

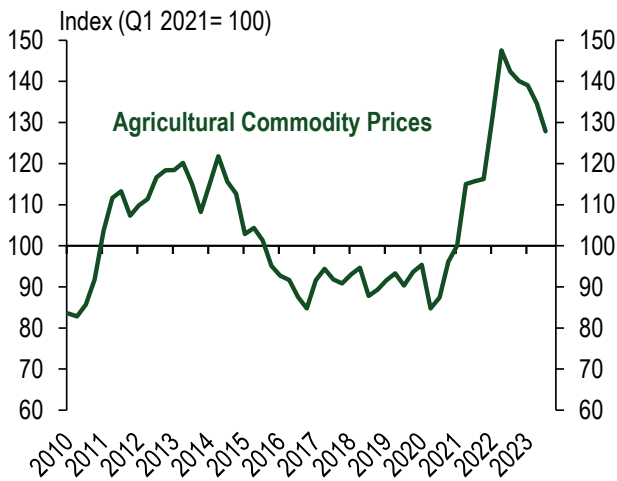
# kcFED Ag BULLETIN

## Summary

**The U.S. agricultural economy softened in the third quarter alongside a drop in commodity prices.** Agricultural prices remained above historical averages, but decreased by about 5% from the previous quarter. As harvest went into full swing across many regions, crop production was expected to rebound from a year ago. Corn production was anticipated to be particularly strong and put downward pressure on prices. In livestock markets, profit margins for dairy and hog producers remained suppressed alongside relatively low prices while a small cow herd continued to support higher cattle prices. Profit opportunities have thinned for many agricultural producers relative to a year ago, but agricultural credit conditions and farm real estate values have held firm with ongoing support from a strong agricultural economy in recent years. Slower agricultural export activity remained a key risk to the outlook and developments in commodity markets will be important in the months ahead as production expenses and financing costs remain elevated.

**U.S. agricultural prices were about 10% less than a year ago, but remained above the average over the last decade.**

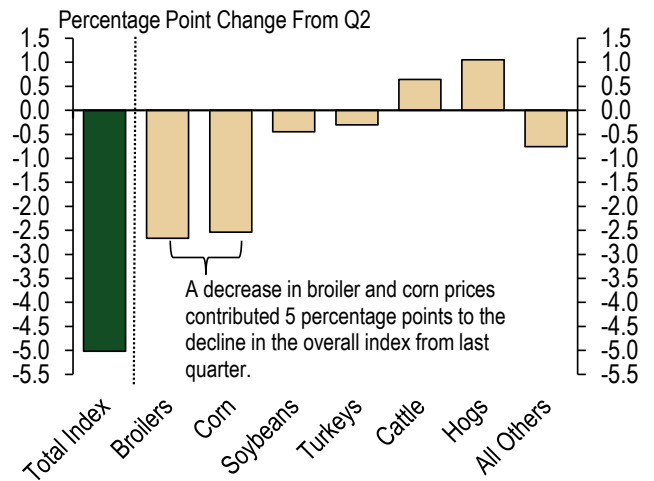
U.S. Agricultural Price Index<sup>1</sup>



Sources: USDA and staff calculations

**Prices of broilers and corn dropped considerably in recent months, while hog prices increased from very low levels.**

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



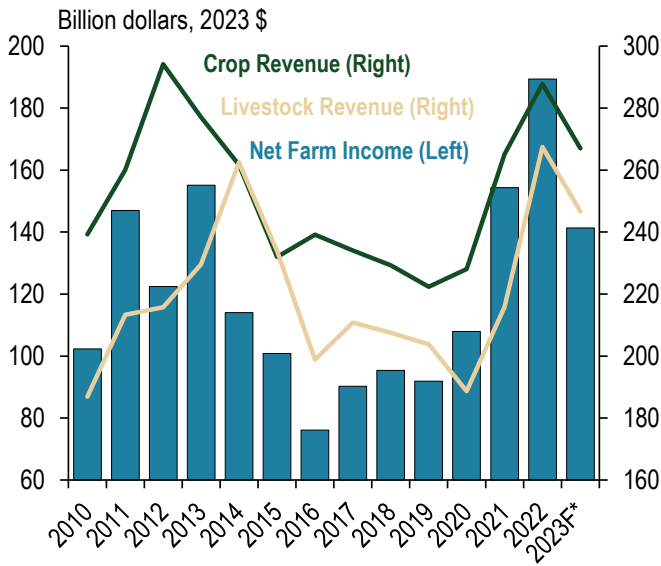
Sources: USDA and staff calculations

## Notes

1. Weighted based on share of total annual agricultural cash receipts attributed to each individual commodity. Individual commodities allocated account for 90% of total 2022 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 60% of total 2022 cash receipts [Broilers (9%), Corn (17%), Soybeans (12%), Turkeys (1%), Cattle (16%), and Hogs(6%)].

