



Agricultural Survey

Second Quarter 2019

Quarterly Survey of Agricultural Credit Conditions in the Eleventh Federal Reserve District

Survey Highlights

Bankers responding to the second-quarter survey reported overall weaker conditions across most regions of the Eleventh District. They noted that heavy rainfall in the quarter had mixed effects, with some corn crops benefiting but other crops, particularly cotton, negatively impacted. Prices continued to be seen as weak.

Demand for agricultural loans plummeted, with the loan demand index falling to its lowest reading in six years. Loan renewals and extensions increased, and the rate of loan repayment continued to decline. With the exception of operating loans, loan volume fell across all major categories compared with a year ago (Figure 1).

District rangeland and dryland values increased notably this quarter, while irrigated cropland values held steady (Figure 2). According to bankers who responded in both this quarter and second quarter 2018, nominal cropland and rangeland values increased year over year in Texas and northern Louisiana (Table 1). Southern New Mexico respondents indicated an increase in irrigated cropland values but a decline in dryland values.

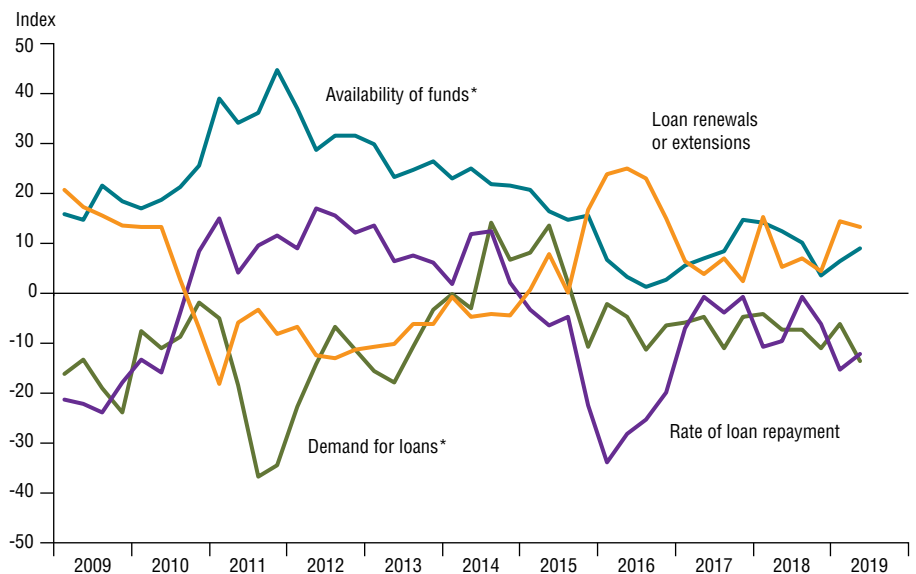
The anticipated trend in farmland values index was mostly flat for a third consecutive quarter, suggesting respondents expect farmland values to hold steady. The credit standards index fell slightly but remained elevated, indicating further tightening of standards on net (Figure 4).

A special set of questions on extreme weather events during the first half of 2019 reveals that a majority of agricultural banks saw modest or significant impacts to their lending areas (Table 3).

Figure 1—Farm Lending Trends

What changes occurred in non-real-estate farm loans at your bank in the past three months compared with a year earlier?

	Index		Percent reporting, Q2		
	2019: Q1	2019: Q2	▲ Greater	Same	▼ Less
Demand for loans*	-6.3	-13.6	8.9	68.6	22.5
Availability of funds*	6.5	9.0	14.1	80.8	5.1
Rate of loan repayment	-15.2	-12.3	5.3	77.2	17.5
Loan renewals or extensions	14.4	13.2	15.8	81.6	2.6



What changes occurred in volume of farm loans made by your bank in the past three months compared with a year earlier?

