

# AGRICULTURAL CONDITIONS IN THE NINTH DISTRICT

November 19, 2021

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FEDERAL RESERVE BANK  
OF MINNEAPOLIS



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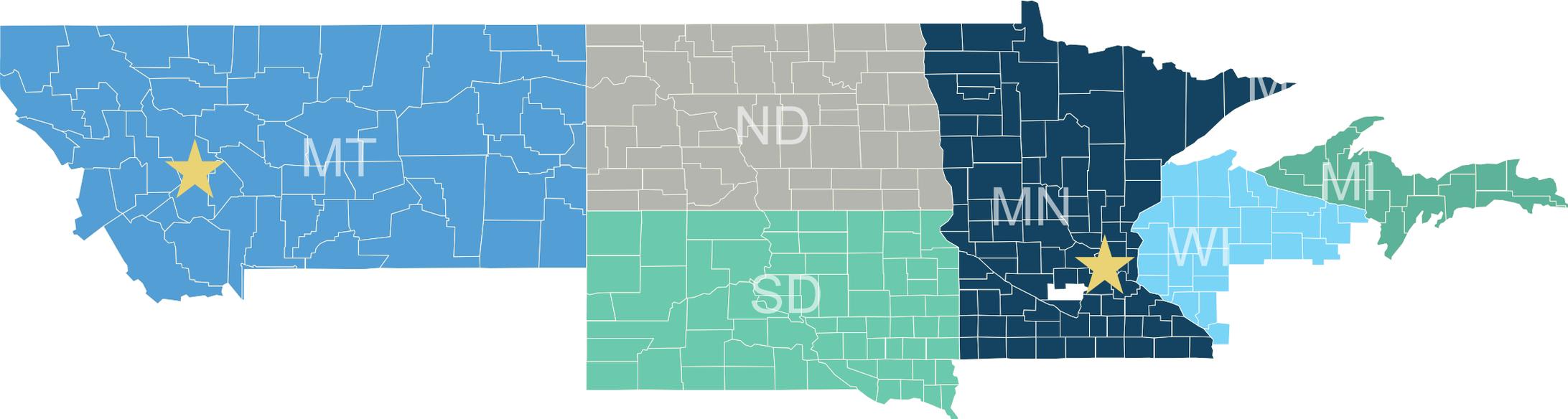
## TODAY'S PRESENTATION

- MPLS Fed ag credit survey
- Survey results, Q3 2021
  - Farm finances holding up, despite drought and supply chain woes
  - Outlook moderate but optimistic
  - Land values surging
  - Drought impact mixed across region



# FEDERAL RESERVE BANK OF MINNEAPOLIS

## THE FED'S NINTH DISTRICT



## 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: 53 bankers**



## **AGRICULTURE SECTOR HOLDING UP IN DROUGHT**

- **Most lenders reporting rising incomes from last year**
- **Capital, household spending up more moderately**
- **Loan repayment steady, loan demand and renewals down**
- **Outlook for Q4 income remains positive on strong commodity prices**
  - **The most drought-stricken areas (MT, N.D.) and livestock producers the biggest exceptions**
- **Land values and rents increased briskly**



