





Macro Ag Update – Appraisal Institute

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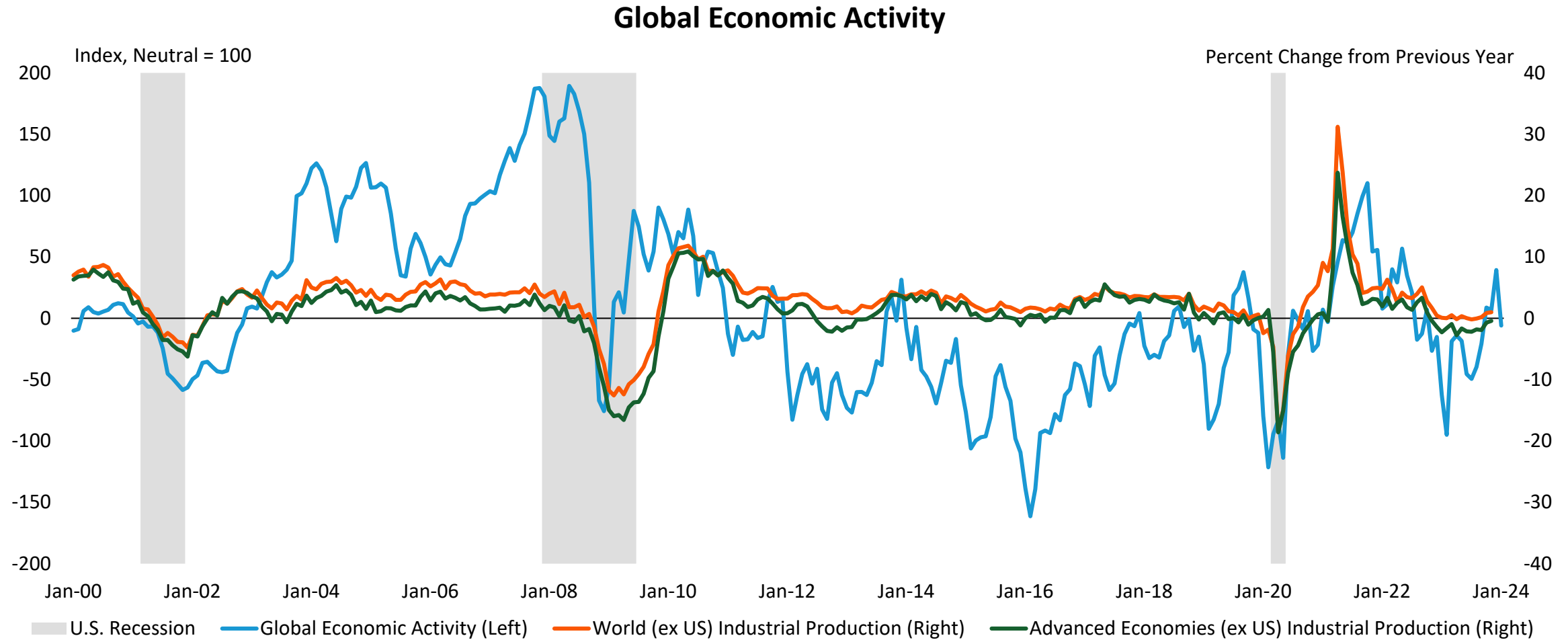
Speaker's Suggested Agenda... but ask questions!

“It’s tough to make
predictions, especially about
the future”
~ Yogi Berra

- 1 Global Economic Outlook**
- 2 U.S. Economic Outlook**
- 3 Is a ‘Soft Landing’ Possible**
- 4 California Ag Update**



Global growth is sluggish to start 2024

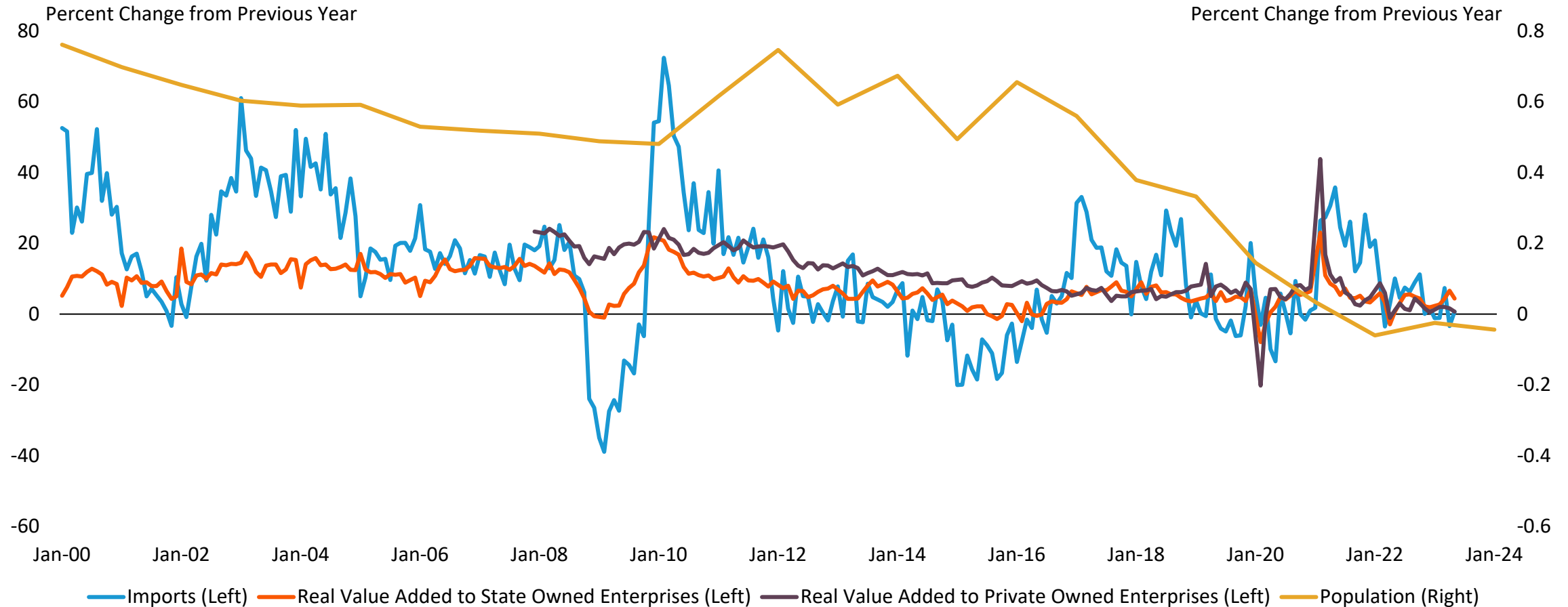


Source: Federal Reserve Banks of Dallas and St. Louis, Terrain.



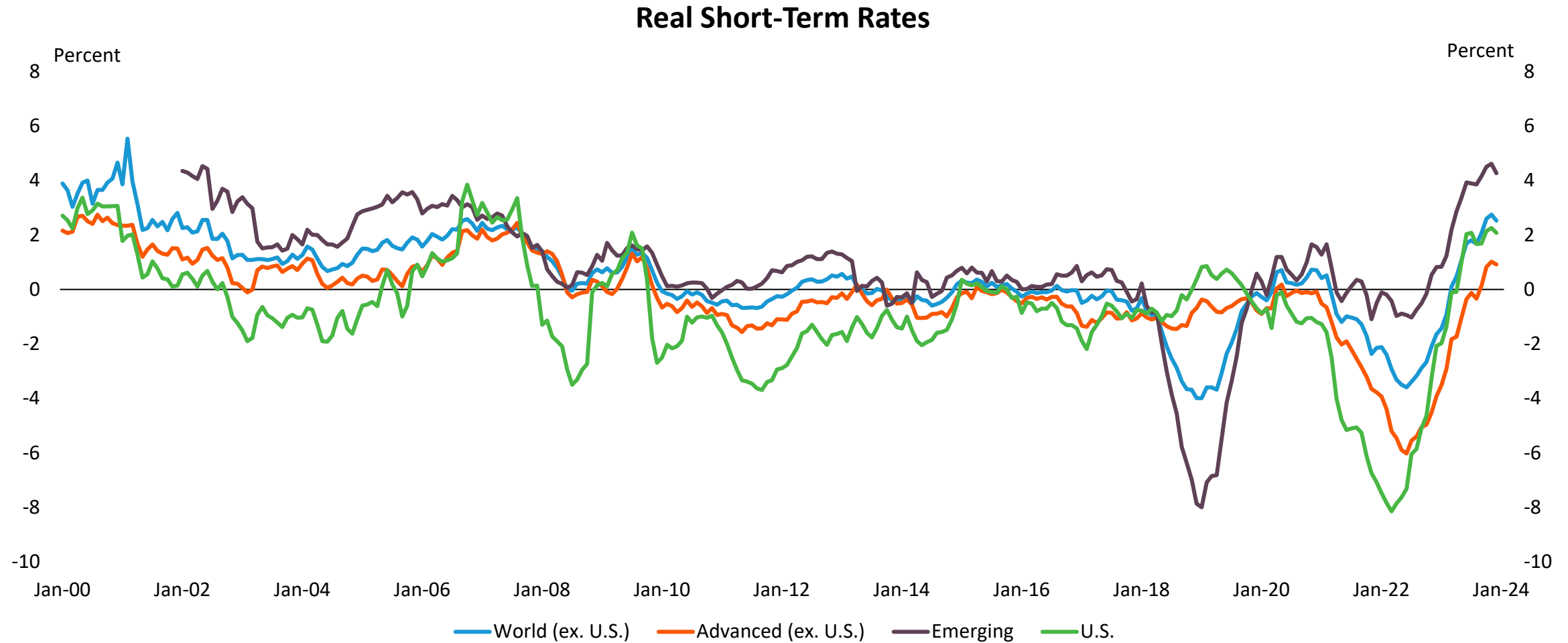
Some of the sluggishness is due to China

China's Population and Consumption



Source: Federal Reserve Banks of Atlanta, IMF, Terrain.

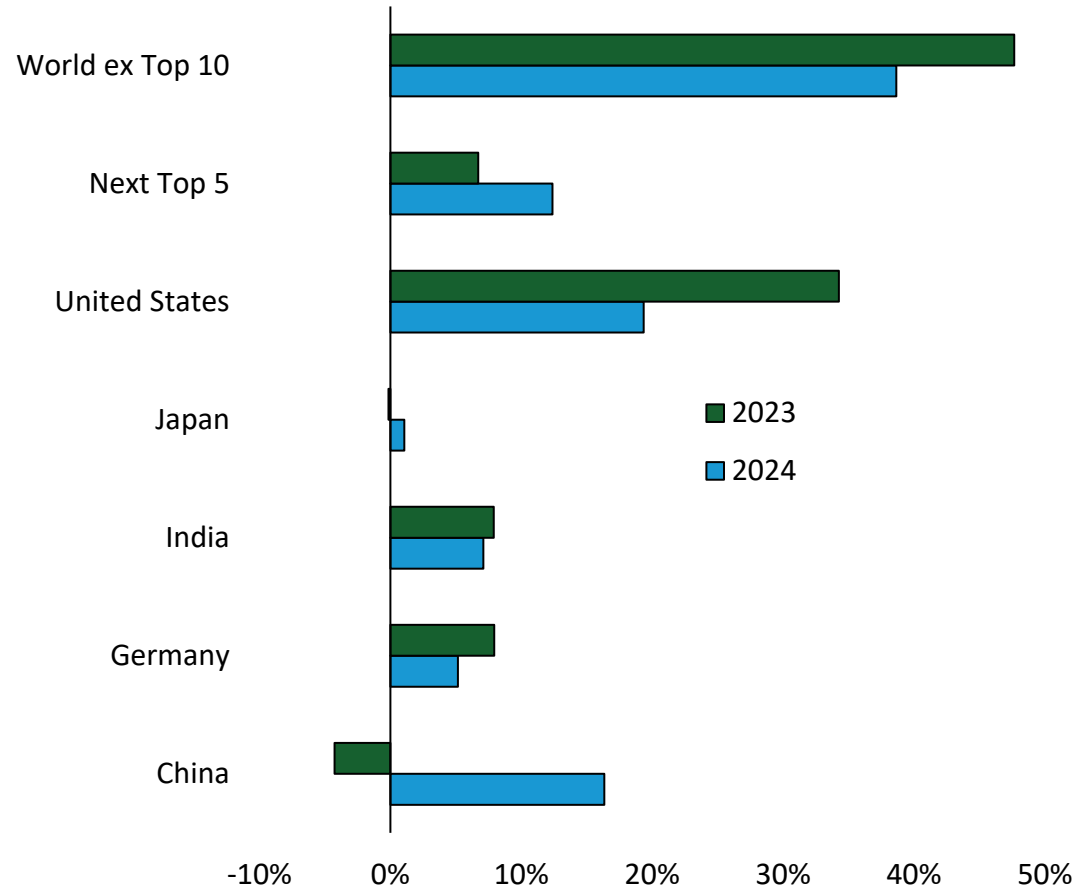
Some of the sluggishness is real rates



Source: Federal Reserve Bank of Dallas, Terrain.

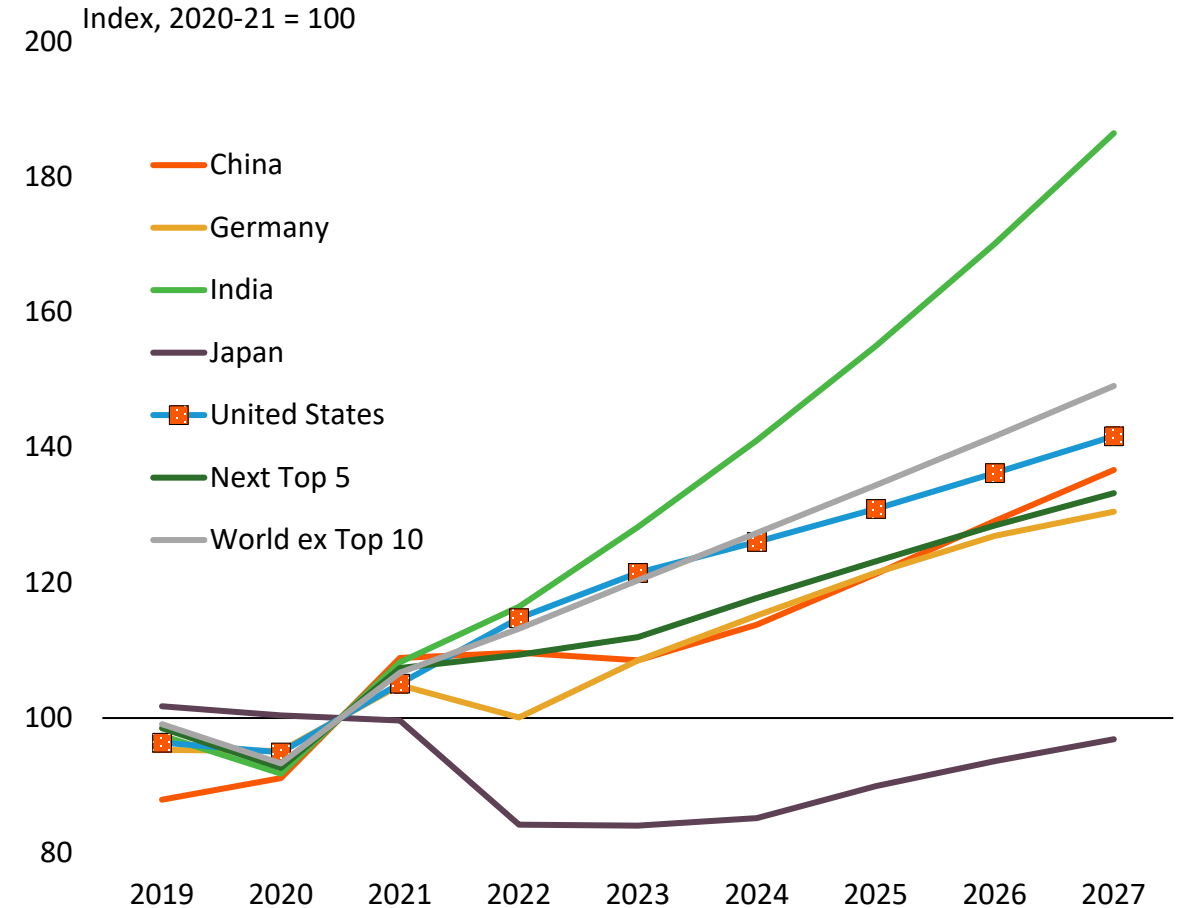
■ ■ ■ *But* the U.S. performed very well in 2023

