

The Feed – Summer 2016

FARMER  AC

Curt Covington, SVP Agricultural Finance

Jackson Takach, Economist

Brian Brinch, VP Financial Planning & Analysis

August 18, 2016

Your Presenters Today

Curt Covington – SVP of Agricultural Finance

- *Leads marketing and credit departments at Farmer Mac*
- *Chairman of RMA Ag Bankers Committee*
- *Co-chair at the Agricultural Lending Institute*
- *Three decades in ag lending*
- *Grew up on the family farm in Selma, California*



Jackson Takach - Economist

- *Lead author of The Feed*
- *Analyzes credit, interest rate, and other market-based risks at Farmer Mac*
- *MS in Agricultural Economics from Purdue University*
- *MBA from Indiana University*
- *CFA Charterholder*
- *Grew up in rural Kentucky*



Brian Brinch – VP of FP&A

- *Contributing author of The Feed*
- *Responsible for company's financial projections and risk analytics*
- *MS in Agricultural and Applied Economics from Penn State*
- *Majored in meteorology as an undergraduate*
- *CFA Charterholder*
- *FRM Certified*



Agenda

The Feed

Farmer Mac's Quarterly Perspective on Agriculture

Summer 2016

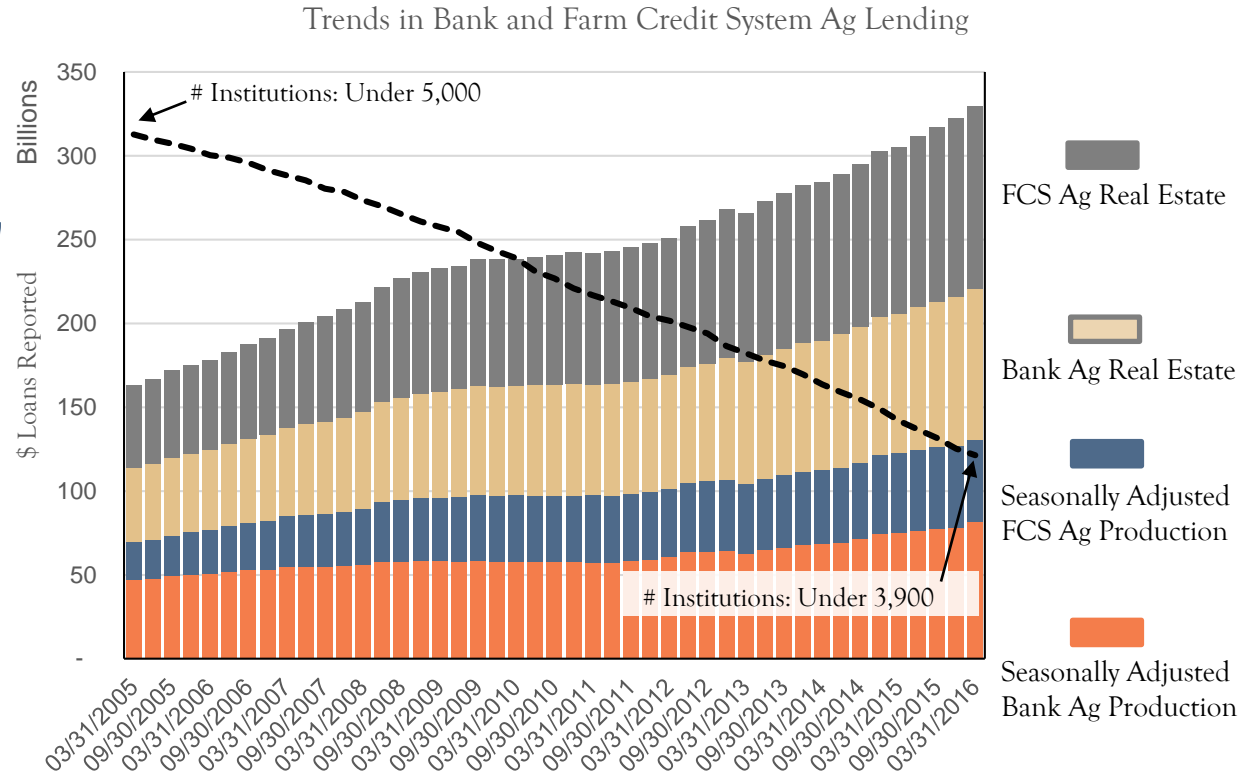
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FINANCING RURAL AMERICA

