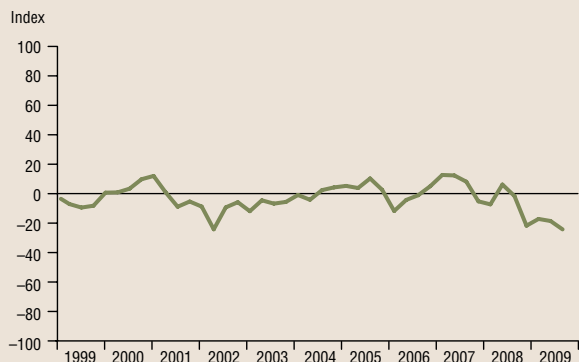


# AGRICULTURAL SURVEY

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

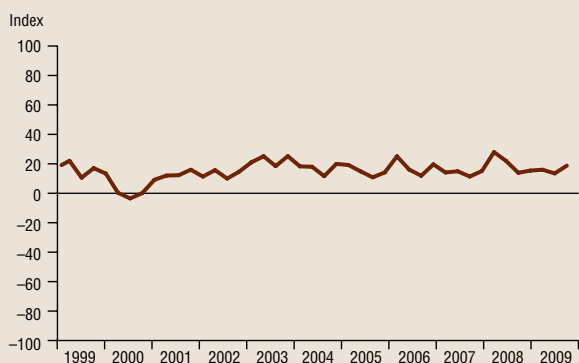
### Demand for Loans

*Loan demand declines for the second consecutive quarter.*



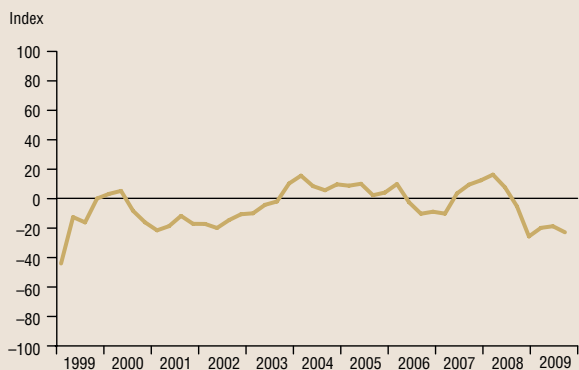
### Funds Available for Additional Lending

*Availability of funds improves.*



### Rate of Loan Repayment

*Loan repayment rates edge down.*



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

**Third Quarter 2009**

Bankers responding to the third-quarter survey reported that the ongoing drought continues to manifest challenges for the Eleventh District agricultural community. Poor grazing conditions and water shortages have forced cattle producers to liquidate much of their herds. The lack of moisture has also resulted in poor crop yields for many dryland farmers. On a positive note, recent rains have somewhat improved growing conditions in several regions of the district.

District bankers are feeling the pinch as well. Thirty-eight percent of those responding noted a decline in loan demand. One-fourth of respondents reported falling loan repayment rates, up from 11 percent a year earlier. Additionally, a higher share of bankers said they anticipate making fewer crop storage, feeder cattle, operating and dairy loans next quarter compared with year-ago levels.

Farmland prices continued to weaken in the third quarter. Dryland and irrigated land values edged down, and 26 percent of respondents said they expect farmland values to fall over the next three months. This is an increase from last quarter, when only 17 percent expected a decline in land prices.

### 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:Q3				2009:Q2
	Index	Greater	Same	Less	Index
Demand for loans	-24.43	13.83	47.92	38.26	-18.75
Availability of funds	18.44	23.87	70.70	5.43	13.18
Rate of loan repayment	-23.36	2.42	71.81	25.78	-19.24
Loan renewals or extensions	12.41	17.63	77.15	5.22	13.82
Change in collateral required	14.04	14.04	85.96	0	16.04

**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:Q3				2009:Q2
	Index	Greater	Same	Less	Index
Non-real estate farm loans	-28.48	7.73	56.05	36.21	-24.73
Feeder cattle loans	-35.74	2.08	60.10	37.82	-31.05
Dairy loans	-26.25	1.25	71.25	27.50	-14.12
Crop storage loans	-17.58	3.30	75.82	20.88	-6.77
Operating loans	-13.74	12.77	60.72	26.51	-5.47
Farm machinery loans	-35.88	3.13	57.87	39.01	-30.32
Farm real estate loans	-28.97	8.66	53.71	37.63	-28.65



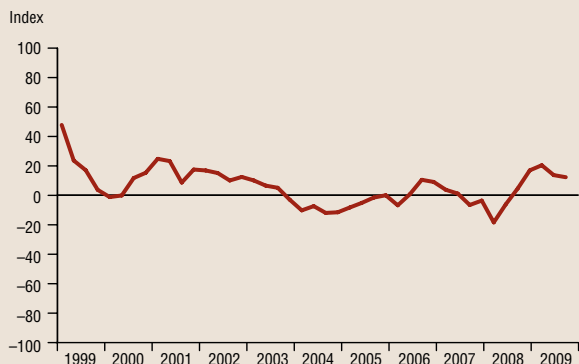
### Quarterly Survey of Agricultural Credit Conditions

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

For questions regarding information in the release, contact Laila Assanie, 214-922-5191.

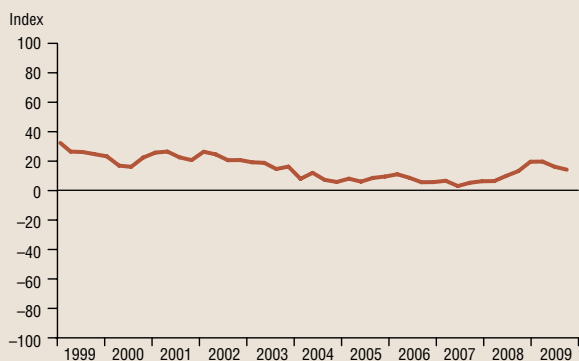
## Renewals or Extensions of Loans

*Requests for loan renewals and extensions continue to decline.*



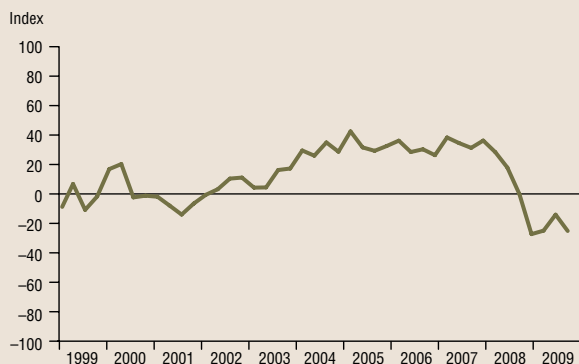
## Amount of Collateral

*Collateral requirements ease in the third quarter but remain close to year-ago levels.*



