

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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FARM INCOMES SURGE IN THIRD QUARTER, SURVEY FINDS

Farm incomes surged in the third quarter with strong crop prices and a bountiful fall harvest, setting record highs, according to the Federal Reserve Bank of Kansas City's third quarter Survey of Agricultural Credit Conditions.

In the survey of 273 banks in the seven-state Tenth Federal Reserve District, the district's farm income index surpassed the record high set in 2004. Nebraska posted the largest income gains where abundant yields and high crop prices coupled to boost crop receipts.

Farmland values also continued to climb in the third quarter, and bankers surveyed felt that farmland prices have yet to peak, anticipating further appreciation in values once harvest is complete. Survey contacts also noted a shift towards farm auctions and away from privately-arranged farmland sales.

The survey's farm capital spending index rose again in the third quarter with many agricultural producers replacing old equipment or expanding facilities. But bankers surveyed expressed concerns over tightening margins with surging production input prices.

Third quarter loan demand remained strong in the survey, with farm credit conditions strengthening further as farmers used higher incomes to pay off existing loans.

A complete summary of the second quarter survey is available at
www.KansasCityFed.org/agcrsurv/agcrmain.htm.

The Tenth Federal Reserve District encompasses Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

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