



Update on the Farm Credit System Funding Conditions



Recent Financial Headlines

“Eurozone Inflation Rate Rises to 10.7% as Recession Looms”

- Surprisingly rapid increase in consumer prices underlines the challenges facing the European Central Bank





Recent Financial Headlines

**“Treasury Yields Surge as
Global Central Banks
Scramble to Respond to
Fed, Inflation”**





Recent Financial Headlines

“Bank of England Raises Key Interest Rate by 0.75 Point”

- Hike takes rate to highest level since November 2008





Recent Financial Headlines

“Rocky Treasury-Market Trading Rattles Wall Street”

- Mounting illiquidity raises concerns over a key market's functioning should a crisis erupt





Recent Financial Headlines

“Investors Are Clinging to Cash”





Recent Financial Headlines

“Fed Approves Fourth 0.75-Point Rate Rise, Hints at Smaller Hikes”

- Officials signal a possible slowdown in the pace of rate rises by acknowledging how increases influence the economy with a lag.





Recent Financial Headlines

**“Powell Emphasizes
There’s ‘A Ways to Go’ on
Rates”**





Funding Update Topics

- Global Market
- Agency Debt Market
- Funding Corporation Activity
- Yields & Spreads on FCS Debt
- FCS Liquidity
- LIBOR/SOFR
- War in Eastern Europe





Global Market

- Federal Reserve
- E.C.B., Bank of England, Bank of Japan
- U.S. Treasury
- China
- War in Eastern Europe

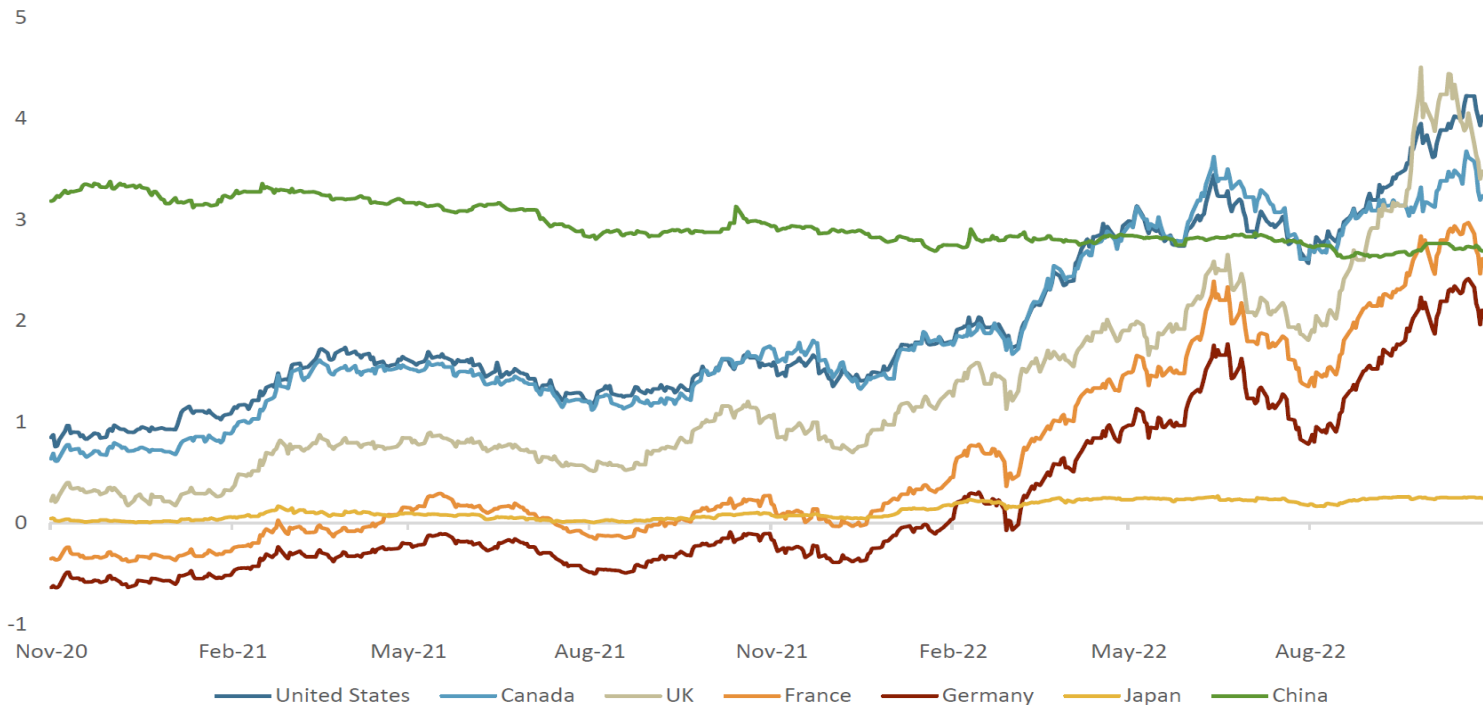




Global Yields Increasing



10-Year Yields





Credit Rating Agencies - Outlook for the United States

- Standard & Poors – AA+
Outlook – Stable
- Moody's – Aaa
Outlook – Stable
- Fitch – AAA
Outlook – *Stable*





