

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

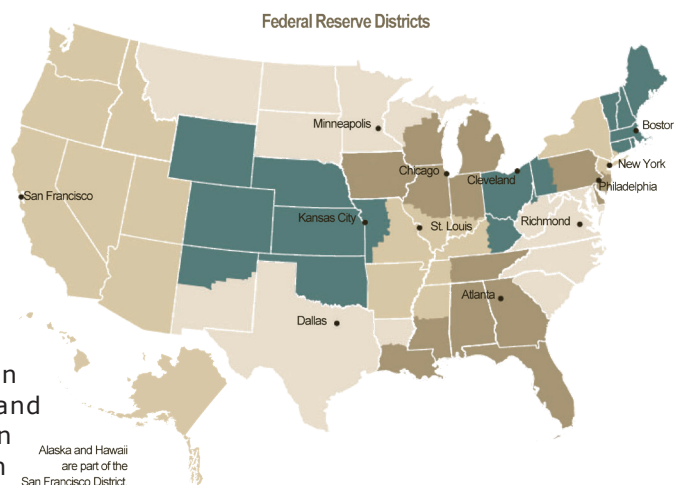
*The Beige Book is a Federal Reserve System publication covering current economic conditions across the 12 Federal Reserve Districts. It characterizes regional economic conditions and prospects based on a variety of mostly qualitative information, gathered directly from District sources.*

### National Summary

Economic activity was little changed overall in April and early May. Four Districts reported small increases in activity, six no change, and two slight to moderate declines. Expectations for future growth deteriorated a little, though contacts still largely expected a further expansion in activity.

Consumer expenditures were steady or higher in most Districts, with many noting growth in spending on leisure and hospitality. Education and healthcare organizations saw steady activity on balance. Manufacturing activity was flat to up in most Districts, and supply chain issues continued to improve. Demand for transportation services was down, especially in trucking, where contacts reported there was a “freight recession.” Residential real estate activity picked up in most Districts despite continued low inventories of homes for sale. Commercial construction and real estate activity decreased overall, with the office segment continuing to be a weak spot. **Outlooks for farm income fell in most districts**, and energy activity was flat to down amidst lower natural gas prices. Financial conditions were stable or somewhat tighter in most Districts.

Contacts in several Districts noted a rise in consumer loan delinquencies, which were returning closer to pre-pandemic levels. High inflation and the end of Covid-19 benefits continued to stress the budgets of low- and moderate-income households, driving increased demand for social services, including food and housing.



**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 softened since the previous report. Demand for cotton remained weak, leading many farmers to plant less cotton than last year. Cattle demand was strong. Producers of poultry meat continued to struggle as limits on exports resulting from Avian Flu concerns have led to over-supply domestically. Domestic egg demand remained high. Dairy consumption declined. Demand for citrus remained strong amid lower production.



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

Expectations for Seventh District farm incomes in 2023 fell some as prices for key products moved lower. Corn and soybean prices decreased, as rapid fieldwork and planting progress heightened expectations for a large harvest. Soft red wheat prices remained weak, but hard wheat prices rose due to drought affecting much of the U.S. wheat crop and uncertainty surrounding another extension of the agreement allowing exports out of Ukraine. There were lower prices for eggs and dairy products, especially cheese. Hog prices increased from a low level and cattle prices moved higher. In light of higher interest rates, contacts expected farmers to conserve working capital to minimize the need to take out farm operating loans. There were reports of slower farm machinery sales but also shortages of some types of equipment. Prices for farmland were higher again as demand remained solid and inventories of farms for sale were limited.



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.

Overall conditions have remained unchanged, but the outlook has weakened slightly since our previous report. Most agriculture contacts surveyed reported that their costs, including labor, have increased, which has contributed to the slightly worsening outlook. The percentage of row crops planted has increased as expected since the previous reporting period and is up slightly from this time in 2022. The progress of acres planted is mixed across the District: Some states, such as Missouri and Illinois, have improved strongly over last year, and the other District states have fared slightly to materially worse.



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

District agricultural conditions were solid heading into planting season. About half of the respondents to a survey of agricultural credit conditions reported that farm incomes increased in the first quarter from a year earlier. Lenders noted improvements in liquidity and in the financial condition of producers, but they were concerned about commodity price volatility and rising interest rates. Heavy snow over the winter and persistent cold weather will significantly delay spring planting in some areas, contacts reported.



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

Conditions in the Tenth District agricultural economy remained strong through early May but showed signs of moderating. Corn and soybean prices declined slightly since April and were moderately lower than a year ago. Prices moved down recently based on reports of ideal planting conditions throughout most states and early projections that production could hit record levels due to historically strong yields. Wheat prices increased slightly since April, but poor yields caused by drought could limit revenues, particularly in Kansas and Oklahoma. Profits among cattle producers continued to be pressured by high feed costs and drought that damaged pasture conditions throughout the region.



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

Recent rainfall improved drought conditions in the eastern part of the district while severe drought persisted in much of the western part. Grain prices generally decreased over the reporting period, amid a positive outlook for U.S. crop production this year. Drought will hamper crop production in Texas, however, and, in particular, contacts expect a below average cotton crop this year. A bright spot for agricultural producers is on the livestock side, where cattle prices rose notably over the past six weeks and are significantly above last year's prices, supported by tighter supplies and solid demand for beef.



**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 agriculture and resource-related sectors weakened slightly. Reports on exports were mixed as ocean freight costs eased somewhat, while the war in Ukraine continued to contribute to shipping disruptions. Contacts in California noted that wet weather conditions lowered yields for brassicas and berries. Rains also disrupted pollination for tree and vine crops, which is anticipated to reduce yields. Seafood stocks were reportedly stable in the Pacific Northwest. Contacts noted lower costs for transportation and irrigation water and higher costs for other inputs such as for packaging, fertilizer, and energy.



### 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\\_20230531.pdf](https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20230531.pdf).