

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



December 11, 2025

Skyler Ocheltree – Senior Economist
Office of Data Analytics and Economics

Nicole Yaddof – Financial Analyst
Office of Examination





Topics for open session

Economic Conditions affecting the Farm Credit System

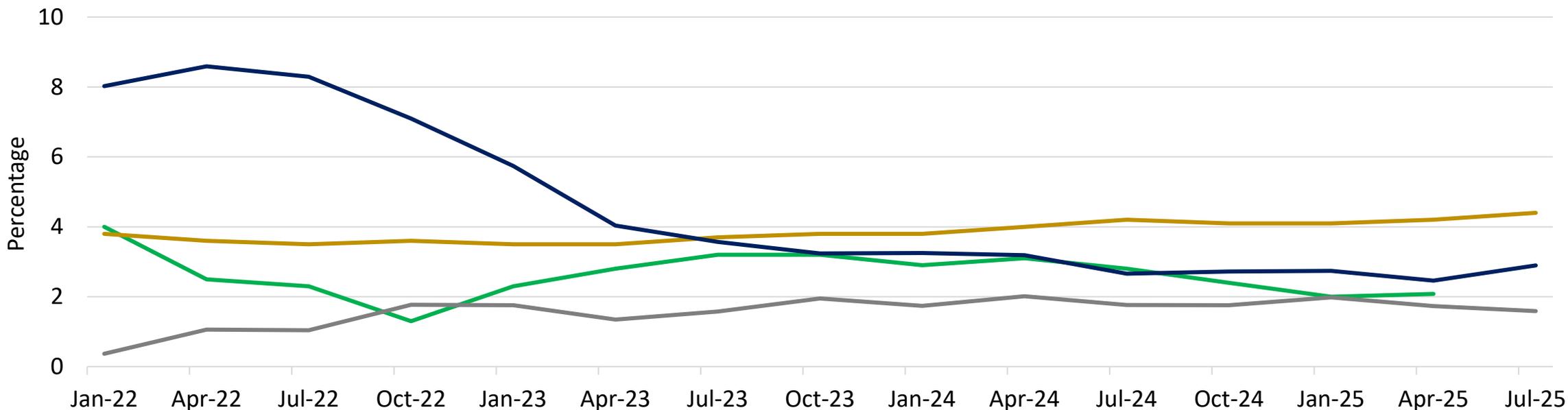
- ▶ Macroeconomic update
- ▶ Commodity update
- ▶ Farm income

Farm Credit System Condition and Performance

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



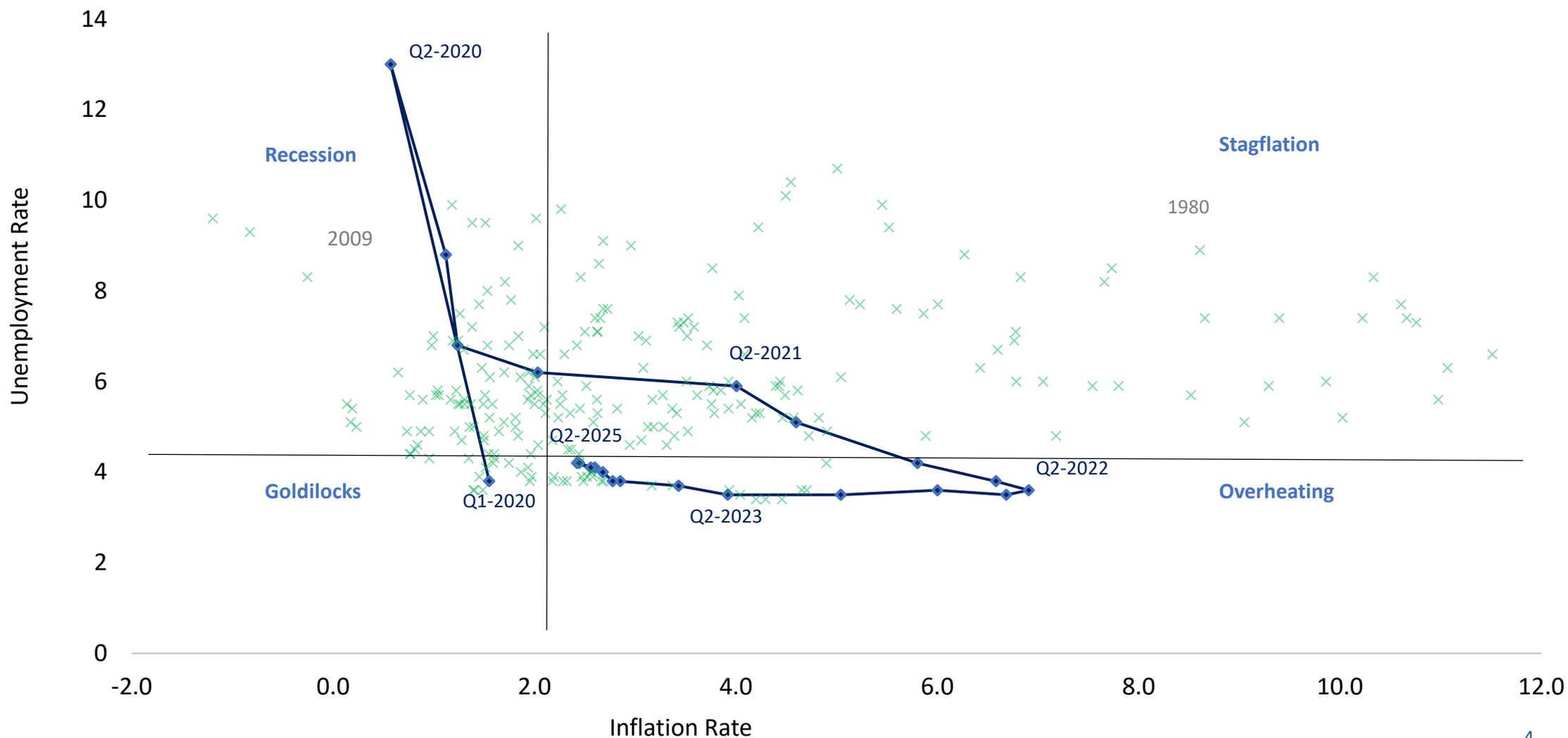
Stable economic indicators in 2025



- Real Gross Domestic Product, percent change from quarter one year ago, quarterly, seasonally adjusted
- 10-Year real interest rate, percent, quarterly, not seasonally adjusted
- Unemployment rate, percent, quarterly, seasonally adjusted
- Consumer Price Index for All Urban Consumers: All Items in U.S. City Average, Percent Change from Year Ago, Quarterly, Seasonally Adjusted



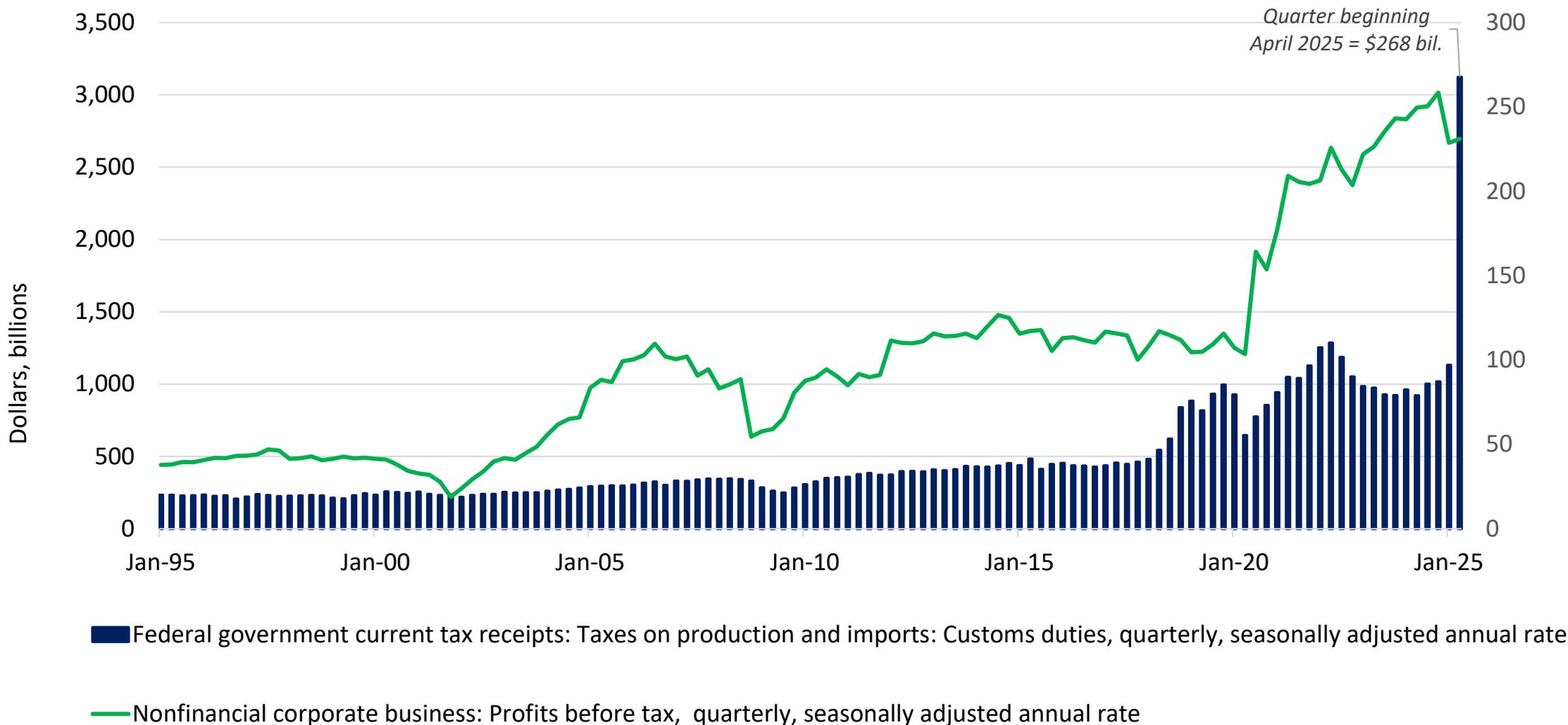
Economic conditions relative to Fed's dual mandate



