2016 ABA Issue Summary

Agricultural Banking

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Banks are one of the largest providers of credit to the agricultural industry.

- According to the FDIC, U.S. banks continue to be a major provider of credit in the agricultural marketplace, holding $163.4 billion in farm debt as of the second quarter of 2015, compared to $150.3 billion one year ago.[2]

- Total farm debt was $348.5 billion in 2014, up from $315 billion in 2012 or 10.6 percent, according to the USDA Economic Research Service. The increase was driven by a decline in net farm income relative to previous years, a moderation in the growth of farmland values and expected lower agricultural commodity prices. These factors led to farmers taking on more debt.[1]

Farm banks play a vital role in their communities by providing loans, creating jobs and paying taxes to support rural America.

- Farm banks increased farm lending by 13.6 percent ($11.4 billion) in 2014 and held $94.6 billion in farm loans at year-end.

- Farm banks employed more than 89,000 rural Americans in 2014. Since 2007, employment at farm banks has risen 16.6 percent.

- The average U.S. bank pays an annual tax rate of 35 percent. Compare that to the Farm Credit System, a government sponsored enterprise competing directly with farm banks, which made $4.72 billion in profits in 2014 but paid only $221million in federal, state and local taxes. That's an effective tax rate of less than 5 percent. *See "Farm Credit System" page for more information.*

The 2,036 farm banks in the United States continue to be strong, well-capitalized and profitable.

- More than 97 percent of farm banks were profitable in 2014, with 65 percent reporting an increase in earnings.

- Total assets from farm banks were $414 billion in 2014, up from $384.1 billion in the prior year or 7.8 percent.

- Equity capital at farm banks increased 4.8 percent to $46.2 billion in 2014, while Tier 1 capital increased by $3.3 billion to $38.8 billion.

Background:

Farm banks are defined by the American Bankers Association as banks whose ratio of domestic farm loans to total domestic loans are greater than or equal to the industry average, in 2014 this was 15.14 percent.

Sources:

[1]*Farm Income and Costs,* USDA (2014). Retrieved from www.ers.usda.gov

[2] FDIC Retrieved from www.fdic.gov