

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

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# Topics for Open Session

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## **Economic Conditions Affecting the Farm Credit System**

- ▶ Macroeconomic and tariff update
- ▶ Livestock markets and crop progress
- ▶ Farm asset price trends

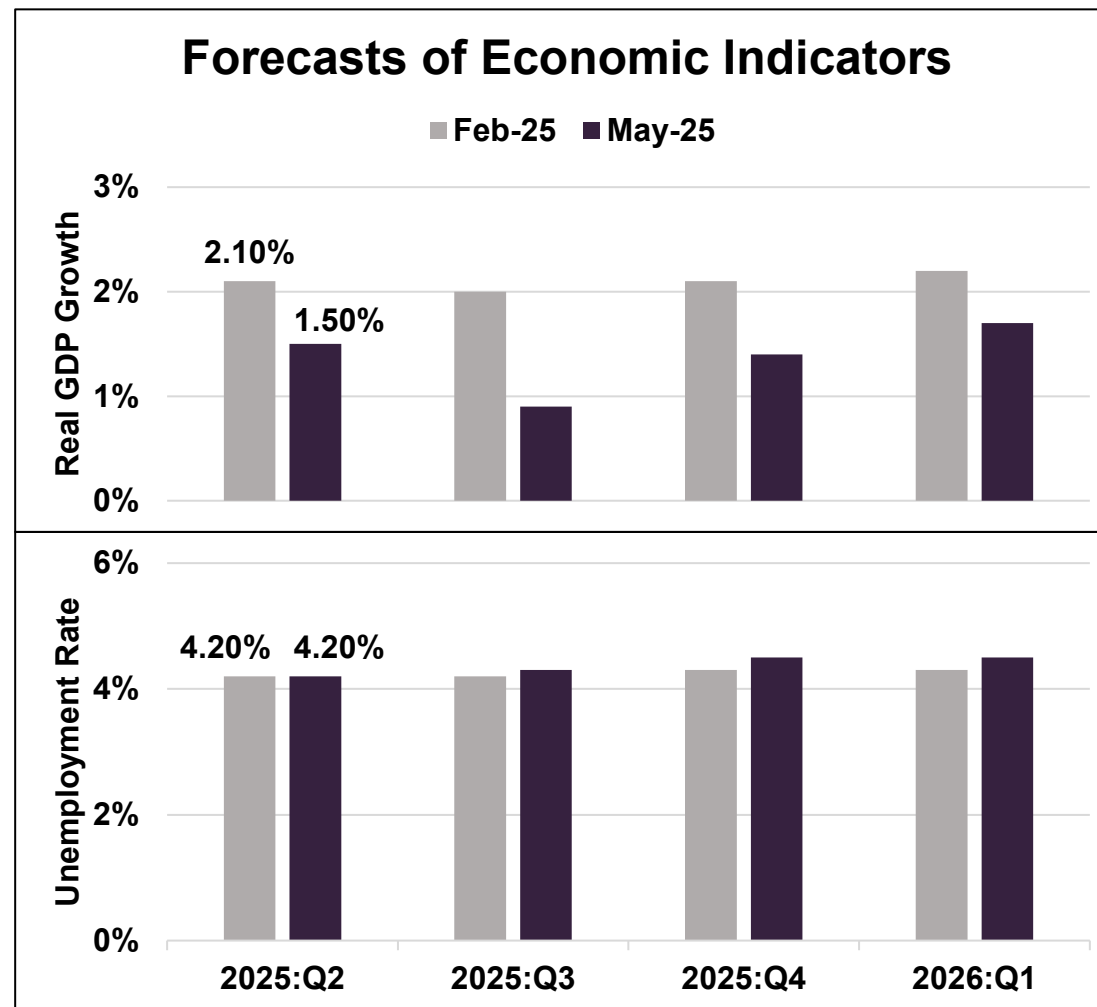
## **Farm Credit System Condition and Performance**

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



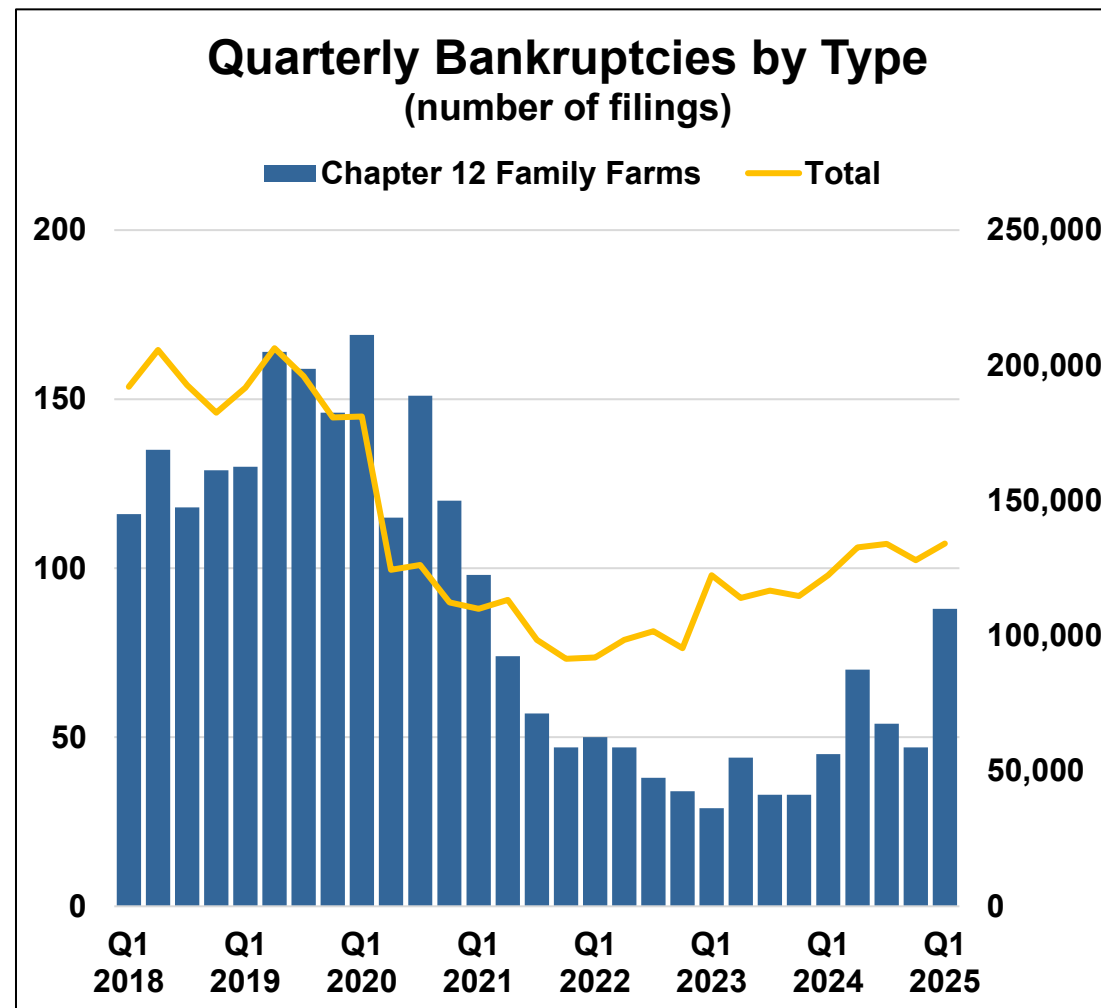
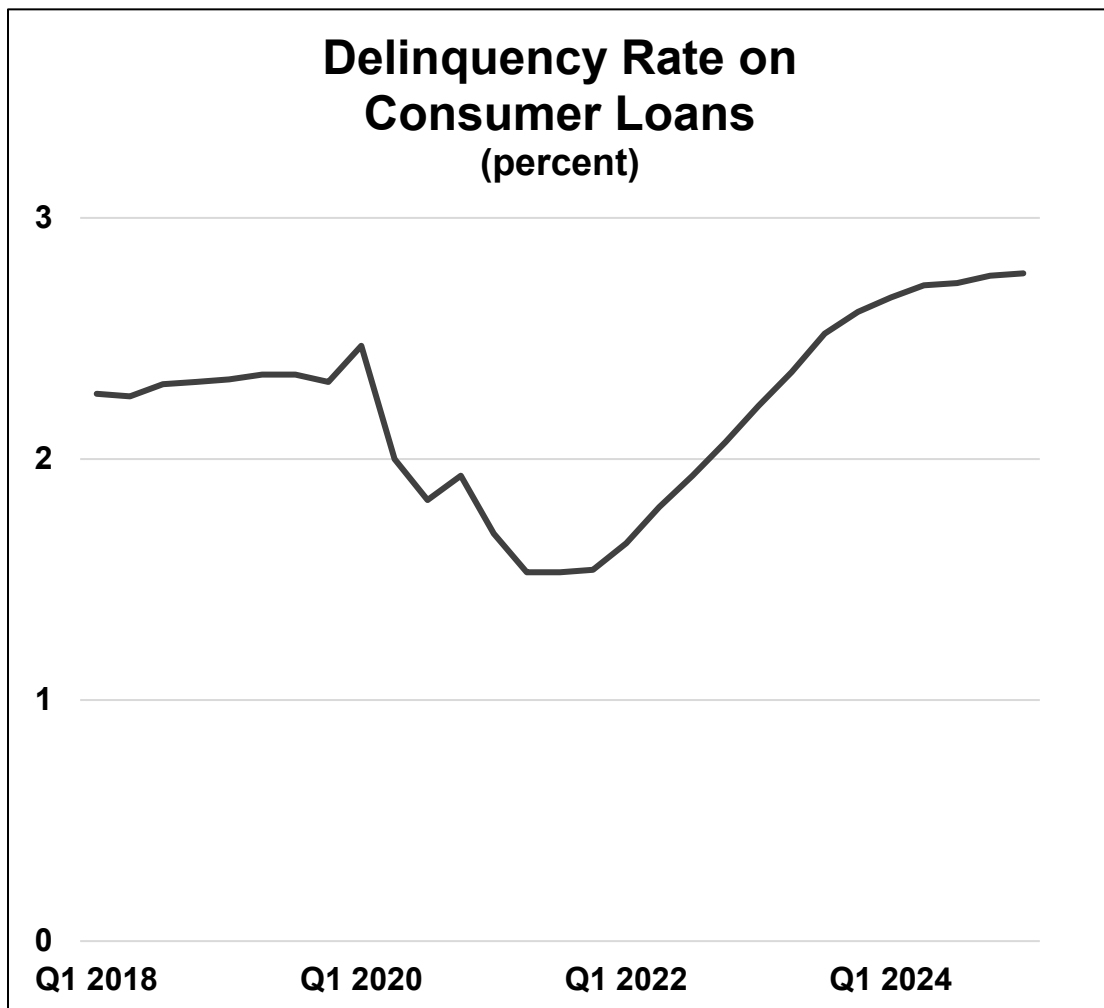
# Macroeconomic projections show slowdown ahead

