Financial Markets and the Macroeconomy: Implications for Agriculture
The financial market crisis has eased, but markets remain fragile.
Delinquency rates rise on commercial real estate loans.

Charge-off and Delinquency Rates on Commercial Real Estate Loans

Source: Federal Reserve Board of Governors
Credit is available for agriculture.

**Total Volume of Non-Real Estate Loans to Farmers**

- Bar chart showing billions of dollars from 1997 to 2009.

**Non-Real Estate Loans to Farmers (Number and Average Amount)**

- Line chart showing millions of loans and thousands of dollars from 1997 to 2009.

Source: Federal Reserve Agricultural Finance Databook
Credit standards are higher with increased risk.

Charge-off and Delinquency Rates on Agricultural Loans

Source: Federal Reserve Board of Governors
The U.S. economy is projected to rebound in 2010.
Deleveraging could contribute to a sluggish recovery as consumers save more and spend less.
Federal Reserve Bank of Kansas City – Omaha Branch
Regional, Public and Community Affairs Division

Source: USDA

U.S. Debt Repayment Capacity Utilization

Farmers do not have enough income to service debt
Farmers do have enough income to service debt

Farmers learned the lessons of deleveraging in the 1980s.
U.S. food and energy consumption will depend on the employment trends.

Layoffs, Hiring, and Job Openings

Source: Bureau of Labor Statistics
Will emerging countries lead the recovery?

GDP Growth

Annual percent change, constant dollars

Source: International Monetary Fund, January 2010
After topping in 2009, what direction will farmland values follow?

Cropland Values in Federal Reserve Districts

Dollars per acre

Minneapolis District
Kansas City District
Dallas District

Source: Federal Reserve Banks of Kansas City, Minneapolis, and Dallas
How and when will the Federal Reserve unwind its balance sheet?

Federal Reserve Balance Sheet: Assets

Billion Dollars

Source: Federal Reserve Board of Governors
Conclusions

- Economic and financial conditions have improved dramatically in the past year.
- Still, risks remain in a sluggish recovery.
- The U.S. economy is going through a deleveraging process, which takes time.
- U.S. agriculture will be driven by the global economic recovery.
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