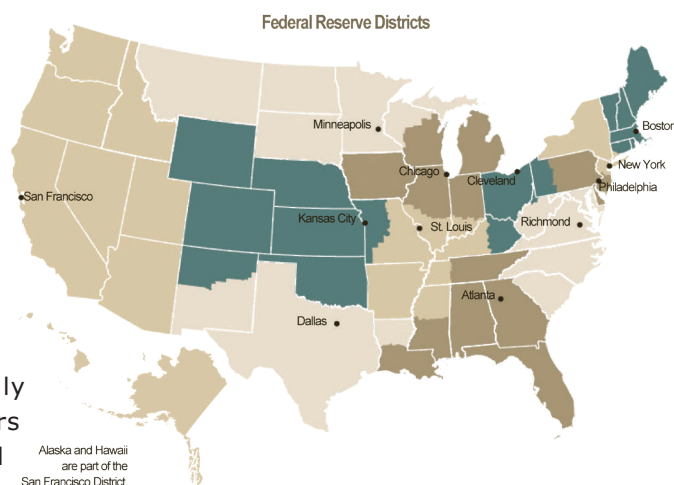


Federal Reserve Beige Book: Summary on the Agricultural Sector

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

National economic activity continued to expand from early April to mid-May; however, conditions varied across industries and Districts. Most Districts reported slight or modest growth, while two noted no change in activity. Retail spending was flat to up slightly, reflecting lower discretionary spending and heightened price sensitivity among consumers. Auto sales were roughly flat, with a few Districts noting that manufacturers were offering incentives to spur sales. Travel and tourism strengthened across much of the country, boosted by increased leisure and business travel, but hospitality contacts were mixed in their outlooks for the summer season. Demand for nonfinancial services rose, and activity in transportation services was mixed, as port and rail activity increased whereas reports of trucking and freight demand varied. Nonprofits and community organizations cited continued solid demand for their services, and manufacturing activity was widely characterized as flat to up, though two Districts cited declines. Tight credit standards and high interest rates continued to constrain lending growth. Housing demand rose modestly, and single-family construction increased, though there were reports of rising rates impacting sales activity. Conditions in the commercial real estate sector softened amid supply concerns, tight credit conditions, and elevated borrowing costs. Energy activity was largely stable, whereas **agricultural reports were mixed, as drought conditions eased in some Districts, but farm finances/incomes remained a concern.** Overall outlooks grew somewhat more pessimistic amid reports of rising uncertainty and greater downside risks.



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

Income expectations for District farmers increased slightly during the reporting period, as prices increased for several agricultural products. Widespread precipitation reduced the intensity of drought in Iowa, but also delayed corn and soybean planting after an early start. Corn, soybean, and wheat prices moved higher. Most livestock prices were up, though egg prices were down. Continuing concerns about the financial impact of avian flu in cattle were offset by additional support from the federal government. Butter and cheese prices rose, with reports of stronger exports. Several contacts noted increased costs for repairs, machinery parts, and fuel. Demand for operating loans was up, in line with lower levels of working capital for farms.



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 declined slightly since our previous report, with most contacts describing conditions as falling below expectations. District contacts were mixed on inventory, sales, and capital expenditures and noted increased labor costs as an additional stressor. Elevated rainfall and extreme weather events such as tornados



How Much Risk is Right for You?

continued to disrupt the planting progress for soy, cotton, and corn across all District states, while rice-planting progress remained similar to one year ago. The most-active planting periods have either ended or will end in the next two weeks; however, soy, corn, and cotton were all around 50 percent planted as of mid-May, down from over 90 percent planted at the same time one year ago, and slightly below average over the past few years. District contacts were mixed on inventory, sales, and capital expenditures and noted increased labor costs as an additional stressor.

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

Agricultural conditions in the District remained weak amid some positive developments. Lenders responding to an agricultural credit conditions survey overwhelmingly reported decreased farm incomes in the first three months of 2024 relative to a year earlier, with expectations for further declines in the second quarter. However, contacts in the industry reported that some moderation in input costs was expected to benefit producer margins. Recent precipitation alleviated drought conditions in much of the region, and crop planting and progress was generally near average for early spring. However, poor snow cover over the winter negatively impacted the quality of the winter wheat crop in the western parts of the District. District oil and gas exploration activity was unchanged since the previous report.



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 economy softened through early May and farm finances tightened slightly. Corn, soybean, and wheat prices increased slightly since April, but remained weak, keeping profit opportunities narrow. Winter wheat conditions in Colorado and Kansas were particularly poor and raised concerns about reduced revenues while growing conditions in Oklahoma and Nebraska were comparatively better. Corn and soybean planting was delayed in some areas of the region, which also raised concerns about future crop conditions. In the livestock sector, cattle prices remained strong and supported profit opportunities for cow/calf producers. District contacts mentioned that financial stress has remained modest, but concerns about further deterioration were growing.



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

Drought conditions remained in the western parts of the District, while other parts received ample rainfall, and some flooding was seen in scattered areas. Pastureland was in good condition, as were hay and wheat fields. Soil conditions are quite favorable for row crops this year. Better cotton production is expected this year compared with the past couple of years based on current conditions, though cotton prices have slipped. Most other crop prices rose over the reporting period while cattle prices eased off highs. The spread of avian influenza among dairy cows remains a concern for the supply of milk, though it is not a food safety issue due to the pasteurization process.



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 remained mixed. Current yields and past harvest inventories of food products, such as tree fruit, tree nuts, and seafood, remained high over the reporting period. Domestic demand from food services and retail sectors was stable but not sufficient to absorb domestic supply. As a result, prices fell for some agricultural products, such as apples, and exports increased. Harvesting restrictions, softening domestic sales, and slower international demand for lumber weakened logging activity, which resulted in some sawmill closures.



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/publications/beige-book-default.htm>.