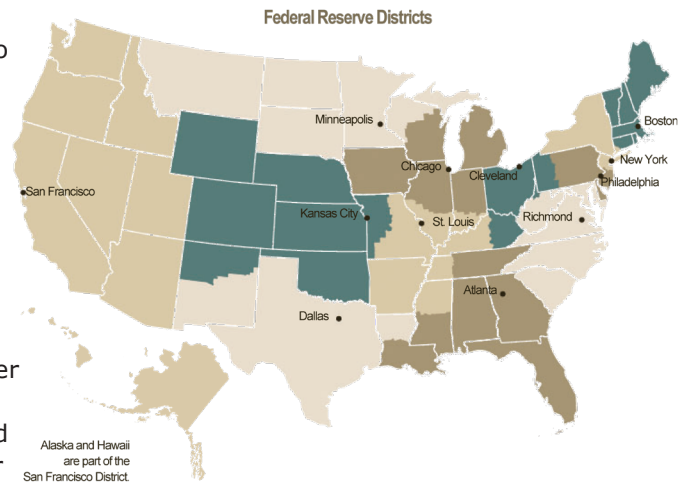


Federal Reserve Beige Book: Summary on the Agricultural Sector

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.

ECONOMIC ACTIVITY increased at a slight to moderate pace for ten of the twelve Federal Reserve Districts, while one District reported a slight decline and one reported no change. Consumer spending remained mixed across Districts and increasingly bifurcated across income groups amid affordability pressures. Higher-income households remained resilient and less sensitive to price increase, while middle-income households were described as “squeezing more life out of every dollar before deciding to spend it,” and low-income consumers showed greater financial strain.

Overall, there were reports of increased credit card usage, fewer retail visits, and stronger demand for necessities. Auto dealers reported softer new vehicle demand tied to affordability and fuel costs, alongside substitution toward used and hybrid vehicles. By contrast, manufacturing activity increased at a modest to strong pace for nine of the Districts and only one noted a slight decline from the previous period. Banking conditions were stable across most Districts; however, residential mortgages, consumer, and agricultural loan delinquencies were noted as rising in several of the Districts. **Agriculture conditions were unchanged or declined for most of the Districts, with cost pressures intensifying from fuel and fertilizer spikes.** Energy activity increased in two of the markets, but Districts reported that the outlook remains highly uncertain leading producers to hold off on materially expanding activity. More broadly, business outlooks for the next six months were reported to have little change in anticipated growth, as elevated uncertainty and signs of weakening consumer spending weighed on sentiment.



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 were little changed over the reporting period. Although weather conditions and crop planting varied across the District, planting was largely on schedule and most crops were off to a good start. Fertilizer and fuel prices remained elevated. One contact reported buying diesel “hand to mouth” instead of by the truck load due to elevated prices and uncertainty about future prices. A modest number of acres switched from corn to soybeans, as corn requires more fertilizer. Contacts indicated fertilizer costs would be a greater concern in the fall and winter if higher prices persist as that is when prices tend to be locked in for the subsequent growing season. Corn, soybean, and wheat prices rose. Dairy prices generally increased, cattle and hog prices were flat, and egg prices decreased.



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 declined slightly since our previous report. A rice producer in Arkansas noted that sales were below expectations, citing closed shipping lanes and reduced export demand stemming from the ongoing conflict in the Middle East. In the Mississippi Delta, a farm operator reported that planting progress was well ahead of last year; however, farmers’ financial positions are no better—and possibly worse—than a year ago. Credit conditions have tightened for some growers, with reports of delays in operating lines and increased reliance on credit. A poultry producer in Arkansas observed that poultry markets have softened considerably year-over-year, as supply growth has outpaced historical norms and pushed prices lower. Cotton contacts indicated improved pricing, though earlier reductions in acreage have limited the industry’s production response.



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 planting was going well. According to the most recent Ag Credit Survey, 76 percent of respondents reported that farm incomes decreased in the first quarter from a year earlier, and respondents were concerned about the impact of surges in diesel and other input prices on margins. However, corn, soybean, and spring wheat planting progress in District states as of mid-May was well ahead of average, and high cattle prices remained a source of strength.



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 split across crop and livestock sectors. Corn, soybean, and wheat prices have increased moderately since April, but the spike in fuel and fertilizer costs was expected to keep profit opportunities narrow. Contacts noted that wheat conditions in Kansas, Nebraska, and Oklahoma were particularly poor due to severe drought, raising concerns about reduced revenue for producers. Strong cattle prices continued to support cow/calf producers and boosted incomes for dairy and crop operations with diversification into beef cattle. According to the latest lender survey, ranchland values increased sharply alongside strength in the cattle sector, and cropland values increased modestly despite ongoing challenges for crop farms.



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

Drought conditions improved notably in much of the District, though they worsened significantly in the Texas Panhandle, which is an important area for livestock and row crops. Input costs are up across the agricultural sector, particularly for fertilizer and fuel. Prices for cotton and grains have risen dramatically over the reporting period, more than compensating for higher input costs, according to contacts. These prices provide strong marketing opportunities for producers, but they are challenged by uncertain production prospects amid drought. Cattle and beef prices remained high, though not all in the production chain are benefiting. Contacts noted that while ranchers are doing well in this market, there is financial strain among feedlots and meatpackers.



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 somewhat. Costs for inputs, such as fertilizer and fuel, increased across the District. Despite fertilizer being a nondiscretionary input, demand was mixed, with some contacts reporting slight increases in demand, with others observing a reduction. Commodity crop prices remained flat or increased only slightly, which created financial challenges for farmers facing higher production costs. Log harvesting increased to make up for previous smaller harvests and to meet the higher demand for wood products such as lumber. Demand for tree crops was soft. Conditions in livestock markets were solid, similar to the last reporting period.



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>.