View of the Ag Economy from 30,000 Feet

2026 National School for Beginning Ag Bankers

Spearfish, SD

June 23, 2026

FARMER MAC

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AGENDA

1 **It's the Economy**
Which way is up?

2 **C.C.C.**
Crops, Cattle, and Cash

3 **Farmland Update**
Or Down-date

4 **Credit Demand**
High? Low? Soon to change?

5 **Lending Landscape**
Who are the Competitors?

6 **What to Watch For**
Discerning Trends from Fads

U.S. ECONOMY IN PERSPECTIVE

The Good

- Labor Market
- Stock Market
- GDP Growth
- Data Center Industry

The Bad

- Labor Market
- Loan Defaults
  - Auto
  - Credit Cards
  - Student Loans
- CRE Vacancies

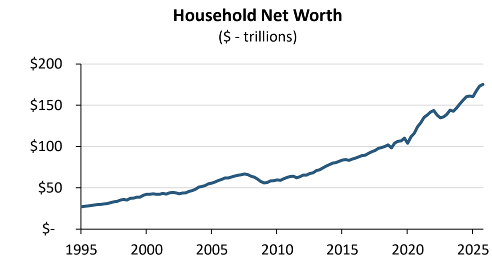
The....Confusing

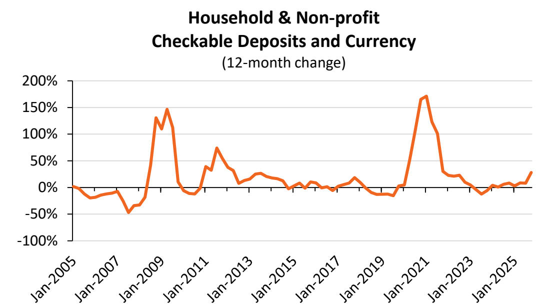
- Labor Market
- Dollar Strength
- Federal Deficit
- Housing Costs

Source:

CONSUMER BALANCE SHEETS ARE REMARKABLY STRONG

- Elevated savings and household assets underscore a financially strong consumer.
- The impact of a strong labor market are widespread, including into farmland demand.
- Retail demand for premium goods, including certain livestock products, remains robust as a result.
- BUT…not all are faring well.





Sources: BEA, St. Louis FRED

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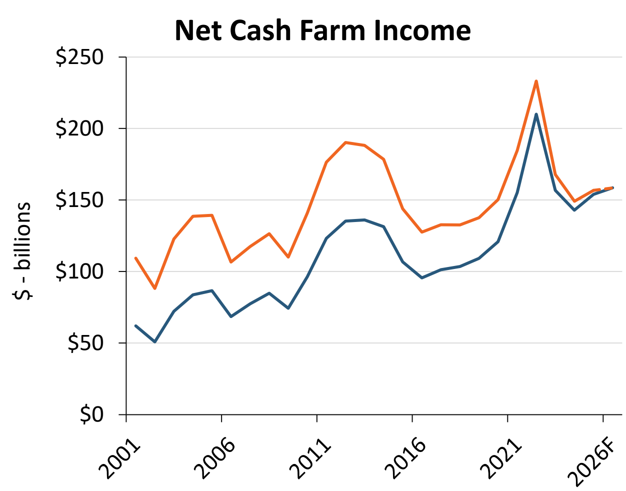
CONFLICTING SIGNALS IN AG ECONOMY, TOO

- Farm incomes are forecast to rise 3% in 2026 after 8% increase last year.
- Historically, February forecast is conservative relative to the final number.
- Crop revenues declining faster than input costs as global production rebounds.
- Livestock profitability more nuanced.



Source: USDA NASS

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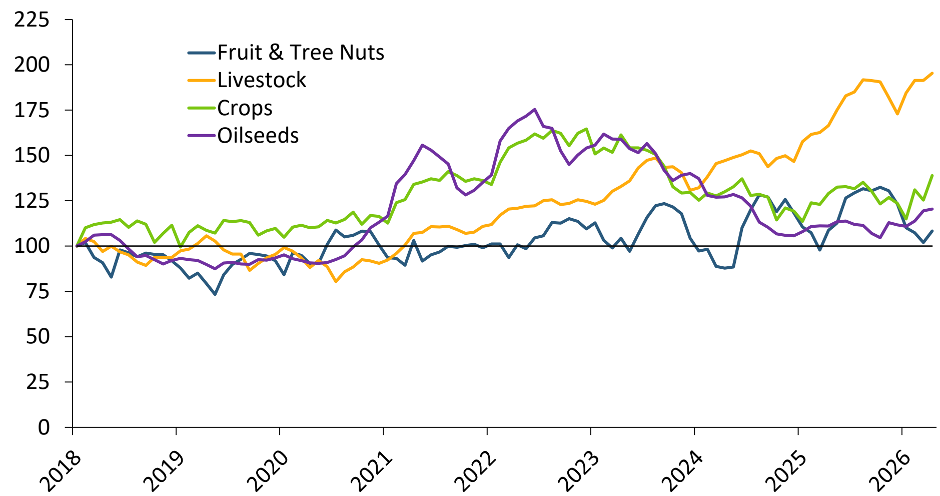
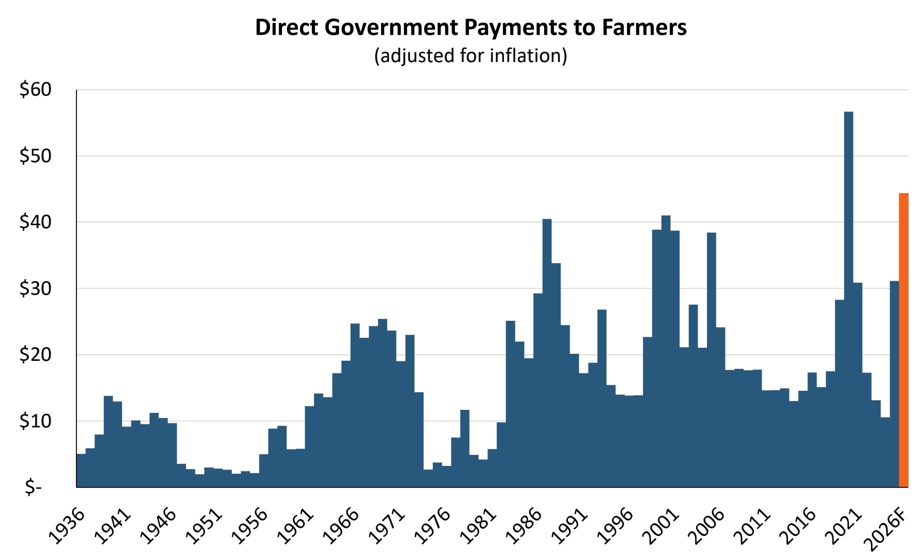
COMMODITY PRICES
BROADLY LOWER



Source: USDA NASS

GOVERNMENT PAYMENTS
AG



Source: USDA NASS

COMMODITY CRASH COURSE

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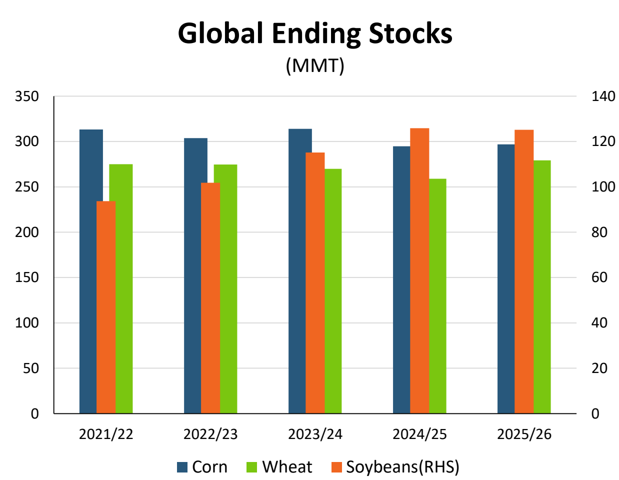
CROP INVENTORIES RISING

- Global inventories rebounding, especially for soybeans.
- Feed demand growth has slowed, specifically out of China.
- Poor Russian wheat crop / challenges for Ukraine production.
- South American production continues to increase, leading to higher competition for U.S. exports.



