

Current Economic and Agricultural Conditions

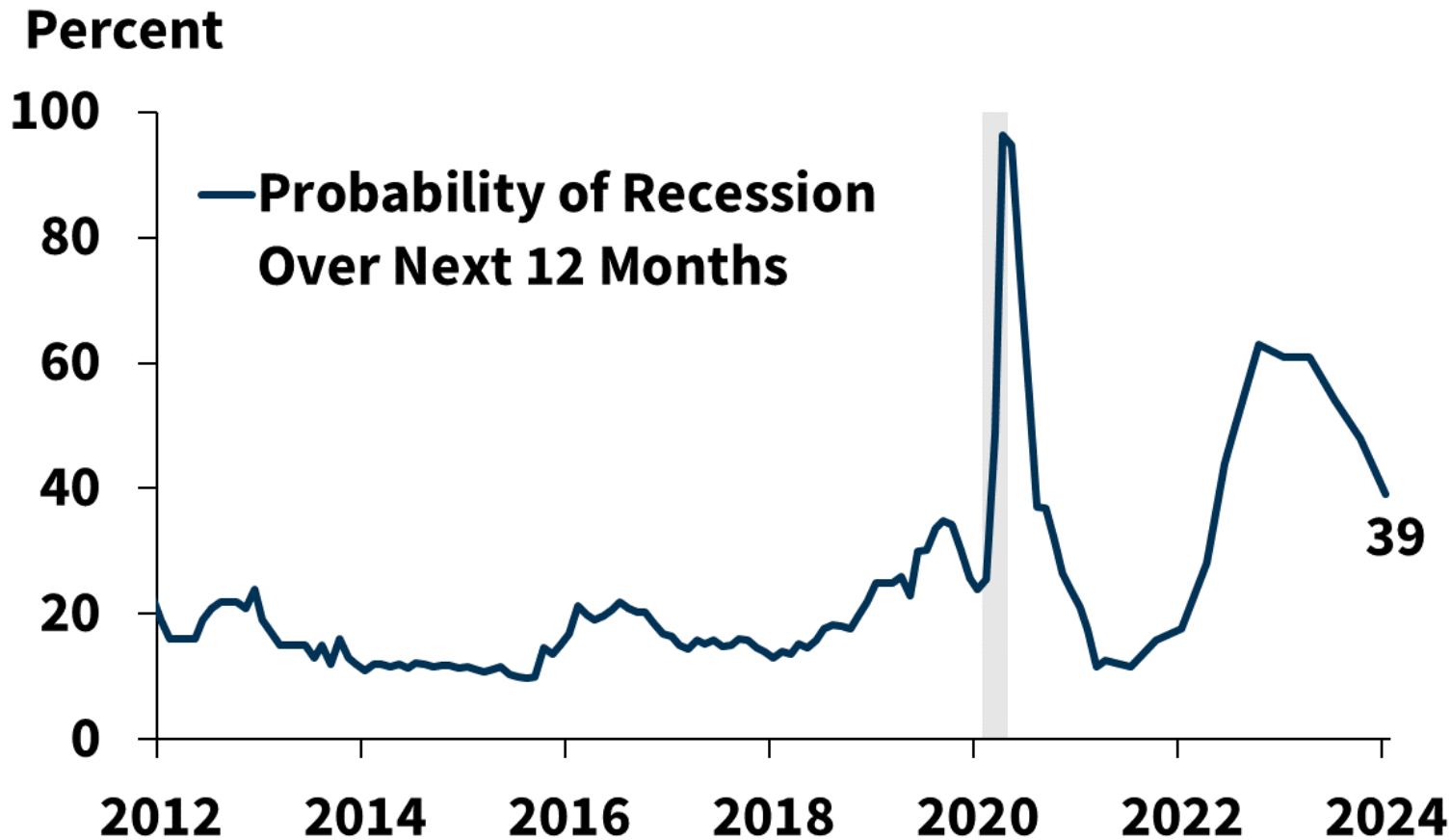
April 11, 2024

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Division of Insurance and Research

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Recession odds have declined as growth remains strong, labor markets remain healthy, and inflation moderates.



Consensus forecast for YE-2024:

GDP remains positive

- 2.3 percent annual real GDP growth

Inflation nears target

- 2.4 percent core inflation rate

Unemployment remains low

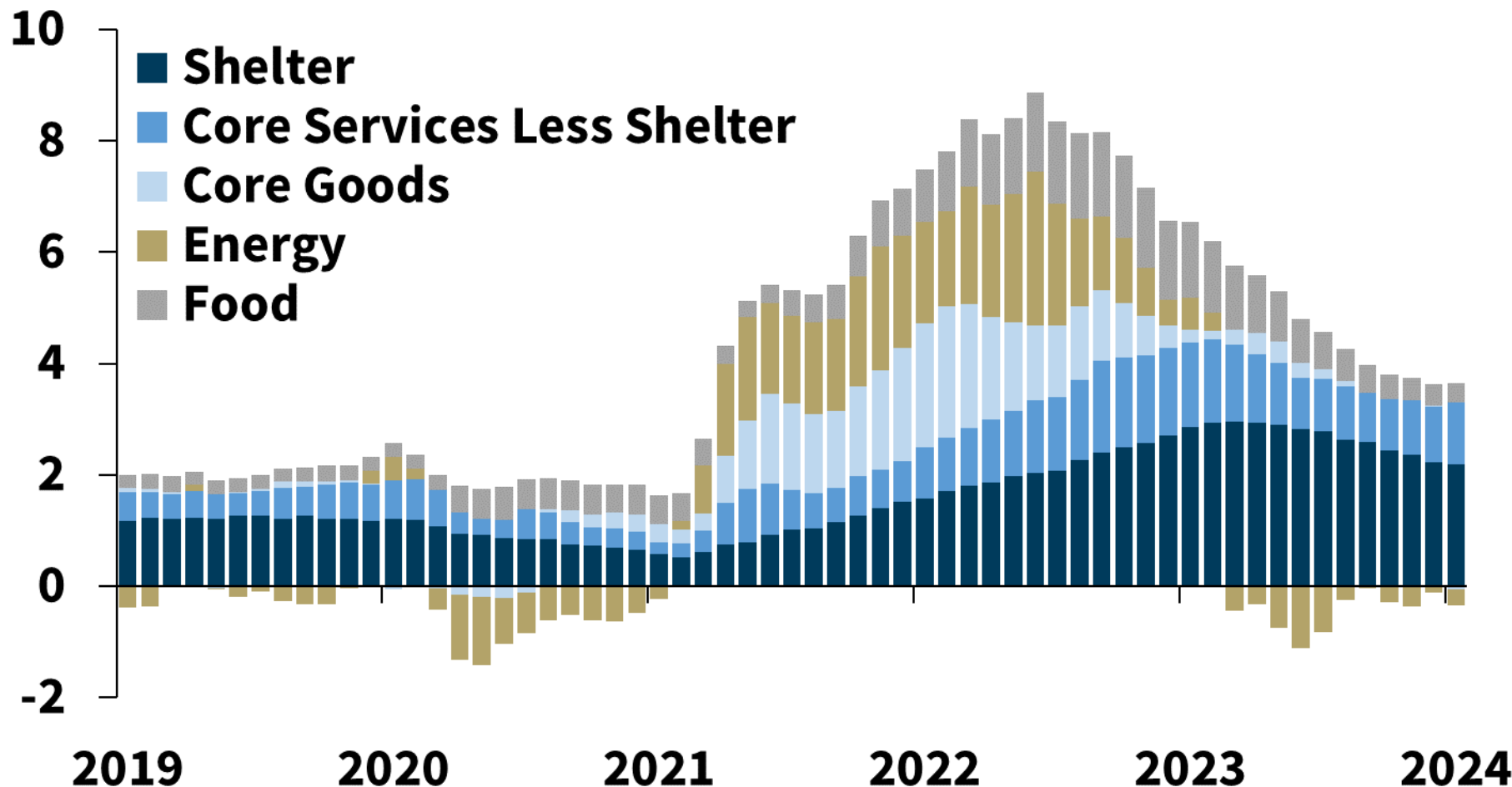
- 4.1 percent unemployment rate

Interest rates decline

- 4.4 percent 3-month treasury rate

The housing inflation outlook provides optimism on the path of overall inflation.

Percent



Headline CPI Forecast:
4Q 2024 – 2.5 Percent

Core CPI Forecast:
4Q 2024 – 2.9 Percent

Headline PCE Forecast:
4Q 2024 – 2.3 Percent

Core PCE Forecast:
4Q 2024 – 2.1 Percent



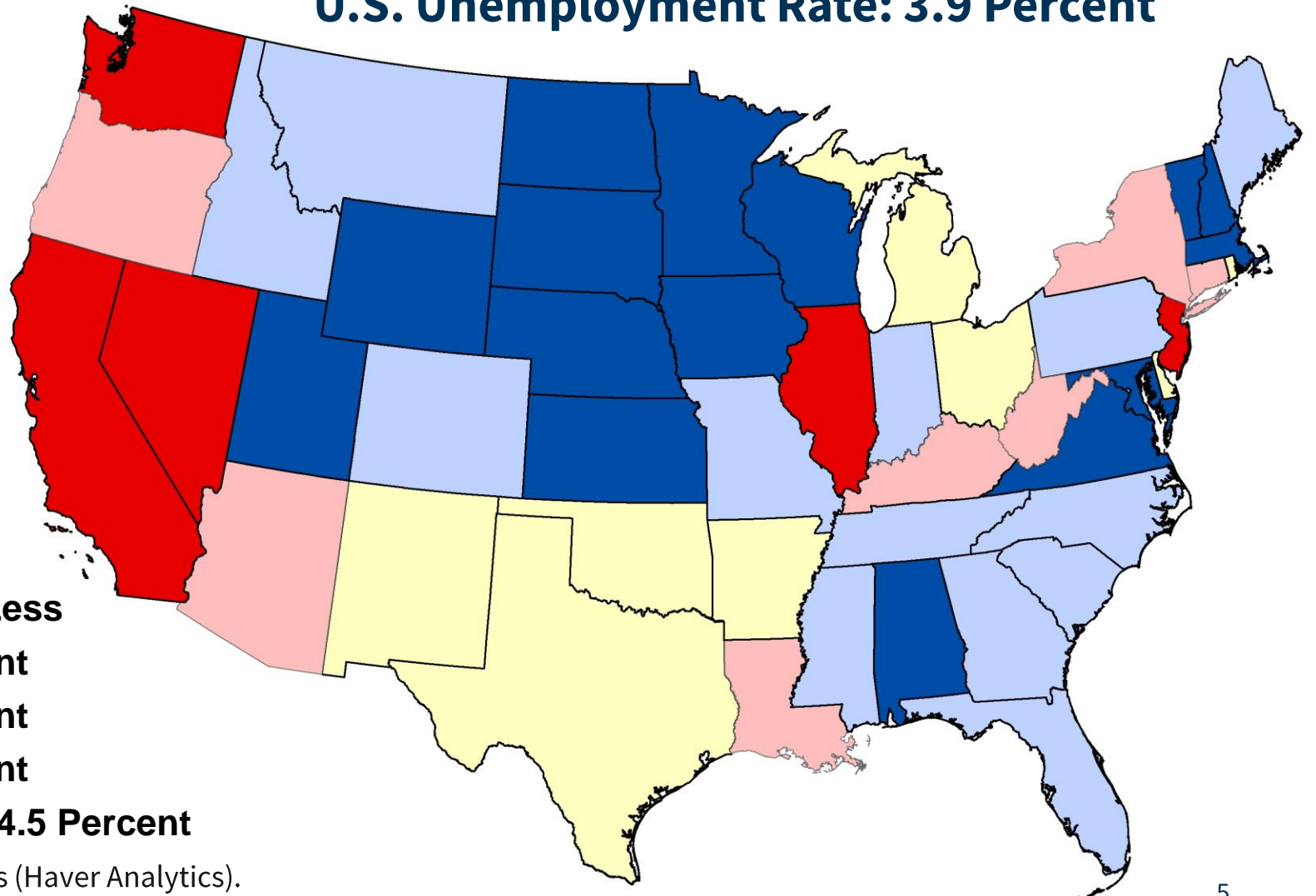
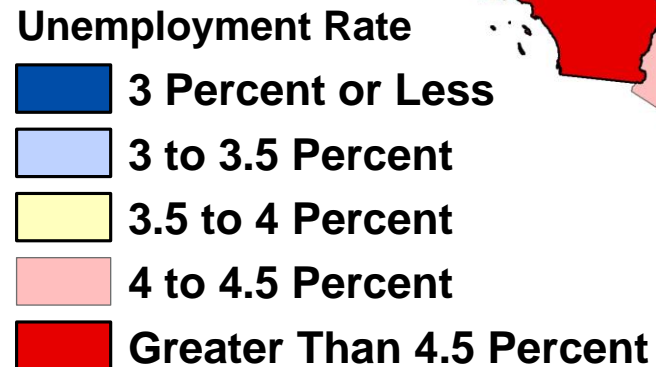
Source: Bureau of Labor Statistics, Moody's.
Note: Data is seasonally adjusted.

