

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



*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 Laila Assanie, (214) 922-5191.

## Fourth Quarter 2004

The Fourth Quarter Survey found increased optimism in the agricultural community as the Eleventh District ended the year with above-average rainfall and steady lending conditions. Unusually wet weather in 2004 relieved drought conditions, improved topsoil moisture levels and enhanced crop yields throughout the district. There were reports of rain hampering cotton harvest in the plains; however, a near record cotton crop was expected. Cattle ranchers continued to enjoy high prices. Overall, some district bankers anticipated that farmers would end the year on a positive note.

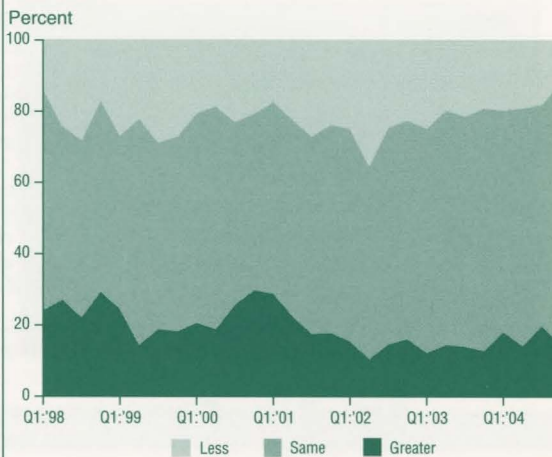
Here are additional details from the survey:

- Sixty-five percent of bankers would like to increase the volume of agricultural loans in their portfolios, up from 57 percent in fourth quarter 2003.
- Sale of farmland for investment and recreational use continues to push up prices. Dryland, irrigated land and ranchland values are up 0.5 percent, 0.8 percent and 3.6 percent, respectively, from the previous quarter. Moreover, 31 percent of lenders expect farmland values to increase in the next three months, up from 19 percent a year earlier.
- Although high cattle prices are deterring some ranchers from restocking their herds, 71 percent of respondents expect feeder cattle loans to remain the same, up from 61 percent last quarter.
- High cattle prices are helping ranchers pay down their debts. The rate of loan repayment is up strongly; 18 percent of responding bankers reported greater rates of loan repayment, compared with just 11 percent in the previous quarter.
- Bankers expect new equipment purchases to stay infrequent. For the second consecutive quarter, 73 percent of bankers surveyed anticipate no change in demand for farm machinery loans.
- The cost of funds edged up 27 basis points, from 1.51 in third quarter 2004 to 1.78 in the fourth quarter.

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

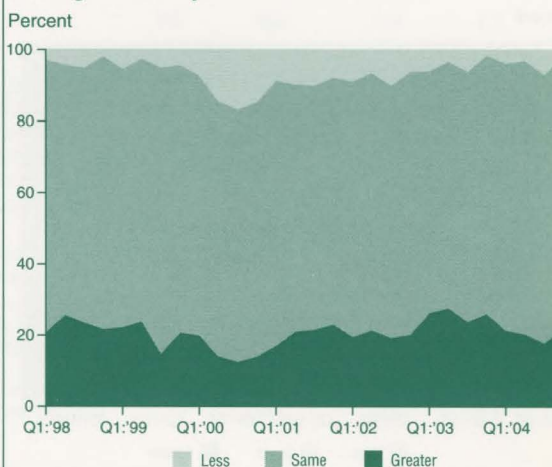
### Demand for Loans

Seventy-three percent of bankers report loan demand remained steady over the past three months.



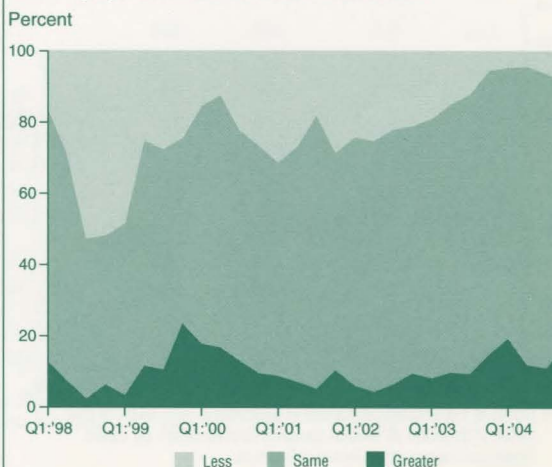
### Funds Available for Additional Lending

Seventy-six percent report no change in funding availability.



### Rate of Loan Repayment

Seventy-four percent of respondents say that the loan repayment rate remains the same.





