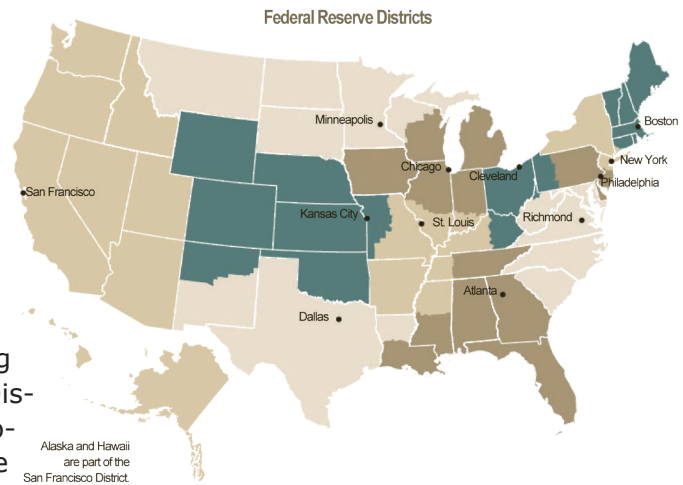


Federal Reserve Beige Book: Summary on the Ag Sector

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 has expanded at a modest to moderate pace since mid-January. Many Districts reported that the surge in COVID-19 cases temporarily disrupted business activity as firms faced heightened absenteeism. Severe winter weather was also cited as disrupting activity. As a result, consumer spending was generally weaker than in the prior report. Manufacturing activity continued to grow at a modest pace. All Districts noted that supply chain issues and low inventories continued to restrain growth, particularly in the construction sector. Reports from banking contacts indicated some weakening of financial conditions, although loan demand was generally unchanged. Agriculture reports were somewhat mixed, as some Districts experienced difficult growing conditions while others benefited from higher crop prices. Reports on the energy sector indicated modest growth. Among reporting Districts, the overall economic outlook over the next six months remained stable and generally optimistic, although reports highlighted an elevated degree of uncertainty.



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. The southern parts of Louisiana and Mississippi experienced moderately dry conditions, while the rest of the District experienced mostly normal conditions. The January production forecast for Florida's orange crop was down from last year's production while the grapefruit forecast was unchanged from last year's production. However, while damages are still being assessed, it was reported that recent cold snaps in Florida are expected to have a material adverse impact on citrus crop yields. The USDA reported year-over-year prices paid to farmers in December and on a month-over-month basis, were up for corn, cotton, rice, soybeans, cattle, 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 agricultural products buoyed expectations for farm income in 2022, though input costs rose as well. Corn and soybean prices continued to move up, but prices for energy, fertilizers, and herbicides also rose, and concerns deepened about their availability at planting time given supply chain issues. One contact pointed out a planting decision dilemma: seeds that are more readily available do best when used with herbicides that are in short supply. Supply issues were also delaying some new tractor deliveries, possibly past spring planting. Prices for cattle, hogs, eggs, and milk were up again. Farm finances kept improving, and demand for agricultural loans was lower than a year ago. Farmland prices increased more in 2021 than they had in nearly a decade, with continued growth expected in early 2022.



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 improved modestly since our previous report. The number of acres of winter wheat planted in the District this season have increased 10% over the same period last year. This increase primarily came from Illinois, Kentucky, and Missouri, which saw their acreage rise an average of 20%. While contacts remain optimistic about 2022, there is continued concern about the increased costs of inputs such as fertilizer, pesticides, and machinery. Of particular concern is corn production, which uses significantly more fertilizer than other crops.



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

District agricultural conditions improved since the previous report. Farm incomes increased through the end of 2021, according to a survey of agricultural credit conditions. While contacts expressed concern about rising input costs, producers' finances benefitted from strong commodity prices. District oil and gas exploration activity increased since the previous report.



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

Prices of most major commodities in the region increased modestly through early February from already high levels, continuing to support farm incomes. The prices of wheat, cotton and hogs increased modestly from the previous month while corn, soybean and cattle prices increased more sharply. Despite growing concerns about supply chain complications limiting shipping activity, U.S. agricultural exports remained strong and supported demand. Rising input costs have put some downward pressure on profitability for producers, but broad strength in the farm economy continued to support agricultural credit conditions, and farm finances were further bolstered by sharp increases in farmland values.



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

Drought conditions worsened further, with severe drought expanding in much of the district. Agricultural commodity prices rose across the board over the reporting period, though input costs rose just as much. Producers fear profits will get squeezed with such high costs; good yields will be important for their financial position this year. On the cattle side, prices rose and consumer demand for beef remained solid. An annual inventory report from the U.S. Department of Agriculture showed fewer cattle in Texas; tighter supplies should buoy beef prices this year.



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 industries remained largely comparable to the previous reporting period. Sales of agricultural goods remained strong overall, with shipping delays and slightly fewer orders from abroad somewhat offset by domestic customers looking to fill back orders. Inventories of crops such as nuts and raisins remained at reasonable levels, while those for cut flowers, potted plants, fruits, and other tree crops dwindled a bit. Short supply of labor, materials, machinery, water, and fertilizer impacted the early pollination process for this year's crop. One exporter in the Pacific Northwest highlighted that the recent shift in sales toward the domestic market negatively affected profitability, while another grower in California expected this shift to be reverted once supply chain issues are alleviated.



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_20220302.pdf.