



Farmer Mac Refresh

Winter Feed Economic Update



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Agenda

Highlights from the analysis

Why they are important for producers and lenders alike

Other news and factoids

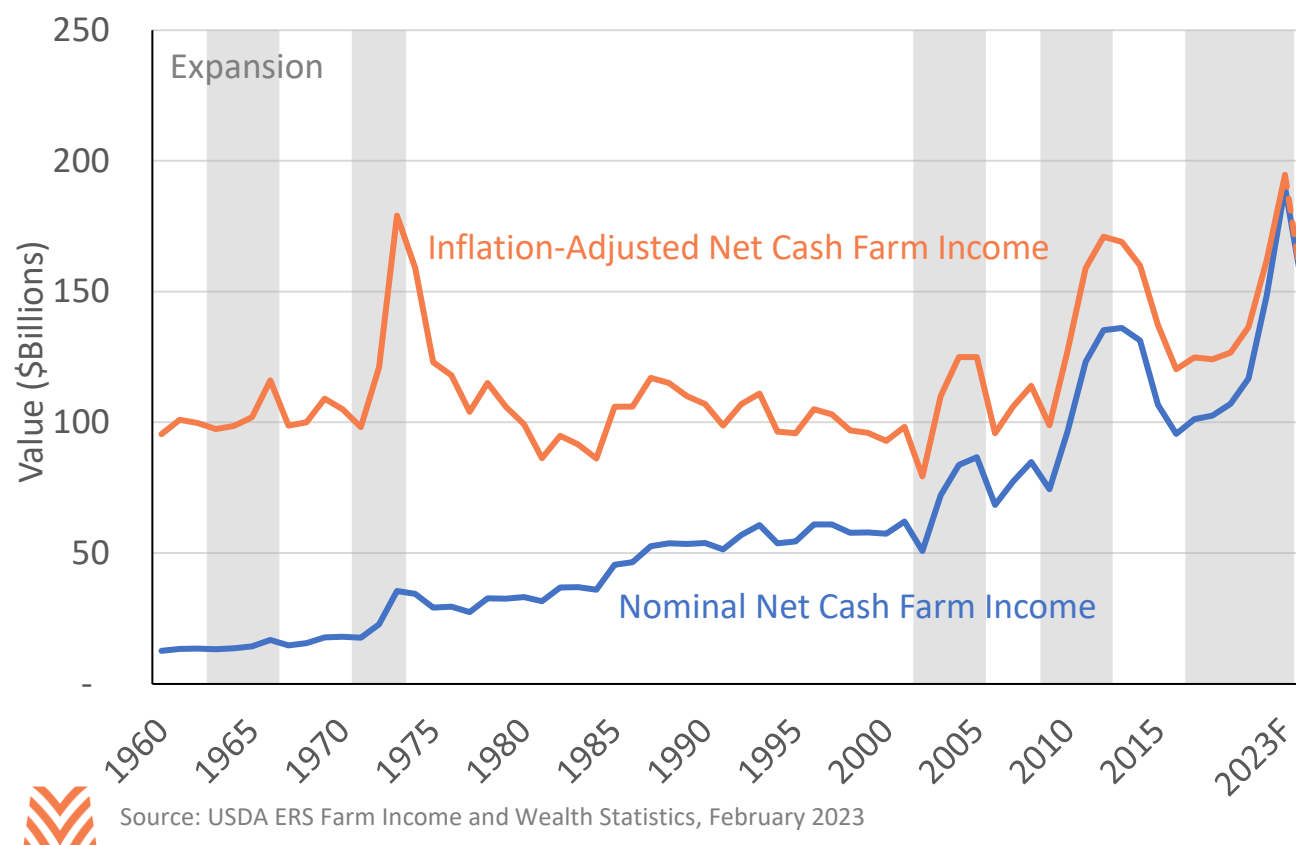
How you can access this and future editions