- *Highlights from the analysis*
- *Updates with latest projections and predictions*
- *Why they are important for producers and lenders alike*
- *What to expect in the next edition*
- *How you can access this and future editions*
- **Q&A**

Highlight 1: Ag Lenders Stretch to Meet Demand

- **Outstanding ag loans have doubled in the last 10 years**
- **Demand for ag loans hit all-time high in Q1**
- **Lenders are meeting demand but collateral requirements are higher**
- **Consolidation of lenders likely to continue**
 - 100 fewer ag lenders by end of 2016
 - 500 fewer ag lenders by end of 2020



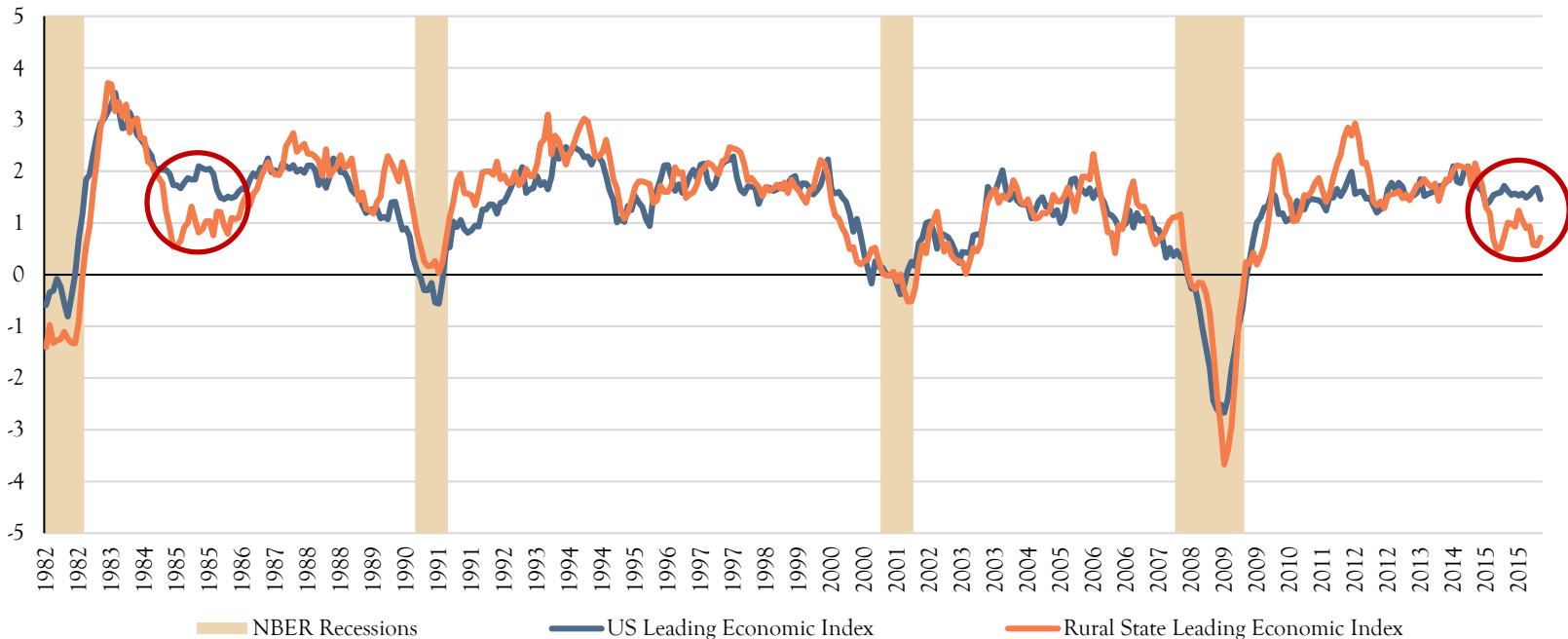
Source: FDIC and FCA Call Report Data



Highlight 2: Rural Economy Slows

- Lower farm income results in lower economic activity in other sectors
- Similar separation between national economy and rural economies as the 1980s
- Three years to return to national average after the 1980s Farm Crisis
- Halfway through with no meaningful increase in credit stress

