

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

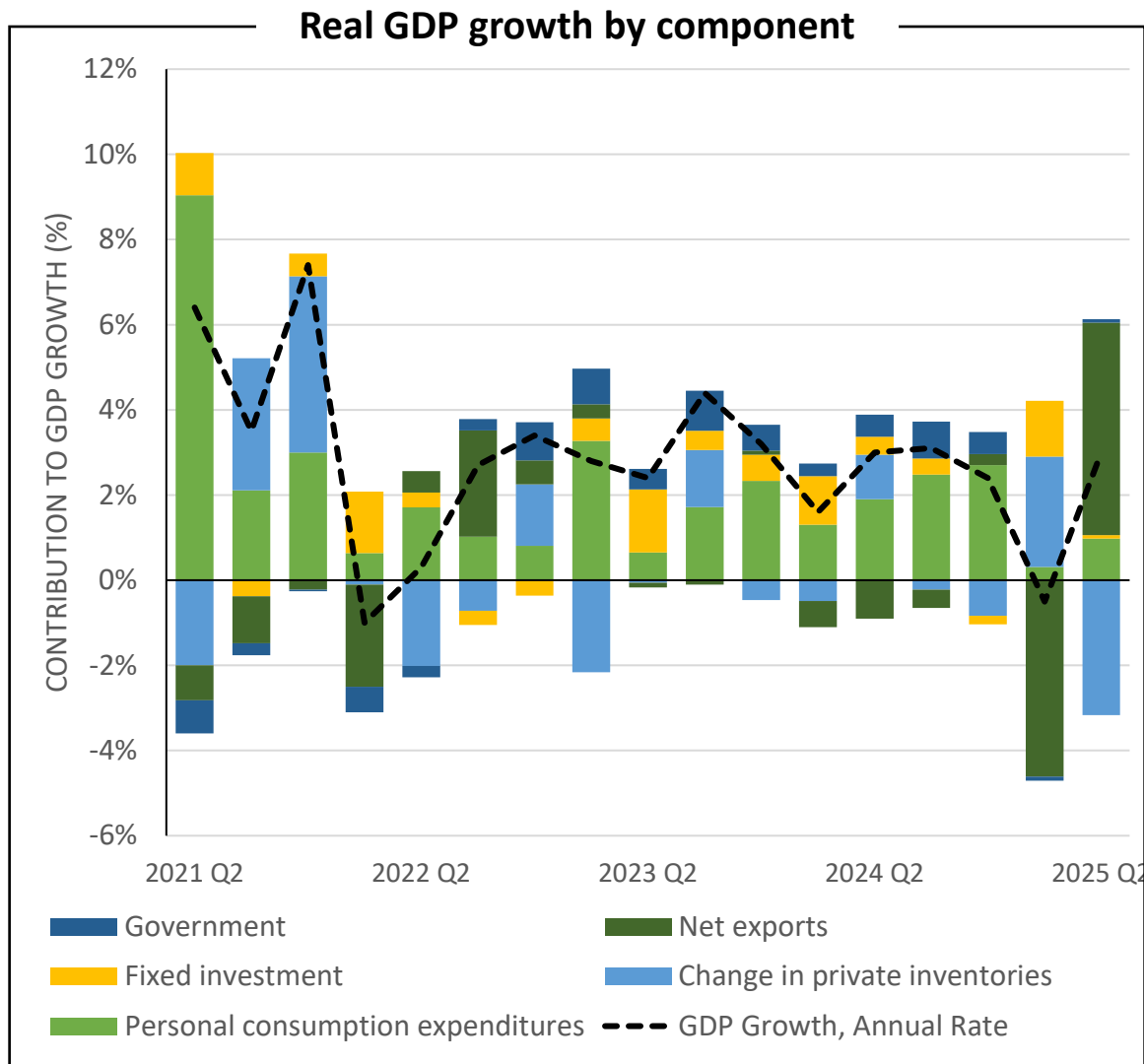
- ▶ Macroeconomic update
- ▶ Agricultural economic update
- ▶ Trends in Farmland prices

Farm Credit System Condition and Performance

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



GDP growth positive but moderating through Q2 2025



Source: Bureau of Economic Analysis, Gross Domestic Product (Q2 2025 Advance Estimate).

Less volatile measures indicate moderation

- Personal consumption and fixed investment
- Potential GDP: labor force size vs. productivity

Variation in consumption growth

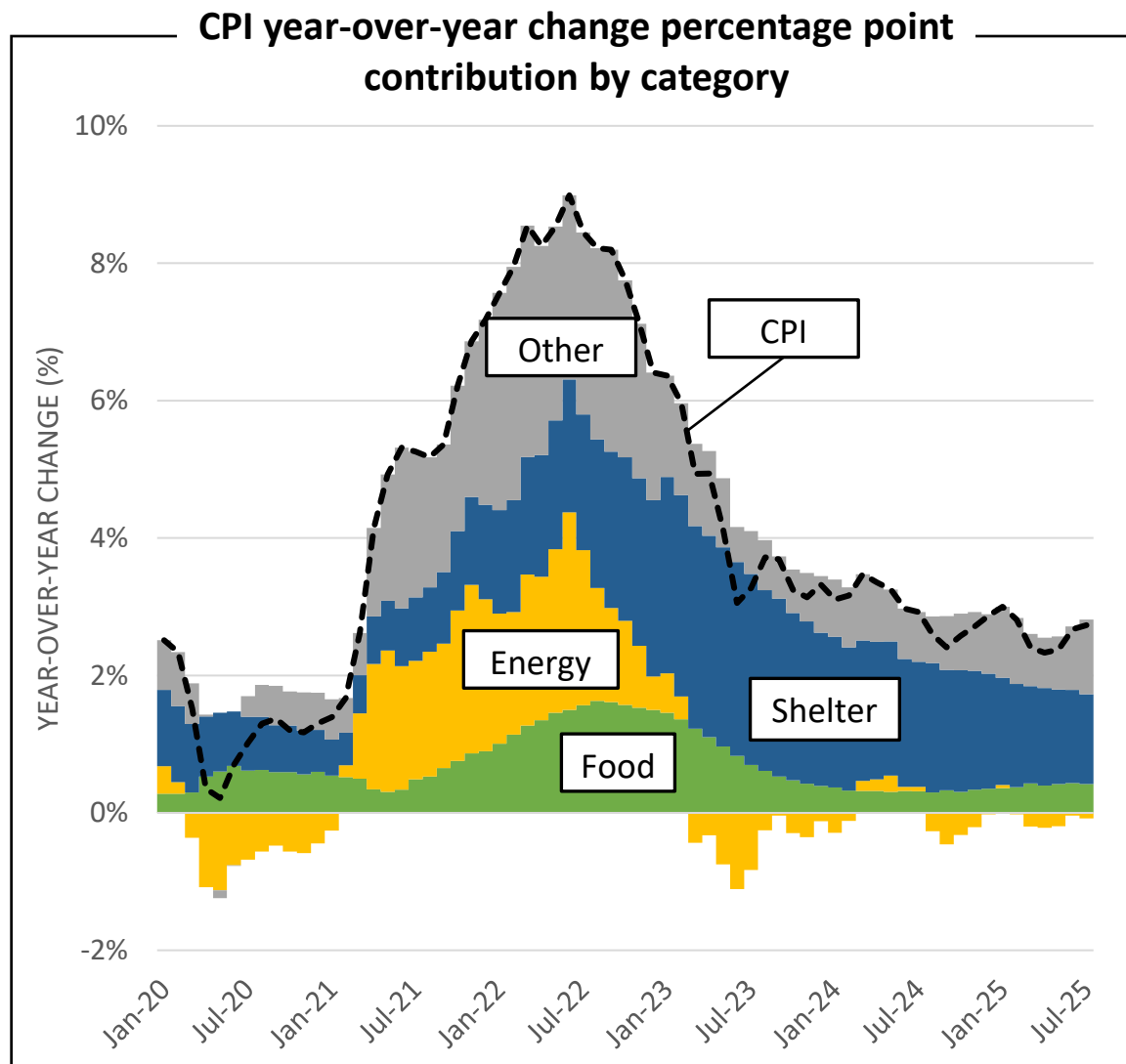
- Spending spree wanes for most households
- Spending growth driven by high earners
- Ebbing signs of consumer strain

Competing forces for domestic fixed investment

- Short-term boost from P.L. 119-21
- Trade policy uncertainty
- Fixed investment and AI



Declines in shelter inflation offset by increases in select services



Shelter inflation continues to moderate

- Inventories continue to rise off lows
- New rental cost growth is lower

Rising cost growth in other segments

- Medical care, transportation, airline fees
- Significant variation in food categories

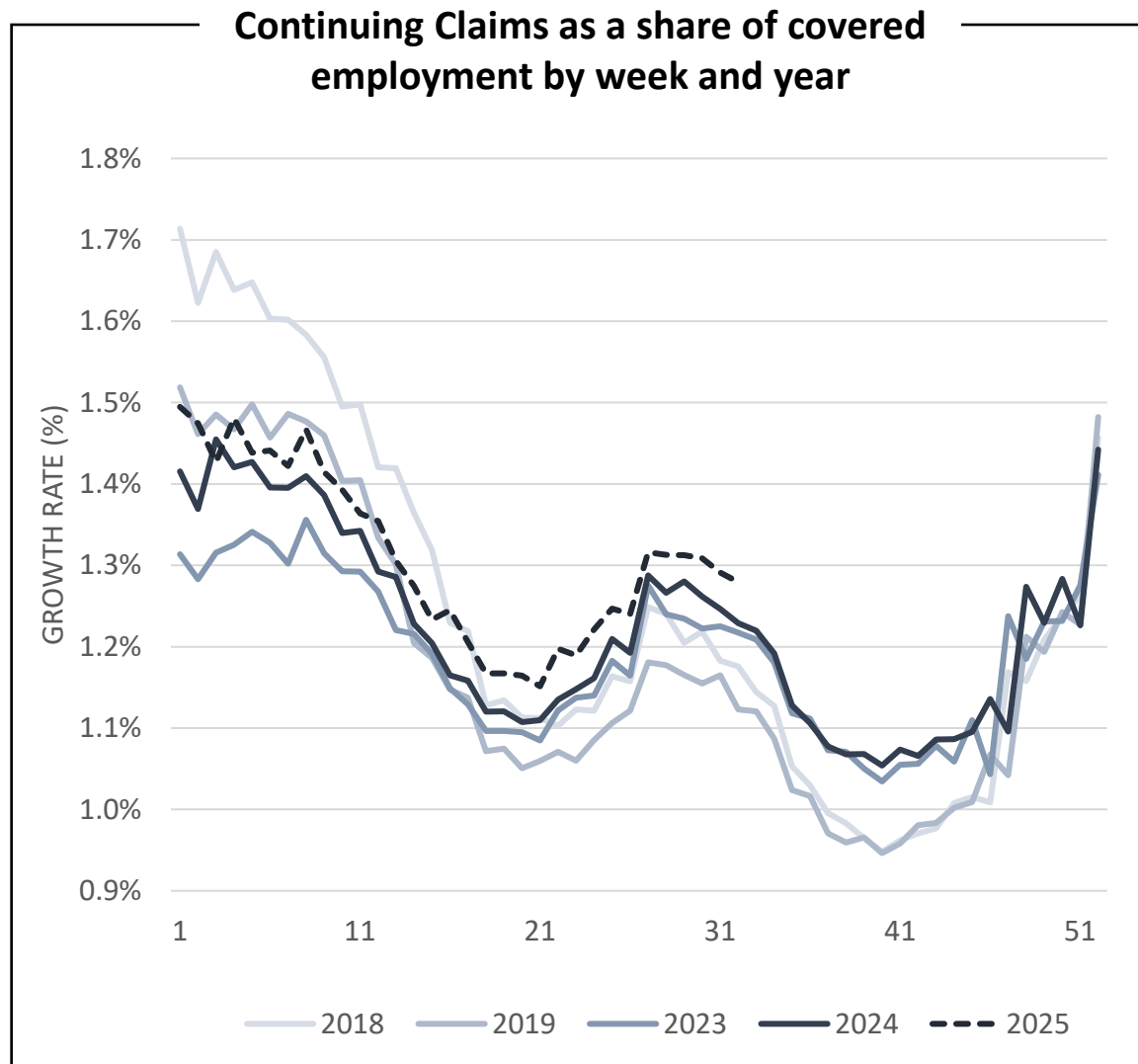
Observing trade impacts will take time

- Early indicators are noisy
- Inventory buildup helped delay cost increases
- Producers have begun passing along costs

Source: U.S. Bureau of Labor Statistics Consumer Price Index, author's calculations.



