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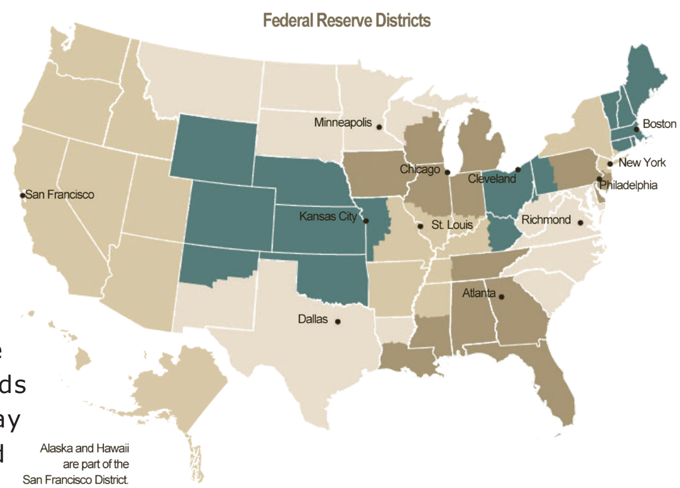
Federal Reserve Beige Book: Summary on the Agricultural Sector

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

Economic activity increased slightly, on balance, since early January, with eight Districts reporting slight to modest growth in activity, three others reporting no change, and one District noting a slight softening. Consumer spending, particularly on retail goods, inched down in recent weeks. Several reports cited heightened price sensitivity by consumers and noted that households continued to trade down and to shift spending away from discretionary goods. Activity in the leisure and hospitality sector varied by District and segment; while air travel was robust overall, demand for restaurants, hotels, and other establishments softened due to elevated prices, as well as to unusual weather conditions in certain regions. Manufacturing activity was largely unchanged, and supply bottlenecks normalized further. Nevertheless, delivery delays for electrical components continued. Ongoing shipping disruptions in the Red Sea and Panama Canal did not generally have a notable impact on businesses during the reporting period, although some contacts reported rising pressures on international shipping costs. Several reports highlighted a pickup in demand for residential real estate in recent weeks, largely owing to some moderation in mortgage rates, but noted that limited inventories hindered actual home sales. Commercial real estate activity was weak, particularly for office space, although there were reports of robust demand for new data centers, industrial and manufacturing spaces, and large infrastructure projects. Loan demand was stable to down, and credit quality was generally healthy despite a few reports of rising delinquencies. The outlook for future economic growth remained generally positive, with contacts noting expectations for stronger demand and less restrictive financial conditions over the next 6 to 12 months.

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

Income prospects for 2024 continued to deteriorate for Seventh District crop producers, while the outlook for livestock producers improved. Corn prices edged down once again, as low demand and a large 2023 harvest boosted stocks. Soybean and wheat prices were also down some. Fertilizer costs for crop production were down from the fall and well below those of a year ago. Hog, cattle, egg, and dairy prices increased from the previous reporting period. Margins for dairy farmers remained tight as labor costs rose, though lower feed costs helped some.

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 remained stable since our previous report. Total winter wheat acreage planted was down about five percent relative to the total planted the year before. Reports indicate the decline was expected and consistent with national planting patterns. A decline in fertilizer costs was offset by increasing fuel and interest costs. District contacts were mixed on the impact global commodity markets are having on their operations. While some reported benefitting from tightened export markets due to international shipping disruptions and high demand—particularly for cotton—others reported that declining commodity prices and competition from major exporters such as Brazil had depressed their outlook. Contacts indicated the ban in early February on specific pesticides commonly used for major District crops and subsequent regulatory changes were sources of uncertainty for future planting and growing decisions. Most District contacts described their outlook as unchanged or worsening.

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

District agricultural conditions declined. Ninth District farm income declined in the last quarter of 2023 relative to a year earlier, according to most lenders responding to an agricultural conditions survey. Capital spending also decreased on balance, while farm household spending continued to increase. Sector contacts reported that current prices for some commodities were below breakeven levels for many producers; however, input costs have moderated somewhat.

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 farm economy softened in February, but agricultural credit conditions remained sound. Crop prices declined moderately over the past month alongside reports of stronger yields and production in the 2023 growing season than was previously estimated. Grain stocks were higher coming into 2024 than a year ago in most Districts states. Although strong yields could support revenues, producers with large shares of the harvested grain currently in storage appeared likely to sell at unfavorable prices. In the livestock sector, cattle prices remained strong alongside reports of additional declines in cattle herds. Farm financial conditions have moderated over the past year, but credit stress and farm loan delinquencies remained low. Looking ahead, contacts continued to cite ongoing risks associated with high expenses, commodity market developments, and high interest costs.

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

Drought conditions receded further in Texas but remained prevalent in southern New Mexico. Recent rainfall improved pasture conditions, refilled ponds, and boosted crop prospects. Tighter supplies of cattle continued to push up prices, while crop prices moved down over the past six weeks amid increased production expectations. Farmers cited high input costs and weak crop prices as a concern and noted that above-average yields will be needed this year to break even. An increase in cotton acreage could be seen as farmers may favor cotton over grain crops due to a relatively more favorable price.

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 industries were largely comparable to the previous reporting period. Domestic demand for fresh produce was solid, while that for logs remained soft. Demand for forested land with timber resources continued to grow. Despite a strong dollar, international demand for fruits, vegetables, and seafood increased over the reporting period. However, weaker economic activity in China and Japan led to lower exports of logs. Major seafood stocks remained stable. Record crop yields of apples and tree nuts in California and the Pacific Northwest had a dampening effect on wholesale prices.

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/publications/beige-book-default.htm.