

# Agricultural Survey

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

## Survey Highlights

**B**ankers responding to the first-quarter survey reported some concerns for producers' financial positions due largely to low crop prices. Reports on moisture conditions varied by region, but most regions had good conditions, with the need for additional rains for continued grazing and to aid spring plantings. Cattle prices remained strong, although they've come down significantly from last year's highs.

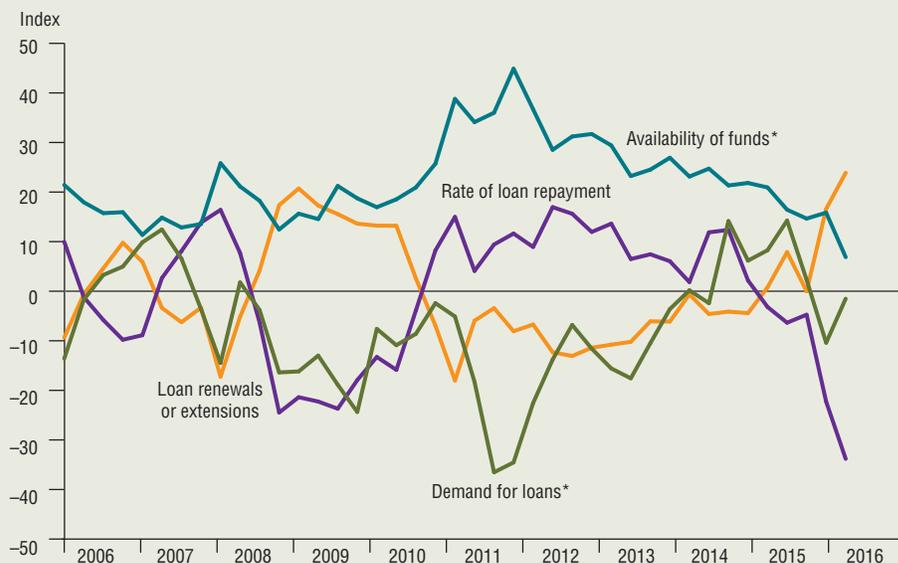
Changes in district land values were mixed this quarter. Only real dryland values increased, up 1.4 percent. Real irrigated land values decreased 5.4 percent, while rangeland values were mostly unchanged (*Figure 2*). According to bankers who responded both this quarter and in first quarter 2015, values for dryland and rangeland increased over year-ago levels, while irrigated land values were unchanged (*Table 1*).

The anticipated trend in farmland values index remained negative for a third consecutive quarter. The credit standards index indicated continued tightening of standards; no bankers reported loosening standards this quarter, though the vast majority continued to note no change (*Figure 4*).

Demand for agricultural loans decreased for a second consecutive quarter. Loan repayment rates declined more sharply, while loan renewals and extensions picked up. Overall, the volume of non-real-estate farm loans was unchanged compared with a year ago. Operating loans was the only loan category that increased in volume year over year this quarter (*Figure 1*).

**Figure 1**  
**Farm Lending Trends**

	Index		Percent reporting, Q1		
	2015:Q4	2016:Q1	▲ Greater	Same	▼ Less
<b>Demand for loans*</b>	-10.4	-1.5	19.4	59.7	20.9
<b>Availability of funds*</b>	15.9	6.9	11.3	84.3	4.4
<b>Rate of loan repayment</b>	-22.3	-33.9	2.5	61.2	36.4
<b>Loan renewals or extensions</b>	16.7	24.0	31.4	61.2	7.4



	Index		Percent reporting, Q1		
	2015:Q4	2016:Q1	▲ Greater	Same	▼ Less
<b>Non-real-estate farm loans</b>	-5.9	0.0	18.2	63.6	18.2
<b>Feeder cattle loans*</b>	-24.9	-31.4	3.1	62.4	34.5
<b>Dairy loans*</b>	-19.5	-17.1	0.0	82.9	17.1
<b>Crop storage loans*</b>	-6.4	-10.4	3.5	82.6	13.9
<b>Operating loans</b>	4.2	5.7	22.0	61.8	16.3
<b>Farm machinery loans*</b>	-25.6	-28.5	5.3	60.9	33.8
<b>Farm real estate loans*</b>	-24.6	-25.0	5.3	64.4	30.3

\*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 blizzard of December 2015 in the Texas Panhandle caused serious financial losses for many dairies from livestock deaths, high cull rates and reduced production. Gains for feed-yard and pasture beef cattle were also set back by the blizzard. Financial losses due to lower prices in all sectors of beef production are impacting the ongoing viability of many operators. It is a very difficult time for livestock operators to maintain their same level of financing. Leveraged operators—whether in livestock or crop production—will face a challenging cash-flow year.

