Survey of Agricultural Credit Conditions

Federal Reserve Bank of Kansas City

March 31, 2005

Highlights from the first quarter survey*

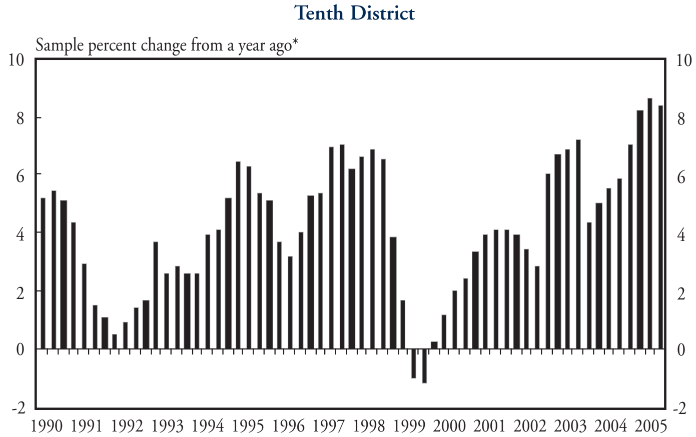
- The boom in district farmland values continued in the first quarter of 2005. Ranchland values rose 11% over a year ago, the fourth straight quarter of double-digit gains. The strongest gains in ranchland values occurred in Missouri, Nebraska, and Oklahoma. District cropland values also remained strong. Nonirrigated cropland values increased 8.4% over a year ago, while irrigated land gained 6.3%. Bankers continued to cite recreation demand as a strong influence on ranchland and nonirrigated cropland values. In many areas rising energy costs have kept a lid on irrigated values, but some bankers in parts of Nebraska commented that water rights issues are driving up the price of irrigated land.
- District farm credit conditions were solid in the first quarter despite a minor slip in some index values. The index of farm loan repayment rates edged lower, as a larger share of respondents reported no change in the rate of loan repayment. The index of requests for renewals and extensions was slightly above both the previous quarter and year but stayed well below levels prior to 2004. The district indices for farm income and capital spending pulled back from the fourth quarter. Still, 40% of respondents reported higher farm income and one-third reported higher capital spending, compared to the first quarter of last year.
- The district farm commodity price index moved higher in the first quarter. High livestock prices drove the rise, as cattle and hog prices moved above fourth quarter levels and remained well above a year ago. Corn, soybean, and sorghum prices strengthened from the previous quarter, while wheat prices weakened. Prices for all crops stayed well below a year ago.
- Interest rates on new farm loans moved up in the first quarter. At the end of the quarter, interest rates on new farm loans averaged 7.74% for operating loans, 7.73% for machinery and intermediate-term loans, and 7.29% for real estate loans. Since the end of March, most interest rates in national money markets have moved lower, but very short term rates have edged up.

*Note: 289 banks responded to the first quarter Survey of Agricultural Credit Conditions in the Tenth Federal Reserve District—an area that includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, the northern half of New Mexico, and the western third of Missouri.

*Please refer questions to Nancy Novack, associate economist, at 816-881-2423 or nancy.l.novack@kc.frb.org.

Nonirrigated Cropland Values

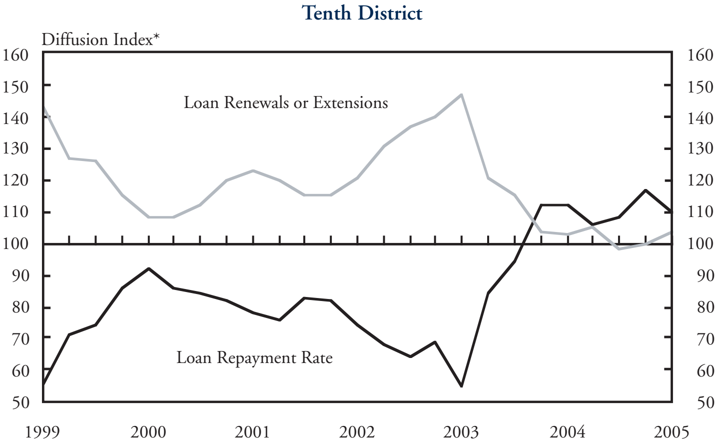
Tenth District



*Percent changes are calculated using responses only from those banks reporting in both the past and the current quarter.

Farm Credit Conditions

Tenth District



*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.