

Chapter 4. Finance

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Table 4-1. United States Farm Balance Sheet Current Dollars, December 31 Excluding Operator Households							
Item	2002	2003	2004	2005	2006	2007	2008 ^c
	<i>billion dollars</i>						
Assets							
Real Estate	1,046	1,112	1,341	1,549	1,756	1,912	2,052
Livestock	76	79	79	81	81	81	81
Machinery	94	96	102	107	108	109	110
Crops ^a	23	24	24	24	23	23	28
Purchased Inputs	5	6	6	6	6	7	7
Financial Assets	<u>60</u>	<u>62</u>	<u>66</u>	<u>67</u>	<u>74</u>	<u>79</u>	<u>82</u>
Total	1,304	1,379	1,618	1,835	2,047	2,210	2,359
Liabilities & Equity							
Real Estate Debt	103	94	97	102	101	108	111
Nonreal Estate Debt ^b	<u>90</u>	<u>81</u>	<u>86</u>	<u>92</u>	<u>95</u>	<u>104</u>	<u>101</u>
Total	193	175	183	193	196	212	212
Owner Equity	1,111	1,204	1,435	1,642	1,851	1,998	2,147
Total	<u>1,304</u>	<u>1,379</u>	<u>1,618</u>	<u>1,835</u>	<u>2,047</u>	<u>2,210</u>	<u>2,359</u>
Percent Equity	85	87	89	89	90	90	91
^a Excludes crops under CCC loan. ^b Excludes CCC loans. ^c Forecast							

Table 4-2. Changes in Structure, United States Farm Balance Sheet Current Dollars, December 31 Excluding Operator Households							
Item	2002	2003	2004	2005	2006	2007	2008 ^c
	<i>percent of total</i>						
Assets							
Real Estate	80	81	83	84	86	87	87
Livestock	6	6	5	4	4	4	3
Machinery	7	7	6	6	5	5	5
All Other ^a	<u>7</u>	<u>7</u>	<u>6</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
Total	100	100	100	100	100	100	100
Liabilities							
Real Estate Debt	53	54	53	53	52	51	52
Nonreal Estate Debt ^b	<u>47</u>	<u>46</u>	<u>47</u>	<u>47</u>	<u>48</u>	<u>49</u>	<u>48</u>
Total	100	100	100	100	100	100	100
^a Excludes crops under CCC loan. ^b Excludes CCC loans. ^c Forecast							
Source: Agricultural Income and Finance Outlook, ERS, USDA; Agricultural Outlook: Statistical Indicators, ERS, USDA.							

Table 4-3. Distribution of United States Farm Debt by Lender Current Dollars, December 31 Excluding Operator Households							
Item	2002	2003	2004	2005	2006	2007	2008 ^b
<i>billion dollars</i>							
Real Estate							
Farm Credit System	29.7	37.8	37.7	40.1	40.9	45.4	46.8
Farm Service Agency	3.4	3.2	2.2	2.1	2.1	2.1	2.1
Commercial Banks	29.8	33.1	35.2	36.9	37.8	40.6	41.9
Insurance Companies	11	11.4	10.9	11.0	11.3	11.2	11.5
Individuals & Others	<u>17.2</u>	<u>9.9</u>	<u>10.8</u>	<u>11.4</u>	<u>9.4</u>	<u>9.4</u>	<u>9.4</u>
Total	91.1	95.4	96.9	101.5	101.5	108.6	111.7
Nonreal Estate^a							
Farm Credit System	4.2	4	3.2	3.0	2.7	2.9	2.8
Farm Service Agency	44.8	44.3	45.8	48.5	51.0	55.5	53.8
Commercial Banks	20.8	13	15.1	16.0	13.7	13.1	12.7
Individuals & Others	<u>86.5</u>	<u>81.8</u>	<u>86.1</u>	<u>91.7</u>	<u>94.9</u>	<u>103.7</u>	<u>100.6</u>
Total	29.7	37.8	37.7	40.1	40.9	45.4	46.8
^a Excludes crops under CCC loan.							
^b Forecast:							

Table 4-4. Market Share of United States Farm Debt by Lender Current Dollars, December 31 Excluding Operator Households							
Item	2002	2003	2004	2005	2006	2007	2008 ^b
<i>percent of total</i>							
Farm Credit System	26.1	32.9	32.6	33.3	34.8	36.5	36.8
Farm Service Agency	4.3	4.1	3.0	2.6	2.5	2.3	2.3
Commercial Banks	42.0	43.7	44.3	44.2	45.2	45.2	45.1
Insurance Companies	6.2	6.4	6.0	5.7	5.7	5.3	5.4
Individuals & merchants	21.4	12.9	14.2	14.1	11.8	10.6	10.5
Total ^a	100	100	100	100	100	100	100
^a Excludes crops under CCC loan.							
^b Forecast:							
Source: Economic Research Service, USDA, Data, Farm Balance Sheet./ Author Calculations							

The value of U.S. farm assets increased 6.7% in 2008 down from 12.3% in 2007, largely mobilized by a slow down in the rise from farm real estate values of which was 7.4% when compared to 13.4% in 2007. Still, real growth is significant since the changes are well in excess of the rate of inflation (Tables 4-1 and 4-2). Sector debt levels, however, remained constant at \$212 billion indicating a slow down in the overall demand for farm credit. Farm credit increased by only 3.4% in 2007 which was nearly half the 6.7% increase that was observed between 2005 and 2006. The rate of growth in farm equity increased by 7.46% in 2007 which is lower than the 13% and 12.3% recorded in 2007 and 2006 respectively. Real estate debt increased by only 2.77% in comparison to a 9.8% increase in 2007. Following a 4.1% increase in non-real estate debt in 2007, nonreal estate debt actually decreased by 2.88%. Consequently with asset values increasing more than debt, farmers across the United States can now claim a 91% equity position in their farms (including unrealized capital gains). There is much room for leveraged growth and it is unlikely that any disturbances to the agricultural economy could not be withstood. New York typically has about 3-5% more debt than the U.S. average. The USDA has stopped providing state-level summaries.

Tables 4-3 and 4-4 show that the Farm Credit System continues to be the major provider of real-estate credit to agriculture, with a total of \$46.8 billion in loans representing an increase of 3.1% in 2007. Commercial lenders are close with \$41.9 billion in loans with an increase of 3.5% over 2006. By far commercial lenders provide the majority of non-real estate loans with a total of \$53.8 billion in 2008. In 2007 the Farm Credit System provided 36.8% of credit to farmers with commercial lenders providing 45.1%, largely due to the non-real estate business. The Farm Service Agency, as well as other lenders, is actually decreasing its lending activities in proportion to commercial lenders and Farm Credit.

