

# SECURING THE FUTURE OF RURAL COMMUNITIES & AGRICULTURE

ONE HOME, ONE FARM AND ONE BUSINESS AT A TIME



*farm***CREDIT**  
MID-AMERICA

# FARM CREDIT MID-AMERICA

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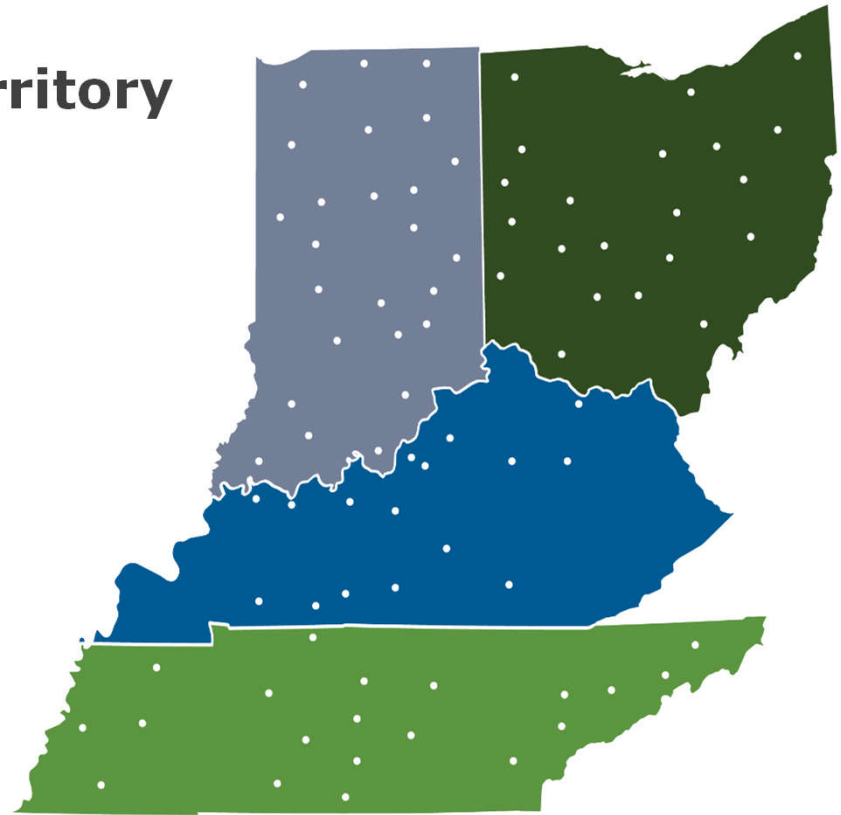
**82 offices across our territory**



**1,600 team members**



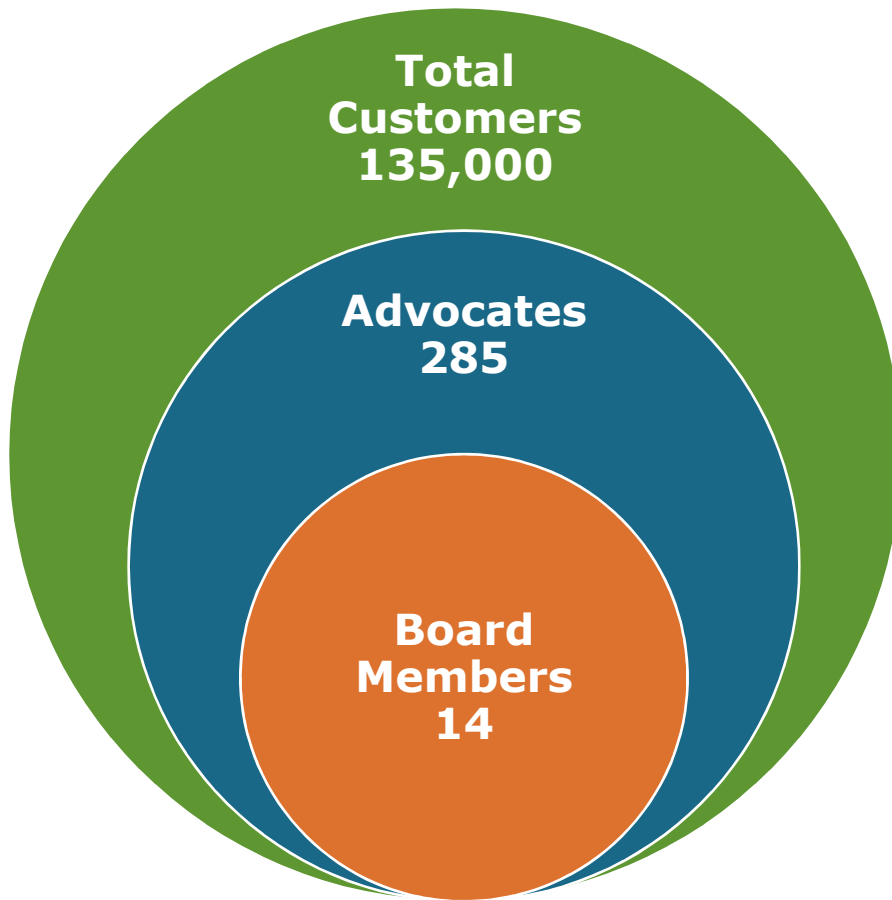
**Headquartered in  
Louisville, Kentucky**



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# COOPERATIVELY OWNED

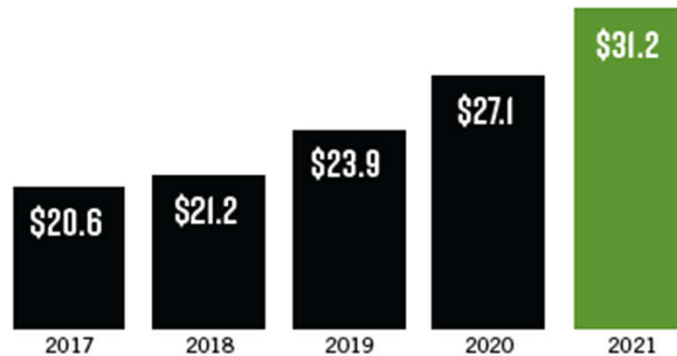
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# FINANCIAL PERFORMANCE

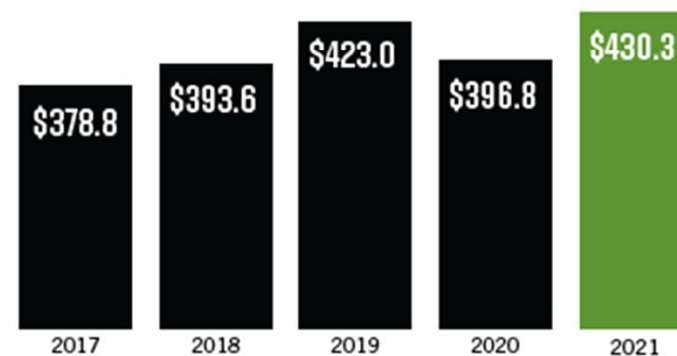
## ASSETS (OWNED AND MANAGED)

