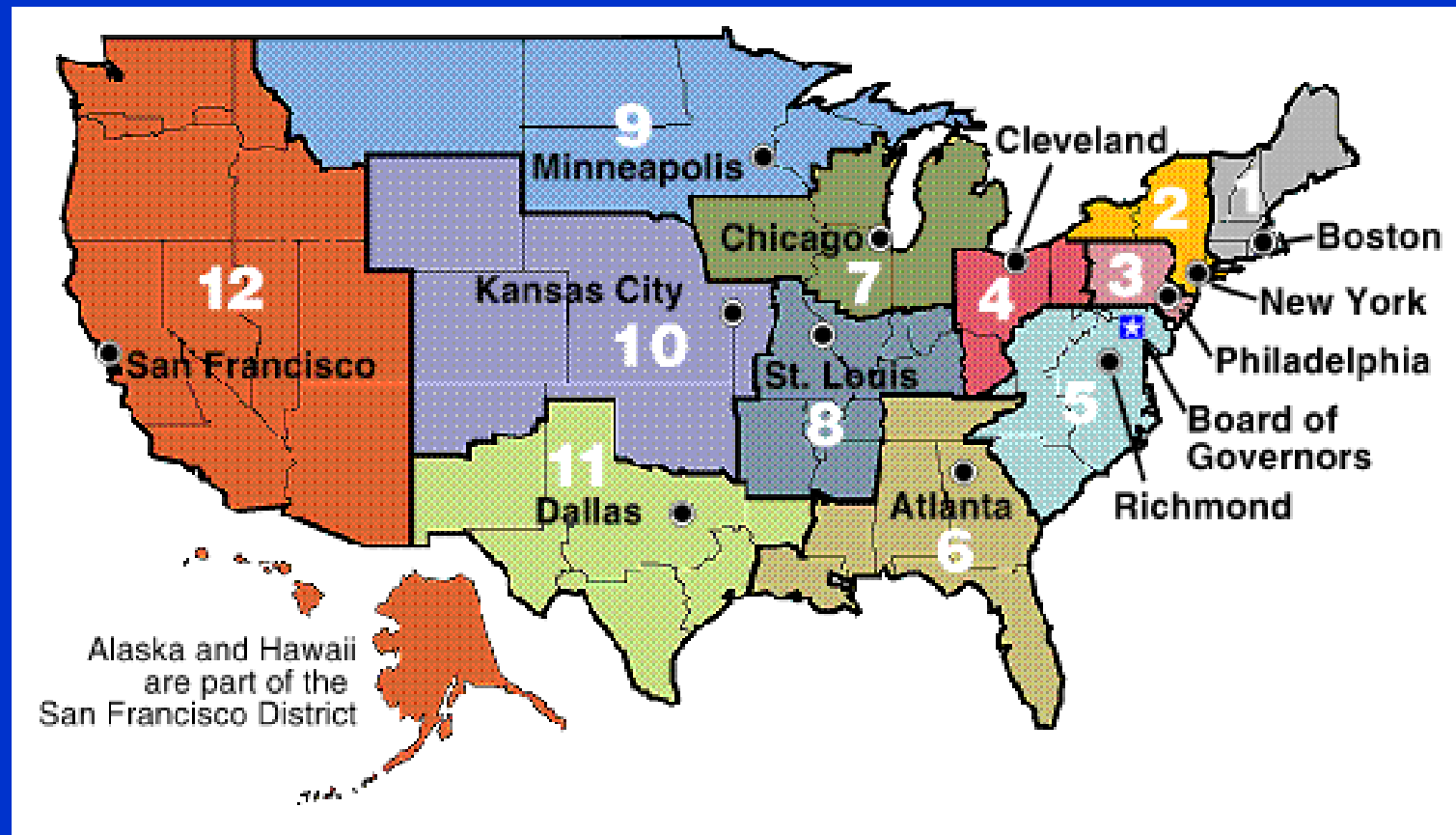

Agricultural Webinar

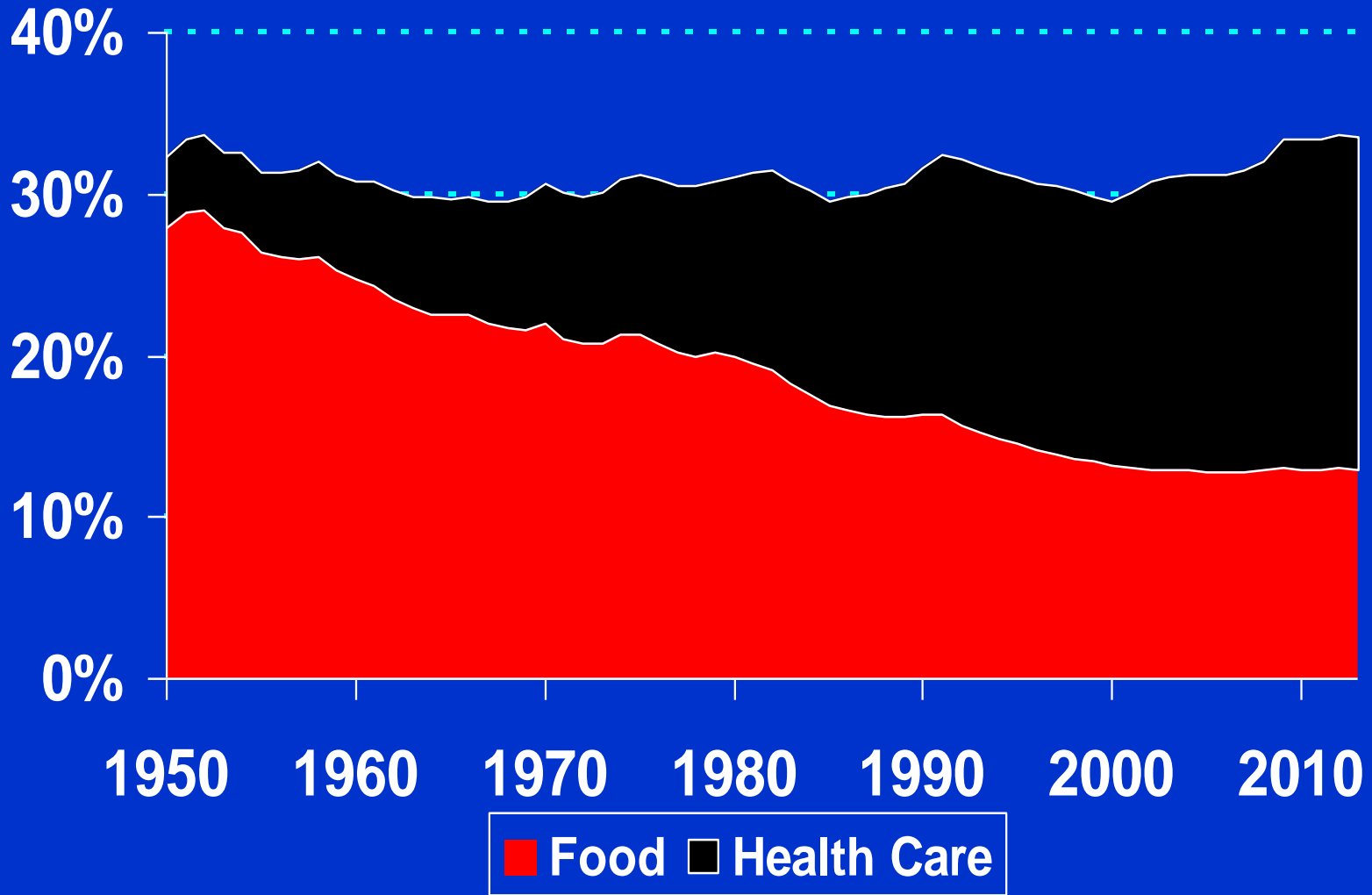
August 27, 2015
Fed@YourDesk

David Oppedahl
Senior Business Economist
312-322-6122
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Federal Reserve System



Personal consumption shares



USDA split of a dollar spent on food in 2008

Farm
share

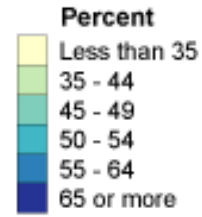
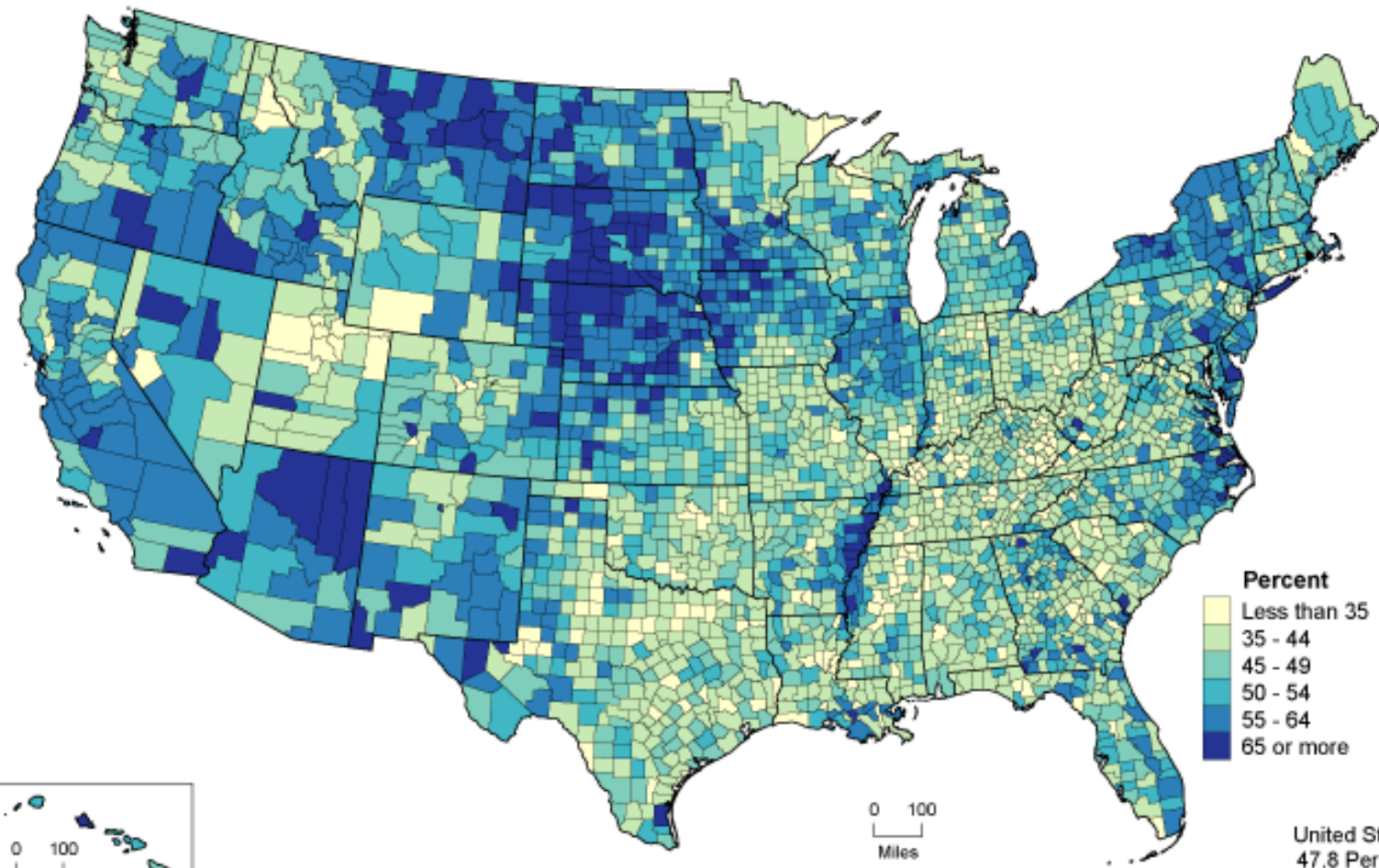
Marketing share



15.8c

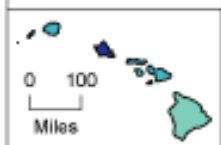
84.2c

Percent of Principal Farm Operators Reporting Primary Occupation as Farming: 2012