Sources: Bureau of Labor Statistics, Bureau of Economic Analysis

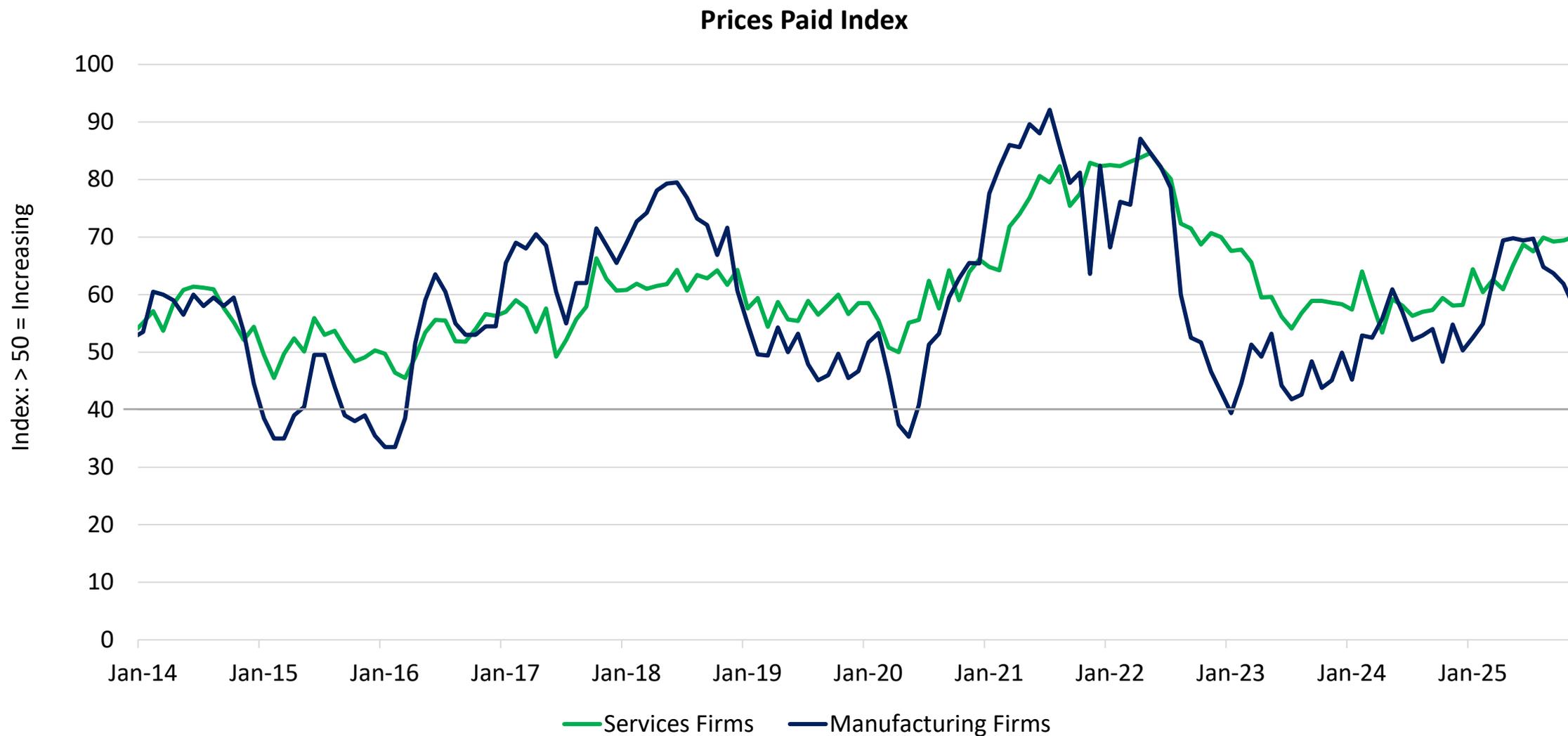


Tariff revenues increase as corporate profits drop



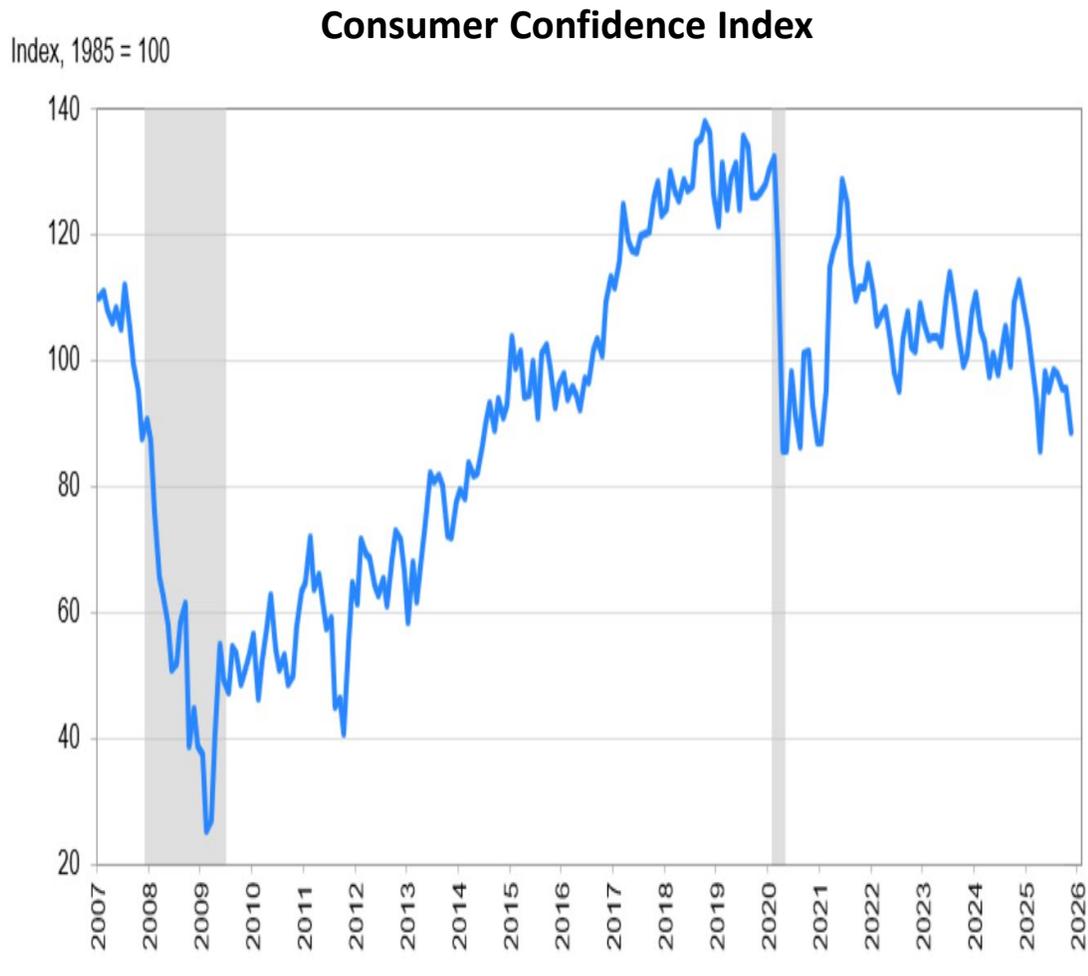


Input prices continue to rise across most sectors

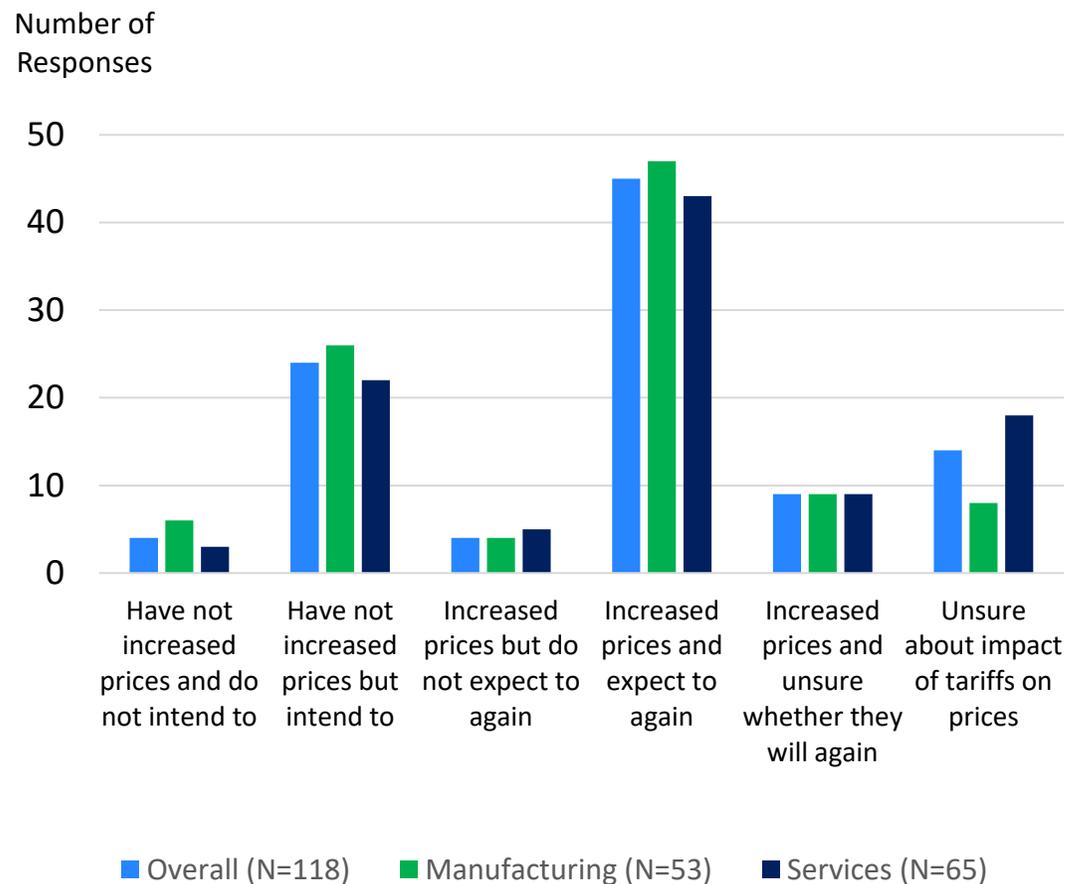




Demand environment affects pass-through prices



Have firms raised prices due to tariffs?





Commodity update

- ▶ Bumper crops generate marketing challenges
- ▶ Strong livestock prices provide management opportunities and risk taking
- ▶ Export prospects and new opportunities
- ▶ Continued stress in grain, tree nut, and wine sectors



