

# Agricultural Credit Survey Webinar

Nate Kauffman, Federal Reserve Bank of Kansas City

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The views expressed here are those of the speaker and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.



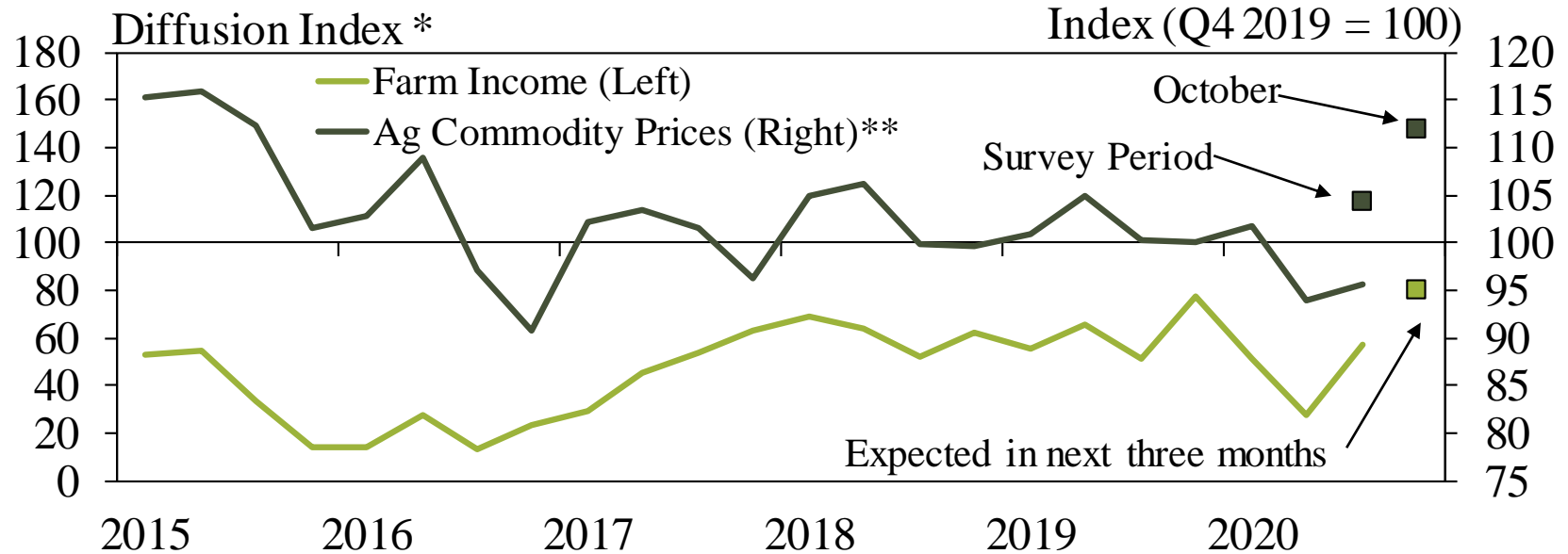
# Survey Summary

Respondents to the Kansas City Fed's third quarter survey of ag credit conditions reported, in aggregate:

- General, but notable improvements in the outlook for farm financial conditions.
- A more favorable outlook for loan repayment capacity.
- Modest increases in farmland values.