Agency Debt Issuance

Billions of Dollars	2018	2019	2020	2021	9/2022
F.H.L.B.	\$2,856	\$2,739	\$1,975	\$1,467	\$4,609
FCS	308	364	421	415	298
Fannie Mae	556	572	369	50	66
Freddie Mac	412	558	465	22	56
Total	\$4,133	\$4,233	\$3,230	\$1,954	\$5,029

Source: Agency Websites





Agency Debt Outstanding

Billions of Dollars	2018	2019	2020	2021	9/2022
F.H.L.B.	\$1,044	\$ 1,005	\$ 737	\$653	\$1,022
FCS	280	292	322	353	378
Freddie Mac	274	254	284	182	168
Fannie Mae	204	158	275	202	138
Farmer Mac	16	19	22	23	24
Tenn. V.A.	23	22	21	21	21
Total	\$1,941	\$1,750	\$1,661	\$1,434	\$1,751

Source: Agency Websites



Funding Activity by FCS



(\$ millions)	Discount Notes	Designated Bonds	Fixed Rate Bonds		Floating Rate Bonds			Retail Bonds	Other ¹	Total
			Callable	Non-Callable	LIBOR	SOFR	Prime, FF, 91-day,			
10/31/2022	26,035	12,000	121,484	95,327	991	93,122	30,182	17	408	379,565
12/31/2021	24,280	9,100	104,071	100,600	2,141	79,747	32,797	20	151	352,906
12/31/2020	23,524	3,100	78,971	90,084	39,437	56,595	29,712	42	148	322,464
12/31/2019	17,459	0	77,903	79,068	80,613	7,957	28,657	122	159	291,938
12/31/2018	22,774	0	78,971	71,099	82,216	0	26,400	201	119	281,780

¹ Includes Linked Deposits

Source: FFCBFC Website



Designated Bonds

- GSE Benchmark Issue
- Five Issuances in 2022 YTD
- \$1 Billion, 2- & 3-year Maturities
- Barclays Aggregate Bond Index
- Dealer Performance/Investor Base





