

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

Third 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.

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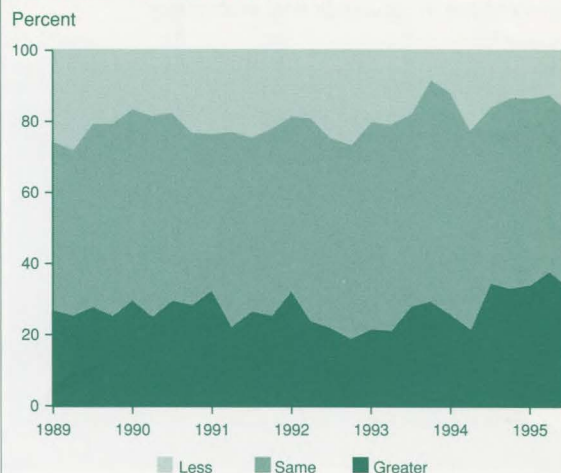
A leveling off of District land values is evident in third-quarter survey results. The survey also shows smaller changes in cash rents in the third quarter. Furthermore, fewer third-quarter than second-quarter survey respondents expect farmland values to increase; the number of respondents expecting farmland values to decrease rose in the third quarter. Here are further survey details:

- Twenty-eight percent of banks report a loan repayment rate lower in third-quarter 1995 than in third-quarter 1994; this percentage is an increase from 21 percent in second-quarter 1995.
- Fewer banks want to increase the volume of loans available to farmers and ranchers, based on a comparison of second- and third-quarter responses; 42 percent of the banks surveyed prefer to keep the current loan volume.
- The average loan-to-deposit ratio has increased during the past three quarters to its current level of 51, 8 percent higher than 1994's third-quarter level of 47. Respondents also report an increase in the desired loan-to-deposit ratio.
- Banks' average cost of funds leveled off in the third quarter to about 4 percent.
- The typical interest rates charged on most types of loans have fallen by about 25 basis points for both variable rate and fixed-rate loans.

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

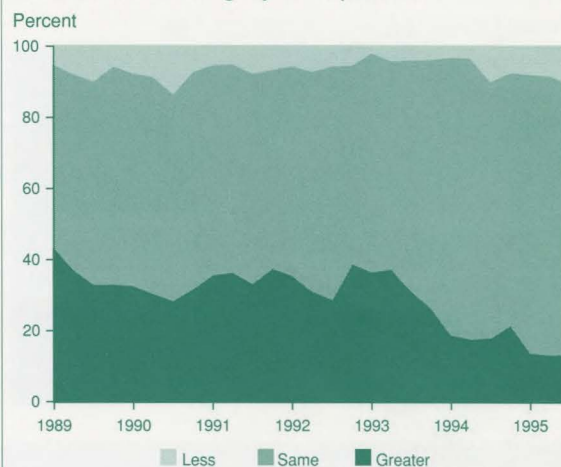
### Demand for Loans

Seventeen percent of respondents report a decrease in demand for loans.



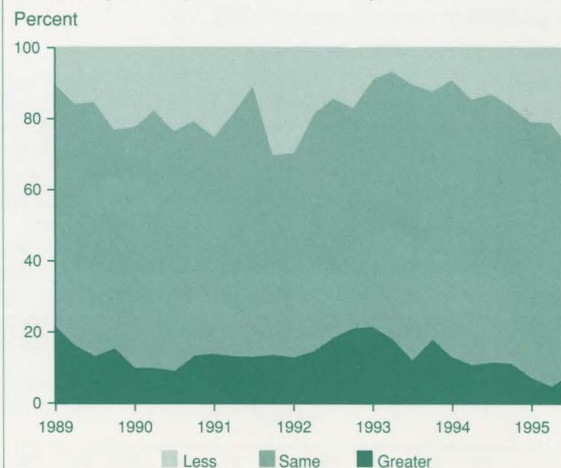
### Funds Available for Additional Lending

Respondents reporting a decrease in the availability of funds increase slightly to 10 percent.



