

Outlook for Agriculture: U.S. and 5th District

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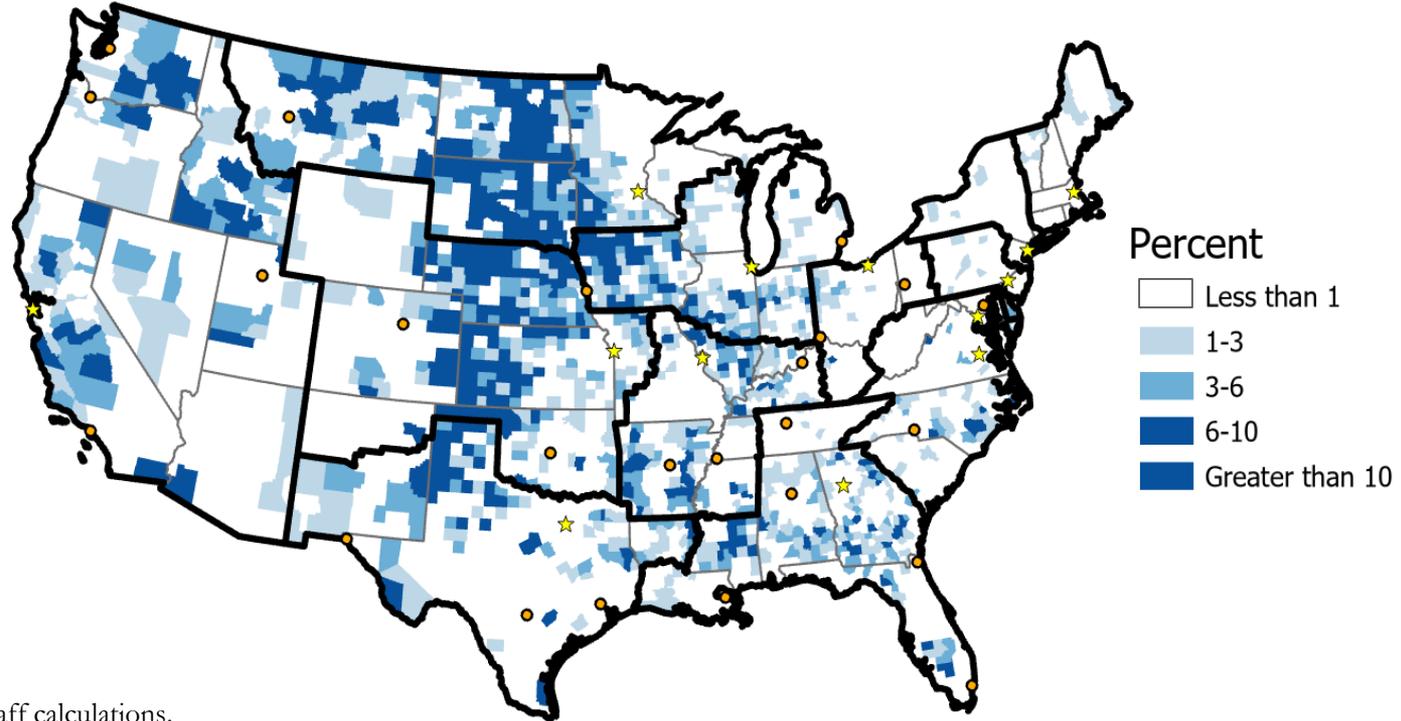
Outlook Summary

- Agriculture has expanded significantly in recent decades, but had been in a downturn in the years prior to the pandemic.
- The pandemic has exacerbated the pressures in agriculture, but government support has mitigated some financial stress.
- Looking ahead, low ag prices are likely to remain a headwind.



A significant portion of the rural U.S. is still connected to agriculture.