Dollars in billions



## NET INCOME

Dollars in millions



\*Based on FY Ending 12/31/2021

# BUSINESS SECTORS & AG COMMODITIES

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## *Business Segments Served*

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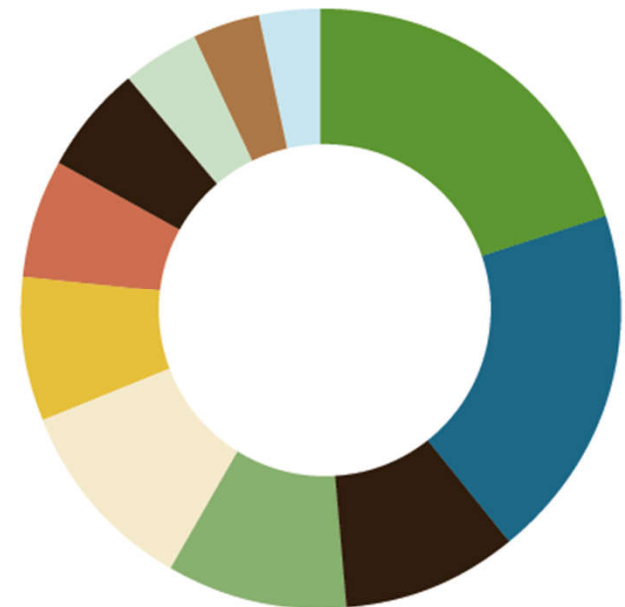
Farm Credit Mid-America's diverse business segments emphasize our commitment to rural communities and agriculture. We support a broad range of farmers and invest in rural businesses and home loans to strengthen rural economies.

## *Agricultural Commodities*

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● 20.1%	CORN & SOYBEANS
● 19.2%	OTHER CROPS
● 9.5%	CATTLE
● 9.6%	OTHER
● 10.5%	LANDLORDS
● 8.0%	PROCESS & MARKETING

● 6.4%	OTHER LIVESTOCK
● 5.8%	TIMBER
● 4.0%	POULTRY & EGGS
● 3.8%	DAIRY
● 3.1%	RURAL HOME



# SUPPORT FOR YOUNG, BEGINNING & SMALL FARMERS

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## % of Member Base

**28.9%**  
Young

**57.9%**  
Beginning

**81.1%**  
Small

In 2021, Farm Credit Mid-America:

- Welcomed 194 young & beginning farmers our Growing Forward™ program.
- Provided special underwriting standards representing \$125 million in loan volume through Growing Forward™.
- Provided training to more than 206 operations through our Know to Grow® and Know to Thrive conferences.

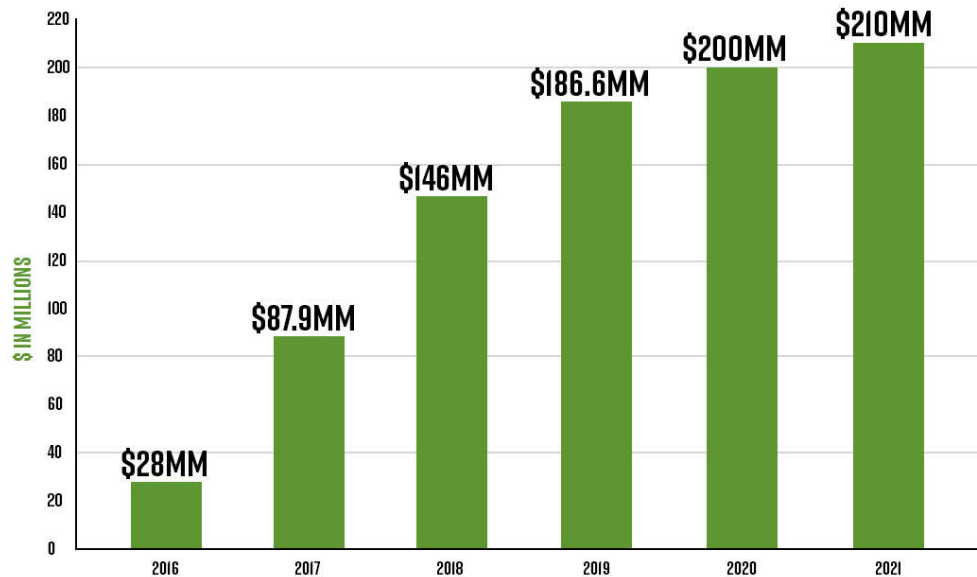




# PATRONAGE PROGRAM



## PATRONAGE PROGRAM



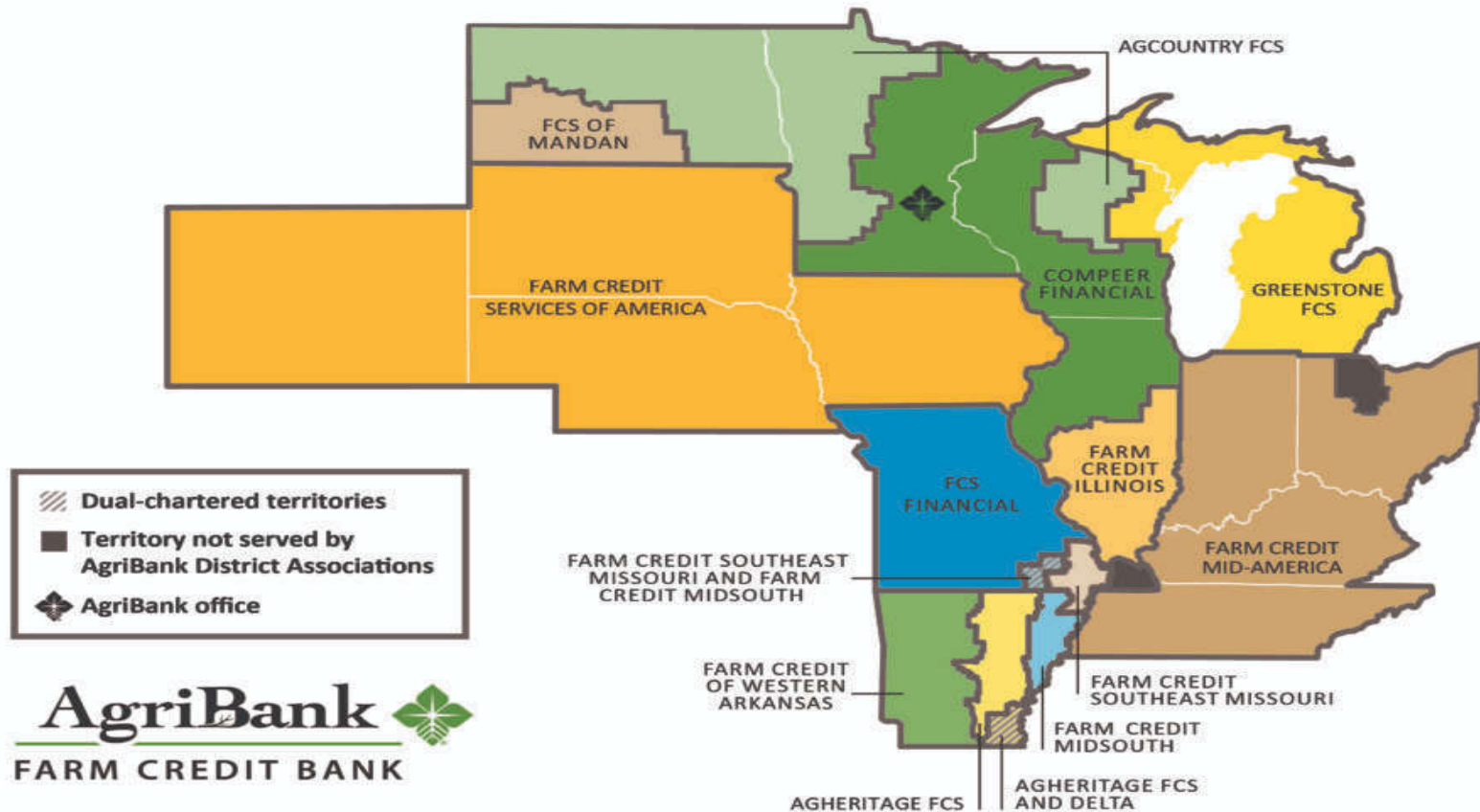
**\$858.5 MILLION**  
returned to customers in the last 6 years

