

# Agricultural Credit Conditions

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Policy Advisor

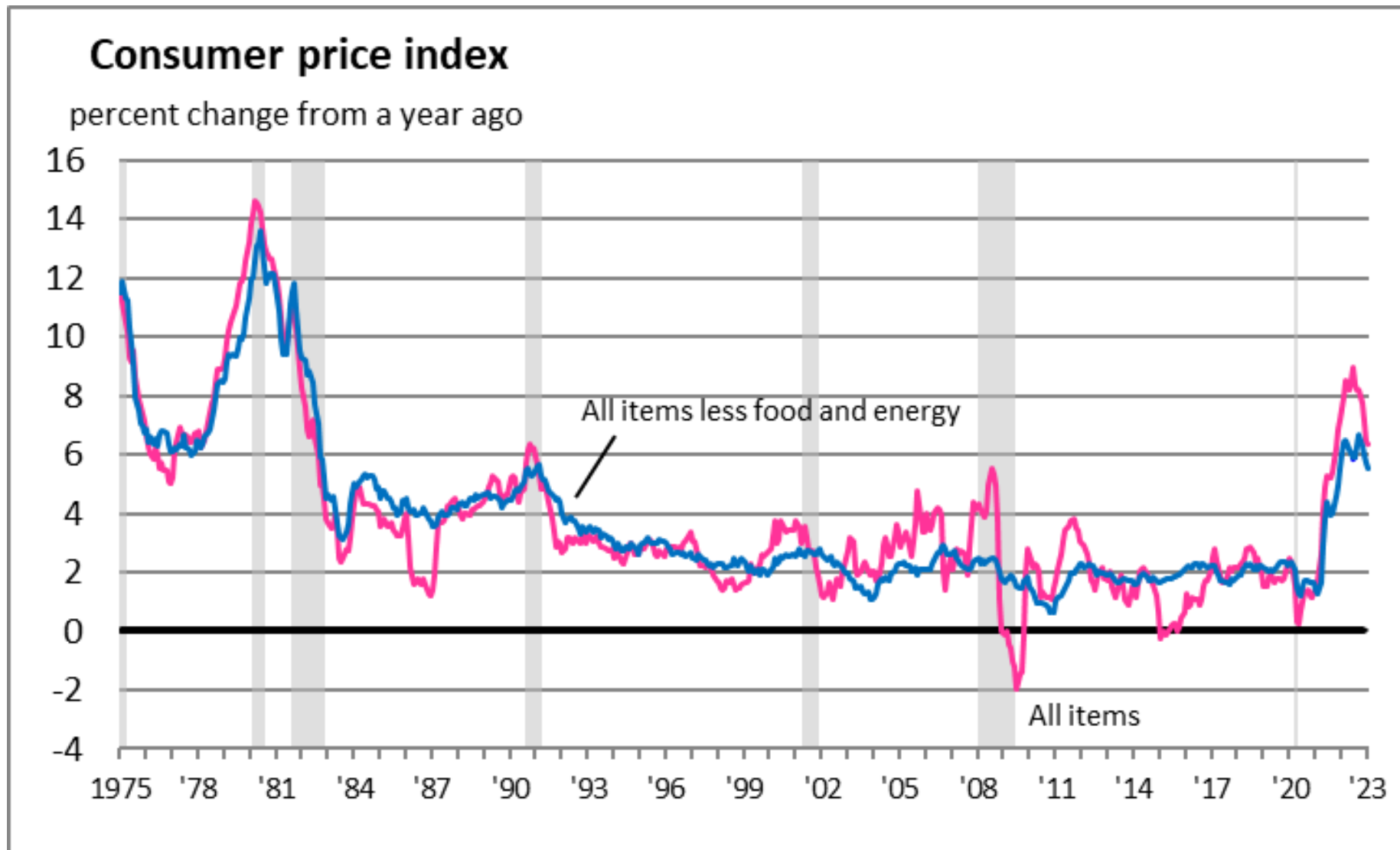
Federal Reserve Bank of Chicago

February 23, 2023



THE VIEWS EXPRESSED HERE DO NOT NECESSARILY REFLECT THOSE OF THE FEDERAL RESERVE BANK OF CHICAGO OR THE FEDERAL RESERVE SYSTEM.

