

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

First Quarter 2000



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. It is available on the web at www.dallasfed.org.

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

The First Quarter Survey of Agricultural Credit Conditions suggests that the overall health of borrowers has improved from this time last year. Loan repayment has been strong, with only 15 percent of responding banks reporting a decline in payments in the first quarter of 2000 compared with a year ago. This is down markedly from the 48 percent who reported a decline in payments in first-quarter 1999. Eighteen percent of bankers reported an increased rate of loan repayment, up sharply from 4 percent in first-quarter 1999. Solid loan repayment was complemented by a reduction in requests for renewals and extensions. Nineteen percent of the bankers indicated a decrease in such requests, up from 5 percent in first-quarter 1999.

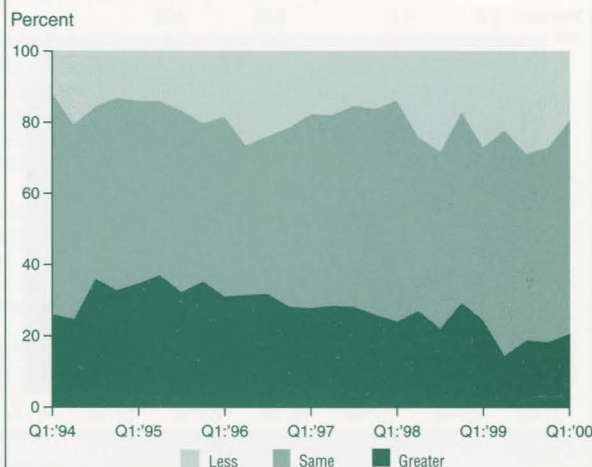
Here are additional details from the survey:

- Nearly 60 percent of responding bankers indicated a desire to increase their loan volume to farmers and ranchers.
- The average number of farm and ranch borrowers per bank has risen 38 percent over the past five quarters.
- Nonirrigated land values continued to edge higher. Dryland and ranchland values were up 3.1 percent and 1.6 percent, respectively, from last quarter. A number of lenders (26 percent) expect farmland values to continue to rise over the next three months (up from 12 percent last quarter). Respondents again noted that land values are being bid up by increased demand for land for nonagricultural use. Since this survey tracks agricultural conditions, data reflecting nonagricultural use have been omitted wherever possible.
- Total agricultural lending in the Eleventh District continued to rise in fourth-quarter 1999, as shown in the chart on page 2. The current survey suggests this trend is continuing.

Agricultural Credit Conditions at Survey Banks in the Eleventh District

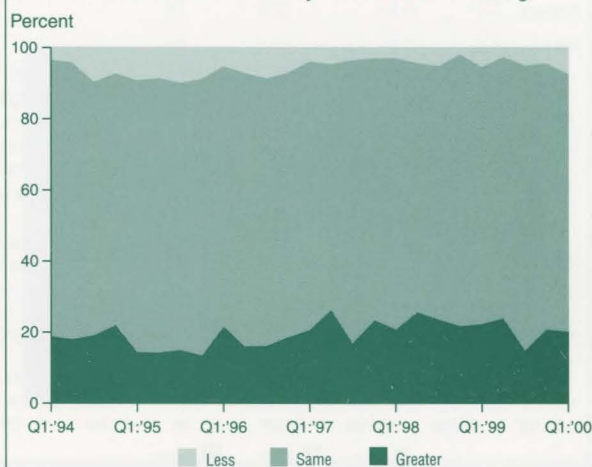
Demand for Loans

Sixty percent of responding banks report no change in loan demand.



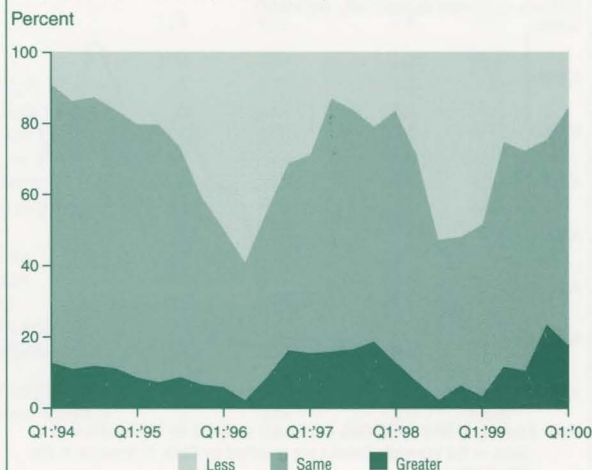
Funds Available for Additional Lending

Twenty percent of respondents report an increase in the availability of funds for lending.