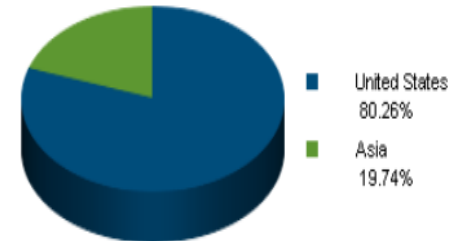
Designated Bond Investors



ACCOUNT DISTRIBUTION*



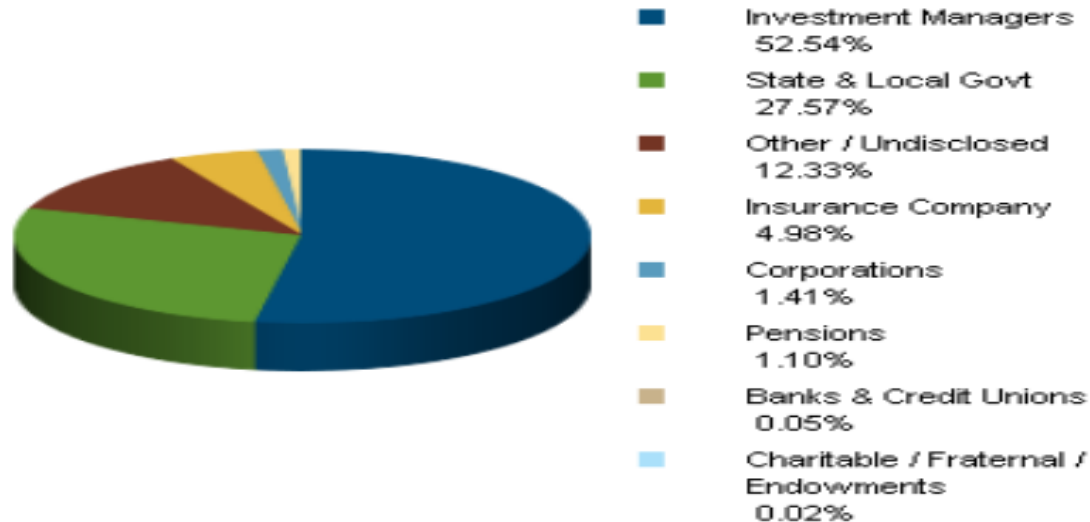
GEOGRAPHICAL DISTRIBUTION





Discount Note

INVESTOR DISTRIBUTION*





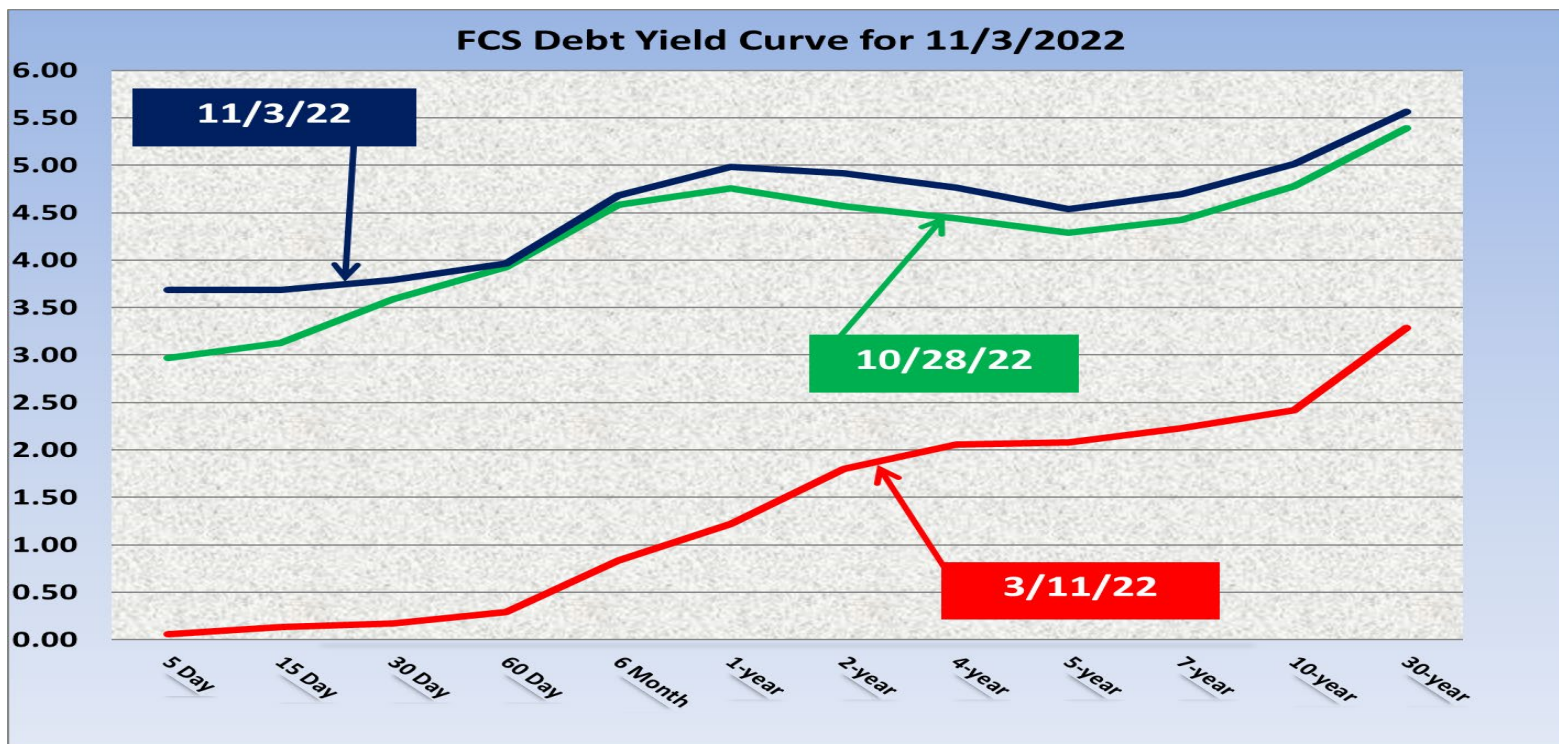
Dealer Group

- **36 Dealer Group Members**
- **Mischler Financial Group, Inc., added in Sept. '22**
 - **Leveraging Equality and Diversity (LEAD)**
 - **9 Overall LEAD Dealer Members**





