

AGRICULTURE & AG LENDING IN CHAOTIC TIMES



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Dashboard of Numbers That Matter in the U.S.

- \$4.00+ average for gasoline
- \$5.00+ average for diesel
- \$100+ barrel of West Texas Intermediate (WTI) crude oil
- Rule of 15-week duration



The Numbers That Matter

(1)

- 80% of farm/ranch expenses impacted by oil price
- 60% of general economic expenses impacted by oil price
- Fuel & fertilizer prices up 40 to 55%
- Commodity prices up 8 to 15%
- Fertilizer prices up 40 to 55%
- Tail risk
 - Infrastructure destruction
 - Continuous breakdown of Peace Agreement

IMPORTANT

The Numbers That Matter

(2)

- Oil Recession
- California economy imports one million gallons of fuel daily; the 5th largest global economy is vulnerable.
- Large amounts of potash - Canada
- Large amounts of phosphate - Morocco
- Just in time management to just in case management

IMPORTANT

Just in Case Management Mindset

- Strong working capital reserves
- Financial scenario planning for objective vs. emotional decision making
 - Price
 - Cost
 - Production
 - Interest rates
- Marketing and risk management plan
 - Plan, execute, monitor
- Advisory team should be “coachable”
- Manage the controllables, manage around the uncontrollables

THE PRODUCER PLAYBOOK: 6 STEPS BACK TO CONSISTENT PROFITABILITY

In a downturn, the goal is not maximum production — it is durable margin, liquidity and resilience.

1

KNOW YOUR TRUE BREAK EVEN

Calculate cost per bushel / cwt / head by enterprise — including family living, interest and machinery ownership.

2

PROTECT CASH & WORKING CAPITAL

Preserve liquidity. Refinance or term out appropriate debt, control draws and avoid funding long-term assets with short-term money.

3

CUT COST — NOT PRODUCTIVITY

Challenge every acre, input, machine and overhead expense. Eliminate low-ROI spending before cutting yield-driving inputs.

4

MARKET THE MARGIN

Set profit targets and pre-price portions when margins are available. Use crop insurance and hedging tools as part of one risk plan.

5

SWEAT THE ASSET BASE

Sell or lease underutilized machinery, land or facilities. Custom hire or share equipment when ownership does not earn its cost.

6

INVEST ONLY FOR MEASURABLE ROI

Prioritize technology, genetics, labor-saving tools and management changes that lower unit cost or improve revenue per unit.

THE DISCIPLINE: Margin over volume • Liquidity over expansion • ROI over optimism

5 MACRO LEVERS TO RESTORE AGRICULTURAL PROSPERITY

Industry-level actions that can improve margins, competitiveness and long-term demand

01

DEMAND

Grow the market

- Expand biofuels, renewable diesel & SAF
- Develop new food, feed & bio-based uses
- Strengthen livestock and protein demand

02

TRADE

Win back market share

- Expand reliable export access
- Reduce retaliatory trade barriers
- Improve ports, rail, locks & logistics

03

COSTS

Lower the breakeven

- Address fertilizer, energy & machinery costs
- Reduce transportation and regulatory friction
- Improve access to affordable working capital

04

POLICY

Create predictability

- Provide a durable Farm Bill framework
- Strengthen crop insurance & risk tools
- Clarify biofuel, trade & conservation policy

05

PRODUCTIVITY

Produce smarter—not just more

- Invest in measurable ROI technologies
- Improve labor and input efficiency
- Lower cost per unit of production

THE OBJECTIVE: Improve demand + lower breakevens + restore confidence → sustainable farm profitability

THE RISE OF THE “WAITERS”

Many Millennials are waiting to inherit wealth.

ABOUT
1 IN 5
MILLENNIALS ARE
“WAITERS”

Relying on an inheritance that is critical or highly critical to their long-term financial security.



26%
OF MILLENNIALS EXPECT
TO INHERIT MONEY.



69%
OF THOSE SAY IT IS CRITICAL
OR HIGHLY CRITICAL TO THEIR
FINANCIAL SECURITY.

