



Agricultural Survey

Fourth Quarter 2020

Survey Highlights

Bankers responding to the fourth-quarter survey reported overall weaker conditions across most regions of the Eleventh District. They pointed to extreme drought conditions that made a hard year even harder, with crop yields below average in some regions. Cattle seem to be doing well despite dry conditions. Some contacts noted government aid such as the Coronavirus Food Assistance Program has helped producers make their loan payments on time. Demand for agricultural land in some areas continues; however, bankers indicated the land is not for production agriculture but for investment and residential development.

Demand for agricultural loans continued to decline, with the loan demand index registering its 21st quarter in negative territory and its lowest level since late 2011. Loan renewals or extensions increased this quarter, while the rate of loan repayment continued to decline. Loan volume decreased across all major categories compared with a year ago (*Figure 1*).

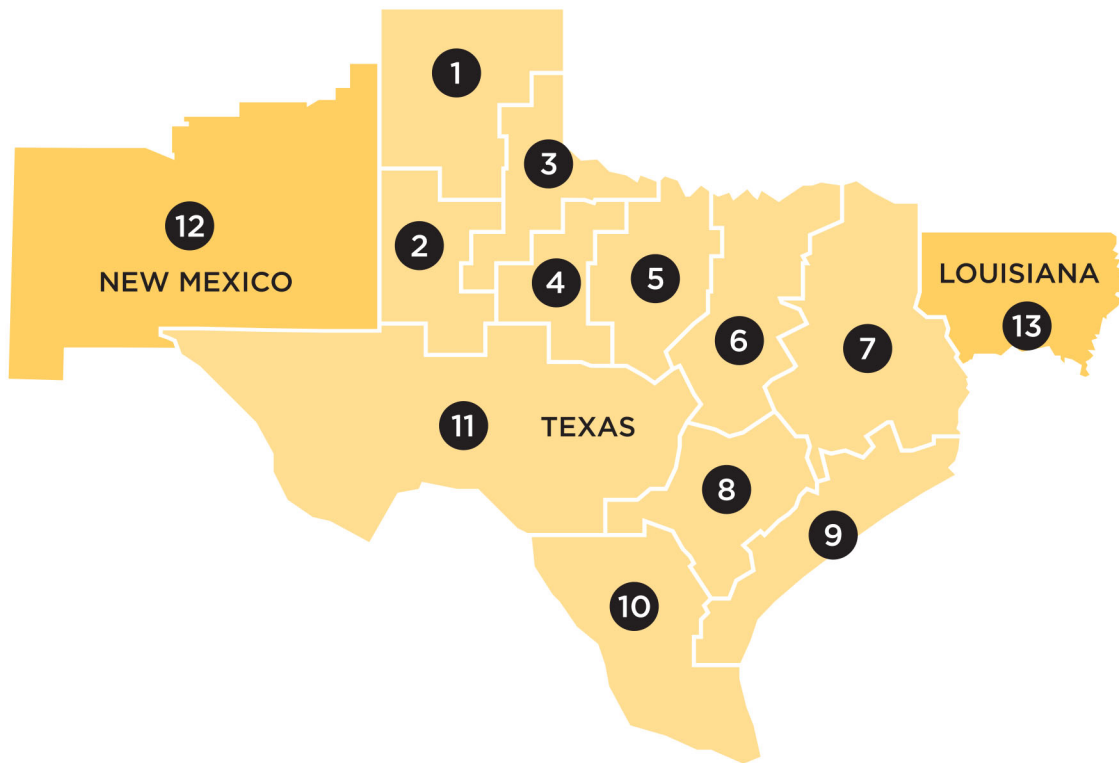
Irrigated, ranchland and dryland values all increased this quarter (*Figure 2*). According to bankers who responded in both this quarter and fourth quarter 2019, nominal irrigated cropland and ranchland values increased year over year in Texas and southern New Mexico (*Table 1*).

The anticipated trend in farmland values index grew in fourth quarter 2020, suggesting respondents expect farmland values to continue increasing. The credit standards index remained in positive territory, indicating further tightening of standards on net (*Figure 4*).