Table 4-5. Nonaccrual and Nonperforming Loans
Farm Credit System, December 31

Year	Nonaccrual	Nonperforming
	percent of loan volume	
1988	6.5	12.3
1989	5.1	11.0
1990	4.5	9.7
1991	3.7	8.0
1992	2.7	6.0
1993	2.3	4.2
1994	1.9	2.9
1995	1.4	2.1
1996	1.1	1.5
1997	0.9	1.3
1998	1.8	2.1
1999	1.4	1.6
2000	0.9	1.2
2001	0.9	1.2
2002	1.0	1.3
2003	1.1	1.3
2004	0.7	0.8
2005	0.6	0.6
2006	0.5	0.5
2007	0.358	0.434
2008	0.47	0.55

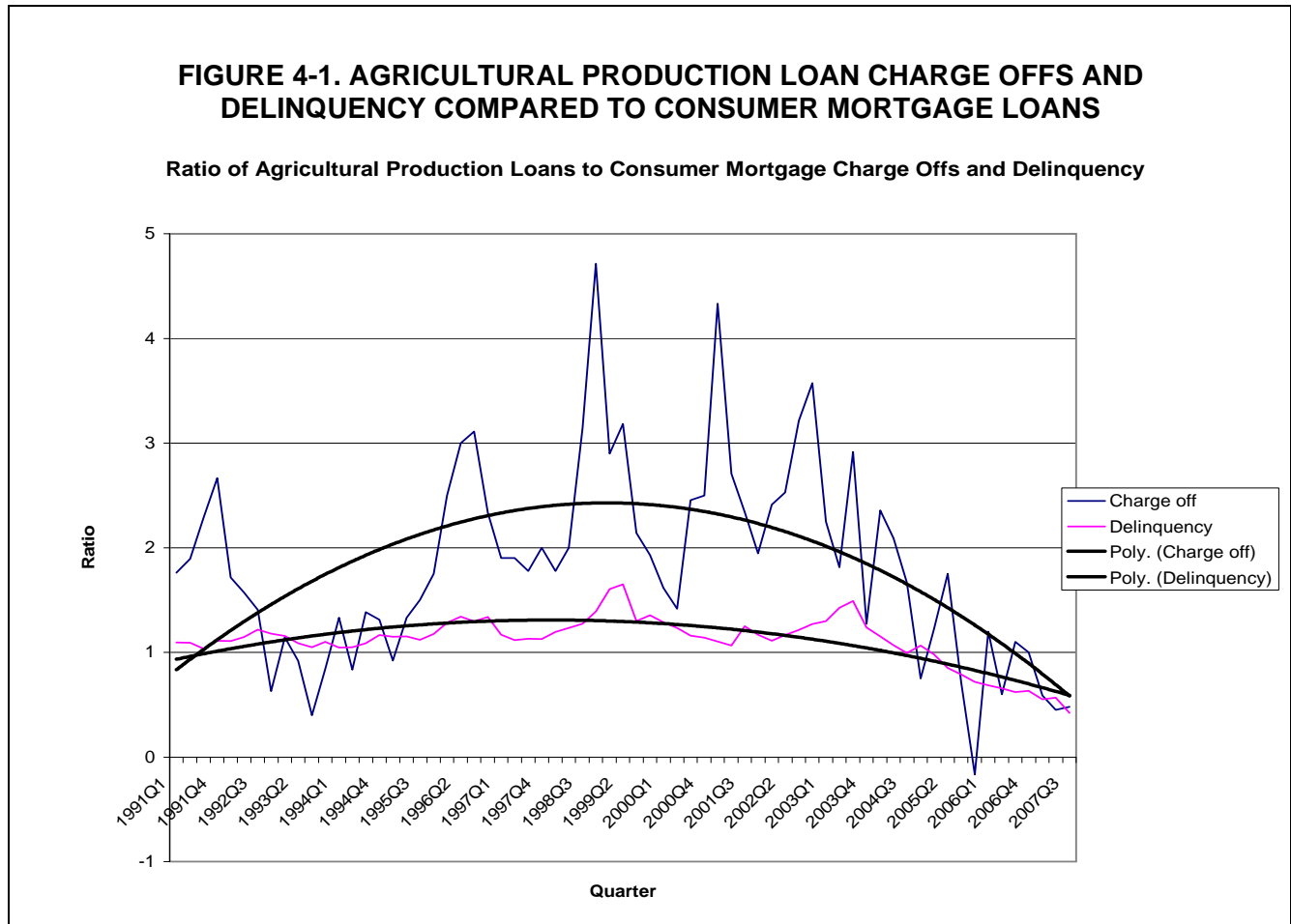
^a Nonaccrual plus accrual that are restructured or 90 days or more past due (impaired loans).

Source: Annual and Quarterly Reports of the Farm Credit System.

Credit quality of commercial lenders (Farm Credit and commercial banks) continues to be very high. There was a slight increase in non-accrual loans from 0.358% and 0.434% in 2007 to 0.47% and 0.55% in 2008, attributed to problems in the credit markets and residential real estate (Table 4-5). Still, the Farm Credit System is maintaining performance in non-accrual and non-performing loans in 2008, with only 1 in 200 loans being non-performing or non-accrual. Non-accrual and non-performing loans are at about as low levels as they could be expected to attain without severely restricting credit to a large group of people, most of whom are good credit risks. Throughout the farm credit system loan performance to borrowers is at a near all time high between 2006 and 2008. These conditions are largely mimicked in commercial lending (Table 4-6) which despite severe problems in non-farm real estate markets (to be discussed later) has a very low rate of delinquency (1.4% - 1.6%).

Table 4-6. Non-accrual, Non-performing, and Total Delinquent United States Commercial Banks, December 31						
Year	Farm Non Real Estate Loans			Farm Real Estate Loans		
	Non-accrual	Non-performing	Delinquent	Non-accrual	Non-performing	Delinquent
	percent of loan volume					
2000	1.0	1.2	2.1	0.8	1.4	2.3
2001	1.3	1.5	2.7	1.2	1.5	2.6
2002	1.3	1.6	2.6	1.2	1.5	2.5
2003	1.2	1.5	2.3	1.1	1.3	2.1
2004	0.9	1.0	1.6	0.8	1.0	1.6
2005	0.5	0.7	1.3	0.6	0.7	1.3
2006	0.5	0.6	1.3	0.5	0.7	1.3
2007	0.5	0.8	1.9	0.5	0.7	1.6
2008	0.5	0.7	1.4	0.7	0.9	1.6
^a Includes non-accrual and past due 90 days but accruing. ^b Includes non-performing and past due 30 to 89 days but accruing.						
Source: Agricultural Financial Databook, Board of Governors of the Federal Reserve System. 2008 Q2						

