

Survey of Agricultural Credit Conditions

Federal Reserve Bank of Kansas City

June 30, 2000

Highlights from the second quarter survey.

- After two quarters of strong gains, district farmland values held steady in the second quarter of 2000. Dry conditions in Missouri, Oklahoma, and western Nebraska put downward pressure on cropland values, but values remain modestly above year-ago levels. District ranchland values, on the other hand, rose 1.2 percent in the quarter and remain well above year-ago levels. Favorable conditions in the livestock sector have combined with nonfarm influences such as urban sprawl, scenic amenities, and recreational activities to lift district ranchland values in recent quarters.
- The district farm commodity price index rose 1.1 percent in the second quarter to a level 12.9 percent above the previous year. Drought conditions lifted wheat and soybean prices in the district, while hog and cattle prices continued to climb. Since the second quarter, however, improved weather conditions and forecasts of another large fall harvest have dampened crop prices. Strong consumer demand for meat has supported cattle and hog prices, despite a steady flow of livestock to market this year.
- The demand for farm loans remained healthy in the quarter, but repayment rates edged down and loan renewals or extensions were flat. The loan-to-deposit ratio continued to climb with more respondents indicating their ratio was above desired levels. Bankers remain concerned about producer's ability to repay loans without government aid, the source of nearly half of U.S. net farm income this year.
- Rising interest rates have been another concern for district bankers and producers. At the end of the second quarter, average interest rates on new farm loans were 41 basis points higher than the quarter before. Interest rates on new farm loans averaged 10.52 percent for operating loans, 10.35 percent for feeder cattle loans, 10.31 percent for intermediate-term loans, and 10.06 percent for real estate loans.

Note: 287 bankers responded to the second quarter survey.

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Farm Real Estate Values

June 30, 2000
(Average value per acre by reporting banks)

	Nonirrigated	Irrigated	Ranchland
Kansas	\$641	\$1,025	\$372
Missouri	911	1,078	624
Nebraska	856	1,436	355
Oklahoma	504	738	348
Mountain states*	333	1,130	217
Tenth District	\$671	\$1,165	\$368
Percent change from:			
Last quarter+	0.97	0.32	1.16
Year ago+	2.45	1.72	7.07
Market high	-20.45	-19.07	-9.48
Market low	69.55	71.38	120.07

* Colorado, New Mexico, and Wyoming combined.

+ Percentage changes are calculated using responses only from those banks reporting in both the past and the current quarter.

Source: Federal Reserve Bank of Kansas City

Selected Measures of Credit Conditions at Tenth District Agricultural Banks

	Loan demand (index)+	Loan Fund availability (index)+	Loan repayment rates (index)+	Average renewals or extensions (index)+	Loan-to-deposit ratio* (percent)	District farm commodity price index (1980=100)
1998						
Jan.-Mar.	120	108	93	109	65.9	94.3
Apr.-June	123	100	78	118	68.0	92.2
July-Sept.	112	99	58	136	68.4	78.7
Oct.-Dec.	107	108	55	138	66.9	80.7
1999						
Jan.-Mar.	105	113	56	143	65.7	86.0
Apr.-June	107	107	71	127	66.5	87.8
July-Sept.	103	90	74	126	67.7	87.0
Oct.-Dec.	100	99	86	115	67.7	91.2
2000						
Jan.-Mar.	107	95	92	108	67.1	97.9
Apr.-June	112	78	86	108	70.4	99.1

* At end of period.

+ Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than, or the same as in the year-earlier period. The index numbers are computed by subtracting the percent of bankers that responded "lower" from the percent that responded "higher" and adding 100.

Source: Federal Reserve Bank of Kansas City