

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

Fourth Quarter 1990

Weak Land Values Continue

Eleventh District land values continued to weaken in the fourth quarter of 1990. While most bankers (79 percent) felt that land prices would remain stable at least through the first quarter of 1991, more than one-fourth of the respondents in North Central Texas, East Texas and Central Texas felt that land values would decline.

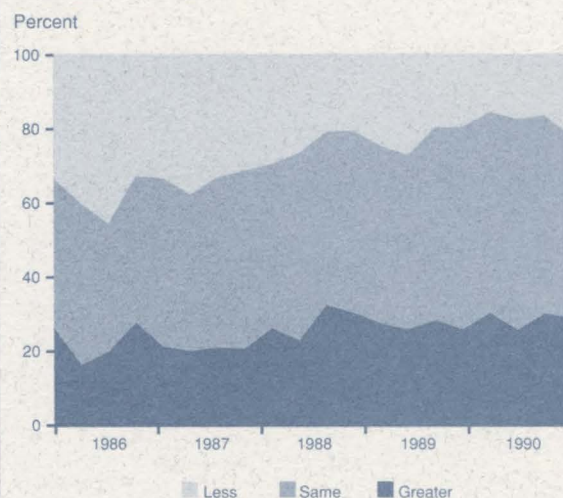
Three-fourths of the banks surveyed felt that the demand for loans would not fall, and nearly all banks predicted no decline in the availability of funds. Most banks stated that they had not refused any farm loans because of a shortage of funds. Thus, signs of a credit crunch among agricultural lenders were not evident in the results of this survey.

Banks in South Texas expected the strongest loan demand. In that region, no respondents expected

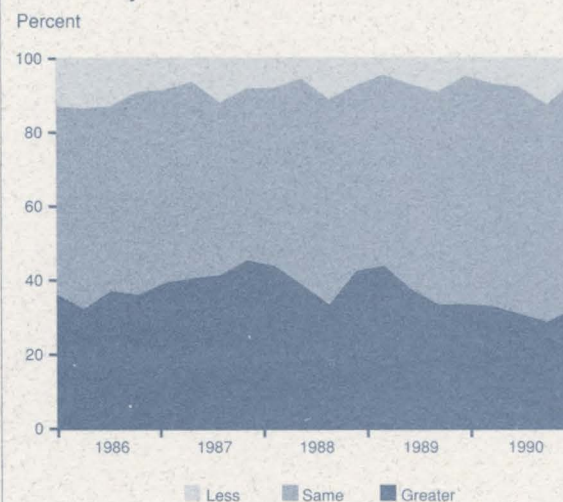
(Continued on page 4)

Agricultural Credit Conditions at Survey Banks in the Eleventh District

Demand for Loans

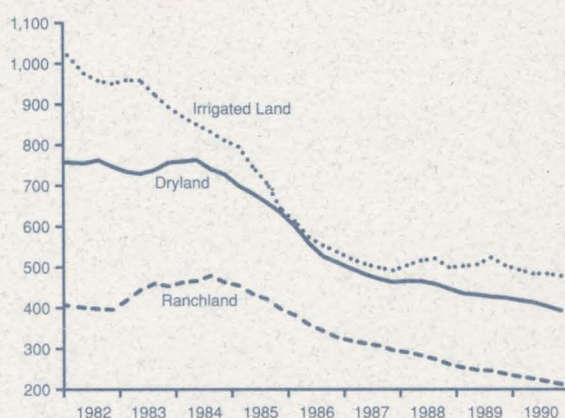


Availability of Funds



District Land Values

1982 Dollars Per Acre



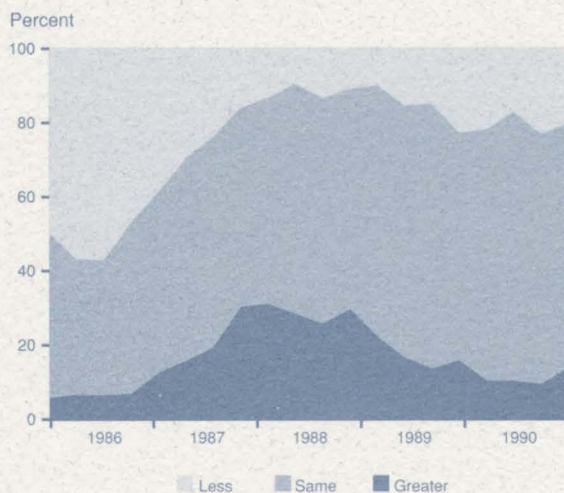
Quarterly Survey of Agricultural Credit

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.