- ▶ Real GDP growth is expected to be lower for 2025 after Q1 2025 posted negative growth.
- ▶ Projections for major economic indicators remain favorable overall but worsened slightly from early 2025.
- ▶ Tariff update





# Signs of weaknesses or return to status quo?

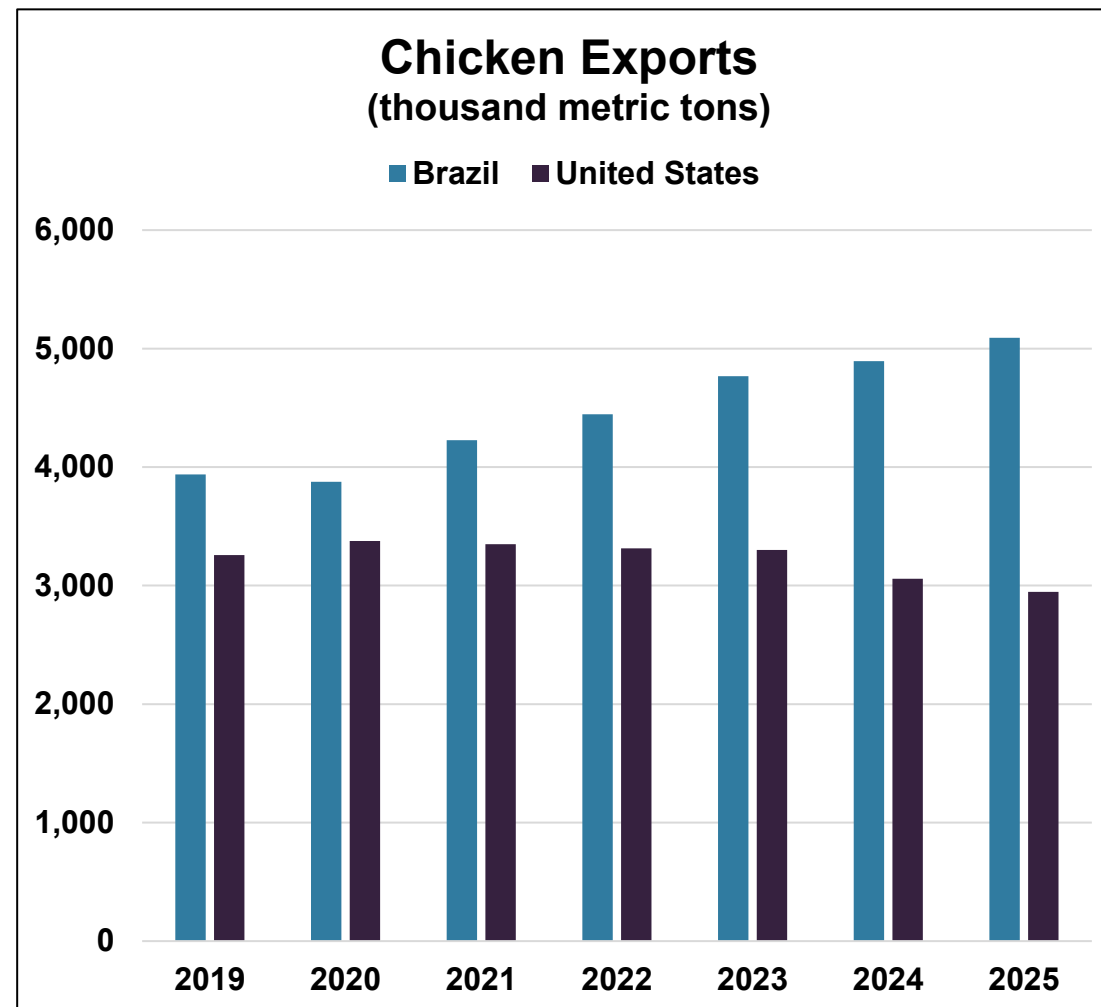


Sources: Board of Governors of the Federal Reserve; US Courts



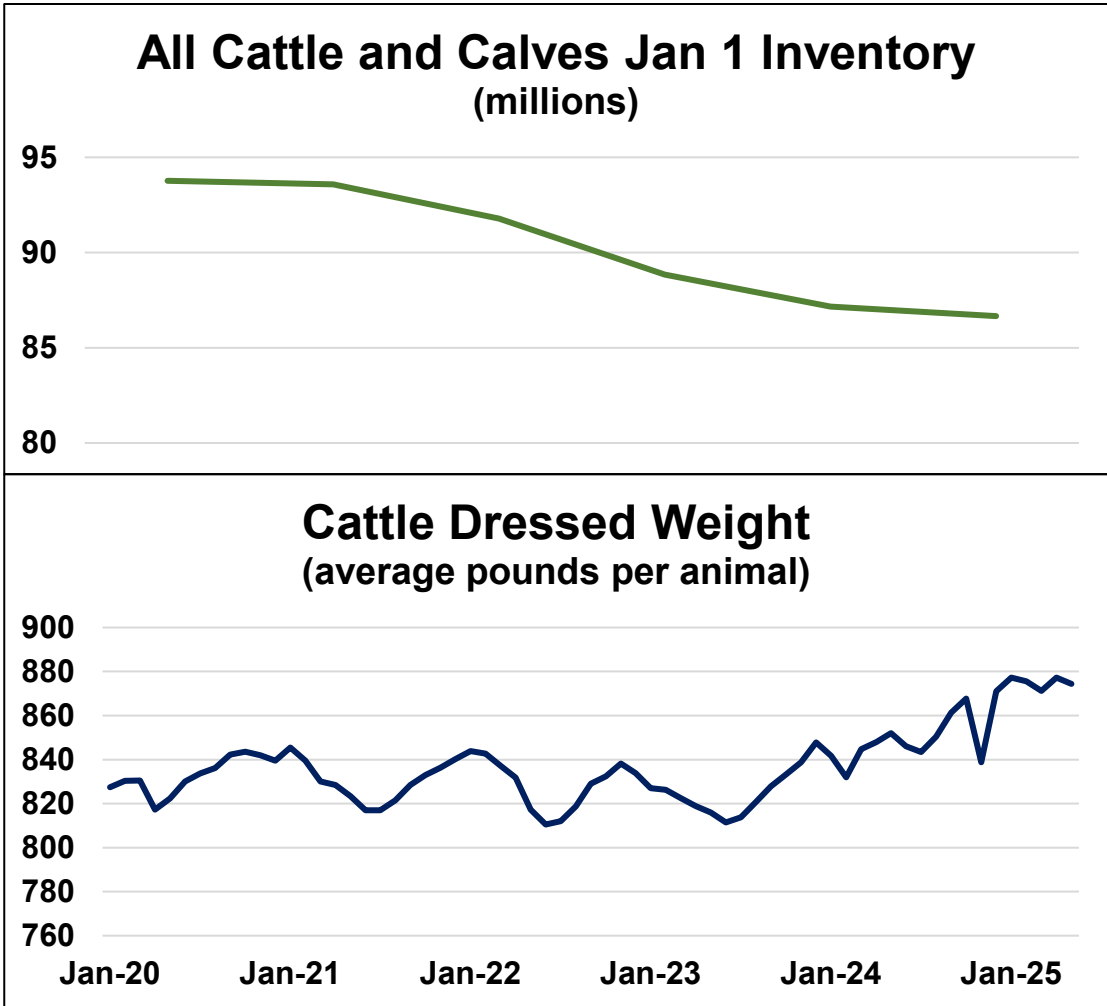
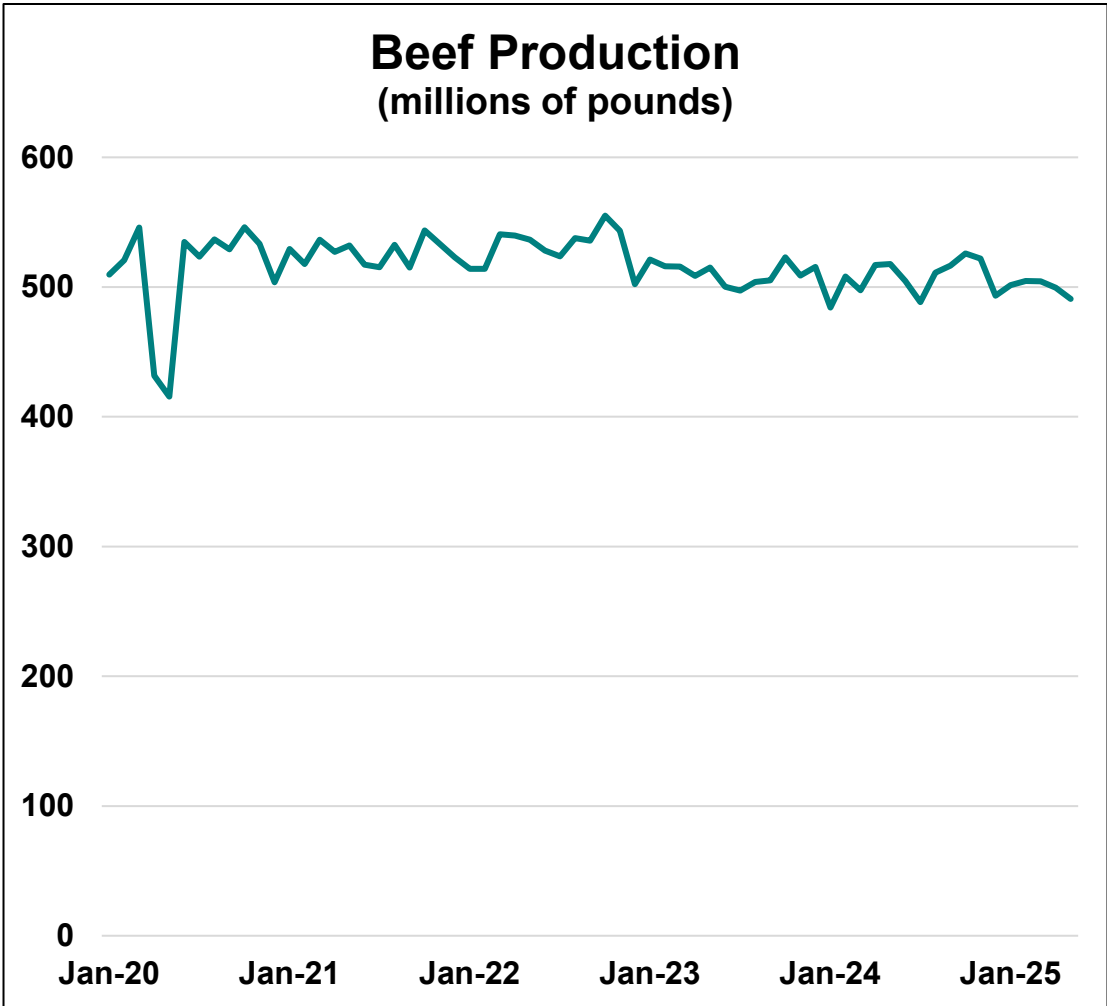
# HPAI slows in the U.S., appears in Brazilian broilers