Farm Income-to-Total Income

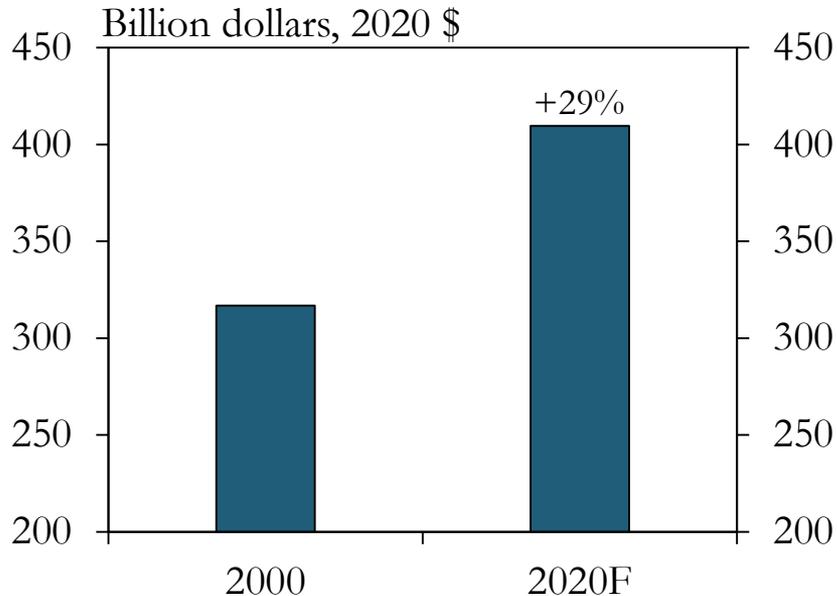


Sources: BEA and staff calculations.

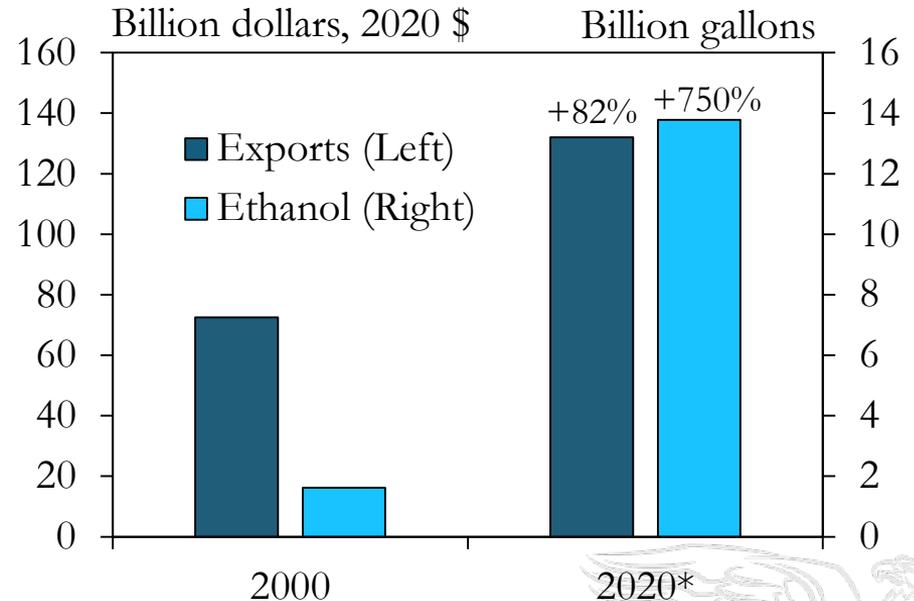


U.S. agricultural production has expanded dramatically over the past two decades.

Value of U.S. Ag Production

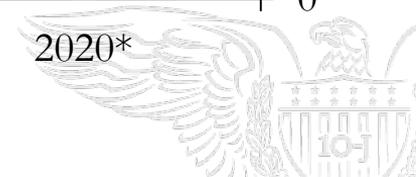


U.S. Ag Exports and Ethanol Production



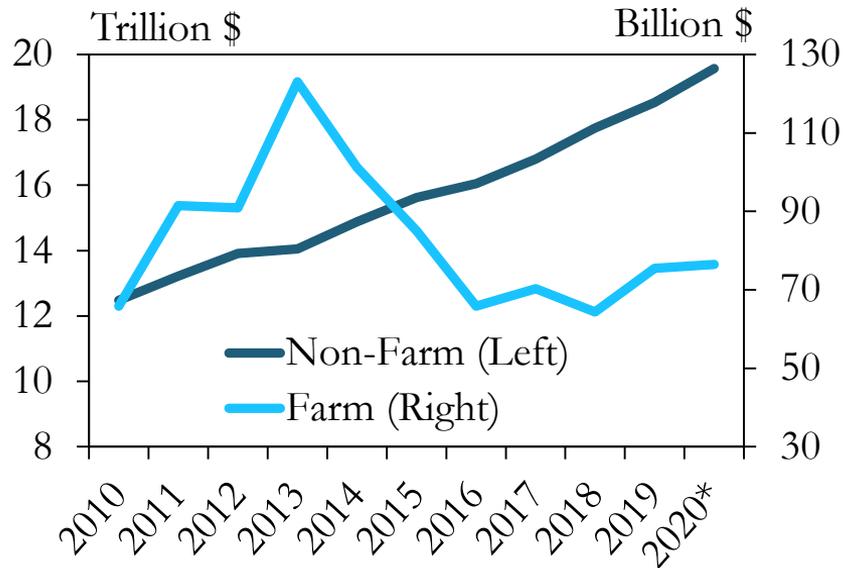
*Annual exports estimated based on annual change through July 2020. Annual ethanol production based on EIA forecast.

