Agricultural Economic Outlook

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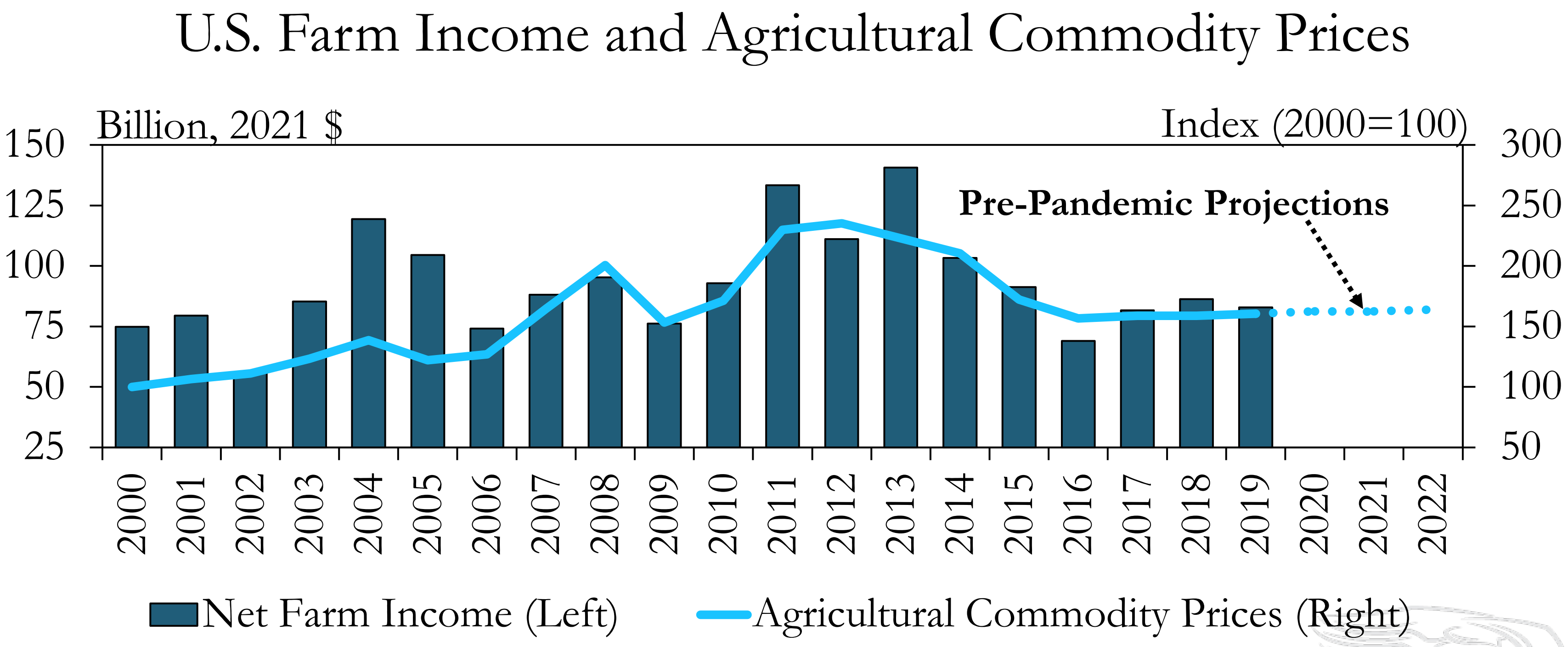
Outlook Themes

- Economic conditions in U.S. agriculture have rebounded sharply since 2020, even in advance of the crisis in Ukraine.
- Commodity prices have surged further in recent months, along with the costs of some key inputs.
- Ag economic conditions likely will remain strong in 2022 but have shown some signs of softening amid heightened risks.

