

THE GROWING PORK INDUSTRY IN IOWA

A LENDER'S PERSPECTIVE

May 16, 2018

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FARM CREDIT



Key Areas to Cover

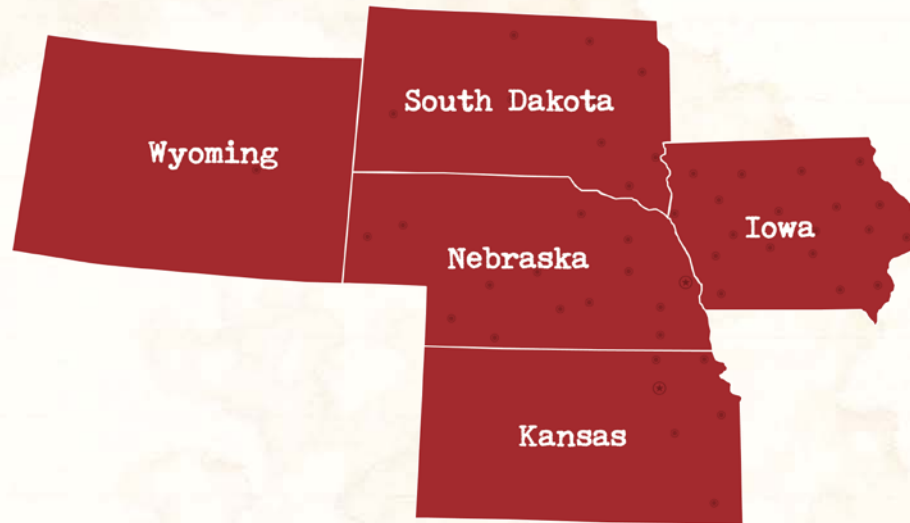
- ✓ Farm Credit Services of America overview
- ✓ Industry update
 - ✓ Expansion
 - ✓ Growth
 - ✓ Trends
 - ✓ Concerns
- ✓ Pork's impact on land values

WHO WE ARE



- Financial services cooperative that provides credit and insurance services for farmers, ranchers, agribusiness and rural residents
- 100 percent owned by the customers we serve
- Largest association in the nationwide Farm Credit System
 - Assets: \$28 billion
 - Loans: \$26.7 billion
 - Members' equity: \$5.1 billion
 - Cash-back dividends since 2004: \$1.5 billion

KEY FACTS



- Corporate campus in Omaha, NE
- 1,680+ employees
- 48 offices across 4 1/3 states
- 57,000+ customer-owners



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Iowa Facilities



Retail Offices: 19

Employees: 380

Loan Officers: 110

Appraisal Team: 23

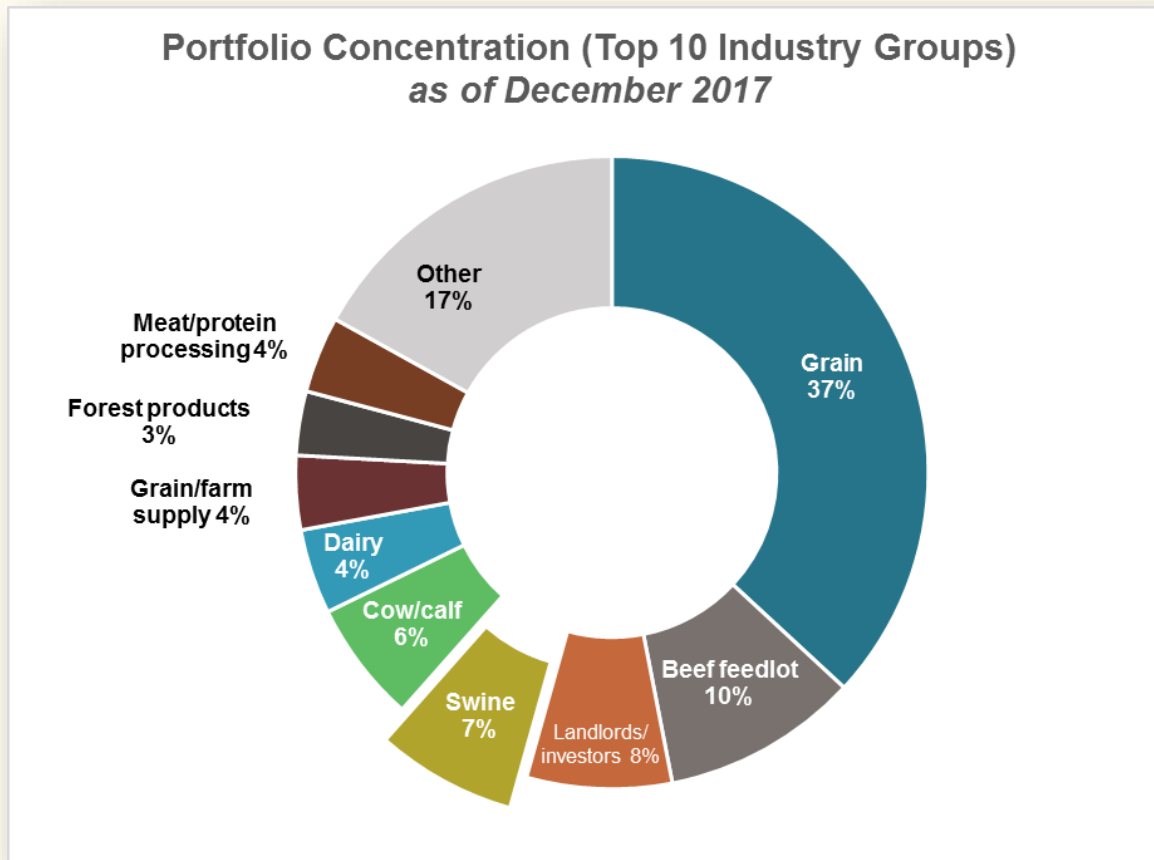
www.fcsamerica.com or 800-884-FARM





Industry Portfolio

Portfolio Concentration (Top 10 Industry Groups)
as of December 2017



Swine Portfolio Highlights



A leading swine lender in the U.S.

