

FARMER MAC

Accelerating Rural Opportunities

**Rates, Risk & Resilience:
What 2026 Could Mean for the U.S. Ag Economy**

Dr. David M. Kohl & Jackson Takach

February 12, 2026

Legal Disclaimer

This presentation has been prepared by the Federal Agricultural Mortgage Corporation (“Farmer Mac”) as of the date of this presentation only and is solely furnished for historical and general informational purposes only. For the purposes of this notice, the presentation shall mean and include any slides that precede or follow this notice, the oral presentation of the slides by Farmer Mac or any person on behalf of Farmer Mac, any audio-visual materials, any question-and-answer session that follows or precedes the oral presentation, hard copies of this document and any materials distributed at, or in connection with this presentation (collectively, the “Presentation”). Farmer Mac’s business, financial condition, results of operations, and prospects may have changed since the date of this Presentation. Please refer to Farmer Mac’s most recent SEC filings for more information. The Presentation does not constitute or form part of, and should not be construed as, an offer to sell or issue, or the solicitation of an offer to purchase, subscribe to or acquire, any securities of Farmer Mac. No part of this Presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. Neither this Presentation nor any copy of it may be transmitted in the United States, or distributed, directly or indirectly, in the United States. Any failure to comply with this restriction may constitute a violation of United States securities laws.

This Presentation contains certain confidential information regarding Farmer Mac. Your acceptance of this Presentation constitutes your agreement to keep confidential all the information contained in the Presentation, as well as any information derived by you from the information contained in this Presentation (collectively, “Confidential Information”) and not disclose any such Confidential information to any other person. Farmer Mac does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Presentation. Certain information contained in this Presentation has been obtained from sources outside of Farmer Mac. While such information is believed to be reliable for purposes used herein, no representations are made as to the accuracy or completeness thereof and Farmer Mac does not take any responsibility for, and has not independently verified, any such information. Certain information contained in the Presentation discusses general market activity, industry or sector trends, or other broad-based economic, or market conditions and should not be construed as research. Opinions expressed reflect the current opinions of Farmer Mac as of the date of the Presentation only and are based on Farmer Mac’s opinions of the current market environment, which is subject to change.

This Presentation may include forward-looking statements that reflect management’s expectations, as of the date of the Presentation, for Farmer Mac’s future financial results, business prospects, and business developments, which necessarily involve a number of assumptions and estimates and the evaluation of risks and uncertainties. Please refer to Farmer Mac’s most recent SEC filings, which discuss important factors that could cause actual results to differ materially from these expectations. Farmer Mac undertakes no obligation to update the forward-looking statements contained in this Presentation.

Viewed Expressed Disclaimer

The information, statements of fact, views, opinions, conclusions and recommendations expressed or implied in this [presentation, discussion, article, interview, conversation] by employees of Farmer Mac are those of the employees and do not necessarily reflect the view of Farmer Mac or any of its directors or officers. Reference to any specific information, data, policy, product or entity does constitute support, validation, endorsement or a recommendation of Farmer Mac. Farmer Mac does not endorse or approve, and assumes no responsibility for, the content, accuracy or completeness of the information presented.



DR. DAVID KOHL

**Professor Emeritus,
Agricultural and Applied
Economics**

- ▶ Member of Academic Hall of Fame, College of Agriculture & Life Sciences
- ▶ Virginia Tech, Blacksburg, VA

✉ sullylabvt@gmail.com



JACKSON TAKACH

**Chief Economist & Vice
President – Head of Farm &
Ranch**

- ▶ Advanced degrees from Purdue and Indiana Universities in ag economics and finance
- ▶ 20 years in ag and rural lending

✉ jtakach@farmermac.com

ENGAGEMENT WITH BUSINESS OWNERS, BANKERS & THOUGHT LEADERS IN 30 STATES

▶ Bifurcated

- Paper wealth increasing
- Cash flow & liquidity issues in businesses & households
- Consolidation & concentration of wealth & income

▶ Unsettled

- Lack of a North Star
- Uncertainty of outcomes of AI
- Global competitiveness challenges
- Information overload