Labor market holds steady with signs of softness



Source: U.S. Employment and Training Administration Unemployment Insurance Weekly Claims Report, author's calculations.

Topline levels are holding steady

- Unemployment rates near full employment
- Labor demand and supply falling at same rates
- Wage growth slower but positive

Is there stress below the surface?

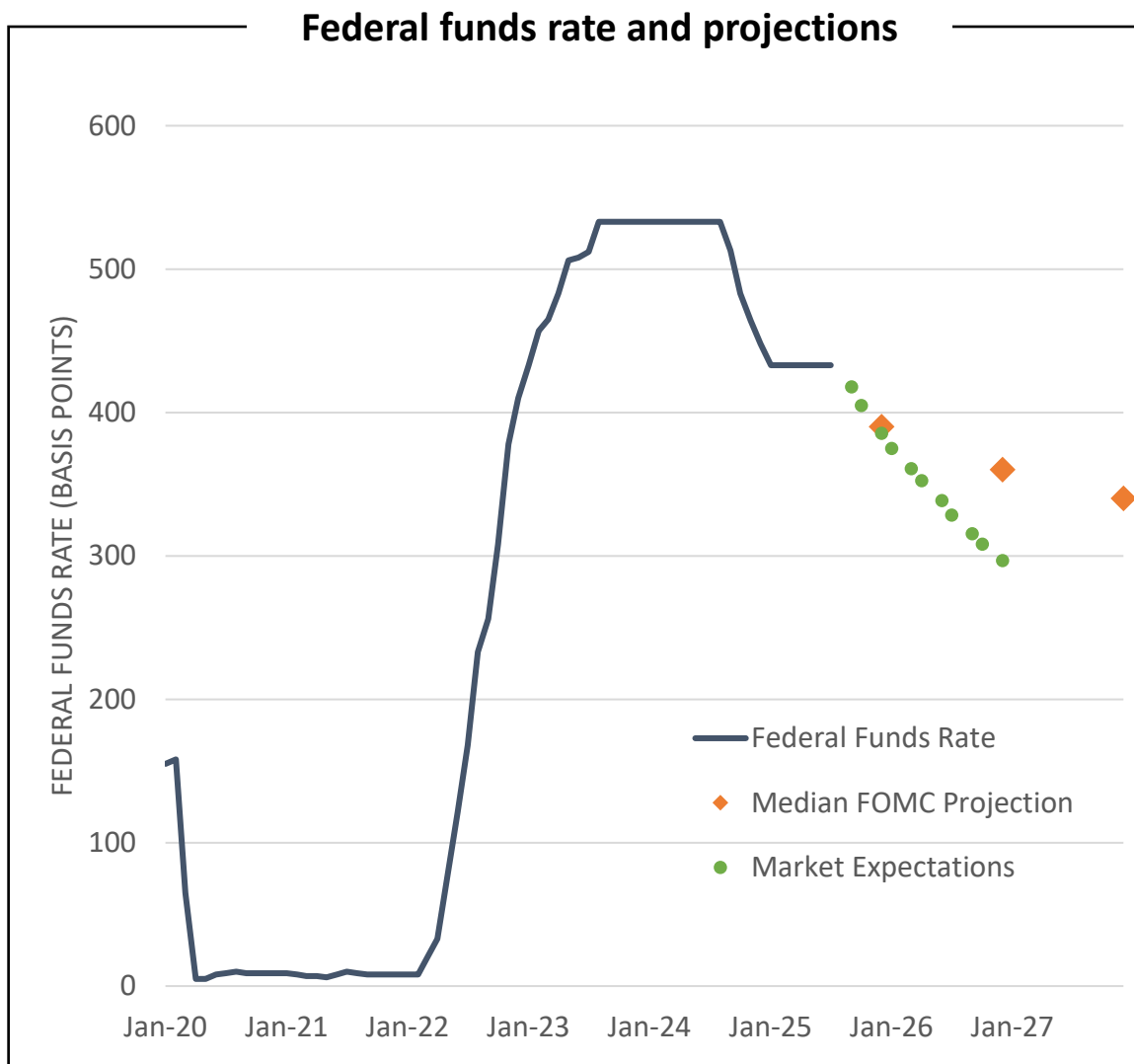
- Continued increases in multiple jobholders
- Job growth driven mostly by healthcare, education

Job holders vs. job seekers

- Average weeks unemployed is rising
- Declines in job-switching premiums
- Steep declines in young worker wage growth



Interest rate expectations reflect a shift towards the Federal Reserve's full employment mandate



Balancing the dual mandate

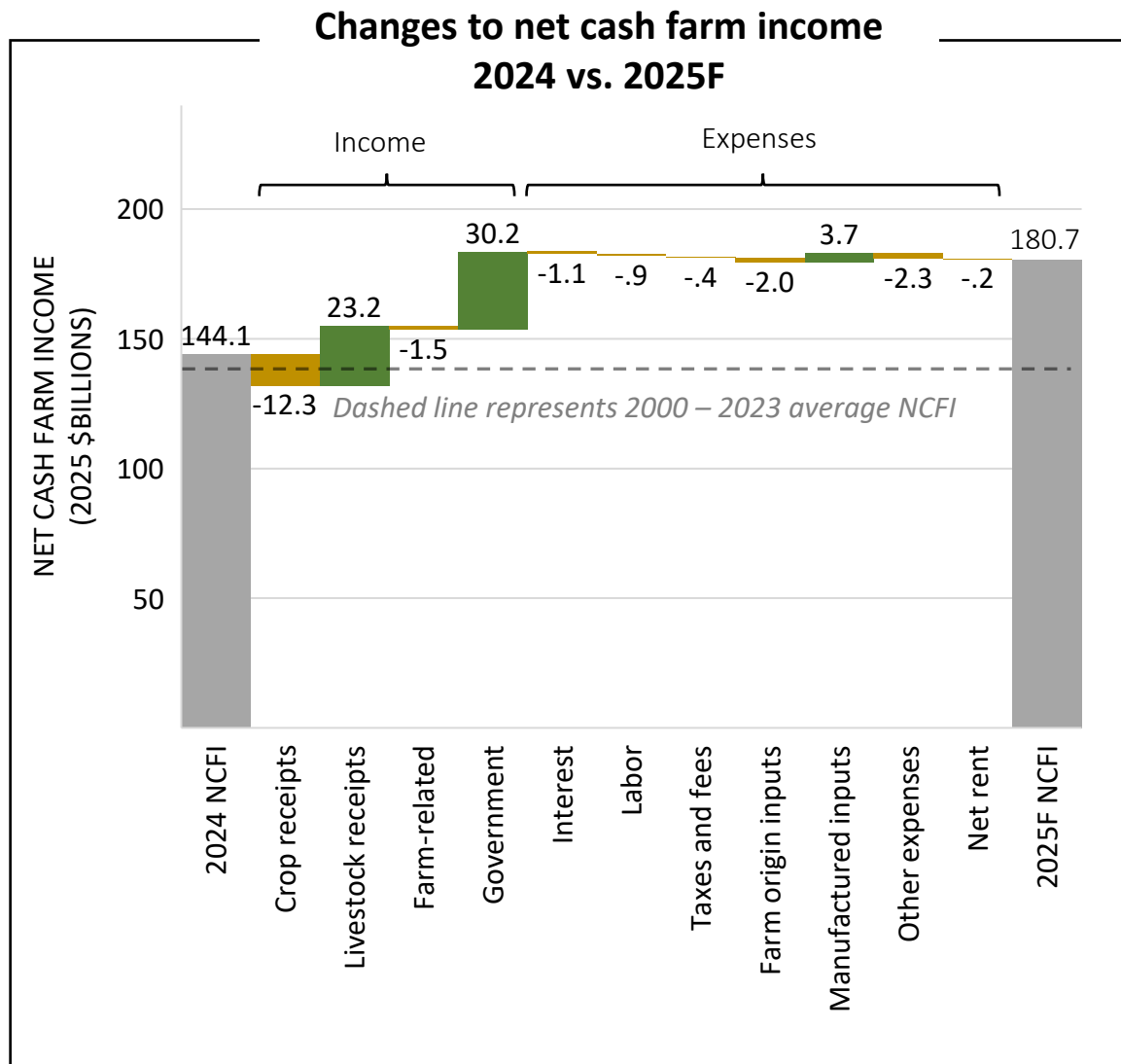
- Modest residual inflation
- Trade policy and inflation expectations
- Potential labor market weakness

“...the labor market remains near maximum employment, and inflation, though still somewhat elevated, has come down a great deal from its post-pandemic highs. **At the same time, the balance of risks appears to be shifting.**”

- Jerome Powell, August 22, 2025



Crop receipts continue to fall with some offset from increased government support



Grain strain persists

- Income remains near 15-year lows
- Potential for very strong yields
- Storage shortages and widening basis

Livestock supercycle continues

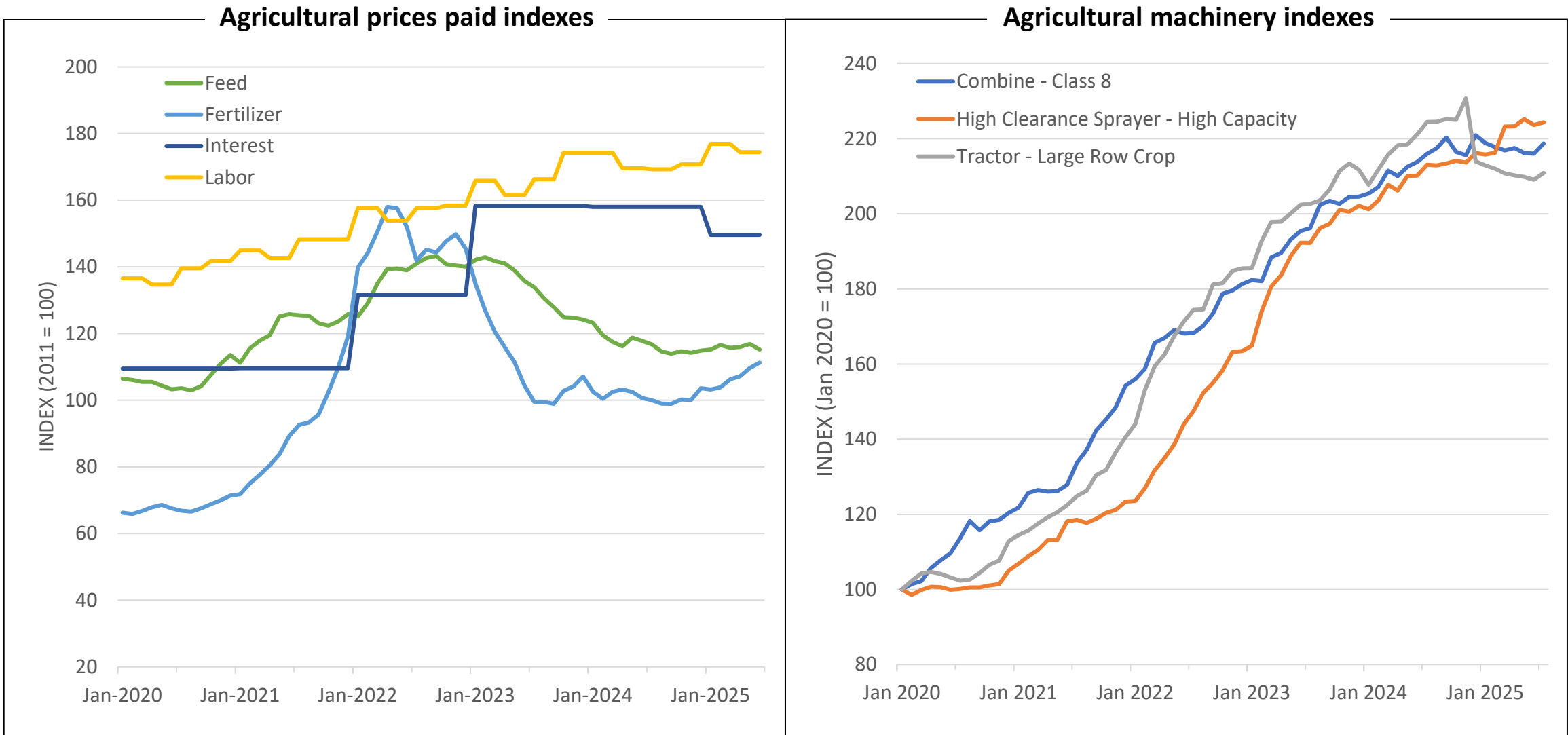
- Incomes high but vary across the sector
- Keeping a close eye on consumer demand

