

AGRICULTURAL BANKING EXPERIENCE, 1985

Preliminary Estimates

Presented to the

National Agricultural Credit Committee
Washington, D.C.

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Table 3

Annual percentage change in farm debt outstanding

Type of debt and lender group		1980	1981	1982	1983	1984	1985	Amount outstanding, billions of dollars, 12/31/85
1	Total debt.....	10	11	8	-1	-2	-2	209
2	Commodity Credit Corp.....	-2	61	93	-30	-19	102	18
3	Total debt excluding CCC...	10	9	4	2	-1	-6	192
4	Banks.....	2	2	8	8	3	-6	47
5	Farm Credit System.....	17	16	5	0	-2	-13	59
6	Life insurance companies...	6	1	-2	-1	-2	-4	12
7	Farmers Home Adm.....	21	19	3	1	6	10	28
8	Individuals and others.....	8	6	2	-1	-7	-6	45
9	Real estate debt.....	12	10	4	2	-1	-4	107
10	Banks.....	1	-4	0	10	9	12	11
11	Federal Land Banks.....	21	21	9	2	1	-9	45
12	Life insurance companies...	6	1	-2	-1	-2	-4	12
13	Farmers Home Adm.....	8	13	4	4	6	6	11
14	Individuals and others.....	8	5	1	1	-7	-6	28
15	Non-real-estate debt.....	8	11	11	-3	-3	2	103
16	Commodity Credit Corp.....	-2	61	93	-30	-19	102	18
17	N.r.e. debt excluding CCC..	8	8	4	1	-1	-8	85
18	Banks.....	2	4	10	8	2	-10	36
19	Production credit assns....	9	7	-3	-6	-7	-22	14
20	Farmers Home Adm.....	31	23	2	-1	7	12	18
21	Individuals and others.....	7	6	4	-3	-5	-5	17

Data for 1985 are estimated using preliminary and partial reports from lending institutions.

Table 6

Net charge-offs of farm production loans
Insured commercial banks

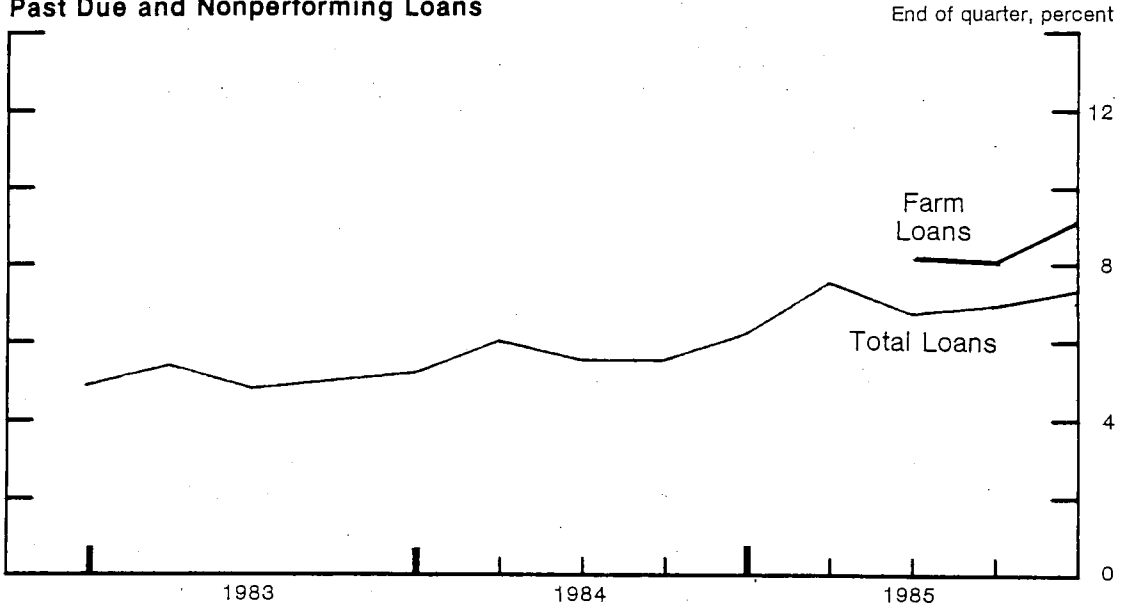
Period	Estimated amount, millions of dollars	As percentage of farm loans outstanding at end of period
<u>Annual</u>		
1984.....	900	2.2
1985.....	1300	3.7
<u>Quarterly</u>		
1984-Q1.....	120	.3
-Q2.....	160	.4
-Q3.....	195	.5
-Q4.....	425	1.0
1985-Q1.....	200	.5
-Q2.....	320	.8
-Q3.....	255	.6
-Q4.....	525	1.5