Crop producers under price pressure

Soybeans Futures, Dollars per Bushel



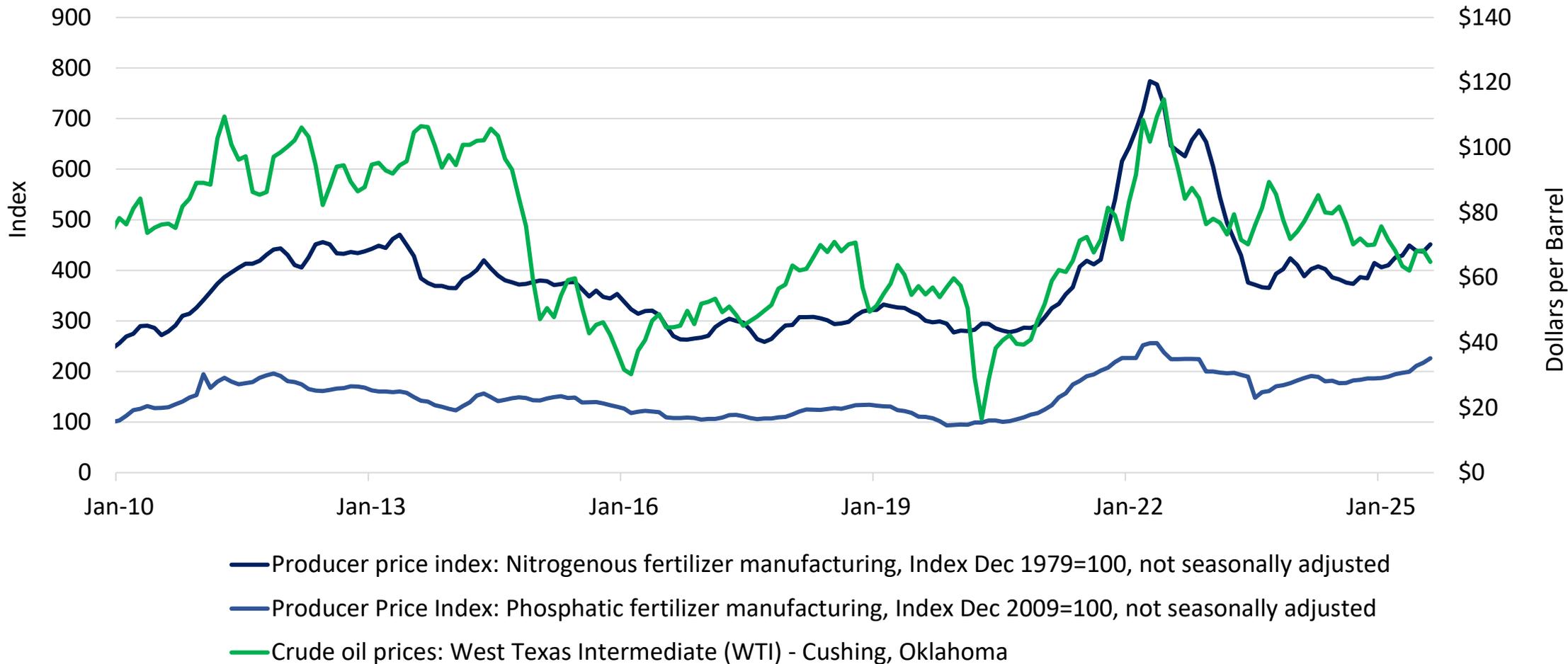
Corn Futures, Dollars per Bushel





Crop input prices also squeeze producer margins

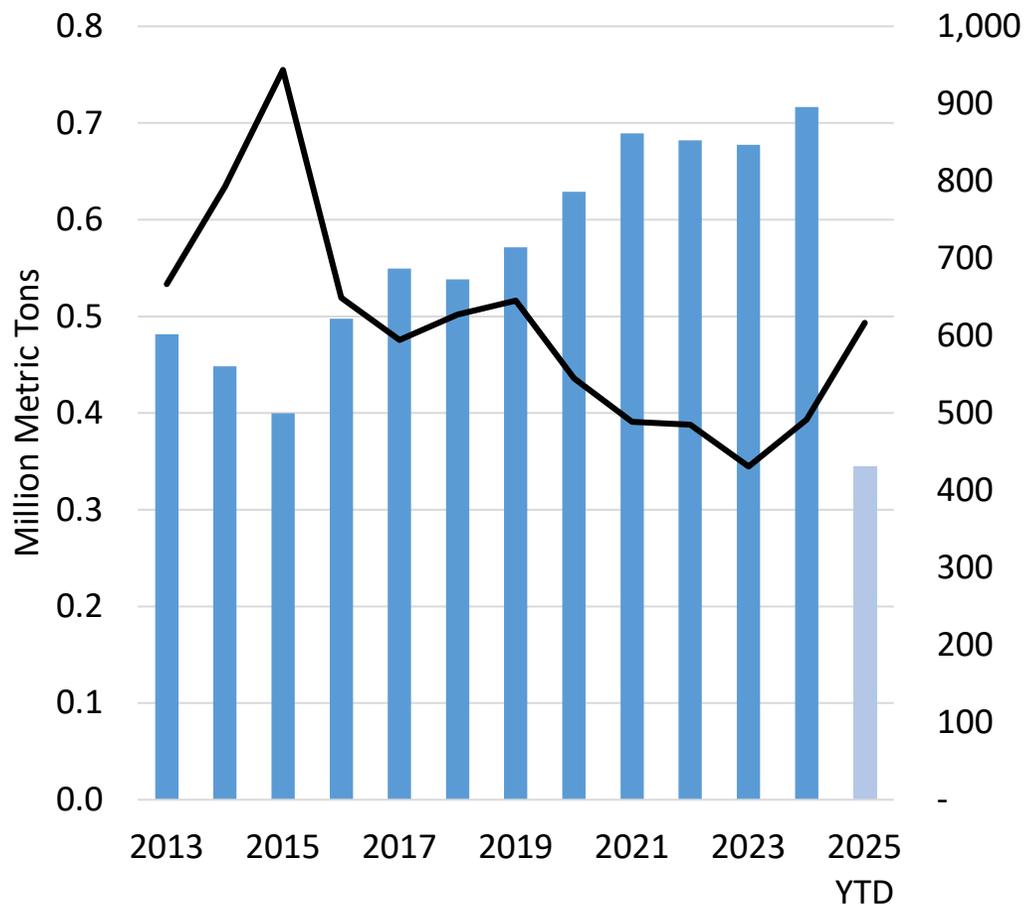
Crop input prices



