

23 October 2017 – Laramie, WY

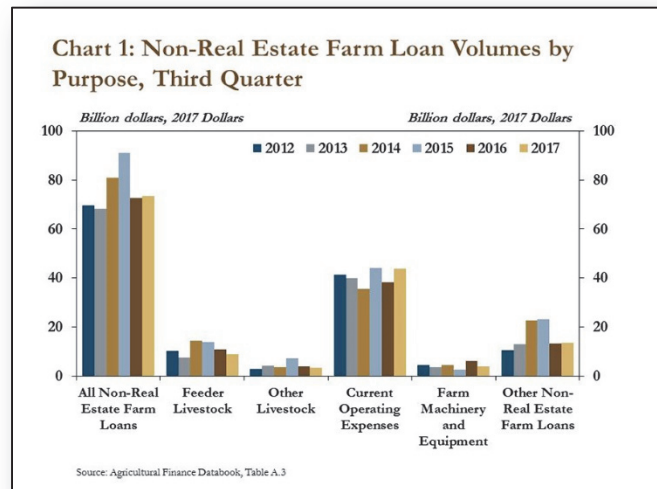
Farm Lending Stabilizes, but Bank Liquidity Tightening

The pace of farm lending at commercial banks in the third quarter largely was unchanged from a year ago. Survey data indicate the volume of non-real estate farm loans originated in the third quarter increased about 2 percent from the previous year. The slight increase followed a similar year-over-year increase in the second quarter after sharp declines in lending activity the previous two quarters.

Demand for loans to finance operating expenses was the primary driver of non-real estate farm lending in the third quarter. The volume of loans used to pay for current operating expenses increased 15 percent from the previous year, whereas the volume of loans used to finance livestock and equipment purchases declined.

Operating loans have continued to account for a rising share of commercial banks' farm loan portfolio in recent years. In fact, operating loans have accounted for nearly 60 percent of the total volume of non-real estate farm loans over the past four quarters, the highest in the 40-year survey history.

After dipping three quarters ago, farm lending activity picked up in the third quarter to a level similar to a year ago. The recent stabilization in lending activity may suggest that borrowers and lenders have made some adjustments alongside reduced profit margins and spending that have persisted for several years. Although farm lending appeared to stabilize in the third quarter, liquidity remains a concern for some borrowers and for some lenders.



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<https://www.kansascityfed.org/research/indicatorsdata/agfinancedatabook/articles/2017/10-18-2017/ag-finance-dbk-10-18-2017>

The Beige Book was prepared at the Federal Reserve Bank of Minneapolis based on information collected on or before October 6, 2017. The document summarizes comments received from contacts outside the Federal Reserve System and is not a commentary on the views of Federal Reserve officials.

For information about the Agricultural Sector in other Federal Reserve Districts or to access the complete Federal Reserve Beige Book, see:

https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20171018.pdf.