

Jason Henderson  
Vice President and Branch Executive  
Federal Reserve Bank of Kansas City – Omaha Branch  
[www.kansascityfed.org/omaha](http://www.kansascityfed.org/omaha)  
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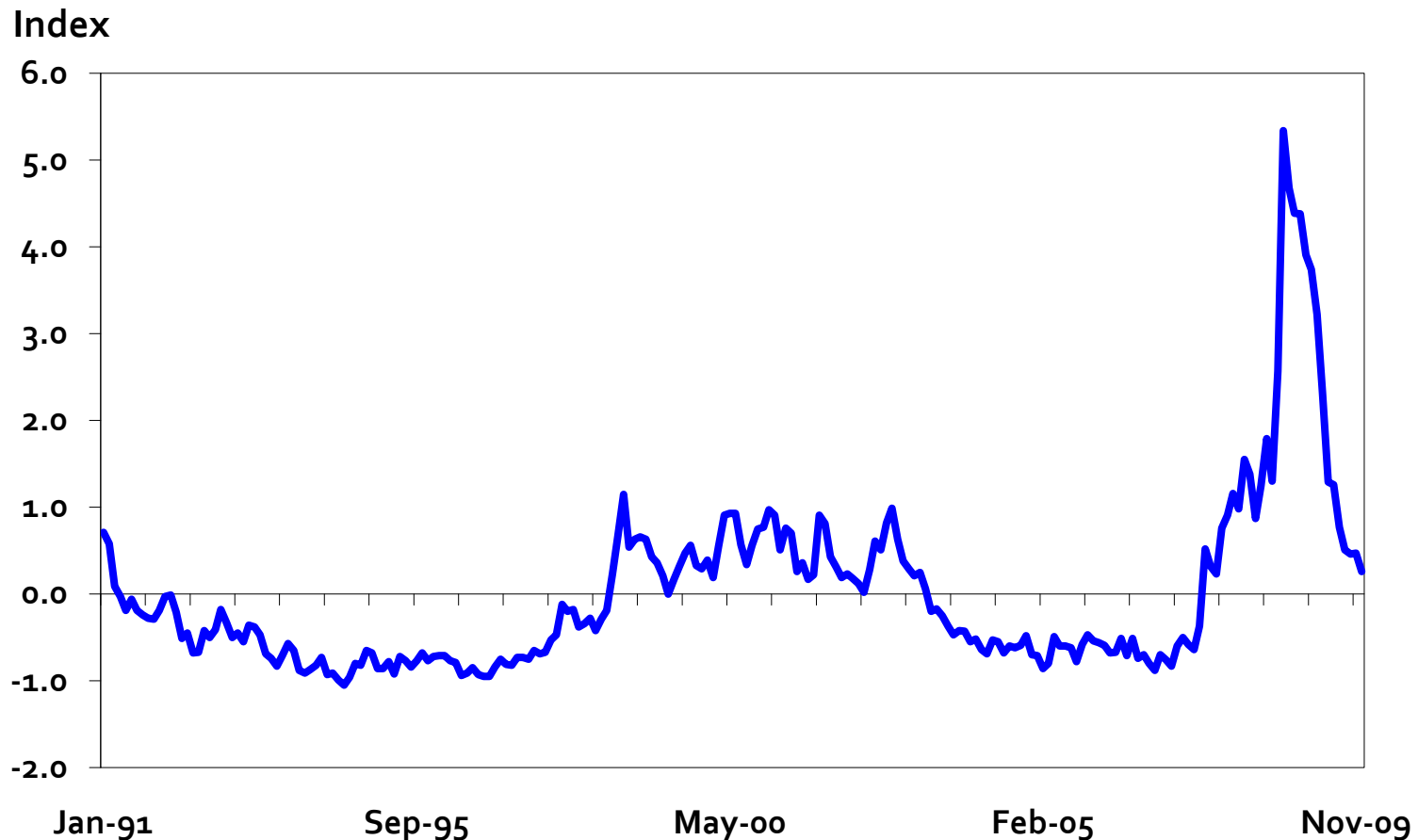
# Financial Markets and the Macroeconomy: Implications for Agriculture