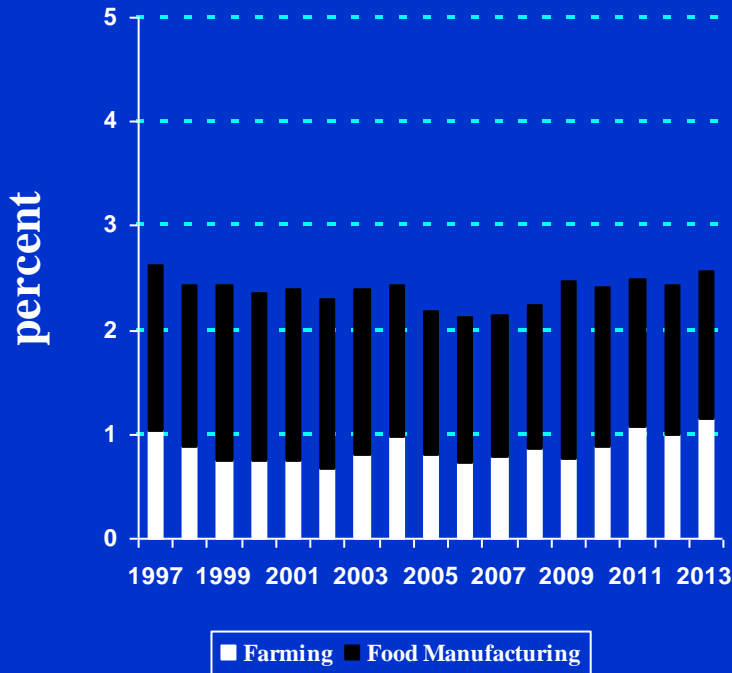
United States
47.8 Percent

2012 Census of Agriculture

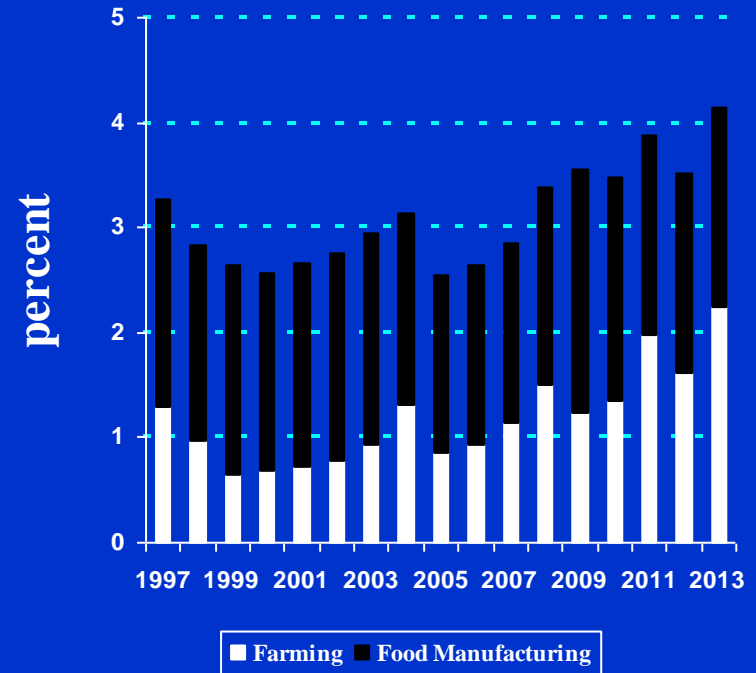


U.S. and District output shares from farming and food manufacturing

U.S.



District

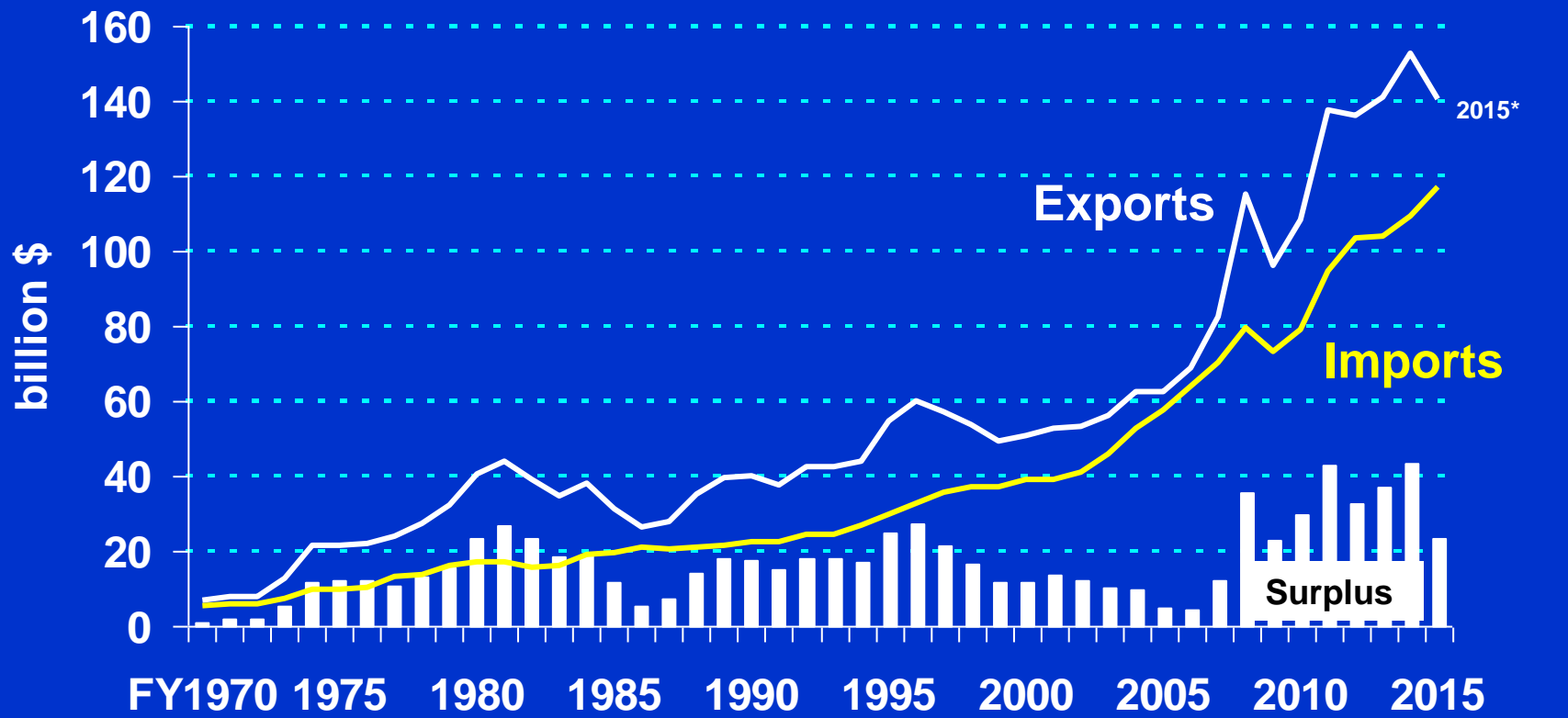


A 10% rise in the dollar has slowed exports, including a decline of \$12 billion for agriculture

(Real Broad Trade-Weighted Exchange Value of the US\$)
{March 1973=100}



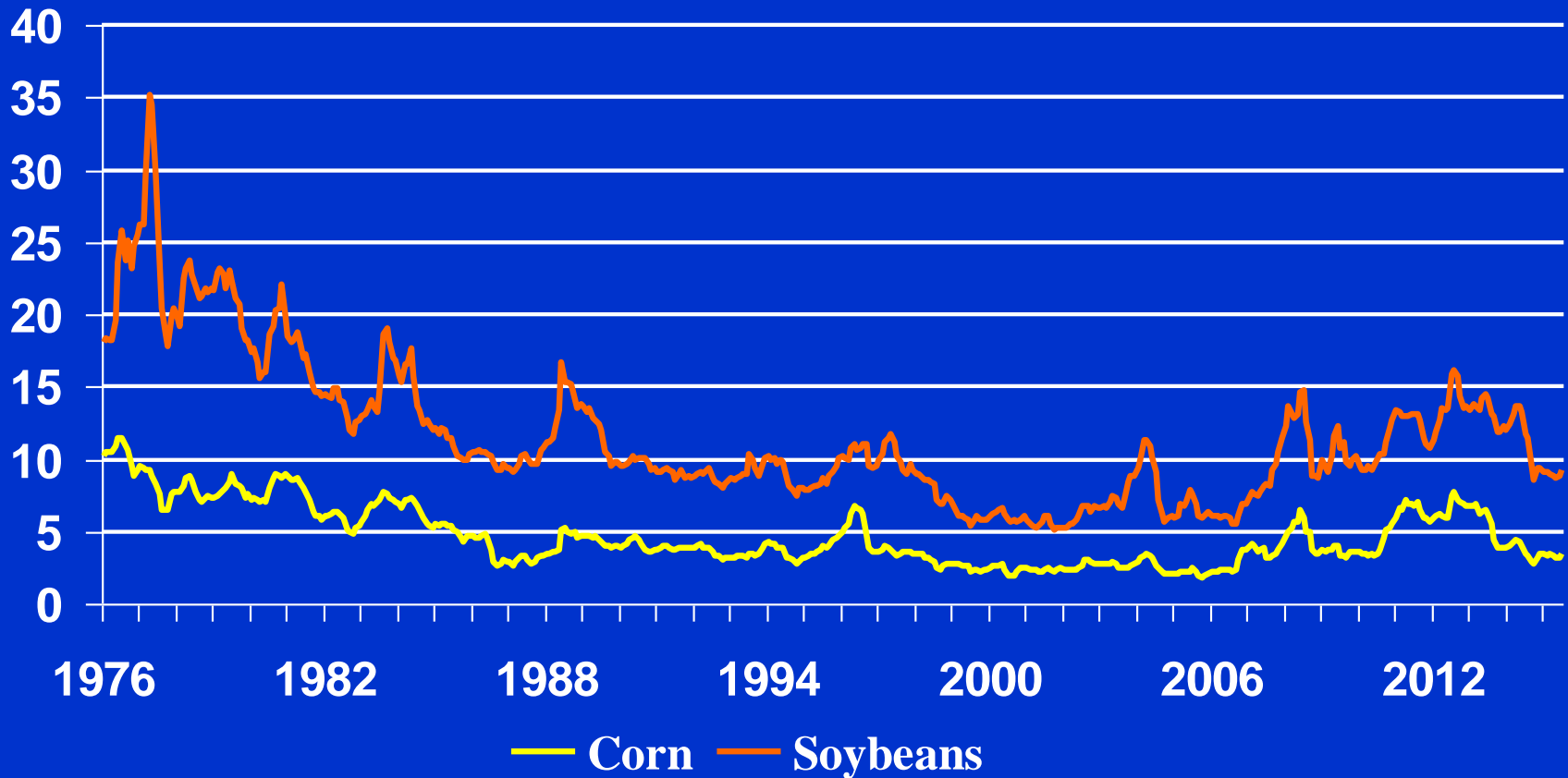
Value of agricultural exports expected to fall in 2015



(*USDA projection)