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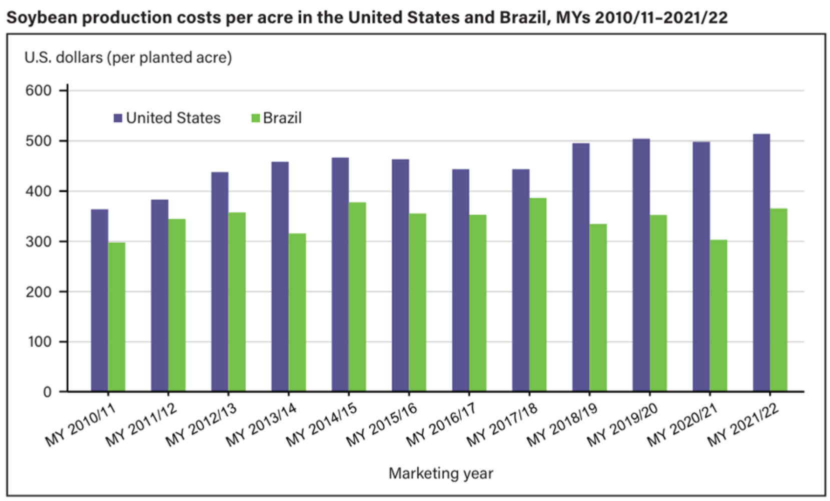
PRODUCTION COSTS
(CURRENTLY) FAVOR BRAZIL



Source: USDA

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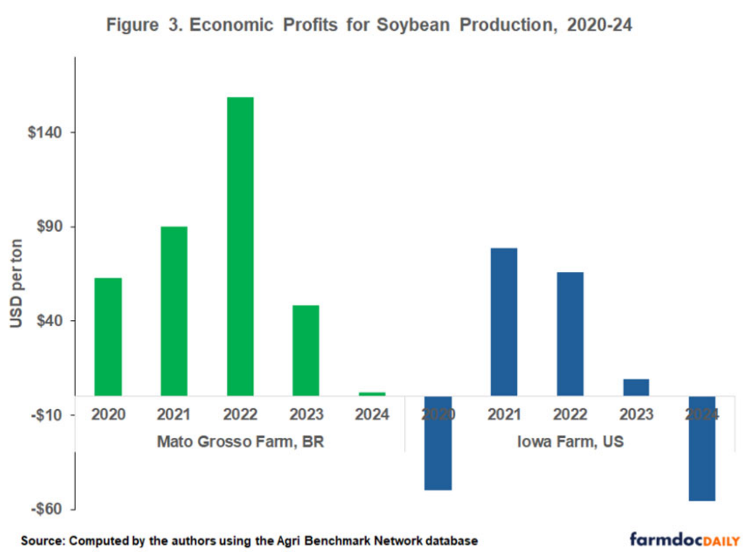
…SO, PROFITS ALSO
(CURRENTLY) FAVOR BRAZIL



Source: farmdoc

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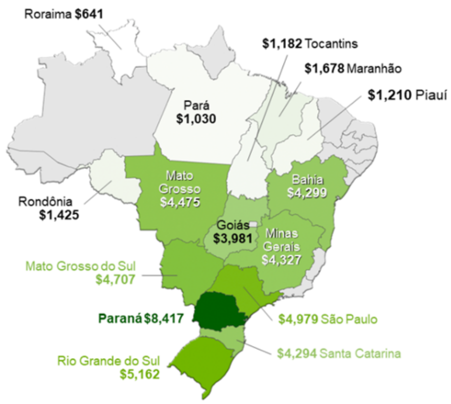
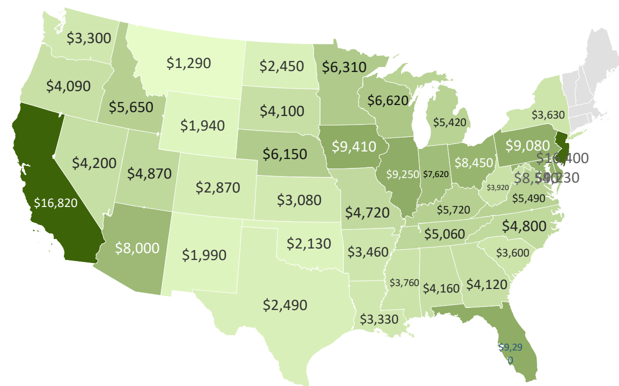
BRAZILIAN FARMLAND
DEAL? OR NO DEAL?

Price of Cropland in Brazil by State
($ / acre, April 2023)



Price of Cropland in U.S. by State
($ / acre, June 2023)



Source: USDA, University of Illinois farmdoc

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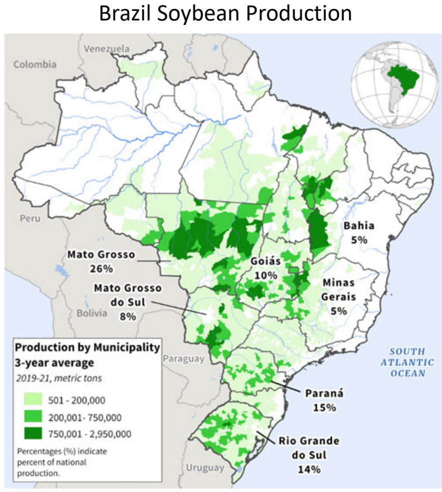
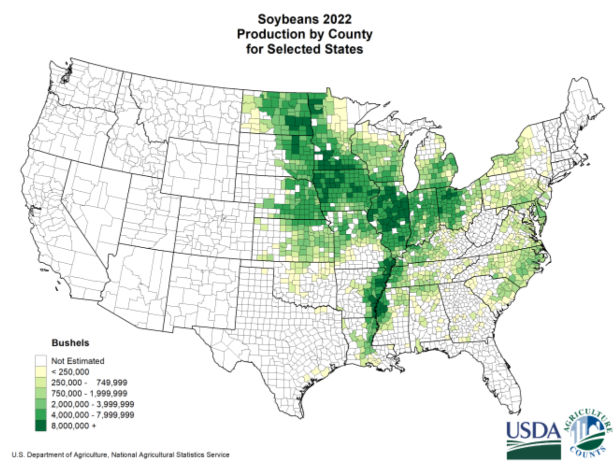
LOGISTICS FAVOR
THE U.S.

