DALLASFED

Third Quarter 2015

Agricultural Survey

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

Survey Highlights

Bankers responding to the third-quarter survey reported that after their regions received beneficial rains in the spring, limited rainfall and a return of drought conditions in some areas in the third quarter damped outlooks. Low commodity prices have created profitability concerns, and respondents expect price pressures will result in lower farm incomes. Bankers in a couple of regions noted that crops and pastures were in good condition after rain earlier in the year and that crop yields are average to above average.

District dryland was the only land type to see increased values this quarter. Real dryland values were up 1 percent over last quarter, while real land values decreased for irrigated cropland (3 percent) and ranchland (7 percent).

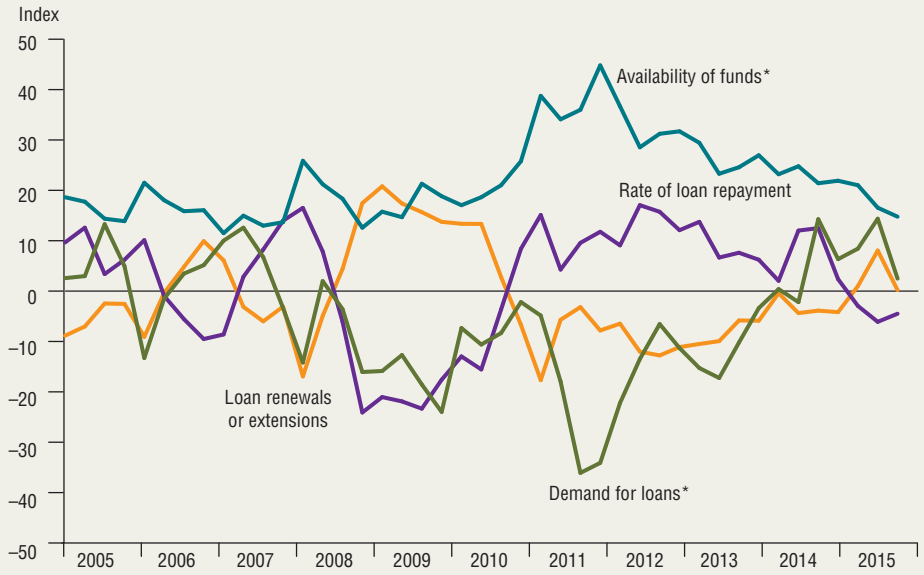
The index for the anticipated trend in farmland values moved negative again in the third quarter, indicating bankers expect farmland values to head lower next quarter. The credit standards index indicated continued tightening of standards, although the vast majority of respondents noted no change.

Demand for agricultural loans increased this quarter but at a slower pace than in the second quarter. Loan repayment rates continued to slow this quarter, while loan renewals and extensions were unchanged on balance. Overall, the volume of loans was up compared with a year ago. "Operating loans" was the only category to increase in volume year over year this quarter.

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, Q3		
	2015:Q2	2015:Q3	▲Greater	Same	▼Less
Demand for loans*	14.3	2.3	20.5	61.3	18.2
Availability of funds*	16.5	14.7	17.8	79.1	3.1
Rate of loan repayment	–6.4	–4.7	5.5	84.3	10.2
Loan renewals or extensions	7.9	0.0	9.6	80.8	9.6



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, Q3		
	2015:Q2	2015:Q3	▲Greater	Same	▼Less
Non-real-estate farm loans	4.6	3.2	19.4	64.5	16.1
Feeder cattle loans*	11.6	–7.2	9.9	73.0	17.1
Dairy loans*	–8.0	–13.9	2.8	80.5	16.7
Crop storage loans*	–3.2	–7.1	4.4	84.1	11.5
Operating loans	15.6	17.6	28.0	61.6	10.4
Farm machinery loans*	–17.8	–11.8	9.8	68.6	21.6
Farm real estate loans*	–8.7	–10.1	9.8	70.3	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.

Regions of the Eleventh Federal Reserve District

Region 1 • Northern High Plains

- Increased rainfall has provided good pasture and promising crops, but lower grain and livestock prices will result in lower producer incomes.
- Summer grazing conditions have been better than in any year in recent memory. Summer crops have the potential to produce well-above-average yields. Low commodity prices will limit profitability in spite of production potential.

Region 2 • Southern High Plains

- Good, slow soaking rain would help now for cotton, sorghum and pastures. We are hoping for a late freeze.
- Most of the South Plains missed meaningful rainfall in August when the dryland cotton crop really could have used it. Crops overall are rated average. Weeds have been horrible and costly to control. Crop prices are weak, so it looks like most producers will do well to break even this year. Grazing has been excellent. Cattle feeders are losing a lot of money from overpriced feeder placements.

Region 3 • Northern Low Plains

- Based on current commodity prices, many producers will have additional equity in their operations. This will reduce highly leveraged borrowers in the market.
- The low commodity price outlook is making profit projections weak. Crop and pasture conditions are good, although the cotton crop is late due to delayed planting.

Region 4 • Southern Low Plains

- Most farmers will experience a decline in net equity this year.

Region 5 • Cross Timbers

- Limited rainfall in the third quarter has put us in a poor position to get winter wheat ground ready for planting. Those who plowed immediately after harvest or graze-out are OK, but those just now trying to plow are finding it difficult.
- After a wet spring, we have not had a drop of moisture in 60-plus days. We must receive rain for wheat to be sowed.

Region 6 • North Central Texas

- Crop yields are worse than expected due to excessive rain in May and drought in July and August. This, combined with very low commodity prices, is causing some farmers to struggle to meet their loan obligations this fall. Crop insurance is of little help. The average yield across all farms is just high enough to either disqualify producers for crop insurance or qualify for very small payments.
- Heavy rains in April and May ruined crops, so insurance claims will be larger than normal.
- Too much early rain and now drought, low grain prices and lack of program payments don't bode well.

Region 8 • Central Texas

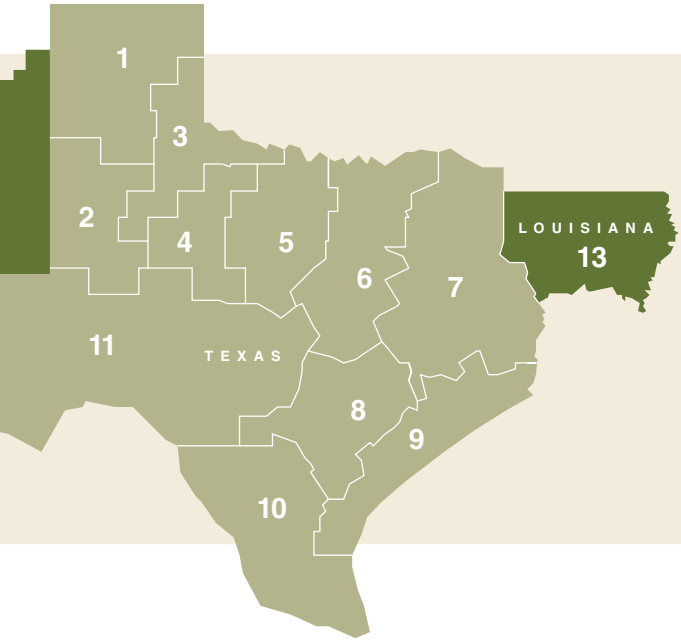
- Drought conditions are worsening, and some calves are being sold earlier than normal at lighter weights just to get them off the cows. Although there is some grass in pastures, it has dried up and will not last long without adequate rainfall.
- Drought continues to slow things down, but Gulf Coast storms are starting to bring small rain showers to certain areas. The corn harvest is almost complete, while cotton will start in two more weeks. Cattle prices have fallen pretty hard over the past month, with most sale barns reporting less cattle coming in than last year. Winter oats and rye grass do not look too promising at this time, with most people having to carry over and others not wanting to purchase calves to put on oats. Some people are keeping back heifers as well.
- Cattle prices are down a little compared with last year.

