News Release
THE FEDERAL RESERVE BANK *of* KANSAS CITY
DENVER • OKLAHOMA CITY • OMAHA

One Memorial Drive • Kansas City, MO 64198 • Phone: 816.881.2683

For Immediate Release
January 23, 2014

Contact: Erin Redemske
402-221-5608
erin.redemske@kc.frb.org

SLUMP IN CAPITAL SPENDING WEIGHS ON FARM LENDING ACCORDING TO FEDERAL RESERVE'S AGRICULTURAL FINANCE DATABOOK

A slowdown in lending for capital purchases contributed to lower farm loan volumes in the fourth quarter of 2013, according to the Federal Reserve System's Agricultural Finance Databook.

According to national survey data collected during the first full week of November, the volume of loans for farm machinery and equipment purchases dropped to the lowest level in more than two years, despite attractive loan terms of low interest rates and longer average maturities.

Strong incomes and a drop in key production costs also limited the need for short-term financing to the farm sector. A rebound in crop production in most regions helped offset a sharp drop in corn prices at harvest, keeping farm income relatively high. In turn, lower corn prices reduced feed costs for livestock operators.

Farm real estate lending eased during the fourth-quarter survey period. While farmland values generally were still rising, agricultural bankers reported gains had moderated from the brisk pace of the past few years. Most bankers felt that farmland values would hold steady at high levels heading into 2014.

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.

###