

Third Quarter

FARMER  AC

*Debt Investor
Presentation*

2018

Forward-Looking Statements

In addition to historical information, this presentation includes forward-looking statements that reflect management's current expectations for Farmer Mac's future financial results, business prospects, and business developments. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements. Management's expectations for Farmer Mac's future necessarily involve a number of assumptions and estimates and the evaluation of risks and uncertainties. Various factors or events, both known and unknown, could cause Farmer Mac's actual results to differ materially from the expectations as expressed or implied by the forward-looking statements. Some of these factors are identified and discussed in Farmer Mac's Annual Report on Form 10-K for the year ended December 31, 2017, filed with the U.S. Securities and Exchange Commission ("SEC") on March 8, 2018, and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2018, June 30, 2018, and September 30, 2018 filed with the SEC on May 10, 2018, August 9, 2018, and November 8, 2018, respectively. These reports are also available on Farmer Mac's website (www.farmermac.com). In light of these potential risks and uncertainties, no undue reliance should be placed on any forward-looking statements expressed in this presentation. Any forward-looking statements made in this presentation are current only as of September 30, 2018, except as otherwise indicated. Farmer Mac undertakes no obligation to release publicly the results of revisions to any such forward-looking statements that may be made to reflect new information or any future events or circumstances, except as otherwise mandated by the SEC. The information contained in this presentation is not necessarily indicative of future results.

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This presentation does not constitute an offer to sell or a solicitation of an offer to buy any Farmer Mac security. Farmer Mac securities are offered only in jurisdictions where permissible by offering documents available through qualified securities dealers. Any investor who is considering purchasing a Farmer Mac security should consult the applicable offering documents for the security and their own financial and legal advisors for information about and analysis of the security, the risks associated with the security, and the suitability of the investment for the investor's particular circumstances.

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Use of Non-GAAP Financial Measures

This presentation is for general informational purposes only, is current only as of September 30, 2018, and should be read in conjunction with Farmer Mac's Quarterly Report on Form 10-Q filed with the SEC on November 8, 2018. In the accompanying analysis of its financial information, Farmer Mac uses the following non-GAAP financial measures: core earnings, core earnings per share, and net effective spread. Farmer Mac uses these non-GAAP measures to measure corporate economic performance and develop financial plans because, in management's view, they are useful alternative measures in understanding Farmer Mac's economic performance, transaction economics, and business trends. The non-GAAP financial measures that Farmer Mac uses may not be comparable to similarly labeled non-GAAP financial measures disclosed by other companies. Farmer Mac's disclosure of these non-GAAP financial measures is intended to be supplemental in nature, and is not meant to be considered in isolation from, as a substitute for, or as more important than, the related financial information prepared in accordance with GAAP.

Core earnings and core earnings per share principally differ from net income attributable to common stockholders and earnings per common share, respectively, by excluding the effects of fair value fluctuations. These fluctuations are not expected to have a cumulative net impact on Farmer Mac's financial condition or results of operations reported in accordance with GAAP if the related financial instruments are held to maturity, as is expected.

Core earnings and core earnings per share also differ from net income attributable to common stockholders and earnings per common share, respectively, by excluding specified infrequent or unusual transactions that Farmer Mac believes are not indicative of future operating results and that may not reflect the trends and economic financial performance of Farmer Mac's core business.

Farmer Mac uses net effective spread to measure the net spread Farmer Mac earns between its interest-earning assets and the related net funding costs of these assets. Net effective spread differs from net interest income and net interest yield because it excludes: (1) the amortization of premiums and discounts on assets consolidated at fair value that are amortized as adjustments to yield in interest income over the contractual or estimated remaining lives of the underlying assets; (2) interest income and interest expense related to consolidated trusts with beneficial interests owned by third parties, which are presented on Farmer Mac's consolidated balance sheets as "Loans held for investment in consolidated trusts, at amortized cost;" and (3) beginning January 1, 2018, the fair value changes of financial derivatives and the corresponding assets and liabilities designated in a fair value hedge relationship. Net effective spread also principally differs from net interest income and net interest yield because it includes: (1) the accrual of income and expense related to the contractual amounts due on financial derivatives that are not designated in hedge relationships; and (2) effective in fourth quarter 2017, the net effects of terminations or net settlements on financial derivatives and hedging activities.



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Overview and Highlights

Farmer Mac Overview

Farmer Mac was created in response to the agricultural credit crisis of the 1980s

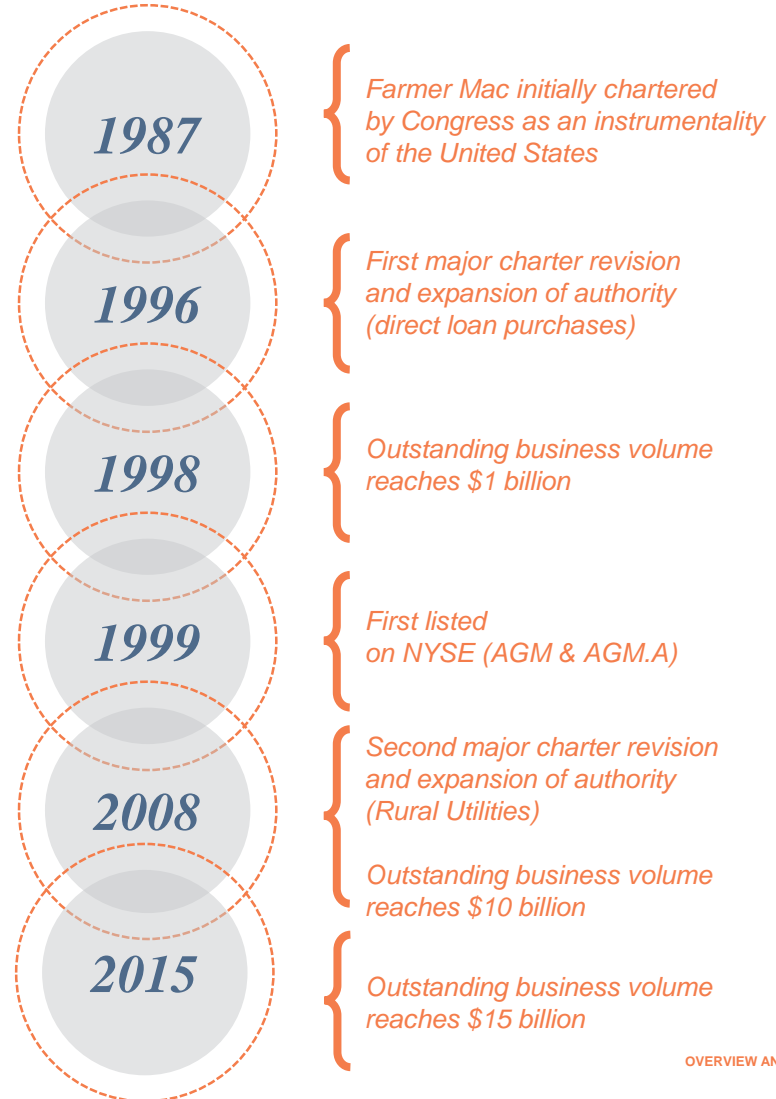
- Increase access to and reduce the cost of capital for the benefit of American agricultural and rural communities
- Provide financial solutions to a broad spectrum of the agricultural community

Lines of Business

- Farm & Ranch
- USDA Guarantees
- Rural Utilities
- Institutional Credit

Diverse Product Suite

- Loan purchases
- Wholesale financing
- Credit protection



Farmer Mac Compared to Farm Credit Banks

	<i>Farmer Mac</i>	<i>Farm Credit Banks</i>
<i>Mission:</i>	Provides secondary market for agricultural, rural housing, and rural utilities loans	Provides primary market for primarily agricultural and rural housing loans
<i>Funding:</i>	Raises funds through dealers in the capital markets	Farm Credit Funding Corp. raises funds through dealers in the capital markets
<i>Board:</i>	Five of fifteen board members elected annually by Farm Credit System institutions	All Farm Credit Banks have differently constituted Boards
<i>Charter:</i>	Congress established authority under the Agricultural Credit Act of 1987	Congress established authority for predecessor entities in 1916
<i>Regulator:</i>	Farm Credit Administration (FCA) through the Office of Secondary Market Oversight (OSMO)	Farm Credit Administration (FCA)
<i>Ownership Structure:</i>	Public shareholders	Networks of cooperatives



