

Agricultural Survey

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

Survey Highlights

Bankers responding to the fourth-quarter survey continued to report negative effects from drought, although some areas saw improved conditions resulting from recent rains. Timely rains benefited the harvest in some areas and the winter wheat crop in others. Cattle prices remained strong, and pasture conditions saw some improvement. Respondents in a couple regions expect a downturn in agricultural real estate values.

Farmland values in the fourth quarter were above year-ago values. Ranchland and irrigated cropland values increased more than 4 percent over last year, while dryland values were about 2 percent above last year's level. Overall, respondents continued to expect farmland values to trend up.

Demand for agricultural loans continued to decline, as did loan renewals and extensions. Loan repayment rates increased again this quarter, with one contact noting strong oil and gas-related activity contributing to loan pay-offs. Volumes for most types of loans continued to decrease. The exception was operating loans, for which demand was the same as fourth quarter last year.

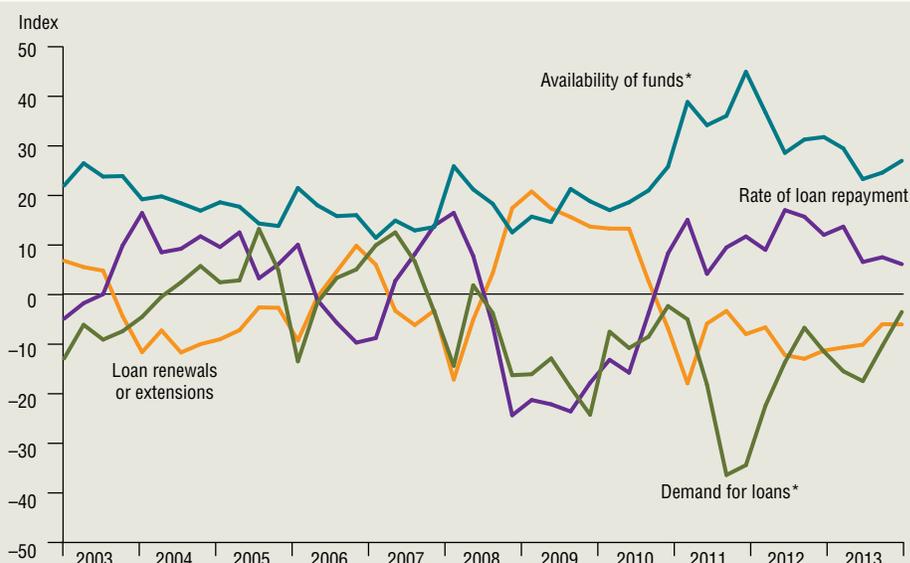
What's New This Quarter:

Beginning with this publication, series exhibiting seasonal patterns will be seasonally adjusted.

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, Q4		
	2013:Q3	2013:Q4	▲ Greater	Same	▼ Less
Demand for loans*	-10.5	-3.6	16.7	63.0	20.3
Availability of funds*	24.6	27.0	30.1	66.8	3.1
Rate of loan repayment	7.5	6.1	11.5	83.1	5.4
Loan renewals or extensions	-6.1	-6.1	2.7	88.4	8.8



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, Q4		
	2012:Q3	2013:Q4	▲ Greater	Same	▼ Less
Non-real-estate farm loans	-0.7	-1.4	15.7	67.4	17.0
Feeder cattle loans*	-15.5	-3.7	12.1	72.1	15.8
Dairy loans*	-14.0	-14.0	1.9	82.2	15.9
Crop storage loans*	-5.0	-4.3	5.4	84.9	9.7
Operating loans	5.6	0.0	14.0	72.0	14.0
Farm machinery loans*	-12.7	-12.1	8.2	71.5	20.3
Farm real estate loans*	-10.5	-6.1	10.2	73.5	16.3

* Seasonally adjusted.

NOTE: Survey responses are used to calculate an index for each item by subtracting the percentage of bankers reporting less from the percentage reporting greater. 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

▶ The moisture situation has improved, but drought has not broken yet. Lower commodity prices will affect profitability next year. As a result, we have probably seen the top of the agriculture real estate market.

Region 2 • Southern High Plains

▶ Drought continues to hurt agriculture in our area. We need rain as our water tables continue to decline. Congress needs to provide the agriculture industry with a workable farm bill.

