# Rebound in Agriculture Facing Pressure

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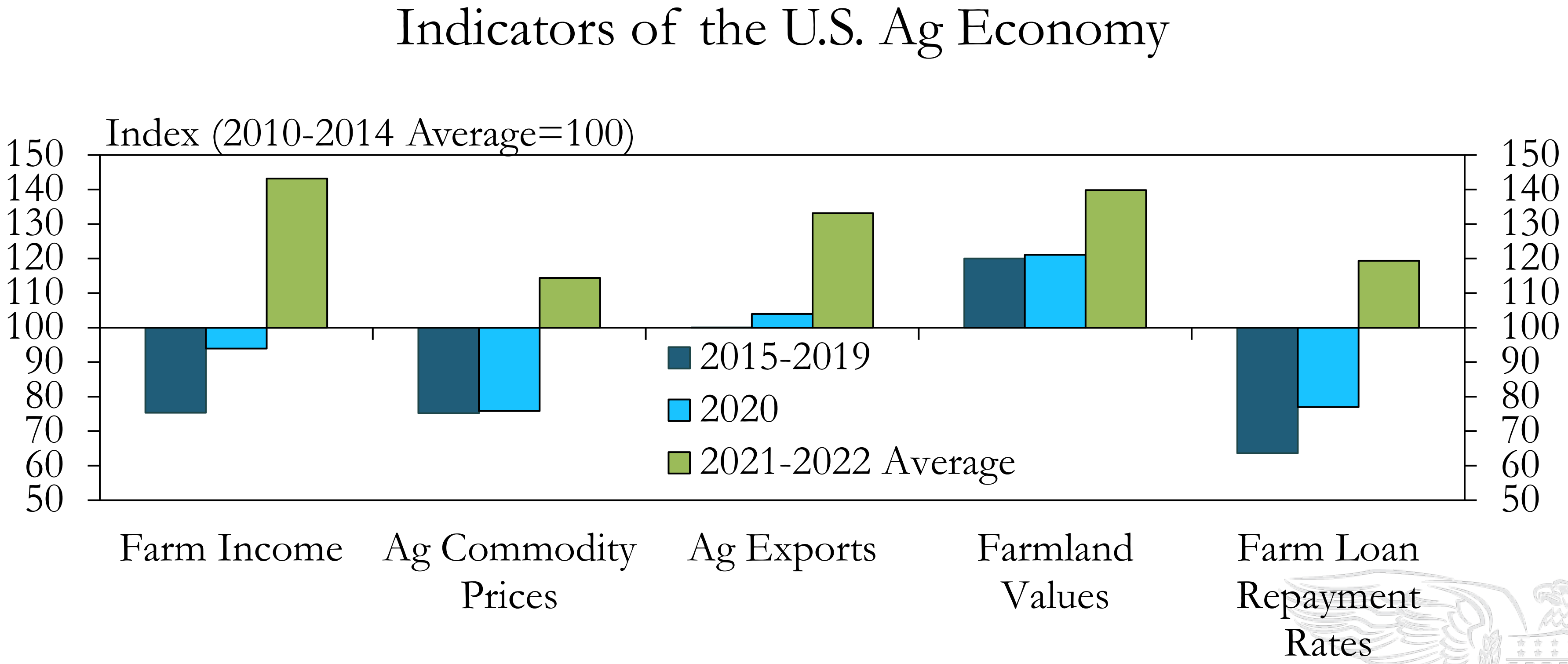
# Outlook Themes

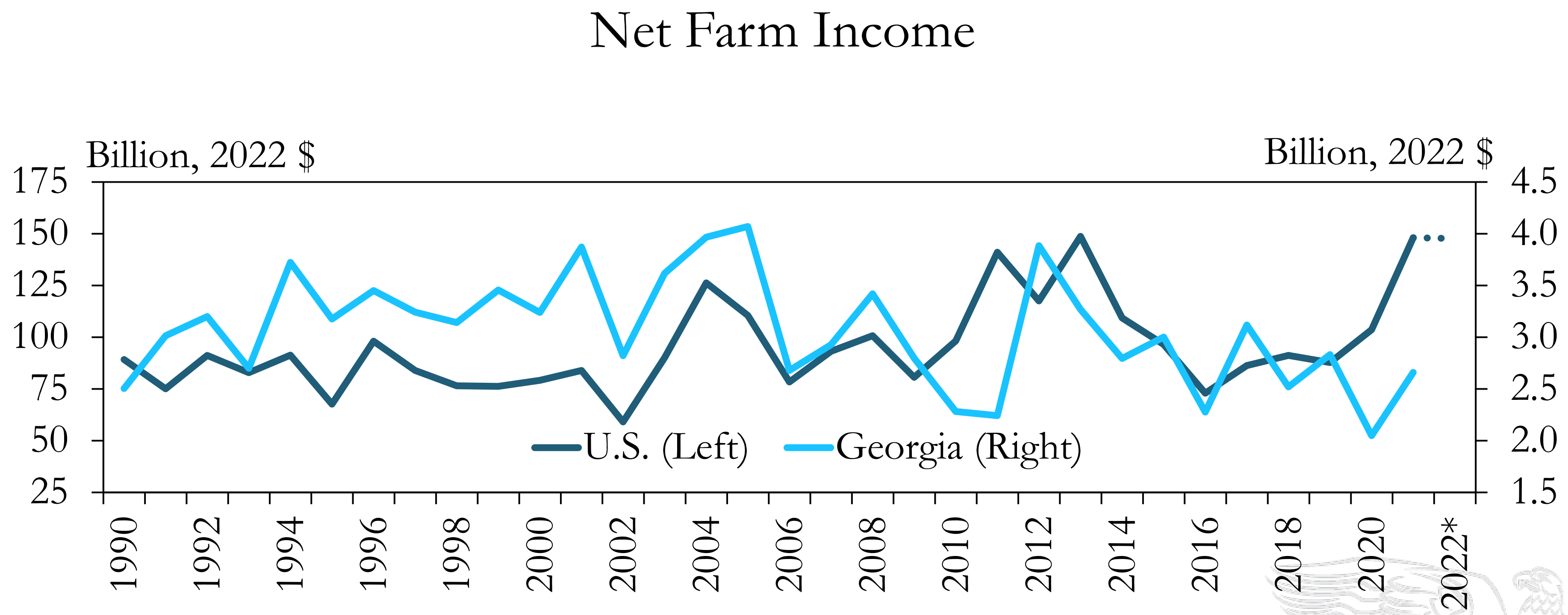
- Economic and financial conditions in agriculture are much better than what was expected before the pandemic.
- However, pressures have increased in recent months alongside growing economic risks, which will shape the outlook for ag in the year ahead.

