



# Farm Credit System

## Investor Presentation

March 2023

ONE | MANY  
MISSION | VOICES

# The Farm Credit System at a Glance

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## Mission

- The Farm Credit System ('System', 'Farm Credit') was created in 1916 to support rural communities and agriculture with reliable, consistent credit and financial services.

## Cooperative Structure

- Farm Credit is a network of cooperatives owned by its borrowers (farmers, ranchers, agricultural cooperatives and rural customers).

## Broad Loan Diversification

- Farm Credit's loan portfolio is geographically diversified across all 50 states, U.S. territories, and Puerto Rico, supporting approximately **45%**<sup>1</sup> of all U.S. farm business debt.
- The portfolio is also diversified by commodity and loan size.

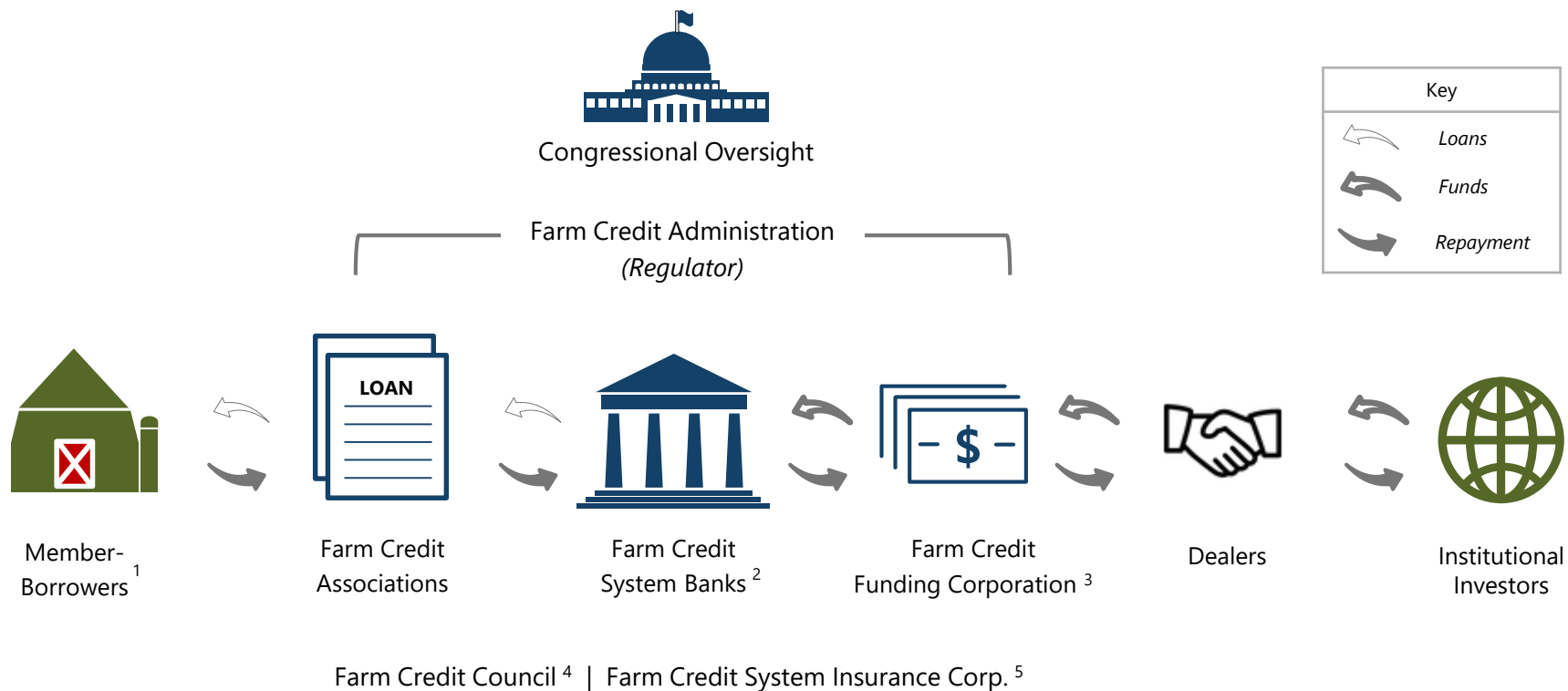
## Regulatory and Congressional Oversight

- Farm Credit is regulated and examined by an independent Federal agency, the Farm Credit Administration (FCA).
- The System is under the Jurisdiction of the House and Senate Agriculture Committees.

1. Source: USDA Economic Research Service, Feb, 2023.



# Structure and Ownership



1. Farmers, ranchers, rural homeowners, rural utility systems and agribusinesses.
2. AgFirst Farm Credit Bank, AgriBank FCB, Farm Credit Bank of Texas, CoBank ACB. CoBank has lending authority to Associations within its District as well as national lending authorities to agricultural cooperatives, rural utilities and other eligible borrowers.
3. The Farm Credit Funding Corporation is responsible for Systemwide debt issuance and financial disclosure.
4. The Farm Credit Council is the national trade association for the Farm Credit System.
5. The Farm Credit System Insurance Corporation is an independent U.S. Government-controlled corporation which insures the timely payment of principal and interest on debt obligations issued by the Farm Credit Banks.

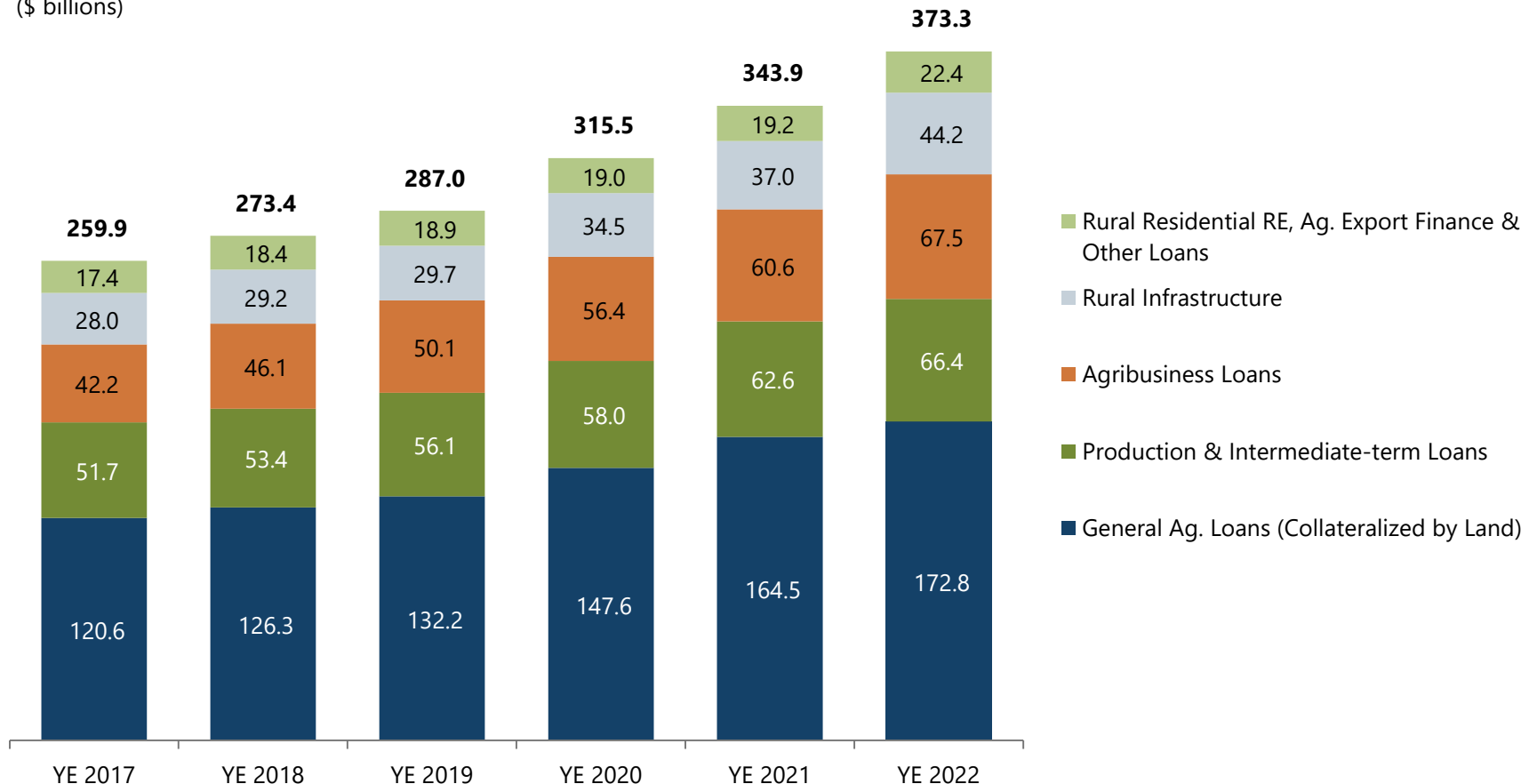


# Loan Portfolio - Overview

- A variety of loan types is available to qualified borrowers.
- Underwriting standards are based on credit, repayment capacity/cash flow and collateral.
- Loan volume increased 8.5% since year-end 2021, primarily due to growth in real estate mortgage loans, processing and marketing loans, rural infrastructure, production and intermediate-term and agricultural export finance loans.