### Rate of Loan Repayment

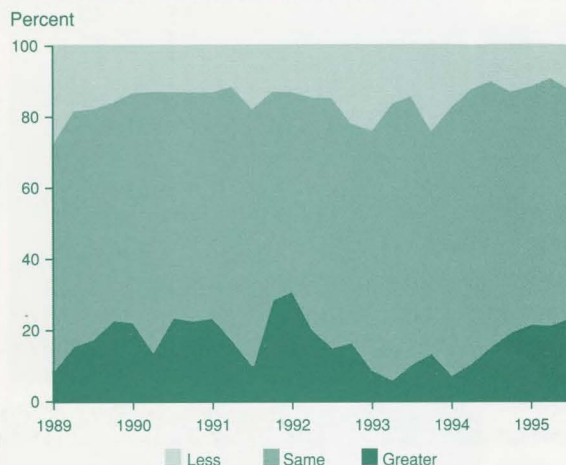
The rate of loan repayment has decreased, according to 28 percent of the respondents.



# Agricultural Credit Conditions at Survey Banks in the Eleventh District

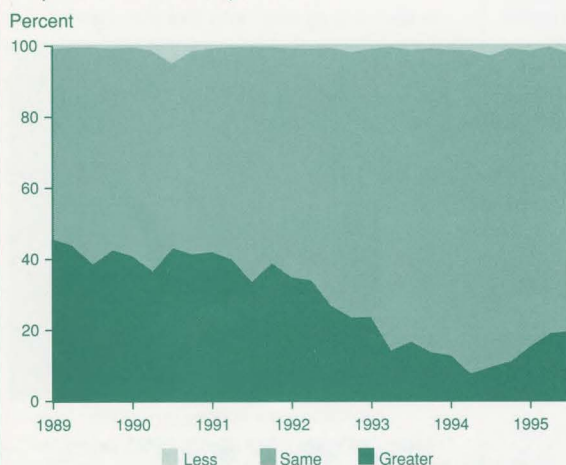
## Renewals or Extensions of Loans

Twenty-four percent of respondents report an increase in renewals and extensions.



## Amount of Collateral

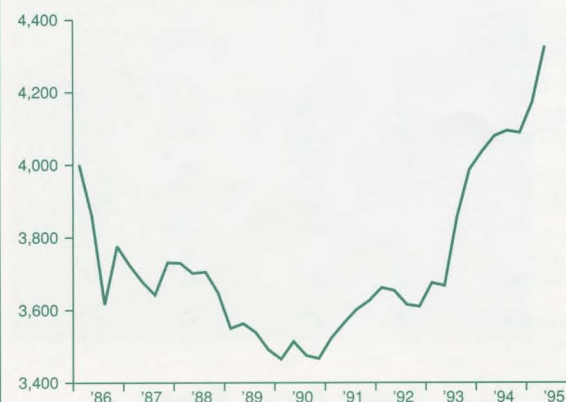
Collateral requirements have increased for 20 percent of the respondents.



## Total Agricultural Loans at Eleventh District Agricultural Banks

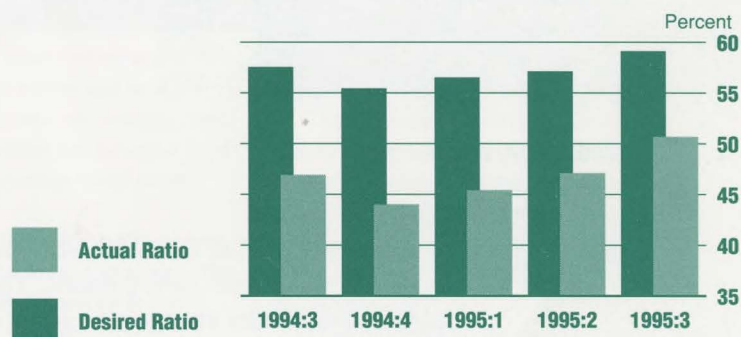
Total agricultural loans increase almost 4 percent in second-quarter 1995.

