

# FARMER MAC

Accelerating Rural Opportunities

Ag Economic Update

June 23, 2026

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## FARM KID ✓



Source: USDA NASS

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## HOMETOWN: LANCASTER, MN



Source: USDA NASS

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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*

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## 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
- Strong Dollar
- Federal Deficit
- Housing Costs

Source:

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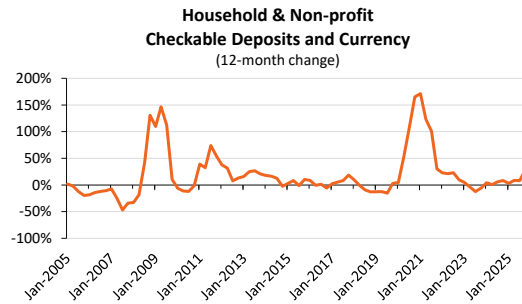
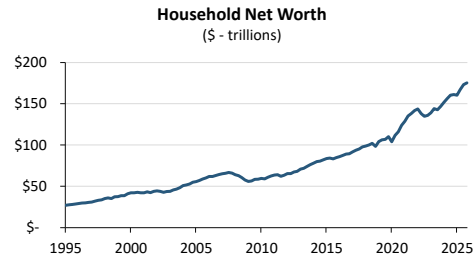
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## CONSUMER BALANCE SHEETS ARE REMARKABLY STRONG

- ▶ Elevated savings and household assets underscore a financially strong consumer.
- ▶ The impact of a strong labor market spills over, including into farm loan performance.
- ▶ 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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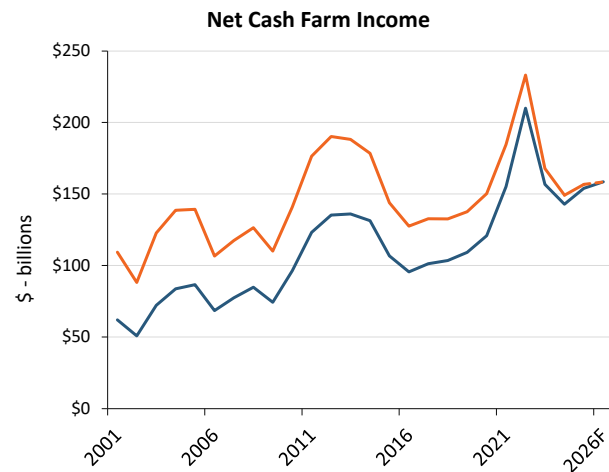
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## CONFLICTING SIGNALS IN AG ECONOMY, TOO

- ▶ Farm incomes are forecast to rise modestly in 2026.
- ▶ Historically, February forecast is conservative relative to the final number.
- ▶ Crop revenues declining faster than input costs as global production rebounds.
- ▶ Livestock profitability the silver lining.

Source: USDA NASS

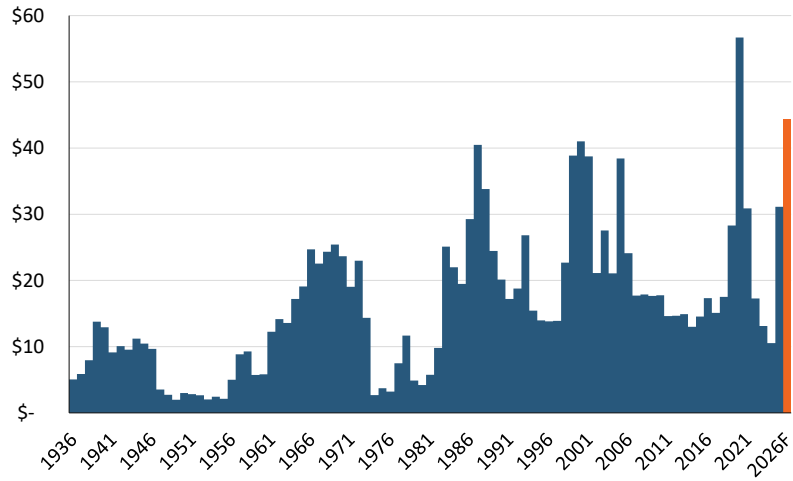
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# GOVERNMENT PAYMENTS TO THE RESCUE

Direct Government Payments to Farmers  
(adjusted for inflation)



Source: USDA ERS

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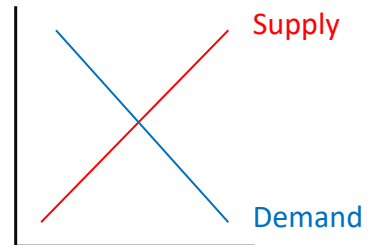
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# COMMODITY CRASH COURSE

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## ICONIC DUOS



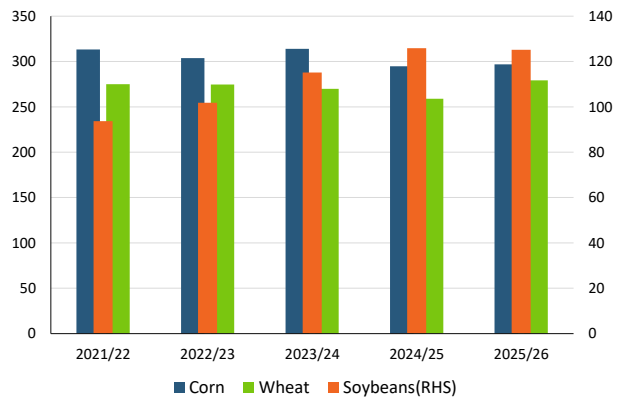
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## CROP INVENTORIES RISING

- ▶ 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.

