

News Release

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AGRICULTURAL CREDIT SURVEY REPORTS FARM SALES RISE WITH LAND VALUES

Robust bidding by farmers spurred record high Tenth District land values in the fourth quarter, which enticed more landowners to place farmland up for auction, according to the Federal Reserve Bank of Kansas City's quarterly Survey of Agricultural Credit Conditions.

Nonirrigated cropland values in the District jumped almost 9 percent during the last three months of 2011 and were 25 percent higher than year-ago levels. District bankers noted an increasing number of absentee landowners were putting their farms up for sale and attributed much of the auction activity to landowners seeking top-dollar prices.

Farmers were the main buyers, and the share of land purchases by farmers has grown during the past few years. Still, outside investor interest in farmland for rental income or capital gains remained high, with farmland sales for recreational or development use dwindling. About a third of survey respondents expected both the price and the amount of farmland offered for sale to rise further in 2012.

Strong farm incomes were fueling the robust farmland value gains. During the fourth quarter, crop prices remained historically high but volatile, while livestock prices were well above year-ago levels. With bullish farm income prospects, many landowners negotiated steep increases in cash rental rates for farmland. Rising cash rents, however, could strain profit margins for some producers, especially if other input costs climb higher.

Agricultural credit conditions improved at the close of the year, and loan demand edged up. Though a year-end spike in capital spending provided a slight boost to loan demand, bankers noted wider use of vendor financing by farmers.

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

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