

# Agricultural Survey

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

## Survey Highlights

**B**ankers responding to the first-quarter survey noted moisture conditions were generally good but gave mixed reports on rainfall, with some regions receiving beneficial rains and others still in need of rain entering the spring. There were scattered reports of producers paying out their lines of credit, but in general, respondents noted a need for higher crop and cattle prices. Live-stock pastures were mostly in good condition, but predators were seen as an increasing issue for ranchers.

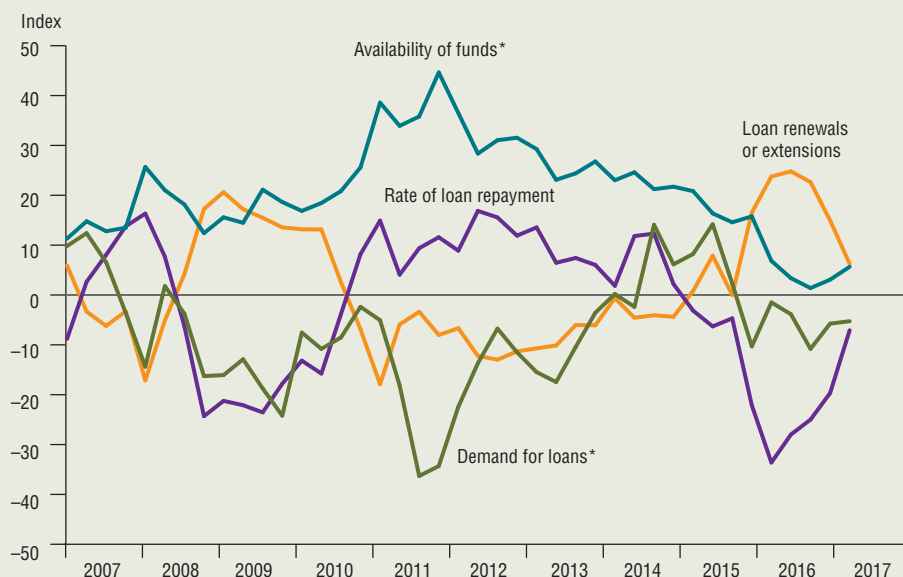
Demand for agricultural loans overall decreased for a sixth consecutive quarter. Loan renewals and extensions continued to increase, albeit at a slower pace, as loan repayment rates continued to decline. The volume of both non-real-estate and real estate farm loans was lower than a year ago. Operating loan volume, which had been increasing, was flat year over year this quarter; volumes fell in all other loan categories (*Figure 1*).

Real district ranchland and irrigated cropland values increased this quarter, while real dryland values decreased (*Figure 2*). According to bankers who responded in both this quarter and first quarter 2016, nominal district land values all rose year over year, with irrigated cropland showing the strongest increase (*Table 1*).

The anticipated trend in farmland values index remained negative for a seventh consecutive quarter, suggesting respondents expect farmland values to trend down in the coming months. The credit standards index indicated continued tightening of standards (*Figure 4*).

**Figure 1**  
Farm Lending Trends

	Index		Percent reporting, Q1		
	2016:Q4	2017:Q1	▲ Greater	Same	▼ Less
<b>Demand for loans*</b>	-5.8	-5.3	15.3	64.1	20.6
<b>Availability of funds*</b>	3.1	5.7	13.1	79.5	7.4
<b>Rate of loan repayment</b>	-19.8	-7.1	13.5	65.9	20.6
<b>Loan renewals or extensions</b>	15.1	6.3	15.8	74.8	9.5



	Index		Percent reporting, Q1		
	2016:Q4	2017:Q1	▲ Greater	Same	▼ Less
<b>Non-real-estate farm loans</b>	-6.3	-4.7	11.8	71.7	16.5
<b>Feeder cattle loans*</b>	-26.0	-18.9	4.8	71.5	23.7
<b>Dairy loans*</b>	-10.0	-9.6	1.4	87.6	11.0
<b>Crop storage loans*</b>	-2.0	-4.0	6.2	83.6	10.2
<b>Operating loans</b>	4.0	0.0	15.5	69.1	15.5
<b>Farm machinery loans*</b>	-30.5	-19.1	3.3	74.3	22.4
<b>Farm real estate loans*</b>	-16.5	-17.2	4.4	74.0	21.6

\*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

▶ Our livestock producers are still sitting on the sidelines due to the volatility in prices, and our crop producers are still feeling the effects from the low prices.

