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.

*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.

**Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.
However, government aid programs were expected to provide notable relief.

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

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent of respondents</th>
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<tbody>
<tr>
<td>Tenth District</td>
<td>100</td>
</tr>
<tr>
<td>Kansas</td>
<td>80</td>
</tr>
<tr>
<td>Western Missouri</td>
<td>60</td>
</tr>
<tr>
<td>Mountain States*</td>
<td>40</td>
</tr>
<tr>
<td>Nebraska</td>
<td>20</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>100</td>
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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.”

*Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.
Respondents also indicated that the Paycheck Protection Program would provide material support.

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.”

*Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.
Lower farm income and liquidity contributed to weaker credit conditions, but repayment problems remained stable.

Farm Loan Repayment Rates

Degree of Repayment Problems

*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.
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**

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

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

**Tenth District Fund Availability**

**Deposits**

![Graph showing Tenth District Fund Availability](image)

Expected in next three months

![Graph showing Deposits](image)

**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

<table>
<thead>
<tr>
<th>Year</th>
<th>Nonirrigated</th>
<th>Irrigated</th>
<th>Ranchland</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
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<td></td>
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<tr>
<td>2018</td>
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<td></td>
<td></td>
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<tr>
<td>2020</td>
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Expectations, Second Quarter

Diffusion index**

Expectations of higher values

Expectations of lower values

*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

Percent change from previous quarter

-4 -2 0 2 4 6 8 10

2019 Q4
2020 Q1
2020 Q2

Tenth District Kansas Missouri Mountain States* Nebraska Oklahoma

*Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.
Interest rates on all types of loans reached historically low levels in the second quarter.
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.