

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

First Quarter 1995

First-quarter survey results indicate that 64 percent of surveyed banks would like to increase the volume of loans available to farmers and ranchers. Here are additional highlights from the survey:

- The typical fixed interest rate charged on all types of loans increased about 50 basis points during the first quarter, to 11 percent. Banks average cost of funds also increased during the first quarter, rising about 10 basis points, to 3.9 percent.
- Loan-to-deposit ratios changed little during first-quarter 1995, averaging 45 percent. Still, most surveyed bankers would like to increase their loan-to-deposit ratio, preferring an average of 56 percent.
- Land values continued to increase in first-quarter 1995. Eleventh District ranchland values have risen considerably over the past year and, on average, are now 13 percent above a year ago. Irrigated land values are 5 percent higher than a year ago, while dryland values are up 3 percent.
- Cash rents on dry and irrigated land have risen over the past year, up 4 percent and 11 percent, respectively, although cash rents on ranchland have fallen slightly.
- Higher ranchland values, with declining cash rents, suggest that the price of ranchland is being bid up by purchasers using the land for nonagricultural purposes.

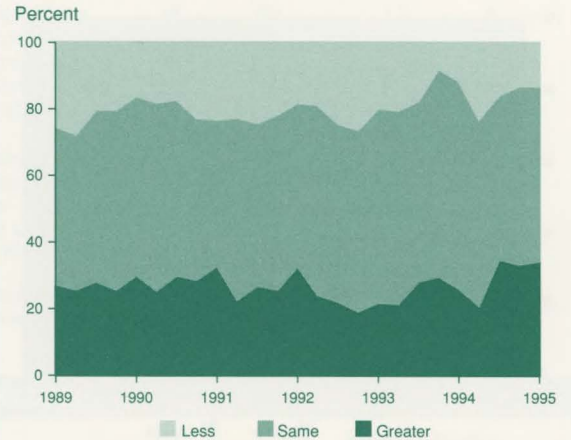
*Quarterly Survey of Agricultural Credit Conditions* is compiled from a survey of Eleventh District agricultural bankers. This publication is prepared by the Federal Reserve Bank of Dallas and is available without charge by writing to the Research Department, Federal Reserve Bank of Dallas, P.O. Box 655906, Dallas, TX 75265-5906, or by telephoning (214) 922-5254.

For questions regarding information in the release, contact Whitney Andrew, (214) 922-5179, or Michelle Thomas, (214) 922-5178.

## Agricultural Credit Conditions at Survey Banks in the Eleventh District

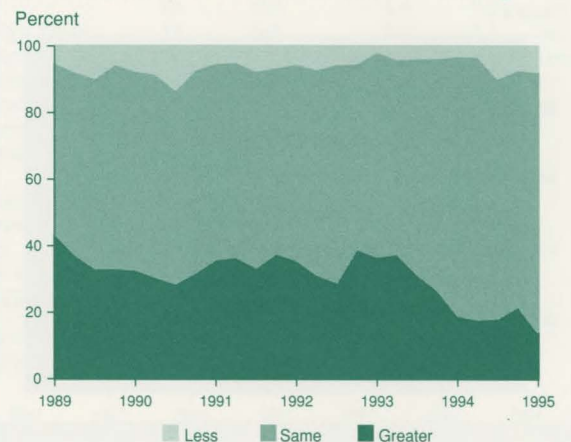
### Demand for Loans

Thirty-four percent of bankers report greater demand for loans.



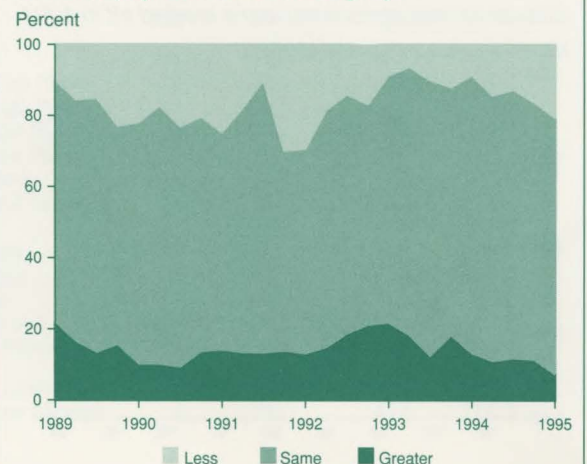
### Funds Available for Additional Lending

Seventy-eight percent of bankers report that the same amount of funds are available for lending.



