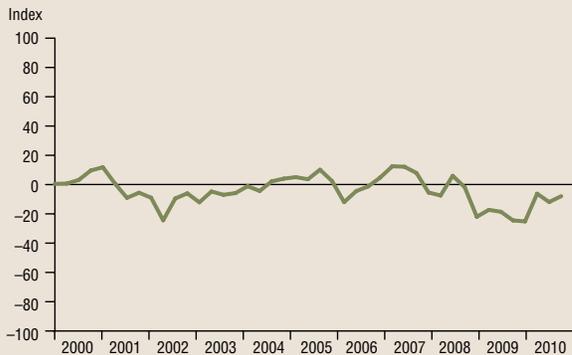


AGRICULTURAL SURVEY

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

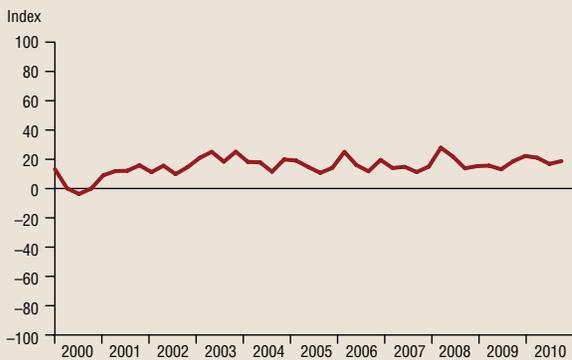
Demand for Loans

Loan demand continues to decline, but the index edges up in the third quarter.



Funds Available for Additional Lending

Twenty-three percent of bankers note an increase in the availability of funds.



Rate of Loan Repayment

Loan repayment rates stabilize.



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 2010

The third-quarter survey suggests continued confidence for agricultural conditions in the Eleventh District. Multiple regions benefited from tropical-storm-driven rains, resulting in good planting conditions and pasture growth. Reports indicate a good hay crop and above-average grazing conditions. Cotton yields are expected to be high and prices are elevated, providing solid margins for farmers. Cattle prices strengthened further, boosting profits for livestock producers.

Strong production levels and increases in agricultural commodity prices have several bankers optimistic about prospective farmland values. Thirteen percent of respondents expect an increase over the next three months, the highest share in two years. Current land values are stable or slightly up, although land sales remain subdued. The Eagle Ford Shale region continues to see substantial leasing activity from oil and gas companies.

Some weakness in farm lending persists, although loan repayment rates and requests for renewals or extensions stabilized in the third quarter. Demand for loans continues to wane, with one quarter of bankers noting a falloff in demand compared with 17 percent reporting an increase. However, demand for operating and crop storage loans is stronger than last quarter and much stronger than a year ago, likely due to robust agricultural production.

Farm Lending Trends and Forecasts

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

	2010:Q3				2010:Q2
	Index	Greater	Same	Less	Index
Demand for loans	-7.91	17.19	57.71	25.10	-11.89
Availability of funds	18.53	23.18	72.16	4.65	16.60
Rate of loan repayment	-2.09	10.04	77.84	12.13	-15.50
Loan renewals or extensions	0.74	11.81	77.12	11.07	13.60
Change in collateral required	11.91	12.72	86.46	0.82	13.40

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

	2010:Q3				2010:Q2
	Index	Greater	Same	Less	Index
Non-real-estate farm loans	-0.68	14.17	70.98	14.85	-8.65
Feeder cattle loans	-4.96	10.76	73.52	15.72	-14.90
Dairy loans	-14.58	1.04	83.33	15.63	-14.29
Crop storage loans	9.22	16.48	76.25	7.27	2.33
Operating loans	10.72	22.88	64.95	12.16	9.30
Farm machinery loans	-10.06	11.20	67.54	21.26	-19.22
Farm real estate loans	-23.29	5.05	66.60	28.34	-21.41



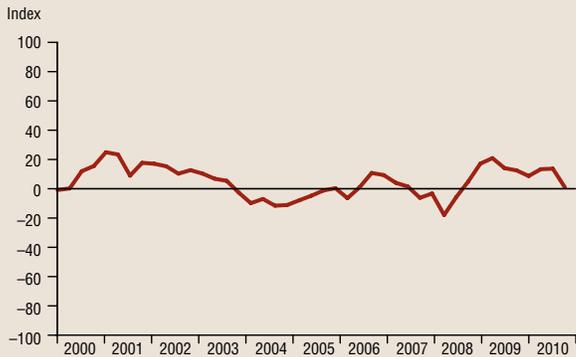
Quarterly Survey of Agricultural Credit Conditions

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 Emily Kerr, 214-922-6941.

