



## Pandemic Adds Pressure to Farm Finances

by: Cortney Cowley and Ty Kreitman

August 13, 2020

The effects of the COVID-19 pandemic continued to pressure the agricultural economy and weighed on farm finances in the Tenth District.

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*The effects of the COVID-19 pandemic continued to pressure the agricultural economy and weighed on farm finances in the Tenth District. Farm income declined in the second quarter at the quickest pace since 2016, and weaknesses in both income and borrower liquidity were expected to carry into the coming months. Agricultural credit conditions remained weak overall, but relatively stable. Looking to the coming months, however, bankers expected farm borrowers to have greater difficulty repaying loans. Some of the current stability in credit conditions may be attributed to government programs that provided revenue support and additional financing options for borrowers.*

### Data and Information

[Credit Conditions](#) | [Fixed Interest Rates](#) | [Variable Interest Rates](#) | [Land Values](#)

### Farm income and Borrower Finances

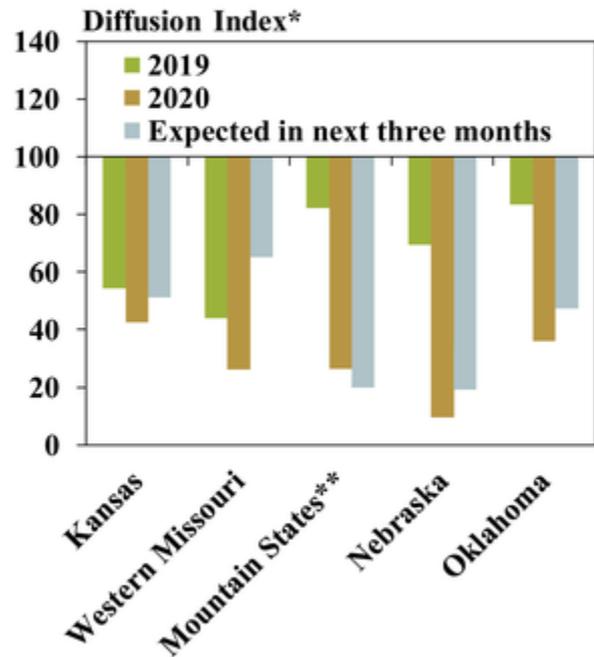
Alongside disruptions related to COVID-19, farm income declined at a considerably faster pace in the second quarter. Weak market conditions for key agricultural commodities limited profit opportunities, and farm income in the District dropped at the fastest rate since 2016 (Chart 1). Looking to the next quarter, declines in income were expected to persist. The deterioration in income during the second quarter and expectations about the coming months generally were consistent across all states in the region.