# A sharp decline in farm income in the previous quarter abated somewhat in the third quarter.

## Tenth District Farm Income and Commodity Prices



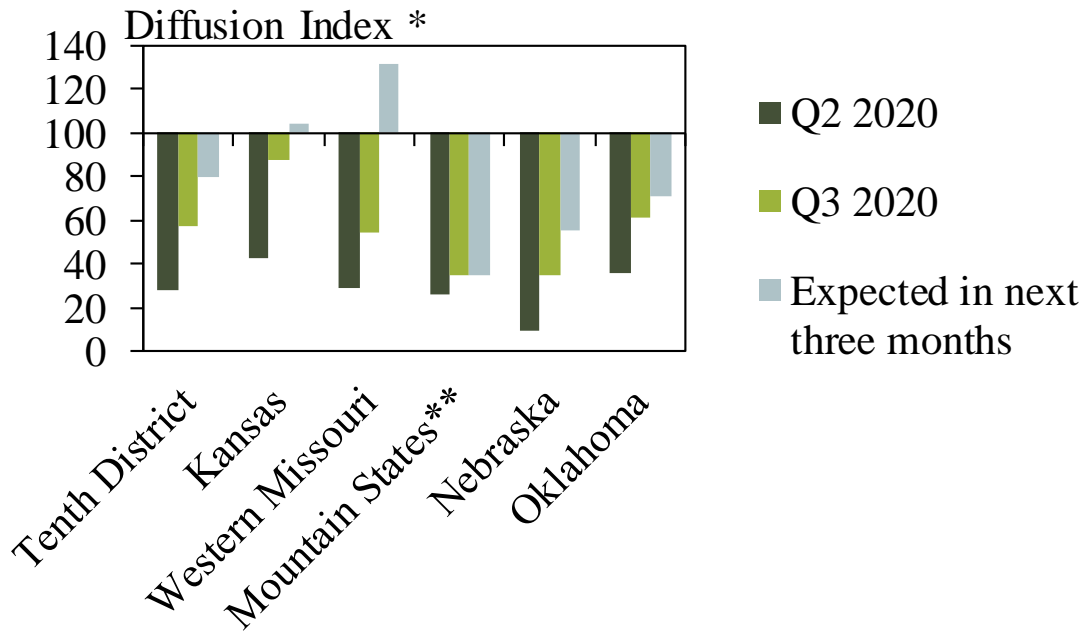
\*Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.

\*\*Average of individual indices for corn, soybeans, wheat, cattle and hogs.

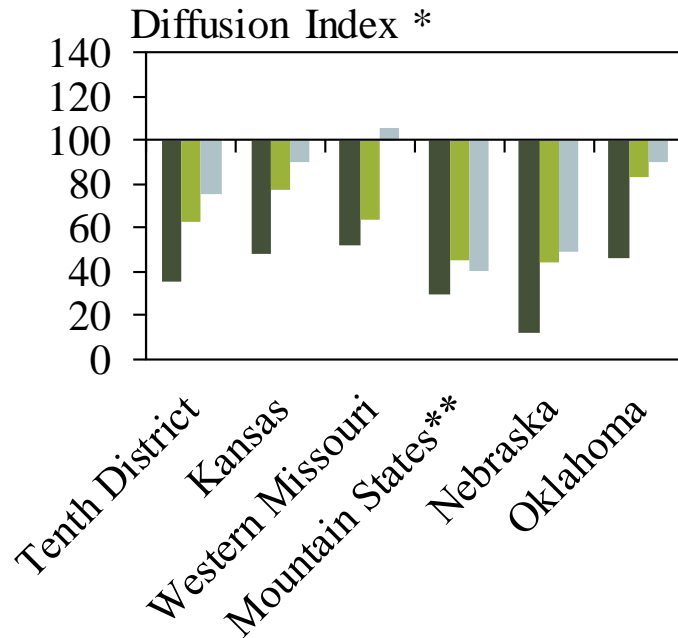
Sources: *Wall Street Journal*, Haver Analytics and staff calculations.