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

# *The financial market crisis has eased, but markets remain fragile.*

## Financial Stress Index

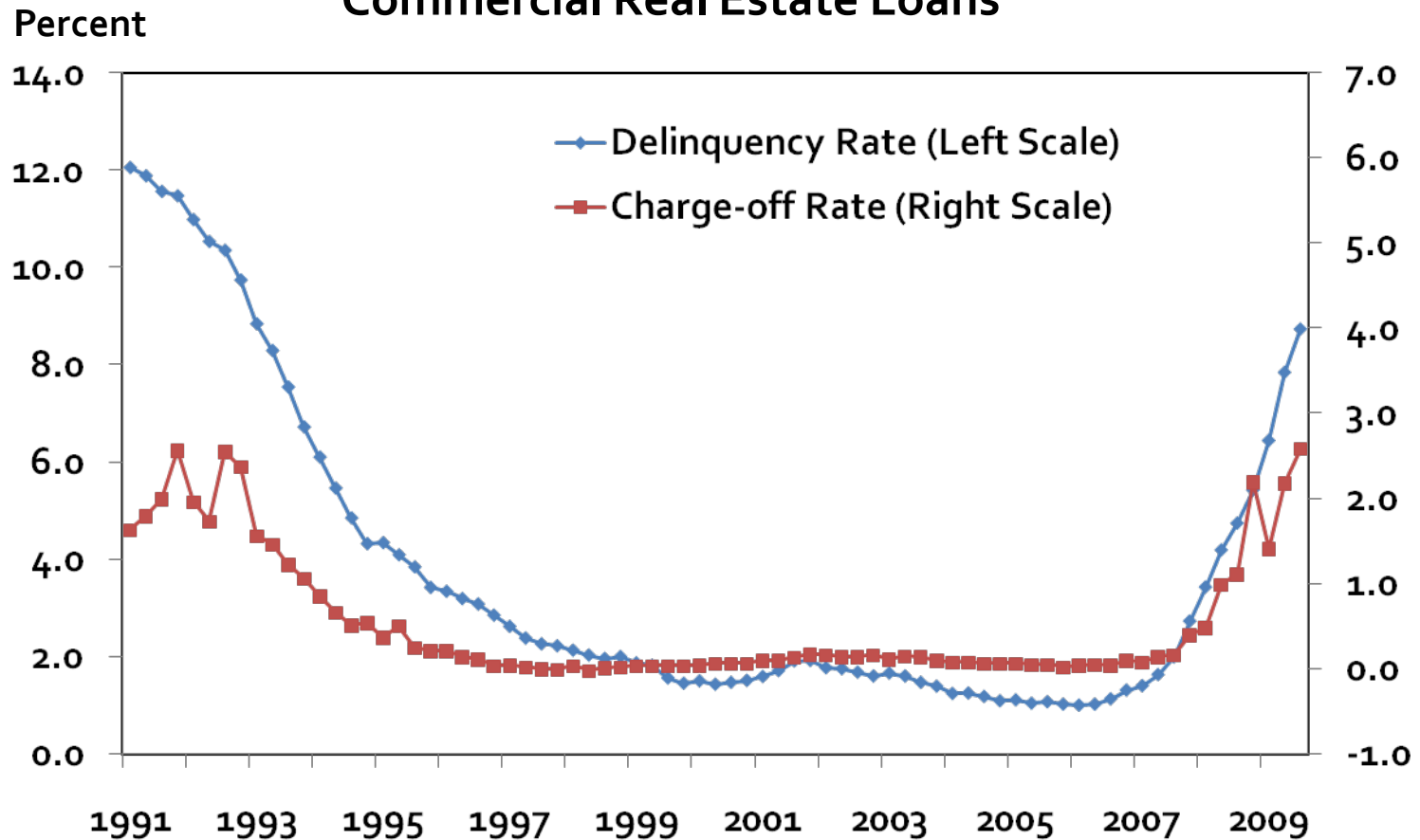


Source: Federal Reserve Bank of Kansas City



# *Delinquency rates rise on commercial real estate loans.*

## Charge-off and Delinquency Rates on Commercial Real Estate Loans

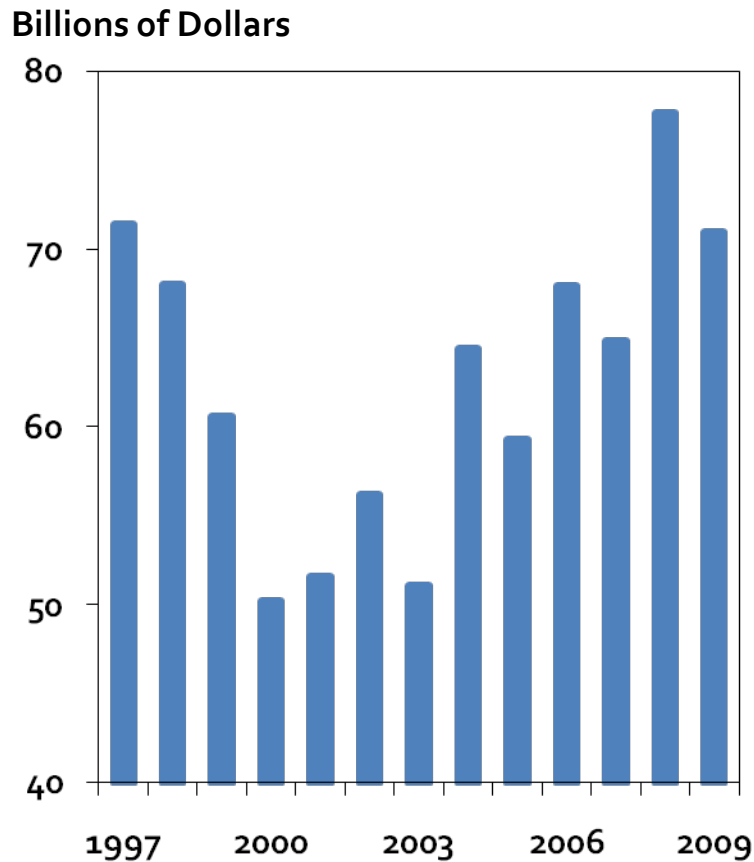


