



Larger Livestock Loans Boost Farm Lending

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The U.S. agricultural economy generally remained strong as elevated commodity prices continued to support farm incomes. Prices of most major crops were at multi-year highs moving into fall harvest and supported farm revenue prospects. Weakness in the cattle industry persisted, however, as low cattle prices continued to limit profit margins for producers. In addition, concerns about drought and higher input costs continued to intensify and likely contributed to an increase in producers' financing needs in the livestock sector.

Third Quarter National Survey of Terms of Lending to Farmers

The volume of non-real estate farm loans increased in the third quarter, but some types of lending remained limited. Total non-real estate lending was about 8% higher than a year ago but has declined at an average pace of about 2% over the last four quarters (Chart 1). A large share of the increase during the quarter was due to an increase in loans used to finance feeder livestock and other livestock, which grew by about 20% and more than 50%, respectively. In contrast, operating loan volumes declined by about 5%.

With sharp increases from a year ago, lending for livestock purchases continued to trend above the recent historical average for the third quarter. The volume of loans for poultry and livestock other than feeders (other livestock) was nearly double the inflation adjusted average during the same quarter from 2010-2019 (Chart 2). Feeder livestock loans were also slightly greater than the recent average while operating loans were slightly less.

The increase in livestock loan volumes was driven by larger loan sizes. The average size of loans for other livestock continued a sharp upward trend, increasing about 30% in the third quarter and reaching an all-time high (Chart 3). The number of other livestock loans was also higher than a year ago but remained historically low. Similarly, the average size of feeder livestock loans has also increased steadily over the past year, but the number of loans declined for the fourth straight quarter.

While the size of livestock loans increased sharply, the growth in the size of operating loans was less pronounced. The average size of operating loans remained elevated but was only about 5% larger than a year ago (Chart 4). The number of operating loans continued to trend downward and remained historically low, limiting any gains in loan volumes.

Alongside an increase in loan sizes, interest rates remained low, and loan durations were higher than recent averages. Rates charged on all types of loans except operating loans declined slightly from a year ago and reached an all-time low for the third quarter (Chart 5). The average maturity of all types of loans, except machinery and equipment loans, were higher than a year ago.

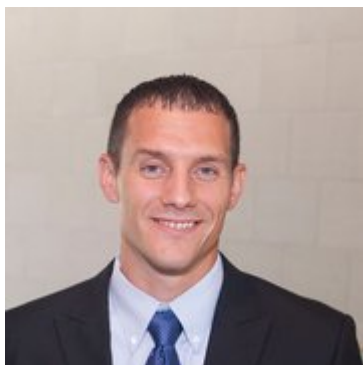
Data and Information

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

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

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

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Nate Kauffman is Senior Vice President and Omaha Branch Executive at the Federal Reserve Bank of Kansas City. In his role as the Kansas City Fed's lead economist and representative in the state of Nebraska, Nate provides strategic direction and oversight for the Omaha Branch, regional research, and economic outreach throughout the state. He serves as a local connection to the nation's central bank and is responsible for briefing the Kansas City Fed's president – a member of the Federal Open Market Committee – on regional economic and business activity. In addition, Nate is the Kansas City Fed's principal expert in agricultural economics. He is a leading voice on the agricultural economy throughout the seven states of the Tenth Federal Reserve District and the broader Federal Reserve System. Nate oversees several Bank and Federal Reserve efforts to track agricultural economic and financial conditions and hosts the Kansas City Fed's annual Agricultural Symposium. He also speaks regularly on the agricultural economy to industry audiences and the news media, including providing testimonies at both U.S. Senate and U.S. House Agriculture Committee hearings. Nate joined the Federal Reserve in 2012. He received his Ph.D. in economics from Iowa State University. Prior to receiving his Ph.D., Nate spent three years in Bosnia and Herzegovina coordinating agricultural economic development projects. Nate lives in Omaha with his wife and four children.

