



Smaller Loan Sizes Keep Farm Lending Activity Muted

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New non-real estate farm lending activity at commercial banks continued to decline in the fourth quarter. According to the Survey of Terms of Lending to Farmers, the volume of new non-real estate farm loans was about 15% less than a year ago during the final months of 2023. The number of new loans increased from a year ago, but average loan sizes were notably lower. The sharp climb in farm loan interest rates abated during the quarter as average rates increased modestly for some types of loans and dropped slightly for others.

Despite a reduction in new loans made over the past year, [outstanding farm debt balances reported by commercial banks](#) grew steadily through the third quarter of 2023. Many [lenders continued to report](#) subdued demand for farm loans, while others highlighted growing demand. Elevated production costs, higher interest expenses and lower commodity prices have increased financing needs of many producers, however, strong liquidity built up in recent years likely supplemented borrowing needs of some operations throughout the year.

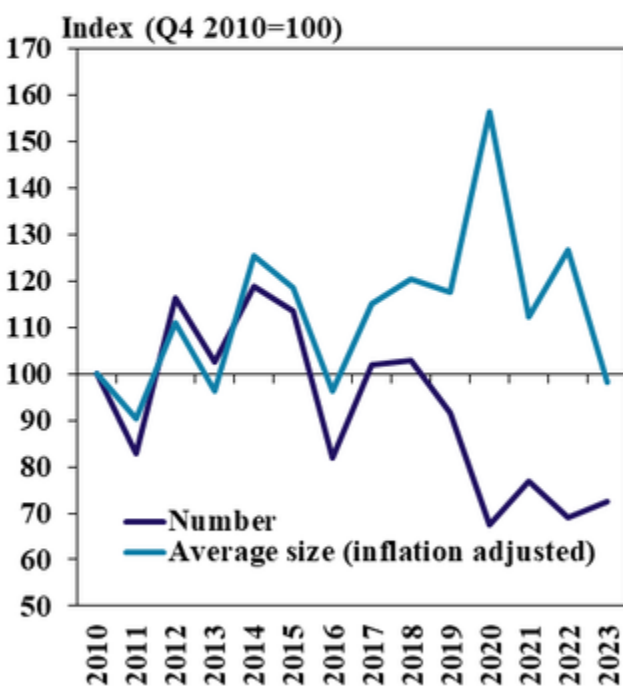
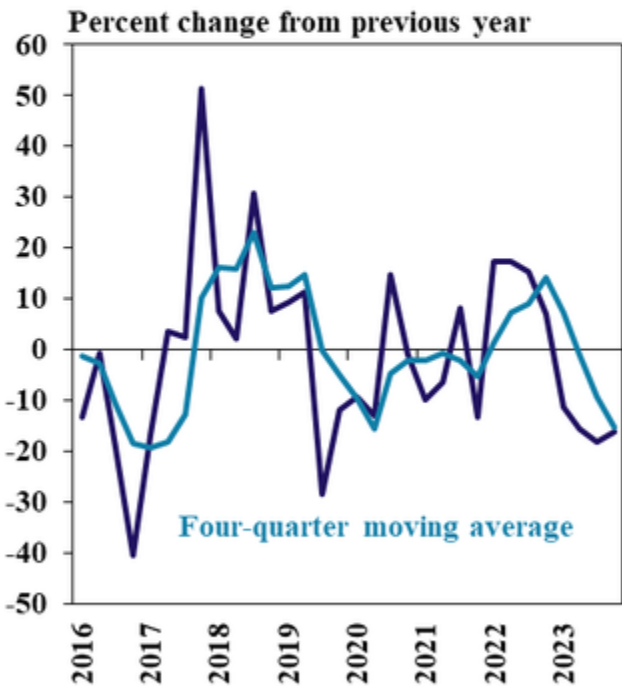
Fourth Quarter National Survey of Terms of Lending to Farmers

Agricultural lending activity slowed at a swift pace over the past year. The volume of new non-real estate farm loans at commercial banks declined for the fourth consecutive quarter and was about 15% less than a year ago (Chart 1, left panel). The number of new loans was slightly higher than a year ago, but the average loan size adjusted for inflation was the lowest since 2017 (Chart 1, right panel).