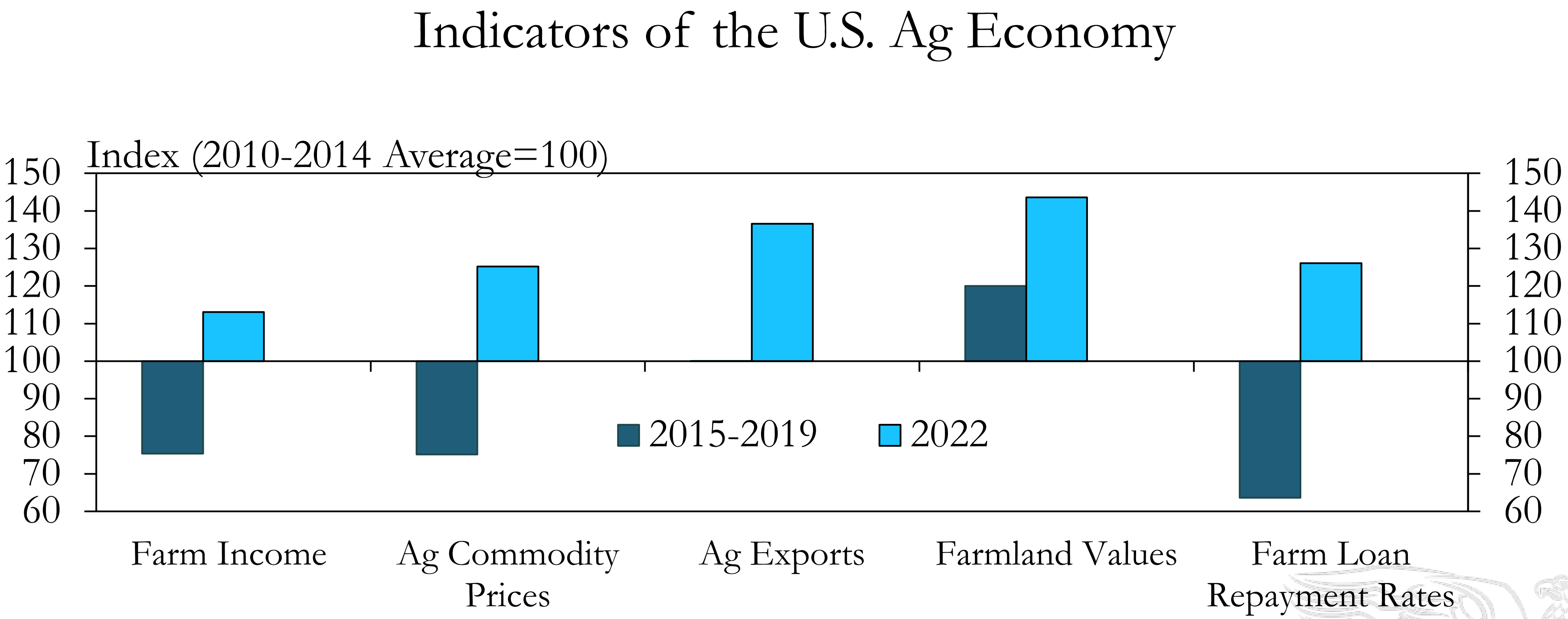
Prior to the pandemic, the U.S. ag economy had been mired in a prolonged downturn.



Note: Agricultural Commodity Prices calculated as average of individual indices for corn, soybeans, wheat, cattle, hogs and milk. Actual spot prices from 2000-2019 and projected price from University of Missouri - FAPRI as of August 28, 2019 from 2020-2022.