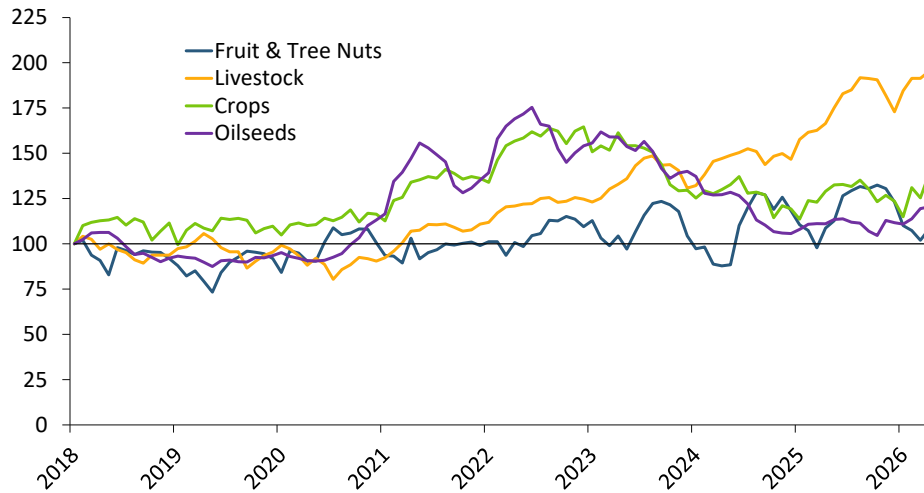
Global Ending Stocks (MMT)



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## COMMODITY PRICES BROADLY LOWER



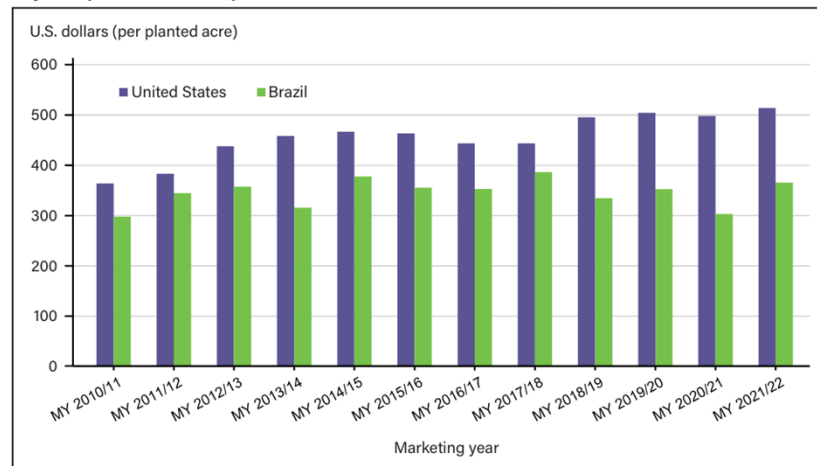
Source: USDA NASS

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## PRODUCTION COSTS (CURRENTLY) FAVOR BRAZIL

Soybean production costs per acre in the United States and Brazil, MYs 2010/11-2021/22



Source: USDA

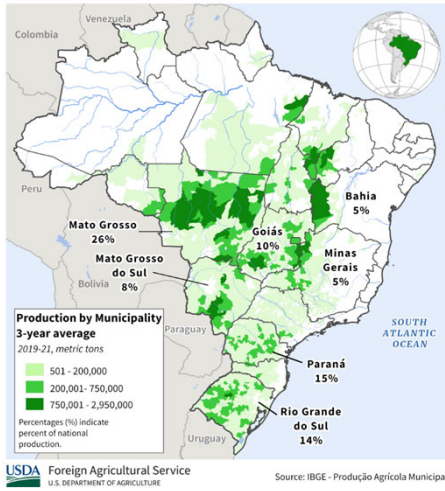
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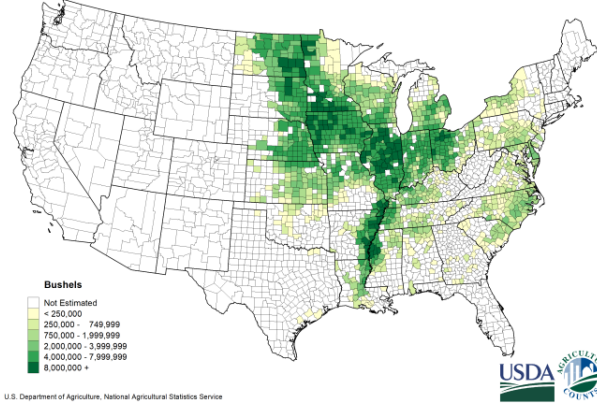


# LOGISTICS FAVOR THE U.S.

Brazil Soybean Production



Soybeans 2022 Production by County for Selected States

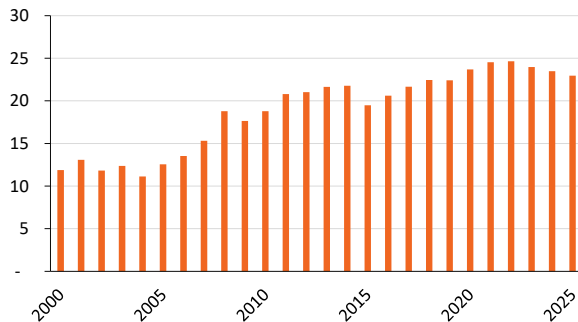


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# A SHIFT TO VALUE-ADD EXPORTS

U.S. Livestock Exports (billion lbs)

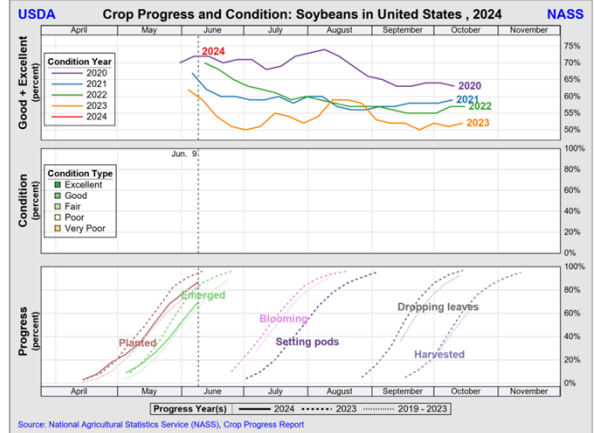
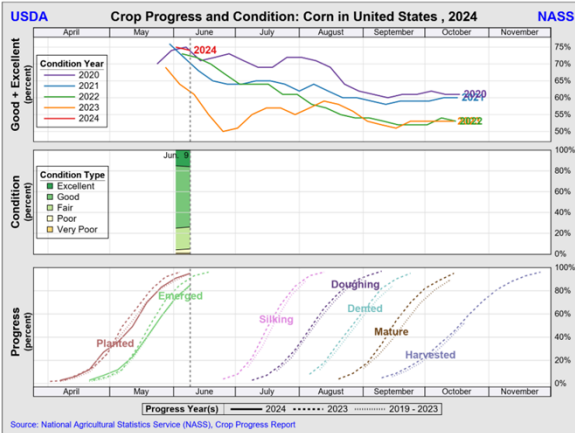


- ▶ Bulk commodity exports face growing competition from abroad.
- ▶ Appetite for U.S. livestock products continues to grow.
- ▶ Pound for pound – exporting livestock products provides dual benefits for U.S. producers.
- ▶ Rising global incomes portend well for future protein export growth.

