

Survey of Agricultural Credit Conditions

Federal Reserve Bank of Kansas City

December 31, 2000

Highlights from the fourth quarter survey.

- District farmland values climbed in the fourth quarter of 2000, finishing their strongest year since 1997. In 2000, district cropland values rose nearly 4 percent while district rangeland values surged nearly 7 percent. All district states posted strong gains in farmland values during 2000 with Kansas and the Mountain states leading the way. Many district bankers noted that recent gains in farmland values came in response to non-farm demand factors and hefty government payments rather than good times in the industry.
- The district farm commodity price index rebounded in the fourth quarter, reaching the highest level in three years. Prices for corn, soybeans, cattle, and wheat rose while prices for hogs fell in the quarter. Since the end of the year, livestock prices have gained ground while crop prices have slipped.
- Farm credit conditions were mixed in the fourth quarter. The demand for farm loans improved in the quarter, but loan repayment rates slowed, and loan renewals or extensions moved up. Overall, farm credit conditions held up remarkably well in 2000, buoyed by large government payments. But the industry's heavy reliance on government support has many district bankers concerned about the industry's future.
- Farm interest rates edged down in the fourth quarter. At the end of the quarter, interest rates on new farm loans averaged 10.47 percent for operating loans, 10.30 percent for feeder cattle loans, 10.22 percent for intermediate-term loans, and 9.67 percent for real estate loans. Since December, farm interest rates have declined along with national money market rates.

Note: 285 bankers responded to the fourth quarter survey.

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Farm Real Estate Values

December 31, 2000
(Average value per acre by reporting banks)

	Nonirrigated	Irrigated	Ranchland
Kansas	\$650	\$1,048	\$384
Missouri	962	1,194	633
Nebraska	887	1,441	370
Oklahoma	519	756	369
Mountain states*	348	1,117	220
Tenth District	\$697	\$1,179	\$382
Percent change from:			
Last quarter+	0.68	1.06	0.93
Year ago+	3.94	4.01	6.83
Market high	-17.39	-18.12	-5.86
Market low	76.08	73.40	128.86

* 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)+	Loan Fund availability (index)+	Loan repayment rates (index)+	Average renewals or extensions (index)+	Loan-to-deposit ratio* (percent)	District farm commodity price index (1980=100)
1998						
Jan.-Mar.	120	108	93	109	65.9	94.3
Apr.-June	123	100	78	118	68.0	92.2
July-Sept.	112	99	58	136	68.4	78.7
Oct.-Dec.	107	108	55	138	66.9	80.7
1999						
Jan.-Mar.	105	113	56	143	65.7	86.0
Apr.-June	107	107	71	127	66.5	87.8
July-Sept.	103	90	74	126	67.7	87.0
Oct.-Dec.	100	99	86	115	67.7	91.2
2000						
Jan.-Mar.	107	95	92	108	67.1	97.9
Apr.-June	112	78	86	108	70.4	97.0
July-Sept.	103	85	84	112	70.8	90.3
Oct.-Dec.	106	90	82	120	70.9	100.3

* 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