

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

June 11, 2026

Greg Lyons – Senior Economist
Office of Data Analytics and Economics

Curtis Allman – Supervisory FCA Examiner
Office of Examination





Topics for open session

Economic Conditions affecting the Farm Credit System

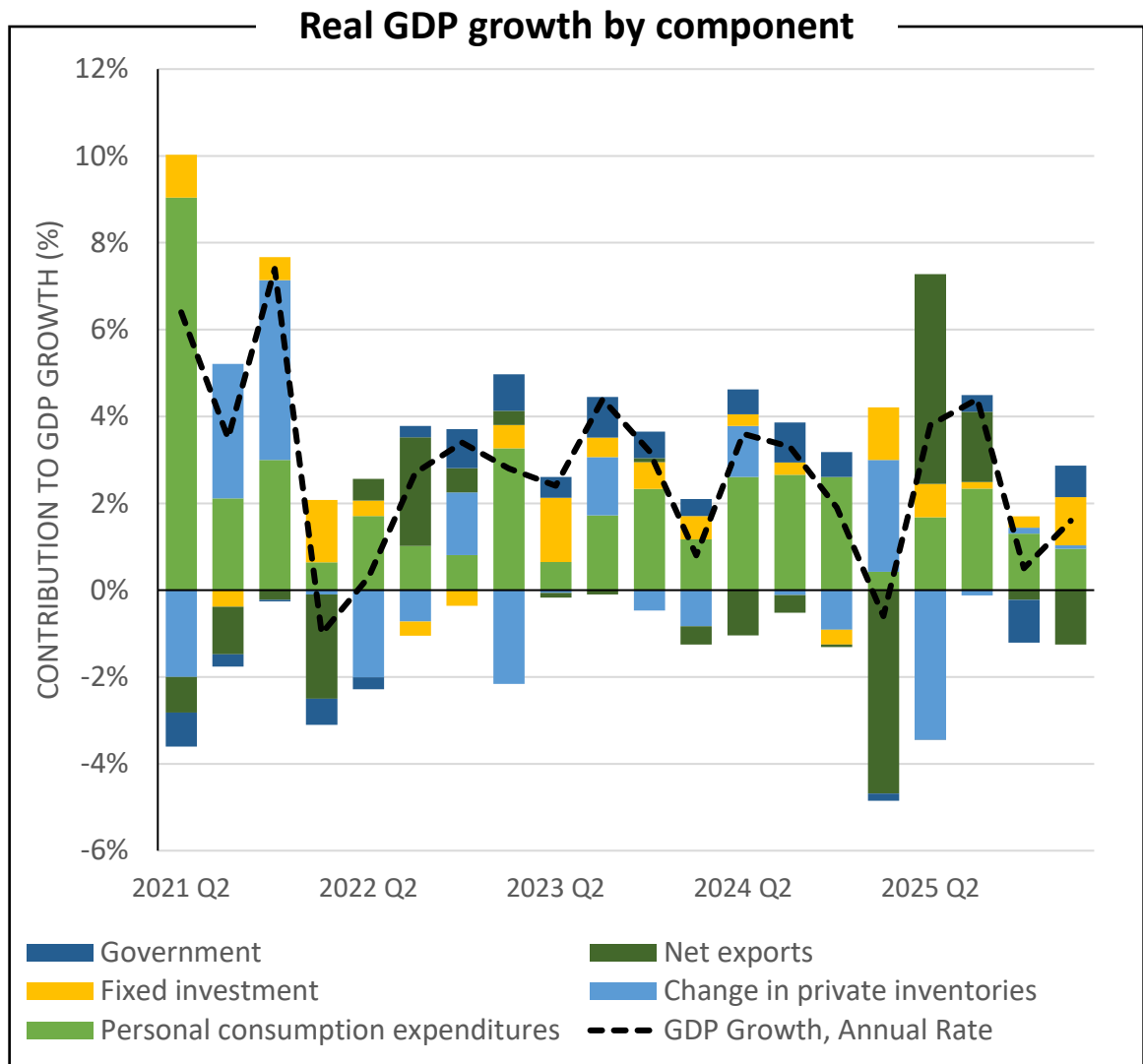
- Macroeconomic update
- Farm income and financial conditions
- Farmland values

Farm Credit System Condition and Performance

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



GDP growth slows, but is supported by AI spending



Headline growth is slow, but may be resilient

- FRB: March projections showed minimal change
- Real final private sales at 2.4%
- Forecasts for Q2 remain positive

AI continues to boost fixed investment

- FRB estimated 0.5% increase in Q3 2025 GDP
- AI investment requires considerable imports
- Fixed investment flat to mildly positive without AI

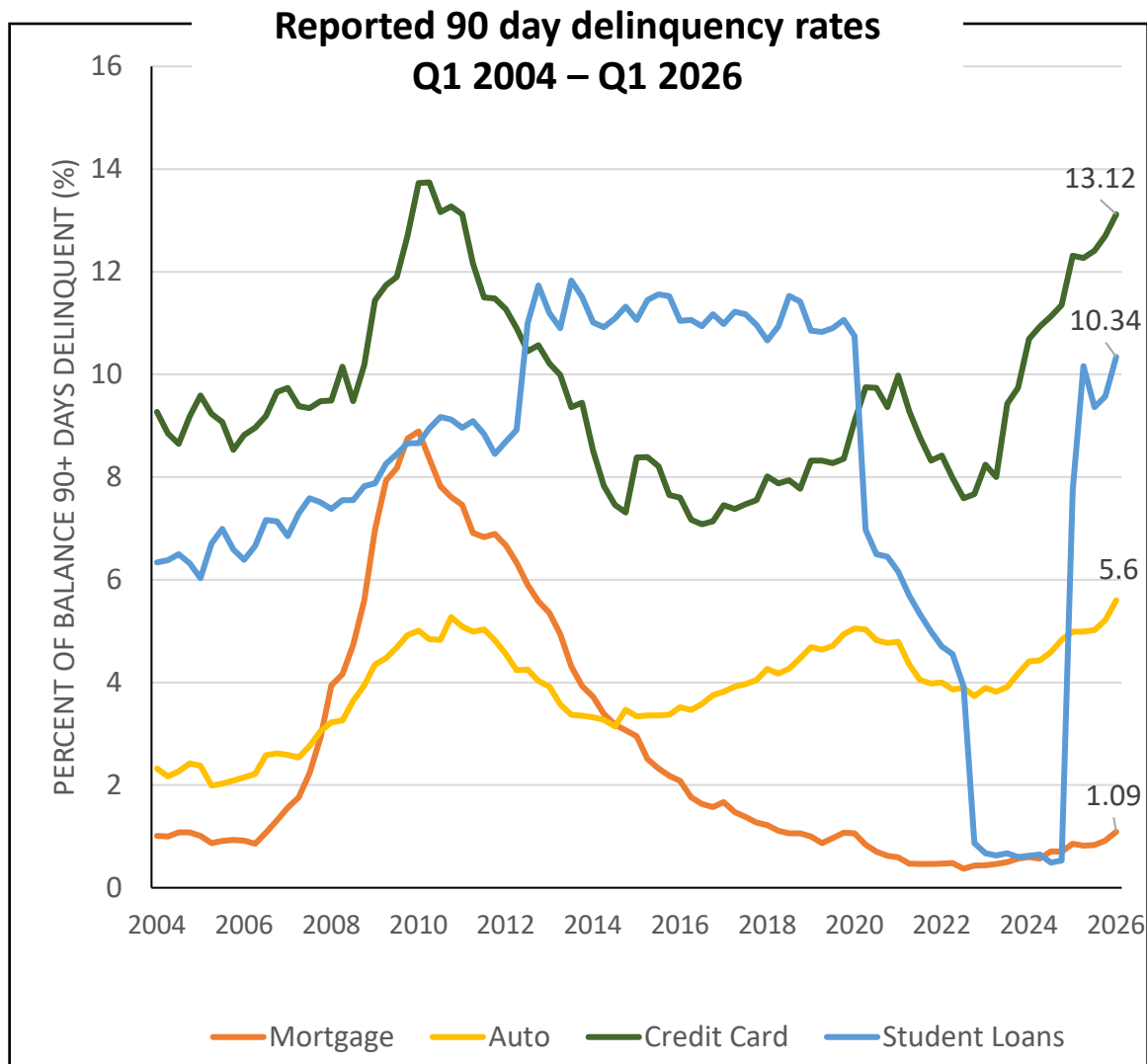
Downside risk is rising

- SPF: forecast slower growth in H2 2026
- “Anxious index” rises to 25% for Q3
- LEI index suggests a ‘fragile’ economy

Source: Bureau of Economic Analysis, Gross Domestic Product (Q1 2026 Second Estimate)



Personal consumer spending under strain



Consumer spending holds

- Spending shifts from wants to needs
- Confidence holds but sentiment wanes
- Food service spending has flattened

Consumers may be reaching spending limits

- Real disposable income falls
- Personal saving rate falls
- Credit card, auto delinquencies at/near highs

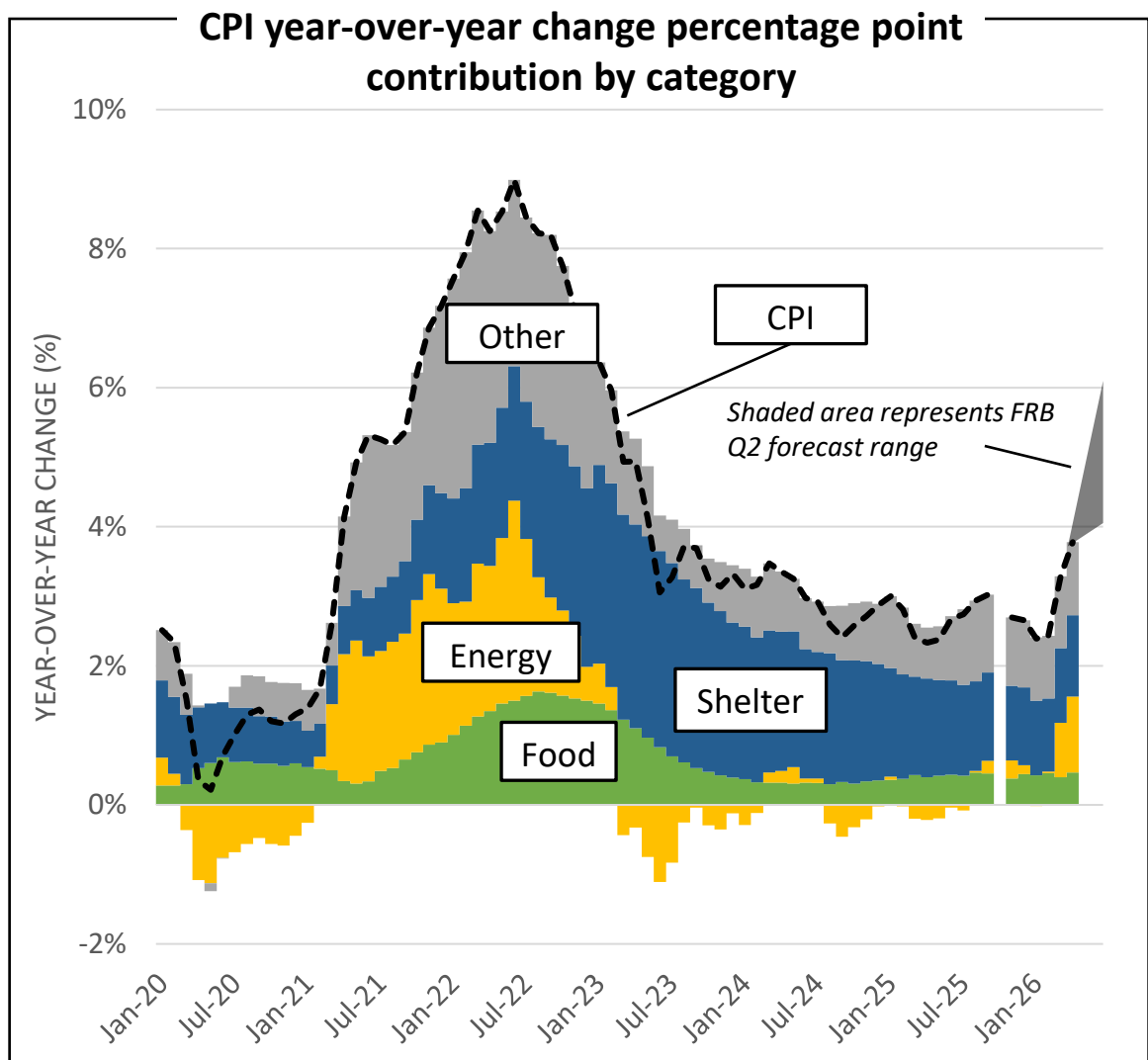
High income households drive spending growth

