AGRICULTURAL CONDITIONS IN THE NINTH DISTRICT

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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 2022
  - Farm incomes continued to climb
  - Land values up further
  - Outlook generally positive
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: 49 bankers
AGRICULTURE IN SOLID FINANCIAL CONDITION

• Incomes rose (except in drought areas), despite higher input costs
• Capital, household spending up as well
• Loan repayment up, loan demand down
• Land values and rents up sharply from a year ago
• Outlook for Q4 income remains positive
## Farm Income and Spending Up

<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>73%</td>
<td>19%</td>
<td>8%</td>
</tr>
<tr>
<td>Household spending</td>
<td>56%</td>
<td>40%</td>
<td>4%</td>
</tr>
<tr>
<td>Capital spending</td>
<td>40%</td>
<td>42%</td>
<td>19%</td>
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INCOME REMAINED VERY STRONG

Increased or unchanged income compared with a year ago
## Credit Conditions

### Loan Demand Down, Repayment Rates Up, Renewals Steady

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<tr>
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<th>Increase</th>
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</thead>
<tbody>
<tr>
<td>Loan demand</td>
<td>27%</td>
<td>29%</td>
<td>45%</td>
</tr>
<tr>
<td>Repayment rates</td>
<td>43%</td>
<td>53%</td>
<td>4%</td>
</tr>
<tr>
<td>Renewals</td>
<td>10%</td>
<td>78%</td>
<td>12%</td>
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</table>
### MOST LENDERS EXPECT INCREASED INCOME IN Q4

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</thead>
<tbody>
<tr>
<td>Farm Income</td>
<td>51%</td>
<td>31%</td>
<td>18%</td>
</tr>
<tr>
<td>Household Spending</td>
<td>47%</td>
<td>43%</td>
<td>10%</td>
</tr>
<tr>
<td>Capital Spending</td>
<td>43%</td>
<td>31%</td>
<td>27%</td>
</tr>
</tbody>
</table>
**Mixed Outlook for Loan Demand in Q4**

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</thead>
<tbody>
<tr>
<td>Loan demand</td>
<td>35%</td>
<td>35%</td>
<td>31%</td>
</tr>
<tr>
<td>Repayment rates</td>
<td>41%</td>
<td>53%</td>
<td>6%</td>
</tr>
<tr>
<td>Renewals</td>
<td>12%</td>
<td>73%</td>
<td>14%</td>
</tr>
</tbody>
</table>
AG INTEREST RATES UP SHARPLY SINCE SPRING

Average interest rates on agricultural loans

1Q 16 2Q 16 3Q 16 4Q 16 1Q 17 2Q 17 3Q 17 4Q 17 1Q 18 2Q 18 3Q 18 4Q 18 1Q 19 2Q 19 3Q 19 4Q 19 1Q 20 2Q 20 3Q 20 4Q 20 1Q 21 2Q 21 3Q 21 4Q 21 1Q 22 2Q 22 3Q 22

Operating, fixed  Operating, var.  Machinery, fixed  Machinery, var.
What changes occurred in farm borrower liquidity during the previous three months compared to the same months a year ago?

What changes do you expect in farm borrower liquidity during the next three months compared to the same months a year ago?
LAND VALUES UP FROM LAST YEAR
AVERAGE CHANGE IN PRICE OF NONIRRIGATED FARMLAND, 2021Q3-2022Q3

Ninth District: 20%
CASH RENTS INCREASED TOO
AVERAGE CHANGE IN CASH RENTS FOR NONIRRIGATED FARMLAND, 2021Q3-2022Q3

Ninth District: 11%
CONDITIONS AND OUTLOOK VARY ACROSS REGION

“Farmers are knowing that input expenses will remain high for the coming year and will retain some cash for that—Minn.

“Good prices, dry conditions, higher interest rates.” — S.D.

“Good crops and higher commodity prices is putting more cash in the farmers’ pockets.” — N.D.

“Farm income is decreasing due to lower commodity prices and higher expenses. Demand for additional operating loans was very high these past 3 months.” — N.D.

“Crops are fair to above average, but finding machinery and a harvest workforce will make it tougher to get the crop that is there.” — N.D.
THANK YOU!

QUESTIONS?