



Quarterly Report on FCS Conditions

June 8, 2023

Yuri Katrinic - Senior Economist

Hal Johnson - Senior Financial Analyst





Topics for Open Session

Economic Conditions Affecting the Farm Credit System

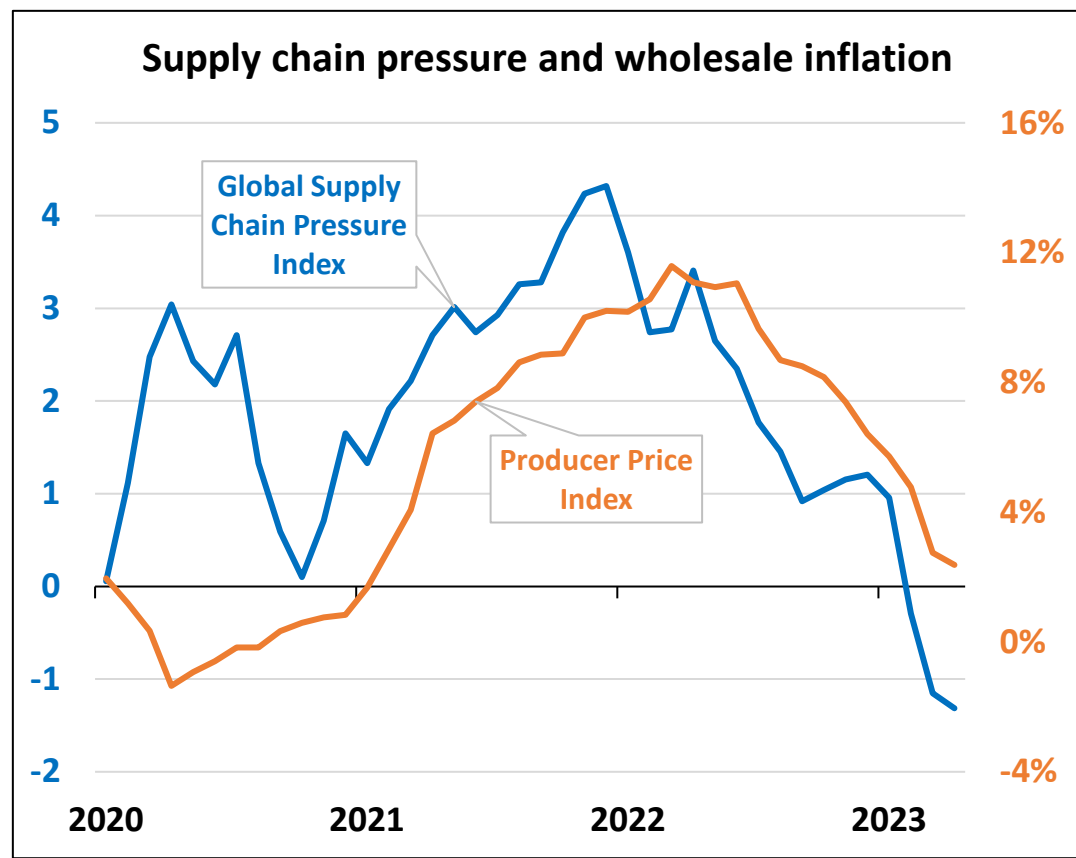
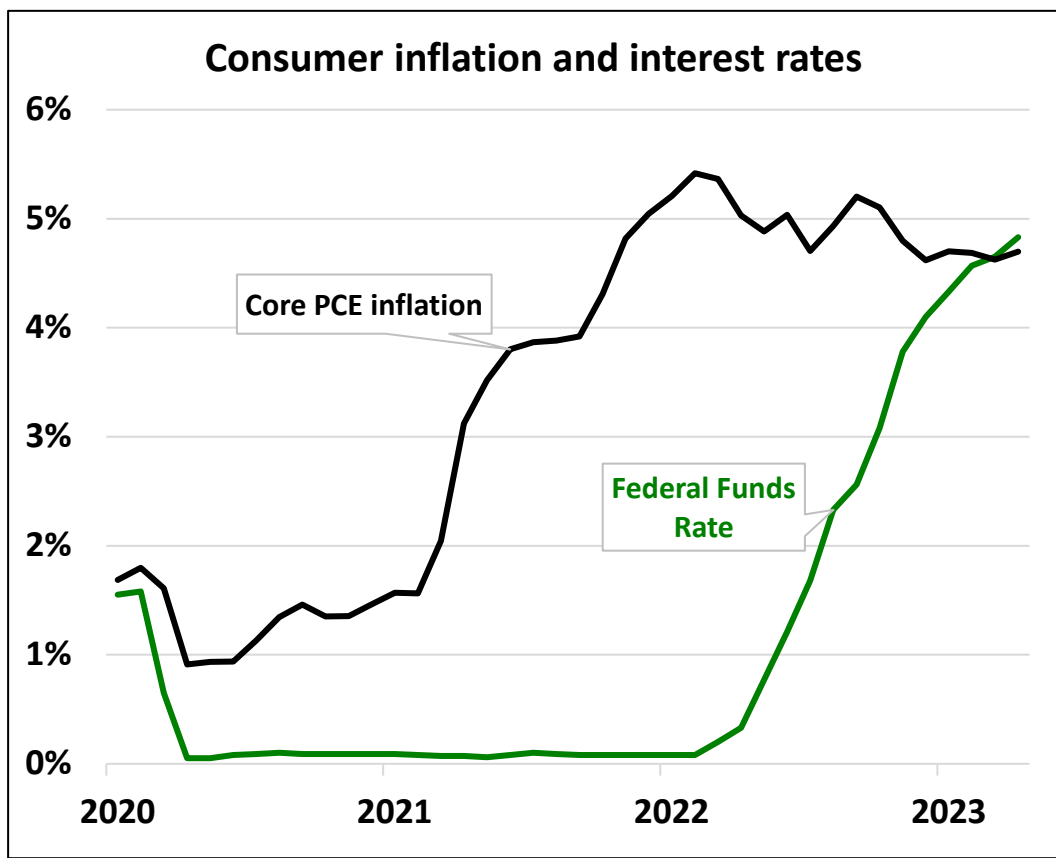
- Macroeconomic conditions
- Supply and demand for commodities
- Farm and ranch margin outlook

Farm Credit System Condition and Performance

- System growth and loan portfolio
- Earnings and capital
- Financial Institution Rating System (FIRS)



Inflation levels-off, supply chain pressures ease as interest rates rise

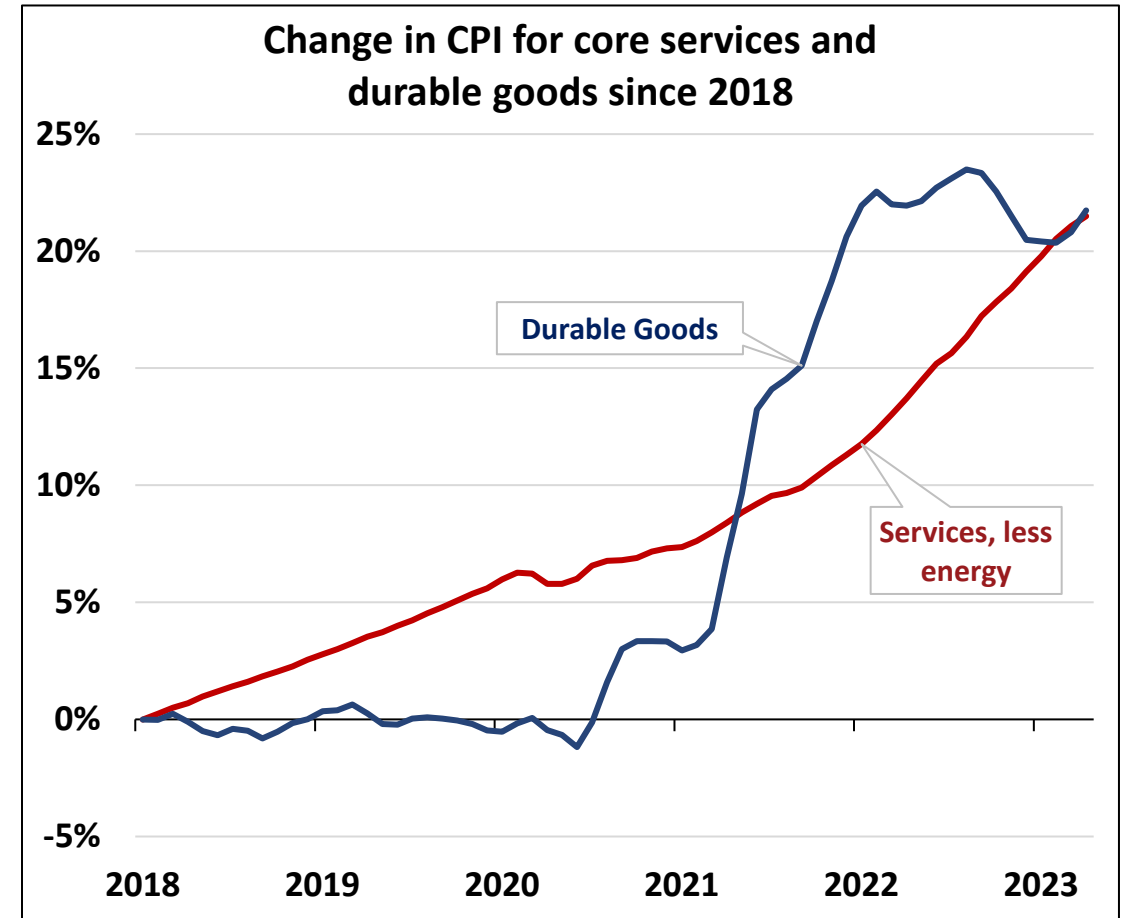


Source: [Federal Reserve](#), [Federal Reserve Bank of New York](#), [Bureau of Labor Statistics](#)



Inflation has shifted from goods to services

- ▶ Early pandemic:
 - Supply chain disruptions
 - Changing consumption trends
 - Inflation in goods
- ▶ Today:
 - Normalized consumption
 - Labor and housing shortages
 - Inflation in services

