

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

Second Quarter 1995

*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.

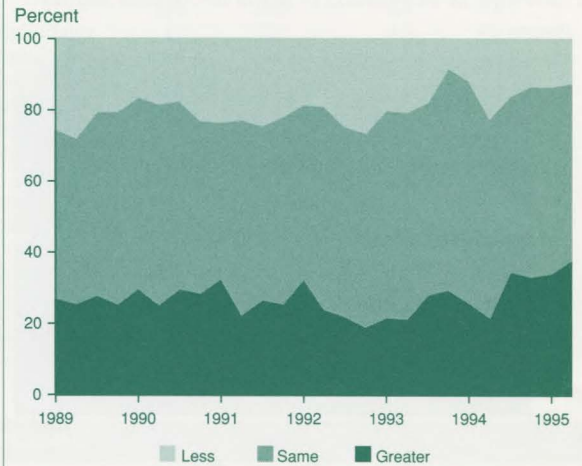
Second-quarter survey results indicate that 63 percent of surveyed banks would like to increase the volume of loans available to farmers and ranchers. Here are additional highlights from the survey:

- Irrigated land and ranchland values continued to increase in the second quarter of 1995, although dryland values held steady. Eleventh District ranchland values increased 7.5 percent above last year's level, while irrigated land values were 3 percent higher. Dryland values are roughly unchanged from a year ago.
- In the second quarter, cash rents on dryland and irrigated land changed little from the first quarter. Cash rents on ranchland, however, fell by 50 percent.
- The typical fixed interest rate charged on most types of loans fell slightly during the second quarter, while the typical variable interest rate fell about 30 basis points.
- Banks' average cost of funds inched up slightly during the second quarter, rising about 10 basis points, to 4 percent.

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

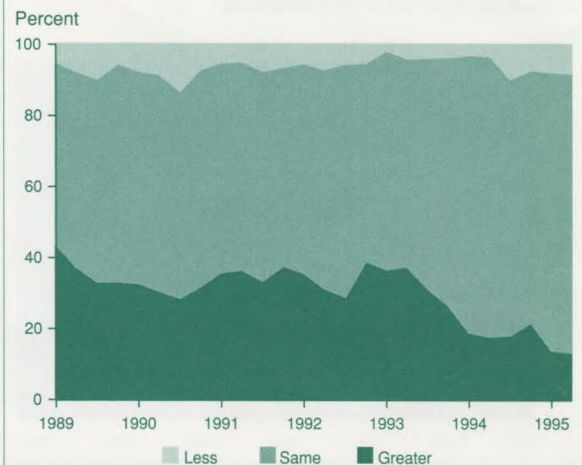
### Demand for Loans

Thirty-eight percent of respondents report greater demand for loans.



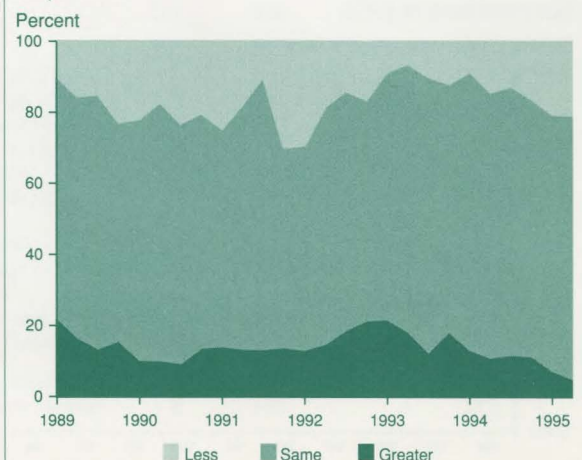
### Funds Available for Additional Lending

Seventy-nine percent of respondents report that the same amounts of funds are available for lending.



### Rate of Loan Repayment

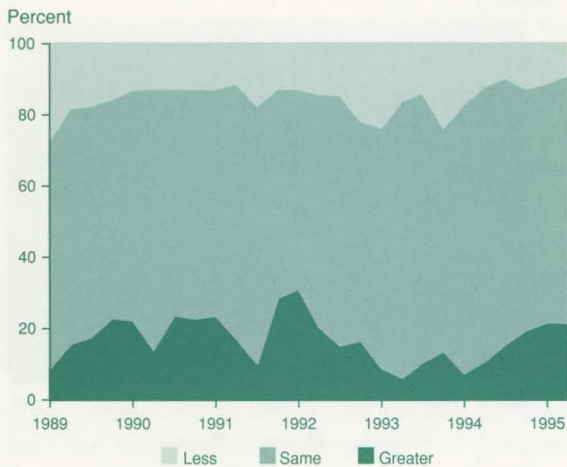
The percentage of respondents reporting unchanged rates of loan repayment increases slightly to 74 percent.



