

U.S. Agriculture Outlook

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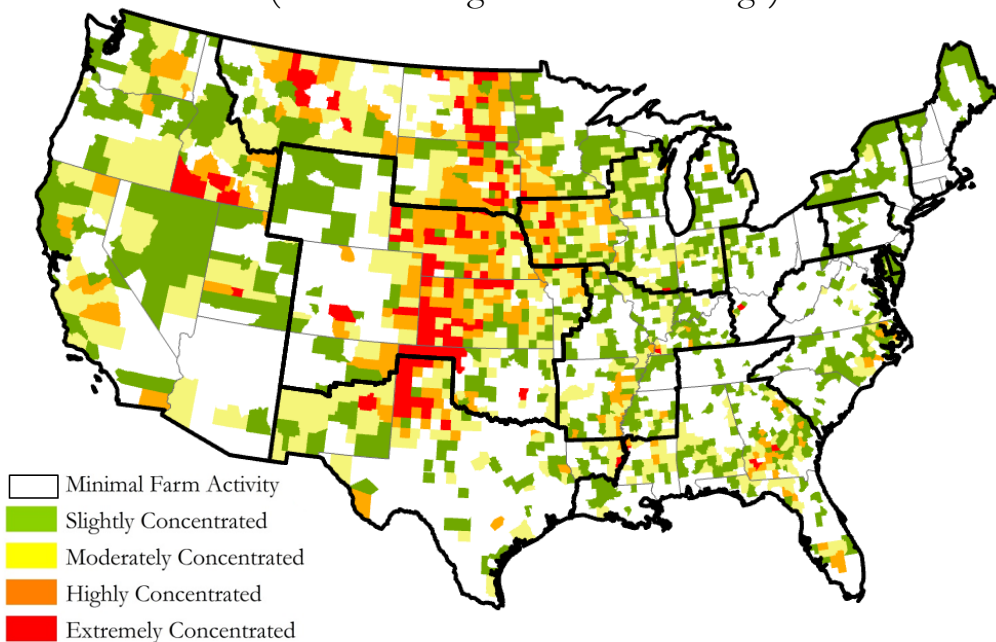
May 11, 2021

The views expressed here are those of the speaker and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

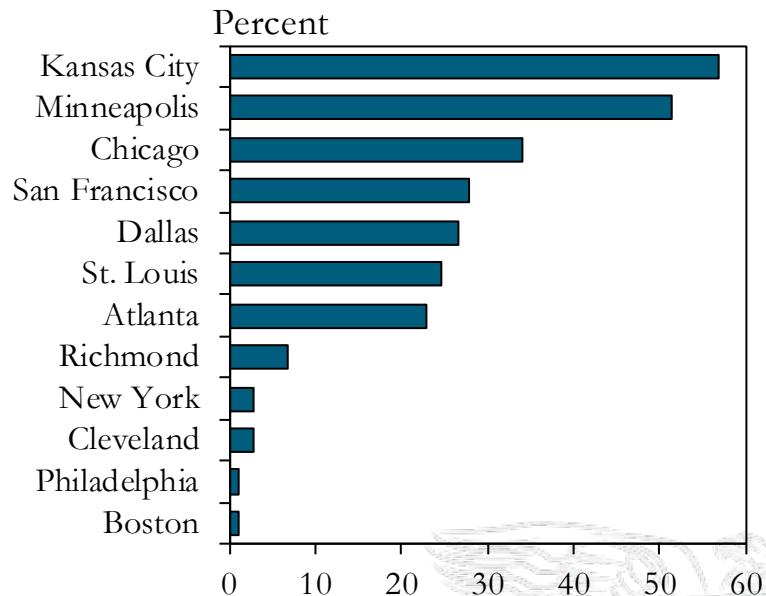


Large portions of the Kansas City Fed region are concentrated in agriculture.

Farm Sector Concentration (Farm Earnings-to-Total Earnings)