# Economic conditions in U.S. agriculture have rebounded dramatically the past two years.




**Source:** USDA, *Wall Street Journal* and Federal Reserve Surveys of Agricultural Credit Conditions.

# Farm income in Georgia has likely also been strong through 2022, following several weaker years.

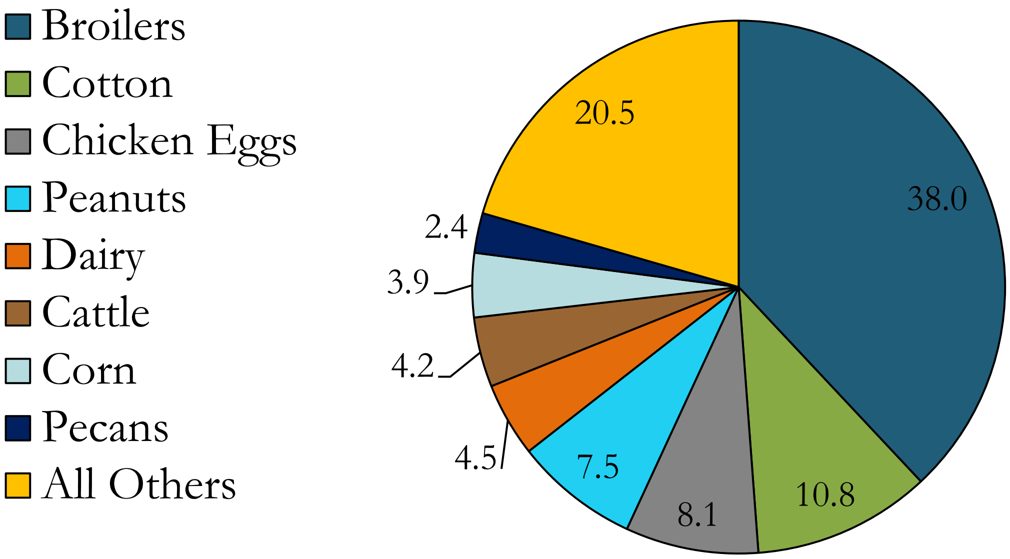



*U.S. Forecast as September 1, 2022.

**Source:** USDA

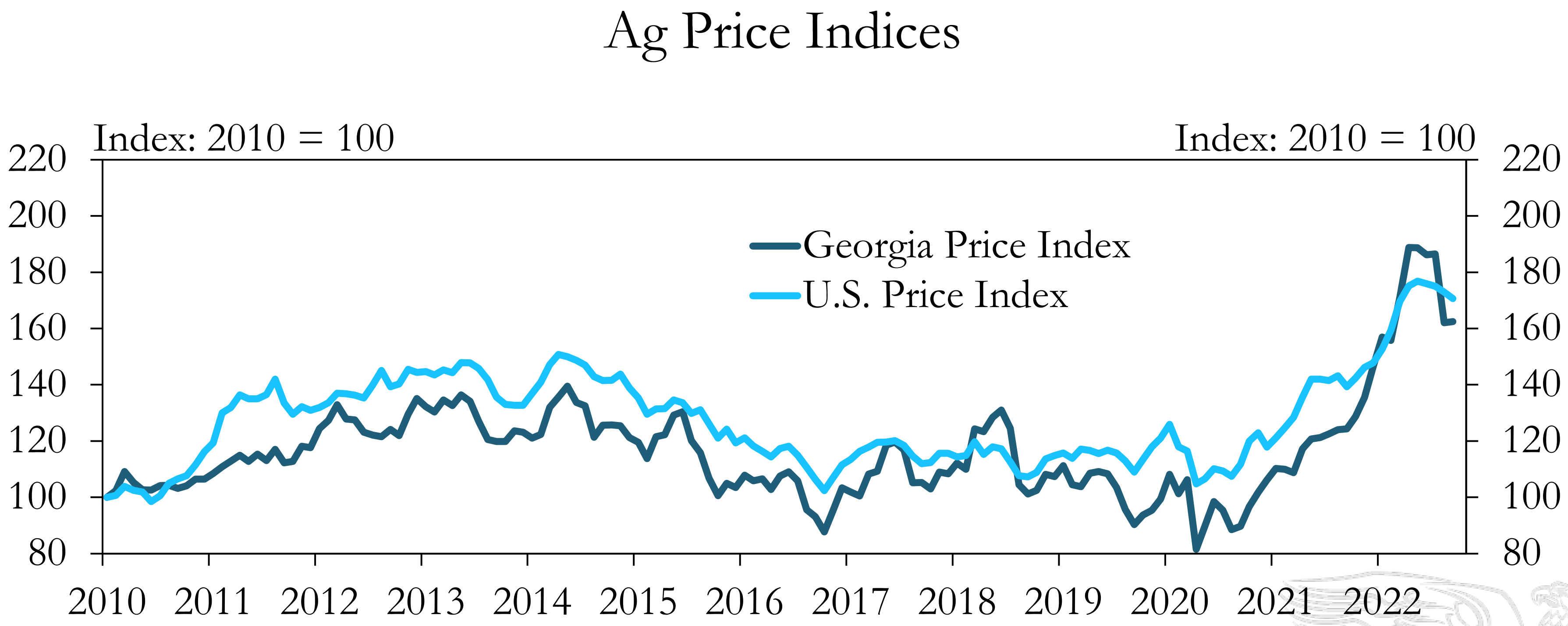
# Georgia's agricultural sector is highly concentrated in poultry and various row crops.

Georgia: Ag Commodity Concentrations (Percent)