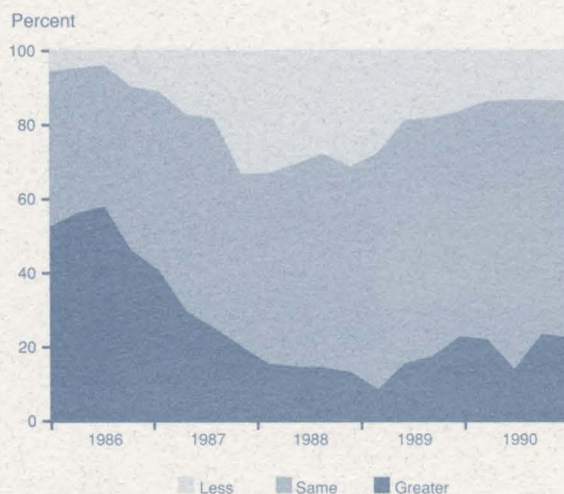
For questions regarding information in the release, contact Fiona Sigalla, (214) 220-5129, or Kevin Yeats, (214) 220-5116.

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)				1991 Jan. 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)				1991 Jan. 1
	1990 Jan. 1	1990 Apr. 1	1990 Jul. 1	1990 Oct. 1	
Feeder cattle	12.85	12.71	12.72	12.58	12.69
Other farm operating	12.93	12.82	12.79	12.67	12.69
Intermediate-term	12.93	12.86	12.83	12.70	12.79
Long-term farm real estate	12.67	12.58	12.44	12.46	12.54

INTEREST RATES—VARIABLE

Loan Type	Average Rate (Percent)				1991 Jan. 1
	1990 Jan. 1	1990 Apr. 1	1990 Jul. 1	1990 Oct. 1	
Feeder cattle	12.76	12.52	12.51	12.49	12.46
Other farm operating	12.84	12.60	12.60	12.55	12.53
Intermediate-term	12.90	12.60	12.59	12.59	12.56
Long-term farm real estate	12.63	12.38	12.28	12.37	12.25

Rural Real Estate Values

January 1, 1991

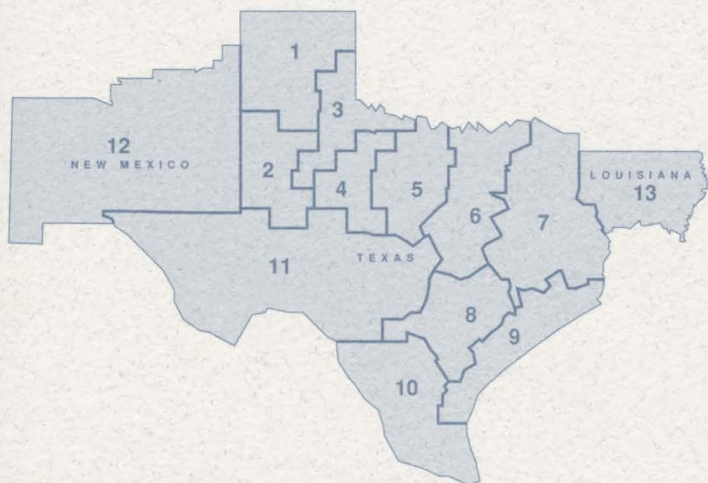
¹ Number of banks reporting.

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 Fourth Quarter 1990	Average Value ²	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	196	540	-1.7	-3.2
TEXAS	181	535	-2.1	-4.3
Northern High Plains	22	248	.8	-5.4
Southern High Plains	22	356	.8	4.2
Northern Low Plains	12	325	1.1	2.3
Southern Low Plains	9	476	1.2	13.0
Cross Timbers	14	421	0	-10.1
North Central Texas	27	651	-5.5	-5.5
East Texas	13	657	-3	-4.6
Central Texas	25	841	-6.0	-12.0
Coastal Texas	10	730	-3.2	-11.3
South Texas	15	702	1.3	12.5
Trans-Pecos and Edwards Plateau	12	539	-.9	-12.8
Northern Louisiana	10	634	2.3	10.1
Southern New Mexico	5	226	-1.1	5.1

CROPLAND—IRRIGATED

Region	Banks ¹ Fourth Quarter 1990	Average Value ²	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	121	657	0	-.7
TEXAS	105	636	-.4	-1.6
Northern High Plains	20	486	-.2	.6
Southern High Plains	20	566	-1.8	2.8
Northern Low Plains	6	438	-5.2	-2.6
Southern Low Plains	5	636	-.6	1.7
Cross Timbers	4	667	-1.8	-5.8
North Central Texas	4	881	-11.8	-21.4
East Texas	4	804	21.8	-18.3
Central Texas	14	1,116	-6.1	-8.5
Coastal Texas	6	636	-5.3	-23.8
South Texas	13	1,087	4.7	9.3
Trans-Pecos and Edwards Plateau	9	912	-1.3	-6.1
Northern Louisiana	9	848	1.2	5.1
Southern New Mexico	7	792	2.3	5.0