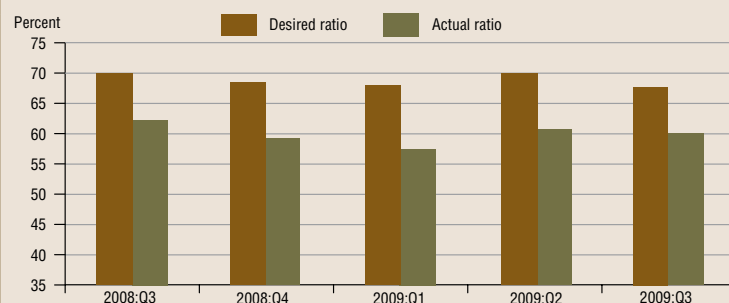
## Anticipated Trend in Farmland Values

*The trend in farmland prices remains negative, with nearly all respondents expecting either no change or a decline in farmland values over the next three months.*



## Loan-to-Deposit Ratios at Survey Banks

*Average desired and actual ratios*



## Distribution of Loan-to-Deposit Ratios

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

## Interest Rates

### Fixed

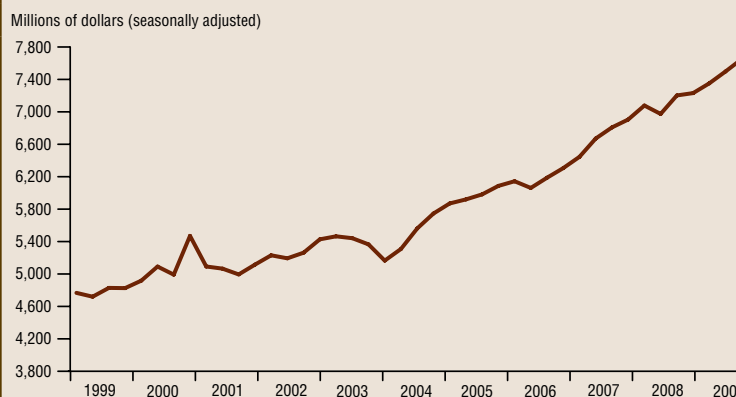
	Average rate (percent)				
	2008	2009			
	Oct. 1	Jan. 1	Apr. 1	Jul. 1	Oct. 1
Feeder cattle	7.42	6.86	6.88	7.01	6.90
Other farm operating	7.56	6.90	7.18	7.04	7.18
Intermediate term	7.49	7.23	7.16	7.04	7.20
Long-term farm real estate	6.87	6.77	6.78	6.72	6.89

### Variable

Feeder cattle	6.78	6.29	6.24	6.18	6.42
Other farm operating	6.91	6.40	6.27	6.22	6.34
Intermediate term	6.99	6.57	6.34	6.24	6.20
Long-term farm real estate	6.63	6.24	6.08	6.00	5.99

## Total Agricultural Loans

*Agricultural loan volumes expanded further in the second quarter.*



## List commodities grown in your lending area and rank the top three in order of importance.

Nearly 80 percent of total land acreage is used for agriculture in Texas. Pastureland comprises two-thirds of total Texas farmland and supports the state's large live-stock industry, which ranked No. 1 in the nation with \$10.5 billion in sales in 2007 (*Chart 1*). Cropland accounts for most of the remaining agricultural acreage, with a wide variety of commodities grown in the state (*Chart 2*). Corn, cotton and hay were the top three crops, totaling more than \$3.3 billion in production in 2008.<sup>1</sup>

The third quarter 2007 *Survey of Agricultural Credit Conditions* listed the most important agricultural commodities in each lending area as reported by participant banks. As a follow-up, this quarter we asked Eleventh District bankers to rank the top three commodities produced in their lending region. The ranking has changed slightly from 2007 (see pages 4–5). For example, corn has

replaced cotton as the second-leading commodity in the district; poultry and peanuts have declined in importance.

The survey also asked Eleventh District bankers to highlight any changes in the types of crops grown in their region. The most significant change was a shift away from cotton toward grains such as corn and sorghum in several regions. The decline in cotton production was largely due to high planting costs and low commodity prices. Peanut acreage shrank in the Northern Low Plains, Cross Timbers and Trans-Pecos and Edwards Plateau regions. The dairy industry expanded in the High Plains, East Texas and Southern New Mexico regions. A continued increase in recreational use of farmland was noted in West Texas as activities such as hunting have become more prominent.

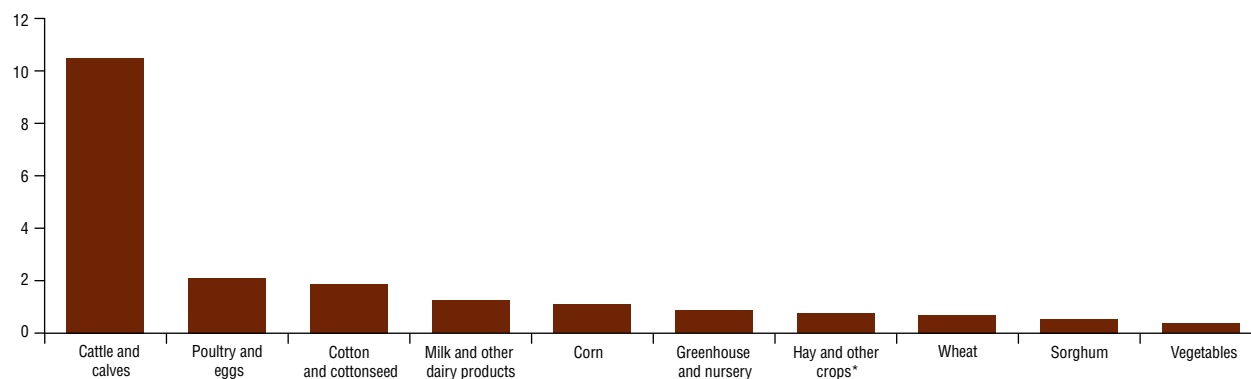
The following pages display a graphical representation by region of the data gathered in this commodities survey, along with the comments received.

<sup>1</sup> National Agricultural Statistics Service, U.S. Department of Agriculture.