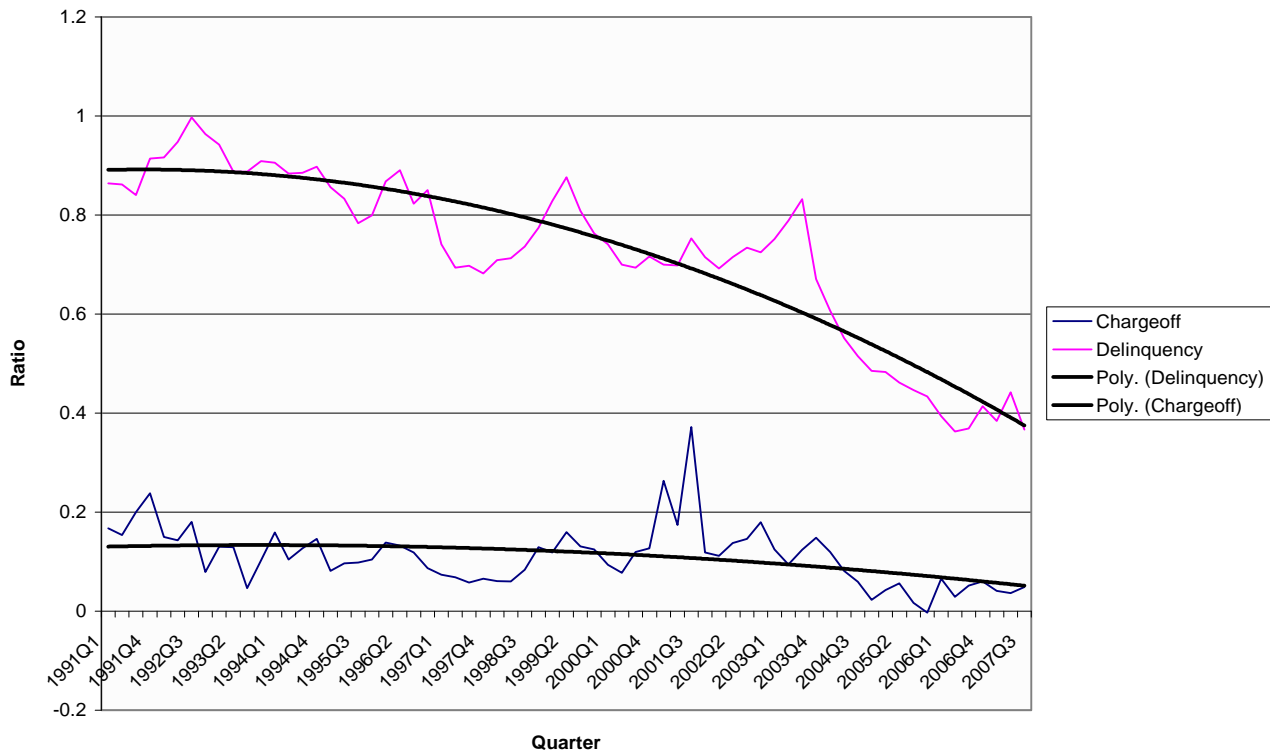
Outlook on Credit Supply and Credit Risk



The continued improvement in the credit quality of agricultural credit suggests a deeper look into how the agricultural sector compares with the non farm sector. In other words, how does the agricultural economy fare in terms of credit worthiness relative to consumers? History is replete with depressions that cause structural shifts in agriculture with randomness in commodity prices and weather patterns largely to blame. In the late 1990's and into this decade the average farm household income has met parity with non farm households. Equity is approaching 90% indicating that agriculture has significant credit reserves available to it. But coming out of the collapse ending in the late 1980's farmers attitudes towards credit changed and its use has, at least on average, been prudent. Using data available from the Federal Reserve Bank on consumer loans and agricultural production loans by commercial banks on charge offs and delinquencies we can get a sense, albeit incomplete, of the trend.

FIGURE 4-2. AGRICULTURAL PRODUCTION LOAN CHARGE OFFS AND DELINQUENCY COMPARED TO ALL CONSUMER LOANS

Ratio of Agricultural Production Loans to Consumer Credit Chargeoffs and Delinquency



Up to the fourth quarter of 2004 the delinquency rate on agricultural production loans was always higher than consumer mortgage loans (Figure 4-1). This was as high as 149% in 2003, and between 1990 and 2003 the average was 121%. There is nothing critical about this since the timing and sequencing of cash flows in agriculture do not always match the terms of loan repayment. However in 2004 this trend reversed itself and delinquencies in agricultural loans fell dramatically so that in 2007 the delinquency rate is only half of that on consumer mortgages. More critically charge offs of agricultural production loans were twice that of consumer mortgages averaging 206% between 1990 and 2003. However this too reversed itself starting in 2003 where now in 2007 the charge off rates of agricultural loans is only 41% of charge offs on consumer loans.

In terms of total consumer loans including credit cards and non revolving loans for auto and improvements, the delinquency rate and charge off rates in agriculture have always been lower (Figure 4-2). Delinquency rates peaked in 1991 at about 91% of consumer loans but has fallen steadily since so that today the delinquency rate relative to all consumer loans is only 0.366. The charge off ratio is much lower. The peak charge off ratio was 0.238 in late 1990, as farmers were coming off the collapse in the 1980s. Since then, the decline and the prudential use of agricultural credit has resulted in a charge off ratio of only 0.05 in 2007. In other words a consumer loan is nearly 20 times more likely to be charged off by a commercial lender than an

agricultural production loan. Two qualifications to this are required. The first is that the farm production loans do not include FSA loans but data we have for 2005 indicate that FSA delinquencies and charge offs are no worse than consumers. In other words, the most severe distresses in agriculture are no worse than the average of consumers. The second qualification is that only production credit is considered. This may not be critical. First, charge offs on agricultural production loans will most surely in most cases take place before charge offs on farm mortgages so the farm mortgage charge off rate will be much lower than consumer mortgages as presented here. Second, consumer credit includes not only mortgages but also credit cards and other non-revolving credit sources. It may be the case that a farmer has a delinquency on a personal credit card, but most commercial farms now operate off lines of credit from which cards are paid as well as equipment purchases and repairs and inputs and so on. It is therefore possible that a farmer can have both a consumer loan and a production loan, so at best we can say that the ratios so presented are lower bounds. Even so, we are seeing in 2007-2008 not only a continued parity with the non-farm sector in terms of income but overall improvement in credit quality.

Outlook on Interest Rates

Short term interest rates bottomed out at the lowest level in 50 years in late 2003 and early 2004 and have been rising throughout 2005, 2006 and 2007. The average 2004 prime rate was 4.3% but this increased to 6.19% in 2005, 7.96% in 2006 but fell slightly to 7.74% through October 2007 and below 5% through October 2008 (Figure 4-3). Rates are still historically low and have not been at this level since 2001 and before that 1967. In mid 2005 and continuing through the first part of 2007 the Federal Reserve Board pushed interest rates up from these historic levels in an effort to reach a more neutral monetary policy position and inflation pressure. The current credit crisis in sub prime lending has given pause to these increases causing the Federal Reserve to lower rates. On a calendar year basis, short term rates averaged 1.4% in 2004, increased to 3.22% for 2005, and averaged around 4.75% for 2006, exceeded 7% in 2007, and currently hovers around 4.56% (Figure 4-4).