Source: Northwestern Mutual 2025 Planning & Progress Study



WAITING

for parents or
grandparents to pass
away to inherit
wealth, assets or
the family farm.

1

ARE THEY WAITING TO FARM — OR WAITING TO INHERIT THE FARM?

The future of your farm depends on today's decisions.



CURRENT GENERATION (55+)

- Still owns the assets
- Retains control and decision making
- Holds the equity and security
- May delay transition indefinitely

TRANSITION

NEXT GENERATION (MILLENNIALS / GEN Z)

- Works in the business
- Invested and committed
- Limited equity and decision power
- Uncertain if or when they will inherit

MOST FARMS WON'T TRANSFER
ON A CALENDAR.

They transfer on a plan.

SUCCESSION IS MORE THAN A WILL



PEOPLE
Right people,
right roles,
clear
communication



PLAN
Written plan
for management
and ownership
transition



PROFIT
Strong business
that supports
future
generations



PROTECTION
Legal, tax and
estate strategies
that protect the
farm and family

KEY FACTS



The average age of
U.S. farmers is
58.1 YEARS OLD

Source: USDA 2022 Census of Agriculture



Nearly 1 IN 3
producers are
age 65 or older.



Only 12%
of producers are
under age 35.



Up to 70% of farms
may change hands in the
next 15–20 years.

Source: AgAmerica's Farm Succession Initiative

**A SUCCESSFUL TRANSITION
TRANSFERS RESPONSIBILITY,
DECISION-MAKING AND OPPORTUNITY
BEFORE IT TRANSFERS THE ESTATE.**

2

Builders & Guardians: What It Looks Like on the Farm

The strongest operators pursue opportunity — while protecting the balance sheet and the next generation.

THE BUILDER

"How can we make this operation better?"

- 1 Expands strategically**
Rents the neighboring 800 acres when machinery and labor can handle it.
- 2 Invests in productivity**
Adds precision application, grain storage, irrigation, genetics or livestock facilities when the economics work.
- 3 Creates new revenue**
Adds custom work, direct marketing, backgrounding, seed production or another complementary enterprise.
- 4 Moves on opportunity**
Locks in an attractive land purchase, feed supply or equipment deal before competitors do.
- 5 Develops the next generation**
Gives a son, daughter or key employee real responsibility, ownership opportunities and decision authority.

THE GUARDIAN

"What could go wrong — and can we survive it?"

- 1 Protects working capital**
Keeps enough cash and borrowing capacity to withstand a poor crop, weak prices or unexpected expense.
- 2 Stress-tests expansion**
Runs the numbers at \$3.75 corn, lower yields, higher feed costs or an 8% interest rate — not just the optimistic case.
- 3 Avoids over-equipping**
Repairs or keeps a sound machine another year rather than buying simply to reduce taxes or match the neighbor.
- 4 Manages price & production risk**
Uses crop insurance, forward contracts, hedges, livestock coverage and diversified revenue intentionally.
- 5 Protects staying power**
Maintains sensible leverage, adequate insurance, succession plans and contingency plans for death, disability or a downturn.

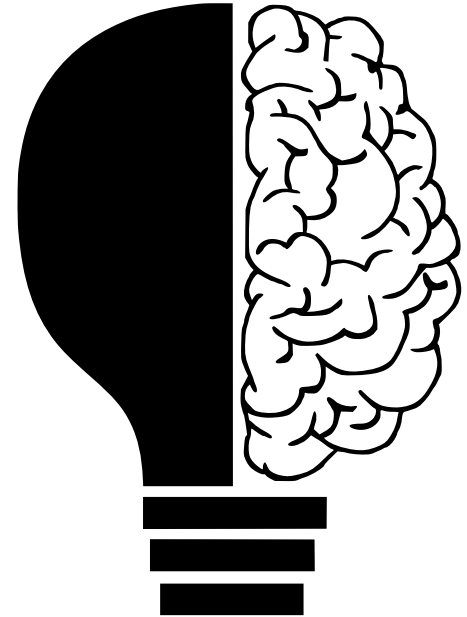
The Builder asks, "What's possible?" • The Guardian asks, "What must remain protected?" • Great operators ask both.