Region 3 • Northern Low Plains

▶ Lack of rain continues to be a problem, resulting in poor crops, no grazing and lack of stock water. Some pastures haven't been stocked in two years due to lack of water. If we don't receive rains this spring, we will be in real trouble for drinking water in area towns.

Region 4 • Southern Low Plains

▶ In our area, we are locked into cotton as our primary crop. Winter wheat is not an option other than as a cover crop. With the rise in expenses, we believe cotton will become a very marginal crop with low profitability. In the near future we could see some land being turned into Conservation Reserve Program land or grass for grazing. We believe this could impact the farmland values.

▶ Farm real estate is not moving, neither for pasture nor crop land.

▶ The coming year will present multiple problems for those who are not "least cost producers." It doesn't appear that the commodity prices will justify the fixed costs associated with the debt that most producers are carrying. We expect land prices and lease prices to decrease. Already we are seeing some producers sell land in order to make their fixed payments on their other assets. Only the cattle industry has a positive outlook in our area, if we are indeed out of the multiyear drought we've been experiencing.

Region 5 • Cross Timbers

▶ Drought conditions have improved slightly, which allowed pasture conditions to improve slightly. Some farmers and ranchers were able to get wheat planted early and have a good start, if we continue to get adequate rainfall.

▶ Cattle prices are still very high, especially for replacements of cows culled due to the 2011 drought that are being sought now that pastures have recovered some. The dairy situation is somewhat better. We seem to have adequate hay supplies. Winter pastures are OK, with adequate moisture in most of our area.

▶ Our area is still dry.

Region 6 • North Central Texas

▶ We had good yields on grain and cotton, but prices were down from last year. Cattle prices are still strong.

▶ Good rains have filled tanks, and winter grazing is plentiful at this time. Stocker cow prices are extremely high. There is a shortage of livestock in the area.

▶ We expect cattle prices to remain high for the next eight to 10 years because of the shortage of cattle. Most of our farmers have had a really good last two years.

▶ Farmers are seeking more grain storage facilities due to the market decline, especially in corn. Farmers are strategically looking at their crop mix for 2014. Movement away from a volatile corn market may include sunflowers and milo.

Region 8 • Central Texas

▶ Oil and gas activity remains strong in the area with new leasing activity bringing in additional dollars and continued loan payoffs from existing customers. Pasture conditions are fair to good, with oats and rye grass coming on, but we need continued rain to be able to start grazing in December. Hay supplies remain ample at this time, with producers still having hay to sell. Calf prices remain strong and will

Regions of the Eleventh Federal Reserve District

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hopefully carry over into next spring. Replacement heifers are going to be hard to find in the spring if rains continue, and prices should be at all-time highs.

▶ Adequate moisture and good cattle prices have had a stabilizing effect on producers. There have been no agriculture-related land transactions recently.

Region 9 • Coastal Texas

▶ There is a probability that real estate prices will remain stable or decline due to no Farm Service Agency direct payments. Most producers have increased liquidity from the results of the 2013 crop. 2014 is projected to be a very mediocre year due to commodity prices, excluding cattle.

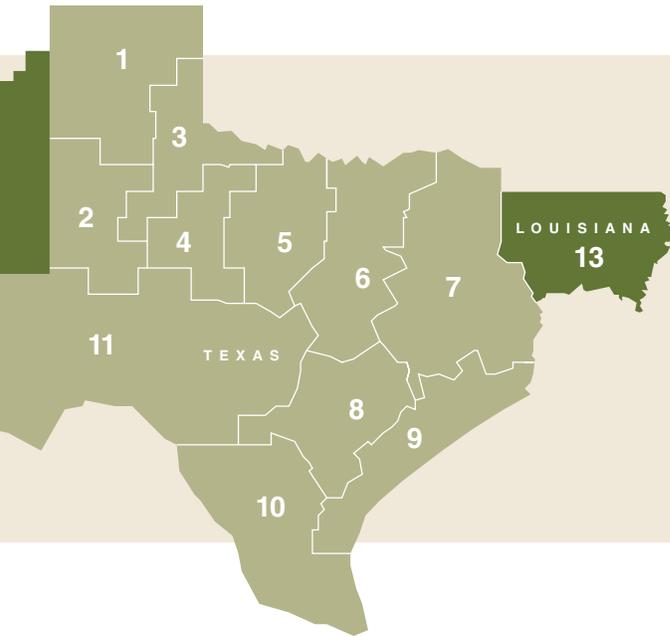
Region 11 • Trans-Pecos and Edwards Plateau

▶ Shipping weights have been higher this year for all classes of cattle. Most areas grew some grass, but pasture conditions are still extremely spotty. Range conditions are limiting herd growth.

