Funding Conditions for the Farm Credit System
Recent High Finance Headlines

“Banks in Germany Tell Customers to Take Deposits Elsewhere”

- More customers are having to pay negative rates as savings have surged amid the pandemic.
Recent High Finance Headlines

“Saudi Arabia Borrows at Negative Rates for First Time as Oil Recovers”
Recent High Finance Headlines

“U.S. Treasury Yields Rise After Positive Jobs Data”

– Move extends a recent climb in government bond yields.
Recent High Finance Headlines

“Yield on 30-year Treasury Hits 2% for First Time Since Pandemic”

– Widening spreads between short- and long-term yields bode well for economy and banks but poorly for Treasury holders.
Recent High Finance Headlines

“Regional Bank Stocks Rise as Bond Yields Climb”

– Banks’ performance is reversal from dismal 2020 when they set aside billions to prepare for soured loans.
Recent High Finance Headlines

“How the Oil Market Bounced Back From a Year of Crisis”

– A fall in stockpiles, restraint among U.S. producers and the speedy recovery in Asian demand have driven the rally
Recent High Finance Headlines

“Agriculture Industry Bets on Carbon as a New Cash Crop”

– Big companies and startups jockey to pay farmers for capturing greenhouse gases in fields; environmental groups question impact.
Recent High Finance Headlines

“Why Milk’s Best Sales in a Decade Won’t Save Struggling Dairy Farmers”

– Consumer stockpiling amid coronavirus won’t offset declines in demand from restaurants and foreign buyers; ‘I’m ready to be done,’ says farmer.
Funding Update Topics

- Global Market
- Agency Debt Market
- Funding Corporation Activity
- Yields & Spreads on FCS Debt
- FCS Liquidity
- LIBOR/SOFR
- COVID-19
Global Market

- Federal Reserve
- U.S. Treasury
- China
Credit Rating Agencies - Outlook for the United States

- Standard & Poors – AA+
  Outlook – Stable

- Moody’s – Aaa
  Outlook – Stable

- Fitch – AAA
  Outlook – Negative
System High Level Financials

- **Assets** – $400.7 billion (+9.7%)
- **Loans** – $315.5 billion (+9.9%)
- **A.L.L.** – $1.8 billion (N.C.)
- **Cash & Invts.** – $74.2 billion (+8.7%)
- **Capital** – $65.5 billion (+6.2%)
- **Net Income** – $6.0 billion (+10.2%)
# Agency Debt Outstanding

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>F.H.L.B.</td>
<td>$989</td>
<td>$1,034</td>
<td>$1,044</td>
<td>$1,005</td>
<td>$737</td>
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<tr>
<td>FCS</td>
<td>258</td>
<td>265</td>
<td>280</td>
<td>292</td>
<td>322</td>
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<tr>
<td>Freddie Mac</td>
<td>356</td>
<td>317</td>
<td>274</td>
<td>254</td>
<td>284</td>
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<tr>
<td>Fannie Mae</td>
<td>329</td>
<td>278</td>
<td>204</td>
<td>158</td>
<td>275</td>
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<tr>
<td>Farmer Mac</td>
<td>15</td>
<td>16</td>
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<td>19</td>
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<tr>
<td>Tenn. V.A.</td>
<td>25</td>
<td>25</td>
<td>23</td>
<td>22</td>
<td>21</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$1,972</strong></td>
<td><strong>$1,935</strong></td>
<td><strong>$1,841</strong></td>
<td><strong>$1,750</strong></td>
<td><strong>$1,661</strong></td>
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Source: Agency Websites
## Agency Debt Issuance

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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<tbody>
<tr>
<td>F.H.L.B.</td>
<td>$4,389</td>
<td>$6,797</td>
<td>$7,855</td>
<td>$7,201</td>
<td>$4,599</td>
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<tr>
<td>FCS</td>
<td>334</td>
<td>278</td>
<td>308</td>
<td>364</td>
<td>421</td>
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<tr>
<td>Freddie Mac</td>
<td>597</td>
<td>480</td>
<td>413</td>
<td>515</td>
<td>408</td>
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<tr>
<td>Fannie Mae</td>
<td>665</td>
<td>710</td>
<td>556</td>
<td>509</td>
<td>327</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$5,975</strong></td>
<td><strong>$8,265</strong></td>
<td><strong>$9,132</strong></td>
<td><strong>$8,589</strong></td>
<td><strong>$5,755</strong></td>
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</table>