Region 9 • Coastal Texas

- Excessive moisture early on affected the wheat harvest and cotton and grain plantings. Farmers who were able to plant were three to four weeks behind schedule, and some were prevented from planting cotton. Cotton and grains have yielded average to above average. Cattle prices have slipped in the area from the highs of 2014. Overall, cattle producers have been able to capitalize on the benefits of an upside market, good rainfalls and reduced inputs. Land values have remained stable, with some increases in holding periods, but it is an opportunity for producers to purchase. Most prior sales had been investor related and, with the slowdown in oilfield income, investment purchases have also been reduced.

Region 11 • Trans-Pecos and Edwards Plateau

- The region received good moisture in winter and spring; however, the area started drying out during the growing season, so there are still operators who are short on grass.
- Low hay prices decreased farm income this year. A number of hay producers will need to have loans restructured or extended in order to move into the 2016 crop year.
- Although spring rains were ample and greatly appreciated, it has been a hot, dry summer with some areas still looking for



moisture. Commodity prices are holding strong, but the cattle market may be weakening just a bit while remaining at historic levels. Predators, general economic factors and rainfall levels still make the ag situation a bit dicey in the Edwards Plateau. A good, wet late summer and early fall will cover up a multitude of ills.

Region 12 • Southern New Mexico

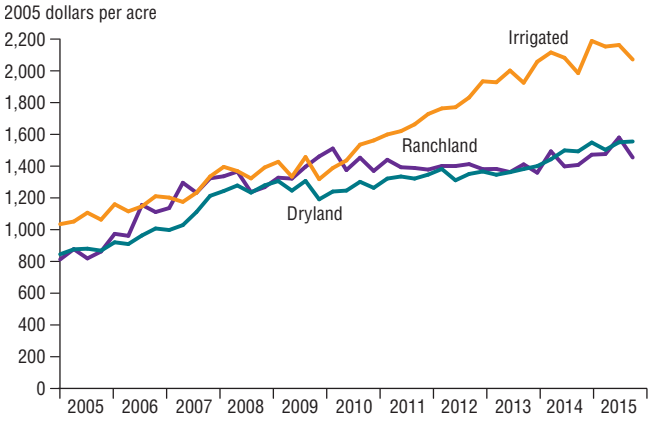
The bank has experienced some decline in feeder cattle loans from borrowers who felt the high feeder market increased risk and projected smaller margins at the point of sale. Some of this drop was offset by other borrowers needing more money to purchase the higher-priced cattle.

Rural Real Estate Values—Third Quarter 2015

		Banks[1]	Average value[2]	Percent change in value from previous year[3]
	Cropland—Dryland			
	District*	**101**	**1,706**	**4.2**
	Texas*	**90**	**1,725**	**4.2**
1	Northern High Plains	11	875	8.1
2	Southern High Plains	13	681	3.0
3	Northern Low Plains*	10	834	3.0
4	Southern Low Plains*	9	1,162	14.8
5	Cross Timbers	4	1,363	2.7
6	North Central Texas	13	2,504	4.7
7	East Texas*	4	2,732	2.0
8	Central Texas	13	3,512	4.6
9	Coastal Texas	4	2,263	3.4
10	South Texas	n.a.	n.a.	n.a.
11	Trans-Pecos and Edwards Plateau	7	1,279	–0.8
12	Southern New Mexico	3	333	–5.9
13	Northern Louisiana	8	2,425	8.5
	Cropland—Irrigated			
	District*	**71**	**2,275**	**2.7**
	Texas*	**59**	**1,976**	**0.8**
1	Northern High Plains	9	1,750	–3.6
2	Southern High Plains	13	1,621	6.1
3	Northern Low Plains*	7	1,721	4.7
4	Southern Low Plains	7	1,557	7.5
5	Cross Timbers	n.a.	n.a.	n.a.
6	North Central Texas	3	2,500	–2.6
7	East Texas	n.a.	n.a.	n.a.
8	Central Texas	7	3,729	5.0
9	Coastal Texas	3	2,750	–5.2
10	South Texas	n.a.	n.a.	n.a.
11	Trans-Pecos and Edwards Plateau	5	1,660	3.1
12	Southern New Mexico	5	4,000	11.1
13	Northern Louisiana	7	3,443	2.8
	Ranchland			
	District*	**112**	**1,595**	**1.5**
	Texas*	**100**	**1,902**	**1.6**
1	Northern High Plains	8	597	7.7
2	Southern High Plains	9	614	–5.9
3	Northern Low Plains	10	870	2.2
4	Southern Low Plains*	8	1,105	3.3
5	Cross Timbers	7	1,671	2.1
6	North Central Texas	16	2,513	3.4
7	East Texas	10	2,550	1.5
8	Central Texas	13	4,215	–1.0
9	Coastal Texas	3	2,133	–2.3
10	South Texas	3	2,517	0.0
11	Trans-Pecos and Edwards Plateau	13	1,712	3.4
12	Southern New Mexico	4	281	0.0
13	Northern Louisiana	8	1,688	1.6

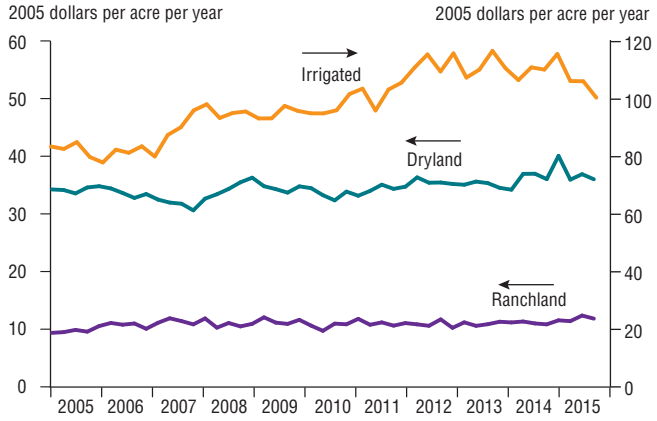
*Seasonally adjusted.
[1] Number of banks reporting land values.
[2] Prices are dollars per acre, not adjusted for inflation.
[3] Not adjusted for inflation and calculated using responses only from those banks reporting in both the past and current quarter.
n.a.—Not published due to insufficient responses 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: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
Q3	6.03	6.16	6.05	5.79
Variable (average rate, percent)				
2014: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
Q3	5.65	5.70	5.63	5.36

