

Brian C. Briggeman

Economist

Federal Reserve Bank of Kansas City – Omaha Branch

[www.kansascityfed.org/omaha](http://www.kansascityfed.org/omaha)

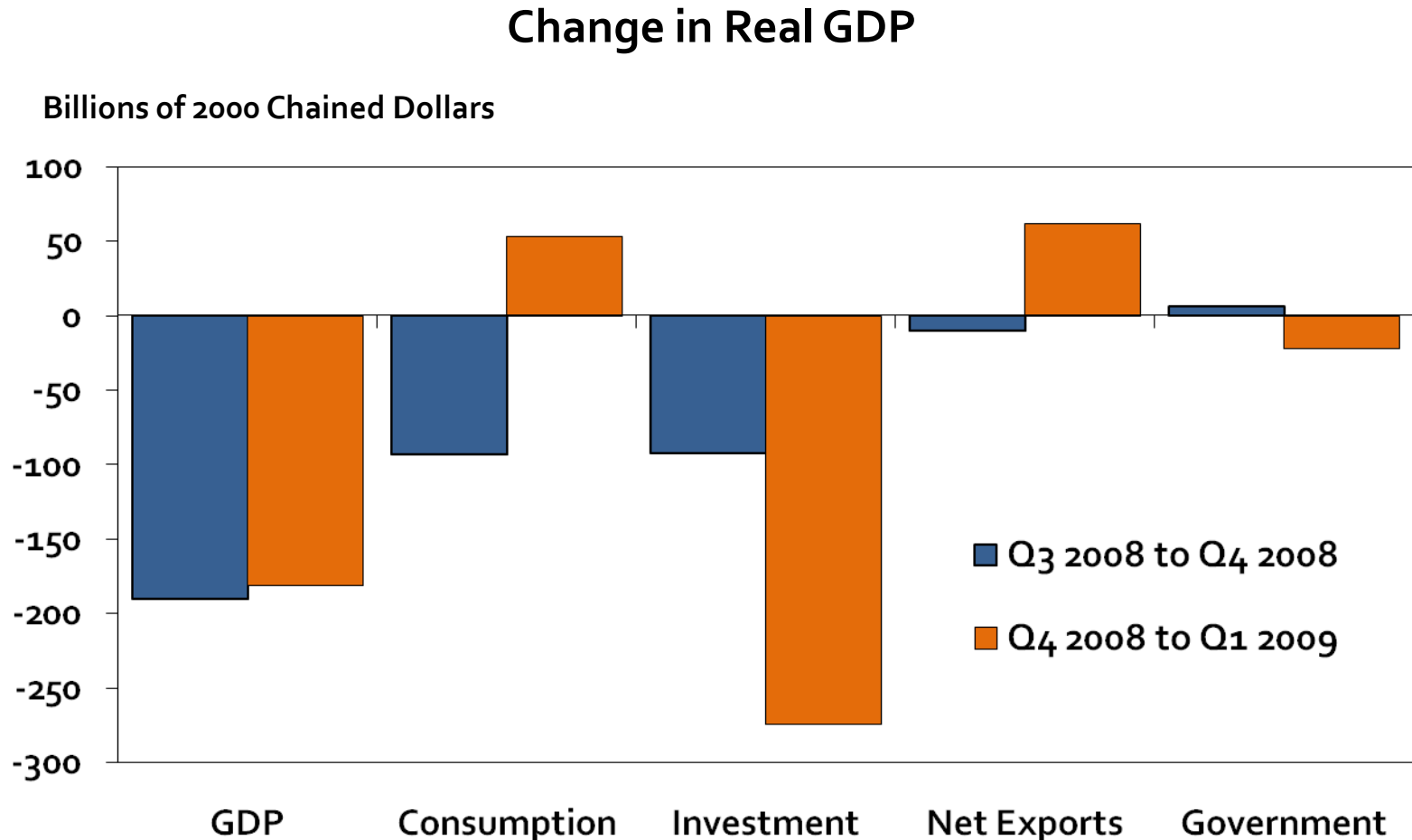
July 15, 2009

# Macro Economic Perspective and Five Questions for Ag



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.

