

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
- ▶ Farm income trends
- ▶ Crop and livestock profitability

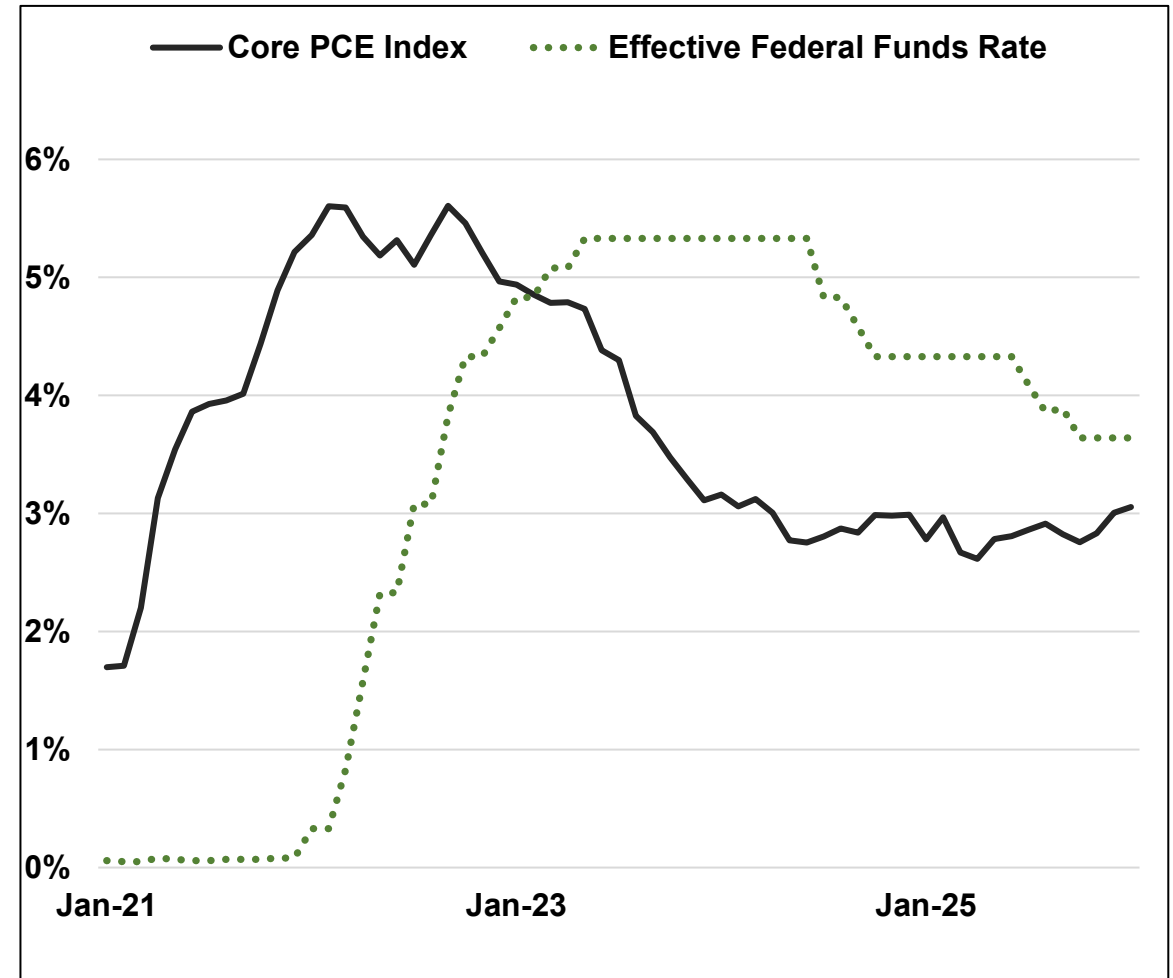
Farm Credit System Condition and Performance

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



Macro indicators show potential challenges ahead

- ▶ PCE inflation stability will be tested with recent volatility in energy markets.
- ▶ Job market shows signs of softening with recent revisions.
- ▶ Real GDP growth slowed to 0.7% in Q4 2025 due to a prolonged government shutdown and reduced exports.
- ▶ Changes to the federal funds rate have been paused.

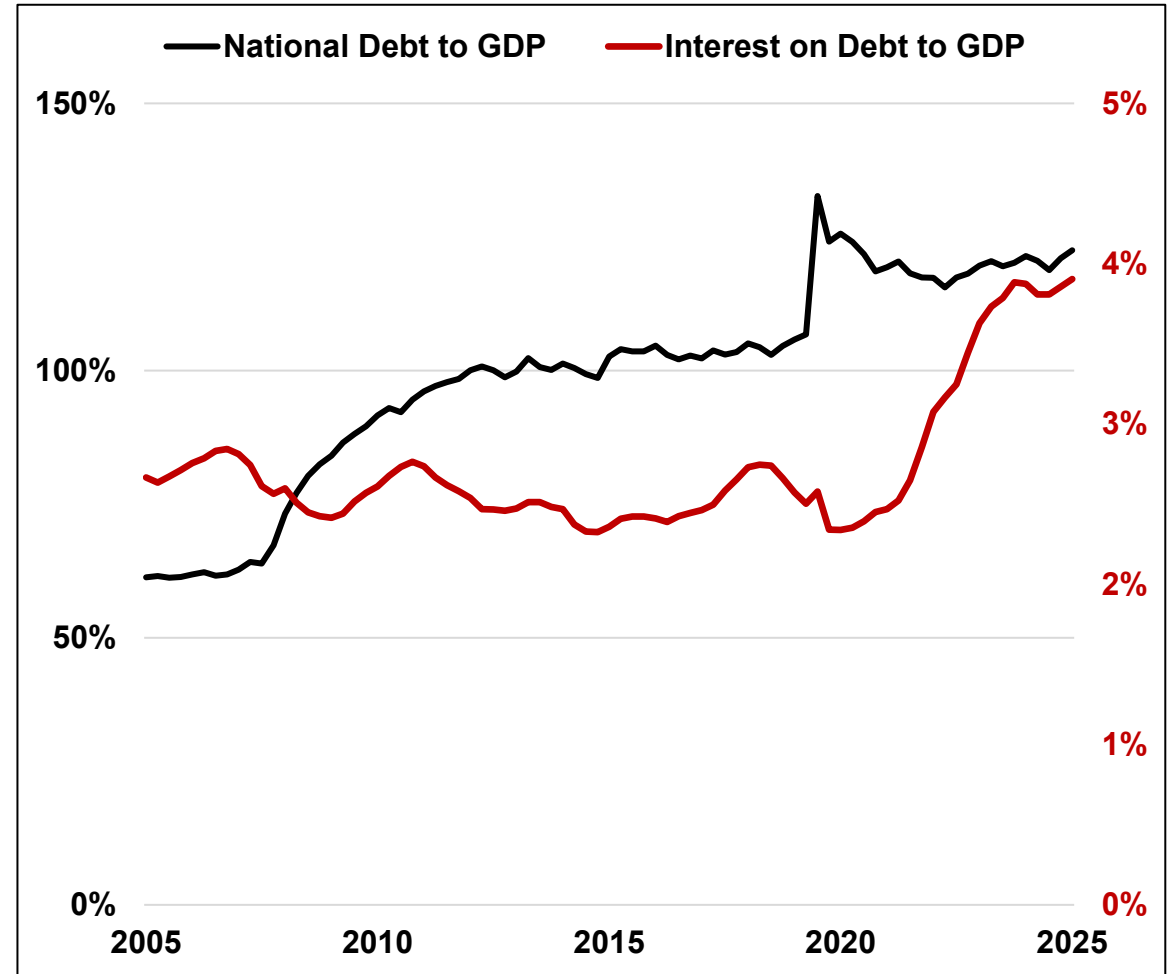


Sources: Bureau of Labor Statistics; Board of Governors of the Federal Reserve System



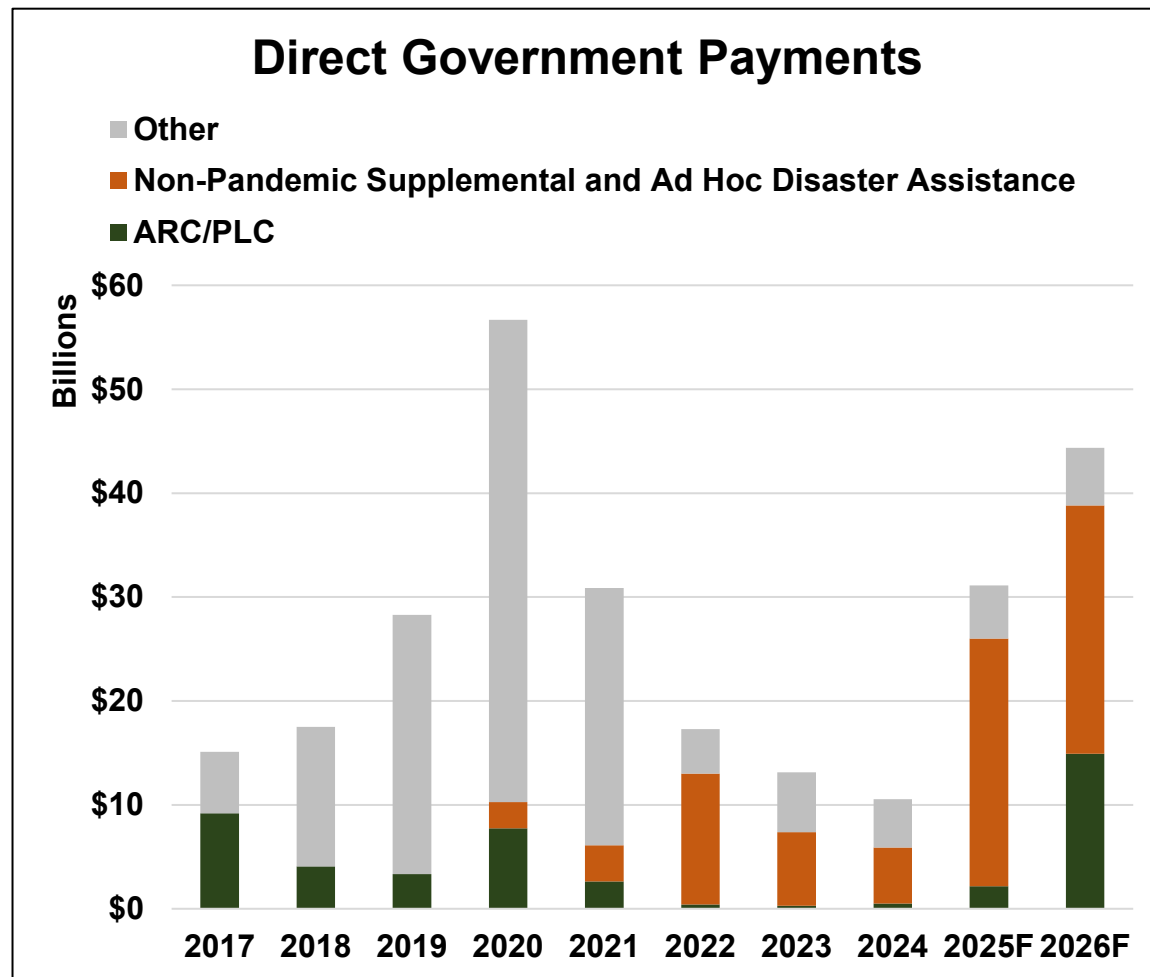
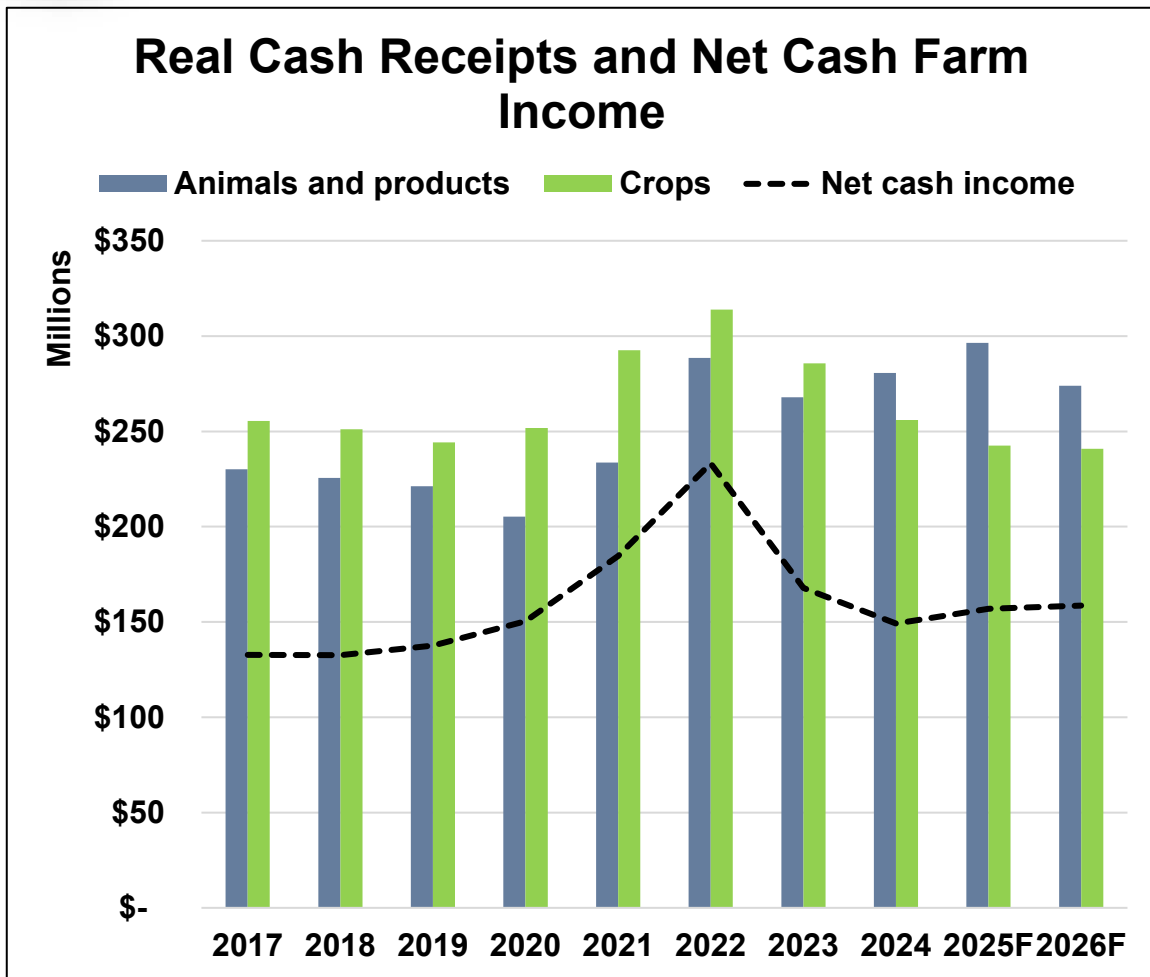
Historical perspectives on government debt