## Region 4 • Southern Low Plains

▶ This will be the second year in a row that our farmers will face carryover on their operations. Those who were able to pay their operating loans did not have the funds to pay their long-term debts. To ensure our overall collateral position, we are requiring additional equity in the form of land that may be paid off or we are reworking the debt, which requires additional costs that we are including in their loans. Some are cashing in CDs or annuities to reduce debt. There is a great deal of concern about their ability to cash flow with current commodity prices. We are projecting 61 cents per pound for cotton, and at the present time, December cotton futures are trading in the 56- to 57-cent range. Our area has good subsoil moisture heading into spring, but we need timely rains for planting and getting the crop to harvest. Land and equipment values continue to be stable. However, given that current commodity prices in every sector continue to decline, we may be looking at a downturn in these values as well.

▶ Lack of cotton support payments has dramatically affected most producers in our area, with most experiencing a 15 to 20 percent decline in net worth and farm loss. The continued overburden of government regulation is killing small businesses and the farm industry.

▶ Cash flows are very tight. Our area is mostly dry-land cotton, with very little diversification available. Producers are refinancing long-term on land to help reduce annual debt payments. Borrowers are trying to cut costs, but it is a struggle. Some farmers are getting out to avoid further equity loss.

## Region 5 • Cross Timbers

▶ Most ponds and lakes are in good shape; our area received 1.0 to 1.5 inches of rain last week. We will need average or better rainfall in the spring to be

able to continue the good grazing conditions and hay production from last year. Winter pasture grazing conditions have been good, and cattle prices have stabilized and even improved a little after a large decline in the fall. Income from calves is about 25 to 30 percent off last year's highs. Milk prices are still good and grain costs relatively low, so dairies are making decent money.

▶ The area lake is still at 50 percent capacity, and there is good ground moisture for wheat and winter rye grazing.

## Region 6 • North Central Texas

▶ There seems to be two schools of thought among row-crop farmers. Some are spending to maximize yields, thinking that more bushels of corn at a lower price will be the best approach, while others are cutting expenses significantly trying to minimize potential loss due to low crop prices. The weather will likely decide which approach is correct.

▶ Customers are very cautious about the economic future.

▶ Cattle prices are still down drastically from what they were a year ago. We are not in a drought yet, but we could use some measurable rainfall—just not flood conditions.

## Region 8 • Central Texas

▶ A small amount of rainfall is providing winter grazing for cattle, and more rain is in the forecast. Ranchers need adequate grazing to offset the increasing prices of feed supplements. Cattle prices have dropped significantly, but overall, current prices are still much better than we have seen in the past. Oil and gas activity is almost at a standstill, and more individuals are losing jobs. There are fewer dollars available for spending in the local economy.

▶ The oilfield remains slow, with no drilling at this time and some service-related businesses closing or moving out of the area. Recent rain was a big blessing for the area and has helped winter pastures improve. Corn planting was somewhat delayed. Cattle prices remain good, with demand for replacement cattle up. Everyone is waiting on the November election results, which will determine which way things will go the next four years; it could be interesting times.

▶ Land values continue to be influenced by out-of-town buyers of recreational-use land. Much land is going into wildlife exemption, taking productive ag land off the market. Other ag-use land is purchased for subdividing, thus taking it out of ag use permanently.

