

AGRICULTURAL CONDITIONS IN THE NINTH DISTRICT

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FEDERAL RESERVE BANK
OF MINNEAPOLIS

DISCLAIMER

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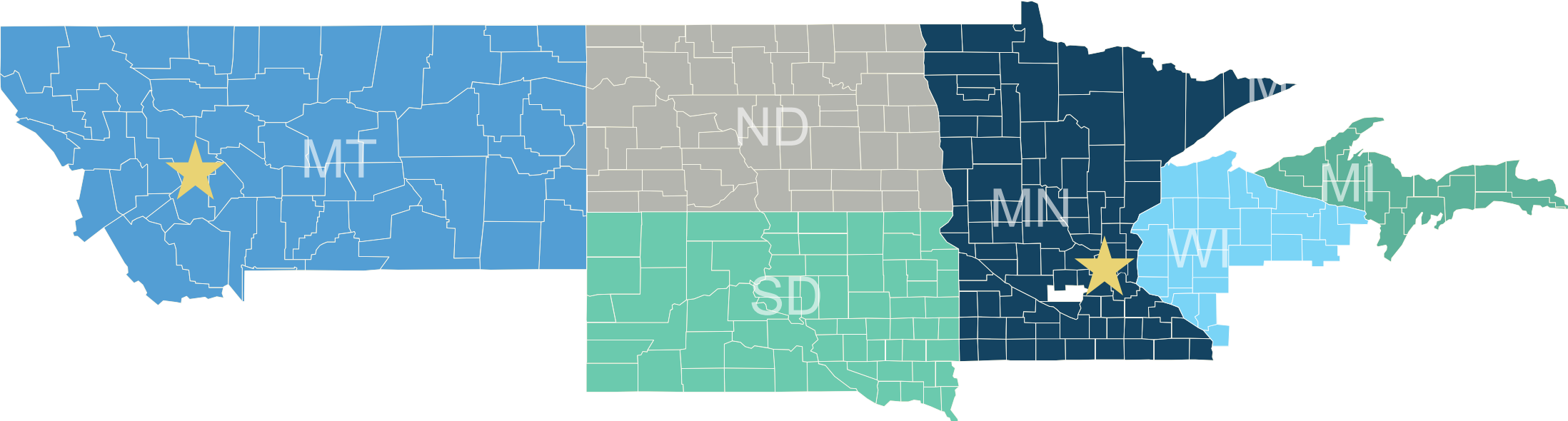
TODAY'S PRESENTATION

- MPLS Fed ag credit survey
- Survey results, Q1 2022
 - Farm income strong
 - Land values soaring
 - Outlook positive, input costs rising



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**
 - **April survey: 54 bankers**



AGRICULTURE SECTOR IN STRONG FINANCIAL CONDITION

- **Incomes rose, as commodity prices outpaced input costs**
- **Capital, household spending up as well**
- **Loan repayment up, loan demand down**
- **Outlook for Q2 income remains positive, but some concerns about longer terms sustainability given rising production costs**
- **Land values and rents increased briskly**



