

## Survey of Agricultural Credit Conditions

Federal Reserve Bank of Kansas City

September 30, 2003

### Highlights from the third quarter survey\*

- Farmland values continued to post solid gains and provide stability for farm balance sheets. In the third quarter, annual gains in farmland values were 5.1% for nonirrigated cropland, 4.3% for irrigated cropland, and 5.9% for ranchland. A rebound in crop production and higher government payments have boosted incomes and helped support cropland values. Gains in ranchland values outpaced cropland value gains due to the strong cattle market and recreational demand for land.
- District farm credit conditions improved again in the third quarter supported by a rebound in farm income. The index of farm loan repayment rates moved to its highest third quarter level in six years, while renewals and extensions eased from the high levels of a year ago. Two-thirds of district bankers expect total farm income in 2003 to rise above last year. More than 90 percent expect higher livestock income. However, less than half of bankers expect crop incomes to rise as drought reduced crop production in some parts of the district.
- The district farm commodity price index moved higher in the third quarter. Strong cattle prices have supported gains in the index as the cattle industry accounts for the majority of district farm cash receipts. Cattle and wheat prices were higher than the previous quarter, but hog and corn prices fell. Livestock and soybean prices were well above year-ago levels, but prices of all remaining crops were significantly lower than in 2002.
- 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 7.22% for operating loans, 7.28% for machinery and intermediate-term loans, and 6.82% for real estate loans. Since September, interest rates in national money markets have moved up.

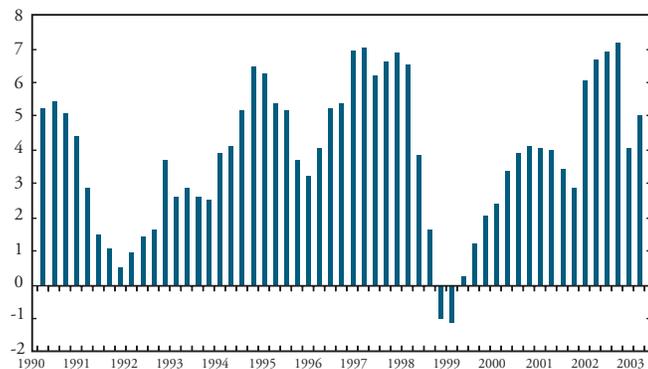
\*Note: 298 banks responded to the third quarter survey.

\*Please refer questions to Nancy Novack, associate economist, at 816-881-2423 or [nancy.l.novack@kc.frb.org](mailto:nancy.l.novack@kc.frb.org).

### Nonirrigated Cropland Values

Tenth District

Sample percent change from a year ago\*

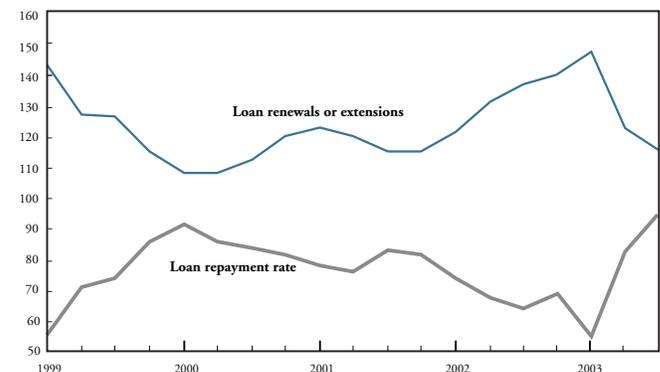


\*Percent changes are calculated using responses only from those banks reporting in both the past and the current quarter.

### 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.