- 10% of households drive almost all real gains
- Real wage growth has fallen
- Asset gains boost spending

Source: New York Fed Consumer Credit Panel / Equifax



Headline inflation rises on energy price surge



Source: U.S. Bureau of Labor Statistics Consumer Price Index, ODAE calculations.
Philadelphia FRB Q2 Survey of Professional Forecasters, FRB Cleveland CPI Nowcast

Energy has driven inflation increases

- Core CPI, PCE inflation show modest gains
- PPI: energy services drive increases
- Fed forecasts: Q2 headline CPI spike

Core inflation drivers

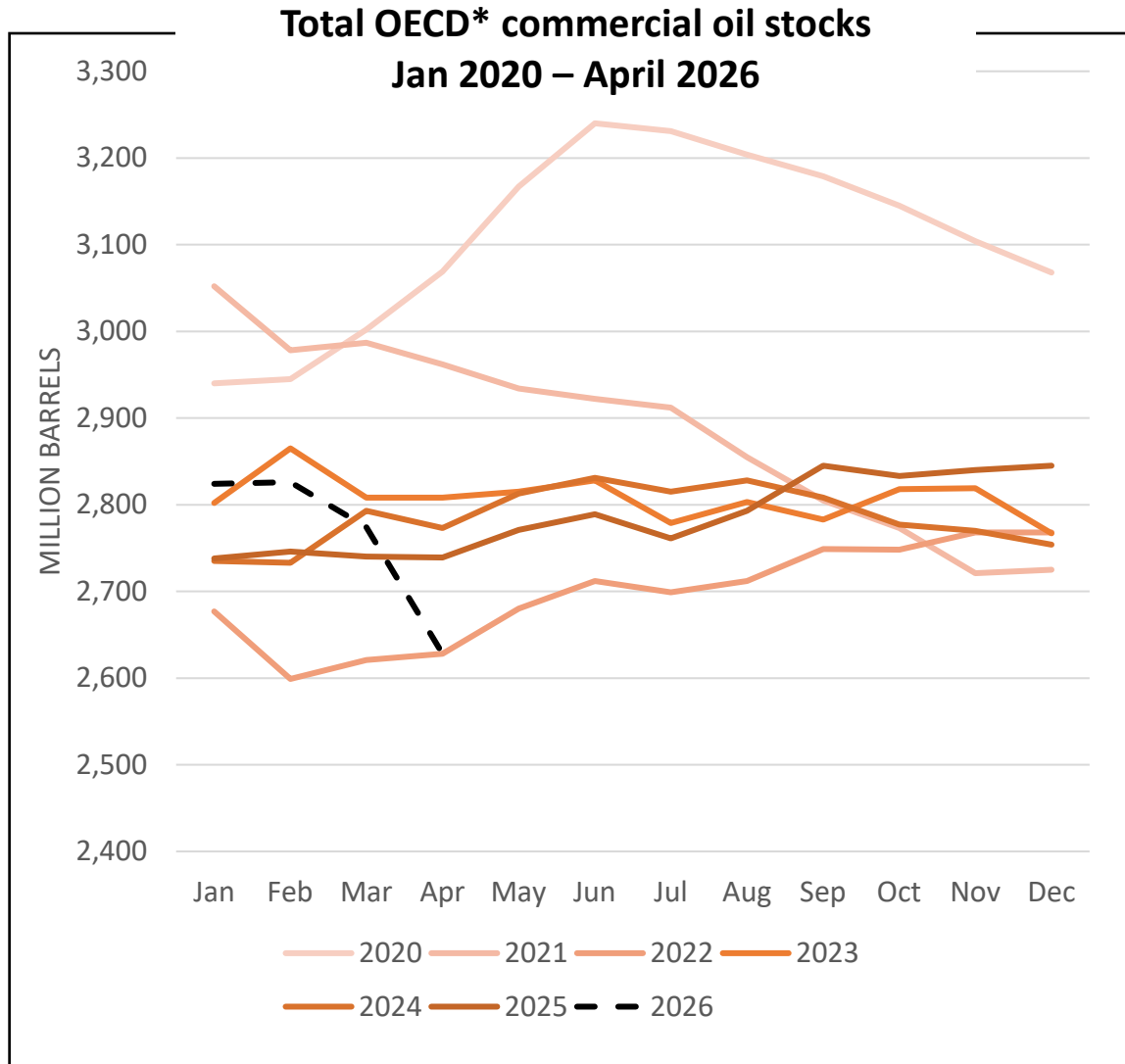
- Shelter inflation lags market conditions
- 'Core' includes energy-sensitive segments
- ISM: Evidence of industry stockpiling

Tariff update

- Research suggests nearly full pass-through
- FRB estimate: increase in overall PCE of 0.8%
- Actual rates less than statutory



Global oil stock depletion signals risk



Historic oil stock drawdowns

- IEA: largest ever stock release in history
- Stock depletion accelerated into May
- Dampened demand destruction, price shocks

Stocks may reach critical thresholds soon

- Oil infrastructure has operational minimums
- Barring resolution, industry estimates these minimums will be reached in June - August

A long tail to price normalization

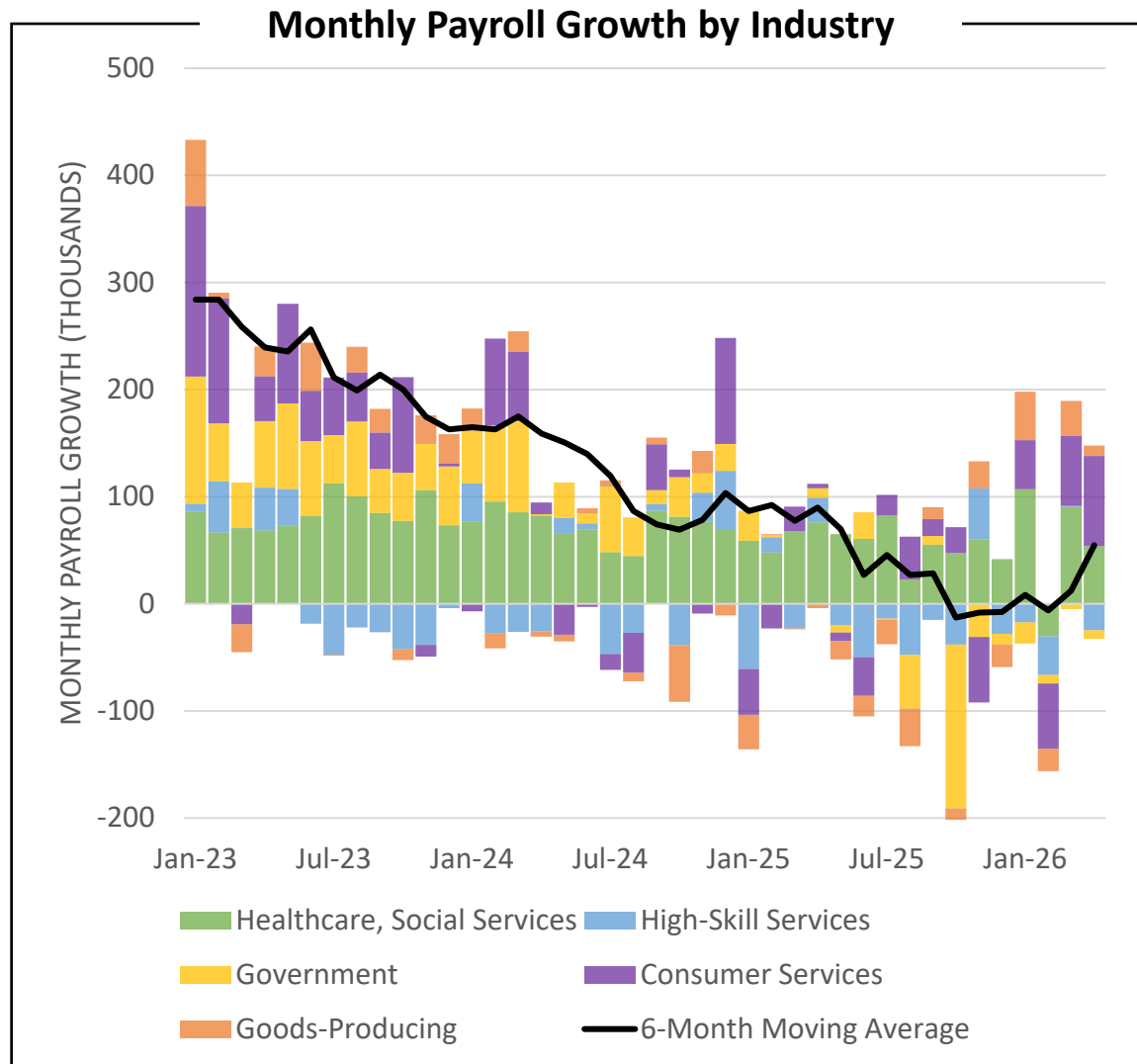
- Restarting gulf refineries / production
- Shipping insurance costs
- Global stock rebuilds

Source: OPEC Monthly Oil Market Report International Energy Agency May 2026 Oil Market Report – Preliminary April Figures.

*OECD - Organization for Economic Co-operation and Development, 38 member countries



Labor market softens, though topline unemployment holds



Source: U.S. Bureau of Labor Statistics Employment Situation

Payroll changes offset by slower population growth

- Population growth may fall to 75-year lows
- Participation rate falls for select segments
- “Breakeven” job growth estimates near zero

Low-churn environment with some warning signs

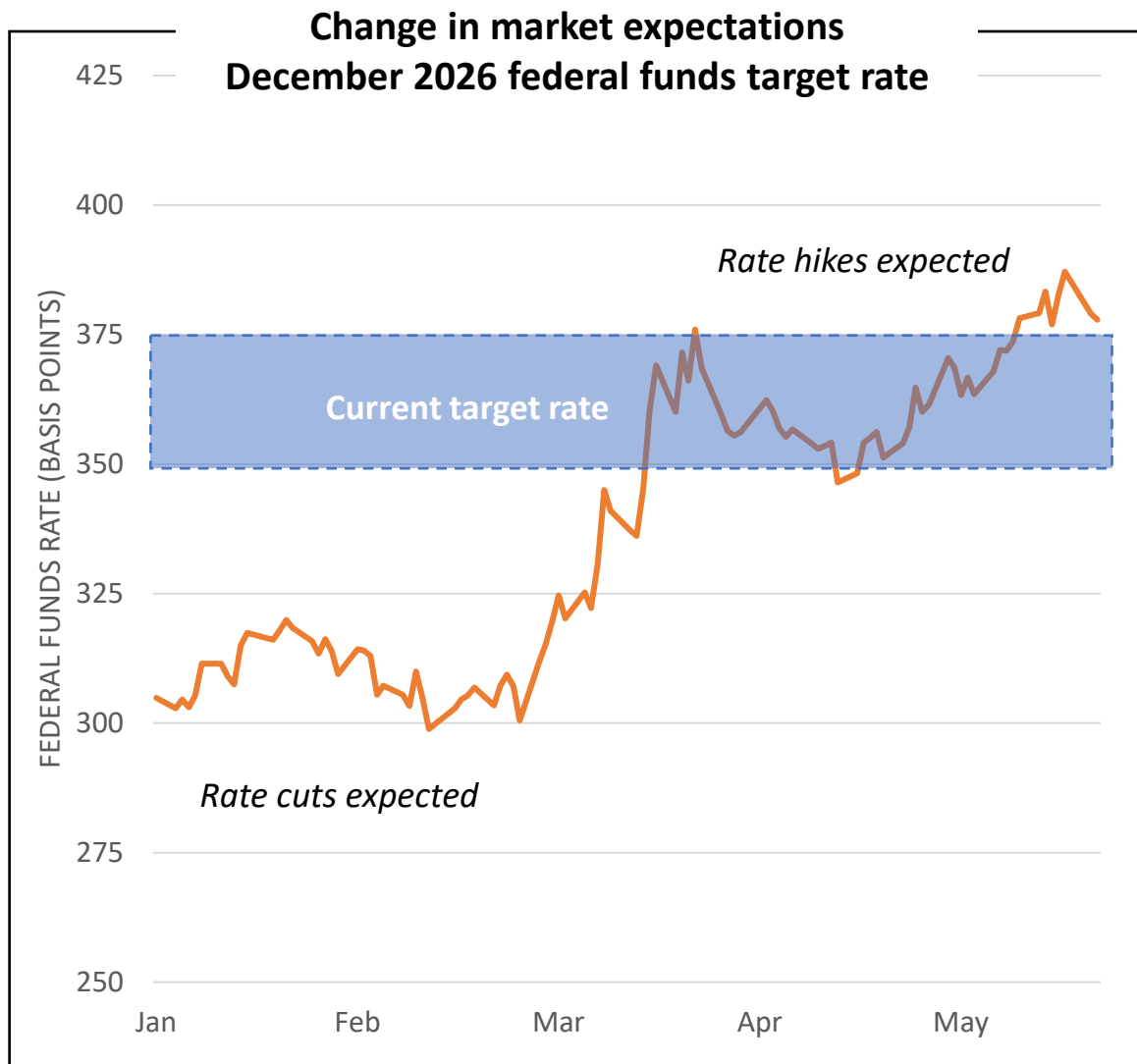
- Quit, hire rates at 10-year lows
- Job openings to unemployment level shows slack
- Layoffs, separations near post-pandemic highs

