

February 2025 THE MAINSTREET ECONOMIC REPORT

A monthly survey of community bank CEOs, and chief loan officers

Rural Mainstreet Economy Contracts Again: One in Five Grain Farmers Expected to Suffer Negative Cash Flow

January Summary:

- The overall Rural Mainstreet index fell below growth neutral for the 16th time in the past 17 months.
- For the eighth time in the past nine months, farmland prices sank.
- On average, bank CEOs expect annual cash rents of \$278 per acre of non-irrigated, non-pasture farmland.
- Farm equipment sales dropped for the 18th straight month.
- On average, bankers expect approximately one in five grain farmers to experience negative cash flow for 2025.
- Approximately one-third of bank CEOs recommend that the Federal Reserve leave short-term interest rates unchanged in 2025.
- According to trade data from the International Trade Association (ITA), regional exports of agriculture goods and livestock for the first 11 months of 2024 rose by \$673.4 million to \$11.6 billion from the same period in 2023 for a 6.2% gain.
- Mexico was the top destination for 2024 regional ag exports, accounting for 48.1% of total regional agriculture and livestock exports.

(Continued next page;
Tables on final page)



Welcome to Creighton's February Bank CEO Report covering January 2025 survey results. The overall January reading from bank CEOs and bank executives in 10 Rural Mainstreet States climbed into a range indicating that the Rural Mainstreet economy continues to struggle with falling farmland prices and ag equipment sales. Thank you for your input for our January survey. Ernie Goss

Did the Pandemic Usher in the 'Forever Government'? Interest Payments & Mortgage Rates Raise the Hazard

Recent resistance from both Democrats and Republicans to any cut in federal government spending demonstrates how spending ratches up during any crisis, but rarely, if ever, retreats. For example, federal government and Federal Reserve actions during the Covid-19 pandemic show just how entrenched D.C. politicians and bureaucrats become at the taxpayers' expense. First there was the Trump stimulus package in 2020 for \$2.2 trillion, followed by Biden's 2021 stimulus bill of \$1.9 trillion, Biden's 2021 infrastructure bill of \$1.0 trillion, and Biden's \$280 billion 2022 CHIPS Act.

Since the pandemic, as profiled in Figure 1 below, the federal debt exploded by 61.6%. The soaring debt

was accommodated by the Federal Reserve's expansion of 44.7% in the money supply (termed monetizing the debt).

Figure 2 below shows how this "helicopter" spending, over-and-above annual budgetary spending, pushed the yearly interest payments on the federal debt to \$1.1 trillion in Q4 2024, or a 90.8% boost since the pandemic and well above 2024 military spending of \$849.8 billion. The federal government debt and spending helped push the 30-year mortgage rate to 6.9% from 3.9% before the pandemic.

It is clear that the size of the U.S. debt is a hazard to Americans from the newborn to 114-year-old Naomi Whitehead, the nation's oldest resident. As President Nixon's Chief Economic Adviser, Herb Stein, wisely stated, "If something can't go on forever, it will stop." When? Keep an eye of the yield on the 10-year U.S. Treasury. Yields between 6% and 7% would indicate the end is near. Ernie Goss.

Figure 1: U.S. Debt & Money Supply (in billions), 2015 -25

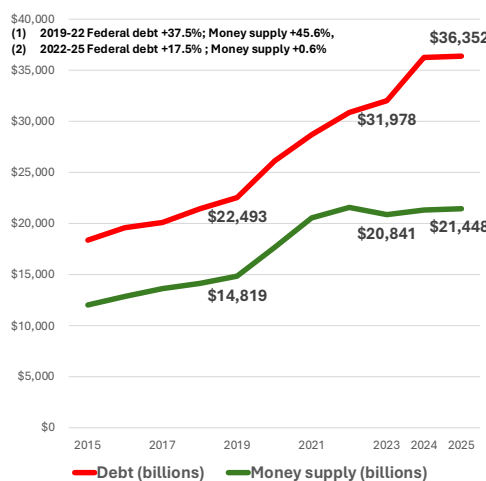
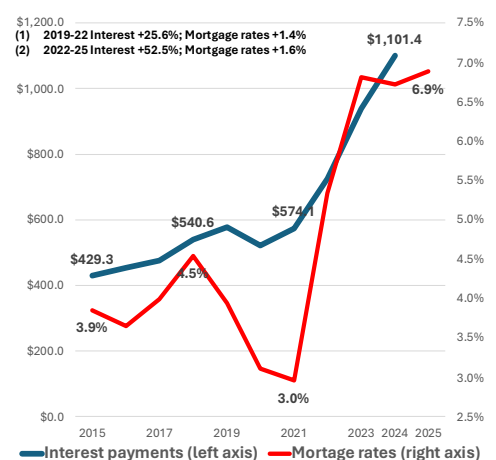


