

Farm Debt Declines - Credit Stress Eases

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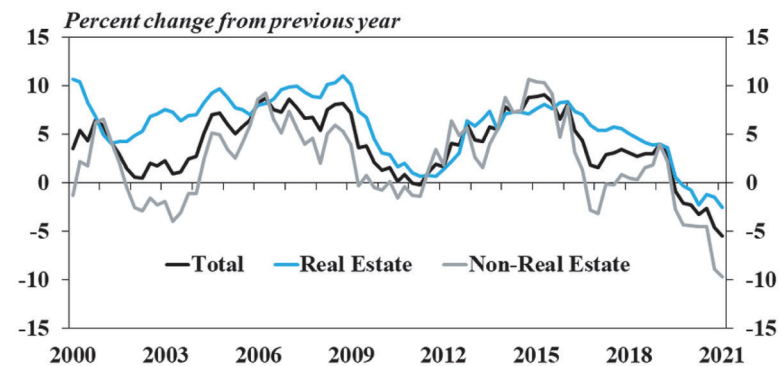
The reduction in agricultural loan balances was less pronounced among banks most concentrated in agriculture, driven by modest growth in real estate debt among those lenders. Delinquency rates on farm debt dropped notably from a year ago and, alongside strong earnings, profitability at agricultural banks improved from the end of last year.

The outlook for agriculture remained strong heading into the summer months. Robust demand for key farm commodities continued to support strong prices and optimism across the sector. Increases in production costs and persistent drought in many regions lingered as concerns, however; and profitability for cattle producers remained narrow. Overall, strength in aggregate conditions and lasting support of government aid and lending programs have continued to limit increases in farm debt and ease agricultural credit stress.

Credit Conditions

Farm debt at commercial banks continued to shrink from the first quarter. Non-real estate farm debt decreased by 10% from a year ago as strong profits in large segments of the agricultural sector limited producers' needs for operating loans (Chart 1). Similarly, farm real estate debt declined by 3% from a year ago despite ongoing increases in the valuations of farm real estate.

Chart 1: Farm Debt Outstanding at Commercial Banks



For more information:

To access the complete Federal Reserve Agriculture Ag Credit Survey report, see:
<https://www.kansascityfed.org/agriculture/agfinance-updates/farm-debt-declines-further-credit-stress-eases/>