Chart 1: Non-Real Estate Farm Loans

Loan Volume

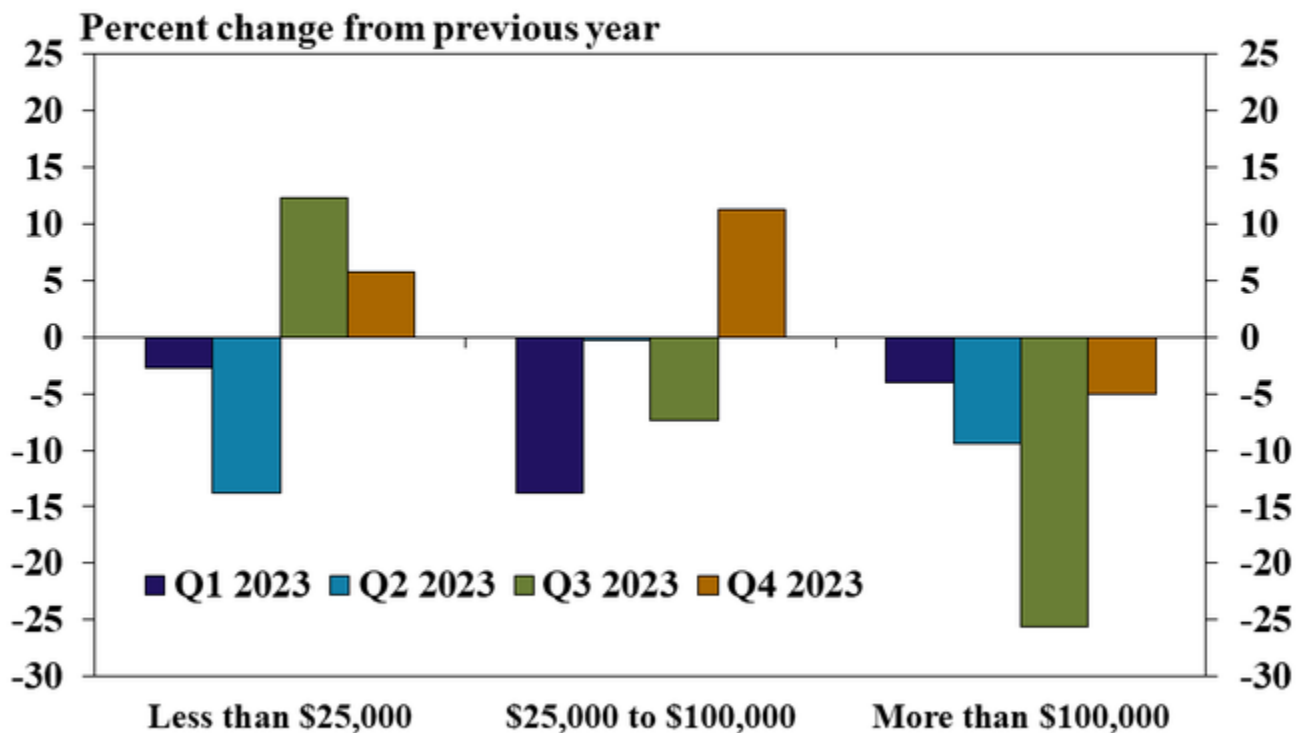
Number and Average Loan Size, Q4



Sources: Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City.

The number of smaller notes increased at the end of 2023, but the number of larger notes continued to drop through the end of the year. Compared with this time last year, there were 8% more loans that were smaller than \$100,000 (Chart 2). There were 5% fewer loans larger \$100,000, the fourth consecutive quarter of decline in the number of larger notes.

