

## MISSISSIPPI SOYBEAN PROMOTION BOARD

### FARMER CREDIT AND LENDING CONDITIONS IN 2017

Dr. Bryon Parman, Assistant Extension Professor in MSU's Dept. of Agricultural Economics, has produced [Publication 3135](#) entitled "Mississippi Agricultural Credit and Lending Conditions: 2017". 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 June 2017, and participants included agricultural lenders, farm appraisers, farm managers, and agricultural economists.

Major findings from the survey follow.

- Commodity price outlooks do not indicate price increases over the next 4 years.
- Weakness in the value of farm equipment has affected lenders' willingness to collateralize debt with farm equipment. This has caused some lenders to increasingly look at land as an alternative for collateral on new loans. Also, new equipment purchases now require more operator cash input.
- Fixed interest rates in Miss. are expected to be in the 4.7-5.1% range, while variable rates are expected to be 4.55%.
- The 2017 fixed interest rate on real estate is about 5.4%, which is about 0.8% greater than the 2016 rate.
- 90% of the survey respondents expect interest rates to increase in the next year. This expected increase in interest rates may force some farmers into asset liquidation to stay afloat.
- Loan-to-value (LTV) rates for 2017 land (74%) and machinery (73%) loans are slightly below the 2016 rates.
- Miss. lenders indicated that an average of 86% of farmers have less than 1 year's operating capital available to meet financial obligations. Only 14% have 1-2 years operating capital.
- The average carryover rate for 2016 operating loans into 2017 was nearly 18% in Miss. This debt will need to be collateralized either by owner equity or sold assets.
- The return on equity is negative for all agriculture-specific Mississippi land.

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