

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY
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LIVESTOCK LOANS RAISE FARM LENDING ACCORDING TO FEDERAL RESERVE AGRICULTURAL FINANCE DATABOOK

Commercial banks boosted lending to livestock operators in the first quarter, according to the Federal Reserve System's Agricultural Finance Databook.

According to a February survey of national commercial banks, bank lending for livestock purchases rose to its highest level in almost a decade. High feeder cattle prices kept loan volumes to cattle feedlots elevated. With expectations of further declines in crop and feed prices during 2013, the potential for improved profits also supported lending activity to other livestock operations.

Real estate loan volumes also trended higher as farmland markets remained active. Despite heightened sales activity, farmland prices surged further supported by strong farm incomes. Farmland values were expected to remain at record levels and real estate loan volumes appeared to advance modestly in the first quarter of 2013.

Profits at agricultural banks continued to improve in the fourth quarter of 2012. The average return on assets and return on equity reached their highest levels in five years. Ample funds were available for financing as agricultural banks competed for high-quality farm loans, driving interest rates for real estate and non-real estate loans to new lows.

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.

As the regional headquarters of the nation's central bank, the Federal Reserve Bank of Kansas City and its branches 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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