

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY  
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One Memorial Drive • Kansas City, MO 64198 • Phone: 816.881.2683

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**Contact:** Erin Redemske  
402-221-5608  
[erin.redemske@kc.frb.org](mailto:erin.redemske@kc.frb.org)

## **DROUGHT WILTS FARM INCOME ACCORDING TO AGRICULTURAL CREDIT SURVEY**

Extreme weather and rising input costs cut Tenth District farm incomes in the second quarter, according to the Federal Reserve Bank of Kansas City's quarterly Survey of Agricultural Credit Conditions.

In the southern Plains, severe drought lowered wheat yields, and poor pasture conditions hastened herd liquidations and increased cattle feeding costs. Plentiful rainfall improved growing conditions in the central Plains but worsened flooding along the swollen Platte and Missouri Rivers. High crude oil prices and rising feed costs drove farm production expenses higher.

With shorter profit margins, District bankers noted less capital spending on machinery and equipment, although rising fuel, fertilizer and feed costs could boost operating loan demand in the fall. Several contacts noted increased competition among commercial banks, Farm Credit associations and vendor creditors to attract quality loans.

Despite weaker incomes, most of the 246 bank respondents reported strong loan portfolios in the second quarter. Most banks had few nonperforming farm loans, and those with delinquencies felt that most repayment issues could be managed without major loan restructuring or forced sale of assets.

Tenth District farmland values rose further, although the pace of gain slowed. Compared to first quarter gains, District cropland values rose moderately and remained 20 percent above year-ago levels. Looking ahead, the majority of bankers felt that farmland values would hold at current levels for the rest of the growing season.

The complete survey is available at [www.KansasCityFed.org/agcrsurv/agcrmain.htm](http://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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