

DALLAS FED

Agricultural Survey

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

Survey Highlights

Bankers responding to the second-quarter survey reported receiving abundant rain, which has improved ground moisture and lake and stock tank levels. However, wet conditions have prevented or delayed harvesting and planting and, in some areas, has damaged crops. Respondents in a couple of regions noted concern for continued low crop prices and their impacts on profitability and repayment rates. The livestock sector remained strong in the second quarter, and rain improved pastureland conditions.

District farmland values increased in the second quarter. Real irrigated cropland values were up only slightly over last quarter, while real dryland and ranchland values saw stronger increases, likely boosted by subsiding drought conditions.

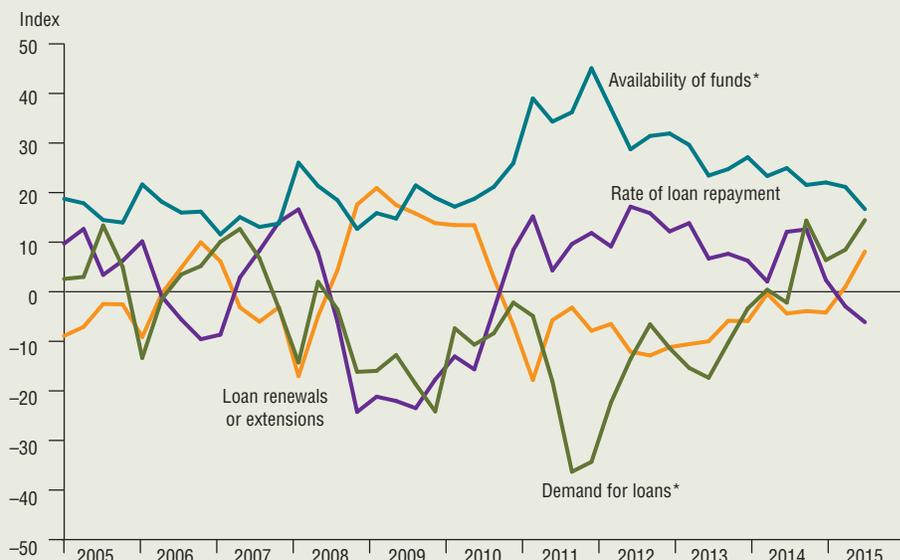
After expectations about the trend in farmland values turned pessimistic in the first quarter, bankers now anticipate farmland values to trend up in the third quarter. The credit standards index indicated continued tightening of standards, although the vast majority of respondents noted no change.

Demand for agricultural loans picked up again this quarter, marking the fourth consecutive quarter of increasing demand after six years of falling demand. Loan repayment rates continued to slow this quarter, while loan renewals and extensions increased. Overall, the volume of farm loans was up compared with a year ago, accounted for by increases in feeder cattle and operating loans.

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		
	2015:Q1	2015:Q2	▲ Greater	Same	▼ Less
Demand for loans*	8.3	14.3	28.0	58.3	13.7
Availability of funds*	21.0	16.5	18.6	79.3	2.1
Rate of loan repayment	-3.2	-6.4	7.9	77.8	14.3
Loan renewals or extensions	0.8	7.9	13.5	81.0	5.6



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, Q2		
	2015:Q1	2015:Q2	▲ Greater	Same	▼ Less
Non-real-estate farm loans	0.8	4.6	21.4	61.8	16.8
Feeder cattle loans*	0.0	11.6	22.2	67.2	10.6
Dairy loans*	-10.2	-8.0	3.1	85.8	11.1
Crop storage loans*	-4.3	-3.2	7.5	81.8	10.7
Operating loans	5.9	15.6	24.2	67.2	8.6
Farm machinery loans*	-16.5	-17.8	6.9	68.4	24.7
Farm real estate loans*	-17.7	-8.7	11.2	68.9	19.9

*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 have had good rain during the first part of the year, which should help the yields on our wheat crops.
- ▶ Widespread rainfall has been plentiful, boosting the potential for grazing and future crop yields. Immediate results include delayed wheat silage harvest and cotton, corn and grain sorghum planting. Cattle marketing has also been interrupted by wet conditions.
- ▶ We have had 13 inches of rain over the past 60 days. That is more than our annual total for both 2011 and 2012. Rangeland looks as good as it has in the past 10 years. There are some planting delays, but after the three-year drought we are coming out of, nobody is complaining.

