

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

May 1990

District Land Values Continue Stable

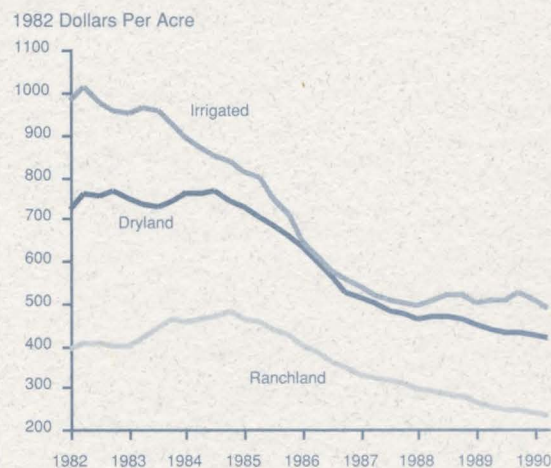
Preliminary estimates from the April 1 survey of agricultural credit conditions indicate continued stability in Eleventh District land values. District agricultural bankers expect farm and ranch land values to remain stable over the next three months.

Demand for loans, availability of funds, rate of loan repayment and renewals or extensions remained unchanged throughout most of the District during the first quarter of 1990. The Southern High Plains, however, experienced an increase in demand for loans, a lower rate of loan repayment and more renewals or extensions. Fund availability increased in Louisiana and the Northern Low Plains.

Many bankers indicate that they would like to increase the volume of loans available to farmers and ranchers.

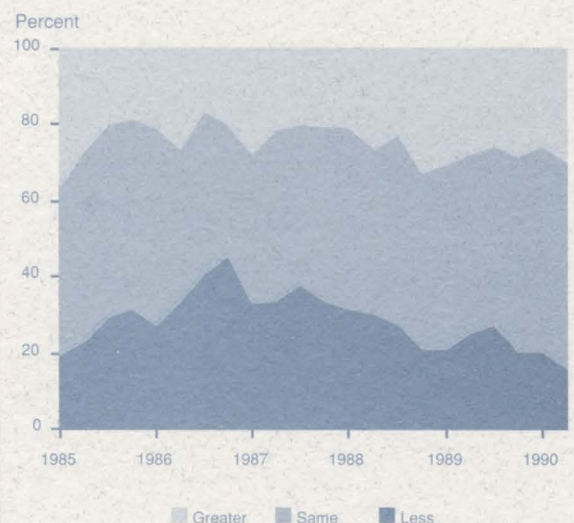
Interest rates declined during the first quarter of 1990.

