WE'RE THERE. AS SURE AS THE WIND BLOWS.

FARMER MAC

ANNUAL REPORT

2016
Farmer Mac has helped fund loans to over 76,000 rural borrowers in all 50 STATES, which has resulted in more than $43 BILLION of investments in rural America.

WHO WE ARE
Farmer Mac is a vital part of the agricultural credit markets and was created to increase access to and reduce the cost of capital for the benefit of American agricultural and rural communities. As the nation’s premier secondary market for agricultural credit, we provide financial solutions to a broad spectrum of the agricultural community, including agricultural lenders, agribusinesses, and other institutions that can benefit from access to flexible, low-cost financing and risk management tools.

Farmer Mac’s customers benefit from our low cost of funds, low overhead costs, and high operational efficiency. In fact, we are often able to provide the lowest cost of borrowing to agricultural and rural borrowers. For more than a quarter-century, Farmer Mac has been delivering the capital and commitment rural America deserves.

WE’RE THERE.
As sure as the wind blows.

Farmer Mac is committed to serving the financial needs of our customers—in times of agricultural growth and just as faithfully during market downturns. As the ag market faces challenges, Farmer Mac remains steadfast in our mission of improving the financial strength of America’s rural communities.
WE ARE, AS TRUE AS THE WIND BLOWS. Farm incomes have fallen over the last year, as certain sectors and even lower commodity prices and adverse weather from excess supply. Throughout inevitable agricultural economic cycles, Farmer Mac remains resilient in our commitment to provide financial tools to extend the type of flexibility, low-cost financing that is necessary to allow rural America to adapt, grow, and flourish. As flows in farm commodities softened through all sectors, and as rural credit markets have tightened, the increased demand for our innovative financial solutions affirms the appeal of our broad offerings through our nationwide mortgage bankers and lenders. At Farmer Mac, we’re honored to collaborate with our customers in helping to build a stronger rural America for the resilient people who make up those communities. We will stand by them in good times and bad. That is the theme of this year’s annual report: “We’re There. As Sure as the Wind Blows.—Signs this strong commitment, Farmer Mac.”

STRENGTH IN DIVERSITY
Farmer Mac’s unique market position reflects our dedicated focus on meeting the needs of our customers, and products—a diversity that helps to mitigate the inherent volatility of the agricultural economy.

Our broad customer base ranges from small community banks and Farm Credit System institutions to large banks and insurance companies and a large rural utilities cooperative. We offer a wide array of products and solutions to support the evolving, varied needs of these different groups. We understand that our customers—whether big or small—need access to low-cost credit and effective risk management tools. From crop insurance to credit protection to wholesale financing, our flexible and efficient solutions help ensure that our customers and, ultimately, rural America’s farmers, ranchers, and broader community can grow and thrive. And by delivering effectively upon our mission, Farmer Mac and its stockholders can be share in these returns.

Farmer Mac’s portfolio is diversified both geographically and by commodity, and we believe it is well-positioned to perform well across a variety of conditions. We are particularly proud of our ability to diversify our customer base, which helps to mitigate the inherent volatility of the agricultural economy. Our portfolio of assets represents a unique combination of emerging agricultural sector businesses and commodities, from alfalfa to barley, almonds to apples, beans to dairy cattle, and over a hundred more. The breadth, strict underwriting standards, and quality of our business is a core strength of Farmer Mac. We have cultivated a balanced portfolio designed to overcome regional market and commodity fluctuations to ensure that we can fulfill our mission in all market conditions and deliver strong results to our stockholders.

STRENGTH IN CHARACTER
Just as we are proud of our customers, we also stand by our employees. Given the diverse nature of our customers, products, and portfolio, we at Farmer Mac understand the importance of diversifying our talent in agricultural and rural communities to meet the demands of those we serve. We understand that in order to maintain and grow that position in our industry. Over the past several years, we have successfully filled key positions to proactively address the ever-changing demands of those we serve. While it is important to seek fresh talent and new perspectives, we are committed to ensuring that over one-quarter of our employees have dedicated more than ten years of their career to Farmer Mac, bringing to bear a deep knowledge of the industry and our business that is extremely valuable and difficult to replicate. Ultimately, it is this diverse experience that fosters our culture of innovative thinking, encourages collaboration, and bolsters a shared passion for our mission. It is in meeting our customers’ needs with unrelenting excellence. We are proud of the strong, passionate and dedicated team that Farmer Mac is fortunate enough to call its own.

