

Review of the State of Agriculture

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Rural Lending Forum: Financing Women and Minority Farmers – August 18, 2021

The views expressed here are those of the speaker and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.



Ag Outlook Themes

- The outlook for the agricultural economy in the United States and in Kansas remains solid, despite some slight declines in commodity prices recently.
- Agricultural credit conditions remain strong and have been supported by high commodity prices and carryover from government programs.



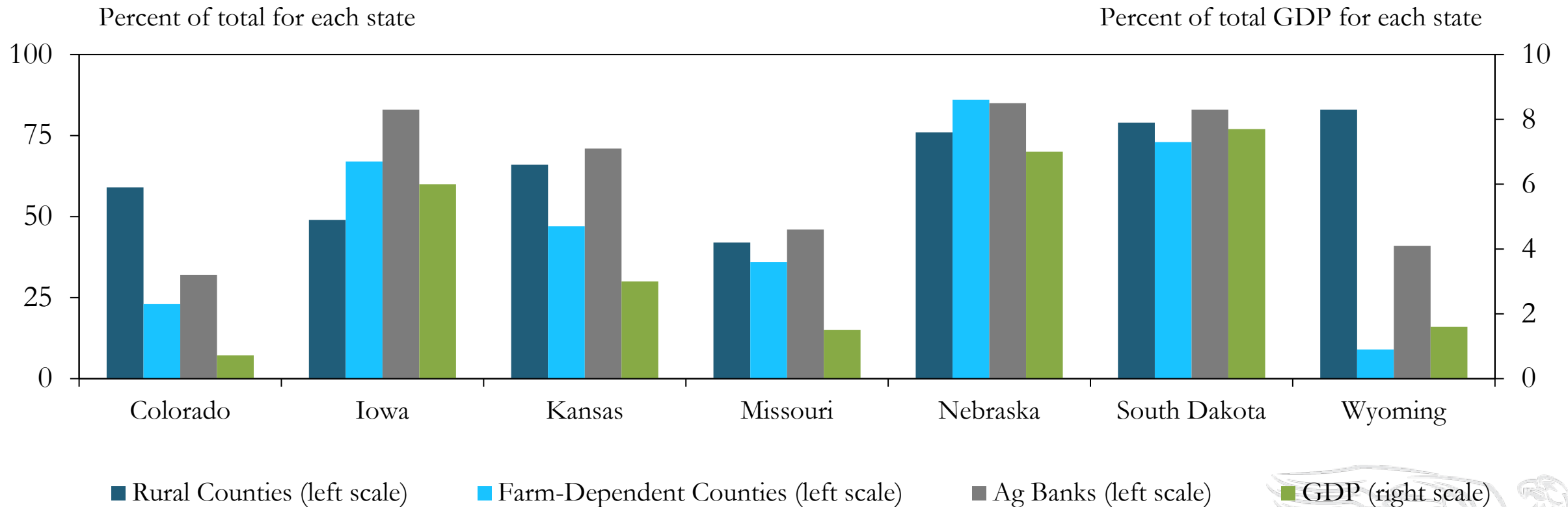
Ag banker anecdotes show continued concerns related to loan demand, input costs, and drought.

- The rising costs of many products that farmers utilize are of major concern, from fertilizer to latex gloves. – Wisconsin
- Lack of supply has pushed expenses higher. Lack of availability of equipment will slow capital spending. – Kansas
- This region will experience a tough year in agriculture due to drought conditions. – Colorado, Wyoming, and North Dakota
- Severe drought conditions forcing the sale of breeding stock at a current lower rate. – Montana



Agriculture is an important industry in Kansas, as well as in other states in the Kansas City Fed District and Midwest.

