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

September 10, 2026

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Topics for open session

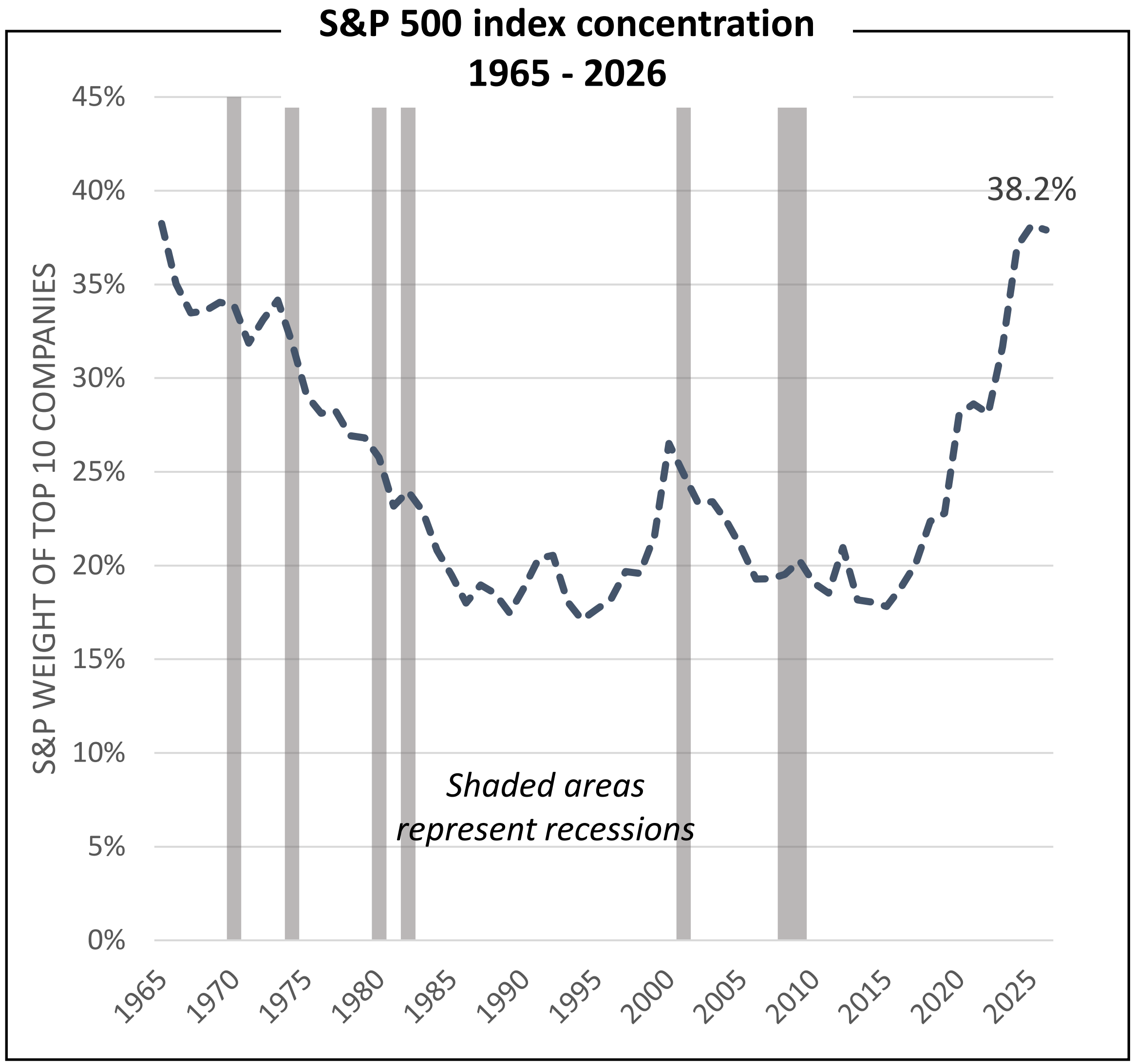
Economic Conditions affecting the Farm Credit System

- 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)

Continued economic growth is closely tied to AI investment



Source: S&P Global Research and Insights

Intensity of AI buildout is unprecedented

- AI investments dwarf prior emerging technologies
- Estimated $1.2 trillion in spending in 2026, 2027
- AI equities dominate index earnings, performance

AI wealth effects may be supporting consumption

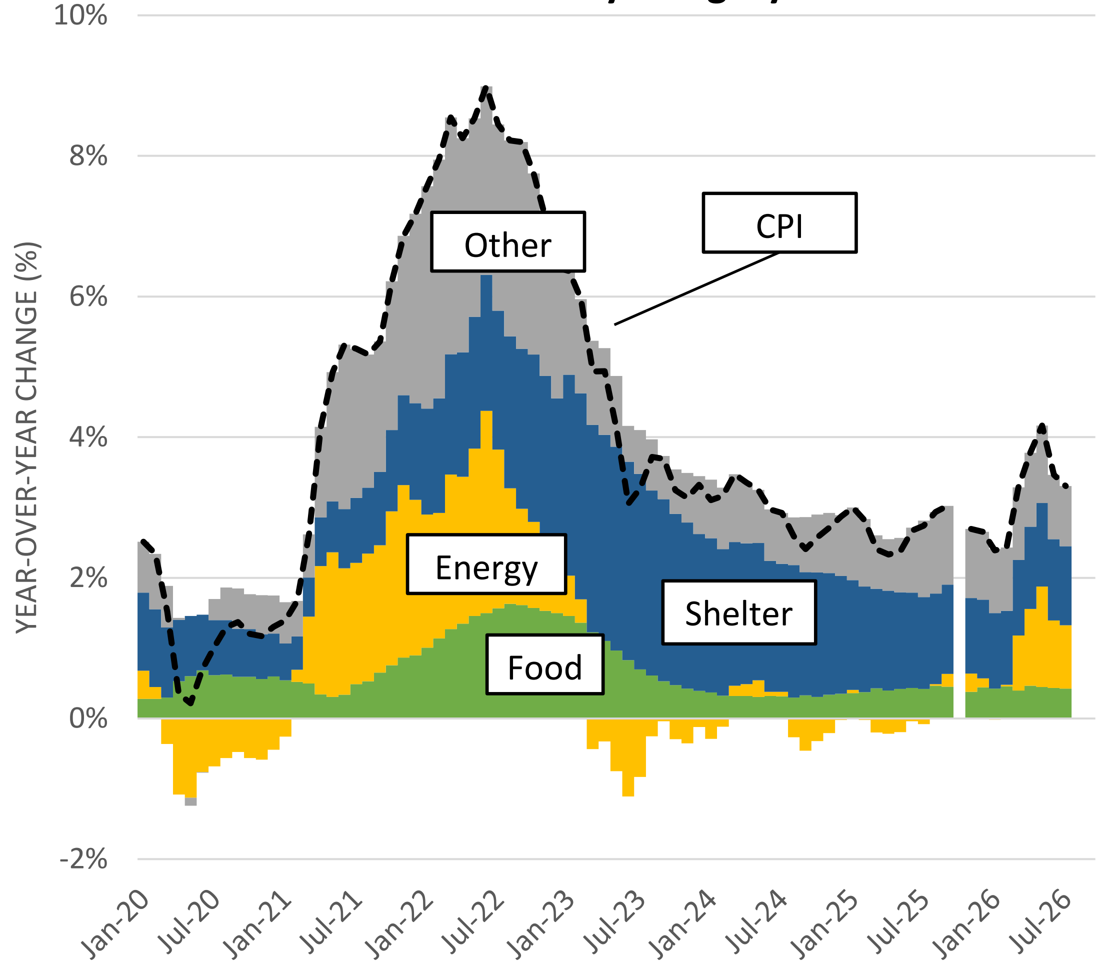
- Personal consumption, disposable income diverge
- 35% of U.S. household net worth is in equities
- Sentiment closely tracks equity ownership

Stable economy with some downside risk

- Debt utilization, potential for rising interest rates
- Slower productivity growth than anticipated
- A fragile wealth effect

Inflation cools as energy prices fall off recent peaks

CPI year-over-year change percentage point contribution by category



Source: U.S. Bureau of Labor Statistics Consumer Price Index, ODAE calculations

Energy markets look for direction

- Inventories, spreads suggest strain
- Relief from physical deficits and global imports
- Short vs. medium term trends, but with volatility

Mixed signals from core inflation measures

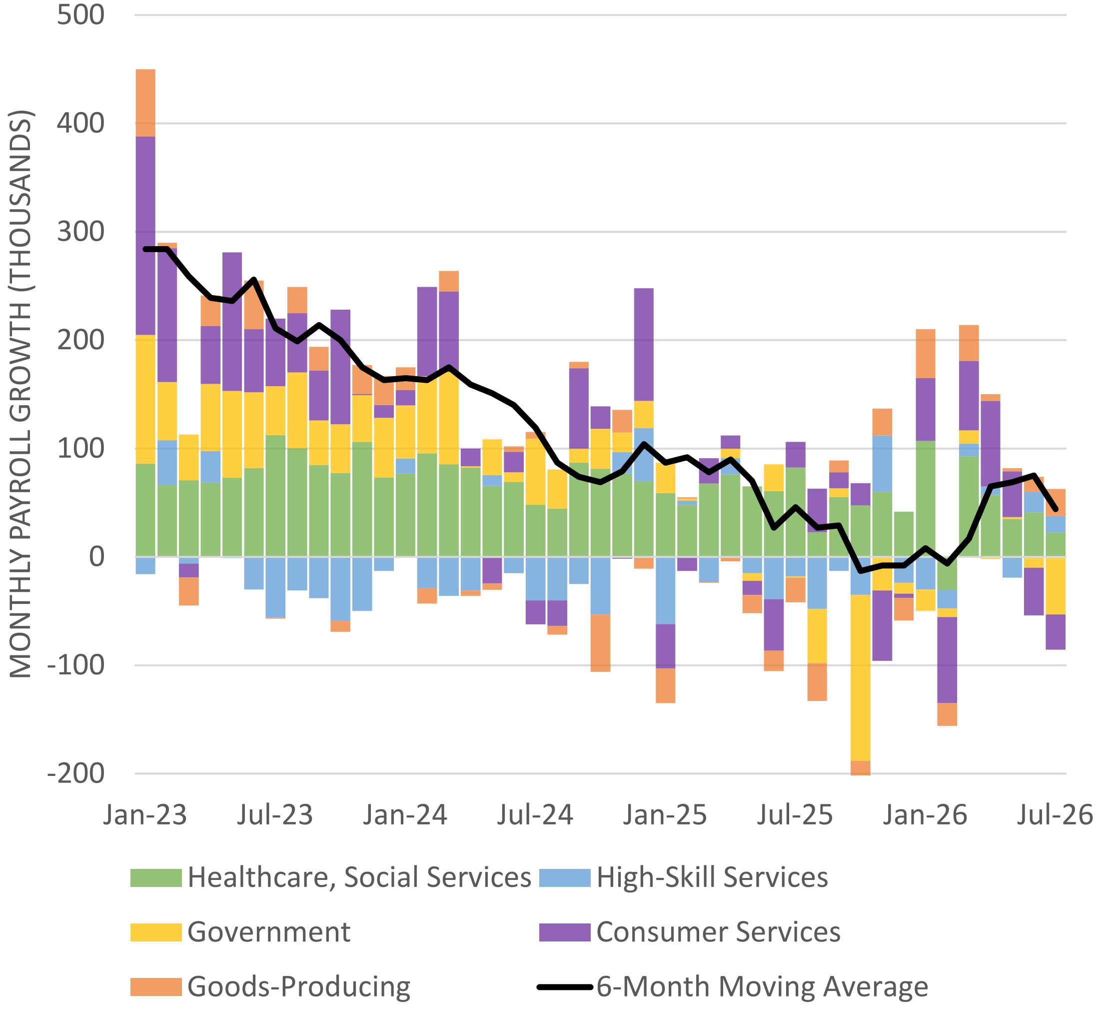
- Shelter disinflation may be bottoming out
- Select services drive core PCE inflation
- Core PPI signals “broad-based” modest inflation

Tariff update

- Goods pass-through may be largely complete
- Additional impacts may occur as policy changes

Labor force gets smaller while turnover stabilizes

Monthly payroll growth by industry



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

Civilian labor force is shrinking

- 2.4 million fewer workers than Nov 2025 peak
- Youngest and oldest cohorts shrank the most
- Unemployment rates near recent lows

