Farmer Mac Refresh

Winter Feed Economic Update

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Agenda

- Highlights from the analysis
- Why they are important for producers and lenders alike
- Other news and factoids
- How you can access this and future editions
- Q&A
Highlight 1: Farm Economy In Transition

- USDA forecasts a 21% decline in 2023 Net Cash Farm Income after peaking at record levels in 2022
- Global inventories of many annual crops remain tight due to supply shocks
- Rising revenues continue to be offset by higher production costs
- Elevated incomes have bolstered farm balance sheets

Source: USDA ERS Farm Income and Wealth Statistics, February 2023
Highlight 2: Ag Lender Trends

- Lending environment remains opportunistic as credit quality improves
- However, interest rate volatility poses a challenge to both lenders and borrowers
- Loan volume growth remains strongest at FCS Institutions, but commercial banks narrowed the gap in 2022
- Sector leverage remains low despite uptick in lending volumes

Source: Board of Governors of the Federal Reserve System; Author’s Calculations
Highlight 3: Inflation and Interest Rates

- U.S. inflation spiked in 2022 after decades of trending lower.
- To combat rising prices, the Federal Reserve began tightening monetary policy.
- Both short- and long-term interest rates jumped as the Fed Funds rate increased and the Fed balance sheet contracted.
- While nominal rates have increased, real interest rates remain historically low and continue to support asset prices.
Highlight 4: Farmland Values

- Average value of U.S. farm real estate rose 12.4% year-over-year in 2022
- Land values boosted by high farm incomes, low interest rates, and strong demand from buyers
- Increases varied by region with largest gains in the Corn Belt and Western Plains
- Farmland value growth is relatively modest compared to housing prices

Source: USDA NASS, Farmland Values; Author's Calculations
Highlight 5: Proteins

- Livestock prices were strong in 2022 with dairy prices reaching record levels.
- Beef and dairy exports remained robust despite elevated prices.
- Livestock margins continue to be squeezed by high feed costs.
- Pastures were impacted by ongoing drought conditions and contributed to decline in U.S. beef herd.
- Expansion of U.S. dairy herd projected to be modest, which should support prices in 2023.

Source: USDA NASS, Feed Grains Database
In Other News...

Federal Reserve facing mixed signals for future interest rate hikes

Fertilizer prices have moderated from 2022 levels

Mississippi barge rates down 76% from October

California snowpack at 135% of April 1st average

Rollout continues for Infrastructure Investment and Jobs Act
Details on The Feed

• Quarterly publication
• Focus on sectors and stories relevant to the season
• Available on the Farmer Mac website to download or subscribe (https://www.farmermac.com/thefeed/)
• Subscribers automatically receive it via email
• Send comments and requests to thefeed@farmermac.com
Thank You!

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