## Gross Loans

(\$ billions)

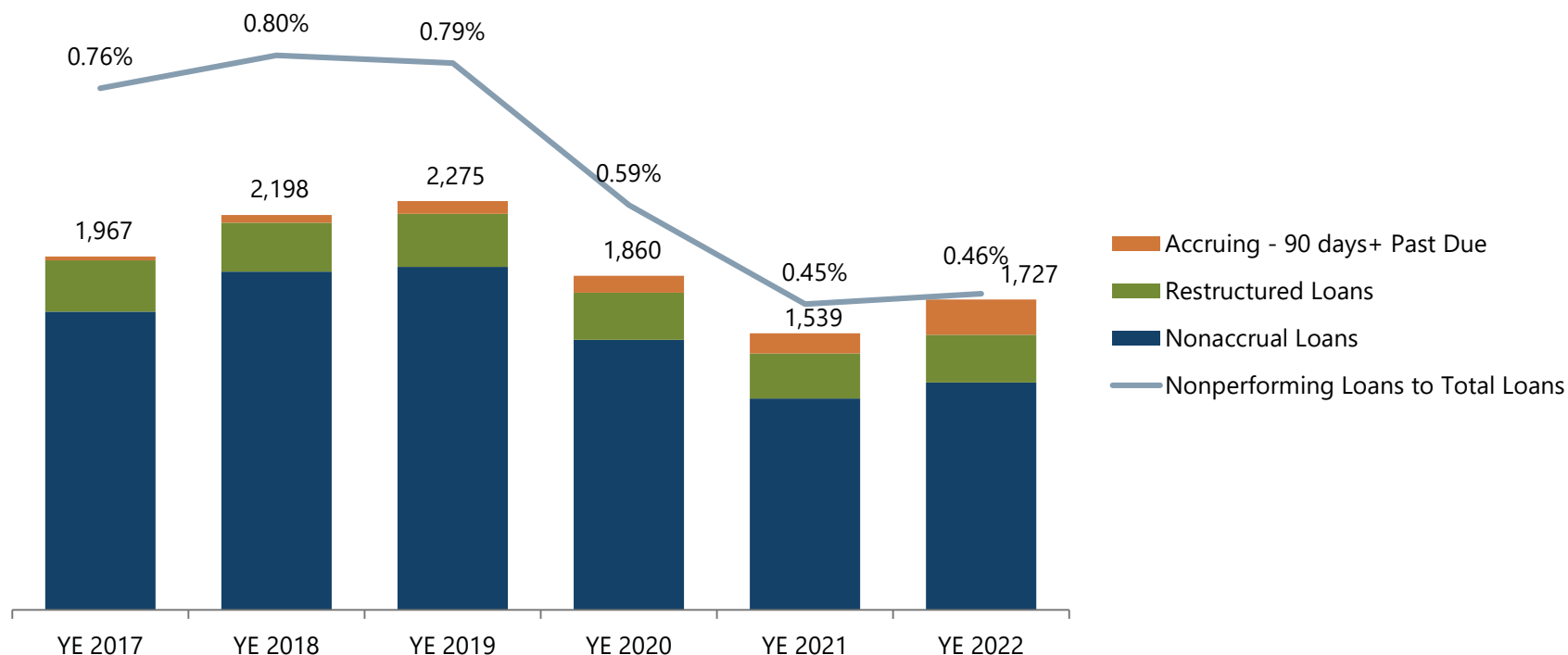


# Loan Portfolio - Credit Quality

- Credit quality remains strong with loans classified<sup>1</sup> as Acceptable and Other Assets Especially Mentioned (OAEM) at 98.4% at December 31, 2022, compared to 98.1% at December 31, 2021.
- Nonaccrual loans as a percentage of total loans outstanding was 0.34% at both December 31, 2022 and 2021.
- Credit risk of certain loans is reduced by off-farm income sources and crop insurance.
- 63.6% of nonaccrual loans were current as to principal and interest at December 31, 2022, as compared with 63.7% at December 31, 2021.

## Nonperforming Loans

(\$ millions)



1. Farm Credit Administration's Uniform Loan Classification System.

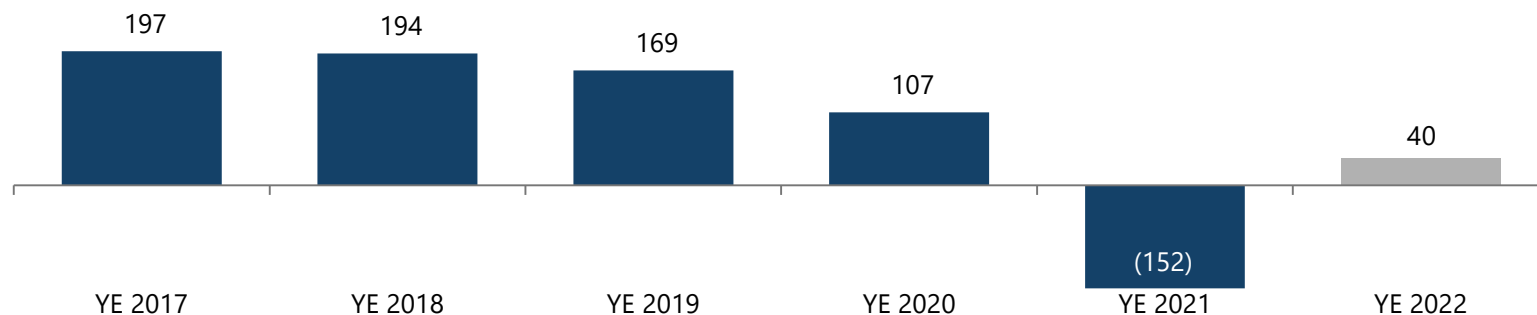


## Loan Portfolio - Credit Quality (cont'd)

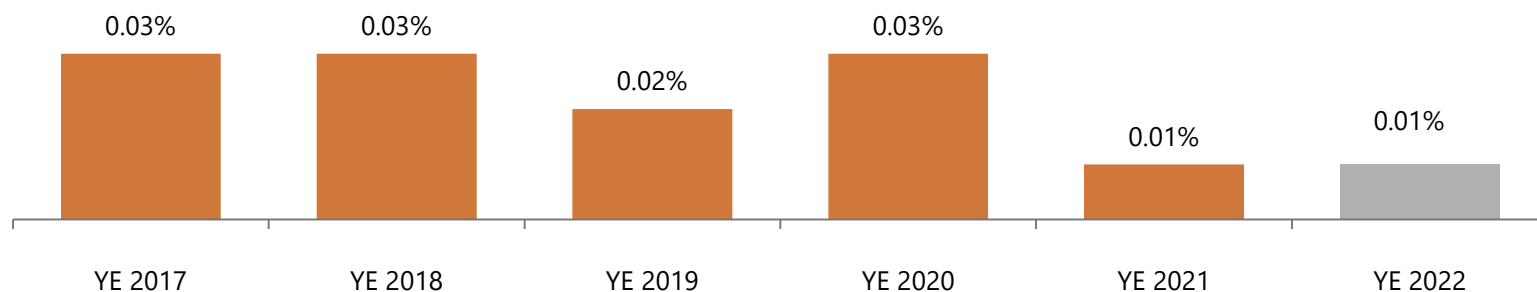
- The System recognized a provision for loan losses of \$40 million for the year ended December 31, 2022, as compared with a loan loss reversal of \$152 million for the year ended December 31, 2021.
- Net loan charge-offs of \$38 million were recorded during the year ended December 31, 2022, as compared with \$19 million for the same period of the prior year.

### Provision for Loan Losses

(\$ millions)