Source: Federal Reserve Board of Governors

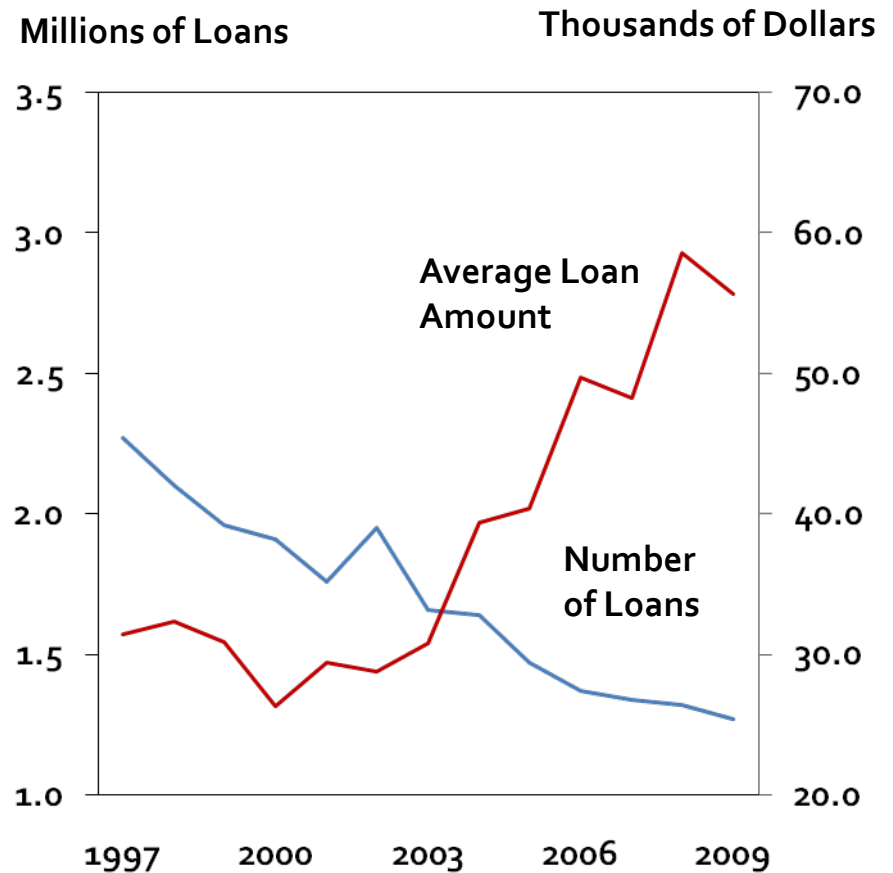


# Credit is available for agriculture.

## Total Volume of Non-Real Estate Loans to Farmers

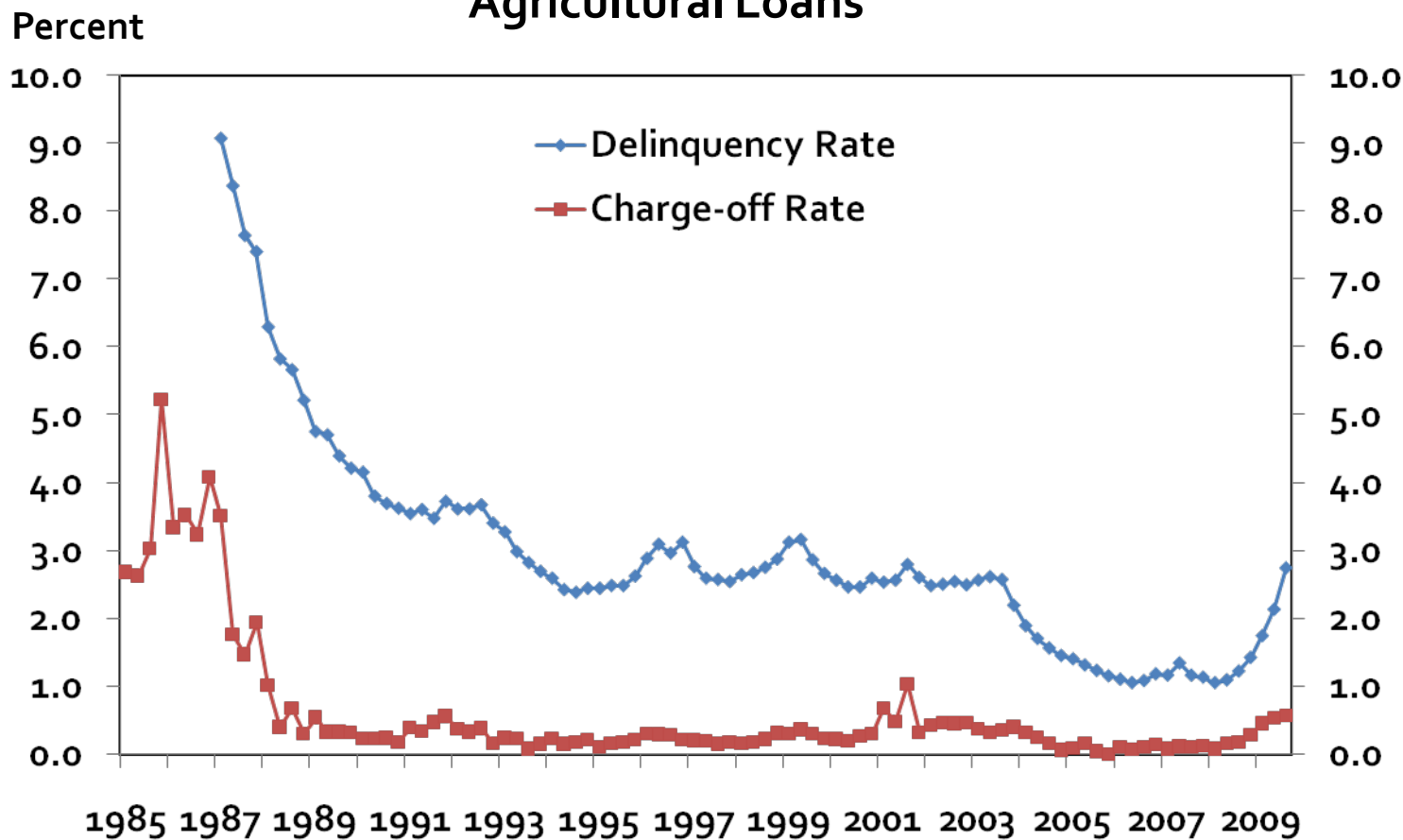


## Non-Real Estate Loans to Farmers (Number and Average Amount)



# Credit standards are higher with increased risk.

