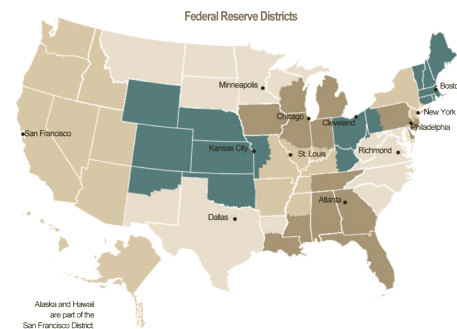


Federal Reserve Beige Book Summary on the Ag Sector

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. 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

Reports on agriculture conditions were mixed, as some Districts are experiencing drought conditions. Districts characterized the outlooks of contacts as generally optimistic or positive, but with a considerable degree of uncertainty. Restaurateurs in many Districts expressed concern that cooler weather would slow sales, as they have relied on outdoor dining. Banking contacts in many Districts expressed concern that delinquency rates may rise in coming months, citing various reasons; however, delinquency rates have remained stable.

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. While droughtfree conditions prevailed in most parts of the District, some producers reported crop and infrastructure damage caused by Hurricanes Laura and Sally. The USDA reported that District farmland values were up on a year-over-year basis except in Florida where cropland value was unchanged. Cotton, peanut, and rice harvesting progressed, though below the pace of their five-year averages, while soybean harvesting was near its five-year average. The USDA reported that in August, year-over-year prices paid to farmers were up for cotton, rice, soybeans, and milk, but down for corn, cattle, broilers, and eggs. On a month-over-month basis, prices increased for rice, soybeans, and cattle but decreased for corn, cotton, broilers, eggs, and milk.



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

Rising prices for key agricultural commodities and additional government support lifted expectations for farm income for the year. Corn, soybean, and wheat prices moved higher, reflecting in part lower stocks compared with a year ago. Increases in corn and soybean exports, particularly to China, also supported prices. In addition, a dry August held back expected yields. Dairy prices were higher, supported by increased sales to food service establishments, and strong exports. Hog prices increased while cattle prices decreased. There were reports that improved income prospects had eased stress on agricultural borrowers somewhat, though concerns remained for next year, when government support was expected to drop substantially.



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 slightly improved. Overall, contacts reported that year-to-date revenue remains steady or slightly up. The agribusiness sector has remained steadier than most, but the effects have been diverse across the industry: Restaurant demand has been collapsing, but grocery spikes have been more than filling the shortfall. Most supply chain bottlenecks were early in the spring and have smoothed out in recent months. Overall, contacts expect business activity for the remainder of 2020 will remain steady or increase slightly.



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

District agricultural conditions improved going into the harvest season, however low prices depressed the outlook for farm incomes. Harvests were generally proceeding ahead of schedule in most areas of the District, and the majority of crop acres as of early- October were in good or excellent condition. Despite recent drought conditions in some parts of the District, early estimates called for strong yields of corn and soybeans and record production in some states.



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

Economic conditions in the Tenth District agricultural sector improved slightly from the previous period despite intensifying drought conditions in some parts of the District. Alongside government payments that were expected to help offset revenue losses, prices for most of the region's major agricultural commodities increased slightly in late September. However, apart from soybean and hog prices, agricultural prices generally remained low. Drought conditions intensified, particularly in western District states. Through September, the share of corn and soybean acres in poor condition was higher than a year ago and above the national average in all states except Missouri. Extreme drought in portions of Colorado, Wyoming, New Mexico, Oklahoma and Nebraska could further lower crop revenues and reduce income prospects for cow-calf producers impacted by the severe conditions.



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

Soil moisture conditions deteriorated further across the western part of the district, where drought conditions continued to intensify. Row crop harvesting progressed and yields were quite strong, notably higher than last year for several crops. Grain prices generally improved over the past six weeks and will have reached profitable levels if production is at least average. Drought hampered pasture conditions in parts of the district, which coupled with increased feed costs strained livestock producers. Contacts expressed concern over the La Niña weather pattern that has developed and is likely to persist through the winter, which will bring drier weather and could hinder crop and pasture conditions.



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 improved modestly. Most of the grain crops in the Mountain West and the eastern Pacific Northwest have been harvested, with high yield and quality. Yields of grapes, nuts, peaches, and tomatoes in California's Central Valley also were good. Potato output was not as high as expected, though quality remained high. Domestic sales of peaches, wine grapes, vegetables, oils, seafood, and beef rose on the tailwind of ameliorated supply chain disruptions and reduced costs. Higher output and a recent depreciation in the U.S. dollar contributed to increased international sales of grain, fruit, raisins, and nuts, principally to Asian markets. Growers throughout the District reported the potential risks of new COVID-19 cases among their workforce as well as wildfires, which could harm supply chains and production.



For more information:

To access the complete Federal Reserve Beige Book summary, see: https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20201021.pdf.

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