

AGRICULTURAL SURVEY

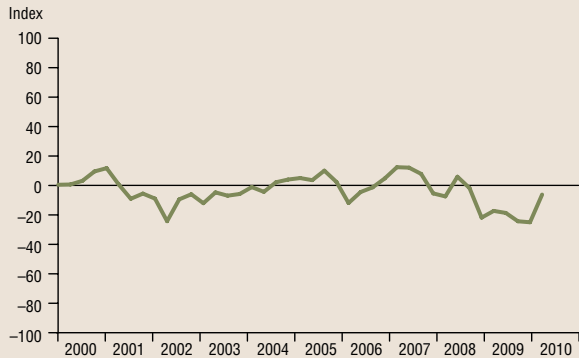
Quarterly Survey of Agricultural Credit Conditions in the Eleventh Federal Reserve District

FEDERAL RESERVE BANK OF DALLAS

First Quarter 2010

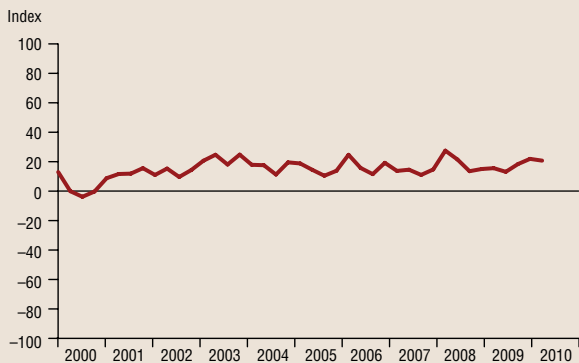
Demand for Loans

Loan demand improves in the first quarter, though the index remains slightly negative.



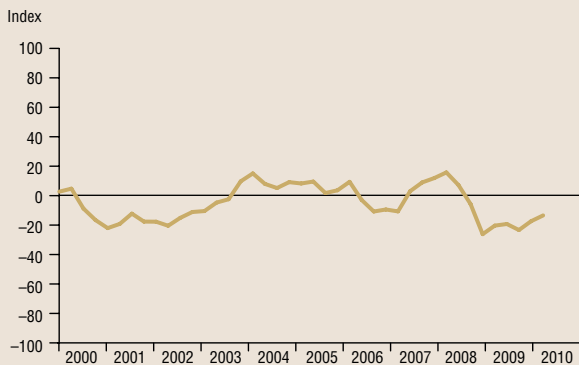
Funds Available for Additional Lending

Availability of funds edges downward.



Rate of Loan Repayment

Loan repayment rates continue to recover.



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.

The first-quarter survey indicates growing optimism in the Eleventh District agricultural community. A wet fall and winter has provided much needed soil moisture, ending one of the worst droughts on record for the district. It has also boosted pasture conditions, alleviating high supplemental feeding costs, which, along with rising cattle prices, has improved the outlook for the district's livestock industry. Excessive rains did delay spring planting in some regions, but respondents are positive in their outlook and anticipate favorable growing conditions and good crop yields this year.

Improved farming and ranching conditions have increased loan demand and stabilized loan repayment rates and requests for loan renewals or extensions. Seventeen percent of bankers reported greater loan demand in the first quarter, up from 9 percent in fourth quarter 2009. More than three-fourths of respondents noted steady loan repayment and renewal rates this quarter.

Dryland prices edged down while irrigated land and ranchland prices increased in the first quarter. Although farmland sales remained sluggish in several regions, nearly 80 percent of bankers expect agricultural land values to remain stable over the next three months.

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?

	2010:Q1				2009:Q4
	Index	Greater	Same	Less	Index
Demand for loans	-6.21	17.28	59.23	23.49	-25.11
Availability of funds	20.80	25.16	70.48	4.36	22.01
Rate of loan repayment	-13.40	4.50	77.60	17.90	-17.36
Loan renewals or extensions	13.23	17.05	79.13	3.82	8.56
Change in collateral required	18.57	18.57	81.43	0	9.48

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?

	2010:Q1				2009:Q4
	Index	Greater	Same	Less	Index
Non-real estate farm loans	-11.88	12.55	63.02	24.43	-22.56
Feeder cattle loans	-12.80	12.10	63.00	24.90	-22.20
Dairy loans	-21.84	0	78.16	21.84	-28.00
Crop storage loans	-7.17	5.00	82.83	12.17	-12.05
Operating loans	0.75	19.53	61.69	18.78	-11.48
Farm machinery loans	-12.49	12.39	62.73	24.88	-26.95
Farm real estate loans	-20.34	8.11	63.44	28.45	-23.81



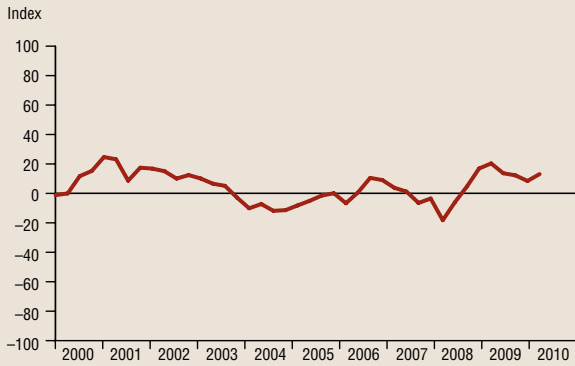
Quarterly Survey of Agricultural Credit Conditions

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 Laila Assanie, 214-922-5191.

