

AGRICULTURAL SURVEY

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

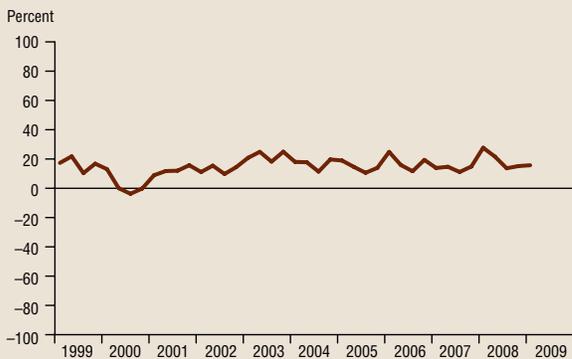
Demand for Loans

Eighty-four percent of bankers report that loan demand remains unchanged or has declined compared with last quarter.



Funds Available for Additional Lending

Bankers report that funds availability is stable.



Rate of Loan Repayment

Loan repayment rates are lower than a year ago.



Survey responses are used to calculate an index for each question by subtracting the percentage reporting a decrease from the percentage reporting an increase. When all respondents report increased activity, an index will register 100. An index will register -100 when all respondents report a decrease. An index will be zero when the number of respondents reporting an increase or decrease is equal.

FEDERAL RESERVE BANK OF DALLAS

First Quarter 2009

The first quarter survey found continued apprehension about farming and ranching conditions in the Eleventh District agricultural community. Despite spring rains, the entire region is still in drought. Bankers reported that many ranchers are unable to reach a break-even point, which is forcing livestock liquidations. The dairy industry is suffering from large losses as a result of high input costs and low milk prices. Farmers in some areas planted crops later than usual due to poor soil moisture levels. The outlook for crop production remains bleak.

Bankers report that a poor production environment coupled with volatile commodity prices and high feed costs continue to impact lending activity. Nearly a fourth of those responding noted rising requests for loan extensions, up from just 6 percent a year ago. A third of respondents noted softening loan demand, and a few cited the difficult economic climate and poor agricultural conditions as factors.

Land values remain stable, but sales have slowed. Cash rents were little changed from last quarter, with the exception of lease rates for irrigated land, which have increased as a result of the widespread drought.

Farm Lending Trends and Forecasts

What changes occurred in non-real estate farm loans at your bank in the past three months compared with a year earlier?

	2009:Q1				2008:Q4
	Index	Greater	Same	Less	Index
Demand for loans	-17.35	15.52	51.62	32.87	-21.93
Availability of funds	15.66	20.73	74.20	5.07	15.09
Rate of loan repayment	-20.35	3.52	72.61	23.87	-26.19
Loan renewals or extensions	20.51	24.96	70.60	4.45	17.06
Collateral required	19.56	19.56	80.44	0	19.46

How do you expect the volume of farm loans made by your bank during the next three months to compare with the volume of loans made during the same months a year ago?

	2009:Q1				2008:Q4
	Index	Greater	Same	Less	Index
Non-real estate farm loans	-19.48	10.79	58.94	30.27	-28.03
Feeder cattle loans	-38.80	2.68	55.83	41.48	-42.32
Dairy loans	-13.79	4.60	77.01	18.39	-15.39
Crop storage loans	-7.73	7.77	76.73	15.50	-17.56
Operating loans	4.24	19.92	64.40	15.68	3.14
Farm machinery loans	-31.30	5.27	58.16	36.57	-30.75
Farm real estate loans	-34.70	3.92	57.46	38.62	-41.20



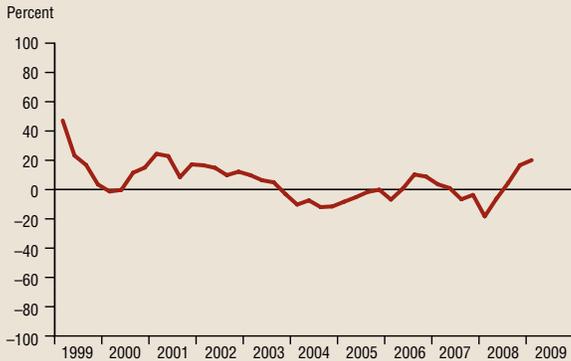
Quarterly Survey of Agricultural Credit Conditions

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 Public Affairs Department, Federal Reserve Bank of Dallas, P.O. Box 655906, Dallas, TX 75265-5906, or by calling 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.