- **Patronage** is the portion of our earnings that we return to our customer-owners.
- Eligible customers receive **Patronage** that is proportionate to their transaction level with Farm Credit Mid-America.
- Some customers use their **Patronage** to pay down loans, purchase new machinery, offset operating costs, and more.

# AgriBank District

## Farm Credit Associations in the AgriBank District

13 ASSOCIATIONS, 15 STATES—UPDATED JANUARY 1, 2022





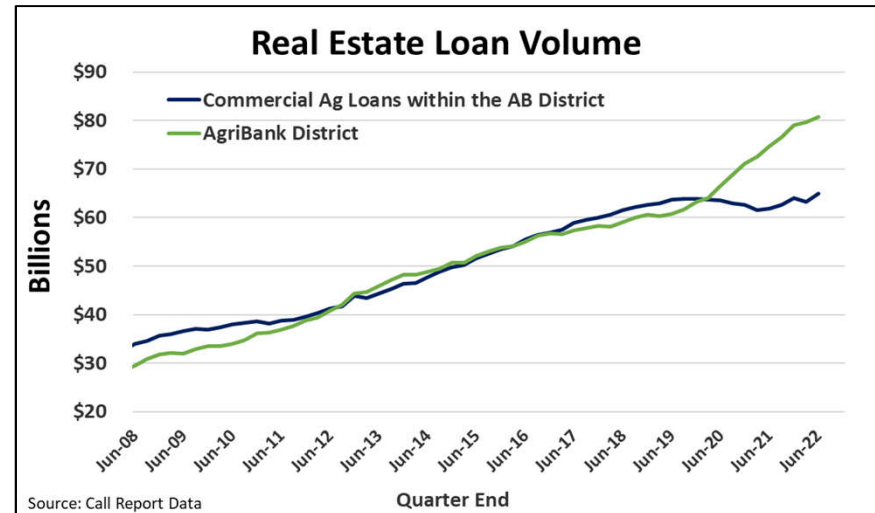
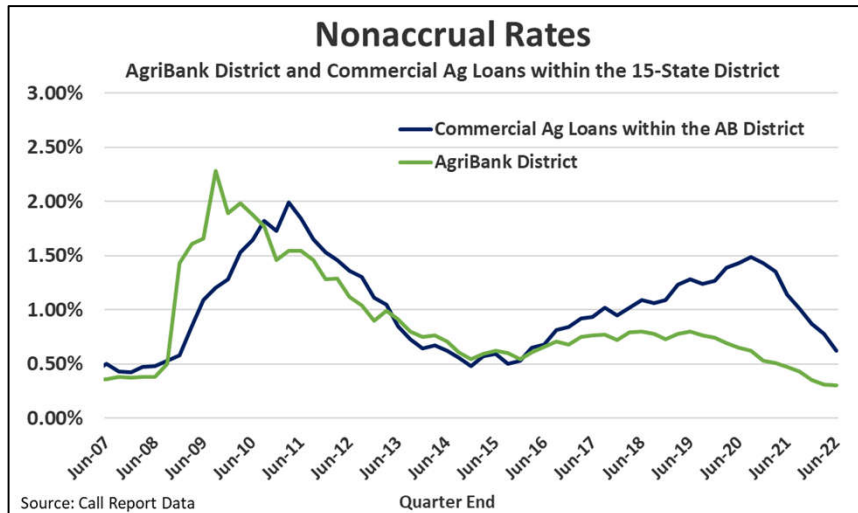


# A Lender's Perspective



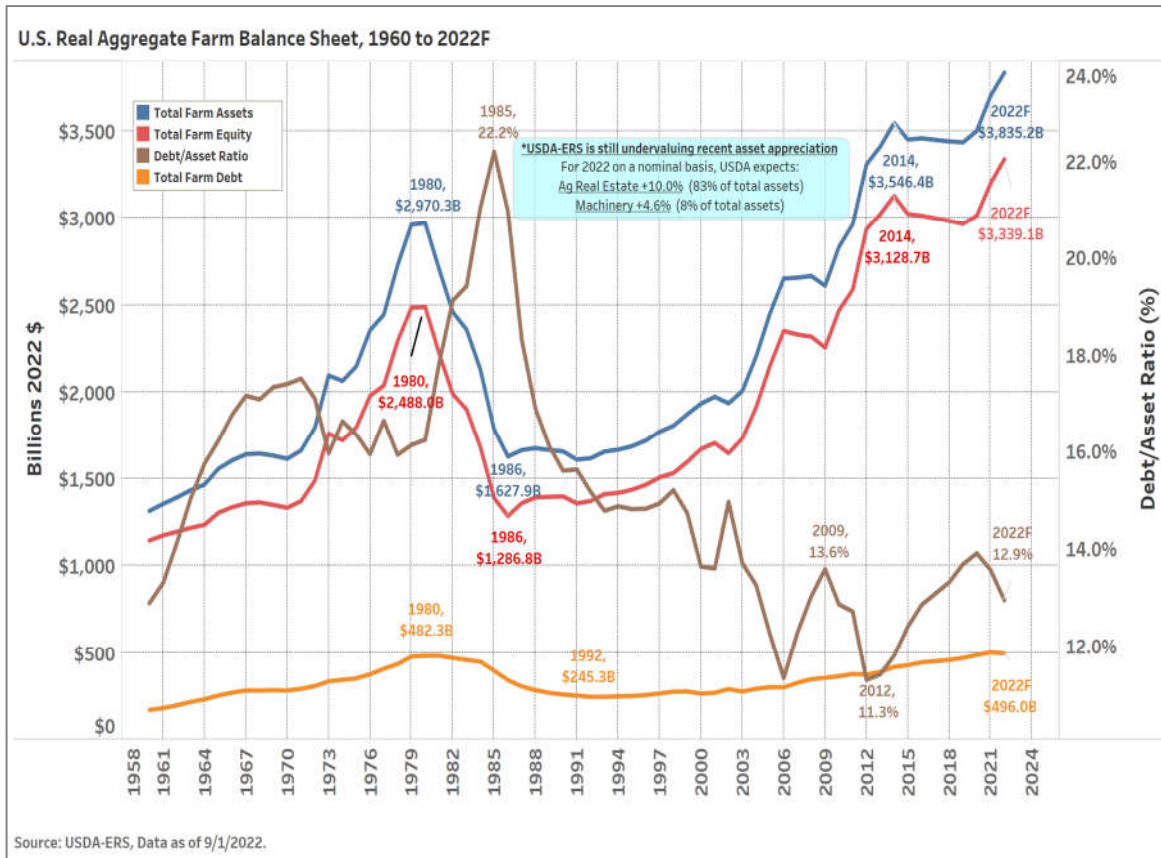
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# Credit Quality & Loan Volume