Leading Economic Indices: US and Rural State Averages

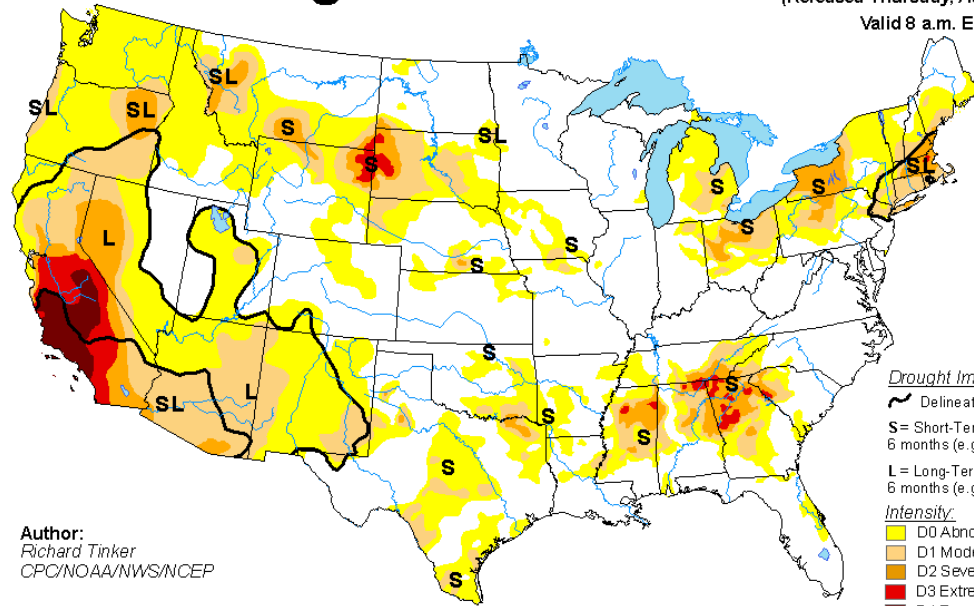


Highlight 3: Good Grain Weather, CA Still Dry

- **Good timing of summer heat in grain belt**
- **Soil moisture remains good in much of Midwest**
- **El Niño definitely helped Western states this winter**
- **Reservoirs held up reasonably well throughout summer in most areas**
- **Drought conditions persist in San Joaquin Valley**
- **Weak La Niña likely in fall and winter months**

U.S. Drought Monitor

August 9, 2016
(Released Thursday, Aug. 11, 2016)
Valid 8 a.m. EDT



Author:
Richard Tinker
CPC/NOAA/NWS/NCEP

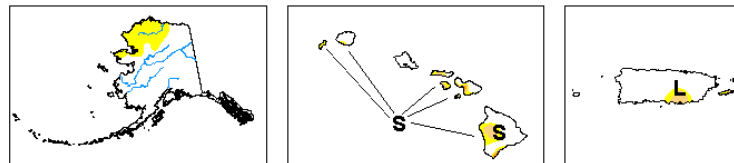
Drought Impact Types:

- ~ Delineates dominant impacts
- S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.



