

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

First Quarter 1998



The First Quarter Survey of Agricultural Credit Conditions indicates that financial conditions of Eleventh District agricultural producers are stable overall, with a slight improvement in loan repayment over the previous quarter. Respondents report that El Niño has improved soil conditions with welcome moisture in many parts of the District. Although respondents are optimistic about crop yields this year, they are also worried about prices (see bankers' comments on page 4).

Here are additional details from the survey:

- Seventeen percent of responding bankers report a decline in the rate of loan repayment and increased renewals or extensions compared with year-earlier levels. This is a slight improvement over fourth-quarter 1997 conditions. However, credit conditions in the Southern High Plains have deteriorated since the fourth-quarter survey, with 59 percent of bankers reporting declines in the rate of loan repayment and increases in loan renewals or extensions compared with a year earlier.

- Land values have increased substantially over the past six months. After adjusting for inflation, dryland values have risen 7 percent, ranchland values are up 6 percent, and irrigated land values have jumped 13 percent since September 1997. Twenty-two percent of respondents expect farmland values to increase in the second quarter, while most expect prices to stabilize. More than 40 percent of bankers in the Cross Timbers and North Central Texas regions expect land prices to rise in the second quarter.

- Only 8 percent of bankers expect to increase the volume of feeder cattle loans in the second quarter from their year-earlier levels. The percentage expecting a decrease in the volume of feeder cattle loans has risen from 14 percent in the fourth quarter to 25 percent in the first quarter.

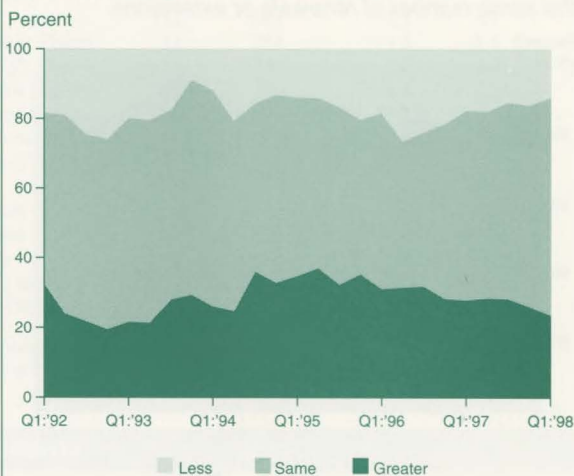
Quarterly Survey of Agricultural Credit Conditions is compiled from a survey of Eleventh District agricultural bankers. This publication is prepared by the Federal Reserve Bank of Dallas and is available without charge by writing to the Research Department, Federal Reserve Bank of Dallas, P.O. Box 655906, 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