Data are estimates of national charge-offs of farm non-real-estate loans, based on reports from banks that hold about 94 percent of the outstanding national volume of such loans. Additional uncertainty of the estimates arises because small banks report only charge-offs of "agricultural" loans as defined by each bank for its internal purposes. Banks first reported these data on the March 1984 Report of Income.

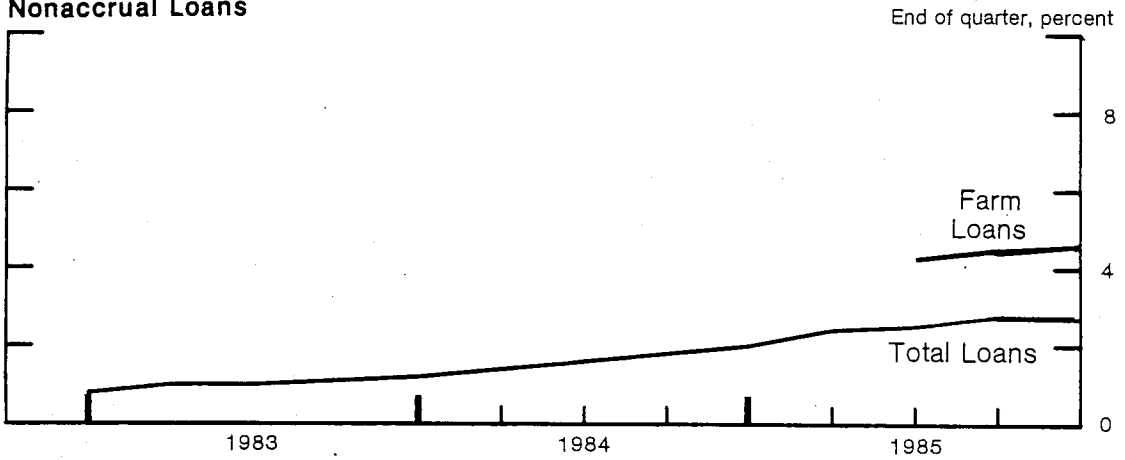
Chart 3

Delinquency and Charge-off Rates on Loans at Agricultural Banks

Past Due and Nonperforming Loans



Nonaccrual Loans



Net Charge-offs in Quarter

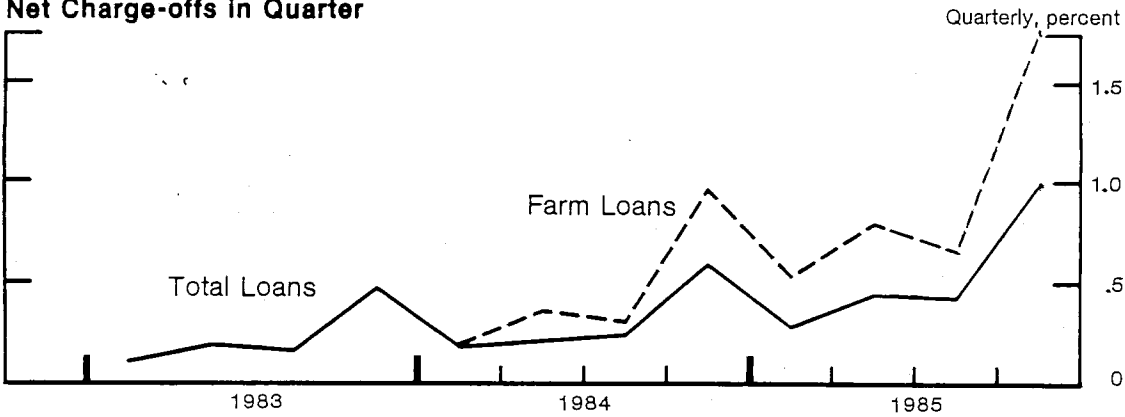


Table 7

Delinquent loans as a percentage of total loans outstanding
Agricultural banks
December 31

