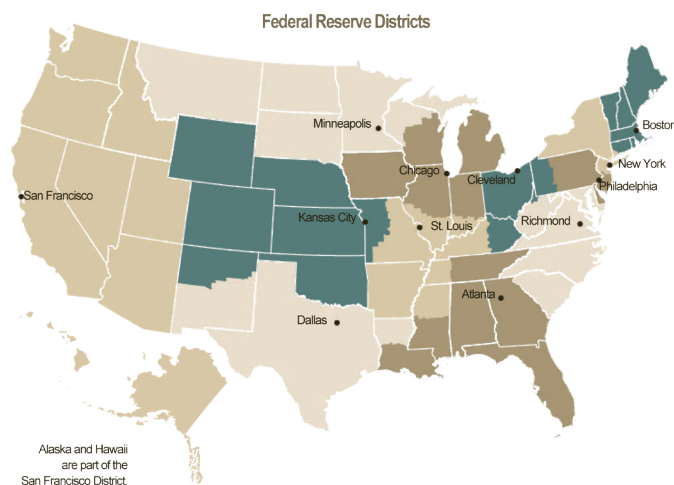


Federal Reserve Beige Book: Summary on the Ag Sector

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 pace in most Federal Reserve Districts during October and early November. Several Districts noted that despite strong demand, growth was constrained by supply chain disruptions and labor shortages. Consumer spending increased modestly; low inventories held back sales of some items, notably light vehicles. Leisure and hospitality activity picked up in most Districts as the spread of the Delta variant ebbed in many areas. Construction activity generally increased but was held back by scarce materials and labor. Nonresidential real estate activity increased widely, while residential real estate activity grew in some Districts but declined in others. Manufacturing growth was solid across Districts, though materials and labor shortages limited expansion. High freight volumes continued to strain distribution systems. Energy activity was generally higher, growth in professional and business services varied widely, and demand for education and health services was largely unchanged. Loan demand increased in almost all Districts, though some reported declines in residential mortgages. Agriculture saw improved financial conditions overall and rising land values. The outlook for overall activity remained positive in most Districts, but some noted uncertainty about when supply chain and labor supply challenges would ease.



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. Most of the District remained drought free. Agriculture producers indicated supply chain issues and labor scarcity are putting pressure on margins. On a year-over-year basis, production forecasts for the District's corn and soybean crops were up while rice, peanuts, cotton, and sugarcane forecasts were down. The USDA reported year-over-year prices paid to farmers in September were up for corn, cotton, rice, soybeans, cattle, broilers, eggs, and milk. On a month-over-month basis, prices were up for cotton, cattle, broilers, and eggs but down for corn, rice, and soybeans while milk 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.

Expectations for farm incomes in 2021 moved up, driven by stronger than anticipated corn and soybean yields. Contacts said the soybean harvest would likely set a District record, and the corn harvest would likely be the third largest ever. Despite a sizeable harvest, corn prices moved higher during the reporting period. Soybean prices languished but were still above year-ago levels. Farmers were reportedly purchasing inputs for 2022 ahead of their normal schedules because of concerns about future prices and availability of fuels, chemicals, fertilizers, and seeds. Prices for hogs and eggs edged lower. Cattle and dairy price movements were mixed. Agricultural land values moved sharply higher.



How Much Risk is Right for You?

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 have remained stable compared to the previous reporting period. Production forecasts for corn and soybeans have declined slightly, while forecasts for cotton remained unchanged and rice increased. On a year-over-year basis, however, production levels for corn and soybeans are expected to be moderately higher, while cotton and rice production is expected to moderately decline. While production has remained relatively steady, contacts in the District have expressed concern over rising input prices, specifically nitrogen and other fertilizers, and labor shortages, which they fear may cause production shortfalls next year.



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

District agricultural conditions improved overall, though drought took a heavy toll on certain areas and commodities. Responses to a survey of agricultural lenders indicated increased farm income, as producers continued to benefit from strong commodity prices and government payments. Drought damage was not as bad as expected in general, though ranchers saw heavy losses, and damage to crops was much more severe in the western Dakotas and Montana's wheat-producing region. In other areas, though crop yields will decrease, timely rains for many were helpful, and higher crop prices appear to have more than offset the financial loss.



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's agricultural sector remained strong amid continued strength in commodity prices. The price of all major crops remained elevated and harvest estimates in November indicated that both corn and soybean production are expected to be at high levels across the District. Cattle prices increased modestly to above pre-pandemic levels in early November. With healthy conditions across the sector, farm real estate values increased sharply from a year ago. District contacts continued to express concerns about high input prices, yet farm income and credit conditions continued to improve and were expected to remain strong in the coming months.



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

Overall, the agricultural sector was doing quite well. Soil moisture remained mostly favorable, though some areas have begun getting dry over the past six weeks. Harvesting continued and production was strong, particularly for cotton and soybeans, far outstripping last year's numbers. Solid agricultural prices combined with high yields have boosted many farmers' financial positions this year. Contacts voiced concern going forward over higher input costs—fuel, fertilizer, machinery, etc.—and there were scattered reports of difficulty sourcing herbicides. On the livestock side, cattle prices rose, bolstered by solid beef demand.



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-related sectors strengthened over the reporting period. Demand remained strong domestically and, partly due to a more favorable foreign exchange environment, internationally, for the region's meats, produce, seafood, and lumber. Inventories were at satisfactory levels for most crops, although crop yields for tree fruit and wheat were relatively lower due to warmer temperatures and water shortages. Contacts highlighted underground water availability as being of particular concern. However, recent rains in Northern California eased drought conditions a bit in some regions. Contacts also noted that a general lack of readily available labor, continued logistical delays, interruptions related to the Delta variant, and difficulties concerning equipment maintenance further restrained production.



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_20211201.pdf.