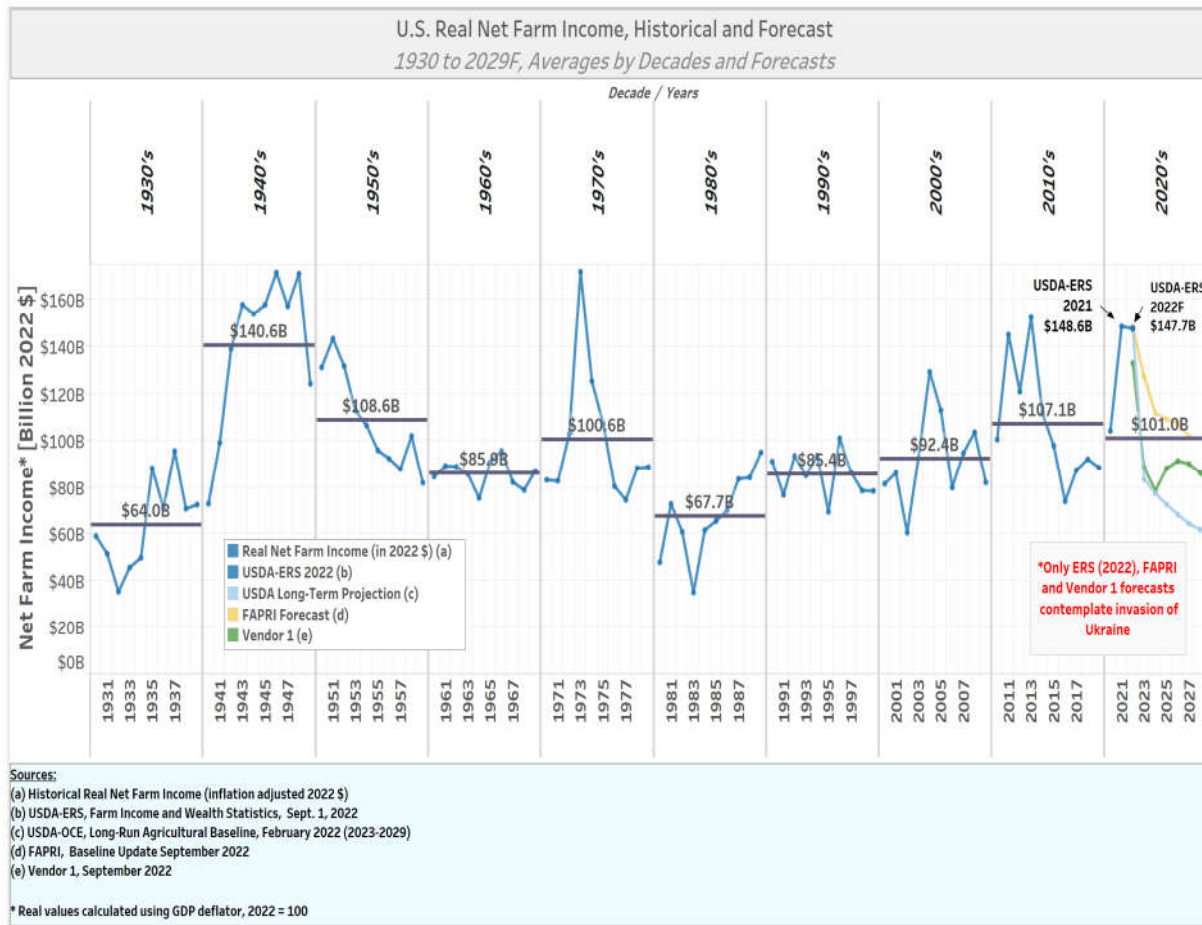
- Strong returns and balance sheets are reflected in credit quality and volume changes
- Commercial bank ag loan nonaccrual rates have declined for 7 straight quarters, District - 12 straight quarters
- Q2-2022 District real estate volume up 8% YOY on top of strong growth last year, while operating volume is mixed to lower

# Sector Balance Sheet



- Significant balance sheet revisions in Sept. 1 update
  - 2021 land values now +9.6%, were forecast +2.0% a year ago
  - 2022 land values forecast +10.0%
  - 2021 and 2022 machinery forecast +10.6% and +4.7% nominally
- Debt-to asset-ratio down for second straight year (6-year low)
- 2021 working capital was revised \$30B+ higher
  - 2022 W/C forecast down but still strong
  - 21 & 22 at highest inflation adjusted level since 2014

# Farm Sector Income



- \*Ignore light blue forecast from USDA! (or use it as a cautionary figure)
- 2022 NFI revised \$34 higher on Sept. 1 by USDA
- 2022 NFI steady with 2021
  - Prices ↑, expenses ↑, gov't payments ↓, inv. adj. ↓
  - 3<sup>rd</sup> highest Real NFI back to 1980
- Significantly lower forecasts for 2023 & 2024 assume cash receipts fall more than expenses