STATE OF THE AG ECONOMY: SPLIT PERSONALITY

▶ Grain, Row & Specialty Crops

- 13 year competitive downturn - Global South
- Specialization/consolidation- sector dependent
- Two in Ten Year Rule
- Five in Eight Year Rule/management mindset
- Zero bound rates, COVID dollars, inflation lag, inflation of assets
- Government supports (Bridge/End of Pier) refinancing trap
- Crosshairs of trade sanctions/geopolitics

STATE OF THE AG ECONOMY: SPLIT PERSONALITY

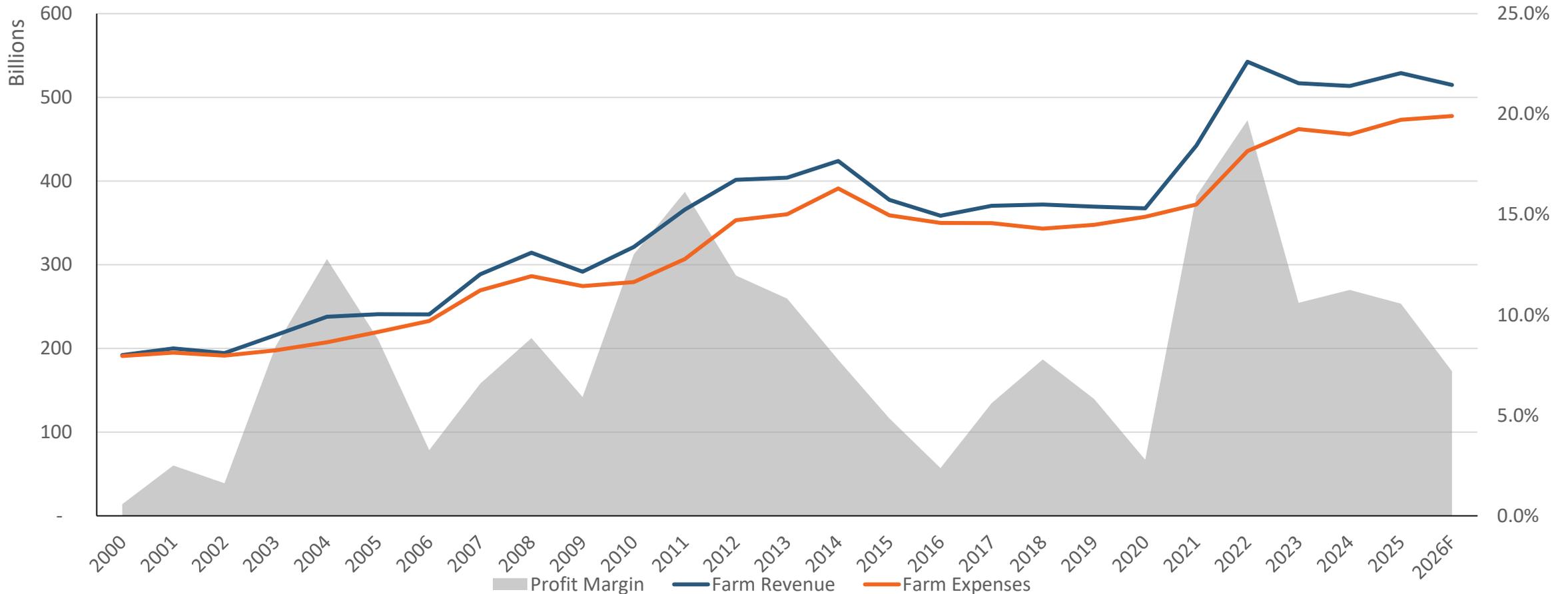
▶ Livestock, Value Added Diversification

- 3 to 6 sources of revenue: sweet spot for resiliency, agility & nimbleness
- Profit strategy (Growth, taxes, working capital)
- 60-30-10 Rule
- Consumer movement to protein
- Aging demographics of producers
- Black swans / consumer inflation fatigue