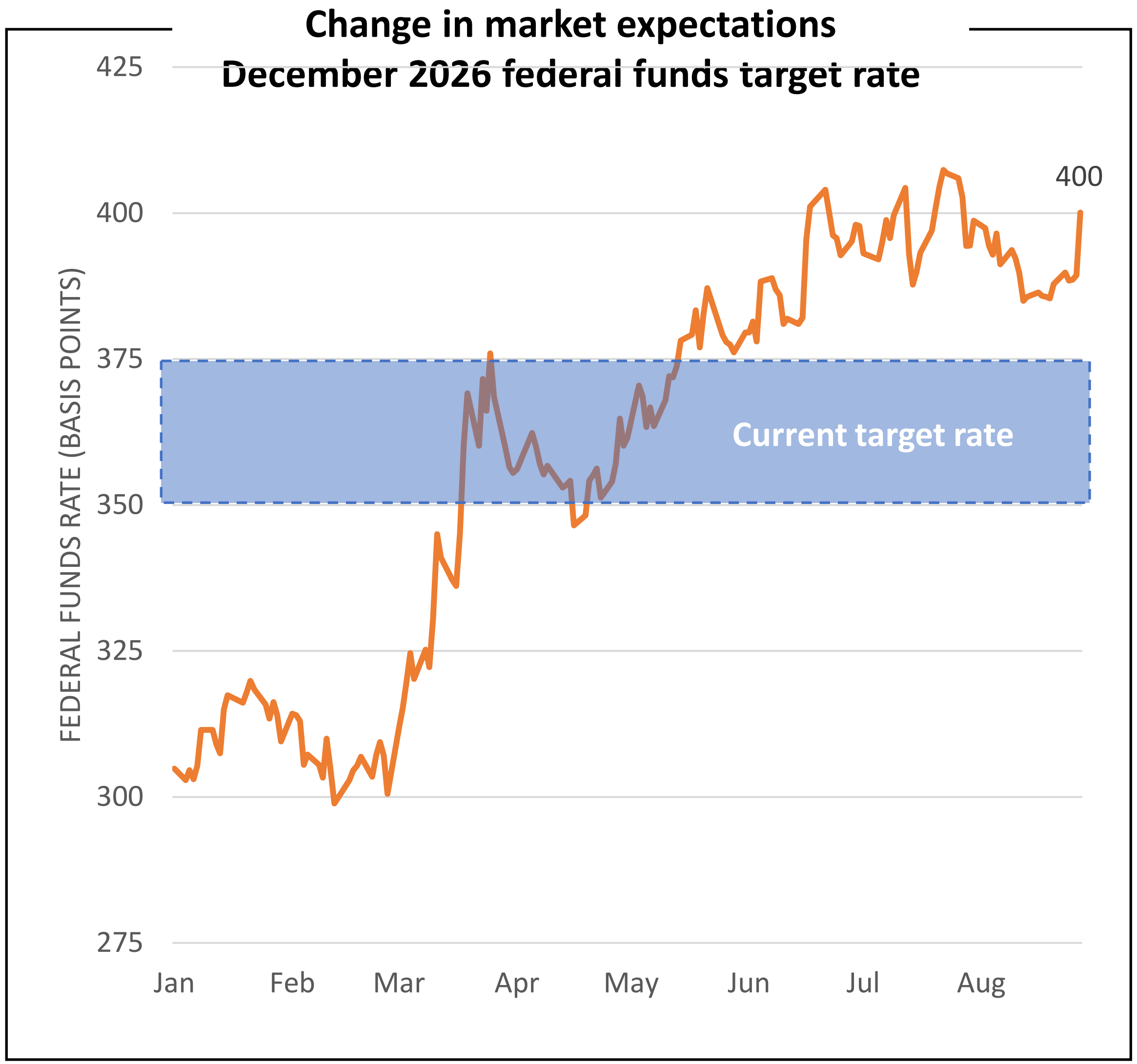
Hires, fires still stuck in stasis

- Quit, layoff rates remain near cycle lows
- Hire rates have shown modest improvements
- Job switching premiums have begun to recover

Job quality recovers from late 2025

- Underemployment/marginally attached flatline
- Temporary employment rebounds
- Multiple jobholders rise, but off Nov 2025 peak

Federal Reserve continues to emphasize price stability



Source: CME FedWatch, ODAE calculations

Inflation takes center stage of dual mandate

- Consumption, investment continue to grow
- Low unemployment, strong productivity growth
- 65 months of sticky, broad-based inflation

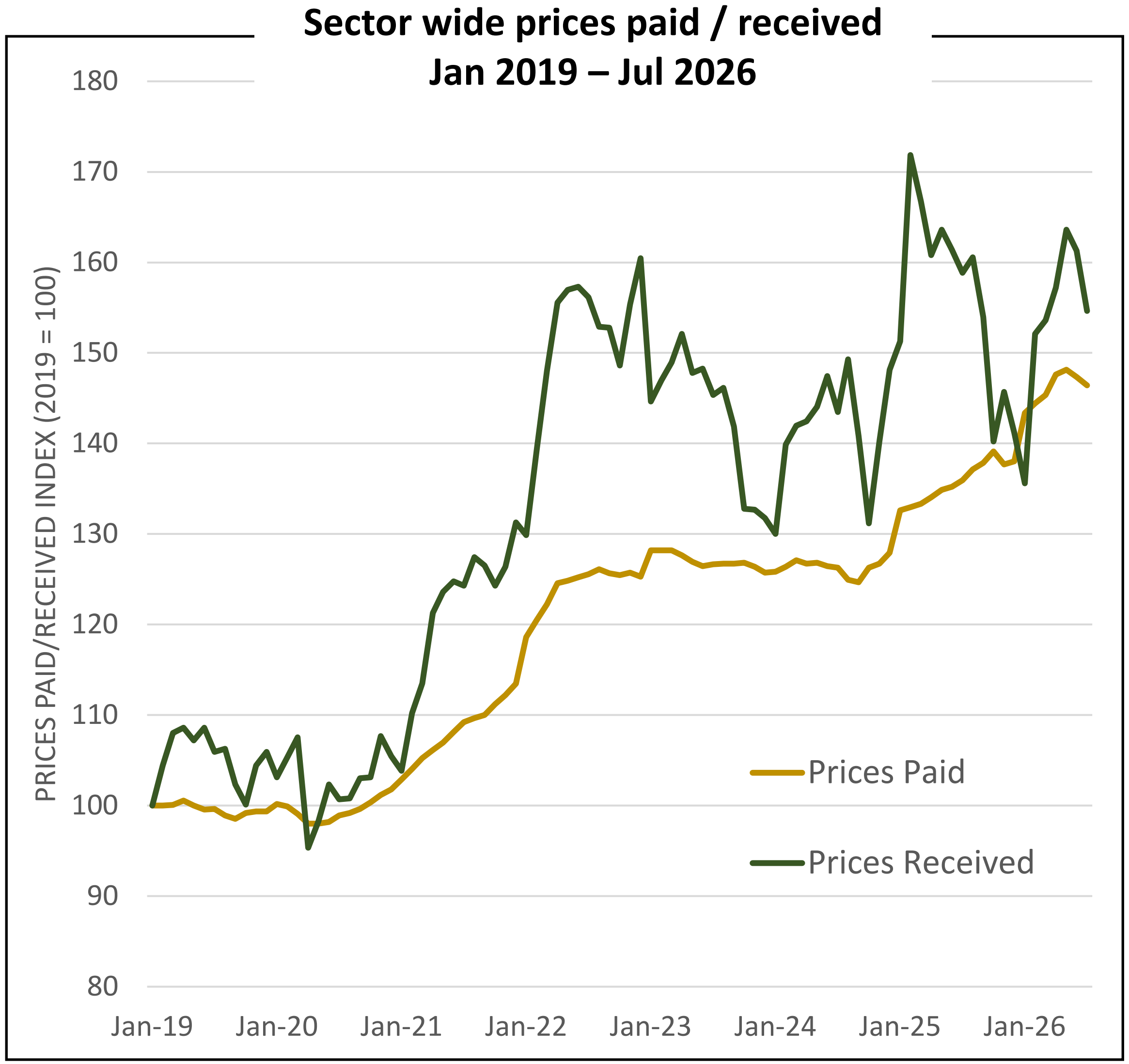
"…while this summer's PCE and CPI readings were better than expected, they do not tell me that underlying trends have meaningfully improved.."

Chairman Kevin Warsh, August 28, 2026

Long-end pressure in the Treasury market

- Longer-dated instruments hit highs
- Multifaceted demand factors
- Policy and fiscal uncertainty premiums

Margin compression drives 2026 farm income expectations



Source: USDA National Agricultural Statistics Service Prices Paid/Received Index

High 2026F incomes based on govt support

- Cash receipts have fallen since 2025
- Expenses are still trending sideways or up
- Marketing opportunities offer relief

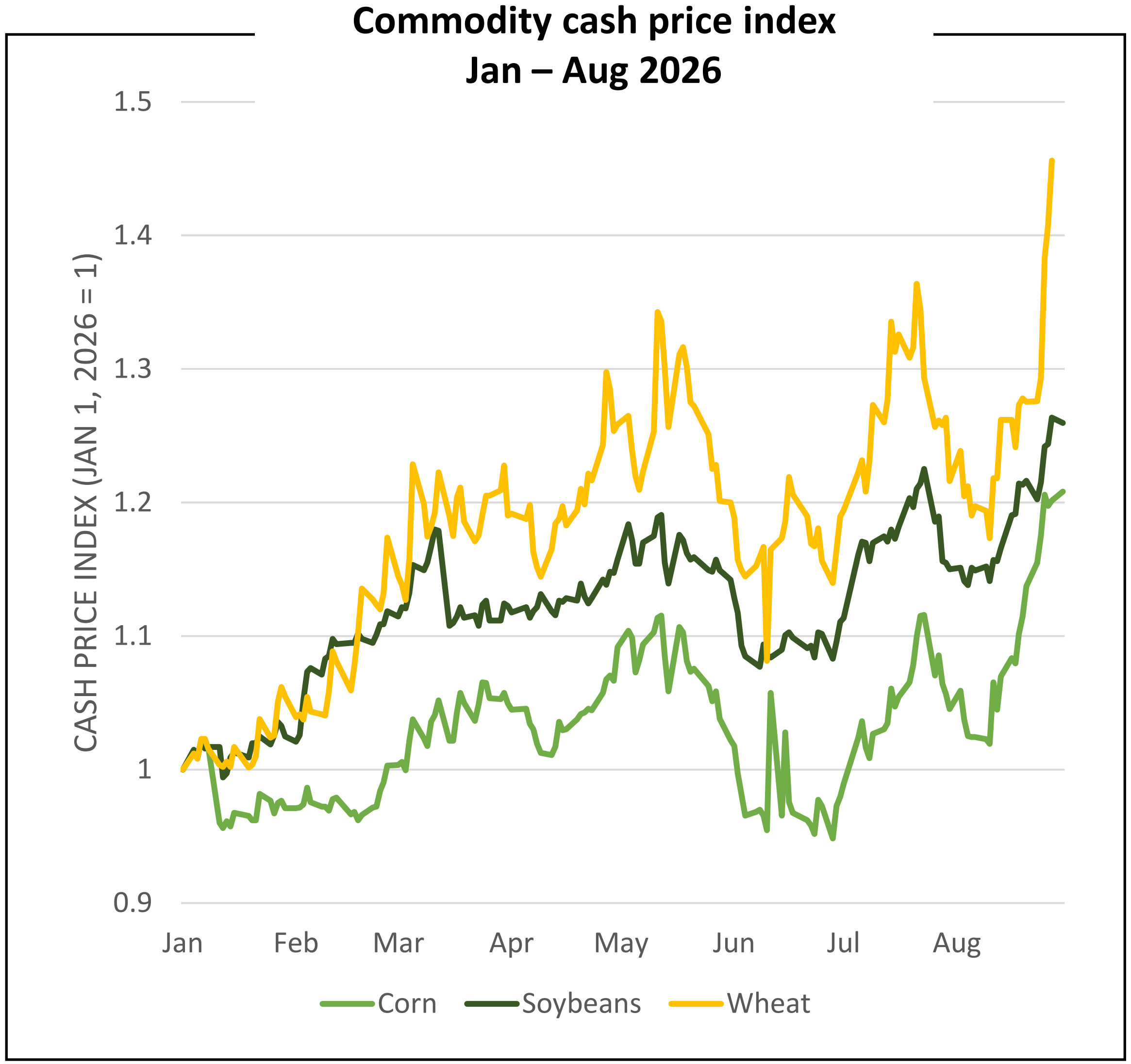
Liquidity continues to be the 2026 pain point

- Working capital forecast to decline in 2026
- Farm debt repayment continues to fall
- Sector solvency impacts limited to date

Regional and commodity variation persists

- Arkansas rice/cotton and logistical concerns
- Historically low wheat production
- Egg, dairy margin compression

Many crop prices rise on varied global factors



Source: Barchart Commodity Prices

Cash grains see multiple concurrent supports

- Black sea exports halt due to strikes on ports
- EU heat waves and El Niño
- Uptick in global demand

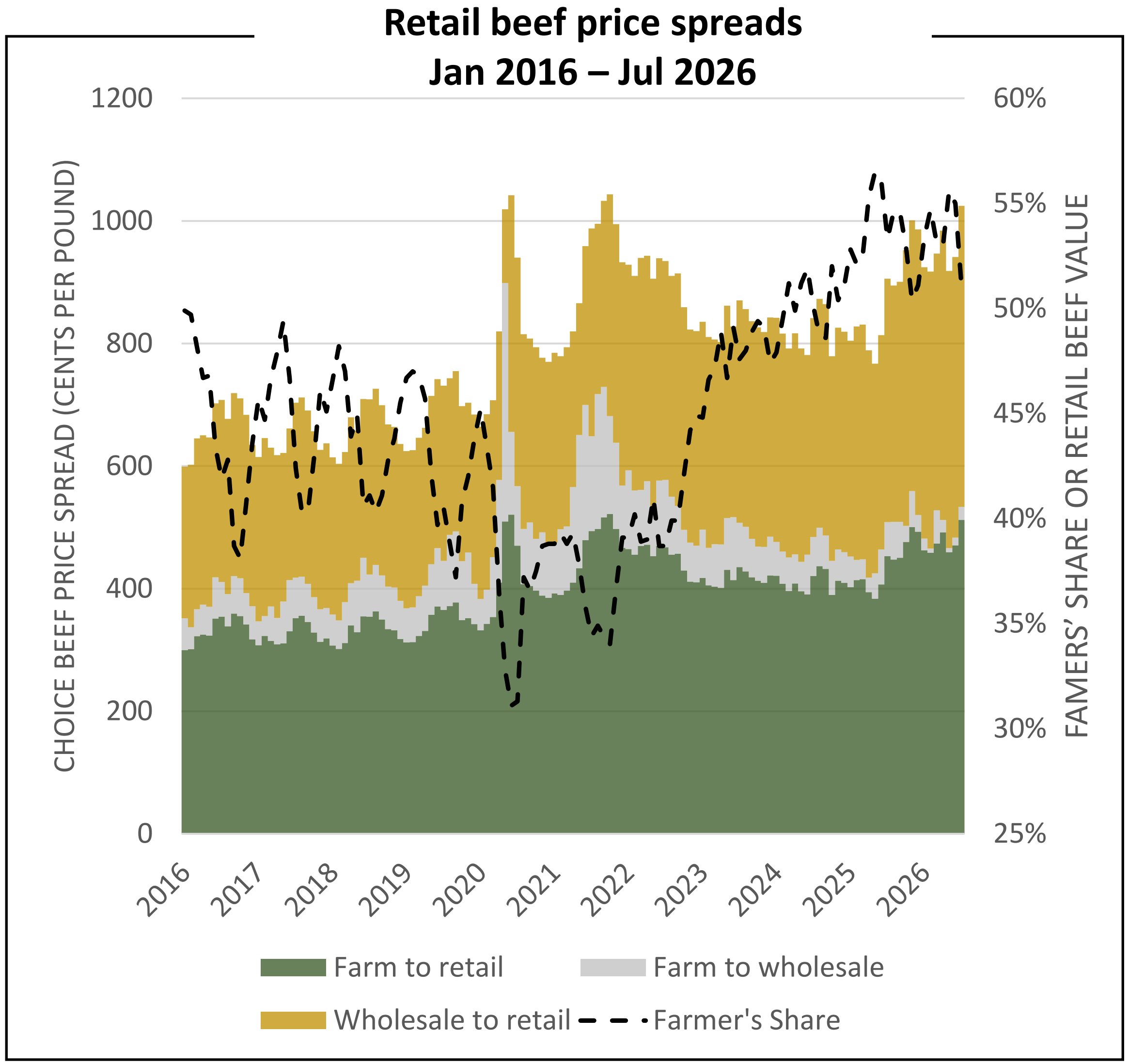
Many fruits, tree nuts driven by the supply side

