

Agricultural Survey

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

Survey Highlights

Bankers responding to the first-quarter survey continued to report negative effects from drought and serious need for rain districtwide. The winter wheat crop was in poor shape, and wheat for grazing was minimal, according to respondents in a number of regions. Cattle prices remained high, and there were fewer reports of herd thinning than in past reports. This quarter, some contacts noted possible lending and cash flow issues due to uncertainty from the farm bill and government agricultural programs.

District farmland values continued rising in the first quarter. Farmland values for all land types were above year-ago levels. Ranchland and dryland values increased almost 5 percent over last year, while irrigated cropland was up about 4 percent compared with last year.

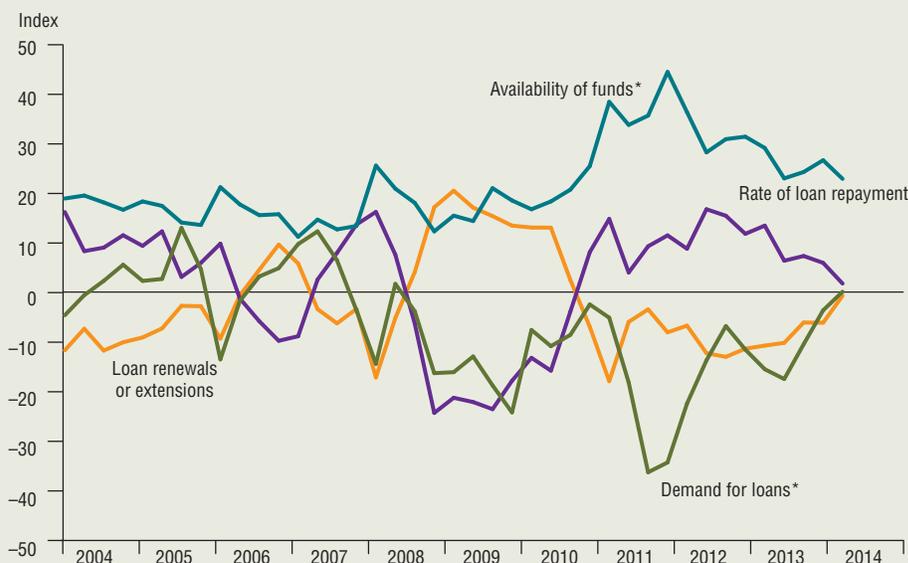
Respondents expect farmland values to continue rising next quarter. Credit standards continued to tighten this quarter, although the vast majority of respondents noted no change in standards.

Demand for agricultural loans was flat this period, reversing a more than five-year decreasing trend. However, loan renewals and extensions continued to decline. Loan repayment rates increased again this quarter. Volumes for most types of loans continued to decrease. The exceptions were operating loans and crop storage loans, for which demand was higher than during first quarter last year.

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, Q1		
	2013:Q4	2014:Q1	▲ Greater	Same	▼ Less
Demand for loans*	-3.6	0.2	18.8	62.6	18.6
Availability of funds*	27.0	23.2	26.8	69.6	3.6
Rate of loan repayment	6.1	1.9	13.7	74.5	11.8
Loan renewals or extensions	-6.1	-0.6	9.3	80.8	9.9



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

	Index		Percent reporting, Q1		
	2013:Q4	2014:Q1	▲ Greater	Same	▼ Less
Non-real-estate farm loans	-1.4	-0.6	18.5	62.4	19.1
Feeder cattle loans*	-3.7	-7.9	11.2	69.7	19.1
Dairy loans*	-14.0	-8.9	1.2	88.7	10.1
Crop storage loans*	-4.3	1.5	9.4	82.7	7.9
Operating loans	0.0	12.7	24.2	64.3	11.5
Farm machinery loans*	-12.1	-12.6	6.3	74.8	18.9
Farm real estate loans*	-6.1	-9.8	10.9	68.4	20.7

*Seasonally adjusted.

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.

▶ Quarterly Comments

District bankers were asked for additional comments concerning agricultural land values and credit conditions. These comments have been edited for publication.

Region 1 • Northern High Plains

▶ We remain in a drought. Winter wheat grazing has been limited, and wheat for harvest is in poor condition. Farm cash flows are much tighter for 2014, with lower grain prices and elimination of Farm Service Agency direct payments. Highly leveraged farming operations will struggle with cash flow in 2014 based upon current expenses and projected commodity prices.

▶ Land prices appear stable at this time with demand somewhat lower, apparently due to lower corn prices—presently around \$4.75 per bushel. The Farm Credit System continues to compete aggressively for both our customer base and employees. These are not major changes since last quarter.

