

The Federal Reserve Bank of St. Louis Presents:



“Is the Agriculture Sector Cycling”
A Conversation with Gary Corner

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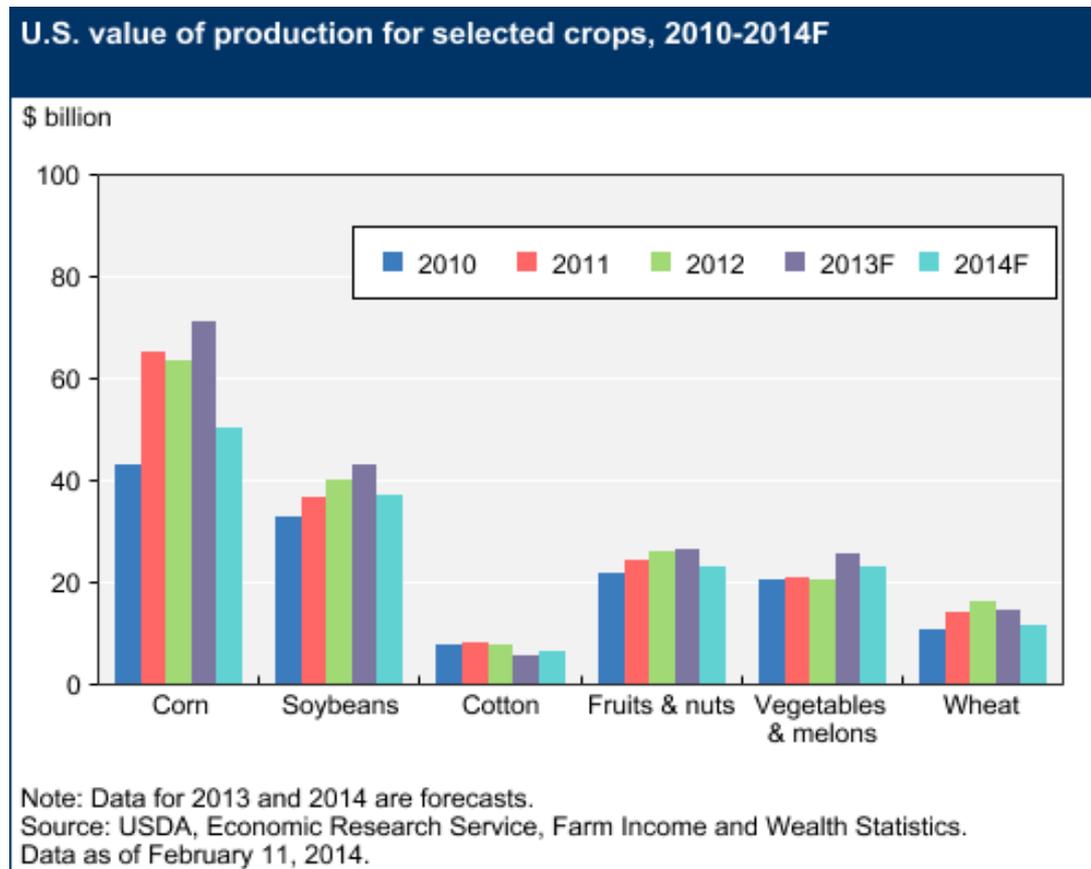
Farm Sector Forecast

- United States Department of Agriculture (USDA) forecast expects the sector to cycle to lower farm income
- Forecast income of \$95.8 billion--down from record \$130.5 billion in 2013
- 2014 forecast remains \$8 billion above the 10-year average
- Profit bubble of recent years is deflating
- Pace of cropland value increase is moderating

