

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

Fourth Quarter 1996

The Fourth Quarter Survey of Agricultural Credit Conditions suggests that the financial condition of the agricultural community has strengthened, although the effects of the drought linger in several parts of the Eleventh District. Overall, fewer bankers reported an increase in renewals or extensions or a decline in the rate of loan repayment than in the third quarter. These measures varied widely across regions, however.

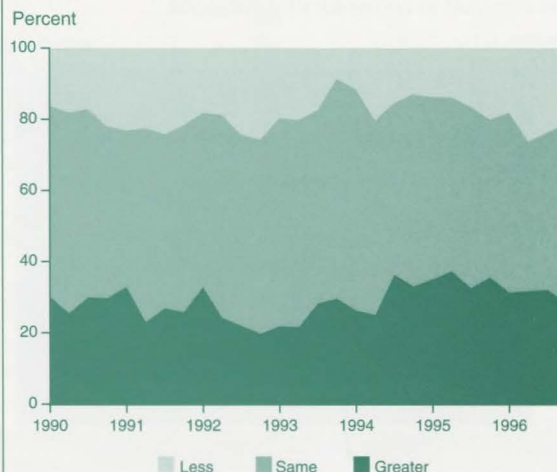
Here are additional details from the survey:

- Forty percent or more of the responding bankers reported a decline in the rate of loan repayment in the Southern Low Plains, Cross Timbers, North Central Texas, East Texas and Coastal Texas regions.
- Fifty percent or more of the responding bankers report an increase in renewals or extensions in the North Central Texas, East Texas, Coastal Texas, South Texas and New Mexico regions.
- Twenty-seven percent of responding bankers reported an increase in collateral required. That number was down from 34 percent in the third quarter and 39 percent in the second quarter.
- Fifty-three percent of responding bankers want to increase the volume of loans available to farmers and ranchers.

Agricultural Credit Conditions at Survey Banks in the Eleventh District

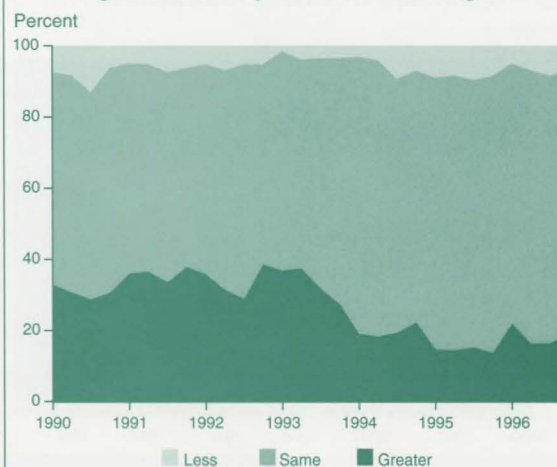
Demand for Loans

Fifty percent of responding banks report no change in the demand for loans.



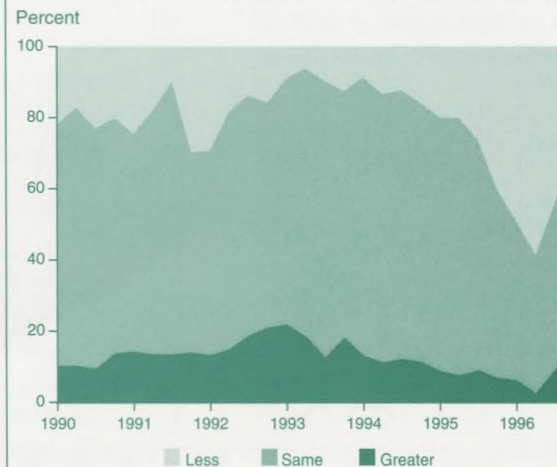
Funds Available for Additional Lending

Nearly 75 percent of respondents report no change in availability of funds for lending.



Rate of Loan Repayment

The rate of loan repayment increases for 17 percent of fourth-quarter respondents.