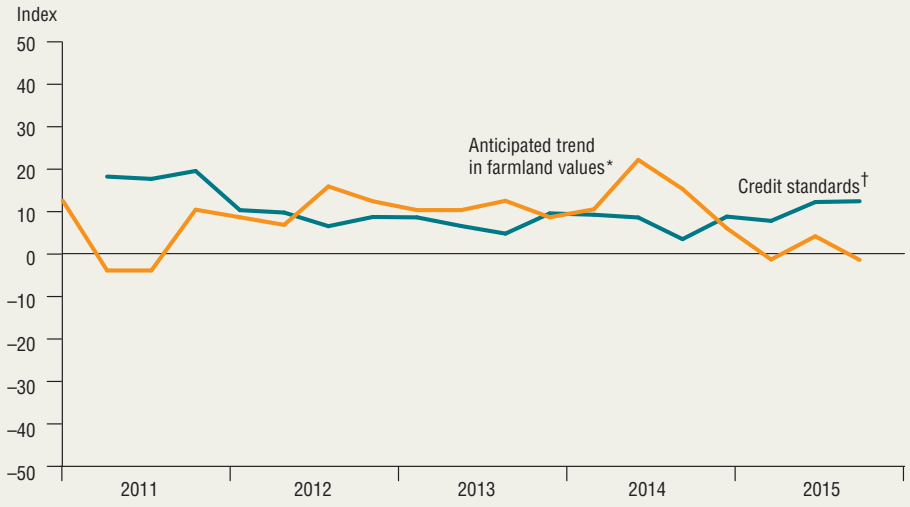
Anticipated Farmland Values and Credit Standards

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

	Index		Percent reporting, Q3		
	2015:Q2	2015:Q3	▲Up	Stable	▼Down
Anticipated trend in farmland values*	4.1	–1.5	4.8	88.9	6.3

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

	2015:Q2	2015:Q3	▲Tightened	Same	▼Loosened
Credit standards	12.2	12.4	13.2	86.1	0.8



*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.

DALLASFED

Agricultural Survey

SPECIAL REPORT

Commodities and Drought

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 the most widespread response, followed by hay, with more than 80 percent of respondents reporting production of these commodities in their region. A great majority of bankers also noted a presence of wheat and cotton. Production of corn and sorghum were listed by more than half of the respondents.

The survey asked Eleventh District bankers to rank the top three commodities produced in their lending region. Rankings have changed only slightly from 2013, with the top six commodities in 2013 holding their positions in 2015. Soybeans increased in importance, as did the production of sheep or goats. Dairy and poultry have 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 away from cotton to grains, sorghum, wheat and corn. However, there were scattered reports of more cotton acres. Changes in crops grown over the past two years were due to commodity prices and the availability of water. Some respondents commented that producers are looking to alternative crops, including grape vineyards.

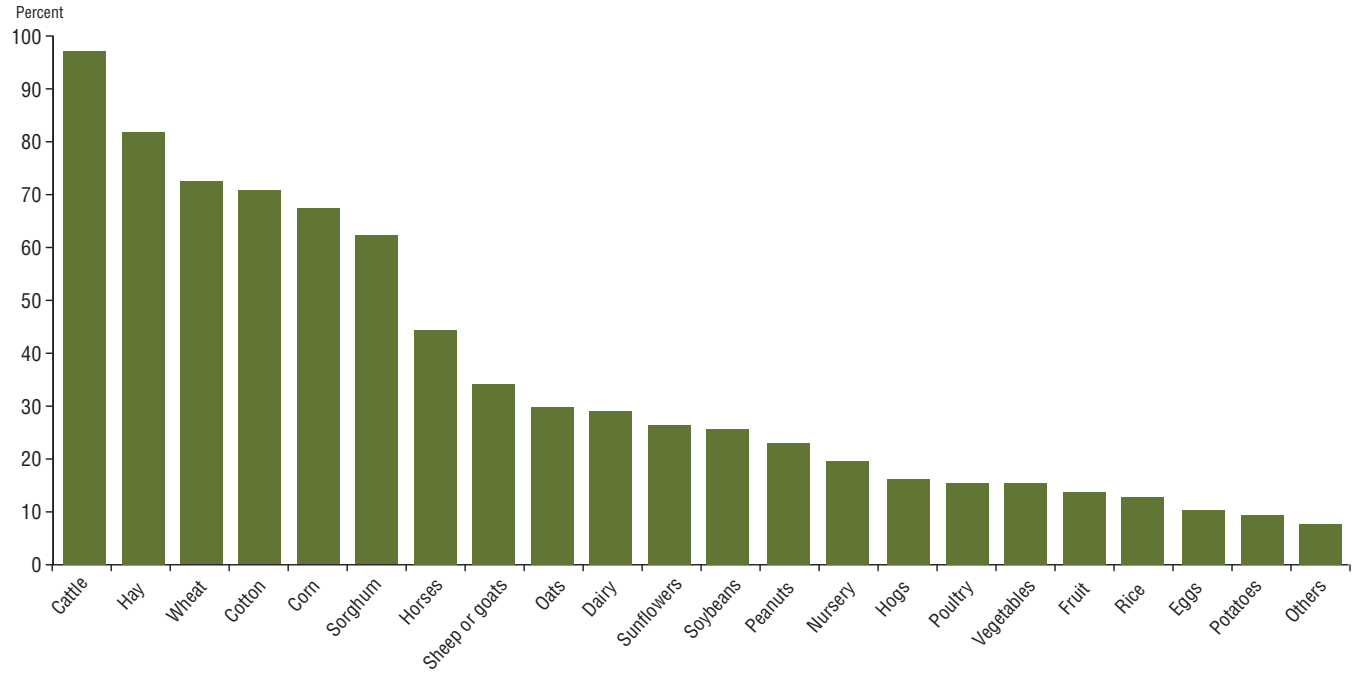
The survey also asked how recent movements in commodity prices have impacted agricultural and credit conditions, including the types of commodities grown. Commodity prices have hurt the profitability of many farmers while positively impacting ranchers, respondents said. In particular, lower cotton prices reduced the cotton acres planted. The effects on credit standards varied across regions. Some regions noted no change in credit conditions, while others reported tightening standards and a decrease in credit quality.

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

Drought

As part of this quarter's commodity survey, respondents were asked about the alleviation of drought conditions and the impact on agricultural and credit conditions in their region. Most producers have benefited from improved crop yields, but respondents in some regions noted excessive rain damaged crops this year. The livestock sector has also been helped as rains improved pasture conditions, reducing the need for supplemental feeding. Herd replacement is occurring, but some ranchers are limited by high livestock prices.

