

Agricultural Credit Survey Webinar

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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.



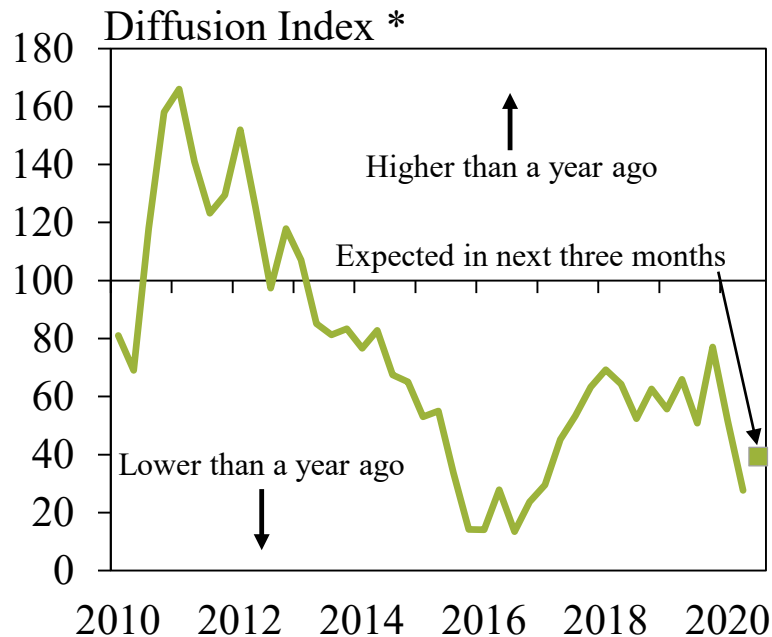
Survey Summary

- Respondents to the second quarter survey of ag credit conditions reported, in aggregate:
 - Further declines in farm income.
 - Further deterioration in credit conditions.
 - Notable support from government aid programs.
 - Some concerns about production due to drought.
 - Stability in farmland values.

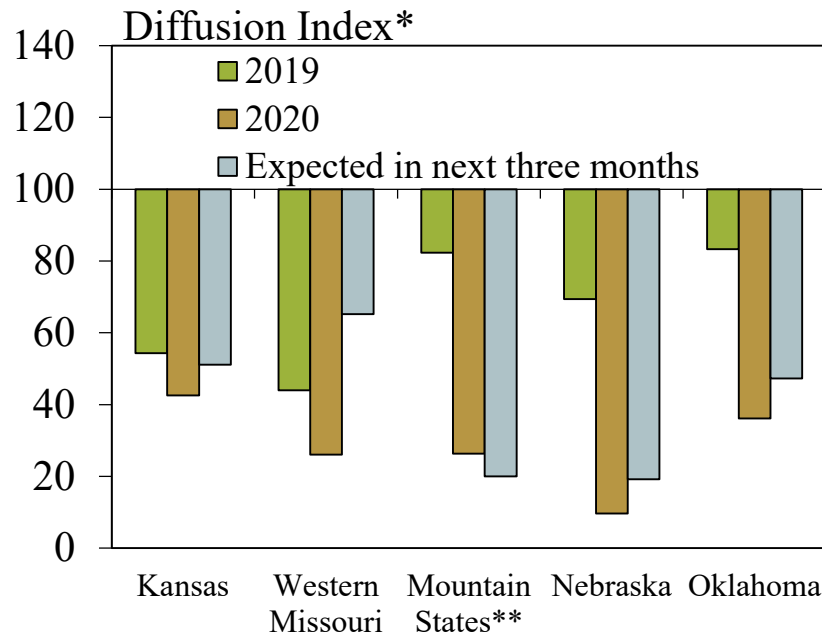


Alongside disruptions related to COVID-19, farm income declined at a considerably faster pace in the second quarter.