Chart 1

### Texas' Top 10 Agricultural Commodities, 2007 (by market value of agricultural products sold)

Billions of dollars



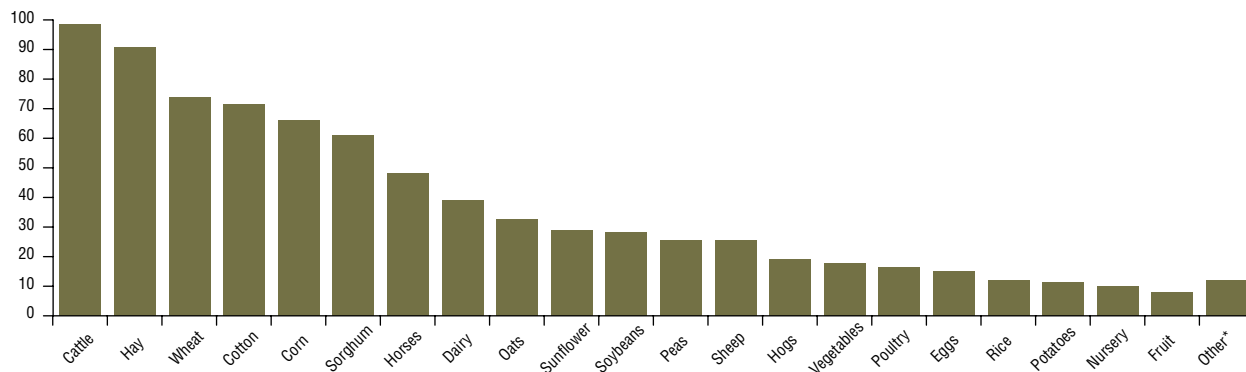
\* Other crops include hay and grass silage, grass seed, haylage, greenchop, hops, maple syrup, mint for oil, peanuts, sugarcane, sugarbeets, etc.

SOURCE: Texas Agricultural Statistics Service, U.S. Department of Agriculture.

Chart 2

### Eleventh District Agricultural Commodities, 2009 (as reported by participating banks)

Percent



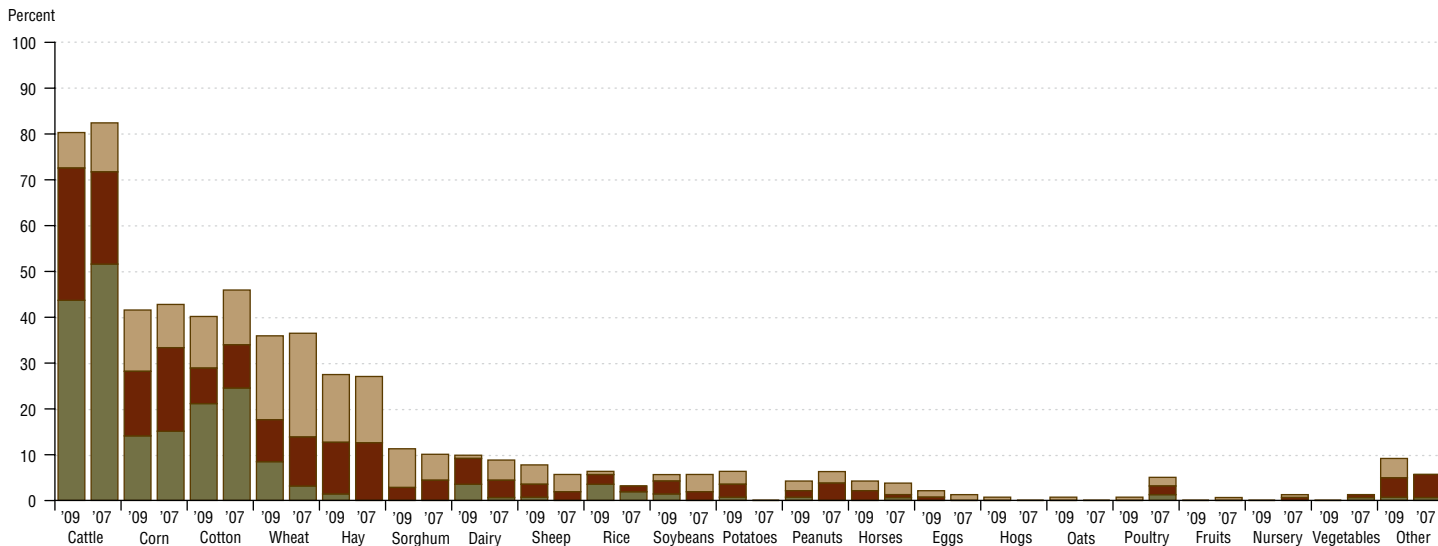
\* "Other" includes goats, green beans, melons, sesame, timber, turf grass, fish, goats, chile, pinto beans, pecans and sweet potatoes.

## Agricultural Commodity Ranking in the Eleventh District

(reported by responding banks, third quarter 2007 and 2009)\*

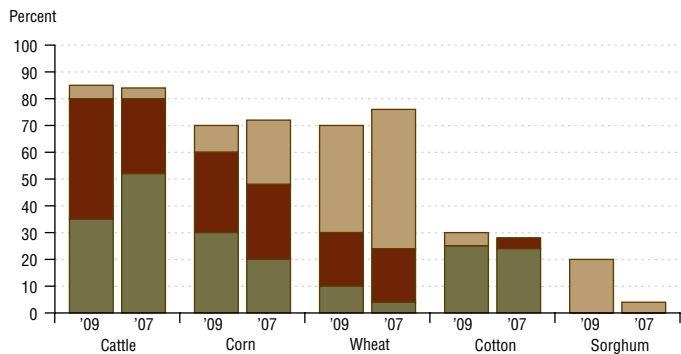


### All Regions

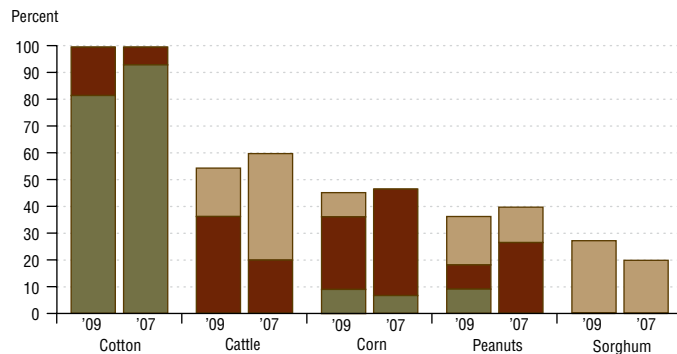


NOTES: "Other" includes goats, green beans, melons, sesame, turf grass, fish, chile, pinto beans, pecans and sweet potatoes. The potato commodity was listed separately for the first time in the 2009 survey.