# Broad contraction of GDP components, but investment drove recent decline.



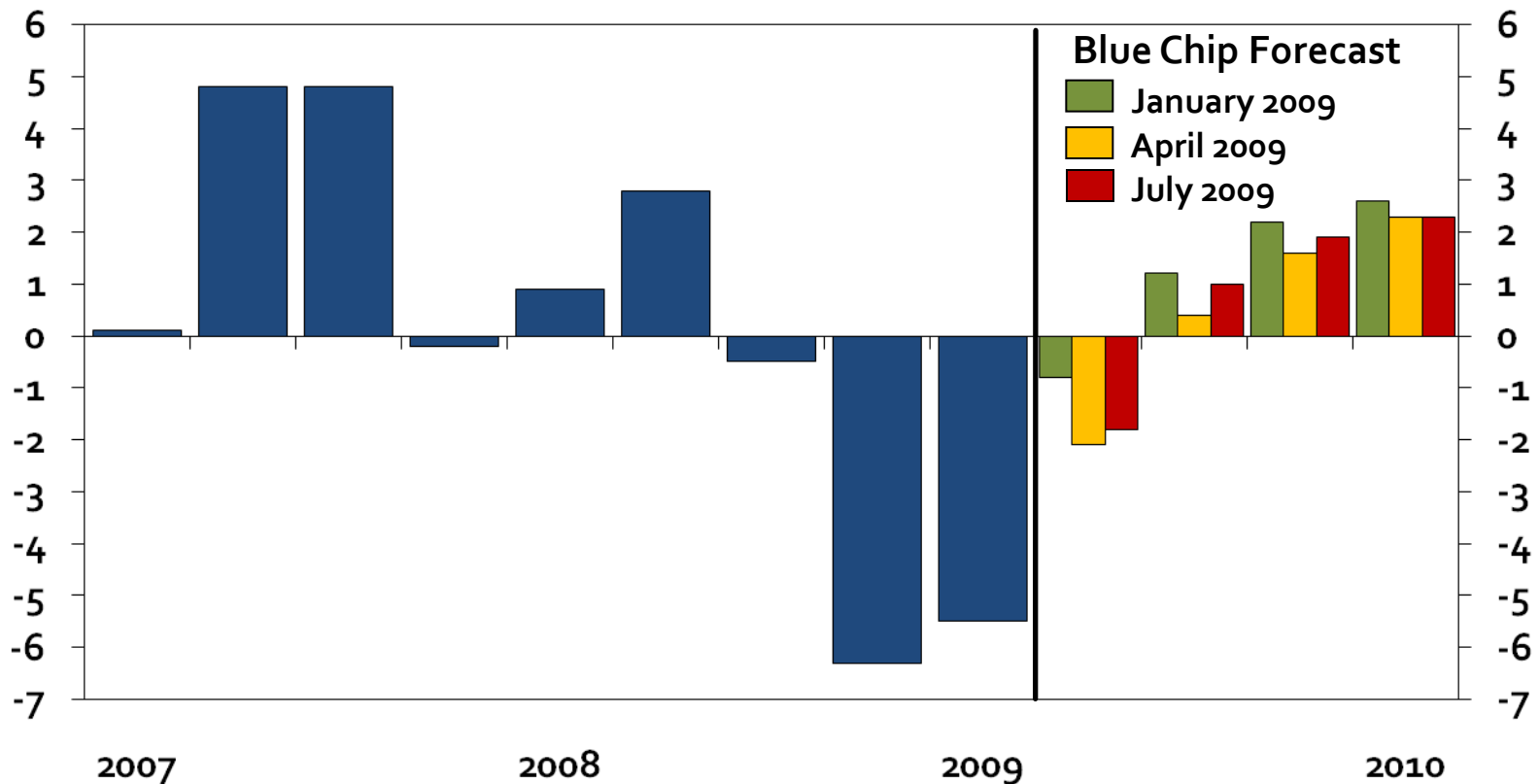
Source: Based on Bureau of Economic Analysis data.



