Commodities

As part of the third-quarter Agricultural Survey, Eleventh District bankers were asked to list agricultural commodities produced in their lending region. Cattle was again the most widespread response, followed by hay, with more than three-fourths of respondents reporting production of these commodities in their region. However, reports on hay production were less widespread than in 2015—the last time bankers reported on the commodities produced in their region. Corn and cotton production were reported by equal shares, almost 70 percent, of respondents, and while fewer bankers indicated that wheat is produced in their region than in 2015, still more than half noted some wheat production. The prevalence of sorghum production declined slightly from 2015, with just under half of respondents noting some production of sorghum in their region, down from over 60 percent in 2015.

The survey asked Eleventh District bankers to rank the top three commodities produced in their lending region. The top five commodities in 2015 remained in the top five again in 2017; however, the rankings changed. Cattle continued to maintain the top position. Cotton and corn traded places, with cotton coming in second. Rounding out the top five were hay and wheat, which also exchanged positions in the rankings. Looking to the importance of production of other commodities, peanuts jumped in the rankings, as did poultry. Sorghum decreased in importance over the past two years, according to survey responses.

Bankers were asked to highlight any changes in the types of agricultural commodities produced in their region. Most notable was a shift back to cotton from sorghum and corn. However, there were scattered reports of more corn acres, especially for insurance coverage. Changes in crops grown over the past two years were largely due to commodity prices and also due to aphids.

The survey also asked how recent movements in commodity prices have impacted agricultural and credit conditions, including the types of commodities grown. A number of bankers reported that lower prices for some commodities had caused credit conditions in their region to deteriorate. Some respondents said they are tightening credit conditions, and a couple noted producers will likely have carry-over debt. A few bankers expressed concern that farm incomes will be lower and producers’ cash flows will be tighter. A couple respondents noted that there is some additional hedging and/or contracting being done by producers.

The following pages display a graphical representation, by region, of the data gathered in this commodities survey, along with the comments received.

NOTE: “Other” includes sesame and timber.
Agricultural Commodity Ranking in the Eleventh District
(As reported by responding banks, third quarter 2017 and 2015)
NOTE: Region 4 only ranked four commodities.
Agricultural Commodity Ranking in the Eleventh District (continued)
(As reported by responding banks, third quarter 2017 and 2015)

Region 10—South Texas
Region 11—Trans-Pecos and Edwards Plateau
Region 12—Southern New Mexico
Region 13—Northern Louisiana
QUESTION: Over the past two years, have there been changes in the types of agricultural commodities grown in your region? If so, please explain.

Region 1 • Northern High Plains
- There has been more cotton and less milo.
- We had quite a few farmers plant cotton, due to prices.
- A switch from grain sorghum to cotton has been made due to the sugarcane aphid.
- There was an increase in cotton acres.
- There has been more cotton with less sorghum and corn.

Region 2 • Southern High Plains
- Most everyone has grown more cotton due to low commodity prices for grains.
- There is a definite switch away from grain (mostly corn) to cotton. This is in response to downward trending grain prices and upward trending cotton prices. Cotton also needs less irrigation.

Region 3 • Northern Low Plains
- There has been more cotton, and cattle herds increased.
- Peanut production has declined significantly due to minimum profit margins; wheat production has declined due to negative profits, with former wheat producers searching for alternative crops.
- As of this year, we have seen producers move more acres to cotton with a few planting dryland corn.

Region 4 • Southern Low Plains
- With cotton not being a covered commodity, many farmers are looking to other crops such as peanuts, wheat or triticale.
- Our region is predominately a cotton-growing region with other crops not really being a vital option unless under irrigation. We really do not have a better option even with low cotton prices and no government support.

Region 6 • North Central Texas
- There has not been as much corn and wheat.
- There has been an increase of commodities other than wheat. This is spread between sorghum, corn and soybeans.
- Rain three weeks ago ruined a lot of hay, but hopefully it hasn’t ruined the soybeans.
- There has been less sorghum and more corn and cotton—mostly due to aphids.
- Cotton has made a comeback.

Region 7 • East Texas
- There has been less dairy.

Region 8 • Central Texas
- We have seen several closures of table grape operations and wineries in the area, with a slight expansion of a few olive farms.
- There has been more corn, less cotton.

Region 9 • Coastal Texas
- Cotton increased due to low prices of sorghum.
- There has been no shift in the crops grown in the area. Rotation is normal, with some shift in acres based on prices and profitability.
- Corn has increased, replacing non-program cotton acres, primarily to take advantage of the safety net provided by Price Loss Coverage and Agricultural Risk Coverage provisions included in the farm bill.