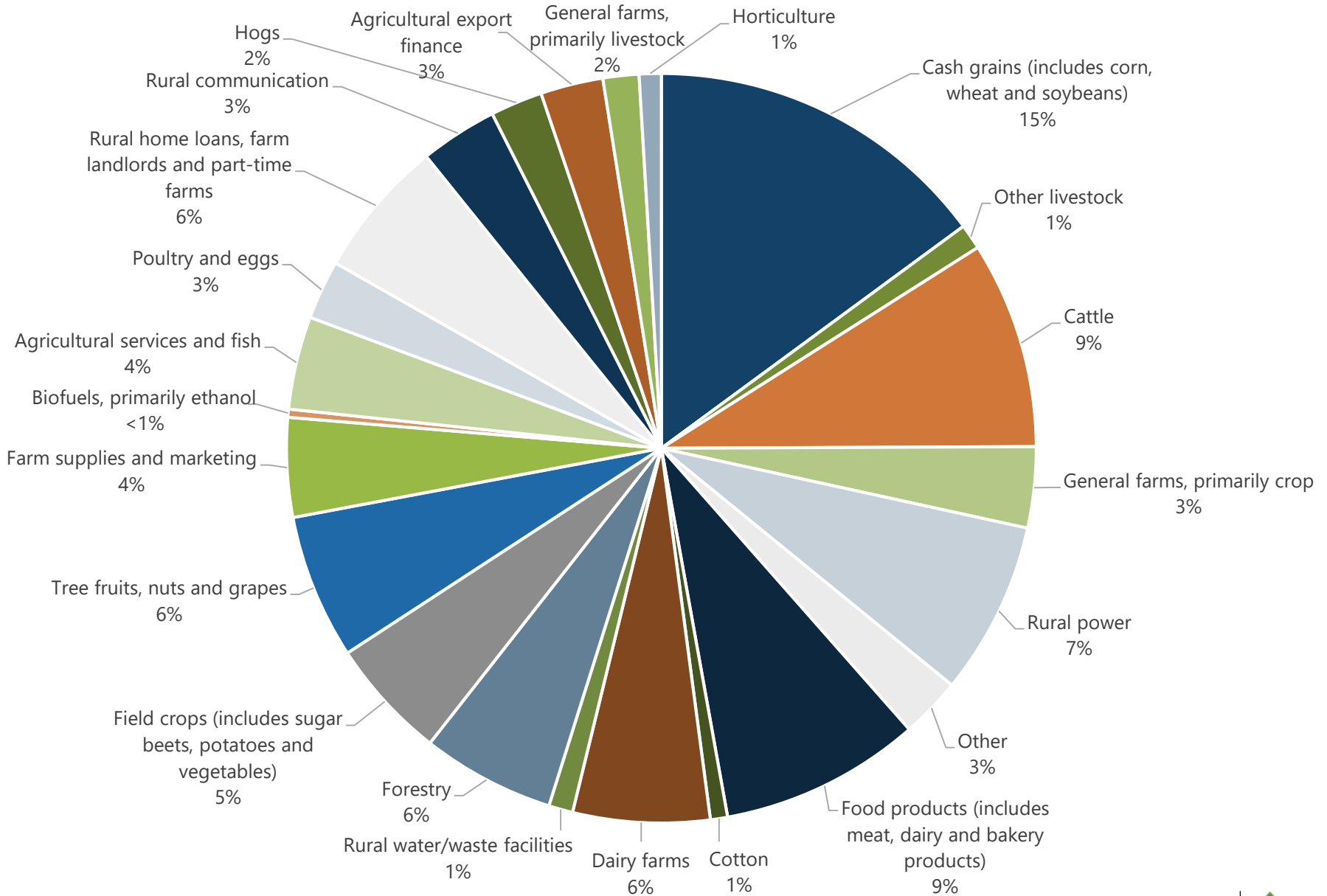
### Net Charge-offs to Average Loans <sup>1</sup>



1. Annualized ratio of net charge-offs during the period to average loans outstanding during the period.



# Loan Portfolio - Product and Sector Diversification







## Loan Portfolio - Size Diversification

- Farm Credit lends to qualified borrowers of all sizes, from Young, Beginning and Small farmers and ranchers to large agribusinesses.
- Large loan exposures are consistently reviewed and monitored.

Range (\$ thousands)	Amount Outstanding (\$ millions)	% of Portfolio	# of Borrowers	% of Portfolio (# of borrowers)
\$1 – \$249	32,599	9	431,758	72
\$250 – \$499	27,900	8	79,666	13
\$500 – \$999	31,277	8	44,865	7
\$1,000 – \$4,999	75,301	20	38,072	6
\$5,000 – \$24,999	55,233	15	5,706	<1
\$25,000 – \$99,999	52,916	14	1,102	<1
\$100,000 – \$249,999	40,993	11	268	<1
Over \$250,000	57,047	15	130	<1
Total	373,266	100	601,567	100

85% of customers borrow  
between \$1,000 and \$499,000.

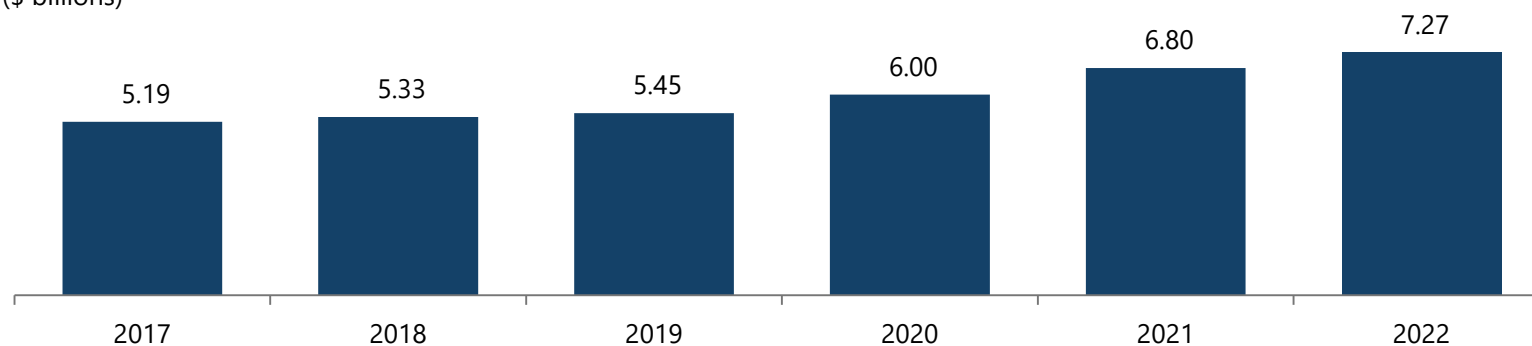


## Financial Performance - Earnings

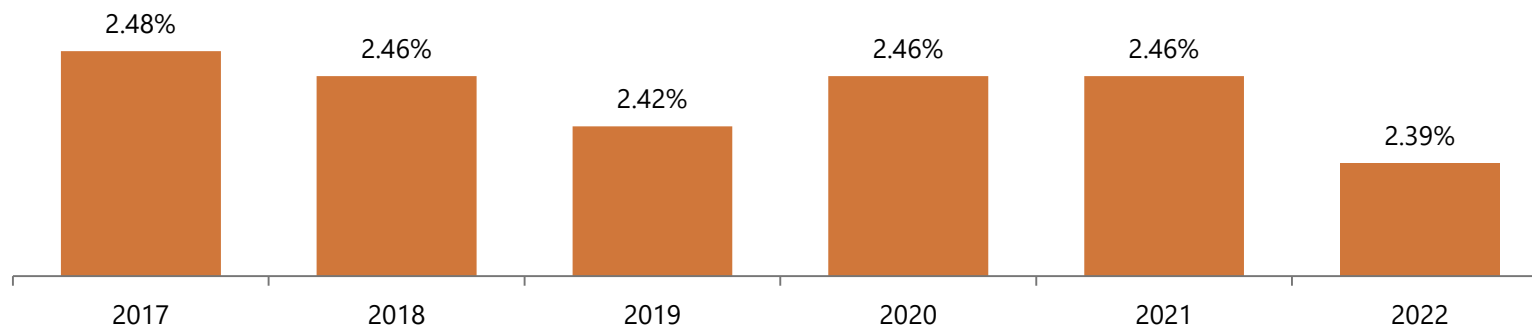
- Net income increased 6.9% in 2022, as compared to 2021, driven primarily from increase in net interest income and noninterest income.
- Net interest margin decreased 7 basis points to 2.39% for 2022, as compared with 2.46% for 2021. Net interest spread decreased 17 basis points to 2.16% for 2022, as compared with 2.33% for 2021, primarily due to higher debt costs in the rising interest rate environment.

### Net Income

(\$ billions)



### Net Interest Margin<sup>1</sup>



1. Net Interest Margin is net interest income divided by average earning assets.



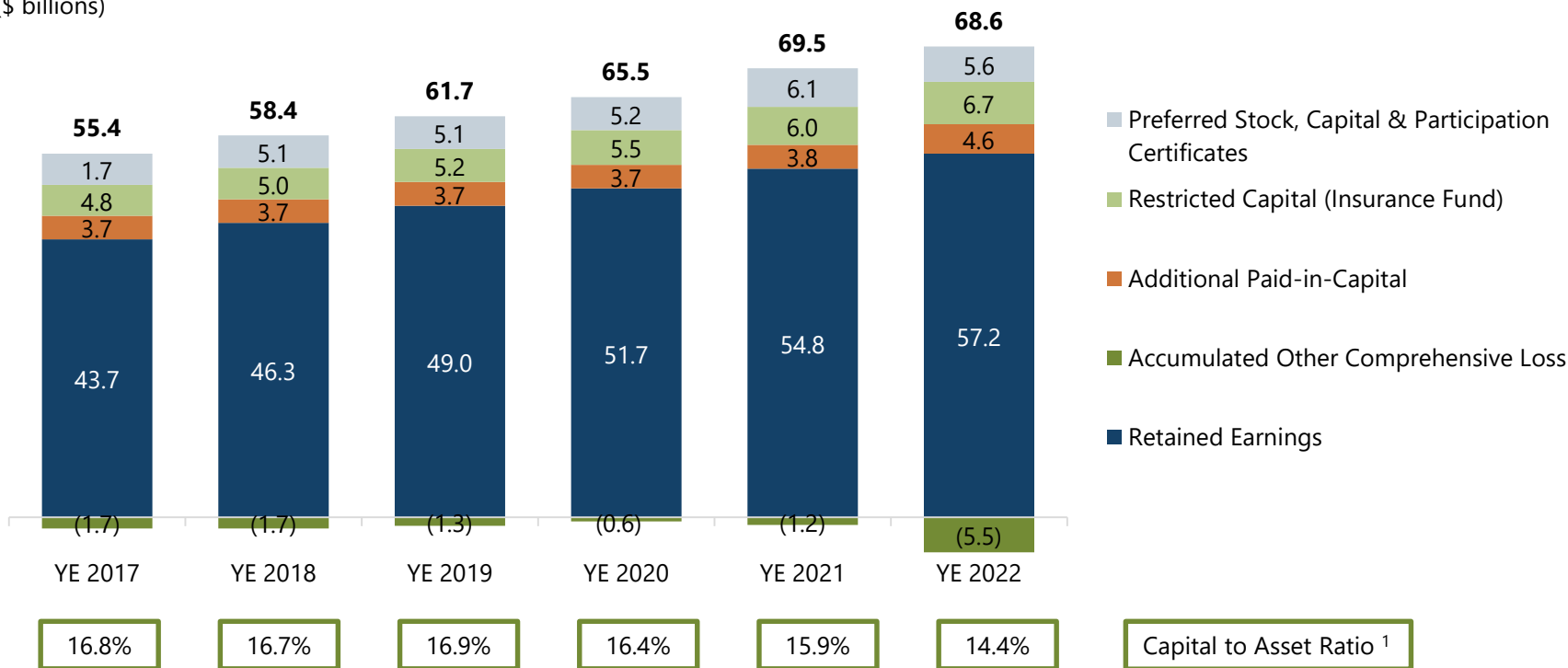
# System Capital

- All Farm Credit Banks and Associations exceed the Farm Credit Administration's regulatory requirements.