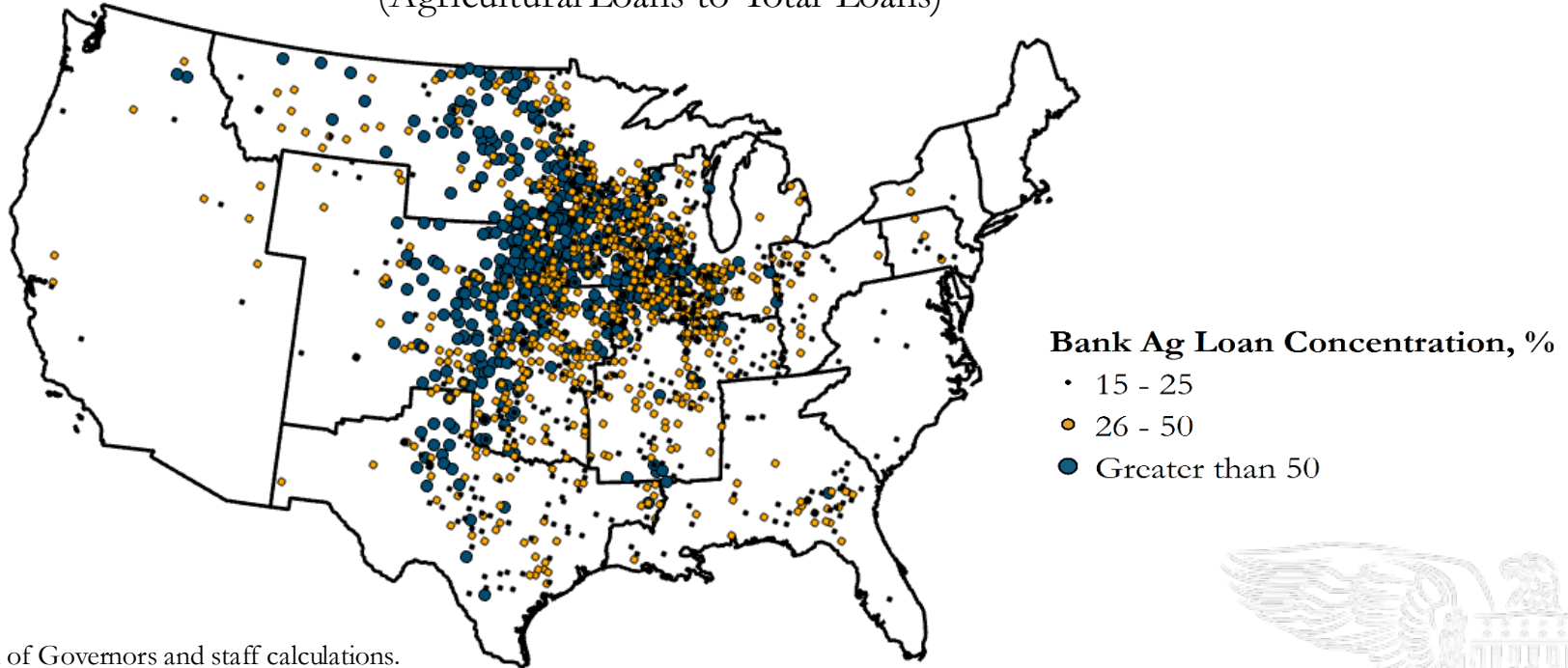
Share of Counties with Moderate Farm Concentration or Higher



Sources: BEA, USDA, Board of Governors and staff calculations.

Commercial banks connected to agriculture are also concentrated in the Midwest.

Agricultural Banking Concentration
(Agricultural Loans-to-Total Loans)

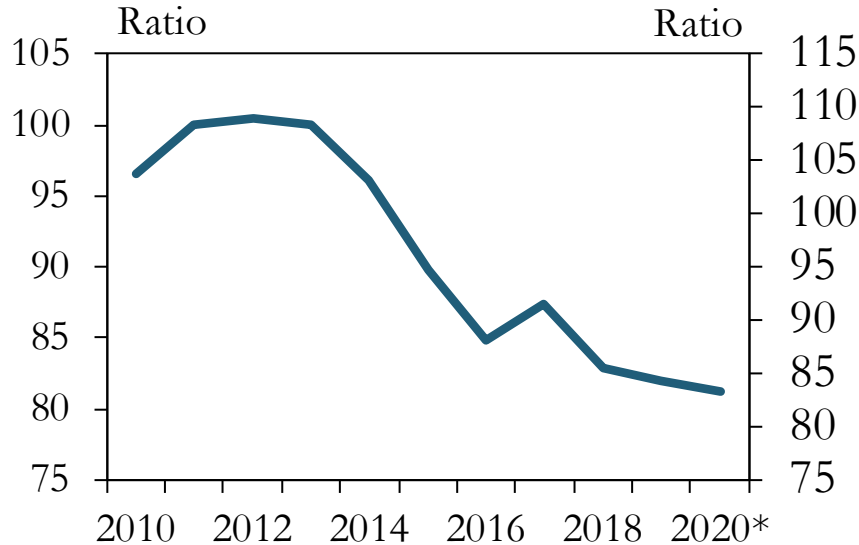


Sources: Board of Governors and staff calculations.