Due Diligence in Use of Government Payments Checklist

- Pay down LOC and accounts payable
- Upgrade of machinery, equipment & facilities
- Three-year trend analysis of debt payments to net income
 - Payment as percentage of net income
 - < 25% green
 - 26-60% yellow
 - >60% red
- Down payment for land acquisitions & to supplement cash rents for competitors
- Family living, non-farm capital expenditures
- Other

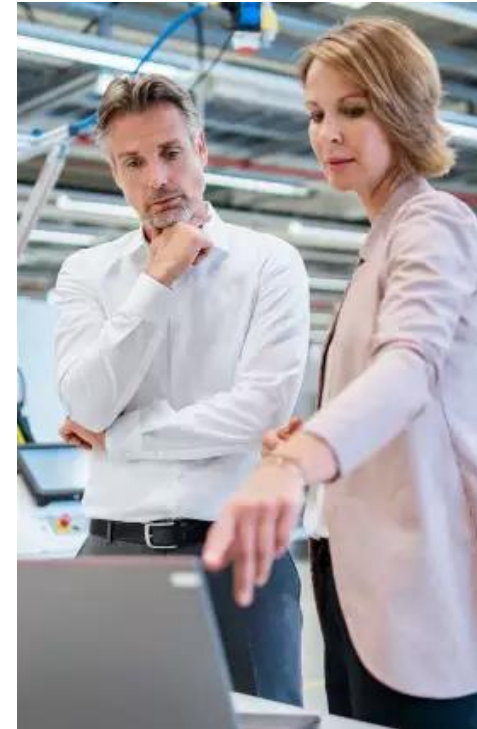
Split Personality in Agriculture

- Grain, Row Crop & Specialty Crops
 - Cyclical
 - Structural
 - Auto industry like 1970s
 - Two in Ten Year Rule
 - Five in Eight Year Rule/management mindset
- Beef/Livestock/Value Added Diversification
 - 3-6 sources of revenue: sweet spot for resiliency, agility & nimbleness
 - Black swans / consumer inflation fatigue



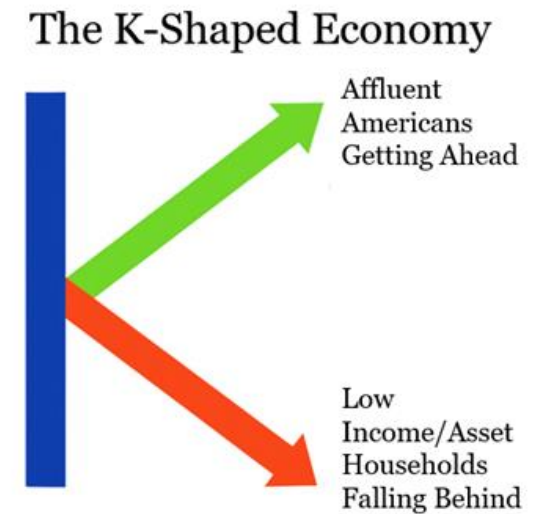
Producers Pass the 5 in 8 Years Sniff Test

- Marketing & risk management program
- Reducing marginal farm ground
- Eliminating unproductive assets
- Diversifying revenue streams
- Reducing family living
- COP & BE



K Shaped, Two Speed U.S. Economy

- Higher earning consumers spending more due to stock market earnings and elevated property values
 - Vacations, premium goods, expensive experiences
- Lower income consumers struggling to afford necessities:
 - Housing
 - Energy
 - Food
 - Gas



Unemployment Tells Only Half the Story

Two labor-market measures answer two very different questions.

UNEMPLOYMENT RATE

4.1%

Of people in the labor force, how many are jobless and actively looking for work?

$\text{Unemployed} \div \text{Labor force}$

LABOR-FORCE PARTICIPATION

61.6%

Of the civilian population age 16+, how many are working or actively looking for work?

$\text{Labor force} \div \text{Civilian population 16+}$

KEY MESSAGE: A low unemployment rate does not mean that nearly everyone is working.

Source: U.S. Bureau of Labor Statistics (BLS), Current Population Survey; August 2026.