Renewals or Extensions of Loans

After rising for two years, requests for renewals or extensions flatten out in the third quarter.



Amount of Collateral

Thirteen percent of bankers note an uptick in collateral requirements.



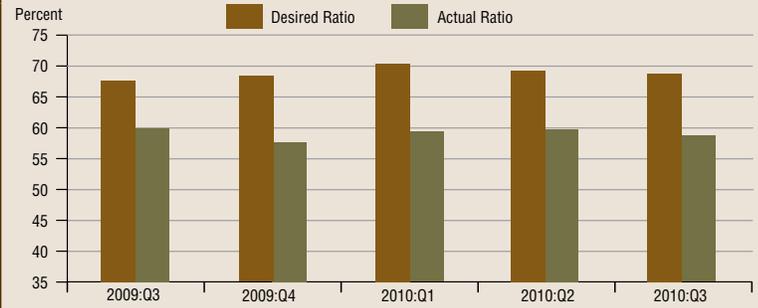
Anticipated Trend in Farmland Values

For the first time in two years, more bankers expect farmland prices to increase than decrease 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)				
	2009		2010		
	Oct. 1	Jan. 1	Apr. 1	Jul. 1	Oct. 1
Less than 41%	25	25	24	22	23
41% to 50%	11	9	11	11	10
51% to 60%	15	19	13	14	14
61% to 70%	20	24	21	23	25
More than 70%	29	23	31	30	29

Interest Rates

Fixed

	Average rate (percent)				
	2009		2010		
	Oct. 1	Jan. 1	Apr. 1	Jul. 1	Oct. 1
Feeder cattle	6.90	6.86	6.81	6.78	6.83
Other farm operating	7.18	6.98	7.07	6.89	6.96
Intermediate term	7.20	7.00	7.15	7.10	7.02
Long-term farm real estate	6.89	6.75	6.75	6.69	6.71

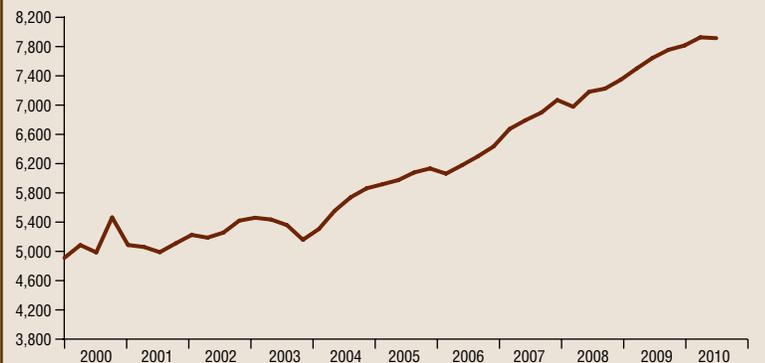
Variable

Feeder cattle	6.42	6.12	5.91	6.05	5.73
Other farm operating	6.34	6.46	6.22	6.24	6.11
Intermediate term	6.20	6.26	6.21	6.29	5.97
Long-term farm real estate	5.99	6.08	5.94	5.99	5.53

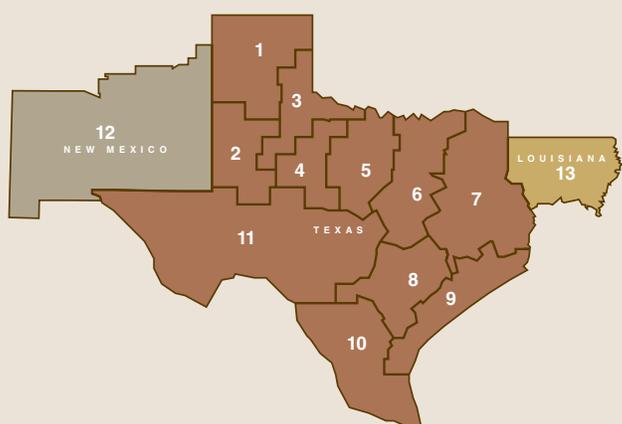
Total Agricultural Loans

Agricultural loan volumes held steady in the second quarter.