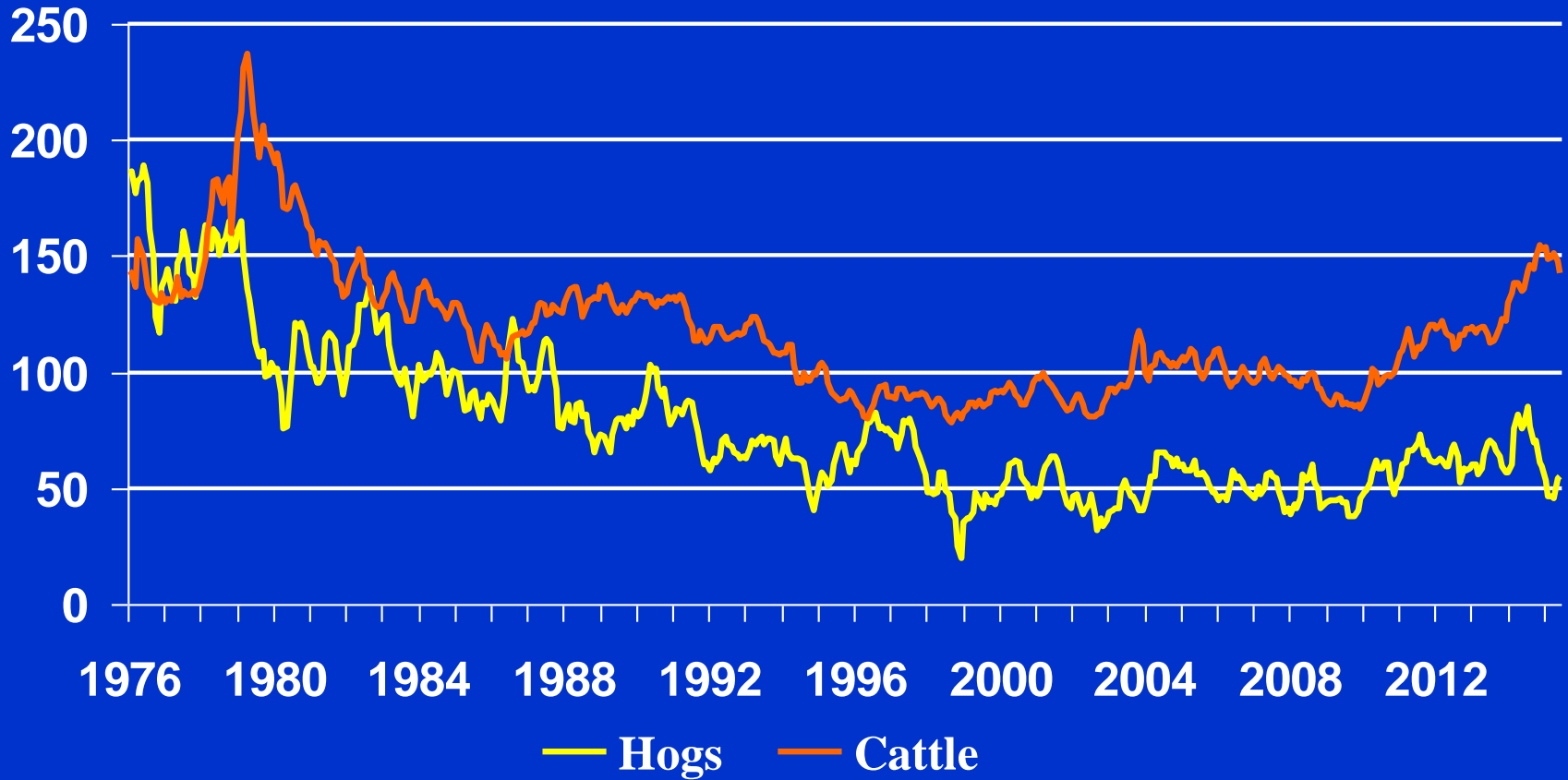
Real Cash Crop Prices

(\$/bushel, adjusted by CPI-U for January 2010)



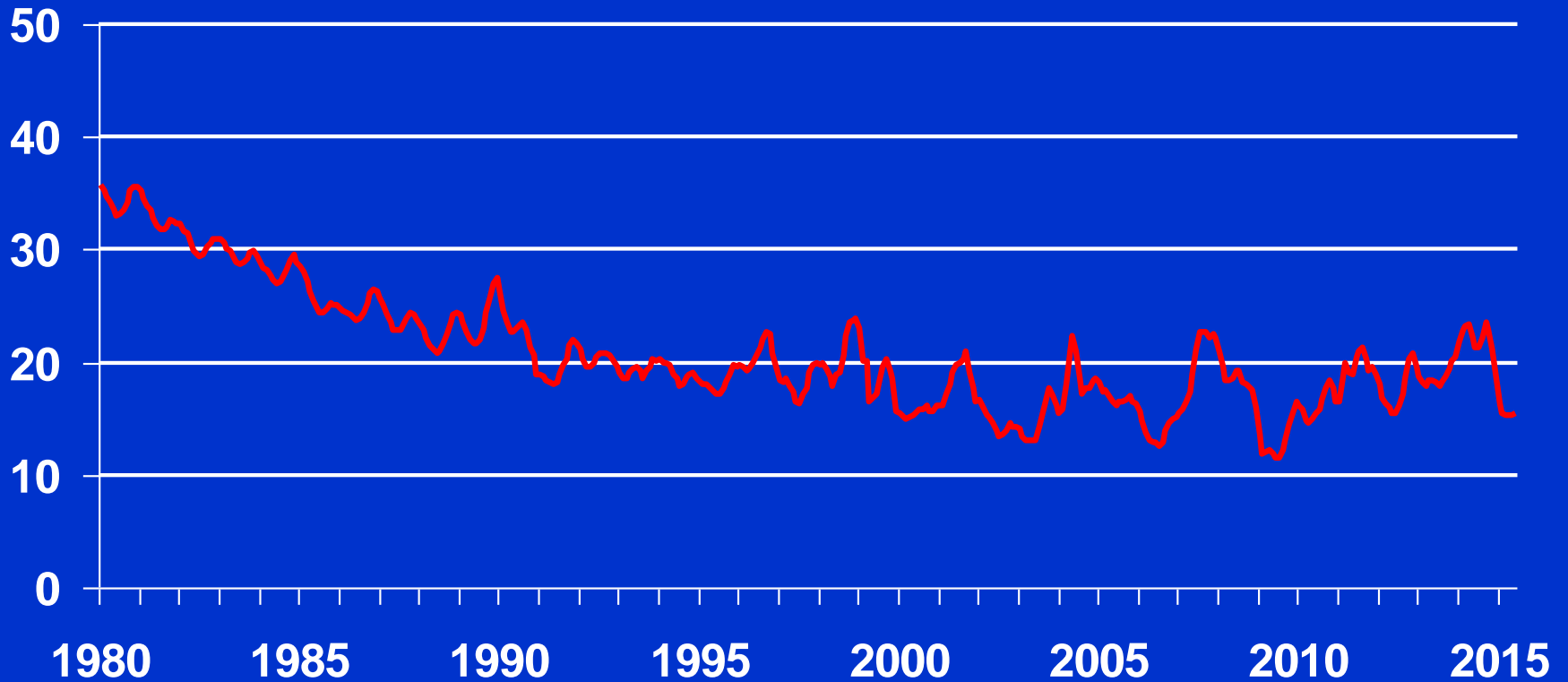
Real USDA Livestock Prices

(\$/hundredweight, adjusted by CPI-U for January 2010)

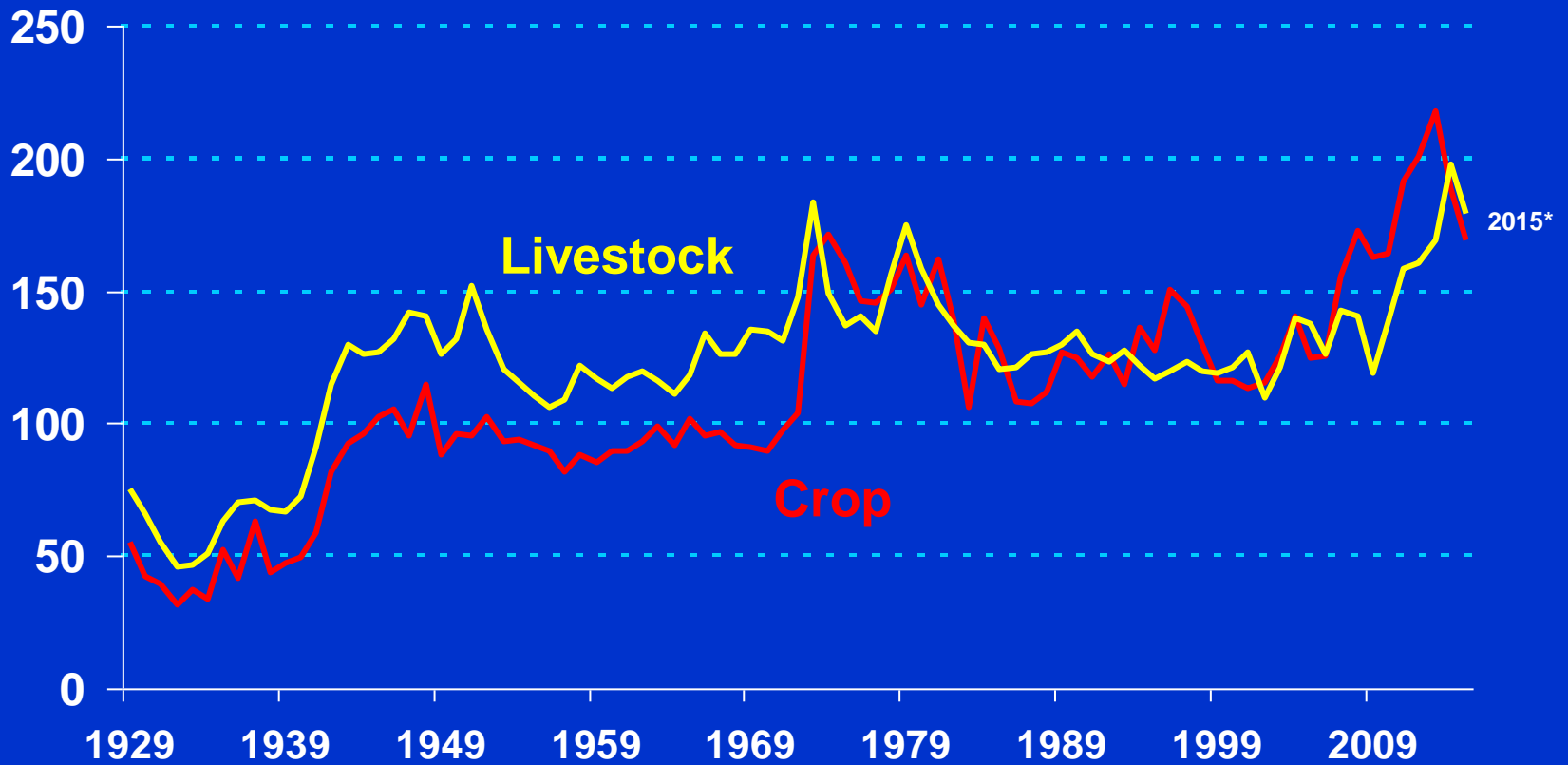


Real USDA Milk Prices

(\$/hundredweight, adjusted by CPI-U for January 2010)

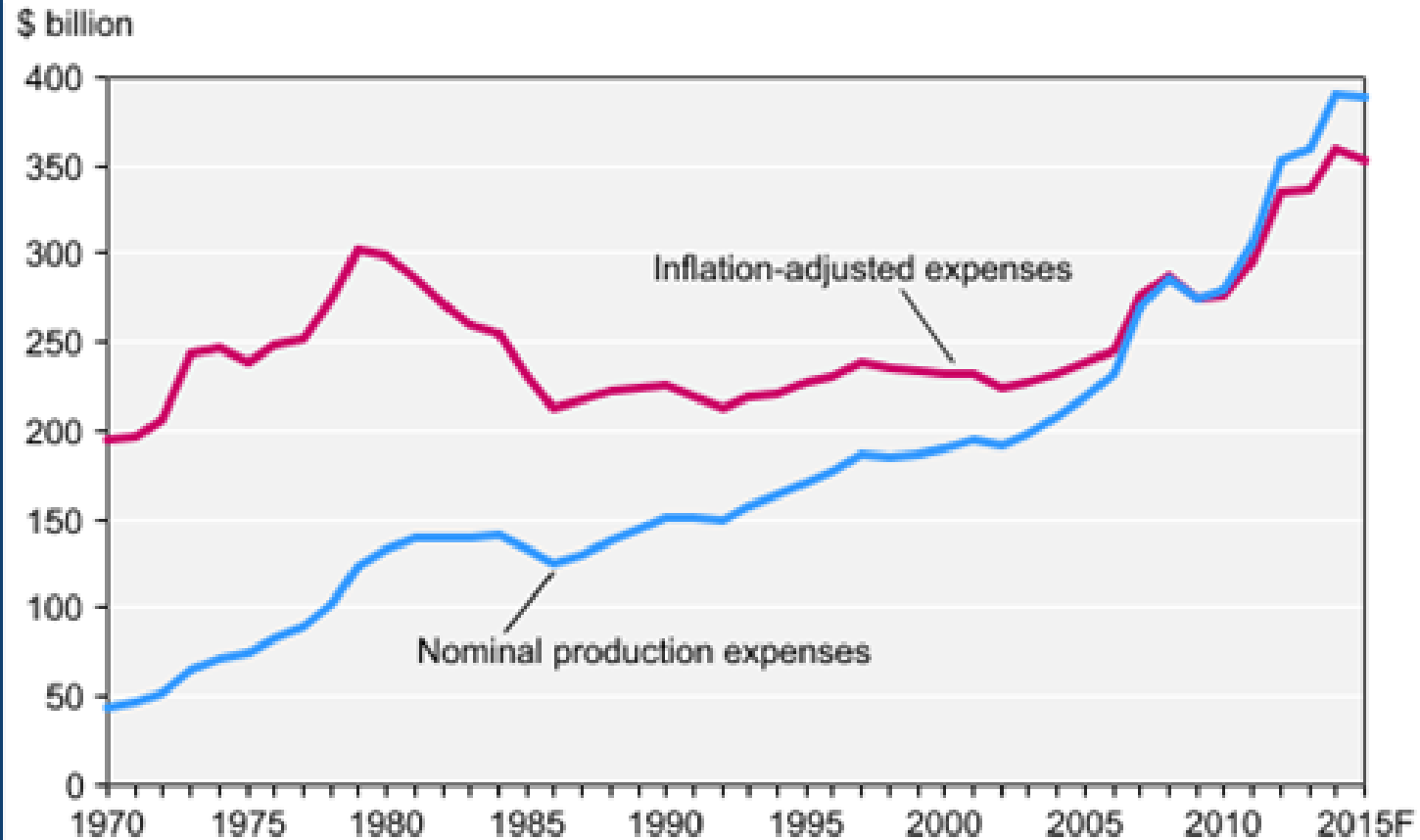


U.S. Farm Production Value (billion dollars, 2009 \$)