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# CROP PROGRESS 2024



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# JUXTAPOSITION SUPPLY & DEMAND

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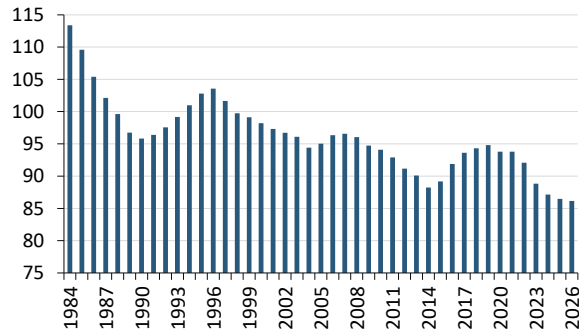
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## CALF PRICES HIGHER, PACKER MARGINS DOWN

- 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.

**U.S. Cattle Inventory**  
(Jan 1st - millions)



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## MEAT-FLATION? NOT SO MUCH

Pretty soon \$10  
worth of hamburger  
meat will look  
like this...

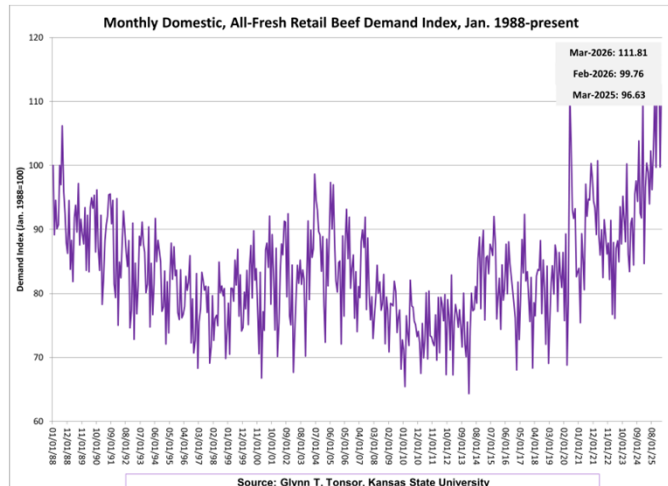


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## CAN RETAIL DEMAND HOLD UP?

- Retail meat prices are relatively high, but so is demand.
- Credit card delinquencies on the rise.
- Higher rates having an impact, though.
- So, can consumers continue to handle paying higher prices for groceries?

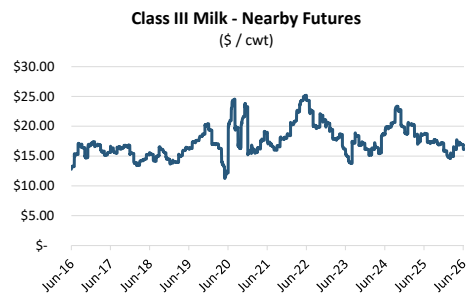
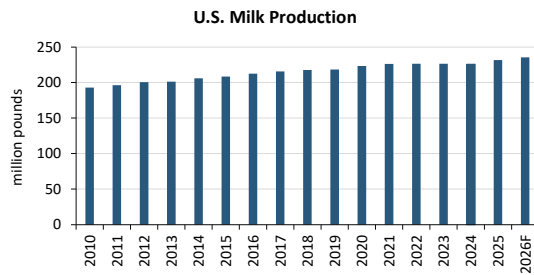


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## WHICH WHEY FOR DAIRY?

- U.S. dairy production forecast to increase in 2026.
- Dairy prices have dropped from recent peak but remain above long-term average.
- Domestic consumption remains strong - set new per capita consumption record in 2024.
- What is supplementing dairy farm revenues....?

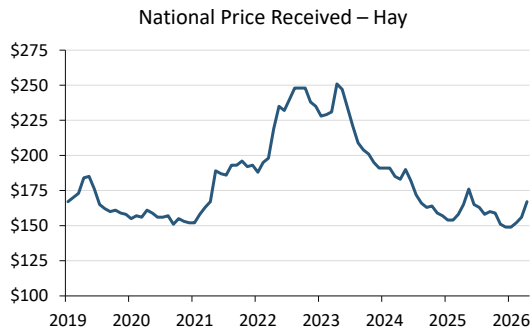


Sources: USDA, CME

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## HAY PRICES A DOUBLE-EDGED SWORD



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

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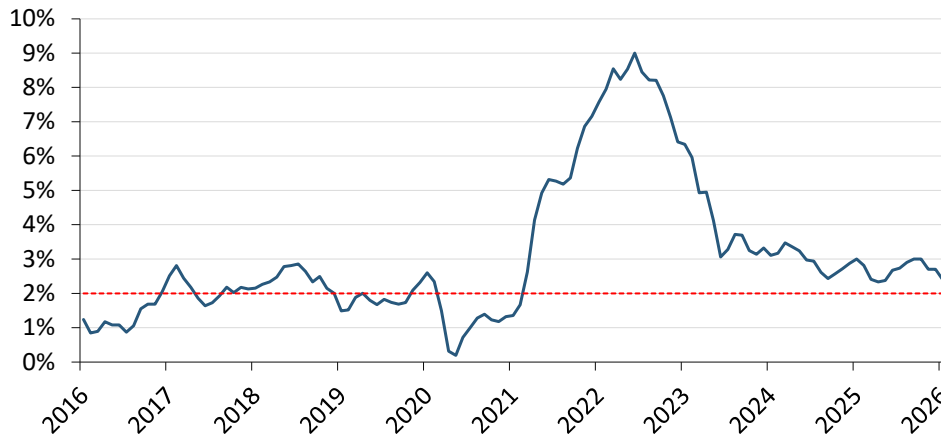
## THE FORGOTTEN COMMODITY: CASH

