



Research Working Papers

The Supply and Demand of Agricultural Loans

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Changes in the volume of non-real-estate farm loans at commercial banks are mainly driven by changes in excess demand for loans.

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Credit plays a critical role in the agricultural sector, but many studies suggest that farmers are credit constrained. We examine the degree to which changes in non-real-estate agricultural loans at commercial banks are driven by changes in supply and demand, using information provided by agricultural lending surveys conducted by the Federal Reserve Banks of Chicago, Kansas City, and Minneapolis. Building on recent studies of loan officer opinion surveys, we estimate the changes in agricultural loan supply and demand using an unbalanced panel of 1,024 banks across 191 quarters (2002:Q1–2021:Q2). The survey responses provide instruments of “pure” supply and demand changes that allow us to examine fluctuations in bank-level agricultural loan volumes. We find that changes in the volume of non-real-estate farm loans at commercial banks are principally driven by changes in excess demand for loans. In addition, we demonstrate that excess loan demand is countercyclical to aggregate farm income.

JEL classifications: E51, G21, Q14

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Related Research

- Bassett, William F., Mary B. Chosak, John C. Driscoll, and Egon Zakrajšek. 2014. “Changes in Bank Lending Standards and the Macroeconomy.” *Journal of Monetary Economics*, vol. 62, pp. 23–40. Available at <https://doi.org/10.1016/j.jmoneco.2013.12.005>
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