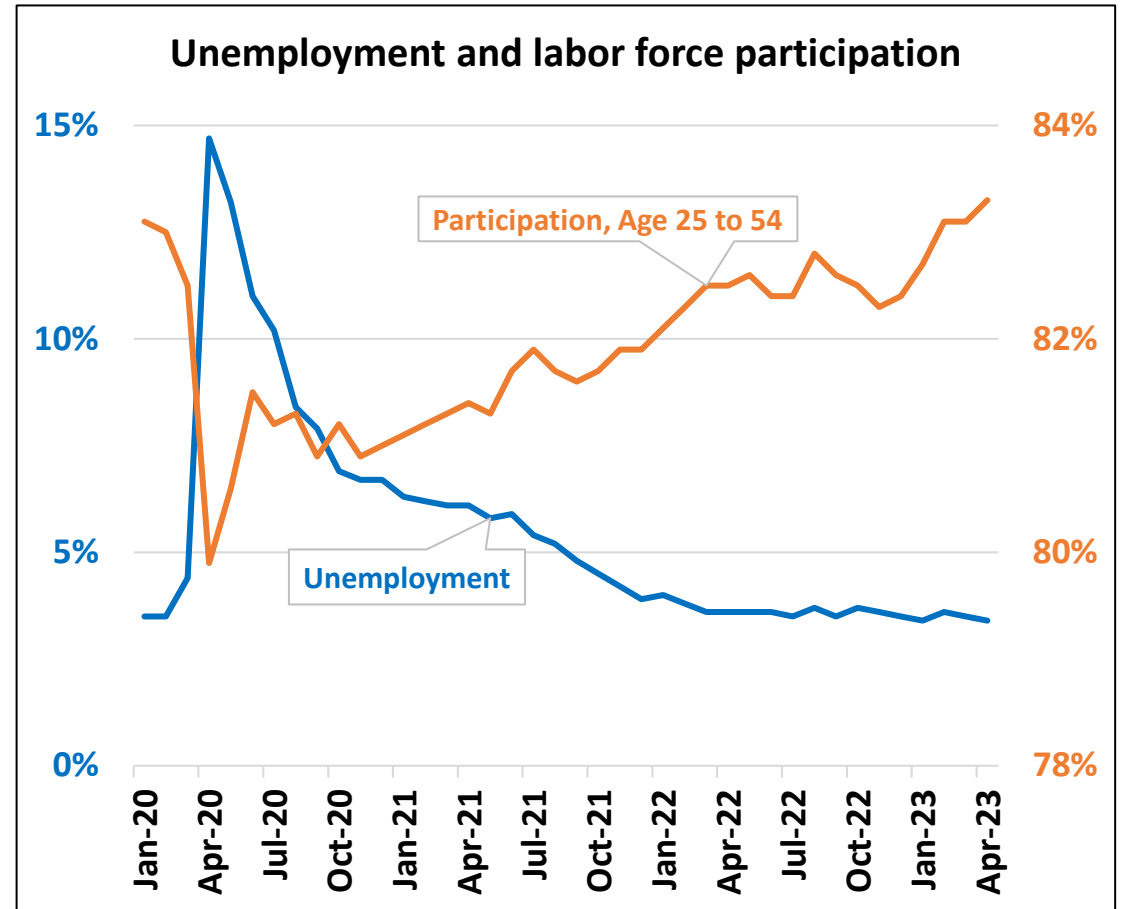


Source: [Bureau of Labor Statistics](#)



Workforce struggles to meet demand for labor

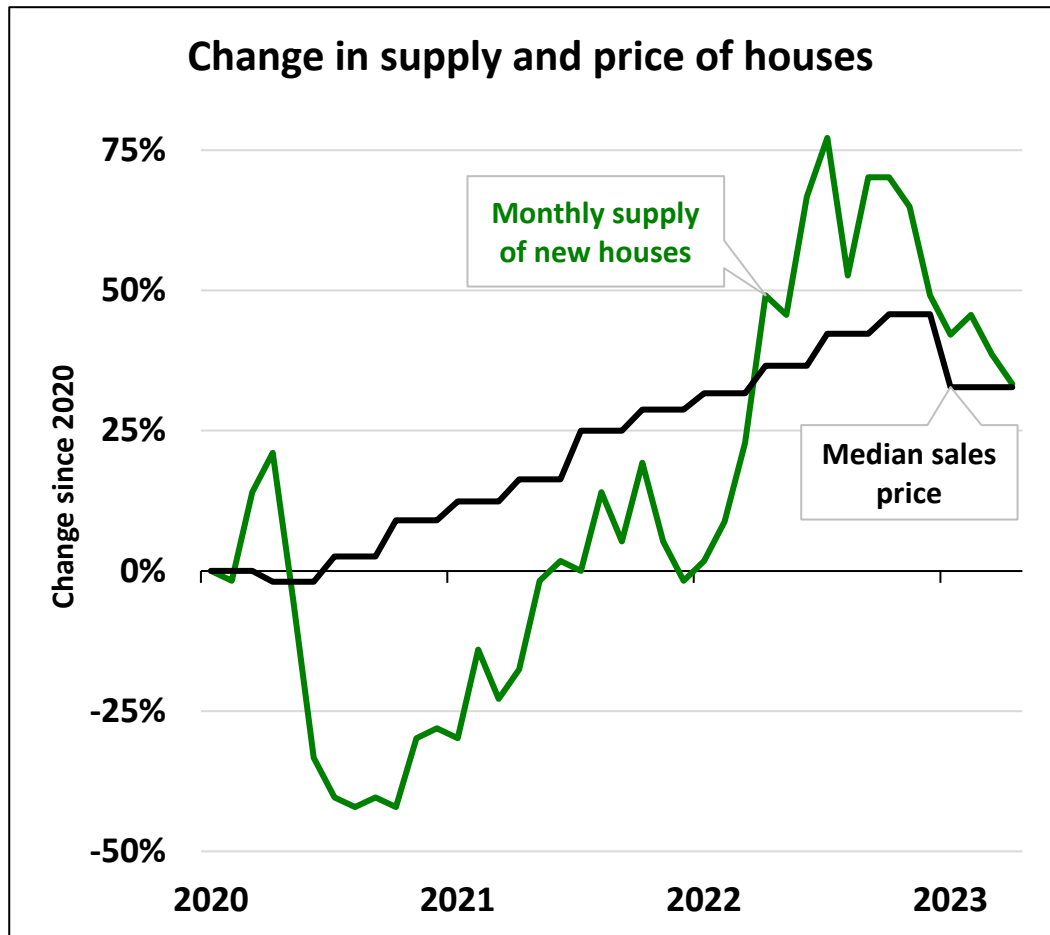
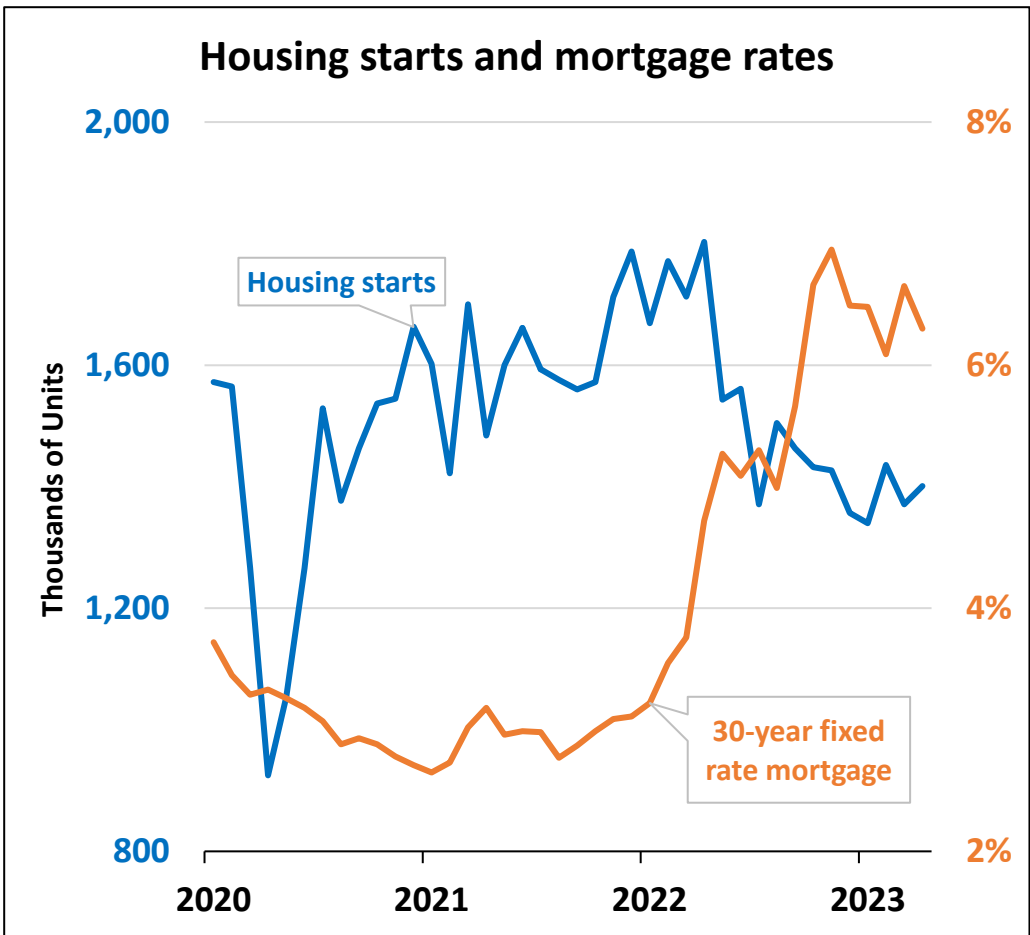
- ▶ 1.6 job openings per applicant, down from 2
- ▶ Fed continues to watch wages to inform interest rate decisions
- ▶ Longer term labor supply constraints from aging population



