

# Economic Outlook for U.S. Agriculture

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Denver / Oklahoma City / Omaha

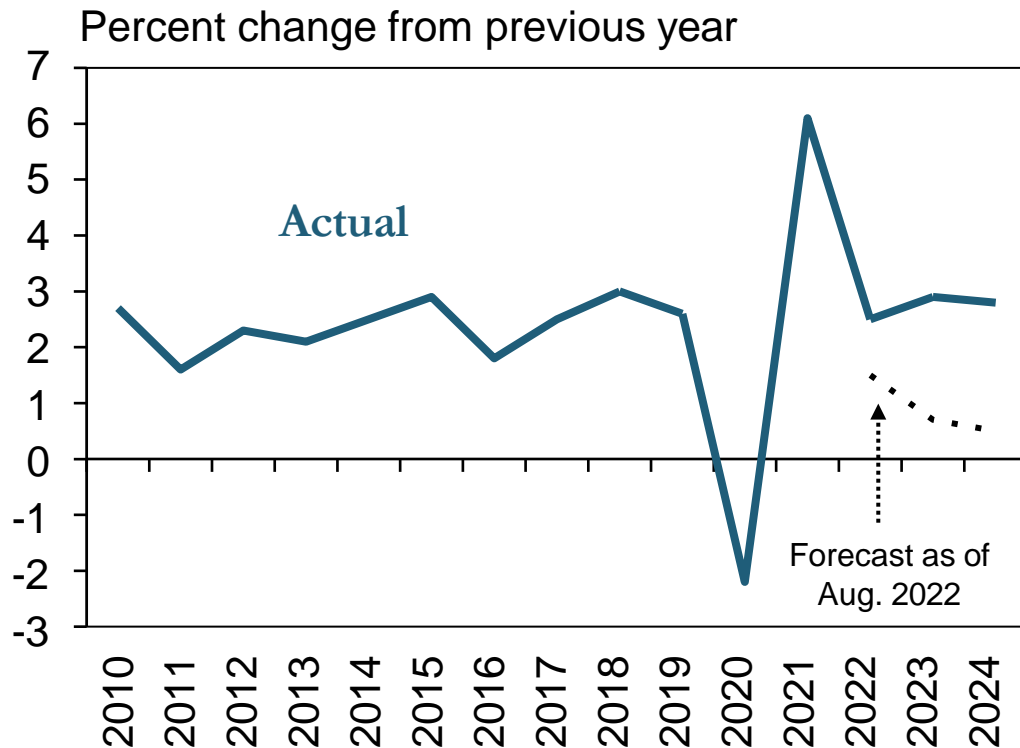
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# Outlook Themes

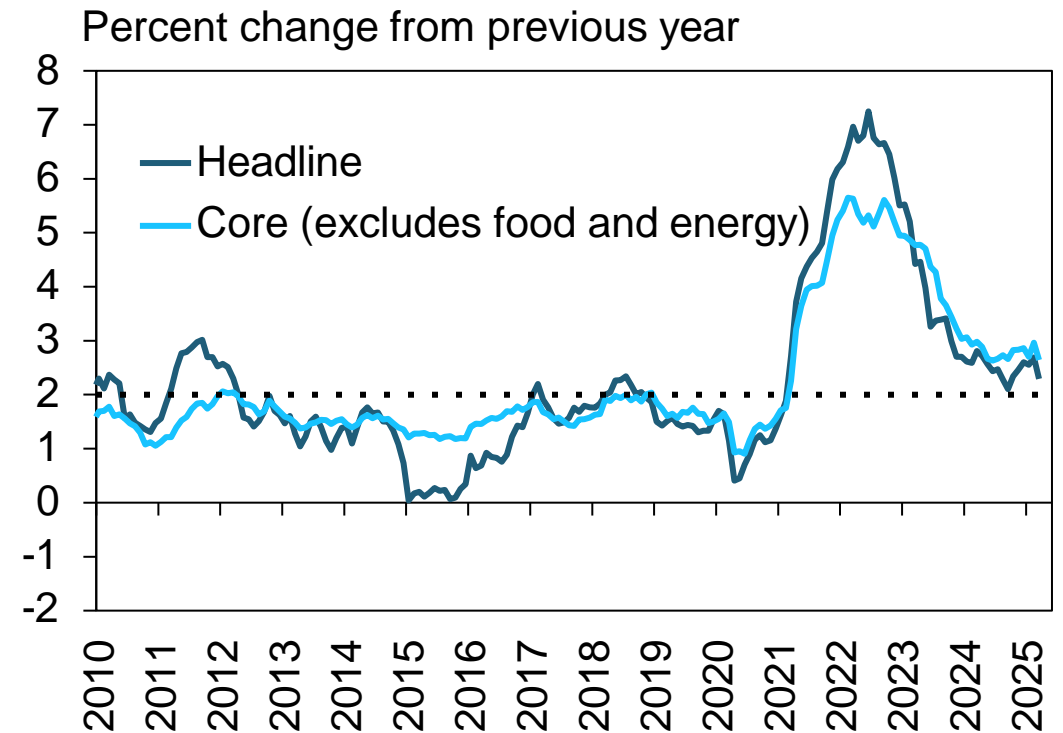
- Economic conditions in U.S. agriculture have weakened over the past year, particularly among row crop producers, with ongoing strength among livestock operations.
- Despite significant uncertainty associated with trade, as well as some signs of increased stress, financial conditions in agriculture have remained solid.

