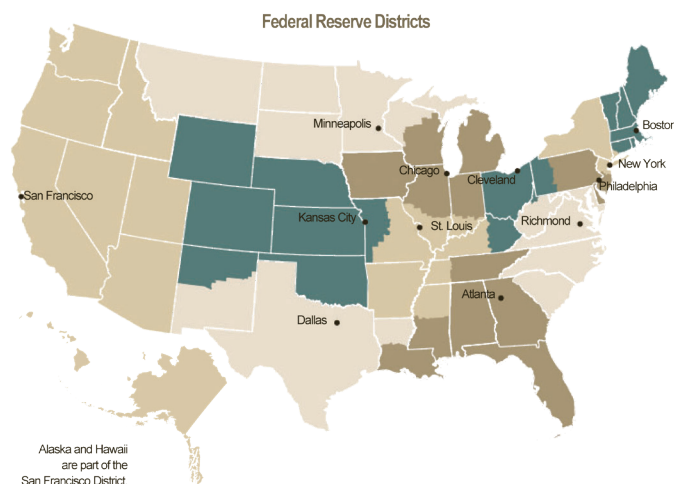


## Federal Reserve Beige Book: Summary on the Ag Sector

**T**he 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.



### National Summary

The national economy expanded at a moderate pace from early April to late May, at a somewhat faster rate than the prior reporting period. Several Districts cited the positive effects on the economy of increased vaccination rates and relaxed social distancing measures, while they also noted the adverse impacts of supply chain disruptions. Lending volumes increased modestly, with gains in both household and business loans. Overall, expectations changed little, with contacts optimistic that economic growth will remain solid.

**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 mixed. Widespread rain across much of the District resulted in abnormally moist to excessively wet conditions while the southern tip of Florida experienced abnormally dry to moderate drought conditions. Most of the region's cotton and peanut crops were behind the five-year planting average, while soybean planting was mixed, and Tennessee's corn crops were mostly on par with the five-year average. On a month-over-month basis, the production forecast for Florida's orange crop was unchanged in May while the grapefruit production forecast was down; both forecasts were below last year's production levels. The USDA reported year-over-year prices paid to farmers in March were up for corn, cotton, rice, soybeans, and broilers, but down for eggs and milk; cattle was unchanged. On a month-over-month basis, prices increased for corn, rice, soybeans, cattle, broilers, eggs, and milk but decreased for cotton. Contacts reported some supply chain challenges, including the ability to acquire materials and equipment, higher input costs, and tighter labor availability. Several contacts noted land values increased.



**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 farm income in 2021 strengthened across sectors in April and early May. Drought and dry weather conditions were an issue across a substantial portion of the District, though timely rains could still erase most of the impact. Frosts damaged some plants and trees, with potentially heavy losses for fruit producers. Corn and soybean planting proceeded ahead of the normal pace. Corn, soybean, and wheat prices moved up and were near multi-year highs. Hog, cattle, and milk prices rose, helped by strong meat and dairy exports. Egg prices dropped however. Despite higher prices, livestock producers' margins were little improved because of higher feed costs. Farmland values increased once again, because of strong demand and limited inventory.



**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 contacts remain optimistic about current conditions overall. Most agriculture contacts surveyed reported that their sales thus far have met expectations. Supply chain issues are raising



many producers' costs, although higher commodity prices have helped generate higher incomes, maintaining profit margins. One contact indicated that government support has been strong in the sector. The percentage of row crops planted has increased since the previous reporting period and is up slightly from this time in 2020. Progress of acres planted is up slightly to moderately this year for every crop of the District states; only Indiana is behind their 2020 progress to this point. This optimism extends to the outlook as well, as contacts reported that their outlook for the rest of 2021 has improved somewhat.

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

Agricultural conditions improved sharply since the previous report. Contacts expected strong farm incomes heading into planting season, building on recent commodity price increases and export demand. Crop progress as of mid-May was generally well ahead of recent averages in District states. However, extreme drought conditions spread in portions of the District.



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

The Tenth District farm economy remained strong, but drought continued to strain all types of producers in the western part of the region. Prices for corn, soybeans, wheat, cotton, and hogs increased in recent weeks and remained at multi-year highs through the early part of May. In contrast, prospects for the cattle industry remained subdued as cattle prices were near prepandemic levels but profit opportunities were limited due to elevated feed costs. Alongside severe drought in the western portion of the District, the wheat crop was in poorer condition in Colorado relative to other states. Contacts also reported that the impact of drought on pasture quality and hay production continued to worsen.



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

Recent rainfall eased drought conditions in parts of the District and improved prospects for row crops. Agricultural commodity prices moved higher across the board, spurred by tight world supply and robust export demand. Overall, row crop farmers were optimistic for improved production and revenues this year. Significantly higher grain prices, however, have negatively affected the livestock sector with feed costs double what they were a year ago. Beef exports were strong, which together with continued capacity constraints in meat packing plants have driven up beef prices to well-above-average levels.



**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 and resources sectors notably improved. Loosened capacity restrictions in restaurants and drinking establishments contributed to stronger demand for agriculture products, including wheat, corn, nuts, and fruits. Demand from abroad also increased, aided by the depreciating dollar in the later part of the reporting period. As a result, inventories of fruits and nuts were noted to have decreased to lower than usual levels. However, supply chain disruptions continued to negatively affect many producers with one reporting both domestic and international logistical issues that resulted in significant delays in seafood product sales. Growers in California noted that current drought conditions are expected to negatively impact annual crops this year, driving up labor and electricity costs as farmers depend more on wells and water pumps for irrigation.



### 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\\_20210602.pdf](https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20210602.pdf).