

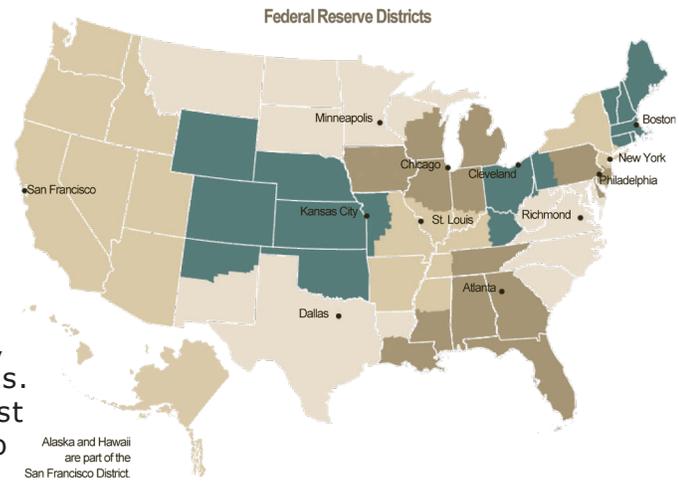
Federal Reserve Beige Book: Summary on the Ag Sector

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.

ECONOMIC ACTIVITY increased slightly from late May through early July. Five Districts reported slight or modest gains, five had flat activity, and the remaining two Districts noted modest declines in activity. That represented an improvement over the previous report, in which half of Districts reported at least slight declines in activity.

Uncertainty remained elevated, contributing to ongoing caution by businesses. Nonauto consumer spending declined in most Districts, softening slightly overall. Auto sales receded modestly on average, after consumers had rushed to buy vehicles earlier this year to avoid tariffs. Tourism activity was mixed, manufacturing activity edged lower, and nonfinancial services activity was little changed on average but varied across Districts.

Loan volume increased slightly in most Districts. Construction activity slowed somewhat, constrained by rising costs in some Districts. Home sales were flat or little changed in most Districts, and nonresidential real estate activity was also mostly steady. *Activity in the agriculture sector remained weak.* Energy sector activity declined slightly, and transportation activity was mixed. The outlook was neutral to slightly pessimistic, as only two Districts expected activity to increase, and others foresaw flat or slightly weaker activity.



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 2025 farm income were little changed over the reporting period, with an improved outlook for livestock operations offsetting worse prospects for crop operations. Corn and soybean crops got off to good starts in most of the District, although progress lagged in much of the southern part of the District due to late planting. Costs for agricultural services, such as spraying, were higher, and as a result, contacts expected to use less fertilizer and pesticides during the growing season. Contacts noted that even though trade uncertainty had eased, they continued to be concerned about the potential for losing some export opportunities. Corn and soybean prices fell over the reporting period. Hog, cattle, and milk prices increased, while egg prices decreased again.



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.

Agriculture conditions have remained strained. Contacts shared that sales in June were down and that forecasts for the rest of the year were weak. Farmers in Arkansas were concerned that poor crop conditions would limit yields, making it more difficult to generate a profit with low commodity prices. Some farmers reported reducing fertilizer usage due to tight budgets and others are still trying to find additional financing to make it to harvest. An accountant reported reducing billing rates for all their farmers this season due to concerns about their financial stability.



How Much Risk is Right for You?

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

District agricultural conditions remained weak overall, but crop progress was solid in much of the District. According to preliminary results from the most recent Ag Credit Survey, a strong majority of respondents reported that farm incomes decreased in the second quarter from a year earlier. The majority of corn and soybeans were in good or excellent condition, and most of the eastern portions of the District were free of significant drought. However, drier conditions prevailed further west, and wheat conditions were weaker.



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

The Tenth District farm economy remained subdued and agricultural credit conditions deteriorated slightly. Prices of major row crops remained low and kept profit opportunities narrow for most producers. Farm loan repayment challenges across the District increased slightly compared with the previous year, with weakening in repayment more pronounced in areas most heavily concentrated in crop production. In other areas, strong cattle prices continued to provide some support to farm finances. A lender in Kansas noted that strength in the cattle market was supporting diversified farming operations and keeping them afloat. Looking ahead, weak crop profits remained a key issue cited by producers, as well as uncertainty surrounding the outlook for global trade and domestic demand and elevated concerns about financial conditions in the coming year.



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

Drought conditions continued to ease, and timely rainfall boosted crop conditions across the District. Crop production prospects are favorable so far, but prices remain unprofitable for most farmers. Cattle prices continued to set new records. Wholesale beef prices were also in record territory. Contacts attributed the price strength to lower beef production paired with robust consumer demand. Contacts noted concern in the agricultural community over continued tariff and geopolitical uncertainty. A survey of agricultural bankers found that changes and uncertainty in trade policy have led to a decline on net in the rate of loan repayments, loan demand, and net farm income, and they anticipate this downward trend to continue.



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 were weak overall in agriculture and resource-related sectors but unchanged from the prior reporting period. While exports benefited from a weaker dollar, the overall demand from abroad for fresh produce and tree nuts was below typical levels. Domestic markets remained solid, but excess supply stemming from weak export markets pulled prices down and led some farmers to hold off on investing in new equipment. Demand for California wine was reportedly down domestically and abroad, resulting in lower selling prices, reduced seeding, and the removal of some existing vineyards. Several contacts highlighted continued issues with credit availability in agriculture, particularly for smaller growers in the Pacific Northwest and Mountain West.



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>.