- ▶ Highly Pathogenic Avian Influenza (HPAI) has slowed in the U.S., allowing poultry and egg producers to rebuild flocks.
- ▶ HPAI detected at commercial operations in Brazil, which presents opportunity for U.S. producers to increase exports.





# Beef production remains relatively level despite inventory declines

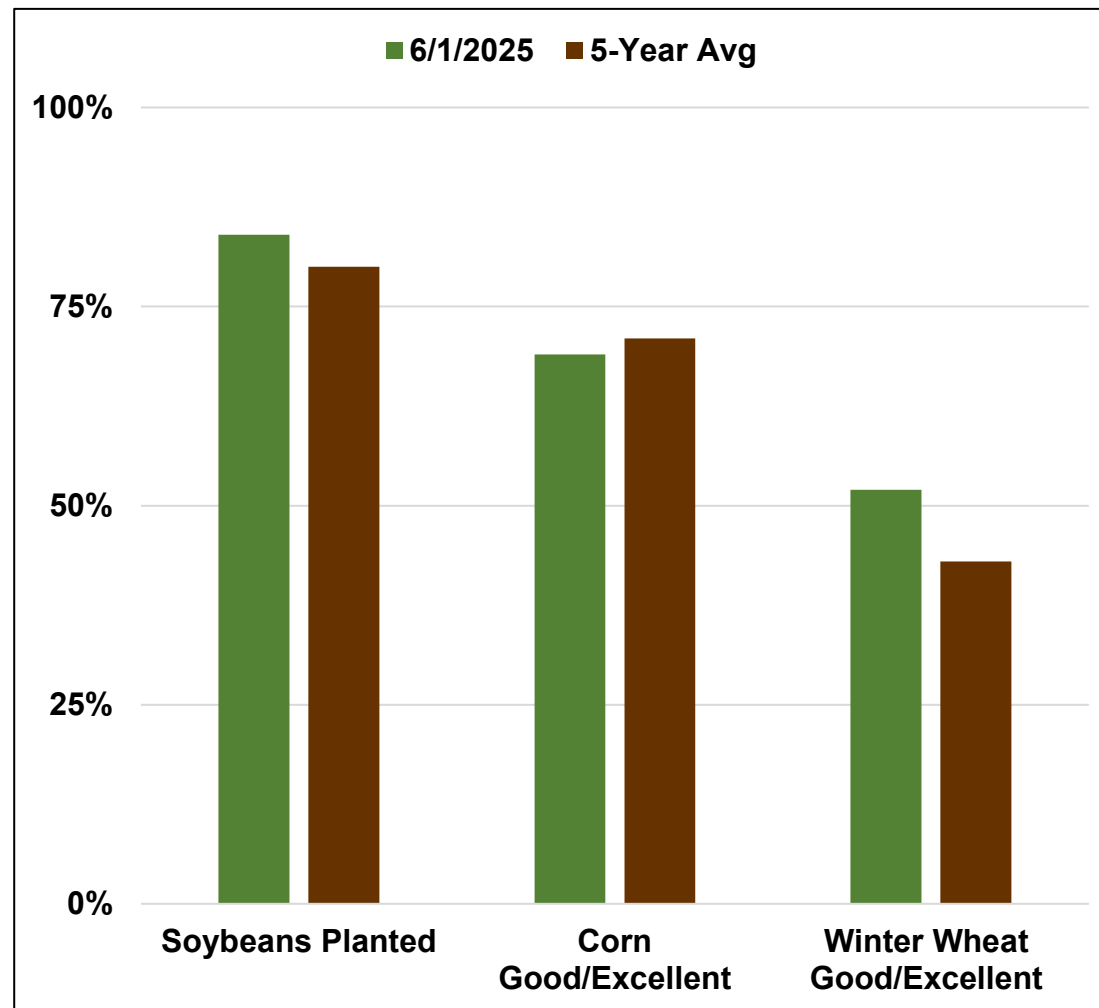


Sources: USDA AMS compiled by LMIC



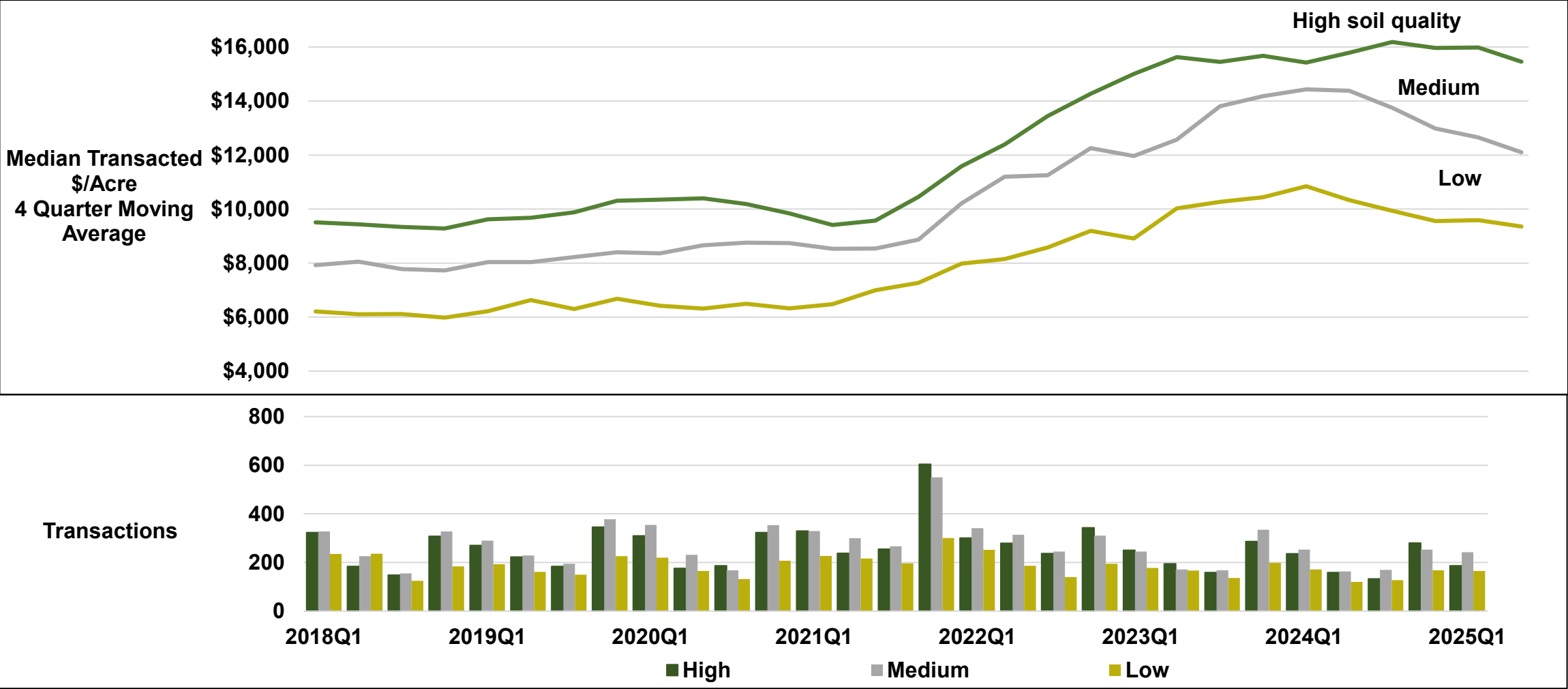
# Crop progress and conditions look good

- ▶ Plantings of corn and soybeans are ahead of 5-year averages.
- ▶ Winter wheat conditions show potential for increased average yields, partially offsetting decrease in planted acres.
- ▶ Drought in the Great Plains and flooding in the Eastern U.S. create challenging conditions for producers.