4% Unemployment Does NOT Mean 96% of Americans Are Working

The denominator is the key.

COMMON MISINTERPRETATION

**“4% unemployed
= 96% employed”**

Wrong denominator.
The unemployment rate excludes people outside the labor force.

BETTER LABOR-MARKET PICTURE

**61.6% participate
59.1% are employed**

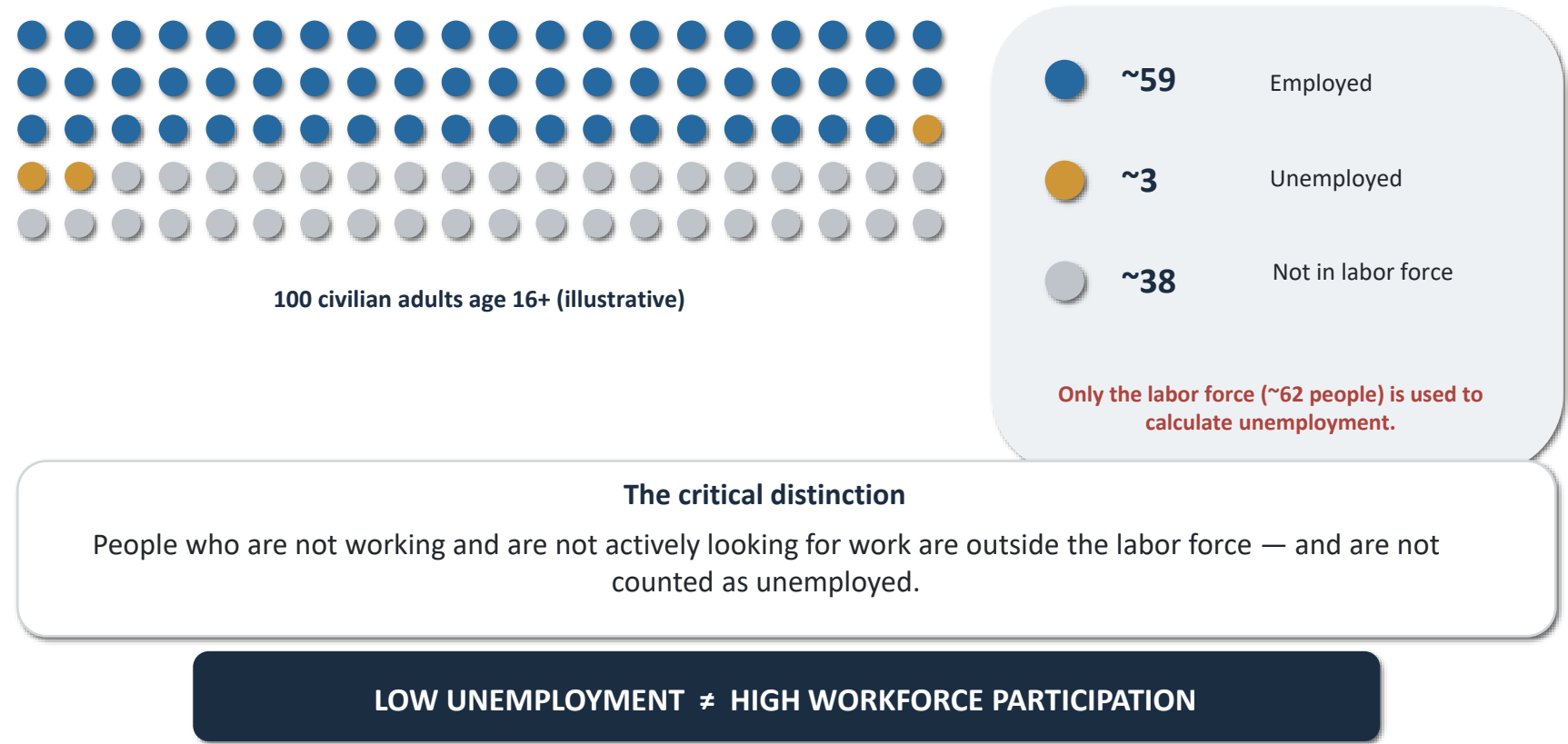
Participation + unemployment + employment-to-population
together provide a much fuller picture.

