

## 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.

**O**VERALL ECONOMIC activity increased at a slight to modest pace in eight of the twelve Federal Reserve Districts, while two Districts reported little change and two Districts reported slight to modest declines. The conflict in the Middle East was cited as a major source of uncertainty that complicated decision-making around hiring, pricing, and capital investment, with many firms adopting a wait-and-see posture. Manufacturing activity rose slightly to moderately in most Districts. Banking sector activity was generally steady with loan demand stable to up moderately. On balance, consumer spending increased slightly despite harsh winter weather in some regions and higher fuel prices.

Many Districts continued to report signs of consumer financial strain, increased price sensitivity, and rising demand at food banks and other social service organizations, while spending among higher-income consumers was resilient. Housing market activity softened across several Districts as heightened uncertainty and rising mortgage rates dampened buyer demand. Commercial real estate markets improved, with strength in industrial properties, especially data center projects. Office markets saw solid demand for Class A space but weaker demand for lower-tier properties. Energy activity was up slightly as oil prices rose, though many producers remained cautious about increasing drilling due to uncertainty about the persistence of higher prices. **Agricultural activity was mixed, and several Districts reported that rising crop prices helped offset steep price increases of fertilizer and fuel.** Business outlooks varied amid widespread uncertainty about future conditions.



**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 2026 District farm income declined overall during the reporting period as input costs rose faster than agricultural product prices. Fertilizer and fuel prices increased, though a substantial share of farmers had preordered fertilizers and locked in pricing prior to the reporting period. Contacts said that some farmers would plant more soybeans and less corn than originally planned because soybeans require less fertilizer. Corn, soybean, and wheat prices increased over the reporting period as did cattle, hog, egg, and dairy prices. Sales of used farm machinery increased. Specialty crop producers that hire H-2A workers expected greater profitability in 2026 after policy adjustments lowered H-2A wage rates.



**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 unchanged since our previous report. Contacts reported that the conflict in the Middle East had created significant volatility in the agriculture sector, impacting agriculture equipment sales and resulting in sharp fertilizer cost increases. Bankers lending to farmers reported no significant changes in delinquency rates; however, a banker in Arkansas noted tightening their lending standards for this sector. Some farmers are optimistic about pricing and weather conditions and expect improved financial performance this year, after weak yields last year. But rural bankers remain pessimistic about economic growth for their regions over the next six months.



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

District agricultural conditions remained weak since the previous report. Contacts viewed recent increases in cash prices for grains and soybeans positively but expected that sharp increases in diesel and fertilizer input prices would squeeze margins. Reports going into planting season indicated that District farmers were planning to increase corn acreage, but market volatility cast considerable uncertainty on that decision. District oil and gas exploration activity increased slightly from the last report.



**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 remained bifurcated, amidst heightened uncertainty from recent volatility in commodity and fertilizer markets. Crop prices increased in March, but profits remained narrow, and a surge in fertilizer and fuel prices raised concerns about increased costs. Strong cattle prices supported cow/calf profits and boosted incomes in many areas. Agricultural lenders reported gradual deterioration in loan repayment rates, and material increases in carryover debt and loan restructuring compared with a year ago. Despite ongoing challenges, farm real estate values remained steady, and many lenders cited better than expected crop yields in 2026 and government assistance as additional sources of support.



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

Drought conditions continued to worsen across the District, hampering production prospects for the new crop year. Most crop prices increased over the reporting period, although so did costs, spurred by higher fuel and fertilizer prices. Contacts noted that budget projections look better than six weeks ago on net, though some crop prices remain at unprofitable levels. On the livestock side, cattle prices fell but remained highly elevated, and drought concerns continued to suppress herd expansion. Agricultural contacts in general expressed concern regarding higher transportation costs and global shipping uncertainty.



**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 a bit. Domestic demand for crops weakened somewhat as consumers reduced spending on fruit and non-essential produce. Cattle and beef prices remained at historic highs amid record low cattle herd numbers. Prices for grain and some crops such as potatoes, strawberries, and onions were suppressed due to overproduction and lower demand from abroad. Transportation, fertilizer, and chemical costs increased, and growers expressed concerns about fertilizer prices and availability stemming from the ongoing Middle East conflict. Some contacts noted that input costs exceeded the prices producers received for their crops, adding financial pressures to agricultural borrowers.



### 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>.