DISTRICT LAND VALUES

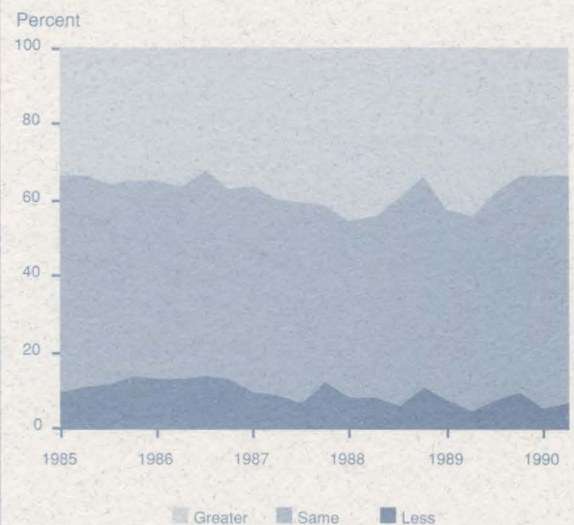


Agricultural Credit Conditions at Survey Banks in the Eleventh District

DEMAND FOR LOANS



AVAILABILITY OF FUNDS

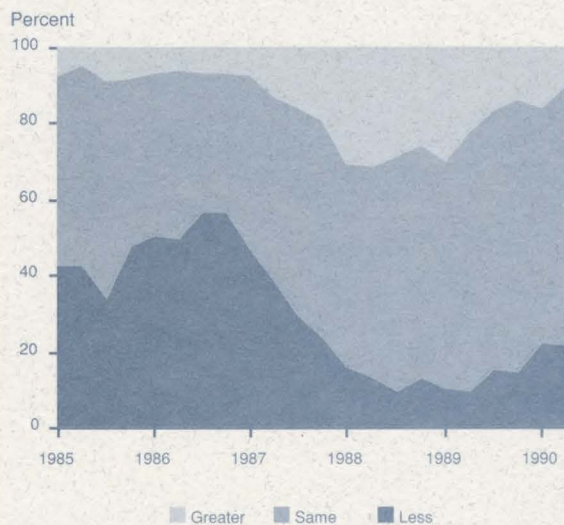


Quarterly Survey of Agricultural Credit Conditions is compiled from a survey of Eleventh District agricultural bankers. This publication is prepared by the Federal Reserve Bank of Dallas and is available without charge by writing to the Research Department, Federal Reserve Bank of Dallas, Station K, Dallas, Texas 75222, or by telephoning (214) 220-5127.

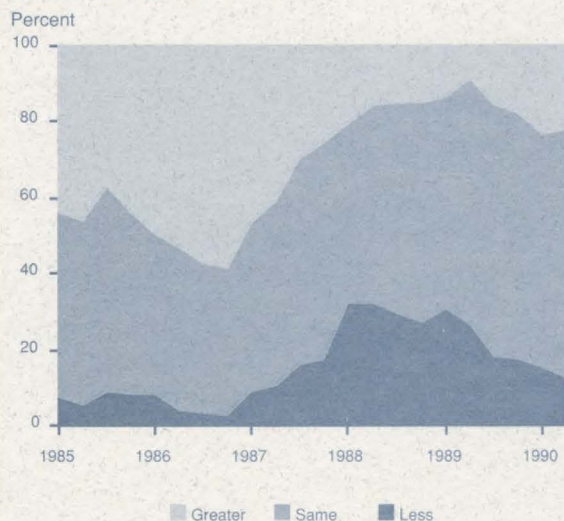
For questions regarding information in the release, contact Fiona Sigalla (214) 220-5129.