Source: USDA, EIA and staff calculations.

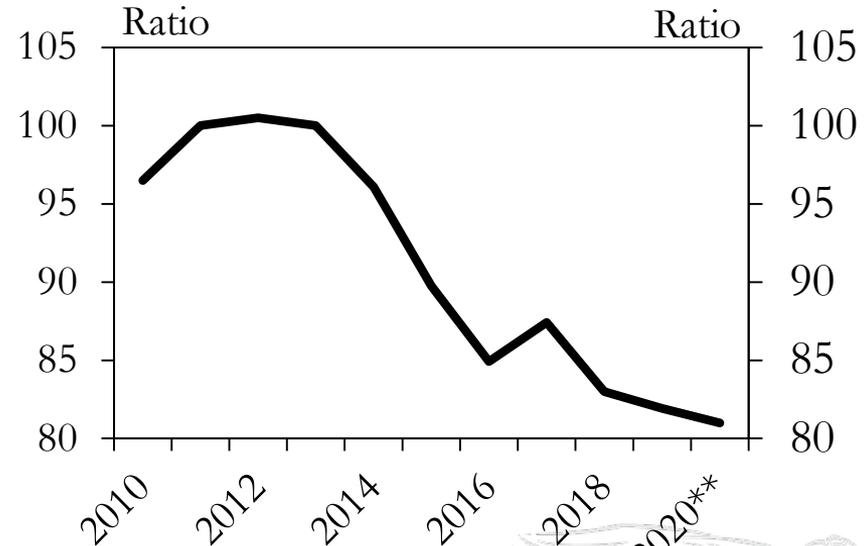


In recent years, however, the U.S. ag sector had been in a prolonged downturn even before the pandemic.

U.S. Personal Income



Ag Prices Received-to-Prices Paid



*Annual average through Q2 2020

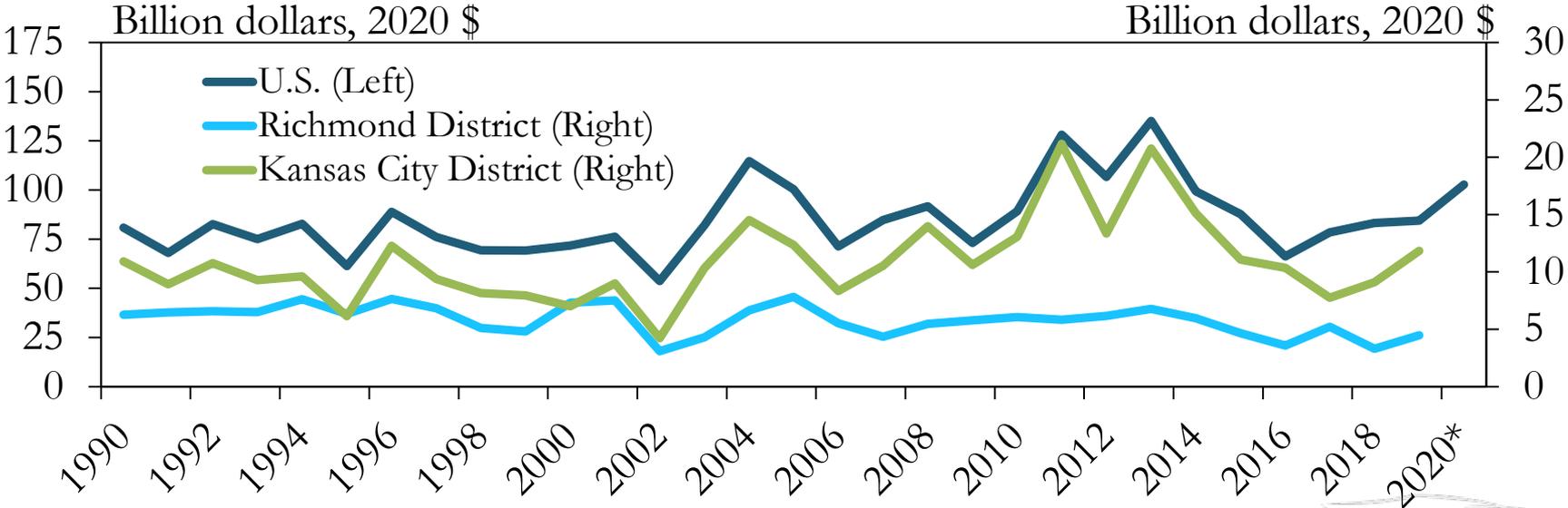
**Annual average through July 2020

Sources: U.S. Bureau of Economic Analysis, USDA and Haver Analytics.



