

Survey of Agricultural Credit Conditions

Federal Reserve Bank of Kansas City

June 30, 2003

Highlights from the second quarter survey.

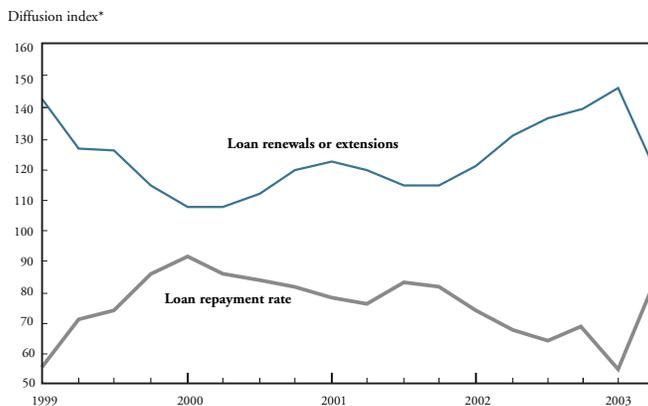
- Gains in district farmland values were more modest in the second quarter compared to previous quarters, but farmland values remain healthy. In the second quarter, annual gains in farmland values were 4.0% for nonirrigated cropland, 4.6% for irrigated cropland, and 6.0% for rangeland. Improved cattle prices contributed to stronger rangeland gains, while drought conditions led to weaker gains in cropland values.
- District farm credit conditions improved in the second quarter. Loan repayment rates for farm loans moved higher, while renewals and extensions eased a bit. A good winter wheat crop and strong cattle prices boosted producer cash flows, enabling many to reduce debt levels. Bankers are taking a cautious approach to new farm debt, but few reported significant repayment problems in the quarter. Still, more than a third of respondents indicated they had increased collateral requirements from a year ago.
- The district farm commodity price index moved higher in the second quarter. Livestock, corn, and soybean prices were higher than the previous quarter, while wheat prices approached their seasonal low. Relative to a year ago, all major crop and livestock prices moved higher with significant price gains for livestock, corn, and soybeans.
- Interest rates on new farm loans edged down in the second quarter. At the end of the quarter, interest rates on new farm loans averaged 7.32% for operating loans, 7.34% for machinery and intermediate-term loans, and 6.87% for real estate loans. Since June, interest rates in national money markets have moved up.

Note: 292 banks responded to the second quarter survey.

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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.

Farm Commodity Price Index

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