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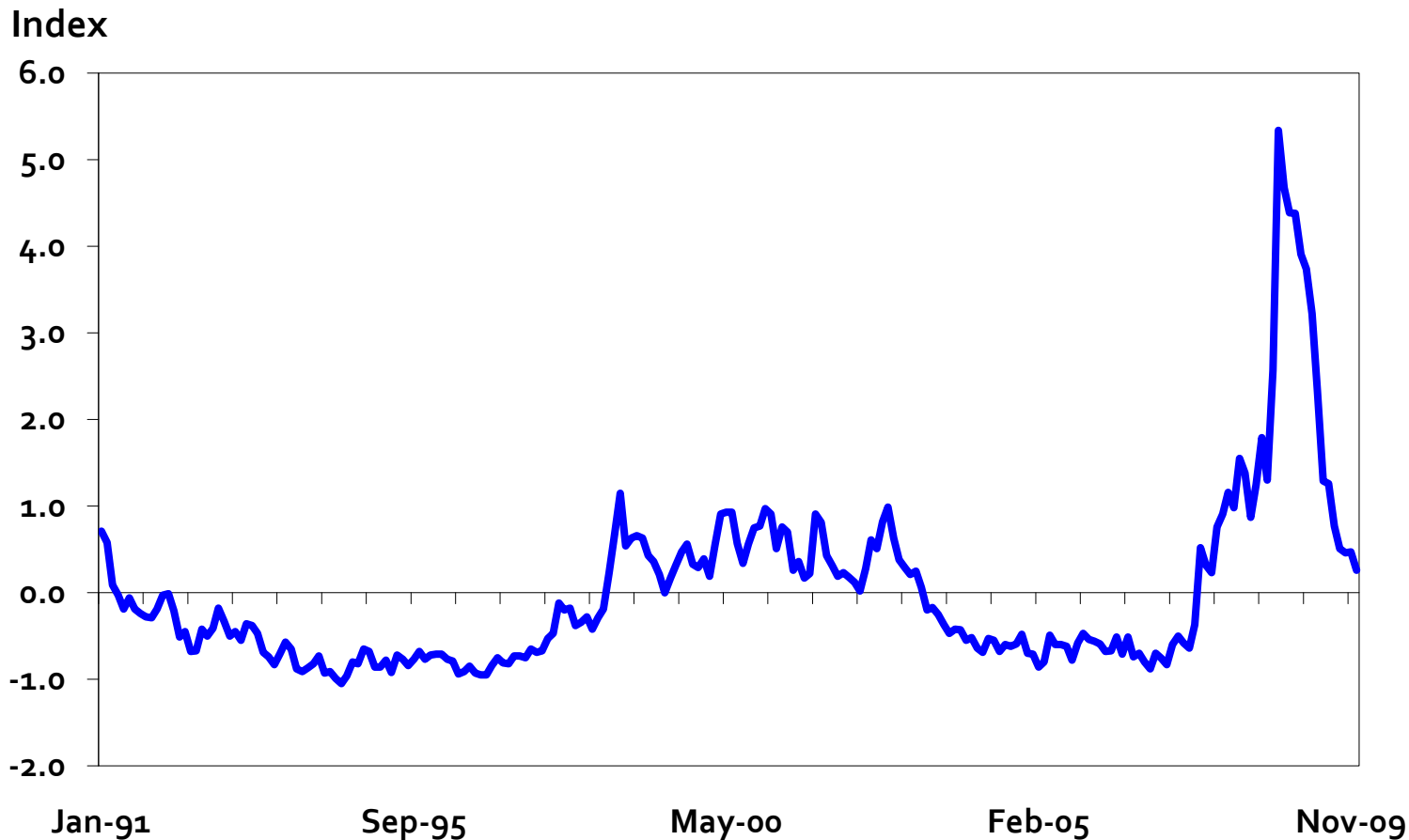
The US Economy and Its Impact on Agriculture



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.

Financial Stress Index

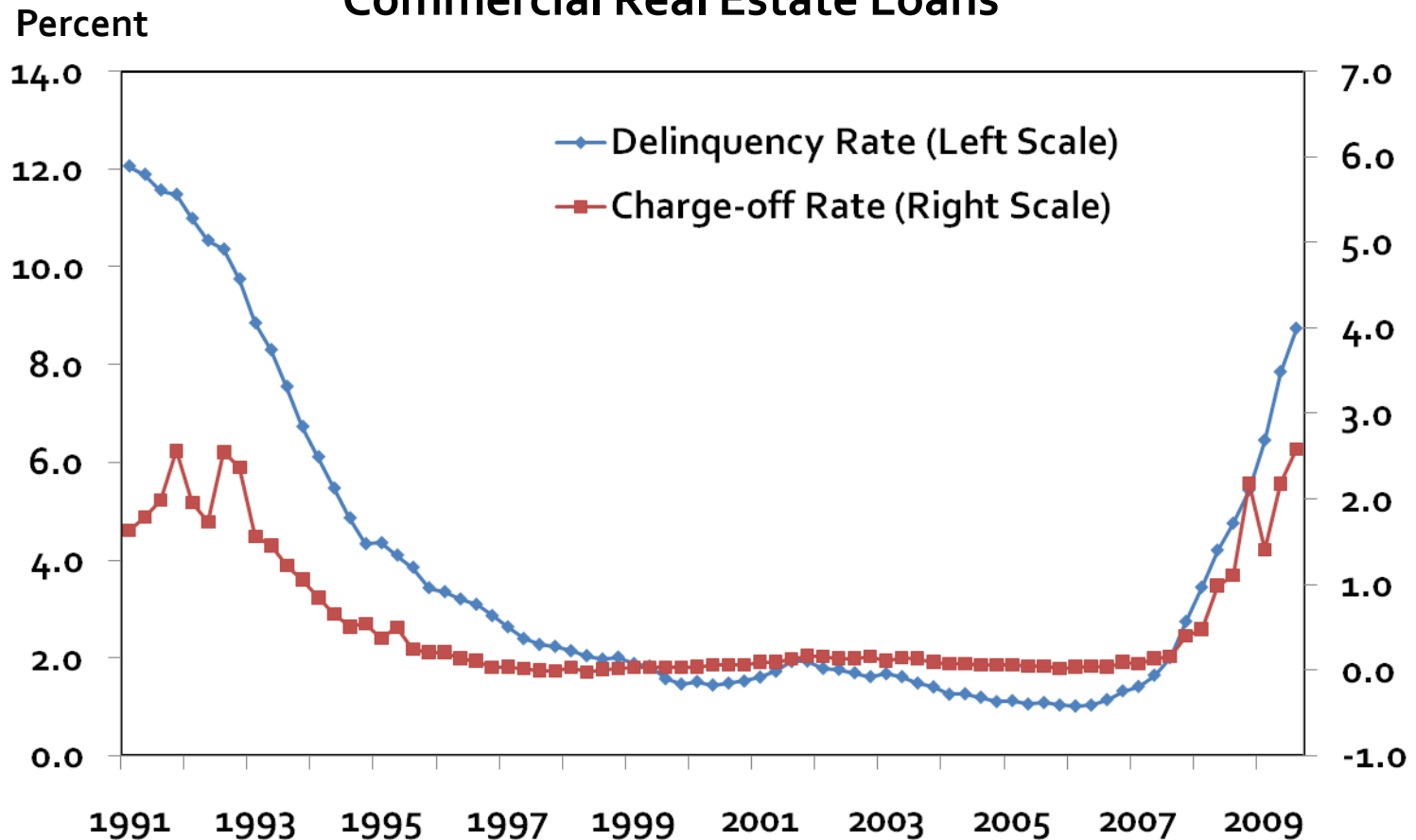


Source: Federal Reserve Bank of Kansas City



Delinquency rates rise on commercial real estate loans.