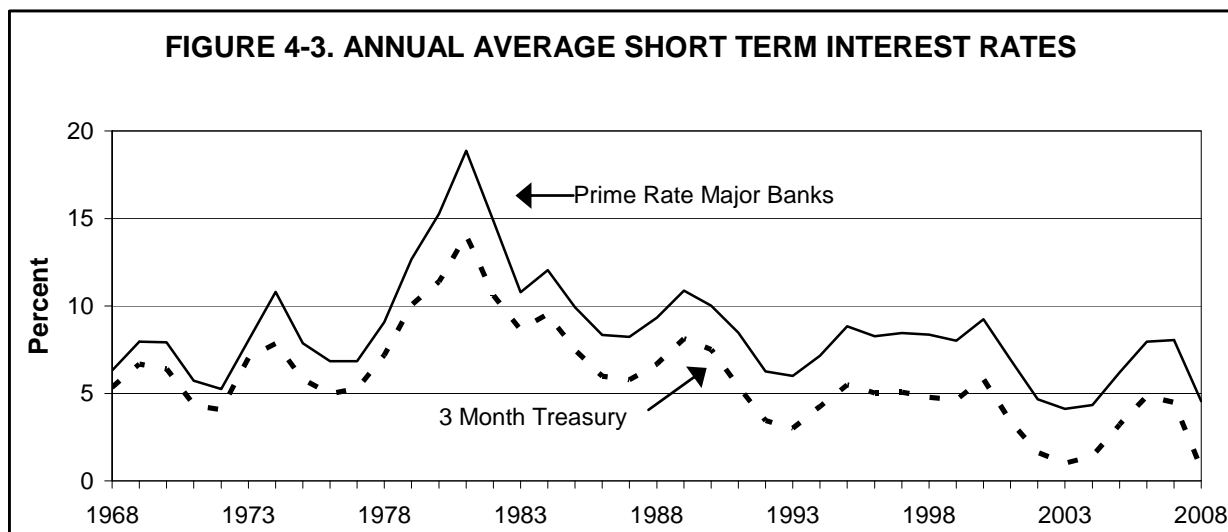
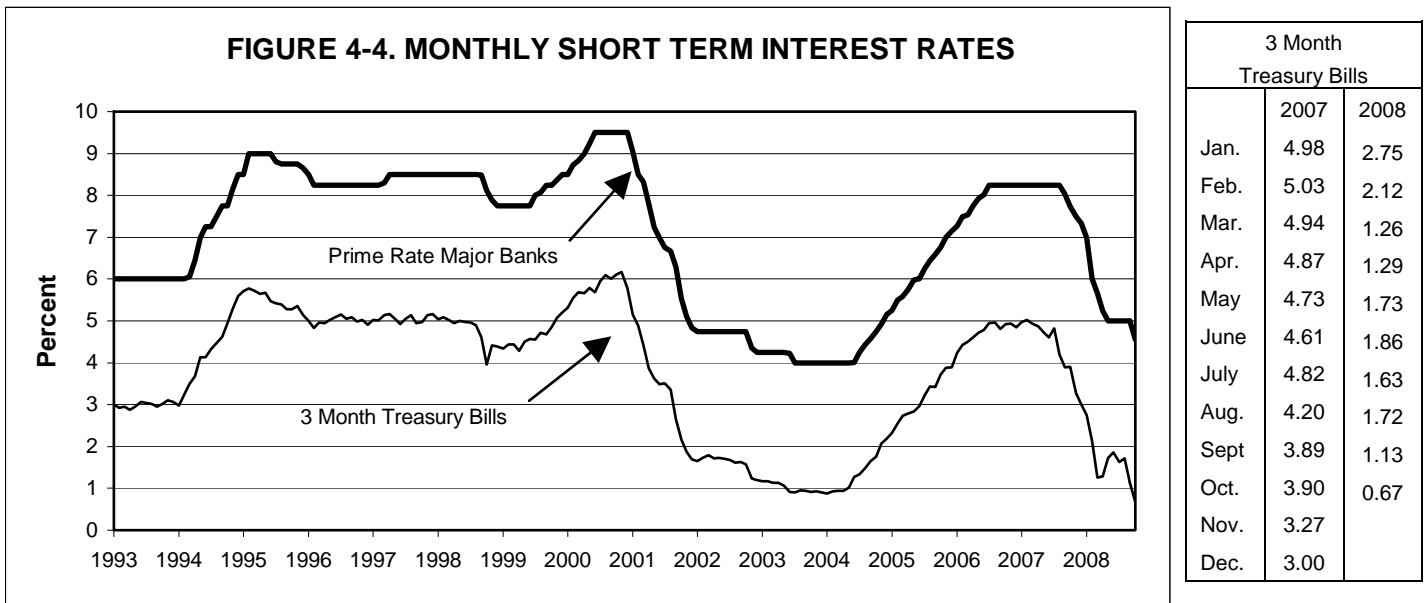


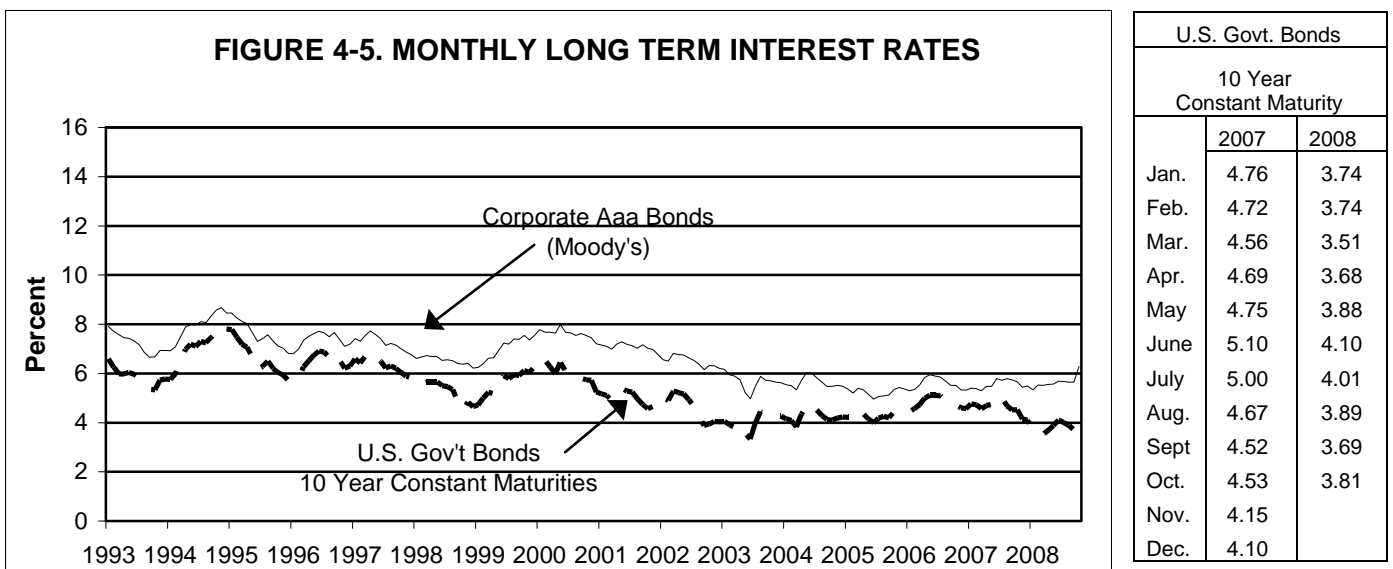
FIGURE 4-4. MONTHLY SHORT TERM INTEREST RATES