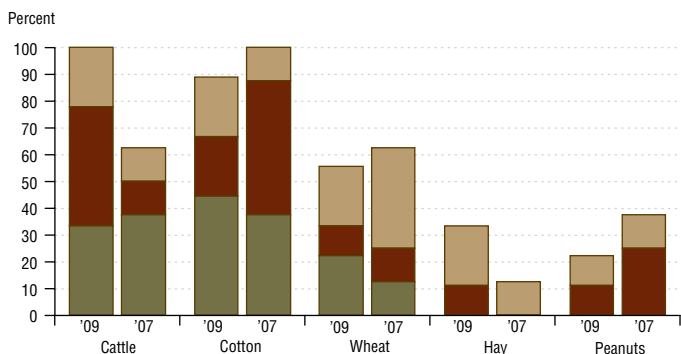
### Region 1—Northern High Plains



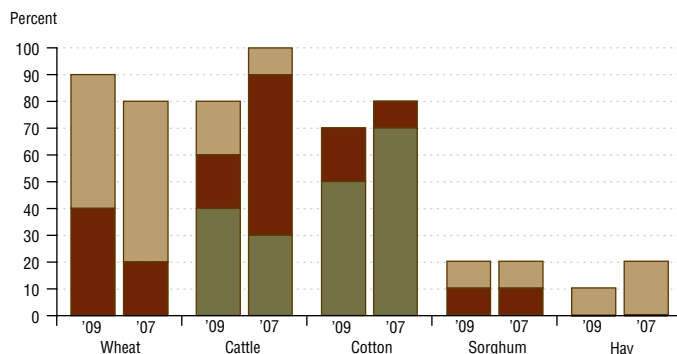
### Region 2—Southern High Plains



### Region 3—Northern Low Plains

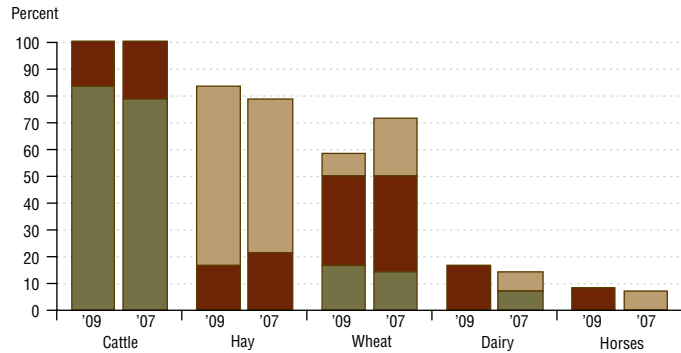


### Region 4—Southern Low Plains

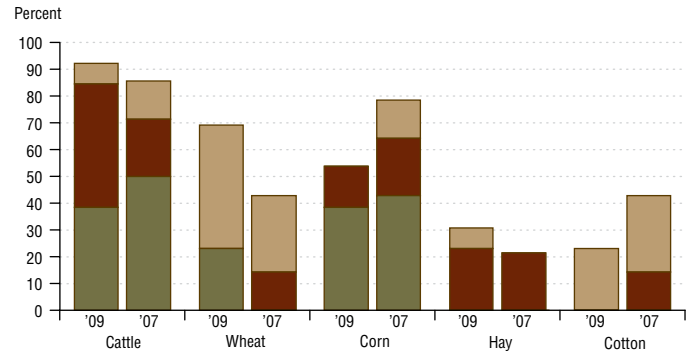


\*Data for Region 10—South Texas have not been reported due to insufficient responses.

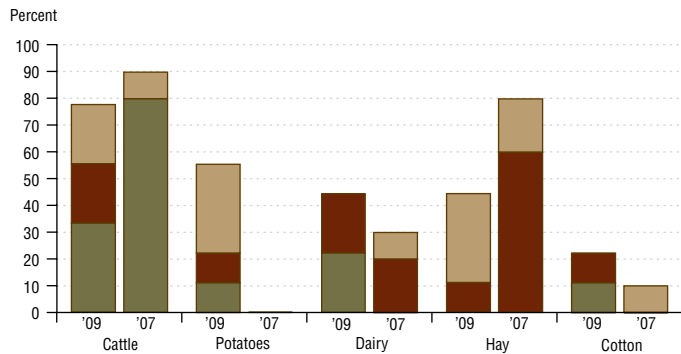
## Region 5—Cross Timbers



## Region 6—North Central Texas

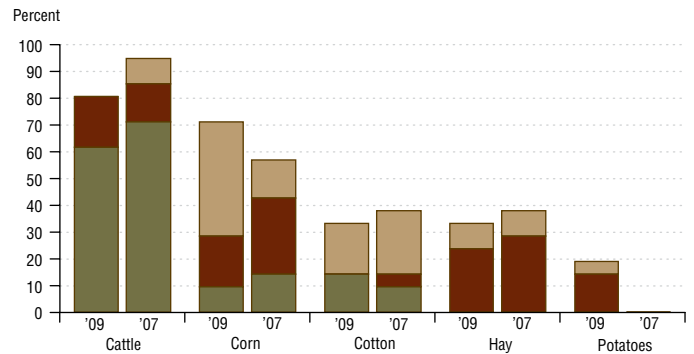


## Region 7—East Texas



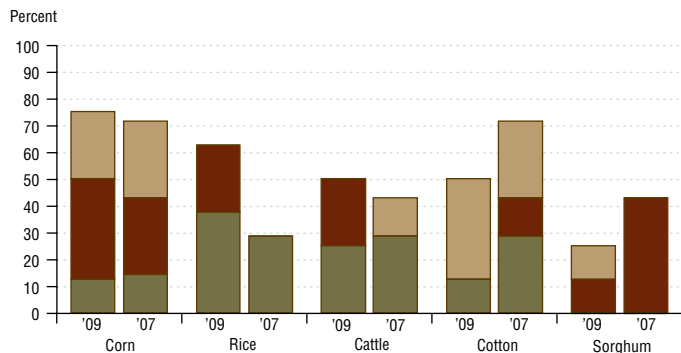
NOTE: The potato commodity was listed separately for the first time in the 2009 survey.