Charge-off and Delinquency Rates on Commercial Real Estate Loans

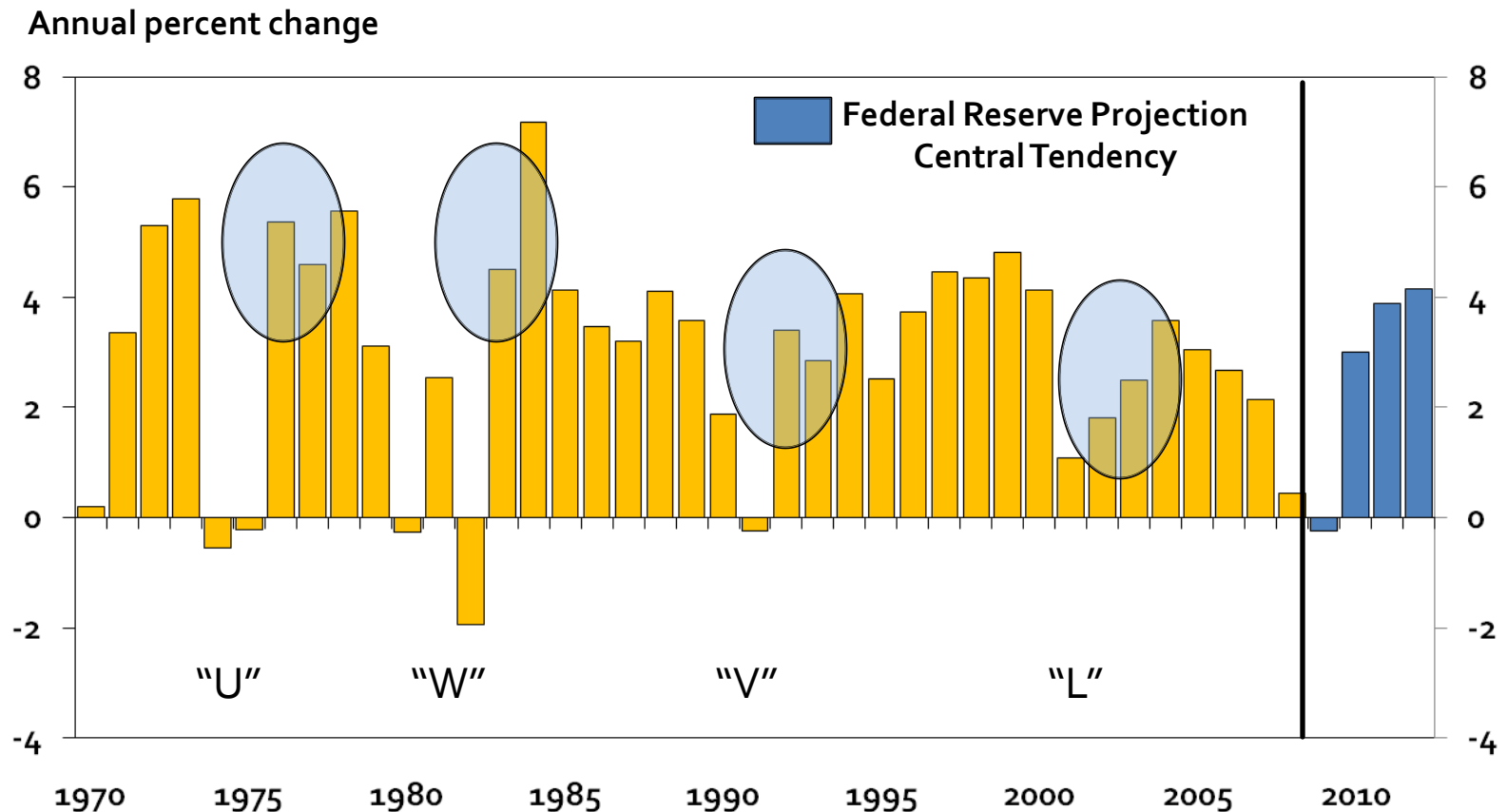


Source: Federal Reserve Board of Governors



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

Real GDP Growth



Source: Bureau of Economic Analysis Federal Reserve Board of Governors



High unemployment rates could dampen the recovery.

U.S. Unemployment Rate

Percent



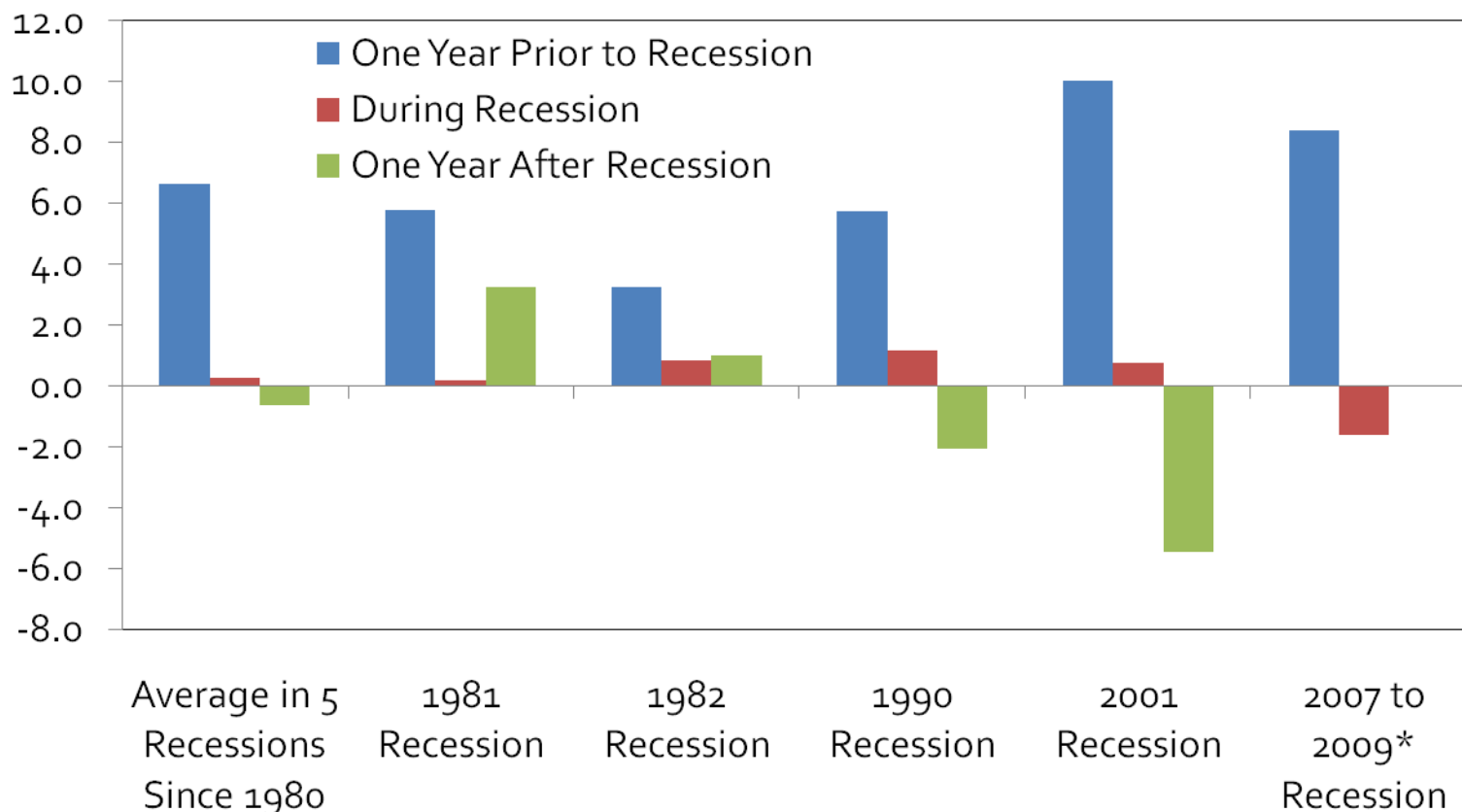
Source: Bureau of Economic Analysis



Meat and milk spending tends to decline in jobless recoveries.