Ag Influence by State

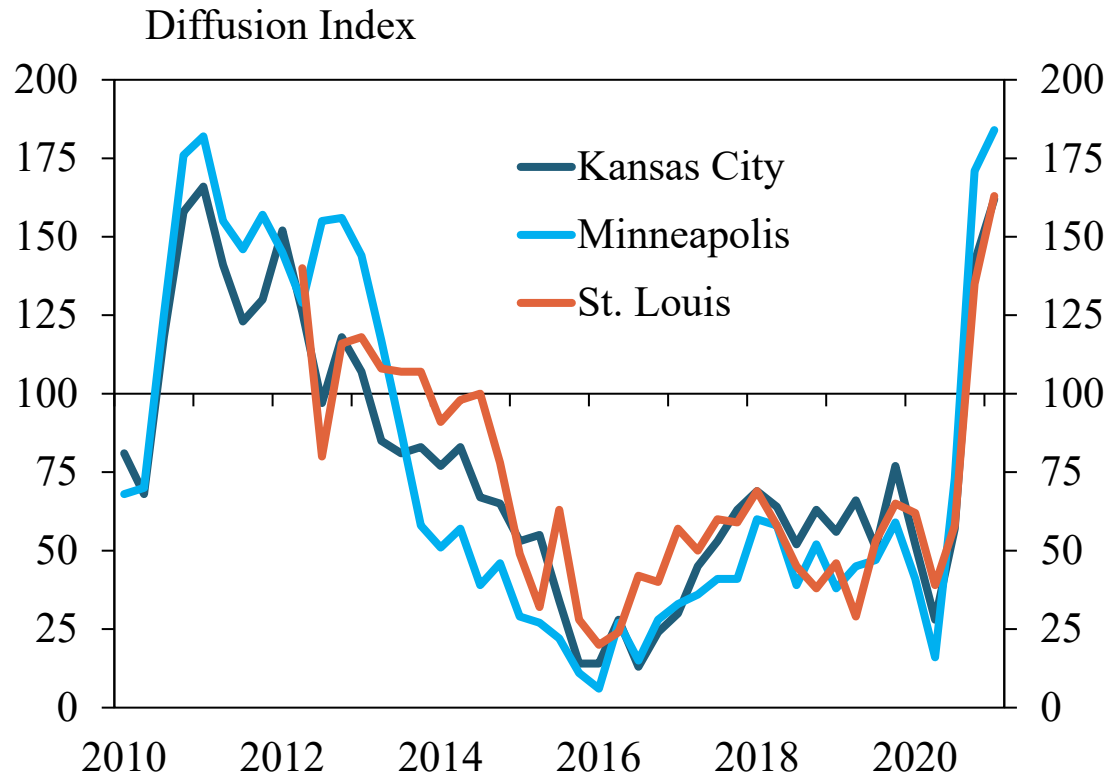


Source: USDA, Federal Reserve Bank of Kansas City, and Federal Reserve Board.