## Region 8—Central Texas

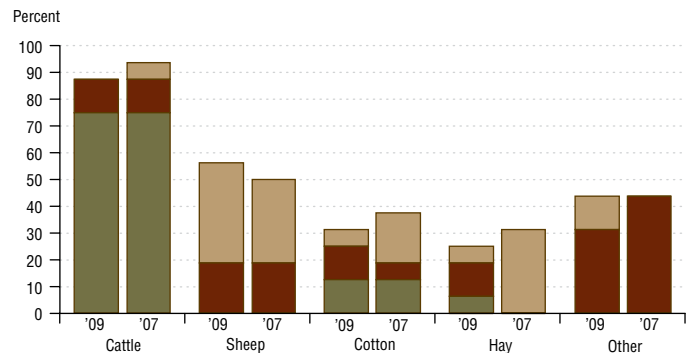


NOTE: The potato commodity was listed separately for the first time in the 2009 survey.

## Region 9—Coastal Texas

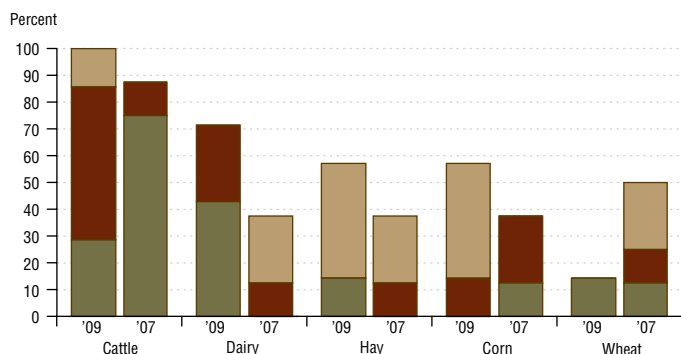


## Region 11—Trans-Pecos and Edwards Plateau

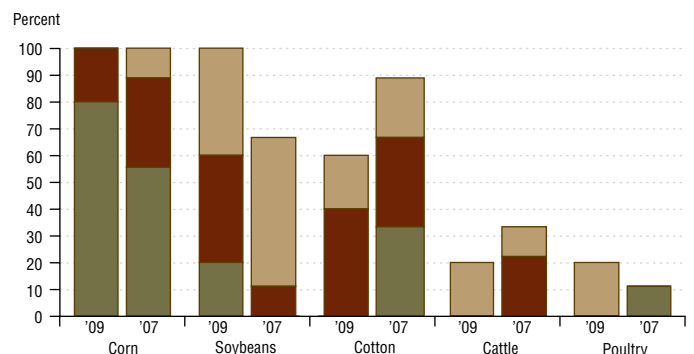


NOTE: "Other" includes goats and pecans for 2009; it included goats, pecans and grapes for 2007.

## Region 12—Southern New Mexico



## Region 13—Northern Louisiana



## Question:

Have there been changes in the types of agricultural commodities grown in your region? If so, please explain.

### Region 1—Northern High Plains

Cotton has gained in popularity in our region over the last few years.

There has been a shift away from cotton to corn and forage feeds.

There have not been any significant changes in our area.

There has been a shift from irrigated cotton to irrigated corn due to price variances. Cotton is still being planted primarily on dryland acres.

We are seeing more cotton being grown in place of the winter wheat crop.

Less cotton is being planted as a result of market conditions and rising costs.

More cotton is being grown.

A few dairies have come into this region during the past year. Cotton continues to be planted, but the overall acreage remains small.

### Region 2—Southern High Plains

We are seeing more corn and less cotton being planted.

More sorghum and sunflowers are being grown this year due to the drought.

There has been a shift away from cotton to grains due to profit margins.

The drought has had an impact on what is grown in the area; water is the defining factor.

For 2009, more grain (milo) is being planted due to weather-related cotton losses.

We are seeing an increase in the number of dairies as well as increases in feed for dairy cattle.

### Region: 3—Northern Low Plains

Peanut acreage has declined in the Northern Low Plains.

There has been a trend toward raising more cattle and growing less cotton during the last 10 years.

There have been no substantial changes in the types of agricultural commodities grown.

Cotton acreage is decreasing with corn and sesame crops being planted instead.

### Region 4—Southern Low Plains

Alternative crops are being planted. More grain is being grown as a means of rotating the cotton crop.

### Region 5—Cross Timbers

Less area is being devoted to agriculture.

Peanuts used to be the main crop in the area, but now there are only a few acres grown here. The dairy industry has been shrinking in the past year.

### Region 6—North Central Texas

Cotton used to be an important commodity in our region, but acreage dedicated to cotton has declined to about 10,000 acres in our lending area due to prices and the cost of production.

Very little cotton was grown here this year.

The mix of crops grown does vary depending on commodity prices.

Producers are experimenting with nontraditional crops such as sesame.

Less cotton is being planted but more wheat and corn.

### Region 7—East Texas

The number of dairies has decreased. There has been an increase in horses in this region.

### Region 8—Central Texas

Corn is being planted for fuel.

We have seen more ground going to cotton, primarily for the base government payments.

Less row crops are being grown each year. Cotton is no longer grown in our lending area.

Farmers continue to rotate crops.

Over the last few years, turf grass has increased due to the homebuilding boom.

Rice acreage has increased, while cotton acreage has decreased. Organic rice acreage is expanding.

### Region 9—Coastal Texas

There has been an increase in corn being grown.

We have seen more and more oil seeds and wheat grown in the last few years than we have seen in the past.

### Region 10—South Texas

There have not been any substantial changes in South Texas.

### Region 11—Trans-Pecos and Edwards Plateau

There are virtually no peanuts grown in the area anymore. There are a few (100 acres) vineyards planned as well as a few specialty crops being tried by area farmers.

Livestock herds are being downsized due to ranches being sold for recreational or nonagricultural use. Land prices have been too high for producers to buy for ag operations.

There is exotic game being raised in our area for the first time.

Predator problems have forced many ranchers out of the sheep and goat business. Many absentee land owners do not practice predator control at all.

Hunting is increasing in prominence, while livestock production is decreasing.

Cotton production and cantaloupe acreage are both down.

We are seeing a reduction in cotton but large increases in corn being grown.

### Region 12—Southern New Mexico

Less cotton is being planted due to low commodity prices.

We have more dairies in the area, which means that more green crops are being planted to support the dairies.

There are fewer hay and chile crops in the area. More beans are being grown instead.

We basically have the same crop mix.

### Region 13—Northern Louisiana

More grain is planted because the cost of raising cotton is too high.

There has been a change from cotton to corn based on input costs and commodity prices.

Recently more acres of cotton are being replaced with grain crops. Corn has replaced cotton as the major crop in the area. Sweet potato acres are increasing in the area. A new sweet potato processing plant is being constructed, which could drastically change the crop composition of this area.