### Rate of Loan Repayment

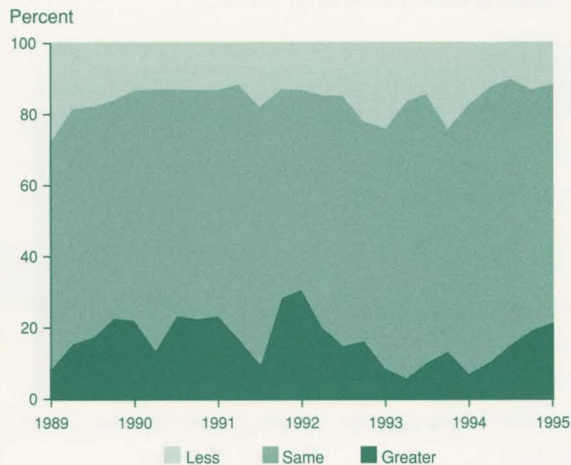
The percentage of bankers reporting lower rates of loan repayment increases slightly.



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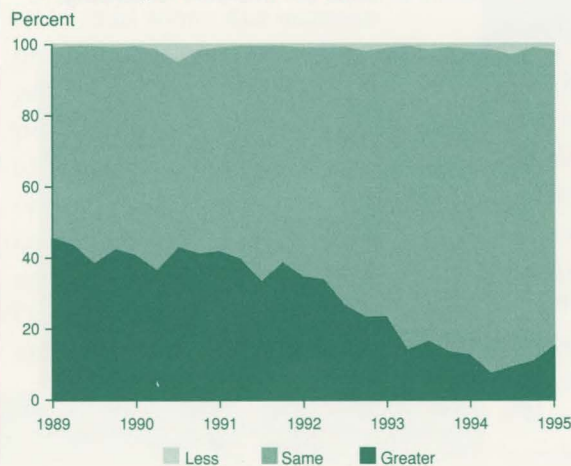
## Renewals or Extensions of Loans

The percentage of bankers reporting more renewals or extensions of loans increases slightly.



## Amount of Collateral

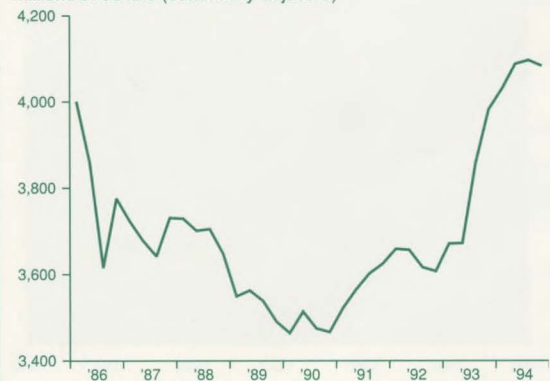
The percentage of bankers reporting greater collateral requirements increases.



## Total Agricultural Loans at Eleventh District Agricultural Banks

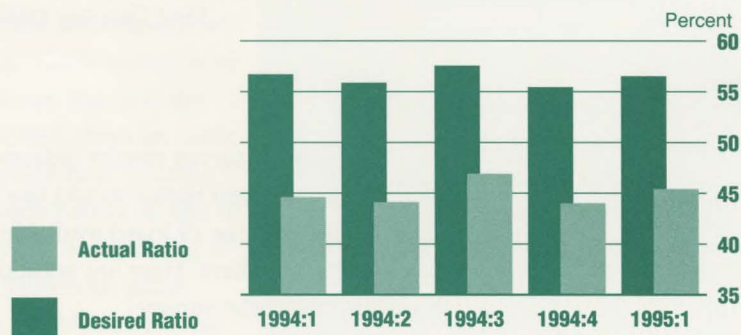
Growth of total agricultural loans leveled off in 1994.