Tenth District Farm Income



Farm Income by State, Second Quarter

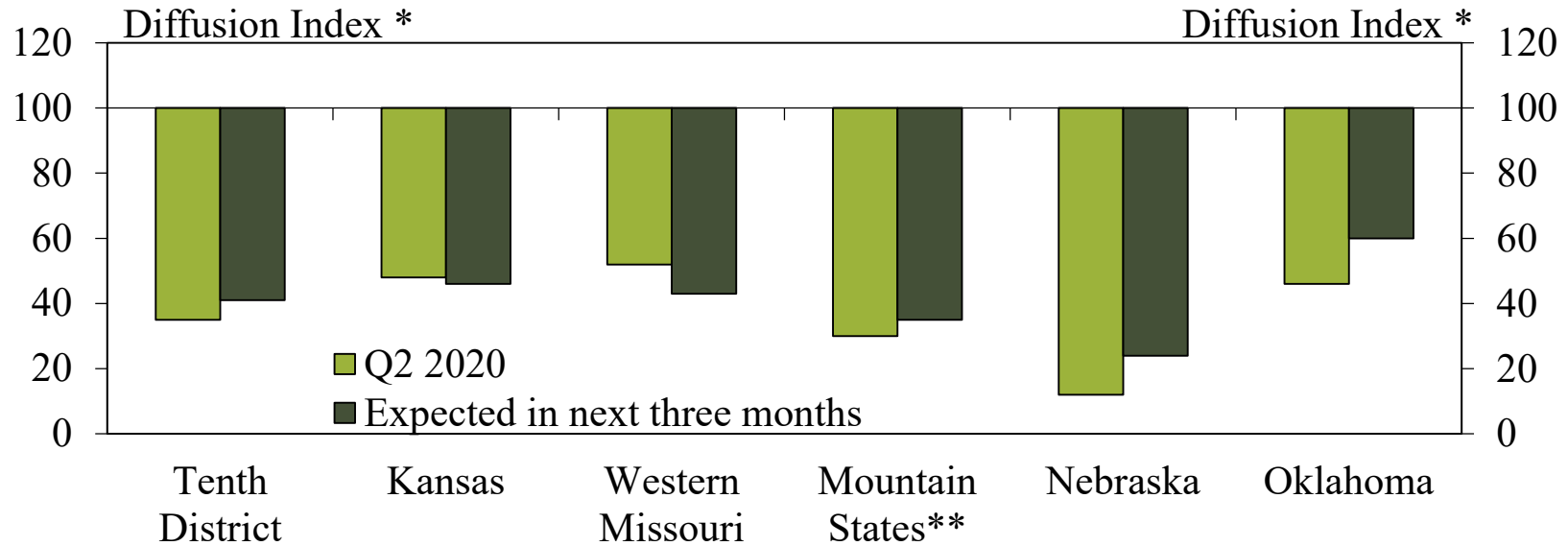


*Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher"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

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

Lower farm revenues also added to pressure on liquidity among farm borrowers.

Tenth District Farm Borrower Liquidity

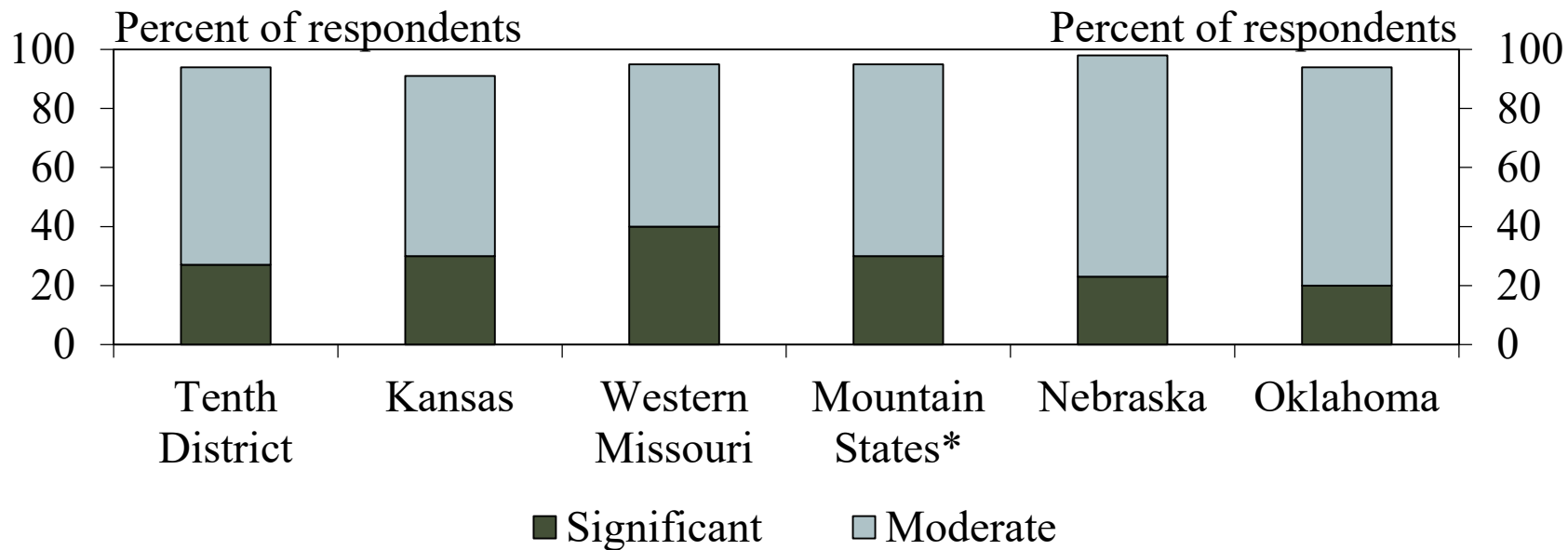


*Bankers responded by indicating whether farm borrower liquidity during the current quarter was higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and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

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However, government aid programs were expected to provide notable relief.

