

# Macroeconomy Update

Risk and Profit Conference

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August 17, 2022

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After snapping back from the COVID-19 Pandemic, the U.S. economy's pace of growth has slowed and even contracted.

Real GDP Percent Change from Preceding Quarter



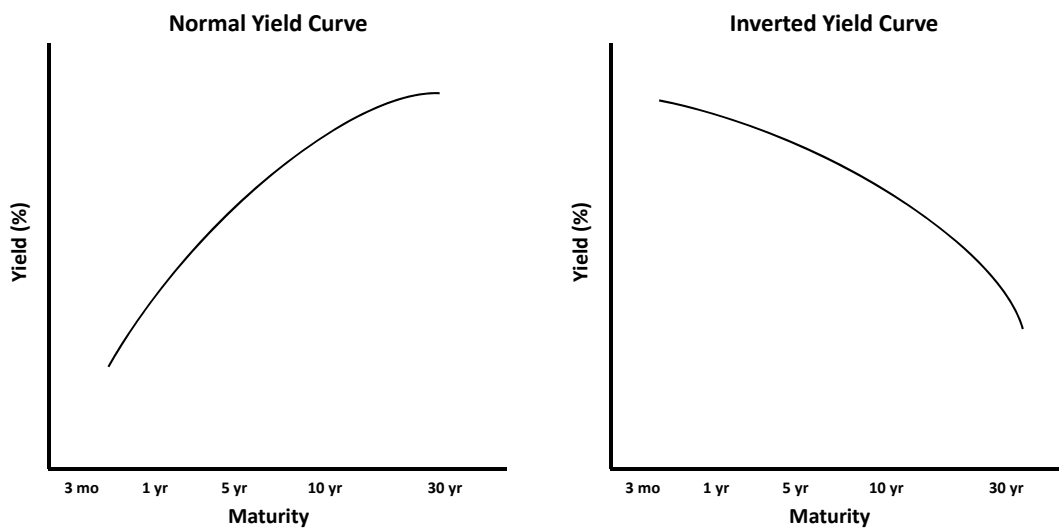
Source: Bureau of Economic Analysis and Wall Street Journal (WSJ) July 2022 Forecast Survey (Average)

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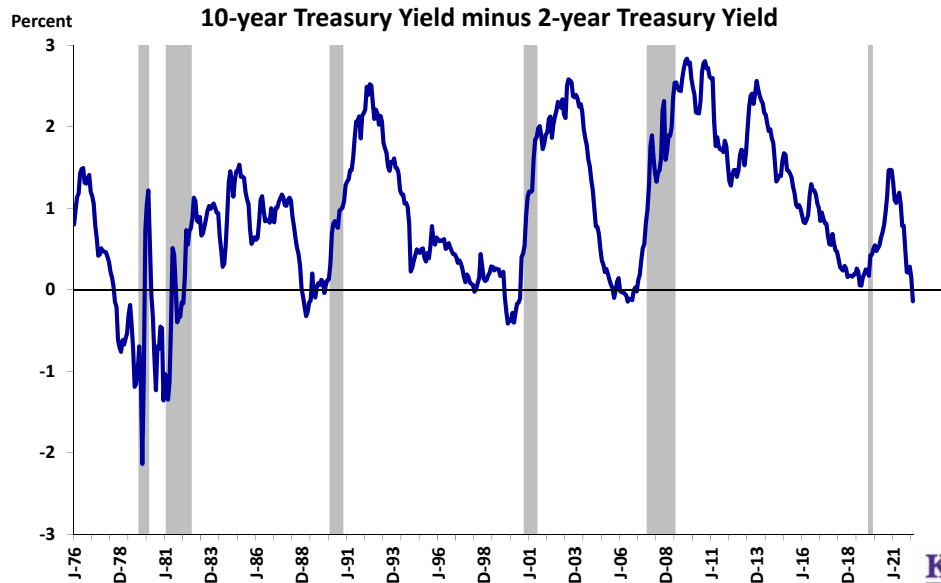
So, are we in a recession?

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A leading indicator of the U.S. entering a recession tends to be an inverted yield curve.