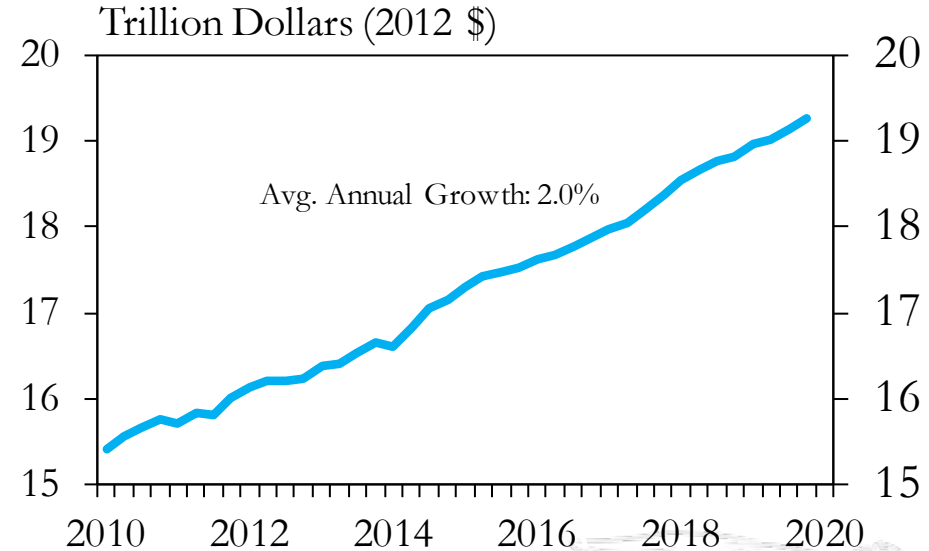


At the beginning of 2020, U.S. ag was in a prolonged downturn in contrast to the broader economy.

Ag Prices Received-to-Prices Paid



U.S. Real GDP

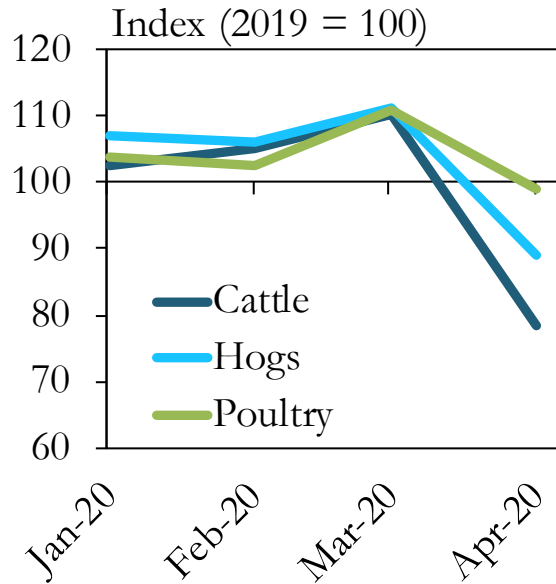


*Forecast as of January 2020
Sources: USDA and Haver Analytics.

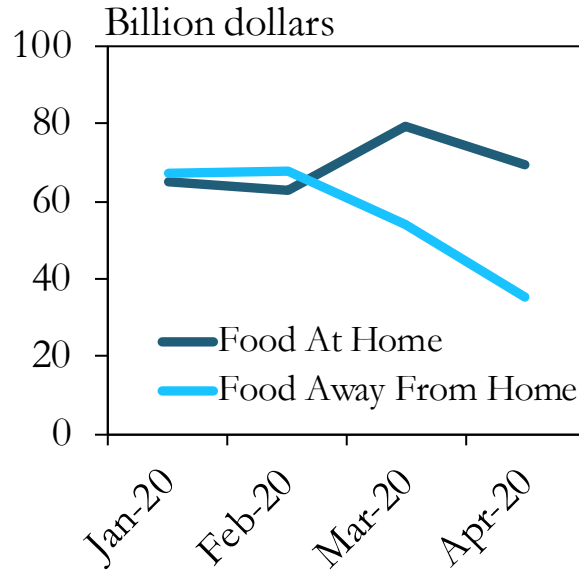


The ensuing pandemic disrupted agricultural markets in several key ways.