Next release: March 29

Agricultural Survey is compiled from a survey of Eleventh District agricultural bankers, and data have been seasonally adjusted as necessary. Data were collected December 1–9, and 106 bankers responded to the survey.

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 current drought conditions have kept our producers from purchasing stocker cattle. The low commodity prices continue to have a negative effect on our farmers and ranchers. We need some good moisture soon to help the wheat crop and entice the producers to purchase cattle.
- There won't be very much wheat pasture available for grazing this year. The early freeze harmed cotton yields. Corn yields were about average. The Coronavirus Food Assistance Program is keeping a lot of producers going. There is some interest in real estate purchases due to low deposit rates and uncertainty in the stock market.
- For most producers, crop yields in corn, milo and cotton were well below average. Dry weather and an occasional hailstorm took their toll. Luckily, grain prices increased going into harvest and helped tremendously. We are just beginning to start agricultural loan renewals; we believe most of them will show a drop in working capital, but higher grain prices should project a positive cashflow for 2021. On the cattle side, no one seems to be able to explain why cattlemen are selling fat cattle at \$105 per hundredweight and the retail price and demand are still very high. Farmers and bankers alike are very concerned about the new president changing tax rates and exemptions.

Region 2–Southern High Plains

- The current agricultural economy remains strong despite growing challenges from COVID. Government payments have softened the blow, and the increased ad hoc payments will help through a long winter. Futures prices have welcomed in sales in the \$0.72–\$0.74 range on the new crop. Trudging through 2020 and retiring operating debt will be considered a successful season.
- Extended drought conditions have made a hard year even harder. Wheat is limited to poor. All summer crop yields are way down.

Region 3–Northern Low Plains

- The drought has reduced the need for stocker and cattle loans. All livestock are receiving supplemental feed because pastures are in poor condition. Wheat pasture is also poor. The cotton crop was shorter than in the past two years. Prices have improved but not sufficiently to offset limited production due to drought. Fortunately, government assistance has improved the repayment rate.
- It's the best wheat crop started in years. Cattle are being turned out now for grazing. We have good moisture in the area.

Region 6–North Central Texas

- Demand for agricultural land in our area continues to increase. The demand for the land, however, is not for production agriculture or for cattle production or grazing. It is for investment and residential development. Our area in northwest Hunt County appears to be directly in the current growth pattern from the Dallas–Fort Worth metroplex.
- There is a demand for acreages, but there are not many rural properties available for sale.

Region 8–Central Texas

- We finally got some much-needed rain, but we got our first freeze as well. It should help winter grasses come on and hopefully have some grazing soon. Hay is getting higher; it's hard to find good-quality hay as well. Cow prices remain depressed, with better-quality calves bringing a good price and good demand. Oil and gas drilling are still evident in the area, with prices holding up. We should see additional drilling next year.