<http://droughtmonitor.unl.edu/>

Source: Drought Monitor, University of Nebraska-Lincoln

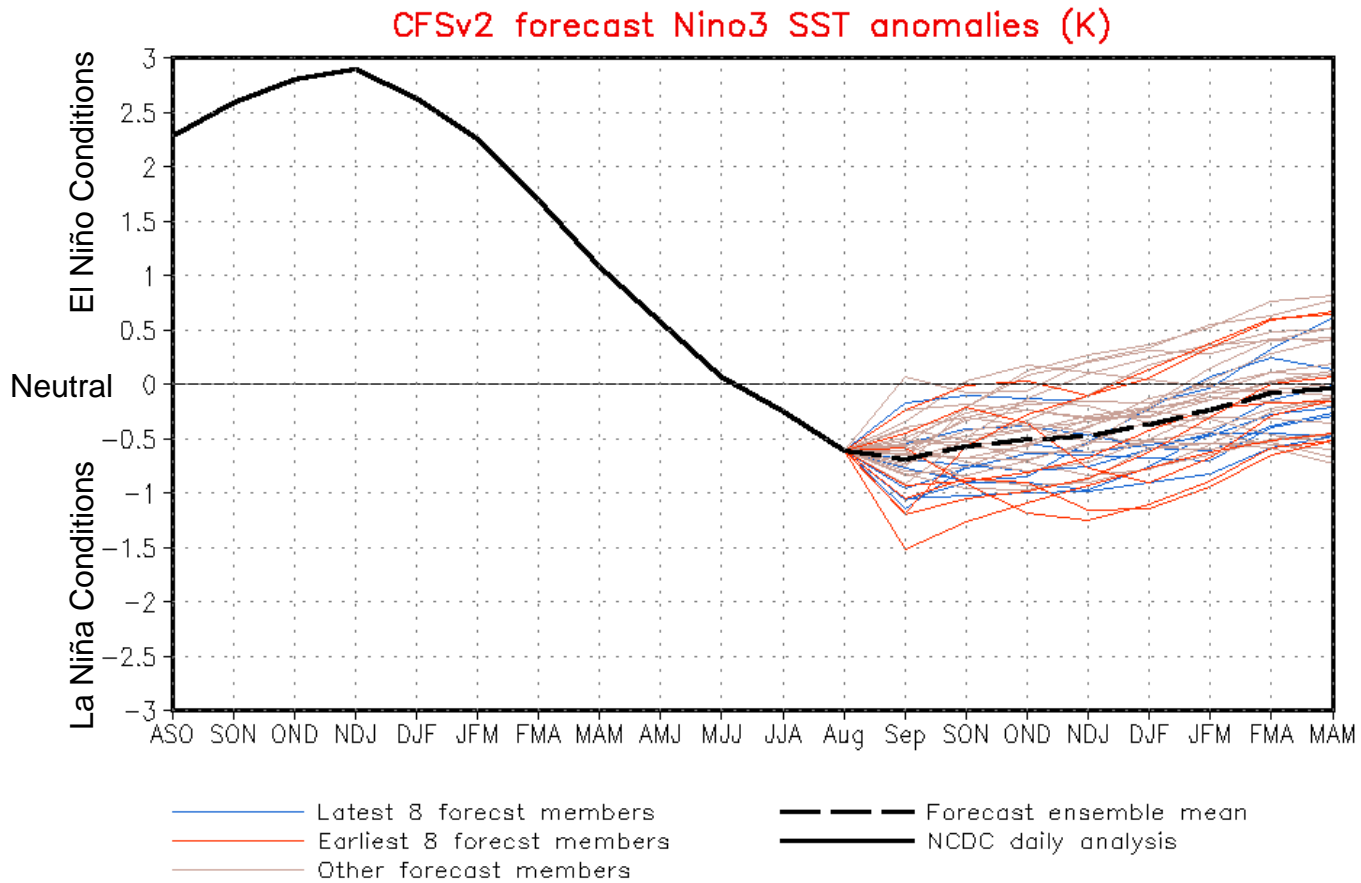


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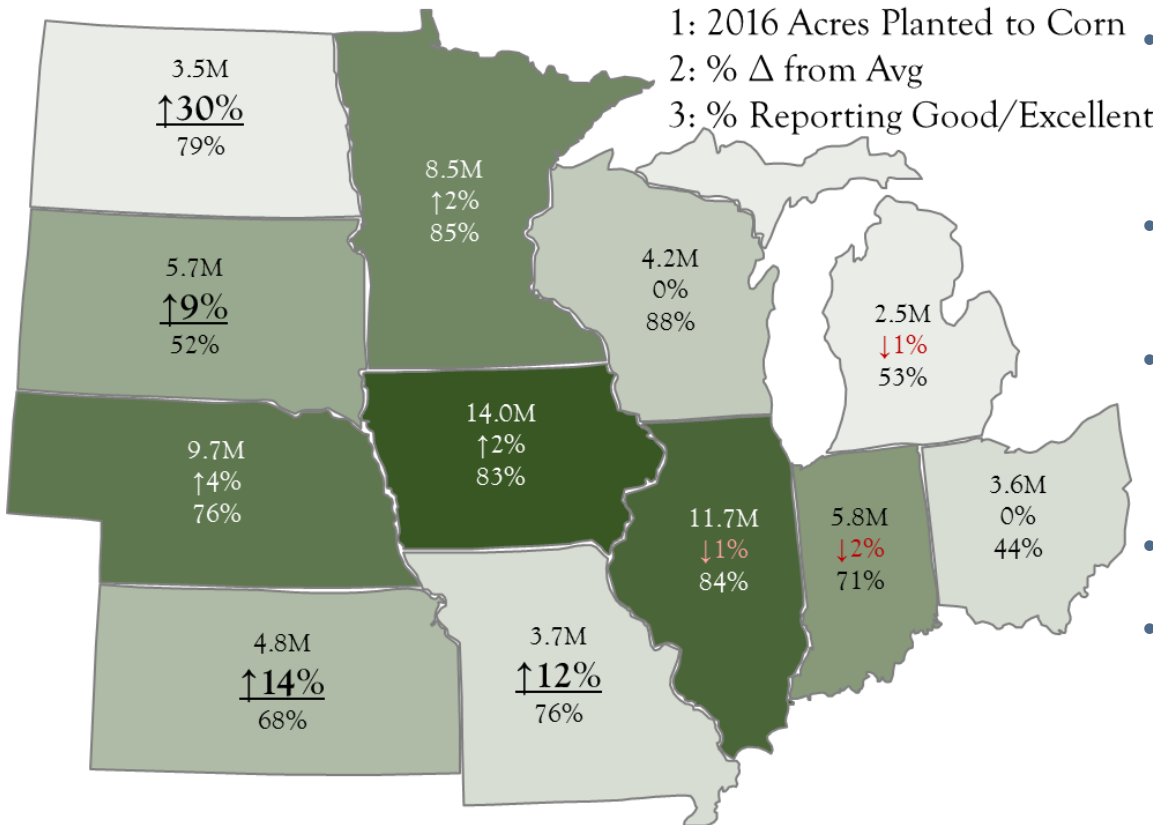


NWS/NCEP/CPC

Last update: Wed Aug 17 2016
Initial conditions: 18Jul2016-27Jul2016



Highlight 4: Much, Much More Corn



USDA prospective plantings report shows more corn planted in 2016

- **Most acres coming out of wheat**
- **Prices have weakened since June on news of likely bumper crop**
- **Will we see a record yield?**
- **Some disruption in South America but likely to rebound in 2017**