## Regulatory Capital Requirements

	CET 1 Capital	Tier 1 Capital	Total Capital	Tier 1 Leverage
Minimum Requirement	4.5%	6.0%	8.0%	4.0%
Minimum Requirement w/ Conservation Buffer	7.0%	8.5%	10.5%	5.0%

## Capital (\$ billions)



1. Includes restricted assets and capital (Insurance Fund).



## Farm Credit System Insurance Corporation

- Created in 1988 through an amendment to the Farm Credit Act.
- Primary responsibility is managing the Farm Credit Insurance Fund.
- Secured a \$10B liquidity line to be used in exigent market circumstances that threaten the Banks' ability to pay maturing obligations.



## Insurance Fund

- Primarily to insure the timely payment of principal and interest on Systemwide Debt Securities (provides additional protection for investors).
- Funded by premiums assessed on System Banks, which may be passed on to the Associations.
- Insurance Fund target is 2% of aggregate outstanding insured debt (primarily Systemwide Debt Securities outstanding).
- Insurance Fund invested only in U.S. Government guaranteed securities.
- Assets of \$6.7 billion in the Insurance Fund at December 31, 2022.
- Insurance Fund has never been used for the payment of principal or interest on Systemwide Debt Securities.

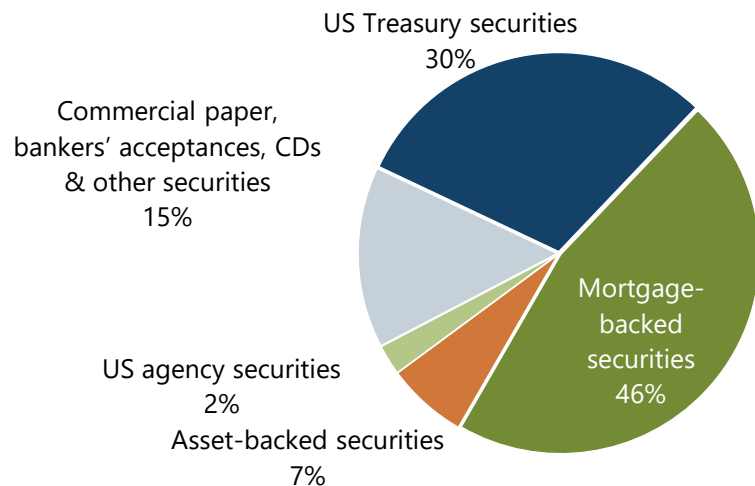


# Liquidity Management

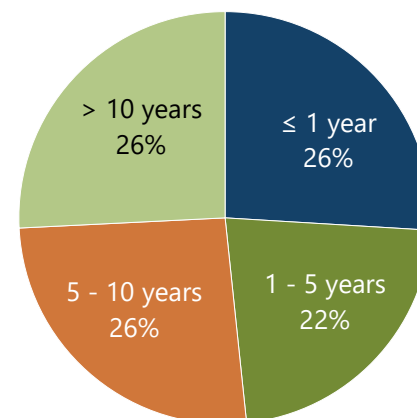
- The System primarily relies on debt markets for funding.
- In addition, System Banks hold highly-rated investments (limited to less than 35% of the Bank's average loans outstanding for the quarter).
- Approximately 99% of investment securities are rated double-A or higher.<sup>1</sup>
- System Banks are required to maintain a three-tiered liquidity reserve, with an overall minimum of 90 days liquidity.

System Banks' Available for Sale Investments at Fair Value: \$68.7bn <sup>2</sup>

**Investment Type** <sup>2,3</sup>



**Maturity** <sup>2</sup>



1. Highest credit rating from at least one rating organization.

2. At December 31, 2022, based on fair value.

3. Mortgage-backed securities comprised of 92% Agency collateralized, 8% Agency whole-loan pass through and <1% Private label-FHA/VA.



# Debt Issuance



- The Farm Credit System is the second-largest GSE, based on outstanding debt.
- Debt securities are issued on behalf of the four System Banks on a joint and several basis.



- Active issuer of highly-rated securities (AAA/Aaa/AA+).
- Bank for International Settlements (BIS) risk-weighting of 20%.



- Debt securities are issued across a range of sizes and maturities.
- Offers investors exposure to the U.S. agriculture and rural infrastructure sector.



- Primary distribution and secondary market supported by 36 investment firms (Dealer Group), including 9 LEAD (Leveraging Equality And Diversity) dealers.
- Broad and diverse investor base.



- Interest on debt securities is generally exempt from state, local and municipal tax.<sup>1</sup>

*The Farm Credit Funding Corporation maintains a flexible debt issuance program driven by System Bank needs, but designed to meet investor demands.*

1. Please consult your tax advisor for specific information.



# Dealer Group

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## **Academy Securities, Inc.**

BNY Mellon Capital Markets, LLC

Barclays Capital Inc.

## **Blaylock Van, LLC**

BofA Securities, Inc.

Cantor Fitzgerald & Co

## **CastleOak Securities, L.P.**

Citigroup Global Markets Inc.

Daiwa Capital Markets America Inc

Deutsche Bank Securities Inc.

First Horizon Bank

Goldman, Sachs & Co.

InspereX LLC

J.P. Morgan Securities LLC

Jefferies, LLC

## **Loop Capital Markets LLC**

Mesirow Financial, Inc.

## **Mischler Financial Group, Inc.**

Mizuho Securities USA LLC

Morgan Stanley & Co., LLC

## **Multi-Bank Securities, Inc.**

NatWest Markets Securities Inc

Nomura Securities International Inc

Piper Sandler & Co.

## **R. Seelaus & Co., LLC**

RBC Capital Markets, LLC

Raymond James & Associates

Robert W. Baird & Co. Incorporated

## **Samuel A. Ramirez & Co., Inc.**

## **Siebert Williams Shank & Co., LLC**

Stifel, Nicolaus & Company Incorporated

StoneX Financial Inc.

TD Securities (USA) LLC

Truist Securities, Inc.