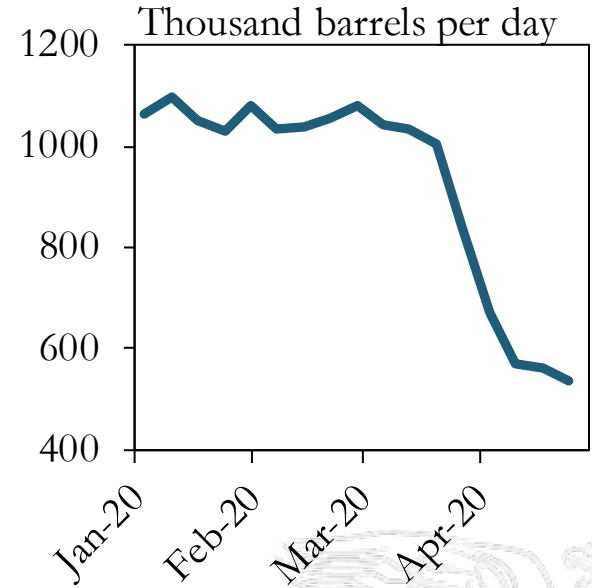
U.S. Meat Production



U.S. Food Expenditures



U.S. Ethanol Production

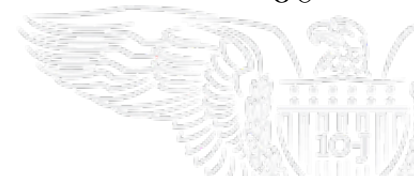
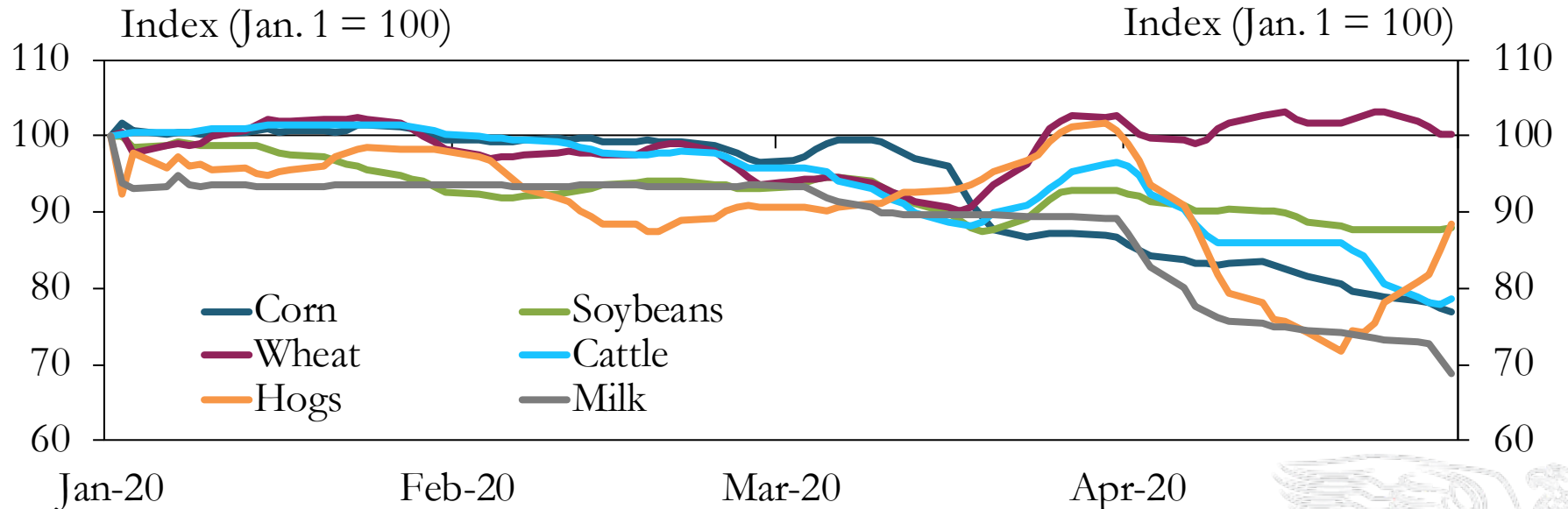


Sources: USDA, EIA and staff calculations.