The unemployment rate in Iowa is low, ranking eleventh lowest in the nation.

State Unemployment Rates

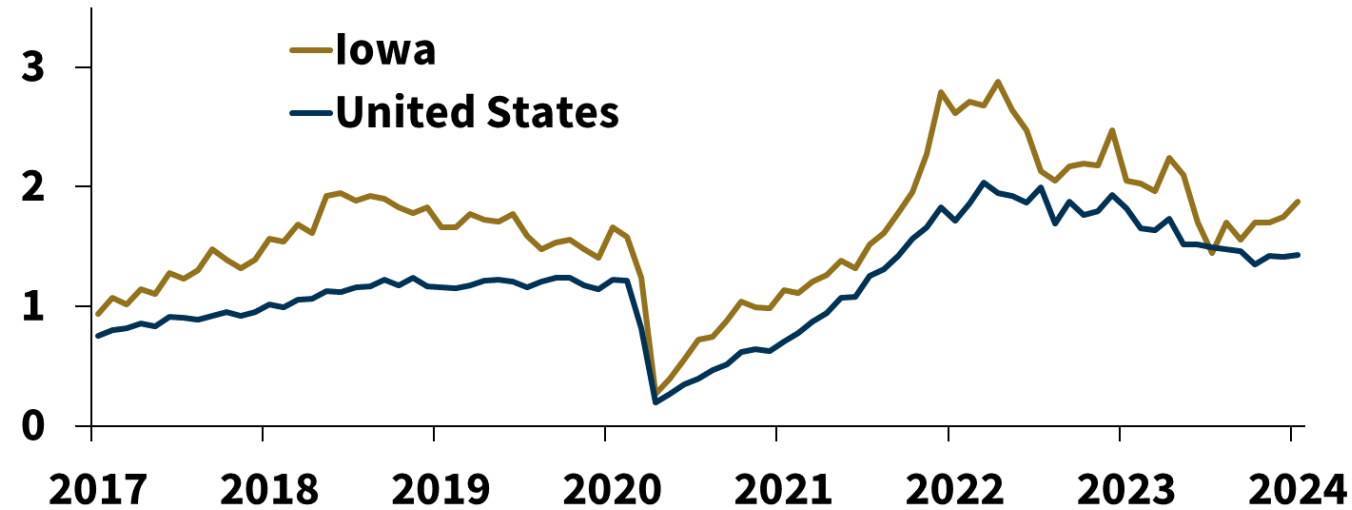
1. North Dakota (2.0 Percent)
2. South Dakota (2.1 Percent)
10. ...
11. Iowa (2.9 Percent)
12. ...
49. Nevada (5.2 Percent)
50. California (5.3 Percent)

U.S. Unemployment Rate: 3.9 Percent

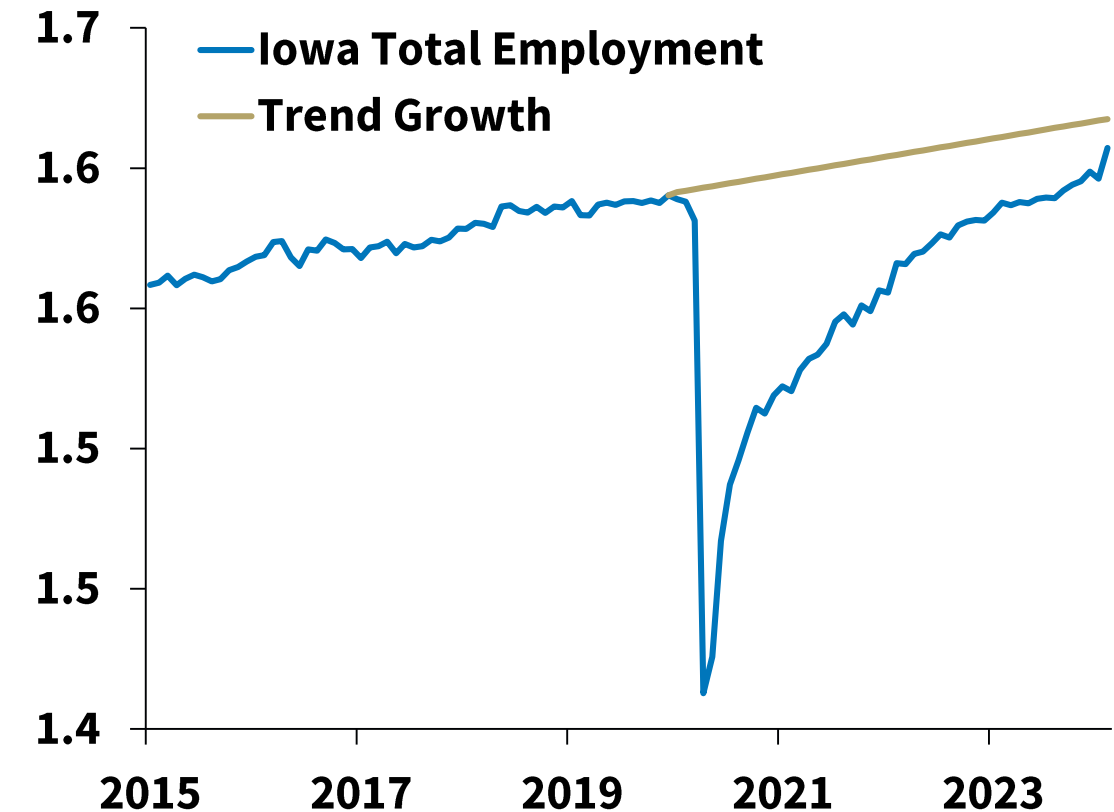


Iowa employment growth has been solid but could begin to level off this year as we approach trend.

Job Openings Per Unemployed Persons



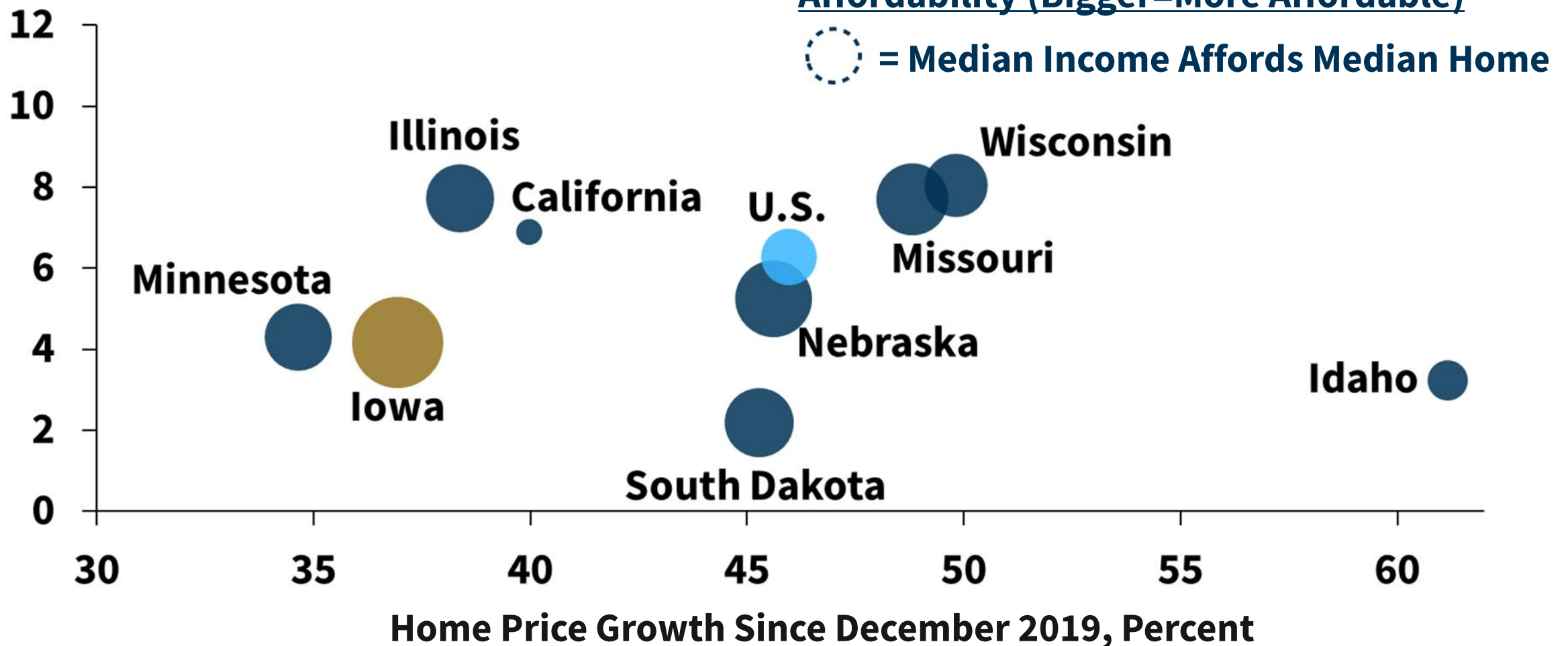
Nonfarm Employment Level Millions



Source: Bureau of Labor Statistics (Haver Analytics).
Note: Data is seasonally adjusted.