Rate of Loan Repayment

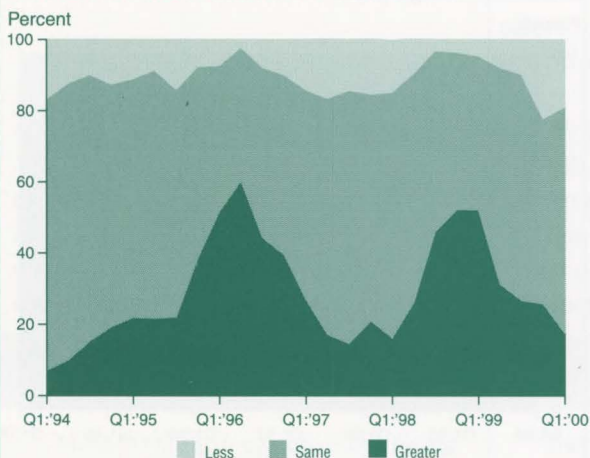
The rate of loan repayment increases for 18 percent of first-quarter respondents.



Agricultural Credit Conditions at Survey Banks in the Eleventh District

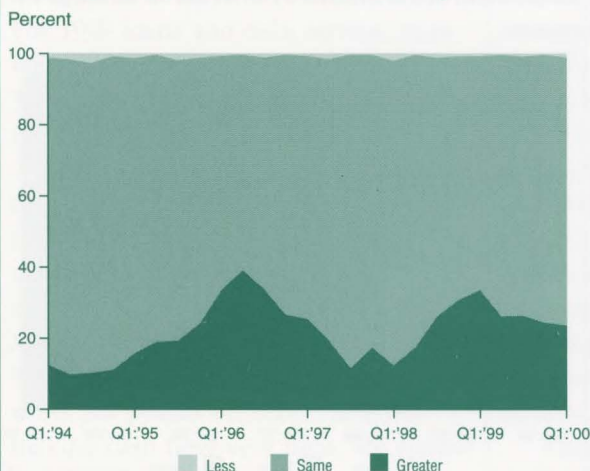
Renewals or Extensions of Loans

Nineteen percent of respondents report decreases in loan renewals or extensions.



Amount of Collateral

Twenty-four percent of respondents report increases in collateral requirements relative to last year.



Total Agricultural Loans at Eleventh District Banks

Agricultural lending continues to climb in fourth quarter 1999.

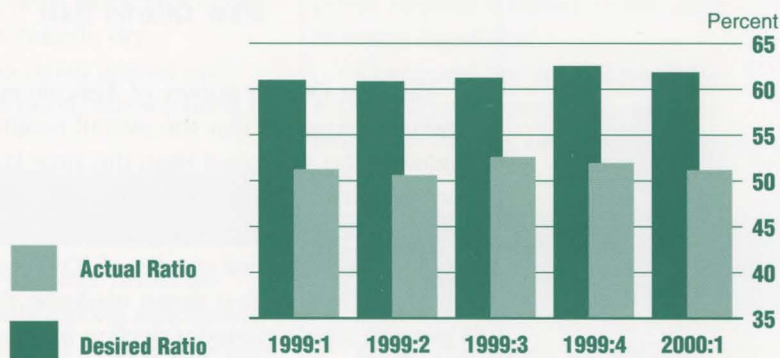
Millions of dollars (seasonally adjusted)



Note: Starting in May 1998, data previously reported by NationsBank of Texas in the Eleventh District are reported by Bank of America in the Fifth District.

Loan-Deposit Ratios at Survey Banks

Average actual and desired ratios



DISTRIBUTION OF LOAN-DEPOSIT RATIOS

Ratio	Banks Reporting (Percent)				
	1999			2000	
	Apr. 1	Jul. 1	Oct. 1	Jan. 1	Apr. 1
Less than 41%	28	25	26	24	30
41% to 50%	19	31	22	20	19
51% to 60%	25	19	21	26	25
61% to 70%	12	11	14	17	12
More than 70%	16	13	17	13	14

INTEREST RATE—FIXED

Ratio	Average Rate (Percent)				
	1999			2000	
	Apr. 1	Jul. 1	Oct. 1	Jan. 1	Apr. 1
Feeder cattle	9.91	9.99	10.16	10.39	10.56
Other farm operating	9.99	9.98	10.19	10.46	10.61
Intermediate term	9.75	9.82	10.10	10.13	10.51
Long-term farm real estate	9.18	9.28	9.50	9.59	9.86

INTEREST RATE—VARIABLE

Ratio	Average Rate (Percent)				
	1999			2000	
	Apr. 1	Jul. 1	Oct. 1	Jan. 1	Apr. 1
Feeder cattle	9.75	9.65	10.06	10.20	10.57
Other farm operating	9.94	9.84	10.17	10.30	10.65
Intermediate term	9.73	9.71	10.01	10.08	10.51
Long-term farm real estate	9.15	9.17	9.47	9.63	10.05

Rural Real Estate Values

April 1, 2000

¹ Number of banks reporting land values.