Sources of support

- Ad hoc program payments
- Improving sector solvency ratios
- Farmland values



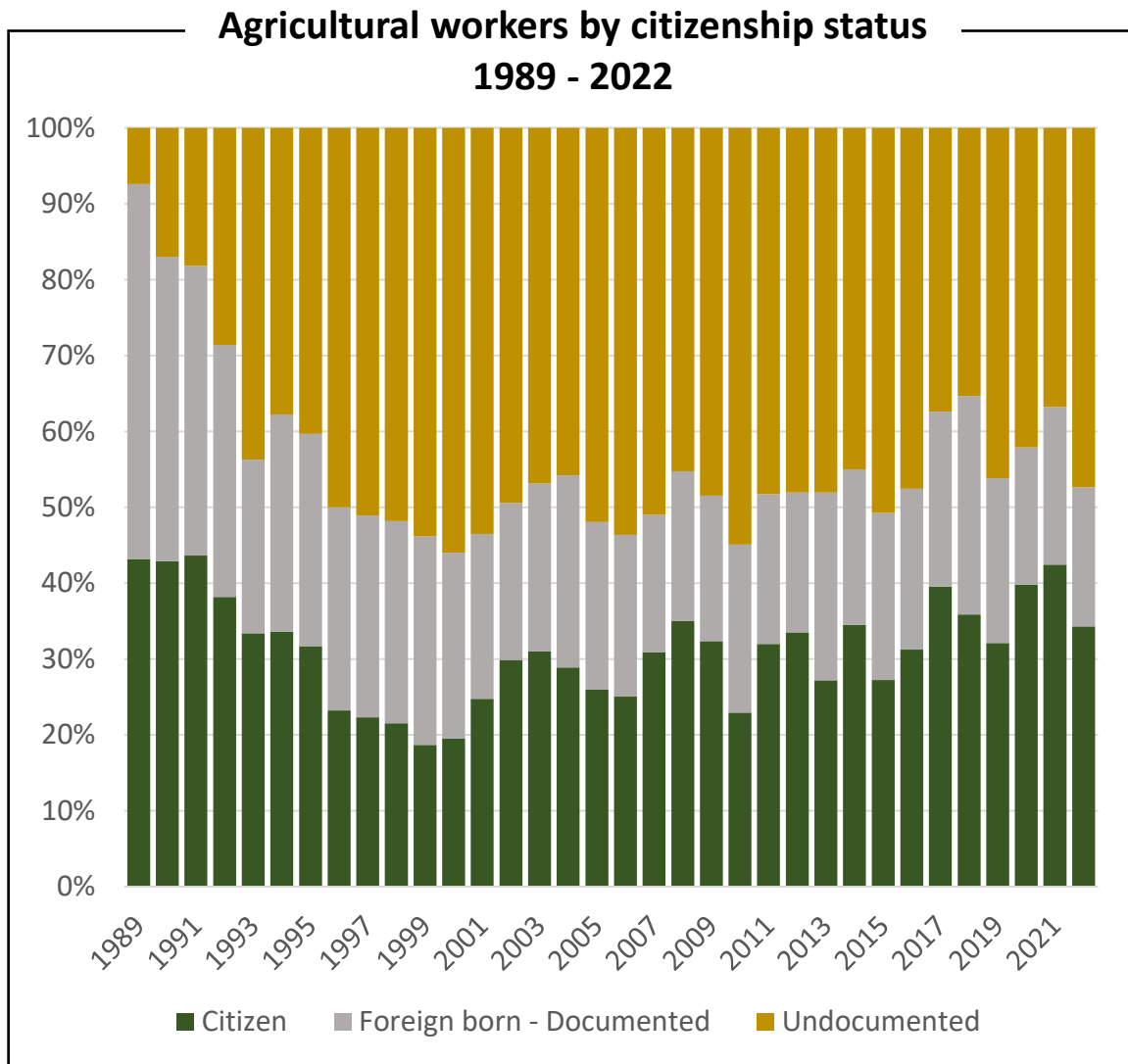
Many input costs have plateaued despite softer crop price environment



Source: USDA National Agricultural Statistics Service and Iron Solutions.



Risks to labor access vary across regions and commodities



Not all regions face access risk

- Majority of Pacific agricultural workforce
- Less reliance in Plains, Midwest

High non-citizen reliance in select roles

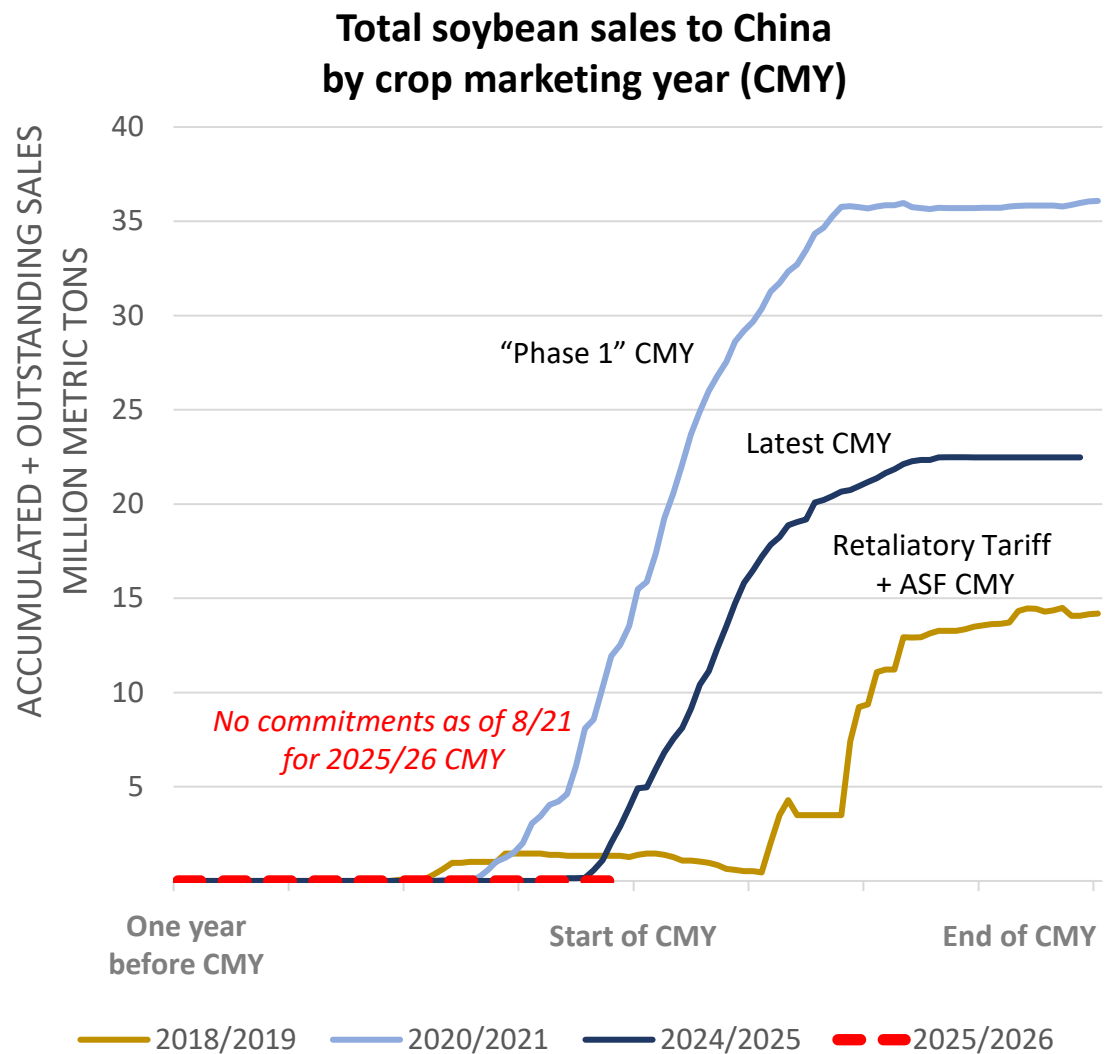
- 60% of graders and sorters
- 30% of animal processing facilities

Signs of tightness in ag labor markets

- Increases in 2025 H2A wages
- Mechanization decisions



Export volume continues to support income with possible bilateral risk ahead



Variation across commodities

- Dairy, corn, tree nuts see continued growth
- Soybeans, meats pull back

Shifts in trading partner importance

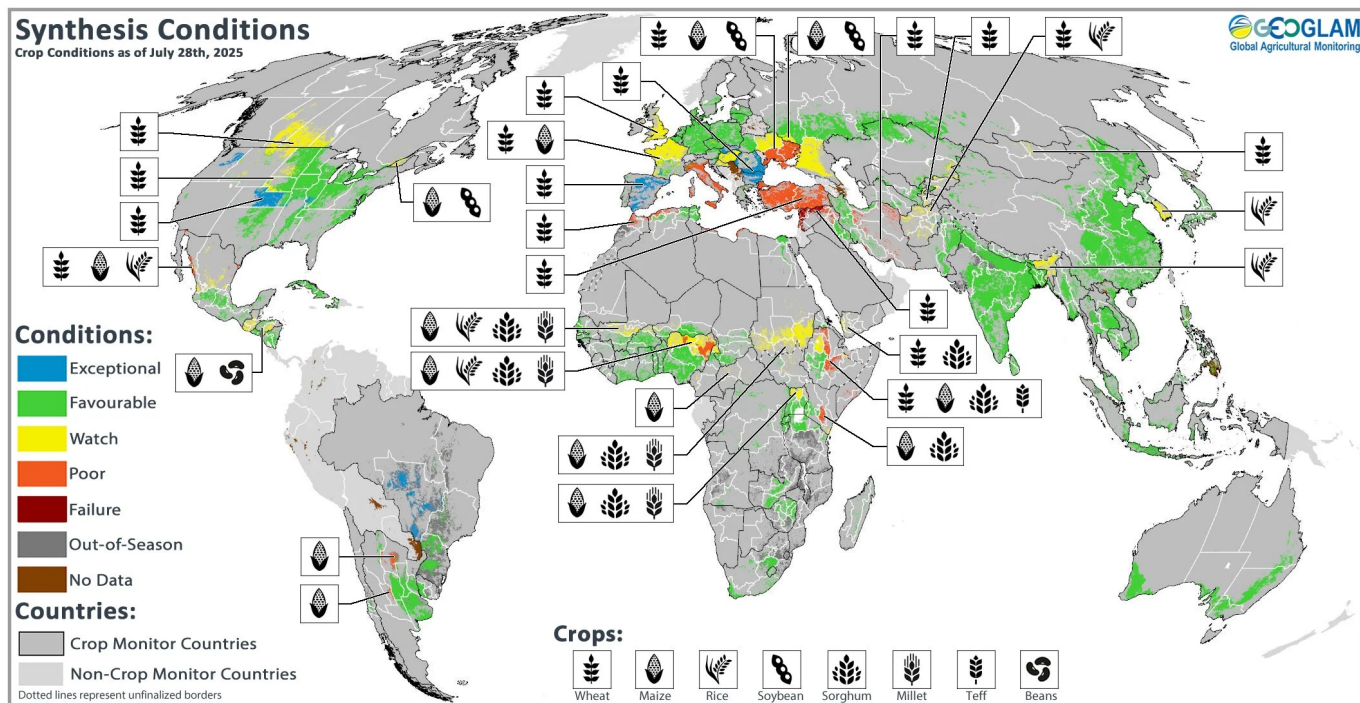
- Will China fall out of the top 3?
- Growth across other Asian countries