Brazil Soybean Production



USDA Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

Source: IBGE - Produção Agrícola Municipal



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A SHIFT TO VALUE-ADD EXPORTS

- Bulk commodity exports face growing competition from abroad.
- Appetite for U.S. livestock products continues to grow.
- Pound for pound – exporting livestock products provides dual benefits for U.S. producers.
- Rising global incomes portend well for future protein export growth.

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CURRENT CROP CONDITIONS

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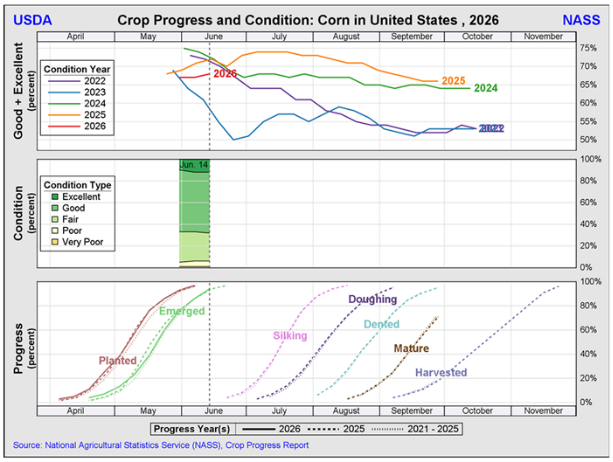
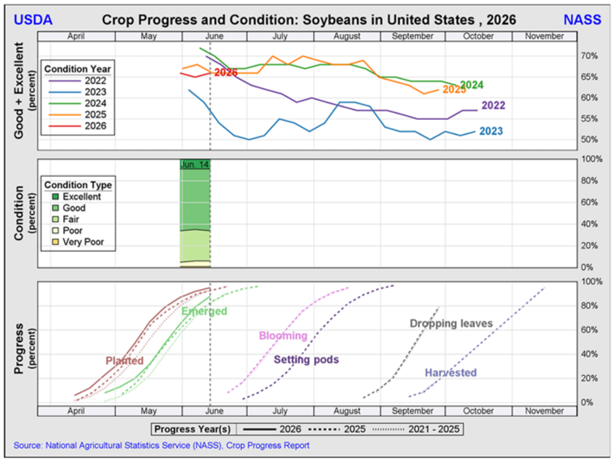
CROP PROGRESS
2026





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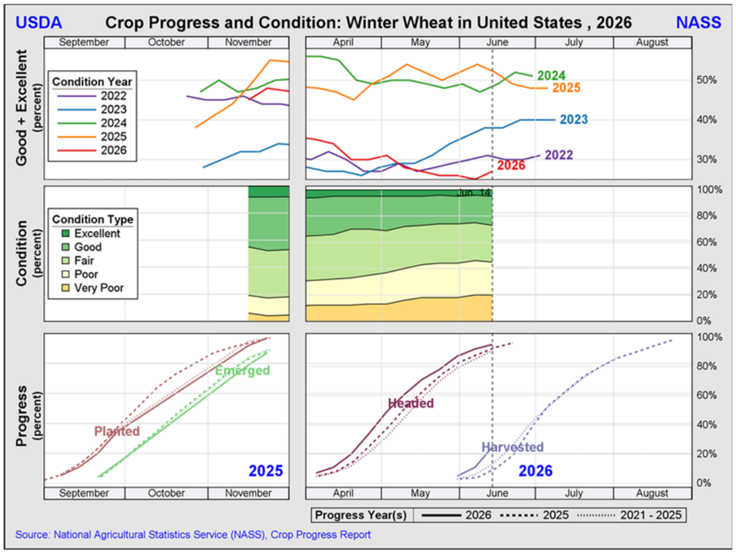
CROP PROGRESS
2026



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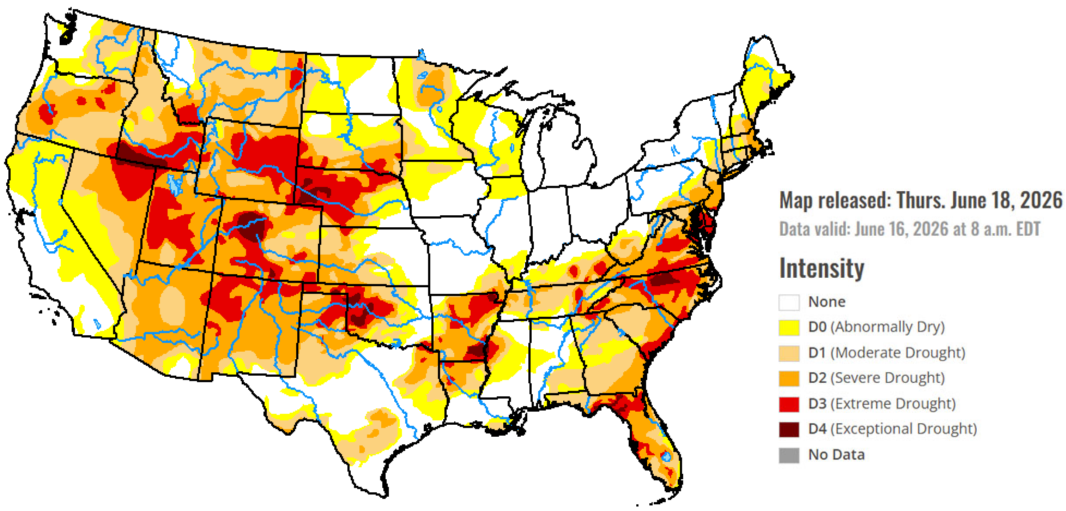
WHERE'S THE WATER?



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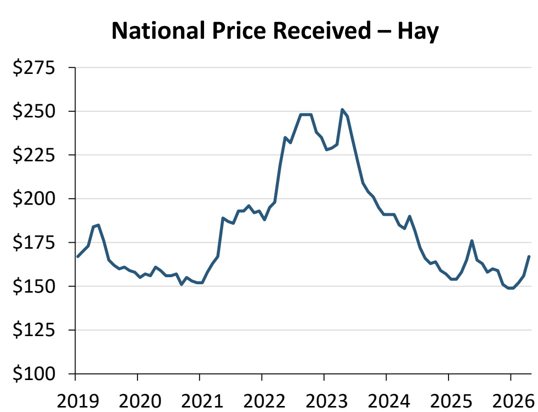
HAY PRICES A DOUBLE-EDGED SWORD



- U.S. hay inventories have dropped following the spike in 2023.
- Total demand has dropped:
  - Fewer cows
  - Strong USD
  - Weak demand from China
- Hay prices up to 30-40% lower, depending on the market.
- Dairy & cattle producers have benefitted, hay farmers not so much.