FCS Debt Yields Starkly Higher

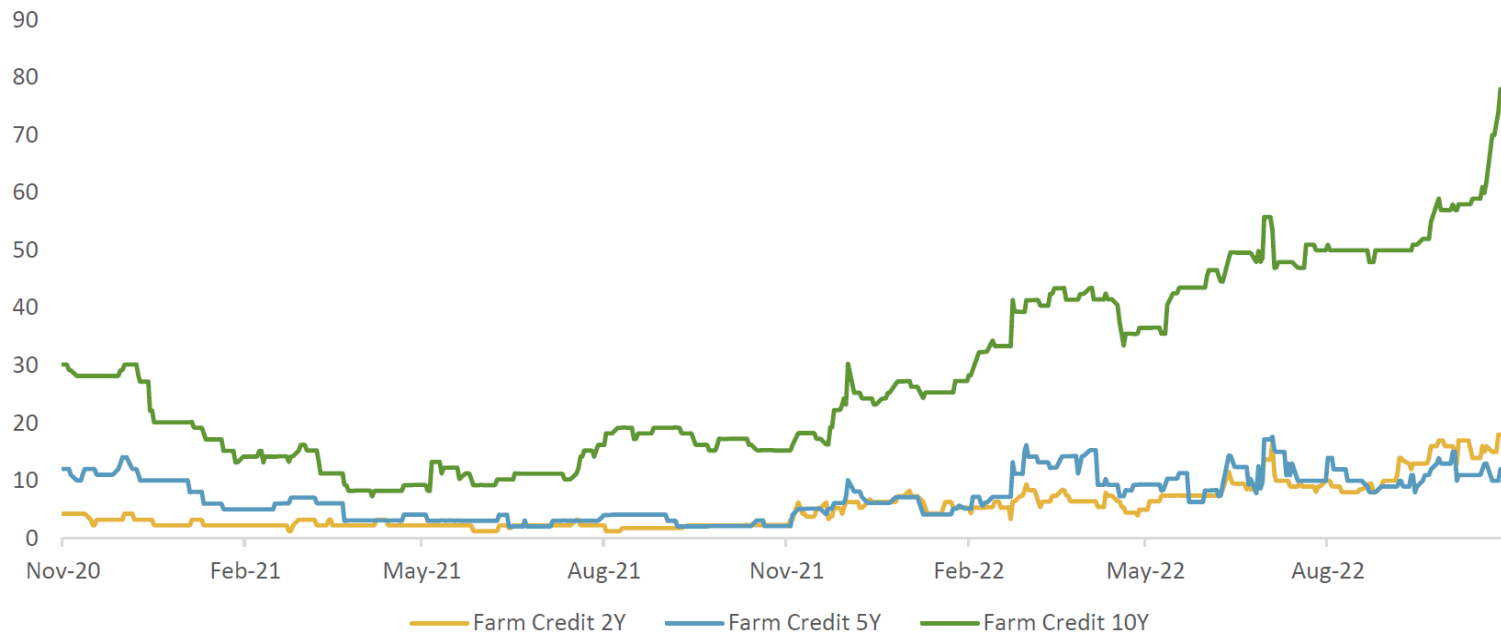




Increased Risk Premiums



Farm Credit Spreads





Days of Liquidity

- As of 9/30/22 System = 172(163) days:
 - AgFirst = 214(205) days, AgriBank = 159(131) days, FCB of TX = 171(164) days, CoBank = 173(164)days
- As of 12/31/21 System = 180 (174) days:
 - AgFirst = 235(221) days, AgriBank = 158(146) days, FCB of TX = 185(173) days, CoBank = 180(180) days





LIBOR/SOFR TRANSITION

- Global U.S. LIBOR referenced instruments still abound.
- **8 mos.** until ALL remaining LIBOR's Tenors R.I.P. date.
- Secured Overnight Financing Rate Use Continues to Grow.
- System's J & S LIBOR directly based debt down to \$991 million. No new issues. Synthetic derivative exposure notional amount \$45.2 billion (\$26.9 billion due after 6/23) as of September 30th versus \$44.3 billion yearend '21.
- FCS issued just over \$56.1 billion in SOFR indexed bonds for 2022 as of Oct. 31st. Dominates FCS indexed debt with \$95.3 billion currently.





War in Eastern Europe

- Global Issue
- Ongoing Economic Shocks
- Long Term Impacts





Summary

- Overall Strong Demand for FCS Debt, Varies by Type
- FCS Debt Yields Have Moved Starkly Higher
- FCS Risk Premiums Have Risen
- Solid Secondary Liquidity though Adversely Impacted
- LIBOR/SOFR Transition Progressing
- War in Eastern Europe Wild Card

