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STATEMENT ON

FARM CREDIT PROBLEMS
AND THEIR IMPACT ON AGRICULTURAL BANKS

PRESENTED TO the Senate

COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON FAMILY FARM
UNITED STATES SENATE

BY

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Room 428A, Russell Senate Office Building

Mr. Chairman, and members of the subcommittee, my name is Charles E. Thacker. I am an Associate Director of the Division of Bank Supervision of the Federal Deposit Insurance Corporation. FDIC is a Federally chartered insurance company responsible for insuring depositors against loss, up to $100,000, of their deposits in the event of a bank failure. The FDIC is funded by insurance premiums charged to insured institutions and by the interest income on our investments in Treasury obligations. To control the risk to the insurance fund, the FDIC regulates and supervises the activities of insured institutions and in the event one fails, liquidates the assets acquired as a result of the failure for the benefit of any uninsured depositors, other creditors, and stockholders.

My statement addresses the overall condition of the agricultural banks, our regulatory responsibilities and our liquidation activities.

In recent times specific industries, particularly energy and real estate, have suffered severe losses which have been the principal cause of some commercial bank failures. Insofar as agricultural banks are concerned, we have yet to see an agricultural bank fail solely because of the condition of the agricultural economy.

However, there are substantial volumes of classified loans in many agricultural banks, so it remains to be seen the extent to which the losses inherent in these classifications will threaten the solvency of agricultural banks. Today we will take a look at agricultural banks from a performance standpoint and then discuss the FDIC's role in this industry.

Probably the best place to start the discussion is to agree on a definition for an agricultural bank. We have defined an agricultural bank as one in which agricultural loans comprise 25 percent or more of total loans. Agricultural loans are defined as loans secured by farmland, loans to finance agricultural production, and other loans to farmers. Using this definition, almost 30% of the commercial banks in the U.S., or 4,146 banks, are agricultural banks. These banks are spread throughout 39 states, however, Iowa, Illinois, Kansas, Minnesota, Nebraska and Missouri have heavy concentrations of agricultural banks. The number of agricultural banks in these six states alone accounts for 60% of the agricultural banks in the U.S.

Of the funds lent to farmers by major institutional lenders, Commercial banks provide about 40 percent of total farm operating loans and 10 percent of total farm real estate loans. However, they provide less than 30% of total farm loans, with the Farm Credit System the largest lender, holding 41.3% of farm debt. Within the banking industry, numerous banks are heavily concentrated in agricultural loans. Over one-half of the banks, or 2,935 banks, in a 16 state comparison comprised of midwest and plains states had a ratio of agricultural loans to total loans in excess of 30%, while this ratio exceeded 50% in one quarter of the banks in those 16 states. At least 70% of the banks in the states of South Dakota and Nebraska have more than 50% of their total loan portfolio tied up in agricultural credits. Other states such as Iowa and North Dakota are not far behind. Naturally, financial stress in the agricultural industry leads to questions about the conditions of these banks and forces the FDIC to upgrade its surveillance and supervisory efforts.

During much of the 1970s, agricultural banks typically outperformed other small banks. Return on Equity and Return on Assets were generally higher, while the loan loss rate for agricultural banks was consistently lower. With increasing pressure on agricultural banks due to high interest rates and low commodity prices for farmers, which brought about declines in land values, this has not carried over into the 1980s. Loan loss rates at agricultural banks increased from 0.3 percent in 1980 to 0.9 percent in 1983, surpassing loss rates at other small banks which rose from 0.4 percent to 0.7 percent, respectively. At the same time, the Return on Equity differential between agricultural and other small banks disappeared by 1983, while Return on Assets has declined, but has managed to remain higher than the nonagricultural banks.

This trend has continued throughout 1984. In comparing agricultural banks against a like number of other banks in each of 16 states, we see that, in general, agricultural banks are more highly capitalized than their nonagricultural counterparts, and as such are in a better position to withstand loan losses. Large increases in the provision for loan losses account for this higher capital position. Capital ratios increased from 9.0 percent in 1980 to 9.2 percent at year-end 1983 while the provision for loan losses as a percent of total loans increased from 0.4 percent to 1.1 percent during the same period. These trends have also continued in 1984. While this puts agricultural banks in a better position to deal with loan losses, the potential for losses has also increased.

Several other trends are evident in the 16 state comparison. Agricultural banks have a higher percentage of loans in past due status and in nonaccrual and renegotiated status than do their nonagricultural counterparts. This may be indicative of the severity of the problems in some of the loans at the agricultural banks. Also, agricultural banks generally exhibit lower loan to asset ratios than do the nonagricultural banks. In fact, a general decline in loan to asset ratios has taken place since late 1979 and can be attributed to the decline in the growth rate of farm loans while deposit growth has continued at relatively high rates. This has left agricultural banks with funds to lend, but considerable doubt about the ability of the agricultural producers to service the debt. Of note, however, is that the general decline in loan to asset ratios began to reverse itself in late 1983 and an increasing trend was noted through 1984. This is indicative of the growing inability of farmers to pay down debt rather than growth in farm loans.

Surprisingly, agricultural banks have not suffered huge losses in earnings. As a matter of fact, most of the net interest margins at agricultural banks are in line with their state average while the nonagricultural banks are the ones that fall far short of the state average. It appears that the agricultural banks have been able to maintain strong yields on their assets and keep the cost of funds at a minimum. Whether or not this trend will continue if agricultural credits deteriorate further is uncertain.

Despite the better performance of agricultural banks on an historical basis, many agricultural banks, recognizing that problems were developing, have prepared themselves for this situation and have so far been able to handle the problems easier than they have in the past. Their customers, the farmers who borrowed through the inflationary period just past, and now are suffering from declining land values and crop prices, must provide their bankers with accurate statements of their position in order for the situation to be worked out. Too often lending decisions are based on character, not supporting statements. While the statements may not be pretty, they are the first step toward a workout of agricultural credits.

There is no doubt that many farms are facing a cash flow crisis. This is especially true of a small percentage of farmers. Figures from a recent Federal Reserve Board study show that 8 percent of the farmers that hold 31 percent of the agricultural debt have debt-to-assets ratios of greater than 70 percent. It is simply unrealistic to expect a number of these farmers to generate sufficient cash flow from operations to service their obligations.

To compound the difficulties of some farmers, balloon payments on short-term land contracts are now coming due. Losses seem inevitable, especially on loans against the security of land values that have declined sharply.

The historical performance trends for agricultural banks are cold comfort for the problems besetting these banks. A quick run down of recent problem and failed bank statistics may give a truer perspective on agricultural banks. Remember that agricultural banks represent 30% of the total banks in the country. At year-end 1982 and through 1983 agricultural banks were 20-24% of the total number of problem banks. By June 1984, however, these banks represented 34% of the total and now represent about 37% of all problem banks. A similar situation is found when looking at failed bank statistics. For the first eight months of 1984, agricultural banks represented only 24% of the total failed banks; for the whole year, agricultural bank failures were 38% of the total; However, for the last four months of 1984, agricultural banks were 71% of the failed banks.