# Despite various risks in recent years, growth in the U.S. economy has been resilient following the pandemic.

## U.S. Real GDP

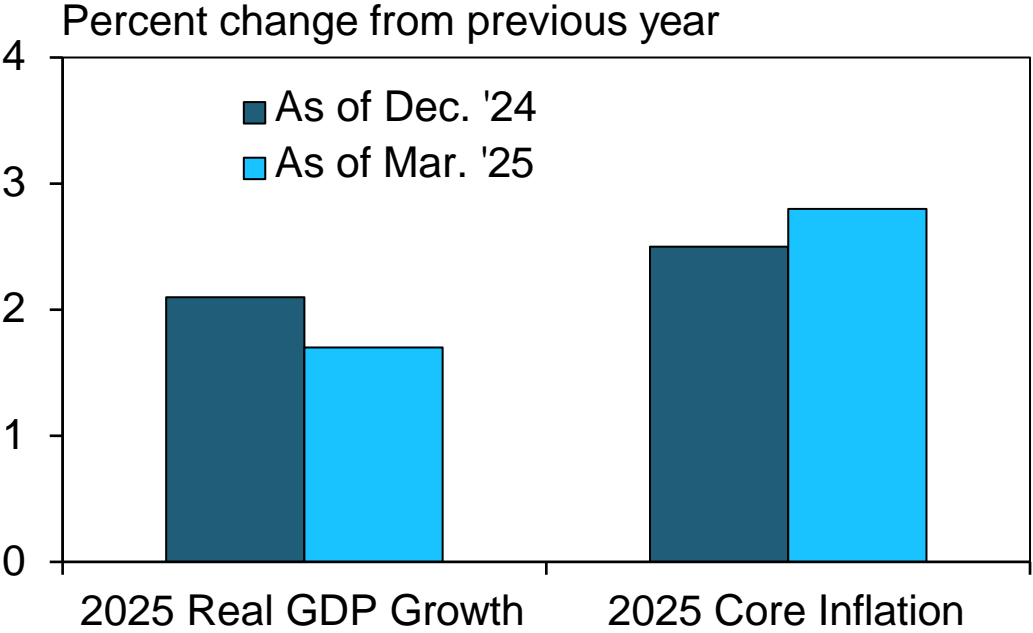


## U.S. Inflation

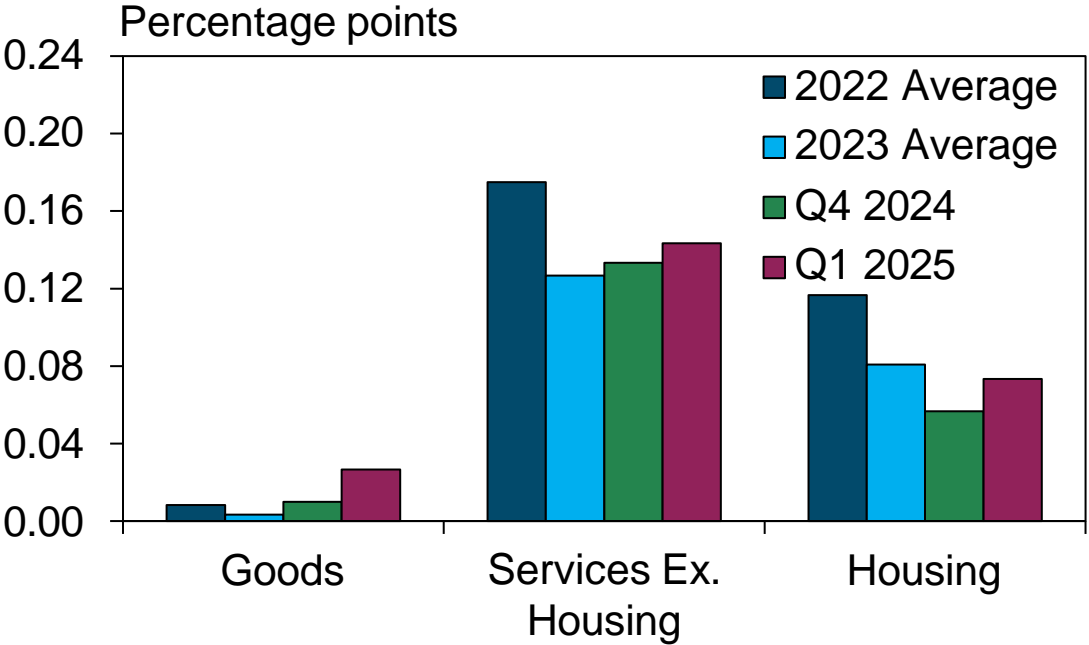


# Since the beginning of the year, some measures of economic activity have softened while inflation remains elevated.

FOMC Economic Projections



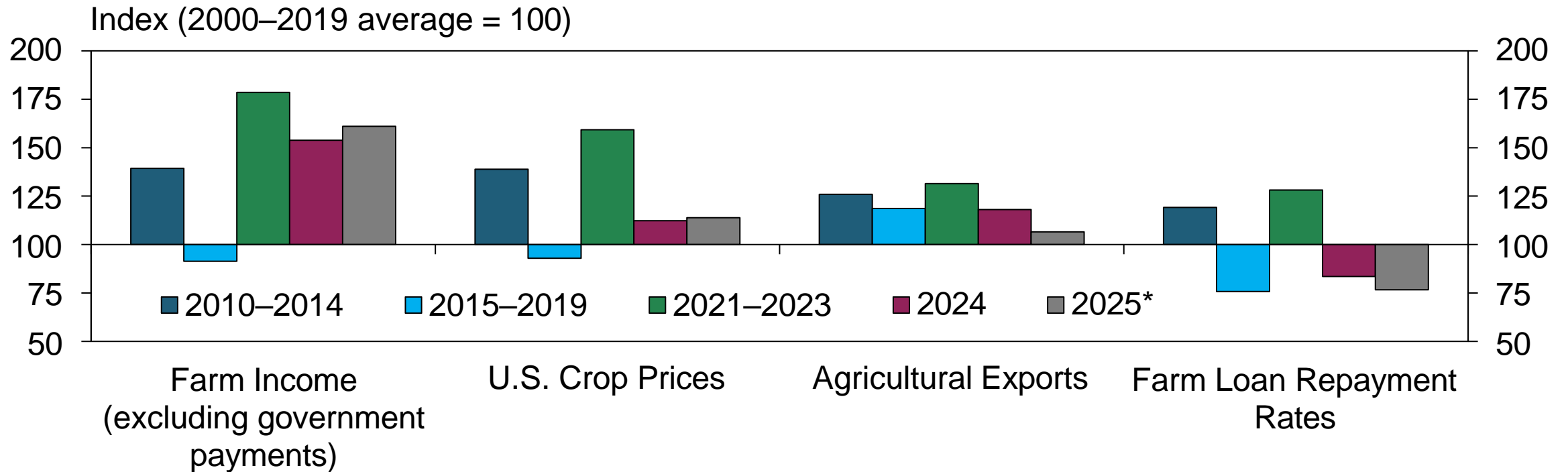
Contributions to Inflation



Note: The right chart refers to the contributions to the change in the personal consumption expenditures price index (PCE).  
Sources: Federal Reserve Board of Governors, BEA and Haver Analytics

