

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY
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DESPITE LOW INCOMES, FARMLAND VALUES RISE FURTHER ACCORDING TO AG CREDIT SURVEY

Tenth District farmland values continued to rise in the second quarter as farm incomes fell, according to the Federal Reserve Bank of Kansas City's quarterly survey of Agricultural Credit Conditions. Value gains were attributed to strong demand from farm and non-farm buyers and a limited supply of land for sale, while lower crop prices during the spring trimmed farm incomes.

Cropland values posted the largest farmland value gains compared to last year, and sustained profits in the livestock sector and improved pasture conditions pushed ranchland values just over year-ago levels. Most of the 240 bankers surveyed in the seven-state District expect farmland values to remain at current levels over the next three months.

Weaker demand for winter wheat as well as expectations of bumper corn and soybean supplies held down crop prices and lowered banker expectations of crop incomes during the second quarter. In contrast, farm income prospects for the livestock sector remained positive as cattle and hog prices rose and feed costs fell. Stronger crop prices at the beginning of the third quarter could boost crop incomes and limit livestock profits going forward.

Despite reduced farm incomes, farm credit conditions generally held steady. While loan repayment rates were flat, loan renewals and extensions edged down. District bankers reported ample funds were available to satisfy slightly lower farm loan demand and that few loans had repayment issues that required major restructuring or liquidation of assets.

The complete survey is available at www.KansasCityFed.org/agcrsurv/agcrmain.htm.

The Tenth Federal Reserve District encompasses Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

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