**Farm income is expected to drop notably from last year alongside lower revenues and higher expenses, but remain well above the historic average.**

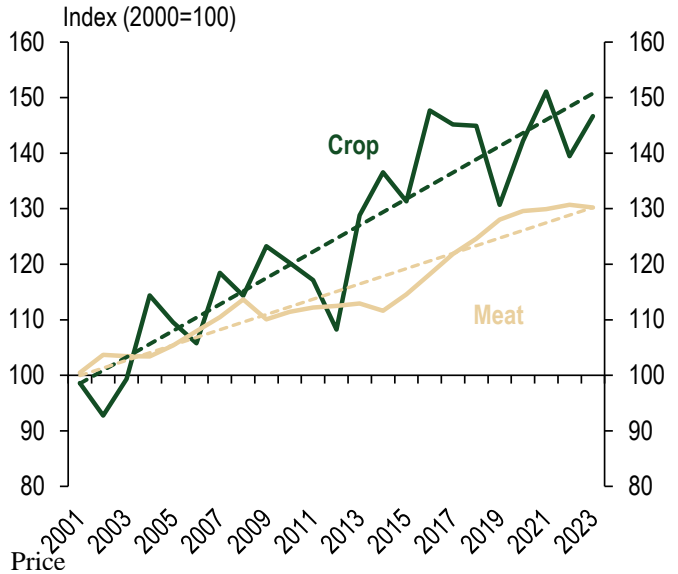
U.S. Farm Income and Revenue<sup>3</sup>



Source: USDA

**Reduced cattle inventories continued to limit meat production. Crop production rebounded alongside a large corn harvest and improved growing conditions for other key products.**

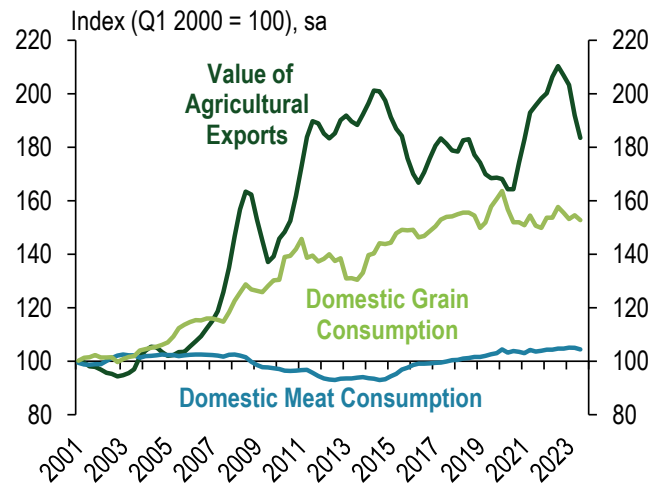
U.S. Crop and Meat Production<sup>4</sup>



Sources: USDA and staff calculations

**Domestic grain and meat consumption held firm but export activity continued to soften, declining 15% from a year ago.**

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



Sources: USDA and staff calculations

**Interest rates on agricultural loans reached a 15 year high, but farm finances remained strong, with very few loan delinquencies.**

U.S. Agricultural Credit Conditions

[Latest Quarter Denoted For Each]

	Latest	1- Year Prior
Farm Loan Delinquency Rate (%) [Q3 2023]	0.9	1.0
Chapter 12 Bankruptcy Filings in 12-month period ending [Q3 2023]	142	182
Ag Bank Loan-to-Deposit Ratio (%) [Q3 2023]	76.5	70.2
Interest Rates on Non-Real Estate Farm Loans [Q3 2023]	8.3	4.9
Farm Debt-to-Assets (%) [Annual - 2023]*	12.7	12.9
Farm Debt-to-Income Ratio [Annual- 2023]*	3.7	2.7

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 the USDA as of August 31, 2023.