Having just discussed the numbers of problem and failed banks, let me talk about what the FDIC tries to do with problem banks, and how we handle the failures. When institutions present the warning signs associated with a problem institution, or are in danger of becoming insolvent, the FDIC will respond as it does to any bank in this situation, whether the problem stems from agricultural credits, real estate credits, energy credits or otherwise. We increase the number and frequency of our visits or examinations, and off-site reviews and surveillance are more frequent. Formal or informal administrative actions may be initiated. If efforts to turn the situation around are not successful, and the chartering authority decides to close the institution, the FDIC may be forced into its role as receiver and try to arrange a purchase and assumption, or if necessary, pay off depositors.

By supervising problem banks closely the FDIC can provide a sound appraisal of agricultural credits and recommendations to management as to possible courses of action. Whether to curtail credit lines, restructure, forebear or foreclose, and when to do so, and with respect to which borrowers, are bank management decisions that should be made with a view towards minimizing losses to all concerned. The FDIC will look at each loan individually, pointing out weaknesses, as appropriate, for management's attention. We will also consider the collectability of a bank's entire portfolio in the context of the overall condition of the bank. Certainly, we are receptive to a showing by any bank management that they are working with their agricultural borrowers and doing all that can be done reasonably under the circumstances to run a sound and profitable bank.

Given the recent acceleration of agricultural bank failures, you are rightly concerned with how the FDIC handles the assets from such failures. Our policies are clear and are mandated by law. The FDIC, as a fiduciary for the creditors and shareholders of failed banks, is charged with the responsibility to maximize the recoveries on the assets of failed banks. As much as we might like to do so, the FDIC cannot become a grant-type agency. That would be contrary to our legal responsibilities and could easily erode the strength of our insurance fund, which is performing a critical role in maintaining confidence and stability in the banking system. Normally, the best way for the FDIC to maximize the return on the assets of failed banks is to work with the borrowers. Foreclosure is viewed as a last resort, though it becomes necessary when a borrower is not observing sound business practices, is too deeply in debt to have any potential for recovery, or will not participate in a suitable workout program. The proceeds from the sales or recoveries of failed bank assets are disbursed as quickly as possible.

The FDIC has provided assistance to several states to speed up the liquidation process to provide funds to communities affected by the failure of banks that were not Federally insured banks. You may also be aware that we have expedited the approval process for deposit insurance applications of non-insured operating institutions in a number of states as a means of supporting the publics' confidence in these banks.

When all supervisory efforts have been exhausted, and the bank is declared insolvent by its chartering authority, and we are named as receiver, we attempt to handle the failure in the quickest and least disruptive manner possible. Agricultural bank failures have primarily been handled through purchase and assumptions transactions. This technique is one where an existing strong bank acquires the sound assets and the deposits of a failed bank, with the FDIC providing cash to make up the difference between asset values and liabilities. P & A transactions, as they are called, preserve bank services in communities and minimize the economic disruption caused by bank failures.

In the longer term, there is little that the FDIC can, by itself, do to alleviate the agricultural credit problem. We will continue our policy of realistic and fair evaluations of farm credits and assist in any way allowed by our statuatory limitations to produce a recovery in the farm sector.

While the FDIC is limited in its powers and policies in how it may assist the farmers and problem or failed banks in this country, the states do have avenues open for assistance. Many state laws restrict the opening and expansion of banks in their states. Changes in the branching laws and holding company laws could ease the pressure on banks. Several regions of the country are experimenting with regional interstate banking compacts. While the process of getting various state legislatures to pass comparable interstate banking laws is cumbersome, the benefits of diversifying funding and lending opportunities may make this effort worthwile. Other state laws which prohibit ownership of land by corporations, for example, or which exact a punitive tax penalty on the conversion of agricultural land to nonagricultural purposes, restrict the entering and exiting of persons from the agricultural industry. States should attempt to assure that the benefits of these laws truly exist and that the costs of such restrictions do not exceed such benefits.

A recent proposal from a Midwestern Congressman presents another alternative for dealing with loans that are taken over by the FDIC in a failing bank situation. Under this scenario, certain loans that are not assumed by the surviving institution could be purchased by an agency and therefore prevent "borderline" agricultural loans from undergoing probable liquidation. Funding seems to be the major issue in this debate, as well as whether the funding agency should be state or Federal. Here again, state laws also enter into the picture due to prohibitions on the use of public funds for private purposes.

In sum, the FDIC is acutely aware of, and sympathetic to, the agricultural crisis. We are exploring alternatives that will not detract from our private enterprise system, or erode confidence in the banking system.

Attached are schedules showing performance characteristics of agricultural and non-agricultural banks in 16 midwest and plains states containing almost three-fourths of the nation's agricultural banks and the relationship of problem banks to total banks in these states as well as the entire country.

	AGRICULTURAL BANKS						NON-AGRICULTURAL BANKS					
16 STATE AVG	1979	1980	1981	1982	1983	9/84	1979	1980	1981	1982	1983	9/84
PAST DUE LOAN	0.0	0.0	0.0	4.2	4.2	3.7	0.0	0.0	0.0	4.2	3.8	3.6
NONACC & REN	0.0	0.0	0.0	1.1	1.7	2.3	0.0	0.0	0.0	1.4	1.5	1.8
CAPITAL RATIO	8.8	9.0	9.0	9.2	9.2	9.6	8.3	8.5	8.2	8.0	8.2	8.5
LOANS/ASSETS	58.5	53.7	52.0	51.8	51.9	55.0	57.8	54.0	52.3	52.3	53.9	57.6
ROA	1.31	1.42	1.34	1.20	1.05	1.00	1.06	1.07	1.03	0.86	0.74	0.89
NIM	5.47	5.40	5.59	5.53	5.36	5.04	5.84	6.74	5.62	5.55	5.38	5.29
					NIM AVG	5.37					NIM AVG	5.73

	AGRICULTURAL BANKS						NON-AGRICULTURAL BANKS					
COLORADO	1979	1980	1981	1982	1983	9/84	1979	1980	1981	1982	1983	9/84
PAST DUE LOAN	0.0	0.0	0.0	4.3	4.6	4.5	0.0	0.0	0.0	4.0	3.5	3.2
NONACC & REN	0.0	0.0	0.0	1.7	2.5	3.1	0.0	0.0	0.0	1.6	1.9	2.2
CAPITAL RATIO	9.8	10.0	9.8	10.4	9.9	10.3	9.0	9.4	8.2	7.9	8.3	8.7
LOANS/ASSETS	61.7	58.4	57.6	58.4	58.6	59.8	60.6	56.2	58.7	56.0	56.2	58
ROA	1.64	1.73	1.30	1.08	0.99	0.76	1.49	1.61	1.52	0.99	1.18	1.00
NIM	6.33	6.55	6.56	6.42	6.02	5.88	6.83	7.04	7.40	7.08	6.74	6.84
					NIM AVG	6.29					NIM AVG	6.99

