

Agricultural Survey

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

Survey Highlights

Bankers responding to the first-quarter survey continued to emphasize the need for rain as a great majority of the Eleventh District remained in drought conditions. Respondents expressed concern for the livestock sector as ranchers faced poor pasture conditions and high feed costs. The winter wheat crop benefited from timely precipitation in parts of the district, particularly the High Plains.

Agricultural land values in the first quarter were largely unchanged from fourth quarter 2012 levels. Ranchland and dryland values were slightly below year-ago levels, while irrigated cropland values, which are on an upward trend, were 10 percent above year-ago levels. The great majority of survey respondents expect farmland values to hold steady over the next three months.

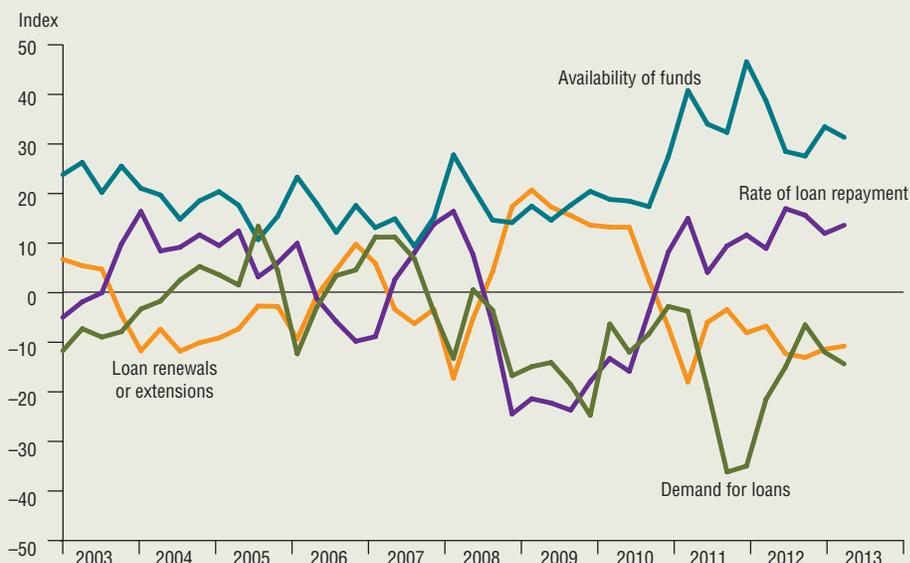
The farm income index posted a positive reading, indicating farmers' and ranchers' incomes were up this quarter compared with a year ago. Ninety percent of bankers reported no change in credit standards, while most of the remainder tightened their standards.

Demand for loans declined more steeply this quarter, while loan repayment rates continued to rise. Loan renewals and extensions declined again, but the great majority of respondents noted no change. Volumes of loans declined across all types, with feeder cattle loans seeing the steepest drop.

Farm Lending Trends

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

| | Index* | | Percent reporting, Q1 | | |
|------------------------------------|---------|---------|-----------------------|------|--------|
| | 2012:Q4 | 2013:Q1 | ▲ Greater | Same | ▼ Less |
| Demand for loans | -12.0 | -14.4 | 16.6 | 52.5 | 30.9 |
| Availability of funds | 33.6 | 31.4 | 32.9 | 65.7 | 1.4 |
| Rate of loan repayment | 12.0 | 13.7 | 18.7 | 76.3 | 5.0 |
| Loan renewals or extensions | -11.4 | -10.8 | 4.3 | 80.6 | 15.1 |



What changes occurred in the volume of farm loans made by your bank in the past three months compared with a year earlier?

| | Index* | | Percent reporting, Q1 | | |
|-----------------------------------|---------|---------|-----------------------|------|--------|
| | 2012:Q4 | 2013:Q1 | ▲ Greater | Same | ▼ Less |
| Non-real-estate farm loans | -12.8 | -2.9 | 18.3 | 60.6 | 21.2 |
| Feeder cattle loans | -17.2 | -16.7 | 11.7 | 60.0 | 28.3 |
| Dairy loans | -16.0 | -14.4 | 0.0 | 85.6 | 14.4 |
| Crop storage loans | -12.6 | -8.7 | 3.9 | 83.5 | 12.6 |
| Operating loans | -4.9 | -6.0 | 16.5 | 60.9 | 22.6 |
| Farm machinery loans | -15.0 | -10.2 | 13.1 | 63.5 | 23.4 |
| Farm real estate loans | -11.0 | -1.4 | 19.6 | 59.4 | 21.0 |

*Survey responses are used to calculate an index for each item by subtracting the percentage of bankers reporting greater from the percentage reporting less. Positive index readings generally indicate an increase, while negative index readings generally indicate a decrease.