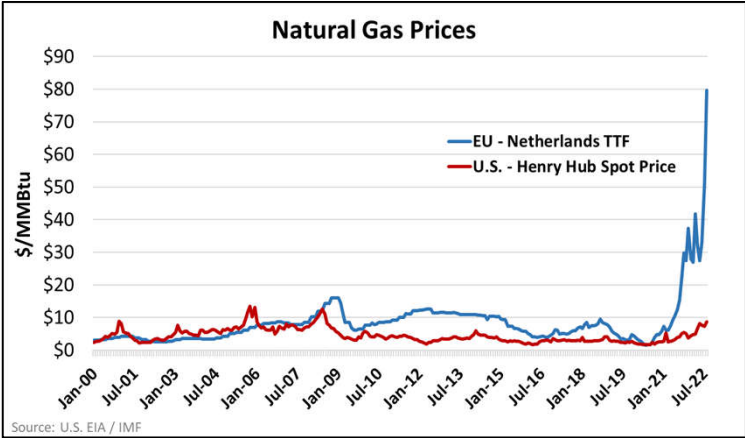
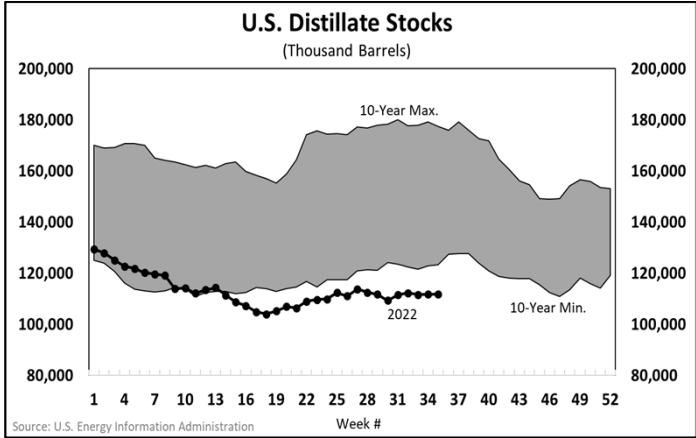
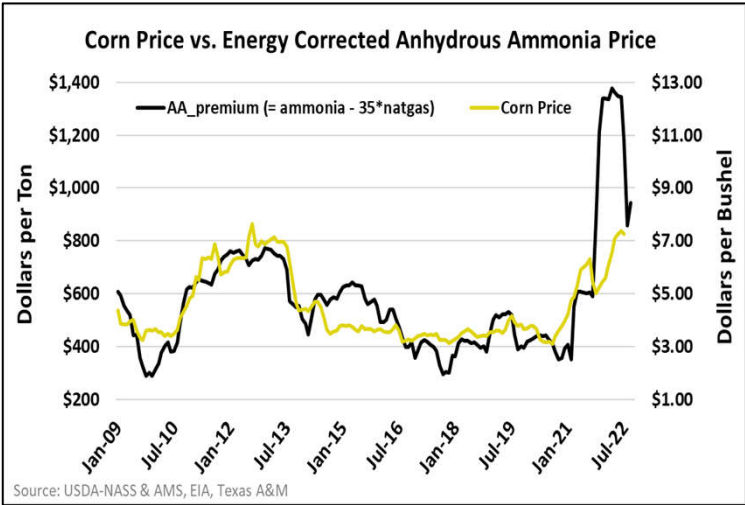
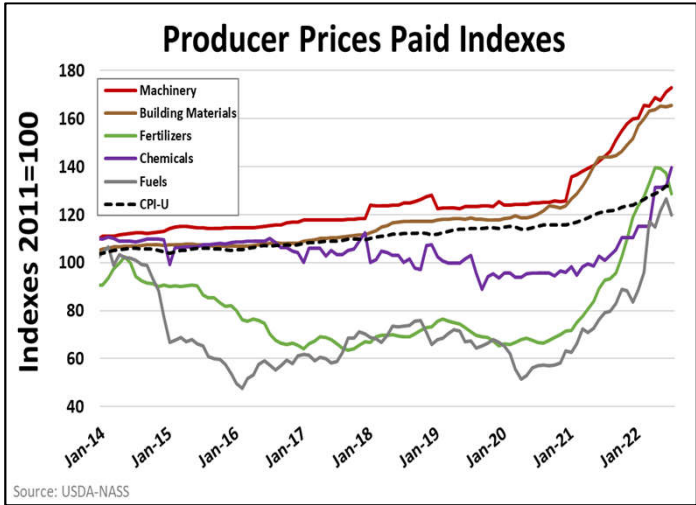
# Elevated Volatility Next Year

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- Inputs
- Energy
- Geopolitical
- Global production issues...again?
- Inflation and Fed Actions or lack there of
- We do expect a good 2022 for most of agriculture with some weakness starting in second half 2023.

