

Agricultural Economic Update and Outlook



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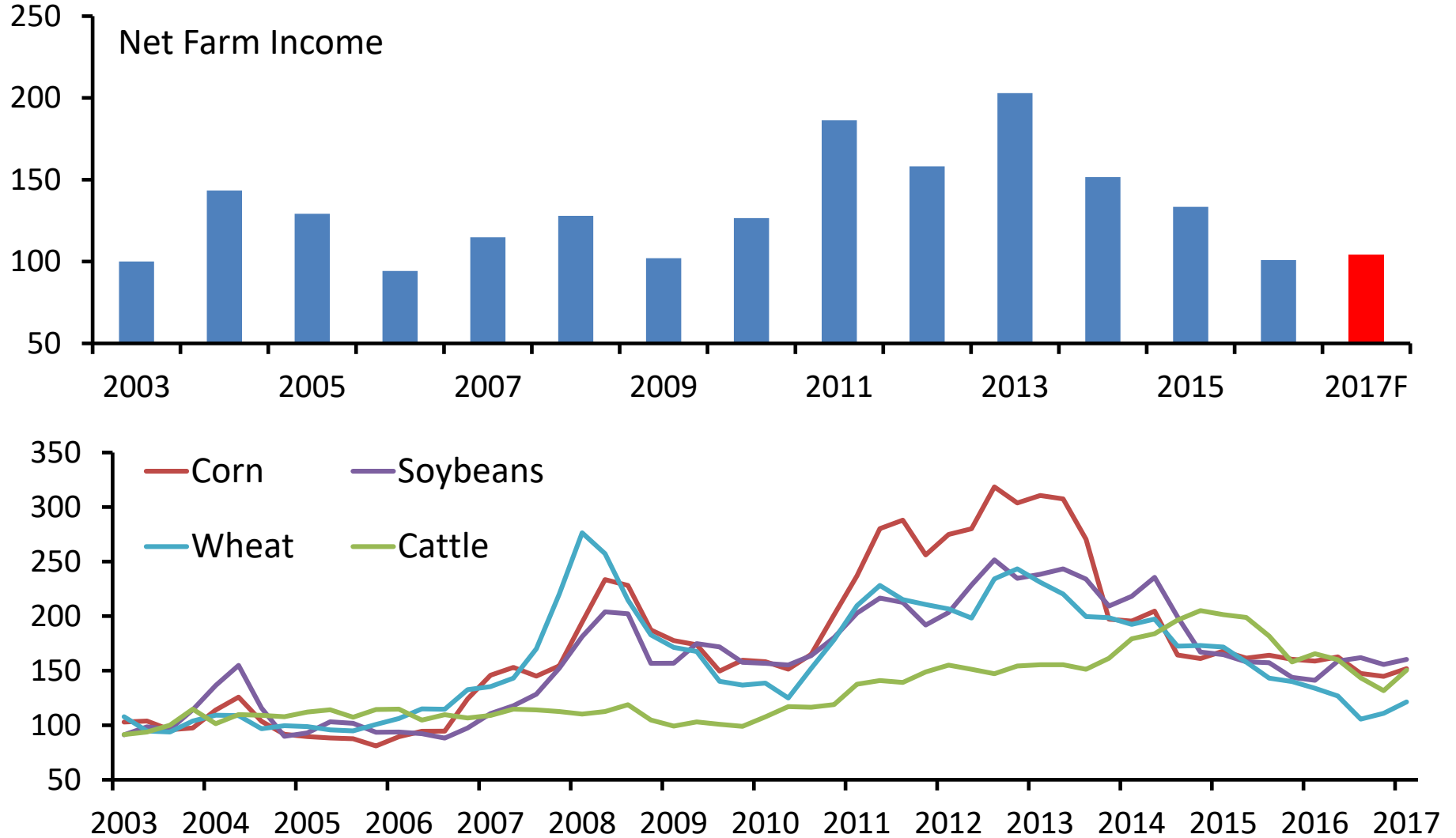
Oklahoma Bankers Association
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What to expect from today's presentation.

- Net farm income is forecast to increase.
- Increased beef supply will put downward pressure on cattle prices.
- The weakening U.S. dollar should help agricultural exports.
- Farmland values remain relatively strong for the nation as a whole.
- The weak agricultural economy is pressuring credit conditions for some loan portfolios.