- ▶ Government spending increased sharply in response to recessions in 2008-2009 and 2020.
- ▶ The national debt recently hit \$39 trillion.
- ▶ Debt to GDP ratio has been relatively stable for the past 5 years, but the interest on debt to GDP ratio has been increasing.
- ▶ Private debt as a percentage of GDP has been declining since 2020.





Real farm income expected to be steady



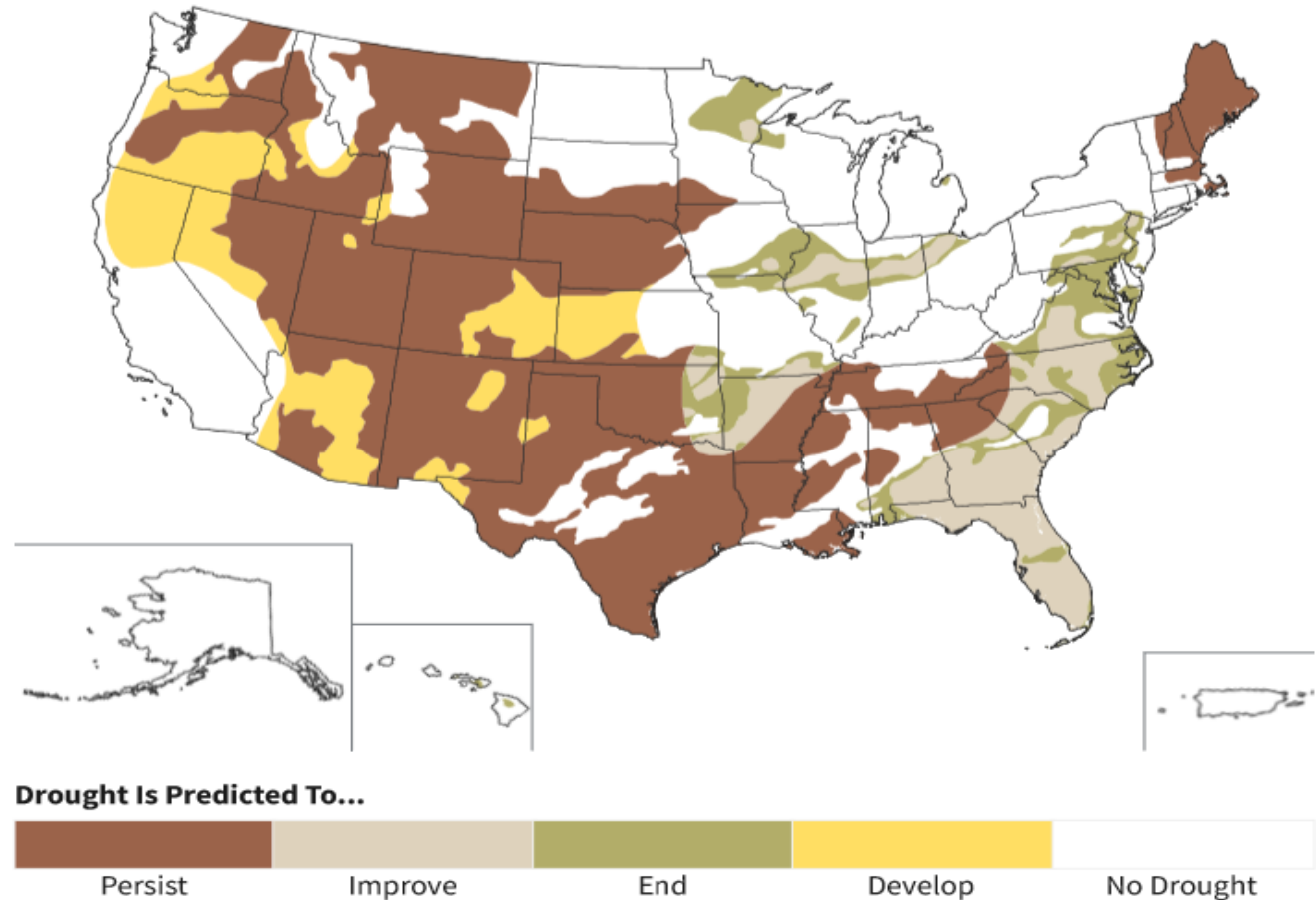
Source: USDA ERS Farm Income and Wealth Statistics



Weather outlook ahead of spring planting

- ▶ Only 23% of the country has no level of drought and 30% is within D2-D4 categories, but many areas expected to improve.
- ▶ Warmest winter on record in the West means possible issues with water availability.
- ▶ Spring planting season is just beginning, with estimated acres for 2026 shifting from corn to soybeans.