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JUXTAPOSITION
SUPPLY & DEMAND

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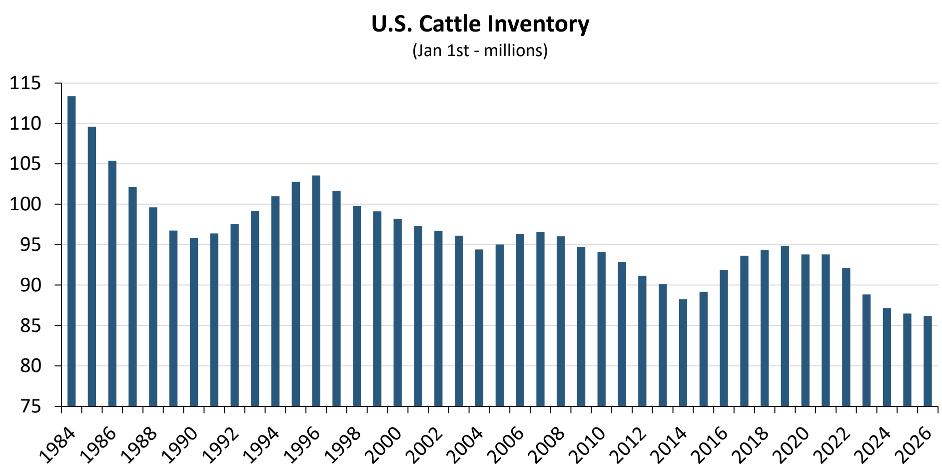
FEWER CATTLE =
HIGHER PRICES



Source: USDA NASS

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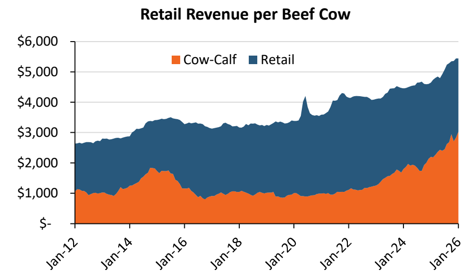
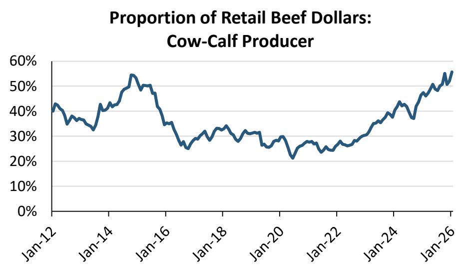
CALF PRICES HIGHER, PACKER MARGINS DOWN

- Retail beef prices have trended higher over the past decade.
- Packers initially captured record margins but did not meaningfully expand capacity.
- More recently, fewer cattle has allowed cow-calf operators to capture a larger proportion of retail dollars.





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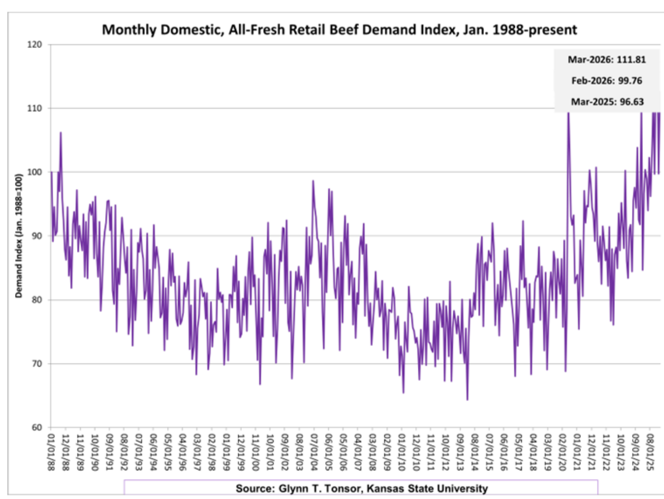
CAN RETAIL DEMAND HOLD UP?

- Retail meat prices are high, but also relatively stable.
- Credit delinquencies continue to rise.
- Inflation back on an upward trend having an impact on spending.
- So, can consumers continue to handle paying higher prices for groceries?



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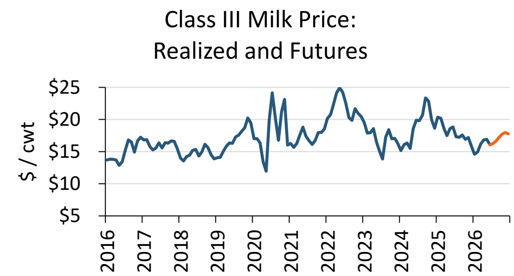
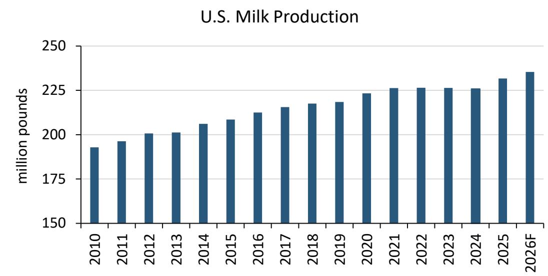
WHICH WHEY FOR DAIRY?

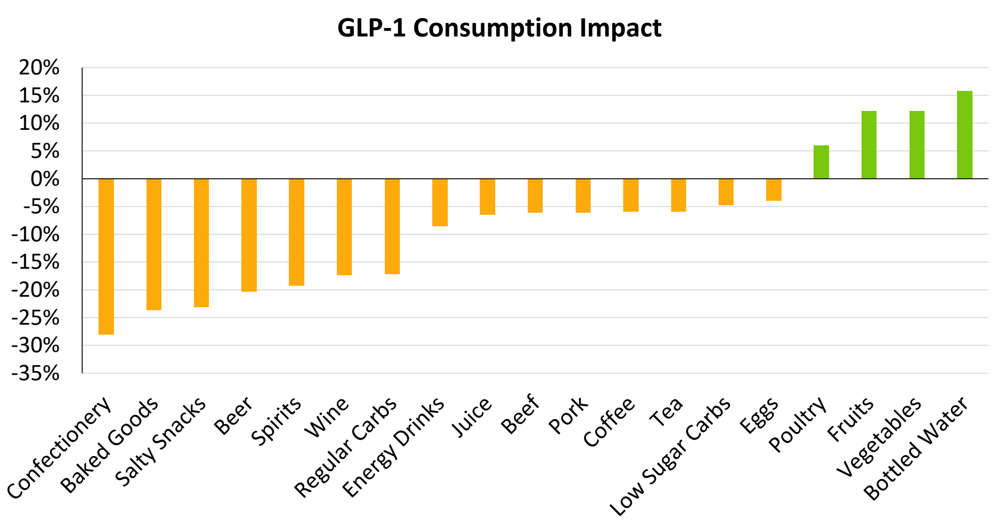
- Dairy prices have dropped from 2024 recent peak but remain above long-term average.
- Domestic consumption remains strong - set new per capita consumption record in 2024.
- U.S. dairy production forecast to jump in 2026.
- Export demand has dropped, due partially to pullback from China.





Sources: USDA, CME

GLP-1 FRENZY



ASSET PRICE
UPDATE

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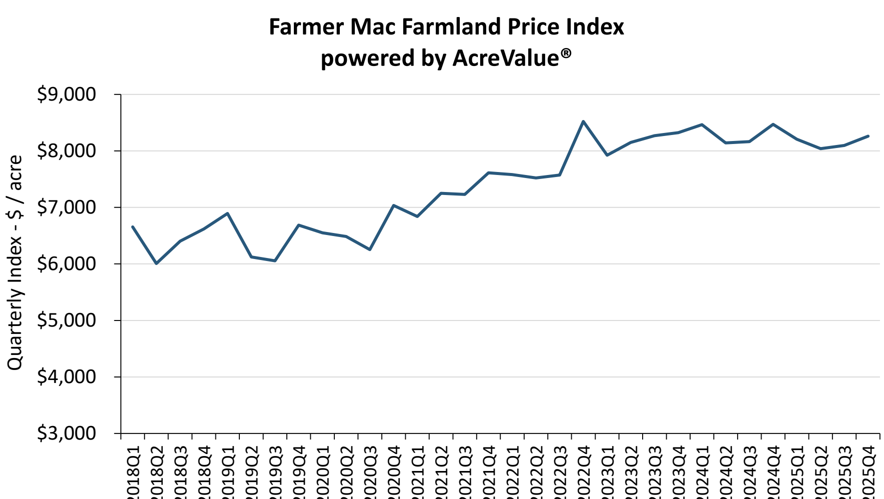
FARMLAND VALUES
STABLE NATIONALLY