## Charge-off and Delinquency Rates on Agricultural Loans

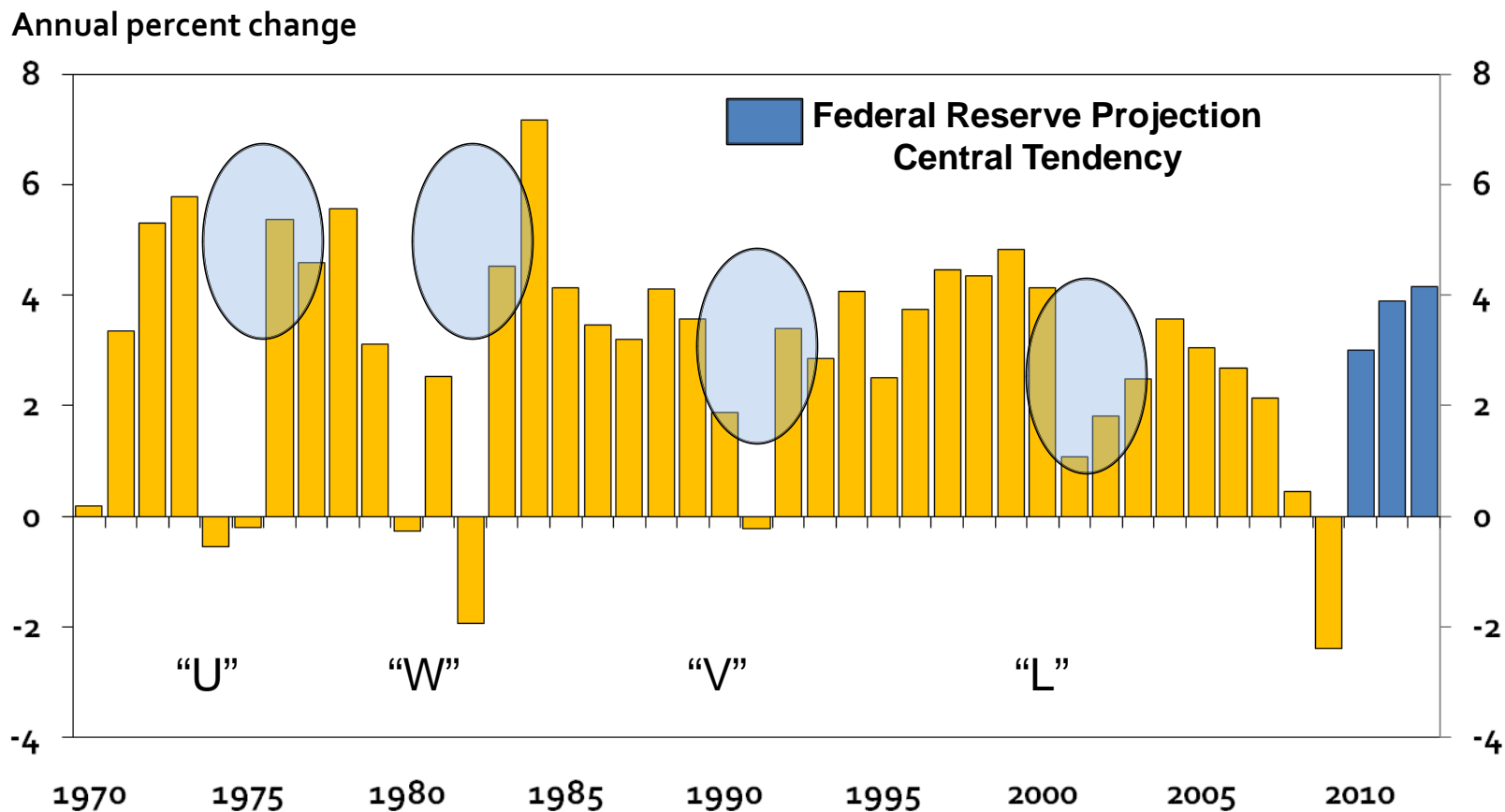


Source: Federal Reserve Board of Governors



# The U.S. economy is projected to rebound in 2010.

## Real GDP Growth



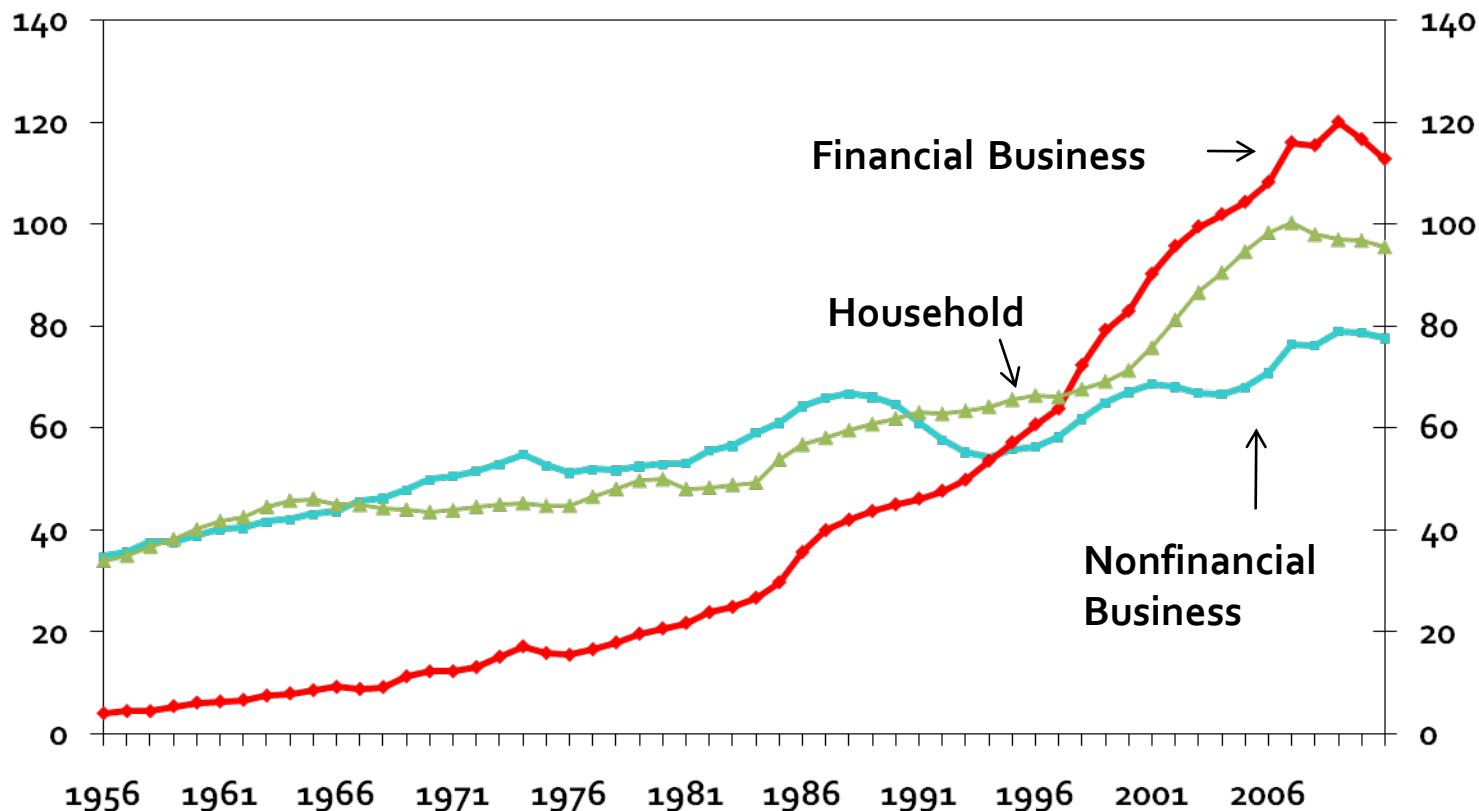
Source: Bureau of Economic Analysis Federal Reserve Board of Governors