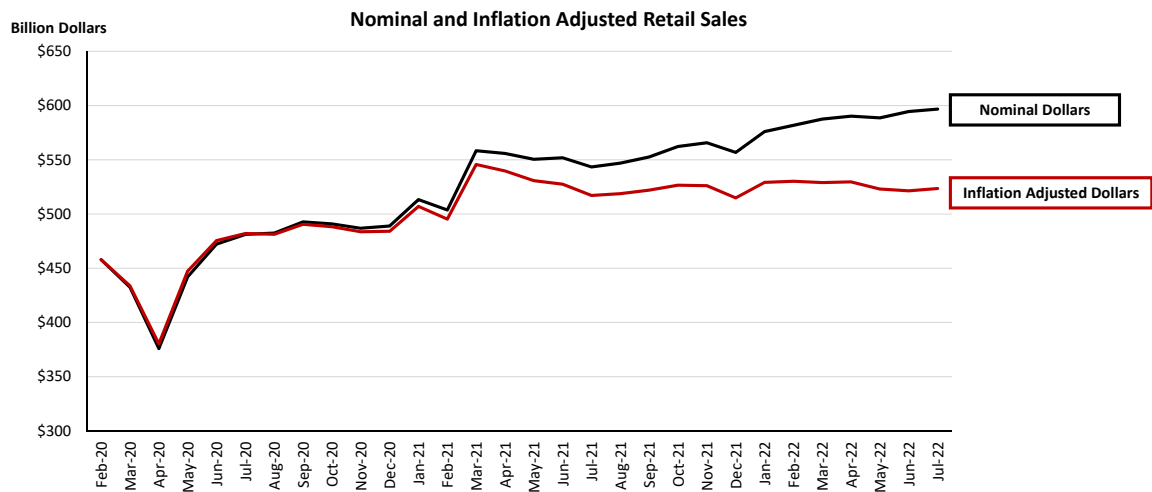


An inverted yield curve suggests the U.S. might move into a recession.



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Retail sales are rising, but in nominal terms. Inflation adjusted retail sales indicates consumer demand is slipping.

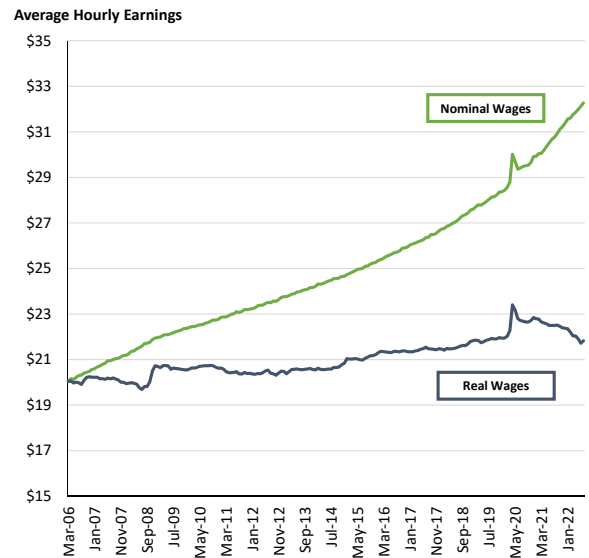


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## The labor market appears to be tight, and wages are not keeping up with inflation.