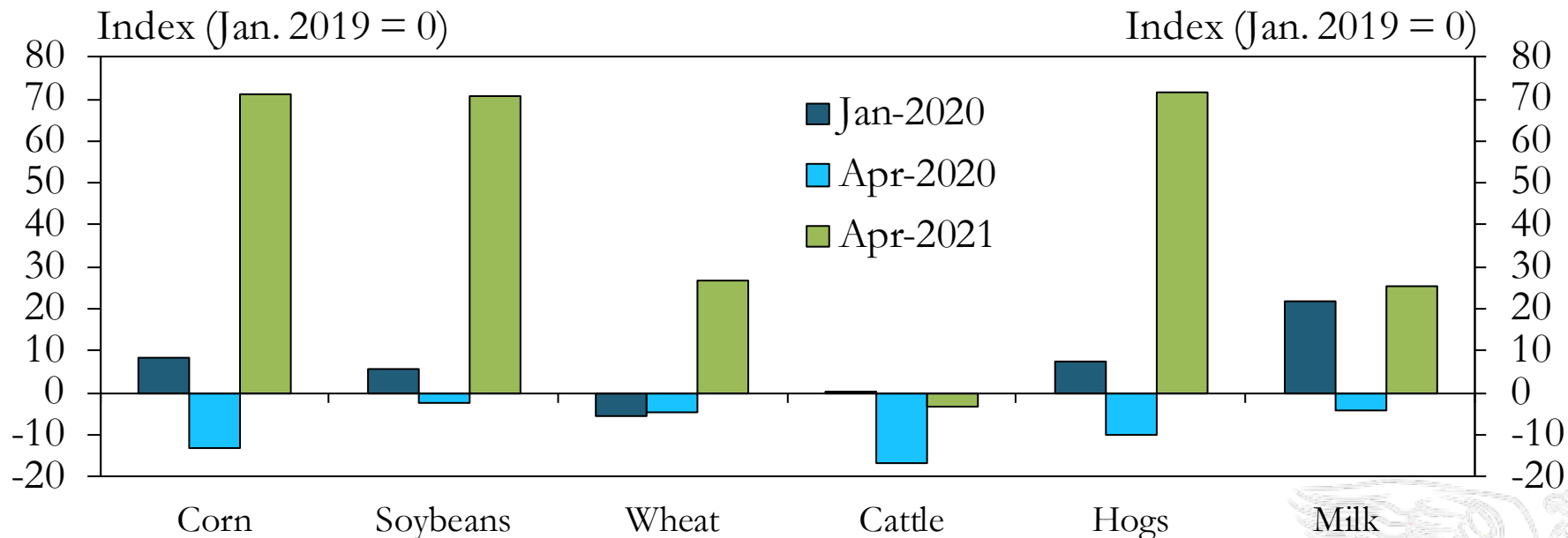
Agricultural prices dropped sharply as the pandemic and associated disruptions intensified.

Agricultural Commodity Prices



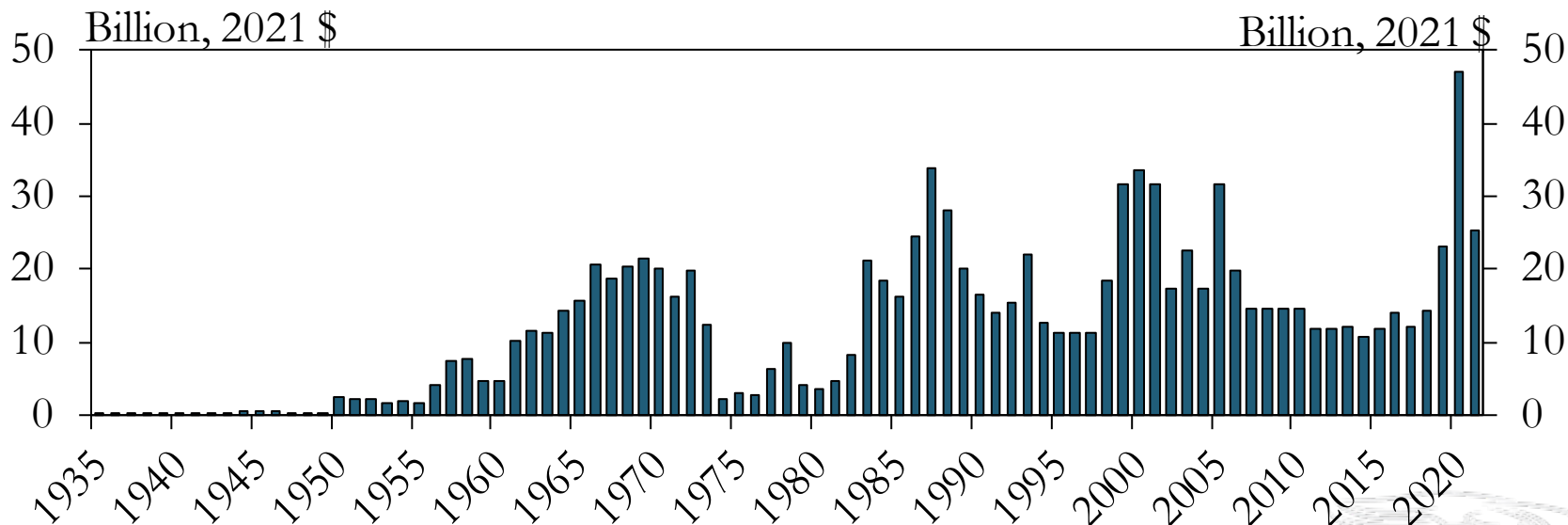
In recent months, however, ag commodity prices have rebounded sharply.