THE QUESTION TO ASK

Not just “How many are unemployed?” — but “How many are participating at all?”

How Can Unemployment Be Low While Participation Is Lower?

A simplified 100-person example using August 2026 rates.



Source: U.S. Bureau of Labor Statistics (BLS), Current Population Survey; August 2026.

U.S.A. Economy Snapshot: ALICE

- ALICE- Asset Limited, Income Constrained, fully Employed
- Less than 5% spending
- Stimulus checks during & post pandemic
- Now living paycheck-to-paycheck; generating overdrafts
- Consumer credit card debt buildup
 - Along with other unsecured subprime lending, credit card debt is an increasing “shock absorber” for ALICE borrowers
- Total credit card debt = \$1.3 trillion (ALICE estimate: \$500B)
- Total auto debt = \$1.7 trillion (ALICE estimate: \$650B)
- Highest delinquency rate on credit cards & auto loans since 2012

U.S.A. Economy Snapshot: HENRY

- HENRY- High Earners, Not Rich Yet
- \$100,000 - \$500,000 household earnings
- Significant level of graduate school debt
- Some HENRY's are priced out of the housing market
- Lack of stock & real estate appreciation
- High levels of consumer spending & buying experiences
- Younger HENRY's are vulnerable to job layoffs and AI replacement

U.S.A. Economy Snapshot: HERMAN

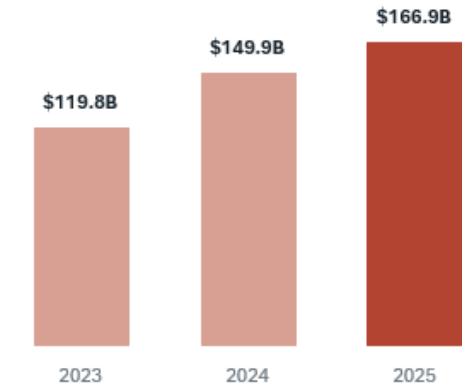
- HERMAN: High Earners, Rich, Mobile, Appreciated Net Worth
- 10% of population, 49% of consumer spending from 36%
- Household or business wealth, paper wealth accumulation \$1 million to \$10 to 25 million
- Older demographic, frequently above 60 years of age
- Spent 58% more in the last 4 years vs. 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; increasing \$14 trillion over the bottom 80%

GAMBLING IS MOVING YOUNGER — AND GROWING FAST

Legal sports betting keeps setting records. Prediction markets are scaling even faster — with participation heavily concentrated among younger adults.

1 SPORTS BETTING

U.S. legal sportsbook handle



+39% increase in money wagered
2023 → 2025

2025: \$166.9B wagered • \$17.0B sportsbook revenue

2 PREDICTION MARKETS

Kalshi + Polymarket trading volume

~\$9B → **>\$40B**
2024 → 2025

~4.4× year-over-year growth
in combined volume

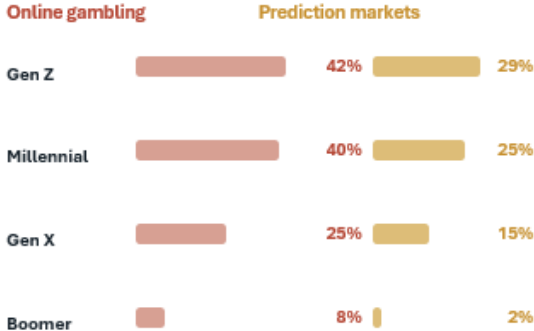
APRIL 2026

~\$24B combined monthly volume

Sports now account for 80% of Kalshi volume since July 2024.

3 WHO IS PARTICIPATING?

Share reporting participation, by generation



YOUNG MEN 18–34

53% bet on sports online **39%** use prediction markets

Bottom line: the fastest-growing forms of wagering are increasingly digital, frictionless and concentrated among younger consumers.

WHEN INVESTING STARTS LOOKING LIKE GAMBLING

Technology is collapsing the distance between investing, speculation and wagering — especially for younger consumers.



The concern isn't that every new market is gambling.

