

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

Third Quarter 1990

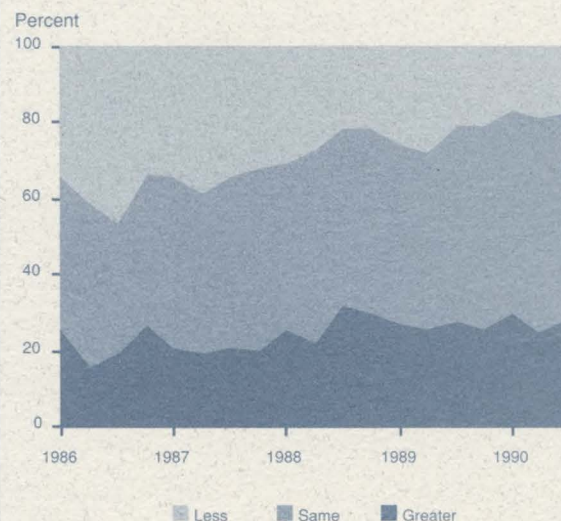
Bankers Report Weak Land Values

The October 1 survey of agricultural credit conditions indicates continued lack of strength in Eleventh District land values. Land values fell in several regions, with the largest drop in Coastal Texas, where dry soil has hampered agricultural production. One exception is South Texas, where land values continue a steady increase.

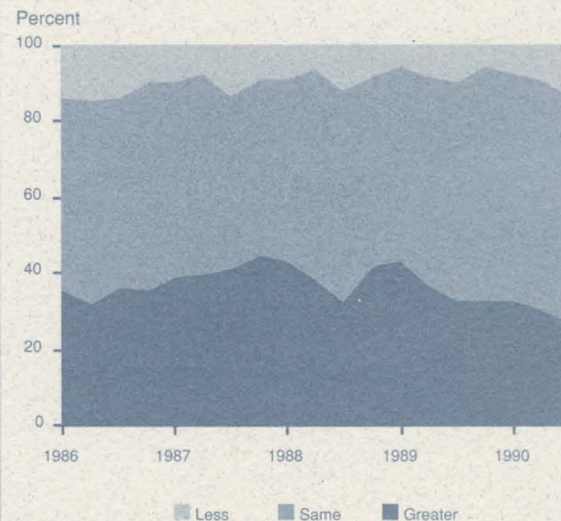
Banks in the High Plains and New Mexico report an increase in the demand for loans. Banks in North Central Texas noted a reduction in the rate of loan repayment and an increase in loan renewals or extensions. Many banks (44 percent) reported an increase in the amount of collateral required. Forty-six percent of the bankers surveyed would like to keep the same volume of loans available to farmers and ranchers, while 45 percent want to increase agricultural loans.

Agricultural Credit Conditions at Survey Banks in the Eleventh District

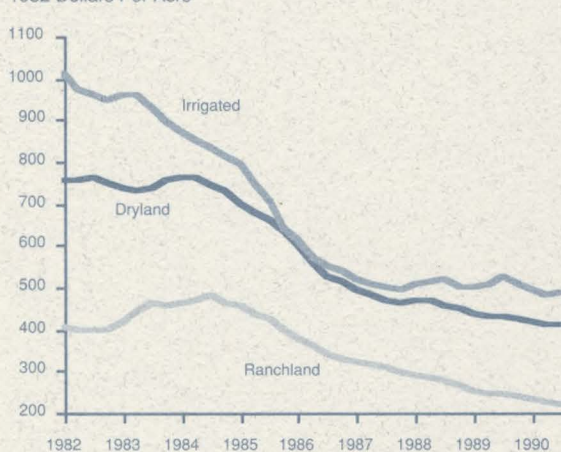
Demand for Loans



Availability of Funds



District Land Values



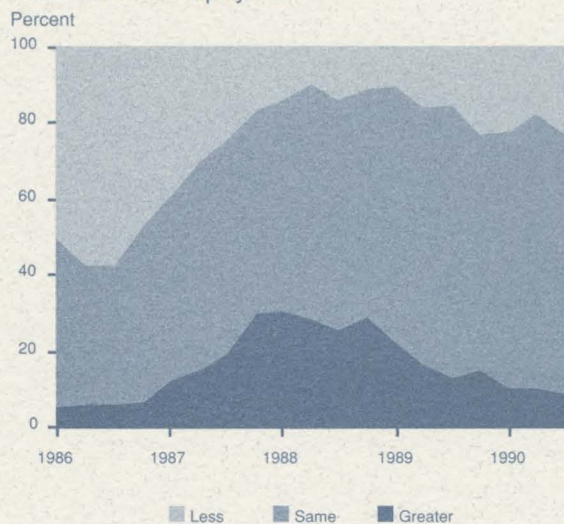
Quarterly Survey of Agricultural Credit

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.