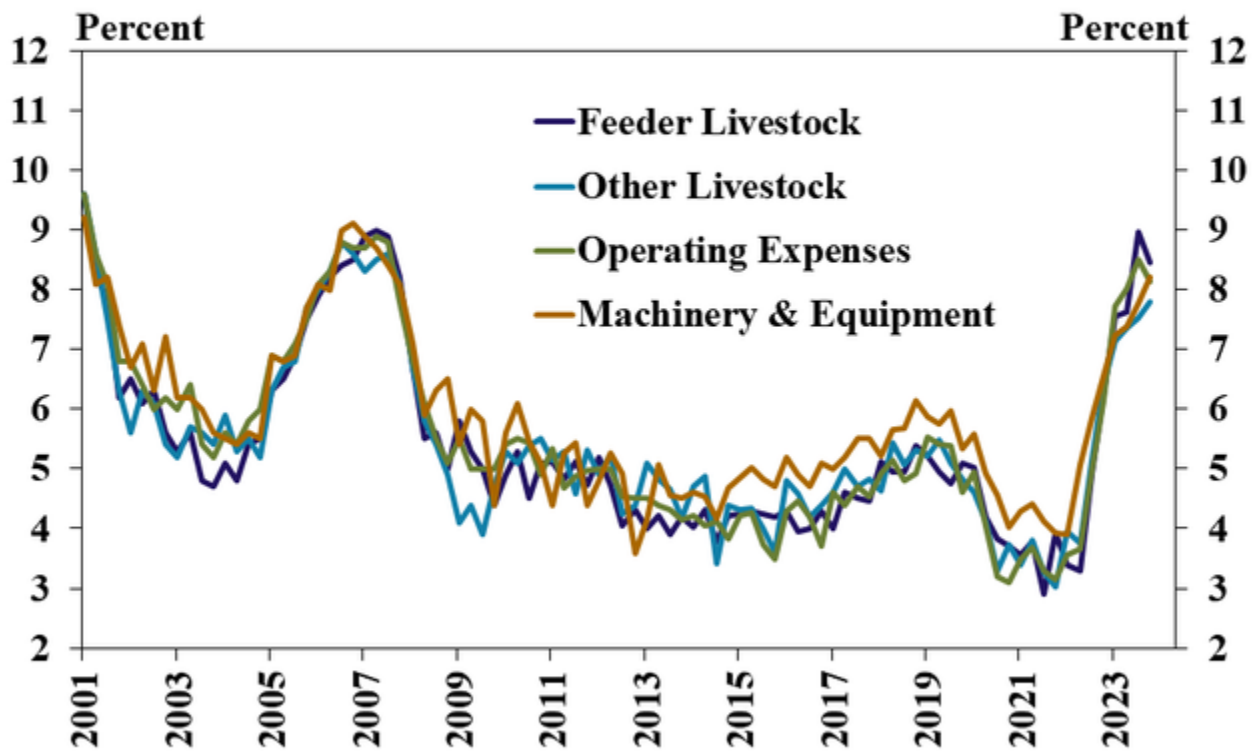
Chart 2: Number of Non-Real Estate Farm Loans by Loan Size



Sources: Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City

Lending activity has softened alongside a rapid rise in financing costs over the past year, but rates steadied for some types of loans in the fourth quarter. The average rate charged on feeder livestock and operating loans dropped about 50 basis points from the previous quarter as benchmark rates remained steady in recent months (Chart 3). The average rate on loans for other livestock and machinery edged slightly higher.

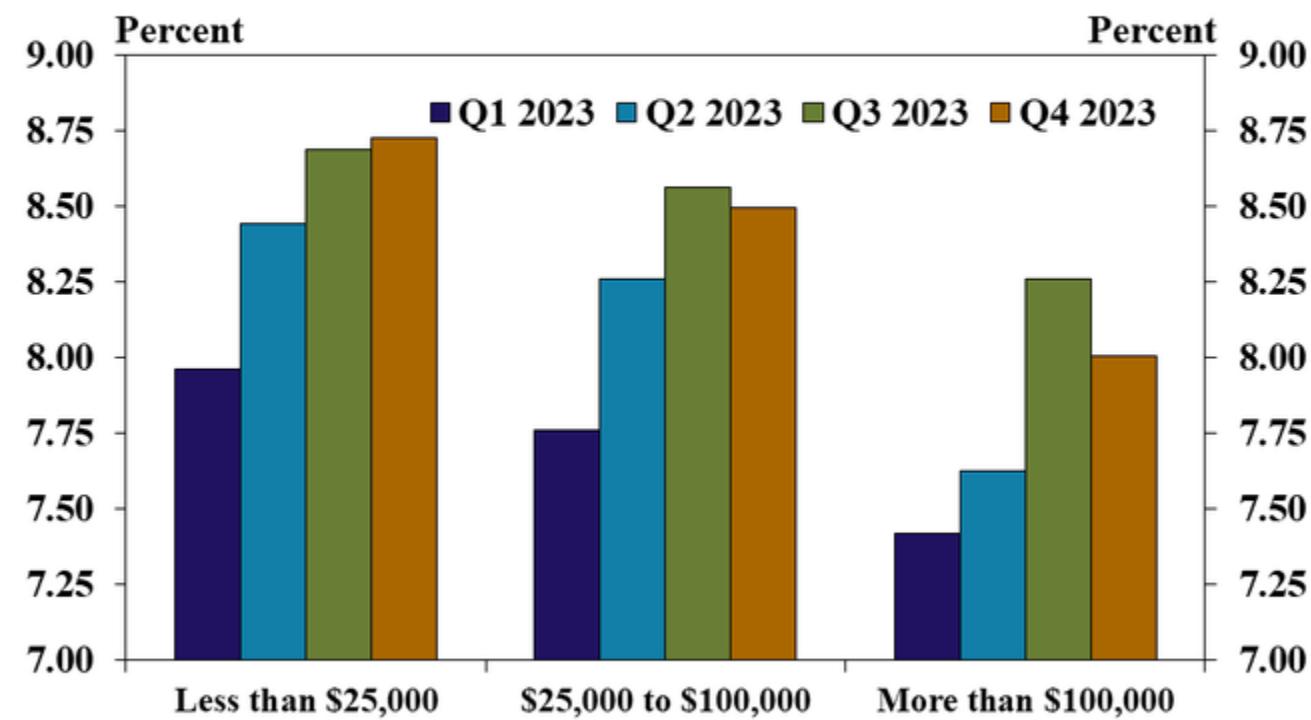
Chart 3: Average Effective Interest Rate by Loan Type