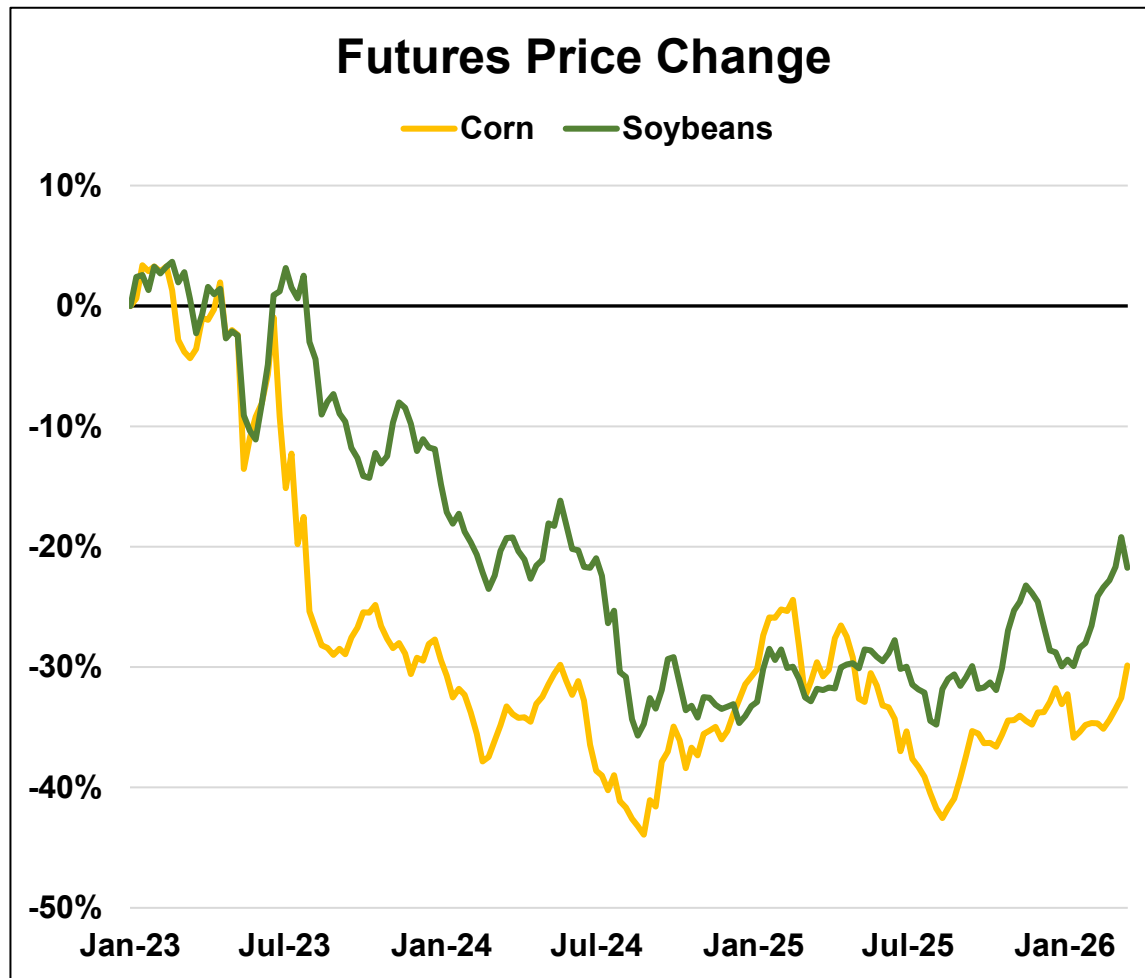
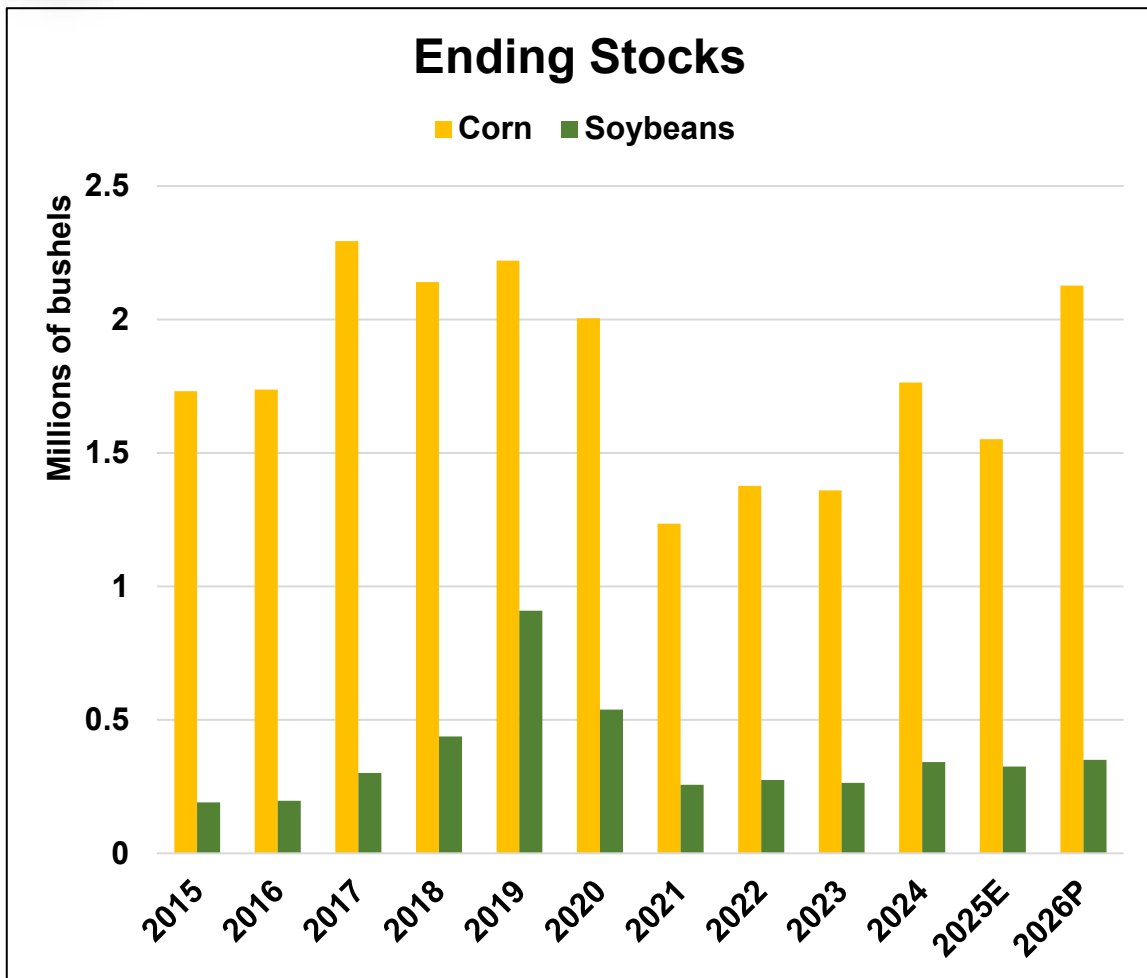
Seasonal (3-Month) Drought Outlook for March 19–June 30, 2026



Source: NOAA Climate Prediction Center



Tight margins projected again for crop farmers

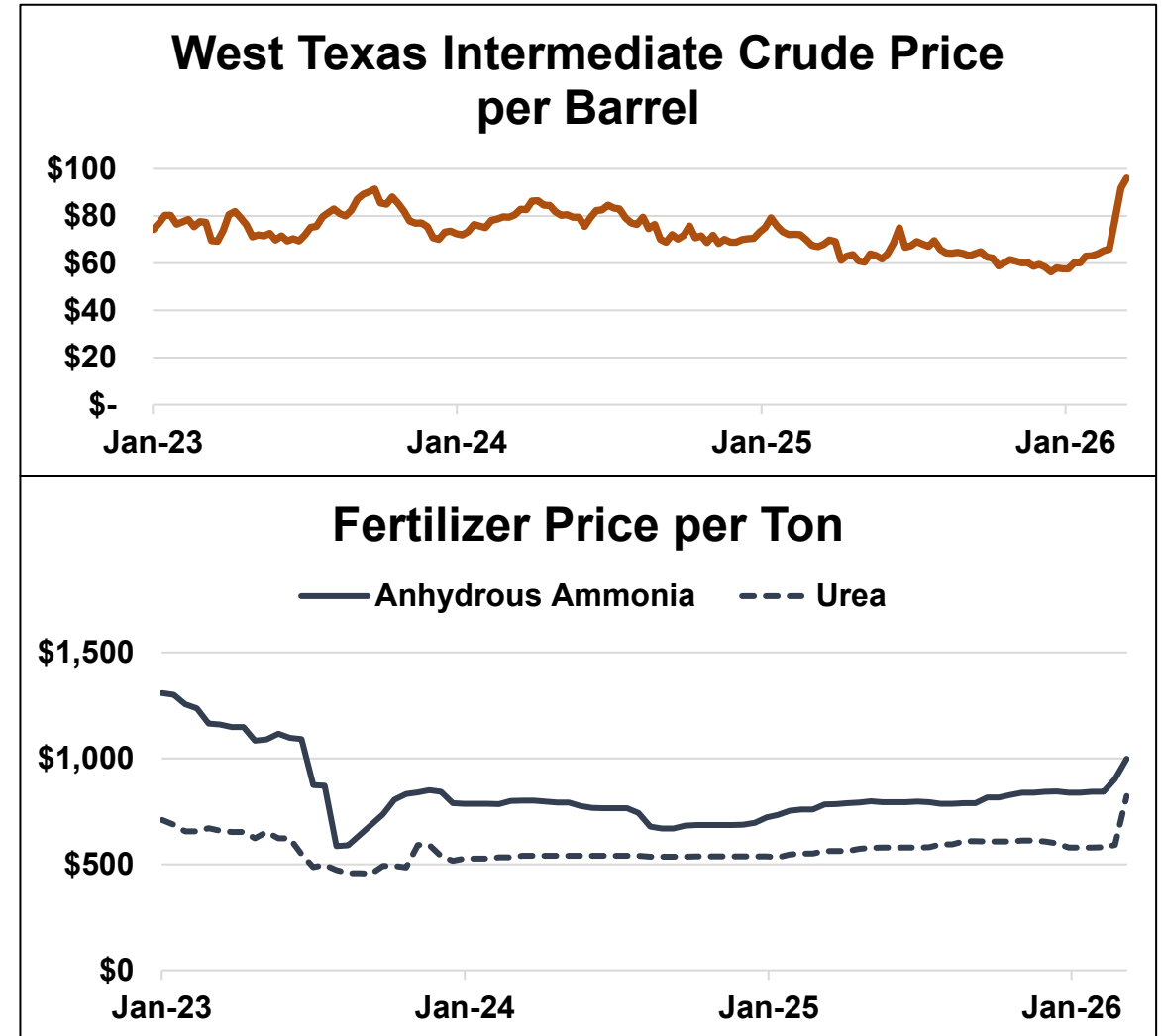


Sources: USDA World Agricultural Supply and Demand Estimates (values for 2025 are estimates and 2026 are projections); CME Futures compiled by LMIC



Conflict in Iran disrupts oil and fertilizer markets

- ▶ Global energy markets have increased sharply.
- ▶ About 25% of seaborne oil trade and 19% of global liquefied natural gas trade passes through the Strait of Hormuz.
- ▶ Prices of two major farm inputs, nitrogen fertilizer and diesel, track changes in crude oil prices.
- ▶ Farmers with unhedged inputs face higher prices this spring.

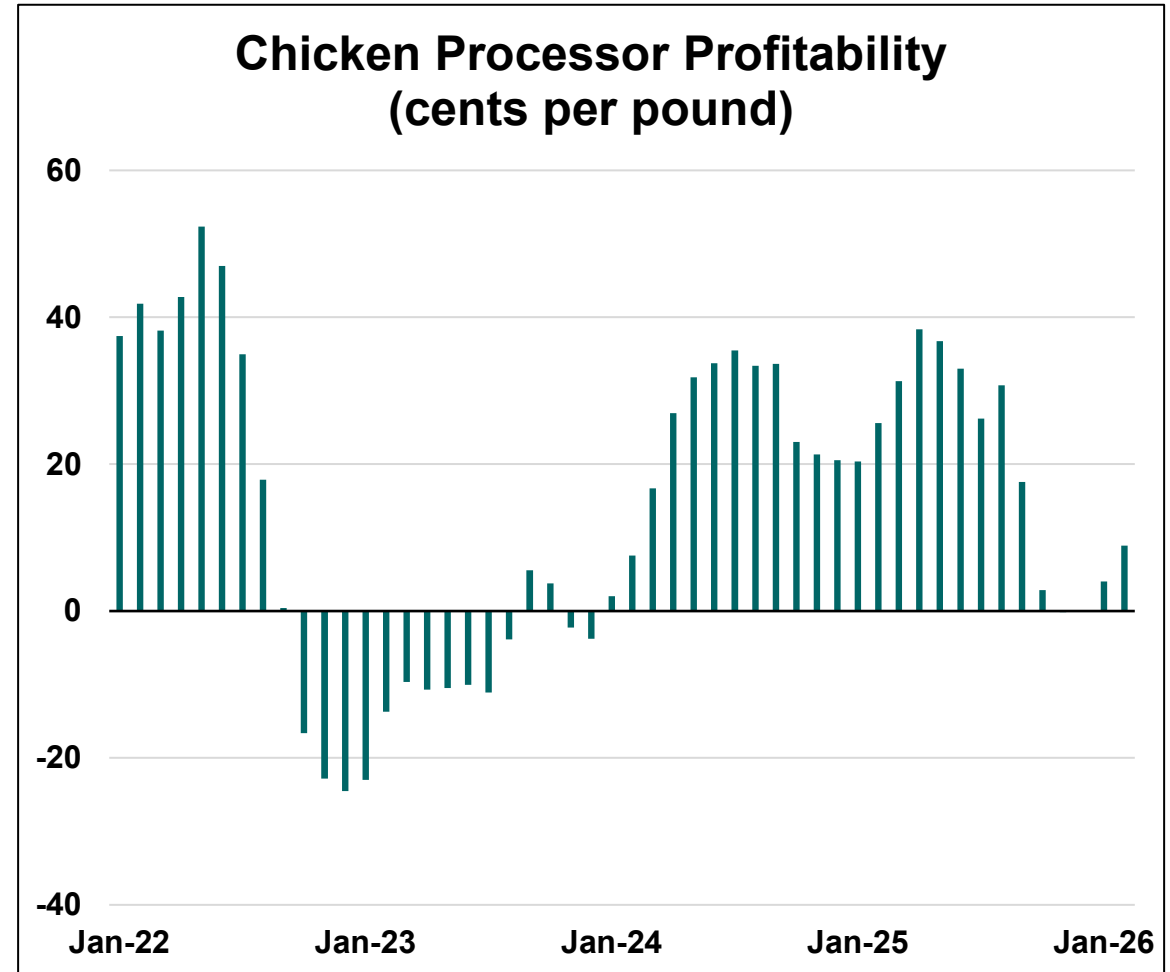


Sources: U.S. Energy Information Administration; USDA AMS



Chicken profitability drops as prices soften

- ▶ Chicken prices are lower than last year and back near 2020-2024 averages following recent increases in output.
- ▶ Despite high prices for competing proteins, consumer demand for chicken has been not as robust expected.
- ▶ Highly Pathogenic Avian Influenza cases in 2026 are down compared to last year.