- Greening hits global citrus crop
- Almond prices rebound on lower supply
- Grapes continue balancing on softer demand

Other commodities to watch

- Cotton stocks at lowest since 2011/2012
- Sugar: South American weather, policy

Profitability tightens in parts of the livestock sector



Source: USDA Economics Research Service Meat Price Spreads

Cattle markets remain tight

- Market uncertainties limit herd growth
- Feeders, processors face narrow margins
- Screwworm containment may ease pressure

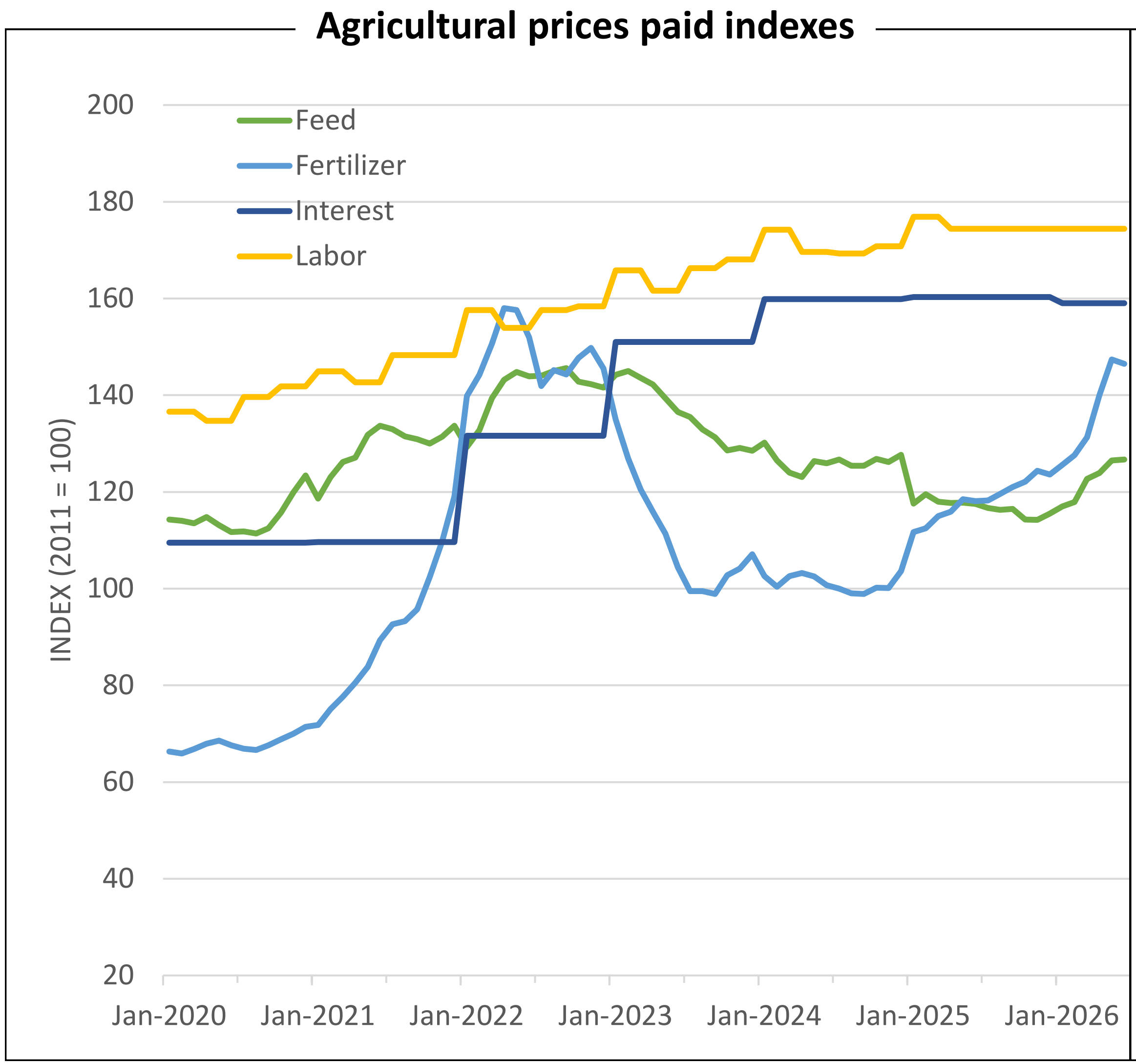
Supplies cut into margins for other livestock

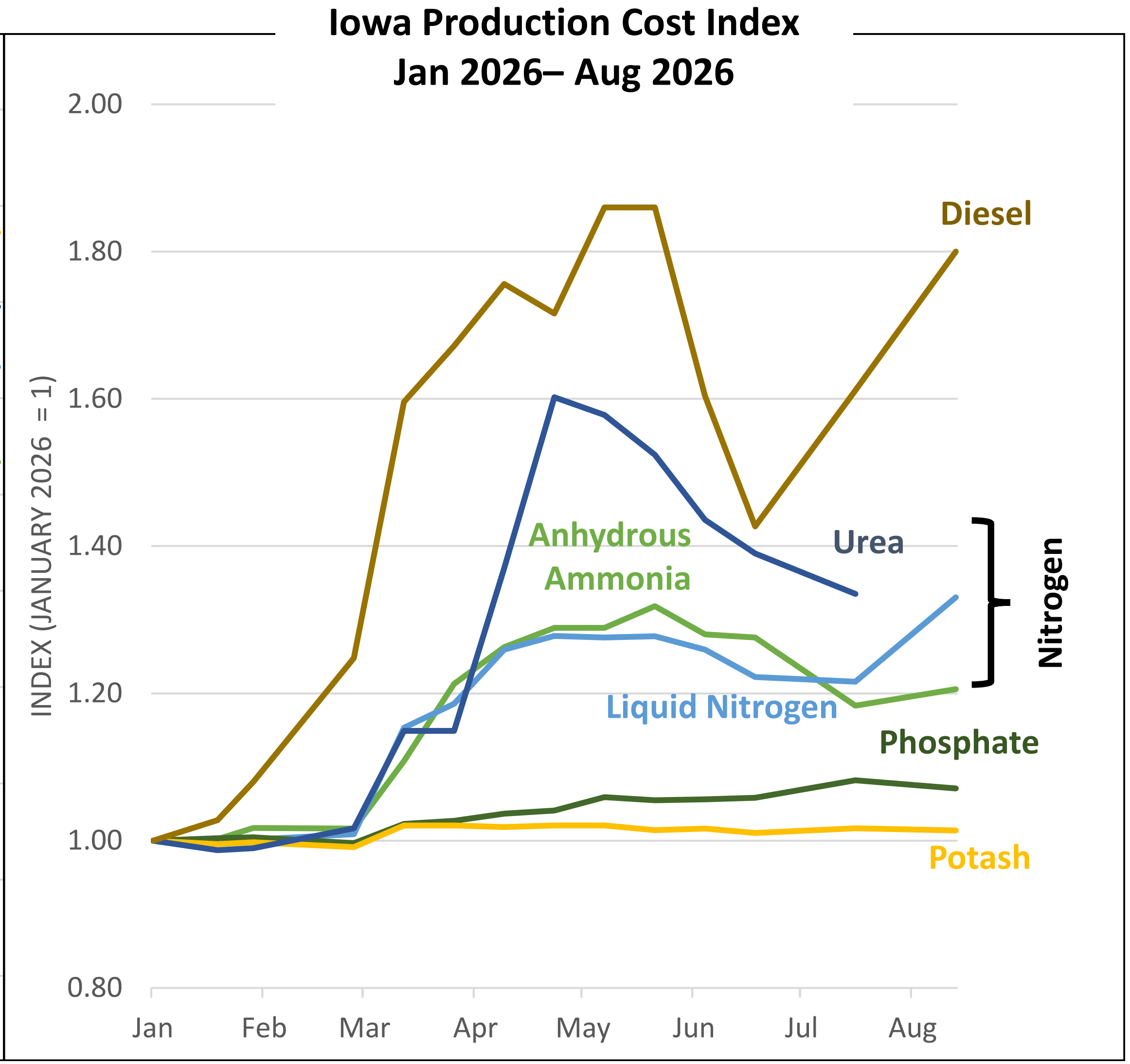
- Dairy herd at multi-decade high
- Pork production near top of historic range
- Broiler/turkey/egg production higher

Emerging headwinds for the livestock sector

- Feed costs rise across the sector
- Drought creates poor pasture conditions
- Dollar strength cuts into export demand

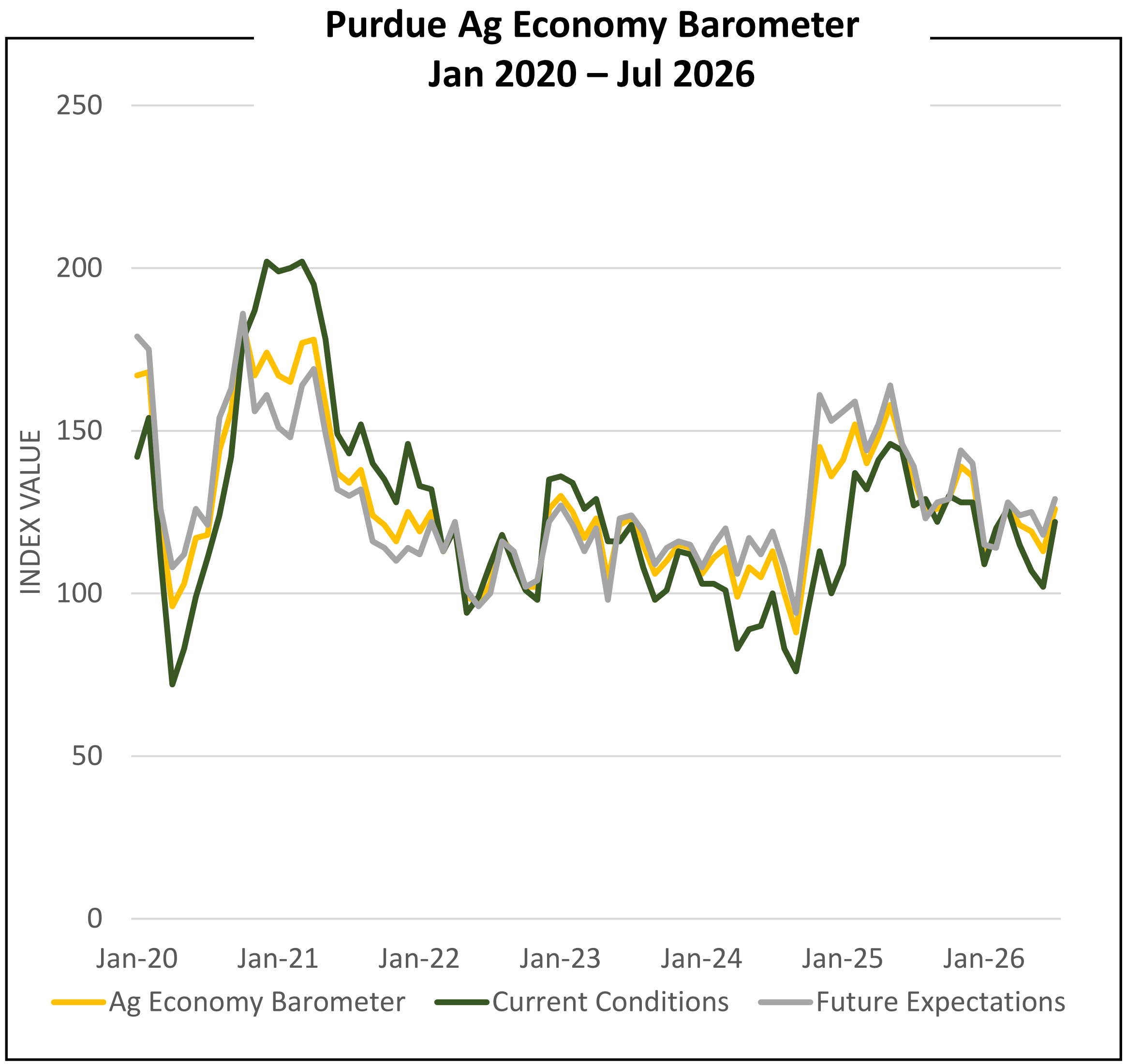
Farm expenses climb heading into harvest season





Source: USDA National Agricultural Statistics Service and USDA Agricultural Marketing Service Iowa Production Cost Report

Producer optimism builds on commodity market rallies



Source: Purdue CME Ag Economy Barometer

Producer sentiment jumps in July

- Increased capital expenditures/ export optimism
- Improved expectations for future financial performance
- High input costs continue remain a drag

