

Survey of Agricultural Credit Conditions

Federal Reserve Bank of Kansas City

September 30, 2002

Highlights from the third quarter survey.

- District farmland values posted solid gains in the third quarter. Annual gains were 6.8% for nonirrigated cropland, 5.0% for irrigated cropland, and 6.2% for ranchland. Gains were strongest in Missouri due to solid nonfarm demand, but gains weakened in the Mountain states as farmland values pulled back from the record highs of previous quarters.
- The district farm commodity price index moved higher in the third quarter. Crop prices rose as drought conditions lowered crop production. Cattle prices were also stronger in the quarter, but hog prices fell. Since September, livestock prices have held steady and soybean prices have come back from harvest lows. Corn and wheat prices have edged down.
- Farm credit conditions continued to weaken in the third quarter. Loan repayment rates slowed while loan renewals or extensions picked up. Collateral requirements have moved higher this year indicating bankers perceive more risk in agriculture.
- Interest rates on new farm loans edged down in the third quarter. At the end of the quarter, interest rates on new farm loans averaged 7.89% for operating loans, 7.94% for machinery and intermediate-term loans, and 7.48% for real estate loans. Since September, interest rates in national money markets have moved lower.
- More than two-thirds of respondents expect lower farm income and capital spending in the upcoming quarter. Three-fourths of respondents indicated that the majority of their farm borrowers are using off-farm income to support their farm operations. And over half require the use of risk management tools, the most popular being crop insurance, contracts, and hedging.

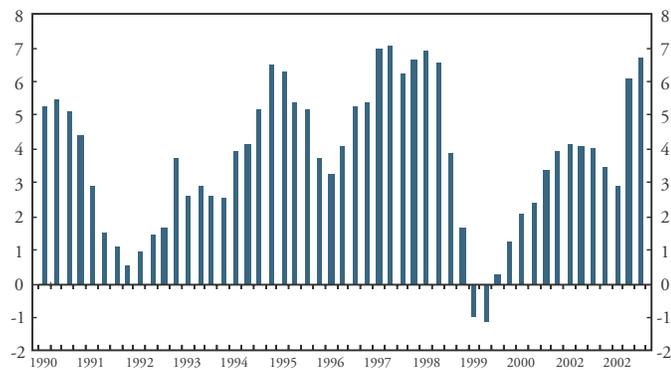
* Notes: 292 banks responded to the third quarter survey.

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

Nonirrigated Cropland Values

Tenth District

Sample percent change from last year*

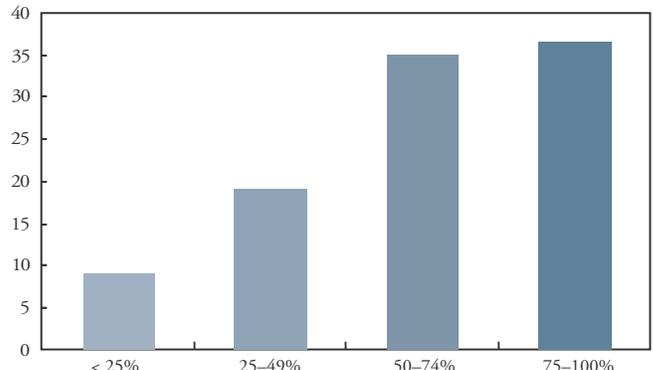


*Percent changes are calculated using responses only from those banks reporting in both the past and the current quarter.

Farm Income Supported by Off-Farm Sources

Tenth District

Percent of respondents



Share of farm borrowers using off-farm income to support farm operations