Source: AcreValue, Farmer Mac

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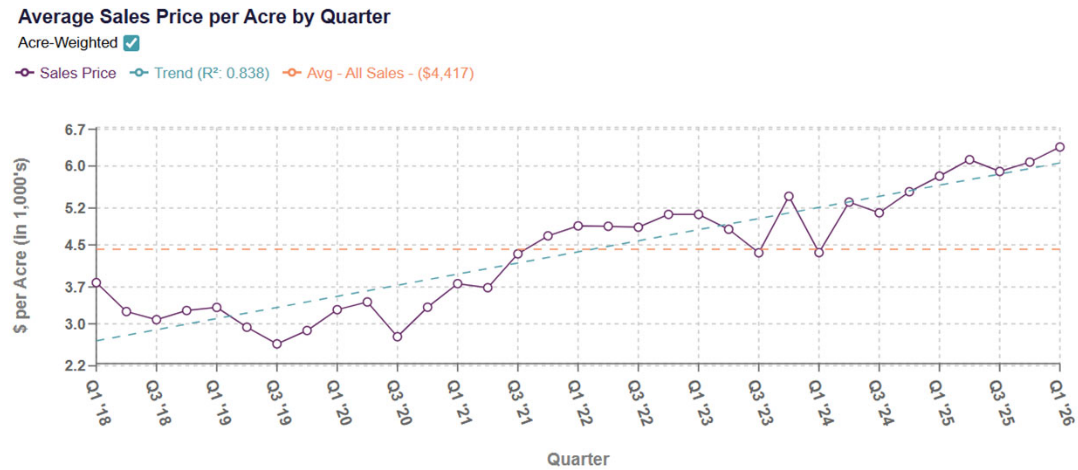
IN MIDWEST,
VALUES TRENDING HIGHER



Source: AcreValue

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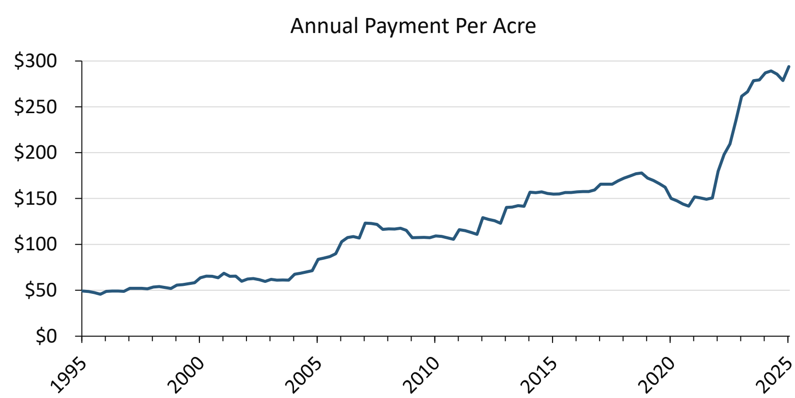
IMPLIED PAYMENT
ON MN FARMLAND

Annual Payment calculated using:
- Average Minnesota Farm Real Estate Value – USDA
- 30-yr fixed, 50% LTV Loan
- Average Fixed Interest Rate on Ag Real Estate Loans – Fed Survey: Minneapolis District



Sources: Kansas City Federal Reserve, USDA NASS

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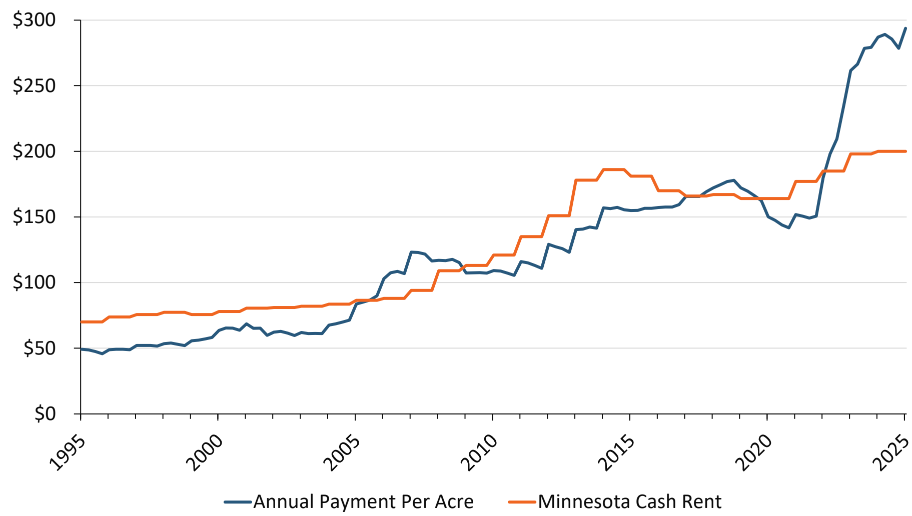
RELATIVE TO ACTUAL CASH RENT



Sources: Kansas City Federal Reserve, USDA NASS

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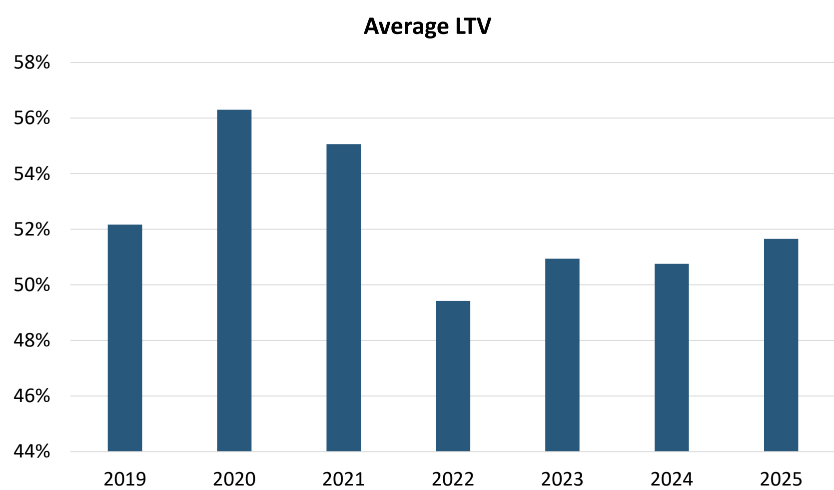
LEVERAGE LEVELS SHIFTING



Source: Farmer Mac

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CALIFORNIA FARMLAND MARKET UPDATE