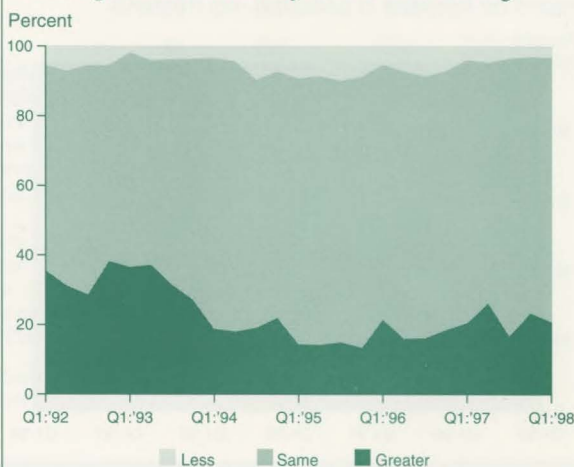
Demand for Loans

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



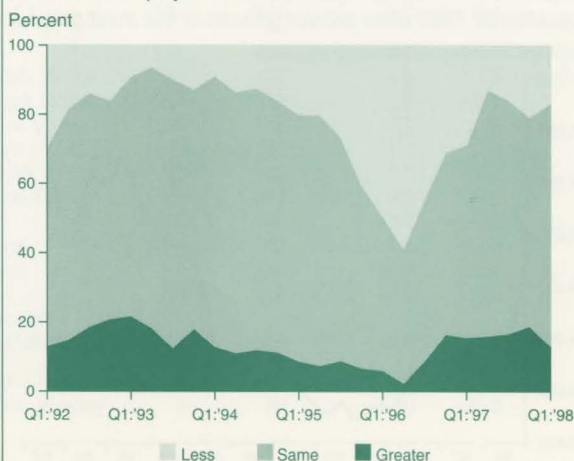
Funds Available for Additional Lending

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



Rate of Loan Repayment

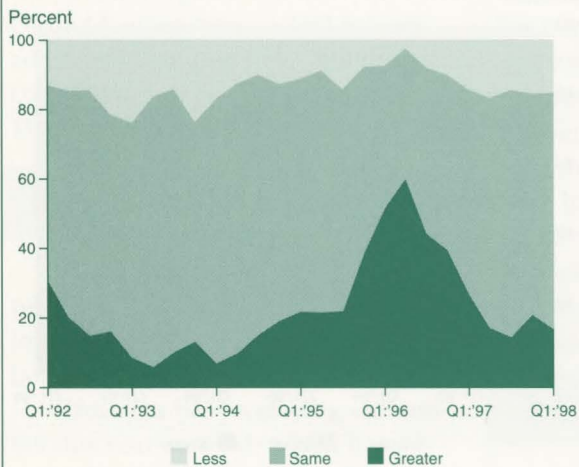
Fewer bankers report a decline in the loan repayment rate.



Agricultural Credit Conditions at Survey Banks in the Eleventh District

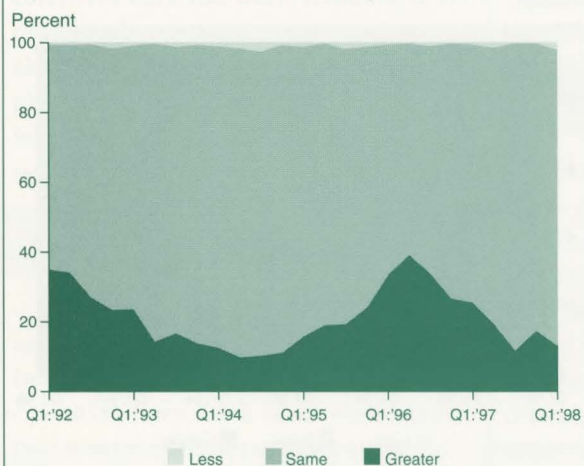
Renewals or Extensions of Loans

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



Amount of Collateral

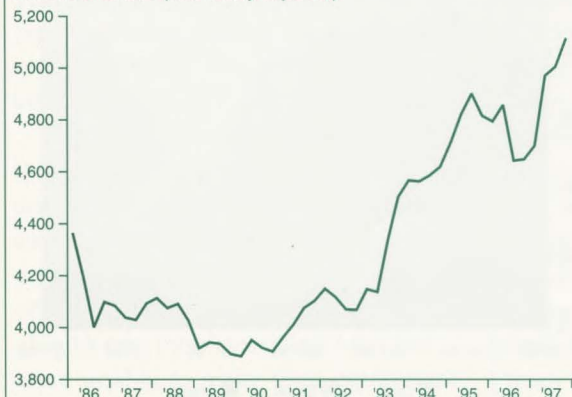
Eighty-five percent of survey respondents report no increase in collateral requirements.



Total Agricultural Loans at Eleventh District Banks

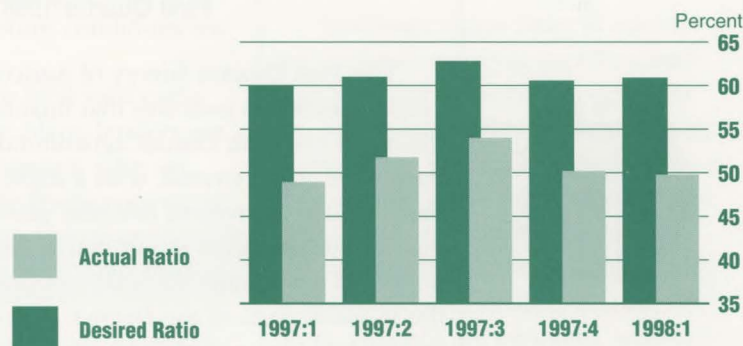
Agricultural lending rises 2 percent in the fourth quarter of 1997 after slower growth in the third quarter.