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 Oct. 1	1995 Jan. 1	1995 Apr. 1	1995 Jul. 1	1995 Oct. 1
Less than 41%	41	47	44	42	31
41% to 50%	18	20	19	17	22
51% to 60%	16	15	16	17	18
61% to 70%	14	10	15	14	14
More than 70%	12	9	7	11	14

## INTEREST RATES—FIXED

Ratio	Average Rate (Percent)				
	1994 Oct. 1	1995 Jan. 1	1995 Apr. 1	1995 Jul. 1	1995 Oct. 1
Feeder cattle	10.05	10.51	11.03	11.01	10.77
Other farm operating	10.11	10.53	11.06	11.04	10.86
Intermediate term	10.07	10.56	11.15	11.07	10.71
Long-term farm real estate	10.14	10.63	11.04	10.74	10.47

## INTEREST RATES—VARIABLE

Ratio	Average Rate (Percent)				
	1994 Oct. 1	1995 Jan. 1	1995 Apr. 1	1995 Jul. 1	1995 Oct. 1
Feeder cattle	10.23	10.91	11.37	11.05	10.74
Other farm operating	10.32	10.97	11.43	11.12	10.88
Intermediate term	10.13	10.77	11.28	11.07	10.82
Long-term farm real estate	10.11	10.79	11.04	10.74	10.49



# Rural Real Estate Values

October 1, 1995

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

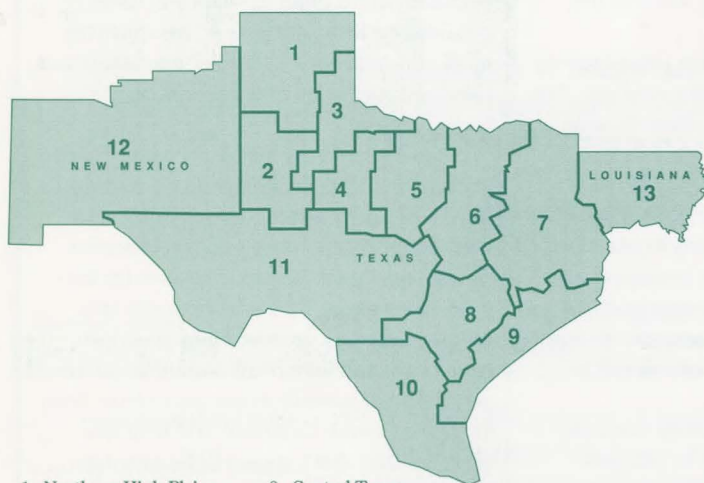
<sup>2</sup> Nominal dollars per acre.

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.

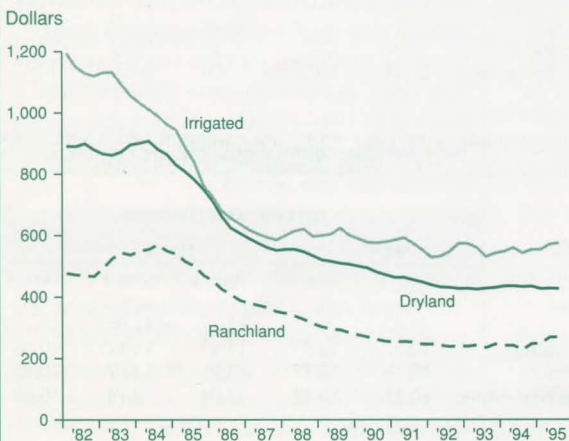
## Eleventh Federal Reserve District



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

District land values level off, leaving ranchland values 21 percent higher than 1994's third-quarter level.



