

# kcFED Ag BULLETIN

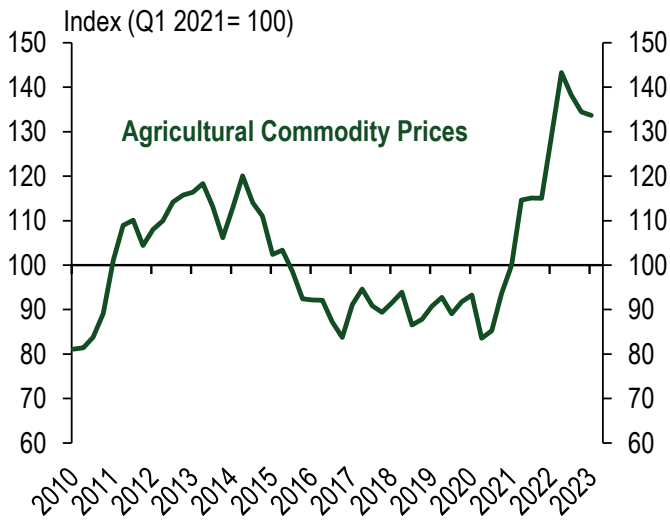
## Summary

**Economic conditions in agriculture remained strong in the first quarter despite some signs that the recent strength could moderate in the months ahead.** Agricultural prices continued to decline modestly in the first three months of the year but were still nearly 30% above the average of the past decade. Reduced inventories and broad strength in demand continued to bolster prices, but volatility has increased in markets for some commodities in recent months. Conditions were favorable as corn and soybean planting began, but drought also persisted in major production areas for cattle, wheat and other crops. Agricultural export activity slowed slightly in the first quarter after reaching record levels in 2022. Weather developments and the effects of macroeconomic uncertainty on demand for farm products will remain key factors in the outlook for prices and profitability across the sector. Farm income was expected to moderate alongside lower revenues and persistent cost pressures, but farm finances and agricultural credit conditions remained strong even as interest expenses increased substantially.

**U.S. agricultural prices continued to ease in the first quarter, but were still 4% higher than 2022, on average.**

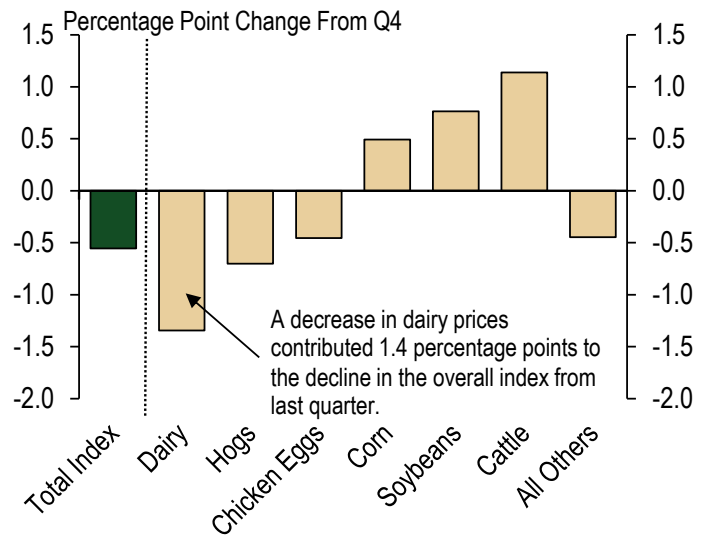
**Notable declines in the price of milk, hogs, and eggs weighed on ag prices, while cattle prices increased further.**

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



Sources: USDA and staff calculations

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



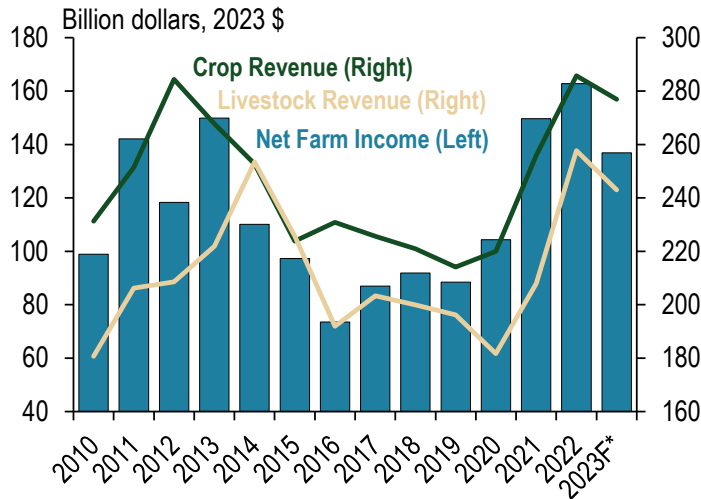
Sources: USDA and staff calculations

## 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 66% of total 2021 cash receipts [Dairy (11%), Hogs (6%), Chicken Eggs (2%), Corn (17%), Soybeans (12%) and Cattle (18%)].