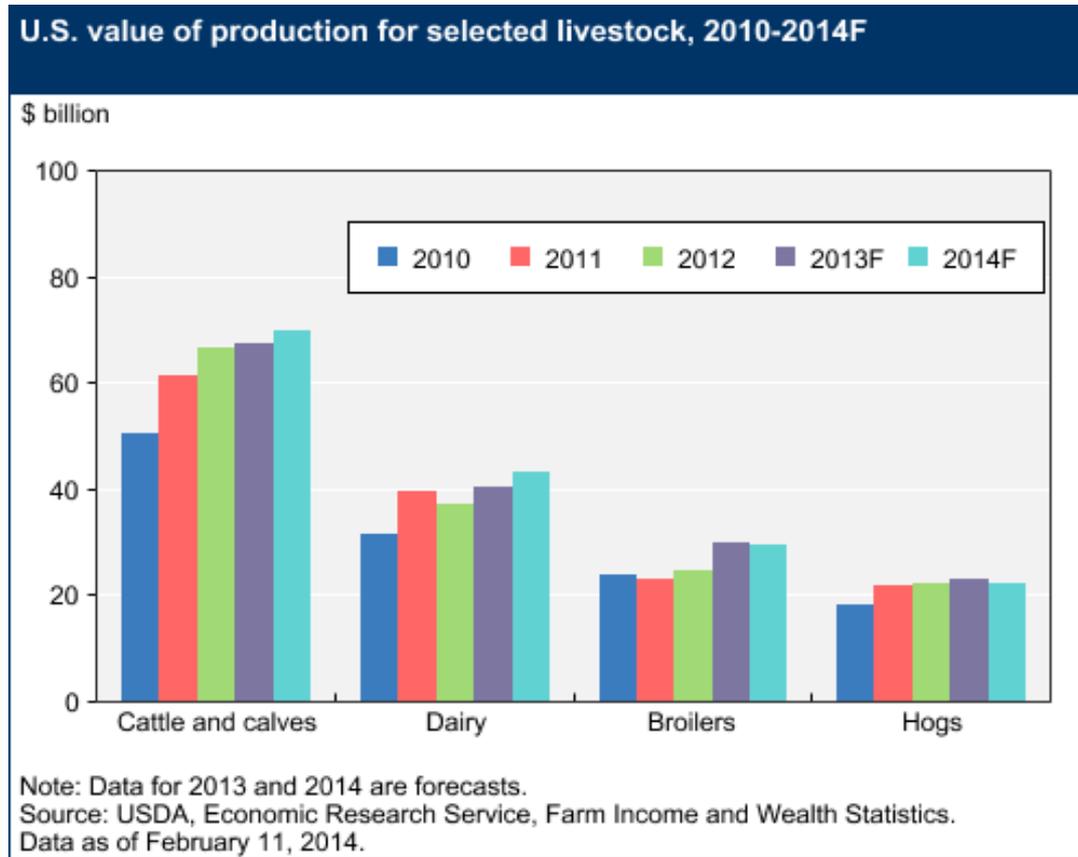
Why the Lower Forecast

- Falling crop prices; perhaps to pre-2011 levels
- Declines in cash receipts and crop inventories across all major crop categories
- A large anticipated decline in the price of corn
- The value of livestock and dairy is forecast to increase slightly