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# THE I-WORD JUST WON'T DISSAPEAR

Inflation Stalemate



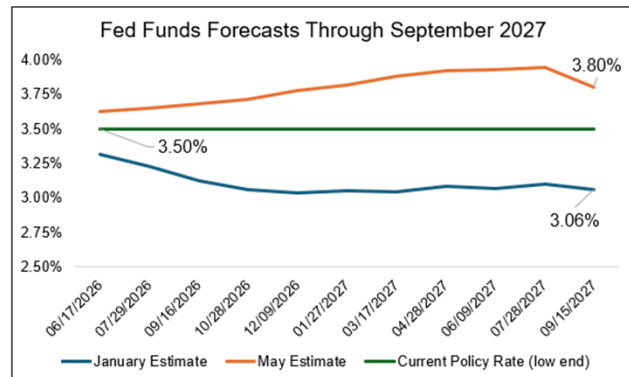
Source: U.S. Census Bureau

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# DOES THE MARKET MARKET AGREE?

- Expectations shifting in response to recent global events.
- Elevated inflation, strong employment, and robust consumer spending boosting chance of rate hikes in 2026.



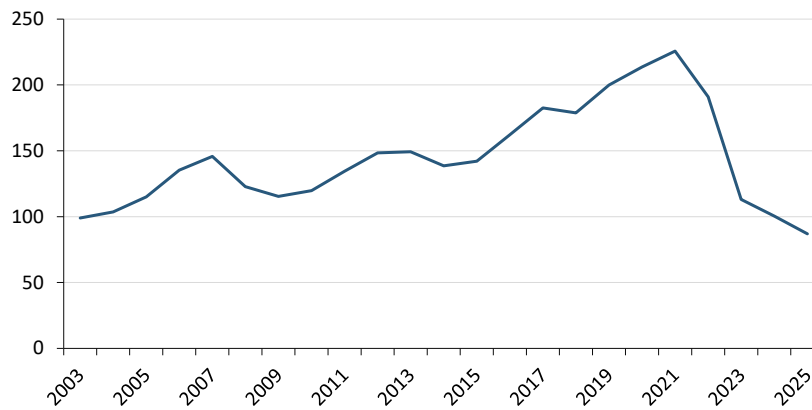
Sources: St. Louis Federal Reserve FRED, Bloomberg

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# SHIFTING BORROWING HABITS 2.0

Average Months until Rate Reset by Loan Origination Year



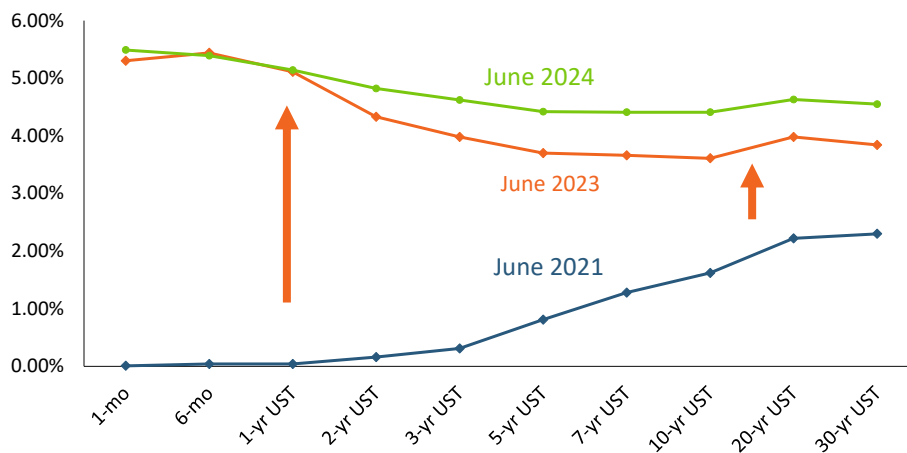
Source: Farmer Mac AMBS

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# STARTED PRIOR TO RATE CUTS

U.S. Treasury Yield Curve



Source: U.S. Treasury

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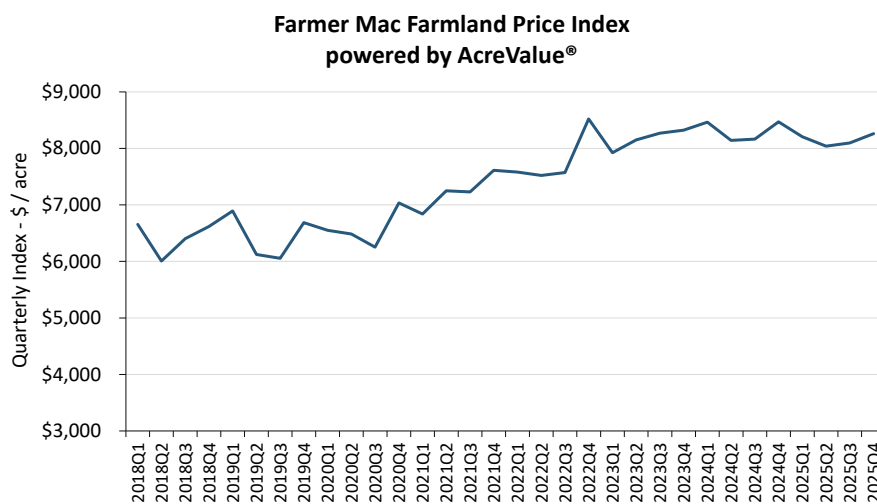
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## FARMLAND VALUES FEELING THE IMPACT

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## FARMLAND VALUES STABLE NATIONALLY



Source: AcreValue, Farmer Mac

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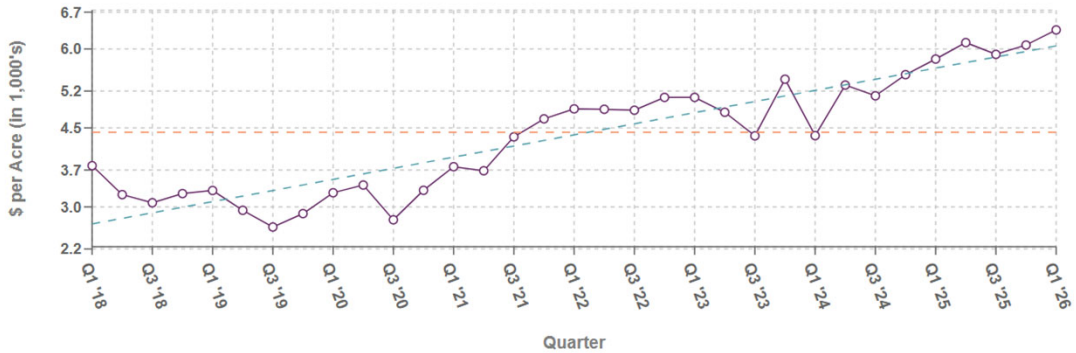
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# IN MIDWEST, VALUES TRENDING HIGHER