FARM INCOME

FARM INCOME AND SPENDING UP

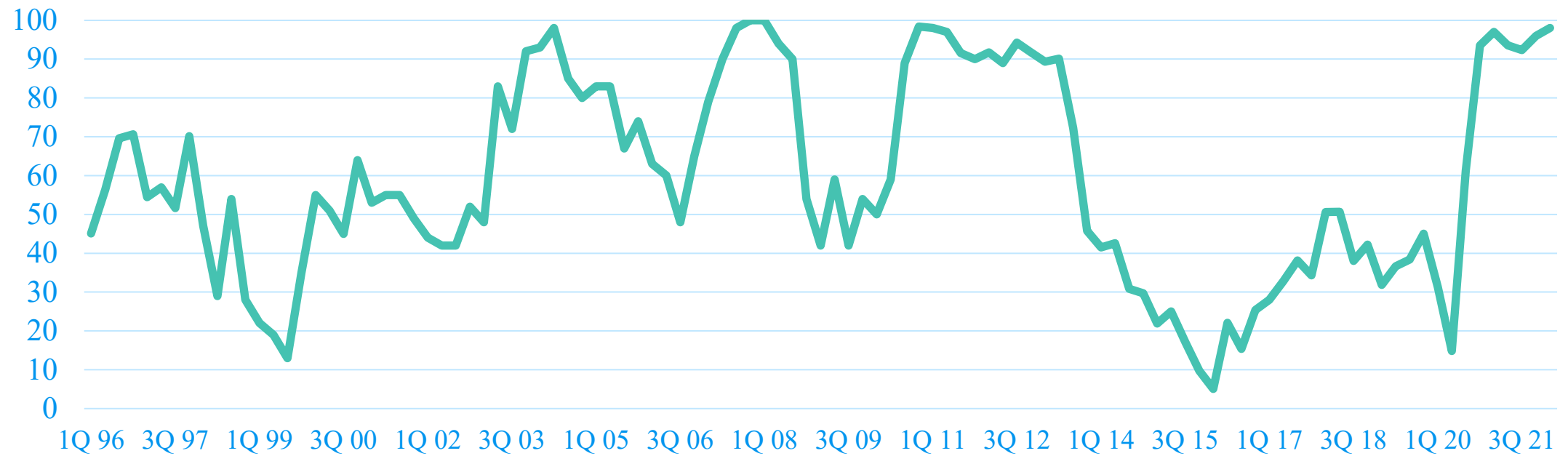
	Increased	Unchanged	Decreased
Farm Income	87%	11%	2%
Household spending	70%	28%	2%
Capital spending	68%	25%	8%



FARM INCOME

INCOME REMAINED VERY STRONG

Increased or unchanged income compared with a year ago



CREDIT CONDITIONS

LOAN DEMAND DOWN, REPAYMENT RATES UP, RENEWALS STEADY

	Increase	No changed	Decrease
Loan demand	22%	28%	50%
Repayment rates	70%	28%	2%
Renewals	11%	61%	28%



LENDERS EXPECT INCREASED INCOME IN Q2

	Increase	No changed	Decrease
Farm Income	70%	22%	7%
Household Spending	59%	37%	4%
Capital Spending	49%	42%	9%



OUTLOOK

SLIGHT BUMP IN LOAN DEMAND, BIG INCREASE IN REPAYMENT, STEADY RENEWALS EXPECTED IN Q2

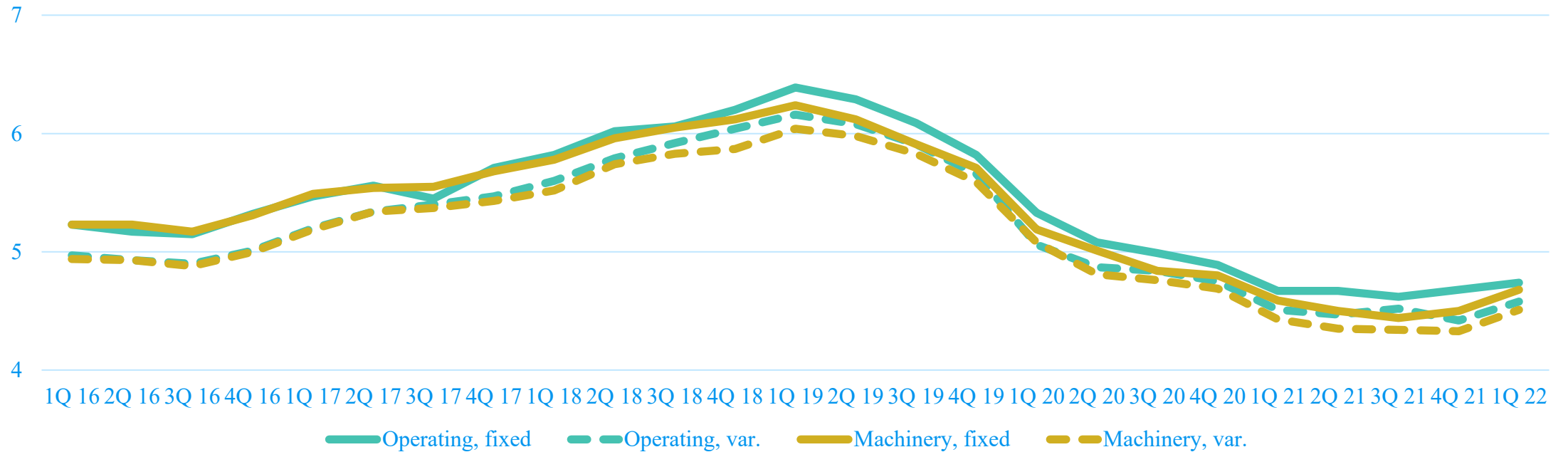
	Increase	No changed	Decrease
Loan demand	39%	26%	35%
Repayment rates	50%	44%	6%
Renewals	11%	70%	19%



