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, Q1 2024
  - Farm incomes decreased
  - Land values up
  - Near term outlook is pessimistic
UPCOMING EVENT: MAY 21

Regional Economic Conditions: Construction Sector Outlook

May 21, 2024 | 9:00 – 9:30 a.m. CT
Virtual video event
OUTPUT BY INDUSTRY, 2023, U.S. & NINTH DISTRICT

U.S.

- Agriculture, forestry, fishing, and hunting: 33.2%
- Construction and Mining: 17.0%
- Manufacturing: 20.2%
- Trade, Transportation & Utilities: 11.6%
- Services: 5.9%
- Finance, Insurance & Real Estate: 11.0%
- Government: 1.1%

Ninth District

- Agriculture, forestry, fishing, and hunting: 17.6%
- Construction and Mining: 29.9%
- Manufacturing: 19.3%
- Trade, Transportation & Utilities: 13.7%
- Services: 9.8%
- Finance, Insurance & Real Estate: 6.2%
- Government: 3.5%

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

Billions of dollars (2024)

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
  - April survey: 60 bankers
AGRICULTURE IN SOLID FINANCIAL CONDITION

• Incomes decreased from a year ago
• CapEx also down, Household spending up,
• Interest rates moderated, loan demand increased, repayment rates ticked down,
• Land values and rents up from a year ago
• Outlook for Q2 2024 negative
### FARM INCOME AND SPENDING DOWN

<table>
<thead>
<tr>
<th></th>
<th>Increased</th>
<th>Unchanged</th>
<th>Decreased</th>
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</thead>
<tbody>
<tr>
<td>Farm Income</td>
<td>17%</td>
<td>13%</td>
<td>70%</td>
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<tr>
<td>Household spending</td>
<td>35%</td>
<td>48%</td>
<td>17%</td>
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<tr>
<td>Capital spending</td>
<td>15%</td>
<td>32%</td>
<td>53%</td>
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INCOME TRENDING DOWN OVER PAST YEAR

Increased or unchanged income compared with a year ago
**LOAN DEMAND AND RENEWALS UP, REPAYMENT RATES DOWN**

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<th></th>
<th>Increase</th>
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<tbody>
<tr>
<td>Loan demand</td>
<td>55%</td>
<td>28%</td>
<td>17%</td>
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<tr>
<td>Repayment rates</td>
<td>5%</td>
<td>68%</td>
<td>27%</td>
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<tr>
<td>Renewals</td>
<td>23%</td>
<td>75%</td>
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LENDERS EXPECT INCOME, SPENDING DROP IN Q2 2024

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</tr>
</thead>
<tbody>
<tr>
<td>Farm Income</td>
<td>8%</td>
<td>17%</td>
<td>75%</td>
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<tr>
<td>Household Spending</td>
<td>22%</td>
<td>52%</td>
<td>27%</td>
</tr>
<tr>
<td>Capital Spending</td>
<td>8%</td>
<td>30%</td>
<td>62%</td>
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## OUTLOOK FOR STEADY/INCREASED LOAN DEMAND IN Q2 2023

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<th>Increase</th>
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<tbody>
<tr>
<td>Loan demand</td>
<td>36%</td>
<td>43%</td>
<td>21%</td>
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<tr>
<td>Repayment rates</td>
<td>21%</td>
<td>68%</td>
<td>11%</td>
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<tr>
<td>Renewals</td>
<td>8%</td>
<td>87%</td>
<td>6%</td>
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</tbody>
</table>
AG INTEREST RATES HIGH BUT MODERATING

Average interest rates on agricultural loans

- Operating, fixed
- Operating, var.
- Machinery, fixed
- Machinery, var.
LAND VALUES

LAND VALUES UP FROM LAST YEAR
AVERAGE CHANGE IN PRICE OF NONIRRIGATED FARMLAND, 2023Q1-2024Q1

Ninth District: 3.9%
CASH RENTS INCREASED TOO

AVERAGE CHANGE IN CASH RENTS FOR NONIRRIGATED FARM LAND, 2023Q1-2024Q1
THANK YOU!
QUESTIONS?