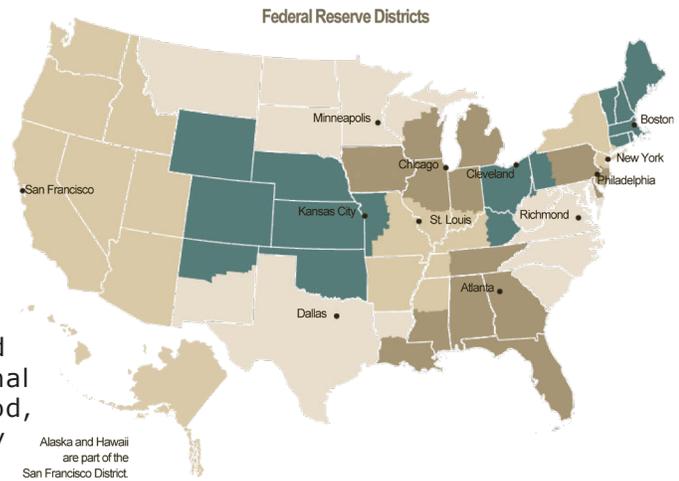


Federal Reserve Beige Book: Summary on the Ag Sector

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 changed little on balance since the previous report, with three Districts reporting slight to modest growth in activity, five reporting no change, and four noting a slight softening. Overall consumer spending, particularly on retail goods, inched down in recent weeks, although auto sales were boosted in some Districts by strong demand for electric vehicles ahead of the expiration of a federal tax credit at the end of September. Demand for leisure and hospitality services by international travelers fell further over the reporting period, while demand by domestic consumers was largely unchanged.

Nevertheless, spending by higher-income individuals on luxury travel and accommodation was reportedly strong. Several reports highlighted that lower- and middle-income households continued to seek discounts and promotions in the face of rising prices and elevated economic uncertainty. Manufacturing activity varied by District, and most reports noted challenging conditions due to higher tariffs and waning overall demand. Activity in **agriculture**, energy, and transportation was generally down among reporting Districts. Conditions in the financial services sector and other interest rate-sensitive sectors, such as residential and commercial real estate, were mixed; some reports noted improved business lending in recent weeks due to lower interest rates, while other reports continued to highlight muted activity. The outlook for future economic growth varied by District and sector. Sentiment reportedly improved in a few Districts, with some contacts expecting an uptick in demand over the next 6 to 12 months. However, many others continued to expect elevated uncertainty to weigh down activity. One District report highlighted the downside risk to growth from a prolonged government shutdown.



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

Net farm income prospects for the District were unchanged over the reporting period, though elevated uncertainty continued to unsettle agricultural operators. Corn and soybean fields were in good shape across most of the District. Dry conditions assisted harvest but hurt yields in some places; in addition, crop disease trimmed yields a bit. Fruit and vegetable production was subpar for most products. Soybean prices were lower, in part due to the absence of new-crop exports to China. Corn prices were down despite strong export volumes. Cattle and hog prices increased to record territory, while milk and egg prices declined. Concerns about higher input costs for 2026 intensified due to rising fertilizer prices. Farm operations, particularly crop producers, have already cut costs, with a contact saying, "there is limited flexibility left to further reduce expenses." Contacts noted that lack of clarity on the economic outlook was putting a damper on capital investment, such as equipment purchases and repairs



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 are strained and have further deteriorated. In addition to high input costs and low commodity prices, recent adverse weather conditions have resulted in lower quality of crops. A contact in West Tennessee reported that 2025 has been extremely challenging for agriculture due to extreme weather and poor crop conditions,



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especially for non-irrigated fields. Contacts continue to express that government support will be a critical lifeline for many farmers; however, they noted that some payments may come too late. A farmer in Arkansas estimated that up to one-third of Arkansas farmers may go bankrupt or exit the industry to avoid losing land or homes. On the other hand, contacts in the protein business reported that demand for protein continues to be very strong, with volume sales showing year-over-year growth and with labor being the main constraint to expansion.

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

Agricultural conditions weakened since the previous report. Corn production in District states was expected to set new records, and soybean harvests were very strong as well, but low crop prices and elevated expenses were weighing down producer incomes. Contacts were extremely concerned about the impacts of China's decision not to order soybeans from U.S. producers.



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

Disparities in the Tenth District agricultural economy persisted through the end of September. Profit opportunities for crop producers remained weak while conditions in livestock industries were considerably stronger, particularly for cattle producers. In a recent survey, over 80 percent of lenders in crop-heavy areas reported declines in farm income and working capital, compared to about 40 percent in areas with more cattle production. Agricultural credit conditions deteriorated gradually, and many lenders reported that weak conditions in the farm economy were having a modest negative effect on local economic conditions. Contacts remarked that strong cattle prices were supporting diversified operations but the weakness in crop profits were weighing heavily on farmer sentiment.



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

Growing conditions remained favorable overall. Harvest was wrapping up for spring row crops, with production and yields generally coming in strong. Many cotton growers were expecting their best harvest in three to four years, a positive development for them and downstream industries like warehouses, ginning, and transportation. However, cotton and grain prices remain sub-profitable in many cases. A contact said government price support programs and crop insurance were important safety nets in this environment. Cattle prices stayed high, with demand remaining strong and supply continuing to be constrained by the suspension of cattle imports from Mexico in response to the spread of New World screwworm there. Agriculture outlooks are weighed down by the increased likelihood of a La Niña climate pattern this winter, which typically brings warmer, dryer weather.



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 weakened slightly, as in the prior reporting period. Demand from abroad, particularly from China, reportedly continued to fall because of trade policy adjustments and negotiations. Favorable weather kept yields stable, but a recent heat wave and smoke from fires in the Pacific Northwest lowered fruit quality. Costs for packaging materials rose, and financing costs remained high. Higher costs combined with low prices for agricultural commodities continued to put financial strain on producers. Several contacts reported difficulties finding enough labor due to changes in immigration policy and resulting labor shortfalls reduced harvests. One contact emphasized that anticipated declines in sales volume would limit investment for the following season.



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>.