# *Deleveraging could contribute to a sluggish recovery as consumers save more and spend less.*

## Domestic Debt Outstanding

Percent of GDP

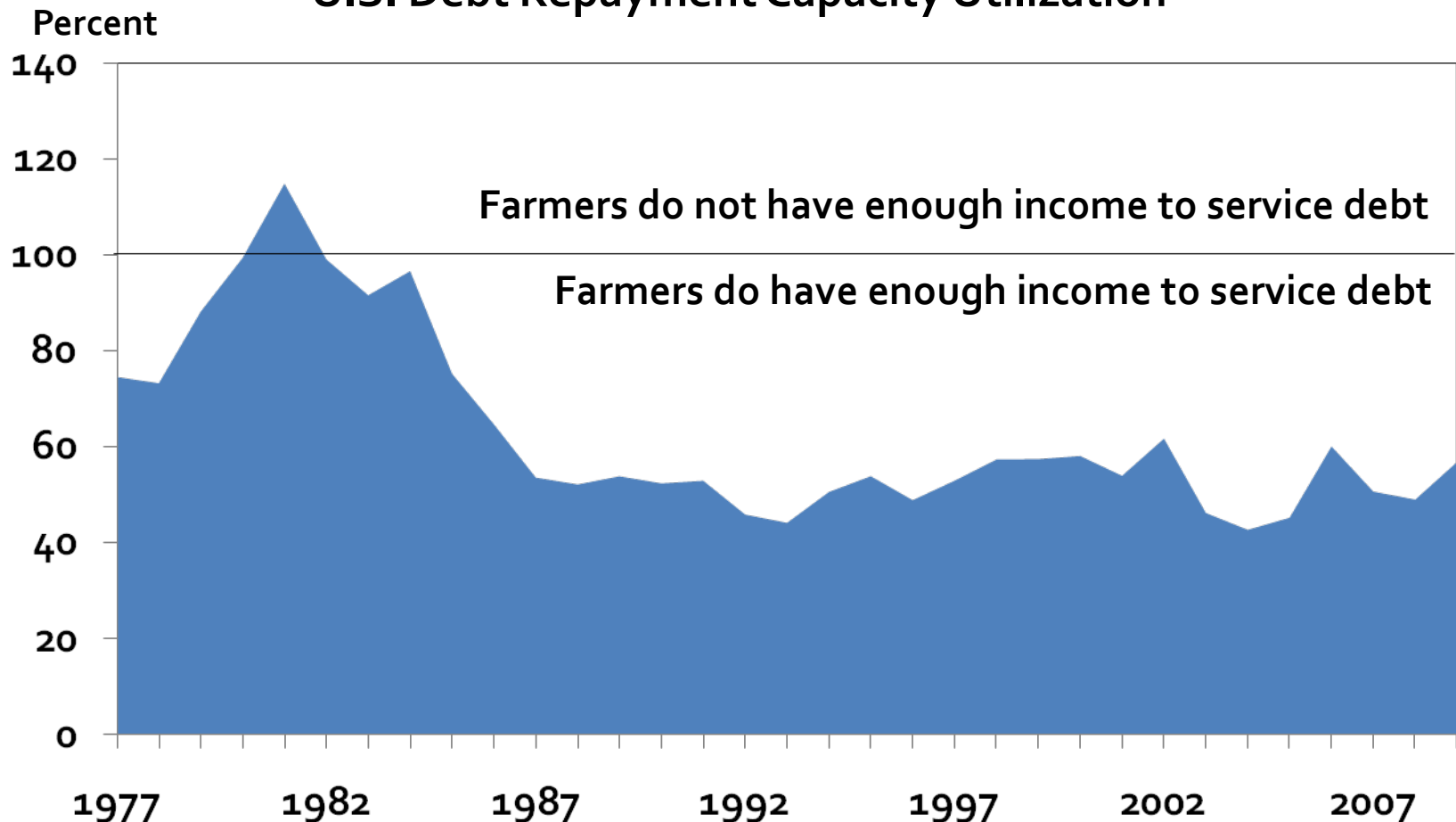


Source: Federal Reserve Board of Governors