# Chart 1: Tenth District Farm Income

District Farm Income



Farm Income by State, Second Quarter

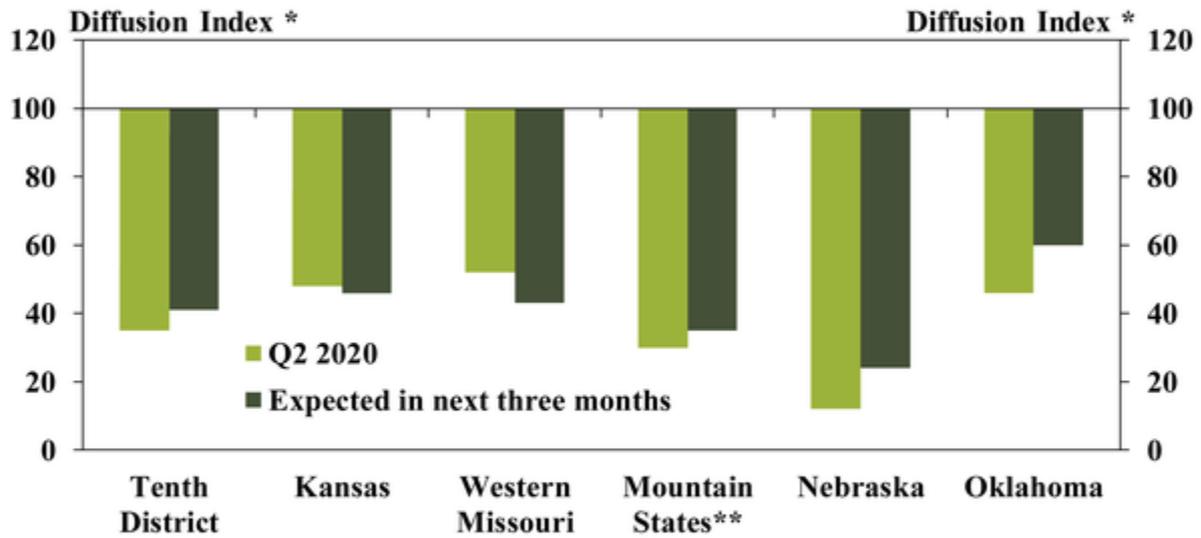


\*Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" 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 put downward pressure on liquidity among farm borrowers. A majority of bankers reported that borrower liquidity decreased in the second quarter, and additional declines were expected in coming months (Chart 2). The decrease generally was consistent across all states, with a comparably higher share of banks in Nebraska reporting reduced short-term funds among borrowers. Even prior to the pandemic, the U.S. Department of Agriculture (USDA) had forecast additional declines in working capital for the U.S. farm sector in 2020; and recent developments may put additional pressure on many producers.

## Chart 2: Tenth District Farm Borrower Liquidity

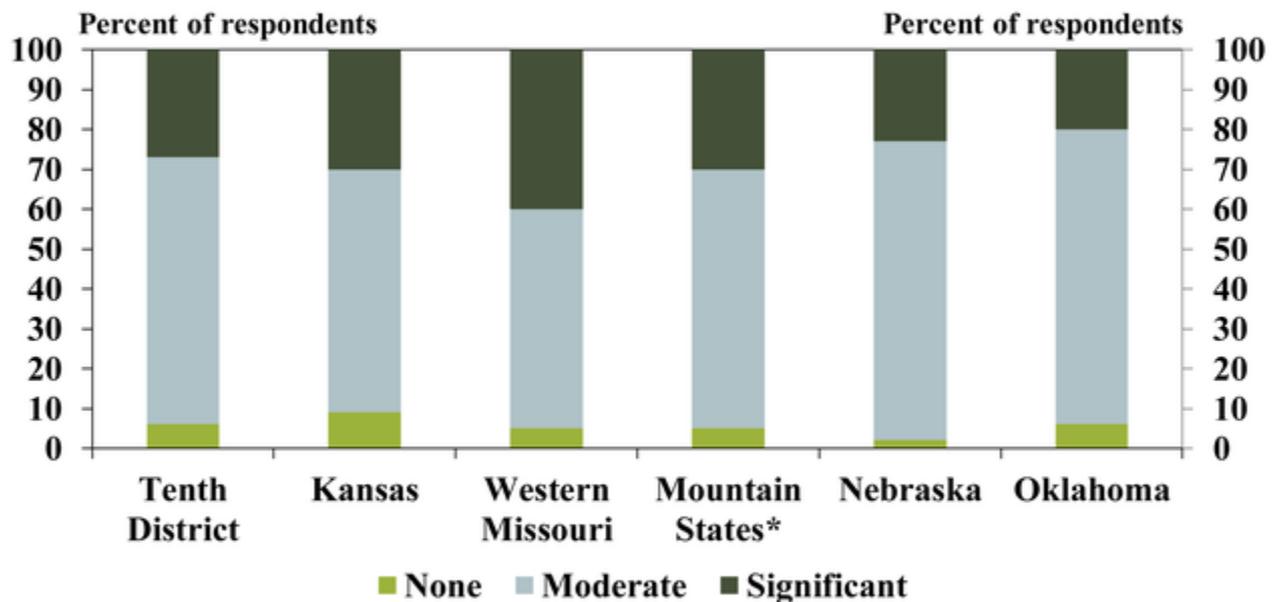


\*Bankers responded by indicating whether farm borrower liquidity during the current quarter was higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher"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

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

While revenues and income weakened considerably throughout the District, government aid programs were expected to provide relief to farm finances. Nearly 95% of respondents throughout the region indicated that support from the Coronavirus Food Assistance Program (CFAP) was likely to boost farm income and support credit conditions (Chart 3). A majority of banks expected the effect of the direct payment assistance to be "moderate" and about 30% characterized the support as "significant."