# Economic conditions in U.S. agriculture remain tenuous.

## Indicators of the U.S. Agricultural Economy

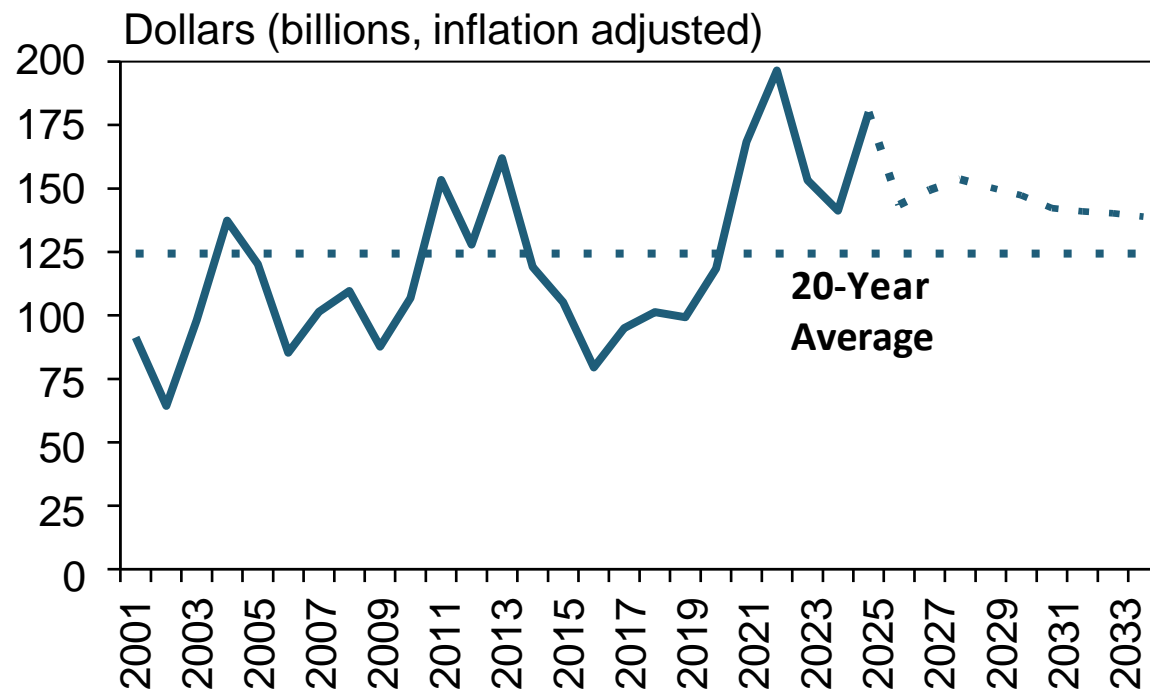


Note: \*Year-to-date estimate

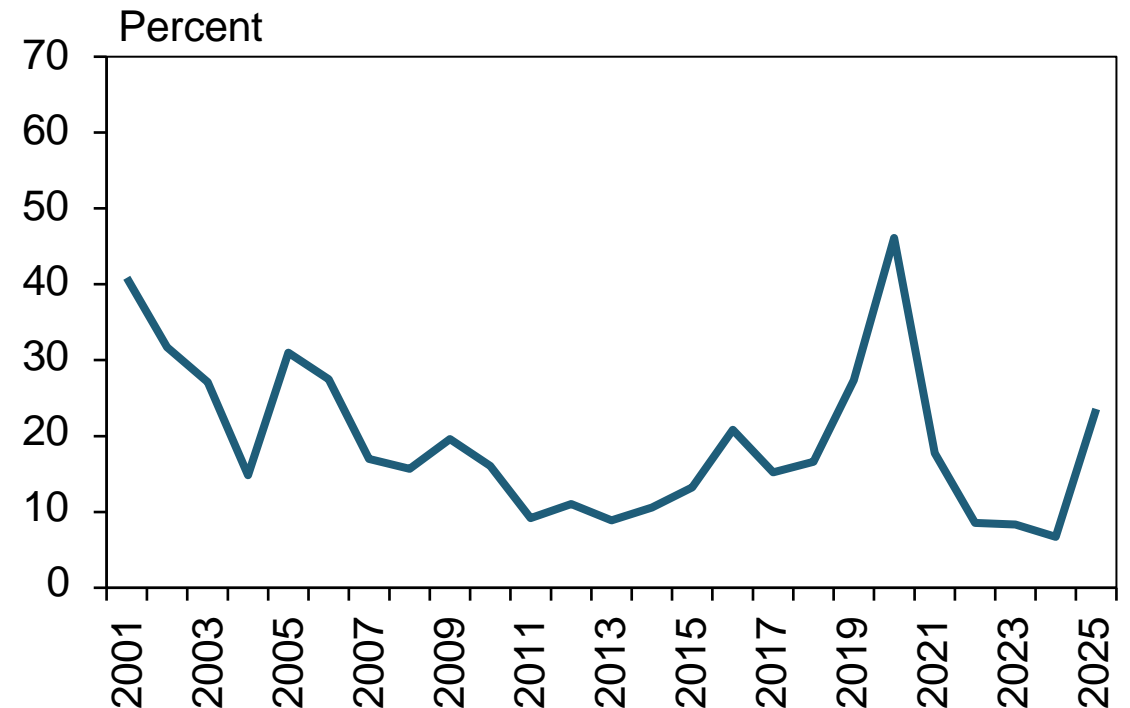
Sources: USDA; FRB Kansas City Survey of Agricultural Credit Conditions and FRB Kansas City staff calculations

# Farm income dropped in 2023 and 2024, but forecasts suggest a boost from government payments in 2025.

## U.S. Net Farm Income



## Direct Government Payments as a Share of Net Farm Income



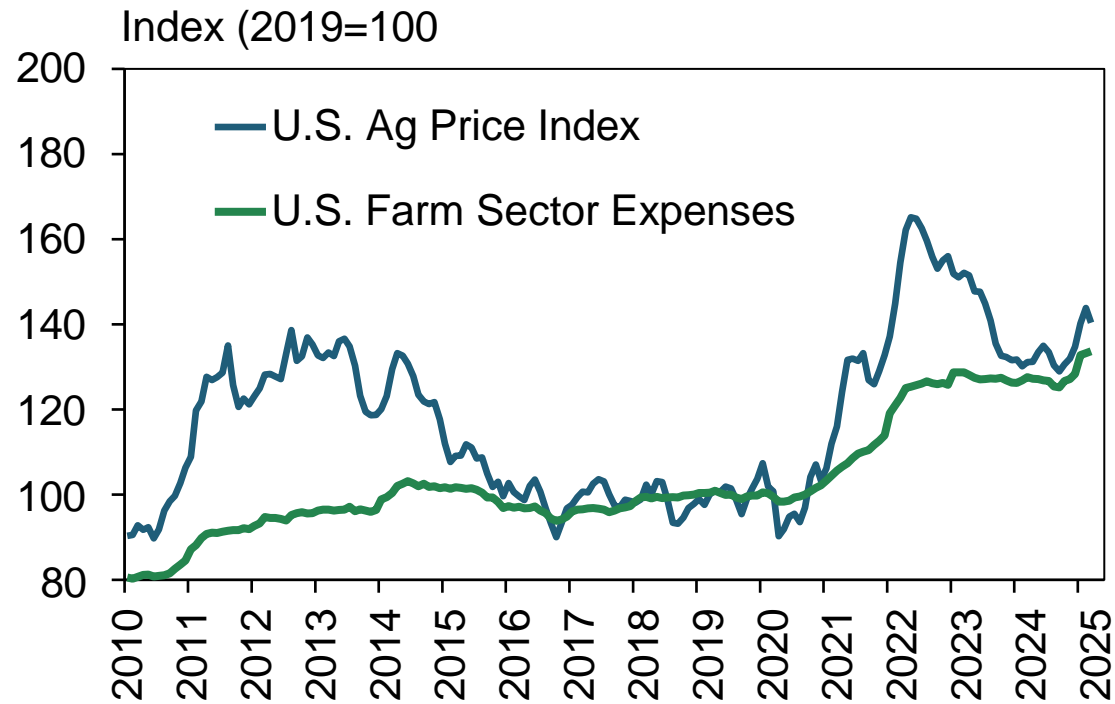
Note: U.S. net farm income for 2025 and beyond are forecasts.

Sources: USDA, University of Missouri – Food and Agricultural Policy Research Institute, and FRB Kansas City staff calculations