Region 2 • Southern High Plains

▶ Favorable weather and rain would really help as we approach planting season. Water tables continue to decline, and we could eventually be looking at only dryland crops if the current drought continues. Another year of dry conditions could put a lot of farmers out of business, and that would not be good for our area or our country.

▶ Drought conditions have caused most cattlemen to thin herds, but with current pricing, they are trying to rebuild. Crop prices have declined, so most farmers will be planting with the intentions of another year relying on insurance and spending less money on crop input.

▶ Demand for farmland is still vigorous, even after three years of drought and declining crop prices. There are not many properties on the market on the South Plains. Reasonably priced properties have been selling quickly.

Region 3 • Northern Low Plains

▶ It is difficult to convey the severity of the drought. We will continue to see herd liquidations and excessive pumping of our underground water if significant moisture does not arrive.

▶ Ginning of the 2013 cotton crop is winding down. Wheat pasture is short—we need rain. Projected cash flow for 2014 is marginal without government payments. Not knowing the par-

ticulars of the government program is hindering renewals somewhat.

▶ It is very dry. Wheat crops look bad, and we are running out of water for cattle and drinking water. Cattle and wheat prices are good, but we have very little to sell.

Region 4 • Southern Low Plains

▶ There is a lack of Farm Service Agency information on the 2014 farm bill and the Average Crop Revenue Election program. It is not clear where we are as a lender.

Region 5 • Cross Timbers

▶ Drought conditions have persisted. Rainfall during the first quarter has been less than normal.

▶ Farmers are beginning to get crop land ready. Small grains need rain.

▶ We are seeing a few sales on land a little higher than in the past couple of years. It is getting very dry—there has been little measurable rain in the last three months. Winter grazing has been disappointing on grains. Dairies are doing somewhat better, with higher milk prices. Beef cattle prices are still very high. We had a very cold winter, but we still seem to have adequate hay supplies.

▶ It is extremely dry. There is very little wheat pasture grazing, and stock tank water is critical with most stock tanks from dry to 20 percent of capacity at best.

Region 6 • North Central Texas

▶ There appears to be a shortage of cows in the area, making for a shortage of calves on the market.

▶ The producers are in dire need of soaking rain. There are no known recent sales of agricultural land.

Region 7 • East Texas

▶ Due in part to a change in bank ownership, credit standards have become more stringent.

▶ Local agricultural loan quality is considered good.

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NEW MEXICO

Regions of the Eleventh Federal Reserve District

Region 8 • Central Texas

▶ Corn plantings have been delayed due to cold weather and lack of rain for the area. Hay supplies remain adequate; with most quality hay gone, ranchers are feeding secondary hay reserves to cattle at this time. Calf prices keep going up, with cows and bulls over \$1.00 per pound and still rising. Most everyone is waiting to see what the spring brings before making any big purchases at this time of cattle or new hay equipment. Oil and gas activity is still going strong in the area.

▶ Cattle prices remain high compared with last year.

Region 9 • Coastal Texas

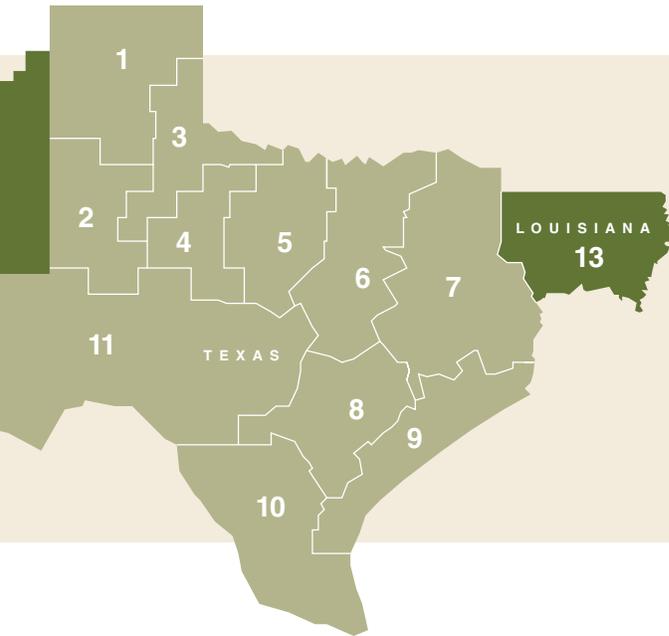
▶ The overall health of the agriculture sector is linked to the price of commodities. For the next two to three years, the grain markets appear to be lower than the previous three years, which may cause cash flow deficits for farmers who carry sizable capital debt service obligations. Additional uncertainty comes from the new farm bill, which is unclear to the farmer at this time. Ranching continues to be promising with cattle markets holding value.