Farmer Mac's Financial Strengths

Quality Assets

- Rigorous underwriting standards
- Low delinquencies
- Low cumulative historical credit losses

Capital Surplus

- Core capital \$174 million, or 32%, above the statutory minimum capital
- Tier 1 Capital Ratio of 13.3%⁽¹⁾

Liquidity

- \$2.7 billion liquidity portfolio at September 30, 2018
- Highly-rated assets provided 212 days of liquidity as of September 30, 2018
- \$1.5 billion line of credit with U.S. Treasury

Match Funded

- Match funding of assets effectively locks in net spreads
- Effective interest rate and pre-payment risk management
- Extensive stress testing to ensure ongoing effective match

Consistent Returns

- Core earnings growth⁽²⁾

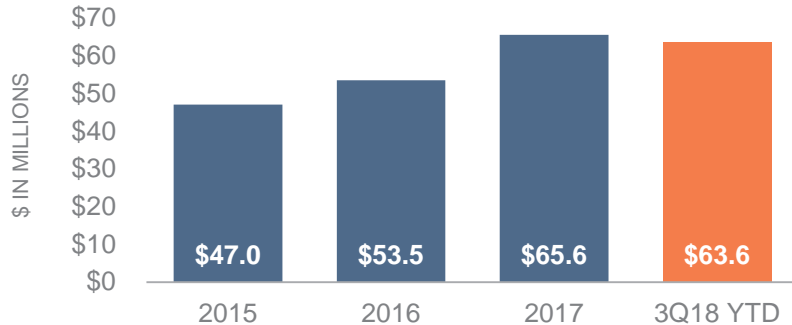
⁽¹⁾ Tier 1 capital consists of retained earnings, paid-in capital, common stock, and qualifying preferred stock.

⁽²⁾ Core earnings is a non-GAAP measure. For a reconciliation of core earnings to GAAP net income attributable to common stockholders, please refer to page 10.

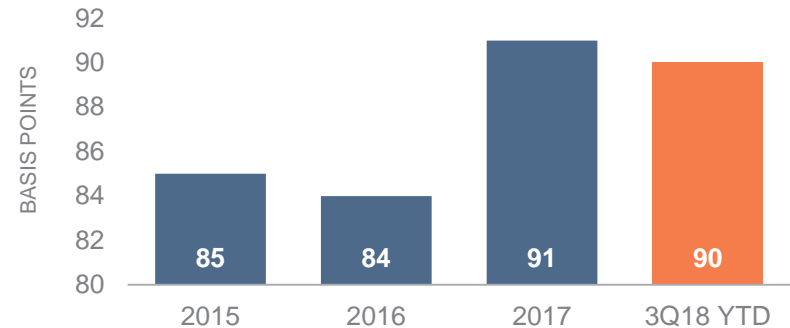


Farmer Mac Dashboard

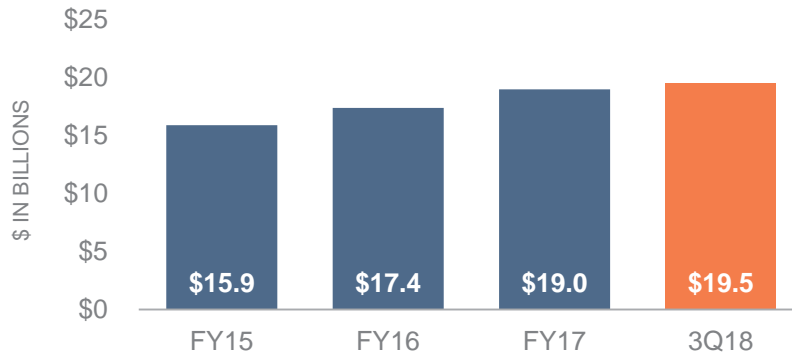
Core Earnings^{(1) (2)}



Net Effective Spread^{(1) (2)}

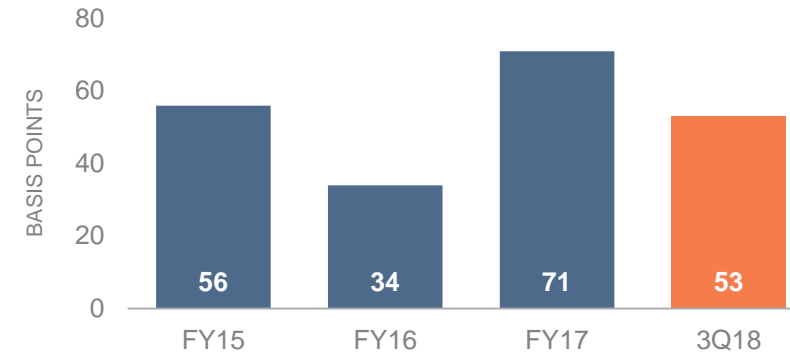


Outstanding Business Volume



90-Day Delinquencies⁽³⁾

(Farm & Ranch Line of Business Only)



⁽¹⁾ Core earnings and net effective spread are non-GAAP measures. For more information on the use of these non-GAAP measures, please see page 3. For a reconciliation of core earnings to GAAP net income attributable to common stockholders and a reconciliation of net effective spread to GAAP net interest income, please refer to pages 10 and 11, respectively.

⁽²⁾ Periods prior to fourth quarter 2017 have been recast to reflect the revised methodology for calculating net effective spread that became effective in fourth quarter 2017, as further described on page 3.

⁽³⁾ Delinquencies include loans held and loans underlying off-balance sheet Farm & Ranch Guaranteed Securities and Long-term Standby Purchase Commitments (LTSPCs) that are 90 days or more past due, in foreclosure, or in bankruptcy with at least one missed payment, excluding loans performing under either their original loan terms or a court-approved bankruptcy plan.



Reconciliation of Core Earnings to Net Income

<i>(in thousands)</i>	Core Earnings by Period Ended			
	3Q18 YTD	2017	2016	2015
Net income attributable to common stockholders	\$ 75,338	\$ 71,300	\$ 64,152	\$ 47,371
Less reconciling items:				
Gains on undesignated financial derivatives due to fair value changes	8,055	10,218	8,585	1,859
Gains on hedging activities due to fair value changes	5,302	(719)	5,043	9,065
Unrealized gains/(losses) on trading assets	24	(24)	1,460	1,220
Amortization of premiums/discounts and deferred gains on assets consolidated at fair value	(528)	(1,327)	(849)	(1,319)
Net effects of terminations or net settlements on financial derivatives and hedging activities ⁽¹⁾	2,020	2,674	2,178	(699)
Loss on retirement of Farmer Mac II LLC Preferred Stock ⁽²⁾	-	-	-	(8,147)
Re-measurement of net deferred tax asset due to enactment of new tax legislation	-	(1,365)	-	-
Income tax effect related to reconciling items	(3,123)	(3,788)	(5,746)	(1,643)
Sub-total	11,750	5,669	10,671	336
Core earnings	\$ 63,588	\$ 65,631	\$ 53,481	\$ 47,035

⁽¹⁾ Periods prior to fourth quarter 2017 have been recast to reflect the revised methodology for calculating net effective spread that became effective in fourth quarter 2017, as further described on page 3.

⁽²⁾ Relates to the write-off of deferred issuance costs as a result of the retirement of Farmer Mac II LLC Preferred Stock.