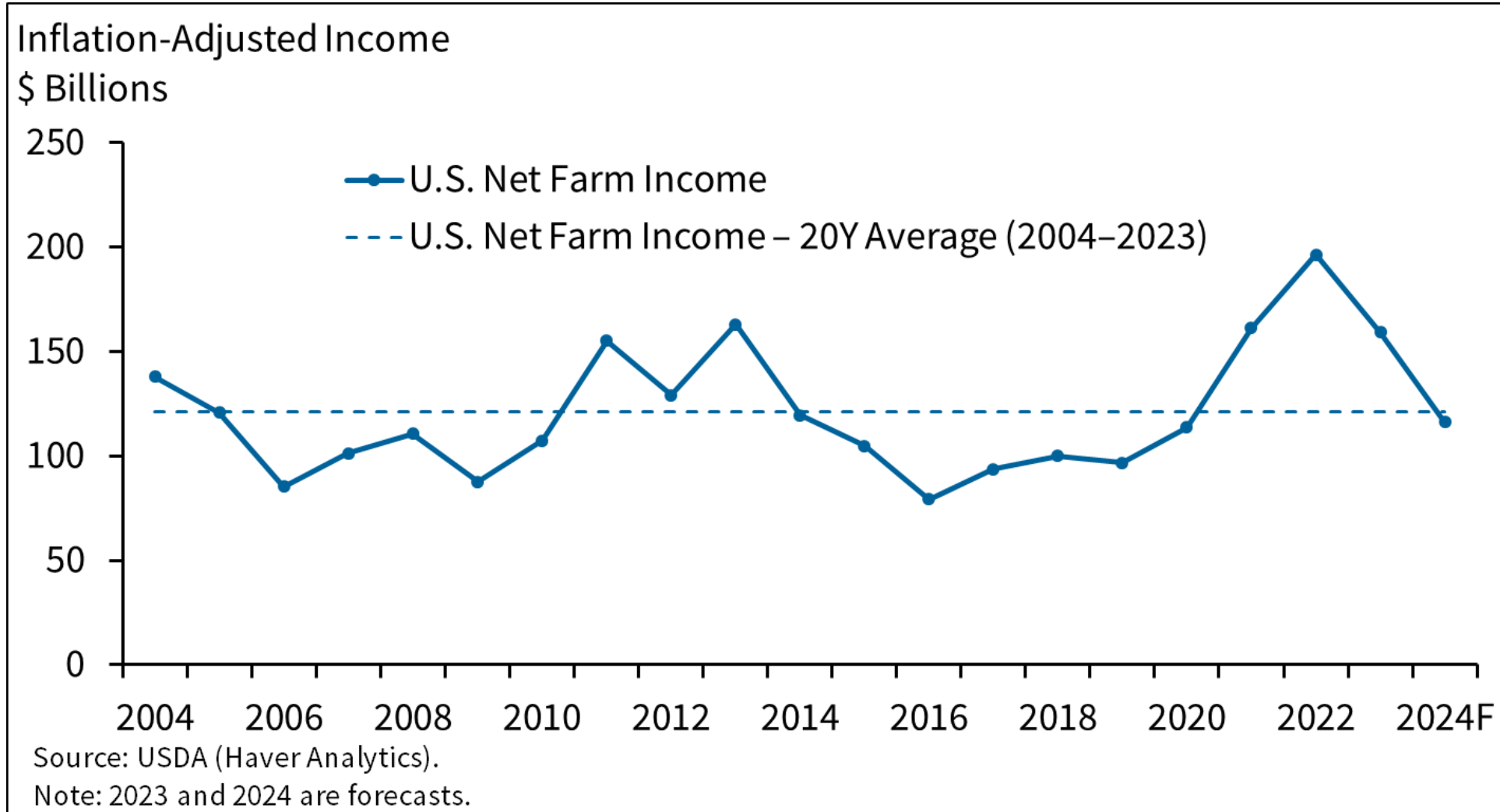
Iowa home price growth trails the national average and prices remain relatively affordable.

Annual Home Price Growth, Percent



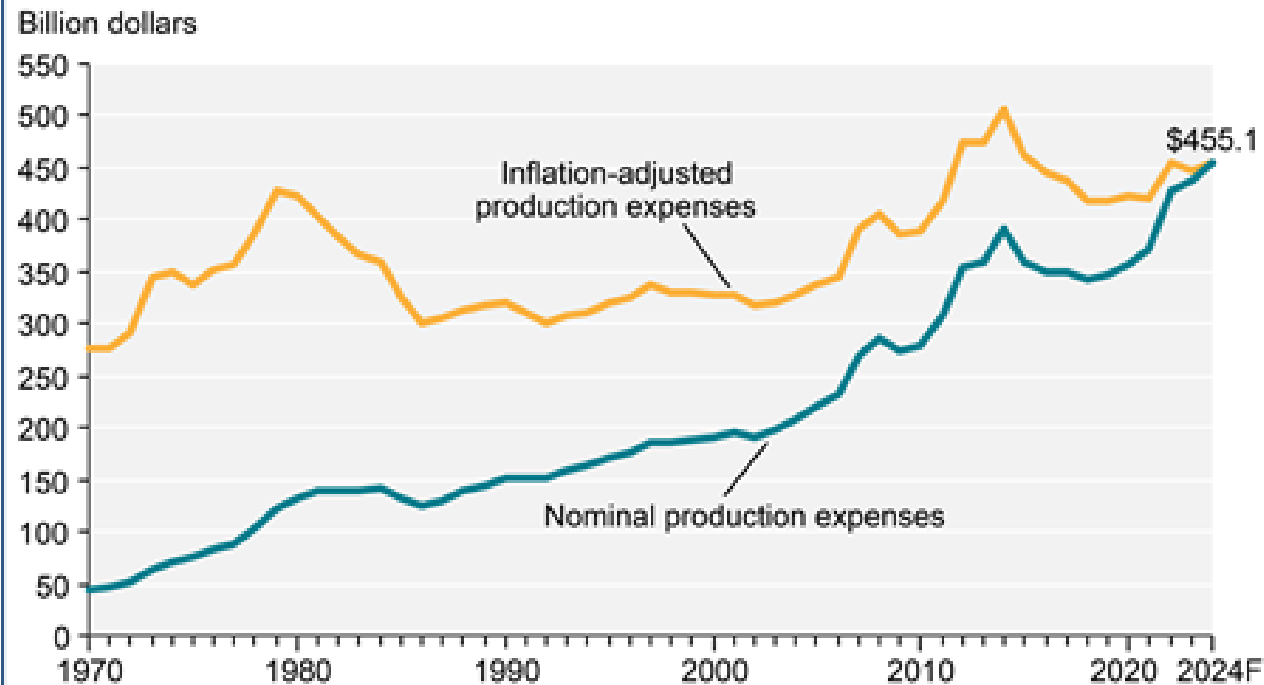
Source: Moody's Analytics, Freddie Mac, National Association of Realtors (Haver Analytics).
Note: Seasonally-adjusted data. Home price growth data as of February 2024, and affordability data as of 4Q 2023.

The USDA forecasts another steep drop for net farm income in 2024.



Expenses remain high, especially interest costs.

Nominal and inflation-adjusted U.S. farm production expenses, 1970–2024F

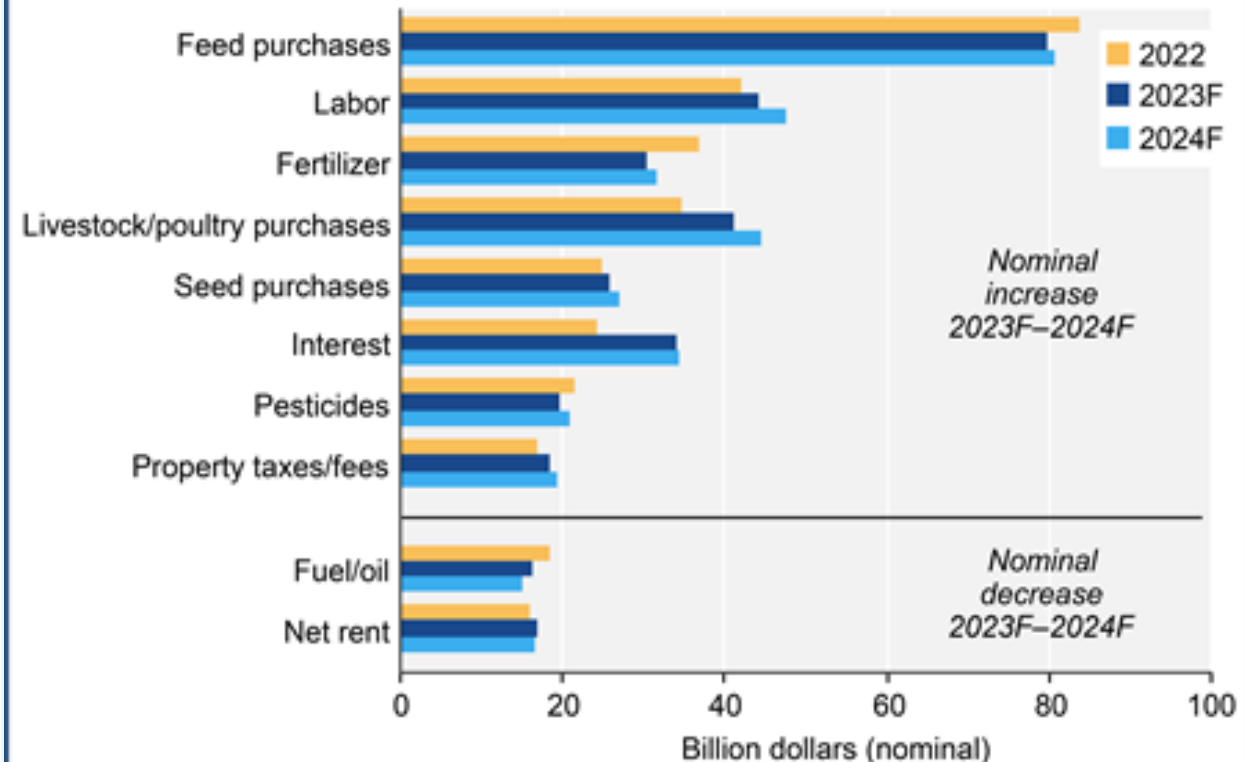


Note: F = forecast; data for 2023 and 2024 are forecasts. Values are adjusted for inflation using the U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA, Economic Research Service.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of February 7, 2024.

Selected U.S. farm production expenses, 2022–2024F

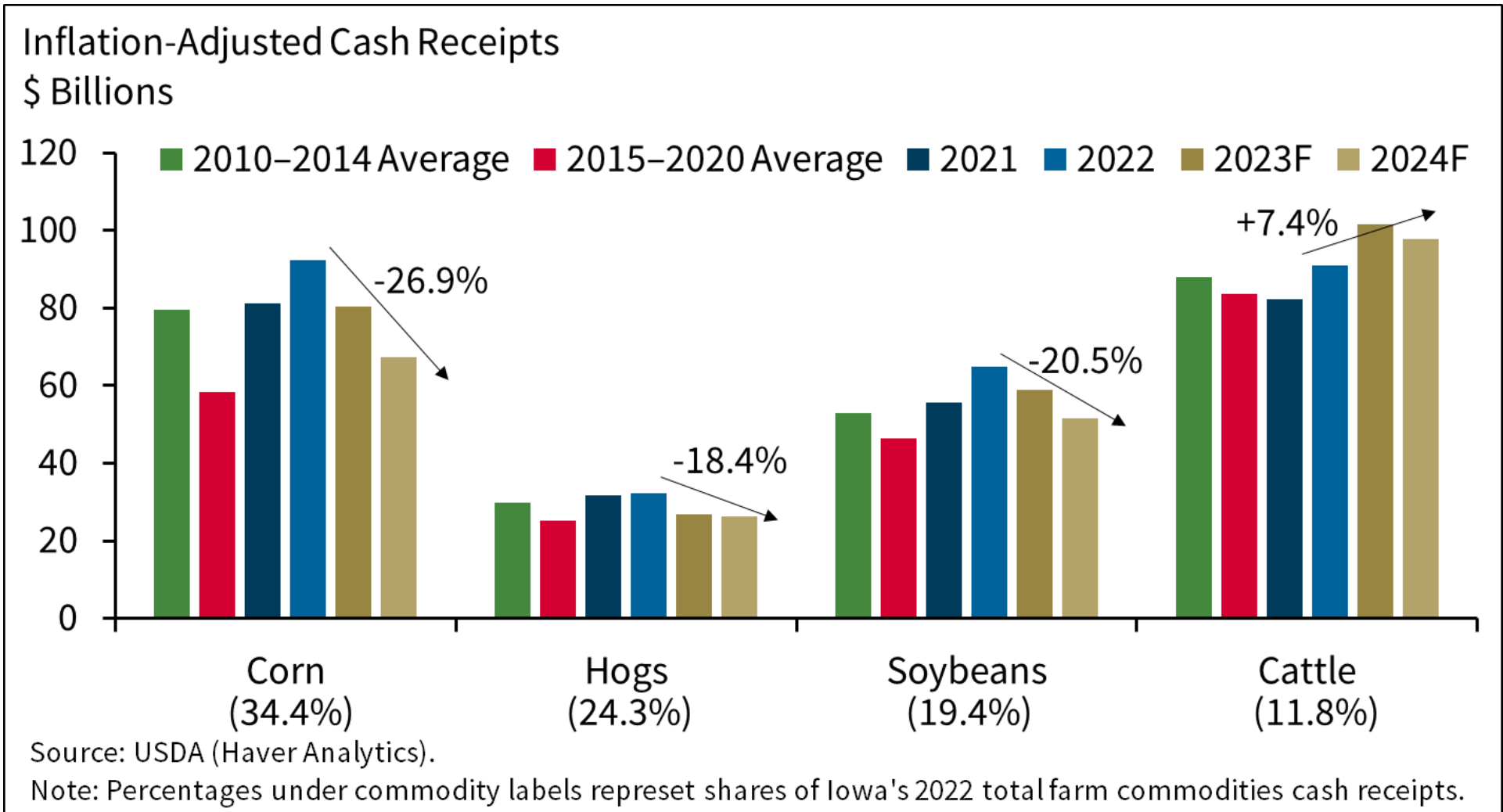


Note: F = forecast.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of February 7, 2024.