Region 11 • Trans-Pecos and Edwards Plateau

▶ We list farm and ranch income as increasing for this monitoring cycle due to cattle prices being up. Ranchers currently have the option of liquidating old cows for the same price they can buy back younger bred cows.

▶ Livestock prices remain at all-time highs. We are beginning to need rain pretty badly on the Edwards Plateau. No measurable rain has fallen

Rural Real Estate Values—First Quarter 2014



in this area in the first couple of months this year. This brings back frightening memories of 2011.

- ▶ All livestock markets are favorable, but drought conditions are serious.
- ▶ Cattle, sheep and goat prices are good. We need rain.
- ▶ Continued dry conditions in recent months have many area ranchers concerned about the future. There is good soil moisture 8–10 inches down from the ground surface from late 2013 moisture, but the higher soil is very dry. There is still a good deal of old grass, but the quality is likely getting marginal at present. Many sheep operators have moved to hair sheep in recent years, and they have fared much better than wooled sheep. A bright spot has been consistently good feeder lamb, goat and cattle markets.

Region 12 • Southern New Mexico

- ▶ Appreciable moisture will have to be received for summer crops to have much of a chance.
- ▶ The drought continues. It would take many years of consistent, good moisture in all seasons to reestablish forage needed for ranchers and to raise the water table levels. Gentle, soaking spring rains are needed right now by farmers and ranchers.
- ▶ Winter has been extremely dry, and early winds indicate the potential for a difficult spring. Forage conditions are fair and should help producers make the summer monsoon season without substantial herd liquidation. This year is expected to be a much better irrigation season than 2013 based on the amount of water in storage, but without a strong finish to winter with improved snowpack, reliance will once again be on the summer monsoon.

	Banks ¹	Average value ²	Percent change in value from previous year ³
Cropland—Dryland			
District*	120	1,553	4.8
Texas*	106	1,571	4.9
1 Northern High Plains	17	716	5.5
2 Southern High Plains	12	648	3.7
3 Northern Low Plains*	13	849	10.5
4 Southern Low Plains*	8	858	2.4
5 Cross Timbers	10	1,630	19.5
6 North Central Texas	13	2,331	4.7
7 East Texas*	6	1,930	1.3
8 Central Texas	12	3,171	9.4
9 Coastal Texas	5	2,210	-4.4
10 South Texas	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	9	1,633	6.1
12 Southern New Mexico	4	400	3.1
13 Northern Louisiana	10	2,050	4.3
Cropland—Irrigated			
District*	94	2,282	3.7
Texas*	77	2,150	2.2
1 Northern High Plains	17	1,968	4.0
2 Southern High Plains	12	1,381	-7.1
3 Northern Low Plains*	9	1,472	25.0
4 Southern Low Plains	4	1,325	-8.9
5 Cross Timbers	5	2,780	15.5
6 North Central Texas	5	3,800	0.0
7 East Texas	3	1,967	0.0
8 Central Texas	8	3,534	9.8
9 Coastal Texas	4	2,625	6.4
10 South Texas	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	9	3,150	5.6
12 Southern New Mexico	7	2,864	7.2
13 Northern Louisiana	10	2,940	8.7
Ranchland			
District*	129	1,608	4.8
Texas*	113	1,921	4.9
1 Northern High Plains	16	559	6.7
2 Southern High Plains	6	617	0.0
3 Northern Low Plains	13	854	10.7
4 Southern Low Plains*	7	969	0.0
5 Cross Timbers	13	1,938	10.4
6 North Central Texas	14	2,318	-1.1
7 East Texas	12	2,221	6.1
8 Central Texas	12	4,146	11.8
9 Coastal Texas	4	2,100	2.7
10 South Texas	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	15	1,863	2.2
12 Southern New Mexico	7	264	1.6
13 Northern Louisiana	9	1,767	0.9

* Seasonally adjusted.

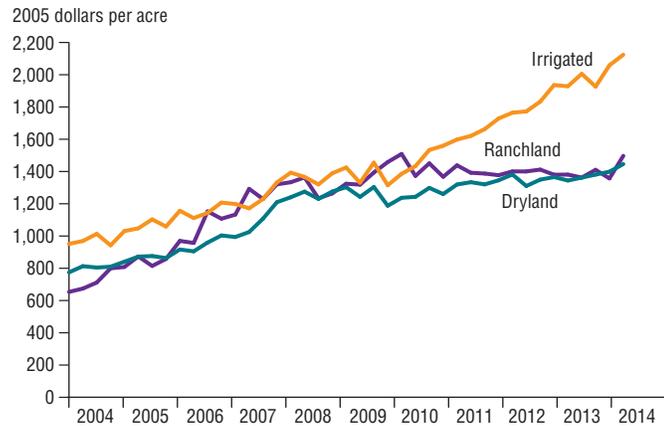
¹ Number of banks reporting land values.

