



Funding Conditions for the Farm Credit System



Recent High Finance Headlines

“Banks in Germany Tell Customers to Take Deposits Elsewhere”

- More customers are having to pay negative rates as savings have surged amid the pandemic.





Recent High Finance Headlines

“Saudi Arabia Borrows at Negative Rates for First Time as Oil Recovers”





Recent High Finance Headlines

“U.S. Treasury Yields Rise After Positive Jobs Data ”

- Move extends a recent climb in government bond yields.





Recent High Finance Headlines

“Yield on 30-year Treasury Hits 2% for First Time Since Pandemic”

- Widening spreads between short- and long-term yields bode well for economy and banks but poorly for Treasury holders.





Recent High Finance Headlines

“Regional Bank Stocks Rise as Bond Yields Climb”

- Banks’ performance is reversal from dismal 2020 when they set aside billions to prepare for soured loans.





Recent High Finance Headlines

“How the Oil Market Bounced Back From a Year of Crisis”

- A fall in stockpiles, restraint among U.S. producers and the speedy recovery in Asian demand have driven the rally





Recent High Finance Headlines

“Agriculture Industry Bets on Carbon as a New Cash Crop”

- Big companies and startups jockey to pay farmers for capturing greenhouse gases in fields; environmental groups question impact.





Recent High Finance Headlines

“Why Milk’s Best Sales in a Decade Won’t Save Struggling Dairy Farmers”

- Consumer stockpiling amid coronavirus won’t offset declines in demand from restaurants and foreign buyers; ‘I’m ready to be done,’ says farmer.





Funding Update Topics

- Global Market
- Agency Debt Market
- Funding Corporation Activity
- Yields & Spreads on FCS Debt
- FCS Liquidity
- LIBOR/SOFR
- COVID-19





Global Market

- Federal Reserve
- E.C.B., Bank of England, Bank of Japan
- U.S. Treasury
- China





Credit Rating Agencies - Outlook for the United States

- Standard & Poors – AA+
Outlook – Stable
- Moody's – Aaa
Outlook – Stable
- Fitch – AAA
Outlook – *Negative*





System High Level Financials



- Assets – \$ 400.7 billion (+ 9.7%)
- Loans – \$ 315.5 billion (+ 9.9%)
- A.L.L. – \$ 1.8 billion (N.C.)
- Cash & Invts. – \$ 74.2 billion (+ 8.7%)
- Capital – \$ 65.5 billion (+ 6.2%)
- Net Income – \$ 6.0 billion (+10.2%)



Agency Debt Outstanding



Billions of Dollars	2016	2017	2018	2019	2020
F.H.L.B.	\$ 989	\$ 1,034	\$1,044	\$ 1,005	\$ 737
FCS	258	265	280	292	322
Freddie Mac	356	317	274	254	284
Fannie Mae	329	278	204	158	275
Farmer Mac	15	16	16	19	22
Tenn. V.A.	25	25	23	22	21
Total	\$1,972	\$1,935	\$1,841	\$1,750	\$1,661

Source: Agency Websites



Agency Debt Issuance

Billions of Dollars	2016	2017	2018	2019	2020
F.H.L.B.	\$4,389	\$6,797	\$7,855	\$7,201	\$4,599
FCS	334	278	308	364	421
Freddie Mac	597	480	413	515	408
Fannie Mae	665	710	556	509	327
Total	\$5,975	\$8,265	\$9,132	\$8,589	\$5,755

Source: Agency Websites





Funding Activity by FCS



(\$ millions)	Discount Notes	Designated Bonds	Fixed Rate Bonds		Floating Rate Bonds			Retail Bonds	Other ¹	Total
			Callable	Non-Callable	LIBOR	SOFR	Prime, FF, 91-day,			
2/28/2021	23,557	5,100	82,082	91,409	31,962	62,760	29,032	30	142	326,072
12/31/2020	23,524	3,100	78,971	90,084	39,437	56,595	29,712	42	148	322,464
12/31/2019	17,459	0	77,903	79,068	80,613	7,957	28,657	122	159	291,938
12/31/2015	32,330	5,000	58,789	60,424	71,355	0	14,900	382	24	243,204
12/31/2010	19,209	28,575	45,822	40,869	36,460	0	16,455	0	114	187,504

