

AGRICULTURAL SURVEY

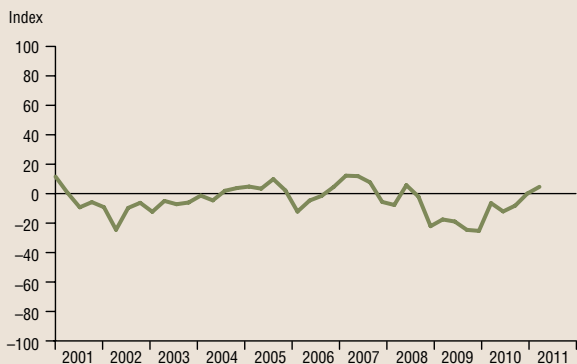
Quarterly Survey of Agricultural Credit Conditions in the Eleventh Federal Reserve District

FEDERAL RESERVE BANK OF DALLAS

First Quarter 2011

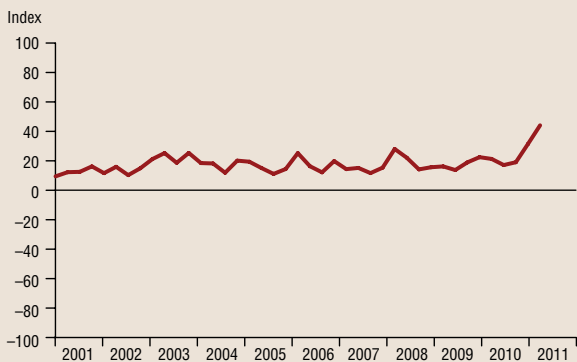
Demand for Loans

Demand for loans increases for the first time since 2008.



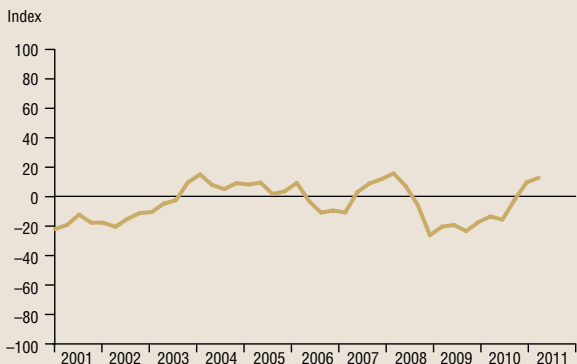
Funds Available for Additional Lending

The availability of funds index reaches a 10-year high.



Rate of Loan Repayment

Loan repayment rates increase for the second consecutive quarter.



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.

Bankers responding to the first-quarter survey noted improved farm lending trends in the Eleventh District, although there is much concern about widespread drought conditions. Several reports indicated that dry weather was hurting wheat crops and limiting grazing for cattle. Comments from bankers noted increases in commodity prices and very strong prices for livestock, particularly cattle. Respondents in several regions voiced concern over rising input costs, including fuel, fertilizer and feed.

Ranchland values held steady while dry and irrigated cropland values increased slightly from last quarter. Expectations for farmland values rose, with 22 percent of bankers anticipating an increase over the next three months. Respondents in select regions continued to report land sales for nonagricultural purposes.

Solid crop yields and strong commodity prices in 2010 led to an improvement in lending conditions in the district. Loan demand and repayment rates increased in the first quarter, and requests for loan renewals or extensions fell markedly. Loan volume expectations were mixed, although the index for farm real estate loans moved into positive territory for the first time since mid-2007. The availability of funds index reached a 10-year high, suggesting banks may be looking to increase their agricultural loan portfolios.

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?

	2011:Q1				2010:Q4
	Index	Greater	Same	Less	Index
Demand for loans	4.87	26.59	51.68	21.73	0.31
Availability of funds	43.89	45.85	52.19	1.96	31.07
Rate of loan repayment	12.96	20.71	71.54	7.75	9.87
Loan renewals or extensions	-19.24	4.66	71.44	23.90	-7.73
Change in collateral required	5.72	6.70	92.32	0.98	7.37

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?

	2011:Q1				2010:Q4
	Index	Greater	Same	Less	Index
Non-real-estate farm loans	-4.43	15.49	64.60	19.92	-1.38
Feeder cattle loans	0.41	17.15	66.12	16.73	-3.67
Dairy loans	-13.75	0.00	86.25	13.75	-15.12
Crop storage loans	-13.42	2.74	81.09	16.17	-3.34
Operating loans	5.44	19.65	66.13	14.21	6.11
Farm machinery loans	2.01	16.95	68.11	14.94	2.47
Farm real estate loans	2.73	16.58	69.57	13.85	-9.05