## Region 2 • Southern High Plains

▶ 2016 was a very good year for most of our customers. We still had a few that didn't get the rains last summer and they were okay, just not great. There were greater-than-normal pay downs on carryover and equipment notes, but there is some interest now in purchasing equipment. However, lenders and producers will face uncertainty in commodity prices.

▶ South Plains cotton producers experienced unexpectedly better results. Although there were delays in harvest and ginning backlogs, yields were almost universally better than expected. Prices were also higher than planned (about 70 cents per pound vs. 63 cents originally projected). As a consequence, all our customers are paying out their farm lines. This is the first year in several this has occurred. Cattle feeders are still licking their wounds, although recent closeouts are in the black for the first time in almost two years. Subsoil moisture is good. So, things are a little more positive.

## Region 3 • Northern Low Plains

▶ The unstable political environment, with threats of disrupting trade agreements, has created volatile commodity prices. Producers struggle to find profitable crop scenarios, and the uncertainty of the markets compounds their planning issues.

## Region 4 • Southern Low Plains

▶ Producers and bankers are so excited because they paid out. Already, producers are planning on buying new strippers, etc. In the spring, we were all looking for a good farm sale to sell equipment. Now it is vehicle and equipment upgrades.

## Region 5 • Cross Timbers

▶ Farmers are beginning to plow. Moisture has been decent, but rain is needed. The recent drop in cattle prices has had an impact on most ranchers' profitability.

▶ Everything is greening up a little early this year. A mild February led to less hay being fed in general, and most now have a large amount carried over and the price is down considerably. We still have good moisture conditions with good grazing on winter pastures, and most ponds and lakes are still full or close to it.

## Region 6 • North Central Texas

▶ Grain prices need to increase as inputs are still high, especially seed and tech fees. Cattle prices need improvement as well. Two poor years in a row is not good.

▶ Farmers have had two bad crop years in a row due to too little or too much rain. Calf prices are still off of their highs.

▶ There should be an abundance of heavy calves going to market in the first half of 2017.

▶ General agricultural conditions are currently putting stress on farmers and ranchers in our area. Commodity prices must stabilize at higher levels for the overall agricultural environment to improve. Most farmers and ranchers in our area subsidize their agriculture operations with outside family income from other employment.

## Region 7 • East Texas

▶ The cattle market is still relatively volatile. We certainly would not hesitate to make a livestock loan; however, the collateral coverage requirement is somewhat more stringent at this time.

## Region 8 • Central Texas

▶ Spring is coming fast, and it looks to be an excellent growing year if this holds together in the summer months. Hay feeding has slowed down with warmer weather. Farmers got a little delay in planting due to rains, but most have their corn in the ground and are ready to go. Cattle prices keep climbing, with special cow/heifer sales in the area showing big gains as ranchers are showing more optimism in buying replacement cattle for the year. The real estate market seems to have cooled off for a while as people wait to see what will happen with the economy and other situations facing the new president.

▶ Pasture conditions are very good, with adequate rainfall; cattle prices are weaker but seeing a trend toward strengthening.

