



# Farmer Mac Refresh

*Spring Feed 2023 Economic Update*



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# Agenda

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Highlights from the analysis

Why they are important for producers and lenders alike

Other news and factoids

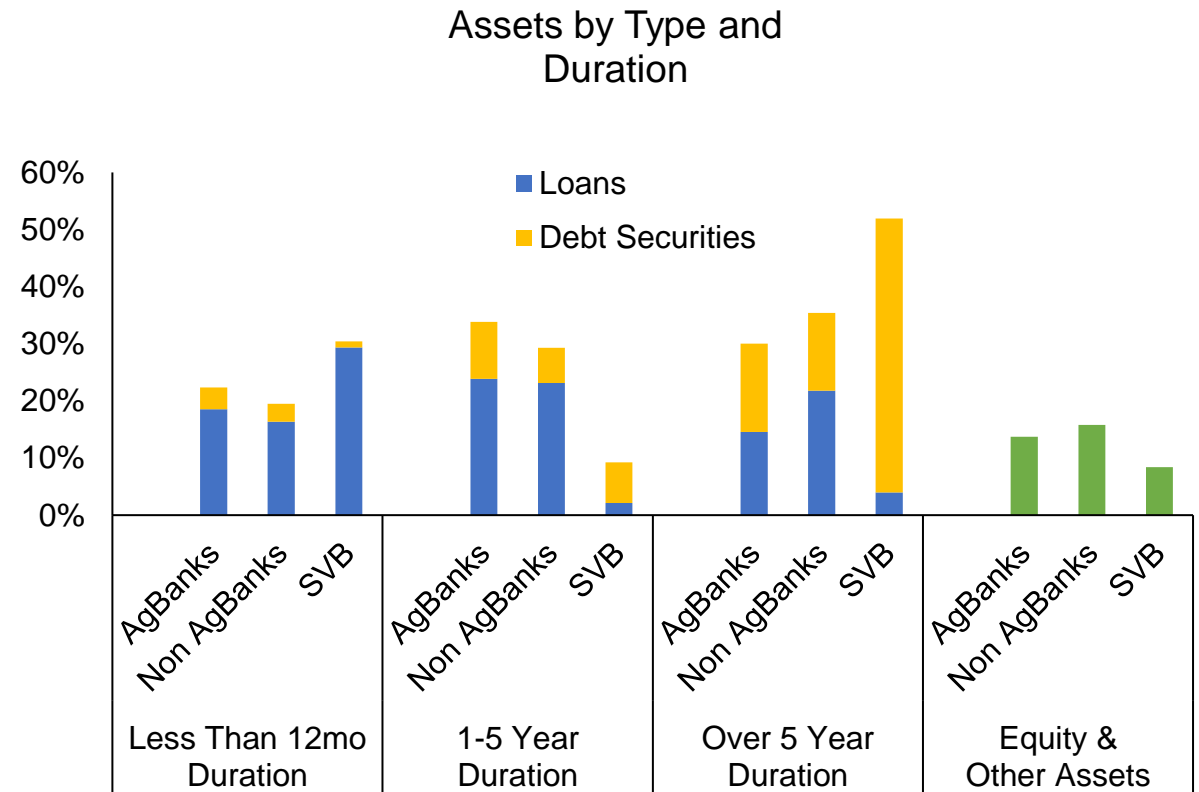
How you can access this and future editions