Q&A



Highlight 1: Farm Economy In Transition

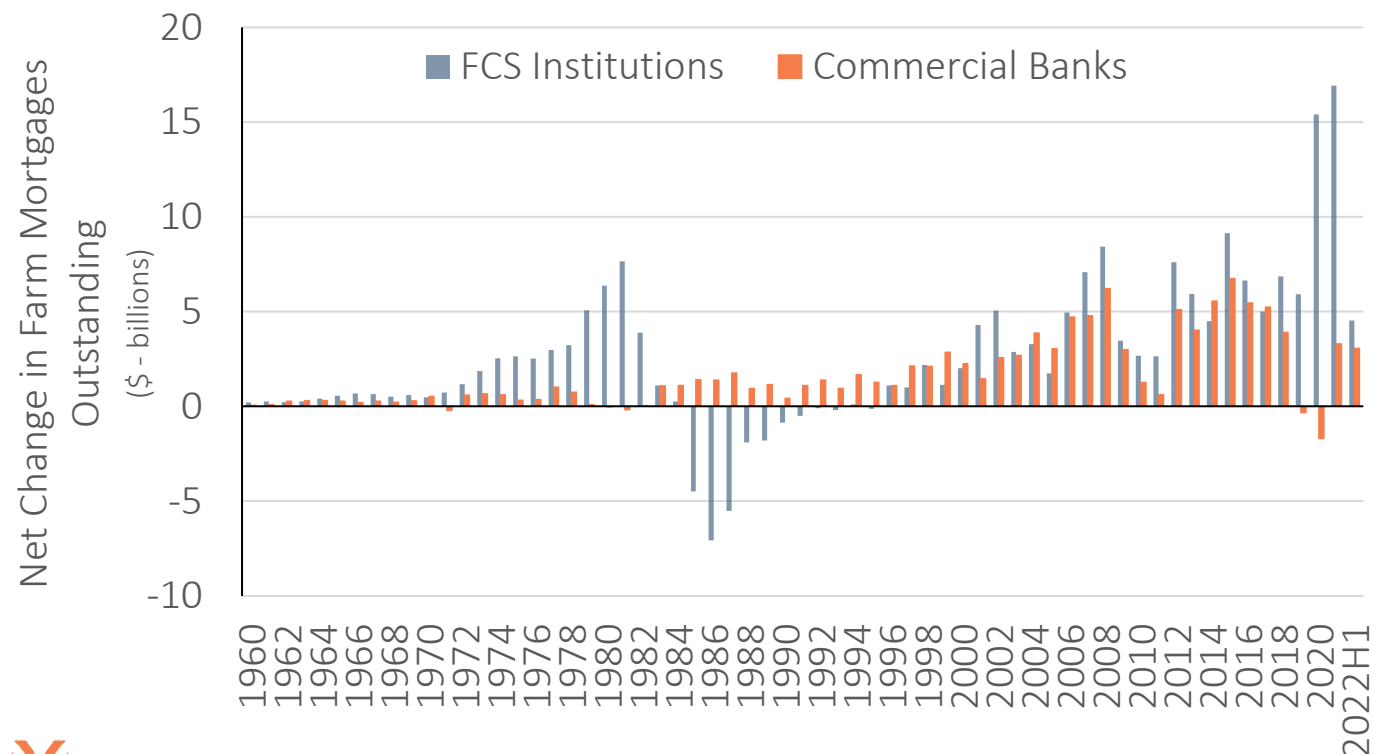
- USDA forecasts a 21% decline in 2023 Net Cash Farm Income after peaking at record levels in 2022
- Global inventories of many annual crops remain tight due to supply shocks
- Rising revenues continue to be offset by higher production costs
- Elevated incomes have bolstered farm balance sheets