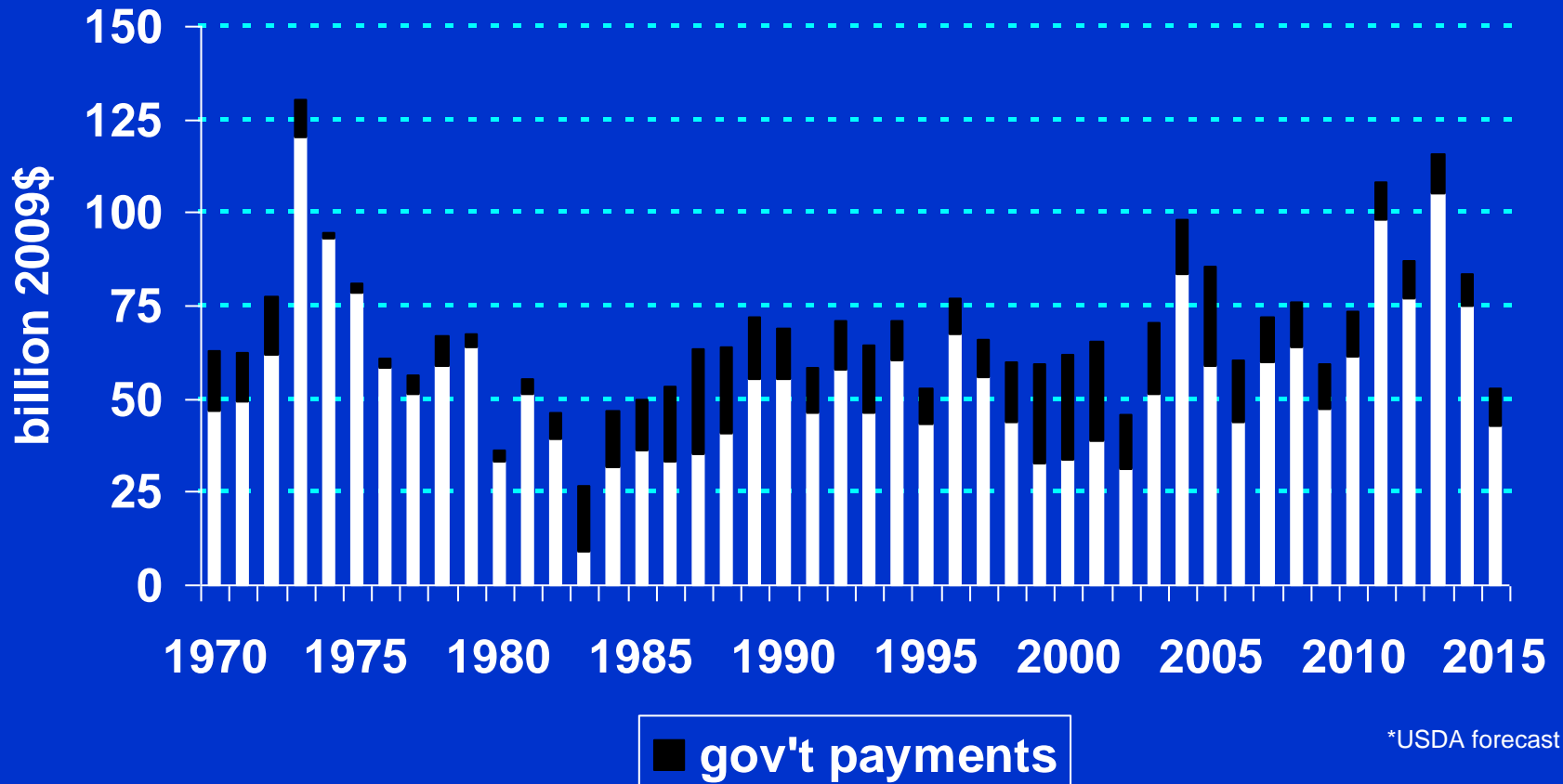
*USDA forecast

Nominal and inflation-adjusted farm production expenses, 1970-2015F

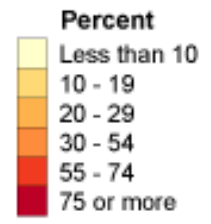
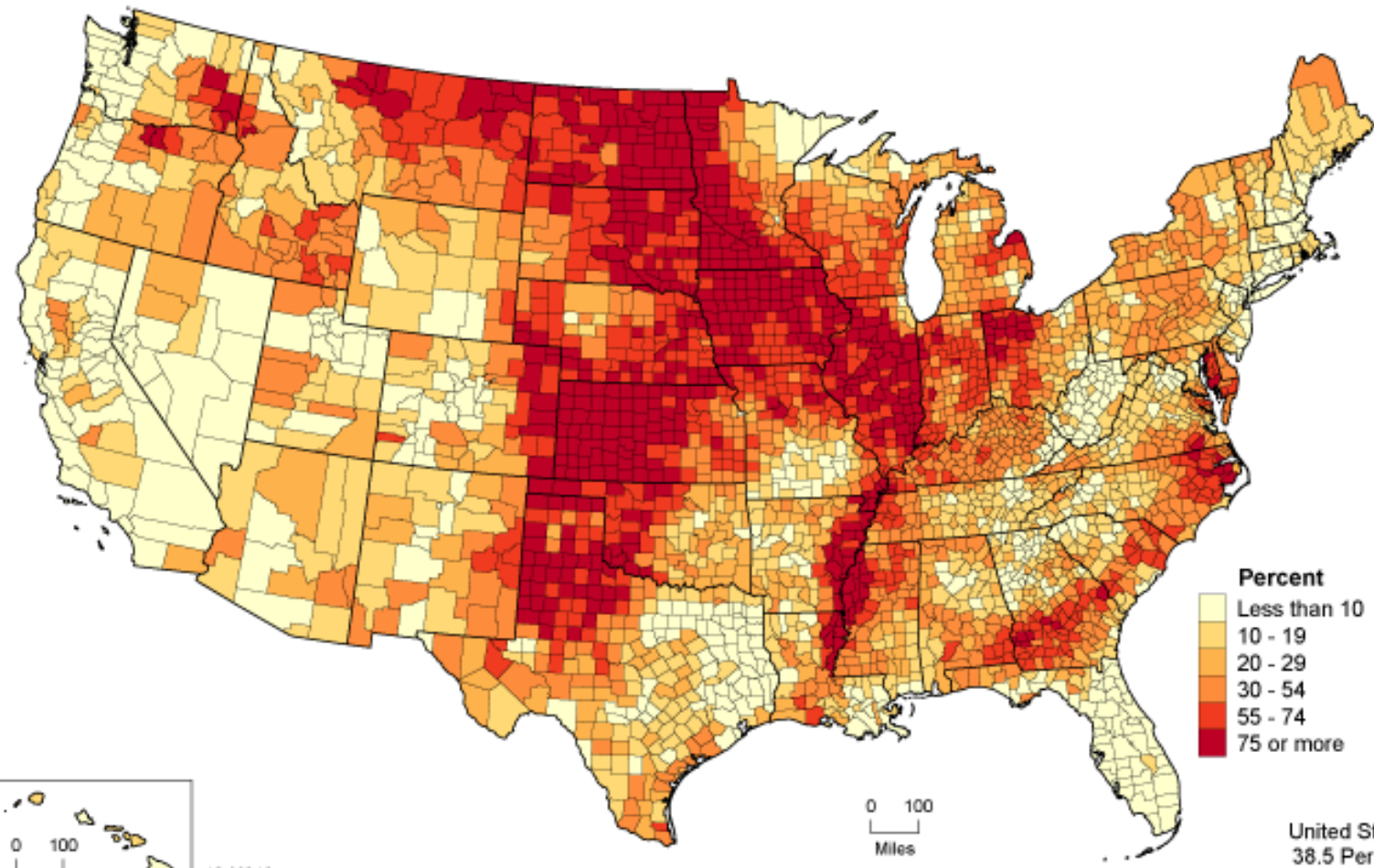
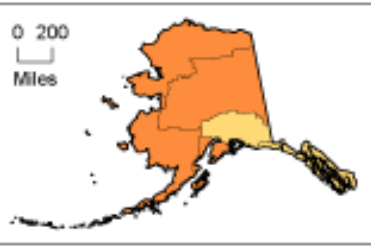


Note: F = forecast. Values are adjusted using the chain-type GDP deflator, 2009=100.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of August 25, 2015.

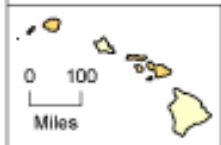
Real net farm income boosted by direct government payments to farmers, but the regional impact varies