Figure 2: Federal Interest Expense (in billions) & 30 -Year Mortgage Rates (%), 2015 -25



BULLISH NEWS

- The January U.S. unemployment rate fell to 4.0% from 4.1%.
- U.S. labor productivity rose to a 14 year high in 2024 (excluding 2020).
- According to the U.S. BLS, the U.S. employment cost index gained 0.9% in Q4, 2024 after rising 0.8% in Q3, 2024.

BEARISH NEWS

- Year ahead inflation expectations from Univ. of Michigan soared from 2.8% to 3.3% in January.
- Driven by global economic fears, gold prices in Feb. climbed to a record high \$2,933.
- President Trump announced a 25% steel tariff in February. This invites retaliation & slower U.S. growth.
- U.S. auto loan delinquencies in Q4, 2024 rose to their highest level since the great recession in 2008-09.
- Delinquency rates on all commercial bank consumer loans climbed to their highest level in more than a decade.
- British Economist David Ricardo's 1817 "law of comparative advantage" states that a country should specialize in producing goods or services where they have a lower opportunity cost compared to others. IT IS

Main\$street on Your \$treet

Overall: The region's overall reading for January increased to a weak 42.3 from December's 39.6. The index ranges between 0 and 100, with a reading of 50.0 representing growth neutral.

Jeff Bonnett, CEO of Havana National Bank in Havana, Illinois, said, "At these extremely low (grain) prices, all field corn and soybean producing farmers cannot cover their input costs (we have 1975 prices but 2025 input costs). That is a reality based upon what our ag lenders that also farm tell me."

Despite another one-year extension of the farm bill, and \$20.8 billion in farm disaster relief, the farm (grain) economic outlook remained weak for the first half of 2025. However, grain prices have recently improved, but not enough for profitability for many producers. On the other hand, regional livestock producers continue to experience solid prices, thus maintaining profitability.

Other comments from bankers in January:

• Jeff Bonnett, CEO of Havana National Bank, expects more than 29% of grain farmers in his area to suffer negative cash flow for 2025.

• Jim Eckert, CEO of Anchor State Bank in Anchor, Illinois, said, "Low grain prices and stable-to-increasing input prices lead us to expect continued farm losses for all but our very substantial area farmers."

• Terry Engelken, Vice President of Washington State Bank in Washington, Iowa, said, "Most of our cash rents are from \$275 to \$350."

Farming and ranch land prices: For the 8th time in the past nine months, farmland prices sank below growth neutral. The region's farmland price index rose slightly to 42.0 from 41.3 in December. Elevated interest rates and higher input costs, along with below breakeven grain prices for some farmers in the region, have put downward pressure on ag land prices.

This month, bank CEOs were asked to project 2025 farmland rental rates for non-irrigated, non-pasture farmland. On average, bankers expect an annual rental rate per acre of \$278.

According to trade data from the International Trade Association (ITA), regional exports of agriculture goods and livestock for the first 11 months of 2024 rose by \$673.4 million to \$11.6



billion from the same period in 2023 for a 6.2% gain. Mexico was the top destination for 2024 ag exports, accounting for 48.1% of total regional agriculture and livestock exports.