Q&A



# Highlight 1: Bank \$tress

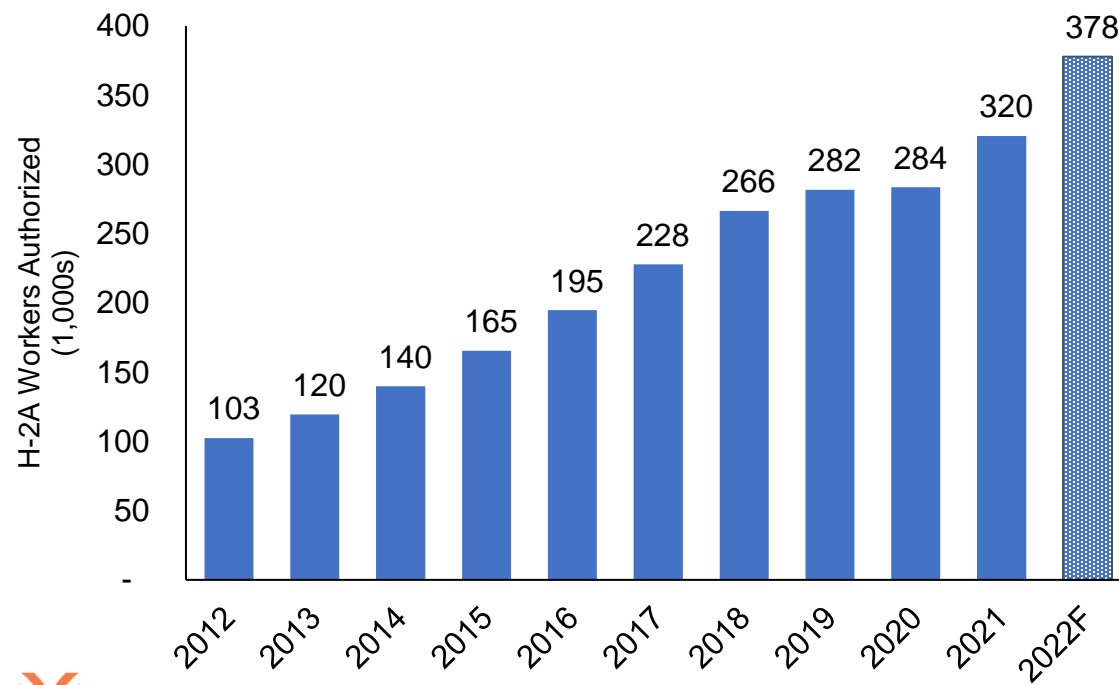
- Volatility remains high within the banking sector
- Federal Reserve policy targeting elevated inflation has weighed on asset prices
- Unrealized losses have surged, especially at banks holding larger amounts of long-duration assets
- Agricultural banks entered 2023 better positioned to endure the volatility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





# Highlight 2: H-2A Permit Surge

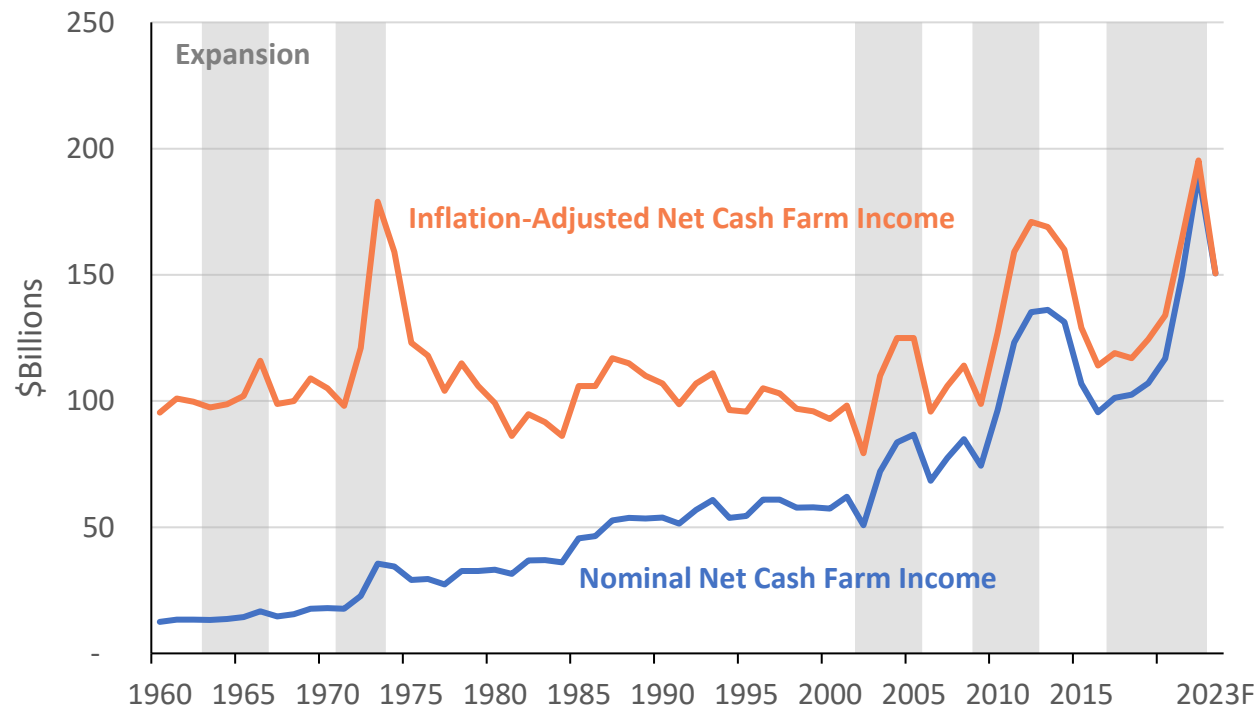
- Historically tight labor market has challenged employers across most sectors
- In response, agricultural producers have increasingly leveraged the H-2A program
- Program offers agricultural producers a unique option to source labor
- However, wage requirements in the H-2A program can also create financial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