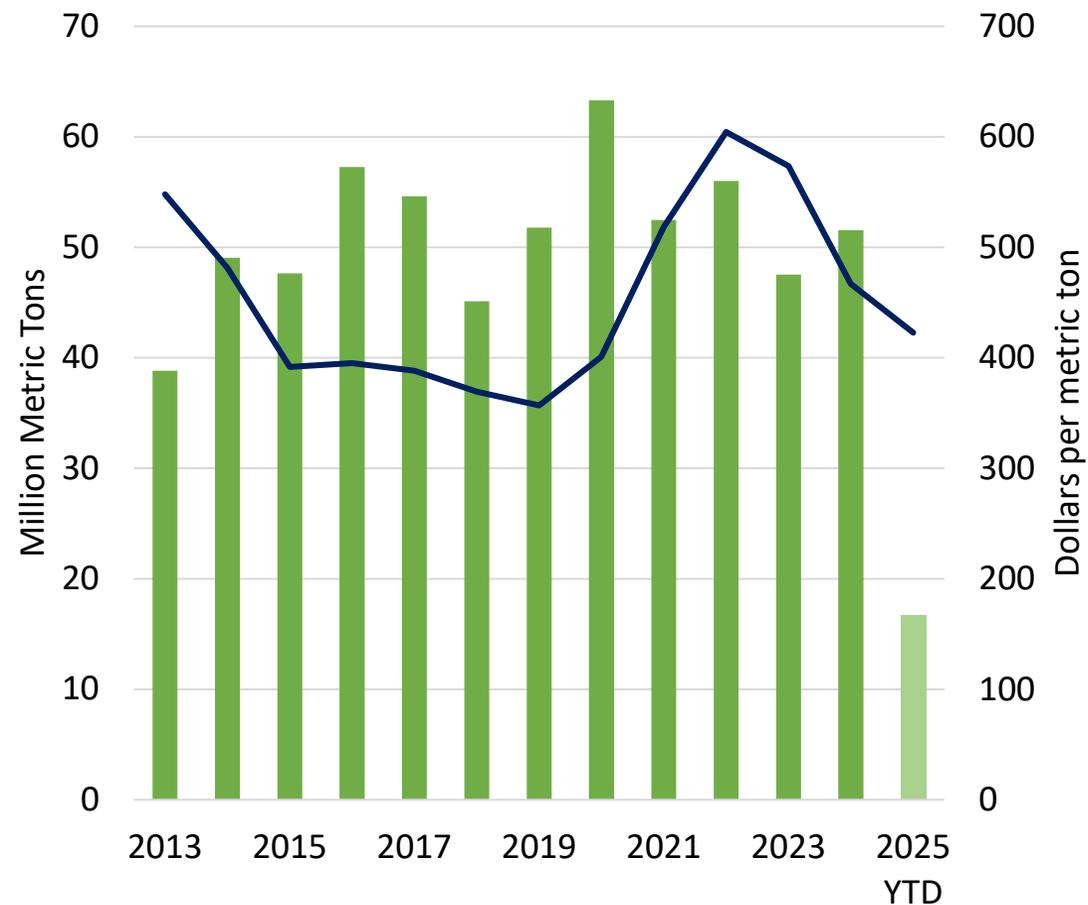


Market uncertain for export-dependent crops

U.S. almonds exports



U.S. soybeans exports



Almonds, Shelled (t) — Almonds, Shelled (Unit Value)

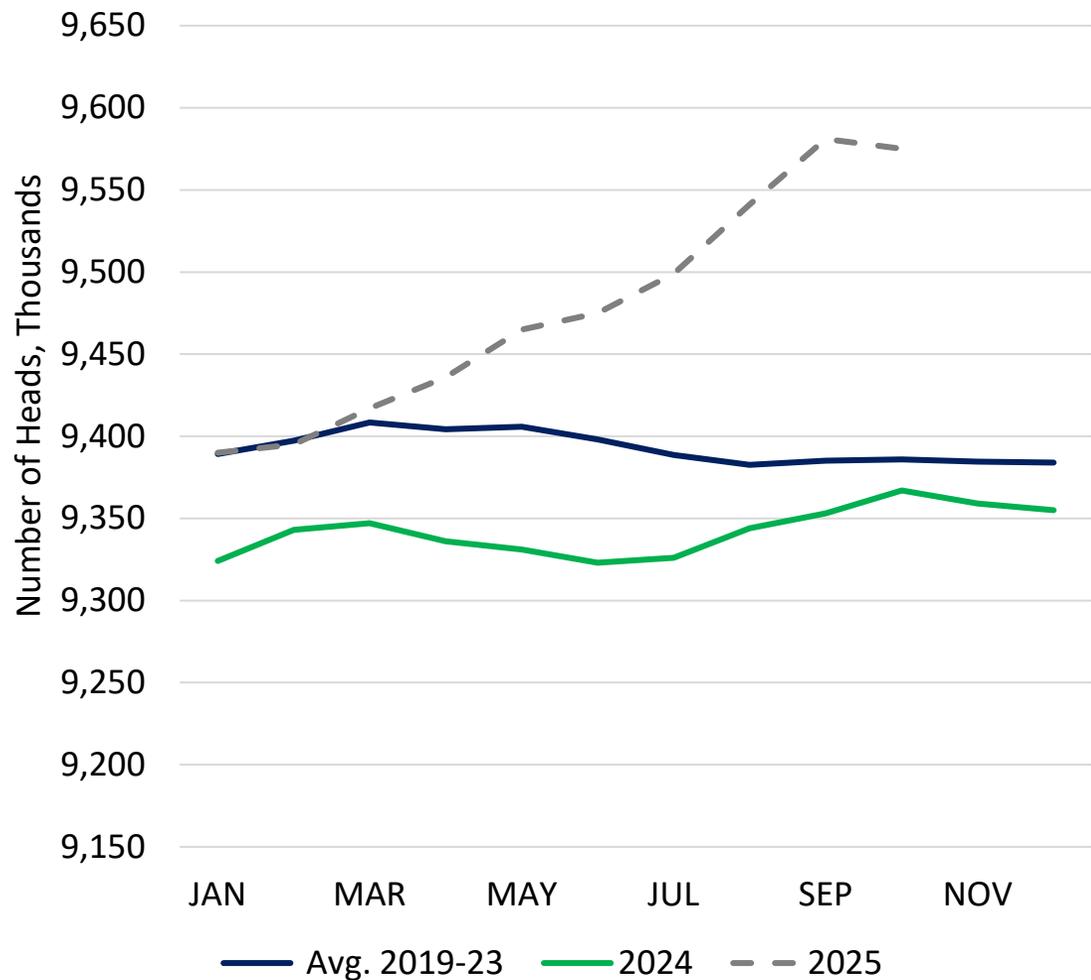
Soybean exports — Soybean unit value (price)