Region 11–Trans-Pecos and Edwards Plateau

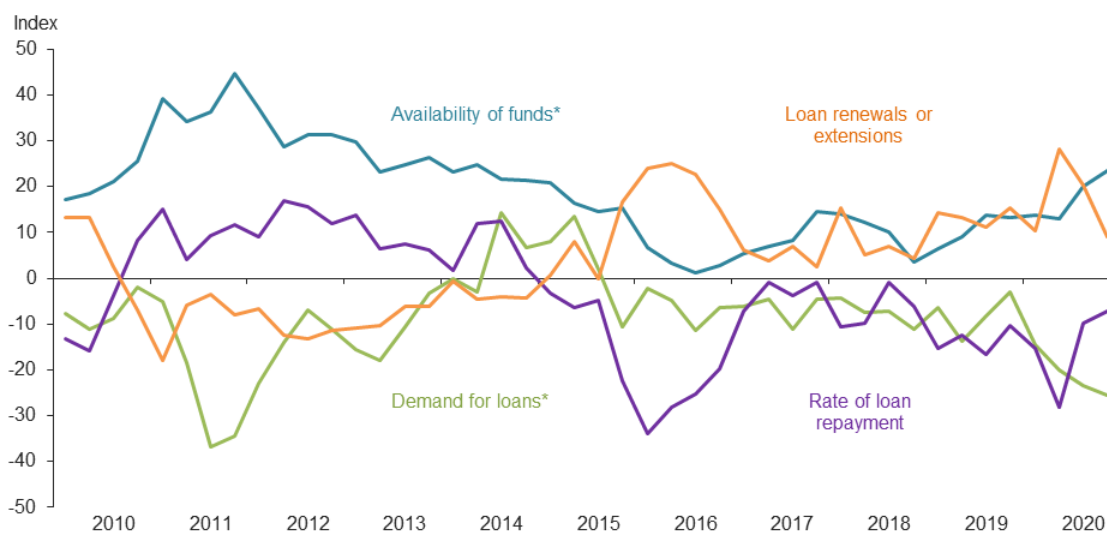
- Extremely dry conditions will have an effect next spring on pasture carrying capacity if good winter rains are not received.
- In a fitting end to a trying year, the Edwards Plateau is in the midst of a real dry spell. Drouth is not a word thrown around lightly in ranch country, but most areas in south-central West Texas are in various stages—from moderate to severe—of drouth. Livestock prices have remained high even though the cattle market went through a pretty steep drop over the past few months. The last several weeks have seen some improvement.
- Pasture conditions remain dry to very dry in our area, with grass in short supply. It is as dry as it has been in several years. Livestock has held up pretty well but is showing the drought effects. Cattle markets have pulled back quite a bit—much more so on lesser-quality/thinner cattle. Sheep and goat markets remain reasonably good, though also discounting thinner/lesser-quality animals. Predator problems continue to increase.

Figures

Figure 1
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		
	2020:Q3	2020:Q4	▲ Greater	Same	▼ Less
Demand for loans*	-23.3	-25.4	5.0	64.6	30.4
Availability of funds*	20.2	23.4	25.6	72.2	2.2
Rate of loan repayment	-9.9	-7.1	3.1	86.7	10.2
Loan renewals or extensions	20.4	9.1	10.1	88.9	1.0



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		
	2020:Q3	2020:Q4	▲ Greater	Same	▼ Less
Non-real-estate farm loans	-19.4	-15.0	11.0	63.0	26.0
Feeder cattle loans*	-27.7	-32.3	1.2	65.3	33.5
Dairy loans*	-7.5	-10.8	5.7	77.8	16.5
Crop storage loans*	-13.0	-23.0	0.0	77.0	23.0
Operating loans	-8.0	-10.3	8.3	73.2	18.6
Farm machinery loans*	-28.3	-29.3	0.8	69.1	30.1
Farm real estate loans*	-7.4	-7.2	10.6	71.6	17.8

*Seasonally adjusted.

NOTES: 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.