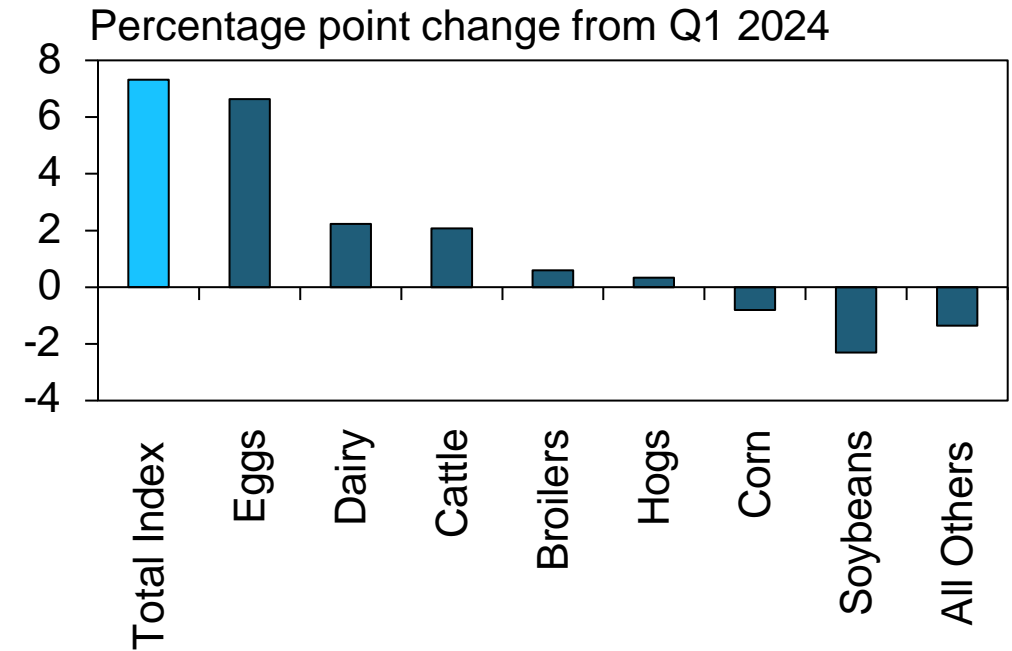


# Cattle and dairy prices have increased recently, but crop prices remain low.

## U.S. Ag Commodity Prices and Expenses

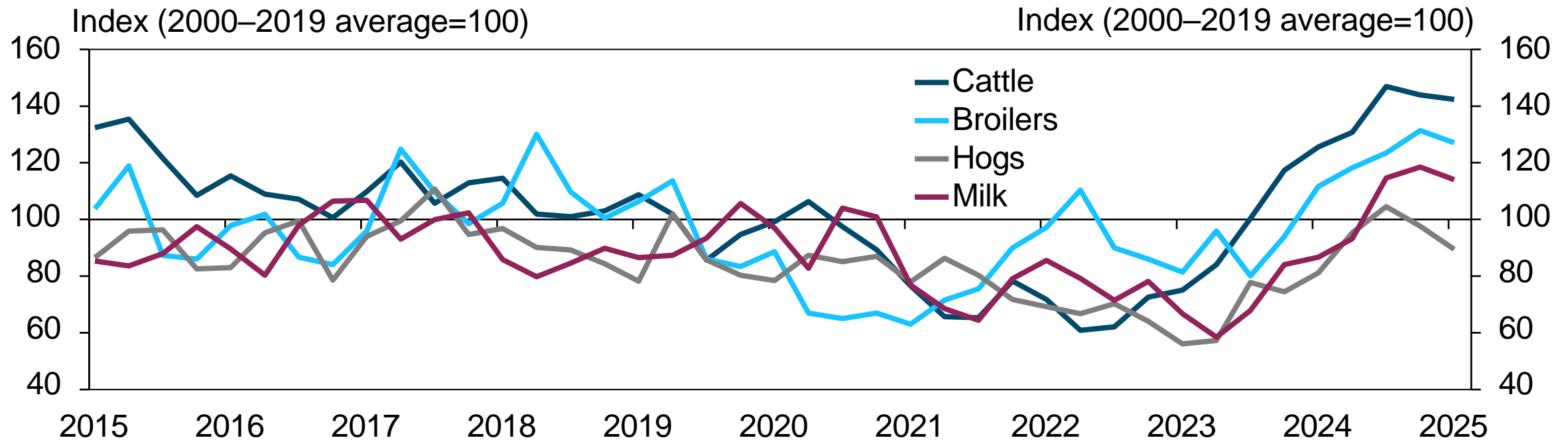


## Contribution to Change in Price Index (Q1 2025)



# Higher prices and lower feed costs have improved profit opportunities in livestock industries.

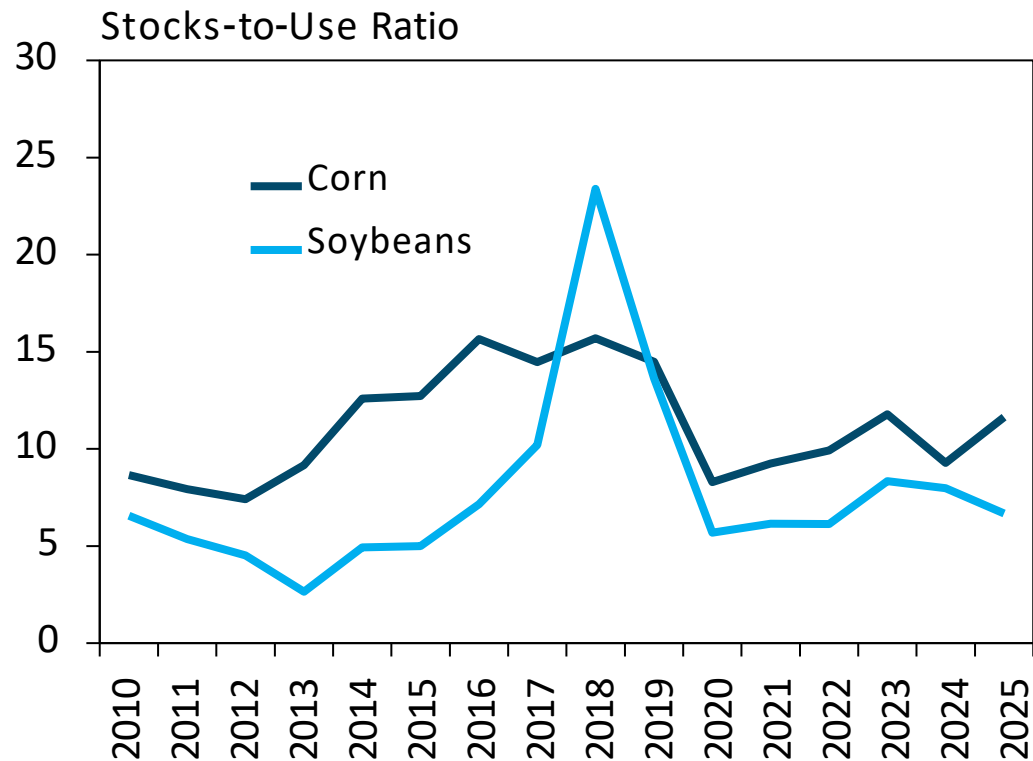
## Price-to-Food Cost Ratio



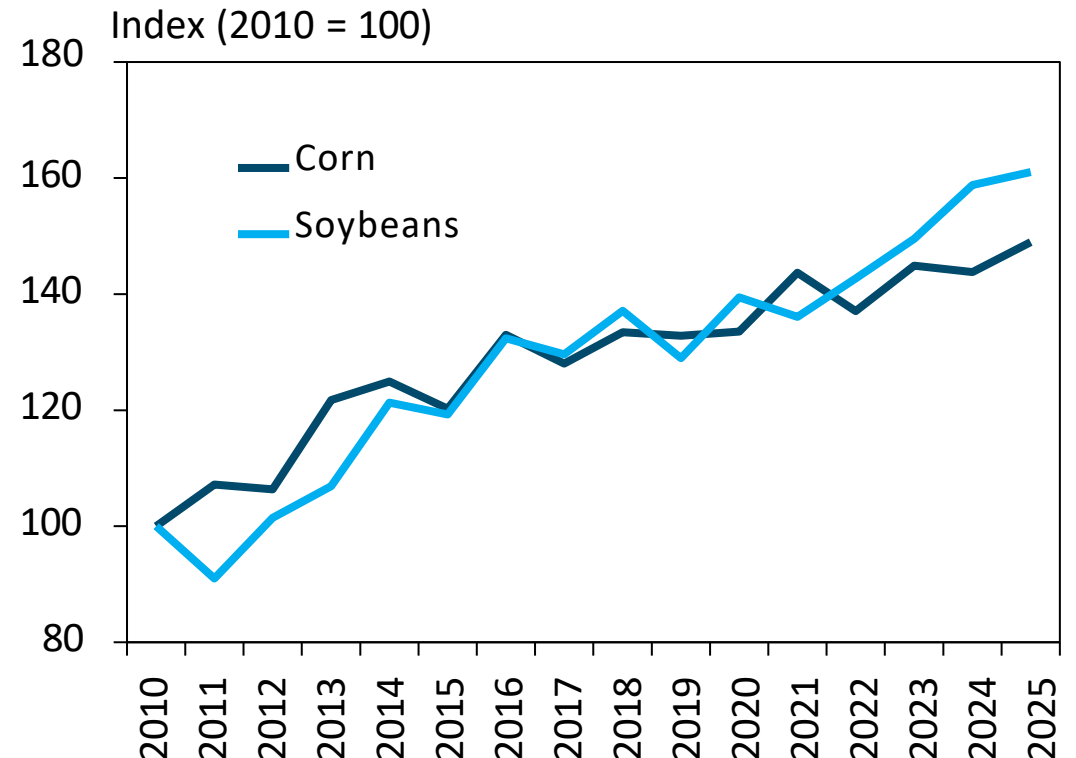


# Elevated supplies are likely to continue weighing on prices for many crops.

## U.S. Crop Inventories

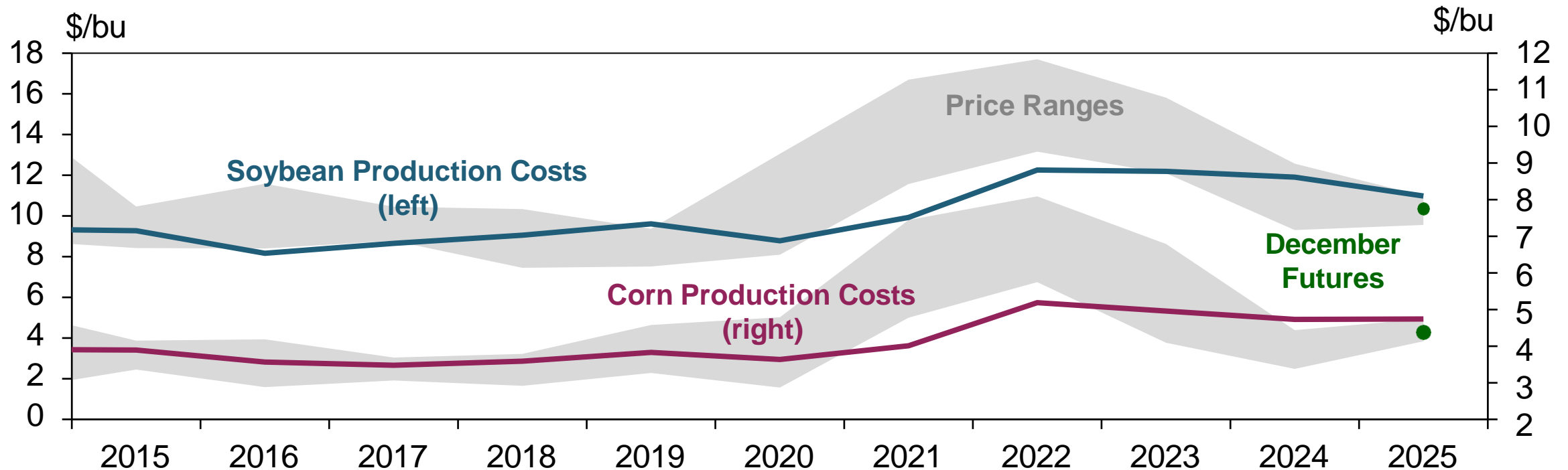