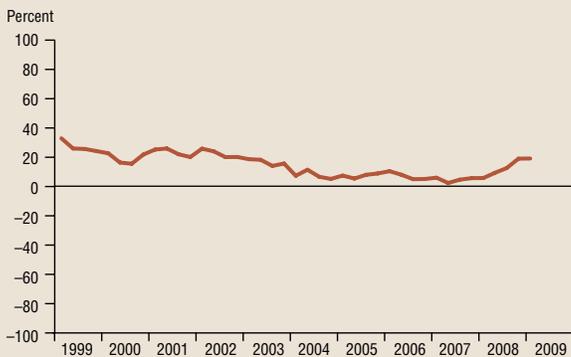
Renewals or Extensions of Loans

Twenty-five percent of bankers report an increase in loan renewals and extensions.



Amount of Collateral

Collateral requirements are unchanged from the previous quarter, say 80 percent of respondents.



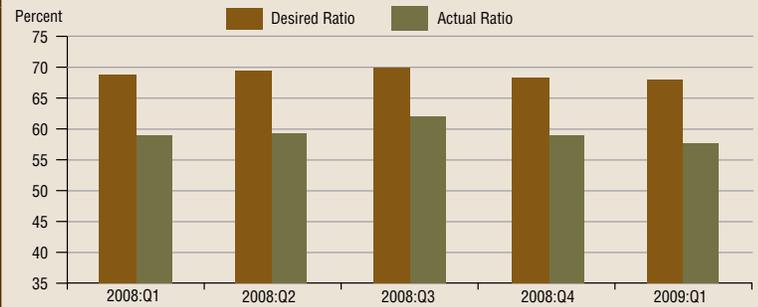
Anticipated Trend in Farmland Values

Only 4 percent of bankers expect farmland values to increase over the next three months.



Loan-to-Deposit Ratios at Survey Banks

Average actual and desired ratios



Distribution of Loan-to-Deposit Ratios

	Banks Reporting (percent)				
	2008			2009	
	Apr. 1	Jul. 1	Oct. 1	Jan. 1	Apr. 1
Less than 41%	24	24	16	21	23
41% to 50%	12	10	12	12	17
51% to 60%	18	15	15	20	17
61% to 70%	22	18	25	19	18
More than 70%	24	32	33	29	26

Interest Rates

Fixed

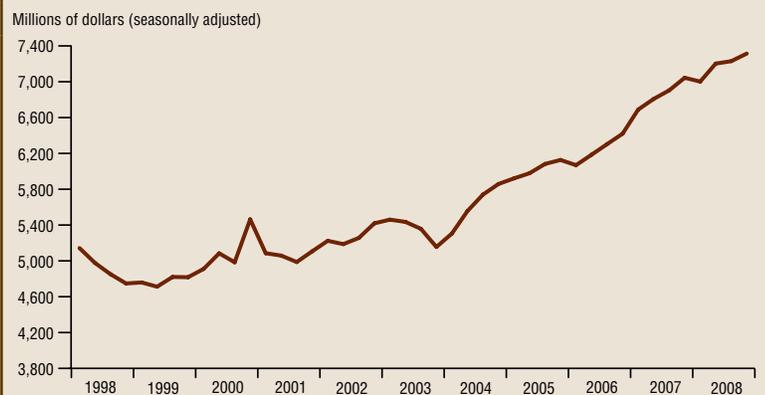
	Average Rate (percent)				
	2008			2009	
	Apr. 1	Jul. 1	Oct. 1	Jan. 1	Apr. 1
Feeder cattle	7.78	7.52	7.42	6.86	6.89
Other farm operating	7.96	7.81	7.56	6.90	7.20
Intermediate term	7.74	7.63	7.49	7.23	7.16
Long-term farm real estate	7.24	7.20	6.87	6.77	6.79

Variable

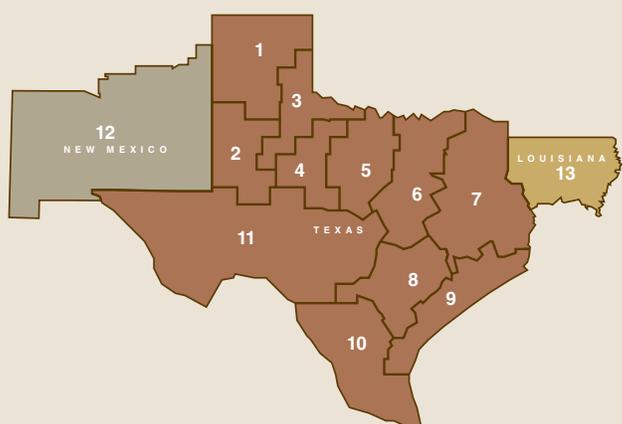
Feeder cattle	7.20	6.96	6.78	6.29	6.25
Other farm operating	7.41	7.09	6.91	6.40	6.28
Intermediate term	7.32	6.91	6.99	6.57	6.35
Long-term farm real estate	6.66	6.54	6.63	6.24	6.11

Total Agricultural Loans

Agricultural loan volumes expanded slightly during fourth quarter 2008.