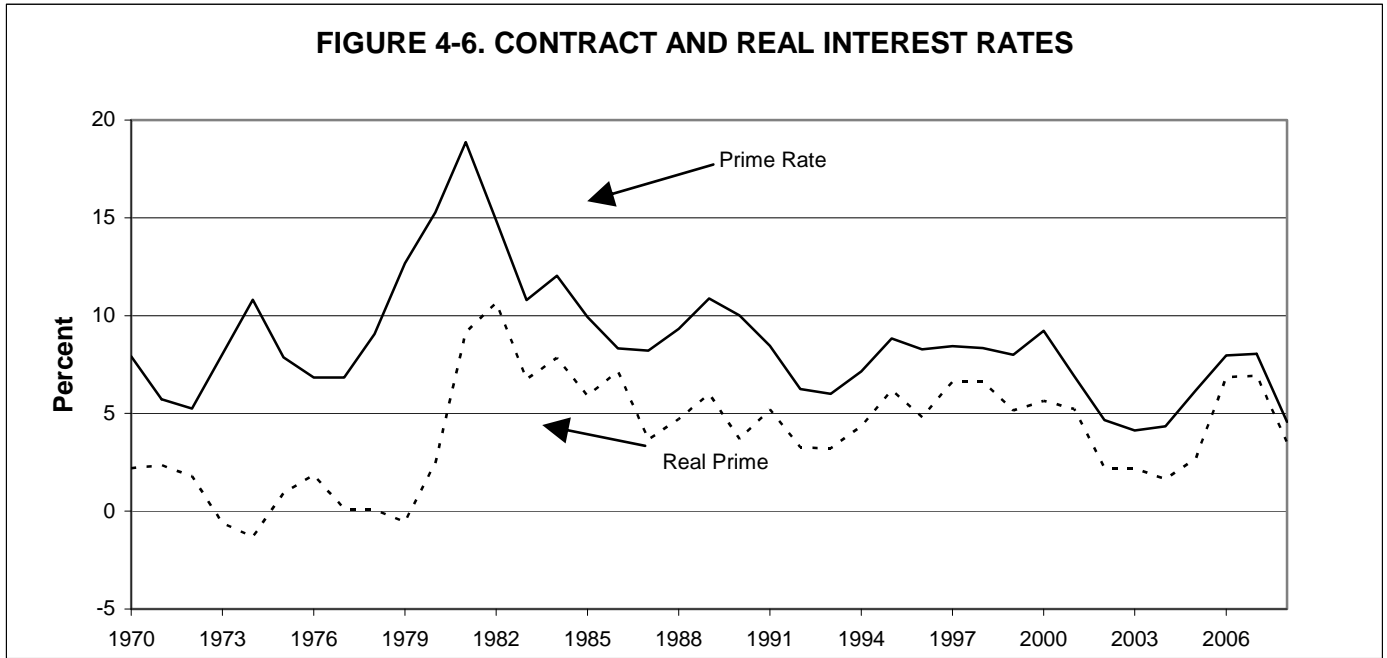


There has been a sharp decline in the 3-month treasury bills throughout 2007 and 2008 with the more dramatic declines taking place in the last half of 2008. Currently treasury yields are at 0.67%, below the rate of inflation. The low rate reflects illiquidity in the credit markets, reductions in the Federal Reserve Rate. It is expected that the rates will remain low until the current financial crisis is ended.

High quality corporate bonds continue to be low (Figure 4-5). As of October 2008 the Aaa rate was 6.28% in comparison to 10-year bond rates of 3.81%. The spread, at 2.47% is higher than the October 2007 spread of 1.13% and the 0.78% spread observed in 2006. This increase in the spread indicates an increase in the riskiness of corporate bonds relative to government bonds. The 10-year bonds have hovered between 4.53% and 3.51% between October 2007 and October 2008 (Figure 4-5).

FIGURE 4-5. MONTHLY LONG TERM INTEREST RATES



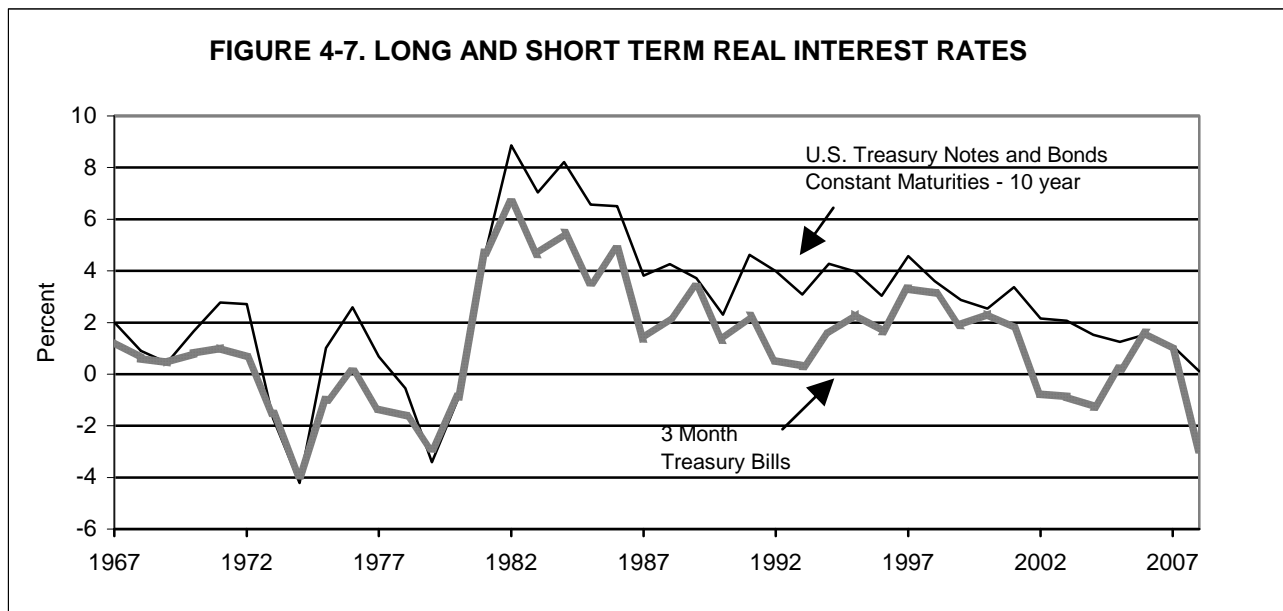


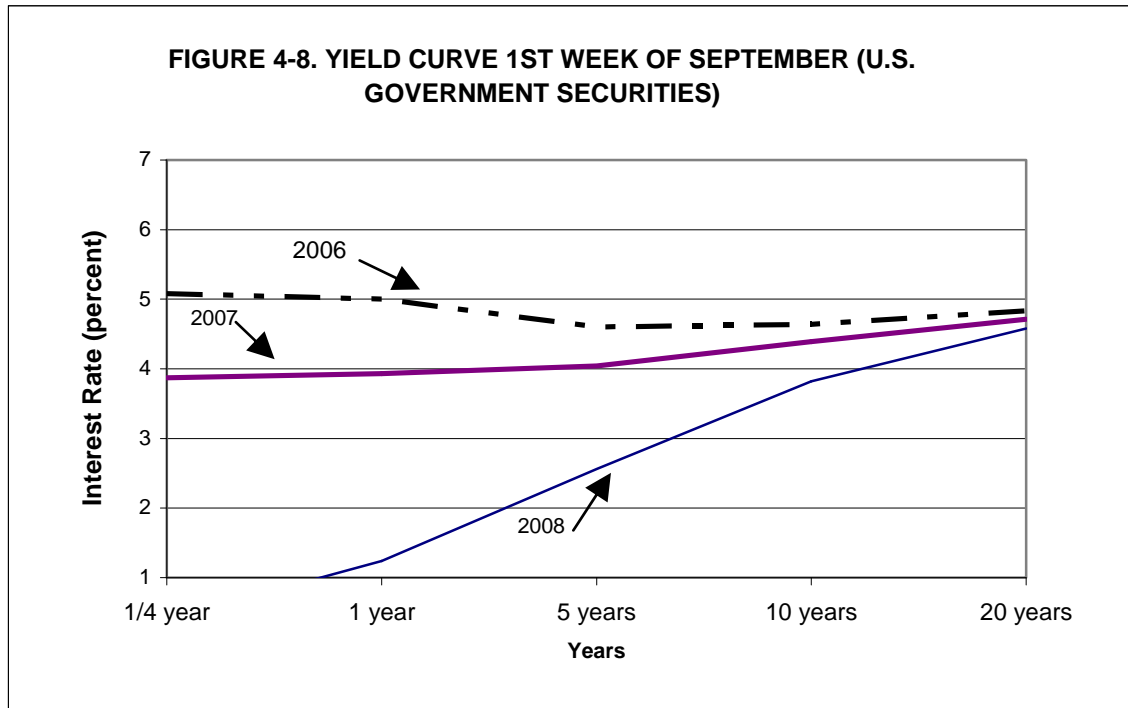
Inflation continues to be of concern. The 2007 inflation rate was 3.2% and this rose slightly to 3.7% in 2008. The real (inflation adjusted) prime rate has fallen from 4.46% in 2006 and 4.54% in 2007 to 3.49% as of October 2008 (Figure 4-6 and 4-7).

