

# kcFED Ag BULLETIN

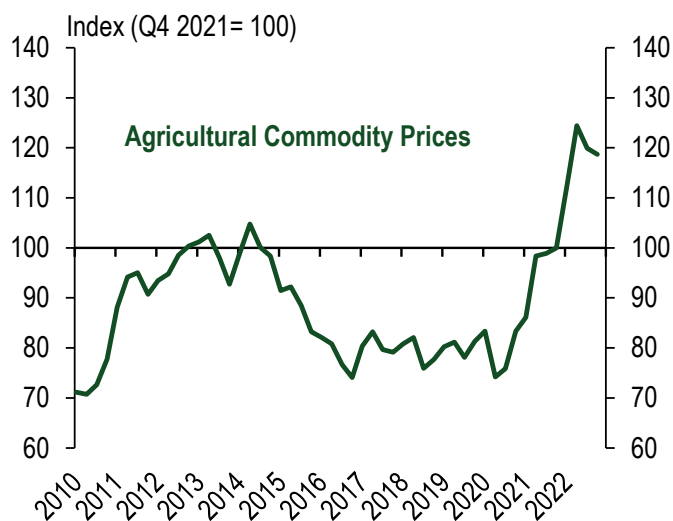
## Summary

**U.S. farm income was historically high in 2022 but is expected to moderate in 2023 alongside persistent cost pressures and lower revenue.** Agricultural prices decreased 1% in the fourth quarter but remained nearly 20% higher than a year earlier. Despite a modest decline in corn and soybean prices in the fourth quarter, prices of major row crops remained elevated alongside intense drought in some areas and reduced crop production. Livestock revenue remained firm through 2022, but costs associated with drought and feed purchases have limited profitability and weighed on economic prospects for the months ahead. U.S. agricultural exports declined slightly but remained strong in the fourth quarter, providing further support to agricultural commodity prices. Farm finances remained solid in the fourth quarter, even as interest expenses continued to rise and debt obligations edged higher.

**U.S. agricultural prices decreased slightly in the fourth quarter, but were 6% higher than at the beginning of 2022.**

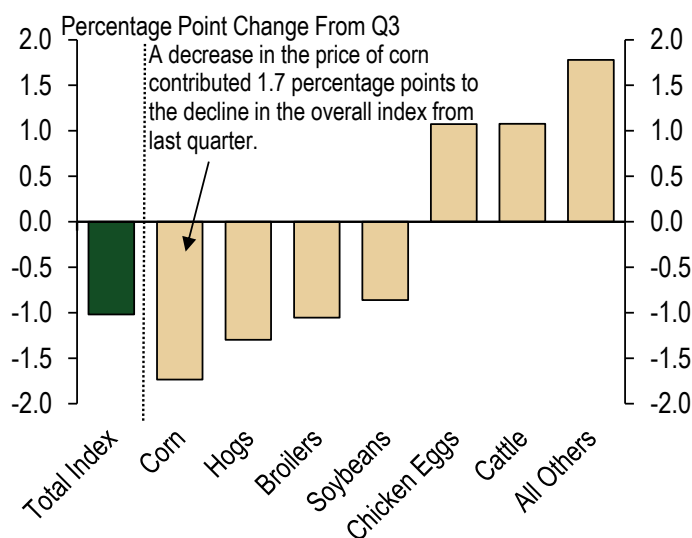
**Notable declines in the prices of several major commodities offset large increases in other agricultural prices.**

U.S. Agricultural Price Index<sup>1</sup>



Sources: USDA and staff calculations

Contribution to Price Index Change<sup>2</sup>



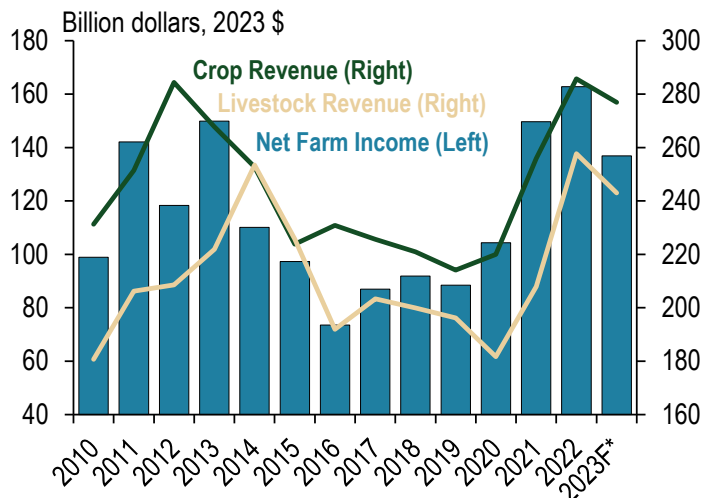
Sources: USDA and staff calculations

## Notes

1. Weighted based on share of total annual agricultural cash receipts attributed to each individual commodity. Individual commodities allocated account for 85% of total 2021 cash receipts.
2. Based on changes in weighted indices of individual commodities and corresponding contribution to the change in the sum of those individually weighted indices from the previous period. Above commodities accounted for 65% of total 2021 cash receipts [Corn (17%), Hogs (6%), Broilers (8%), Soybeans (12%), Chicken Eggs (2%) and Cattle (18%)].