Class of delinquent loans	1982	1983	1984	1985
Total.....	4.9	5.2	6.2	7.3
Past due 30 to 89 days and still accruing.....	2.4	2.3	2.6	2.8
Nonperforming.....	2.5	2.9	3.6	4.5
Past due 90 days or more and still accruing.....	1.6	1.5	1.4	1.4
Nonaccrual.....	.8	1.2	2.0	2.8
Renegotiated.....	.2	.2	.2	.3

Agricultural banks are insured commercial banks at which the ratio of farm loans to total loans is above the unweighted average of such ratios at all insured commercial banks (16.15 percent on December 31, 1985). The farm loan ratio at agricultural banks averaged about 36 percent, and these banks held about 58 percent of all farm loans in the banking system.

Table 8

Delinquent loans at agricultural banks compared with delinquent loans
at all insured commercial banks
September 30

Class of delinquent loans	Delinquent loans at agricultural banks as a percentage of delinquent loans at all banks			Addendum: Delinquency rate, 9/30/85 (percent)	
	1983	1984	1985	Agr. banks	Other banks
Total.....	6.4	8.1	8.7	6.9	4.6
Past due 30 to 89 days and still accruing.....	7.4	7.8	6.9	2.2	1.9
Nonperforming.....	5.9	8.3	9.9	4.7	2.7
Past due 90 days or more and still accruing.....	11.2	14.4	13.1	1.6	.7
Nonaccrual.....	3.7	6.3	8.7	2.8	1.9
Renegotiated.....	3.6	6.3	10.8	.3	.1
Addendum:					
Outstanding loans at agricultural banks as a percentage of outstanding loans at all banks...	7.0	6.7	5.9		

See note to Table 7.

Table 9

Net charge-offs as a percentage of total loans
outstanding at end of period

Agricultural banks

1980.....	.32
1981.....	.43
1982.....	.69
1983.....	.93
1984.....	1.22
1985.....	2.12

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Table 10

A. Distribution of agricultural banks by relative nonperforming loans

Nonperforming loans as a percentage of total loans	Percentage distribution, December 31			
	1982	1983	1984	1985
Total.....	100.0	100.0	100.0	100.0
Under 2.0.....	58.7	52.8	44.7	36.4
2.0 to 4.9.....	29.5	31.9	33.4	33.2
5.0 to 9.9.....	10.0	12.3	16.4	21.6
10.0 to 14.9.....	1.4	2.3	3.9	5.6
15.0 to 19.9.....	.3	.6	1.1	2.1
20.0 and over.....	.1	.2	.5	1.2

B. Distribution of agricultural banks by relative net charge-offs

Net charge-offs as a percentage of total loans	Percentage distribution			
	1982	1983	1984	1985
Total.....	100.0	100.0	100.0	100.0
Under 0.10.....	27.7	25.2	18.5	10.6
0.10 to 0.49.....	32.0	28.2	23.8	14.6
0.50 to 0.99.....	19.9	20.5	20.1	18.0
1.00 to 2.49.....	15.8	18.6	23.8	30.2
2.50 to 4.99.....	3.5	5.5	9.2	16.1
5.00 and over.....	1.0	2.1	4.7	10.5

Agricultural banks are insured commercial banks at which the ratio of farm loans to total loans is above the unweighted average of such ratios at all insured commercial banks (16.15 percent on December 31, 1985). The farm loan ratio at agricultural banks averaged about 36 percent, and these banks held about 58 percent of all farm loans in the banking system.

Table 11

Percentage distribution of agricultural banks by rate of return to equity

Net income as percentage of average equity at bank	1977	1978	1979	1980	1981	1982	1983	1984	1985
All banks.....	100	100	100	100	100	100	100	100	100
Negative.....	1	1	1	1	2	4	7	12	18
0 to 4.....	4	3	2	2	3	5	7	9	11
5 to 9.....	16	14	8	9	12	15	18	24	22
10 to 14.....	45	46	36	33	33	33	36	36	33
15 to 19.....	28	28	38	35	32	28	24	15	13
20 to 24.....	5	6	12	14	13	11	7	3	3
25 and over.....	1	1	3	5	6	4	2	1	1
<u>Addenda:</u>									
Average rate of return to equity (percent).....	14	14	15	16	15	14	11	9	6
Average capital ratio, Dec. 31 (percent)*.....	8.7	8.9	9.0	9.2	9.2	9.3	9.4	9.5	9.6