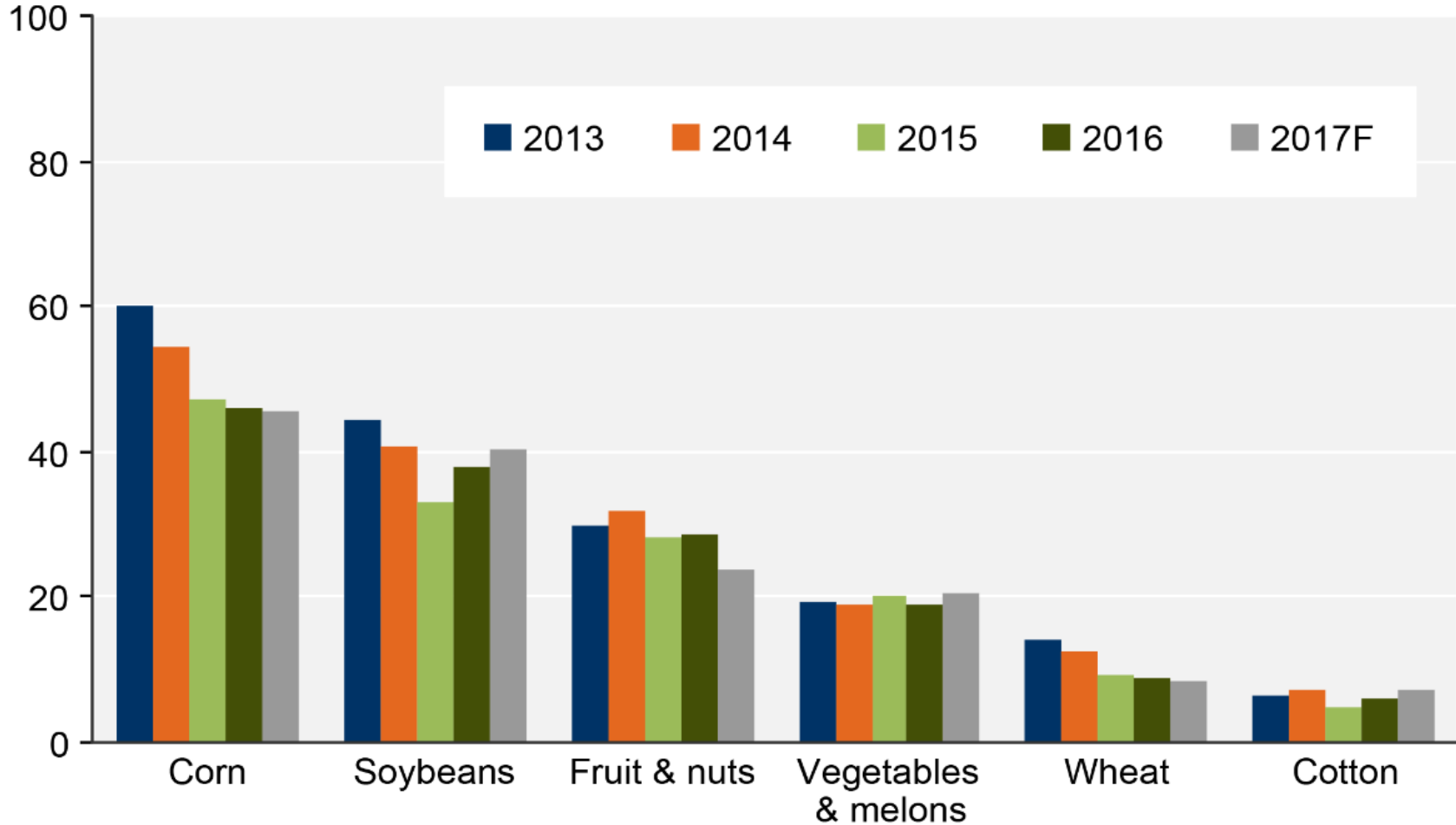
Farm incomes tend to follow commodity prices.



Source: USDA (Haver Analytics). Net farm income is indexed annual data (2003=100), commodity prices are indexed quarterly data (2003 average = 100). All data are nominal values.

Cash receipts are expected to increase for some crops.

\$ billion



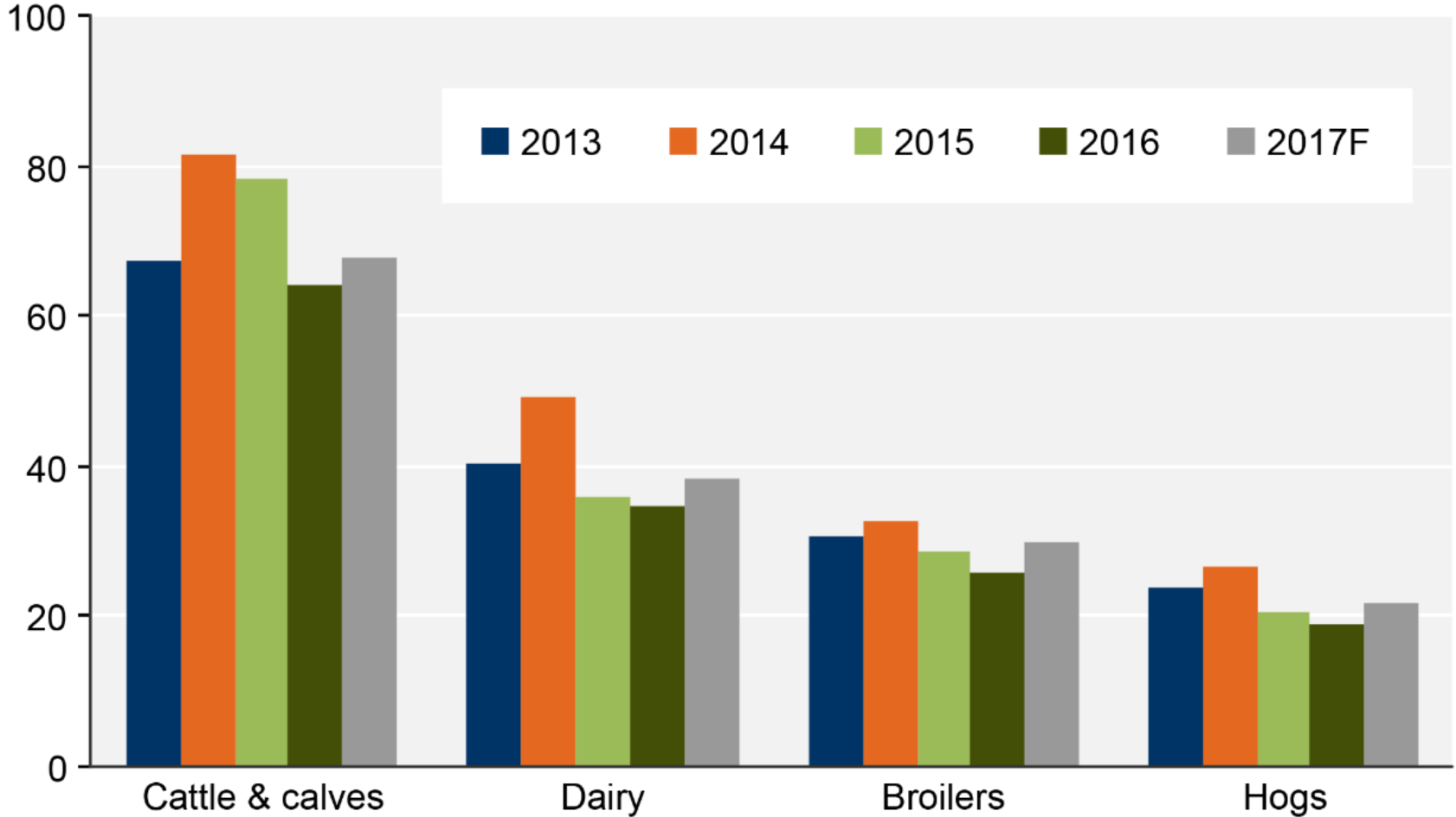
Note: F = forecast.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of August 30, 2017.

