Farmer Mac Refresh

*Spring Feed 2023 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: Bank Stress

- Volatility remains high within the banking sector
- Federal Reserve policy targeting elevated inflation has weighed on asset prices
- Unrealized losses have surged, especially at banks holding larger amounts of long-duration assets
- Agricultural banks entered 2023 better positioned to endure the volatility
- Continued robust labor market complicates Federal Reserve’s ability to reverse course on interest rates
Highlight 2: H-2A Permit Surge

- Historically tight labor market has challenged employers across most sectors
- In response, agricultural producers have increasingly leveraged the H-2A program
- Program offers agricultural producers a unique option to source labor
- However, wage requirements in the H-2A program can also create financial uncertainty for farmers

Sources: U.S. Department of Labor, Author’s Calculations
Highlight 3: Farm Income Update

- Farm incomes forecast to drop 23% yoy in 2023 after reaching highest level on record last year
- Government payments expected to drop sharply
- February forecast has tended to undershoot realized farm incomes
- Expenses have declined but record production in Brazil is weighing on global prices
- Still, high farm incomes have improved farm balance sheets

Source: USDA ERS Farm Income and Wealth Statistics, December 2022
Highlight 4: Shifting U.S. Power Supply

- Transition of U.S. power mix has slowed in recent years
- Still, a diverse power supply helped cushion the blow of surging global energy prices in 2022
- Natural gas likely to remain a key component of U.S. power generation
- Investment in renewable energy expansion is projected to rise in 2023 and 2024

Source: EIA Electric Power Monthly; EIA Preliminary Monthly Electric Generator Inventory Data
Highlight 5: Waterslide

• Numerous winter storms across the U.S. Southeast brought an end to the ongoing drought in the region

• California snowpack levels ended the water year at 236% of the historical average

• Upper Colorado River Basic also received relief in the form of increased rainfall

• Challenges remain as sub-surface water levels have not fully rebounded

• Drought now centered over Southwest Plains

Source: California Department of Water Resources
In Other News...

- Export demand robust to start 2023, but has waned recently
- Debt ceiling complicates outlook for passing Farm Bill
- Farmland value increases have slowed
- California flooding likely to continue as snowpack melts
- Energy prices continue to moderate, oil prices below $80/barrel
Details on The Feed

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Thank You!

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