Across the country, farm income has remained low, despite expectations for a slight increase in 2020.

Net Farm Income



Note: 2020 forecast not available for individual states.

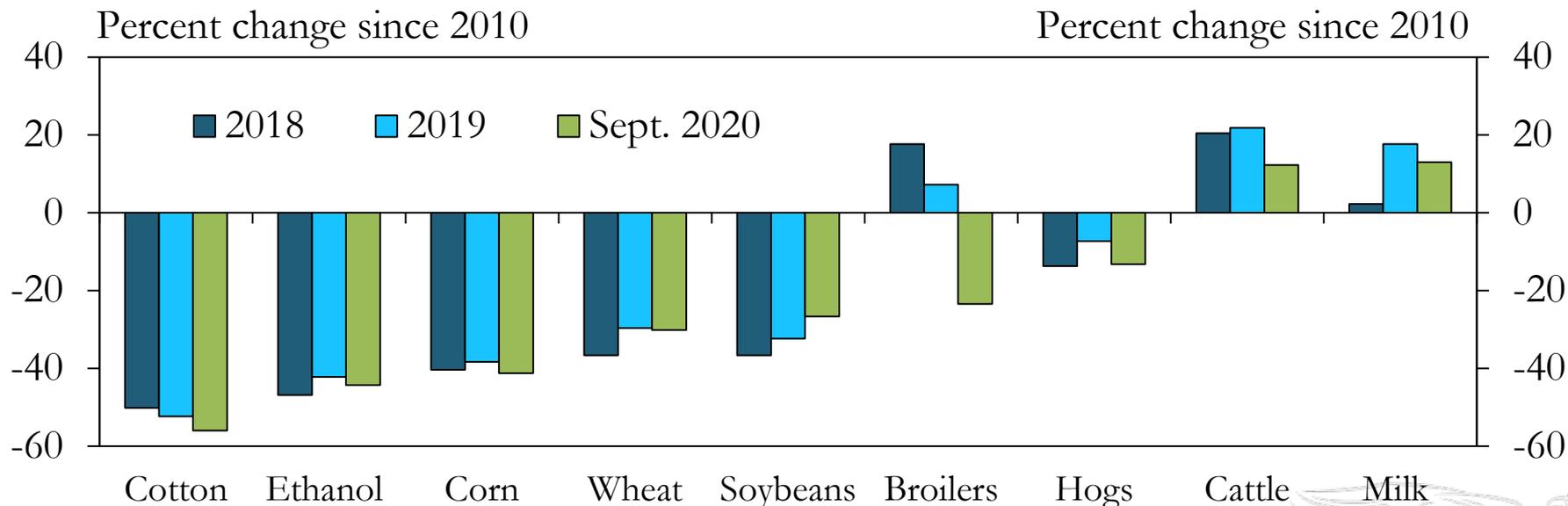
*Forecast

Source: USDA.



Exacerbated by the pandemic, persistently low ag prices have been a primary headwind.

Agricultural Commodity Prices



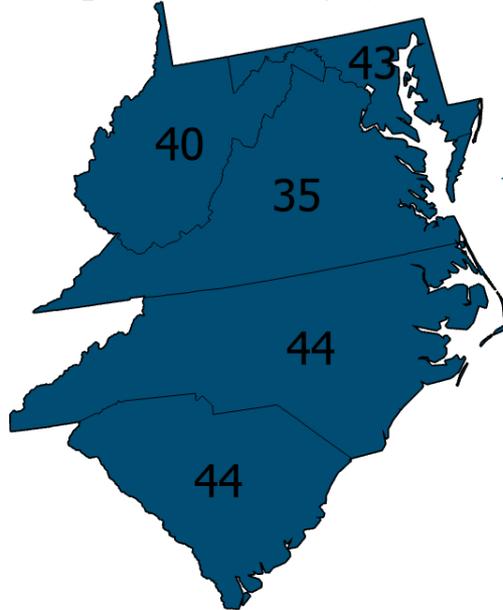
Sources: CME, WSJ and Haver Analytics.



