

Survey of Agricultural Credit Conditions

Federal Reserve Bank of Kansas City
March 31, 2003

Highlights from the first quarter survey.*

- District farmland values posted solid gains in the first quarter of 2003. Expectations of higher farm income and strong nonfarm demand underpinned farmland values in most district states. In the first quarter, annual gains in farmland values were 7.2% for nonirrigated cropland, 6.5% for irrigated cropland, and 4.5% for ranchland. The largest gains occurred in Missouri and parts of Oklahoma, Kansas, and Nebraska. Gains were somewhat weaker in western portions of the district, where drought was severe.
- Farm credit conditions showed some lingering effects of the drought. Cash flow shortages led to lower loan repayment rates and higher renewals or extensions relative to a year ago. District bankers reported that an average of 20% of their farm borrowers had an increase in carryover debt this year versus last year. And more than half of bankers have tightened their credit standards at least somewhat on farm loans. Nonetheless, low interest rates and a more positive outlook for farm income this year led to a pick-up in demand for new farm loans in the first quarter.
- The district farm commodity price index moved higher in the first quarter. Prices for all commodities, except wheat, were up from the previous quarter. Relative to a year ago, crop and slaughter cattle prices were significantly higher, while prices for feeder cattle and hogs softened. Since March, both crop and livestock prices have posted further gains with particular strength in the soybean market. Higher prices and better crop prospects have boosted USDA farm income projections for 2003.
- Interest rates on new farm loans moved lower in the first quarter. At the end of the quarter, interest rates on new farm loans averaged 7.43% for operating loans, 7.48% for machinery and intermediate-term loans, and 6.98% for real estate loans. Since March, interest rates in national money markets have held steady.

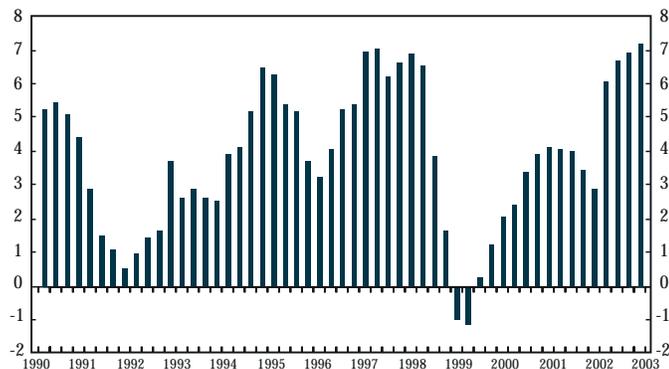
Note: 292 banks responded to the first quarter survey.

*Please refer questions to Nancy Novack, associate economist, at 816-881-2423 or nancy.l.novack@kc.frb.org.

Nonirrigated Cropland Values

Tenth District

Sample percent change from a year ago*

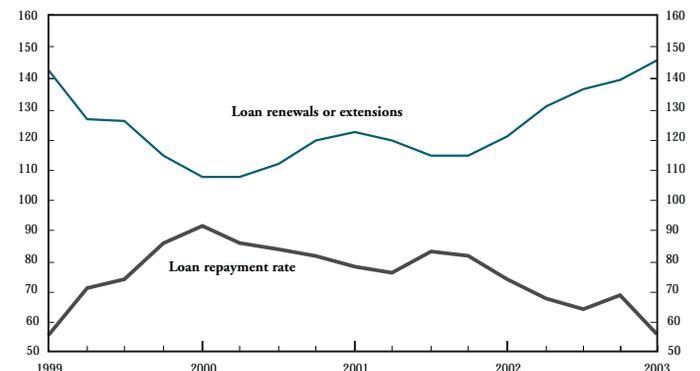


*Percent changes are calculated using responses only from those banks reporting in both the past and the current quarter.

Farm Credit Conditions

Tenth District

Diffusion index*



*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.