

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

Fourth Quarter 1997

The Fourth Quarter Survey of Agricultural Credit Conditions indicates that Eleventh District agricultural producers continue to recover from the drought, although there are some signs of weakening in late 1997. While respondents report favorable weather conditions for much of the District, their attention is increasingly focused on market conditions. Bankers report that although cotton yields have been good, many cotton producers are feeling the sting of low prices. As government subsidies are phased out, producers are being encouraged to market their crops to hedge against price volatility. However, bankers indicate that some cotton producers saw contracts broken when market prices fell as much as 20 percent below contracted price levels (see bankers' comments on page 4). There is also a slight increase in reports of declines in loan repayment rates and increases in renewals and extensions compared with the third quarter.

Here are additional details from the survey:

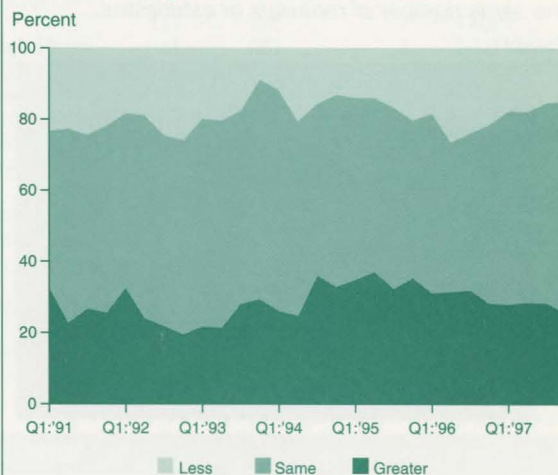
- Sixty-two percent of responding bankers report no change in the rate of loan repayment compared with year-earlier levels. A decline in the rate of loan repayment is reported by slightly more bankers than in the third quarter. Forty-four percent of bankers in the Southern High Plains report declines in the rate of loan repayment compared with a year earlier.
- Twenty-one percent of District bankers report increased loan renewals or extensions, up from 15 percent in the third quarter. However, 65 percent of bankers report no change in the amount of renewals and extensions. At least 25 percent of bankers in the Southern High Plains, Coastal Texas, Trans-Pecos and Edwards Plateau, Southern New Mexico and Northern

(Continued on page 4)

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

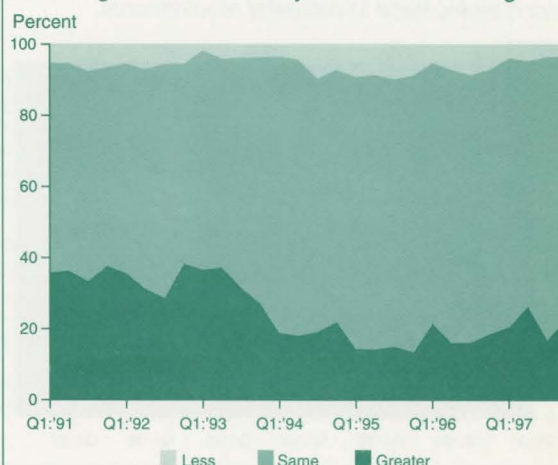
### Demand for Loans

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



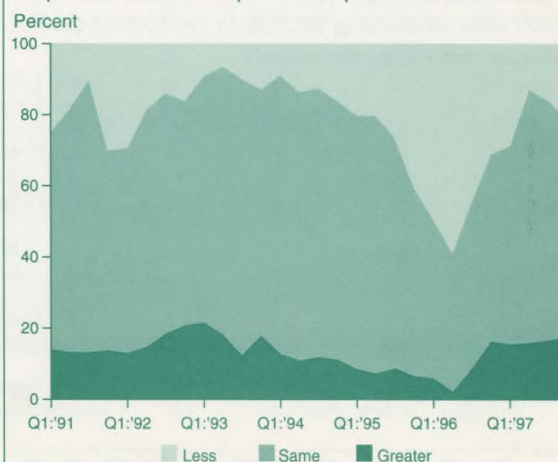
### Funds Available for Additional Lending

Seventy-four percent of respondents report no change in the availability of funds for lending.



### Rate of Loan Repayment

The rate of loan repayment decreases for 21 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.