Source: [Bureau of Labor Statistics](#)



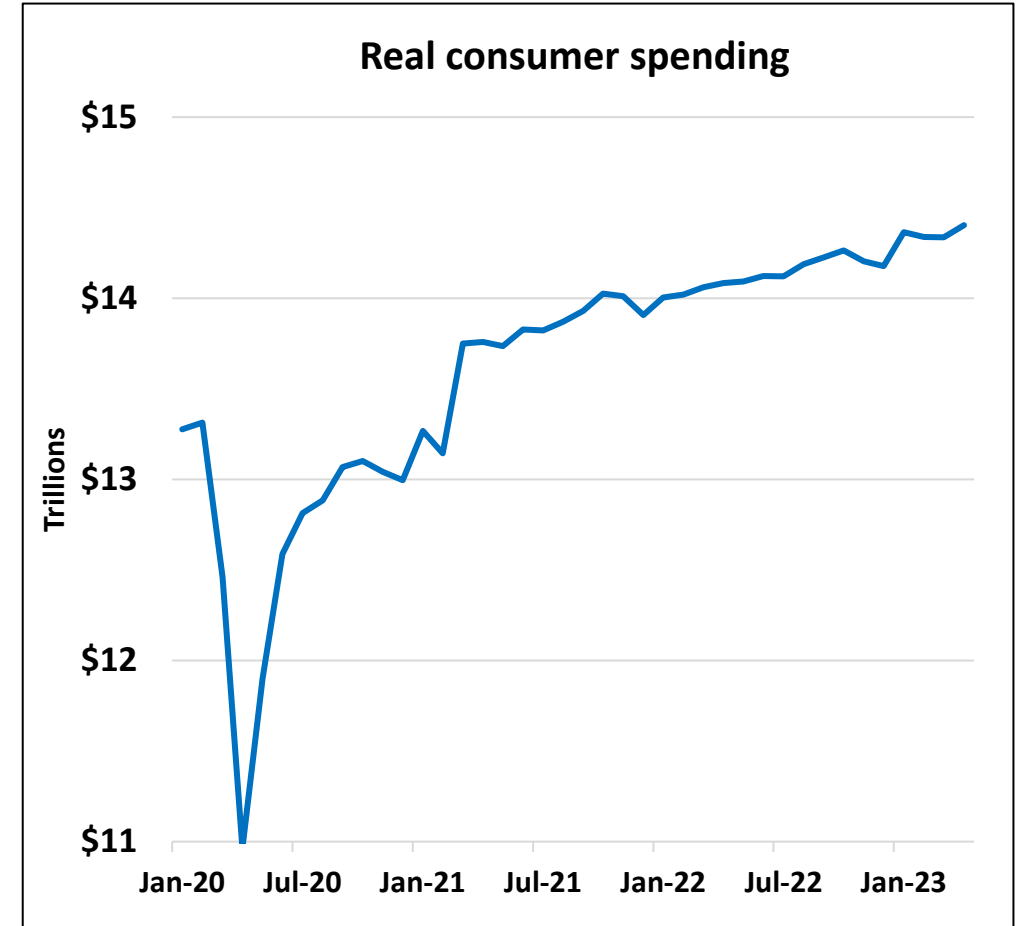
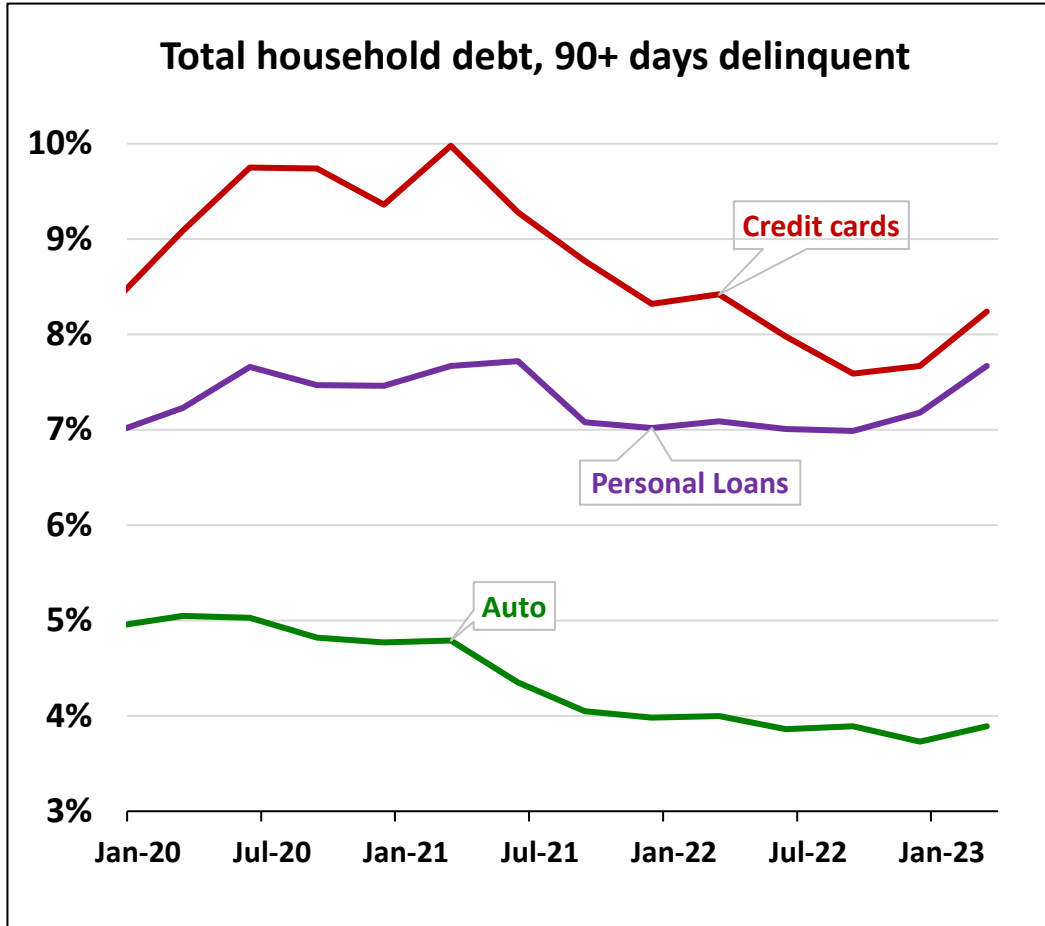
High mortgage rates weigh on housing market



Source: [Census Bureau, Department for Housing and Urban Development](#)



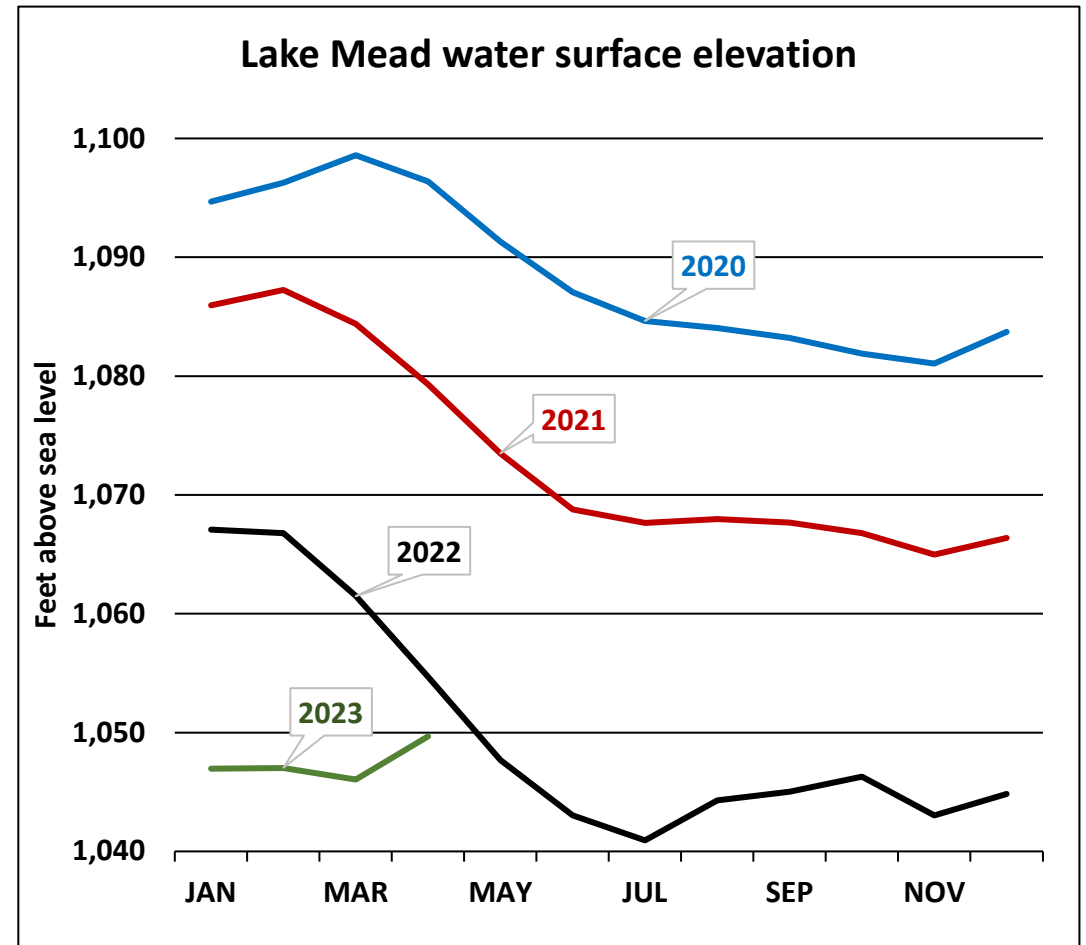
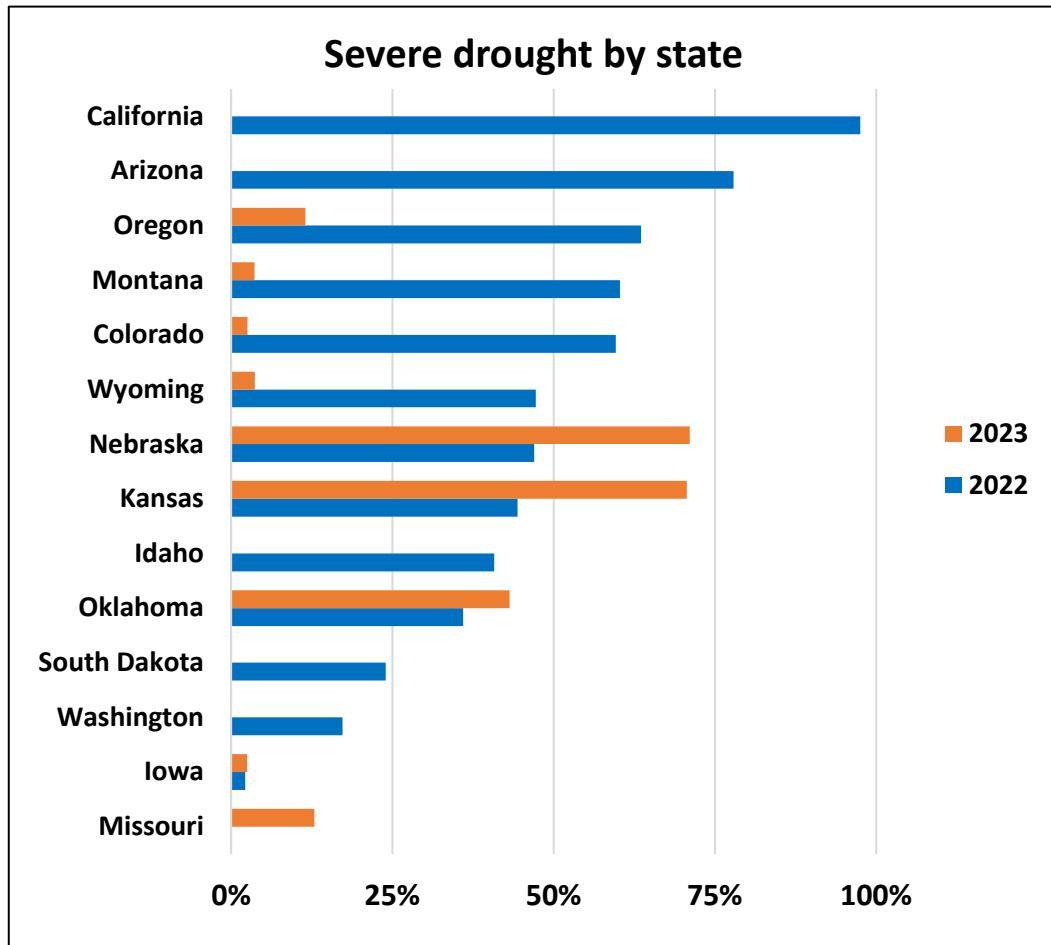
Consumer debt and spending continues to evolve with inflation and wage growth



