

DALLAS FED

Agricultural Survey

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

Survey Highlights

Bankers responding to the fourth-quarter survey reported moisture conditions were adequate to very good, with rains replenishing subsoil moisture and stock tanks. However, there were scattered reports of rain hampering planting and production during the year. Crop prices remained low, impacting producers' repayment abilities. Cattle prices declined this quarter, causing concerns for some bankers about ranchers' financial positions, although livestock inventories are up in some regions.

District land values increased this quarter. Irrigated cropland saw the largest increase; real irrigated land values were up 4 percent over last quarter. Real ranchland values were up 3 percent over the third quarter, while real dryland values were up 1 percent. All land values were up about 2 percent from year-ago levels.

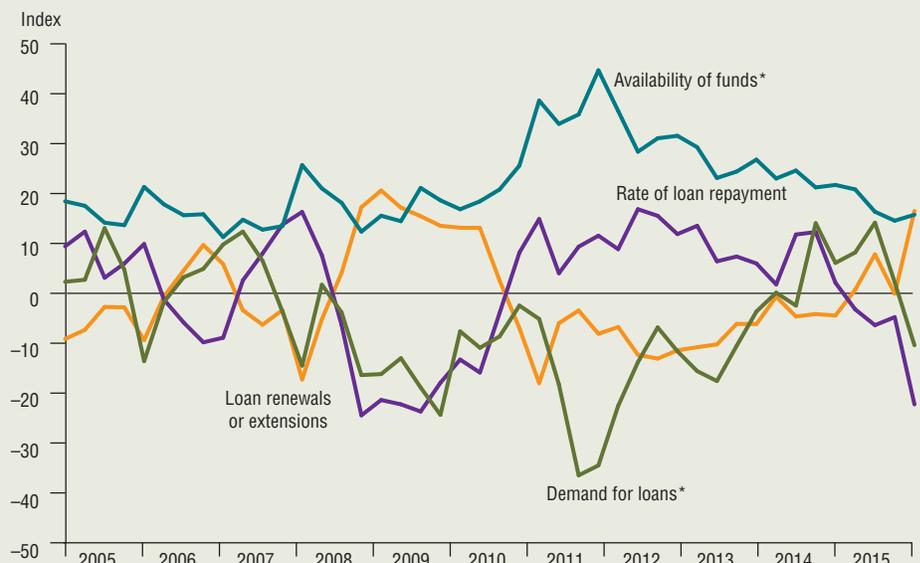
The anticipated trend in farmland values index remained negative for a second consecutive quarter. The credit standards index indicated continued tightening of standards; no bankers reported loosening standards this quarter, but the vast majority of respondents continued to note no change.

Reversing a five-quarter trend, demand for agricultural loans decreased in the fourth quarter. Loan repayment rates continued to decline, while loan renewals and extensions picked up. Overall, the volume of loans was down compared with a year ago. Operating loans was the only loan category that increased 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, Q4		
	2015:Q3	2015:Q4	▲ Greater	Same	▼ Less
Demand for loans*	2.3	-10.4	11.1	67.4	21.5
Availability of funds*	14.7	15.9	18.5	78.9	2.6
Rate of loan repayment	-4.7	-22.3	2.5	72.7	24.8
Loan renewals or extensions	0.0	16.7	20.0	76.7	3.3



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, Q4		
	2015:Q3	2015:Q4	▲ Greater	Same	▼ Less
Non-real-estate farm loans	3.2	-5.9	15.1	63.9	21.0
Feeder cattle loans*	-7.2	-24.9	4.6	65.9	29.5
Dairy loans*	-13.9	-19.5	1.5	77.5	21.0
Crop storage loans*	-7.1	-6.4	5.4	82.8	11.8
Operating loans	17.6	4.2	17.5	69.2	13.3
Farm machinery loans*	-11.8	-25.6	6.8	60.8	32.4
Farm real estate loans*	-10.1	-24.6	5.3	64.8	29.9

*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

▶ The continual decline in cattle prices is having a severe negative impact on the finances of those involved in cattle ownership. All categories of ownership from cow-calf producers to stocker operators and feeders are suffering from reductions in equity. Crop production budgets for 2016 will be very tight with current low grain prices. 2016 looks to be shaping up to be a very challenging year for ag production.

▶ We had a good summer crop, but commodity prices are bad.

Region 2 • Southern High Plains

▶ Commodity prices need to improve for all ag-related production, and input costs need to decrease.