Percent of Farms Receiving Government Payments: 2012



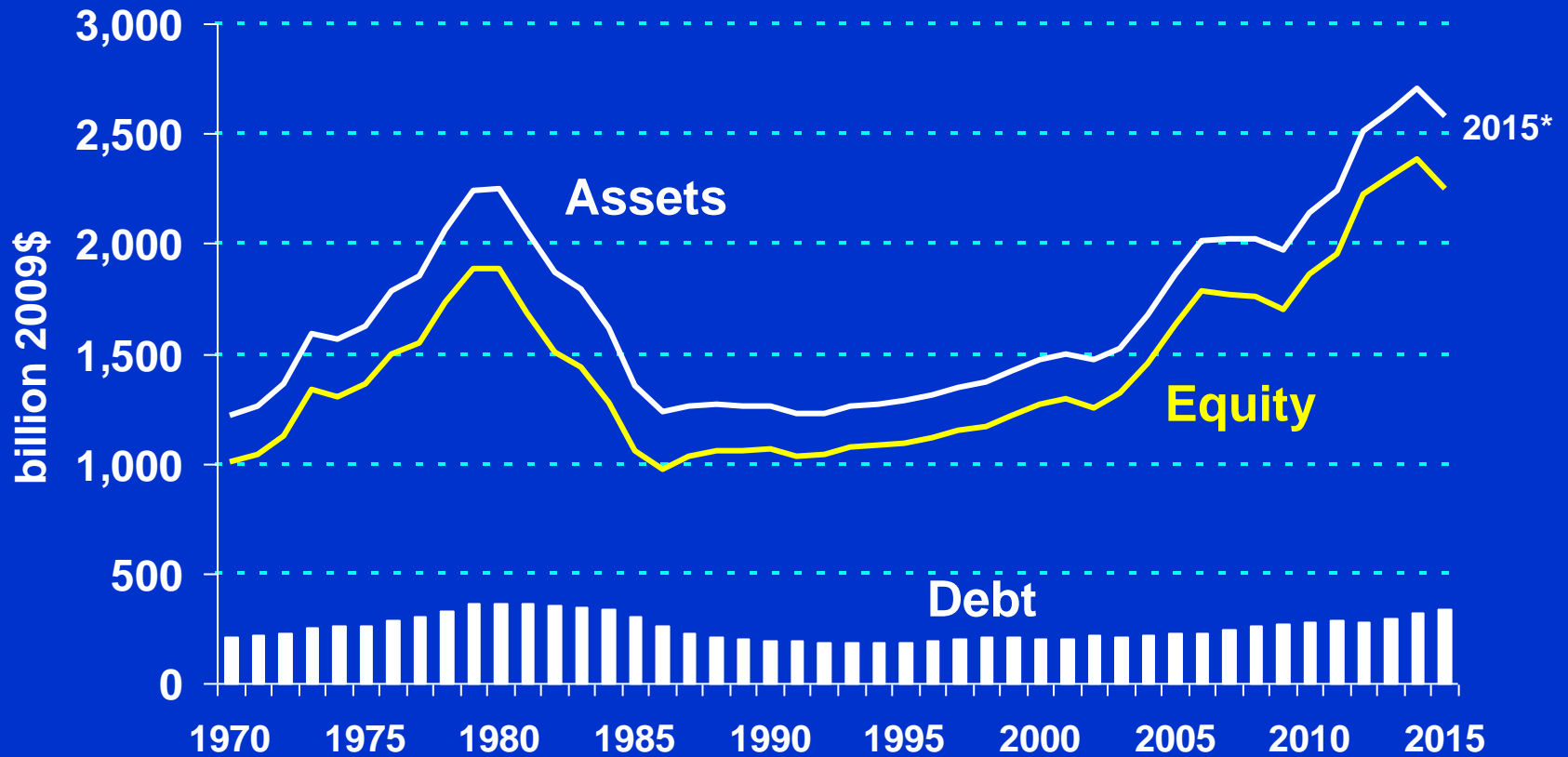
United States
38.5 Percent



12-M040
U.S. Department of Agriculture, National Agricultural Statistics Service

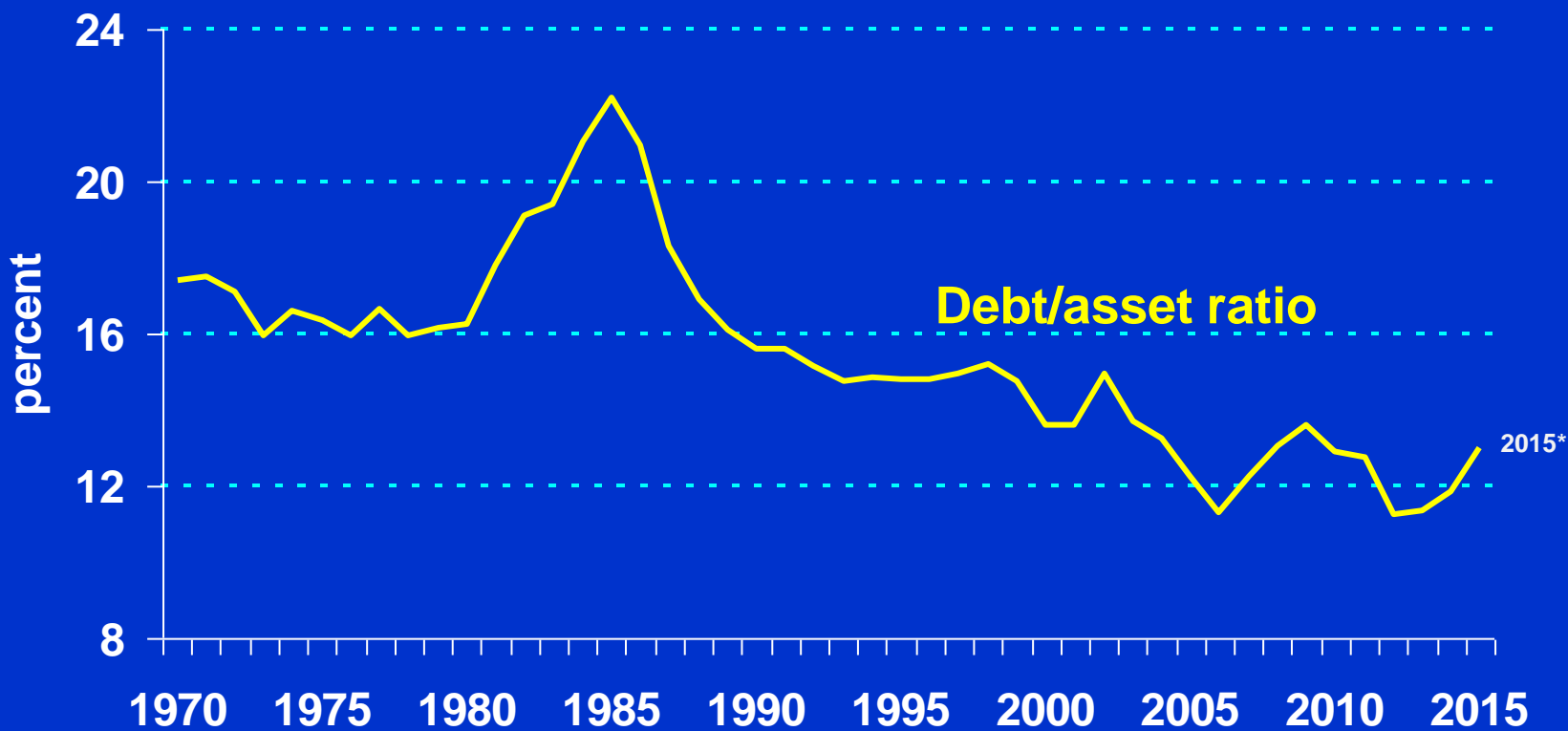
2012 Census of Agriculture

Real farm sector assets and equity at levels above prior peak



*USDA forecast

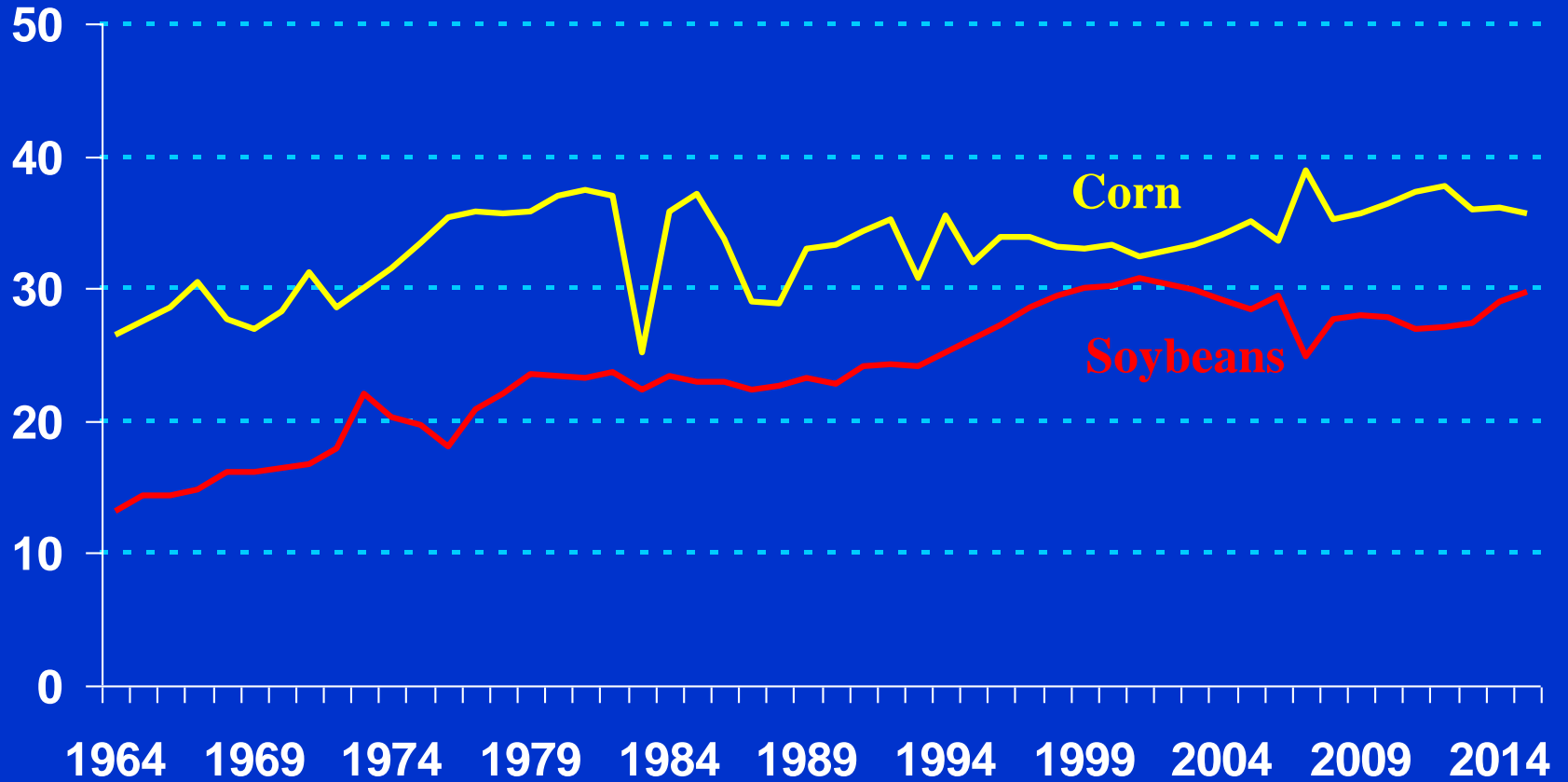
Farm financial ratios improved following the '80s crisis



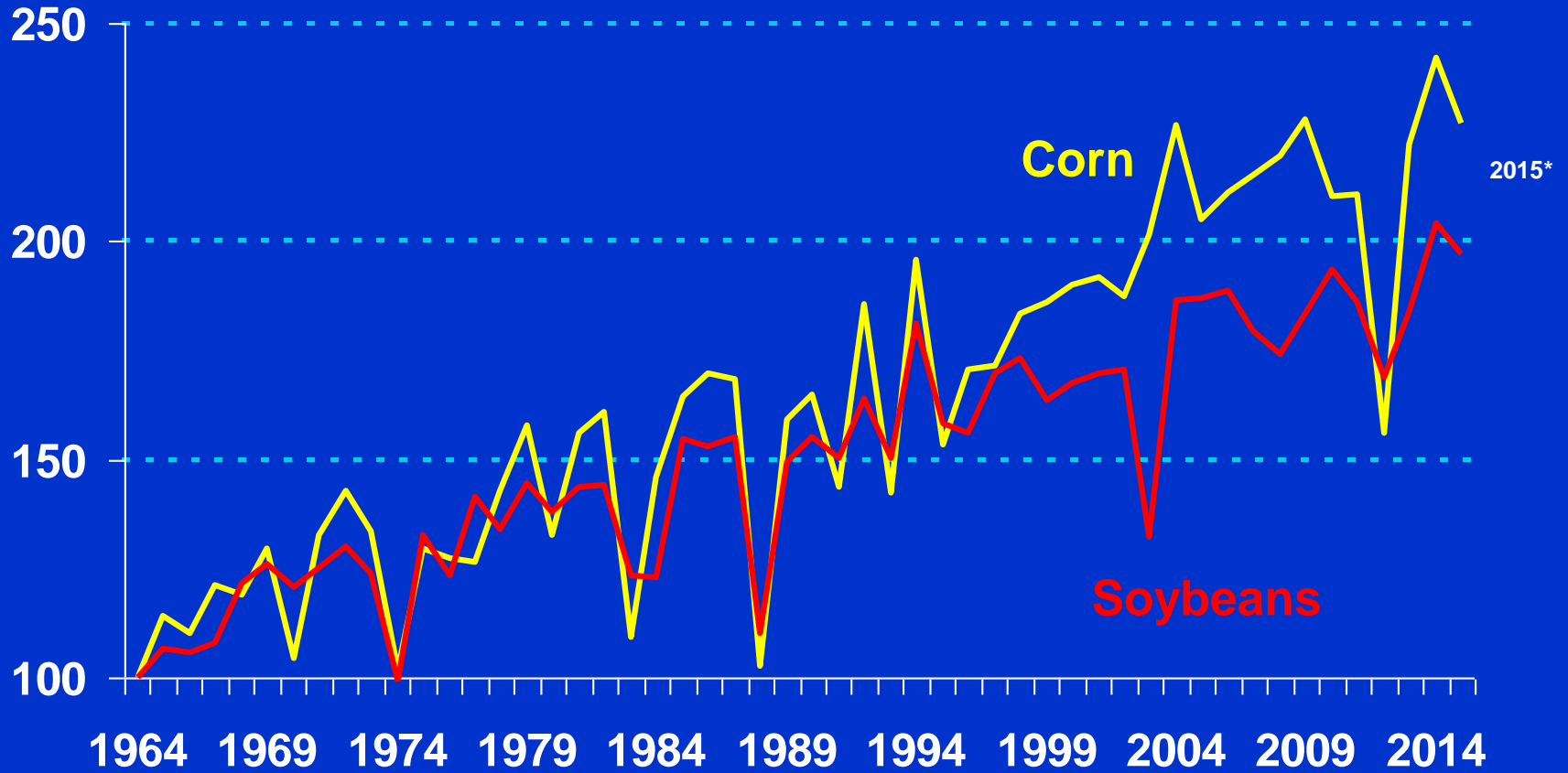
*USDA forecast

7th District Acres Harvested

(million acres, USDA estimates)