Source: [New York Fed Center for Microeconomic Data](#), [Bureau of Economic Analysis](#)



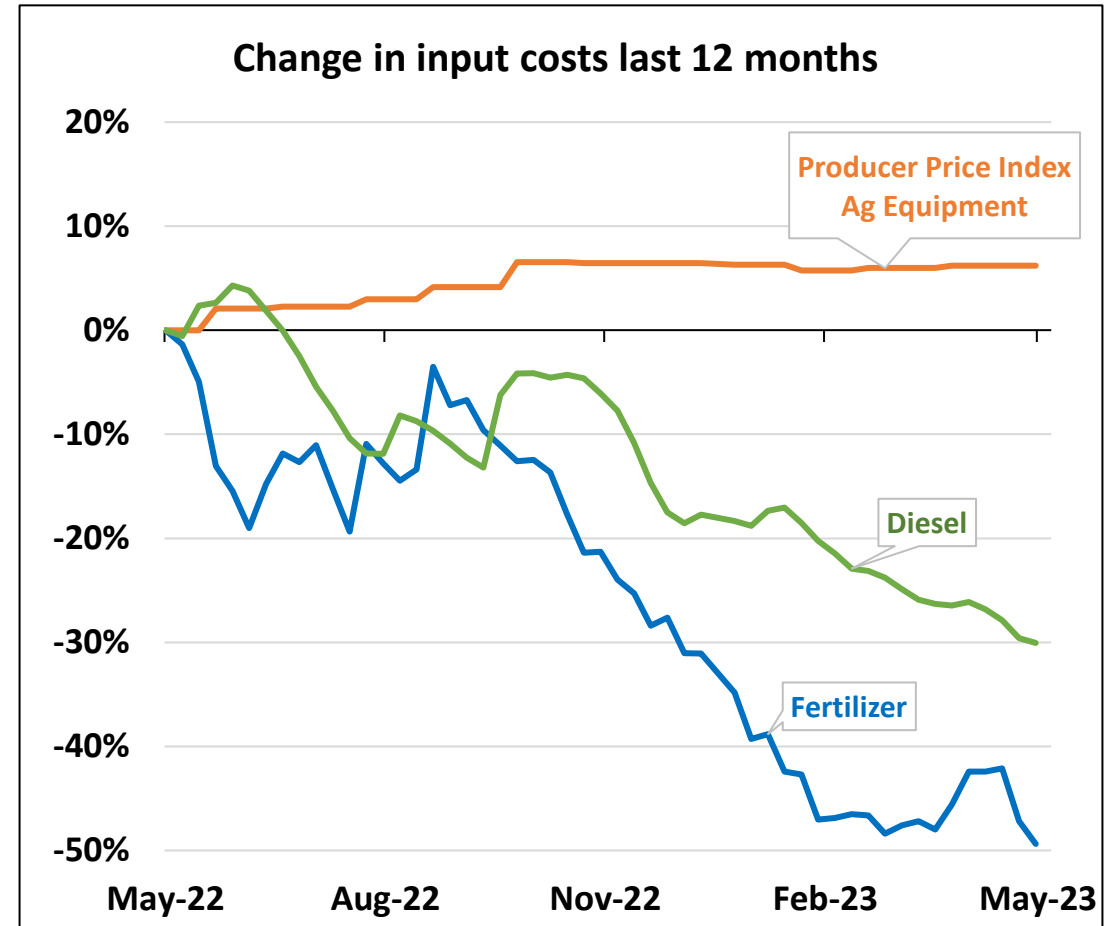
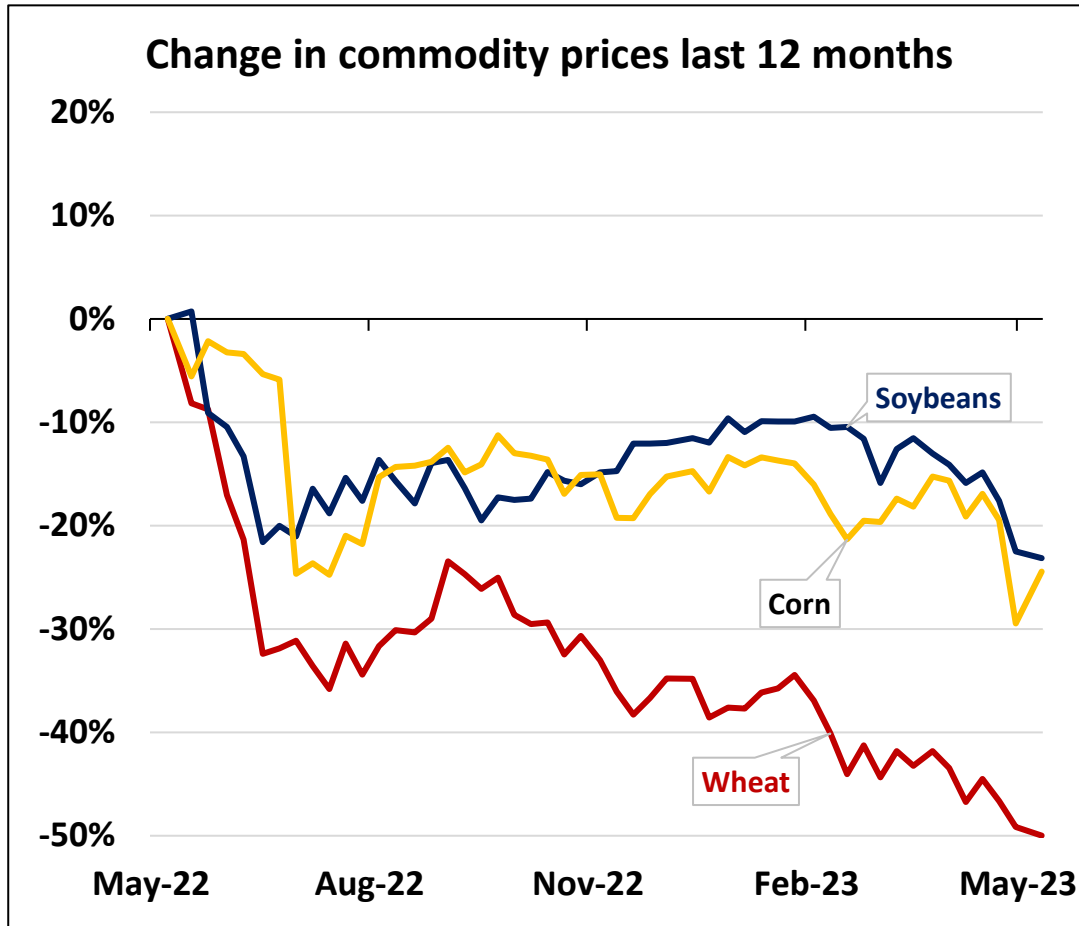
Weather has improved from a year ago



Source: [U.S. Drought Monitor](#), [Bureau of Reclamation](#)



Commodity prices and production costs fall



Source: [Bureau of Labor Statistics](#), [Energy Information Administration](#), Green Markets, [Chicago Board of Trade](#)



