

Survey of Agricultural Credit Conditions

Federal Reserve Bank of Kansas City
December 31, 2003

Highlights from the fourth quarter survey*

- District farmland values remained solid throughout 2003. In the fourth quarter, annual gains in farmland values were 5.8% for ranchland, 5.6% for nonirrigated cropland, and 3.7% for irrigated cropland. Ranchland value gains were healthy in all district states due to high cattle prices. Gains in nonirrigated values were led by Nebraska and Oklahoma.
- District bankers indicate that, on average, farmers were the primary buyers of farmland across the district. Two-thirds of bankers reported that the majority of farmland sold in their area this year was purchased by farmers. The primary reasons for farmland purchases by individuals other than farmers were investment and recreation. Recreation was cited as a major reason for non-farmer purchases by 55% of bankers, compared to 45% a year ago.
- District farm credit conditions continued to improve in the fourth quarter. The index of farm loan repayment rates surged, while requests for renewals and extensions moved lower. In the fourth quarter, 23% of bankers reported higher loan repayment rates compared to just 7.5% a year ago. Only 14% reported an increase in renewals and extensions, down from 40% last year.
- The district farm commodity price index rose in the fourth quarter with record cattle prices and strong soybean prices. Compared to the previous quarter, prices for cattle and major crops were higher, while hog prices fell. Prices for all crops and livestock were above 2002 levels, except wheat prices, which were flat relative to a year ago.
- Interest rates on new farm loans inched lower in the fourth quarter. At the end of the quarter, interest rates on new farm loans averaged 7.13% for operating loans, 7.17% for machinery and intermediate-term loans, and 6.75% for real estate loans. Since December, interest rates in national money markets have moved up.

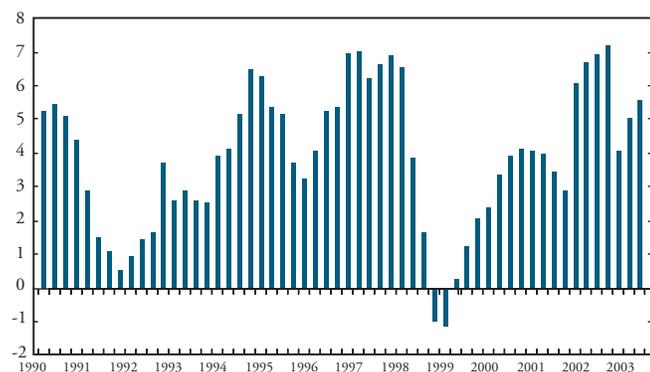
*Note: 293 banks responded to the fourth quarter Survey of Agricultural Credit Conditions in the Tenth Federal Reserve District—an area that includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, the northern half of New Mexico, and the western third of Missouri.

*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*

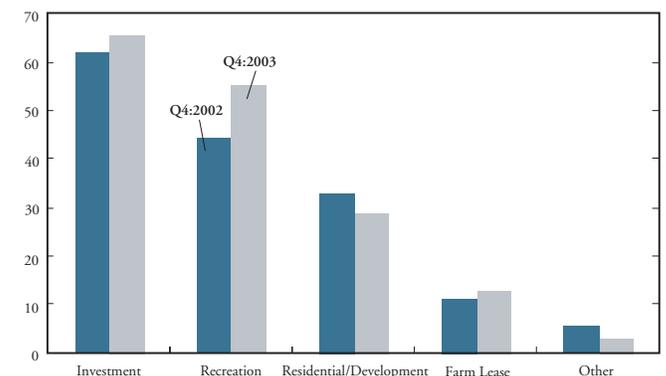


*Percent changes are calculated using responses only from those banks reporting in both the past and the current quarter.

Reasons for Farmland Purchases by Nonfarmers

Tenth District

Percent of respondents*



*Respondents were asked the most common reasons for farmland purchases by individuals other than farmers. Respondents could choose more than one response and therefore percentages will not sum to 100.