

Survey of Agricultural Credit Conditions

Federal Reserve Bank of Kansas City

March 31, 2000

Highlights from the first quarter survey.

- District land values rose in the first quarter of 2000, their second straight quarter of strong gains. Ranchland values jumped 3.2 percent, bolstered by strong livestock prices and a healthy demand from nonfarm buyers in the Mountain states. District cropland values rose, but dry conditions reduced Missouri and Oklahoma values. Government payments have underpinned farmland values despite weak crop prices.
- The district farm commodity price index, which measures average prices for district commodities, jumped 5.9 percent in the quarter. Rising feeder cattle prices boosted district ranchers' profits but limited gains for district feedlots. Rebounding hog prices and low feed costs blackened district hog producers' bottom line for the first time in several months. In the district crop sector, recent rains shifted market concerns from drought-reduced supplies to bin-busting harvests, causing crop prices to tumble.
- Despite low crop prices, district bankers reported fewer renewals or extensions and rising repayment rates for agricultural loans in the quarter. Nonetheless, bankers remain concerned about the reliance of farm borrowers on government subsidies to provide liquidity for farm operations.
- Average interest rates on farm loans increased 26 basis points during the first quarter, adding to producer liquidity concerns. At the end of the quarter, interest rates on new farm loans averaged 10.17 percent for operating loans, 10.03 percent for feeder cattle loans, 9.96 percent for intermediate-term loans, and 9.45 percent for real estate loans.

Note: 307 bankers responded to the first quarter survey.

Kendall McDaniell, associate economist with the Center, can respond to questions at 816-881-2291 or kendall.l.mcdaniel@kc.frb.org.

Farm Real Estate Values March 31, 2000

(Average value per acre by reporting banks)

	Nonirrigated	Irrigated	Ranchland
Kansas	\$631	\$1,023	\$367
Missouri	914	1,098	615
Nebraska	881	1,432	367
Oklahoma	507	764	365
Mountain states*	339	1,118	209
Tenth District	\$679	\$1,167	\$371
Percent change from:			
Last quarter+	1.61	1.87	3.15
Year ago+	2.90	3.62	6.20
Market high	-19.54	-18.96	-8.57
Market low	71.48	71.61	122.29

*Colorado, New Mexico, and Wyoming combined.

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

Source: Federal Reserve Bank of Kansas City

Selected Measures of Credit Conditions at Tenth District Agricultural Banks

	Loan demand (index)+	Fund availability (index)+	Loan repayment rates (index)+	Loan renewals or extensions (index)+	Average loan-deposit ratio* (percent)
1998					
Jan.-Mar.	120	108	93	109	65.9
Apr.-June	123	100	78	118	68.0
July-Sept.	112	99	58	136	68.4
Oct.-Dec.	107	108	55	138	66.9
1999					
Jan.-Mar.	105	113	56	143	65.7
Apr.-June	107	107	71	127	66.5
July-Sept.	103	90	74	126	67.7
Oct.-Dec.	100	99	86	115	67.7
2000					
Jan.-Mar.	107	95	92	108	67.1

* At end of period.

+ 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.

Source: Federal Reserve Bank of Kansas City