UBS Securities, LLC

Wells Fargo Securities, LLC

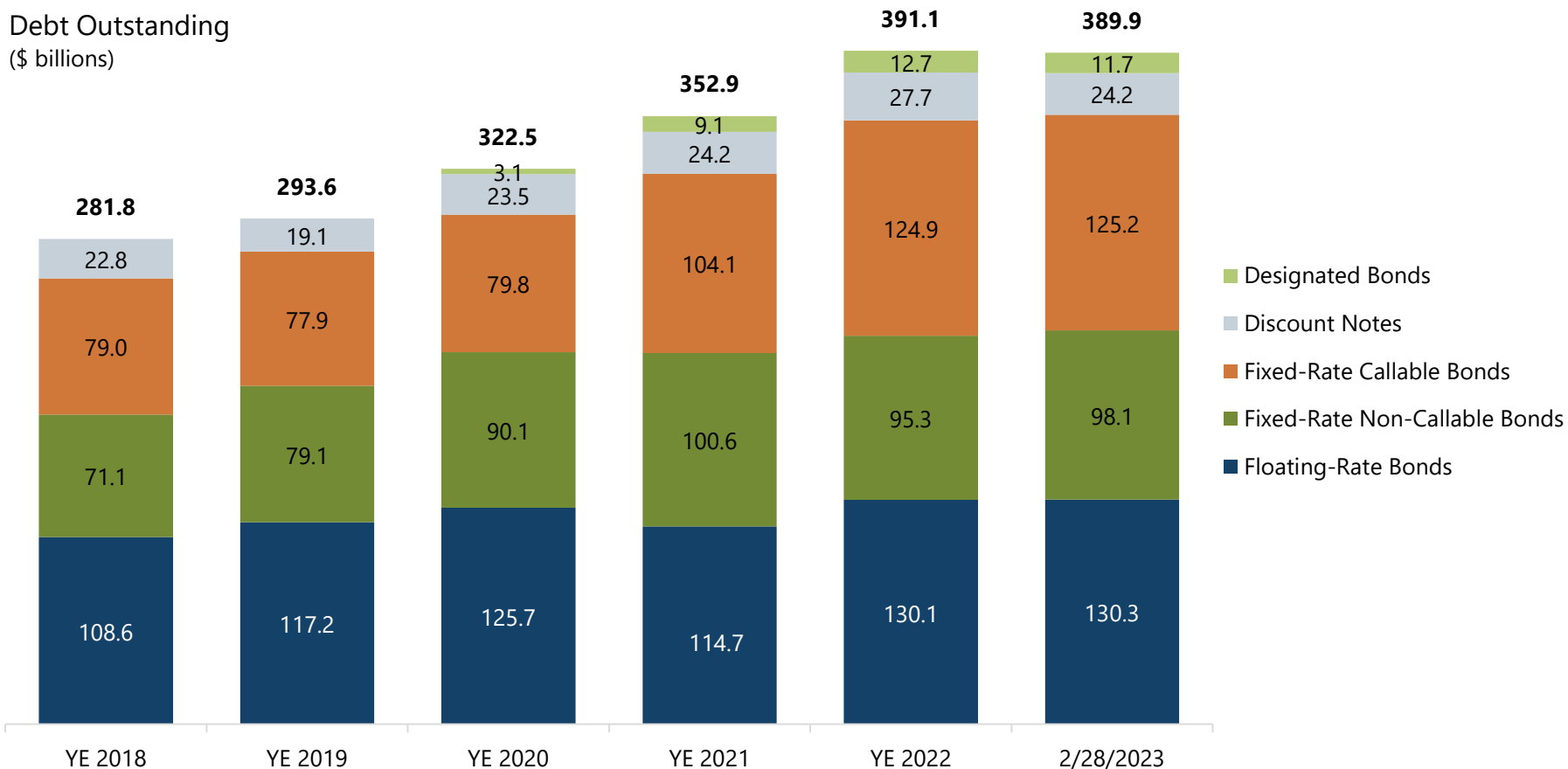


# Debt Profile

## Farm Credit System Debt Ratings<sup>1</sup>

	FitchRatings	Moody's	S&P Global
Long-term	AAA	Aaa	AA+
Short-term	F1+	P-1	A-1+

## Debt Outstanding (\$ billions)



Numbers may not sum due to rounding, and exclusion of Linked Deposit and Retail Bonds.

1. At February 28, 2023.



## Debt Activity

(\$ millions)	Discount Notes	Designated Bonds	Fixed Rate Bonds		Floating Rate Bonds			Total
			Callable	Non-Callable	LIBOR	SOFR	Other Indexes	
Outstanding 12/31/2022	27,717	12,700	124,924	95,259	966	99,548	29,590	391,138
<b>Gross Issuance</b>	<b>15,374</b>	<b>0</b>	<b>2,570</b>	<b>7,633</b>	<b>0</b>	<b>10,865</b>	<b>2,025</b>	<b>38,484</b>
Maturities <sup>1</sup>	(18,889)	(1,000)	(1,660)	(4,838)	(85)	(7,402)	(4,010)	(37,892)
Calls <sup>1</sup>	-	-	(660)	-	-	(1,010)	-	(1,670)
Other <sup>1,2</sup>	-	-	-	(2)	-	(170)	-	(172)
Net Issuance <sup>1</sup>	(3,515)	(1,000)	250	2,793	(85)	2,283	(1,985)	(1,250)
<b>Outstanding 2/28/2023</b>	<b>24,202</b>	<b>11,700</b>	<b>125,174</b>	<b>98,052</b>	<b>881</b>	<b>101,831</b>	<b>27,605</b>	<b>389,888</b>

Numbers may not sum to total due to rounding, and exclusion of Linked Deposit and Retail Bonds.

1. YTD at February 28, 2023.
2. Includes Puts and Buybacks.



# Discount Notes

## Characteristics

- Flexible short-term investments.
- Mature in 365 days or less.

## Issuance Program

- Sizes and maturities posted to the window at 4PM EST and priced the following morning. (FFCB <go>)
- Investor order-based program.
- Open to reverse inquiries.

## Distribution

- Distributed through 10 Core and 9 LEAD<sup>2</sup> Dealers, available to entire Dealer Group with re-allowance.

Issuance Activity		
	2023 (YTD <sup>1</sup> )	2022
Total	\$15.4bn	\$239.2bn
Excluding overnight (O/N) maturities	\$13.2bn	\$101.5bn
WAM	70 days	39 days

Maturity (days)		
	2023 (YTD <sup>1</sup> )	2022
0 – 30	49%	73%
31 – 60	23%	13%
> 60	28%	14%
O/N	14%	58%

Core Dealers	LEAD <sup>2</sup> Dealers
Barclays Capital Inc.	Academy Securities, Inc.
Citigroup Global Markets Inc.	Blaylock Van, LLC
Daiwa Capital Markets America Inc	CastleOak Securities, L.P.
First Horizon Bank	Loop Capital Markets LLC
J.P. Morgan Securities LLC	Mischler Financial Group, Inc.
Jefferies LLC	Multi-Bank Securities, Inc.
Mizuho Securities USA LLC	R. Seelaus & Co., LLC
Nomura Securities International Inc	Samuel A. Ramirez & Co., Inc.
TD Securities (USA) LLC	Siebert Williams Shank & Co., LLC
Wells Fargo Securities, LLC	

1. YTD at February 28, 2023.  
 2. Leveraging Equality and Diversity dealers.



# Floating Rate Bonds

## Characteristics

- Typical maturities of two years and less.
- Largest GSE issuer of alternative indexes: Prime, T-Bills and Fed Funds.

## Issuance Program

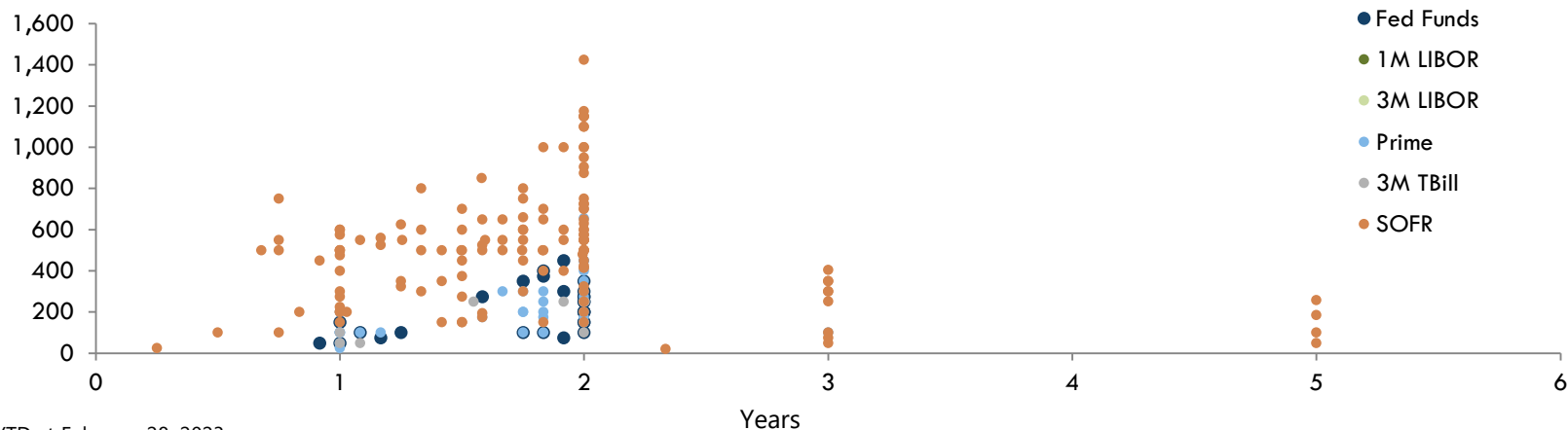
- Preliminary par amounts and structures are announced at 4PM EST for auction or posting the following business day. (FFCB <go>)
- Maturities of less than two years are typically auctioned.
- Maturities two years and beyond are typically posted.
- Issuance practices are responsive to market conditions.

## Distribution

- Distributed through 36-member Dealer Group.

## Issuance (March 1, 2022 - February 28, 2023)

(\$ millions)



1. YTD at February 28, 2023.
2. Includes reopen

Issuance Activity <sup>1</sup>						
Total				Avg. Size		
\$12.9bn				\$415.8m		
Indexes (bn)	SOFR	1M LIBOR	3M LIBOR	T-Bills	Prime	Fed Funds
	\$10.9	\$—	\$—	\$0.5	\$0.8	\$0.7

Recent Issuance (February)				
Structure	Trade Date	Size (\$ MM)	Index	Coupon (Spread)
1.5-year	2/8/2023	375	SOFR	11.50
2Y NC 18M	2/9/2023	600	SOFR	15.00
1-year	2/17/2023	225	SOFR	7.00
2-year	2/17/2023	200	SOFR	13.50
1-year	2/21/2023	25	Prime	-310.00
2-year <sup>2</sup>	2/21/2023	275	Fed Funds	12.50
1.8-year	2/22/2023	500	SOFR	11.00
1.2-year	2/23/2023	50	T-Bill	5.00
1.2-year	2/23/2023	75	Fed Funds	7.50
2Y NC 18M	2/23/2023	415	SOFR	13.00



# Fixed Rate Callable Bonds

## Characteristics

- Typical maturities between one and ten years.
- Predominantly American call options, may include Bermudan and European.

