

kcFED Ag BULLETIN

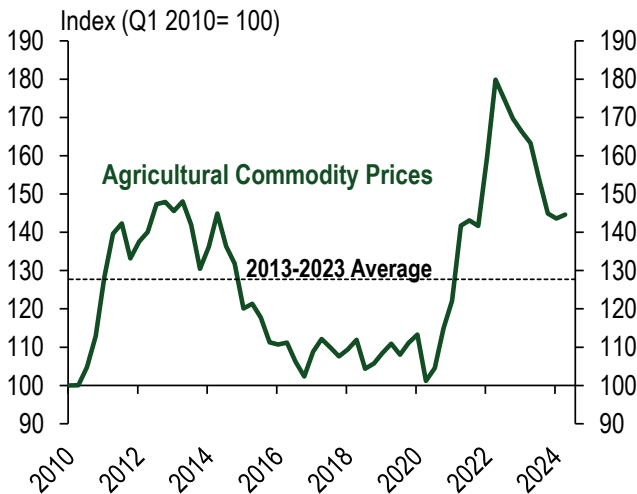
Summary

Recent strength in the U.S. agricultural economy was tempered in the second quarter as farm finances showed some signs of weakening. Agricultural prices were generally unchanged from the previous quarter, but about 10% less than a year ago. Farm revenues were supported by higher prices in livestock, poultry and dairy markets. Prices of major row crops remained low alongside expectations of strong production, which has weighed on profit opportunities. Domestic demand for agricultural products was firm through mid-year and while exports of meat and other consumer products appeared solid, grain exports were considerably lower than recent years. Elevated production costs and lower prices of many key products have thinned incomes and depleted working capital for some producers in recent months, contributing to a slight deterioration in farm finances. Non-real estate loan demand has grown alongside reduced liquidity in the sector and delinquency rates and repayment issues also increased slightly. However, credit stress still remained limited, and agricultural real estate values held steady.

U.S. agricultural prices were flat in the second quarter, above the average of the past decade but 10% less than a year ago.

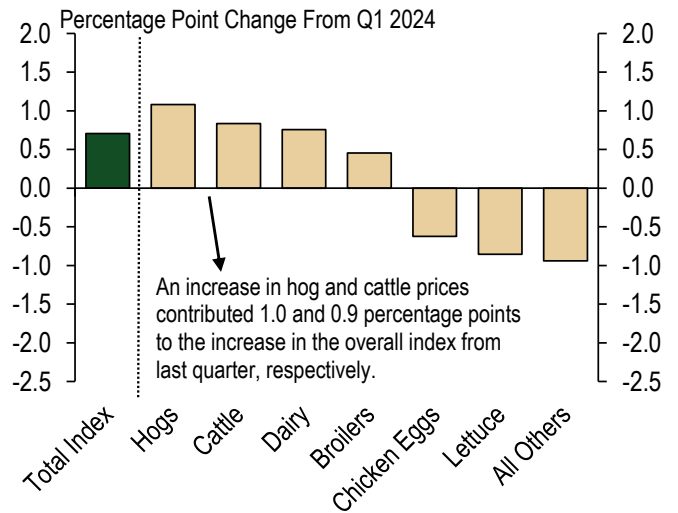
Higher prices for livestock and animal products boosted agricultural prices through June while prices of many other products declined.

U.S. Agricultural Price Index¹



Sources: USDA and staff calculations

Contribution to Price Index Change²



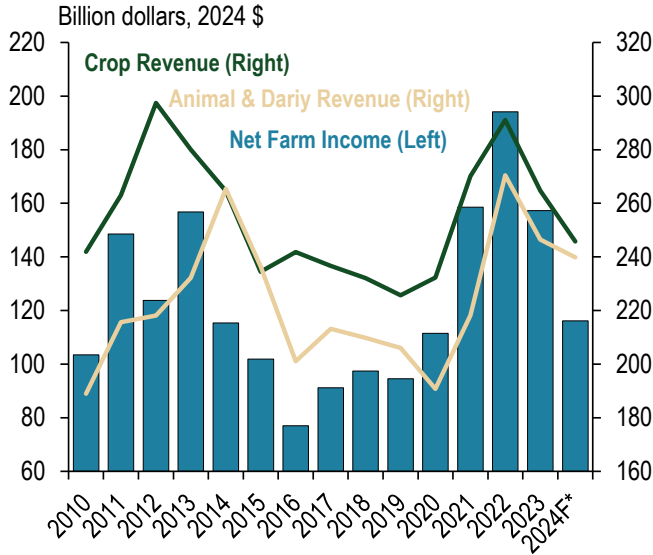
Sources: USDA and staff calculations

Notes

1. Weighted based on share of total annual agricultural cash receipts attributed to each individual commodity. Individual commodities allocated account for 90% of total 2022 cash receipts.
2. Based on changes in weighted indices of individual commodities and corresponding contribution to the change in the sum of those individually weighted indices from the previous period. Above commodities accounted for 47% of total 2022 cash receipts [hogs (6%), cattle (16%), dairy (11%), broilers (9%), chicken eggs (4%), and lettuce (<1%)].