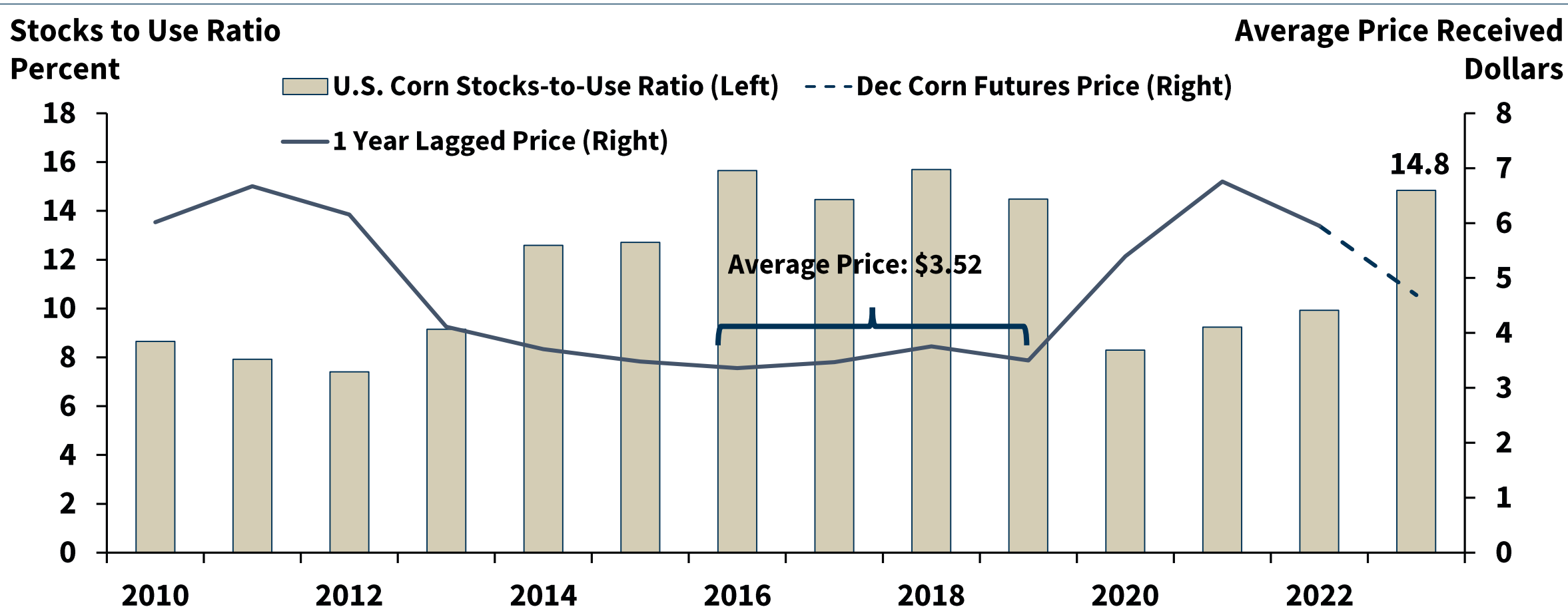
Three of the four most important commodities in Iowa are experiencing declining prices and cash receipts.



The USDA forecasts a sharp jump in corn ending stocks for the 2023/24 marketing year.

	Corn		Soybeans	
	<u>2022/23</u>	<u>2023/24</u>	<u>2022/23</u>	<u>2023/24</u>
Acres Harvested (Millions)	78.7	86.5	86.2	82.4
Yield per Acre	<u>173.4</u>	<u>177.3</u>	<u>49.6</u>	<u>50.6</u>
Production (MMT)	346.7	389.7	116.2	113.3
Domestic Consumption	306.0	316.4	63.0	66.0
Exports	42.2	53.3	54.2	46.8
Beginning Stocks	35.0	34.6	7.5	7.2
Ending Stocks	34.6	55.2	7.2	8.6

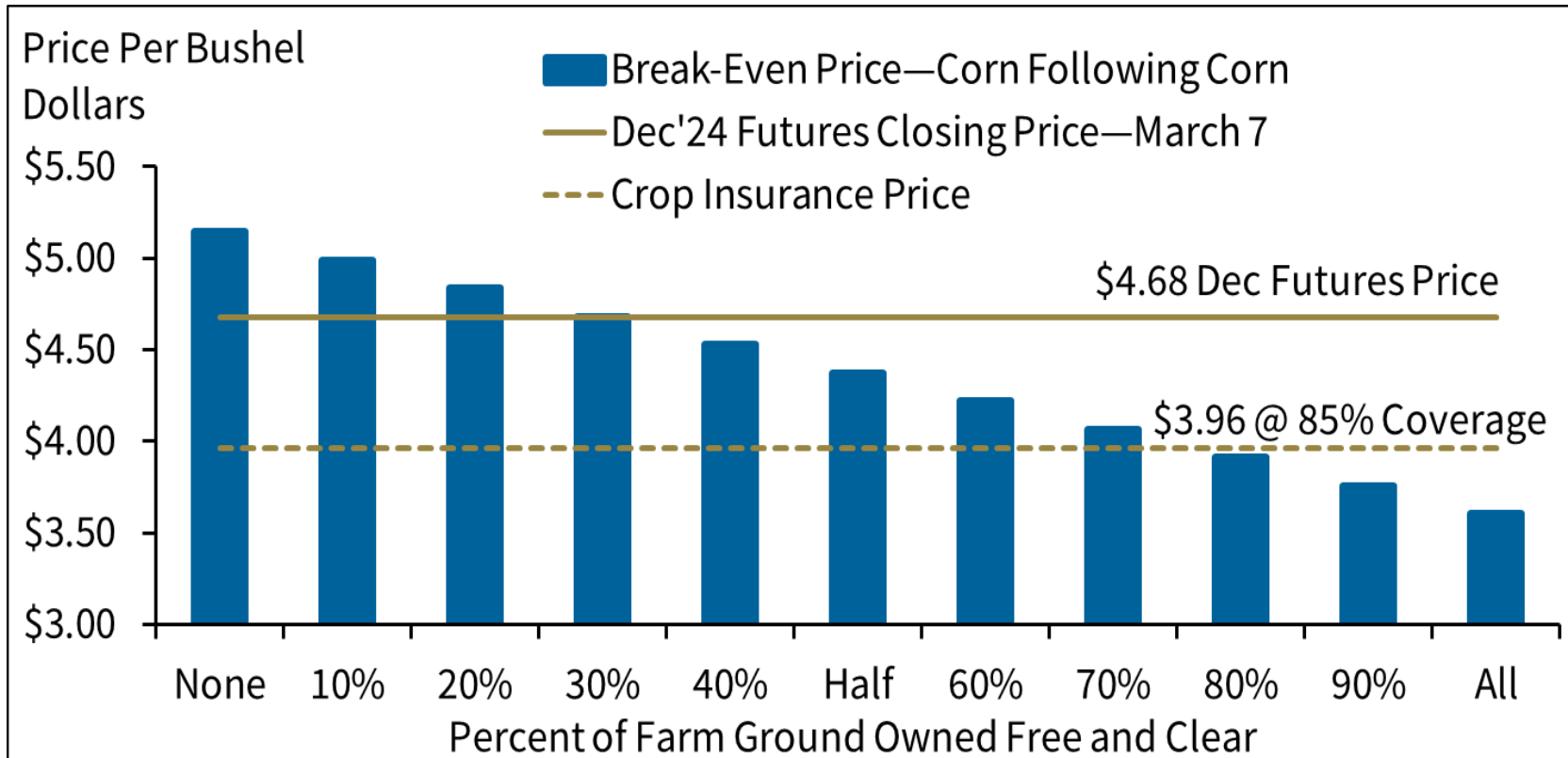
Corn prices have fallen in response to higher ending stocks, but may have more room to fall.



Source: USDA (Haver Analytics).

Note: December Corn futures price as of March 7, 2024.

Corn margins are expected to be tight-to-negative this season for many producers.



Source: Iowa State University, author calculations.

Note: Break-even price is based on 2024 estimated production costs for average Iowa farm ground. Crop insurance coverage is based on base price of \$4.66 per bushel.

December '23 Corn Futures

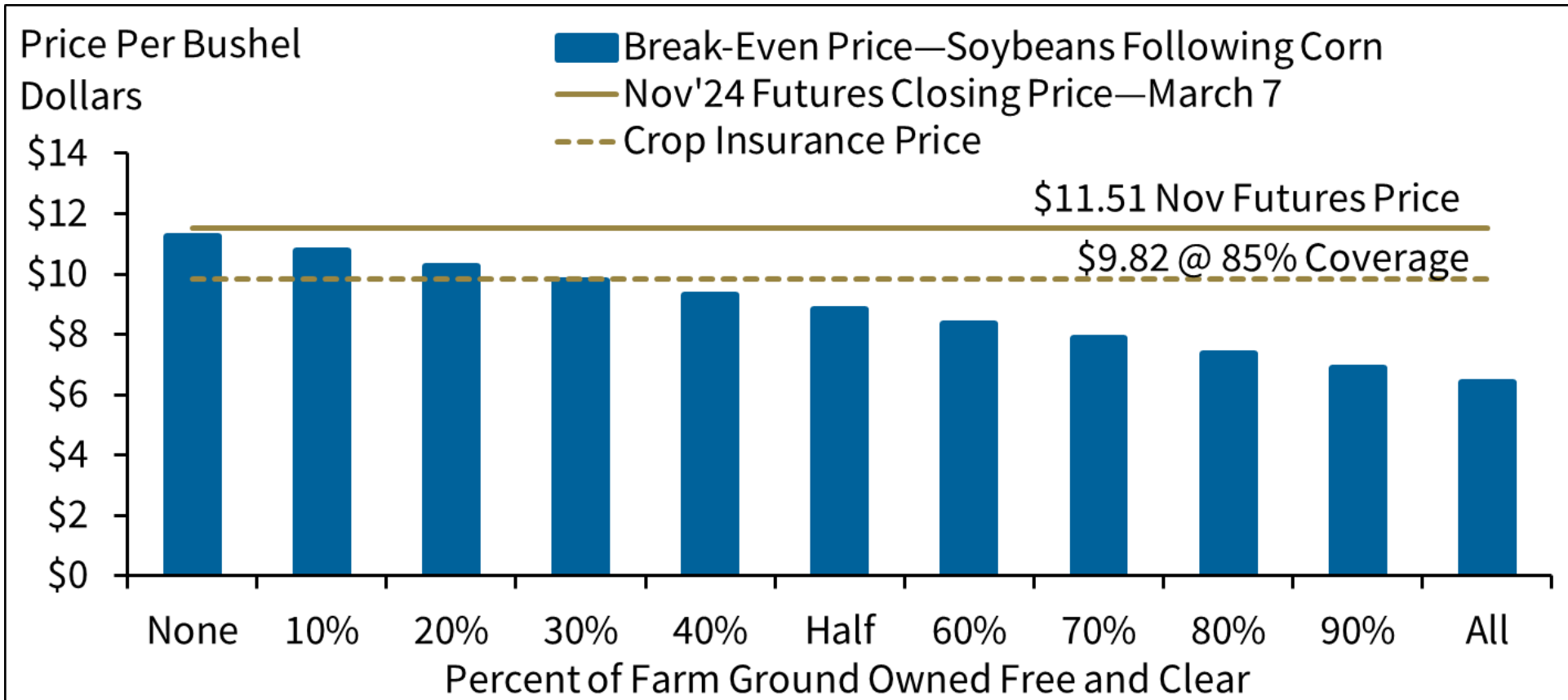


www.agweb.com, August 31, 2023



www.agweb.com, April 8, 2024

The price outlook for soybeans is not as good as last year but better than for corn.