	AGRICULTURAL BANKS						NON-AGRICULTURAL BANKS					
IDAHO	1979	1980	1981	1982	1983	9/84	1979	1980	1981	1982	1983	9/84
PAST DUE LOAN	0.0	0.0	0.0	5.0	4.7	3.0	0.0	0.0	0.0	3.7	4.0	2.5
NONACC & REN	0.0	0.0	0.0	2.4	2.7	3.1	0.0	0.0	0.0	1.6	1.4	1.2
CAPITAL RATIO	7.7	8.0	8.1	8.6	8.7	8.9	8.3	9.0	8.1	6.9	6.8	6.7
LOANS/ASSETS	62.1	58.4	59.0	57.3	58.4	62.6	57.2	56.6	56.4	59.1	58.3	65.7
ROA	1.13	1.12	1.14	0.96	0.99	1.07	1.28	1.20	0.69	0.52	0.50	0.72
NIM	6.09	5.58	5.94	6.02	6.01	5.39	6.82	6.52	6.03	5.71	5.70	5.34
					NIM AVG	5.84					NIM AVG	6.02

	AGRICULTURAL BANKS						NON-AGRICULTURAL BANKS					
ILLINOIS	1979	1980	1981	1982	1983	9/84	1979	1980	1981	1982	1983	9/84
PAST DUE LOAN	0.0	0.0	0.0	3.4	3.2	3.2	0.0	0.0	0.0	4.1	3.4	2.4
NONACC & REN	0.0	0.0	0.0	0.7	1.1	1.4	0.0	0.0	0.0	1.7	1.7	1.7
CAPITAL RATIO	9.2	9.3	9.3	9.4	9.5	9.9	8.5	8.6	7.1	7.4	7.3	7.6
LOANS/ASSETS	54.7	49.2	46.2	44.5	45.3	49.0	54.1	50.0	48.8	48.7	46.7	50.0
ROA	1.26	1.25	1.21	1.16	1.12	1.05	0.88	0.82	0.83	0.71	0.73	1.05
NIM	4.97	4.83	4.94	4.96	4.96	4.66	5.10	4.89	4.90	4.77	4.84	4.82
					NIM AVG	4.89					NIM AVG	4.89

INDIANA	AGRICULTURAL BANKS 1979	1980	1981	1982	1983	9/84	NON-AGRICULTURAL BANKS 1979	1980	1981	1982	1983	9/84
PAST DUE LOAN	0.0	0.0	0.0	3.9	3.7	3.4	0.0	0.0	0.0	3.4	3.6	1.9
NONACC & REN	0.0	0.0	0.0	0.9	1.0	1.5	0.0	0.0	0.0	1.2	1.3	1.2
CAPITAL RATIO	9.1	9.3	9.5	9.3	9.2	9.4	8.3	8.5	8.5	8.3	8.1	7.2
LOANS/ASSETS	58.2	54.5	52.4	50.4	49.1	54.0	55.9	52.2	51.5	51.3	47.6	56.9
ROA	1.21	1.19	0.98	0.74	0.79	0.94	1.06	1.01	0.73	0.65	0.67	0.92
NIM	5.19	4.74	4.51	4.35	4.53	4.50	5.14	4.83	4.59	4.33	4.39	4.52
					NIM AVG	4.64					NIM AVG	4.63

IOWA	AGRICULTURAL BANKS 1979	1980	1981	1982	1983	9/84	NON-AGRICULTURAL BANKS 1979	1980	1981	1982	1983	9/84
PAST DUE LOAN	0.0	0.0	0.0	3.2	3.3	3.2	0.0	0.0	0.0	3.5	2.8	2.8
NONACC & REN	0.0	0.0	0.0	0.8	1.6	2.3	0.0	0.0	0.0	1.8	1.3	1.5
CAPITAL RATIO	8.6	8.9	9.0	9.0	9.2	9.6	8.2	8.1	8.0	7.3	7.8	8.6
LOANS/ASSETS	60.7	53.6	49.4	48.4	47.4	51.6	57.4	51.0	46.4	44.5	47.1	49.5
ROA	1.26	1.42	1.35	1.18	1.09	0.81	0.93	1.04	0.98	0.74	0.69	0.74
NIM	4.79	5.01	5.18	4.94	4.87	4.55	5.01	4.98	4.90	4.78	4.74	4.69
					NIM AVG	4.89					NIM AVG	4.85

KANSAS	AGRICULTURAL BANKS 1979	1980	1981	1982	1983	9/84	NON-AGRICULTURAL BANKS 1979	1980	1981	1982	1983	9/84
PAST DUE LOAN	0.0	0.0	0.0	2.8	3.1	3.3	0.0	0.0	0.0	3.9	3.6	3.5
NONACC & REN	0.0	0.0	0.0	0.6	1.1	2.2	0.0	0.0	0.0	0.9	1.4	1.5
CAPITAL RATIO	9.0	9.2	9.2	9.4	9.6	10.1	8.5	8.5	8.5	8.4	8.5	8.7
LOANS/ASSETS	55.6	51.0	48.8	49.3	49.7	51.2	54.3	51.8	49.4	49.2	51.8	54.7
ROA	1.31	1.39	1.41	1.29	1.03	0.88	0.99	1.04	1.00	0.98	0.80	0.74
NIM	5.21	5.41	5.77	5.63	5.38	5.00	5.21	5.31	5.41	5.52	5.33	5.14
					NIM AVG	5.40					NIM AVG	5.32

MICHIGAN	AGRICULTURAL BANKS 1979	1980	1981	1982	1983	9/84	NON-AGRICULTURAL BANKS 1979	1980	1981	1982	1983	9/84
PAST DUE LOAN	0.0	0.0	0.0	4.4	5.4	3.9	0.0	0.0	0.0	5.6	5.1	4.6
NONACC & REN	0.0	0.0	0.0	1.4	1.8	2.4	0.0	0.0	0.0	0.9	1.9	1.8
CAPITAL RATIO	8.7	8.9	8.4	8.9	8.6	8.5	8.6	8.7	8.4	8.3	8.2	8.5
LOANS/ASSETS	61.3	56.1	53.5	55.5	56	60	60.6	57.2	56.7	51.4	50.6	55.3
ROA	1.09	1.14	0.82	0.89	0.9	0.52	1.04	0.86	0.80	0.89	0.68	0.77
NIM	5.94	4.70	4.62	4.95	4.67	4.31	6.41	4.56	4.69	4.86	4.86	4.86
					NIM AVG	4.87					NIM AVG	5.04