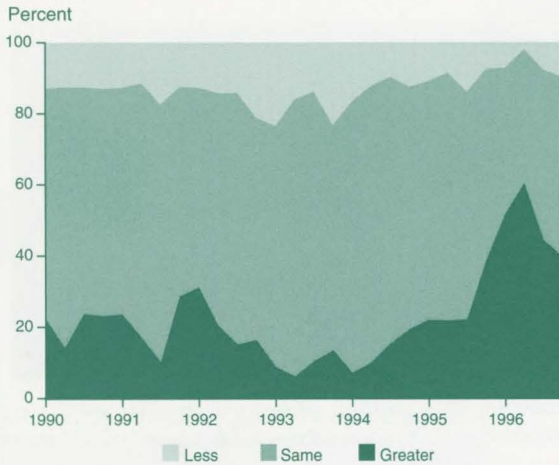
Quarterly Survey of Agricultural Credit Conditions is compiled from a survey of Eleventh District agricultural bankers. This publication is prepared by the Federal Reserve Bank of Dallas and is available without charge by writing to the Research Department, Federal Reserve Bank of Dallas, P.O. Box 655906,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

For questions regarding information in the release, contact Michelle Burchfiel, (214) 922-5178.

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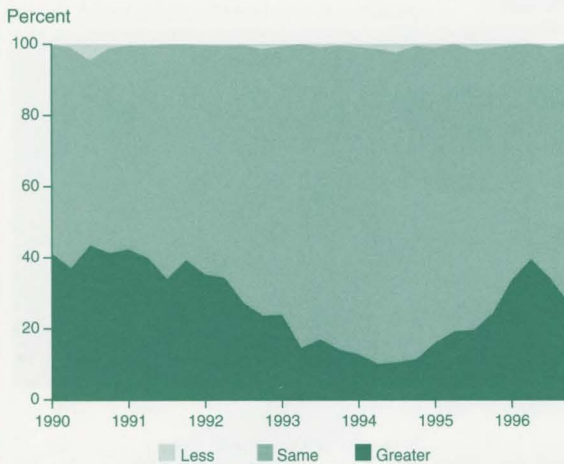
Renewals or Extensions of Loans

Forty percent of respondents report an increase in renewals or extensions.



Amount of Collateral

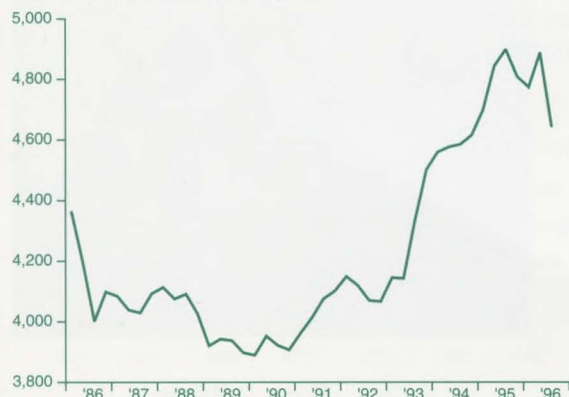
Thirty-four percent of survey respondents report an increase in collateral requirements.



Total Agricultural Loans at Eleventh District Agricultural Banks

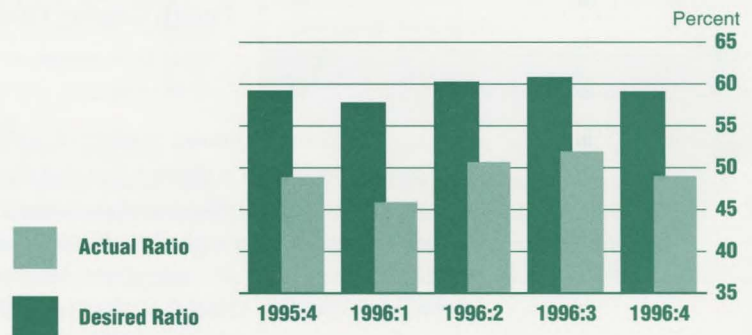
Agricultural lending fell 5 percent in the third quarter of 1996.