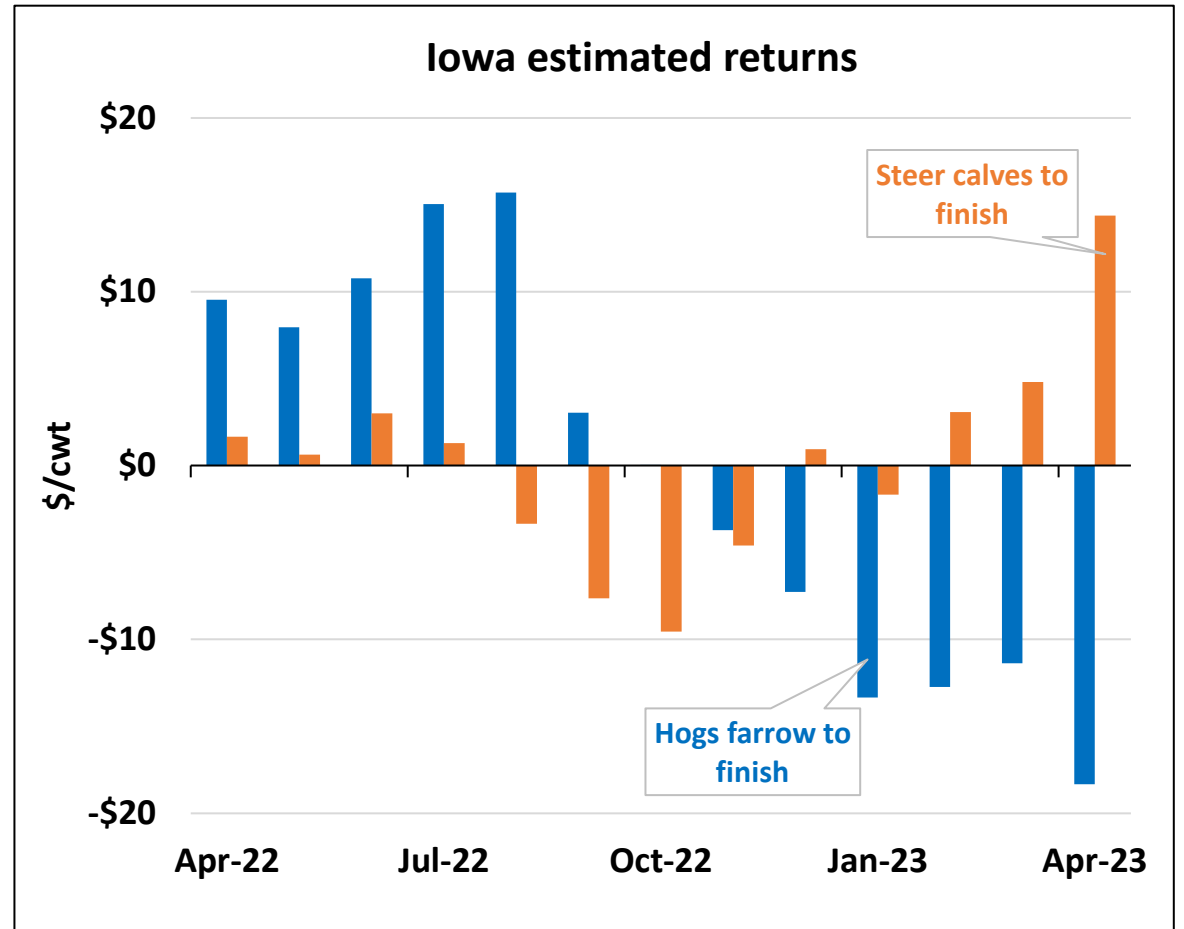
Livestock producer margins diverge

▶ Cattle

- High calf demand as pastures improve
- High beef prices after herd reductions
- Lower feed costs

▶ Hogs

- Higher than expected supplies
- Tepid export demand
- California production policy changes



Source: [Iowa State University](#)



Questions



Farm Credit System Condition and Performance as of March 31, 2023

Hal Johnson
Senior Financial Analyst
Office of Examination



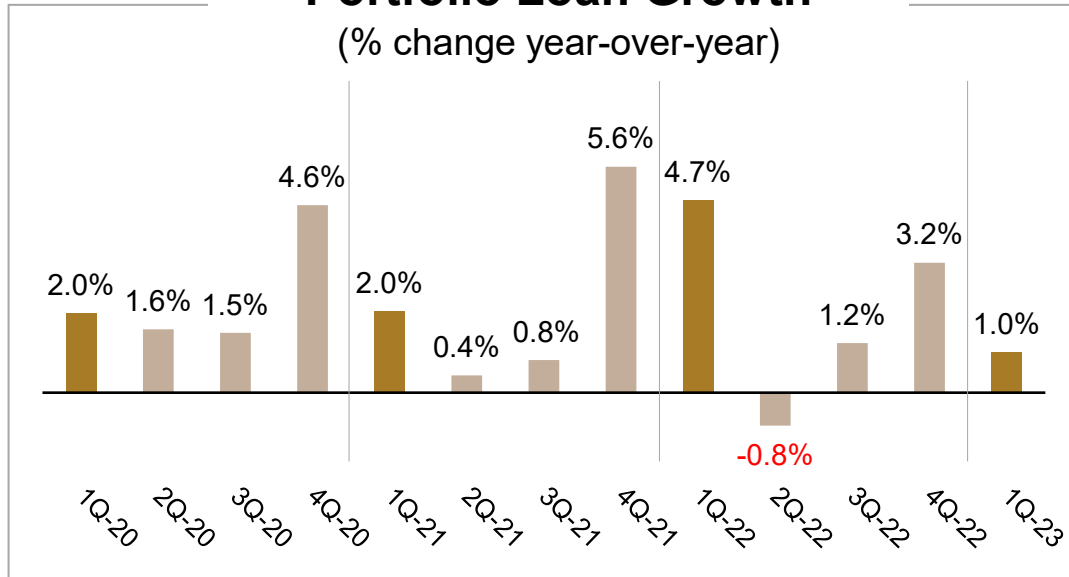


System growth slows in the first quarter

Total Assets 3/31/23	\$484.5	+1.6% Qtr	Gross Loans 3/31/23	\$377.0	+1.0% Qtr
	billion	+7.0% 12M		billion	+4.7% 12M

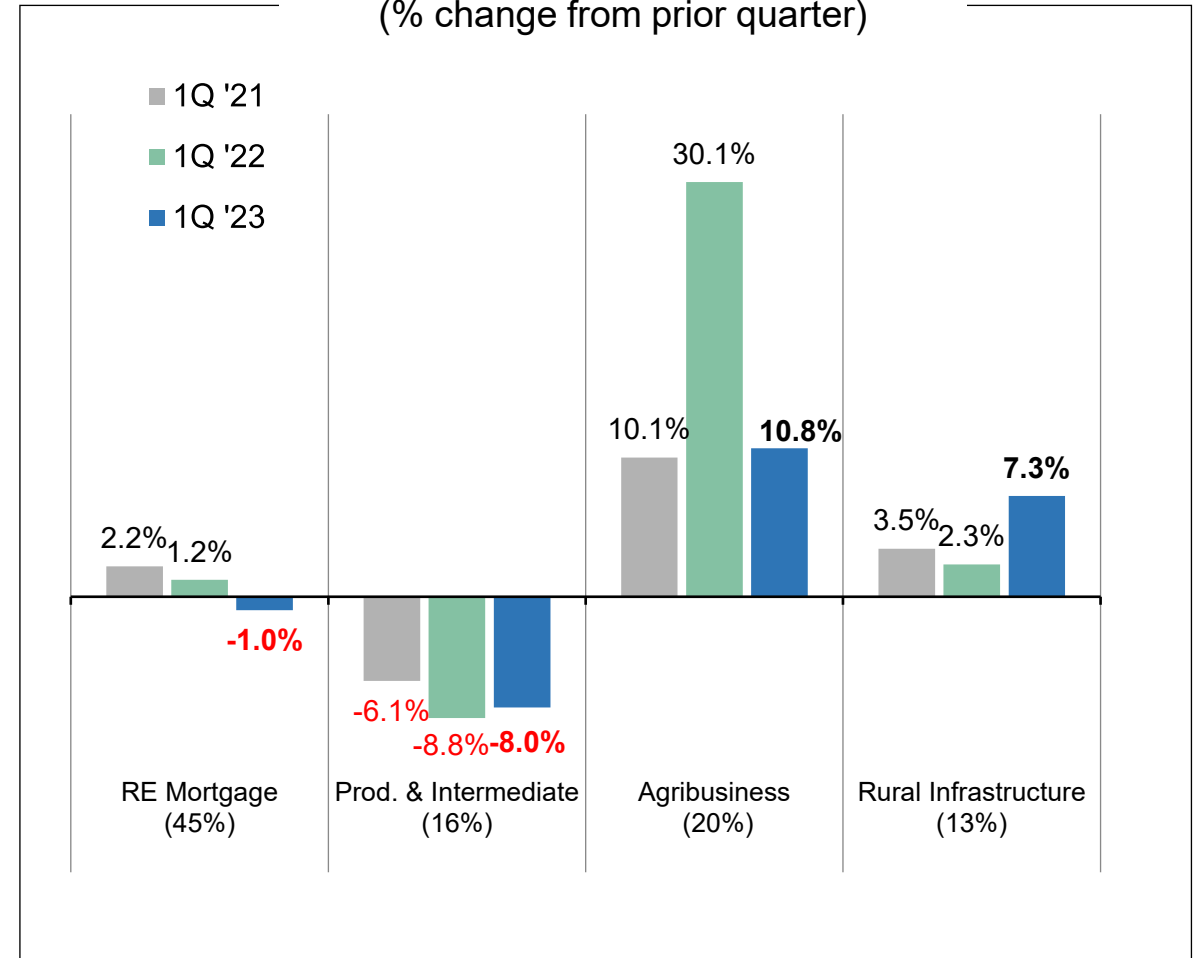
Portfolio Loan Growth

(% change year-over-year)