# Inflation highest since the early 1980s, though coming down

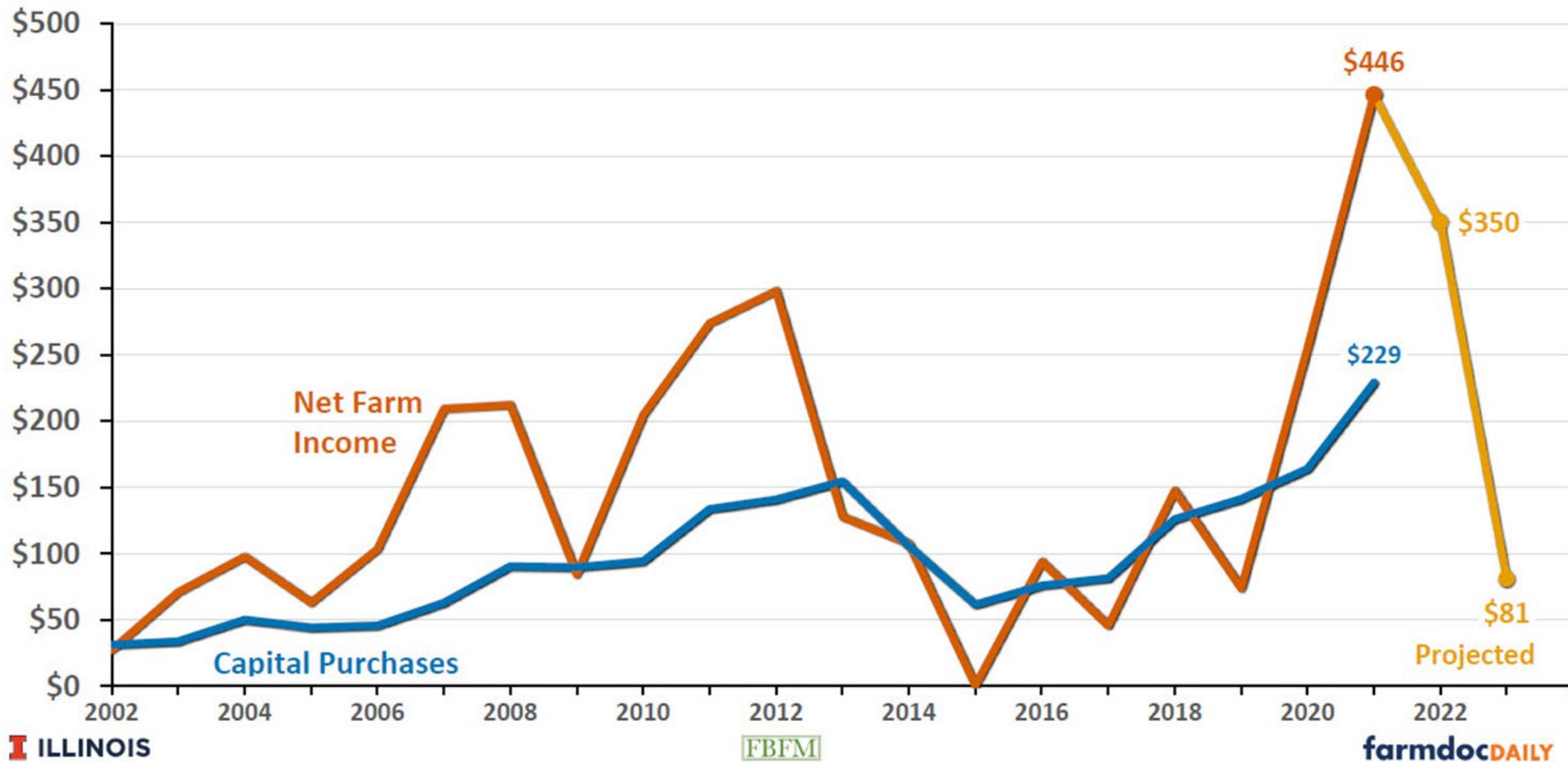


Source: U.S. Bureau of Labor Statistics

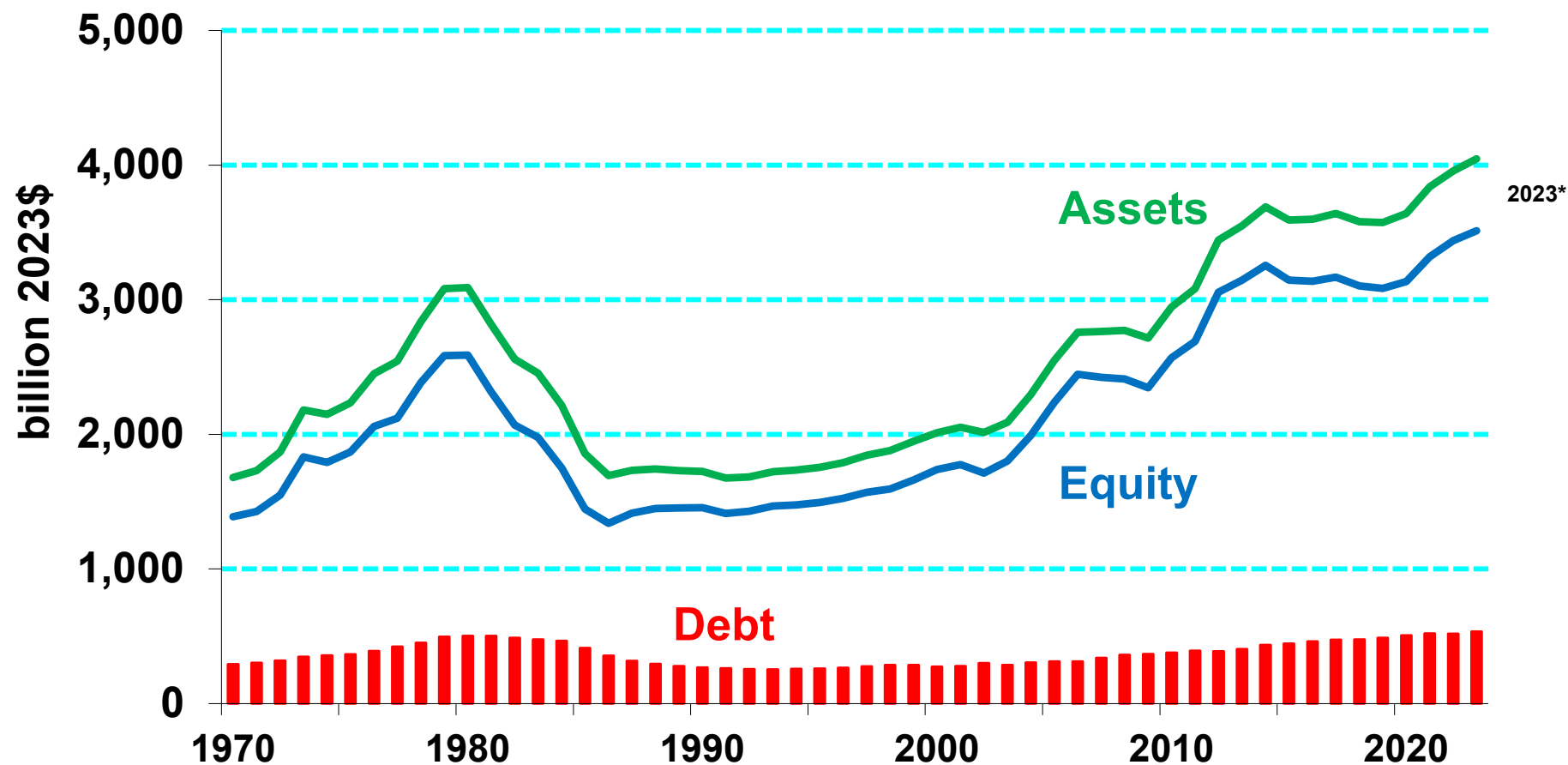
FEDERAL RESERVE BANK of CHICAGO

# Net Farm Income and Capital Purchases on Grain Farms in \$1,000

Enrolled in Illinois Farm Business Farm Management



# Real farm sector assets, equity, and debt seen setting new peaks in 2023

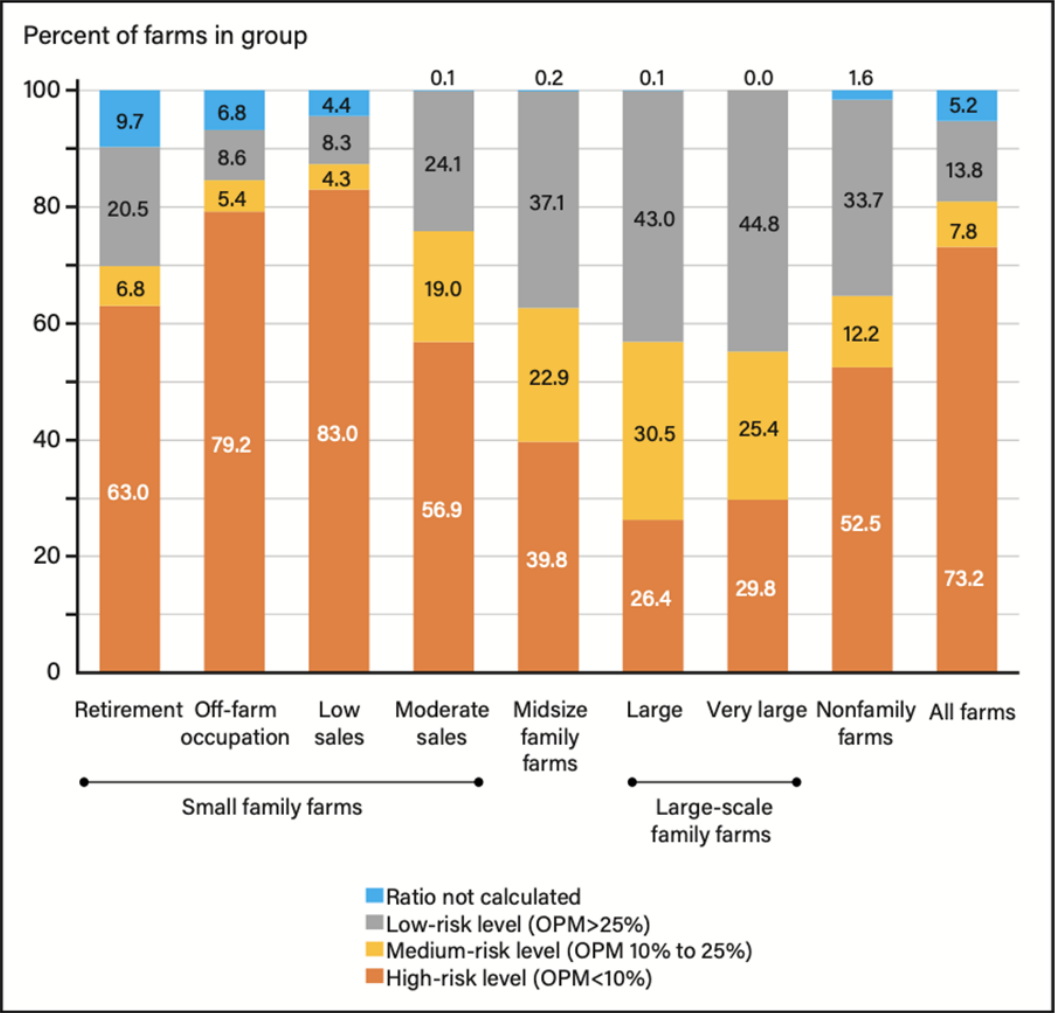


\*USDA forecast

Source: USDA, Economic Research Service

FEDERAL RESERVE BANK of CHICAGO

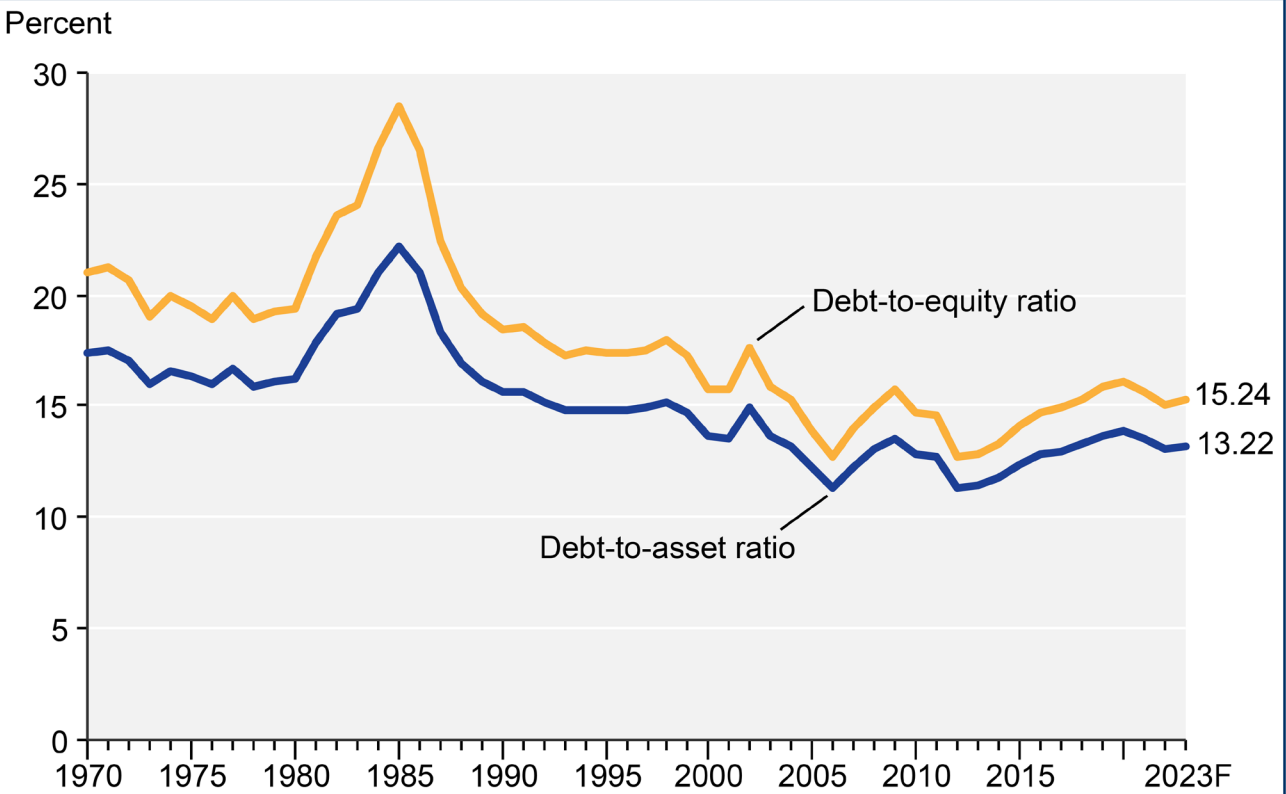
Farms by operating profit margin and type, 2020



Notes: Due to rounding, sums may not add to 100 percent. Operating profit margin (OPM)=100 times (net farm income plus interest paid minus charges for unpaid labor and management)/gross farm income. OPM ratios are not calculated for operations with zero or negative gross farm income.