MINNESOTA	AGRICULTURAL BANKS						NON-AGRICULTURAL BANKS					
	1979	1980	1981	1982	1983	9/84	1979	1980	1981	1982	1983	9/84
PAST DUE LOAN	0.0	0.0	0.0	4.1	4.3	4.0	0.0	0.0	0.0	4.6	4.0	3.7
NONACC & REN	0.0	0.0	0.0	0.8	1.2	1.8	0.0	0.0	0.0	0.8	1.1	1.4
CAPITAL RATIO	8.2	8.4	8.6	8.9	9.0	9.6	7.8	8.0	8.2	8.2	8.0	8.5
LOANS/ASSETS	61.3	54.1	52.3	53.6	53.5	58.1	61.1	57.2	55.4	56.0	54.9	57.5
ROA	1.16	1.28	1.32	1.2	1.04	1.07	0.90	0.84	0.83	0.67	0.8	0.98
NIM	4.66	5.00	5.31	5.25	5.1	4.89	5.25	5.13	5.35	5.25	5.30	5.26
					NIM AVG	5.04					NIM AVG	5.26

MISSOURI	AGRICULTURAL BANKS						NON-AGRICULTURAL BANKS					
	1979	1980	1981	1982	1983	9/84	1979	1980	1981	1982	1983	9/84
PAST DUE LOAN	0.0	0.0	0.0	4.3	3.7	3.5	0.0	0.0	0.0	4.0	3.3	2.8
NONACC & REN	0.0	0.0	0.0	1.0	1.7	2.7	0.0	0.0	0.0	1.0	1.0	1.3
CAPITAL RATIO	9.0	9.2	9.3	9.5	9.4	9.8	8.8	8.9	8.7	8.6	8.6	8.7
LOANS/ASSETS	55.3	51.3	49.3	48.6	49.2	52.2	56.0	52.9	50.7	49.9	49.4	52.3
ROA	1.37	1.36	1.32	1.23	0.74	0.63	0.97	0.98	0.95	0.88	0.33	0.66
NIM	5.36	5.34	5.57	5.51	5.06	4.77	5.49	5.29	5.43	5.37	5.09	5.01
					NIM AVG	5.27					NIM AVG	5.28

MONTANA	AGRICULTURAL BANKS						NON-AGRICULTURAL BANKS					
	1979	1980	1981	1982	1983	9/84	1979	1980	1981	1982	1983	9/84
PAST DUE LOAN	0.0	0.0	0.0	5.3	5.6	4.3	0.0	0.0	0.0	6.1	5.2	5.9
NONACC & REN	0.0	0.0	0.0	0.8	1.8	3.1	0.0	0.0	0.0	1.1	1.5	2.2
CAPITAL RATIO	8.5	8.6	8.8	8.8	8.5	9.3	7.6	7.9	8.0	8.4	7.7	8.5
LOANS/ASSETS	56.8	50.6	50.6	50.2	50.1	53.9	62.5	57.3	55.6	57.9	56.9	61.0
ROA	1.40	1.49	1.45	1.27	1.49	1.4	1.12	1.05	1.13	1.12	1.1	1.19
NIM	6.03	5.40	5.49	5.65	5.7	5.34	6.48	5.62	5.65	6.07	5.97	6.05
					NIM AVG	5.60					NIM AVG	5.97

NEBRASKA	AGRICULTURAL BANKS						NON-AGRICULTURAL BANKS					
	1979	1980	1981	1982	1983	9/84	1979	1980	1981	1982	1983	9/84
PAST DUE LOAN	0.0	0.0	0.0	2.6	2.9	2.6	0.0	0.0	0.0	2.4	2.0	2.4
NONACC & REN	0.0	0.0	0.0	1.0	1.7	2.3	0.0	0.0	0.0	1.6	1.8	2.4
CAPITAL RATIO	9.0	9.3	9.5	9.3	9.6	10.1	7.0	7.1	7.2	7.1	7.8	8.4
LOANS/ASSETS	59.3	55.7	54.1	54.0	54.2	58.0	52.2	45.5	44.4	44.8	51.4	59.7
ROA	1.47	1.78	1.73	1.44	1.16	1.10	1.05	1.14	1.05	0.78	0.41	0.69
NIM	5.39	6.02	6.30	6.07	5.66	5.21	5.73	6.00	6.22	5.84	5.43	5.34
					NIM AVG	5.78					NIM AVG	5.76

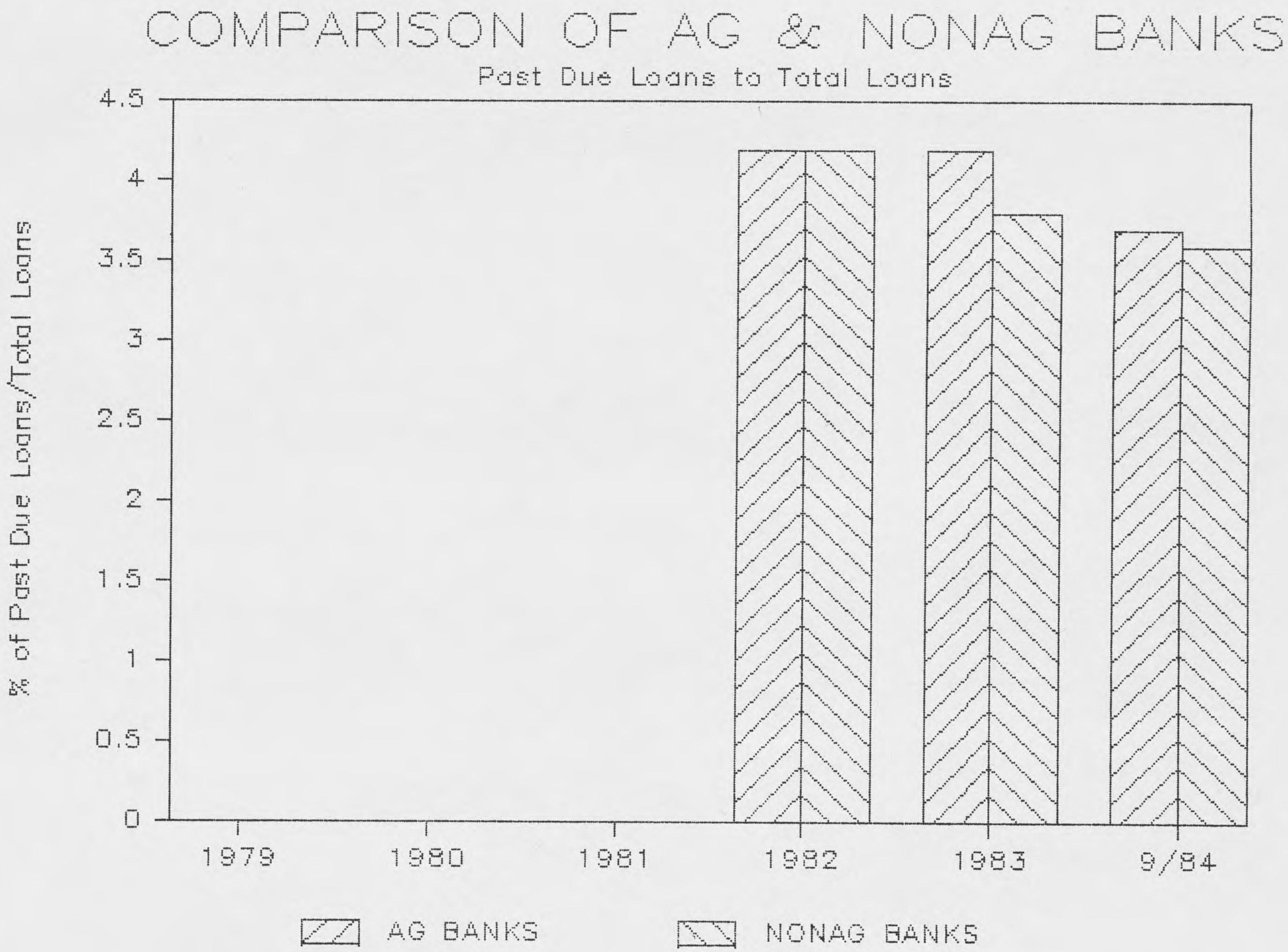
	AGRICULTURAL BANKS						NON-AGRICULTURAL BANKS					
NORTH DAKOTA	1979	1980	1981	1982	1983	9/84	1979	1980	1981	1982	1983	9/84
PAST DUE LOAN	0.0	0.0	0.0	5.3	5.3	3.7	0.0	0.0	0.0	4.0	3.4	3.7
NONACC & REN	0.0	0.0	0.0	1.0	1.6	2.5	0.0	0.0	0.0	2.0	1.8	2.4
CAPITAL RATIO	9.0	9.1	8.8	8.8	9.0	9.6	8.2	8.8	8.5	8.0	7.7	8.2
LOANS/ASSETS	58.3	51.8	48.2	48.5	48.1	50.8	57.9	54.2	49.0	49.5	52.6	55.5
ROA	1.35	1.45	1.46	1.21	1.09	1.25	0.95	0.86	0.79	0.78	0.72	1.04
NIM	5.08	5.37	5.72	5.55	5.18	5.06	5.21	5.33	5.33	5.42	5.06	5.06
					NIM AVG	5.33					NIM AVG	5.24