**As part of this quarter's commodity survey, respondents were asked about the impact of the current drought on growing and credit conditions in their region. Most agricultural producers appear to be severely affected. Dryland production has been poor for crops such as cotton, wheat, corn and hay. Irrigated crops have required increased irrigation, driving up the cost of production and squeezing margins. The livestock industry has been hit hard as well. Poor grazing conditions have necessitated costly supplemental feeding, forcing many ranchers to sell off parts or all of their herds. The drought has affected cash flow for agricultural producers, and several bankers note an increase in carryover debt and a greater reliance on crop insurance. While recent rains have improved growing conditions in many regions, several parts of the district are still suffering from the drought's lingering effects, which have dampened the outlook.**

**Below are the comments we received from survey respondents on the impact of the drought on their lending region.**

## Question:

**How has the drought impacted growing and credit conditions in your region? Please explain.**

### Region 1—Northern High Plains

Rainfall has been scarce in this region, but it has been received at the right time. We need rain now to finish planting wheat, as we have very little subsoil moisture. The fall crops are looking good.

Dryland and irrigated crop receipts have been below normal.

Dryland acres are considered to be in poor condition since they cannot be irrigated due to the expenses associated with growing a crop. Credit conditions are weakening in tandem with drought conditions.

We are mostly irrigated in this area, and farmers are not set up to do anything differently.

Our area has been impacted indirectly but has not suffered from the drought conditions like Central and South Texas have.

Most areas have received some rain. The grass is short to average for this time of year. The milo crop is late, but it looks good. Wheat planting is delayed due to lack of moisture.

We are seeing lower yields as a result of the drought.

### Region 2—Southern High Plains

Crop conditions are not desirable, and

operating expenses are higher due to the drought.

Losses due to the drought mean crop insurance proceeds allow ag customers to pay down their loans sooner than expected. In addition, less is borrowed for the remainder of the year.

We had rain starting in late May through July, so the drought has not been a big problem in our area.

The drought has had a mixed result. The areas that lost their cotton crops as a result of the drought may be better off in the long run due to insurance payments. Irrigated crops are good.

Irrigated cotton looks good and is beginning to open. Dryland cotton is virtually nonexistent. Low cattle prices, combined with the high cost of grains over the last 12 months, have been devastating for ranchers.

Moisture is always a concern in this area. It has been a dry year, and this will impact both the dryland cotton and grain yields. Crop yields will be short of original projections, which were based on prior averages.

### Region 3—Northern Low Plains

The drought has been extreme. Dryland cotton crops are poor, which will probably stress cash flows. Wheat planting conditions are better because of current moisture levels.

As expected, there is a "wait and see" attitude. The lack of water and grass can mean cattle sales. Less wheat may be planted, and hay production is down.

Rains have been intermittent. We have some crops in good condition and some that have been plowed up for insurance checks.

Hall County has escaped any drought for the growing season.

### Region 4—Southern Low Plains

The drought has lowered crop yields, but it has had a minimal impact on lending conditions.

Dryland production has been affected by the drought.

We are expecting poor cotton crop yields. Cattle prices are very cheap as ranchers are selling off herds because of high supplemental costs.

Wheat production was considerably less this year.

Crop yields have been lower this year, causing greater reliance on crop insurance. However, growers' APHs (Actual Production Histories) are higher, resulting in higher insurance guaranties. This ends up making them more creditworthy customers. New cotton varieties appear to be more drought-

tolerant, allowing yields to be astronomical on wet years and better than average on dry years.

The lack of surface water has caused liquidation of some cattle herds. The wheat crop outlook is dismal at this point due to lack of moisture.

The drought has left farmers with carryover debt from the previous year. It is harder for them to make a living due to the drought.

The drought has squeezed cattle producers. Input costs (i.e., seed) for cotton production are making it very difficult for dryland cotton producers.

### Region 5—Cross Timbers

We have had near-average rainfall. Hay sales have been much higher than usual.

The drought has impacted both hay and wheat production. Some cattle have been sold due to lack of water. Credit conditions have not changed.

The drought has led to high feed costs, and it has hurt commodity selling prices.

Hay production has been significantly impacted. Ranchers' cash flow has been negatively impacted because of the necessity for supplemental feeding. We had more wheat plowed up this year than anyone can remember. Crop insurance saved some people.

The 2008–09 wheat crop was a disaster. Many farmers were left with large operating deficits due to high input costs as well as low prices and low crop yields. It will take years to recoup.

We have always had droughts, some more severe than others. The dry conditions make ranchers cut back on cows and increase expenditures on hay and feed. But the drought also increased the price of hay for hay growers.

There has been forced liquidation of some cattle herds. There is no hay for winter feeding, and the wheat pastures are too poor for winter grazing.

### Region 6—North Central Texas

The drought has had an extreme impact on summer crops, hay and cattle production.

Overall crop yields have been low; corn, cotton, milo and hay crops all had poor results.

The drought has been disastrous for crops. We're all hoping for strong insurance payments. Cattle prices are down as hay will be limited and expensive. We are seeing a lot of selloff.

It has been too dry to sow the wheat crop.

Cattle ranchers have had to feed cattle this summer due to the drought, as there

has been little to no grass for grazing. They have depleted their winter hay supply.

Crop insurance has leveled some of the valleys that resulted from poor crop yields. We are making more loans for feed (e.g., hay).

The drought has caused crop yields to be very poor. Many cattle producers have had to sell off part of their herds, and some have had to completely liquidate.

Prior to the rain, which started Sept. 17, dry conditions were forcing herd reductions and restricting wheat planting.

There has been a slight decrease in crop income. Pastures are holding up well, and hay production is good.

The drought, along with a late freeze, hurt crop yields. This caused an increase in carryover debt.

## Region 7—East Texas

We have not been in a drought in our region.

East Texas has had adequate moisture, so the drought has not had an impact in our area.

Credit conditions have not been affected, but cattle and hay operations have been hurt by the dry weather.

## Region 8—Central Texas

The 2009 growing season did not exist because of the lack of rain. Credit conditions remain the same.

Having drought conditions for more than two years has impacted crop yields and herd counts. Agriculture production is not profitable right now.

Dryland farmers are farming only for insurance proceeds. Irrigated land farmers are having to irrigate a lot more, which results in lower net income due to increased production costs. Our area has been put on water rationing.

Everything has been impacted. No rain means no hay or grass for cattle. Cattle prices are also down.

