

AGRICULTURAL CONDITIONS IN THE NINTH DISTRICT

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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.



REGIONAL ECONOMIC CONDITIONS (REC) WEBINAR SERIES

- 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



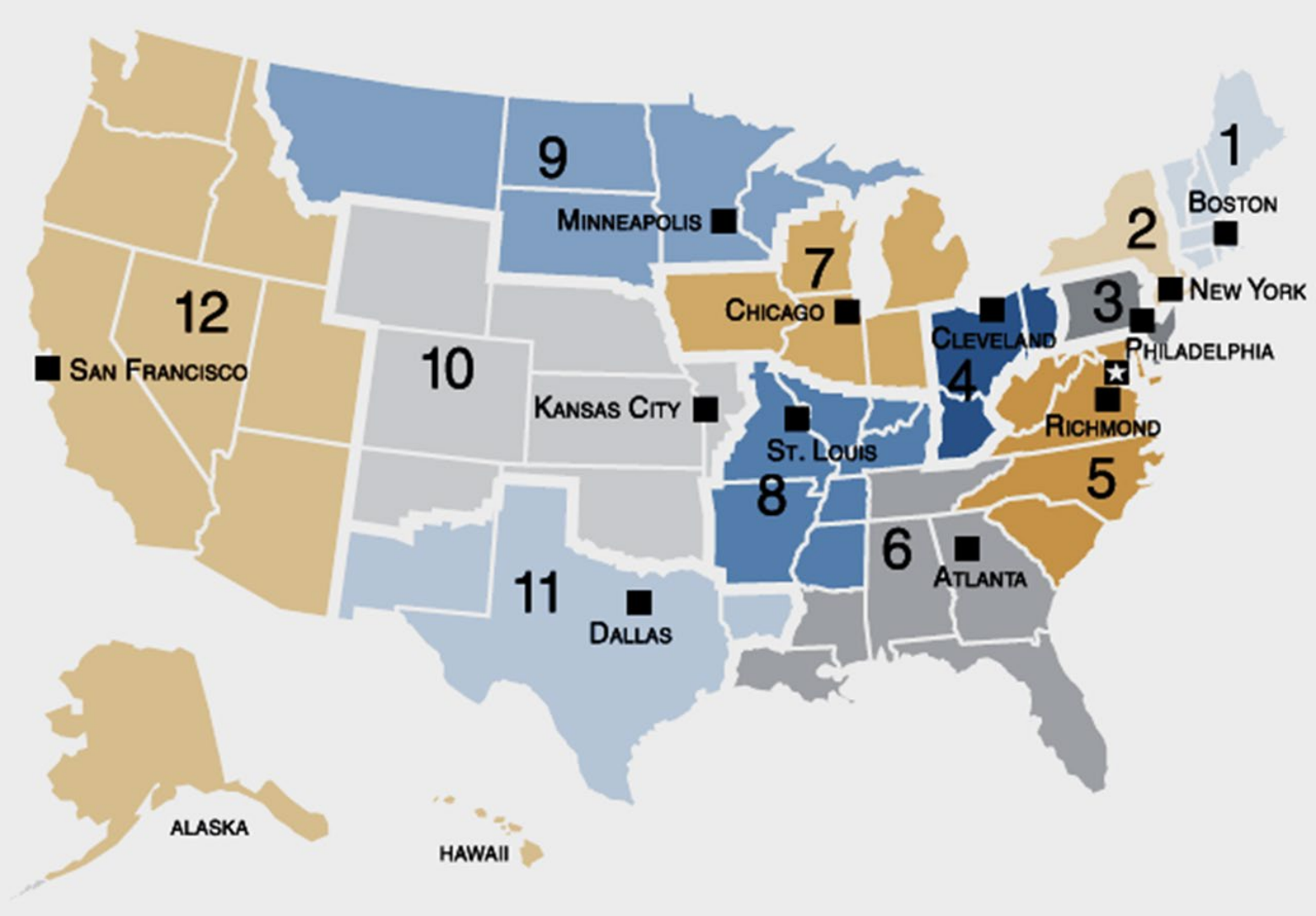


TODAY'S PRESENTATION

- 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**



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**



SURVEY RESULTS

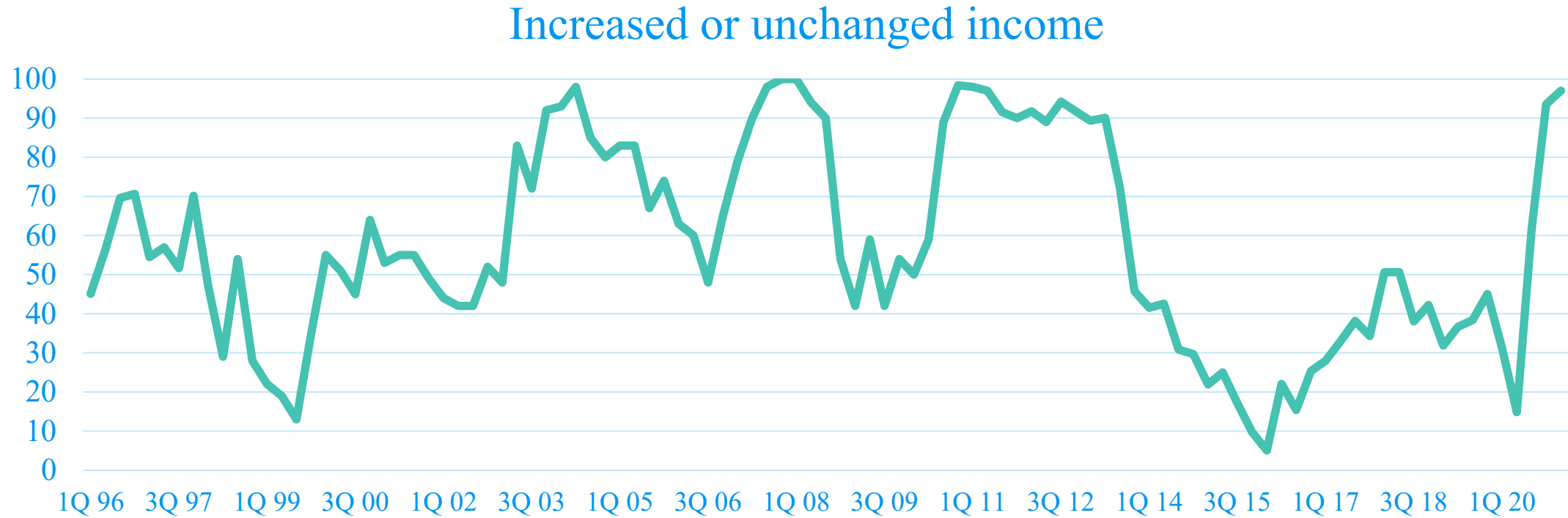
FARM INCOME AND SPENDING UP

	Increased	Unchanged	Decreased
Farm Income	87%	10%	3%
Household spending	46%	48%	6%
Capital spending	58%	36%	6%



SURVEY RESULTS

BIG BUMP IN FARM INCOME LAST SIX MONTHS



SURVEY RESULTS

LOAN DEMAND/RENEWALS DOWN, REPAYMENT RATES UP

	Increase	No changed	Decrease
Loan demand	21%	38%	41%
Repayment rates	60%	37%	3%
Renewals	9%	67%	24%



SURVEY RESULTS

LENDERS EXPECT INCREASED INCOME IN Q2

	Increase	No changed	Decrease
Farm Income	73%	22%	4%
Household Spending	46%	48%	6%
Capital Spending	58%	36%	6%