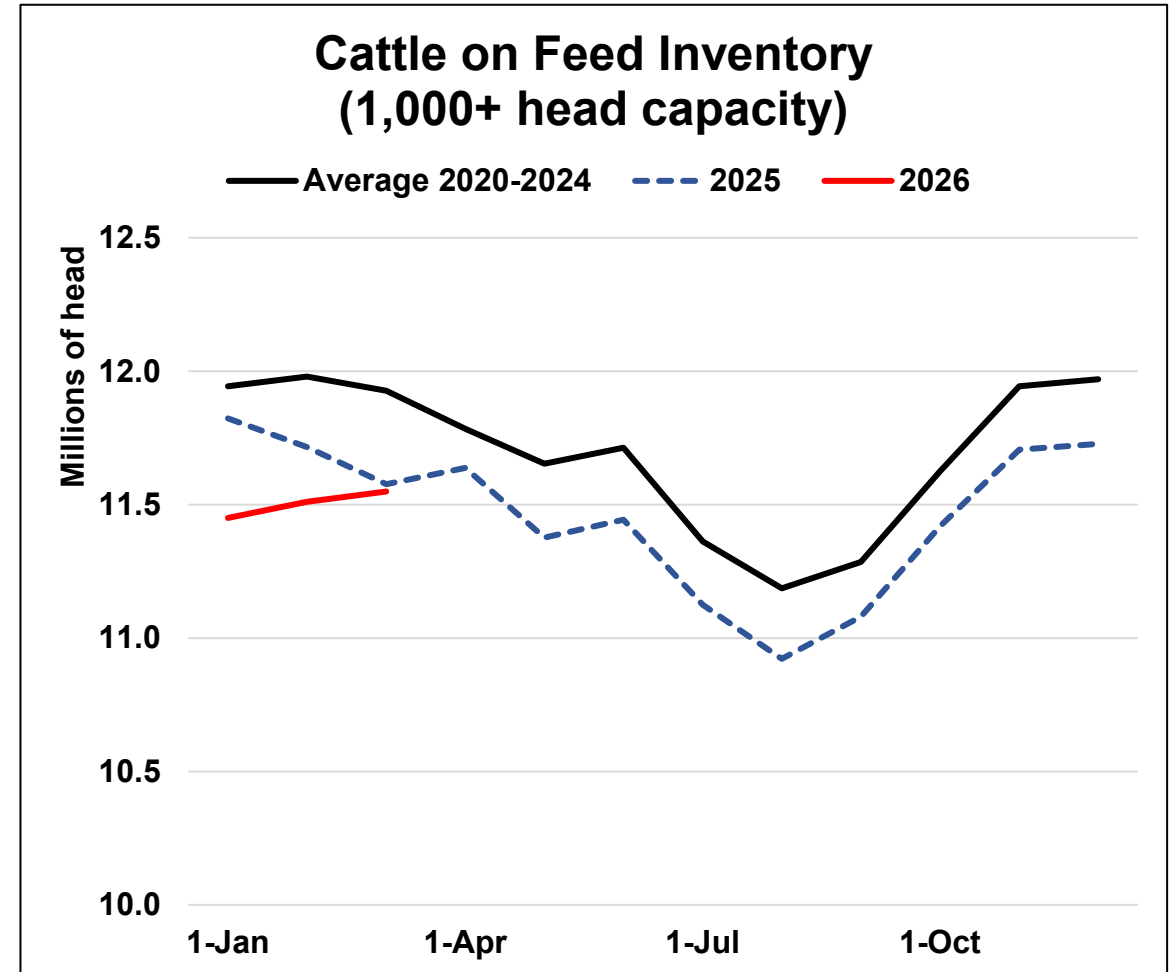


Source: Livestock Marketing Information Center



Cattle markets stay strong

- ▶ Prices for cattle remain high amidst inventory lows and high consumer demand.
- ▶ Drought conditions and high opportunity costs are leading to individual herd liquidations.
- ▶ The recent Cattle on Feed report shows inventory on par with 2025 as higher placements offset lower marketings.



Source: USDA NASS Cattle on Feed



Ongoing challenges to the farm economy

▶ Producer confidence

- About 44% of producers surveyed think their operations are in worse shape than one year ago.
- Farmer Bridge Assistance payments meant to help farmers weather the storm will mostly be used for paying down debt and improving working capital.
- Despite low confidence in current conditions, most producers and economists surveyed believe producers will find a way through these challenging times.

▶ Trade uncertainty

- All tariffs issued under the International Emergency Economic Powers Act (IEEPA) were declared invalid by the Supreme Court.
- Joint review of the United States-Mexico-Canada Agreement (USMCA) must begin by July 1.
- Trade talks with China have been rescheduled.



Questions?



Farm Credit System Condition and Performance as of December 31, 2025

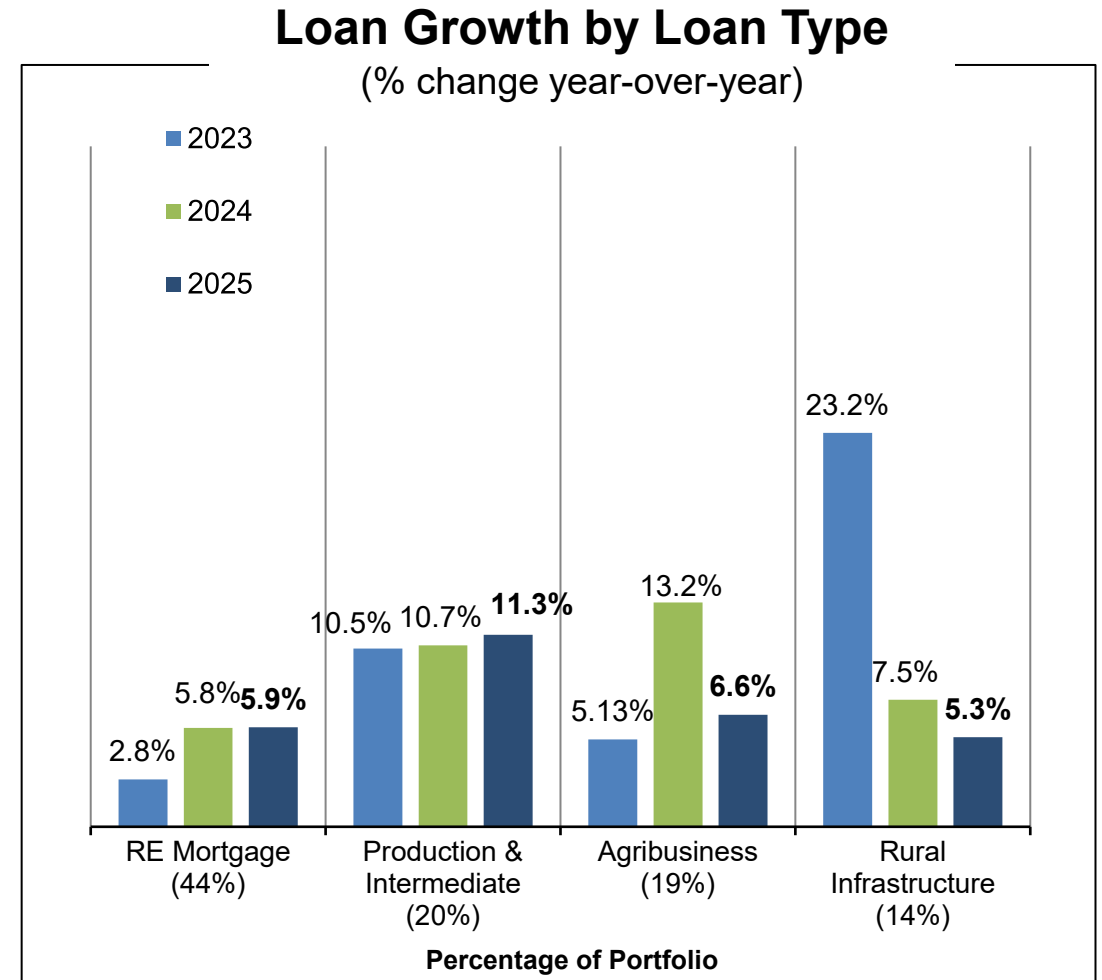
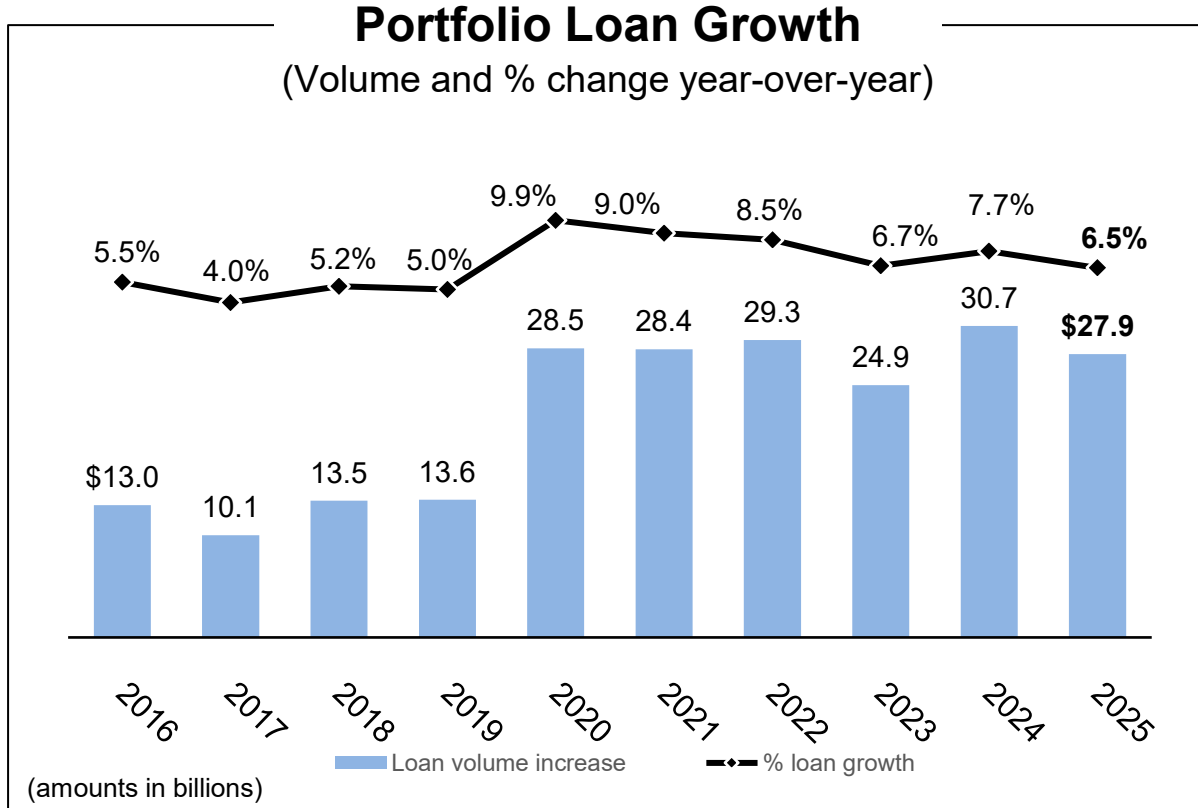
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System portfolio growth moderated in 2025