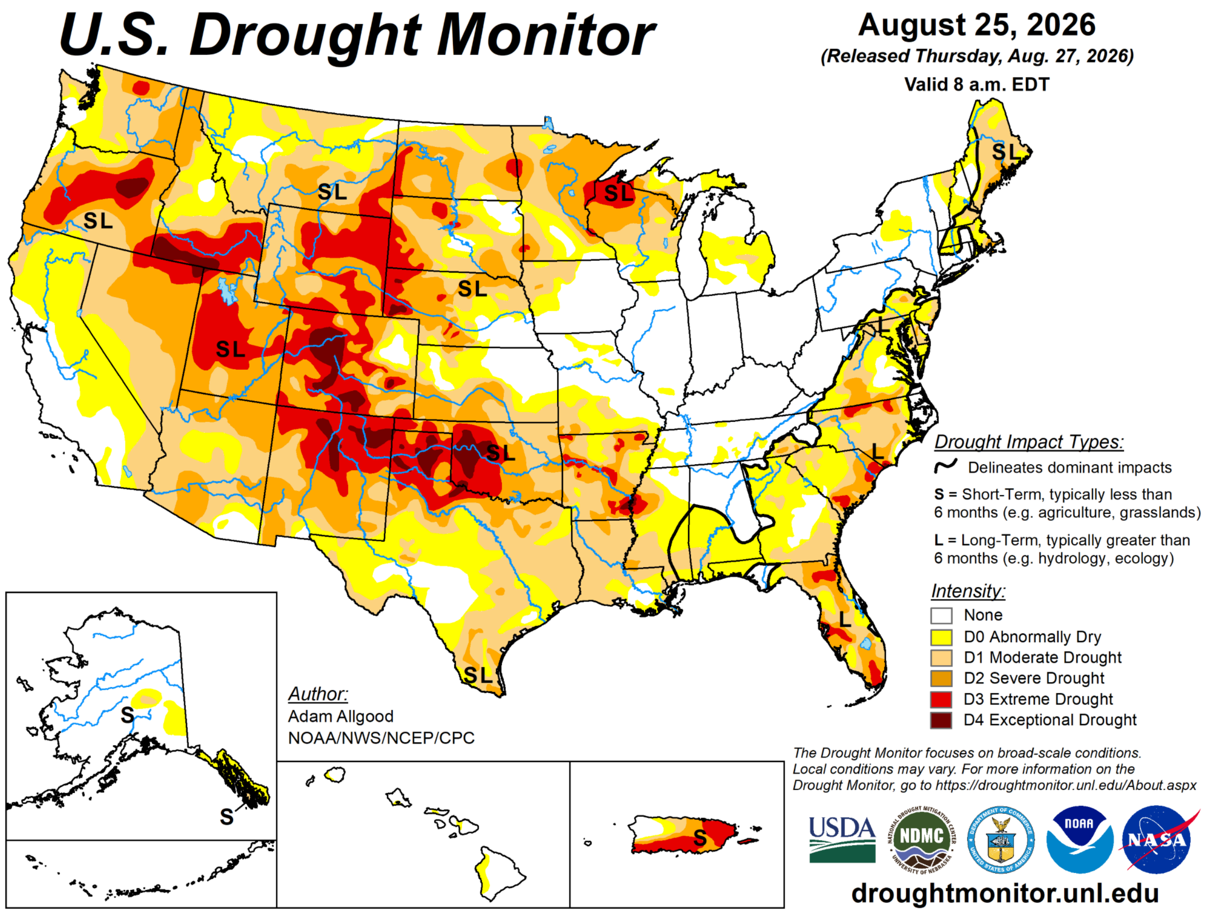
Land values as a bridge during lower income period

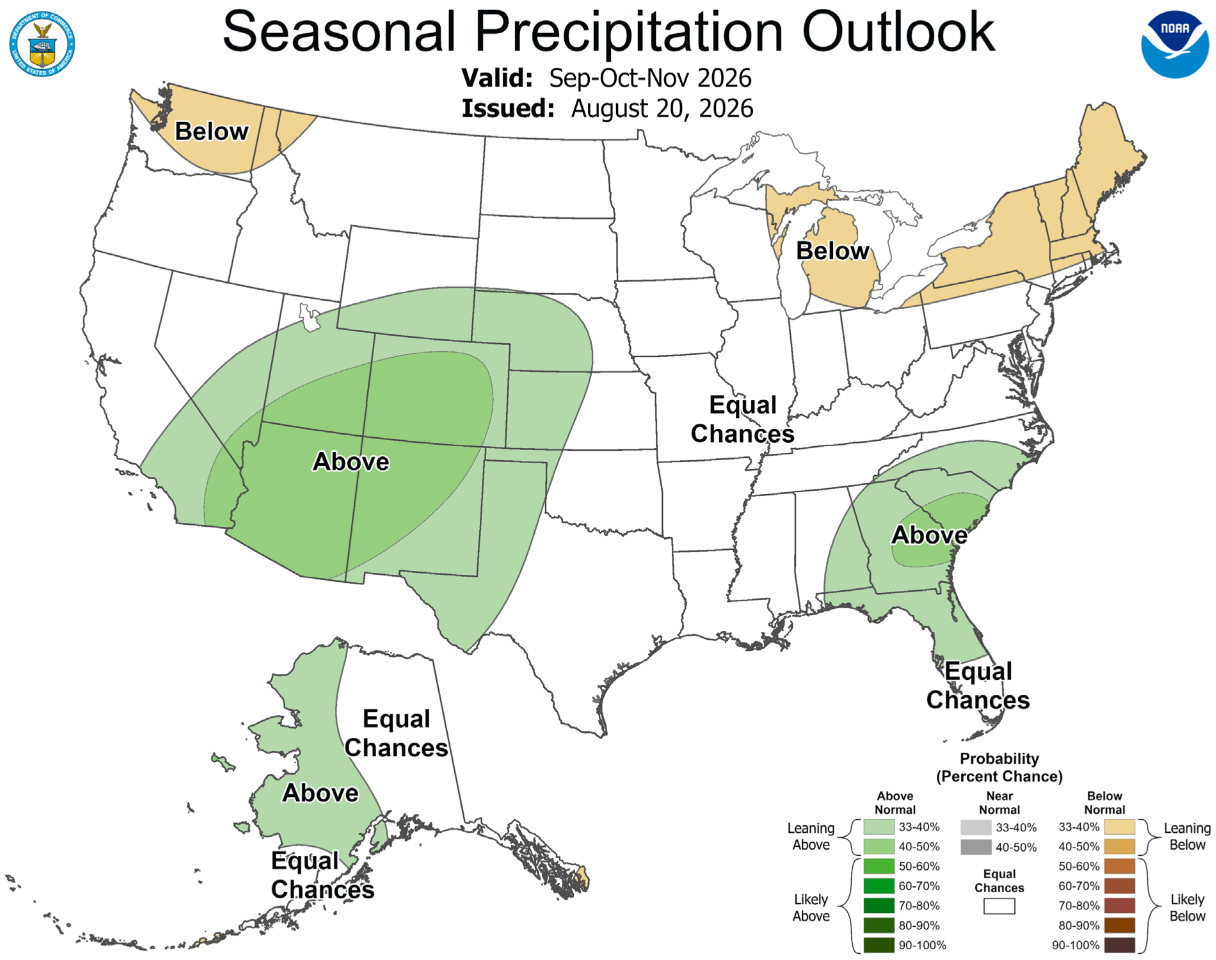
- Pervasive evidence of tight working capital
- Survey data continues to indicate higher land values
- Some evidence of improving financial conditions in Q2

Producers remain in a period of elevated uncertainty

- Uncertain government policy
- Global competition and trade
- Historic El Niño pattern

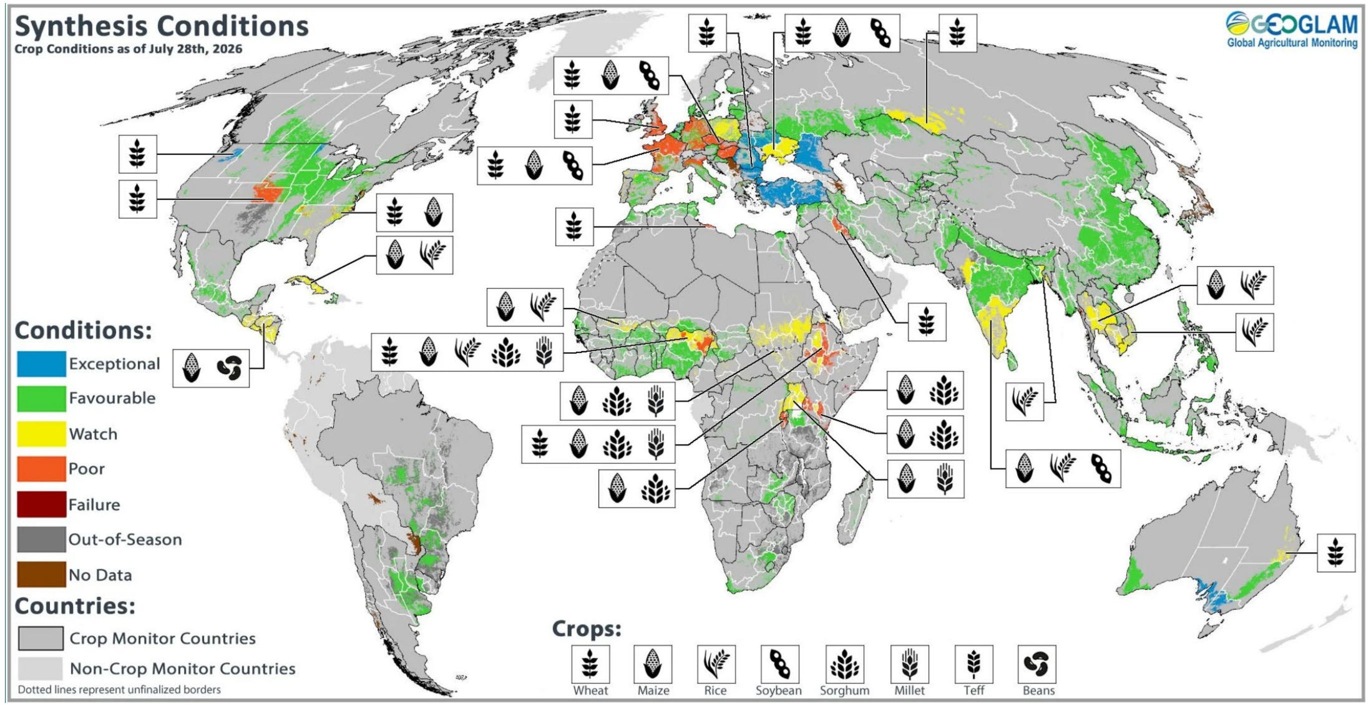
Drought conditions persist across much of the U.S.





Global weather conditions create pockets of stress

Global commodity conditions
July 28, 2026



Hot, dry summer with some extreme weather

- European summer crops weaken from high heat and drought conditions
- In China, heatwaves and floods may impact corn and soybean production
- Flooding damages SE Asian rice production

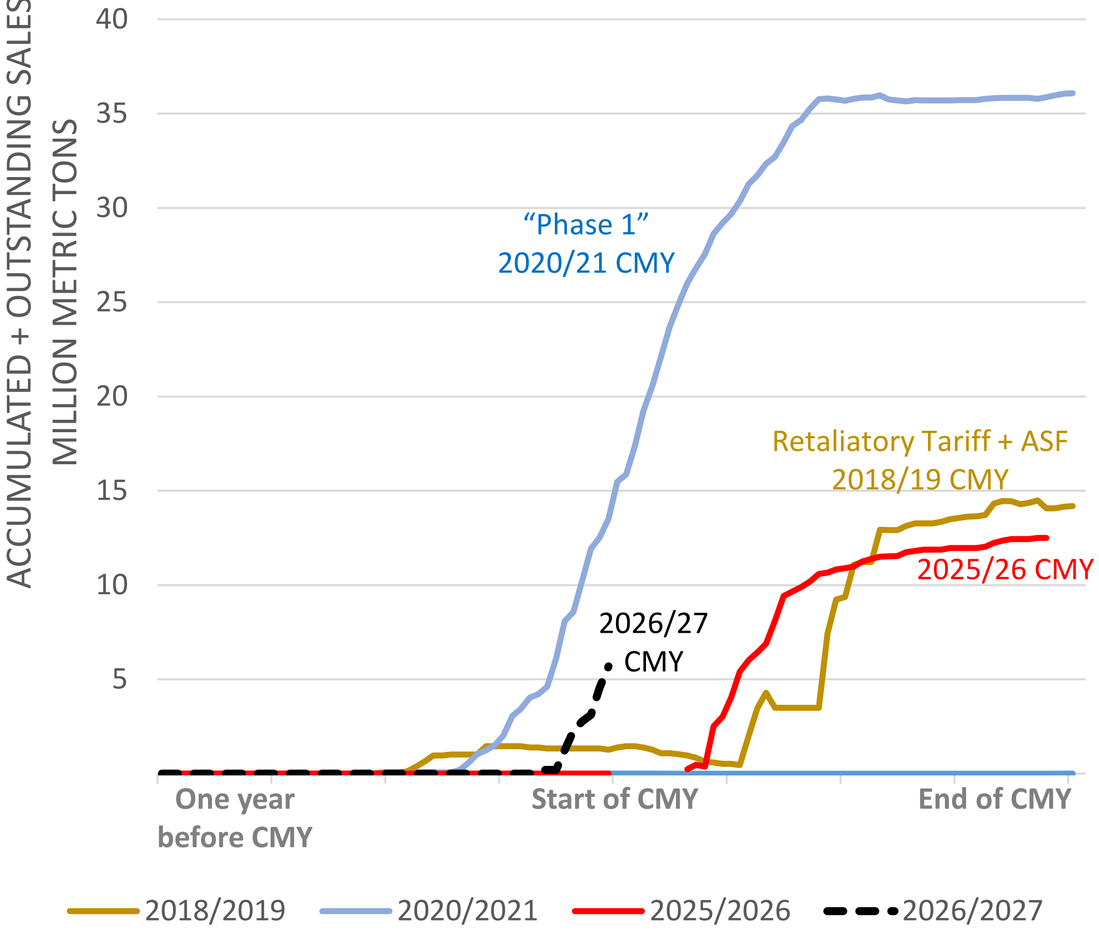
Emerging El Niño pattern may be a record