Figure 2
Real Land Values

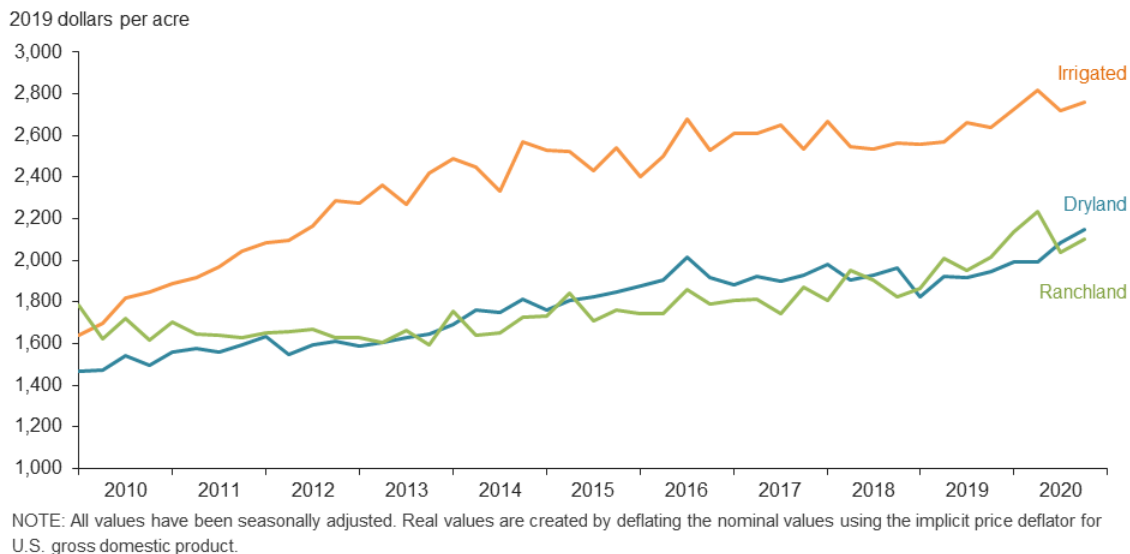


Figure 3
Real Cash Rents

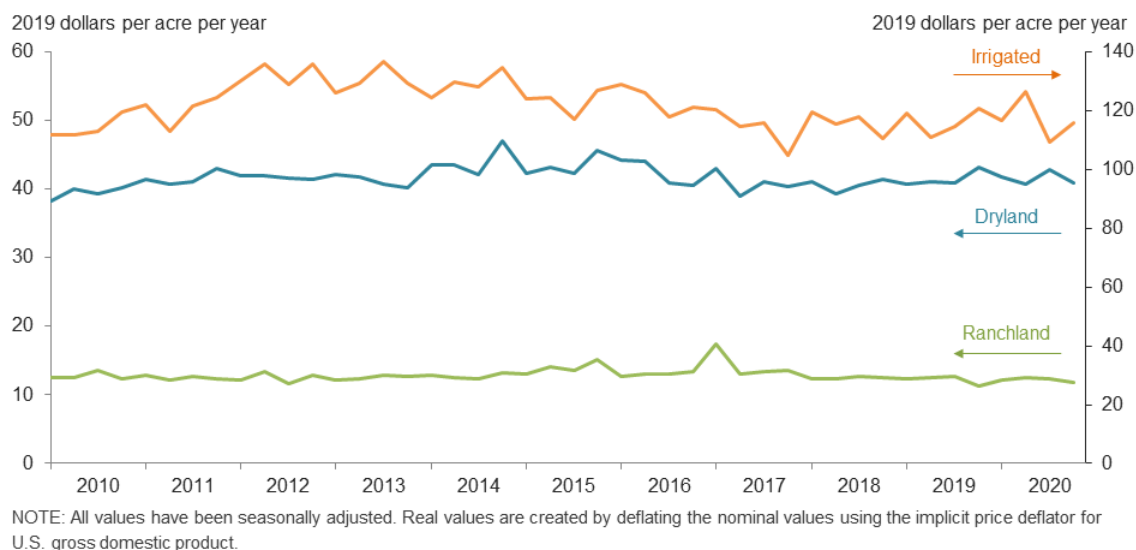


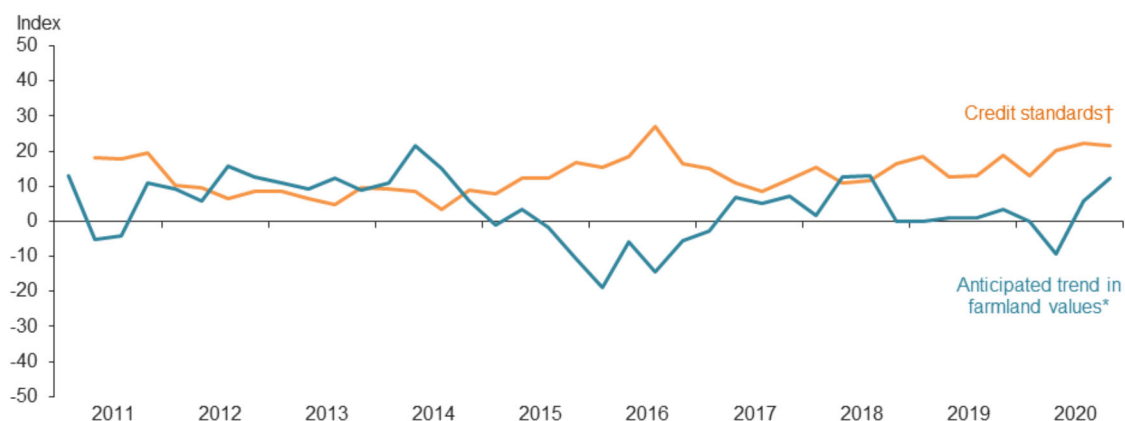
Figure 4
Anticipated Farmland Values and Credit Standards