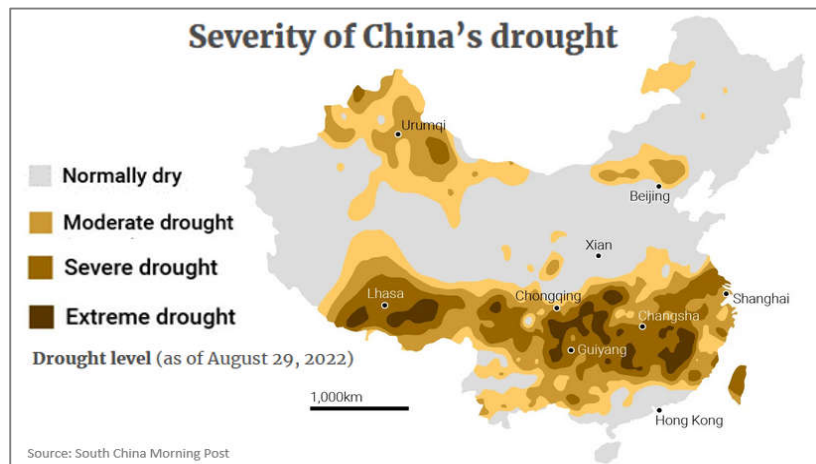


# Inputs / Expenses



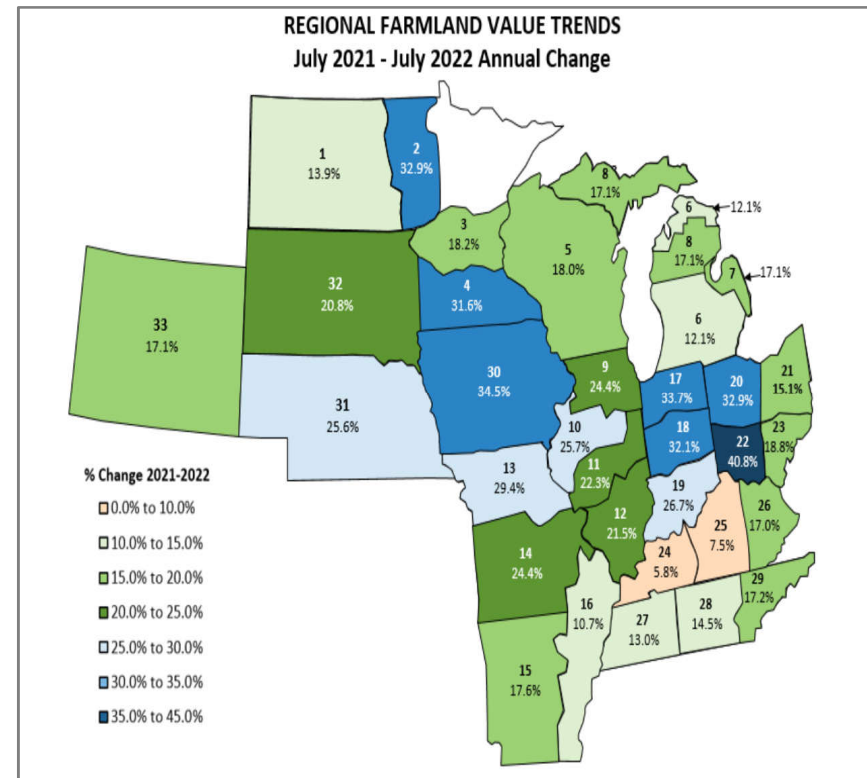
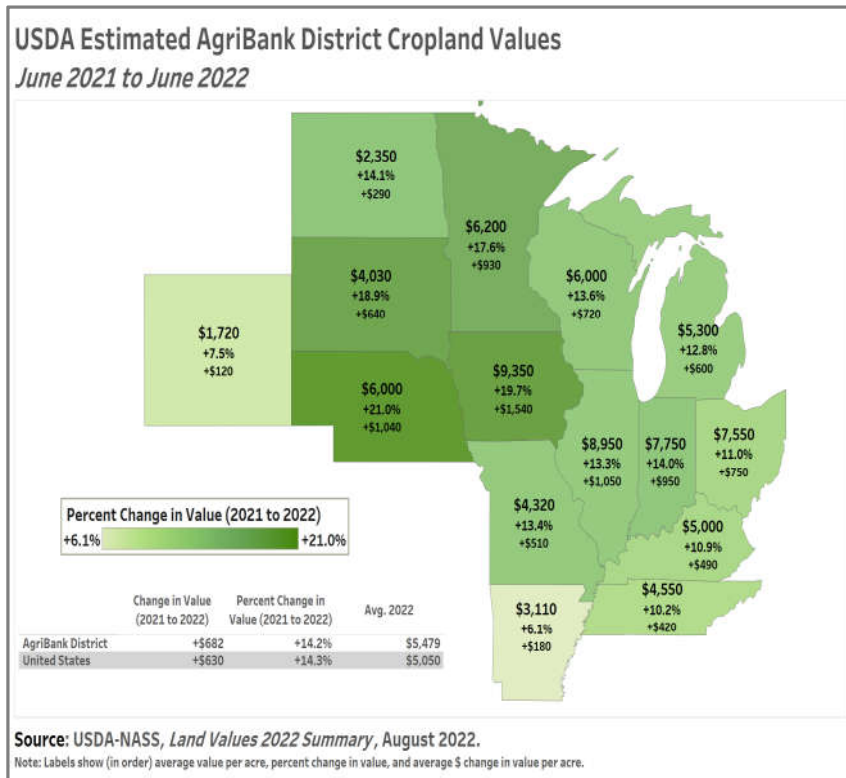


# China...one crisis after another



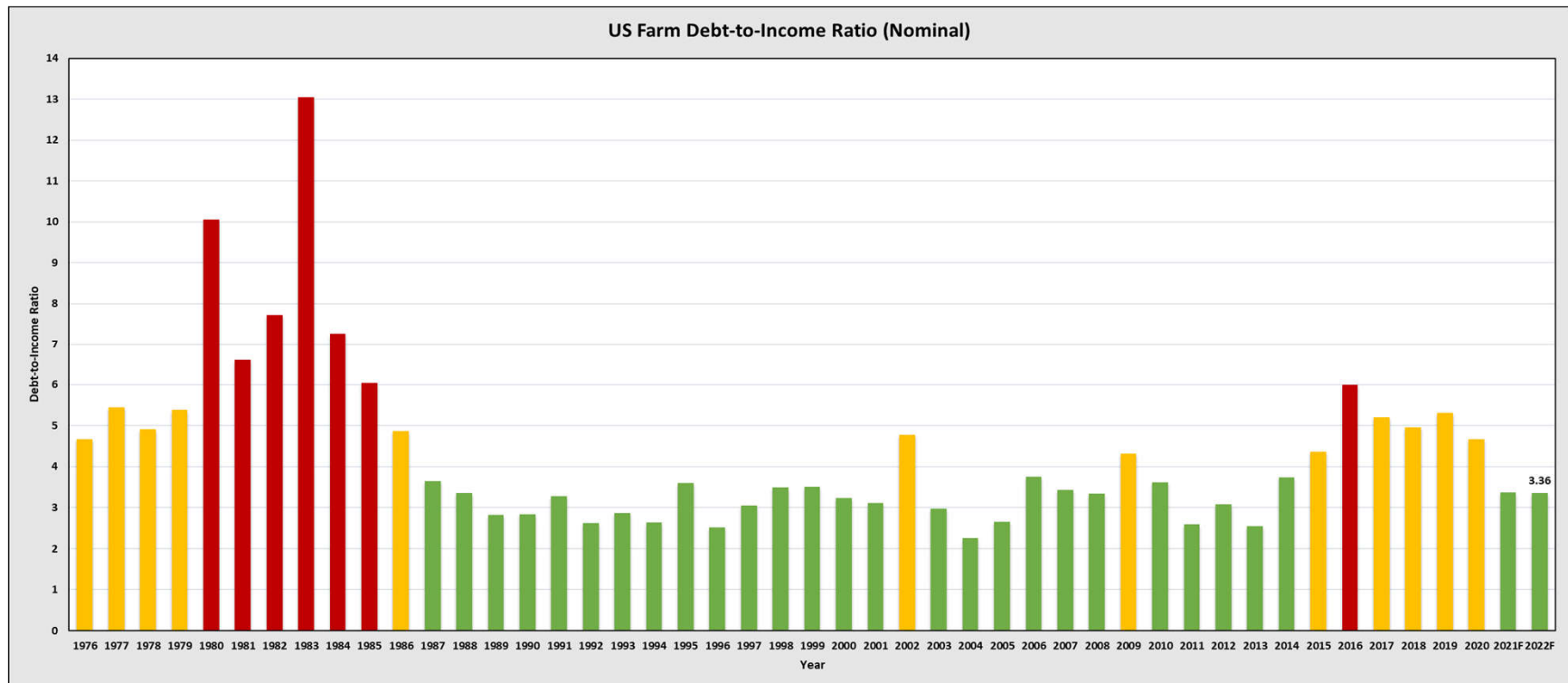
- **Growing discontent of Chinese citizens**
  - Housing crisis
  - Mass testing (in sweltering heat)
  - lockdowns
- **Chinese GDP growth may slip to 3% or lower (recession)**
  - This impacts the rest of the world
- **What happens after the 20th party congress in October?**
- **Retaliation risks for Ag?** (Taiwan, semiconductor ban, UN human rights report)

