

# Economic Recovery in U.S. Agriculture

Nate Kauffman, Federal Reserve Bank of Kansas City

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



# Outlook Themes

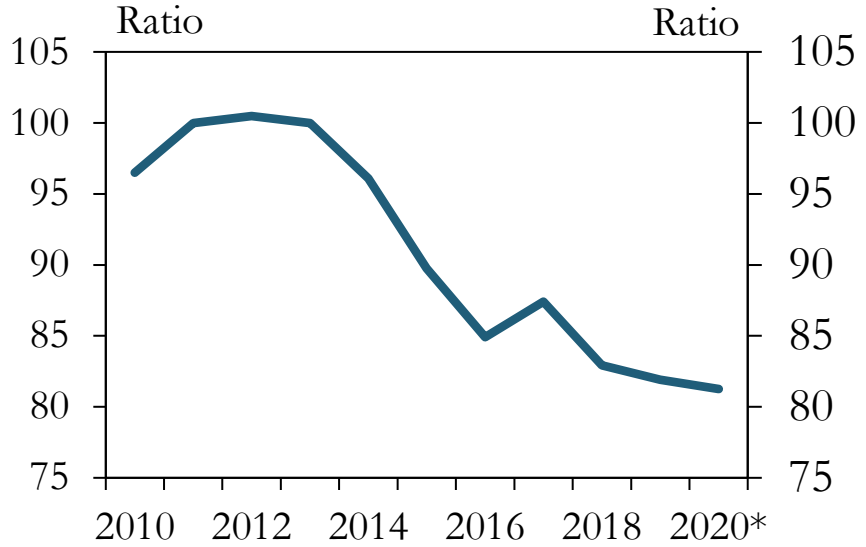
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- A rapid increase in corn and soybean prices has fueled a strong recovery in agriculture.
- Despite a strong near-term outlook, some industries are positioned better than others, and there are still significant risks.

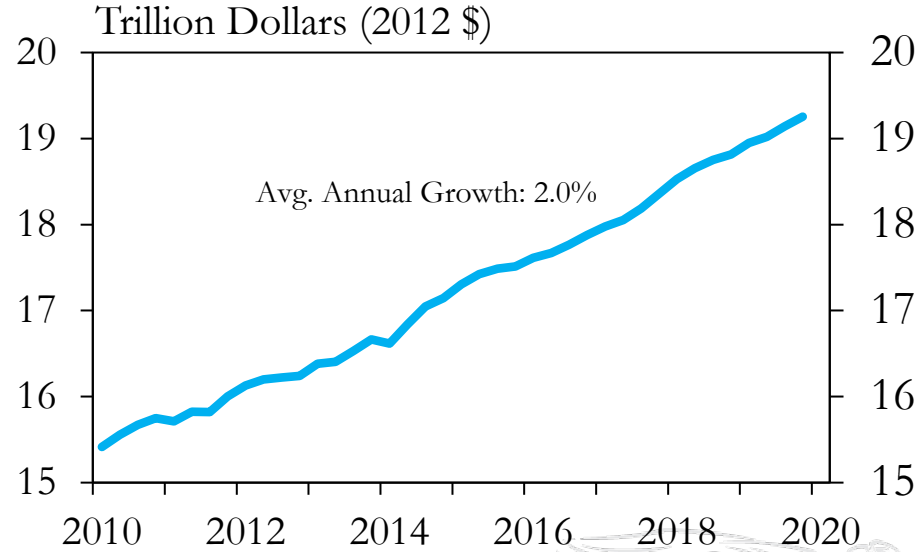


# At the beginning of 2020, U.S. ag was in a prolonged downturn in contrast to the broader economy.

### Ag Prices Received-to-Prices Paid



### U.S. Real GDP

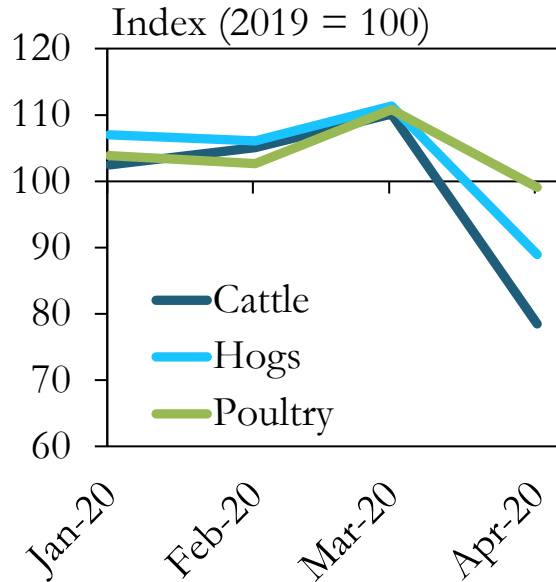


\*Forecast as of January 2020  
Sources: USDA and Haver Analytics.

