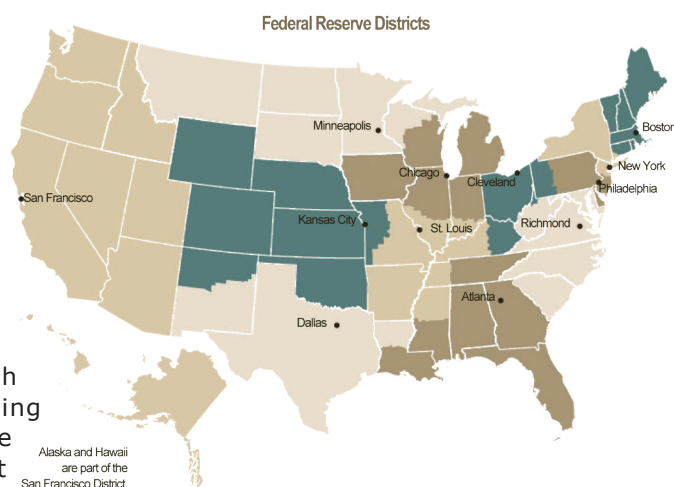


## Federal Reserve Beige Book: Summary on the Agricultural Sector

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

Overall economic activity was relatively unchanged since the previous report. Five Districts reported slight or modest increases in overall activity, six noted no change or slight declines, and one cited a significant decline. On balance, contacts generally expected little growth in the months ahead. Consumer spending increased slightly, with some retailers reporting more robust sales over the holidays. Other retailers noted that high inflation continued to reduce consumers' purchasing power, particularly among low- and moderate-income households. Auto sales were flat on average, but some dealers noted that increased vehicle availability had boosted sales. Tourism contacts reported moderate to robust activity augmented by strong holiday travel. Manufacturers indicated that activity declined modestly on average, and, in many Districts, reported that supply chain disruptions had eased. Housing markets continued to weaken, with sales and construction declining across Districts. Commercial real estate activity slowed slightly, on average, with more notable weakening in the office market. Nonfinancial services firms experienced stable demand on balance. Most bankers reported that residential mortgage demand remained weak, and some said higher borrowing costs had begun to dampen commercial lending. Energy activity continued to increase moderately, and **agriculture conditions were generally unchanged or improving.**



**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 were little changed from the previous report. Demand for poultry dropped slightly but remained strong; demand for cattle and timber, as well as for some row crops, such as corn and soybeans, held steady. Florida citrus yields were down notably due to damage from Hurricane Ian. The cotton market continued to soften amid decreased demand from textile mills. Supply chain disruptions persisted, with several contacts reporting delays in receiving machinery and parts



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

After a strong year for District agricultural income, contacts expected lower but still solid returns in 2023. A contact suggested that many farmers will spend their gains on equipment and trucks, especially as availability at dealers had improved. With rivers rising, barge shipments returned closer to normal levels, easing shipping costs some. Furthermore, prices for inputs such as fertilizers, chemicals, and energy all moved down during the reporting period, and there was less concern about the availability of inputs. However, some contacts expressed worries about higher interest rates on farm loans. Soybean prices were higher, whereas corn prices were little changed. Egg and cattle prices continued moving up, while dairy and hog prices generally continued to move down. Most major agricultural prices ended 2022 higher than they were at the end of 2021.



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 are favorable and have remained largely unchanged since our previous report. The percentage of winter wheat in the District rated fair or better decreased slightly from the end of November to the end of December. Rising commodity prices have pushed inflation-adjusted farm incomes to a near 50-year high, leading to an optimistic outlook for the upcoming year. However, input costs are on the rise as well, raising uncertainty on the overall effect on farmers' margins for 2023.



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

District agricultural conditions were stable at high levels. Sector contacts reported that farm incomes and working capital remained strong heading into 2023.



**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 were generally strong through the end of 2022 alongside elevated commodity prices. Prices of some key crops and livestock declined slightly during December but remained at a profitable level. Most contacts in the District reported gradual improvement in farm income and credit conditions, but others noted that drought had weakened conditions for some producers. Strong real estate values continued to bolster farm finances, but increased interest rates, high production costs, challenging weather conditions, and the outlook for commodity prices remained key concerns.



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

Rainfall continued to improve soil moisture conditions, setting a good foundation for winter wheat and spring crops. Cotton exports declined, and contacts cited weak mill demand prompted by low consumer demand. Relatively high grain prices and promising soil moisture will likely favor an increase in grain acreage and reduction in cotton acreage next 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 remained generally weak. Overall domestic agricultural sales were up in terms of dollars but down in volume. Sales abroad varied by export market, with demand from Asian and European markets declining or remaining unchanged, while demand from the Middle East increased significantly. Global economic uncertainty and a generally strong dollar continued to put downward pressure on international demand. Adverse weather conditions negatively impacted agricultural yields across the District, including for cherries, grapes, and nuts. Seafood production was also down, partially due to closures of crab fisheries in Alaska. Contacts noted that supply chain bottlenecks ameliorated further, but transportation and materials costs remained elevated.



### 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\\_20230118.pdf](https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20230118.pdf).