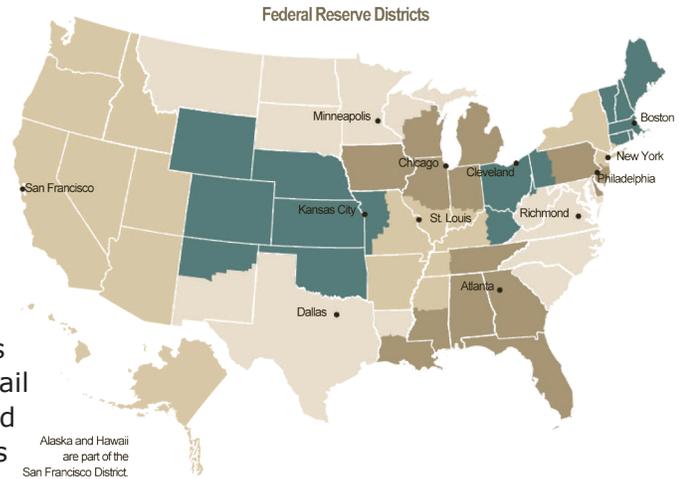


Federal Reserve Beige Book: Summary on the Ag Sector

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

All twelve Federal Reserve Districts have reported continued economic growth since the prior Beige Book period, with a majority indicating slight or modest growth; four Districts indicated moderate growth. Four Districts explicitly noted that the pace of growth had slowed since the prior period. Contacts in most Districts reported ongoing growth in manufacturing. Retail contacts noted some softening as consumers faced higher prices, and residential real estate contacts observed weakness as buyers faced high prices and rising interest rates. Contacts tended to cite labor market difficulties as their greatest challenge, followed by supply chain disruptions. Rising interest rates, general inflation, the Russian invasion of Ukraine, and disruptions from COVID-19 cases (especially in the Northeast) round out the key concerns impacting household and business plans. Eight Districts reported that expectations of future growth among their contacts had diminished; contacts in three Districts specifically expressed concerns about a recession.



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. On a month-over-month basis, the May production forecast for Florida's orange and grapefruit crops were below last year's production. The USDA reported year-over-year prices paid to farmers were up for cattle, corn, cotton, eggs, milk, soybeans, rice, and broilers. On a month-over-month basis, prices increased slightly for cattle, corn, cotton, boilers, milk, and soybeans, but decreased for eggs; rice was unchanged.



Chicago - Iowa; 68 counties of northern Indiana; 50 counties of northern Illinois; 68 counties of southern Michigan; and 46 counties of southern Wisconsin.

Farm net income expectations for 2022 were little changed overall during the reporting period, as prices and costs increased by similar amounts. Corn, soybean, and wheat prices were all up, as were prices for diesel and propane. Cool, wet weather slowed spring planting for corn and soybeans. In addition, concerns lingered about whether fertilizer would arrive at farms on time. Strong dairy exports helped boost milk prices. Bird flu continued to ravage poultry farms, pushing up egg prices. Hog prices moved sideways, while cattle prices were lower. As with crop farmers, livestock producers also faced higher input costs. Agricultural land prices continued to rise strongly.



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 improved slightly since our previous report. Contacts reported thin margins despite increased commodity prices due to rising input and labor costs, but remain optimistic due to persistent high demand. Contacts noted that rising energy prices have created an unprecedented opportunity for alternative energy products and other new technologies in the sector. The percentage of row crops planted has increased since the previous reporting period, but is down from this time in 2021. Progress of acres planted is down this year for every crop and all states in the District, which reflects production issues due to staffing and supply chain concerns.



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

District agricultural conditions remained strong. According to the first-quarter (April) survey of agricultural credit conditions, 87 percent of respondents reported increased farm incomes relative to the same period a year earlier. Farmland values increased briskly. However, due to an exceptionally cold and wet spring, crop planting and progress were well behind schedule in much of the District, except for Montana and western portions of the Dakotas, where drought conditions were rampant.



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

Agricultural commodity prices remained at multi-year highs, providing ongoing tailwinds to the Tenth District farm economy. Market conditions remained favorable for prices of all major commodities in the region and prices of wheat, corn, soybeans, cotton and cattle increased modestly from the previous month. Farm income and credit conditions also improved further during the most recent survey period. However, contacts expected conditions to soften slightly in the coming months and many cited concerns about rising input costs, broad inflationary pressures and severe drought. The western and southern portions of the region have been most exposed to drought, affecting wheat, hay and grazing conditions that could reduce profit opportunities for both crop and livestock producers in those areas.



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

Drought intensified over the past six weeks, particularly in the western part of the district. Crop conditions generally declined, with increased risk of reduced yields for this year's row crops. Forage conditions suffered from the lack of moisture, putting additional strain on livestock grazing amid highly elevated supplemental feed costs. This has led to increased culling of herds and lower calf prices. Agricultural product prices showed mixed movements over the reporting period but generally remained high. Despite high prices, contacts noted increased financial risk this year due to drought and higher input 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

Conditions in the agriculture and resource-related sectors deteriorated a bit. Exporters of agricultural products faced more challenges due to further shipping bottlenecks and container shortages stemming from an appreciating dollar, the war in Ukraine, and the lockdowns in China. Growers throughout the District noted rising costs for labor, fertilizer, and transportation, and one contact expected costs to continue accelerating in the near future. Another contact in the Pacific Northwest mentioned that these export challenges have led them to look at markets within the United States or Canada and Mexico.



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_20220601.pdf.