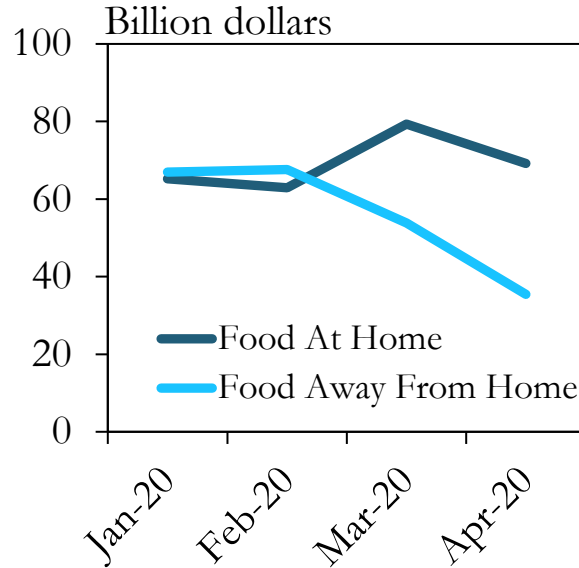


# The ensuing pandemic disrupted agricultural markets in several key ways.

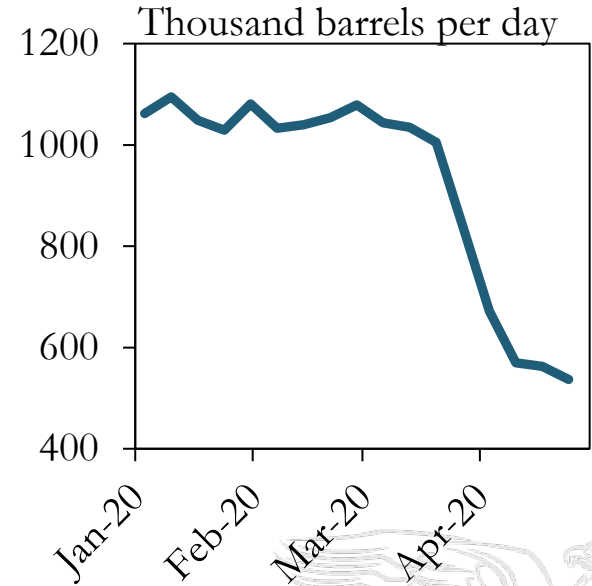
## U.S. Meat Production



## U.S. Food Expenditures



## U.S. Ethanol Production

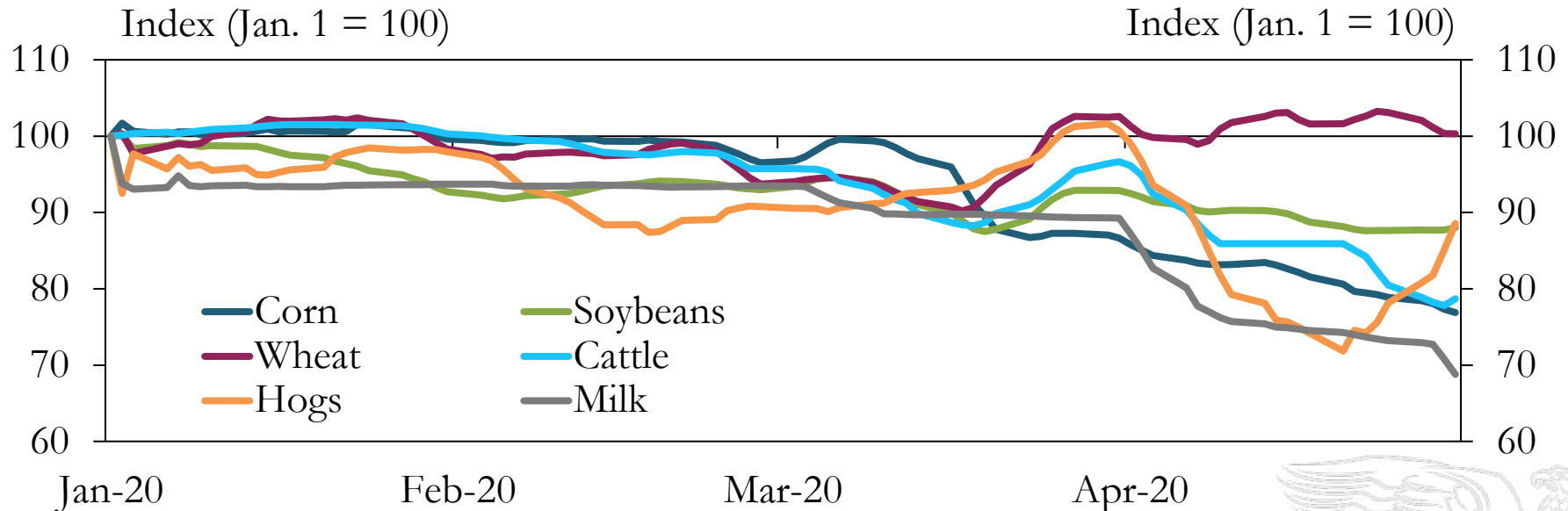


Sources: USDA, EIA and staff calculations.