Source: USDA, National Agricultural Statistics Service and USDA, Economic Research Service, 2020 Agricultural Resource Management Survey.

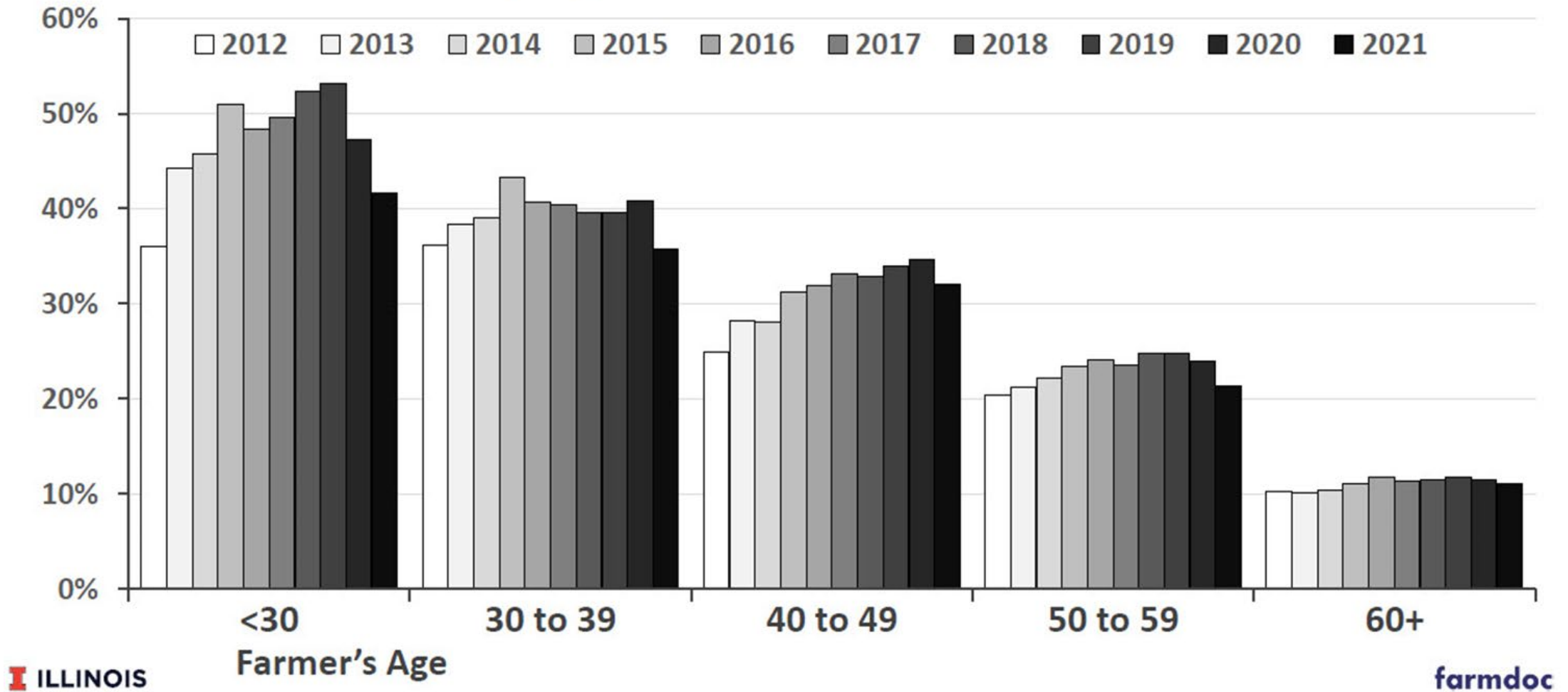
U.S. farm sector solvency ratios, 1970–2023F



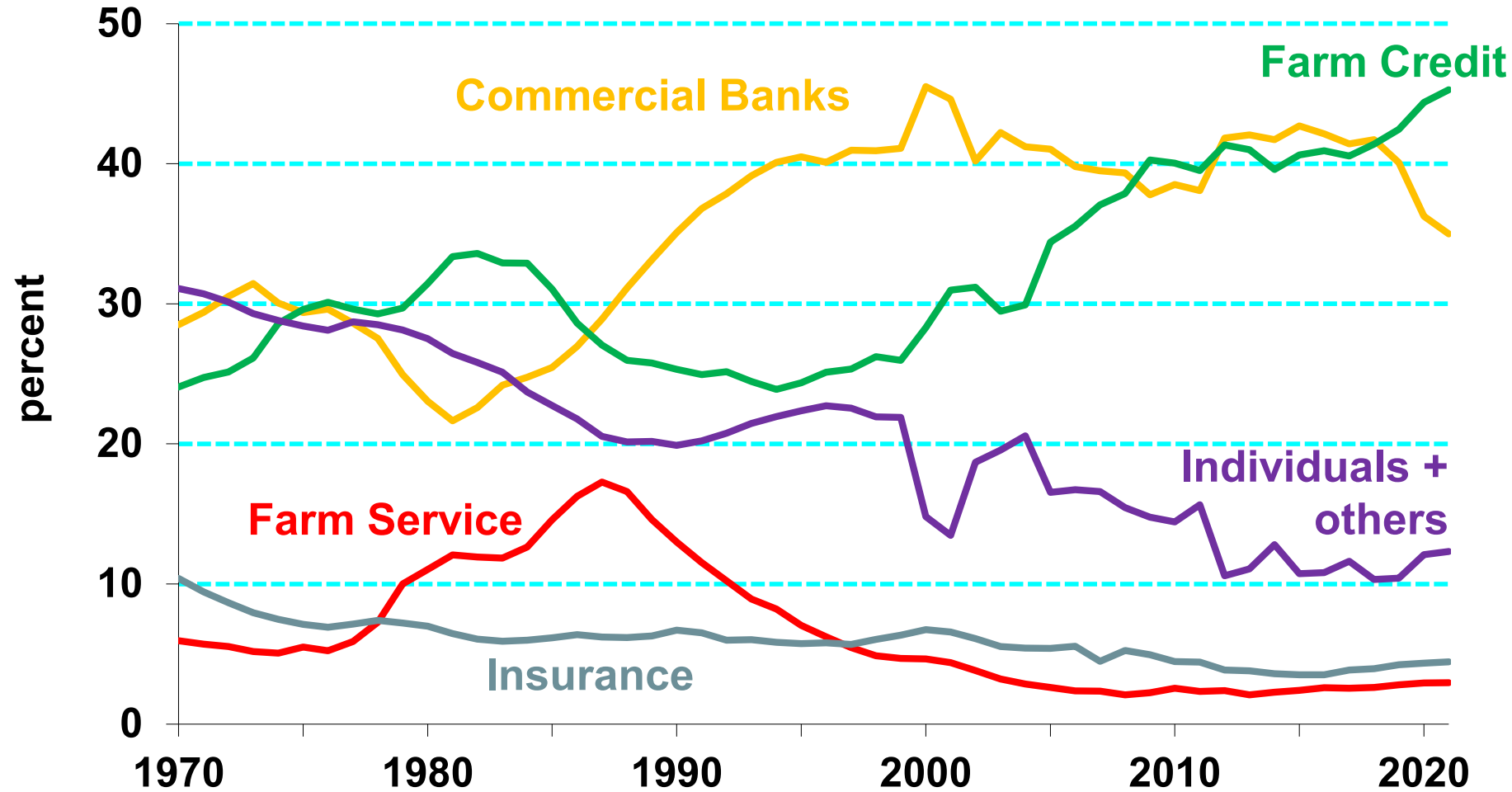
Note: F = Forecast. Data for 2022 and 2023 are forecasts.  
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.  
Data as of February 7, 2023.