U.S. Per Capita Expenditures on Beef, Pork, Poultry, and Milk Products

Percent change



Calculations based on Bureau of Economic Analysis data

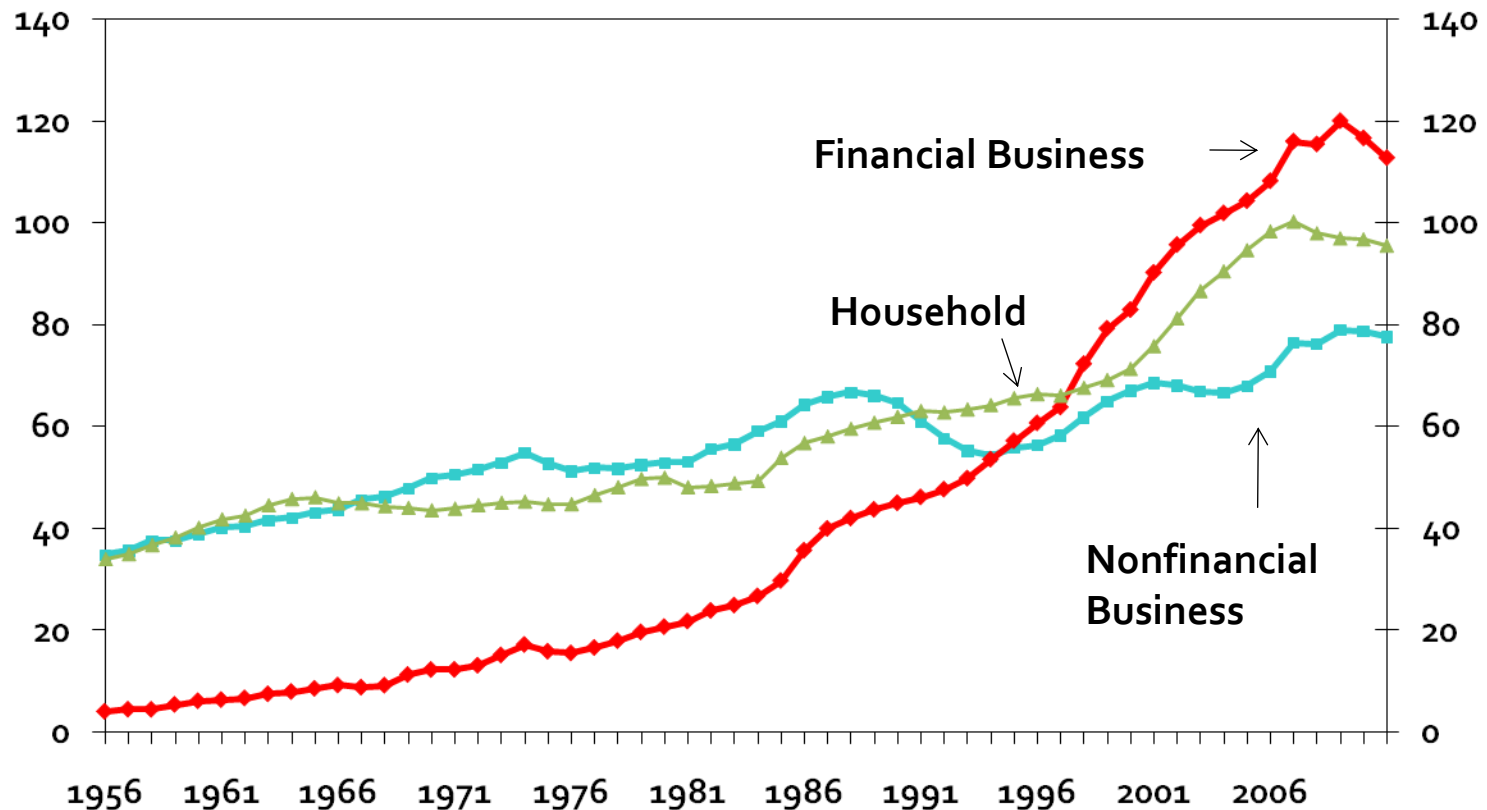
* The National Bureau of Economic Research indicates the recession started in Dec. 2007. At the time of publication, the end of the recession has yet to be specified.



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

Domestic Debt Outstanding

Percent of GDP

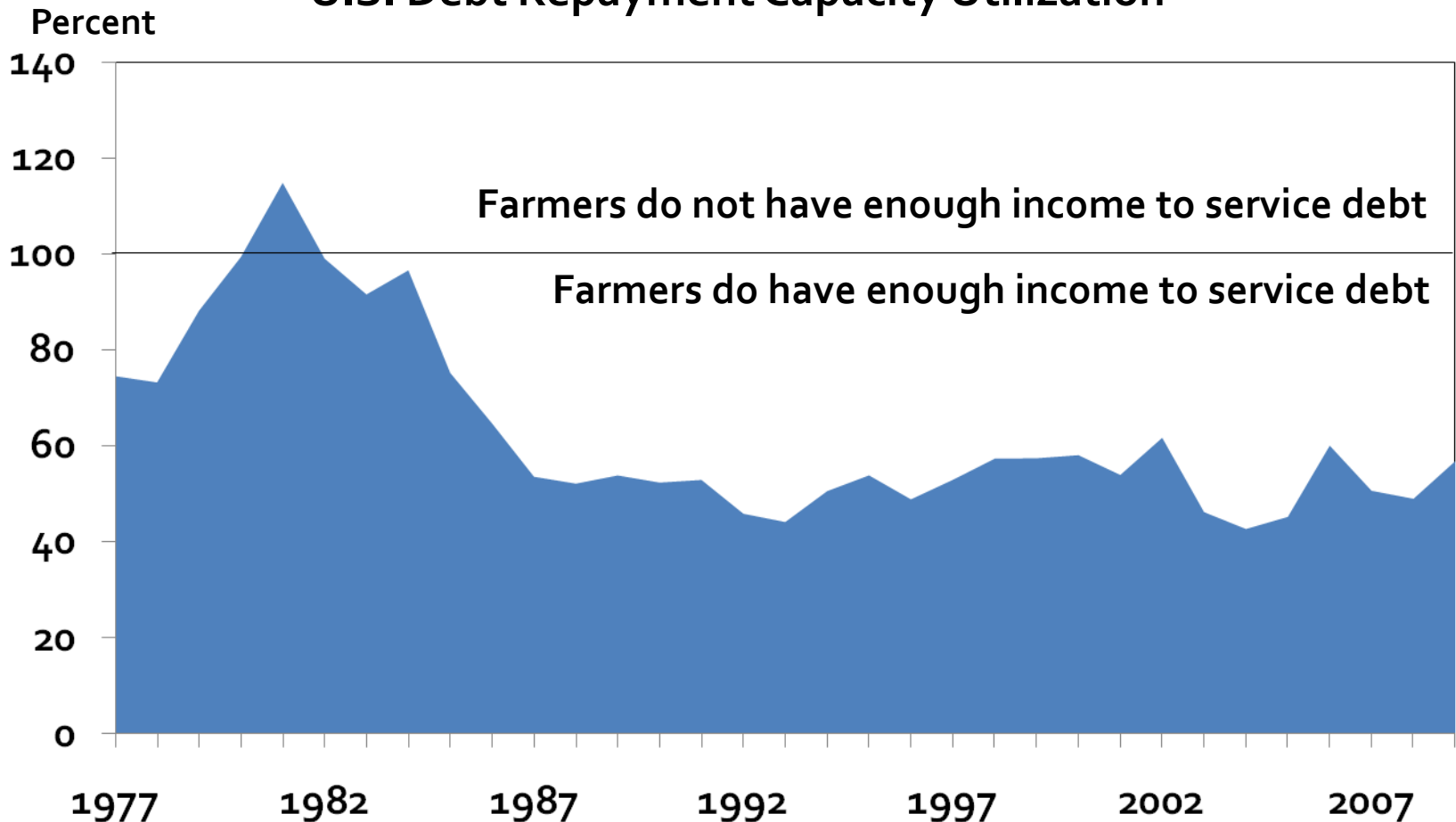


Source: Federal Reserve Board of Governors



In general, farmers are financially sound.

