

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY
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CROPLAND VALUES CLIMB AND AGRICULTURAL FINANCES STRENGTHEN ACCORDING TO FEDERAL RESERVE AGRICULTURAL FINANCE DATABOOK

Agricultural finance conditions strengthened amid soaring farmland values, booming farm incomes and rising commodity prices, according to the Federal Reserve System's Agricultural Finance Databook.

Elevated farm incomes, especially in grain producing regions, drove cropland values as much as 20 percent above year-ago levels. The northern and southern Plains also experienced stronger farmland value gains as robust energy markets lifted land lease revenues for oil exploration. Rising farmland values and brisk sales raised farm real estate loan volumes at commercial banks moderately at year-end.

With stronger loan portfolios, agricultural banks ended the year with their best performance since the start of the financial crisis. The return on assets and equity at agricultural banks marched higher during the year, while the returns at other small banks held steady. Moreover, in a year when more than 150 commercial banks failed, fewer than 10 were agricultural banks.

Strong farm incomes transformed non-real estate loan portfolios at commercial banks. Rising incomes curbed demand for short-term production loans but fueled capital investment that lifted intermediate-term loans volumes for machinery and equipment. With softer non-real estate loan demand, more bankers reported a rise in funds available for farm loans. Collateral requirements generally held steady, and interest rates continued to trend down.

The Agricultural Finance Databook is a quarterly compilation of national and regional agricultural finance data. The complete release is available at: www.kansascityfed.org/research/indicatorsdata/agfinance.

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

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