# Agricultural Credit Conditions at Survey Banks in the Eleventh District

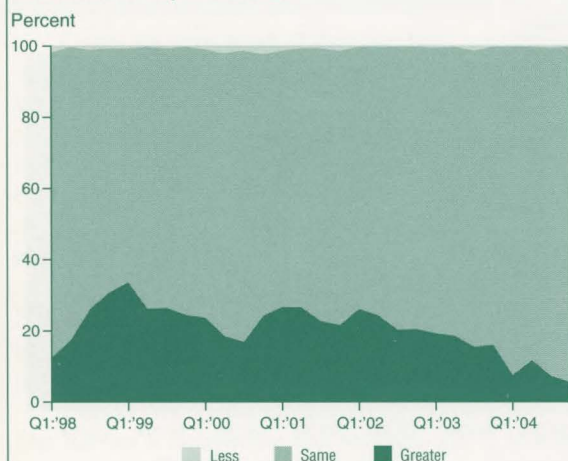
## Renewals or Extensions of Loans

Requests for renewals or extensions are falling, say 18 percent of bankers.



## Amount of Collateral

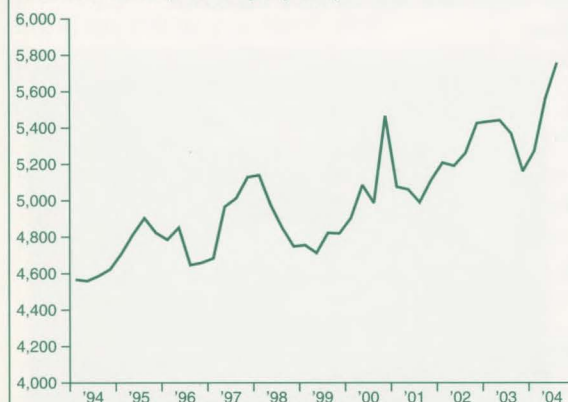
Ninety-four percent of bankers made no changes to collateral requirements.



## Total Agricultural Loans at Eleventh District Banks

Agricultural lending nudges up in fourth quarter 2004.

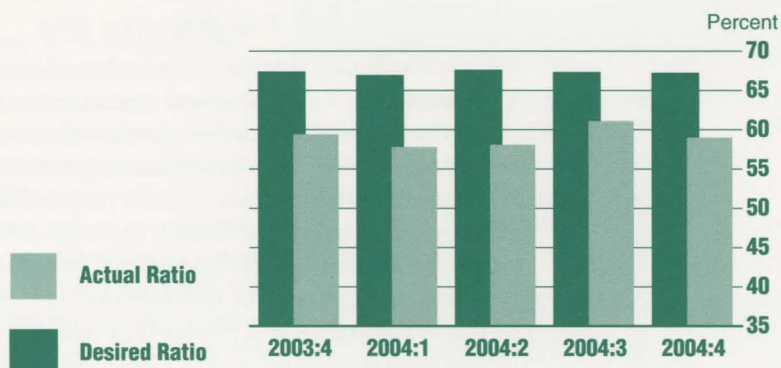
Millions of dollars (seasonally adjusted)



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)				2005 Jan. 1
	2004				
	Jan. 1	Apr. 1	July 1	Oct. 1	
Less than 41%	20	23	21	17	19
41% to 50%	19	15	17	13	18
51% to 60%	12	15	15	20	17
61% to 70%	18	20	20	14	16
More than 70%	31	28	28	36	30

## INTEREST RATE—FIXED

Ratio	Average Rate (Percent)				2005 Jan. 1
	2004				
	Jan. 1	April 1	July 1	Oct. 1	
Feeder cattle	7.25	7.37	7.17	7.36	7.65
Other farm operating	7.33	7.36	7.22	7.41	7.65
Intermediate term	7.32	7.25	7.25	7.51	7.68
Long-term farm real estate	7.21	6.95	7.09	6.91	6.94

## INTEREST RATE—VARIABLE

Ratio	Average Rate (Percent)				2005 Jan. 1
	2004				
	Jan. 1	April 1	July 1	Oct. 1	
Feeder cattle	6.57	6.39	6.17	6.58	7.15
Other farm operating	6.63	6.57	6.50	6.75	7.25
Intermediate term	6.64	6.41	6.43	6.67	7.06
Long-term farm real estate	6.29	6.02	6.20	6.27	6.59

# Rural Real Estate Values

December 31, 2004

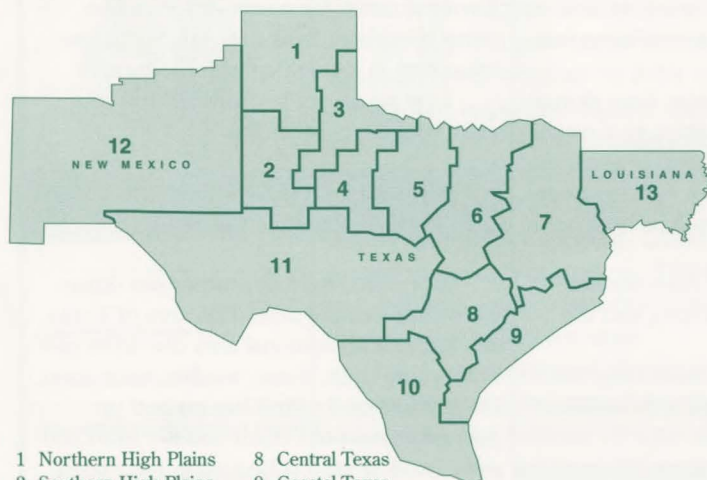
<sup>1</sup> Number of banks reporting land values.