Millions of dollars (seasonally adjusted)



## Loan-Deposit Ratios at Survey Banks

Average actual and desired ratios



## DISTRIBUTION OF LOAN-DEPOSIT RATIOS

Ratio	Banks Reporting (Percent)				
	1994			1995	
	Apr. 1	Jul. 1	Oct. 1	Jan. 1	Apr. 1
Less than 41%	47	48	41	47	44
41% to 50%	20	18	18	20	19
51% to 60%	18	17	16	15	16
61% to 70%	10	13	14	10	15
More than 70%	6	5	12	9	7

## INTEREST RATES—FIXED

Ratio	Average Rate (Percent)				
	1994			1995	
	Apr. 1	Jul. 1	Oct. 1	Jan. 1	Apr. 1
Feeder cattle	9.16	9.63	10.05	10.51	11.03
Other farm operating	9.34	9.81	10.11	10.53	11.06
Intermediate term	9.40	9.74	10.07	10.56	11.15
Long-term farm real estate	9.24	9.67	10.14	10.63	11.04

## INTEREST RATES—VARIABLE

Ratio	Average Rate (Percent)				
	1994			1995	
	Apr. 1	Jul. 1	Oct. 1	Jan. 1	Apr. 1
Feeder cattle	8.58	9.62	10.23	10.91	11.49
Other farm operating	8.80	9.68	10.32	10.97	11.56
Intermediate term	8.73	9.62	10.13	10.77	11.39
Long-term farm real estate	8.61	9.48	10.11	10.79	11.20



# Rural Real Estate Values

April 1, 1995

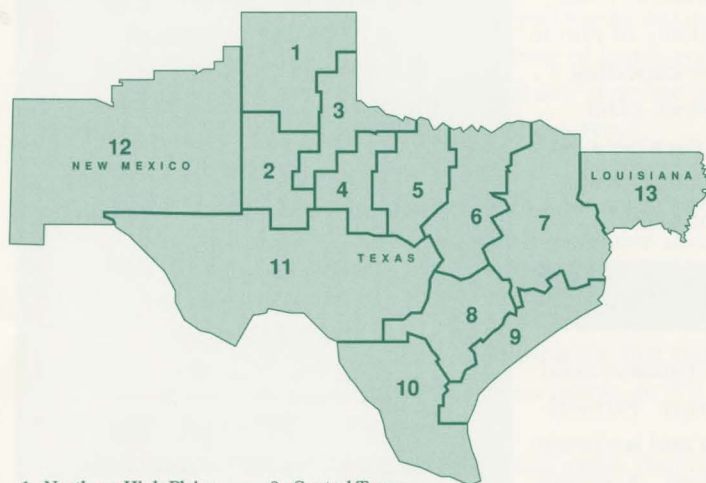
<sup>1</sup> Number of banks reporting land values.

<sup>2</sup> Nominal dollars per acre.

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 <sup>1</sup> First-Quarter 1995	Average Value <sup>2</sup> 1995	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	148	570	.8	2.8
TEXAS	138	561	1.1	2.2
Northern High Plains	19	300	1.2	9.8
Southern High Plains	19	355	1.1	.6
Northern Low Plains	9	304	1.5	2.8
Southern Low Plains	16	401	.2	0
Cross Timbers	11	507	5.5	26.1
North Central Texas	18	733	3.8	9.9
East Texas	7	736	5.0	8.1
Central Texas	18	873	-2.4	-8.1
Coastal Texas	5	779	-4.3	-2.2
South Texas	6	574	-1.3	-15.0
Trans-Pecos and Edwards Plateau	10	546	1.6	-4.0
Northern Louisiana	8	722	-2.5	8.8
Southern New Mexico	2	248	4.1	4.8

