

Federal Reserve Beige Book: Summary on the Ag Sector

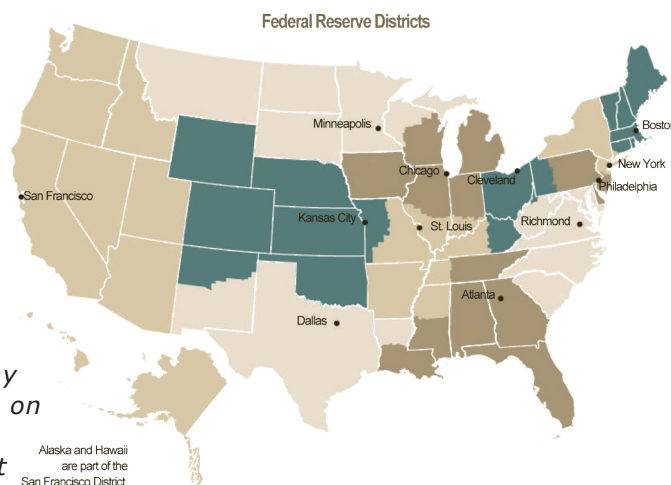
The Beige Book is a Federal Reserve System publication covering current economic conditions across the 12 Federal Reserve Districts. It characterizes regional economic conditions and prospects based on a variety of mostly qualitative information, gathered directly from District sources.

National Summary

Contacts from most Districts indicated economic growth was modest during July and August. Consumer spending on tourism was stronger than expected, surging during what most contacts considered the last stage of pent-up demand for leisure travel from the pandemic era. But other retail spending continued to slow, especially on non-essential items. Some Districts highlighted reports suggesting consumers may have exhausted their savings and are relying more on borrowing to support spending.

New auto sales did expand in many Districts, but contacts noted this had more to do with better availability of inventory rather than increased consumer demand. Manufacturing contacts in several Districts also noted that supply chain delays improved, and that they were better able to meet existing orders. New orders were stable or declined in most Districts, and backlogs shortened as demand for manufactured goods waned. One sector where supply did not become more available was single-family housing. Nearly all Districts reported the inventory of homes for sale remained constrained. Accordingly, new construction activity picked up for single-family housing. But multiple Districts noted that construction of affordable housing units was increasingly challenged by higher financing costs and rising insurance premiums. Bankers from different Districts had mixed experiences with growth in loan demand. Most indicated that consumer loan balances rose, and some Districts reported higher delinquencies on consumer credit lines.

Agriculture conditions were somewhat mixed, but reports of drought and higher input costs were widespread. Energy activity was mostly unchanged during the final months of the summer.



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 since the previous report. Demand for cattle was strong. Egg supply increased, but the supply of hens remained lower than normal. The supply of chickens continued to exceed demand, although there was some improvement in the market. There continued to be excess supply of milk in the market. Many row crops were expected to have a strong harvest. Demand for cotton remained weak, leading some growers to exit the cotton market.



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

District farm income expectations for 2023 remained much lower than 2022 levels. However, reduced costs for some inputs, particularly fertilizers, boosted net income prospects for 2024. Drought concerns lessened overall, although hot weather toward the end of the period impaired development of a wide swath of Midwest crops. Corn, soybean, and wheat prices were down. Still, there were reports of a slowdown in exports as prices offered by other producers were more favorable on world markets. Hog prices moved down after hitting a seasonal peak. Prices for dairy products rose from low levels, and egg prices crept up a bit. Cattle prices increased once again, remaining one of the few agricultural prices above the levels of a year ago. Farmland prices were still higher than a year ago.



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 agricultural conditions have been mixed since our previous report. Despite record-breaking heat and heat-dome-induced thunderstorms across the District, the percent of cotton and rice rated fair or better stayed stable throughout the reporting period, with cotton returning to 2021 rating levels after a moderate dip in 2022. Corn and soybean ratings both decreased more significantly during the summer months, sustaining their fall below 2020-2021 levels the previous year. District contacts described feeling the effects of extreme weather and increased interest rates in the form of higher input costs. On net, contacts indicated a slight decline in dollar value sales and an increase in inventories.



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

District agricultural conditions weakened slightly. More than a third of respondents to a survey of agricultural credit conditions reported that farm incomes decreased in the second quarter from a year earlier. Several contacts noted that while commodity prices were still favorable, they were retreating to levels that could be below break-even for some producers given high input costs. Drought conditions improved recently but remained a concern, especially in eastern portions of the region.



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

The farm economy in the Tenth District remained strong, but conditions softened alongside lower agricultural commodity prices and persistent drought. Volatility in markets for major crops was elevated amid heightened uncertainty about supply and demand conditions. Through mid-August, prices for corn and wheat were about 10 percent lower than the beginning of the month and soybean prices also dropped slightly. In the livestock sector, cattle prices remained strong and continued to support profit opportunities, despite considerable cost pressures. Large areas of the region continued to be heavily impacted by drought that could reduce crop revenues and limit availability of feed for livestock operations. District contacts continued to highlight input costs, interest rates and thinner margins as other key concerns. Lenders indicated that credit conditions remained sound with support from strong farm finances.



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

A significant portion of the district entered (or reentered) drought over the past six weeks due to meager rainfall and soaring temperatures. Pasture conditions deteriorated, and the weather had an adverse effect on row crops. A majority of the Texas cotton crop was rated in poor to very poor condition, and abandonment is expected to be high this year. Cattle prices rose further over the reporting period, driven by tight supply 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 the agriculture and resource-related sectors remained largely unchanged during the reporting period. Domestic retail and food services demand for agricultural products was stable, with strength noted particularly for fruits and vegetables. A contact from Arizona reported challenges with limited availability of produce for retail outlets. Exports of some products, such as grain and hay, reportedly fell, resulting in increased domestic supply levels and lower domestic prices. Major fish stocks were stable. Though yields for some crops remained low due to the wet winter, contacts reported high volumes of crops carried over from the prior harvest and strong projections for this year's perennial crop yields in California and Washington. Production input costs remained elevated with upward movement for some costs, such as packaging 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_20230906.pdf.