As with 2007-2008 there are many uncertainties in the market making it difficult to predict what interest rates are going to do in 2009. Figure 4-7 shows that 90-day inflation adjusted rates are below 10-year a rate which is the normal expectation. The spread between the 10-year notes and 90-day notes are increasing, largely due to the reduction in 90-day rates in the past 6 months to less than 1%. In real terms, the 90-day rates are negative (-2.94%) meaning that the return on short term bonds does not even cover inflation, and 10-year rates are very close to zero when adjusted for inflation.

Compared to 2007 the yield curve showing October bond yields at different maturities has shifted down and has become steeper (Figure 4-8). This is quite a shift from the inverted curve observed in 2006. The spread between 3-month and 1-year t-bills is only 1.32% and between 1-year and 5-year treasury bills the spread is only 1.26%. The spread between 5 and 10-year rates is only 0.76%.

Normally one would expect this yield curve to signal some very low interest rates in the next two or three years but under current conditions it is unlikely that they will be reflected in lending rates soon. Commercial banks are currently operating on tight credit schedules and are being extremely cautious. On the other hand, it does not appear that commercial, real estate, or agricultural loan rates are going to increase significantly in 2009.





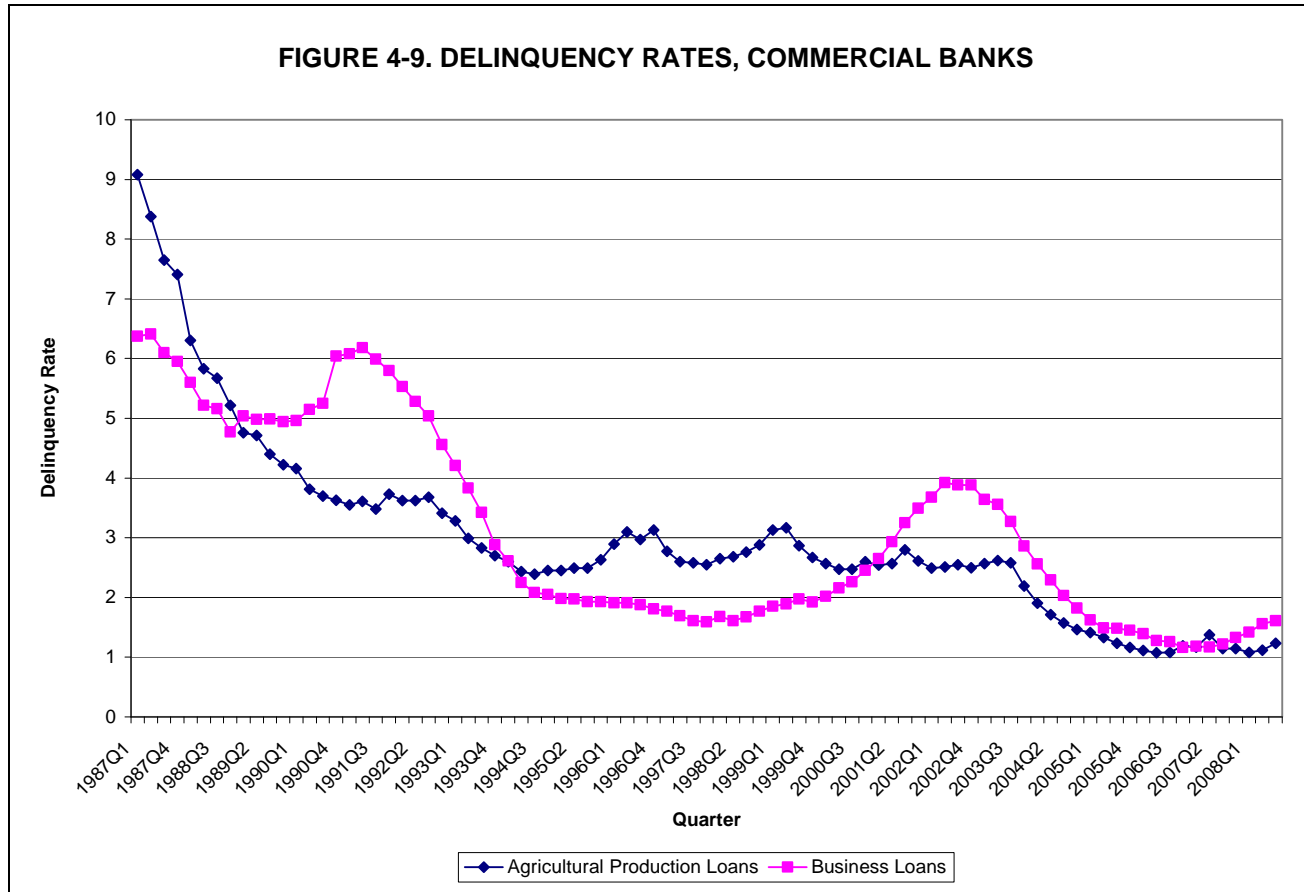
Agricultural Economy is in Pretty Good Shape