Region 2 • Southern High Plains

- ▶ We are thankful for the rains this year. Hopefully we can make a good dryland crop and some money. Rains have helped the pastures, and cattle are looking better than they have for a while.
- ▶ Several farmers have been unable to secure farm financing for 2015 after a very bad 2014 farm year and current low commodity prices. The near record rainfall for May was greatly needed, and overall farmer attitudes have improved over the past month. Wet conditions have delayed planting an average of two weeks, while some isolated areas couldn't be planted at all. Even though the drought appears to have been broken, low commodity prices continue to worry area farmers, bankers and rural businesses.
- ▶ Planting is continuing at a furious pace to meet insurance deadlines but is progressing well. We should have enough underground moisture to make a very decent dryland crop, and if we can get additional rain in July and August, the crop could be exceptional.
- ▶ Producers have struggled to get crops planted due to recent rains; planting cotton before the insurance deadline has been difficult. The moisture profile is excellent. We have leaned on Farm Service Agency (FSA) guaranties this year more than in the past due to carryovers and very thin margins in cotton. FSA is overwhelmed with applications in our area.
- ▶ It has been a challenging loan renewal season. A large share of our cotton-farming customers experienced carryover because the crop was generally short as rainfall came too late to be of help and market prices collapsed at harvest time. Fortunately, almost all were able to refinance against equity in land or equipment. Meanwhile, getting this crop

planted has been a terrible challenge. Hardly anything is up to a stand. Cotton acres in areas north of Lubbock will be switched into short season corn or corn silage and milo. There is abundant subsoil moisture, but we will be fighting the clock as to crop maturity.

Region 3 • Northern Low Plains

- ▶ Rainfall caused an unbelievable change in the complexion of our land and attitudes. We must not forget we are still in a drought and lend and act accordingly.

Region 4 • Southern Low Plains

- ▶ Cotton planters are starting to move, and wheat harvest is underway. Approximate yield breakevens for most producers are between 400 and 500 pounds, while the average county yield is closer to 275 to 300 pounds, but \$0.60 for cotton is just not a viable option. We expect producers to go to wheat pasture and yearlings in the fall if we can find a good marketing strategy to hedge market and basis risk.

Region 5 • Cross Timbers

- ▶ Most area lakes and tanks are full and the grass is abundant. Grazing conditions are better than they have been in years.
- ▶ Most stock tanks are now full; however, our regional lake is only up from 15 percent capacity to 30 percent, so our area still needs lots of running water.

Region 6 • North Central Texas

- ▶ Excess rainfall has resulted in a wheat disaster. Harvest is delayed because of wet fields, and the quality is declining daily due to low bushel weight and sprouting. Many farmers are already asking crop insurance agents for adjusters to look at farms. Corn has also suffered from nitrogen deficiency in the heavier clay soils caused by excess rainfall. Combined with declining grain prices, this will cause problems later this summer for the farm economy.
- ▶ What looked like a bumper wheat crop has turned ugly from all the rain.
- ▶ Very serious flooding the last 60 days may have ruined the wheat crop.

Region 7 • East Texas

- ▶ Land values are holding steady to increasing. Demand for agricultural real estate is showing a slight increase. The livestock market is doing extremely well.

Regions of the Eleventh Federal Reserve District

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NEW MEXICO

Region 8 • Central Texas

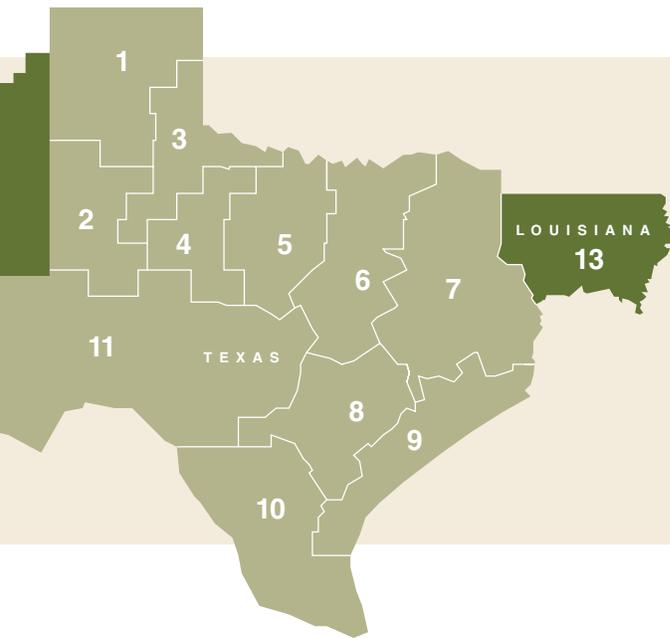
- ▶ Landowners are happy with recent rainfall. For the most part, there was no serious flooding, except along the Guadalupe River and those ranchers are accustomed to those circumstances. Ponds are full, corn crops look good and hay is being cut at record levels. Cattle prices remain high, and replacement heifers are difficult to locate and expensive to purchase.
- ▶ It has been a blessing to see rain come to our area. The ground is finally soaked, and we should have the best early summer we have ever had in terms of grass and tank water. Cattle are in good shape, and prices continue to hold at record levels for all classes of cattle. What little crops we have are starting to take off; however, it looks like corn may be tasseling early, which will limit the size of the ears and yield.