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)				1997 Jan. 1
	1996				
	Jan. 1	Apr. 1	Jul. 1	Oct. 1	
Less than 41%	34	37	29	27	34
41% to 50%	23	24	24	19	20
51% to 60%	14	20	15	22	23
61% to 70%	21	14	22	18	18
More than 70%	9	5	11	15	6

INTEREST RATES—FIXED

Ratio	Average Rate (Percent)				
	1996				1997
	Jan. 1	Apr. 1	Jul. 1	Oct. 1	Jan. 1
Feeder cattle	10.68	10.41	10.45	10.45	10.48
Other farm operating	10.84	10.58	10.55	10.56	10.56
Intermediate term	10.79	10.43	10.44	10.51	10.41
Long-term farm real estate	10.55	10.04	10.05	9.96	9.90

INTEREST RATES—VARIABLE

Ratio	Average Rate (Percent)				1997 Jan. 1
	1996				
	Jan. 1	Apr. 1	Jul. 1	Oct. 1	
Feeder cattle	10.56	10.34	10.45	10.37	10.32
Other farm operating	10.70	10.50	10.54	10.53	10.53
Intermediate term	10.56	10.25	10.37	10.31	10.33
Long-term farm real estate	10.39	10.13	10.14	10.04	10.02

Rural Real Estate Values

January 1, 1997

¹ Number of banks reporting land values.

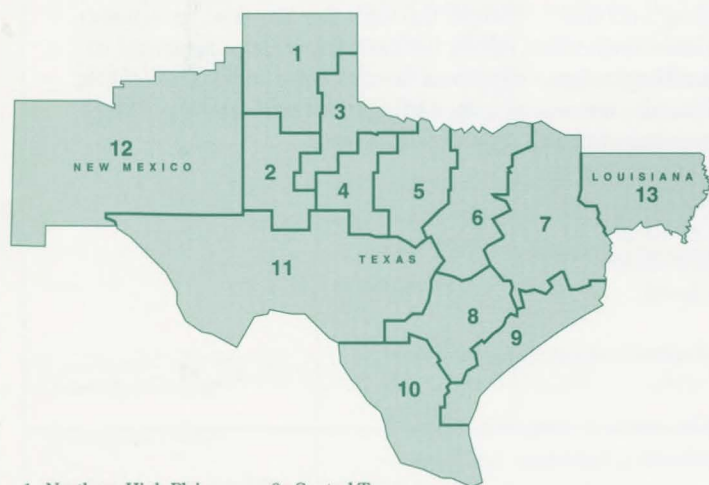
² Nominal dollars per acre.

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



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|------------------------|------------------------------------|
| 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 1996	Average Value ² Fourth-Quarter 1996	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	119	571	2.7	2.1
TEXAS	110	565	2.9	1.6
Northern High Plains	14	278	-0.9	-7.6
Southern High Plains	12	325	2.0	-6.0
Northern Low Plains	8	307	2.5	-0.8
Southern Low Plains	10	378	-1.4	-0.5
Cross Timbers	8	481	-5.6	1.0
North Central Texas	22	814	2.9	11.4
East Texas	4	679	3.1	-8.3
Central Texas	11	1,036	9.7	9.7
Coastal Texas	6	793	0.5	1.7
South Texas	3	485	9.1	-0.5
Trans-Pecos and Edwards Plateau	12	489	1.6	-3.6
Northern Louisiana	6	680	1.6	6.7
Southern New Mexico	3	225	n.r.	-4.3