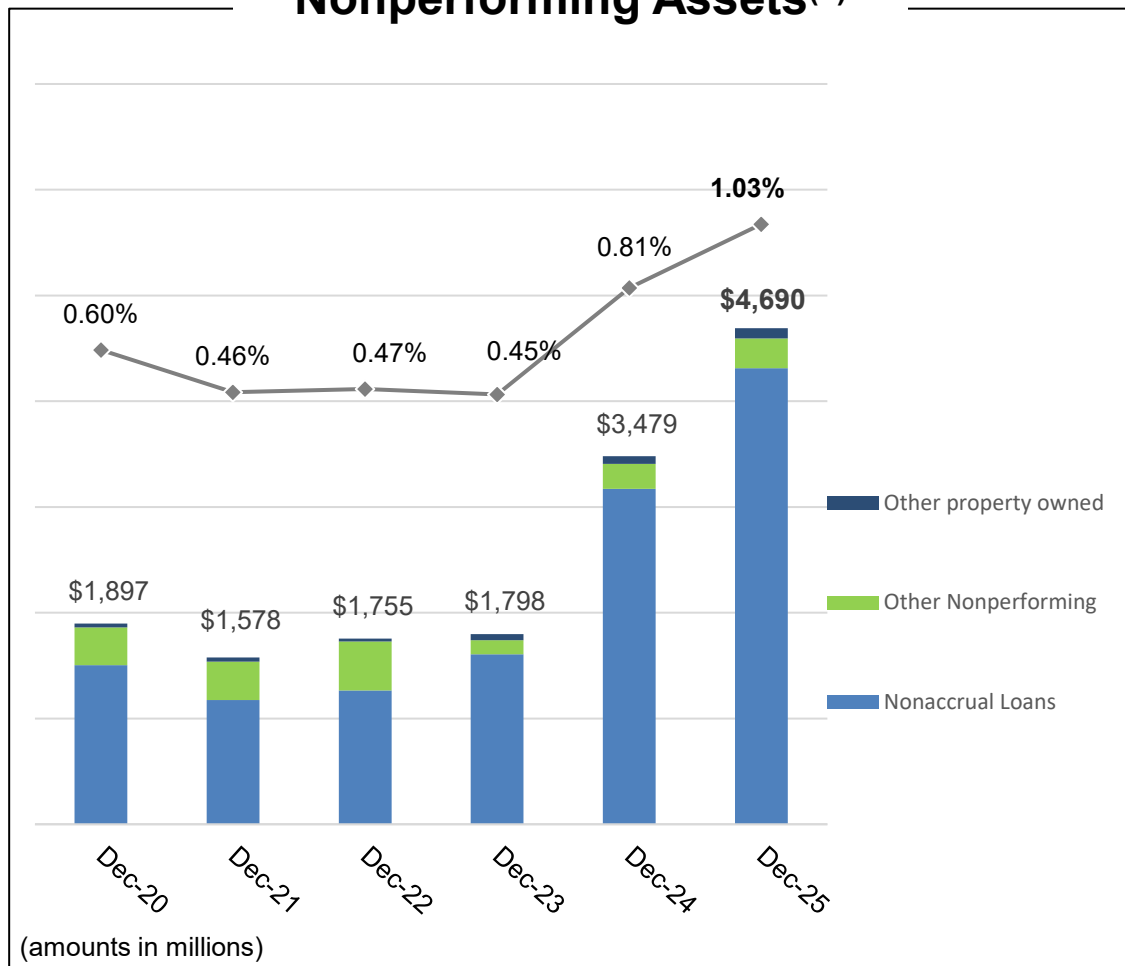
Total Assets 12/31/25	\$582.3	+3.8% Qtr	Gross Loans 12/31/25	\$456.9	+4.3% Qtr
	billion	+7.0% 12M		billion	+6.5% 12M



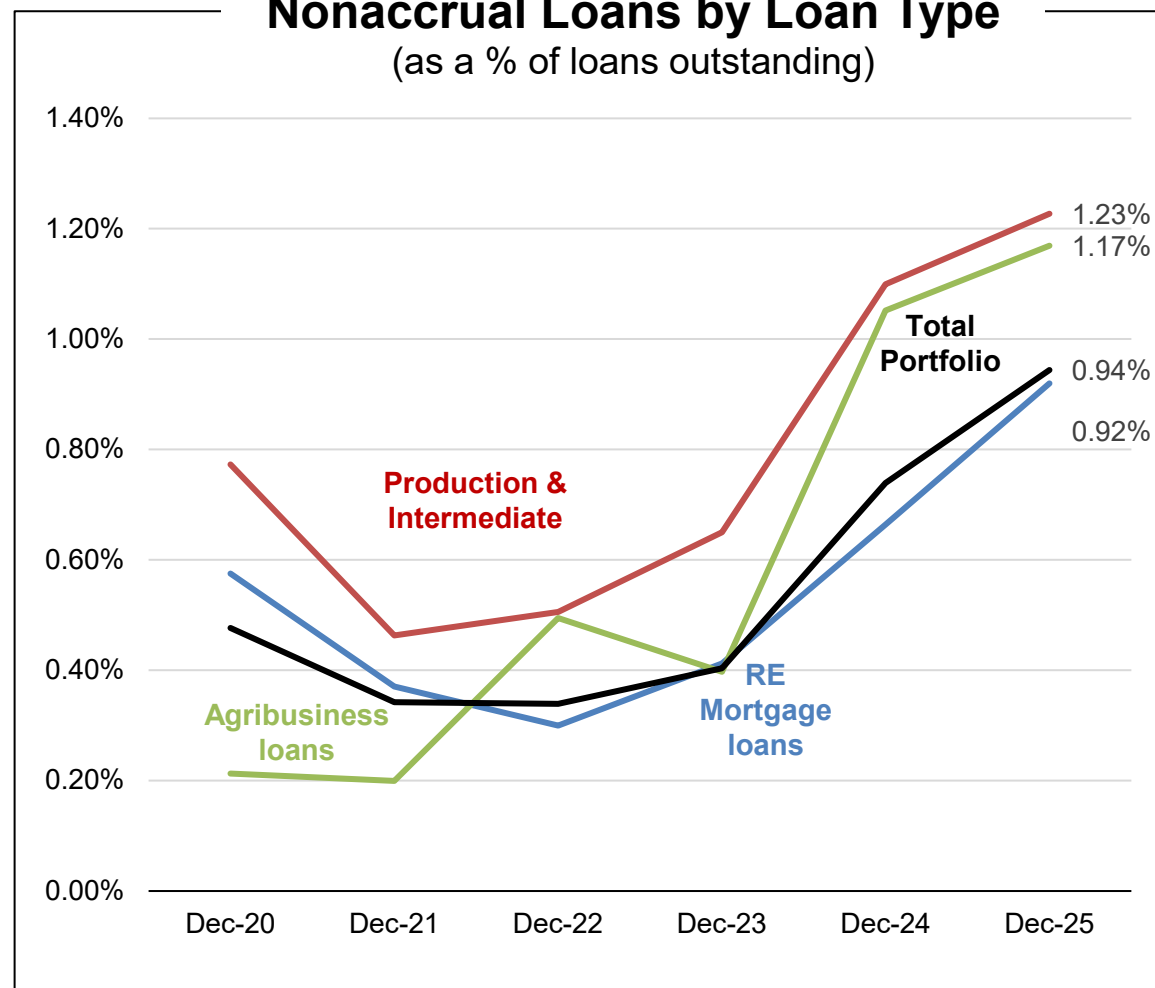


Nonperforming assets increased

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



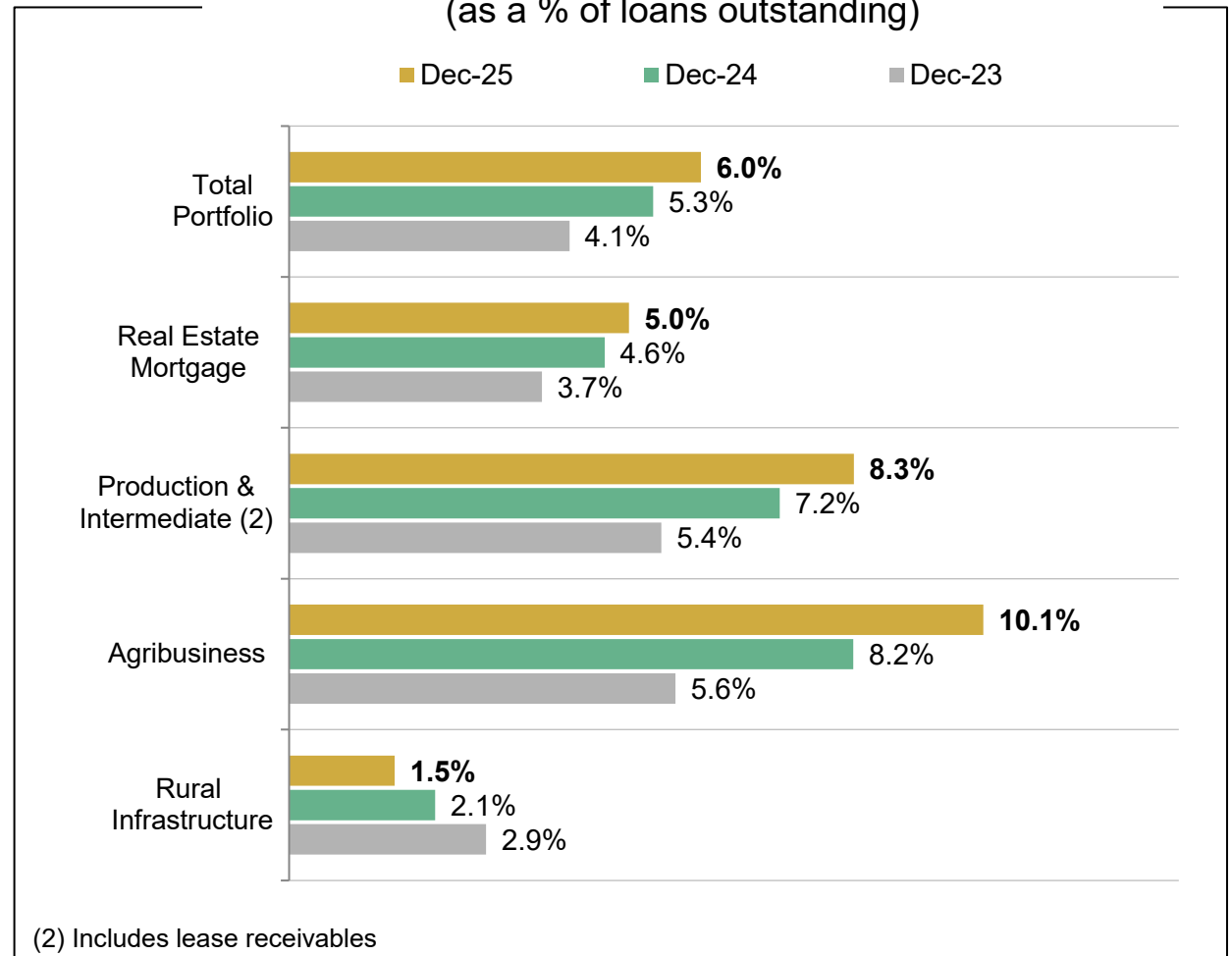
Less than Acceptable loans also increased

- ▶ The percentage of loans classified less than Acceptable increased in all loan categories other than rural infrastructure.
- ▶ Agribusiness and Production and Intermediate loan categories continued to have the highest percentage of less than Acceptable loans at just over 10%.
- ▶ Loan delinquencies⁽¹⁾ as a percentage of total accruing loans equaled 0.36% at year end 2025, and yearend 2024.