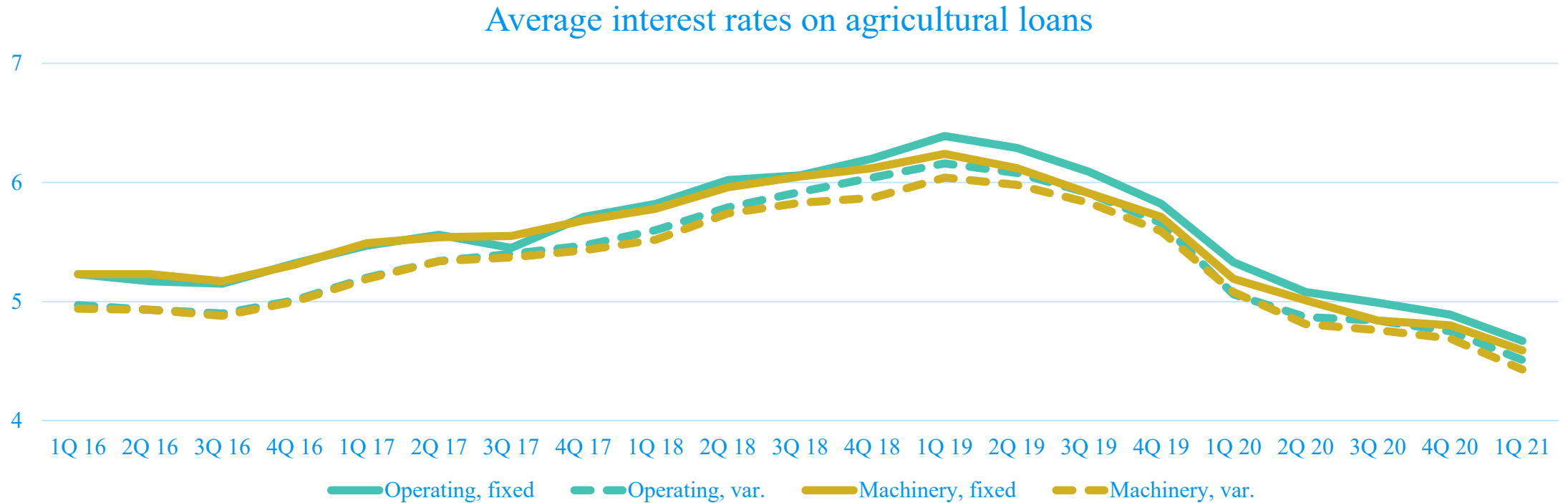
SURVEY RESULTS

Q2 OUTLOOK: INCREASED REPAYMENT, FLAT DEMAND/RENEWALS

	Increase	No changed	Decrease
Loan demand	28%	40%	31%
Repayment rates	52%	45%	3%
Renewals	9%	64%	27%



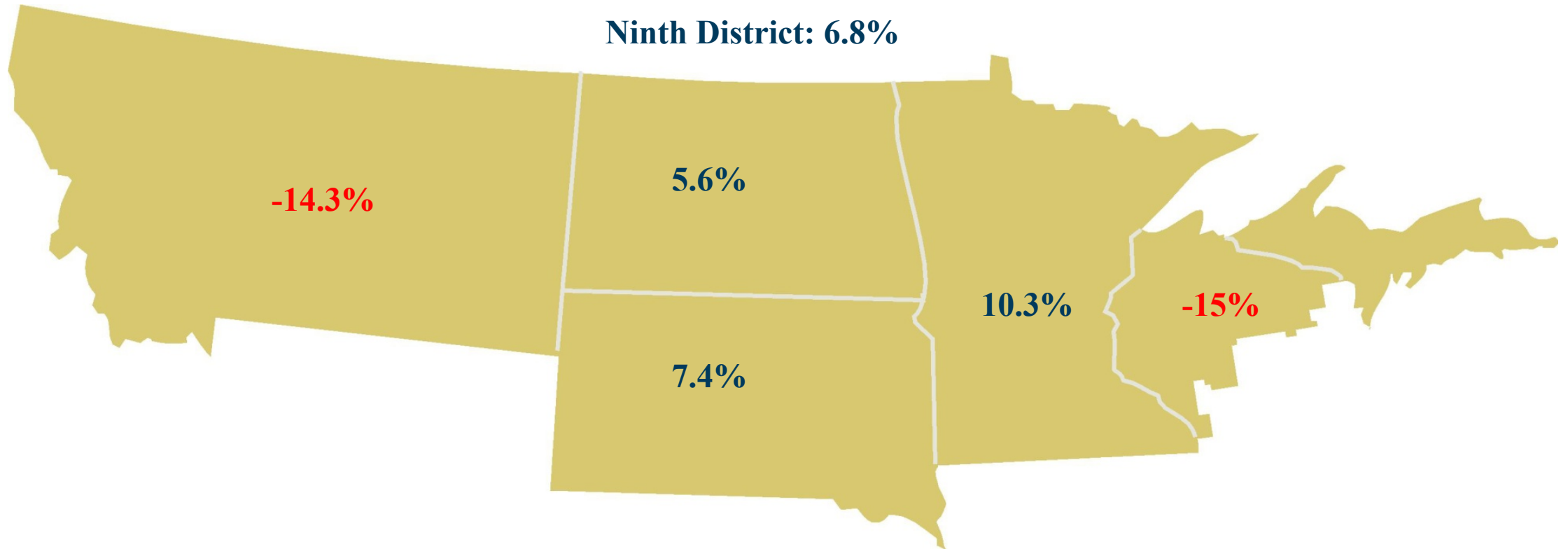
AG INTEREST RATES CONTINUE TO TREND DOWN