	Index		Percent reporting, Q2		
	2019: Q1	2019: Q2	▲ Greater	Same	▼ Less
Non-real-estate farm loans	-9.1	-8.9	12.5	66.1	21.4
Feeder cattle loans*	-4.0	-11.0	8.1	72.8	19.1
Dairy loans*	-22.4	-5.9	6.7	80.7	12.6
Crop storage loans*	-9.9	-5.7	2.3	89.7	8.0
Operating loans	-1.8	2.7	16.2	70.3	13.5
Farm machinery loans*	-21.5	-10.8	11.0	67.2	21.8
Farm real estate loans*	-12.5	-5.1	9.2	76.5	14.3

*Seasonally adjusted.

NOTES: Survey responses are used to calculate an index for each item by subtracting the percentage of bankers reporting less from the percentage reporting greater. Positive index readings generally indicate an increase, while negative index readings generally indicate a decrease.

1 Northern High Plains

- ▶ Abundant rainfall has resulted in a good start for the corn crop, but the wet and cooler weather is hampering the cotton crop. The increase in corn prices is providing profit opportunity above what was initially anticipated for the year.
- ▶ Early summer rains have been a blessing to our community. We have seen a substantial drop in cattle prices in the last 45 days and hope that will correct before fall.

2 Southern High Plains

- ▶ We are thankful for recent rains we have received as they will definitely help with our row crops and grass for livestock. Better prices for all agriculture products would be a positive.
- ▶ We've seen delays in planting due to unstable weather conditions and excessive rainfall. All crops are marginal stands or very young replant crops due to hail, wind and static electricity damage during normal planting dates. Crops will need warmer weather to generate needed heat units.

3 Northern Low Plains

- ▶ Agriculture takes the brunt of the economic damage in the tariff war, with not much more than political jargon for compensation. If other industries/wage earners lost revenues at the same pace, there would be a different narrative.
- ▶ Cotton has a good start in some of the areas and is not up in others. We have between adequate moisture and too much moisture to plant. Pastures are in excellent condition. Cattle and cotton prices are depressed and a cause of concern.

4 Southern Low Plains

- ▶ Wheat harvest, wheat hay baling and cotton planting have been delayed due to excessive rains and cool, cloudy weather. Pasture conditions and tank water are the best in several years. Destruction of farmers' liquidity and net worth continues at a strong pace. Seed prices did come down this year. Seed companies have fewer jackets and caps to give away.

6 North Central Texas

- ▶ Low, low, low commodity prices and wet weather recently, and a combination of drought and wet weather in the past, have really hurt our farmers. Many are barely hanging on. The 2019 crop will either make or break many of our local farmers. These same conditions are also causing potential land buyers to take a "wait and see" attitude, as they are afraid the weather in this northeast Texas area is too unpredictable, particularly when combined with low crop prices.
- ▶ Excessive rainfall has hurt both ranchers and farmers.
- ▶ It is still raining; this is the second year in a row that the hay crop could be ruined. We have some customers taking preventive planting from the government. We have some farmers not planting crops and moving more into stocker cattle loans.
- ▶ Weather thus far in the growing season in West Texas has been detrimental, with torrential rains and hail. Moisture conditions are excellent but with the moisture coming from extreme weather—flooding, hail and wind—during a time that crops were very small. It has not been a good start to the growing season.
- ▶ The overall agricultural environment in Hunt County remains stressed due to continued wet conditions and overall weak agriculture market issues.