Farm equipment sales: The farm equipment sales index rose to a very weak 17.4 from December's 14.3, which was the lowest reading since October 2016. This is the 18th straight month that the index has fallen below growth neutral. High input prices, tighter credit conditions and weak farm grain prices are having a negative impact on purchases of equipment.

Banking: The January loan volume index dropped to 60.0 from December's 69.6. The checking deposit index inched upward to 48.0 from 47.8 in December. The index for certificates of deposits (CDs) and other savings instruments climbed to 58.0 from 50.1 in December. Federal Reserve interest rate policies have boosted CD purchases above growth neutral for 26 straight months.

Hiring: The new hiring index for January increased to 47.9 from December's 45.7.

Confidence: Rural bankers remain pessimistic about economic growth for their area over the next six months. The January confidence index rose to 42.3 from December's 37.5. Improving, but still weak agriculture commodity prices and negative farm cash flows, combined with downturns in farm equipment sales over the past several months, continued to push banker confidence below growth neutral.

Home and retail sales: Home sales softened from an already weak reading of 43.5 in December to 40.0 in January. Regional retail sales deteriorated for January with a reading of 44.0, which was down from December's stronger 52.1.

Below are the state reports:

Colorado: The state's January Rural Mainstreet Index (RMI) rose to 57.2 from 54.2 in December. The farmland and ranchland price index for January declined to 53.2 from

GOSS EGGS

RECENT DUMB Economic Political Actions

Can You Say, 'Remember Japan'? Trump May Repeat Misguided Policies of our Asian Ally

After almost blinding growth in the 1970s and 1980s, Japan lost its status as an economic behemoth in the early 1990s. In this decade, the Japanese government became a business adjunct steering growth via, trade barriers and exchange rate manipulation to encourage trade surpluses.

Additionally, the government established a Sovereign Wealth fund (SWF) to assist in monetary policy and has \$3.6 billion in assets today. The fund buys and sells stocks and bonds to manipulate interest rates and business investment.

Trump appears to be pushing the U.S. down this same treacherous path by advocating the establishment of a SWF.

A SWF invites political meddling in the economy whereby assets are bought and sold to benefit politicians and "friends" of the government. One could envision the U.S. SWF buying Intel stock to assist political contacts.

Even without a SWF, Biden awarded up to \$8.5 billion to Intel via CHIPS Act grants. Not only would a Sovereign Wealth Fund double-triple-quadruple down on such "bad" investments, it would reduce essential market transparency.

4 OF 5 GOSS EGGS



December's 54.7. The state's new hiring index expanded to 61.1 from December's 54.1. According to trade data from the International Trade Association (ITA), Colorado exports of agriculture goods and livestock for the first 11 months of 2024 rose by \$243.0 million from the same 2023 period for a 145.1% gain. Mexico was the top destination for 2024 ag exports, accounting for 18.2% of agriculture & livestock exports.

Illinois: The state's January RMI increased to 49.2 from 46.5 in December. The farmland price index increased slightly to 43.7 from December's 42.9. The state's new hiring index climbed to 50.1 from 43.1 in December. According to trade data from the ITA, Illinois exports of agriculture goods and livestock for the first 11 months of 2024 rose by \$711.2 million from the same period in 2023 for a 17.6% gain. China was the top destination for 2024 Illinois ag exports, accounting for 30.9% of total state agriculture and livestock exports.

Iowa: January's RMI for the state slumped to 40.7 from 41.7 in December. Iowa's farmland price index for January dipped to 41.3 from 41.5 in December. Iowa's new hiring index for January increased to 46.2 from 45.5 in December. According to trade data from the ITA, Iowa exports of agriculture goods and livestock for the first 11 months of 2024 sank by \$25.1 million from the same period in 2023 for a 1.6% reduction. Mexico was the top destination for Iowa's 2024 ag exports, accounting for 65.2% of total state agriculture & livestock exports.

