

DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, BALANCES, JANUARY 2019

Loss on banks' agricultural loans unchanged

2018 offered a warm and dry summer while prices on agricultural products decreased. As a result the conditions for the agricultural sector have been difficult.¹ Still losses on banks' agricultural loans have been limited compared to previous years. In 2018 banks lost kr. 1.5 billion, which is 3 per cent below the loss in 2017 and markedly lower than 2016.

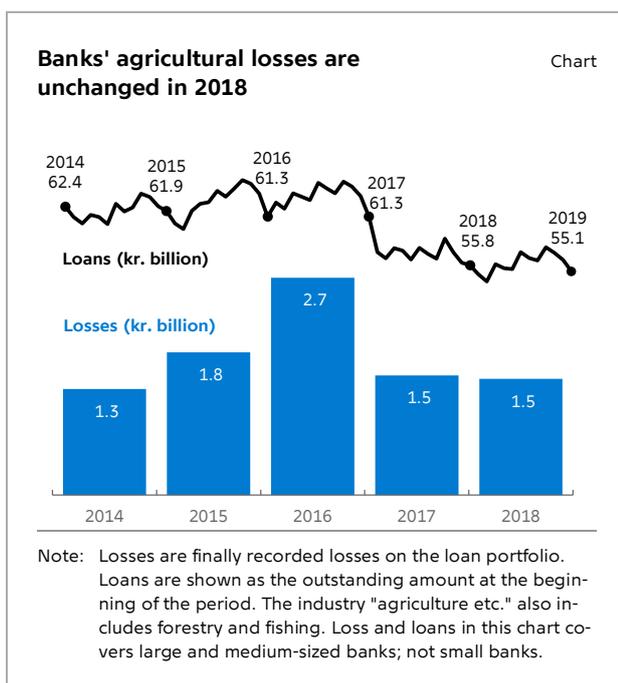
The large losses in 2016 were caused by the clean-up in agricultural loans by several banks – which resulted in a large number of farms being sold or closed while the banks incurred losses. Hence, the number of agricultural defaults peaked in 2016.

A large part of banks' agricultural clients are still having difficulties fulfilling their responsibilities.² However, banks are not expecting increasing losses on loans for small and medium-sized corporations (of which agriculture is a major part) next quarter.

In relative terms large and medium-sized banks have lost approximately the same on their agricultural loans. Large banks lost 2.7 per cent of their total agricultural loans, while medium-sized banks lost 2.6 per cent.

The size of exposures against agriculture varies across banks. In December 2018 agricultural loans made up around 12 per cent of large banks' total loans for businesses. The exposure for the medium-sized banks was somewhat larger and constituted 18 per cent of the loans for businesses. In December 2018 banks' total agricultural loans were kr. 55 billion. 40 per cent of which was from medium-sized banks.

In comparison the mortgage loans of Danish agriculture was kr. 244 billion. The mortgage debt of the agriculture sector is quite large compared to other industries. This is due to the fact that agriculture require land, which, on the one hand is expensive to buy and on the other hand can be pledged as collateral. The agricultural sector had impairments for kr. 5.7 billion in 2018, which was the highest ever.



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¹ J. S. Schou (ed.), Landbrugets Økonomi 2018 (Agricultural economy), Department of Food and Resource Economics, University of Copenhagen, 2019 ([link](#)) (in Danish only).

² Danmarks Nationalbank, Low interest rates and ample lending capacity put pressure on credit standards, *Danmarks Nationalbank Analysis (Financial Stability)*, 2nd half 2018 ([link](#)).