U.S. Debt Repayment Capacity Utilization

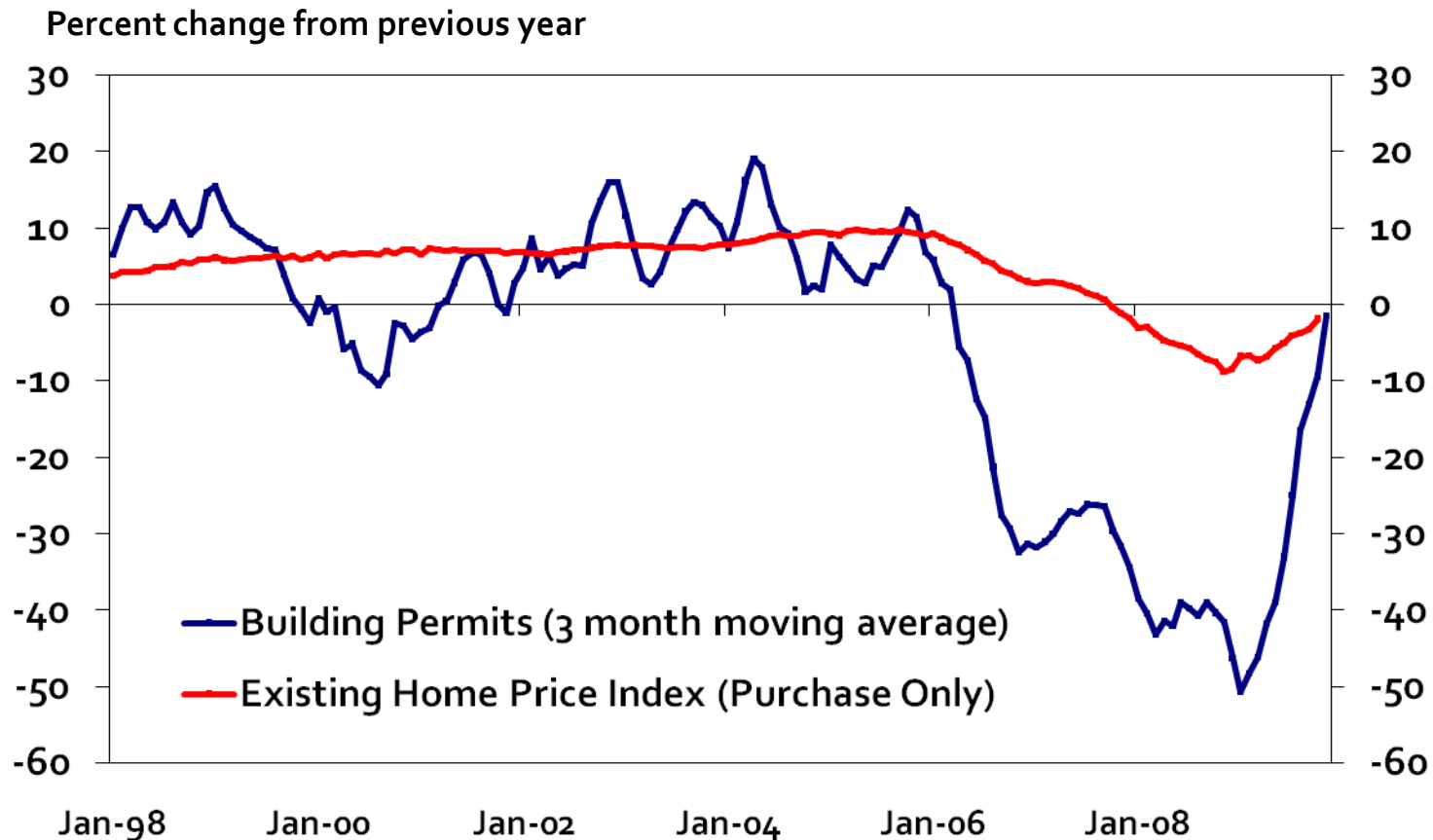


Source: USDA



The housing sector is stabilizing.

U.S. Residential Real Estate

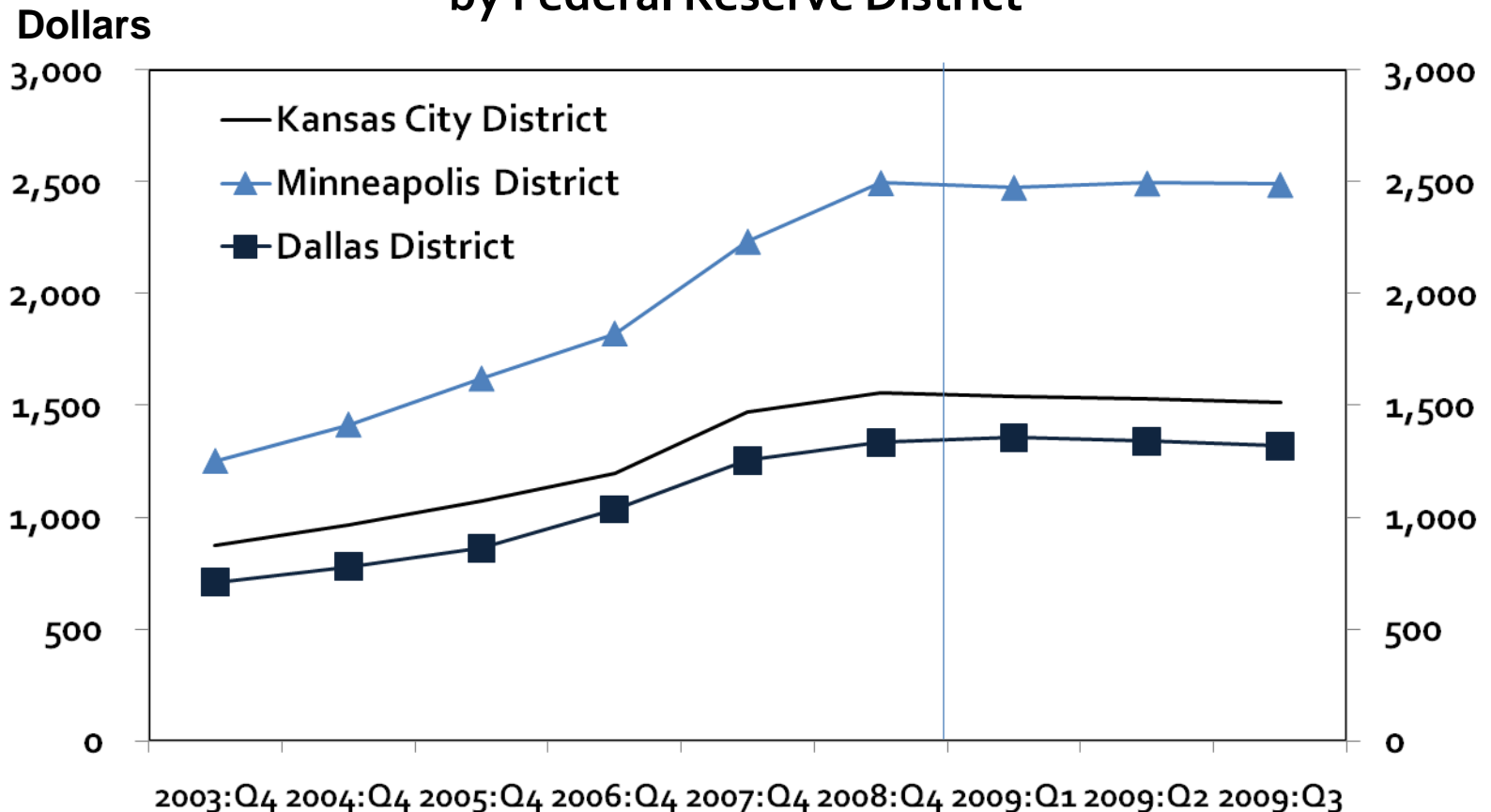


Source: Census Bureau and Federal Housing Finance Authority



After peaking in 2008, cropland values have stabilized.

Nonirrigated Cropland Values by Federal Reserve District



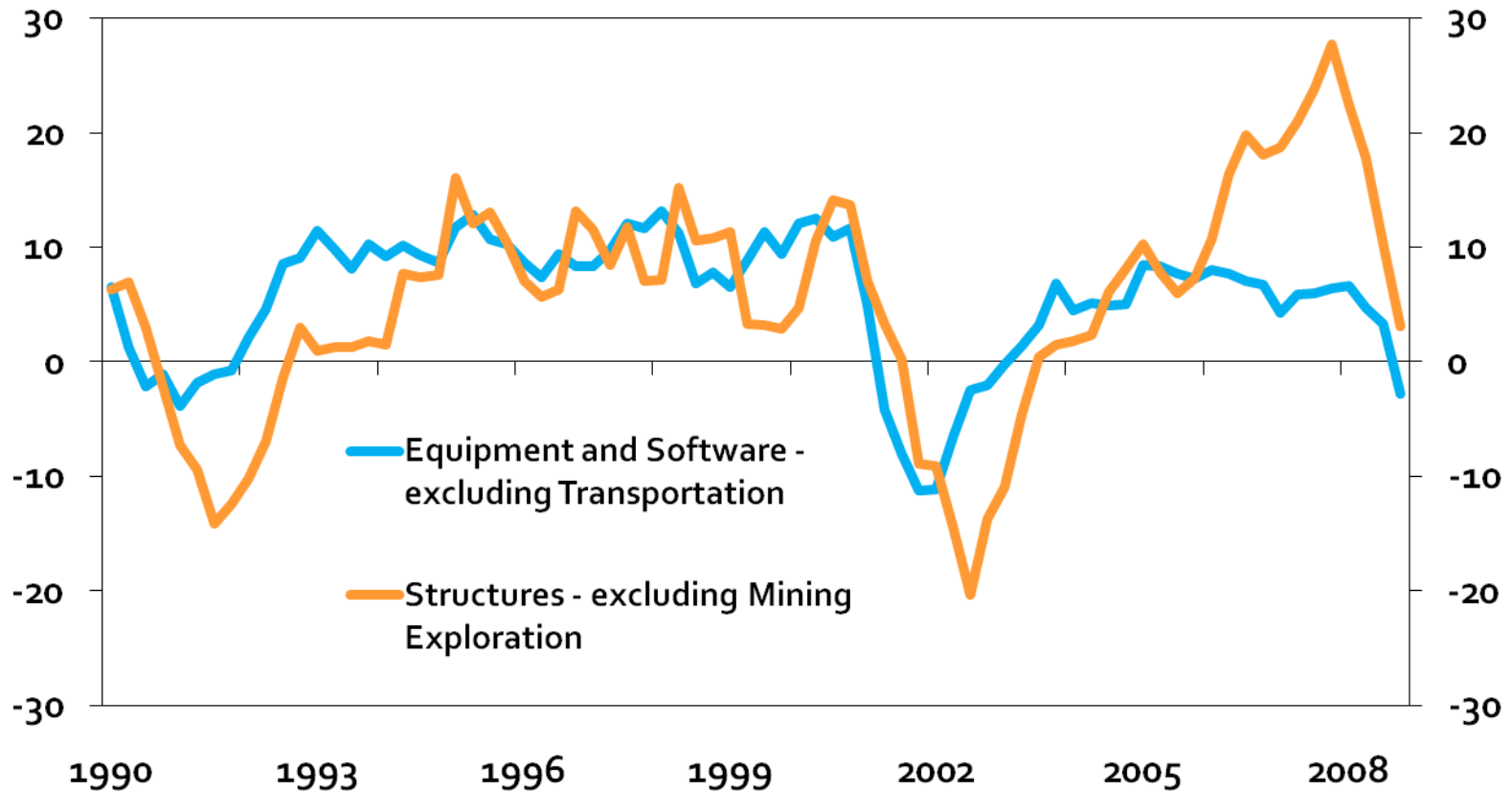
Source: Federal Reserve Banks of Dallas, Kansas City, and Minneapolis