## Issuance Program

- Preliminary par amounts and structures are announced at 4PM EST for auction the following business day. (FFCB <go>)

## Distribution

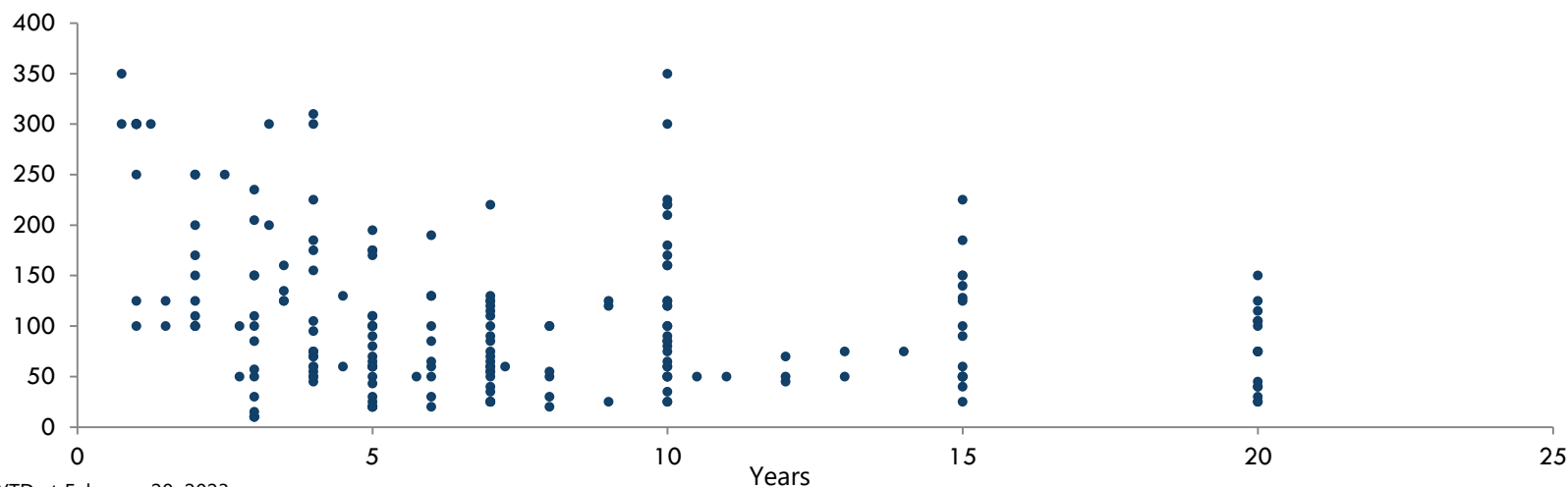
- Distributed through 36-member Dealer Group.

Issuance Activity <sup>1</sup>		
Total	Avg. Size	Total Redemptions
\$2.6bn	\$95.2m	\$0.66bn

Recent Issuance (February)			
Structure	Trade Date	Size (\$ MM)	Coupon (%)
2.75Y NC 3M	2/7/2023	100	5.330
7Y NC 6M	2/8/2023	120	5.600
10Y NC 3Y	2/9/2023	60	4.550
15Y NC 3Y	2/9/2023	50	4.940
7Y NC 3Y	2/15/2023	25	4.750
4Y NC 3M	2/21/2023	75	5.830
20Y NC 1Y	2/21/2023	75	6.250
5Y NC 2Y	2/22/2023	100	5.100
10Y NC 1Y	2/22/2023	85	5.940
10Y NC 3M	2/22/2023	50	6.150

## Issuance (March 1, 2022 - February 28, 2023)

(\$ millions)



1. YTD at February 28, 2023.



# Fixed Rate Non-Callable Bonds (Bullets)

## Characteristics

- Offerings vary in size, structure and maturity.
- Typical maturities between one and five years.

## Issuance Program

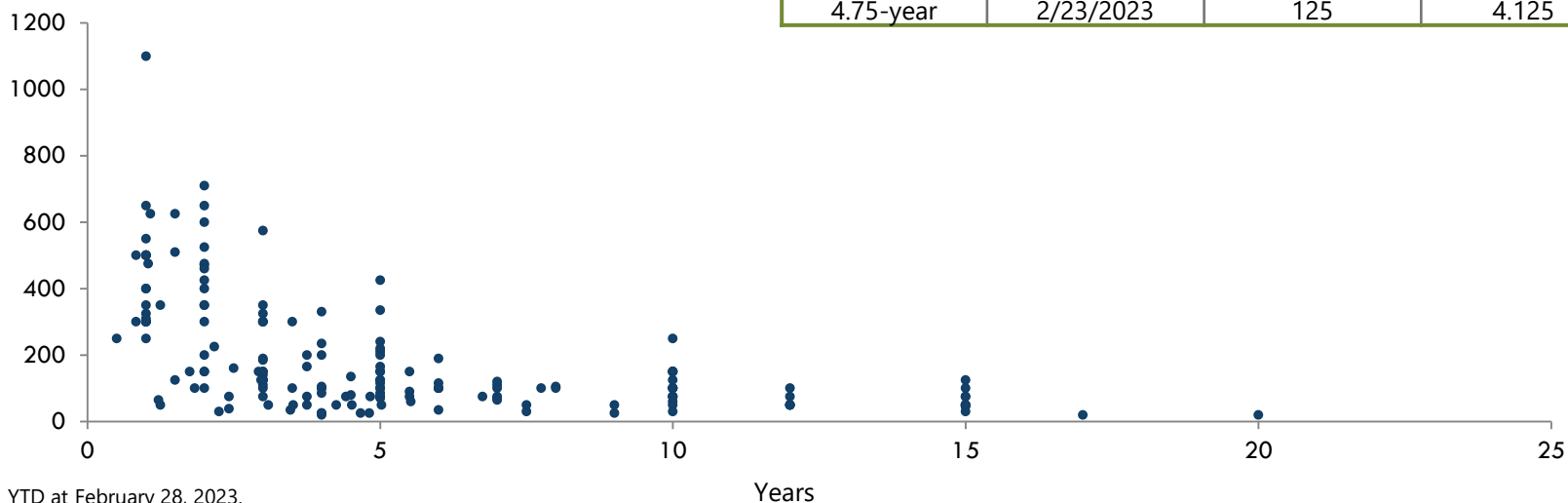
- Preliminary par amounts and structures are announced at 4PM EST for Dutch auction the following business day. (FFCB <go>)
- Outstanding issues may be re-opened based on Farm Credit Banks funding needs.

## Distribution

- Distributed through 36-member Dealer Group.

## Issuance (March 1, 2022 - February 28, 2023)

(\$ millions)



1. YTD at February 28, 2023.

Issuance Activity <sup>1</sup>	
<i>Total</i>	<i>Avg. Size</i>
\$7.6bn	\$195.7m

Recent Issuance (February)			
<i>Structure</i>	<i>Trade Date</i>	<i>Size (\$ MM)</i>	<i>Coupon (%)</i>
1.5-year	2/13/2023	510	4.875
5-year	2/13/2023	130	3.875
2-year	2/15/2023	460	4.750
3.75-year	2/16/2023	50	4.250
4.5-year	2/16/2023	135	4.125
7.5-year	2/16/2023	50	4.250
10-year	2/17/2023	30	4.250
1-year	2/22/2023	300	5.125
3-year	2/23/2023	310	4.500
4.75-year	2/23/2023	125	4.125



# Designated Bonds

## Characteristics

- Benchmark-size issuance.
- Fixed rate, non-callable bonds.
- Typical maturities between two and five years.

## Issuance Program

- Offered through a syndicate of dealers.
- Issued as needed.

Activity <sup>1</sup>						
Total					Avg. Size	
\$4.7bn					\$1.2bn	
Issuance (bn)	Coupon (%)	Term	Issue Date	Maturity Date	Managers	Co-Managers
\$1.7	4.500	2-yr	11/18/2022	11/18/2024	<ul style="list-style-type: none"> <li>• Daiwa Capital Markets America Inc..</li> <li>• Wells Fargo Securities, LLC</li> </ul>	<ul style="list-style-type: none"> <li>• Academy Securities, Inc.</li> <li>• Loop Capital Markets LLC</li> </ul>
\$1.0	4.250	2-yr	9/26/2022	9/26/2024	<ul style="list-style-type: none"> <li>• Morgan Stanley &amp; Co., LLC</li> <li>• Nomura Securities International Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• Academy Securities, Inc.</li> <li>• CastleOak Securities, L.P.</li> </ul>
\$1.0	3.375	2-yr	8/26/2022	8/26/2024	<ul style="list-style-type: none"> <li>• TD Securities (USA) LLC</li> <li>• Wells Fargo Securities, LLC</li> </ul>	<ul style="list-style-type: none"> <li>• Loop Capital Markets LLC</li> <li>• Multi-Bank Securities, Inc.</li> </ul>
\$1.0	2.625	2-yr	5/16/2022	5/16/2024	<ul style="list-style-type: none"> <li>• Citigroup Global Markets Inc.</li> <li>• Daiwa Capital Markets America Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• Academy Securities, Inc.</li> <li>• Loop Capital Markets LLC</li> </ul>

1. March 1, 2022 – Feb 28, 2023.



A stylized graphic of a green leaf with white veins, positioned on the left side of the slide. The leaf is composed of several rounded, overlapping shapes that form its structure.