¹ Includes Linked Deposits

Source: FFCBFC Website



Dealer Group

- **38 Dealer Group Members**
- **8 Members added in October**
 - **Leveraging Equality and Diversity (LEAD)**
 - **10 Overall LEAD Dealer Members**





Return of Designated Bonds

- Benchmark Issue
- Large in size > \$1 Billion
- Non-Callable 2 -10 Yrs., Fixed Rate
- Generally included in the Barclays Aggregate Bond Index
- Merit Dealer Performance

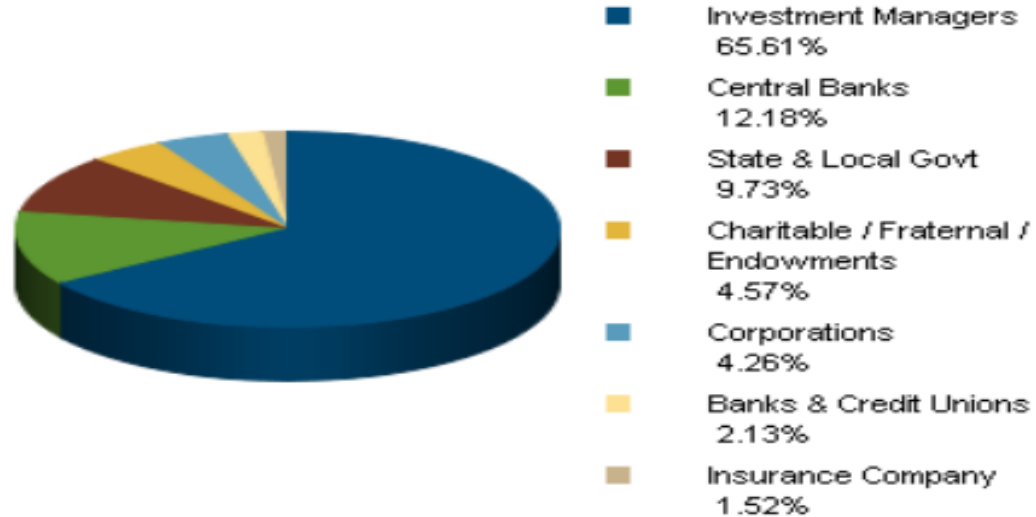




Return of Designated Bonds

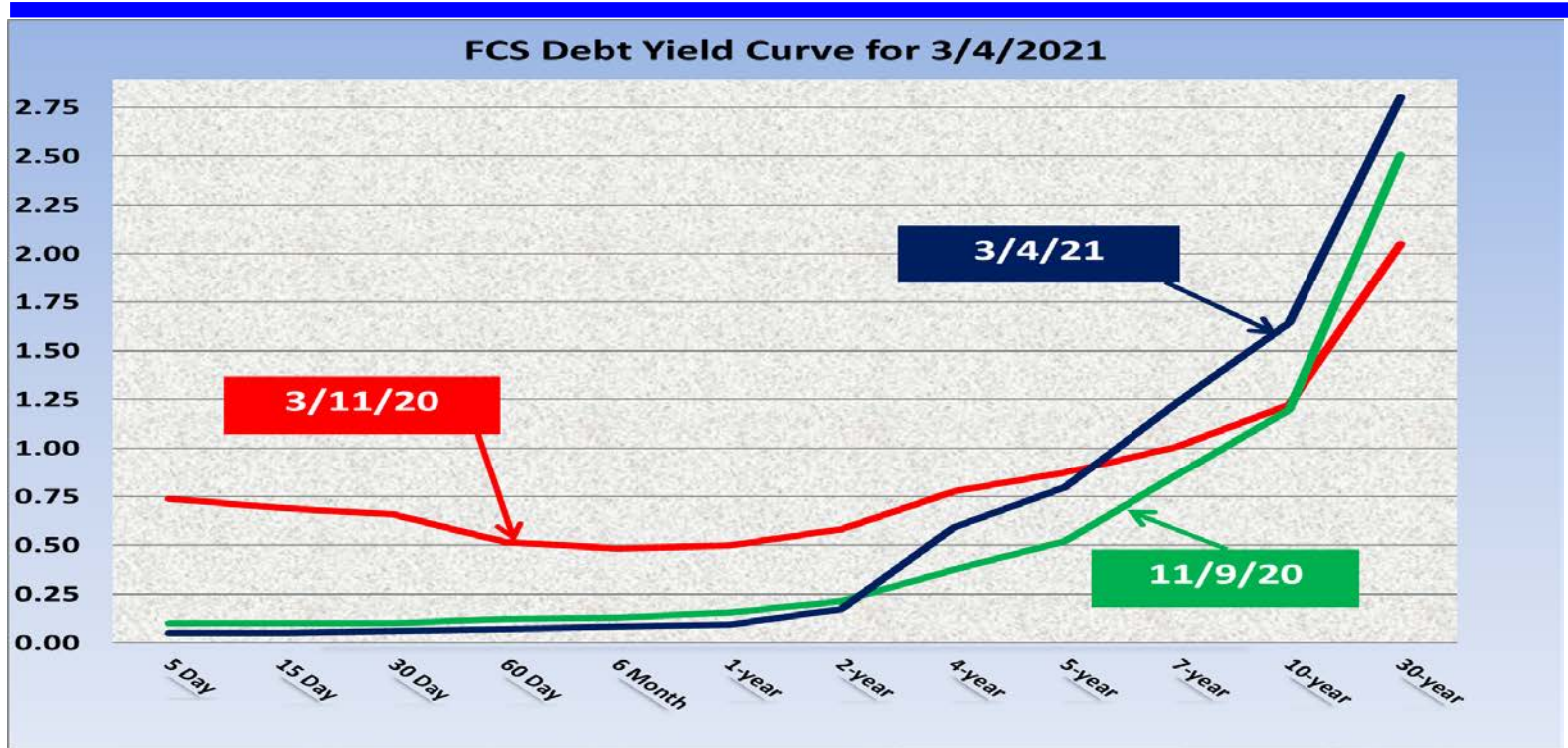


ACCOUNT DISTRIBUTION*





FCS Debt Yields Split Story

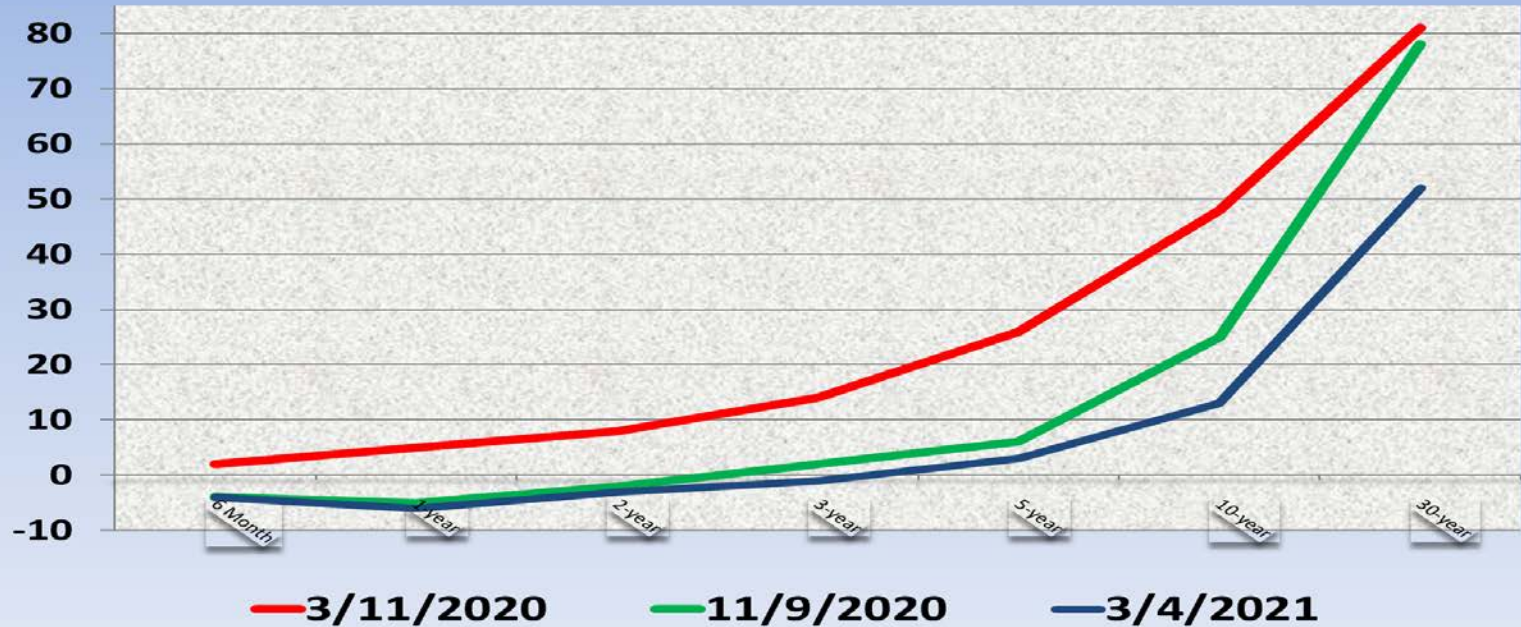




Reduced Risk Premiums



FCS Basis Points Spread over Treasuries





Record Call Activity

- **Calls in '20 – \$ 115 billion**
- Calls in '19 – \$ 54 billion
- Calls in '18 – \$ 29 million
- Calls in '17 – \$ 5 billion