Evidence of declining job quality

- Increases in marginally attached employment
- Increases in multiple jobholders
- Payroll growth composition



Federal funds rate path becomes uncertain



Source: CME FedWatch, ODAE calculations

Federal Reserve stresses patience

- Core inflation expectations still grounded
- Employment cooler, but stable
- No need to respond to oil shocks with rate hikes

Changing use of the balance sheet

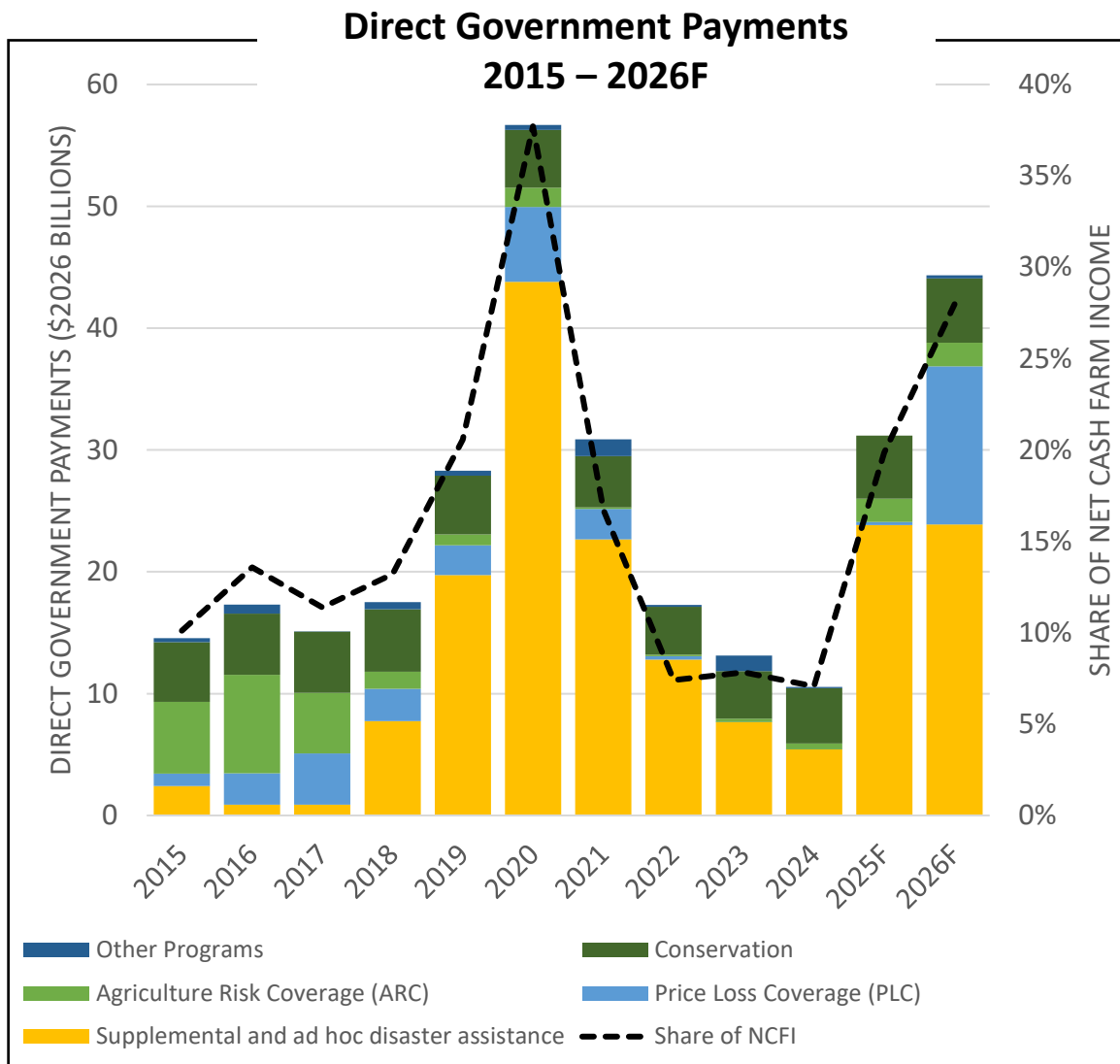
- Halt in quantitative tightening year-end 2025
- Increasing term premiums on Treasuries

Warning signs of a changing environment

- Most rate decision dissents since 1992
- A reversal in global, demographic pressures
- Federal debt and fiscal 'lock-in'



Farm income forecast to remain above historic norms



Net farm income remains above historic norms

- USDA forecasts 2026 NFI at \$153.4Bn
- Production expenses remain elevated
- Government payments provide support

Crop sector may improve in 2026

- Lower wheat, corn supply boost price floors
- Soybeans supported by strong crush
- Marketing opportunities, program changes

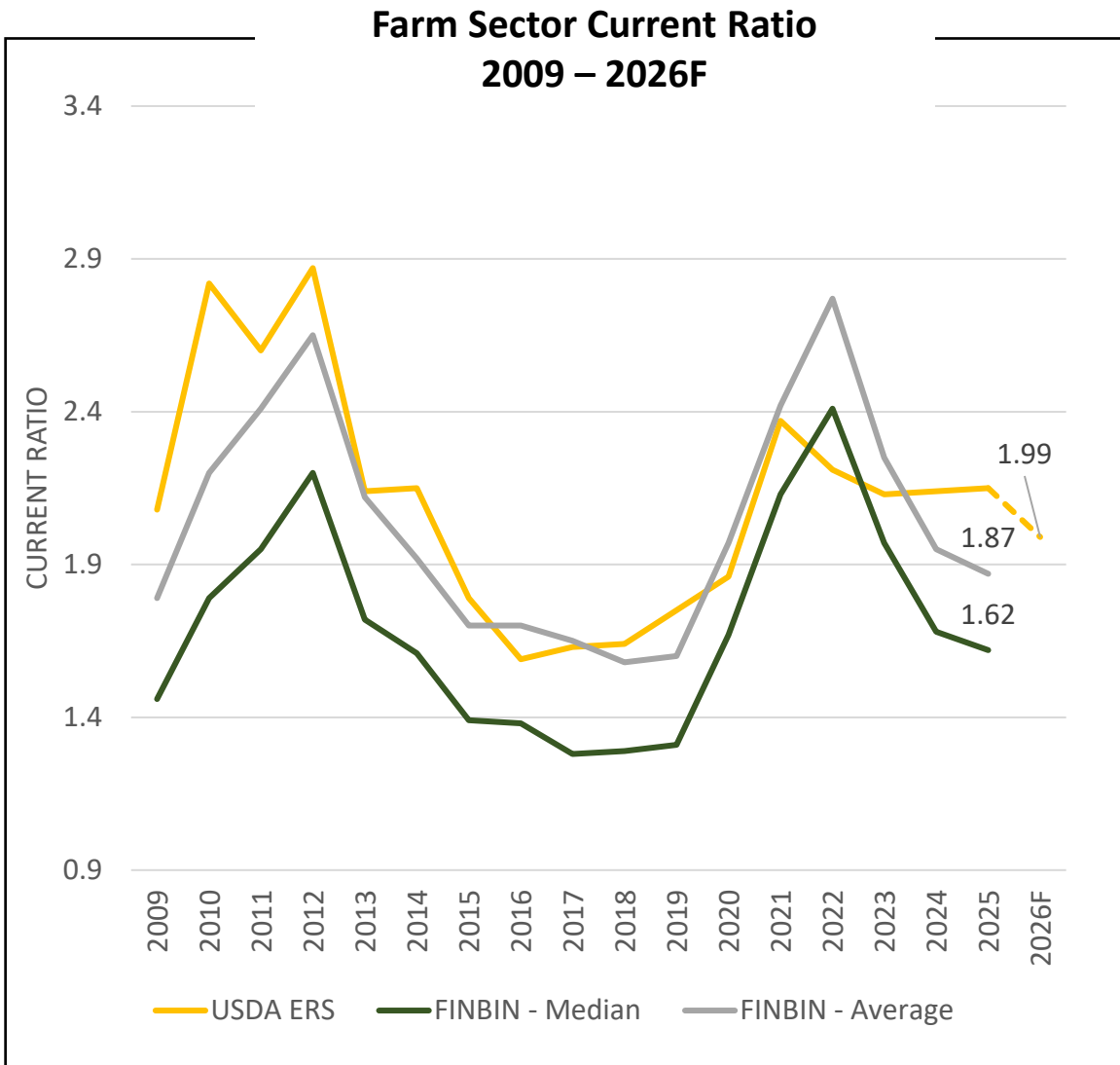
Livestock strength continues, with caveats

- Cattle/calf markets show strong returns
- Other segments: feed, exports major drivers
- Dairy, eggs see some pressure

Source: USDA Economic Research Service Farm Income and Wealth Statistics, February 2026 release



Farm liquidity hard hit by lower farm incomes



Liquidity forecast to tighten in 2026

- Sector working capital forecast to fall 9%
- Surveys: loan extensions rise, repayment falls
- Increased operating line demand

Differences from 2016 - 2019

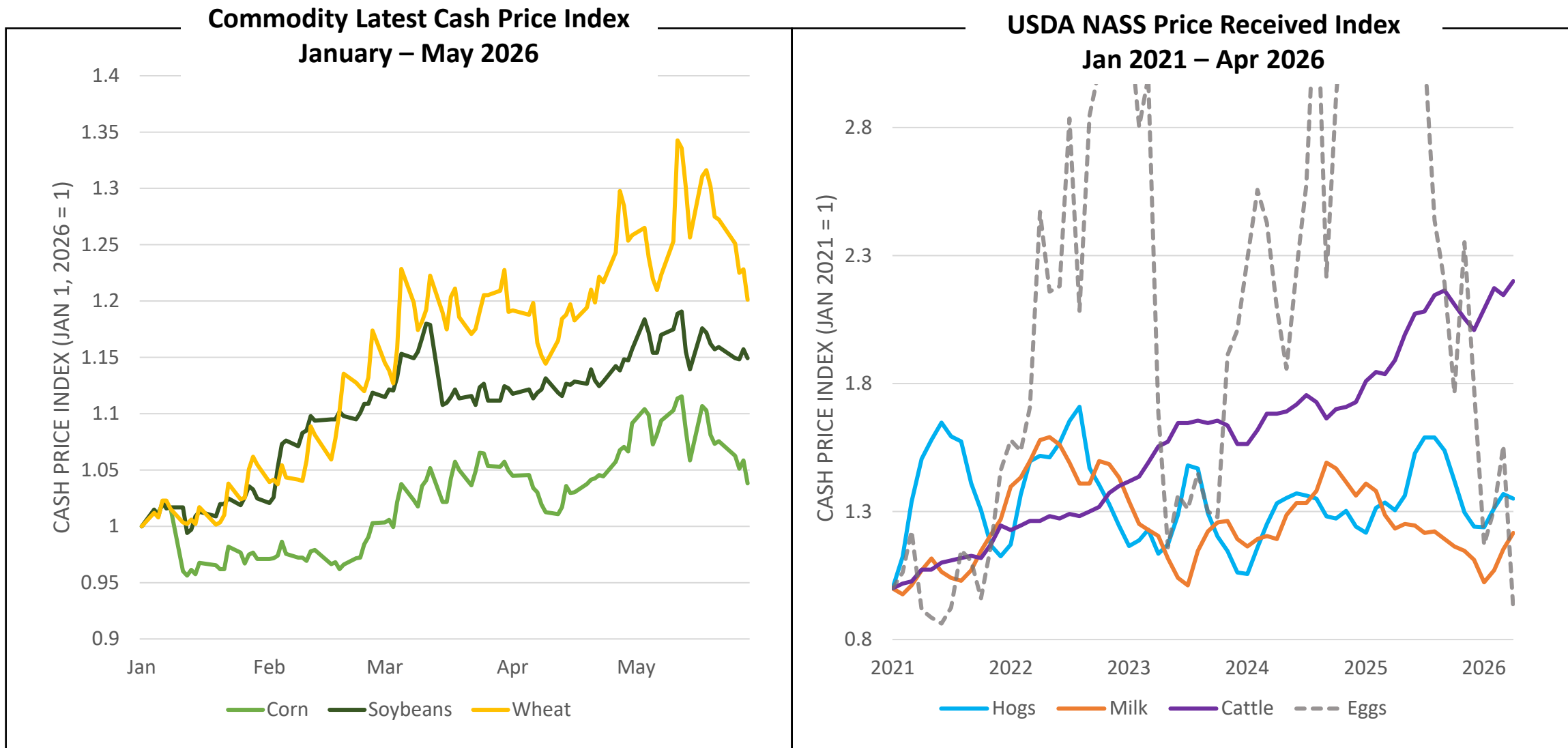
- Interest rates fall, but remain well above 2016-19 levels
- Stronger government support
- Fewer opportunities to recapitalize

