Agricultural Banking

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Banks are one of the largest providers of credit to the agricultural industry.

- According to the FDIC, U.S. banks continue to be a major provider of credit in the agricultural marketplace, holding more than $186 billion in farm loans extended as of the end of 2018, compared to $181 billion at the end of 2017.[1]

- Total farm debt was $402.0 billion in 2018, up from $393.0 billion in 2017, according to the USDA Economic Research Service.

- Banks are a major source of credit to small farmers. Banks reported holding over $78 billion in small farm loans with $19.6 billion in micro farm loans at the end of 2018.

- Of the nearly 5,500 banks in our country, 1,772 are considered farm banks. And, more than 79 percent of our nation's banks have agricultural loans in their portfolio.

Farm banks play a vital role in their communities by providing loans, creating jobs and paying taxes to support rural America.

- Farm banks increased farm lending by 5.3 percent ($5.5 billion) in 2018 and held $108 billion in farm loans at year-end.

- Farm banks employed 86,000 rural Americans in 2018. Since 2008, employment at farm banks has risen 24.4 percent.

- Farm Credit System institutions aggressively compete with banks. More than 68 individual FCS associations have more than $1 billion in assets, making them larger than 85 percent of the banks in the country. *See "Farm Credit System" page for more information.*

The 1,859 farm banks in the United States continue to be strong, well-capitalized and profitable.

- More than 94 percent of farm banks were profitable in 2018, with 63 percent reporting an increase in earnings.

- Farm banks' asset quality remained healthy in 2018. Noncurrent loans, which are loans 90 days or more past due or in nonaccrual status, held steady at a pre-recession level of 0.52 percent of total loans.

- Equity capital at farm banks increased 6.1 percent to $48.7 billion in 2018, while Tier 1 capital rose by $3.3 billion to $46.7 billion.

Like producers, agricultural lenders are aging, and they have valuable experience that will be hard to replace.

- Lenders anticipate that nearly three-tenths of ag lending staff will turn over in the next five years (28.2%).[2]

- Nearly half of respondents (42 percent) to a previous survey said they have only one to three dedicated ag lenders on staff, and respondents reported that lending staff has an average of 19 to 20 years of experience within the institution.[3]

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- Agricultural lending requires specific knowledge, making it difficult to identify and recruit potential new lenders.
- Opportunities to educate and inspire the rising workforce are vital to ensuring new lenders have the knowledge to understand the unique characteristics of the ag sector.

Background:
Farm banks are defined by the American Bankers Association as banks whose ratio of domestic farm loans to total domestic loans are greater than or equal to the industry average, in 2018 this was 16.07 percent.

Sources:

[1] FDIC. Retrieved from www.fdic.gov

[2] Fall 2019 Agricultural Lender Survey Results, ABA/Farmer Mac (2019). Retrieved from https://www.aba.com/-/media/documents/reports-and-surveys/2019-ag-lending-survey-report.pdf

[3] Winter 2016/2017 Agricultural Lender Survey Results, ABA/Farmer Mac (2017). Retrieved from https://www.aba.com/Tools/Function/Ag/Documents/2016_2017AGLendingSurveyReport.pdf