# SURVEY RESULTS

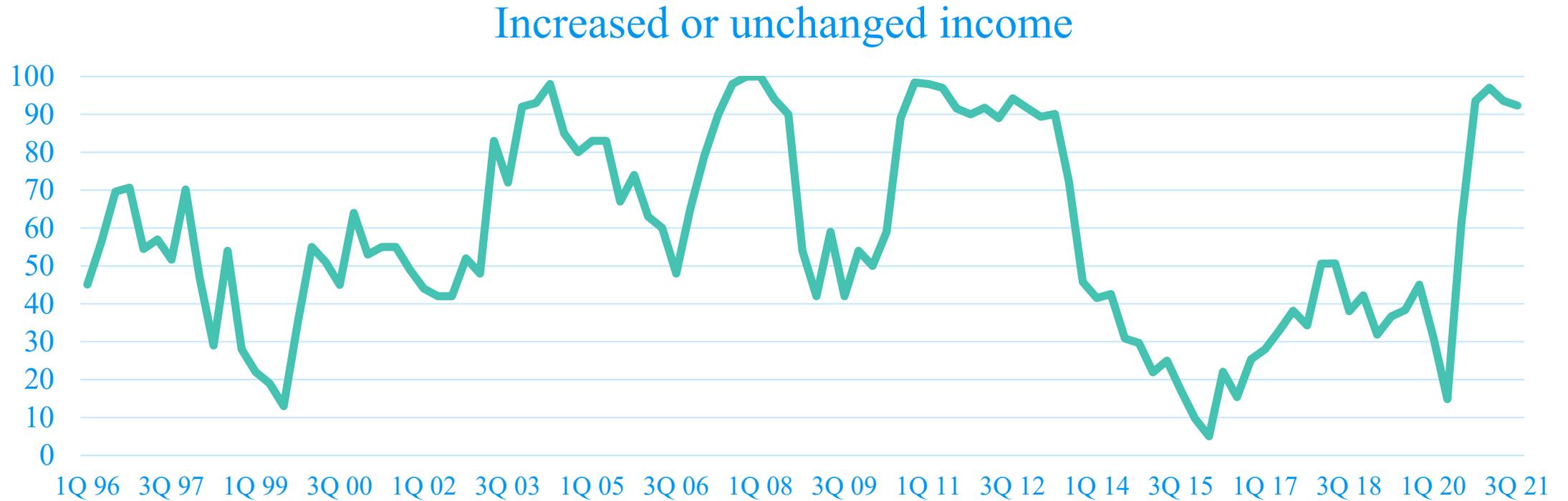
## FARM INCOME AND SPENDING UP

|                           | Increased  | Unchanged  | Decreased  |
|---------------------------|------------|------------|------------|
| <b>Farm Income</b>        | <b>71%</b> | <b>11%</b> | <b>8%</b>  |
| <b>Household spending</b> | <b>46%</b> | <b>48%</b> | <b>6%</b>  |
| <b>Capital spending</b>   | <b>48%</b> | <b>42%</b> | <b>10%</b> |



# SURVEY RESULTS

## BIG BUMP IN FARM INCOME OVER THE LAST YEAR



# SURVEY RESULTS

## LOAN DEMAND/RENEWALS DOWN, REPAYMENT STEADY TO UP

|                        | Increase   | No changed | Decrease   |
|------------------------|------------|------------|------------|
| <b>Loan demand</b>     | <b>17%</b> | <b>40%</b> | <b>43%</b> |
| <b>Repayment rates</b> | <b>45%</b> | <b>53%</b> | <b>2%</b>  |
| <b>Renewals</b>        | <b>8%</b>  | <b>68%</b> | <b>25%</b> |



# SURVEY RESULTS

## LENDERS EXPECT INCREASED INCOME IN Q4

|                           | Increase   | No changed | Decrease   |
|---------------------------|------------|------------|------------|
| <b>Farm Income</b>        | <b>64%</b> | <b>23%</b> | <b>13%</b> |
| <b>Household Spending</b> | <b>49%</b> | <b>45%</b> | <b>6%</b>  |
| <b>Capital Spending</b>   | <b>58%</b> | <b>30%</b> | <b>11%</b> |