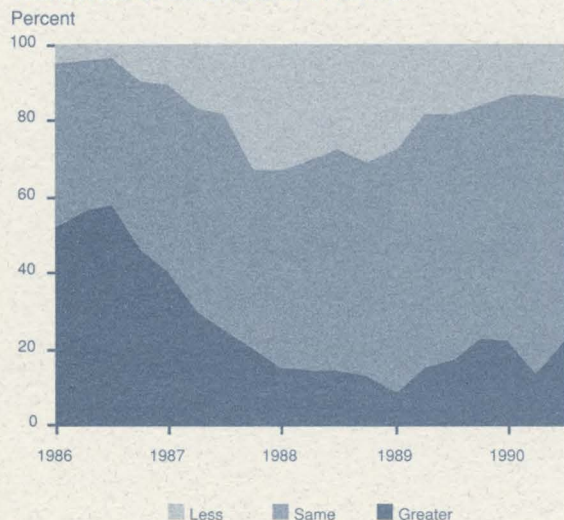
For questions regarding information in the release, contact Fiona Sigalla, (214) 220-5129.

Agricultural Credit Conditions at Survey Banks in the Eleventh District

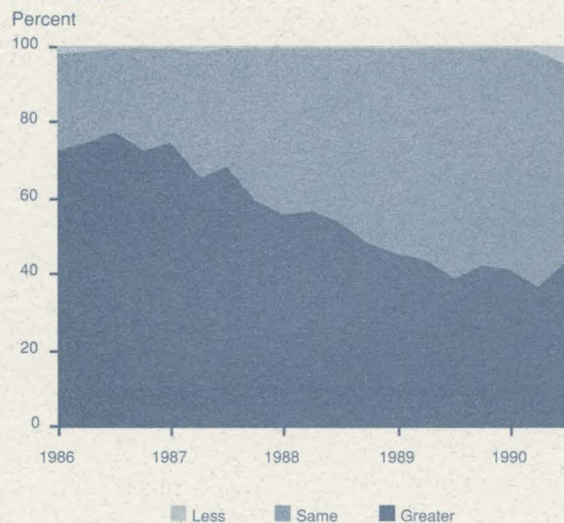
Rate of Loan Repayment



Renewals or Extensions of Loans

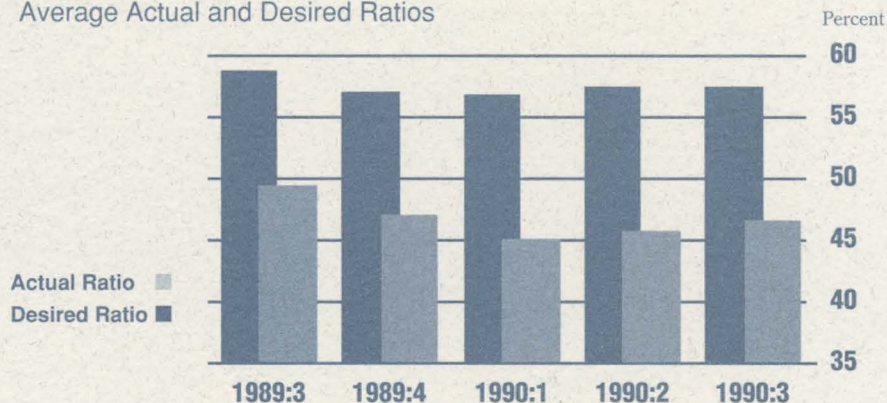


Amount of Collateral



Loan-Deposit Ratios at Survey Banks

Average Actual and Desired Ratios



DISTRIBUTION OF LOAN-DEPOSIT RATIOS

Ratio	Banks Reporting (Percent)				
	1989 Oct. 1	1990 Jan. 1	1990 Apr. 1	1990 Jul. 1	1990 Oct. 1
Less than 41%	31	36	40	37	37
41% to 50%	22	21	24	24	23
51% to 60%	20	25	20	24	21
61% to 70%	17	12	11	11	11
More than 70%	9	6	4	4	9