# Farmers learned the lessons of deleveraging in the 1980s.

## U.S. Debt Repayment Capacity Utilization



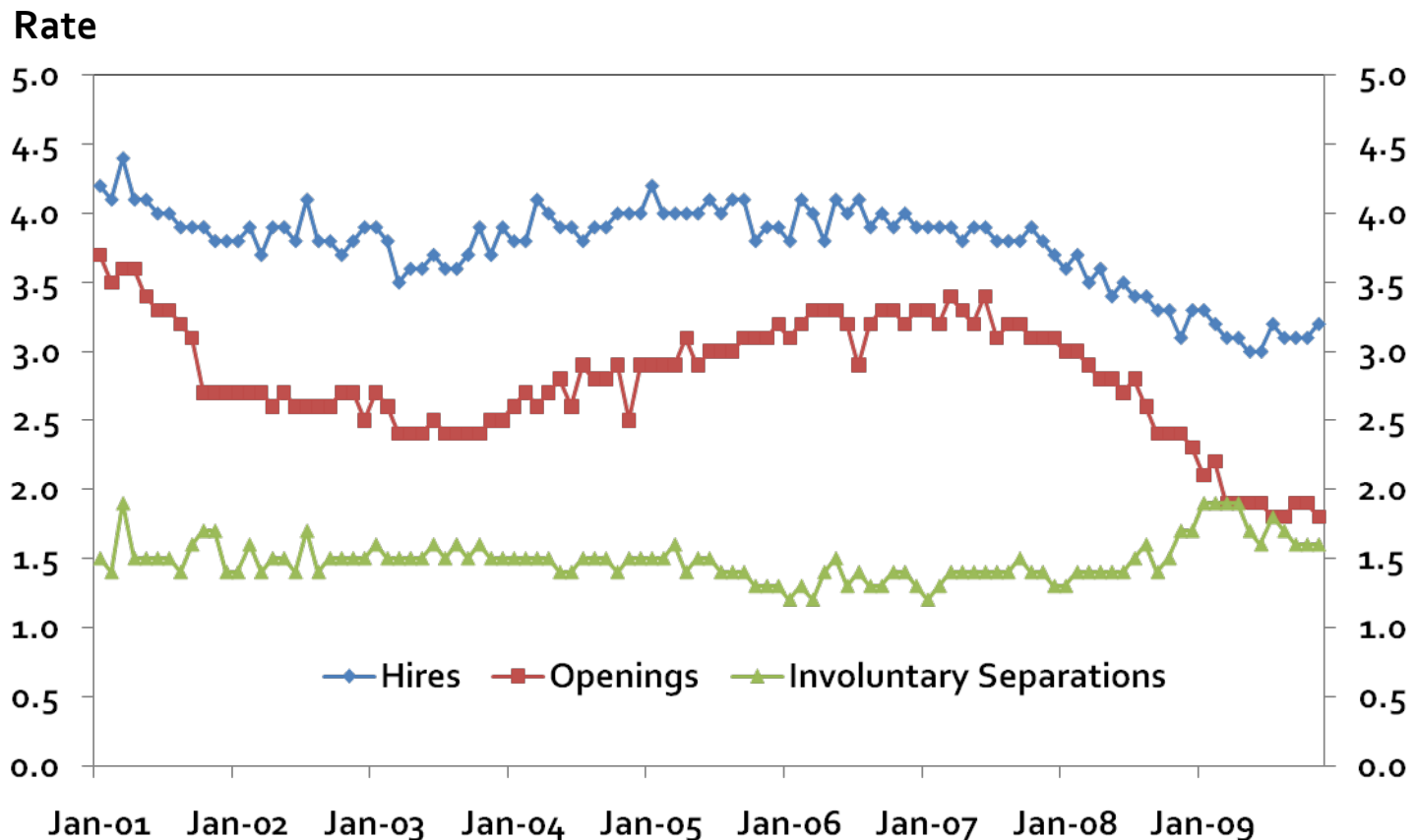
Source: USDA





# *U.S. food and energy consumption will depend on the employment trends.*

## Layoffs, Hiring, and Job Openings



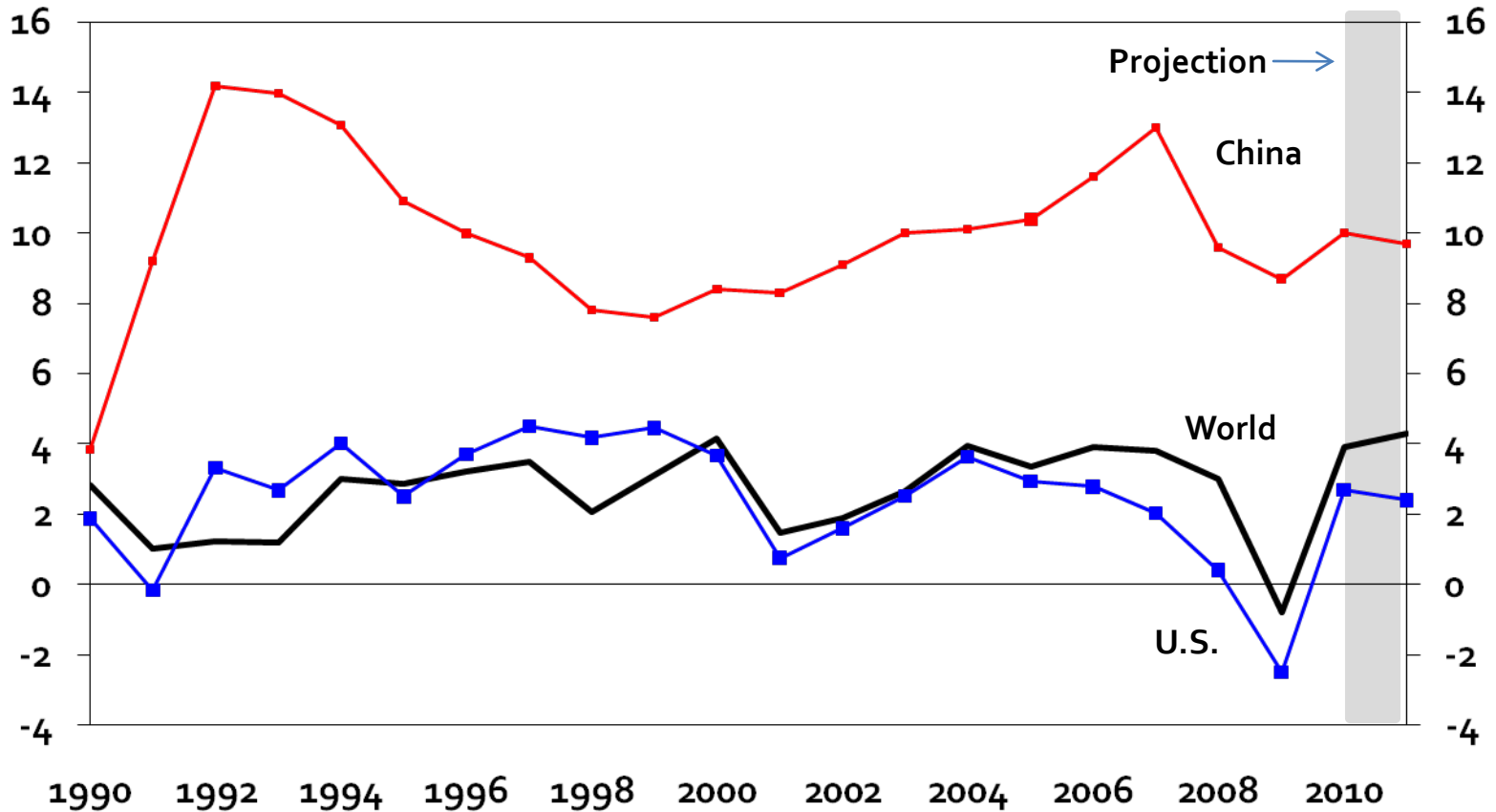
