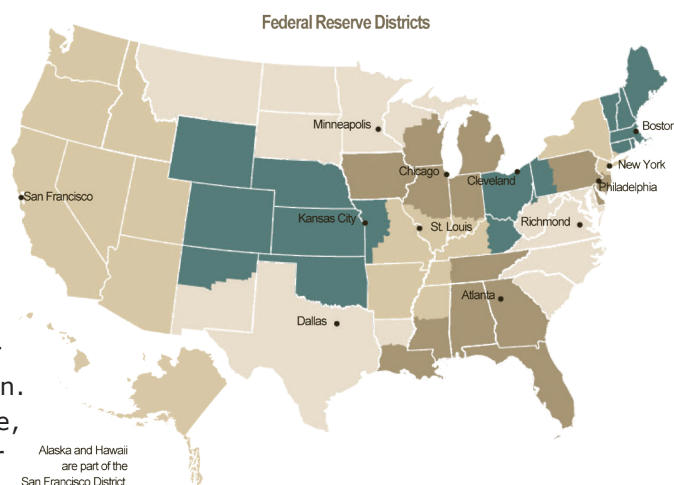


## Federal Reserve Beige Book: Summary on the Agricultural Sector

*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

Economic activity grew slightly in three Districts, while the number of Districts that reported flat or declining activity rose from five in the prior period to nine in the current period. Employment levels were steady overall, though there were isolated reports that firms filled only necessary positions, reduced hours and shifts, or lowered overall employment levels through attrition. Still, reports of layoffs remained rare. On balance, wage growth was modest, while increases in nonlabor input costs and selling prices ranged from slight to moderate. Consumer spending ticked down in most Districts, having generally held steady during the prior reporting period. Auto sales continued to vary by District, with some noting increases in sales and others reporting slowing sales because of elevated interest rates and high vehicle prices. Manufacturing activity declined in most Districts, and two Districts noted that these declines were part of ongoing contractions in the sector. Residential construction and real estate activity were mixed, though most Districts' reports indicated softer home sales. Likewise, reports on commercial construction and real estate activity were mixed. District contacts generally expected economic activity to remain stable or to improve somewhat in the coming months, though contacts in three Districts anticipated slight declines.



**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 income in the District continued to decline in recent weeks as corn and soybean prices fell further. Crop conditions were favorable across most of the District, though some areas were short on precipitation. Fall harvests were expected to approach previous records. Amidst low prices, farmers were holding higher-than-usual levels of crops in storage. Fruit and greenhouse revenues were coming in above average. Livestock operations benefited from lower feed costs. Cattle prices eased some but remained high relative to historic levels. Dairy and egg prices moved up, while hog prices were down slightly. In light of low crop prices and high interest rates, several contacts expected building financial stresses on less-productive 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 been mixed since our previous report. Several District contacts noted that sales had been below expectations due to lower demand. However, crops were in generally good shape due to a wet planting season and rains in July. In Arkansas, the summer heat wave and severe drought has driven up irrigation costs and stresses on livestock. District contacts have also noted that commodity prices had fallen below expectations, which negatively impacts the repayment capacity of farmers who took on operating loans and projected a higher cash flow.



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 remained weak on balance. Low prices for crops continued to weigh down incomes, while livestock and dairy producers were faring better. However, crops were mostly in good or excellent condition in most of the District, and soil moisture conditions improved in some areas that were experiencing flooding earlier in the summer. District oil and gas exploration activity increased slightly 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 farm economy deteriorated slightly alongside weakness in the crop sector and drought in some areas. Prices for major row crops remained low alongside expectations of strong yields and production across many key states. Crop conditions in the District were particularly favorable in Nebraska and Missouri. Winter wheat production was also strong in Kansas and Oklahoma, but recent reports indicated less favorable corn and soybean conditions in Kansas as drought intensified. In the livestock sector, cattle prices remained strong but drought in southern and western portions of the District could hinder hay production and dampen profits. Contacts continued to cite elevated production and living expenses, high interest rates, and declining liquidity as key concerns for the months ahead.



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

Crop and pasture conditions generally remained favorable, though hot and dry conditions were putting strain on certain areas while Hurricane Beryl caused some flooding along the coast. Crop prices moved down, and contacts reported that it was a tough financial situation for farmers this year. One noted that the smaller producers especially are still trying to make up for the losses from the 2022 crop year, and the fact that this year isn't materializing into the profitable year needed could put a segment of growers out of business.



**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 softened slightly, as in the prior reporting period. Demand from the food services sector was unchanged, while demand from the retail sector fell slightly in response to higher prices. A strong dollar curtailed overall exports somewhat. The supply of produce crops and seafood remained high due to elevated yields from the current season and stored inventory from the past season for some products such as salmon. Agricultural producers across the District reported higher financing costs and difficulties accessing credit, leading some to cut back on investment.



### 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>.