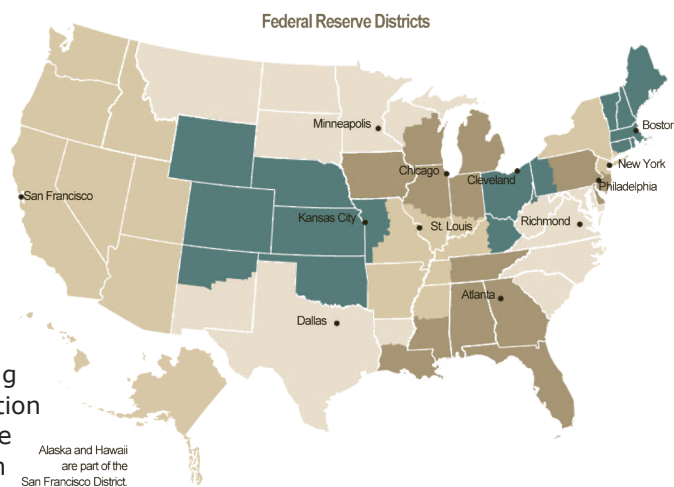


Federal Reserve Beige Book: Summary on the Ag Sector

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 about flat or up slightly since the previous report, down from the modest average pace of growth in the prior Beige Book period. Five Districts reported slight or modest gains in activity, and the rest experienced either no change or slight-to-modest declines. Interest rates and inflation continued to weigh on activity, and many contacts expressed greater uncertainty or increased pessimism concerning the outlook. Non-auto consumer spending was mixed but, on balance, eked out slight gains. Inflation pushed low-to-moderate income consumers to substitute increasingly to lower-priced goods. Travel and tourism contacts, by contrast, reported moderate gains in activity, as restaurants and high-end hospitality venues enjoyed robust demand. Auto sales declined slightly on average, but sales increased significantly in a few Districts in response to higher inventories. Manufacturing activity was mixed across Districts but up slightly on average. Demand for nonfinancial services was flat overall but softened in some Districts. Higher interest rates further dented home sales, which declined at a moderate pace overall but fell steeply in some Districts; apartment leasing started to slow, as well. Residential construction slid further at a modest pace, while nonresidential construction was mixed but down slightly on average. Commercial leasing weakened slightly, and office vacancies edged up. Bank lending saw modest further declines amid increasingly weak demand and tightening credit standards. **Agricultural conditions were flat or up a bit**, and energy sector activity increased slightly on balance.



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. Cotton growers reported further softening of demand from textile manufacturers. Tariffs imposed on rice from India kept demand for domestic rice strong. Demand for chicken and cattle exceeded supply. In Florida, Hurricane Ian destroyed several herds of livestock and numerous crops, and citrus industry contacts expect damage to trees from the storm will exacerbate already strained production from disease in the coming years.



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

Overall, expectations for District agricultural income in 2022 rose a bit, reflecting the strong corn and soybean harvests. Despite pockets of poor yields from drought, District corn and soybean yields were close to the records set in 2021. Barge shipments continued to be constrained due to low water levels on the Mississippi, pushing up shipping costs, limiting exports, and reducing the availability of chemicals and fertilizers. The costs of most inputs remained elevated. Corn prices were lower, while soybean prices moved higher. Dairy and hog prices were generally down, though egg and cattle prices were up.



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 have remained unchanged compared with the previous reporting period. Production forecasts for corn and cotton have increased slightly, while forecasts for soybeans remained unchanged and rice declined. On a year-over-year basis, however, production levels for cotton and soybeans are expected to be slightly higher, while corn production is expected to slightly decline and rice production is expected to moderately decline. While production has remained relatively steady, contacts in the District remain concerned over rising input prices, specifically fertilizers and feed.



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

District agricultural conditions remained strong through harvest season. According to the Minneapolis Fed's October agricultural credit conditions survey, nearly three-quarters of lenders reported farm incomes increased from July through September compared with the same period a year earlier. Farm household spending, capital spending, and loan repayment rates also increased on balance, while demand for loans fell. However, cattle ranchers in Montana reported culling herds due to high feed costs and lack of available hay in the drought-stricken state, and were reportedly reducing their planned capital expenditures for 2023.



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

The Tenth District farm economy generally remained strong despite slightly lower commodity prices and intensifying adverse effects of drought in certain areas of the District. Overall, farm income and credit conditions continued to improve modestly. However, contacts in areas most impacted by drought reported that farm income and liquidity were slightly lower than a year ago. As harvest neared completion, crop yields were generally expected to be less than average across all states and were particularly poor in Kansas and Oklahoma. Dry conditions also reduced hay production throughout the region and is likely to push feed expenses higher for many livestock producers.



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

Widespread rainfall somewhat improved pasture and soil moisture conditions, though a majority of the district remains in drought. Agricultural commodity prices remained strong, though contacts said unprecedented volatility in cotton markets as well as a relatively low cotton price compared with grain prices may prompt a significant drop in cotton acreage next year. Beef demand remained strong, and prices were up from six weeks ago but down from a year ago because of increased beef supply due to more animals moving to slaughter amid the drought this year.



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 stable, albeit weak, during the reporting period. Farmers reported solid domestic and international demand for both fresh and processed foods, especially for dairy products and nuts, but noted that global economic uncertainty and a strong dollar continued to weigh down international demand for most domestic agricultural products. Limited rainfall throughout California has reportedly impacted summer crops, such as tomatoes, and is threatening expectations for various winter crops, especially leafy greens. Contacts reported meaningful relief in supply bottlenecks in recent weeks, although one producer noted persistent disruptions and delays at some ports in Asia stemming from pandemic containment measures.



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_20221130.pdf.