## Global Crop Production



# With market conditions constraining row crop prices, profit opportunities are likely to remain narrow.

## Corn and Soybean Profit Opportunities



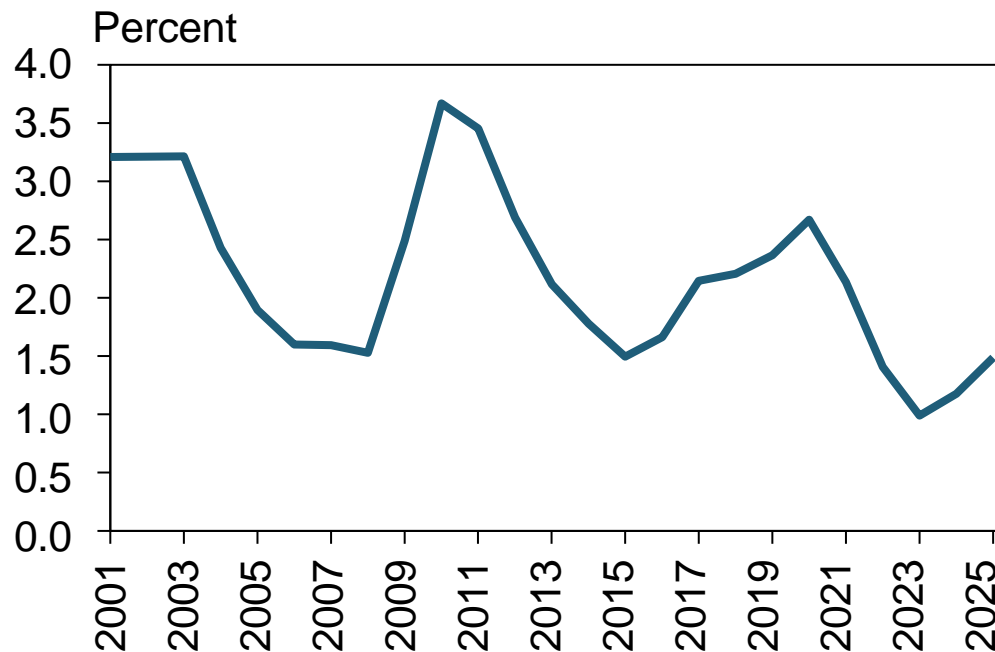
Note: Production costs are estimated using the USDA cost and return estimates and forecasts with national average yields and prices.

Figures for 2025 are forecasts.

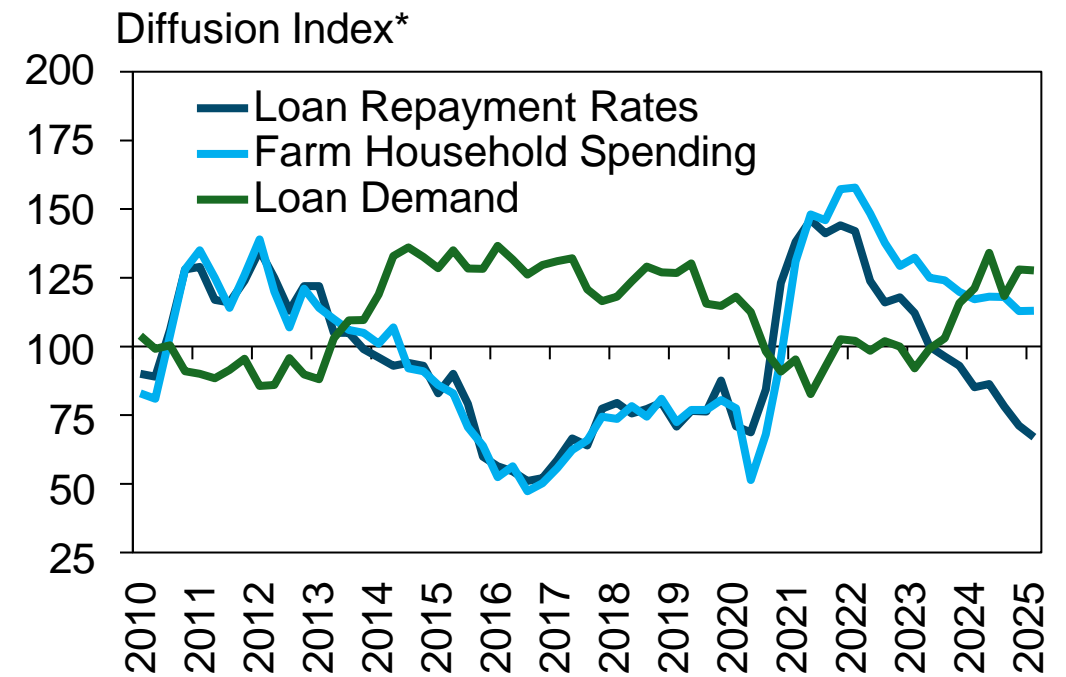
Sources: USDA, Haver Analytics, CME, Barchart.com, and FRB Kansas City staff calculations

# Farm loan delinquency rates have also remained low, but some signs of financial stress have emerged.

## U.S. Farm Loan Delinquency Rates, Q1



## Kansas City Fed District Ag Credit Indicators

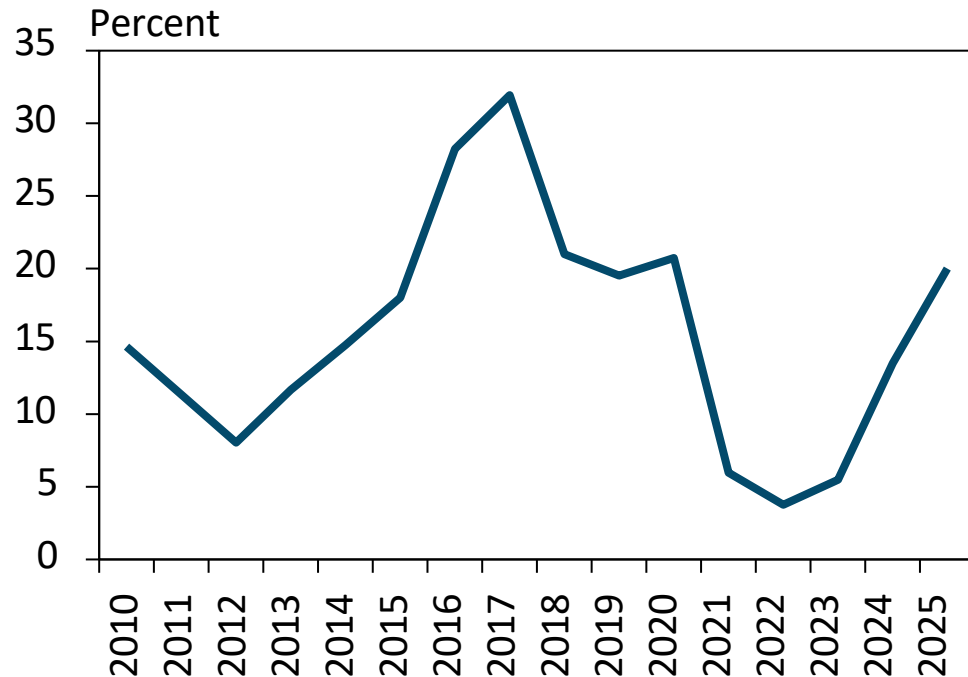


\*The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.