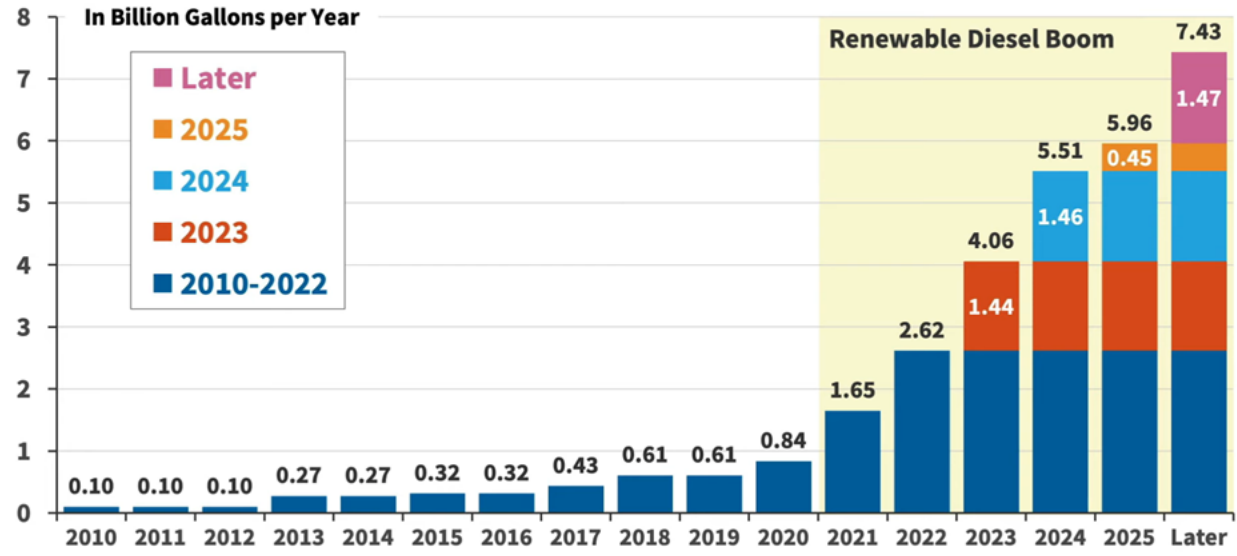


Source: Iowa State University, author calculations.

Note: Break-even price is based on 2024 estimated production costs for average Iowa farm ground. Crop insurance coverage is based on base price of \$11.55 per bushel.

Renewable diesel is providing a support to soybean demand, largely led by demand from California.

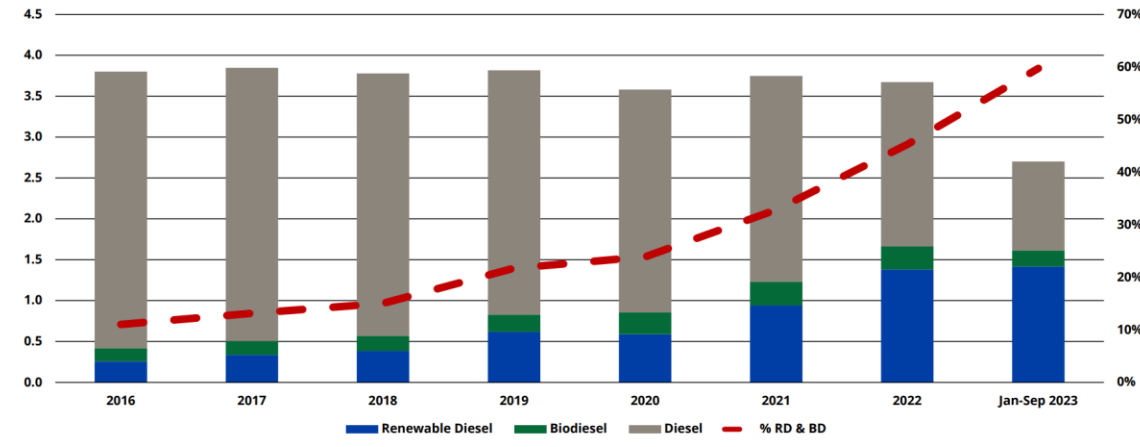
Annual U.S. Renewable Diesel Nameplate Production Capacity
Actual for 2010 - 2022 and Projected for 2023 - 2025 and Later



farmdoc Sources: EIA, Render and Biodiesel Magazines, and Other Industry Sources ILLINOIS

USDA U.S. DEPARTMENT OF AGRICULTURE

California's Diesel Fuel Pool, Billion Gallons

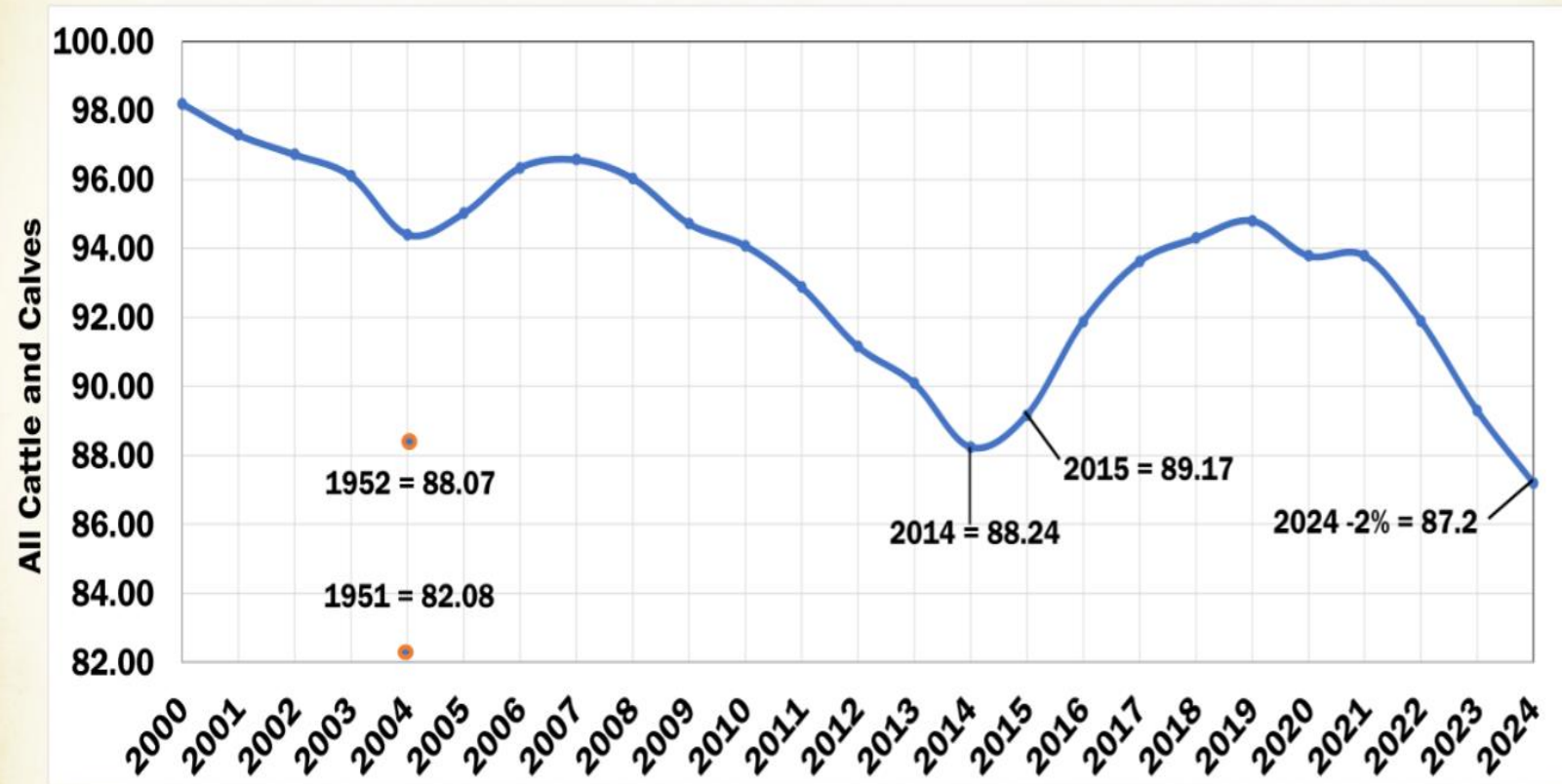


FARM PRODUCTION AND CONSERVATION FSA | NRCS | RMA | Business Center

The cattle herd continues to shrink.

Figure 1. HISTORIC JAN. 1 CATTLE INVENTORY

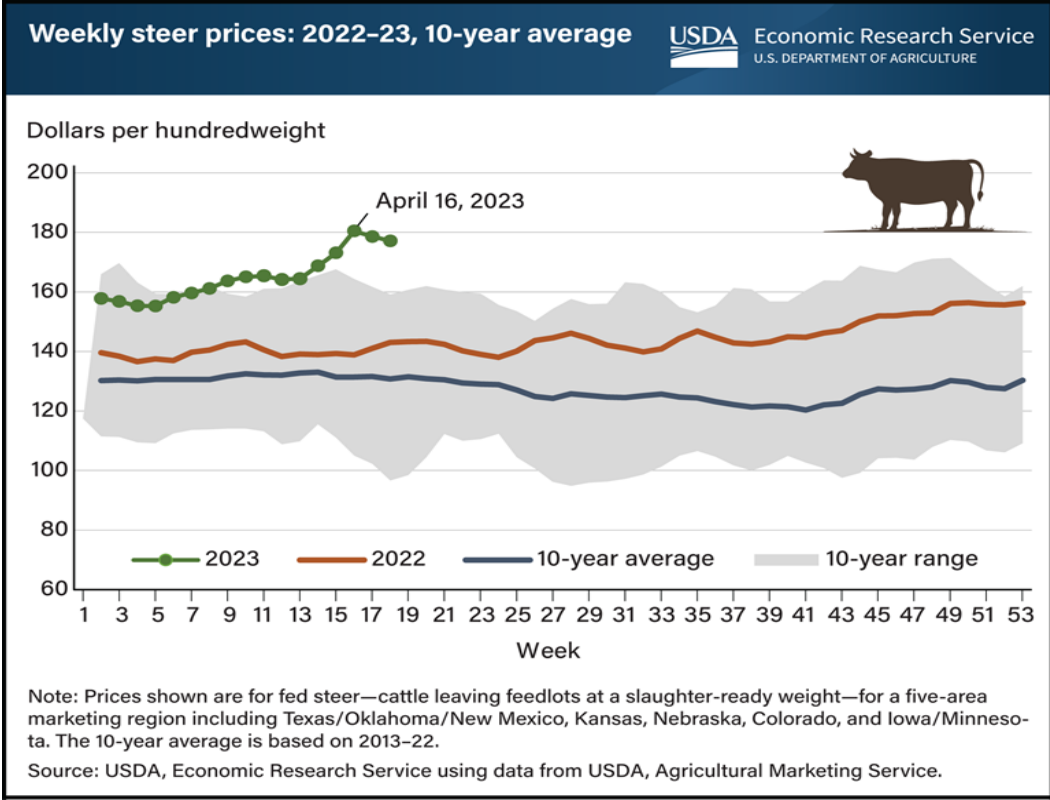
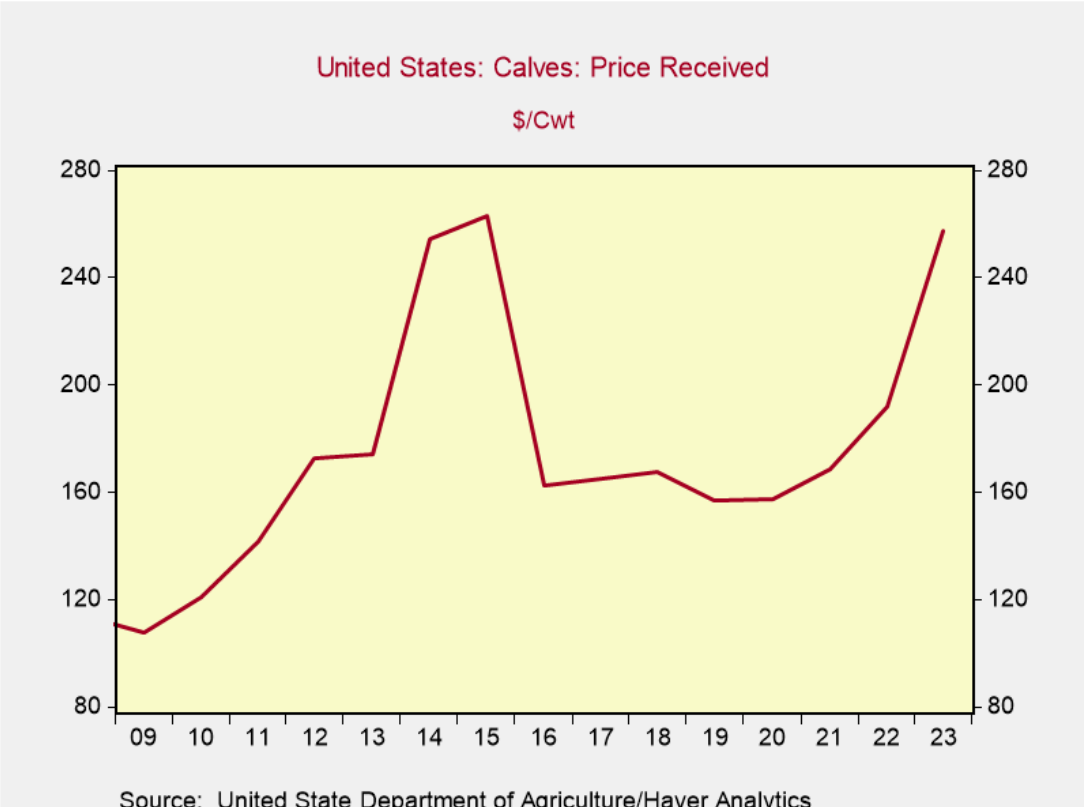
2000 - 2023