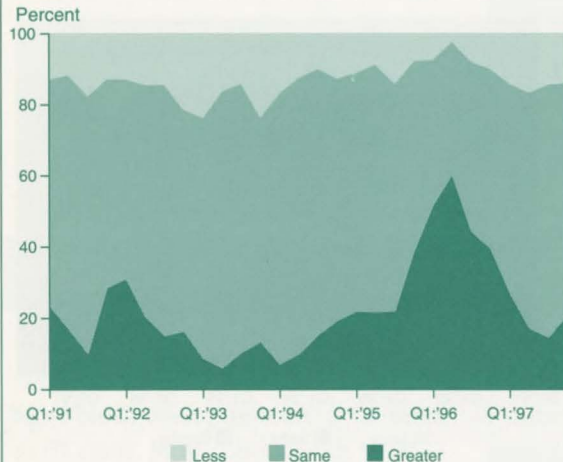
For questions regarding information in the release, contact Sheila Dolmas, (214) 922-5191.



# Agricultural Credit Conditions at Survey Banks in the Eleventh District

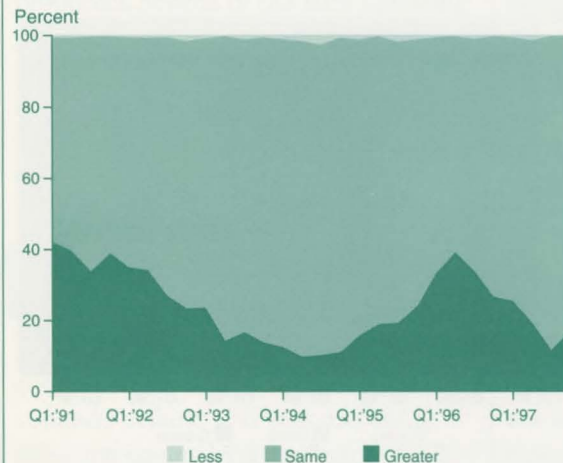
## Renewals or Extensions of Loans

Sixty-five percent of respondents report the same number of renewals or extensions.



## Amount of Collateral

Seventeen percent of survey respondents report an increase in collateral requirements.



## Total Agricultural Loans at Eleventh District Banks

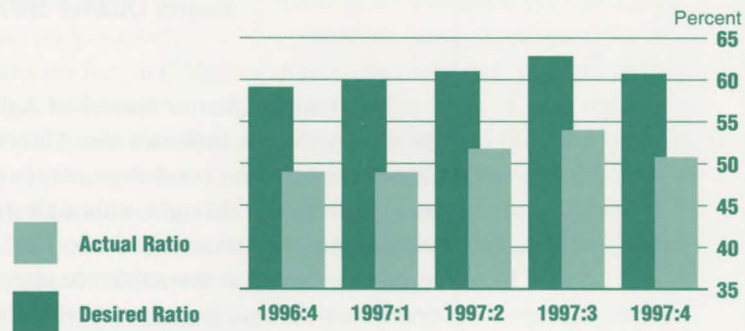
Agricultural lending levels off in the third quarter of 1997 after rebounding strongly in the second quarter.

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)				1998 Jan. 1
	1997				
	Jan. 1	Apr. 1	Jul. 1	Oct. 1	
Less than 41%	34	29	24	21	30
41% to 50%	20	27	22	18	16
51% to 60%	23	20	23	20	25
61% to 70%	18	15	17	25	20
More than 70%	6	9	15	15	10

## INTEREST RATES — FIXED

Ratio	Average Rate (Percent)				
	1997				1998
	Jan. 1	Apr. 1	Jul. 1	Oct. 1	Jan. 1
Feeder cattle	10.48	10.46	10.55	10.47	10.49
Other farm operating	10.56	10.56	10.68	10.56	10.60
Intermediate term	10.41	10.37	10.48	10.39	10.33
Long-term farm real estate	9.90	10.05	9.95	9.71	9.74

## INTEREST RATES — VARIABLE

Ratio	Average Rate (Percent)				
	1997				1998
	Jan. 1	Apr. 1	Jul. 1	Oct. 1	Jan. 1
Feeder cattle	10.32	10.42	10.69	10.69	10.50
Other farm operating	10.53	10.53	10.66	10.71	10.55
Intermediate term	10.33	10.40	10.50	10.38	10.30
Long-term farm real estate	10.02	10.09	10.06	9.88	9.90

# Rural Real Estate Values

January 1, 1998

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

<sup>2</sup> Prices are dollars per acre, not adjusted for inflation.