Value of Crop Production



Value of Livestock

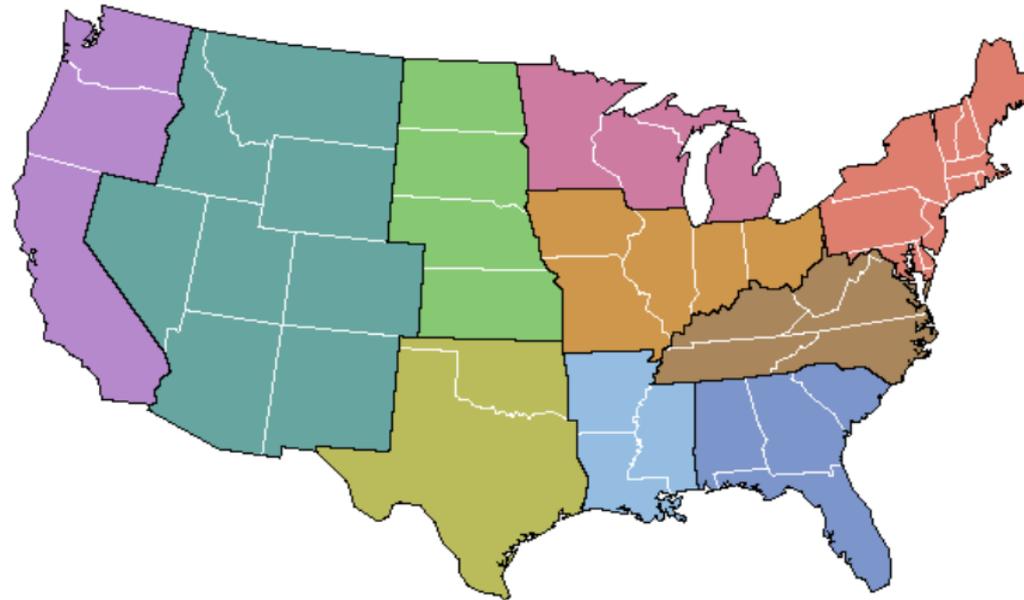


Farm Sector Balance Sheet

- The rate of growth in farm assets, debt and equity is forecasted to increase more slowly
- Slowdown in growth is from lower income, higher borrowings costs, and moderation in the growth of cropland values.
- Debt-to-assets and debt-to-equity ratios are at historical lows.



Change in Cropland Value



Change in Average Cropland Prices 2009-2013	
Southeast -13.80%	Northeast -1.10%
Mountain 8.70%	Appalachian 9.20%
Pacific 11.70%	Southern Plains 16.70%
Delta 33.10%	Lake 54.30%
Corn Belt 78.50%	Northern Plains 126.90%

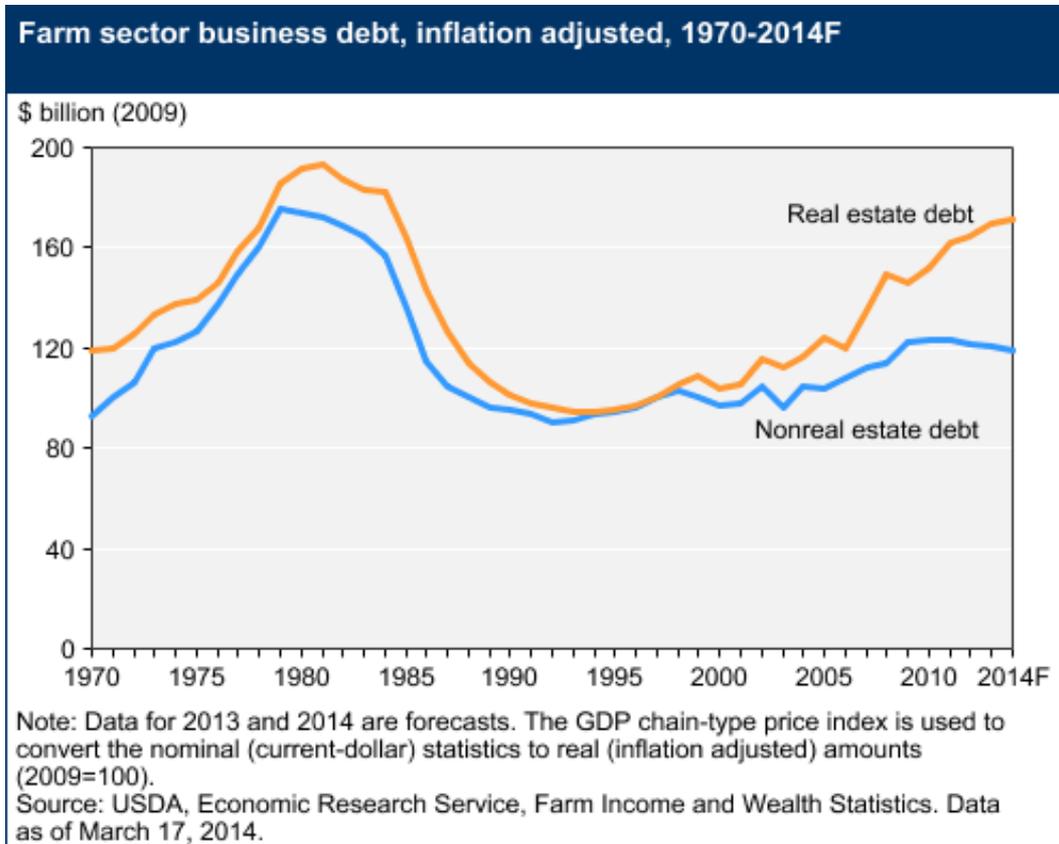
Source: Land Values 2013 Summary (August 2013) - USDA, National Agricultural Statistics Service