# Iowa farm real estate prices have declined for medium- and low-quality land

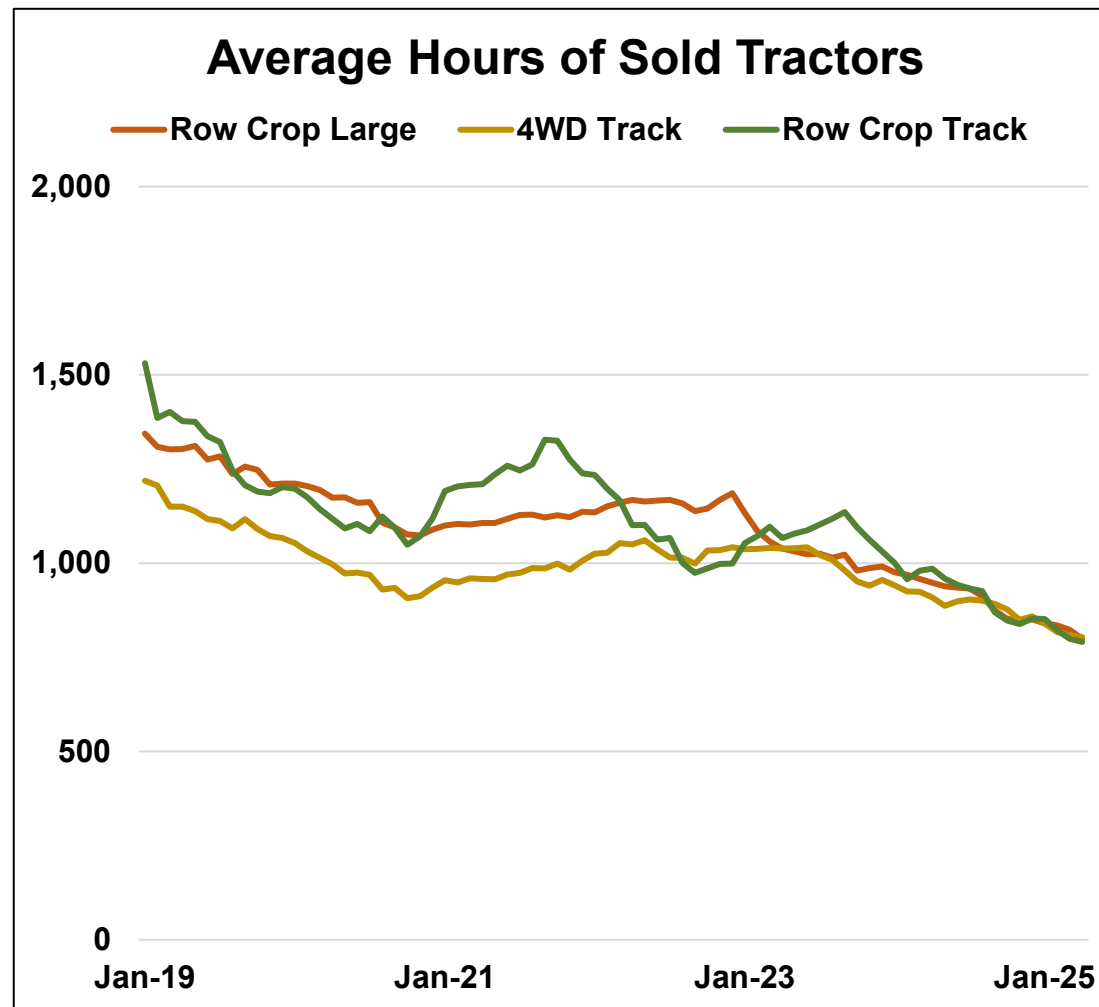
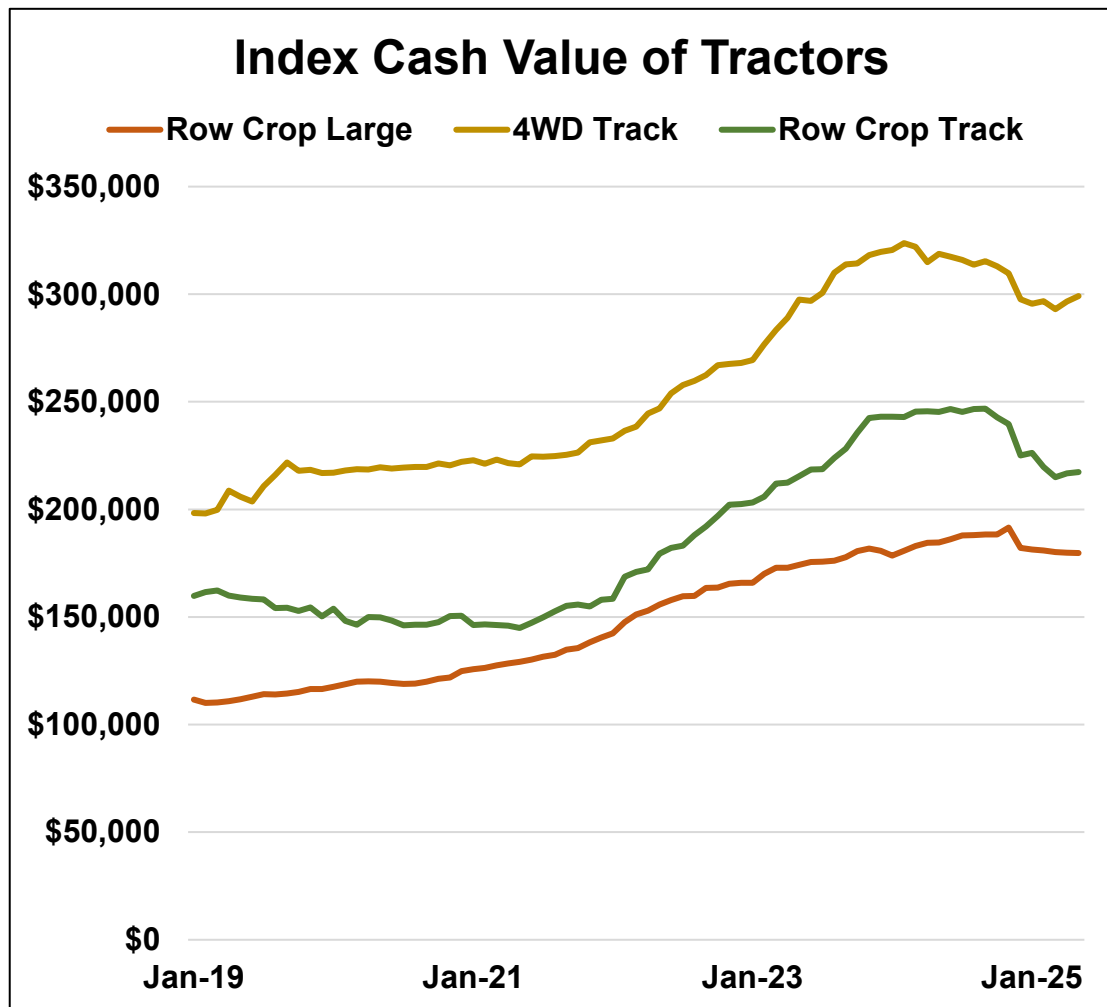


Source: ODAE calculations using CoreLogic data





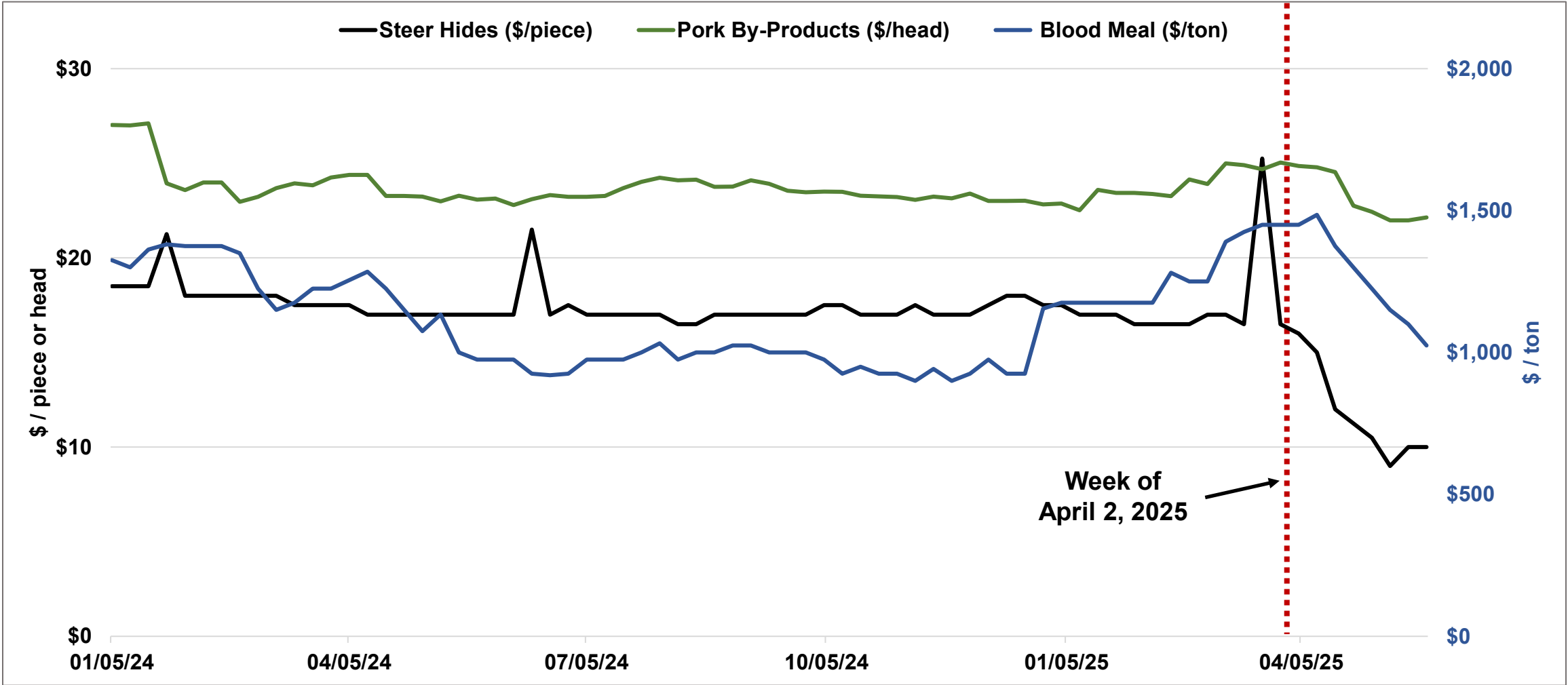
# Farm equipment prices and average age trend down