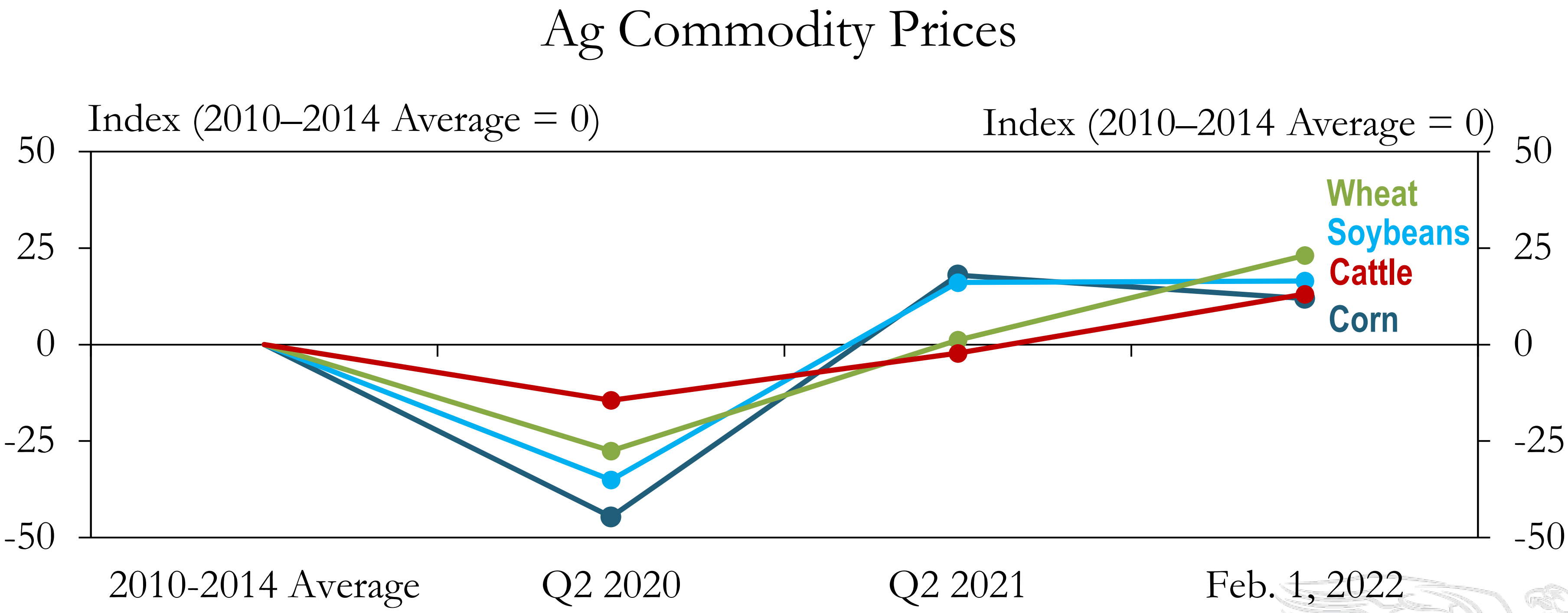
Sources: USDA, CME, *Wall Street Journal*, University of Missouri - FAPRI and Haver Analytics

Through the pandemic, however, economic conditions in agriculture have recovered dramatically.



Source: USDA, Wall Street Journal and Federal Reserve Surveys of Agricultural Credit Conditions.

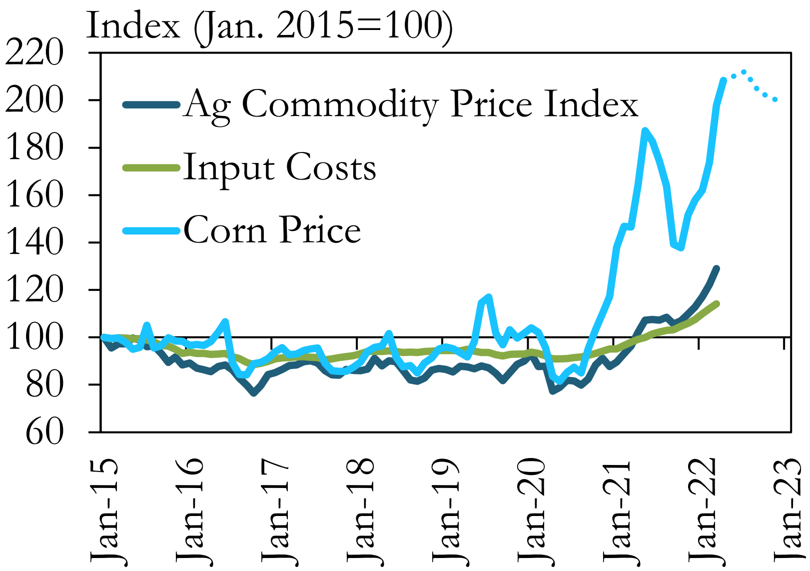
Ag prices surged in 2021 and were elevated even prior to the Russian invasion of Ukraine.