# Forecasts of real GDP growth are more confident, but most agree the recovery will be an 'L.'

## Real GDP Growth

Annualized percent change from previous quarter



Source: Bureau of Economic Analysis and Blue Chip Economic Indicators



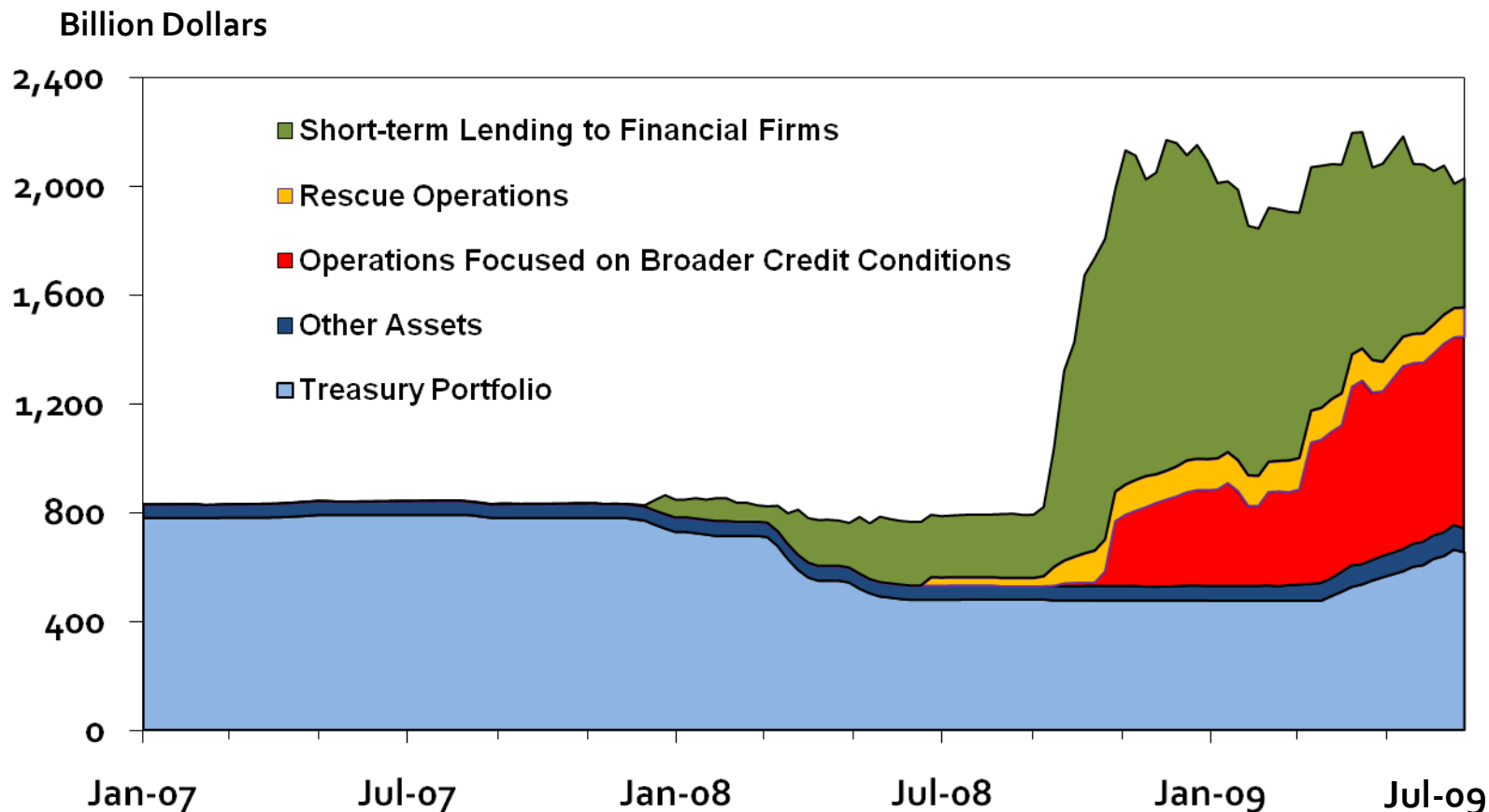
# *Why all the debate regarding the recovery?*

- Some fear the 'W' recovery.