SURVEY RESULTS

LAND VALUES UP

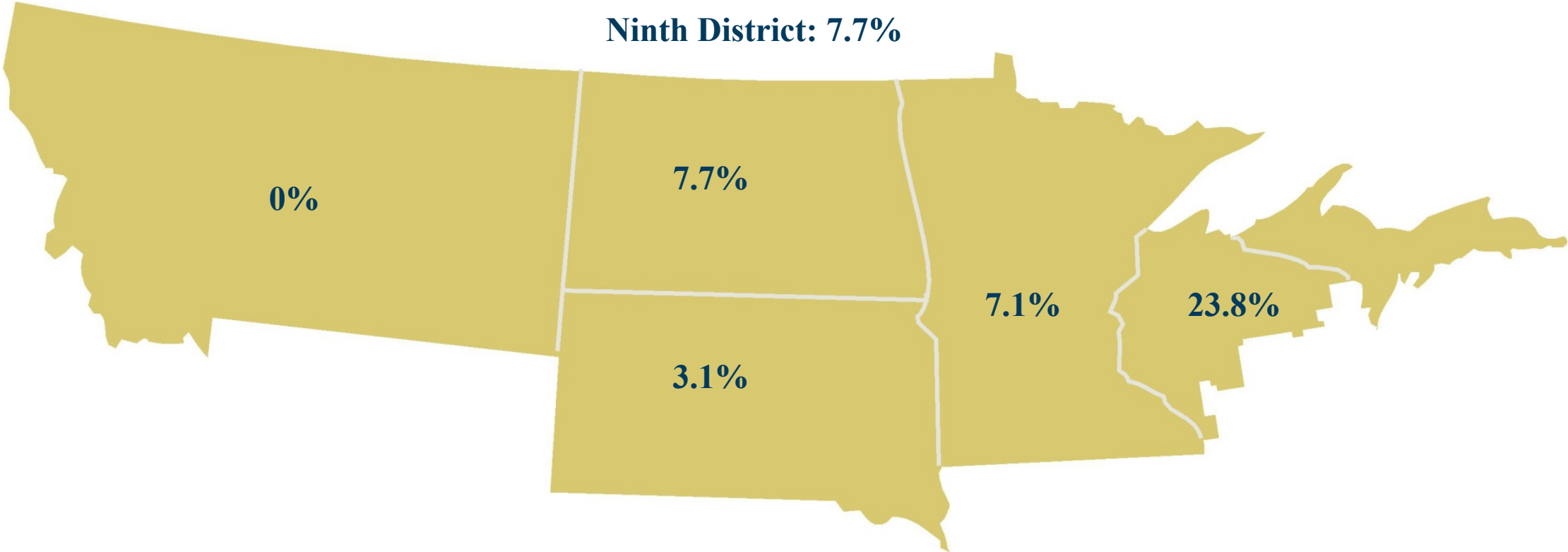
AVERAGE CHANGE IN PRICE OF NONIRRIGATED FARMLAND, 2020Q1-2021Q1