Livestock cash receipts are expected to increase.

\$ billion



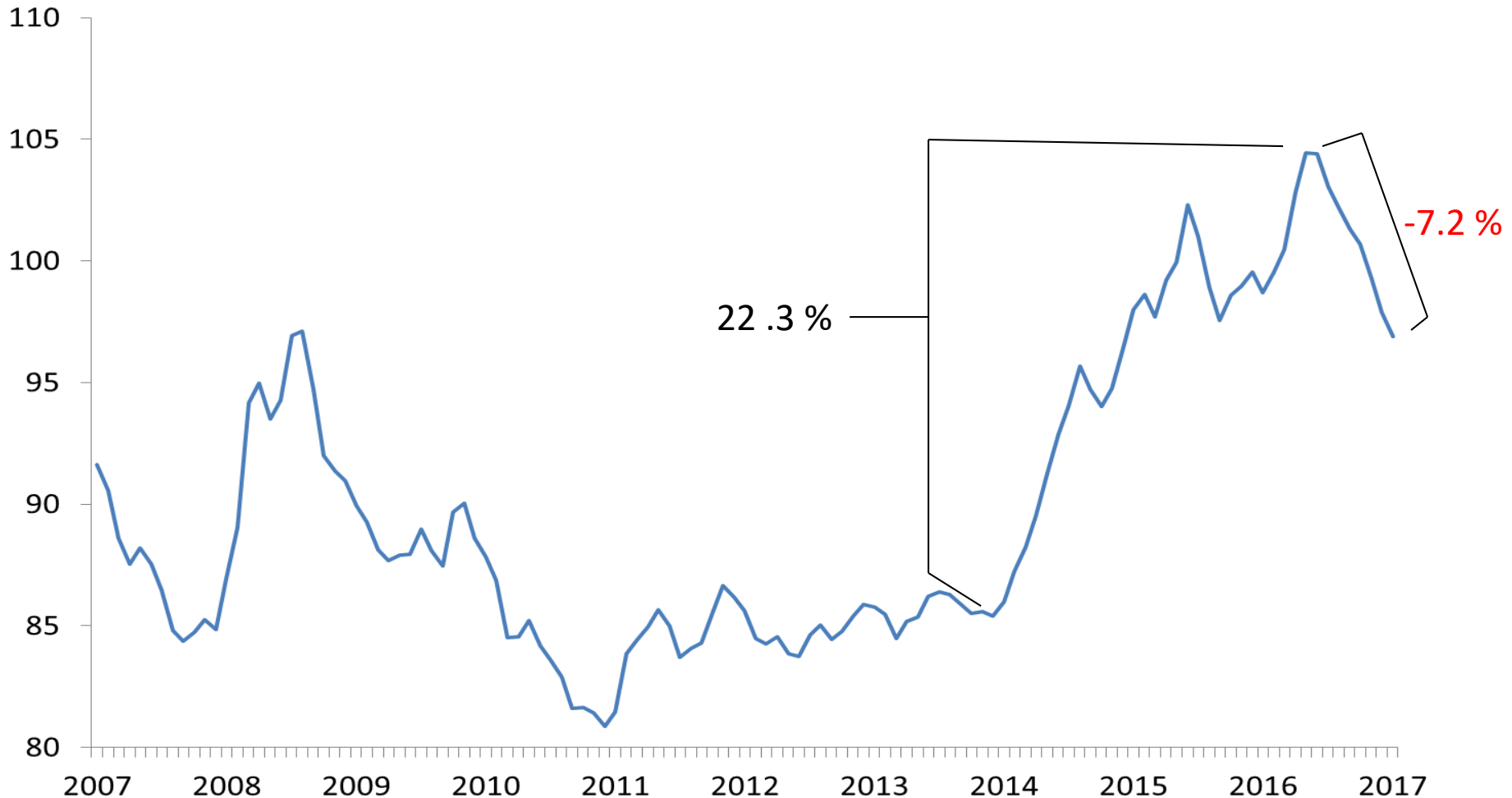
Note: F = forecast.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of August 30, 2017.