# Agricultural Credit Conditions at Survey Banks in the Eleventh District

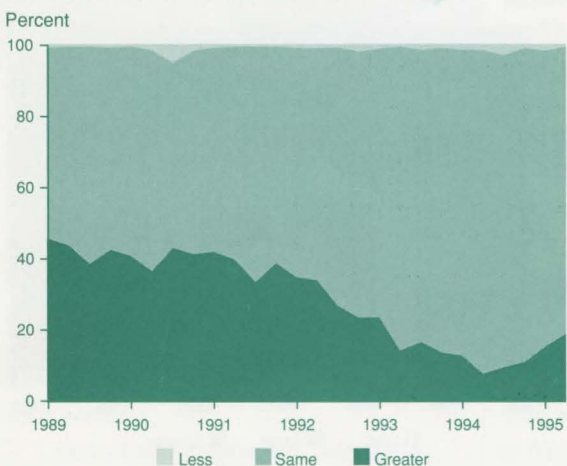
## Renewals or Extensions of Loans

The percentage of respondents reporting fewer renewals or extensions of loans decreases slightly.



## Amount of Collateral

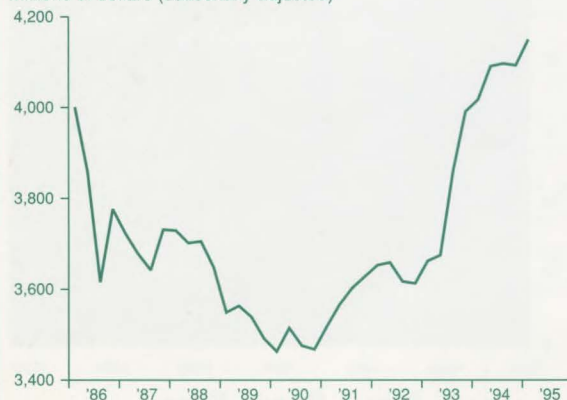
The percentage of respondents reporting greater collateral requirements increases.



## Total Agricultural Loans at Eleventh District Agricultural Banks

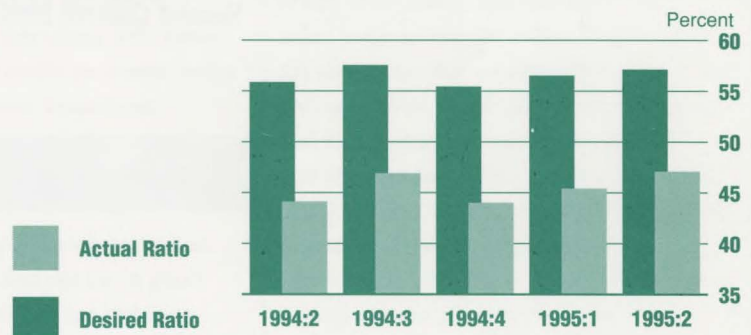
Growth of total agricultural loans leveled off in 1994 but increased in 1995.

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		
	Jul. 1	Oct. 1	Jan. 1	Apr. 1	Jul. 1
Less than 41%	48	41	47	44	42
41% to 50%	18	18	20	19	17
51% to 60%	17	16	15	16	17
61% to 70%	13	14	10	15	14
More than 70%	5	12	9	7	11

## INTEREST RATES—FIXED

Ratio	Average Rate (Percent)				
	1994		1995		
	Jul. 1	Oct. 1	Jan. 1	Apr. 1	Jul. 1
Feeder cattle	9.63	10.05	10.51	11.03	11.01
Other farm operating	9.81	10.11	10.53	11.06	11.04
Intermediate term	9.74	10.07	10.56	11.15	11.07
Long-term farm real estate	9.67	10.14	10.63	11.04	10.74

## INTEREST RATES—VARIABLE

Ratio	Average Rate (Percent)				
	1994		1995		
	Jul. 1	Oct. 1	Jan. 1	Apr. 1	Jul. 1
Feeder cattle	9.62	10.23	10.91	11.37	11.05
Other farm operating	9.68	10.32	10.97	11.43	11.12
Intermediate term	9.62	10.13	10.77	11.28	11.07
Long-term farm real estate	9.48	10.11	10.79	11.04	10.74

