



Ag Banks and Credit Risk: Where are They Now?

Historical and Forward Looking Perspectives

*Farmer Mac Refresh
December 2019*

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Agenda

Regional
Debt Picture

Delinquency
Development
Trends

Segmented
Bank Portfolio
Performance

Farm
Bankruptcies





Regional Debt and Delinquencies

Data Series

- FFIEC Call Reports
 - Annual sample Q2 2002 through Q3 2019
- Summary of Deposits
 - 2002 through 2019
 - Over 86,000 unique branch locations
- Census of Agriculture
 - County level interest payments



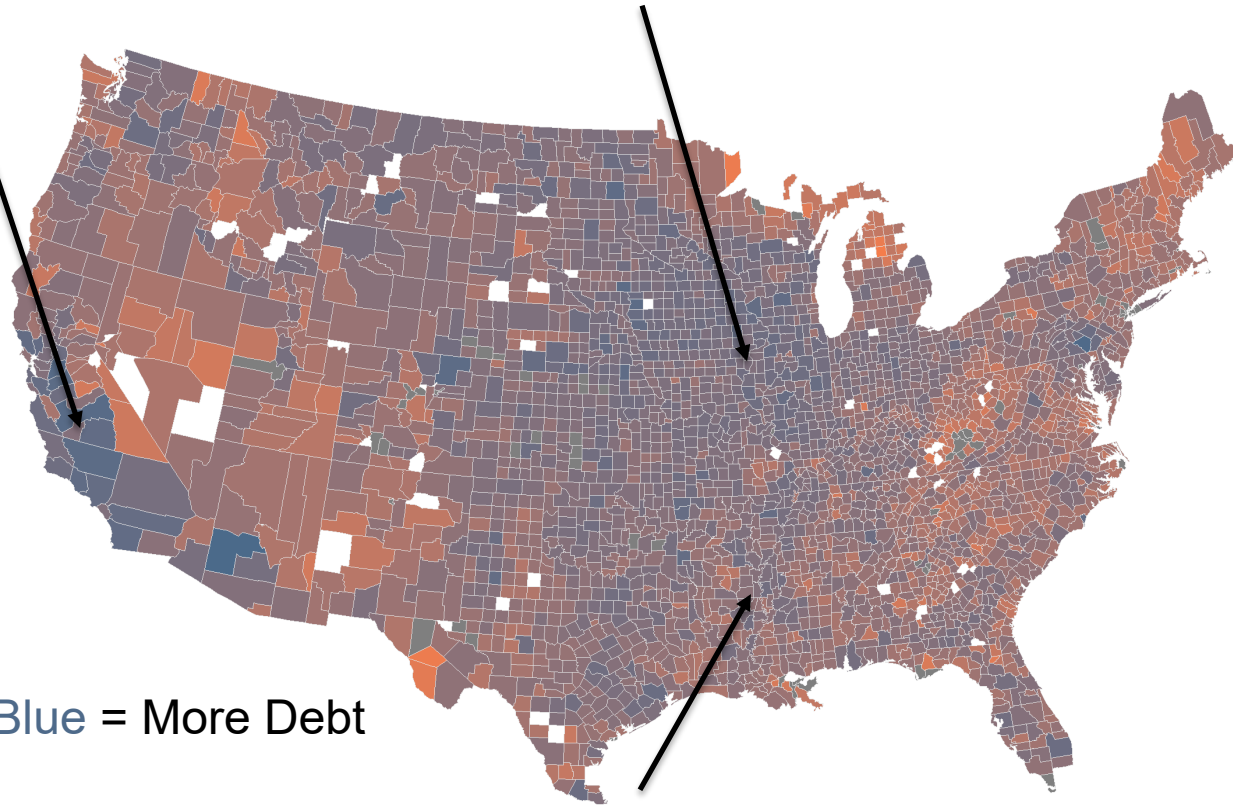
Bank Farm Real Estate Debt by County

California #1 State
for Farmland Debt

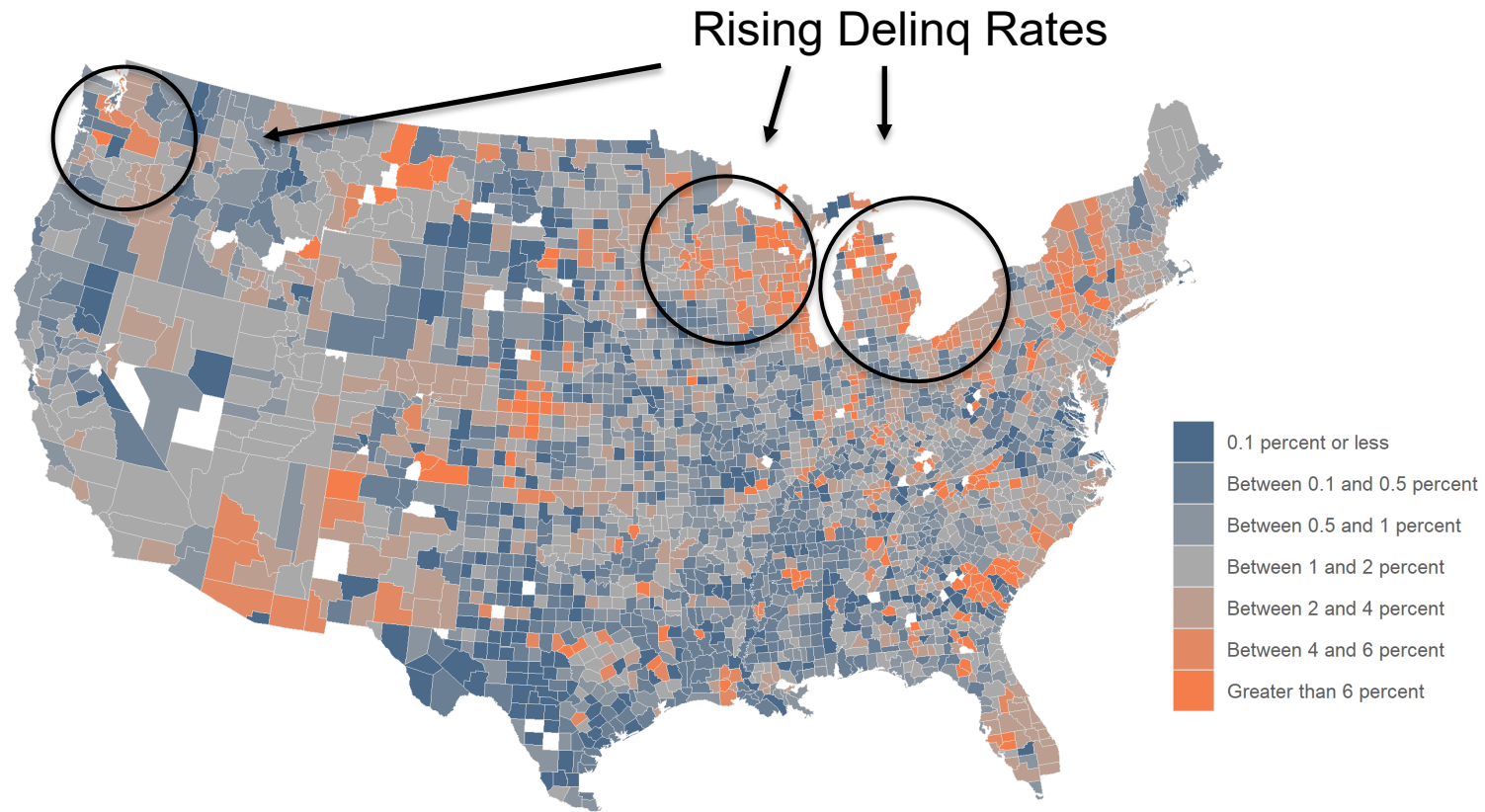
Concentration in
Midwest

Darker Blue = More Debt

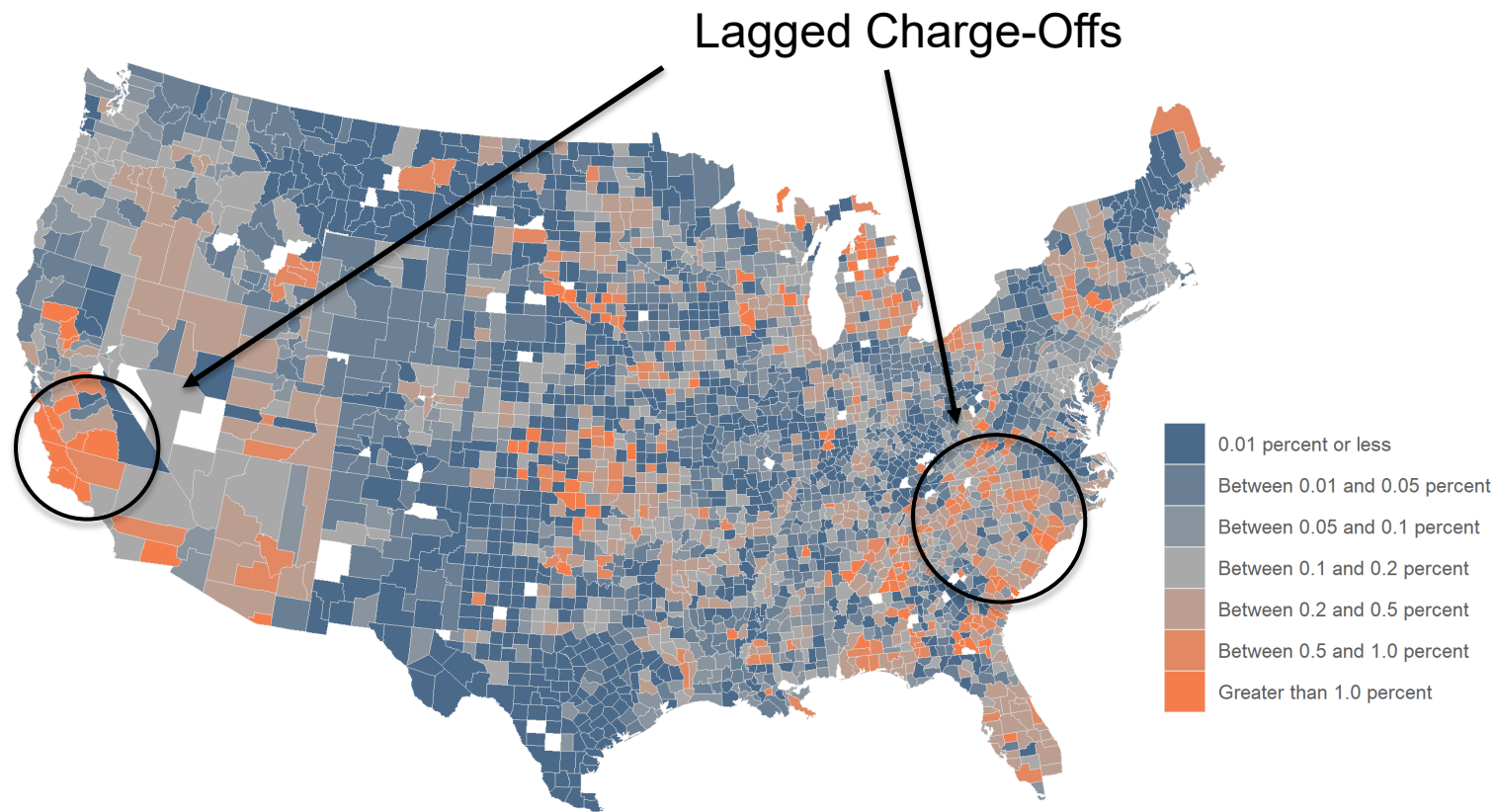
Southern States Also Have
Pockets of Farmland Debt