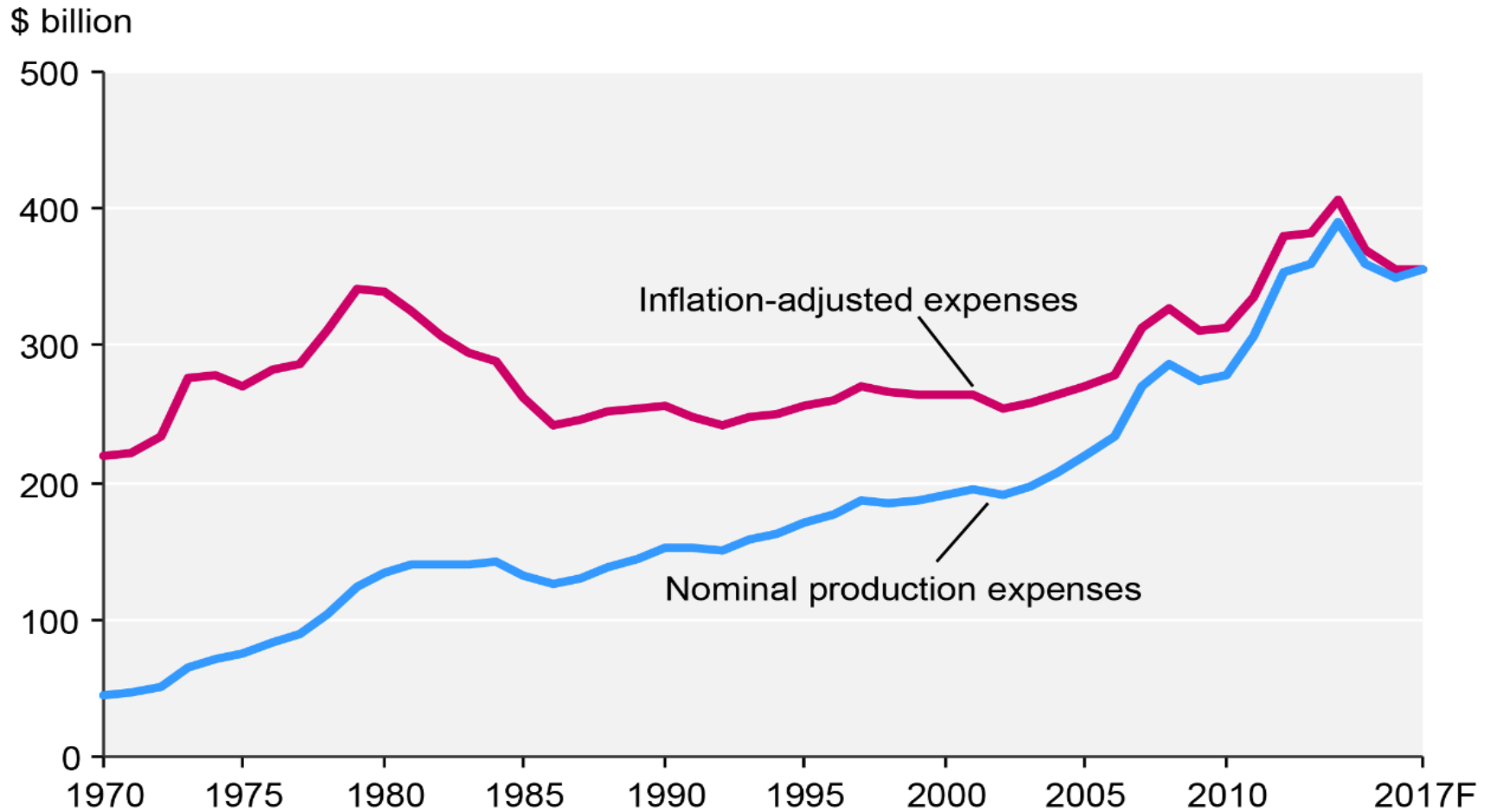
The value of the dollar has been falling since the first of the year.

Broad Trade Weighted Value of the Dollar (March 1973 = 100)



Source: Federal Reserve Board. Data are through August 2017.

Production expenses are expected to rise after two years of declines.