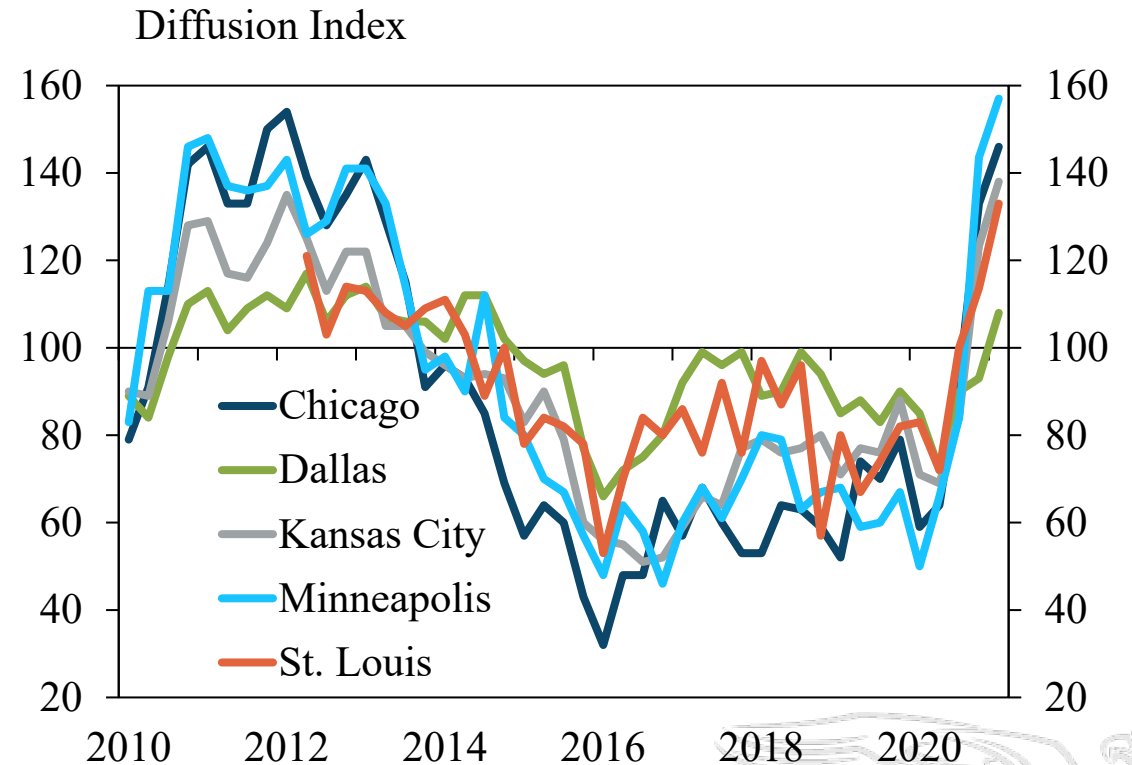


Farm income and loan repayment rates have increased sharply in recent quarters.

Farm Income



Farm Loan Repayment Rates

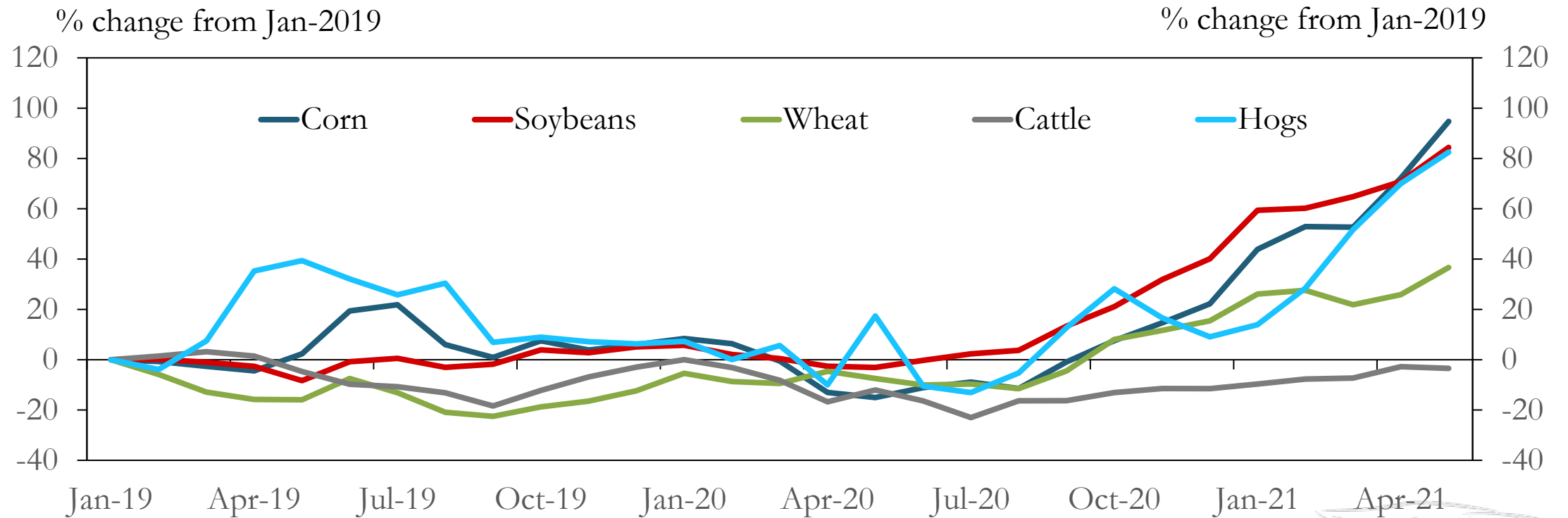


Source: Federal Reserve Bank of Chicago, Dallas, Kansas City, Minneapolis, and St. Louis.