AMERICAN FARM BUREAU FEDERATION*

Source: USDA-NASS; Farm Bureau Calculations

Cattle prices continue to rise, leading to strong profit margins.



Annual Projections (1/9/2024)	2024*	2023	2022	2021
Cow-Calf Margin ³ (\$ / cow)	465.00	420.00	168.43	97.19
Estimated annual revenue - annual variable costs				
Feedlot Margin (\$ / head)	148.00	264.47	148.64	98.62
Packer Margin (\$ / head)	(25.00)	0.22	171.43	621.34

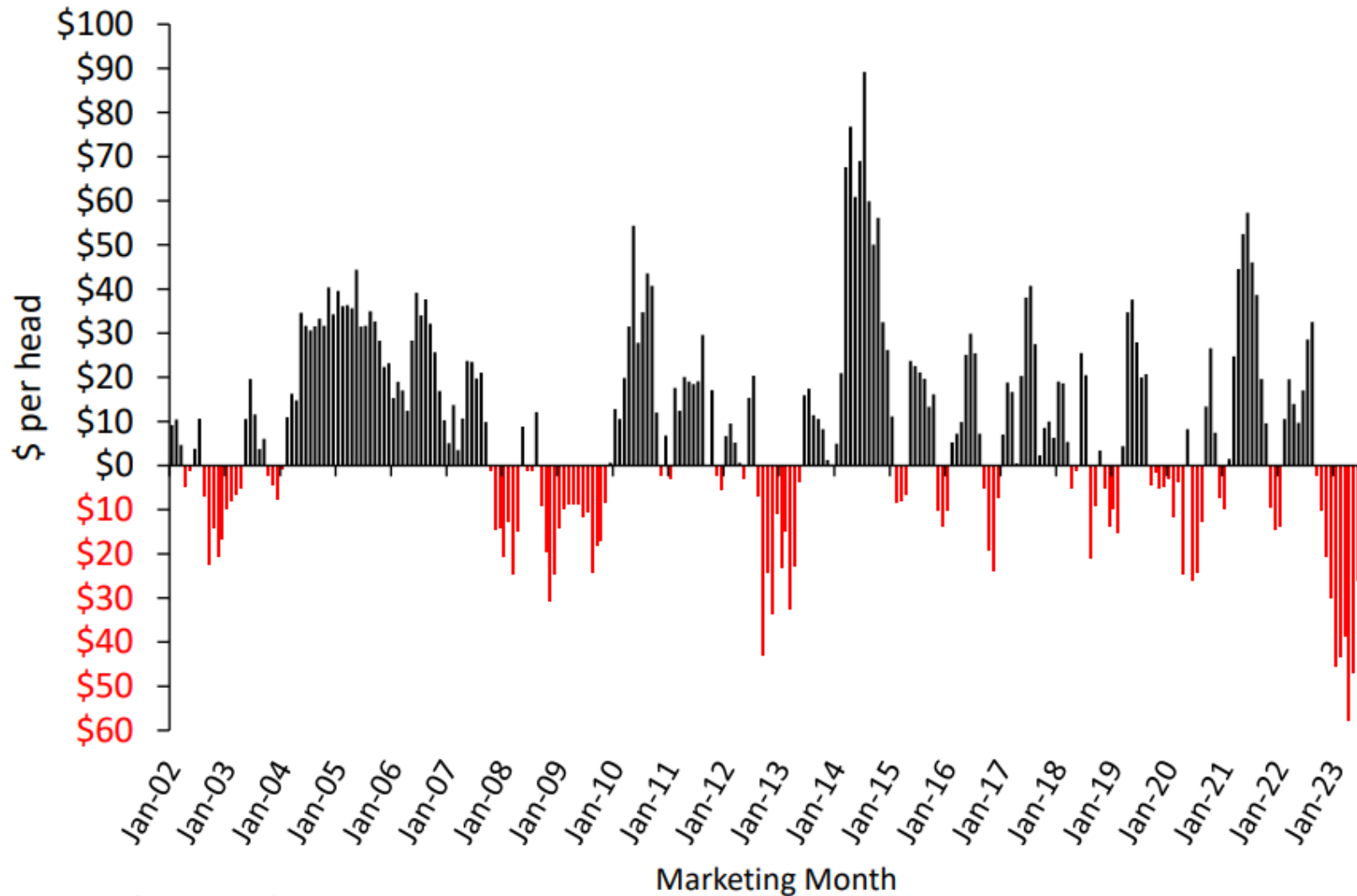
¹ Adjusted to the slaughter mix of Choice and Select cattle
³ Based on Sterling Marketing revenue and cost of production projections.



The hog market has experienced its worst losses since 1998.

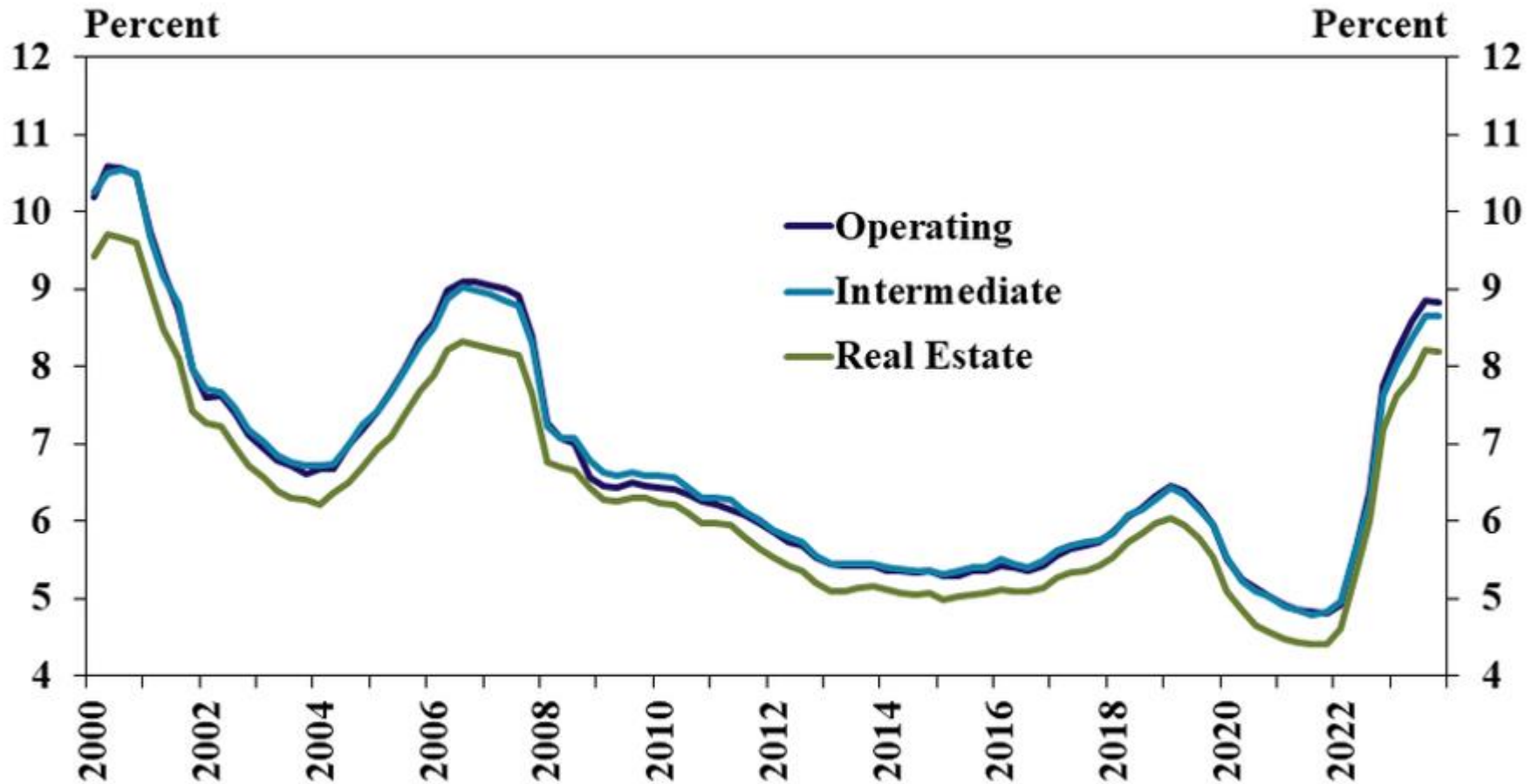
Estimated Returns to Farrow to Finish, Iowa