▶ Agriculture is in as perilous a position as we have seen in decades of ag lending. Between the government programs, the commodity prices, the cost of production, the term debt service with such high-priced equipment and the very real possibility of not having an insurance program, we don't know how producers can continue. If the crop insurance program goes away or is changed significantly, then banks will not be able to loan ag funds.

Region 3 • Northern Low Plains

▶ The uncertainty in the world has created a stronger dollar that has devastated commodity prices to below breakeven level, and the Fed will compound this issue by increasing interest rates. The leveraged borrowers will struggle to survive.

▶ Depressed commodity prices are affecting loan repayment ability.

Region 4 • Southern Low Plains

▶ Poor cotton prices and higher inputs for the year will leave some farmers with a carryover for the second year in a row. Credit for these farmers in the future will be tough.

▶ Dryland cotton yields are 75 to 80 percent of anticipated yields. The dry weather in August reduced crop yield, but grades and turnouts are good. Cattle producers were caught off guard by the recent drop in calf prices. Weaning weights are down, and producers started supplemental feeding earlier than anticipated. The grass is not as strong or as good as anticipated going through the fall and into early winter. Winter wheat is off to a slow start despite adequate moisture.

Region 5 • Cross Timbers

▶ Moisture conditions are very good now after recent rains; most ponds and lakes are full. Hay supply is very good; the price has moderated some and we have good pasture conditions. Dairymen are receiving a decent price for milk, while grain costs are lower. The cattle market has dropped off from record highs earlier in the year, hurting cash flow for cow-calf operators.

▶ Five inches of rain during the past 10 days have filled all stock tanks and increased the area lake, which supplies water to 180,000 people, from 30 to 42 percent capacity. Those that dried sowed wheat are now in great shape, and those that didn't will have to wait several weeks for it to dry up. The sharp reduction in cattle prices the past 90 days has greatly decreased ranchers' incomes.

Region 6 • North Central Texas

▶ Cattle prices have drastically dropped the last 60 days, and our area has experienced serious flooding the last 30 days. We will have to watch our margins closely on cattle loans.

▶ Rain in 2015 hampered all related ag loans this year. The rain was needed badly, but it was a little excessive in the amount in one year.

▶ The abundance of rain has crop farmers behind in land prep and wheat planting. The crop pricing outlook for 2016 doesn't provide a positive projection for 2016.

▶ Agricultural land values remain stable in our area. Credit conditions are becoming more uncertain due to the unusually wet conditions in 2015 that appear likely to carry over into 2016. Farm operating losses were common in our area for 2015.

▶ Producers in our area are having trouble planting wheat due to wet conditions, but we have good ground conditions for spring crops.

Region 7 • East Texas

▶ Recent rains have replenished ground water lost during the summer drought. Subsoil moisture is very good to excellent for cropland.

Region 8 • Central Texas

▶ Commodities markets continue to show fluctuations above normal trading values.

▶ We are getting rain, and it looks like we might finally get some subsoil moisture, something we

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NEW MEXICO

Regions of the Eleventh Federal Reserve District

have been missing for a long time. Pasture conditions are good, with winter oats and rye doing exceptionally well also. Cattle prices continue to fall, with no bottom in sight yet. The same can be said for oil prices as well, with only a handful of rigs left in our area. It remains to be seen how the slowdown in oil and cattle prices will affect the rural land market. We will still have weekend investors, but it should slow the locals from paying top dollar for land in their area.

Region 9 • Coastal Texas

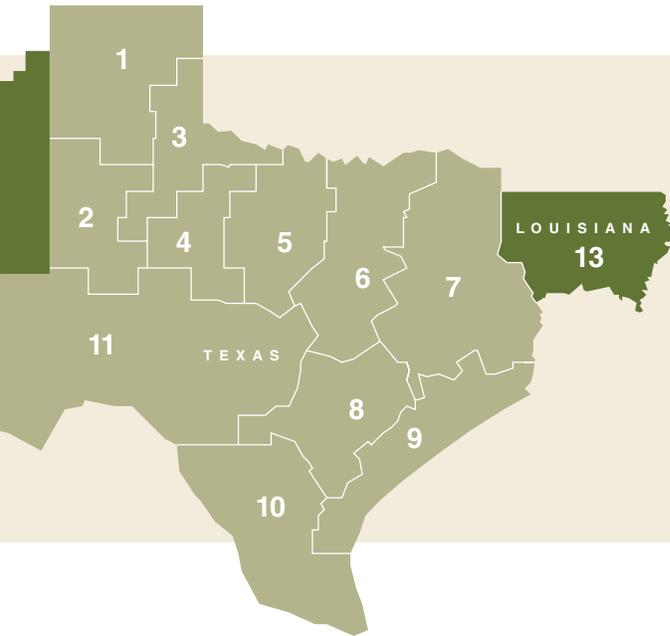
▶ Grain crop yields were average to above average, while cotton yields were above average and better than expected. Noncontracted grain prices are at or right below projections, while cotton prices are lower than planned. All harvesting of crops was delayed two to four weeks. Land prices remain fairly stable, with both ranchland and farmland being consistent. Holding periods may be somewhat longer on higher-priced parcels, with lower-priced acreage being held shorter than average. We expect a more traditional crop rotation of cotton and grain in 2016, with most producers looking to minimize risks. Profit margins will be critical this coming year, with saving coming from reduction in inputs such as fuel, fertilizer and supplies.