# Rural Real Estate Values

July 1, 1995

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

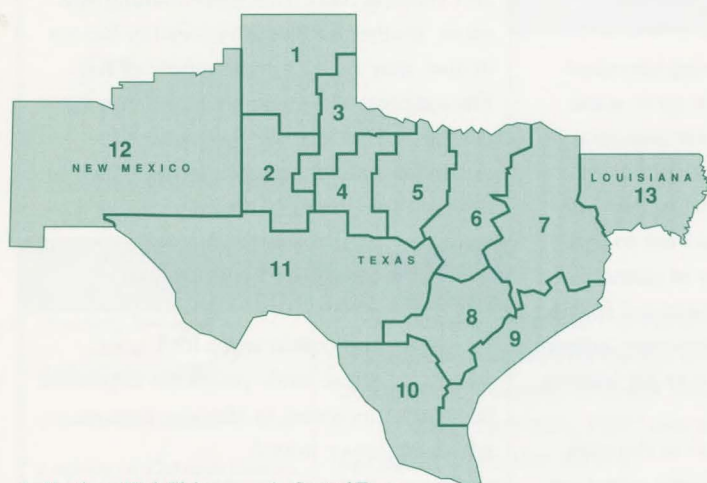
<sup>2</sup> Nominal dollars per acre.

n.r.—Not reported.

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

All figures are preliminary.

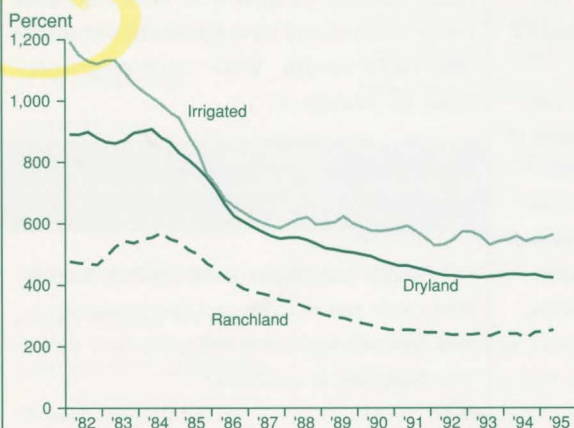
## Eleventh Federal Reserve District



- |                        |                                    |
|------------------------|------------------------------------|
| 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           |                                    |

## Eleventh District Land Values

Eleventh District ranchland and irrigated land values continue to strengthen while dryland values weaken slightly.



## CROPLAND—DRYLAND

Region	Banks <sup>1</sup> Second-Quarter 1995	Average Value <sup>2</sup> Second-Quarter 1995	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	155	557	-.5	-.5
TEXAS	146	550	n.r.	-.4
Northern High Plains	17	302	2.6	5.9
Southern High Plains	20	347	-.9	-.6
Northern Low Plains	12	310	.1	8.0
Southern Low Plains	17	406	1.2	2.0
Cross Timbers	11	465	-5.2	15.1
North Central Texas	22	694	-.8	1.7
East Texas	8	729	4.1	5.8
Central Texas	15	837	-3.3	-10.5
Coastal Texas	5	829	1.0	.8
South Texas	8	552	.6	-17.8
Trans-Pecos and Edwards Plateau	11	535	.4	-4.1
Northern Louisiana	6	672	-5.7	-2.7
Southern New Mexico	3	260	5.3	12.4

## CROPLAND—IRRIGATED

Region	Banks <sup>1</sup> Second-Quarter 1995	Average Value <sup>2</sup> Second-Quarter 1995	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	102	741	1.9	3.1
TEXAS	89	649	1.9	-.8
Northern High Plains	16	560	1.3	9.5
Southern High Plains	20	615	2.3	4.0
Northern Low Plains	9	413	1.6	-2.3
Southern Low Plains	11	639	-.7	7.5
Cross Timbers	4	585	-6.2	-12.6
North Central Texas	3	674	-7.0	-20.7
East Texas	4	833	-3.9	-8.8
Central Texas	7	1168	-.2	-7.5
Coastal Texas	n.r.	n.r.	n.r.	n.r.
South Texas	7	914	.6	-13.1
Trans-Pecos and Edwards Plateau	9	785	5.1	-11.7
Northern Louisiana	6	922	-1.9	1.1
Southern New Mexico	7	1534	1.6	19.1