## Average Sales Price per Acre by Quarter

Acre-Weighted

● Sales Price 
 - - Trend (R<sup>2</sup>: 0.838) 
 - - Avg - All Sales - (\$4,417)



Source: AcreValue

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# IMPLIED PAYMENT ON MN FARMLAND

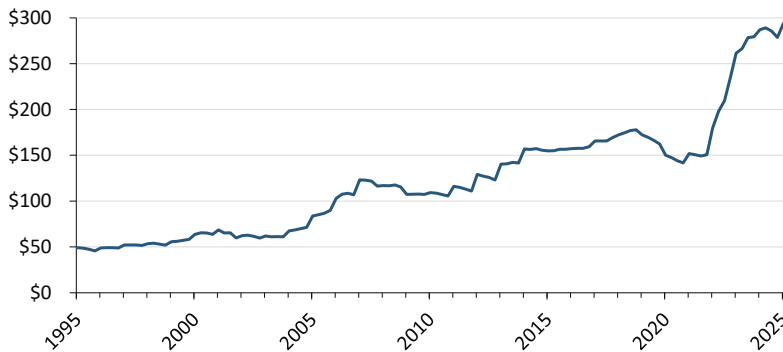
Annual Payment calculated using:

- 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

## Annual Payment Per Acre

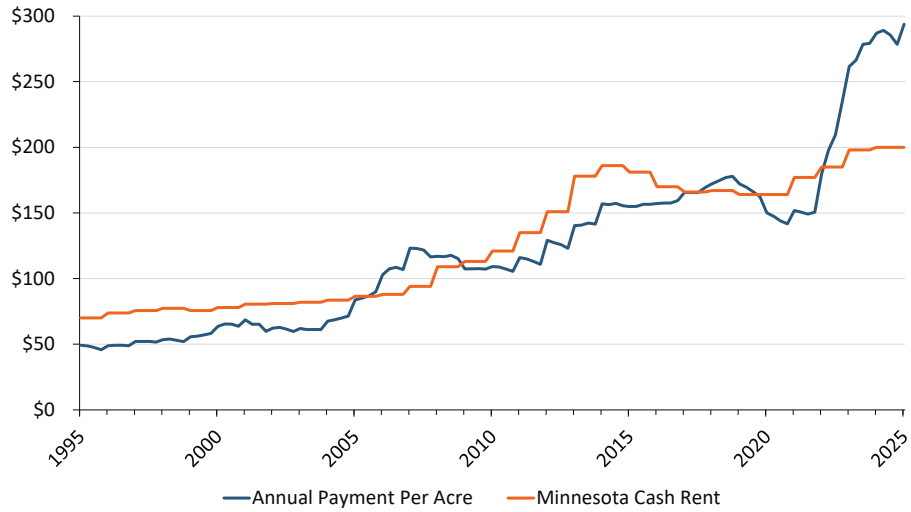


Sources: Kansas City Federal Reserve, USDA NASS

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## RELATIVE TO ACTUAL CASH RENT

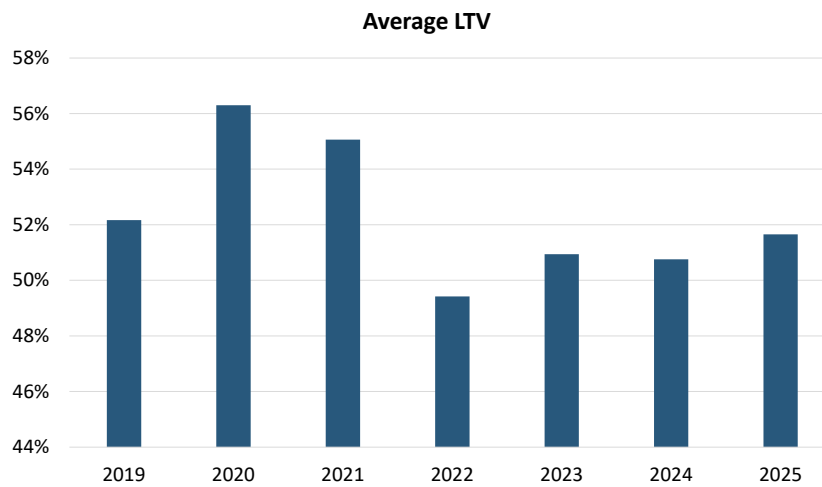


Sources: Kansas City Federal Reserve, USDA NASS

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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

### AcreValue Market Explorer<sup>SM</sup>

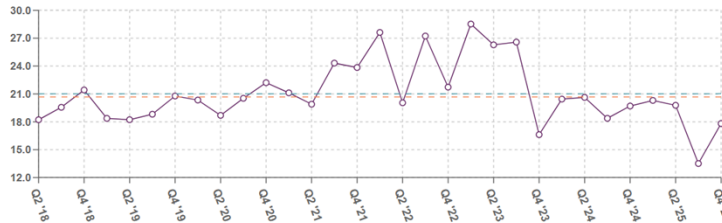
Exploring Land Value Trends - California