Reconciliation of Net Effective Spread to Net Interest Income

<i>(in thousands)</i>	Net Effective Spread by Period Ended												
	3Q18 YTD	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net interest yield	0.98%	0.94%	0.90%	0.88%	0.51%	0.89%	1.14%	1.30%	1.30%	1.68%	1.62%	0.85%	0.85%
Net effect of consolidated trusts	0.04%	0.04%	0.03%	0.01%	0.01%	0.00%	0.02%	0.06%	0.15%	0.00%	0.00%	0.00%	0.00%
Net effect of securities purchased under agreement to resell and securities sold, not yet purchased	0.00%	0.00%	0.00%	0.00%	0.35%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expense related to undesignated financial derivatives	-0.08%	-0.07%	-0.07%	-0.04%	-0.08%	-0.10%	-0.23%	-0.41%	-0.54%	-0.70%	-0.49%	0.00%	-0.07%
Amortization of premiums/discounts on assets consolidated at fair value	0.01%	0.01%	0.00%	0.02%	0.13%	0.17%	0.12%	0.12%	0.19%	0.00%	0.00%	0.00%	0.00%
Amortization of losses due to terminations or net settlements on financial derivatives and hedging activities ⁽¹⁾	0.00%	-0.01%	-0.02%	-0.02%	-0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fair value changes on fair value hedge relationships	-0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Yield maintenance payments ⁽²⁾	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-0.01%	-0.01%	-0.04%	-0.01%	-0.07%	-0.07%	-0.09%
Net Effective Spread	0.90%	0.91%	0.84%	0.85%	0.90%	0.96%	1.04%	1.06%	1.06%	0.97%	1.06%	0.78%	0.69%

⁽¹⁾ Periods beginning with 2015 and onwards have been recast to reflect the revised methodology for calculating net effective spread that became effective in fourth quarter 2017, as further described on page 3. Prior periods have not been recast to reflect the revised methodology.

⁽²⁾ Beginning in 2013, Farmer Mac no longer excluded yield maintenance payments.





Portfolio and Lines of Business

Lines of Business and Products

AS OF SEPTEMBER 30, 2018

Product Type

Customers

Lines of Business

\$ IN BILLIONS AND PERCENTAGE OF TOTAL VOLUME

		F & R	USDA	RU	IC	Total
LOAN PURCHASES	• Ag Banks					
	• FCS Institutions	\$4.4	\$2.5	\$0.9	--	\$7.8
	• Insurance Companies • Rural Utilities Cooperatives	23%	12%	5%		40%
WHOLESALE FINANCING	• Ag Banks	--	--	--	\$8.4	\$8.4
	• AgVantage • Farm Equity AgVantage				43%	43%
	• Ag Investment Funds • Insurance Companies • Production and Agribusiness Companies • Rural Utilities Cooperatives					
CREDIT PROTECTION	• FCS Institutions	\$2.7	--	\$0.7	--	\$3.3
	• Long-term Standby Purchase Commitments (LTSPCs)/ AMBS Guarantees	14%		3%		17%
	• Ag Banks • Insurance Companies • Ag Investment Funds • Rural Utilities Cooperatives					
	Total	\$7.1	\$2.5	\$1.6	\$8.4	\$19.5

 = Allowances and provisions recorded on these assets

Note: Table may not sum to total due to rounding

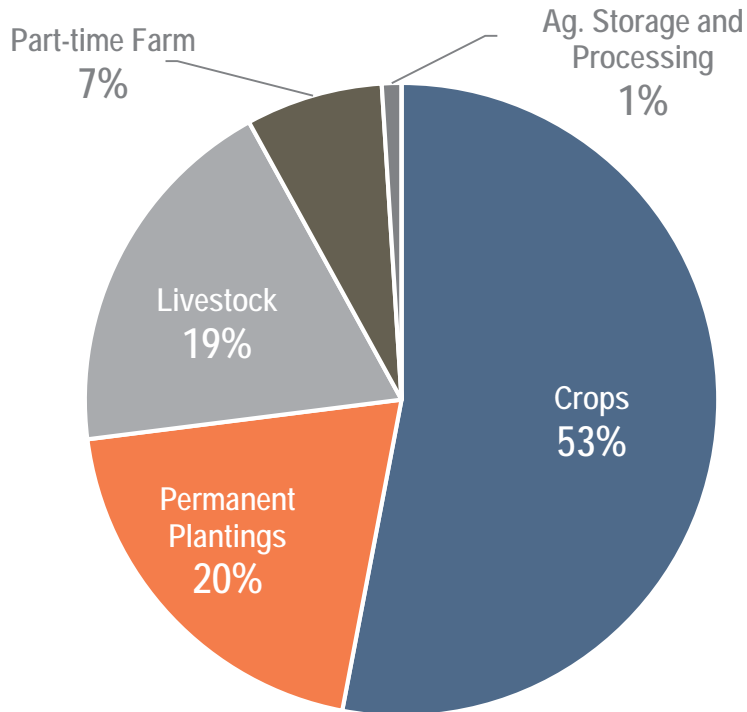
PORTFOLIO AND LINES OF BUSINESS



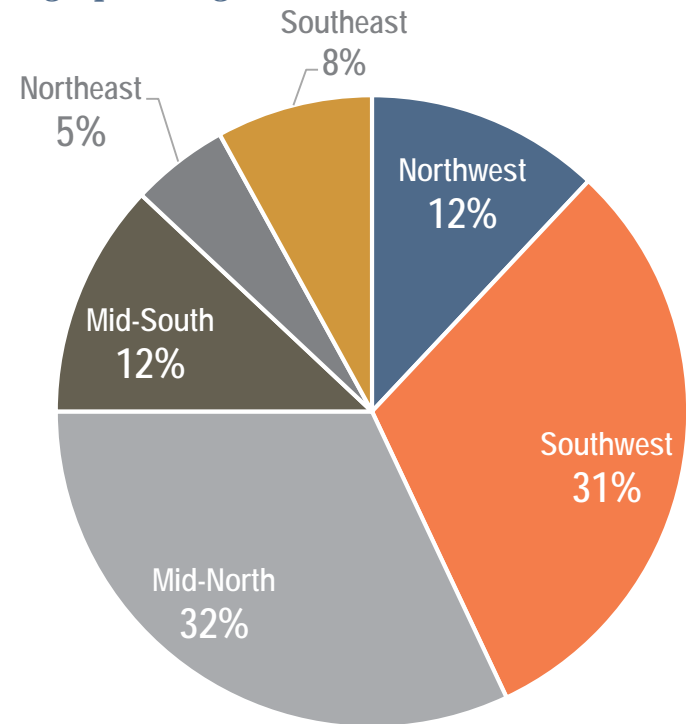
Farm & Ranch Loan Portfolio Diversification⁽¹⁾

AS OF SEPTEMBER 30, 2018

By Commodity Type



By Geographic Region



⁽¹⁾ Farm & Ranch portfolio includes on-balance sheet loans held and loans underlying LTSPCs.

