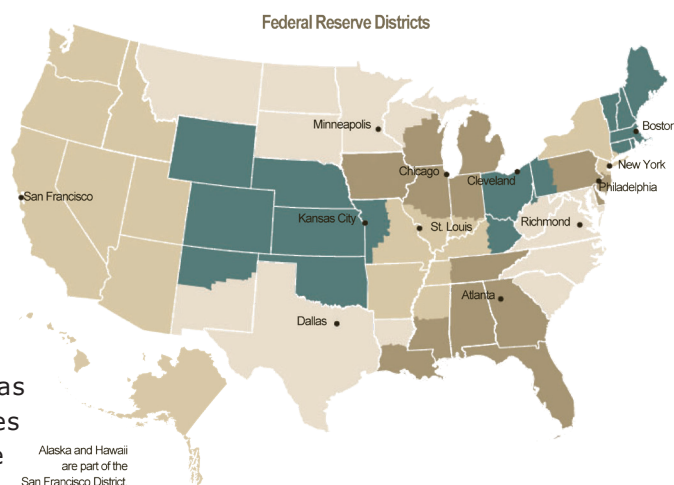


Federal Reserve Beige Book: Summary on the Agricultural Sector

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 rose slightly in most Districts. Three regions exhibited modest or moderate growth that offset flat or slightly declining activity in two others. Though growth in economic activity was generally small, expectations for growth rose moderately across most geographies and sectors. Business contacts expressed optimism that demand will rise in coming months. Consumer spending was generally stable. Many consumer-oriented businesses across Districts noted further increases in price sensitivity among consumers, as well as several reports of increased sensitivity to quality. Spending on home furnishings was down, which contacts attributed to limited household mobility. Demand for mortgages was low overall, though reports on recent changes in home loan demand were mixed due to volatility in rates. Commercial real estate lending was similarly subdued. Still, contacts generally reported financing remained available. Capital spending and purchases of raw materials were flat or declining in most Districts. **Sales of farm equipment were a notable headwind to overall investment activity, and several contacts expressed concerns about the future prices of equipment given ongoing weakness in the farm economy.** Energy activity in the oil and gas sector was flat but demand for electricity generation continued to grow at a robust rate. The rise in electricity demand was driven by rapid expansions in data centers and was reportedly planned to be met by investments in renewable generation capacity in coming years.



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

Farm income expectations for 2024 continued to be for a decline from 2023, as corn and soybean prices stayed below year-ago levels. Strong corn and soybean harvests reflected good growing conditions this year, with record corn yields for the District and soybean yields up from the last two years. Crop quality was excellent, with very low moisture levels. Tomatoes grew well, resulting in a “best ever” crop according industry contacts. Over the reporting period, corn prices increased, triggering selling by some farms, while soybean prices fell. Egg, hog, and milk prices increased, while cattle prices were flat. Agriculture faced fewer logistical hurdles as rail traffic improved and recent precipitation raised water levels on the Mississippi River, easing the slowdown in barge traffic. Farm equipment sales were slow given falling prices for trade-ins and sticky high prices on new equipment.



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 production has slightly declined since our previous report. Harvesting is complete and yields have been “all over the place” due to late planting and weather conditions. In western Kentucky the soybean yields were down as heavy rains negatively impacted crop quality. Additionally, lower corn and soybean prices continue to tighten



How Much Risk is Right for You?

farmers' margins. Contacts in Kentucky also shared that while cattle prices were very good, inventory was very low. Uncertainty about the passing of the next farm bill, high borrowing rates, and potential disruptions to international trade were the main concerns for farmers in the District. Contacts in this sector expect conditions to continue to deteriorate in the upcoming months.

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

District agricultural conditions remained weak. In the most recent survey of agricultural credit conditions, 85 percent of respondents reported that farm incomes decreased in the third quarter from a year earlier, as productive harvests were not sufficient to offset low commodity prices and elevated operating costs. District oil and gas exploration activity increased modestly 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 remained subdued despite a slight increase in crop prices. Corn and soybean yields were above the five-year average in all states except Oklahoma and could boost revenues, but profit opportunities stayed narrow. Despite strong production overall, pockets of drought also hindered crop production in certain areas of the region. Cattle prices climbed further in early November and kept margins for cow/calf producers strong. Many District contacts cited notable declines in farm equipment values as a growing concern and continued to note lower liquidity for crop producers and high interest rates could weigh further on farm finances in the coming months.



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

Soil moisture conditions deteriorated over the reporting period, with more than half of the District now in drought. Some rainfall was received in mid-November which benefitted the emerging wheat crop. Row crop prices have fallen, straining farmers but benefitting livestock producers who purchase corn and other grains for animal feed. Cattle prices remained strong while milk and milk product prices fell and caused struggles for dairies. Contacts expressed uncertainty about the new farm bill in light of the upcoming change in administration, fearing needed farm safety net programs could be held up.



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 weakened slightly. Across the District, tree crop production was down, while other crop yields were generally close to historical averages. Domestic demand from the food services sector remained unchanged over the reporting period, despite volatile pricing of fresh produce from areas impacted by weather events in California and Florida. California wine sales were reportedly dampened by lower demand from Asian markets. A stronger dollar and heightened competition from Europe dampened domestic lumber exports to Asia. Prices of forested lands remained high as demand continued to exceed a limited supply of land for sale. Reports mentioned that some landowners refrained from listing land for sale due to low log prices and government restrictions on harvesting.



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>.