Crops

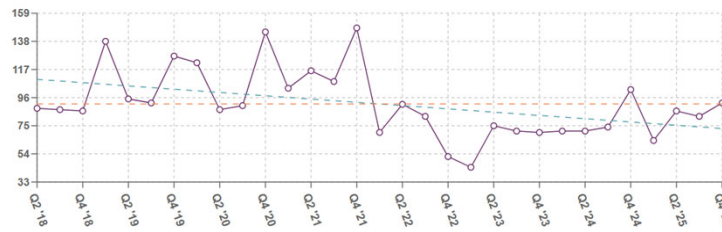
Almonds  Pistachios

Walnuts

Average Sales Price per Acre by Quarter



Total Transactions by Quarter



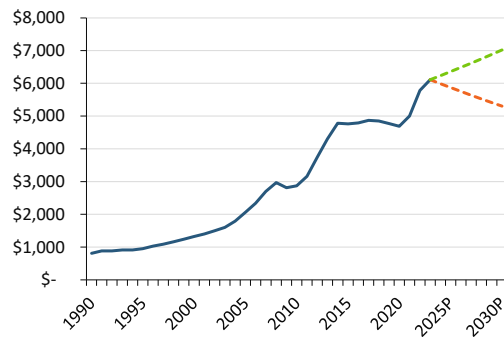
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## WHAT DIRECTION FOR LAND VALUES

- ✦ Changes in three factors have historically exhibited reasonably strong correlation with changes in farmland values:
  - Real Interest Rates: (Nominal – Inflation)
  - Farm Incomes
  - Agricultural Exports
- ✦ Financial markets currently suggest real interest rates will be positive in 2024.
- ✦ Farm incomes projected to decline according to USDA.
- ✦ USDA expects agricultural exports to drop during 2024 trade year.

Minnesota Ag Land (\$ / acre)



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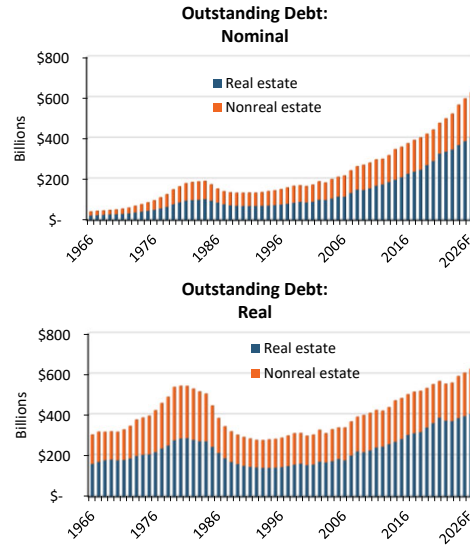
**LOW, LOW, LOW =**  
**GO, GO, GO**  
**(UNTIL IT DOESN'T)**

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# AG LENDING LANDSCAPE

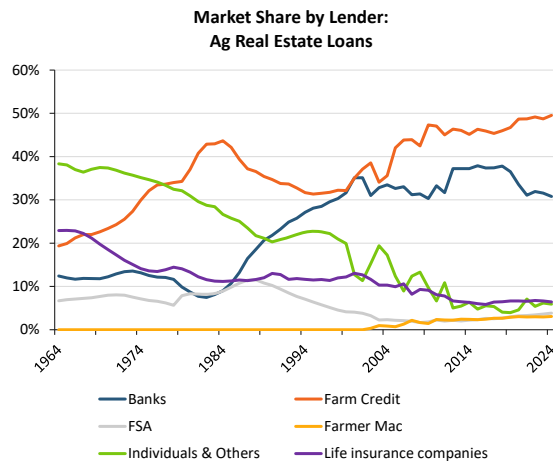
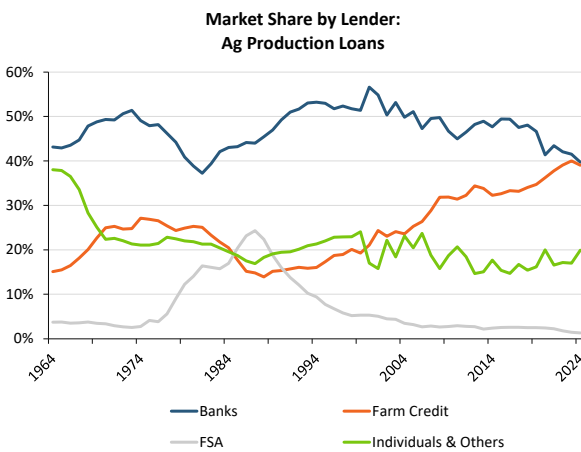
- Agricultural debt continues to trend higher and is projected to reach \$548 billion in 2024.
- Ag real estate constitutes approximately 85% of assets and 70% of debt.
- In real terms, debt has just surpassed peak-1980 levels.
- However, total agricultural assets in 2024 more than double 1980s, underscoring strength of ag balance sheets today.



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# SO WHO ARE THE LENDERS?

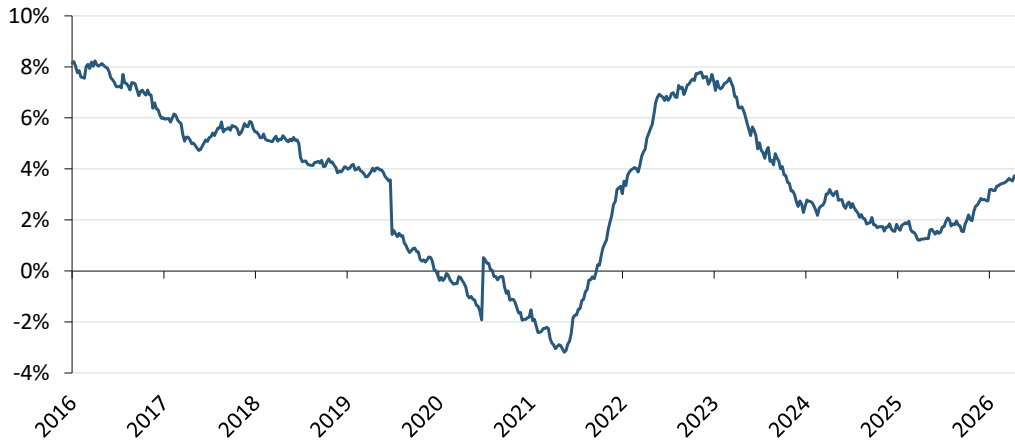


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## GROWTH WAS NOT UNIFORM ACROSS INSTITUTIONS

**% Change in Loans Secured by Farmland**  
(banks, relative to 12-months prior)



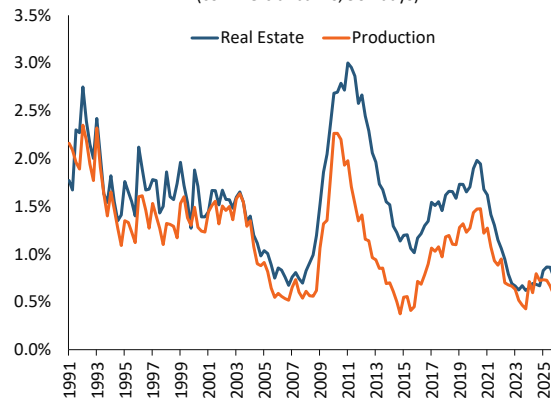
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## LOAN PERFORMANCE REMAINS STRONG