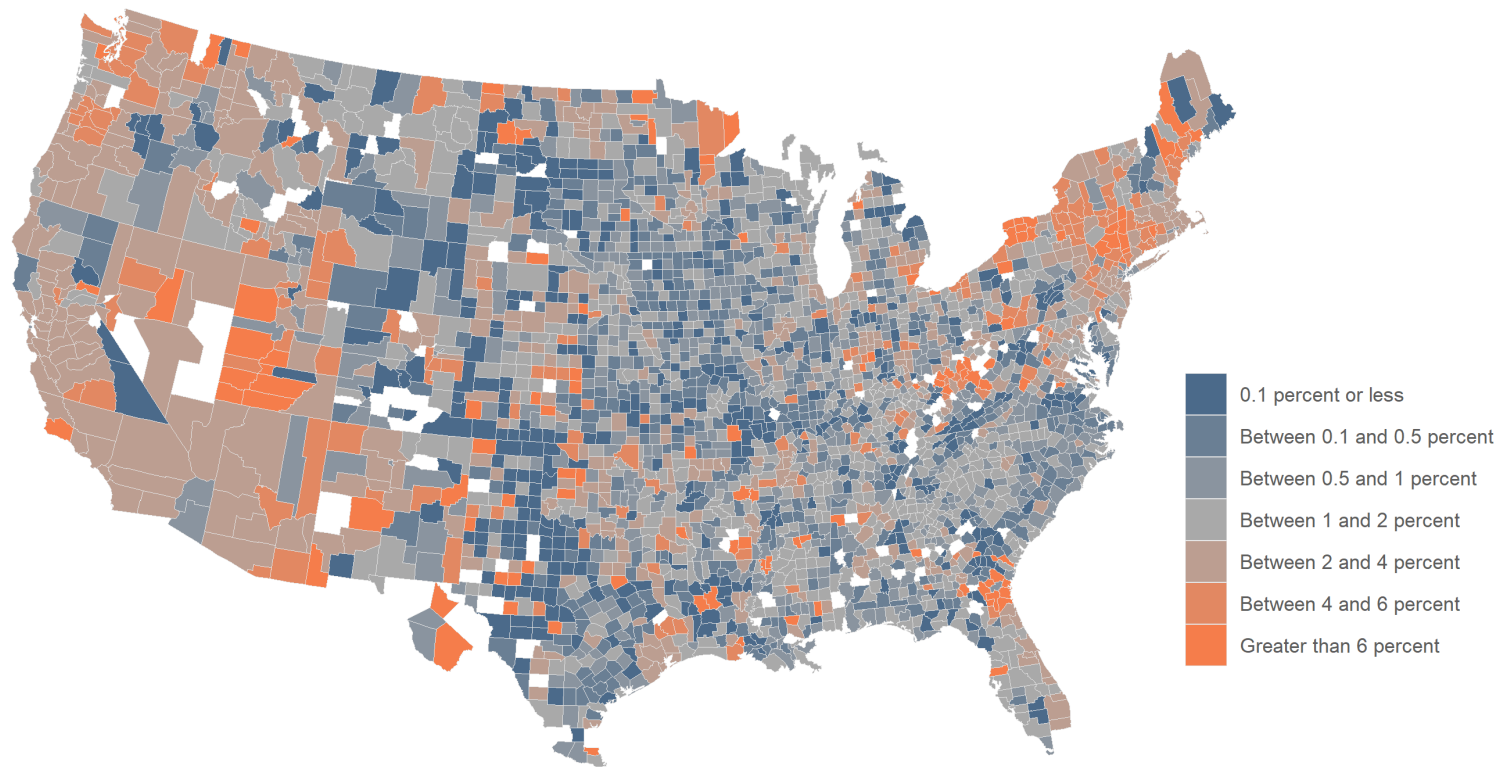
Real Estate Delinquencies: 2019



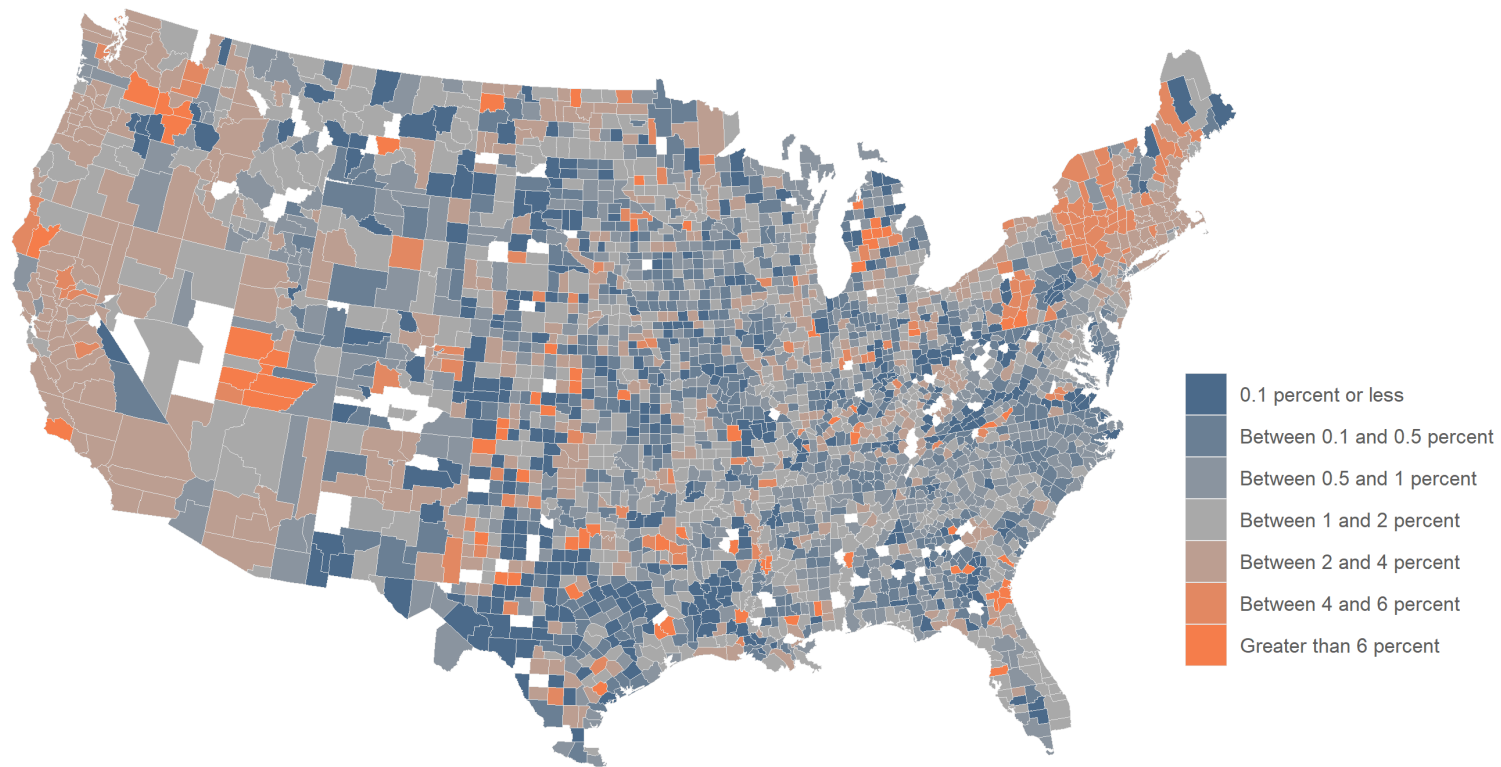
Real Estate Charge-Offs: 2019



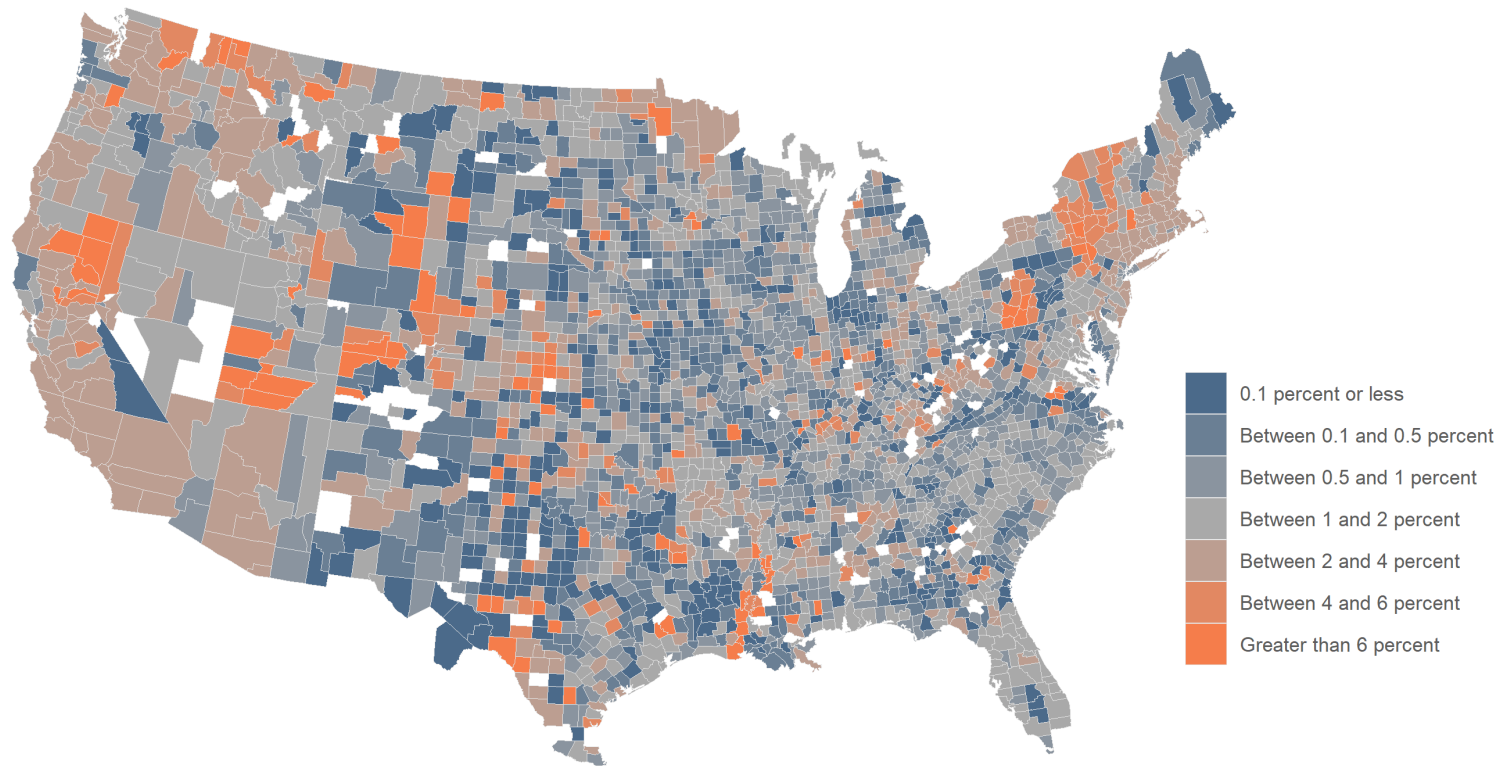
Real Estate Delinquencies: 2001



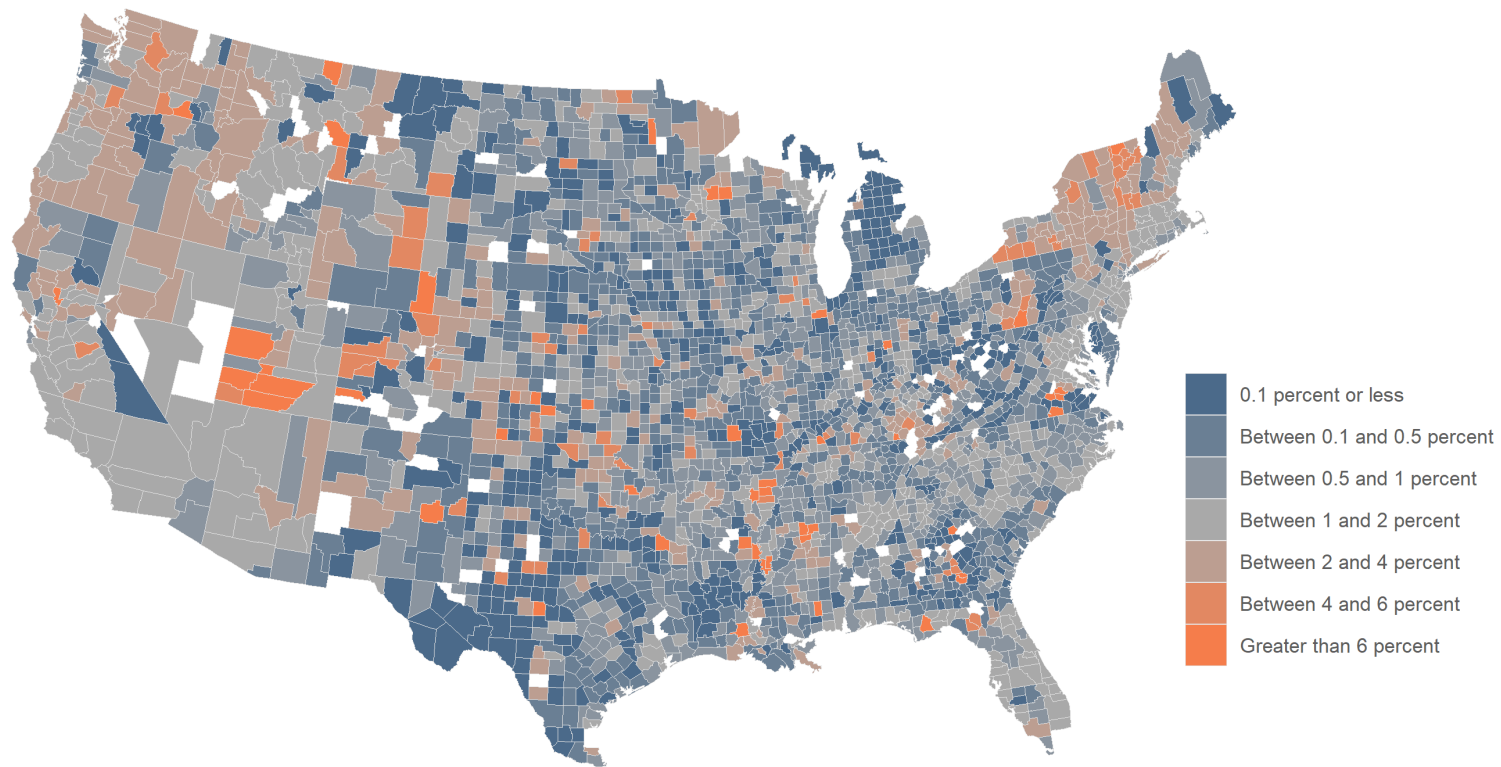
Real Estate Delinquencies: 2002



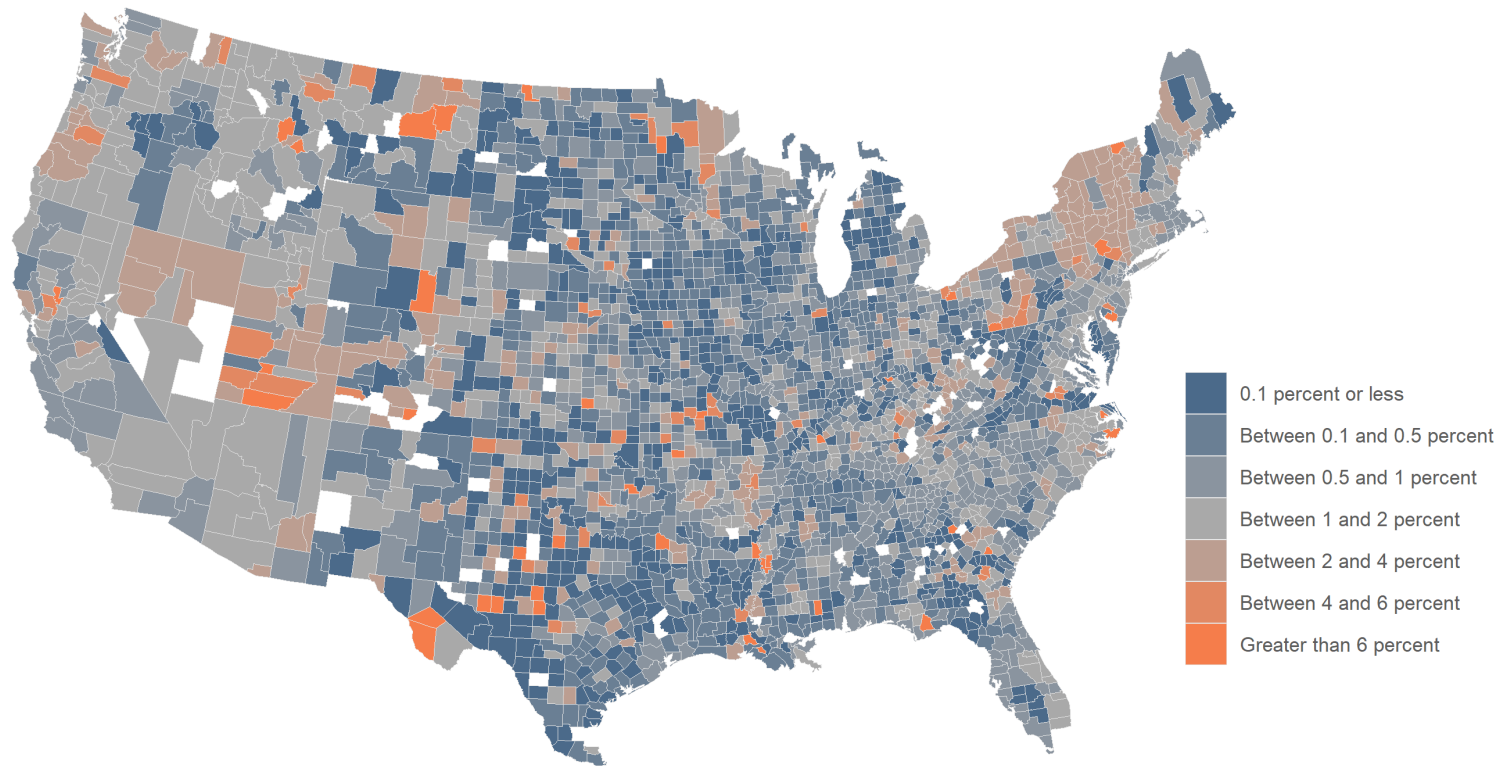
Real Estate Delinquencies: 2003



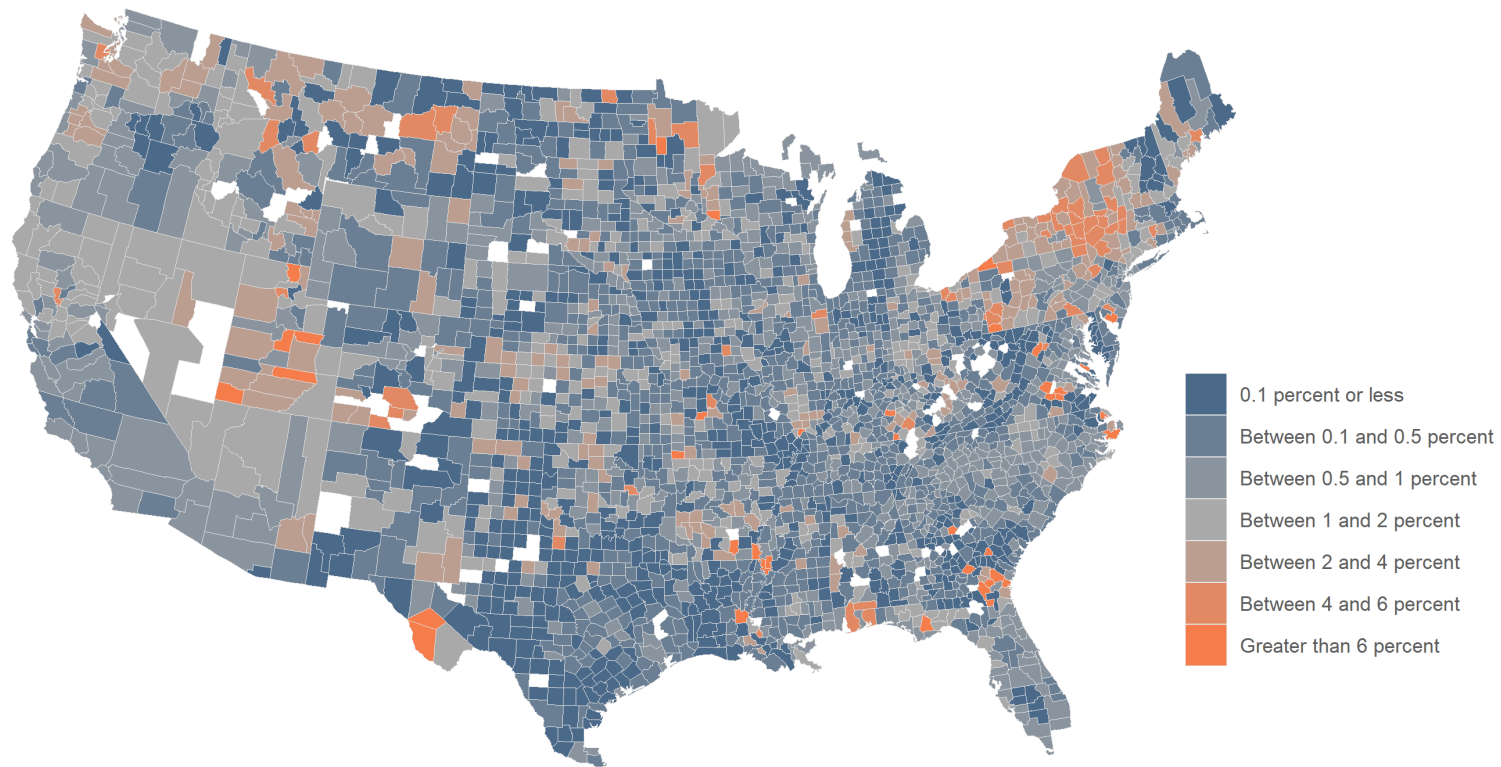
Real Estate Delinquencies: 2004



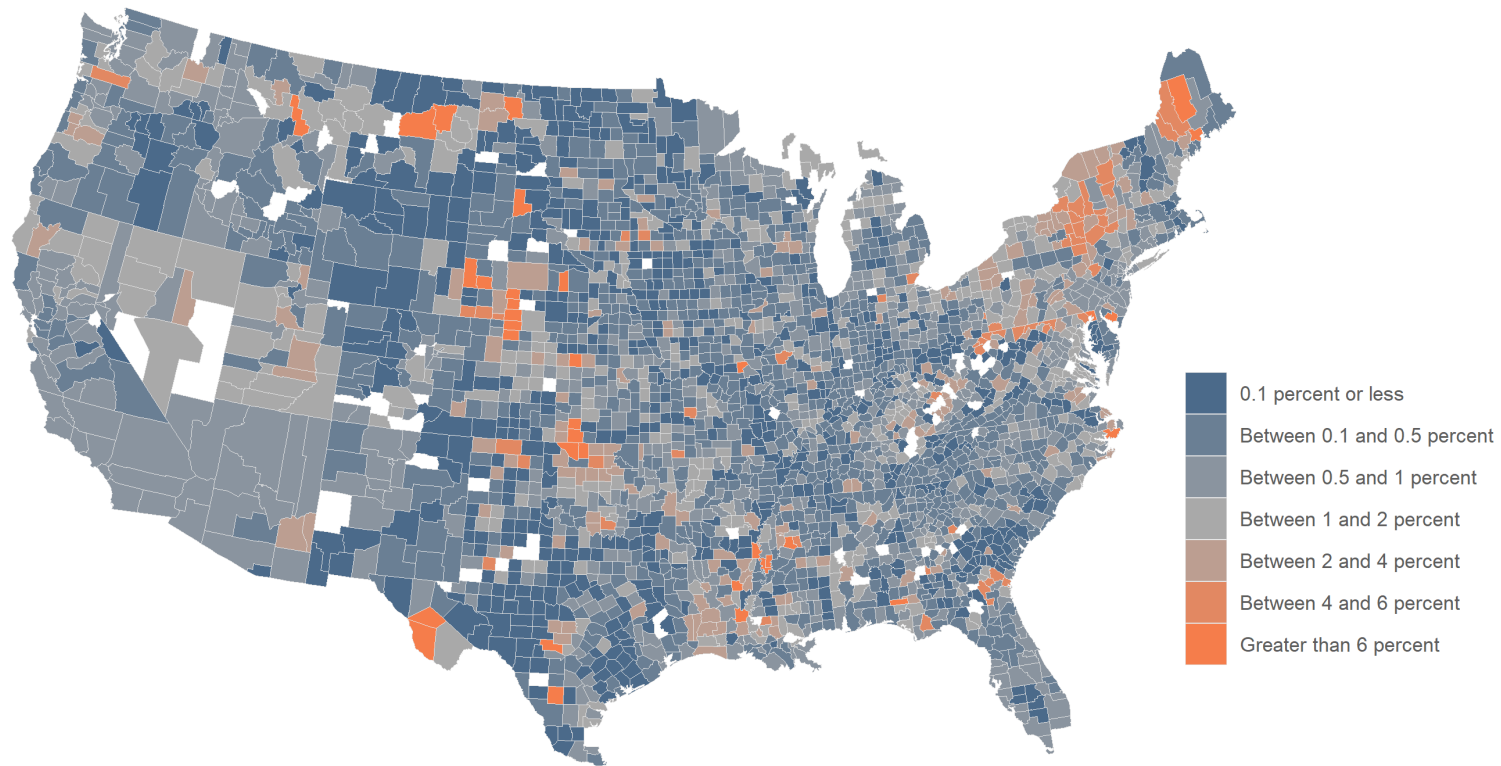
Real Estate Delinquencies: 2005



