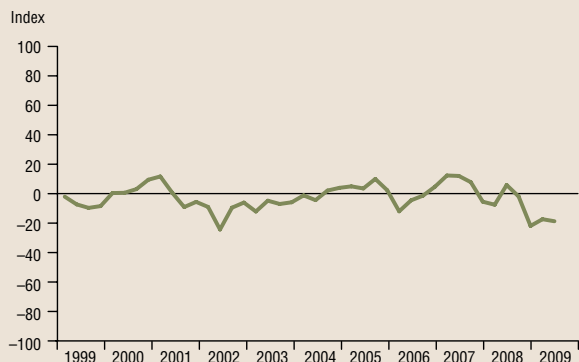


AGRICULTURAL SURVEY

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

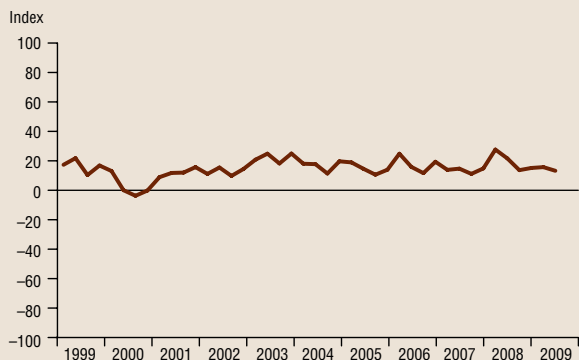
Demand for Loans

A third of the respondents note a decline in loan demand.



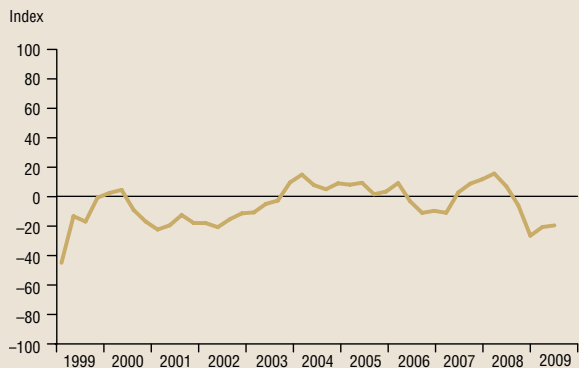
Funds Available for Additional Lending

Eighty-one percent of bankers report that fund availability remains stable.



Rate of Loan Repayment

Loan repayment rates held steady compared with last quarter but are much 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

Second Quarter 2009

Agricultural lenders responding to the second quarter survey report that persistent drought conditions have increased strain on the Eleventh District agricultural community. Ranchers in the driest parts of the District are liquidating their cattle herds at a loss because of limited water and forage availability and high supplemental feed costs. The wheat harvest has been poor and most crops are suffering from heat and lack of moisture.

The dry spell has affected credit conditions in the District. A higher share of bankers report lower incidence of loan repayment, increased collateral requirements and greater demand for loan renewals compared with last year. Moreover, there is growing concern among respondents about the future viability of some producers, especially dairy farmers who have suffered large losses due to record-low milk prices.

Farmland sales continue to weaken, and a third of respondents expect a decline in demand for farm real-estate loans over the next three months. Sluggish sales activity has slowed land price appreciation. Dryland values held steady while irrigated land prices fell in the second quarter. Four-fifths of respondents expect farmland prices to remain stable in the near-term, while only 2.6 percent expect increases—the lowest share since 1991.

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:Q2				2009:Q1
	Index	Greater	Same	Less	Index
Demand for loans	-18.75	14.29	52.67	33.04	-17.35
Availability of funds	13.18	16.09	81.00	2.91	15.66
Rate of loan repayment	-19.24	2.05	76.66	21.29	-20.35
Loan renewals or extensions	13.82	18.87	76.08	5.05	20.51
Change in collateral required	16.04	16.45	83.15	0.41	19.56

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:Q2				2009:Q1
	Index	Greater	Same	Less	Index
Non-real estate farm loans	-24.73	8.86	57.55	33.59	-19.48
Feeder cattle loans	-31.04	2.77	63.41	33.81	-38.80
Dairy loans	-14.12	5.88	74.12	20.00	-13.79
Crop storage loans	-6.77	2.97	87.29	9.74	-7.73
Operating loans	-5.47	16.59	61.35	22.06	4.24
Farm machinery loans	-30.32	2.92	63.84	33.24	-31.30
Farm real estate loans	-28.65	4.65	62.05	33.30	-34.70



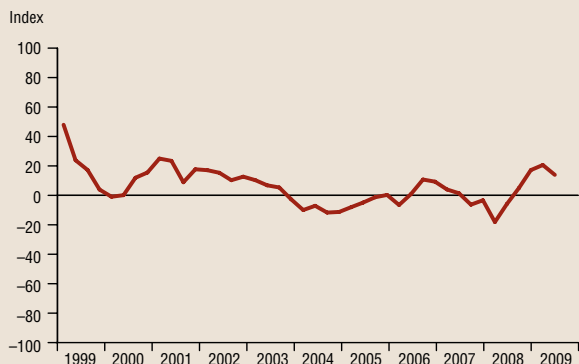
Quarterly Survey of Agricultural Credit Conditions

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.

