



The Feed – Winter 2015/16

FARMER AC

Curt Covington, SVP Agricultural Finance
Jackson Takach, Economist

February 11, 2016

FARMER MAC *Financing Rural America*

Your Presenters Today

<p><i>Curt Covington – SVP of Agricultural Finance</i></p> <ul style="list-style-type: none">• <i>Leads marketing and credit departments at Farmer Mac</i>• <i>Chairman of RMA Ag Bankers Committee</i>• <i>Co-chair at the Agricultural Lending Institute</i>• <i>Three decades in ag lending</i>• <i>Grew up on the family farm in Selma, California</i> 	<p><i>Jackson Takach - Economist</i></p> <ul style="list-style-type: none">• <i>Lead author of The Feed</i>• <i>Analyzes credit, interest rate, and other market-based risks at Farmer Mac</i>• <i>MS in Agricultural Economics from Purdue</i>• <i>MBA from Indiana University</i>• <i>CFA Charterholder</i>• <i>Grew up in rural Kentucky</i> 
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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*

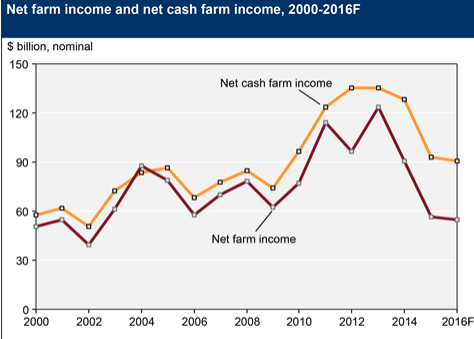
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Highlight 1: Farm Income and Wealth Stress

- *No real surprises – lower commodity prices and global supplies major driver*
- *Income levels nearly 2002/2003 levels*
- *Recent USDA projections have 2016 only slightly off from 2015*
- *Assets falling slightly in response to lower financial assets and slightly lower real estate values*
- *Debt climbing but interest expense moderate*



Note: F = forecast. Data for 2015 and 2016 are forecasts.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of February 9, 2016.

Source: USDA ERS 2016 Farm Income Forecast

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Farm sector business debt, inflation adjusted, 1970-2016F

Note: F = forecast. Data for 2015 and 2016 are forecasts. The GDP chain-type price index is used to convert the nominal (current-dollar) statistics to real (inflation adjusted) amounts (2009=100).
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of February 9, 2016.

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Source: USDA ERS 2016 Farm Income Forecast

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Highlight 2: Lender Sentiments Mixed

- *Largely agree on lower land values and rising delinquencies in 2016*
- *Firmly believe in rising interest rate environment*
- *Loan demand seen stable to increasing*
- *Crop producers helped by big yields*

Lender Survey Response Trends

Source: Farmer Mac Internal

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Expectations of Cropland Values in 2016

Expectation Category	Percentage of Responses
Increase more than 20%	0%
Increase between 10 and 20%	1%
Increase between 0 and 10%	6%
No Change	15%
Decline between 0 and 10%	47%
Decline between 10 and 20%	30%
Decline more than 20%	2%

Source: Farmer Mac Internal FARMER MAC REFRESH FEB2016

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Highlight 3: Drought Relief, Not Removal

- El Nino definitely in play this winter
- Good snow pack in Sierras, rebuilding of reservoirs in CA
- Drought conditions persist in California
- Other major producing regions in US largely have good soil moisture levels heading into planting
- Globally, US has some of the best weather conditions to start the year