Degree of Support Provided by USDA Coronavirus Food Assistance Program (CFAP)



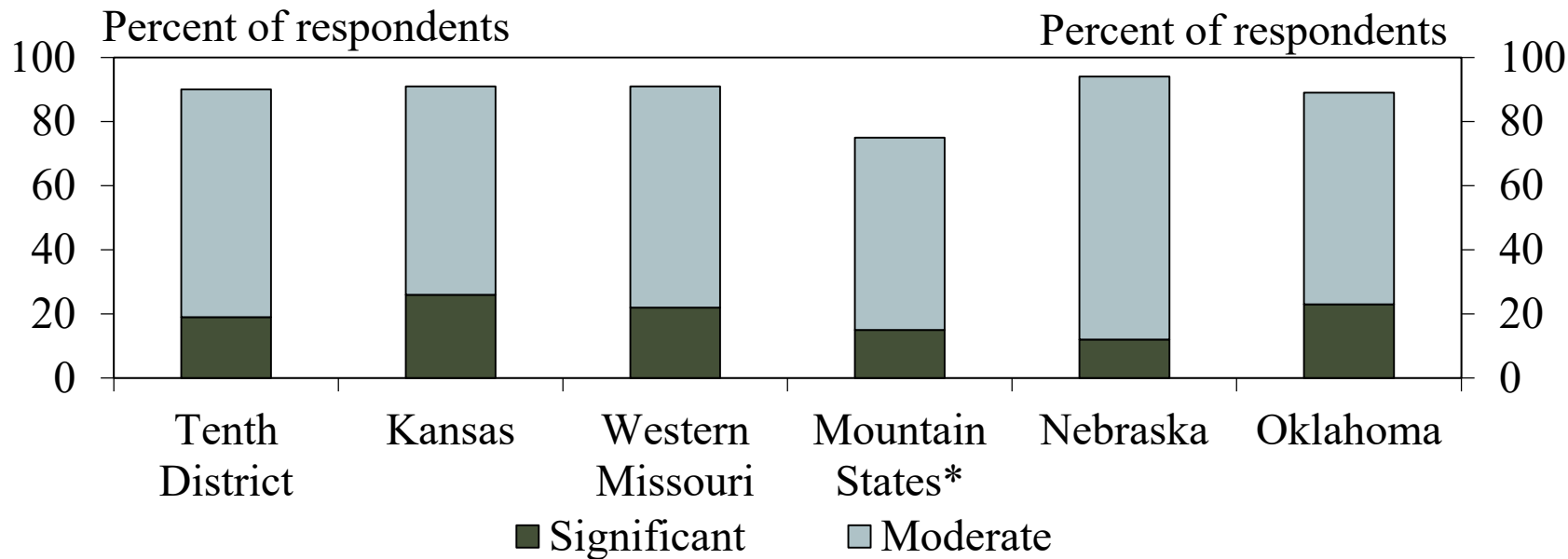
Note: The USDA announced details of the Coronavirus Food and Aid Program (CFAP) in May, making assistance available to producers of agricultural commodities with a price decline of at least 5 percent due to the pandemic and those facing increased marketing costs for inventories resulting from unexpected surplus and disrupted markets.

Note: Respondents were asked “In your lending area, to what degree do you expect the USDA Coronavirus Food Assistance Program (CFAP) to support farm income and loan repayment.”

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Respondents also indicated that the Paycheck Protection Program would provide material support.

Degree of Support Provided by SBA Paycheck Protection Program (PPP)