Bilateral relationships may drive shifts

- Chinese new soybean crop commitments
- A change in global demand vs. reallocation



Global weather influences on commodity markets



U.S. Conditions

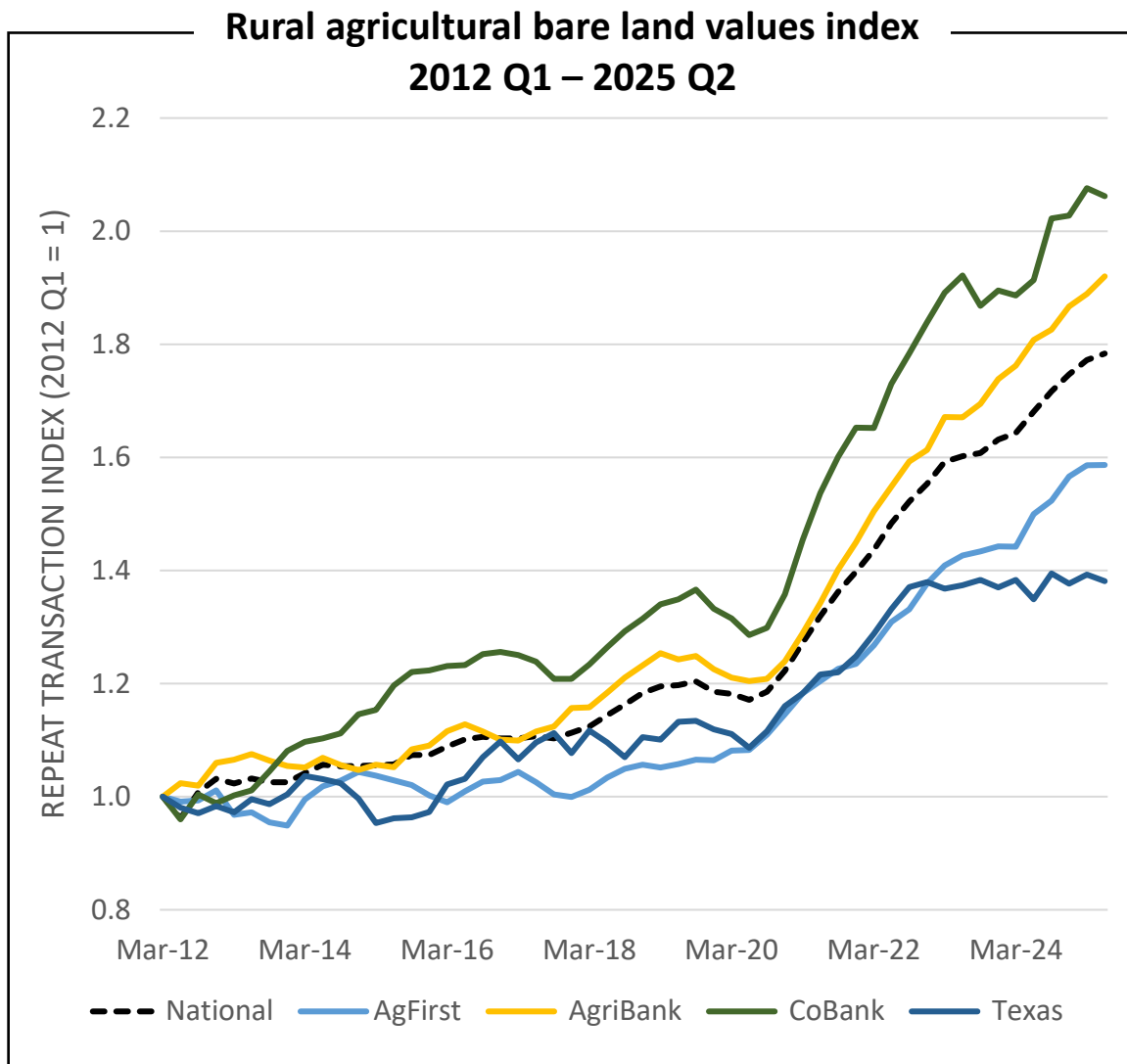
- Generally favorable conditions and strong crop quality across most of the U.S.
- Rocky Mountain region experiencing drought and poor pasture/crop conditions
- Drought conditions could persist through next quarter

Global conditions

- Favorable South American conditions leading to near-record production and exports
- Poor conditions across Eastern Europe



Growth in farmland values is positive but slowing



Source: ODAE calculations using data from Cotality (formerly CoreLogic). Excludes sales within 30 miles of a metropolitan statistical area.

National figures suggest continued growth

- Positive growth for most aggregates
- Some series show softness in Midwest, West

Potential warning signs?

- Cash rents flat, falling in some regions
- Rent-to-value ratios far below historic norms
- A shift from auctions to private sales

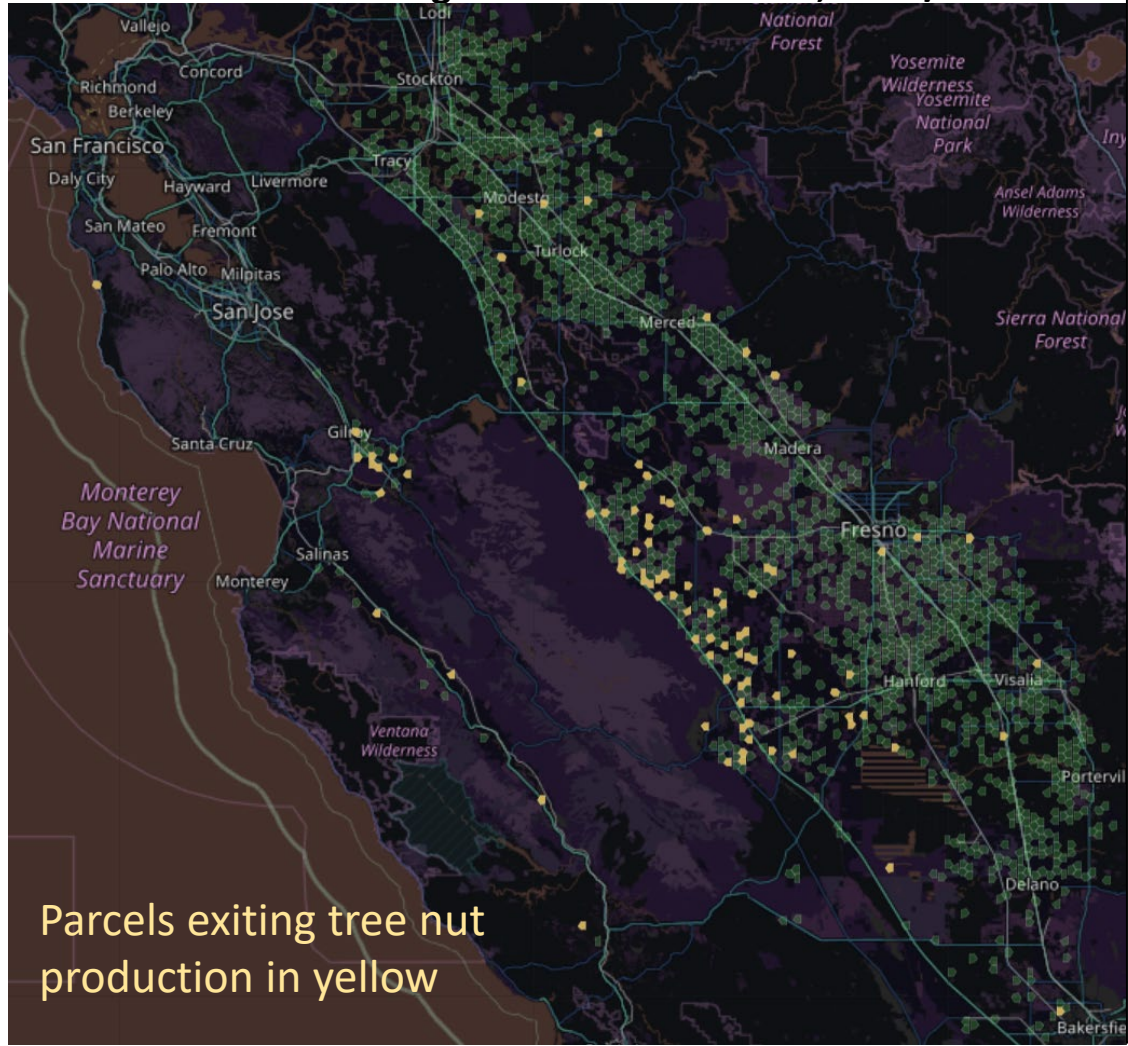
Other factors

- Conversion remains an important driver
- Relative attractiveness of land as an asset
- Continued thin markets