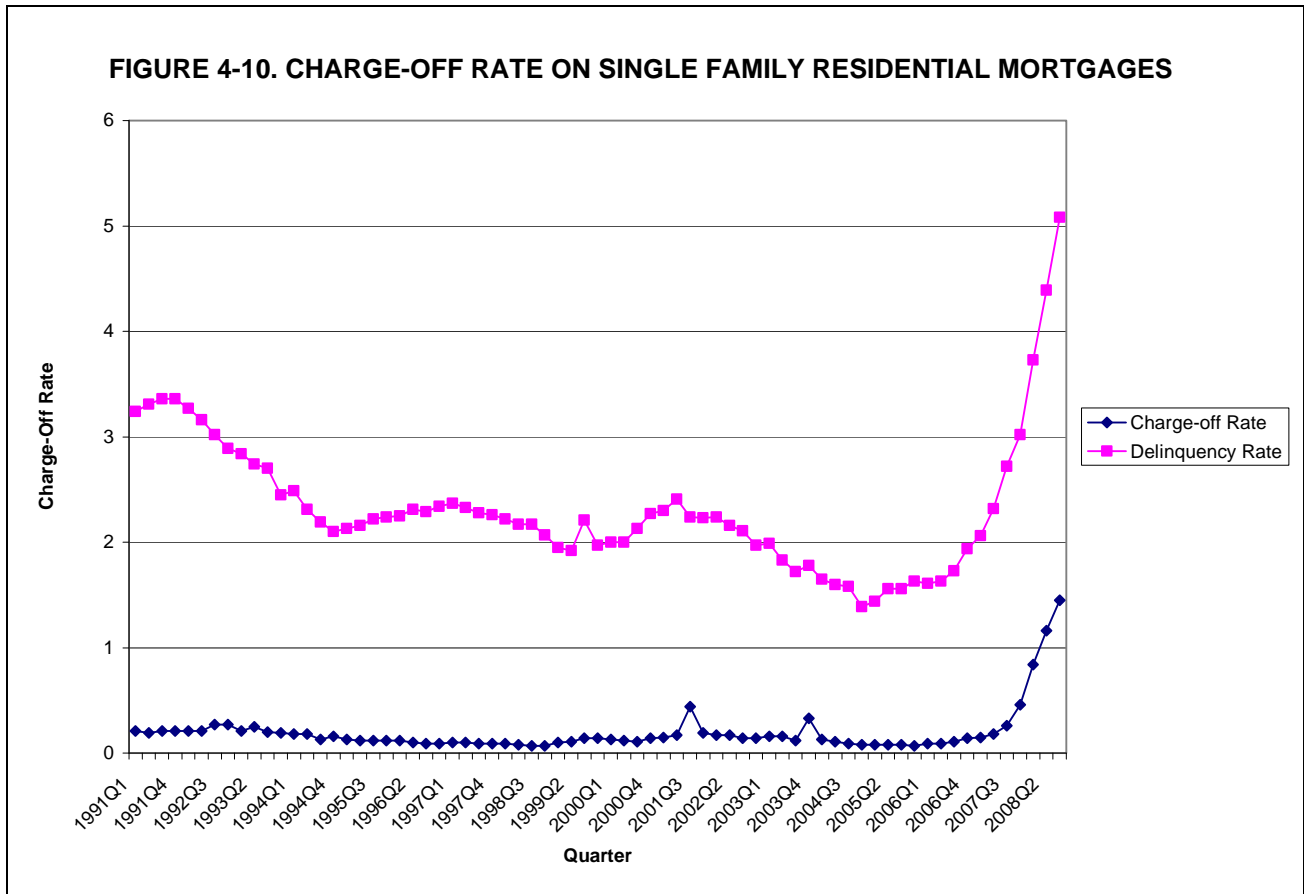
Relative to the non-farm economy the evidence and data suggests that agriculture is faring quite well. There is some indication that some spillover effects of the current mortgage meltdown due to sub-prime is infiltrating some agricultural loans but by no means does this suggest that the agricultural economy will be affected. What is happening in the urban/residential housing market is beyond the control of any farmer, but its fallout will likely have an impact. The sub prime housing market has two components. The first is a low entry interest rate that would allow homeowners, many of whom are low to middle income, purchase homes that would not ordinarily be affordable. In some instances the mortgages were designed as interest only and with high loan to value ratios this required that house prices would need to continuously rise in the future. The security for these loans was not in ability to pay but in unproven capital gains. In time, of course, nothing is given away. To compensate for low entry interest rates the sub prime lenders had to eventually increase or adjust the interest rate and this is where the economy is at today, except with the additional complication of a downturn in housing prices. To counter hundreds of thousands of foreclosures and to provide an offset to stock market volatility, monetary policy has moved to decrease interest rates. A decrease in interest rates makes the present value worth of cash flows from agriculture increase and hence an increase in the bid price for farmland. However, even though the Federal Reserve reduced its rate by more than 1.5% in 2008, the gains to banks were not passed on to consumers through lower interest rates.

Figure 4.9 plots the charge-off rates for agricultural loans versus non-farm business loans since 1991. What a long way agriculture has come! As business loans approach charge-off rates nearing 1% in 2008 the agricultural rate is 5-times lower at 0.19%. Furthermore while delinquency rates on farm real estate loans have been hovering around 1.6% for the past few years (Table 4-6) the charge off and delinquency rates in commercial real estate are substantive. Delinquency rates have in general been lower in agriculture in recent

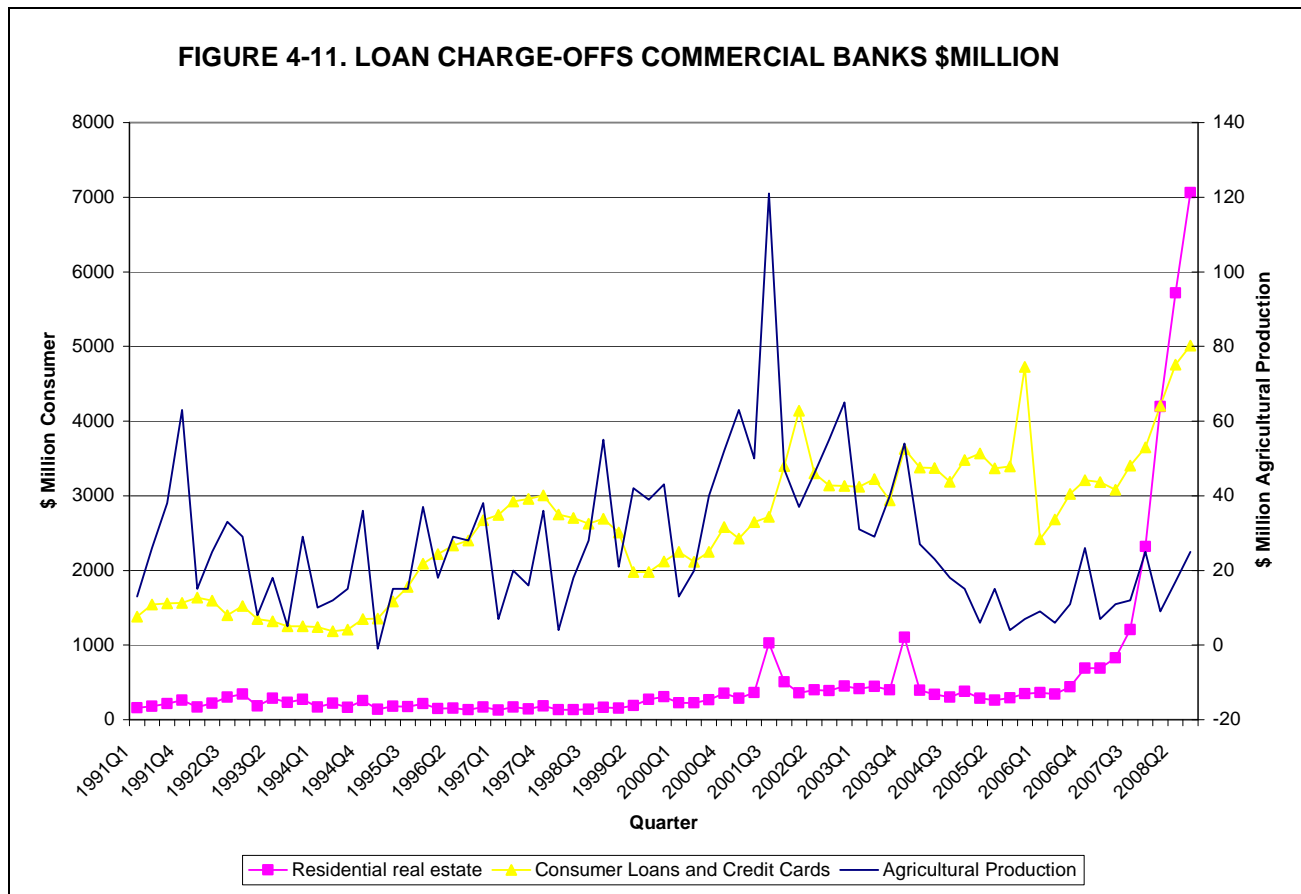
years, but the drama that is now unfolding in the non-farm real estate market is confounding. The stalling of real estate markets in late 2007 and through 2008, combined with adjustable sub-prime mortgages have caused the steep rise in delinquencies and charge-offs as shown in Figure 4-10. One can see the origination of the crisis in the 4th quarter of 2006, but it was not until after the first quarter in 2008 that politics took notice. By the first quarter of 2008 delinquency rates – a future look into home foreclosures— had increased to 3.73% increasing to 5.08% by October 2008. The fallout in charge offs was a rate of 0.84% by March 2008 and ending the 3rd quarter at 1.45%.