It's that the habits of gambling — frequency, leverage, immediacy and chasing outcomes — are increasingly migrating into personal finance.

Fiscal & Monetary Policy

- \$40 trillion debt currently, \$20 trillion debt in 2020
- Projected \$2 trillion deficit for 2025-2026 fiscal year
- Federal Reserve position changes: A rock & a hard spot between rate increases/decreases for 2026
- Government fiscal spending
- Federal Reserve monetary policy
 - “The magic wand”
- The balance of inflation, unemployment & economic growth

Key Economic Benchmarks: Bonds & Treasury

- 10-year Treasury bond above 5%
- 30-year Treasury bond above 6%
- Interest on national debt above military budget
- Printing money is reducing U.S. dollar's buying power
- Implication that inflation causes higher long term interest rates globally

HIGH INFLATION + LOW COST OF CAPITAL

When borrowing costs stay below inflation, the economy receives a powerful incentive to borrow, spend and own assets.



The Relationship Flipped

The economic impact depends on the gap between borrowing costs and inflation — not either rate by itself.

COVID / 2021–22

Cheap money + high inflation

Borrowing cost

3–4%

Inflation

9%+

Approx. real cost of debt

≈ -5%

Inflation was shrinking the purchasing-power burden of fixed-rate debt.

TODAY

Expensive money + lower inflation

Borrowing cost

7–8%

Inflation

~3%

Approx. real cost of debt

≈ +5%

Borrowers must now generate a genuine return above a meaningful financing hurdle.

THE SHIFT: Inflation once worked for borrowers. Today, the cost of capital works against them.

What Higher Real Interest Rates Change

Capital now has to earn its keep — producing a broad reset in spending, investment and asset values.

01 CAPITAL SPENDING

Projects face a much higher hurdle rate. Marginal expansions, equipment purchases and acquisitions get deferred.

02 CONSUMER DEMAND

Monthly payments rise sharply, suppressing financed purchases such as homes, vehicles and recreational assets.

03 ASSET VALUES

Higher discount rates pressure valuations. Assets must generate more income to justify the same price.

04 CASH & SAVINGS

Cash becomes productive again. Positive real yields reward liquidity, patience and stronger balance sheets.

05 CREDIT QUALITY

Debt service consumes more cash flow. Highly leveraged borrowers become more vulnerable to earnings volatility.

06 CAPITAL ALLOCATION

Cheap-money projects disappear. Capital migrates toward businesses with durable margins and high returns on invested capital.

OLD PLAYBOOK

**Leverage + asset
appreciation**



NEW PLAYBOOK

Cash flow + productivity + discipline



Trends That Shape the Ag Industry Globally

Rise of the Global South

- China's Belt & Road Initiative
 - \$1.5 trillion, 70 countries
 - Intense competition:
 - Manufacturing
 - Agriculture
 - Technology
- BRICS
 - Brazil, Russia, India, China & South America (original membership)
 - Now includes over 20 nations including Iran
 - Additional countries desiring membership



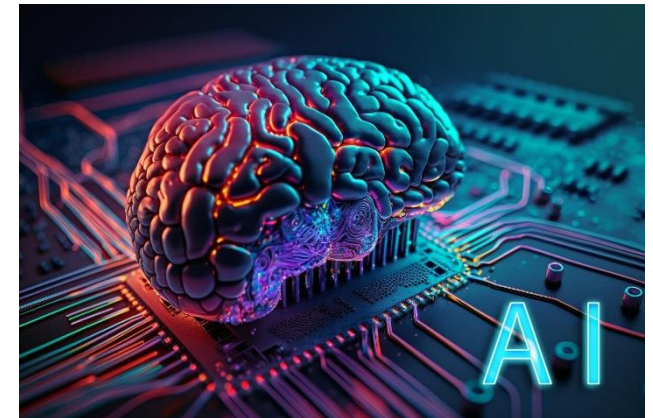
Food & Relationship with Food of the Future

- GLP-1 shot: 10 to 15% of adult Americans
- GLP-1 pill version: May increase to 50% of adult Americans
- Absorption of protein is specific to individual's genetic makeup:
 - A pill to boost absorption is critical for people over 60 with loss of muscle mass
- Protein, fiber, exercise & lifestyle