	AGRICULTURAL BANKS						NON-AGRICULTURAL BANKS					
OKLAHOMA	1979	1980	1981	1982	1983	9/84	1979	1980	1981	1982	1983	9/84
PAST DUE LOAN	0.0	0.0	0.0	3.4	4.2	4.4	0.0	0.0	0.0	4.0	4.7	4.4
NONACC & REN	0.0	0.0	0.0	1.1	1.8	2.7	0.0	0.0	0.0	1.2	1.9	2.3
CAPITAL RATIO	8.9	9.1	8.9	9.2	9.8	9.9	8.8	8.9	8.8	8.6	8.6	9.2
LOANS/ASSETS	51.8	49.0	49.4	49.7	49.3	47.3	54.5	51.1	50.3	54.3	51.0	51.5
ROA	1.58	1.71	1.71	1.56	1.00	0.98	1.23	1.30	1.53	1.00	0.80	1.10
NIM	6.27	6.15	6.33	6.13	5.86	5.42	6.29	6.28	6.47	6.45	6.10	5.82
					NIM AVG	6.03					NIM AVG	6.24

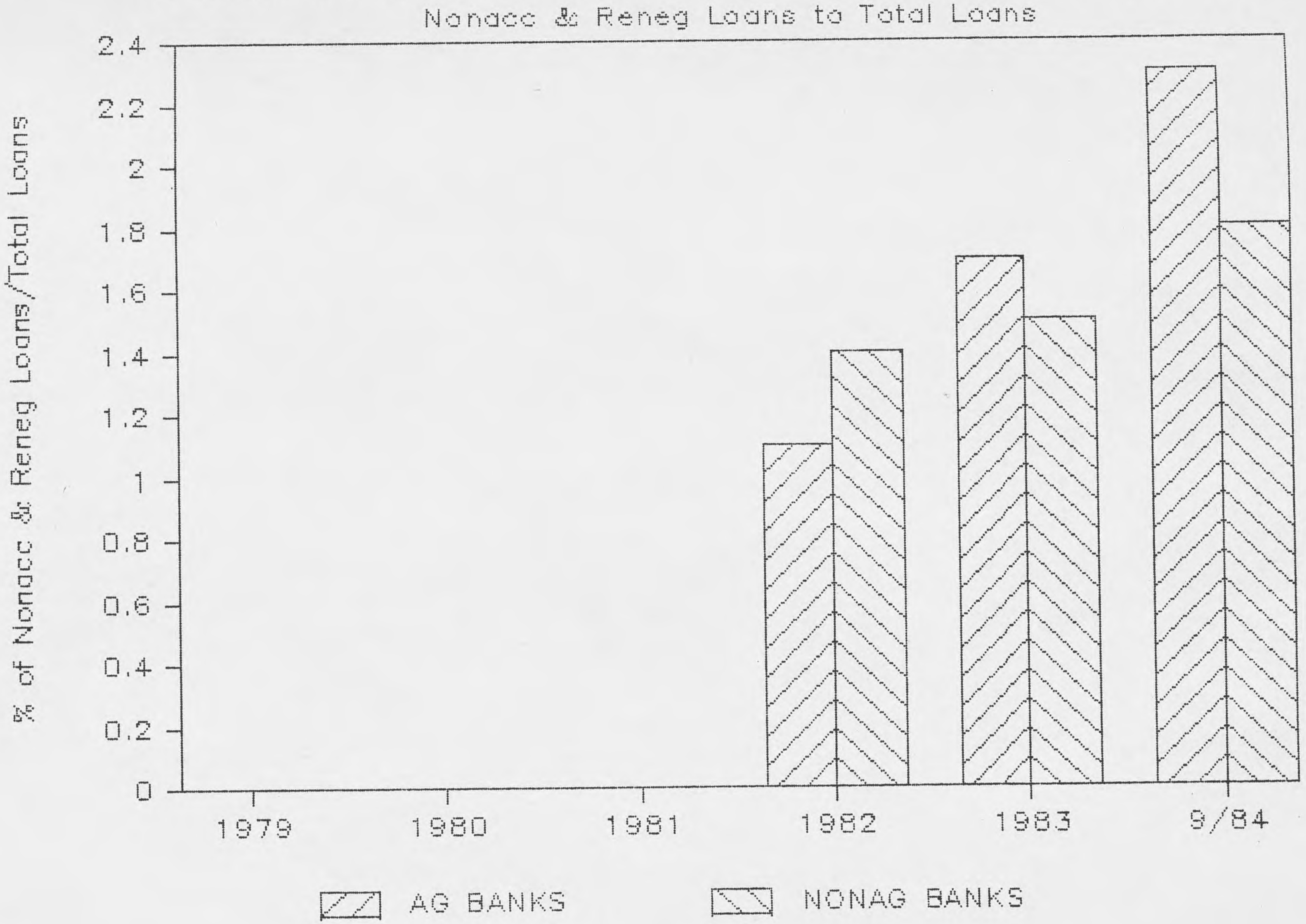
	AGRICULTURAL BANKS						NON-AGRICULTURAL BANKS					
SOUTH DAKOTA	1979	1980	1981	1982	1983	9/84	1979	1980	1981	1982	1983	9/84
PAST DUE LOAN	0.0	0.0	0.0	3.3	3.1	2.9	0.0	0.0	0.0	4.1	3.3	3.3
NONACC & REN	0.0	0.0	0.0	1.3	2.4	3.0	0.0	0.0	0.0	2.2	0.4	0.4
CAPITAL RATIO	8.0	8.2	8.4	8.5	8.1	8.7	7.5	7.7	7.2	6.8	10.6	10.1
LOANS/ASSETS	62.0	56.2	53.3	52.8	54.6	57.9	63.5	60.6	56.7	57.4	83.5	88.6
ROA	1.12	1.41	1.39	1.24	1.18	1.28	0.66	0.83	0.85	0.45	0.29	0.78
NIM	4.91	5.28	5.68	5.41	5.40	5.18	6.14	5.27	5.63	5.29	5.43	5.14
					NIM AVG	5.31					NIM AVG	5.48