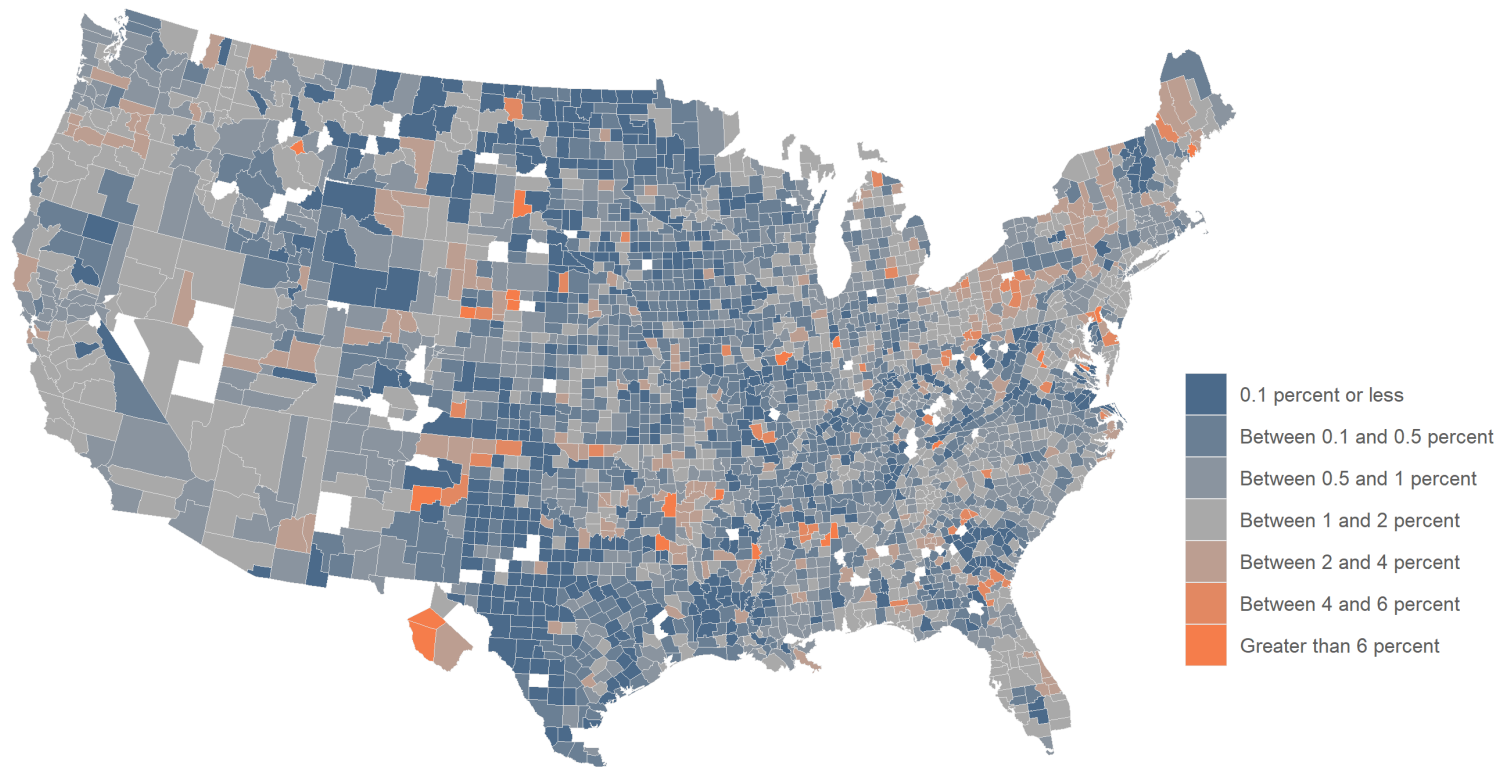
Real Estate Delinquencies: 2006



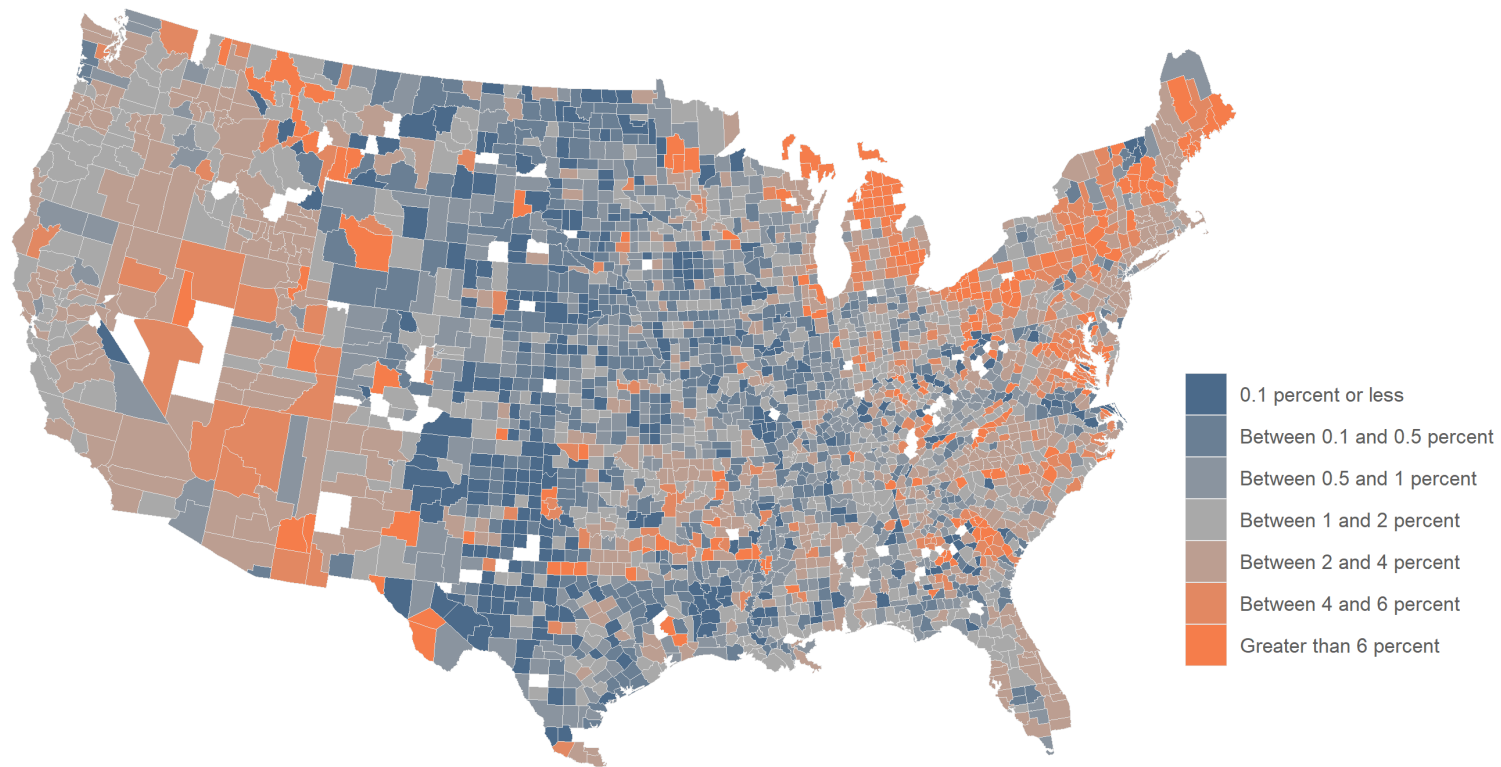
Real Estate Delinquencies: 2007



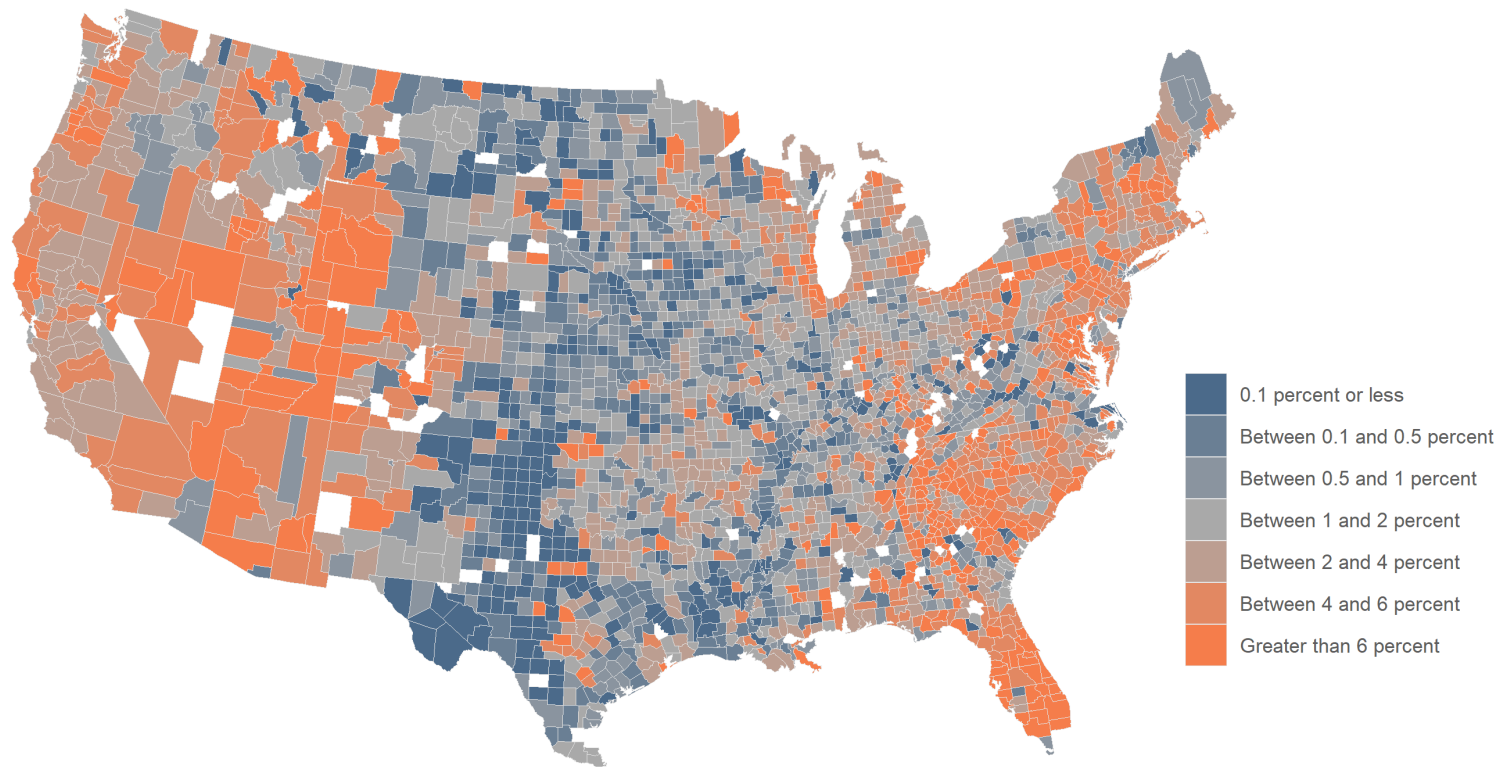
Real Estate Delinquencies: 2008



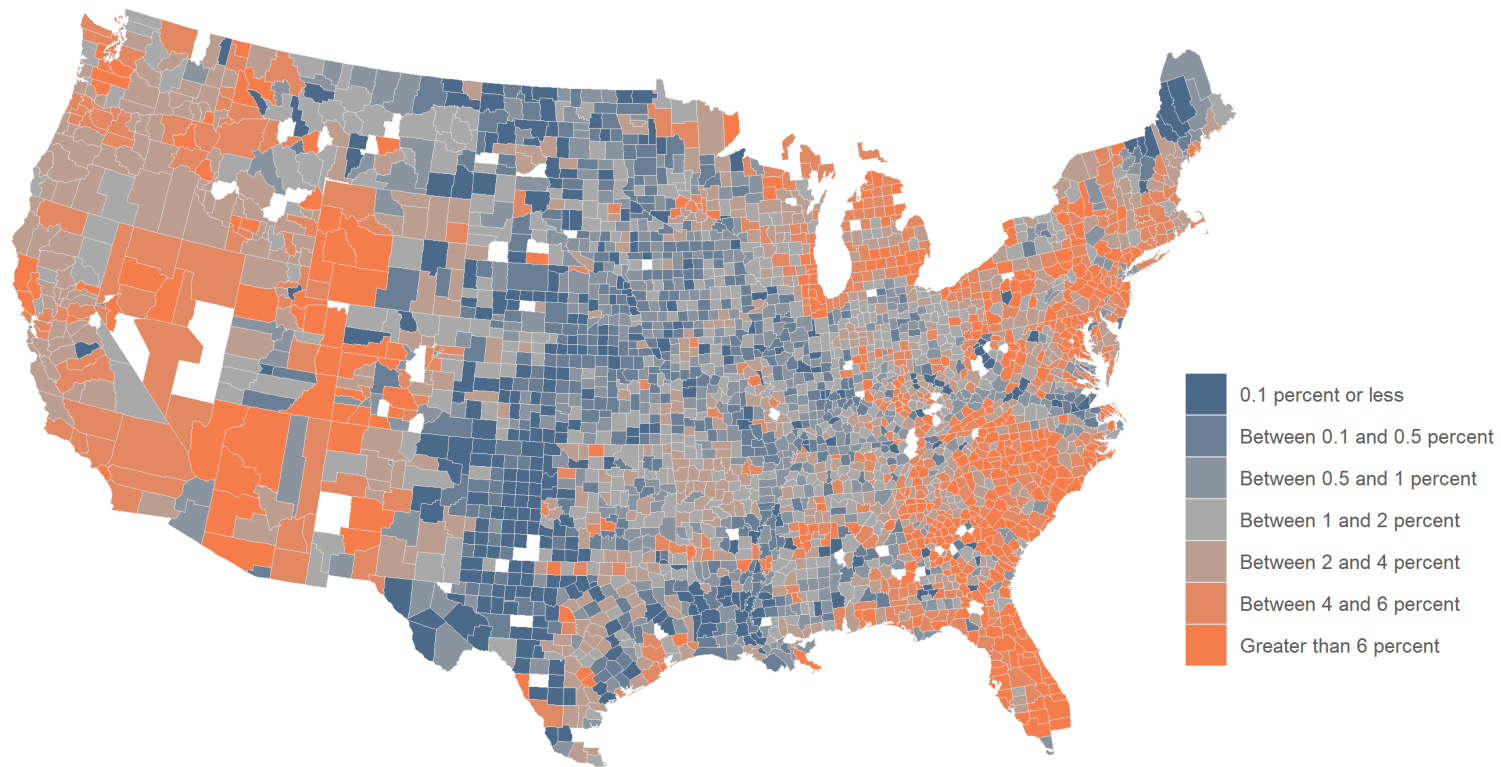
Real Estate Delinquencies: 2009



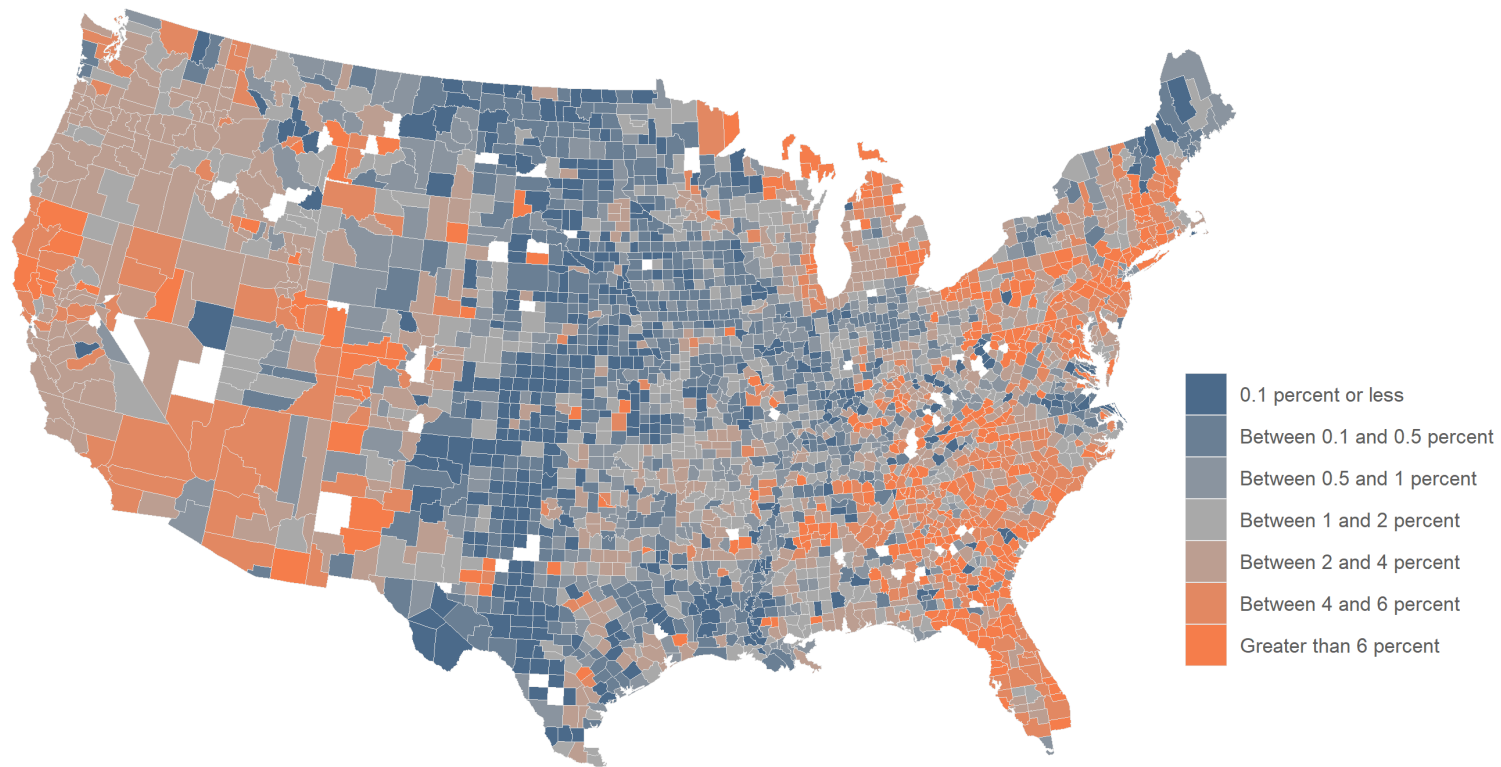
Real Estate Delinquencies: 2010



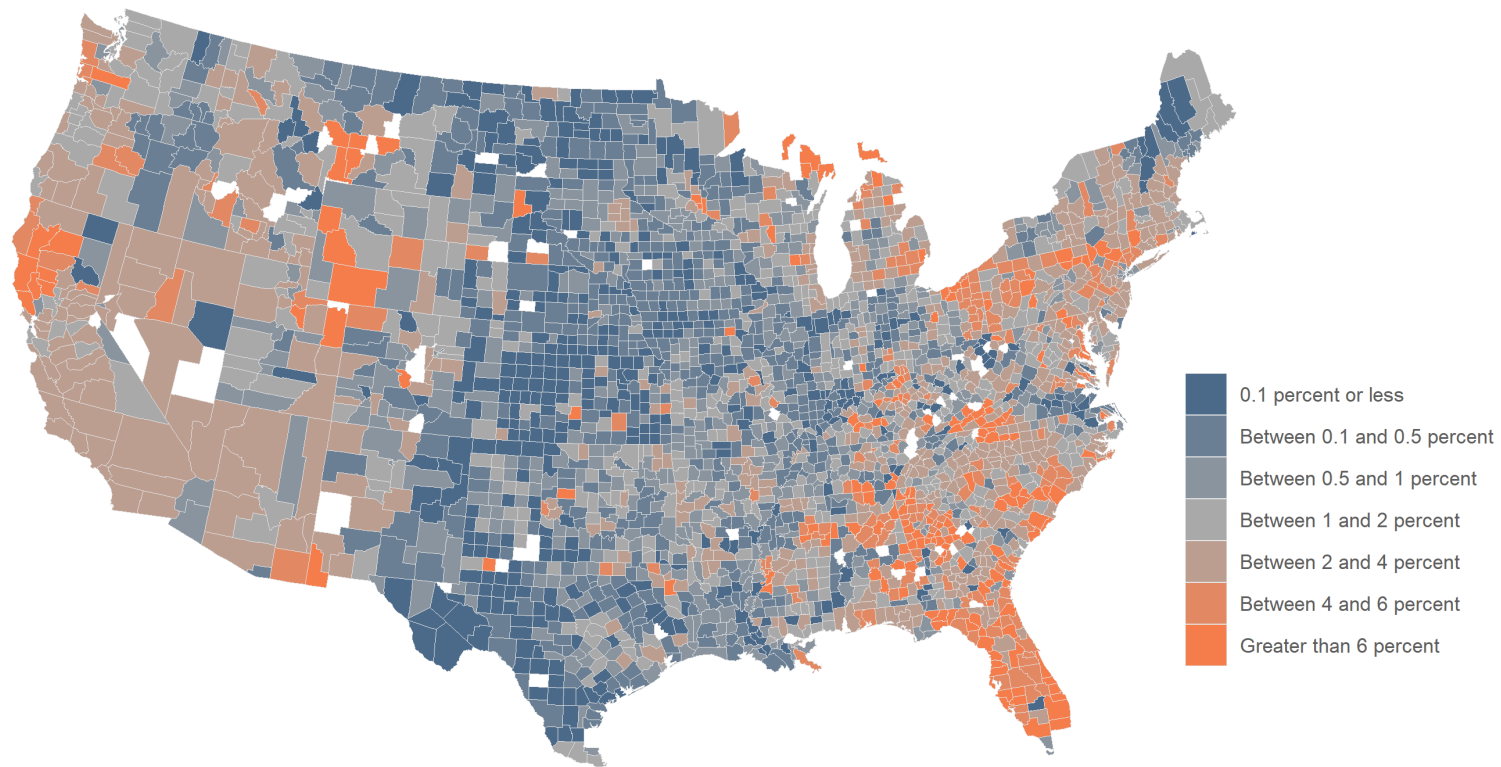
Real Estate Delinquencies: 2011



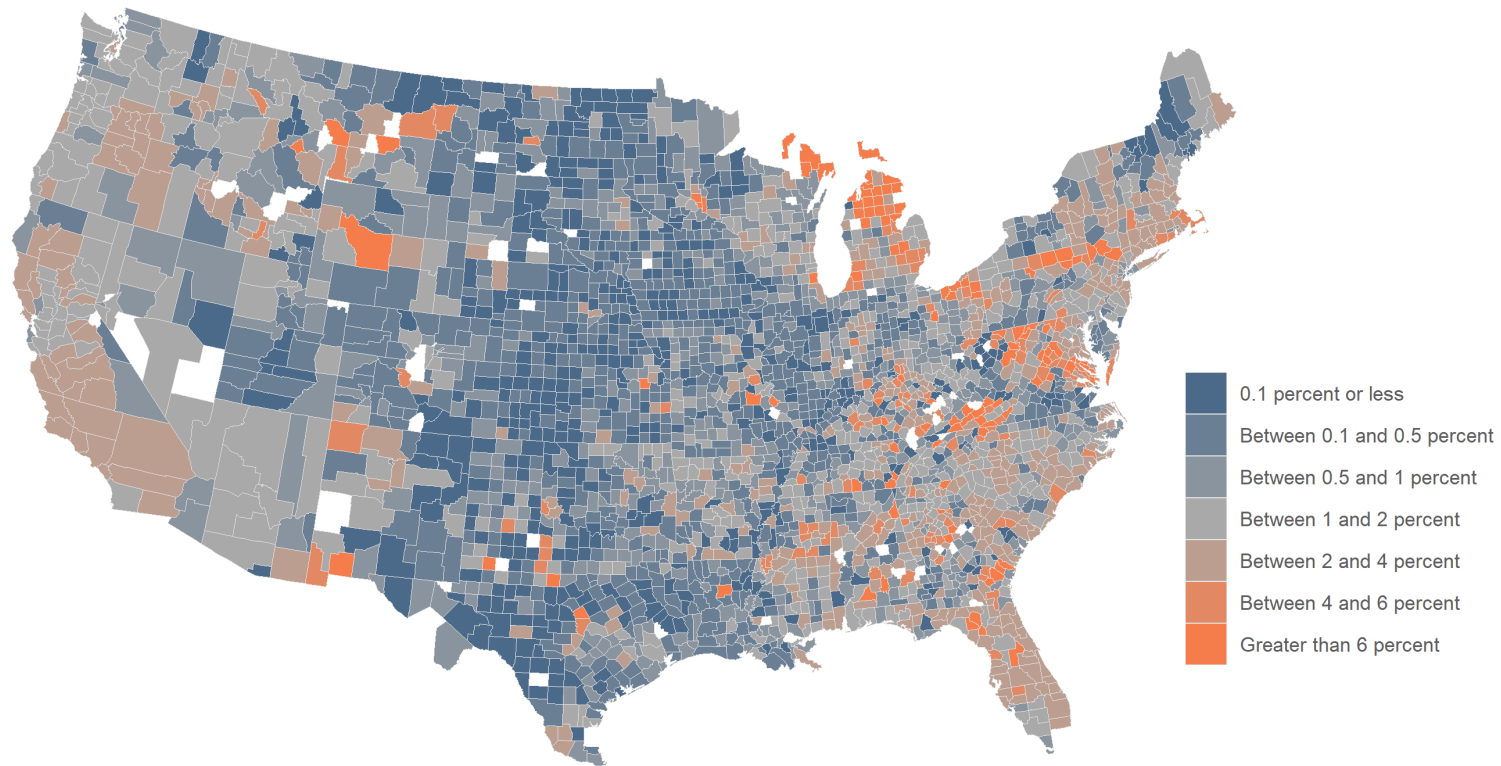
Real Estate Delinquencies: 2012



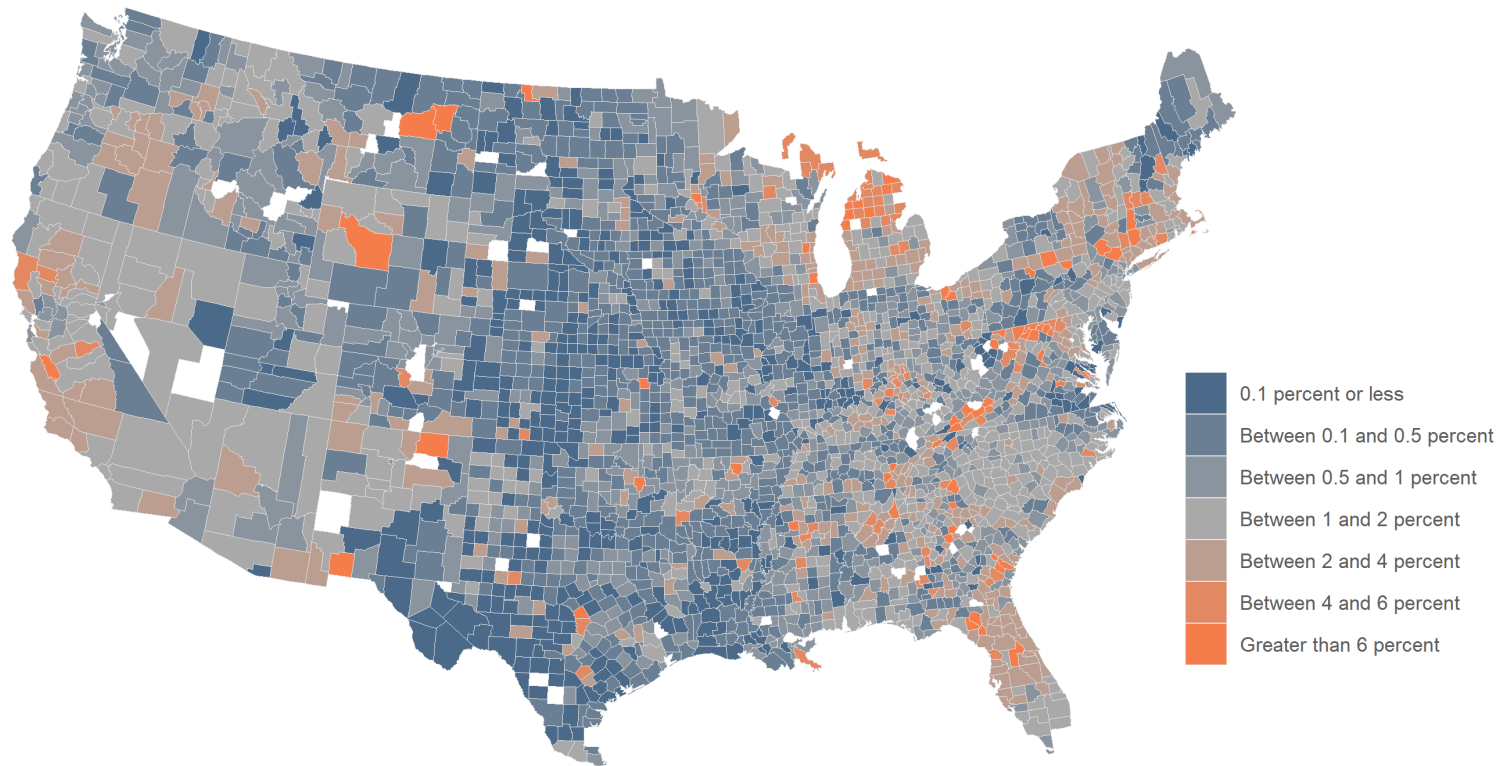
