

# FARMER MAC

Accelerating Rural Opportunities®

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## **The Future of Ag Lending:**

What Will Differentiate Winning Banks Over the Next Decade

October 13, 2026

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# SPEAKERS



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# DASHBOARD OF NUMBERS THAT MATTER IN THE U.S.



\$4.00+  
average for gasoline



\$5.00+  
average for diesel



\$100.00+ barrel of  
West Texas  
Intermediate (WTI)  
crude oil



Rule of 15-week  
duration

# THE NUMBERS THAT MATTER

80%

of farm and ranch expenses  
are impacted by oil price

60%

of general economic expenses  
are impacted by oil price

40–55%

increase in  
fuel and fertilizer prices

8–15%

increase in  
commodity prices



## Tail Risk & Recession

- Infrastructure destruction
- Continuous breakdown of the Peace Agreement
- Oil recession



## Global Supply Exposure

- Large amounts of potash in Canada; phosphate in Morocco
- California imports one million gallons of fuel daily
- The fifth largest global economy is vulnerable

**From just-in-time management to just-in-case management.**

# JUST-IN-CASE MANAGEMENT MINDSET



## Strong Working Capital

Reserves that absorb shocks and buy time to decide.



## Financial Scenario Planning

Objective, not emotional, decision-making across price, cost, production and interest rates.



## Marketing and Risk Management Plan

Plan. Execute. Monitor. Then repeat the cycle.



## A Coachable Advisory Team

Advisors who challenge assumptions and adapt with you.



## Manage the Controllables

Manage around the “un-controllables”

**Just-in-time thinking gives way  
to just-in-case discipline.**

# SPLIT PERSONALITY IN AGRICULTURE



## Grain, Row Crop & Specialty Crops

- Cyclical
- Structural
- Behaving like the auto industry of the 1970s
- Two-in-ten year rule
- Five-in-eight year rule and management mindset



## Beef, Livestock & Value-Added Diversification

- Three to six sources of revenue is the sweet spot for:
  - Resiliency
  - Agility
  - Nimbleness
- Black swans and consumer inflation fatigue

**Two agricultures, one balance sheet — manage each on its own cycle.**

# PRODUCERS PASS THE FIVE-IN-EIGHT YEARS SNIFF TEST



Marketing and risk  
management  
program

1



Reducing  
marginal  
farm ground

2



Eliminating  
unproductive  
assets

3



Diversifying  
revenue streams

4



Reducing  
family living

5



COP  
and BE

6

# DUE DILIGENCE IN USE OF GOVERNMENT PAYMENTS CHECKLIST



Pay down LOC and  
accounts payable

1



Upgrade of  
machinery,  
equipment and facilities

2



Three-year trend analysis of  
government payments to net  
income

- Payment as percentage of net income
- <25% green
- 26-60% yellow
- >60% red

3



Down payment for land  
acquisitions and to  
supplement cash rents  
for competitors

4



Family living,  
non-farm capital  
expenditures

5



Other

6

# PUTTING IT INTO PERSPECTIVE

## BORROWER TEST HAS A LENDER COUNTERPART

| Borrower question                       | Lender question                                                | Strategic response                               |
|-----------------------------------------|----------------------------------------------------------------|--------------------------------------------------|
| Is working capital adequate?            | Is lending capacity adequate?                                  | Create liquidity before it is urgently needed    |
| Is debt structured appropriately?       | Is duration appropriately funded?                              | Move selected long-term assets off balance sheet |
| Is risk concentrated?                   | Are borrower, commodity, or geographic exposures concentrated? | Transfer or share selected exposures             |
| Can the operation withstand volatility? | Can the bank keep lending through the cycle?                   | Build a repeatable secondary-market capability   |
| Is there a credible operating plan?     | Is there a credible capital and liquidity plan?                | Use Farmer Mac proactively, not episodically     |

