The Main Street Economist

Survey of Agricultural Credit Conditions

Federal Reserve Bank of Kansas City
March 31, 2004

Highlights from the first quarter survey*

- District farmland values continued to post healthy gains in the first quarter of 2004. Ranchland values posted the strongest gains at 9.4% over the previous year. Nebraska and Kansas had particularly strong gains in ranchland values, supported by resilient cattle prices and strong demand for farmland for recreational purposes. Annual gains in cropland values were 5.9% for nonirrigated and 3.4% for irrigated. Gains in irrigated cropland values have slowed due to lingering drought conditions in western portions of the district and high energy costs.
- District farm credit conditions remained strong in the first quarter. The index of farm loan repayment rates was slightly above the previous quarter and well above a year ago. Requests for renewals and extensions moved lower in the quarter as only 15.7% of bankers reported an increase in requests, down from 48% last year.
- The district farm commodity price index inched higher in the first quarter as soybean prices reached record levels. Compared to the previous quarter, prices for hogs and major crops were higher, while cattle prices fell below the record prices of the previous quarter after the Mad Cow incident. Prices for all crops and livestock were stronger than the previous year.
- Although cattle prices fell after the Mad Cow incident of late December 2003, district bankers indicated that initially the impacts appear to be limited. Thirty percent of bankers expect the Mad Cow incident to have no effect on overall farm income in their area, while 60% expect a 1-10% reduction in farm income. One-sixth of respondents indicated that the Mad Cow incident delayed expansion of cattle herds in their area, while the remaining bankers indicated the incident had no impact on ranchers' production plans.
- Interest rates on new farm loans inched lower in the first quarter. At the end of the quarter, interest rates on new farm loans averaged 7.04% for operating loans, 7.08% for machinery and intermediate-term loans, and 6.67% for real estate loans. Since March, interest rates in national money markets have moved higher.

Note: 287 banks responded to the first quarter Survey of Agricultural Credit Conditions in the Tenth Federal Reserve District—an area that includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, the northern half of New Mexico, and the western third of Missouri.

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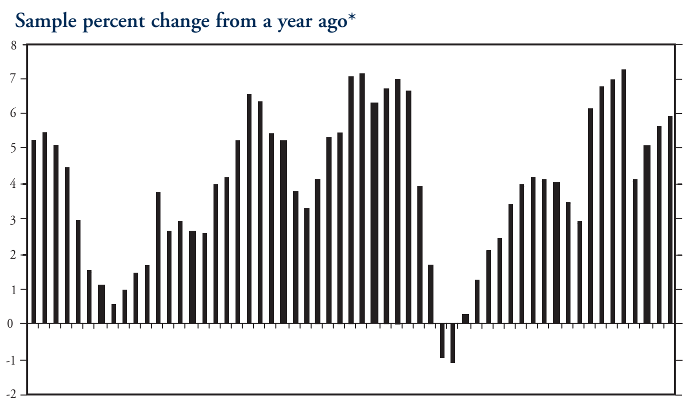
Nonirrigated Cropland Values

Tenth District



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

Farm Commodity Price Index

Tenth District