7th District Crop Yield Indexes (1964=100)



(*USDA projection)

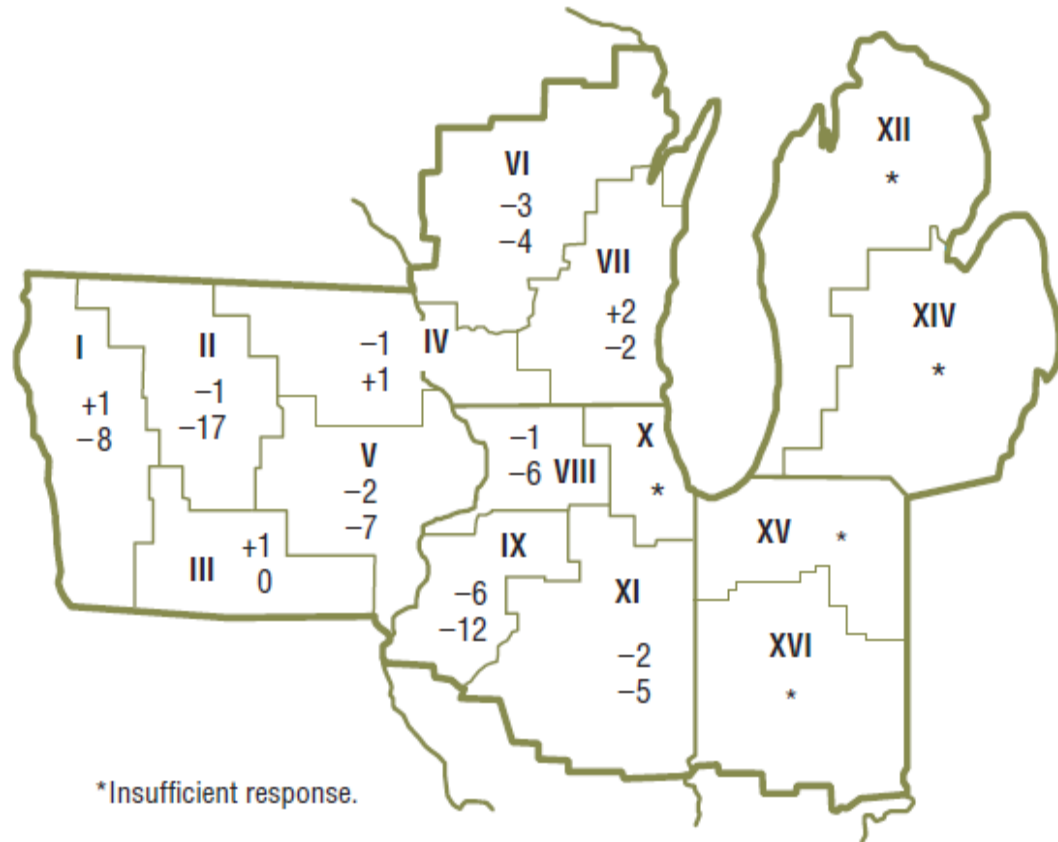
Survey results for July 1, 2015

Percent change in dollar value of "good" farmland

Top: April 1, 2015 to July 1, 2015

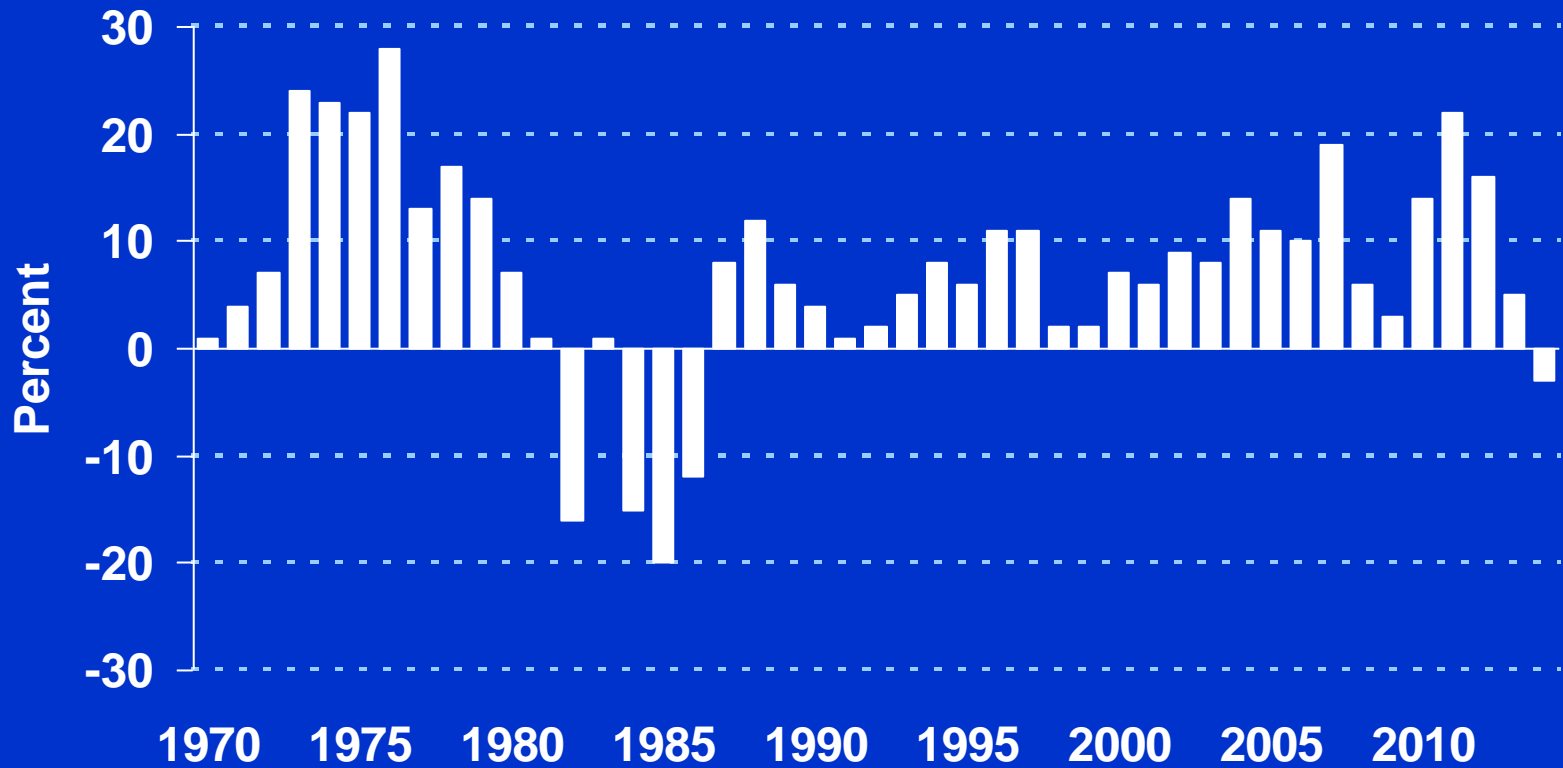
Bottom: July 1, 2014 to July 1, 2015

	<u>April 1, 2015 to July 1, 2015</u>	<u>July 1, 2014 to July 1, 2015</u>
Illinois	-2	-6
Indiana	+2	+4
Iowa	0	-7
Michigan	*	+6
Wisconsin	-2	-2
Seventh District	-1	-3

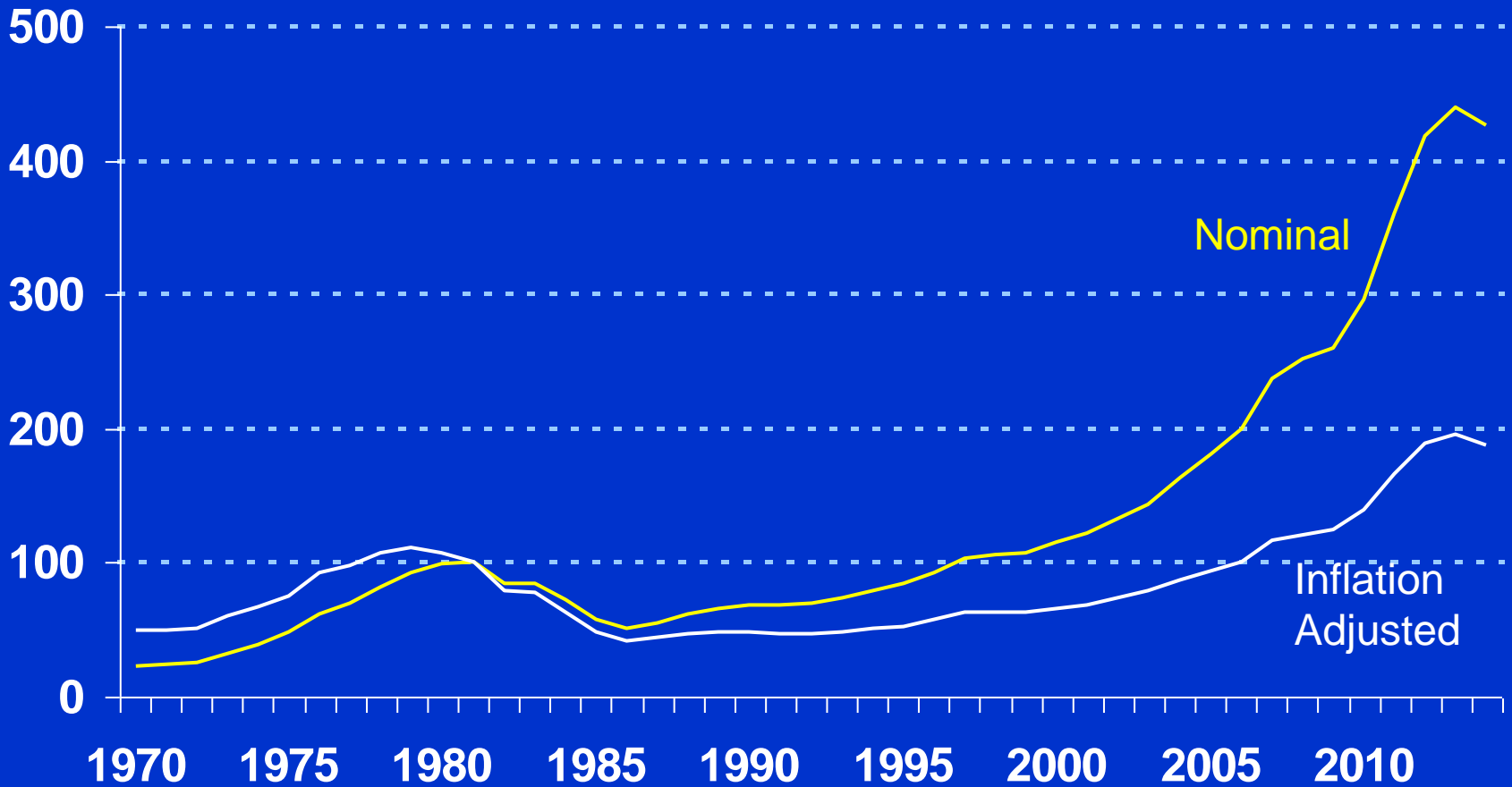


*Insufficient response.