Source: IronSolutions Iron Monthly Index



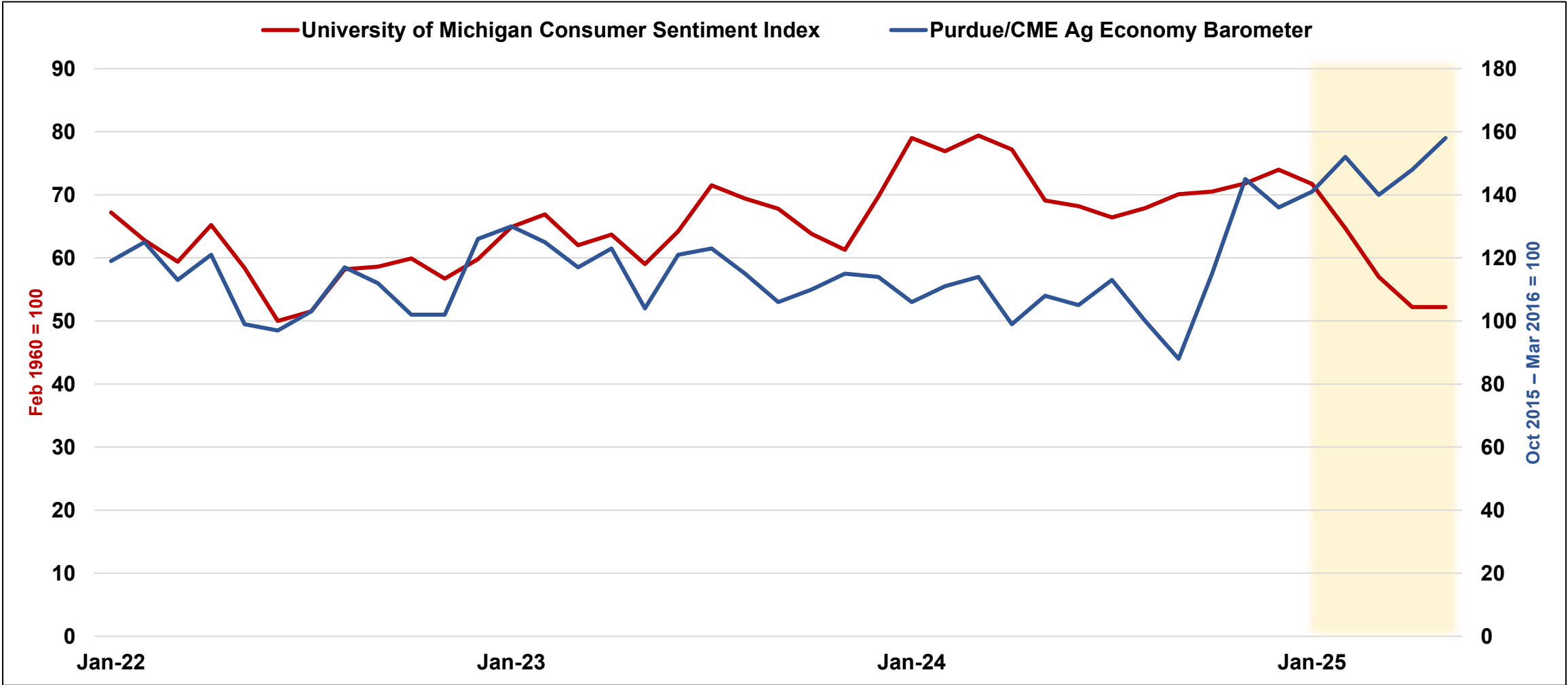
# Prices of livestock by-products have declined



Source: USDA AMS compiled by LMIC



# Consumer and farm producer sentiment diverge



Source: University of Michigan Consumer Survey; Purdue University Ag Barometer



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# Questions?



# Farm Credit System Condition and Performance as of March 31, 2025

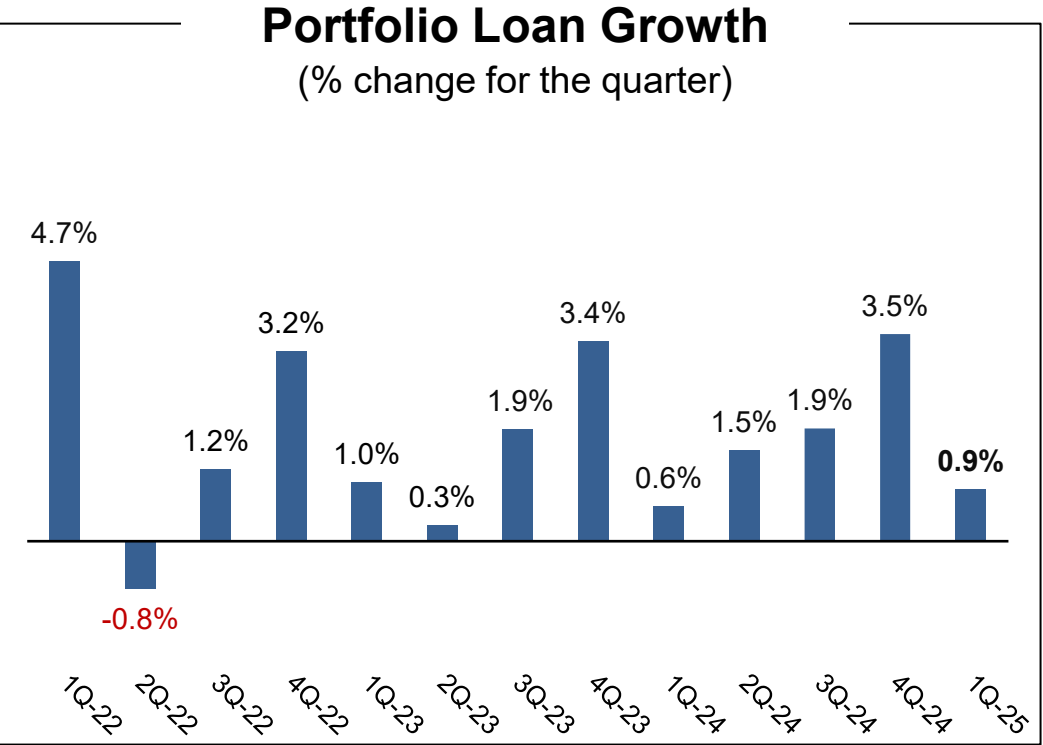
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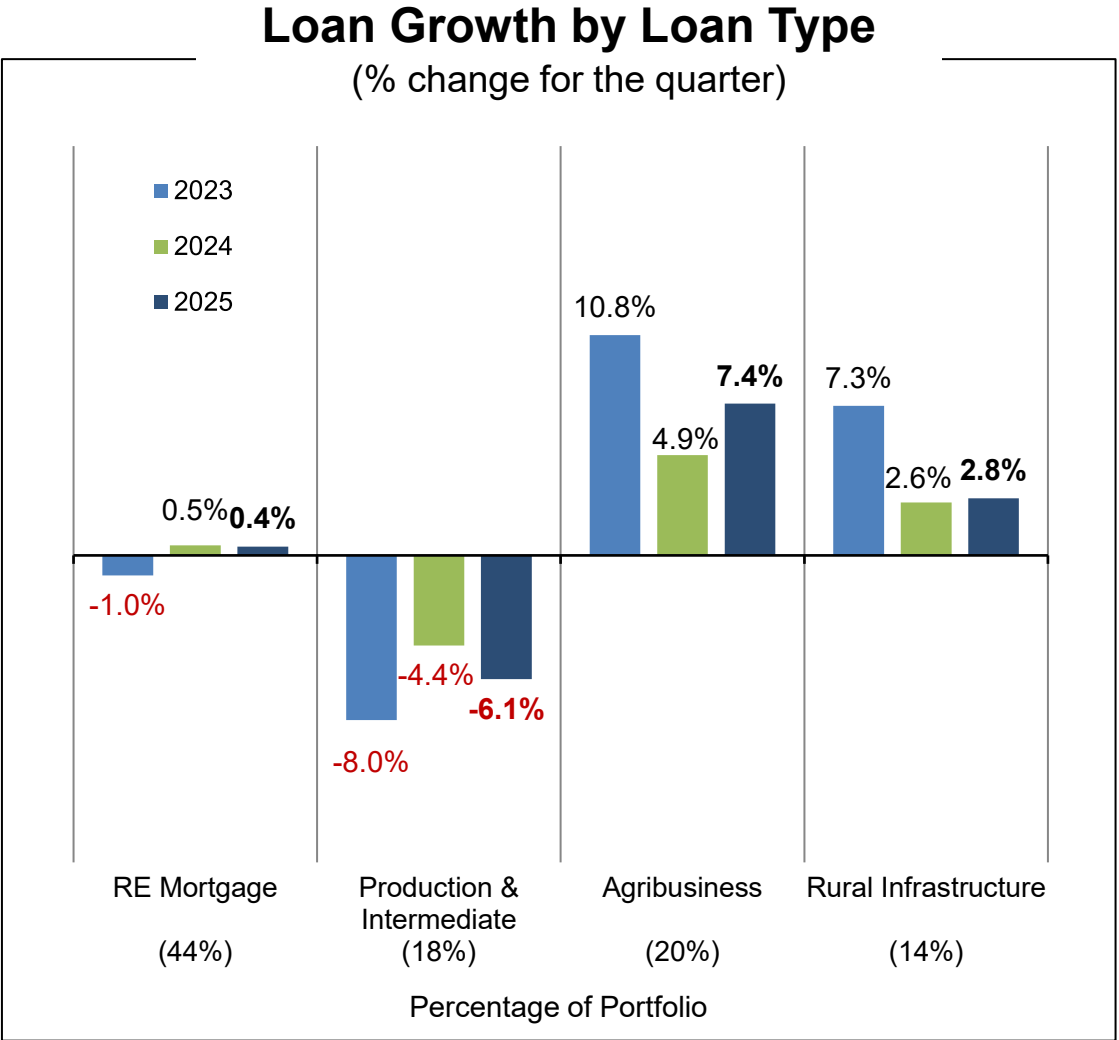


# Seasonal factors drive portfolio growth in the first quarter

Total Assets 03/31/25	\$548.5 billion	+0.8% Qtr +8.7% 12M	Gross Loans 03/31/25	\$432.7 billion	+0.9% Qtr +8.0% 12M