## CROPLAND—DRYLAND

Region	Banks <sup>1</sup> Third-Quarter 1995	Average Value <sup>2</sup> Third-Quarter 1995	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	159	564	-.3	.7
TEXAS	148	561	n.r.	2.2
Northern High Plains	19	299	-1.5	5.3
Southern High Plains	18	349	-.4	n.r.
Northern Low Plains	11	306	.3	4.8
Southern Low Plains	15	392	-1.8	-.6
Cross Timbers	14	464	-1.9	4.3
North Central Texas	22	730	.2	7.4
East Texas	5	725	-2.7	10.6
Central Texas	16	918	4.1	-1.7
Coastal Texas	8	836	3.0	-1.9
South Texas	8	549	-2.5	-11.3
Trans-Pecos and Edwards Plateau	12	526	-2.1	-1.9
Northern Louisiana	8	637	-3.3	-13.1
Southern New Mexico	3	247	-2.8	8.2

## CROPLAND—IRRIGATED

Region	Banks <sup>1</sup> Third-Quarter 1995	Average Value <sup>2</sup> Third-Quarter 1995	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	102	760	.7	8.3
TEXAS	89	677	2.1	7.1
Northern High Plains	18	580	.9	12.3
Southern High Plains	18	617	.3	5.1
Northern Low Plains	6	450	4.7	11.3
Southern Low Plains	9	612	-2.8	1.6
Cross Timbers	7	674	.5	5.0
North Central Texas	4	876	7.9	8.4
East Texas	n.r.	n.r.	n.r.	n.r.
Central Texas	8	1149	.3	-8.7
Coastal Texas	n.r.	n.r.	n.r.	n.r.
South Texas	7	992	3.9	1.2
Trans-Pecos and Edwards Plateau	11	782	1.0	2.3
Northern Louisiana	8	859	-2.3	-9.3
Southern New Mexico	5	1466	-6.0	13.2

## RANCHLAND

Region	Banks <sup>1</sup> Third-Quarter 1995	Average Value <sup>2</sup> Third-Quarter 1995	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	157	356	.3	20.9
TEXAS	148	394	-.6	8.0
Northern High Plains	17	191	1.6	12.7
Southern High Plains	14	171	11.7	26.5
Northern Low Plains	10	160	-.9	5.2
Southern Low Plains	15	223	-3.3	.3
Cross Timbers	14	428	3.0	18.5
North Central Texas	19	631	.3	5.7
East Texas	11	705	n.r.	2.0
Central Texas	16	776	-1.0	-11.7
Coastal Texas	5	588	5.3	23.3
South Texas	8	419	-1.9	.8
Trans-Pecos and Edwards Plateau	19	347	-2.7	18.5
Northern Louisiana	5	427	-3.8	-8.3
Southern New Mexico	n.r.	n.r.	n.r.	n.r.



# Third-Quarter Comments

## Region 1—Northern High Plains

Increased expenses, decreased yields, depressed fat cattle prices and higher cost of gain point to increased loan renewals.

## Region 4—Southern Low Plains

Beet armyworm infestation has reduced the cotton crop. However, prices appear to be approximately 25 cents per pound higher than projected. Corn, sorghum and wheat yields have been better than projected, and the prices have been higher.

## Region 5—Cross Timbers

Grazing conditions are excellent going into winter. With all the rain in the past 30 days, we need a late frost for cotton to reach its potential. Farmers are just now able to sow wheat, so it will be several weeks before grazing conditions on wheat pastures are ready.

The peanut harvest has begun. Fields are very wet. High feed prices are reducing profits in beef cattle and dairy operations. Ag producers are very concerned about the impact of the new farm bill.

The major row crop in this area is peanuts. With the current debate in Congress over the future farm bill, the peanut program could be a casualty. Farmers are taking a wait-and-see approach, which has drastically slowed down any capital expenditures.

Cotton looks good, there is good moisture for wheat planting, and cattle prices are down.