Sources: Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City

As 2023 ended, average rates inched slightly higher on smaller loans while tapering slightly for larger notes. The average rate charged on loans for less than \$25,000 was slightly higher than the previous quarter, increasing for the seventh consecutive period (Chart 4). The climb in average rates abated for larger sized loans, dropping about 10 and 25 basis points for loans between \$25,000 to \$100,000 and larger than \$100,000, respectively.

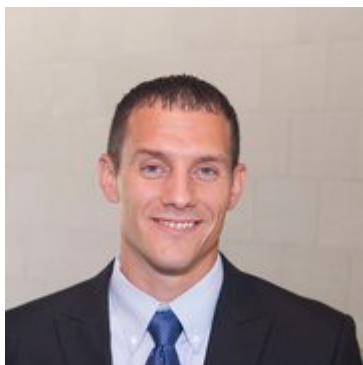
Chart 4: Average Interest Rates on Non-Real Estate Farm Loans by Loan Size



Sources: Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City

Data and Information[National Survey of Terms of Lending to Farmers Historical Data](#)
[National Survey of Terms of Lending to Farmers Tables](#)
[About the National Survey of Terms of Lending to Farmers](#)

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Nate Kauffman is Senior Vice President and Omaha Branch Executive at the Federal Reserve Bank of Kansas City. In his role as the Kansas City Fed's lead economist and representative in the state of Nebraska, Nate provides strategic direction and oversight for the Omaha Branch, regional research, and economic outreach throughout the state. He serves as a local connection to the nation's central bank and is responsible for briefing the Kansas City Fed's president – a member of the Federal Open Market Committee – on regional economic and business activity. In addition, Nate is the Kansas City Fed's principal expert in agricultural economics. He is a leading voice on the agricultural economy throughout the seven states of the Tenth Federal Reserve District and the broader Federal Reserve System. Nate oversees several Bank and Federal Reserve efforts to track agricultural economic and financial conditions. He also speaks regularly on the agricultural economy to industry audiences and the news media, including providing testimonies at both U.S. Senate and U.S. House Agriculture Committee hearings. Nate joined the Federal Reserve in 2012. He received his Ph.D. in economics from Iowa State University. Prior to receiving his Ph.D., Nate spent three years in Bosnia and Herzegovina coordinating agricultural economic development projects. Nate lives in Omaha with his wife and four children.



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Ty Kreitman is an associate economist in the Regional Affairs Department at the Omaha Branch of the Federal Reserve Bank of Kansas City. In this role, he primarily supports the Federal Reserve Bank of Kansas City and the Federal Reserve System efforts surrounding agricultural economics research, analysis and outreach. His responsibilities include co-authoring the *Tenth District Survey of Agricultural Credit Conditions and Agricultural Finance Updates*. Ty joined the Bank in 2015 as an assistant bank examiner in the Examinations & Inspections Department at the Omaha Branch and transferred to his current position in 2018. He holds a B.A. degree in Economics and Finance from the University of Nebraska-Lincoln and a M.A. degree in Financial Economics from Youngstown State University.