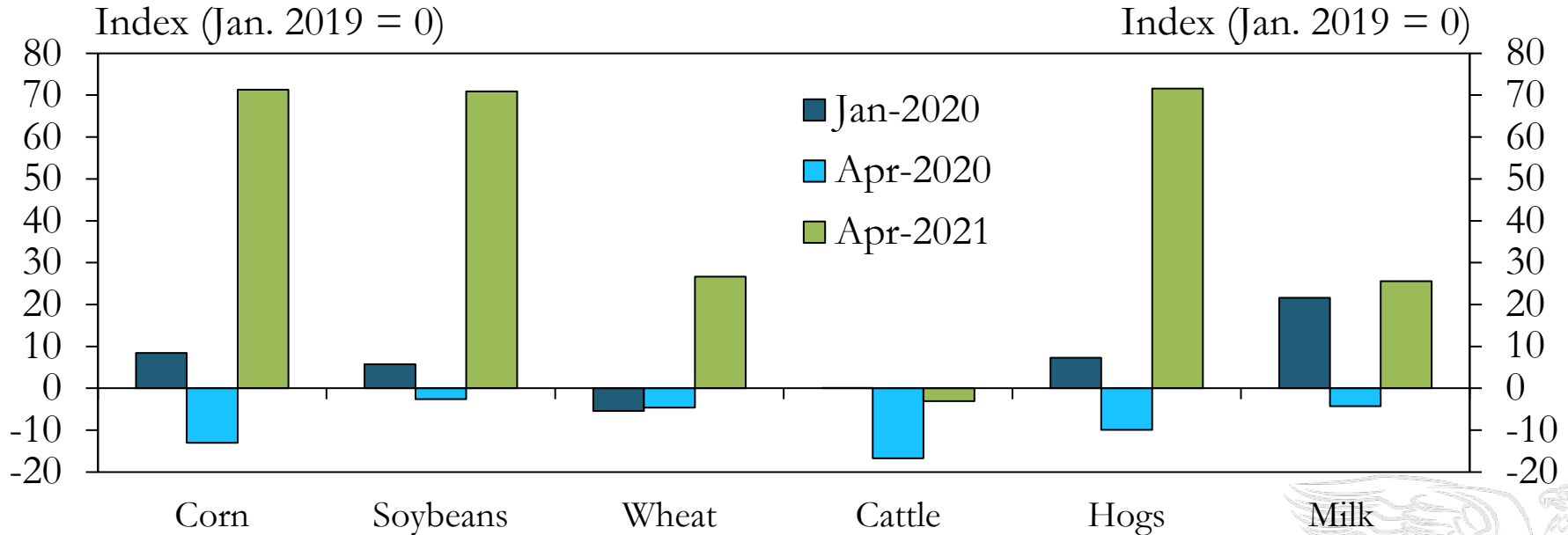
# Agricultural prices dropped sharply as the pandemic and associated disruptions intensified.

## Agricultural Commodity Prices



# In recent months, however, ag commodity prices have rebounded sharply.

## Agricultural Commodity Prices

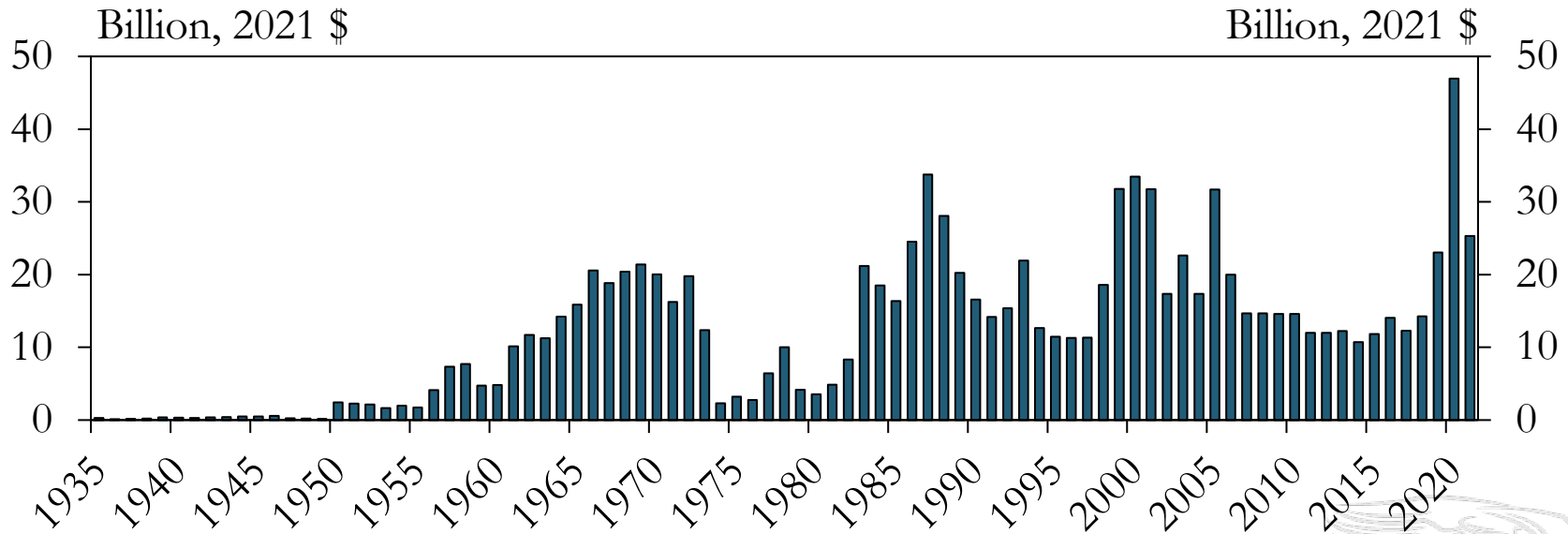


Sources: WSJ and Haver Analytics.