Real Estate Delinquencies: 2013



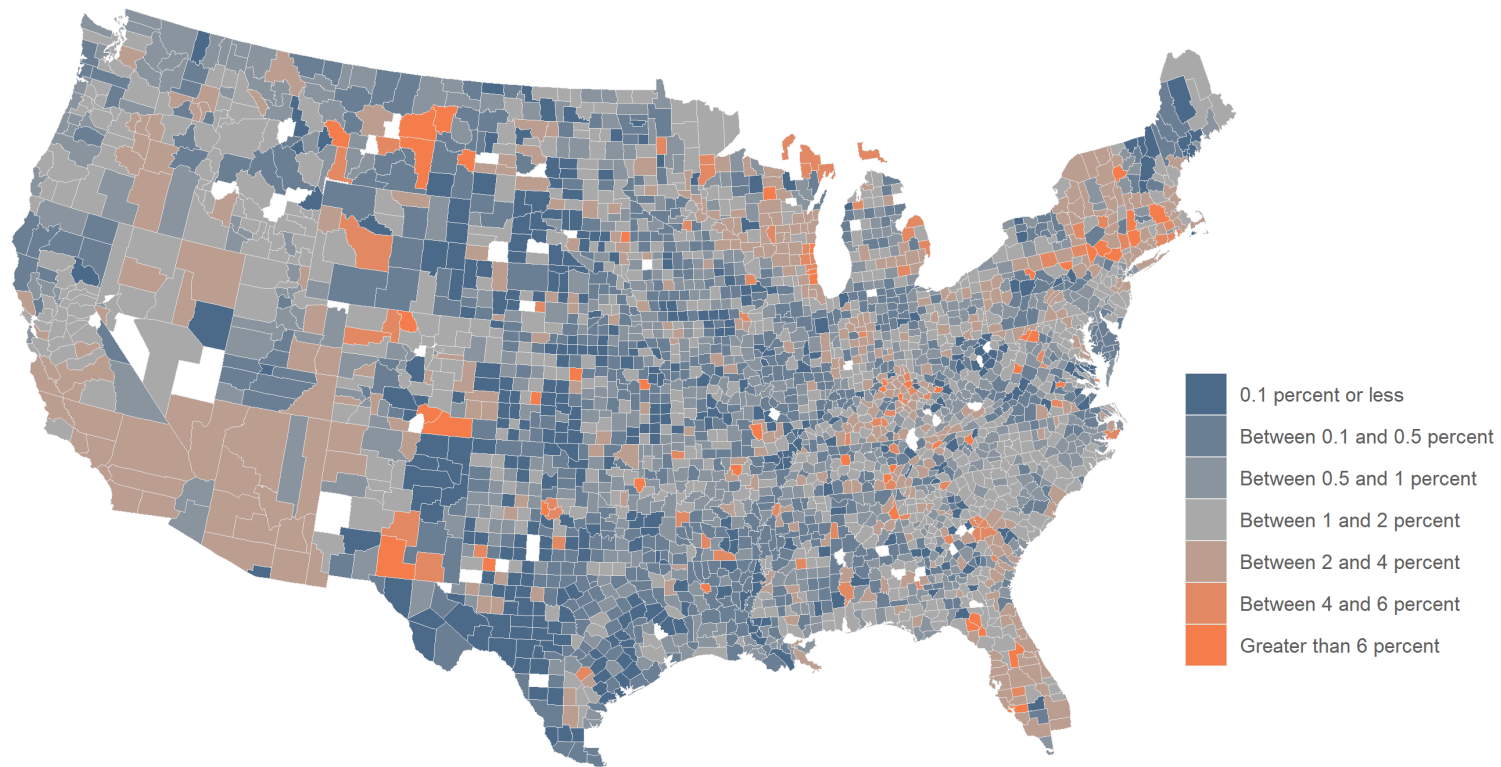
Real Estate Delinquencies: 2014



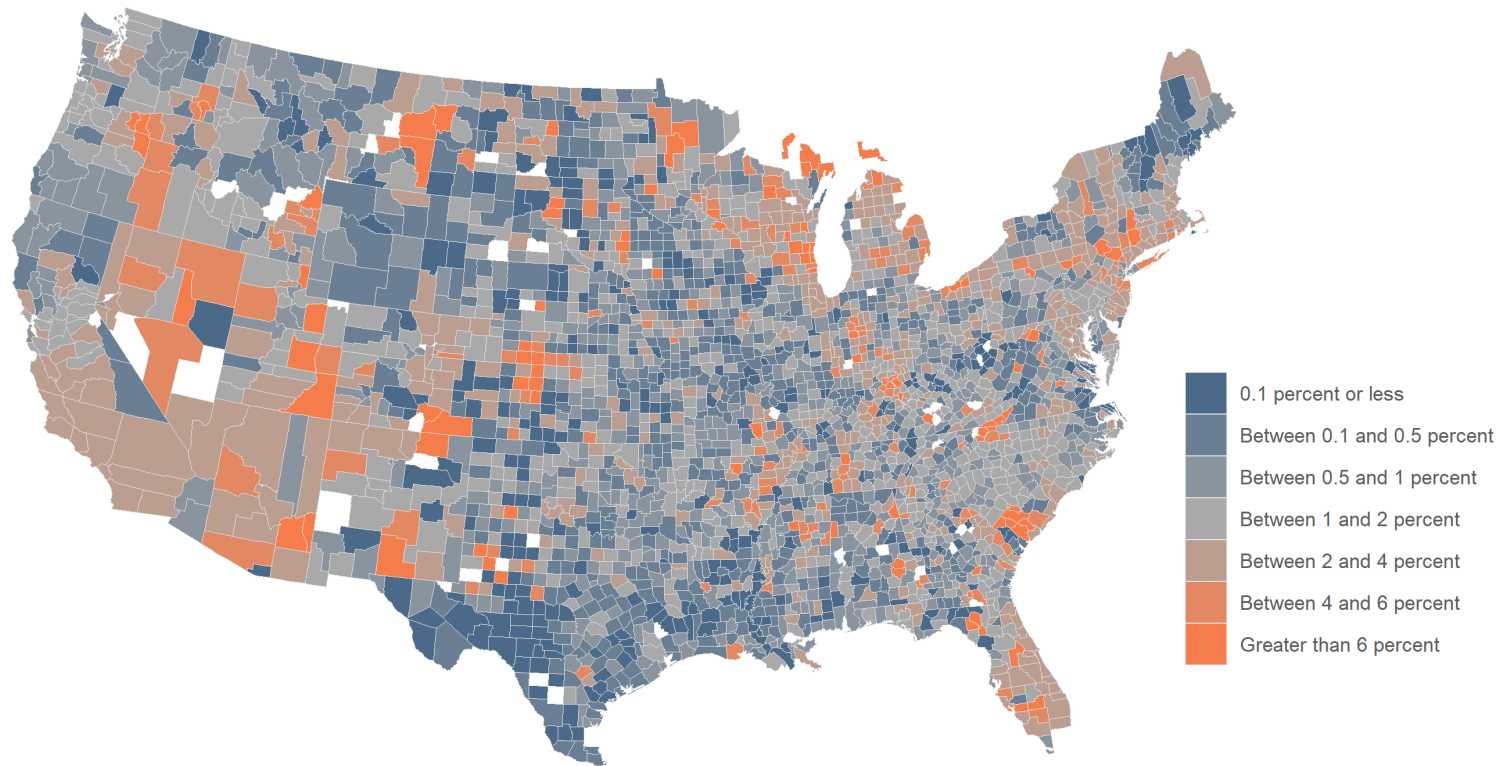
Real Estate Delinquencies: 2015



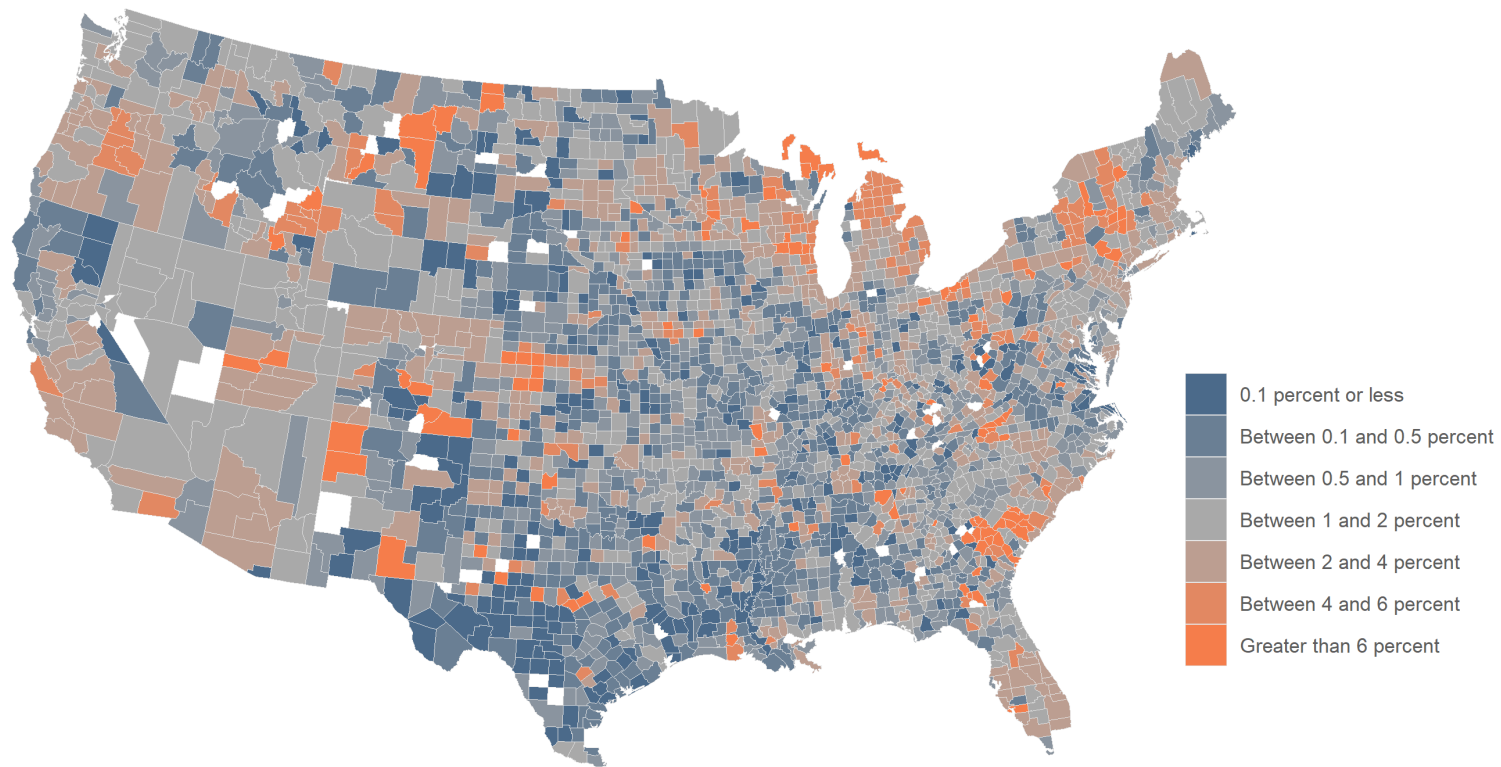
Real Estate Delinquencies: 2016



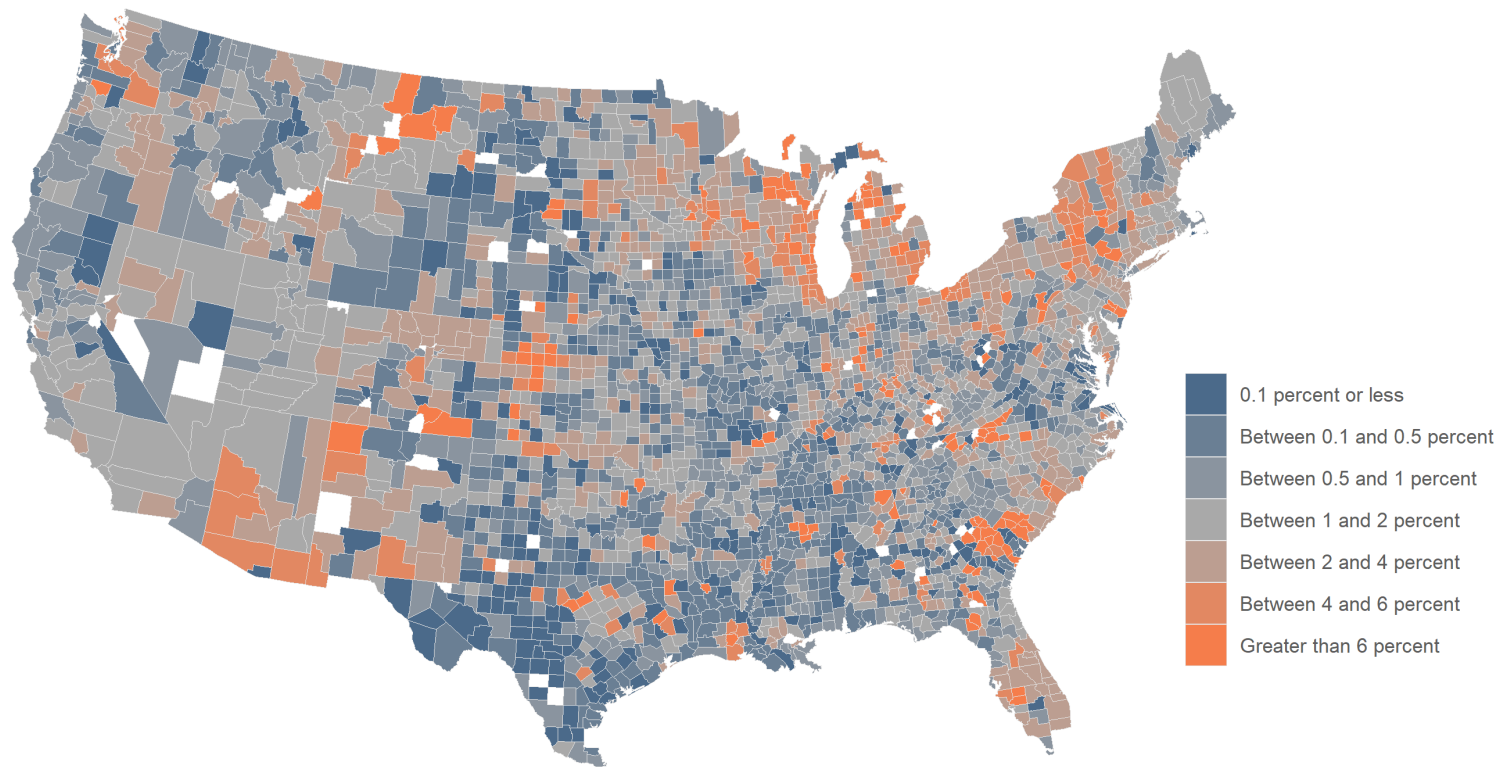
Real Estate Delinquencies: 2017



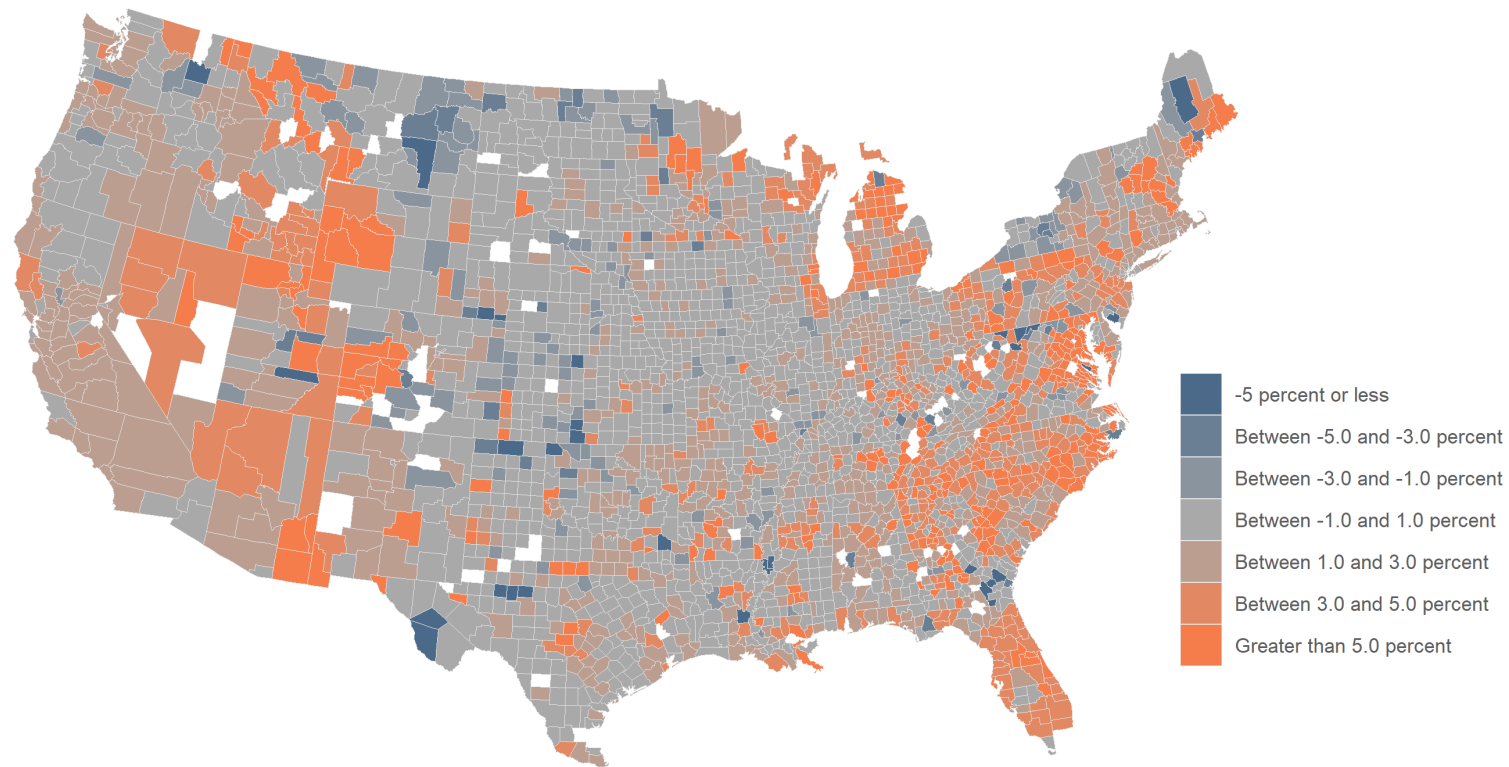
Real Estate Delinquencies: 2018



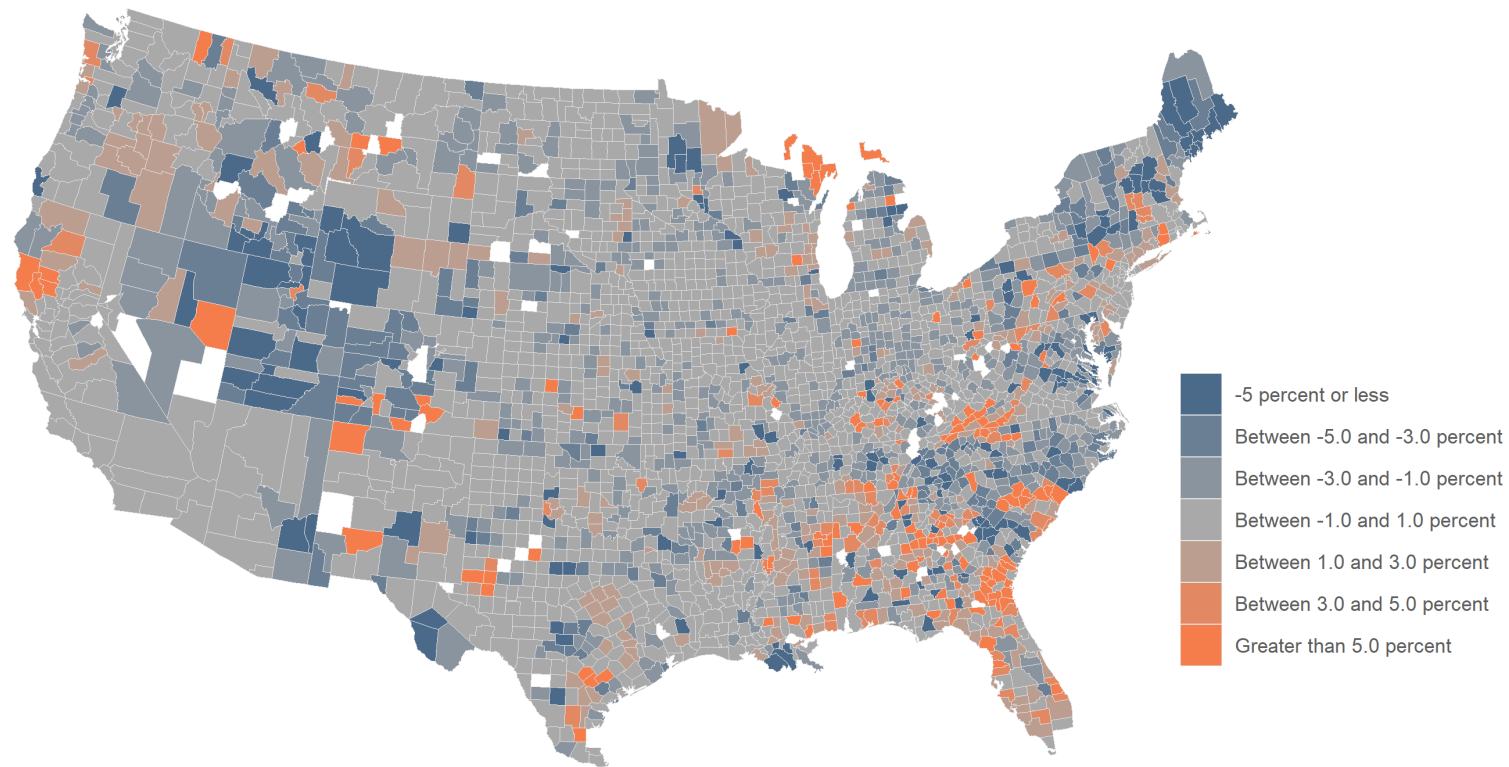
Real Estate Delinquencies: 2019



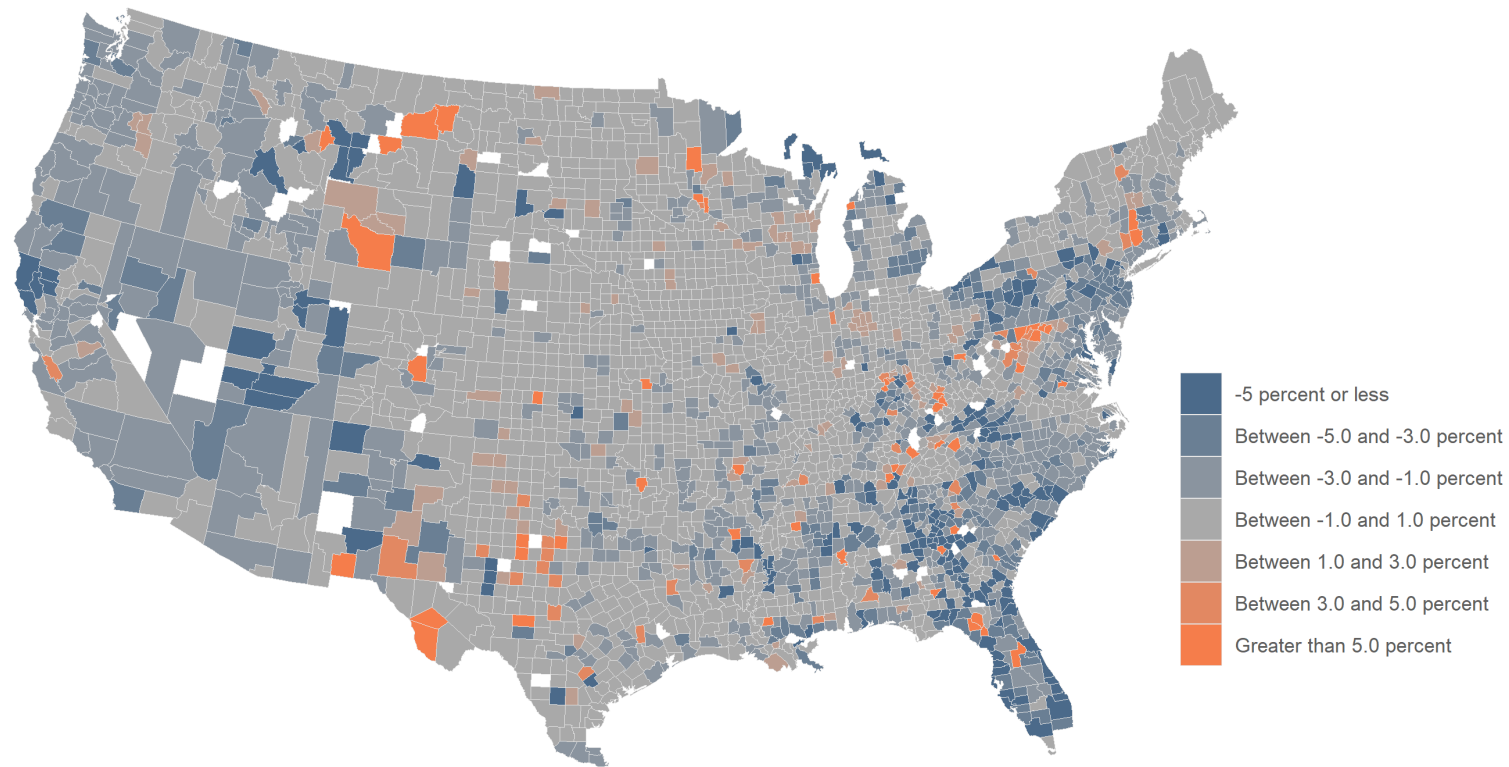