# All District states showed improvement in assessments of farm income and liquidity.

## Tenth District Farm Income



## Tenth District Farm Borrower Liquidity

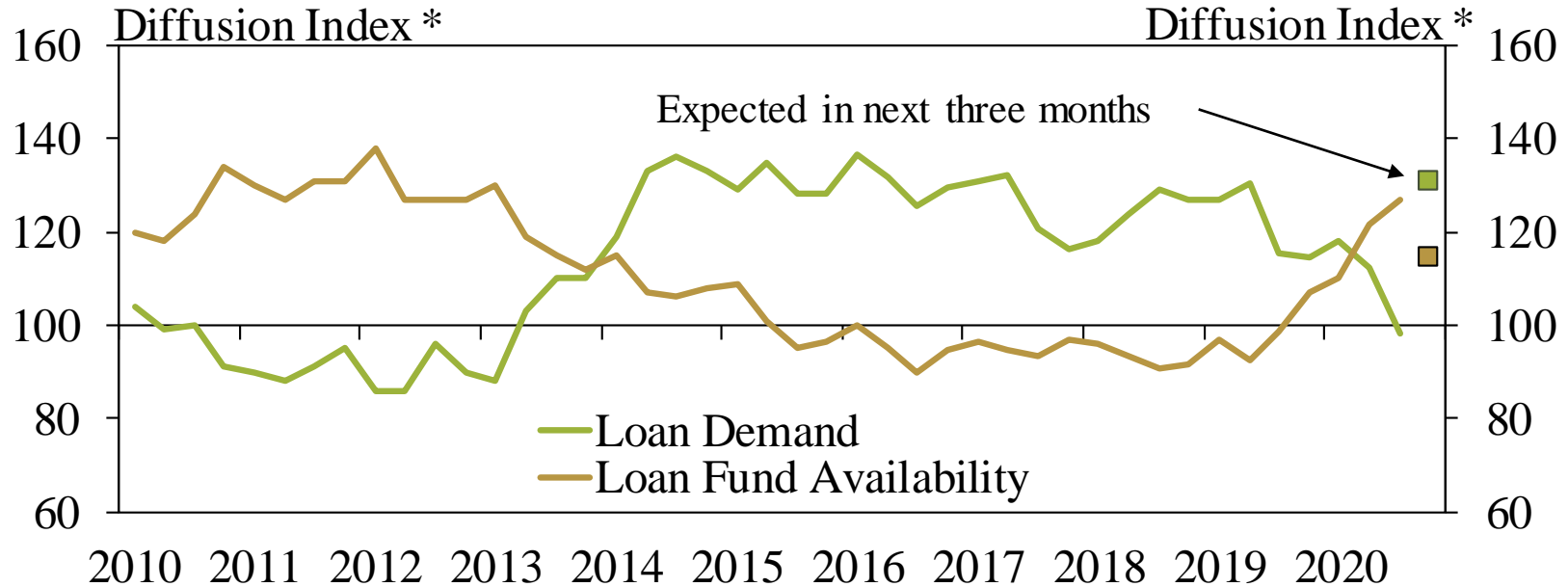


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\*\*Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.

# Following years of steady growth, demand for farm loans appeared to soften.

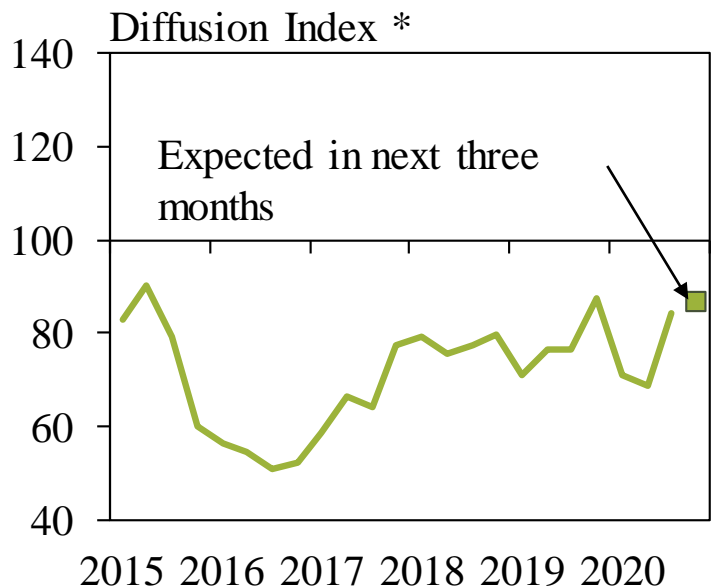
## Tenth District Farm Loans



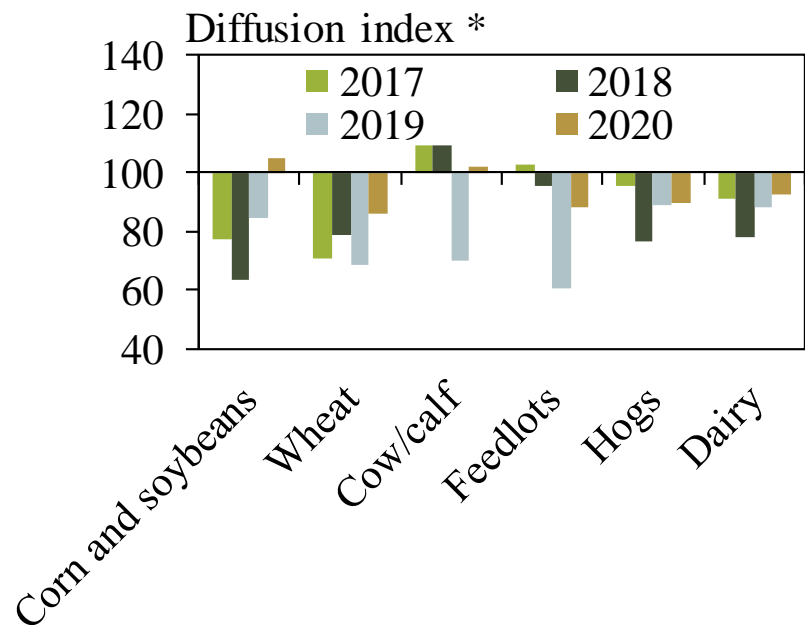
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# Most measures of credit conditions also deteriorated at a more gradual pace in the third quarter.