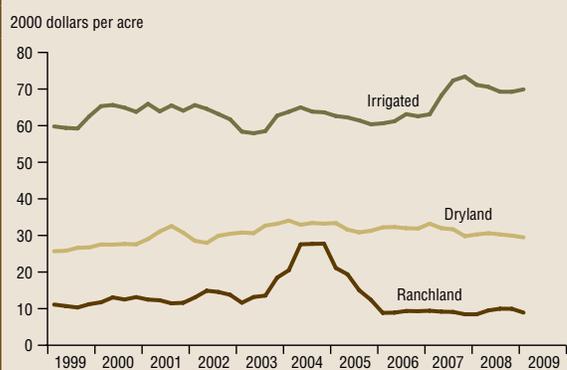


Eleventh Federal Reserve District



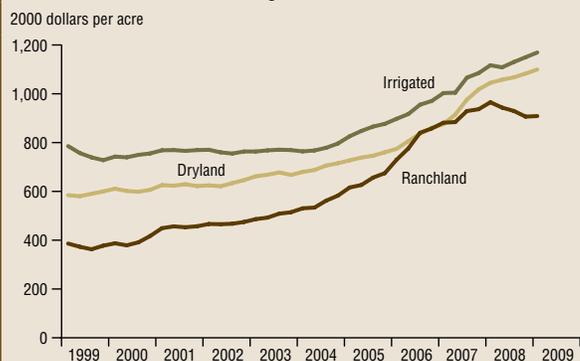
Cash Rent Values

Cash rents for dryland were relatively flat in first quarter 2009.



Real Land Values

Irrigated land and dryland values continue to increase, and ranchland values are leveling off.



Rural Real Estate Values—April 2009

Cropland—Dryland

District	Banks ¹	Average Value ²	Percent Change ³ in Value from	
			First Quarter 2009	Previous Quarter
District	123	1,356	1.5	6.7
Texas	113	1,361	1.3	6.6
1 Northern High Plains	22	455	0.3	5.5
2 Southern High Plains	14	478	-1.3	-0.4
3 Northern Low Plains	6	534	-5.0	0.9
4 Southern Low Plains	7	703	-9.7	-4.2
5 Cross Timbers	10	1,232	-3.9	2.2
6 North Central Texas	14	2,416	3.0	8.3
7 East Texas	8	1,705	4.4	7.2
8 Central Texas	15	2,762	3.4	12.1
9 Coastal Texas	7	1,436	-5.3	-5.0
10 South Texas	n.a.	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	8	1,183	5.4	4.9
12 Southern New Mexico	4	489	3.6	30.3
13 Northern Louisiana	6	1,405	5.0	7.4

Cropland—Irrigated

District	Banks ¹	Average Value ²	Percent Change ³ in Value from	Previous Quarter	Previous Year
District	89	1,442	1.7	6.2	
Texas	78	1,326	0.5	3.4	
1 Northern High Plains	21	1,080	-0.4	1.7	
2 Southern High Plains	14	1,001	0.5	-0.9	
3 Northern Low Plains	5	956	-1.6	5.0	
4 Southern Low Plains	6	1,122	-7.1	3.4	
5 Cross Timbers	4	2,067	-6.4	-1.5	
6 North Central Texas	n.a.	n.a.	n.a.	n.a.	
7 East Texas	3	1,560	-2.8	-9.3	
8 Central Texas	10	2,864	-0.3	-3.7	
9 Coastal Texas	5	1,520	-7.7	-7.9	
10 South Texas	n.a.	n.a.	n.a.	n.a.	
11 Trans-Pecos and Edwards Plateau	8	2,112	3.4	4.1	
12 Southern New Mexico	5	2,484	8.8	24.2	
13 Northern Louisiana	6	1,729	0.2	3.3	