USDA DATA RELEASE

THE 2026 NUMBERS

Farm Revenue, Expenses, and Margins



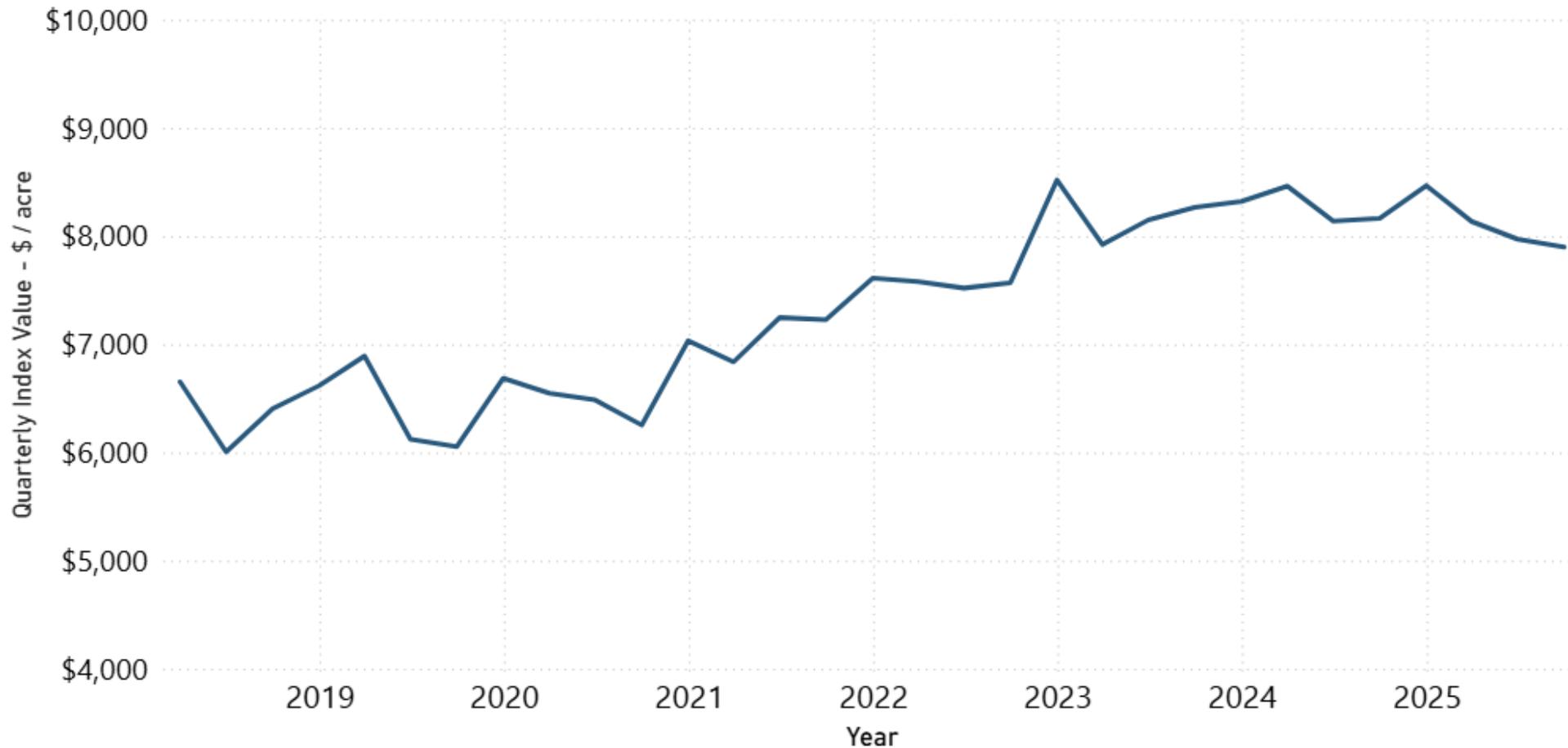
RISK PLOT 2026 FOR AGRICULTURE

- ▶ **Weather in USA and global production belts**
- ▶ **Tightening of operating credit, non-traditional input supply firms, investor capital & traditional lenders**
- ▶ **Value declines in machinery, equipment & livestock inventory**
- ▶ **Land value decreases**
 - In your market footprint
 - 5-10-20 percent decline
- ▶ **Management mindset of the borrower: Business IQ & A/Q**
 - High Level/Good to Excellent: Green Light
 - Average/Marginal Level: Yellow Light
 - Below Average: Red Light
- ▶ **Fraud, gambling, divorce & life events**



LAND VALUES HOT AND COLD

Farmer Mac Farmland Price Index
powered by AcreValue®



TRADE, EXPORTS & GEOPOLITICS

- ▶ Export market watchlist
- ▶ Trade sanctions, counter tariffs
- ▶ November surprises: elections
- ▶ Weather globally
- ▶ Long-term tariff implications
- ▶ Loss of government/public support for agriculture
- ▶ Competition from the Global South