Sources: U.S. Department of Labor, Author's Calculations



# Highlight 3: Farm Income Update



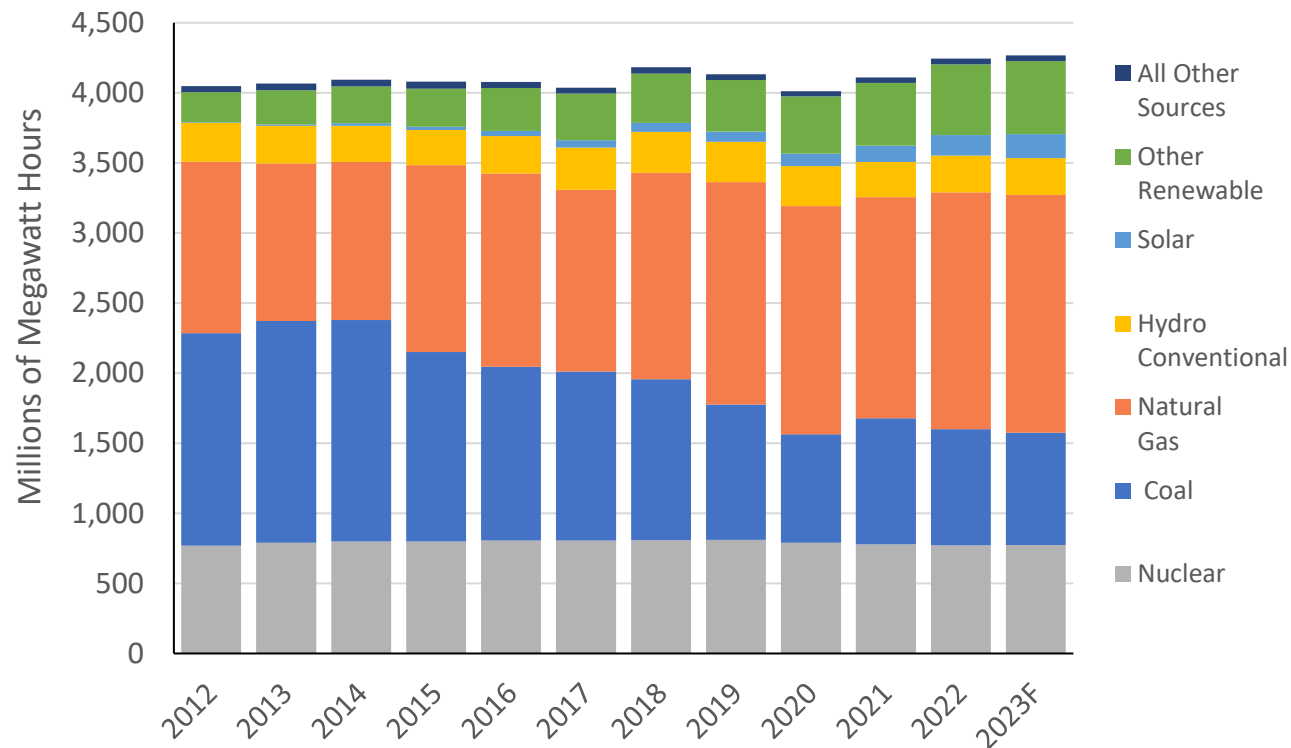
- Farm incomes forecast to drop 23% yoy in 2023 after reaching highest level on record last year
- Government payments expected to drop sharply
- February forecast has tended to undershoot realized farm incomes
- Expenses have declined but record production in Brazil is weighing on global prices
- Still,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