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) | | | | |
|---------------|---------------------------|--------|--------|--------|--------|
| | 1997 | | | 1998 | |
| | Apr. 1 | Jul. 1 | Oct. 1 | Jan. 1 | Apr. 1 |
| Less than 41% | 29 | 24 | 21 | 30 | 31 |
| 41% to 50% | 27 | 22 | 18 | 16 | 16 |
| 51% to 60% | 20 | 23 | 20 | 25 | 22 |
| 61% to 70% | 15 | 17 | 25 | 20 | 21 |
| More than 70% | 9 | 15 | 15 | 9 | 9 |

INTEREST RATES—FIXED

| Ratio | Average Rate (Percent) | | | | |
|----------------------------|------------------------|--------|--------|--------|--------|
| | 1997 | | | 1998 | |
| | Apr. 1 | Jul. 1 | Oct. 1 | Jan. 1 | Apr. 1 |
| Feeder cattle | 10.46 | 10.55 | 10.47 | 10.50 | 10.46 |
| Other farm operating | 10.56 | 10.68 | 10.56 | 10.60 | 10.53 |
| Intermediate term | 10.37 | 10.48 | 10.39 | 10.36 | 10.43 |
| Long-term farm real estate | 10.05 | 9.95 | 9.71 | 9.72 | 9.67 |

INTEREST RATES—VARIABLE

| Ratio | Average Rate (Percent) | | | | |
|----------------------------|------------------------|--------|--------|--------|--------|
| | 1997 | | | 1998 | |
| | Apr. 1 | Jul. 1 | Oct. 1 | Jan. 1 | Apr. 1 |
| Feeder cattle | 10.42 | 10.69 | 10.69 | 10.45 | 10.45 |
| Other farm operating | 10.53 | 10.66 | 10.71 | 10.54 | 10.52 |
| Intermediate term | 10.40 | 10.50 | 10.38 | 10.33 | 10.42 |
| Long-term farm real estate | 10.09 | 10.06 | 9.88 | 9.85 | 9.8 |

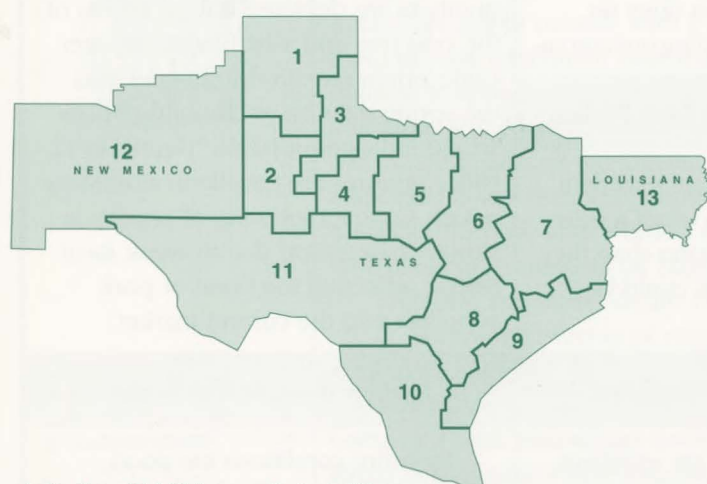
Rural Real Estate Values

April 1, 1998

- ¹ Number of banks reporting land values.
² Prices are dollars per acre, not adjusted for inflation.
³ 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.

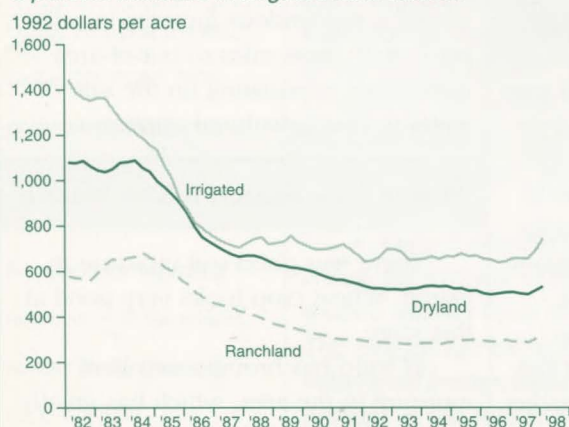
Eleventh Federal Reserve District



- | | |
|------------------------|------------------------------------|
| 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 rise in the first quarter, led by an 8 percent increase in irrigated land values.



