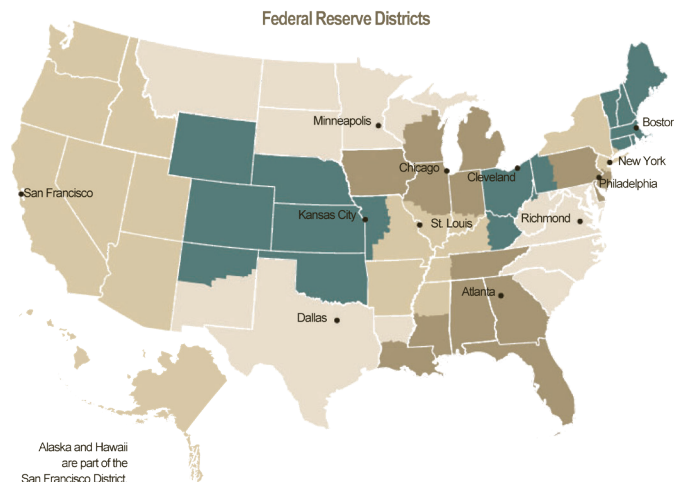


## Federal Reserve Beige Book: Summary on the Ag Sector

*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.*

### National Summary

Economic activity grew at a modest to moderate rate, according to the majority of Federal Reserve Districts. Several Districts noted, however, that the pace of growth slowed this period, constrained by supply chain disruptions, labor shortages, and uncertainty around the Delta variant of COVID-19. Agriculture conditions were mixed and energy markets were little changed, on balance. Outlooks for near-term economic activity remained positive, overall, but some Districts noted increased uncertainty and more cautious optimism than in previous months.



**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 kept the District free of drought, but left parts of the District in abnormally moist to excessively wet conditions. Producers continued to assess damages from Hurricane Ida; initial estimates indicated damage to row and vegetable crops, sugarcane, timber, livestock, and infrastructure. On a year-over-year basis, production forecasts for corn, soybean, peanut, and cotton crops were up while rice and sugarcane forecasts were down. The USDA reported year-over-year prices paid to farmers in August were up for corn, cotton, soybeans, cattle, broilers, and eggs, but down for rice and milk. On a month-over-month basis, prices were up for corn, rice, cattle, broilers, and eggs but down for cotton, soybeans, 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.

In spite of drought in some areas, corn and soybean harvests in the District were larger than expected and near record levels. More plentiful supplies of both crops were putting downward pressure on prices. That said, corn and soybean prices were higher than a year ago. Cattle prices were flat, while milk prices recovered some. Facing higher feed costs, dairy farm margins tightened. Rising energy prices and logistical problems were creating concerns about the cost and availability for 2022. Farmland prices and rents continued to grow. Cash from government programs and product sales were holding back demand for agricultural lending.



**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 since our previous report. Overall crop yields have increased moderately over the previous year. Contacts are very optimistic about the current conditions in the District. Farmers have reported a strong harvest season combined with high prices, which have contributed to a strong season overall. Hurricane Ida caused some slight delays but was not a major disruption to the District's agribusiness. There is, however, some concern about rising input prices, global supply chain disruptions, and the lack of labor necessary for both low- and high-skilled agriculture work.



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 deteriorated somewhat since the previous report. While producers continued to benefit from solid commodity prices, most of the District remained in severe or worse drought condition. Yields and production of wheat and other small grain crops in District states for 2021 will be sharply lower than the previous year. Most of the District's corn and soybean crops 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.

Conditions in the Tenth District agricultural sector remained strong. Prices for corn, soybeans and hogs decreased slightly since August, but, along with wheat and cotton prices, remained at multi-year highs. Contacts reported ongoing concerns about rising input costs putting downward pressure on farm incomes in coming months. Some contacts also noted a desire to hold larger inventories of inputs over the coming year. Weakness in the cattle industry persisted as concerns about drought and higher inputs costs intensified. Low cattle prices continued to limit profit margins for ranchers.



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

Soil conditions remained mostly adequate in Texas, though drought conditions persisted in parts of southern New Mexico. Crop conditions were quite favorable, boosting expectations for substantially higher production this year than last across a variety of crops, including cotton, sorghum, and corn. Agricultural prices generally softened slightly over the reporting period. Pasture conditions were fair to good, and promising soil moisture conditions for the planting of winter wheat increased optimism for crop performance.



**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 resource sectors strengthened somewhat. Demand for the regions' agricultural products continued to be robust both domestically and internationally. Crop yields on tree fruit, wheat, and grapes were lower due to warmer temperatures and water shortages. A few contacts reported farmers leaving a portion of their acreage fallow to use water on more profitable crops. As a result, some fruit inventories were reduced. Several contacts noted price pressures coming from increased transportation and labor costs. Some producers in the Pacific Northwest highlighted that labor shortages led them to hire most of their seasonal workers through the temporary workers visa program as opposed to locally. Supply chain disruptions and shipping delays continued to weigh on producers with one contact reporting about 25 percent of orders being unshipped.



**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\\_20211020.pdf](https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20211020.pdf).