7 East Texas

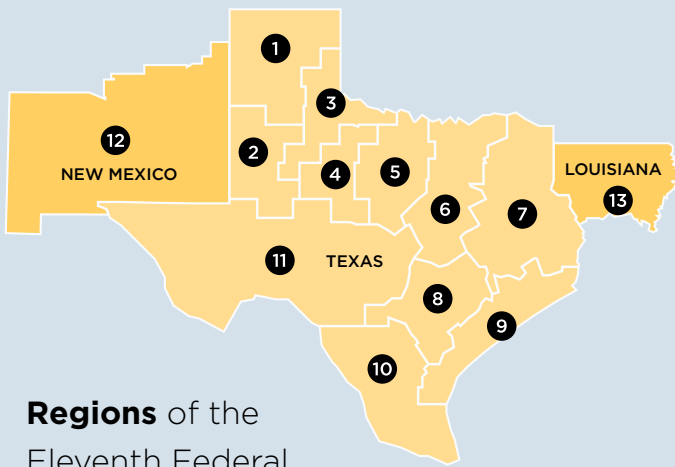
- ▶ Persistent wet field conditions continue to cause problems for row crop farmers in the Brazos Bottom area. There are reports of being unable to plant a cotton crop due to wet conditions. Corn and milo are satisfactory, with prospects for an average crop. The first hay cuttings are generally finished, and recent rains have helped boost prospects for an ideal second cutting. Yearling cattle being shipped are weighing considerably more than the contracted weight.
- ▶ Poultry seems to be doing better, while cattle prices are still a bit depressed. Extremely wet conditions are continuing to wreak havoc on farmers being able to get in hay meadows.

8 Central Texas

- ▶ Summer is coming as weather starts to heat up in June. However, we still have moisture, and this has been the best May/June period we have had in a few years. First cuttings of hay are almost complete; corn is finally coming on better, but heat will slow it down going forward. Cattle appear to be in good condition, with lots of baby calves being born. Feeder cattle and slaughter cattle prices are continuing to decline since their April highs, with no bottom in sight yet. A lot will depend upon corn prices in the fall, as lots of speculators are now worried that corn prices could be above initial projections due to flooding in the Midwest and hurt fat cattle prices even more. Oil and gas exploration is still present but at a slower pace than this time last year.

11 Trans-Pecos and Edwards Plateau

- ▶ After a dry first quarter, the skies opened and the Edwards Plateau (at least a large portion of it) has experienced excellent rainfall in a number of weather systems which seem to bring rain on an almost weekly basis. As a result, range conditions are, as some old-timers are saying, "As good as we've ever seen!" Prices for all classes of livestock are still good, although the sheep and goat market and the cattle market have come off a bit in the last month. All in all, this year is shaping up to be a possible "bell ringer" for the ranch business in southwest Texas.
- ▶ Pasture conditions are excellent after very good rainfall in the past few months. Sheep, goat and cattle numbers remain relatively low, with some producers increasing stocking levels. Moving toward hair sheep from wool sheep remains one of the biggest changes. Losses from predators, particularly coyotes, remains a factor, with continuing land, water facilities and fence destruction problems from hogs. Economical ag labor availability is also an issue.
- ▶ Recent rains have made grazing conditions going into the summer months the best in many years.



Regions of the Eleventh Federal Reserve District

12 Southern New Mexico

- ▶ Volatility in cattle futures is frustrating some producers. The coolness of the spring is a little unusual and, thus, crops aren't growing/sprouting in typical fashion. However, neither of these items should materially affect the farm economy for this quarter.
- ▶ Recent rains have been good for the ranching community, and crops are planted, emerged and looking good on most area farms. Wheat harvested for grain is still a few weeks away; most of the wheat has been chopped for haylage. The livestock market has experienced a significant drop in prices. Dairy operations have seen favorable pricing trends on milk and cheese.

13 Northern Louisiana

- ▶ Due to the excessive rains during the soybean planting season, the intended planted acres of soybeans are much less than planned. Corn acres are as expected, and the crops look very good in some lighter soils. The crops on the heavier soils are not in as good condition. Cotton acres are up this year, and so far, the plants look very good in most locations.