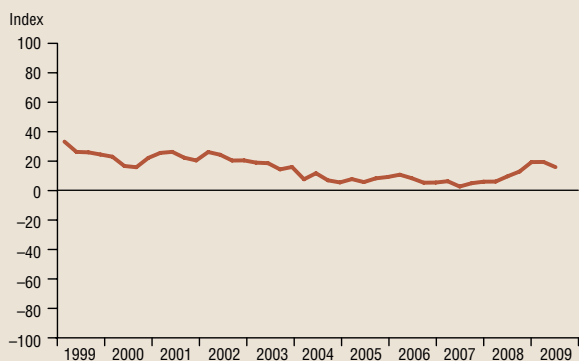
Renewals or Extensions of Loans

Only 5 percent of bankers report a decline in loan renewals and extensions.



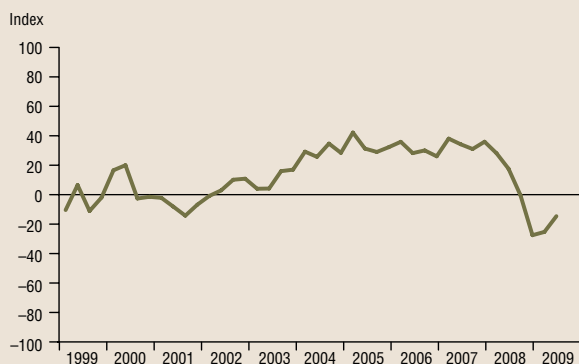
Amount of Collateral

Collateral requirements are unchanged from the previous quarter, say 83 percent of respondents.



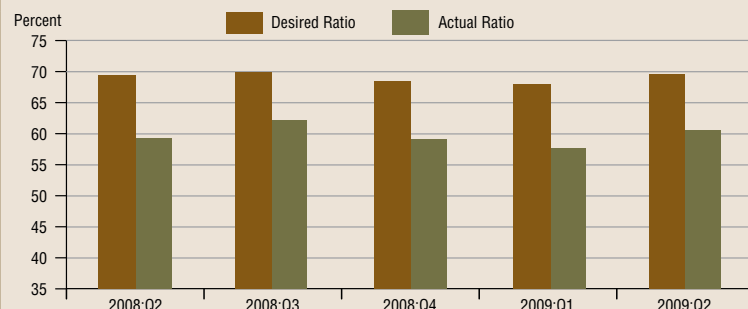
Anticipated Trend in Farmland Values

Seventeen percent of bankers expect farmland values to fall over the next three months, down from 29 percent last quarter.



Loan-to-Deposit Ratios at Survey Banks

Average actual and desired ratios



Distribution of Loan-to-Deposit Ratios

	2008		2009		
	Jul. 1	Oct. 1	Jan. 1	Apr. 1	Jul. 1
Less than 41%	24	16	21	23	20
41% to 50%	10	12	12	17	11
51% to 60%	15	15	20	17	19
61% to 70%	18	25	19	18	18
More than 70%	32	33	29	26	33

Interest Rates

Fixed

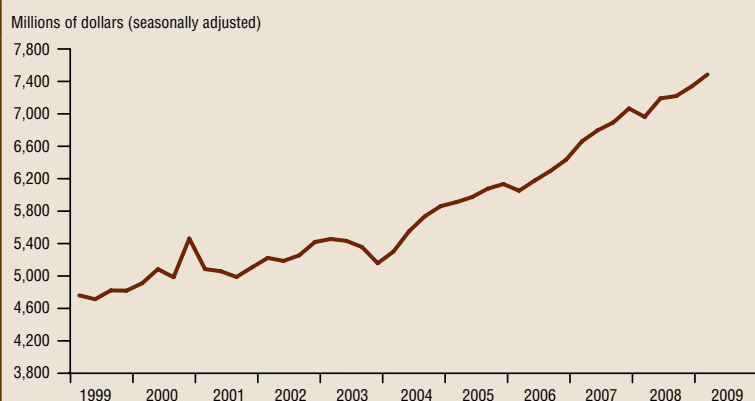
	Average Rate (percent)				
	2008		2009		
	Jul. 1	Oct. 1	Jan. 1	Apr. 1	Jul. 1
Feeder cattle	7.52	7.42	6.86	6.89	7.01
Other farm operating	7.81	7.56	6.90	7.20	7.05
Intermediate term	7.63	7.49	7.23	7.16	7.04
Long-term farm real estate	7.20	6.87	6.77	6.79	6.98