# Government aid programs also provided significant assistance to the U.S. farm sector in 2020.

## Direct Government Payments to U.S. Farm Sector



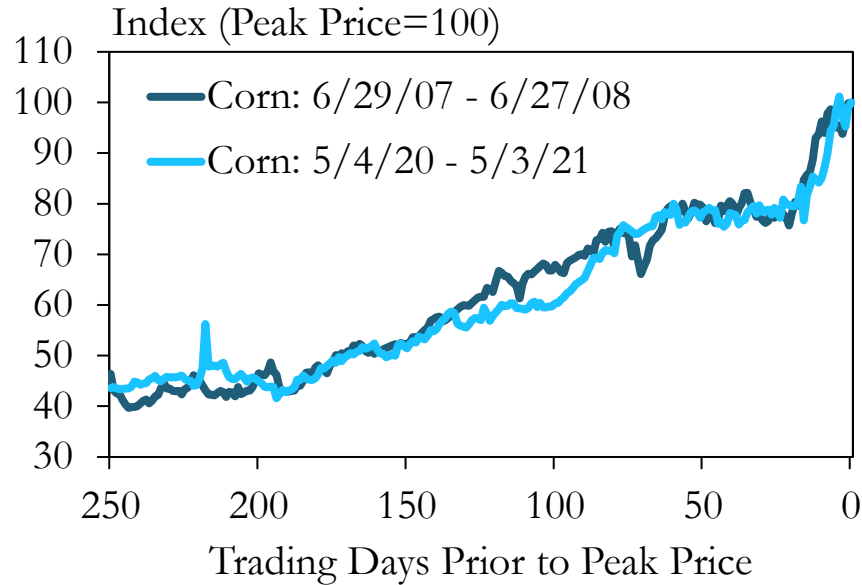
Note: 2020 Estimate and 2021 Forecast as of February 5, 2021.

Source: USDA.

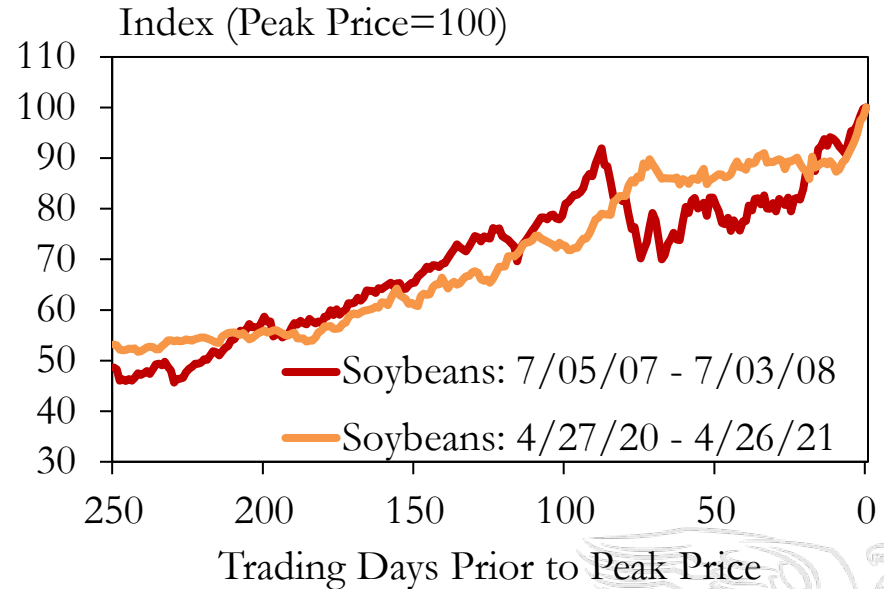


# The recent surge in crop prices resembles the previously unprecedented gains in 2007-2008.

## U.S. Corn Prices



## U.S. Soybean Prices



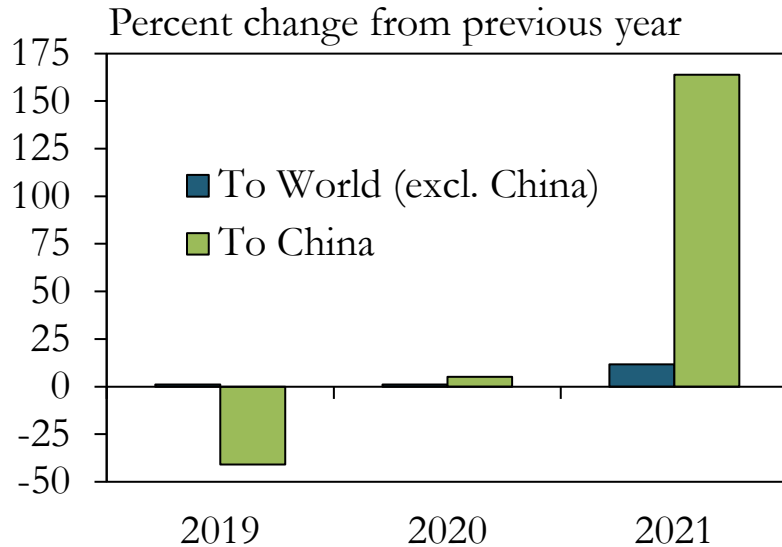
Sources: WSJ and staff calculations.



