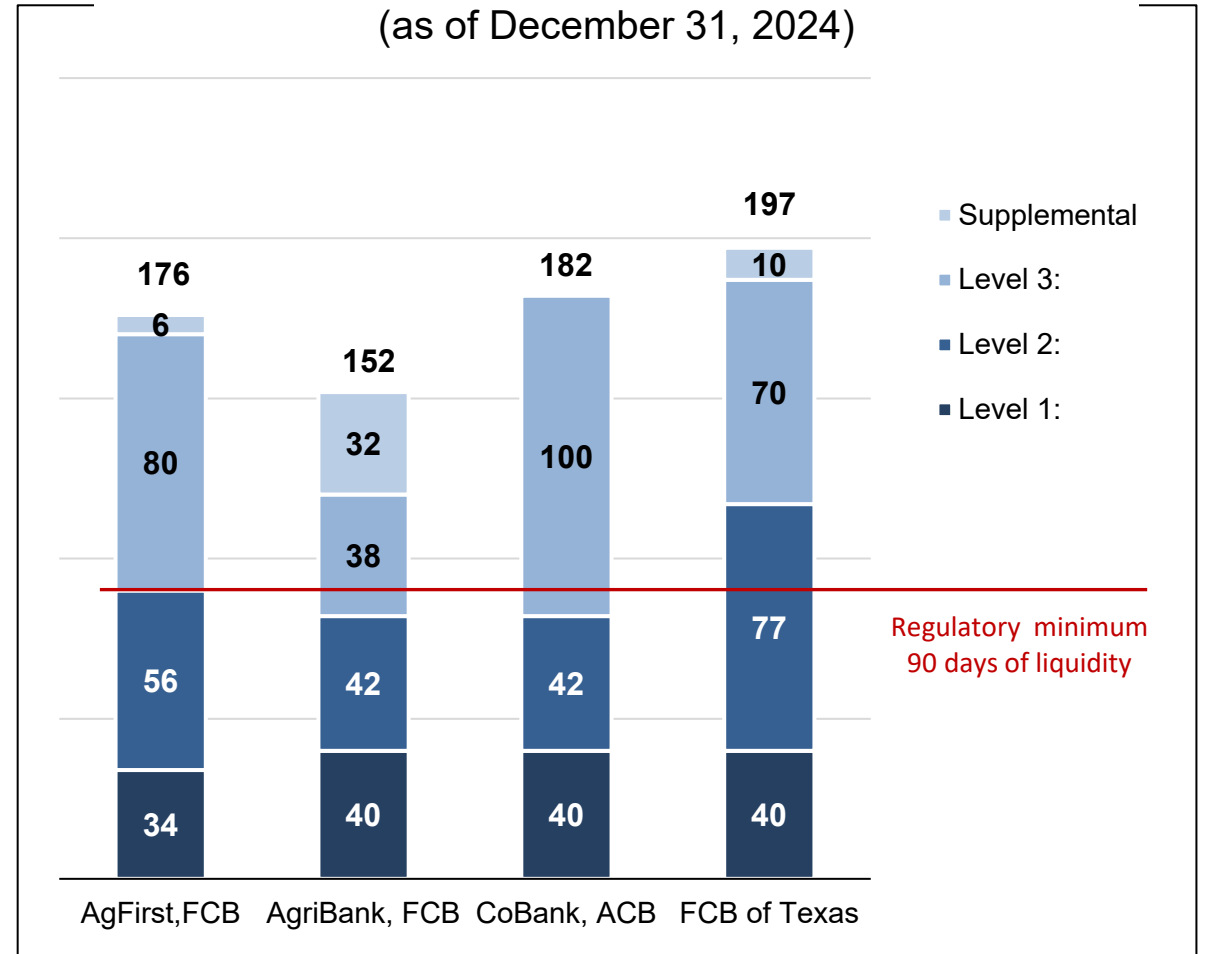


Capital quality and liquidity reserves are strong

Capital Components
(as of December 31, 2024)