# K-SHAPED, TWO SPEED U.S. ECONOMY



**Higher earning consumers spending more due to stock market earnings and elevated property values**

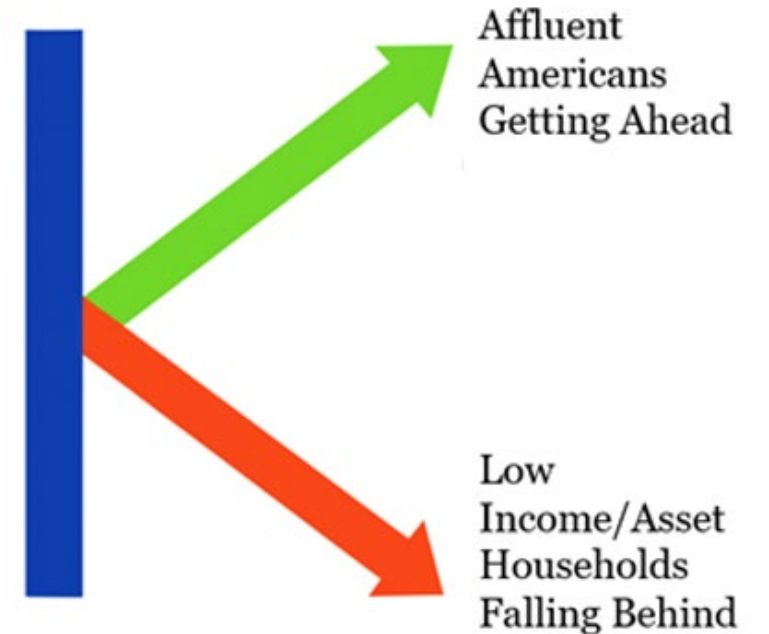
- Vacations, premium goods, expensive experiences



**Lower income consumers struggling to afford necessities:**

- Housing
- Energy
- Food
- Gas

## THE K-SHAPED ECONOMY



# E-SHAPED ECONOMY

1

Three tiers of consumers instead of two

2

Top tier (top 20% of earners) account for 60% of consumer spending

3

Wider gap now between high income versus other consumers

4

Middle tier is now “treading water” or spending cautiously

5

Bottom tier is now taking on more debt than ever before

## THE E-SHAPED ECONOMY

Top

Middle

Bottom

# U.S.A. ECONOMY SNAPSHOT: ALICE

**ALICE:** Asset Limited, Income Constrained, fully Employed



Less than  
5% spending



Stimulus checks during  
and post pandemic



Now living paycheck-  
to-paycheck;  
generating overdrafts



**Consumer  
credit card  
debt buildup**

Along with other unsecured  
subprime lending, credit card  
debt is an increasing “shock  
absorber” for ALICE  
borrowers



**Total credit card debt =  
\$1.3 trillion**

(ALICE estimate: \$500B)



**Total auto debt =  
\$1.7 trillion**

(ALICE estimate: \$650B)



**Highest delinquency  
rate on credit cards and  
auto loans since 2012**

# U.S.A. ECONOMY SNAPSHOT: HENRY

## HENRY: High Earners, Not Rich Yet



\$100,000–\$500,000  
household earnings



Significant level of  
graduate school debt



Some HENRYs are priced out  
of the housing market



Lack of stock and  
real estate appreciation



High levels of consumer  
spending and buying  
experiences



Younger HENRYs are  
vulnerable to job layoffs and  
AI replacement

# U.S.A. ECONOMY SNAPSHOT: HERMAN

## HERMAN: High Earners, Rich, Mobile, Appreciated Net Worth



10% of population, 49% of consumer spending from 36%



Household or business wealth, paper wealth accumulation \$1 million to \$10 to 25 million



Older demographic, frequently above 60 years of age



Spent 58% more in the last 4 years vs. 21% inflation increase



HERMANs account for one third of gross national product



Top 20% of earners, net worth has increased \$35 trillion or 45% since 2019; increasing \$14 trillion over the bottom 80%

# FISCAL & MONETARY POLICY



**\$40 trillion debt currently,  
\$20 trillion debt in 2020**



**Projected \$2 trillion deficit  
for 2025-2026 fiscal year**



**Federal Reserve position changes:  
A rock and a hard spot between  
rate increases/decreases  
for 2026**



**Government  
fiscal spending**



**Federal Reserve  
monetary policy**

- “The magic wand”



**The balance of inflation,  
unemployment and economic  
growth**

# BOND MARKET & TREASURIES: ONWARD & UPWARD



**Japanese currency  
intervention  
by U.S.**



**U.S. uncontrollable  
federal debt &  
deficit**



**Debt hangovers in  
other developed  
nations**



**Competition  
for AI capital  
infrastructure  
buildout**



**Continuous  
wars/conflicts  
around the globe**



**Supply chain  
disruption of  
food and energy**



**Data center AI  
productivity?**

# KEY ECONOMIC BENCHMARKS: BONDS & TREASURY



**10-year  
Treasury  
bond  
above 5%**



**30-year  
Treasury  
bond  
above 6%**



**Interest on  
national debt  
above  
military  
budget**



**Printing  
money is  
reducing U.S.  
dollar's  
buying  
power**



**Implication  
that inflation  
causes  
higher long  
term interest  
rates globally**

# PUTTING IT INTO PERSPECTIVE

## HIGHER-FOR-LONGER CHANGES NEEDS & RISKS

### BORROWERS INCREASINGLY NEED

Payment stability

Longer amortizations

Flexibility to restructure

Access to land equity

### BANKS INCREASINGLY NEED

Protection from long-duration rate exposure

Competitive fixed-rate products

Better asset-liability alignment

Capacity to retain operating, deposit, and other relationships

# TRENDS THAT SHAPE THE AG INDUSTRY GLOBALLY



# RISE OF THE GLOBAL SOUTH



## China's Belt and Road Initiative

- \$1.5 trillion, 70 countries
- Intense competition:
  - Manufacturing
  - Agriculture
  - Technology