## Regions of the Eleventh Federal Reserve District

12  
NEW MEXICO

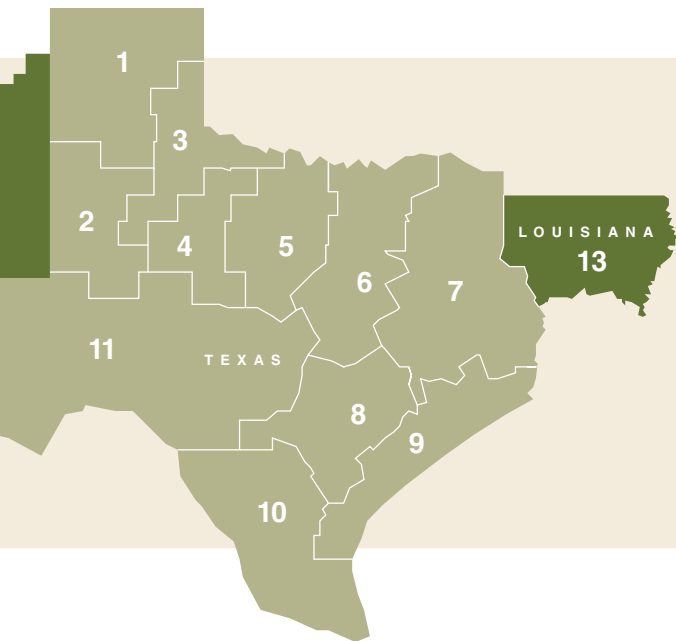
## Region 9 • Coastal Texas

▶ Cattle prices have stabilized. The cost of crop production equals or exceeds sales proceeds and government payments.

▶ Rain in last 14 days has dramatically helped the overall conditions of planted crops in the area or preplanting conditions. There is a smaller-than-average amount of wheat plantings this year. Cotton and grain acreages will be back to average acres from prior to 2013. Most rotations will be back to normal, and some are trending a little heavier to the cotton side. Cotton prices are the key component to planting increases that make some profitability sense. The majority of grain has been planted, and cotton had been started prior to the rains. Hay sales had spikes in the last three months, with pasture condition being at average to below average in some areas. Supplementing of cattle was also increasing with spring calving starting. Pastures are starting to show improvement from recent rains, with ample moisture to allow for grass growth. The cattle market in our area has had moderate cattle sales with holdovers from 2016 calves. Cattle prices at local auction have been stable. Replacements are being held back in order to restock pastures, replace normal culled animals or sell at private treaty.

## Region 11 • Trans-Pecos and Edwards Plateau

▶ Cattle prices have strengthened a bit in the last quarter, and sheep and goat prices are strong. Rangeland is in pretty good condition going into the spring due to a relatively mild, wet winter. With a bit of rain in a timely manner, 2017 could be a good year for livestock producers in the Edwards Plateau region. Predators continue to be a real problem for sheep and goat producers and, because of that fact, many ranchers have just gotten out of the business due to the cost of trying to combat the coyotes,



bobcats and hogs. It is an issue that actually threatens the sheep and goat industry's future.

- ▶ Moisture conditions are good—should have a good spring. Livestock markets remain stable.
- ▶ Pasture conditions are very good with good ground moisture, which should make for a very good spring. Markets for sheep and goats remain good, with a lot of producers moving to hair sheep from wool sheep. A number of producers are taking advantage of the pullback in cow prices in the last year to stock pastures that have abundant grazing available. Predators remain one of the main problems, including coyotes, bobcats and even reports of gray fox issues, as well as the exploded feral hog population and their destruction of fences, waterings and pastures.

#### Region 12 • Southern New Mexico

- ▶ Livestock yearling operations and crop production continue to struggle with maintaining profitable margins. Dry weather is taking a toll on dryland wheat production, and dryland spring crops need more moisture to begin planting. Ranch sales seem to be slowing.

