Financing a Changing Agricultural and Rural Landscape

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Outline

• Heterogeneity in the State Farm Economies within the Kansas City Federal Reserve Bank Territory
• Heterogeneity in the Agricultural Lending Situation Across States within the Kansas City Federal Reserve Bank Territory
• Faster Consolidation in the Farm Credit System within the States
• Implications for Agricultural Lending
Percent of Farms by Class, 2000 to 2015

Colorado

Kansas

1 to 10 10 to 100 100 to 250 250 to 500 > 500

1 to 10 10 to 100 100 to 250 250 to 500 > 500
Percent of Farms by Class, 2000 to 2015

Missouri

Nebraska
Percent of Farms by Class, 2000 to 2015

Oklahoma
Farmland Loan Volume by State in the 10th Federal Reserve Bank District
Percentage of Farm Real Estate Loan Volume by State in the 10th Federal Reserve Bank District

- Colorado
- Kansas
- Missouri
- Nebraska
- Oklahoma
- Wyoming
Importance of Agricultural Lending Compared to Total Lending by Top 30 Banks by State
Average Agricultural Loans to Total Loans by Market Concentration

- Colorado
- Kansas
- Missouri
- Nebraska
- Oklahoma
- Wyoming

- Top Bank Share
- Top 10 Banks Share
- Top 20 Banks Share
- Top 30 Banks Share
- 2015
Farm Credit System

• Consolidation in the number of Farm Credit Institutions has been faster than Commercial Banks
  • Kansas (5)
    • All five Farm Credit Institutions volume is larger than the largest commercial bank
  • Missouri (2)
    • Both Farm Credit Institutions volume is larger than the largest commercial banks
  • Oklahoma (5)
    • Two Farm Credit Institutions, Two Commercial Banks, Three Farm Credit Institutions banks
  • Nebraska and Wyoming (1)
    • Colorado (3, two within the state, one that is multistate)

• Percentage of volume by Farm Credit has increased over the last 10 years
Implications and Conclusions

• Heterogeneity across the District
• Additional vertical coordination sometimes caused by financial motivation
• Marvin Duncan and Jerome Stam (1998)
  • “… while the trends toward scale, complexity, and technological advancement are pervasive across commercial-scale farms, smaller, specialized, or simpler business enterprises remain abundant and offer interesting market niches to lenders who wish to concentrate on certain market segments”
• Economies of Scale in Banking are significant
  • Much of this occurs in off-balance sheet income opportunities
• Agricultural lending remains and will remain an important activity within the District whether they classify as agricultural banks or not