Contribution to Change in Global GDP



Source: IMF, Terrain

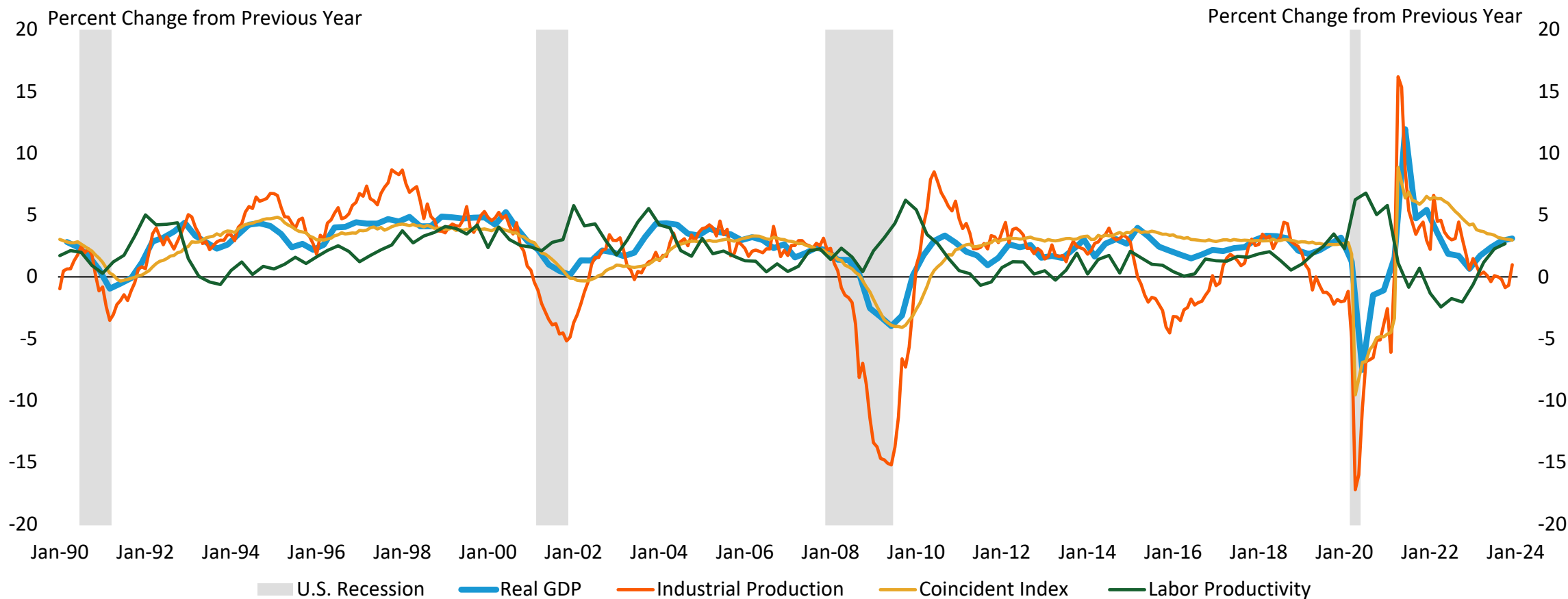
GDP Growth Moving Forward





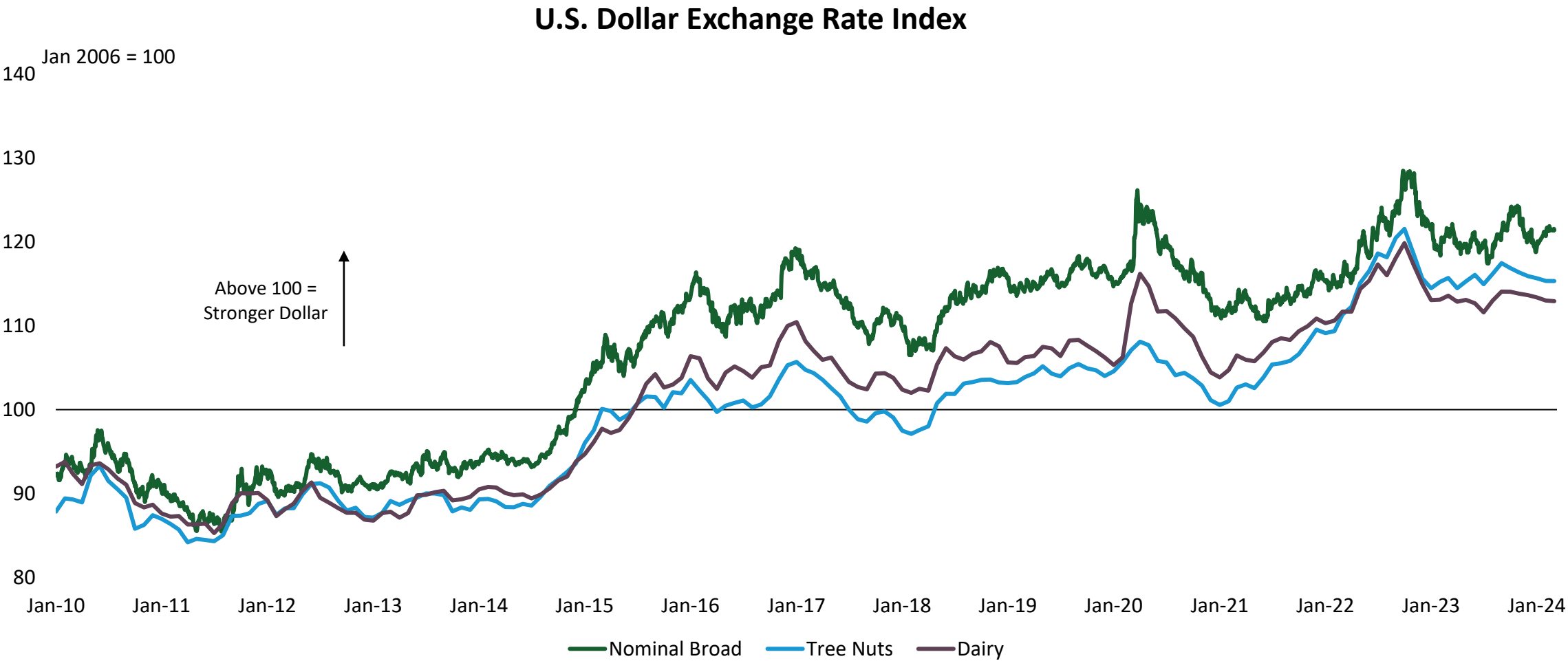
And headline U.S. data starts the year well

U.S. Economic Activity



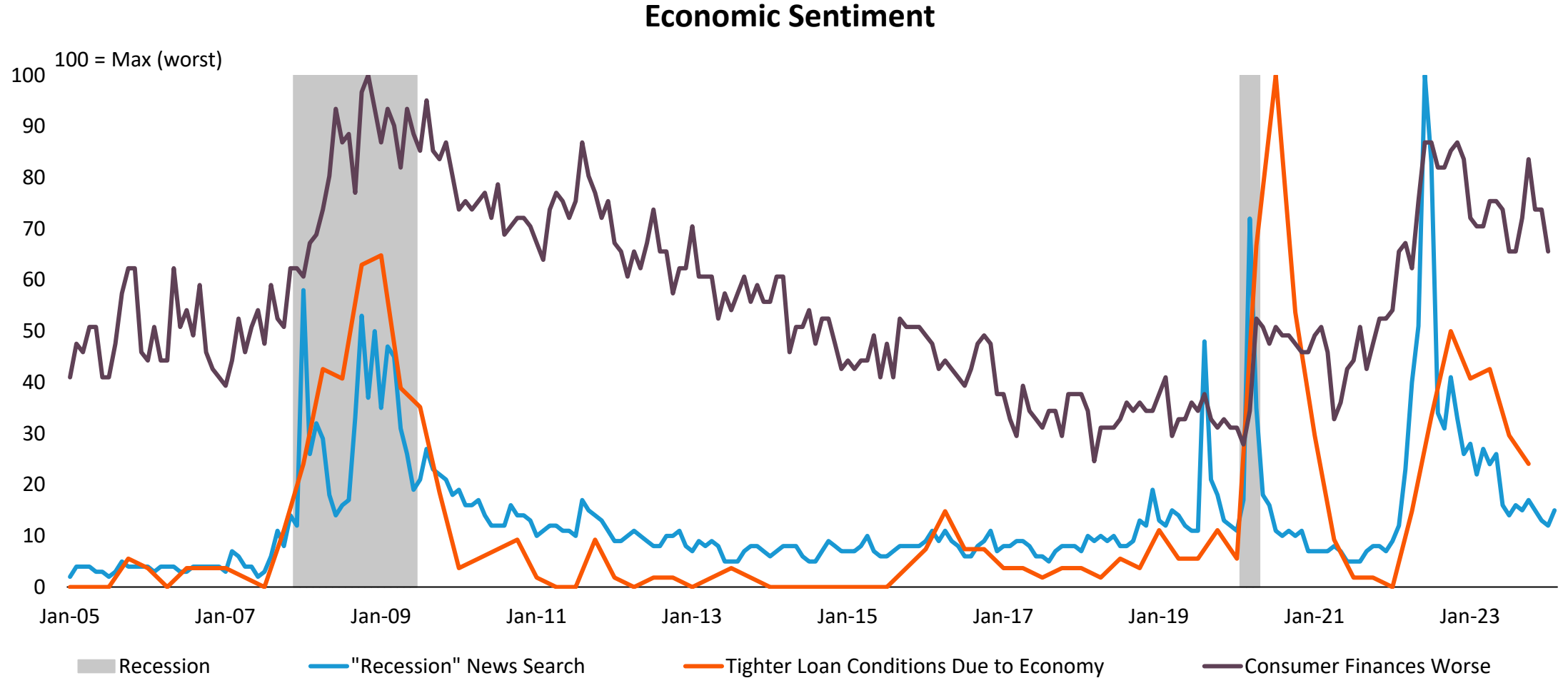


The U.S. Dollar tells the story too..



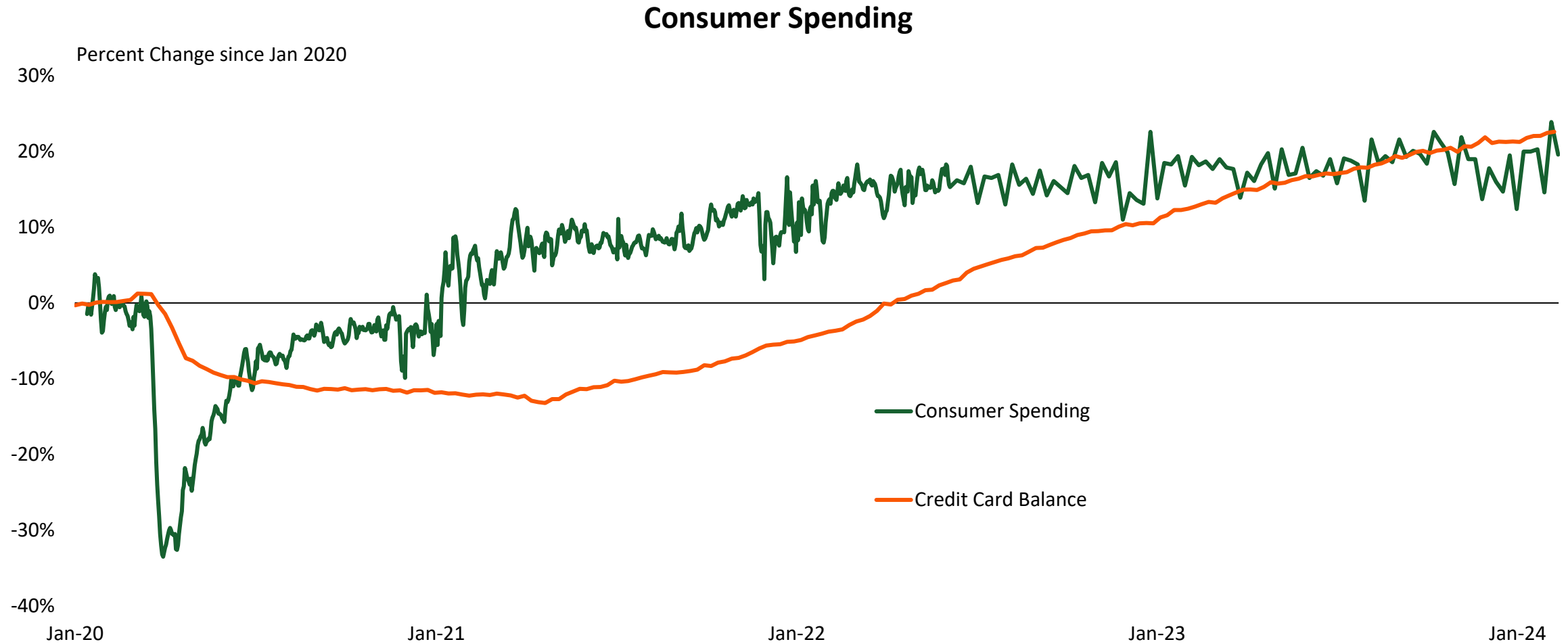
Source: Federal Reserve Bank of St. Louis, USDA ERS, Terrain.

■ ■ ■ Sentiment is also starting to improve



Sources: University of Michigan Survey of Consumers, Federal Reserve Bank of St. Louis, Good Trends, Terrain.