Loan Growth by Loan Type

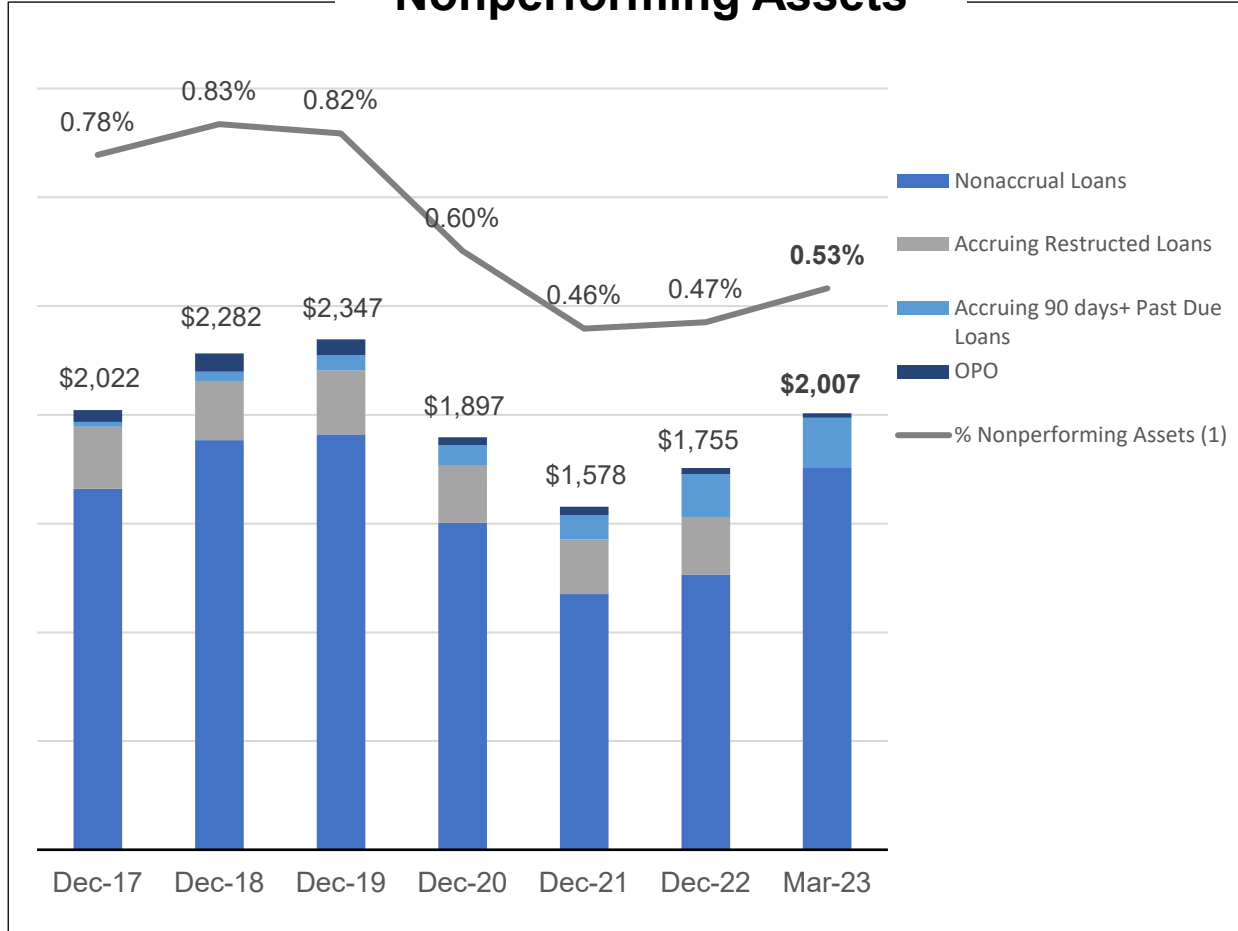
(% change from prior quarter)





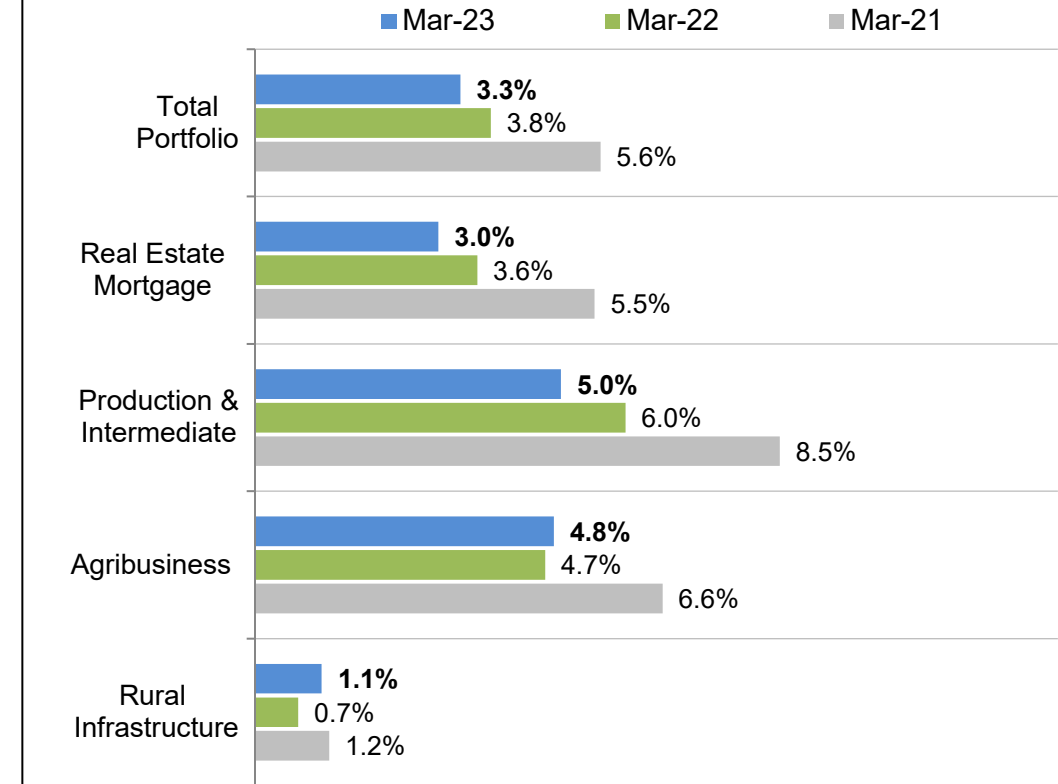
Nonperforming assets rise, but overall level remains low

Nonperforming Assets



Loans Classified Less than Acceptable

(% of loans outstanding)



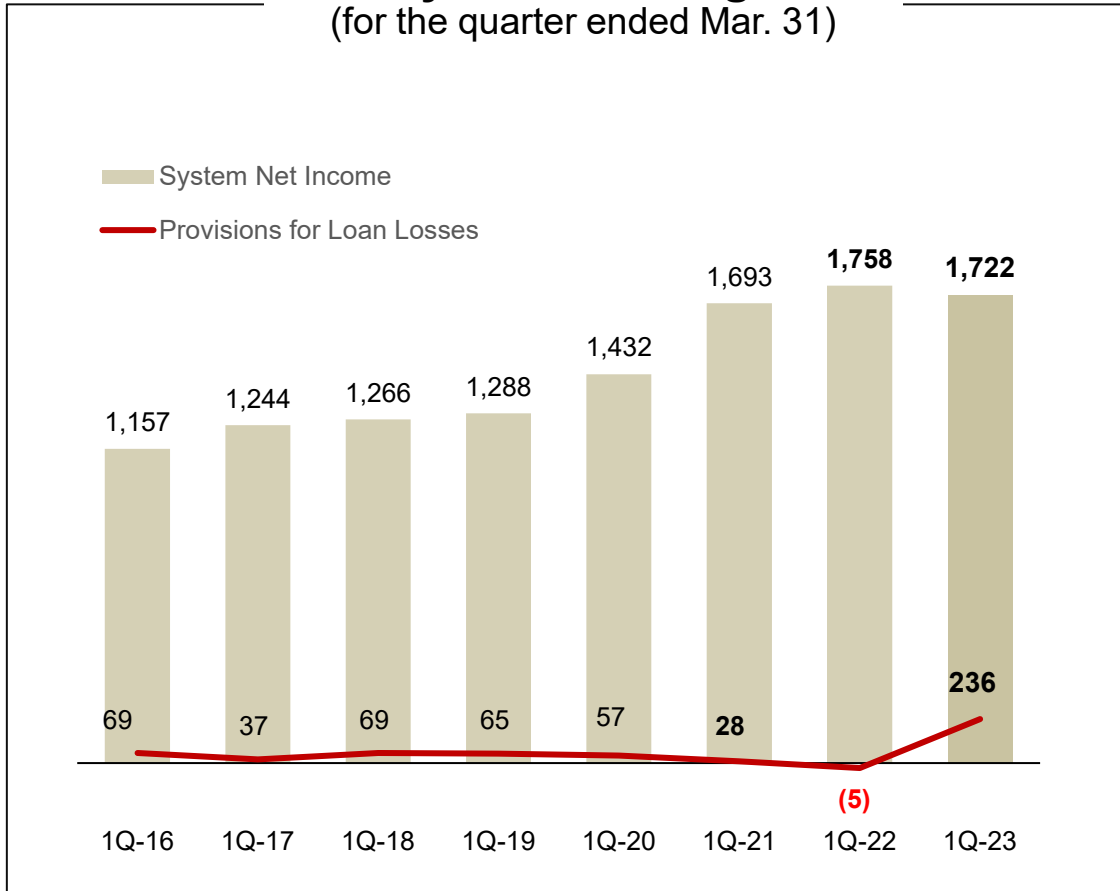
(1) calculated as a percentage of gross loans outstanding and other property owned