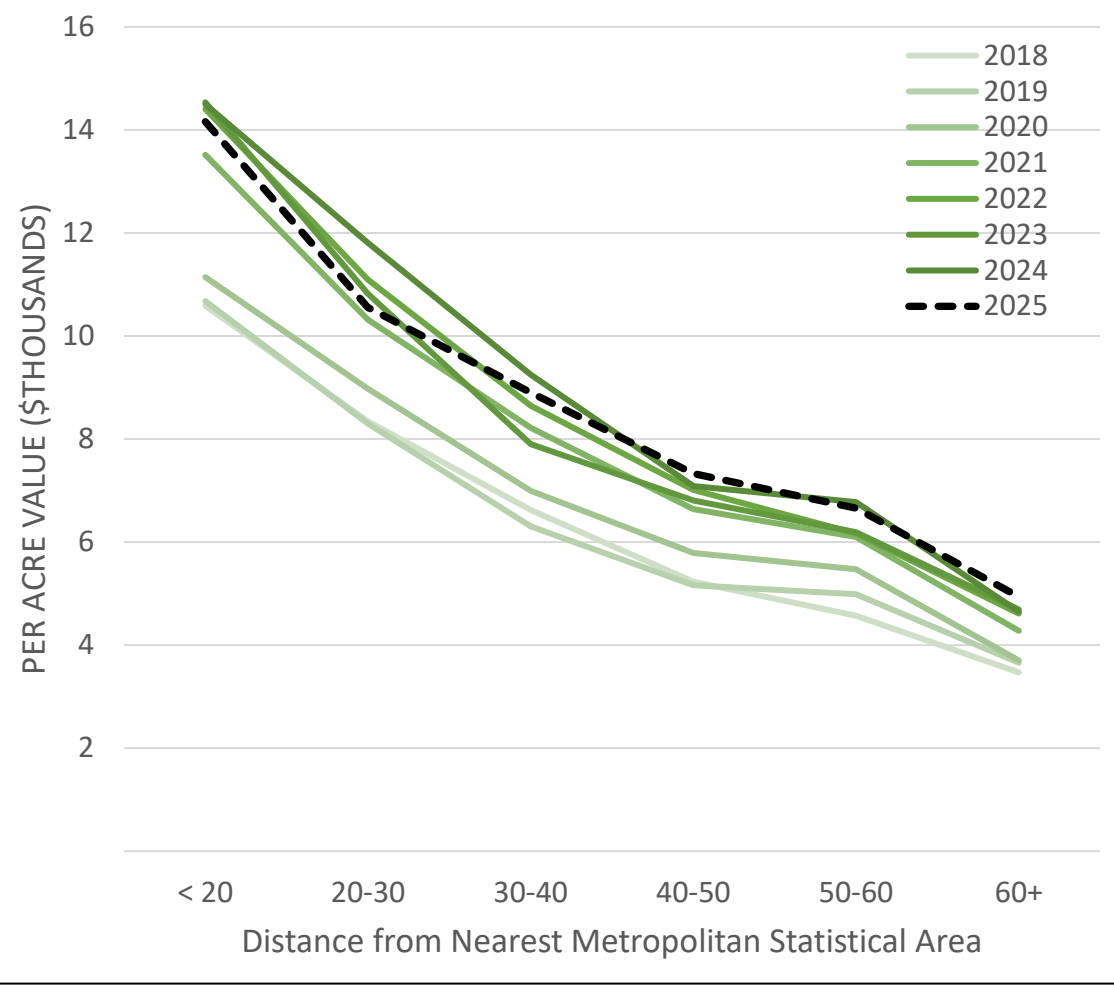


Land conversion driven by local opportunities or policies

CA Parcels Exiting Tree Nut Production, 2023/2024



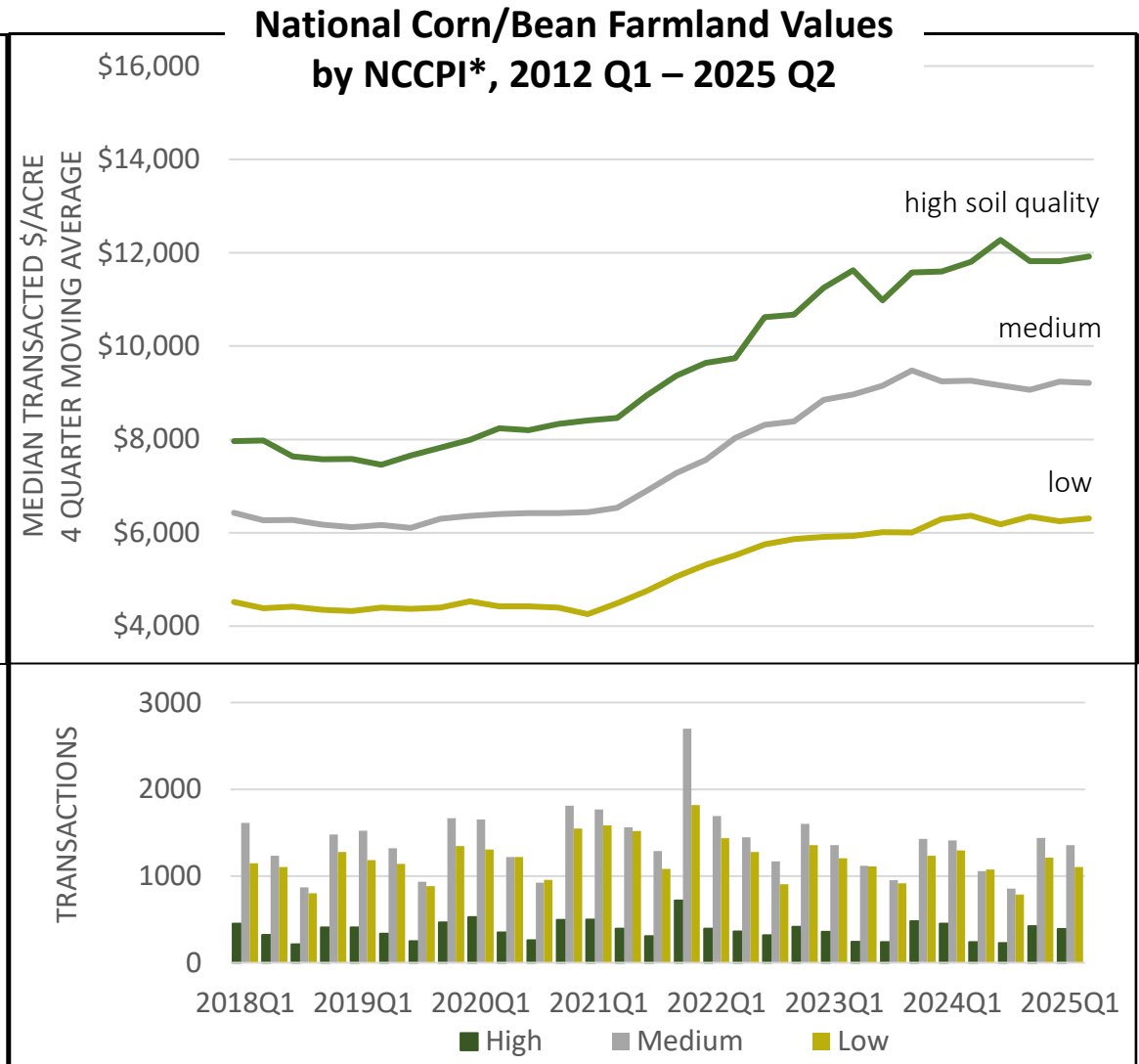
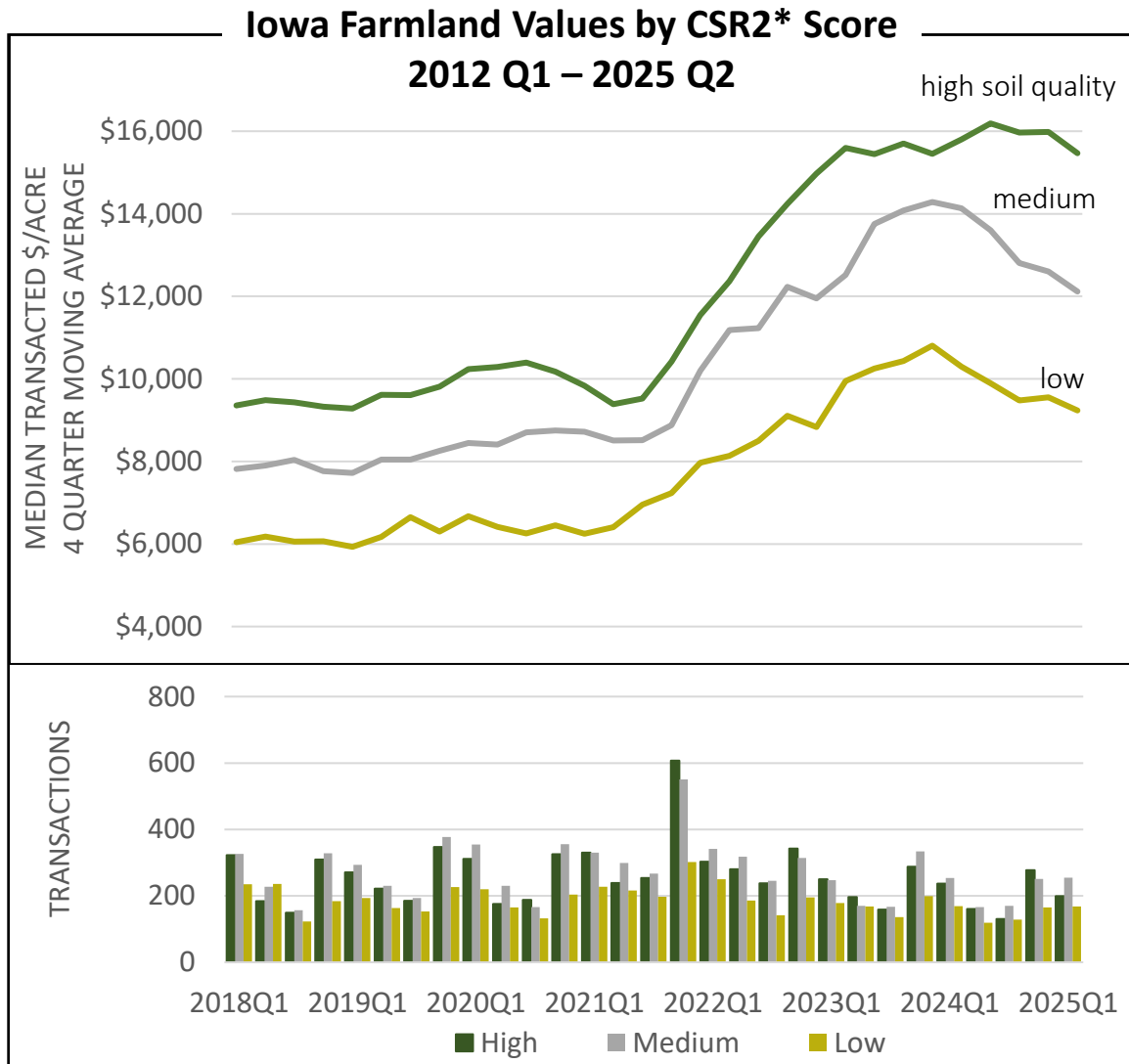
U.S. Agricultural Transaction Values
by Distance to Nearest MSA



Source: USDA Cropscape cover layers; ODAE calculations using data from Cotality (formerly CoreLogic).



Lower quality land under pressure in states with fewer conversion opportunities



Source: ODAE calculations using data from Cotality (formerly CoreLogic) and USDA gNATSGO.
*CSR2 = Corn Suitability Rating 2, NCCPI = National Commodity Crop Productivity Index.



Questions?



