

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

Fourth Quarter 2002



## 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](http://www.dallasfed.org).

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

The Fourth Quarter Survey of Agricultural Credit Conditions saw mild improvement in the Eleventh District's agricultural sector for the second quarter in a row. Fall rains and favorable growing conditions have significantly helped producers with crop yields. Respondents have mixed views on the farm bill, as producers are still signing up and getting acclimated to the changes. (See page 4 for bankers' comments.)

Here are additional details from the survey:

- Overall loan demand seems to have risen in the last two quarters, but is still weaker than a year ago. Sixteen percent of respondents reported greater loan demand, down from 18 percent in fourth quarter 2001. Increases in loan demand have been particularly strong in the Northern High Plains and Southern High Plains, with over 25 percent of respondents reporting increases.

- Ten percent of respondents report a greater rate of loan repayment compared with a year ago, down slightly from 11 percent in fourth quarter 2001. By the second quarter of 2002, the percentage of bankers experiencing increased loan repayment had dropped to 5 percent, but it has been on the rise since then.

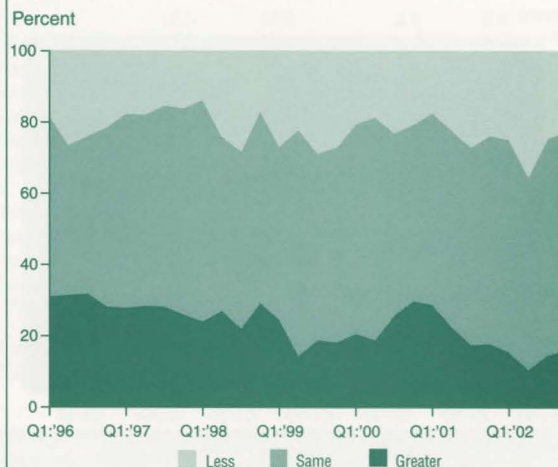
- Twenty-six percent of bankers expect the volume of feeder cattle loans to be less during the next three months relative to a year earlier, up from the 18 percent who thought so last year. Wheat pastures were positively affected by fall rains, making for an improved cattle-raising environment. Cattle prices are recovering and on the rise.

- Interest rates are still facing downward pressure. Most fixed rates reached the 7 percent mark for the first time since the early 1980s as each category of interest rates continued to decline.

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

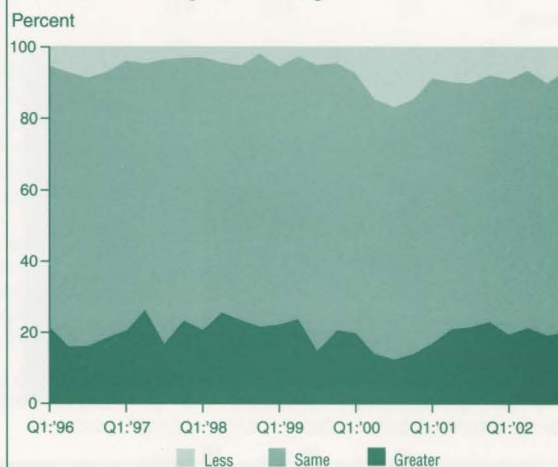
### Demand for Loans

Twenty-two percent of respondents report decreased loan demand.



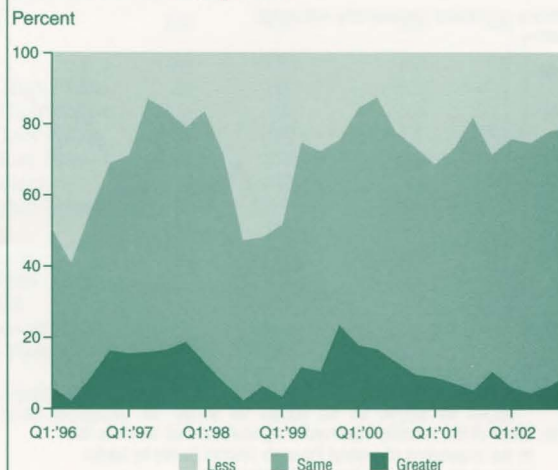
### Funds Available for Additional Lending

Seventy-four percent of bankers indicate no change in funding.



### Rate of Loan Repayment

Ten percent of respondents experience increased loan repayment.