# FBFM Records Summary

## Debt to Asset Ratio by Age

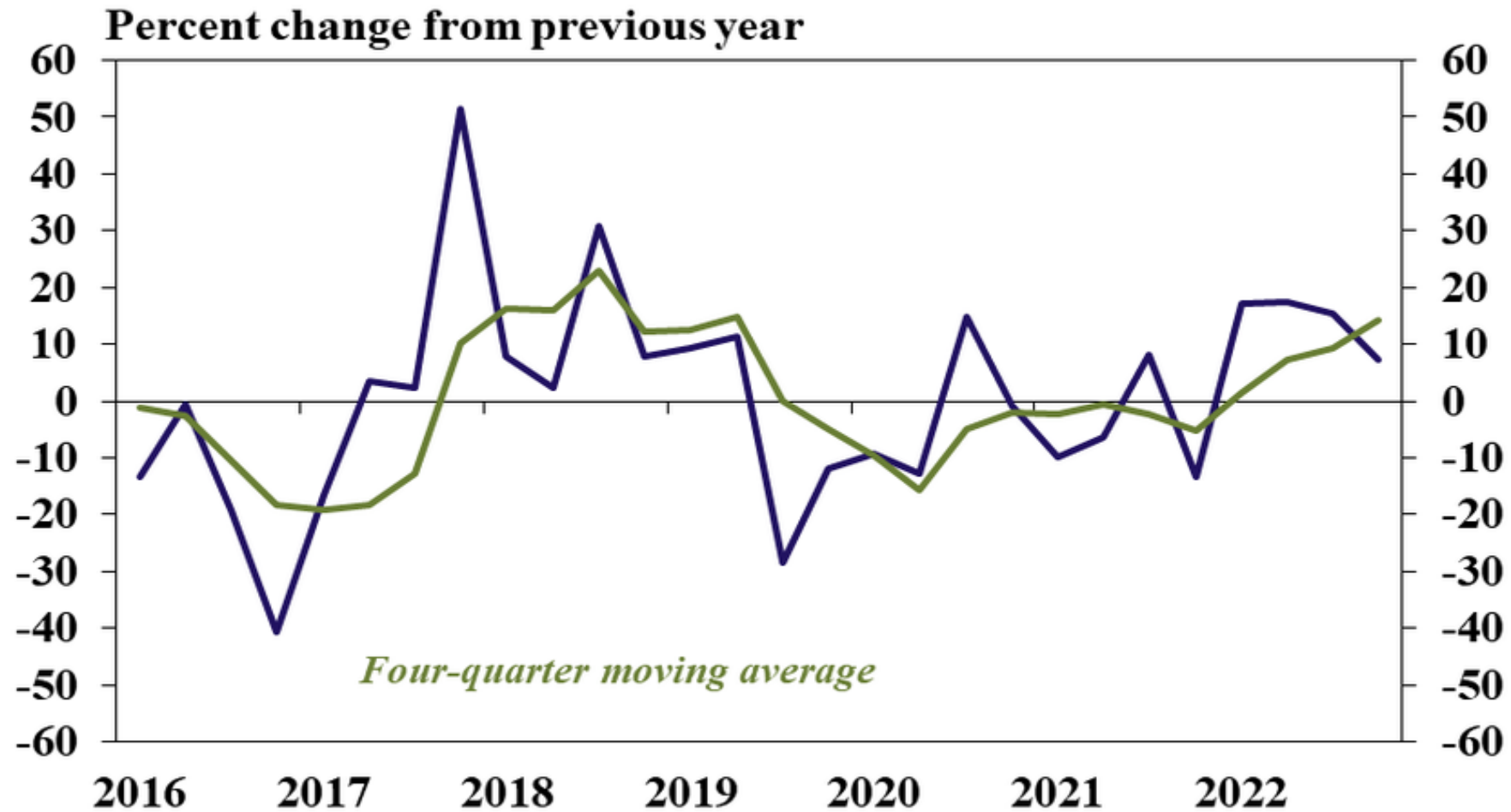


# Primary agricultural lenders by market share



Source: USDA, Economic Research Service

# Volume of non-real estate farm loans by banks



Sources: Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City



# Chicago Fed survey results for Q4 of 2022

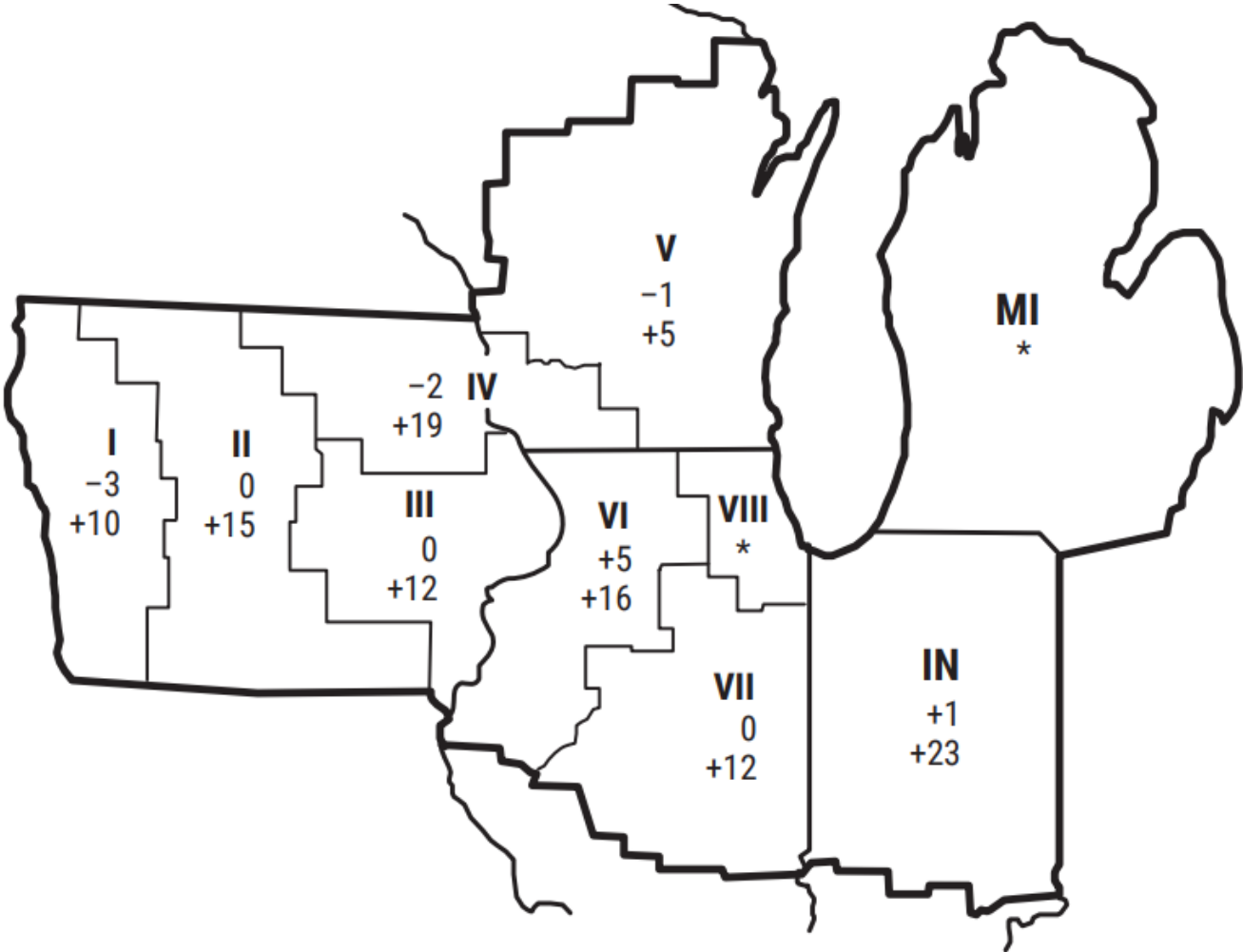
## Percent change in dollar value of “good” farmland

*Top:* October 1, 2022 to January 1, 2023

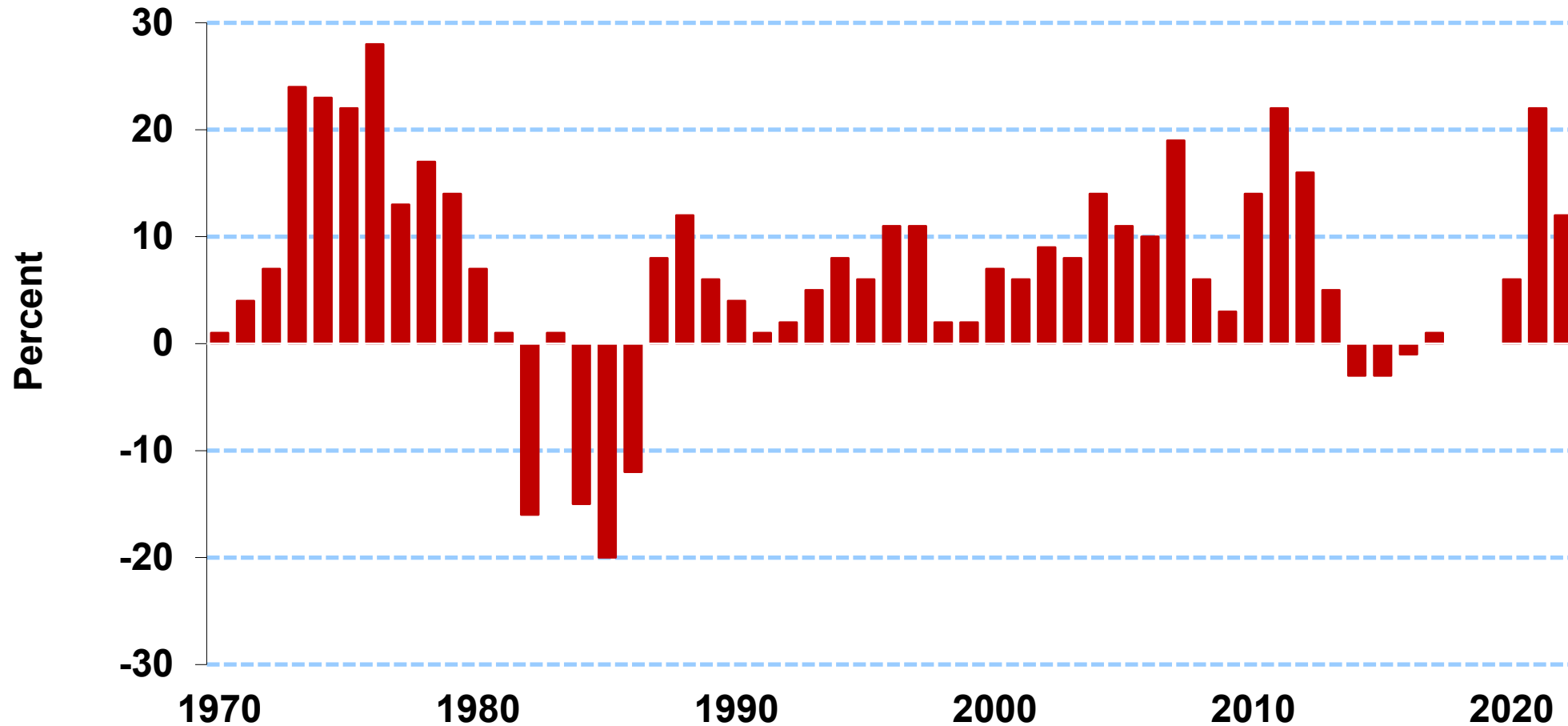
*Bottom:* January 1, 2022 to January 1, 2023

	<u>October 1, 2022 to January 1, 2023</u>	<u>January 1, 2022 to January 1, 2023</u>
Illinois	+2	+14
Indiana	+1	+23
Iowa	-2	+11
Michigan	*	*
Wisconsin	-1	+11
Seventh District	0	+12

\*Insufficient response.

