

Agricultural Finance Update

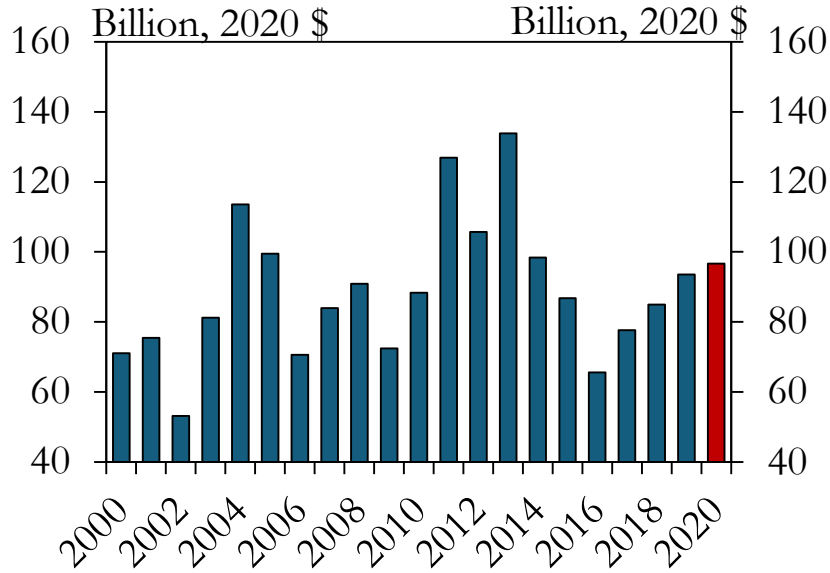
Nate Kauffman and Cortney Cowley, Federal Reserve Bank of Kansas City
March 27, 2020

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.

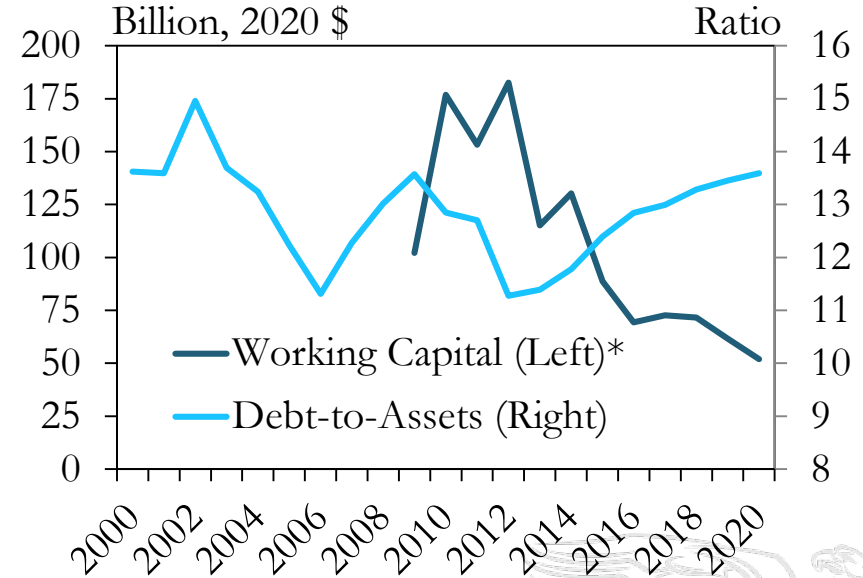


Even before COVID-19, an expectation of a further reduction in liquidity was a concern in ag finance.

