

MISSISSIPPI SOYBEAN PROMOTION BOARD

FARMER CREDIT AND LENDING CONDITIONS IN 2016

Dr. Bryon Parman, Assistant Extension Professor in MSU's Dept. of Agricultural Economics, has produced [Publication 2968](#) entitled "Mississippi Credit and Lending Conditions: 2016". This report focuses on how interest rates, equipment and farmland value, and commodity prices are affecting producers' credit-worthiness.

The report is based on a survey conducted in May 2016, and participants included agricultural lenders, farm appraisers, farm managers, and agricultural economists.

Major findings from the survey follow.

- 76% of surveyed lenders expect 2016 farm incomes to decline below the 2015 level.
- Many farmers are hampered by high cash rents and equipment payments.
- 78% of producers in the 8th Federal Reserve District (which includes Miss.) had no repayment problems moving into the spring of 2016.
- Fixed interest rates in Miss. are expected to be in the 4.6-4.7% range, while variable rates are expected to be 4.37%.
- Two-thirds of the survey respondents expect interest rates to increase in the next year.
- Loan-to-value (LTV) rates for 2016 land (75%) and machinery (74%) loans are slightly below the 2015 rates.
- Weakness in the value of farm equipment has affected lenders' willingness to collateralize debt with farm equipment, with lenders allowing an average of 62.7% of farm equipment book value to be used as collateral on new loans.
- Miss. lenders indicated that an average of 61% of farmers have less than 1 year's operating capital available to meet financial obligations, with none having more than 2 years' operating capital.
- The average carryover rate for 2015 operating loans into 2016 was nearly 21% in Miss. This debt will need to be collateralized either by owner equity or sold assets.
- Most producers are in favorable debt-equity situations, and low interest rates make new loans relatively cheap.

Composed by Larry G. Heatherly, June 2016, larryheatherly@bellsouth.net