

## Farmer Mac and ABA Release Ag Lender Survey Report: Liquidity, Farm Income Top Ag Lender Concerns for Producers in 2023

**[ANNOUNCEMENT] OKLAHOMA CITY, November 6, 2023** — Liquidity has become the primary concern among agricultural lenders for their producer customers followed closely by farm income levels, according to the [2023 Agricultural Lender Survey](#) report produced jointly by the American Bankers Association and the Federal Agricultural Mortgage Corporation, more commonly known as Farmer Mac (NYSE: AGM and AGM.A). Rising input costs, previously ranked as the top concern in 2021 and 2022, dropped to the third highest this year, according to the report released today at the ABA Agricultural Bankers Conference in Oklahoma City.

“After a record-setting year of farm income, producers have experienced some margin compression in 2023 and lenders are taking notice,” said Jackson Takach, Farmer Mac’s chief economist. “During economic cycle transitions, the fundamentals are increasingly important, and I think that’s why you see lenders rank balance sheet liquidity and farm income levels as their top concerns facing producers in the coming year.”

“Despite margin compression, agricultural credit quality remained strong in 2023,” said Tyler Mondres, senior director of research at ABA. “Lenders expect a return to trend for credit quality in the coming year, which was reflected in a moderate increase in concern for ag loan deterioration. While lenders are taking prudent risk management steps in response, such as reviewing underwriting standards and loan terms, they are prepared to continue providing critical support to America’s farmers and ranchers.”

The annual survey—now in its eighth year—provides insight from agricultural lenders to gauge overall industry sentiment on the farm economy, expectations on land values, prospects for the coming year and issues facing the broader economy. Responses represent a range of institutions by size—from less than \$50 million in assets to more than \$1 billion—and by geography. Key findings from this year’s survey report include:

### Top Lender Concerns for Producers

Liquidity and farm income returned to the top of the list of lender concerns for producers. Concerns about other inflationary pressures (rising interest costs), the No. 1 concern in 2022, fell to the third greatest overall concern for producers in 2023. Recession risk remained a middling concern for lenders despite worries about an economic slowdown over the coming year.

### Top Overall Concerns for Lenders

The various impacts of a rising interest rate environment were a common theme in the 2023 survey. Accordingly, interest rate volatility remained the No. 1 perceived concern facing lending institutions in 2023. Lender competition along with credit quality were the second and third greatest overall concerns, respectively.

“After the Fed hiked rates 425 basis points in 2022 and an additional 100 basis points in 2023, it is no surprise that interest rate volatility remained the No. 1 concern facing ag lenders’ institutions,” Mondres said. “While elevated rates have not depressed loan demand, it drove deposit costs to a decade-long high for ag banks in the second quarter of 2023.”

### Sector Concerns

Respondents’ level of concern for dairy and swine increased in 2023. More than half of respondents ranked their level of concern for dairy a four out of five or higher and nearly a quarter expressed similar concern for swine, up from 28% and 15%, respectively, in 2022. In comparison, concern levels declined by a notable amount for fruits and nuts and beef cattle.

### **Profitability Expectations**

Ag lenders estimate that more than three-quarters of their borrowers will remain profitable in 2023 and two-thirds will remain profitable through 2024. However, there was greater dispersion in responses regarding the level of overall farm profitability. Only 28% of lenders reported an increase in borrower profit margins, down from 66% last year. Lenders expect farm income compression over the next 12 months, with 70% projecting a decline in farm profitability.

### **Land Value and Cash Rent Expectations**

Farmland values continued their upward march in 2023. Lenders' perceptions of farmland values showed an increase of 11% in 2023, with some variation across regions. However, several tailwinds have turned to headwinds as incomes have declined and interest rates have increased. As a result, most lenders expect land values will remain stable over the next year. Cash rents, meanwhile, have been slower to increase and could rise further in 2024.

### **Credit Quality**

Survey respondents across all regions reported lower ag loan delinquencies and charge-off rates in 2023. However, lenders expect credit quality to deteriorate in the coming 12 months, reverting to historic levels. Consistent with this expectation, more than two-fifths of respondents reported tightening underwriting standards and loan terms in 2023 (up from 30% and 22%, respectively, in 2022).

### **Loan Demand**

Ag lenders reported an increase in demand for both loans secured by farmland and agricultural production loans increased in 2023. Respondents anticipate that loan demand for both categories will continue to increase over the next 12 months.

### **Approval Rate**

Lenders reported an average agricultural loan application approval rate for new loans of 86% in the 12 months leading up to August 2023 and expect the approval rate for renewal requests to be 89% in the following 12 months.

### **About the Survey**

The annual ABA and Farmer Mac Agricultural Lender Survey report is a joint effort to provide a look at the agricultural economy and market forces from the unique perspective of ag lenders. More than 260 agricultural lenders completed the survey between Aug. 1 and Sept. 1, 2023. The responses came from a diverse set of institutions, ranging from those with under \$50 million in assets to those with more than \$1 billion in assets. Regionally, the responses were somewhat concentrated in the Corn Belt and Plains.

ABA and Farmer Mac have been working together for more than a decade to offer the financial and educational tools bankers need to serve their agricultural customers.

To view the full Agricultural Lender Survey Report, please visit [aba.com/agsurvey](https://aba.com/agsurvey).

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### **About Farmer Mac**

Farmer Mac is a vital part of the agricultural credit markets and was created to increase access to and reduce the cost of credit for the benefit of American agricultural and rural communities. As the nation's secondary market for agricultural credit, Farmer Mac provides financial solutions to a broad spectrum of the agricultural community, including agricultural lenders, agribusinesses, and other institutions that can benefit from access to flexible, low-cost financing and risk management tools. Farmer Mac's customers benefit from its low cost of funds, low overhead costs, and high operational efficiency. More information about Farmer Mac is available on Farmer Mac's website at [www.farmermac.com](https://www.farmermac.com).

**About the American Bankers Association**

The American Bankers Association is the voice of the nation's \$23.5 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2.1 million people, safeguard \$18.6 trillion in deposits and extend \$12.3 trillion in loans.

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