



Fewer New Loans to Farmers

by: Ty Kreitman and Cortney Cowley

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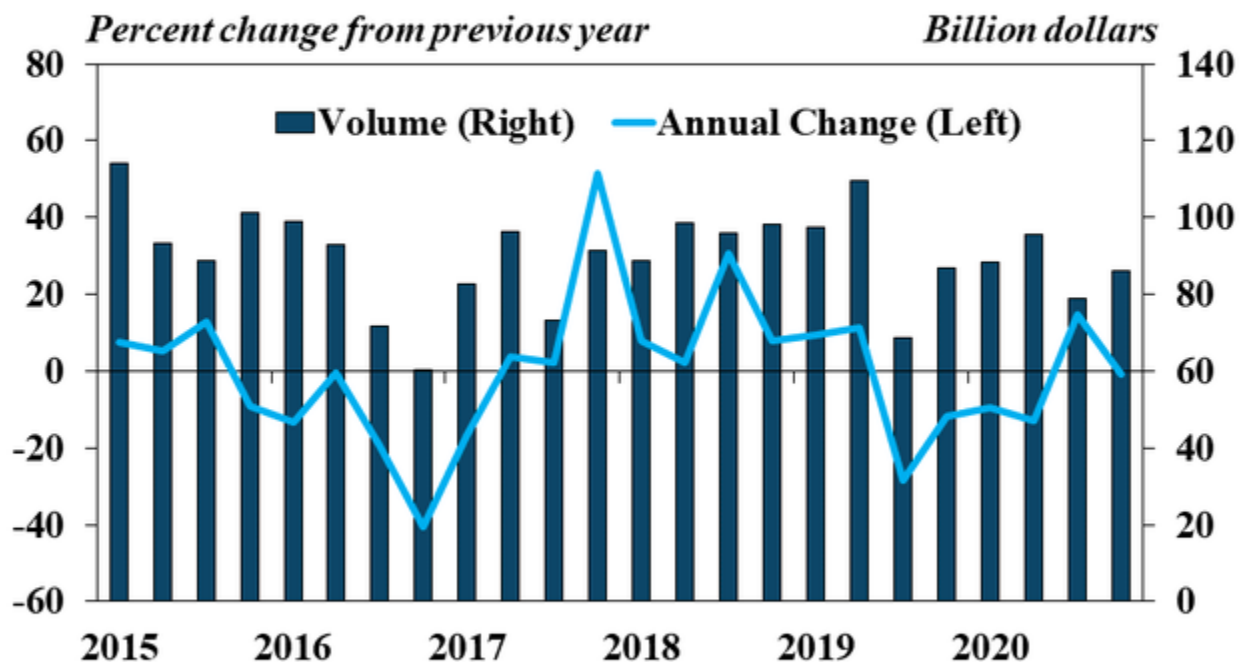
Fewer new loans to farmers continued to drive a pullback in agricultural lending activity.

Fewer new loans to farmers continued to drive a pullback in agricultural lending activity. A historically low number of new loans contributed to an increase in average loan size and drove a slight decrease in the overall volume of non-real estate loans at commercial banks in the fourth quarter. Stronger prices for agricultural commodities, alongside continued support from government payments, may have reduced financing needs for some farmers and contributed to the slower pace of lending.

Fourth Quarter National Survey of Terms of Lending to Farmers

Lending activity at commercial banks continued to slow in the fourth quarter, according to the National Survey of Terms of Lending to Farmers. The volume of total non-real estate farm loans declined by about 1% from a year ago, but remained slightly above the 10-year average in the fourth quarter (Chart 1). Farm lending declined at an average pace of 2% throughout 2020, following an average decline of nearly 5% in 2019 and an average increase of more than 12% in 2018.