Strain likelier for producers with limited equity

- Leased-based operations
- Beginning operations
- Commodity/region specific land value pressure



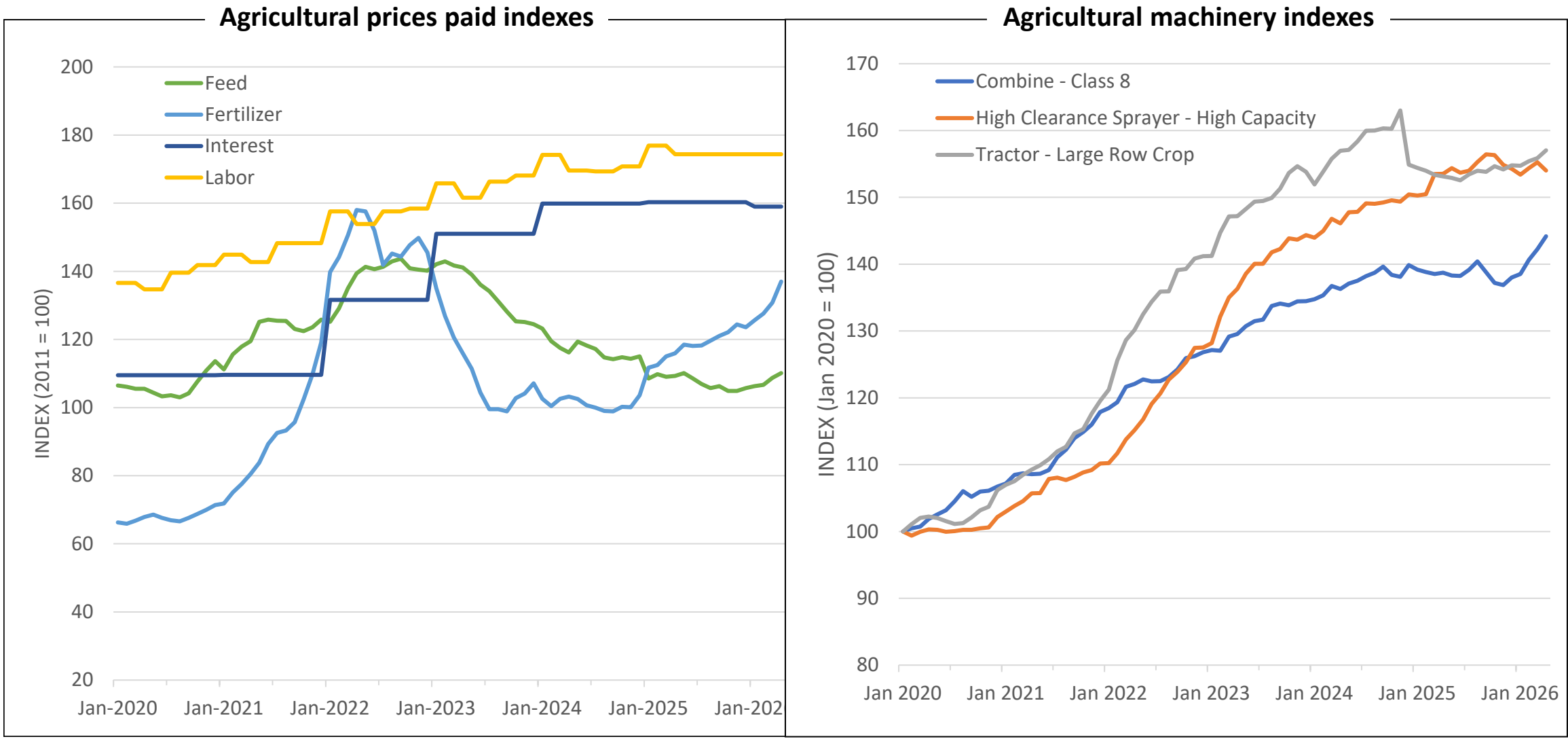
Crop markets strengthen in 2026, animal sector mixed



Source: Barchart, USDA NASS Prices Received



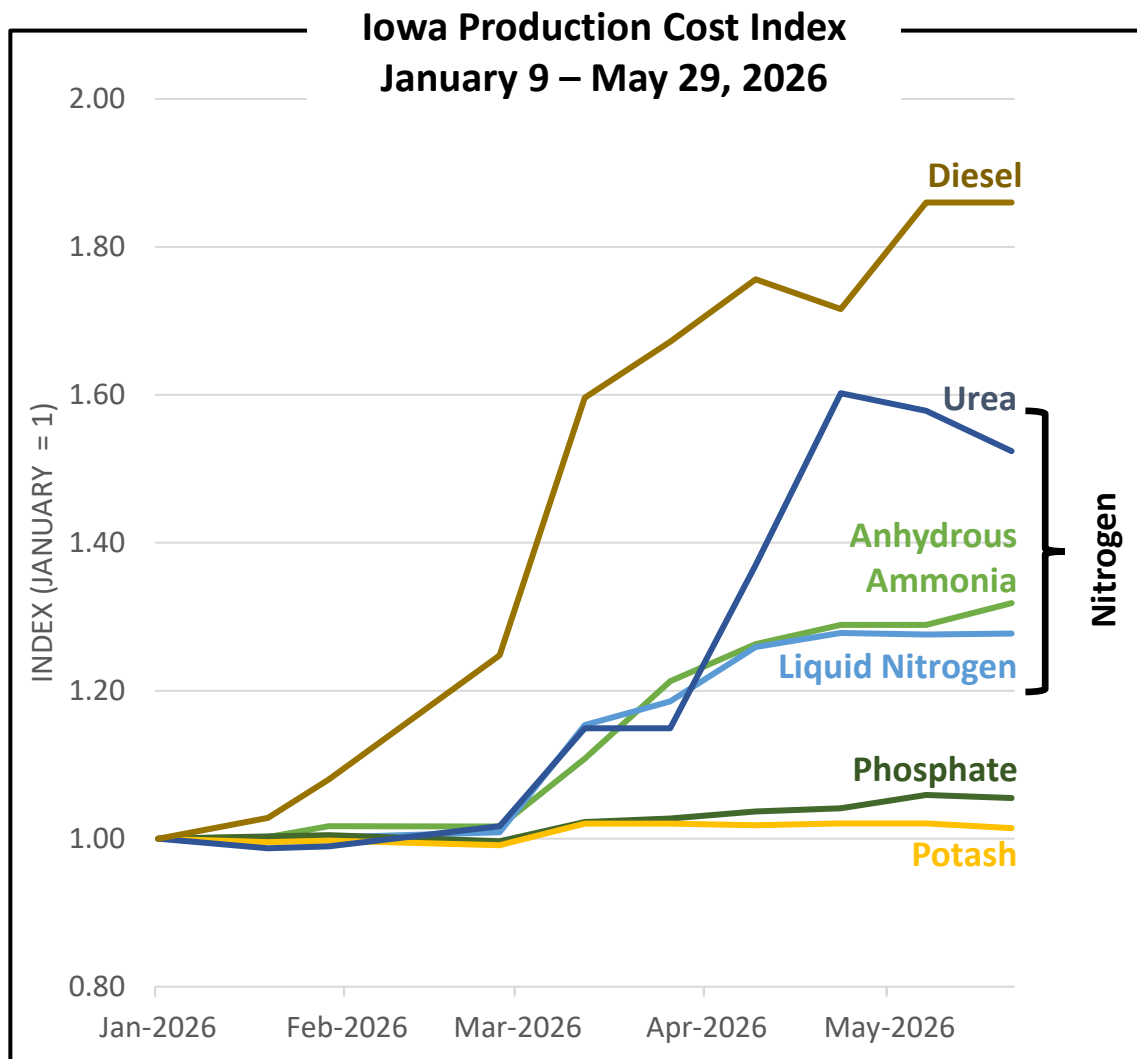
Farm expenses begin to climb after cooling through 2025



Source: USDA National Agricultural Statistics Service and Iron Solutions



Fertilizer cost spikes have modest impact this season



Differences across type

- Urea: Direct impact from trade route closure
- AA/LN: High exposure to energy costs
- Phosphate/potash: Limited impact

Impacts will vary across regions, commodities

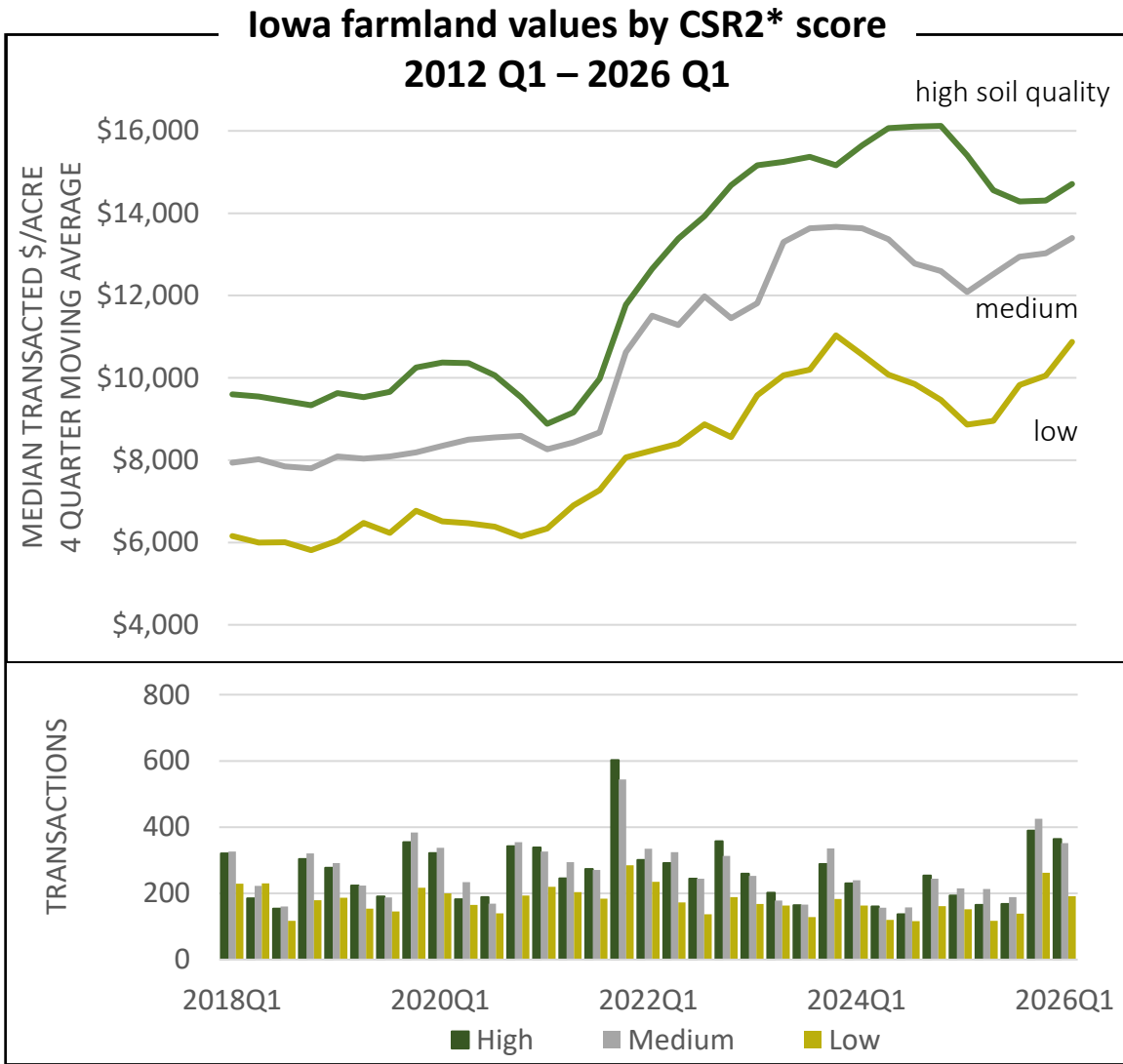
- Rice vs. wheat: urea application timing
- Local production practices
- Corn vs. soybeans: nitrogen needs