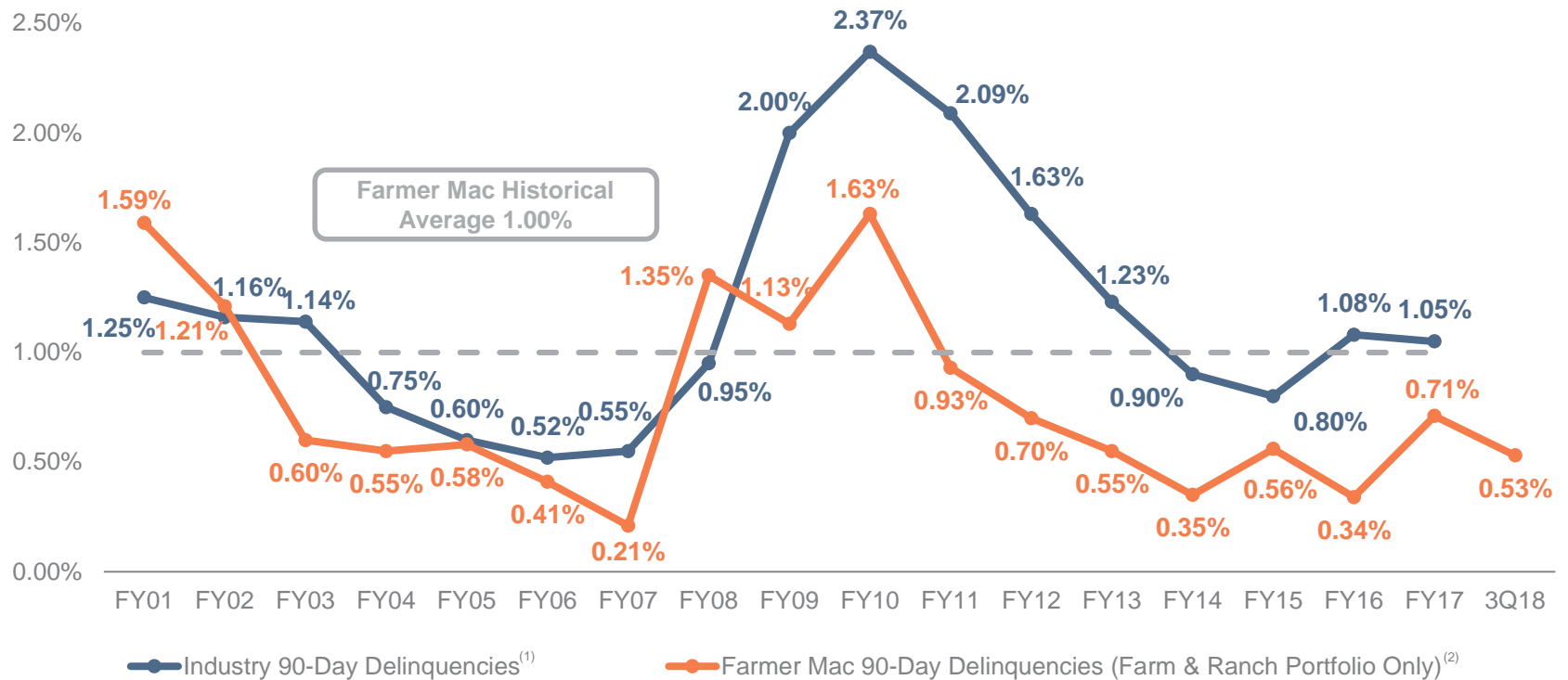




Risk Management

Farmer Mac Credit vs. Industry

90-Day Delinquencies

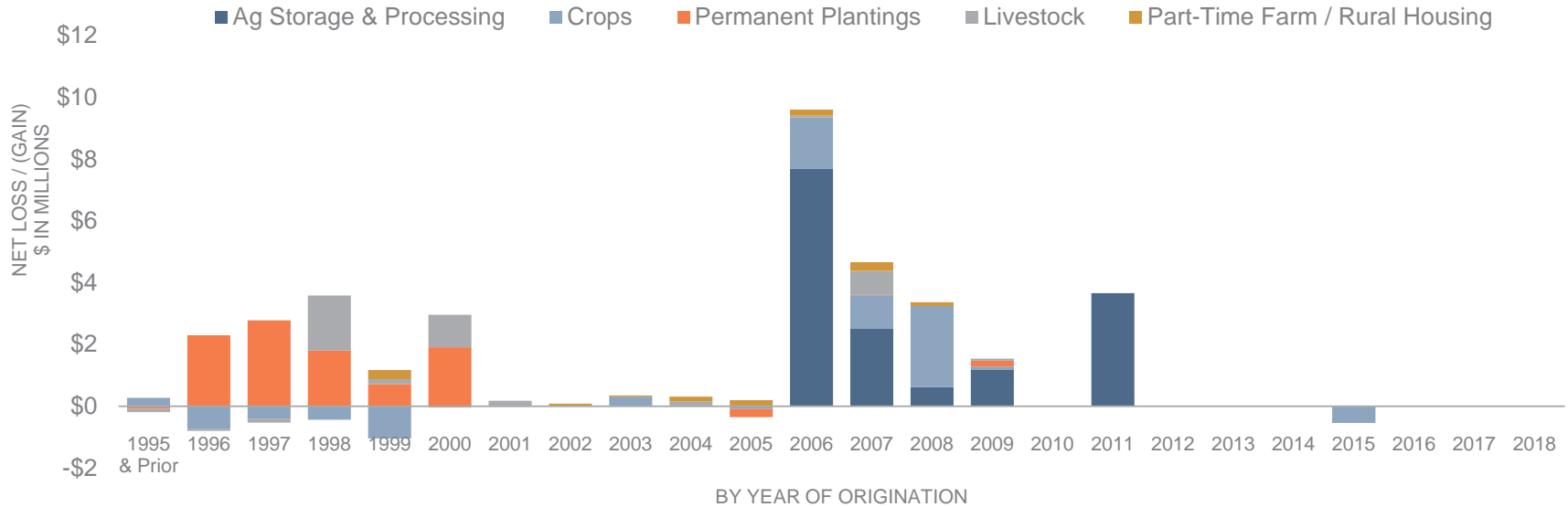


⁽¹⁾ Source: FDIC Call Report Data & Farm Credit Funding Corp Annual Information Statements – Non-accrual real estate loans and accruing loans that are 90 days or more past due made by commercial and Farm Credit System banks (as of March 2018).

⁽²⁾ Delinquencies include loans held and loans underlying off-balance sheet Farm & Ranch Guaranteed Securities and LTSPCs that are 90 days or more past due, in foreclosure, or in bankruptcy with at least one missed payment, excluding loans performing under either their original loan terms or a court-approved bankruptcy plan.



Farmer Mac – Historical Credit Losses



Farm & Ranch line of business has historical cumulative losses of 0.13%, or less than 1bp per year

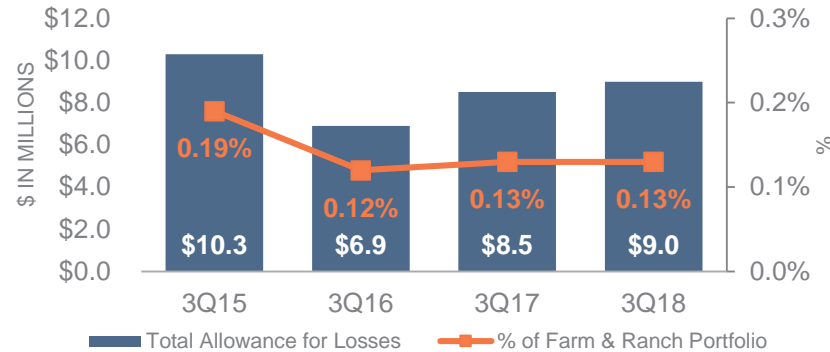
- Cumulative losses of \$33 million on \$25 billion of cumulative historical business volume

Farmer Mac’s Rural Utilities, USDA Guarantees, and Institutional Credit lines of business have not had any credit losses to date

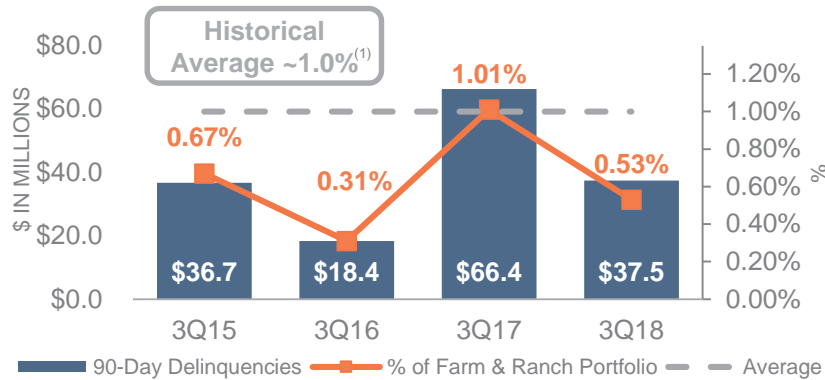


Credit Metrics

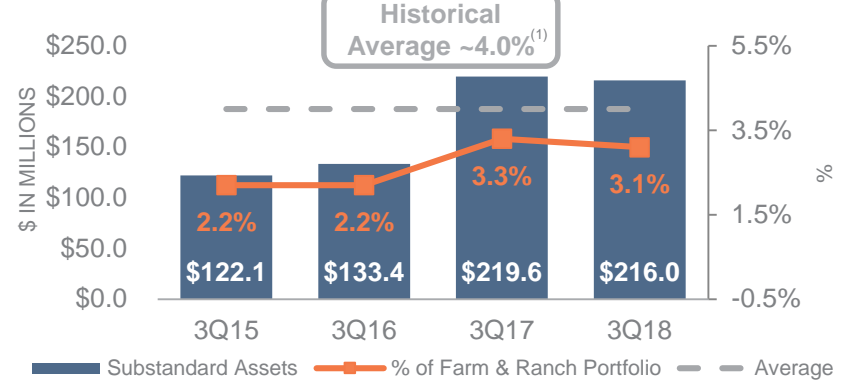
Total Allowance for Losses



90-Day Delinquencies



Substandard Assets



(1) Farmer Mac's historical averages are based on approximately 15 years of historical data for the Farm & Ranch line of business.