FIGURE 4-9. DELINQUENCY RATES, COMMERCIAL BANKS





The fallout in the consumer mortgage market is more dramatic than what Figure 4-10 portrays. The charge off rate is actually a function of outstanding loan balances. With rapidly increasing loan volume in the commercial sector an increase in ‘rates’ says little about the true carnage. Figure 4-11 plots real estate, credit card and agricultural loans in millions of dollars. Between October 2007 and October 2008 quarterly charge offs increased from \$1,205 million to \$7,059 million, with almost 5 times this amount at risk. Consumer credit-card charge-offs are falling in line with a trend increase being observed since 2006. In comparison, agricultural production loans, which are found on the right-hand axis amount to only \$20 million in 2008 Q3 and indicate a downward trend. Of course Figures 4-9 to 4-11 present only a snap shot of the effects, since these represent bank charge offs. It says nothing of delinquency in the secondary mortgage market where heavily invested mortgage backed securities have created havoc amongst banks, investment banks, hedge funds, pension funds, and non-bank debt providers. Even Farmer-Mac was not immune with its investment in the equity of an investment bank that was heavily weighted by mortgage backed securities. The recent bailout of more than \$700 billion by Congress and the Senate was intended to stabilize the real estate mortgage market, but the outcome is dubious.



Sub Prime and Interest Rates

The sub-prime market melt-down will likely lead to a slowdown in the speculative value of farmland. Speculation in this context is tied to the development option to convert agricultural land into residential lots. The demand for housing in terms of housing starts features in this option, but so does the price of houses. The greater the demand for housing and the more that people are willing or able to pay for the houses, the greater will be the option value capitalized into farmland values. The value of this option increases with house prices and housing demand, and decreases with commuting distance. Nonetheless, to a large extent any inflation or deflation in urban land markets can have significant impacts on farmland prices. In many localities suffering from sub prime foreclosures and forced sale of housing the increased supply will cause a precipitous decline in residential home values. This in turn will reduce the development option and hence land prices.

Table 4-6 shows recent USDA-ERS estimates of farmland prices in the U.S. Northeast, New York, and the USA. Land prices still tended to rise in 2008 indicating, at least for now, that the housing market has not had a great influence. This may be because most farms are so remote from residential zoning that the residential market has no influence. However it is notable that after a \$400- \$500/acre increase in each year between 2004 and 2007, real estate values in the Northeast increased by only \$80 in 2008. This is likely due to the significant development value in New Jersey and Connecticut. Falling house prices, increased supply, and tight credit markets make the outlook for new residential development on farmland quite bleak in 2008 and 2009.

Table 4.7. Farmland Values and Cash Rents

State	2003	2004	2005	2006	2007	2008
Real Estate \$/acre						
NE	3200	3550	4110	4550	5000	5080
NY	1700	1780	1920	2050	2150	2400
USA	1270	1360	1650	1900	2160	2350
Crop Land \$/acre						
NE	3400	3800	4390	5040	5450	5900
NY	1390	1470	1530	1820	1920	2200
USA	1660	1770	2110	2390	2300	2970
Cash Rent \$/acre						
NE	42	44.5	46	47	48	51
NY	37	40	41	39	39	44
USA	73	76.5	78	79.5	85	96
Cropland Value to Rent Ratio						
NE	80.95	85.39	95.43	107.23	113.54	115.68
NY	37.57	36.75	37.32	46.67	49.23	50
USA	22.74	23.14	27.05	30.06	27.06	30.94

Source: USDA ERS

The Ethanol Factor

In 2007 it was easily argued that rising oil prices increased the value of ethanol, which in turn increased the value of corn and by spillover effects from acreage adjustment, the price of other commodities as well. With oil prices currently below \$50/barrel and gasoline prices falling to below 2005 prices, the ethanol effect may shrink. It is at least, less quite uncertain at this time. Corn and other commodity prices have fallen in the past year; Corn went from \$4.35/bu for December 2008 futures as of November 2007 to \$3.38 for December 2008 futures as of November 20, 2008. This is a reduction of almost 25%. Likewise, soybeans have fallen from \$10.96/bu to \$8.40/bu and milk has fallen from \$20.16/cwt to \$14.95/cwt. The market price of ethanol has fallen from \$1.93/gallon to \$1.58/gallon. At least in the short run, and depending on the price of oil and gasoline, it is unlikely that the ethanol factor will affect land prices beyond what is currently capitalized into land values.

Table 4.8. 2009-10 Outlook on Corn, Soybeans, Milk and Ethanol

Futures Contract Month or Nearby	Commodity Price Forecasts 2007-2009			
	Corn	Soybeans	Class III Milk	Ethanol
December 2007	3.87	10.96	20.16	1.93
March 2008	4.04	11.07	16.8	1.758
May	4.15	11.14	16.06	1.738
July	4.24	11.18	16.1	1.73
September	4.29	10.6	16.32	1.749
December	4.35	10.27	15.79	1.749
March 2009	4.41	10.26	15.1	1.835
May	4.44	10.22	15.24	1.835
July	4.47	10.3	15.25	1.835
September	4.31	9.62	15.35	1.835
December 2008	3.38	8.40	14.95	1.58
March 2009	3.54	8.47	14.10	1.59
May	3.65	8.56	14.65	1.60
July	3.76	8.64	15.32	1.62
September	3.87	8.59	15.84	1.62
December	4.01	na	15.50	1.65
March 2010	4.15	8.67	15.20	1.66
May	4.23	8.70	15.25	1.66
July	4.28	8.70	15.65	1.66
September	4.22	8.70	16.15	1.66

Source: CBOT and CME

Conclusions

The outlook for 2009 is a good one for agriculture. Still farmers should be wary of immediate and future risks. Over the past several years much of the equity gains in agriculture have been due to farm real estate prices. The caution here is that much of the gains in commodity prices in the past few years have proven illusory, illustrating that a combination of events and structural change that gives rise to optimism can be taken away just as quickly. Commodities generally follow a random walk and can trend down just as easily as they can trend up depending on many factors. In the short run it appears that any waning in the urban housing market has not had a significant impact on farmland prices, but the impact is inevitable if foreclosures increase, increasing the supply of houses; decreasing the number of housing starts, and reducing the development option of farmland values. Having said that, the financial strength of agriculture is strong. There is little to indicate any spillover in crises or loss of equity, or criticality in commodity markets that will or can stress agriculture. Even though credit is tight in the commercial market there is no indication that farm credit is restricting credit to agriculture at this time. However, the normal course of supplier credit, largely provided through lines of credit from commercial lenders, may be restricted and this would require farmers to increase established lines of credit. If existing lines of credit cannot be extended then some farmers may have to postpone investment in capital to maintain liquidity reserves for input purchases.