AGRICULTURAL CONDITIONS IN THE NINTH DISTRICT

November 19, 2021

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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

- 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
AG CREDIT CONDITIONS SURVEY

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

<table>
<thead>
<tr>
<th></th>
<th>Increased</th>
<th>Unchanged</th>
<th>Decreased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm Income</td>
<td>71%</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>Household spending</td>
<td>46%</td>
<td>48%</td>
<td>6%</td>
</tr>
<tr>
<td>Capital spending</td>
<td>48%</td>
<td>42%</td>
<td>10%</td>
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</table>
BIG BUMP IN FARM INCOME OVER THE LAST YEAR

Increased or unchanged income
## LOAN DEMAND/RENEWALS DOWN, REPAYMENT STEADY TO UP

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<thead>
<tr>
<th></th>
<th>Increase</th>
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</thead>
<tbody>
<tr>
<td>Loan demand</td>
<td>17%</td>
<td>40%</td>
<td>43%</td>
</tr>
<tr>
<td>Repayment rates</td>
<td>45%</td>
<td>53%</td>
<td>2%</td>
</tr>
<tr>
<td>Renewals</td>
<td>8%</td>
<td>68%</td>
<td>25%</td>
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</tbody>
</table>
# Survey Results

## Lenders Expect Increased Income in Q4

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<tr>
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<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm Income</td>
<td>64%</td>
<td>23%</td>
<td>13%</td>
</tr>
<tr>
<td>Household Spending</td>
<td>49%</td>
<td>45%</td>
<td>6%</td>
</tr>
<tr>
<td>Capital Spending</td>
<td>58%</td>
<td>30%</td>
<td>11%</td>
</tr>
</tbody>
</table>
**Q4 OUTLOOK: SLIGHT BUMP IN LOAN DEMAND AND REPAYMENT, RENEWALS STEADY**

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</tr>
</thead>
<tbody>
<tr>
<td>Loan demand</td>
<td>38%</td>
<td>43%</td>
<td>19%</td>
</tr>
<tr>
<td>Repayment rates</td>
<td>38%</td>
<td>58%</td>
<td>4%</td>
</tr>
<tr>
<td>Renewals</td>
<td>19%</td>
<td>64%</td>
<td>17%</td>
</tr>
</tbody>
</table>
AG INTEREST RATES CONTINUE TO TREND DOWN

Average interest rates on agricultural loans

Operating, fixed
Operating, var.
Machinery, fixed
Machinery, var.
SURVEY RESULTS

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

Ninth District: 22.2%

-2.5%, 4.3%, 23.2%, 26.1%, 20%
CASH RENTS JUMPED TOO
AVERAGE CHANGE IN CASH RENTS FOR NONIRRIGATED FARMLAND, 2020Q1-2021Q1

Ninth District: 11.9%

- 3.2%
- -2.2%
- 11.6%
- 14.8%
- 13%
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 Impact Types:
- Delineates dominant impacts
- S = Short-Term, typically less than 6 months (e.g., agriculture, grasslands)
- L = Long-Term, typically greater than 6 months (e.g., hydrology, ecology)

Intensity:
- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

Author:
Curtis Riganti
National Drought Mitigation Center

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

- Significant negative impact: 4%
- Modest negative impact: 9%
- No impact from drought: 21%
- Modest positive impact: 9%
- Significant positive impact: 57%
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?