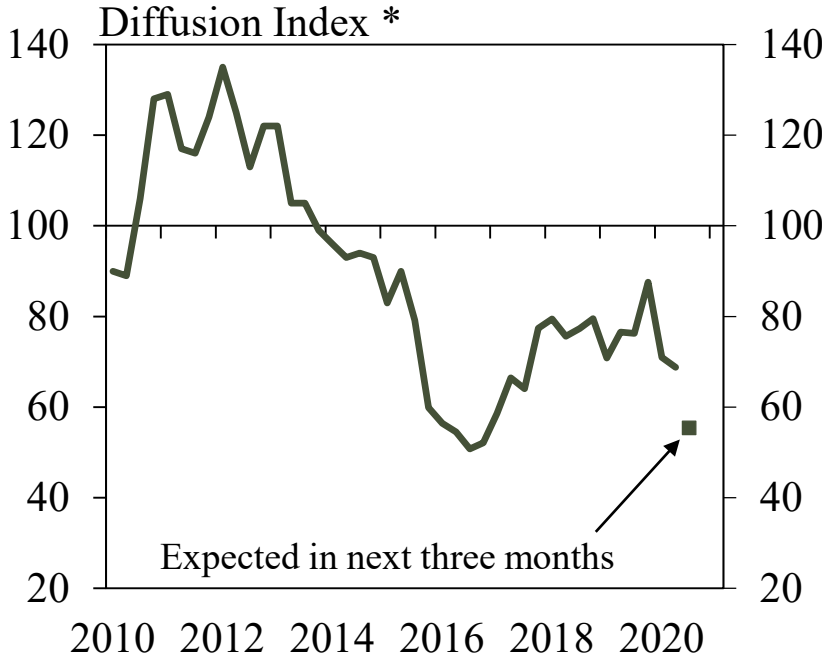


Note: Respondents were asked “In your lending area, to what degree do you expect the SBA Paycheck Protection Program (PPP) to support farm income and loan repayment.”

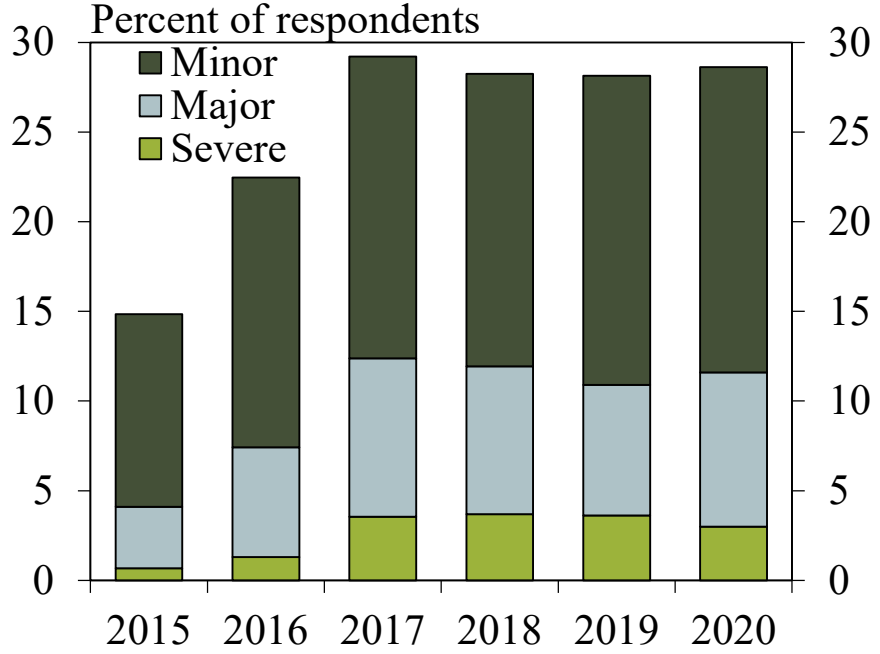
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Lower farm income and liquidity contributed to weaker credit conditions, but repayment problems remained stable.