Eleventh District Agricultural Commodities, 2015
(Percent of respondents reporting production of commodities in their area)



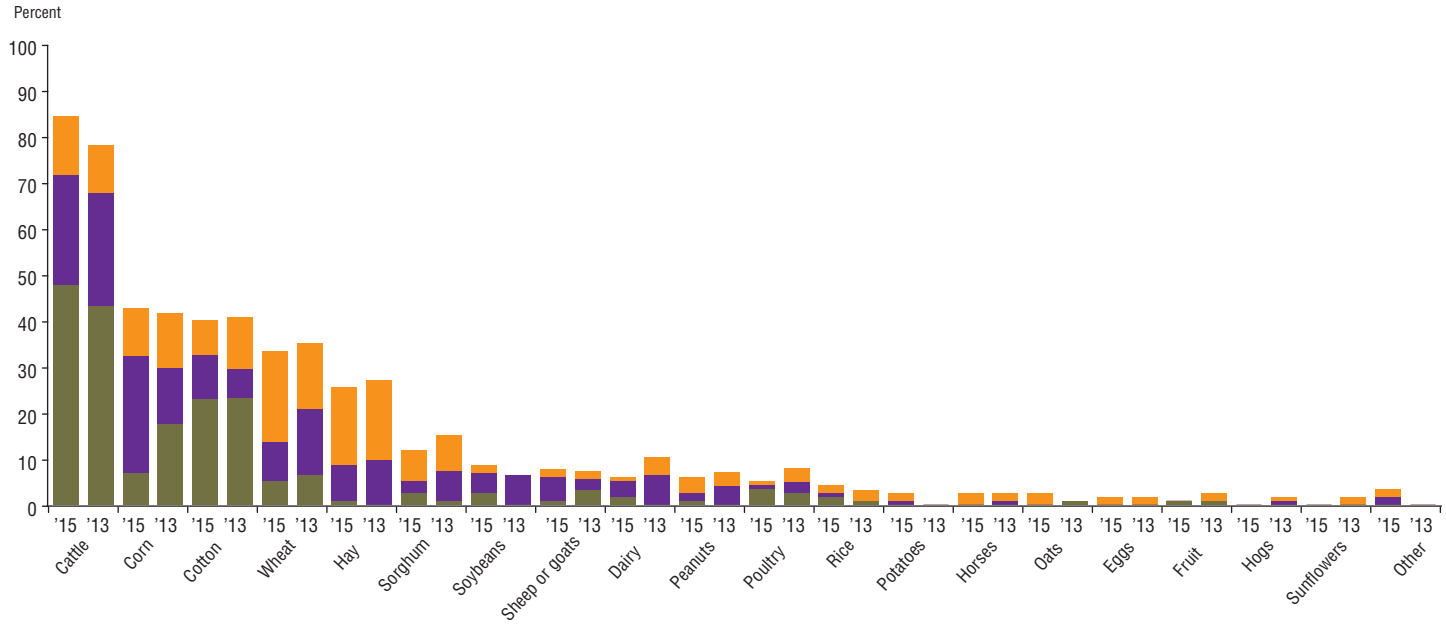
NOTE: "Others" includes guar, pecans, rapeseed, sesame, sod and timber.

Agricultural Commodity Ranking in the Eleventh District

(As reported by responding banks, third quarter 2015 and 2013)*

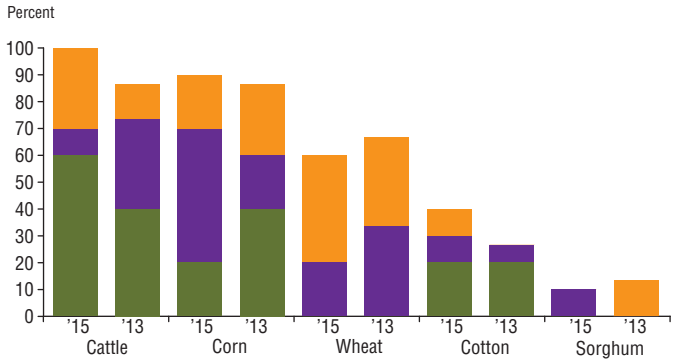
Ranked No. 1 Ranked No. 2 Ranked No. 3

All Regions

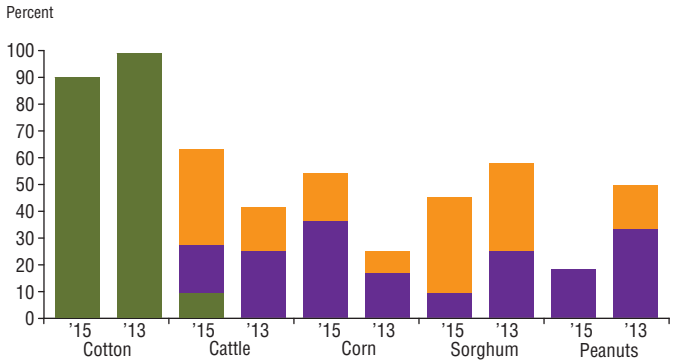


NOTE: "Other" includes pecans and timber.