Kansas: The Kansas RMI for January increased to 40.1 from December's 37.4. The state's farmland price index climbed to 41.1 from 37.4 in December. The new hiring index for Kansas rose to 46.2 from 44.0 in December. According to trade data from the ITA, Kansas exports of agriculture goods and livestock for the first 11 months of 2024 fell by \$17.2 million from the same period in 2023 for a 1.4% reduction. Mexico was the number one destination for 2024 ag exports, accounting for 71.1% of total Kansas agriculture & livestock exports.

Minnesota: The January RMI for Minnesota fell to 52.5 from 53.2 in December. Minnesota's farmland price index increased to 49.0 in January from 47.6 in December. The new hiring index for January climbed to 55.4 from 53.0 in December. According to ITA trade data, State exports of agriculture goods & livestock for the first 11 months of 2024 sank by \$186.2 million from the same 2023 period for a 16.4% reduction. Mexico was the top destination for 2024 ag exports, accounting for 40.0% of ag & livestock exports.

Missouri: The state's January RMI climbed to 54.5 from December's 50.6. The farmland price index for January rose to 61.0 from 59.5 last month. The state's new hiring gauge for January advanced to 70.3 from 54.5 in December. According to trade data from the ITA, Missouri exports of agriculture goods and livestock for the first 11 months of 2024 sank by \$245.9 million from the same period in 2023 for a 21.8% reduction. Mexico was the top destination for 2024 Missouri ag exports, accounting for 83.1% of agriculture & livestock exports.

Nebraska: The Nebraska RMI increased to 39.2 from December's 36.5. The state's farmland price index for January increased slightly to 40.9 from December's 40.0. Nebraska's new hiring index rose to 45.9 from December's 43.7. According to ITA trade data Nebraska exports of agriculture goods and livestock for the first 11 months of 2024 rose by \$81.3 million from the same 2023 period for a 10.3% gain. Mexico was the top destination for 2024 Nebraska ag exports, accounting for 68.3% of total state agriculture & livestock exports.

North Dakota: North Dakota's RMI for January climbed to 51.2 from December's 47.4. The state's farmland price index increased slightly to 44.3 from 43.1 in December. The state's new hiring index rose to 50.1 from 47.5 in December. According to trade data from the ITA, North Dakota exports of agriculture goods and livestock for the first 11 months of 2024 rose by \$112.8 million from the same period in 2023 for a 12.5% gain. Mexico was the number one destination for 2024 North Dakota ag exports, accounting for 46.8% of total North Dakota agriculture and livestock exports.

South Dakota: The January RMI for South Dakota rose to 42.0 from 39.3 in December. The state's farmland price index dipped to 40.5 from 40.7 in December. South Dakota's January new hiring index increased to 45.4 from December's 44.6. According to trade data from the ITA, South Dakota exports of agriculture goods and livestock for the first 11 months of 2024 rose by \$371.0 thousand from the same period in 2023 for a 0.3% gain. Mexico was the number one destination for 2024 South Dakota ag exports, accounting for 76.3% of total state agriculture and livestock exports.

Wyoming: January's RMI increased to 34.1 from 31.6 in December. The January ranchland price index increased to 39.4 from December's 38.6. Wyoming's new hiring index climbed to 44.1 from December's 41.9. According to ITA trade data, Wyoming exports of livestock for the first 11 months of 2024 fell by \$1.0 million from the same period in 2023 for a 20.6% reduction. Canada was the number one destination for 2024 Wyoming ag exports, accounting for 61.3% of total state agriculture and livestock exports.

Tables 1 and 2 summarize the survey findings. Next month's survey results will be released on the third Thursday of the month, February 20, 2025.



KEEP AN EYE ON

Keep an eye on the yield on the 10-yr U.S Treasury bond. It has climbed above 4.47% due to concerns over higher inflation.

Consumer price index (CPI). On Feb. 12 and March 12, the U.S. BLS releases its CPI for January & February, respectively. Rising inflation is killing any Fed rate cut ahead.

Employment Report for February. On March 7th the U.S. BLS releases its job estimates for January. Readings between 125,000 and 200,000 will be a non-event.

Listen daily for media statements by member of the Fed Governors on likely interest rate moves. No rate cuts in first half of 2025.

FOMC meeting on March 18-19. I expect no rate change.