CROPLAND—DRYLAND

| Region | Banks ¹ First-Quarter 1998 | Average Value ² First-Quarter 1998 | Percent Changes ³ in Values from | |
|------------------------------------|--|---|--|------------------|
| | | | Previous Quarter | Previous Year |
| DISTRICT | 121 | 602 | 3.3 | 5.9 |
| TEXAS | 111 | 601 | 3.7 | 6.7 |
| Northern High Plains | 14 | 264 | -4.4 | -4.4 |
| Southern High Plains | 15 | 344 | 0.0 | 2.9 |
| Northern Low Plains | 8 | 320 | 2.8 | 7.5 |
| Southern Low Plains | 10 | 695 | 25.7 | 76.4 |
| Cross Timbers | 9 | 591 | 7.9 | 17.7 |
| North Central Texas | 20 | 954 | 9.1 | 22.4 |
| East Texas | 3 | 572 | -7.2 | -20.0 |
| Central Texas | 8 | 895 | 3.5 | -10.1 |
| Coastal Texas | 11 | 829 | -0.3 | 6.4 |
| South Texas | 4 | 433 | -9.8 | -11.0 |
| Trans-Pecos and Edwards Plateau | 9 | 560 | 1.7 | 9.6 |
| Northern Louisiana | 6 | 660 | -0.8 | -2.2 |
| Southern New Mexico | 4 | 241 | 2.8 | 5.6 |

CROPLAND—IRRIGATED

| Region | Banks ¹ First-Quarter 1998 | Average Value ² First-Quarter 1998 | Percent Changes ³ in Values from | |
|------------------------------------|--|---|--|------------------|
| | | | Previous Quarter | Previous Year |
| DISTRICT | 77 | 841 | 7.8 | 14.5 |
| TEXAS | 63 | 768 | 5.6 | 14.6 |
| Northern High Plains | 13 | 755 | 10.6 | 30.9 |
| Southern High Plains | 15 | 679 | 2.8 | 1.7 |
| Northern Low Plains | 6 | 442 | 4.2 | 6.6 |
| Southern Low Plains | 7 | 694 | 3.8 | 14.5 |
| Cross Timbers | 5 | 762 | 1.1 | 9.3 |
| North Central Texas | n.r. | n.r. | n.r. | n.r. |
| East Texas | n.r. | n.r. | n.r. | n.r. |
| Central Texas | n.r. | n.r. | n.r. | n.r. |
| Coastal Texas | n.r. | n.r. | n.r. | n.r. |
| South Texas | 3 | 639 | -13.8 | -10.6 |
| Trans-Pecos and Edwards Plateau | 8 | 1,040 | 18.1 | 10.9 |
| Northern Louisiana | 5 | 897 | -1.3 | 1.3 |
| Southern New Mexico | 9 | 1,545 | 22.4 | 17.1 |

RANCHLAND

| Region | Banks ¹ First-Quarter 1998 | Average Value ² First-Quarter 1998 | Percent Changes ³ in Values from | |
|------------------------------------|--|---|--|------------------|
| | | | Previous Quarter | Previous Year |
| DISTRICT | 130 | 344 | 0.7 | 6.4 |
| TEXAS | 117 | 436 | 1.6 | 1.1 |
| Northern High Plains | 12 | 157 | -2.8 | -3.2 |
| Southern High Plains | 13 | 135 | -0.9 | -6.7 |
| Northern Low Plains | 8 | 152 | 0.3 | 1.5 |
| Southern Low Plains | 9 | 230 | -1.0 | 1.0 |
| Cross Timbers | 10 | 516 | 8.5 | 16.7 |
| North Central Texas | 20 | 859 | 9.9 | 20.2 |
| East Texas | 8 | 693 | -5.1 | -4.9 |
| Central Texas | 9 | 882 | 1.6 | -11.3 |
| Coastal Texas | 10 | 1,135 | 30.9 | 115.2 |
| South Texas | 4 | 406 | -7.0 | 0.4 |
| Trans-Pecos and Edwards Plateau | 14 | 353 | -4.0 | 13.3 |
| Northern Louisiana | 5 | 469 | 2.1 | 6.1 |
| Southern New Mexico | 8 | 80 | -11.0 | -35.3 |