Farm Loan Repayment Rates



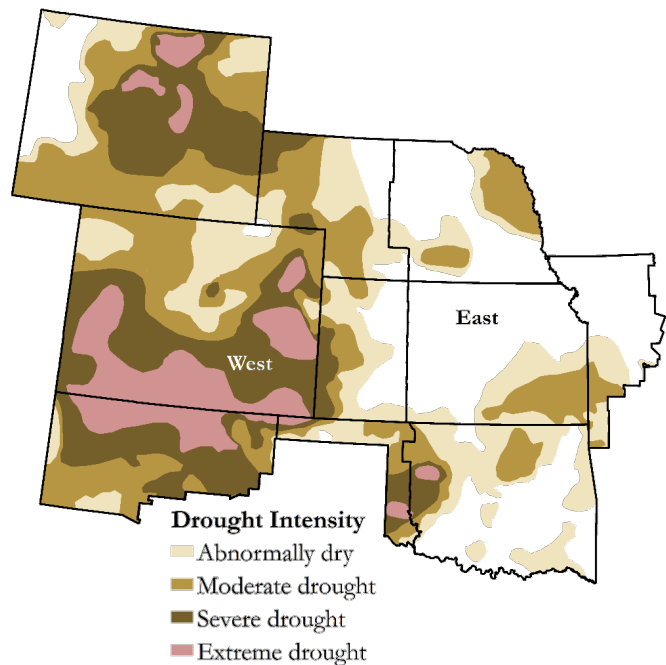
Degree of Repayment Problems



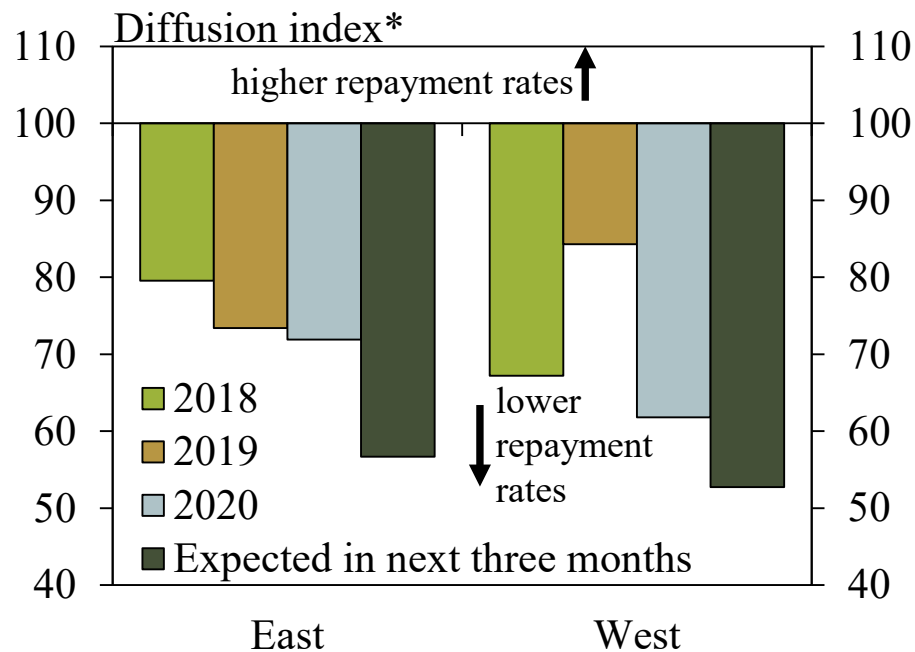
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Drought has placed additional pressure on agricultural credit conditions in the western portion of the Tenth District.

Drought in the Tenth District as of July 28, 2020



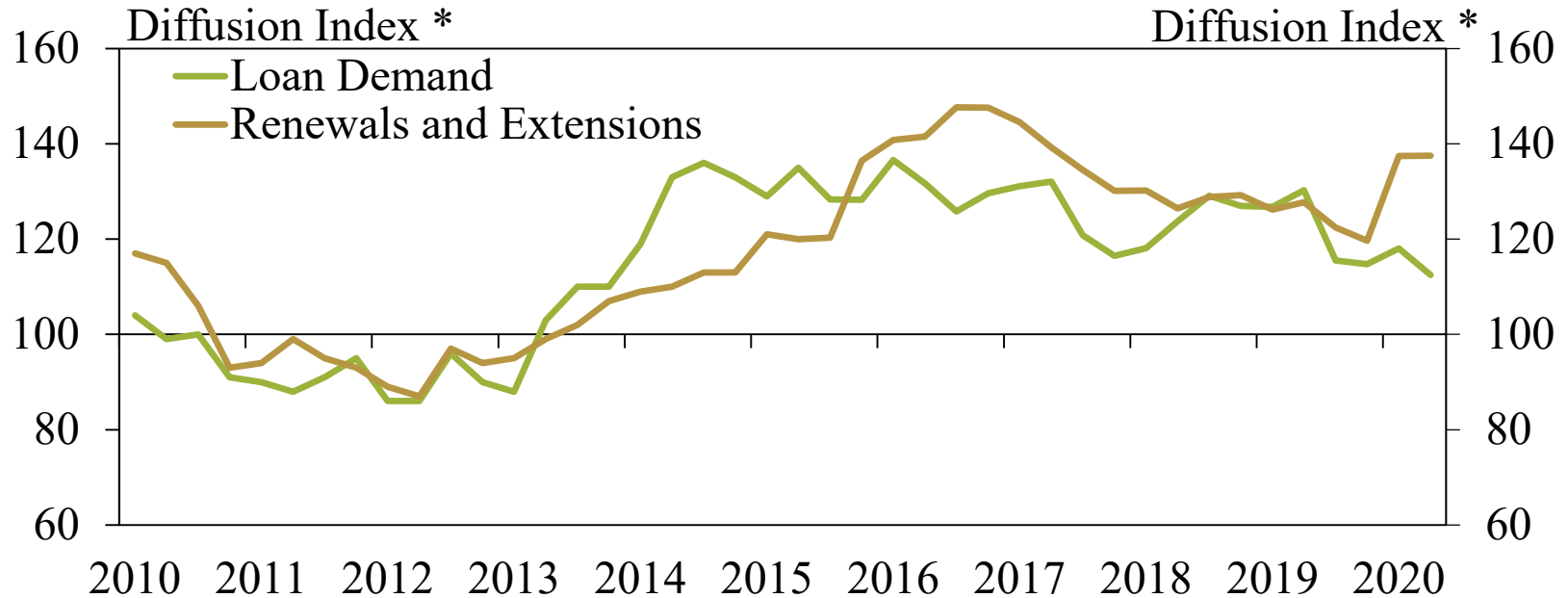
Farm Loan Repayment Rates by Region, Second Quarter



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Growth in demand for new loans was muted in the second quarter, but renewals and extensions remained elevated.