# **Farm Credit In Your Community**



## HEALTHCARE

Partner with programs that improve the **MENTAL HEALTH** and **WELL-BEING** of rural residents



## CORPORATE GIVING

**GENEROUS** donations, **DISASTER RELIEF**, **VOLUNTEER** work and fundraising efforts each year



## VETERANS

Support **HOMEGROWN BY HEROES** and programs that assist **U.S. Veterans** interested in agricultural careers



## FOOD SYSTEMS

**Foster** the creation and maintenance of **LOCAL FOOD BANKS** nationwide and partner with social ventures that **BREAK the CYCLE** of hunger and poverty



## SCHOLARSHIPS

**Champion** the **NEXT GENERATION** of rural community and agriculture business **LEADERS**



## YBS PROGRAM

Support the success of **YOUNG**, **BEGINNING** and **SMALL** producers



## PATRONAGE

Distributed **\$3.0bn** to **602,000 OWNER BORROWERS** in 2022





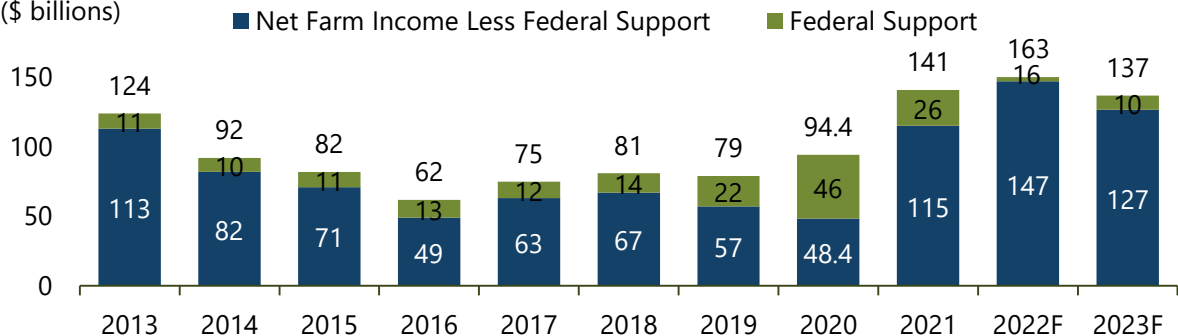


# **Appendix**

# Appendix - Farm Sector Finances

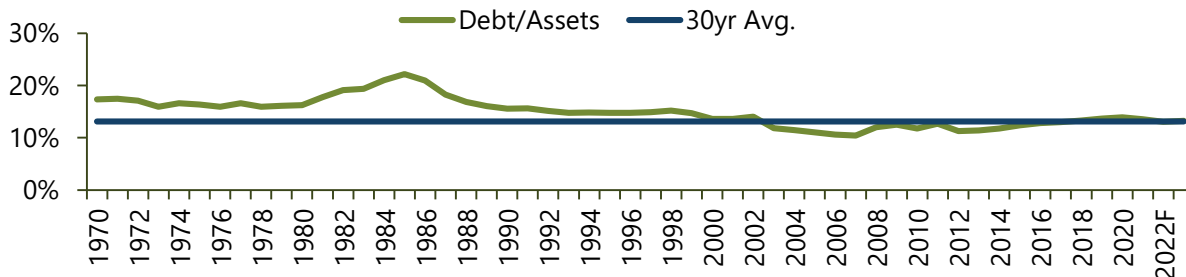
## Net Farm Income

(\$ billions)

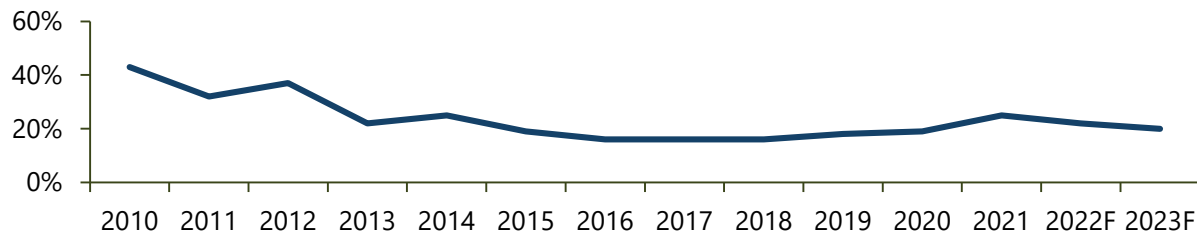


- Farmer's Net Farm Income is forecasted to decrease ~16% in 2023 after two years of strong growth, primarily due to lower receipts in commodities across the board.
- Debt-to-Asset ratio remains near the long term average. Expected to decrease slightly from 2022.

## Debt-to-Asset Ratio



## Working Capital to Gross Revenues Ratio



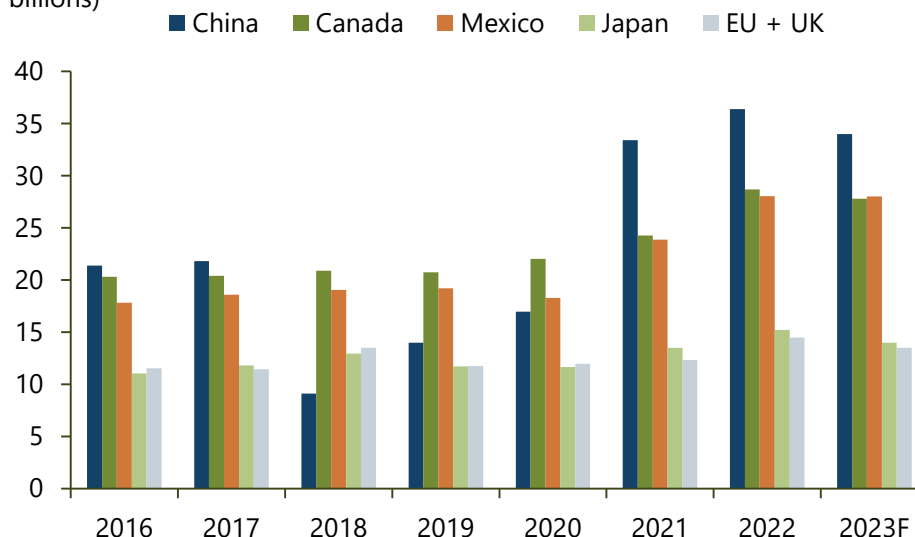
Source: USDA Economic Research Service - U.S. Farm Income and Wealth Statistics; Feb. 2023.

# Appendix – Agricultural Trade

- Approximately 20%<sup>1</sup> of the total volume of U.S. agricultural production is exported.
- Ag trade balance is forecasted to remain negative in 2023, driven by lower exports across the board, with only pork seeing slight increases in exports. The largest decreases in exports are projected for corn, sorghum, and soybeans.
- Agricultural trade exports are forecasted to decrease and trade imports are forecasted to increase in 2023, making the ag trade balance negative.

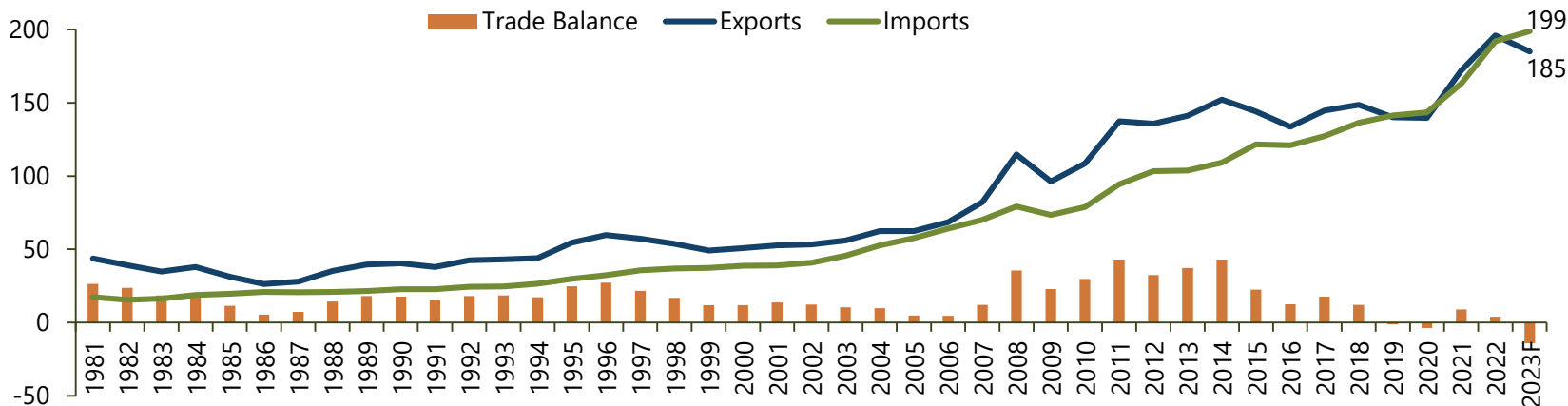
## U.S. Agriculture Export Destinations

(\$ billions)



## Ag. Trade Balance

(\$ billions)