Highlight 2: Ag Lender Trends

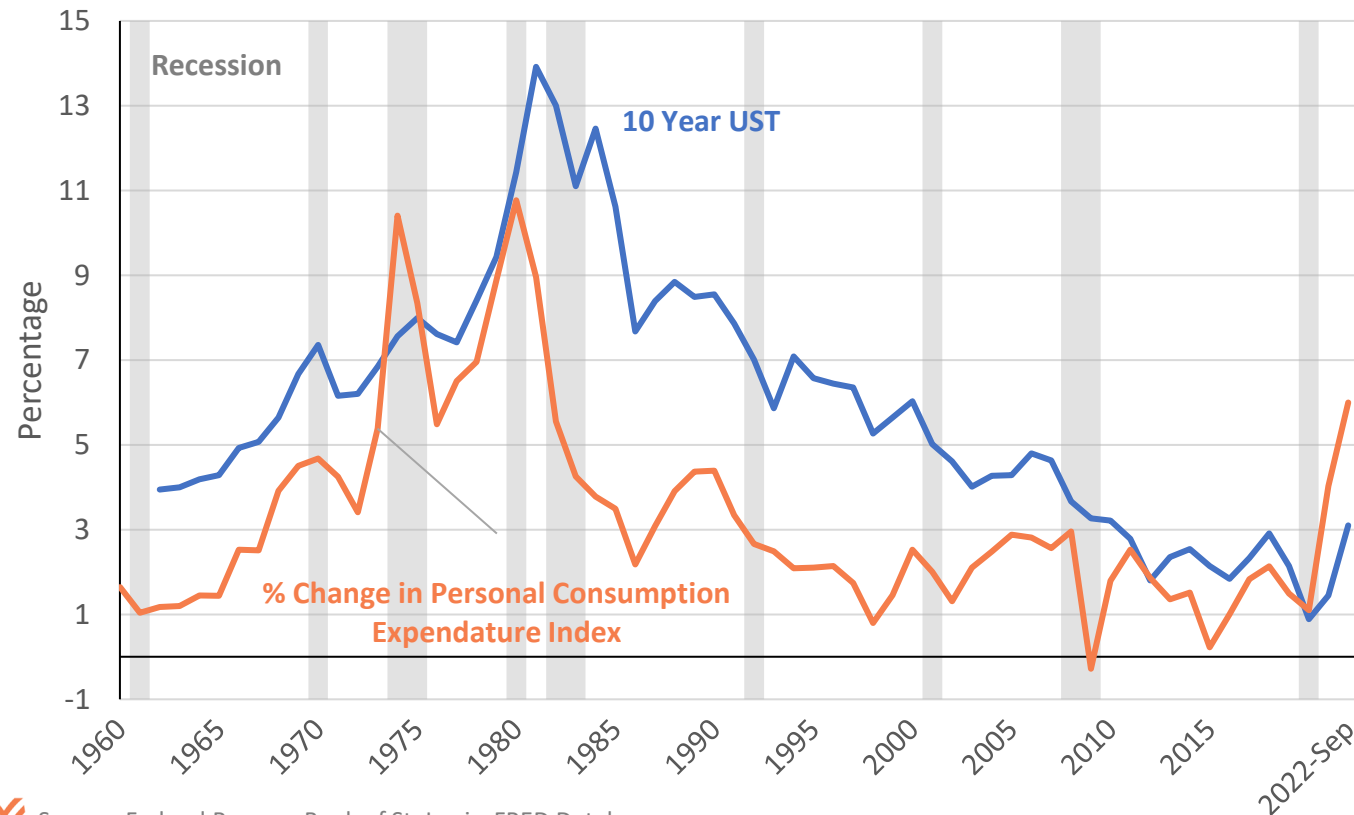
- Lending environment remains opportunistic as credit quality improves
- However, interest rate volatility poses a challenge to both lenders and borrowers
- Loan volume growth remains strongest at FCS Institutions, but commercial banks narrowed the gap in 2022
- Sector leverage remains low despite uptick in lending volumes