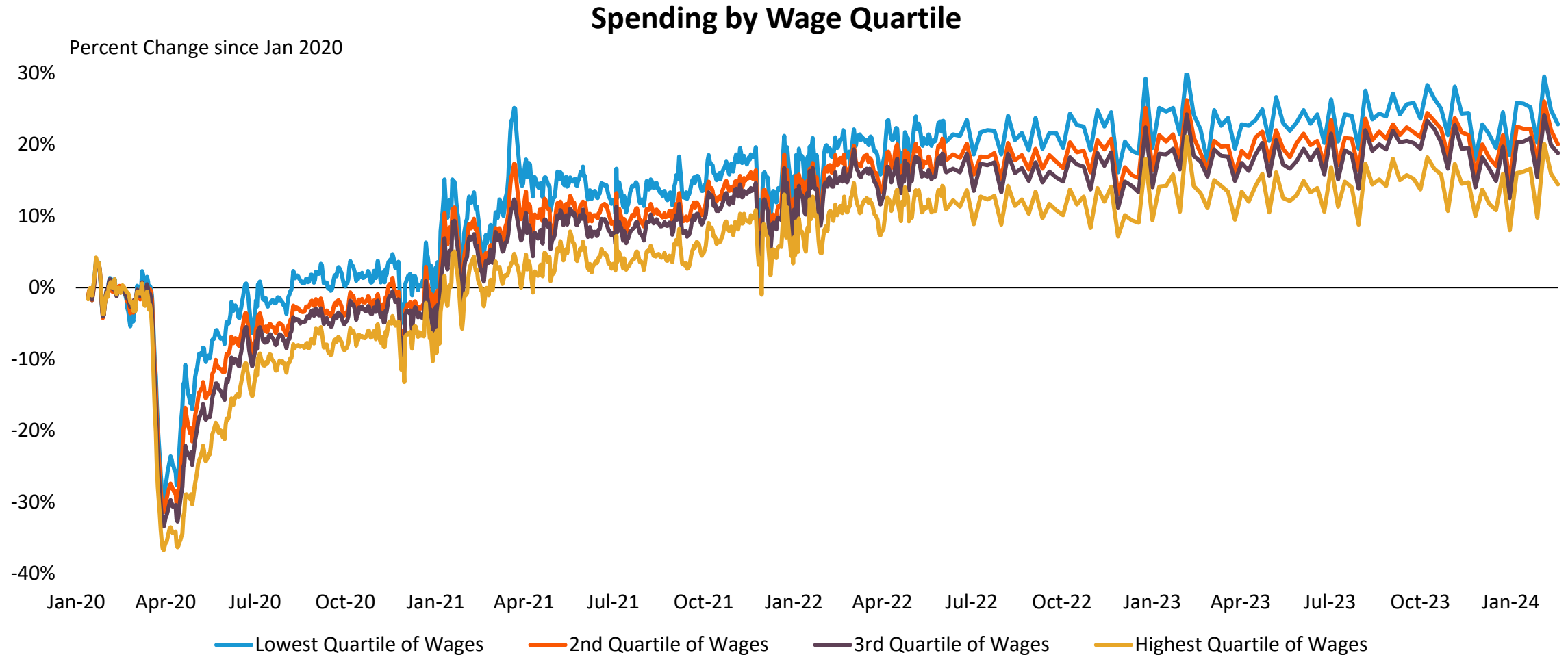
■ ■ ■ The consumer has been the driving force



Source: Federal Reserve Board of Governors, Federal Reserve Bank of St. Louis, Affinity Solutions, Economic Tracker at <https://tracktherecovery.org>, "The Economic Impacts of COVID-19: Evidence from a New Public Database Built Using Private Sector Data", by Raj Chetty, John Friedman, Nathaniel Hendren, Michael Stepner, and the Opportunity Insights Team. November 2020. Available at: https://opportunityinsights.org/wp-content/uploads/2020/05/tracker_paper.pdf

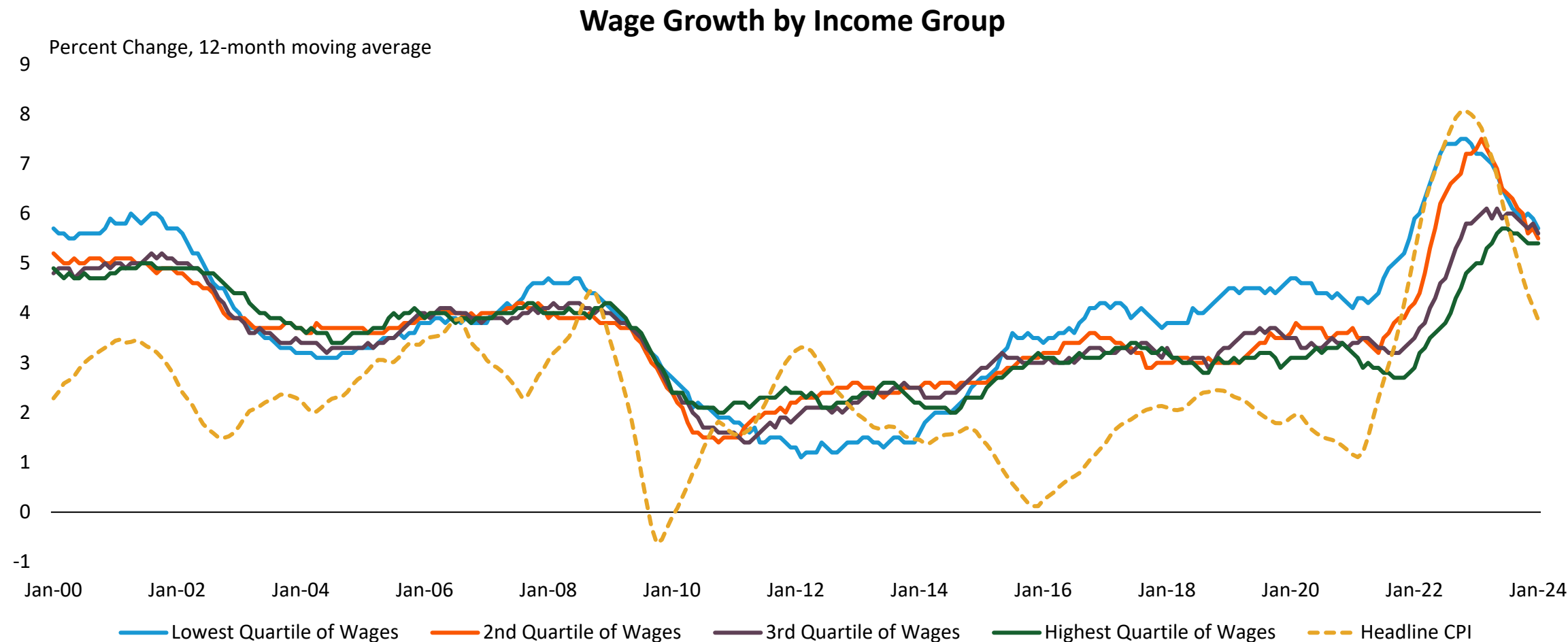


Everyone is joining on the spending train



Source: Federal Reserve Board of Governors, Federal Reserve Bank of St. Louis, Affinity Solutions, Economic Tracker at <https://tracktherecovery.org>, "The Economic Impacts of COVID-19: Evidence from a New Public Database Built Using Private Sector Data", by Raj Chetty, John Friedman, Nathaniel Hendren, Michael Stepner, and the Opportunity Insights Team. November 2020. Available at: https://opportunityinsights.org/wp-content/uploads/2020/05/tracker_paper.pdf

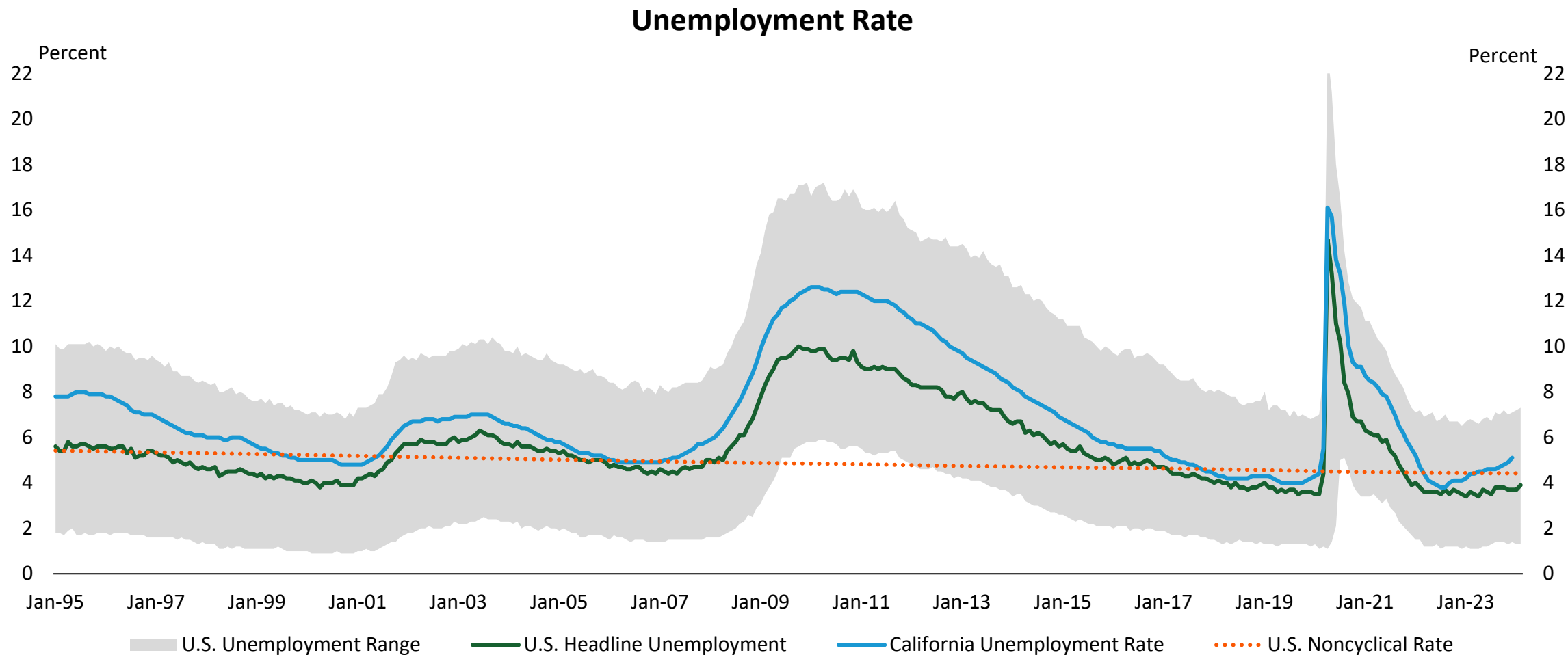
■ ■ ■ The spending is consistent with wage gains



Source: Federal Reserve Bank of Atlanta, BLS, Terrain.

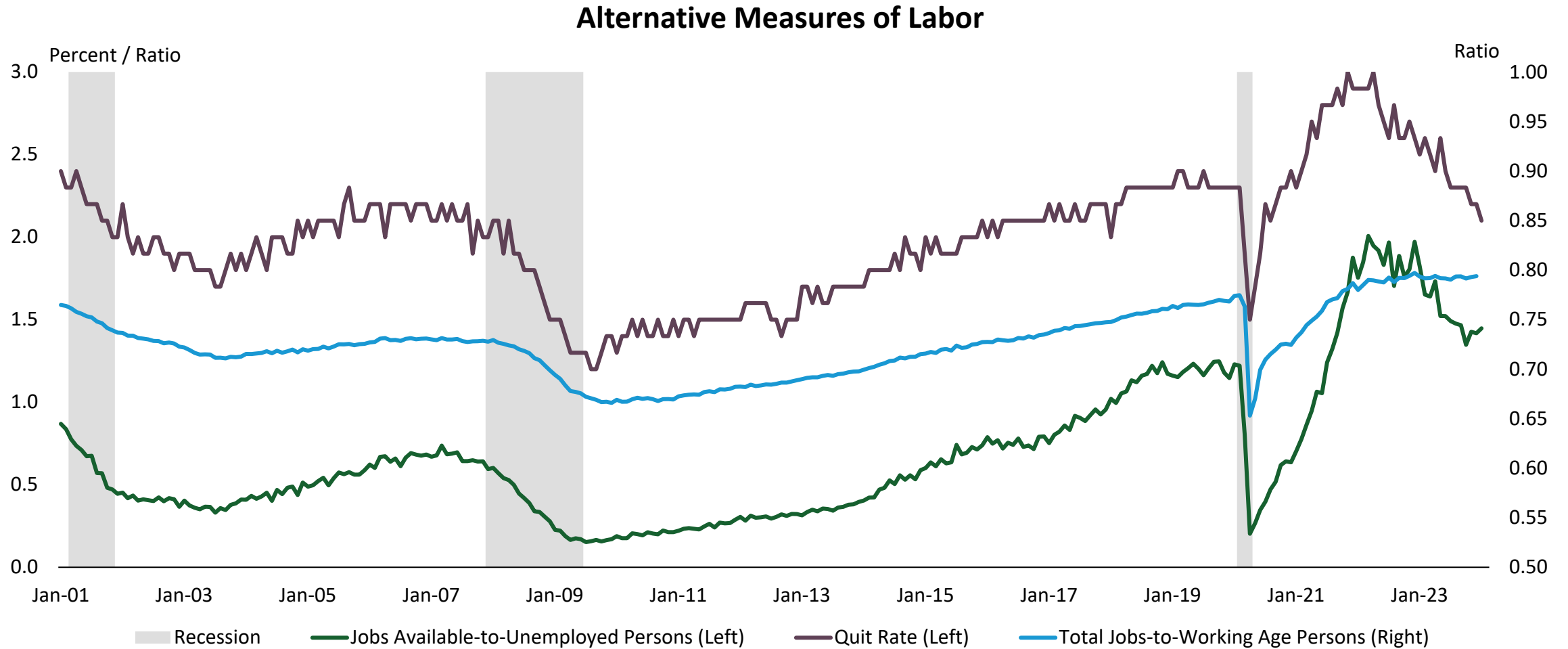


The labor market has also been a key driver



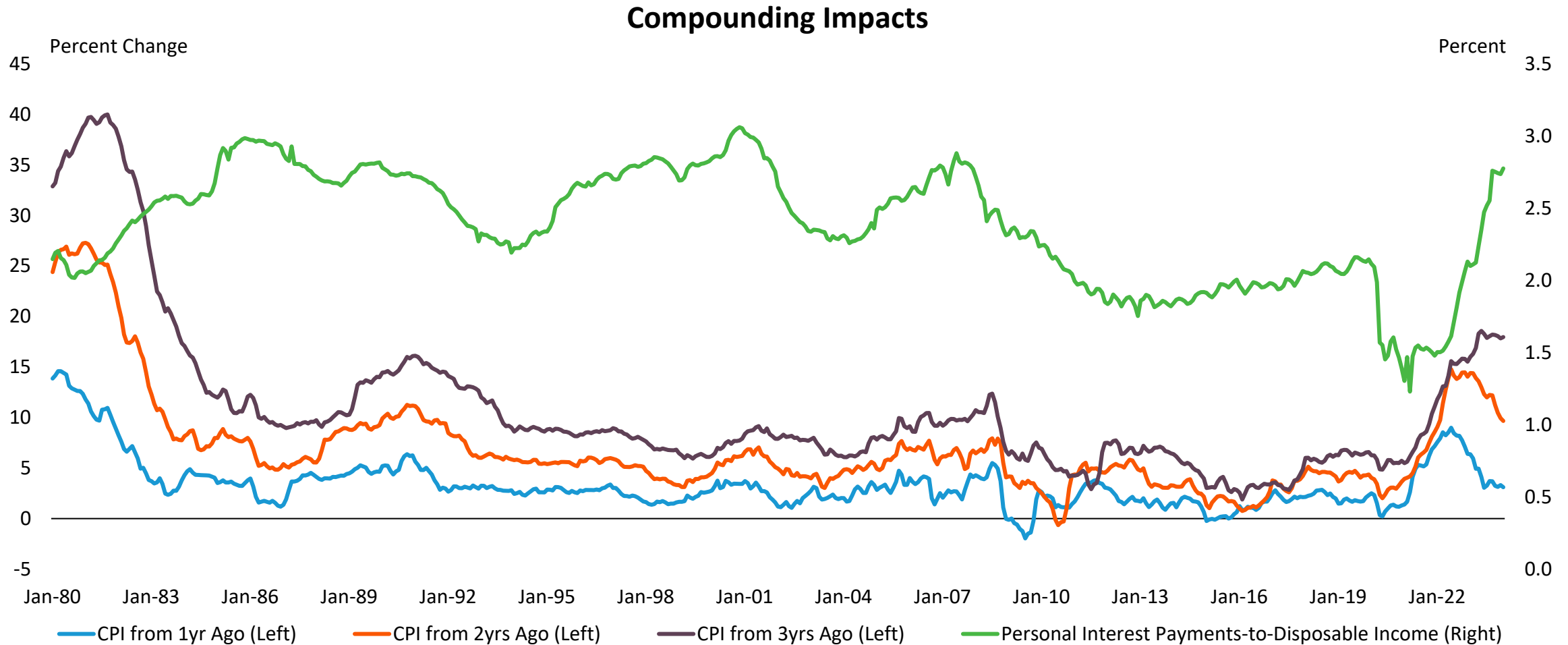
Sources: BLS, CBO, Federal Reserve Bank of St. Louis and Terrain.