  - Inflation concerns, but most expect inflation to be contained.
- How will the fiscal stimulus package impact the economy?
  - Expected multiplier effect of 1.2.
- Has the financial crisis been resolved?
  - Some signs of improvement.



*Given the fed funds rate is at the zero bound,  
the Fed balance sheet has been targeted.*

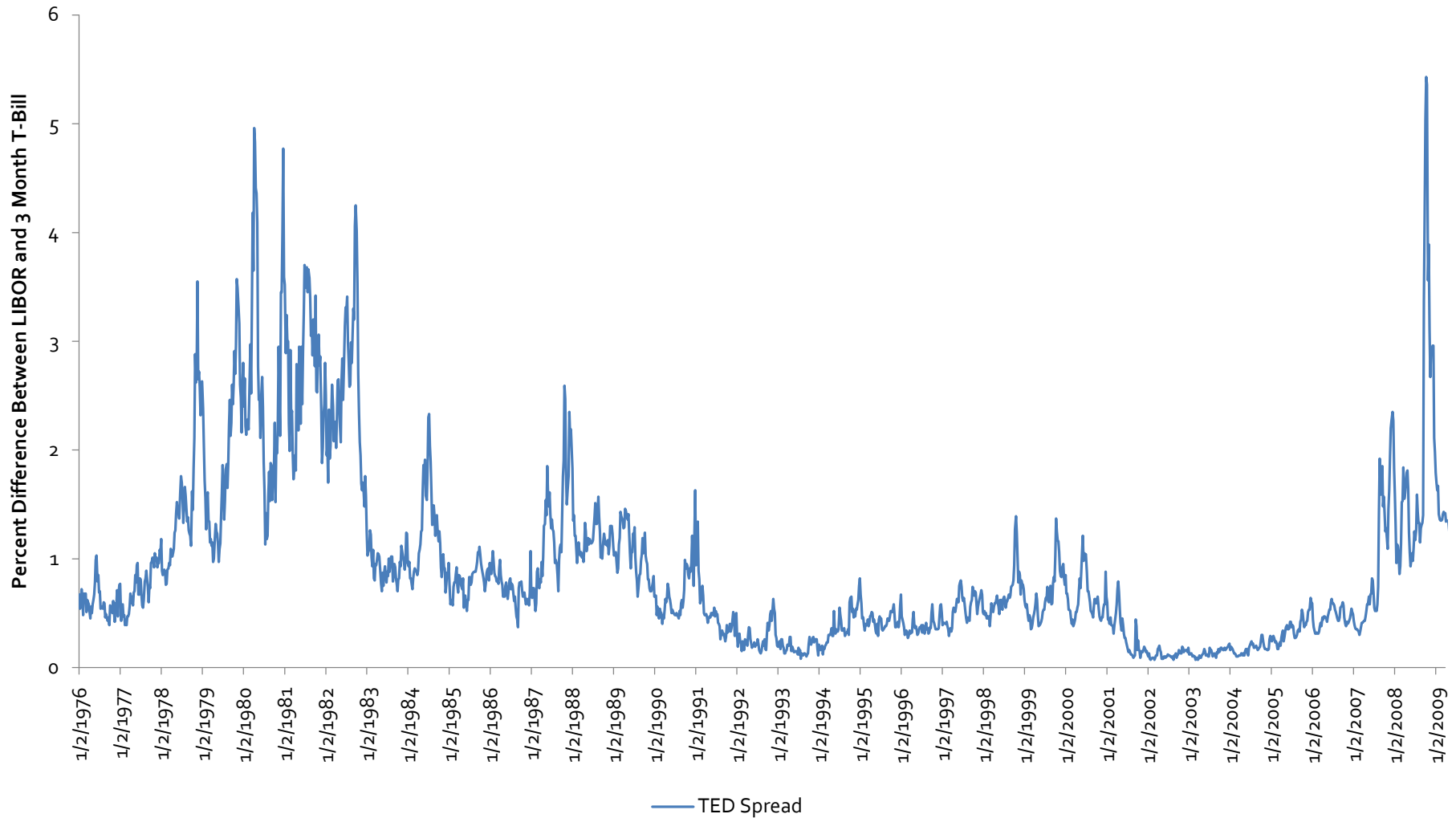
## Federal Reserve Balance Sheet: Assets