Source: Bureau of Labor Statistics



# Will emerging countries lead the recovery?

## GDP Growth

Annual percent change, constant dollars



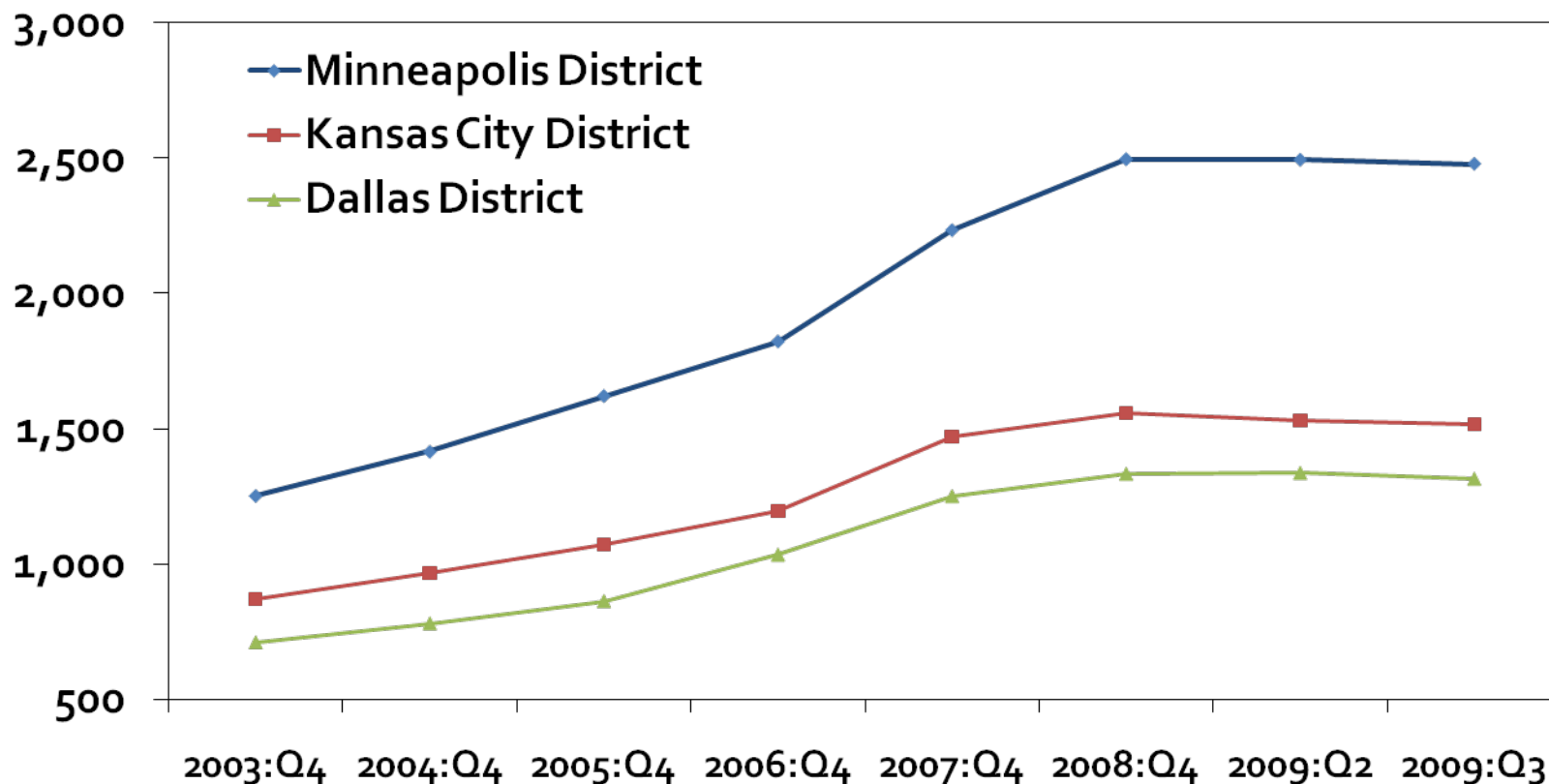
Source: International Monetary Fund, January 2010