Farmer Mac's Downside Protection

Conservative underwriting with significant focus on repayment strength and low LTVs

- Total Debt Coverage (TDC) ratio of at least 1.25x
- Generally maximum LTVs of 60% to 70%, but in practice average 40% to 45% on mortgages purchased
- Require minimum borrower net equity of 50% across all agricultural assets
- Significant scrutiny given to property access and access to water, among other items

Farmer Mac credits less likely to default as compared to the broader industry

- Farmer Mac is generally recognized as having the tightest credit requirements for ag mortgage loans
- Primary focus on repayment capacity through stressed input assumptions during underwriting process
- Farmer Mac is not a “lender of last resort”
- Farm Credit Administration is a strong safety and soundness regulator

Farmer Mac credits less likely to incur losses even when a default occurs

- Given Farmer Mac's portfolio average LTV of 44% as of September 30, 2018, average farm asset value losses would need to be in excess of 56% to begin to generate the first dollar of loss to Farmer Mac
 - Farmer Mac's “stress scenario losses” of farm asset values range from 17% to 48% for various regions
 - The 1980s agricultural credit crisis saw farm asset values decline approximately 23%⁽¹⁾ from peak to trough



⁽¹⁾ Source: USDA, National Agricultural Statistics Service (as of August 2015).

Interest Rate Risk

Match fund asset purchases with liabilities that have similar interest rate characteristics

- Duration and convexity matching
- Coupon type
- Reset frequency

Manage pre-payment risk on mortgages

- Issue a portfolio of callable and bullet debt across spectrum of maturities to obtain the appropriate match
- Can adjust effective asset and debt coupon and duration characteristics through the use of interest rate swaps or other derivatives

Perform regular stress testing and disclose a variety of sensitivity measures

- Duration Gap
- Market Value of Equity (MVE) Sensitivity
- Net Effective Spread (NES) Sensitivity
- Measure these sensitivities' impact on various capital metrics



Liquidity – Investment Portfolio

AS OF SEPTEMBER 30, 2018

Farmer Mac maintains an investment portfolio to provide back-up source of liquidity in excess of regulatory requirements

- Minimum of 90 days of liquidity required by regulation

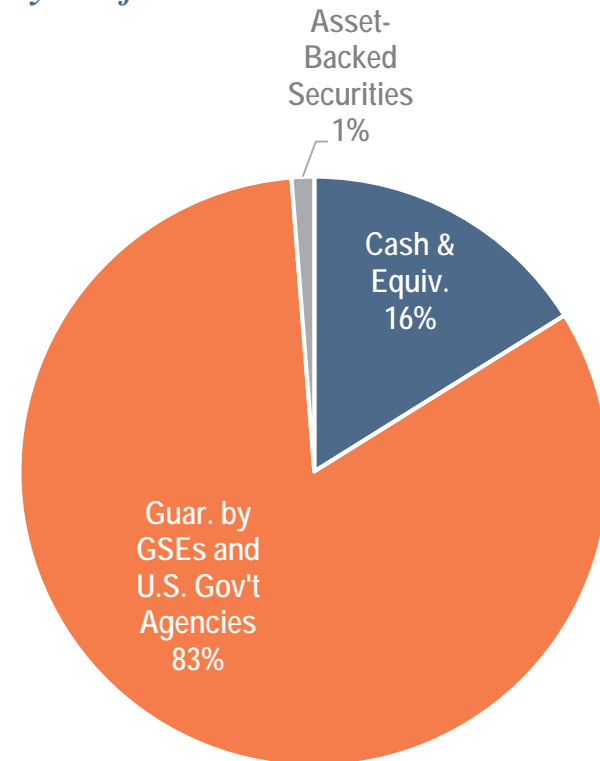
\$2.7 billion investment portfolio at September 30

- Cash and highly-rated investment securities
- Conservative portfolio goals
 - Minimize exposure to market volatility
 - Preservation of capital
 - Ready access to cash
- Provided 212 days of liquidity as of September 30, 2018

Farmer Mac also has \$1.5 billion line of credit with U.S. Treasury

- Supports Farmer Mac’s guarantee obligations
- Farmer Mac has never used this line of credit

Liquidity Portfolio





Regulatory Oversight and Capital

Regulatory/Congressional Oversight

Regulated by SEC under federal securities laws

Subject to NYSE rules since 1999

Regulated by the Farm Credit Administration (FCA) through its Office of Secondary Market Oversight

Congressional oversight through Senate and House Agricultural Committees



Equity Capital Structure

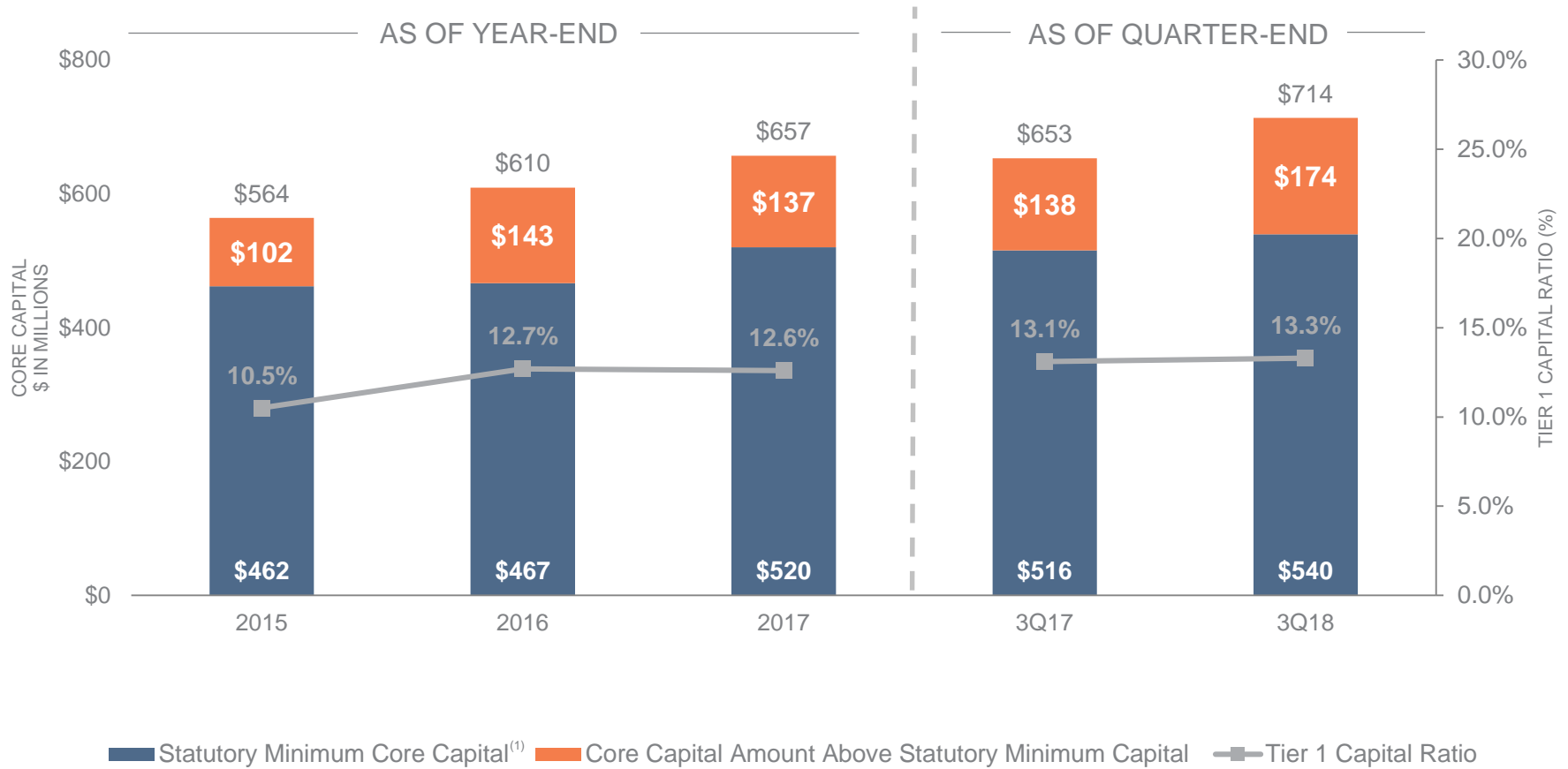
	<i>NYSE Ticker</i>	<i>Dividend Yield</i>	<i>Shares Outstanding</i>
COMMON STOCK	CLASS A VOTING COMMON STOCK • Ownership restricted to non-Farm Credit System financial institutions	AGM.A	3.50% ⁽¹⁾ 1.0 million
	CLASS B VOTING COMMON STOCK • Ownership restricted to Farm Credit System institutions	--	-- 0.5 million
	CLASS C NON-VOTING COMMON STOCK • No ownership restrictions	AGM	3.21% ⁽¹⁾ 9.1 million
PREFERRED STOCK	SERIES A NON-CUMULATIVE PREFERRED STOCK • Option to redeem at any time on or after January 17, 2018 • Redemption Value: \$25 per share	AGM.PR.A	5.875% ⁽²⁾ 2.4 million
	SERIES B NON-CUMULATIVE PREFERRED STOCK • Option to redeem at any time on or after April 17, 2019 • Redemption Value: \$25 per share	AGM.PR.B	6.875% ⁽²⁾ 3.0 million
	SERIES C FIXED-TO-FLOATING RATE NON-CUMULATIVE PREFERRED STOCK • Option to redeem at any time on or after July 18, 2024 • Redemption Value: \$25 per share	AGM.PR.C	6.000% ⁽²⁾ 3.0 million