	AGRICULTURAL BANKS						NON-AGRICULTURAL BANKS					
WISCONSIN	1979	1980	1981	1982	1983	9/84	1979	1980	1981	1982	1983	9/84
PAST DUE LOAN	0.0	0.0	0.0	5.4	5.4	4.8	0.0	0.0	0.0	4.8	3.9	3.7
NONACC & REN	0.0	0.0	0.0	0.6	1.0	1.6	0.0	0.0	0.0	1.3	1.2	1.2
CAPITAL RATIO	8.6	9.0	9.1	9.3	9.5	9.8	8.3	8.6	8.8	8.7	8.7	9.1
LOANS/ASSETS	62.3	58.9	56.6	54.9	55.0	58.1	61.7	59.1	56.5	54.3	52.3	56.0
ROA	1.17	1.22	1.24	1.21	1.05	1.00	0.95	0.94	0.97	0.84	0.94	1.04
NIM	4.62	4.67	4.98	5.17	4.96	4.65	4.77	24.32	5.17	5.12	5.13	4.98
					NIM AVG	4.84					NIM AVG	8.25

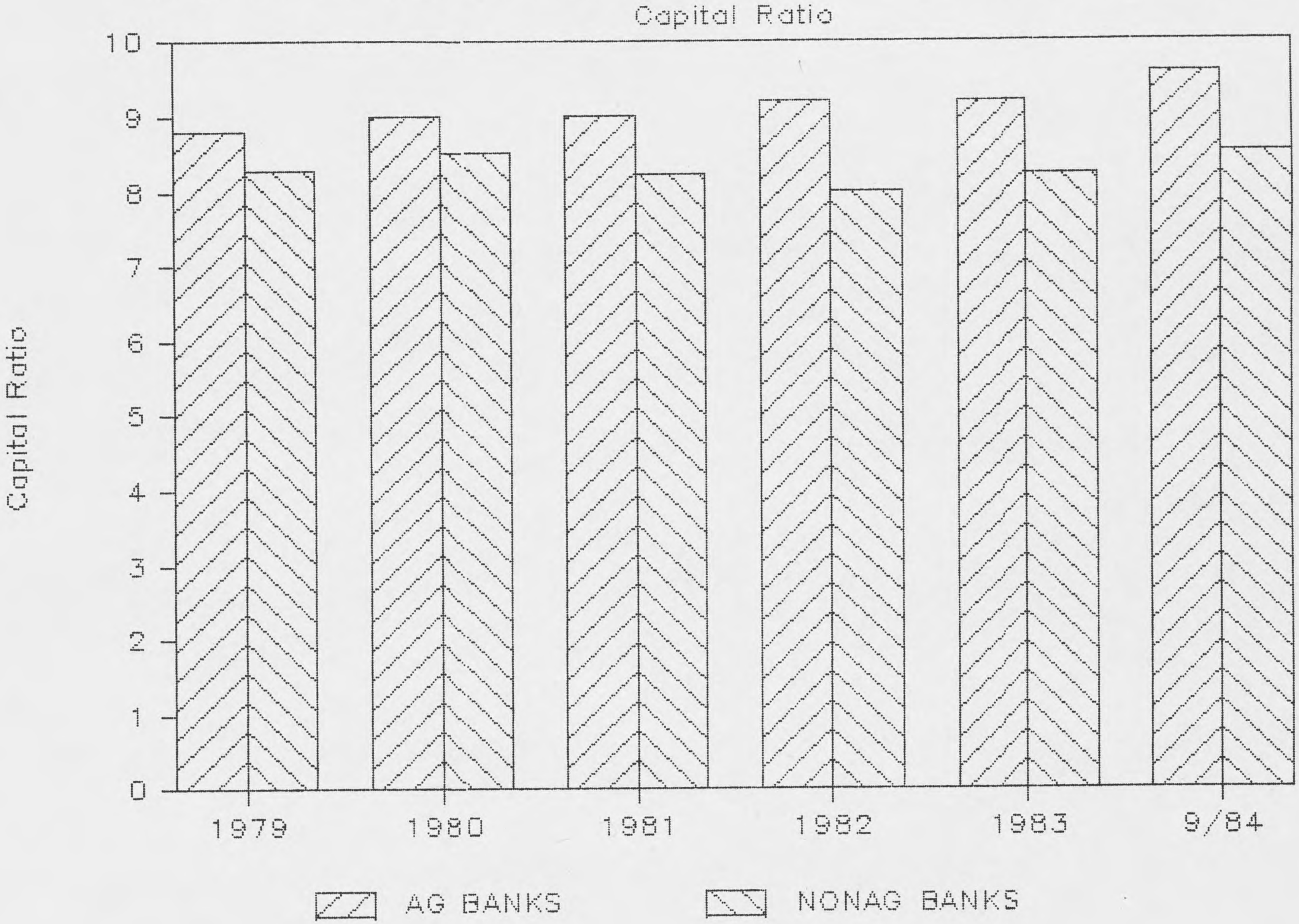
	AGRICULTURAL BANKS						NON-AGRICULTURAL BANKS					
WYOMING	1979	1980	1981	1982	1983	9/84	1979	1980	1981	1982	1983	9/84
PAST DUE LOAN	0.0	0.0	0.0	6.6	4.8	4.5	0.0	0.0	0.0	5.3	4.5	6.0
NONACC & REN	0.0	0.0	0.0	2.0	1.4	1.8	0.0	0.0	0.0	1.1	2.5	4.1
CAPITAL RATIO	9.1	9.6	9.8	9.7	10.0	10.4	8.6	9.0	9.3	9.7	8.9	9.4
LOANS/ASSETS	54.5	51.0	51.4	52.6	52.6	55.1	55.8	50.9	49.9	52.9	52.2	49.9
ROA	1.42	1.75	1.62	1.46	1.12	1.30	1.48	1.60	1.78	1.70	1.17	0.74
NIM	6.62	6.33	6.58	6.47	6.42	5.86	7.55	6.43	6.82	6.92	5.95	5.81
					NIM AVG	6.38					NIM AVG	6.56