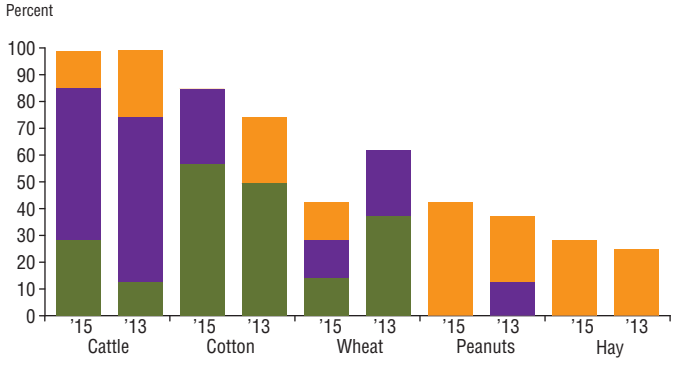
Region 1—Northern High Plains



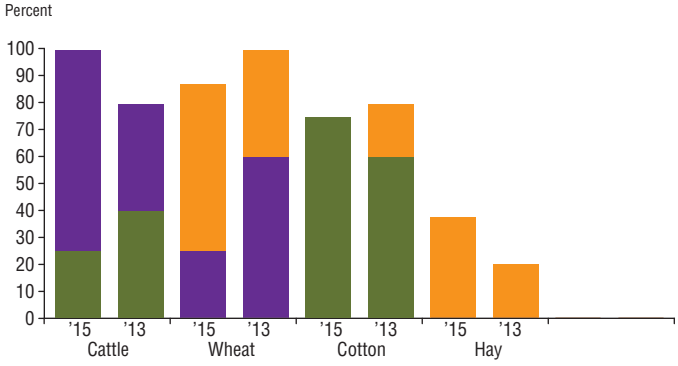
Region 2—Southern High Plains



Region 3—Northern Low Plains



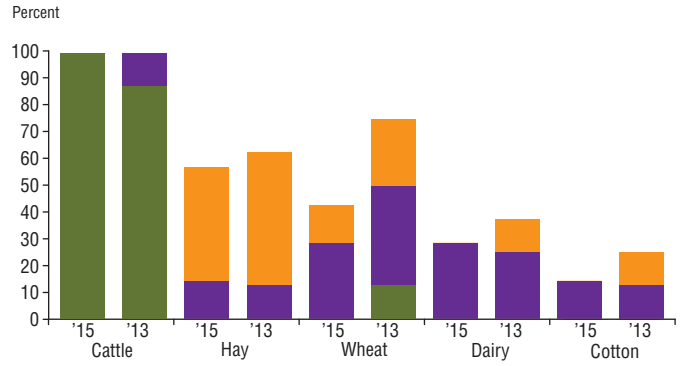
Region 4—Southern Low Plains



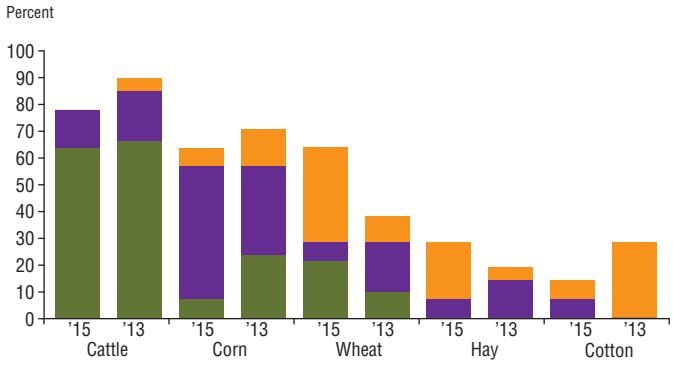
NOTE: Region 4 only ranked four commodities.

*Data for Region 10 (South Texas) have not been reported due to insufficient responses.

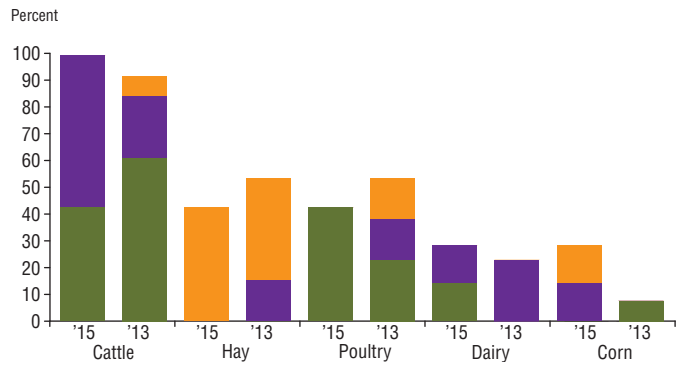
Region 5—Cross Timbers



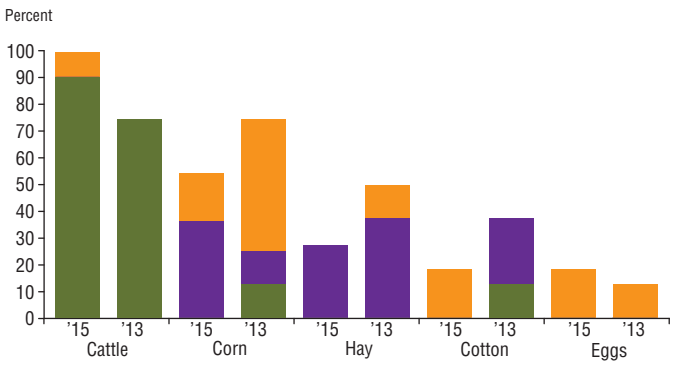
Region 6—North Central Texas



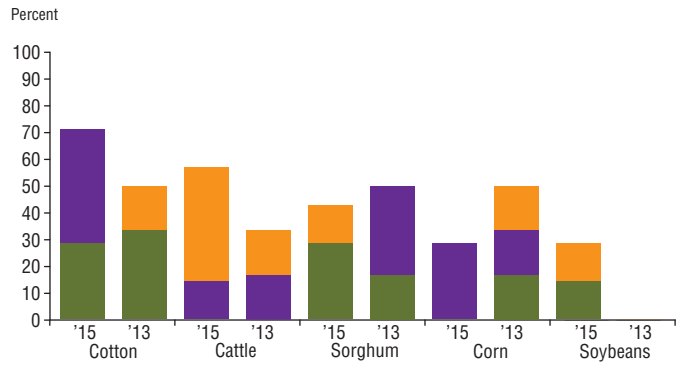
Region 7—East Texas



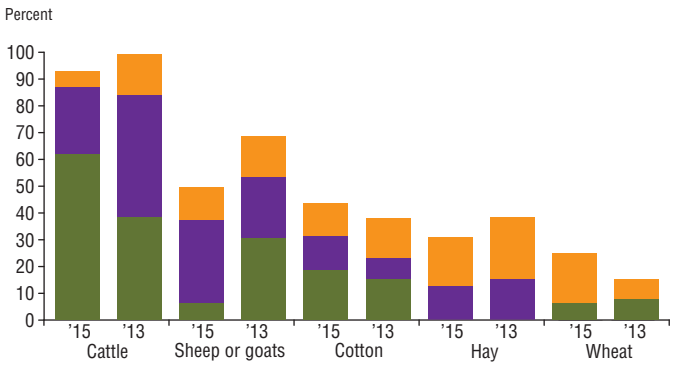
Region 8—Central Texas



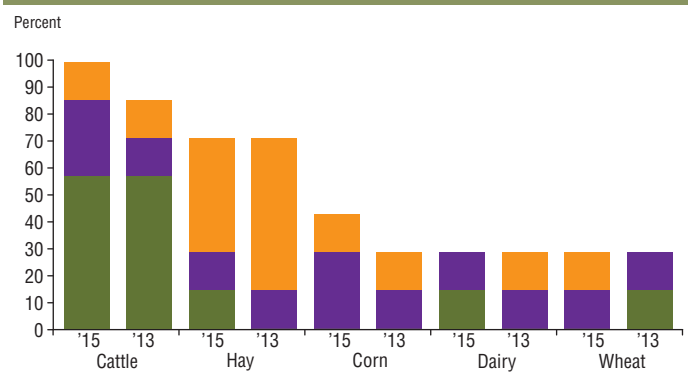
Region 9—Coastal Texas



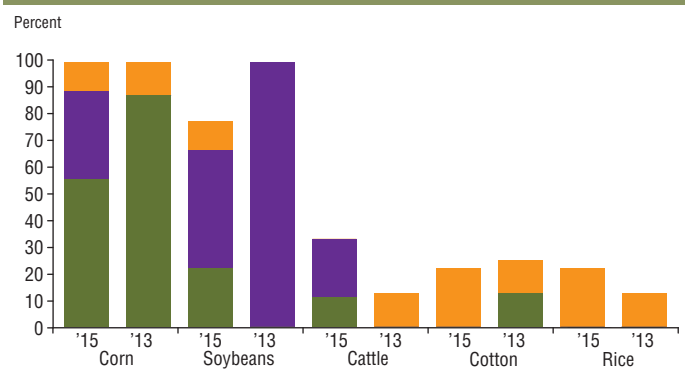
Region 11—Trans-Pecos and Edwards Plateau



Region 12—Southern New Mexico



Region 13—Northern Louisiana



Commodities

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

- Cotton is not grown as much as it used to be.
- Due to drought, we have seen more hay grown.
- Due to the price of cotton, our acres have declined significantly for 2015. Corn and sorghum acres increased due to the abundant moisture we received this spring.