Source: USDA Outlook for U.S. Agricultural Trade; Feb. 2023

1. U.S. exports 70% of cotton, 70% of tree nuts, 50% of wheat, 50% of rice and 50% of soybeans.

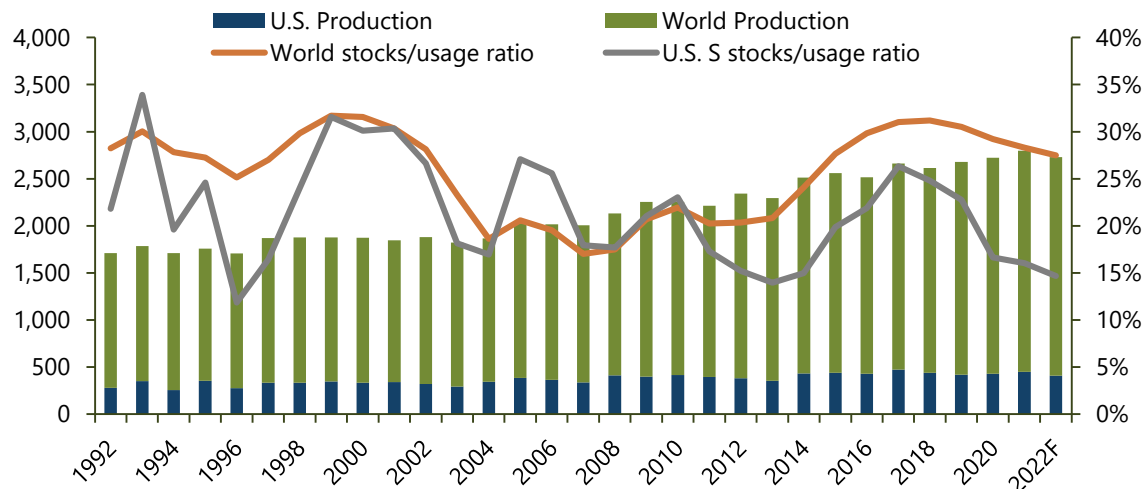


# Appendix - Commodities

- Small reductions in projected domestic use of corn and soybeans increased ending stocks for both grains, slightly increasing their stocks-to-use ratios.
- Grain prices are forecasted to rise, though export volume and yield projections are slightly below prior forecasts, particularly for corn, soybeans and sorghum.

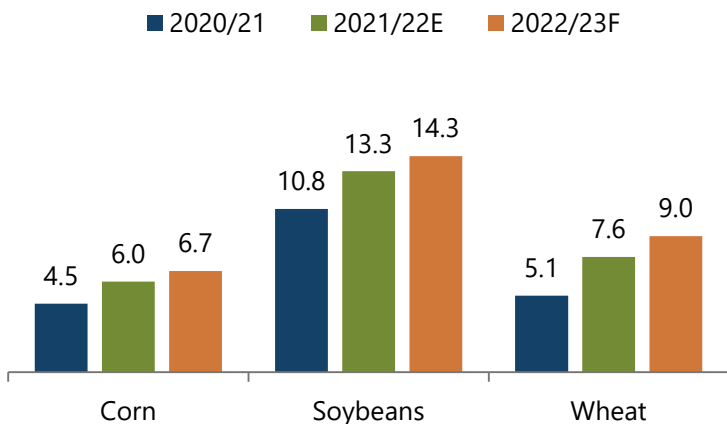
## Grain Production and Use

(Metric tons millions)



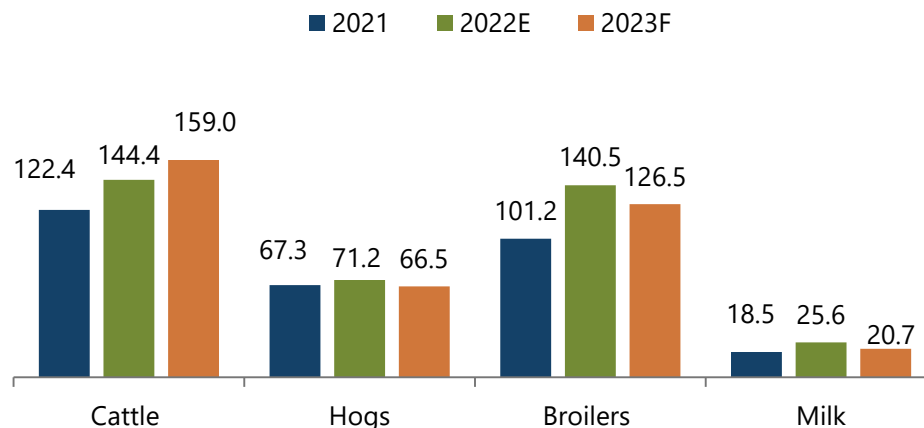
## Grain Prices

(\$ per bushel)



## Protein Prices

(Cattle, Hogs and Milk in \$ per cwt; Broilers in cents per lb)



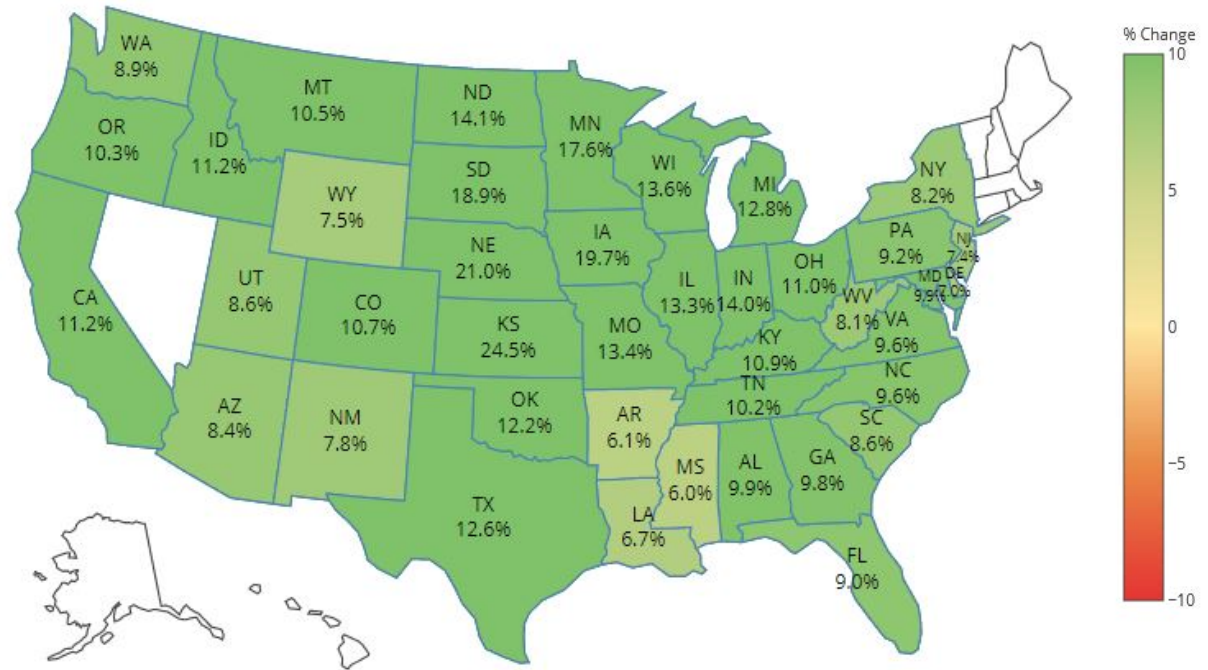
Sources: Prices- USDA National Agricultural Statistics Service; Production and Use - USDA World Agricultural Supply and Demand Estimates (Feb. 2023)



# Appendix - Real Estate

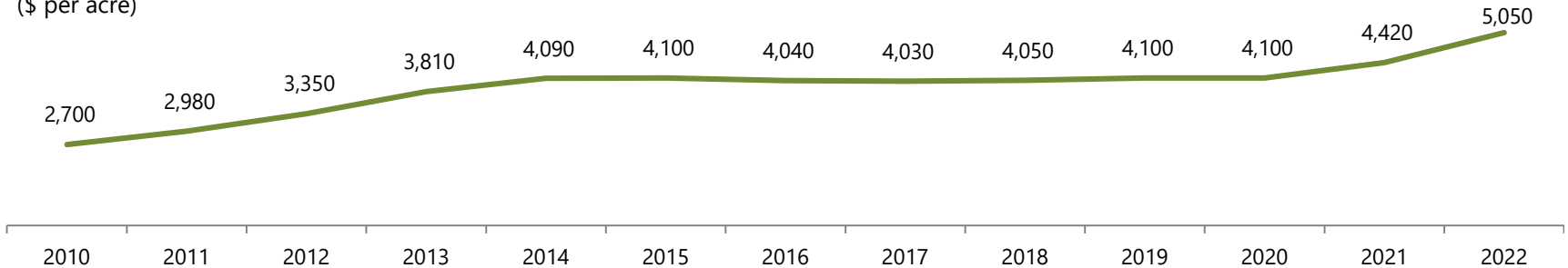
## Change in Cropland Value (2021/2022)

- Cropland values vary widely across the U.S.
- Farm Credit generally uses benchmarking to evaluate loans (not sale price).
- Cropland values have increased across the board (2022 vs. 2021) predicated on an increase in commodity prices, low interest rates on farm loans and further improvement in financing conditions.



## Average U.S. Cropland Value

(\$ per acre)



Source: USDA National Agricultural Statistics Service; Aug. 5, 2022.



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