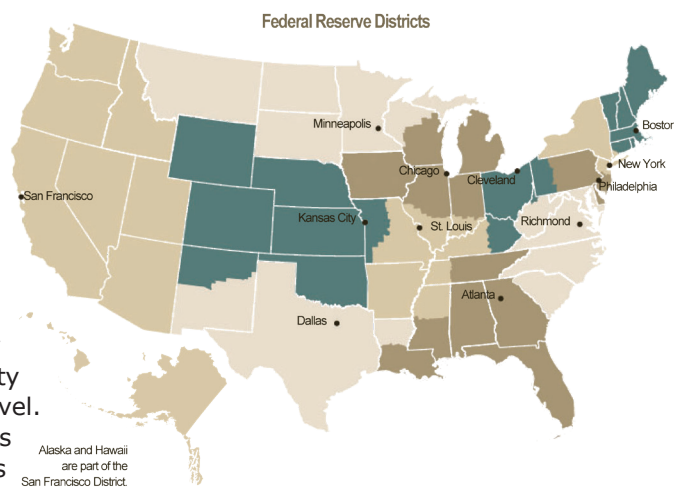


Federal Reserve Beige Book: Summary on the Agriculture Sector

The Beige Book is a Federal Reserve System publication covering current economic conditions across the 12 Federal Reserve Districts. It characterizes regional economic conditions and prospects based on a variety of mostly qualitative information, gathered directly from District sources.

National Summary

Economic activity has expanded at a modest pace, on balance, since mid-May; however, several Districts reported growing signs of a slowdown in demand, and contacts in five Districts noted concerns over an increased risk of a recession. Most Districts reported that consumer spending moderated as higher food and gas prices diminished households' discretionary income. Due to continued low inventory levels, new auto sales remained sluggish across most Districts. Hospitality and tourism contacts cited healthy leisure travel activity with some noting an uptick in business and group travel. Manufacturing activity was mixed, and many Districts reported that supply chain disruptions and labor shortages continued to hamper production. Non-financial services



firms experienced stable to slightly higher demand, and some firms reported that revenues exceeded expectations. Housing demand weakened noticeably as growing concerns about affordability contributed to non-seasonal declines in sales, resulting in a slight increase in inventory and more moderate price appreciation. Commercial real estate conditions slowed. Loan demand was mixed across most Districts; some financial institutions reported increased customer usage of revolving credit lines, while others reported weakening residential loan demand amid higher mortgage interest rates. Demand for transportation services was mixed and reports on agriculture conditions across reporting Districts varied. While demand for energy products was robust and oil and gas drilling activity picked up, production remained constrained by labor availability and supply chain bottlenecks for critical components. Similar to the previous report, the outlook for future economic growth was mostly negative among reporting Districts, with contacts noting expectations for further weakening of demand over the next six to twelve months.

Atlanta - Alabama, Florida, and Georgia; 74 counties in the eastern two-thirds of Tennessee; 38 parishes of southern Louisiana; and 43 counties of southern Mississippi.

Agricultural conditions remained mixed. Most of the District was drought free. On a month-over-month basis, the June production forecast for Florida's orange crop increased slightly from the previous forecast, but was still well below last season's production. The USDA reported year-over-year prices paid to farmers in April were slightly up for cattle corn, cotton, eggs, milk, soybeans, rice, and broilers. On a month-over-month basis, prices decreased for broilers, corn, cotton, eggs, milk, rice, and soybeans. Cattle prices were unchanged.



Chicago - Iowa; 68 counties of northern Indiana; 50 counties of northern Illinois; 68 counties of southern Michigan; and 46 counties of southern Wisconsin.

Contacts continued to expect agricultural incomes to be solid for most producers in 2022. Despite worries about supply chain problems, inputs were largely reaching farms in time. Heavy rains in some areas diluted fertilizer and created ponds in fields, hurting potential yields; in other areas there were concerns about dryness and heat. Still, corn and soybean conditions were close to average for much of the District. Corn and soybean prices fell some over the reporting period, while milk prices were generally higher. After widespread flock losses from bird flu, egg-laying capacity began to return and egg prices edged down from elevated levels. Hog and cattle prices increased. Farmland prices moved higher once more.



How Much Risk is Right for You?

St. Louis - Arkansas; 44 counties in southern Illinois; 24 counties in southern Indiana; 64 counties in western Kentucky; 39 counties in northern Mississippi; 71 counties in central and eastern Missouri; the city of St. Louis; and 21 counties in western Tennessee.

District agriculture conditions declined moderately relative to the previous reporting period and the previous year. In June, the percentages of corn, cotton, rice, and soybeans rated fair or better decreased slightly to moderately across the District. Most crop conditions declined moderately over this period relative to last year, except for rice, which increased modestly.



Minneapolis - Minnesota, Montana, North Dakota, and South Dakota; the Upper Peninsula of Michigan; and 26 counties in northern Wisconsin.

District agricultural conditions remained strong since the previous report. Most of the region's corn and soybean crops were rated in good or excellent condition and progressing on schedule. However, nearly half of the Montana winter wheat crop was in poor or very poor condition, as drought conditions persisted in the Golden Triangle region. District oil and gas drilling activity increased slightly since the last report.



Kansas City - Colorado, Kansas, Nebraska, Oklahoma, and Wyoming; 43 counties in western Missouri; and 14 counties in northern New Mexico.

Agricultural economic conditions in the Tenth District remained strong through June. Although the price of some key commodities declined slightly from the previous month, both crop and livestock prices remained at multi-year highs. Agricultural prices continued to support revenue prospects, but District contacts continued to voice a heightened concern about significant increases in production costs for both crop and livestock producers. Drought also remained a primary concern. The condition of corn and soybeans was only slightly weaker than a year ago in most states. The condition of wheat in nearly all District states was exceptionally poor and could hinder revenues for many producers.



Dallas - Texas; 26 parishes in northern Louisiana; and 18 counties in southern New Mexico.

Much of the district remained in severe drought, causing agricultural conditions to deteriorate further. The wheat harvest was wrapping up and with much lower harvestable acres and yields, production is expected to be substantially below average. Agricultural producers continued to be concerned with production cost increases and the availability of inputs. With prices and costs at high levels, producers may still be able to generate a profit, but current drought conditions create a higher-risk situation than normal. Ranchers continued to reduce herd sizes amid poor grazing conditions and limited hay supplies. Contacts noted that the strengthening dollar combined with higher transportation costs and logistics issues could negatively impact agricultural exports moving forward.



San Francisco - Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Utah, and Washington—plus American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands

Conditions in the agriculture sector was mixed. Drought conditions in many areas adversely impacted the growing season, with some producers letting portions of their farms go fallow in order to prioritize water usage. Growers in the Pacific Northwest instead reported increased precipitation, with one producer expressing concern that the colder weather would reduce crop yield. Farmers throughout the District reported increased international demand for both fresh and processed foods but noted that a strengthening dollar dampened sales somewhat. Input costs, such as those for fertilizer, machinery, fuel, and feed, increased further over the reporting period, partially due to the continuation of the Russian invasion of Ukraine. Supply chain disruptions persisted, but many contacts reported an easing of port backlogs and shipping rates despite increased fuel costs. One producer in the Pacific Northwest warned declining shipping rates could indicate decreasing food sales prospects, while a contact in the seafood sector reported only minor improvement in shipping conditions.



For more information:

For more information on other sectors of the U.S. economy or to access the complete Federal Reserve Beige Book summary, see: https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20220713.pdf.