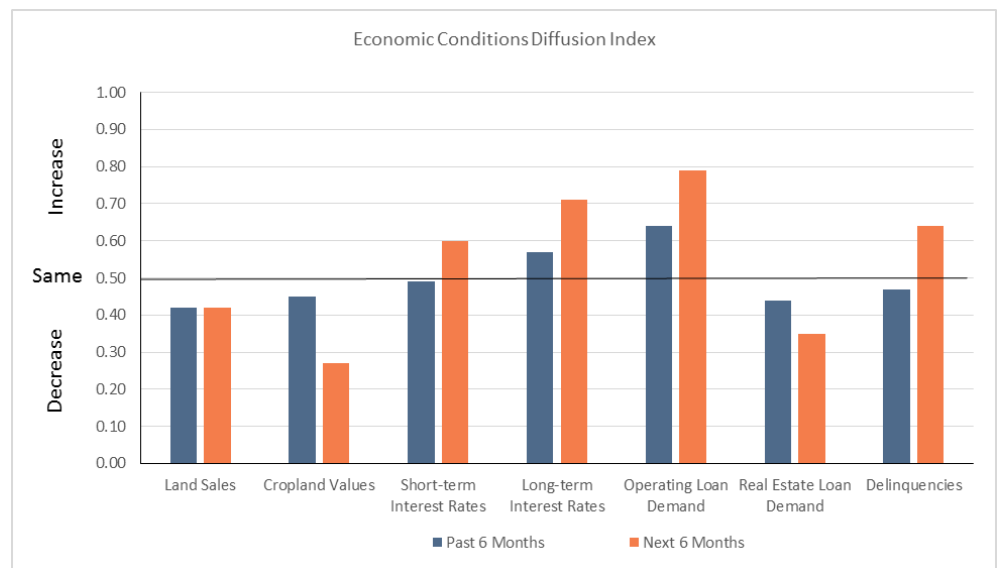


## ***The Top 5 Most Interesting Results from Farmer Mac's Survey of Economic Conditions and Appraisal Service Availability***

By Jackson Takach, Farmer Mac Economist

While our research department is still tabulating the results from the inaugural Farmer Mac semi-annual economic and credit conditions survey, we wanted to give our customers a sneak peak at some of the results that are bubbling up. Here are the Top 5 initial findings from the more than 300 respondents (in no particular order). A more in-depth analysis will be made available to customers in early 2015, and future releases will be made available only to individuals who respond to the survey.

- 1. Customers perceive interest rates heading up and real estate loan demand, land sales, and cropland values heading down.** Finding number one mirrors nearly all surveys in the field taking the temperature of the agricultural banking industry. We asked respondents how they perceived changes in different economic conditions in their area during the past six months and their expectations for the next six months. Choices were limited to: increase, decrease, or stay the same. The graph below shows a diffusion index of each of the conditions. A value greater than 0.50 indicates the respondents generally feel like the condition has or will increase, a value of less than 0.50 indicates the respondents generally feel like the condition has or will decrease, and a value near 0.50 indicates most respondents feel like that condition has or will stay the same. There was little variation regionally, and the overall average diffusion index for each condition is presented in the chart below. Most respondents agree that rates are ticking up, land values are ticking down, and delinquencies are headed for an uptick. There was a strong response to an increase in operating loan demand, and the opposite is true for agricultural real estate demand over the coming six months.

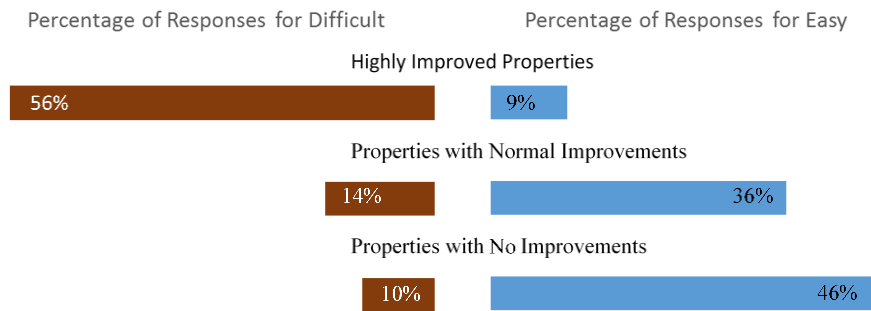


- 2. Top issues facing the industry are consistently perceived.** We asked our respondents to rank a list of factors facing their ag-borrowers based on their current level of concern. Unsurprisingly, farm income and liquidity are almost interchangeable at numbers one or two. Leverage was also listed as a top concern along with crop insurance coverage and weather conditions. There were some regional differences among respondents with those operating primarily in the Southwest ranking

weather and water concerns higher than other regions. The table below shows the average ranking of each factors by region.<sup>1</sup>