Potential mitigants

- Pre-purchases: Slow, but still majority in 2026
- Timing and prospective plantings
- Cost increases relative to commodity prices



Continued evidence of land values stabilizing in early 2026



Factors other than cash receipts stabilize prices

- Limited supply/steady demand
- Marginal easing in loan rates
- Robust government support

Ranchland/cropland divergence persists

- Strong returns continue to drive ranchland
- Exception: Drought-impacted southern Plains
- Irrigated cropland continues to gain

Fundamentals show challenge

- Cash rents soften during continued weak income period
- Rate environment still less supportive of current values
- Expected return growth is modest

Source: ODAE calculations using data from Cotality (formerly CoreLogic) and USDA gNATSGO

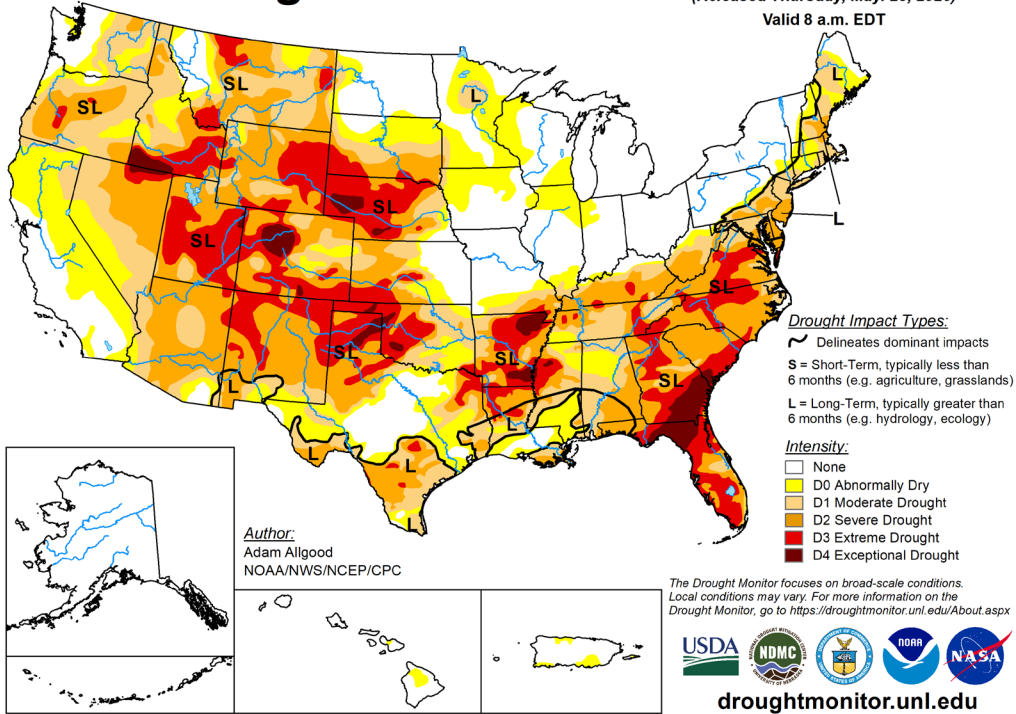
*CSR2 = Corn Suitability Rating 2



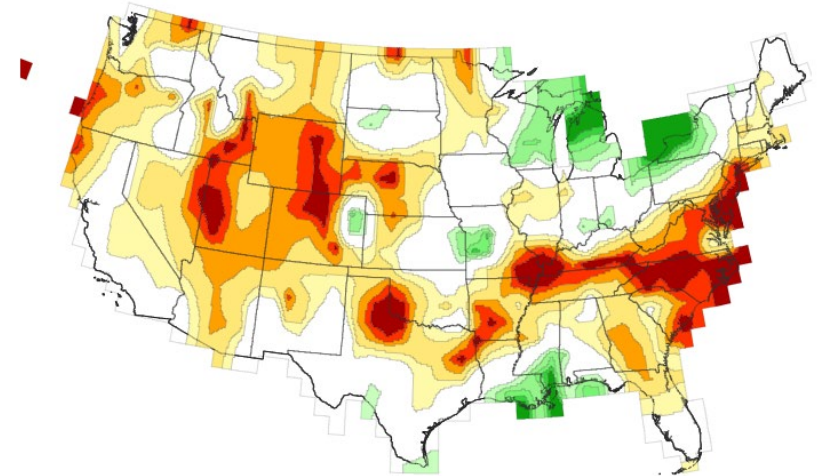
Drought conditions persist across much of the U.S.

U.S. Drought Monitor

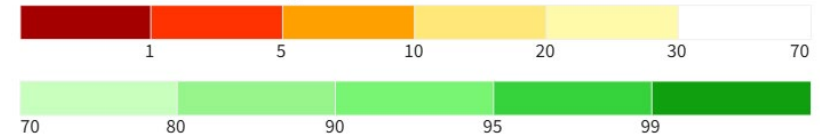
May 26, 2026
(Released Thursday, May 28, 2026)
Valid 8 a.m. EDT



CPC Leaky Bucket Daily Soil Moisture Percentiles (1.6m)



Calculated Soil Moisture Ranking Percentile



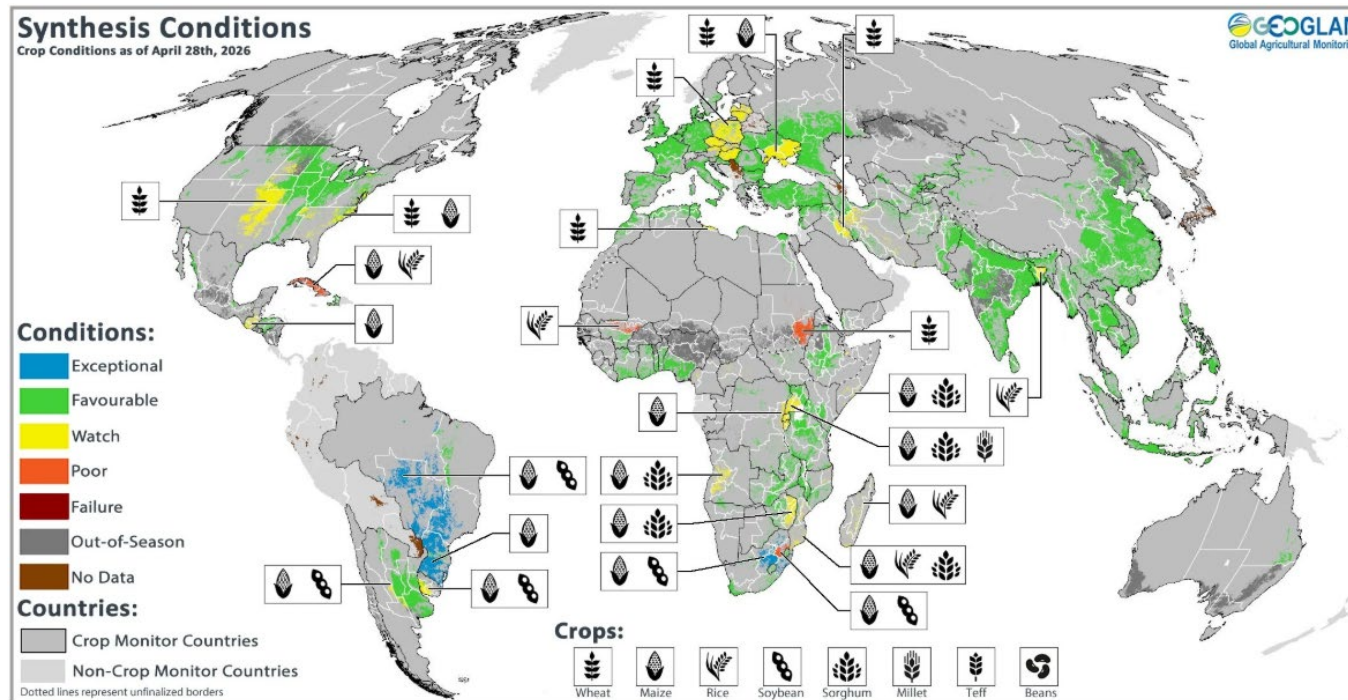
Source(s): Climate Prediction Center
Valid on: 05/30/26

Drought.gov



Global crop conditions strong, with some warning signs

Global Commodity Conditions April 28, 2026



Global conditions generally strong in Q2

- Generally favorable, with drought conditions in U.S., Eastern Europe
- Record or near record soybean, corn production out of Brazil, Argentina

El Niño pattern likely over the summer

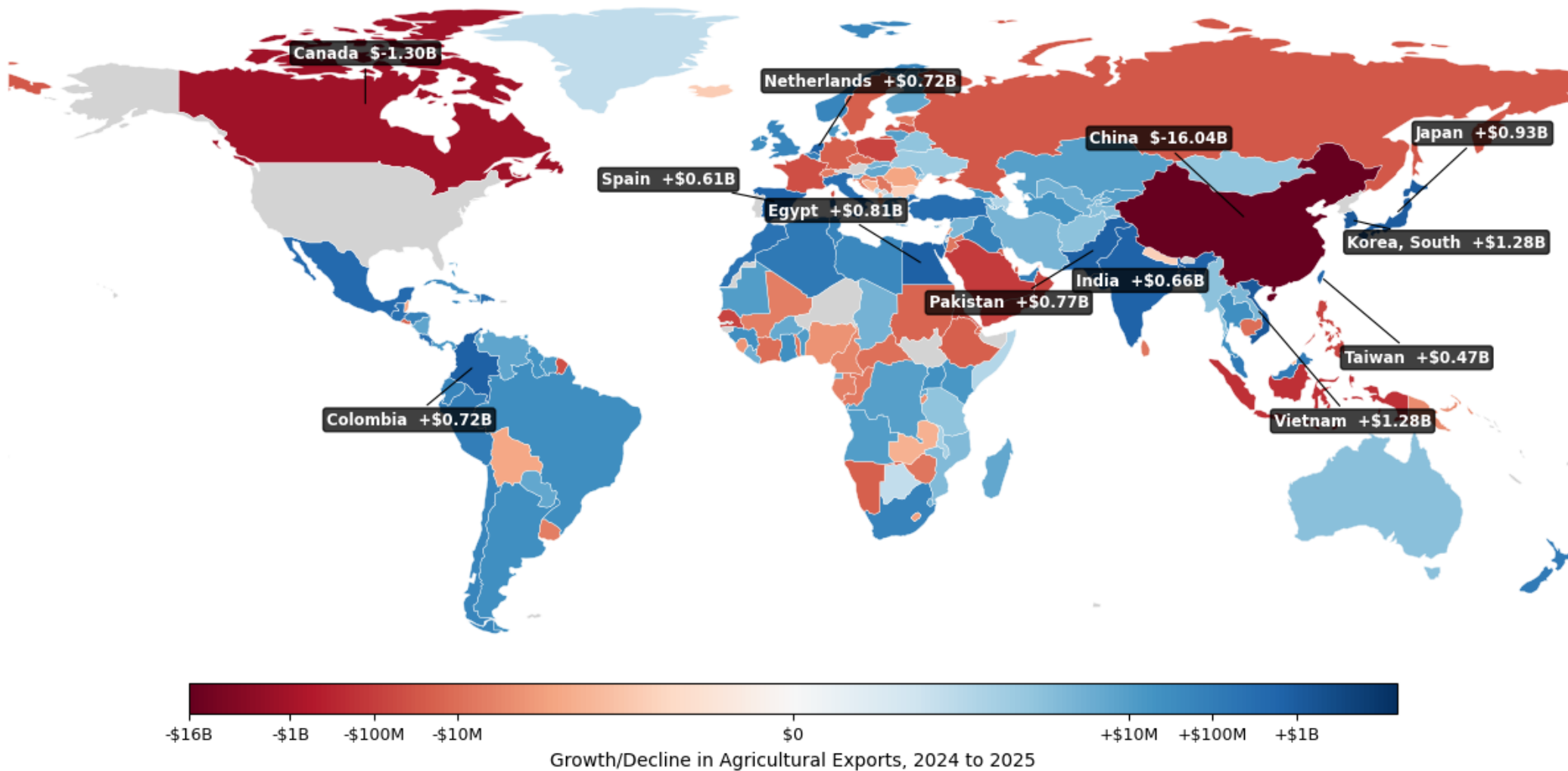
- NOAA: 82% chance by May-July 2026
- Change in precipitation/heat risk

Potential for non-weather supply disruptions

- Fertilizer access challenges outside U.S.
- Farm financing frictions in Brazil



U.S. agricultural exports reallocated in 2025



Source: USDA FAS Global Agricultural Trade System, ODAE calculations.