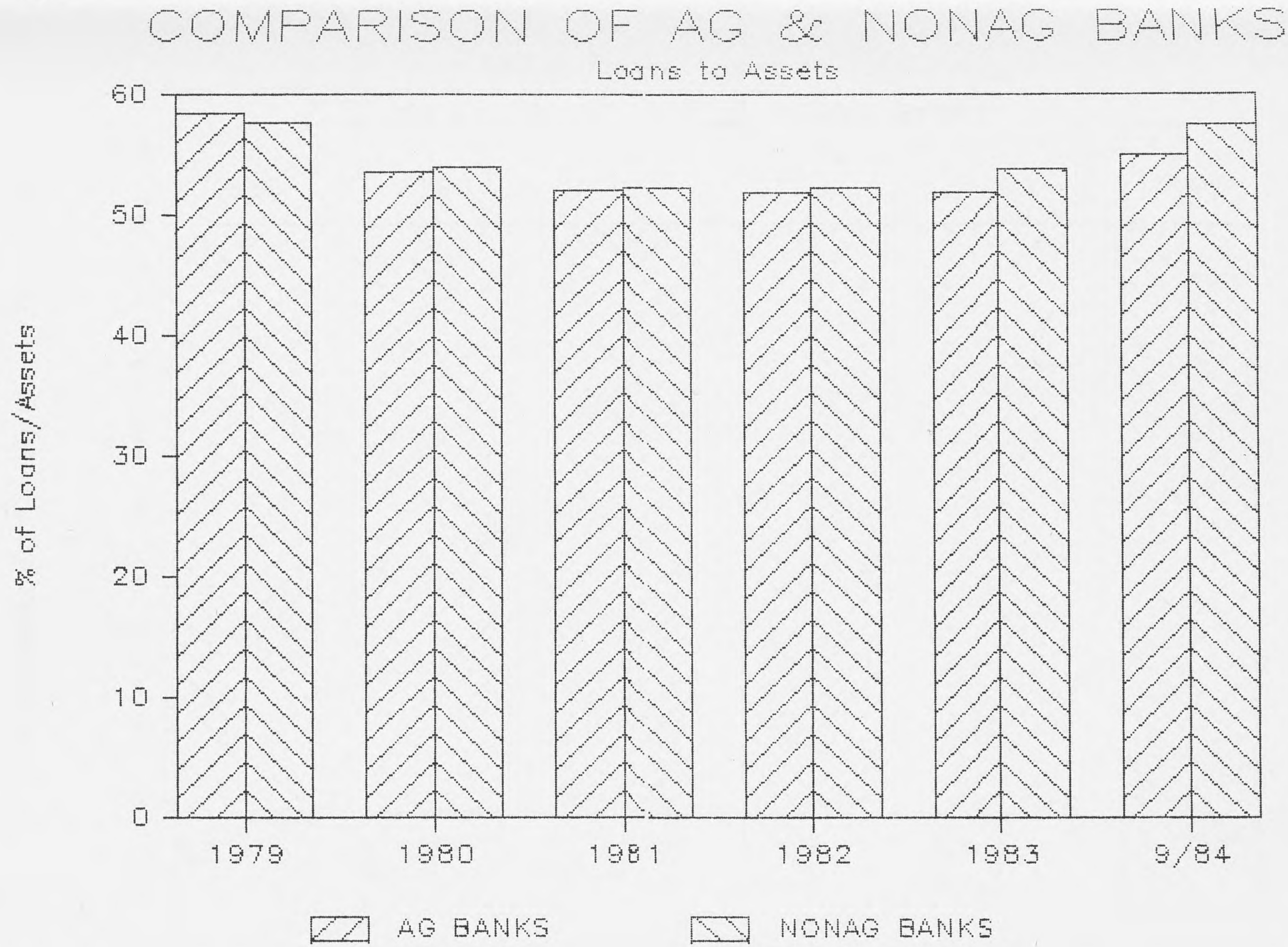

COMPARISON OF AG & NONAG BANKS
Past Due Loans to Total Loans
% of Past Due Loans/Total Loans
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
1979
1980
1981
1982
1983
9/84
AG BANKS
NONAG BANKS