## Tenth District Farm Loan Repayment Rates



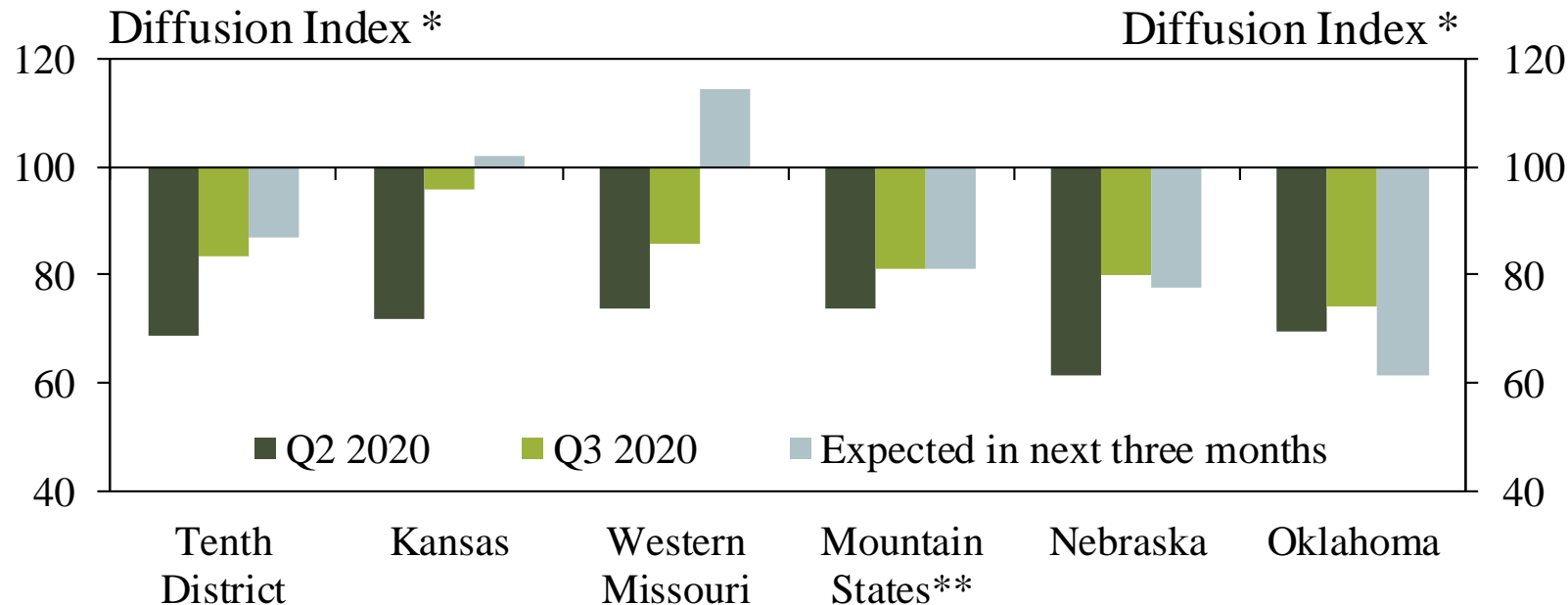
## Expected Change in Loan Repayment Rates by Operation Type, Q3



\*Bankers responded by indicating whether conditions during the current quarter were higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.