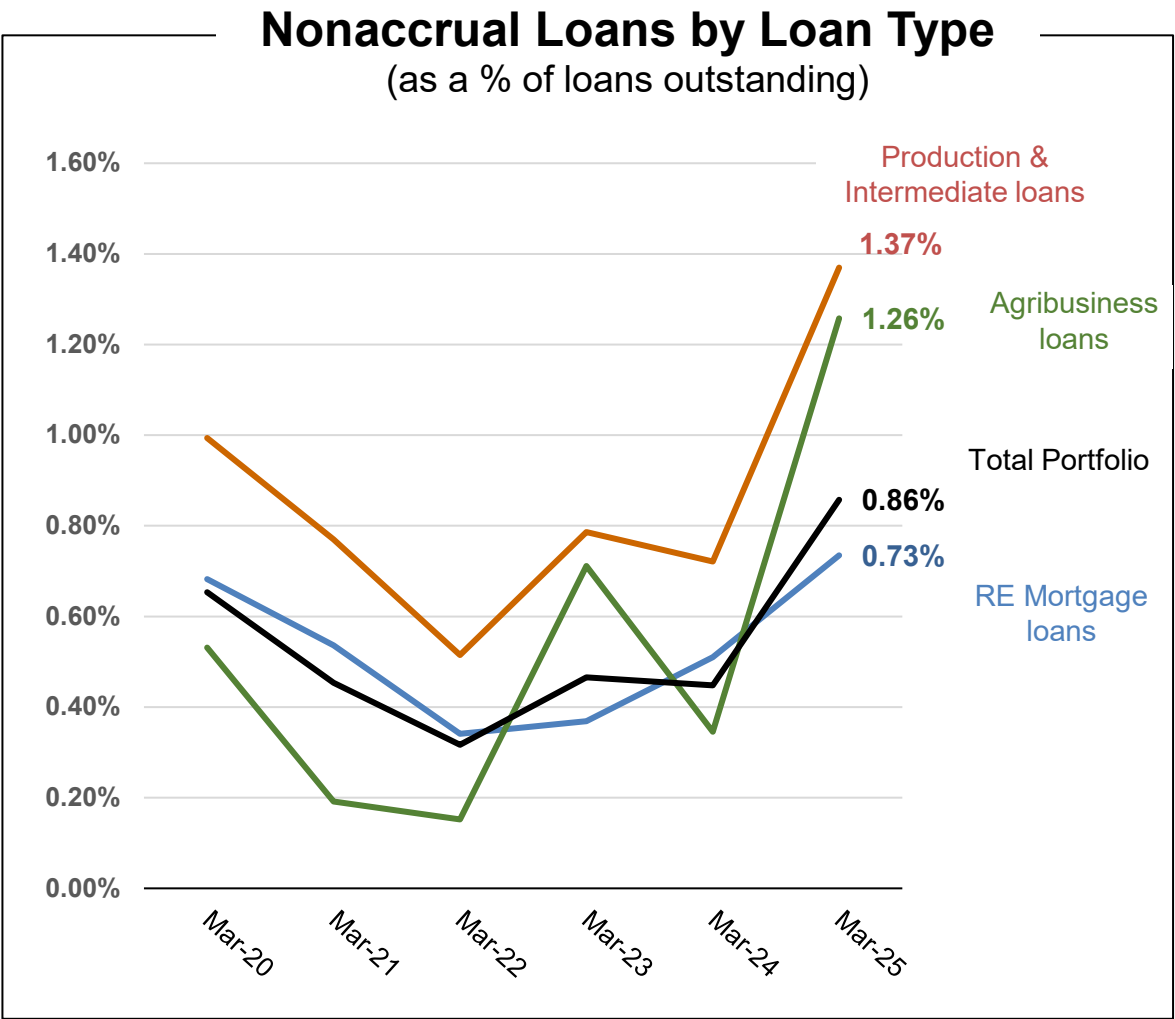
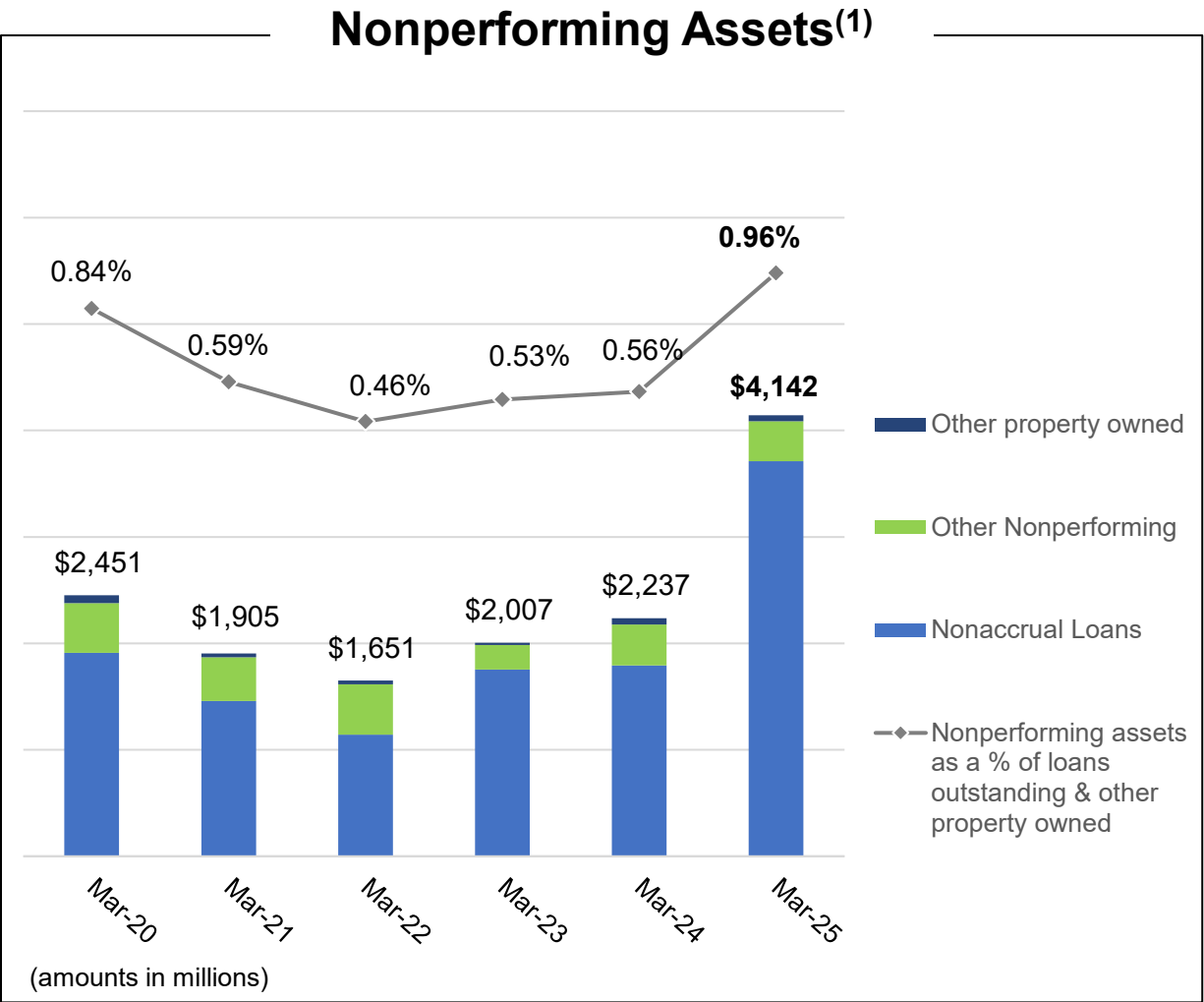


Source: Federal Farm Credit Banks Funding Corporation Information Statements





# Nonperforming assets increase; portfolio loan quality remains sound



(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 trend higher

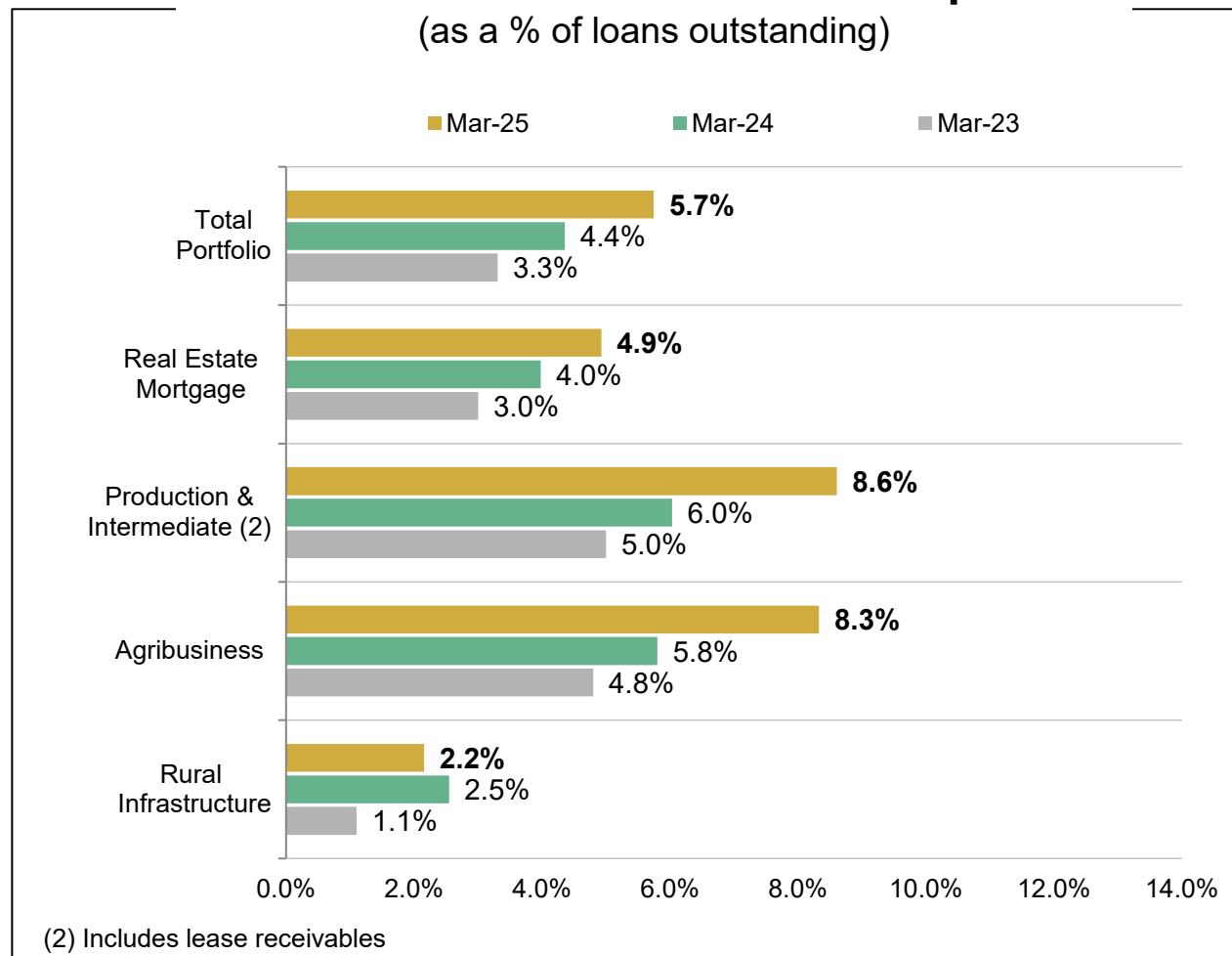
- ▶ The percentage of loans classified less than Acceptable increased in all loan categories apart from rural infrastructure.
- ▶ Production & intermediate and agribusiness loan categories had the highest percentage of less than Acceptable loans at over 8%.
- ▶ Loan delinquencies<sup>(1)</sup> as a percentage of total accruing loans equaled 0.55% at March 31, 2025 as compared with 0.36% at year-end and 0.48% at March 31, 2024.