## Regions of the Eleventh Federal Reserve District

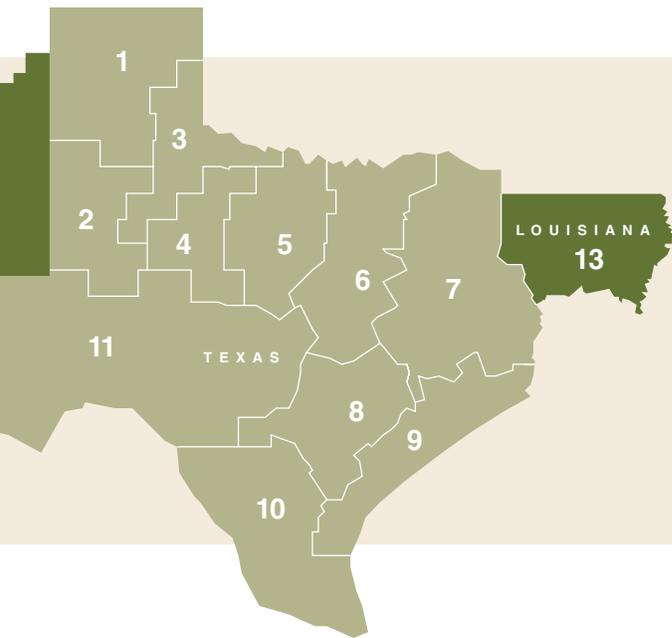
▶ The continued weakness in commodities prices and the commercial cattle market has hurt farm and ranch incomes for most of our customers. Lower input costs associated with lower oil prices will help some, but most assume there will be lower profitability in the near term.

## Region 9 • Coastal Texas

▶ Overall, pastures and farmland need some moisture to start off spring with ample moisture. Plantings have started, and cattle markets have started to pick back up. The last 45 to 60 days have been dry and hotter than normal in the area. Typical crop rotations seem to be in place this year and should be back to cotton, corn and grain, compared with mainly corn and grain last year. Wheat is progressing well but has struggled the last few weeks with the drier and hotter weather. Cotton ground has been prepared and should be planted in the next few weeks. Corn has been planted and is at 1- to 3-leaf growth, and grain is being planted. Feeding continues on pastures that need supplements and hay is being fed at higher levels than last year. The demand for hay has increased in the last 30 to 45 days. Grass in some areas that have cover is sprouting. Crop markets remain mixed at this time, with swings from day to day. Price stability is needed to provide confidence in plantings. Cattle prices are increasing and have provided the income needed to feed at higher levels.

## Region 11 • Trans-Pecos and Edwards Plateau

▶ El Niño, while apparently powerful, has been less beneficial for winter rains than previously predicted. The Edwards Plateau could use some rainfall. The winter has actually been very pleasant and mild, prompting some plants to begin budding out fairly early. Cattle prices remain strong even though they're off some 25 percent from this time a year ago. Sheep and goat markets remain strong.



▶ Recent rain was well-needed and will help with green-up. Abundant grass is available, although pastures have been dry. Livestock are showing the effects of winter, particularly in ewes and cows, though much less feed was required this year than in recent years. Market prices for cattle, sheep and goats remain good. With depressed oil and gas prices, a lot of producers are depending more on ag income than in past years.

▶ Declining oil prices have greatly slowed sales of real estate. Loans for ag use have remained steady or flat.

#### Region 12 • Southern New Mexico

▶ Lower commodity prices are causing producers to explore all their production options with respect to crops produced.

▶ Farm budgets are coming in with break-even projections based on previous yields and lower commodity prices. Livestock budgets are requiring less capital than previous years, but margins continue to tighten with a forecast near breakeven on yearling and stocker operations. Cow/calf producers can still project a reasonable return to management, although their gross sales are projected to be considerably less than last year.

#### Region 13 • Northern Louisiana

▶ There is more forest land for sale by large investment owners.