2026 QUICK GLOBAL ECONOMIC ASSESSMENT (1)

▶ China

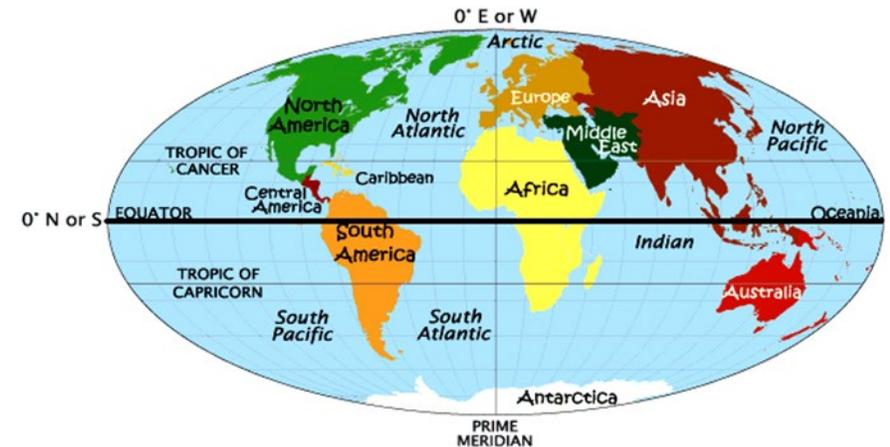
- Demographics/ <1 billion by 2050
- Deflation/inflation issues
- Stock & real estate decline
- Belt & Road Initiative aka the New Silk Road global influence
- Taiwan?
 - Physical vs. technology invasion

▶ India

- Cheap Russian oil
- Farm policy protectionism
- India/New China

▶ Japan

- New leadership
- Stimulus causing growth of the economy
- Growth of military
- Bond market



2026 QUICK GLOBAL ECONOMIC ASSESSMENT (2)

▶ European Union/Great Britain

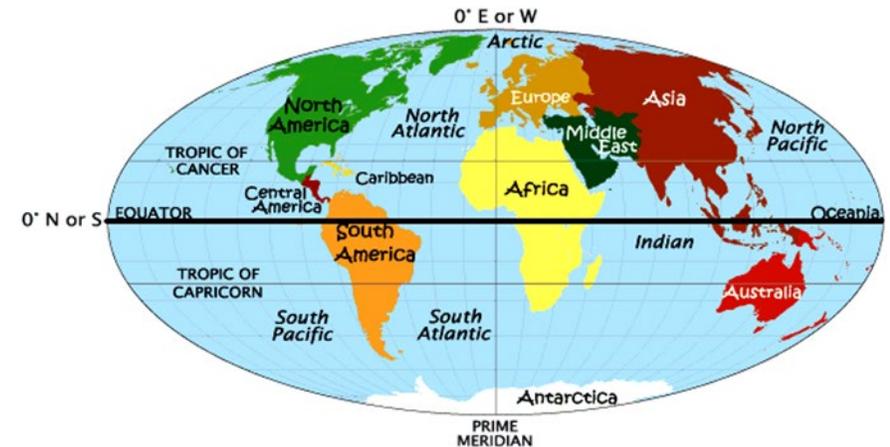
- Germany: export-driven issues
- Build up of military
- France: political & economic growth issues
- Great Britain: economic challenges

▶ Mexico/Canada

- Mexican cartels
- Trading alliances outside the USA
- Export & import status

▶ Southern Hemisphere

- Africa- new Brazil?
- Competitive pressures
- Increased acreage
- Currency infrastructure
- New common currency



THINK GLOBALLY, ACT LOCALLY

- ▶ **Manage the controllables and manage around the uncontrollables**
- ▶ **Extremes in volatility**
 - Prices, input costs, etc.
- ▶ **Financial sensitivity analysis**
 - Establish guardrails & objective vs. emotional decisions
- ▶ **Marketing & risk management**
 - Profit windows
 - Wipeout of wealth
- ▶ **Transition management acceleration**