- 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

**Ag Loan Delinquency Rates**  
(commercial banks, 90+ days)



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# HEADLINES PAINT BLEAK PICTURE

**MPRnews**

More American farmers are filing for bankruptcy. Here's why



**POLITICO**

Farm bankruptcies climb

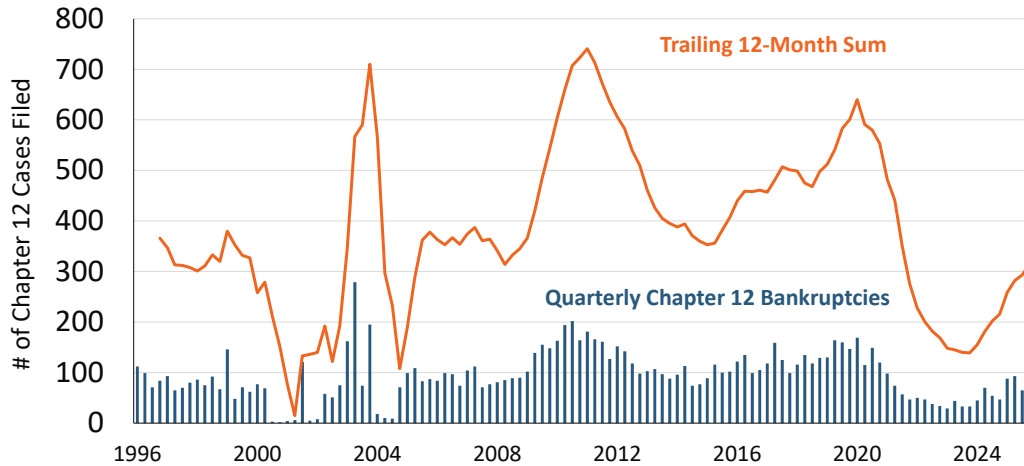
Source: FMAC

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# CHAPTER 12 ON THE RISE

Chapter 12 Bankruptcies



Source: FDIC

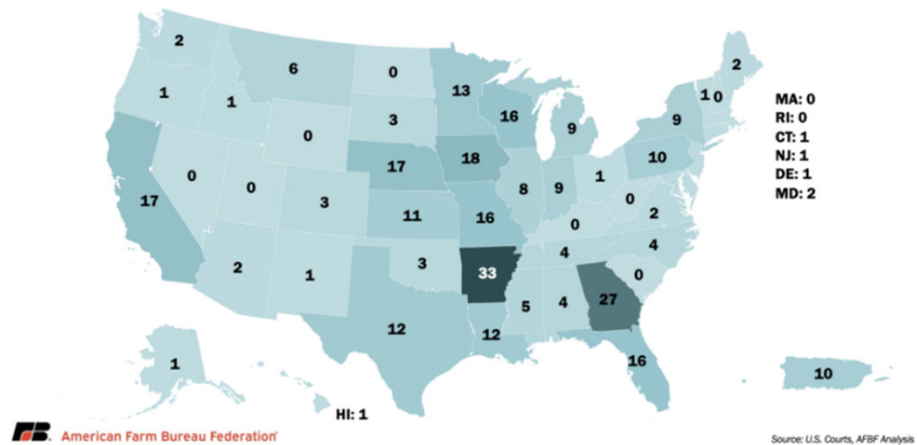
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# CHAPTER 12 ON THE RISE

## Chapter 12 Farm Bankruptcies Filed in 2025

January 1 Through December 31, 2025



Source: AFBF

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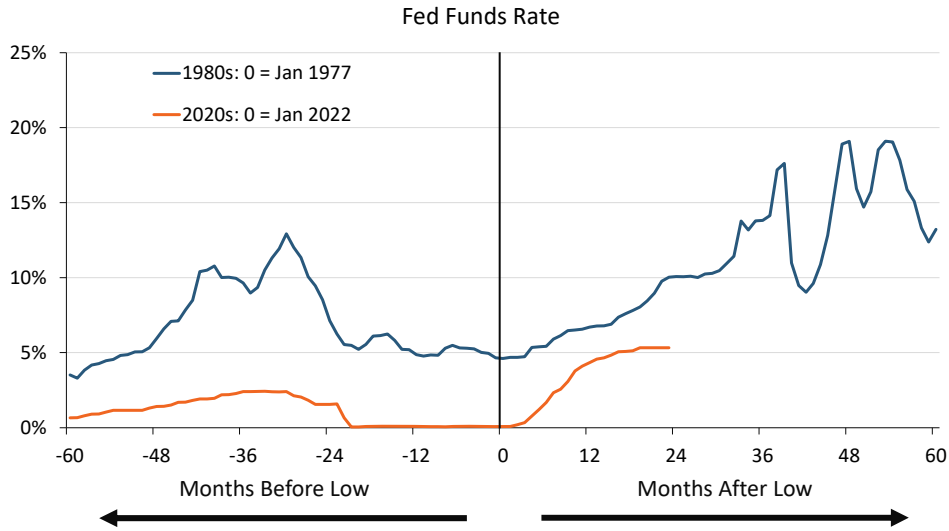
# GREAT SCOTT! THE 1980S AGAIN?