Business investment has plummeted.

U.S. Non-residential Investment

Percent change from year ago

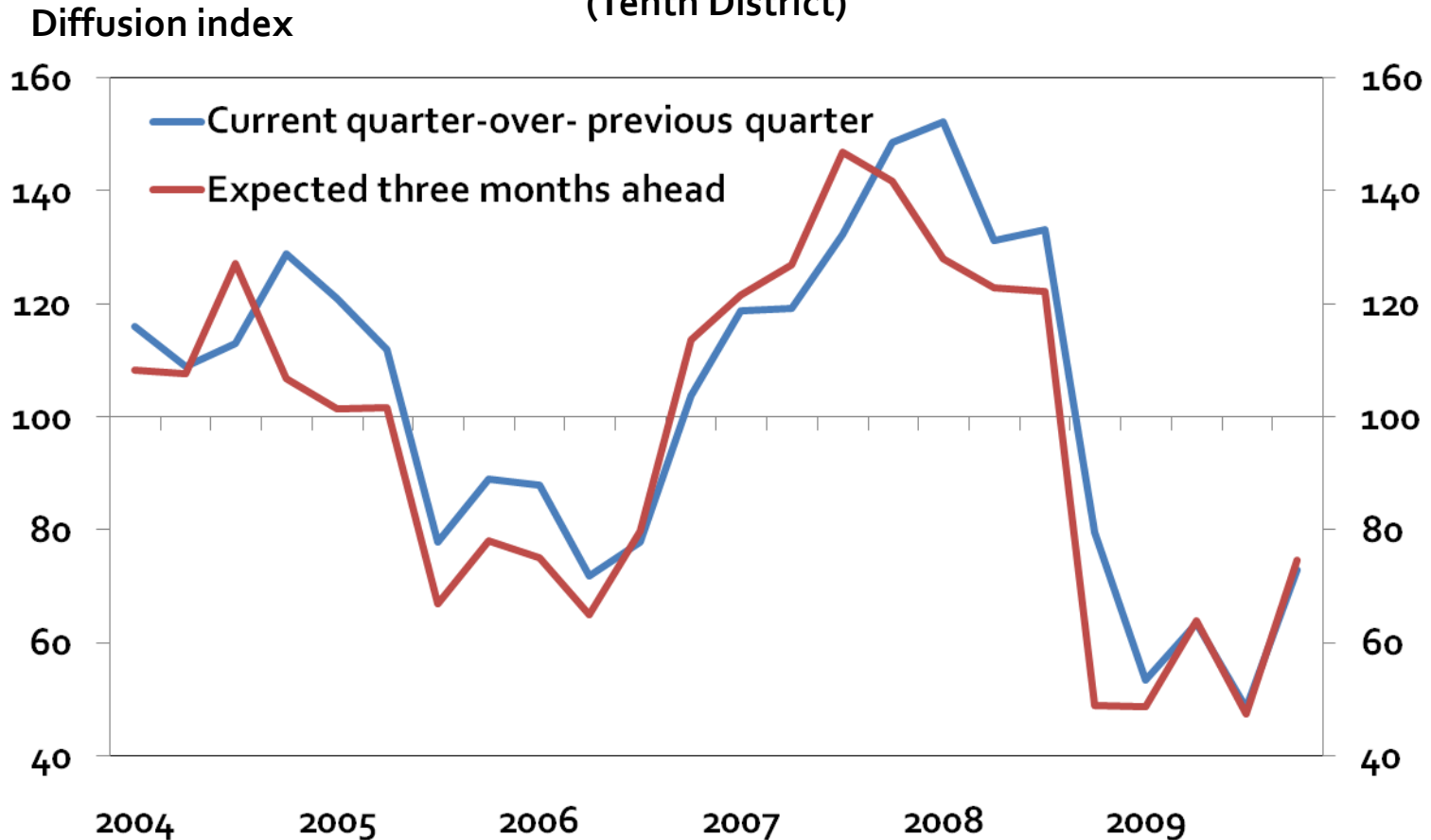


Source: Census Bureau



Farm spending is expected to rebound.

Farm Capital Spending (Tenth District)



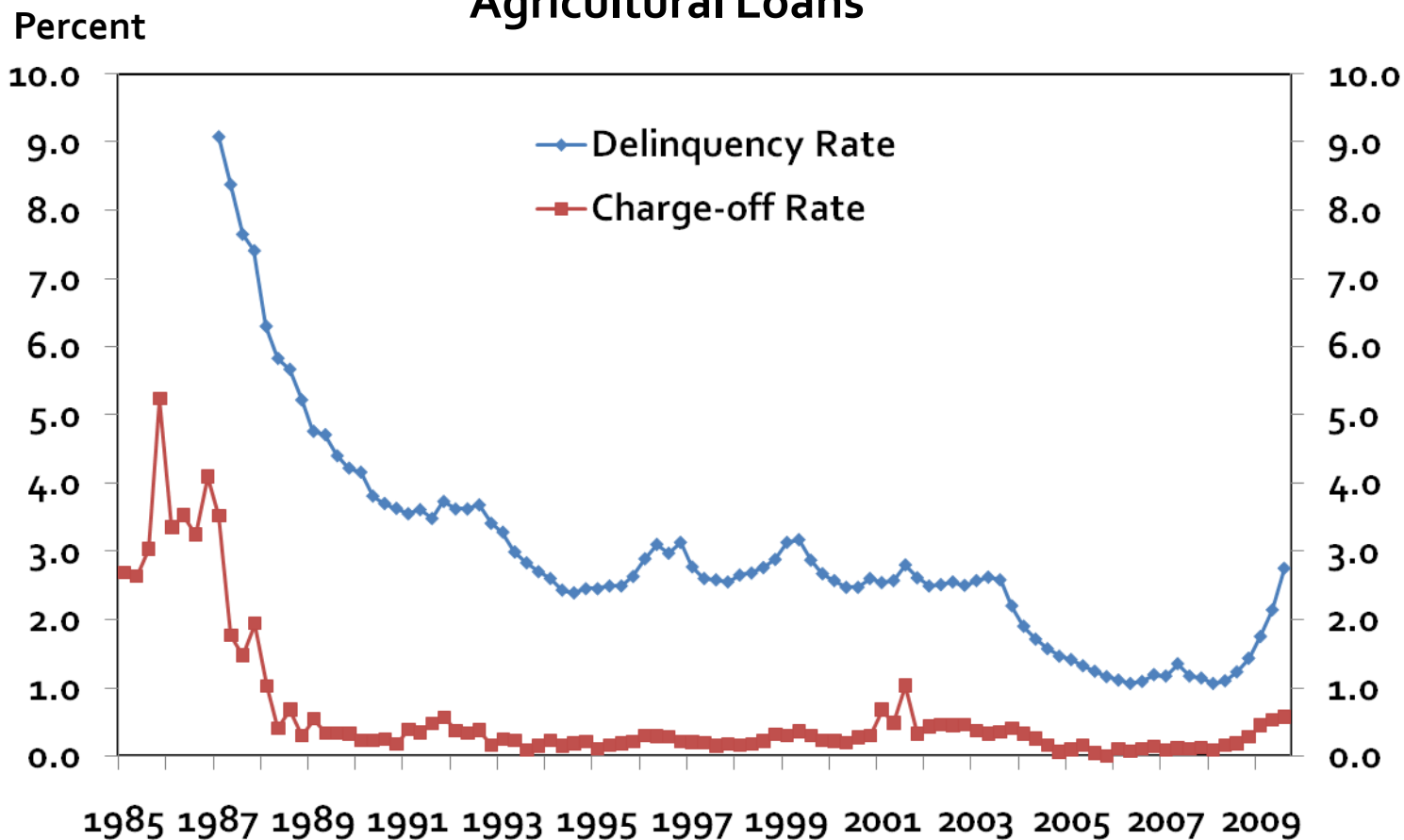
Source: FRBKC Agricultural Credit Survey