Source: US Census Bureau US Trade Online; YTD figures are calendar year

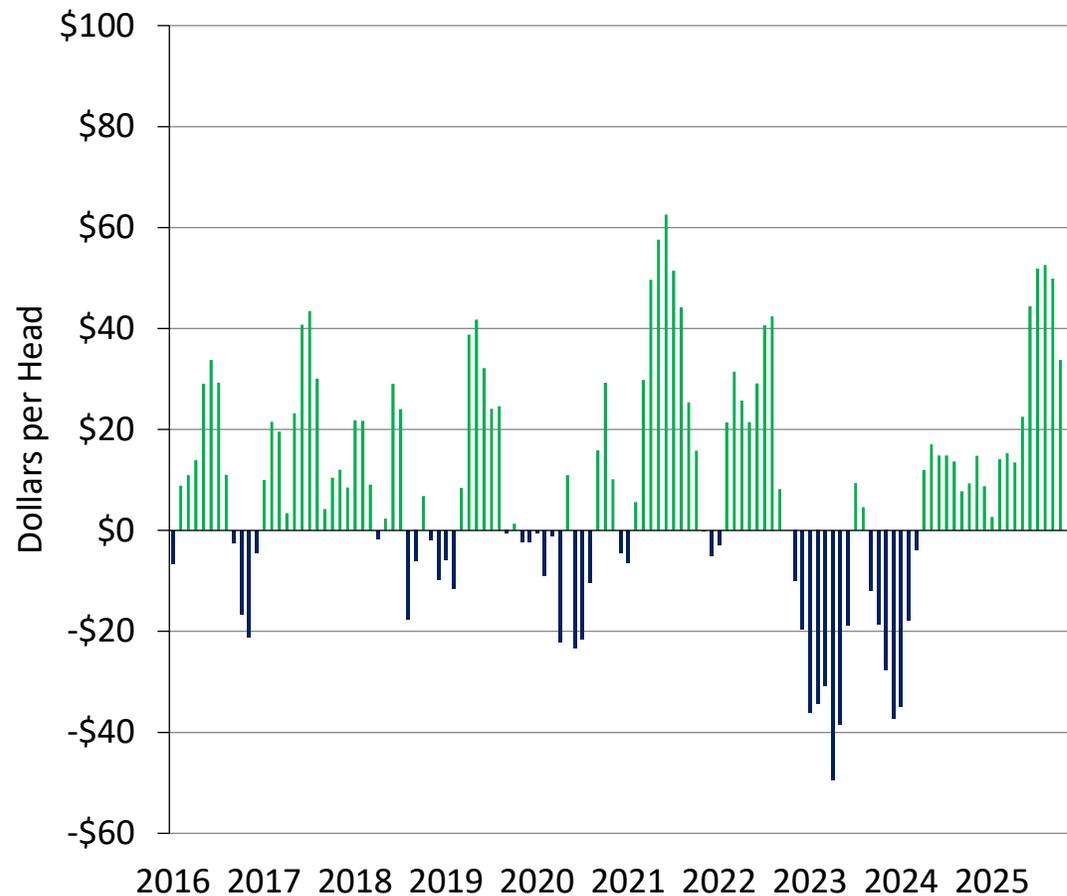


Dairy inventory climbs and hogs turn profitable

Dairy herd inventory



Iowa hog profitability, farrow-to-finish



Sources: USDA National Ag Statistics Service (NASS); Iowa State University



Questions?



Farm Credit System Condition and Performance as of September 30, 2025

Nicole Yaddof
Financial Analyst
Office of Examination



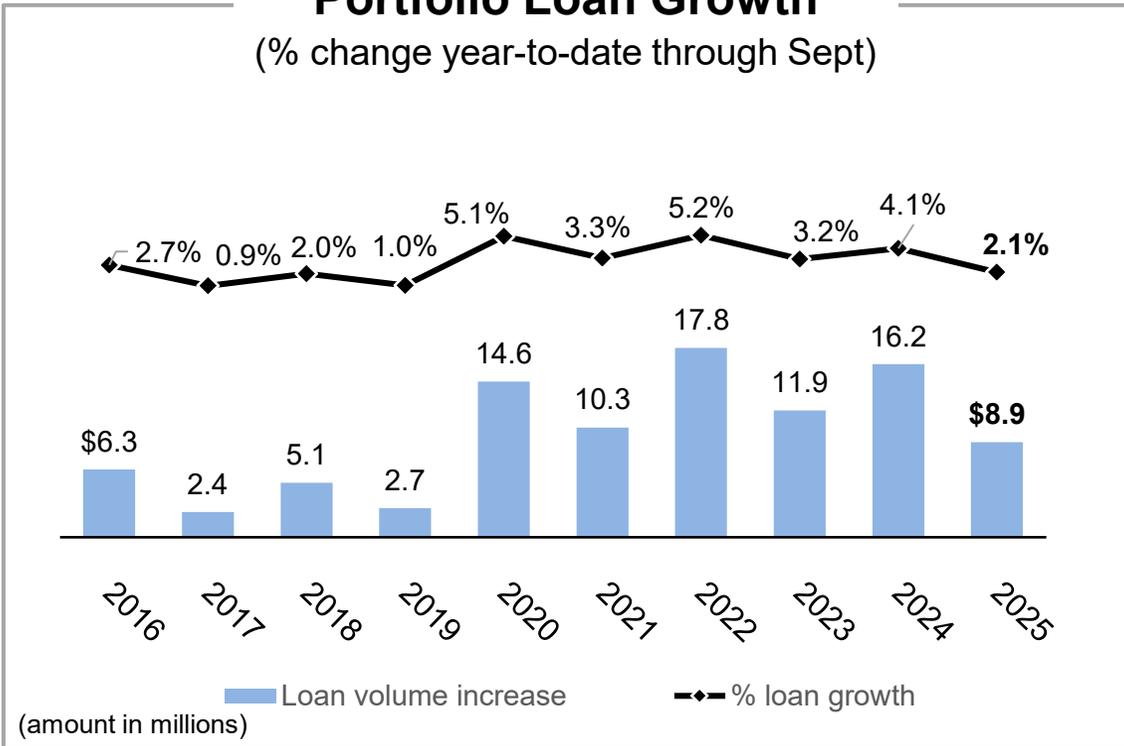


Year-to-date loan growth slows

Total Assets 09/30/25	\$561.2 billion	+0.8% Qtr	Gross Loans 09/30/25	\$437.8 billion	+0.3% Qtr
		+3.1% YTD			+2.1% YTD
		+6.3% 12M			+5.7% 12M

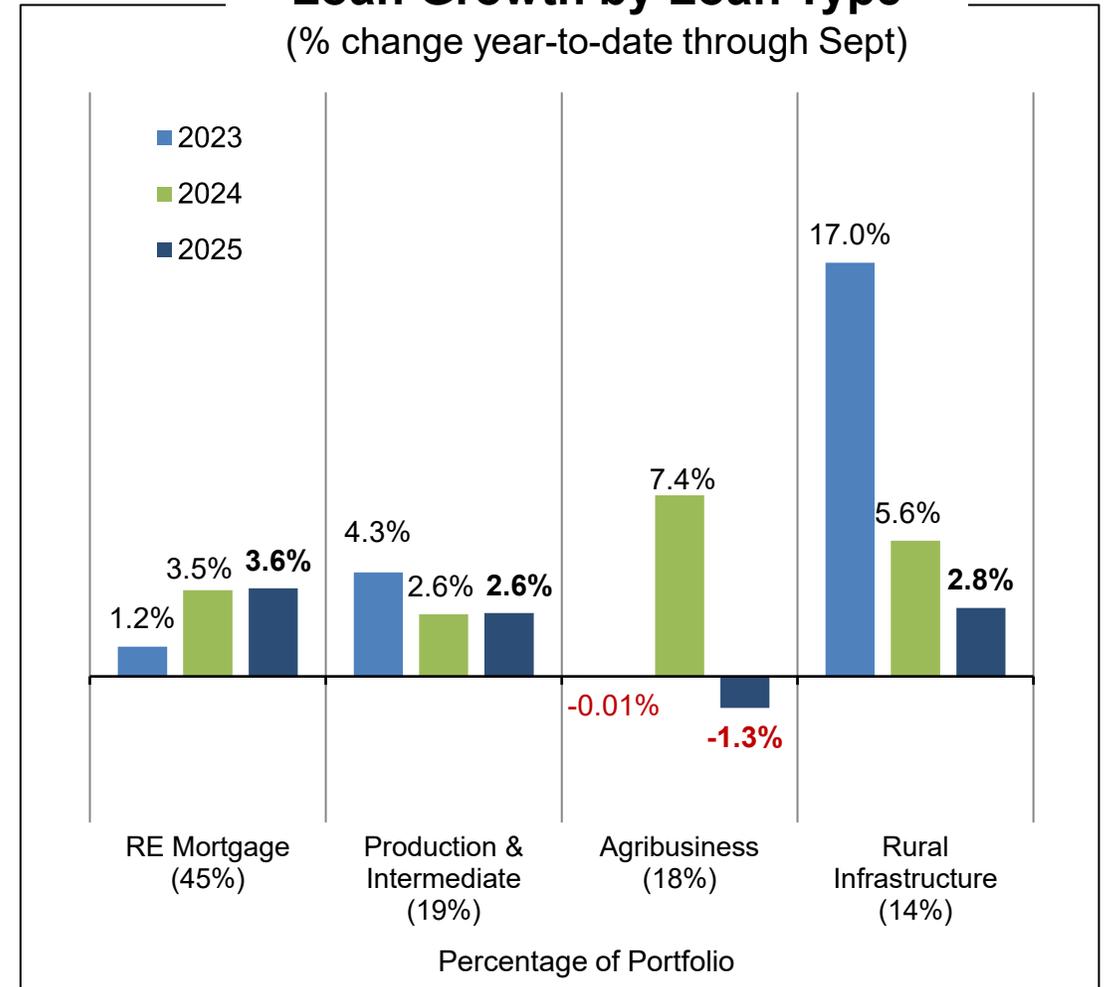
Portfolio Loan Growth

(% change year-to-date through Sept)



Loan Growth by Loan Type

(% change year-to-date through Sept)