⁽¹⁾ Common stock dividend annualized divided by quarter-end closing price

⁽²⁾ Par value of annual dividend

Capital



⁽¹⁾ Statutory Minimum Core Capital defined as total stockholders' equity less accumulated other comprehensive income.





Funding Programs

Farmer Mac Debt Program Overview

Finance asset purchases with proceeds of debt issuances

- 31 approved dealers
- Match-funding effectively locks in net spread
- Discount notes issued daily
 - » Regular rollover maturities include overnight, 30, 90, and 365 days
 - » Reverse inquiry for special maturities
- Medium-term notes issued periodically
 - » Fixed rate and callable maturities up to 20 years
 - » Floating rate notes based on a variety of indices
 - » Reverse inquiry for special structures and maturities
- Retail notes (Farmer Mac Notes program)
 - » Bullet and callable structures
 - » Bullets have survivor's option

Farmer Mac's debt securities may carry privileges for certain holders

- Federal Regulated Entities: 20% capital risk weighting
- Federal Reserve Banks: Collateral for advances and discounts
- SEC: Exempt from registration requirements under the 1933 Act
- National Association of Insurance Commissioners: # 1 Designation
- National Credit Union Administration: Investment for federal credit unions
- Investment Company Act of 1940: Classified as a "Government Security"



Farmer Mac Discount Note Program

	<i>Window</i>	<i>Reverse Inquiry</i>
<i>Description:</i>	Structures, sizes, and discount rates are sent to dealer group and posted on Bloomberg System (ADN5 <Go>); sizes are updated until offerings are closed.	Dealer/investor requests structure and sizes; Farmer Mac strives to fulfill each request.
<i>Typical Structures:</i>	Overnight – 1 year	5 months – 1 year
<i>Typical Sizes:</i>	\$5 – 225 million	\$15 – 100 million
<i>Settlement:</i>	Same day – 5 business days	Same day – 5 business days
<i>Issuance Frequency:</i>	Daily	As requested



Farmer Mac Medium-Term Note Program

	<i>Auction</i>	<i>Reverse Inquiry</i>	<i>Syndicated</i>
<i>Description:</i>	Auction time, structures, and sizes sent to dealer group; lowest UST spread wins bonds.	Dealer/investor requests structure and sizes; Farmer Mac strives to fulfill each request.	Order book is generated, deal is priced, and allocated to investors.
<i>Typical Structures:</i>	<ul style="list-style-type: none"> • 3, 5, 7, 10, and 15 year Fixed Rate Bullets • 3, 5, and 10 year Fixed Rate Callables, with a 1 year lockout and Semi-Annual Bermudan call 	<ul style="list-style-type: none"> • Floating (Fed Funds, LIBOR, T-bill, Prime) and Fixed Rate Bullets with maturities up to 15 years • Callables (Fixed and Step Up/Down Rate) with flexible lockout and call features, with maturities of up to 10 years 	3-10 year Fixed Rate Bullets
<i>Typical Sizes:</i>	\$5 – 50 million	\$15 – 200 million	\$250 million and greater
<i>Settlement:</i>	5 – 10 business days	5 – 20 business days	3 business days
<i>Issuance Frequency:</i>	Monthly	As requested	Rarely

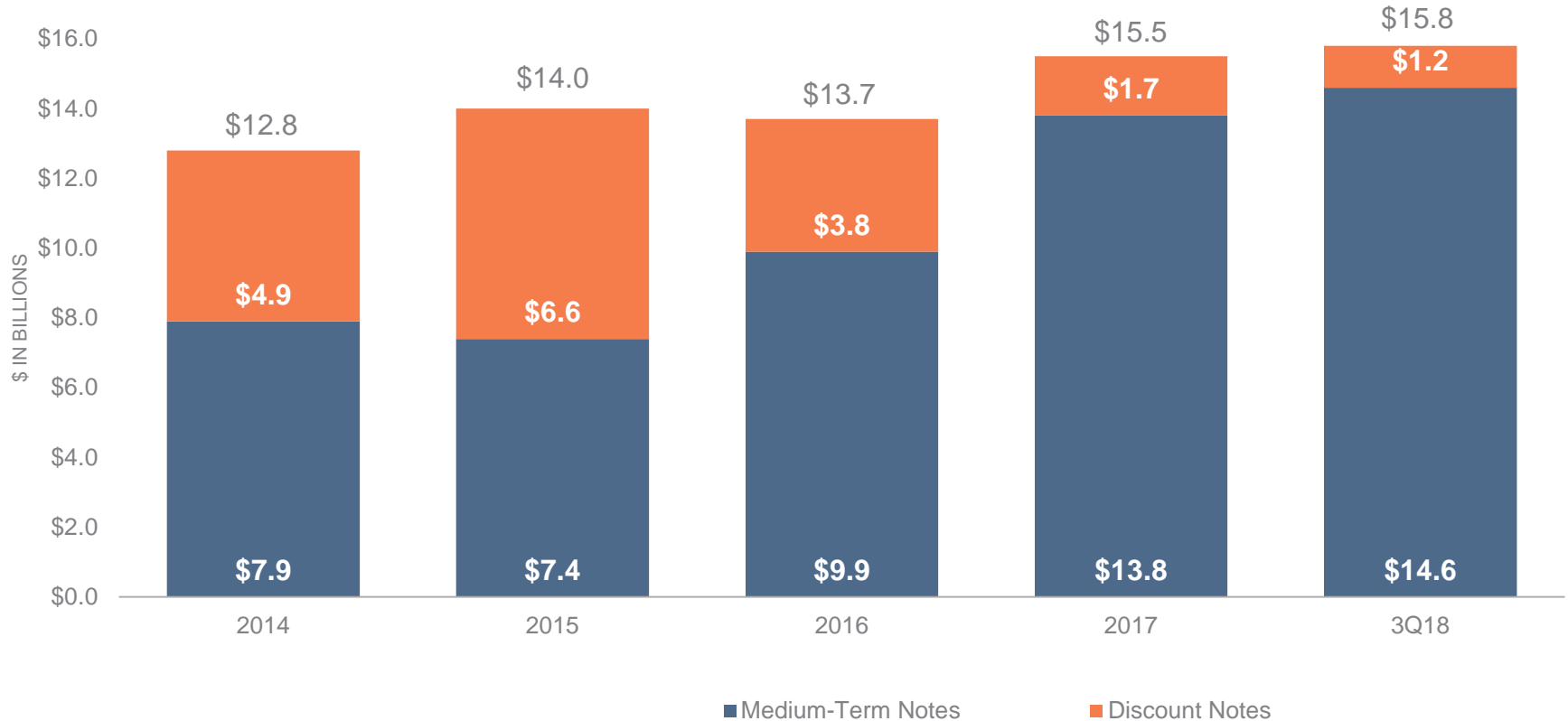


Farmer Mac Notes Program

	<i>Bullet</i>	<i>Callable</i>
<i>Description:</i>	Coupon set on Monday, offering period closes following Monday.	Coupon set on Monday, offering period closes following Monday.
<i>Typical Structures:</i>	7, 10, and 15 year Fixed Rate	Fixed and Step Up Rate with flexible lockout and call features, with maturities up to 15 years
<i>Typical Sizes:</i>	Best Efforts	Best Efforts
<i>Settlement:</i>	3 business days	3 business days
<i>Survivor's Option:</i>	Yes	No
<i>Denominations</i>	\$1,000 x \$1,000	\$1,000 x \$1,000
<i>Settlement</i>	DTC Book Entry	DTC Book Entry
<i>Fiscal Agent</i>	U.S. Bank National Association	U.S. Bank National Association