	All Responses	Avg. by Respondant Region				
		Midnorth	Midsouth	Northeast	Northwest	Southwest
Farm Income	2.18	1.93	2.05	2.08	3.36	4.54
Liquidity	2.23	1.88	2.81	2.5	3	3.77
Leverage	3.37	3.22	3.55	2.96	3.93	4.38
Crop Insurance Coverage	4.83	4.63	4.86	5.13	5.71	6.31
Weather Conditions	5.23	5.63	4.31	4.92	4.07	3.85
Labor Cost	6.33	6.4	6.36	6.46	5.64	5.54
Transportation of Products	6.42	6.33	6.74	6.21	7.29	6.77
Labor Availability	6.71	6.75	6.98	6.83	6.29	5
Water Availability	7.62	8.11	7.36	7.92	5.71	4.85

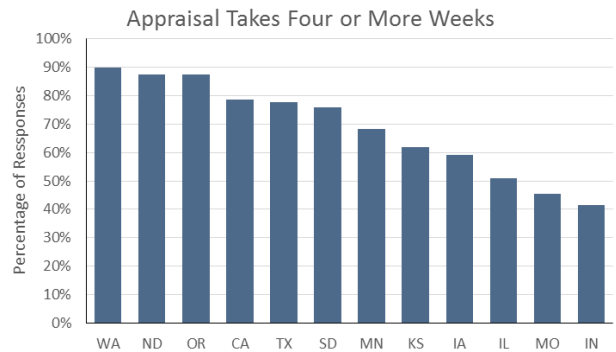
3. **Appraisal ease and availability dependent on level of property complexity.** In addition to economic conditions, the survey contained a series of questions aimed to explore the availability, cost, and timing of agricultural appraisals. In one question, the survey asked respondents to rate the relative ease of finding a qualified appraiser for three different types of properties: a bare ag land property, ag land with normal improvements (e.g., house, barn, etc.), and a highly improved commercial facility or agribusiness. Over 46 percent of respondents indicated it was easy to engage an appraiser for bare crop ground, and only 10 percent indicated that type of appraisal was difficult to obtain. Conversely, just 9 percent of respondents indicated it easy to engage an appraiser for a highly improved property, and over half of respondents who indicated they had engaged an appraiser for that type of property responded that it was difficult to find a qualified appraiser to



complete the required work. The graph to the left shows the response rates for each property type.

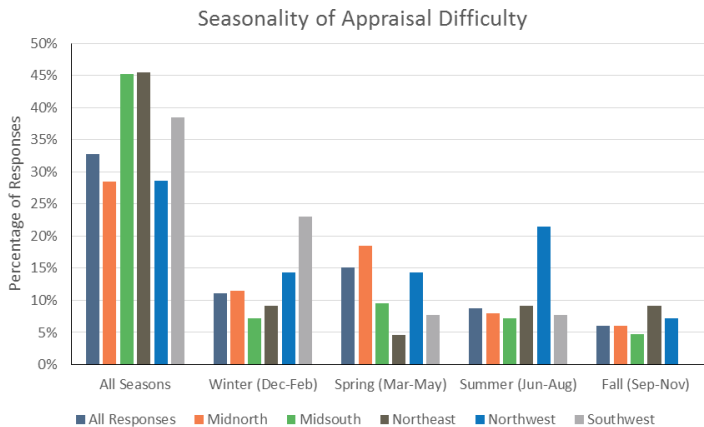
<sup>1</sup> The Southeast region was omitted due to a lack of sufficient respondents to this question.

4. **Appraisal turnaround time varies by region.** The survey also asked respondents about the average duration of an appraisal engagement in their area with choices including two, four, six or more than six weeks. In total, over 54 percent of respondents indicated it took four weeks or more to obtain the final appraisal report, but the results varied significantly by state where business is conducted. For example, only 41 percent of respondents doing business in Indiana indicated it took more than four weeks to obtain an appraisal compared to 90 percent of respondents doing business in Washington. The bar chart to the right shows the top states sorted in order of the percentage of responses taking four weeks or more.



5. **There are some seasonal trends to appraisal turnaround time.** The survey also asked respondents which months presented the most difficult periods for engaging appraisers. While many respondents indicated that all seasons presented challenges, there were some seasonal differences across the regions. For example,

respondents indicated that winter and spring months presented greater challenges for doing business in the Midnorth (i.e., Corn Belt and Midwest). Other respondents indicated challenges in the spring and summer months for business in the Northwest. Almost a fourth of respondents in the Southwest indicated the winter months as particularly challenging. The chart to the left shows these responses by region and season.



6. **BONUS FINDING: Nearly half of respondents were unaware of the Farmer Mac Preferred Appraisal List (PAL).** Farmer Mac maintains a list of appraisers who have exhibited the skills and understanding of agricultural appraisals that we value. Customers can nominate appraisers to add to the list, and all customers have the ability to search this list from the Farmer Mac website when seeking an agricultural appraiser. As the graph below shows, there is a large portion of the customer base (45 percent) that is unaware of this feature, and of those that are aware, less than one-third have been able to use it (see graph below). Many respondents cited the lack of a PAL appraiser in their area as the reason for not using the tool. There are PAL appraisers licensed in 36 states and physically located in 31 states. A map of where the PAL appraisers are licensed is provided below. Customers can find the PAL appraiser locator in [www.efarmermac.com](http://www.efarmermac.com) in the secure portion of the Farmer Mac I section and are encouraged to nominate experienced appraisers in their area.