AI Perspectives

- **AI won't take your job but someone with AI knowledge might**
 - **Years, skills & interconnectedness**
- AI moving at warp speed: 1st & 2nd inning
- AI Human IQ
 - 80 in 2018
 - 100 in 2020
 - 124 in 2024
 - 1200 in 2028
- Unintended consequences: ability to influence
- Stifles innovation & critical thinking
- Societal acceptance
- AI 911



AI Can Accelerate a Credit Decision — But It Cannot Replace Credit Judgment

The danger begins when efficiency becomes a substitute for reasoning, experience, and borrower knowledge.

WHAT AI DOES WELL

- Processes large amounts of financial data quickly
- Calculates ratios, trends, sensitivities, and comparisons
- Flags exceptions and inconsistencies
- Summarizes documents and credit information
- Suggests questions and alternative scenarios

WHAT AI CANNOT OWN

- Whether the borrower is credible under pressure
- Whether assumptions are realistic for this operation
- How management will respond when the plan breaks
- Which risk matters most when signals conflict
- The final responsibility for saying “yes,” “no,” or “not yet”

AI produces analysis. The lender must still produce judgment.

What AI Knows vs. What an Experienced Lender Knows

A credit file contains data. A lending relationship contains context.

AI SEES

- Debt service coverage
- Working capital
- Leverage
- Collateral margin
- Historical yields & prices
- Peer benchmarks

BOTH SHOULD TEST

- What happens at lower prices?
- Is cash flow repeatable?
- Where is the real break-even?
- What assumptions drive the answer?
- What could make this credit fail?
- What information is missing?

EXPERIENCED LENDER SEES

- Management discipline
- Family / ownership dynamics
- Condition of machinery & facilities
- Landlord / supplier relationships
- How borrower handled the last downturn
- Whether the story matches the numbers

The best lender asks: “What does the model know — and what does it not know?”

A Farm Credit Example: The Numbers Say “Approve” — Experience Says “Keep Asking”

Illustrative case: strong collateral and acceptable projected cash flow can still conceal repayment risk.

THE FILE

- 1,800-acre grain operation
- Projected DSCR: 1.35×
- Strong farmland equity
- Current payments: satisfactory
- Expansion request: +600 rented acres
- Projection assumes trend yield + firm commodity prices

AI-ASSISTED VIEW

- ✓ Ratios meet policy
- ✓ Collateral coverage is strong
- ✓ Projected repayment capacity is adequate
- ✓ Historical performance appears acceptable
- ✓ Recommendation: approve subject to normal conditions

EXPERIENCED LENDER ASKS

- ? Why did two landlords leave last year?
- ? Can existing labor and equipment handle 33% more acres?
- ? Why are repairs unusually low in the projection?
- ? What happens with a 10% yield shortfall and weaker prices?
- ? Is farmland equity masking a weak operating model?

AI may validate the application. Experience tests whether the borrower can survive when the assumptions are wrong.

The Five Percenter

“The opportunity for business and personal prosperity is not about the size, the enterprise or the next big thing. It is about being a ‘five-percenter,’ meaning being a little better in many components of production, operational efficiency, marketing, risk management, finance, human resources and in the focus on your values and goals.”



Avoid the Bad ABCs of Business Culture

- A = Arrogance
- B = Bureaucracy
- C = Complacency
- $ROP \times ROR = ROA \ \& \ ROI$
- People over profit is a winner & competitive advantage for the greater good



Peak Performing Agricultural Bank

- Where employer of choice aligns with employees of choice: Three A's
- Culture: Balance the head & heart
- Training & education driven
- Balance of high tech/high touch
- $ROP \times ROR = ROA \text{ \& \& ROI}$



5 REASONS AG BANKERS SHOULD REMAIN OPTIMISTIC

The crop downturn is real — but today's balance sheets, credit performance and banking economics are not the 1980s.

1.4%

Ag-bank ROAA, Q1 2026

The lender opportunity:

Work with fundamentally sound borrowers through a cyclical margin squeeze.