**Table 1**  
**Rural Real Estate Values—First Quarter 2017**

	Banks <sup>1</sup>	Average value <sup>2</sup>	Percent change in value from previous year <sup>3</sup>
<b>Cropland—Dryland</b>			
<b>District*</b>	<b>102</b>	<b>1,793</b>	<b>4.6</b>
<b>Texas*</b>	<b>93</b>	<b>1,817</b>	<b>3.9</b>
<b>1</b> Northern High Plains	12	904	-1.1
<b>2</b> Southern High Plains	11	773	19.7
<b>3</b> Northern Low Plains*	7	778	2.8
<b>4</b> Southern Low Plains*	6	1,075	17.7
<b>5</b> Cross Timbers	5	1,530	-1.7
<b>6</b> North Central Texas	18	2,772	0.6
<b>7</b> East Texas*	6	2,733	-4.1
<b>8</b> Central Texas	15	3,607	2.4
<b>9</b> Coastal Texas	5	2,500	2.6
<b>10</b> South Texas	n.a.	n.a.	n.a.
<b>11</b> Trans-Pecos and Edwards Plateau	6	1,575	12.9
<b>12</b> Southern New Mexico	n.a.	n.a.	n.a.
<b>13</b> Northern Louisiana	7	2,450	18.7
<b>Cropland—Irrigated</b>			
<b>District*</b>	<b>75</b>	<b>2,489</b>	<b>7.8</b>
<b>Texas*</b>	<b>64</b>	<b>2,270</b>	<b>8.4</b>
<b>1</b> Northern High Plains	12	2,063	-1.8
<b>2</b> Southern High Plains	11	1,718	10.3
<b>3</b> Northern Low Plains*	5	1,885	15.2
<b>4</b> Southern Low Plains	6	1,367	11.9
<b>5</b> Cross Timbers	3	2,717	-3.0
<b>6</b> North Central Texas	5	3,130	9.5
<b>7</b> East Texas	3	3,067	0.0
<b>8</b> Central Texas	10	4,435	7.9
<b>9</b> Coastal Texas	n.a.	n.a.	n.a.
<b>10</b> South Texas	n.a.	n.a.	n.a.
<b>11</b> Trans-Pecos and Edwards Plateau	5	2,900	25.0
<b>12</b> Southern New Mexico	4	3,750	0.0
<b>13</b> Northern Louisiana	7	3,321	14.9
<b>Ranchland</b>			
<b>District*</b>	<b>111</b>	<b>1,721</b>	<b>1.9</b>
<b>Texas*</b>	<b>102</b>	<b>2,050</b>	<b>2.0</b>
<b>1</b> Northern High Plains	12	696	0.0
<b>2</b> Southern High Plains	8	719	0.0
<b>3</b> Northern Low Plains	7	814	0.5
<b>4</b> Southern Low Plains*	6	1,162	8.0
<b>5</b> Cross Timbers	8	1,969	5.9
<b>6</b> North Central Texas	19	2,705	2.5
<b>7</b> East Texas	8	2,606	-7.4
<b>8</b> Central Texas	16	4,869	9.3
<b>9</b> Coastal Texas	4	2,788	3.3
<b>10</b> South Texas	n.a.	n.a.	n.a.
<b>11</b> Trans-Pecos and Edwards Plateau	12	1,783	0.5
<b>12</b> Southern New Mexico	3	308	0.0
<b>13</b> Northern Louisiana	6	1,808	3.0

\* Seasonally adjusted.

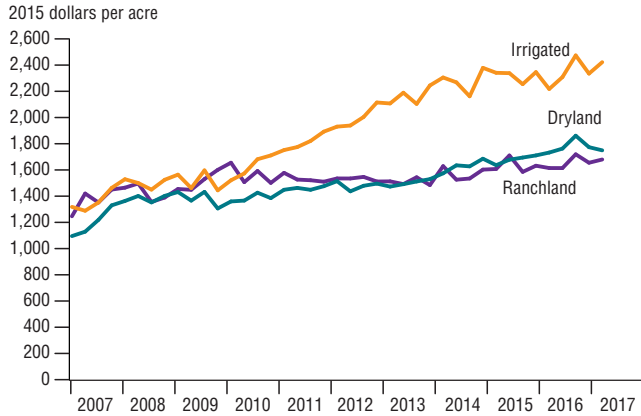
<sup>1</sup> Number of banks reporting land values.

<sup>2</sup> Prices are dollars per acre, not adjusted for inflation.

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

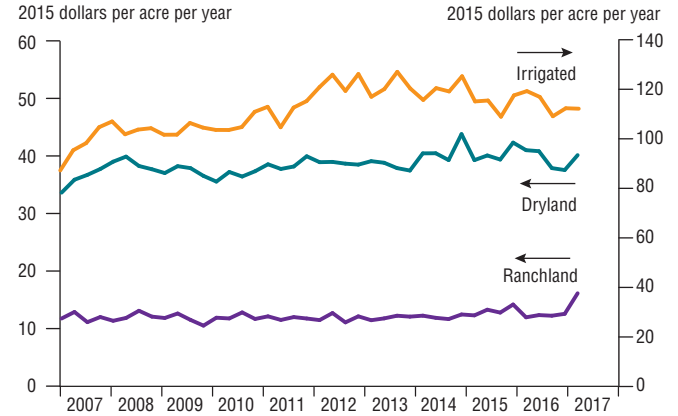
n.a.—Not published due to insufficient responses but included in totals for Texas and district.

