AG CREDIT SURVEY FINDS FARMLAND VALUES STABILIZE, CAPITAL SPENDING SLOWS

District farmland values appeared to stabilize in the first quarter of 2009 after modest declines at the end of 2008, according to the Federal Reserve Bank of Kansas City’s first quarter Survey of Agricultural Credit Conditions.

Banking contacts in the seven-state District reported demand and prices for good quality farmland remained solid, but prices for marginal farmland have dropped due to limited buyer interest. Nonirrigated cropland values ticked up slightly while irrigated cropland values were flat. Ranchland values edged down due in part to a struggling livestock sector. Going forward, most bankers expected farmland values to hold steady.

The 255 survey respondents also reported that farm income declined from 2008 record highs. Softer farm incomes slowed capital spending and eased non-real estate loan demand, despite a further reduction in agricultural interest rates. Also contributing to the drop in non-real estate loan demand was a rise in loan renewals and extensions. Survey respondents anticipated that farmers will be frugal with their spending because of the current volatile agricultural economy and uncertainty in the broader financial markets.

Turbulent agricultural and macroeconomic conditions also contributed to tightened agricultural credit conditions. Collateral requirements edged up and the rate of loan repayment fell for the second straight quarter. In addition, loan referrals to non-bank credit agencies rose as a consequence of drought conditions in wheat growing areas of the district. In general, survey respondents felt that agricultural credit conditions could weaken further.


The Tenth Federal Reserve District encompasses Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

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