▶ Quarterly Comments

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

Region 1 • Northern High Plains

▶ Thanks to good snow moisture in February, a dryland wheat crop that we thought we had lost months ago is now emerging. Native pasture will probably take a few years to recover, so the cow herd is not rebuilding yet in the northern Panhandle.

Region 2 • Southern High Plains

▶ Drought is still a problem in West Texas, and we would appreciate some significant moisture. A farm bill would be helpful also.

▶ The drought continues, but our area did receive light precipitation recently, which helped the winter wheat crop. We still need much more rain to replenish soil moisture before planting. The USDA Supplemental Revenue Assistance Payments Program was a blessing to many area farmers. Proceeds from federal crop insurance and the crop disaster program helped some farmers stay in business and others from losing much equity for the second year in a row. Irrigation supplies continue to deteriorate, and the ongoing drought conditions and declining water table are changing the number of planting acres and types of crops being planted.

▶ Federal disaster payments from the USDA Supplemental Revenue Assistance Payments Program for 2011 drought losses have made a big difference for South Plains row crop operators. These helped heal up many producers after two consecutive years with extreme drought. Most producers will start 2013 in decent financial condition.

Region 3 • Northern Low Plains

▶ Underground moisture conditions have improved in most of the area we service. We are still not out of the drought, but we are hopeful for a good start to the growing season.

▶ The average rancher is growing tired of supplemental feeding and having to constantly move herds to access grass. Farmers are using a lot of calculator time guessing which crops are best for 2013. Recent moisture has hopes high for 2013.

▶ We still need rain.

Region 4 • Southern Low Plains

▶ The oilfield and mineral rights are driving all land sales in our area. Very little land is being bought with profits from last year's farming operations.

Region 5 • Cross Timbers

▶ Lack of adequate rainfall is causing expenses to increase for ranchers and will negatively impact income because less forage will produce less weight gain in cattle. Ranchers risk overgrazing their pastures.

▶ We had adequate rains in January to keep winter grain fields alive, but winter has been fairly mild so far, with little ice and snow or severe cold. Hay usage is not as high as normal, so supplies will last and prices are lower. Beef cattle prices are still very good. Dairies are doing better with higher milk prices, but feed costs are still very high.

▶ With no grass for grazing and low to dry stock tanks, ranchers are selling at least half of their herds.

Region 6 • North Central Texas

▶ Again, dry conditions continue to affect our livestock producers while limiting winter pasture growth and stock water. Supplemental feeding of cattle is costly with high feed commodity costs. Hay supplies appear adequate with higher-than-normal prices. Cattle prices are strong over all classes. Inquiries on purchases of ranchland have increased, while asking prices remain fairly stable. Farm fuel and fertilizer costs remain elevated, but lack of rain remains the larger issue.

Region 7 • East Texas

▶ Land values for dryland and irrigated cropland in our county are expected to increase over the next two years as approximately 1,500 acres of prime farmland will be taken out of production for a train switching station. Prices paid for this land appear to be 15 to 20 percent over market value, and as those sellers begin to look for other properties, they will be able to pay a little more than expected.

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Regions of the Eleventh Federal Reserve District

Region 8 • Central Texas

▶ The drought has come back, and along with a lack of moisture we have been dealing with high wind conditions that further dry everything out. Stock water is starting to become an issue going into the spring, with most ponds and stock tanks at very low levels and continuing to drop. Producers are feeding their cattle more hay now than they did back in December, and hay supplies could get tight if the drought continues into the early summer months. Corn planting has been delayed in our area until farmers can get sufficient water to plant. We all need rain.