U.S.A. ECONOMY SNAPSHOT: ALICE

- ▶ **ALICE- Asset Limited, Income Constrained, fully Employed**
- ▶ **Less than 5% spending**
- ▶ **Stimulus checks during & post pandemic**
- ▶ **Consumer credit card debt buildup**
- ▶ **Credit card debt \$1.3 trillion**
- ▶ **Delinquency rate on credit cards & auto loans is highest since 2012**

U.S.A. ECONOMY SNAPSHOT: **HENRY**

- ▶ **HENRY- High Earners, Not Rich Yet**
- ▶ **\$100,000 - \$500,000 household earnings**
- ▶ **High level of graduate school debt**
- ▶ **Priced out of housing market**
- ▶ **Lack of stock & real estate appreciation**
- ▶ **High levels of consumer spending & buying experiences**
- ▶ **Very vulnerable for job layoff and AI replacement**

U.S.A. ECONOMY SNAPSHOT: HERMAN

- ▶ **HERMAN: High Earners, Rich, Mobile, Appreciated Net Worth**
- ▶ **10% of population, 49% of consumer spending from 36%**
- ▶ **Household or business wealth, paper wealth accumulation \$1 million to \$10 to 25 million**
- ▶ **Older demographic, frequently above 60 years of age**
- ▶ **Spent 58% more in the last 4 years vs. 21% inflation increase**
- ▶ **HERMANs account for one third of gross national product**
- ▶ **Top 20% of earners, net worth has increased \$35 trillion or 45% since 2019**
- ▶ **Increased \$14 trillion for the bottom 80%**

WEALTH EFFECT

- ▶ When stock and real estate values increase a dollar in value, consumers spend 4 cents more.
- ▶ When stock and real estate values decrease a dollar in value, consumers spend 8 cents less.
- ▶ Those over 60 years of age spend 20 cents less
- ▶ Short investment horizon