- NOAA: 90% chance of a 'very strong' pattern, and ~70% chance of a record
- Stronger patterns may cause dryer regional conditions in the global south
- Patterns are not uniform or consistent

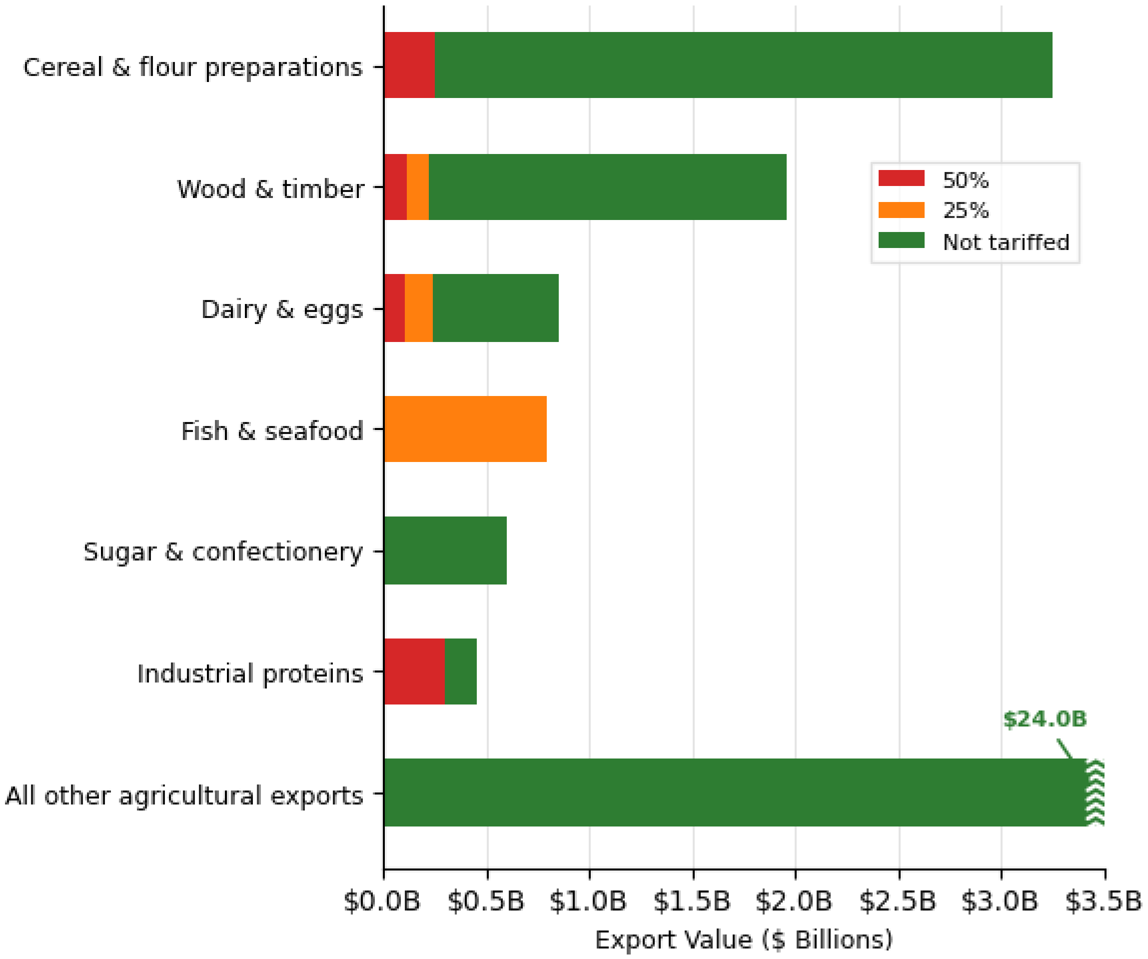
Sources: GEOGLAM Crop Monitor

Trade remains a bilateral story

Total soybean sales to China by crop marketing year (CMY)



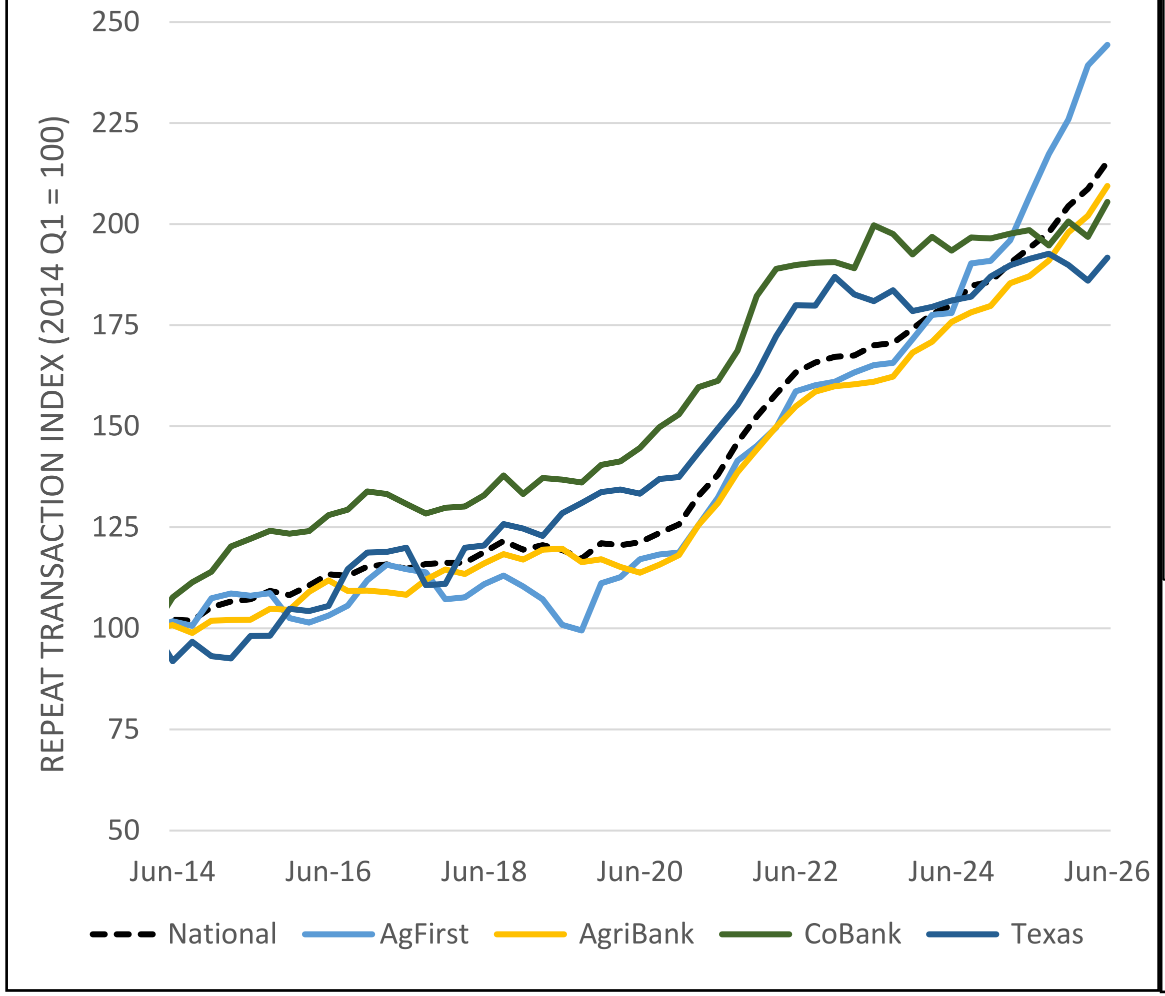
U.S. agricultural exports to Canada in 2025 segmented by August 2026 tariff rate



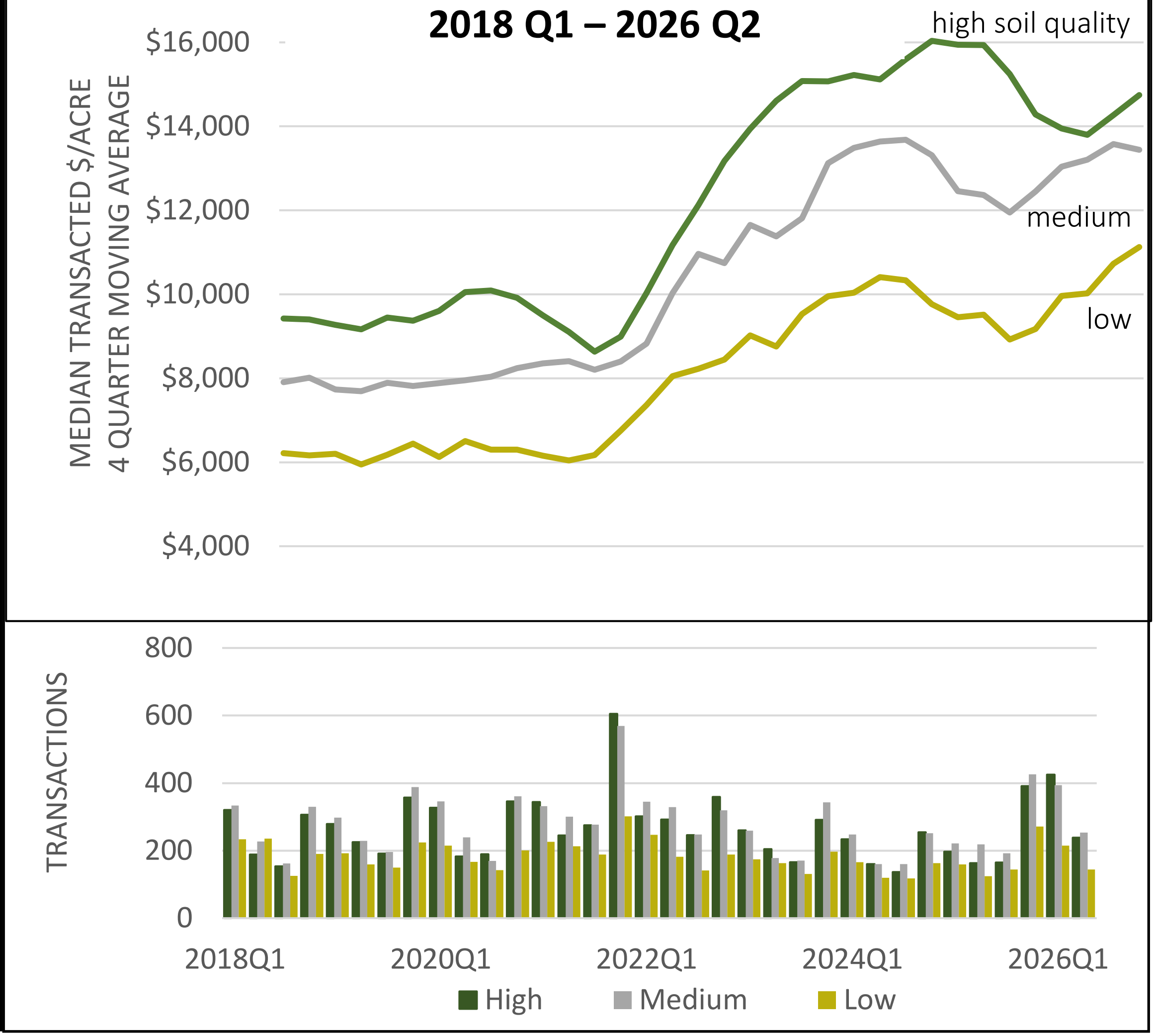
Source: USDA Foreign Agricultural Service Export Sales Query System, USDA GATS, ODAE Calculations.

