

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

First Quarter 2005



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 Laila Assanie, (214) 922-5191.

The First Quarter Survey found guarded optimism among the Eleventh District agricultural community. Adequate rainfall across most regions further improved soil surface moisture conditions and boosted prospects for a good crop year in 2005. Range and pasture conditions were favorable in most parts of the district. Ranchers continued to benefit from high cattle prices and were expected to pay down their debts. Several district bankers were extremely apprehensive about rising fuel costs, low commodity prices and potential cuts in agricultural subsidies. Specifically, high fuel prices were pushing up irrigation, chemical and fertilizer costs. Thus, lenders were worried that higher production costs coupled with low commodity prices may hurt profitability of farmers in the district. Additionally, respondents were anxious that the administration's proposal to reduce crop subsidies would negatively impact farm income and debt servicing of farm loans in the Eleventh District.

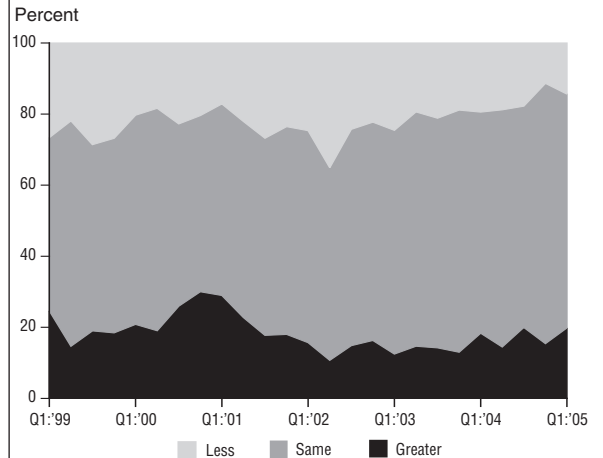
Here are additional details from the survey:

- Farmland continues to be sold for recreational use and housing development. All regions in the district reported an increase in either crop or ranchland values. Moreover, 43 percent of respondents expect farmland values to rise in the next three months.
- Bankers report that high cattle prices are still discouraging some ranchers from restocking their herds. Nineteen percent of respondents anticipate demand for feeder cattle loans to decrease during the next three months.
- Credit conditions are stable in the district as 76 percent of agricultural lenders report that the availability of funds remains unchanged.
- Unusually wet weather delayed cotton harvest and extended cotton ginning in the plains. Hence, requests for loan renewals and extensions are up; 10 percent of bankers reported greater requests, compared with 5.3 percent last quarter.

Agricultural Credit Conditions at Survey Banks in the Eleventh District

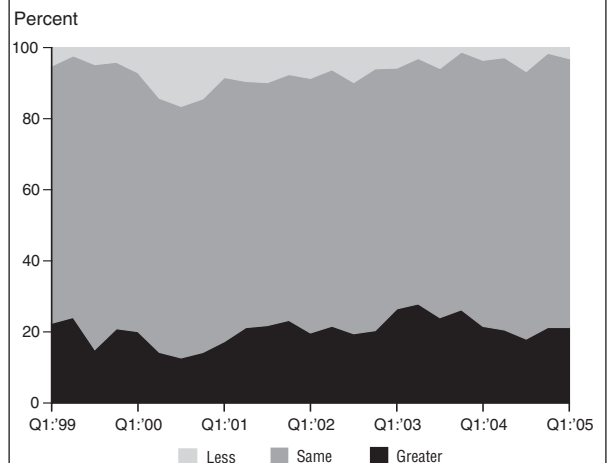
Demand for Loans

Demand for loans increased slightly, report 20 percent of bankers.



