The Main Street Economist

# Survey of Agricultural Credit Conditions

## Federal Reserve Bank of Kansas City
## June 30, 2004

Highlights from the second quarter survey*

- Strong gains in district farmland values continued in the second quarter of 2004. Ranchland values averaged double digit gains of 10.0% over the previous year. Gains in ranchland values were especially strong in Nebraska and Missouri. District cropland values also posted healthy gains, with annual increases of 7.1% in nonirrigated and 4.8% in irrigated cropland values. Bankers and district contacts continue to cite nonfarm demand, such as recreation, and tax advantages as reasons for increases in farmland values.
- District farm credit conditions were solid in the second quarter. The index of farm loan repayment rates moved slightly lower, due to fewer respondents reporting higher repayment rates and more reporting no change relative to recent quarters. In response to a special survey question, more than 80% of respondents indicated that at least three-fourths of their farm loan portfolio had no repayment problems, up from 69% of respondents a year ago. Requests for renewals and extensions edged up, also due to more respondents reporting no change in requests. Still, only 13% of respondents reported an increase in renewals or extensions, which is well below previous years. District bankers' assessment of farm income remains positive, but the farm income index edged down, likely due to lower crop prices in the quarter and rising input costs.
- Strong livestock prices pushed the district farm commodity price index higher in the second quarter. Compared to the previous quarter, hog prices moved up and cattle prices made a healthy rebound from the first quarter drop in prices that resulted from the Mad Cow incident. Crop prices, however, were below first quarter levels due in part to the prospect for large fall crops. Still, prices for all crops and livestock were much stronger than the previous year.
- Interest rates on new farm loans inched higher in the second quarter. At the end of the quarter, interest rates on new farm loans averaged 7.08% for operating loans, 7.13% for machinery and intermediate-term loans, and 6.79% for real estate loans. Since the end of June, most interest rates in national money markets have inched lower.

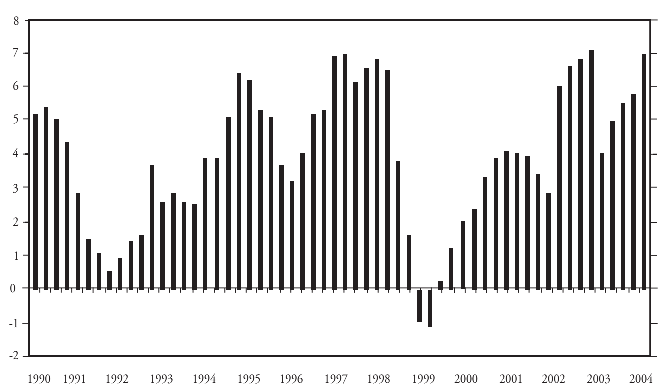
*Note: 289 banks responded to the second quarter Survey of Agricultural Credit Conditions in the Tenth Federal Reserve District—an area that includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, the northern half of New Mexico, and the western third of Missouri.

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

### Nonirrigated Cropland Values

Tenth District

Sample percent change from a year ago*

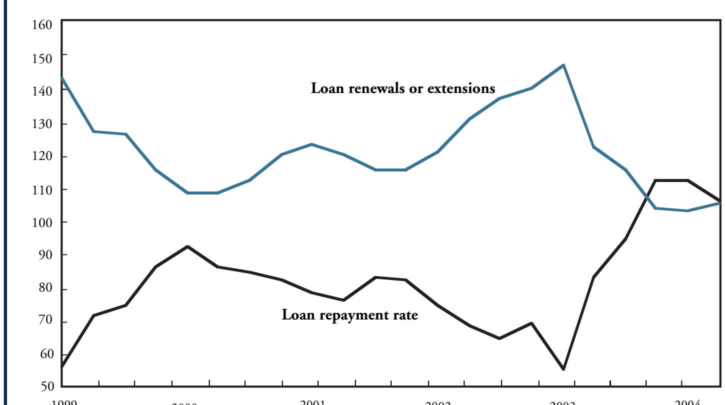



*Percent changes are calculated using responses only from those banks reporting in both the past and the current quarter.

### Farm Credit Conditions

Tenth District

Diffusion index*




*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.