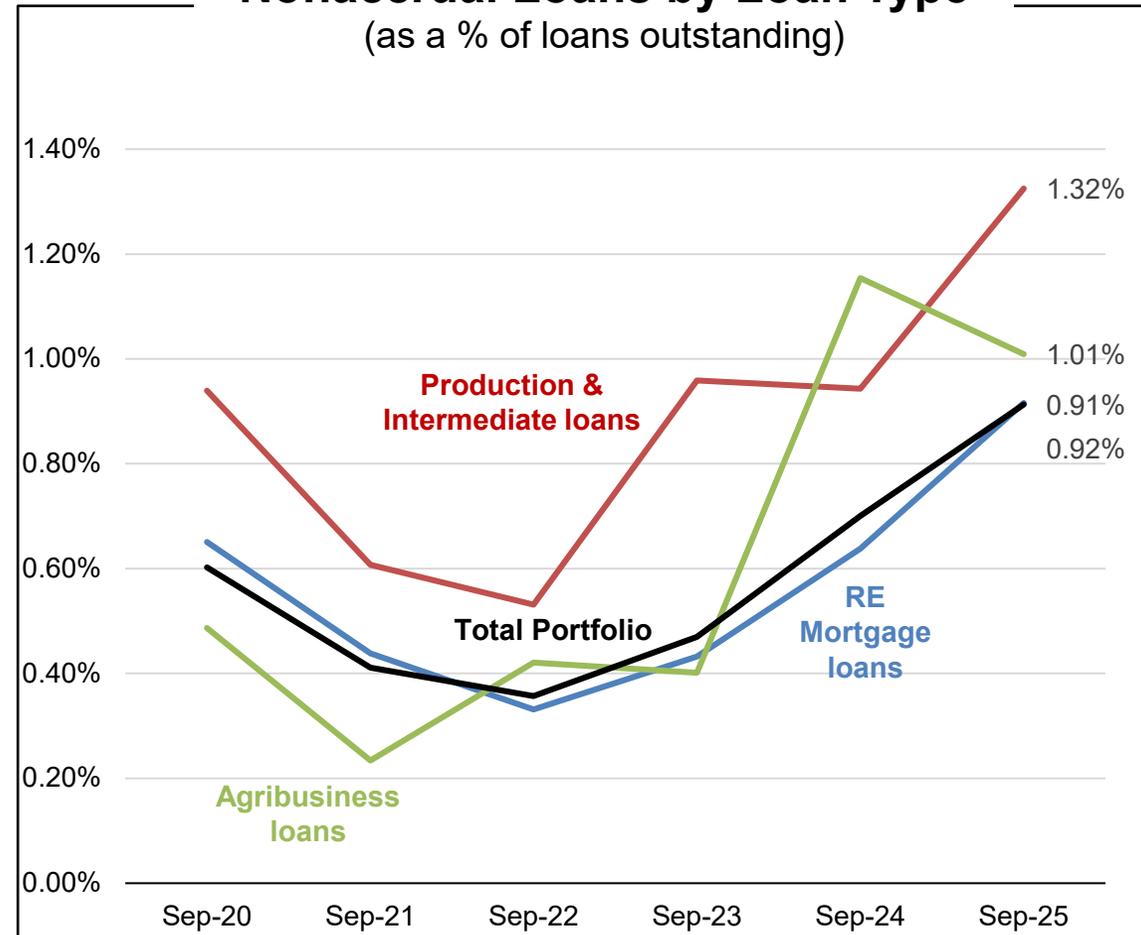


Nonperforming assets increase, but overall portfolio loan quality remains sound

Nonperforming Assets⁽¹⁾



Nonaccrual Loans by Loan Type (as a % of loans outstanding)



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

Source: Federal Farm Credit Banks Funding Corporation Information Statements

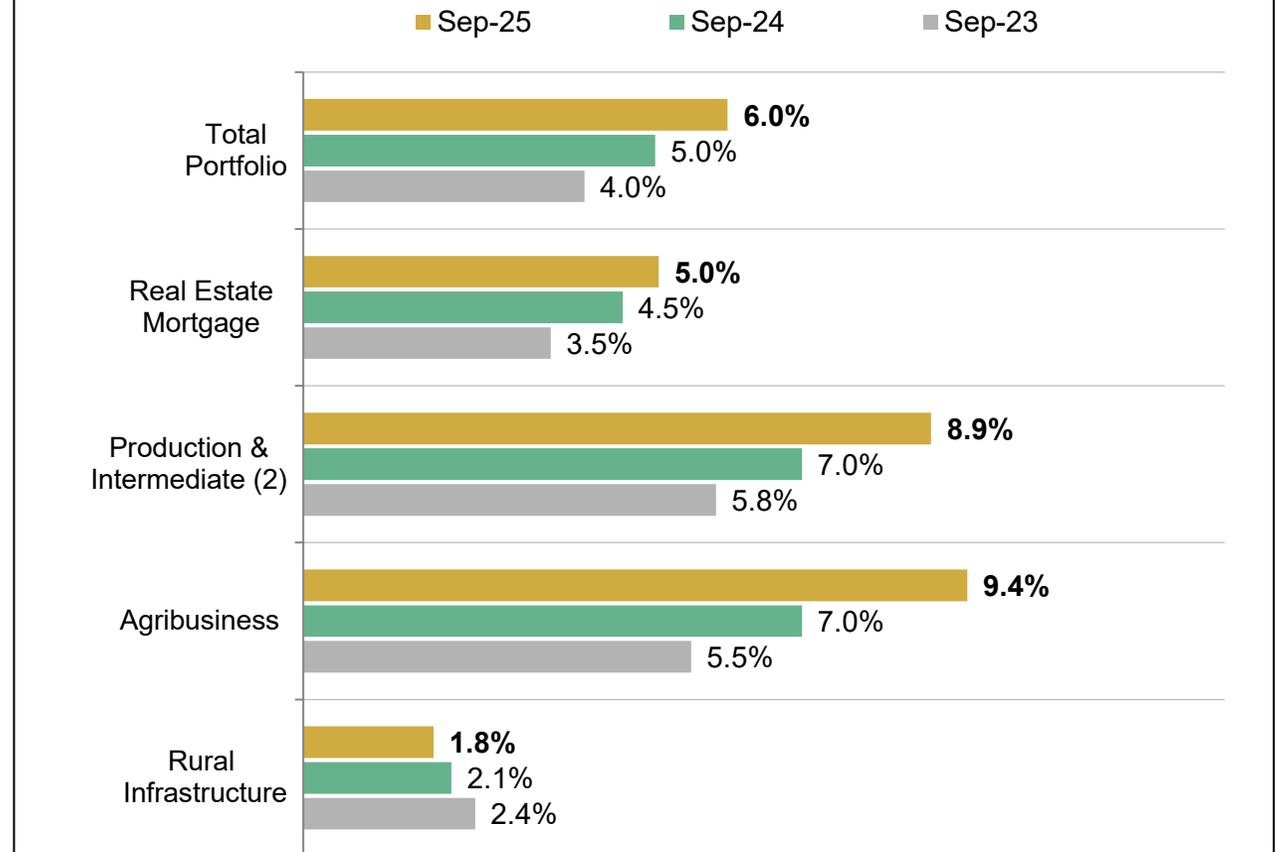


Less than Acceptable loans increased

- ▶ The percentage of loans classified less than Acceptable increased in all loan categories apart from rural infrastructure.
- ▶ Production & intermediate and agribusiness loan categories continue to have the highest percentage of less than acceptable loans.
- ▶ Loan delinquencies⁽¹⁾ as a percentage of total accruing loans equaled 0.39% at September 30, 2025, as compared with 0.36% at year-end and 0.40% at September 30, 2024.

(1) Defined as accruing loans 30 days or more past due.

Loans Classified Less than Acceptable (as a % of loans outstanding)