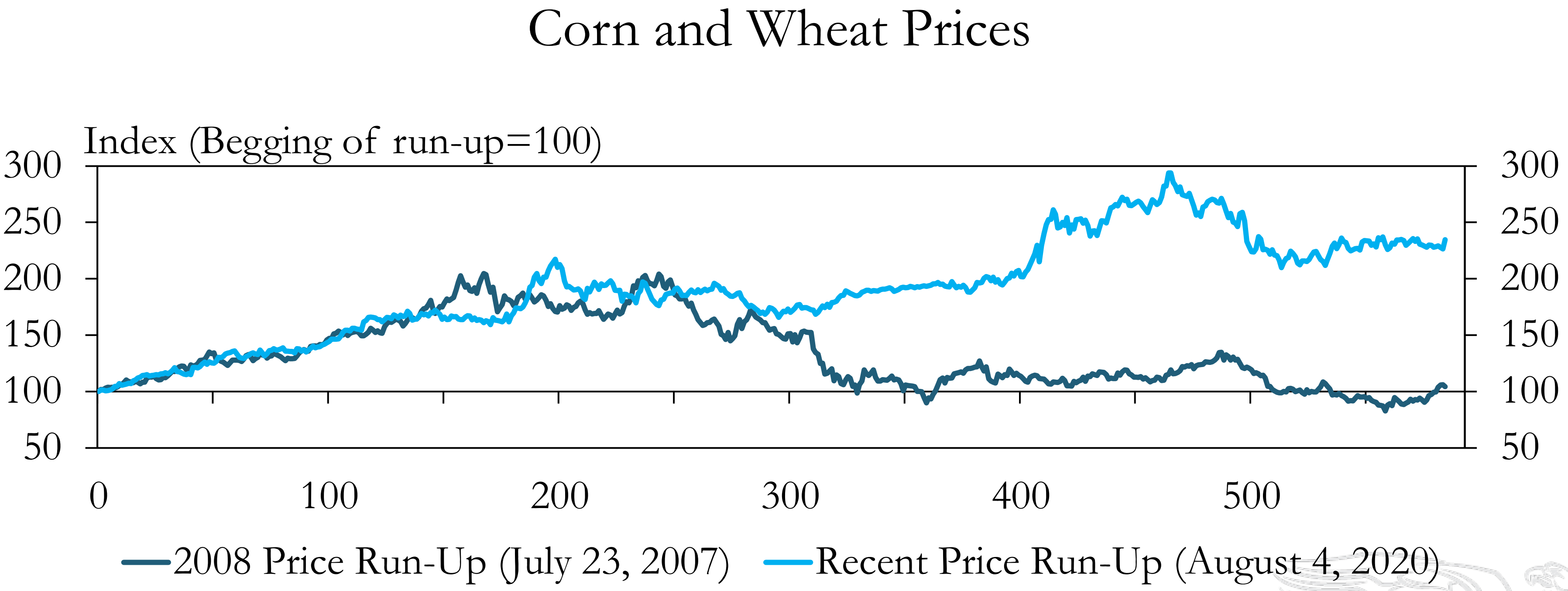

**Source:** USDA and staff calculations

# The rebound in ag economic conditions has been supported by large increases in commodity prices.



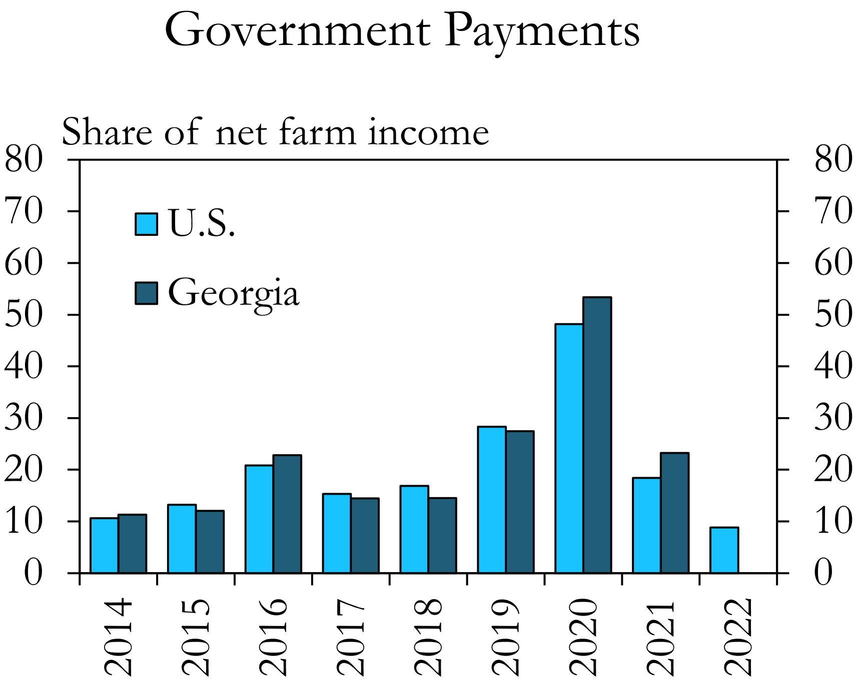

**Source:** USDA, Haver Analytics, and author's calculations

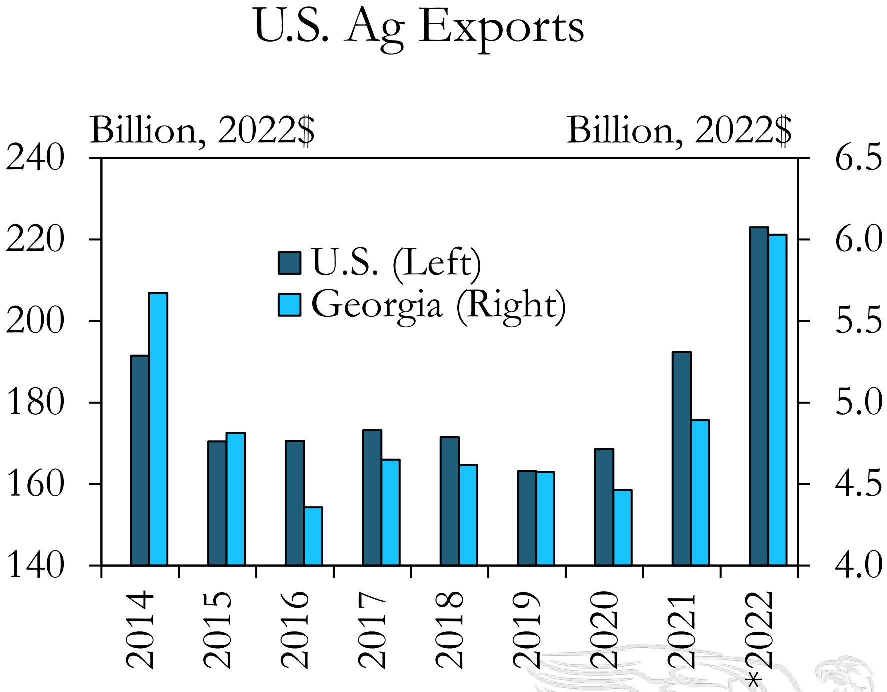
# The surge in ag prices has far exceeded the run-up in 2007-2008.




**Sources:** Wall Street Journal, Haver Analytics, and author's calculations

# While government payments provided significant income support, exports have also been strong.



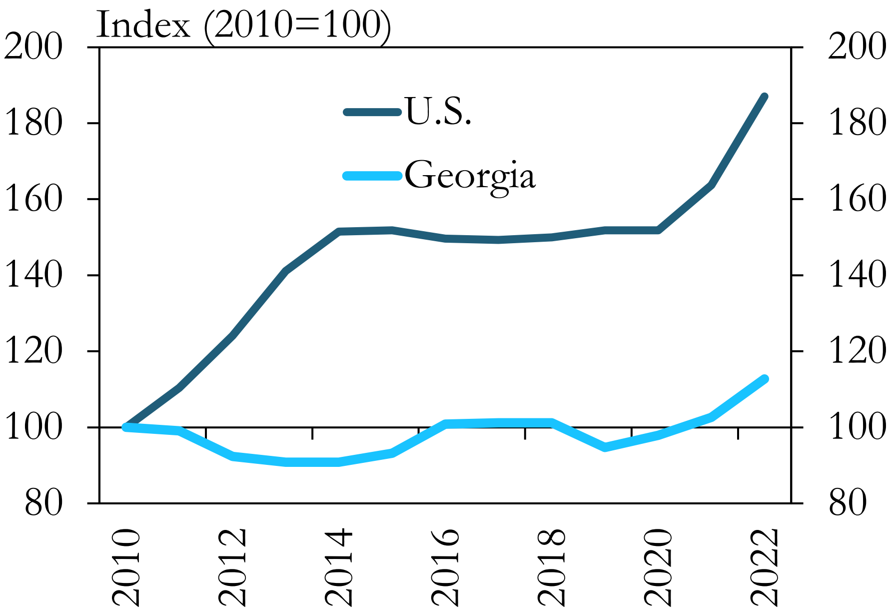

*U.S. is estimated based on year-to-date percent change through August. Georgia is estimated based on year-to-date percent change through July.

