

Farm Economy and Financial Outlook

Nate Kauffman, Federal Reserve Bank of Kansas City
August 14, 2025



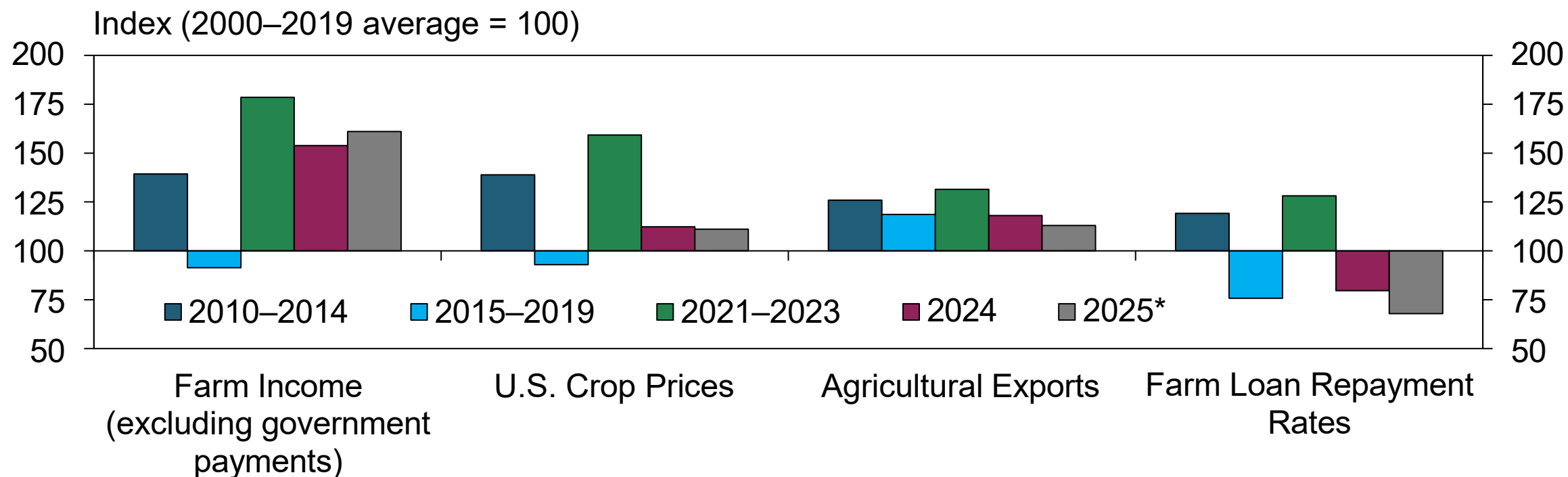
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Outlook Themes

- 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 stable.

Economic conditions in U.S. agriculture remain tenuous.

