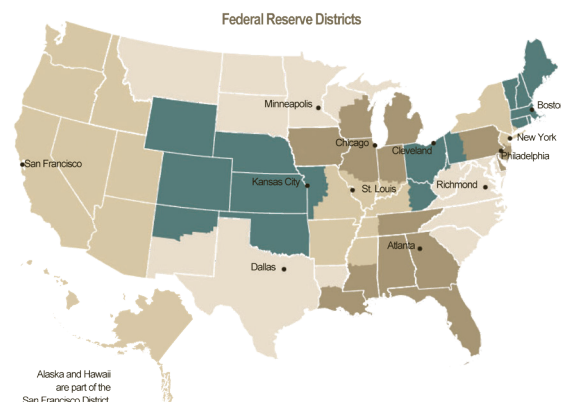


## Federal Reserve Beige Book: Summary on the Agricultural Sector

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. Because this information is collected from a wide range of business and community contacts through a variety of formal and informal methods, the Beige Book complements other forms of regional information gathering.



### National Summary

Economic activity increased among most Districts, but gains were generally modest and activity remained well below levels prior to the COVID-19 pandemic. Agricultural conditions continued to suffer from low prices, and energy activity was subdued at low levels, with little expectation of near-term improvement for either sector. While the overall outlook among contacts was modestly optimistic, a few Districts noted some pessimism. Continued uncertainty and volatility related to the pandemic, and its negative effect on consumer and business activity, was a theme echoed across the country.

**Atlanta** - Alabama, Florida, and Georgia; 74 counties in the eastern two-thirds of Tennessee; 38 parishes of southern Louisiana; and 43 counties of southern Mississippi.

Agricultural conditions remained weak. Drought-free conditions prevailed in most parts of the District except in Georgia, where much of the state experienced abnormally dry conditions. On a month-over-month basis, July's production forecast for Florida's orange crop was unchanged from the previous month and remained below last year's production, while Florida's grapefruit production forecast was down from the previous month but remained ahead of last year. The USDA reported that in June, year-over-year prices paid to farmers were up for rice and soybeans but down for corn, cotton, cattle, broilers, eggs, and milk. On a month-over-month basis, prices increased for cotton, rice, soybeans, broilers, and milk but decreased for corn and eggs while cattle prices were unchanged.



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

The agriculture sector continued to deal with lost income due to COVID-19 related factors, though CARES Act payments provided some support. In addition, a derecho windstorm caused damage to crops (especially corn), storage facilities, and livestock facilities in a number of areas within the District. Parts of the District were also experiencing drought. Still, contacts expected the corn and soybean harvests to be near record levels for the District as a whole. Corn prices were little changed at levels below where they were a year ago, while soybean prices rose and were above year-ago levels. Beef and pork production was catching up from pandemic-related reductions, and the backlog of cattle and hogs ready for slaughter fell. One contact reported that a gap in the supply of hogs was forming due to earlier euthanizations of many baby pigs. Cattle and hog prices rose, but not above year-ago prices. Beef and cheese prices moved lower as supplies normalized.



**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 improved slightly from the previous reporting period. Relative to early July, the percentage of District corn, rice, and soybeans rated fair or better has increased slightly while the percentage of cotton decreased slightly. Contacts indicated that, while crop conditions look promising, low crop prices will reduce profitability and there is still concern over trade disputes with China and the effects on commodity pricing.



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

District agricultural conditions were mixed. Lenders responding to the Minneapolis Fed's second-quarter (July) survey of agricultural credit conditions overwhelmingly reported decreased farm incomes in their area relative to a year earlier, with a similar share reporting decreased capital spending. Crops as of early August were in strong condition in most areas of the District, with some states on track for record or nearrecord production, but prices for most commodities remained low.



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

Weak conditions in the Tenth District agricultural economy persisted, and farm income deteriorated further. The effects of the COVID-19 pandemic continued to constrain prices of key agricultural commodities, and profit opportunities remained limited. Prices for major crops and livestock increased slightly from the prior reporting period, but remained below pre-pandemic levels. Drought in the western portion of the District could further reduce revenues for some producers. Dry conditions were most prevalent in Colorado, where nearly 30 percent of corn acres had poor or very poor quality through mid-August. Alongside lower revenues, farm income across all states in the District declined at a noticeably faster pace than the prior survey period.



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

Soil moisture conditions deteriorated across the western part of the district, where drought conditions intensified. Grain harvesting progressed and yields were fairly normal, though prices remained unprofitably low. Cotton prices inched higher over the past six weeks as demand exceeded expectations, though prices were still below break-even levels without government price supports. Cattle and dairy prices trended higher.



**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 remained weak overall. Yields and quality of grain, fruit, and nut crops were high. In the Mountain West, bumper wheat crops contributed to already bulging inventories from previous harvests. General production and distribution were constrained by COVID-19-related supply chain disruptions and additional expenses incurred to adhere to social distancing guidelines at farms and processing centers. Domestic demand remained mixed overall, but sales of grapes, apples, and cherries to grocery stores and lumber to retailers and contractors increased notably over the reporting period. Export demand was weak, with producers in California and the Pacific Northwest highlighting poor sales to Asian markets across a variety of products, including nuts and lumber.



**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/files/BeigeBook\\_20200902.pdf](https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20200902.pdf).