May 13, 2021

Joe Mahon
Regional Outreach Director

AGRICULTURAL CONDITIONS IN THE NINTH DISTRICT

Federal Reserve Bank of Minneapolis
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.
Accelerated survey work due to the pandemic; complements existing work

- Quarterly: General business, construction, hospitality & tourism, & ag credit
- Annual: Manufacturing, professional services

Minneapolis Fed connecting with more businesses across the Ninth District

Webinars help disseminate and discuss what businesses are telling us about current conditions
TODAY’S PRESENTATION

- MPLS Fed ag credit survey
- Survey results Q1 2021
  - Conditions much improved
  - Outlook optimistic
THE FEDERAL RESERVE SYSTEM
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: 67 bankers
SURVEY RESULTS

AGRICULTURE SECTOR IN RECOVERY

• Most lenders reporting rising incomes from last year
• Capital, household spending up more moderately
• Loan repayment up, loan demand and renewals down
• Outlook for Q2 income positive
  • Lenders cited improved crop prices, good yields, gov’t aid, as reasons
• Land values and rents increased briskly
• Concerns in some areas about drought conditions
# Farm Income and Spending Up

## Survey Results

<table>
<thead>
<tr>
<th></th>
<th>Increased</th>
<th>Unchanged</th>
<th>Decreased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm Income</td>
<td>87%</td>
<td>10%</td>
<td>3%</td>
</tr>
<tr>
<td>Household spending</td>
<td>46%</td>
<td>48%</td>
<td>6%</td>
</tr>
<tr>
<td>Capital spending</td>
<td>58%</td>
<td>36%</td>
<td>6%</td>
</tr>
</tbody>
</table>
BIG BUMP IN FARM INCOME LAST SIX MONTHS

Increased or unchanged income
## Survey Results

**Loan Demand/Renewals Down, Repayment Rates Up**

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<thead>
<tr>
<th></th>
<th>Increase</th>
<th>No changed</th>
<th>Decrease</th>
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</thead>
<tbody>
<tr>
<td>Loan demand</td>
<td>21%</td>
<td>38%</td>
<td>41%</td>
</tr>
<tr>
<td>Repayment rates</td>
<td>60%</td>
<td>37%</td>
<td>3%</td>
</tr>
<tr>
<td>Renewals</td>
<td>9%</td>
<td>67%</td>
<td>24%</td>
</tr>
</tbody>
</table>
# LENDERS EXPECT INCREASED INCOME IN Q2

<table>
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<tr>
<th></th>
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<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm Income</td>
<td>73%</td>
<td>22%</td>
<td>4%</td>
</tr>
<tr>
<td>Household Spending</td>
<td>46%</td>
<td>48%</td>
<td>6%</td>
</tr>
<tr>
<td>Capital Spending</td>
<td>58%</td>
<td>36%</td>
<td>6%</td>
</tr>
</tbody>
</table>
### Q2 Outlook: Increased Repayment, Flat Demand/Renewals

**Survey Results**

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<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan demand</td>
<td>28%</td>
<td>40%</td>
<td>31%</td>
</tr>
<tr>
<td>Repayment rates</td>
<td>52%</td>
<td>45%</td>
<td>3%</td>
</tr>
<tr>
<td>Renewals</td>
<td>9%</td>
<td>64%</td>
<td>27%</td>
</tr>
</tbody>
</table>
AG INTEREST RATES CONTINUE TO TREND DOWN

Average interest rates on agricultural loans

SURVEY RESULTS
LAND VALUES UP
AVERAGE CHANGE IN PRICE OF NONIRRIGATED FARMLAND, 2020Q1-2021Q1

Ninth District: 6.8%

-14.3%
5.6%
7.4%
10.3%
-15%
CASH RENTS JUMPED TOO

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

Ninth District: 7.7%

0%

7.7%

3.1%

7.1%

23.8%
KEY RISK: DROUGHT CONDITIONS WORSENING
THANK YOU!

QUESTIONS?