## Chart 3: 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."  
 \*Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.

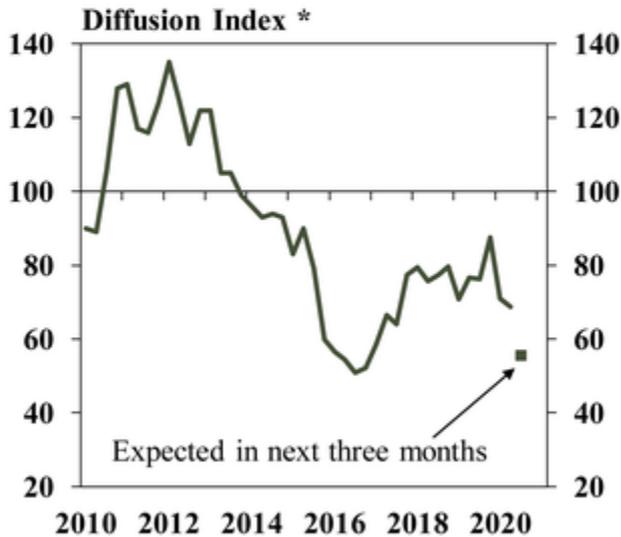
Respondents also anticipated that the Small Business Administration’s Paycheck Protection Program (PPP) would provide material support. About 90% of respondents indicated that the program would support farm income and credit conditions (Chart 4). Similar to the CFAP, most expected the effect of loan assistance to be “moderate” with about 20% describing the support as “significant.” The PPP, along with other lending programs such as Economic Injury Disaster Loans, likely will supplement the borrowing needs of agricultural producers able to utilize the funds for eligible expenses.

### Credit conditions

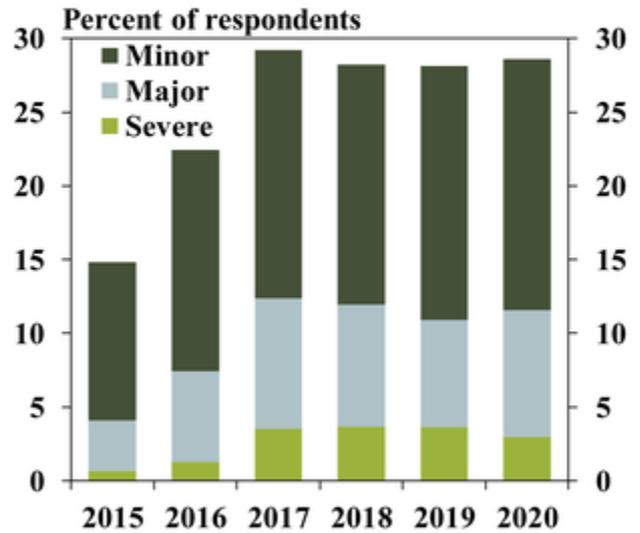
Lower farm income and liquidity contributed to weaker credit conditions, but repayment problems remained stable. Although the pace of decline in repayment rates in the second quarter remained similar to the first quarter, bankers expected farm borrowers to have more difficulty making loan payments in the next three months (Chart 5). However, like previous years, only 27% of bankers reported some level of repayment problems and, on average, less than 3% of farm loan applications were denied. Some bankers commented that, although they expected some deterioration in coming months, most concerns related to repayment capacity of farm borrowers remained manageable in the second quarter.