CROPLAND—IRRIGATED

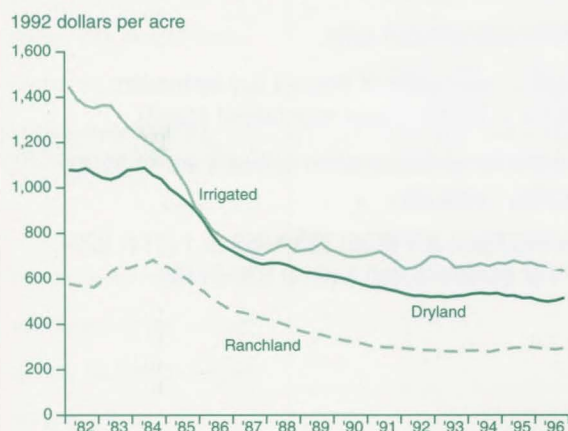
Region	Banks ¹ Fourth-Quarter 1996	Average Value ² Fourth-Quarter 1996	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	76	701	-0.7	-3.4
TEXAS	66	673	3.4	3.3
Northern High Plains	13	570	0.2	-1.3
Southern High Plains	12	655	3.6	4.0
Northern Low Plains	6	448	-1.5	1.8
Southern Low Plains	7	601	-3.1	-0.4
Cross Timbers	5	733	3.3	0.2
North Central Texas	n.r.	n.r.	n.r.	n.r.
East Texas	n.r.	n.r.	n.r.	n.r.
Central Texas	4	1,373	6.1	8.6
Coastal Texas	3	828	13.7	n.r.
South Texas	3	718	6.4	-4.2
Trans-Pecos and Edwards Plateau	11	927	2.9	9.7
Northern Louisiana	6	907	-1.8	4.2
Southern New Mexico	4	905	-22.9	-34.9

RANCHLAND

Region	Banks ¹ Fourth-Quarter 1996	Average Value ² Fourth-Quarter 1996	Percent Changes in Values from	
			Previous Quarter	Previous Year
DISTRICT	124	326	2.3	0.5
TEXAS	115	409	2.1	0.6
Northern High Plains	12	163	-3.8	-12.5
Southern High Plains	10	139	0.7	-10.0
Northern Low Plains	8	159	3.4	2.6
Southern Low Plains	9	240	0.2	7.1
Cross Timbers	10	439	-4.1	5.6
North Central Texas	23	754	2.8	15.9
East Texas	8	748	0.9	-20.5
Central Texas	12	1,005	7.0	14.4
Coastal Texas	3	545	-0.5	-2.1
South Texas	3	373	-0.1	-7.7
Trans-Pecos and Edwards Plateau	16	353	3.8	1.3
Northern Louisiana	5	424	2.2	2.6
Southern New Mexico	4	89	4.6	-0.7

Real Eleventh District Land Values

Dry- and ranchland values strengthened in the fourth quarter of 1996.



Fourth-Quarter Comments

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

Region 2—Southern High Plains

Crop yields are significantly better than projections from this summer. Despite lower crop prices, farmers should generally be in better financial condition than they were 12 months ago.

Region 5—Cross Timbers

1996 agricultural income is projected to be 50 percent of the 1995 level. Most agricultural commodities produced in our area in 1996 had low yields and low prices.

Good fall rains filled stock tanks and gave us excellent pasture wheat and winter grass. We currently need one to two inches of rain to maintain grazing conditions.

As the cattle market improves, credit conditions will, too.

Region 8—Central Texas

The rainfall we have received has been beneficial; however, replenishment of subsoil moisture will take more rain. Demand for hay has decreased dramatically.

Rains were too little, too late to provide moisture for grazing and hay production in our area. Cattle farmers who depend on farm-raised hay were forced to sell portions of herds normally kept for breeding stock or raised to a more mature market status. Cattle were sent to market by necessity, not because of marketability or local demand. This sell-off drove down prices to an unprofitable level.

Region 9—Coastal Texas

The Coastal Bend area was severely hurt by the drought, as is evident from the carryover of loans in 1997. Because of the large carryover, numerous farmers have applied for disaster assistance through FSA. Obtaining these emergency loans is a slow process, and without these funds, the 1997 operations of some producers may be in jeopardy.

Region 12—Southern New Mexico

Summer's high grain prices did not hold through the harvest. As a result, bids for cash rents have returned to normal levels. Land values are stable. Low cattle prices still are depressing ranchland values.

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