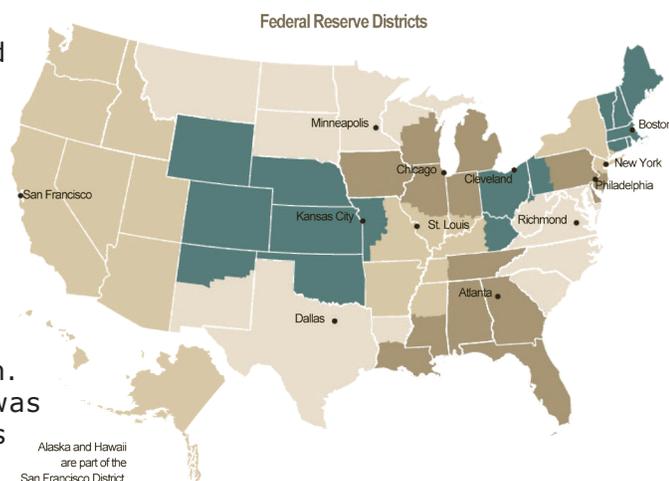


Federal Reserve Beige Book: Summary on the Ag Sector

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.

OVERALL ECONOMIC activity increased at a slight to modest pace in eight of the twelve Federal Reserve Districts, with three Districts reporting no change and one reporting a modest decline. This marks an improvement over the last three report cycles where a majority of Districts reported little change.

Most banks reported slight to modest growth in consumer spending this cycle, largely attributed to the holiday shopping season. Several Districts also noted that spending was stronger among higher-income consumers with increased spending on luxury goods, travel, tourism, and experiential activities. Meanwhile, low to moderate income consumers were seen to be increasingly price sensitive and hesitant to spend on nonessential goods and services. Auto sales were little changed to down across most Districts. Manufacturing activity varied with five Districts reporting growth and six reporting contraction. Nonfinancial services demand was generally seen as steady to increasing somewhat. Banking conditions were generally reported as stable or improving, with some increased demand coming from credit cards, home equity loans, and commercial lending. Residential real estate sales, construction, and lending activity softened in the majority of Districts that report on the sector. **Agriculture conditions were largely unchanged with only Atlanta reporting a modest decline due to weaker demand for exported commodities.** Energy demand and production was flat to down slightly. Outlooks for future activity were mildly optimistic with most expecting slight to modest growth in coming months.



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

District net farm income for 2025 was about the same as in 2024 and was higher than previously expected, after corn and soybean prices rallied in the fourth quarter despite a large harvest. Most livestock operations maintained their profitability. Contacts were "cautiously optimistic" about the recent announcement of federal government financial support. Still, with input costs elevated, contacts expected tight margins for crop operations in 2026, with some concerned that input costs could be boosted further by demand generated by government support. Farm borrowers felt some relief from lower interest rates. Specialty crop yields varied in 2025 but were mostly lower, with contacts citing labor costs and availability as major challenges. Cattle prices increased while hog and dairy prices declined. Egg prices were down modestly despite minor outbreaks of avian influenza. Contacts again mentioned trade concerns as uncertainty about tariff negotiations lingered and South American growers were on track for a large crop of corn and soybeans.



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 not changed since our previous report, with supply still outpacing demand. Mississippi River water levels continue to remain low, with reductions in barge capacity. However, port contacts reported no meaningful disruptions. Farmers have wrapped up the 2025 row crop season and are still struggling to sell crops they harvested in the fall. Winter wheat crops are fully planted, and crop farmers have begun to prepare



How Much Risk is Right for You?

for the spring planting. A timber producer reported a large oversupply but expects demand from mills to pick up based on recent announcements.

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

Agricultural conditions remained weak since the last report. The overall level of prices for most crops remained low, despite some recent improvement for certain crops (such as soybeans). Contacts reported that strong cattle prices benefited District ranchers more than slaughter plant operators.



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

Weakness in the crop sector continued to weigh on the Tenth District farm economy while strength in the cattle sector provided support in some areas. Crop profits remained limited as soybean prices declined in December, while corn and wheat prices remained stable. While persistently low cattle inventories continued to support strong profit opportunities for cow/calf operations, margins for beef processors remained compressed from underutilized capacity, and a large meatpacking plant in Nebraska announced plans to close in January 2026. The plant accounts for about a quarter of its county's employment and could have a considerable impact on the local economy. Agricultural lenders continued to report that strength in cattle prices was supporting farm finances, and the recently announced ad hoc government assistance was expected to help ease some stress for crop producers.



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

Contacts reported fairly stable conditions in the agricultural industry. Soil conditions remained dry across much of the District, and contacts expressed concern over the forecast for the La Niña weather pattern—which typically brings warmer temperatures and lower rainfall—to continue this winter. Winter wheat crop production prospects have been hampered by dry conditions in some areas, and farmers expect a negative impact on cotton and grain crops next year if the dryness persists into the planting season. Crop prices generally trended slightly higher over the reporting period, though they remained sub-profitable for many producers. Cattle prices rebounded, and contacts noted ongoing impacts on feedlots and meat packing plants from the ban on cattle imports from Mexico.



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 sector were generally subdued in recent weeks and little changed relative to the prior reporting period. Domestic demand for crops was largely stable, crop yields were robust, and materials were sufficiently available. Contacts reported an oversupply of some agricultural products, which pushed down the prices received by affected producers. International demand for agricultural products, including soybeans, continued to be dampened by uncertainty and tariffs. Ranchers observed increasing demand for poultry and pork, while they expected elevated cattle prices to remain despite some recent moderation from the previous quarter's record highs. Demand for logs and grapes fell further. In Hawaii, labor shortages impacted the harvest for macadamia nuts and coffee. One contact in the Pacific Northwest noted that lending to producers has tightened and that some growers may be facing foreclosure or bankruptcy.



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>.