## Region 6—North Central Texas

Grain crop harvests have been good with good prices. The cotton crop is about 400 pounds of lint per acre with good prices.

## Region 7—East Texas

Lower calf prices are causing problems for some cow and calf operators struggling to meet required principal reductions. Dairy producers are having cash flow problems as milk prices are 3 to 5 percent below last year's prices. Hay is short, and feed prices are going up; this could make for a long winter.

Anxiety over government farm policy changes is significant among dairy producers. Operating margins continue to suffer seasonally, and feed costs are increasing steadily.

Weather is favorable for dairy and feeder producers' winter pasture plantings.

Poultry death loss in August's heat was high, but producers report little negative impact overall.

## Region 8—Central Texas

Low cattle prices have caused some producers to hold their calves and wait for markets to improve. Others are sending cattle to feed lots. Some ranchers are having a hard time reducing their operating loans to the levels of past years.

Purchase money loans for cattle are very slow compared with the level a year ago. The primary reasons are the downturn in cattle prices and an uncertain future.

The uncertainty of the '95 farm bill is causing problems. Leases for riceland are pending, and with no financing in place, farmers cannot commit.

Banks' ability to finance one-fourth of rice farmers is in question under the '95 farm bill. Young and low-equity farmers will be hard hit.

Low cattle prices are hurting ranchers. Producers are holding calves in pastures longer to increase their sale weights. Some ranchers will hold calves and graze them this winter on oats and wheat. Most ranchers are gearing up to sell 600-pound-plus calves over the next few years.

Local ranchers blame imports of over 900,000 Mexican cattle for the rapid drop in cattle prices. Light crossbred calves (250 to 350 pounds) are selling for only 50 to 60 cents per pound.

## Region 9—Coastal Texas

The Texas Gulf Coast (Golden Crescent area), which includes Victoria and the surrounding counties, has had an exceptionally good farming year. Above-average prices for farm commodities and exceptionally good yields have helped farmers substantially improve their financial condition.

Cow and calf producers in the area will remain marginally profitable as calf prices trend downward as a result of oversupply and seasonal price pressures. Adding value to calves is the marketing challenge for the cow-calf sector. Consideration should be given to retaining ownership in calf crops through winter grass programs or other grazing/feeding scenarios. Profitability can be

projected through these programs; however, marketing is the key.

Moisture conditions are excellent throughout the Golden Crescent area.

## Region 10—South Texas

Hunting and recreational ranches continue to gain value, especially those within one hour's driving time of San Antonio.

## Region 11—Trans-Pecos and Edwards Plateau

Crop production will be down this year due to infestation of insects, especially the beet armyworm. With this problem, compounded by low cattle prices, we anticipate more consolidations of smaller operations and increased land sales to nonproducers for recreation uses.

Future credit conditions for more highly leveraged ranchers will depend on mohair and wool prices and the value of cull goats and sheep. Recent mohair market deterioration, coupled with loss of incentives for the 1996 crop year, will be a blow to our area unless prices turn around. Many producers have calculated their break-even price at \$3 per pound of mohair; recent prices have been \$1.50 per pound. Incentives will help this year, but they don't appear to be here for future years. The weak cattle market also limits alternatives (and profitability) for producers.

Current cattle prices continue to concern us. Most producers will be able to pay back their operating loans but will have little or nothing left to pay other debt. Pasture conditions are good to excellent.

## Region 12—Southern New Mexico

As we go into the last quarter of 1995, we believe the farmers in our area will have a difficult time repaying their operating loans. Growing conditions for chile crops have been very poor, and we anticipate some problem loans from 1995. Problems in the cattle market are serious, and we foresee some troubled loans in that area as well.

## Region 13—Northern Louisiana

Actual values aren't available because the number of land sales is low and the land quality varies greatly. After a hot, dry summer, agricultural conditions are poor. Irrigation has had little effect on cotton yields.