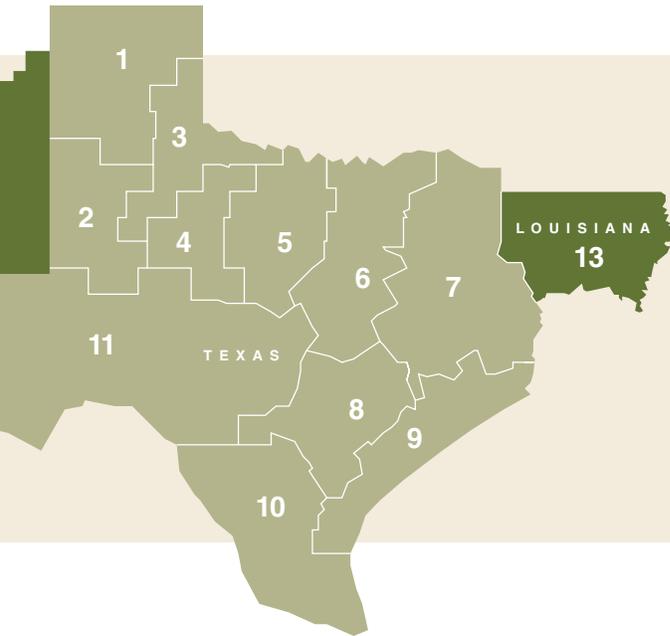
▶ The Lower Colorado River Authority ruled no irrigation water would be released to farmers in Colorado, Wharton and Matagorda counties for the second year in a row. Farmers will receive prevented planting insurance proceeds. Prices remain strong for local commodities. Row crop planting has started. We need rain for topsoil moisture at this time. Ranchers experienced a mild winter with lower costs than last year.

▶ Cattle numbers are 50 to 60 percent less than they were two years ago. Ranchers are reluctant to restock. Surface water will be critical if no spring rains come. We have had very few ag-related land deals; most have been smaller tracts used for recreational purposes.

Region 11 • Trans-Pecos and Edwards Plateau

▶ The drought continues to have a great impact on the farming industry. Restrictions on well pumpage due to Edwards Aquifer Authority rules will cut back on the planted acreage in the area.

Rural Real Estate Values—First Quarter 2013



► Conditions are dry in the Edwards Plateau region. Though some rains fell last year, it seems that the timing never was exactly right for the growing of grass. Drought conditions worsened later on in 2012, and the past five to six months are reminiscent of the 2011 drought. Some area farmers are comparing the current drought to the one in the 1950s. Livestock herds are down, and feed prices are up. Many have chosen to get out of the business altogether. Fortunately, livestock prices are at a premium, somewhat softening the blow for those forced to sell out. Overall, the ag situation for the foreseeable future in our area does not have many bright spots.

► The drought continues, and livestock numbers are way down.

► Pastures are short of grass, and supplemental feeding continues. Our area is in need of rainfall.

► Although North Central Texas has received some rain in the past two months, the area remains drier than normal. Lake levels remain very low. Due to a lack of rain, there is less pasture forage. Livestock input costs remain high. Livestock are being sold for record high prices at local sale barns. Although market prices are relatively high, ranchers do not have confidence in the livestock futures market volatility. Area ranchers are fertilizing wheat pastures but are cautious of fertilizer use because of its high price.

Region 12 • Southern New Mexico

► The drought is forcing many ranchers to find pasture out of state or take their cattle to market.

