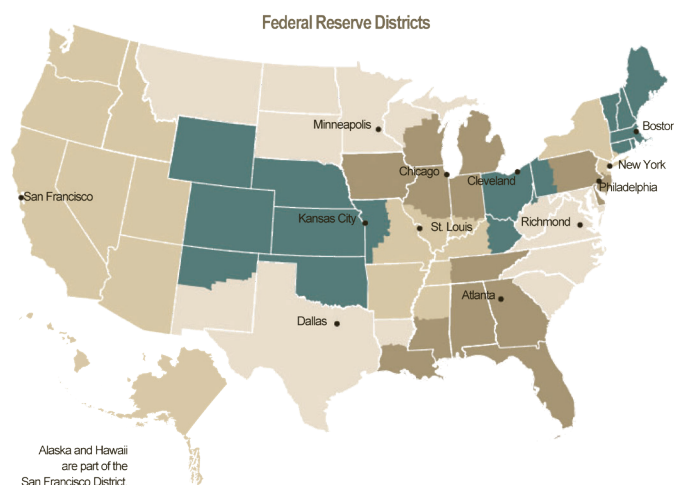


Federal Reserve Beige Book: Summary on the Agricultural Sector

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.



National Summary

The U.S. economy strengthened further from late May to early July, displaying moderate to robust growth. Sectors reporting above-average growth included transportation, travel and tourism, manufacturing, and nonfinancial services. Energy markets improved slightly, and agriculture had mixed results. Supply-side disruptions became more widespread, including shortages of materials and labor, delivery delays, and low inventories of many consumer goods. Strained car inventories resulted in somewhat lower car sales despite steady demand, and home sales rose slightly despite limited supply. Non-auto retail sales grew at a moderate pace on balance, and tourism was buoyed by the further abatement of pandemic-related concerns. Residential construction softened in several Districts in response to rising costs, while commercial construction was mixed but up slightly on balance. Bank lending activity increased slightly or modestly in most Districts. The outlook for demand improved further, but many contacts expressed uncertainty or pessimism over the easing of supply constraints.

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 parts of the District resulted in abnormally moist to excessively wet conditions while much of Florida and southern Georgia experienced abnormally dry to moderate drought conditions. Planting progress for much of the region's cotton, soybean, and peanut 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 up in June while the grapefruit production forecast was down; both forecasts remained below last year's production levels. The USDA reported year-over-year prices paid to farmers in May were up for corn, cotton, soybeans, cattle, broilers, eggs, and milk, but down for rice. On a month-over-month basis, prices were up for corn, rice, soybeans, broilers, eggs, and milk, but down for cotton. 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.

Agriculture stayed on course to earn higher market-based incomes relative to last year, as most product prices remained high enough to offset increased costs for freight, energy, fertilizers, and labor. On net, corn prices were little changed, while soybean prices were a little lower over the reporting period. Although planted corn and soybean acreage was up from last year, it was lower than expected earlier in the growing season, which helped maintain prices. Crop conditions for corn and soybeans were mixed, as some parts of the District were in excellent shape and others were stressed by drought. Hog and milk prices eased off highs during the reporting period, while cattle prices were flat. One contact noted that a lack of workers in slaughterhouses had led to the suspension of some contracts with poultry producers. Farmland values moved higher again.



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.

District agriculture conditions declined modestly relative to the previous reporting period but remain steady relative to the same period last year. Between the end of May and end of June, the percentages of corn, cotton, rice, and soybeans rated fair or better decreased modestly across the District.



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

Agricultural District agricultural conditions continued to benefit from strong commodity prices. However, severe drought conditions across most of the District had many crop producers concerned about yields, as most corn, soybean, and wheat acres in the District were rated in fair or poor condition.



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

Agricultural economic conditions in the Tenth District were strong through June, with profit margins for most major commodities relatively high. Prices of most crops were still near multi-year highs, although had declined slightly since the previous reporting period. Hog prices also remained strong. The winter wheat harvest was delayed slightly in parts of the District, but crop quality was not expected to be hindered and higher production was anticipated throughout the region. In addition, the District's corn and soybean crop was in slightly better condition than the nation in all states except Missouri. In contrast to other commodities, profitability for cattle producers continued to be limited. Drought also persisted in some portions of the District and remained a concern for both crop and livestock producers.



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

Drought conditions eased in much of the District, though severe drought persisted in West Texas and Southern New Mexico. In areas with sufficient soil moisture, producers were optimistic for robust crops this year. Crop prices were slightly higher overall, supported by concern over U.S. and global drought conditions. For crops like corn and sorghum, cash prices are at an eight-year high. Recent rainfall benefitted pasture conditions, which is a positive for livestock producers amid high feed costs.



San Francisco - Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Utah, and Washington—plus American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands

Activity in the agriculture and resources sectors increased somewhat. Eased local restrictions led to generally increased domestic demand for agricultural and resource-related products. International demand for logs, fruits, vegetables, seafood, and other products increased over the reporting period despite an appreciating dollar. Producers noted reduced but still adequate supply and inventory levels of fruits, raisins, and nuts. Supply chain disruptions continued to cause costly delays with trade from Asian markets in particular. Growers in California reported drought conditions and increased costs associated with irrigation. This led some farmers to leave a portion of their acreage fallow, prioritizing water usage on more profitable crops.



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_20210714.pdf.