Changes in Delinquencies: 2007 - 2009



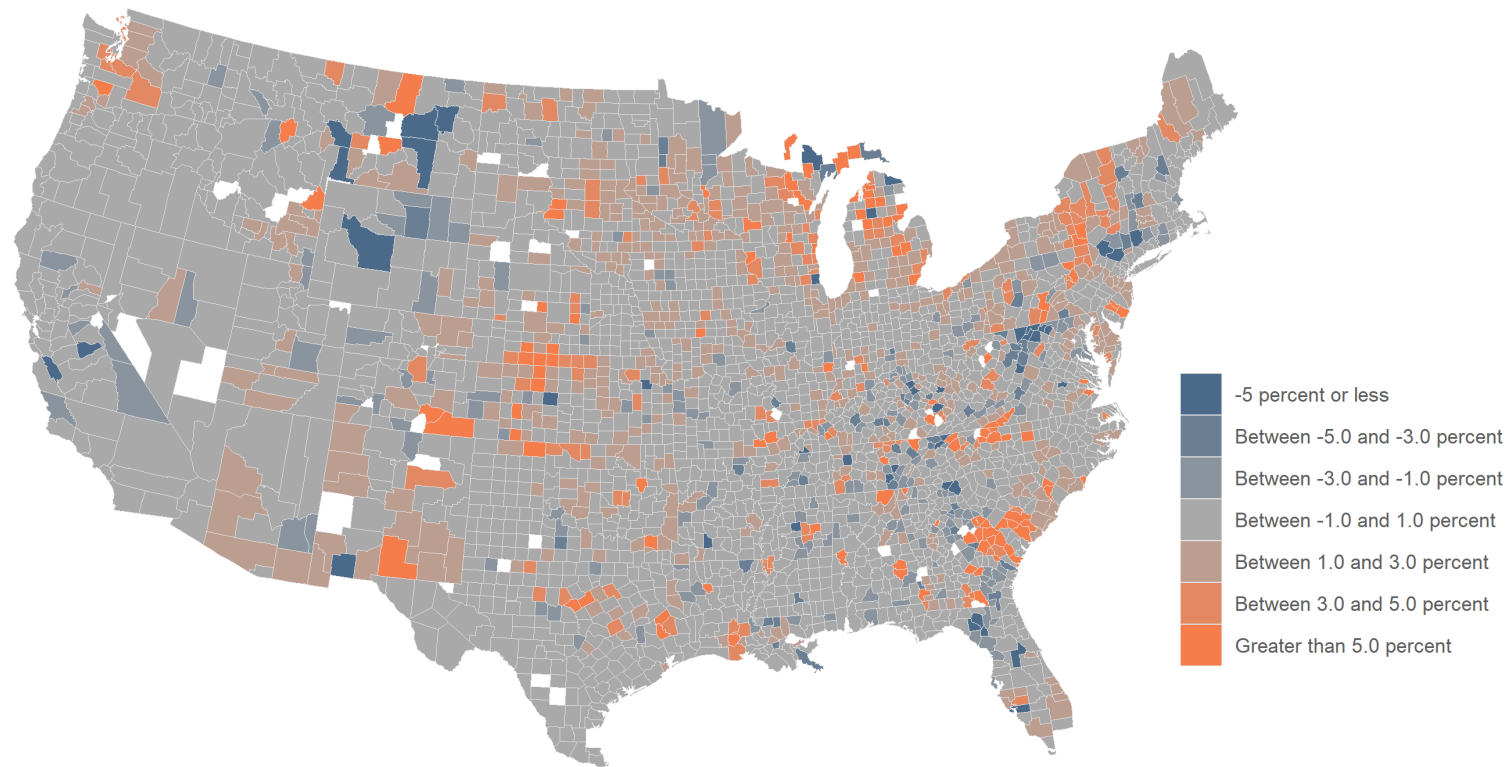
Changes in Delinquencies: 2010 - 2012



Changes in Delinquencies: 2013 - 2015



Changes in Delinquencies: 2016 - 2019



What is the Data Telling Us

- Farm debt is concentrated in ag-production regions
- Farm delinquencies are rising, but the stress is regional and not affecting all regions
- Biggest historical shocks in farm loan performance came from financial crisis, not low income periods in early-2000s
- Farm economy-only downturn pattern is very slow development