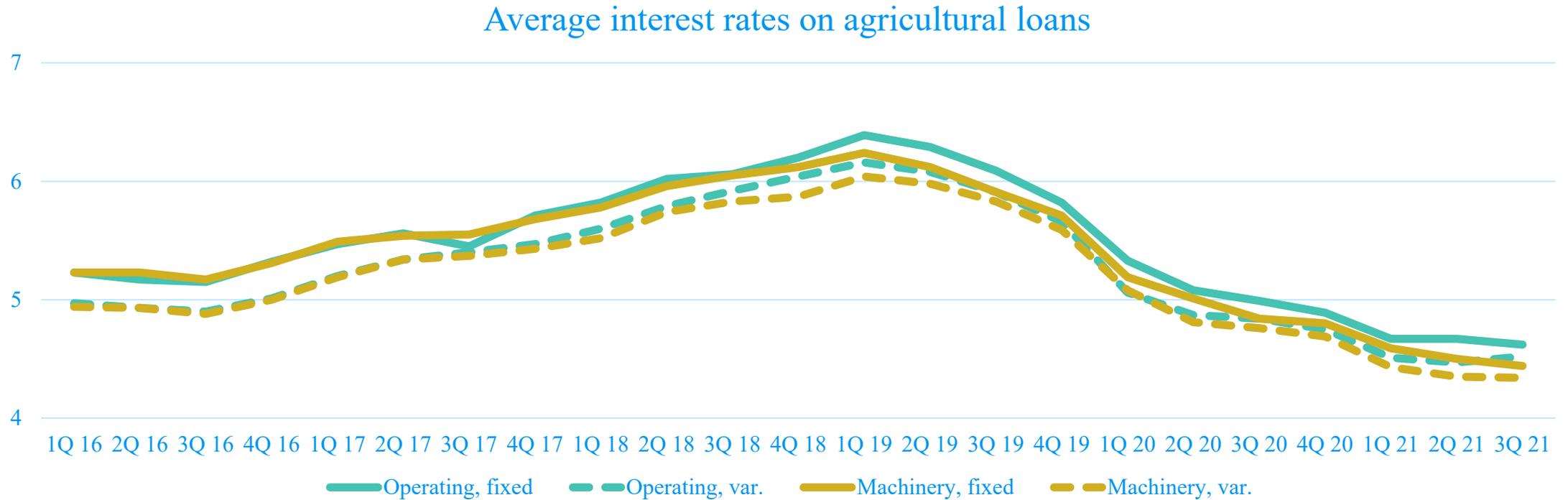
# SURVEY RESULTS

## Q4 OUTLOOK: SLIGHT BUMP IN LOAN DEMAND AND REPAYMENT, RENEWALS STEADY

|                 | Increase | No changed | Decrease |
|-----------------|----------|------------|----------|
| Loan demand     | 38%      | 43%        | 19%      |
| Repayment rates | 38%      | 58%        | 4%       |
| Renewals        | 19%      | 64%        | 17%      |



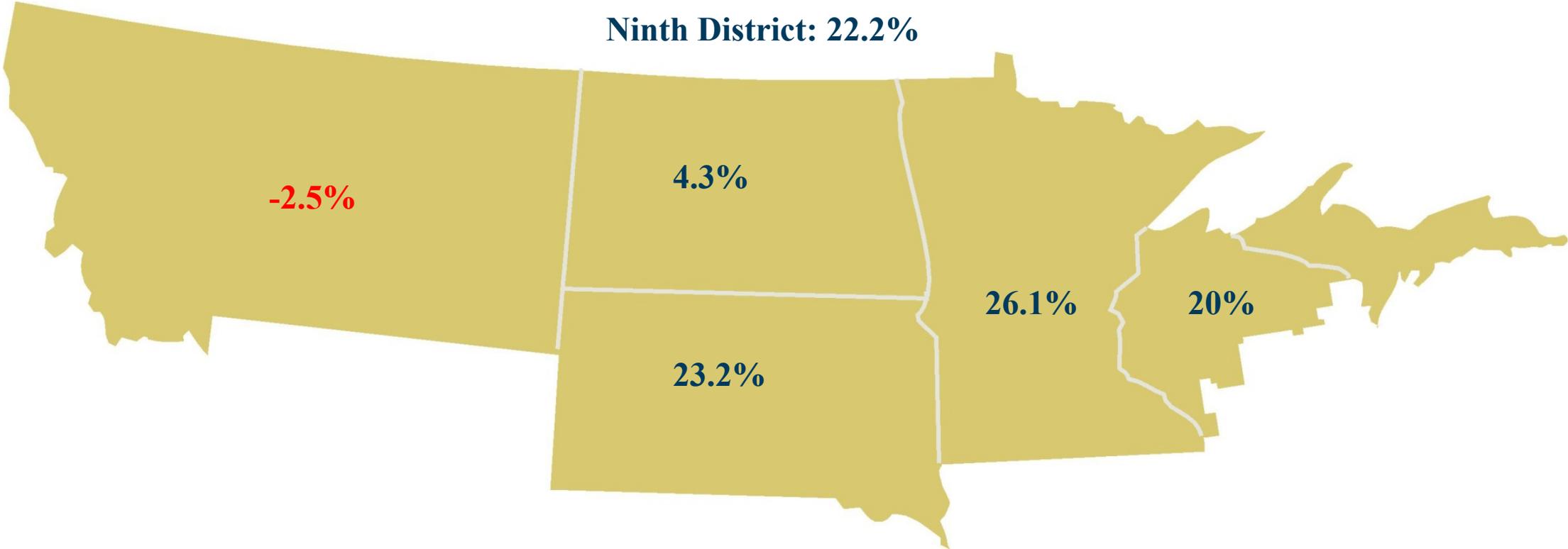
## AG INTEREST RATES CONTINUE TO TREND DOWN