Agricultural land values continue slow growth in 2026

Rural agricultural bare land values index
2014 Q1 – 2026 Q2



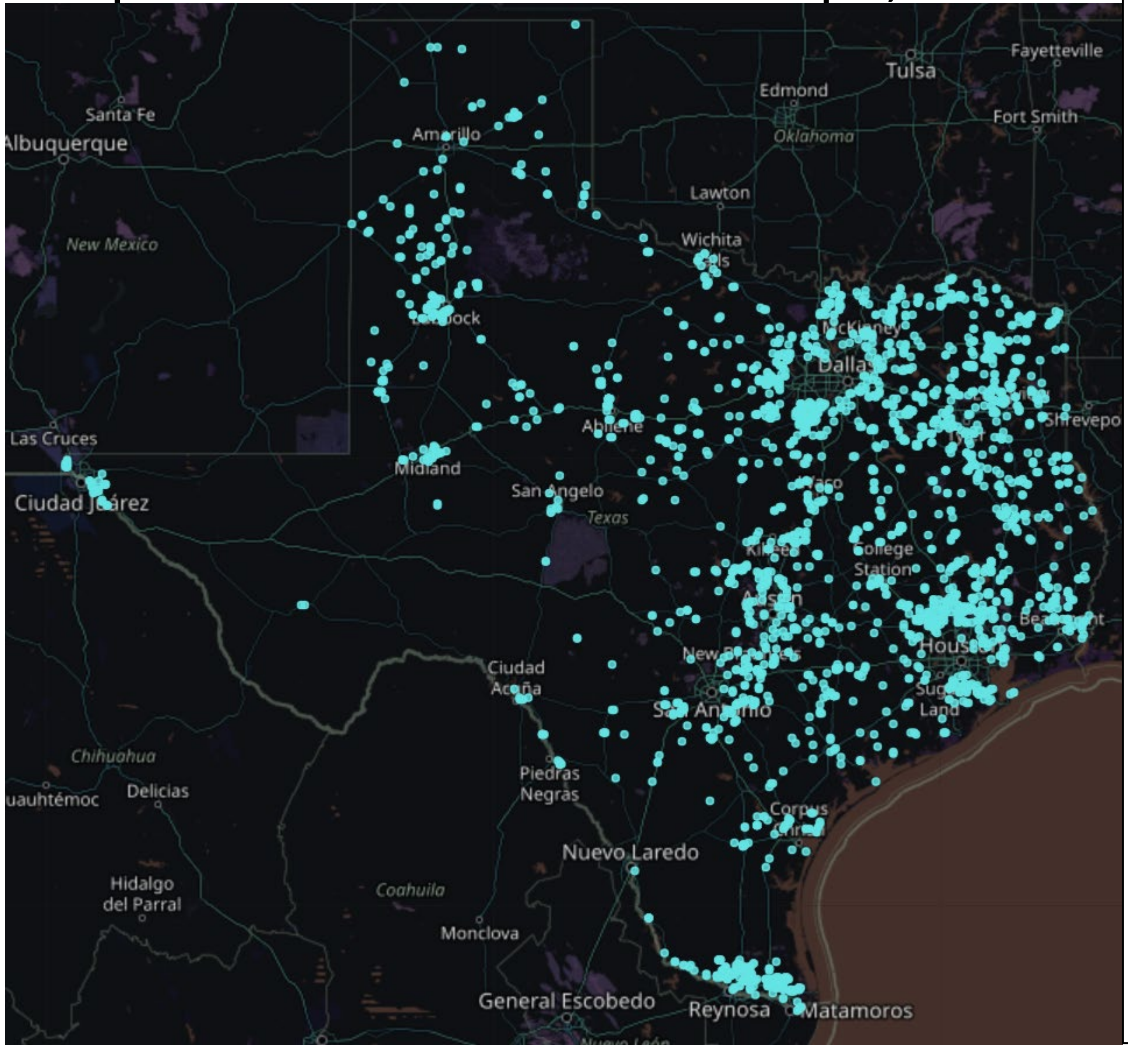
Iowa land value by CSR2 Score*
2018 Q1 – 2026 Q2



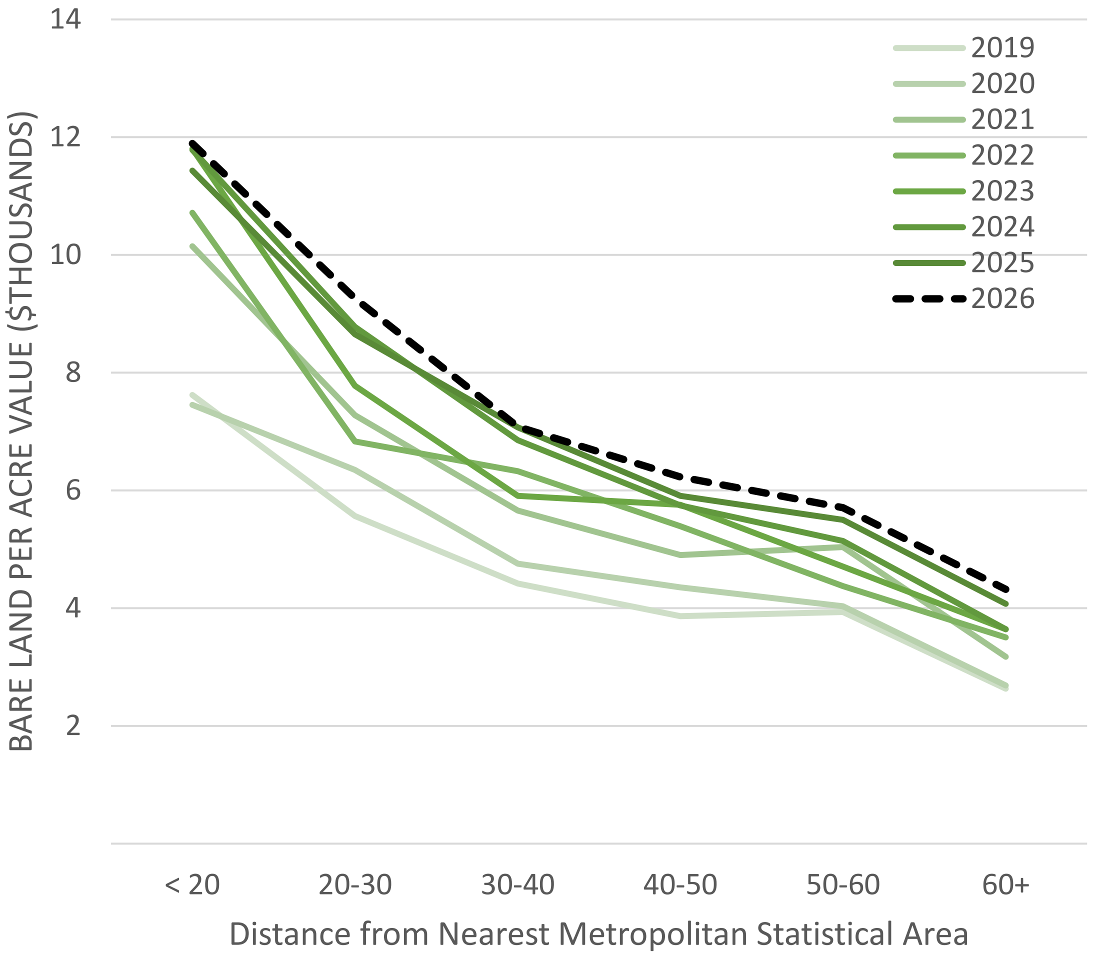
Source: ODAE calculations using data from Cotality (formerly CoreLogic) and USDA gNATSGO. Rural index excludes sales within 30 miles of a metropolitan statistical area. *CSR2 = Corn Suitability Rating 2

Nonagricultural premiums continue to pressure values

TX pastureland sales that were later developed, 2023 - 2025



U.S. bare land agricultural transaction values by distance to nearest MSA



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

Questions?

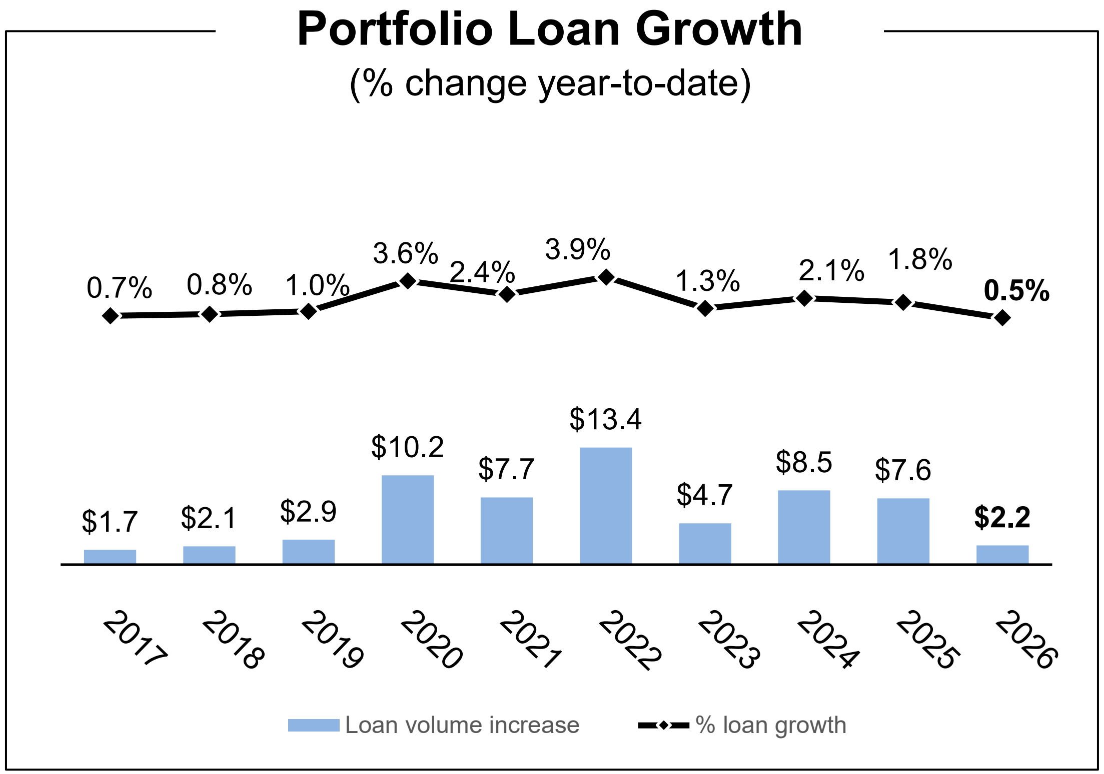
Farm Credit System Condition and Performance as of June 30, 2026