Farmer Mac Debt Outstanding

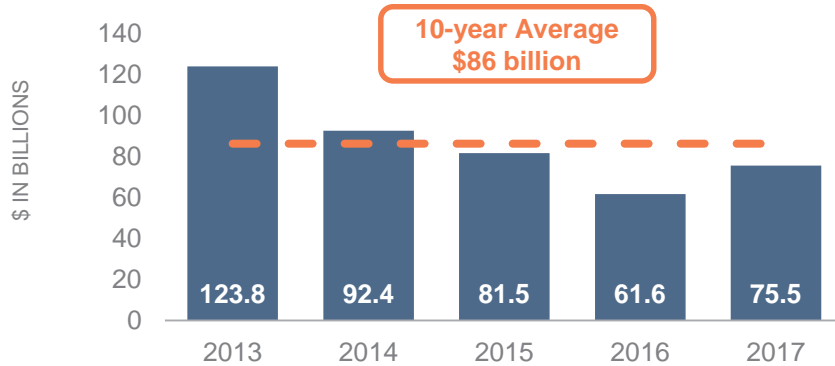




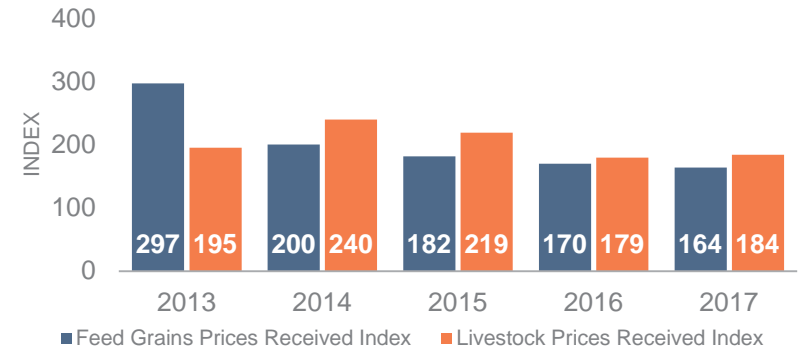
Appendix

Agricultural Industry Dashboard

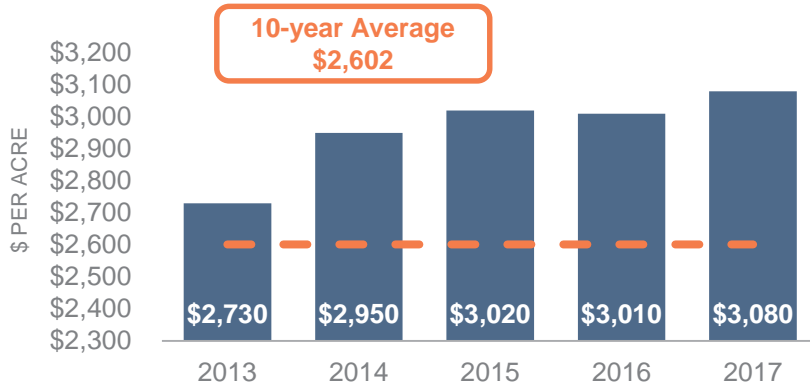
Farm Income⁽¹⁾



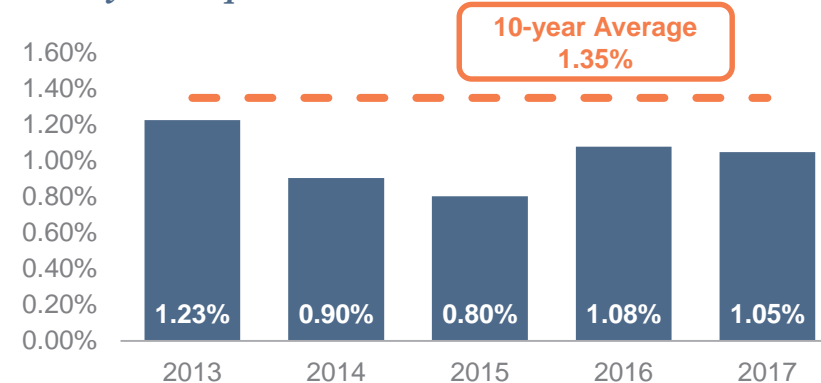
Commodity Index⁽²⁾⁽³⁾



Land Value⁽²⁾⁽⁴⁾



90-Day Delinquencies⁽⁵⁾



(1) Source: USDA, Economic Research Service, nominal dollars (as of August 2018).

(2) Source: USDA, National Agricultural Statistics Service, nominal dollars (as of September 2018).

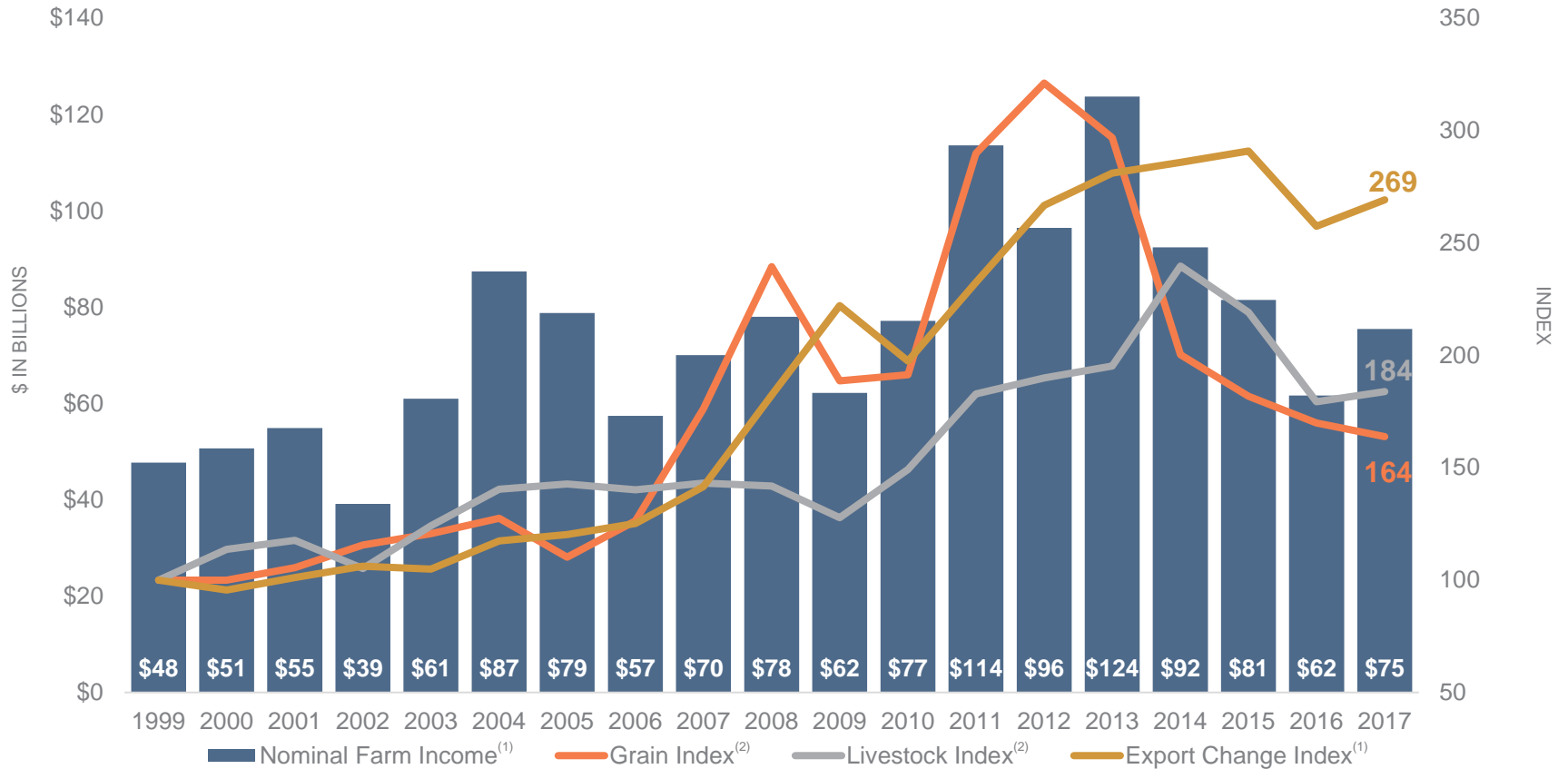
(3) Commodity prices indexed according to 1999 base year as 100.