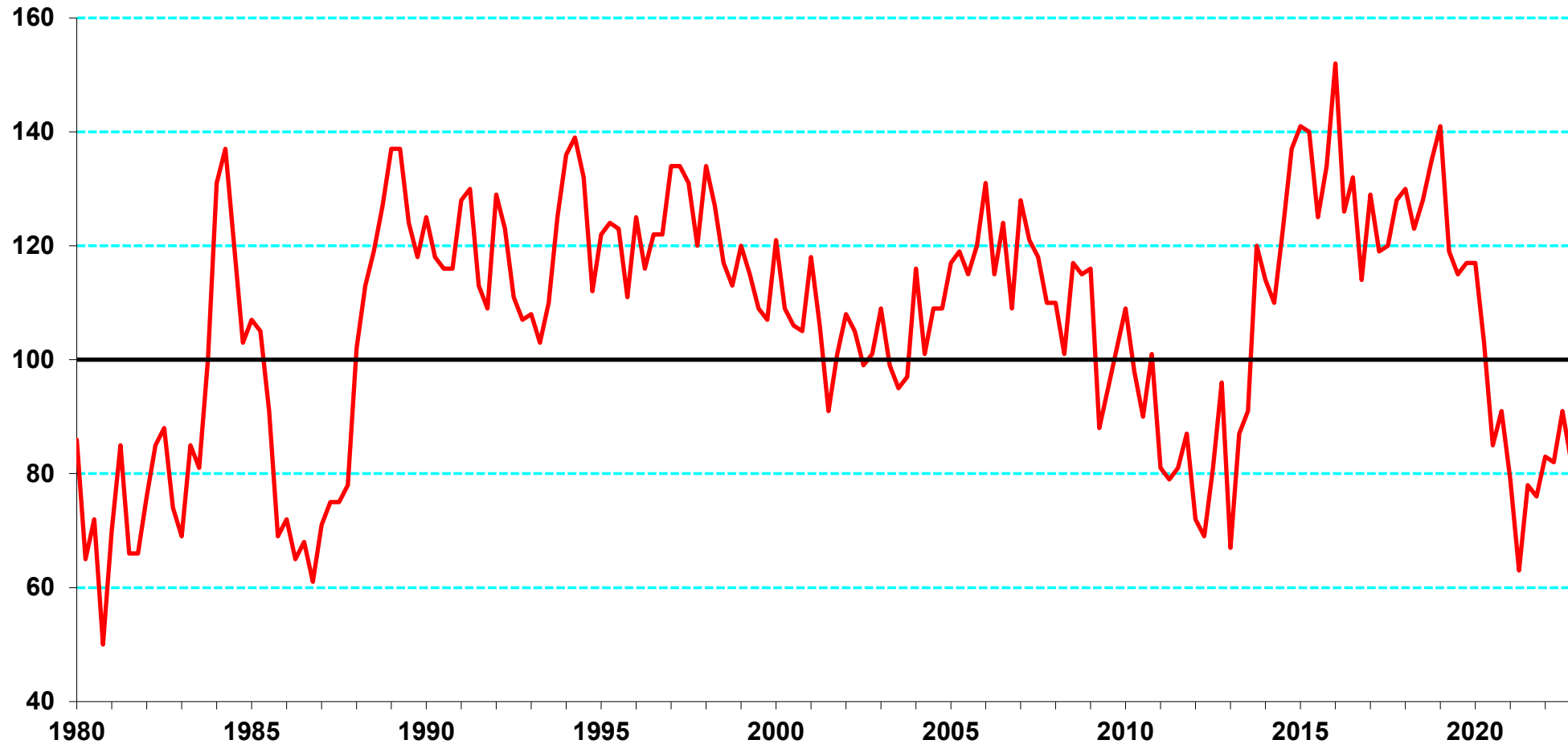


# Annual change in farmland values in 7th Federal Reserve District



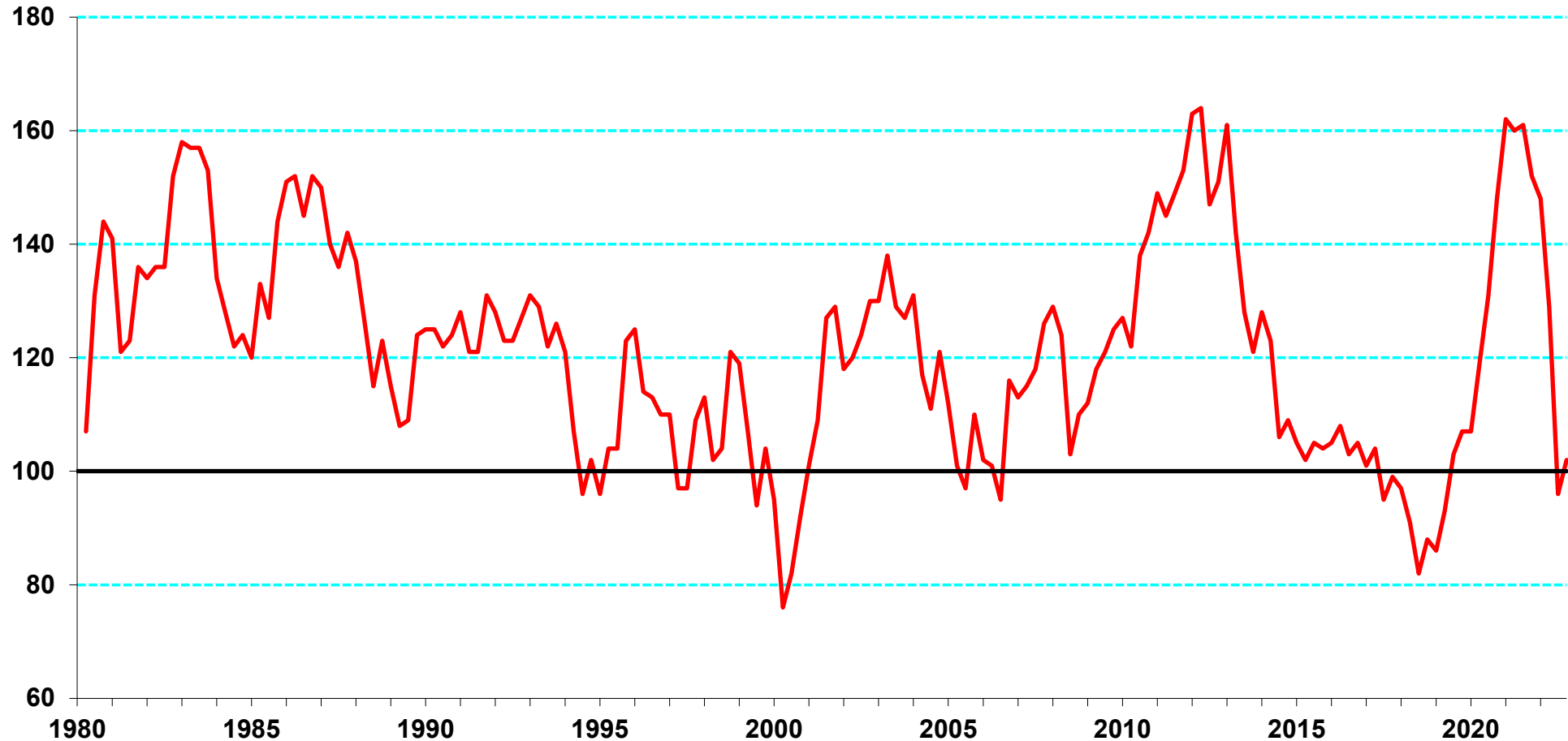
Source: Federal Reserve Bank of Chicago

# Index of non-real-estate farm loan demand for the 7th Federal Reserve District



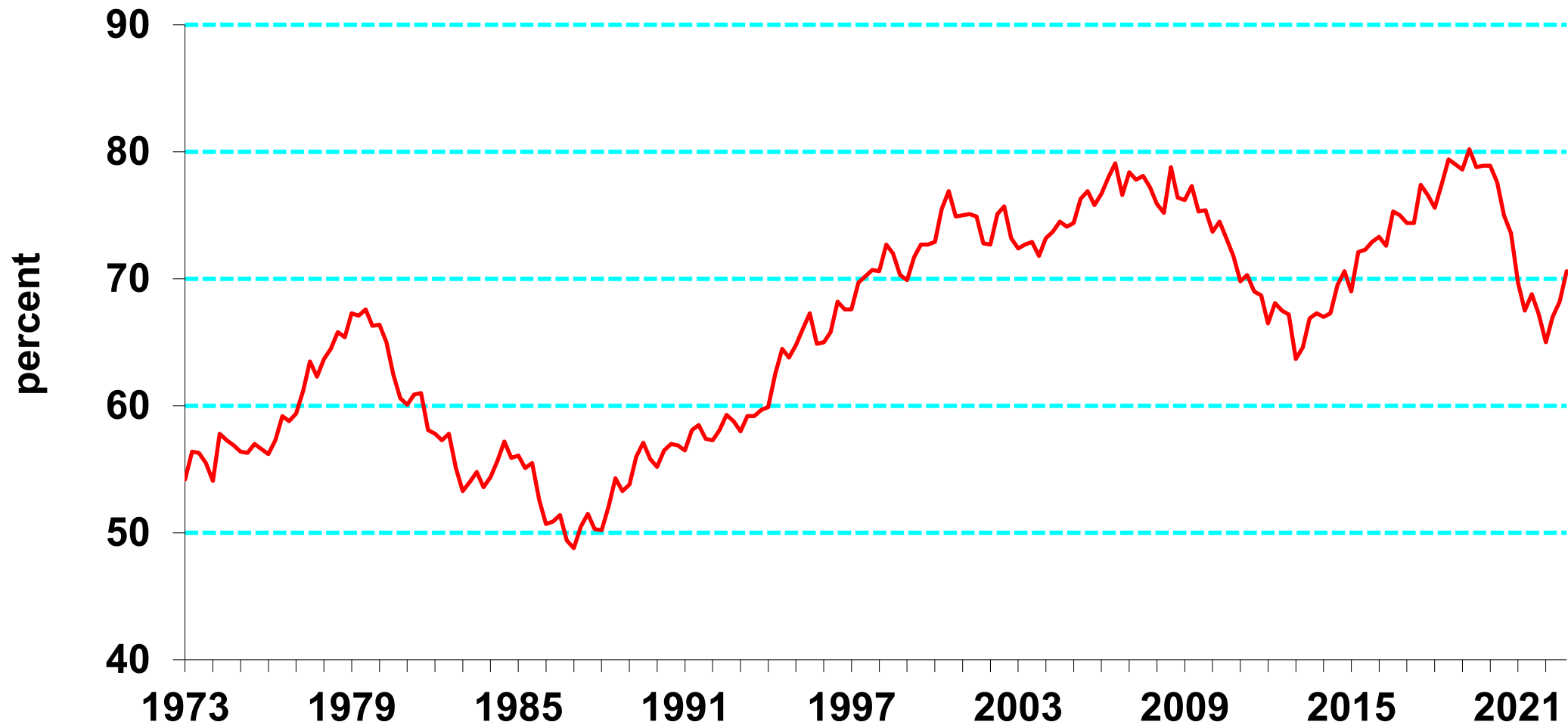
Source: Federal Reserve Bank of Chicago