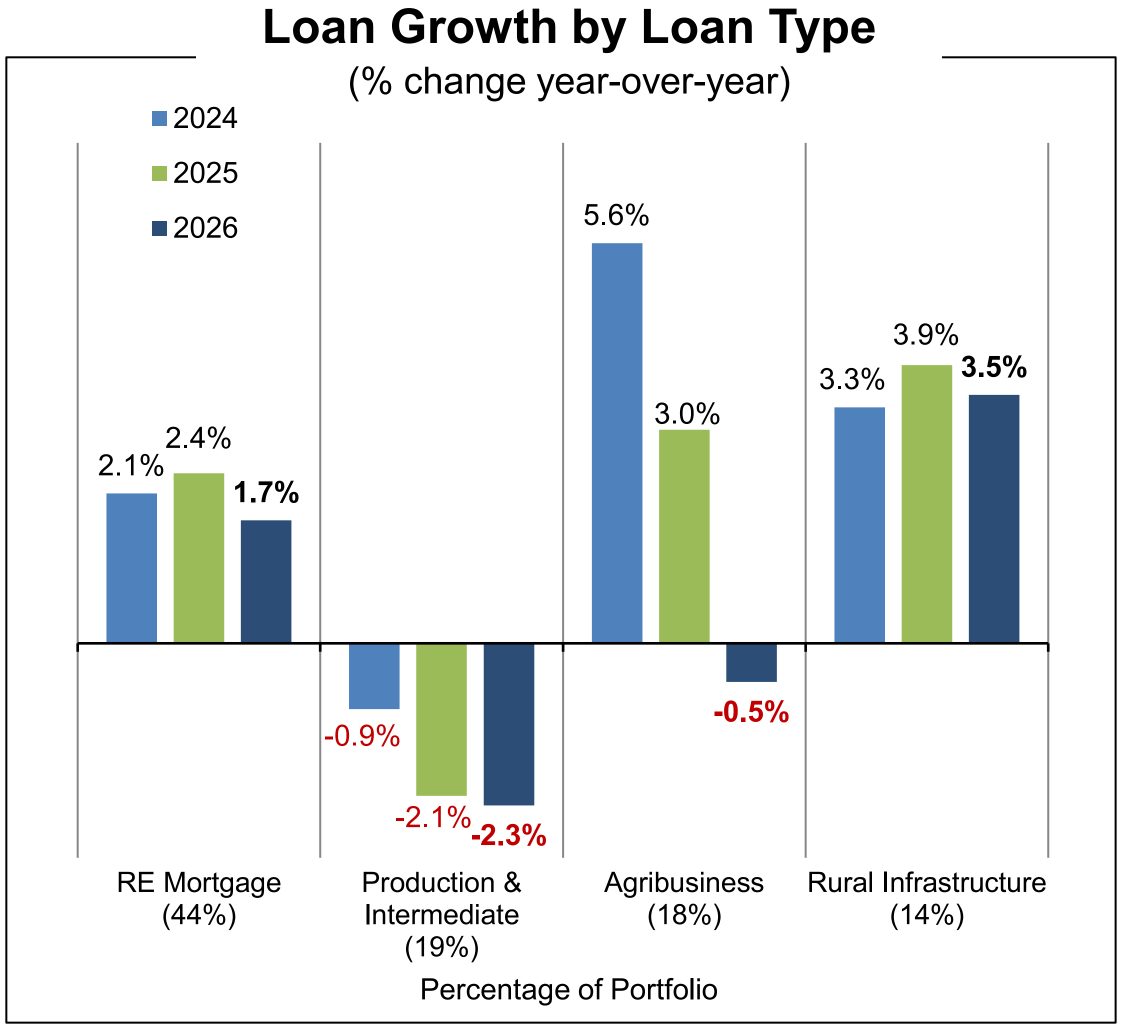
September 10, 2026 FCA Board Meeting

Lori Parker
Supervisory FCA Examiner
Office of Examination

Portfolio loan growth moderated

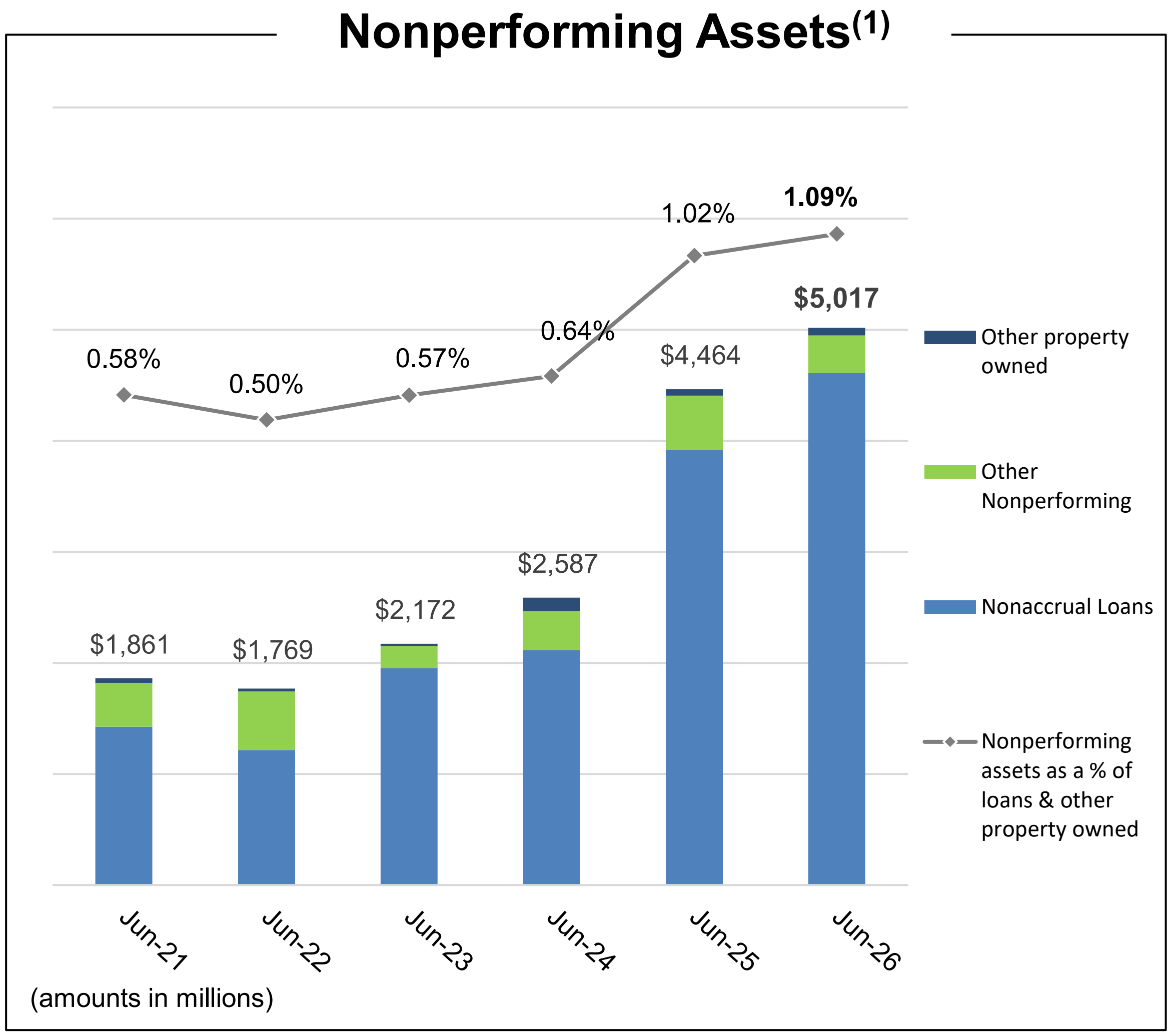
Total Assets 06/30/26	$584.4 billion	+0.4% Qtr +5.2% 12M	Gross Loans 06/30/26	$459.1 billion	+0.5% Qtr +5.2% 12M

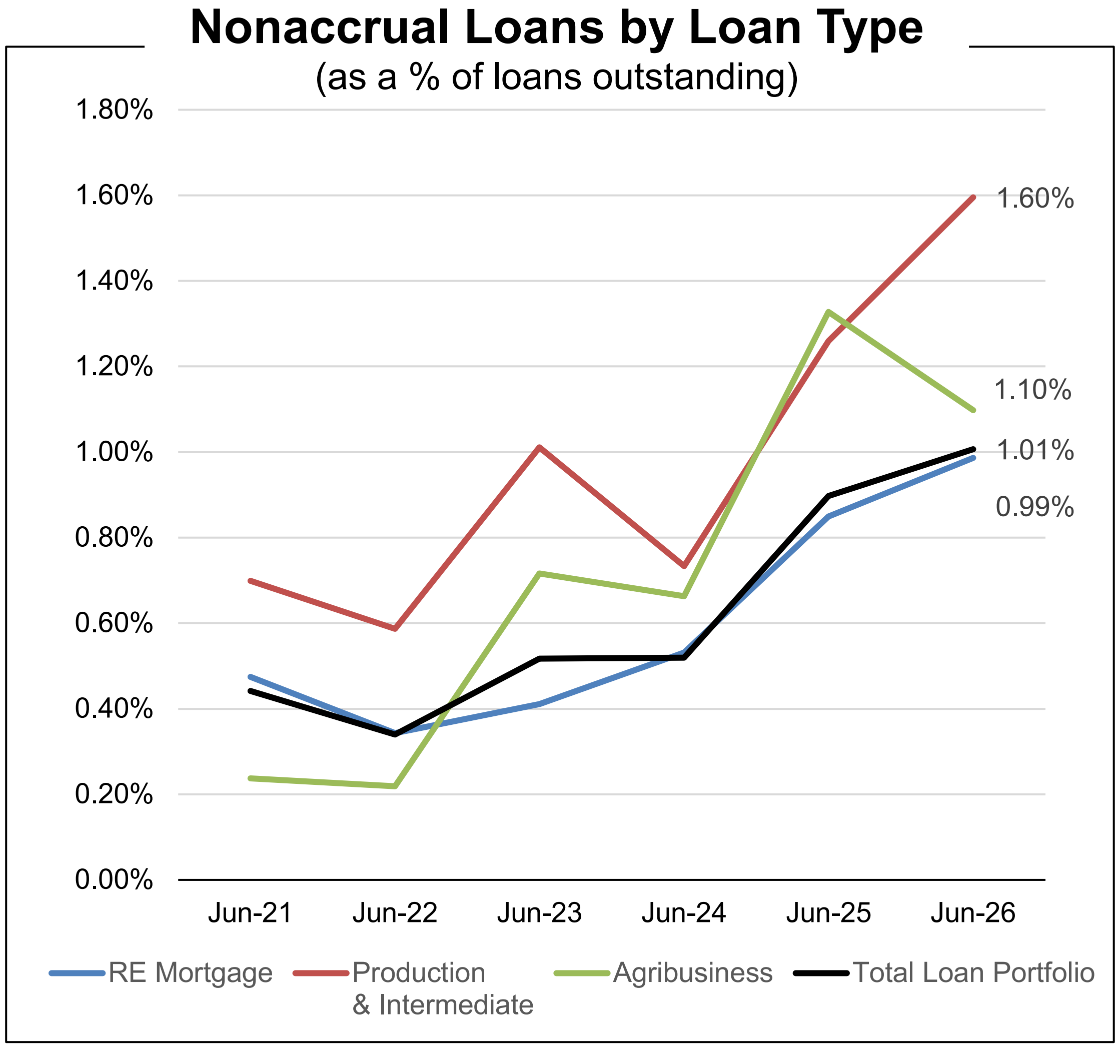




Source: Federal Farm Credit Banks Funding Corporation Information Statements

Nonperforming assets increased





(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

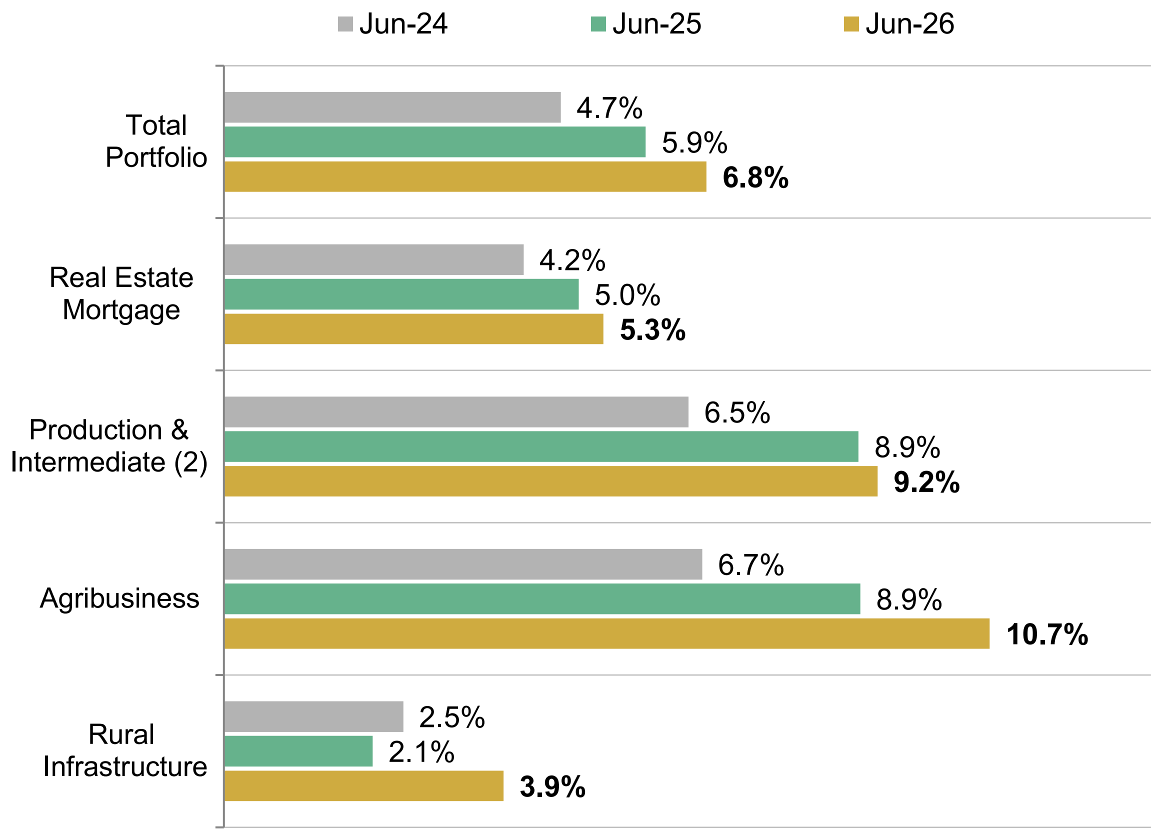
Less than Acceptable loans trended higher

- 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 0.49% as of June 30, 2026, as compared with 0.47% as of June 30, 2025.

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

Loans Classified Less than Acceptable

(as a % of loans outstanding)

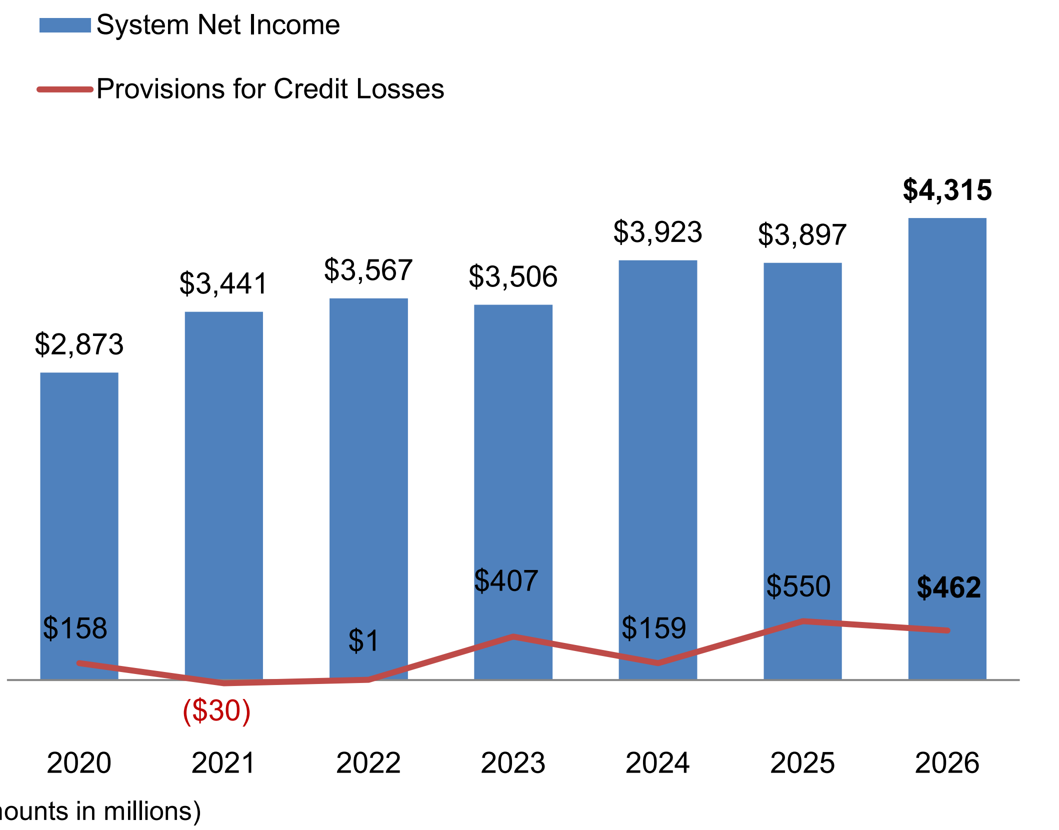


(2) Includes lease receivables

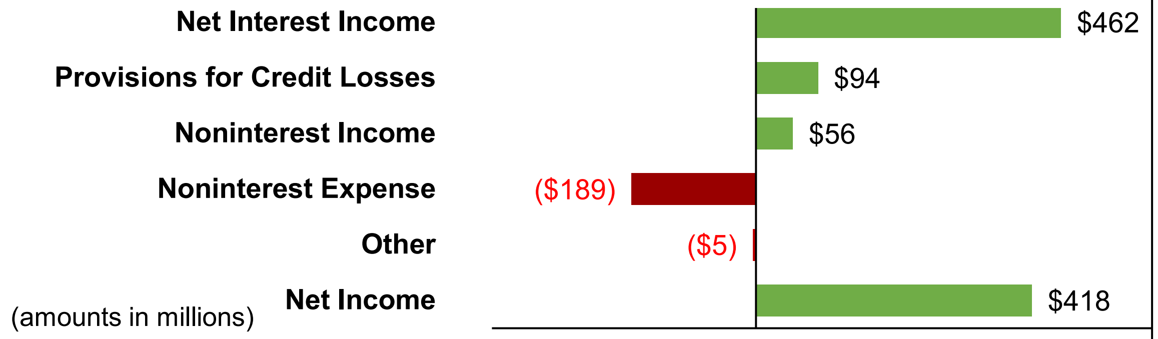
Source: Federal Farm Credit Banks Funding Corporation Information Statements