Source: Federal Reserve Board of Governors



# *Some stress in financial markets has eased.*



Source: Federal Reserve Board of Governors

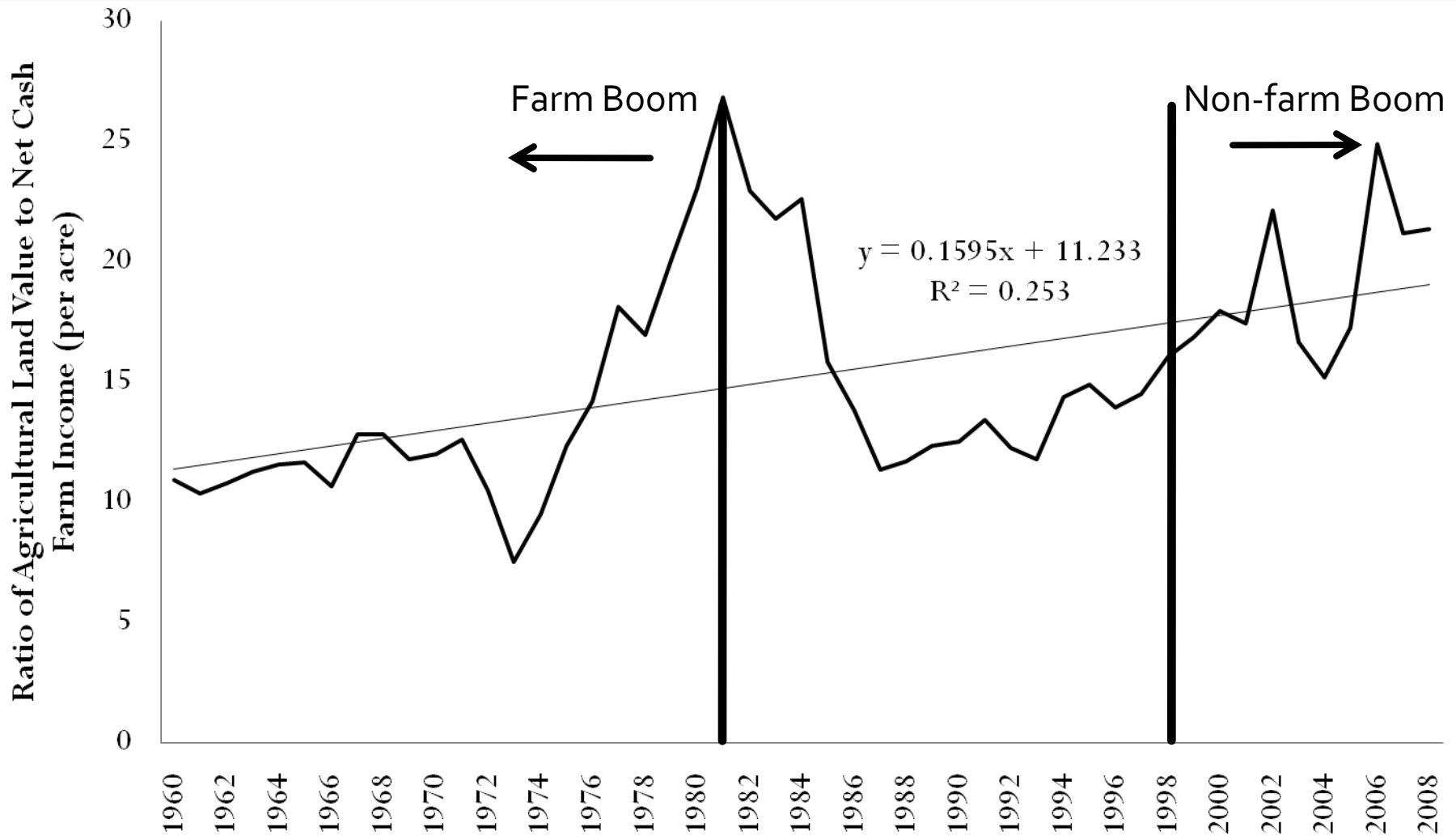


# *Five questions for agriculture.*

- Are current farm land values sustainable?
- What is in store for loan repayment and loan delinquencies?
- How will commodity prices evolve?
- When will the U.S. consumer spend again?
- What is the potential demand for U.S. commodities in the global marketplace?