Sharp increases in prices for most commodities have supported farm income.

Agricultural Commodity Prices



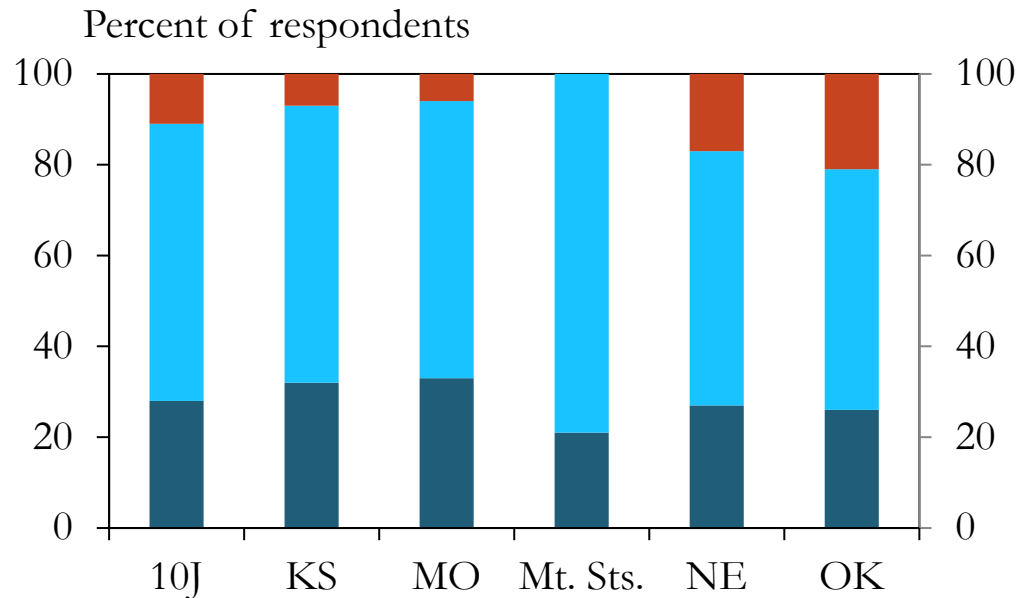
Source: *The Wall Street Journal* (Haver)



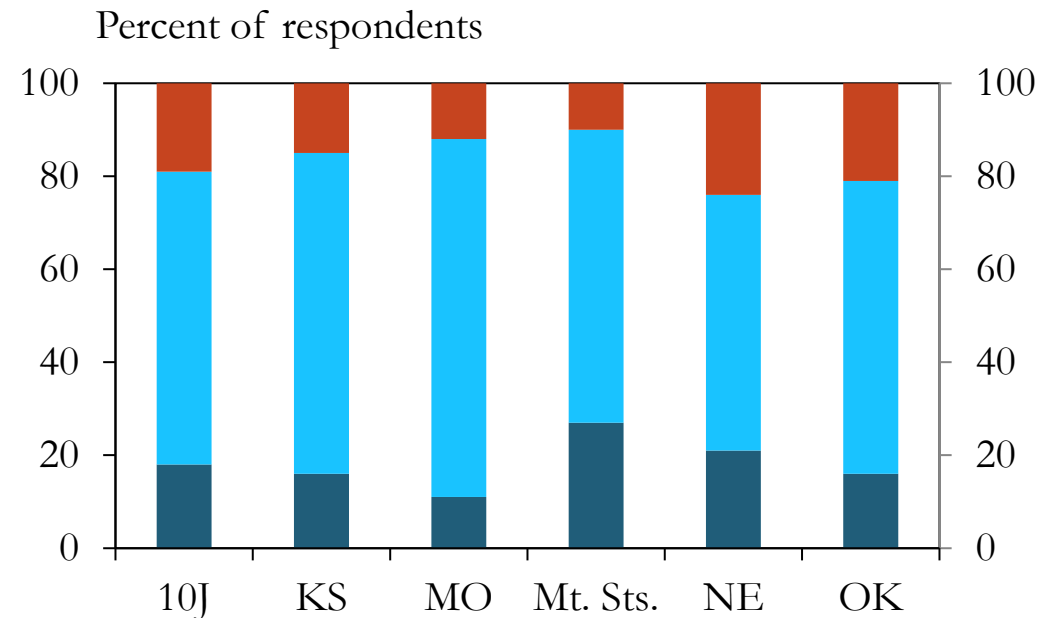
Incomes have increased despite higher production expenses, which are a concern moving forward.