▶ Land values have crept up from last year. They are now back to 2007–08 levels on the premium properties. The less desirable properties have not been as marketable as they were pre-2008.

▶ The western Hill Country had some beneficial moisture this fall and early winter, even though it came with some unusually cold temperatures, which were hard on livestock. However, ground moisture conditions at this

Rural Real Estate Values—Fourth Quarter 2013



time of year are better than in the past several years. Livestock prices remain high, and some ranchers remain optimistic that this trend will continue, due to decreased numbers of cattle, sheep and goats. For some who sold out in the last couple of dry years, the price to restock their herds at this time results in a bit of sticker-shock. Some older operators or part-time ranchers have opted to stay on the sideline for a while. As always, rainfall will be the key factor in their decision to get back in.

▶ Cattle prices remain good. Pastures and grain fields are furnishing good grazing due to recent rains.

Region 12 • Southern New Mexico

▶ Late monsoon rains substantially improved range conditions and were timely for cotton. Most of the harvest of cotton is complete, with pecan harvest beginning.

Banks¹ Average value² Percent change in value from previous year³

Cropland—Dryland

District*	111	1,502	1.8
Texas*	101	1,527	1.8
1 Northern High Plains	16	772	8.0
2 Southern High Plains	13	648	-0.9
3 Northern Low Plains*	10	869	5.6
4 Southern Low Plains*	9	886	-3.9
5 Cross Timbers	7	1,436	5.1
6 North Central Texas	14	2,232	-0.4
7 East Texas*	5	1,911	-7.0
8 Central Texas	9	2,994	5.3
9 Coastal Texas	5	1,960	8.2
10 South Texas	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	12	1,529	1.0
12 Southern New Mexico	n.a.	n.a.	n.a.
13 Northern Louisiana	8	1,850	2.3

Cropland—Irrigated

District*	88	2,211	4.9
Texas*	75	2,008	2.5
1 Northern High Plains	16	2,125	9.7
2 Southern High Plains	12	1,504	-4.3
3 Northern Low Plains*	7	1,596	14.8
4 Southern Low Plains	6	1,442	-1.7
5 Cross Timbers	4	2,413	-0.7
6 North Central Texas	6	2,450	-12.5
7 East Texas	3	2,300	0.0
8 Central Texas	6	3,392	3.1
9 Coastal Texas	4	2,163	-16.7
10 South Texas	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	10	2,335	3.4
12 Southern New Mexico	5	3,540	19.8
13 Northern Louisiana	8	2,775	7.3

Ranchland

District*	131	1,457	4.1
Texas*	120	1,745	2.9
1 Northern High Plains	16	519	6.1
2 Southern High Plains	10	548	-4.2
3 Northern Low Plains	10	905	11.5
4 Southern Low Plains*	9	1,019	3.9
5 Cross Timbers	10	1,725	-7.4
6 North Central Texas	17	2,244	-3.6
7 East Texas	14	2,250	-3.8
8 Central Texas	9	4,044	3.9
9 Coastal Texas	4	1,700	7.8
10 South Texas	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	19	1,634	4.7
12 Southern New Mexico	4	224	68.8
13 Northern Louisiana	7	1,550	4.5

* Seasonally adjusted.

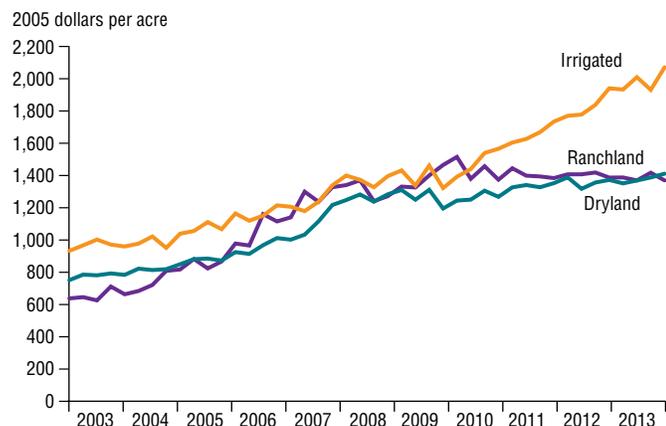
¹ Number of banks reporting land values.