Indicators of the U.S. Agricultural Economy

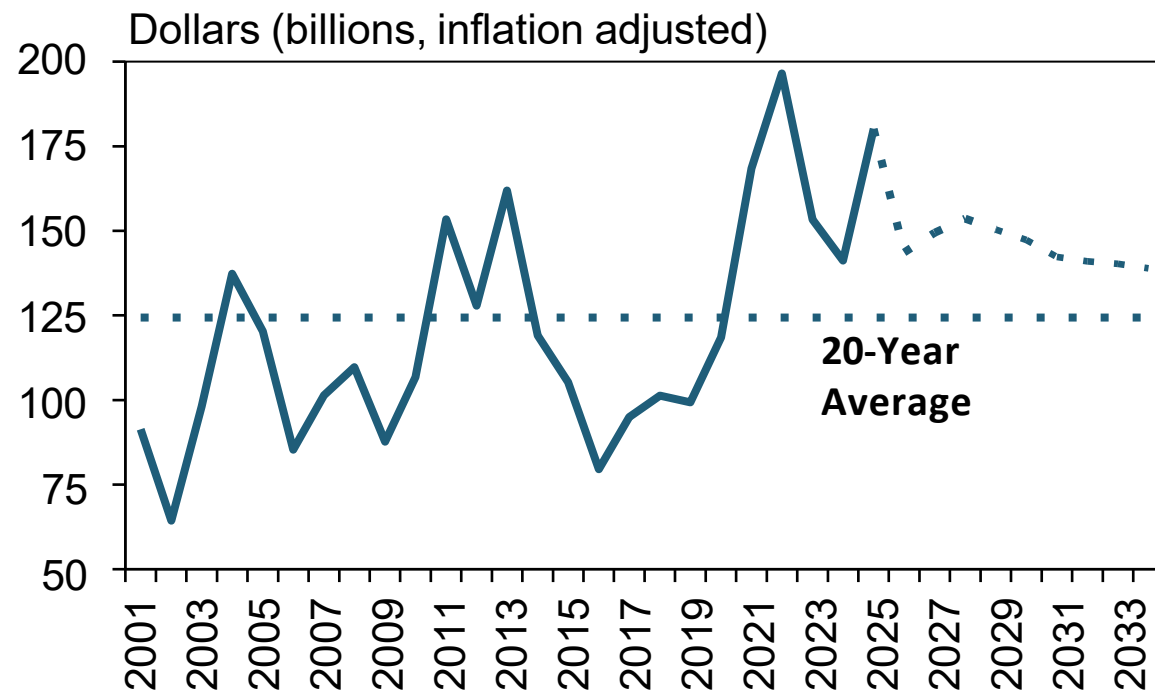


Note: *Year-to-date estimate

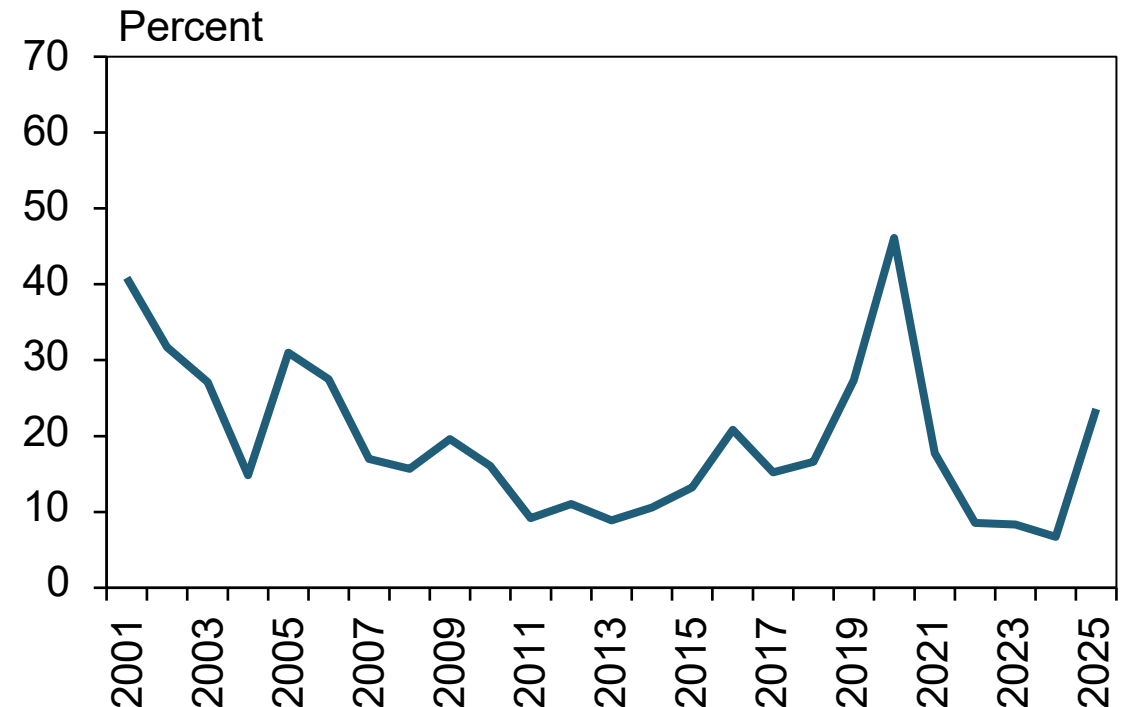
Sources: USDA; FRB Kansas City Survey of Agricultural Credit Conditions and Federal Reserve Bank of Kansas City staff calculations