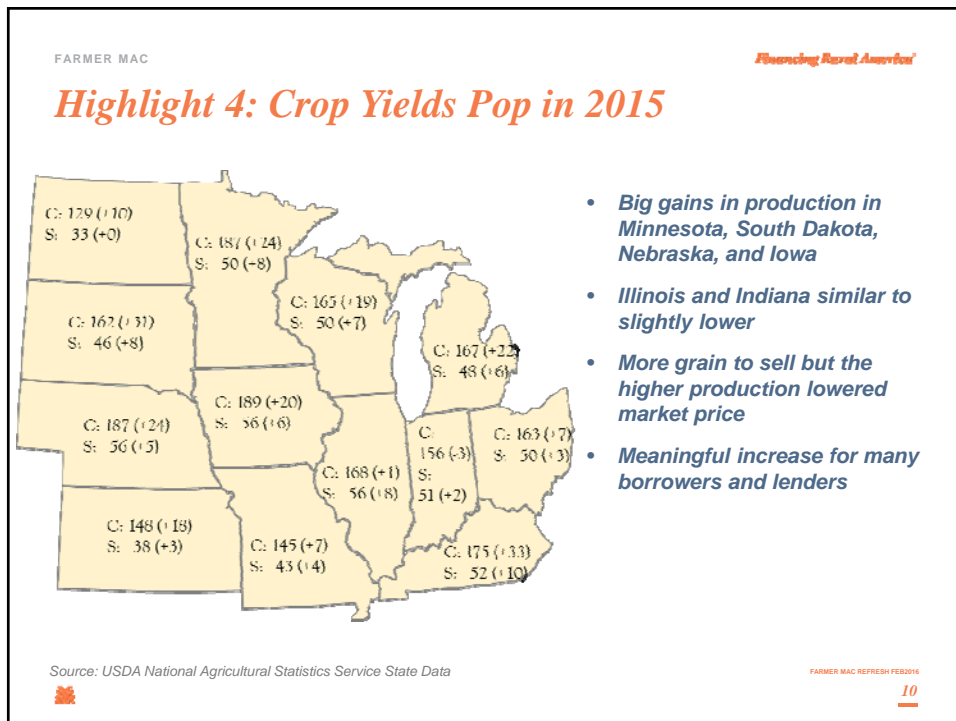
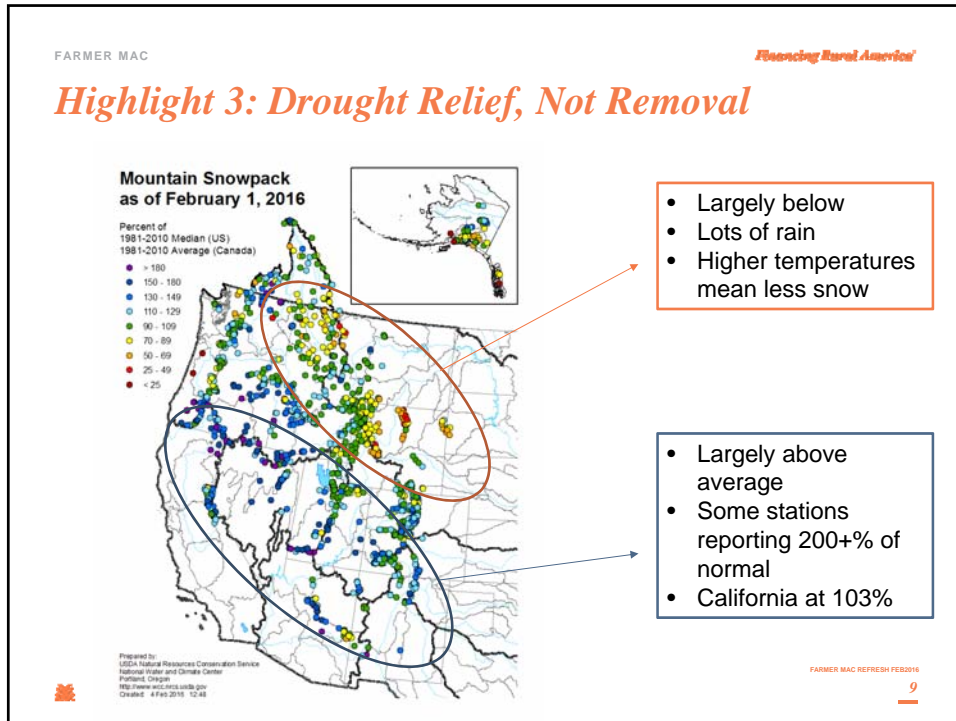
U.S. Drought Monitor Class Change
2 Months

February 2, 2016 compared to December 8, 2015

<http://droughtmonitor.unl.edu>

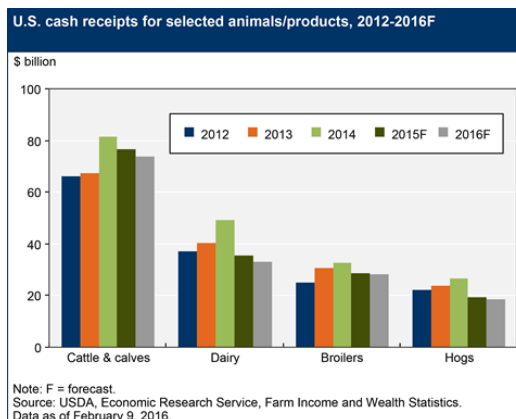
Source: Drought Monitor, University of Nebraska-Lincoln FARMER MAC REFRESH FEB2016

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Highlight 5: Livestock Sector Stress

- **Retail beef prices squeezing margins all the way down the value chain**
- **Overseas dairy markets awash in a sea of milk products**
- **Strong dollar affecting all export markets and protein prices**
- **Bird flu not a big problem this winter**



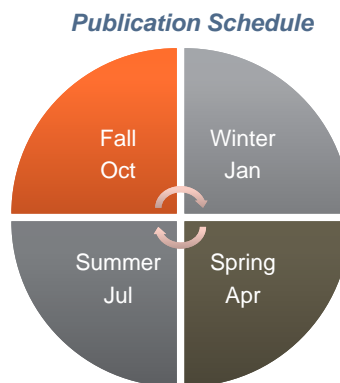
Source: USDA ERS 2016 Farm Income Forecast

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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**



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