January-02 through November-23

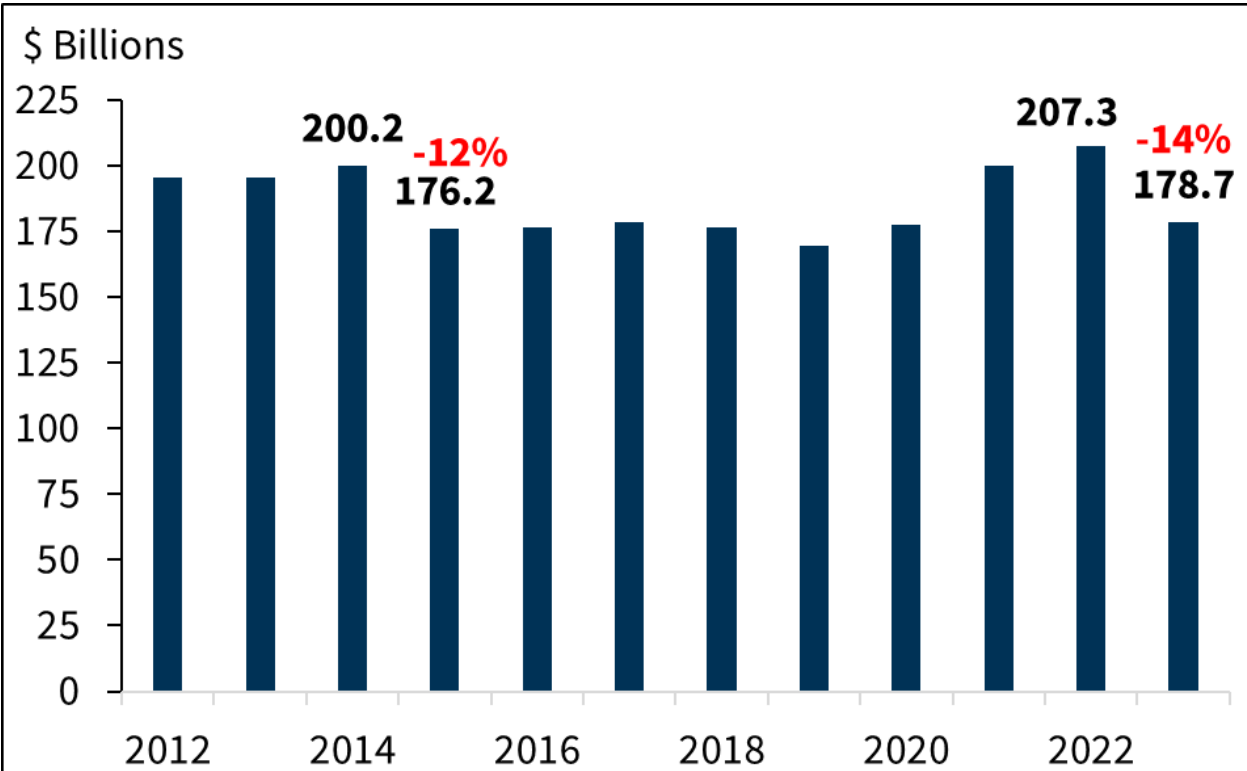


Besides challenging cash flows, high interest rates also affect exports and asset valuations.

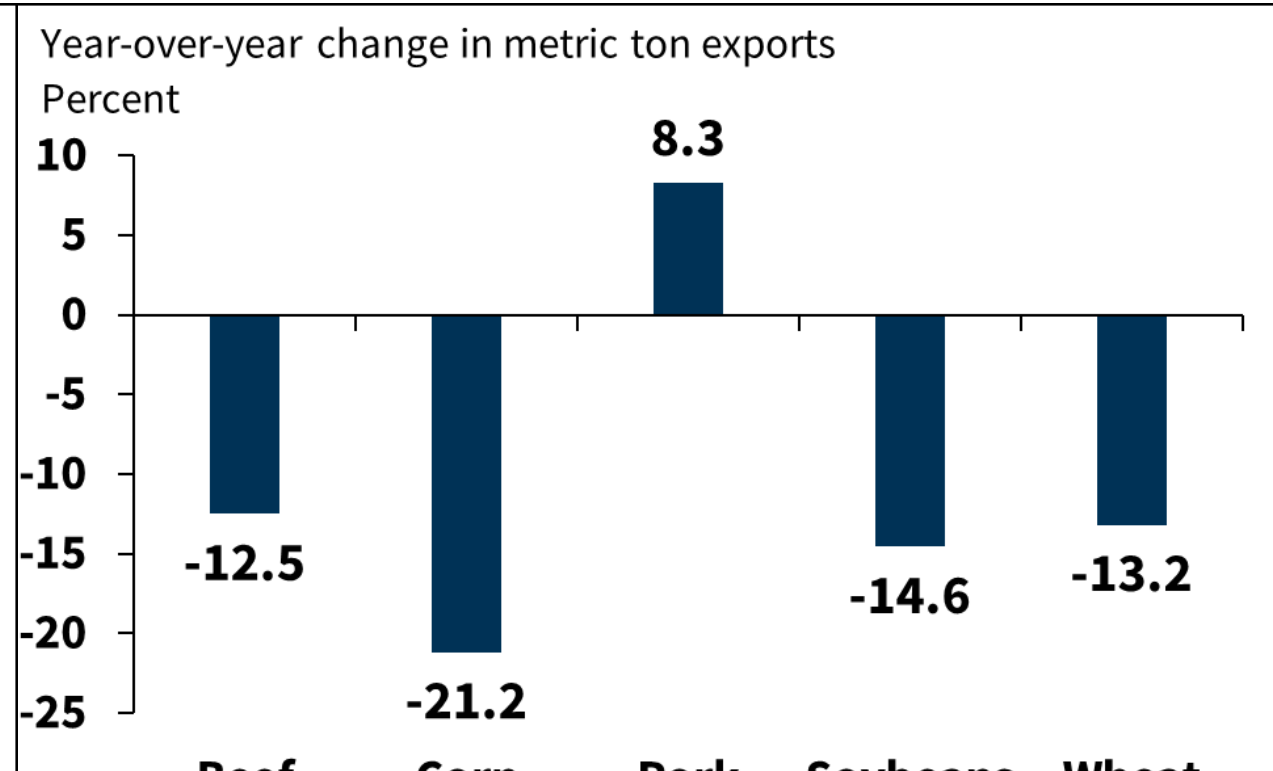
Chart 2: Average Farm Loan Interest Rates



Agricultural exports declined in 2023, led by a large drop in corn exports.



Source: USDA Foreign Agricultural Service.
 Note: Data are annual figures in 2024 dollars.

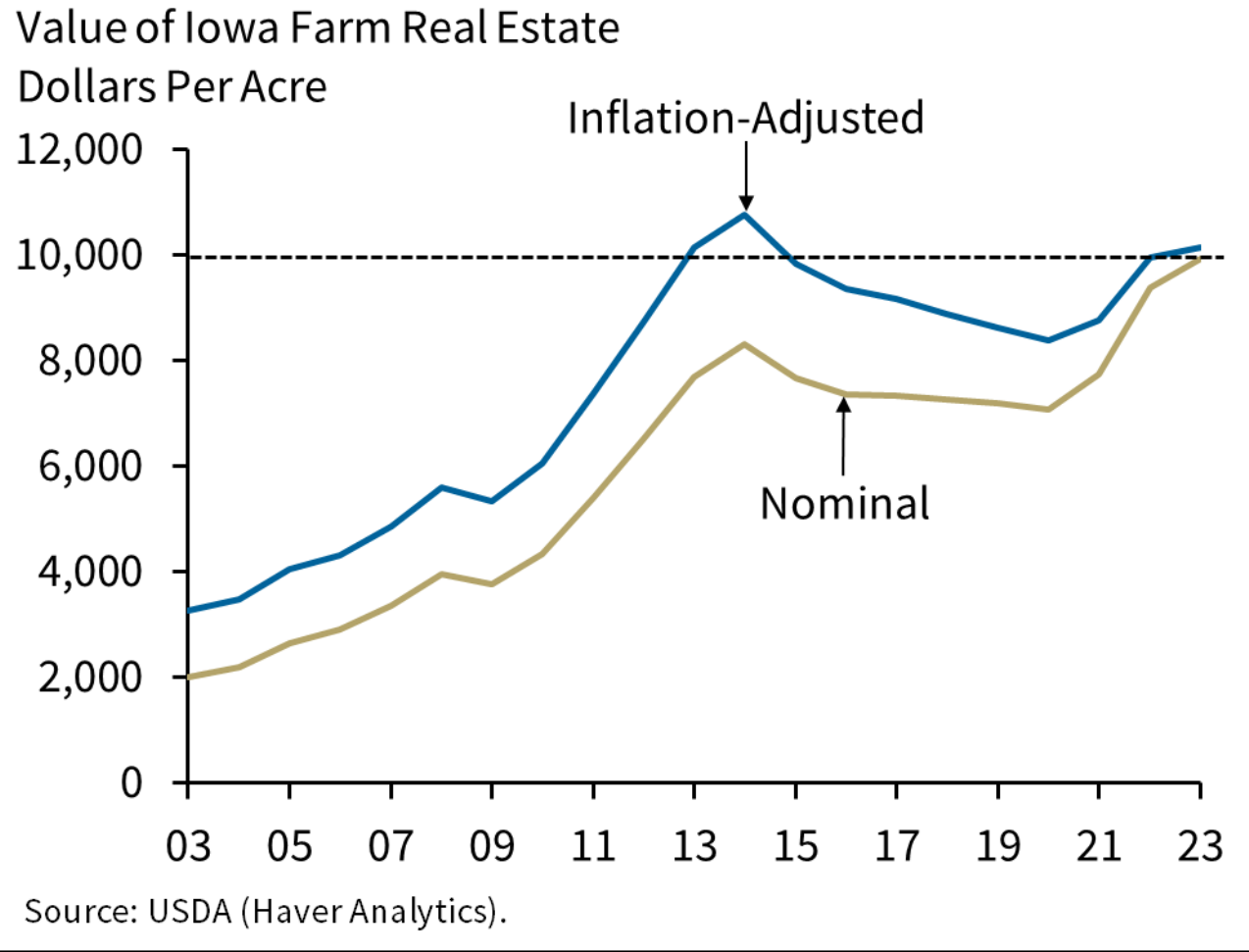
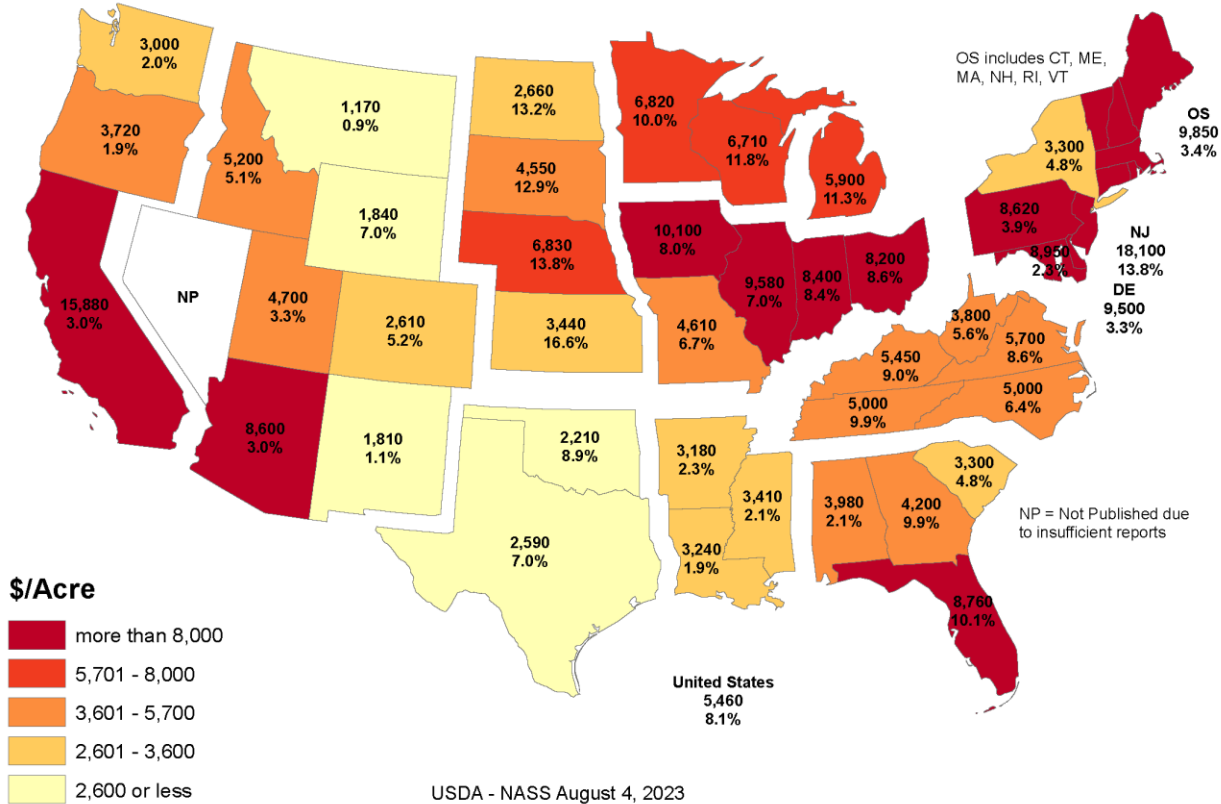


Source: USDA Foreign Agricultural Service.