**Note:** 2022 Government Payments as a Share of Net Farm Income is the USDA forecast as of September 1, 2022. Forecast not available for individual states

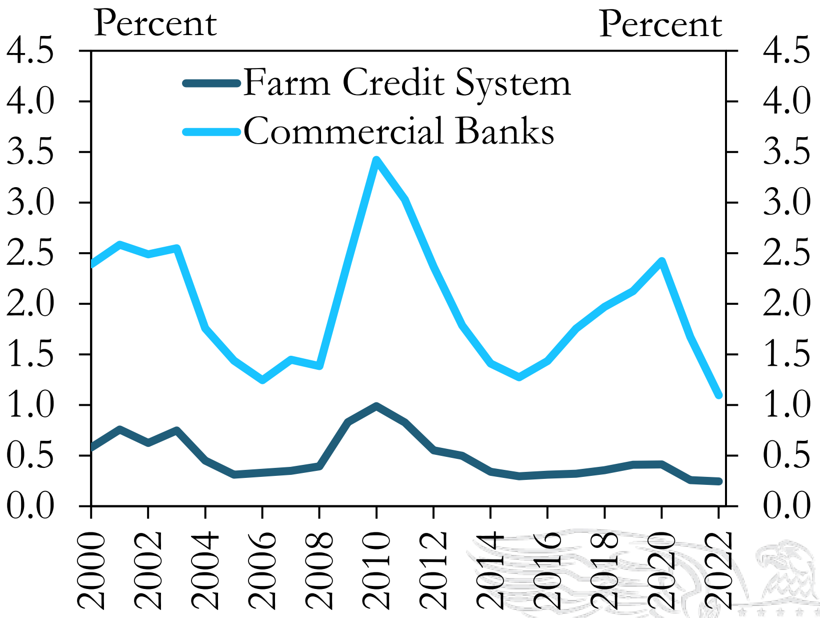
**Source:** USDA

# Measures of farm finances have also improved substantially.

Farm Real Estate Values

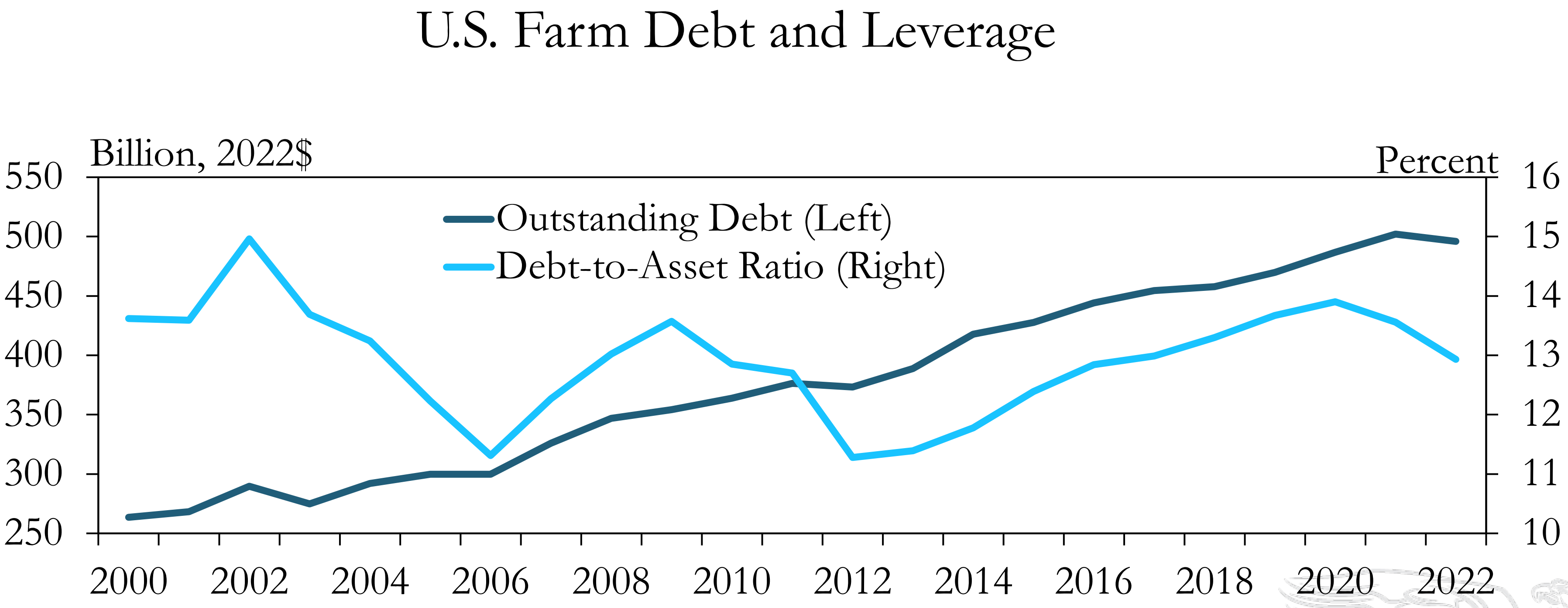



Farm Loan Delinquency Rates




**Sources:** USDA, Federal Reserve Board of Governors and Farm Credit Administration

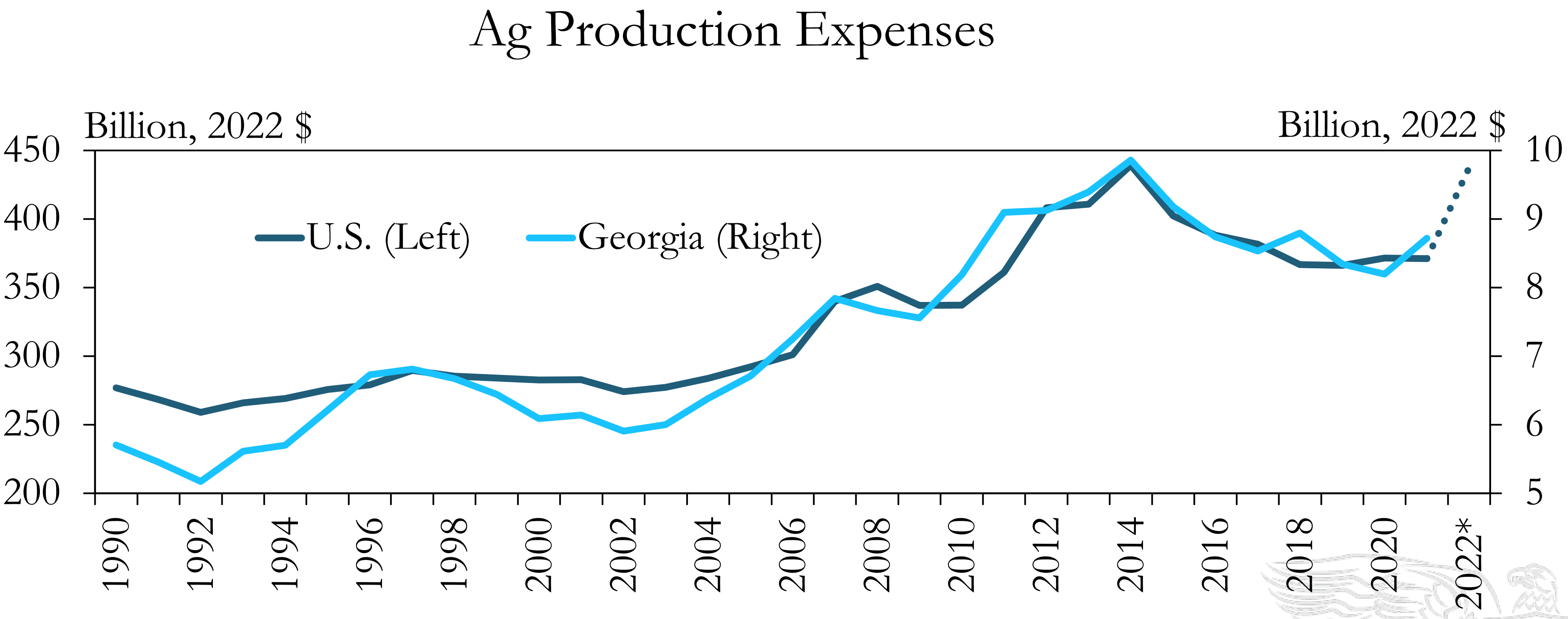
# Despite increases in debt, leverage has remained low.