<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.

## Eleventh Federal Reserve District

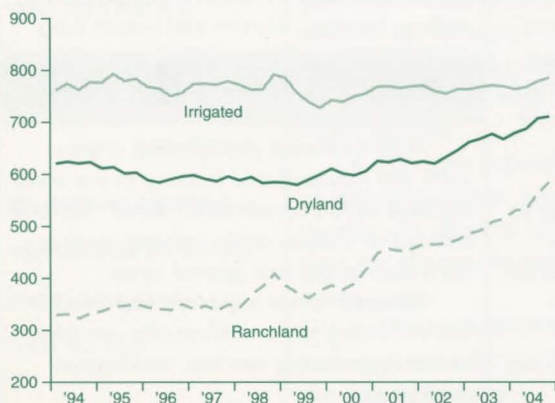


- 1 Northern High Plains
- 2 Southern High Plains
- 3 Northern Low Plains
- 4 Southern Low Plains
- 5 Cross Timbers
- 6 North Central Texas
- 7 East Texas
- 8 Central Texas
- 9 Coastal Texas
- 10 South Texas
- 11 Trans-Pecos and Edwards Plateau
- 12 Southern New Mexico
- 13 Northern Louisiana

## Eleventh District Real Land Values

Dryland, irrigated land and rangeland values continue to rise.

2000 dollars per acre



## CROPLAND—DRYLAND

Region	Banks <sup>1</sup> Fourth Quarter 2004	Average Value <sup>2</sup>	Percent Changes <sup>3</sup> in Values from	
			Previous Quarter	Previous Year
DISTRICT	157	772	0.5	8.8
TEXAS	141	775	0.7	9.7
Northern High Plains	14	306	1.1	-3.5
Southern High Plains	19	393	0.1	4.1
Northern Low Plains	9	367	2.2	5.6
Southern Low Plains	13	468	-0.3	4.0
Cross Timbers	18	713	-0.2	7.7
North Central Texas	21	1,334	0.4	18.0
East Texas	8	837	0.7	20.7
Central Texas	14	1,374	-0.5	3.0
Coastal Texas	11	995	1.0	2.0
South Texas	n.r.	n.r.	n.r.	n.r.
Trans-Pecos and Edwards Plateau	12	675	6.4	13.8
Northern Louisiana	8	793	-1.7	-0.6
Southern New Mexico	8	296	-1.5	21.8

## CROPLAND—IRRIGATED

Region	Banks <sup>1</sup> Fourth Quarter 2004	Average Value <sup>2</sup>	Percent Changes <sup>3</sup> in Values from	
			Previous Quarter	Previous Year
DISTRICT	107	853	0.8	4.3
TEXAS	91	798	2.5	4.8
Northern High Plains	12	589	1.5	-0.4
Southern High Plains	19	734	0.7	1.2
Northern Low Plains	9	597	3.1	3.9
Southern Low Plains	9	742	0	2.3
Cross Timbers	7	1,260	1.9	20.2
North Central Texas	4	3,001	-1.2	6.7
East Texas	4	1,017	-1.4	20.2
Central Texas	8	1,576	-12.3	-17.8
Coastal Texas	6	1,058	11.4	24.1
South Texas	n.r.	n.r.	n.r.	n.r.
Trans-Pecos and Edwards Plateau	11	1,365	12.5	23.4
Northern Louisiana	8	990	-3.6	-4.8
Southern New Mexico	8	1,346	-6.6	3.8

## RANCHLAND

Region	Banks <sup>1</sup> Fourth Quarter 2004	Average Value <sup>2</sup>	Percent Changes <sup>3</sup> in Values from	
			Previous Quarter	Previous Year
DISTRICT	168	635	3.6	16.1
TEXAS	151	780	5.0	18.7
Northern High Plains	13	225	3.3	-1.7
Southern High Plains	14	212	-2.2	-0.5
Northern Low Plains	8	252	6.4	11.8
Southern Low Plains	12	407	-0.4	13.5
Cross Timbers	21	851	3.4	11.0
North Central Texas	23	1,506	5.6	30.5
East Texas	14	948	-0.8	-1.0
Central Texas	17	1,841	1.2	10.9
Coastal Texas	10	925	1.4	-1.6
South Texas	3	1,034	6.7	31.6
Trans-Pecos and Edwards Plateau	16	663	8.7	25.3
Northern Louisiana	7	776	1.7	7.4
Southern New Mexico	10	213	-9.3	-4.7



# 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

Fall harvest as well as winter wheat planting has been delayed by unseasonably wet conditions. Crop yields may be adversely affected by this weather pattern, as it might shorten the growing cycle.