Annual change in farmland values in Seventh Federal Reserve District

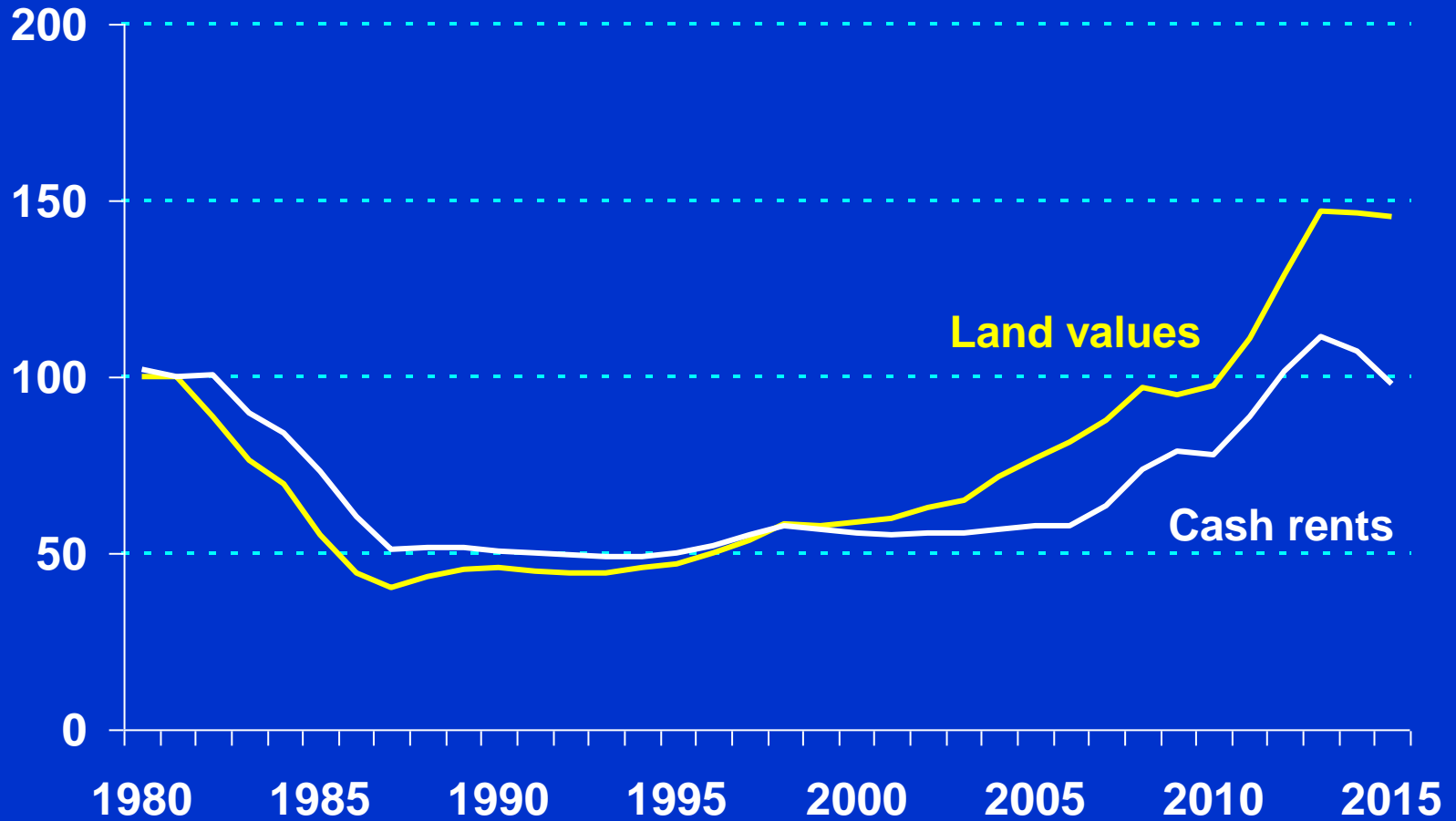


Index of Seventh District farmland values (1981=100)

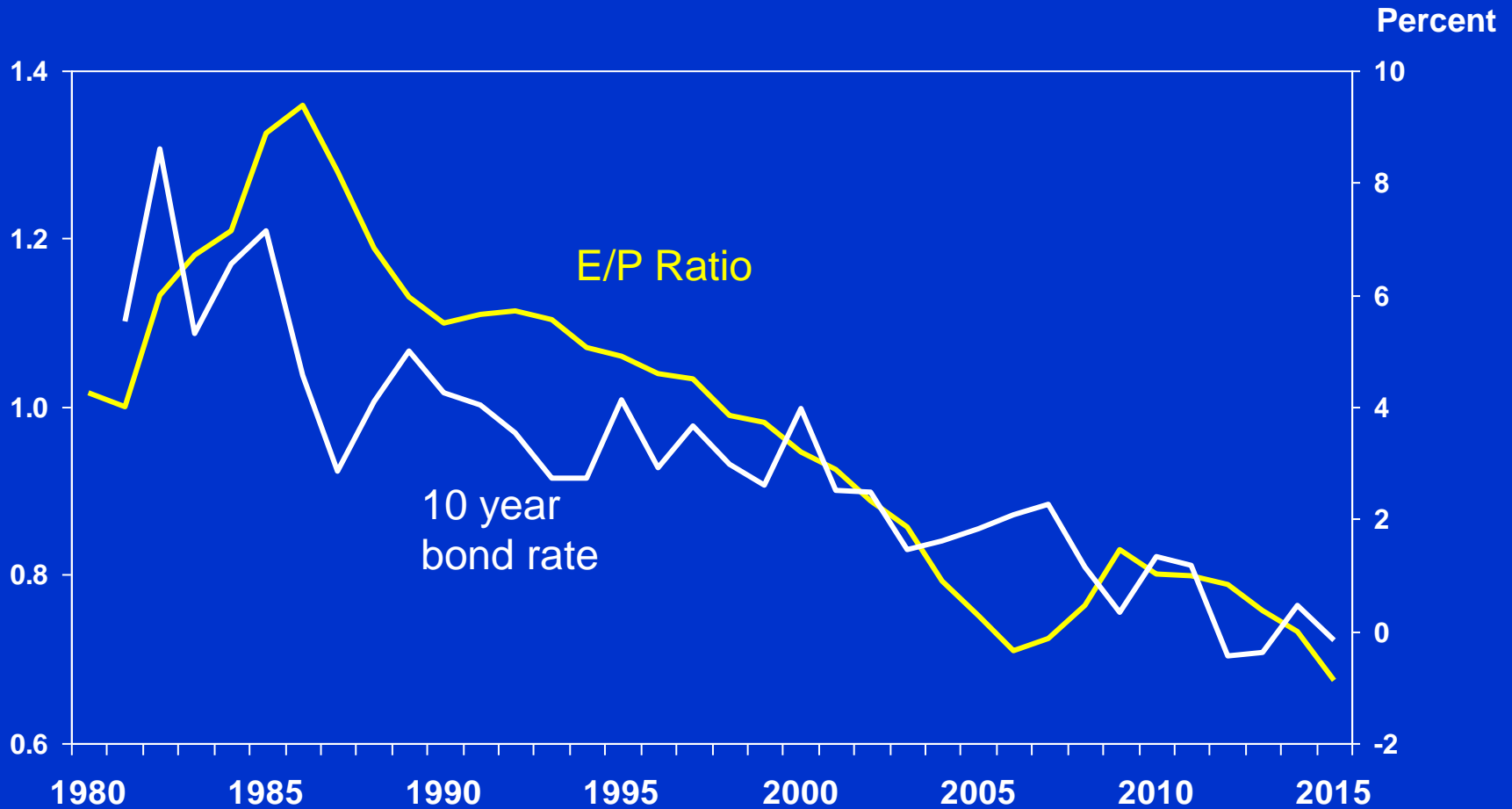


Indexes of Seventh District Farmland Values vs. Cash Rents

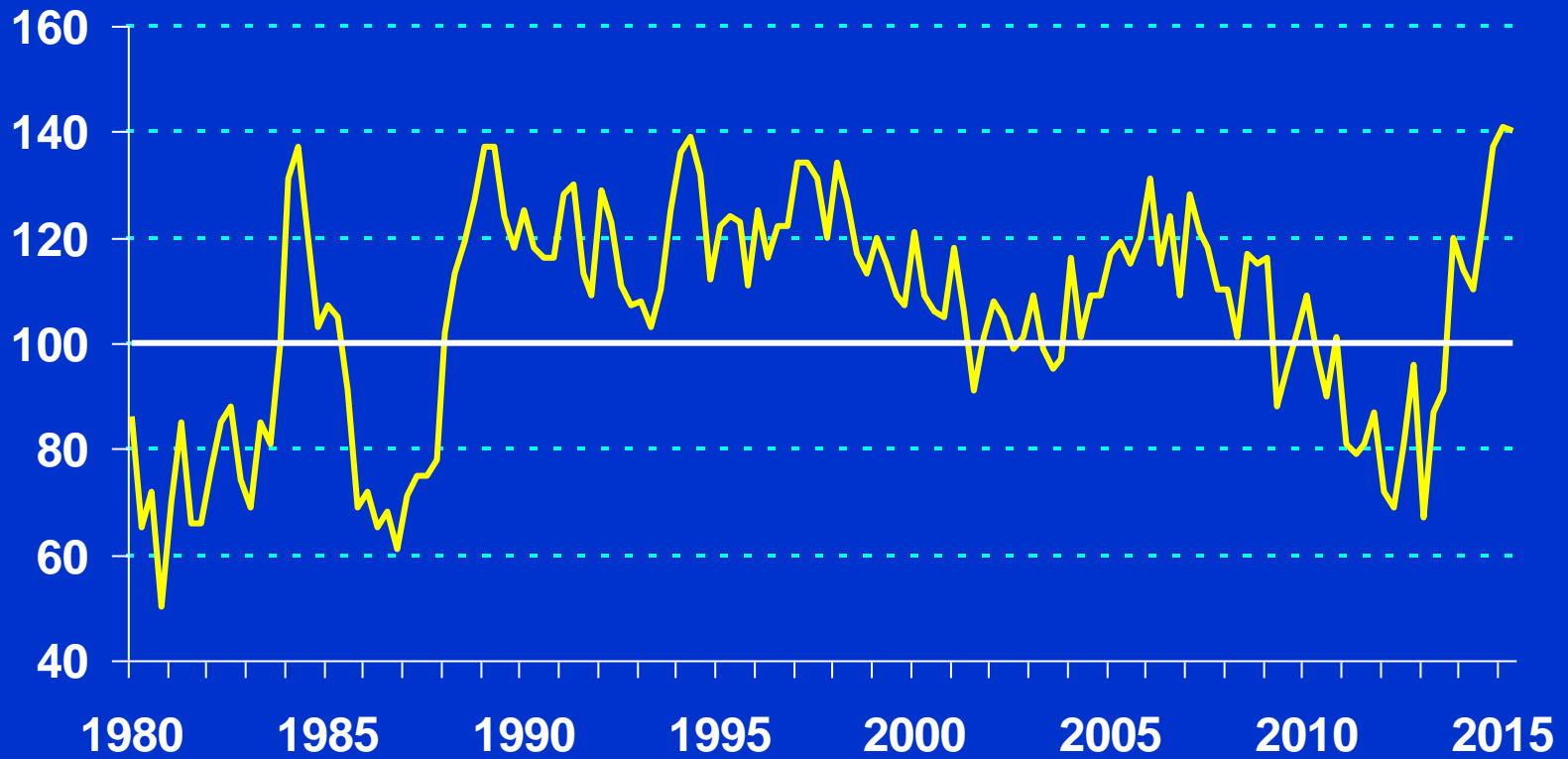
(Inflation Adjusted, 1981=100)