Agricultural Credit Conditions at Survey Banks in the Eleventh District

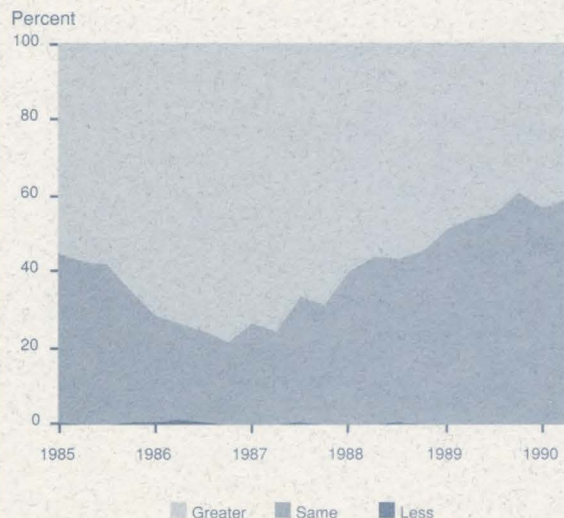
RATE OF LOAN REPAYMENT



RENEWALS OR EXTENSIONS

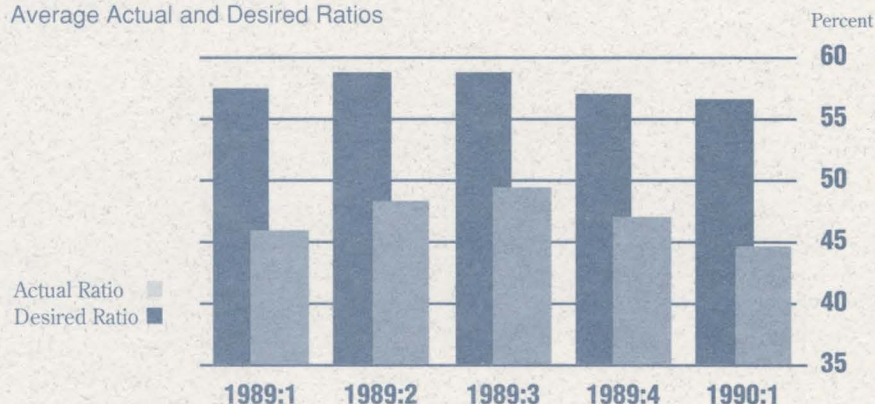


AMOUNT OF COLLATERAL



Loan-Deposit Ratios at Survey Banks

Average Actual and Desired Ratios



DISTRIBUTION OF LOAN-DEPOSIT RATIOS

Ratio	Banks Reporting (Percent)				
	1989				1990
	Apr. 1	Jul. 1	Oct. 1	Jan. 1	Apr. 1
Less than 41%	39	32	31	36	41
41% to 50%	23	25	22	21	25
51% to 60%	23	20	20	25	20
61% to 70%	10	18	17	12	10
More than 70%	5	6	9	6	4

INTEREST RATES—FIXED

Loan type	Average Rate (Percent)				
	1989				1990
	Apr. 1	Jul. 1	Oct. 1	Jan. 1	Apr. 1
Feeder cattle	13.33	13.24	12.97	12.85	12.69
Other farm operating	13.52	13.32	13.03	12.93	12.80
Intermediate-term	13.55	13.33	13.10	12.93	12.86
Long-term farm real estate	13.24	12.87	12.68	12.67	12.57

INTEREST RATES—VARIABLE

Loan type	Average Rate (Percent)				
	1989				1990
	Apr. 1	Jul. 1	Oct. 1	Jan. 1	Apr. 1
Feeder cattle	13.50	13.21	12.80	12.76	12.52
Other farm operating	13.51	13.31	12.92	12.84	12.60
Intermediate-term	13.54	13.24	12.90	12.90	12.60
Long-term farm real estate	13.24	13.02	12.65	12.63	12.36

Rural Real Estate Values

April 1, 1990

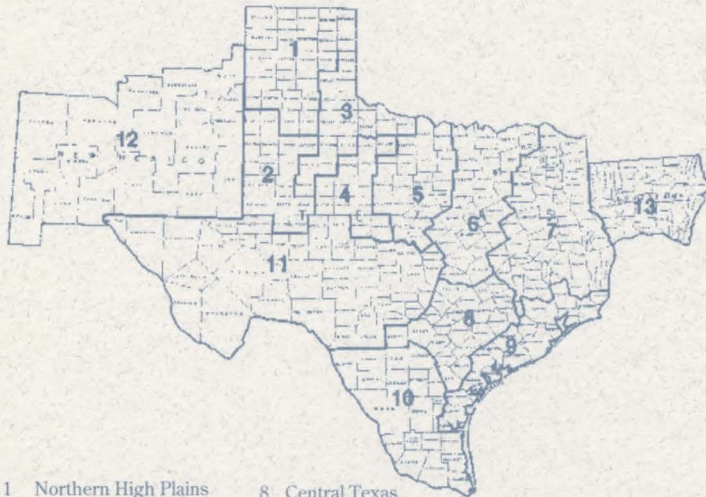
¹ Number of banks reporting.

² Dollars per acre.

n.r.—No response or not enough responses.

NOTE: Regional land values based on a small number of reporting banks should be used with caution.
All figures are preliminary.