Quarterly Survey of Agricultural Credit Conditions

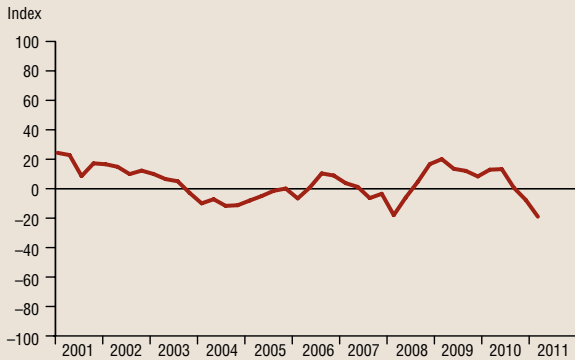
is compiled from a survey of Eleventh District agricultural bankers. This publication is prepared by the Federal Reserve Bank of Dallas and is available without charge by sending an e-mail to pubsorder@dal.frb.org, or by calling 214-922-5254. It is available on the web at www.dallasfed.org.

Data may not match previously published numbers due to data revisions.

For questions regarding information in the release, contact Emily Kerr, 214-922-6941.

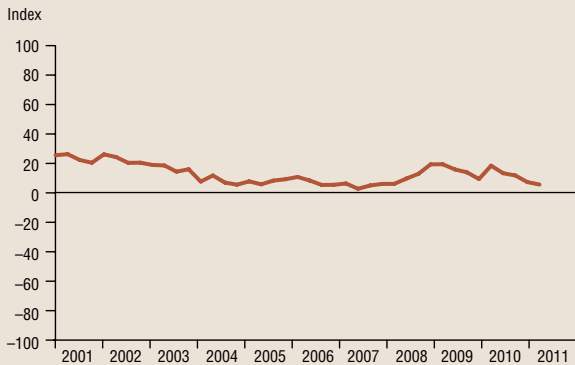
Renewals or Extensions of Loans

Twenty-four percent of bankers note a decrease in requests for loan renewals or extensions.



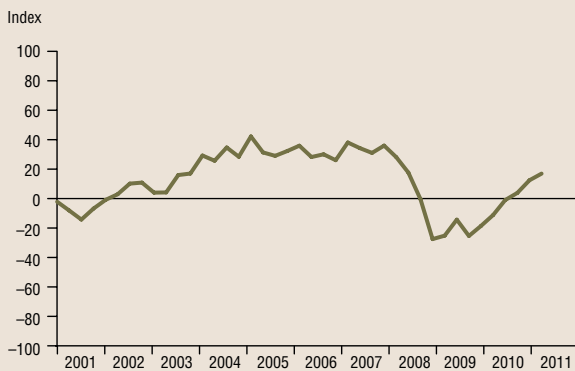
Amount of Collateral

The great majority of respondents note no change in collateral requirements.



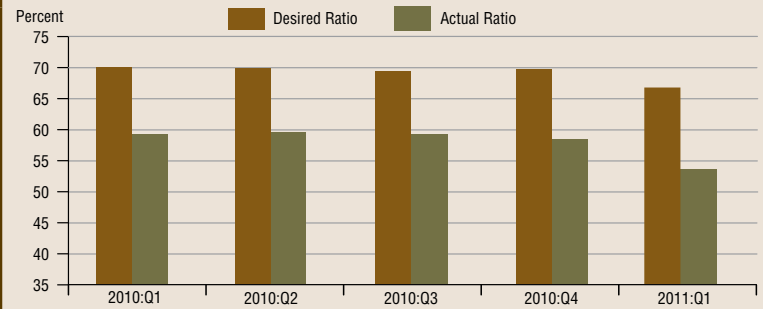
Anticipated Trend in Farmland Values

More respondents expect farmland values to continue their upward trend 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)				
	2010			2011	
	Apr. 1	Jul. 1	Oct. 1	Jan. 1	Apr. 1
Less than 41%	24	22	23	18	26
41% to 50%	11	11	10	18	21
51% to 60%	13	14	14	20	12
61% to 70%	21	23	25	17	20
More than 70%	31	30	29	26	20

Interest Rates

Fixed

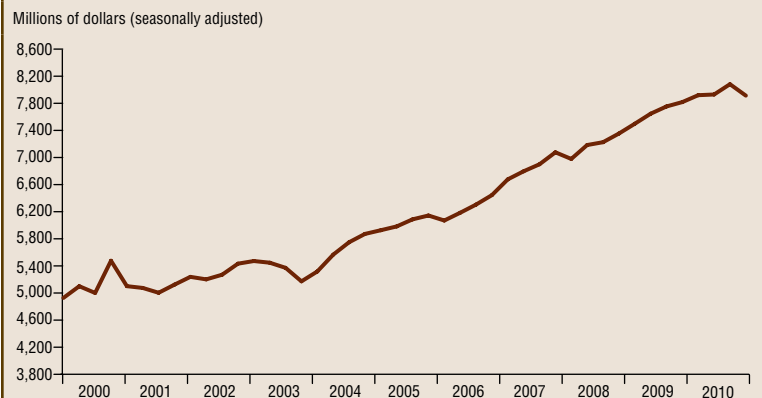
	Average rate (percent)				
	2010			2011	
	Apr. 1	Jul. 1	Oct. 1	Jan. 1	Apr. 1
Feeder cattle	6.81	6.78	6.83	6.66	6.52
Other farm operating	7.07	6.89	6.96	6.86	6.77
Intermediate term	7.15	7.10	7.02	6.84	6.80
Long-term farm real estate	6.75	6.69	6.71	6.52	6.51