Questions?

Farm Credit System Condition and Performance as of March 31, 2026



June 11, 2026 FCA Board Meeting

Curtis Allman

Supervisory FCA Examiner

Office of Examination

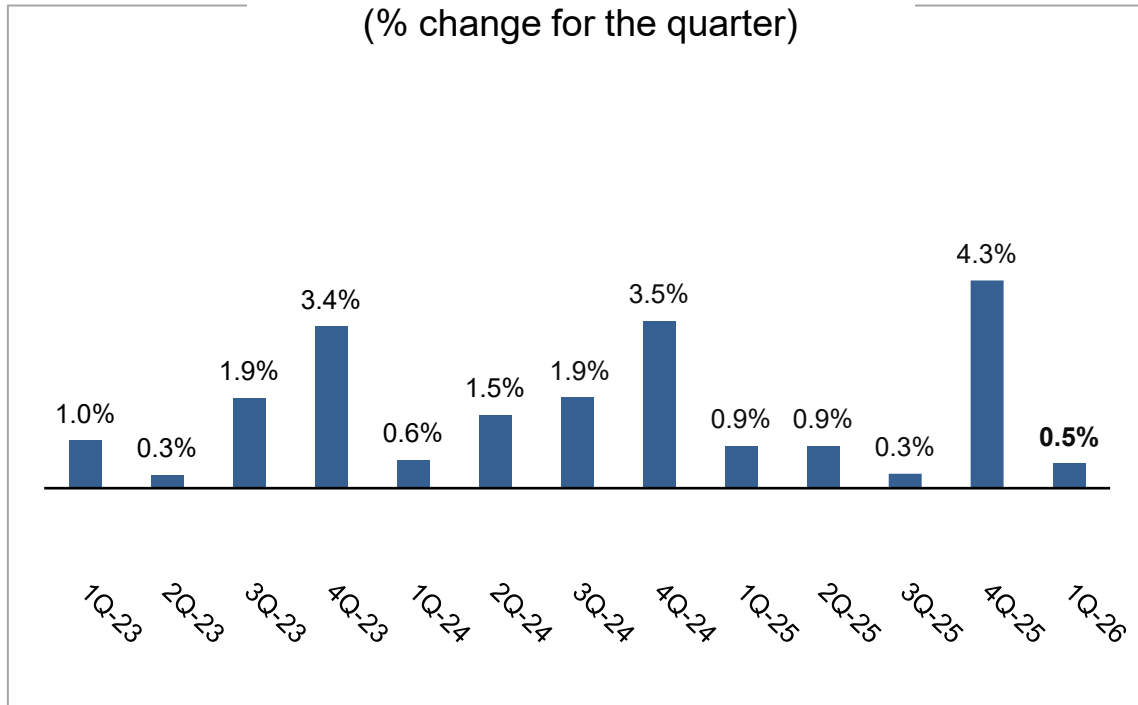




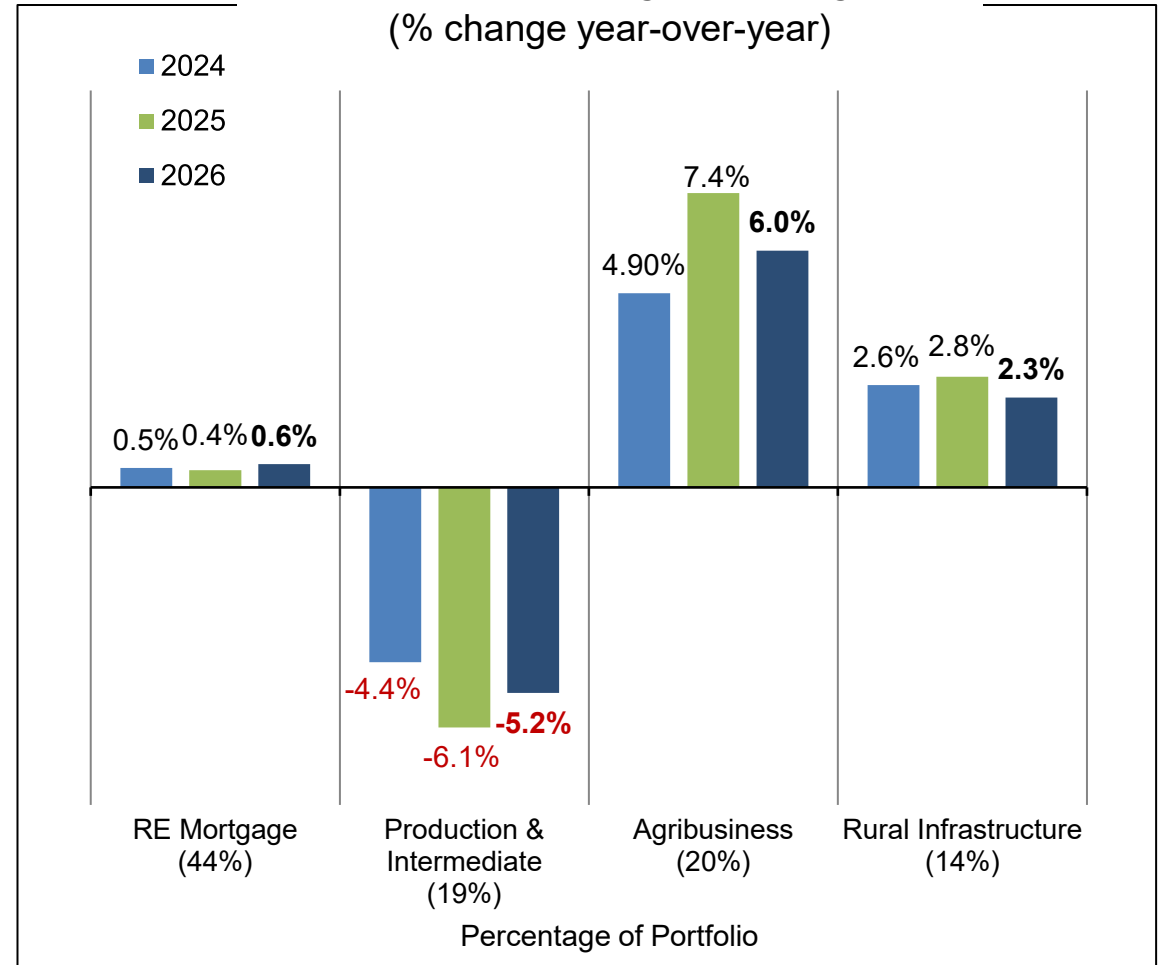
Modest portfolio growth in the first quarter

Total Assets 03/31/26	\$584.0 billion	+0.3% Qtr +6.5% 12M	Gross Loans 03/31/26	\$456.9 billion	+0.5% Qtr +6.1% 12M
---------------------------------	---------------------------	--------------------------------------	--------------------------------	---------------------------	--------------------------------------

Portfolio Loan Growth
(% change for the quarter)



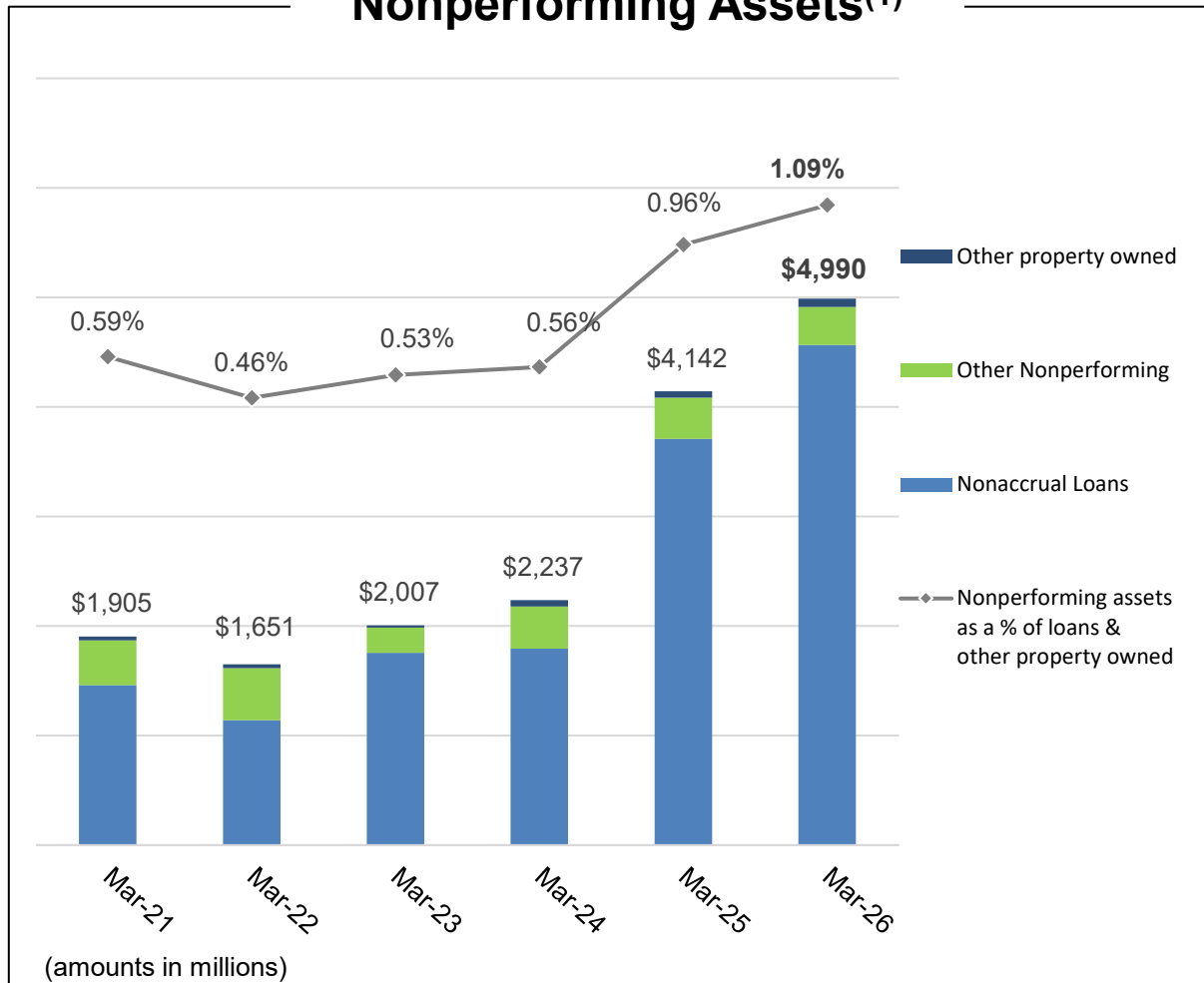
Loan Growth by Loan Type
(% change year-over-year)



