Economic Overview

Alan D. Barkema
Senior Vice President
The U.S. Economy

- Growth has slowed
- Employment has softened
- Inflation pressures have risen
Growth has slowed

Gross Domestic Product

Percent change from previous period, annualized

Source: U.S. Bureau of Economic Analysis
Strong exports and business investment have partially offset weak housing

Components of GDP
2007

Percent change from previous year

Total GDP: 2.2
Consumer spending: 2.9
Residential investment: -17.0
Business investment: 4.7
Exports: 8.1
Government spending: 2.0

Source: U.S. Bureau of Economic Analysis
Employment has softened

Payroll Employment

Change from previous month, thousands

Source: U.S. Bureau of Labor Statistics
Unemployment has edged up

Unemployment Rate

Source: U.S. Bureau of Labor Statistics
Inflation pressures have risen

Consumer Price Index

Percent change from a year ago

Source: U.S. Bureau of Labor Statistics
The outlook suggests gradual strengthening

Federal Reserve Central Tendency Projections
February 2008

<table>
<thead>
<tr>
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<th>2008</th>
<th>2009</th>
<th>2010</th>
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</thead>
<tbody>
<tr>
<td>Real GDP</td>
<td>1.3 to 2.0%</td>
<td>2.1 to 2.7%</td>
<td>2.5 to 3.0%</td>
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<tr>
<td>Core inflation</td>
<td>2.0 to 2.2%</td>
<td>1.7 to 2.0%</td>
<td>1.7 to 1.9%</td>
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<tr>
<td>Unemployment</td>
<td>5.2 to 5.3%</td>
<td>5.0 to 5.3%</td>
<td>4.9 to 5.1%</td>
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The Kansas Economy

- Some slowing, but outpacing the nation
- Housing downturn less severe than elsewhere
- A recent slowdown in manufacturing activity
- Another farm boom
Kansas job growth has slowed but remains stronger than in the nation.
Inventories of unsold homes are down in Kansas City and steady in Wichita

Source: NAR, Oklahoma Realtor Associations
Home prices are stronger in Kansas than in the nation

Quality-Adjusted Home Prices
Purchase-Only

Source: OFHEO
Delinquencies are up less in Kansas than in the nation

Share of Mortgages Seriously Delinquent, 2007 Q4
90 days or more past due or in foreclosure

* Includes FHA, VA, and uncategorized loans

Source: Mortgage Bankers Association
Kansas factory activity has slowed recently

Kansas Production Index

From a year ago

Expected in 6 months

Source: KCFRB Mfg Survey
World grain inventories are lean

World Grain Inventories

Source: USDA
Crop prices are soaring

U.S. Crop Prices

Dollars per bushel

Source: USDA
High feed costs have pushed livestock returns into the red.

U.S. Livestock Prices and Breakeven Costs

Source: USDA
Farmland values have surged

Farmland Values,
Tenth Federal Reserve District

Source: FRBKC Agricultural Credit Survey
Is this farm boom different than the last one?

U.S. Farmland Values

Constant 2006 dollars per acre

Source: USDA
Summary

• The housing downturn has roiled financial markets and slowed the nation’s economy
• Inflation pressure is up
• The slowdown is less severe in Kansas

Is farm real estate the next bubble?