INTEREST RATES

AG INTEREST RATES TURNED BACK UPWARD

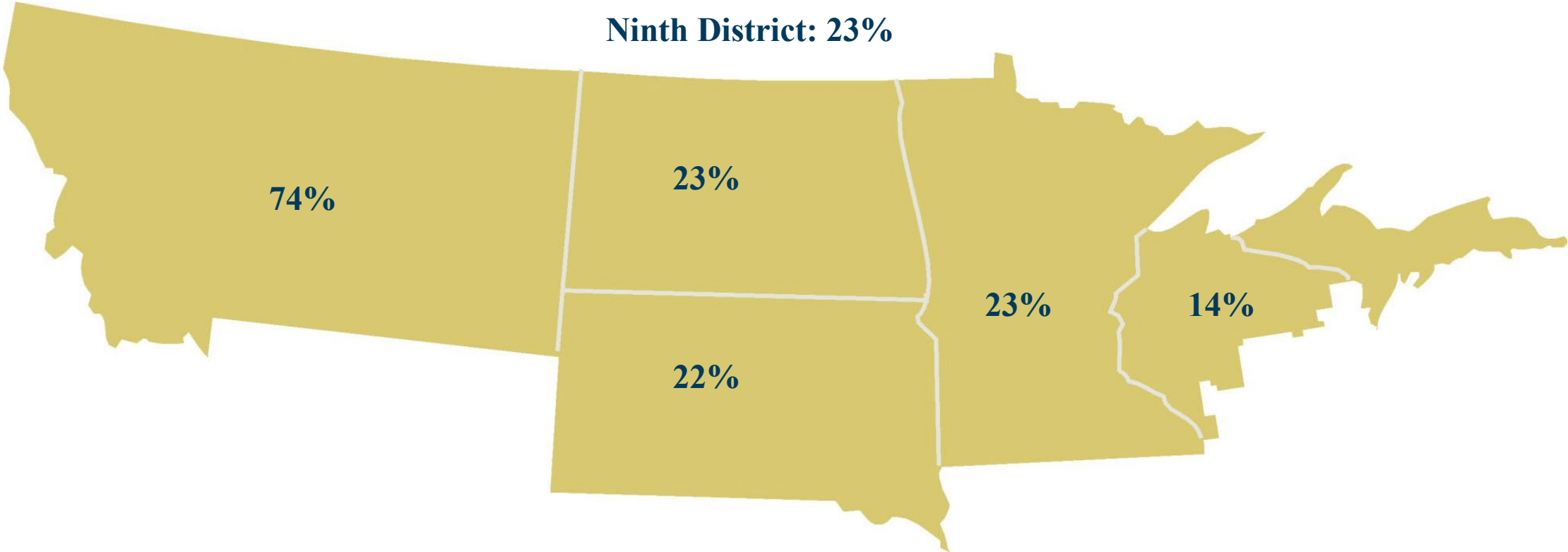
Average interest rates on agricultural loans