Is the labor market cooling?



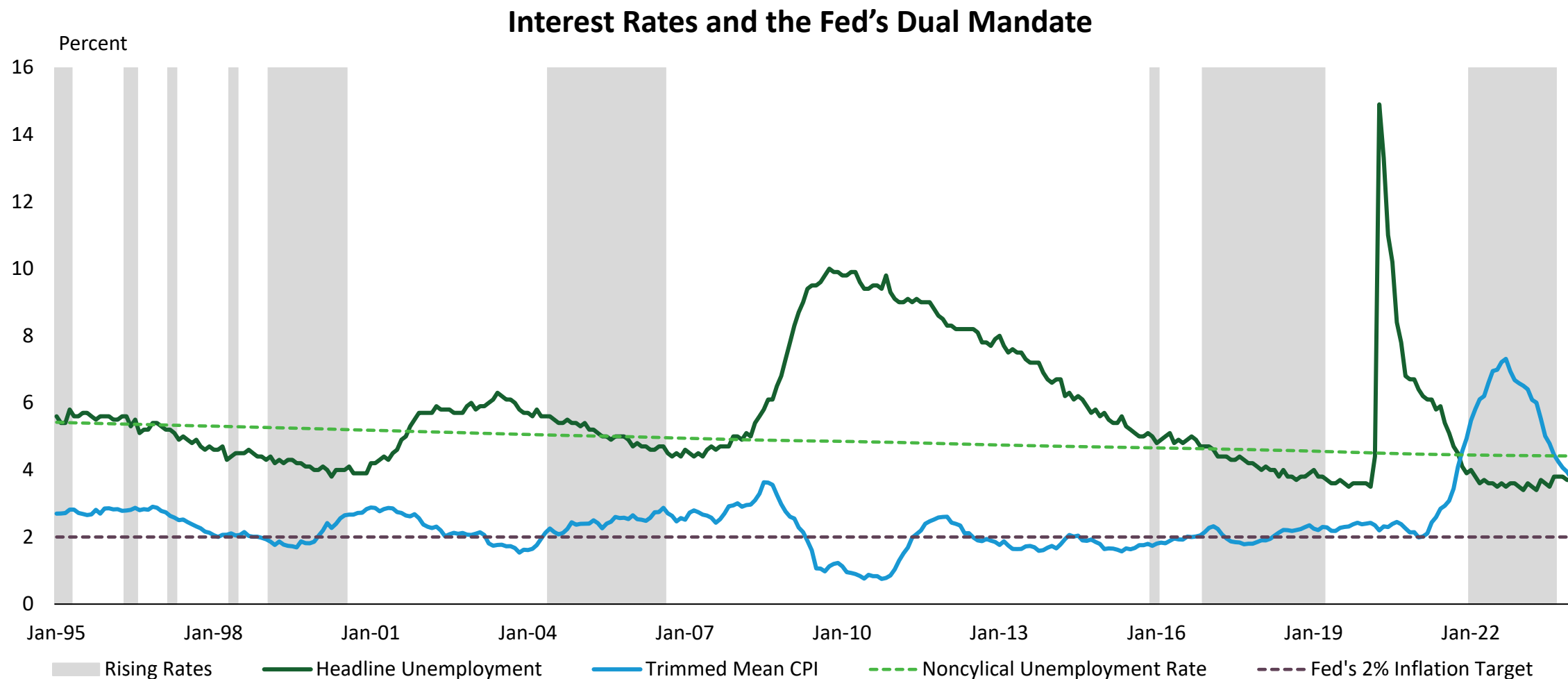
Sources: BLS, Federal Reserve Bank of St. Louis and Terrain.

Why doesn't it feel better?



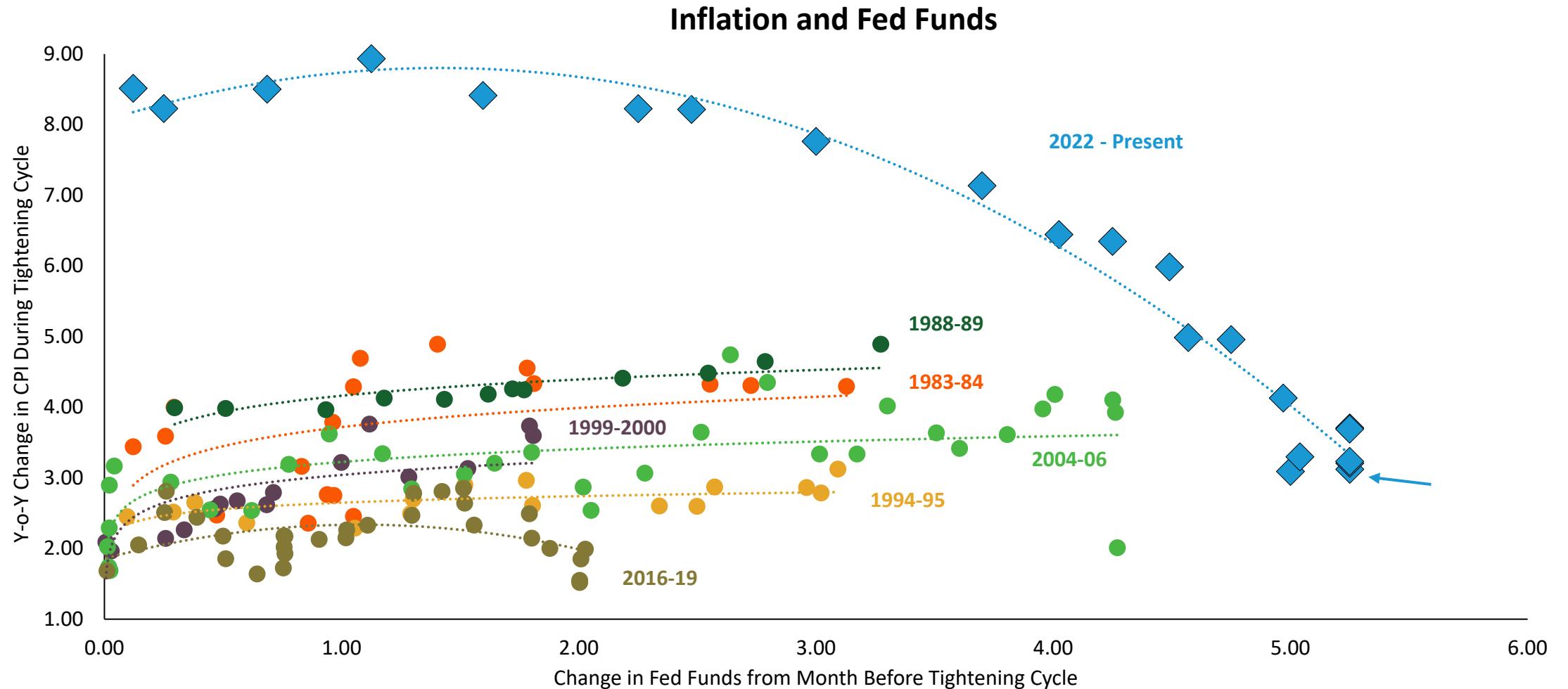
Sources: BLS, BEA, Federal Reserve Bank of St. Louis and Terrain.

Short-term rates: The labor & inflation saga



Sources: Federal Reserve Bank of St. Louis and Terrain.

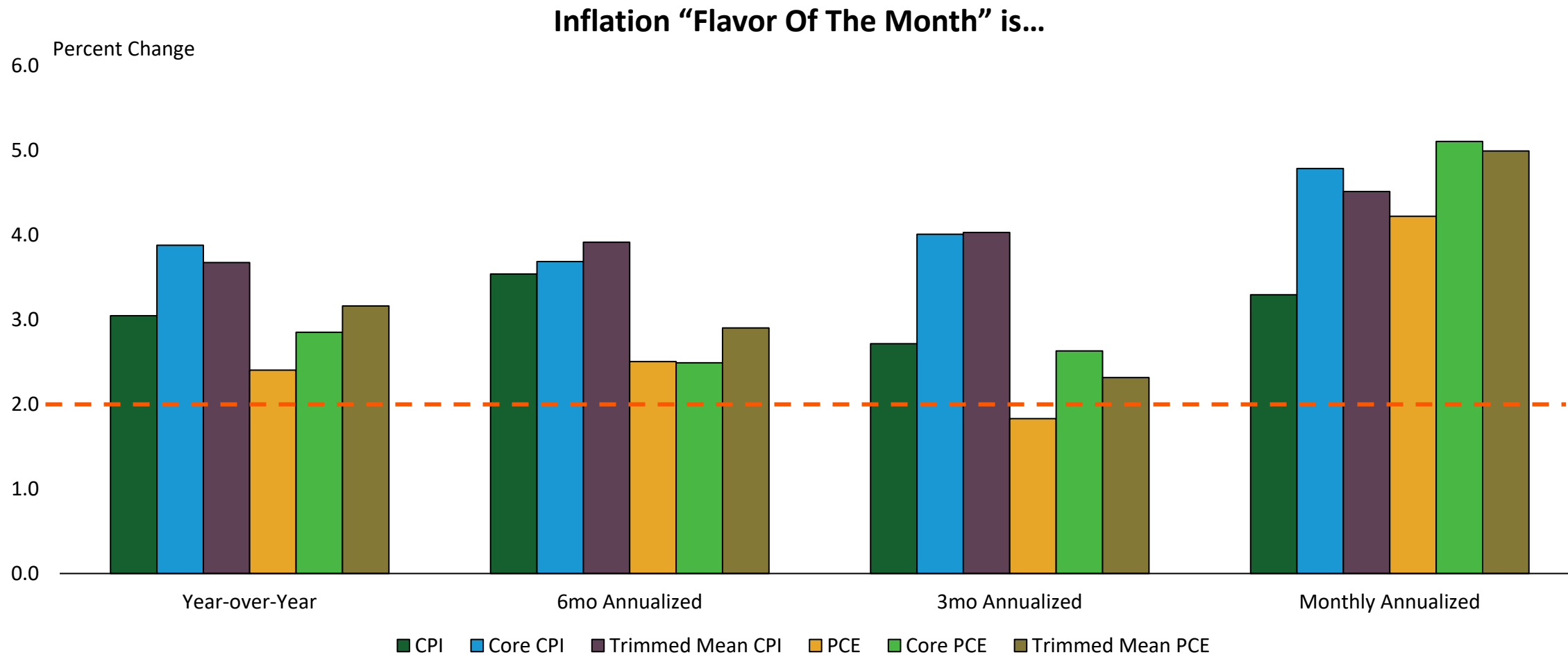
📊 Inflation will drive the bus on rates



Sources: Federal Reserve Bank of St. Louis and Terrain

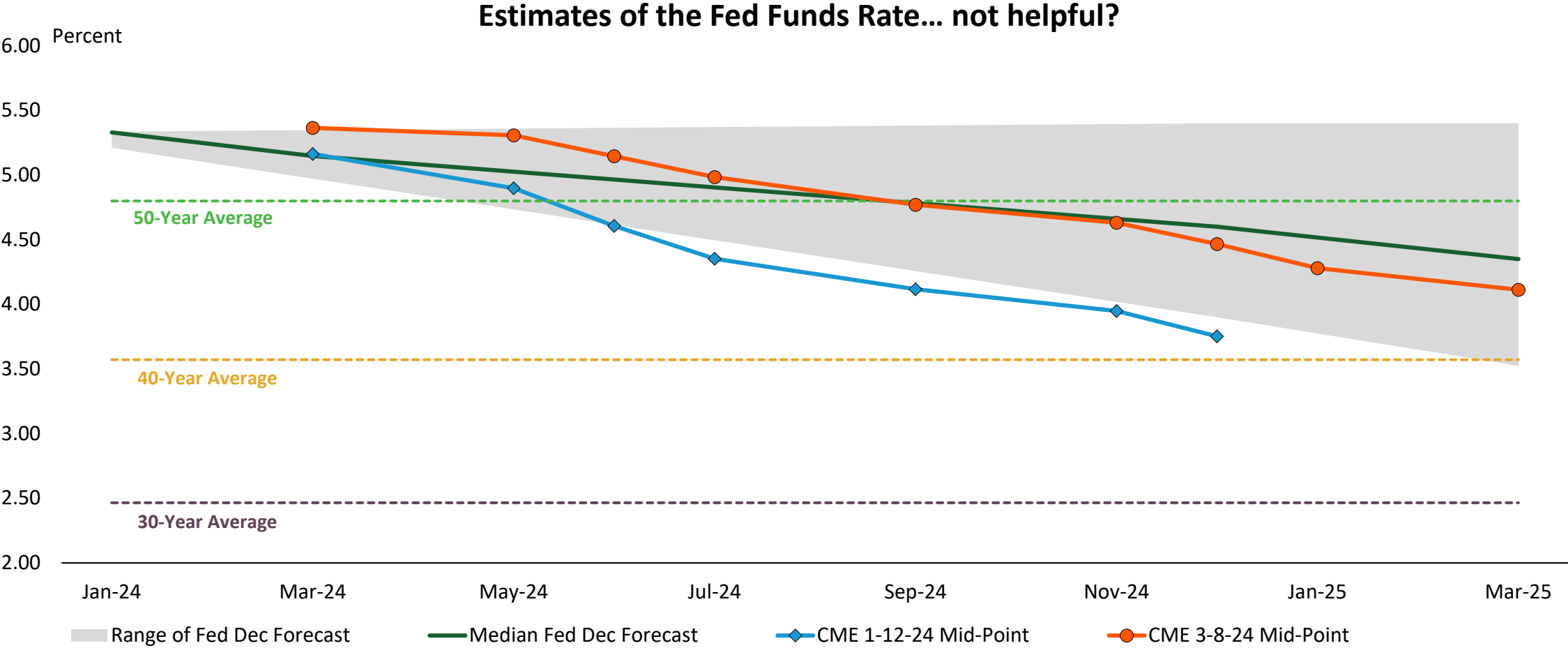


Is inflation headed towards the Fed's goal?



Sources: Federal Reserve Banks of Atlanta, Cleveland, Dallas, and St. Louis, BLS, BEA, Terrain.