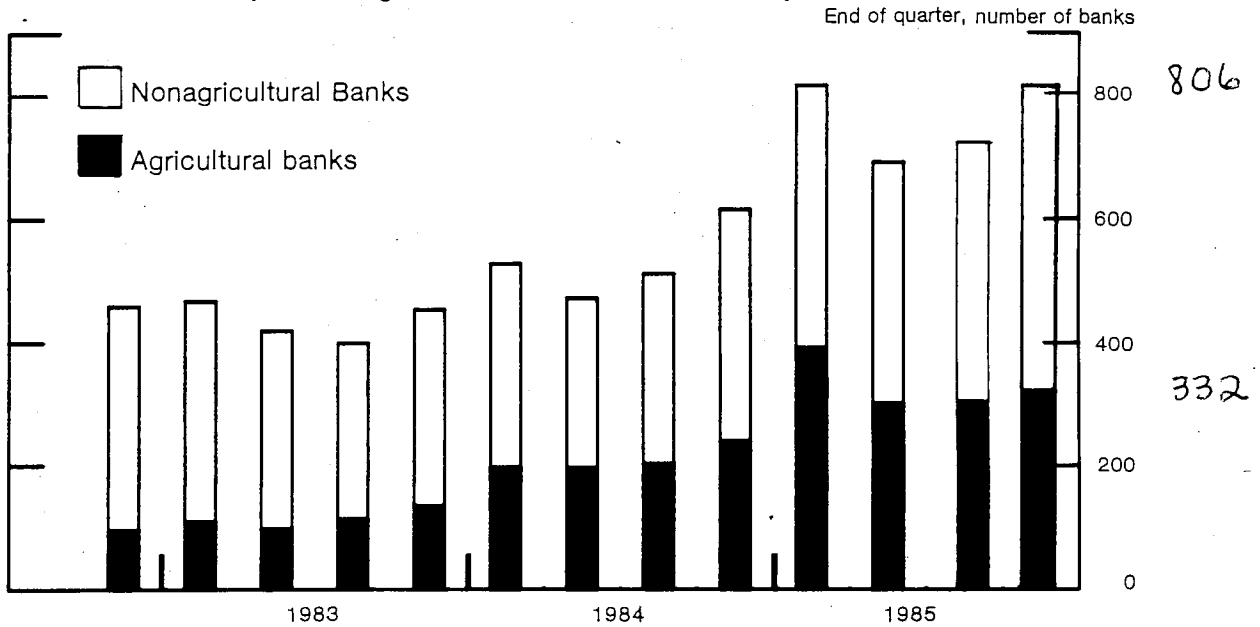
* Total primary and secondary capital (items available in bank reports as of the date specified) as a percentage of total assets.

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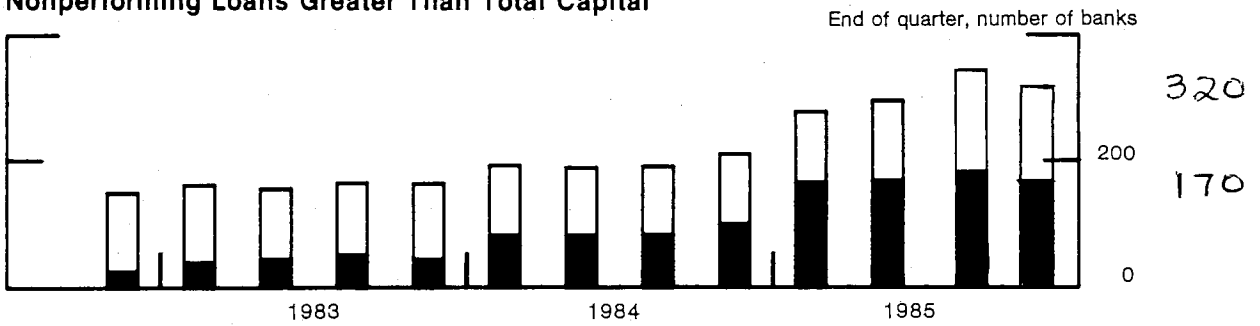
Chart 4

Number of Potentially Vulnerable Banks and Bank Failures

Past Due and Nonperforming Loans Greater Than Total Capital



Nonperforming Loans Greater Than Total Capital



Bank Failures in Quarter

