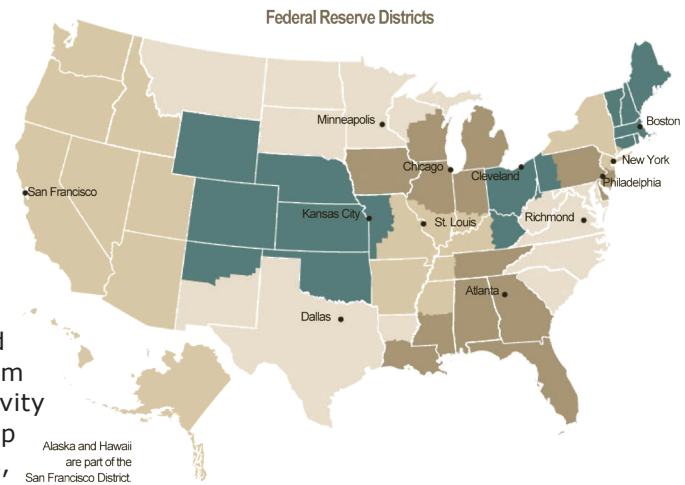


## Federal Reserve Beige Book: Summary on the Ag Sector

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 was unchanged, on balance, since early July, with five Districts reporting slight to modest growth in activity and five others reporting slight to modest softening. Most Districts reported steady consumer spending as households continued to trade down and to shift spending away from discretionary goods and toward food and other essential items. Auto sales remained muted across most Districts, reflecting limited inventories and elevated prices. Hospitality and tourism contacts highlighted overall solid leisure travel activity with some reporting an uptick in business and group travel. Manufacturing activity grew in several Districts, although there were some reports of declining output as supply chain disruptions and labor shortages continued to hamper production. Despite some reports of strong leasing activity, residential real estate conditions weakened noticeably as home sales fell in all twelve Districts and residential construction remained constrained by input shortages. Commercial real estate activity softened, particularly demand for office space. Loan demand was mixed; while financial institutions reported generally strong demand for credit cards and commercial and industrial loans, residential loan demand was weak amid elevated mortgage interest rates. Nonfinancial services firms experienced stable to slightly higher demand. Demand for transportation services was mixed and **reports on agriculture conditions across reporting Districts varied**. While demand for energy products was robust, production remained constrained by supply chain bottlenecks for critical components. The outlook for future economic growth remained generally weak, with contacts noting expectations for further softening 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.

Demand for agricultural products remained strong. Hot weather and dry spells damaged crop yields, particularly corn, in many areas of the District. Prices paid to farmers were elevated overall but fell somewhat for corn and milk. Restrictions on imports from China led to higher demand for domestic cotton. Demand for poultry exceeded supply, while the beef market held steady. Long lead times for machinery and parts forced many farmers to use decommissioned machinery and some small farms suffered crop losses due to inoperable equipment.



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

Agricultural income prospects for 2022 were little changed, with contacts continuing to expect that most producers would turn a profit this year. Although portions of the District were in drought, farms were generally expected to have at least average yields for corn and soybeans. Crop progress was behind the typical pace due to late plantings but was catching up. Corn, soybean, and wheat prices were down from the previous reporting period, as were prices for milk and eggs. Hog prices declined slightly from a high level, while cattle prices edged up. Strong demand for agricultural equipment continued, with long lead times for delivery.



**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 have moderately worsened since our previous report. Compared with the previous reporting period, crop conditions in the District have either slightly declined or remained relatively unchanged. Relative to the previous year, the percentage of corn, cotton, and soybeans rated fair or better sharply declined, while the same measure for rice slightly increased. Worsened conditions may be partially attributable to the droughts and severe flooding that have affected the District, especially Missouri and Kentucky. Additionally, District contacts indicated that farming conditions remained strained due to input prices and labor shortages, with the ability to hire quality labor being their biggest concern.



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

District agricultural conditions strengthened modestly since the previous report, with notable exceptions. A survey of agricultural credit conditions pointed to continued growth in farm incomes; 80 percent of farm lenders said incomes in their area increased in the second quarter from a year earlier. While lenders reported continued concerns about rising production costs, commodity prices were strong enough to offset them. However, wheat and small grains production in Montana will be severely impacted by drought for the second year in a row.



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

Conditions for the Tenth District's farm economy remained favorable, supported by the overall strength in commodity prices, despite elevated volatility in certain markets in recent months. Crop prices remained generally higher than a year ago, but were lower in August compared to earlier in the summer. Specifically, corn and wheat prices declined moderately, and soybean prices also dropped slightly during the past month. Heightened production costs and adverse growing conditions were worse than the national average in some District states over the past month. Several farmers noted that, even with elevated levels of revenue expected this year, net income levels would likely be more subdued. In the livestock sector, profit opportunities remained sound as cattle prices were slightly higher than the previous reporting period and hog prices increased notably.



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

Overall drought conditions improved slightly over the past six weeks, as some areas received significant rainfall in late August. Many row crops were experiencing high abandonment and low yields resulting in significantly lowered production this year, particularly for cotton. High input costs and low production will financially strain many producers. Severe drought and higher feed costs have prompted significant culling of cattle herds.



**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 and resource-related sectors were mixed. Drought conditions in many areas continued to impact the growing season, with some producers letting portions of their farms go fallow to prioritize water usage. Farmers throughout the District reported strong international demand for both fresh and processed foods. Shipping bottlenecks eased slightly in recent weeks, but overall supply chain disruptions persisted.



### 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\\_20220907.pdf](https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20220907.pdf).