INTEREST RATES—FIXED

Loan type	Average Rate (Percent)				
	1989 Oct. 1	1990 Jan. 1	1990 Apr. 1	1990 Jul. 1	1990 Oct. 1
Feeder cattle	12.97	12.85	12.71	12.72	12.57
Other farm operating	13.03	12.93	12.82	12.79	12.67
Intermediate-term	13.10	12.93	12.86	12.83	12.71
Long-term farm real estate	12.68	12.67	12.58	12.44	12.47

INTEREST RATES—VARIABLE

Loan type	Average Rate (Percent)				
	1989 Oct. 1	1990 Jan. 1	1990 Apr. 1	1990 Jul. 1	1990 Oct. 1
Feeder cattle	12.80	12.76	12.52	12.51	12.53
Other farm operating	12.92	12.84	12.60	12.60	12.57
Intermediate-term	12.90	12.90	12.60	12.59	12.61
Long-term farm real estate	12.65	12.63	12.38	12.28	12.37

Rural Real Estate Values

October 1, 1990

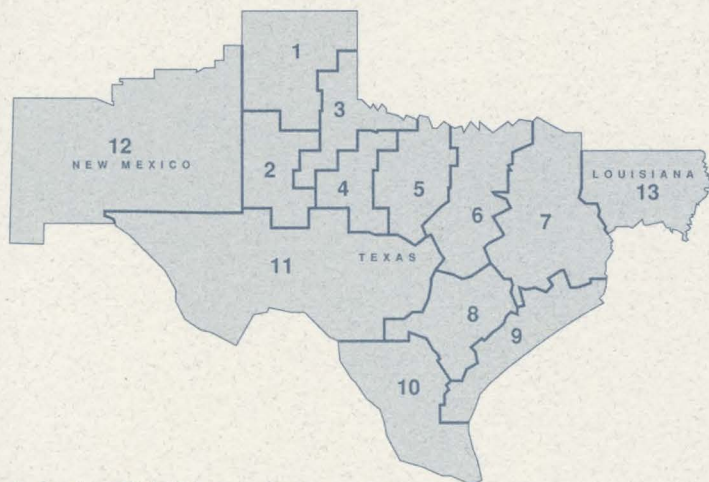
¹ Number of banks reporting.

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 Third Quarter 1990	Average Value ²	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	209	550	-1.2	-1.1
TEXAS	191	549	-1.6	-1.5
Northern High Plains	29	239	-2.8	-7.4
Southern High Plains	20	356	0.8	5.3
Northern Low Plains	14	325	0.9	2.7
Southern Low Plains	17	464	1.0	13.2
Cross Timbers	18	422	-3.9	-9.7
North Central Texas	30	706	-2.8	3.1
East Texas	14	653	-0.7	-5.6
Central Texas	21	891	-3.4	-7.3
Coastal Texas	7	744	-5.0	-8.4
South Texas	12	715	5.9	11.2
Trans-Pecos and Edwards Plateau	9	559	-0.5	-7.5
Northern Louisiana	14	611	2.9	4.2
Southern New Mexico	4	225	0.4	4.8

CROPLAND—IRRIGATED

Region	Banks ¹ Third Quarter 1990	Average Value ²	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	127	654	0.4	-4.0
TEXAS	112	638	0.6	-2.1
Northern High Plains	26	482	0.1	1.1
Southern High Plains	19	581	3.1	3.2
Northern Low Plains	8	486	0.7	8.4
Southern Low Plains	9	630	-2.9	8.1
Cross Timbers	7	699	-1.7	-0.8
North Central Texas	6	990	-7.0	-10.9
East Texas	3	634	-8.8	-27.3
Central Texas	11	1,245	3.1	-0.4
Coastal Texas	5	661	-10.3	-19.5
South Texas	11	1,056	5.5	-0.8
Trans-Pecos and Edwards Plateau	7	878	-0.3	-6.4
Northern Louisiana	12	821	1.4	-1.3
Southern New Mexico	3	745	-1.7	-17.9

RANCHLAND

Region	Banks ¹ Third Quarter 1990	Average Value ²	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	214	298	-1.2	-6.8
TEXAS	201	372	-1.8	-8.4
Northern High Plains	26	145	0.6	-4.1
Southern High Plains	12	129	-4.4	-8.0
Northern Low Plains	14	186	0.3	2.2
Southern Low Plains	17	227	1.1	2.3
Cross Timbers	19	355	-4.7	-8.4
North Central Texas	29	622	-2.5	1.5
East Texas	23	641	-2.1	-5.9
Central Texas	23	787	-4.4	-12.4
Coastal Texas	6	474	-10.4	-25.1
South Texas	13	526	2.3	11.5
Trans-Pecos and Edwards Plateau	19	290	-1.4	-18.9
Northern Louisiana	9	369	-1.2	5.6
Southern New Mexico	4	84	7.9	19.0

Third-Quarter Comments

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

Region 1—Northern High Plains

Overall, the outlook is good, but most farmers will require additional funding to finish crops because of increased irrigation expenses earlier in the year.