**Source:** USDA

**Ag economic conditions are strong,**
**but risks are growing.**

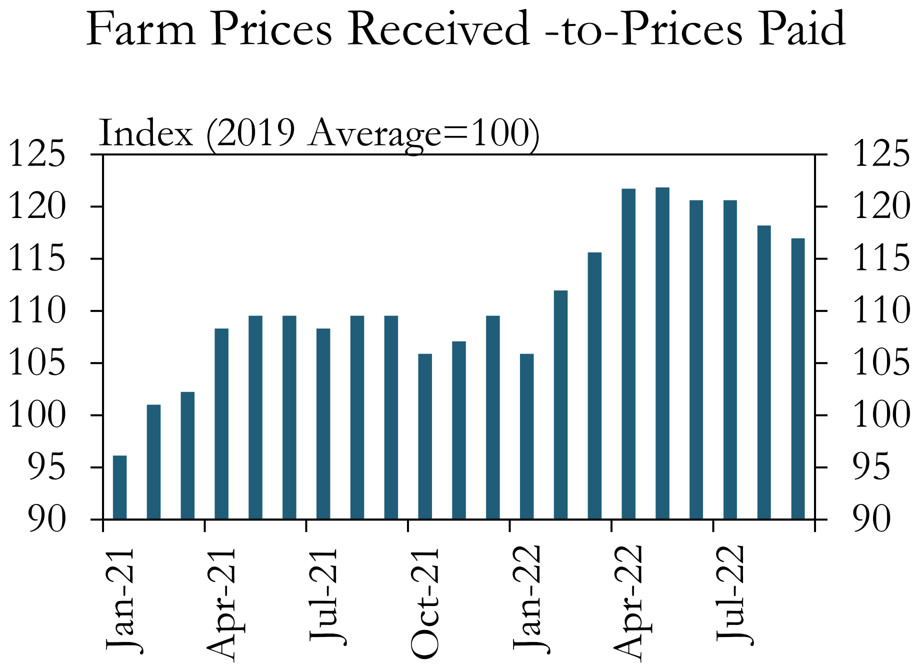
# Production costs have risen sharply over the past year.

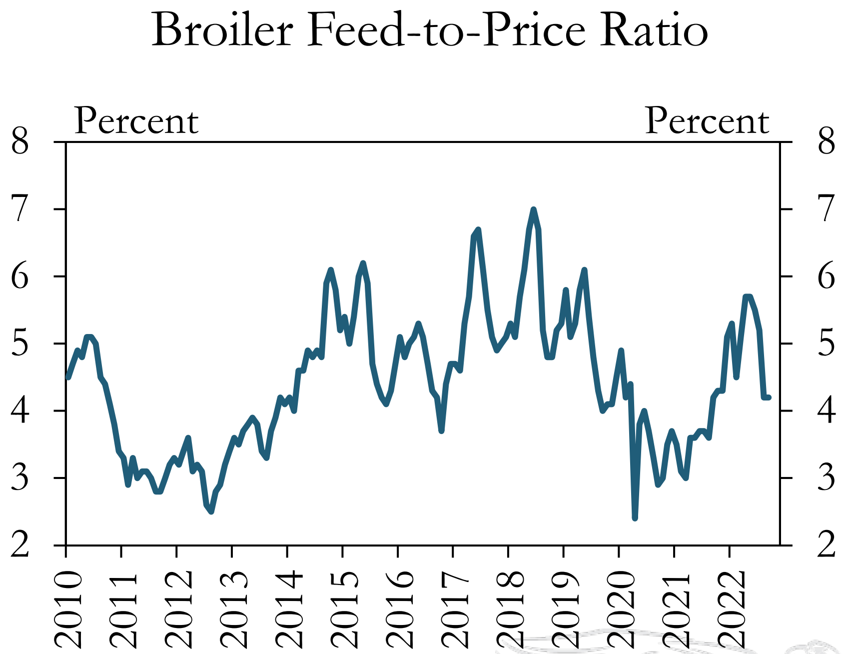



*U.S. Forecast as September 1, 2022.

**Source:** USDA

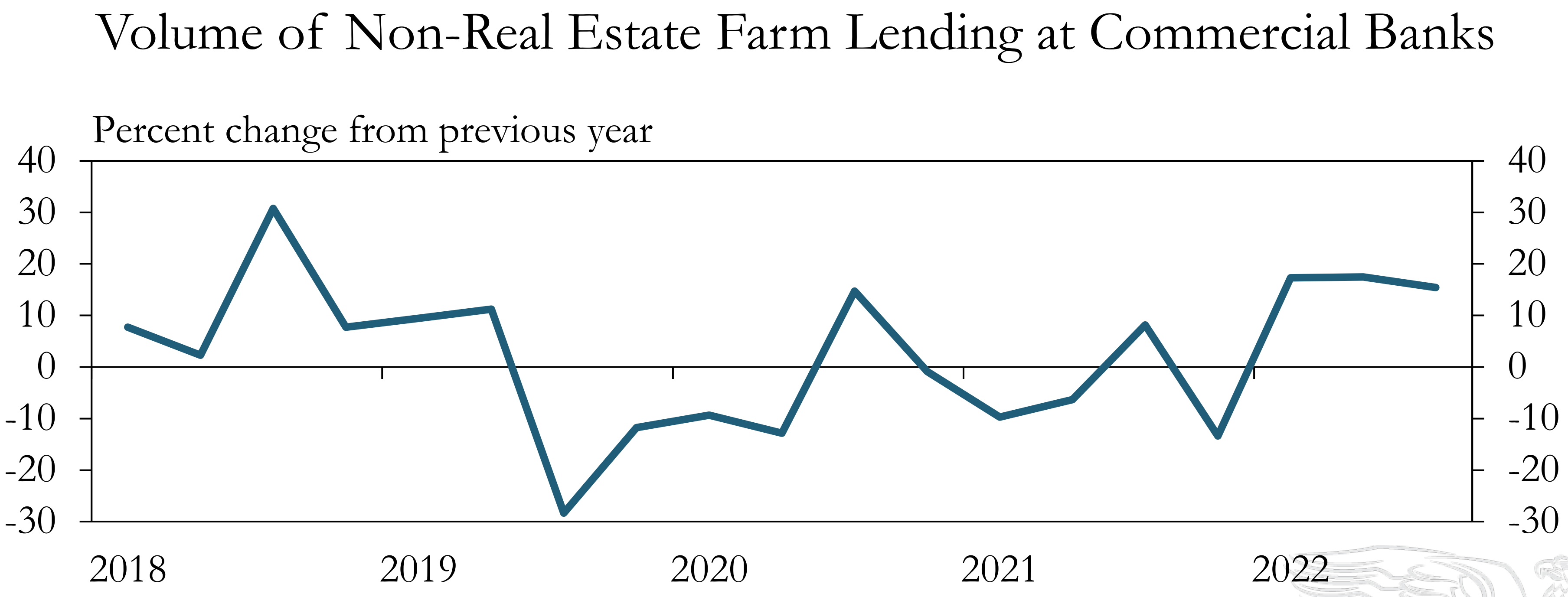
# Profit margins are likely to be more subdued in the year ahead.