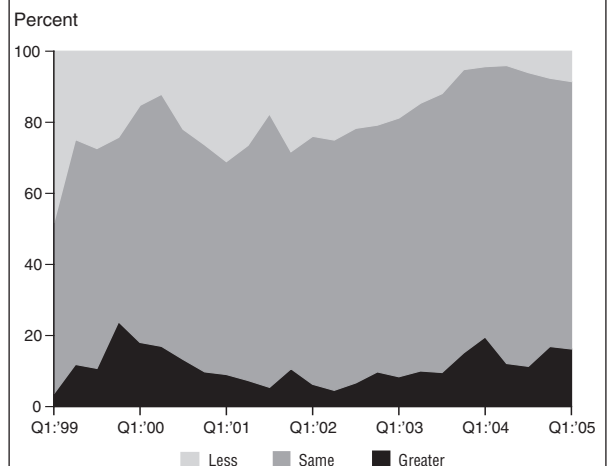
Funds Available for Additional Lending

Funds available for lending have remained the same, 76 percent of bankers report.



Rate of Loan Repayment

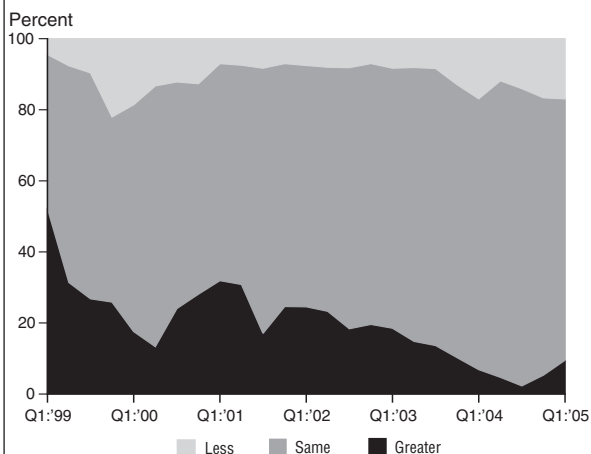
Seventy-five percent of respondents state that the loan repayment rate remains the same.



Agricultural Credit Conditions at Survey Banks in the Eleventh District

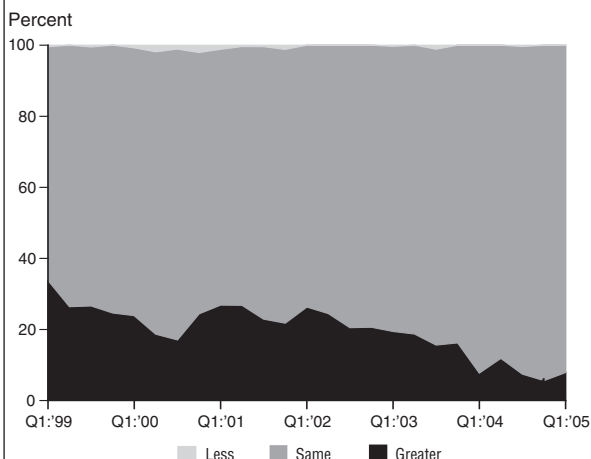
Renewals or Extensions of Loans

Ten percent of bankers cite an increase in requests for loan renewals or extensions.



Amount of Collateral

The amount of collateral required is unchanged, say 92 percent of bankers.



Total Agricultural Loans at Eleventh District Banks

Loan volume rises for the fourth straight quarter.

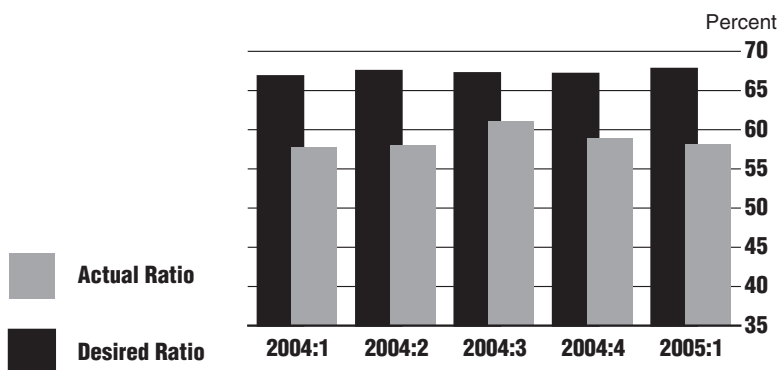
Millions of dollars (seasonally adjusted)



