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

- 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

Source: Federal Reserve Bank of Philadelphia
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

Source: Drought Monitor, University of Nebraska-Lincoln
Highlight 3: Good Grain Weather, CA Still Dry

CFSv2 forecast Nino3 SST anomalies (K)

El Niño Conditions
Neutral
La Niña Conditions

Latest 8 forecast members
Earliest 8 forecast members
Other forecast members
Forecast ensemble mean
NCDC daily analysis

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

Source: CME Group FedWatch Tool; Bloomberg
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
Questions?
Thank You