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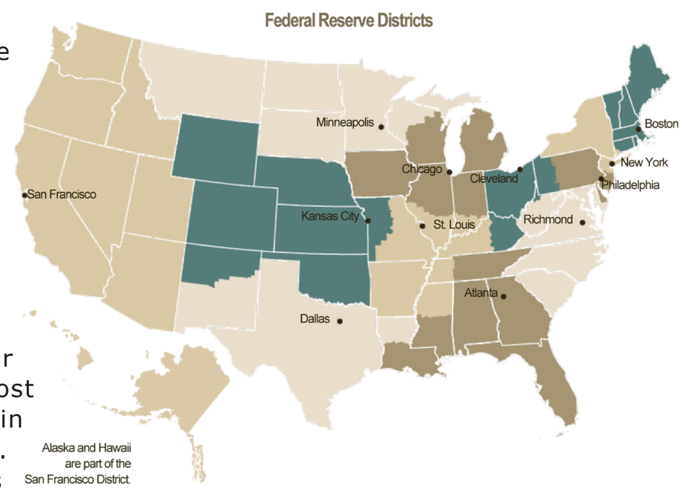
Federal Reserve Beige Book: Summary on the Ag Sector

The Beige Book is a Federal Reserve System publication covering current economic conditions across the 12 Federal Reserve Districts. It characterizes regional economic conditions and prospects based on a variety of mostly qualitative information, gathered directly from District sources.



ECONOMIC activity increased modestly since early July. Ten of the twelve Federal Reserve Districts reported growth in the slight to moderate range; two Districts reported no change. Consumer spending grew slightly on balance; reports reflected both heightened price sensitivity on the one hand and solid high-end purchases on the other. Auto sales were mostly subdued, dampened by downbeat consumer confidence, high fuel prices, and rising financing costs. Tourism activity increased. Notably, airlines reported strong demand despite higher airfares. Manufacturing activity picked up across most Districts, with some highlighting ongoing strength in demand for defense and data center-related orders. Services firms reported slight to modest increases in activity. Financial conditions improved slightly as loan volumes remained solid or increased across most Districts. Residential construction declined while nonresidential construction increased on balance, with some Districts noting a high concentration of activity related to data center projects.

Agriculture conditions saw slight improvement but generally remained strained; the livestock sector was strong while conditions were stressed among crop producers. The general outlook for the coming months was positive, but sentiment was mixed across sectors, with contacts reporting heightened uncertainty surrounding the effects of higher energy prices, policy, and international conflict.

Chicago - *Iowa; 68 counties of northern Indiana; 50 counties of northern Illinois; 68 counties of southern Michigan; and 46 counties of southern Wisconsin.*

District farm income expectations for 2026 improved some from a low level over the reporting period. Crops were in good shape for the most part, though some areas were stressed due to heavy rains and flooding. Still, yields for corn and soybeans were expected to be close to record levels. Corn, soybean, and wheat prices increased as domestic and international demand strengthened. Strong demand for biofuels led to higher production of ethanol and biodiesel. Egg and hog prices were up from the prior reporting period, dairy prices fell, and cattle prices decreased further. District cattle producers faced additional challenges after a key meat packing plant abruptly closed. Although diesel prices rose, there were reductions in many fertilizer prices, which could help farmers when they start preparing for next year.

St. Louis - *Arkansas; 44 counties in southern Illinois; 24 counties in southern Indiana; 64 counties in western Kentucky; 39 counties in northern Mississippi; 71 counties in central and eastern Missouri; the city of St. Louis; and 21 counties in western Tennessee.*

Agriculture conditions remain stressed but have slightly improved since our previous report. A contact in Northwest Mississippi noted that the corn harvest produced good yields, while the outlook for cotton and soybeans hinges on the impact of recent heatwaves. According to a Mississippi farm equipment supplier, sales of new machinery are still weak, but farmer sentiment has improved, driven by higher crop prices and additional government support. In Arkansas, a rice processor observed decreased rice demand due to increased imports, whereas a soy processor reported continuous crushing and refining operations fueled by strong demand. Poultry demand continues to climb as consumers opt for more affordable protein sources; however, profit margins are being squeezed by rising input costs. An Arkansas poultry farmer shared that they were expanding capacity.

Minneapolis - *Minnesota, Montana, North Dakota, and South Dakota; the Upper Peninsula of Michigan; and 26 counties in northern Wisconsin.*

District agricultural conditions remained weak overall. Contacts expressed concern about the effects of drought on crop yields and quality in some parts of the District. Most of the corn and soybean crops in eastern parts of the District were in good or excellent condition. However, conditions were worse farther to the west in areas experiencing more dryness. According to the most recent Ag Credit Survey, a majority of respondents reported that farm incomes decreased in the second quarter from a year earlier. A Minnesota lender noted that sugar beet growers experienced very large losses. High cattle prices remained a source of strength in ranching areas.

Kansas City - *Colorado, Kansas, Nebraska, Oklahoma, and Wyoming; 43 counties in western Missouri; and 14 counties in northern New Mexico.*

Economic conditions in the Tenth District crop sector were subdued while conditions in the livestock sector were strong. Profit opportunities for crop producers remained limited and crop conditions weakened alongside intensifying drought, which could further reduce revenues. The share of corn and soybean acres in good or excellent condition was below average, and crop quality was particularly weak in Nebraska and Kansas. Cattle prices declined in early August but remained strong and continued to support profit opportunities for cow/calf producers. According to contacts in the region, robust consumer demand for protein has provided broad support for the livestock sector and has contributed to large investments in dairy manufacturing facilities located in Kansas and smaller investments in facilities in New Mexico and Nebraska.

Dallas - *Texas; 26 parishes in northern Louisiana; and 18 counties in southern New Mexico.*

High temperatures and persistent drought in some areas of the District have hampered crop conditions over the past six weeks. Cotton and grain yields are expected to be down this year, with particular weakness in wheat production. Cotton prices remained decent, buoyed by strong global demand, and grain prices rose over the reporting period. Conflict between Russia and Ukraine in the Black Sea has shut down a significant share of grain trade, particularly wheat, pushing up wheat prices markedly. Cattle prices declined but remained high amid tight supply and solid beef demand. The presence of New World screwworm has been well managed and has not meaningfully impacted the broader market for beef production or demand, according to contacts. There was optimism around the outlook for agriculture in 2027 based on the favorable winter forecast for a typically rainy El Niño weather pattern.

San Francisco - *Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Utah, and Washington—plus American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands*

Conditions in the agriculture sector were largely similar to those in the prior reporting period. In many cases, prices producers received for commodity crops and beef remained below the cost of production, which remained elevated overall. However, a California contact experienced a decline in fertilizer prices. Smaller producers, in particular, reportedly faced challenges accessing capital and subsequently focused capital expenditure on repairs over upgrades. Drier conditions in the Pacific Northwest and Mountain West curtailed yields somewhat, but contacts expected yields overall to be average. Previously strong demand to purchase forested lands reportedly declined somewhat. A contact in Washington observed a decline in demand for agricultural products stemming from lower demand at local restaurants.

For more information:

For more information on other sectors of the U.S. economy or to access the complete Federal Reserve Beige Book summary, see: https://www.federalreserve.gov/monetarypolicy/publications/beige-book-default.htm.