

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY  
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## **FARM INCOME GROWTH SLOWS ACCORDING TO AGRICULTURAL CREDIT SURVEY**

Rising production costs and falling crop prices curbed farm income growth in the first quarter of 2013, according to the Federal Reserve Bank of Kansas City's quarterly Survey of Agricultural Credit Conditions.

High feed and forage costs continued to stifle profitability in the livestock sector, where losses were compounded by declines in livestock prices and the persistence of intense drought. Crop production expenses, particularly for seed and fertilizer, climbed higher as planting season approached. Crop prices were expected to fall throughout the growing season and wheat harvest, potentially restoring livestock and ethanol sector profits but restraining farm income from crop sales.

Land values in the seven-state Tenth Federal Reserve District climbed further in the first quarter. Cropland values rose 20 percent and ranchland values rose 14 percent year-over-year, a modest slowdown compared with the first quarter of 2012. Rising land values strengthened the balance sheet of farmers who own land but boosted debt levels for others financing farmland purchases.

After a robust first quarter, farm household and capital spending were expected to slow in the coming months amid softening incomes and higher operating costs. According to banker respondents, capital spending was stronger than expected in the first quarter even after a surge in equipment purchases at the end of 2012. Producers appeared to be taking advantage of record low interest rates to finance capital purchases but were using cash to cover operating costs, limiting overall operating loan demand.

The complete survey is available at [www.KansasCityFed.org/agcrsurv/agcrmain.htm](http://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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