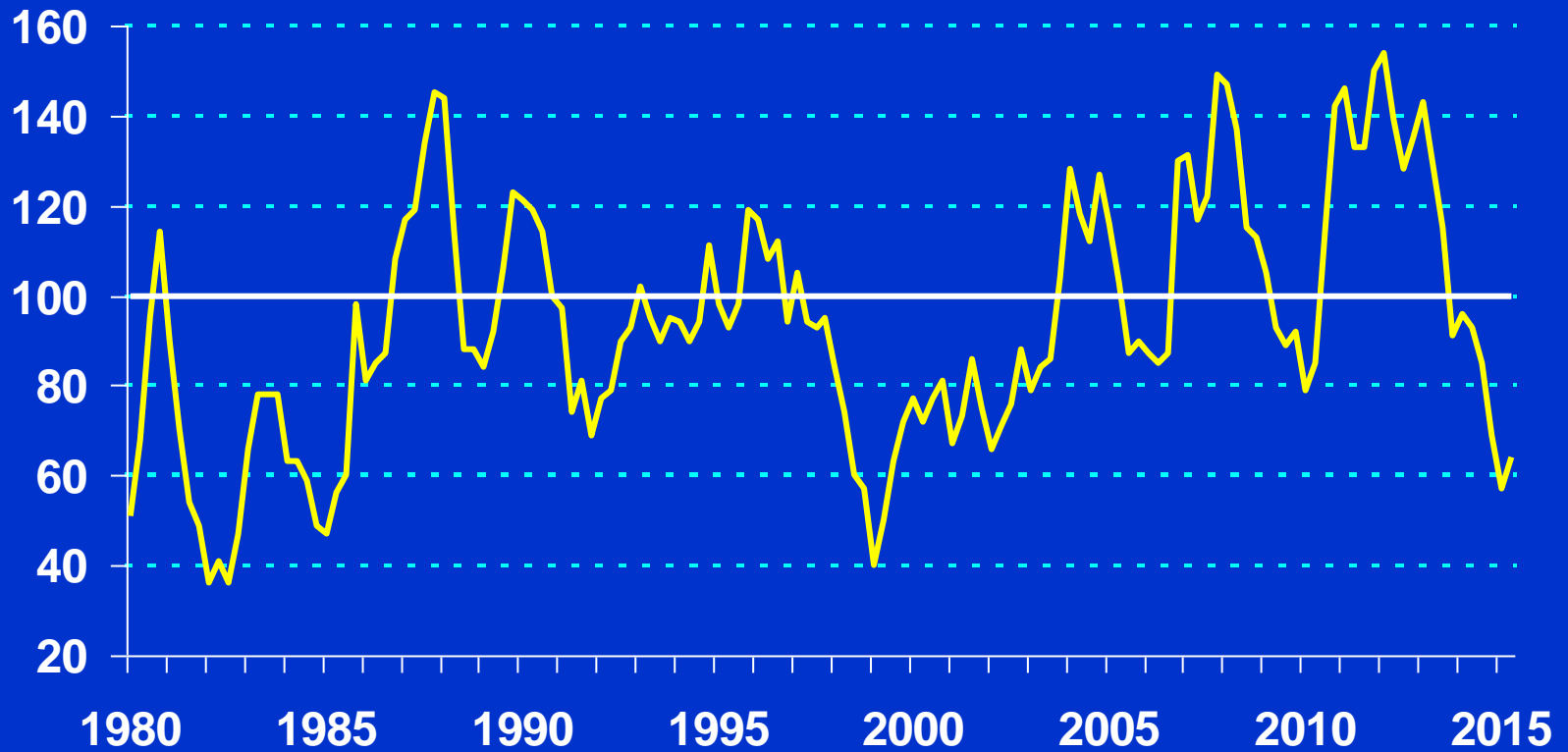
7th District Earnings to Price Ratio (left axis, 1981=1) vs. Real Return on 10 Year Treasury Bonds



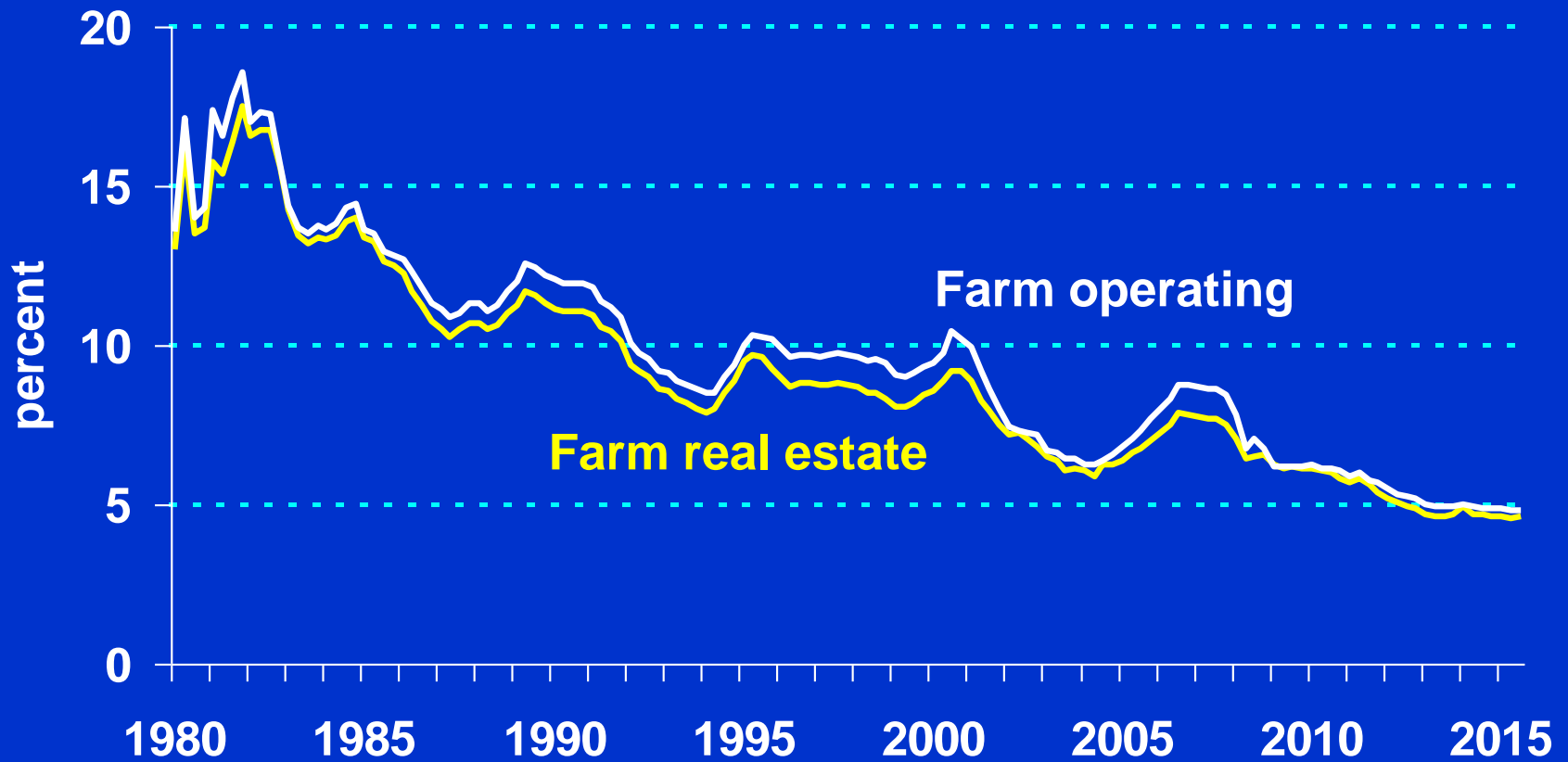
Index of agricultural loan demand for the Seventh Federal Reserve District (excluding real estate)



Index of agricultural loan repayment rates for the Seventh Federal Reserve District



Interest rates charged on new farm loans in the Seventh Federal Reserve District

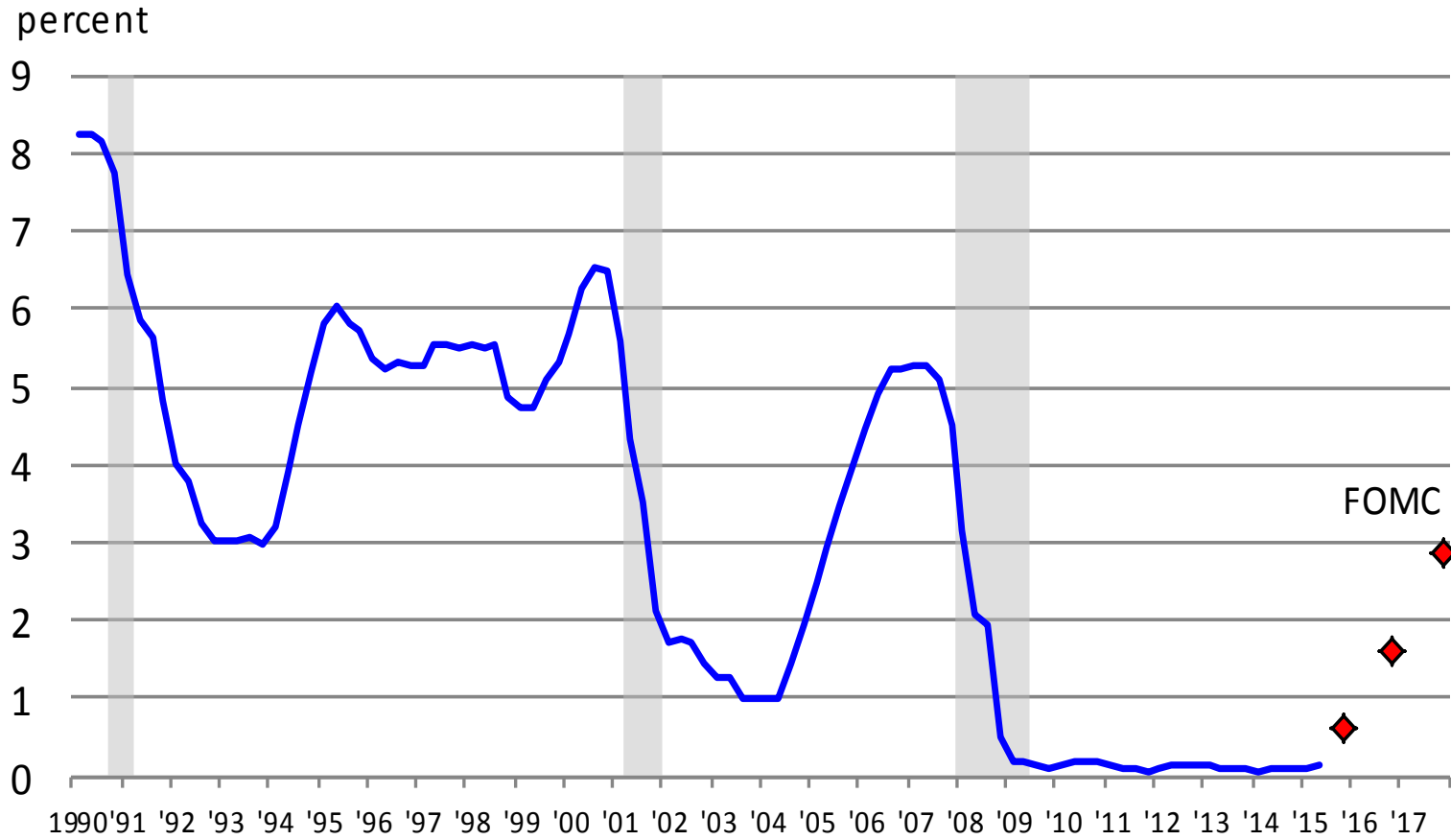


Status of Agriculture

- Solid U.S. economic growth boosting demand at restaurants and for animal products
- Slower world economic growth and higher value of the dollar holding back U.S. agricultural exports
- More plentiful grain and oilseed supplies pushed down prices and feed costs for animal agriculture
- Milk and hog prices have stopped falling, while cattle remain pricey
- Rising input costs counter low interest rates, amid volatility
- Lower farm income again in 2015
- Reductions in farm assets and equity, but still quite strong

The Federal Funds Rate is anticipated to return to a neutral rate by the end of 2017

Target Federal Funds Rate



www.chicagofed.org