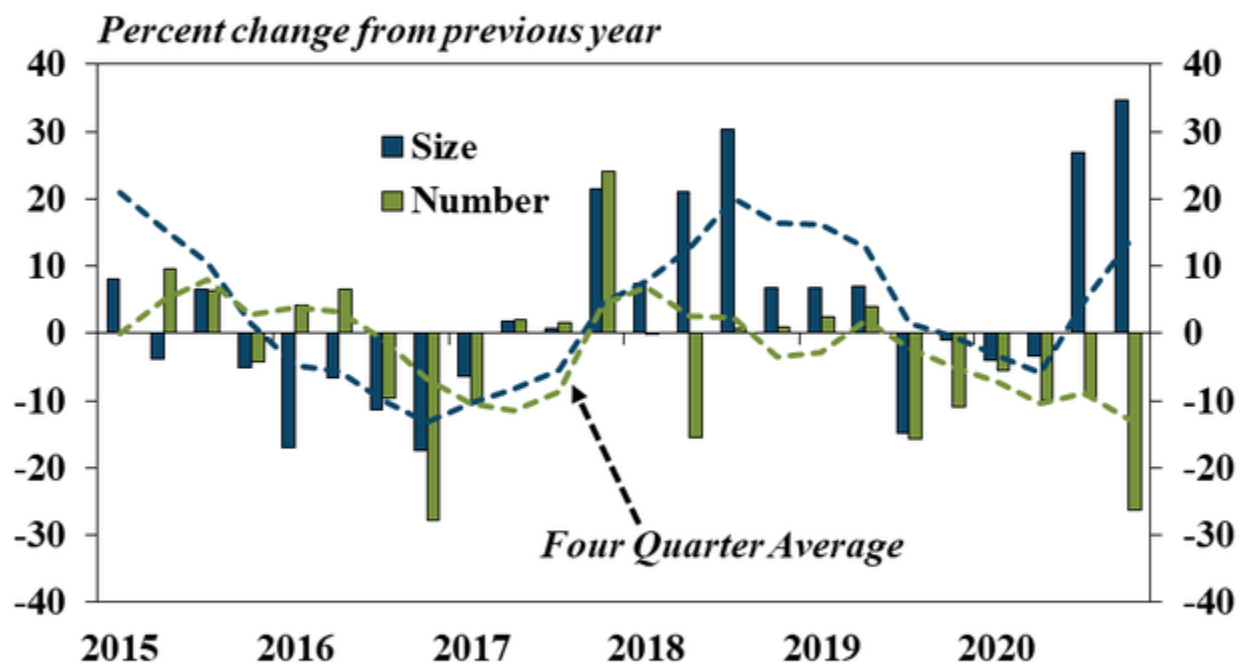
Chart 1: Volume of Non-Real Estate Farm Loans at Commercial Banks



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

Smaller loan volumes were driven by a lower number of new loans to farmers. While the number of loans continued to trend downward, the average size of farm loans grew for the second consecutive quarter (Chart 2). The number of new bookings with balances of less than \$100,000 decreased by about 30% from a year ago and accounted for nearly 90% of the overall decline. The number of notes greater than \$100,000 also dropped by about 18% and together with a record low number of loans overall, the average size of all new non-real estate loans reached a historic high.

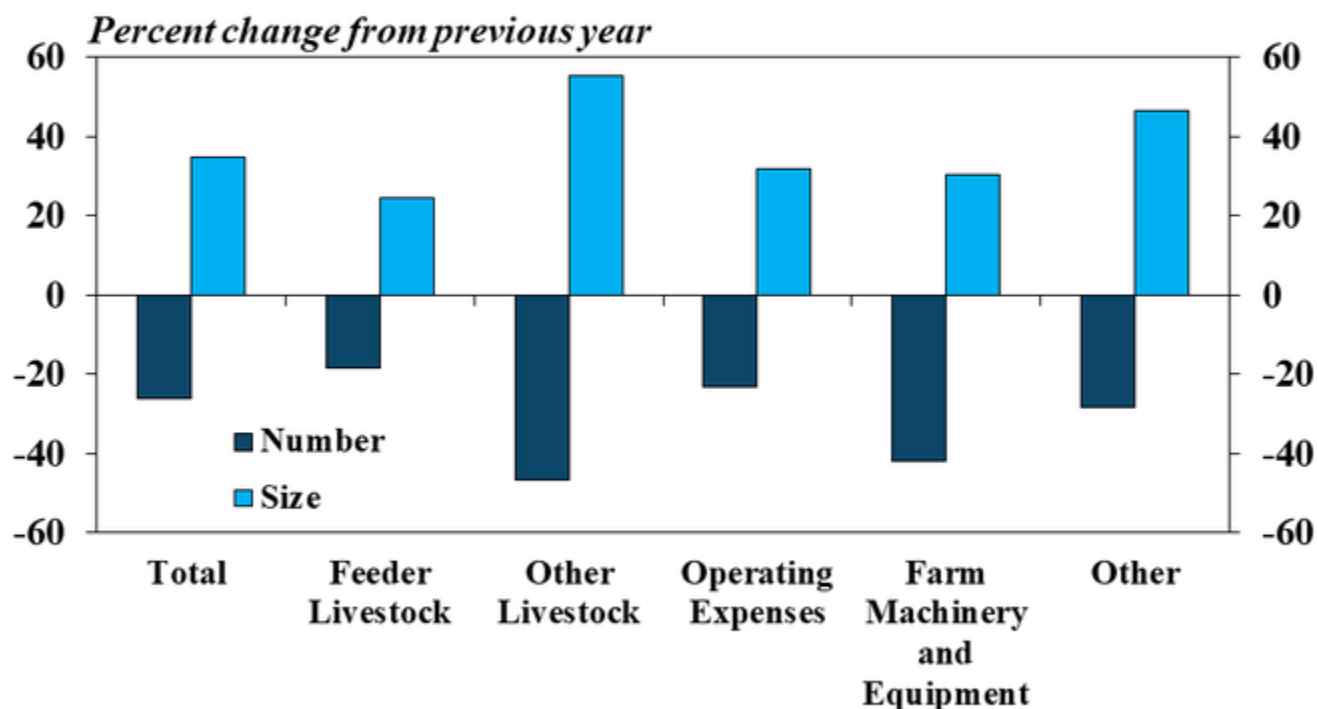
Chart 2: Number and Average Size of Non-Real Estate Farm Loans