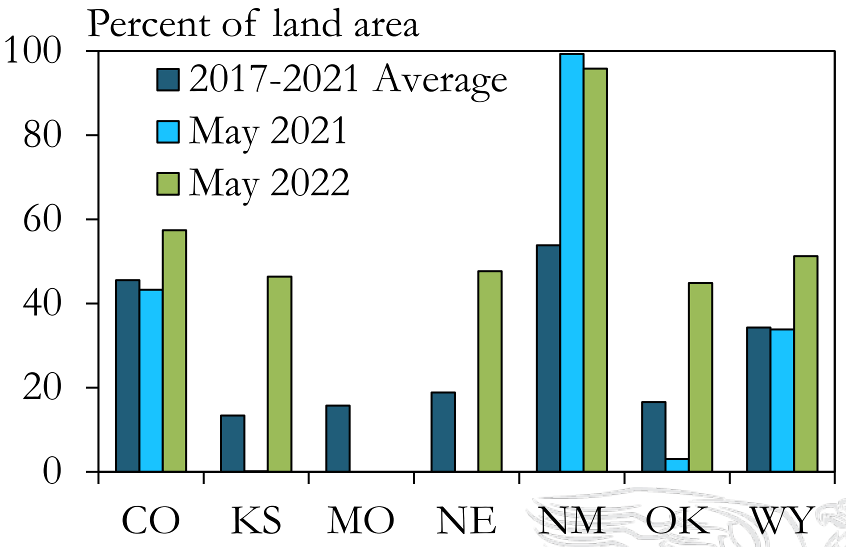
Sources: CME, *Wall Street Journal*, and Haver Analytics

Since the war, prices have surged further and appear likely to remain high in the coming months.