# Are farm land values in line with their earnings?

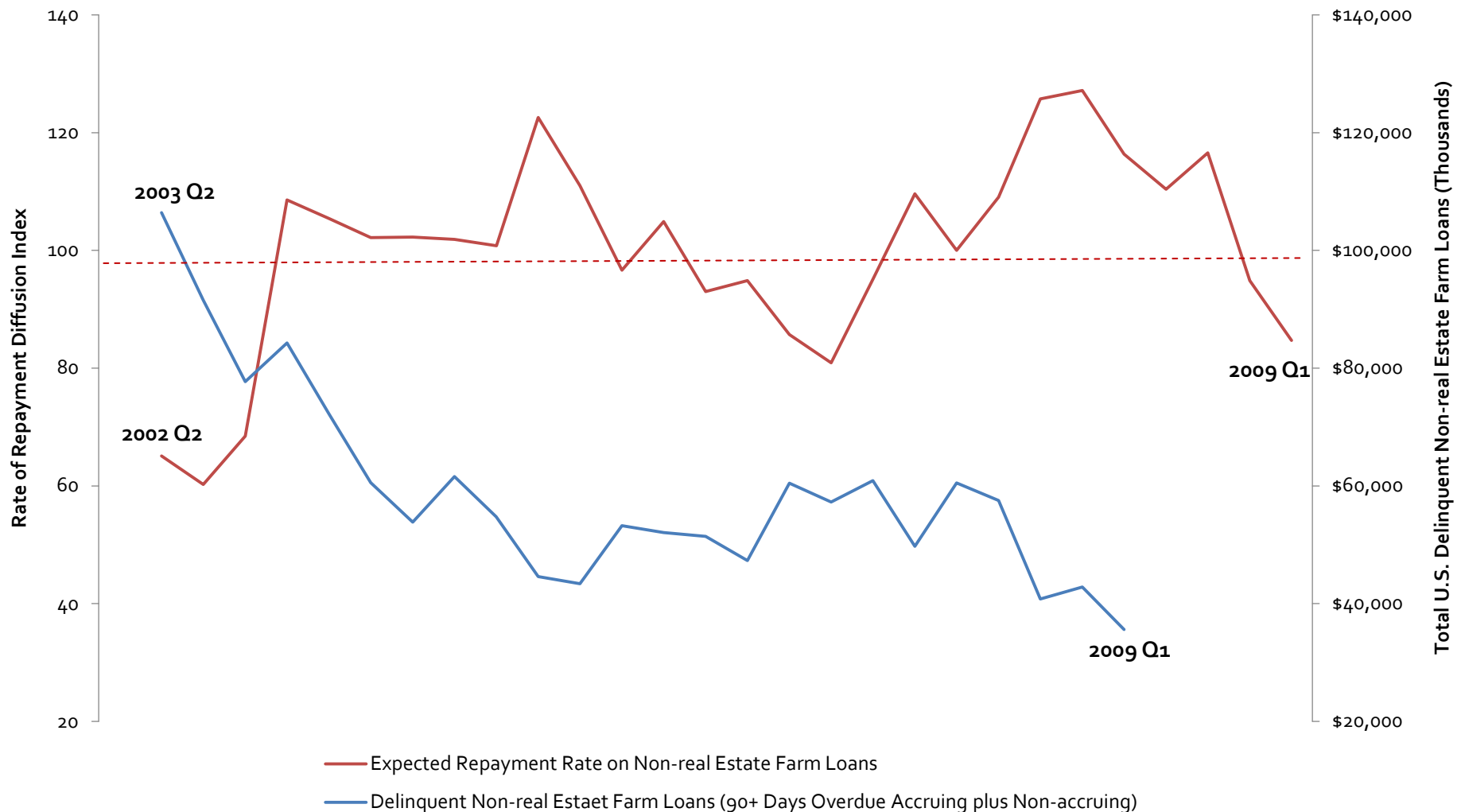


Source: USDA ERS, NASS, and author's own calculations





# What does 2010 hold for loan repayments and delinquent farm loan volume?

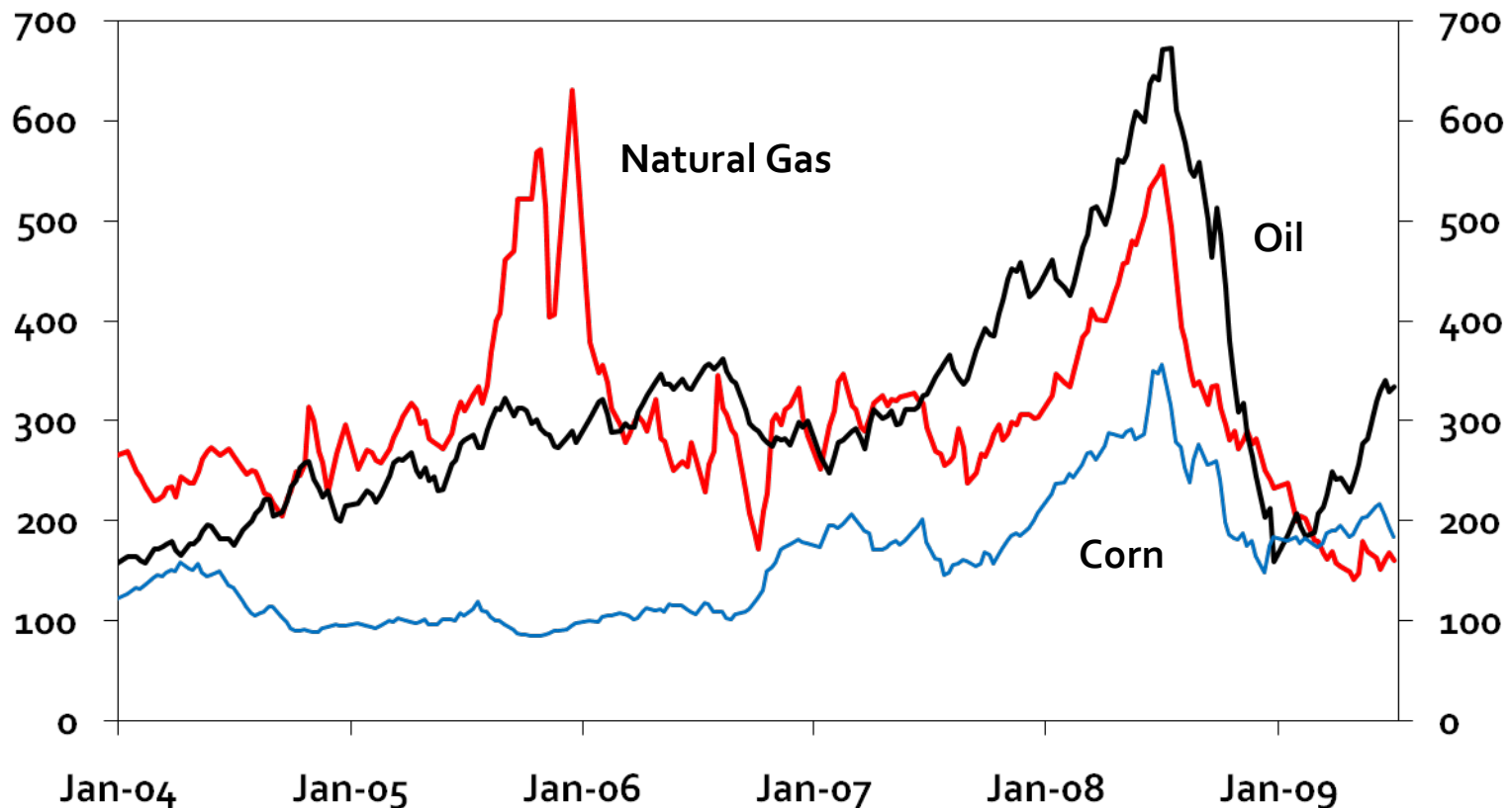


Source: 10<sup>th</sup> District Agricultural Credit Survey and Call Reports



# Will the 'new plateau' hold for corn? And, what does the future hold for energy?

Price Index (2002)