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

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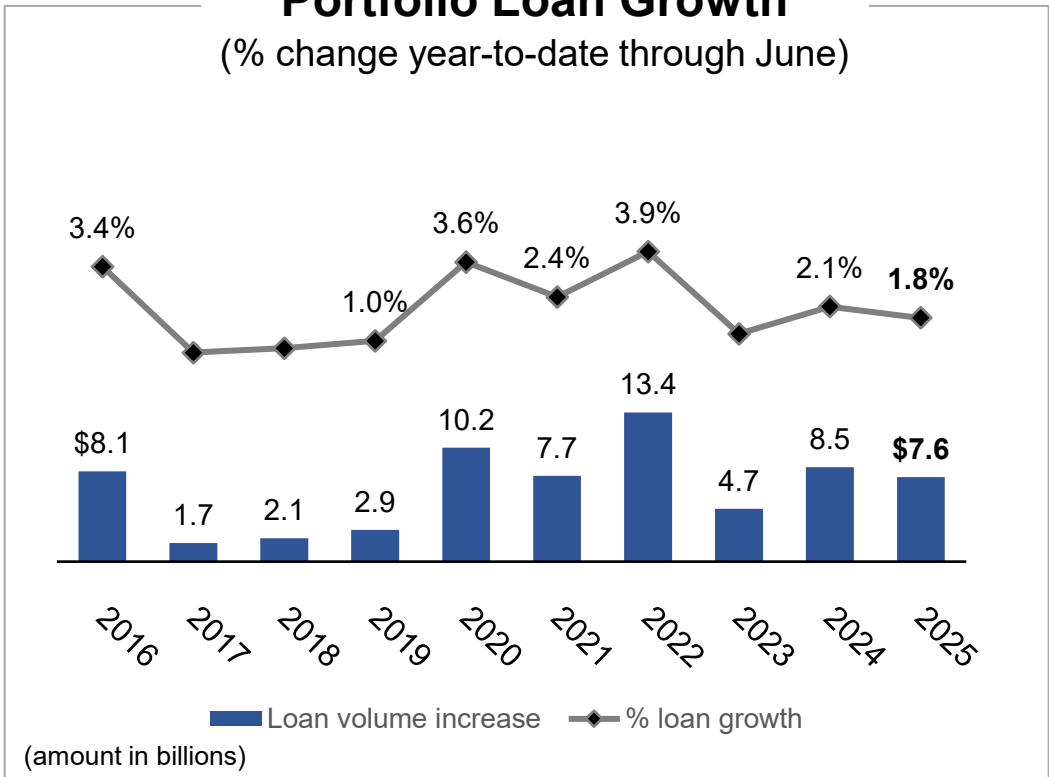




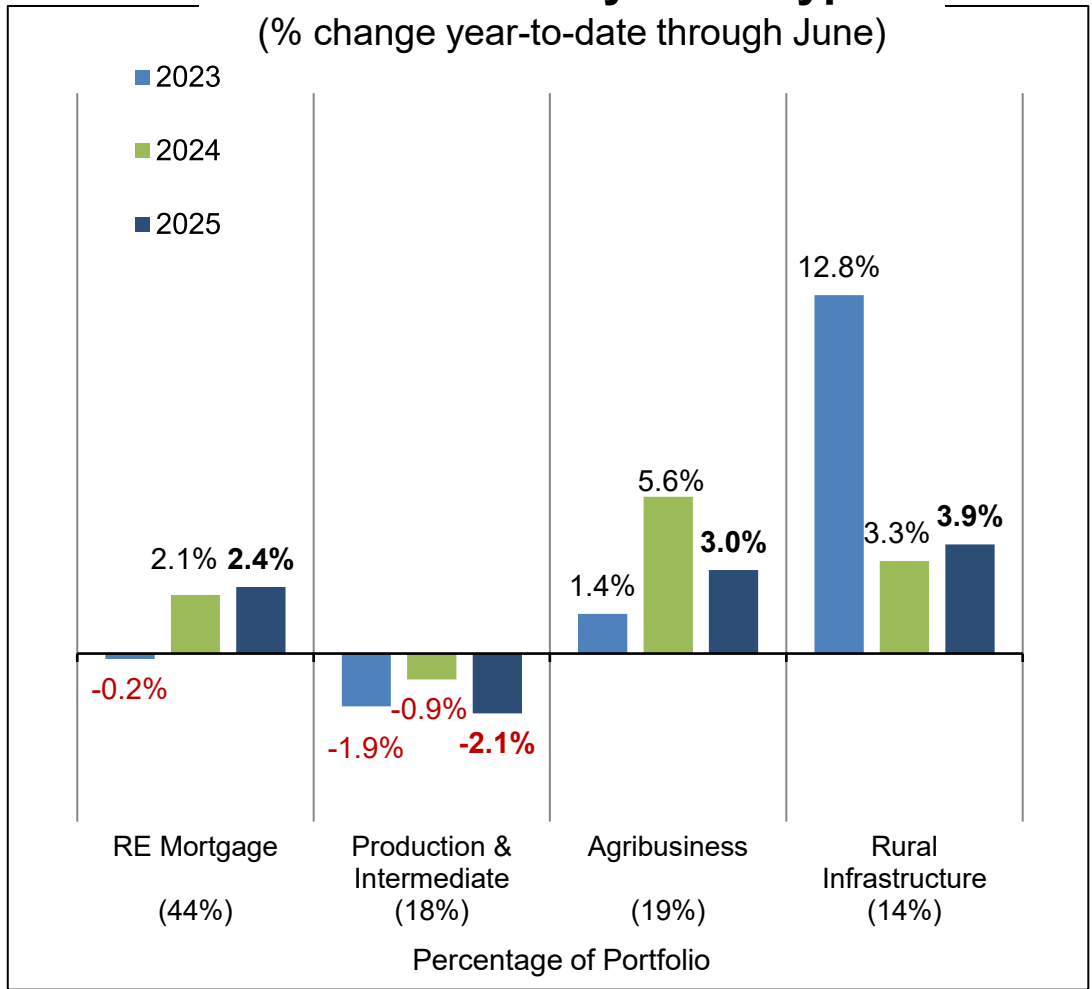
Loan growth slows slightly in the first half of 2025

Total Assets 06/30/25	\$557.0 billion	+1.5%	Qtr	Gross Loans 06/30/25	\$436.5 billion	+0.9%	Qtr
		+2.3%	YTD			+1.8%	YTD
		+8.3%	12M			+7.3%	12M

Portfolio Loan Growth
(% change year-to-date through June)

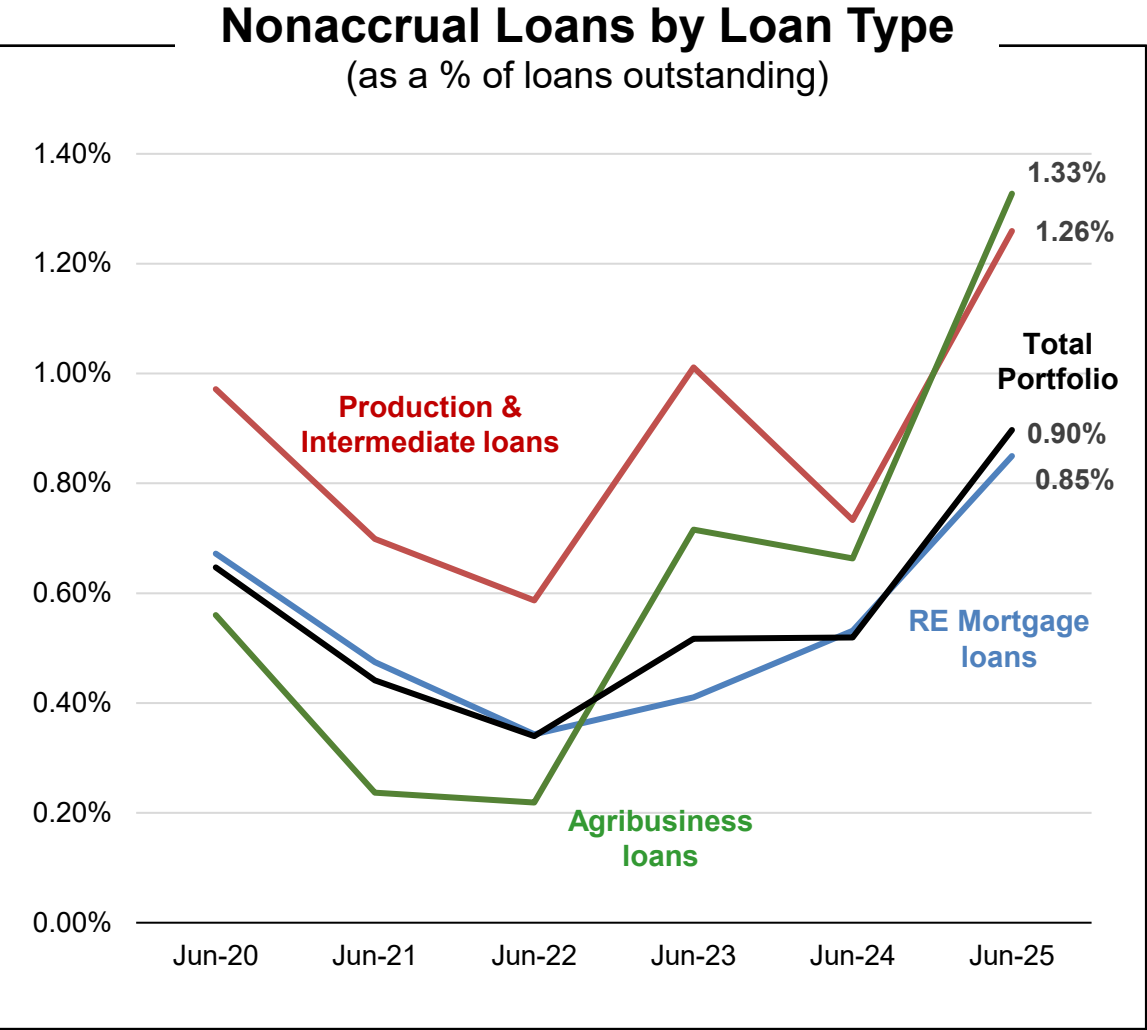
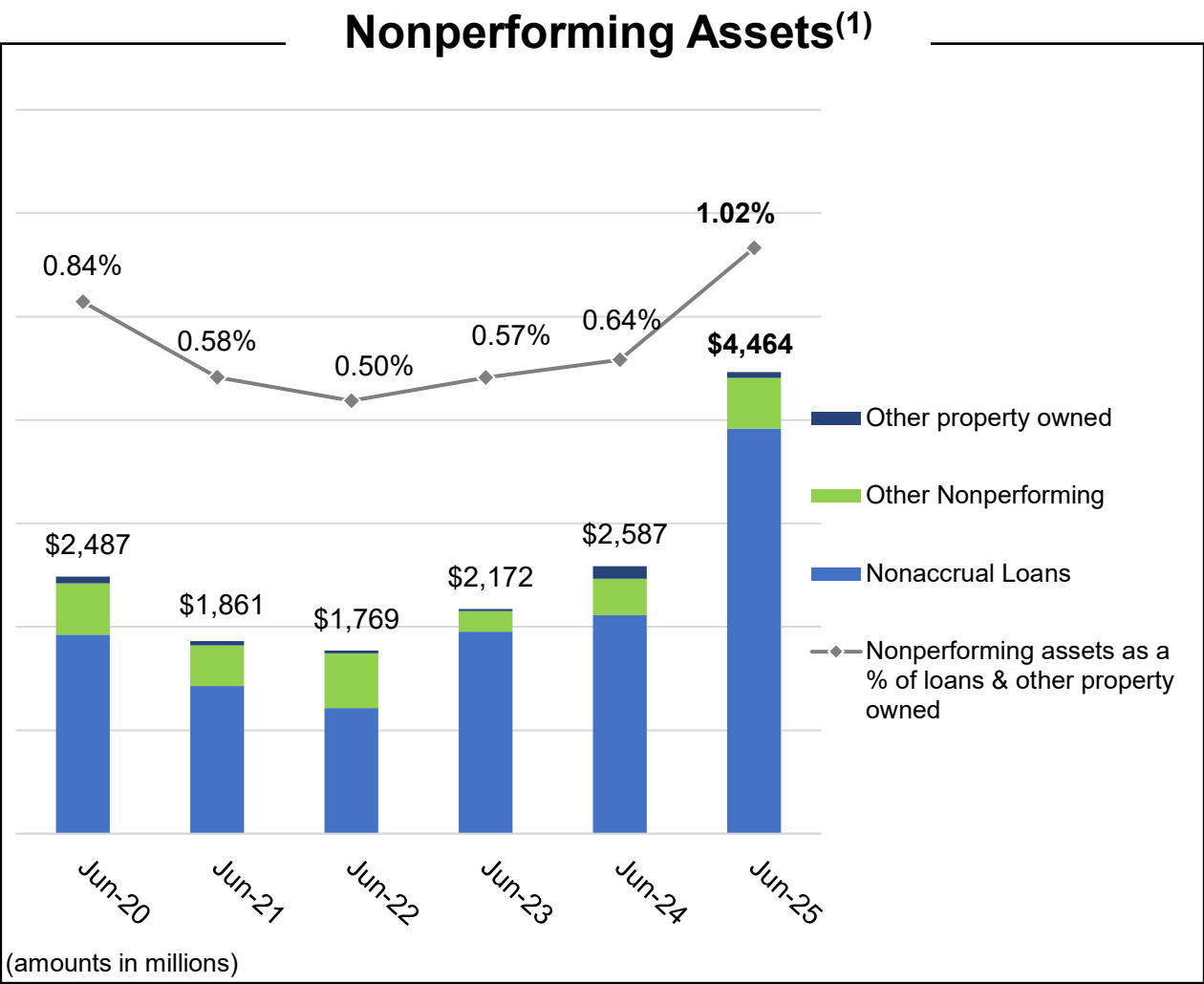