Change in Cropland Value in District States

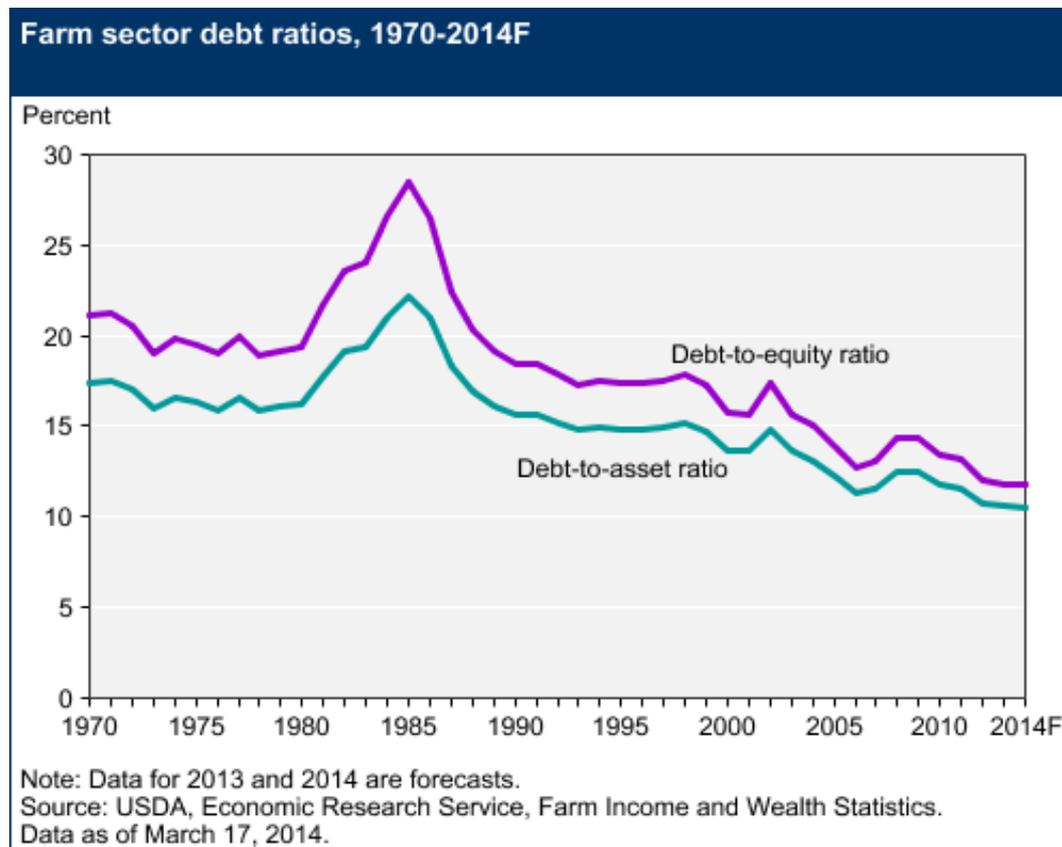
Eighth District States Five Year Change in Cropland Values			
	2009 Avg. Value	2013 Avg. Value	Five Year Percentage Change
Illinois	\$4,670	\$7,900	+69.2%
Indiana	\$3,950	\$7,100	+79.8%
Missouri	\$2,540	\$3,800	+49.6%
Kentucky	\$3,150	\$3,750	+19.1%
Tennessee	\$3,270	\$3,550	+8.6%
Arkansas	\$1,860	\$2,560	+37.6%
Mississippi	\$1,810	\$2,300	+27.1%

Source: Land Values 2013 Summary (August 2013) - USDA, National Agricultural Statistics Service

Change in Farm Debt



Change in Farm Sector Solvency



Is Agriculture Cycling?

- USDA forecast points to a downward cycle in farm income over the next several years
- Direct government payments to producers to decline 45% under provisions of Agricultural Act of 2014
- Farm balance sheets should remain stable despite moderation in the increase in farmland value
- Low levels of debt relative to assets and equity affirms the sectors strong financial position