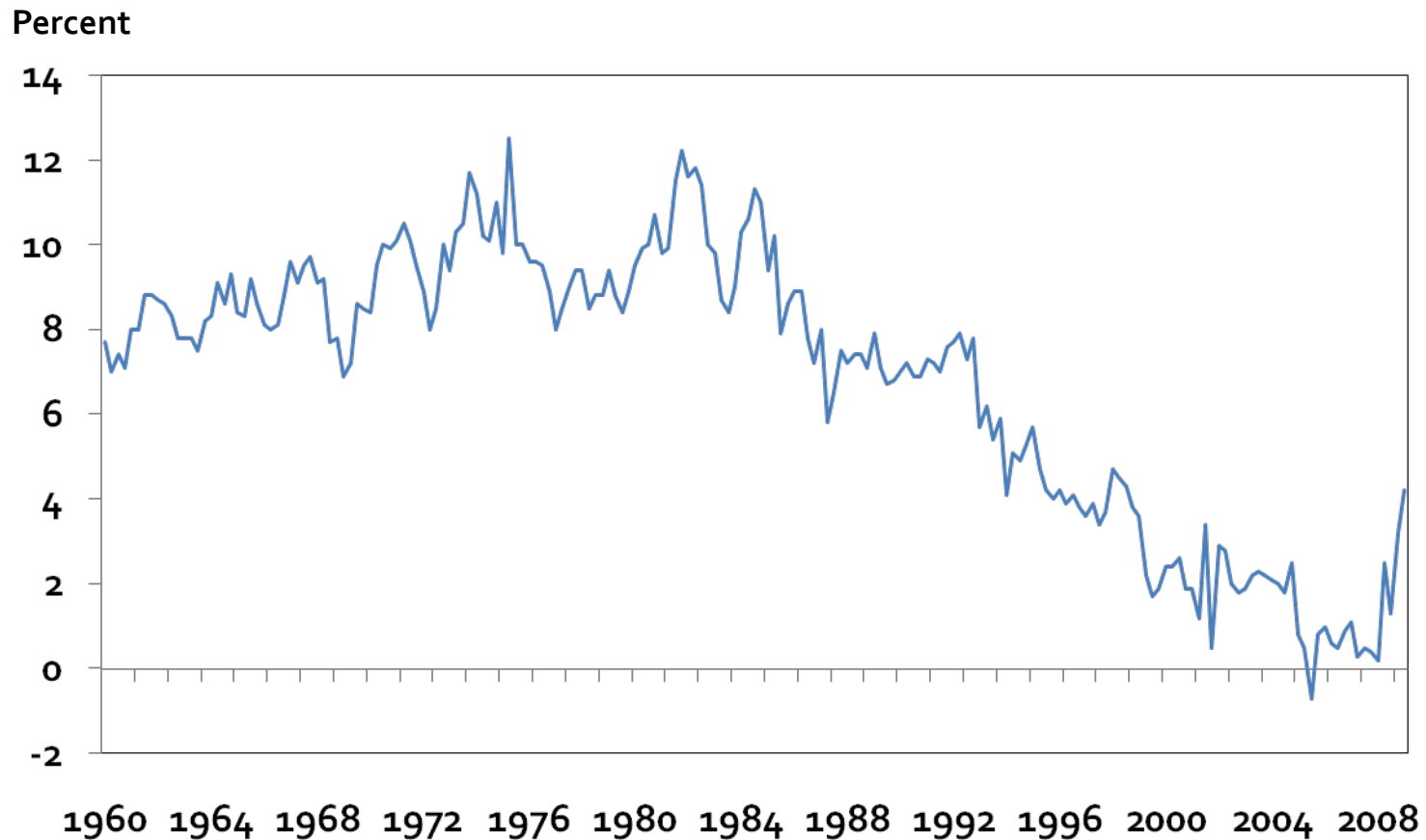


Source: Commodity Resource Bureau



# How will consumption patterns change? Will we live within our means?

## Personal Savings as a Percent of Disposable Income



Source: Bureau of Economic Analysis



# How will unemployment unfold during the recovery?

## U.S. Unemployment Rate

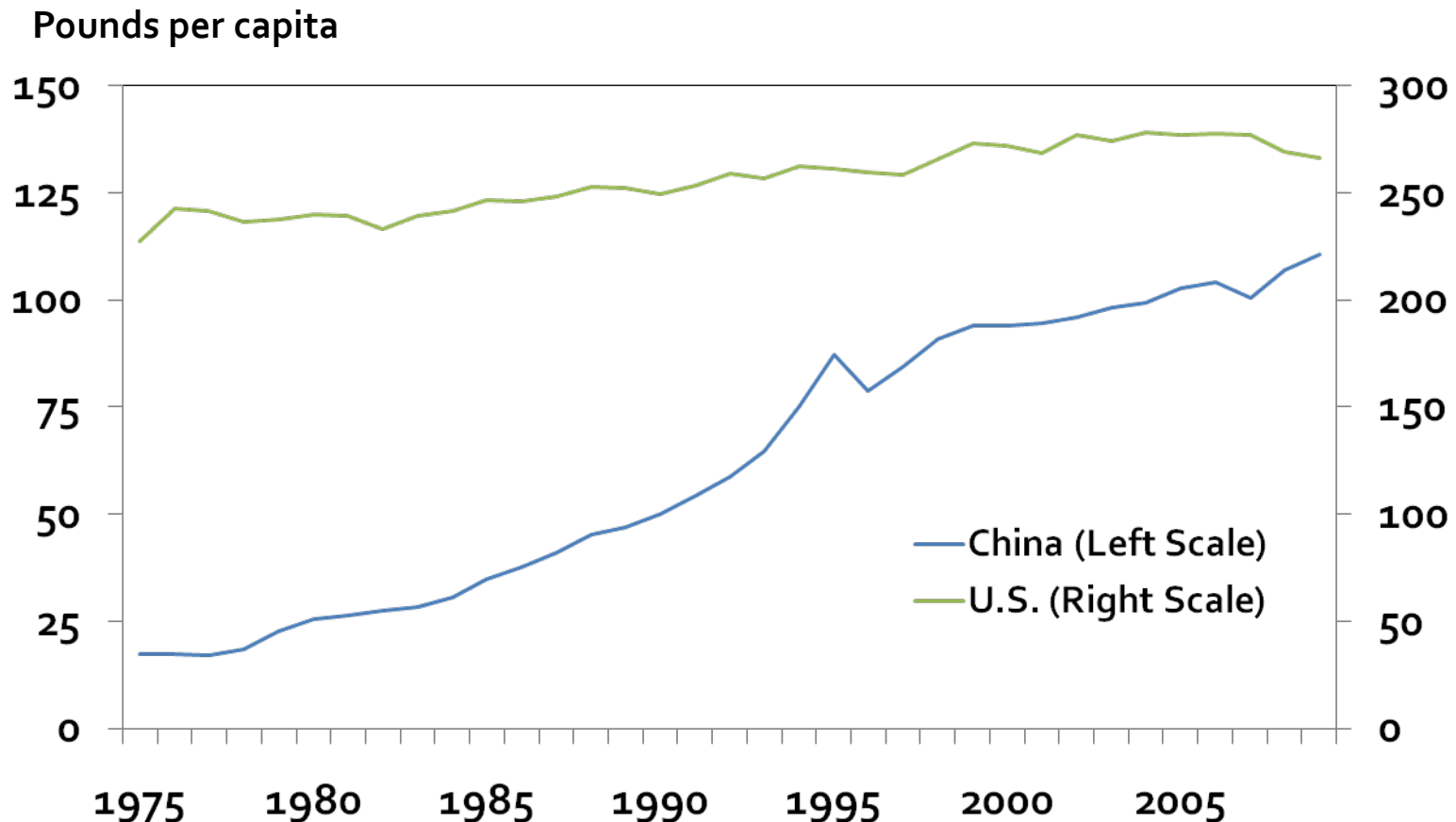