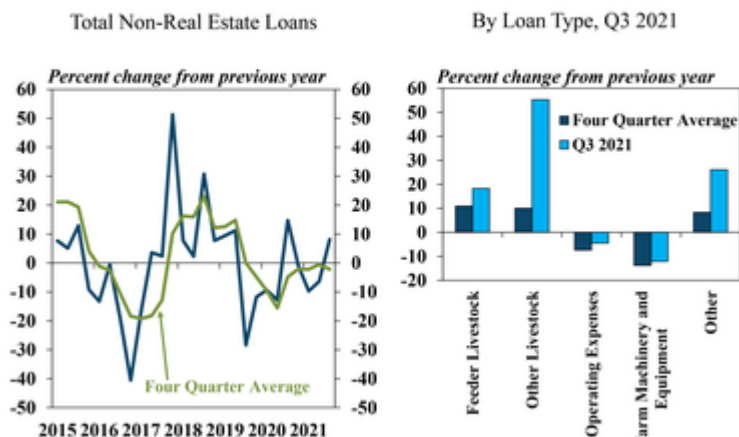


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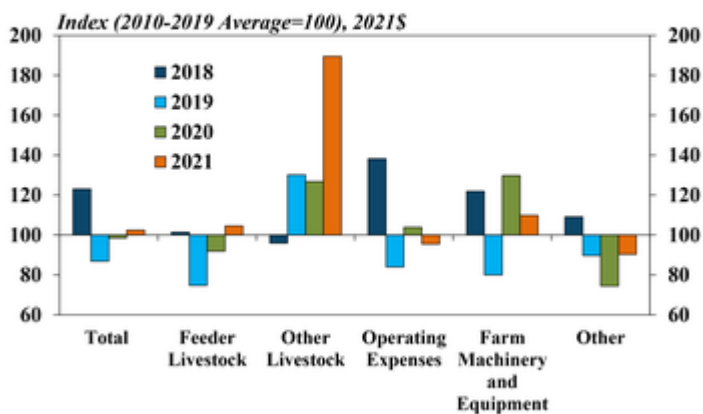
Ty Kreitman is an assistant economist in the Regional Affairs Department at the Omaha Branch of the Federal Reserve Bank of Kansas City. In this role, he primarily supports the Federal Reserve Bank of Kansas City and the Federal Reserve System efforts surrounding agricultural economics research, analysis 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.

Chart 1: Volume of Non-Real Estate Farm Loans



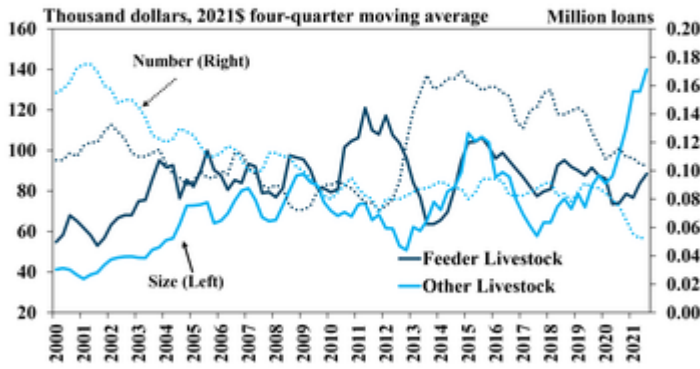
Sources: Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City.

Chart 2: Farm Loan Volumes by Loan Type, Q3



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

Chart 3: Number and Size of Livestock Loans



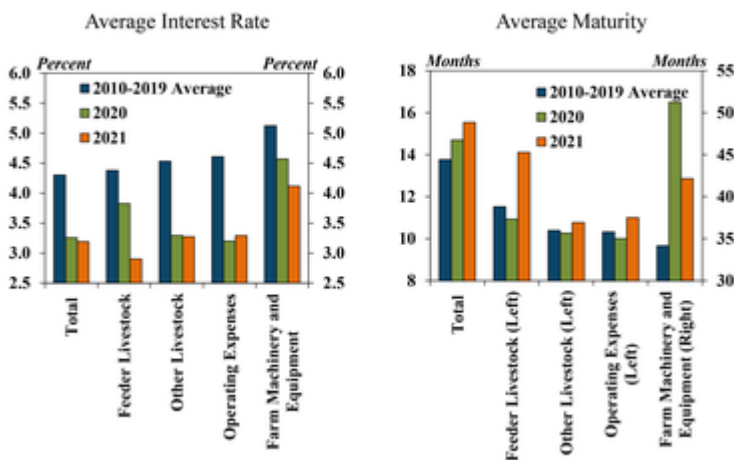
Source: Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City.

Chart 4: Number and Size of Operating Loans



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

Chart 5: Interest Rates and Maturity by Loan Type, Q3



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