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)				
	2004			2005	
	April 1	July 1	Oct. 1	Jan. 1	April 1
Less than 41%	23	21	17	19	24
41% to 50%	15	17	13	17	12
51% to 60%	15	15	20	18	16
61% to 70%	20	20	14	16	21
More than 70%	28	28	36	30	28

INTEREST RATE—FIXED

Ratio	Average Rate (Percent)				
	2004			2005	
	April 1	July 1	Oct. 1	Jan. 1	April 1
Feeder cattle	7.37	7.17	7.36	7.59	7.75
Other farm operating	7.36	7.22	7.41	7.60	7.97
Intermediate term	7.25	7.25	7.51	7.67	7.85
Long-term farm real estate	6.95	7.09	6.91	7.00	7.37

INTEREST RATE—VARIABLE

Ratio	Average Rate (Percent)				
	2004			2005	
	April 1	July 1	Oct. 1	Jan. 1	April 1
Feeder cattle	6.39	6.17	6.58	7.12	7.24
Other farm operating	6.57	6.50	6.75	7.22	7.49
Intermediate term	6.41	6.43	6.67	7.10	7.39
Long-term farm real estate	6.02	6.20	6.27	6.59	6.94

Rural Real Estate Values

April 1, 2005

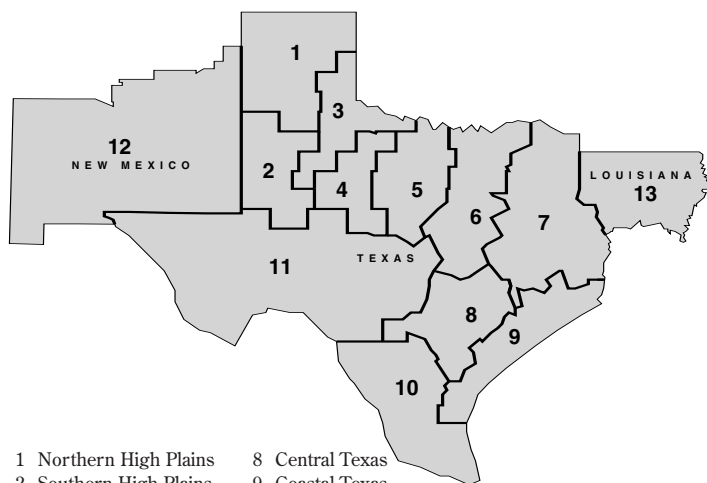
¹ Number of banks reporting land values.

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

³ Not adjusted for inflation.

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

Eleventh Federal Reserve District



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|------------------------|------------------------------------|
| 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 2005	Average Value ² First Quarter 2005	Percent Changes ³ in Values from	
			Previous Quarter	Previous Year
DISTRICT	174	789	1.1	8.6
TEXAS	157	791	1.2	9.2
Northern High Plains	19	309	0.8	-2.8
Southern High Plains	20	400	2.3	2.2
Northern Low Plains	11	373	1.4	7.0
Southern Low Plains	14	494	2.4	7.9
Cross Timbers	17	718	0.5	5.7
North Central Texas	23	1,323	-1.5	11.8
East Texas	9	884	1.8	24.3
Central Texas	20	1,419	3.0	3.9
Coastal Texas	9	1,063	3.4	7.8
South Texas	3	772	1.5	8.8
Trans-Pecos and Edwards Plateau	12	686	1.6	17.1
Northern Louisiana	10	829	0.6	1.5
Southern New Mexico	7	284	2.8	4.2

