

# Survey of Agricultural Credit Conditions

Federal Reserve Bank of Kansas City

September 30, 2004

Highlights from the third quarter survey\*

- District farmland values remained healthy in the third quarter of 2004. Ranchland values again posted double digit gains of 10.5% over the previous year. The strongest ranchland value gains were in Kansas, Missouri, and Nebraska. District cropland values were also strong. Nonirrigated cropland values increased 8.1% over a year ago and irrigated values increased 5.8%.
- District farm credit conditions remained strong in the third quarter. The index of farm loan repayment rates moved up and was well above a year ago. Requests for renewals and extensions were sharply lower after edging up last quarter. Only 8% of respondents reported an increase in renewals or extensions. The district farm income index edged down from the previous quarter, but district bankers' assessment of farm income remained well above a year ago. Although the most recent USDA estimate of U.S. net farm income was up substantially, the lower index relative to last quarter likely reflects district bankers' concerns about the impacts of high energy prices and the high price for feeder cattle.
- The district farm commodity price index fell in the third quarter however it remained above a year ago. Relative to the previous quarter, all crop and livestock prices, except feeder cattle, were lower. At the end of the quarter, fall crop prices were approaching seasonal lows and fell well below a year ago. Prices for feeder cattle and hogs remained especially strong while fed cattle prices were below the highs posted last fall.
- Interest rates on new farm loans moved higher in the third quarter. At the end of the quarter, interest rates on new farm loans averaged 7.29% for operating loans, 7.36 for machinery and intermediate-term loans, and 6.99% for real estate loans. Since the end of September, interest rates in national money markets have moved higher.

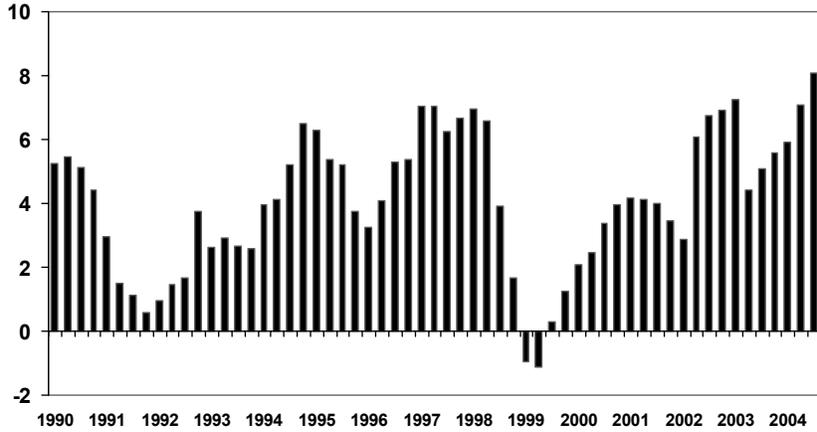
\*Note: 296 banks responded to the third quarter Survey of Agricultural Credit Conditions in the Tenth Federal Reserve District—an area that includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, the northern half of New Mexico, and the western third of Missouri.

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

# Nonirrigated Cropland Values

Tenth District

Sample percent change from a year ago\*

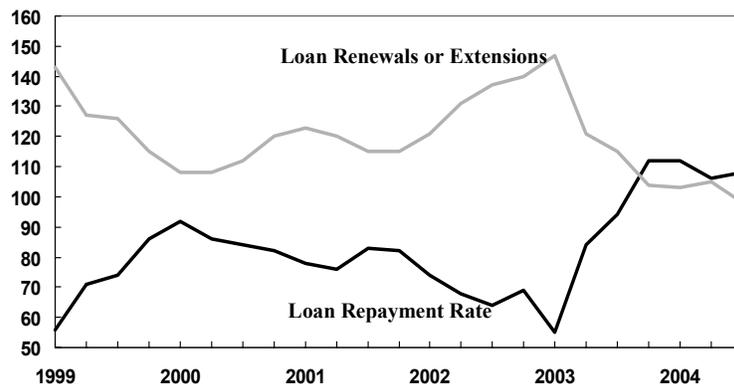


\*Percent changes are calculated using responses only from those banks reporting in both the past and the current quarter.

# 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.