

## 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.

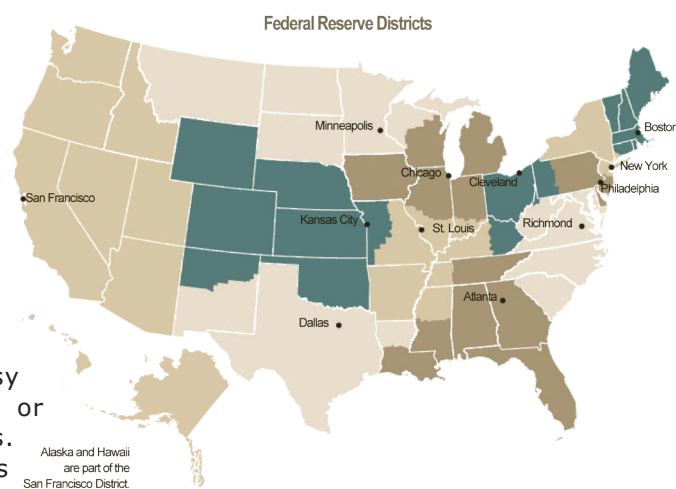
### National Summary

Overall economic activity increased slightly since late May. Five Districts reported slight or modest growth, five noted no change, and two reported slight and modest declines.

Reports on consumer spending were mixed; growth was generally observed in consumer services, but some retailers noted shifts away from discretionary spending. Tourism and travel activity was robust, and hospitality contacts expected a busy summer season. Auto sales remained unchanged or exhibited moderate growth across most Districts. Manufacturing activity edged up in half of the Districts and declined in the other half. Transportation activity was down or flat in most Districts that reported on it, as some contacts reported reduced demand due to high inventory levels and others noted continued challenges from labor shortages.

Banking conditions were mostly subdued, as lending activity continued to soften. Despite higher mortgage rates, demand for residential real estate remained steady, although sales were constrained by low inventories. Construction for both residential and commercial units was slightly lower on balance.

**Agricultural conditions were mixed geographically but softened slightly on balance, with some contacts expecting further softening for the remainder of 2023.** Energy activity decreased. Overall economic expectations for the coming months generally continued to call for slow growth.



**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 soft over the reporting period. Oversupplies of cheese kept demand for milk low. With fewer avian flu outbreaks, chicken exports increased somewhat, but overall demand for chicken remained down. Citrus growers experienced good returns on sales but weak profits because of low yields. Row crops were generally healthy, although severe storms damaged crops in some parts of Mississippi and Alabama. Demand for cotton continued to fall. The cattle market remained strong as demand for beef remained high amid low supply.



**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 for 2023 deteriorated some as drought expanded throughout the District. One contact said, "It is time to be concerned, but too soon to panic." Crops were behind normal growing progress. Expectations for this year's corn crop worsened more than for soybeans because corn is more sensitive to drought at this growth stage. Crop prices were volatile during the reporting period; while corn prices ended down, soybean prices were up, and wheat prices were about the same. Some input costs were lower. Prices for milk were down once again, extending losses for dairy farms. Although hog prices moved up some, producers continued to struggle to turn a profit. Egg prices edged up. Cattle prices made further gains, as drought limited water and forage availability, forcing farmers to trim their herd sizes.



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 declined moderately relative to the previous reporting period. Between the end of May and end of June, the percentages of corn, cotton, rice, and soybeans rated fair or better saw slight to moderate decreases across the board. Compared with this time last year, overall crop conditions have declined moderately. Crop conditions both began lower and decreased more over the period when compared with this time last year. With the exception of cotton, which increased modestly, all other individual crop conditions were worse compared with last year. Contacts in the Little Rock region reported some anxiety about the expiring farm bill later this year. While commodity prices remain high generally, some have begun retreating while input and fuel costs remain high, leading to profitability concerns as we enter the second half of the year.



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

District agricultural conditions weakened slightly since the last report. Most of the District's corn and soybean crop was reportedly in good or excellent condition; however, wheat crops were in worse shape as the harvest approached. Persistent drought conditions in the eastern portion of the District, particularly in South Dakota, improved slightly with recent precipitation. District oil and gas exploration activity decreased slightly 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 conditions in the Tenth District were steady through June. The price of most major commodities increased moderately from the previous month as drought intensified in many major crop production areas across the nation. Expectations for dry conditions to reduce yields pushed prices higher, but lower production could limit revenues for some producers. Through mid-June, an average of about 15 percent of corn and soybean acres and nearly 30 percent of winter wheat acres were in poor or very poor condition across all District states. Dry weather also continued to limit grass and feed supplies, resulting in higher costs for many cattle producers. Despite concerns about the potential for reduced profitability ahead, agricultural lenders continued to report strong credit conditions.



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

Drought conditions eased substantially over the past six weeks, with now less than a quarter of the district in drought. Increased soil moisture broadly improved crop and pasture conditions, though heavy rains caused significant disruption to cotton planting in the Texas High Plains. A sizeable portion of cotton acreage in that area may not be harvestable this year, either because of prevented planting or crop flooding. Row crop prices generally moved up over the reporting period, and cattle prices increased dramatically, driven by steady demand for meat but reduced supplies of both cattle and 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 were mixed. Expanded ocean freight capacity and lower shipping costs supported exports, but lingering backlogs, the war in Ukraine, and a strong dollar limited access to some international markets. Domestic retail demand for agricultural products softened and demand from the food services sector plateaued. Demand for timber rose. Produce yields across the District were broadly up, recovering from the wet winter and spring. However, inventories of some foods such as raisins and nuts declined. Major seafood stocks edged up. Rising labor and insurance costs put upward pressure on production expenses, while past rains somewhat offset irrigation costs. One contact noted that ongoing capital investments helped boost productivity and curtail labor costs in the agriculture sector.



### 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\\_20230712.pdf](https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20230712.pdf).