Agricultural Commodity Prices



Government aid programs also provided significant assistance to the U.S. farm sector in 2020.

Direct Government Payments to U.S. Farm Sector



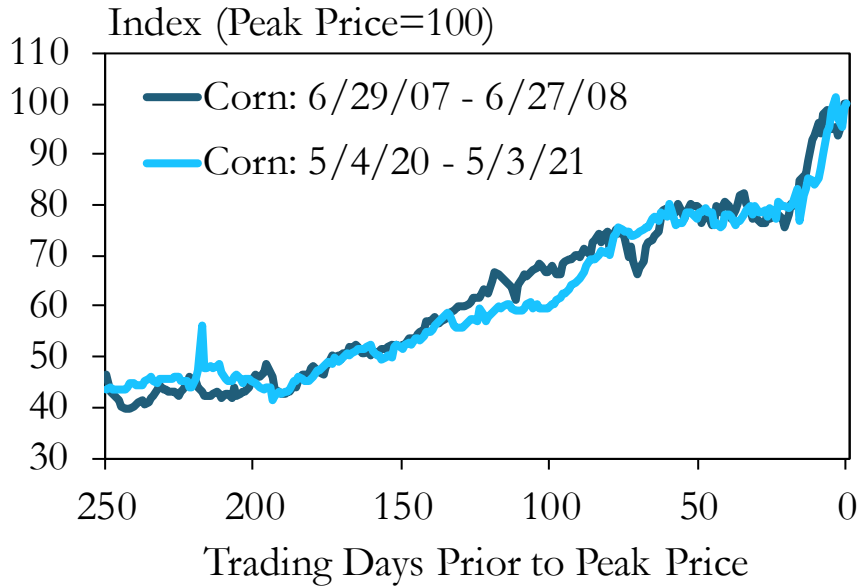
Note: 2020 Estimate and 2021 Forecast as of February 5, 2021.

Source: USDA.

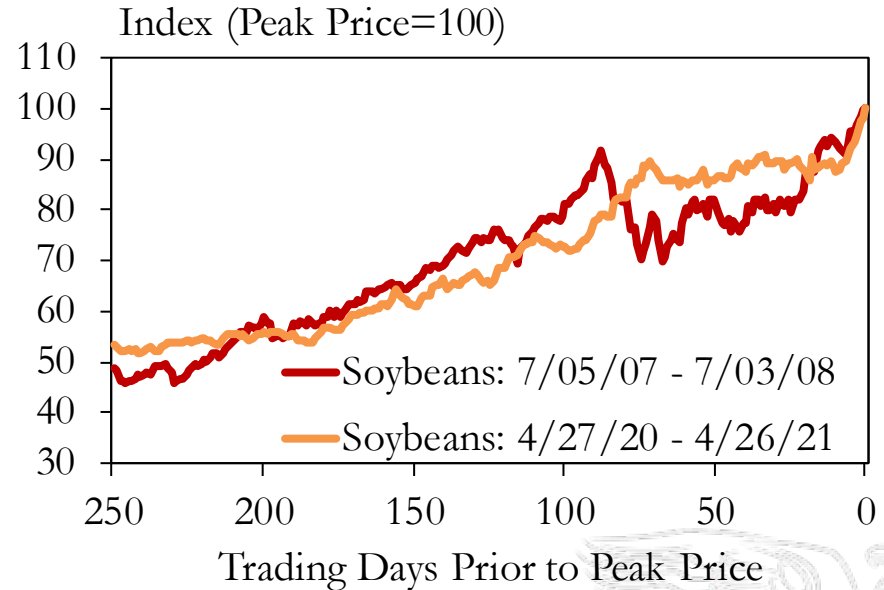


The recent surge in crop prices resembles the previously unprecedented gains in 2007-2008.