**Table 1**  
**Rural Real Estate Values—First Quarter 2016**

	Banks <sup>1</sup>	Average value <sup>2</sup>	Percent change in value from previous year <sup>3</sup>
<b>Cropland—Dryland</b>			
<b>District*</b>	<b>104</b>	<b>1,751</b>	<b>5.1</b>
<b>Texas*</b>	<b>87</b>	<b>1,774</b>	<b>5.3</b>
<b>1</b> Northern High Plains	11	909	12.4
<b>2</b> Southern High Plains	12	654	-0.9
<b>3</b> Northern Low Plains*	7	822	1.2
<b>4</b> Southern Low Plains*	8	1,148	3.7
<b>5</b> Cross Timbers	6	1,617	1.8
<b>6</b> North Central Texas	13	2,662	10.6
<b>7</b> East Texas*	6	2,681	4.5
<b>8</b> Central Texas	11	3,436	0.7
<b>9</b> Coastal Texas	4	2,575	3.0
<b>10</b> South Texas	n.a.	n.a.	n.a.
<b>11</b> Trans-Pecos and Edwards Plateau	7	1,529	11.1
<b>12</b> Southern New Mexico	6	346	-1.8
<b>13</b> Northern Louisiana	11	2,405	2.7
<b>Cropland—Irrigated</b>			
<b>District*</b>	<b>77</b>	<b>2,245</b>	<b>0.2</b>
<b>Texas*</b>	<b>59</b>	<b>2,039</b>	<b>-0.3</b>
<b>1</b> Northern High Plains	11	2,055	-2.7
<b>2</b> Southern High Plains	10	1,415	-3.7
<b>3</b> Northern Low Plains*	4	1,669	23.8
<b>4</b> Southern Low Plains	6	1,600	0.0
<b>5</b> Cross Timbers	4	3,100	15.3
<b>6</b> North Central Texas	3	2,250	-11.1
<b>7</b> East Texas	3	2,400	33.3
<b>8</b> Central Texas	7	3,586	1.6
<b>9</b> Coastal Texas	3	2,667	2.6
<b>10</b> South Texas	n.a.	n.a.	n.a.
<b>11</b> Trans-Pecos and Edwards Plateau	6	1,992	15.6
<b>12</b> Southern New Mexico	8	3,125	-0.5
<b>13</b> Northern Louisiana	10	3,370	5.0
<b>Ranchland</b>			
<b>District*</b>	<b>109</b>	<b>1,630</b>	<b>2.0</b>
<b>Texas*</b>	<b>93</b>	<b>1,944</b>	<b>1.9</b>
<b>1</b> Northern High Plains	11	600	-0.8
<b>2</b> Southern High Plains	5	710	-1.4
<b>3</b> Northern Low Plains	7	875	-2.6
<b>4</b> Southern Low Plains*	8	1,110	-3.1
<b>5</b> Cross Timbers	7	2,000	-1.8
<b>6</b> North Central Texas	14	2,546	4.7
<b>7</b> East Texas	10	2,760	3.3
<b>8</b> Central Texas	12	4,483	2.2
<b>9</b> Coastal Texas	3	2,233	2.3
<b>10</b> South Texas	n.a.	n.a.	n.a.
<b>11</b> Trans-Pecos and Edwards Plateau	14	1,718	3.6
<b>12</b> Southern New Mexico	7	282	5.8
<b>13</b> Northern Louisiana	9	1,856	1.9

\* Seasonally adjusted.

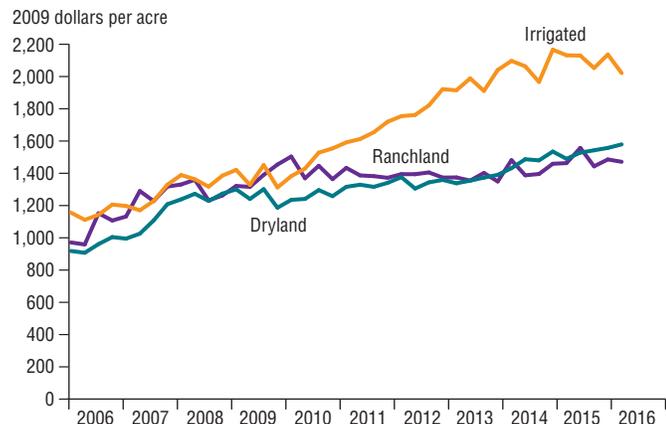
<sup>1</sup> Number of banks reporting land values.

<sup>2</sup> Prices are dollars per acre, not adjusted for inflation.

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

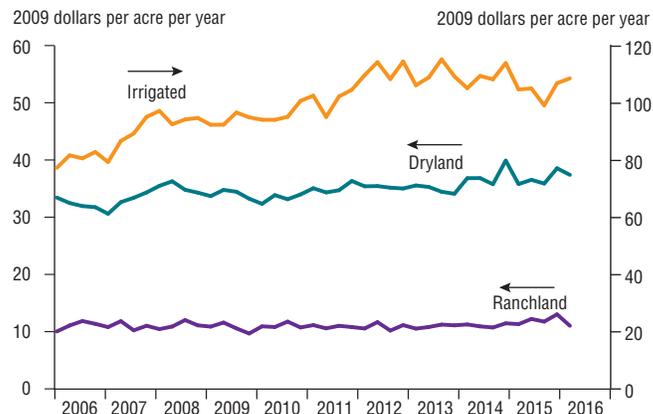
n.a.—Not published due to insufficient responses but included in totals for Texas and district.