Region 10 • Trans-Pecos and Edwards Plateau
- Wool sheep are being sold and replaced with hair sheep. Meat goats are still more desirable than Angora goats, even though mohair prices are healthy. Predators are a huge concern as coyotes and hogs continue to expand their territory. Many sheep and goat ranchers are replacing herds with just cattle due to predation.

Region 11 • Trans-Pecos and Edwards Plateau
- There has been more corn—that dryland and irrigated—because we have a growing demand for corn, and it has had a better price than wheat.
- There has been continued movement from wool sheep to hair sheep.

Region 12 • Southern New Mexico
- More corn is being grown in the irrigated areas.

Region 13 • Northern Louisiana
- 2017 shows an increase in cotton acreage due to grain prices.
- A sizable increase in the amount of cotton acreage came from soybean and corn acres normally planted.
- There were more acres of cotton planted this year than in the past several years. Corn fell into second place with soybean acres getting the most planted acres in the area.
QUESTION: How have recent movements in commodity prices impacted agricultural and credit conditions in your region, including the types of agricultural commodities grown? Please explain.

**Region 1 • Northern High Plains**
- Commodity prices affected some of our farmers in being able to pay back their notes, but we have worked through those issues.
- More favorable economic conditions for cotton have encouraged increased cotton acreage.
- The decline in corn prices has moved more acres to cotton.
- Cash flows have been tighter; there has been a shift from corn and sorghum to cotton.

**Region 2 • Southern High Plains**
- Cotton prices have ranged from $0.55 to $0.70 per pound over the last two cycles. Average yields at $0.55/lb. are not sufficient for positive earnings, and average yields at $0.70/lb. are at or near breakeven for most dryland producers. In short, with rising input costs, prices need to increase to at least $0.75/lb. for producers to make net income.
- Producers are marketing better, and hedging or contracting. Crop insurance has also been utilized better.
- Lower corn and milo prices have reduced the number of acres planted.

**Region 3 • Northern Low Plains**
- Due to input costs and lower commodity prices, cotton acres have increased.
- Producers are limited to alternative crops due to weather patterns, the growing season and soil types.
- Lower commodity prices make positive cash flow projections harder to obtain. Our area is not suited to a big variety of commodities because of soil type, water availability and climate.
- With the steady prices of cotton, many producers are moving acres out of wheat and into cotton.

**Region 4 • Southern Low Plains**
- Lower wheat prices have caused a diversification in plants, resulting in more corn being planted.
- Commodity prices staying low and input costs continuing to be high continues to keep a strain on cash flow.
- Cotton and cattle prices have been lower and have lowered income for the area.

**Region 5 • Cross Timbers**
- We are now farming below breakeven.
- The decline in cattle prices has hampered profitability; however, they are still above historical norms.

**Region 6 • North Central Texas**
- There are more cotton acres this year as corn prices are not favorable.
- Weak prices for wheat are causing people to consider other crops.
- There has been more corn storage on farms in the hope of higher prices in the future. Cotton acres have increased.
- Income is up slightly due to higher cattle prices.
- Corn and wheat prices were low, but yields were good.

**Region 7 • East Texas**
- There has been increased profit for cattle ranchers.
- The price of cattle seems to have moved down after moving up slightly earlier this year.
- All producers have experienced less net income either due to lower prices received for their commodity or increased expenses.

**Region 8 • Central Texas**
- Pricing has forced more farmers and cattle raisers to hedge a larger percentage.
- It seems that some cattle operations are not expanding until we get some price stabilization, with some hay and corn growers anticipating cutting back on acreage as well.

**Region 9 • Coastal Texas**
- Lower grain prices have impacted crop mix which in turn impacts input cost. More cotton has been grown which increased the overall cost per acre to the grower.
- Commodity prices have impacted some ag and credit conditions in the region. Some credits did not do well with the excessive rains in some areas.
- Credit conditions have deteriorated in general for row crop producers due to weather issues and commodity prices. Cotton acres have increased due to the commodity price.

**Region 10 • Edwards Plateau**
- Recent price movements have been discouraging and frustrating. Although the area has some excellent irrigated production potential at this time, we anticipate the majority of producers will once again have some operating and term debt carryover.