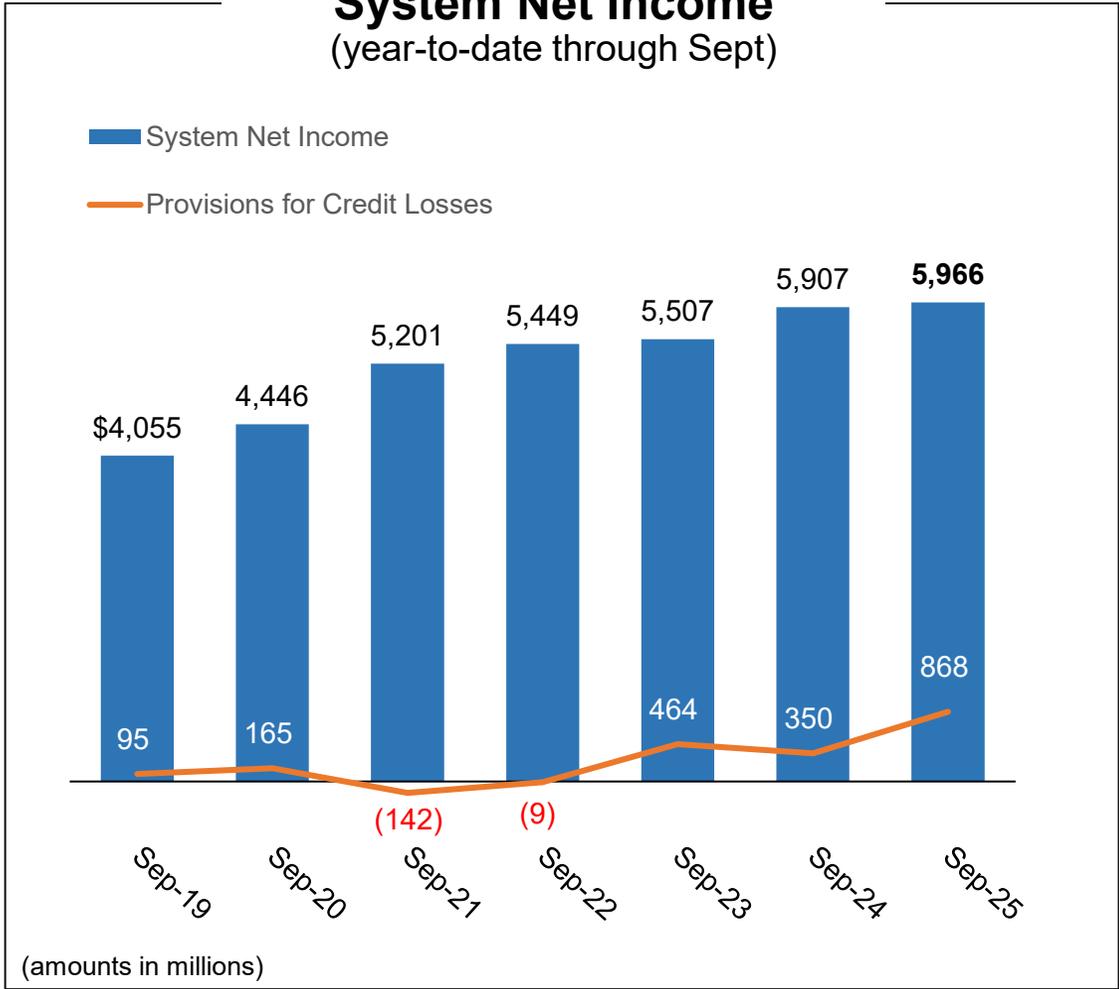


(2) Includes lease receivables



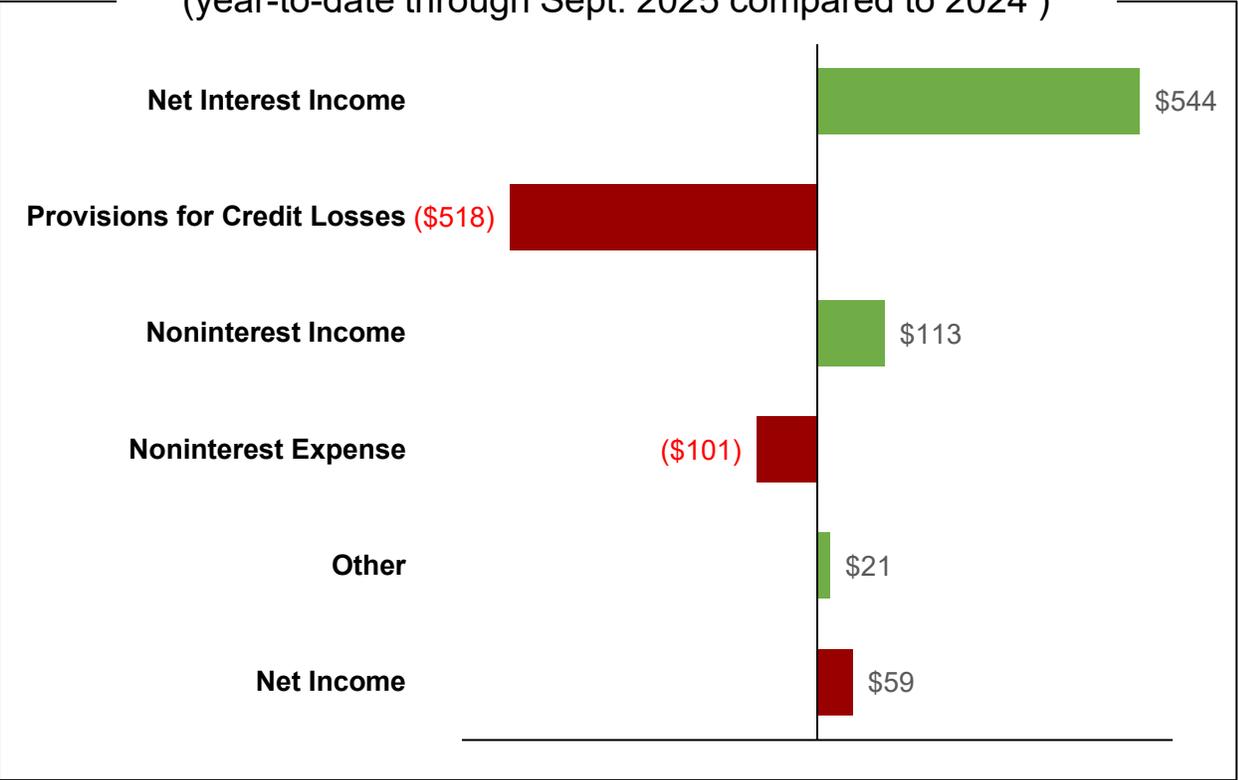
System earnings remained stable

System Net Income
(year-to-date through Sept)



Changes in Key Components of Net Income

(year-to-date through Sept: 2025 compared to 2024)

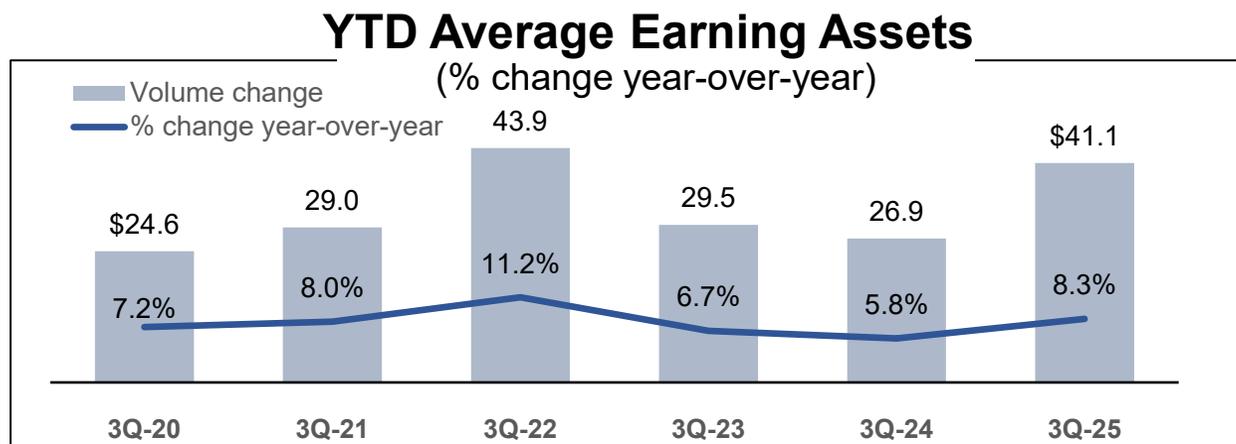
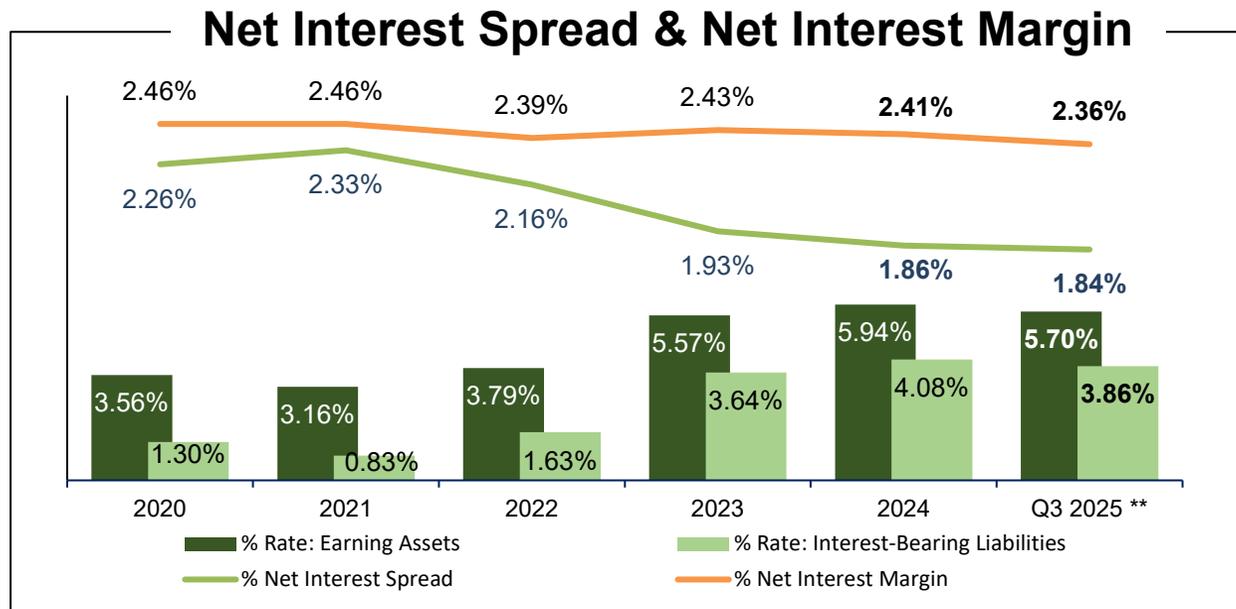