# Index of funds availability for the 7th Federal Reserve District



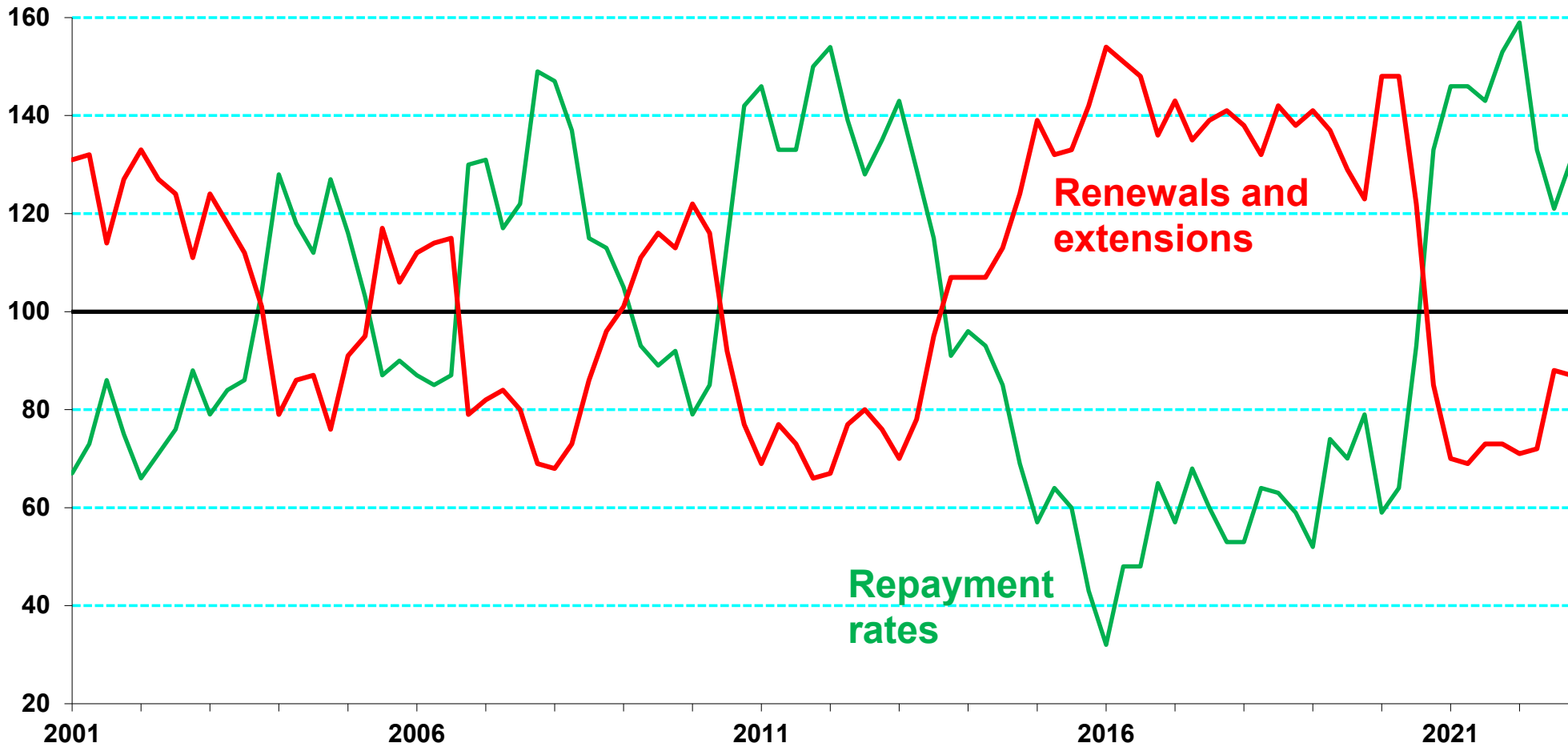
Source: Federal Reserve Bank of Chicago

# 7th District average loan-to-deposit ratio



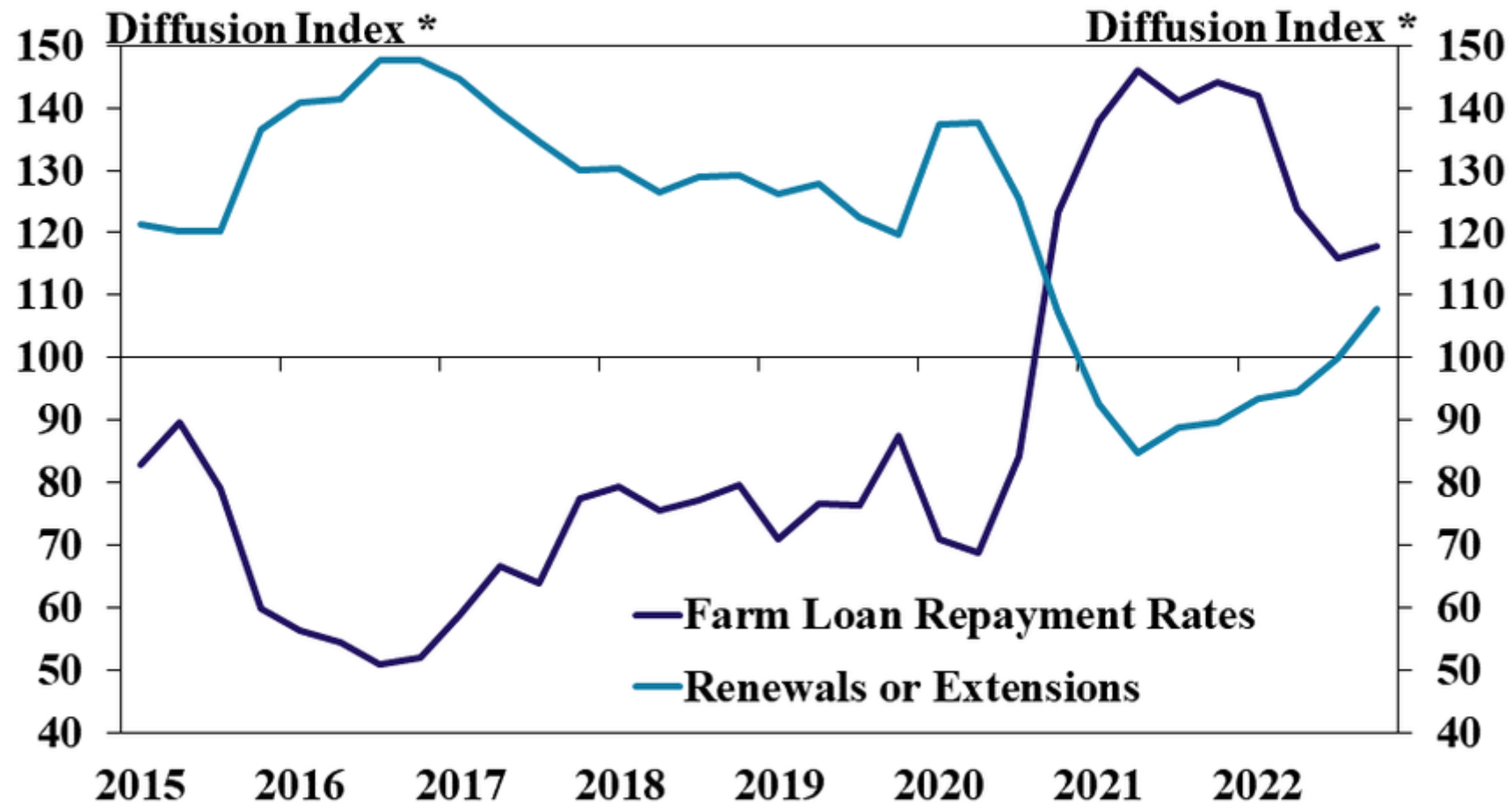
Source: Federal Reserve Bank of Chicago

# Indexes of non-real-estate farm loan repayment and renewals & extensions