U.S. Agriculture Outlook

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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.
Large portions of the Kansas City Fed region are concentrated in agriculture.

**Sources:** BEA, USDA, Board of Governors and staff calculations.
Commercial banks connected to agriculture are also concentrated in the Midwest.

Sources: Board of Governors and staff calculations.
At the beginning of 2020, U.S. ag was in a prolonged downturn in contrast to the broader economy.

*Forecast as of January 2020

Sources: USDA and Haver Analytics.
The ensuing pandemic disrupted agricultural markets in several key ways.

**U.S. Meat Production**
- Index (2019 = 100)
- Cattle
- Hogs
- Poultry

**U.S. Food Expenditures**
- Billion dollars
  - Food At Home
  - Food Away From Home

**U.S. Ethanol Production**
- Thousand barrels per day

Sources: USDA, EIA and staff calculations.
Agricultural prices dropped sharply as the pandemic and associated disruptions intensified.

Sources: WSJ and Haver Analytics.
In recent months, however, ag commodity prices have rebounded sharply.

Source: WSJ and Haver Analytics.
Government aid programs also provided significant assistance to the U.S. farm sector in 2020.

Direct Government Payments to U.S. Farm Sector

Source: USDA.
The recent surge in crop prices resembles the previously unprecedented gains in 2007-2008.

**U.S. Corn Prices**

- Index (Peak Price=100)
  - Corn: 6/29/07 - 6/27/08

**U.S. Soybean Prices**

- Index (Peak Price=100)
  - Soybeans: 7/05/07 - 7/03/08
  - Soybeans: 4/27/20 - 4/26/21

**Sources:** WSJ and staff calculations.
Exports to China have provided a major boost to demand alongside limited supplies.

Source: USDA.
The course of the pandemic, and associated economic activity, remains key to the outlook.

Real GDP

Percent change from previous year

2020 (Jan. 2020 Forecast)
2020 (Apr. 2020 Forecast)
2020 Actual
2021 (Apr. 2021 Forecast)

US | China | EU | Japan | UK

Severe drought is also an additional risk to the livestock sector in large parts of the country.

U.S. Drought Conditions

Sources: National Drought Mitigation Center at the University of Nebraska-Lincoln, the United States Department of Agriculture, and the National Oceanic and Atmospheric Administration.
Concluding Thoughts

• Despite severe pressure a year ago from the intensifying pandemic, the near-term outlook for agriculture is very strong.

• However, notable risks remain—
  • Pandemic uncertainty, economic activity and disruptions
  • Livestock industry
  • Policy
  • Longer-term economics