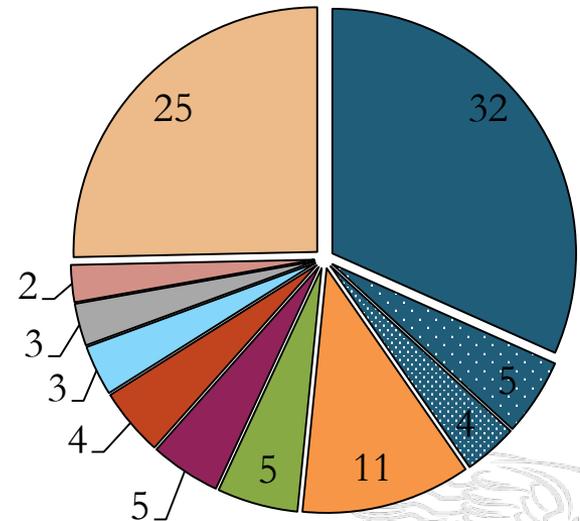
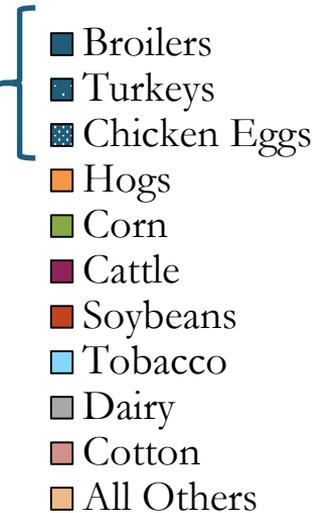
In the Richmond District, poultry accounts for a large share of the agricultural base.

5th District - Ag Commodity Concentrations: 2019

Top Commodity (% of Sales)

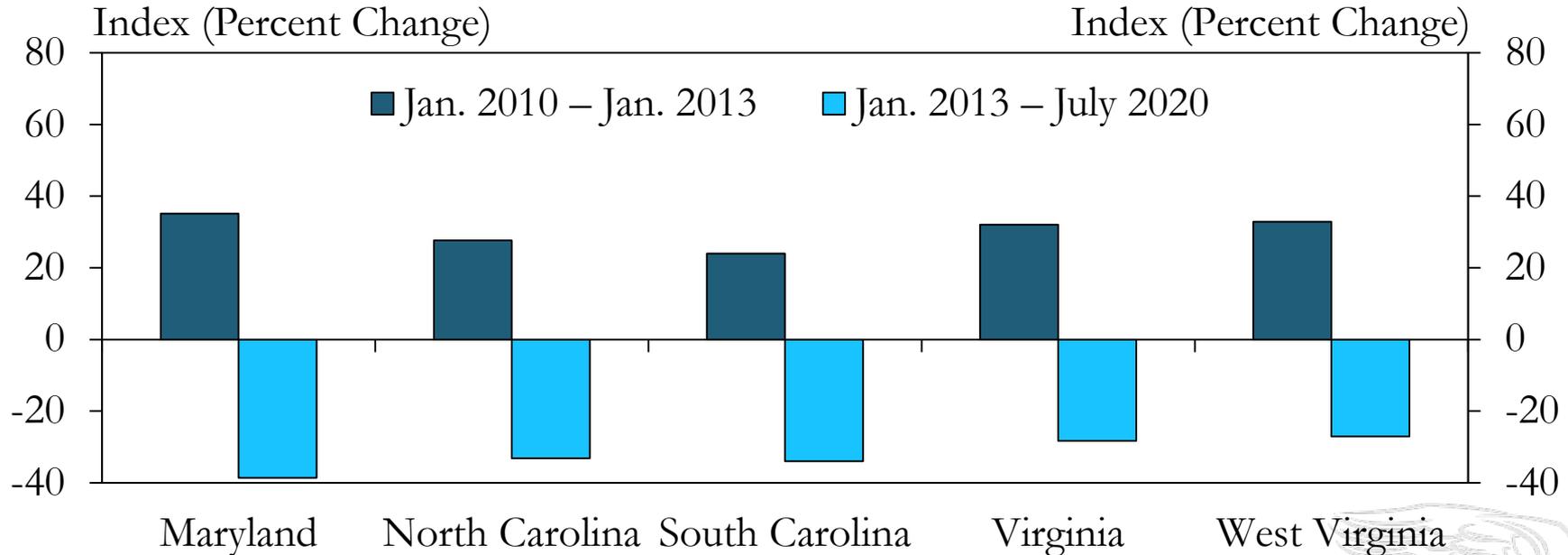


Commodity Concentrations (% of Sales)



Similar to the nation, agricultural prices in the region generally have been low in recent years.