▶ Due to the weather challenges of 2015 and lower commodity prices, row crop producers in the area are experiencing significant reductions in cash flow, with some producers unable to pay off their annual operating lines.

Region 11 • Trans-Pecos and Edwards Plateau

▶ Recent generous rain is getting the area set up for another good spring, which is very unusual for this part of Texas. Most areas had above-average rainfall in 2015; however, in some areas the rain fell outside of the growing season, which resulted in little or no grass production.

Rural Real Estate Values—Fourth Quarter 2015



▶ Cattle prices are down and, although producers don't expect to see \$1,700 calves again, the outlook is optimistic for good prices in the future.

▶ El Niño has kept the last month or so very wet in the Edwards Plateau. A late frost also kept things green for a longer time than normal in our area. A wet winter bodes well for a good spring. Livestock prices have come off across the board but still remain pretty strong. Inventory numbers on cattle are finally catching up, and a certain contraction in beef prices is expected. It still looks pretty good overall for the ranch business in this area.

▶ Our area has received very good rainfall. The cattle market remains softer than last year.

▶ Pasture conditions are very good, with abundant grass available for the limited stock in most places. With the decrease in livestock prices, some producers have purchased cows and hair sheep for their typically understocked ranches. Livestock remains in very good condition, with good weather prevailing. The quality of harvested deer—a big part of most ranchers' incomes—is good to very good.

▶ Recent rains have helped range conditions. Animal numbers are down due to selloffs.

Region 12 • Southern New Mexico

▶ Projections on both crop and livestock loans indicate tighter operating margins. Most farmers and livestock producers have experienced some loss in equity over the last quarter.

▶ An above-average rain season, including multiple hailstorms, has hurt area farmers this year. Yields are down, resulting in lost income.

Banks¹ Average value² Percent change in value from previous year³

Cropland—Dryland

District*	98	1,727	2.2
Texas*	88	1,757	2.6
1 Northern High Plains	12	850	7.4
2 Southern High Plains	12	692	3.1
3 Northern Low Plains*	8	865	4.2
4 Southern Low Plains*	8	1,124	13.5
5 Cross Timbers	4	1,425	3.6
6 North Central Texas	16	2,600	4.2
7 East Texas*	5	2,339	-14.9
8 Central Texas	9	3,517	2.7
9 Coastal Texas	5	2,470	2.6
10 South Texas	3	2,100	0.0
11 Trans-Pecos and Edwards Plateau	6	1,858	11.6
12 Southern New Mexico	3	317	-6.3
13 Northern Louisiana	7	2,164	-3.4

Cropland—Irrigated

District*	74	2,374	1.9
Texas*	62	2,202	2.0
1 Northern High Plains	11	2,091	2.1
2 Southern High Plains	11	1,650	-0.8
3 Northern Low Plains*	7	1,756	21.3
4 Southern Low Plains	6	1,533	3.4
5 Cross Timbers	n.a.	n.a.	n.a.
6 North Central Texas	4	2,825	5.3
7 East Texas	3	2,667	-8.8
8 Central Texas	5	3,660	1.4
9 Coastal Texas	4	2,850	1.6
10 South Texas	3	3,300	0.0
11 Trans-Pecos and Edwards Plateau	6	2,633	9.6
12 Southern New Mexico	5	3,100	1.6
13 Northern Louisiana	7	3,300	2.1

Ranchland

District*	107	1,647	1.9
Texas*	96	1,959	2.1
1 Northern High Plains	11	605	6.4
2 Southern High Plains	7	684	-1.4
3 Northern Low Plains	8	878	-0.4
4 Southern Low Plains*	8	1,153	5.7
5 Cross Timbers	7	1,679	1.3
6 North Central Texas	17	2,579	2.1
7 East Texas	8	2,444	-3.6
8 Central Texas	11	4,805	-0.3
9 Coastal Texas	4	2,338	16.3
10 South Texas	4	2,575	0.0
11 Trans-Pecos and Edwards Plateau	11	1,695	3.6
12 Southern New Mexico	4	306	-2.1
13 Northern Louisiana	7	1,807	1.6

* Seasonally adjusted.