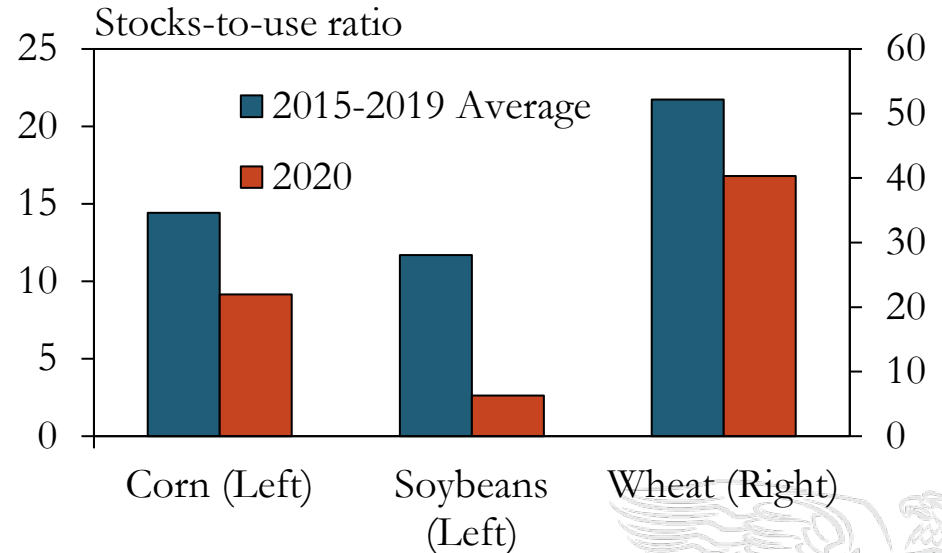


# Exports to China have provided a major boost to demand alongside limited supplies.

## U.S. Ag Exports (Through March)

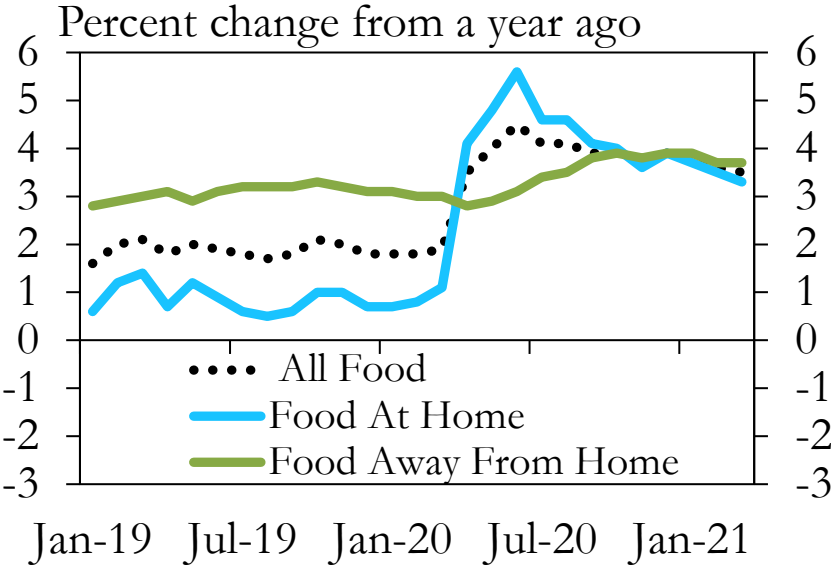


## U.S. Crop Inventories

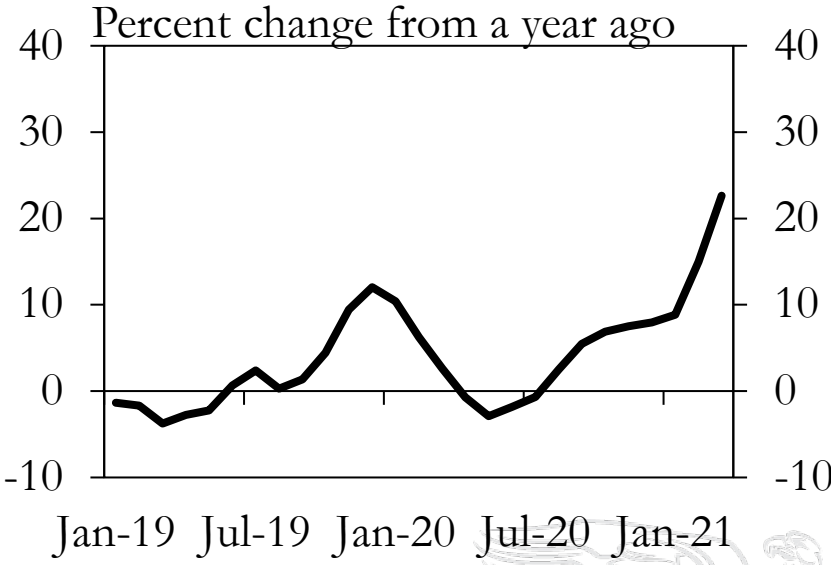


# U.S. food price inflation has moderated but remains slightly elevated. Globally, food prices have surged.

## U.S. Food Price Inflation



## Global Food Price Inflation

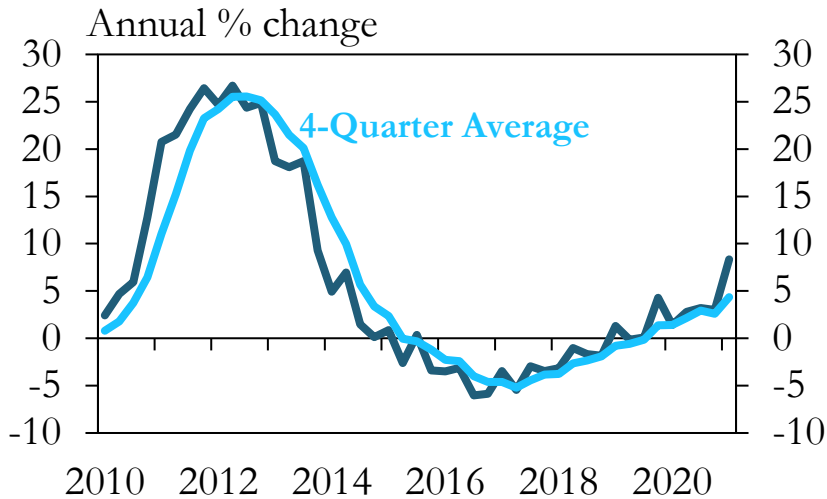


