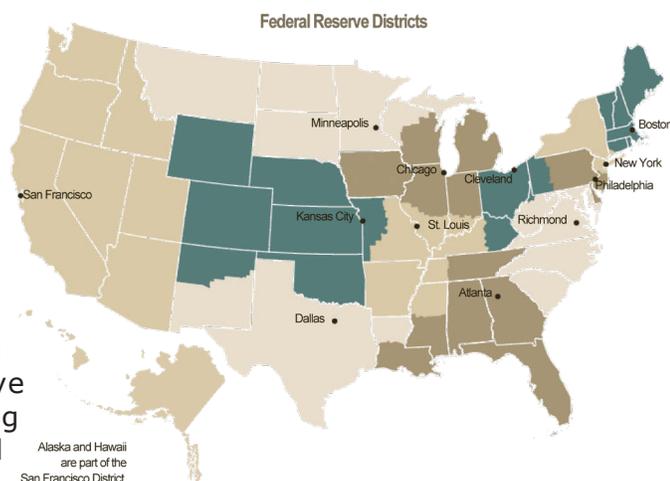


Federal Reserve Beige Book: Summary on the Agricultural Sector

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.

MOST of the twelve Federal Reserve Districts reported little or no change in economic activity since the prior Beige Book period—the four Districts that differed reported modest growth. Across Districts, contacts reported flat to declining consumer spending because, for many households, wages were failing to keep up with rising prices. Contacts frequently cited economic uncertainty and tariffs as negative factors. Contacts observed the following responses to the consumer pullback. Retail and hospitality sectors offered deals and promotions to help price-sensitive consumers stretch their dollars—supporting steady demand from domestic leisure tourists but not offsetting falling demand from international visitors. The auto sector noted flat to slightly higher sales, while consumer demand increased for parts and services to repair older vehicles. Manufacturing firms reported shifting to local supply chains where feasible and often using automation to cut costs. The push to deploy AI partly explains the surge of data center construction—a rare strength in commercial real estate noted by the Philadelphia, Cleveland, and Chicago Districts. Atlanta and Kansas City reported that data centers had increased energy demand in their Districts. Overall, sentiment was mixed among the Districts. Most firms either reported little to no change in optimism or expressed differing expectations about the direction of change from their contacts.



Nationally, agriculture is setting up for a good-yields, weak-prices harvest: most districts expect strong or record crop production, but corn and other row-crop prices at or below break-even are squeezing margins and cash flow. That strain is partly cushioned by historically high cattle prices—amplified by tight supplies after the suspension of Mexican cattle imports—making livestock the relative bright spot. Trade policy and a stronger dollar are redirecting product toward domestic channels, swelling inventories and pressuring selling prices, while tariff-related paperwork and higher input costs (notably fertilizer) add to the burden and have some lenders on edge. Within this backdrop, safety nets—crop insurance and farm program payments—will carry more weight in 2025 results; equipment demand is soft and some dealers report rising delinquencies, though land values are broadly seen as resilient.

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 prospects were little changed over the reporting period as outlooks for lower crop revenues were offset by stronger expectations for livestock earnings. Crops were in good shape across most of the District. Corn prices fell on forecasts for record corn yields and production. Soybean prices increased after a downward revision in estimates of the number of soybean acres planted, though there, too, forecasts were for record per acre yields. Nonetheless, contacts expressed concern about crop disease with the potential to damage enough



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plants to curtail harvests. Uncertainty over the international trade situation continued to raise concerns about soybean exports. Dairy prices were mixed, egg prices declined, hog prices were flat, but cattle prices increased to historic highs. Farm machinery sales were described as “lackluster.” Increases in fertilizer prices due to higher tariffs raised farmers’ concerns over financing costs for their 2026 operations.

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 but stable. One contact reported that, while they were appreciative of additional government support, farming remained a very difficult business as all the major row crop prices were below farmers’ break-even production costs. A farmer in Western Kentucky shared that, while soybean production was strong, they were prepared to store their production instead of selling it as usual, reflecting a weak market demand relative to production. A large farm equipment dealer reported that defaults on payment for equipment were increasing, and more farms were likely to fail this year. Nevertheless, most contacts do not expect a significant drop in land values. Cattle farming contacts reported strong profits but were not expanding due to the high cost of expansion and longer-term uncertainty.



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

District agricultural conditions remained weak. Preliminary estimates indicated strong expectations for crop yields and production in much of the District, given favorable weather and ample rainfall. However, crop prices were at or below break-even for many producers. An industry contact reported that the threat of tariffs was having a major impact on fertilizer prices. Oil and gas exploration activity was steady since the previous report, while production increased slightly.



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 worsened slightly during early August. Profit opportunities for crop producers remained weak, and corn prices declined moderately over the past month alongside expectations of record U.S. production. The majority of crops were in good or excellent condition and could support strong production levels, but low prices could limit revenues. Conditions in the crop sector weighed on the farm economy, but an increase in cattle prices during recent weeks further strengthened income prospects for some producers. Contacts throughout the District continued to cite low crop prices and elevated expenses as key factors weighing heavily on the outlook for farm financial conditions.



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

Soil conditions were favorable across much of the District, boosting crop production. While yields are expected to be above average, crop prices remained low and sub-profitable for many producers. Safety nets like crop insurance and U.S. farm program payments will likely serve an important role this year. Cattle prices remained historically high amid solid demand and a decline in beef production. One factor limiting production was the suspension of cattle imports from Mexico implemented last fall to protect U.S. livestock from the New World screwworm, a parasitic fly. Lower cattle supply is putting downward pressure on beef production and upward pressure on prices.



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 softened slightly. Contacts attributed lower exports of agricultural products to tariffs and dollar appreciation. Producers continued to turn to domestic markets to sell their products, increasing supply and lowering selling prices. Domestic sales were largely solid, but one Northern California contact observed slightly softer demand for some produce and nuts. Lower prices for agricultural products caused some growers to sell below cost, weakening their financial position. This development prompted concern from lenders, and some borrowers faced immediate loan repayment requests. Yields for crops such as nuts, fruits, and vegetables were above average, and inventories from past harvests were stable. Costs were up for labor, raw materials, and financing. One contact noted that processing tariff-related paperwork raised administrative expenses for their business.



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>.