System earnings grew considerably

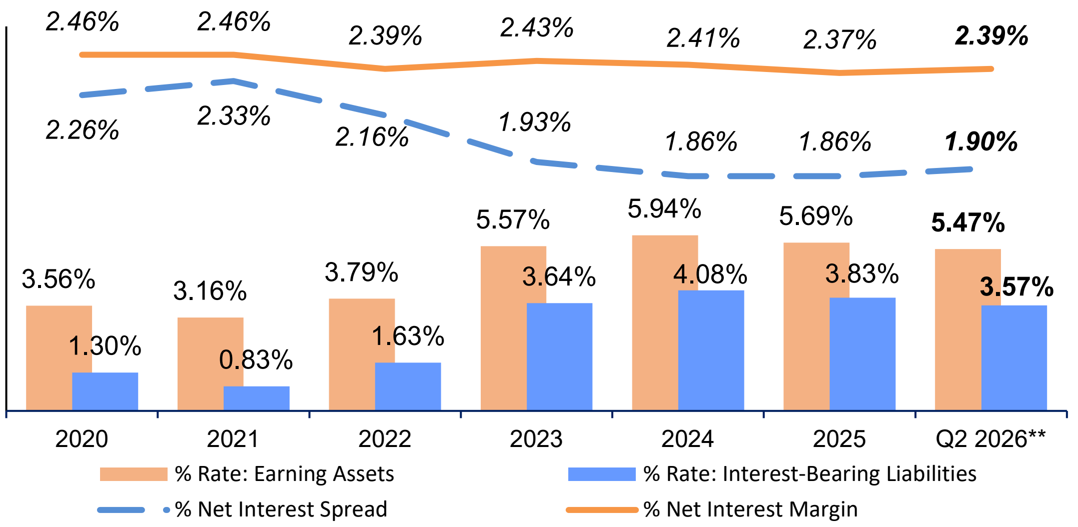
System Net Income
(Year to date ended June 30)



Changes in Key Components of Net Income
(YTD Q2 2026 compared to YTD Q2 2025)



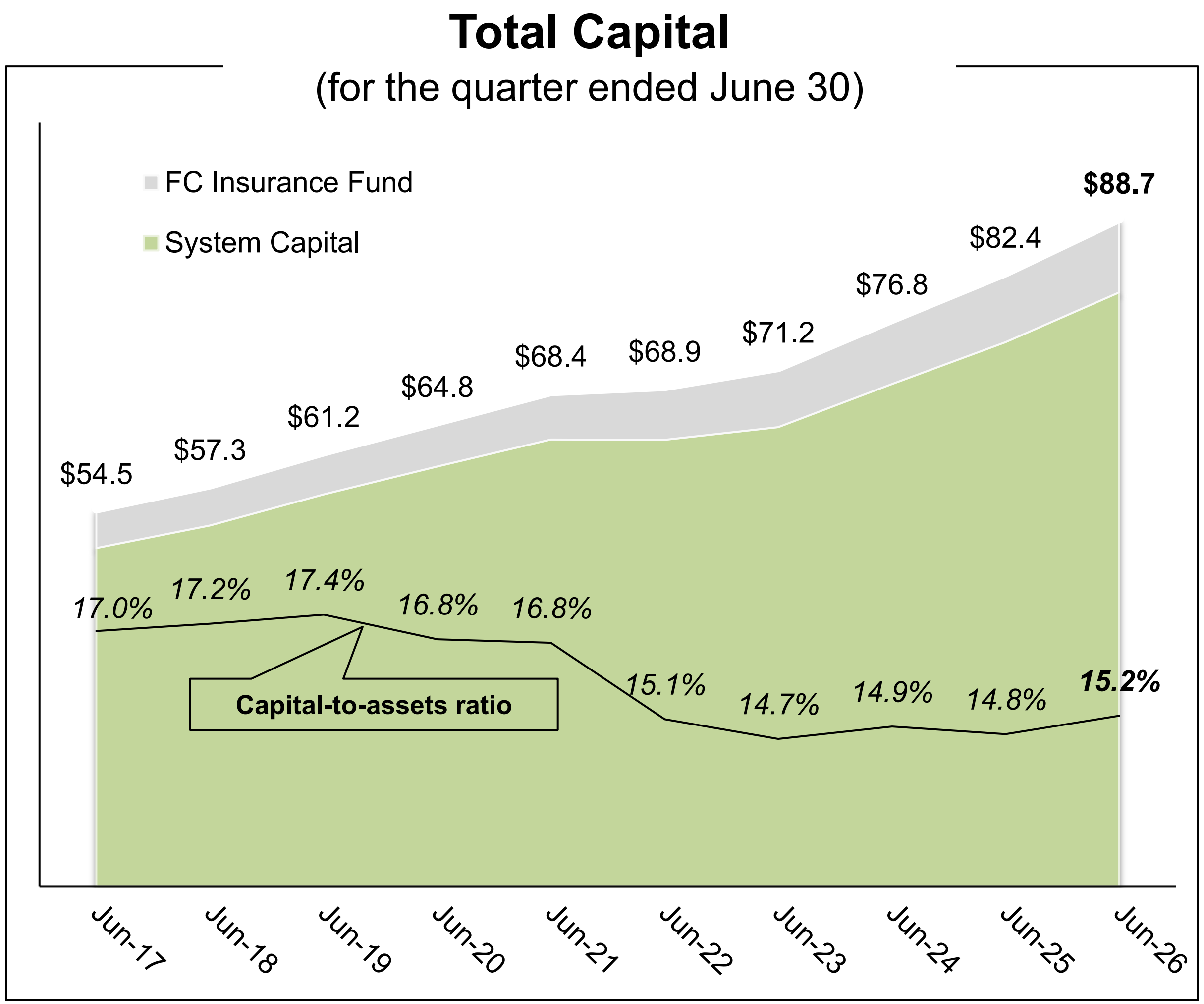
Net Interest Spread & Net Interest Margin

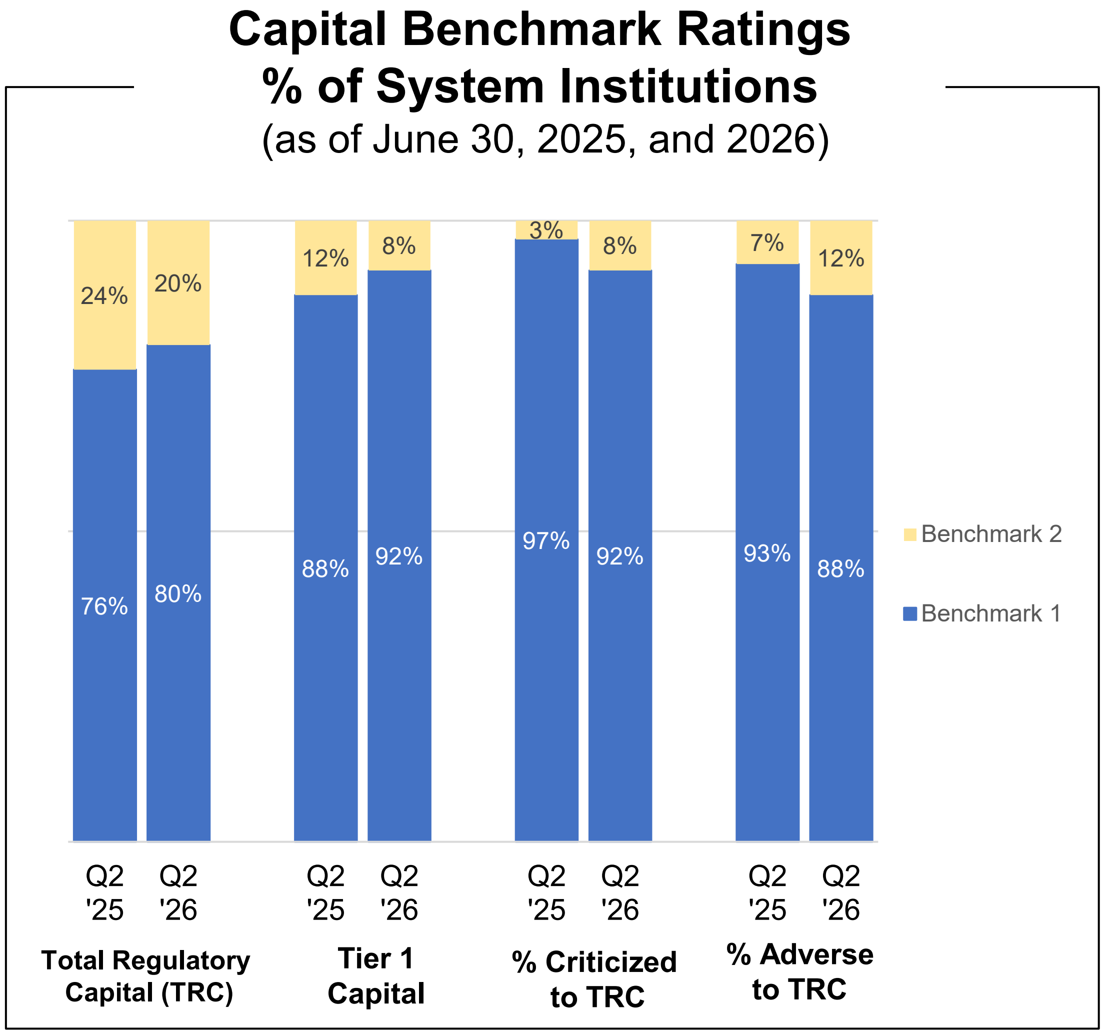


Source: Federal Farm Credit Banks Funding Corporation Information Statements

** annualized

System capital position was sound



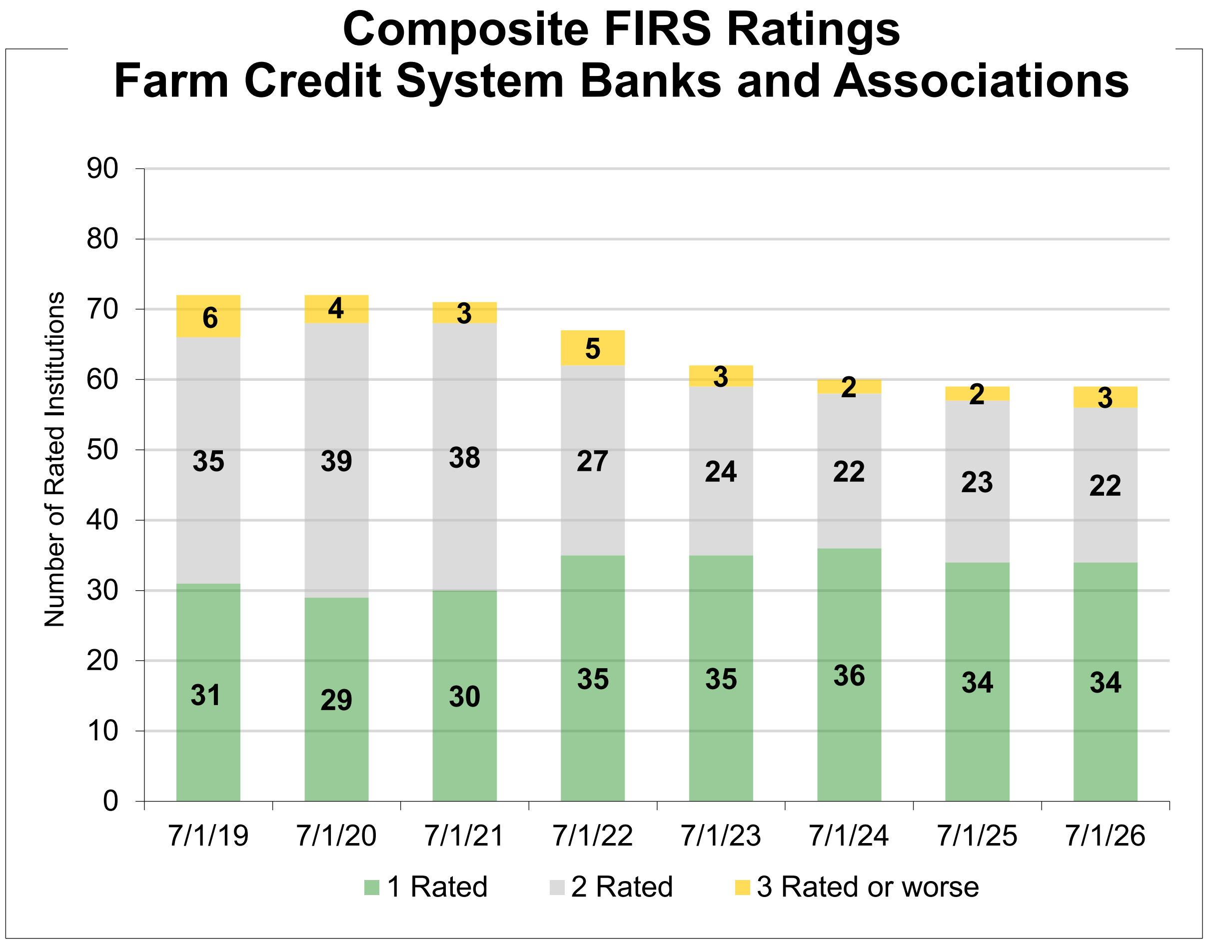


Source: Federal Farm Credit Banks Funding Corporation Information Statements

Composite FIRS ratings remained stable

Composite FIRS Rating Data
(based on June 30, 2026 financial reporting)

- Composite FIRS ratings reflect the System's sound financial condition.
- Over 94% 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.



Source: FCA's FIRS ratings database

Risks we are monitoring remain unchanged

Borrowers and System institutions continue to face a challenging operating environment in 2026, including:

- 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.
- Shifting impacts of tariffs, foreign trade policies, changes in government programs supporting agriculture, and disease outbreaks in crop or livestock sectors.