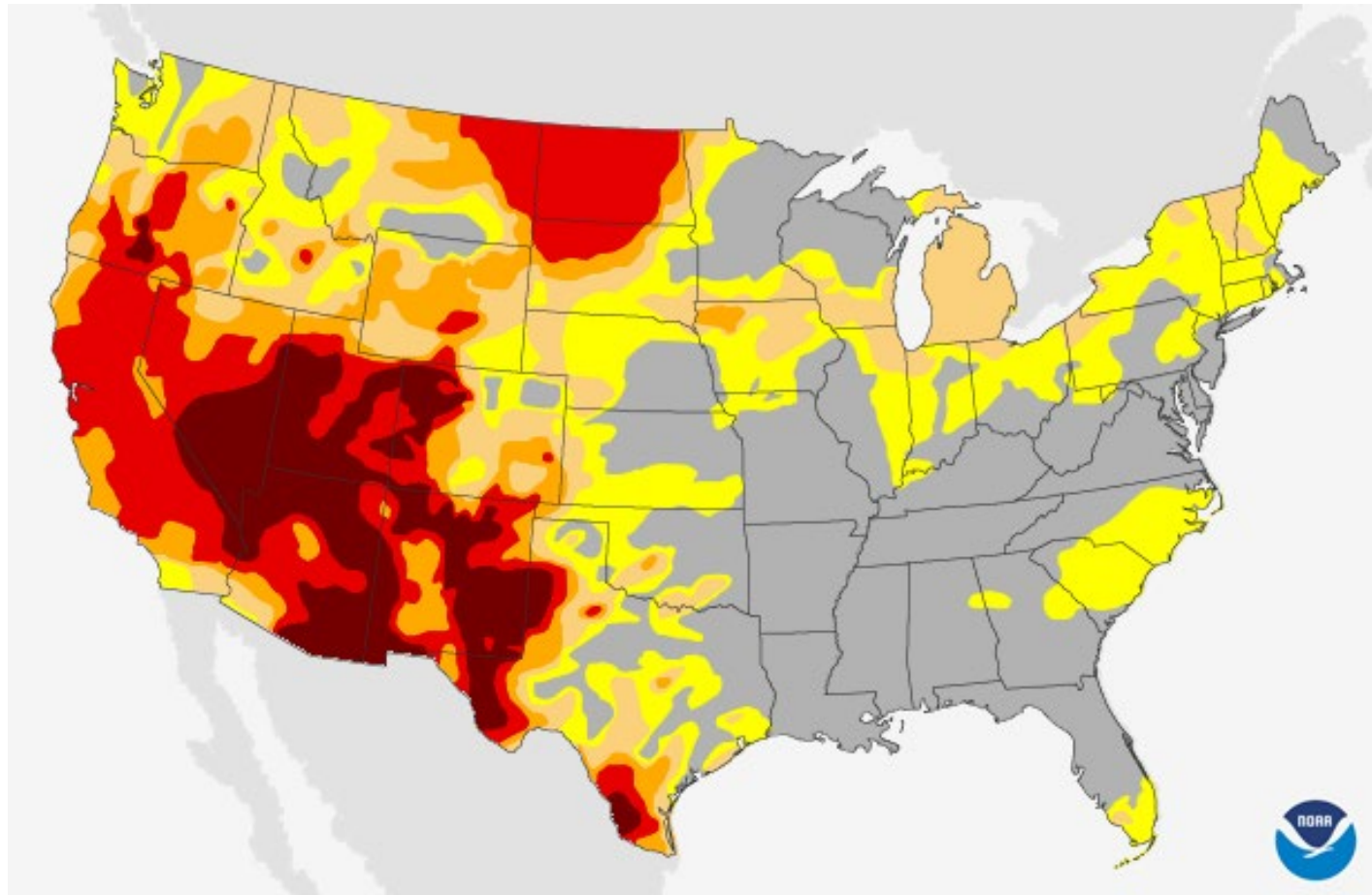
SURVEY RESULTS

CASH RENTS JUMPED TOO

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



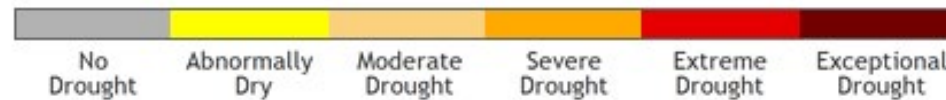
KEY RISK: DROUGHT CONDITIONS WORSENING



May 4, 2021



Climate.gov
Data: NDMC



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THANK YOU!
QUESTIONS?