# Chart 5: Farm Loan Repayment

Farm Loan Repayment Rates



Degree of Repayment Problems

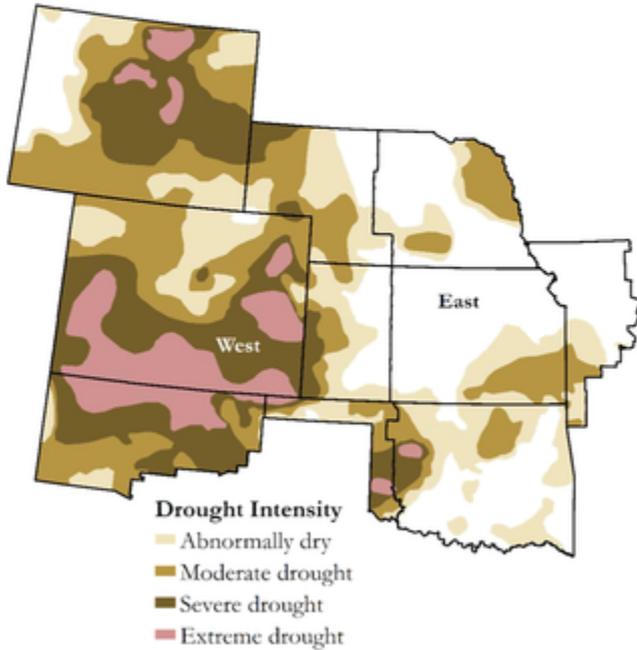


\*Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher"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

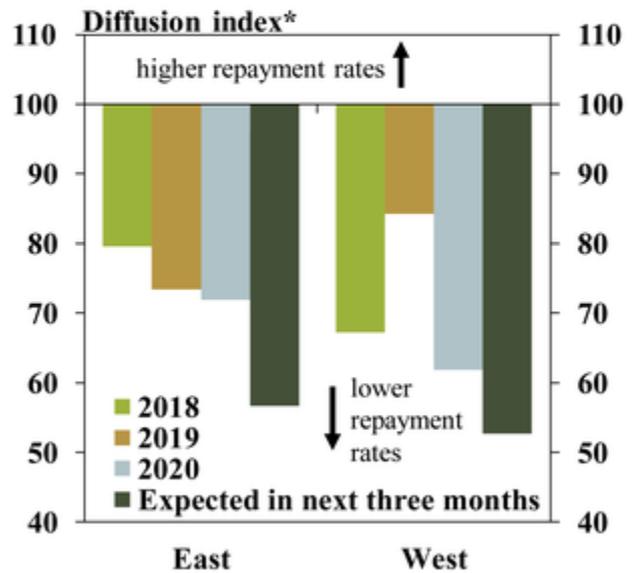
Alongside low commodity prices and COVID-19, drought has placed additional pressure on agricultural credit conditions in the western portion of the Tenth District. Compared with the eastern half of the region, a larger share of bankers further west expected farm borrowers to have more problems repaying loans over the next three months, as concerns of drought have intensified. Most of western Oklahoma and the Mountain States were experiencing some level of drought, and large portions of Colorado were in extreme drought (Chart 6). Consequently, more bankers in the western part of the District reported weaker credit conditions in the second quarter compared with the east, and about 50% expected repayment rates to decline in the next three months.

# Chart 6: Drought and Farm Loan Repayment Rates by Region

Drought in the Tenth District as of July 28, 2020



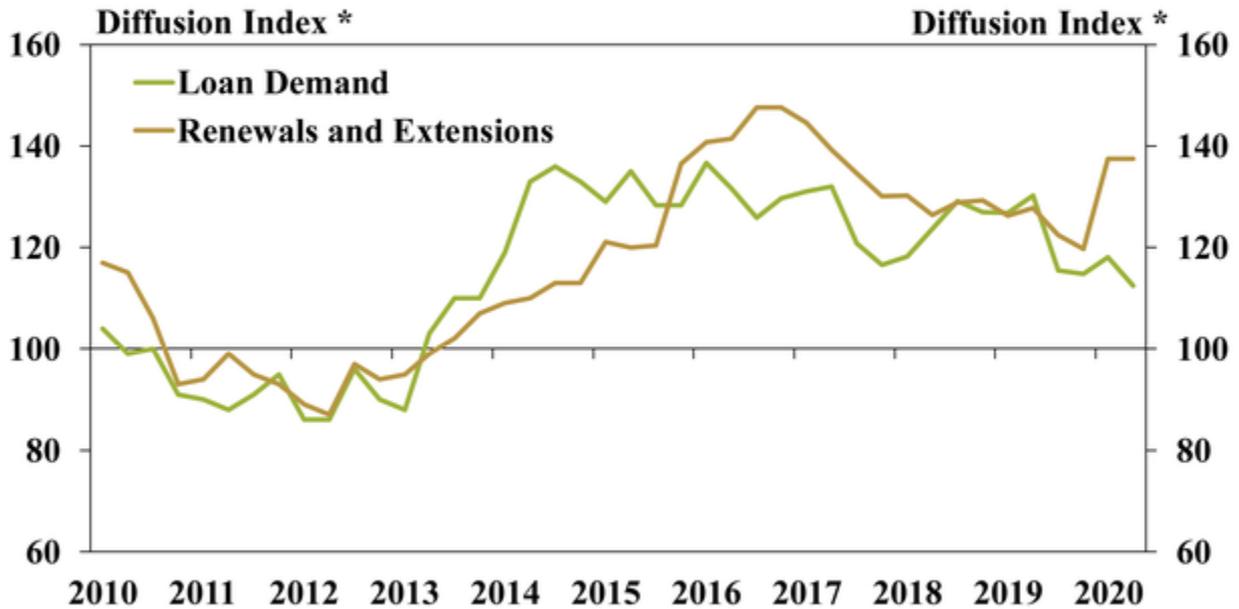
Repayment Rates by Region, Second Quarter