U.S. Net Farm Income



U.S. Farm Sector Finances



*Working Capital reported by USDA beginning 2012

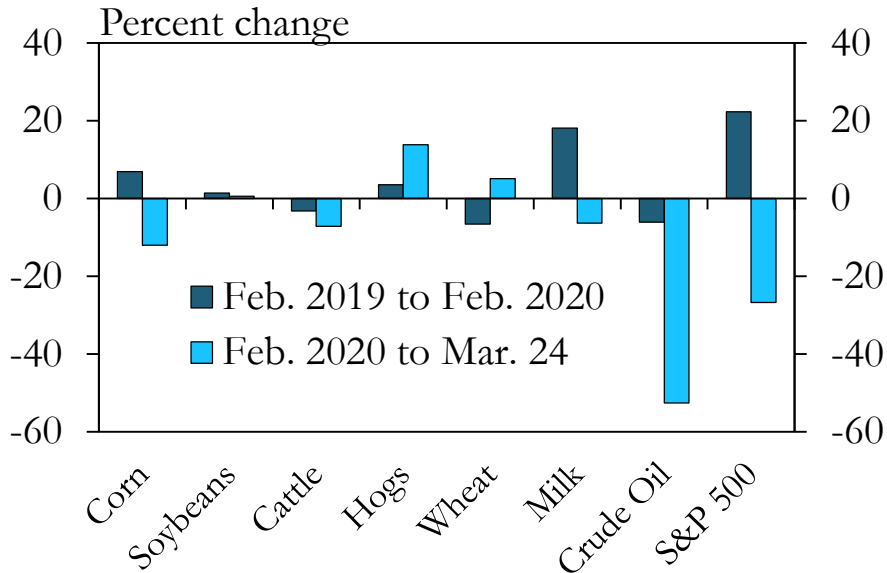
Note: 2019 and 2020 Forecast

Source: USDA.

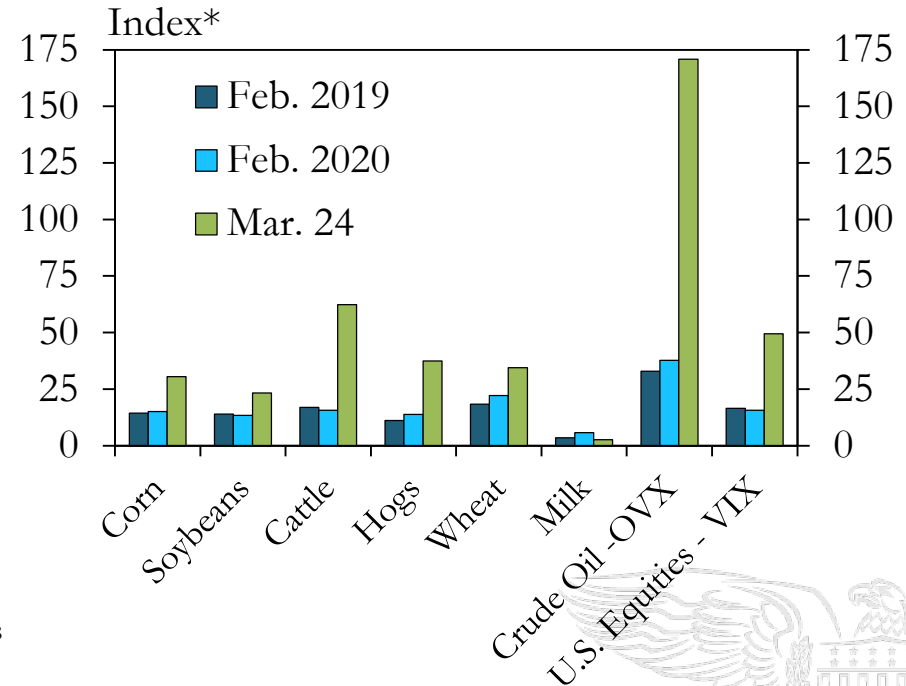


Since mid-February, some ag commodity prices have declined, with notable volatility, but generally not like other markets.

Change in Prices



Volatility



*Implied volatility of daily nearest futures contracts for agricultural commodities

Sources: WSJ, S&P500, CBOE, Yahoo Finance and Barchart.com.



Future impacts associated with COVID-19 are highly uncertain. Preliminary KC Fed survey data suggests some weakening.

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.

KC Fed: Farm Income and Credit Conditions (preliminary)