Days of Liquidity | Farm Credit System Banks
(as of December 31, 2024)





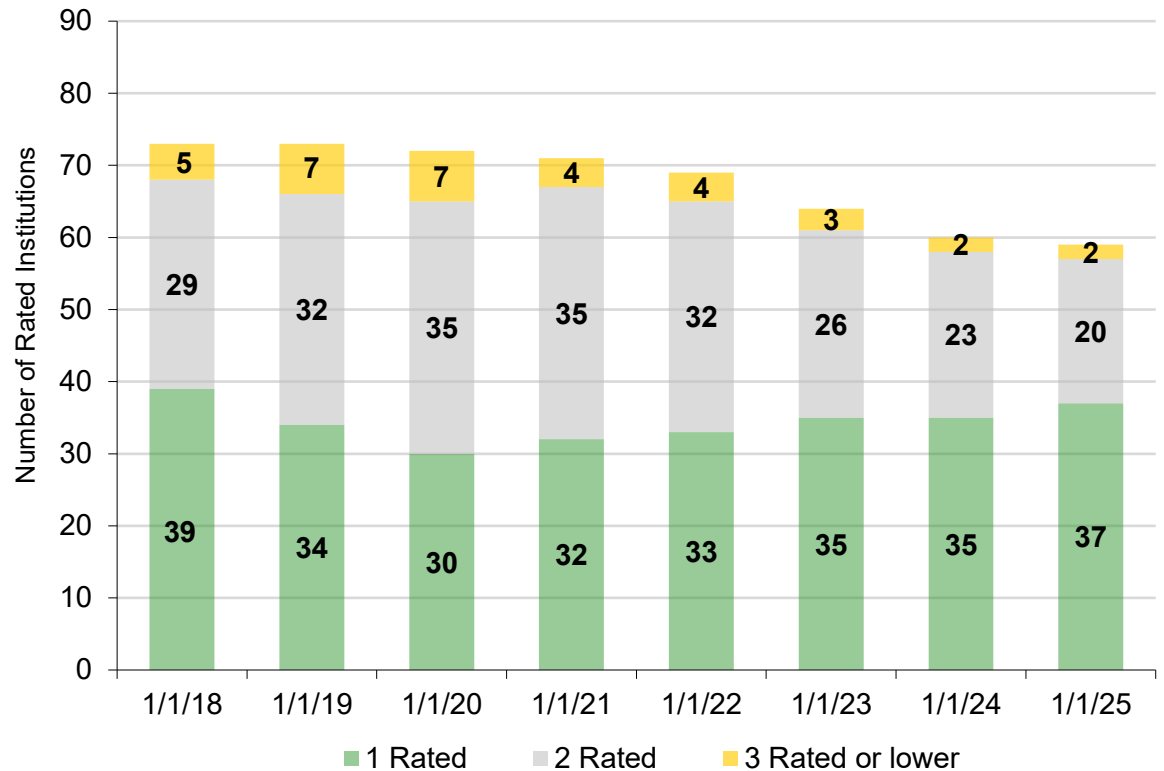
Composite FIRS ratings remained stable

Composite FIRS Ratings

(based on 12/31/24 financial reporting)

- ▶ Composite FIRS ratings reflect the System's sound financial condition.
- ▶ Over 96% of System banks and associations have a Composite FIRS rating of 1 or 2.
- ▶ Institutions rated 3 or lower hold just over 4% of consolidated System assets.

Composite FIRS Ratings Farm Credit System Banks and Associations



Source: FCA's FIRS ratings database



Risks we are monitoring

Borrowers and System institutions face a difficult operating environment in 2025.

- ▶ Implications of an uncertain growth outlook for the U.S. and world economies.
- ▶ Stress in the grain sector as elevated production costs limit returns.
- ▶ Effect of elevated interest rates and lower returns on farmland and collateral values.
- ▶ Potential impact of tariffs, changes to foreign trade policies, avian influenza, and possible farm program changes.