\*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 reduced profits in the agricultural sector seemed to keep renewals and extensions elevated. The pace of growth in new loans and renewals on existing loans slowed slightly compared with the previous quarter. However, renewals and extensions continued to grow at a faster pace than loan demand (Chart 7). Government programs, such as CFAP and PPP, may have reduced the need for traditional financing options (Kauffman and Kreitman 2020). In addition, amid weaker financial conditions surrounding COVID-19, there may have been some hesitation to extend new financing.

## Chart 7: Tenth District Farm Loans



\*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.

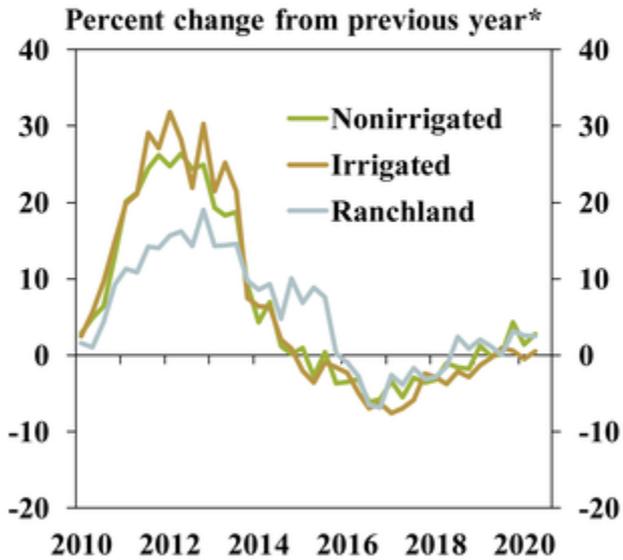
Alongside persistent growth in financing needs for farm borrowers, fund availability continued to expand. The increase in funds available for financing relative to the previous year was the highest since 2013 and likely was supported by a sharp increase in deposits (Chart 8). Credit programs available for farmers also may have supported liquidity at agricultural banks. However, although bankers projected funds would continue to increase, the pace was expected to decline in future months.

### Farmland Values and Interest Rates

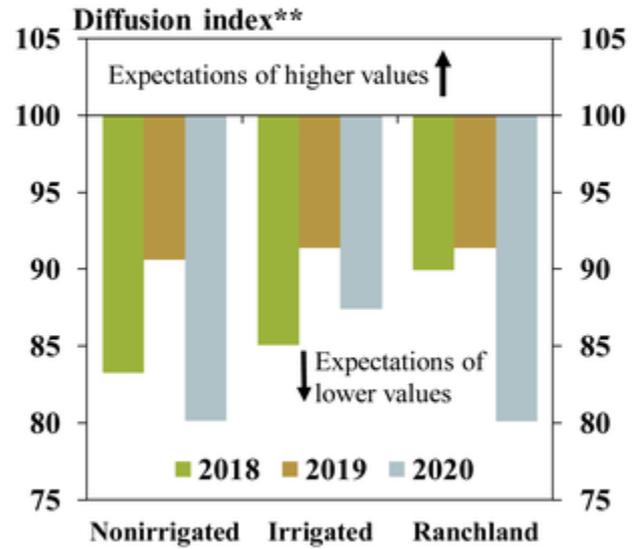
In addition to government programs, farmland values continued to provide stability amid a weak financial environment. Nonirrigated cropland and ranchland values increased 2.5% and irrigated cropland values remained stable (Chart 9). However, more bankers expected farmland values to decline in coming months. In fact, expectations for all types of farmland values declined at a faster pace than in previous years. Although most bankers expected no change in farmland values, only 2% of bankers expected an increase, on average, and 20% expected farmland values to decline.