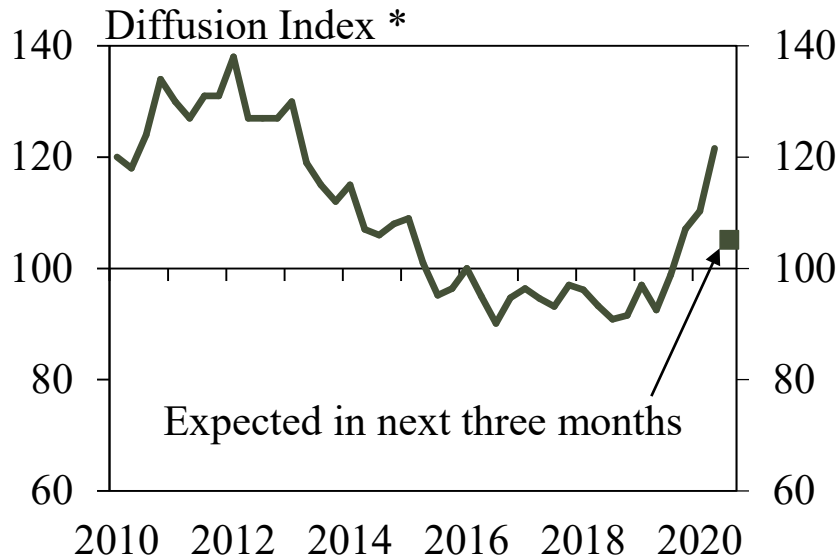
Tenth District Farm Loans



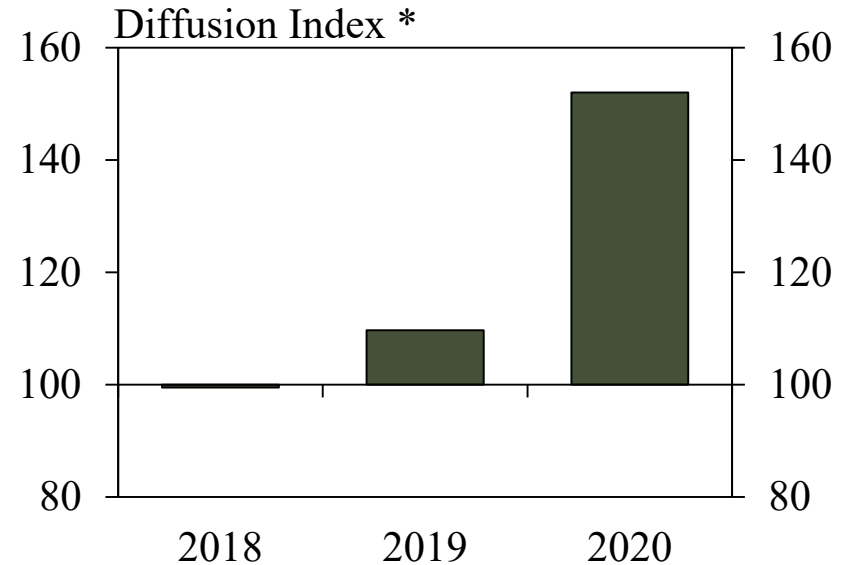
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Alongside persistent growth in financing needs for farm borrowers, fund availability continued to expand.

Tenth District Fund Availability



Deposits

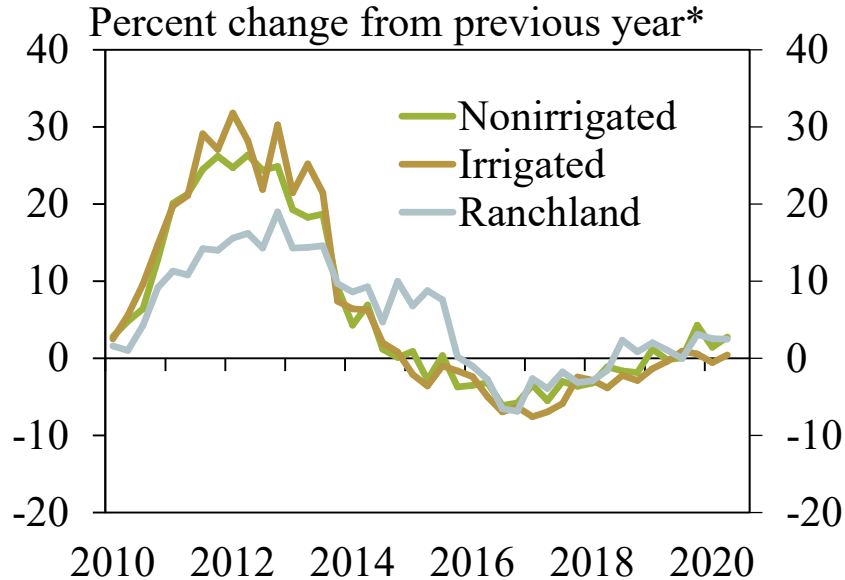


Note: Respondents were asked "How have deposits changed at your bank during the last year".