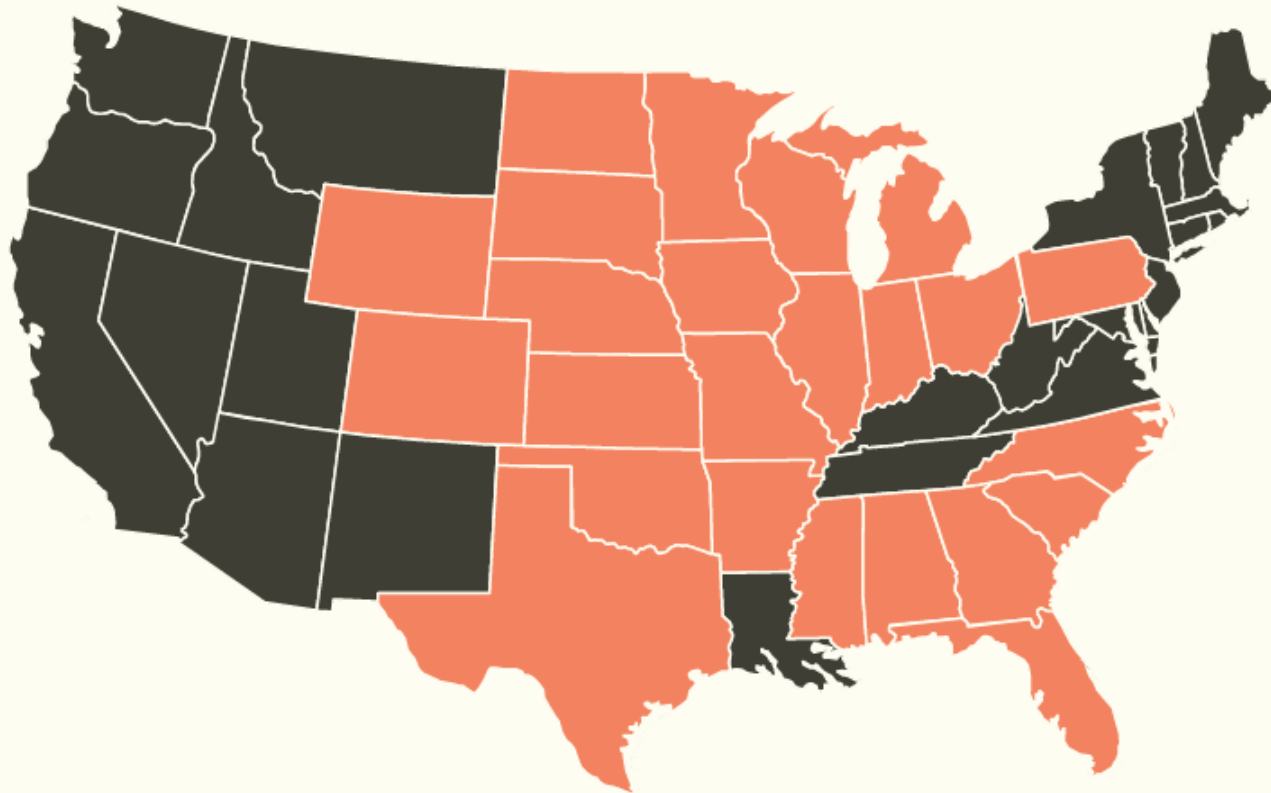
28 of the top 40 swine producers in the country work with us.

Capacity to accommodate **large scale** commercial enterprise financing needs.

\$1.9 billion total commitments.



Nationwide Footprint - Swine





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Why the Expansion in Iowa?

- **Profitability**
- **Statewide regulations**
- **Infrastructure**
 - **Feed mills**
 - **Transportation**
 - **Harvesting facilities**
- **Cropland to utilize manure**
- **Labor, next generation on the farm**





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How Much Growth in 2018?

- Herd size growing 3-4%
- Improved production adds 2-3% annually
 - Genetic technology
 - Improved facilities - filters
 - Increased labor - 24 hour care
- That means 5-7% more pork to market





Pork Industry Trends

- **Continued integration and consolidation**
- **New packing capacity has created realignment of the pig flow**
- **Industry is financially healthy**
- **More ownership of “pork” as producers invest in harvesting capacity**
- **Massive capital investments**
- **USA is still the lowest cost producer of pork in the world, BUT everyone is catching up**





Disruptors and Concerns

- Trade
- Labor
- Permitting
- Diseases
 - Foot and Mouth
 - African Swine Fever
- Tight cash flows on finishing barns
 - Building costs
 - Interest rates
 - Stretching terms





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Pork Industry's Influence on Land Values

- **20 million finishing spaces in Iowa**
- **Generating \$800 million in contract income revenues**
- **Total land sales in Iowa in 2017 - \$1.34 billion**
- **A 30-40 year income producing asset that is paid for in 10-15 years creates a powerful cash producing engine**
- **Farmers inherently want to grow in size and productivity so they invest profits into additional land, facilities and equipment**





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