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

Source: Federal Farm Credit Banks Funding Corporation Information Statements

## Loans Classified Less than Acceptable

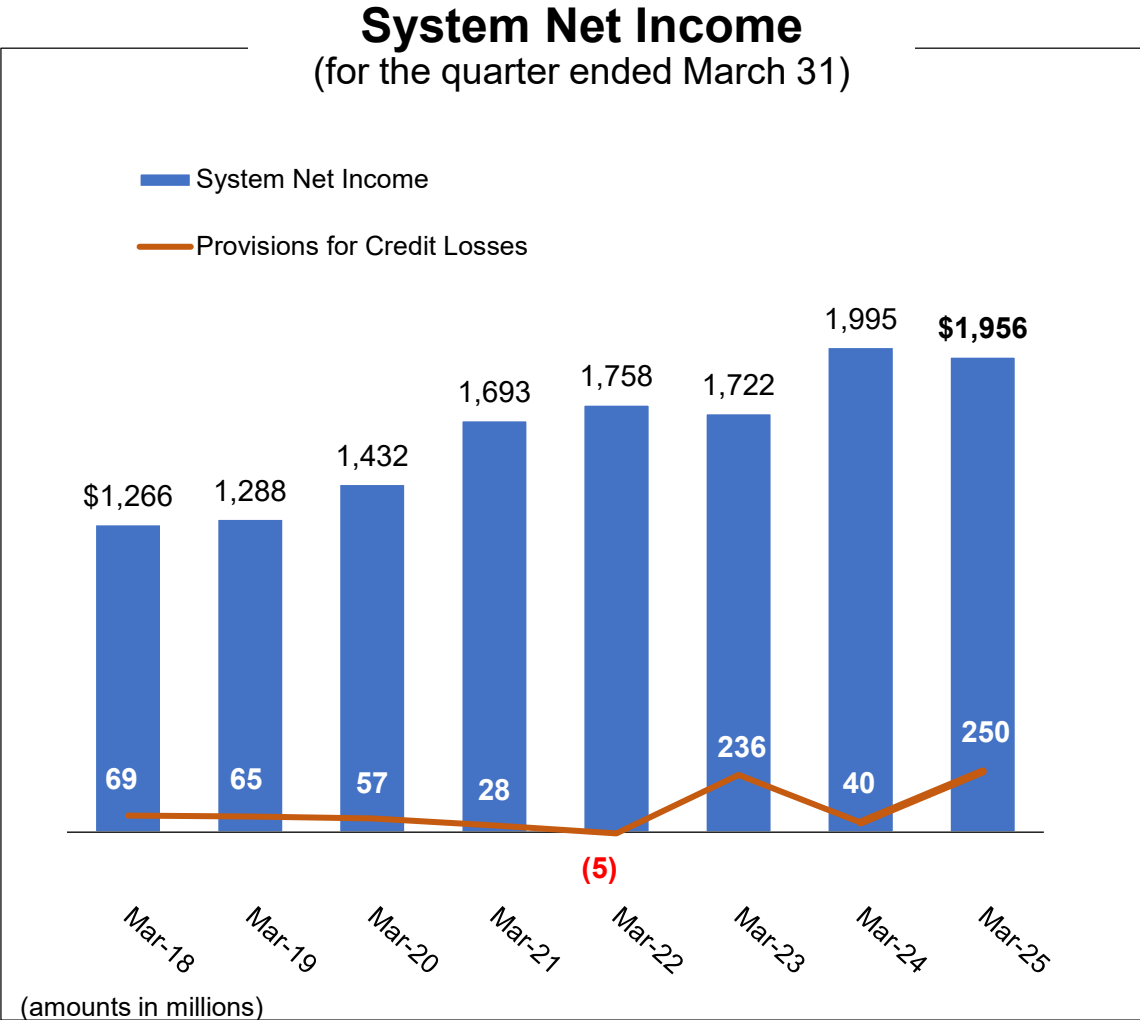
(as a % of loans outstanding)



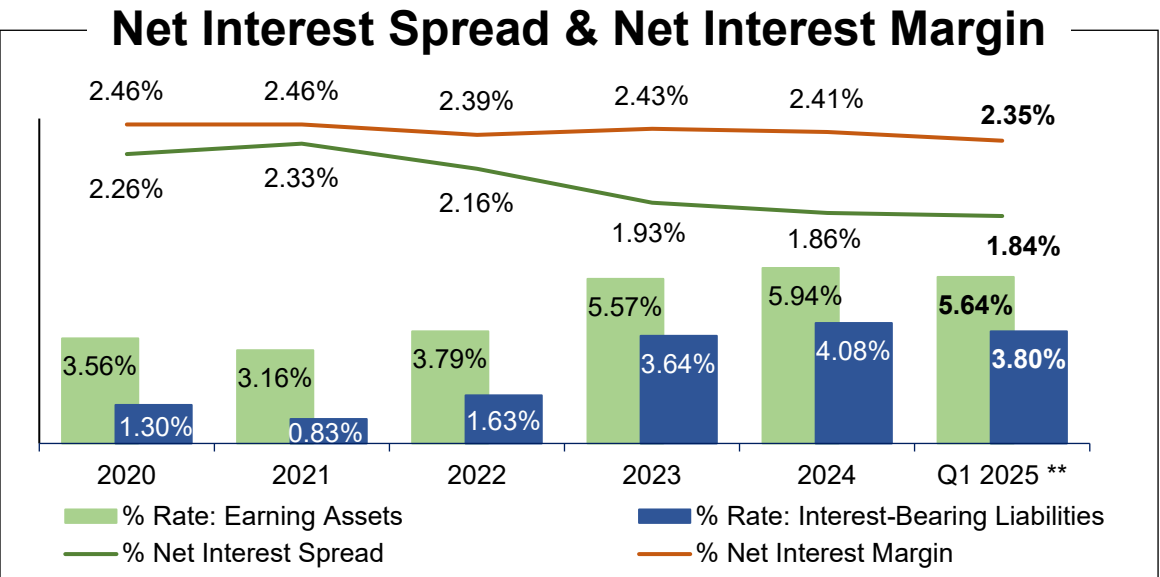
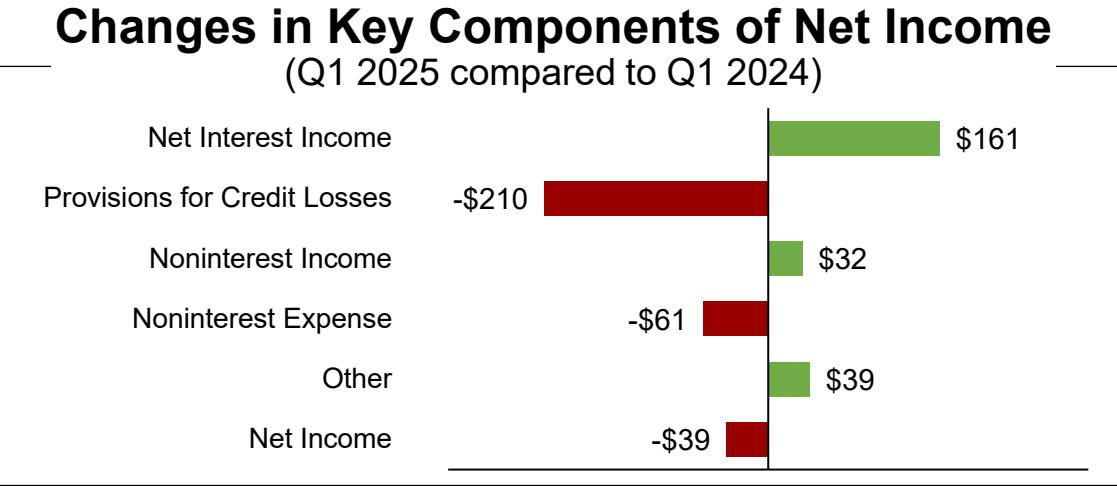