Region 2 • Southern High Plains

- Grape vineyards has been the fastest-growing type of new crop in our area.
- Our area is still primarily cotton, but some producers have planted more grains.
- Declining irrigation supplies continue to impact agricultural commodities grown in our area, causing more crop acres to be planted to cotton, wheat and grain sorghum. There is less corn in our area as corn requires significantly more irrigation than other crops.
- There has been some switching to other crops due to prices and weather. Cotton is the main commodity grown.
- There have been larger shifts away from cotton. This is based on cost to produce and competing crop market prices making other crops more attractive.
- Corn has surfaced to become an alternative crop as producers seek solutions to declining commodity prices in traditional primary crops grown in the area, including cotton and peanuts. Grape vineyard acreage is on the rise. Decreased water levels have forced producers to look to alternative crops, such as grapes. Water depletion continues to be a great concern.
- More corn is being planted due to ag programs.
- The South Plains has a well-established concentration in cotton production, both dryland and irrigated. This crop is better adapted to the semiarid conditions found here. Cotton prices have fallen to unprofitable levels, so acres have declined and switched to corn and grain sorghum.

Region 3 • Northern Low Plains

- We have more cotton acres.
- Some dryland acres and farms with limited irrigation have planted grasses or crops for livestock grazing. The price of cattle has been better than the traditional row crops of cotton and peanuts.
- Producers have started growing both sesame and canola to rotate crops due to changes in prices and to fight herbicide-resistant weeds.

Region 4 • Southern Low Plains

- We are trying more alternative crops.

Region 5 • Cross Timbers

- There has been some shift away from cotton recently due to depressed prices, but we still have several cotton farmers. No major changes overall.
- A few farmers are trying to grow cotton for the first time in many years, but only a very small amount of acreage is involved.

Region 6 • North Central Texas

- The price to plant cotton has continued to increase each year, while cotton prices have had very little movement up. We see more farmers planting commodities other than cotton.
- There have been more corn and sorghum acres grown, while a reduction in cotton has occurred. Sunflowers had produced sufficient income to warrant it as a rotational crop, but pricing in the past 18 months to two years has reduced that crop.
- Cotton has seen a resurgence.

Region 7 • East Texas

- Cotton acreage has decreased as milo has increased, primarily because of commodity prices.
- More grain and less cotton acres have been planted.
- There are less cattle due to ranchers selling out because of the prior drought.

Region 8 • Central Texas

- Grapes are starting to be grown as new vineyards are being put in, and several olive tree farms have started. Several farmers' markets have also tried to be established as well.

Region 9 • Coastal Texas

- Due to cotton prices, we have experienced a shift to sorghum.
- We have more milo and less cotton due exclusively to commodity pricing.
- Primary changes are in the crop mix, depending on commodity prices.
- Due to forecasted prices for the 2015 crop year, more farmers planted sorghum than cotton.

Region 10 • South Texas

- Since the decline of corn prices, there has been a shift to other crops.

Region 11 • Trans-Pecos and Edwards Plateau

- Sheep and goat production continues to dwindle due to the predator problem. As land in our county and the surrounding counties is bought for recreational use, the land is taken out of production. New landowners are not inclined to cooperate with local ag producers in predator control programs. It becomes more and more difficult to raise goat kids or lambs as a result. Cattle have become the primary commodity. Unfortunately, this area is more suited naturally for sheep and goat production.
- More farmers are growing sunflowers, more wheat and less cotton.
- Hair sheep continue to increasingly replace wooled sheep on ranches. Many producers decreased the percentage of Boer goat influence in their herds to increase heartiness and mothering instinct.
- Grain and cattle prices have increased. Up until this spring, dry range conditions were forcing the reduction of herds. Replacement cattle are pricey and hard to find.

Region 12 • Southern New Mexico

- Less cotton has been grown.
- There have only been minor fluctuations in crops grown from year to year.
- Crops and products have remained pretty consistent in this market over the past two years.
- We have seen less corn and other crops that require more water.

Region 13 • Northern Louisiana

- Corn and soybeans have reversed in crop rankings. Cotton is fading away and cattle herds are growing larger in small increments. Sweet potato acreage is stabilizing into a more economically sound crop due to a new sweet potato plant.

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

- Lower commodity prices have negatively impacted profitability, especially for corn and wheat.
- The drop in corn and other feedstuff prices has had a positive impact on cattle feeders and dairy operators.
- Lower commodity prices have put pressure on break-even levels and will force changes in crop selections and resource allocations. Operating budgets will be much tighter going into the future.
- Low cotton prices resulted in fewer acres planted.
- Commodity prices have impacted what is grown in this area tremendously. Farmers are always analyzing which crop will make them the best return.

Region 2 • Southern High Plains

- With cotton being a genetic crop under the current farm bill, planted acreage has been shrinking in our area and replaced by peanuts, sorghum and some corn acres.
- We are heavy in cotton, and the price has negatively affected our producers and their ability to get credit. Margins have declined, and without significant moisture to increase yields, all producers find it hard to achieve positive cash flow.
- With the low commodity prices in 2015, most farmers will struggle to break even for the year. Agricultural banks will have to tighten credit standards again in 2016 in order to finance producers. Many farmers will be sent to the Farm Service Agency for direct funding until agricultural conditions improve.
- Prices have made a major impact. Cash flows have been extremely difficult to manage even when a producer changes to another crop. This will continue to be a major problem.
- There is a lot less cotton due to prices, and more cows due to higher feeder cattle prices.
- Cotton has always been the primary crop in this area; however, planted acres are down significantly. The market price decline since midyear 2014 has definitely placed a strain on cash flow probabilities for the current crop. Grain sorghum is a break-even alternative at best. Peanuts should produce a small profit, provided we have good weather from now until the crop matures and is harvested. Cattle operations have benefited from the strong market cycle and are in good shape. Watermelon harvest is going well, with prices well above recent years. The established grape vineyards have been harvested and are at the wineries, benefiting from excellent prices due to quality and market conditions.
- Cotton market prices have decreased substantially and created a situation where we need a large, if not record, crop to allow farmers to just break even.
- There is little, if any, profit in current crop prices. It takes good yields just to break even. The consequence is that leveraged borrowers are facing repayment pressures. Many producers are fortunately not excessively leveraged. However, some are and tend to be either young and growth oriented or growers who incurred losses from poor crop insurance coverage plans during the drought.