Crops have not produced for the last two years. Custom farm workers are suffering the most. There has been no income for two years from baling hay, plowing, dozer work, etc.

Many people just didn't plant this time. Many ranchers have sold portions of their livestock, and some have sold out completely.

Hay prices are higher. Farmers are selling cattle because of the lack of grass.

Dryland farmers have had reduced income available for debt service; therefore, their ability to qualify for additional funding has been reduced because of longer carryover debt. This is true for some of our cattle

ranchers as well.

The drought has severely reduced production of all dryland crops and caused customers to sell cattle.

Corn, milo and cotton yields were off by 75 percent. There have been many crop insurance claims. Breeding stock numbers are down significantly.

Some producers are liquidating and paying off their loans. There was very little forage production this year.

Things have been much tighter for cotton producers.

The drought has reduced nonirrigated crop yields, making it hard to produce hay.

There has been an increase in the sale of small calves and overall herd liquidation. Rice has not been impacted, unless the water supply is halted. Corn has had terrible yields.

## Region 9—Coastal Texas

Lower-than-normal crop yields coupled with lower prices for commodities have had a negative impact. Lower input costs have offset this somewhat, but not enough.

Overhead expenses have increased and some customers have liquidated their herds.

Most of the crops that were planted this year failed due to the drought. Crop insurance and government payments allowed our farmers to pay out operating loans. We did not turn down any farmers due to drought conditions.

Everyone is watching expenses very closely because of the drought and current credit conditions. Ag producers, as well as our bank, are looking for a way to mitigate risks more than usual.

Yields are down, and feed expenses for cattle have increased.

Dryland yields are very low. Carryover debt is expected. We could see another wave of farmers shifted to the Farm Service Agency (FSA) guaranty loan program. We could have a possible water shortage for rice acreage in 2010 due to LCRA (Lower Colorado River Authority) cutting off the water supply.

We anticipate a challenging loan renewal season this October–December as there will be greater carryover from 2009 primarily due to depressed crop yields and prices.

## Region 10—South Texas

Cattle numbers have been reduced, while feed expenses have increased. Farmers are growing crops that are restricted to irrigated land, which causes increased pumping costs.

## Region 11—Trans-Pecos and Edwards Plateau

Conditions have caused reduced crop

yields and the liquidation of livestock.

The region has received good to fair rainfall and has not been impacted as badly as other regions in the district. Most ranches have good grass going into the winter.

Our area has had fairly good rains during July and August; however, it is starting to get dry.

Growing conditions have deteriorated, but recent rains have improved the outlook slightly. Credit conditions remain tight.

In this region (Kimble County and the adjoining counties), some timely summer rains have helped us avoid the disaster occurring in other parts of the state. Certainly, though, the drought and high feed prices have made already difficult circumstances worse.

The spring and summer drought resulted in poor pasture conditions and a poor sorghum crop.

Crop production is well below the norm. Cattle liquidation sales have occurred. Irrigation wells are drying up.

Herd sizes are being reduced.

The drought has raised feed costs and reduced herd numbers.

## Region 12—Southern New Mexico

The drought is currently impacting ranchers' cash flow. Higher feed costs and lower cattle weights are resulting in lower gross revenue for ranchers.

The drought has caused losses in wheat production, which means less Crop Revenue Coverage (CRC) payments and lower cash receipts from the sale of wheat. This has cost farmers 30 to 70 percent in potential revenue.

We've had an average to above-average year in rainfall.

There is less river water, which results in much higher pumping costs.

The drought has really hurt dryland producers over the past two years. Irrigated producers have also seen reduced yields. Cattle numbers have been mostly unaffected.

## Region 13—Northern Louisiana

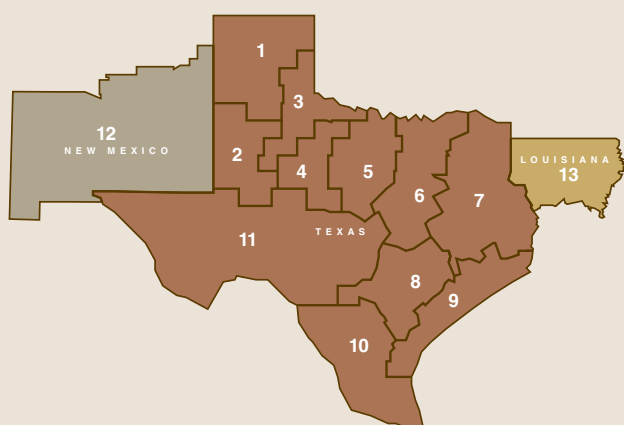
We had extreme heat in June and July and no rain.

Many producers are facing tighter cash flows due to weather conditions—both the hurricane and the drought.

We have suffered reduced yields due to dry conditions. This area went almost three months without rainfall. Now, extremely wet conditions are threatening the cotton and soybean harvests. More rain is in the immediate forecast, which will most likely further reduce yields.

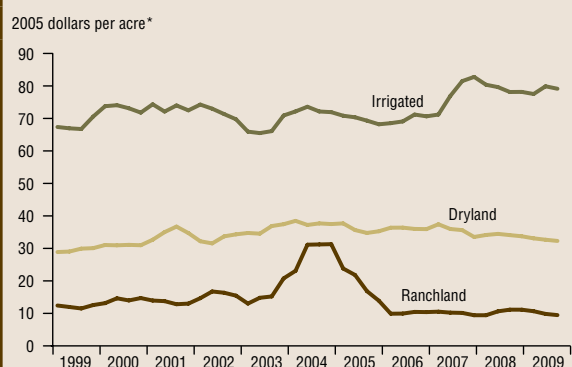
Corn yields are reduced.

## Eleventh Federal Reserve District



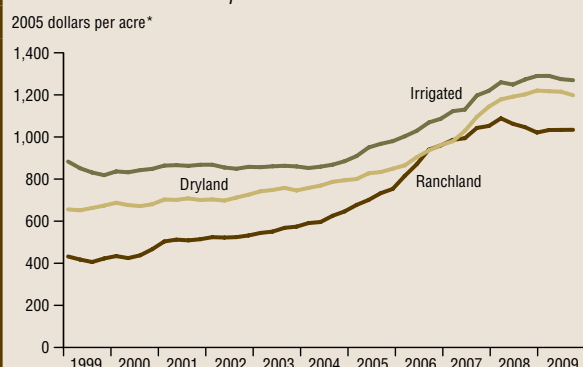
## Real Cash Rents

Cash rents edge down in the third quarter.