Change in Production Expenses From Prior Year

Crop Producers



Livestock Producers



■ Significant Increase

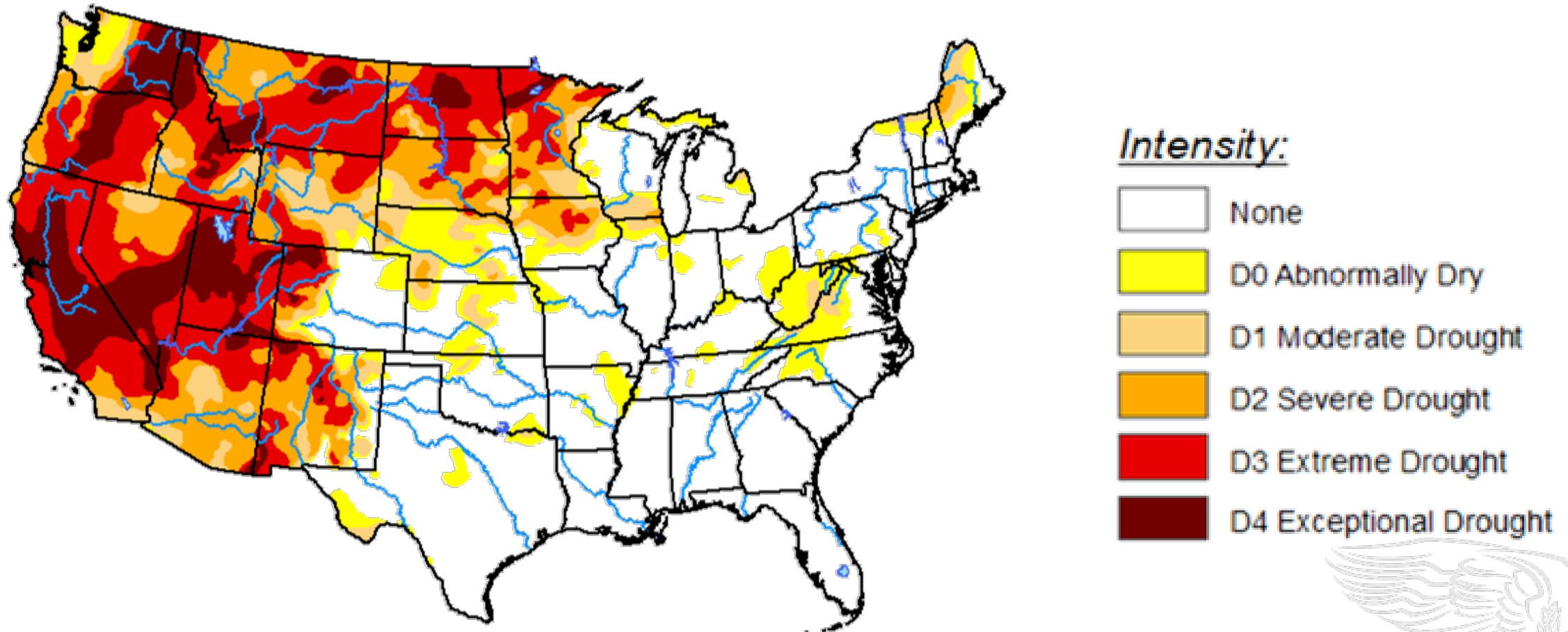
■ Modest Increase

■ No Change or Decrease



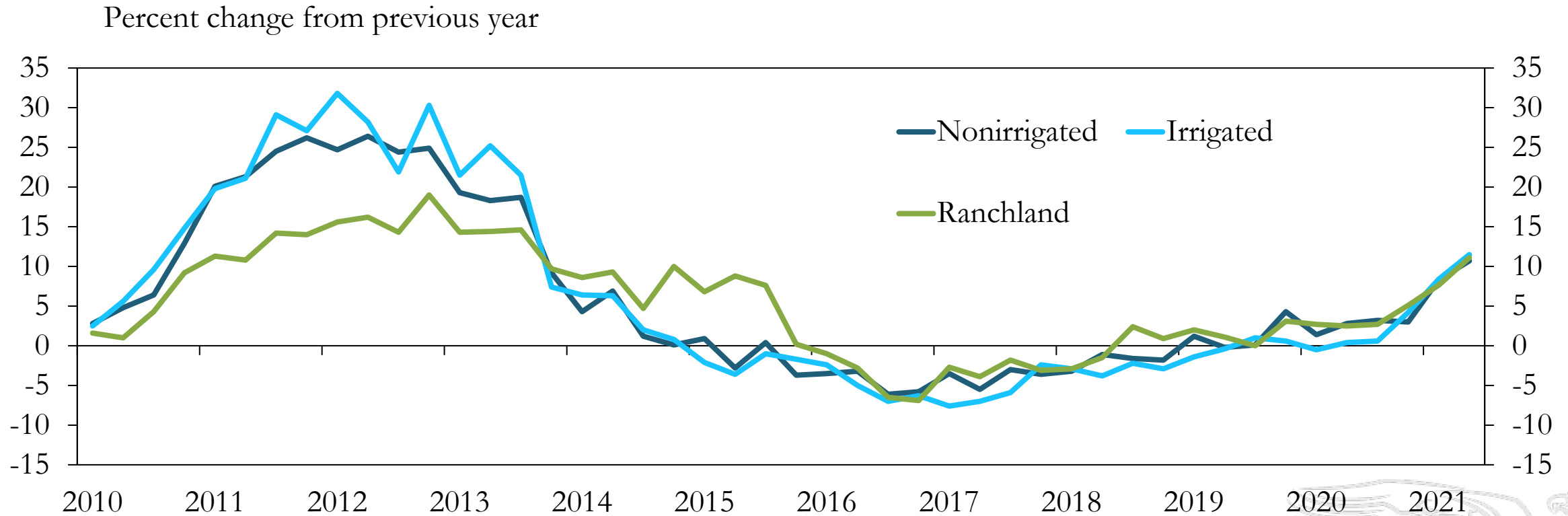
Severe to exceptional drought is a key risk in the western and northern United States.

Drought in the United States



Farmland values have also strengthened, lending further support to the agricultural sector.

Farm Real Estate Values in the Tenth District



Source: Federal Reserve Bank of Kansas City.



Concluding Thoughts

- The state of the agricultural sector remains strong.
 - The cattle industry remains the one key area of concern, particularly in areas where production costs are high and water is scarce.
- Risks to the outlook for farm finances include drought in the West and Northern Plains and higher costs of production.
- Education and information are crucial for farmer success and the future of farming.
- Moving forward, access to credit will also be important for the advancement of women, BIPOC, young, beginning, and veteran farmers.



Thank you!

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For more information:

<https://www.kansascityfed.org/research/agriculture>