STATISTIC(S) OF THE MONTH

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In November 2024 seven (7) Illinois counties voted to consider seceding from high tax Illinois and become part of low tax Indiana counties. Indiana established the Indiana-Illinois Boundary Commission to deal with this issue

THE OUTLOOK. (Feb. 2025) NABE Panelists Report Steady Sales and Profit Margins Amid Rising Costs and Policy Uncertainty. *The January 2025 NABE Business Conditions Survey report presents the responses of 70 NABE members to a survey conducted December 30, 2024-January 13, 2025, on business conditions in their firms or industries, and reflects fourth-quarter 2024 results and the near-term outlook.* **COMMENTS:** “The January 2025 NABE Business Conditions Survey results reveal that business conditions remained relatively unchanged through the end of 2024, although a larger share of respondents than in the previous survey foresees higher prices going forward,” said **NABE President Emily Kolinski Morris, CBE**, global chief economist, Ford Motor Company. “At the same time, the odds of a recession continue to diminish according to panelists, with the downside risks largely tied to uncertainty over the implementation and timing of policy proposals from the new administration.”

“The survey results suggest a steady-state economy,” added **NABE Business Conditions Survey Chair Selma Hepp**, chief economist and senior vice president, CoreLogic. “However, concerns remain regarding shortages of skilled labor and a potential for more price pressures ahead. In addition, the outcome of the recent U.S. elections did not change hiring or investment plans for 70% of respondents.” <https://tinyurl.com/mw8yeceb>

BANKER READING ROOM

“Coinbase calls on regulators to clarify crypto-bank rules.”

“Banks that pursued crypto “were almost universally met with resistance” from the FDIC, the agency’s acting chair, Travis Hill, said Wednesday. Coinbase renewed calls on federal banking regulators Tuesday to “remove unlawful and unjustified impediments” that limit banks’ abilities to offer cryptocurrency custody and execution services.”

“In a letter to the Office of the Comptroller of the Currency, the Federal Reserve and the Federal Deposit Insurance Corp., Coinbase Chief Policy

Officer Faryar Shirzad wrote that banks should “not be artificially restrained from using new technologies” including offering services through partnerships with crypto firms like Coinbase.”

“He requested that the regulators confirm that banks are permitted to offer crypto custody and execution services either directly or through third parties, and that they remove roadblocks to crypto companies looking to partner with banks.”

“But on Wednesday, the FDIC released 175 documents linked to its supervision of banks that engaged in, or wanted to engage in, crypto-related activities.” <https://tinyurl.com/bdhew4ct>

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For historical data and forecasts, visit our website:

<https://www.creighton.edu/economicoutlook/>

For ongoing commentary on recent economic developments, visit:

