

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY
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DROUGHT-REDUCED INCOMES BOOST FARM LENDING ACCORDING TO AGRICULTURAL CREDIT SURVEY

Drought cut Tenth District farm incomes in the third quarter, especially for livestock producers, boosting demand for farm operating loans, according to the Federal Reserve Bank of Kansas City's quarterly Survey of Agricultural Credit Conditions. The drought had little impact, however, on District farmland markets.

Farm incomes fell sharply during the quarter as escalating feed and fuel prices pushed production costs higher. Shrinking incomes spurred demand for farm operating loans as corn and soybean farmers and cow/calf operators searched for funds to pay for rising input costs.

Livestock enterprises faced the biggest shifts in income and financing needs. As drought conditions intensified during the summer, pastures dried up, feed costs soared with grain prices and income at livestock operations slumped. Bankers surveyed expected high crop prices and crop insurance payments to support crop incomes; still, they reported that corn and soybean incomes fell below last year's highs due to elevated fuel costs and reduced yields.

Bankers indicated that demand for quality farmland outpaced supply, even with more land being put up for sale. Both non-irrigated and irrigated cropland values remained well above year-ago levels, although the price gains began to slow.

Bankers expressed some concerns about the effects of the drought extending into 2013. The spike in feed costs forced some herd liquidations in the Tenth District. Bankers indicated that further liquidations may be warranted if grain inventories remain low and inadequate moisture levels persist.

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

As the regional headquarters of the nation's central bank, the Federal Reserve Bank of Kansas City and its branches in Denver, Oklahoma City and Omaha serve the seven states of the Tenth Federal Reserve District: Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico and western Missouri.

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