## CROPLAND—IRRIGATED

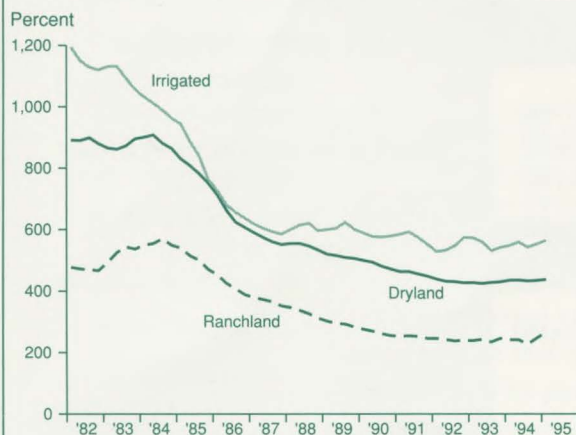
Region	Banks <sup>1</sup> First-Quarter 1995	Average Value <sup>2</sup> 1995	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	102	735	2.0	5.3
TEXAS	89	638	1.6	-2.9
Northern High Plains	19	563	3.5	11.1
Southern High Plains	21	600	.1	1.9
Northern Low Plains	8	403	-1.3	-5.5
Southern Low Plains	9	651	.6	12.9
Cross Timbers	4	706	8.6	4.0
North Central Texas	2	800	2.2	-7.5
East Texas	2	951	2.3	-1.7
Central Texas	8	1146	-8	-12.5
Coastal Texas	3	508	7.0	-30.6
South Texas	4	912	-2	-12.1
Trans-Pecos and Edwards Plateau	9	728	-4.1	-15.4
Northern Louisiana	8	916	-2.4	1.7
Southern New Mexico	5	1629	4.5	57.1

## RANCHLAND

Region	Banks <sup>1</sup> First-Quarter 1995	Average Value <sup>2</sup> 1995	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	152	347	7.8	12.7
TEXAS	143	389	2.8	5.5
Northern High Plains	16	174	-2.1	7.2
Southern High Plains	14	130	-.3	0
Northern Low Plains	8	161	2.5	6.3
Southern Low Plains	15	234	1.2	4.2
Cross Timbers	14	393	3.1	16.8
North Central Texas	18	635	3.2	7.5
East Texas	14	708	-1.0	4.0
Central Texas	18	853	.2	.5
Coastal Texas	4	482	4.8	-7.3
South Texas	7	424	1.7	-6.8
Trans-Pecos and Edwards Plateau	15	343	5.9	14.7
Northern Louisiana	5	462	-.5	9.2
Southern New Mexico	4	224	43.4	71.2

## Eleventh District Land Values

Eleventh District land values continue to strengthen.





# First-Quarter Comments

District bankers were asked for any additional comments concerning agricultural land values or credit conditions. These comments have been edited.

## Region 1—Northern High Plains

The prolonged drought, low cattle and grain prices and higher interest rates look like a disaster in the making.

## Region 2—Southern High Plains

A lack of moisture, depleted water table, mild winter that increases prospects for insect infestation, and proposed reductions in the farm program in future years are combining to reduce farm borrowers' ability to obtain financing, even though good cotton prices are forecast. If the farm program is reduced as proposed in Congress, many farmers will not be able to secure financing after 1995.

## Region 4—Southern Low Plains

Moisture conditions are at a critical stage. If the region does not receive sufficient rain soon, cattle will have to be sold and farmers will not be able to plant crops.

Farm prices are not good for cattle and wheat. Cotton prices are good, with forward contracts at 1,750 to 2,000 cents per bale over the loan price. New borrowers are needed and wanted, but good quality borrowers are hard to find. FmHA-guaranteed loan candidates are not of good quality.

## Region 5—Cross Timbers

Fall rains and a mild winter made for excellent wheat grazing and good weight gains. Prospects are good for an excellent wheat crop.

## Region 7—East Texas

The rise in interest rates has caused concern in this area. Cattle prices have fallen, and most believe that it is the direct result of imported Mexican cattle. Calf prices are proportionate to cattle prices. There has been plenty of rain in this area, and everyone is expecting a good year for hay. However, plant farmers are singing the blues because sales have been down. Rainy weekends make for slow plant sales.

## Region 8—Central Texas

The soil is very wet. Farmers need drier weather to plant crops. Farmers are planting more cotton and soybeans. Fertilizer costs are going up. A shorter grain crop will cause lower calf prices this summer and fall.

The influx of new lenders (credit corporations, insurance companies and big bank branches) is creating competition on rates and terms with valued borrowers. Weaker borrowers are now able to obtain financing through these new competitors.

## Region 10—South Texas

There is substantial peanut acreage here. If the farm program is eliminated, irrigated farm prices will drop severely.

## Region 12—Southern New Mexico

Land values will be greatly affected by the 1995 Farm Bill.



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