CROPLAND—IRRIGATED

Region	Banks ¹ First Quarter 2005	Average Value ² First Quarter 2005	Percent Changes ³ in Values from	
			Previous Quarter	Previous Year
DISTRICT	120	904	2.9	10.6
TEXAS	102	845	2.9	12.1
Northern High Plains	17	607	1.4	4.7
Southern High Plains	19	774	2.9	6.5
Northern Low Plains	10	638	5.8	12.1
Southern Low Plains	9	731	-0.5	0.4
Cross Timbers	8	1,272	1.3	9.8
North Central Texas	n.r.	n.r.	n.r.	n.r.
East Texas	4	1,059	2.4	17.3
Central Texas	12	1,958	5.9	-3.3
Coastal Texas	5	1,034	-1.9	26.6
South Texas	4	914	-1.7	5.1
Trans-Pecos and Edwards Plateau	11	1,415	4.8	32.2
Northern Louisiana	9	976	-3.0	-7.1
Southern New Mexico	9	1,465	4.4	7.7

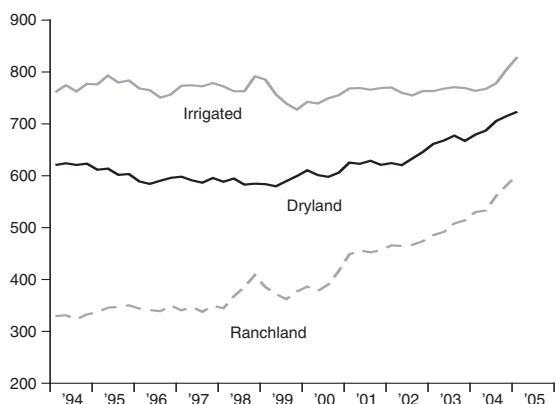
RANCHLAND

Region	Banks ¹ First Quarter 2005	Average Value ² First Quarter 2005	Percent Changes ³ in Values from	
			Previous Quarter	Previous Year
DISTRICT	199	657	3.4	15.8
TEXAS	181	814	4.2	19.8
Northern High Plains	20	237	4.3	4.5
Southern High Plains	14	213	-0.7	-0.3
Northern Low Plains	11	253	0.7	15.4
Southern Low Plains	13	413	0.8	8.9
Cross Timbers	22	881	2.4	15.3
North Central Texas	26	1,505	2.1	23.2
East Texas	20	1,002	2.6	3.1
Central Texas	23	1,850	1.1	8.0
Coastal Texas	8	1,019	4.4	8.1
South Texas	4	1,033	5.4	23.2
Trans-Pecos and Edwards Plateau	20	729	7.1	33.3
Northern Louisiana	8	765	-1.7	2.4
Southern New Mexico	10	203	-5.0	-16.0

Eleventh District Real Land Values

Dryland, irrigated land and ranchland values increased in first quarter 2005.

2000 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 1—Northern High Plains

We are beginning the crop year with excellent subsoil moisture, which should help offset increased pumping costs. Energy costs are a major concern for 2005.

Fuel, natural gas and fertilizer prices are expected to make profitability difficult for irrigated farmland, given the current grain and corn prices.

Region 2—Southern High Plains

It's time to start farming for 2005, and we are still ginning the 2004 cotton crop. The 2005 loan season will be longer than normal. Most cotton farm customers have had an excellent year.

Region 3—Northern Low Plains

Cotton gins in this area are still ginning due to the excellent cotton crop. Moisture conditions are excellent.

Recreational land use is driving up land prices, making it difficult for local farmers and ranchers to purchase rural real estate.

Adequate rainfall indicates a good start for 2005 crops. The cow-calf producers are happy. The current concerns are focused on the prices for cotton and peanuts, with the future of government payments being the biggest concern.

Region 4—Southern Low Plains

If government payments are cut, all operations will have a tighter cash flow. Land values remain steady to up slightly, mainly due to non-farm-related land purchases.