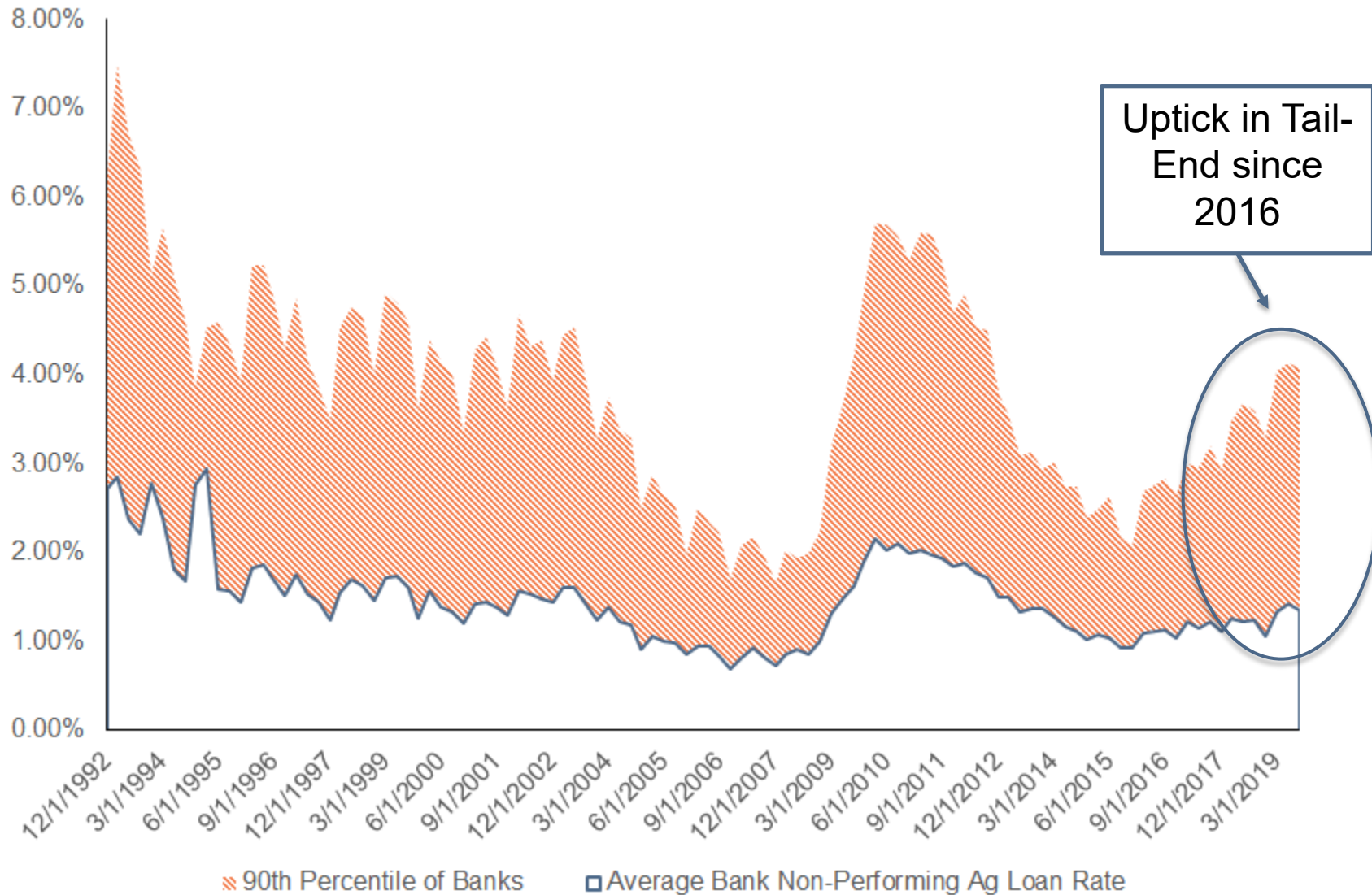




Segmenting Delinquencies and Charge-Offs

Bank Ag Portfolio Delinquency Rates

Average NPA Rate of Farmland Secured Loans

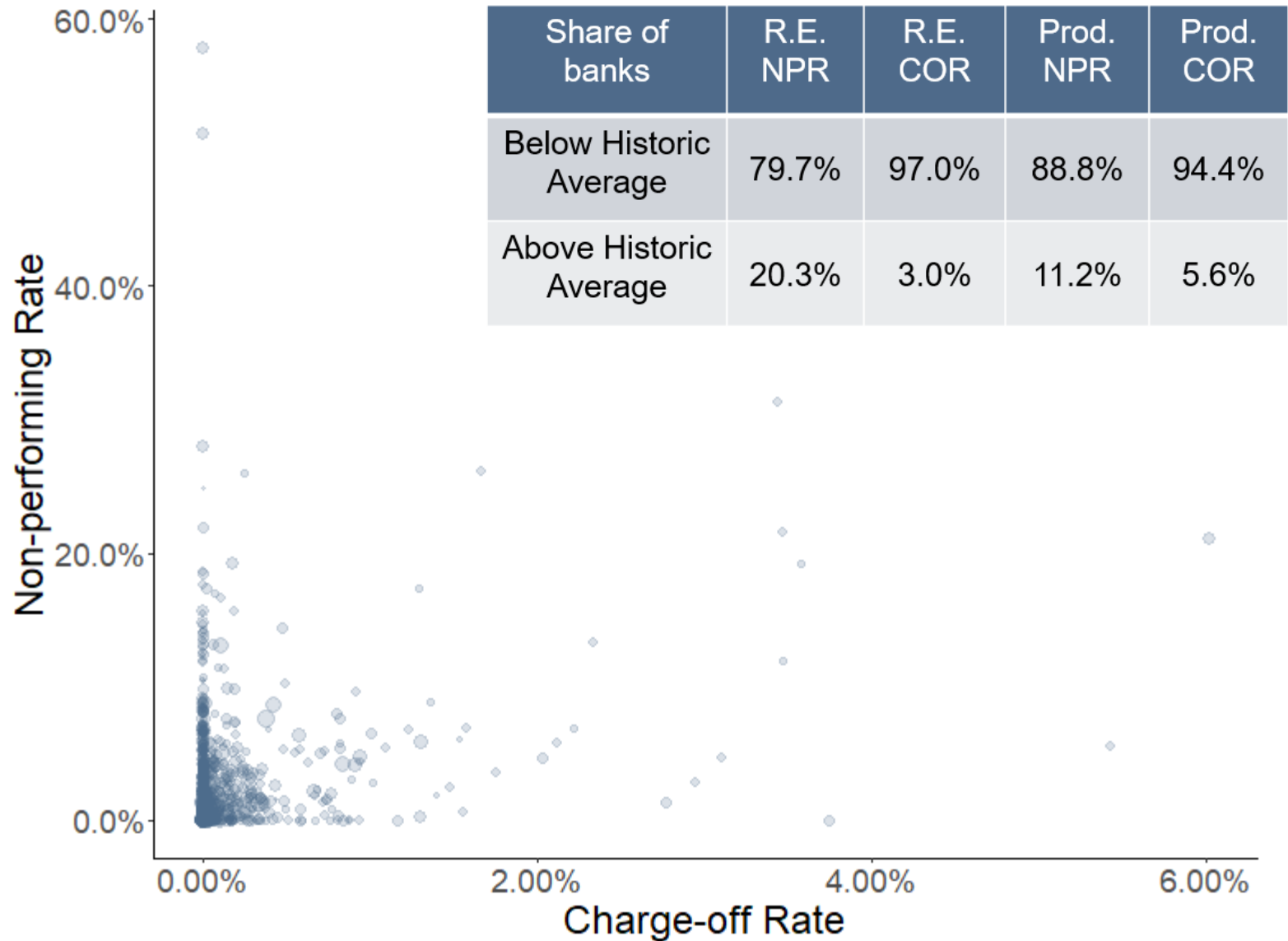


Data Series

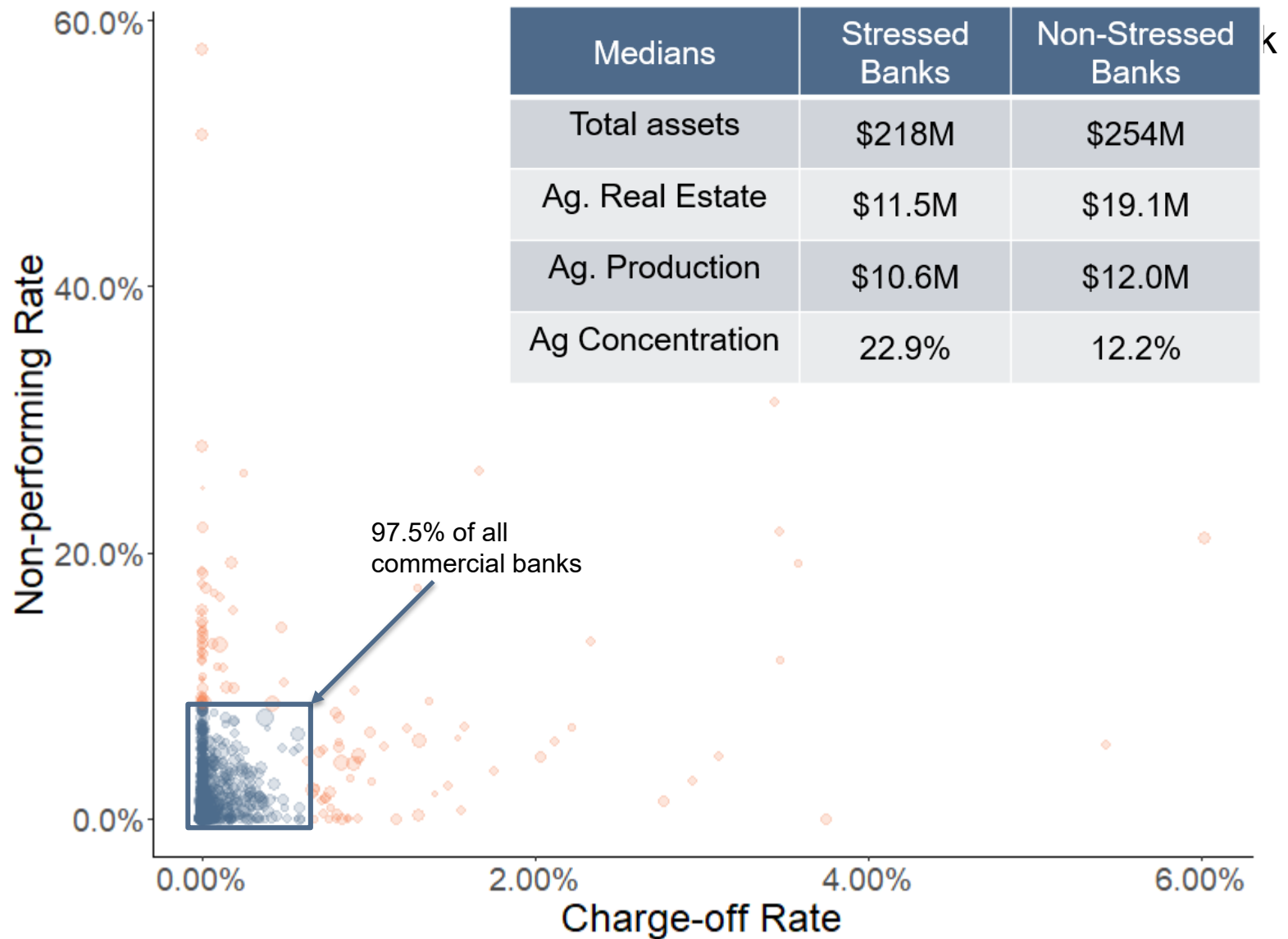
- FFIEC Call Reports
 - Q1 2001 through Q3 2019
- Summary of Deposits
 - 2001 through 2019
 - Over 86,000 unique branch locations
- Banks with agricultural loans
 - Defined as “Ag Bank” by FDIC or more than \$5 million in combined ag lending
 - Over 414,000 records
 - Nearly 7,500 institutions