STRENGTH IN OUR FINANCIAL PERFORMANCE
Farmer Mac’s commitment to our mission, our “can-do” ethos, and our intense focus on the well-being of our stockholders continues to produce the results we seek to achieve. We’re happy to report the financial results that Farmer Mac achieved in 2016 continued this strong trend. Since last year, our core earnings increased by more than 9% to $15.8 million, and our net income in 2016 was $37.1 million, representing an all-time high for the company. In fact, our assets have grown by an average annual rate of more than 6% over the last 17 years. In addition, we have begun to see the expected normalization of credit metrics—from bottom-of-fiscal-year levels several years ago—s we continue to invest in the technology and capacity to better serve our business and more fully deliver upon our mission. We plan to build on this momentum to increase rural America’s access to our products and solutions.

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MOVING FORWARD
No matter what challenges the agricultural community faces, Farmer Mac has shown itself to be a durable and vibrant part of the agricultural economy, and we are committed to being a trusted partner to rural America.

Over the last year, we have made great strides in increasing our brand awareness and brand awareness in the marketplace as a leading national expert in agricultural financing. We have also significantly expanded our investment in the technology and capacity to better serve our business, and our focus on rural America’s access to our products and solutions.

The future holds significant opportunity for our suite of financing and risk management solutions, and we strongly believe that this will continue to improve our market share and our success in bringing new, low-cost capital to the agricultural and rural communities that we so proudly serve.

The American agricultural economy has always been cyclical in nature, going through both prosperous and stressful periods for generations. But one thing is sure: Farmer Mac is committed to the work ... We will continue to diversify and invest in the technology and capacity to better serve our business, and our focus on rural America’s access to our products and solutions.

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WHILE THE FARM ECONOMY CONTINUED TO CONTRACT IN 2016, FARMER MAC WAS THERE, AS ALWAYS, WITH THE RIGHT SOLUTIONS TO HELP FARMERS, RANCHERS, AND RESIDENTS OF RURAL COMMUNITIES NATIONALWIDE.

Ag producers are accustomed to market swings that test the resolve of the most resilient farm and ranch owners, but we’re here to help make those market fluctuations less of a challenge. The 2016 farm economy has resulted in falling farm income, lower land values, fewer farm operations, and increased debt, placing strains on rural communities.

Ag lenders across the country use Farmer Mac’s flexible and diverse solutions to help mitigate the risks of tighter credit conditions resulting from a market downturn. Farmer Mac was created to extend capital and increase lending capacity in rural America, regardless of market conditions, and we deliver on that commitment every day.

Ag is an essential component of our nation’s heritage, producing food, fiber, and fuel for a growing global population. Despite economic challenges, the American agricultural community remains resilient, demonstrating its ability to adapt and thrive even in difficult times.

Farmer Mac enjoys a unique position as our diverse solutions provide opportunities during both strong and weak markets, enabling lenders to help their borrowers grow, as well as manage risk, and provide low-cost capital to the rural credit market.

**U.S. ag economy in 2016**

- **Net Farm Income**: $68.3 billion, down 15.6%
- **Number of Farm Operations**: 2.1 million, down 0.4%
- **Total Farm Assets**: $2.9 trillion, down 1.4%
- **Total Farm Debt**: $375.7 billion, up 5.3%

**Farmer Mac’s position in 2016**

We continue to provide solutions to help lenders mitigate risk and increase access to capital in the face of challenging economic conditions.

**Total Outstanding Farm & Ranch Loan Purchase Volume**: ~$3.5 billion, new farm & ranch loan purchases: ~$1.0 billion

**Total Outstanding USDA Guaranteed Loan Purchase Volume**: ~$2.1 billion, new USDA guaranteed loan purchases: ~$481.3 million

**Total Outstanding Rural Utilities Volume**: ~$1.9 billion, new rural utilities volume: ~$491.9 million

**Total Outstanding Institutional Credit Volume**: ~$7.3 billion, new advantage securities purchases: ~$2.1 billion

**Source**: USDA Economic Research Service Farm Income & Wealth Statistics, as of February 2017; comparing 2016 to 2015

**ANNUAL GROWTH**

- **Total Outstanding Farm & Ranch Loan Purchase Volume**: 13%
- **Total Outstanding USDA Guaranteed Loan Purchase Volume**: 13%
- **Total Outstanding Rural Utilities Volume**: 23%
- **Total Outstanding Institutional Credit Volume**: 8%

**Farmer Mac’s Position**

Farmer Mac enjoys a unique position as our diverse solutions provide opportunities during both strong and weak markets, enabling lenders to help their borrowers grow, as well as manage risk, and provide low-cost capital to the rural credit market.
THE DIVERSITY OF OUR BUSINESS

OUR CUSTOMERS
From small, rural community banks to large ag financing institutions, Farmer Mac’s customers mirror the rural American landscape.