# After topping in 2009, what direction will farmland values follow?

## Cropland Values in Federal Reserve Districts

Dollars per acre



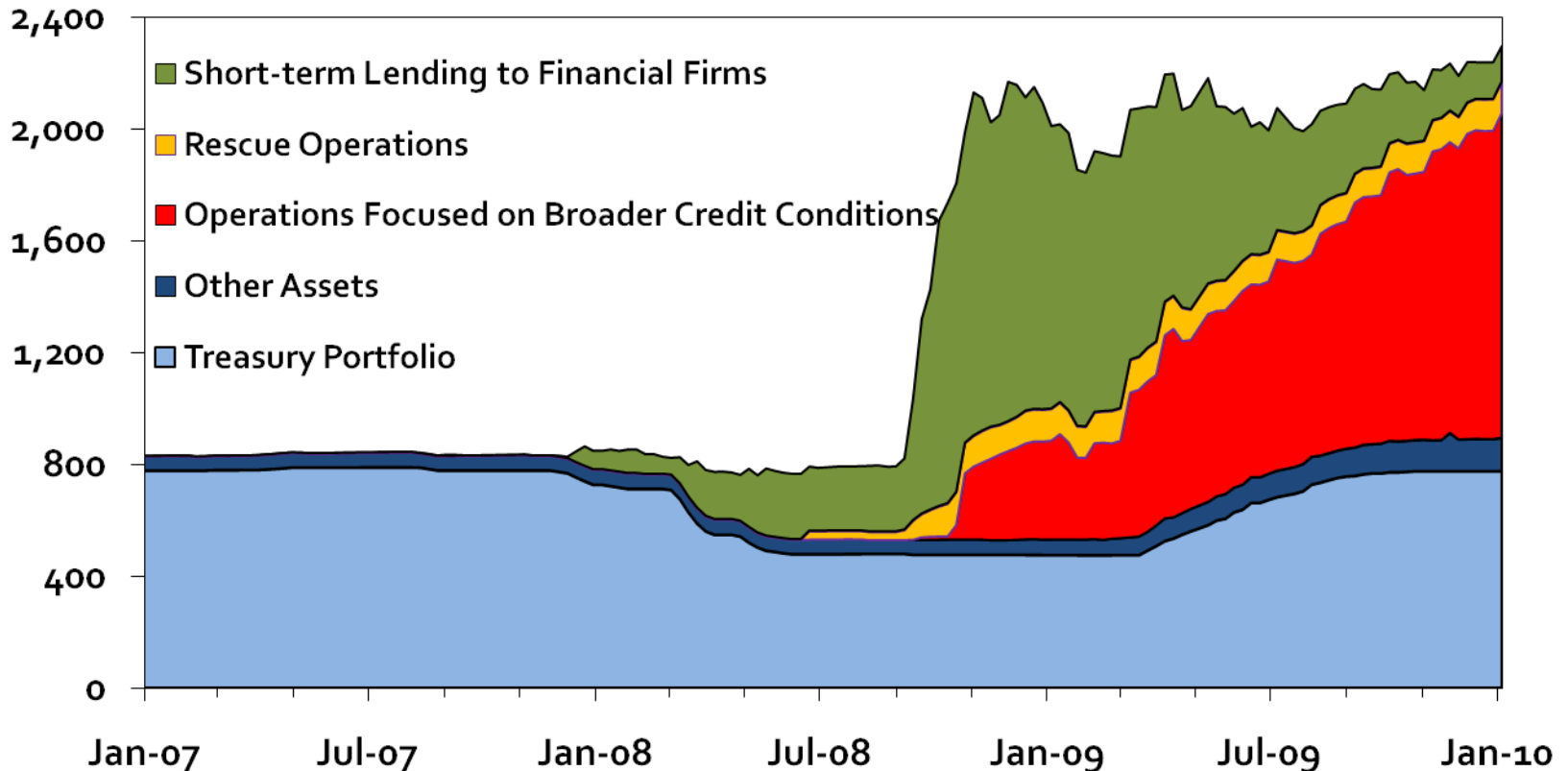
Source: Federal Reserve Banks of Kansas City, Minneapolis, and Dallas



# How and when will the Federal Reserve unwind its balance sheet?

## Federal Reserve Balance Sheet: Assets

Billion Dollars



Source: Federal Reserve Board of Governors



# Conclusions


- **Economic and financial conditions have improved dramatically in the past year.**
- **Still, risks remain in a sluggish recovery.**
- **The U.S. economy is going through a deleveraging process, which takes time.**
- **U.S. agriculture will be driven by the global economic recovery.**





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