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

Changes in the average size and number of loans were generally consistent across all types of loans. For all lending purposes, the number of loans decreased and the average loan size increased (Chart 3). While there were fewer loans for all purposes, operating loans continued to comprise the majority of non-real estate lending and accounted for over half of the overall decline.

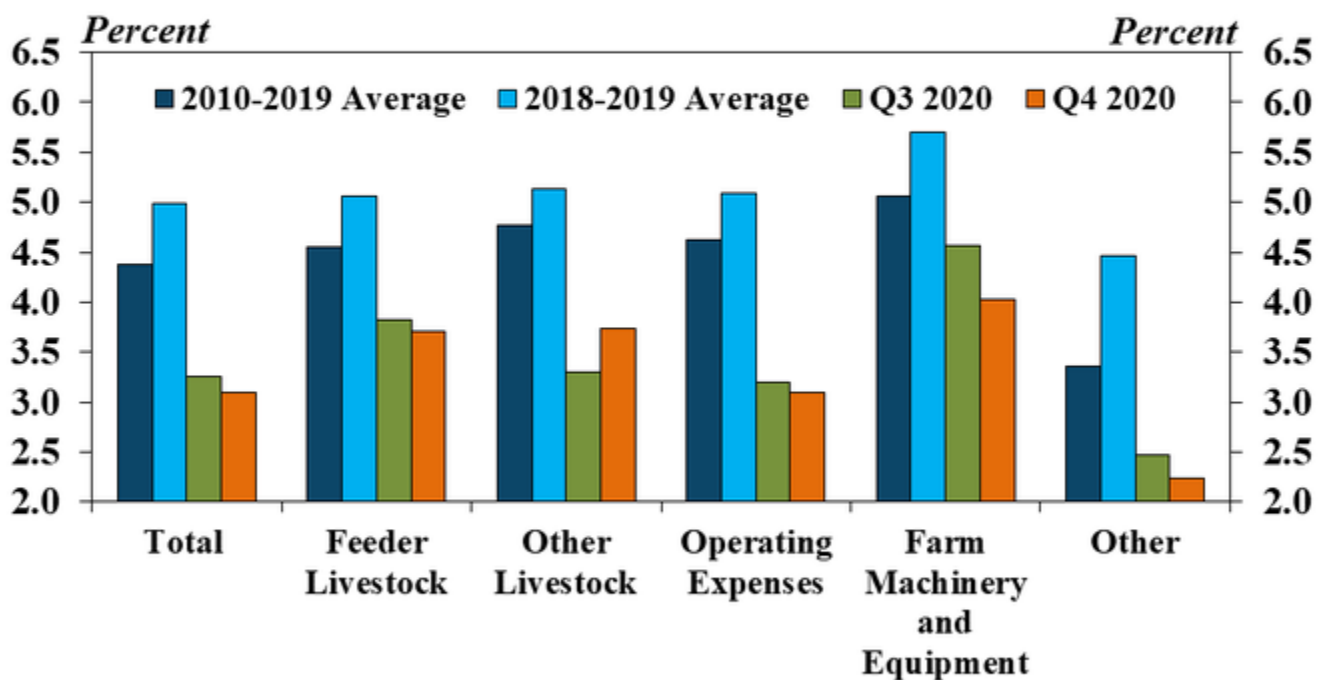
Chart 3: Changes in Non-Real Estate Farm Loans by Purpose, Fourth Quarter



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

Interest rates on agricultural loans remained at historically low levels in the fourth quarter. After increasing to a 10-year high in 2018 and 2019, rates on farm loans began to decline in the second quarter of 2020 alongside a decrease in benchmark rates (Chart 4). Compared to the same time a year ago, interest rates charged on non-real estate farm loans declined by at least 110 basis points for all purposes.