Loan Growth by Loan Type
(% change year-to-date through June)





Nonperforming assets have increased, but overall portfolio 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 increase

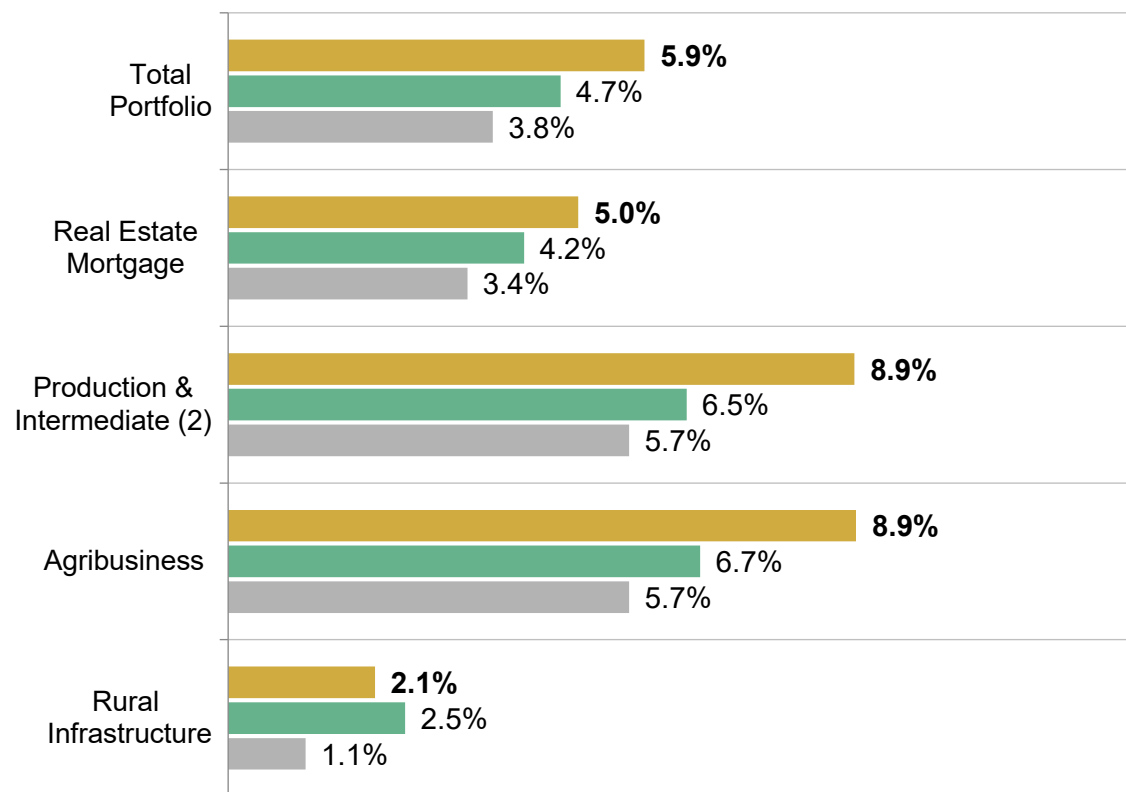
- ▶ The percentage of loans classified less than Acceptable increased in all loan categories apart from rural infrastructure.
- ▶ Production & intermediate and agribusiness loan categories continue to have the highest percentage of less than Acceptable loans at almost 9%.
- ▶ Loan delinquencies⁽¹⁾ as a percentage of total accruing loans equaled 0.47% at June 30, 2025, as compared with 0.36% at year-end and 0.44% at June 30, 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

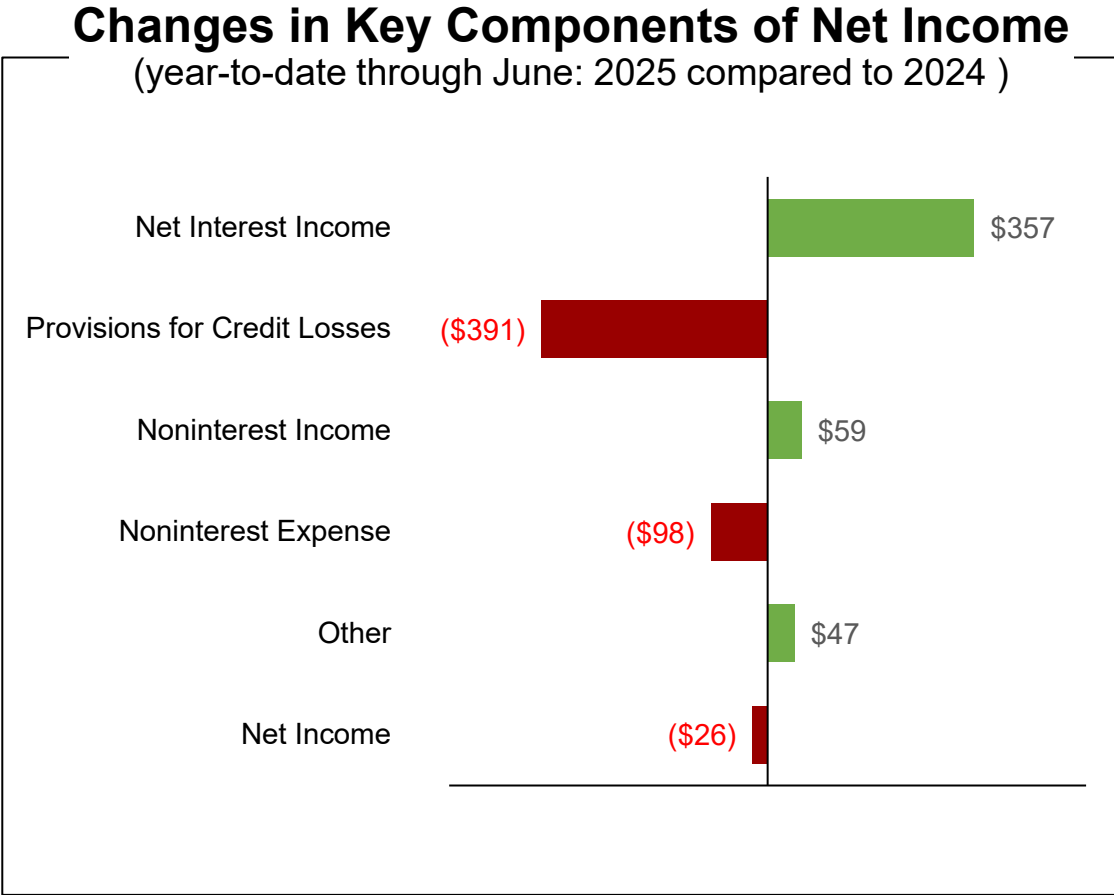
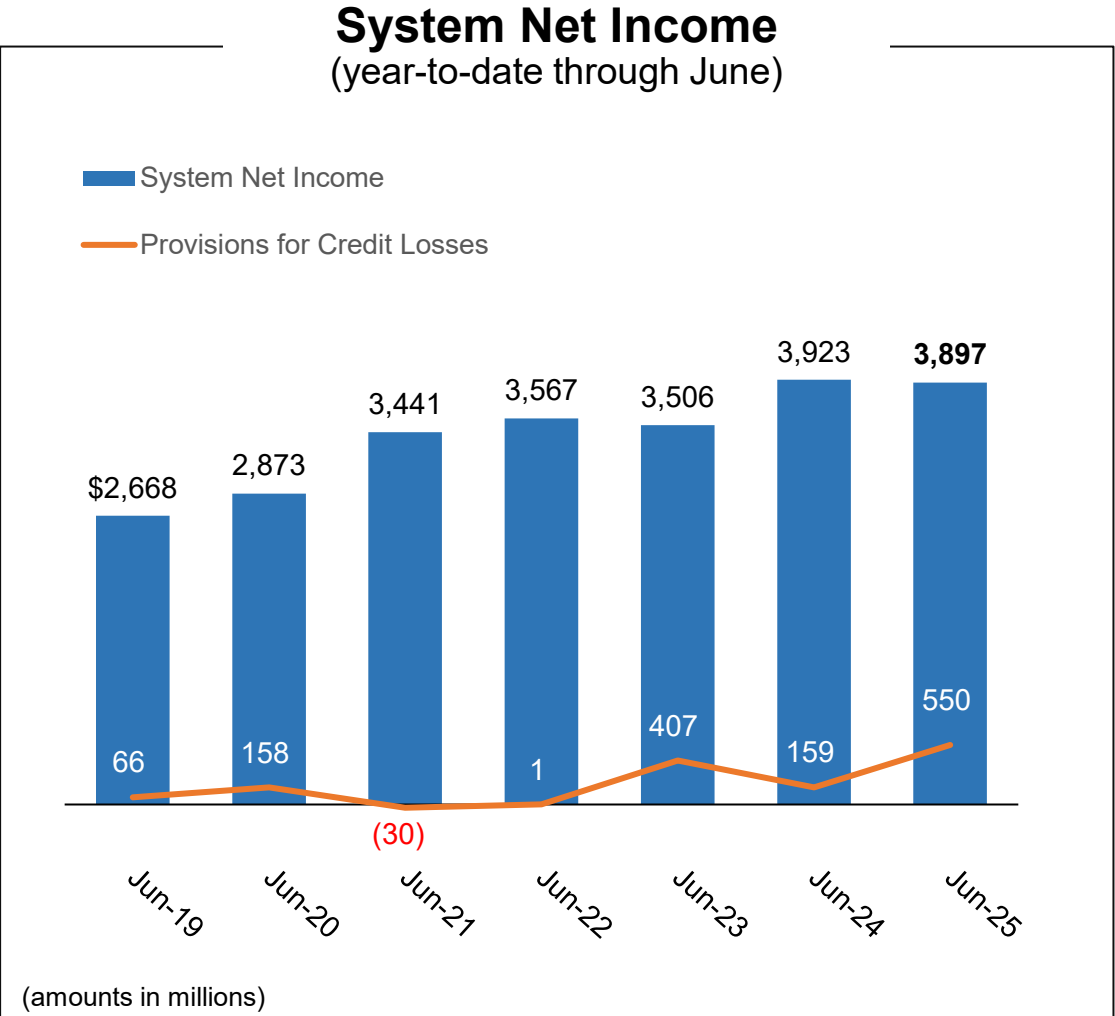
(as a % of loans outstanding)