Ranchland

District	Banks ¹	Average Value ²	Percent Change ³ in Value from	Previous Quarter	Previous Year
District	135	1,120	0.3	-4.6	
Texas	126	1,439	1.3	-2.7	
1 Northern High Plains	21	368	0.4	4.9	
2 Southern High Plains	11	446	1.0	17.6	
3 Northern Low Plains	6	549	-3.1	-7.9	
4 Southern Low Plains	7	722	-9.5	0.3	
5 Cross Timbers	11	1,756	-2.6	2.9	
6 North Central Texas	17	2,552	3.6	10.0	
7 East Texas	13	1,661	1.3	-18.1	
8 Central Texas	17	3,268	-0.5	-2.2	
9 Coastal Texas	6	1,270	-4.4	-8.4	
10 South Texas	n.a.	n.a.	n.a.	n.a.	
11 Trans-Pecos and Edwards Plateau	15	1,318	5.0	-8.5	
12 Southern New Mexico	4	206	-16.6	-31.6	
13 Northern Louisiana	5	1,008	1.4	9.0	

¹ Number of banks reporting land values.

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

³ Not adjusted for inflation.

n.a.—Not published due to insufficient responses but included in totals for Texas and district.

Quarterly Comments

District bankers were asked for additional comments concerning agricultural land values and credit conditions. These comments have been edited.

Region 1—Northern High Plains

Dry conditions persist in our area, and the outlook for any dryland crops is bleak for the summer of 2009. Cattle feeding and the dairy industry are both suffering from large losses. We are operating in survival mode at best. Inflationary fears are bringing about some optimism with regard to future commodity prices.

Cattle feeders are still suffering large losses. Pastureland and dryland wheat crops need moisture soon.

Dry conditions continue. The wheat crop will not be very good, with anticipated yields off 40 to 50 percent.

We really need moisture.

Region 4—Southern Low Plains

Current economic conditions are slowly driving land prices down. Any acreage that is for sale is remaining on the market longer before being sold.

Region 5—Cross Timbers

After five months, we finally received 2 inches of rain. Unfortunately, it was too late for wheat grazing or for a wheat crop. Stock tanks and lakes are at 50 percent of their normal levels.

Region 6—North Central Texas

The corn crop was planted (very timely) in dry soil. We have recently had 2.5 to 3 inches of rain. Pastures have finally greened up. However, ranchers are out of hay, and without more rainfall, they will have to liquidate their herds.

Two hundred acres of land was recently sold just outside the city lim-

its. The final price was about \$3,375. The purchase was possibly made for the development of smaller home sites.

Land values are increasing in our area. Credit conditions remain stable.

Region 7—East Texas

Ag prices remain unstable, reflecting the current economic conditions. The outlook locally appears good for crop yields, but prices are too unstable for farmers to make definite plans. Our area has received moisture, which will help with crop yields, but additional rain will be needed before harvest. Farmers appear to have an optimistic attitude and are continuing to plant as planned. Crops are becoming more diversified, with more corn acreage than in past years.

We are slowly reducing our exposure to any and all agriculture-related loans.

Dairy farmers are currently struggling due to high input costs and low milk prices. Some loans have been extended and others are interest only.

Region 8—Central Texas

Many of our long-term ranching enterprises have decided to cull their herds and plan to sell the entire base herd if adequate moisture is not available by June 2009. Our cotton, milo and corn producers have planted some crops, but they planted later than normal. The corn that has come up is thin and unhealthy due to lack of rainfall and high winds.

We finally received rain. Row crops were planted, albeit three weeks later. Farmers have planted less cotton and more grain for the 2009 crop. The local water system is maxed out. It will not furnish water for row crops this year.

We received decent rainfall, which is helping ranchers hold on to their herds. The current economic conditions are not helping producers with

planning for the future. As a result, not much is happening in our market.

Economic and drought conditions are deeply affecting our ranching customers. Operating costs (feed, fuel, labor) are up, while cattle prices are down. Pasture conditions are deteriorating because of the drought, and cattle are declining both in number and quality. Ranchers are not seeking credit with us because, we believe, they are afraid to make any moves in this economy. We are experiencing very difficult conditions in this area.

Region 9—Coastal Texas

Declining cattle prices have increased borrowers' requests to restructure and extend payments.

Region 11—Trans Pecos and Edwards Plateau

The Hill Country recently received a soaking rain, which was the first of its kind in over six months. Though the rain was not a drought breaker, it helped to replace some soil moisture. With any luck at all, more rain in the next few weeks will help bring on spring growth. The general economy has slowed, but livestock prices are up slightly.

Recent rains have improved pasture conditions, but the long, sustained drought combined with high feed prices will likely cause ranchers to downsize their herds. Our ranchers have depended on oil and gas income to supplement any losses in ranching. With falling oil and gas prices, there will not likely be a chance for expansion in the near future.