U.S. Corn Prices



U.S. Soybean Prices

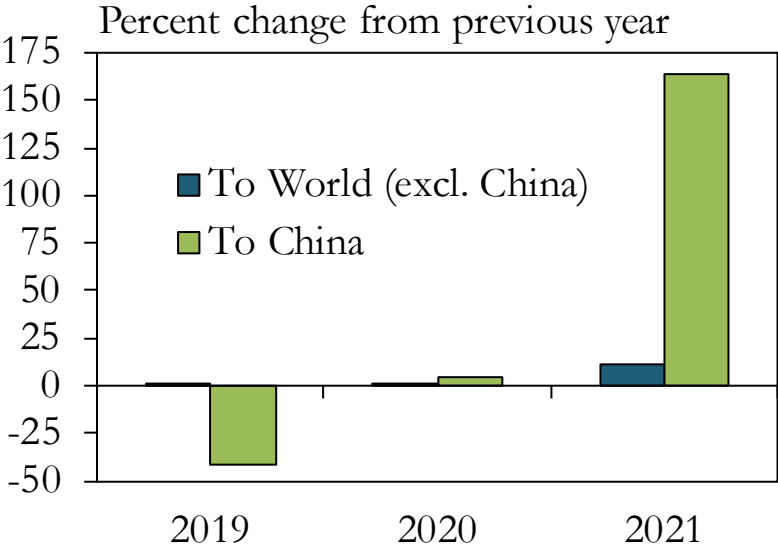


Sources: WSJ and staff calculations.

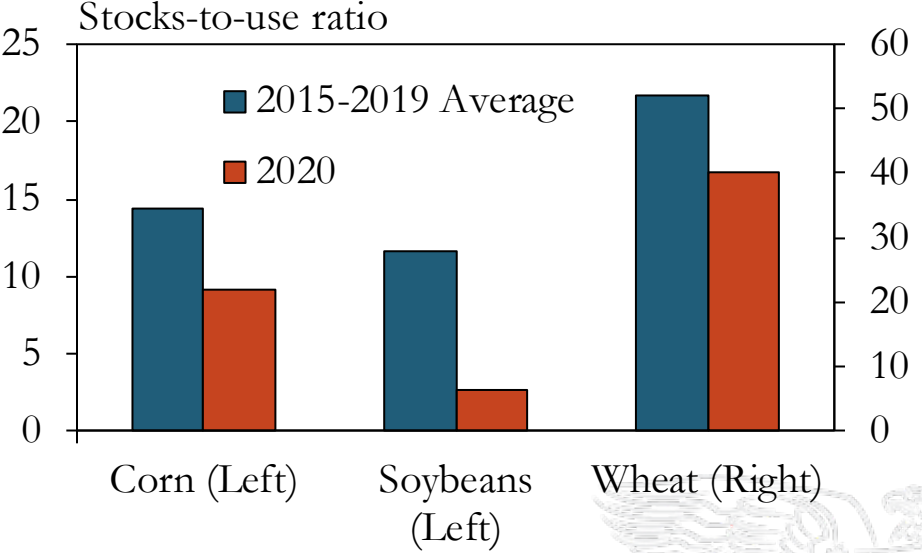


Exports to China have provided a major boost to demand alongside limited supplies.

U.S. Ag Exports (Through March)