U.S. Agricultural Commodity Prices and Input Costs

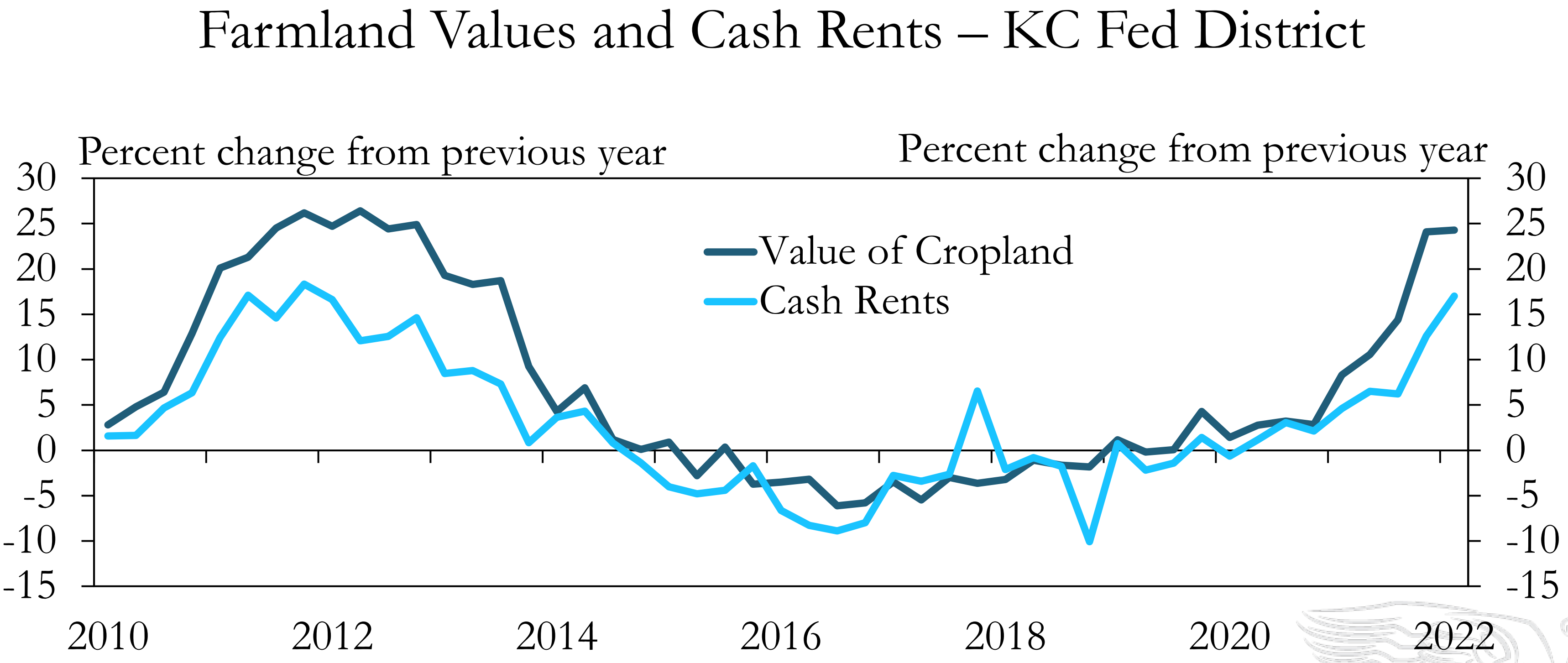


Share of Land Area in Drought, Severe or Worse



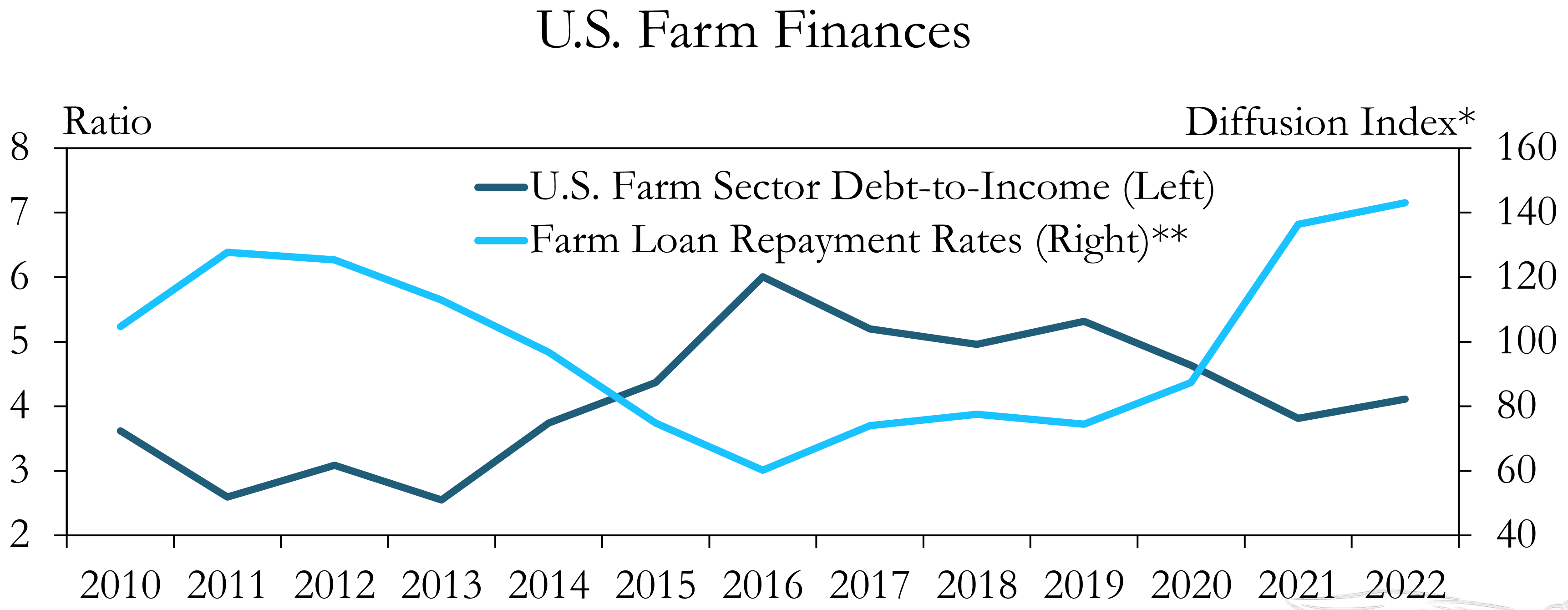
Sources: USDA, WSJ, CME, Haver Analytics, National Drought Mitigation Center - University of Nebraska- Lincoln and staff calculations.

