

Texas Department of Banking

Press Release

State Banking Department Acknowledges Problems In Agriculture Industry

Date: August 24, 1998

Commissioner Catherine A. Ghiglieri made comments today regarding the 1998 drought and its effect on the banking system in Texas in an address to the staff of the Texas Department of Banking. Commissioner Ghiglieri urged the examiners to support a bank's willingness to work with their agricultural customers through this difficult period.

Commissioner Ghiglieri said, "The distressed conditions in the agriculture industry, along with the sustained heat, are of increasing concern to everyone and are affecting the banking system in Texas. Approximately 23% of the total number of banks in the state, which hold approximately 6% of banking assets, have agriculture-related loans which exceed 100% of total capital and reserves. These numbers include loans that are guaranteed by the Farm Service Agency, thereby reducing the actual loss exposure to the banks."

These agriculture banks had an average capital ratio of approximately 9%. While these capital levels are considered adequate under state and federal guidelines, ultimate adequacy can only be determined after all losses from the current production year are determined, available production is sold and the continued viability of producers is assessed. In addition, the long-term impact on banks and producers cannot be determined until unknown factors, such as next year's weather and other production variables, become known.

Commissioner Ghiglieri stated, "The bankers should discuss their efforts to deal with the agriculture crisis with the examiners or Regional Directors. Bankers need to demonstrate affirmative plans and sound policies regarding their agriculture borrowers. They can call our offices if they need any assistance from the Department."