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

Source: Federal Farm Credit Banks Funding Corporation Information Statements

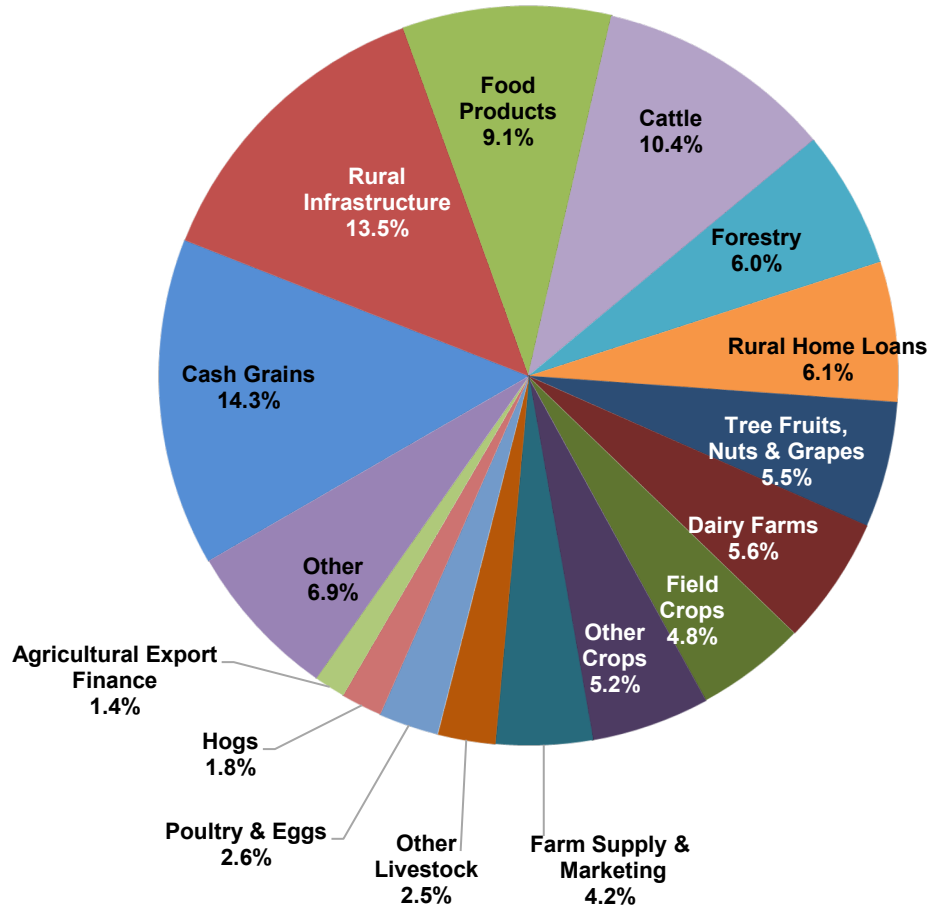
Loans Classified Less than Acceptable (as a % of loans outstanding)





System portfolio was diversified by commodity

Loan Portfolio by Major Commodity Concentration



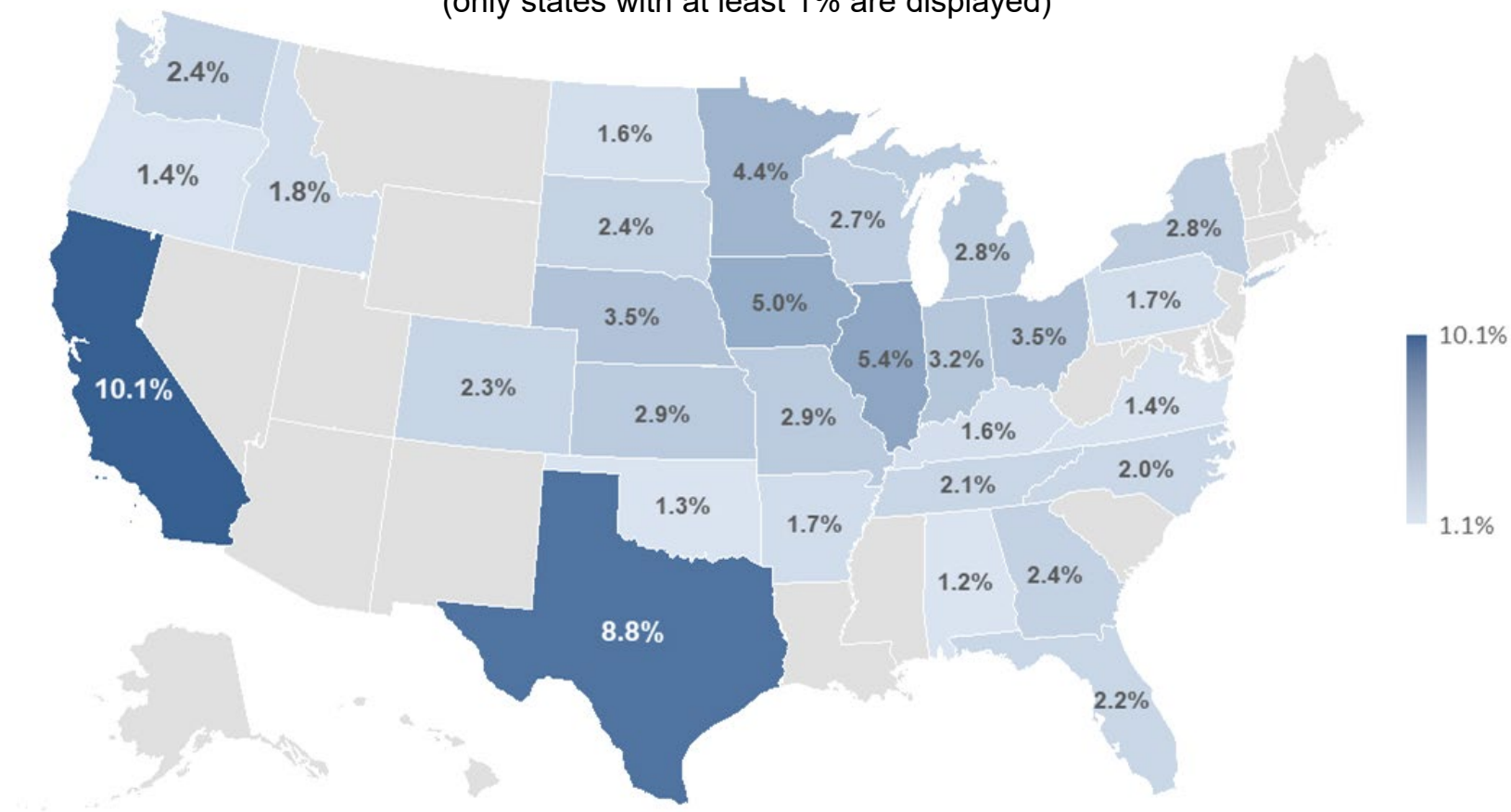
System Loan Portfolio (amounts in millions)	Dec-25	% of Total Portfolio	% chg. yr. over yr.
Cash Grains	65,463	14.3%	6.0%
Tree Fruits, Nuts & Grapes	25,212	5.5%	1.2%
Field Crops	22,152	4.8%	(0.5%)
Other Crop Production	23,695	5.2%	9.0%
Total Crop Production	136,522	29.9%	4.5%
Cattle	47,309	10.4%	17.8%
Dairy Farms	25,667	5.6%	4.8%
Poultry & Eggs	11,972	2.6%	15.8%
Hogs	8,101	1.8%	(3.7%)
Other Livestock	11,393	2.5%	6.0%
Total Animal Production	104,442	22.9%	10.9%
Rural Infrastructure	61,607	13.5%	5.3%
Food Products	41,770	9.1%	2.2%
Rural Home Loans	27,651	6.1%	9.1%
Forestry	27,305	6.0%	6.4%
Farm Supply & Marketing	19,274	4.2%	8.2%
Agricultural export finance	6,462	1.4%	(15.1%)
Other	31,827	7.0%	12.5%
Total	456,860	100.0%	6.5%



Portfolio volume was geographically dispersed

Percentage of System Loan Volume by State as of Dec. 31, 2025

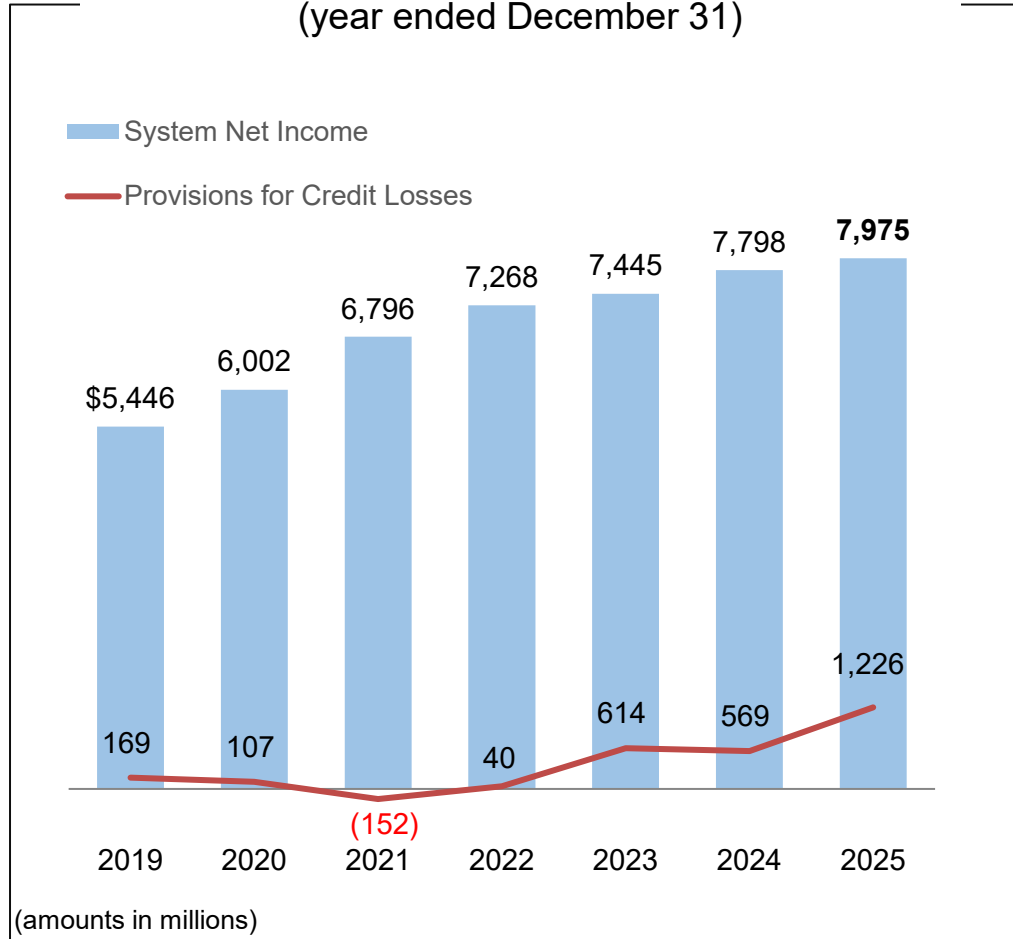
(only states with at least 1% are displayed)