Farmland prices have remained high, and rental rates have increased recently.



Source: Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions.

The financial position of farm borrowers has also improved dramatically.

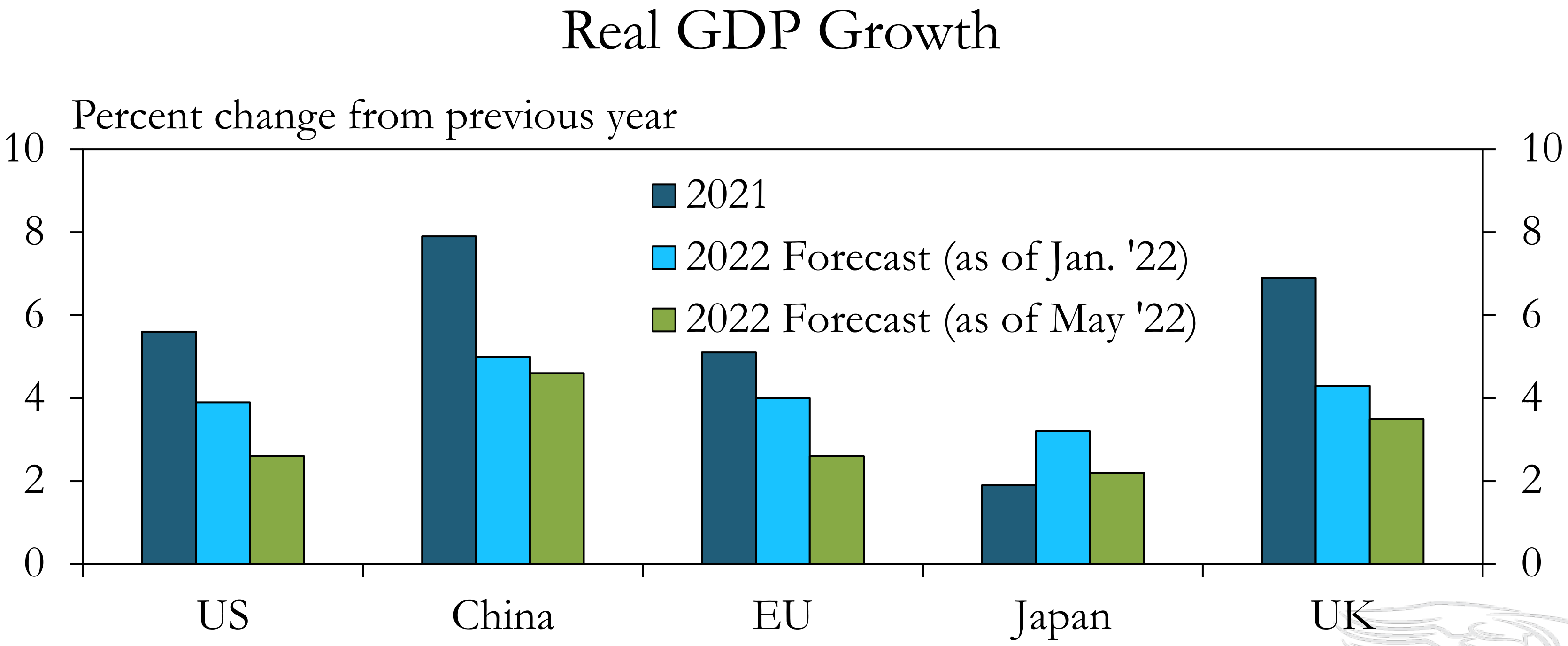


*Percent of survey respondents that responded "lower" minus the percent that responded "higher" plus 100.

