

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY
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THE FARM BOOM CONTINUES ACCORDING TO AGRICULTURAL CREDIT SURVEY

Tenth Federal Reserve District farm income and farmland values rose further in the first quarter of 2011, according to the Federal Reserve Bank of Kansas City's quarterly Survey of Agricultural Credit Conditions.

Shrinking crop inventories and intense competition for planted acreage lifted crop prices, while stronger protein demand boosted livestock prices. With robust farm income, farmland values posted sharp gains akin to the swift rise in 2008.

Across District states, cropland values surged 20 percent above year-ago levels. Bankers surveyed also reported a sharp jump in cash rental rates that echoed the rise in cropland values, especially for irrigated acreage. Most of the 256 respondents expected farmland values to stabilize during the next three months.

Farmers continued to finance farm real estate purchases with cash payments and existing equity. With stronger farm income, more borrowers boosted cash down payments and pledged equity for farmland purchases. Overall, bankers reported that borrowers financed about half of the total value of new farmland purchased with new debt.

After strengthening at the end of last year, farm credit conditions held steady in the first quarter. Loan repayment rates remained strong, and loan renewals and extensions held at low levels. Many bankers reported weak loan demand as producers paid for higher fertilizer, fuel and feed costs with cash. Still, some bankers expected farm loan demand to rise during the next three months.

The complete survey is available at www.KansasCityFed.org/agcrsurv/agcrmain.htm.

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

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