- Calls in '16 – \$ 58 billion
- Net Interest Spreads
 - 2.26% for '20, **2.04 % for '19**, 2.12% for '18, 2.25% for '17, 2.31% for '16.
- Net Interest Margins
 - **2.46% for '20**, 2.42 % for '19, 2.46% for '18, 2.48% for '17, 2.49% for '16.





Debt Maturity

- Weighted average maturity of FCS Debt
 - ❖ **Dec./2020 – 2.85 years**
 - ❖ Dec./2019 – 2.82 years
 - ❖ Dec./2018 – 2.86 years
 - ❖ Dec./2017 – 2.88 years
 - ❖ Dec./2016 – 2.72 years





Debt Maturity

➤ Percentage of FCS debt maturing within 1 year.

- ❖ **Dec./2020 – 38.8 percent**
- ❖ Dec./2019 – 38.9 percent
- ❖ Dec./2018 – 38.8 percent
- ❖ Dec./2017 – 39.1 percent
- ❖ Dec./2016 – 40.3 percent





Days of Liquidity

- As of 12/31/20 System = 171(158) days:
 - AgFirst = 196(189) days, AgriBank = 167(136) days, FCB of TX = 182(173) days, CoBank = 174(174)days
- As of 12/31/19 System = 177 (166) days:
 - AgFirst = 222(197) days, AgriBank = 166(135) days, FCB of TX = 211(196) days, CoBank = 176(168) days





LIBOR/SOFR TRANSITION

- Secured Overnight Financing Rate still growing slowly despite only **9 mos.** until LIBOR's official R.I.P. date.
- Global U.S. LIBOR referenced instruments still dominate.
- System's J & S LIBOR directly based debt down to \$31 billion. \$11 billion was issued in 2020. Synthetic derivative exposure notional amount \$46 billion.
- Funding Corp. issued just over \$51 billion in SOFR indexed bonds in 2020.





COVID-19

- Persisting Global Issue
- Major Economic Shock
- Recovery Underway but Uneven





Summary

- Strong Demand for FCS Debt
- FCS Debt Yields Moving Higher for Longer Maturities
- Risk Premiums Historically Favorable
- Interest Rate Spreads Increasing
- Bottom Line Benefitting
- Substantial Liquidity
- SOFR's Progress
- COVID-19