Note: 2009:Q4 data are preliminary with 90 percent of typical respondents reporting



Loan delinquency rates and charge-offs edge up.

Charge-off and Delinquency Rates on Agricultural Loans

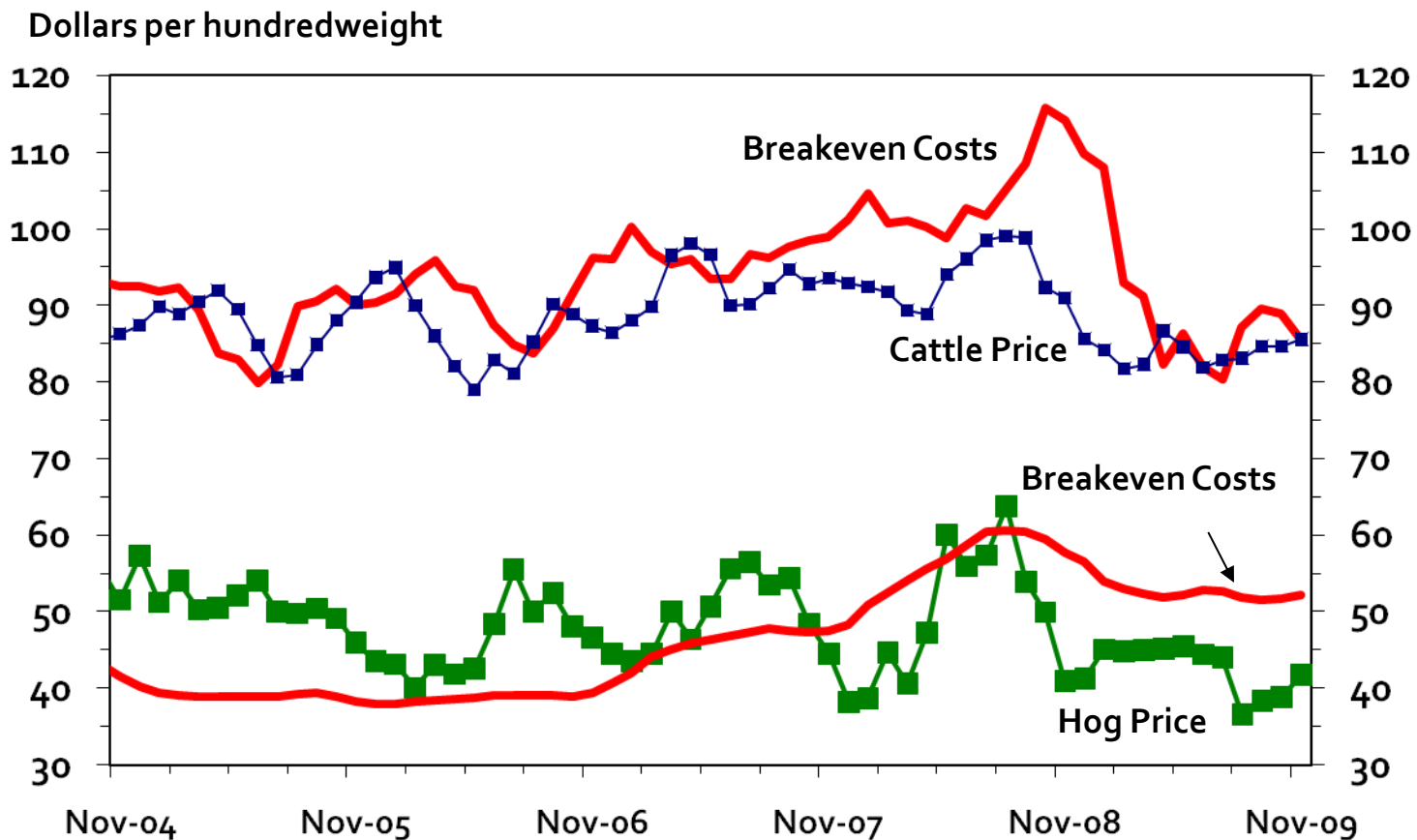


Source: Federal Reserve Board of Governors



Fewer losses in livestock sectors will support U.S. farm income.

U.S. Livestock Prices and Breakeven Costs



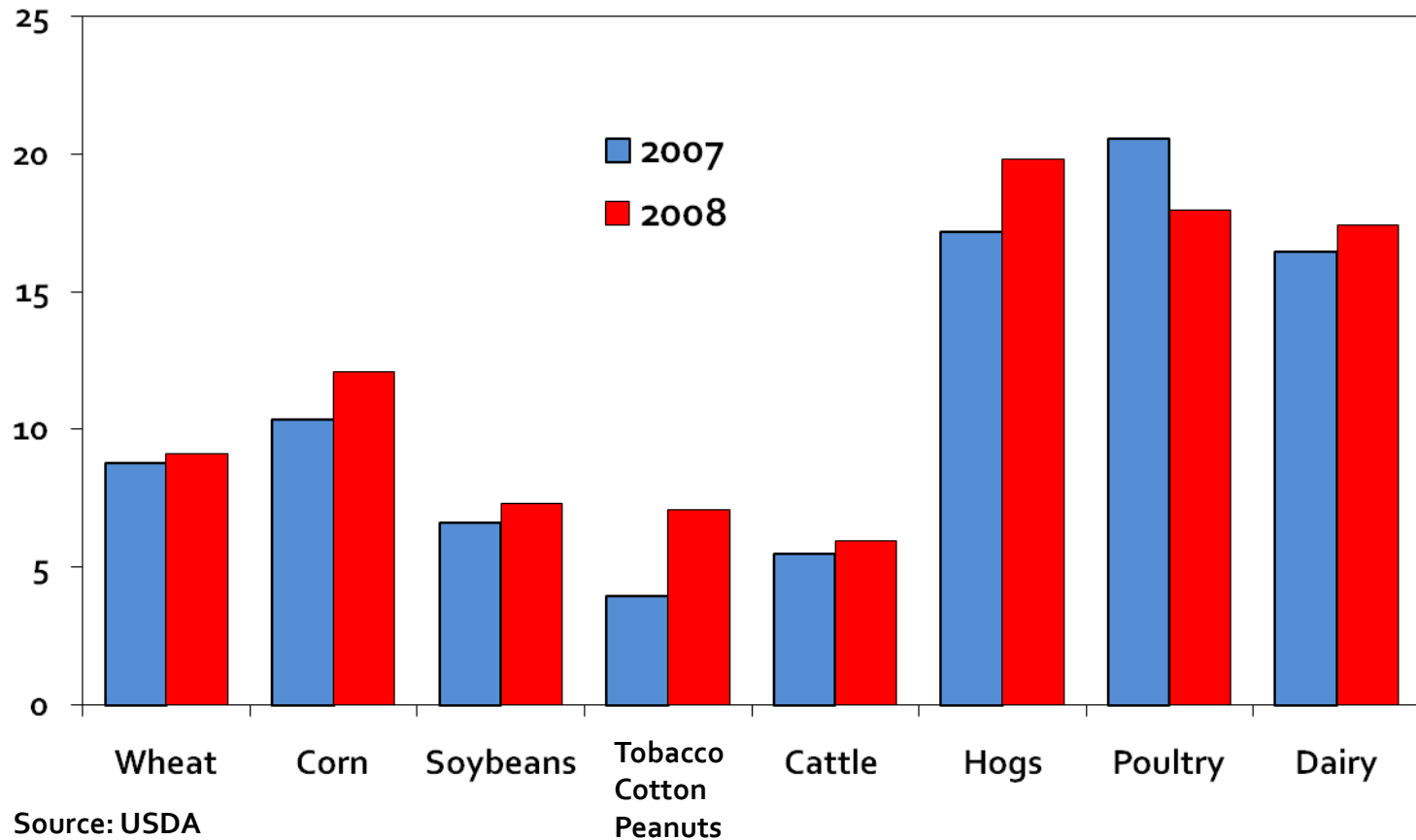
Source: USDA and Iowa State University



Livestock sectors are more highly leveraged.