Farm income reached a decade high in 2022, but was expected to soften in the year ahead alongside lower cash receipts and higher expenses.

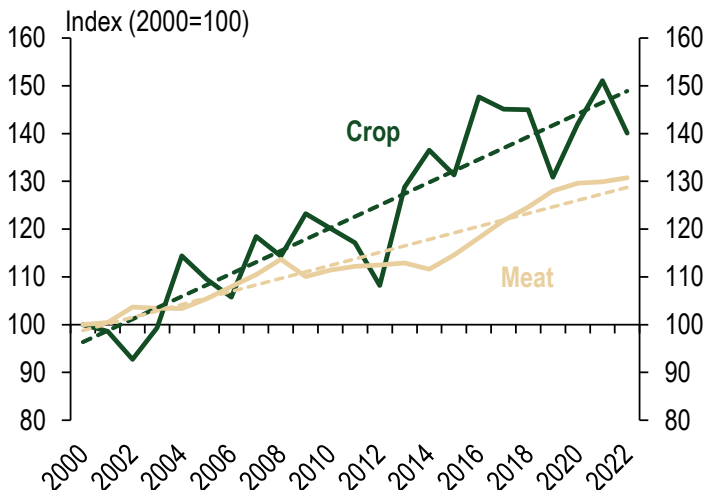
U.S. Farm Income and Revenue<sup>3</sup>



Source: USDA

Adverse weather and widespread drought reduced supplies of major crops in 2022 while meat production remained strong throughout the year.

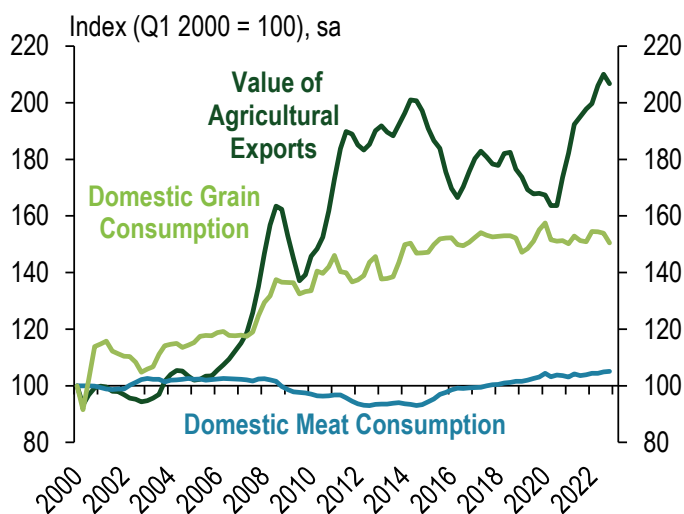
U.S. Crop and Meat Production<sup>4</sup>



Sources: USDA and staff calculations

Agricultural export activity surged in 2022 and domestic demand for ag products remained solid.

Demand for U.S. Agricultural Products<sup>5</sup>



Sources: USDA and staff calculations

Interest rates on farm loans rose sharply in 2022, but farm finances were strong and loan delinquency rates neared historic lows.

U.S. Agricultural Credit Conditions

[Latest Quarter Denoted For Each]

	Latest	1- Year Prior
Farm Loan Delinquency Rate (%) [Q3 2022]	1.0	1.4
Chapter 12 Bankruptcy Filings in 12-month period ending [Q4 2022]	169	276
Ag Bank Loan-to-Deposit Ratio (%) [Q3 2022]	70.2	68.2
Interest Rates on Non-Real Estate Farm Loans [Q4 2022]	6.21	3.05
Farm Debt-to-Assets (%) [Annual - 2022]*	13.1	13.6
Farm Debt-to-Income Ratio [Annual- 2022]*	3.1	3.4

Sources: USDA, U.S. Courts, and Federal Reserve Board of Governors

Notes

3. Crop and Livestock Revenues reported as cash receipts and accounted for 87% of total gross farm cash income in 2021. Other amounts of gross cash income are attributed to government direct farm payments and other farm-related income.

4. Crop Index includes all grains, oilseeds, fruits and vegetables weighted by share of total U.S. production measured in million metric tons. Meat Index includes the aggregate live weight of cattle, hogs, and poultry processed at U.S. federally-inspected plants weighted by share of total domestic production measured in pounds.

5. Domestic grain consumption includes food, feed, and industrial use of corn, sorghum, barley, oats, and wheat.

\*Farm income and balance sheet figures are forecasts published by USDA as of February 7, 2023.