for the 7th District



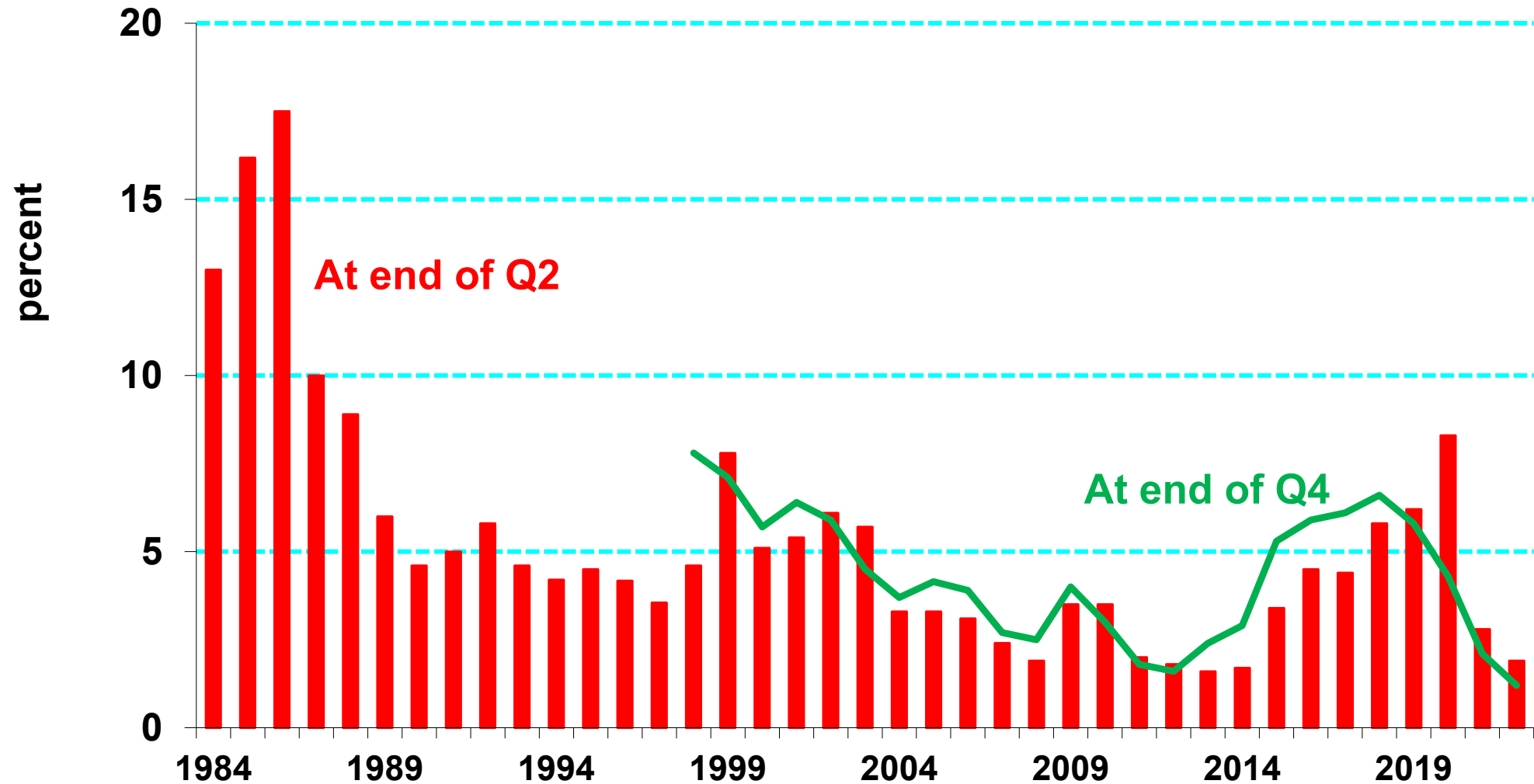
Source: Federal Reserve Bank of Chicago

# Indexes of credit conditions for the 10th District



\*Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.

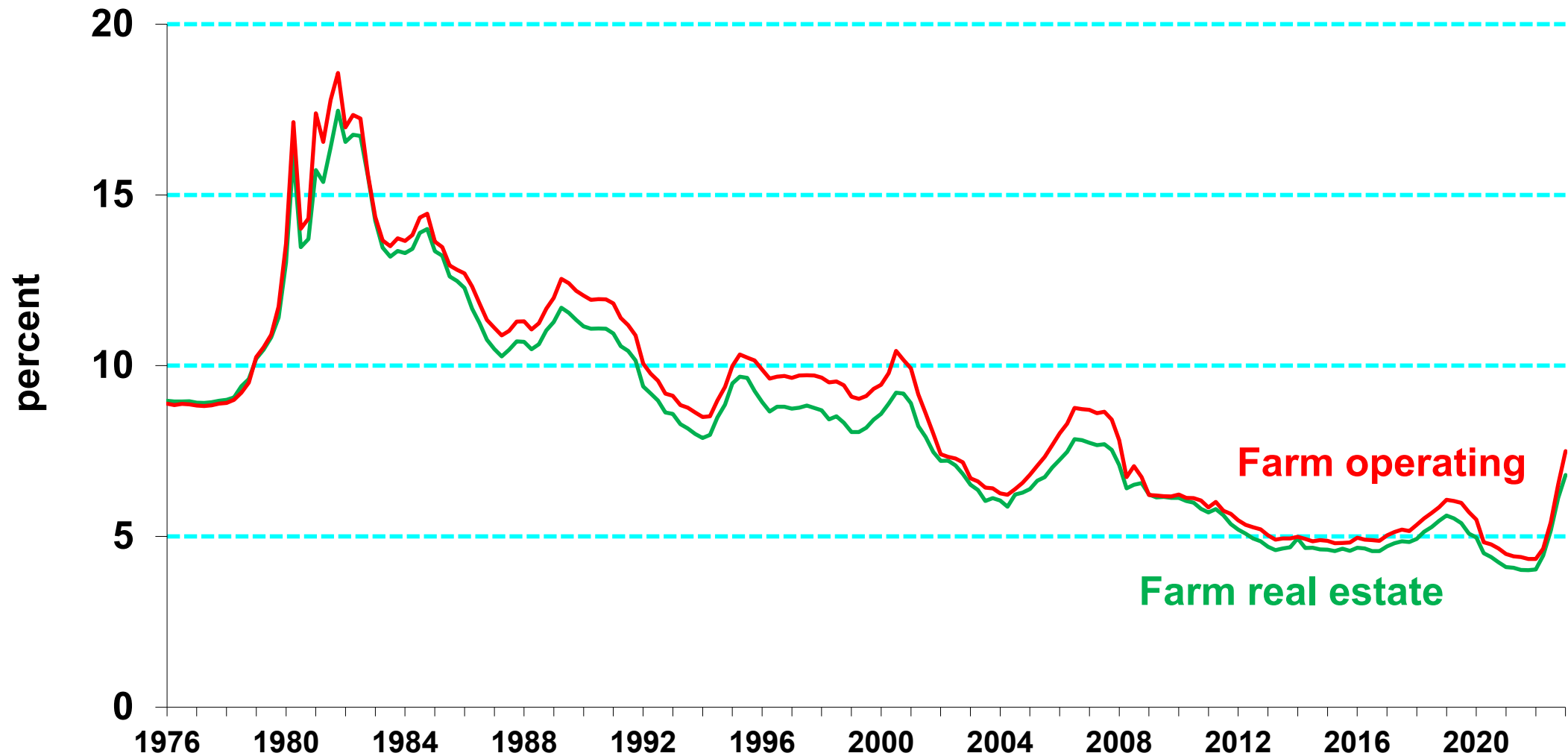
# Farm loan volume with “major” or “severe” repayment problems in 7th Federal Reserve District