Projections in early 2024 anticipated a considerable contraction in U.S. net farm income for the year alongside elevated expenses and lower revenues.

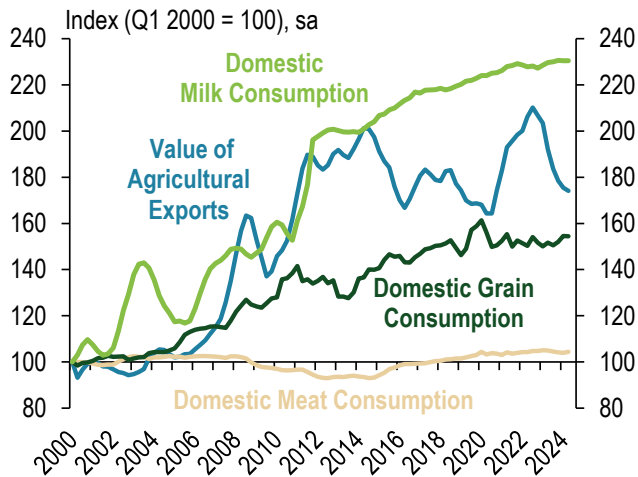
U.S. Farm Income and Revenue³



Source: USDA

Aggregate demand stayed firm with support from steady domestic consumption and solid meat and dairy exports, but the value of crop exports remained subdued.

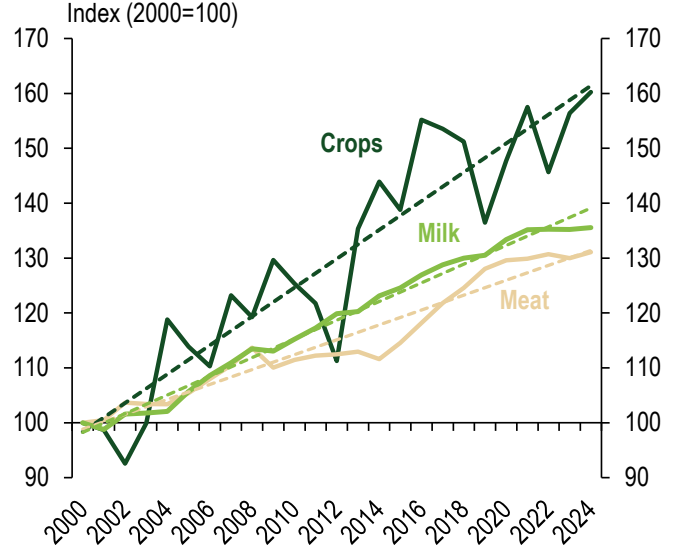
Demand for U.S. Agricultural Products⁵



Sources: USDA and staff calculations

Favorable growing conditions supported expectations of stronger crop production in 2024, while meat and milk production was expected to be similar to last year.

U.S. Agricultural Production⁴



Sources: USDA and staff calculations

Farm loan demand increased, and ag bank liquidity tightened slightly as farm financial conditions deteriorated modestly in recent months.

U.S. Agricultural Credit Conditions

[Latest Quarter Denoted For Each]

	Latest	1- Year Prior
Farm Loan Delinquency Rate (%) [Q2 2024]	1.0	0.9
Chapter 12 Bankruptcy Filings in 12-month period ending [Q2 2024]	181	147
Ag Bank Loan-to-Deposit Ratio (%) [Q2 2024]	78.6	74.9
Interest Rates on Non-Real Estate Farm Loans [Q2 2024]	8.3	7.6
Farm Debt-to-Assets (%) [Annual - 2024]*	12.8	12.7
Farm Debt-to-Income Ratio [Annual- 2024]*	4.7	3.3

Sources: USDA, U.S. Courts, and Federal Reserve Board of Governors

Notes

3. Crop and Livestock Revenues are reported as cash receipts and accounted for 90% of total gross farm cash income in 2023. Other amounts of gross cash income are attributed to government direct farm payments and other farm-related income.

4. Crop Index includes all grains, oilseeds, fruits and vegetables are weighted by share of total U.S. production measured in million metric tons. Meat Index includes the aggregate live weight of cattle, hogs, and poultry processed at U.S. federally-inspected plants weighted by share of total domestic production measured in pounds.

5. Domestic grain consumption includes food, feed, and industrial use of corn, sorghum, barley, oats, and wheat and soybean crush.

*Farm income and balance sheet figures published by the USDA as of February 7, 2024