

# 2013 Southern Region Agricultural Outlook Conference

## Agricultural Finance Outlook

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## Alabama Ag Credit, ACA

- Part of the Farm Credit System, established in 1916
- Agricultural Credit Association
- Member owned cooperative
- \$700 Million loan portfolio
- 9 offices that serve the 40-counties of lower Alabama



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## Discussion Topics

- Interest Rates
- Current Market
- Challenges
- Questions



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## Interest Rates

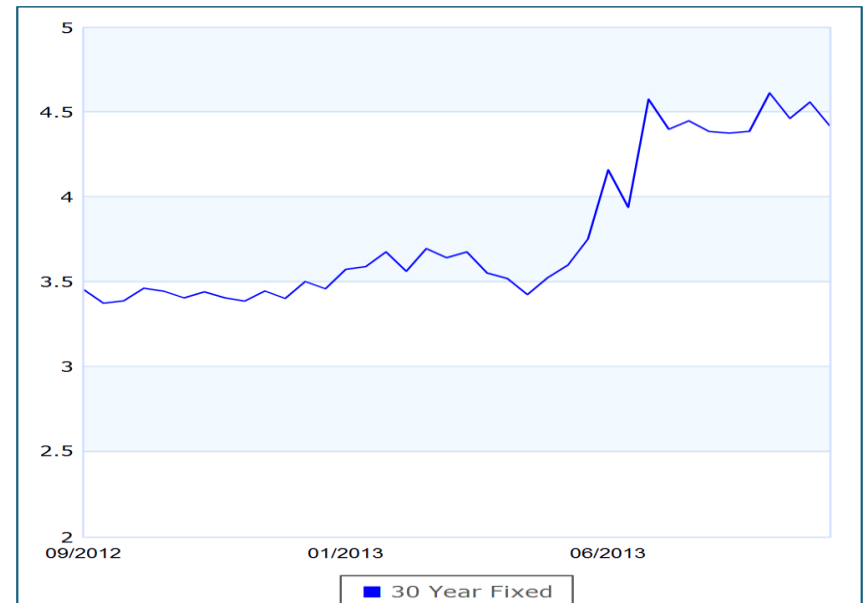
- Where are they going?
- How fast are they going there?



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## Interest Rates (Where are they going?)

CBOE 10-year Yield



Bankrate.com



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## Interest Rates (How fast are they going there?)

- Taper (v.) – To diminish gradually
- Gradually (adj.) – Happening in a slow way over a long period of time



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## Interest Rates (How fast are they going there?)

- May 22, 2013
  - Chairman Bernanke's testified before Congress' Joint Economic Committee
  - Stated that a reduction (taper) of QE3 could take place over the Fed's next two meetings
  - Taper dependent upon continued economic growth
  - Market reaction
    - Treasury Yields rose above 2%
    - 30-year mortgage rates rose above 3.5%



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## Interest Rates (How fast are they going there?)

- September 18, 2013
  - Fed holds its sixth meeting of 2013
  - Announced that reduction of QE3 would not begin
  - Revised growth projections were cited as the reason for continuing purchases
  - Market reaction
    - Treasury Yields fell from 2.86% to 2.69%
    - 30-year mortgage rates have fallen by 0.25% to 0.50% (in certain markets)





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## Interest Rates (How fast are they going there?)

- Revised projections will continue to speed up and slow down interest rate increases
- Fed has two more meetings in 2013
  - October 29/30
  - December 17/18



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## Market

- Competition for good to average customers is growing
- Continue to see a favorable appetite for agricultural and farm related loans



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## Challenges

- Accurately projecting commodity prices
- Unknown future of Farm Bill



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## QUESTIONS

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