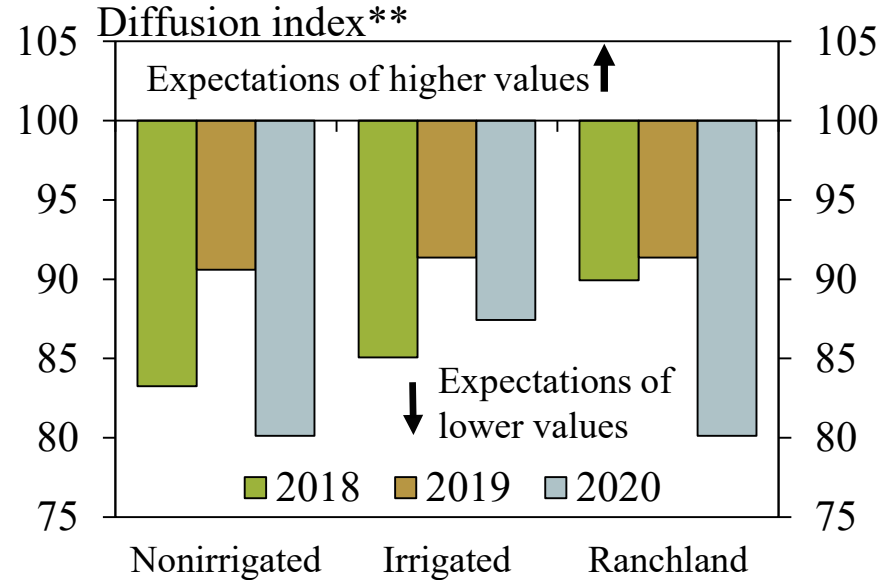
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In addition to government programs, farmland values continued to provide stability.