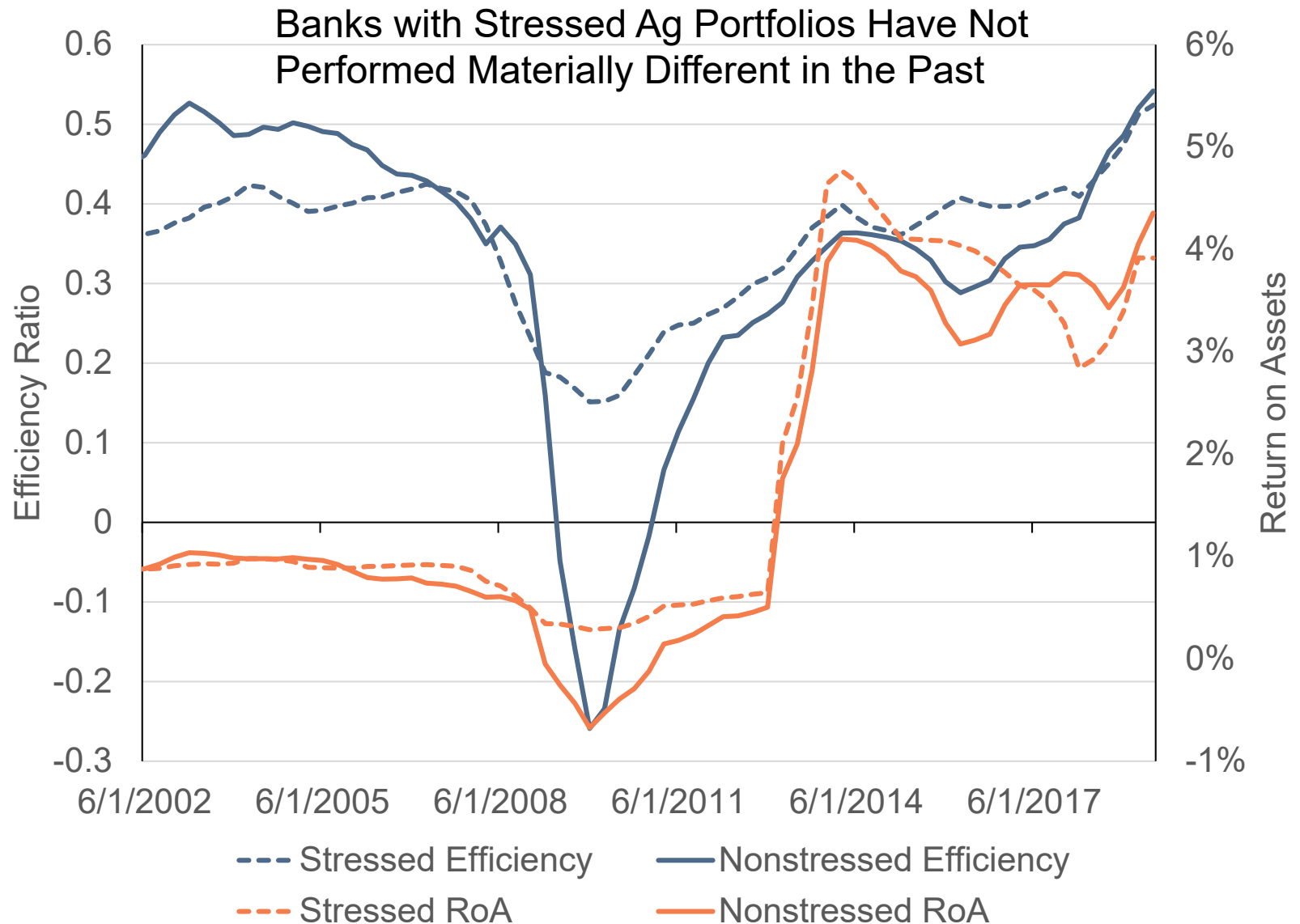
Ag Portfolio Performance 2019



Ag Portfolio Performance 2019

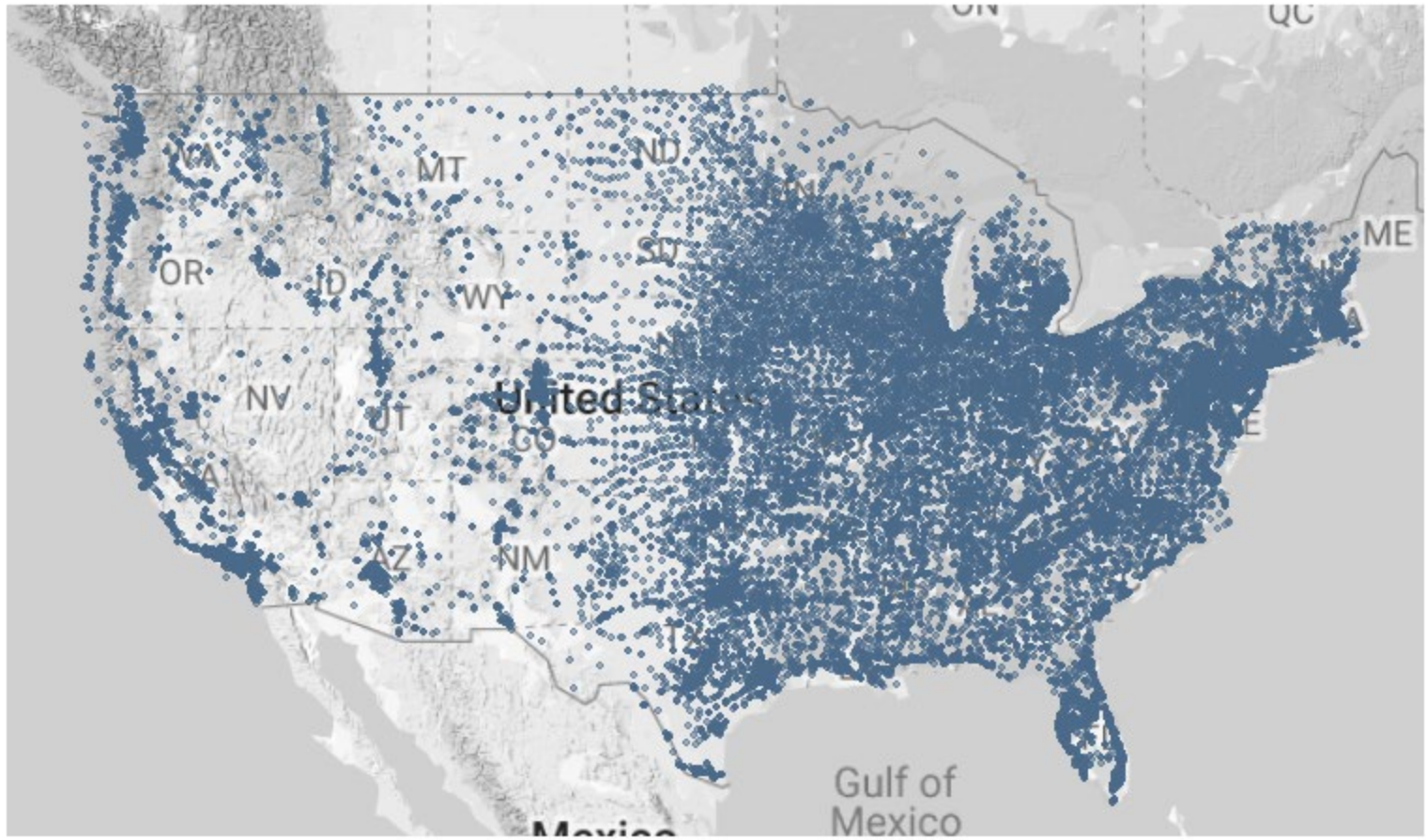


Ag Portfolio Performance 2019



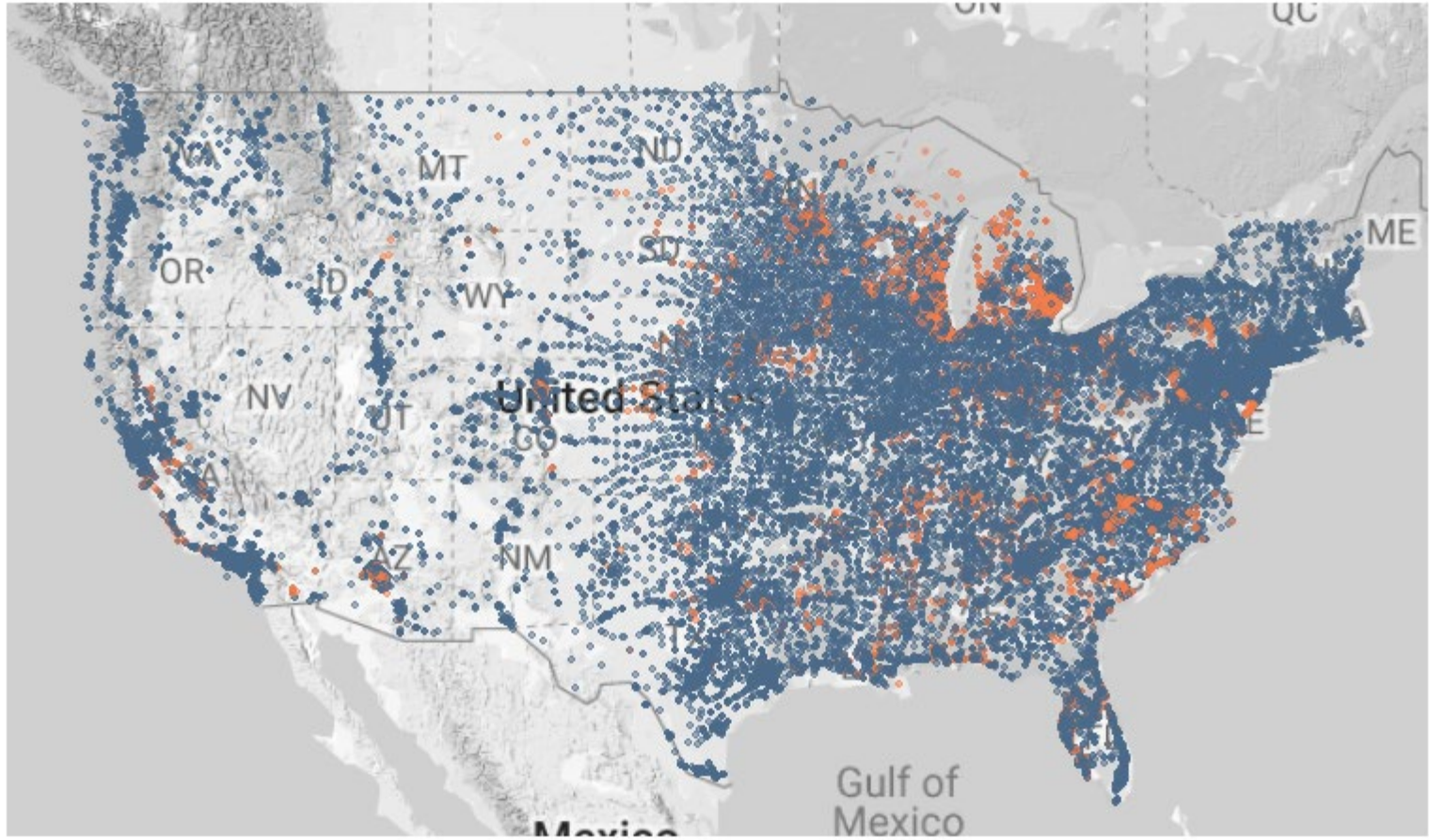
Ag Portfolio Performance 2019

Each blue dot represents a bank branch
of the 97.5% non-stressed banks



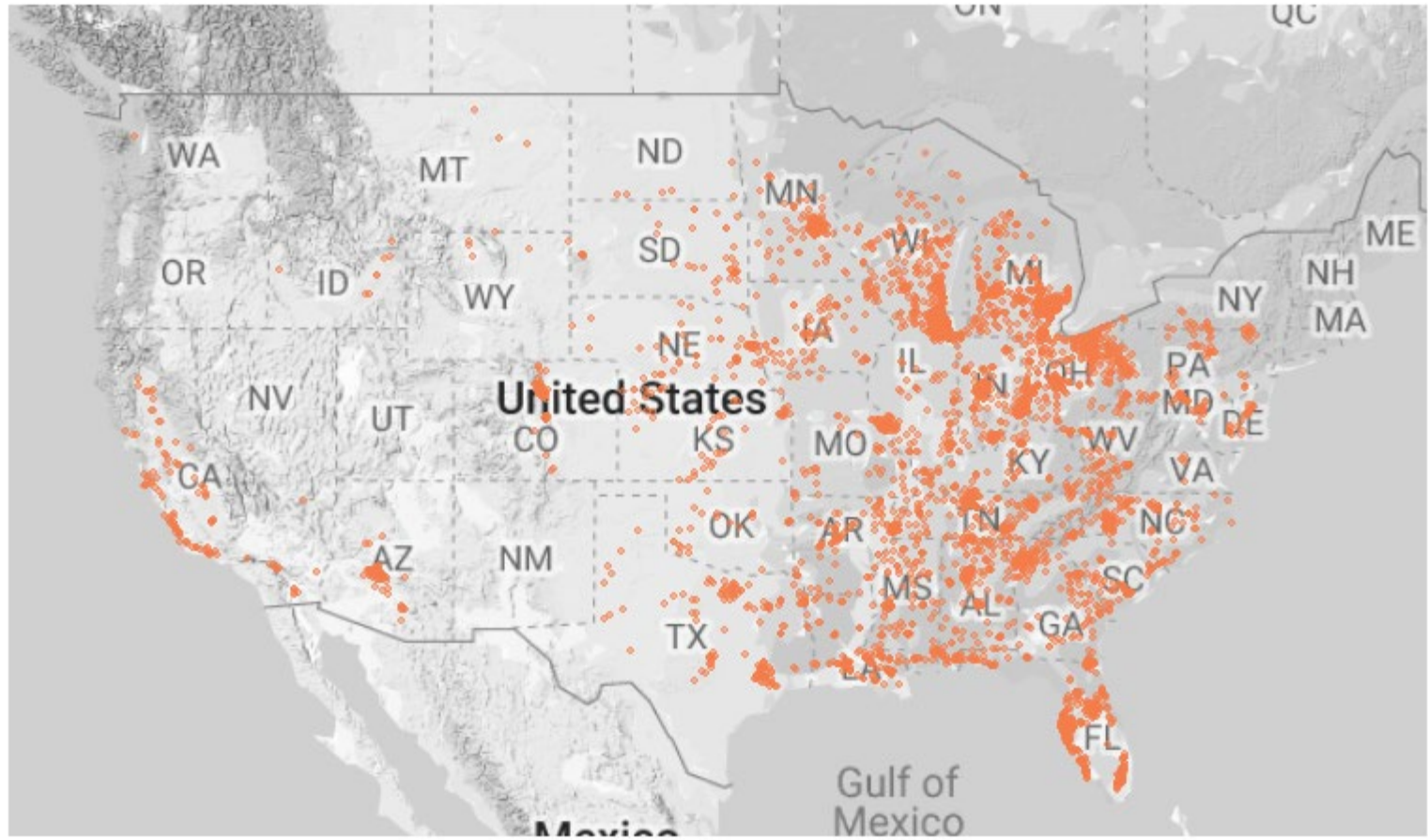
Ag Portfolio Performance 2019

Each orange dot represents a bank branch of the 2.5% of stressed banks



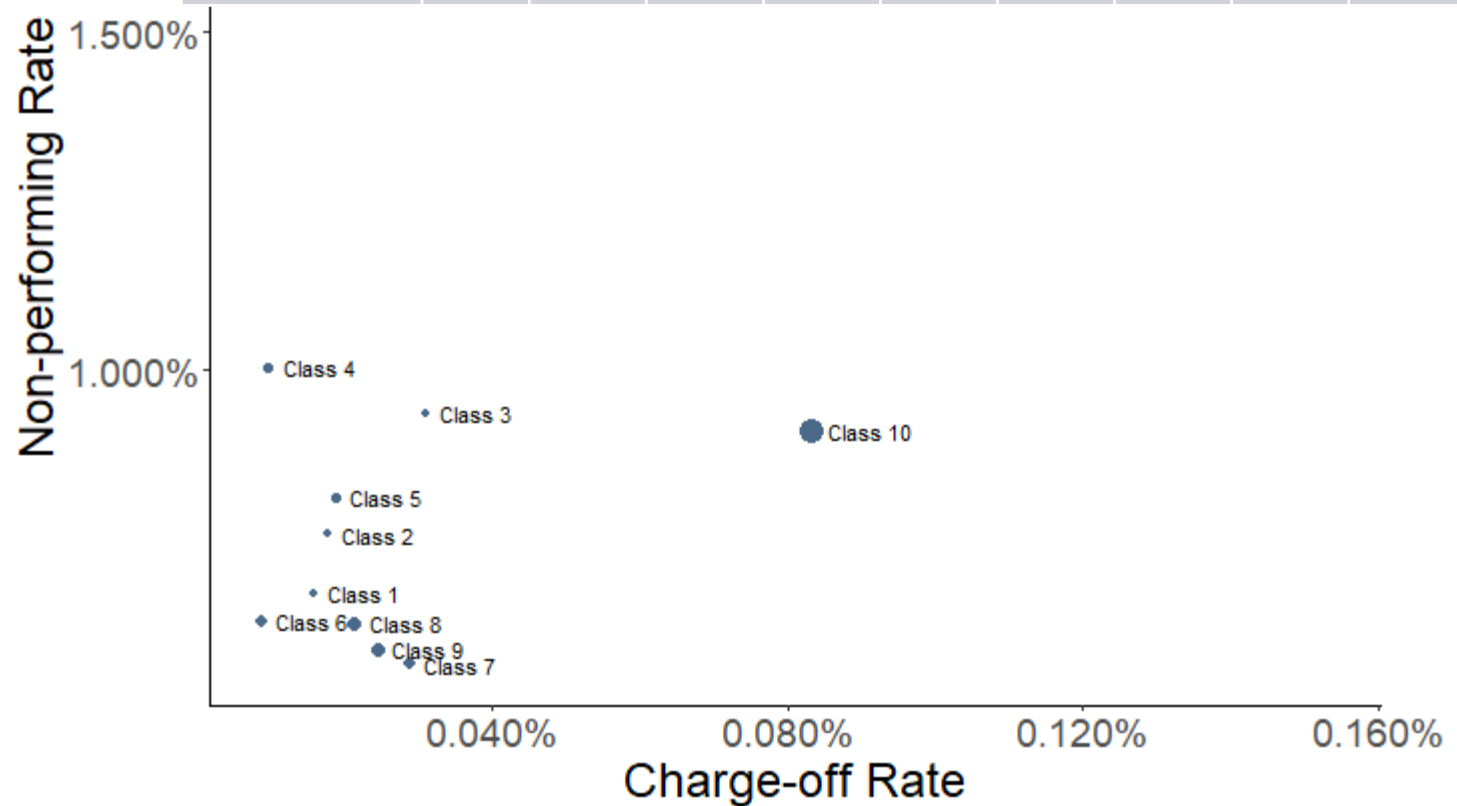
Ag Portfolio Performance 2019

Each orange dot represents a bank branch of the 2.5% of stressed banks



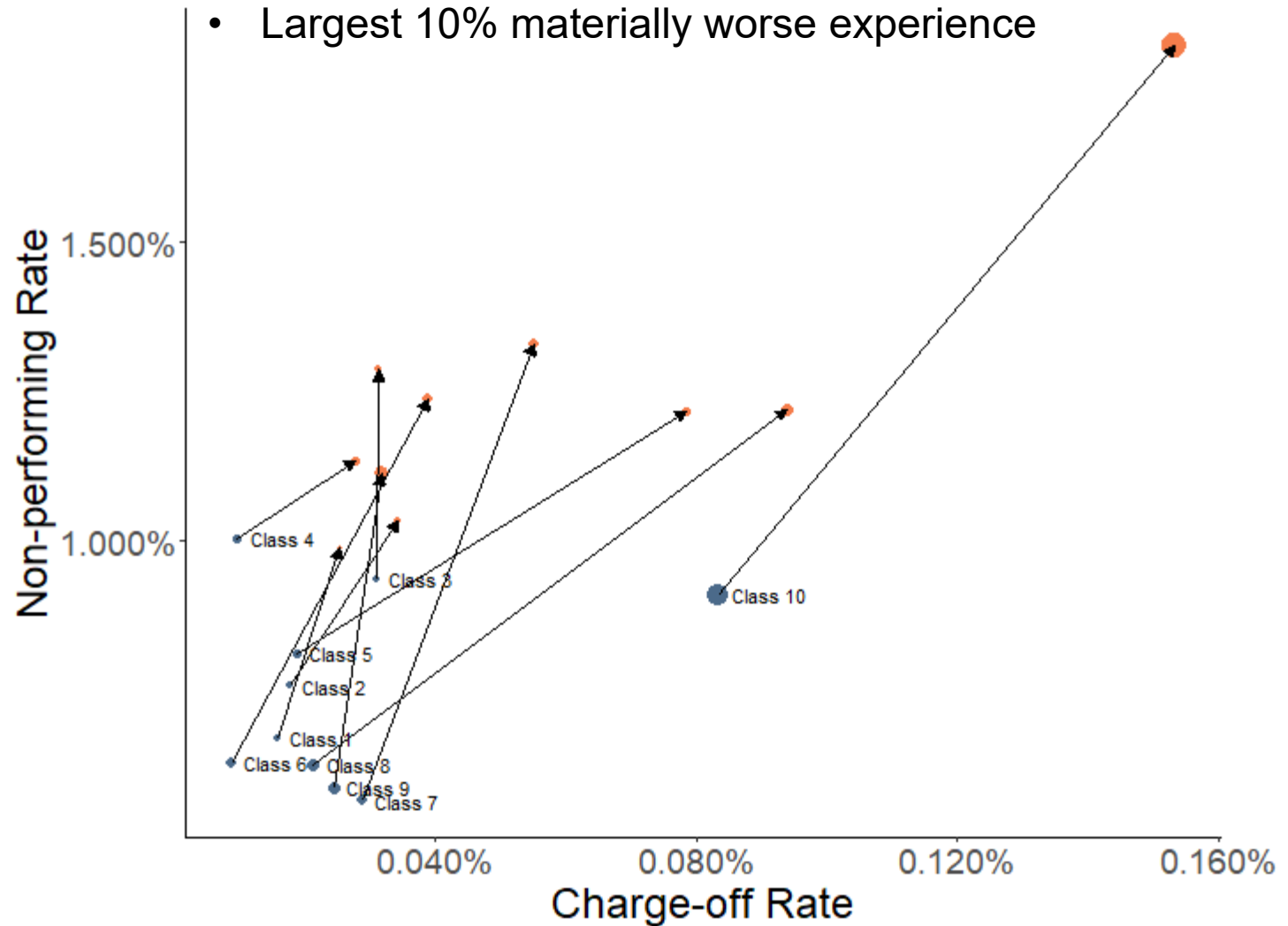
Ag Portfolio Performance 2015 - 2019

Class Group	1	2	3	4	5	6	7	8	9	10
Asset Share	1.7%	2.7%	3.1%	3.5%	5.1%	5.2%	7.2%	8.5%	13.1%	47.4%
RE Loans	1.6%	2.8%	3.4%	3.9%	5.7%	5.7%	7.7%	8.9%	13.6%	45.2%
Prod. Loans	1.7%	2.6%	2.9%	3.1%	4.5%	4.7%	6.7%	8.0%	12.7%	50.0%

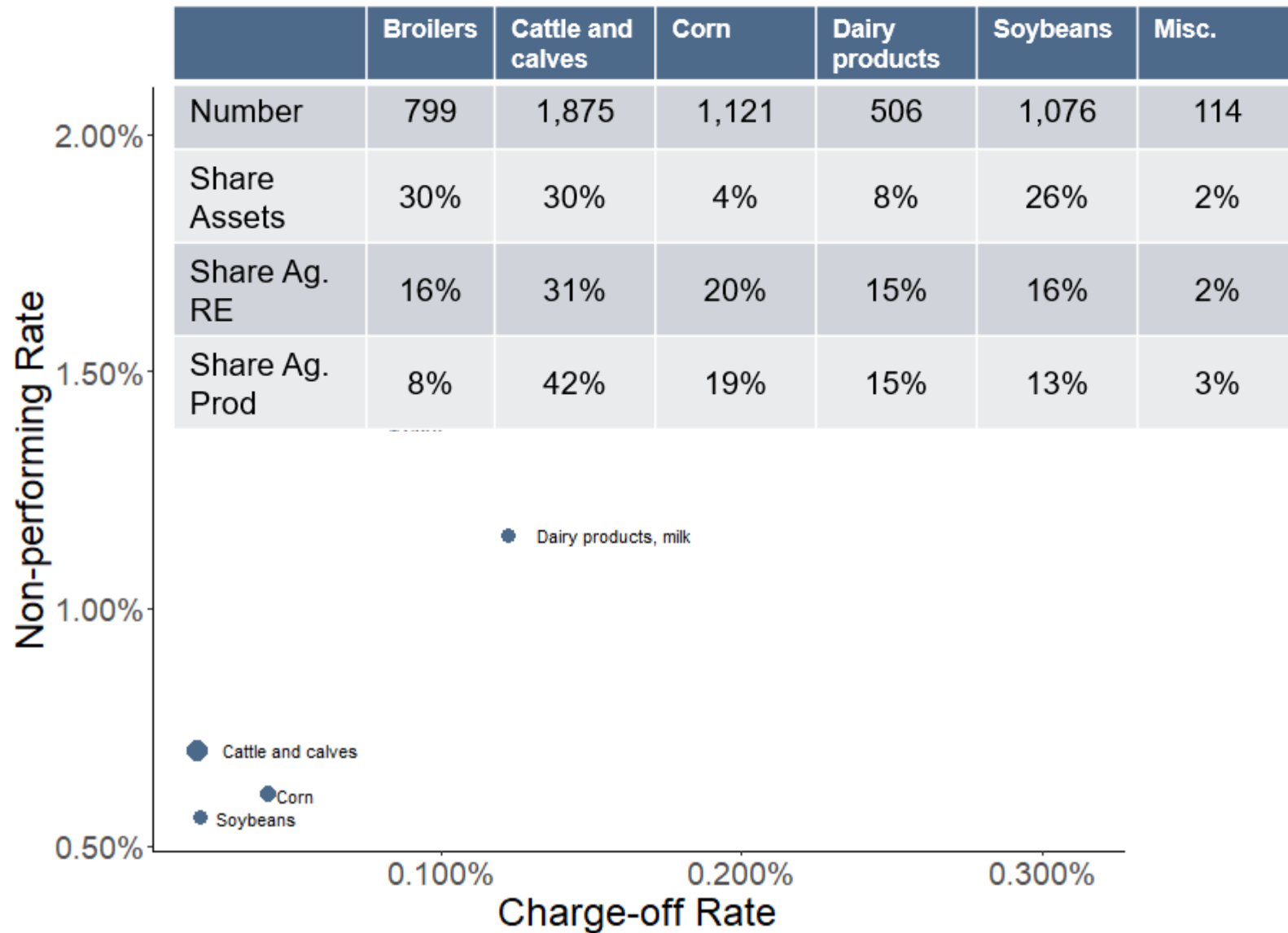


Ag Portfolio Performance 2015 - 2019

- All sizes experiencing return to average
- Largest 10% materially worse experience