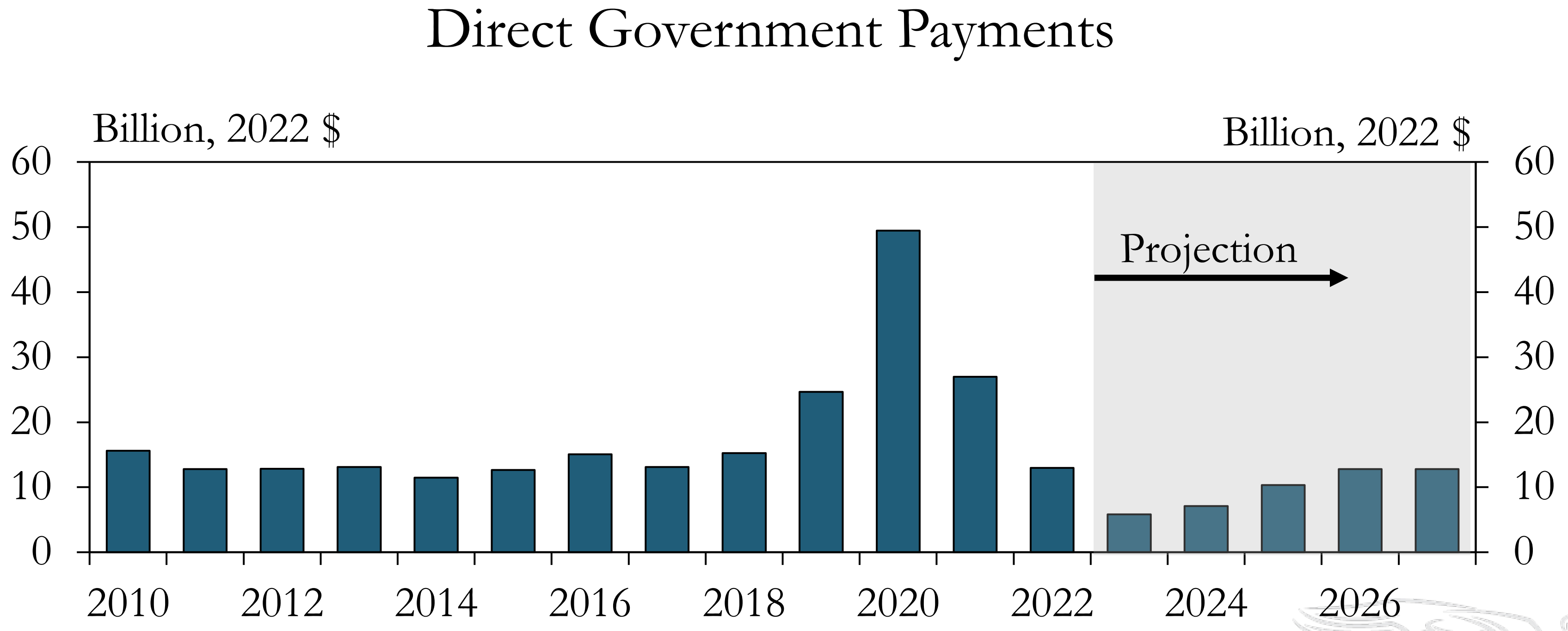

*The number of pounds of broiler grower feed equal in value to 1 pound of broiler, live weight. The methodology utilizes major raw feed component prices from Agricultural Prices, published by USDA's National Agricultural Statistics Service. The major feed components of corn and soybeans account for 83-91 percent of the total ingredients in the rations.
**Source:** USDA and staff calculations

# Ag lending has picked up in recent months alongside increases in costs.




**Sources:** Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City

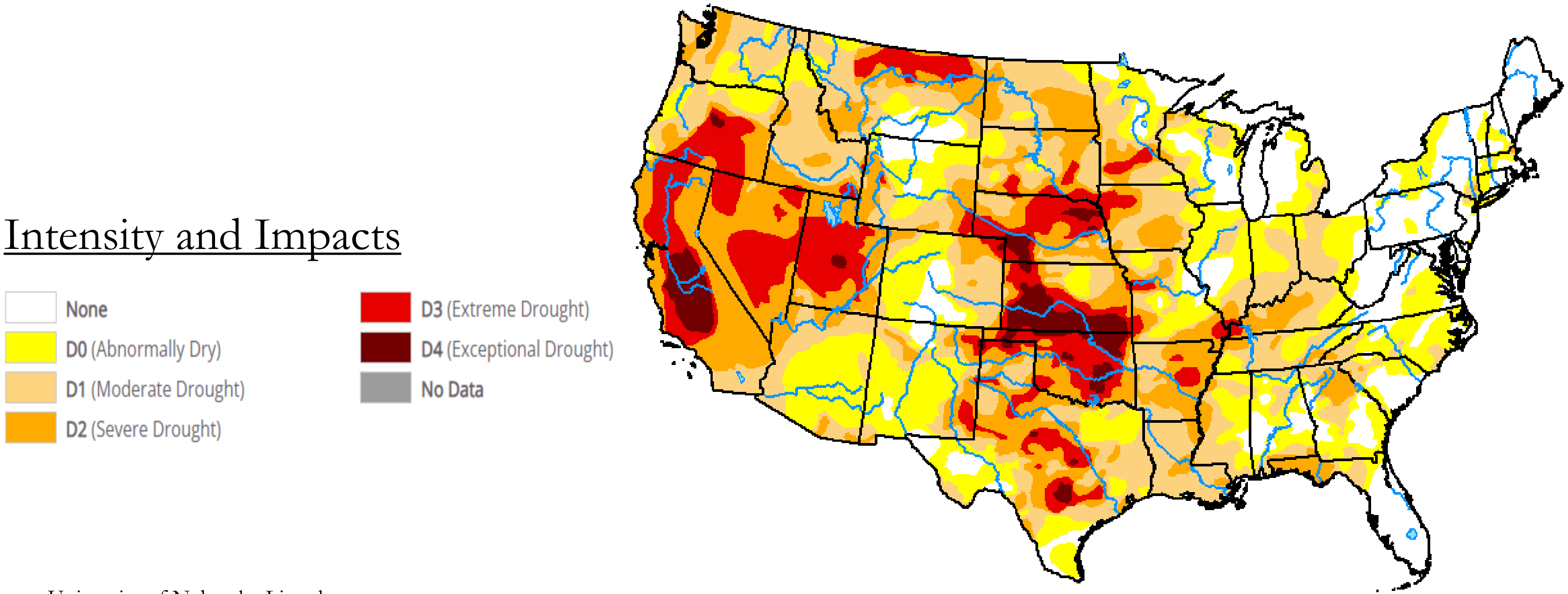
# Government payments do not appear likely to provide large support as in recent years.