| | Banks ¹ | Average value ² | Percent change ³ in value from | |
|---|--------------------|----------------------------|---|------------------|
| | | | First quarter 2013 | Previous quarter |
| Cropland—Dryland | | | | |
| District | 108 | 1,425 | 0.1 | 1.8 |
| Texas | 93 | 1,441 | -0.1 | 1.9 |
| 1 Northern High Plains | 15 | 685 | 5.6 | 23.4 |
| 2 Southern High Plains | 12 | 646 | 0.0 | 6.4 |
| 3 Northern Low Plains | 7 | 764 | 0.0 | 0.0 |
| 4 Southern Low Plains | 6 | 908 | 3.4 | 1.6 |
| 5 Cross Timbers | 7 | 1,279 | 0.0 | 10.4 |
| 6 North Central Texas | 15 | 2,273 | 1.7 | 4.8 |
| 7 East Texas | 5 | 1,950 | -3.5 | -11.6 |
| 8 Central Texas | 10 | 2,675 | -2.9 | -4.9 |
| 9 Coastal Texas | 4 | 1,513 | 0.0 | 5.6 |
| 10 South Texas | n.a. | n.a. | n.a. | n.a. |
| 11 Trans-Pecos and Edwards Plateau | 11 | 1,577 | 0.0 | 1.9 |
| 12 Southern New Mexico | 4 | 388 | 9.0 | 0.0 |
| 13 Northern Louisiana | 11 | 1,877 | 0.6 | 2.5 |
| Cropland—Irrigated | | | | |
| District | 83 | 2,050 | 1.2 | 9.3 |
| Texas | 65 | 1,922 | 1.8 | 12.0 |
| 1 Northern High Plains | 15 | 1,827 | 9.4 | 23.2 |
| 2 Southern High Plains | 12 | 1,510 | -3.6 | 12.5 |
| 3 Northern Low Plains | 5 | 1,450 | 0.0 | -8.7 |
| 4 Southern Low Plains | 4 | 1,575 | 6.3 | 0.0 |
| 5 Cross Timbers | n.a. | n.a. | n.a. | n.a. |
| 6 North Central Texas | n.a. | n.a. | n.a. | n.a. |
| 7 East Texas | 3 | 2,400 | 18.2 | 0.0 |
| 8 Central Texas | 8 | 2,819 | -3.6 | 6.9 |
| 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 | 8 | 3,500 | -1.1 | 2.8 |
| 12 Southern New Mexico | 7 | 2,671 | 3.8 | 1.0 |
| 13 Northern Louisiana | 11 | 2,627 | -4.7 | 0.4 |
| Ranchland | | | | |
| District | 119 | 1,467 | 0.8 | -0.1 |
| Texas | 105 | 1,752 | -0.2 | -0.3 |
| 1 Northern High Plains | 14 | 514 | 6.2 | 14.3 |
| 2 Southern High Plains | 8 | 606 | -1.3 | 0.0 |
| 3 Northern Low Plains | 7 | 754 | -1.8 | -8.5 |
| 4 Southern Low Plains | 6 | 1,067 | 6.5 | 3.7 |
| 5 Cross Timbers | 10 | 1,595 | -8.8 | -10.5 |
| 6 North Central Texas | 16 | 2,469 | 4.2 | 3.1 |
| 7 East Texas | 13 | 2,446 | -0.6 | 3.7 |
| 8 Central Texas | 12 | 3,763 | -2.4 | -7.5 |
| 9 Coastal Texas | 3 | 1,033 | -7.5 | 10.4 |
| 10 South Texas | n.a. | n.a. | n.a. | n.a. |
| 11 Trans-Pecos and Edwards Plateau | 15 | 1,677 | 1.5 | 4.2 |
| 12 Southern New Mexico | 6 | 246 | 39.3 | 4.3 |
| 13 Northern Louisiana | 8 | 1,625 | 3.4 | 6.9 |

¹ Number of banks reporting land values.

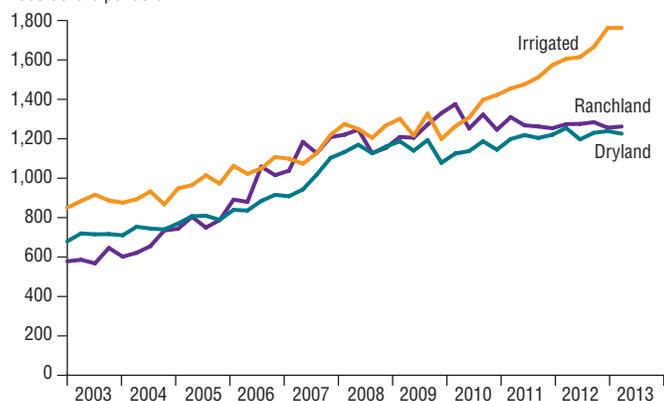
² Prices are dollars per acre, not adjusted for inflation.

³ Not adjusted for inflation and calculated using responses only from those banks reporting in both the past and current quarter.