Source: Board of Governors of the Federal Reserve System; Author's Calculations



Highlight 3: Inflation and Interest Rates

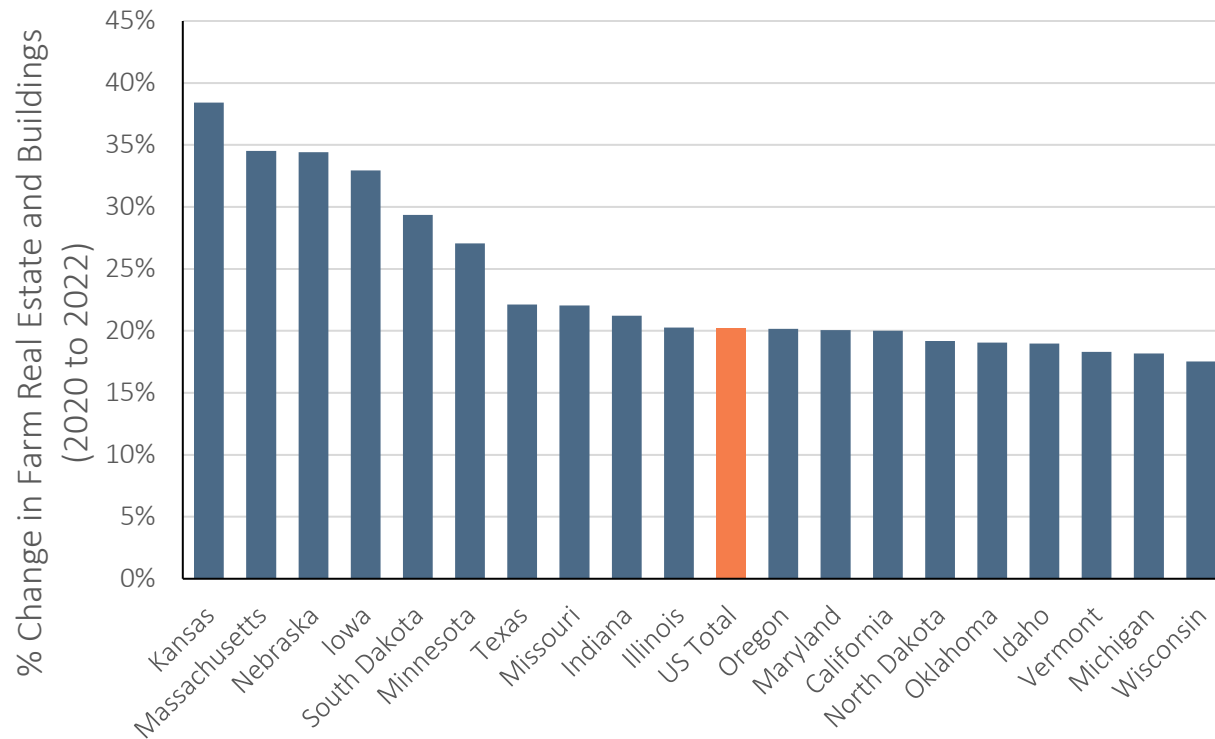


Source: Federal Reserve Bank of St. Louis, FRED Database

- U.S. inflation spiked in 2022 after decades of trending lower
- To combat rising prices, the Federal Reserve began tightening monetary policy
- Both short- and long-term interest rates jumped as the Fed Funds rate increased and the Fed balance sheet contracted
- While nominal rates have increased, real interest rates remain historically low and continue to support asset prices



Highlight 4: Farmland Values



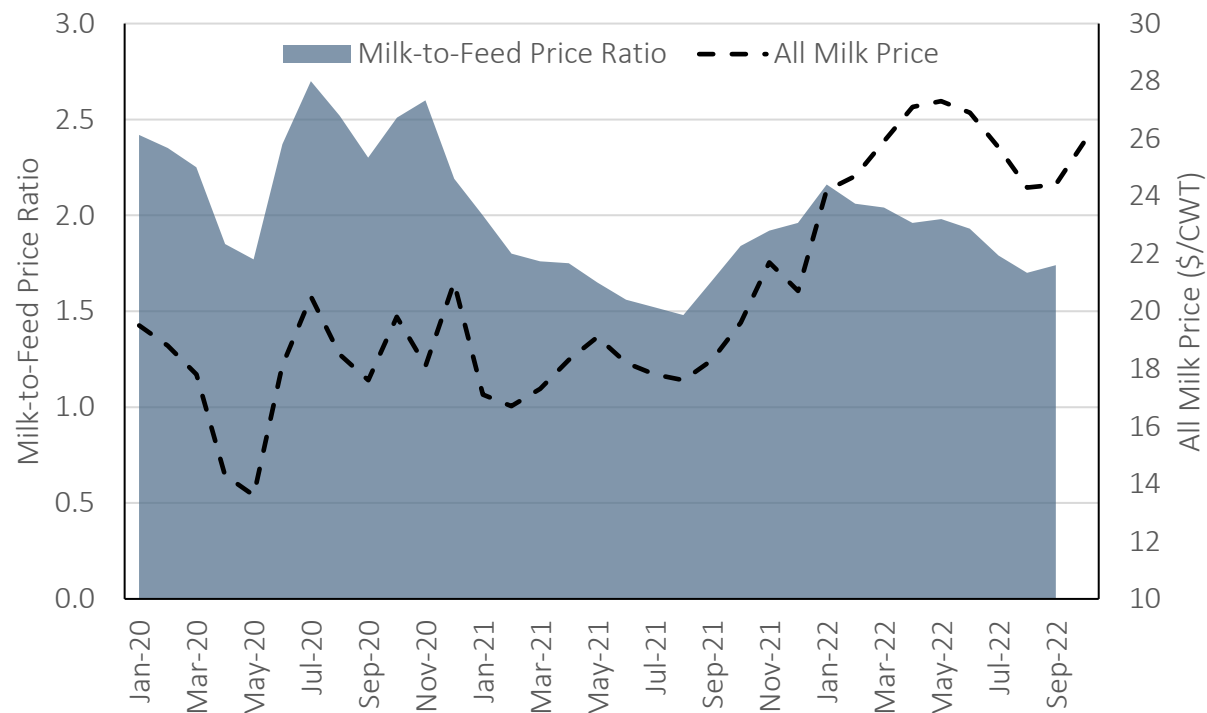
- Average value of U.S. farm real estate rose 12.4% year-over-year in 2022
- Land values boosted by high farm incomes, low interest rates, and strong demand from buyers
- Increases varied by region with largest gains in the Corn Belt and Western Plains
- Farmland value growth is relatively modest compared to housing prices