# Land Values



- According to USDA Survey, all 15 District states now at record highs (nominally)
- District Benchmark results show even stronger gains (+21.5% on average)

# Farm Debt-to-Income



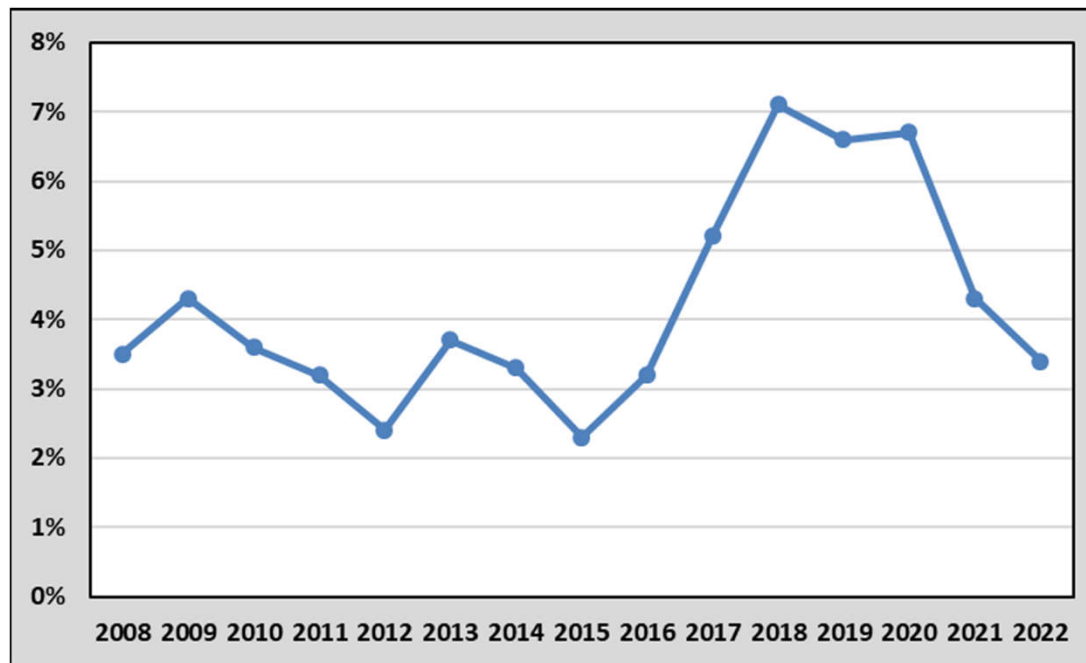
- US Farm DTI recently peaked at over 6x in 2016, and has trended down to a projected 3.36x for 2022

Source: USDA ERS



# FCMA Full Time Farmer % Adverse

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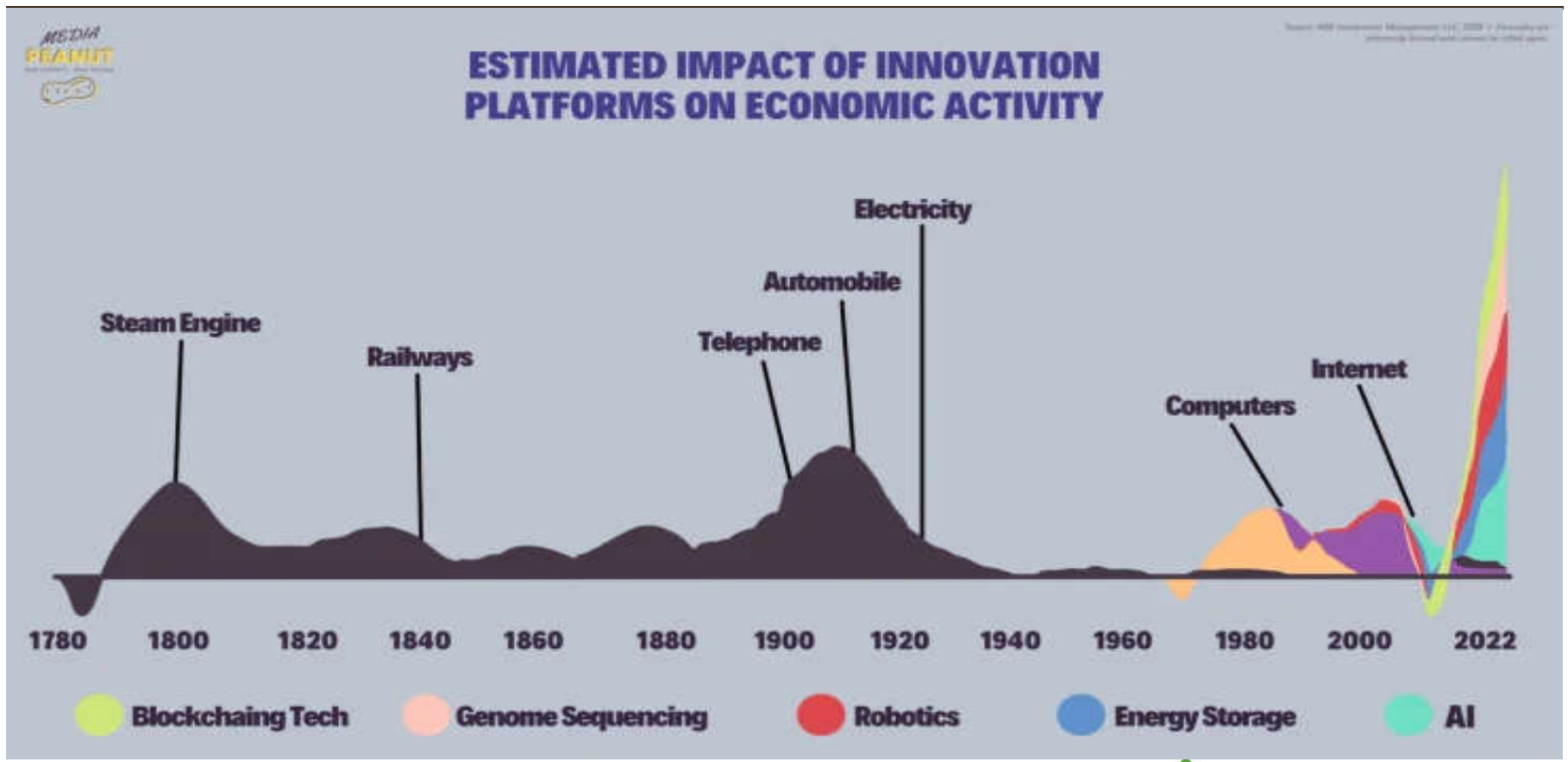