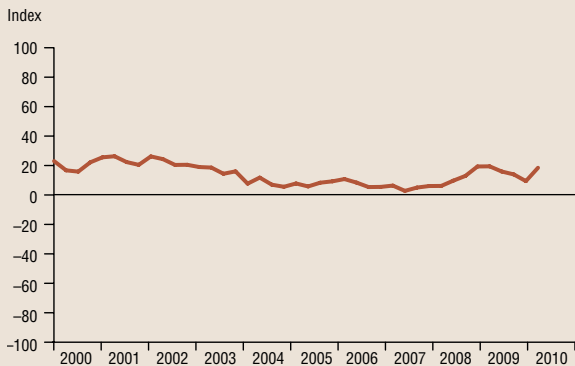
Renewals or Extensions of Loans

Requests for loan renewals or extensions rise.



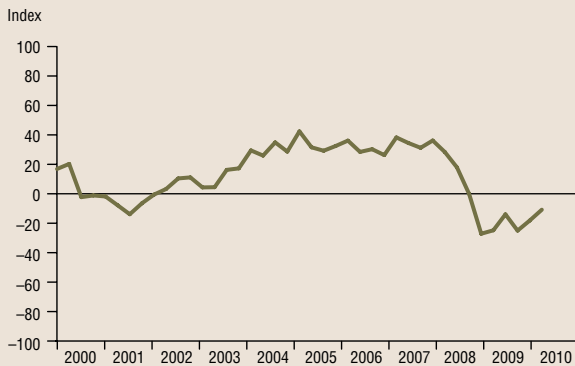
Amount of Collateral

Collateral requirements increase in the first quarter.



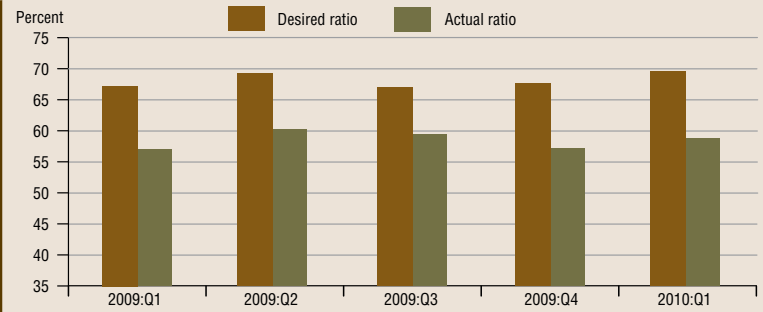
Anticipated Trend in Farmland Values

Nearly 80 percent of bankers expect farmland prices to remain stable 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	
	Apr. 1	Jul. 1	Oct. 1	Jan. 1	Apr. 1
Less than 41%	23	20	25	25	24
41% to 50%	17	11	11	9	11
51% to 60%	17	18	15	19	13
61% to 70%	18	18	20	24	21
More than 70%	26	33	29	23	31

Interest Rates

Fixed

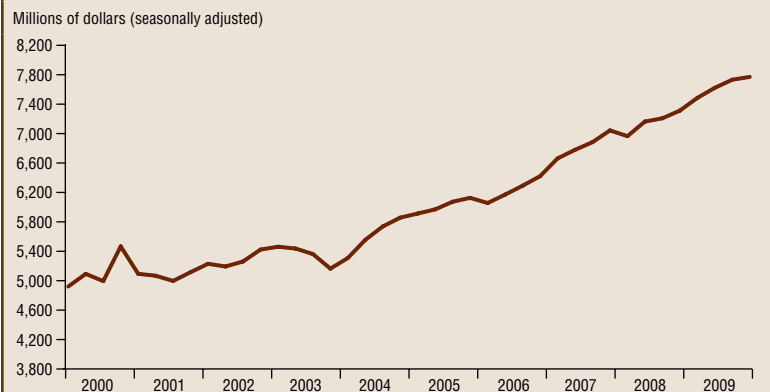
	Average rate (percent)				
	2009			2010	
	Apr. 1	Jul. 1	Oct. 1	Jan. 1	Apr. 1
Feeder cattle	6.88	7.01	6.90	6.86	6.81
Other farm operating	7.18	7.04	7.18	6.98	7.07
Intermediate term	7.16	7.04	7.20	7.00	7.15
Long-term farm real estate	6.78	6.72	6.89	6.75	6.75