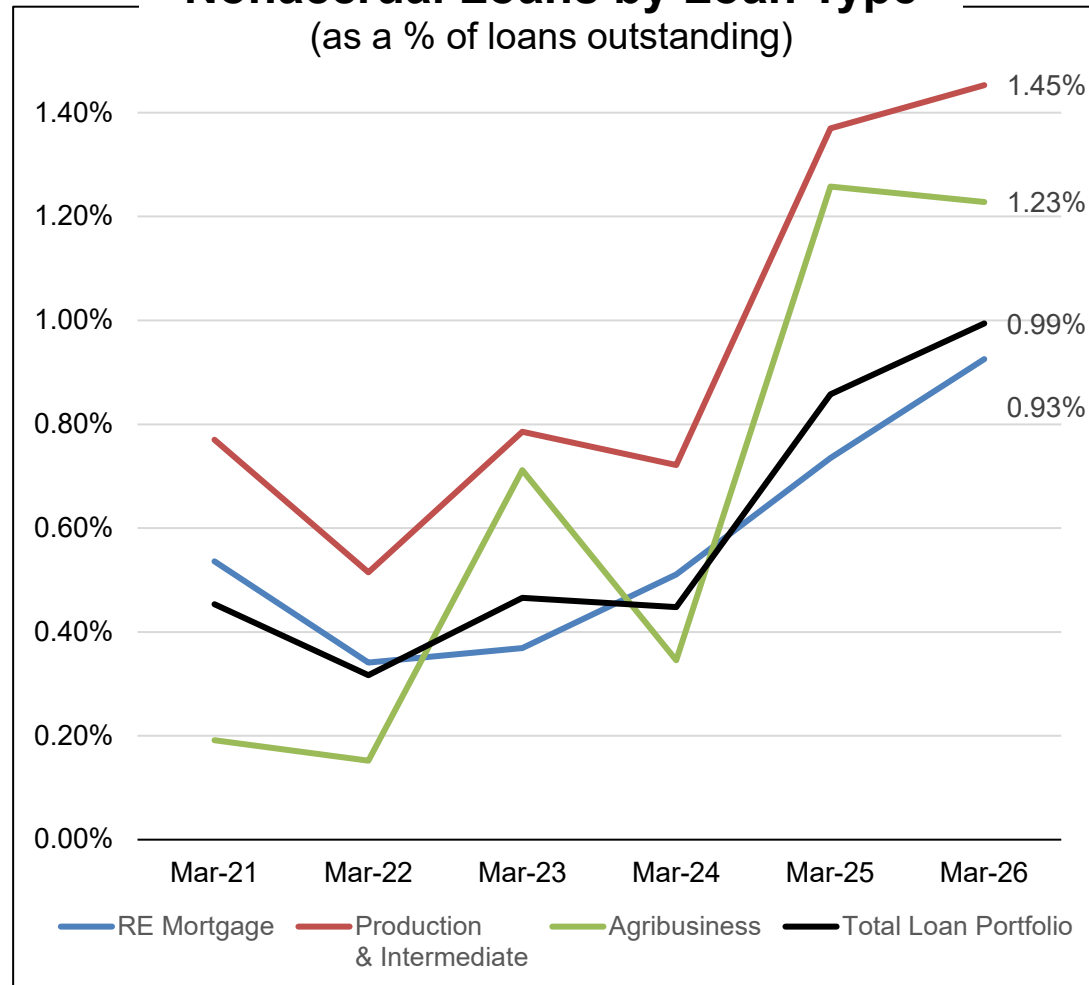


Nonperforming assets increased

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



Less than Acceptable loans trend higher

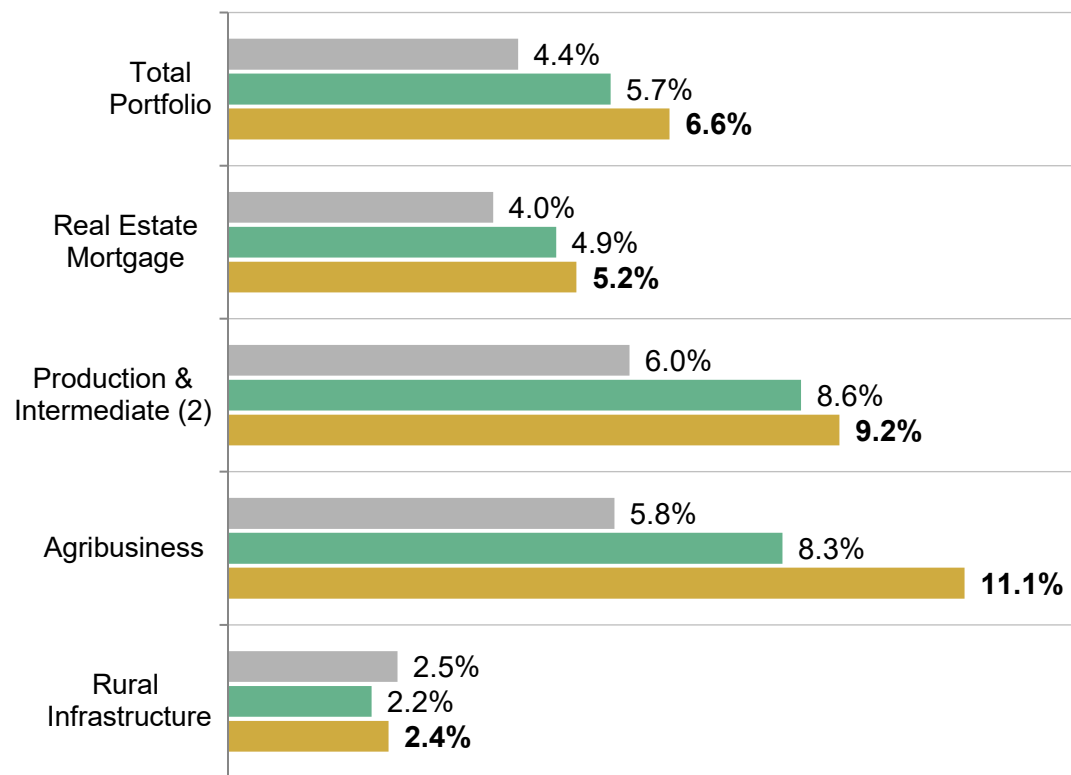
- ▶ The percentage of loans classified less than acceptable increased in all loan categories.
- ▶ Production & Intermediate and Agribusiness loan categories had the highest percentage of less than Acceptable loans.
- ▶ Loan delinquencies⁽¹⁾ as a percentage of accruing loans were 0.51% as of March 31, 2026, as compared with 0.55% as of March 31, 2025.

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

Loans Classified Less than Acceptable

(as a % of loans outstanding)

■ Mar-24 ■ Mar-25 ■ Mar-26

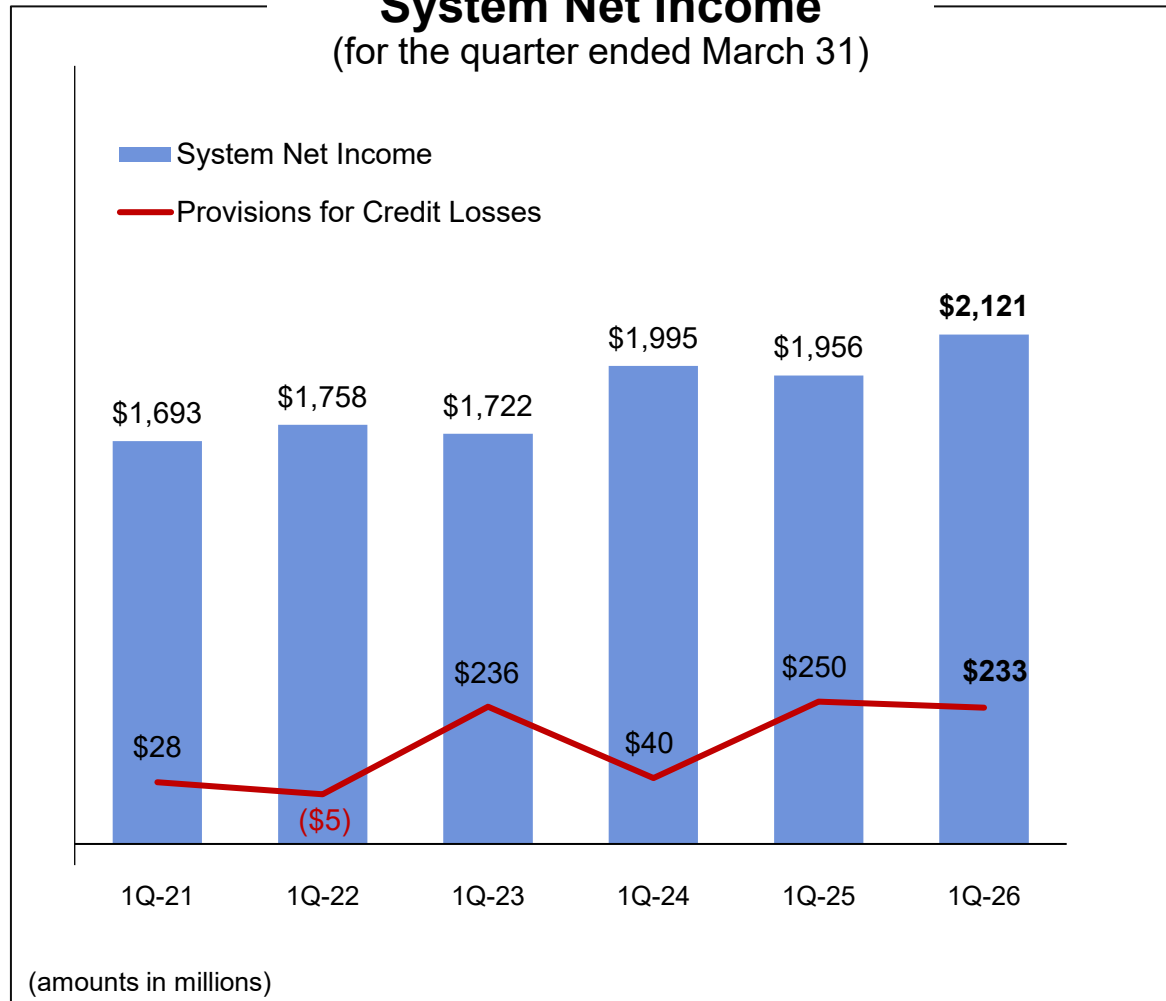


(2) Includes lease receivables



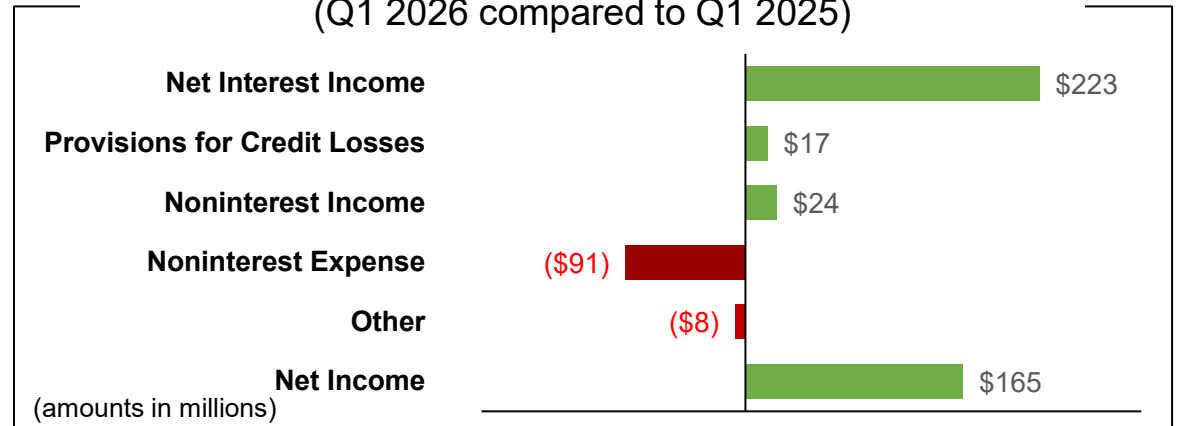
System earnings increased

System Net Income (for the quarter ended March 31)