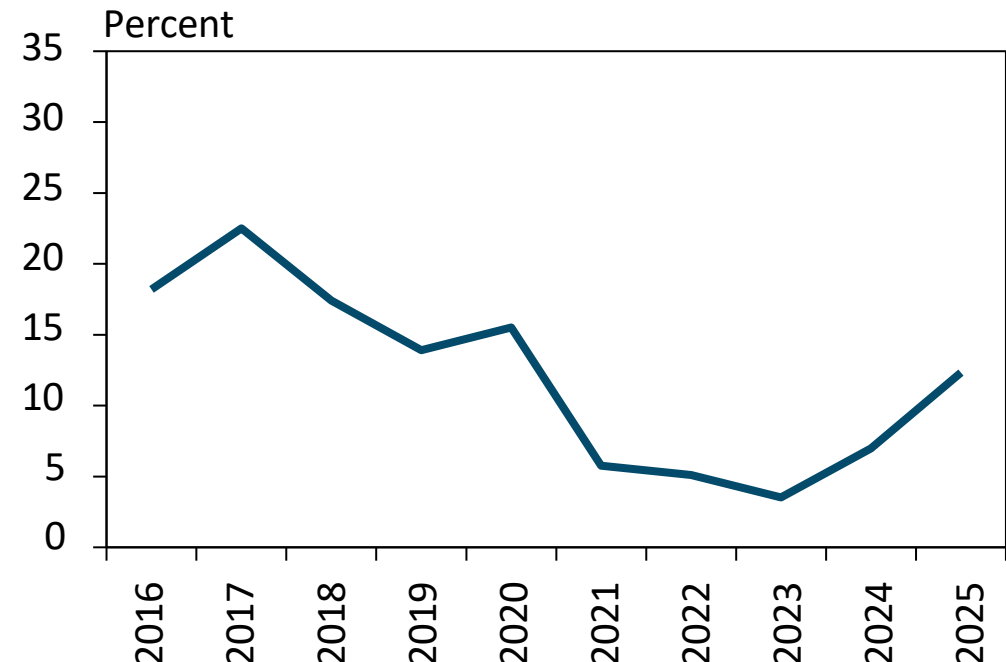
Sources: USDA and Survey of Ag Credit Conditions