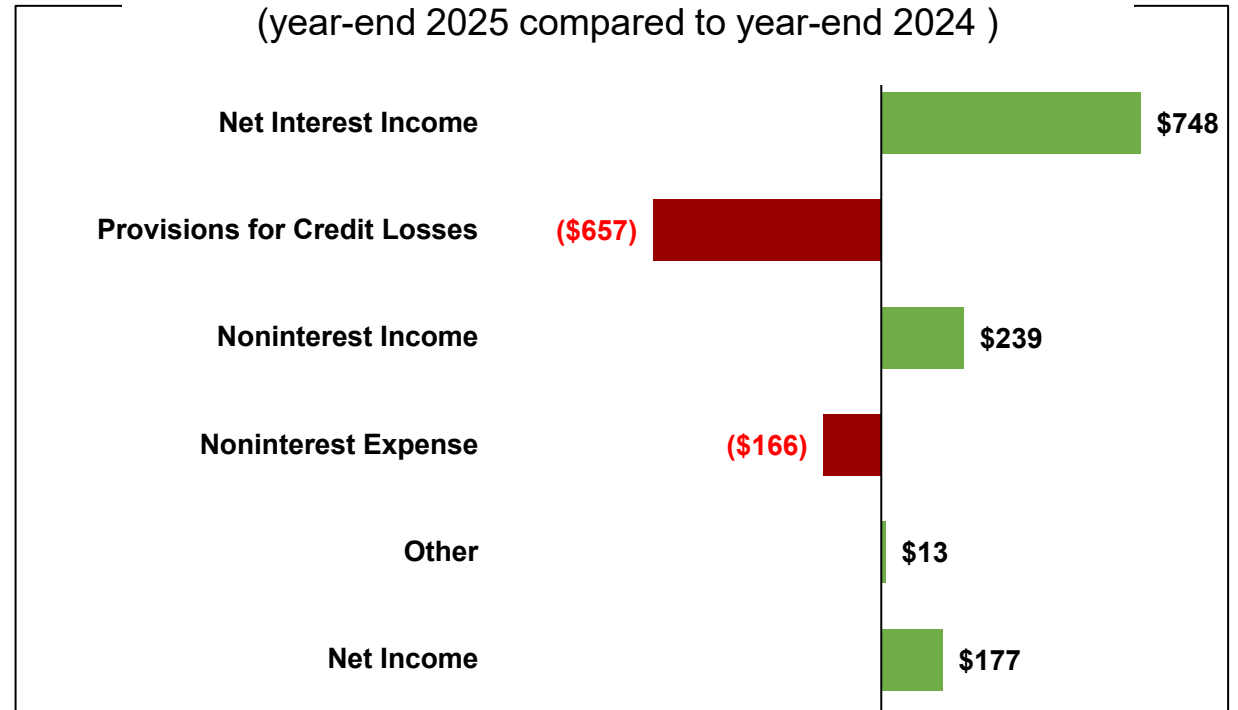


System earnings remained stable

System Net Income
(year ended December 31)



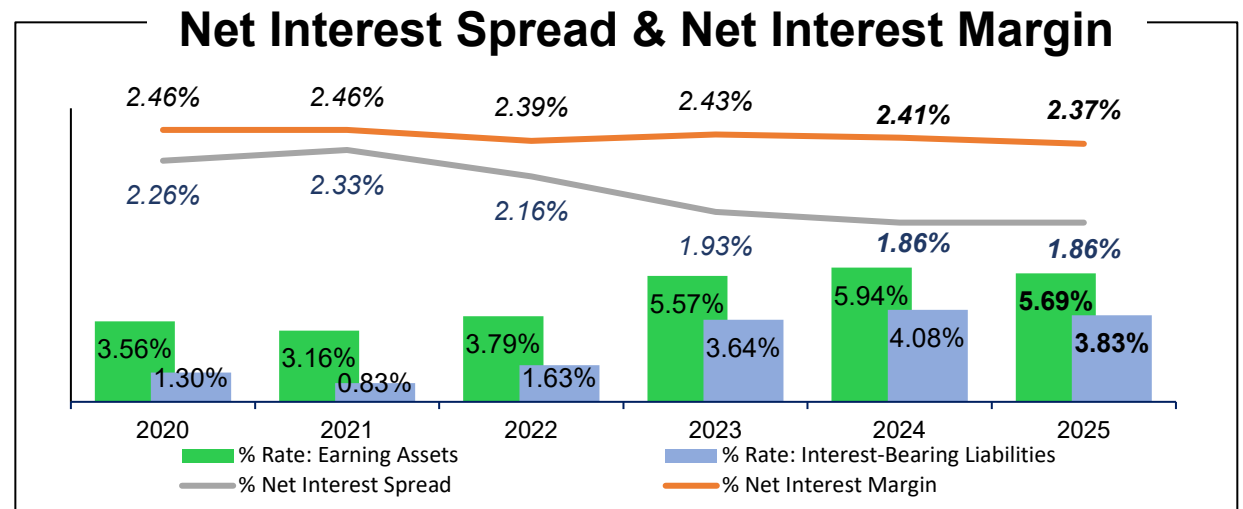
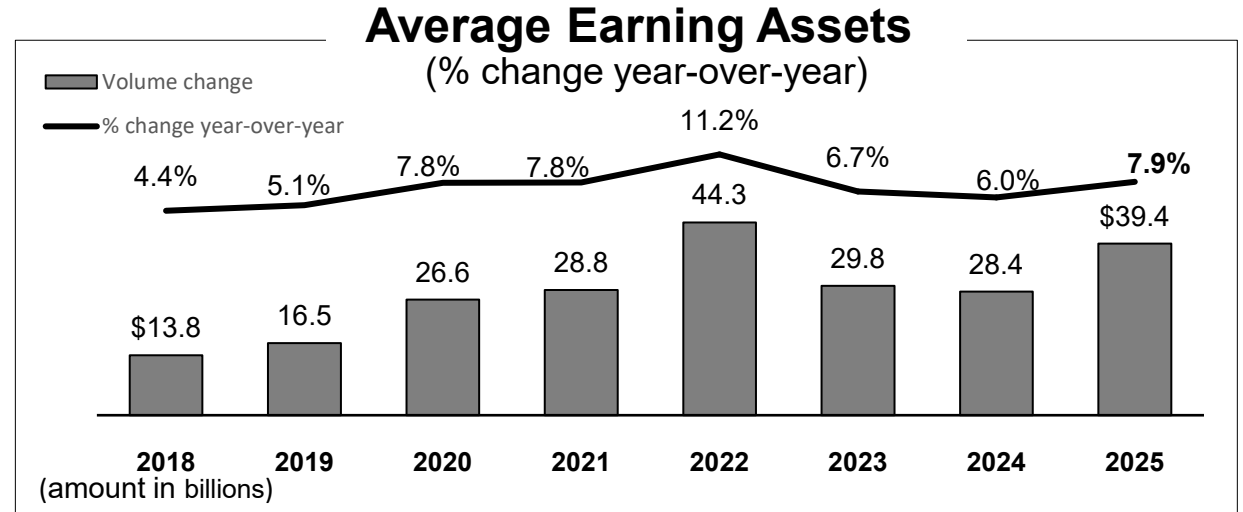
Changes in Key Components of Net Income
(year-end 2025 compared to year-end 2024)





Net interest margin decreased while average earning assets increased

- ▶ Net interest spread at 1.86% remains unchanged from yearend 2024.
- ▶ Net interest margin declined, dropping 4 basis points from yearend 2024.
- ▶ Average earning assets grew 7.9% year over year.