- The adverse % of the FCMA portfolio has trended sharply downward since 2020

Source: FCMA, includes Ag Retail and Commercial Ag portfolios

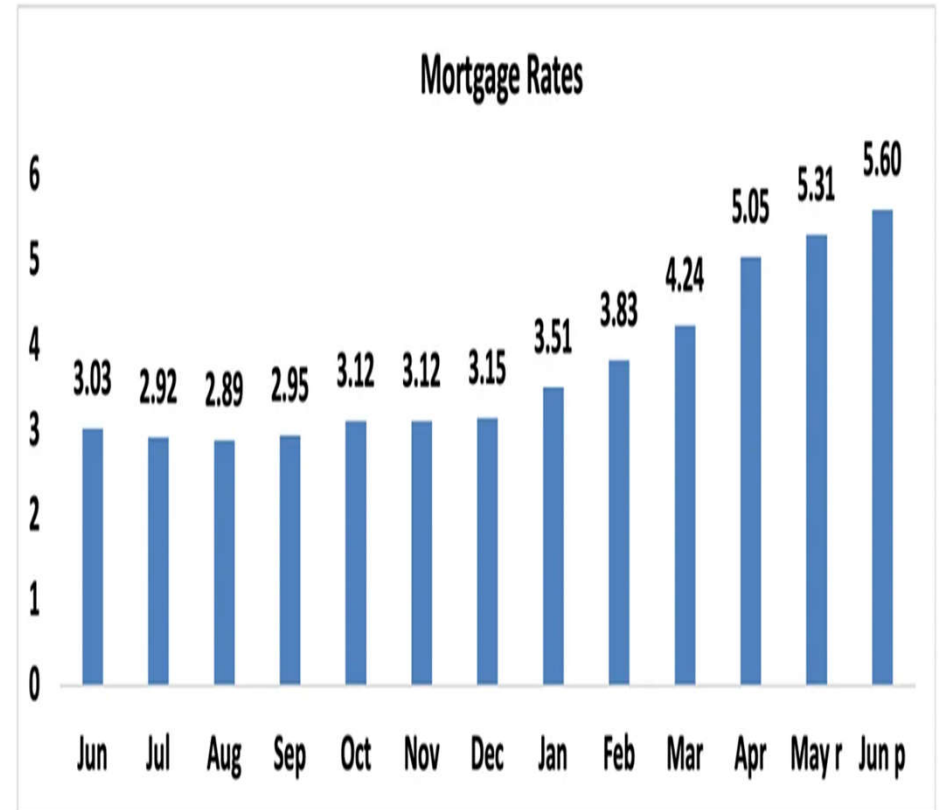
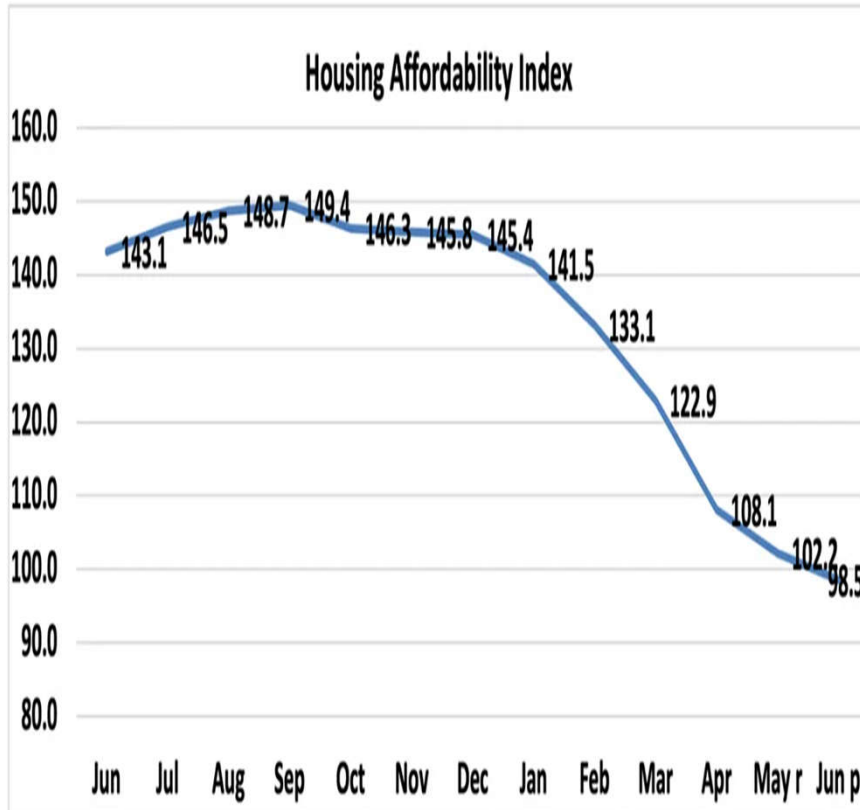


# Technology



# Housing Affordability

(Source National Realtors)





# Headwinds for Processors

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- Labor
- Input Costs
- Substitution
- Market Cap Volatility
- Leverage
- Capital Investment

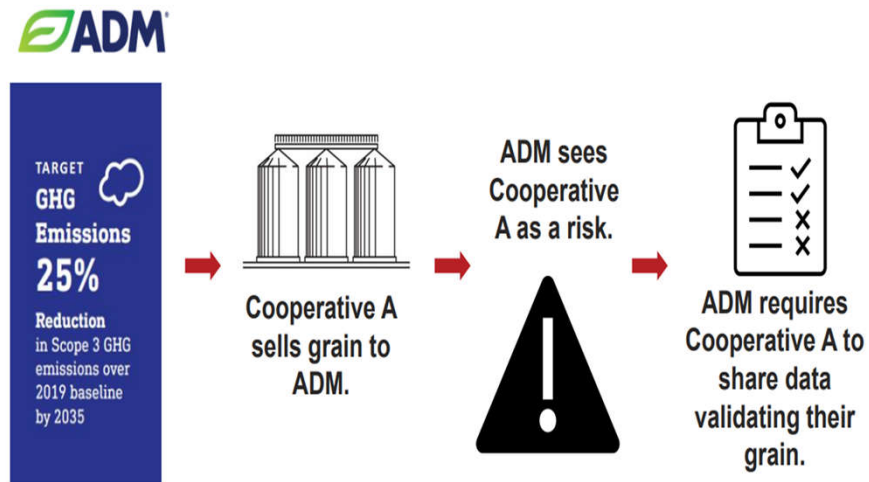


# ESG Challenges

## Focusing on the E

- Education
- Expectations
- Pace of change
- Market transparency
- How do we fund
- Who ultimately pays

Scenario of how ESG could play out with a private company.



# What Do We Need From You?

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Partnerships to....

- Collect and share economic data in terms that producers can use
- Educate customers on preparing, understanding and using financials
- Collaborate on YBS and Growing Forward programs
- Help vet, understand, select and manage adoption of new technologies
- Tell the story of agriculture to help recruit and retain a diverse student base to fill the needs of the industry



THANK YOU



[e-farmcredit.com](http://e-farmcredit.com)



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