# Chart 9: Tenth District Farmland Values and Expected Changes

## Farmland Values



## Expectations, Second Quarter

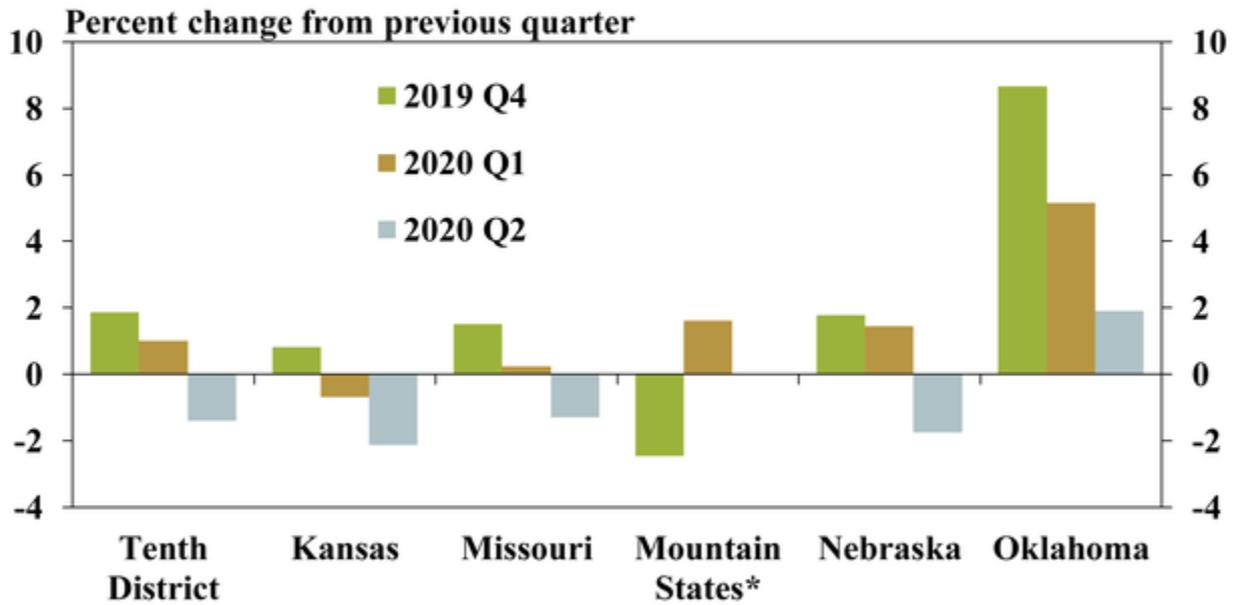


\*Percent changes are calculated using responses only from those banks reporting in both the past and the current quarters.

\*\*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.

Contrary to recent trends in farmland values, cash rents decreased slightly. Cash rents across the District declined almost 2%, driven by notable decreases in Kansas, Missouri and Nebraska (Chart 10). Cash rents were unchanged in the Mountain States and continued to increase slightly in Oklahoma, though at a slower pace. The slowdown in cash rents coincides with growing challenges associated with revenue generation for District farmers in 2020.