Source: Federal Reserve Bank of Chicago

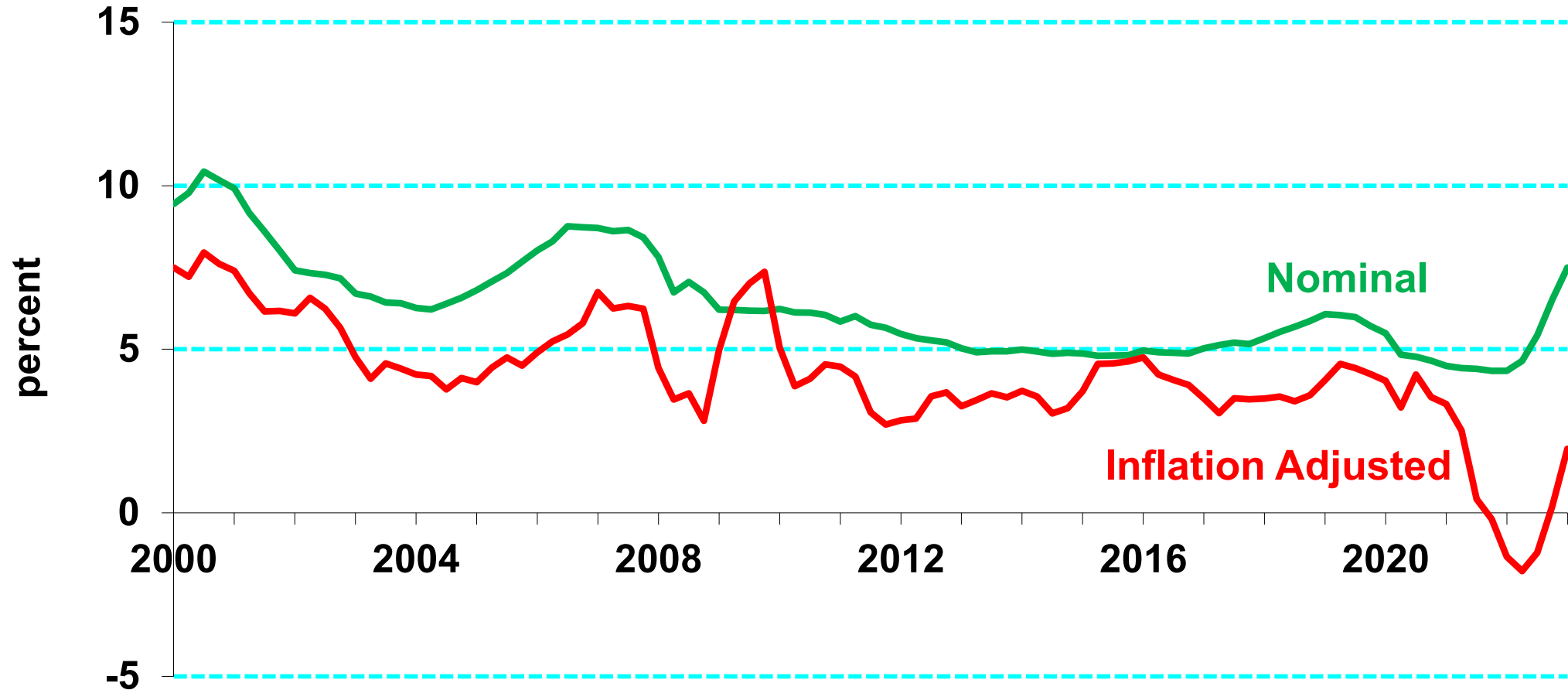


# Interest rates charged on new farm loans in the 7th Federal Reserve District



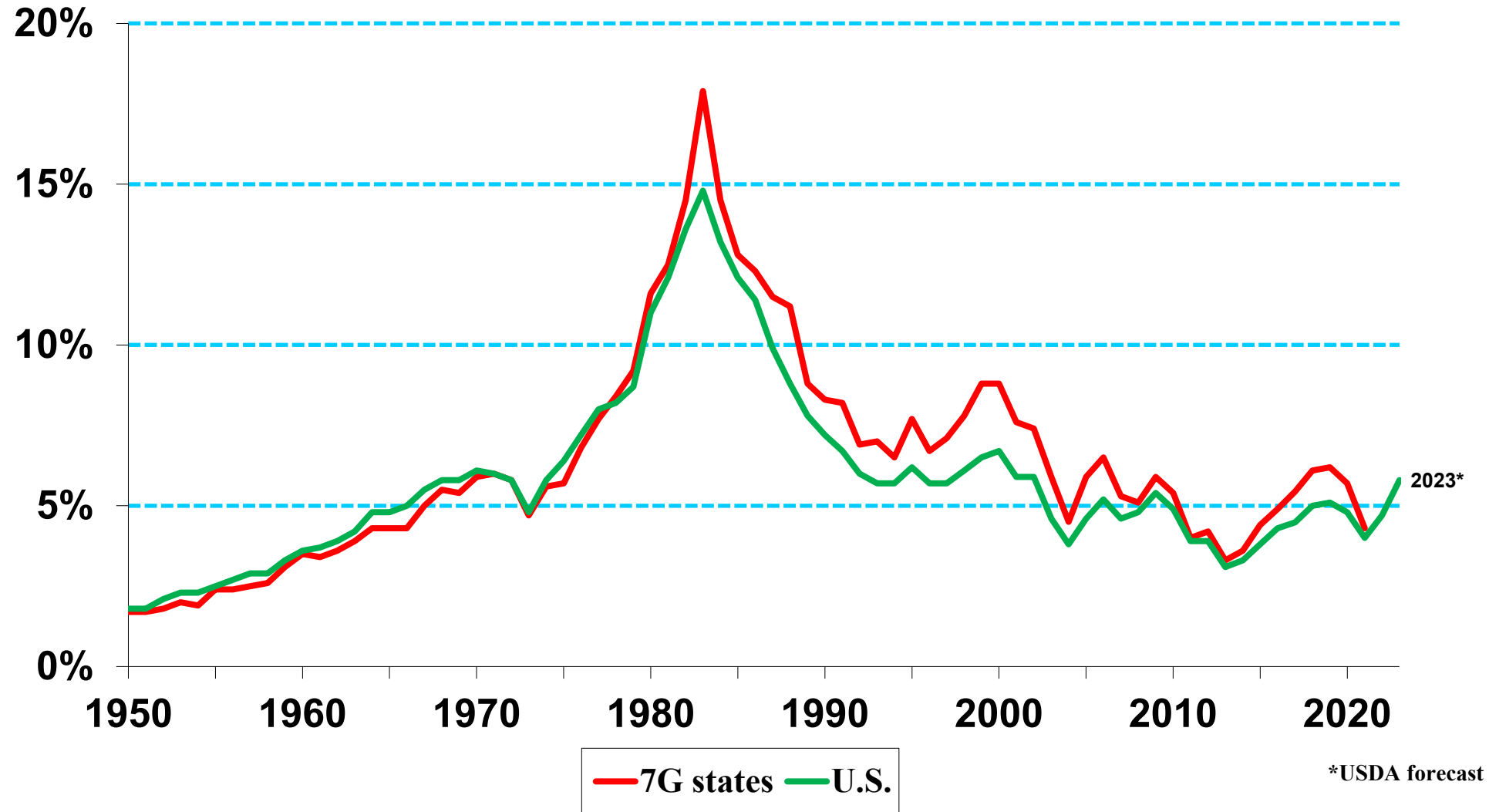
Source: Federal Reserve Bank of Chicago

# Interest rates charged on new farm operating loans in the 7th Federal Reserve District



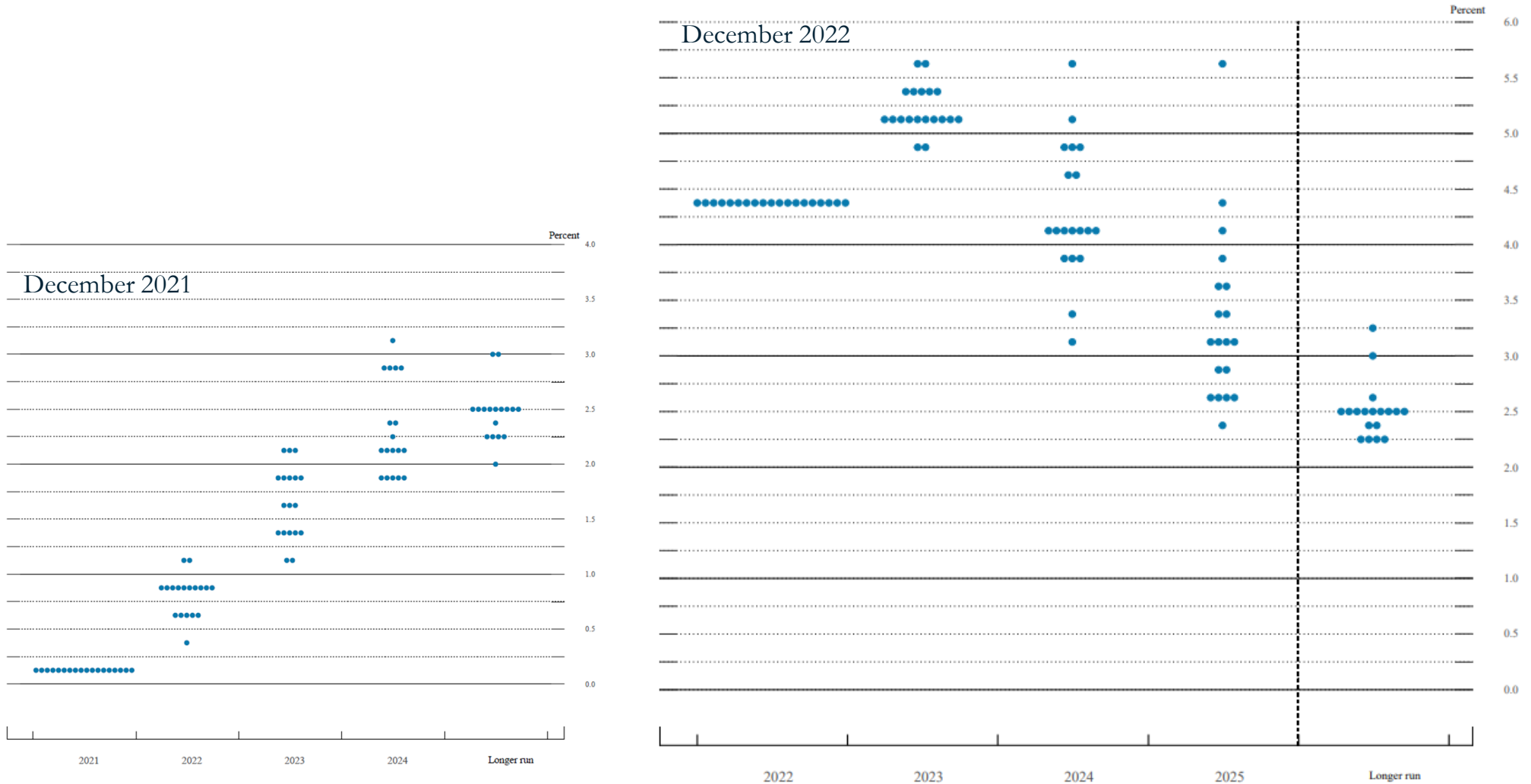
Source: Federal Reserve Bank of Chicago and Bureau of Economic Analysis

# Interest expenses as share of agricultural value of production (% of total)



Source: Calculations based on data from USDA, Economic Research Service

# Latest path for the Federal Funds Rate from the FOMC



Source: Federal Open Market Committee of the Federal Reserve System