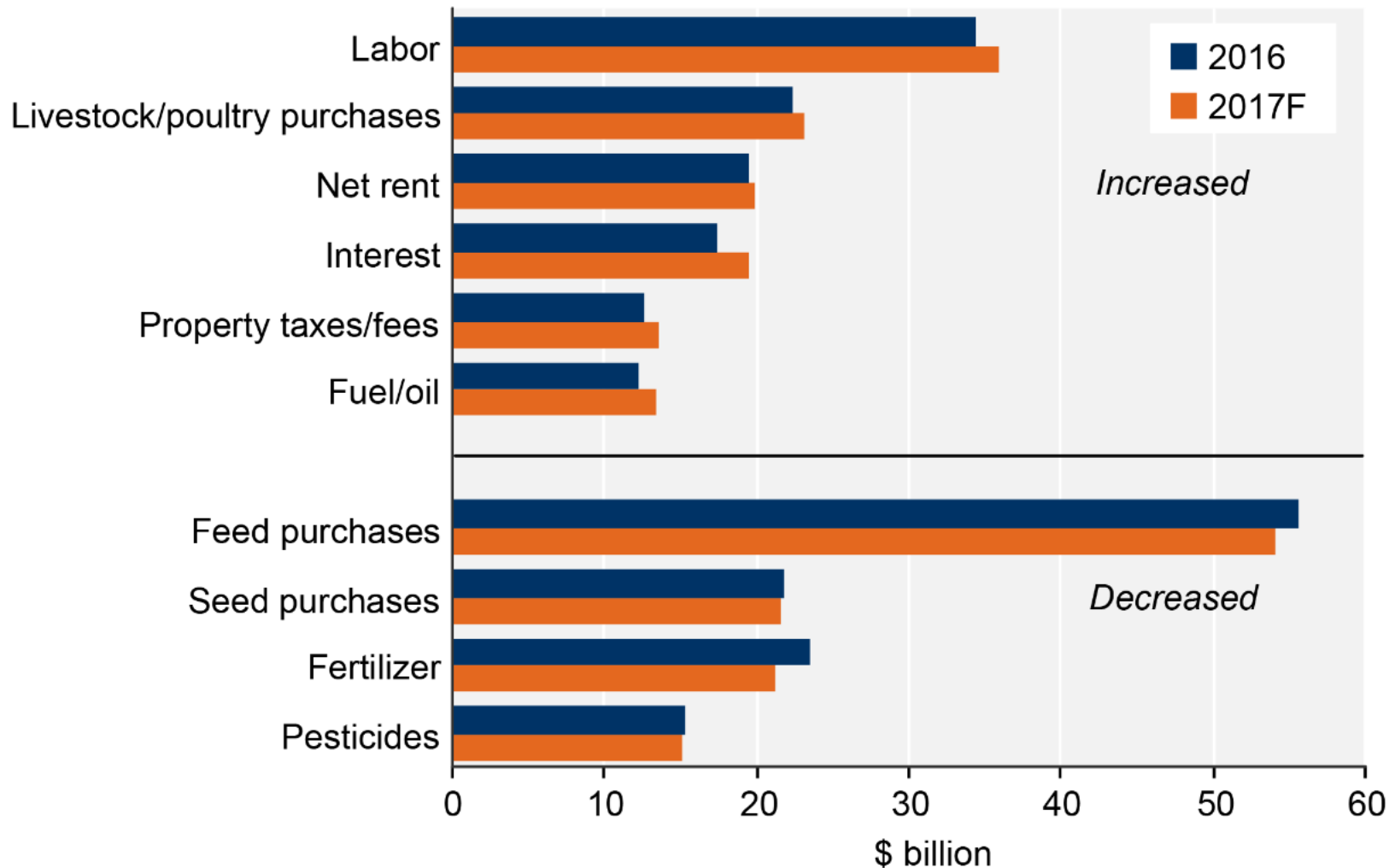


Note: F = forecast. Values are adjusted for inflation using the chain-type GDP deflator, 2017=100.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of August 30, 2017.

Expected production expenses vary by type and category.



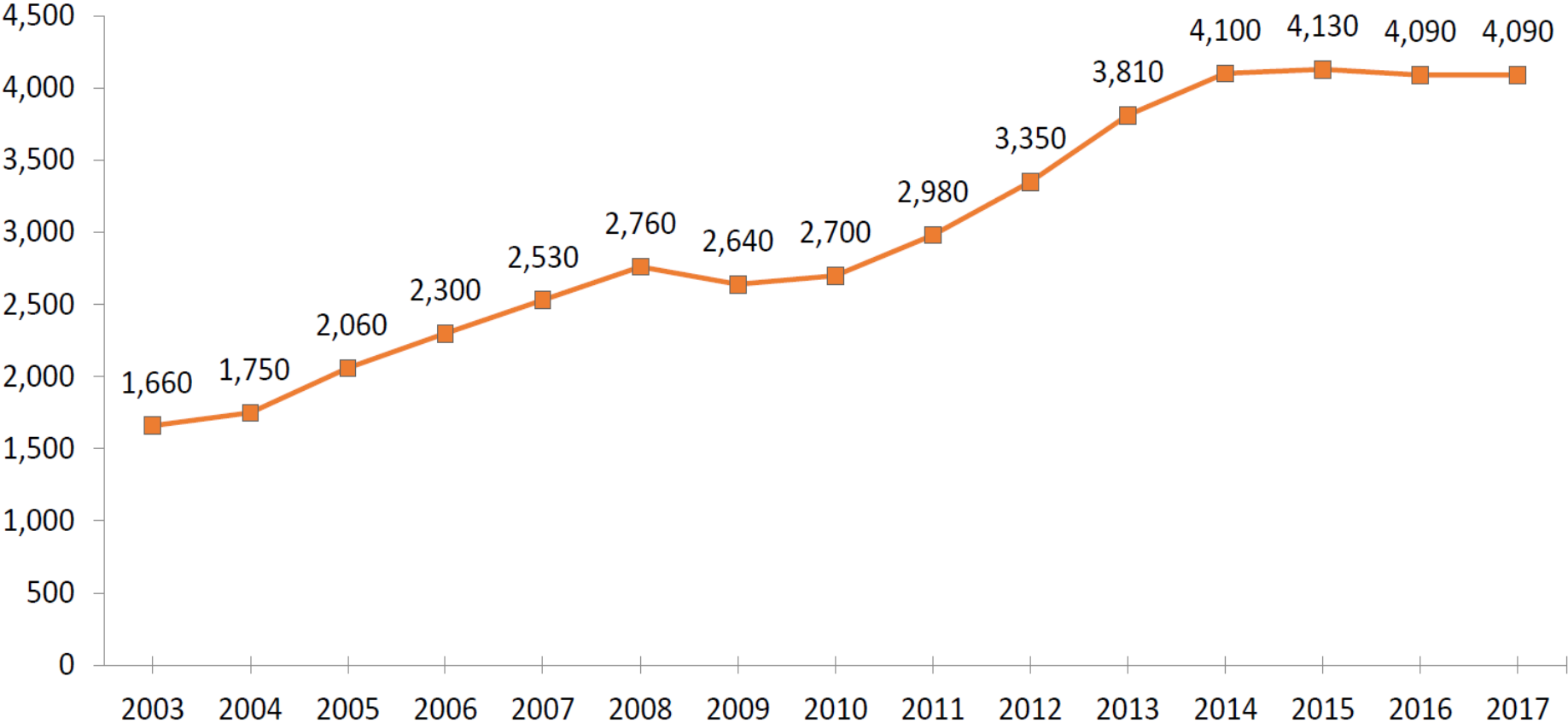
Note: F = forecast.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of August 30, 2017.

Average cropland values have remained unchanged across the nation.