# System earnings were steady, but provisions for credit losses increased

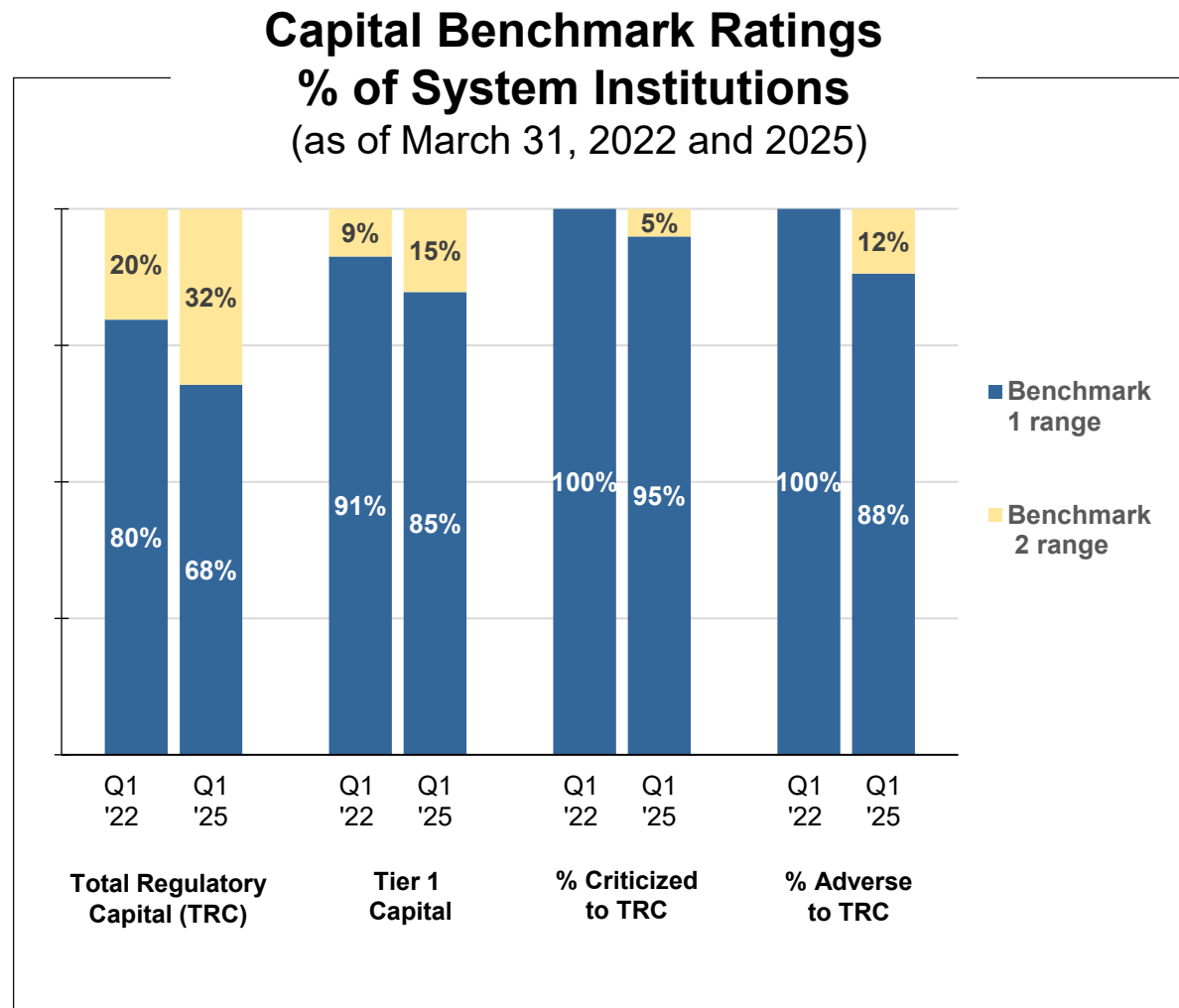
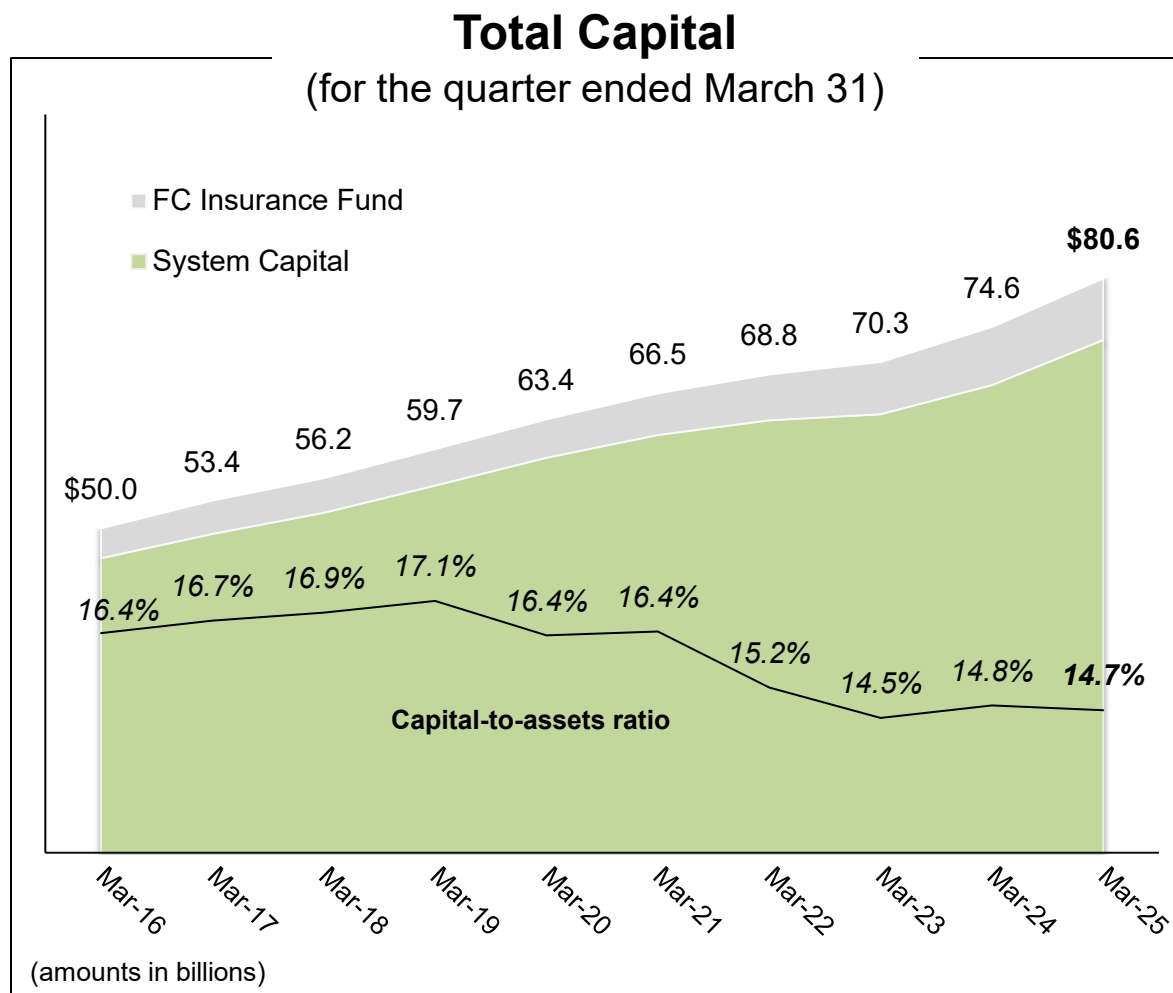


Source: Federal Farm Credit Banks Funding Corporation Information Statements





# System capital position sound; institutions have strong risk-bearing capacity



Source: Federal Farm Credit Banks Funding Corporation Information Statements

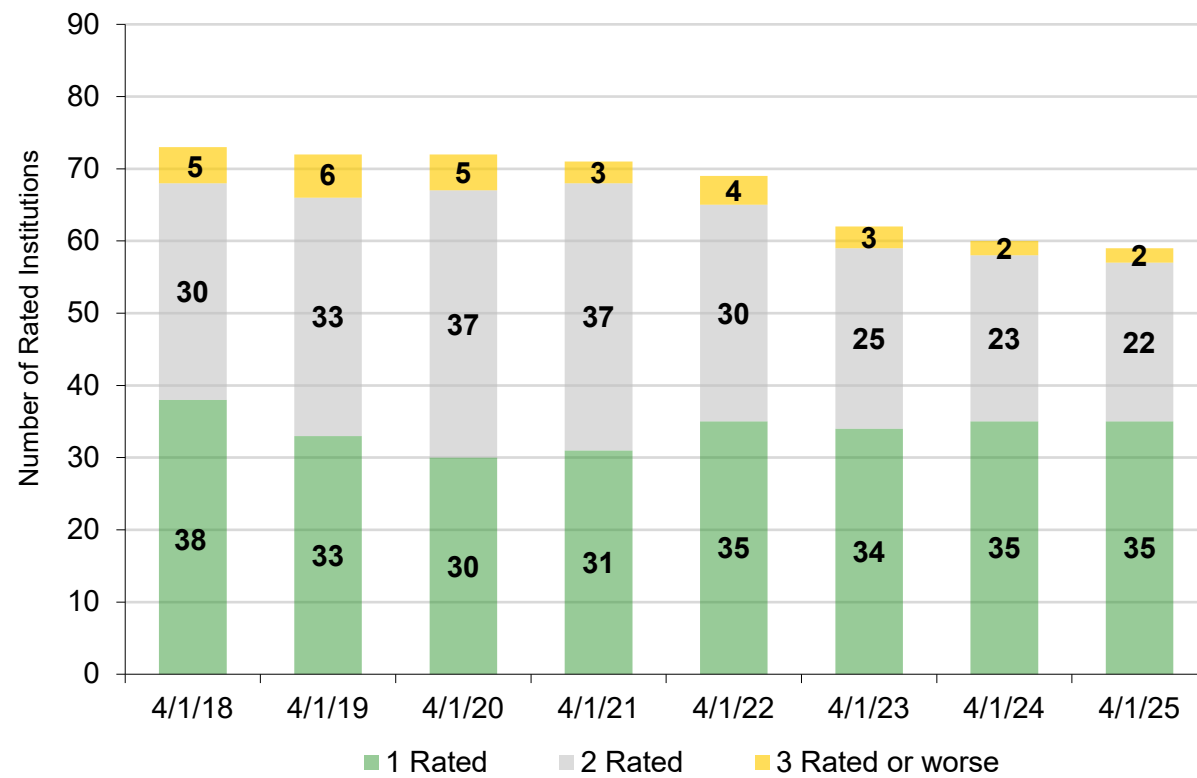


# Composite FIRS ratings remain stable

## Composite FIRS Ratings (based on 3/31/25 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

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- ▶ The effect of changes in general economic conditions in the U.S. and abroad on the farm economy.
- ▶ Rising credit risk for agricultural producers and agribusinesses as profit margins remain under pressure from high costs and uncertain demand for some commodities.
- ▶ The impact of weaker margins and a volatile interest rate environment on farmland and collateral values.
- ▶ Consequences of tariffs, changes to foreign trade policies, avian influenza and other changes in government programs supporting agriculture.