# Agricultural Credit Conditions at Survey Banks in the Eleventh District

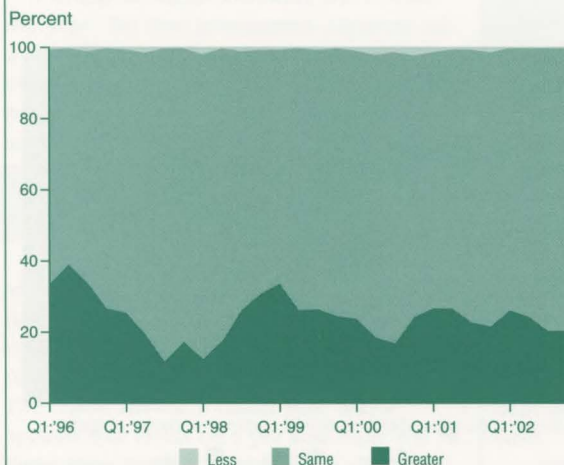
## Renewals or Extensions of Loans

Seventy-three percent of bankers cite unchanged renewals and extensions.



## Amount of Collateral

Seventy-nine percent of respondents require no additional collateral.



## Total Agricultural Loans at Eleventh District Banks

Loan volume rises after a slight decrease in second quarter 2002.

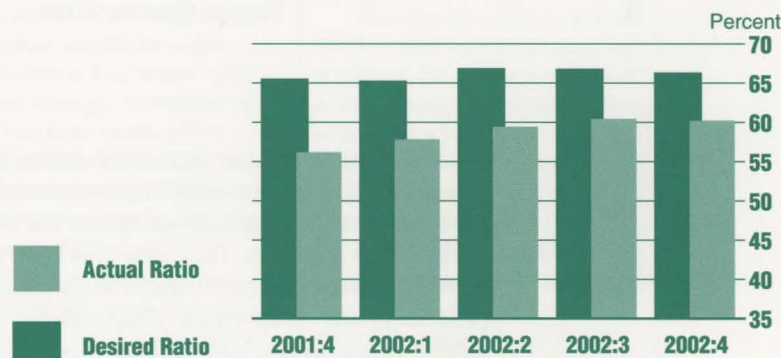
Millions of dollars (seasonally adjusted)



Note: Some of the volatility observed in agricultural loan levels is due to the acquisition of several Eleventh District banks by banks headquartered in other Reserve Districts.

## Loan-Deposit Ratios at Survey Banks

Average actual and desired ratios



## DISTRIBUTION OF LOAN — DEPOSIT RATIOS

Ratio	Banks Reporting (Percent)				2003 Jan. 1
	2002				
	Jan. 1	April 1	July 1	Oct. 1	
Less than 41%	22	20	19	16	14
41% to 50%	15	17	12	14	17
51% to 60%	21	16	20	17	18
61% to 70%	21	22	20	20	21
More than 70%	22	26	30	33	30

## INTEREST RATE—FIXED

Ratio	Average Rate (Percent)				2003 Jan. 1
	2002				
	Jan. 1	April 1	July 1	Oct. 1	
Feeder cattle	8.31	8.23	8.14	8.08	7.62
Other farm operating	8.37	8.30	8.19	8.08	7.67
Intermediate term	8.45	8.23	8.24	8.10	7.73
Long-term farm real estate	7.98	7.99	7.82	7.79	7.51

## INTEREST RATE—VARIABLE

Ratio	Average Rate (Percent)				2003 Jan. 1
	2002				
	Jan. 1	April 1	July 1	Oct. 1	
Feeder cattle	7.29	7.23	7.20	7.03	6.71
Other farm operating	7.43	7.34	7.19	7.13	6.87
Intermediate term	7.26	7.29	7.19	7.10	6.83
Long-term farm real estate	7.00	7.08	6.95	6.77	6.57

# Rural Real Estate Values

January 1, 2003

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

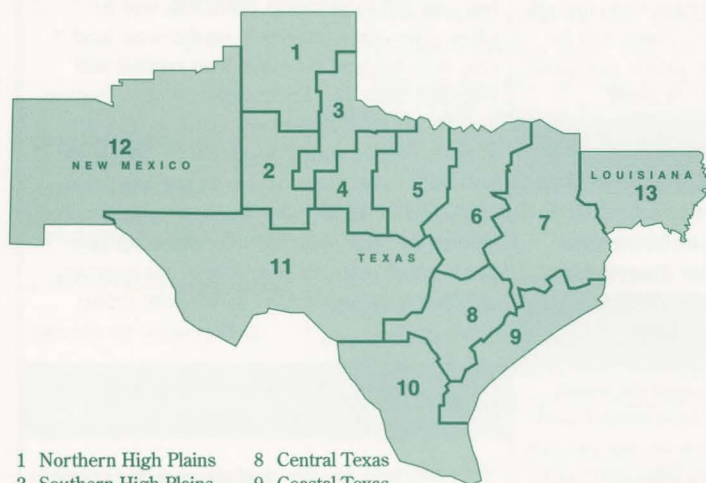
<sup>2</sup> Prices are dollars per acre, not adjusted for inflation.