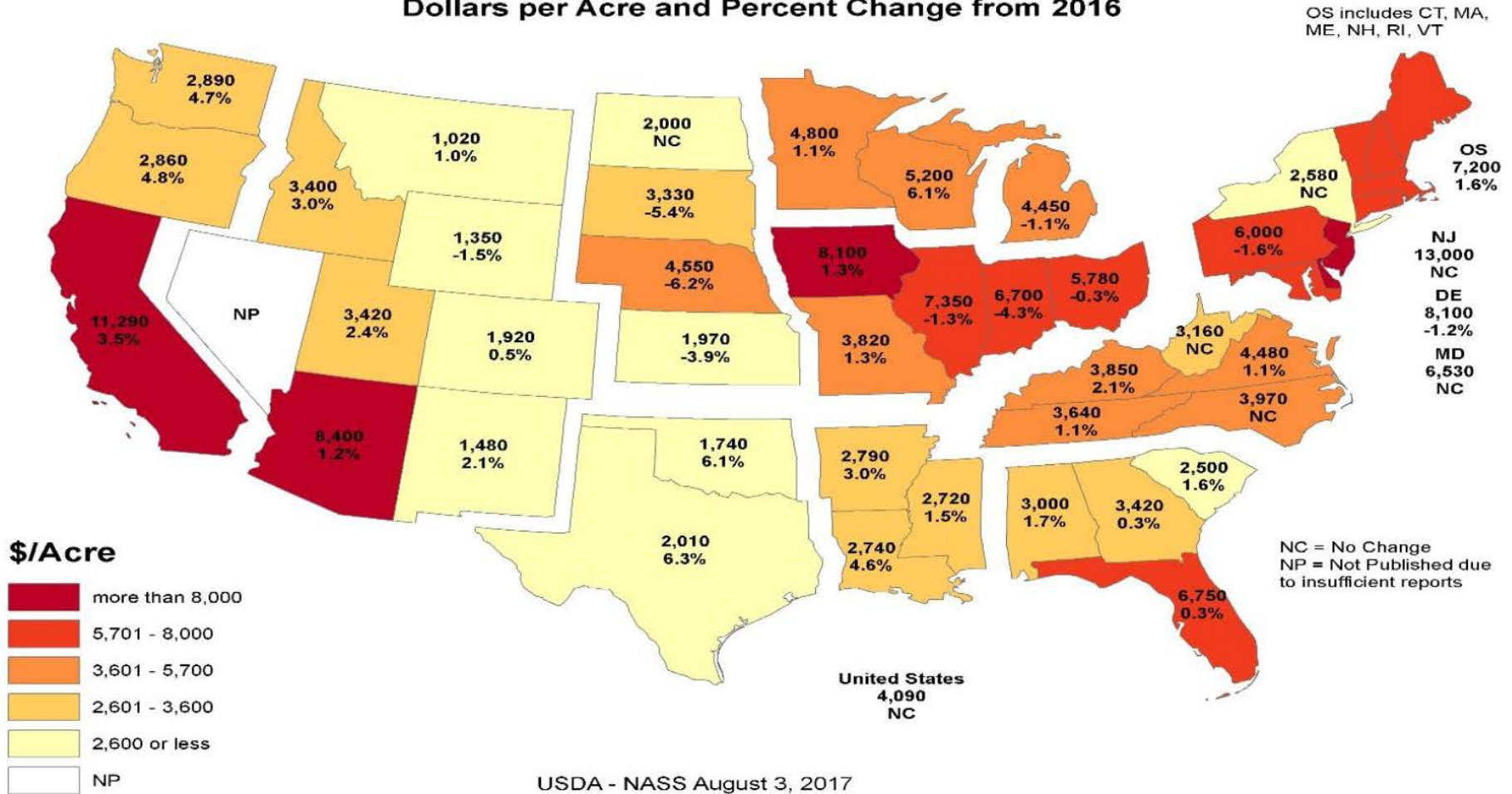
Dollars per acre



USDA - NASS
August 3, 2017

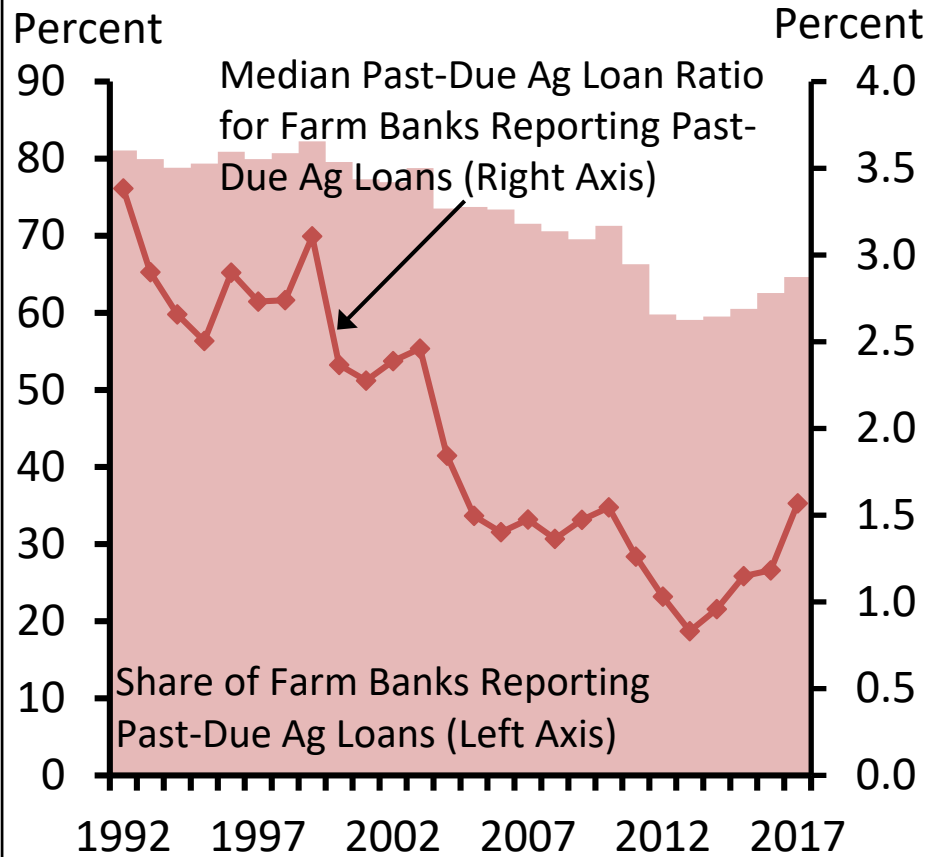
Cropland values vary by state with several corn belt and Midwest states reporting declines.