Variable

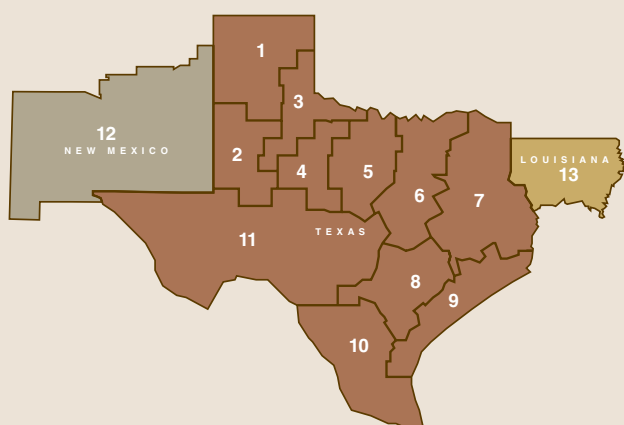
Feeder cattle	6.96	6.78	6.29	6.25	6.19
Other farm operating	7.09	6.91	6.40	6.28	6.23
Intermediate term	6.91	6.99	6.57	6.35	6.26
Long-term farm real estate	6.54	6.63	6.24	6.11	6.01

Total Agricultural Loans

Agricultural loan volumes continued to expand in the first quarter of 2009.



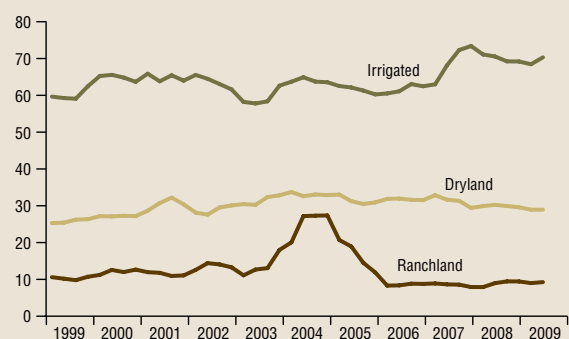
Eleventh Federal Reserve District



Real Cash Rents

Cash rents for dryland and ranchland held steady in second quarter 2009.

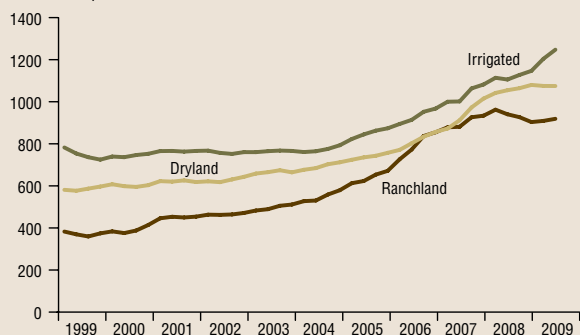
2000 dollars per acre



Real Land Values

Ranchland values rose while dryland values were flat in the second quarter.

2000 dollars per acre



Rural Real Estate Values—July 2009

Cropland—Dryland

District	Banks ¹ Second Quarter 2009	Average Value ²	Percent Change ³ in Value from	
			Previous Quarter	Previous Year
District	126	1,339	0	3.7
Texas	113	1,351	0.3	3.7
1 Northern High Plains	20	467	1.2	4.3
2 Southern High Plains	10	490	0.1	-0.5
3 Northern Low Plains	8	543	-0.8	-3.5
4 Southern Low Plains	12	774	2.6	-5.8
5 Cross Timbers	11	1,344	6.2	0.8
6 North Central Texas	12	2,239	-2.1	1.8
7 East Texas	6	1,776	3.2	14.2
8 Central Texas	17	2,738	0.1	9.8
9 Coastal Texas	8	1,448	1.2	-10.7
10 South Texas	n.a.	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	8	1,036	-6.5	-5.0
12 Southern New Mexico	7	451	-4.8	17.1
13 Northern Louisiana	6	1,294	-3.7	3.5

Cropland—Irrigated

District	92	1,417	-1.0	4.8
Texas	78	1,335	0.6	2.3
1 Northern High Plains	19	1,055	-1.1	-2.2
2 Southern High Plains	10	1,068	2.7	4.0
3 Northern Low Plains	6	966	-1.6	2.3
4 Southern Low Plains	9	1,196	1.1	-3.6
5 Cross Timbers	5	2,204	2.8	-2.1
6 North Central Texas	n.a.	n.a.	n.a.	n.a.
7 East Texas	4	1,740	2.5	13.3
8 Central Texas	11	2,930	0	-1.4
9 Coastal Texas	6	1,582	5.8	-10.0
10 South Texas	n.a.	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	7	2,062	-0.8	3.6
12 Southern New Mexico	8	2,123	-9.9	23.9
13 Northern Louisiana	6	1,675	-1.7	1.8