# Carryover debt increased notably in early 2025 alongside an uptick in loan restructuring.

Farm Borrower with Increased Carryover Debt, Q1

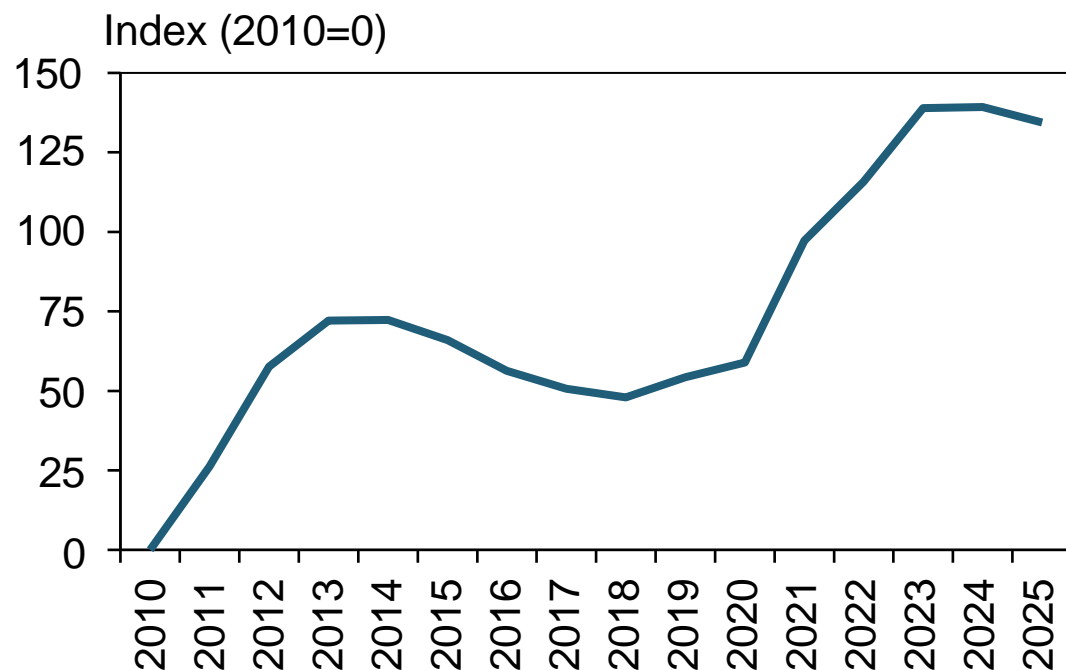


New Loans Involving Restructuring to Meet Liquidity Needs

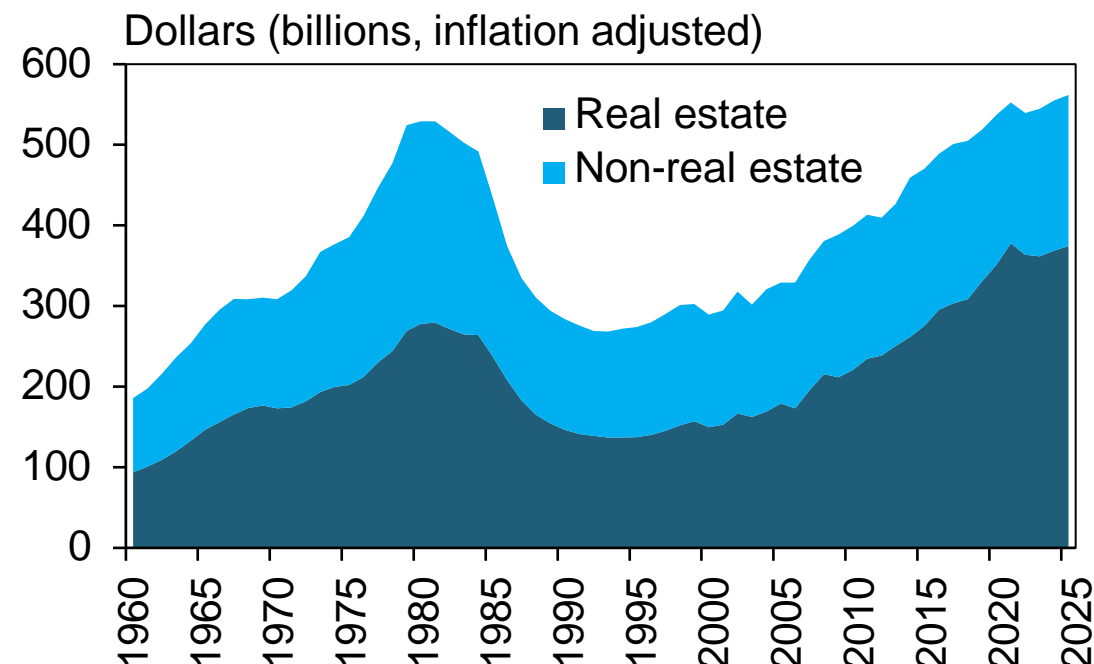


# Despite recent pressures on the sector, farm real estate values have been firm, and leverage has been steady.

Farm Real Estate Values  
Kansas City Fed District

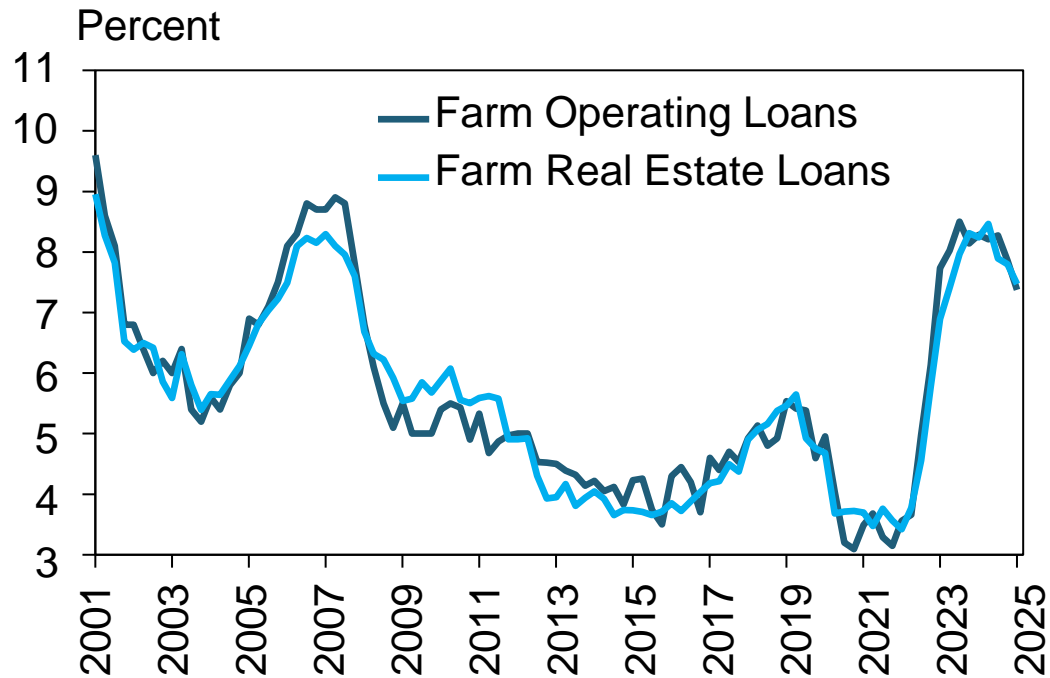


U.S. Farm Sector Debt

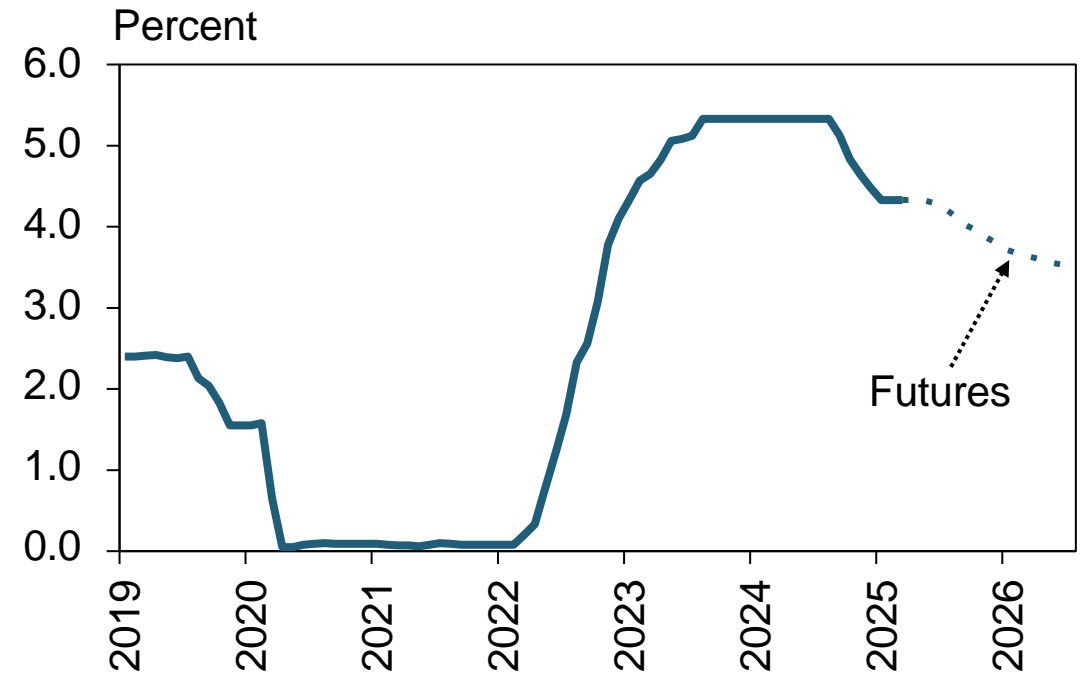


# Interest rates on farm loans have declined slightly, but still remain elevated.

## Average Interest Rates on Agricultural Loans

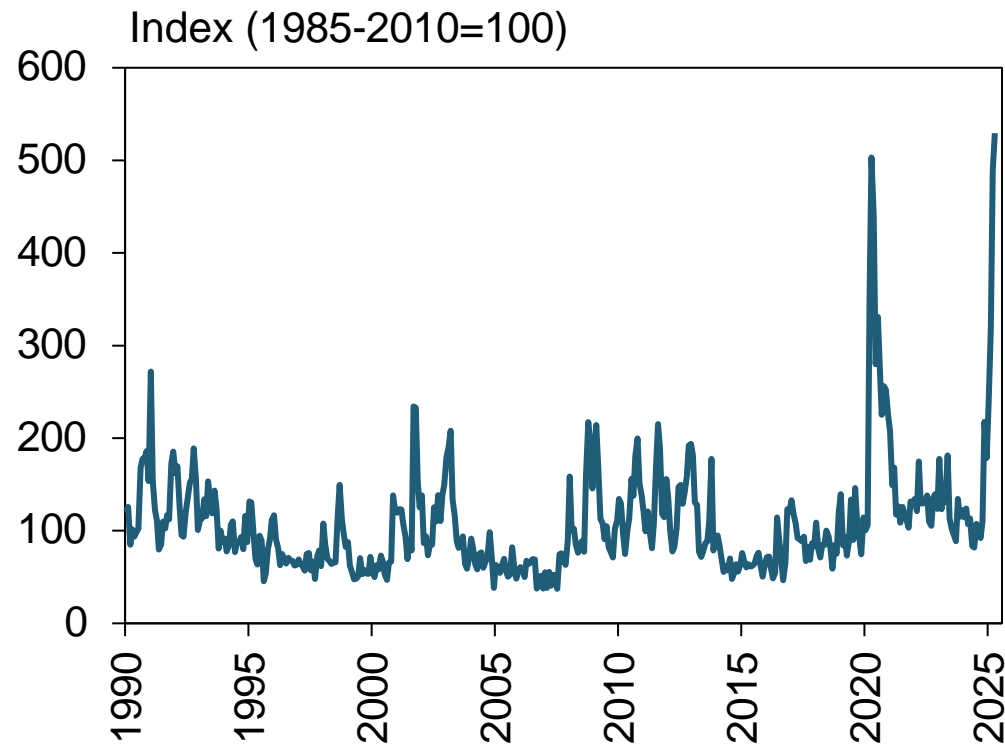


## Fed Funds Rate



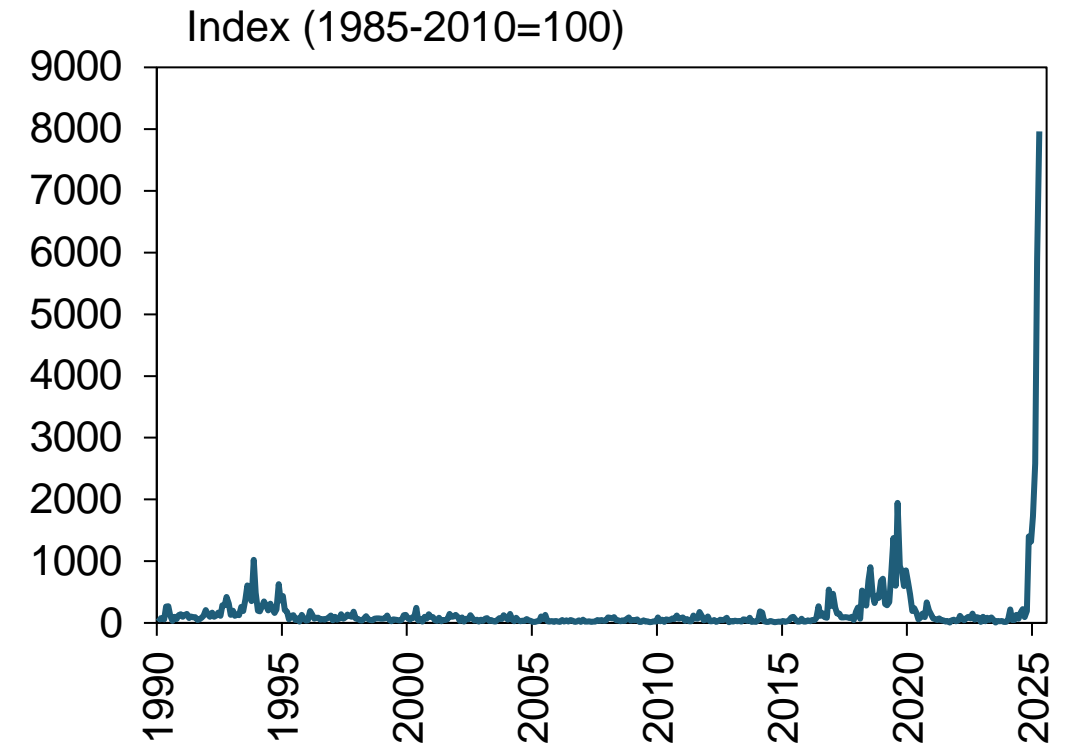
# Some measures of uncertainty have increased in recent weeks alongside policy developments.

## Economic Policy Uncertainty



Source: PolicyUncertainty.com

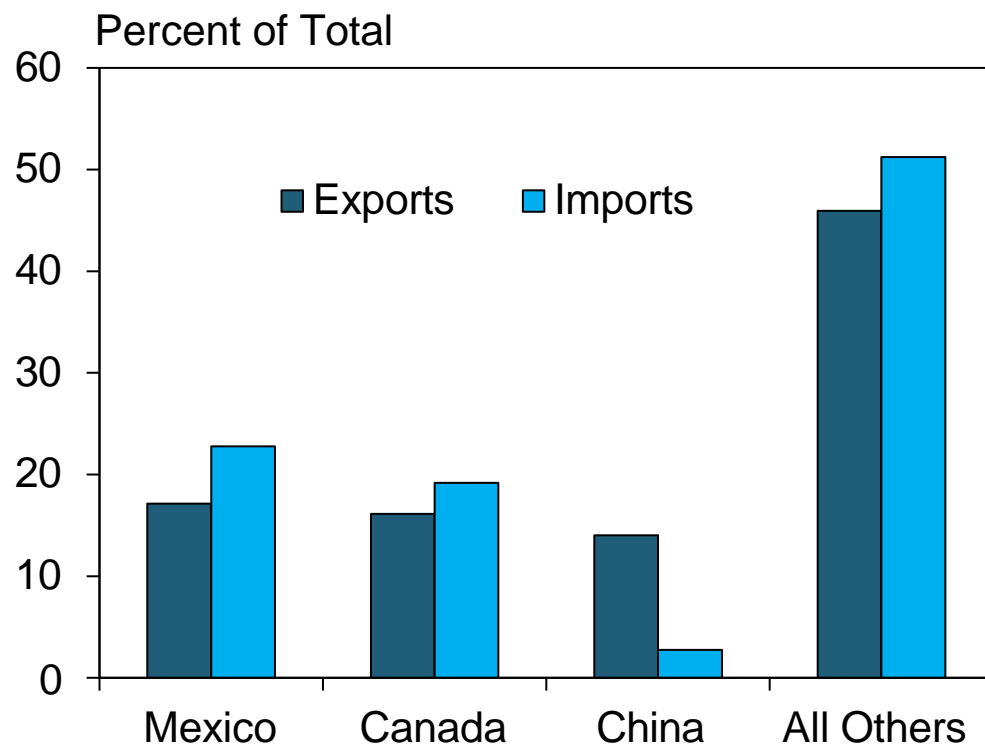
## Trade Policy Uncertainty



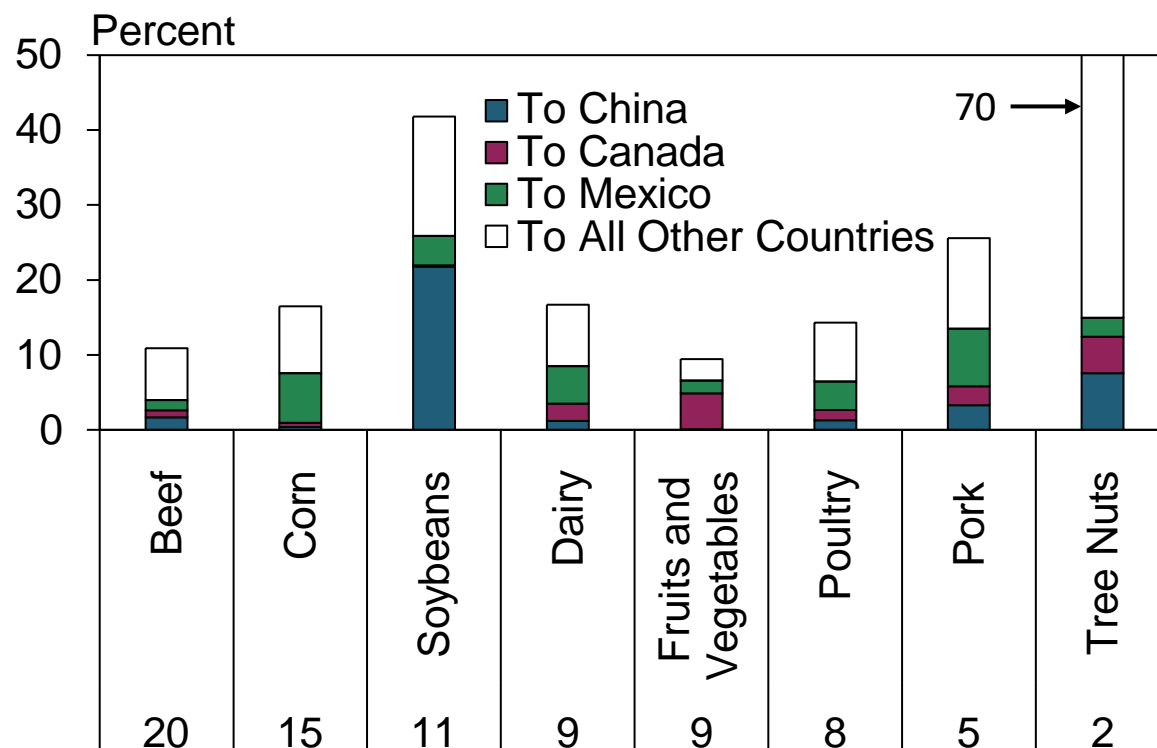


# Uncertainty surrounding U.S. agricultural exports represent an additional headwind in a few key industries.

## Share of U.S. Agricultural Trade



## Share of Production Exported



Note: Numbers on the x-axis label on the right chart refer to the share of farm cash receipts.  
Sources: USDA; FRB Kansas City staff calculations

# Concluding Remarks

- Profit margins among crop producers are likely to remain thin through 2025, but the strength of recent years continues to provide support.
- Government support has provided a temporary boost to incomes, but large uncertainties remain with respect to policies on trade, farming, and energy.
- A potential slowdown in global economic activity related to trade poses a broader risk to agriculture, but consumer spending has generally remained positive.

# Questions?

KC Fed Research



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# Thank you!

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### [Labor Market Conditions Indicators](#)

Two monthly measures of labor market conditions based on 24 labor market variables.

### [Kansas City Financial Stress Index](#)

A monthly measure of stress in the U.S. financial system based on 11 financial market variables.

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