

Talking Points

In this Take Five released on Thursday, April 10, 2014 Assistant Vice President and Economist Bill Emmons sat down with Senior Examiner Gary Corner from the Supervisory Policy and Risk Analysis section of the St. Louis Fed to discuss the outlook for agriculture nationwide and in the 8th District.

Corner summed up the outlook as follows:

- USDA forecast expects the ag sector to cycle to lower farm income
- However, the 2014 forecast remains above the 10-year average
- The profit bubble of recent years is deflating
- Pace of cropland value increase is now moderating

The lower forecast stems from the decline in cash receipts and crop inventories across all the major crop categories. In addition, there is a large anticipated decline in the price of corn. However, there appears to be some good news as the value of livestock and dairy is forecast to increase slightly.

The balance sheet in the farm sector is forecasted to increase more slowly due to the slowing rate of growth in farm assets and debt. The slowdown in growth is from lower income, higher borrowing costs, and moderation in the growth of cropland values.

The ag-sector outlook remains strong in historical perspective. Ag lenders should use this period of continuing strength to make sure their lending policies are in good shape before conditions weaken, as they inevitably will.