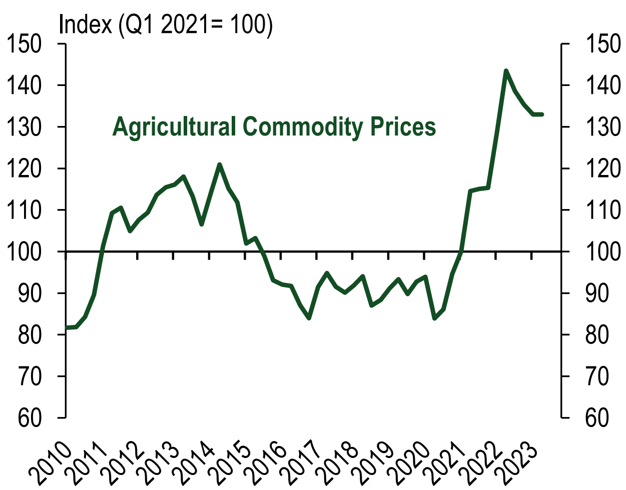
kcFED Ag Bulletin

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.

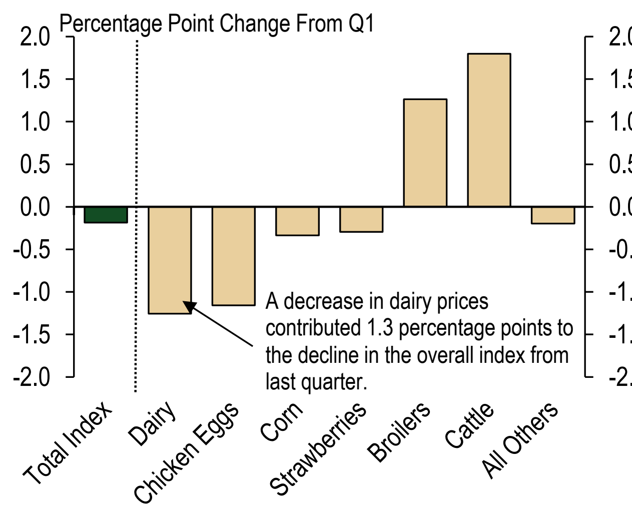
U.S. Agricultural Price Index[1]



Sources: USDA and staff calculations

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

Contribution to Price Index Change[2]



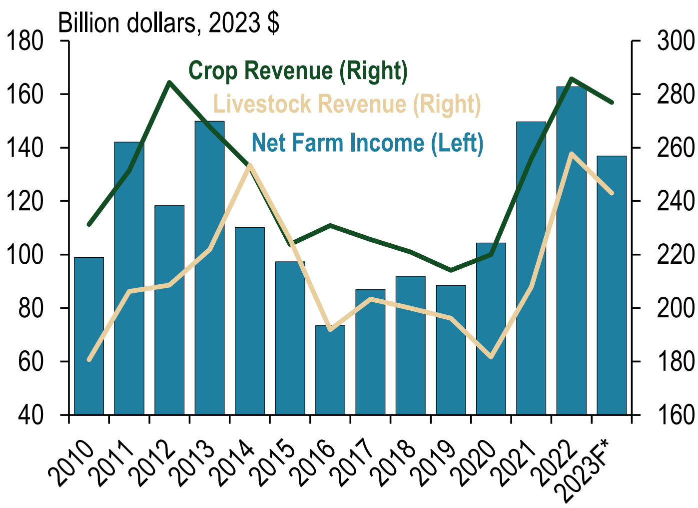
Sources: USDA and staff calculations

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. 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.

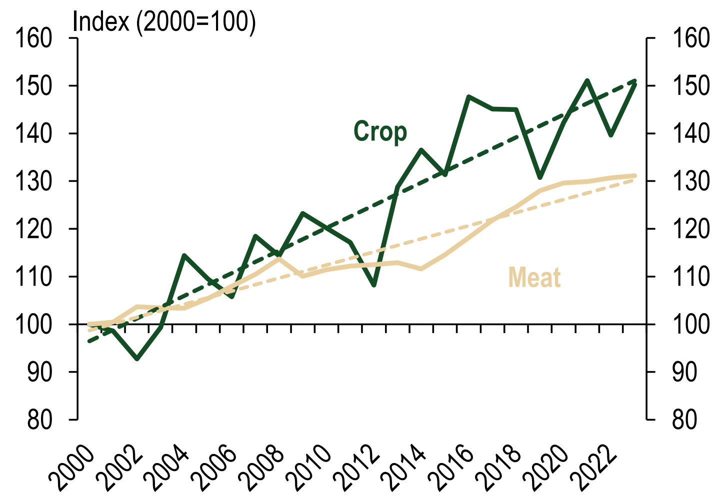
U.S. Farm Income and Revenue[3]



Source: USDA

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

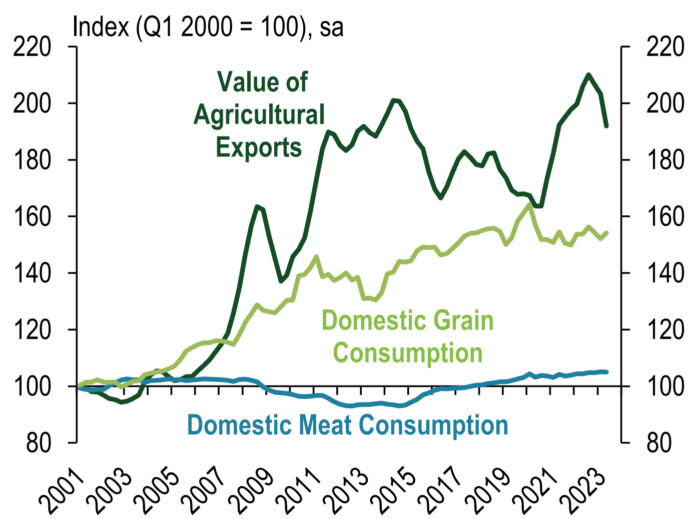
U.S. Crop and Meat Production[4]



Sources: USDA and staff calcuations

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

Demand for U.S. Agricultural Products[5]



Sources: USDA and staff calculations

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

U.S. Agricultural Credit Conditions

[Latest Quarter Denoted For Each]

	Latest	1- Year Prior
Farm Loan Delinquency Rate (%) [Q1 2023]	**0.8**	**1.4**
Chapter 12 Bankruptcy Filings in 12-month period ending [Q2 2023]	**147**	**201**
Ag Bank Loan-to-Deposit Ratio (%) [Q1 2023]	**71.4**	**64.4**
Interest Rates on Non-Real Estate Farm Loans [Q2 2023]	**7.58**	**3.55**
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 icome and balance sheet figures are forecasts published by the USDA as of February 7, 2023.