# Weakness in loan repayment also moderated across states in the Kansas City Fed District.

## Farm Loan Repayment Rates by State

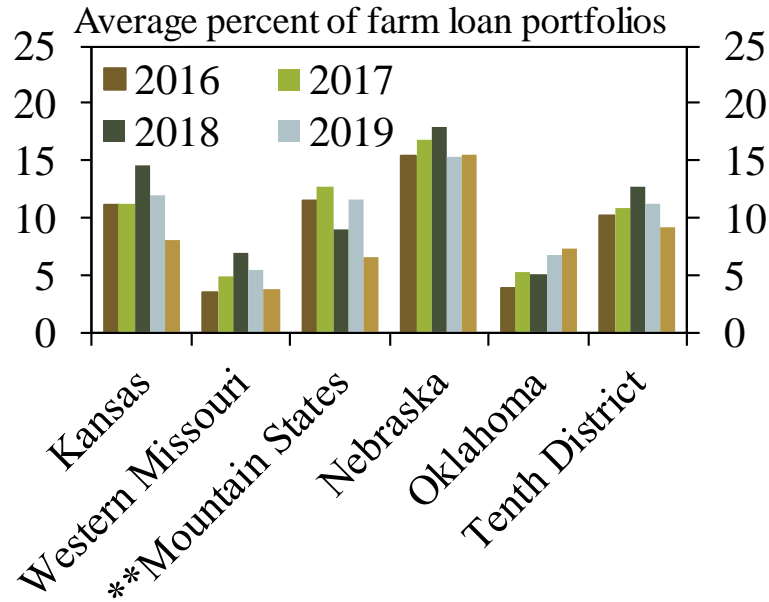


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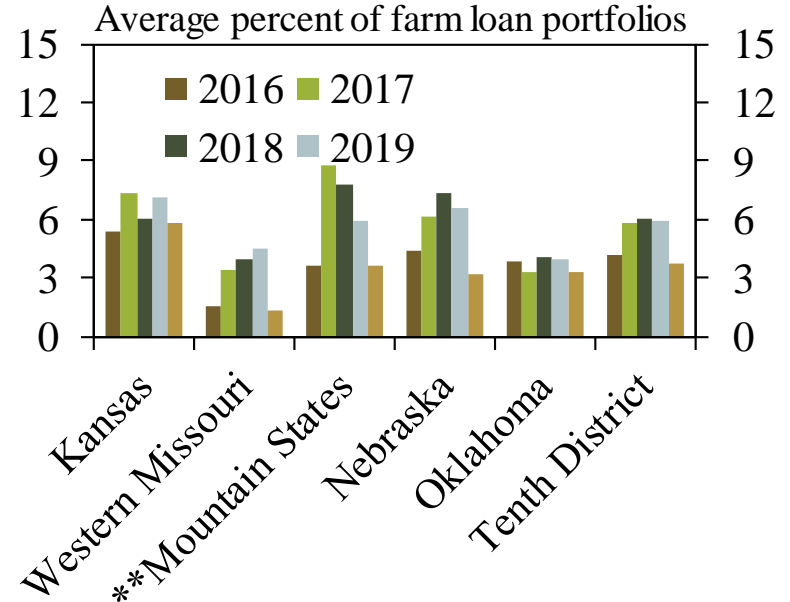
\*\*Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.

# With an improved financial outlook, problem loan rates dropped in the third quarter.

## Tenth District Watch List, Q3\*



## Tenth District Classified List, Q3\*



\*For purposes of this article, a “Watch List” loan is interpreted as a qualifying credit but is being closely monitored for potential problems (deterioration in borrower financial conditions, management changes, etc.). A “Classified List” loan is a loan with a defined weakness (inadequate debt service, insolvent collateral position, etc.) that requires specific documentation and potential bank reserve adjustments.

\*\* Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.