Farm income was expected to remain strong in 2023, but soften from historic highs in 2022 alongside lower cash receipts and higher expenses.

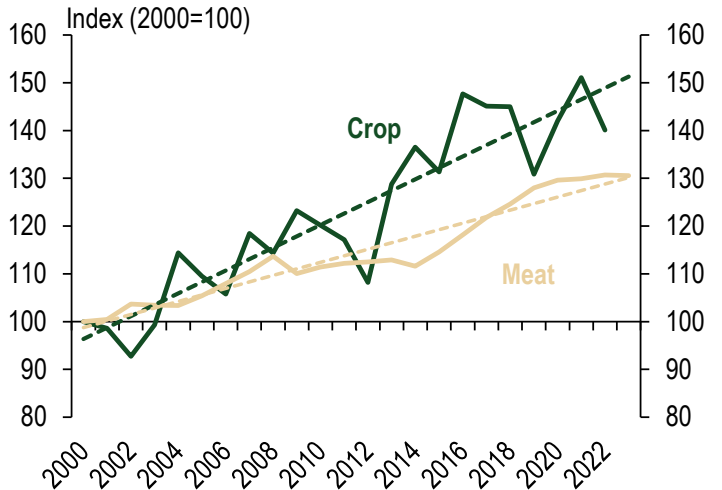
U.S. Farm Income and Revenue<sup>3</sup>



Source: USDA

Meat production could moderate alongside lower cattle inventories. Planting conditions were favorable for corn and soybeans ahead of the first crop production estimates.

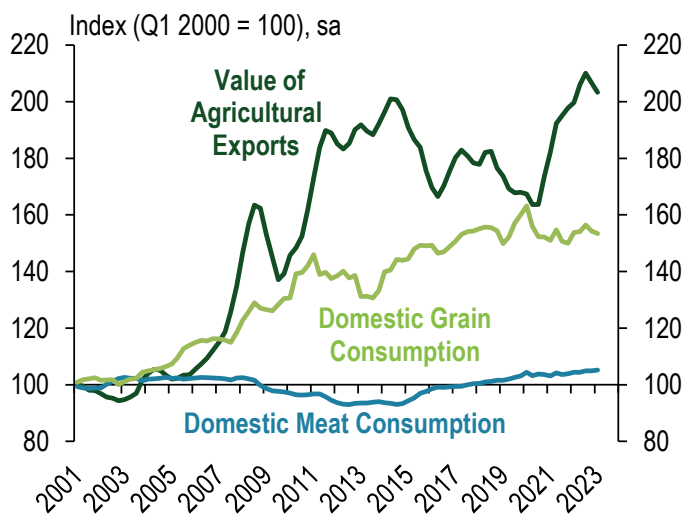
U.S. Crop and Meat Production<sup>4</sup>



Sources: USDA and staff calculations

Domestic demand for meat remained firm in the first quarter while exports of total farm products were about 3% lower than year ago.

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



Sources: USDA and staff calculations

Most measures of farm finances remained strong despite interest rates more than 4 percentage points higher than a year ago.

U.S. Agricultural Credit Conditions

[Latest Quarter Denoted For Each]

	Latest	1- Year Prior
Farm Loan Delinquency Rate (%) [Q4 2022]	0.9	1.3
Chapter 12 Bankruptcy Filings in 12-month period ending [Q1 2023]	148	228
Ag Bank Loan-to-Deposit Ratio (%) [Q4 2022]	72.2	66.9
Interest Rates on Non-Real Estate Farm Loans [Q1 2023]	7.42	3.38
Farm Debt-to-Assets (%) [Annual - 2023]*	13.2	13.1
Farm Debt-to-Income Ratio [Annual- 2023]*	3.9	3.1

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

Notes

3. Crop and Livestock Revenues are reported as cash receipts and accounted for 90% of total gross farm cash income in 2022. 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 are 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.