Source: USDA NASS, Farmland Values; Author's Calculations



Highlight 5: Proteins



Source: USDA NASS, Feed Grains Database

- Livestock prices were strong in 2022 with dairy prices reaching record levels
- Beef and dairy exports remained robust despite elevated prices
- Livestock margins continue to be squeezed by high feed costs
- Pastures were impacted by ongoing drought conditions and contributed to decline in U.S. beef herd
- Expansion of U.S. dairy herd projected to be modest, which should support prices in 2023



In Other News...

Federal Reserve facing mixed signals for future interest rate hikes

Fertilizer prices have moderated from 2022 levels

Mississippi barge rates down 76% from October

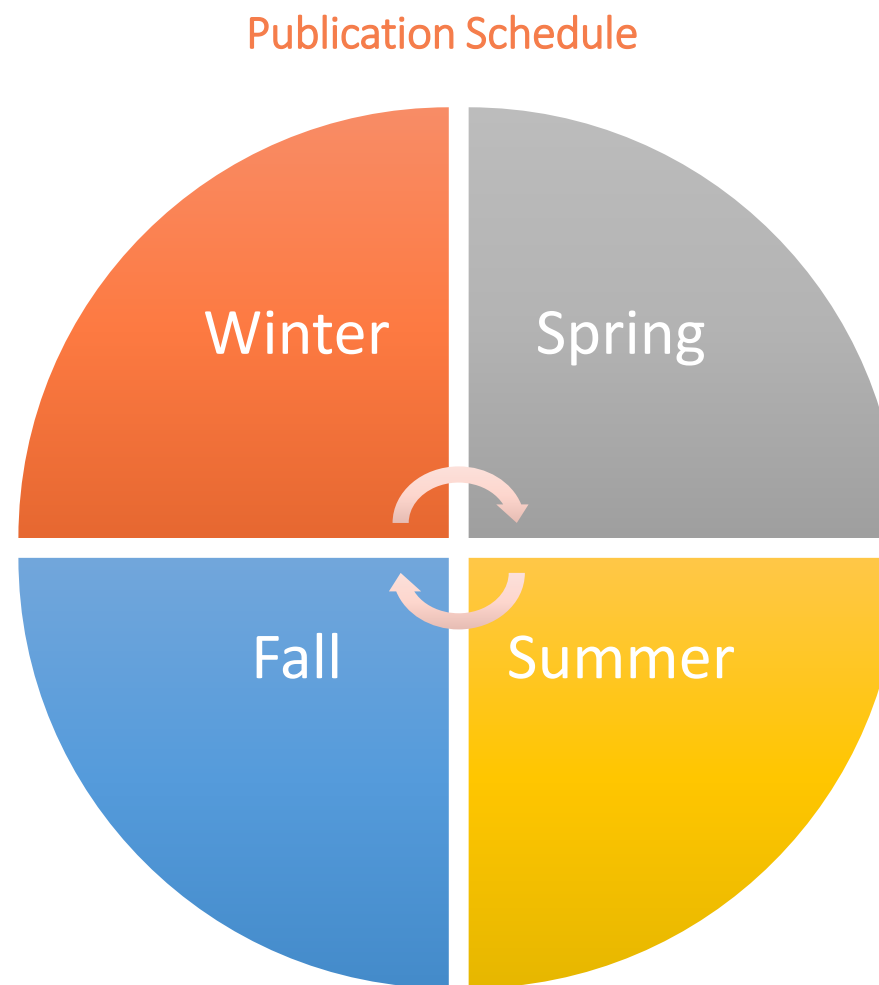
California snowpack at 135% of April 1st average

Rollout continues for Infrastructure Investment and Jobs Act



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/thefeed/>)
- Subscribers automatically receive it via email
- Send comments and requests to thefeed@farmermac.com





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Thank You!

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