(2) includes lease receivables



System earnings remain stable, but provisions for credit losses have increased



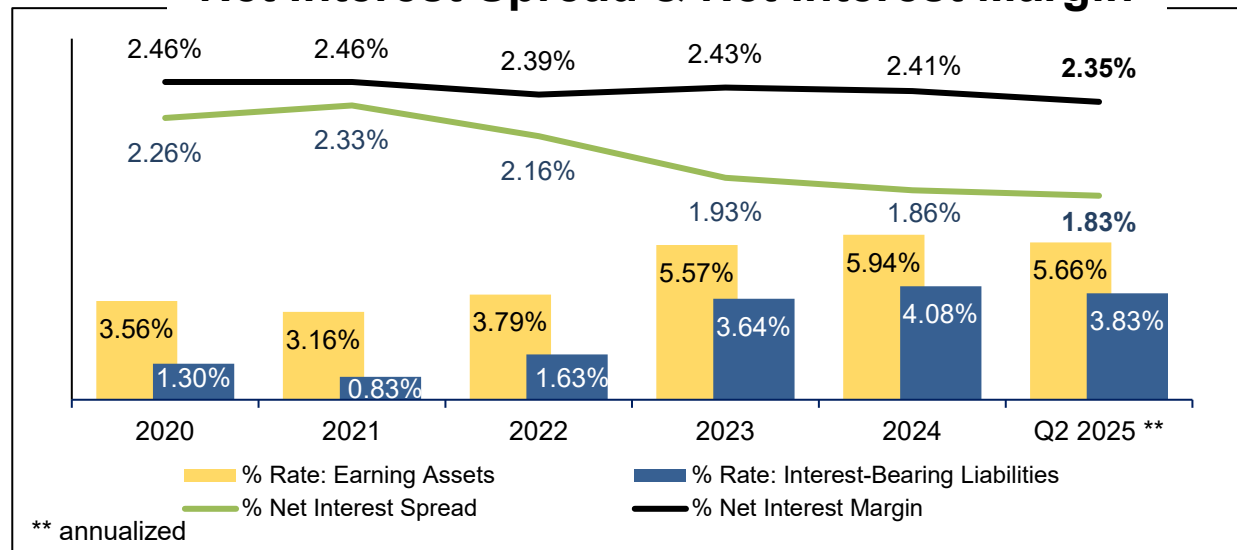
Source: Federal Farm Credit Banks Funding Corporation Information Statements



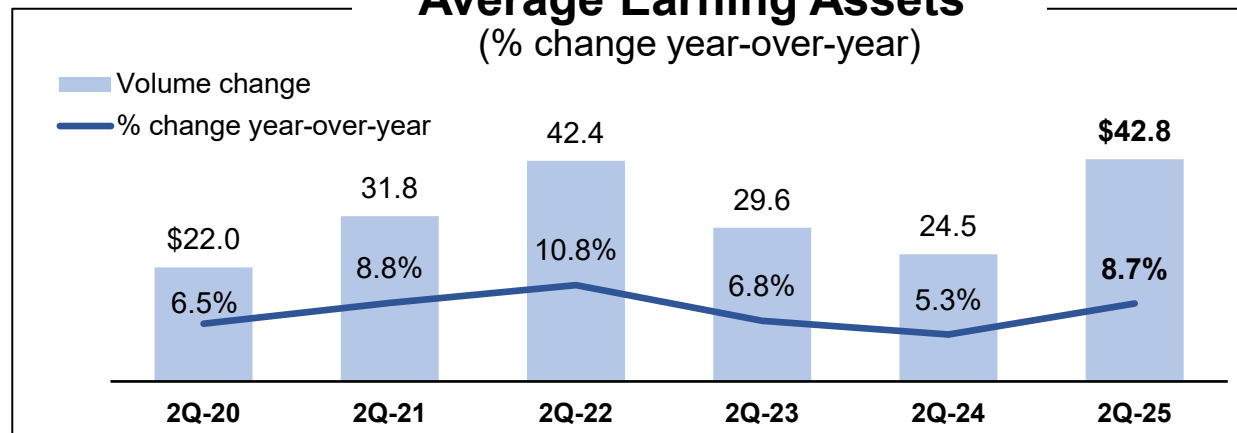
Net interest spread and net interest margin shrink while average earning assets grow

- ▶ Net interest spread continued to compress, dropping 3 basis points primarily related to higher funding costs.
- ▶ Net interest margin declined, dropping 6 basis points from year-end 2024.
- ▶ Average earning assets grew 8.7% year over year in second quarter 2025.

Net Interest Spread & Net Interest Margin



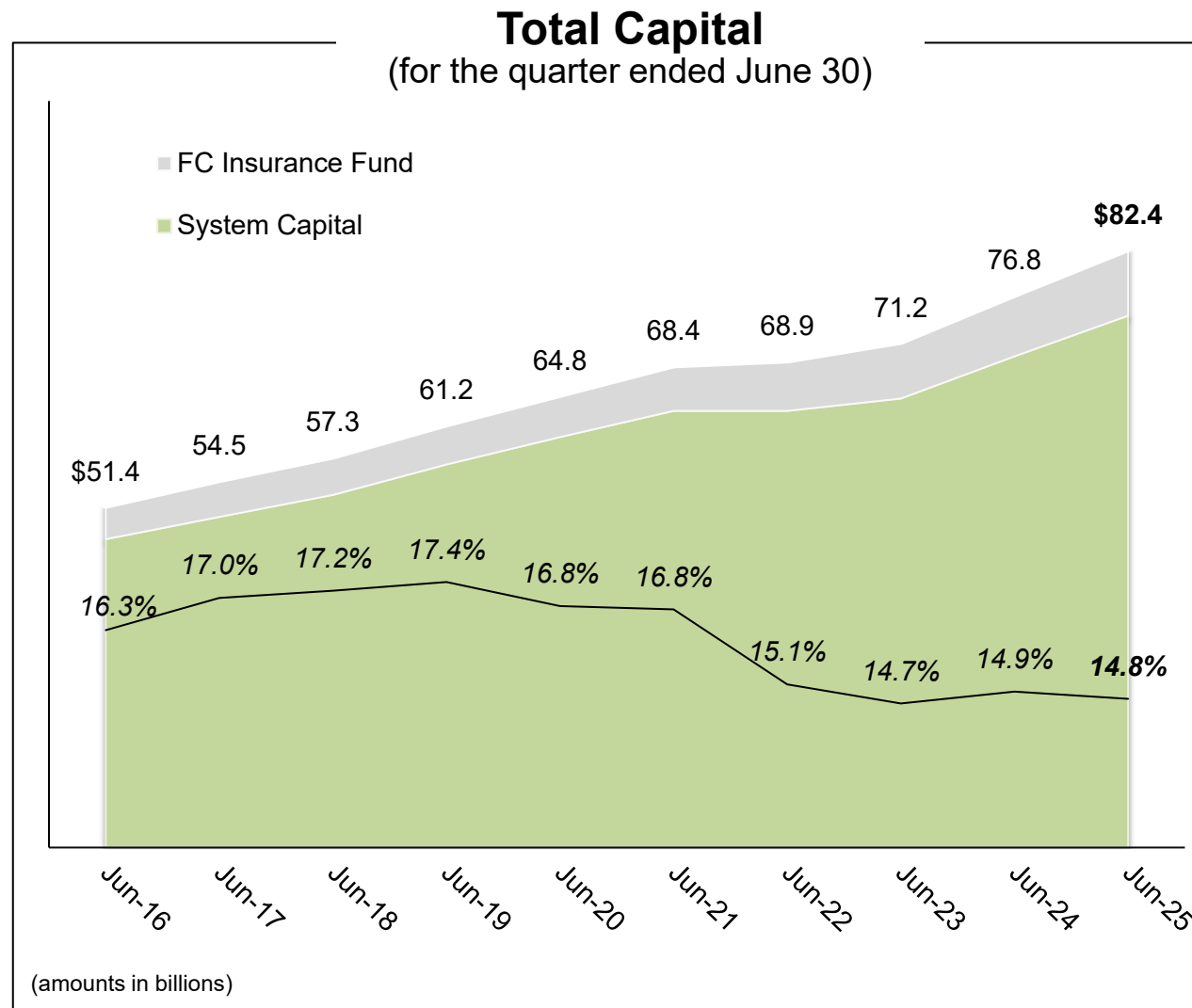
Average Earning Assets (% change year-over-year)





The System is well capitalized with robust risk-bearing capacity

- ▶ Earnings continued to support capital growth.
- ▶ The System's capital-to-assets ratio was 14.8% at quarter-end compared with 14.9% a year ago.
- ▶ Total regulatory capital ratios:
 - Banks: 13.5% to 16.4%
 - Associations: 11.8% to 33.7%
- ▶ Capital and the allowance for loan credit losses equaled 19.3% of loans outstanding.
- ▶ 73% of System institutions had a 1 rating for Capital and all institutions were in the 1 or 2 range.



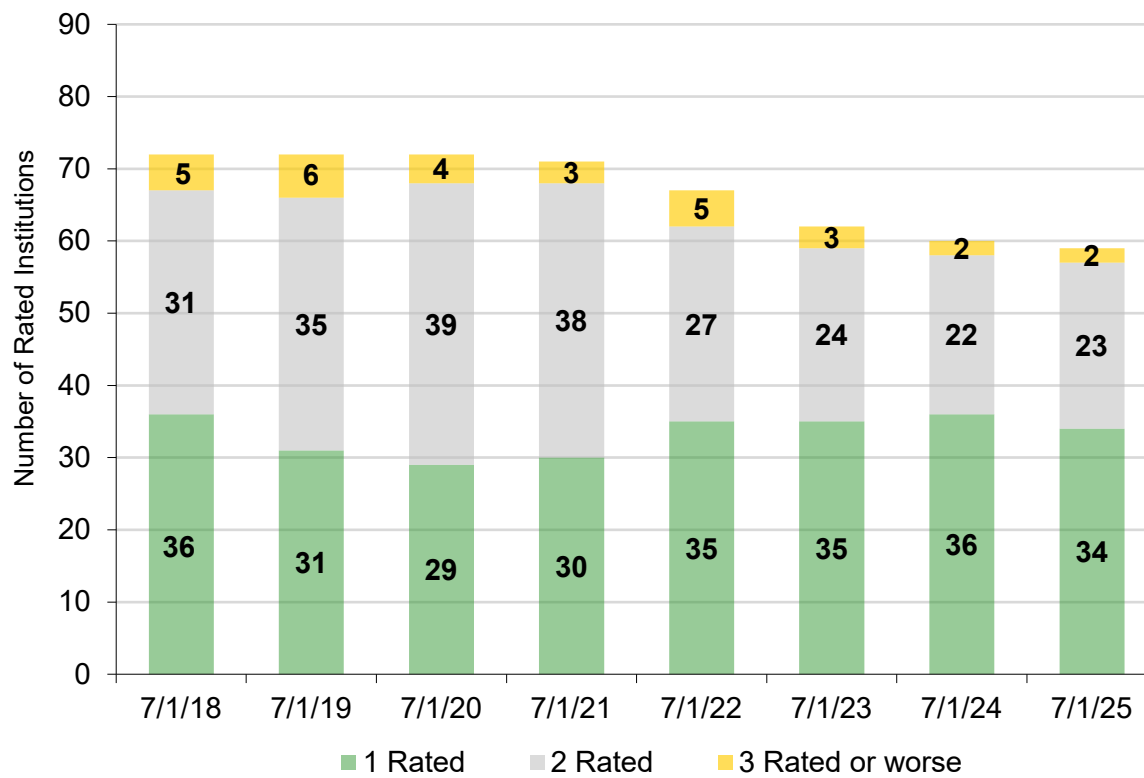


Composite FIRS ratings remain strong

Composite FIRS Ratings (based on 6/30/25 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





Risks we are monitoring

- ▶ Continuing stress on the cash grain sector resulting from lower prices, elevated production costs, and export uncertainties
- ▶ Rising credit risk for agribusinesses as profit margins remain under pressure from high costs and uncertain demand
- ▶ The effect of weaker profit margins and elevated interest rates on farmland and other collateral values
- ▶ The impact of increased nonaccrual levels and allowance provisions on System earnings
- ▶ Potential impact of changing global economic conditions, foreign trade policies, changes in government programs supporting agriculture, and disease outbreaks in crop or livestock sectors