**The average quarterly index for participating Federal Reserve Districts (Dallas, Chicago, Kansas City, Minneapolis and St. Louis).

Source: USDA and Federal Reserve District Surveys of Agricultural Credit Conditions.

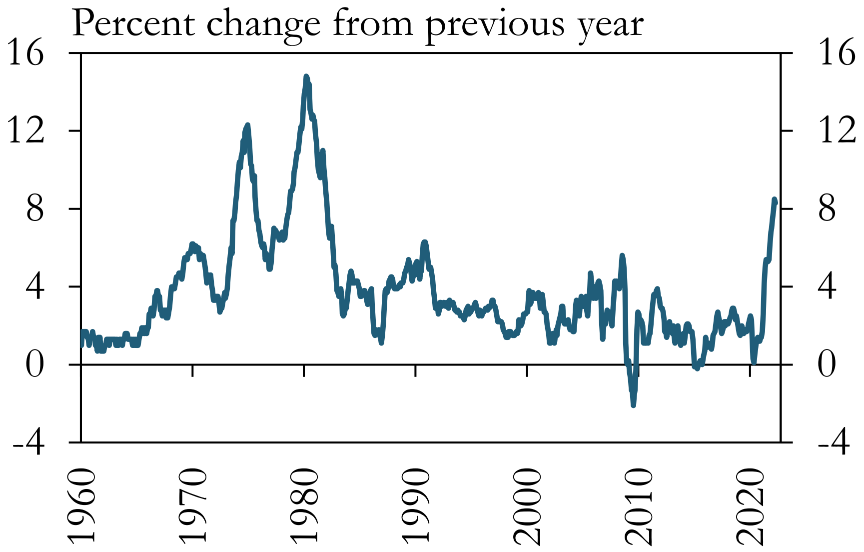
However, prospects for global economic growth have been revised lower alongside recent headwinds.



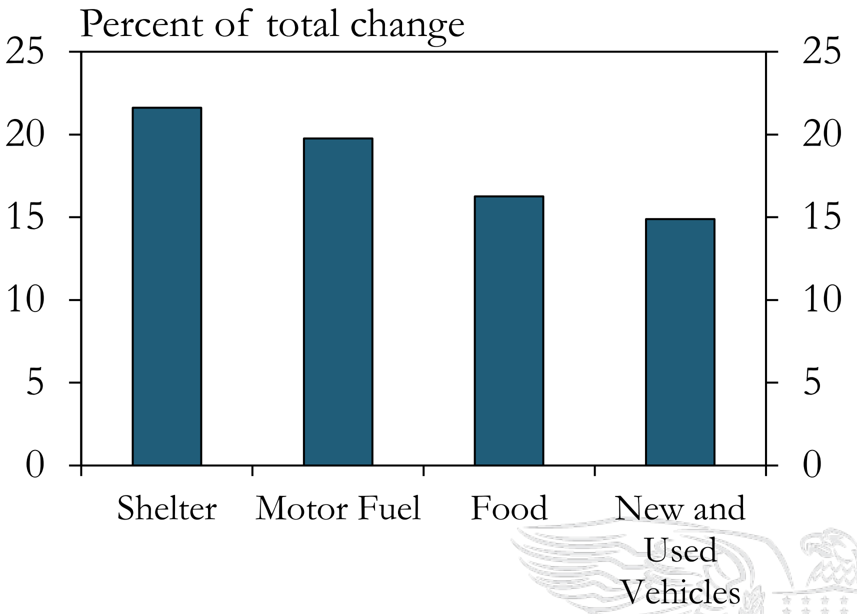
Sources: BEA, Wolters Kluwer, Statistical Office of the European Communities, Cabinet Office of Japan, Office of National Statistics, China National Bureau of Statistics, and Haver Analytics.