Ag Commodity Prices by State

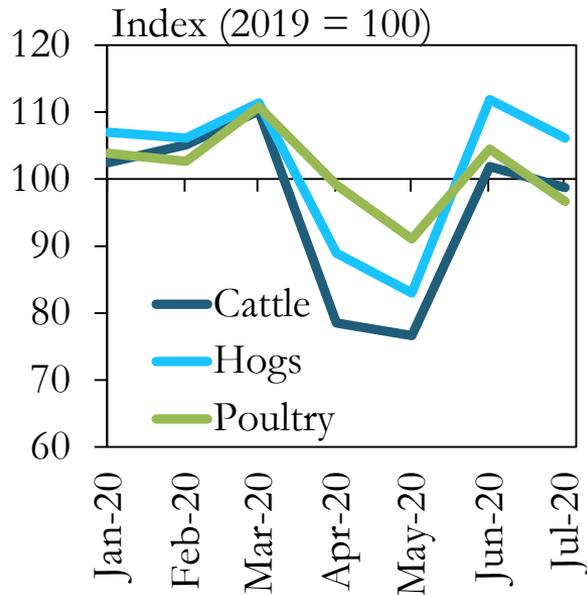


Sources: USDA, Haver Analytics, and staff calculations.

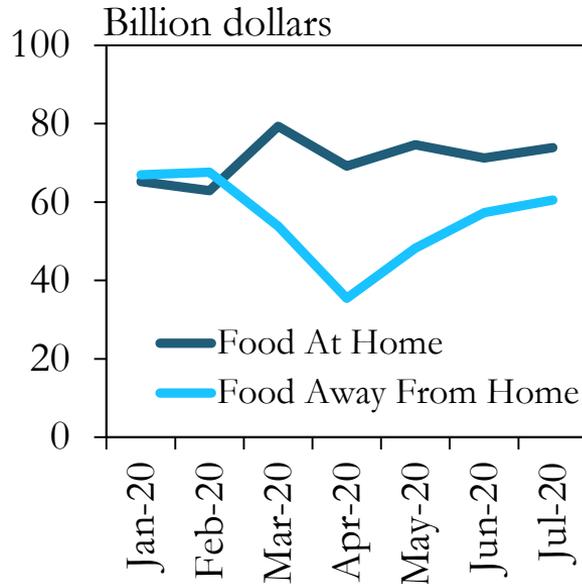


The pandemic further disrupted agricultural markets in several key ways.

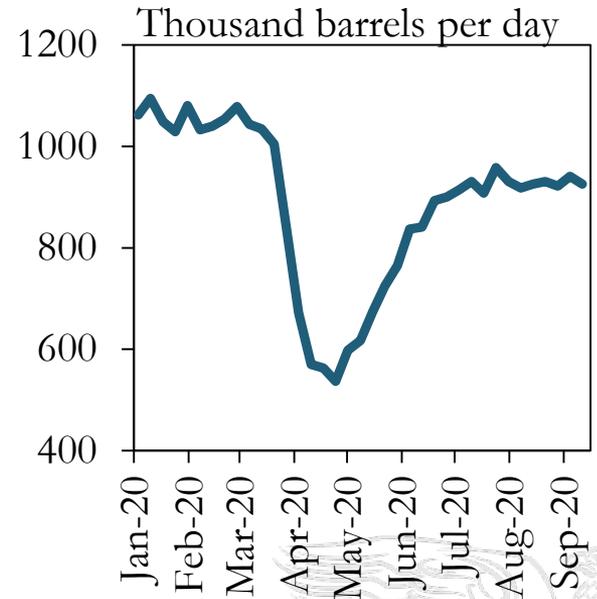
U.S. Meat Production



U.S. Food Expenditures



U.S. Ethanol Production

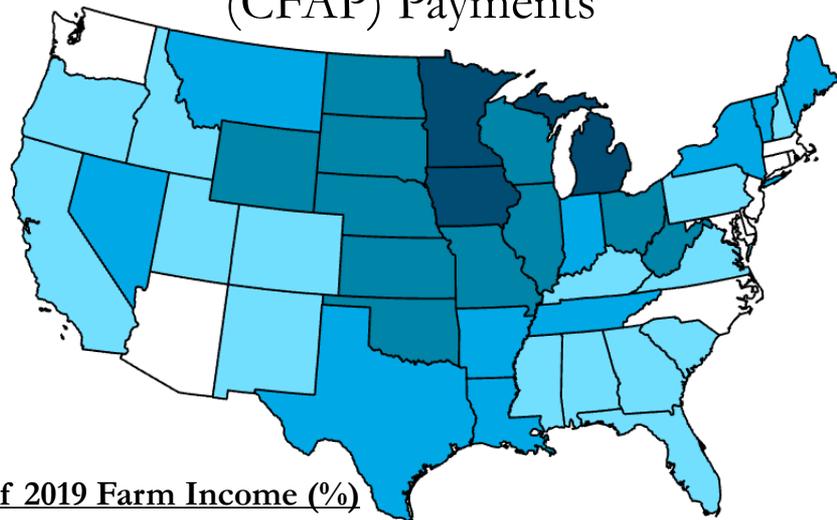


Sources: USDA, EIA and staff calculations.