Source: Agency Websites
<table>
<thead>
<tr>
<th>($ millions)</th>
<th>Discount Notes</th>
<th>Designated Bonds</th>
<th>Fixed Rate Bonds</th>
<th>Floating Rate Bonds</th>
<th>Retail Bonds</th>
<th>Other(^1)</th>
<th>Total</th>
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<tbody>
<tr>
<td></td>
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<td></td>
<td>Callable</td>
<td>Non-Callable</td>
<td>LIBOR</td>
<td>SOFR</td>
<td>Prime, FF, 91-day,</td>
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<tr>
<td>2/28/2021</td>
<td>23,557</td>
<td>5,100</td>
<td>82,082</td>
<td>91,409</td>
<td>31,962</td>
<td>62,760</td>
<td>29,032</td>
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<tr>
<td>12/31/2020</td>
<td>23,524</td>
<td>3,100</td>
<td>78,971</td>
<td>90,084</td>
<td>39,437</td>
<td>56,595</td>
<td>29,712</td>
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<td>12/31/2019</td>
<td>17,459</td>
<td>0</td>
<td>77,903</td>
<td>79,068</td>
<td>80,613</td>
<td>7,957</td>
<td>28,657</td>
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<td>12/31/2015</td>
<td>32,330</td>
<td>5,000</td>
<td>58,789</td>
<td>60,424</td>
<td>71,355</td>
<td>0</td>
<td>14,900</td>
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<tr>
<td>12/31/2010</td>
<td>19,209</td>
<td>28,575</td>
<td>45,822</td>
<td>40,869</td>
<td>36,460</td>
<td>0</td>
<td>16,455</td>
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\(^1\) Includes Linked Deposits

Source: FFCBFC Website
Dealer Group

- 38 Dealer Group Members
- 8 Members added in October
  - Leveraging Equality and Diversity (LEAD)
  - 10 Overall LEAD Dealer Members
Return of Designated Bonds

- Benchmark Issue
- Large in size > $1 Billion
- Non-Callable 2 -10 Yrs., Fixed Rate
- Generally included in the Barclays Aggregate Bond Index
- Merit Dealer Performance
Return of Designated Bonds

ACCOUNT DISTRIBUTION

- Investment Managers: 65.61%
- Central Banks: 12.18%
- State & Local Govt: 9.73%
- Charitable / Fraternal / Endowments: 4.57%
- Corporations: 4.26%
- Banks & Credit Unions: 2.13%
- Insurance Company: 1.52%
Reduced Risk Premiums

FCS Basis Points Spread over Treasuries

- 6 Months
- 1 Year
- 2 Years
- 3 Years
- 5 Years
- 10 Years
- 30 Years

3/11/2020
11/9/2020
3/4/2021
Record Call Activity

- Calls in ‘20 – $ 115 billion
- Calls in ‘19 – $ 54 billion
- Calls in ‘18 – $ 29 million
- Calls in ‘17 – $ 5 billion
- Calls in ‘16 – $ 58 billion

Net Interest Spreads
- 2.26% for ‘20, **2.04 % for ‘19**, 2.12% for ‘18, 2.25% for ‘17, 2.31% for ‘16.

Net Interest Margins
- **2.46% for ‘20**, 2.42 % for ‘19, 2.46% for ‘18, 2.48% for ‘17, 2.49% for ‘16.
Debt Maturity

- Weighted average maturity of FCS Debt
  - Dec./2020 – 2.85 years
  - Dec./2019 – 2.82 years
  - Dec./2018 – 2.86 years
  - Dec./2017 – 2.88 years
  - Dec./2016 – 2.72 years
Debt Maturity

- Percentage of FCS debt maturing within 1 year.
  - Dec./2020 – 38.8 percent
  - Dec./2019 – 38.9 percent
  - Dec./2018 – 38.8 percent
  - Dec./2017 – 39.1 percent
  - Dec./2016 – 40.3 percent
Days of Liquidity

- As of 12/31/20, System = 171(158) days:
  - AgFirst = 196(189) days, AgriBank = 167(136) days, FCB of TX = 182(173) days, CoBank = 174(174) days

- As of 12/31/19, System = 177 (166) days:
  - AgFirst = 222(197) days, AgriBank = 166(135) days, FCB of TX = 211(196) days, CoBank = 176(168) days
Secured Overnight Financing Rate still growing slowly despite only 9 mos. until LIBOR’s official R.I.P. date.

Global U.S. LIBOR referenced instruments still dominate.

System’s J & S LIBOR directly based debt down to $31 billion. $11 billion was issued in 2020. Synthetic derivative exposure notional amount $46 billion.

Funding Corp. issued just over $51 billion in SOFR indexed bonds in 2020.
COVID-19

- Persisting Global Issue
- Major Economic Shock
- Recovery Underway but Uneven
Summary

- Strong Demand for FCS Debt
- FCS Debt Yields Moving Higher for Longer Maturities
- Risk Premiums Historically Favorable
- Interest Rate Spreads Increasing
- Bottom Line Benefitting
- Substantial Liquidity
- SOFR’s Progress
- COVID-19