

Survey of Agricultural Credit Conditions

Federal Reserve Bank of Kansas City

December 31, 2002

Highlights from the fourth quarter survey.

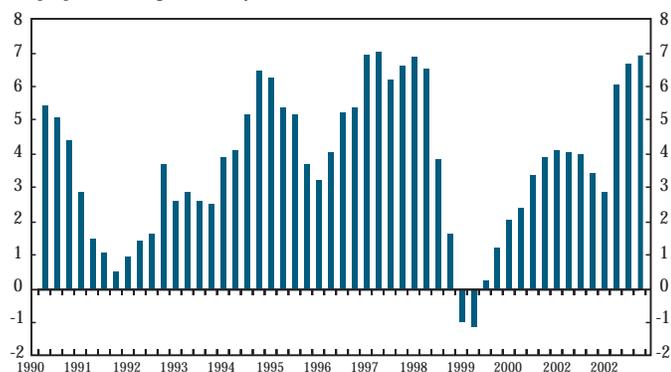
- Despite the widespread drought, district farmland values held up in 2002. Missouri posted the largest gains, while gains in the Mountain states were more moderate due to the drought. For the year ending December 31, annual gains for the district were 6.9% for nonirrigated cropland, 5.0% for irrigated cropland, and 5.9% for ranchland.
- District bankers indicated that the majority of farmland was purchased by farmers. But, 14% of respondents noted that sales to farmers accounted for less than half of all farmland sales. Of the farmland not purchased for farming, investment, recreation, and residential were the most commonly cited reasons for farmland purchases.
- Despite strong farmland values, farm credit conditions showed some signs of weakness in 2002. The drought resulted in a shortage of cash flow for many producers. As a result, loan repayment rates slowed throughout the year and renewals or extensions moved up.
- The district farm commodity price index edged up in the fourth quarter. The increase was supported by higher prices for livestock—slaughter cattle, in particular. Crop prices remained above year-ago levels but softened relative to the previous quarter. Since December, livestock prices have posted further gains. Corn and soybean prices have held steady but wheat prices have fallen sharply.
- Interest rates on new farm loans moved lower in the fourth quarter. At the end of the quarter, interest rates on new farm loans averaged 7.60% for operating loans, 7.64% for machinery and intermediate-term loans, and 7.22% for real estate loans. Since December, interest rates in national money markets have held steady.

Note: 283 banks responded to the fourth quarter survey.

Nonirrigated Cropland Values

Tenth District

Sample percent change from last year*

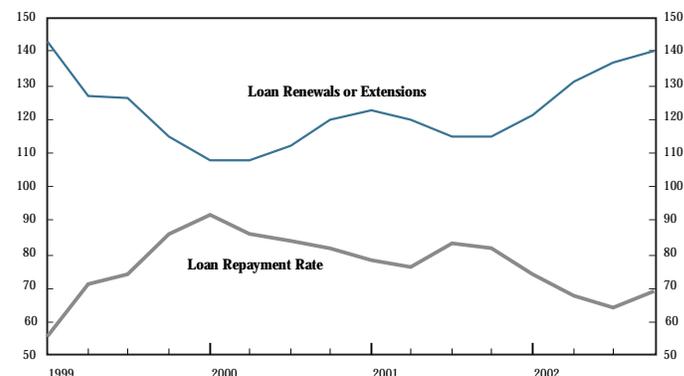


*Percent changes are calculated using responses only from those banks reporting in both the past and the current quarter.

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.