AGRICULTURAL CONDITIONS IN THE NINTH DISTRICT

November 16, 2023

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Regional Outreach Director
DISCLAIMER

The views expressed here are the presenter's and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.
TODAY’S PRESENTATION

- Agriculture in the Ninth District
- MPLS Fed ag credit survey
- Survey results, Q3 2023
  - Farm incomes fell, finances stable
  - Land values up
  - Outlook for further drop in incomes
OUTPUT BY INDUSTRY, 2022, U.S. & NINTH DISTRICT

Source: Bureau of Economic Analysis
Cash receipts from ag commodities, Ninth District states

$1,000 (2023)

Source: Economic Research Service, USDA
SURVEY RESULTS
OBSERVING AG, VIA BANKERS

- Ninth District survey
  - Conducted quarterly (Jan., Apr., Jul., Oct.) looking backward and forward one quarter
  - Poll of member banks concentrated in ag
  - Not a random sample, but a panel of experts
  - October survey: 52 bankers
AGRICULTURE IN STABLE FINANCIAL CONDITION DESPITE FALLING INCOMES

- Incomes generally decreased from a year ago
- Capital spending also down, Household spending up
- Interest rates up further
- Loan demand and repayment rates steady
- Land values and rents up from a year ago
- Outlook for Q4 2023 somewhat negative
## FARM INCOME DOWN, SPENDING MIXED

<table>
<thead>
<tr>
<th></th>
<th>Increased</th>
<th>Unchanged</th>
<th>Decreased</th>
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<tbody>
<tr>
<td>Farm Income</td>
<td>23%</td>
<td>31%</td>
<td>46%</td>
</tr>
<tr>
<td>Household spending</td>
<td>37%</td>
<td>52%</td>
<td>12%</td>
</tr>
<tr>
<td>Capital spending</td>
<td>21%</td>
<td>44%</td>
<td>35%</td>
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Increased or unchanged income compared with a year ago
CREDIT CONDITIONS

LOAN DEMAND, REPAYMENT RATES, RENEWALS ALL STEADY

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<tbody>
<tr>
<td>Loan demand</td>
<td>25%</td>
<td>52%</td>
<td>23%</td>
</tr>
<tr>
<td>Repayment rates</td>
<td>12%</td>
<td>83%</td>
<td>6%</td>
</tr>
<tr>
<td>Renewals</td>
<td>13%</td>
<td>83%</td>
<td>4%</td>
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LENDERS EXPECT FALLING INCOME IN Q4 2023

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<tbody>
<tr>
<td>Farm Income</td>
<td>17%</td>
<td>23%</td>
<td>60%</td>
</tr>
<tr>
<td>Household Spending</td>
<td>23%</td>
<td>58%</td>
<td>19%</td>
</tr>
<tr>
<td>Capital Spending</td>
<td>17%</td>
<td>31%</td>
<td>52%</td>
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</table>
OUTLOOK FOR INCREASED LOAN DEMAND, REPAYMENT AND RENEWALS IN Q4 2023

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<tbody>
<tr>
<td>Loan demand</td>
<td>38%</td>
<td>33%</td>
<td>29%</td>
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<tr>
<td>Repayment rates</td>
<td>16%</td>
<td>71%</td>
<td>14%</td>
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<tr>
<td>Renewals</td>
<td>17%</td>
<td>77%</td>
<td>6%</td>
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</tbody>
</table>
AG INTEREST RATES CONTINUED TO CLIMB

Average interest rates on agricultural loans
LAND VALUES

LAND VALUES UP FROM LAST YEAR

AVERAGE CHANGE IN PRICE OF NONIRRIGATED FARMLAND, 2022Q3-2023Q3

Ninth District: 7%
Cash Rents

Cash Rents Increased Too
Average change in cash rents for nonirrigated farmland, 2022Q3-2023Q3

Ninth District: 4%
Among agricultural producers in your lending area, how severe is the challenge of securing adequate farm labor?

- 63%: The most important challenge facing producers
- 33%: A serious challenge, but not the most important
- 4%: A minor challenge
- 0%: Not a challenge at all
How would you compare the availability of farm labor in your lending area this year vs...?

Last year:
- Much worse: 0%
- A little worse: 37%
- About the same: 61%

Five years ago:
- Much worse: 17%
- A little worse: 44%
- About the same: 38%
THANK YOU!

QUESTIONS?