Debt-to-Asset Ratio by Farm Production Sector

Debt-to-Asset Ratio

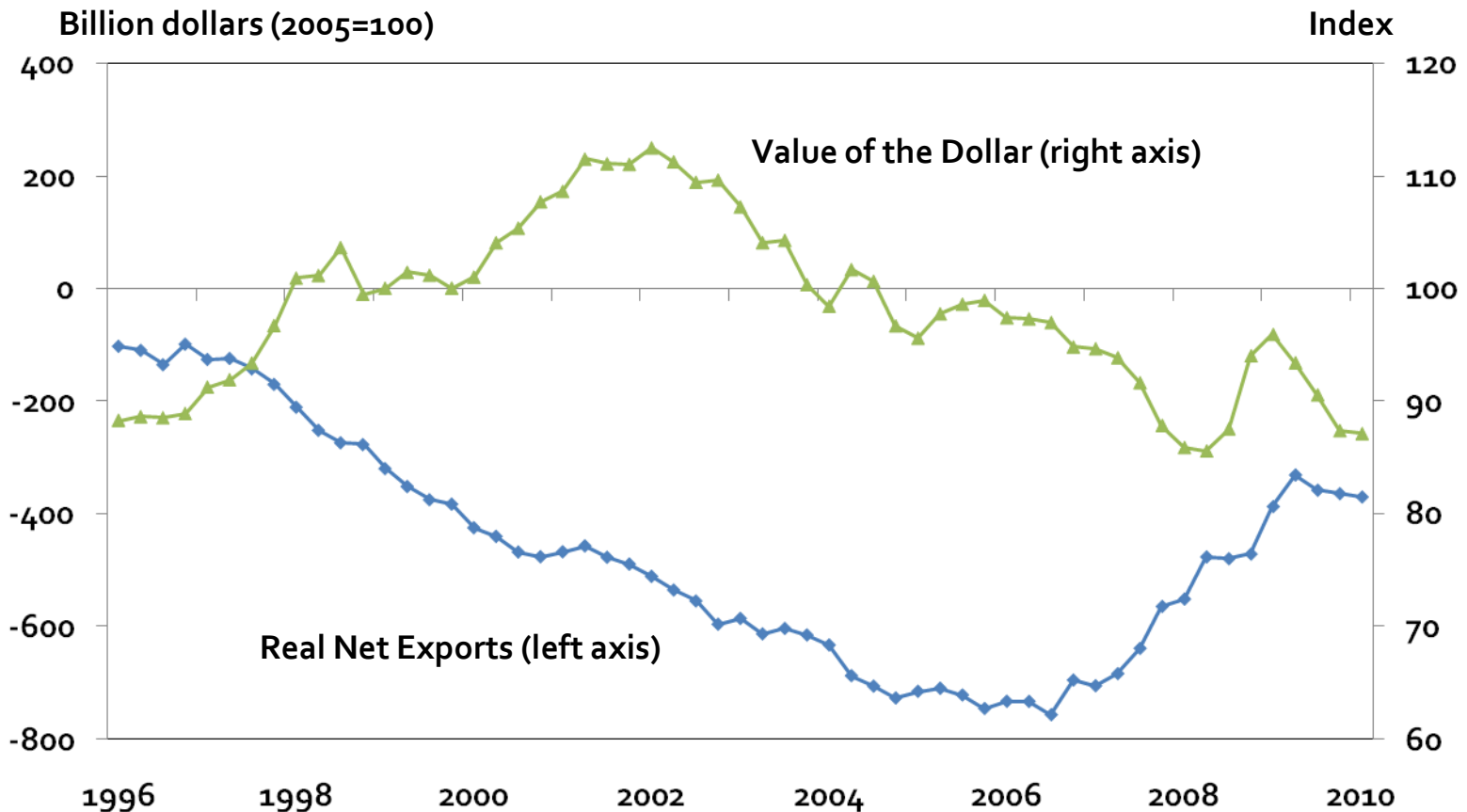


Source: USDA



Can stronger global economies and a weaker dollar spur further improvements in the trade balance?

Real Net Exports of Goods and Services Value of the Dollar

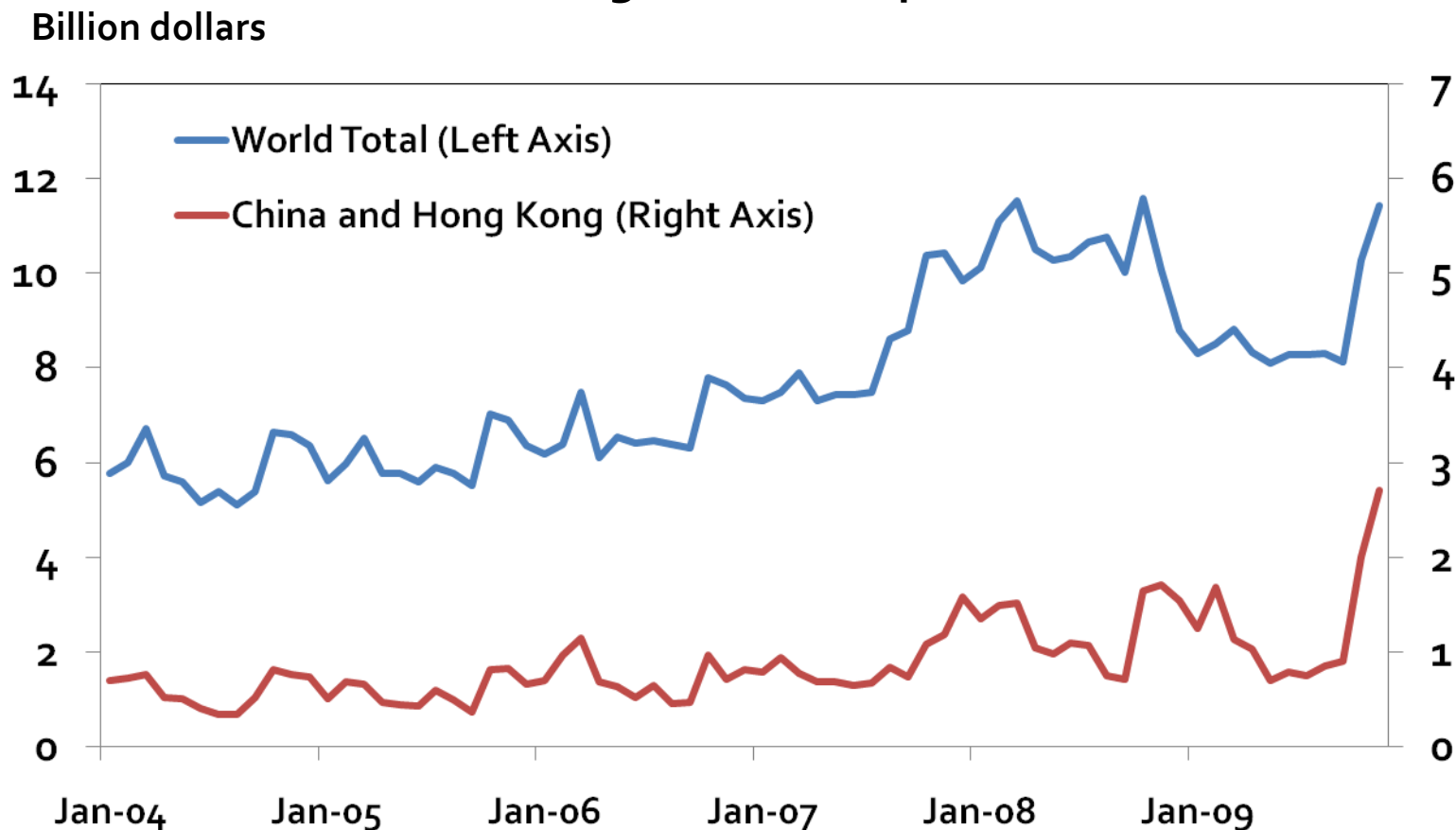


Source: Bureau of Economic Analysis



U.S. ag exports rebounded at the end of 2009, fueled by China.