Region 3 • Northern Low Plains

- The decline in commodity prices has not significantly altered the commodities produced but has increased lenders' awareness of how sensitive cash flow is to changes in commodities prices.
- Low prices for cotton, peanuts and grains have weakened cash flow projections, making it difficult to finance producers.
- After the drought and selloff of cattle, currently higher prices have producers working to rebuild herds. Cotton has taken the biggest hit, and acreage has decreased due to uncertain pricing.

Region 4 • Southern Low Plains

- More wheat was planted instead of cotton due to cotton's high input cost and low price.
- Credit has tightened, but there have been no changes in commodities grown. Prices in commodities have impacted farmers' ability to pay.
- The weakness in commodity prices has tightened cash flow margins drastically.
- Cotton prices are putting pressure on farmers' ability to cash flow all of their obligations.

Region 5 • Cross Timbers

- Cotton prices have fallen significantly since early 2014. This has compressed margins for cotton farmers in our area and has caused some of them to shift away from cotton in order to remain profitable.
- High replacement cattle prices will have an effect on operators' ability to borrow funds to replace cattle sold due to drought conditions.
- Dairies experienced good profits in 2014 due to high milk prices, but these appear to be headed down again. This did not result in a change in the overall demand or availability of credit, nor did it entice any new investors or existing producers to expand.
- The increase in cattle prices has greatly helped cattlemen reduce debt and hold heifers for restocking. The price of wheat really hasn't increased significantly in the past 65 years; therefore, most of the wheat is sowed for winter grazing.

Region 6 • North Central Texas

- There has been an increase in heifers held for breeding stock.
- This crop season saw fewer corn acres planted due to future contracts and hedging activities. Based on hedging, more sorghum acres were planted, with adequate yields to verify a better revenue decision.
- Prices during 2015 have been generally down and have caused a movement away from some corn acreage due to the production costs of corn versus other commodities.
- Lower prices have decreased profits. Commodities grown have not changed.
- Cow and calf ranchers have had two or three years of good prices, and the trend should last a few more years.

Region 7 • East Texas

- Less cotton acreage, in favor of more milo as opposed to corn, has been planted.
- Recent commodity prices have had little impact on the types of commodities grown as capital requirements limit new borrowers to the industry. Overall credit quality has improved.
- We have 75 percent less cattle loans.
- Producers planted less corn and more wheat and sorghum because input costs for corn are higher than for other grains. Input costs have not receded as fast as the price per bushel.

Region 8 • Central Texas

- Cattle prices are still very good, and producers are starting to retain replacements for their herds. Lenders are worried about when cattle prices will decline.
- The cattle market has improved rancher balance sheets and credit worthiness, leading to the rebuilding of drought-stricken cattle herds and the replacement of old farm equipment.
- Some of our larger cattle operators are requesting increases in their revolving lines of credit to help offset higher purchase prices and feed.

Region 9 • Coastal Texas

- Lower commodity prices are impacting the ability to zero out operating loans.
- Agricultural credit conditions at this time have remained stable and may change in the future with the decrease in prices.
- With decreased commodity prices for corn and cotton, cash flow has tightened, which may cause defaults on equipment debt going forward.
- Recent weakness in the commodity market has compressed our producers' margins, causing credit underwriting to be more difficult. Credit availability remains the same in our area.

Region 11 • Trans-Pecos and Edwards Plateau

- There has been a restocking of rangeland, with increasing cattle prices and ample moisture.
- Cattle prices have been good. There are a lot of replacement cattle at this time, but 2016 will see a drop in replacement cattle prices.
- There has been an increase in the risk associated with lending, based on the capital injection it takes to purchase replacements. The volatility of the cattle, sheep and goat market has made it more difficult to lend.
- Some commodity prices have remained high and helped keep many producers in business.
- The cost of planting cotton has caused a change. Continued high prices received for sheep, goats and cattle have allowed some producers to recover some of their losses in recent years due to drought. Restocking at high prices continues to be a challenge. We have seen no change in credit conditions.
- The movement in prices in our region has not had much impact other than causing us to require more capital for down payments. As far as crops grown, range conditions dictate what the growers can plant during the seasons.

Region 12 • Southern New Mexico

- Stocker cattle operators aren't as aggressive currently. The potential profit margin versus the investment isn't as palatable as it has been.
- Many farmers in the area are suffering as the price of hay has dropped. This causes customers to have carryovers and issues paying back on their credit lines.
- There has been more hay grown and a shift away from cotton, and highly leveraged farms are starting to stress for cash flow.
- Cattle prices, together with post-drought herd rebuilding, have made replacing cattle numbers difficult, requiring substantial equity in existing cattle and ranch real estate a necessity. Much of the farm and ranch land in this area is somewhat subsidized by oil prices through surface damage payments and mineral royalties.

Region 13 • Northern Louisiana

- Credit quality and debt-to-income ratios have decreased for all borrowers. Commodity prices now determine the acreage makeup of crops grown.
- We expect producers to have tighter cash flows, less disposable income and possible crop loan carryovers. We expect it to be a lot more difficult to generate a positive cash flow in the upcoming crop year, especially for the more marginal producers.
- The recent decline in commodity prices has seriously impacted the profitability of many farmers in the region.

Drought

QUESTION: How has the alleviation of drought conditions impacted agricultural and credit conditions in your region? Please explain.

Region 1 • Northern High Plains

- The crops are doing well with all of the added rain.
- Summer precipitation is back to more normal levels this year. As a result, our native grass pastures are in excellent shape, corn and milo look good, and we have the potential for an early wheat pasture.
- Rain this year has resulted in good crop yields. The biggest problem this year is it being too wet to harvest timely.
- Improved range conditions have driven demand for replacement cows and pasture cattle.
- Without the spring moisture we received, this area would have been in big trouble. We're dry again now, and crops are showing signs of stress, especially dryland and crops with limited irrigation.
- The alleviation of drought conditions has helped with irrigation costs but has increased chemical expenses due to weed control.

Region 2 • Southern High Plains

- It has given us hope that we can make a good dryland poundage to offset the prior four years of drought, poor insurance coverage and low prices.
- Without direct U.S. Department of Agriculture payments or disaster funding, many producers find it hard to produce sufficient cash flow. Higher inputs coupled with drought and reduced or no government payments make credit decisions much more difficult.
- If it weren't for the current rainfall conditions over the growing season, it would be a complete disaster.
- Increased rainfall in 2015 has had a positive impact on crop production and re-

ducing irrigation input costs. The negative to this increase in moisture is the increase in weeds, with a large percentage being chemical resistant. Gains from reducing irrigation costs have been wiped out by weed control. Cow–calf operations have benefited the most from drought alleviation, and most of our cattle producers are able to retain some of their offspring to restock a portion of their herds they were forced to sell during the drought.

- Many cotton growers fared better during the drought than they likely will this year. In 2011 and 2012, crop insurance guarantees were based on high prices. Once the crop was failed, expenses were cut and the indemnity resulted in a positive outcome. This year, growing costs have been expensive because plentiful rainfall promoted weed problems and poor cotton prices won't allow any money to be made. The livestock sector has benefited tremendously from drought relief. Grazing has been excellent, and a lot of hay is being put up.
- Rain in 2015 has helped agricultural conditions. However, commodity prices remain low, and many producers will struggle to break even.