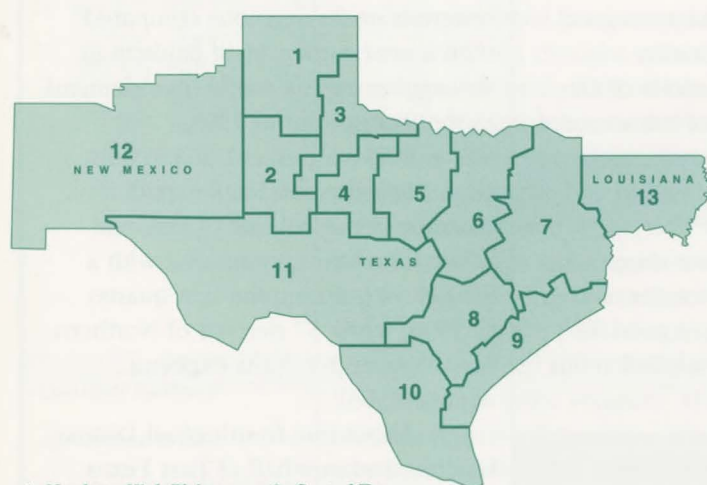
<sup>3</sup> Not adjusted for inflation.

n.r.—Not reported due to insufficient 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

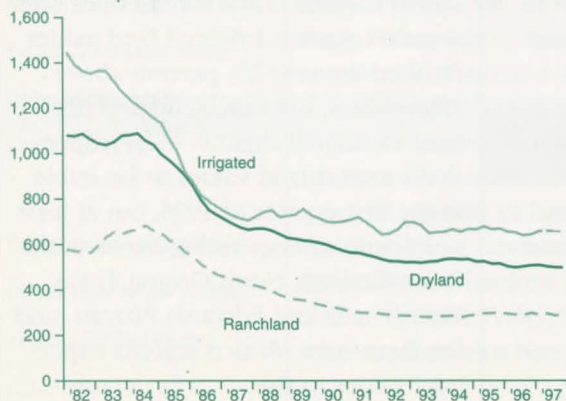


- |                        |                                    |
|------------------------|------------------------------------|
| 1 Northern High Plains | 8 Central Texas                    |
| 2 Southern High Plains | 9 Coastal Texas                    |
| 3 Northern Low Plains  | 10 South Texas                     |
| 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           |                                    |

## Real Eleventh District Land Values

Land values remain relatively stable.

1992 dollars per acre



## CROPLAND—DRYLAND

Region	Banks <sup>1</sup>	Average Value <sup>2</sup> Fourth-Quarter 1997	Percent Changes <sup>3</sup> in Values from	
			Previous Quarter	Previous Year
DISTRICT	122	560	-.4	-.6
TEXAS	113	556	-.3	-.3
Northern High Plains	14	281	.1	-1.0
Southern High Plains	15	348	1.3	7.5
Northern Low Plains	8	310	2.4	4.6
Southern Low Plains	11	412	-3.1	10.8
Cross Timbers	12	522	2.2	6.8
North Central Texas	15	810	2.2	5.2
East Texas	4	605	-8.1	-13.1
Central Texas	13	882	.6	-13.8
Coastal Texas	7	817	1.6	3.9
South Texas	4	492	-1.5	6.3
Trans-Pecos and Edwards Plateau	10	522	-2.5	6.0
Northern Louisiana	7	653	-.9	-3.8
Southern New Mexico	n.r.	n.r.	n.r.	n.r.

## CROPLAND—IRRIGATED

Region	Banks <sup>1</sup>	Average Value <sup>2</sup> Fourth-Quarter 1997	Percent Changes <sup>3</sup> in Values from	
			Previous Quarter	Previous Year
DISTRICT	78	739	-.5	3.3
TEXAS	66	688	1.5	2.3
Northern High Plains	14	618	3.1	6.4
Southern High Plains	14	654	-.4	.2
Northern Low Plains	4	438	5.6	-.3
Southern Low Plains	7	666	0	12.6
Cross Timbers	6	767	1.0	13.2
North Central Texas	n.r.	n.r.	n.r.	n.r.
East Texas	3	706	13.9	5.0
Central Texas	6	1,342	.8	-6.0
Coastal Texas	n.r.	n.r.	n.r.	n.r.
South Texas	3	804	4.2	13.4
Trans-Pecos and Edwards Plateau	7	723	-8.7	-20.3
Northern Louisiana	7	923	1.8	2.2
Southern New Mexico	5	1,167	-11.5	9.6