Table 1—Rural Real Estate Values
Second Quarter 2019

	Banks ¹	Average value ²	Percent change ³ in value from previous year
	Second Quarter 2019		
Cropland—Dryland			
District*	89	1,919	4.9
Texas*	80	1,926	4.5
1 Northern High Plains	10	919	1.9
2 Southern High Plains	10	875	13.6
3 Northern Low Plains*	5	883	6.0
4 Southern Low Plains*	7	939	-3.4
5 Cross Timbers	4	1,613	11.7
6 North Central Texas	13	2,923	5.0
7 East Texas*	8	2,788	10.7
8 Central Texas	9	3,972	6.2
9 Coastal Texas	3	2,300	2.6
10 South Texas	4	2,225	-4.6
11 Trans-Pecos and Edwards Plateau	7	2,357	-2.0
12 Southern New Mexico	3	408	-2.5
13 Northern Louisiana	6	3,108	13.4
Cropland—Irrigated			
District*	70	2,568	5.2
Texas*	60	2,257	3.4
1 Northern High Plains	10	2,145	2.4
2 Southern High Plains	9	1,622	5.7
3 Northern Low Plains*	4	2,278	0.0
4 Southern Low Plains	6	1,233	0.0
5 Cross Timbers	n.a.	n.a.	n.a.
6 North Central Texas	7	3,136	3.4
7 East Texas	5	2,970	10.2
8 Central Texas	5	4,280	8.5
9 Coastal Texas	3	2,817	13.3
10 South Texas	3	3,200	0.0
11 Trans-Pecos and Edwards Plateau	6	2,975	-0.9
12 Southern New Mexico	4	3,813	8.0
13 Northern Louisiana	6	4,408	13.6
Ranchland			
District*	95	2,005	3.2
Texas*	86	2,383	3.2
1 Northern High Plains	10	715	10.8
2 Southern High Plains	6	850	-16.5
3 Northern Low Plains	5	840	0.0
4 Southern Low Plains*	6	1,146	0.0
5 Cross Timbers	5	1,820	10.8
6 North Central Texas	14	3,007	5.0
7 East Texas	13	2,835	8.3
8 Central Texas	10	6,310	1.9
9 Coastal Texas	3	3,000	9.4
10 South Texas	3	2,567	-2.3
11 Trans-Pecos and Edwards Plateau	11	2,318	2.4
12 Southern New Mexico	3	358	0.0
13 Northern Louisiana	6	2,592	21.0

*Seasonally adjusted.

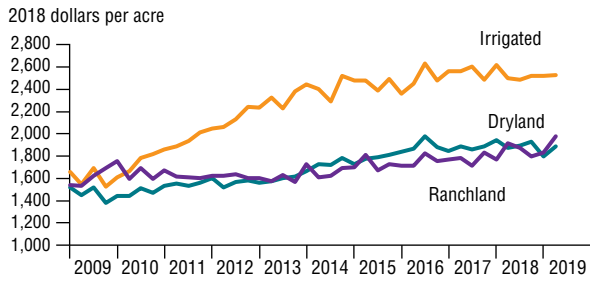
¹ Number of banks reporting land values.

² Prices are dollars per acre, not adjusted for inflation.

³ Not adjusted for inflation and calculated using responses only from those banks reporting in both the past and current quarter.

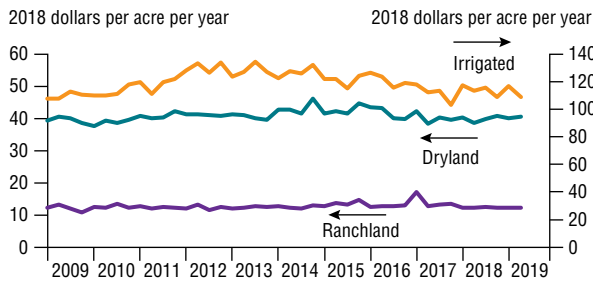
n.a.—Not published due to insufficient responses but included in totals for Texas and district.

Figure 2—Real Land Values



NOTE: All values have been seasonally adjusted. Real values are created by deflating the nominal values using the implicit price deflator for U.S. gross domestic product.