Millions of dollars (seasonally adjusted)



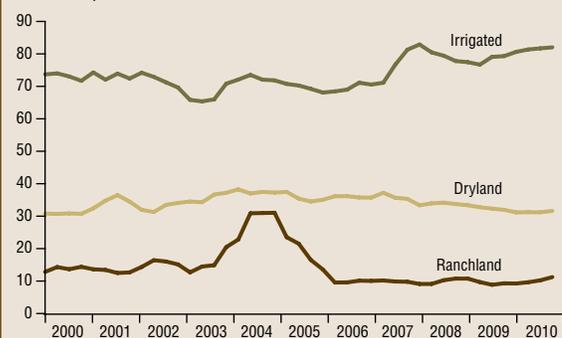
Eleventh Federal Reserve District



Real Cash Rents

Cash rents for ranchland edge up in the third quarter.

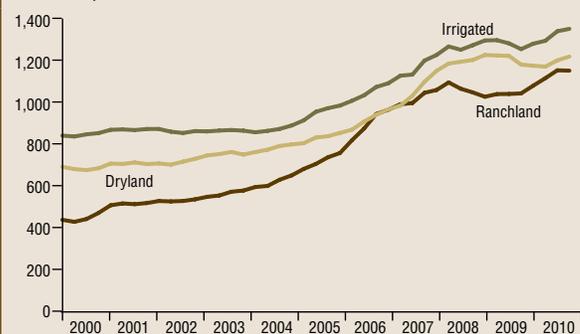
2005 dollars per acre



Real Land Values

Farmland values rise for dryland and irrigated land.

2005 dollars per acre



Rural Real Estate Values—September 2010

Cropland—Dryland

District	Banks ¹	Average value ²	Percent change ³ in value from	
			Previous quarter	Previous year
	Third quarter 2010			
District	128	1,344	1.5	4.0
Texas	114	1,343	1.4	2.8
1 Northern High Plains	23	497	1.0	3.2
2 Southern High Plains	15	509	3.0	4.2
3 Northern Low Plains	9	666	6.0	20.3
4 Southern Low Plains	10	818	-1.0	-3.6
5 Cross Timbers	13	1,258	-0.4	-7.4
6 North Central Texas	9	1,979	-0.1	-4.5
7 East Texas	6	2,102	7.2	21.2
8 Central Texas	16	2,727	1.8	2.1
9 Coastal Texas	5	1,047	-9.7	-24.5
10 South Texas	n.a.	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	7	1,265	4.5	20.1
12 Southern New Mexico	5	418	-0.8	8.4
13 Northern Louisiana	9	1,480	3.4	19.8

Cropland—Irrigated

District	97	1,491	0.9	8.5
Texas	82	1,426	1.0	10.0
1 Northern High Plains	23	1,188	2.1	10.5
2 Southern High Plains	15	1,105	-0.2	0.7
3 Northern Low Plains	6	1,156	6.0	16.5
4 Southern Low Plains	6	1,167	-2.9	-4.4
5 Cross Timbers	6	2,164	-1.9	-0.8
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	9	2,726	2.6	-2.7
9 Coastal Texas	4	1,302	-14.4	-14.6
10 South Texas	n.a.	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	8	2,759	11.5	31
12 Southern New Mexico	7	1,998	-1.1	2.9
13 Northern Louisiana	8	1,852	4.7	7.3

Ranchland

District	139	1,270	-0.1	11.3
Texas	128	1,630	0.2	8.9
1 Northern High Plains	22	405	1.4	4.5
2 Southern High Plains	12	382	0.2	-4.5
3 Northern Low Plains	9	660	0.2	14.6
4 Southern Low Plains	10	886	-1.8	-3.1
5 Cross Timbers	15	1,830	0.8	-0.5
6 North Central Texas	10	2,206	-1.6	0.6
7 East Texas	11	2,055	1.3	7.5
8 Central Texas	18	3,379	0.4	0.3
9 Coastal Texas	4	970	-15.7	-16.9
10 South Texas	n.a.	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	15	1,696	0.6	12.5
12 Southern New Mexico	6	240	-6.8	8
13 Northern Louisiana	5	977	1.8	2.9

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

Yields and prices look very good for our farm borrowers. Most of them should have an excellent year. Cattle profits have improved as cattle coming out of the feed yard are now making \$50 to \$100 per head.