# SURVEY RESULTS

## LAND VALUES SURGING

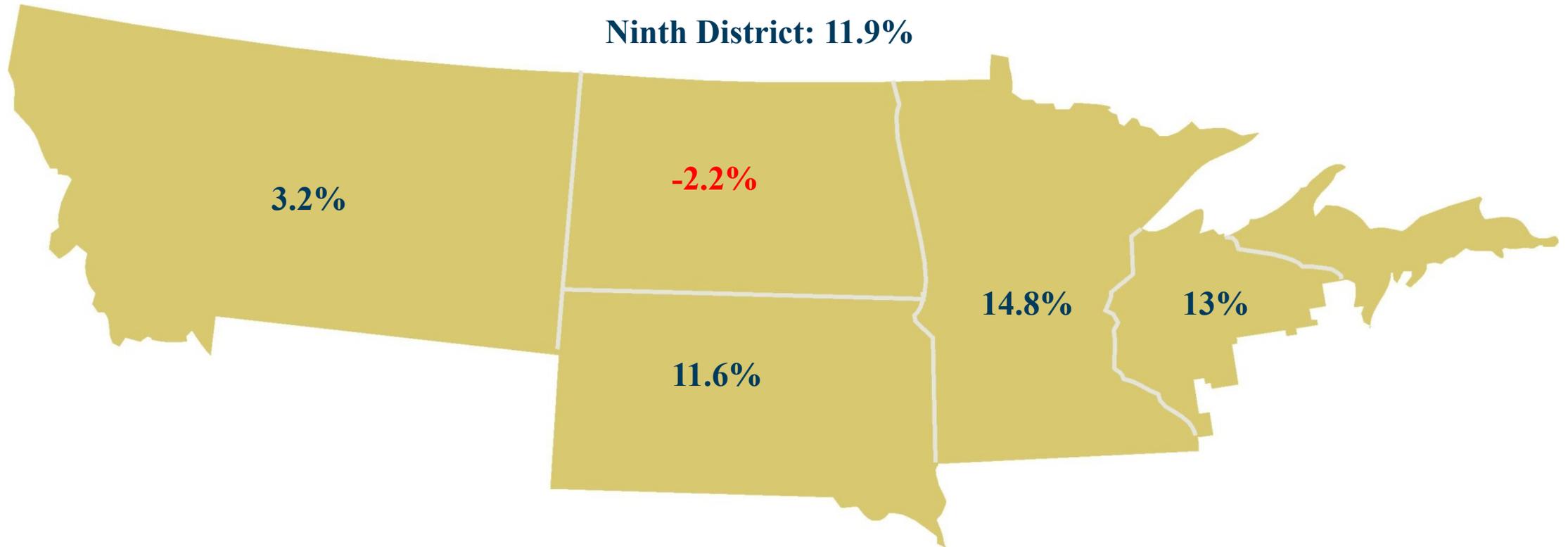
AVERAGE CHANGE IN PRICE OF NONIRRIGATED FARMLAND, 2020Q3-2021Q3