Region 3 • Northern Low Plains

- Overall pasture conditions have improved, but 60 days of rain do not necessarily end a drought; we will need extended rain to fully recover.
- Irrigation expenses have been less, but herbicide and hoeing expenses have been greater than the savings on irrigation. Our bank has tightened lending for cattle by increasing collateral requirements. Machinery and equipment values have also dropped, changing leverage positions.
- Drought alleviation has increased yields, which generates more cash flow and helps debt repayment.

Region 4 • Southern Low Plains

- People are trying to restock their cattle due to greater availability of grazing.
- Drought conditions caused many people to get out of the cattle-raising business.
- We still have some drought conditions now.
- Cattle prices have been very good the last couple of years, but the cost to restock after a severe drought has hindered producers from growing at the rate they need. Because of low prices, our only saving grace in cotton is yield, which may become realistic this year with higher rainfall amounts.

Region 5 • Cross Timbers

- The huge increase in rainfall this spring helped improve crop yields and pasture for cattle, farmer and rancher profitability and borrower credit conditions overall.
- Most stock tank levels are adequate to full. Forage levels are more than adequate for most operators based on current stocking rates. Numerous operators are increasing their cattle numbers to more efficiently utilize current forage levels. Most operators in our area are replacing their cattle numbers out of cash or by saving their heifer calves. We have had only a few requests for funds to replace livestock.
- The most important improvements are in the water available in surface ponds and lakes for livestock and wildlife and in pasture conditions for grazing. Hay production has been the best in years, which should lower the cost of wintering cattle.
- We had nice spring rains to fill stock tanks, but our area lake that supplies water for 175,000 people is only at 35 percent capacity. The rains grew weeds, but now more rains are needed to grow grass and sow wheat. These conditions have greatly helped cattle lending.

Region 6 • North Central Texas

- This year, all crops were a failure or had very poor yields due to too much rain all at one time.
- We have had more demand for cattle loans since drought conditions subsided.
- Drought impacted our cattleman negatively. Generally, herds were reduced over the past several years due to the lack of grass, and the price of hay increased dramatically, which resulted in reduced livestock numbers. The drought had little effect on overall credit conditions and lending, but it could have inhibited a borrower's desire to purchase livestock or make other capital purchases.
- In general and over time, drought alleviation will be very favorable to agricultural and credit conditions. However, excess rainfall and flooding during the spring and early summer of 2015 caused a general crop failure for wheat, corn and soybeans. Most farmers engaged in crop production would not be able to survive if it were not for the crop insurance program that most participate in. Cattle production conditions have generally improved as drought conditions have improved.
- More commodities per acre created more profits.

Region 7 • East Texas

- We have had more calls for cow–calf purchase loans.
- The break in the drought has allowed borrowers to be more profitable.
- Growing conditions are favorable, causing farmers and ranchers to be more optimistic and willing to produce.
- This spring was very wet, and many producers were not able to do their first cutting of hay. It then turned very dry, and most farmers have only been able to get one cutting of hay, when normally by this time of year they would have three.

Region 8 • Central Texas

- The spring and early summer rains were great, but hay production was hurt.
- Winter and spring rains were excellent. All hay crops have been harvested, but current hot and dry weather conditions are burning the pasture grasses. Rain is needed badly.
- Drought fears will remain with us for a long time to come. Expansion will be slow until we get a more stabilized weather pattern.
- Ranchers are able to rebuild herds and strengthen balance sheets.
- Producers have been keeping heifers to increase their herds.

Region 9 • Coastal Texas

- Excess moisture actually had a negative impact on yields for the 2015 year, making it difficult for some operating credit facilities to zero out in a timely fashion. With the increase in the moisture levels and the recent drop in sorghum prices, we may see a more normal planting ratio of cotton and grain in the 2016 crop year.
- Credit conditions improved with the rains received this year. Recent 60-plus days

of dry weather have helped the scattered harvesting.

- Drought conditions are still impacting our area. We had some beneficial rains earlier this year, but we continue to have water restrictions. These restrictions have had a significant impact on our rice production.
- Overall, those who were able to plant cotton timely can expect higher yields. However, breaking the drought had unintentional consequences—cold temperatures and continued rainfall caused some farmers to be unable to plant cotton by the due date. Those farmers generally planted sorghum, but additional rains caused water to stand in fields on young plants, reducing yields.

Region 10 • South Texas

- Most of our area relies on irrigation for farming, and dryland farming has been virtually nonexistent for a long time. The alleviation of drought conditions has had the greatest impact on cattle pastures. Operators will begin to be able to rebuild herds. It has also helped lessen the strain on the aquifer and cut down on irrigation and operating costs.

Region 11 • Trans-Pecos and Edwards Plateau

- Profit margins are projected to be higher for livestock producers with the reduction of the need for supplemental feed. As a downside, hay producers have experienced decreased quality levels due to rained-on hay.
- Cattle prices have been good, but we need rain. Dry land will drive prices down.
- Producers have kept more heifer calves and ewe lambs as a result of improved range conditions.
- Spring rains aided in the mitigation of input costs. However, demand increased in the replacement market, and the price push has limited some smaller operators from purchasing cattle.
- With cattle, goat and sheep prices as high as they are, the welcome rains of spring allowed ranchers in our area to grow some hay to alleviate this fall's coming feed needs and reduce the costs of feed for the first half of the year, increasing the overall net income picture.
- Customers had sold off some cattle and sheep that they are now trying to replace.
- Rainfall last fall and this spring was good, but our area is in need of rainfall at the present time. Some producers have been restocking but at a slower rate due to high replacement costs.
- Easing of drought conditions has allowed producers to retain some of their raised breeding stock, although high prices have caused many to sell some of the replacements that they would normally keep. Additional grass from rains has allowed some producers to increase cattle numbers.
- Spring rains produced a lot of grass, which is extremely dry right now due to the lack of summer rains and presents an extreme fire hazard.

Region 12 • Southern New Mexico

- Considerably more land has a viable crop growing on it than in the past several years.
- Most of the ranchers in the area are relieved to have drought alleviation and are able to supplement less feed.
- As the drought breaks, cattle ranchers are beginning to restock, helping drive up the local price.
- Net farm and ranch income is at an all-time high due to lower input costs such as irrigation pumping and supplemental feeding requirements. On the cow–calf side, debt per cow is increasing on many ranches due to the high cost of replacing herds that were somewhat liquidated during the drought.

Region 13 • Northern Louisiana

- We had more problems with the heat rather than the lack of rainfall since the majority of our crops are irrigated, with an abundance of water available.
- The increase in irrigation availability and drought control has greatly increased the stability of yields on grain crops in the area. Spring rains contributed to excellent yields for dryland crops for 2015, with some farmers' dryland crops producing a higher yield than irrigated crops.

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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 Sept. 1–9, and 139 bankers responded to the survey.
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