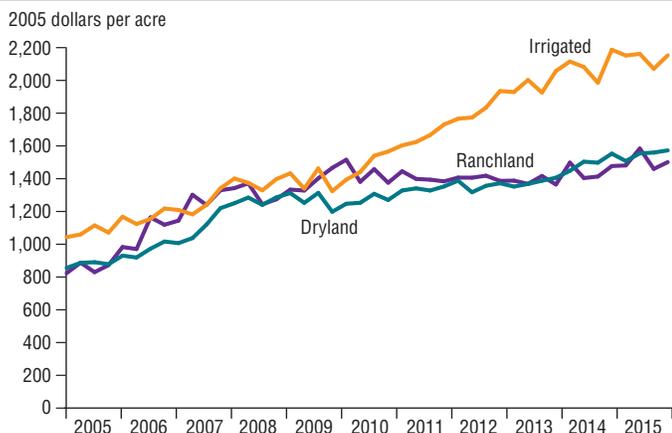
¹ Number of banks reporting land values.

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.

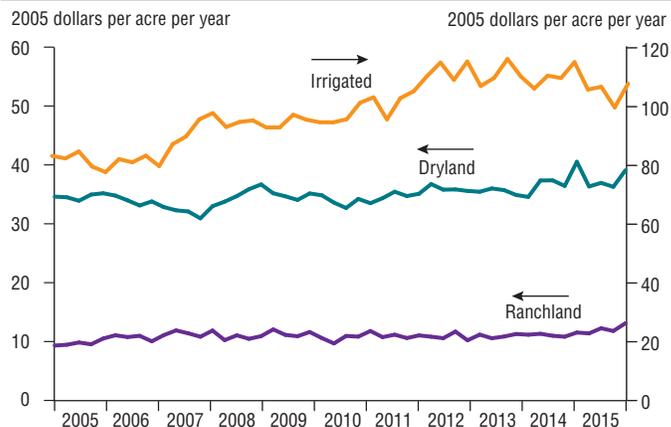
n.a.—Not published due to insufficient responses but included in totals for Texas and district.

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: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
Q4	6.04	6.08	5.93	5.67
Variable (average rate, percent)				
2014: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
Q4	5.70	5.73	5.69	5.31

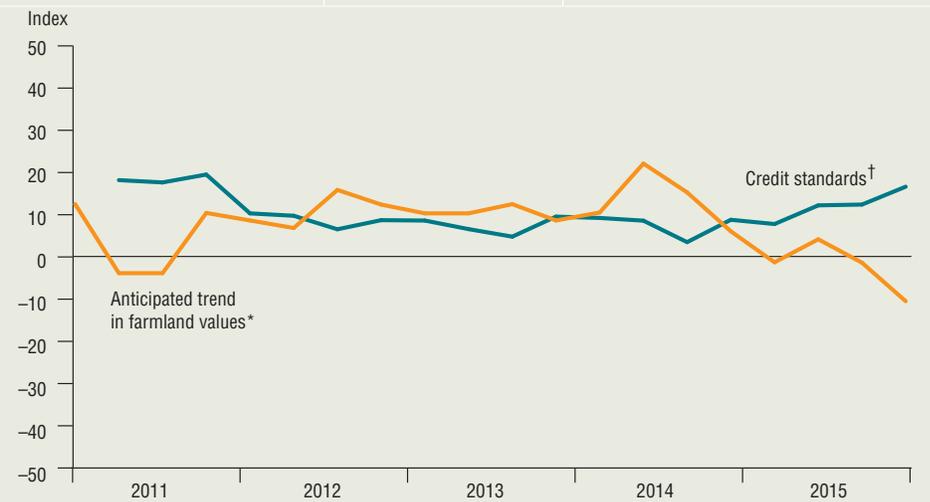
Anticipated Farmland Values and Credit Standards

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

Anticipated trend in farmland values*	Index		Percent reporting, Q4		
	2015:Q3	2015:Q4	▲Up	Stable	▼Down
	-1.5	-10.7	6.2	76.9	16.9

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:Q3	2015:Q4	▲Tightened	Same	▼Loosened
	12.4	16.7	16.7	83.3	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.

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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 Dec. 1–9, and 125 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.