² Prices are dollars per acre, not adjusted for inflation.

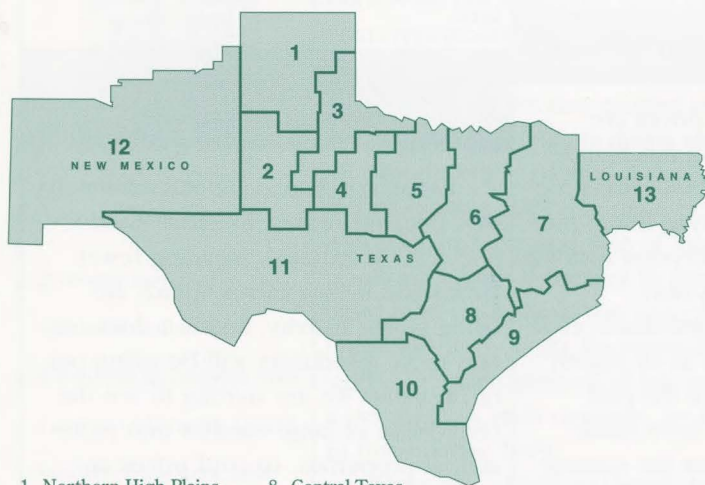
³ Not adjusted for inflation.

n.r.—Not reported due to insufficient responses.

NOTE: Regional land values based on a small and varying 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 | |

CROPLAND—DRYLAND

Region	Banks ¹ First Quarter 2000	Average Value ²	Percent Changes ³ in Values from	
			Previous Quarter	Previous Year
DISTRICT	117	609	3.1	6.1
TEXAS	106	608	3.5	6.2
Northern High Plains	12	280	-0.9	-5.2
Southern High Plains	20	327	1.3	-2.4
Northern Low Plains	6	310	1.3	-2.5
Southern Low Plains	7	417	3.3	5.1
Cross Timbers	8	577	0.0	6.2
North Central Texas	15	905	2.4	12.6
East Texas	4	703	5.1	0.1
Central Texas	13	1,191	8.5	19.6
Coastal Texas	6	757	4.5	-2.7
South Texas	7	503	-0.9	8.7
Trans-Pecos and Edwards Plateau	8	582	4.6	4.1
Northern Louisiana	6	660	-0.7	4.3
Southern New Mexico	5	300	0.7	26.0

CROPLAND—IRRIGATED

Region	Banks ¹ First Quarter 2000	Average Value ²	Percent Changes ³ in Values from	
			Previous Quarter	Previous Year
DISTRICT	81	722	-1.5	-7.1
TEXAS	69	661	0.0	-5.5
Northern High Plains	11	491	-5.3	-15.6
Southern High Plains	20	675	2.2	2.1
Northern Low Plains	6	435	1.7	5.6
Southern Low Plains	4	713	6.1	7.6
Cross Timbers	3	769	-3.9	-2.4
North Central Texas	n.r.	n.r.	n.r.	n.r.
East Texas	n.r.	n.r.	n.r.	n.r.
Central Texas	7	1,762	6.6	-7.1
Coastal Texas	n.r.	n.r.	n.r.	n.r.
South Texas	6	810	4.5	18.1
Trans-Pecos and Edwards Plateau	8	808	-7.7	-3.9
Northern Louisiana	5	820	-1.0	0.0
Southern New Mexico	7	1,290	-8.4	-14.8