Inflationary pressures have persisted.

U.S. Consumer Price Index



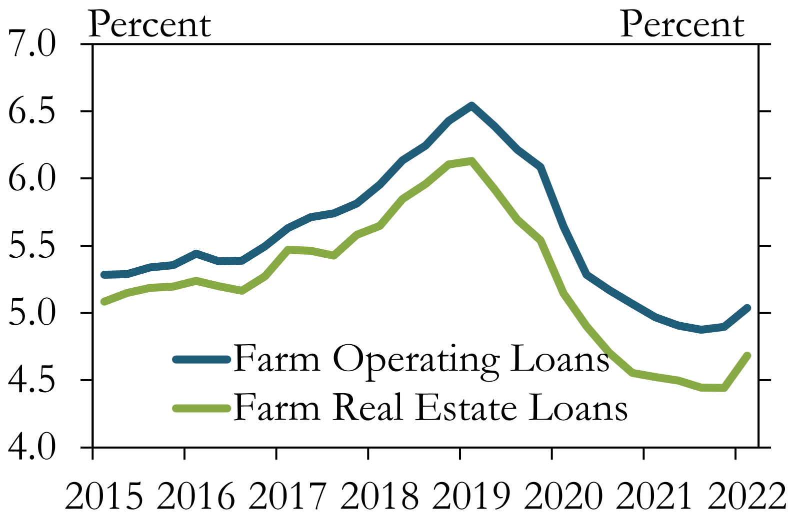
Contribution to CPI Change – Apr. 2022



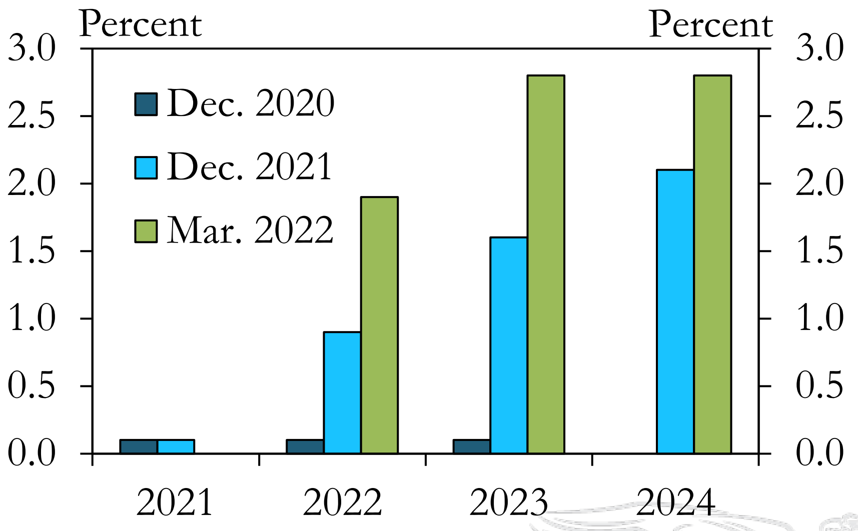
Sources: Bureau of Labor Statistics.

Interest rates remain low, but have increased slightly in 2022.

Average Interest Rates on Agricultural Loans*



Median FOMC Federal Funds Rate Projections



*Average fixed interest rates on intermediate operating loans and farm real estate loans reported by agricultural bankers in Chicago, Dallas, Kansas City, Minneapolis, Richmond and St. Louis Federal Reserve Districts.

Sources: Federal Survey District Surveys of Agricultural Credit Conditions and Federal Reserve Board of Governors.

Concluding Thoughts

- Despite extreme uncertainty in commodity markets, the U.S. ag economy appears likely to remain strong in 2022.

- Financial stress among producers (and lenders) is far less than in 2019 and land values have continued to rise.

- Some indicators have begun to soften, and profit margins could face more pressure in 2023.

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