Dollars per Acre and Percent Change from 2016



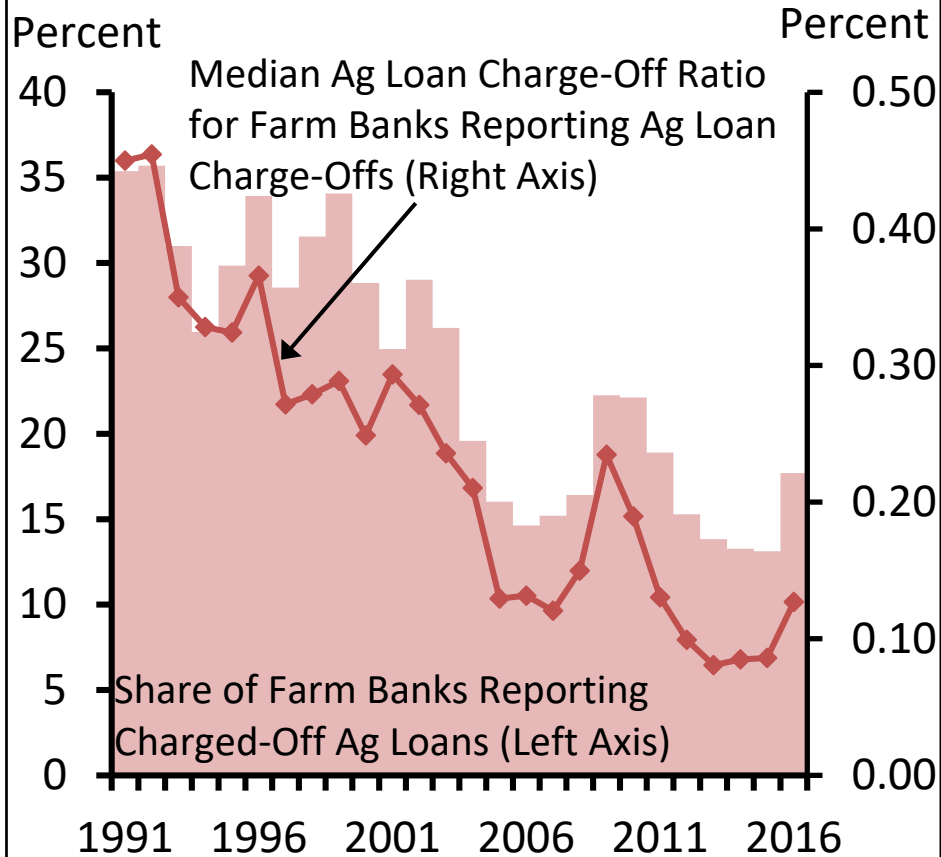
Agricultural loan past-dues and net charge-offs have increased as farming conditions continue to weaken.

Agricultural Loan Past-Dues



Source: FDIC, 1Q data.