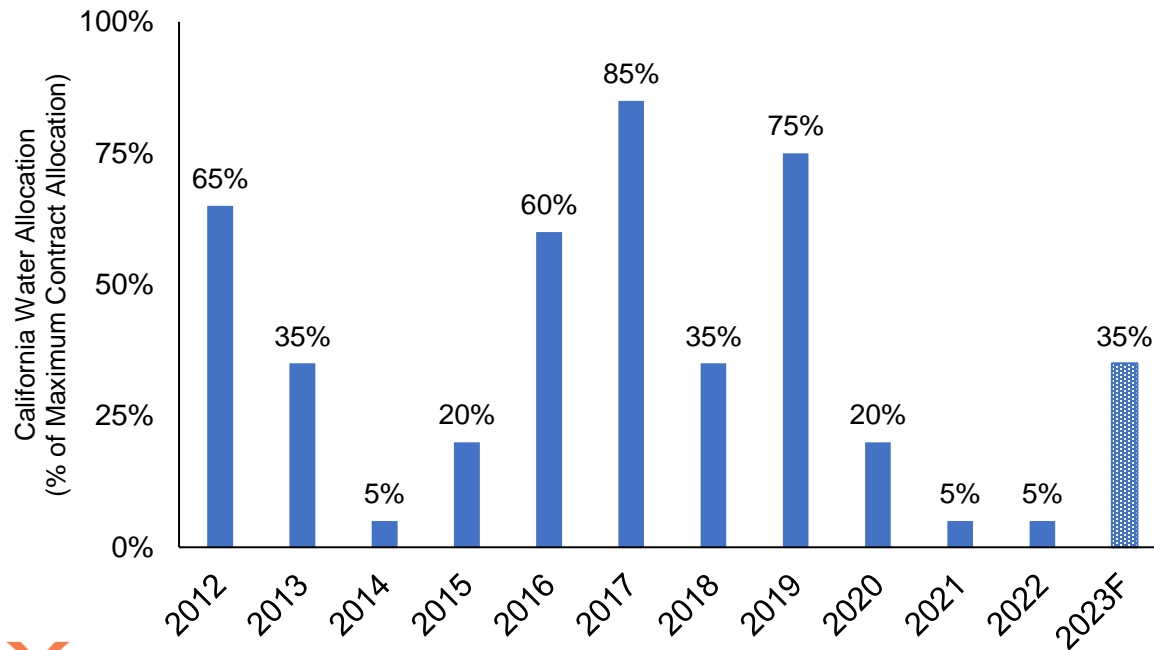
- Transition of U.S. power mix has slowed in recent years
- Still, a diverse power supply helped cushion the blow of surging global energy prices in 2022
- Natural gas likely to remain a key component of U.S. power generation
- Investment in renewable energy expansion is projected to rise in 2023 and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



Source: EIA Electric Power Monthly; EIA Preliminary Monthly Electric Generator Inventory Data



# Highlight 5: Waterslide



Source: California Department of Water Resources

- 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





# In Other News...

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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

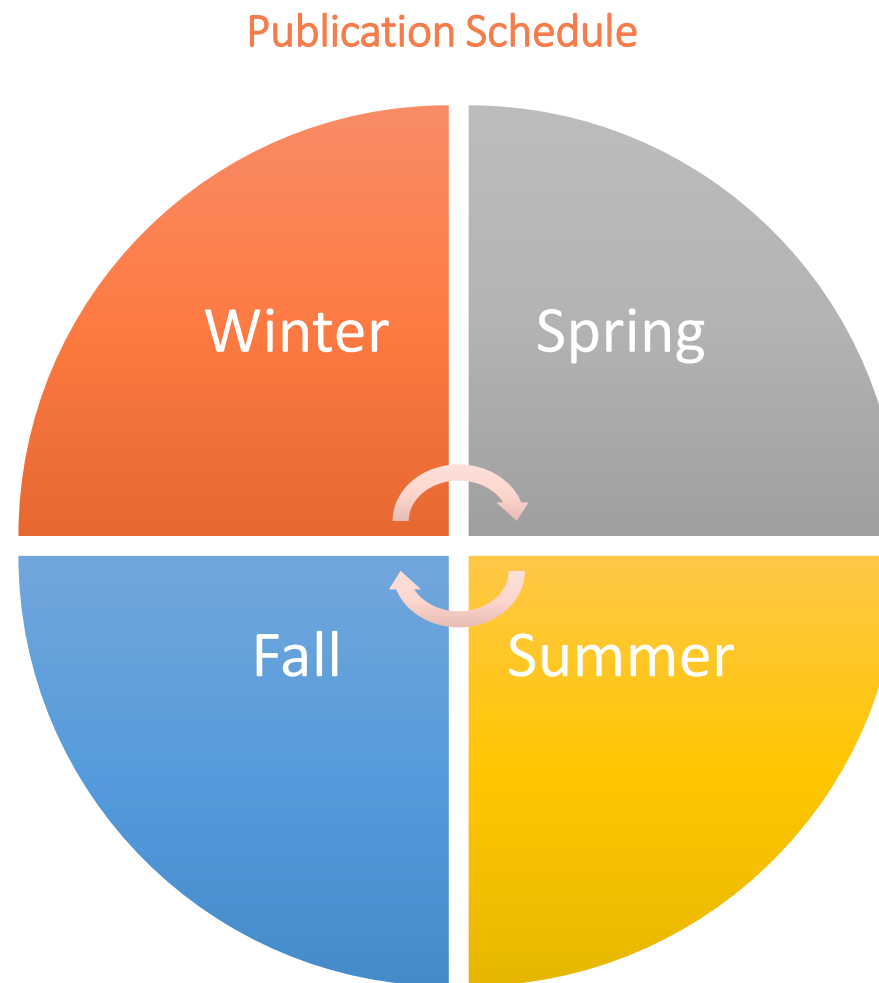
Energy prices continue to moderate, oil prices below \$80/barrel





# Details on The Feed

- 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](mailto:thefeed@farmermac.com)





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**Thank You!**

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