**Note:** 2018-2022 data are obtained from USDA Farm Income and Wealth Statistics. 2023-2027 forecasts are obtained from FAPRI Baseline Projection as of September 12, 2022.
**Sources:** USDA and University of Missouri - Food and Agricultural Policy Research Institute (FAPRI)

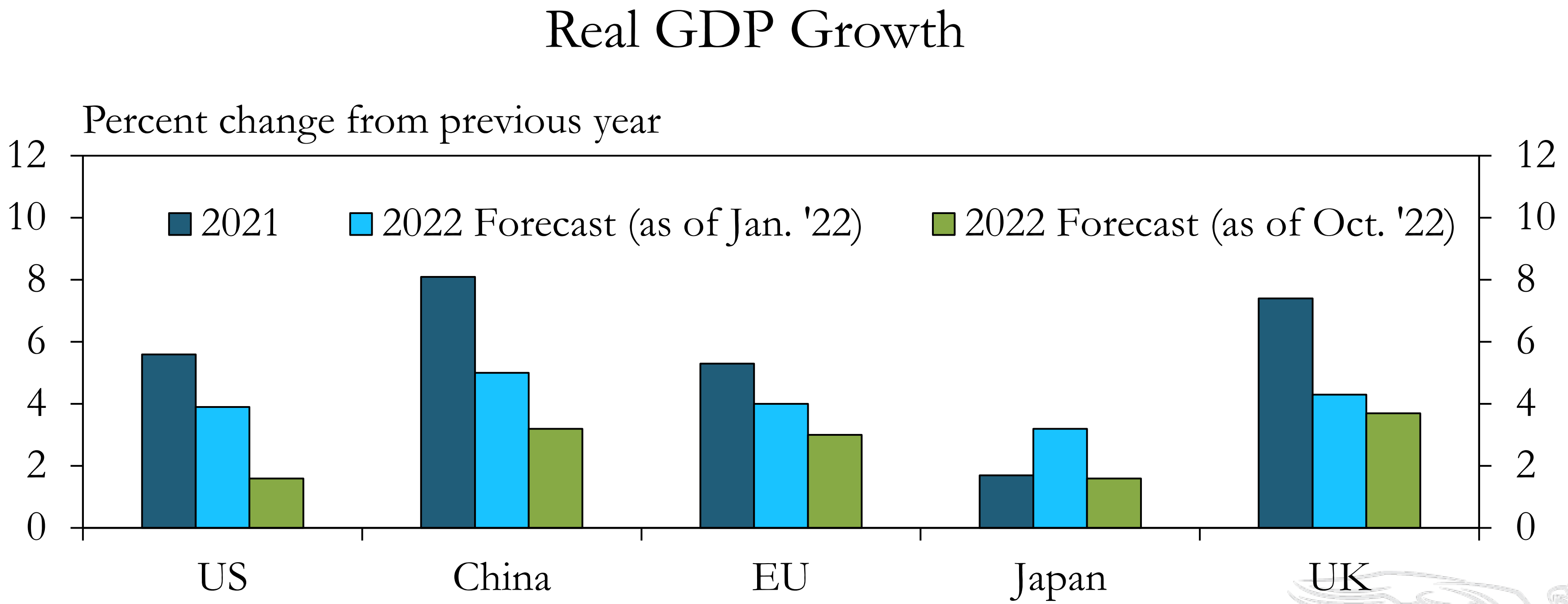
# Drought remains an ongoing challenge in large parts of the country, particularly for the livestock sector.