Variable

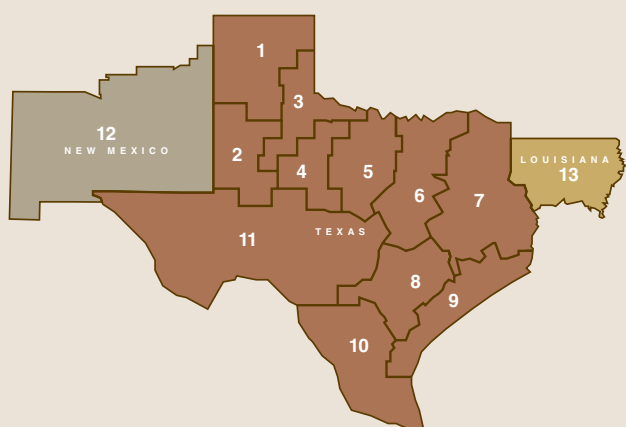
Feeder cattle	5.91	6.05	5.94	5.96	6.14
Other farm operating	6.22	6.24	6.24	6.16	6.30
Intermediate term	6.21	6.29	6.14	6.13	6.13
Long-term farm real estate	5.94	5.99	5.80	5.91	5.74

Total Agricultural Loans

Agricultural loan volumes dipped in fourth quarter.

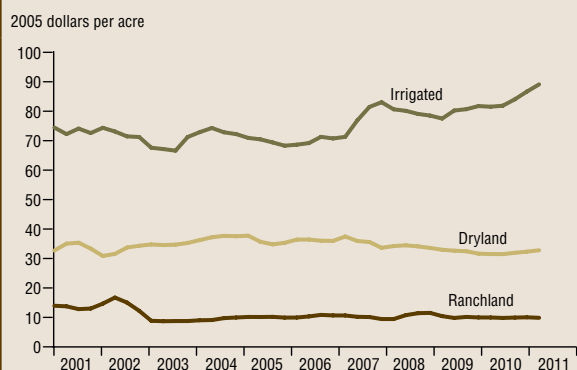


Eleventh Federal Reserve District



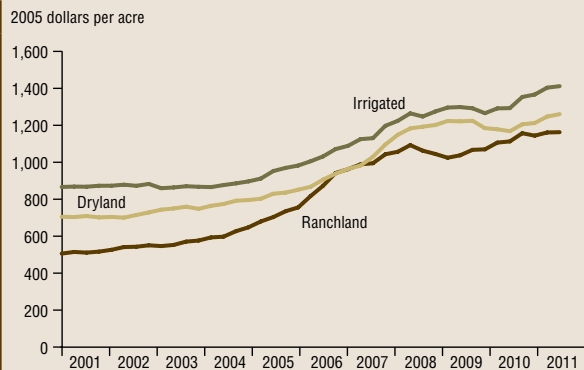
Real Cash Rents

Cash rents rise for irrigated land and dryland in the first quarter.



Real Land Values

Cropland values continue to rise.



Rural Real Estate Values—March 2011

Cropland—Dryland

District	Banks ¹	Average value ²	Percent change ³ in value from	
			Previous quarter	Previous year
	First quarter 2011			
District	109	1,401	1.1	9.1
Texas	95	1,401	0.9	8.8
1 Northern High Plains	17	515	1.5	6.4
2 Southern High Plains	11	531	-0.1	12.4
3 Northern Low Plains	7	674	-0.1	12.5
4 Southern Low Plains	10	803	-0.1	-2.8
5 Cross Timbers	9	1,215	-1.7	-6.4
6 North Central Texas	12	2,277	6.5	13.1
7 East Texas	4	2,041	-4.5	17.0
8 Central Texas	12	2,922	3.7	11.2
9 Coastal Texas	3	1,061	-6.8	-13.3
10 South Texas	n.a.	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	9	1,233	-1.5	12.6
12 Southern New Mexico	5	363	-3.9	-5.9
13 Northern Louisiana	9	1,526	2.8	12.7