Volatility of the cattle market has a lot of producers watching from the sidelines.

## Region 2—Southern High Plains

Crops are very good. If they are harvested in a timely manner and materialize as expected, there is a possibility of increased land values and new machinery loans. However, the rainfall has hurt the condition of the crops and will continue to do so unless the harvest is completed within the next 30–45 days.

Due to the wet weather, we are just beginning to get the cotton harvested. The turnout is good; we hope that the current price holds. The peanut crop was good.

Cotton crop yields have been excellent. The harvest is delayed by wet weather, but yields have not been materially affected. Most of our farmers will apparently have excess funds this year after all their debt service is complete. Cotton ginning will probably take a couple more months, ending in late February or March 2005.

## Region 3—Northern Low Plains

It is difficult to correctly answer questions relating to land values if recreational buyers are omitted. Very little (to none) of the ranchland in our region is being sold to agricultural producers. Recreational purchasers are driving up ranchland values.

It looks like our county will have a record crop, which is wonderful, especially in light of the prices they [farmers] are receiving. Cow, calf and feeder cattle are doing well. The adequate rainfall indicates 2005 prospects are above average.

## Region 4—Southern Low Plains

Abundant rain has slowed our cotton harvest, but cotton production looks good. Our lakes have still not caught any runoff and are in poor condition. The wheat crop is off to a good start.

The rancher is enjoying the wet weather and high prices. Cotton farmers need sunshine to get their crop out [of the fields] quickly.

The cotton crop is excellent. There have been some harvest delays due to rain, but the rain has been wonderful for the pastures and farmland. Everybody is in a much better mood. Drought conditions had persisted since 1995.

The recent rains and snow have slowed the cotton harvest considerably. As a result, we could have lower yields and prices. New equipment purchases are not very common. However, the moisture should be very helpful later in the year.

Continued heavy rains have severely hampered winter wheat planting and the cotton harvest.

There is an excellent cotton crop, but unfavorable weather is keeping producers out of the fields.

## Region 5—Cross Timbers

With 8 inches of rain received in the past 20 days, all stock tanks are full and area lakes have gone from 30 percent to 75 percent full.

Land for agricultural operations has diminished. Land is now being sold for recreational purpose. The current crop is coastal hay. Cattle prices remain steady. The goat population is steady.

## Region 6—North Central Texas

The cost of producing this crop year has exceeded all projections. The production cost for corn is probably up \$20 per acre since last year. However, the price of corn is down significantly. Above-average yields will be required in the central Texas Blacklands to make this a break-even year at best.

With the cow market still soaring, everyone is in the market for land either to lease or buy; the availability [of land] is scarce. The cattle market appears to still be very strong, with demand at an all-time high for American beef. Gas and diesel prices have started to come down since the election.

Our agricultural producers just finished an above-average year, primarily due to substantial rainfall and above-average cattle prices.

We have had some isolated land sales ranging in price from \$6,500 to \$10,000 per acre. The average price is around \$4,000 per acre.

Prices remain good for all livestock. Rainfall has been above average.

## Region 8—Central Texas

Our bank has been acquiring quite a few new cattle customers. It seems like many other area banks are becoming less interested in making agricultural loans.

Low prices are hurting rice and row crop farmers.

## Region 11—Trans-Pecos and Edwards Plateau

It is particularly difficult to pin down the sales price per acre. This area of Texas is a popular recreational area due to its natural beauty (hills, rivers, wildlife, etc.). As a result, demand for land has pushed up prices for plain old ranch country to \$1,000 per acre. The land is becoming too expensive for the agricultural producer to pay for, and many of our old ranch customers are selling their lands for high prices, taking those lands out of agricultural production.

Mild winter (to date), coupled with favorable summer and fall conditions, has resulted in a very good winter with minimal supplemental feeding required. Some increases in stocking rates have occurred and should accelerate if we are blessed with a good wet spring. High replacement costs have kept many from restocking, but there is more optimism than six years ago.

Values have risen slightly in the last six months due to diversity. To diversify income and holdings, some farm and ranchland has been segmented for recreational purposes, such as hunting, tourism and nature trails.

## Region 12—Southern New Mexico

With increased precipitation during 2004, the ranching and farming in our lending area have become more stable. We look forward to a more stable industry during 2005 than in the past several years.

Moisture levels are much improved. We are seeing more non-rancher absentee owners purchasing ranches. Subdivision continues.