COMPARISON OF AG & NONAG BANKS

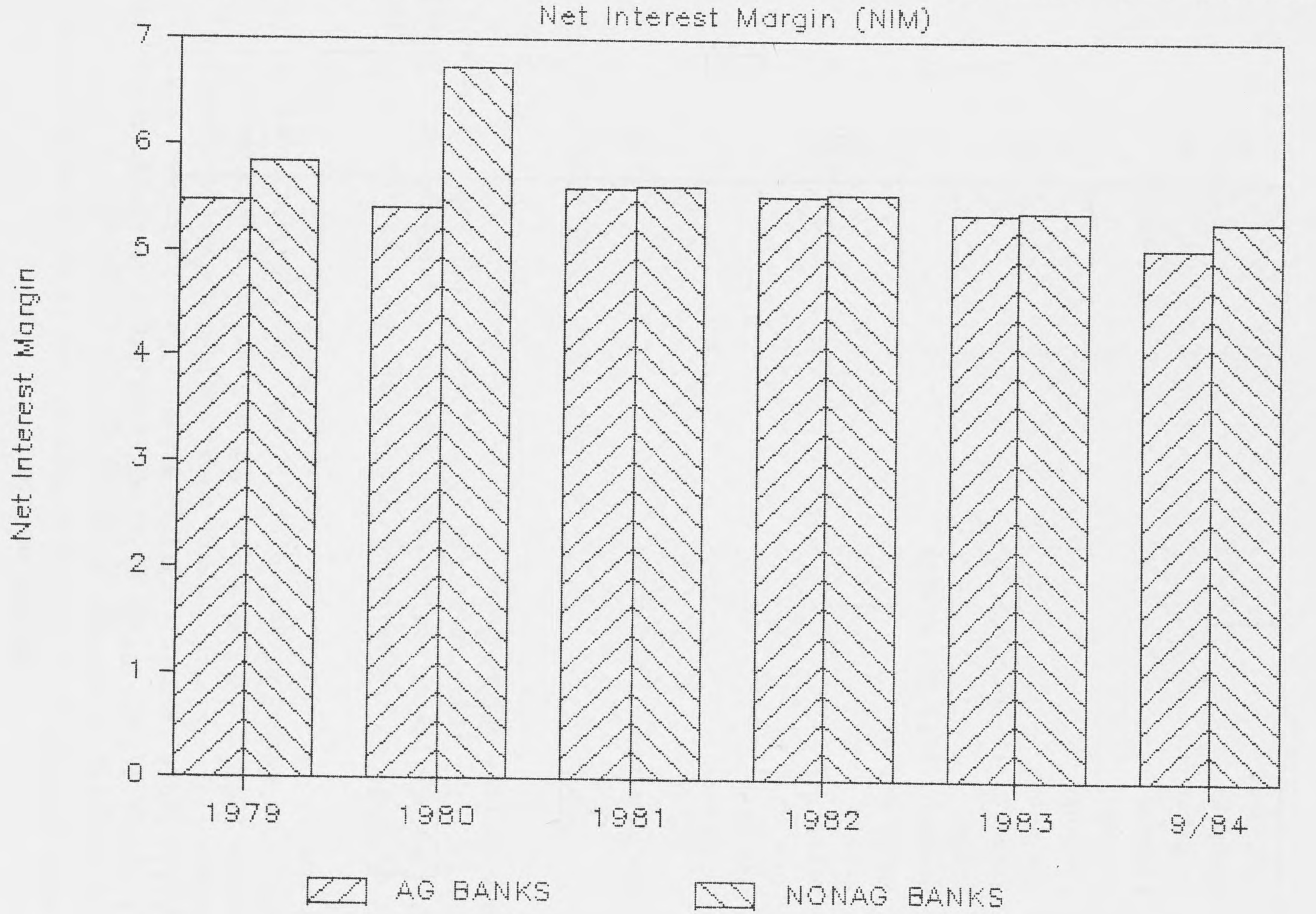


COMPARISON OF AG & NONAG BANKS

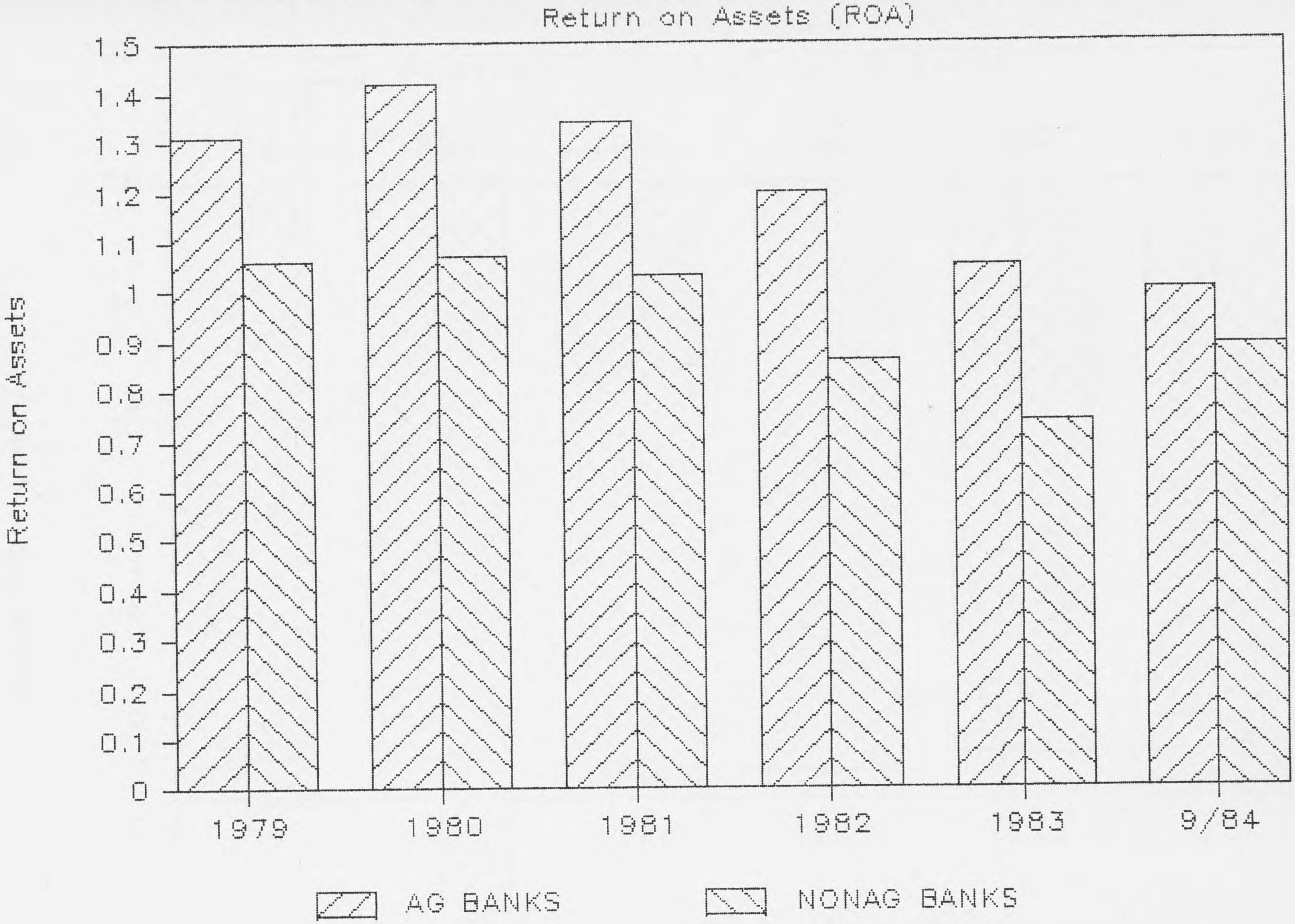



COMPARISON OF AG & NONAG BANKS
Loans to Assets
% of Loans/Assets
60
50
40
30
20
10
0
1979
1980
1981
1982
1983
9/84
AG BANKS
NONAG BANKS

COMPARISON OF AG & NONAG BANKS



COMPARISON OF AG & NONAG BANKS



AGRICULTURAL BANKING SITUATIONS

We have defined an agricultural bank as one in which agricultural loans comprise 25 percent or more of total loans. Using this definition, almost 30% of the commercial banks in the United States, or 4,146 banks, are agricultural banks. These banks are spread throughout 39 states; however, Iowa, Illinois, Kansas, Minnesota, Nebraska and Missouri have heavy concentrations of agricultural banks. The number of agricultural banks in these six states alone accounts of 60% of the agricultural banks in the United States.

Over one-half of the banks, or 2,935 banks, in a 16-state comparison comprised of midwest and plains states, had a ratio of agricultural loans to total loans in excess of 30%, while this ratio exceeded 50% in one-quarter of the banks in those 16 states.

	% of Problem Banks to Total Banks
Nationwide	5.8
Colorado	7.5
Nebraska	7.8
Iowa	7.8
North Dakota	5.1
Kansas	6.7
South Dakota	6.3
Montana (only 167 banks)	9.6
Idaho	8.0
Wyoming	5.2
Minnesota	5.1
Missouri	6.4
Indiana	5.5
Illinois	4.4
Michigan	3.3
Oklahoma	9.6
Wisconsin	5.5
Composite ratio for above 16 states	6.1