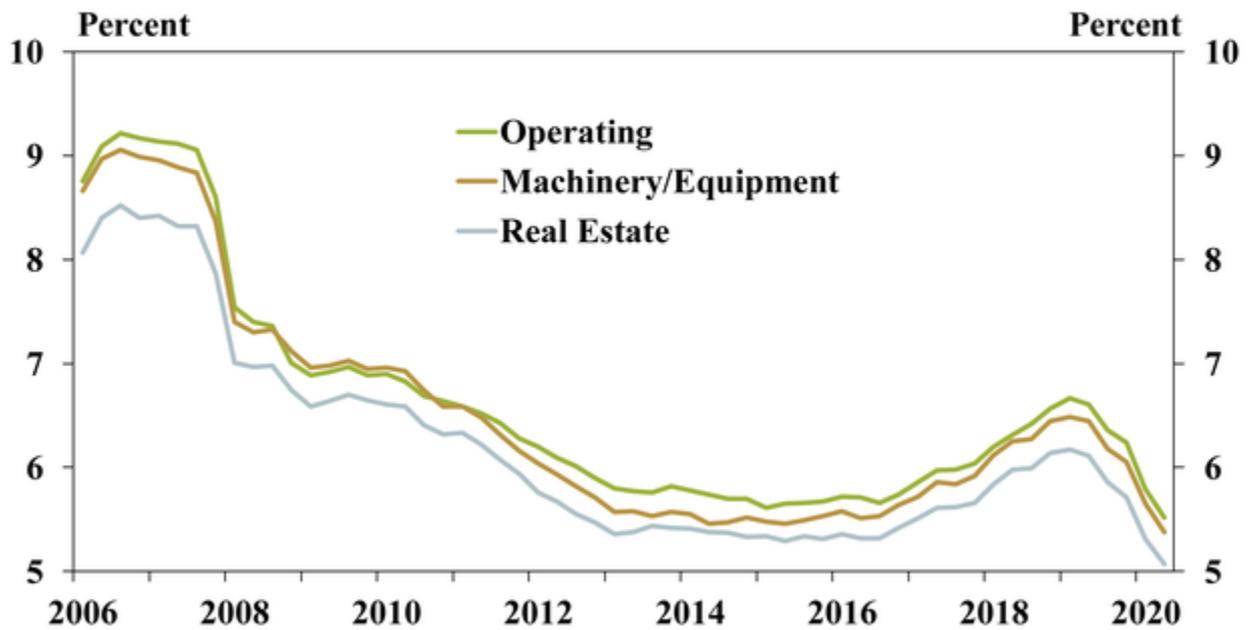
## Chart 10: Cash Rents on Nonirrigated Cropland



\*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. Following reductions in benchmark rates, interest rates on operating loans fell to 5.5% (Chart 11). Rates on loans to finance farm machinery were slightly lower than short-term rates, and the average rate for real estate loans was just above 5%. Although interest expenses make up a small share of total farm expenses, lower interest rates could offer some relief to farm borrowers in a financial environment constrained by low commodity prices.

## Chart 11: Tenth District Farm Loan Interest Rates



### Conclusion

Farm income and credit conditions in the Tenth District deteriorated further in the second quarter. Low commodity prices and concerns about the effects of the pandemic on demand for agricultural products weighed on farm income and expectations about repayment rates on farm loans. Most bankers reported that direct government support programs were expected to provide relief for lower revenues, and credit programs could supplement the borrowing needs of some producers. However, continued uncertainty, low commodity prices, and emerging drought in the western portion of the District could put additional pressure on agricultural economic conditions moving forward.

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### Banker Comments from the Tenth District

“Dry weather will significantly impact wheat yields, and increase irrigation costs on fall crops.” - Southwest Kansas

“We are in the middle of a drought and in addition to that, low commodity prices for an extended time have hurt working capital and requires more time and effort to get loans re-worked” - Western Kansas

“Most grain and livestock prices are lower than a year ago, but recent moisture may mean better crop yields on grain crops and livestock prices are expected to rebound back by the fall or winter season, when many of our borrowers sell.” - Central Kansas

“Farmers simply cannot be successful at current grain prices and input costs. Most have some form of off farm income” - Northwest Missouri

“It appears that the CFAP will assist the farmers quite a bit and help some people to make some loans until harvest time rolls around.” - Southwest Missouri

“The slowdown of meat processing facilities due to COVID 19 created a backlog of slaughter animals in our area” - Northcentral Nebraska

“There is a poor outlook on commodity prices, but customers are using government programs to assist in the near term.” - Central Nebraska

“Price support to livestock feeders and crop producers are helpful but may not be enough to completely offset losses for some.” - Western Nebraska

“The biggest impact in our area is lower cattle prices and most producers are operating at a loss currently.” - Southeast Oklahoma

“Downward pressure on commodity prices are having some impact on local area producers. Yields have proven to be a little better than expected, which mitigated the lower prices some.” - Western Oklahoma

“The biggest concern in our area looking forward is the condition of cattle markets” - Northern Wyoming

“Drought conditions have limited the amount of hay in our area and we also expect the price that livestock producers receive for calves this fall to be well below a year ago” - Eastern Wyoming

“The PPP was less impactful for borrowers that didn’t qualify on the basis of some of the eligibility requirements” - Northcentral Colorado

## References

Kauffman, Nathan, and Ty Kreitman. 2020. "Agricultural Lending Consistently Slower." Federal Reserve Bank of Kansas City, Agricultural Finance Databook, July 16.