Despite rising interest rates and falling incomes, Iowa land values continued to rise in 2023.

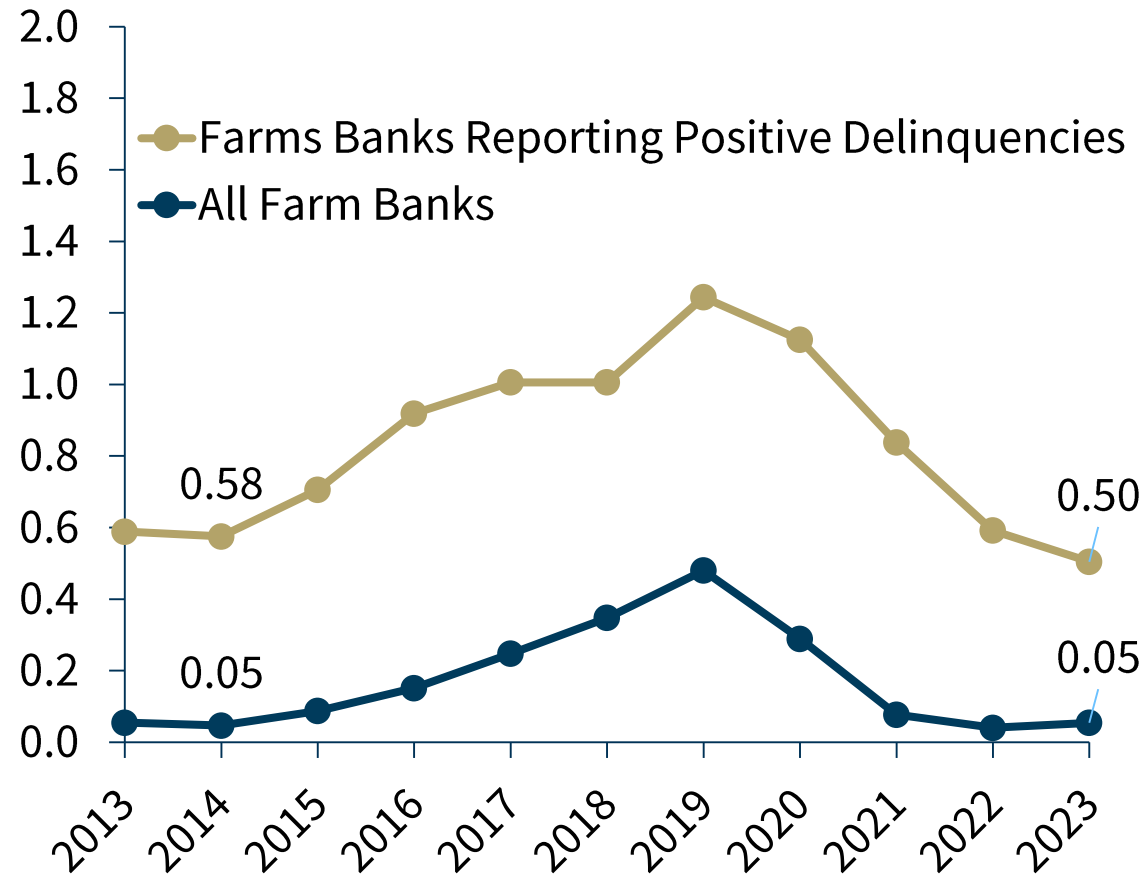
Iowa: \$10,100/acre +8.0% YOY

2023 Cropland Value by State
Dollars per Acre and Percent Change from 2022

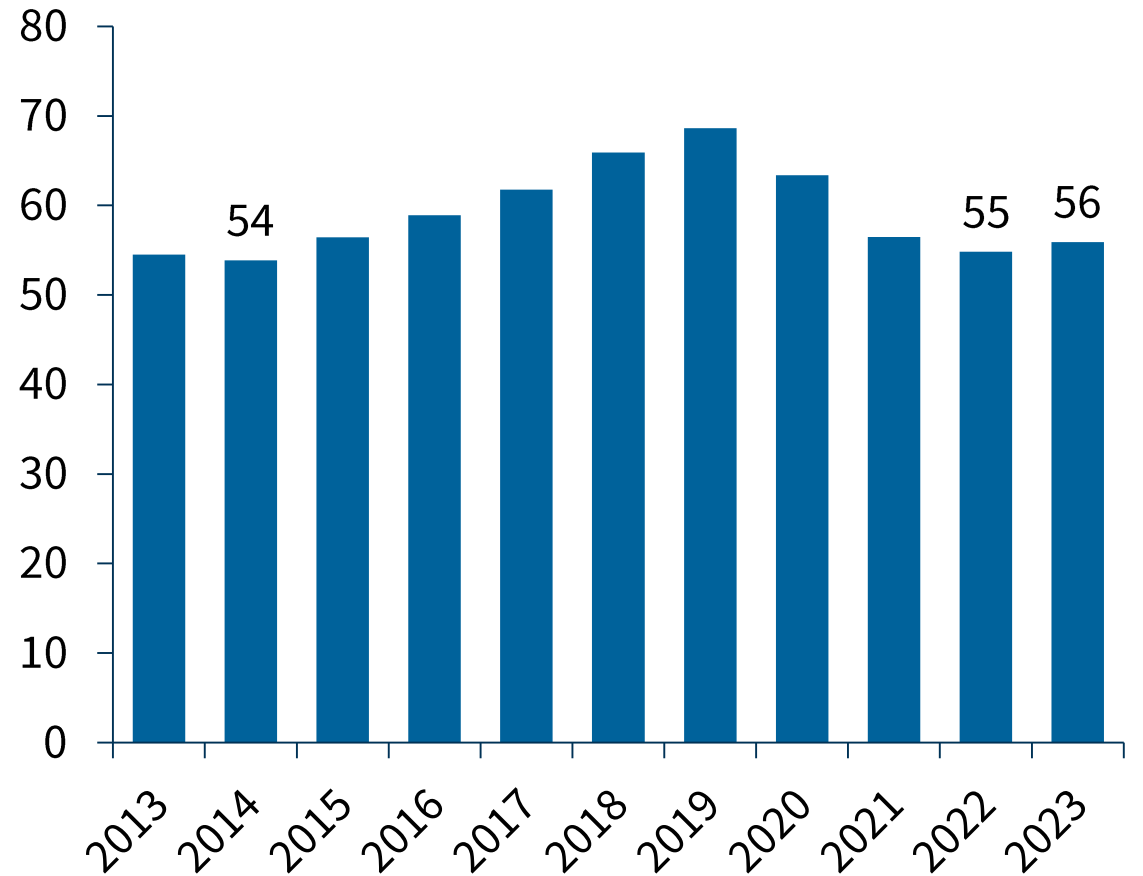


Farm bank delinquency ratios continue to decline and are near their lowest level reported in over a decade.

Median Agricultural Loan Delinquency Rate
Percent



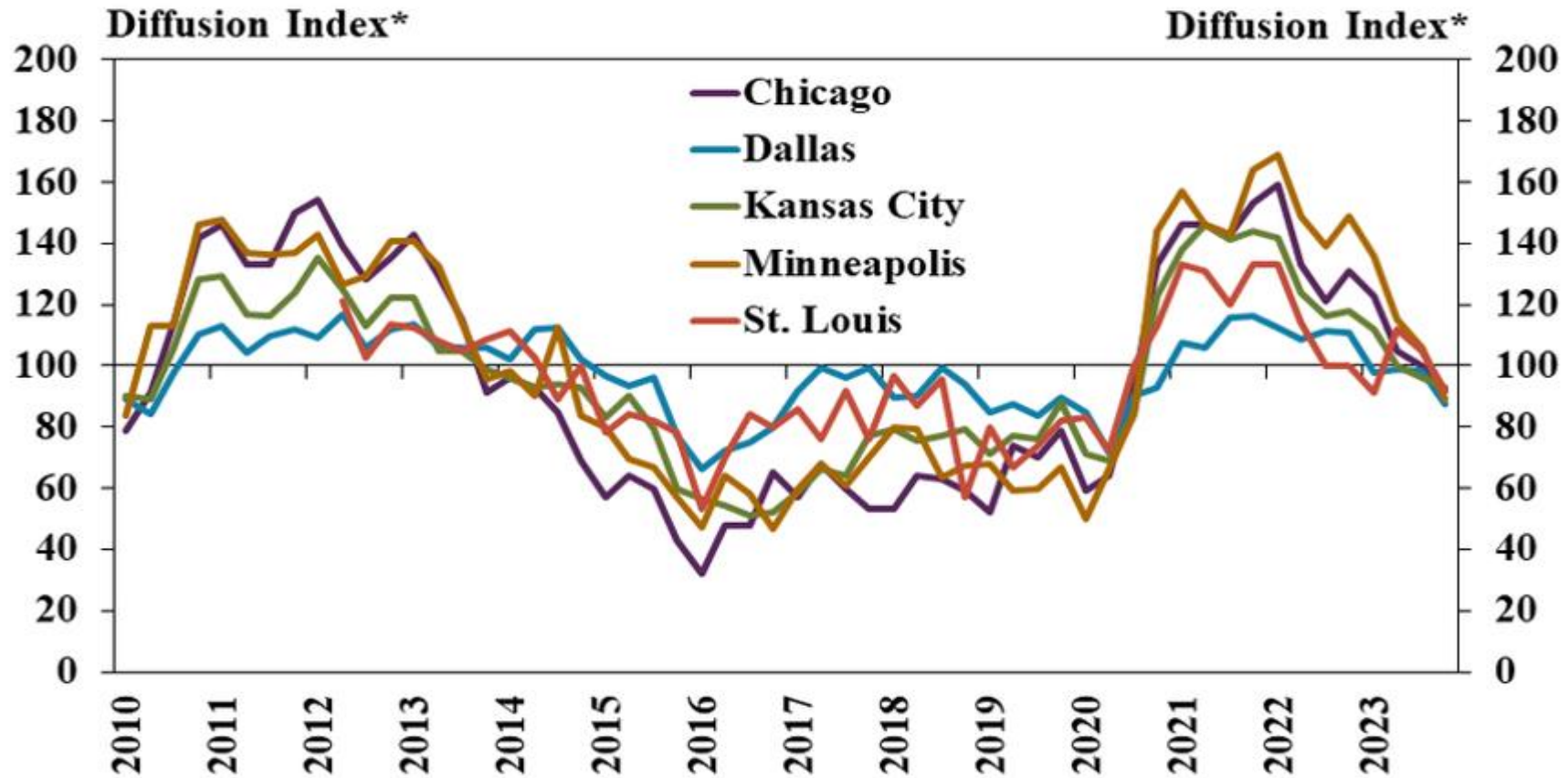
Share of Farm Banks with Delinquent Agricultural Loans
Percent



FDIC. Note: Data are fourth quarter figures.

According to banker surveys, farm loan repayment rates declined slightly in 2023.

Chart 4: Farm Loan Repayment Rates



*Bankers responded by indicating whether conditions during the current quarter was higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100. Note: The St. Louis survey began in Q2 2012.

Sources: Federal Reserve District Surveys of Agricultural Credit Conditions

Questions

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