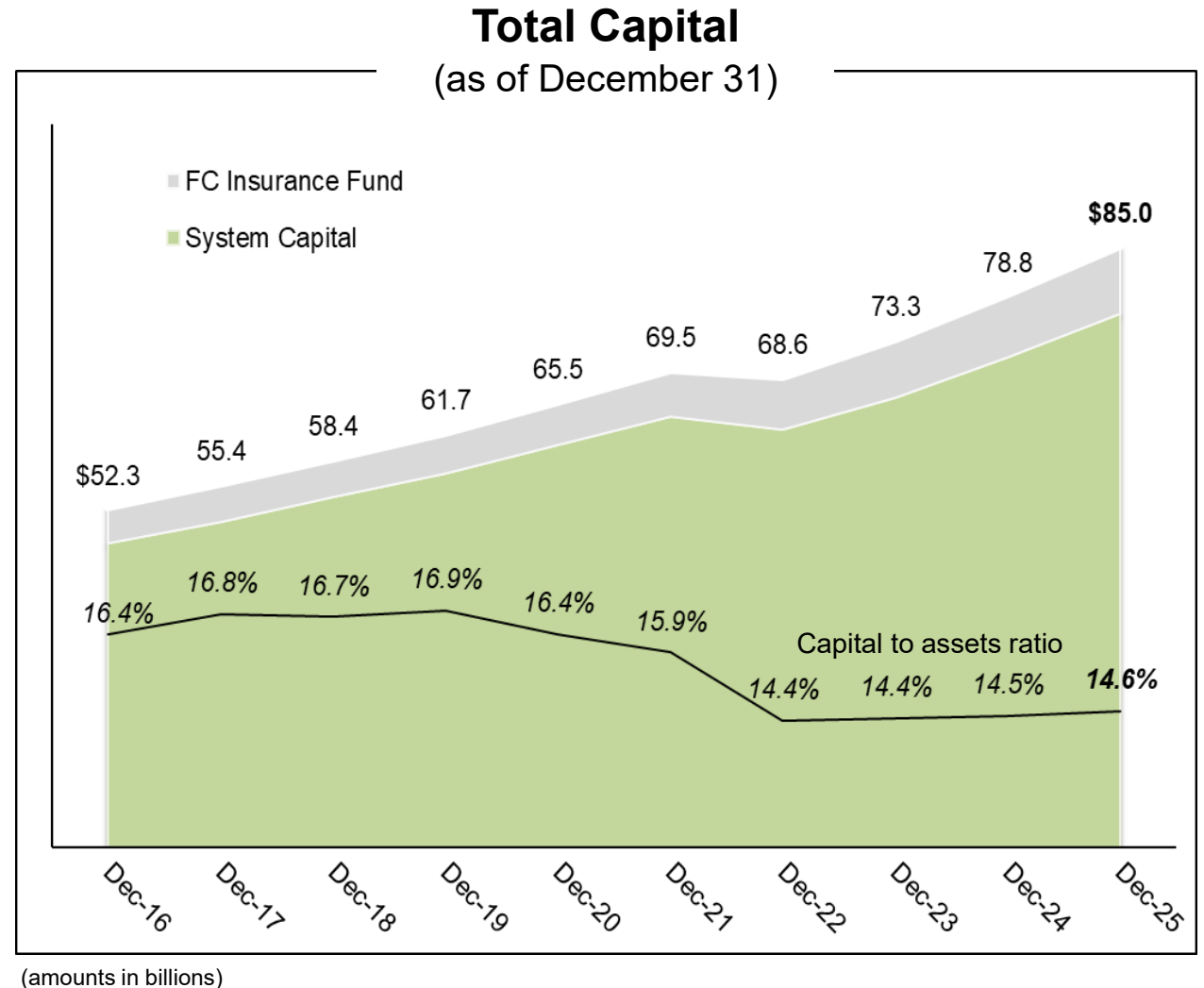


Source: Federal Farm Credit Banks Funding Corporation Information Statements



Capital growth continued while the Capital to asset ratio remained stable

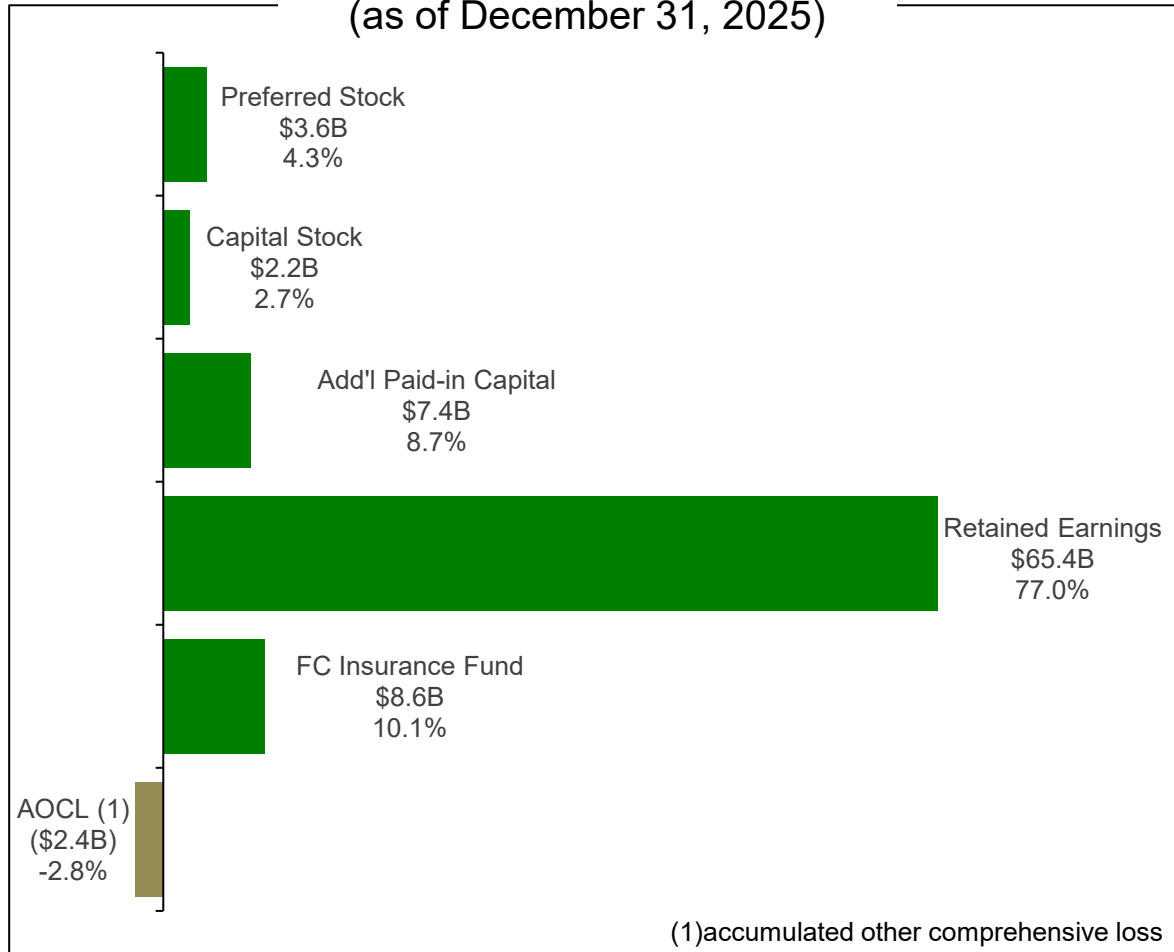
- ▶ In 2025, System capital increased \$6.2 billion or 7.3% year-over-year.
- ▶ The System's capital-to-assets ratio at year-end was 14.6%, up slightly from a year ago.
- ▶ Total regulatory capital ratios were sound.
 - Banks: 13.6% to 16.1%
 - Associations: 12.1% to 36.6%
- ▶ Accumulated other comprehensive loss (AOCL) equaled \$2.4 billion, down from \$3.4 billion a year ago.



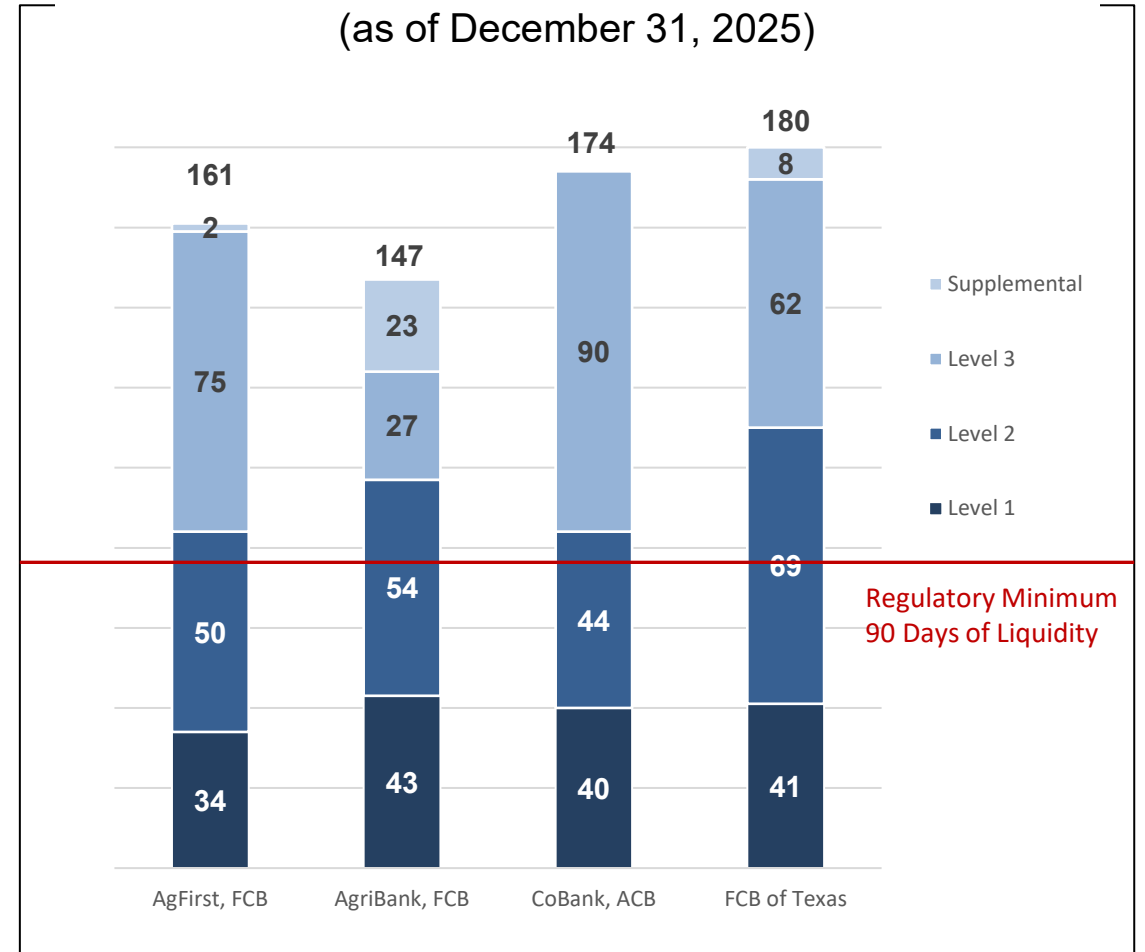


Capital quality and liquidity reserves were strong

Capital Components
(as of December 31, 2025)



Days of Liquidity | Farm Credit System Banks
(as of December 31, 2025)





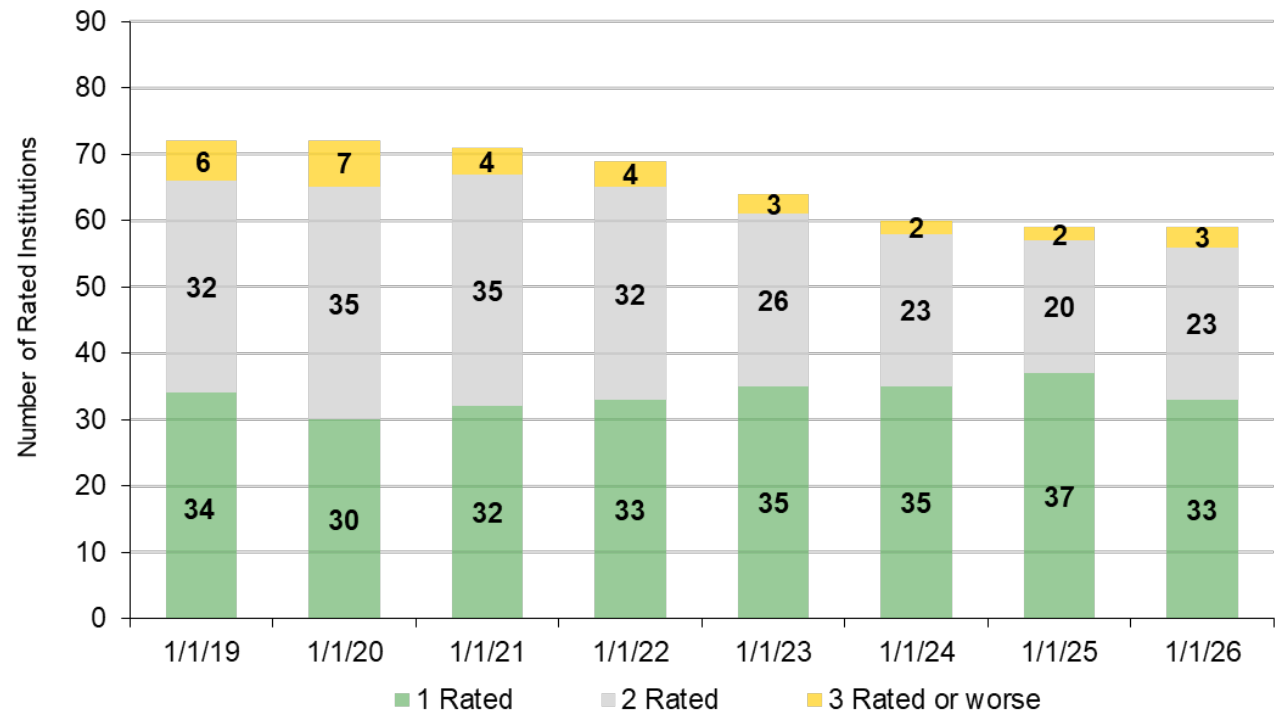
Composite FIRS ratings remained stable

Composite FIRS Ratings

(based on 12/31/25 financial reporting)

- ▶ Composite FIRS ratings reflect the System's sound financial condition.
- ▶ Over 95% of System banks and associations have a Composite FIRS rating of 1 or 2.
- ▶ Institutions rated 3 or worse hold less than 5% 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 continue to face a challenging operating environment in 2026.

- ▶ Potential impact of changes in global economic conditions on the farm economy
- ▶ Continuing stress on cash grain sector resulting from volatile commodity prices, high input costs, global production trends, and trade uncertainties
- ▶ Rising credit risk for agribusinesses as profit margins remain under pressure from high costs and uncertain demand
- ▶ The effect of weaker margins and a volatile interest rate environment on farmland and other collateral values
- ▶ Consequences of tariffs, foreign trade policies, rising fuel costs, changes in government programs supporting agriculture, and disease outbreaks in crop or livestock sectors



Questions?