



"Lettuce" Talk About Specialty AG Business

by [Steve Brown](#) Topics: [business customers](#), [Ag lending](#)

Summary: Midwest agriculture has been hit recently. In other parts of the country, however, specialty crops such as apples and avocados are doing fine. We provide details for interested Ag lenders.

If you like to eat your vegetables, you will be happy to know that the US Department of Agriculture tracks which ones are the most popular. In order, the favorites are: potatoes (48%), tomatoes (27%), onions (8%), head of lettuce (7%) and carrots (5%). For those who aren't big fans of the vegetable, at least you have some trivia to drop on your friends during lunch.

It's no secret that Midwest agriculture has been hit recently. In other parts of the country, however, crops such as apples, peaches, berries, citrus, grapes, nuts, and avocados seem to be doing just fine. A handful of commodity- and borrower-specific considerations can help the banks that do Ag lending stay on firm economic ground.

Creighton University's Rural Mainstreet index uses data from community banks in 200 small, rural, agricultural communities. It has shown levels below "neutral growth"; yet farms that produce blueberries, strawberries, citrus, apples, avocados, peaches, cherries, table and wine grapes, tomatoes, and nuts are doing quite well in both the domestic and export markets.

Lenders are noticing, too. According to a survey done by Farmer Mac and the ABA, more than 50% of Ag lenders were concerned about prospects for grain, cattle, and dairy. But, less than 25% were concerned about vegetables, fruits and nuts.

To stay on top of things, here are a few crop-specific considerations:

Pests and disease can plague specialty crops. This has happened in Florida, where citrus-greening disease shrinks a tree's vascular system. It has significantly reduced yields for oranges, grapefruit, and tangerines. Tree enclosures and hardier fruit varieties may help citrus producers fight back.

Monitor consumer preferences and costs. Fresh fruit per capita rose 22% over the past 40Ys, from around 90 lbs in the 1980s to 110 lbs between 2000 and 2016. Prices have risen as well, [according to the Department of Agriculture](#). This isn't the only thing that matters, of course. Keep in mind, many fruits and vegetables have to be harvested by hand, so changes in labor costs affect borrowers. So does the cost and availability of water in the areas where farmers grow these crops.

Crop diversification is important. Most successful fruit and vegetable growers raise multiple crops, giving them more than one annual sales opportunity. A smart citrus farmer might offer a variety of oranges, plus lemons. The typical table grape producer has dozens of grape varieties, with multiple harvests. Diversification helps protect farmers and lenders, too.

Because crop insurance programs don't offer much protection for specialty produce, working capital, liquidity, and secondary loan supports (such as real estate) are important signs of borrower health in this sector. These are things you already know, but are good to remember.

Keeping up to speed on the various specialty produce sectors can be as important to Ag banks these days as keeping up to speed on the traditional ones. Doing so can also help your team stay on top of issues as you manage unforeseen conditions and keep up with changing costs and consumer preferences.

ECONOMY & RATES

Rates As Of: 10/18/2018 11:52AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.30	0.11	0.93
6M	2.46	0.10	0.94
1Y	2.65	0.09	0.92
2Y	2.87	0.05	0.99
5Y	3.02	0.07	0.81
10Y	3.17	0.11	0.77
30Y	3.36	0.15	0.62
FF Market	FF Target	Fed Disc	
2.19	2.25	2.75	
SOFR	Prime	Unemp	
2.18	5.25	3.70	

[More Market Rates](#)

BANK NEWS

Help Needed

A recent study from Humley found that 64% of digital banking customers prefer to speak over the phone with a bank representative when addressing issues. Of note, a whopping 43% are fine addressing these issues through chatbots however; while 35% want personalized in-branch support and 35% turn to the website. Only 6% use social media to address issues.

No Worries

[CNBC reports regulators worldwide attending](#) a meeting at the IMF and World Bank have said they and other agencies will not allow financial technology (fintech) to threaten the existence of banks. They said regulators will need to strike a balance between encouraging financial innovation and safeguarding the stability of the system.

Online Bank

[A German mobile only bank](#) known as N26 has launched in the UK and is expected to come to the US early next year. The bank is backed by Chinese tech giant Tencent, German insurance company, Allianz and PayPal co-founder, Peter Thiel, so community banks should keep an eye on it to gauge success.

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