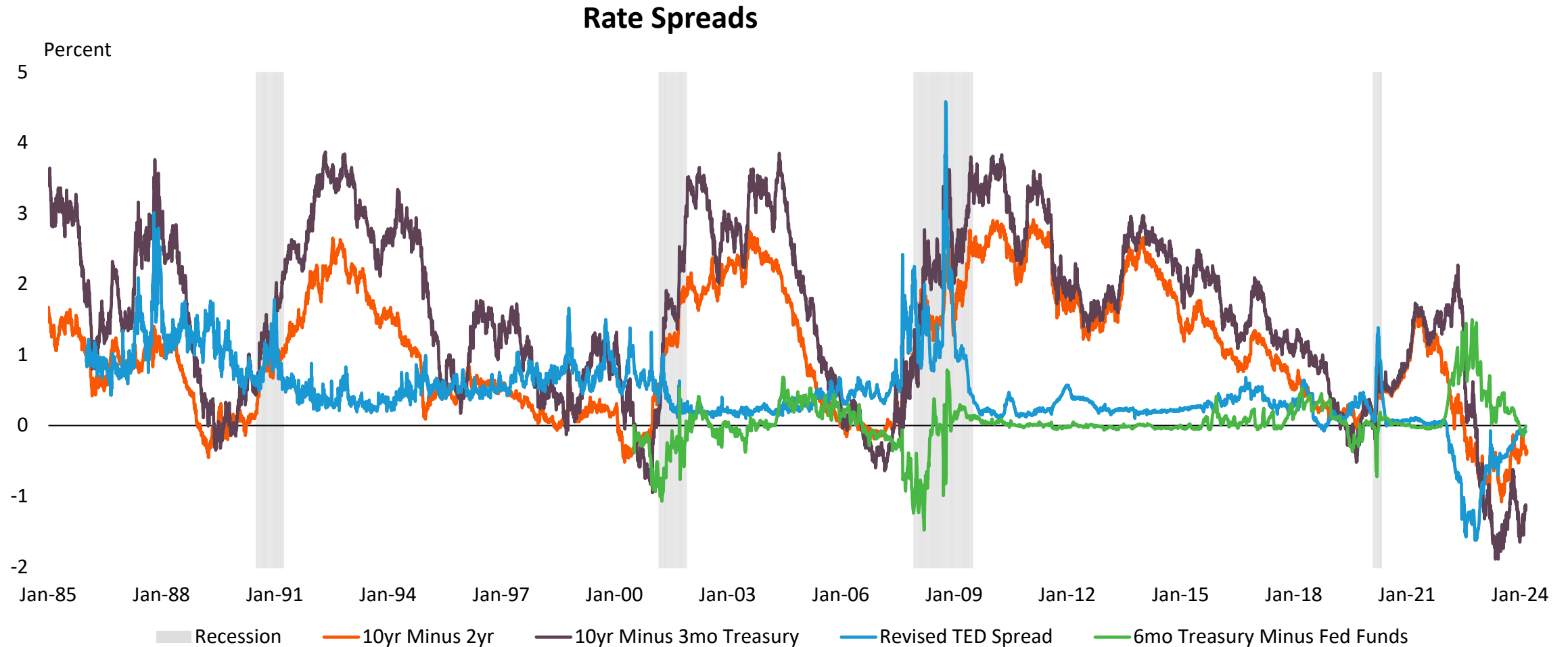
Be careful to not ‘bank’ too heavily on cuts



Sources: CME, Federal Reserve Bank of St. Louis and Economic Forecasts



Is a soft landing possible? Will have to buck history



Source: Federal Reserve Bank of St. Louis, Terrain.

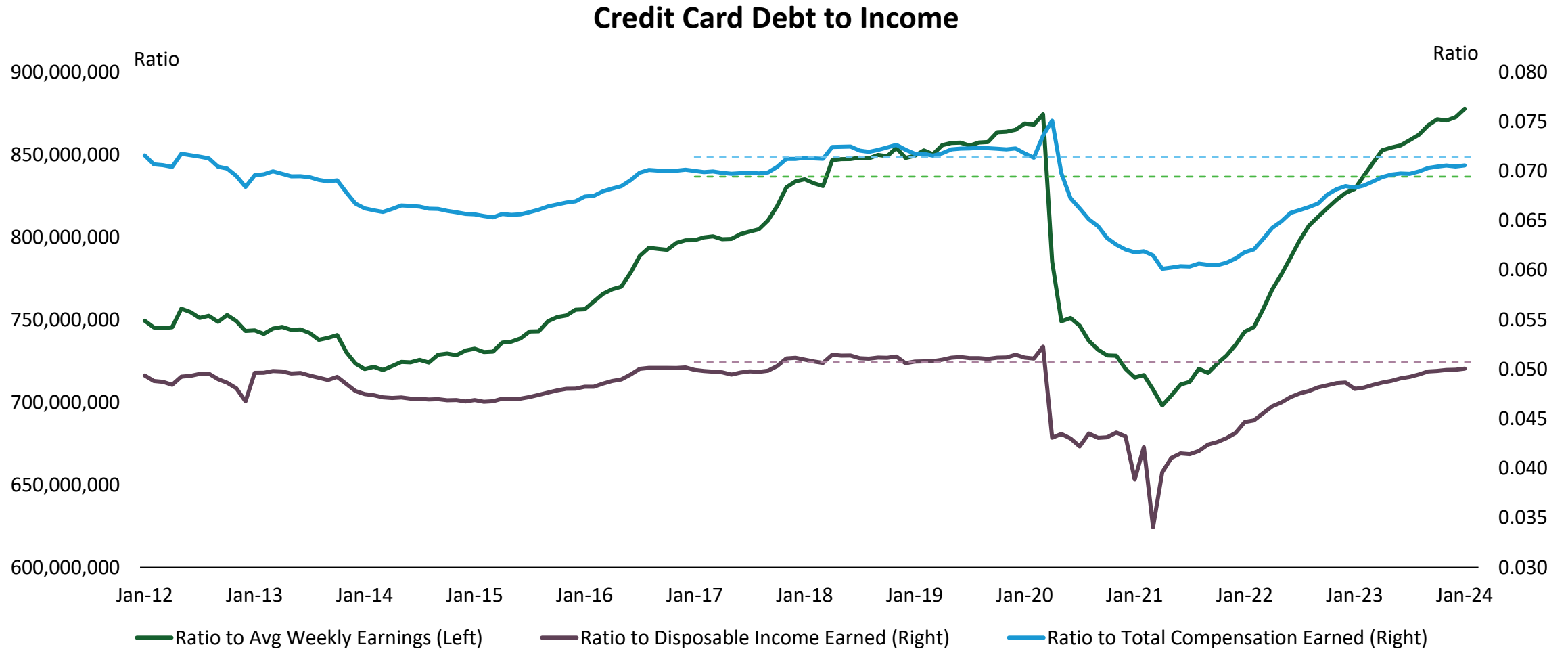


Is Debt the Black Swan or Gray Rhino?



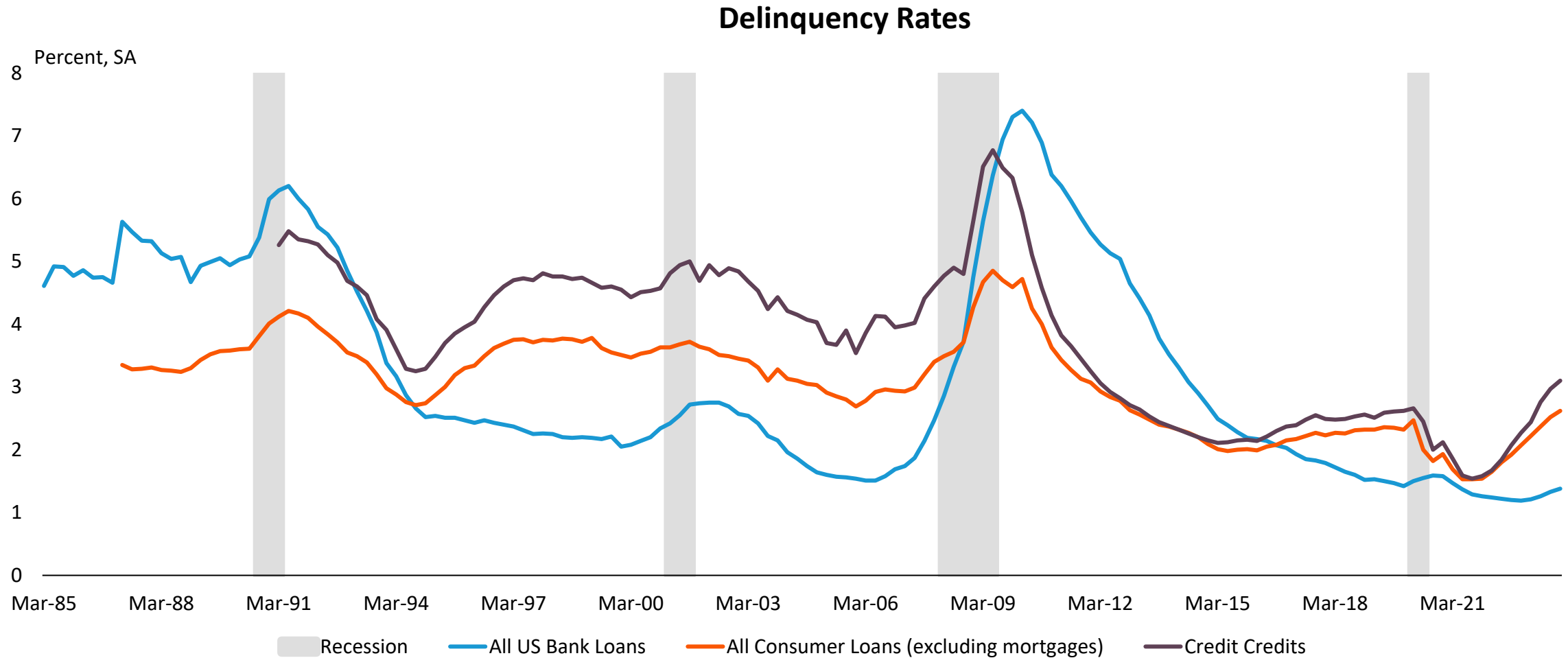


Black Swans: Debt Part 1



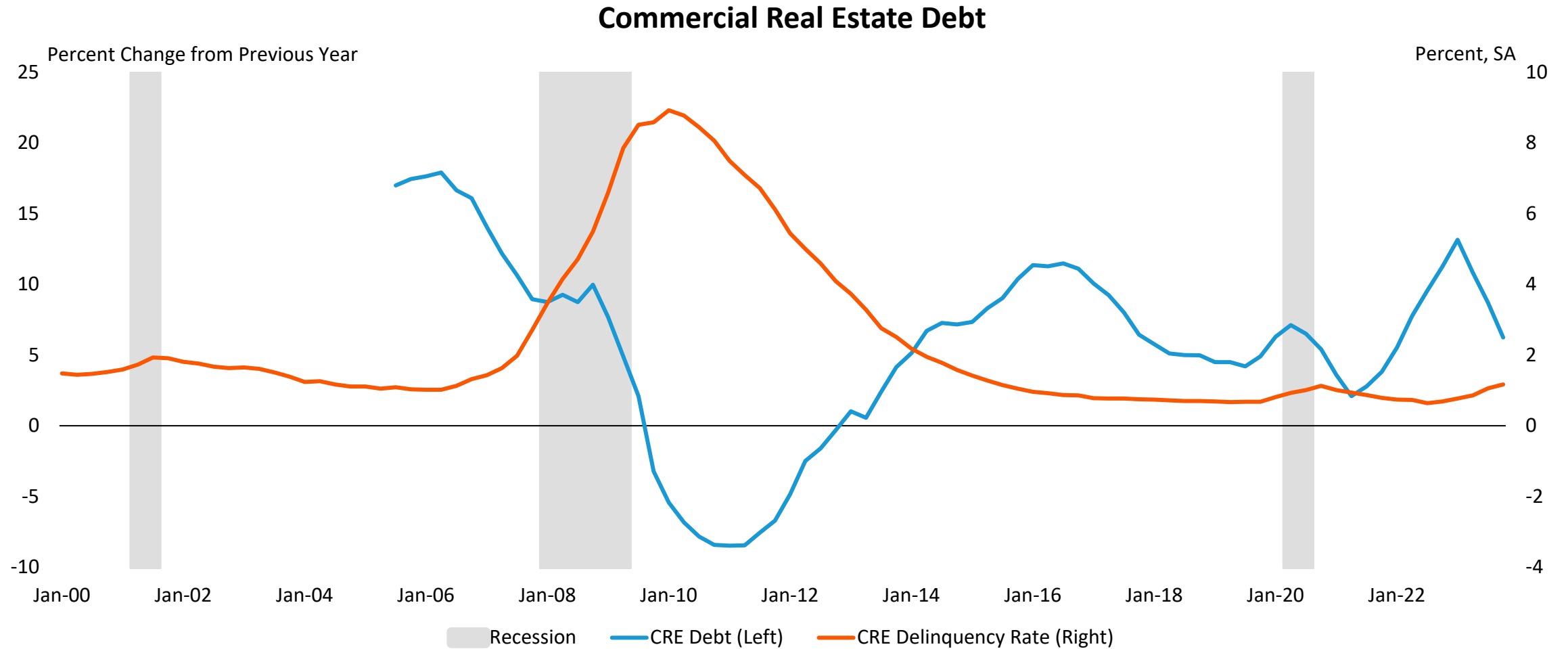
Source: Federal Reserve Bank of St. Louis, Terrain.

Black Swans: Debt Part 1



Source: Federal Reserve Bank of St. Louis, Terrain.

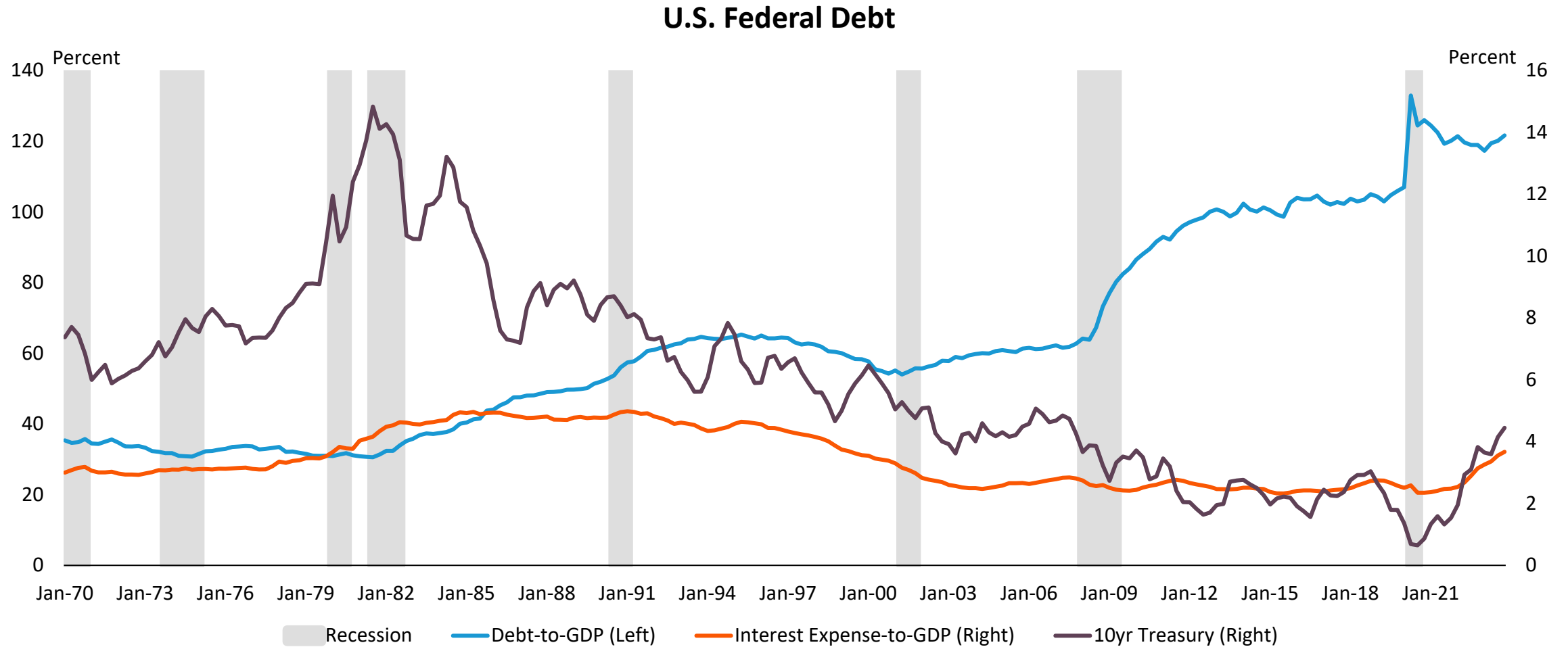
Black Swan: Debt Part 2



Source: Federal Reserve Bank of St. Louis, Terrain.