# SURVEY RESULTS

## CASH RENTS JUMPED TOO

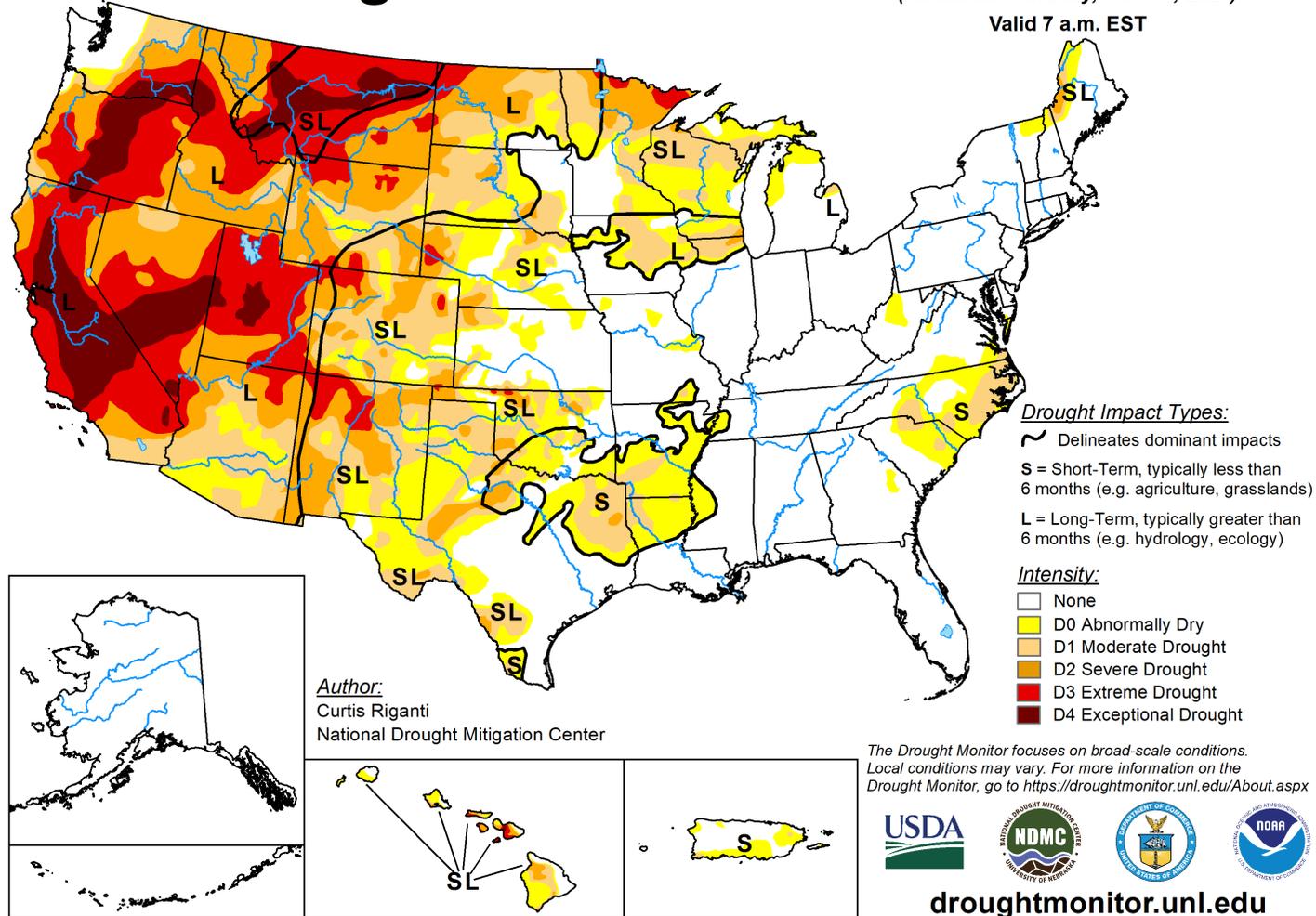
AVERAGE CHANGE IN CASH RENTS FOR NONIRRIGATED FARMLAND, 2020Q1-2021Q1



# DROUGHT: WESTERN DISTRICT STILL EXTREME, TIMELY RAINS HELPED FURTHER EAST

## U.S. Drought Monitor

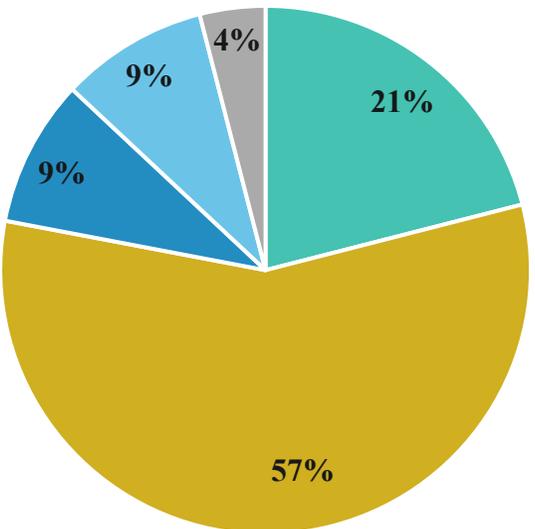
November 9, 2021  
 (Released Thursday, Nov. 11, 2021)  
 Valid 7 a.m. EST



# DROUGHT IMPACTS

## MOST LENDERS REPORT MODEST NEGATIVE IMPACT FROM DROUGHT

What has been the impact of drought on financial conditions of farm operations in your lending area?



- Significant negative impact
- Modest negative impact
- No impact from drought
- Modest positive impact
- Significant positive impact



# TRACKING THE RECOVERY: FUTURE SURVEYS & WEBINARS

- Upcoming surveys
  - **Construction survey** in field Nov. 15-22
    - REC Update webinar – Friday, Dec. 3 @ 9:00am
  - **Hospitality & Tourism survey**
    - In field after Thanksgiving
  - **Manufacturing survey**
    - In field now, results in January





**THANK YOU!  
QUESTIONS?**