If Gramm-Rudman reduces government deficiency checks, we will have a loss year. Feed yards continue to stay full. The outlook is good for feed cattle through early 1991.

At best, we may only break even despite bumper crops. Next year will also be difficult with considerably higher fuel costs and expected cuts in government programs. This prospect, along with low prices, should make it very difficult to show any positive cash flow on corn and wheat. Beets (sugar) and cotton may be our only crops that show positive cash flow for 1991.

Region 3—Northern Low Plains

We are being forced to look at additional fees and/or interest rate increases because of Federal Deposit Insurance Corp. assessment increases. Community banks can no longer absorb federally mandated cost increases without corresponding increases for services.

Region 4—Southern Low Plains

1990 has been an extremely expensive crop year. Loan volume has increased tremendously because producers have stored grain, and wheat prices did not increase. Prices are still very static with all the world turmoil, but our outlook seems to be better than in previous years.

Region 5—Cross Timbers

Land values are stable. Credit conditions are tight. Farming economy is becoming depressed because commodity grain prices are dropping. Farm program payments are

essential for survival. Grass pasture and crop conditions are good.

Some operators who are running yearlings on grain over winter are converting to custom, per-pound gain, grazing of investor cattle. At a 35 cents-per-pound gain, this has made some money where borrowing and buying cattle for the grain has bankrupted several experienced operators. Those converting have had enough!

Region 6—North Central Texas

Poor crop yields on small grains and corn have forced most local farmers to have a higher debt carryover. Many local financial institutions are looking more favorably at Farmer's Home Administration (FmHA) guaranteed loans. In our case, FmHA loans may be the only way to fully finance some of our larger lines for the 1990-91 crop year. Stringent requirements for disaster assistance are also a problem for many local farmers.

Higher fuel and chemical prices have dealt farmers another crippling blow. They are already reeling from this year's poor crop and soft commodity prices. This year, Central Texas farmers have lost millions of dollars worth of potential income because of flooding and drought. We are really concerned that a lot of farmers will be forced out of business if next year is as bad as this one.

Region 7—East Texas

Agriculture is somewhat stronger thanks to better summer moisture and favorable cattle prices. Locally produced hay is in good supply. All real estate is selling very slowly, especially raw agricultural land. Estimating values is difficult, given the lack of current sales.

Region 8—Central Texas

Borrowers are having a hard time complying with all the paperwork required by bank examiners, such as financial statements, cash-flow statements, budgets, projections and income tax statements. Small borrowers cannot afford high-priced CPAs and auditors.

Parts of our area continue to suffer from severe drought conditions. Stock tanks and creeks are dangerously low; however, pastures remain green. Many farmers have planted small grains for winter forage to alleviate hay shortages, but crops will need moisture soon. The corn crop was below average. Hog producers need to buy corn, cutting deeply into profits.

Oil activity is increasing. Most farm and

ranch land is leased to oil producers, and tenants have begun to drill a few wells.

High levels of aflatoxin are being detected in white corn for human consumption. White corn has been the mainstay for many farmers in the Winter Garden area, and the recent developments with their product's contamination could cause producers to shift to cotton production.

Region 9—Coastal Texas

Harvest ended as anticipated—terribly. Grain production averaged 50 percent of 1988 yields per acre. Cotton averaged 50 percent to 75 percent of 1988 yields, with grain and cotton about the same or slightly worse than last year. There have been many farm equipment auctions in our area because some farmers are getting out of the business. We must have deep, soaking rains this fall and winter.

Region 10—South Texas

Cattle prices are good, and farmers are getting bonuses on peanuts. Late summer and early fall rains have made the local agricultural outlook optimistic.

Region 12—New Mexico

Cattle prices remain high. Winter wheat prospects look good. Wheat pasture quotes are running 25 cents to 50 cents higher per cut of beef.

Region 13—Louisiana

The crisis in the Middle East will have a major impact on 1991 production costs, such as fuel, fertilizer and chemicals. Cash flows will be much more difficult to work with and will probably reduce the number of farmers qualifying to purchase equipment and real estate.

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