Black Swan: Debt Part 3, Government Debt



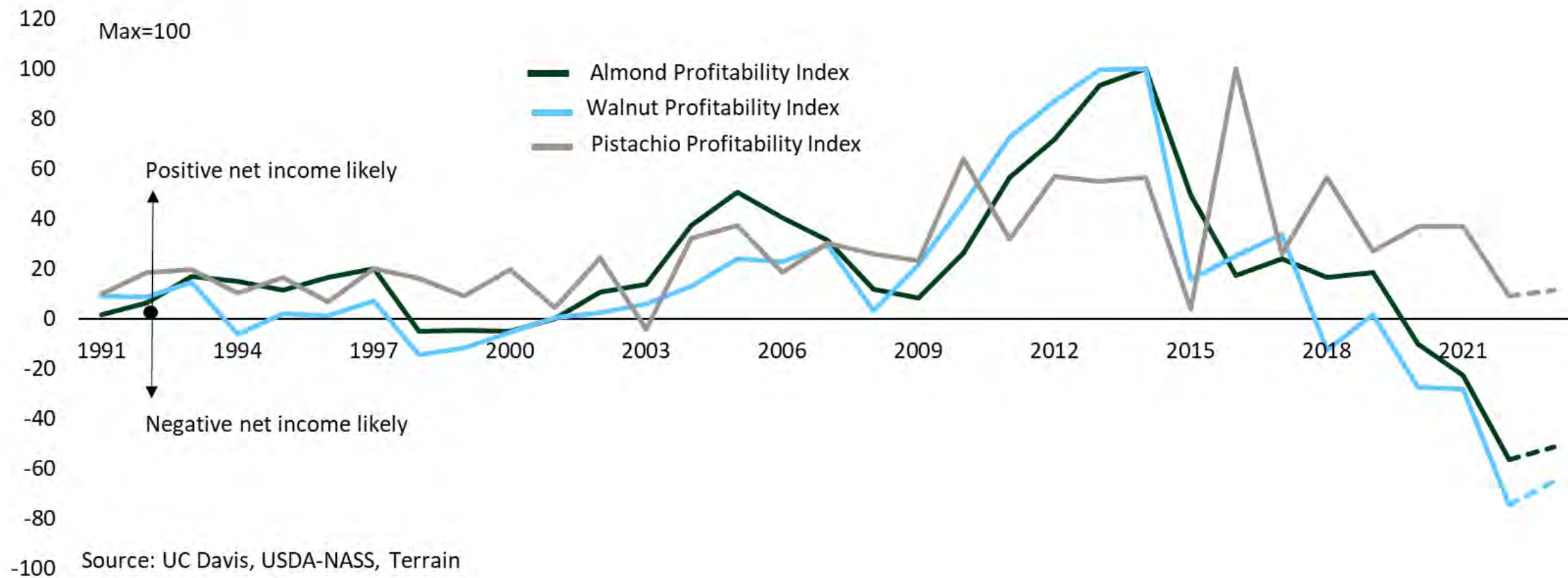
Source: Federal Reserve Bank of St. Louis, Terrain.



Thoughts on California's Ag Economy



Profitability for tree nuts was difficult



2024 may be more kind to almonds

-11.44 %

Computed Inventory is down -11.44% (Aug 2023-Jan 2024 compared to Aug 2022-Jan 2023)

-2.17 %

Uncommitted Inventory is down -2.17% (Aug 2023-Jan 2024 compared to Aug 2022-Jan 2023)

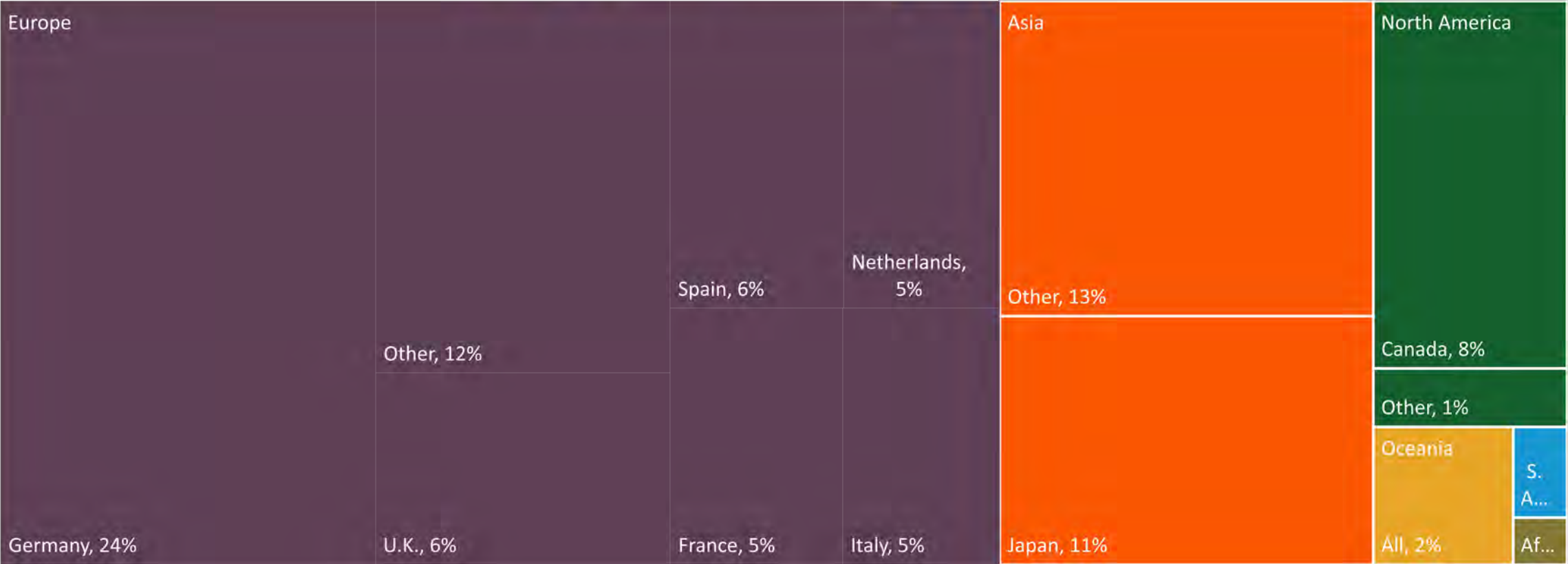
+12.24 %

Total Exports are up 12.24% (Aug 2023-Jan 2024 compared to Aug 2022-Jan 2023)

Exports and acres are the biggest issue

1990 U.S. Tree Nut* Export Destinations

Africa Asia Europe North America Oceania S. America

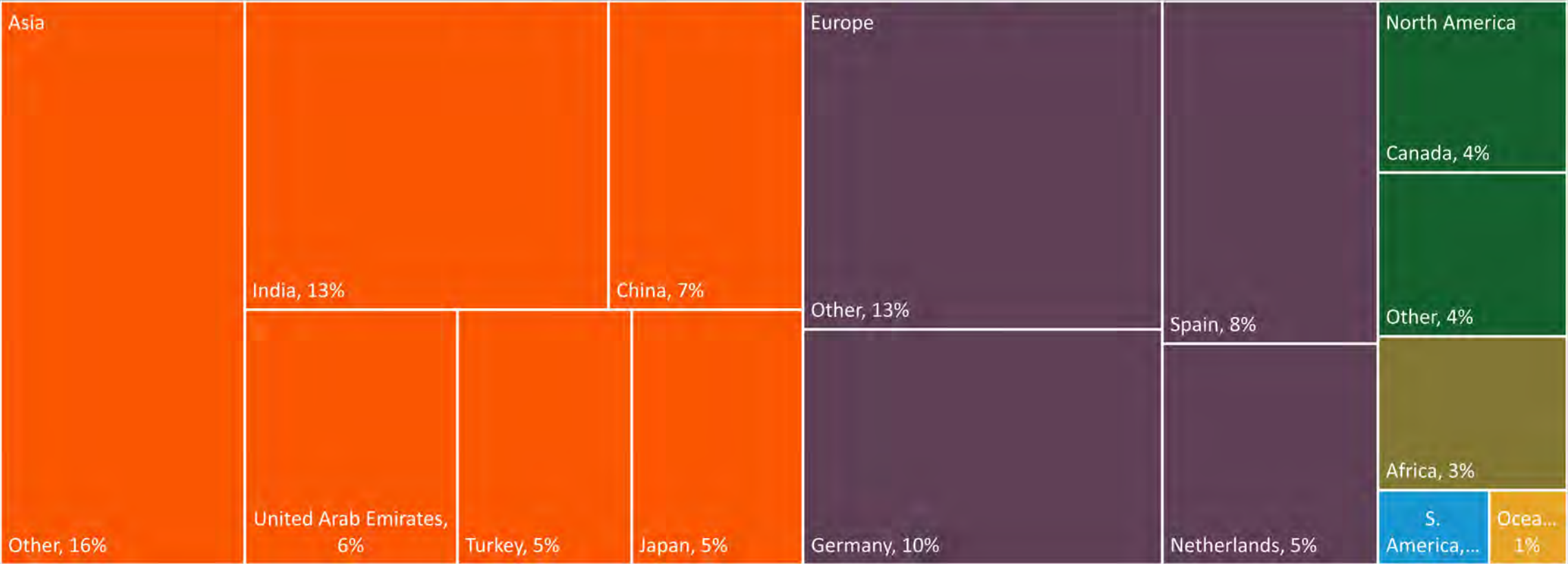


* Combined trade value (dollars) of almonds, pecans, pistachios and walnuts.
Source: USDA

U.S. nut export partners have changed

2022 U.S. Tree Nut* Export Destinations

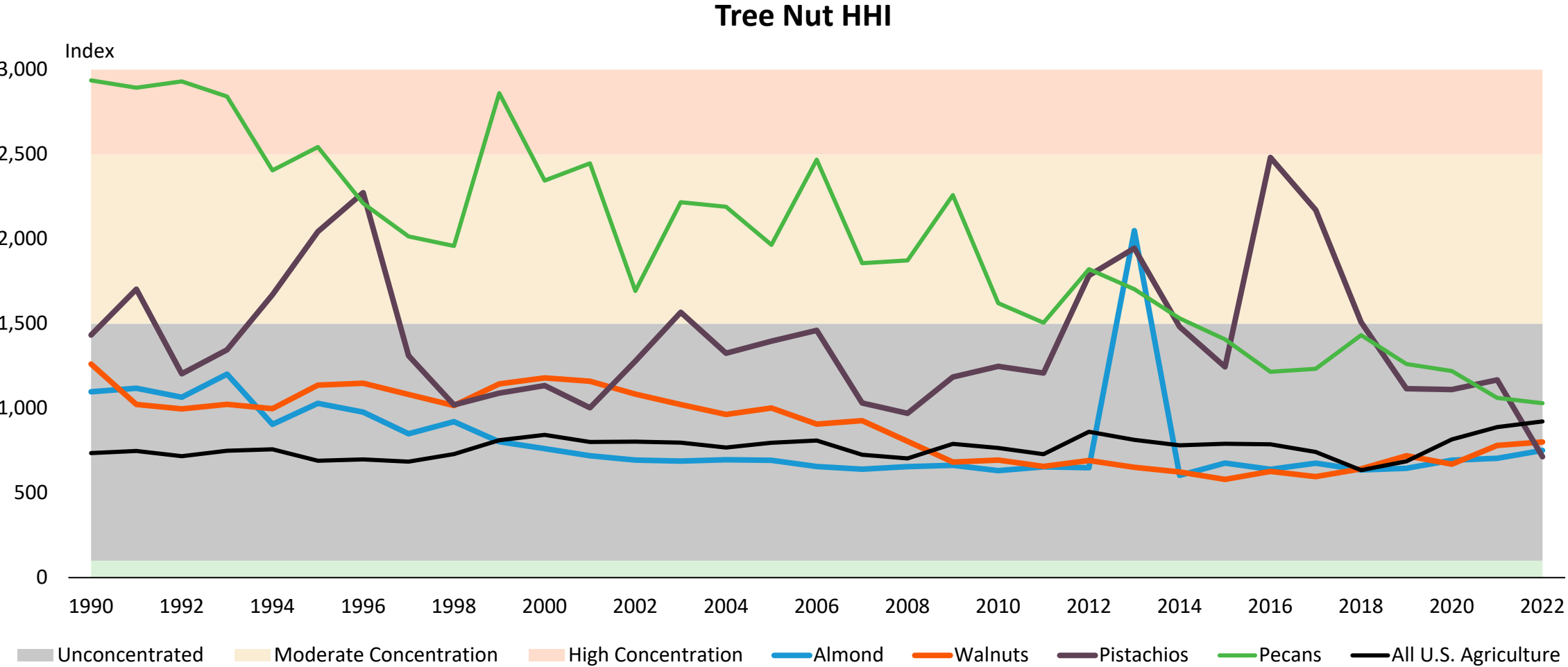
Africa Asia Europe North America Oceania S. America



* Combined trade value (dollars) of almonds, pecans, pistachios and walnuts.
Source: USDA

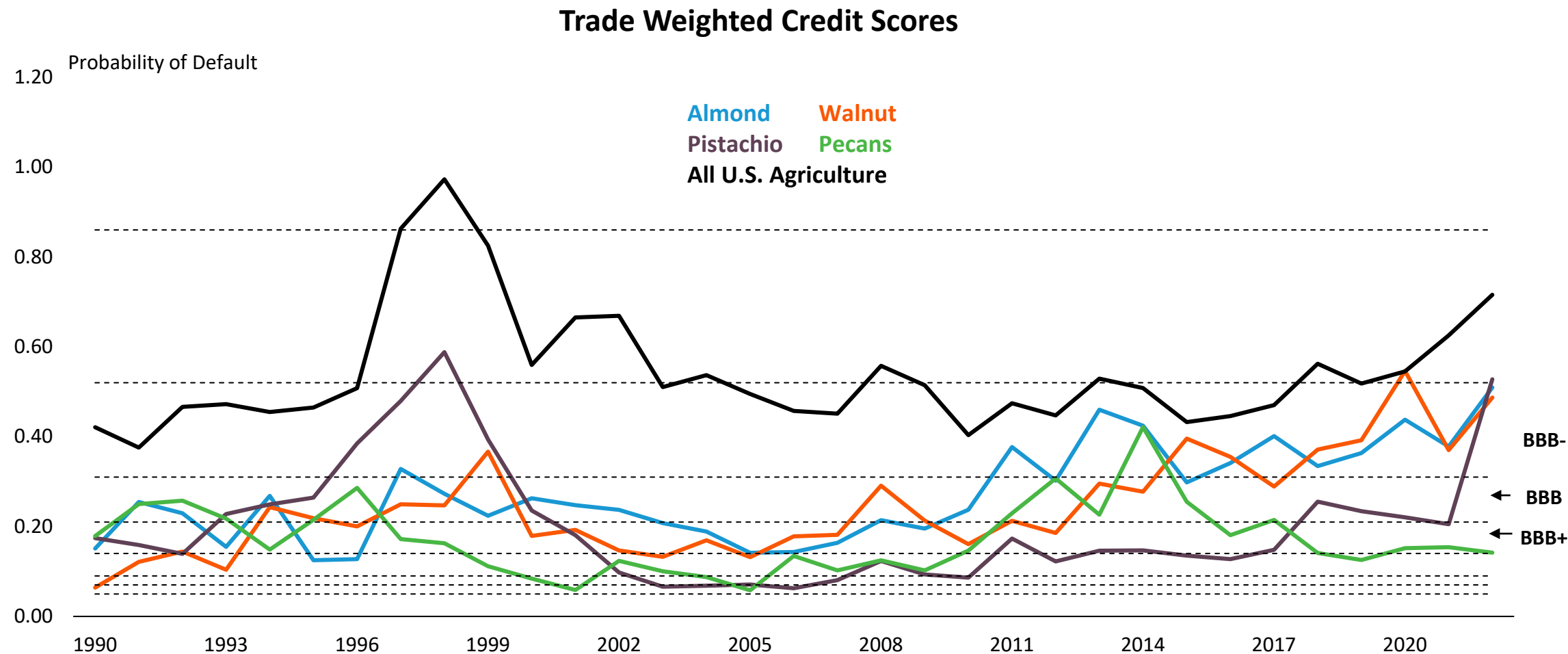


Total trade partner diversification has improved



Source: USDA and author's calculations.