- ▶ Excessive rains may have hurt yield potential and, coupled with current commodity prices, have created the potential for shortfalls in repayment this fall.
- ▶ An abundance of rain has created a few operational problems for our producers, but these problems pale in comparison to the adverse conditions of severe drought. Ranchers are happy because of strong cattle markets and plenty of grass.
- ▶ A number of our revolving lines of credit are being increased due to higher purchase prices and operating costs.

Region 9 • Coastal Texas

- ▶ This year has been a planting and harvesting challenge. Excessive rains slowed wheat planting early on and then delayed wheat harvest in the past 45 days. Most wheat harvested was above average, but crops did suffer a five- to 10-bushel loss due to excessive rains. The majority of grains and cotton

Rural Real Estate Values—Second Quarter 2015



crops were planted, but some were prevented from being planted with insurance being taken. Overall, crops should have a good year if the weather remains stable. Cotton prices have remained in the 63 to 66 cent per pound range, and with no major shifts expected at this time, the cotton crop will have to yield above average to break even in 2015. Cattle markets remain strong, and producers are optimistic about replacing liquidated herds. Pastures at this time are above average. Land values remain stable, with some upswing being localized from area to area.

▶ A very wet spring has delayed planting; in fact, there is a significant amount of cotton acreage that still needs to be planted. Producers are struggling with the decision to take preventive planting insurance or gamble with yields later. Excessive May rains could reduce yields depending on location and soil makeup. Ranchers are in great shape.

Region 11 • Trans-Pecos and Edwards Plateau

▶ Excellent area rains have left the Edwards Plateau pastureland in wonderful shape. Livestock numbers remain low, although much restocking is going on at this time and prices are still at all-time highs for all classes of livestock.

▶ Pastures are in good condition due to above average rainfall.

Region 12 • Southern New Mexico

▶ Rainfall is positively impacting all segments of agricultural operations in our area.

	Banks ¹	Average value ²	Percent change in value from previous year ³
Cropland—Dryland			
District*	109	1,684	3.1
Texas*	95	1,703	3.0
1 Northern High Plains	15	797	8.1
2 Southern High Plains	12	688	0.8
3 Northern Low Plains*	7	746	-2.2
4 Southern Low Plains*	9	1,026	7.4
5 Cross Timbers	5	1,670	6.4
6 North Central Texas	12	2,308	-4.8
7 East Texas*	9	2,430	5.1
8 Central Texas	9	3,728	6.1
9 Coastal Texas	6	2,217	26.3
10 South Texas	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	9	1,750	4.4
12 Southern New Mexico	4	356	-6.3
13 Northern Louisiana	10	2,360	5.3
Cropland—Irrigated			
District*	80	2,353	11.2
Texas*	65	2,105	8.0
1 Northern High Plains	14	1,979	15.1
2 Southern High Plains	10	1,583	1.4
3 Northern Low Plains*	6	1,643	5.1
4 Southern Low Plains	6	1,500	3.6
5 Cross Timbers	3	2,717	5.1
6 North Central Texas	5	2,600	0.0
7 East Texas	4	2,663	5.1
8 Central Texas	4	3,650	4.6
9 Coastal Texas	4	2,488	2.3
10 South Texas	3	2,883	13.1
11 Trans-Pecos and Edwards Plateau	6	2,983	1.2
12 Southern New Mexico	6	3,617	25.9
13 Northern Louisiana	9	3,494	7.0
Ranchland			
District*	114	1,717	3.7
Texas*	98	2,049	3.4
1 Northern High Plains	14	584	10.9
2 Southern High Plains	8	650	5.5
3 Northern Low Plains	7	757	-8.2
4 Southern Low Plains*	9	1,013	-19.4
5 Cross Timbers	7	1,714	-2.6
6 North Central Texas	13	2,319	2.0
7 East Texas	10	2,620	2.1
8 Central Texas	10	4,775	3.5
9 Coastal Texas	4	2,025	5.6
10 South Texas	3	2,833	11.6
11 Trans-Pecos and Edwards Plateau	13	1,985	3.8
12 Southern New Mexico	5	285	14.8
13 Northern Louisiana	11	1,932	5.4

* Seasonally adjusted.