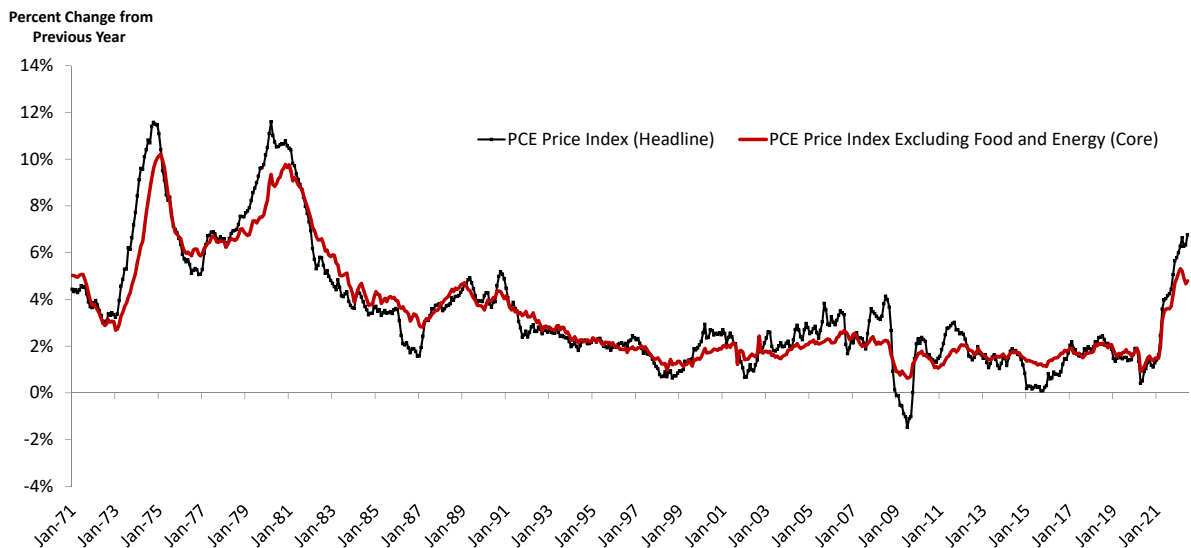
Source: U.S. Bureau of Labor Statistics



Source: U.S. Bureau of Labor Statistics and Consumer Price Index

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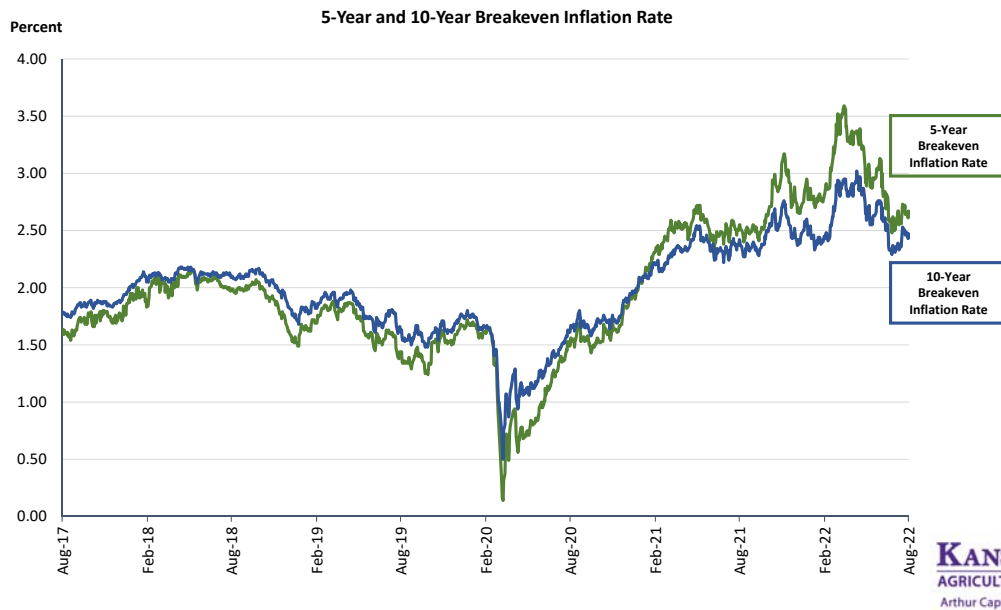
## Personal consumption expenditures price indices are on the rise...how high will they go?