Variable

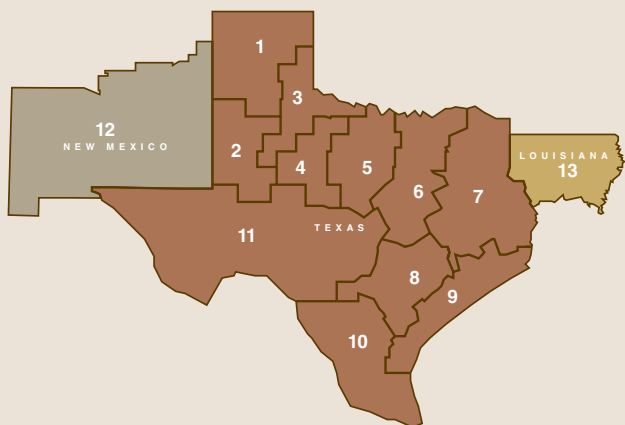
Feeder cattle	6.24	6.18	6.42	6.12	5.91
Other farm operating	6.27	6.22	6.34	6.46	6.22
Intermediate term	6.34	6.24	6.20	6.26	6.21
Long-term farm real estate	6.08	6.00	5.99	6.08	5.94

Total Agricultural Loans

Agricultural loan volumes expanded further in the fourth quarter of 2009.

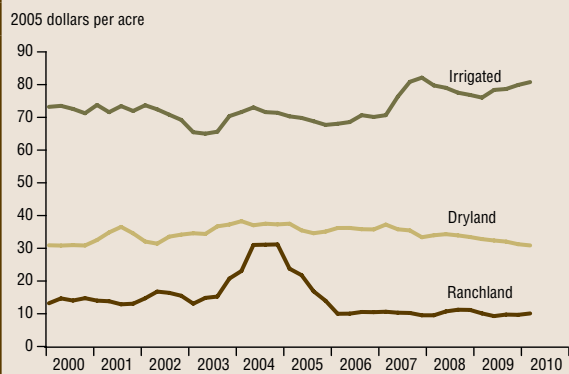


Eleventh Federal Reserve District



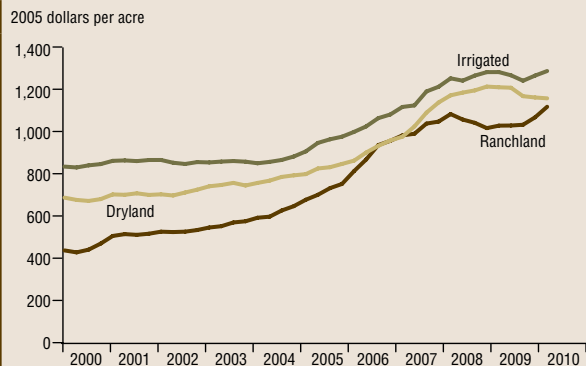
Real Cash Rents

Dryland cash rents edge downward, while cash rents for irrigated land and ranchland increase slightly.



Real Land Values

Irrigated land and ranchland values climb in the first quarter.



Rural Real Estate Values—March 2010

Cropland—Dryland

District	Banks ¹	Average value ²	Percent change ³ in value from	
			Previous quarter	Previous year
	First quarter 2010			
District	118	1,282	-0.4	-4.2
Texas	105	1,288	-0.7	-4.3
1 Northern High Plains	22	479	-1.4	3.8
2 Southern High Plains	11	478	-0.9	-2.3
3 Northern Low Plains	5	573	3.0	4.7
4 Southern Low Plains	8	851	-1.0	12.8
5 Cross Timbers	11	1,306	-1.4	3.2
6 North Central Texas	12	2,009	-1.0	-12.2
7 East Texas	6	1,756	0.5	2.1
8 Central Texas	15	2,579	-1.9	-5.8
9 Coastal Texas	8	1,277	-5.2	-10.8
10 South Texas	n.a.	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	6	1,110	-3.6	2.8
12 Southern New Mexico	6	386	0.1	-16.2
13 Northern Louisiana	7	1,321	3.7	-1.7

Cropland—Irrigated

District	90	1,426	1.7	0.6
Texas	76	1,344	1.9	1.5
1 Northern High Plains	21	1,121	1.6	5.0
2 Southern High Plains	11	1,107	0.2	6.3
3 Northern Low Plains	4	995	0.4	1.3
4 Southern Low Plains	7	1,224	-0.3	3.5
5 Cross Timbers	5	2,346	6.9	9.5
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	2,441	-7.0	-16.7
9 Coastal Texas	7	1,627	1.4	8.8
10 South Texas	n.a.	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	8	2,120	-3.7	5.6
12 Southern New Mexico	8	2,070	2.2	-7.8
13 Northern Louisiana	6	1,786	1.2	4.8