**Region 11 • Trans-Pecos and Edwards Plateau**
- Decreasing cotton prices and increasing farm expenses have tightened credit in our area.
- Cattle and sheep and goat prices have a direct impact on the credit conditions in our region, and the recent slump (over the past couple of years) has impacted cattle income on all of our producers. However, in the past six months or so, cattle prices strengthened somewhat and returned to a level which works more favorably for all producers in our area. Sheep and goat prices have stayed pretty strong. Good early-year rains produced a good hay crop in our area, and hay is still fairly plentiful, compared to the past three or four years which saw a shortage of affordable hay (or any hay, for that matter) available. Feed prices, as a general rule, have stayed at high levels continuously and we don’t see any relief to speak of forthcoming in that area.
- Cheaper prices have hurt our farmers.

**Region 12 • Southern New Mexico**
- We have seen some shift from milo to corn on irrigated ground.
- Most commodities in this area are contracted; therefore, prices have not been impacted significantly.

**Region 13 • Northern Louisiana**
- In 2016–17, cotton increased, corn decreased, grain sorghum decreased, and soybeans decreased. Since 2015, wheat acreage has decreased due to price.
- The changes in commodity prices have led to few acres of corn and more acres of cotton being planted.
- Lower grain prices have been the basic reason why there are more cotton acres planted.
- Commodity prices have been a major factor in the number of acres of planted crops.
As part of this quarter’s commodity survey, respondents were asked how the change in oil and gas prices impacted the demand for agricultural credit in their region. Responses on the impact to credit demand varied by region, while a number of respondents commented that lower oil prices reduced input costs for producers. Many bankers noted they have seen slight to no impact on the demand for credit from the change in energy prices. Some did note, though, that producers in their region are able to supplement their income from oilfield-related activity, and that has, in turn, lessened demand for credit. Others indicated that lower oil prices led to tighter operating budgets for producers.

**QUESTION:** Over the past two years, how has the change in oil and gas prices impacted the demand for agricultural credit in your region?

**Region 1 • Northern High Plains**
- There has been an adverse effect on cash flow and spending.
- It has not changed demand for credit but has tightened operating budgets.

**Region 2 • Southern High Plains**
- The drop in oil prices has had a negative impact on grain. However, fuel and fertilizer input costs have been down as well.
- Our farming customers have been very successful selling water and caliche to the oil patch. This cash flow has offset much of their need for operating credit, and we have witnessed softer loan demand as a consequence.

**Region 3 • Northern Low Plains**
- Operating lines have been increased and used more because of the decrease in oil and gas prices.
- Oil production does impact the direct credit needs in our area, so in theory, lower petroleum prices should lower fertilizer, chemical and fuel costs, but this does not always correlate directly.

**Region 4 • Southern Low Plains**
- It has been one of the few small positive items, with farm fuel prices lower and fertilizer costs down.

**Region 5 • Cross Timbers**
- Probably the most significant impact would be to reduce demand for ag real estate purchases.

**Region 6 • North Central Texas**
- There has been very little impact, although as prices for commodities come down, input prices do not follow suit.
- Prices have actually been down until Hurricane Harvey; now we expect a substantial impact could be possible due to Hurricane Harvey’s impact.
- No, however Hurricane Harvey has caused some short-term problems with extra costs and shortages (perceived or factual). Long-term problems are unknown at this time.
- I don’t believe that oil prices impact ag credit as much as oil prices impact the prices paid for real estate and other purchases. Land prices usually go up in our area when oil is high.
- It has lowered input costs and lessened operating cost.

**Region 7 • East Texas**
- This has improved profit, which has in turn encouraged growth, increasing demand.

**Region 8 • Central Texas**
- The additional income to local ranchers has allowed them to pay off much of their debt and allowed them to begin saving substantial funds toward retirement.

**Region 9 • Coastal Texas**
- There has been no major shift in the demand for ag credit in the region with the changing oil and gas prices. It has changed inputs, and some pricing is affected by competitive synthetic fibers that are competition for cotton.

**Region 10 • Trans-Pecos and Edwards Plateau**
- It affects all areas of our economy and causes ranchers to make more profit-based decisions.
- There has been little impact in our immediate area, as we have few customers with production in our county. Those customers who have production elsewhere have typically been non-borrowing.
- Not really, although a lot of ranchers’ budgets are very tight due to decreased oil and gas income.
- Yes. The “weekend farmer or rancher” is not applying as often for credit to buy property and/or livestock at this time.

**Region 11 • Southern New Mexico**
- Oil and gas are not seen in our region, so therefore there has been no impact on our ag credits.