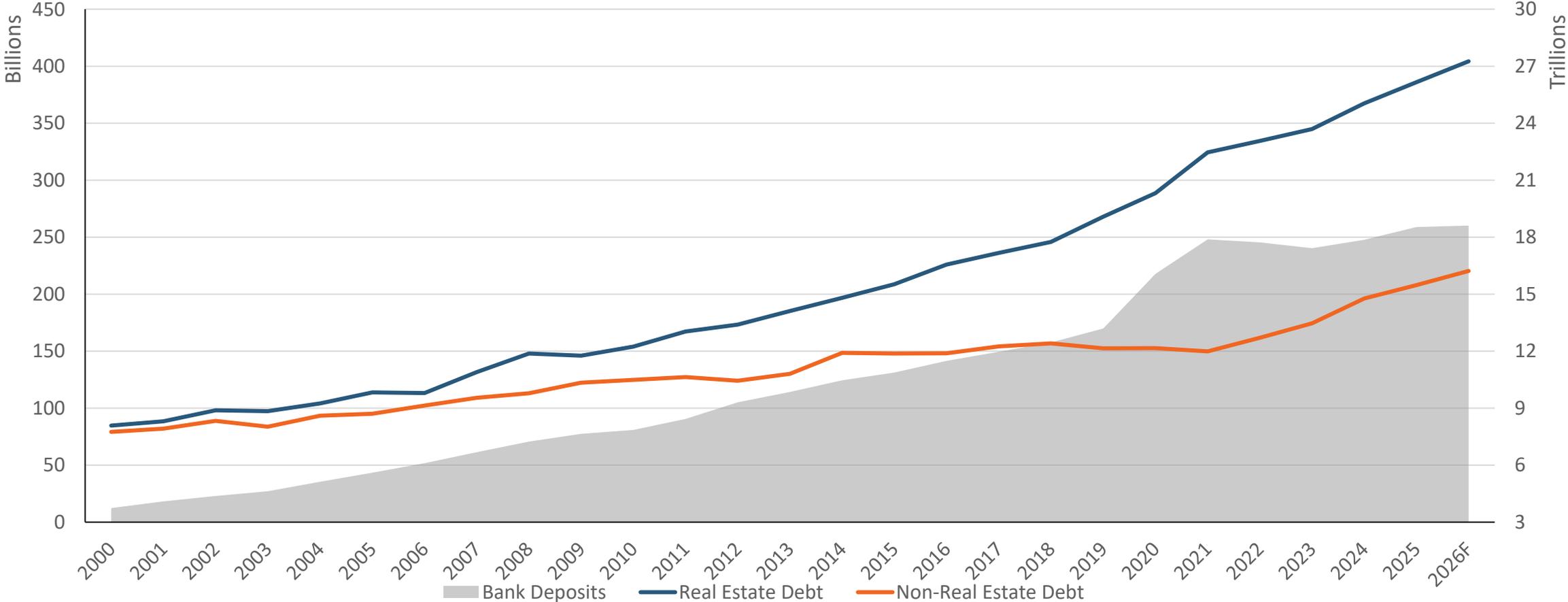


FISCAL & MONETARY POLICY

- ▶ **>\$38 trillion debt currently, \$20 trillion debt in 2020**
- ▶ **\$1.775 trillion deficit for 2025 fiscal year**
- ▶ **Federal reserve position changes: possible aggressive interest rate reduction 2025-2026**
- ▶ **Government fiscal spending**
- ▶ **Federal Reserve monetary policy**
- ▶ **“The magic wand”**
- ▶ **The balance of inflation, unemployment & economic growth**

BANKING SECTOR LIQUIDITY SHRINKAGE

Farm Debt Outstanding and Bank Deposits



Source: USDA ERS Farm Income & Wealth Statistics, Feb 2026; Board of Governors of the Federal Reserve System Data

INFLATION: TWO PERSPECTIVES

▶ GENERAL ECONOMY

- Insurance
- Medical costs
- Child & adult care costs
- Real estate taxes
- Food?
 - 13.4% of income on average
 - >30% of income for < \$50,000
- Other

▶ AGRICULTURAL ECONOMY

▶ Inputs

- Fertilizer
- Canada, Morocco, other

▶ Machinery repairs

▶ Cash rents

▶ Labor

▶ Other

INVISIBLE FENCE

- ▶ Interest on Federal debt exceeding military budget
- ▶ Dollar trade becomes less than 50% global trade
- ▶ A.I. replaces jobs in white collar sector
- ▶ Housing market decline
 - 30% longer term
- ▶ Stock market decline
 - 30% longer term



INTEREST RATES FOR 2026

▶ Potential interest rate cuts

▶ Inflation wild cards

- Tariffs lag effect
- Sector dependent
- Insurance & medical costs
- Energy & A.I.
- Federal Reserve