Ranchland

District	126	1,237	4.7	8.9
Texas	115	1,593	3.3	9.2
1 Northern High Plains	21	394	0.3	5.4
2 Southern High Plains	8	397	-2.0	-9.1
3 Northern Low Plains	5	669	13.0	14.4
4 Southern Low Plains	7	938	-0.9	18.9
5 Cross Timbers	12	1,845	-0.2	4.6
6 North Central Texas	14	2,250	0.9	-6.3
7 East Texas	8	2,020	1.3	16.9
8 Central Texas	17	3,271	-1.5	-1.9
9 Coastal Texas	7	1,193	-1.7	-4.4
10 South Texas	n.a.	n.a.	n.a.	n.a.
11 Trans-Pecos and Edwards Plateau	15	1,666	3.4	25.3 ⁴
12 Southern New Mexico	7	269	8.7	27.3 ⁴
13 Northern Louisiana	4	931	-1.1	-4.2

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 2009 to 2010 is 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

The soil moisture profile is above average from the winter snows. This has improved prospects for good wheat yields and is resulting in optimism for spring planting. Projected crop margins, however, are thin due to the decline in grain prices.

Rising cattle prices benefit producers who already own livestock. However, purchasing cattle in this market requires risk management. Substantial moisture has the wheat crop in good shape.

The wet winter has farmers in our area optimistic. The improvement in wheat grazing has led to higher calf prices.

The cattle sector has returned to profitable levels. Prospects are good for an abundant irrigated and dryland wheat crop. Spring moisture conditions are better now than in the past four to five years. Overall, 2010 is starting out very optimistic for the farmer and rancher.

Region 2—Southern High Plains

2009 crop damage resulted in more requests for refinancing of 2009 debt. Moisture in the area has created the potential for an excellent 2010 crop year.

Region 3—Northern Low Plains

Snow and ice seemed to be the weather pattern in Hall County. 2010 arrived with harvest delays for farmers and ruts so deep that the mail could not be delivered on rural routes. Despite Mother Nature, producers in our area made money in 2009, were able to pay down

their loans and are in a better position for 2010 crops.

Region 4—Southern Low Plains

Our biggest concern is dealing with delays in government assistance payments and programs.

Region 5—Cross Timbers

We have continued good moisture levels in the entire area. Though beef cattle and milk prices have improved, the increases have stalled out. Supplemental feed costs are still relatively high. We should have a good first hay cutting this year. Land sales are slow and starting to show signs of a softer market.

The past 60 days have yielded an abundance of moisture (both snow and rain). The wheat fields look good, and winter grass and weeds are growing now that we are getting into warmer weather.

Region 6—North Central Texas

We referred several customers to the Farm Service Agency for loan assistance due to drought losses.

Wet conditions delayed corn planting. The cattle market is better, with fat cattle and weaned calves selling very well. February had record-low temperatures and wet weather, but it appears that spring is just around the corner. This is a good thing because most stacks of hay have disappeared.

Due to the high volume of rain this spring, crops may be planted late.

There have not been any recent sales of ranchland or cropland.

Region 8—Central Texas

2010 has started off wet. Forecasts look favorable for the agriculture market.

Real estate sales remain low. There is not much buyer interest, and prices should remain soft for the next six months. Recent rains should help agricultural producers

through the spring. Cattle prices remain good.

Lavaca County has limited irrigated land. The county is also down to a few dairies, and the number of row crop farmers is declining. The majority of agriculture activity is in beef cow and calf operations.

Credit conditions should improve along with the improvement of weather conditions. Farmers should catch up on hay production this spring and cattle prices have firmed up some.

Region 11—Trans-Pecos and Edwards Plateau

A wet winter has put all the pieces in place for an outstanding spring. Cattle, sheep and goat prices are strong, and 2010 looks very promising at this point. The predator situation and rising costs remain problems for producers. However, good market prices will cure a multitude of ills.

Grass conditions were improved greatly by the winter rains. This may spark some spring and early summer land sales for recreational purposes. Sales have been flat for the last six months.

Land values continue to be driven by recreational and hunting interests. More large ranches are being broken up into smaller parcels. More ranchers are giving up due to drastically increased predation (hogs, coyotes and eagles). The drop in oil and gas exploration has decreased supplemental income that is usually put back into infrastructure (fencing, brushwork, etc.). We are seeing a movement to put livestock purchases and operation loans into longer-term credit to decrease payment pressure, as there is less and less margin. Ranchers are pledging ranchland to facilitate these requests instead of livestock.