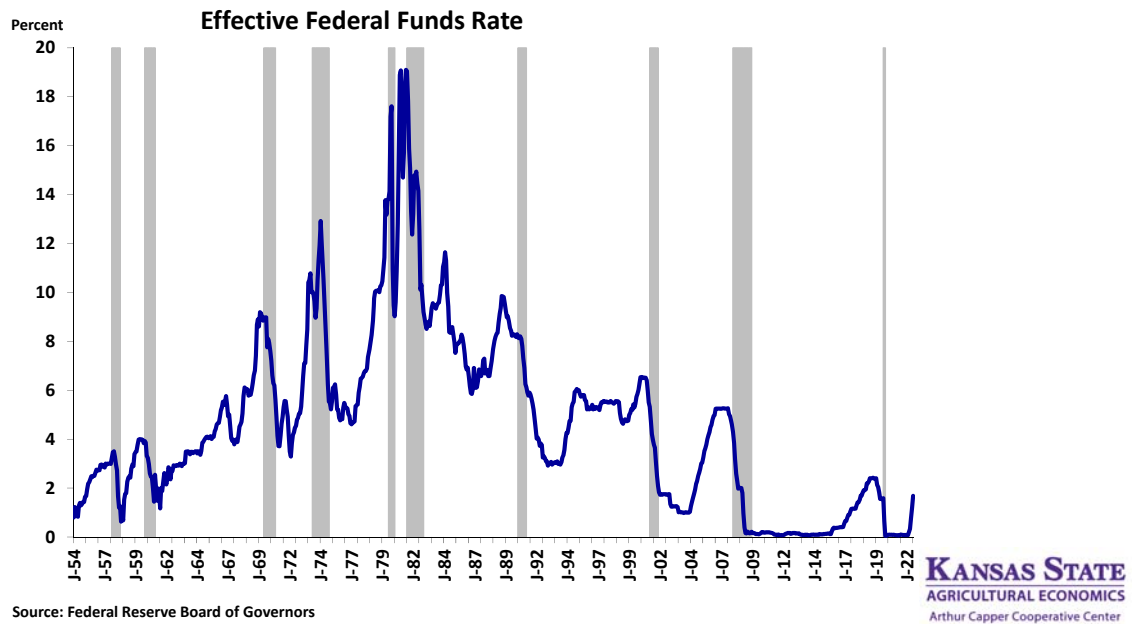
Source: U.S. Bureau of Economic Analysis

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Near term inflation expectations are higher than longer term expectations, and both are coming down from recent highs.

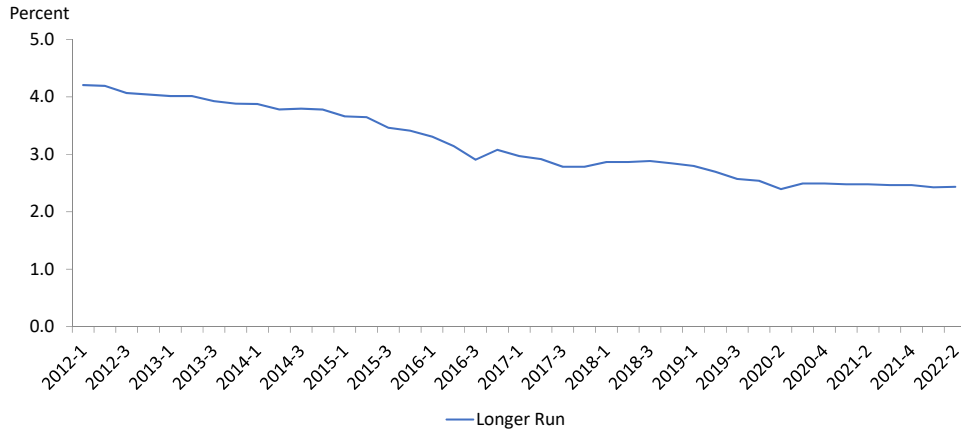


After a protracted period of exceptionally low interest rates, the Fed is starting to raise interest rates.



