Farmer Mac Refresh

Prices, Land Values, and Credit Conditions

Agenda

Agricultural markets
- Corn/Beans
- Livestock
- Financial Statement Impacts

Land Values
- USDA Estimates
- Farmer Mac loans
- Recent Auctions in Iowa

Credit Conditions
- Federal Reserve Bank Survey Results
- Farmer Mac Credit Trends
Agricultural Markets

- Corn price is down
  - Largely supply driven
  - Record yields are likely
  - Demand is still strong
Agricultural Markets

- Soybean price is down
  - Also largely supply driven
  - Record yields likely
  - Demand is actually up

- Protein prices up in long term
  - Also largely supply driven
  - Herds lowest since the 1950s
  - Demand is holding steady despite run-up in retail prices
Agricultural Markets

- Feed-Price Ratios Indicate Strong Profitability
  
  ![Graph showing feed-price ratios for various crops and livestock from 9/1/1969 to 2/1/2014.](image)

  Source: USDA ERS Feed Grain Database

- Income Statement Impacts
  - Proformas should show:
    - Lower grain operator incomes
    - Stable to higher livestock operator incomes

- Balance Sheet Impacts
  - Current and Proformas should show:
    - Lower grain inventory values
    - Higher livestock inventory values
    - Stable land values

  ![Graph showing top quartile net farm income and current ratio for large producers from 6/1/1993 to 9/1/2014.](image)

  Source: Farmer Mac Internal Data
**Land Values**

- USDA Report
  - Land values holding strong
  - Cropland up slightly (2.5% from original 2013 value)
  - Pastureland up more (8.3% from original 2013 value)

Source: USDA NASS Land Value Reports
Land Values

- Farmer Mac Loans
  - Also indicate stable land values

![Avg. Cropland Appraisal Index (2009=100)](image)

Source: Farmer Mac Internal Data

- Iowa Farm Auctions
  - Same story – stable to slightly down
  - Hertz showing good participation in auctions

![Value per Acre vs. Date of Auction](image)

Source: Hertz Real Estate Services
Credit Conditions

- Bank Surveys
  - Most regions are upbeat about credit conditions
  - Prepayments are slowing down

*Diffusion Index is calculated by subtracting the percentage of respondents who indicated "lower" from the percentage of respondents who indicated "higher".
Source: AgriStat, Economic Database, Table C.1

Source: Kansas City Federal Reserve Bank Ag Finance Database
Credit Conditions

- Farmer Mac Credit Conditions
  - Prepayments slower
  - Less refinancing
  - Approval rates holding steady at 80%
  - Working capital tighter
  - Continued low overall leverage
  - Compression on interest coverage

Summary

- Supply Not Demand
- Update Proformas
- Land Values Steady
- Credit Conditions Strong
QUESTIONS?

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