Tenth District Farmland Values



Expectations, Second Quarter

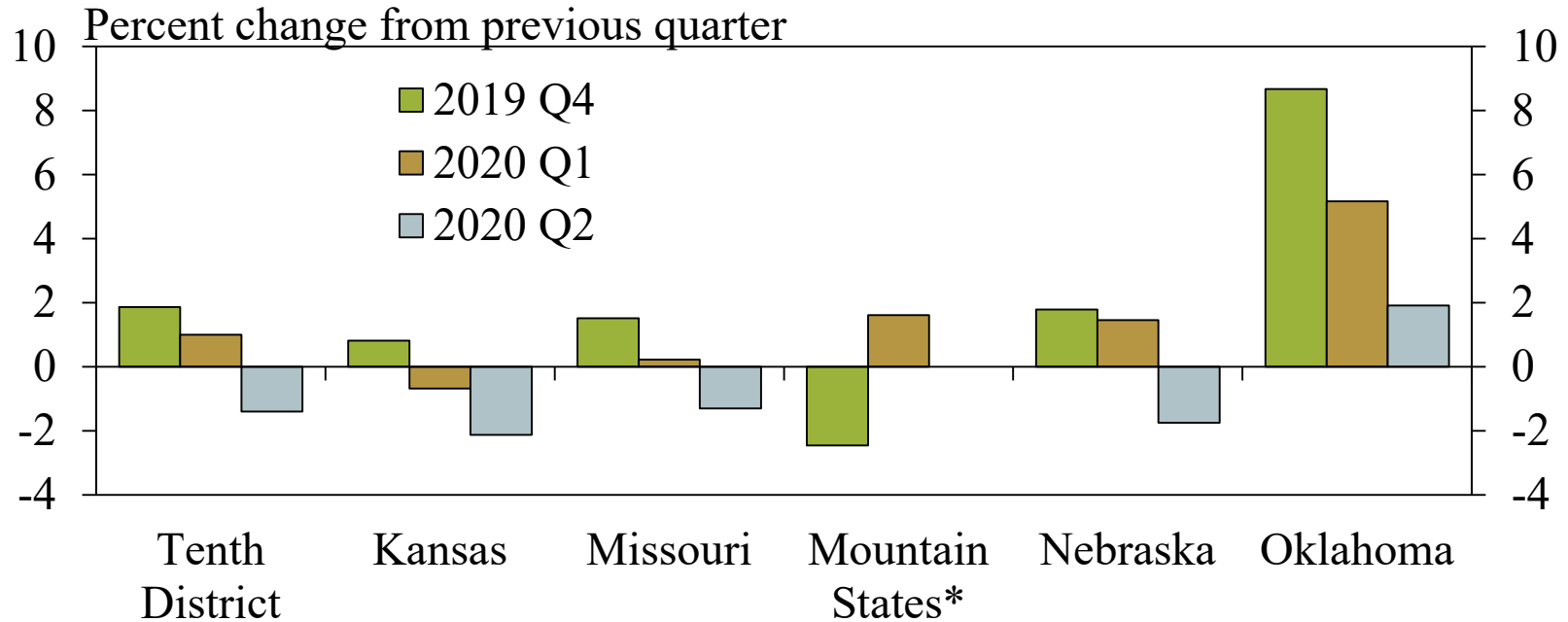


*Percent changes are calculated using responses only from those banks reporting in both the past and the current quarters.

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Contrary to recent trends in farmland values, cash rents decreased slightly.

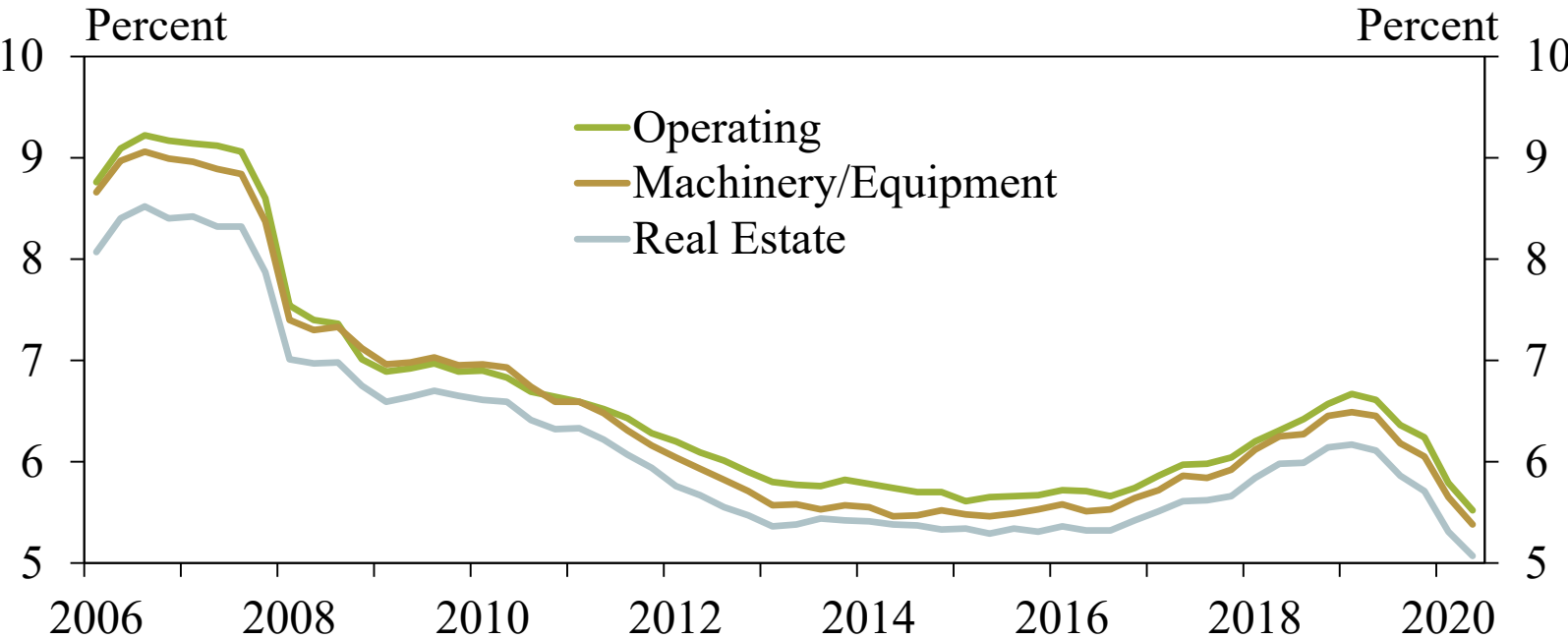
Cash Rents on Nonirrigated Cropland



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Interest rates on all types of loans reached historically low levels in the second quarter.

Tenth District Farm Loan Interest Rates



Concluding Remarks

- Farm income in the Kansas City Fed District declined further in the second quarter, but was supported by government programs.
- Liquidity and cash flow remain primary concerns among ag borrowers.
- The substantive government aid programs will limit the potential for a more severe crisis in 2020, but concerns are likely to reemerge in 2021.



