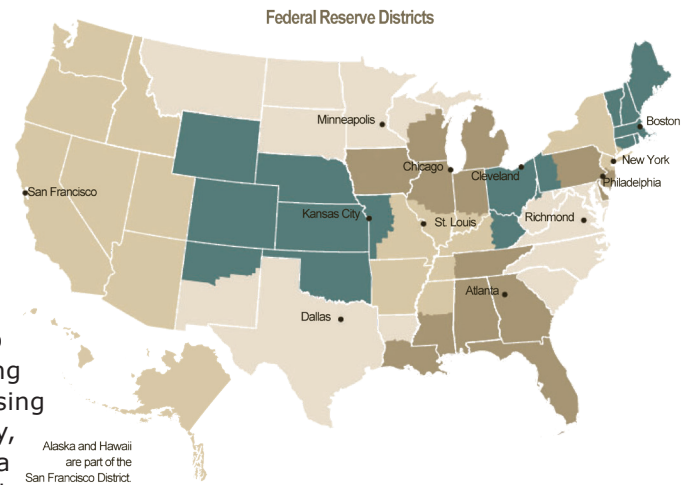


Federal Reserve Beige Book: Summary on the Agricultural Sector

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

National economic activity expanded modestly on net since the previous report; however, conditions varied across industries and Districts. Four Districts noted flat activity and two cited declines, with slowing or weak demand attributed to higher interest rates, inflation, and supply disruptions. Retail spending was relatively flat, reflecting lower discretionary spending, and auto dealers noted sustained sluggishness in sales stemming from limited inventories, high vehicle prices, and rising interest rates. Travel and tourist activity rose strongly, boosted by continued strength in leisure activity and a pickup in business travel. Manufacturing activity held steady or expanded in most Districts in part due to easing in supply chain disruptions, though there were a few reports of output declines. Demand for nonfinancial services rose. Activity in transportation services was mixed, as port activity increased strongly whereas reports of trucking and freight demand were mixed. Rising mortgage rates and elevated house prices further weakened single-family starts and sales, but helped buoy apartment leasing and rents, which generally remained high. Commercial real estate slowed in both construction and sales amid supply shortages and elevated construction and borrowing costs, and there were scattered reports of declining property prices. Industrial leasing remained robust, while office demand was tepid. Bankers in most reporting Districts cited declines in loan volumes, partly a result of shrinking residential real estate lending. Energy activity expanded moderately, whereas **agriculture reports were mixed, as drought conditions and high input costs remained a challenge**. Outlooks grew more pessimistic amidst growing concerns about weakening demand.



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 in the District were mixed. Cotton growers noted some softening, which was attributed to slowing demand for textiles. Cattle ranchers reported strong sales and increased prices for livestock. Demand for chicken was strong amid reports of domestic consumers trading down from other protein sources; however, poultry exports weakened due to concerns by foreign importers over avian flu outbreaks. Row crop production remained solid, but farmers were hesitant to invest in equipment amidst concerns over future crop demand.



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

Income expectations for agricultural producers in 2022 were unchanged over the reporting period, with a profitable year expected for most despite elevated input costs. Contacts were optimistic that corn and soybean yields would be better than had been expected this summer, even with drought in parts of the District. Corn and soybean prices moved higher during the reporting period. Shipping costs, however, were elevated due to reduced barge capacity from low river levels. Dairy prices, most notably for butter, and egg prices, were up as well. Hog and cattle prices declined.



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 declined modestly since our previous report. Production and yield forecasts declined for corn, rice, and soybeans from August to September. Crop yields have remained stable for corn, fallen for rice and soybeans, and improved for cotton from August to September. However, crop yields have fallen consistently compared with 2021. District production and yields have been affected by extreme weather conditions such as drought, flood, strong winds, and hail.



Agriculture contacts remain concerned about rising input prices, global supply chain disruptions, and the extremely competitive nature of the current labor market. Fertilizer prices are up 30 percent in 2022 after increasing 80 percent in 2021. Supply chain issues have continued to be a challenge, with one grain processor reporting waits of 48-50 weeks for packaging materials. Contacts do not foresee these conditions changing for the next 6 months.

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

District agricultural conditions improved modestly and remained strong overall heading into harvest season, even as elevated input costs bit into producer margins. Early indications pointed to solid harvests and good crop conditions throughout most of the District, with the exception of portions of Montana heavily affected by drought.



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

Financial conditions remained strong due to still elevated crop prices. However, contacts reported several adverse developments tied to drought and input costs. At the start of the fall harvest season, nearly one-third of corn and soybean crops were in very poor condition in some District states, heightening concerns about reduced yields. Exceptionally dry conditions also contributed to lower river levels, higher transportation costs, and lower crop prices in some areas in September. In the livestock sector, hog prices declined moderately over the past month, but remained slightly above year-ago levels. Cattle prices continued to increase alongside reports of additional herd liquidations, due, in large part, to higher feed and transportation costs.



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

Significant rainfall early in the reporting period greatly improved drought conditions across much of the district, though soil moisture has begun worsening again in recent weeks. Many areas experienced little-to-no row crop production as a result of the drought, causing fields to be plowed under. Significant culling of cattle herds continued, though the pace slowed slightly as much-needed rainfall greened up pastures.



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 worsened somewhat. Overall demand for produce, fruits, and seafood was unchanged. However, labor shortages, transportation delays, elevated input prices, drought conditions, and wide temperature fluctuations continued to hinder production, especially for cherries, pears, and apples. Weaker global activity and an appreciating dollar reduced demand in international markets for domestic agricultural products, especially wheat, nuts, raisins, and tree logs. One producer mentioned that increased energy costs in Europe have prevented European farmers from refrigerating and storing fresh fruit, increasing their immediate supply in the region and heightening competition in export markets. Capital spending in the logging sector remained strong, but one contact in the Pacific Northwest mentioned that persistently high timberland valuations hindered production.



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_20221019.pdf.