## RANCHLAND

Region	Banks <sup>1</sup>	Average Value <sup>2</sup> Fourth-Quarter 1997	Percent Changes <sup>3</sup> in Values from	
			Previous Quarter	Previous Year
DISTRICT	129	328	1.8	-.7
TEXAS	118	411	1.8	2.4
Northern High Plains	11	158	-2.5	-5.7
Southern High Plains	13	137	-.7	-5.1
Northern Low Plains	8	148	-.6	-1.8
Southern Low Plains	10	237	1.2	1.5
Cross Timbers	12	440	.6	.4
North Central Texas	15	716	.1	.4
East Texas	11	739	.4	-.7
Central Texas	15	831	-4.5	-17.2
Coastal Texas	5	583	6.0	2.8
South Texas	5	444	-.1	16.6
Trans-Pecos and Edwards Plateau	13	370	6.7	9.6
Northern Louisiana	5	454	.8	4.1
Southern New Mexico	6	88	1.5	-29.2



# 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

Cotton prices are now below 60 cents per pound for our grade of cotton. Most break-even points are at 63 cents to 65 cents. Most cotton yields were right at or slightly below expectations.

The depressed cotton market is having a devastating effect on many producers. Several of our farm-operating borrowers will experience operating carryover due to the low cotton prices, despite above-average yields. Producers must do a better job of marketing their crops to hedge against price declines in the future.

## Region 4—Southern Low Plains

For the second year in a row, the cotton farmers have seen their cotton contracts default. This year it could affect the county by \$1 million to \$1.25 million in lost revenue. Most cotton was contracted for 70 cents to 71.5 cents per pound. Today's market is around 55 cents per pound. Wheat outlooks are good for grazing. Wheat price to harvest is projected to be \$3 per bushel.

## Region 5—Cross Timbers

Soil moisture is good, and small grains are growing well. Dairy producers are very concerned about future milk prices. Some dairy producers are selling their cattle and trying to sell their dairy farms.

This area finally received adequate moisture. However, wheat pastures are growing slowly due to unfavorable soil temperature.

## Region 7—East Texas

Dairy margins are excellent in this, the peak season for production. Producers await events of early consolidation of dairy cooperatives Associated Milk Producers Inc. and Mid America Dairymen Inc. with some anxiety. Stocker calf prices are excellent, and winter planting of pasture is good. Poultry grow-out operations are experiencing extended periods of idle capacity, although some of it is seasonal.

## Region 8—Central Texas

The peanut harvest was disappointing due to wet and cold conditions.

Moisture conditions are good for spring. Fertilizer is being applied at this time.

## Region 9—Coastal Texas

In our area, input costs are high. Farmers cannot afford to scrimp on costs without significantly reducing yields. Cost-saving measures such as no-till or other similar management practices will not work here due to our rainfall, soil types and climate. It is getting increasingly difficult to generate a profit due to the rising cost of inputs and machinery. Our community is predominantly agriculture based, and some small businesses have suffered and gone out of business over the past several years due to the slim margins in farming.

## Region 12—Southern New Mexico

The start of winter has been very rough as a result of the snow and cold temperatures.

## Additional Details Continued

(Continued from page 1)

Louisiana regions report increases in loan renewals or extensions compared with a year earlier.

- Although producers in Southern New Mexico have been hurt by winter storms in the last part of December, there is no evidence yet that credit conditions have deteriorated in that region. Seventy-one percent of bankers report stable rates of loan repayment and no changes in the amount of loan renewals and extensions compared with a year earlier. Most bankers in that region expect stable loan demand in the first quarter of 1998.

- Fifty-six percent of Southern High Plains respondents expect an increase in the volume of non-real estate farm loans, compared with a year earlier, during the first quarter of 1998, while 57 percent of Northern Louisiana respondents expect a decrease.

- About one-fourth of all District bankers and one-half of East Texas and Cross Timbers bankers expect a decrease in the volume of dairy loans during the first quarter of 1998, compared with the the first quarter of 1997.

- Fifty-seven percent of responding bankers want to increase the volume of loans available to farmers and ranchers.

- Real District ranchland values were 1.8 percent higher in the fourth quarter, while irrigated land values fell 0.5 percent and dryland values continued to edge down for the third consecutive quarter. Irrigated land values finished the year 3.3 percent above 1996 values, but ranchland and dryland values fell slightly. Most respondents expect land values to be stable in the first quarter of 1998, but at least one-fourth of responding banks in the Cross Timbers, North Central Texas, Trans-Pecos and Edwards Plateau, and Southern New Mexico regions expect land values to rise.