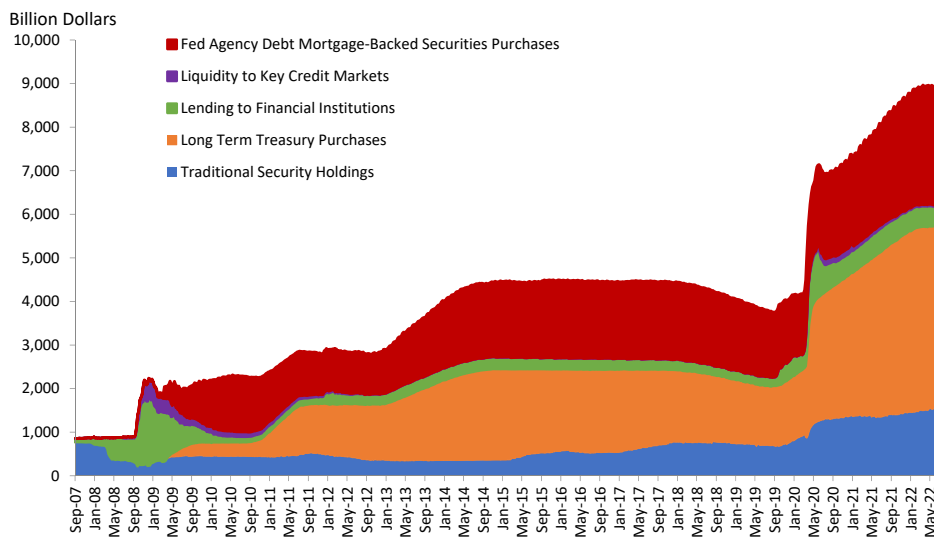
# Federal open market committee (FOMC) continues to project lower long-term Fed Funds Rate

FOMC Average Mid-Point Longer Term Interest Rate Projection



Source: Federal Open Market Committee (FOMC) Projections materials

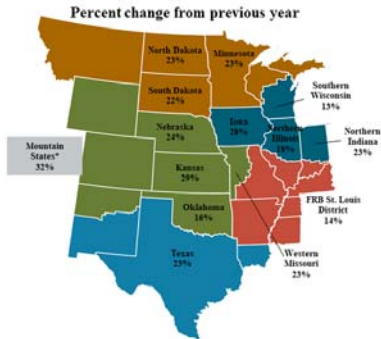
# The Federal Reserve's balance sheet is nearly \$9 trillion...what does that mean for the economy?



Source: Federal Reserve Bank of Cleveland

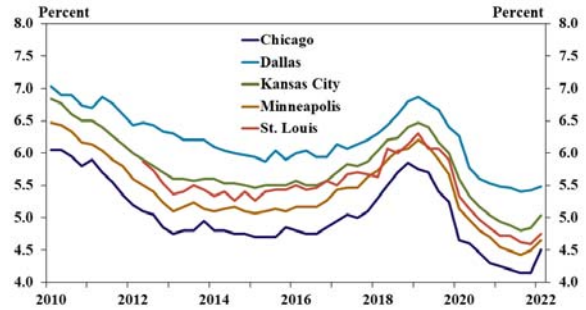
# What does this mean for agriculture?

Map: Nonirrigated Cropland Values, First Quarter 2022



\*Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.  
Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.

Chart 2: Average Fixed Interest Rates\*



\*Average of fixed rates on agricultural loans of all types—operating, intermediate and real estate.  
Note: St. Louis survey began Q2 2012. Chicago District includes only operating and real estate loans.  
Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.

How should I position myself and/or my business/farm to navigate higher interest rates?

## Generations of people have not experienced inflation...will they know what to do?

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Washington, D.C., resident Jordan Berry said she has been feeling the squeeze of higher prices. The 21-year-old is taking a year off from college and spending that time as a babysitter, tutor and personal cook. She says she has been hit by higher grocery prices and Uber rides to and from clients.

"The amount of money I'm spending right now is kind of ridiculous," she said. "It does make me nervous."

"I literally went to Whole Foods and Trader Joe's recently and we spent probably the same amount of money and got a lot less things" compared with grocery trips earlier this year, she said.

The other day, Ms. Berry tried to book an Uber to a babysitting job 4 miles from her home and cringed at the proposed \$30 fare. She waited 15 minutes until the fare came down. "Uber prices have been draining my pocket," she said.

Recently, Ms. Berry added, someone hired her to cook two meals and the ingredients cost \$100—leading her to charge her client more.

Fed officials are watching inflation measures closely to gauge whether the recent jump in prices will be temporary or longer lasting. One such

Source: Wall Street Journal

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## How should farms and agribusinesses respond?


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- Build your balance sheet
  - Increase liquidity
  - Use debt wisely
- Be extremely efficient
  - Pour over your operation to increase efficiency
  - Control costs
- Still look for opportunities to expand or improve your operation
  - Opportunities will emerge

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# Thank You and Questions

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