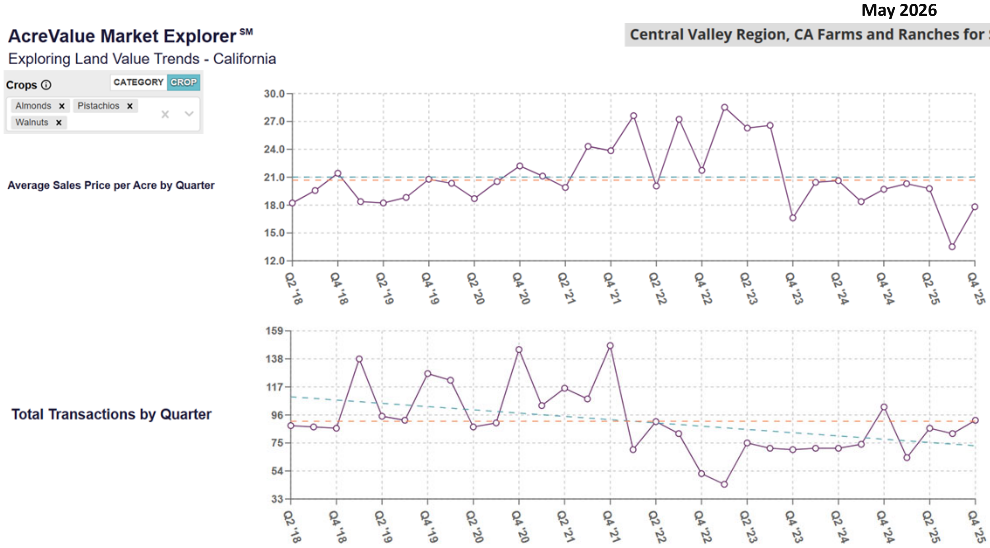
LandWatch

October 2024

Central Valley Region, CA Farms and Ranches for Sale - 1-25 of 525 Listings

May 2026

Central Valley Region, CA Farms and Ranches for Sale - 1-25 of 427 Listings



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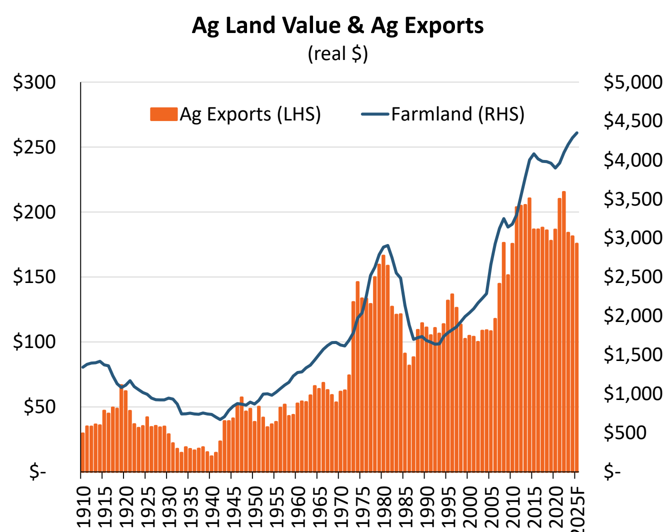
WHAT DIRECTION FOR LAND VALUES

- Changes in three factors have historically exhibited reasonably strong correlation with changes in farmland values:
  - Real Interest Rates: (Nominal – Inflation)
  - Farm Incomes
  - Agricultural Exports
- Ag exports down over 20% over last several years, yet farmland values continue to move higher.
- Exports currently projected to stabilize in 2026.
- Heightened volatility due to monetary policy, trade policy, and Farm Bill unknowns.



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ONE LAST
COMMODITY: CASH

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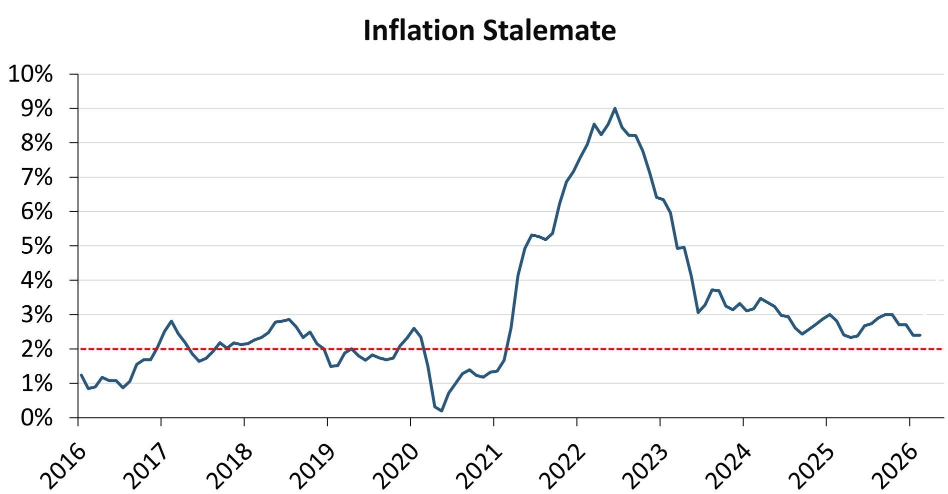
THE I-WORD JUST
WON'T DISSAPEAR



Source: U.S. Census Bureau

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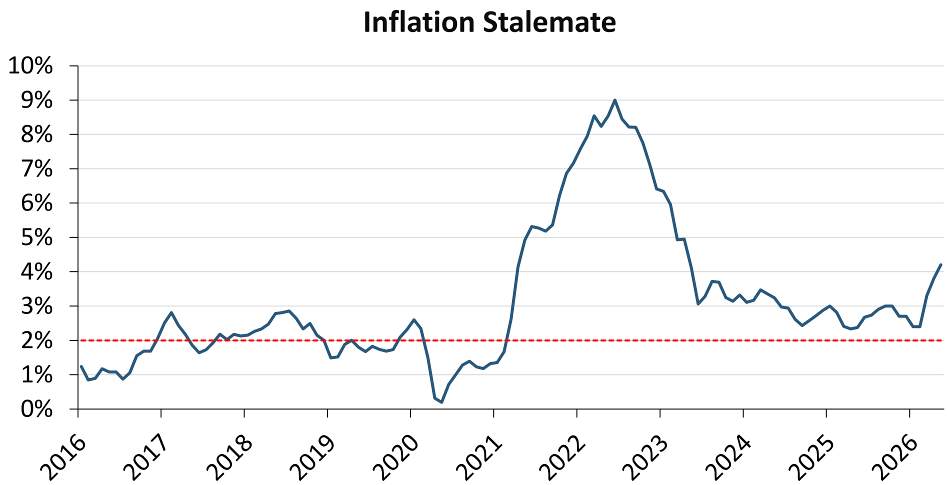
THE I-WORD JUST WON’T DISSAPEAR



Source: U.S. Census Bureau

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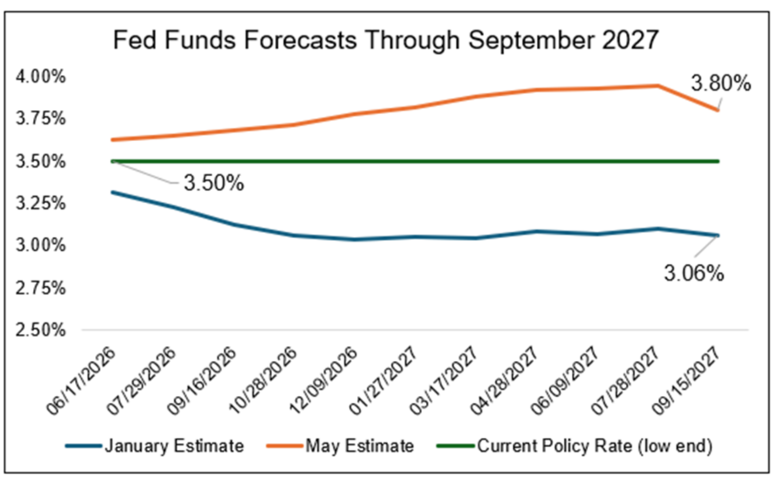
DOES THE MARKET MARKET AGREE?