Trade partner “credit” is still ok



Source: USDA and author's calculations.

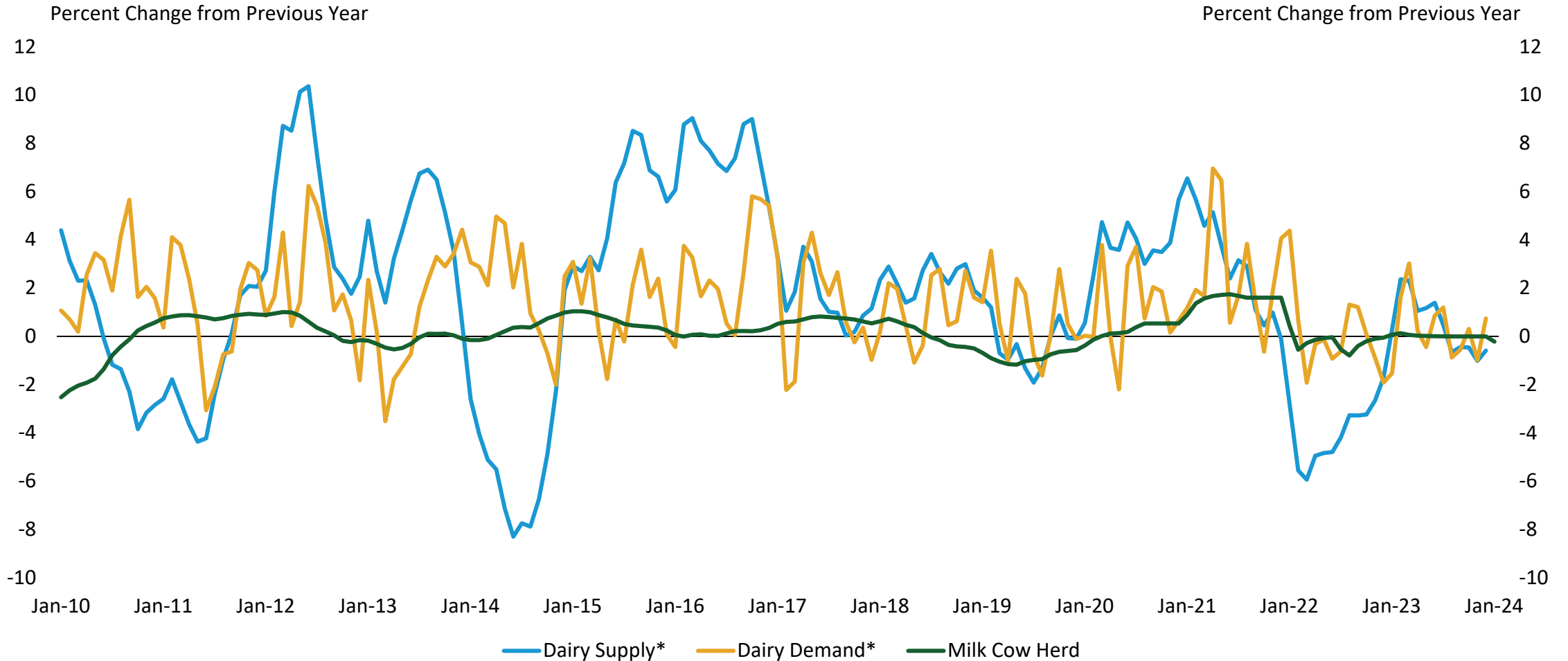
Tree Nut Production....

- Water, Water, Water...
- Profitability...
what is the next
best alternative





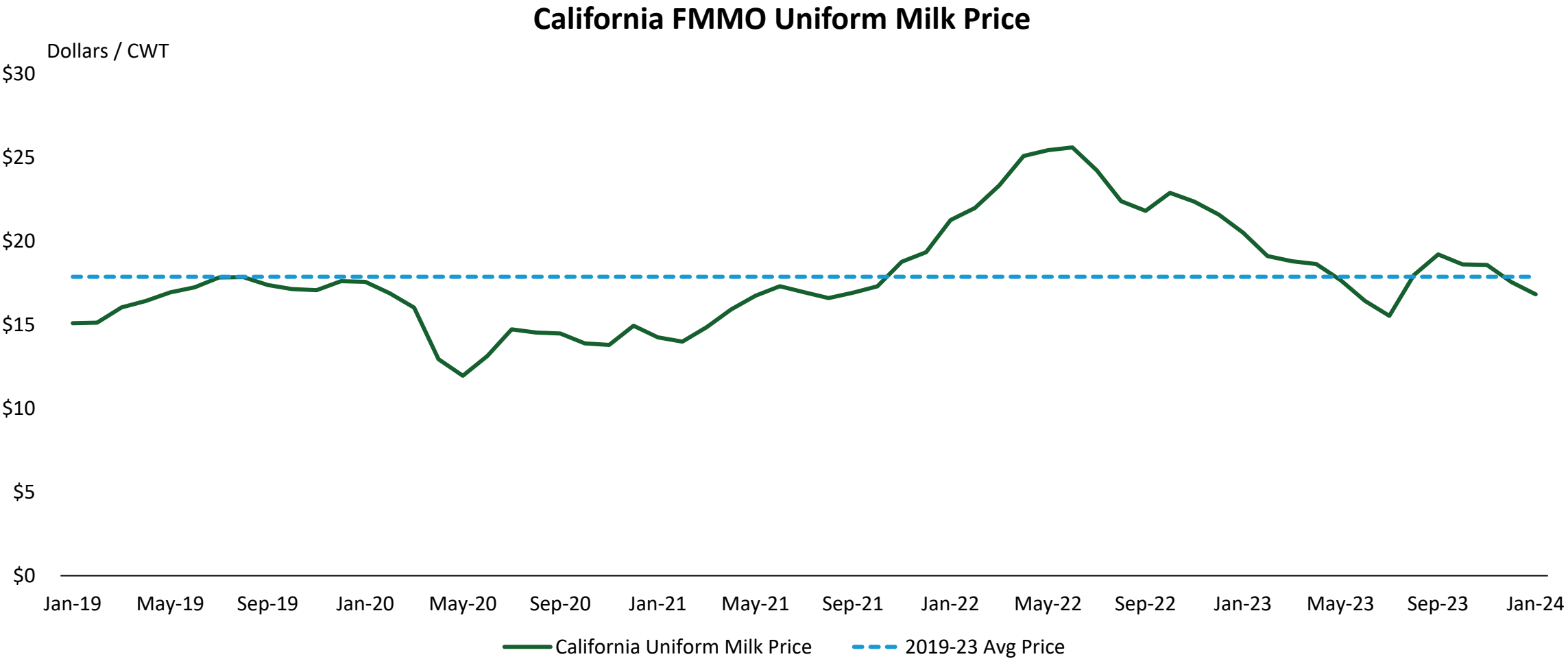
Dairy supply has slightly contracted



* Includes all milk products in a milk-equivalent milk-fat basis. Data is shown on a two-month moving average.

Source: USDA, Terrain.

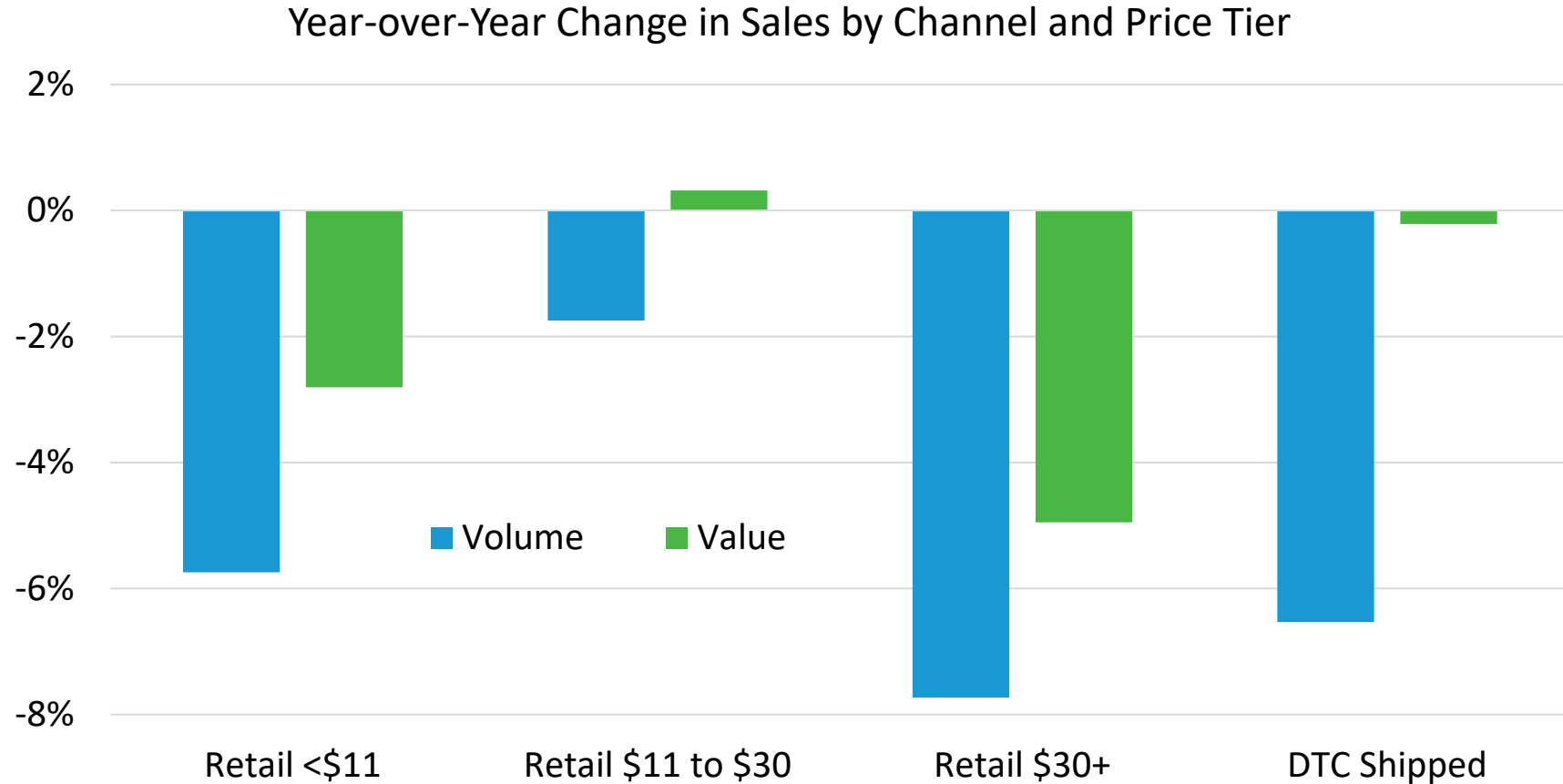
🍲 Milk prices are ‘ok’, watch beef values!



Source: USDA, Terrain.