Figure 3—Real Cash Rents



NOTE: All values have been seasonally adjusted. Real values are created by deflating the nominal values using the implicit price deflator for U.S. gross domestic product.

Table 2—Interest Rates by Loan Type

	Feeder cattle	Other farm operating	Intermediate term	Long-term farm real estate
Fixed (average rate, percent)				
2018:Q2	6.55	6.57	6.50	6.24
Q3	6.74	6.84	6.64	6.36
Q4	6.88	6.95	6.78	6.58
2019: Q1	7.01	7.11	6.88	6.58
Q2	7.02	7.11	6.83	6.40
Variable (average rate, percent)				
2018:Q2	6.25	6.28	6.23	5.90
Q3	6.48	6.48	6.43	6.02
Q4	6.70	6.69	6.66	6.26
2019: Q1	6.81	6.83	6.75	6.44
Q2	6.84	6.85	6.80	6.42

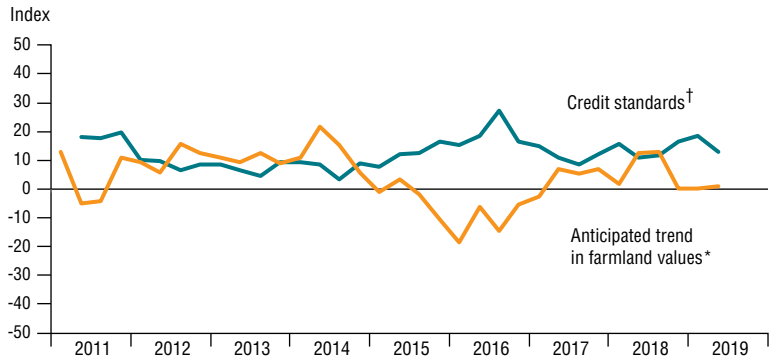
Figure 4—Anticipated Farmland Values and Credit Standards

What trend in farmland values do you expect in your area in the next three months?

	Index		Percent reporting, Q2		
Anticipated trend in farmland values*	2019: Q1	2019: Q2	▲Up	Stable	▼Down
	0.1	1.1	8.3	84.5	7.2

What changes occurred in credit standards for agricultural loans at your bank in the past three months compared with a year earlier?†

	2019: Q1	2019: Q2	▲Tightened	Same	▼Loosened
Credit standards	18.6	12.7	12.7	87.3	0.0



*Seasonally adjusted.

†Added to survey in second quarter 2011.

NOTE: Survey responses are used to calculate an index for each item by subtracting the percentage of bankers reporting less from the percentage reporting greater. Positive index readings generally indicate an increase, while negative index readings generally indicate a decrease.

Table 3—Special Questions

To what degree was your lending area (including local infrastructure, housing, etc.) impacted by flooding or other extreme weather events during the first half of the year?

	Significantly Impacted	Modestly Impacted	Not Impacted
Percent	11.3	44.3	44.3

What percentage of your agricultural borrowers were, or likely will be, impacted by flooding or other extreme weather events during the first half of the year?

	Significantly Impacted	Modestly Impacted	Not Impacted
Percent *	16.1	28.2	55.8

*Average across respondents.

Bankers' comments related to the special questions can be found at www.dallasfed.org/research/surveys/agsurvey/2019/ag1902.aspx#Questions.



Agricultural Survey

Agricultural Survey is compiled from a survey of Eleventh District agricultural bankers, and data have been seasonally adjusted as necessary. Data were collected June 4–12, and 115 bankers responded to the survey. This publication is prepared by the Federal Reserve Bank of Dallas and is available without charge by sending an email to pubsorder@dal.frb.org or by calling 214-922-5270. It is available on the web at www.dallasfed.org/research/surveys/agsurvey.aspx, where you may sign up for free email alerts to be automatically notified as soon as the latest survey is released on the web. For questions, contact Christopher Slijk, 214-922-6532.



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