(4) Land values per acre include all farm and pasture land, irrigated and non-irrigated, as well as building and improvement values.

(5) Source: FDIC Call Report Data & Farm Credit Funding Corp Annual Information Statements – Non-accrual real estate loans and accruing loans that are 90 days or more past due made by commercial and Farm Credit System banks (as of March 2018).



Farm Income and Related Trends

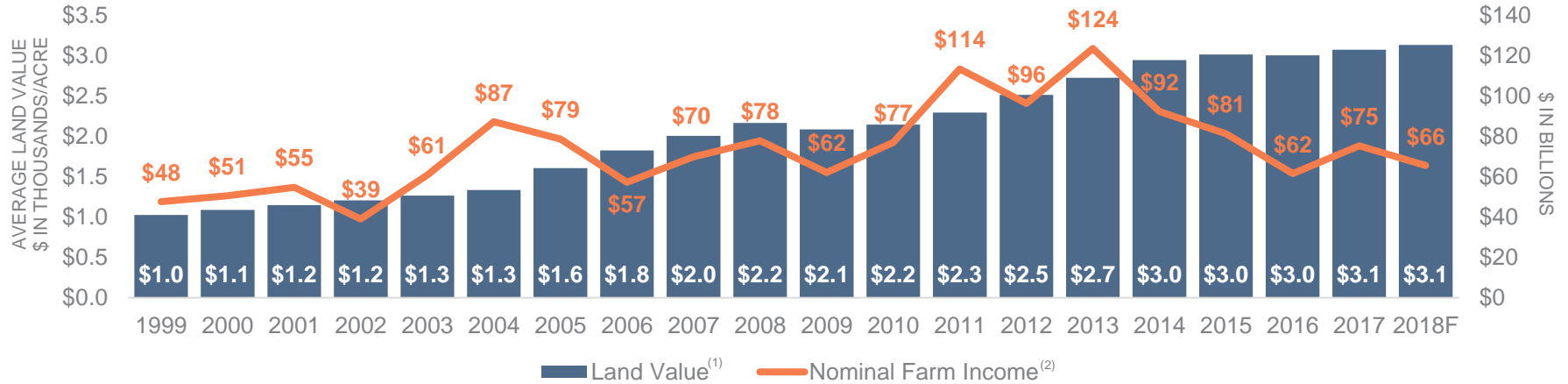


⁽¹⁾ Source: USDA, Economic Research Service, nominal dollars (as of August 2018).

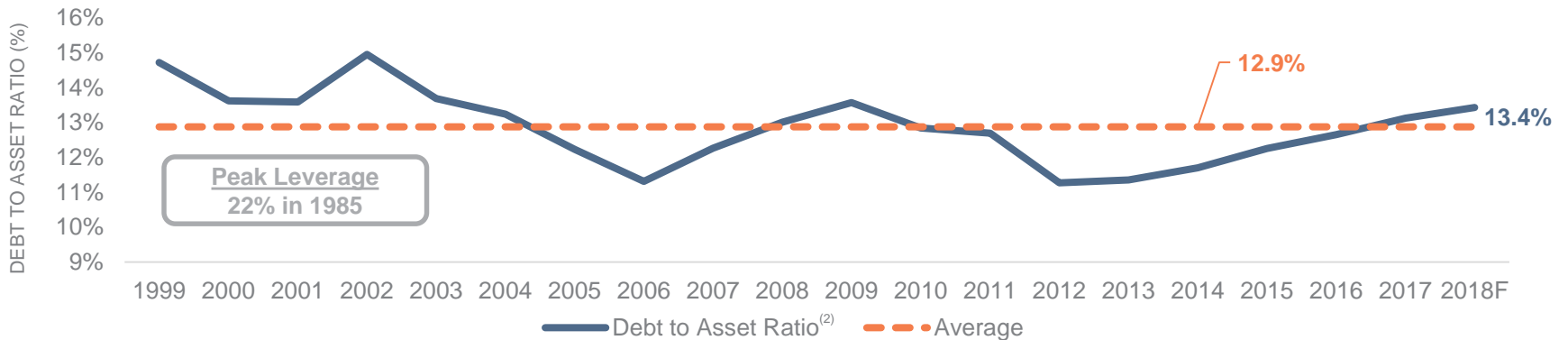
⁽²⁾ Source: USDA, National Agricultural Statistics Service; Indexed to 1999 as 100.

Ag Land Value and Leverage Trends

Ag Land Values



Leverage



(1) Source: USDA, National Agricultural Statistics Service, nominals dollars, (as of August 2018); includes all farm and pasture land, irrigated and non-irrigated.

(2) Source: USDA, Economic Research Service, nominal dollars (as of August 2018).

Agricultural Risk Management Tools

Farmers today use a broad array of risk management tools, many of which were not available or not accepted during the ag credit crisis of the 1980s

- Many now view costs of hedging simply as a cost of doing business
- Have learned from their parents' experiences in the 1980s
- Risk management includes revenue and cost protection and more sophisticated asset liability management

Revenue Hedging

- Crop insurance – more than 90% of planted acres to principal crops carry some form of crop insurance⁽¹⁾
- Crop insurance premiums still federally subsidized and losses shared by the federal government
- Futures/forward sales – many producers use hedging instruments to sell grain crops forward at planting stage

Cost Hedging

- Feed costs hedged with futures/forwards
- Fertilizer and fuel costs can be similarly hedged
- Water availability can be provided via “water banks” and secondary sources of water, e.g. wells
- Water costs can also be hedged with forward purchase agreements

Debt service is better managed with low absolute leverage levels and better rate options



⁽¹⁾ Source: USDA, Risk Management Agency 2016 Summary of Business, Net Acres Insured and USDA NASS 2017 Acreage Report.

USDA – Key 2018 Forecasts ^{(1) (2) (3) (4)}

Demand for U.S. agricultural products to increase

- Demographic trends and a growing global economy contributing to growth
- Lower commodity prices stimulating quantity demanded
- Despite trade uncertainty, USDA predicts total U.S. ag exports to remain high at \$144.0 billion in 2018 and \$144.5 billion in 2019
 - Continued strength in protein exports and higher wheat exports as U.S. helps offset weather issues experienced in other countries
 - U.S. dollar weakened in 2017, but USDA projects agricultural trade weighted dollar index to rise some in 2018

U.S. farm income to fall 13% to \$65.7 billion in 2018

- Market facilitation program payments will offset some of the decline (not included in USDA's numbers)
- After price improvements in first half of 2018, trade disruptions and large harvests have pushed prices lower
- Livestock prices were higher than USDA initially expected in 2017, but pork, cattle and milk prices have eased in 2018
- Input costs are increasing modestly with lower seed and fertilizer costs expected to partially offset other increases

Average U.S. ag land values expected to stay flat to slightly higher

- Declining land values in the Corn Belt have moderated slightly as of 2018
 - USDA data shows year-over-year increases in Iowa and Wisconsin
- Rest of U.S. remains stable to increasing – demand steady in non-grain producing regions
 - Quickest growth seen in Western and Southern states
- USDA projects 1.8% increase in year-end farm real estate asset values in 2018

U.S. agricultural mortgage market forecast to grow 4.4% in 2018



⁽¹⁾ Source: USDA, National Agricultural Statistics Service, nominal dollars (as of August 2018).

⁽²⁾ Source: USDA, Economic Research Service, nominal dollars (as of August 2018).

⁽³⁾ Source: USDA, World Agricultural Supply and Demand Estimates Report, nominal dollars (as of September 2018).

⁽⁴⁾ Source: USDA, Economic Research Service Trade Outlook (as of August 2018).

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