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.

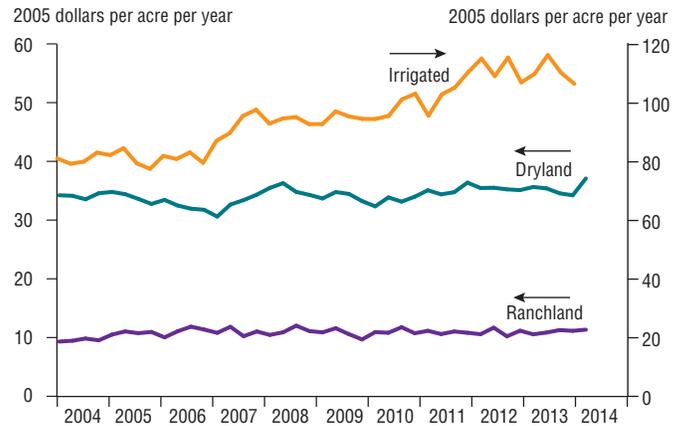
n.a.—Not published due to insufficient responses but included in totals for Texas and district.

Real Land Values



All values have been seasonally adjusted.

Real Cash Rents



All values have been seasonally adjusted.

Interest Rates by Loan Type

	Feeder cattle	Other farm operating	Intermediate term	Long-term farm real estate
Fixed (average rate, percent)				
2013:Q1	6.43	6.53	6.30	6.12
Q2	6.21	6.39	6.22	6.01
Q3	6.16	6.34	6.25	6.04
Q4	6.16	6.27	6.17	5.86
2014:Q1	6.19	6.30	6.14	5.89
Variable (average rate, percent)				
2013:Q1	5.87	5.98	5.84	5.57
Q2	5.81	5.94	5.80	5.47
Q3	5.71	5.81	5.71	5.47
Q4	5.69	5.75	5.71	5.42
2014:Q1	5.78	5.84	5.77	5.43

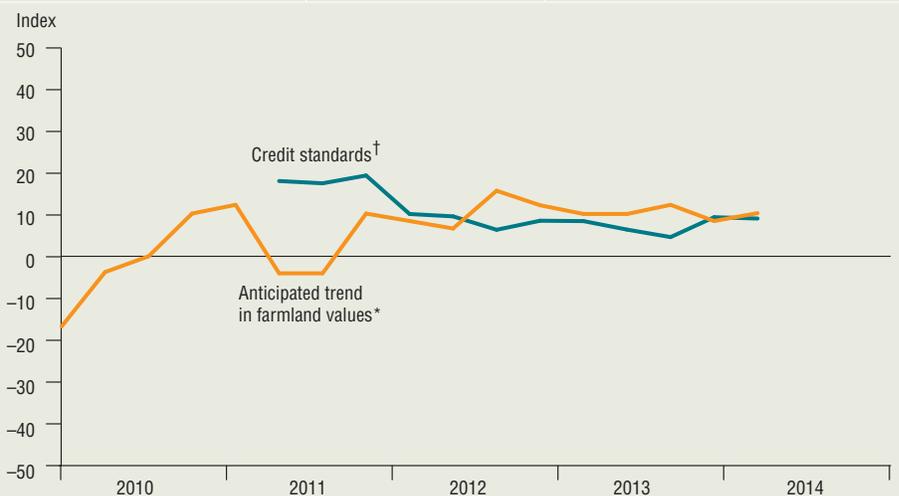
Anticipated Farmland Values and Credit Standards

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

Anticipated trend in farmland values*	Index		Percent reporting, Q1		
	2013:Q4	2014:Q1	▲ Up	Stable	▼ Down
	8.6	10.5	14.6	81.3	4.1

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

Credit standards	2013:Q4	2014:Q1	▲ Tightened	Same	▼ Loosened
	9.5	9.2	10.4	88.3	1.2



*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.

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Agricultural Survey

is compiled from a survey of Eleventh District agricultural bankers, and data have been seasonally adjusted as necessary. Data were collected March 4–12, and 163 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 214-922-5254. It is available on the web at www.dallasfed.org/research/agsurvey.

For questions, contact Amy Jordan, 214-922-5178.