Agricultural Finance Update

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The views expressed here are those of the speaker and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.
Even before COVID-19, an expectation of a further reduction in liquidity was a concern in ag finance.

*Working Capital reported by USDA beginning 2012
Note: 2019 and 2020 Forecast
Source: USDA.
Since mid-February, some ag commodity prices have declined, with notable volatility, but generally not like other markets.

*Implied volatility of daily nearest futures contracts for agricultural commodities


**Agricultural Banker Sentiment**

- “It was going to be a tough year ahead even before coronavirus” – Kansas

- “MFP payments were very significant to our region.” – Oklahoma (and numerous others)

- “The uncertainty creating unique market situations will be the most challenging, but if we work with our customers and remain flexible, we’ll get through it” – South Dakota

- “Since the boom in the ag sector, farm banks have steadily bolstered their capital positions. Most of the risk is in the tails.” - Minnesota

**Source:** Federal Reserve District Surveys of Agricultural Credit Conditions.