Sources: St. Louis Federal Reserve FRED, Bloomberg

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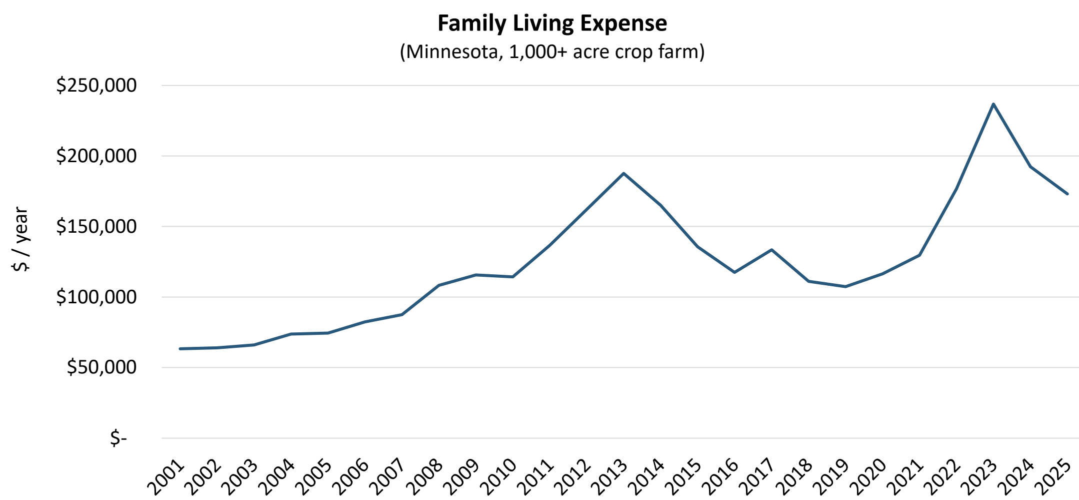
CUTTING COSTS



Source: USDA NASS

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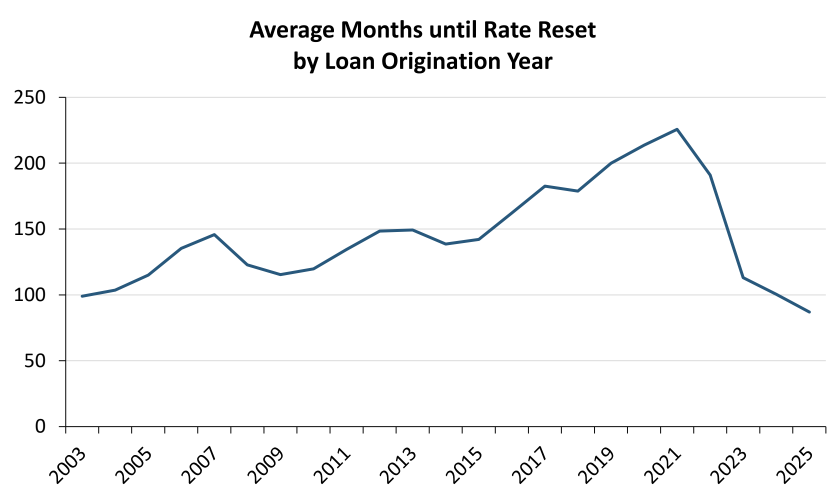
SHIFTING BORROWING HABITS 2.0



Source: Farmer Mac AMBS

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LOW, LOW, LOW =
GO, GO, GO
(UNTIL IT DOESN'T)

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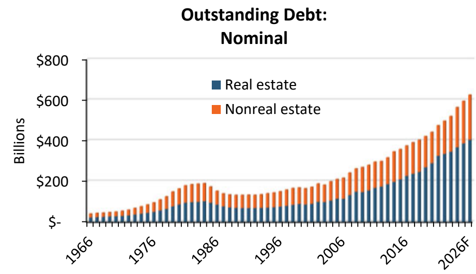
AG LENDING LANDSCAPE

- Agricultural debt continues to trend higher and is projected to reach $625 billion in 2026.
- Ag real estate constitutes approximately 85% of assets and 70% of debt.
- In real terms, debt has surpassed peak-1980 levels.
- However, total agricultural assets in 2024 more than double 1980s, underscoring strength of ag balance sheets today.



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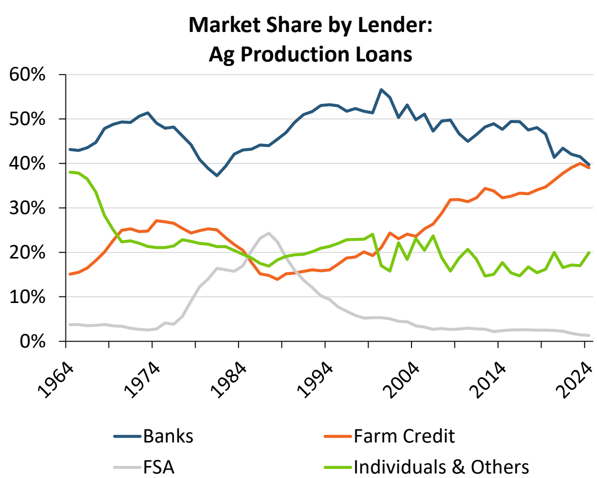
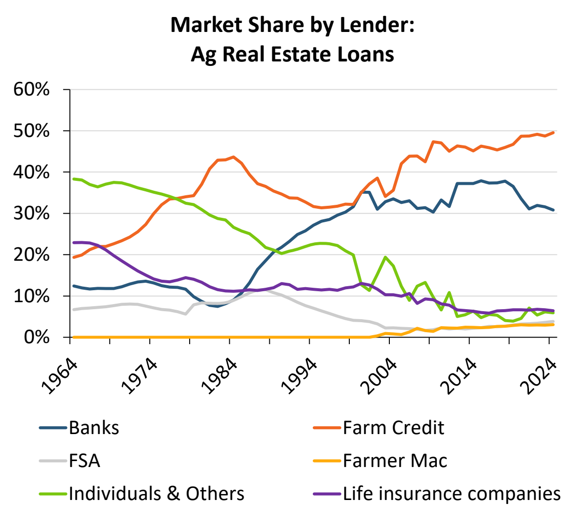
SO WHO ARE THE LENDERS?