Sources: BLS, FAO and Haver Analytics.

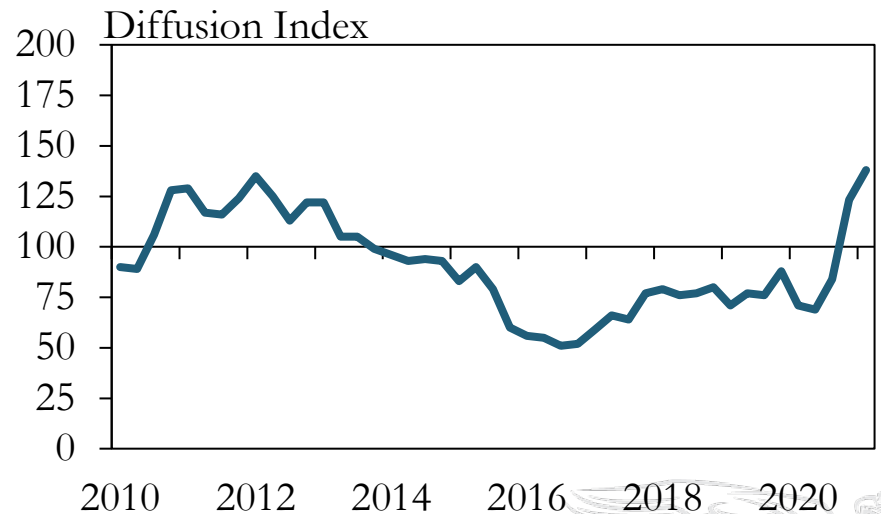


# Agricultural credit conditions have continued to improve, and farmland values are moving higher.

## Value of Non-irrigated Farmland Kansas City Fed District



## Farm Loan Repayment Rates Kansas City Fed District



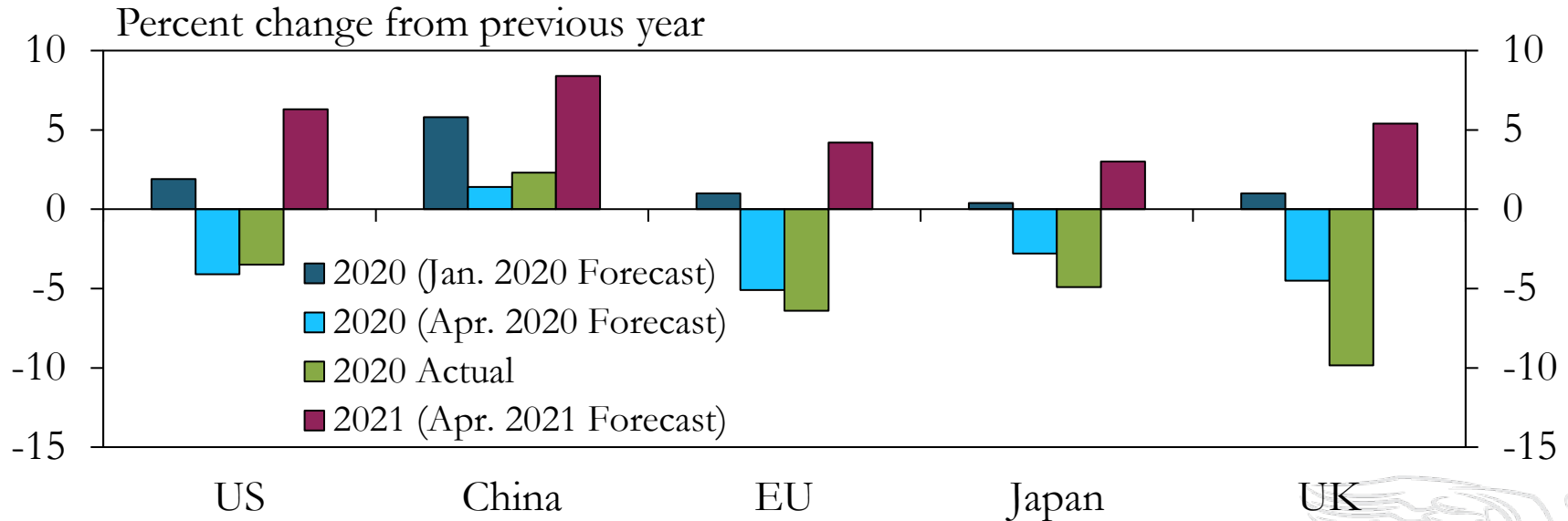
Note: Q1 2021 data not available for Chicago. Data for Kansas City, Minneapolis and St. Louis are preliminary. Survey for St. Louis District began Q2 2012.