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

We have excellent wheat prospects, good underground moisture and low commodity prices. It's kind of like being all dressed up with no place to go.

This area has received good rainfall this year and last, which has improved overall farm conditions. The moisture has reduced irrigation costs and improved dryland yields. Past carryover debt has been reduced, and debt levels are much more manageable. Good underground moisture gives us optimism for a good 1998 wheat crop, barring adverse weather such as hailstorms.

Region 2 —Southern High Plains

Low cotton prices and high input costs have resulted in some borrowers being unable to repay all of the 1997 operating lines. Lack of an organized boll weevil control program could result in excessive cost to control the pest in 1998, and this could put some cotton farmers out of business. Many cotton farmers are going to plant peanuts as an alternative crop this year, and this is hurting the nonquota peanut contract prices the shellers are willing to offer. This will be a critical year for many of our farm customers.

In 1997 many farmers found out that making their projected production and operating within the projected expense levels of past years were not enough to offset the low cotton price of 54 cents to 58.5 cents. Most were able to pay their operating loan but were unable to make their equipment

payments both to the bank and to the equipment dealers.

We found it difficult to approve some loan requests using 58 cents for cotton in 1998 but cannot justify using any higher price. We also expect a greater expense for boll weevil control in 1998, based on the mild winter and warmer spring soil temperature, which may encourage earlier planting, utilizing the good moisture conditions we now have.

Competition for feed-yard cattle financing is intense. Many lenders are offering subprime interest rates on average-quality cattle-feeding operations.

Region 4—Southern Low Plains

Moisture conditions are excellent. Old-timers are unable to recall a time when conditions were better than they are now. The wheat crop could be a bumper crop.

Region 5—Cross Timbers

Moisture conditions are excellent, cattle prices are good and prospects are for a good wheat crop.

There is excellent soil moisture, with prospects for an above-average wheat crop.

Agricultural operations are improving. There are good moisture and growing conditions for most crops. There has been a small increase in real estate loan requests to purchase farmland for future retirement locations.

Region 6—North Central Texas

Farmers are off to a very good start as far as the planting season goes. Acreage is about 80 percent corn, 10 percent milo and 10 percent cotton in our county in 1998. Crops are planted, and we have good moisture conditions at this time. There is great concern about marketing the '98 crops. The current market looks very bleak at this time. It will be a weather-driven market from here out.

Cattle prices are good for stockers, pastures are doing very well with good grazing conditions and tanks are full, so it looks like '98 will be a good year for the cattle industry.

We have some concern over low crop prices at harvesttime.

Region 7—East Texas

Northeast Texas dairy producers are currently enjoying excellent margins and have guarded expectations for near-term stability. However, herd numbers are depleted due to events of the past two and a half years. Stocker cattle prices remain firm deeper into the spring than future/fat cattle prices would indicate probable. Thanks to El Niño, pastures are excellent, sustaining prices. Contract growing of poultry is slower than typical due to weak meat prices, reflecting the flood of pork suppliers into the current market.

Region 8—Central Texas

Moisture conditions are good. Cotton planting is off to a slow start because of too much rain during the week's planting starts.

We've had beneficial rains with a mild winter. Pastures are greening up nicely. It's a fairly decent cattle market. However, fat calves are down.

Region 11—Trans-Pecos and Edwards Plateau

Irrigated farmland values have shown a tremendous increase in sales price, with most sales to out-of-area individuals speculating on the sale of water to nonagricultural entities.

Region 12—Southern New Mexico

There was good soil moisture in March. Wheat crop looks very good at this stage.

El Niño has brought excellent moisture to the area, which has greatly benefited area ranchers and farmers.