U.S. Crop Inventories

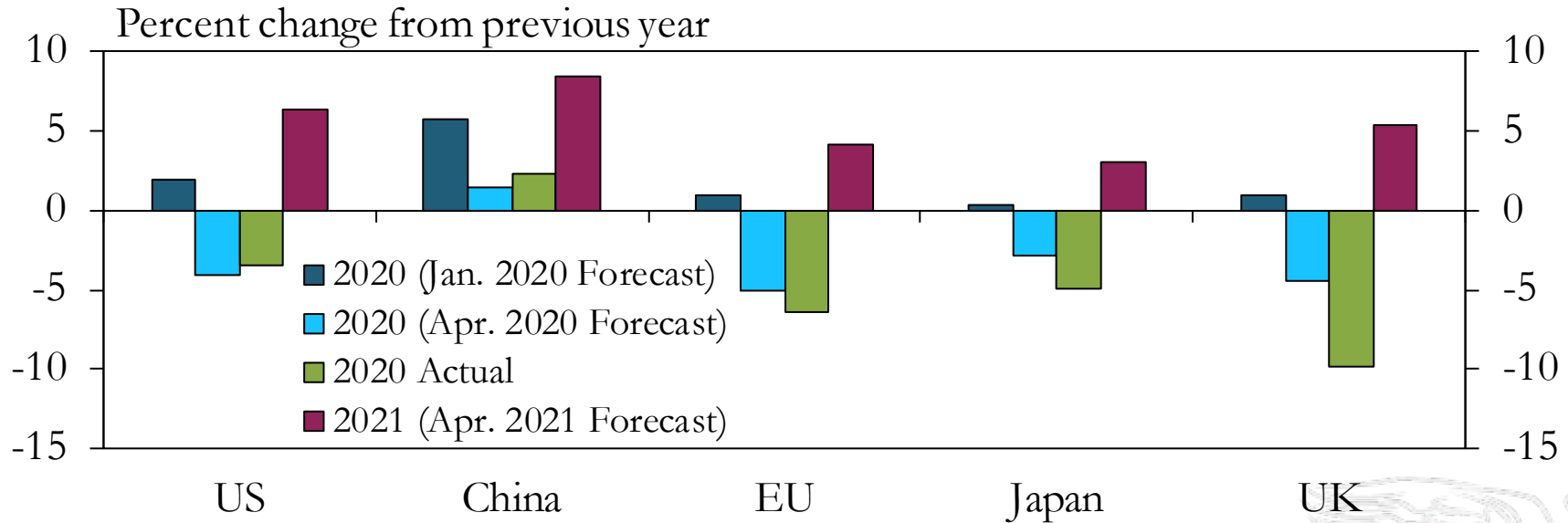


Source: USDA.



The course of the pandemic, and associated economic activity, remains key to the outlook.

Real GDP

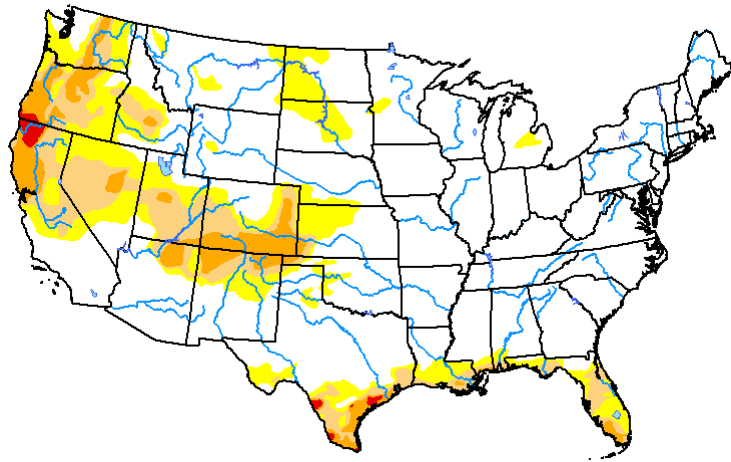


Sources: BEA, Wolters Kluwer, Statistical Office of the European Communities, Cabinet Office of Japan, Office of National Statistics, China National Bureau of Statistics, and Haver Analytics.

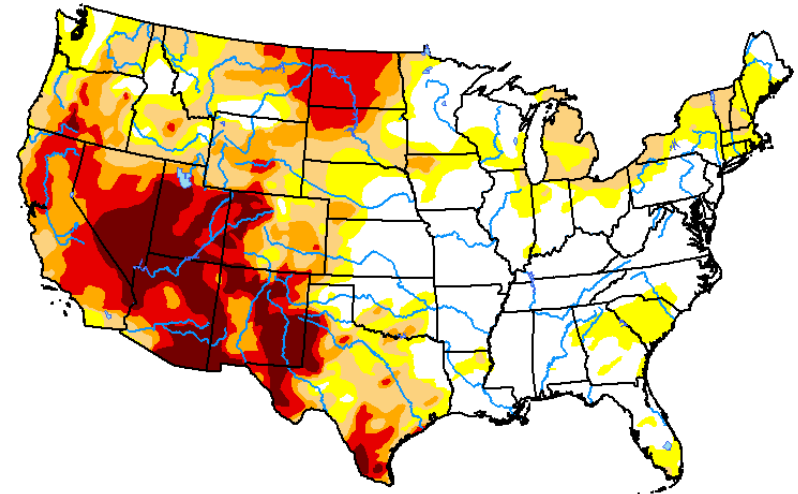
Severe drought is also an additional risk to the livestock sector in large parts of the country.

U.S. Drought Conditions

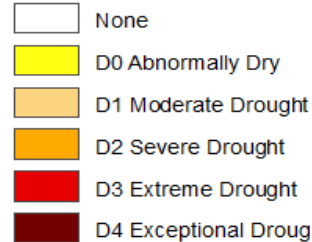
April 2020



April 2021



Intensity:



Sources: National Drought Mitigation Center at the University of Nebraska-Lincoln, the United States Department of Agriculture, and the National Oceanic and Atmospheric Administration.



Concluding Thoughts

- Despite severe pressure a year ago from the intensifying pandemic, the near-term outlook for agriculture is very strong.
- However, notable risks remain—
 - Pandemic uncertainty, economic activity and disruptions
 - Livestock industry
 - Policy
 - Longer-term economics