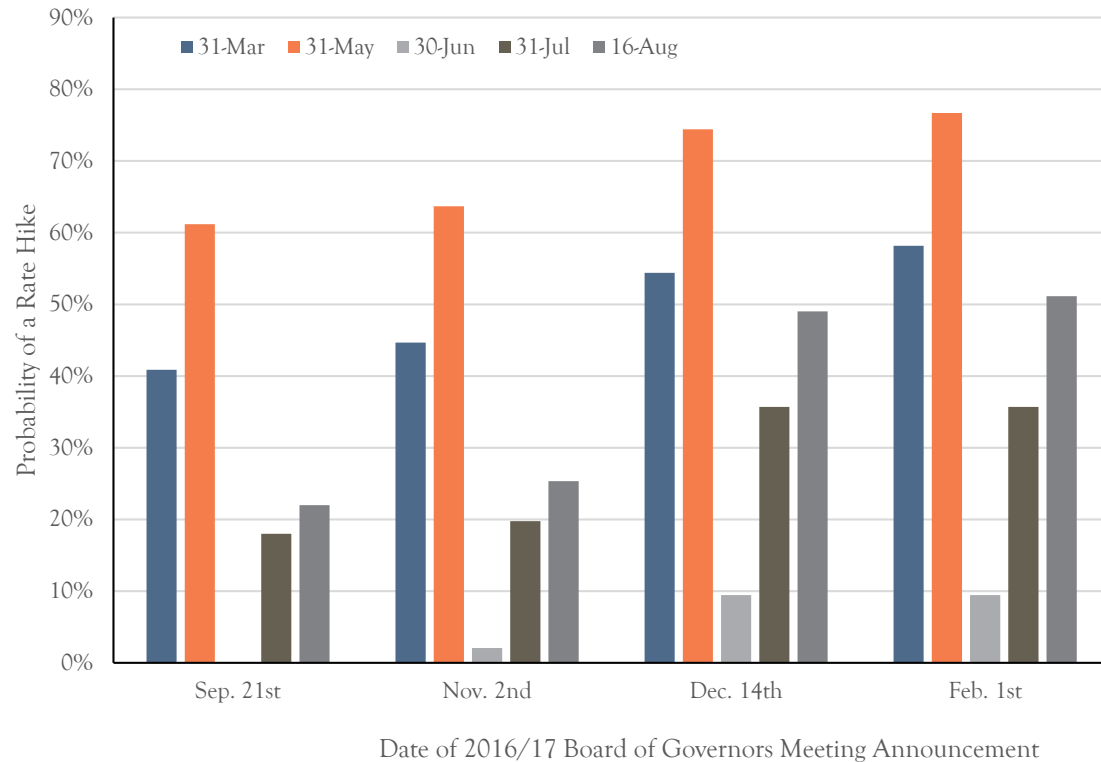
Source: USDA National Agricultural Statistics Service Data



Highlight 5: Interest Rate Hike?

- **After Brexit, virtually 0% probability of 2016 rate hike priced into market**
- **Economic data in July and August better than expected**
- **Now about 50% chance of rate increase priced by market**
- **Mixed signals from Board of Governors**

Market Implied Probability of Federal Reserve Rate Hikes



Other Headlines



Beans, Beans



Land, Steady as She Goes



Too Much Milk?



“Meat Casino?”



‘Brexit’ Blow-over

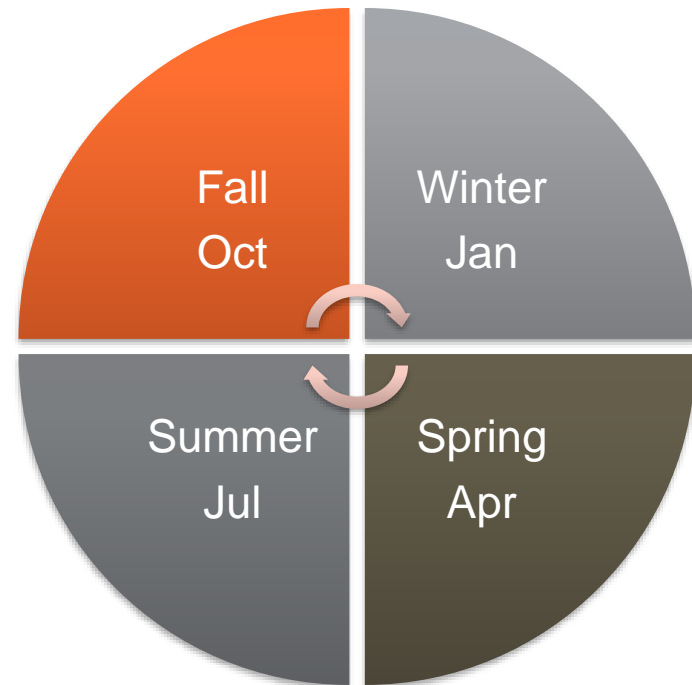


That’s Nuts

Details on The Feed

- **Quarterly publication**
- **Focus on sectors and stories relevant to the season**
- **Available on the Farmer Mac website to download or subscribe**
(<https://www.farmermac.com/news-events/the-feed/>)
- **Subscribers automatically receive it via email**
- **Send comments and requests to thefeed@farmermac.com**

Publication Schedule





Questions?



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Thank You