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

	Index		Percent reporting, Q4		
	2020:Q3	2020:Q4	▲ Up	Stable	▼ Down
Anticipated trend in farmland values*	5.8	12.3	15.3	81.7	3.0

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

	2020:Q3	2020:Q4	▲ Tightened	Same	▼ Loosened
Credit standards	22.3	21.4	21.4	78.6	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.

Table 1
Rural Real Estate Values—Fourth Quarter 2020

		Banks ¹	Average value ²	Percent change in value from previous year ³
Cropland–Dryland				
	District*	78	2,186	4.4
	Texas*	73	2,210	4.5
1	Northern High Plains	10	987	–0.3
2	Southern High Plains	10	925	0.8
3	Northern Low Plains*	5	912	0.0
4	Southern Low Plains*	3	1,373	3.2
5	Cross Timbers	4	1,663	–4.3
6	North Central Texas	9	3,594	5.8
7	East Texas*	5	3,275	12.3
8	Central Texas	10	4,830	7.6
9	Coastal Texas	6	2,350	0.0
10	South Texas	4	2,525	12.3
11	Trans–Pecos and Edwards Plateau	7	2,707	0.0
12	Southern New Mexico	n.a.	n.a.	n.a.
13	Northern Louisiana	3	2,833	3.7
Cropland–Irrigated				
	District*	59	2,811	3.9
	Texas*	52	2,487	1.2
1	Northern High Plains	10	2,345	–0.5
2	Southern High Plains	9	1,809	1.2
3	Northern Low Plains*	4	2,428	3.8
4	Southern Low Plains	n.a.	n.a.	n.a.
5	Cross Timbers	n.a.	n.a.	n.a.
6	North Central Texas	3	4,433	6.3
7	East Texas	3	3,250	16.4
8	Central Texas	6	4,300	3.9
9	Coastal Texas	6	2,808	–5.9
10	South Texas	3	3,333	6.5
11	Trans–Pecos and Edwards Plateau	5	4,000	–1.4
12	Southern New Mexico	4	4,875	20.0
13	Northern Louisiana	3	3,867	1.8
Ranchland				
	District*	87	2,143	10.3
	Texas*	81	2,550	10.6
1	Northern High Plains	10	730	–0.8

2	Southern High Plains	8	791	5.4
3	Northern Low Plains	5	860	−2.0
4	Southern Low Plains*	3	1,202	18.7
5	Cross Timbers	6	2,133	13.0
6	North Central Texas	8	3,788	5.5
7	East Texas	9	3,233	16.7
8	Central Texas	12	7,000	11.5
9	Coastal Texas	5	2,970	8.6
10	South Texas	5	2,850	17.0
11	Trans–Pecos and Edwards Plateau	10	2,255	9.3
12	Southern New Mexico	3	390	6.3
13	Northern Louisiana	3	2,167	0.0

*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.

Table 2
Interest Rates by Loan Type

	Feeder cattle	Other farm operating	Intermediate term	Long-term farm real estate
Fixed (average rate, percent)				
2019:Q4	6.58	6.61	6.45	6.11
2020:Q1	6.46	6.53	6.28	5.96
Q2	5.81	5.91	5.80	5.58
Q3	5.71	5.80	5.69	5.33
Q4	5.67	5.78	5.60	5.17
Variable (average rate, percent)				
2019:Q4	6.39	6.29	6.23	5.88
2020:Q1	6.15	6.19	6.10	5.72
Q2	5.38	5.49	5.45	5.16
Q3	5.39	5.43	5.32	4.97
Q4	5.36	5.41	5.35	4.91

For More Information

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