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## INTEREST RATES WELL BELOW 1980s

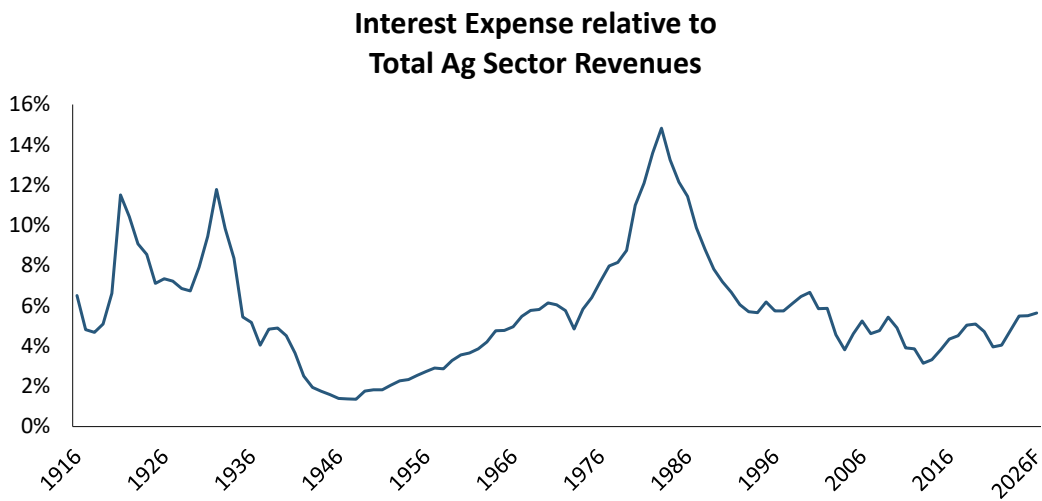


Sources: St Louis FRED, Federal Reserve

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## DEBT REPAYMENT CAPACITY



Sources: USDA ERS

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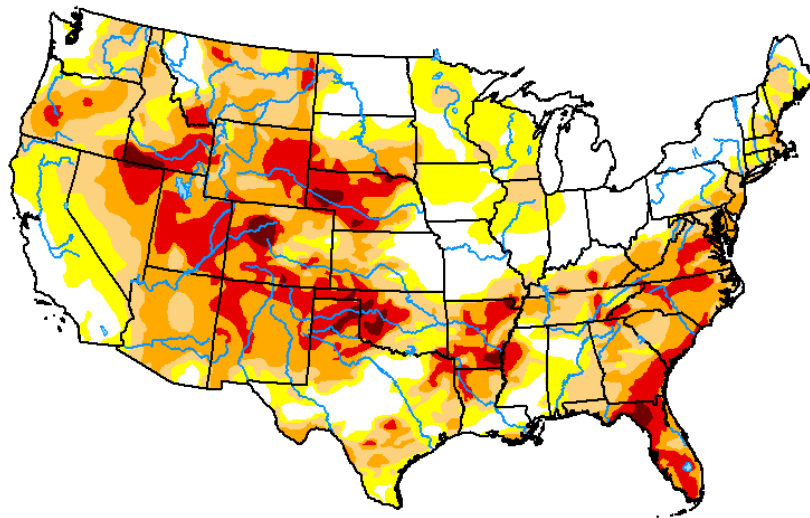
# WHAT TO WATCH FOR

*Near & Far*

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# WATER WORLD



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## THE DELICATE BALANCE

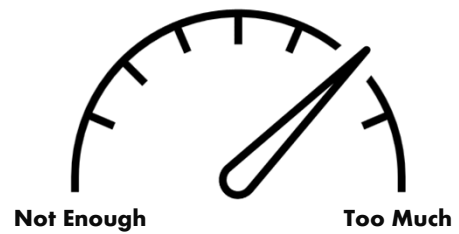
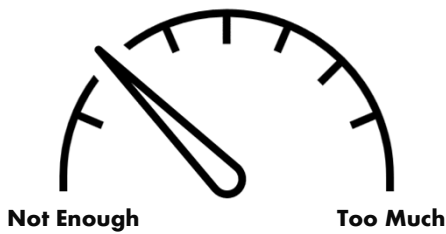
➤ Drought across Western states

➤ Flooding challenges

➤ Delicate balance between interests:

- Residential vs Environment vs Ag

➤ Growing popularity of drain tile a blessing and a curse



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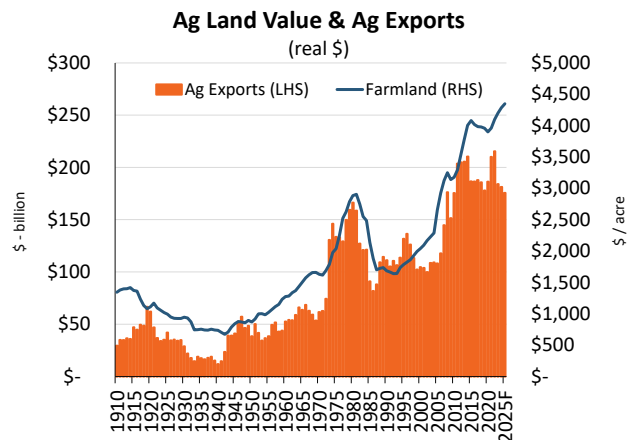
## INTERNATIONAL AFFAIRS

➤ Expanding trade has historically led to significant benefits for U.S. agricultural producers.

➤ Mexico's presidential election has dimmed outlook for U.S. ag exports.

➤ China – a simultaneous tailwind and headwind.

➤ India – a huge potential market for (some) U.S. agricultural products.



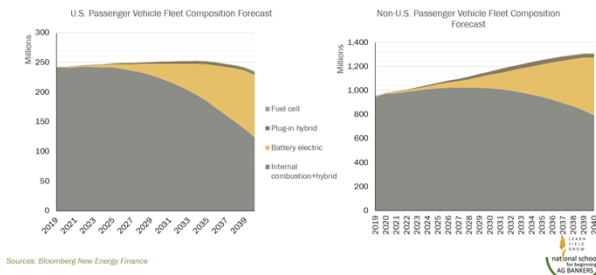
Source: USDA

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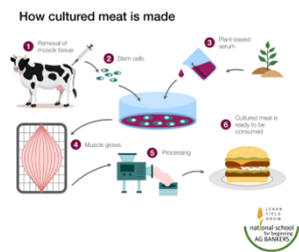
# DISCERNING TRENDS AND FADS

## Macro Trend: Electric Vehicles



## Macro Trend: Alternative Proteins

- Not currently approved by FDA/USDA joint oversight
- Cell-cultured chicken nuggets already available for consumers in Singapore
- Gaining momentum in investor appetite
- Big hurdles before widespread adoption by consumers ("ick" factor)



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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).

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# FARMER MAC

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