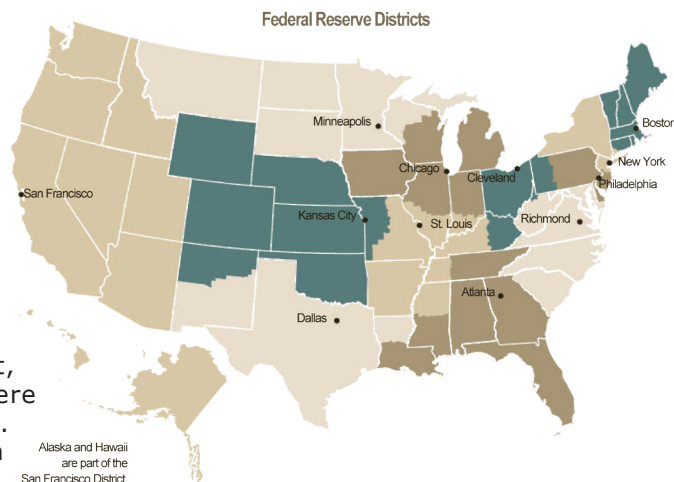


Federal Reserve Beige Book: Summary on the Ag Sector

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 increased slightly to moderately across the twelve Federal Reserve Districts in late November and December. Consumer spending moved up moderately, with most Districts reporting strong holiday sales that exceeded expectations. Vehicle sales grew modestly. Construction activity decreased overall, with several Districts indicating that high costs for materials and financing were weighing on growth. Manufacturing decreased slightly on net, and a number of Districts said manufacturers were stockpiling inventories in anticipation of higher tariffs. Residential real estate activity was unchanged on balance, as high mortgage rates continued to hold back demand. Commercial real estate sales edged up. The nonfinancial services sector grew slightly overall, with Districts highlighting growth in leisure and hospitality and transportation, notably air travel. Truck freight volumes, however, were down. Financial service providers reported modest growth in lending and little change in asset quality overall, though lenders and community organizations voiced concerns about delinquencies among small businesses and lower-income households. Nonprofit social service agencies faced high demand amidst uncertainty about future funding levels. **Agricultural conditions remained weak overall, with generally lower farm incomes and weather-related struggles in some areas. The spread of avian flu reduced egg supplies and pushed up prices.** Energy activity was mixed. More contacts were optimistic about the outlook for 2025 than were pessimistic about it, though contacts in several Districts expressed concerns that changes in immigration and tariff policy could negatively affect the economy.



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

Seventh District farm income for 2024 was down from 2023, despite stronger-than-expected corn and soybean yields. Compared with an average year, income was about average for agriculture operations overall, but low for crop farmers. Contacts expected a further decline in income in 2025, with overall input costs expected to be roughly unchanged and product prices expected to be flat or down. Prices for corn, cattle, and cheese increased over the reporting period, while prices for soybeans, wheat, and dairy were flat. Hog prices declined. Egg prices jumped along with flock liquidations due to avian influenza, and there were concerns about avian flu spreading beyond the poultry sector. Slow farm equipment sales led manufacturers to offers of interest-free payment plans to entice borrowers. Contacts expected that smaller margins in 2024 and 2025 would require many farmers to borrow more; they also indicated that many loans made three to five years ago will soon reprice to higher interest rates. The farm sector will receive additional payments from the federal government to help cover disaster losses and lower product prices.



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 unchanged since our previous report and remain historically weak. With the 2024 row crop cycle complete, producers reported limited profits as strong yields were unable to offset lower prices and higher input costs. New farm equipment sales remain weak. Contacts expect conditions to continue to deteriorate in the upcoming months. Banking contacts expect a slight decline in farmland values



How Much Risk is Right for You?

over the next 12 months. Contacts in Arkansas pointed to lithium extraction opportunities as a bright spot for rural development that could support higher land values.

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

District agricultural conditions remained weak. An overwhelming majority of contacts reported that farm incomes fell in the fourth quarter from a year earlier due to low crop prices. Livestock producers continued to outperform crop producers. District oil and gas exploration activity was steady since the previous report.



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

Agricultural economic conditions in the Tenth District remained subdued alongside weak crop prices. Soybean, wheat and cotton prices were nearly unchanged from the prior month and stayed below average breakeven levels. Corn prices also remained weak despite increasing slightly following recent reports of higher than anticipated export activity. Strong market conditions and high prices supported broad strength in the cattle industry, but incomes were dampened in some areas heavily affected by drought. Lenders in the District reported slight deterioration in farm loan repayment rates alongside weaker incomes, but many noted that balance sheet strength of recent years kept financial stress limited.



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

Drought conditions retreated in parts of the district and remained present in others. Conditions improved in the cattle sector with more ample grazing—thanks to recent rainfall—and significantly higher calf prices. Row crop producers faced financial struggles in 2024 with largely unprofitable crop prices, and contacts expressed continued financial concerns heading into the new year. The winter wheat crop is a bright spot looking ahead, with strong production prospects and solid demand. Several contacts noted concern about disruption from potential retaliatory tariffs on agriculture exports.



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 agriculture and resource-related sectors softened slightly. Demand was stable for agricultural and animal products such as fruits, vegetables, meat, and dairy. Yields of food crops were solid but down compared to prior harvests. Drought conditions in the Mountain West negatively affected grain yields, while growers in California reported that water supply was not an issue. Exports of almonds fell. Log harvesting activity experienced seasonal slowing, which reduced market supply and put upward pressure on log prices. Additionally, log exports remained low because of muted demand from China. Materials and agricultural inputs were generally available. Some contacts reported persistent challenges with labor availability and generally high energy costs.



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>.