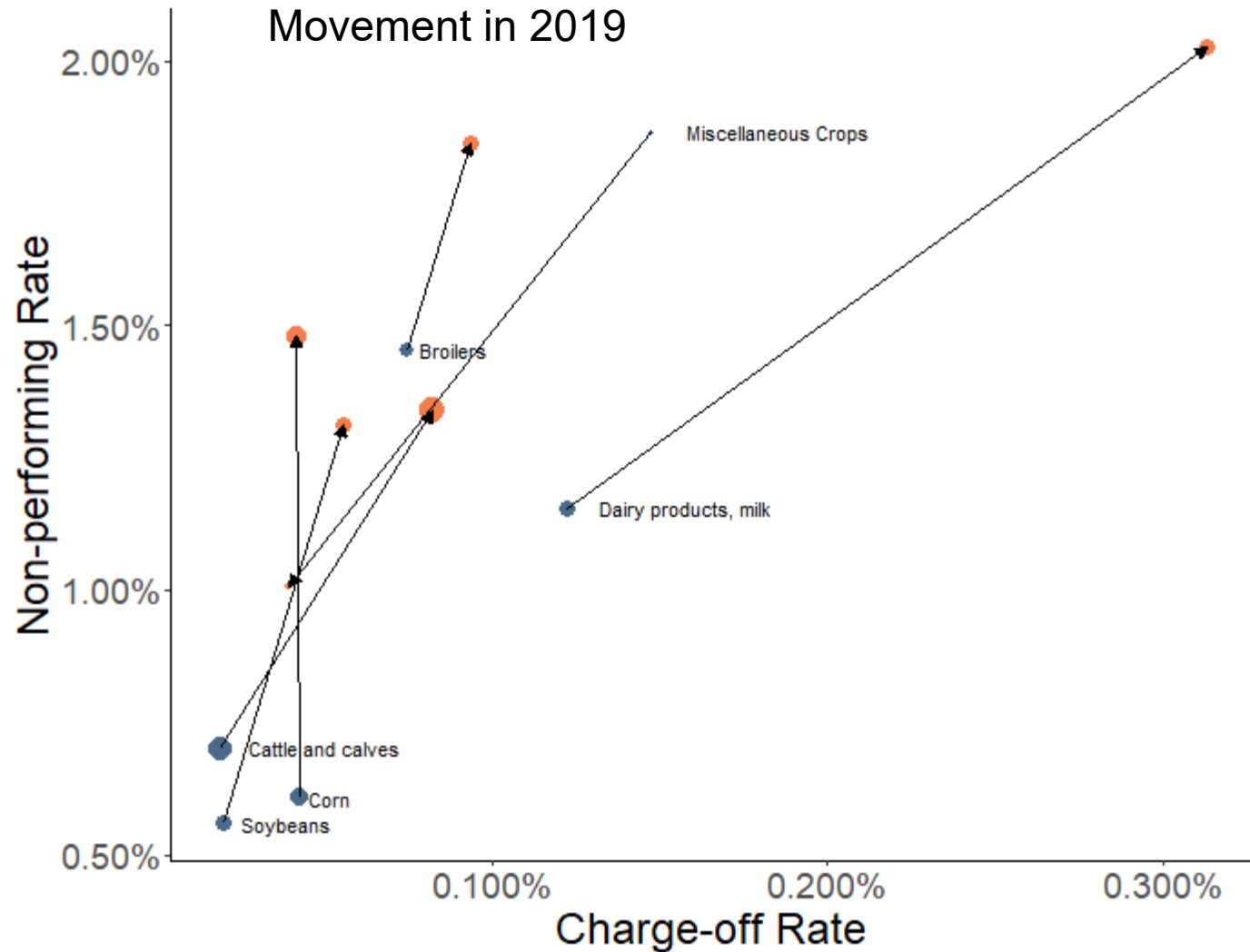


Ag Portfolio Performance 2015 - 2019



Ag Portfolio Performance 2015 - 2019

- Dairy and Grain Banks Have More Movement in 2019



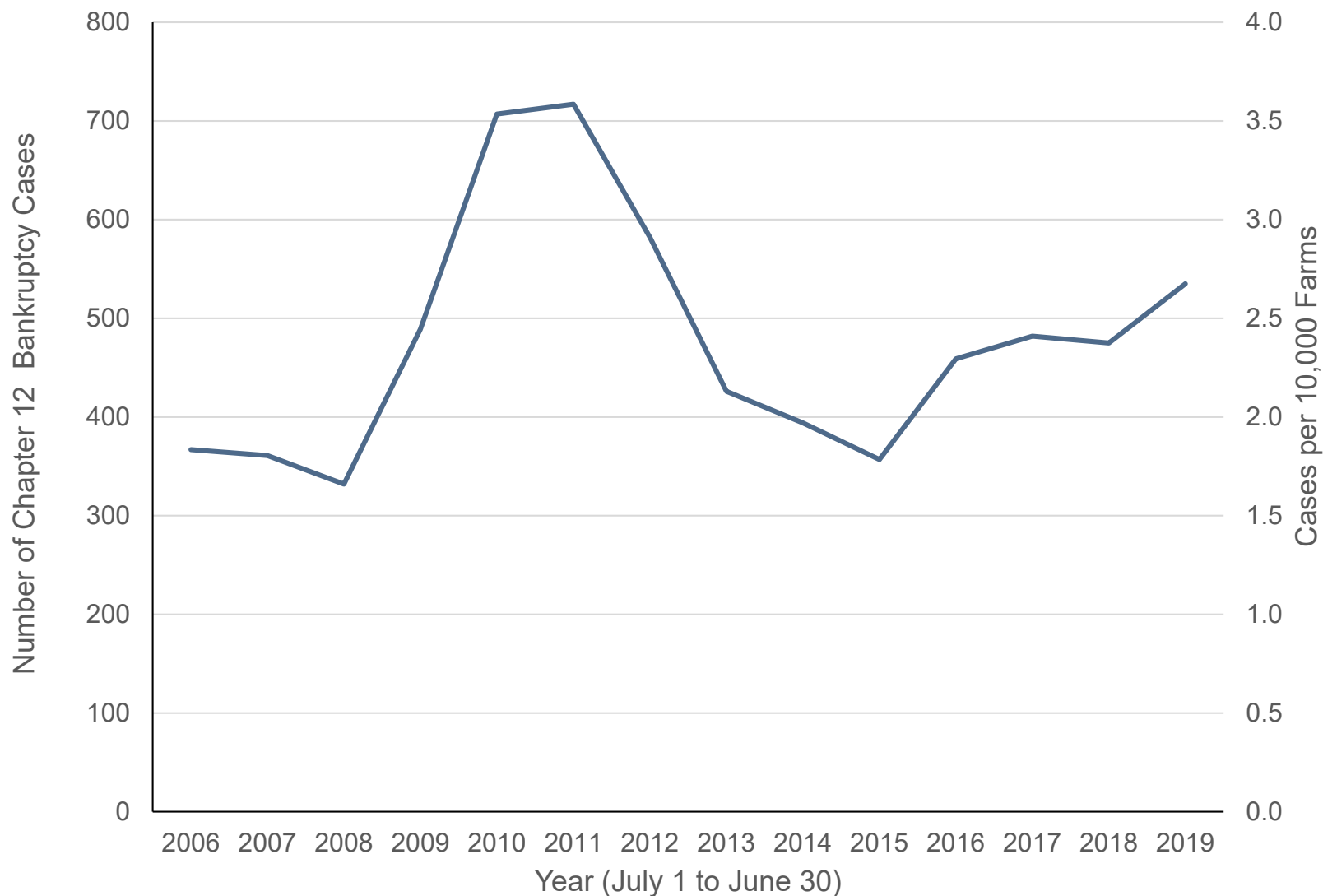
What is the Data Telling Us

- Strain is near averages, but portfolios are different
- Commercial banks with the largest agricultural portfolios have seen the largest increases in strain
- Commercial banks headquartered in states with heavy dairy and milk product concentrations have seen the most strain



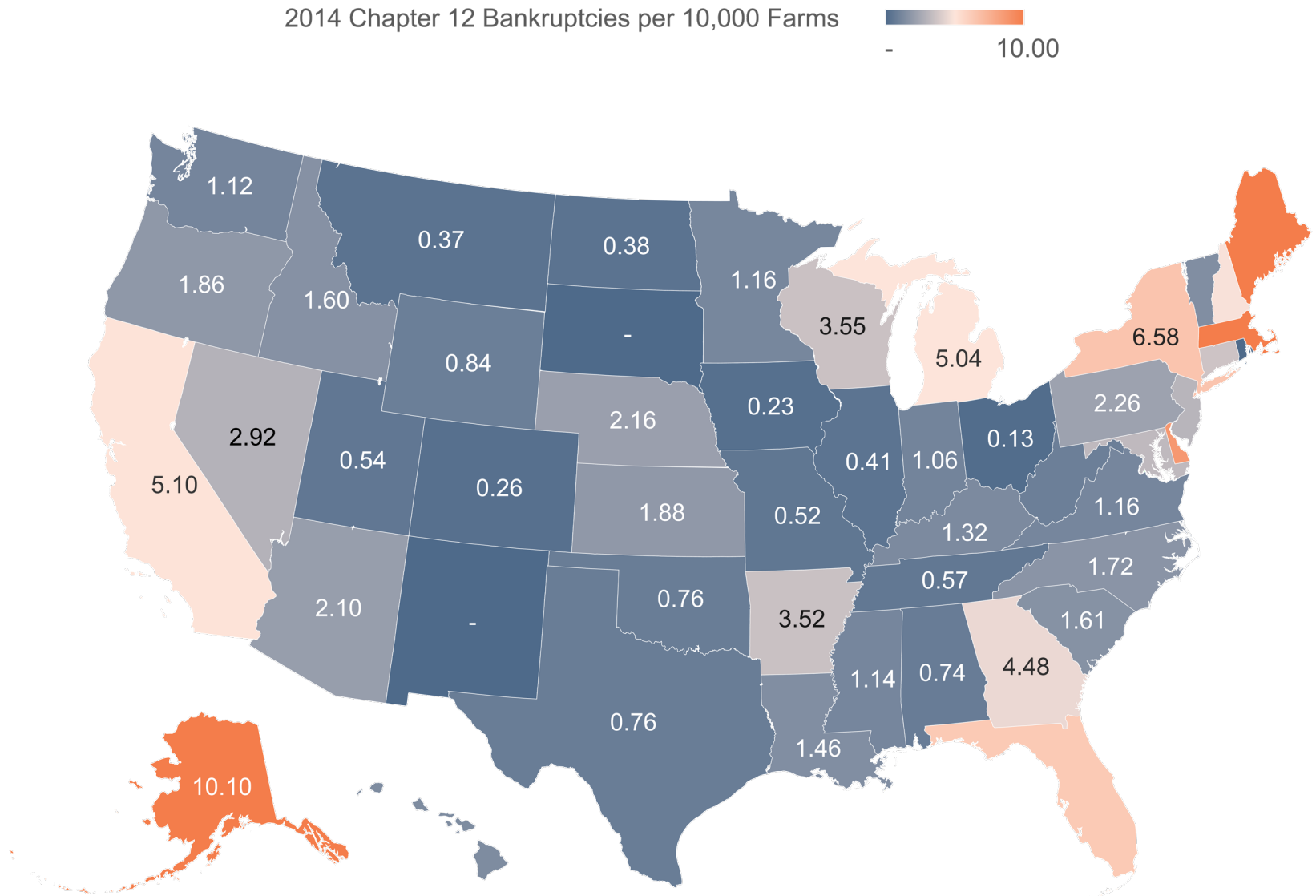
Farm Bankruptcy Trends

Counts/Percentages Up But Measured



Source: U.S. Courts Caseload Statistics Data Tables, U.S. Ag Census

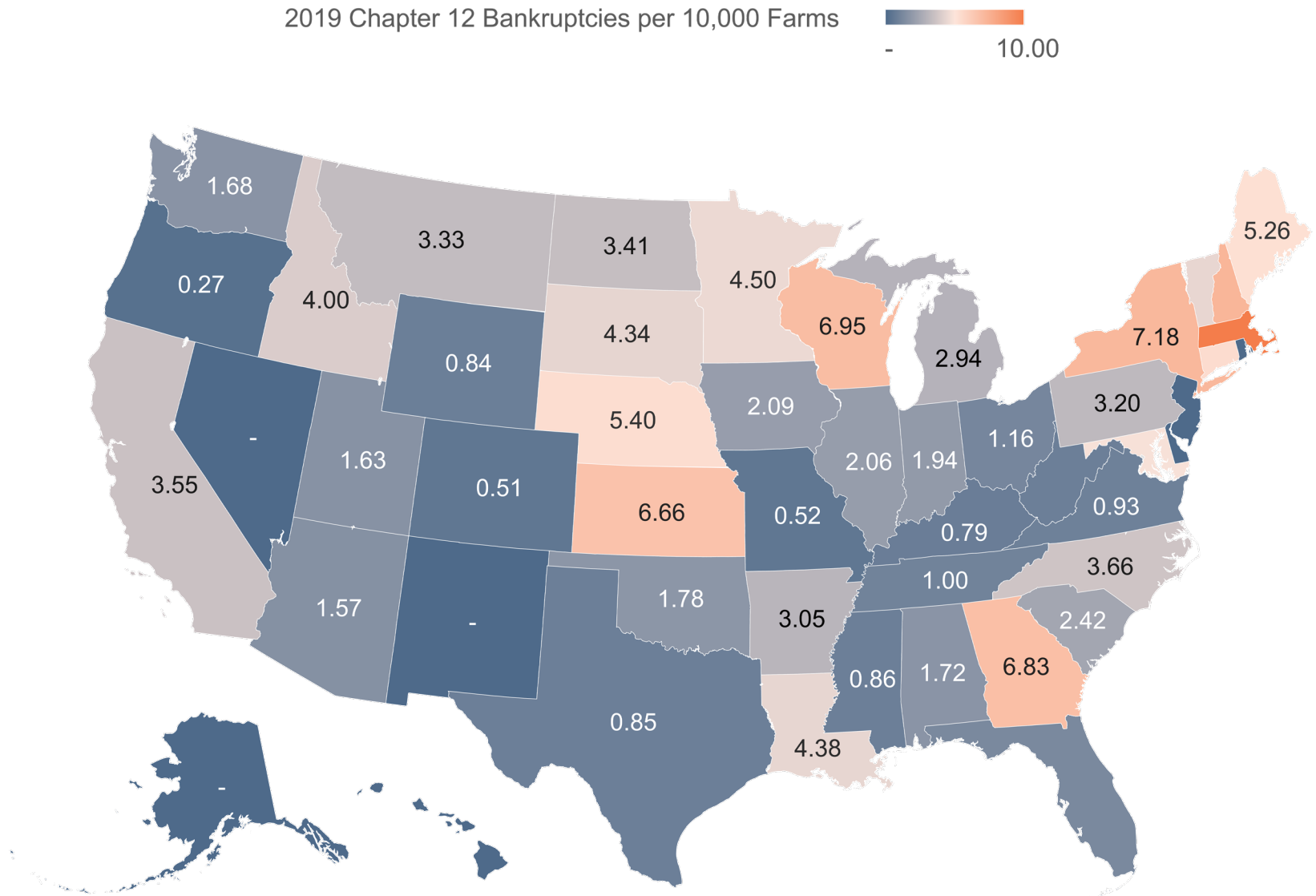
2014 Farm Bankruptcies



Source: U.S. Courts Caseload Statistics Data Tables, U.S. Ag Census

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2019 Farm Bankruptcies

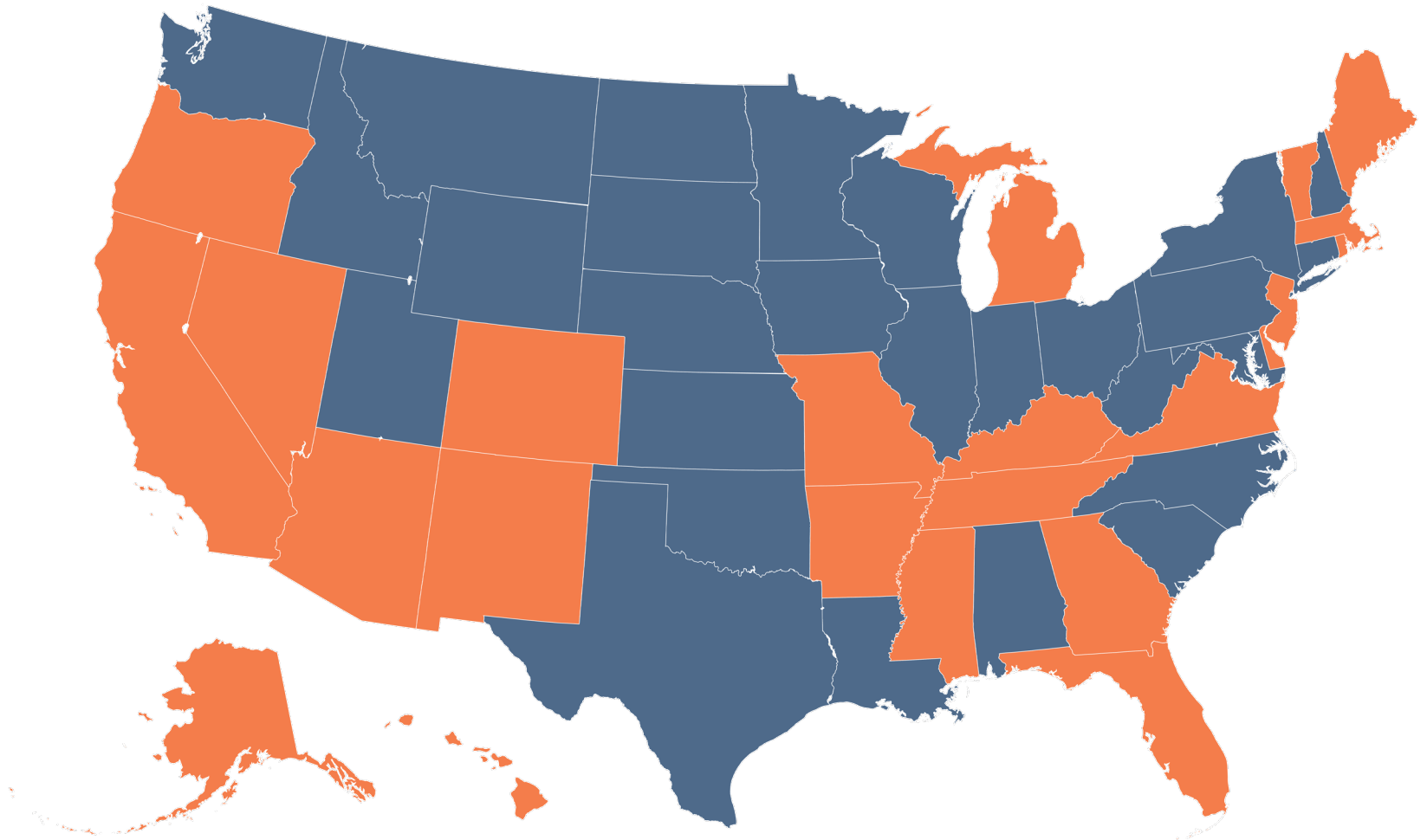


Source: U.S. Courts Caseload Statistics Data Tables, U.S. Ag Census

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2019 Bankruptcies Deviation from 5-Year Avg.

■ Above ■ Below



Source: U.S. Courts Caseload Statistics Data Tables, U.S. Ag Census

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In Summary...

- Ag loan portfolio performance is showing signs of stress but more than half of banks and FCS institutions are better than 10-year avg. default rates
- Regional patterns fit with recent economic pressure in dairies and grains
- Largest institutions feeling the most performance pain
- Banks are not alone; FCS seeing deterioration as well
- Farm bankruptcies are increasing but at a measured pace





Questions?



Thank You

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