The corn harvest is just under way. Early yield reports are above average. The moisture profile for wheat sowing is good. Cattle feeders are anxious about the impact of higher corn prices.

Due to increases in commodity prices, I anticipate an upward spike in land values.

We have experienced an increase in loan demand for equipment as farmers anticipate higher than average prices and yields.

Operating expenses were up slightly more than expected mainly due to increased fertilizer and irrigation costs. Cotton is starting to pop open, and some dryland will be sprayed and possibly harvested by the first of October. Most of the Conservation Reserve Program acres in the county came out of the program for a year and became available for grazing or farming, which could be affecting our cash rent prices.

Region 2—Southern High Plains

If the weather cooperates, we could have a banner year for cotton. The price looks good going into harvest. We anticipate land values will go up with a good production year.

The cotton crop is looking average to excellent in the surrounding areas. Above-normal rainfalls in early July helped the majority of the crops, but they did hurt some areas prone to flooding. Some leaching of fertilizer occurred in certain areas, ultimately affecting possible yields. Weather permitting, cotton production in the High Plains should be better than average. High prices are in favor of the producers as well.

Region 3—Northern Low Plains

We have prospects of a good cotton crop with better-than-average prices. Summer rains have helped pastures grow a lot of grass, and overall cattle prices remain strong. Reports show ranchers are not keeping many heifers, which should keep the cow-calf operation good for another three years.

Excellent crop prices for cotton and cattle will make 2010 a good year for agricultural producers in Hall County. Field work is slowing as harvest equipment repairs are being made. Producers ponder if calves should be sold now, given strong livestock prices. Many producers are hoping to reduce debt going into 2011.

Land prices are holding firm, but few properties are selling. There are very few metroplex buyers right now, and land is too expensive for farmers and ranchers to purchase.

Region 5—Cross Timbers

Recent rains from a tropical storm have helped tremendously. Adequate-to-good hay and silage crops have been made this year. Dairies are still not able to do much catching up from their losses in 2009 and early 2010. Beef cattle producers are still getting good prices for calves, although prices have been lower in recent weeks. There have not been a lot of land sales in this area in recent months.

It has been a very dry July and August. However, we recently received two inches of rain in one day from a Gulf disturbance.

Region 6—North Central Texas

Agricultural land values have remained stable. Here in the Hill Country, we have a lot of weekend farmers from the Dallas-Fort Worth metroplex. This is a good thing because we would rather have several smaller loans than one large one.

Region 8—Central Texas

A lot of hay has been made in 2010. We are set with good moisture for a winter forage crop. Favorable weather patterns continue to bless the Coastal Bend.

Storms are producing a lot of rain for the area. We should have a good fall after this rain. Oil and gas leasing and income are still the major driving force behind the area economy. Rural farm and ranch sales are very limited. Listings are way down as landowners wait out oil- and gas-related activity.

Various real estate tracts in the surrounding areas and in the Eagle Ford Shale deposits are receiving leases from oil and gas companies in excess of \$1,500 per acre and up to \$4,000 per acre. This in turn has increased the asking price on much of the farm and ranch land to highs exceeding their value. Because of this, very little property is being purchased. The primary areas are in North Bee, Kennedy, Jim Wells, Live Oak and Goliad Counties.

Cattle numbers are down. The trend is toward reduced stocking rates to help manage input costs. Beneficial rains of three to six inches will set the stage for planting winter pasture.

Region 9—Coastal Texas

Agriculture loan repayments are up due to good production yields and prices.

Summer rains were very beneficial, and grazing conditions should be good until the first frost.

Region 11—Trans-Pecos and Edwards Plateau

Land values vary greatly in our area depending on the water usage permitted by the Edwards Aquifer Authority for the tract of land.

The Edwards Plateau has, for the most part, enjoyed timely rains throughout the spring and summer. Range conditions are above normal, and livestock have enjoyed ample feed and are in good shape. Livestock prices across the board are excellent. Land sales have slowed and prices in some instances may have softened just a bit, but overall they have not changed significantly. Recreational tracts are still popular and command strong prices.