But government payments are likely to mitigate much of the underlying financial weaknesses this year.

Coronavirus Food Assistance Program 1 (CFAP 1) Payments



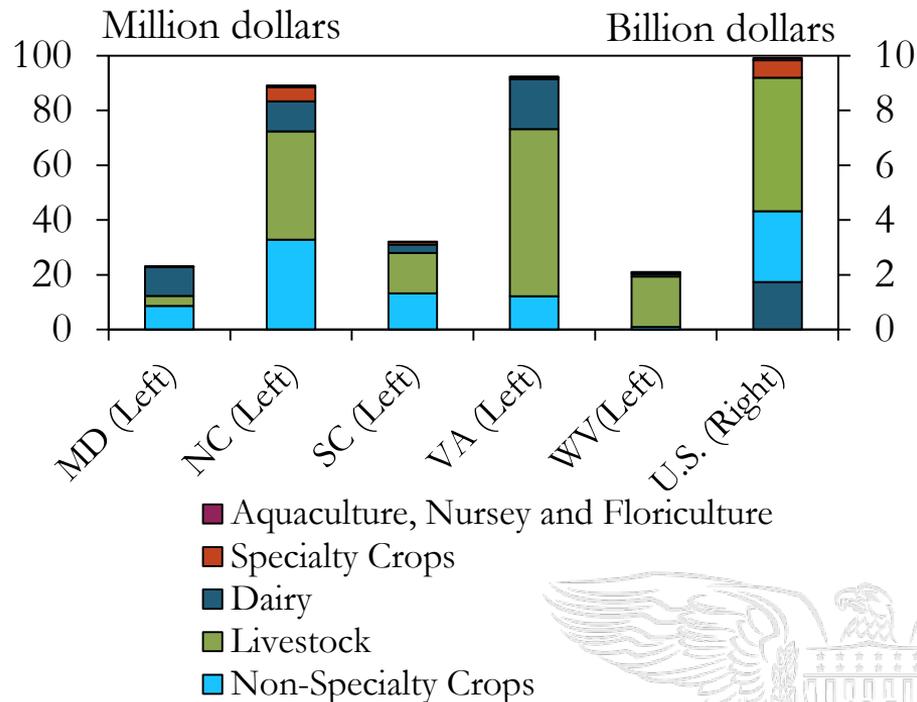
Share of 2019 Farm Income (%)



Note: As of September 8, 2020.

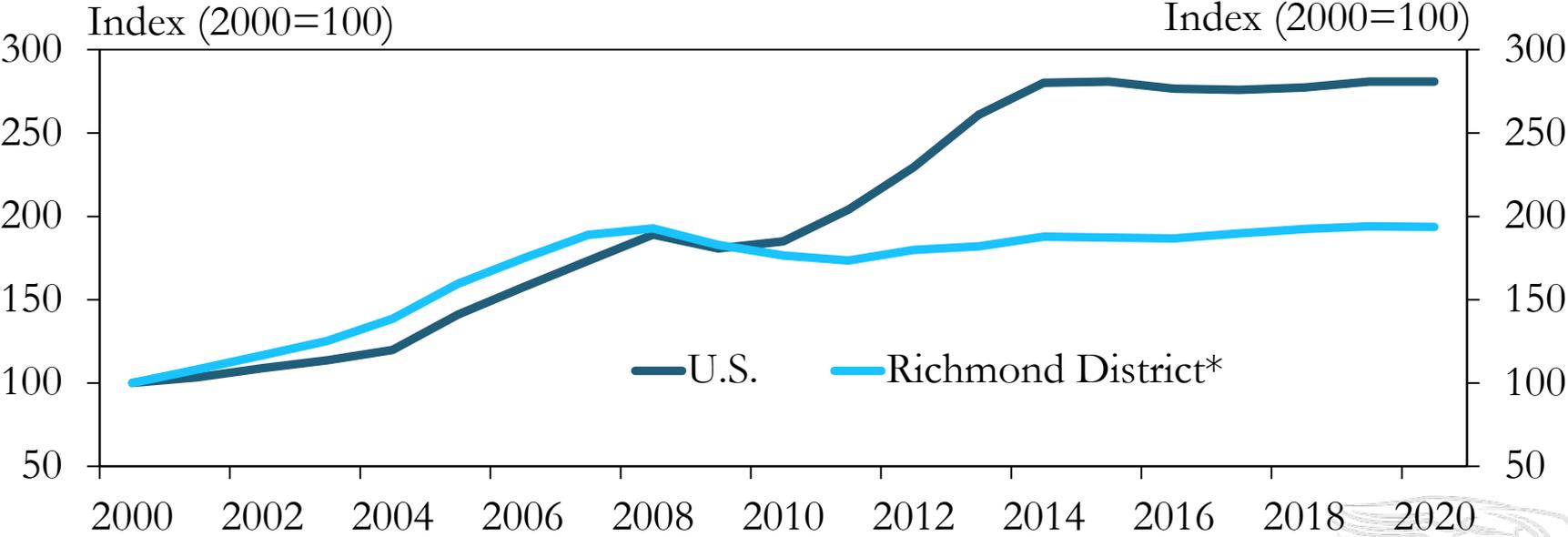
Sources: USDA and staff calculations.