A SMALL SAMPLING OF OUR CUSTOMERS ACROSS THE COUNTRY

$20K TO $1B
JUST LIKE OUR CUSTOMERS, OUR TRANSACTIONS VARY IN SIZE AND SCOPE FROM SMALL AGRICULTURAL MORTGAGE PURCHASES TO LARGE, SOPHISTICATED WHOLESALE FINANCING DEALS.

IS OUR STRENGTH

OUR SOLUTIONS
Farmer Mac’s solutions reflect the sweeping scope of our customers’ needs and our core promise to be stalwart in the face of changing economic conditions.

WE PROCESSED 3,878 LOAN SUBMISSIONS IN 2016.

WE’VE UNDERWRITTEN 139 COMMODITIES FROM CATTLE TO CASABA MELONS.

1 IN 4 OF OUR LENDING PARTNERS HAVE USED MULTIPLE SOLUTIONS.

OUR DIVERSE FARM & RANCH PORTFOLIO

96% OF OUR CURRENT FARM & RANCH AND USDA GUARANTEED LOANS ARE TO FAMILY FARMS.

FARMERS, RANCHERS, AND LENDERS IN 500 COUNTIES ACROSS THE COUNTRY HAVE BENEFITED FROM OUR FARM & RANCH AND USDA LOAN PURCHASE SOLUTIONS.

THAT'S 80% OF U.S. COUNTIES!

© As of December 31, 2016
© Median average
MANY LENDERS IN RURAL AMERICA face a daunting challenge when competing against the wide array of financial products offered by other financial institutions. Farmer Mac helps even that playing field with solutions like FARM & RANCH LOAN PURCHASE and USDA GUARANTEED LOAN PURCHASE, equipping lenders with the ability to offer competitive rates and favorable terms from a broad suite of products.

Our solutions also help minimize credit risk and increase liquidity, allowing our lenders the freedom to reallocate capital to the benefit of the farmers, ranchers, and residents of rural communities that we’re committed to supporting.

“What is a Loan Purchase?”
Farmer Mac purchases loans, as well as USDA-guaranteed portions of loans, from our approved lenders that are secured by first lien mortgages on eligible agricultural real estate assets. This solution provides attractive long-term financing at favorable rates, enabling lenders to not only maintain the borrower relationship, but also grow with their existing customers while attracting new ones.

David Buman, Chief Lending Officer & SVP TS AG FINANCE, TS BANKING GROUP

Our community bank has experienced significant growth over the past few years and Farmer Mac’s Loan Purchase solution has been an integral component of that success. Since becoming an approved seller in 2014 and offering Farmer Mac’s attractive loan products, we’ve acquired new clients we would not have otherwise secured.

NEW FARM & RANCH AND USDA GUARANTEED LOANS PURCHASED INCREASED NEARLY 30% IN 2016 COMPARED TO THE PRIOR YEAR.

“Grow with Farm Customers”
Farmer Mac purchases ag real estate loans of up to $50 MILLION per borrower, enabling lenders to accommodate their borrowers’ growing financing needs.

“Improve the Bottom Line”
When utilizing our Loan Purchase solutions, lenders may earn origination and servicing fees for the life of the loan.

“Attract New Borrowers”
Our competitive rates, terms, and loan products match today’s farmers’ needs. In 2016,

“Fast Turnaround”
We understand that timing is everything in farming, proven by our average Loan Purchase approval time of less than 2 DAYS.
Solution CREDIT PROTECTION

“Innovative financial solutions and quick credit decisions attracted Bank of the West to Farmer Mac. We now have the ability to leverage financial tools like Credit Protection that enable us to manage the credit risk associated with our large-scale farm operators who have significant lending needs.”

ROGER STURDEVANT, EXECUTIVE VICE PRESIDENT - AGRIBUSINESS BANKING DIVISION
BANK OF THE WEST

Reduced Regulatory Risk Weighing:
With Farmer Mac’s Purchase Commitment product, the capital risk weighting on a loan may drop from 100% to as little as 20%.

Solution CREDIT PROTECTION

What Is a PURCHASE COMMITMENT?
The Purchase Commitment product allows lenders to obtain credit protection for eligible loans through Farmer Mac. If the loan goes into default, Farmer Mac commits to purchase, making it an effective portfolio risk management tool that assists lenders with obligor limits, capital relief, and commodity concentration.

32,389 LOANS HAVE RECEIVED CREDIT PROTECTION SINCE THE PROGRAM STARTED IN 1999.