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.

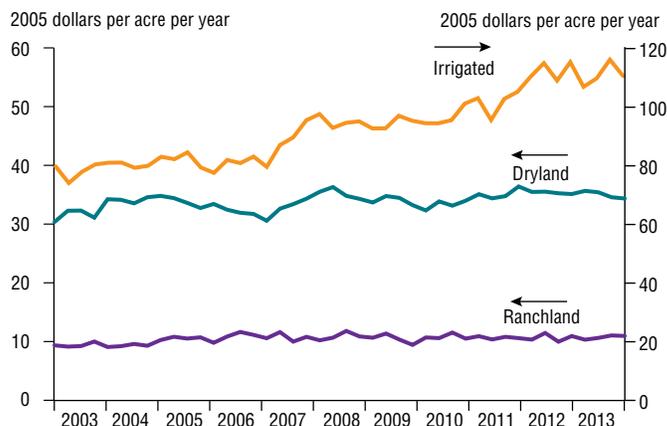
n.a.—Not published due to insufficient responses but included in totals for Texas and district.

Real Land Values



All values have been seasonally adjusted.

Real Cash Rents



All values have been seasonally adjusted.

Interest Rates by Loan Type

	Feeder cattle	Other farm operating	Intermediate term	Long-term farm real estate
Fixed (average rate, percent)				
2012:Q4	6.37	6.47	6.32	6.19
2013:Q1	6.43	6.53	6.30	6.12
Q2	6.21	6.39	6.22	6.01
Q3	6.16	6.34	6.25	6.04
Q4	6.16	6.27	6.17	5.86
Variable (average rate, percent)				
2012:Q4	5.83	5.93	5.94	5.62
2013:Q1	5.87	5.98	5.84	5.57
Q2	5.81	5.94	5.80	5.47
Q3	5.71	5.81	5.71	5.47
Q4	5.69	5.75	5.71	5.42

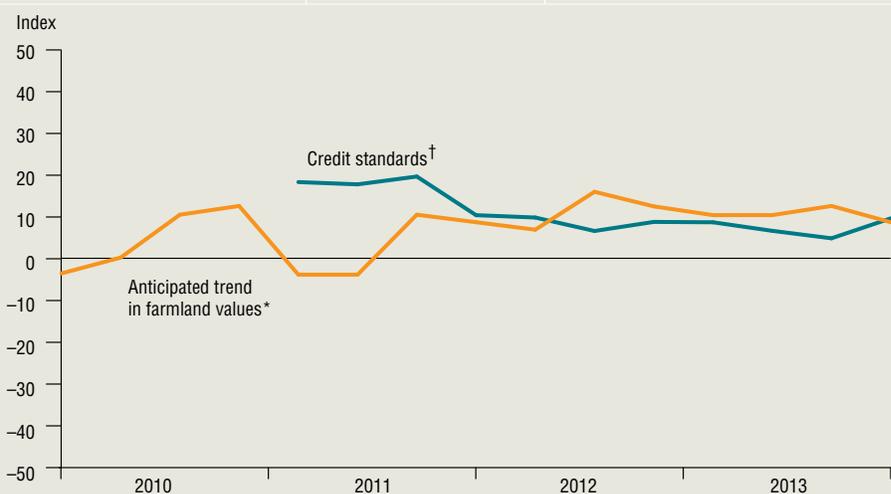
Anticipated Farmland Values and Credit Standards

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

Anticipated trend in farmland values*	Index		Percent reporting, Q4		
	2013:Q3	2013:Q4	▲ Up	Stable	▼ Down
	12.5	8.6	10.6	87.4	2.0

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

Credit standards	2013:Q3	2013:Q4	▲ Tightened	Same	▼ Loosened
	4.7	9.5	9.5	90.5	0.0



*Seasonally adjusted.

†Added to survey in second quarter 2011.

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Agricultural Survey

is compiled from a survey of Eleventh District agricultural bankers, and data have been seasonally adjusted as necessary. Data were collected Dec. 3–11, and 149 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.