## Disclaimer

*The views expressed in this article are those of the authors and do not necessarily reflect the views of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

A total of 178 banks responded to the Second Quarter Survey of Agricultural Credit Conditions in the Tenth Federal Reserve District—an area that includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, the northern half of New Mexico and the western third of Missouri. Please refer questions to [Cortney Cowley](#), economist or [Ty Kreitman](#), assistant economist at 1-800-333-1040.

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## Authors



### Cortney Cowley

#### Assistant Vice President and Oklahoma City Branch Executive

Cortney Cowley serves as **Oklahoma City** Branch Executive and Assistant Vice President for the Federal Reserve Bank of Kansas City. Cowley joined the Bank in 2015 as an economist and was promoted to senior economist in 2021. In 2025, Cowley began her role as Branch Executive. As Oklahoma City Branch Executive, Cowley is the Bank's lead officer and economist in Oklahoma. She recruits and works closely with the Oklahoma City Branch Board of Directors and is responsible for briefing Kansas City Fed President Jeff Schmid, a member of the Federal Open Market Committee, on economic trends in the state. She also serves as a special advisor on agriculture to Vice Chair for Supervision Miki Bowman at the Federal Reserve Board of Governors. Cowley's team conducts research and surveys on key regional issues such as energy, manufacturing and migration. Cowley holds a Ph.D. in Agricultural Economics from Oklahoma State University, as well as a master's degree in Civil Engineering from Colorado State University and a bachelor's degree in Biosystems Engineering from Oklahoma State University, where she was named a Harry S. Truman Scholar. She is a member of the Economic Club of Oklahoma, Downtown Club of Oklahoma City, the Agricultural and Applied Economics Association and serves as an economic advisor on the campaign cabinet of the United Way of Central Oklahoma. Cowley, along with her husband and eight-year-old twins, lives on a small farm northwest of Oklahoma City.



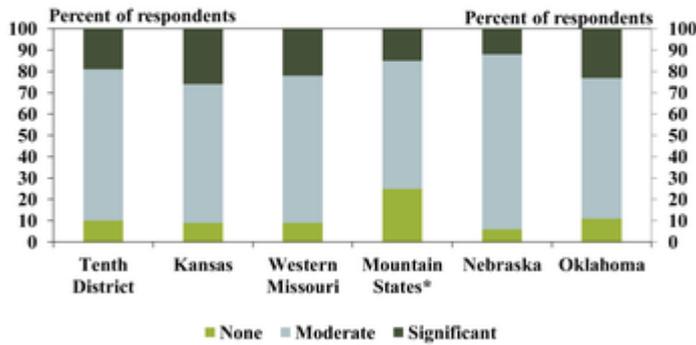
### Ty Kreitman

#### Associate Economist

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.

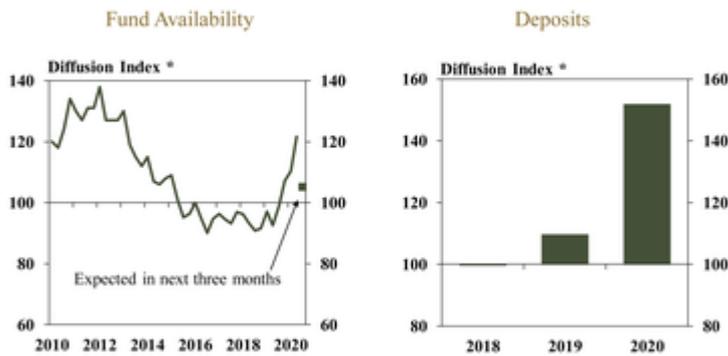
# Media

**Chart 4: 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."  
 \*Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.

**Chart 8: Fund Availability and Deposits**



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