Cropland—Irrigated

District	83	1,569	0.6	10.4
Texas	68	1,514	0.6	12.1
1 Northern High Plains	17	1,326	4.6	17.1
2 Southern High Plains	11	1,129	0.3	3.9
3 Northern Low Plains	5	1,520	8.0	47.2 ⁴
4 Southern Low Plains	8	1,220	1.8	3.4
5 Cross Timbers	4	2,083	-2.7	-8.4
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	7	2,962	1.3	15.6
9 Coastal Texas	n.a.	n.a.	n.a.	n.a.
10 South Texas	n.a.	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	9	3,015	1.1	36.5 ⁴
12 Southern New Mexico	7	1,944	-0.1	-1.5
13 Northern Louisiana	8	2,052	1.1	20.3

Ranchland

District	123	1,292	0.1	5.7
Texas	111	1,659	0.1	5.0
1 Northern High Plains	17	413	0.9	4.8
2 Southern High Plains	10	411	-0.7	9.1
3 Northern Low Plains	7	708	1.9	8.5
4 Southern Low Plains	10	867	-1.3	-3.9
5 Cross Timbers	10	1,802	-0.6	-3.3
6 North Central Texas	14	2,315	2.6	4.6
7 East Texas	10	1,975	-3.8	0.8
8 Central Texas	14	3,613	4.1	7.5
9 Coastal Texas	n.a.	n.a.	n.a.	n.a.
10 South Texas	n.a.	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	16	1,715	0.4	3.8
12 Southern New Mexico	6	243	0.0	-3.2
13 Northern Louisiana	6	1,074	5.0	14.9

¹ Number of banks reporting land values.

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

³ Not adjusted for inflation.

⁴ Significant rise in the percent change from 2010 to 2011 is partly due to variation in reporters between years.

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 fall conditions have continued into the spring with no measurable moisture. Harvestable dryland wheat will be minimal. Irrigated wheat yields will be decreased.

The moisture profile is weak, which hurts not only the growing wheat crop but also will have an adverse effect on nonirrigated cotton and milo emergence.

Increases in commodity prices have helped the cash flows of all agriculture producers. There is concern that such a significant increase in commodity prices will drive land prices and equipment prices up.

Region 2—Southern High Plains

We need a good, slow rain. Commodity prices look good for this year if we can produce the crops.

Region 3—Northern Low Plains

Dry weather has resulted in limited wheat grazing. Cattle are being marketed earlier from lack of grazing.

Region 4—Southern Low Plains

The cost of fuel and its effect on the economy is our biggest concern.

With rising commodity prices and a slower economy, the farmers are being able to compete with investors for the land that is available for sale.

There has been no appreciable rainfall in our area since September. It looks like wheat and cotton farmers may rely heavily on insurance

payments this year. The rest the soil may get from not having crops planted this season will help our land but will hurt our local economy.

Region 5—Cross Timbers

It is still very dry in all of this area. Winter grazing is poor, and prospects are not good for wheat crops. The area will need good spring rains, or it could be a bad summer for hay production and pastures. Cattle prices are excellent and milk prices are much better, but there are big concerns about fuel, feed and fertilizer costs. Pecan growers had their best year ever with good yields and record-high prices.

Ice and snow in the first part of February brought needed moisture. Wheat and winter weeds are growing, but rain is needed for stock tanks as well as additional growth of plants.

Region 6—North Central Texas

Our region really needs moisture.

Region 8—Central Texas

Eagle Ford Shale activity in the area has created an increase in the asking price of farm and ranch land, and few tracts are trading for agriculture or recreational purposes. The primary interest in land appears to be oil and gas interests of the Eagle Ford Shale.

Cattle prices continue to be at all-time historic highs, but it is unknown how long this can last. Regardless of price, everyone wants rain more than anything else. If we go into a dry summer, it will be rough on agriculture lenders. Eagle Ford Shale play continues to be a huge influence on our lending area, with a lot of new drilling and leasing.

The positive for our region is that cattle prices are up. The negatives for our region are the dry weather, escalating fertilizer and fuel prices and low loan demand.

Region 11—Trans-Pecos and Edwards Plateau

We are experiencing extremely dry range conditions and rising feed costs. The only saving grace is that livestock prices continue to increase, so if livestock numbers need to be reduced, ranchers can do so in an up market.

Ranchland is leasing between \$3 and \$5 per acre for grassland use, whereas ranchland hunting lease prices start at \$10 per acre. Edwards Plateau would not have the amount of ranchland available if it weren't for the hunting lease income; many people would have to sell their land. Continued drought conditions have increased operating costs for ranchers in the Edward Plateau area. Feed costs are at all-time highs as well. There is one bright spot out there—livestock prices continue to be strong and demand for all classes is brisk.

A good, general 3- to 4-inch slow-soaking rain would ease everyone's minds (both borrowers and lenders).

The agriculture real estate market has softened somewhat lately, with fewer buyers in the picture.