▶ Currency valuation

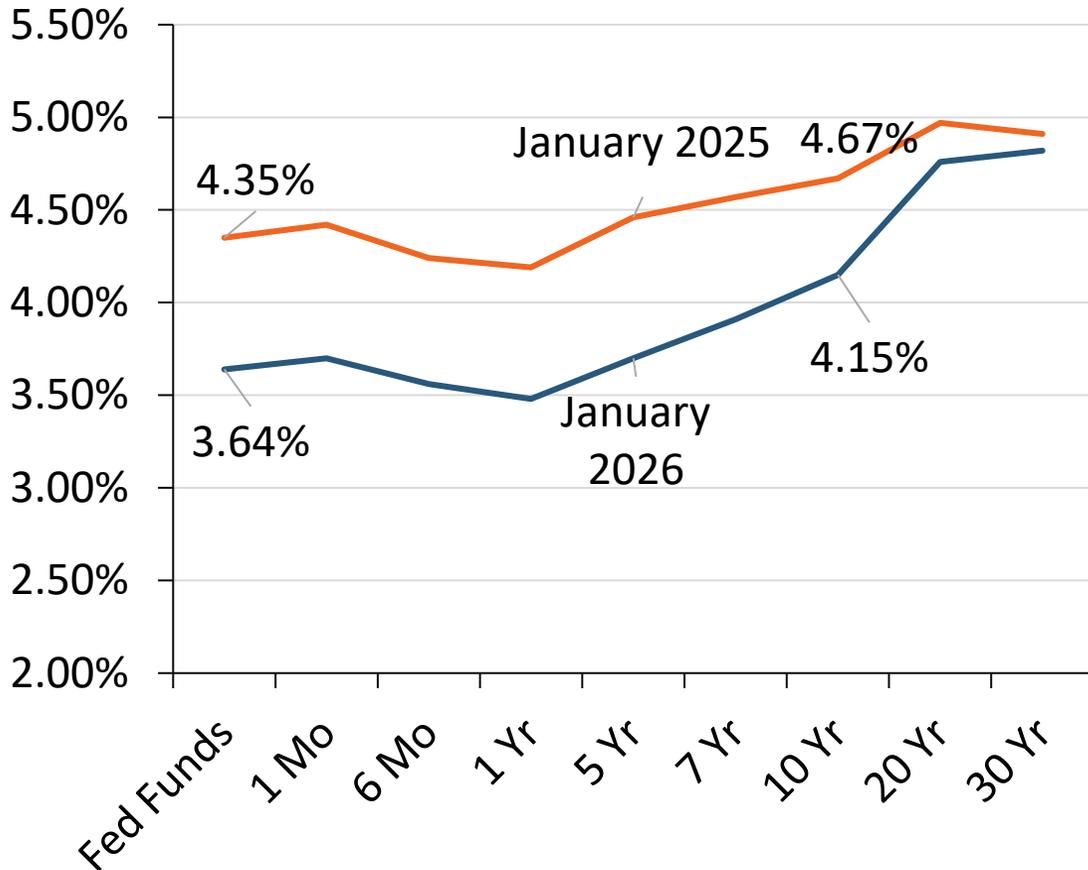
▶ Funding of debt



INTEREST RATES

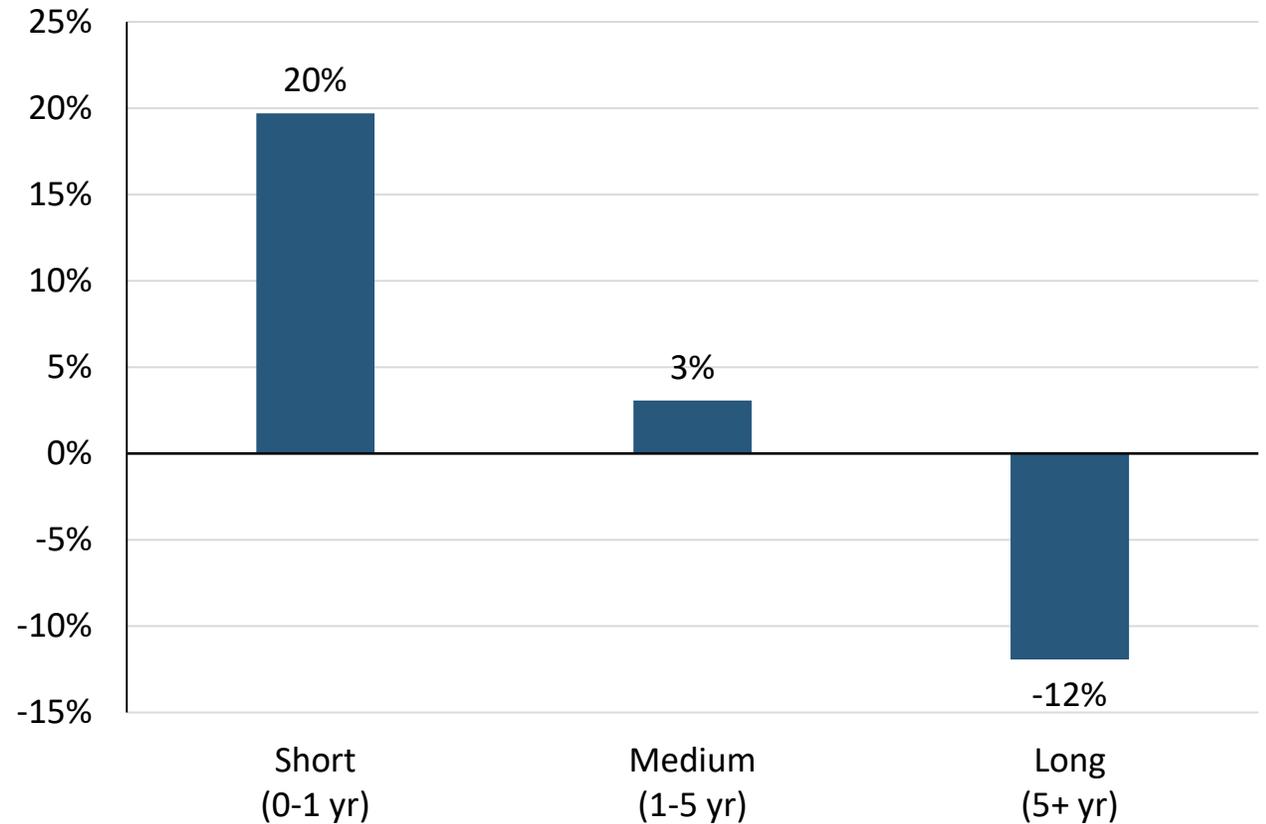
THE LONG AND SHORT OF IT

Yield Curve Comparison



Change in Total Loans Outstanding by Duration

(YOY Change, Ag Banks, excl. home loans)