**Figure 2**  
**Real Land Values**



NOTE: All values have been seasonally adjusted. Real values are created by deflating the nominal values using the implicit price deflator for U.S. gross domestic product.

**Figure 3**  
**Real Cash Rents**



NOTE: All values have been seasonally adjusted. Real values are created by deflating the nominal values using the implicit price deflator for U.S. gross domestic product.

**Table 2**  
**Interest Rates by Loan Type**

	Feeder cattle	Other farm operating	Intermediate term	Long-term farm real estate
<b>Fixed (average rate, percent)</b>				
<b>2016:Q1</b>	6.07	6.11	6.09	5.81
<b>Q2</b>	6.08	6.19	6.07	5.82
<b>Q3</b>	5.98	6.07	5.96	5.72
<b>Q4</b>	5.98	6.11	6.03	5.72
<b>2017:Q1</b>	6.19	6.24	6.21	5.95
<b>Variable (average rate, percent)</b>				
<b>2016:Q1</b>	5.72	5.74	5.78	5.38
<b>Q2</b>	5.73	5.80	5.68	5.32
<b>Q3</b>	5.60	5.63	5.64	5.36
<b>Q4</b>	5.65	5.65	5.63	5.29
<b>2017:Q1</b>	5.73	5.74	5.80	5.47

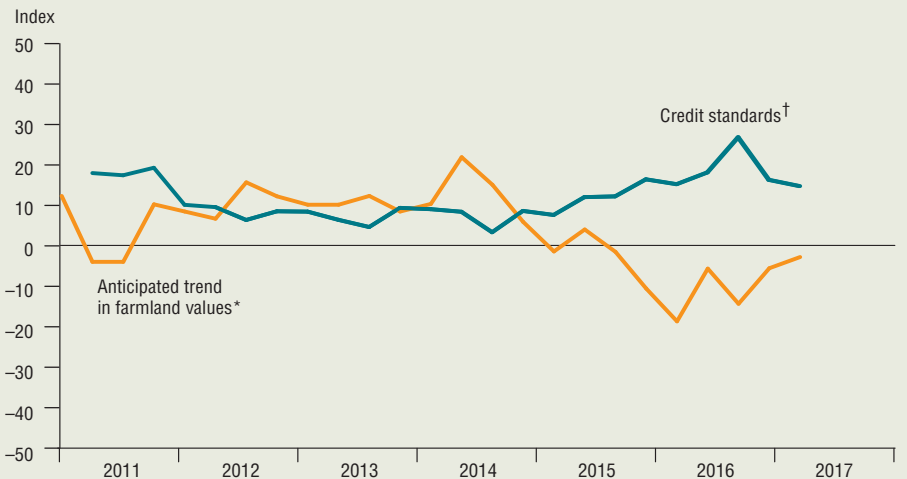
**Figure 4**  
**Anticipated Farmland Values and Credit Standards**

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

Anticipated trend in farmland values*	Index		Percent reporting, Q1		
	2016:Q4	2017:Q1	▲ Up	Stable	▼ Down
	-5.6	-2.8	5.3	86.6	8.1

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

Credit standards	2016:Q4	2017:Q1	▲ Tightened	Same	▼ Loosened
		16.5	15.0	16.5	81.9



\*Seasonally adjusted.

†Added to survey in second quarter 2011.

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.

**DALLAS**FED

# Agricultural Survey

is compiled from a survey of Eleventh District agricultural bankers, and data have been seasonally adjusted as necessary. Data were collected March 7–15, and 130 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](mailto:pubsorder@dal.frb.org) or by calling 214-922-5270. It is available on the web at [www.dallasfed.org/research/surveys/agsurvey.aspx](http://www.dallasfed.org/research/surveys/agsurvey.aspx), where you may sign up for free email alerts to be automatically notified as soon as the latest survey is released on the web.

For questions, contact Amy Jordan, 214-922-5178.