Sources: Federal Reserve District Surveys of Agricultural Credit Conditions



# The course of the pandemic, and associated economic activity, remains key to the outlook.

## Real GDP

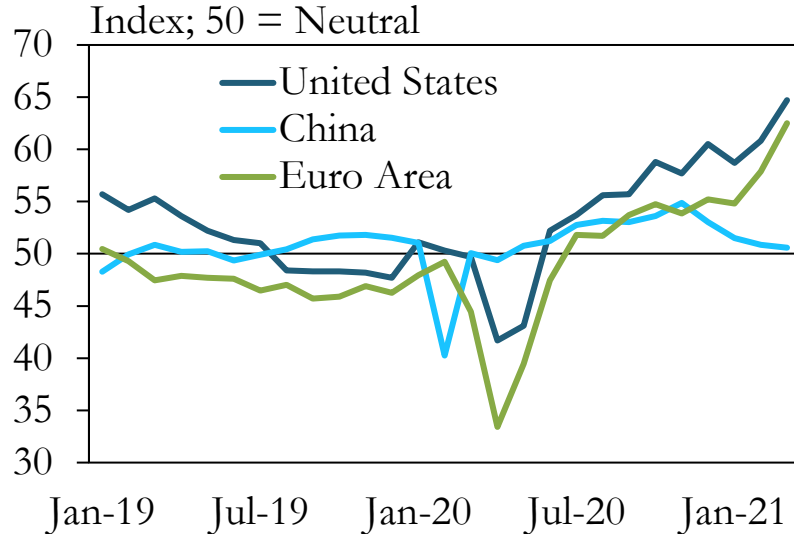


Sources: BEA, Wolters Kluwer, Statistical Office of the European Communities, Cabinet Office of Japan, Office of National Statistics, China National Bureau of Statistics, and Haver Analytics.