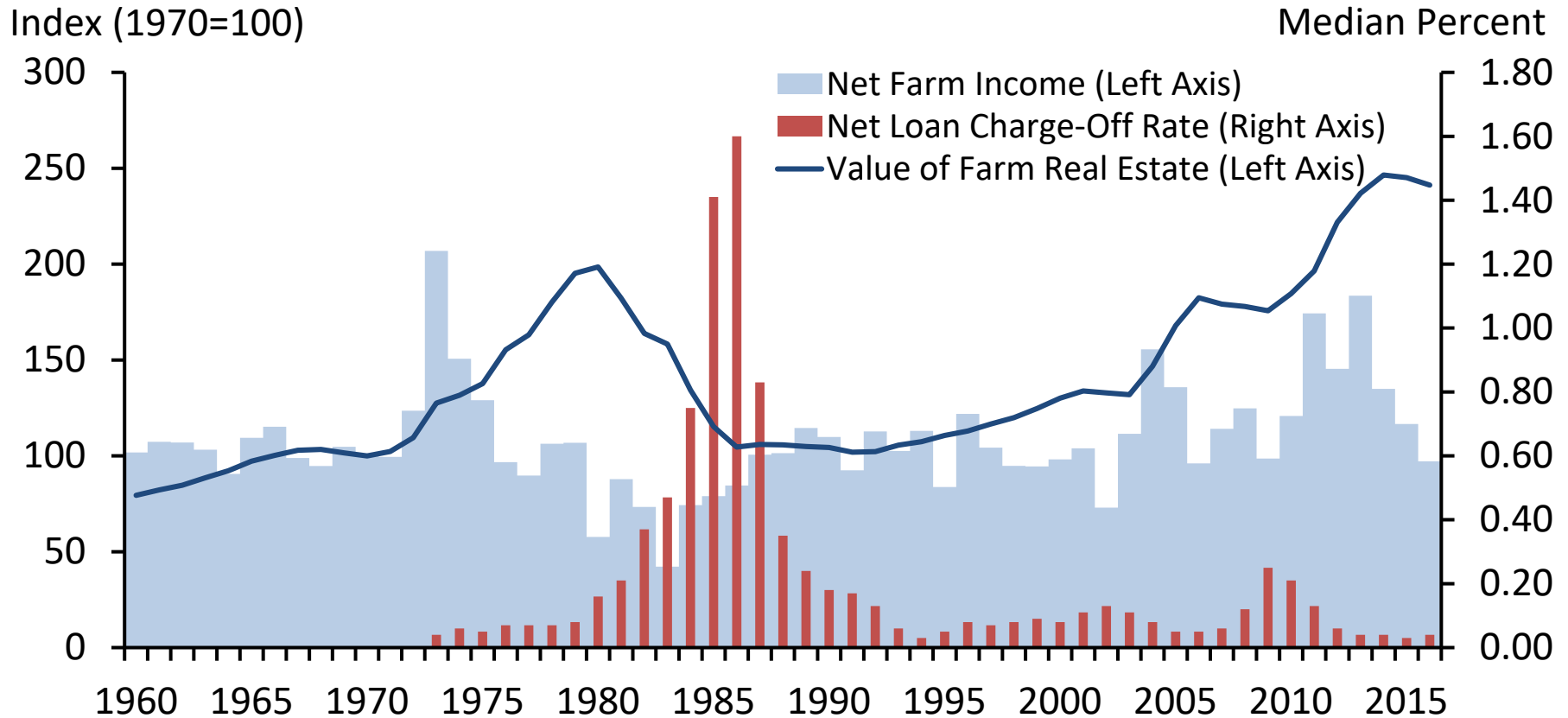
Agricultural Loan Charge-Offs



Source: FDIC, 4Q data.

Bubble conditions were evident leading up to the 1980s agricultural crisis, and led to large losses at farm banks.

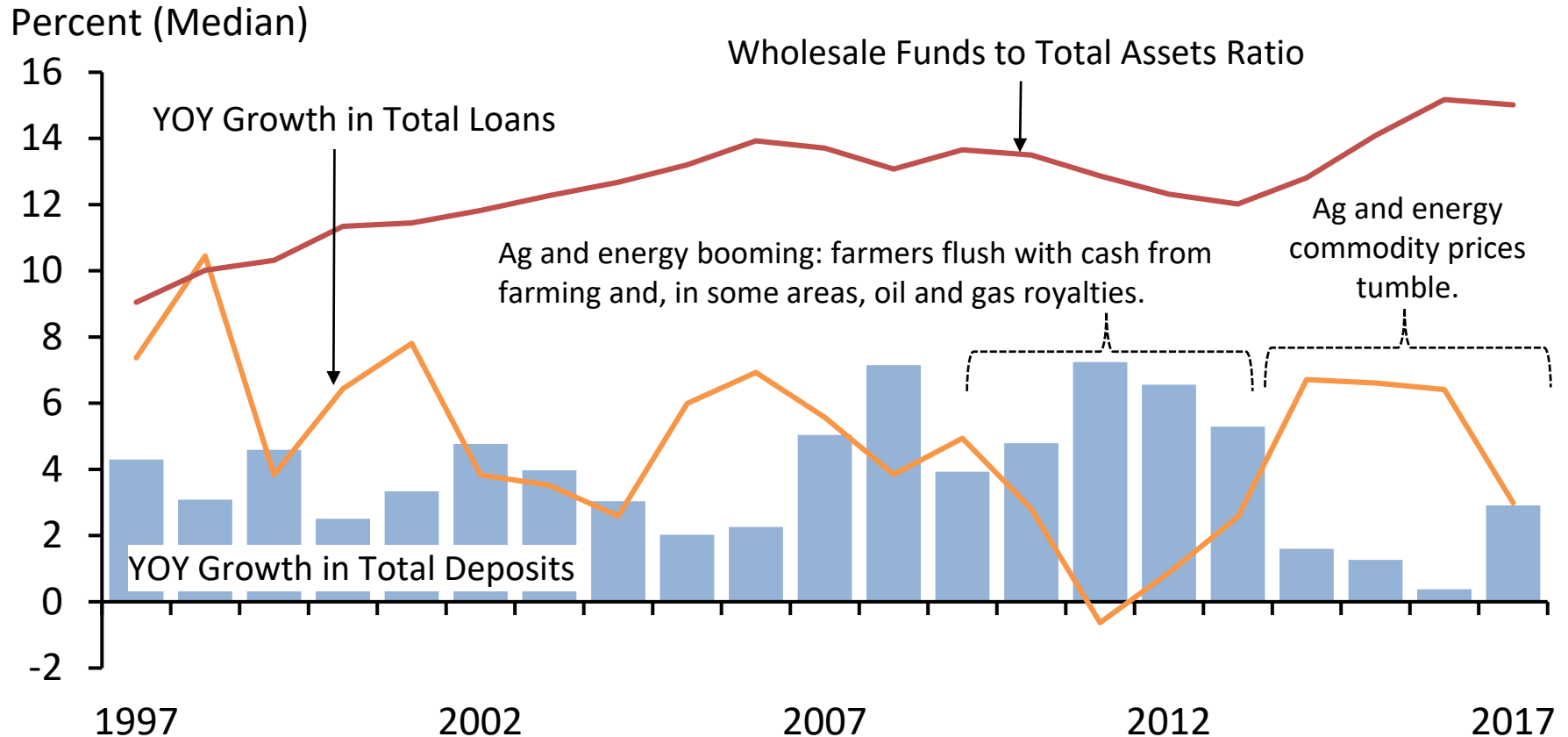
Note: There were 297 farm bank failures between 1977-1993. The peak years were 1984-1986.



Sources: FDIC, 4Q data, farm banks; USDA, annual data (Haver Analytics).

Notes: Net farm income and value of farm real estate are inflation-adjusted. Net loan charge-off data series began in 1973; charge-off rates shown are for total loans of farm banks.

Credit remains available for credit-worthy borrowers but funding has become tighter for some farm banks.



Source: FDIC, 1Q data, farm banks.

Note: Wholesale funds include brokered deposits, listing service deposits, foreign deposits, state and municipal deposits, and other borrowings including FHLB advances.

Final thoughts:

- Net farm income is forecast to increase in 2017 after three years of consecutive declines.
- Crop prices are expected to remain depressed.
- Increased beef supply will keep cattle prices from making any significant improvements through most of 2018.
- The weakening U.S. dollar should help agriculture exports.
- Farmland values remain relatively strong for the nation as a whole.
- Agricultural loan past-dues and net charge-offs have increased as farming conditions weakened over three consecutive years.

Questions