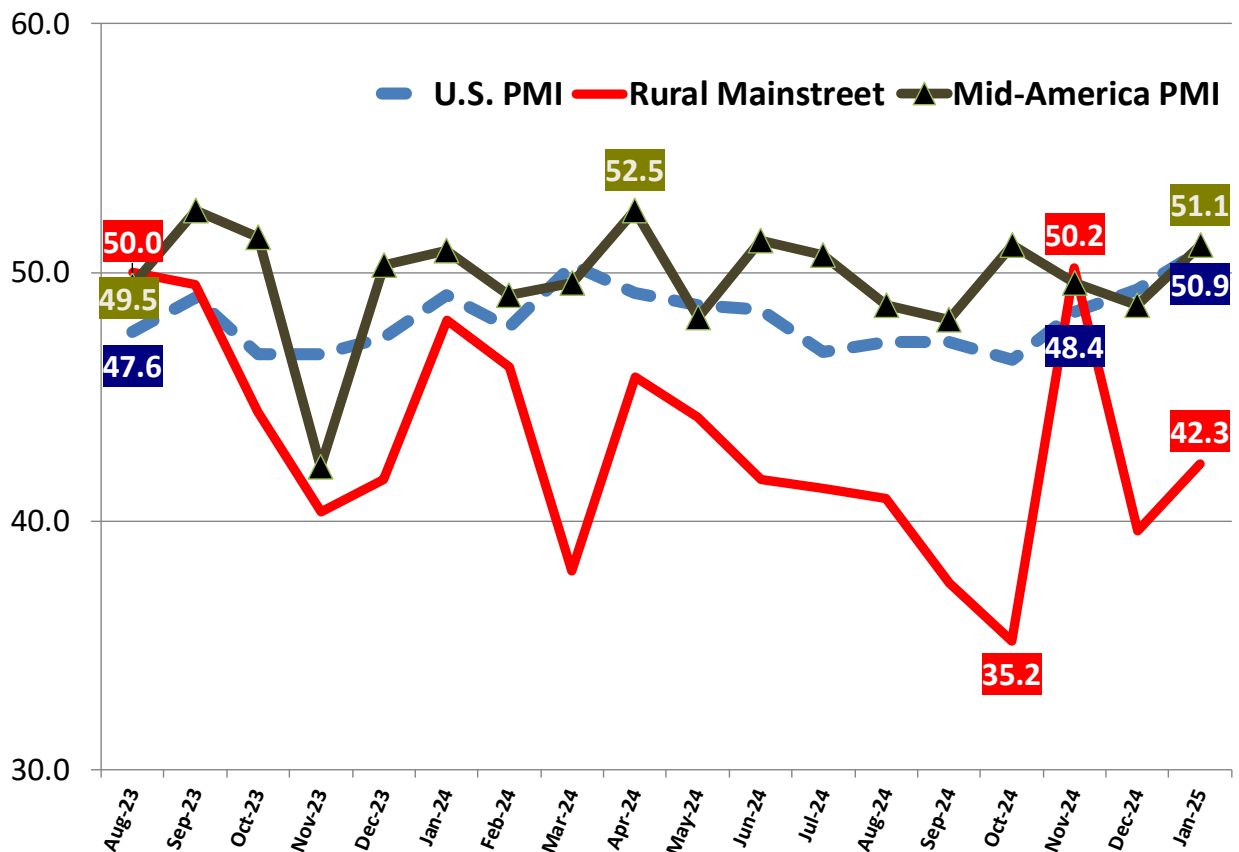
Goss monthly interview at: <https://bit.ly/Mid-AmericaBCIJanuary2025YouTube>

<https://bit.ly/MidAmericaBCIJanuary2025NewsAssets>

This month's survey results will be released on the third Thursday of the month.

Economic Indicators for U.S., Rural Mainstreet, & Mid-America

Leading Economic Indicators, last 18 months (50.0 = Growth Neutral)



Summary of January Survey

	Jan. 2024	Dec. 2024	Jan. 2025
Area Economic Index	48.1	39.6	42.3
Loan Volume	71.9	69.6	60.0
Checking Deposits	62.0	47.8	48.0
Certificates of Deposit and Savings Instruments	62.0	50.1	58.0
Farmland Prices	64.0	41.3	42.0
Farm Equipment Sales	47.9	14.3	17.4
Home Sales	38.0	43.5	40.0
Hiring	50.0	45.7	47.9
Retail Business	46.0	52.1	44.0
Confidence Index (area economy six months out)	38.5	37.5	42.3

	Percentage of Bankers Reporting				
	Below \$100	\$100 - \$199	\$200 - \$299	\$300 - \$399	Over \$400
What is your estimate of the average per acre cash rent for non-irrigated crop land (not pasture) in your area for 2025:	7.8%	12.0%	36.0%	36.1%	8.1%
	Percentage of Bankers Reporting				
	1% to 10%	10% to 19%	20% to 29%	Over 29%	
What percentage of grain farmers in your area will likely experience negative cash flow for 2025:	23.1%	23.1%	11.5%	42.3%	
	Percentage of Bankers Reporting				
	Cut Rates 3 or More Times	Cut Rates 2 More Times	Cut Rates One More Time	Leave Rates Unchanged	Raise Short-term Rates
In 2025, the Federal Reserve should:	7.6%	19.2%	30.8%	34.6%	7.7%