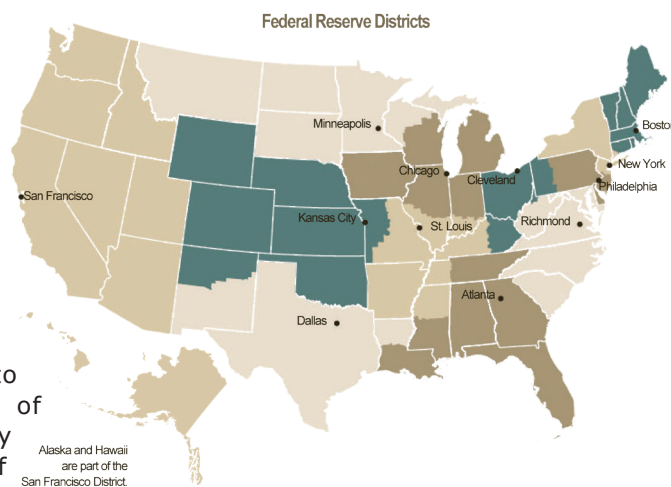


## Federal Reserve Beige Book: Summary on the Agricultural Sector

*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 little changed in recent weeks. Nine Districts reported either no change or only a slight change in activity this period while three indicated modest growth. Expectations for future growth were mostly unchanged as well; however, two Districts saw outlooks deteriorate. Consumer spending was generally seen as flat to down slightly amid continued reports of moderate price growth. Auto sales remained steady overall, with only a couple of Districts reporting improved sales and inventory levels. Travel and tourism picked up across much of the country this period. Manufacturing activity was widely reported as flat or down even as supply chains continued to improve. Transportation and freight volumes were also flat to down, according to several Districts. On balance, residential real estate sales and new construction activity softened modestly. Nonresidential construction was little changed while sales and leasing activity was generally flat to down. Lending volumes and loan demand generally declined across consumer and business loan types. Several Districts noted that banks tightened lending standards amid increased uncertainty and concerns about liquidity. The majority of Districts reported steady to increasing demand and sales for nonfinancial services. **Agriculture conditions were mostly unchanged in recent weeks while some softening was reported in energy markets.**



**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 mixed. Domestic supplies of chicken exceeded demand as the Avian Flu limited exports. However, foreign demand for poultry improved as some countries loosened import regulations. Demand for eggs exceeded supply but softened in response to elevated prices. Cattle supply remained low, and beef producers expressed concerns that falling chicken prices may cause consumers to substitute chicken for beef. Demand for cotton and soybeans fell from already low levels. Contacts expect reduced plantings of cotton this year as discretionary spending softens. Contacts noted continued supply chain improvements.



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

With input costs remaining elevated and many product prices down, contacts expected lower agricultural income for the District in 2023 compared with a strong 2022. Wheat prices were generally lower over the reporting period, during which the agreement for exporting grain from Ukraine was extended into May. Corn and soybean prices were also lower despite smaller estimates for the South American harvest. Planting delays were likely in some places in the District due to excess precipitation, though contacts noted the extra moisture could also recharge ground water levels for use later in the growing season. Although fertilizer costs fell, the cost of most other inputs remained high for crop farms. Cattle prices increased as the U.S. herd was squeezed by drought and a harsh winter. Egg prices moved up, while dairy and hog prices were down. High feed costs continued to compress most livestock margins. Prices for agricultural land continued to rise, reportedly at a slower pace.



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 seen little change since our previous report. The number of acres planted in the District for corn, cotton, rice, and soybeans increased around 1 percent compared with last year; outcomes were similar for all District states. The composition of the crops has changed; cotton and soybeans were planted in lesser quantities compared with last year, while corn and rice increased in acreage. Southern parts of the District have planted significantly fewer acres of cotton and replaced it with corn and rice.



**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 strong levels entering the planting season. Most contacts reported that farm incomes continued to increase from a year earlier, while capital spending was steady. However, persistent wintry weather, including a severe snowstorm, delayed preparation for spring planting in many areas. District oil and gas exploration activity was unchanged since the previous report.



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

Agricultural economic and credit conditions in the Tenth District were reportedly strong. Elevated commodity prices continued to support profit opportunities for many producers. Farm loan repayment rates improved at a gradual pace in the first quarter and indicators of credit challenges were limited. Agricultural bankers throughout the region also reported that their liquidity was adequate to meet current credit demand and deposit withdrawals. The impact of higher interest rates on borrower finances and farmland markets was reportedly a growing concern. More broadly, drought and elevated production costs continued to affect many areas of the region.



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

Drought conditions persisted in the western part of the district while soil conditions were quite favorable elsewhere. The La Niña weather pattern has ended, and rainfall is expected to increase moving into summer and fall. Cotton acres are expected to be down significantly this year, with farmers favoring crops with a relatively higher price and drought tolerance. On the livestock side, cattle prices increased dramatically over the past six weeks and were up from this time last year, and demand was solid.



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

Activity in agriculture and resource-related sectors decelerated slightly. Exports of agricultural goods weakened, and domestic demand for agricultural products was mixed. While growers in the Pacific Northwest reported weaker sales overall, producers in California noted strong, stable demand for fresh produce and other agricultural goods. Persistent rains and flood conditions in California affected plant pollination, delayed the planting of crops like tomatoes and cotton, and cast doubt on the viability of some orchard crops. One contact in Central California reported that the recent rains made large portions of grazing lands unsuitable for cattle. Seafood output in the Pacific Northwest remained stable. Sales of harvested timber cooled further, while investor demand for timberland 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\\_20230419.pdf](https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20230419.pdf).