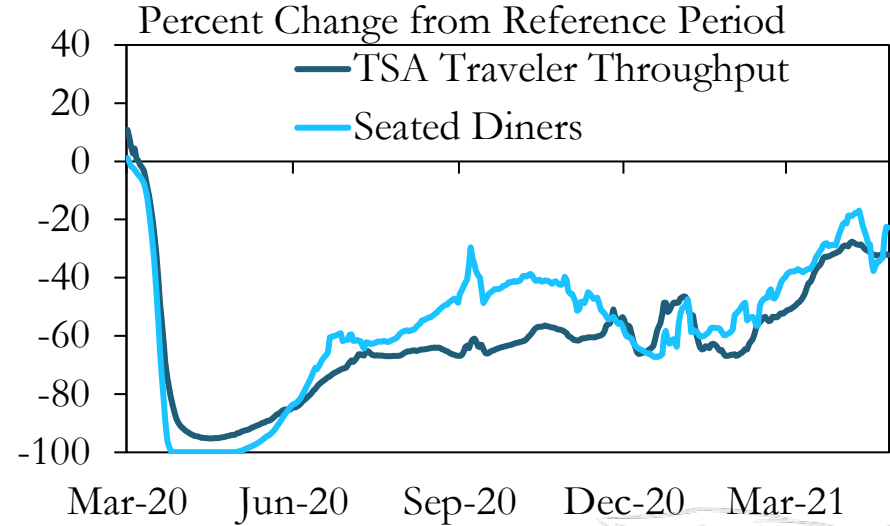


# Manufacturing activity has surged in recent months and travel has been recovering.

## Manufacturing Indices



## Air Travel and Restaurant Traffic



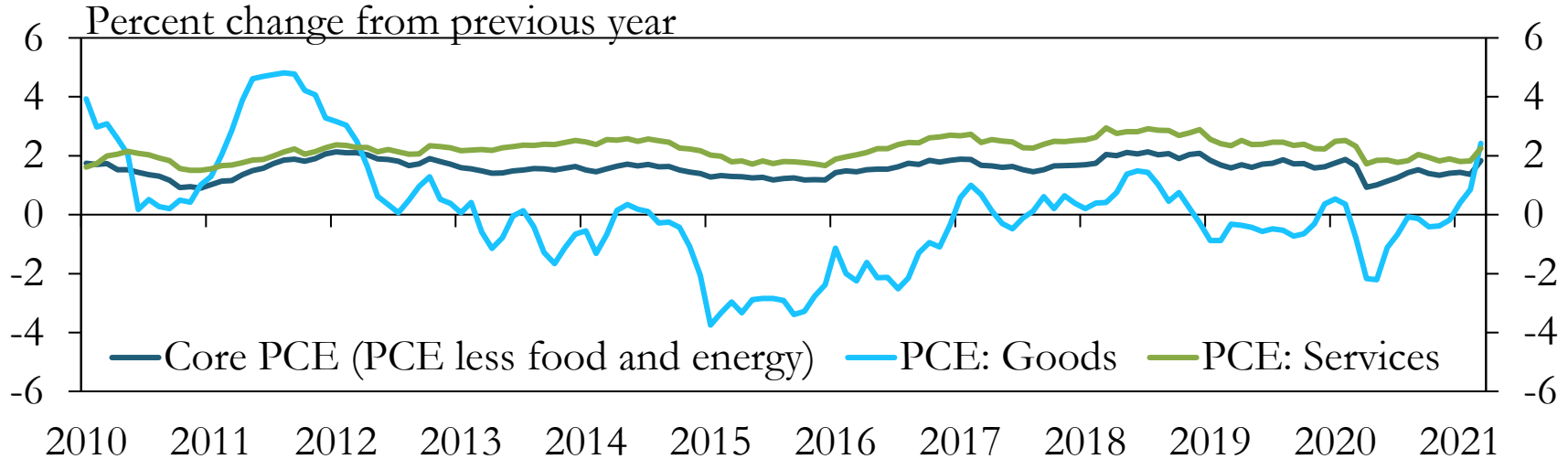
**Note:** TSA traveler reference period is January 2020 daily average. Open Table seated diners reference period is the same day in 2019.

**Sources:** ISM, Caixin, IHS Markit, Haver Analytics, TSA, Open Table.



Inflation has remained relatively subdued, although the prices of some materials have increased sharply.

## Inflation

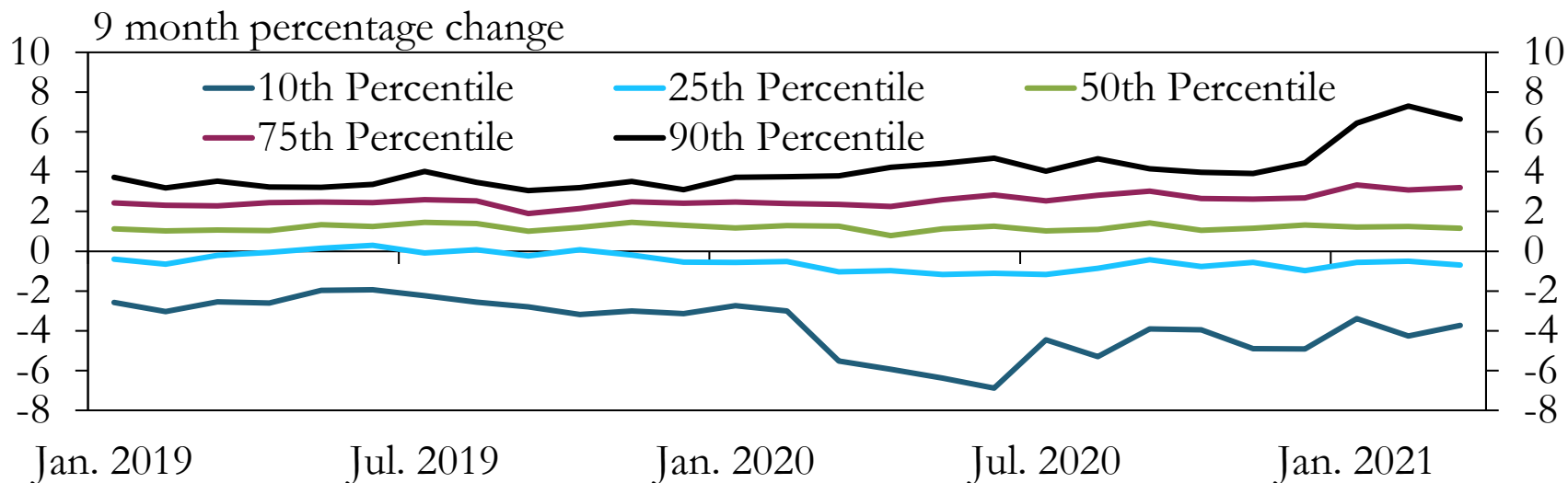


Source: BEA, Haver Analytics.



# The current variability of inflation is much higher than before the pandemic.

## Dispersion of PCE Inflation Rate



Sources: BEA, staff calculations, Haver Analytics.



# Concluding Thoughts

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- Despite severe pressure a year ago from the intensifying pandemic, the near-term outlook for agriculture is very strong.
- However, notable risks remain—
  - Pandemic uncertainty, economic activity and disruptions
  - Livestock industry
  - Policy
  - Longer-term economics