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BY LEVERAGING THE FULL POWER OF THEIR AG REAL ESTATE ASSETS, agricultural lenders, agribusinesses, and investment firms can access funding for a broad range of applications through Farmer Mac’s Wholesale Financing solutions. This distinct and valuable tool provides fast, efficient, and low-cost funding.

To meet the specific financing needs of our customers—from the expansion of farm operations to acquisitions to debt refinancing—Farmer Mac provides customizable solutions through innovative products such as AGVANTAGE.

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (CFC) was created to provide additional financing options to America’s electric cooperative network, effectively serving the diverse capital demands of the nation’s rural electric systems. These financing needs vary by region, season, and market conditions, and thus the ability to access capital in flexible ways is critical.

Since 2005, CFC has relied on Farmer Mac’s suite of adaptive solutions, including LOAN PURCHASE, CREDIT PROTECTION, and WHOLESALE FINANCING, as an additional source of funding for its members, ensuring they receive the most favorable interest rates and best financing terms available. As a private cooperative lender representing not-for-profit electric cooperatives, these savings are passed directly to the 18 million American farms, homes, businesses, and schools their members serve, helping to boost the economies of U.S. rural communities.

Our partnership with CFC exemplifies the value of our diverse financial solutions and its positive effect on rural America.

WHOLESALE FINANCING

LENDERS GAIN ACCESS TO FARMER MAC’S LOW BORROWING RATES, WHICH CAN SAVE THEM 25 TO 75 BASIS POINTS OR MORE.

Our partnership with CFC provides a distinct advantage for CFC and our members. Their collaborative approach ensures we always find the best solution to meet our specific financing needs. Farmer Mac has proven to be an invaluable resource to the rural electric cooperative network and the 42 million Americans in 47 states that we serve.

SHELDON PETERSEN, CHIEF EXECUTIVE OFFICER, NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (CFC)

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WHOLESALE FINANCING has two core products from which to choose. Both can be customized to fit the unique needs of the borrower.

AGVANTAGE® tailored for mortgage lenders

FARM EQUITY AGVANTAGE® designed for investors or owners of agricultural real estate assets

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WHOLESALE FINANCING

© 2023 Farmer Mac

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WHOLESALE FINANCING

© 2023 Farmer Mac
$6.1 BILLION

$17.4 BILLION

56% CROPS
17% PERMANENT PLANTINGS
21% LIVESTOCK
5% PART-TIME FARM
1% AG STORAGE & PROCESSING

OUR PORTFOLIO OF COMMODITIES

60 CROPS
29 PERMANENT PLANTINGS
17 LIVESTOCK
IN CUMULATIVE LOSSES 0.16% OF CUMULATIVE FARM & RANCH LOANS, GUARANTEES, AND PURCHASE COMMITMENTS

$22 BILLION
OF CUMULATIVE FARM & RANCH LOANS, GUARANTEES, AND PURCHASE COMMITMENTS

OUTSTANDING BUSINESS VOLUME
As of December 31 of each year depicted

$17.4 BILLION

FARMER MAC’S OUTSTANDING BUSINESS VOLUME GROWTH REPRESENTS A 12.4% COMPOUND ANNUAL GROWTH RATE OVER THE LAST 17 YEARS.

PROVEN CREDIT PERFORMANCE
As of December 31, 2016

$22 BILLION

OUR HISTORICAL CREDIT LOSSES, WHICH EQUATE TO LESS THAN ONE BASIS POINT PER YEAR, CONTINUE TO DEMONSTRATE OUR LONG-STANDING FOCUS ON HIGH CREDIT QUALITY.
## CORPORATE INFORMATION