Source: Federal Farm Credit Banks Funding Corporation Information Statements

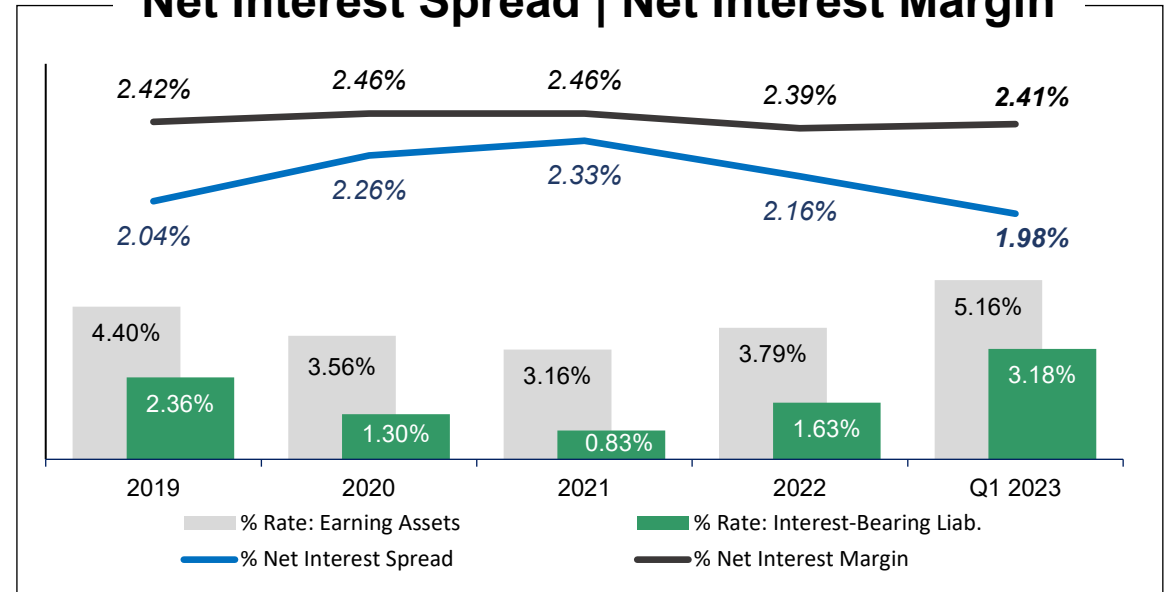


1st quarter earnings impacted by increased provisions and higher noninterest expenses

System Earnings
(for the quarter ended Mar. 31)

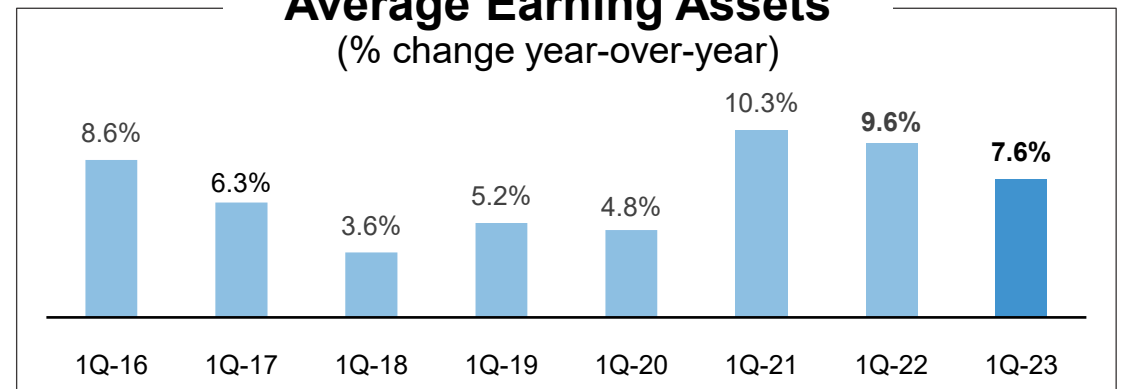


Net Interest Spread | Net Interest Margin



Average Earning Assets

(% change year-over-year)



Source: Federal Farm Credit Banks Funding Corporation Information Statements



System continues to be strongly capitalized

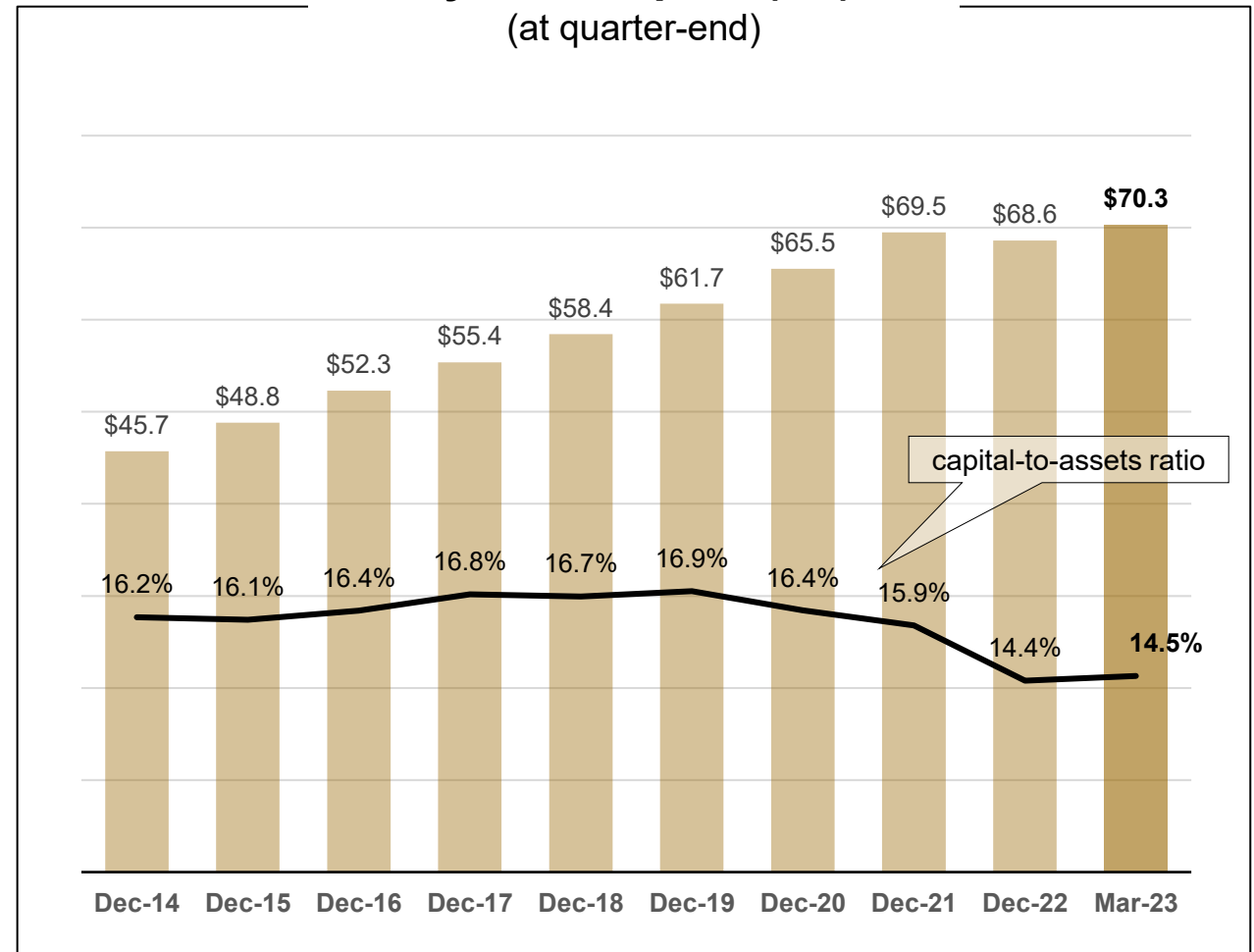
Capital

(as of March 31, 2023)

- ▶ Total capital grew by 2.5% or \$1.7 billion for the quarter.
- ▶ The System's capital-to-assets ratio increased to 14.5% compared with 14.4% at year-end.
- ▶ Total regulatory capital ratios:
 - Banks: 12.5% to 17.6%
 - Associations: 11.8% to 34.2%.
- ▶ Over 80% of System institutions were in the capital benchmark 1 range and all institutions were in the benchmark 1 or 2 range.

System Capital (\$B)