The tremendous South Plains cotton crop brought overall sound financial results. Cattle feeding margins remain good but are expected to decline. The large (cotton) crop and wet weather have resulted in harvest and ginning delays leading to some extension requests. Outlook for the 2005 crop season is positive with respect to excellent soil moisture, but escalating energy and fertilizer costs are a concern. There is quite a lot of angst about the administration's farm program notice.

All our crop loans paid out this year with some funds left over to self-fund before drawing

on lines of credit. Moisture conditions are excellent for cotton, wheat and cattle.

Region 5—Cross Timbers

Cattle prices are good. Moisture levels are good, making prospects good for the wheat crop.

We continue to receive above normal rainfall. All stock tanks are full. Cattle and oil prices continue to be excellent!

Cattle and goat prices remain good and steady. Any land that is being sold is mainly for recreational purposes.

Region 6—North Central Texas

The price of fuel will have a strong impact on the economy nationwide. We'll have to see how opening the Canadian border affects the cattle market.

Our area is changing from rural to residential development, thus reducing our agricultural customers. Land prices continue to climb.

Recent rain has delayed corn planting. Considerable funds have been invested for this crop year. Expenses continue to increase, and with the possibility of reduced government payments, agricultural lending could change. Livestock producers are the only segment doing well.

Prices remain good for all livestock. Rainfall remains above average.

The land market has many speculative buyers with few or no properties for sale. The cow-calf market is at a historic high, raising expectations.

Region 7—East Texas

Land values do not reflect production value. Credit would require additional cash flow to support any loan request.

Region 8—Central Texas

Sales of ranch and hunting land remain high. We are waiting to see what increased interest rates in 2005 will do to the market.

Low rice prices resulted in large increases of crop storage loans and an unusual amount of farm losses.

Recreational land buyers continue to drive up prices on agricultural land. Strong cattle prices and plentiful rainfall will allow ranchers to pay down debt and increase herd sizes.

Rice and row crop prices hurt farmers in 2004. Countercyclical programs are not good.

Region 9—Coastal Texas

Due to subdivision growth, two farmers lost two-thirds of their leased farmland in 2004.

Commodity prices continue to be low, while costs are rising for inputs, fuel, fertilizers and chemicals.

Region 10—South Texas

Recently, large ranch tracts have been subdivided into 25-, 50- or 100-acre tracts, which net the seller two to three times the sales price of a large tract.

Cattle prices continue to be positive. Range conditions are favorable after three years of excellent rainfall. Hunters continue to provide substantial economic windfalls to producers.

Region 11—Trans-Pecos and Edwards Plateau

There has been some interest in increasing the cow herd numbers. We have had nice rains over the past 15 months. Carrying capacities are getting back to pre-drought levels. Cow prices are limiting producers' ability to restock; many are considering keeping the top end of their heifers, if they haven't already done so. Land prices appear to be rising, but the scenic aspects of our topography play a part in the cost and number of sales.

We have seen ranchland increasingly being divided and sold for hunting and recreation. We believe this trend will continue.

The excellent moisture is already resulting in green winter grass and the promise of a very good spring. High breeding stock prices have held back some potential replacement purchases, but a number of livestock operators are buying breeding stock. Continued good prices will allow them to sell offspring and pay back a good amount of purchase price on cows, ewes and meat nannies. Old timers are stating that conditions have never been this good for this time of year.

The proposed cuts in agricultural subsidy payments are a concern.

Moisture conditions are excellent. Cattle prices are at an all-time high. Most of our agricultural customers are using these times to put a little back.

Region 12—Southern New Mexico

Early rains have delayed general land preparation. Some planting of chiles is in progress. Ranges are greening up after better-than-average winter moisture.

Higher dairy profits have increased the sale of irrigated land.

Region 13—Northern Louisiana

Currently our agricultural loans are about 6 percent of our total loan portfolio but will increase as crop production expenses are funded.