## Real Land Values

Dryland and irrigated land values fall, while ranchland values remain flat in the third quarter.



\* The base of the GDP price deflator used to calculate real land values and cash rents has changed from 2000 to 2005.

## Rural Real Estate Values—October 2009

### Cropland—Dryland

District	Banks <sup>1</sup>	Average value <sup>2</sup> Third quarter 2009	Percent change <sup>3</sup> in value from	
			Previous quarter	Previous year
<b>Texas</b>	98	1,335	-1.1	0.6
1 Northern High Plains	16	492	3.3	8.2
2 Southern High Plains	11	500	2.1	0.7
3 Northern Low Plains	7	528	-0.2	-6.9
4 Southern Low Plains	9	866	9.0	3.4
5 Cross Timbers	8	1,346	1.4	5.8
6 North Central Texas	12	2,061	-6.9	-10.0
7 East Texas	6	1,803	1.2	15.9
8 Central Texas	15	2,726	-0.7	3.6
9 Coastal Texas	7	1,505	1.8	-4.0
10 South Texas	n.a.	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	7	1,158	3.4	5.5
12 Southern New Mexico	6	425	-2.3	-1.0
13 Northern Louisiana	6	1,217	-5.4	-3.7

### Cropland—Irrigated

District	Banks <sup>1</sup>	Average value <sup>2</sup>	Percent change <sup>3</sup>	
<b>Texas</b>	66	1,320	-0.3	0.5
1 Northern High Plains	15	1,065	-0.1	-1.0
2 Southern High Plains	11	1,119	4.2	7.2
3 Northern Low Plains	6	981	2.1	-0.6
4 Southern Low Plains	7	1,281	6.0	-1.2
5 Cross Timbers	3	2,003	-3.0	-11.3
6 North Central Texas	n.a.	n.a.	n.a.	n.a.
7 East Texas	n.a.	n.a.	n.a.	n.a.
8 Central Texas	10	3,011	2.5	-1.3
9 Coastal Texas	5	1,680	2.3	2.2
10 South Texas	n.a.	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	7	2,174	3.6	10.2
12 Southern New Mexico	7	1,967	-2.3	-4.2
13 Northern Louisiana	6	1,684	-0.5	-0.1

### Ranchland

District	Banks <sup>1</sup>	Average value <sup>2</sup>	Percent change <sup>3</sup>	
<b>Texas</b>	109	1,489	1.0	3.0
1 Northern High Plains	16	385	2.7	4.8
2 Southern High Plains	9	413	1.1	-8.2
3 Northern Low Plains	7	503	-4.7	-13.6
4 Southern Low Plains	9	939	13.0	8.2
5 Cross Timbers	9	1,783	1.1	-2.9
6 North Central Texas	14	2,238	-5.7	-5.5
7 East Texas	9	1,929	6.8	10.3
8 Central Texas	17	3,409	1.9	0.1
9 Coastal Texas	6	1,342	3.5	0
10 South Texas	n.a.	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	13	1,475	4.3	12.9
12 Southern New Mexico	6	224	4.7	-20.4
13 Northern Louisiana	5	967	-3.3	0.2

<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.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

2009 is shaping up to be an average year for crop production. Cattle prices have stabilized. Milk prices appear to have bottomed out, and improvements will now begin to lessen dairy losses.

### Region 3—Northern Low Plains

Ag land values in this area have been pushed upward as a result of the potential for income from hunting leases. This is to the detriment of some and the benefit of others.

### Region 4—Southern Low Plains

Our farmers will lose some ground this year; however, they are still “riding the coat tails” of five good crop yields from the last six years.

### Region 5—Cross Timbers

Land sales have slowed, but prices have remained stable. Most transactions (75 to 80 percent) are completed with cash or a 1031 tax-deferred exchange.

It is extremely dry in our area. Ranchers are selling cattle because of the lack of stock-tank water and hay.

### Region 6—North Central Texas

Producers are realizing that this drought, which started in May 2008 and has continued through September 2009, may rival the legendary drought of the 1950s. Cattle herd liquidation is in high gear. Crop yields are less than 50 percent of original projections, and farm-

ers are still waiting for 2008 USDA Farm Service Agency (FSA) government disaster payments.

Ag producers are going to need disaster money!

The drought has had a devastating effect on our local farmers, causing a very poor harvest for our corn farmers. Local cattle raisers are running short on water, and the hay harvest has been very limited. Many are selling off part of their herds, with a few completely liquidating. A late freeze diminished the wheat harvest.

This area has received good rainfall, and pastures are improving. Cattle prices need to improve.

There have not been any recent land sales in the area.

Please send rain! Our farm ponds are drying up, and we have no hay in one area. Cattle are being sold as a result of these conditions.

### Region 7—East Texas

Dairy farmers continue to struggle, even with interest-only loans and extended payment plans. This is the worst cycle for dairy farmers, in my experience, reaching back to the 1970s. This problem is also affecting support businesses that deal with dairy farmers.

### Region 8—Central Texas

Recent rains have allowed for grass going into the winter. Winter forage is being planted for the first time in three years. The grains market is increasing, but the seasonal cattle market is decreasing, which is untimely.

We have still not had rains that would help our area’s ag customers. The local cattle auction barn set new records for the number of cattle that were sold in August. Pasture conditions continue to deteriorate, and cattle are starting to

show signs of stress as well. We have seen little or no activity regarding real estate pricing over the past few months. Though some listings have been reduced, there are still no buyers.

The drought has resulted in a spotty dryland cotton crop. Low milk prices continue to force dairies out of operation.

Rice farmers have been notified by LCRA (Lower Colorado River Authority) that water will not be available if we do not receive adequate rainfall to supply the lakes in the next five months.

### Region 11—Trans-Pecos and Edwards Plateau

Though dry conditions were the norm for South Texas and the south central Texas area this summer, some areas of the Edwards Plateau and West Texas have actually received timely and unusual rainfall. Range conditions in Kerr, Mason, Gillespie, Kimble, Menard, Sutton and Crockett counties are actually better than they were last year. Livestock prices have held pretty well despite lots of selloff in South Texas due to the drought.

Pasture conditions are fair to good with good grass coverage. Recent moisture has been intermittent and rather light. Recreational ag property sales are slow, with real estate sales for true ag operation being almost nonexistent. Deer hunting leasing, which has been good for several years, has seen a pullback, with some places going unleased to date.

### Region 12—Southern New Mexico

Pasture and range conditions are extremely dry for most of New Mexico. The chili crop is excellent.