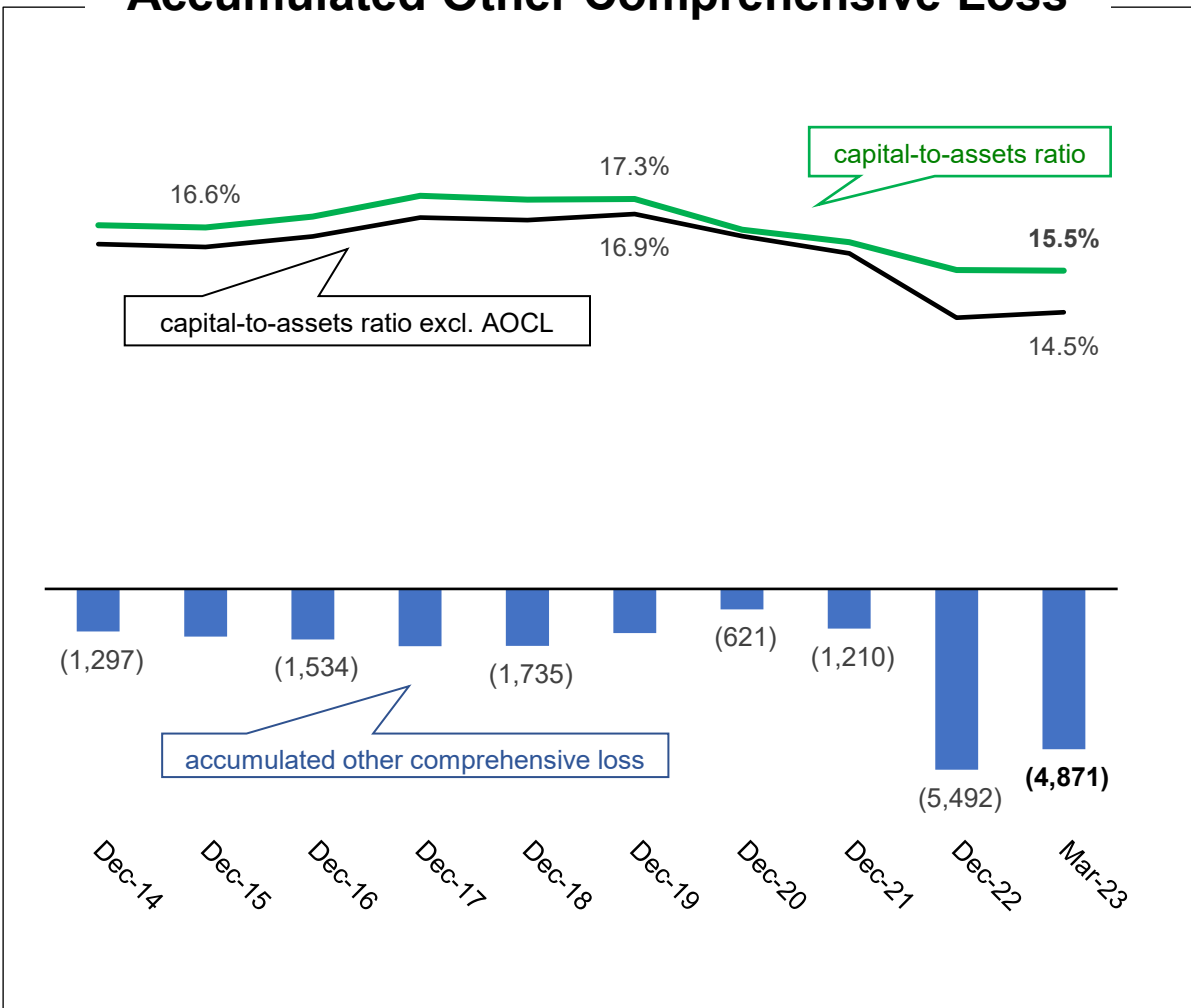
(at quarter-end)



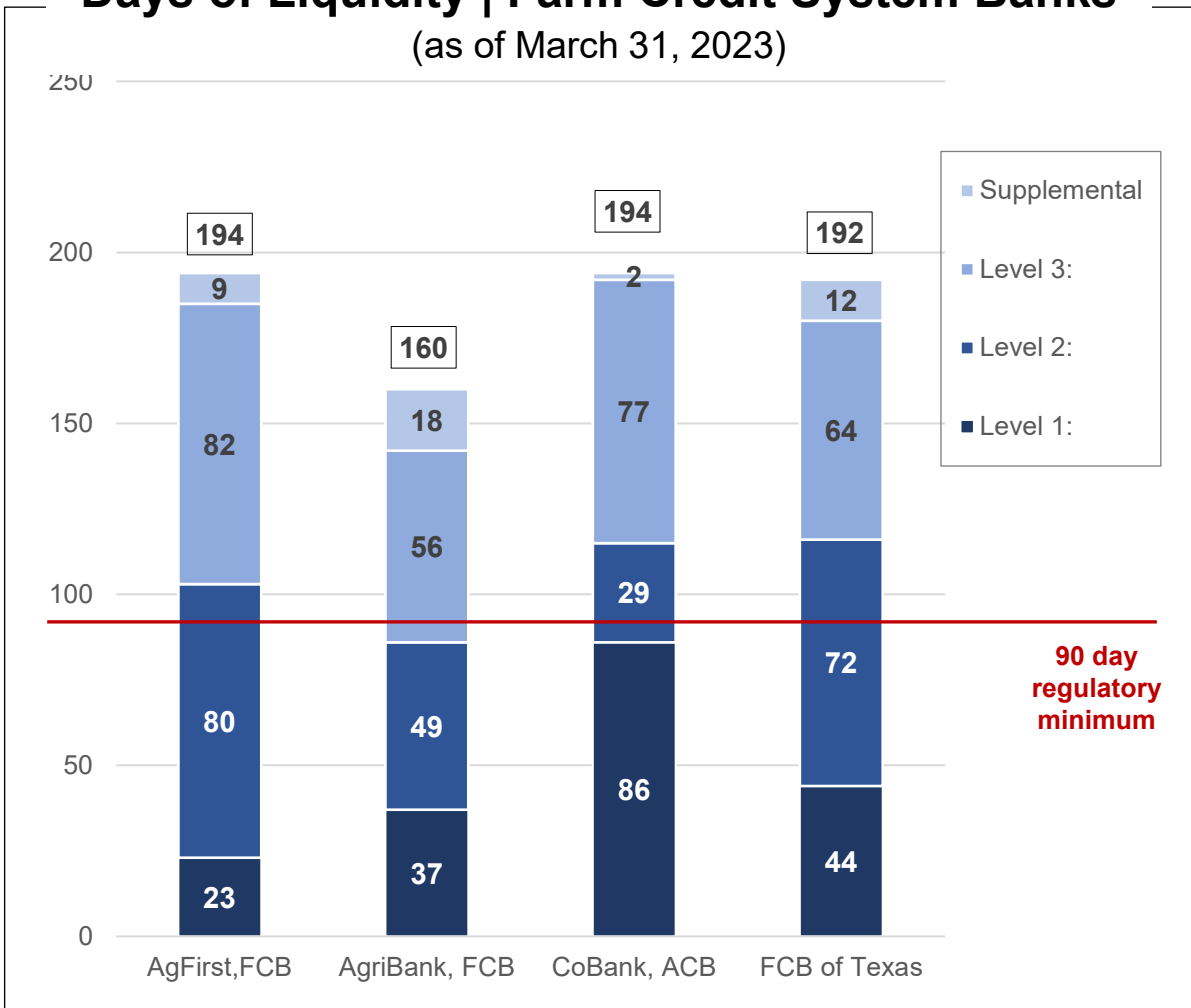


Accumulated other comprehensive loss improves; Bank liquidity levels are strong

Accumulated Other Comprehensive Loss



Days of Liquidity | Farm Credit System Banks





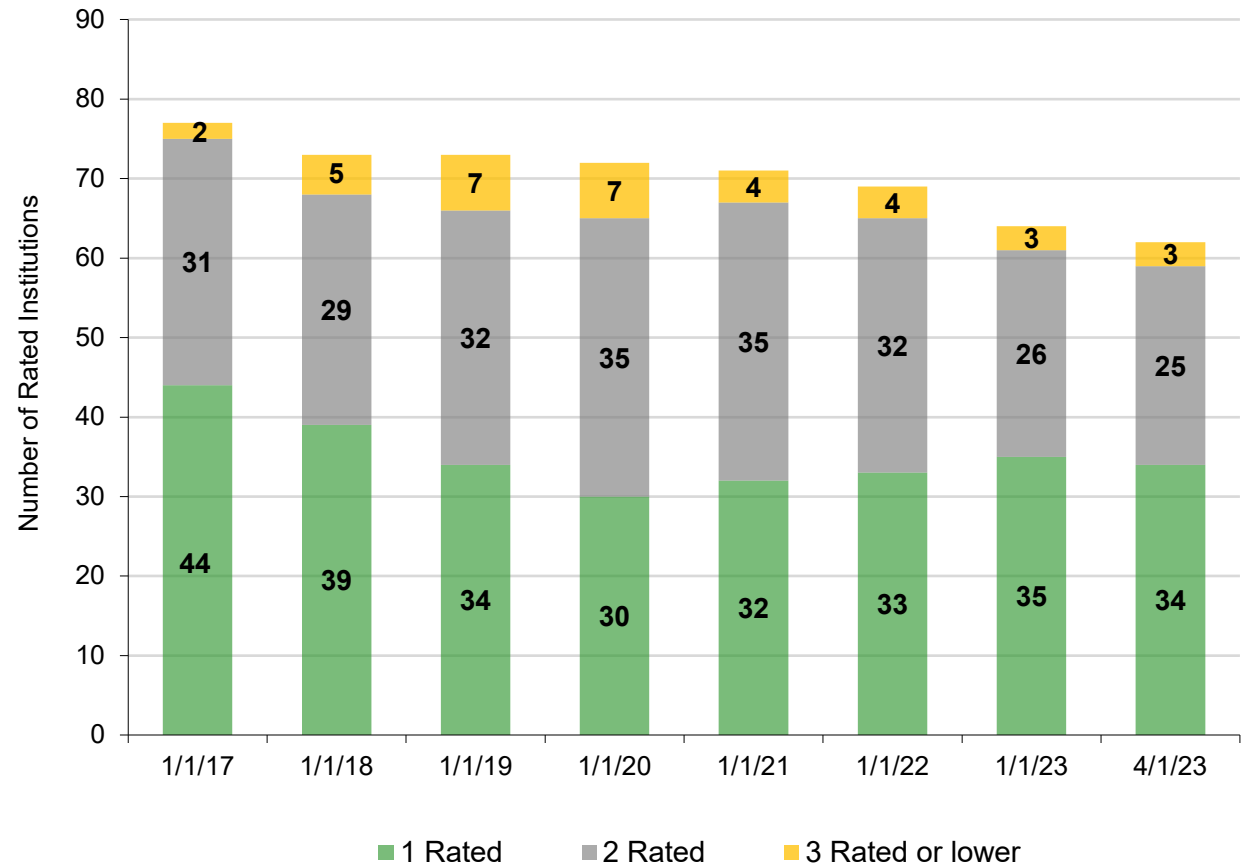
Composite FIRS ratings remain steady

FIRS Ratings

(based on 3/31/23 financial reporting)

- ▶ Composite FIRS ratings reflect the System's sound financial condition.
- ▶ Over 95% of System banks and associations have a Composite FIRS rating of 1 or 2.
- ▶ Institutions rated 3 or lower represent just over 1% of System assets.

Composite FIRS Ratings Farm Credit System Banks and Associations



Source: FCA's FIRS ratings database