

News Release

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FARMLAND VALUES CLIMB AND CREDIT CONDITIONS IMPROVE IN THIRD QUARTER ACCORDING TO AGRICULTURAL CREDIT SURVEY

Tenth District farmland values hastened their climb in the third quarter of 2010 with rising farm income and robust demand for farmland, according to the Federal Reserve Bank of Kansas City's Survey of Agricultural Credit Conditions.

A summer rally in crop prices continued through the fall harvest as global and domestic grain supplies were lower than expected. Higher crop prices boosted farm incomes, supporting strong annual gains in cropland values.

With a return to profitability for the livestock sector, ranchland values rose as well. Survey respondents expected further income gains over the next three months but noted that higher feed costs could limit profit opportunities for livestock operators.

Robust demand by farmers was still the primary driver in farm real estate markets in the seven-state District, though investor interest in good quality farmland remained high. While the supply of farmland on the market has declined over the past couple of years, some survey contacts felt that current elevated prices and the prospect of higher capital gains taxes in 2011 could prompt some farm owners to consider selling before year-end.

With incomes climbing in the third quarter, farm credit conditions improved. Farm loan demand was steady and District bankers indicated an ample supply of funds available for qualified borrowers. Survey respondents reported a significant rebound in capital spending, especially for crop equipment and grain storage bins.

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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