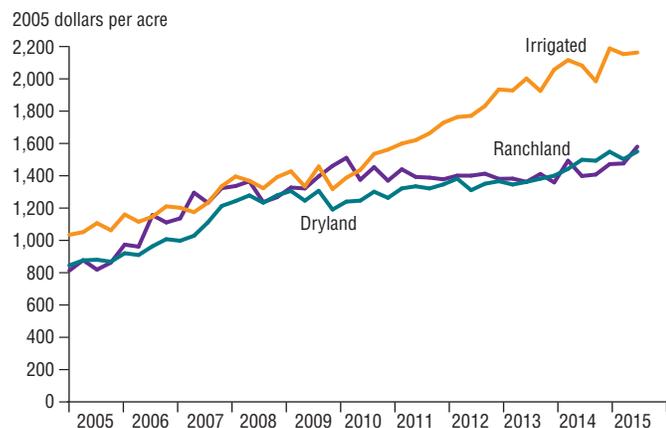
¹ Number of banks reporting land values.

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.

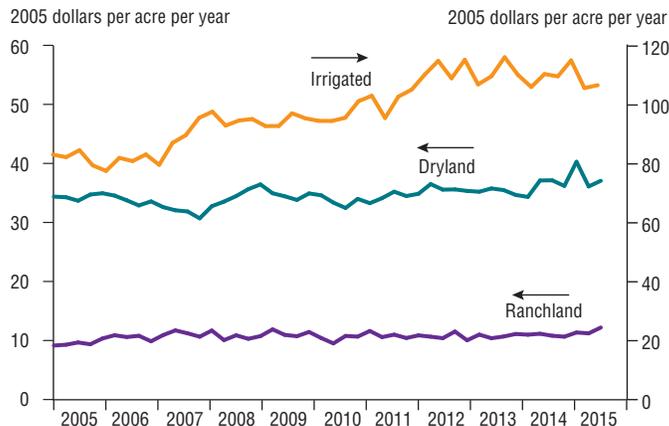
n.a.—Not published due to insufficient responses but included in totals for Texas and district.

Real Land Values



NOTE: All values have been seasonally adjusted.

Real Cash Rents



NOTE: 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)				
2014:Q2	6.12	6.19	6.05	5.79
Q3	6.12	6.22	6.00	5.80
Q4	6.03	6.14	5.96	5.77
2015:Q1	6.09	6.12	6.01	5.74
Q2	5.93	6.04	5.93	5.74
Variable (average rate, percent)				
2014:Q2	5.73	5.75	5.64	5.30
Q3	5.69	5.75	5.64	5.37
Q4	5.65	5.71	5.62	5.39
2015:Q1	5.56	5.66	5.54	5.26
Q2	5.52	5.57	5.51	5.27

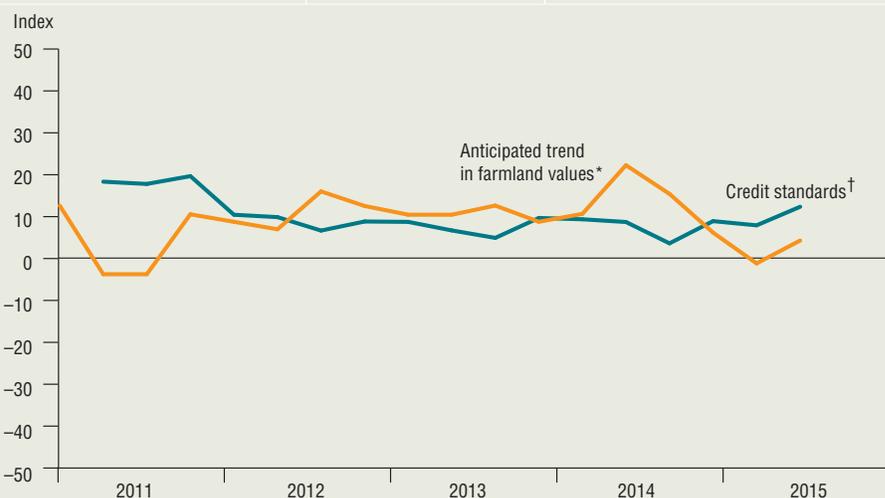
Anticipated Farmland Values and Credit Standards

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

Anticipated trend in farmland values*	Index		Percent reporting, Q2		
	2015:Q1	2015:Q2	▲ Up	Stable	▼ Down
	-1.4	4.1	10.8	82.5	6.7

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

Credit standards	2015:Q1	2015:Q2	▲ Tightened	Same	▼ Loosened
	7.8	12.2	13.7	84.7	1.5



*Seasonally adjusted.

†Added to survey in second quarter 2011.

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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 June 2–10, and 138 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/agsurvey.

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