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

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

NOTE: In recent years we have seen some agricultural land values driven up as a result of urban expansion and land conversion to recreational use. These inflated values were sometimes omitted to reduce volatility in reporting regions. Eventually the number omitted grew so large as to threaten the reliability of the data series. Therefore, we are reinstating all reported land values. This revision includes data reported from first quarter 2001 through second quarter 2002. Historic tables containing these data can be found at [www.dallasfed.org/htm/data/about.html](http://www.dallasfed.org/htm/data/about.html).

## Eleventh Federal Reserve District

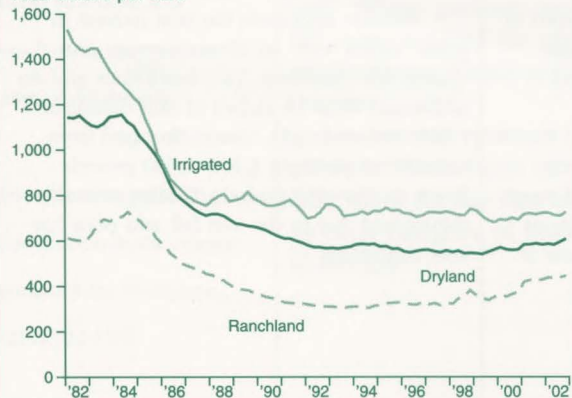


- |                        |                                    |
|------------------------|------------------------------------|
| 1 Northern High Plains | 8 Central Texas                    |
| 2 Southern High Plains | 9 Coastal Texas                    |
| 3 Northern Low Plains  | 10 South Texas 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

Quarter-over-quarter dryland and irrigated land values increase 2 percent, and ranchland values increase 1 percent.

1992 dollars per acre



## CROPLAND—DRYLAND

Region	Banks <sup>1</sup>	Average Value <sup>2</sup> Fourth Quarter 2002	Percent Changes <sup>3</sup> in Values from	
			Previous Quarter	Previous Year
DISTRICT	174	674	2.3	5.3
TEXAS	161	676	2.4	5.6
Northern High Plains	21	283	0.4	-1.5
Southern High Plains	20	358	0	0.4
Northern Low Plains	14	311	-2.6	-5.7
Southern Low Plains	15	408	-1.2	0.7
Cross Timbers	13	593	0	-3.3
North Central Texas	21	1,063	5.2	7.0
East Texas	11	782	-0.9	0.9
Central Texas	20	1,201	4.3	17.0
Coastal Texas	11	1,012	4.0	13.8
South Texas	4	646	4.1	2.2
Trans-Pecos and Edwards Plateau	11	586	1.8	1.4
Northern Louisiana	9	707	0.5	2.8
Southern New Mexico	4	253	0	-1.3

## CROPLAND—IRRIGATED

Region	Banks <sup>1</sup>	Average Value <sup>2</sup> Fourth Quarter 2002	Percent Changes <sup>3</sup> in Values from	
			Previous Quarter	Previous Year
DISTRICT	119	804	2.3	1.4
TEXAS	103	750	3.1	2.3
Northern High Plains	19	587	1.1	-2.0
Southern High Plains	19	720	3.0	7.6
Northern Low Plains	13	517	-1.2	-0.8
Southern Low Plains	12	661	1.2	0.4
Cross Timbers	3	948	3.7	0.5
North Central Texas	n.r.	n.r.	n.r.	n.r.
East Texas	6	878	0.8	-3.9
Central Texas	11	1,804	-0.9	18.6
Coastal Texas	4	717	5.9	-2.6
South Texas	4	825	-0.1	-6.1
Trans-Pecos and Edwards Plateau	11	1,363	11.4	9.4
Northern Louisiana	9	932	0.9	5.5
Southern New Mexico	7	1,288	-1.8	-4.3

## RANCHLAND

Region	Banks <sup>1</sup>	Average Value <sup>2</sup> Fourth Quarter 2002	Percent Changes <sup>3</sup> in Values from	
			Previous Quarter	Previous Year
DISTRICT	182	493	1.5	4.8
TEXAS	166	583	1.7	7.3
Northern High Plains	19	190	-0.2	-0.1
Southern High Plains	14	180	1.0	10.2
Northern Low Plains	14	197	-1.1	-0.9
Southern Low Plains	13	326	-0.8	8.2
Cross Timbers	13	683	1.9	4.3
North Central Texas	22	1,062	6.1	11.3
East Texas	19	893	0.2	2.4
Central Texas	22	1,489	9.5	20.7
Coastal Texas	9	870	-0.3	15.6
South Texas	4	689	0	12.8
Trans-Pecos and Edwards Plateau	17	456	-1.4	-1.1
Northern Louisiana	8	575	-5.0	-26.8
Southern New Mexico	8	233	0.1	-9.5



# Fourth-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

Prospects for wheat yields are positive. There needs to be a rebound in the price. Excellent cattle gains and the strengthening market provide a positive outlook.

