

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY
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FARM LOAN VOLUMES RISE AND AGRICULTURAL FINANCES STRENGTHEN ACCORDING TO FEDERAL RESERVE AGRICULTURAL FINANCE DATABOOK

Non-real estate farm loan volumes rose in the first quarter, according to the Federal Reserve System's Agricultural Finance Databook.

Survey data from the week of Feb. 6, 2012, showed that loans for farm machinery and equipment held at high levels with a sharp jump in the volume of intermediate-term loans made for unspecified purposes. With low cow inventories lifting feeder cattle prices, banks also made larger short-term loans to the livestock sector. However, strong farm income for crop producers kept operating loan volumes relatively flat heading into planting season. Farm loan portfolios at small and mid-sized banks increased by almost a third compared to last year, and farm loan portfolios at large lenders grew by more than 20 percent.

Though loan volumes rose at both large and small agricultural lenders in the first quarter, the composition of their farm loan portfolios varied. Large banks made more intermediate-term loans that were typically rated as moderate risk. Small and mid-sized banks had a larger share of short-term operating and livestock loans that were generally rated as low risk. However, small and mid-size lenders also had a higher concentration of long-term farm real estate loans in their farm loan portfolios compared with large lenders, heightening their exposure to a potential correction in the farmland market. Still, farmland values continued to climb in the fourth quarter even with more farmland for sale at year-end.

Agricultural banks ended 2011 with their best financial performance in three years. The return on assets at agricultural banks in the fourth quarter rose for the second straight year, and annual net income distributions strengthened.

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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