## RANCHLAND

Region	Banks <sup>1</sup> Second-Quarter 1995	Average Value <sup>2</sup> Second-Quarter 1995	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	161	334	2.3	7.5
TEXAS	150	397	2.6	6.8
Northern High Plains	16	189	6.3	9.9
Southern High Plains	16	142	3.8	5.0
Northern Low Plains	12	165	1.4	10.7
Southern Low Plains	16	236	1.6	5.4
Cross Timbers	13	411	2.6	21.3
North Central Texas	21	601	-1.2	.8
East Texas	15	695	-.4	-1.1
Central Texas	15	758	-7.7	-10.5
Coastal Texas	3	581	8.7	14.1
South Texas	8	436	2.7	-1.1
Trans-Pecos and Edwards Plateau	15	363	7.1	18.3
Northern Louisiana	5	460	-.5	2.2
Southern New Mexico	6	150	.4	13.5

# Second-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 wheat crop has been poor. Cattle prices are also hurting. Heavy rains and hail have hurt wheat, milo and corn crops. However, the amount of rainfall may help fall crops. Overall, this year has not started out well.

## Region 2—Southern High Plains

The region is extremely dry. The majority of dryland crop acreage is a total loss. Irrigated crop expenses are up 30 to 40 percent compared with last year.

Most of the cotton crop on the Southern Plains will be late because the good prices encouraged many farmers to replant with cotton. Signs of bug problems are showing up early, probably due to the mild winter.

Lack of spring moisture, high winds, increased input cost and costs of boll weevil control are causing the outlook for this year's cotton crop to be marginal at best. Late June rains have improved prospects somewhat, but cotton must bring over 70 cents a pound for most producers to show any profit. The dryland crop in our immediate area is nearly a total loss.

Recent cotton crop losses in our immediate area due to drought, sandstorms and hailstorms have reduced loan repayment ability substantially by those affected, so most farmers are collecting multiperil insurance claims and replanting to milo.

## Region 4—Southern Low Plains

Wind, hard rain and hail have hampered early cotton plantings but sufficient moisture should carry crops for 30 to 45 days.

Disease and storms have resulted in a below-average grain crop. The small crop and reduced cattle prices have caused lower than expected loan repayment. Higher production costs along with lower repayment rates will cause problems in the next crop year for some operations.

## Region 5—Cross Timbers

A good hay crop is being harvested. Peanuts are planted and are up in good moisture. Low beef prices are reducing profits from cattle and dairy operations.

The ranchland sales that we see are primarily tied to hunting and not to agricultural use. In the absence of demand from hunters, ranchland would sell for no more than \$250 per acre; however, hunters are paying up to \$350 per acre for hunting grounds.

The wheat crop is good in this area. Cotton crops are planted. Cattle prices are down.

## Region 6—North Central Texas

Overall demand for crop loans should drop as crops are harvested in the next two to three months. Demand is expected to increase in late September and early October.

A slight decrease in demand is expected for feeder cattle and cow and calf loans over the next few months because of a down market.

Lower cattle prices have put cow and calf producers in a cash flow bind. Prices of cows are beginning to come in line with calf prices. Crops such as cotton and corn look good. Most cotton is contracted in the 70 to 72 cents per pound range. Demand for agricultural loans is strong. Most of the larger lines are FmHA guaranteed.

## Region 7—East Texas

Service delivery by FmHA is improved over last year. Given the FmHA staff reduction, service is quite good. Demand for poultry facilities is steady, and out-of-state competitors are competing for financing.

The continuous fall of cattle prices has people in this area concerned. In April, prices were down, but the prices have fallen even lower since then. Prices today are about one-half of what they were in the spring of 1994. Small raisers are selling out and larger ones are splitting (selling half and keeping half). This herd-building will cause another surplus. Dry weather has set in and may cause a short supply of hay. The majority of farmers have only one hay-cutting and the dry weather pattern is causing people to sell their stock, which is forcing cattle prices to decline.

## Region 8—Central Texas

Grain and cotton crops look good. Ranchers believe cattle prices are depressed because of increases in Mexican imports, which are lower priced.

## Region 9—Coastal Texas

Loan volume is down compared with 1994 because of larger advance deficiency payments given to rice farmers.

## Region 10—South Texas

All-time high cotton prices have resulted in this crop's being reintroduced into our area. Many farmers we deal with have sold their crops forward and have locked in a comfortable profit margin. Weak cattle prices continue to concern us.

## Region 11—Trans-Pecos and Edwards Plateau

Range conditions are excellent. At current cattle prices, cow and calf producers will have a tough time reducing their debt. The hay crop is excellent.