**Figure 2  
Real Land Values**



NOTE: All values have been seasonally adjusted.

**Figure 3  
Real Cash Rents**

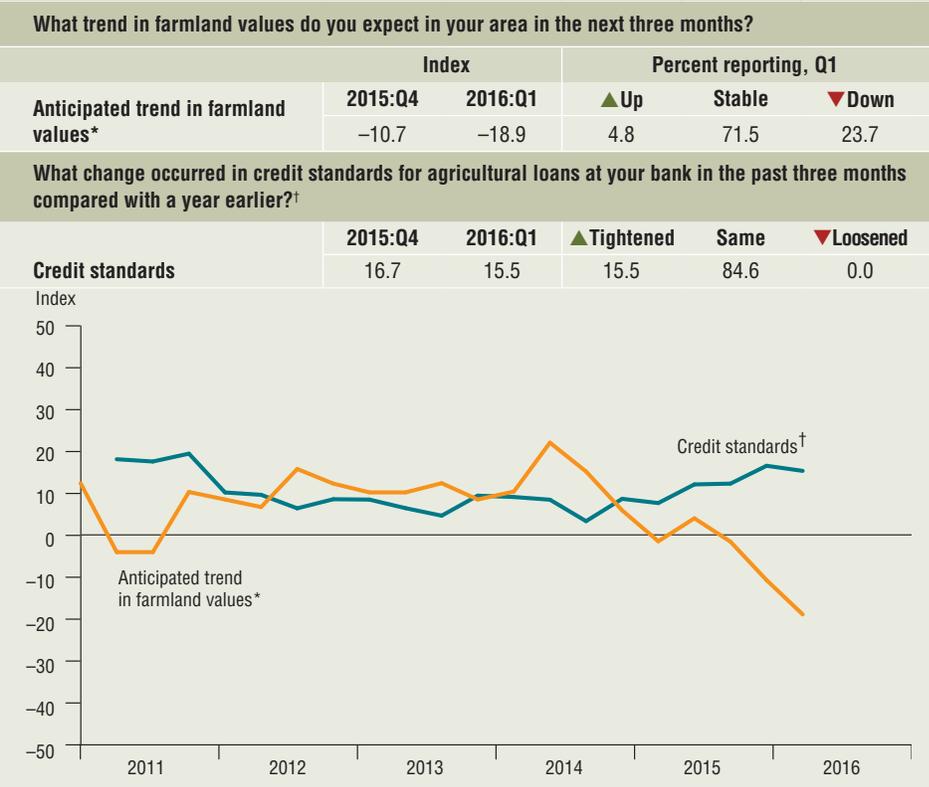


NOTE: All values have been seasonally adjusted.

**Table 2  
Interest Rates by Loan Type**

	Feeder cattle	Other farm operating	Intermediate term	Long-term farm real estate
<b>Fixed (average rate, percent)</b>				
<b>2015:Q1</b>	6.09	6.12	6.01	5.74
<b>Q2</b>	5.93	6.04	5.93	5.74
<b>Q3</b>	6.03	6.16	6.05	5.79
<b>Q4</b>	6.04	6.08	5.93	5.67
<b>2016:Q1</b>	6.07	6.11	6.09	5.81
<b>Variable (average rate, percent)</b>				
<b>2015:Q1</b>	5.56	5.66	5.54	5.26
<b>Q2</b>	5.52	5.57	5.51	5.27
<b>Q3</b>	5.65	5.70	5.63	5.36
<b>Q4</b>	5.70	5.73	5.69	5.31
<b>2016:Q1</b>	5.72	5.74	5.78	5.38

**Figure 4  
Anticipated Farmland Values and Credit Standards**



\*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 1–9, and 129 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](mailto:pubsorder@dal.frb.org) or by calling 214-922-5270. It is available on the web at [www.dallasfed.org/research/agsurvey](http://www.dallasfed.org/research/agsurvey).

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