CONSUMER SENTIMENT INDEX



Source: "Surveys of Consumers, University of Michigan, University of Michigan: Consumer Sentiment © [UMCSENT], retrieved and updated from [FRED, Federal Reserve Bank of St. Louis](#), (5/25)

TROUBLESHOOTING FOR LINES OF CREDIT ISSUES

- ▶ **Prices down, costs inflated**
 - How much?
 - How Long?
- ▶ **Family living cost checkup**
- ▶ **Paying capital expenses out of lines of credit?**
- ▶ **LOC used to pay off account payables or credit card debt?**
- ▶ **Family & personal issues**
- ▶ **Cost overruns with lag in profit expectations**



RADAR SCREEN MONITORING

- ▶ **Accounts Payable: size, number, credit card debt**
- ▶ **Non-traditional sources of credit & investment capital**
 - 32% of operating monies
 - More investors
 - Owner, family & neighbor assistance
 - 5 & 7 Sources of Credit Rule
 - Monitor cash flows in the operating cycle
 - Collateral inspections & documentation



SHOCK TEST: 2026 BUDGETS & PROJECTIONS

▶ Stress test scenario planning for:

- Price
- Cost: crops, feed, rent, repairs
- Interest rates
- Production
- Reduction of government support: 25%, 50%, 75%

▶ Best, average & worst-case scenarios

▶ Breakeven: 100% coverage ratio

▶ 5-5-3 Rule

- Revenue, expenses, interest rates

▶ 10-10-3 Rule

- Questionable numbers & track record
- Questionable management mindset

▶ Family living withdrawals

ROCKET ROUND SESSION



ROCKET ROUND QUICK HITS



AI in the agricultural industry: Opportunity or Threat?

ROCKET ROUND QUICK HITS



**Land values: Thumbs Up or
Thumbs Down**

ROCKET ROUND QUICK HITS



**Federal Reserve independence:
Yes or No**

ROCKET ROUND QUICK HITS



**Young, Beginning
Farmers/Ranches:
Endangered species?**

ROCKET ROUND QUICK HITS



**Government payments to
agriculture: Sunrise or Sunset?**

ROCKET ROUND QUICK HITS



**Value of the dollar to other
currencies: Stronger or Weaker
Implications?**

ROCKET ROUND QUICK HITS



**Gold & silver prices:
What's up?**

ROCKET ROUND QUICK HITS



**DOW 60,000, Federal
Debt \$40 Trillion: Which
is first?**

ROCKET ROUND QUICK HITS



U.S. Export Markets: Beginning of the end?

ROCKET ROUND QUICK HITS



**USMCA: Breaking up is
hard to do**

FIVE POSITIVE TAKE AWAYS

- ▶ Lenders build best customer base in tough times.**
- ▶ Borrower & lender character is built in tough times.**
- ▶ Opportunities for young and beginning producers.**
- ▶ It's about the process & the 5% Rule.**
- ▶ Quick money builds ego, but disciplined management & lifestyle establishes resiliency, nimbleness & agility.**

Q&A WITH DR. KOHL & JACKSON TAKACH



LET'S CONTINUE THE CONVERSATION

EMAIL US TODAY
Opportunities@FarmerMac.com

Dr. Kohl's Contact Information

- **Office:**
(540) 961-2094 – Alicia Morris
- **Scheduling:**
(540) 493-2724 – Angela Meadows
- **Email:**
sullylabvt@gmail.com

Online Articles

- Dave's GPS & Dashboard Indicators
<https://www.farmermac.com/news-events/daves-gps/>
- Farm Progress Weekly Article:
<https://www.farmprogress.com/author/david-kohl>
- Ag Trends & Insights Videos
<https://agwestfc.com/education-and-resources/industry-and-economic-insights/economic-updates/agricultural-trends>

THANK YOU!



FARMER MAC