Eleventh Federal Reserve District



- | | |
|------------------------|------------------------------------|
| 1 Northern High Plains | 8 Central Texas |
| 2 Southern High Plains | 9 Coastal Texas |
| 3 Northern Low Plains | 10 South Texas |
| 4 Southern Low Plains | 11 Trans-Pecos and Edwards Plateau |
| 5 Cross Timbers | 12 Southern New Mexico |
| 6 North Central Texas | 13 Northern Louisiana |
| 7 East Texas | |

CROPLAND—DRYLAND

Region	Banks ¹ First Quarter 1990	Average Value ²	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	254	\$555	-0.3	-0.1
TEXAS	235	558	-0.2	-0.1
Northern High Plains	31	259	-1.0	3.1
Southern High Plains	22	352	2.7	3.7
Northern Low Plains	18	320	0.7	3.5
Southern Low Plains	18	437	3.6	2.4
Cross Timbers	18	459	-1.4	-7.6
North Central Texas	35	704	3.2	-3.3
East Texas	18	660	-4.2	-2.2
Central Texas	30	952	-0.8	3.3
Coastal Texas	17	809	-1.5	-1.9
South Texas	17	608	-1.4	0.6
Trans-Pecos and Edwards Plateau	11	604	-3.6	5.8
Northern Louisiana	12	568	-1.5	-0.1
Southern New Mexico	7	216	0.2	4.1

CROPLAND—Irrigated

Region	Banks ¹ First Quarter 1990	Average Value ²	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	153	\$651	-1.6	1.6
TEXAS	134	636	-1.7	4.3
Northern High Plains	29	485	0.5	7.0
Southern High Plains	20	542	-1.8	-2.7
Northern Low Plains	10	467	3.9	3.6
Southern Low Plains	11	650	3.9	3.3
Cross Timbers	7	718	1.4	-5.9
North Central Texas	4	1,055	-5.8	32.7
East Texas	4	1,002	1.8	.
Central Texas	12	1,198	-1.4	15.9
Coastal Texas	13	820	-1.7	11.4
South Texas	15	932	-5.4	-2.7
Trans-Pecos and Edwards Plateau	9	951	-4.0	5.8
Northern Louisiana	10	781	-3.2	-1.6
Southern New Mexico	9	755	0.0	-15.2

RANCHLAND

Region	Banks ¹ First Quarter 1990	Average Value ²	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	271	\$307	-1.6	-5.1
TEXAS	253	388	-1.5	-5.3
Northern High Plains	28	146	-2.4	2.4
Southern High Plains	15	139	3.7	-4.7
Northern Low Plains	17	181	2.1	0.1
Southern Low Plains	18	220	-1.3	7.1
Cross Timbers	21	388	-1.2	-0.8
North Central Texas	37	619	3.3	-1.8
East Texas	30	683	0.4	4.0
Central Texas	32	852	3.4	-5.9
Coastal Texas	16	612	-2.6	4.0
South Texas	18	478	1.5	1.5
Trans-Pecos and Edwards Plateau	21	317	-7.2	-15.7
Northern Louisiana	9	379	3.7	-6.9
Southern New Mexico	9	72	-2.7	-0.8

First-Quarter Comments

District bankers were asked for any additional comments concerning agricultural land values or credit conditions. Due to space constraints, some comments were edited. The views expressed do not necessarily represent those Federal Reserve Bank of Dallas.

Region 1-Northern High Plains

Conditions are very good going into spring. Rainfall has increased chances for an average wheat crop. Cattle prices are holding and operators are making a normal profit.

"1989 was extremely tough on area farmers due to early drought and June hail damage. We have seen a few farmers fall by the wayside. Credit standards for 1990 are extremely tough."

"Land values appear to be strengthening. The few sales that have taken place have drawn a great deal of interest at significantly higher prices. Our loan volume is down from last year, due to retained earnings and the reluctance of ranchers to purchase cattle at current price levels."

