Portfolio Diversification Helps Farm Credit Support America’s Farmers and Ranchers in Challenging Economic Cycles

Farm Credit supports rural communities and agriculture with reliable, consistent credit and financial services today and tomorrow. That has been our mission for more than 100 years. We understand the cyclical nature of agriculture and help our customers navigate the highs and lows.

Key to that century-old partnership with rural America is diversification.

By diversifying the industries we serve, the size of loans we make and the areas of the country we serve, Farm Credit manages risk and counters the cyclical nature of agriculture. Farm Credit largely limits its lending to agriculture and rural infrastructure, however, as the chart below demonstrates, those two segments of the economy are very diverse.

The largest segment of our portfolio consists of loans to cash grain producers and represents just 16 percent of our total. The next largest segment is the fed-cattle industry at 9 percent of the overall portfolio. Even within our agricultural loan portfolio, Farm Credit benefits from significant industry diversification with several industry segments that are countercyclical to each other – infrastructure helps to balance agriculture, livestock often balances out with grain and specialty crops balance more traditional plantings.

Similarly, since Farm Credit lends in all 50 states and Puerto Rico, the geographic diversification of our portfolio minimizes the overall potential impact of adverse local agricultural events such as weather and helps us effectively manage risk. California is home to Farm Credit’s largest geographic concentration but represents less than 11 percent of the loan portfolio. Texas is second with seven percent and all other states have approximately five percent or less.

Farm Credit also diversifies its portfolio by making loans of all sizes, many of which are considered small. Of the more than 547,000 borrowers Farm Credit supports, 76 percent have loans of less than $250,000.

For more information, please contact the Farm Credit Council (ask@fccouncil.com or 202.626.8710).

www.FarmCredit.com