The US Economy and Its Impact on Agriculture

The views expressed are those of the author and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.
The financial market crisis has eased.

Source: Federal Reserve Bank of Kansas City
Delinquency rates rise on commercial real estate loans.

Charge-off and Delinquency Rates on Commercial Real Estate Loans

Source: Federal Reserve Board of Governors
The U.S. economy is projected to rebound in 2010.

Real GDP Growth

Annual percent change


"U" "W" "V" "L"

Source: Bureau of Economic Analysis Federal Reserve Board of Governors
High unemployment rates could dampen the recovery.

U.S. Unemployment Rate

Percent

Recessions

Source: Bureau of Economic Analysis
Meat and milk spending tends to decline in jobless recoveries.

U.S. Per Capita Expenditures on Beef, Pork, Poultry, and Milk Products

Percent change

-8.0  -6.0  -4.0  -2.0  0.0  2.0  4.0  6.0  8.0  10.0  12.0

One Year Prior to Recession
During Recession
One Year After Recession

Average in 5 Recessions Since 1980
1981 Recession
1982 Recession
1990 Recession
2001 Recession
2007 to 2009* Recession

Calculations based on Bureau of Economic Analysis data
* The National Bureau of Economic Research indicates the recession started in Dec. 2007. At the time of publication, the end of the recession has yet to be specified.
Deleveraging could contribute to a sluggish recovery as consumers save more and spend less.
In general, farmers are financially sound.

U.S. Debt Repayment Capacity Utilization

Source: USDA
The housing sector is stabilizing.

U.S. Residential Real Estate

Percent change from previous year

Source: Census Bureau and Federal Housing Finance Authority
After peaking in 2008, cropland values have stabilized.

**Nonirrigated Cropland Values by Federal Reserve District**

- Kansas City District
- Minneapolis District
- Dallas District

Source: Federal Reserve Banks of Dallas, Kansas City, and Minneapolis
Business investment has plummeted.

U.S. Non-residential Investment

Percent change from year ago

-30 -20 -10 0 10 20 30


Equipment and Software - excluding Transportation
Structures - excluding Mining Exploration

Source: Census Bureau
Farm spending is expected to rebound.

![Farm Capital Spending](chart)

**Source:** FRBKC Agricultural Credit Survey

**Note:** 2009:Q4 data are preliminary with 90 percent of typical respondents reporting
Loan delinquency rates and charge-offs edge up.

Charge-off and Delinquency Rates on Agricultural Loans

Source: Federal Reserve Board of Governors
Fewer losses in livestock sectors will support U.S. farm income.

Source: USDA and Iowa State University
Livestock sectors are more highly leveraged.

Debt-to-Asset Ratio by Farm Production Sector

Source: USDA
Can stronger global economies and a weaker dollar spur further improvements in the trade balance?
U.S. ag exports rebounded at the end of 2009, fueled by China.
Will the stimulus package spur growth in 2010?

Estimated Budget Impact of American Recovery and Reinvestment Act (ARRA) of 2009

Billion Dollars

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Outlays</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>-64.8</td>
<td>120.1</td>
</tr>
<tr>
<td>2010</td>
<td>-180.1</td>
<td>219.3</td>
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<tr>
<td>2011</td>
<td>-8.2</td>
<td>126.2</td>
</tr>
<tr>
<td>2012-2019</td>
<td>41.3</td>
<td>109.6</td>
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Source: Congressional Budget Office, February 13, 2009
To combat the financial crisis and recession, the Federal Reserve has expanded its balance sheet.

Federal Reserve Balance Sheet: Assets

Billion Dollars

- Short-term Lending to Financial Firms
- Rescue Operations
- Operations Focused on Broader Credit Conditions
- Other Assets
- Treasury Portfolio

Source: Federal Reserve Board of Governors
Conclusions

- The recovery is underway, but risks remain, especially in commercial real estate.
- Banks are providing credit to agriculture, but standards are tighter with higher risks.
- Macroeconomic forces could drive ag markets and lending in the year ahead.
For More Information

Federal Reserve Bank of Kansas City
Omaha Branch

www.kansascityfed.org/omaha