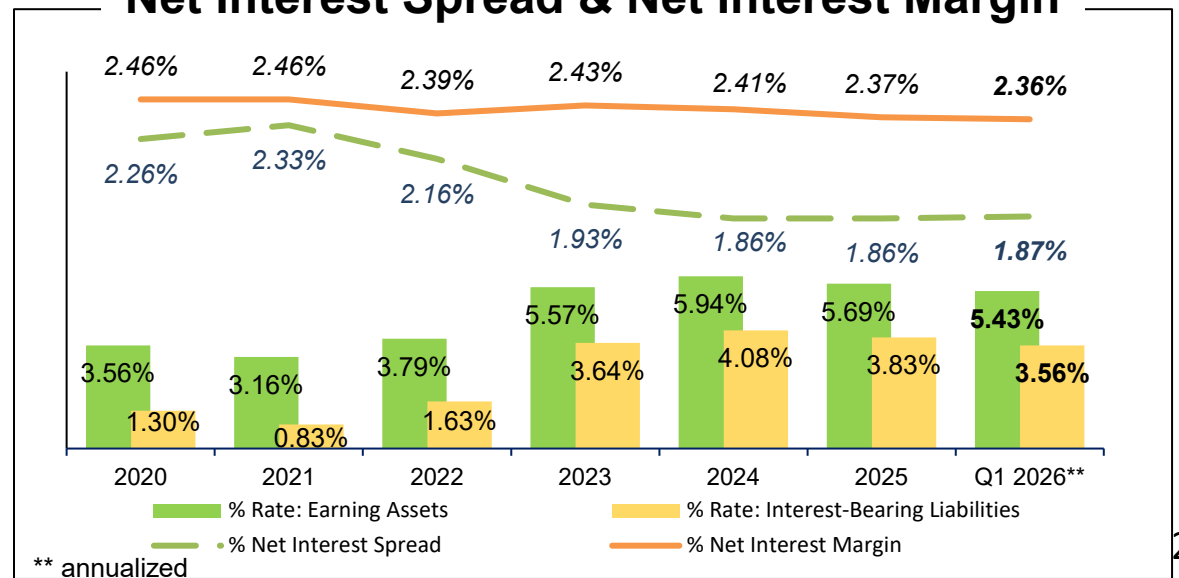


Source: Federal Farm Credit Banks Funding Corporation Information Statements

Changes in Key Components of Net Income (Q1 2026 compared to Q1 2025)



Net Interest Spread & Net Interest Margin

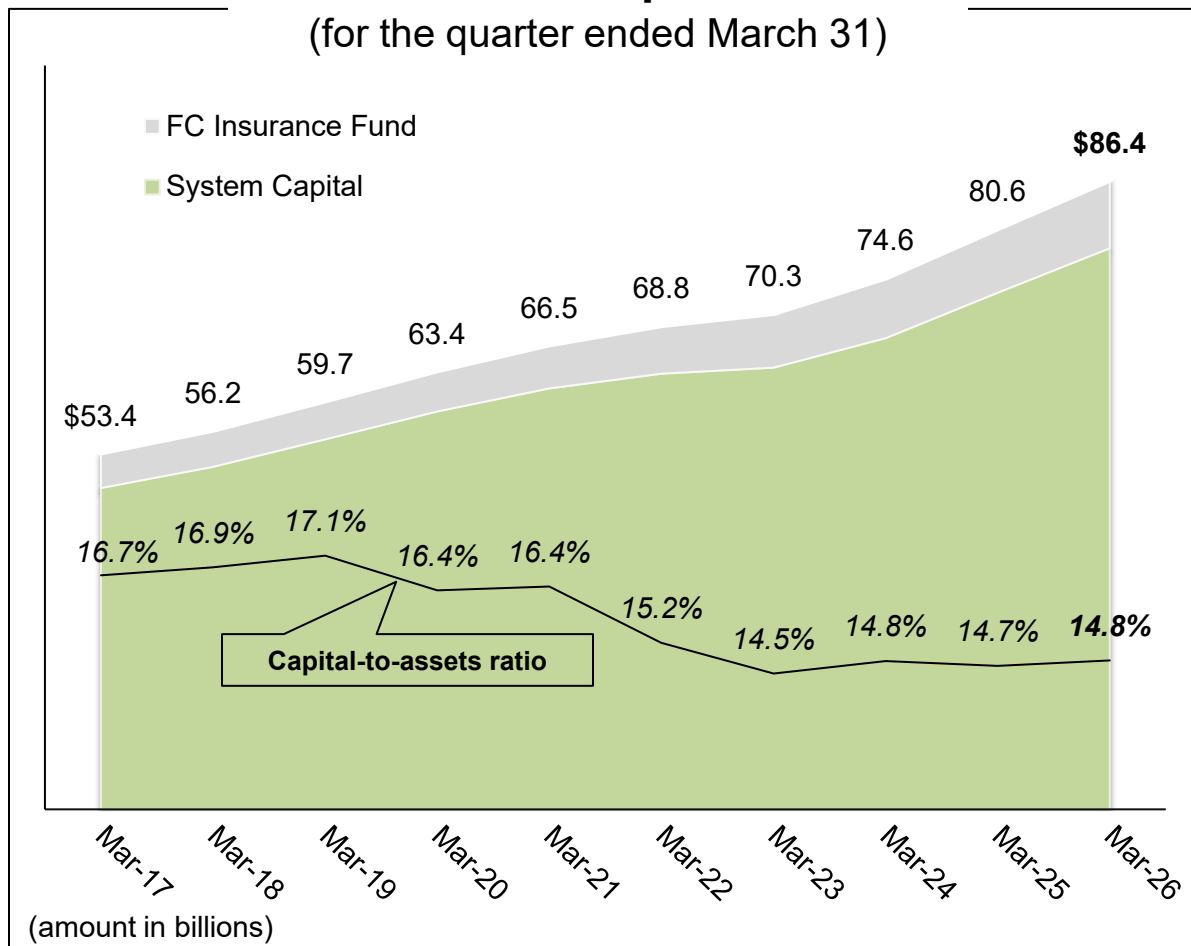




System capital position sound; institutions have strong risk-bearing capacity

Total Capital

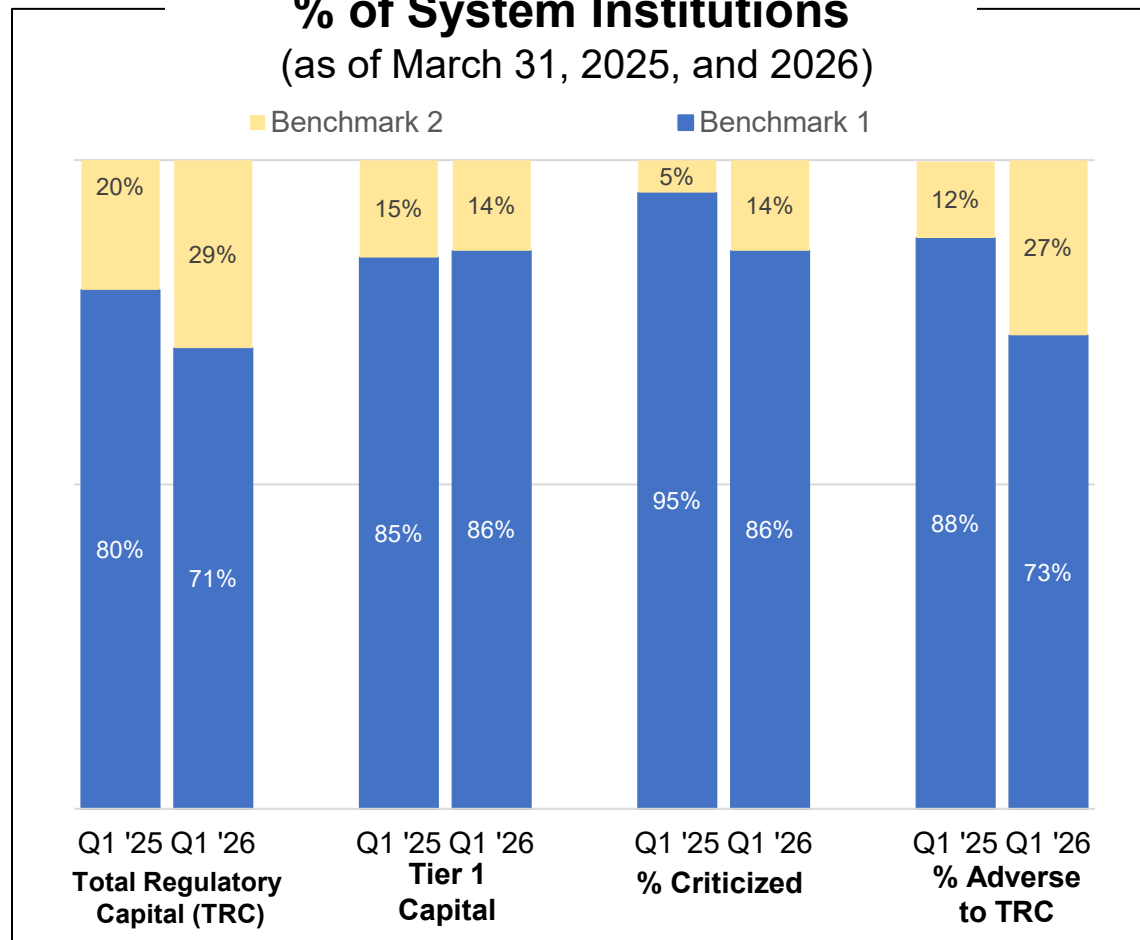
(for the quarter ended March 31)



Capital Benchmark Ratings

% of System Institutions

(as of March 31, 2025, and 2026)



Source: Federal Farm Credit Banks Funding Corporation Information Statements



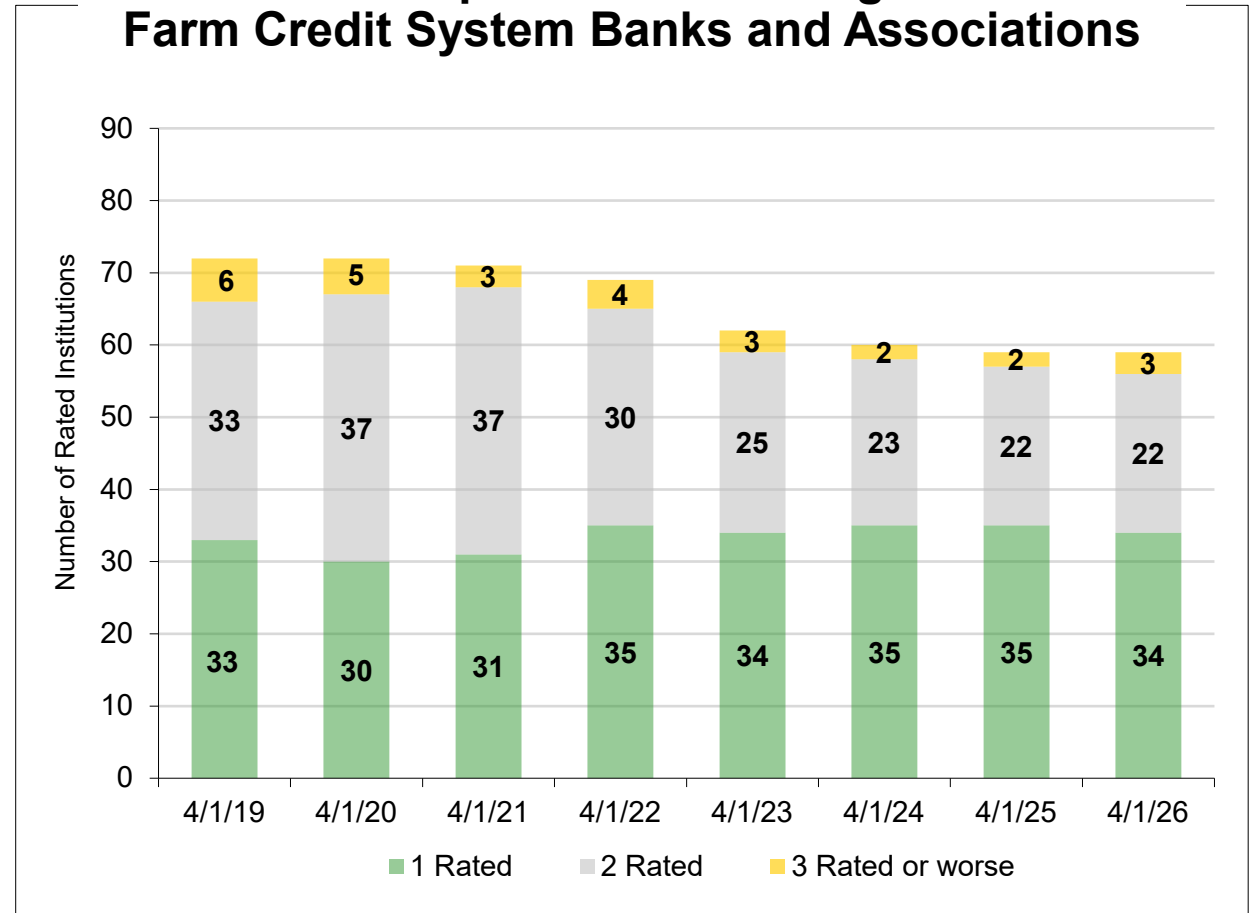
Composite FIRS ratings remain stable

Composite FIRS Ratings

(based on March 31, 2026 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.

- ▶ 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.
- ▶ Weakening margins and a volatile interest rate environment on farmland and other collateral values.
- ▶ Varying consequences of tariffs, foreign trade policies, changes in government programs supporting agriculture, and disease outbreaks in crop or livestock sectors.