U.S. Agricultural Exports



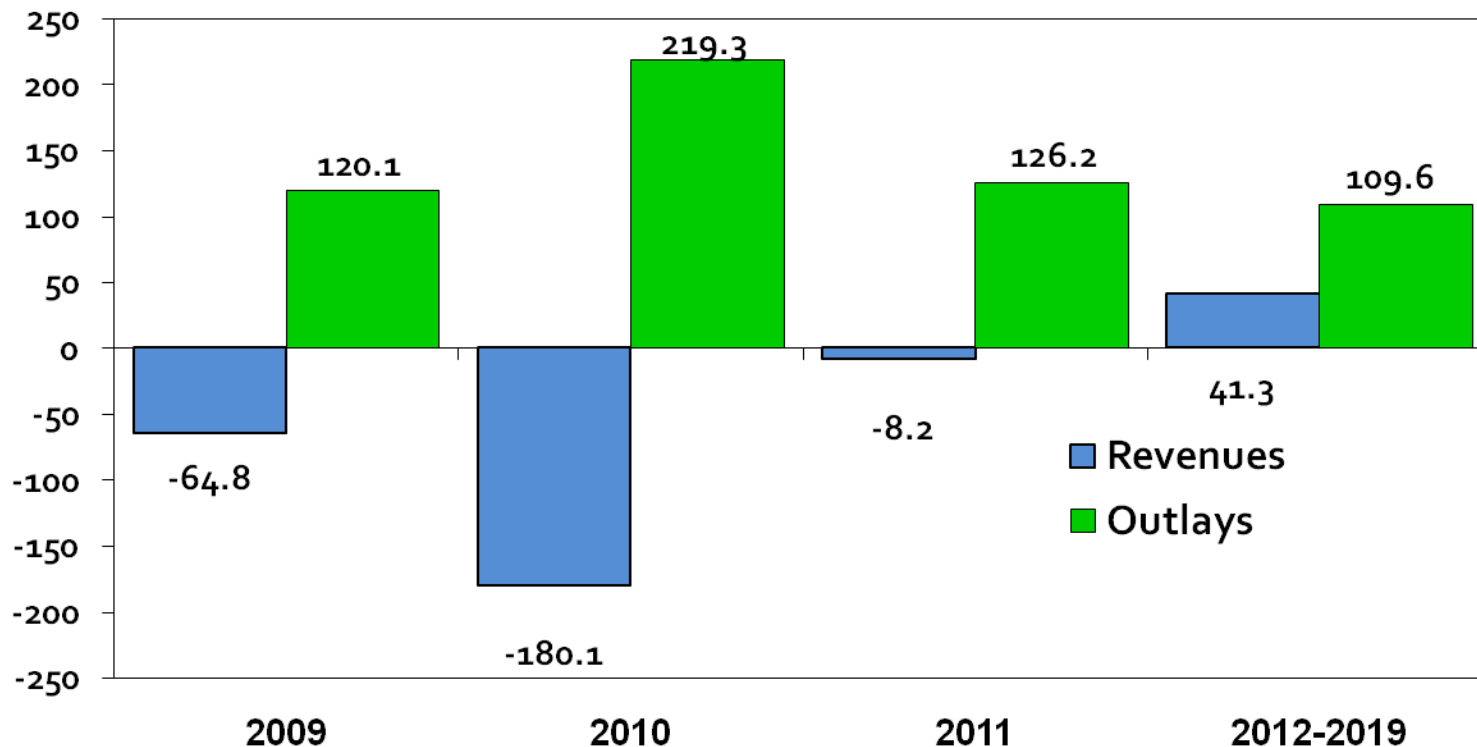
Source: USDA



Will the stimulus package spur growth in 2010?

Estimated Budget Impact of American Recovery and Reinvestment Act (ARRA) of 2009

Billion Dollars



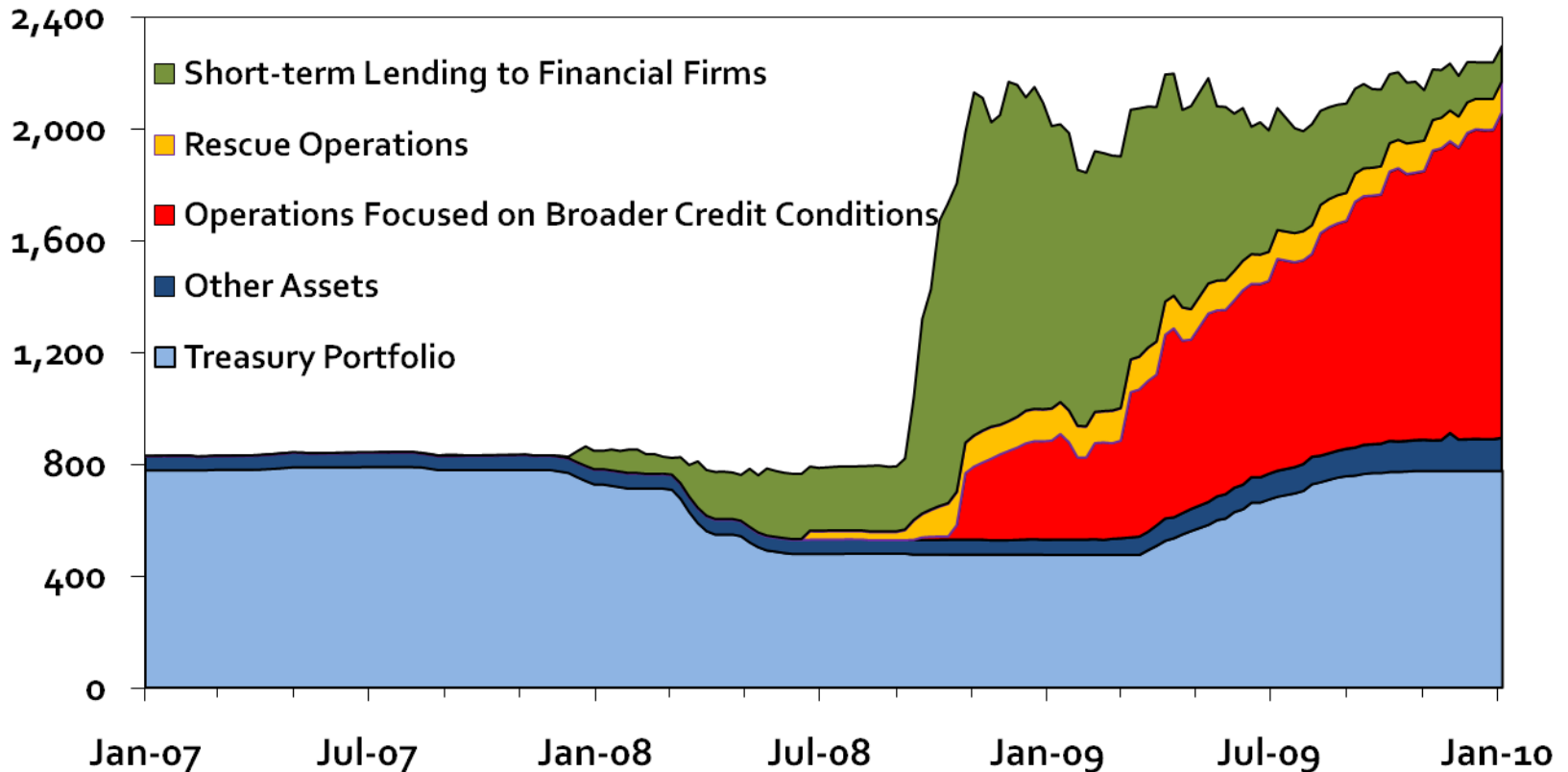
Source: Congressional Budget Office, February 13, 2009



To combat the financial crisis and recession, the Federal Reserve has expanded its balance sheet.

Federal Reserve Balance Sheet: Assets

Billion Dollars



Source: Federal Reserve Board of Governors



Conclusions

- **The recovery is underway, but risks remain, especially in commercial real estate.**
- **Banks are providing credit to agriculture, but standards are tighter with higher risks.**
- **Macroeconomic forces could drive ag markets and lending in the year ahead.**



For More Information

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