CFAP 1 Payments by Commodity



The stability of farm real estate values has also provided broad support to the ag sector.

Farm Real Estate Values



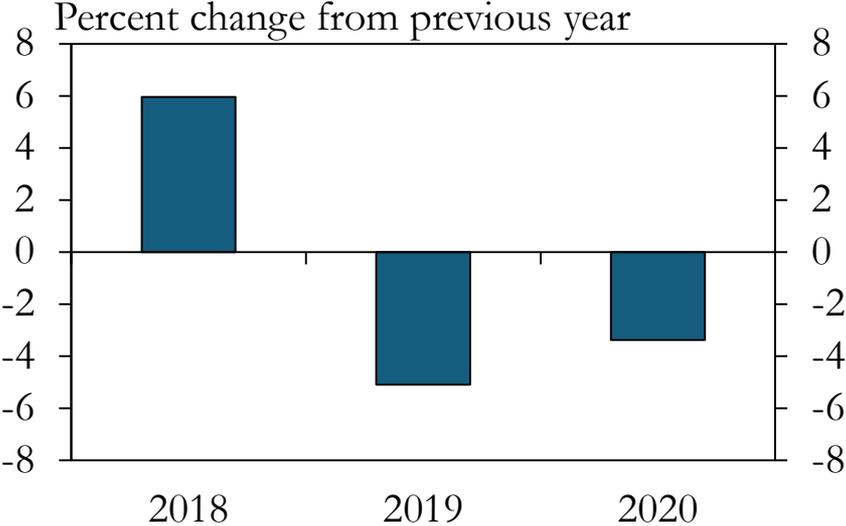
*Weighted by share of value of agricultural production for each state in District.

Sources: USDA and staff calculations.

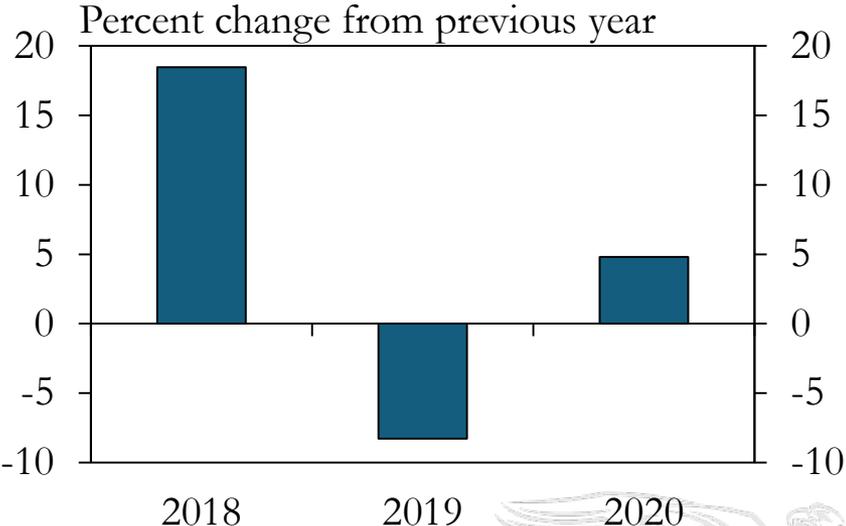


More recently, a strengthening export market has provided some support to agricultural markets.

U.S. Agricultural Exports July YTD



Richmond District Ag Exports July YTD



Sources: USDA and staff calculations.



Concluding Thoughts

- The potential for severe difficulties in agriculture associated with the pandemic has lessened, for now.
- Concerns appear likely to reemerge in early 2021, however, as low agricultural commodity prices weigh on producer finances.