Source: Bureau of Economic Analysis



# Where will the growth in meat consumption come from?

## U.S. and China Beef, Pork, and Poultry Consumption

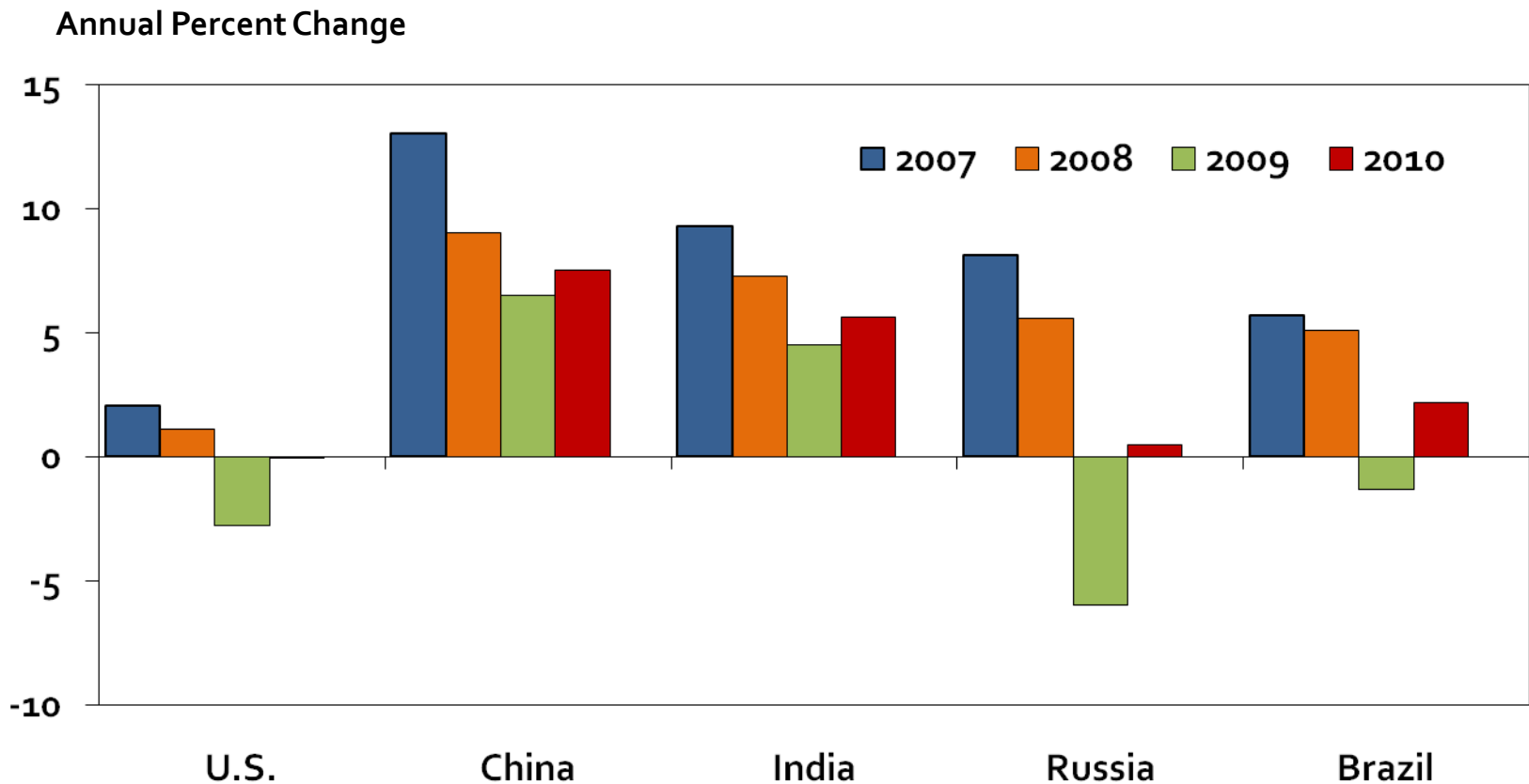


Calculations based on Census and USDA data



# Who will lead the global recovery?

## GDP Growth



Source: International Monetary Fund, April 2009