## Region 2—Southern High Plains

The cotton crop is almost all harvested, and overall yields are better than average. The peanut crop was very good, and as a result of the new farm bill, the peanut farmers realized better-than-average income.

It appears most borrowers will do fine this year. The new government payments are a nice surprise and make up a large portion of overall farm income. We are still seeing some producers leave the business for various reasons after a difficult 2002 crop.

## Region 3—Northern Low Plains

Major field crops in our area are cotton and peanuts, with some farmers converting to hay and milo this year. The peanut harvest is complete; yields were 90 percent of average because of inclement weather during harvest. The cotton harvest is under way, and it appears that yields on a per acre basis will be better than average. Cotton prices and USDA payments are the major areas of concern at this time.

## Region 4—Southern Low Plains

This will be an improved season. Crop yields are much better than in the past year. Cattle prices have rebounded. Feedlot close-outs are profitable. Moisture accumulation has been extremely good and will carry over to 2003. Winter wheat prospects are good. The new farm bill will provide an improved underpinning to producers. Demand for land is very good, but not much is available for sale. Recent irrigated farm [sales] are bringing \$100–\$200 per acre more than last year. Peanut producers whose quotas have been bought out by the government have experienced a real windfall.

## Region 5—Cross Timbers

We are in excellent shape regarding moisture; small grain and grazing are very good. However, we still need runoff rains.

## Region 6—North Central Texas

After all crops were harvested, the yields were slightly lower than expected. Yields varied greatly from farm to farm. Most of the differences can be attributed to delayed planting because of weather conditions in the spring. Overall, repayment was below what was expected in July through September but adequate to allow our farm customers to continue. Cattle prices were off in early fall but now seem to have recovered. The recovery will help our stocker operations by offsetting some of the higher feed costs.

The 2002 crop year is still uncertain. Farmers are reluctant to sell crops even though prices are higher than in 2001. There will be carryovers due to decreases in yields. Insurance is not enough to make up the shortfall.

## Region 7—East Texas

Most dairy customers are now feeling the full effect of low milk prices and increased feed costs. Demand for poultry loans is good.

## Region 8—Central Texas

Land values continue an upward trend, primarily due to demand for recreational land. Markets for crops and livestock do not provide enough cash for even the best-managed operations to remain viable. All but five of our 75 farm and ranch borrowers now work off the farm.

These are the best agricultural conditions (weather) in 20 years. The cost of production is down; prices are down but stable.

## Region 9—Coastal Texas

We continue to experience strong competition from Farm Credit System lenders.

Production loan requests are expected to be lower in the first quarter. Several older farmers retired last year, and they are not being replaced by younger producers. Established producers are also expected to cut back production as they see how the new farm bill will affect them. Times are still tough on the farm. Rice prices are still very low as inputs continue to outpace outputs. There is not much export demand for rice.

## Region 10—South Texas

Cash lease on irrigated farmland is expected to be reduced due to the loss of the peanut program (quota system). In addition, our local economy is starting to see the negative economic impact, with the closing of a peanut-shelling plant and the layoffs of farm workers as producers cut peanut acreage. Some producers are not going to plant any peanuts next year.

Farmers are trying to get into the FSA office to sign up for the new farm program. It appears to be a complicated and time-consuming process for some farmers. There have been quite a few complaints, and there is concern about timing of payments.

Rains have slowed the sugar cane harvest, but harvesters are back in the fields now and making good progress. Not all the planned vegetable acreage got planted because fall rains made fields too wet to plant. The citrus harvest is under way, and it, too, was delayed by rains. The rainfall will help the trees and [increase] fruit size. Pasture conditions have improved. Cattle prices at auction barns remain good. Cattle prices are up, with some price quotes in the low 70s. Farmland 10 to 20 miles from the city is being developed and seems to be commanding a premium. It appears developers are targeting cheaper farmland farther away from urban areas now.

## Region 11—Trans-Pecos and Edwards Plateau

Very little land is changing hands between producers. It is mostly sold for recreation to nonresidents who keep some livestock for tax purposes. We have received some good rain this year and pastures are responding. They are still dry, though, and it will take a couple more years like this, plus good range management, to bring pastures back to maximum advantage.

## Region 13—Northern Louisiana

Farmers anticipate the best harvest in years. Yields were far above average and quality was excellent. Two hurricanes and an additional 10 to 15 inches of rain diminished yields tremendously. Cotton dropped from unheard-of yields of 1,200–1,500 pounds down to 750–850 pounds. Quality was also diminished due to the wet fall and poor harvest conditions.