Ranchland

District	132	1,145	1.1	-0.5
Texas	120	1,471	1.2	1.8
1 Northern High Plains	19	372	-0.6	3.7
2 Southern High Plains	8	395	-9.6	-0.1
3 Northern Low Plains	8	589	0.7	-0.4
4 Southern Low Plains	11	791	0.3	-1.9
5 Cross Timbers	12	1,751	-0.7	-4.0
6 North Central Texas	14	2,356	-1.9	0.6
7 East Texas	8	1,752	1.4	-3.9
8 Central Texas	18	3,345	0.4	1.1
9 Coastal Texas	7	1,230	-1.4	-15.1
10 South Texas	n.a.	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	14	1,342	1.9	2.0
12 Southern New Mexico	7	211	-0.6	-31.6
13 Northern Louisiana	5	996	2.6	4.1

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

A cooler than normal early growing season has the cotton crop off to a poor start. The wheat harvest is wrapping up with very poor yields due to dry growing conditions. Dairymen and cattle feeders continue to face extremely difficult economics. One bright spot is the opportunity corn growers have to be profitable in 2009.

Increased FDIC assessments will probably drive up interest rates on loans.

Region 2—Southern High Plains

Conservation Reserve Program contracts that are expiring in 2009 and are not being renewed will have a negative impact on farm real estate values.

Region 3—Northern Low Plains

Most of the cotton has been planted. Current moisture conditions are good.

Rains have been intermittent. Pasture conditions are generally good. There is a lot of real estate on the market but very little is selling.

Region 4—Southern Low Plains

We remain in a drought. Recent rains will enable farmers to plant, but rainfall levels are still 2 inches below normal.

Our farmers and ranchers are suffering from the drought as well as high input costs. Only the big farmers remain in business; the family farmer does not have enough acreage to spread the fixed costs over.

Region 5—Cross Timbers

We have had very few ag land sales since the first of the year. Very little wheat was harvested this year, and what was harvested averaged 15–18 bushels per acre.

We have had decent rains over most of the area in recent weeks, but some lakes and ponds are still low. Pastures are in fairly good shape. Hay production is good so far, with lower fertilizer and fuel costs helping. Cattle prices are softening. The dairy business is the worst it has ever been due to prolonged record-low milk prices. Several dairies in the area have gone out of business, and more will likely follow in the next few months.

We have had very little rain in the past 90 days. Hay is planted, but it needs rain to make. Stock tanks are either half full or completely dry.

Region 6—North Central Texas

The drought returned quickly and there is no rain in the forecast. Pastures are already stressed from the heat. Grain and corn yields will be lower than average.

We are hoping crop insurance companies are ready.

The area is in need of rainfall. Early rains have helped pastures and the hay crop, which is being cut at the present time.

One hundred thirteen acres with a nice home recently sold for \$2,330 per acre.

Dry weather is hurting crops and pastures.

Region 8—Central Texas

Dry weather patterns are keeping the grass short. Some producers will have to begin feeding again. Operational expenses remain elevated.

Rains have helped out in most areas, but the continued heat and lack of rain so far in June is not encouraging. Most people have just

completed their first cutting of hay with weak to fair yields. The biggest concern is cattle prices trending downwards. This will not help the cash-strapped producers.

Nonirrigated crops are being hurt by dry conditions. Hay yields may be low again.

To sum it up in one word—DROUGHT! We anticipate large sales or liquidation of cattle herds. We have not had an appreciable amount of hay since 2007. Cattle prices are sinking fast.

Mixed weather, heavy rain and drought, has left the dryland cotton crop in huge peril. Crop estimates are too high and are pressuring cotton prices down. The late freeze lowered wheat crop yields by 65–80 percent.

Region 11—Trans-Pecos and Edwards Plateau

Recent heavy rains have led to good pasture conditions. High feed prices and economic uncertainty will likely cause producers to take a “wait and see” approach. However, the gradual increase of oil and gas prices may lead to an increase in herd sizes.

After receiving good rains in April and early May, South Central Texas (the Edwards Plateau) is now back in hot and dry conditions. July never promises much in the way of moisture, and so far it looks like it will be a hot and dry summer. Livestock prices are still pretty good, but will be very much impacted by the weather.

Region 12—Southern New Mexico

The dairy crisis is beginning to be a major concern. Most dairy farmers finance with farm credit. Current conditions are beginning to affect the farmers’ ability to purchase land and feed inputs, which is having an impact on our local providers.