

## Survey of Agricultural Credit Conditions

Federal Reserve Bank of Kansas City

June 30, 2005

Highlights from the second quarter survey\*

- District farmland values continued their upward momentum and posted strong gains in the second quarter of 2005. Ranchland values again posted the strongest gains at 11.9% over a year ago. Gains in ranchland values were healthy in all district states, but Kansas, Missouri, and Nebraska values were especially robust. District cropland values also remained strong. Nonirrigated cropland values increased 8.5% over a year ago, while irrigated land gained 6.9%. Strong demand, especially from nonfarm buyers, continues to drive the gains in many areas.
- District farm credit conditions were steady in the second quarter. The index of farm loan repayment rates edged lower, as fewer respondents reported an increase in repayment rates than in previous quarters. The slightly lower index of renewals and extensions was an improvement over the previous quarter with fewer respondents reporting an increase in renewal and extension requests. The district indices for farm income and capital spending slipped again in the second quarter. Respondents expressed concern about the impact that rising input prices and lower crop prices will have on farm finances.
- The district farm commodity price index fell slightly from the previous quarter and well below a year ago. High feeder cattle prices have buoyed the index. Soybean and sorghum prices were above the previous quarter, but all prices except feeder cattle were below the previous year.
- Interest rates on new farm loans moved up in the second quarter. At the end of the quarter, interest rates on new farm loans averaged 7.91% for operating loans, 7.88% for machinery and intermediate-term loans, and 7.41% for real estate loans. Since the end of June, interest rates in national money markets have moved higher.

\*Note: 282 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.

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