LAND VALUES

LAND VALUES SOARING

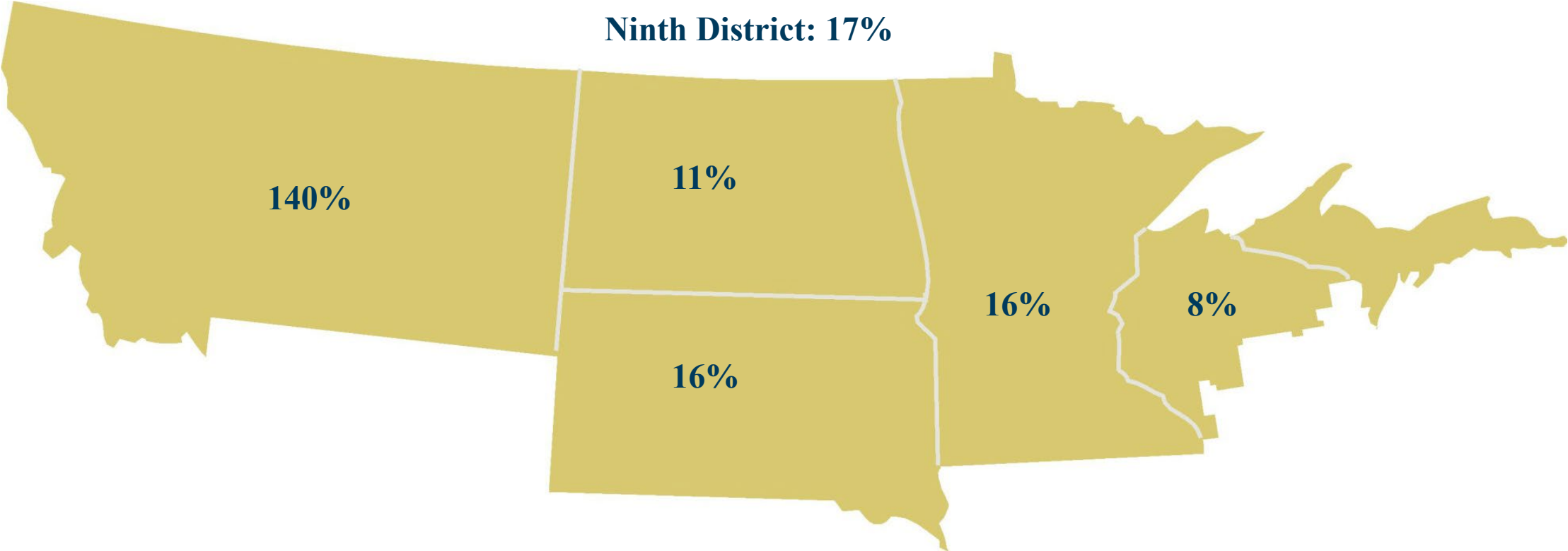
AVERAGE CHANGE IN PRICE OF NONIRRIGATED FARMLAND, 2021Q1-2022Q1



CASH RENTS

CASH RENTS SPIKED TOO

AVERAGE CHANGE IN CASH RENTS FOR NONIRRIGATED FARMLAND, 2021Q1-2022Q1



LENDERS CONCERNED ABOUT RISING COSTS

“Rising crop inputs, rising interest rates are greatly increasing the cost of production of commodities. At current commodity price levels, cashflows still work well. However, when markets return to historic averages, cashflow will become difficult.”

“Inflation is way too high!!!”

“Some farmers are considering not putting in crops due to the increased input cost and the uncertainty of getting the inputs.”

“Continued drought, High fuel prices, High fertilizer prices, High chemical prices, Anticipated increase in interest rates.”





**THANK YOU!
QUESTIONS?**