



OSU Rural Economic Outlook Conference

State Banking Department Senior Examiners

Kendall McDaniel, Randy Willard, and Gwen Wright attended the OSU Rural

Economic Outlook Conference held on October 20. Below is a synopsis of the

topics discussed.

Economic

Outlook for the 10th District

- 10th

District has the most agriculture dependent counties in the nation.

- The U.S. economy continues to grow at

a moderate pace.

- Low commodity prices weighed on the

Oklahoma economy in 2015 and 2016, but the economy has stabilized in 2017.

- Farm income is expected to remain low

in the nation, the District, and Oklahoma, but has shown recent signs of

stabilizing.

- Agricultural credit conditions remain

a concern, and have continued to weaken. But the pace of deterioration

has slowed.

U.S. Farm Policy

- If farm

bill is extended, estimates are that 77% of spending will be in nutrition

programs (primarily SNAP) over the next 10 years.

- U.S.

cropland rental rates have spiked since 2007 peaked in 2015, declining slightly

in 2016, with estimates showing a gradual increase through 2022. Oklahoma

cropland rental rates have largely been stable and way lower than the national

average.

- National

farm real estate values are significantly higher than in Oklahoma and exhibit a

sharp increase through 2016; however, a slight decline has occurred nationally

in 2017 while Oklahoma's farm real estate values have been increasing steadily

through 2016, with a slight pull-back in certain areas in 2017.

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Bank Board Meeting:

December 20, 2017

Credit Union Board Meeting:

TBA

· The farm debt/asset ratios have been increasing from about 2011 through current and projected to continue increasing through 2022.

· Oklahoma's wheat crop as a whole was considered of below average quality in weight and protein content in 2016 and 2017 compared to the national benchmark, thus having a negative effect on our state economy.

· Basically, there is a global surplus of good quality wheat and beef which hurts the Oklahoma economy, particularly during the energy downturn.

· Additionally, foreign competitors who used to be at a disadvantage to the U.S. in agriculture are now benefitting from increased technology and farming methods and are changing the world import/export environment.

· Primarily Russia has acted to flood the world market with the highest volume and quality of wheat.

· U.S. farmers/ranchers by in large are being squeezed by an unfavorable commodity and beef situation. Most farm debt at banks is being propped up by low interest rates, real estate collateral values, and government subsidies, while debt terms are being extended so farmers can pay. If interest rates increase very much more, it appears we will see foreclosures pick up significantly.

Current Ag Finance

Situation

· Forecasts for 2017 show some optimism with both net cash income and net farm income up.

· Many farmers have to decide to sell equipment or land and keep only the base of what they need in order to make payments.

· 10th District conditions are weakening somewhat, but not dramatically.

· 27% sampled are having minor repayment issues and 2.2% having major repayment issues.

· Farm real estate values showing modest declines to very minimal in Oklahoma.

How Increased Dependence on Trade Impacts

the Farm Economy

· U.S.

continues to be the largest Ag exporter in the world, but our share has shrunk

in certain crops as other nations have improved their agriculture methods.

· U.S.

consumers spend the least on food relative to income of any country in the

world, but also by far spend the most in terms of dollars.

· There is

an argument that NAFTA has worked, as U.S. exports increased by 192% from 1994

to 2016 and exports to Canada and Mexico increased by 288% during the same

period.

· Our

imports from Canada and Mexico have also increased which has helped those

countries.

· Recent

negotiations with China appear to have China purchasing more beef from the U.S.

within the next few years which should help relieve the current surplus and

help the U.S. and Oklahoma economies. However, the optimism is cautious

since China is notorious for not following through on trade deals or operating

outside agreements.

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