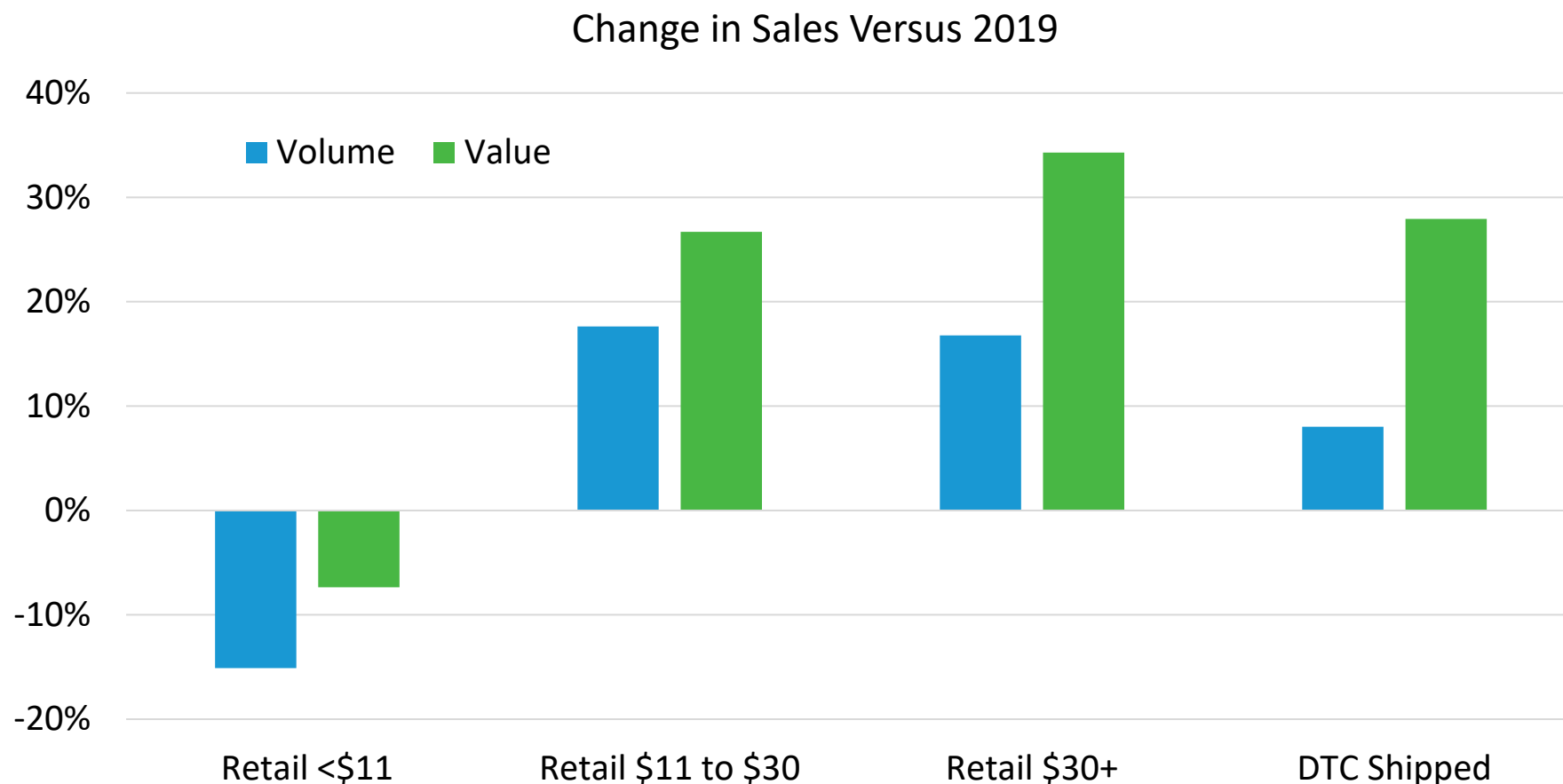


Nowhere to Hide in 2023



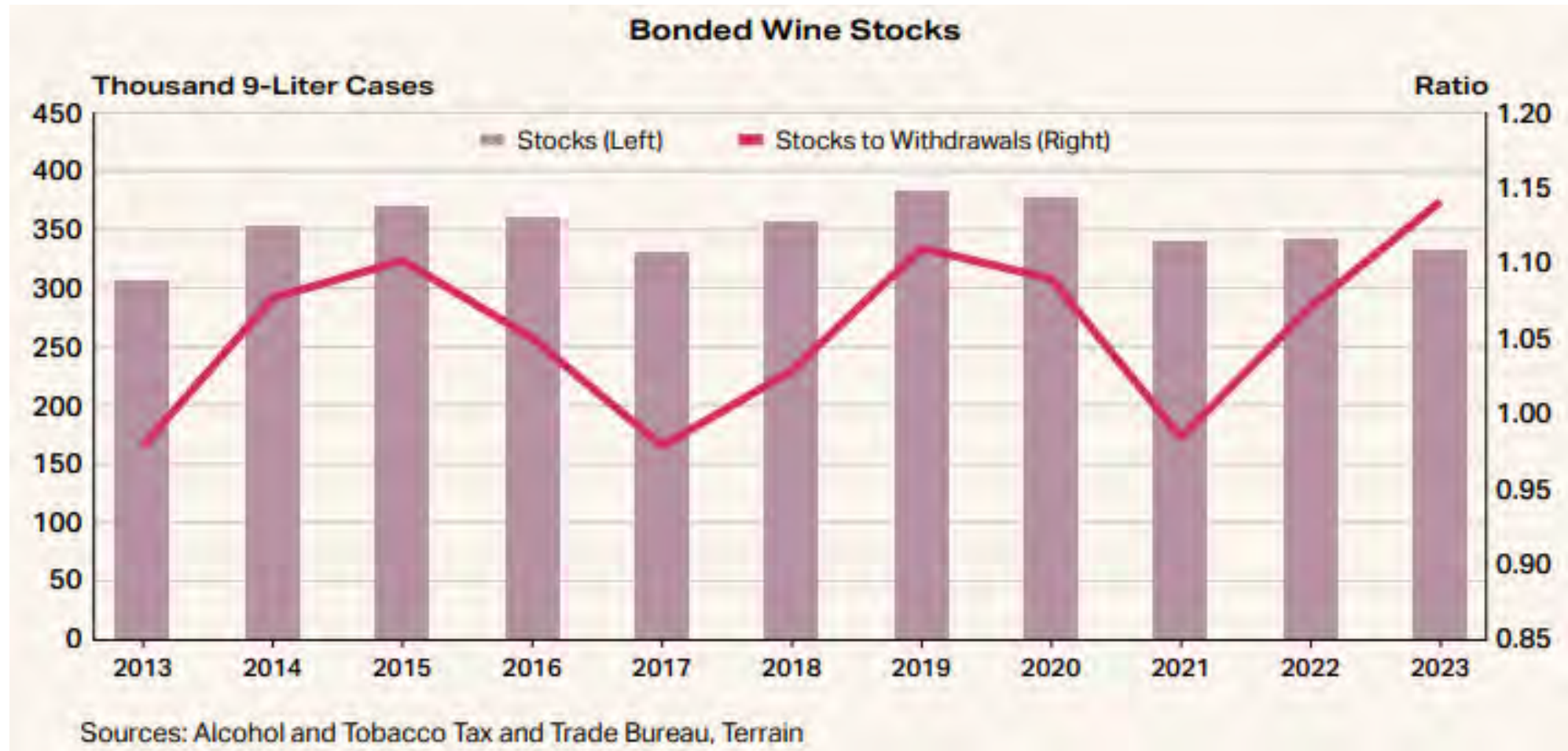
Sources: Nielsen IQ, Wines Vines Analytics & Sovos-ShipComplaint, Terrain

Retail Above \$11 and DTC Sales Still Well Ahead of Pre-Pandemic Levels

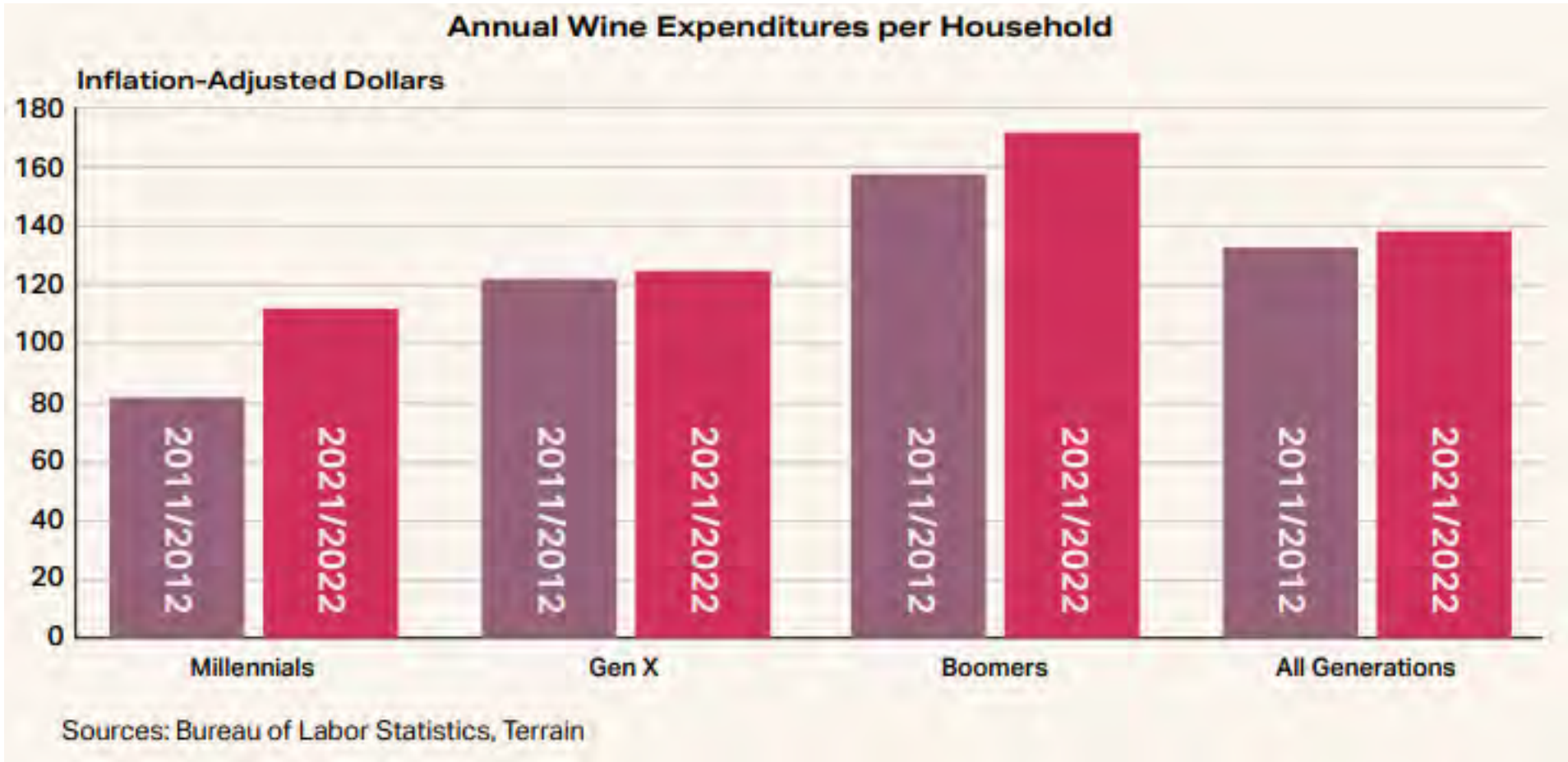


Sources: Nielsen IQ, Wines Vines Analytics & Sovos-ShipComplaint, Terrain

Winery inventory levels are elevated



Annual wine expenditures have only marginally improved



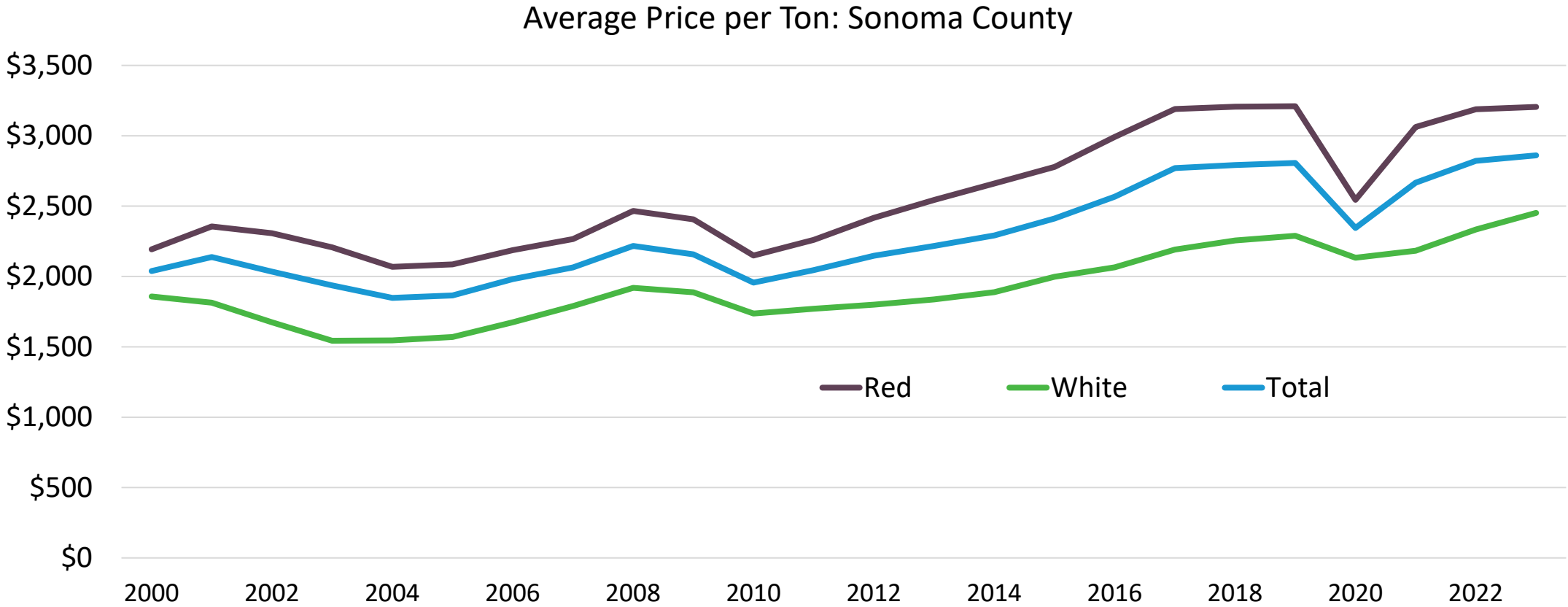
■ ■ ■ Why are Wine Sales Declining?

- Economic drivers
 - Pessimistic consumers
 - Inflation squeezing household budgets
- Secular headwinds
 - Heightened competition with substitutes
 - Demographic / generational shifts
 - Moderation movement
- Idiosyncratic factors
 - Post-pandemic normalization
 - Shift in travel to destinations abroad
 - Inventory shortages due to fires in 2020



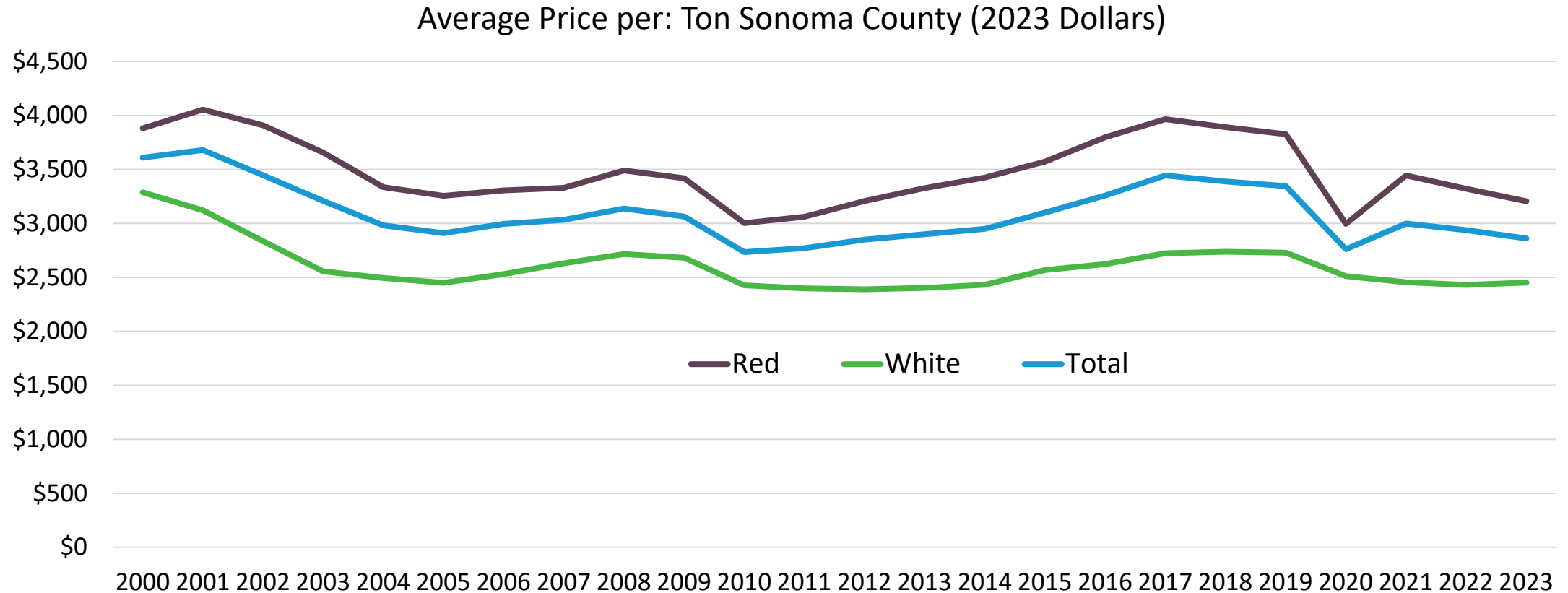


Upward Trend in Prices Over Past 20 Years?



Sources: California Department of Food and Agriculture, Terrain

Prices Have Fallen in Real Terms



Sources: California Department of Food and Agriculture, BLS, Terrain

■ ■ ■ Big Picture Thoughts

- Global Growth Slowing
- U.S. Rode a Hot Hand, But It's All About the Consumer
 - Watch Unemployment and Wages
- Expect a Cautious Fed
- Cal Ag Outlook is Subdued
 - Almonds and Walnuts Still Struggling, Some Cautious Hope
 - Pistachios 'ok'
 - Dairy Ok, Not Great
 - Wine Consumption Stuck



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AgCredit



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