SURVEY FINDS HIGH ENERGY PRICES SLOW THE FARM BOOM

District bankers report that soaring energy costs have tempered farm income expectations despite historically high commodity prices, according to the Federal Reserve Bank of Kansas City’s second quarter Survey of Agricultural Credit Conditions.

In the survey of 265 banks in the seven-state Tenth Federal Reserve District, the farm income index pulled back from record highs due to the rising costs of energy-related crop inputs such as fertilizer, fuel and chemicals. Rising input costs also boosted loan demand, as farmers borrowed to cover operating expenses, and curbed some capital spending plans.

After climbing steadily for two years, farmland values plateaued in the second quarter, although they remain well above year-ago levels. In the second quarter, irrigated land posted an annual gain of 21.6 percent, followed closely by an 18.3 percent gain in nonirrigated land.

Credit conditions showed signs of deterioration in the second quarter, as loan repayment rates fell sharply and loan renewals and extensions continued to trend upward. At the same time, farm interest rates edged down, following substantial reductions over the last six months.


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

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