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

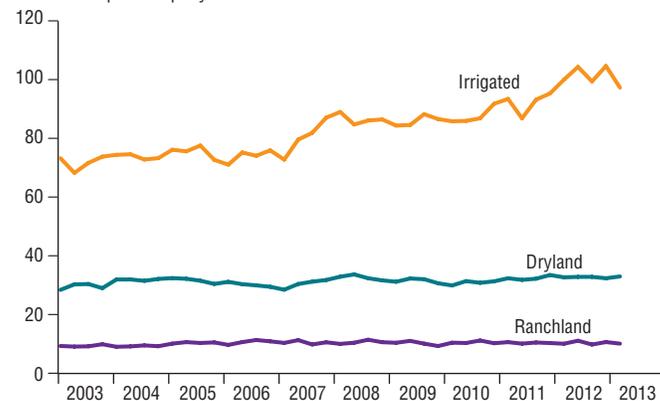
Real Land Values

2005 dollars per acre



Real Cash Rents

2005 dollars per acre per year



Interest Rates by Loan Type

| | Feeder cattle | Other farm operating | Intermediate term | Long-term farm real estate |
|---|---------------|----------------------|-------------------|----------------------------|
| Fixed (average rate, percent) | | | | |
| 2012:Q1 | 6.54 | 6.63 | 6.49 | 6.19 |
| Q2 | 6.43 | 6.50 | 6.46 | 6.36 |
| Q3 | 6.56 | 6.55 | 6.51 | 6.23 |
| Q4 | 6.37 | 6.47 | 6.32 | 6.19 |
| 2013:Q1 | 6.43 | 6.53 | 6.30 | 6.12 |
| Variable (average rate, percent) | | | | |
| 2012:Q1 | 5.97 | 6.09 | 6.06 | 5.79 |
| Q2 | 5.90 | 5.96 | 5.98 | 5.70 |
| Q3 | 6.04 | 6.09 | 6.05 | 5.69 |
| Q4 | 5.83 | 5.93 | 5.94 | 5.62 |
| 2013:Q1 | 5.87 | 5.98 | 5.84 | 5.57 |

Anticipated Farmland Values, Income and Credit Standards

What trend in farmland values do you expect in your area in the next three months?

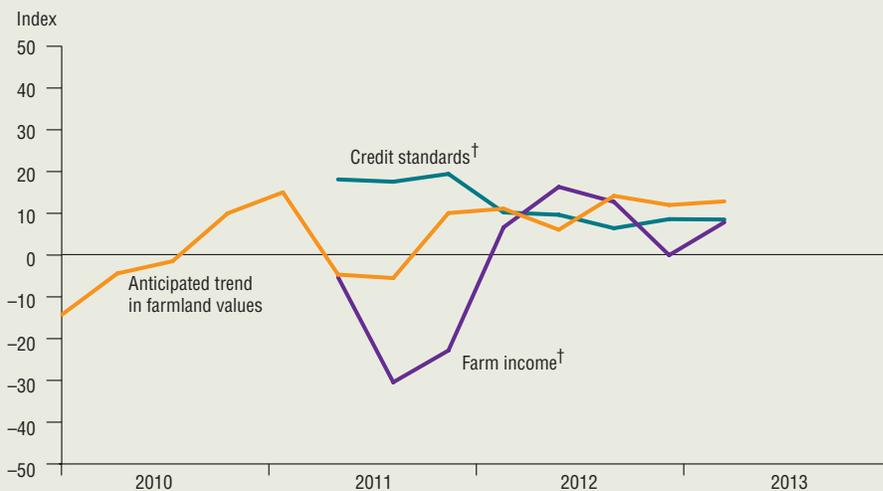
| Anticipated trend in farmland values | Index* | | Percent reporting, Q1 | | |
|--------------------------------------|---------|---------|-----------------------|--------|--------|
| | 2012:Q4 | 2013:Q1 | ▲ Up | Stable | ▼ Down |
| | 12.1 | 13.0 | 15.1 | 82.7 | 2.2 |

What change occurred in farm income for farmers and ranchers in your area in the past three months compared with a year earlier?†

| | | | | | |
|--------------------|-----|-----|------|------|------|
| Farm income | 0.0 | 7.9 | 27.3 | 53.2 | 19.4 |
|--------------------|-----|-----|------|------|------|

What change occurred in credit standards for agricultural loans at your bank in the past three months compared with a year earlier?†

| Credit standards | 2012:Q4 | 2013:Q1 | ▲ Tightened | Same | ▼ Loosened |
|------------------|---------|---------|-------------|------|------------|
| | | 8.7 | 8.6 | 9.3 | 90.0 |



*See note on bottom of page 1.

†Added to survey in second quarter 2011.

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Agricultural Survey

is compiled from a survey of Eleventh District agricultural bankers. Data were collected March 5–13, and 140 bankers responded to the survey. This publication is prepared by the Federal Reserve Bank of Dallas and is available without charge by sending an email to pubsorder@dal.frb.org or by calling 214-922-5254. It is available on the web at www.dallasfed.org/research/agsurvey. For questions, contact Amy Jordan, 214-922-5178.