Region 2-Southern High Plains

More wheat will be harvested this year due to late moisture. Farm real estate demand is good with strong demand for irrigated land. Farming costs seem to be higher and rising. "Farm equipment purchases are led by irrigation equipment. Loan volume increased over 50 percent this past year. This increase is attributed to a few new customers, lack of cash flow (due to below average crop) and increased financing of land and irrigation equipment."

"Production Credit Association is loaning operating and equipment funds at low rates to try and attract new customers. Looks like the federal government will have to bail out the Farm Credit System again."

Region 3-Northern Low Plains

"We have three large agricultural loans in Chapter 12 at this time and will take no new agricultural customers until something is done about Chapter 12. We are also having trouble with FHA on 90 percent guarantees and have no intention of doing any more FmHA 90 percent guarantees."

Region 4-Southern Low Plains

"Received some much needed moisture in February and March. Cattle prices are high and crop prospects are good".

Region 5-Cross Timbers

Adequate moisture for spring planting and prospects look good. Cattle prices are at a high. Dairy economy is very strong. Crops—primarily wheat—are excellent due to above average rainfall, a mild winter and an early spring. Forty to fifty percent of wheat planted will be cut for hay. Hay production should be highest yield in last four to six years.

Region 6-North Central Texas

Area has received rain and is extremely wet. Wheat got off to a poor start due to fall dry soil but now looks good. No corn has been planted and most will plant milo. Cattle on wheat have not gained well and have not been able to graze in some cases. Good prices have helped income from beef cattle. Good moisture for grass should help calf sales in the near term.

"We are liquid as far as loan funds, but do not anticipate any increased demand for loans that would be of the quality that we desire. We are funding the same number of farm loans we did last year."

Region 7-East Texas

Milk and dairy cattle prices are both at an all-time high. Feed prices are stable, giving the area a good economic outlook for the next few months. Too few land sales to have a very good idea about prices.

"Cattle prices are excellent and most of our loans are on cattle. The majority of these loans are performing well."

Region 8-Central Texas

Cattle prices and cattle loans are increasing. Some ranchers are still culling due to good prices. Spring pastures are looking good. Land prices have gone up some, but there is very little demand. Some sales activity due to oil leasing properties.

"We have been hurt by the drought in this area. Farmers and some ranchers have been unable to service debt." "Oil lease and delay rentals providing additional income for some ranchers, as are gravel sales for a few others." "We are now making greater use of the FmHA Guaranteed Loan program."

"I believe our national farm program is a disaster. Who can understand it? Lets go back to supply and demand."

Region 9-Coastal Texas

Moisture conditions have improved. "Planting has begun and more people are optimistic about this crop season. But, we are not out of the woods yet".

"The greatest value to this bank and to many farmers is the FmHA 90/10 guaranteed loan program. It enables the farmer to cash-flow his operating loan while meeting other obligations without the high degree of bank risk. The continuing minimal value of crop proceeds is the greatest problem. Rice farmers could not farm if it weren't for the Farm Program deficiency payments. These payments are determined by world market figures and remain too low. Processing and marketing margins are far too high for that which is realized by the farmer."

Region 10-South Texas

Prices for vegetables remain good but freeze has reduced yields. Valley is still dry and preplant moisture is low. Expect a lot of cotton to be planted this year. Cattle prices remain stable but rain is needed for good spring grazing.

Recent land sales have been less than one to two years ago. Very few land sales unless dollar per acre is very reasonable. "If this trend continues we are going to see land values going down."

Region 11-Trans-Pecos and Edwards Plateau

Rain has enabled farmers to stop feeding sheep, and some farmers expect to stop feeding range cattle in another month. Spring-planted small grain is looking good. Tremendous increase in land values with minerals.

Region 12-Southern New Mexico

Recent badly needed moisture has wheat alive again and looking prospective for 1990. Insect problems are rising and could become severe.

Region 13-Northern Louisiana

"More crop loans were not paid in full in 1989 than in 1988. This is attributed to replanting caused by early rains and a lack of rain during the fruiting season."