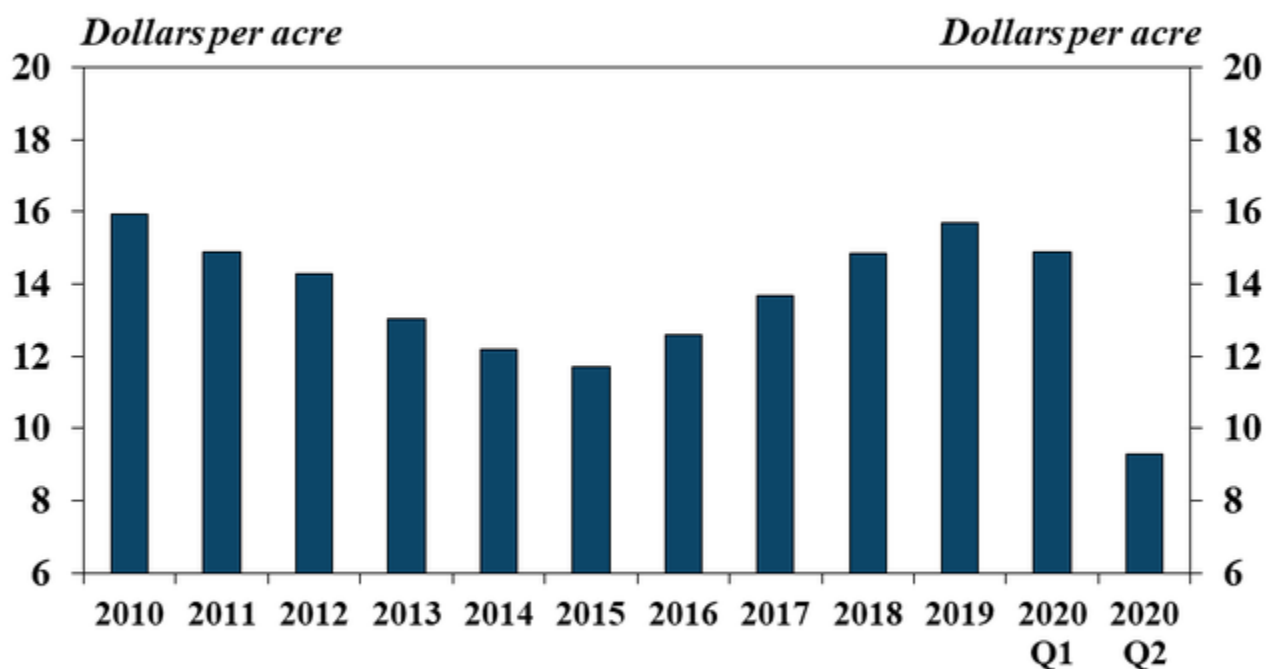
Chart 4: Average Interest Rates on Non-Real Estate Farm Loans



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

Alongside record low interest rates on farm loans, interest expenses for producers declined notably. Compared to the beginning of the year, annual interest expense for a hypothetical midwestern grain farmer financing half of all production costs was nearly 40% lower (Chart 5). Assuming an average yield of 175 bushels per acre, that reduction in interest expense would be equivalent to a roughly 3 cent increase in corn prices.

Chart 5: Annual Interest Expense on Operating Loans for a Hypothetical Midwest Grain Farm*



*Assumes a 1,000 acre farm operation specializing in corn production with cost of production totaling \$600 per acre, financed costs of production totaling \$300 per acre and an average annual yield of 175 bu/acre. Monthly payments are assumed as interest only with zero principle reduction prior to maturity. Note: 2010-2019 are reported as annual averages.

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

Conclusion

Agricultural lenders continued to report a slower pace of lending alongside improved financial conditions for farmers in the fourth quarter. Higher crop prices and continued support from government payments likely reduced the need for smaller loans, which drove the overall decline in lending activity. Moving forward, loan volumes may soften further if sharp increases in prices for key agricultural commodities, such as corn, soybeans, and wheat, continue to ease financing needs for farm borrowers.

Data and Information

[National Survey of Terms of Lending to Farmers Historical Data](#)

[National Survey of Terms of Lending to Famers Tables](#)

[About the National Survey of Terms of Lending to Farmers](#)

Authors



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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.



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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 Governor 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 City, 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 seven-year-old twins, lives on a small farm northwest of Oklahoma City.