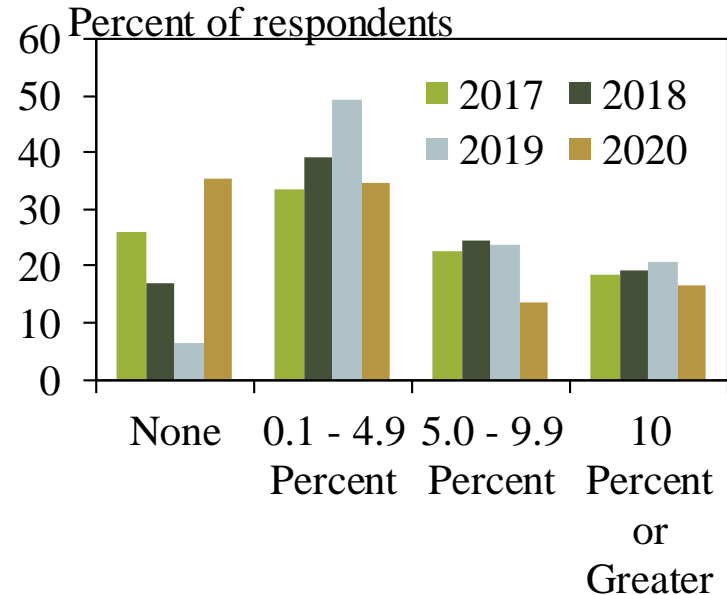


# The pace of renewals or extensions for existing borrowers remained elevated, but rates of asset liquidation slowed.

## Tenth District Renewals and Extensions



## Share of Borrowers Planning to Sell Mid- to Long-Term Assets\*\*, Q3

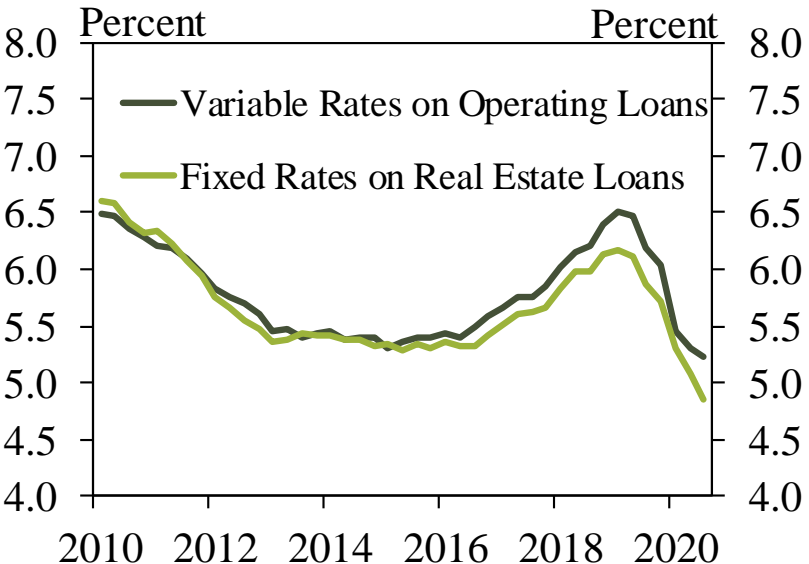


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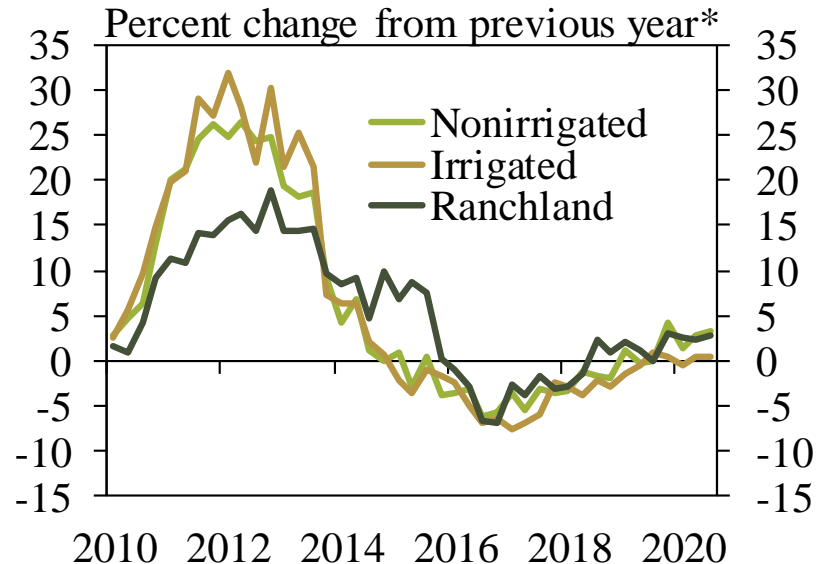
\*\*Bankers responded by indicating what percent of farm borrowers plan to sell mid-to-long term assets (such as machinery or land) before the end of the year in an effort to improve available working capital or make loan payments.

# Interest rates on ag loans continued to decline, and farmland values increased slightly throughout the District.

Tenth District Average Interest Rates



Tenth District Farmland Values



\* Percent changes are calculated using responses only from those banks reporting in both the past and the current quarters

# The stability of farm real estate values was consistent across all types of land.

## Tenth District Farmland Values by State, Third Quarter 2020

### Percent change from previous year \*

	Nonirrigated	Irrigated	Ranchland
Kansas	-1	2	1
Western Missouri	6	n/a **	9
Mountain States***	6	-4	11
Nebraska	3	0	-4
Oklahoma	6	13	5
Tenth District	3	1	3

\* Percent changes are calculated using responses only from those banks reporting in both the past and the current quarters.

\*\* Not reported due to small sample size.

\*\*\* Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.

# Concluding Remarks

- The outlook for the farm economy has turned considerably less pessimistic than in the initial months of the pandemic.
- Stronger commodity prices and sizable government payments have provided significant support and factor heavily into the outlook for 2021.