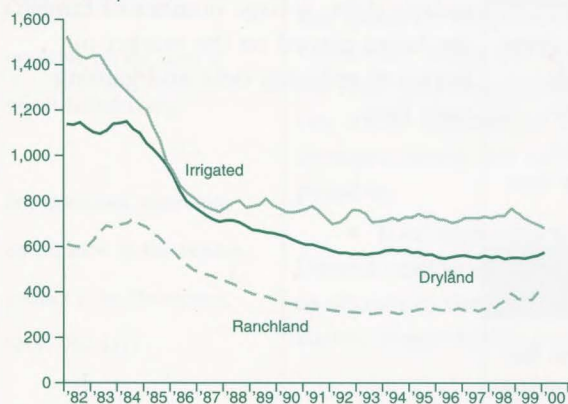
RANCHLAND

Region	Banks ¹ First Quarter 2000	Average Value ²	Percent Changes ³ in Values from	
			Previous Quarter	Previous Year
DISTRICT	113	412	1.6	7.5
TEXAS	100	472	1.5	10.8
Northern High Plains	11	173	0.2	-4.9
Southern High Plains	16	151	2.1	11.4
Northern Low Plains	6	185	3.8	7.7
Southern Low Plains	6	311	13.6	21.4
Cross Timbers	8	529	3.3	9.4
North Central Texas	15	800	0.7	13.4
East Texas	6	768	-0.7	3.4
Central Texas	9	1,013	3.0	5.0
Coastal Texas	5	594	10.6	11.5
South Texas	7	548	3.8	20.6
Trans-Pecos and Edwards Plateau	11	412	-2.3	11.1
Northern Louisiana	6	608	8.5	28.0
Southern New Mexico	7	235	2.2	-8.8

Eleventh District Real Land Values

Dryland and ranchland values inch up in the first quarter of 2000.

1992 dollars per acre



First-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

Most 2000 farm-expense operating loans have been made. Budgeted income-to-expense ratios are much tighter than expected because of the anticipated decrease in cotton prices. For 1999 loans and debt service, most had to rely on Agricultural Market Transition Act (AMTA) disaster payments. Projects for 2000 are the same.

General rains of 2 to 4 inches in this area have improved crop prospects for 2000. Farmers experienced more carryover from the 1999 crop than average, and some are experiencing problems getting financed because of it. Most lenders are expecting 57 to 58 cents per pound on cotton in 2000, making cash flow very tight. We expect to lose 5 percent of our farm operators this year. Delay in finalizing the final disaster payments for 1999 has held up approval of operating loans for some farm operators.

Crop prices and drought conditions have reduced land prices in the area.

Region 4—Southern Low Plains

Moisture conditions are good at this time. We received 4.2 inches of rain in one week. It will take most of the moisture we have to work the land, chisel, incorporate chemicals and fertilizer, and bed the soil to plant. We will need additional moisture later to plant crops.

Region 5—Cross Timbers

Most stock ponds/tanks in this area are dry. Feed supplies are strained. Most land transactions are with outsiders for recreational use. This is driving prices well above the production value.

We have received some light rain but still are dry, with stock tanks ranging from low to entirely dry.

The wheat is being grazed out. Cattle prices are good, but we need rain for stock tanks.

Region 6—North Central Texas

Trends in real estate prices are upward, especially among ranchlands that could be used as recreational property. Most of this property is being purchased by absentee landowners residing in bigger cities (Dallas, Austin, Houston). The general agricultural economy is currently as good as or slightly better than it has been for the past three years. Spring rains have made producers optimistic about the coming year. Commodity crop prices remain a major concern; cattle prices are about the only bright spot. However, innovative farmers are finding more profitable, alternative uses for their crops and production.

There is plenty of opportunity for a good operator to obtain financing.

No land is being purchased for farm use, but some is being converted to developments and single-family lots.

Region 7—East Texas

We finally got rain to help rye grass but still need water for stock ponds. Calf prices are good, and bred cow prices are higher than a month ago. Feed pasture is being displaced by tree planting.

Region 8—Central Texas

All land sales are contingent on the purchaser's purpose; if this is recreation-

al use, the prices are much higher. The availability of water rights also significantly affects the purchase price.

There are a few bright spots on the agricultural scene: cattle prices are good, and we've had 8 to 10 inches of rain since January 1. Farmland and ranchland are continually being purchased for recreational use, driving prices beyond a farmer or rancher's financial capability.

Continued dry conditions along with increased operating costs challenge the survival of agricultural operators.

Region 11—Trans-Pecos and Edwards Plateau

Range conditions are still extremely dry. Because of this, livestock production will be reduced, meaning fewer lambs and lighter calves. Herds are being culled heavily, and if it does not rain more, producers will be going out of business. We are starting to see the conversion of large ranches into recreational properties, so land prices are remaining strong.

Region 12—Southern New Mexico

Changes in bank philosophy, combined with area losses in chile and low prices in other commodities, are forcing customers out of the bank. A large number of referrals have been made to the Farm Service Agency for disaster funding and support for next year's crop lines. Today's market prices and past production will not support today's debt. A large number of farms are being placed on the market in hopes of reducing debt and gaining cash flow.