Summary

The U.S. agricultural economy was steady in the second quarter as signs of moderation continued and uncertainty about supply and demand remained heightened. Agricultural prices decreased by less than 1% from the previous quarter and stayed well above recent historic averages, but volatility in markets for many products was still elevated. Forecasts through mid-year anticipate growth in crop supplies during 2023, putting some downward pressure on prices. At the same time, however, ongoing disruptions in the Black Sea Region and weather developments in the U.S. and other key global growing areas have contributed to heightened uncertainty surrounding crop supplies. In livestock and dairy markets, continued depletion of beef cow herds pushed cattle prices to historically high levels, and dairy prices fell due to softened demand and strong global production. Risks to the outlook for demand of many farm products grew as agricultural export activity eased and uncertainty about U.S. and global macroeconomic conditions persisted. Profit opportunities remained available for many producers, but margins have narrowed alongside elevated costs and softening prices. Despite the moderation in economic conditions and additional increases in interest rates, however, broad strength in farm finances continued to support agricultural credit conditions and farm real estate values remained resilient.

U.S. agricultural prices were similar to the first quarter, and down 7% from a year ago, but remained historically high.

Cattle and broiler prices rose considerably in recent months, while prices for milk and eggs continued to retreat from very high levels.

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. The above commodities accounted for approximately 60% of total 2021 cash receipts (Dairy (11%), Chicken Eggs (2%), Corn (17%), Strawberries (1%), Broilers (8%), and Cattle (18%).)
Lower cash receipts and higher expenses are expected to drive a moderation in farm incomes during 2023 following two years of notable strength.

Crop production is expected to rebound from a year ago, but weather remained a key factor. Lower cattle inventories, however, could limit meat production.

Domestic demand for farm products was steady in the second quarter, but exports were about 20% lower than the same time last year.

Farm loan interest rates were 4 percentage points higher than a year ago, but farm finances and credit conditions remained firm.