RANCHLAND

Region	Banks ¹ Fourth Quarter 1990	Average Value ²	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	194	292	-2.1	-6.5
TEXAS	182	366	-2.3	-7.3
Northern High Plains	21	144	.4	-4.1
Southern High Plains	12	123	-5.0	-8.1
Northern Low Plains	11	177	-2.4	.1
Southern Low Plains	9	219	-2.4	-1.7
Cross Timbers	17	345	-4.0	-12.4
North Central Texas	26	582	-4.1	-3.7
East Texas	18	672	2.8	-1.1
Central Texas	26	748	-6.1	-9.1
Coastal Texas	9	482	-5.3	-23.0
South Texas	15	493	-3.3	4.0
Trans-Pecos and Edwards Plateau	18	300	0	-12.3
Northern Louisiana	5	373	.5	2.0
Southern New Mexico	7	79	.2	6.2

Fourth-Quarter Comments

What follows are comments from survey respondents about land values and credit conditions in the Eleventh District. These remarks reflect the opinions of individual bankers, not the Federal Reserve Bank of Dallas. Comments were edited to fit available space.

Region 1—Northern High Plains

Several problems—drought, low prices and higher costs—are causing a slowdown in agricultural loans and could force more farmers out of farming. The 1991 outlook is not optimistic, based on the proposed new farm program. With reduced government payments, farmers will have difficulty maintaining a positive cash flow while servicing existing debt.

Demand for loans is down because high cattle prices and dry pasture conditions have led to less restocking of pasture cattle. Feedlot cattle continue to be profitable.

Region 3—Northern Low Plains

The cotton crop is the best in county history and made up for losses in 1989, which was probably the worst year in history. Loans are at a seasonal low.

As long as Chapter 12 bankruptcies are prevalent, we will not take any new agricultural customers.

Region 4—Southern Low Plains

Cattle producers are having a good year, and the forecast remains positive into 1991. Cotton is producing one of the best crops within the past 10 years.

Region 5—Cross Timbers

The cotton crop should make a good profit. The dairy industry is in flux. If milk prices continue to drop, land values will also fall in our area. Winter grain is the best this area has had in years. However, several operators' financial conditions do not support cattle purchase loans.

Banks only want to make small loans because of examination guidelines for loans over \$100,000. New requirements for appraisals on real estate (and potentially on chattels) will cause borrowers to think twice before

making applications because appraisals will cost more.

Sophisticated financial data requirements and borrowing qualification restrictions of the Farmers Home Administration (FmHA), Federal Land Bank and upstream banks limit our access for guaranteed loans and participations. Our old customers do not maintain these data. We are sponsoring a financial records seminar to provide our area farmers and ranchers with at least some guidance toward producing required information.

Region 6—North Central Texas

The only good thing for farmers in this area is the price of cattle. Most farmers broke even if they had enough acres in cotton to overcome losses in other crops. We are continuing to concentrate on FmHA guaranteed loans to reduce risk to the bank. Oil activity has increased real estate values in the county by 10 to 30 percent in the past six months. Even though the economy seems to be in a recovery, some examiners continue to operate with a worst-case point of view.

Available credit sources continue to dry up. Larger urban or suburban banks with the legal lending limit capacity do not seem to want ag loans. Government regulations and credit examiner criticisms are making even smaller country banks leery of ag loans. If commercial banks do not receive some relief in the area of ag finance, the average farmer and rancher will soon be driven out of business.

Local farmers had a terrible year. Weather was the main factor. Regulatory opinions and unfair bankruptcy laws, along with poor yields, have caused us to carefully reconsider our position on ag loans. Without drastic improvement in all three areas, we will see a major reduction in ag credit. FmHA guaranteed loans may be one solution, however.

Region 8—Central Texas

Large increases in Federal Deposit Insurance Corp. (FDIC) premiums will have to be passed on to consumers, costing loan customers at least an additional one-half to 1 percent. Horizontal oil and gas well drilling has commenced in the northwest part of our area.

Region 9—Coastal Texas

Following world market prices, the value of the crops is minimal, but costs are climbing and deficiency payments are dropping. Banks must seek hedges of risk, mainly FmHA guarantees, or drop many farmers and risk

lenders' liability. The result will be fewer basic farms and fewer young farmers. Farmers need to add packaging and marketing to their businesses to reap more of the profits from food prices.

Funds are available for loans, but requirements are greater, which, combined with continued drought, has forced some producers out of business. This winter is the third consecutive one with drought conditions. If 1991 becomes another below-average crop year, we may all be looking for other ways to earn a living.

Region 10—South Texas

Most ag loans have been paid off as a result of exceptionally high peanut prices and, in some cases, substantial oil revenue.

Region 12—New Mexico

Cattle prices remain good and are helping to support land values. The effects of the 1990 farm bill increase uncertainty at this time.

Weak Land Values—(Continued from page 1)

slower demand for credit, while 47 percent of the banks in the Cross Timbers region expected slower demand.

Most bankers responded that 1991 loan renewals would be about the same as those in 1990, and two-thirds of the respondents expected the same rate of loan repayment, indicating that lenders expected borrowers to service their debt fully.

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