**Corporation Board Chairman**
John C. Covington, General Counsel and Secretary

**EXECUTIVE OFFICERS**

**Chairman and Chief Executive Officer**
Timothy L. Buzby

**President and Chief Financial Officer**
R. Dale Lynch

**Senior Vice President—Chief Financial Officer and Treasurer**
Stephan C. Mulleny

**Senior Vice President—General Counsel and Secretary**
John C. Covington

**Agricultural Finance**

**Board of Directors**

As of April 1, 2017

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Douglas L. Flor</td>
<td>Former Farm Credit Administration Director, Board Member</td>
</tr>
<tr>
<td>Cameron, Texas</td>
<td>Former Farm Credit Administration Director, Board Member</td>
</tr>
<tr>
<td>Sara Faivre</td>
<td>Former Farm Credit Administration Director, Board Member</td>
</tr>
<tr>
<td>Yankton, South Dakota</td>
<td>Former Farm Credit Administration Director, Board Member</td>
</tr>
<tr>
<td>Thomas W. Hill</td>
<td>Former Chief Financial and Operations Officer</td>
</tr>
<tr>
<td>Phillip, Ohio</td>
<td>Former Chief Financial and Operations Officer</td>
</tr>
<tr>
<td>Myles J. Watts</td>
<td>Vice Chairman, Agricultural Economics Moderator State University</td>
</tr>
<tr>
<td>Des Moines, Iowa</td>
<td>Vice Chairman, Agricultural Economics Moderator State University</td>
</tr>
<tr>
<td>Dennis A. Everard</td>
<td>Director, First Dakota National Bank</td>
</tr>
<tr>
<td>South Dakota, Sibley</td>
<td>Director, First Dakota National Bank</td>
</tr>
<tr>
<td>Chester J. Culver</td>
<td>President, Northern Bank</td>
</tr>
<tr>
<td>Des Moines, Iowa</td>
<td>President, Northern Bank</td>
</tr>
<tr>
<td>John C. Covington</td>
<td>General Counsel and Secretary</td>
</tr>
<tr>
<td>St. Paul, Minnesota</td>
<td>General Counsel and Secretary</td>
</tr>
<tr>
<td>David M. Minor</td>
<td>President, Farmers National Bank</td>
</tr>
<tr>
<td>St. Paul, Minnesota</td>
<td>President, Farmers National Bank</td>
</tr>
<tr>
<td>Richard R. Davidovich</td>
<td>Director, AgraFLO</td>
</tr>
<tr>
<td>St. Paul, Minnesota</td>
<td>Director, AgraFLO</td>
</tr>
<tr>
<td>Sara Faivre</td>
<td>Founder and President, Sara Faivre Executive Mentoring Foundation</td>
</tr>
<tr>
<td>Provo, Utah</td>
<td>Founder and President, Sara Faivre Executive Mentoring Foundation</td>
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<td>Former Chief Financial Officer</td>
</tr>
<tr>
<td>Glenview, Illinois</td>
<td>Former Chief Financial Officer</td>
</tr>
<tr>
<td>Douglas E. Philpott</td>
<td>President and Chief Financial Officer</td>
</tr>
<tr>
<td>Wexford, Virginia</td>
<td>President and Chief Financial Officer</td>
</tr>
</tbody>
</table>

**Chief Financial and Operations Officer**
Thomas W. Hill, Former

**Chief Financial and Operations Officer**
Thomas W. Hill, Former

**Treasurer and Chief Financial Officer**
Douglas L. Floyd, Former

**Secretary**
Douglas E. Philpott, Former

**ANNUAL MEETING OF STOCKHOLDERS**

Thursday, May 4, 2017
8:00 a.m.
Continental Stock Transfer & Trust Company
Eighth Floor
1999 K Street, N.W.
Washington, D.C. 20006

**STOCK EXCHANGE**

Farmer Mac’s Class A Common and Class C Non-Voting common stocks trade on the New York Stock Exchange under the symbols AGA and AGC, respectively.

**CORPORATE HEADQUARTERS**

1999 K Street, N.W.
Washington, D.C. 20006
Telephone: 888.509.5586
Fax: 202.432.7716
Website: www.farmermac.com

**FINDING RELEVANT INFORMATION**

**CONCLUSION OF RECONCILIATION OF NET INTEREST INCOME AND NET YIELD TO NET EFFECTIVE SPREAD**

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Total</th>
<th>Dated</th>
<th>Period</th>
<th>Yield</th>
<th>Core</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2016</td>
<td>$84,312</td>
<td>$47,371</td>
<td>$36,941</td>
<td>0.91%</td>
<td>0.87%</td>
</tr>
</tbody>
</table>

**Core Earnings**

Corporation reports its financial results in accordance with generally accepted accounting principles. In addition to GAAP measures, it reports non-GAAP measures to measure corporate economic performance and develop financial plans because, in management’s view, they are useful alternative performance measures to measure corporate economic performance and development plans because, in management’s view, they are useful alternative performance measures in assessing and measuring trends. These non-GAAP financial measures that Farmer Mac uses are not necessarily comparable to similar measures used by other companies. They are not considered in accordance with GAAP. In addition to GAAP measures, Farmer Mac reports its financial results in accordance with generally accepted accounting principles. In management’s view, they are useful alternative performance measures in assessing and measuring trends. These non-GAAP financial measures that Farmer Mac uses are not necessarily comparable to similar measures used by other companies. They are not considered in accordance with GAAP.
Financing Rural America®