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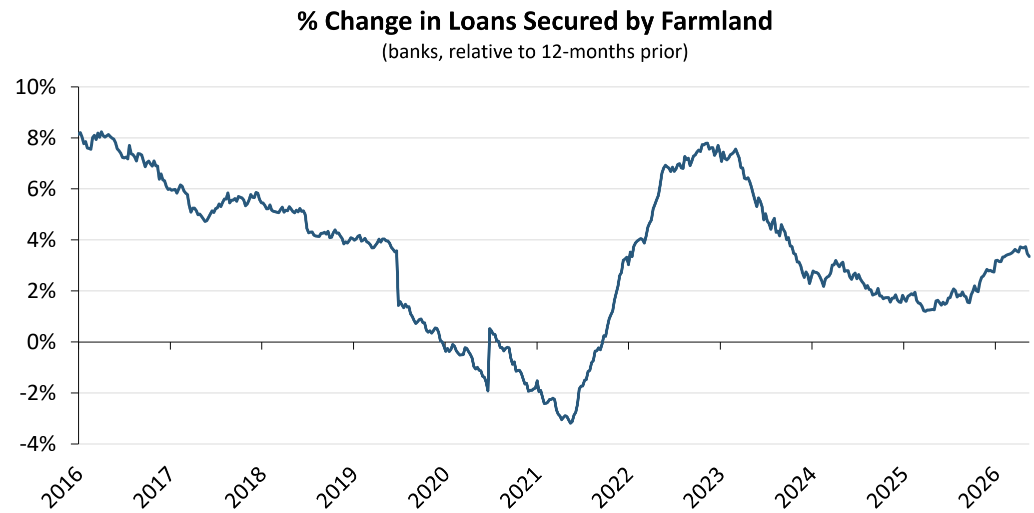
GROWTH WAS NOT UNIFORM ACROSS INSTITUTIONS



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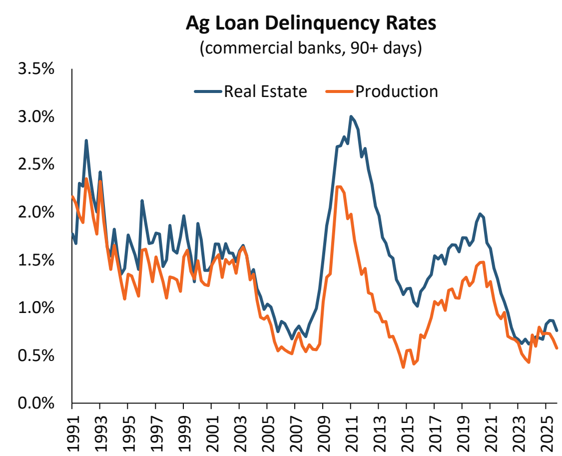
LOAN PERFORMANCE REMAINS STRONG

- Delinquency rates on ag loans dropped close to historic lows in 2023
- Historic government payments likely mitigating stress recently
- However, delinquency rates are inherently backward-looking
- Declining farm incomes and higher interest rates could portend a reversal in loan performance



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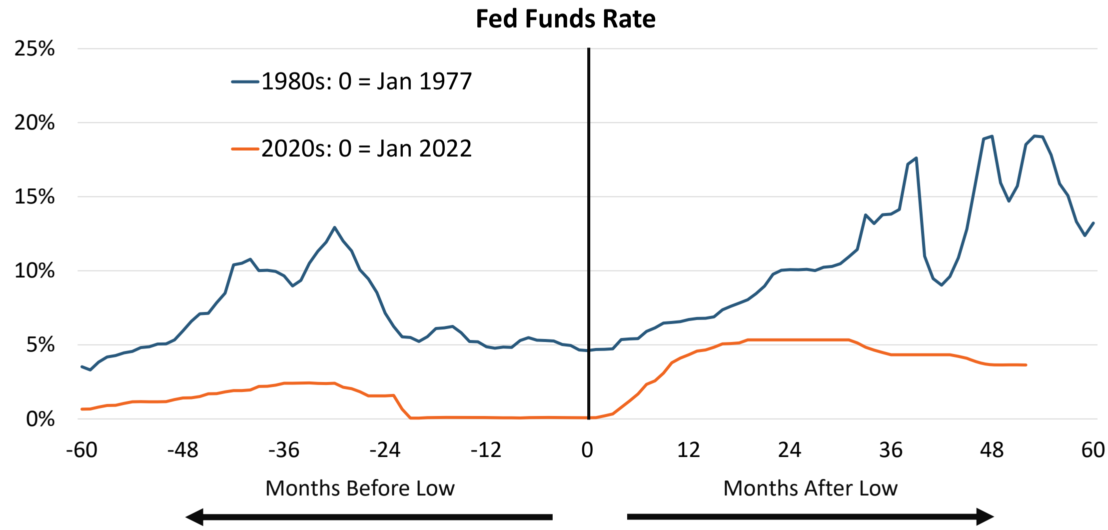
INTEREST RATES
WELL BELOW 1980s



Sources: St Louis FRED, Federal Reserve

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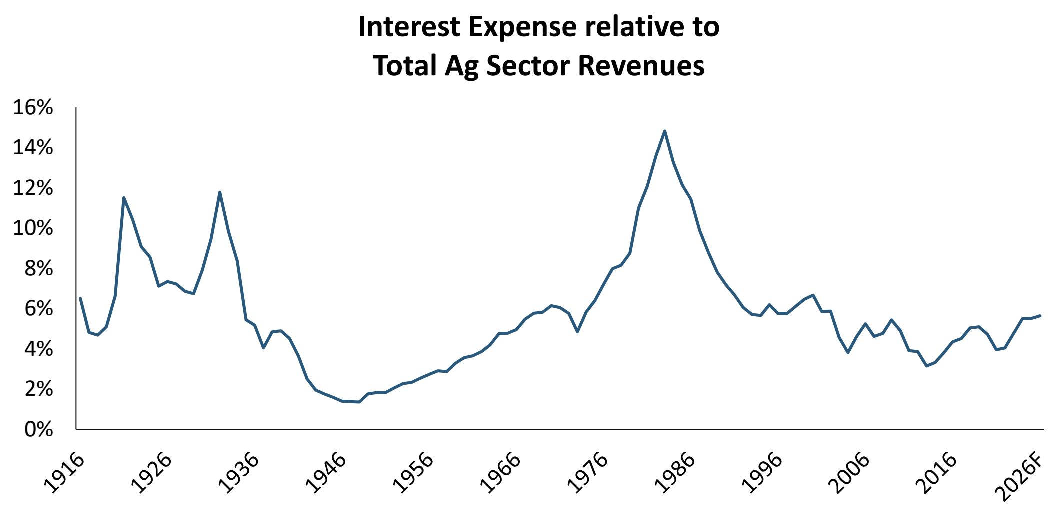
DEBT REPAYMENT
CAPACITY



Sources: USDA ERS

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WHAT TO WATCH FOR

Near & Far

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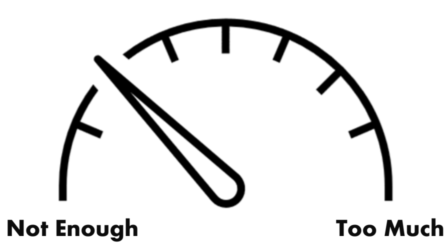
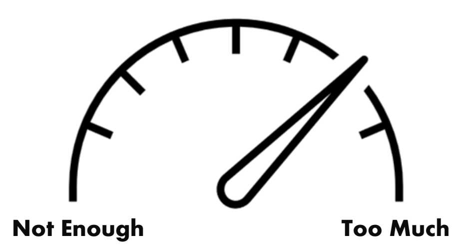
THE DELICATE WATER BALANCE

- Drought across Western states
- Tension between interests:
  - Residential vs Environment vs Ag
- Flooding challenges
- Growing popularity of drain tile a blessing and a curse





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CLOSING THOUGHTS

- Farm Bill – hurry up (and wait)!
- Agricultural producers are not strangers to cycles – nor are agricultural lenders.
- Focus on through the cycle proformas, as well as the ability to withstand near-term stress.
- Tighter margins could lead to new loan demand and deepen relationships with existing borrowers (when it makes sense).

FARMER MAC