Use structure, monitoring and candid conversations before stress becomes impairment.

Protect relationships that may be worth more after the cycle turns.

OPTIMISM ≠ COMPLACENCY

The best lenders lean in when borrower decisions matter most.

01

Farm equity remains exceptionally strong

\$3.92T of farm-sector equity forecast for 2026; debt/assets only 13.75%.

Banker implication: Collateral capacity still provides room to restructure viable operations.

02

Credit stress is rising slowly — not breaking

Farm-loan delinquencies remain relatively low and broadly stable.

Banker implication: There is still time for early intervention, not just workout management.

03

Cash income has more support than headlines suggest

2026 net cash farm income forecast at \$158.5B — above the 20-year real average.

Banker implication: Government support and strong cattle receipts cushion crop-sector weakness.

04

Strong operators are adapting

Producers are cutting costs, diversifying revenue and managing machinery lines more tightly.

Banker implication: Downturns separate durable managers from marginal business models.

05

Ag banking itself remains a strong franchise

Ag-bank earnings remain strong; 2025 farm loans grew ~7%, supporting margins and ROA.

Banker implication: Good borrowers still need liquidity, structure and a lender who understands agriculture.

Sources: USDA ERS Farm Income & Wealth Forecast (May 2026); Federal Reserve Bank of Kansas City, Agricultural Finance Updates (May–Aug. 2026).

5 THINGS AG BANKERS SHOULD NOT BE COMPLACENT ABOUT

Optimism should drive engagement — not weaker underwriting. The current cycle is testing liquidity, cost structure and management discipline.

EARLY beats late

What good lenders do now:

Re-underwrite repayment capacity — not just collateral.

Identify carryover debt before renewal season.

Separate temporary margin pressure from structural weakness.

Require a credible operating plan with measurable triggers.

THE CORE QUESTION

Is this borrower experiencing a cycle — or revealing

01

Working capital erosion

USDA forecasts farm-sector liquidity to weaken in 2026; many crop operations are funding losses from current assets.

Banker action: Track working capital / gross revenue and current ratio trends — not merely year-end net worth.

02

Carryover operating debt

Renewals and extensions are rising while repayment rates weaken across several Fed districts.

Banker action: Do not normalize unpaid operating balances. Term out only with demonstrated repayment capacity and a corrective plan.

03

Machinery & capital-cost burden

Capital spending is falling, but prior equipment purchases can leave fixed payments misaligned with today's margins.

Banker action: Stress-test machinery debt per acre and replacement plans; distinguish productive assets from lifestyle capacity.

04

Land rent & high-cost acres

Renter-operators are reporting weaker financial conditions; rents have adjusted only modestly in many areas.

Banker action: Force field-by-field economics. High cash rent can destroy otherwise strong whole-farm averages.

05

Delayed borrower conversations

Gradual deterioration can create false comfort: most problems remain manageable today, but options shrink as liquidity disappears.

Banker action: Move difficult conversations forward: projections, covenants, collateral, FSA options and exit triggers before spring renewal.

Sources: USDA ERS, Farm Sector Assets, Debt & Wealth (2026); Federal Reserve Banks of Kansas City, Minneapolis and Chicago, 2026 agricultural credit surveys.



Q&A



GREAT PEOPLE. DEEP ROOTS. STRONGER TOGETHER.



WE'RE PROUD TO
SUPPORT THE PEOPLE
WHO **FEED, FUEL** AND
STRENGTHEN OUR
COMMUNITIES.

Our Ag bankers know agriculture.
We listen. We understand. We deliver.
That's the Bell Bank difference.



RELATIONSHIP
DRIVEN



AG EXPERTISE
THAT MATTERS



WE LISTEN.
WE UNDERSTAND.



SOLUTIONS FOR
WHAT'S NEXT



STRONGER
TOGETHER



COMMITTED TO
OUR COMMUNITIES



MAKING A
DIFFERENCE



GROWING
TOGETHER

LOCAL KNOWLEDGE. STRONG RELATIONSHIPS. BRIGHTER FUTURES. *That's the Bell Bank way.*

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Online Articles:



- Farm Progress Weekly Article:
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