## BRICS

- Brazil, Russia, India, China and South America (original membership)
- Now includes over 20 nations including Iran
- Additional countries desiring membership



# FOOD & RELATIONSHIP WITH FOOD OF THE FUTURE



**GLP-1 shot: 10 to 15%  
of adult Americans**



**GLP-1 pill version:  
May increase to 50%  
of adult Americans**



**Absorption of protein is  
specific to individual's  
genetic makeup:**

- A pill to boost absorption is critical for people over 60 with loss of muscle mass



**Protein, fiber, exercise  
and lifestyle**



# ARTIFICIAL INTELLIGENCE PERSPECTIVES

AI won't take your job but someone with AI knowledge might

- Years, skills and interconnectedness

## AI Human IQ

**80**

in 2018

**100**

in 2020

**124**

in 2024

**1200**

in 2028



AI moving at  
warp speed: 1st  
and 2nd inning



Unintended  
consequences:  
ability to  
influence



Stifles  
innovation and  
critical thinking



Societal  
acceptance



AI 911

# THE WINNING AG BANK TECH STRATEGY

## FAST, EASY, FLEXIBLE, AND SCALABLE

### WINNING FORMULA



#### Fast

- Quick borrower conversations
- Earlier identification of refi and restructure needs



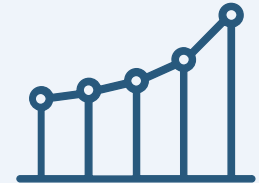
#### Easy

- Fewer handoffs and clearer documents
- Repeatable processes for suitable loans



#### Flexible

- Many rate, term, and structure options
- Ability to retain, sell, or transfer risk selectively



#### Scalable

- Growth not limited by deposits or hold limits
- Models to support all operations

# SEVEN AREAS WHERE AG LENDERS SHOULD NOT BE COMPLACENT



**Working capital erosion**

1



**Carry over operating debt**

- Lifestyle
- Poor management
- Poor marketing

2



**Capital expenditures out of operating monies**

3



**Lack of ownership of financials by customers: customer must want to improve as much as the lender**

4



**Delayed borrower lender conversations**

5



**Isolate: cycle - management - structural change in ag**

6



**Require credible operating plan that is executed, monitored and held accountable**

7

# FIVE REASONS AG LENDERS SHOULD BE POSITIVE



Farm equity remains strong in most regions



Credit stress is rising slowly not a landslide



Producers with a management mindset of AQ (Adaptability Quotient) make structural adjustments by:

- Adjusting enterprise and income mix
- Utilizing assets: machinery, capital and humans
- Planning, executing and monitoring



Transition and estate transfer: “Be at the table”



YBSM segment: “One size doesn’t fit all” and small credit relationships can become large lifetime businesses & customers



# THE DECADE AHEAD

## FIVE MOVES OF A WINNING AG LENDER

1

**Segment borrowers more intelligently** by distinguishing temporary cyclical stress from management problems and structural change.

2

**Build liquidity before it is needed** by using the secondary market as an ongoing funding channel, not an emergency outlet or release valve.

3

**Match products to customer needs** by offering competitive long-term structures without forcing every exposure onto the balance sheet.

4

**Protect the relationship while managing risk** by keeping local servicing and customer ownership while transferring credit or rate risk.

5

**Turn balance-sheet flexibility into growth** by recycling capital, serving larger relationships, and continue saying “yes” to strong borrowers.



# Farmer Mac & ABA Ag Lender Survey Report

COMING OUT 11.04.2026

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### Online Articles

Farm Progress Weekly Article:

<https://www.farmprogress.com/author/david-kohl>

Ag Trends & Insights Videos:

<https://agwestfc.com/education-and-resources/industry-and-economic-insights/economic-updates/agricultural-trends>

Dr. Kohl's GPS & Dashboard Indicators:

<https://www.farmermac.com/insights-research>

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### Online Articles

Insights & Research:

<https://www.farmermac.com/insights-research>

Farmer Mac Farmland Price Index (FPI):

<https://www.farmermac.com/farmland-price-index>

The Feed:

[https://www.farmermac.com/insights-research#the\\_feed](https://www.farmermac.com/insights-research#the_feed)

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