Source: Federal Farm Credit Banks Funding Corporation Information Statements



Net interest spread and net interest margin decreased as average earning assets increased

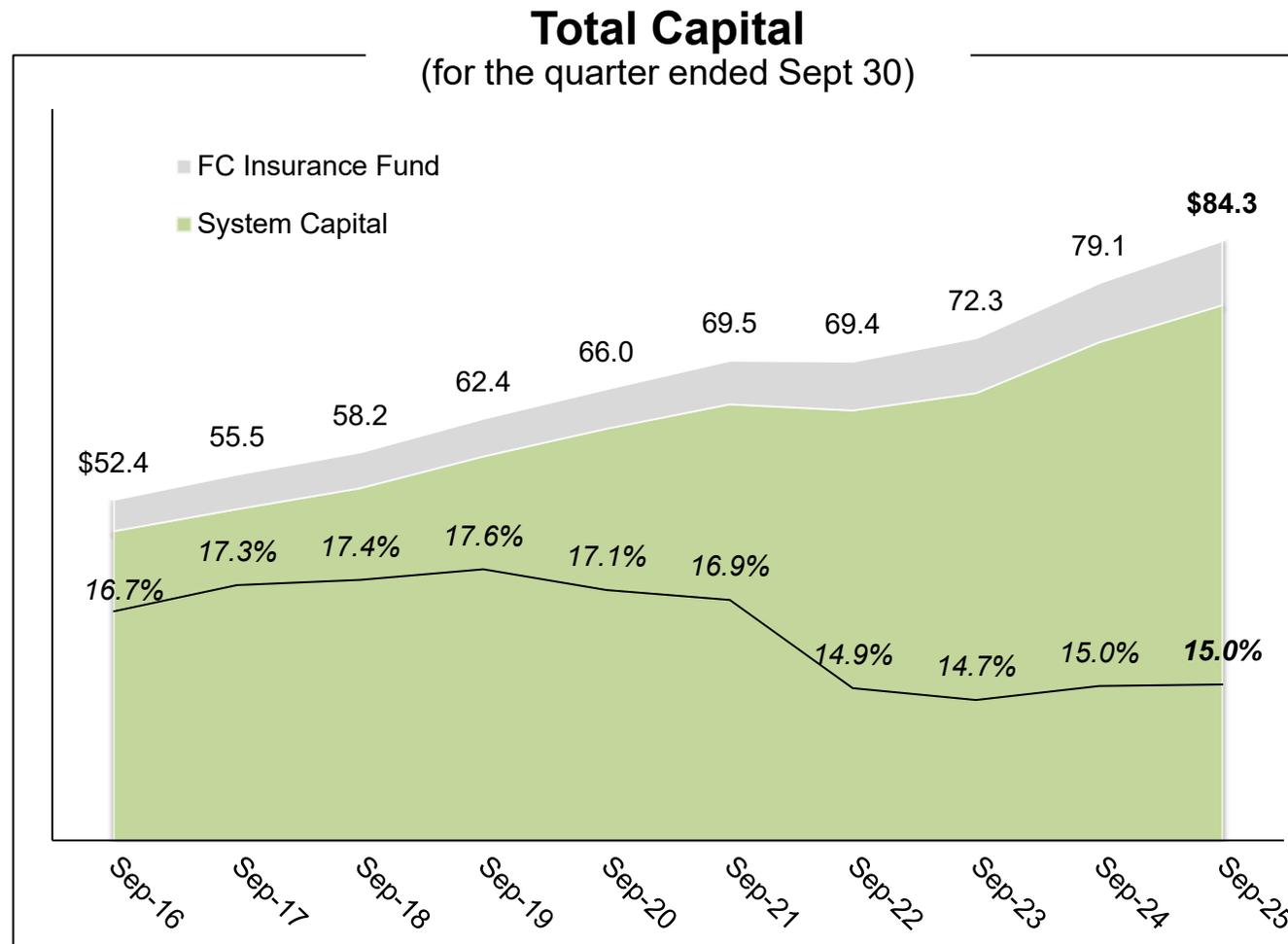
- ▶ Net interest spread continued to compress, dropping 2 basis points.
- ▶ Net interest margin declined, dropping 5 basis point from year-end 2024.
- ▶ Year to date average earning assets grew 8.3% year over year in the third quarter 2025.





The System is well-capitalized with robust risk-bearing capacity

- ▶ Earnings continued to support capital growth.
- ▶ The System's capital-to-assets ratio was 15.0% at quarter-end, unchanged from a year ago.
- ▶ Total regulatory capital ratios:
 - Banks: 14.4% to 15.9%
 - Associations: 11.9% to 34.8%
- ▶ Capital and the allowance for loan credit losses equaled 19.8% of loans outstanding.
- ▶ 73% of System institutions had a 1 rating for Capital and all institutions were in the 1 or 2 range.



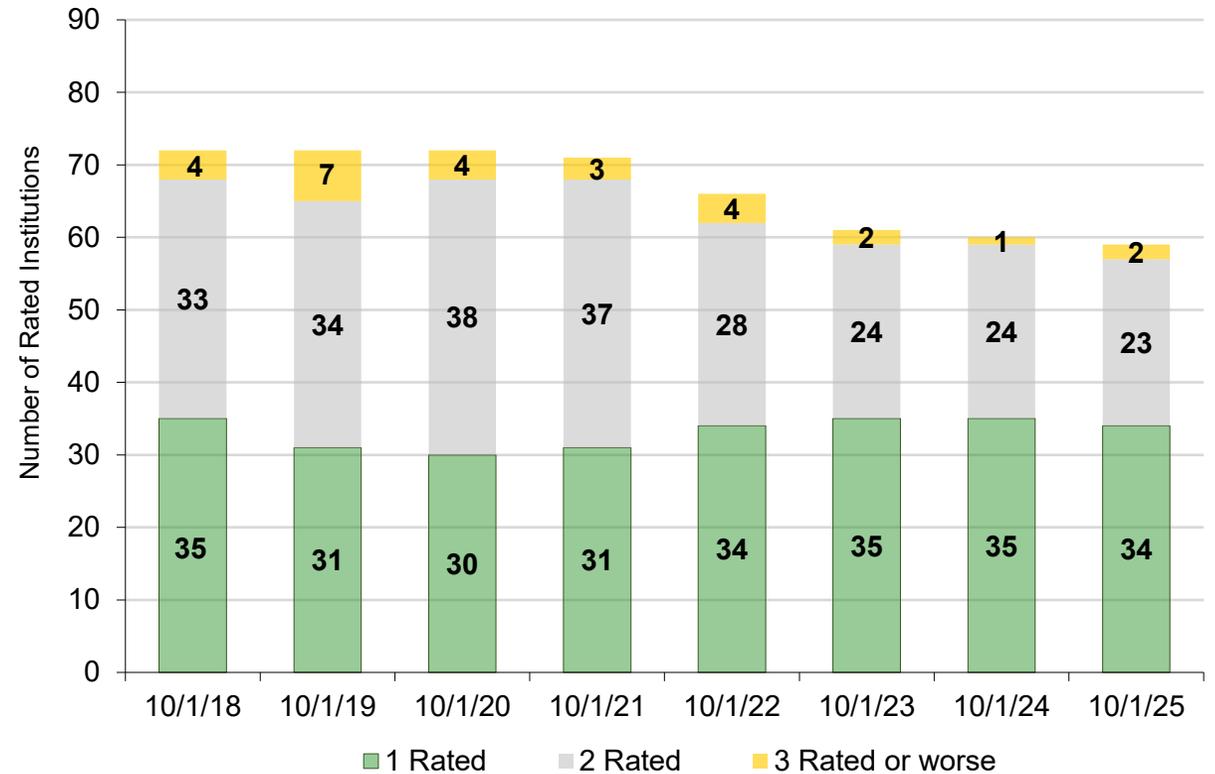


Composite FIRS ratings remain strong

Composite FIRS Ratings (based on 9/30/25 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 worse hold about 4% of consolidated System assets.

Composite FIRS Ratings Farm Credit System Banks and Associations



Source: FCA’s FIRS ratings database



Risks we are monitoring

- ▶ Heightened credit risk for agribusinesses as profit margins remain under pressure from high costs and uncertain demand.
- ▶ Continuing stress on cash grain sector resulting from lower prices, elevated production costs, and export uncertainties.
- ▶ Weaker margins and a volatile interest rate environment on farmland and other collateral values.
- ▶ Impacts of changes in global economic conditions on the farm economy.