U.S. Drought Conditions – November 1, 2022



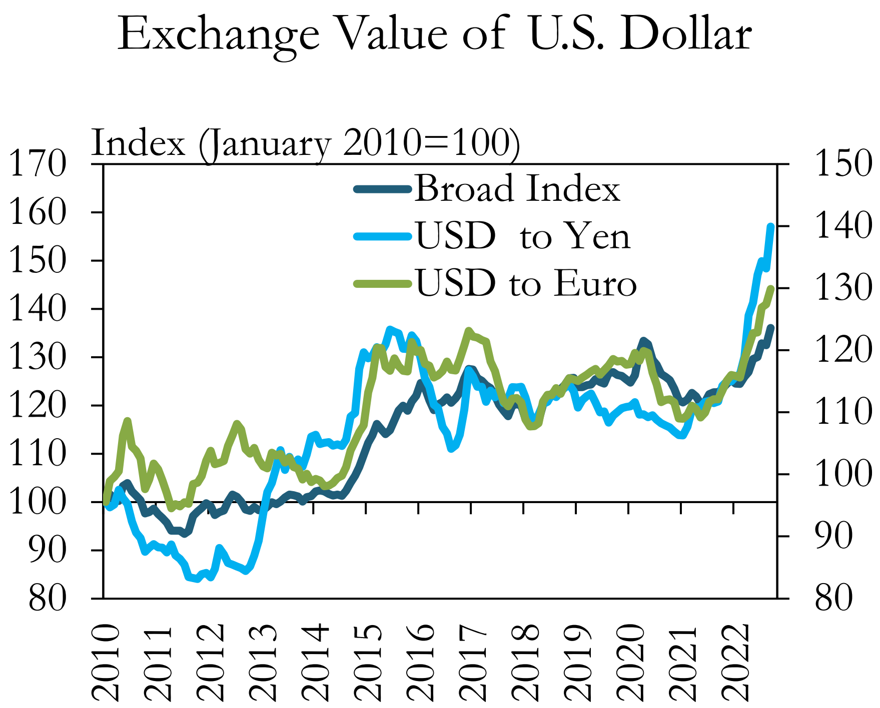

**Source:** University of Nebraska Lincoln

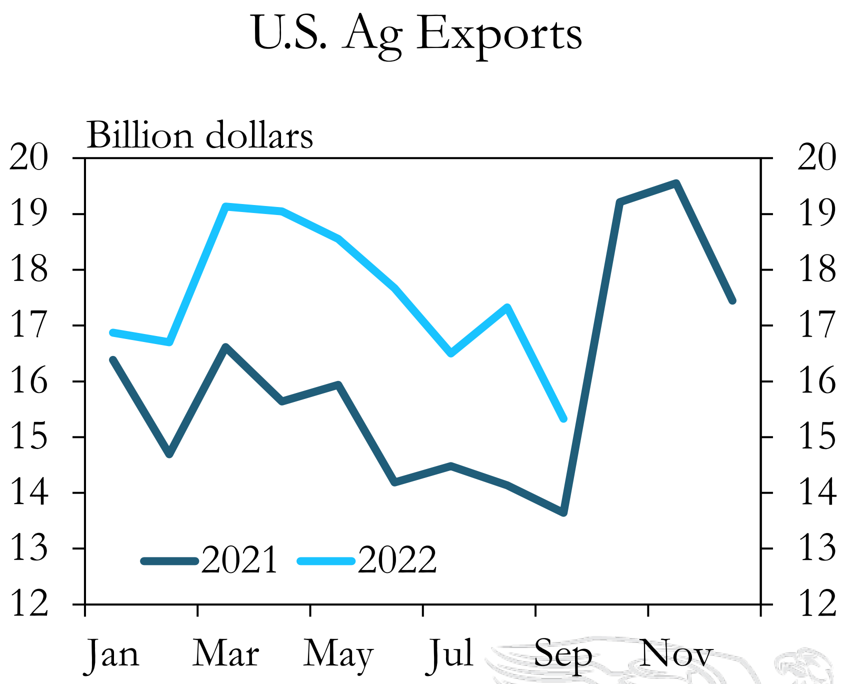
# Broad measures of economic growth have weakened throughout the year.




**Sources:** Bureau of Labor Statistics, 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.

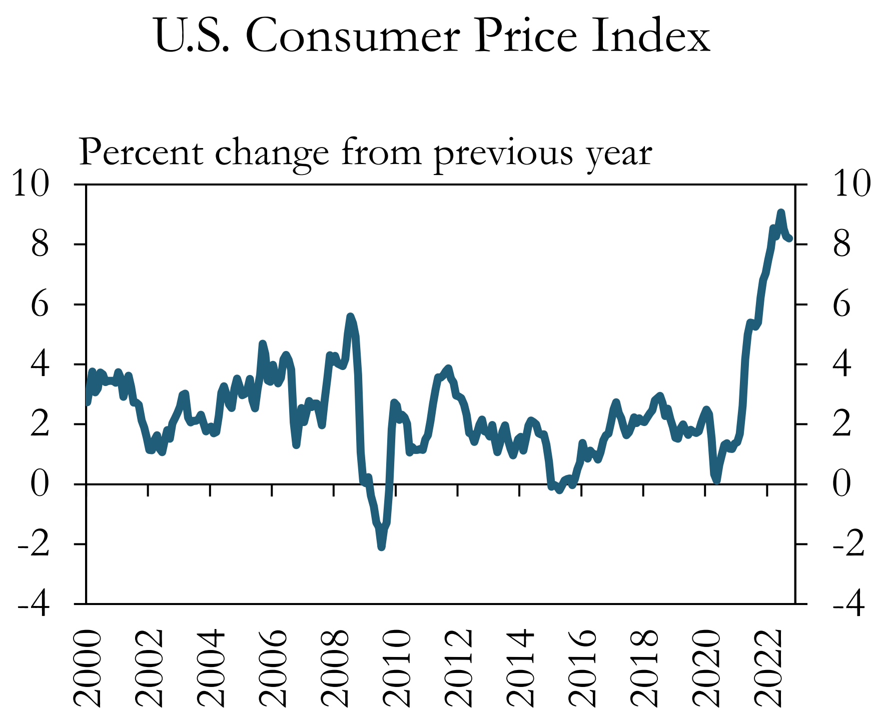
# A stronger dollar could put pressure on industries dependent on exports.

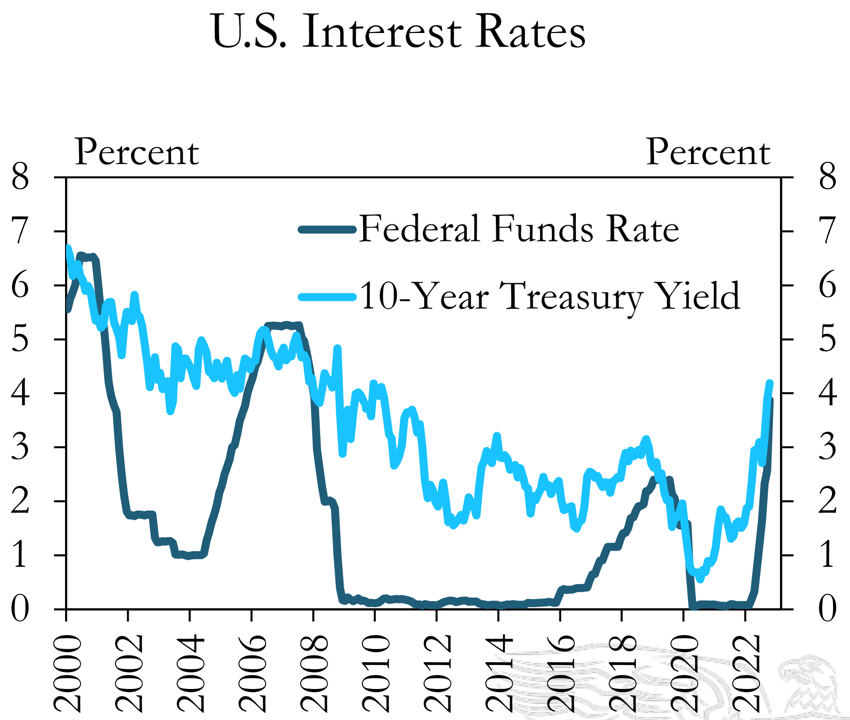



**Sources:** Federal Reserve Board of Governors, USDA, and Haver Analytics

# Persistent inflationary pressures have led to a notable increase in interest rates.




**Sources:** Federal Reserve Board of Governors, USDA, and Haver Analytics

# Despite these risks, however, there are reasons to be optimistic about the long-term potential for U.S. ag.

- Demand for food and fuel is still growing, and the U.S. is a comparatively reliable and stable supplier.
- Technological innovations have supported ongoing gains in productivity in both commodity production and value-added agriculture.
- There are regional concerns about water availability in the U.S., but the U.S. is also positioned better than some other ag producing countries.

# Yet, some important structural questions are likely to remain.

- With ag productivity rising, will new demand sources be enough to support prices if global growing conditions stabilize?

- How will consolidation and supply chain management affect producers and agribusinesses?

- How will producers and businesses make important long-term decisions in the face of elevated near-term uncertainty?

# Concluding Thoughts

- Economic conditions in agriculture will likely remain on solid footing entering 2023 alongside a strong price environment.

- Further ahead, a rising cost environment could put more pressure on farm finances.

- Developments in the macroeconomy are likely to have an outsized impact on agriculture through 2023.

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