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

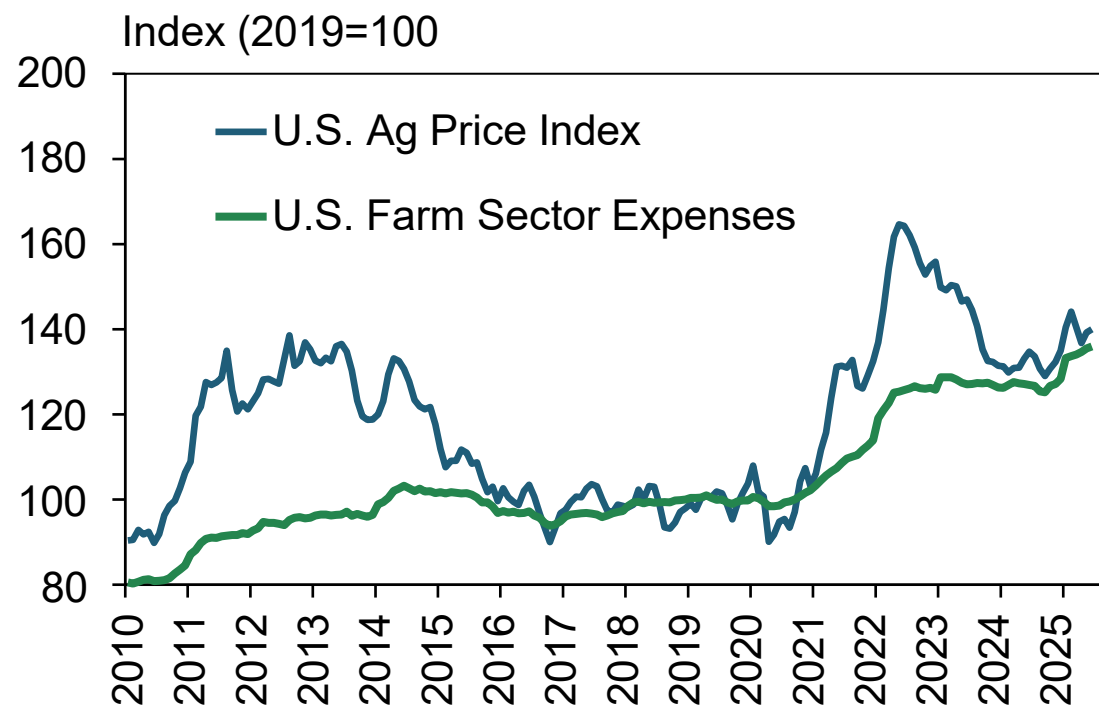


Note: U.S. net farm income for 2025 and beyond are forecasts.

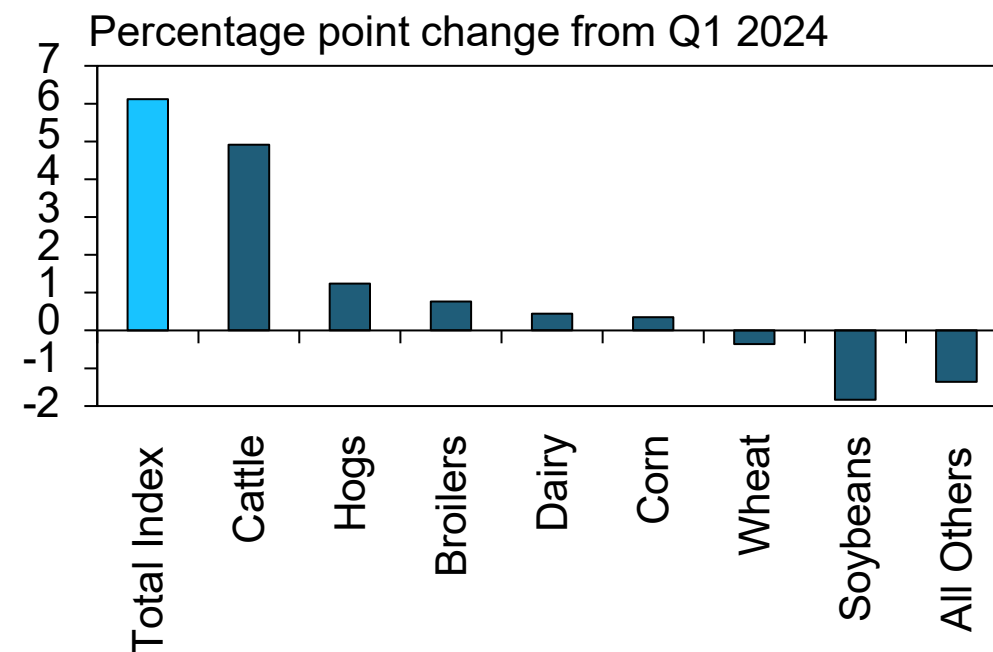
Sources: USDA, University of Missouri – Food and Agricultural Policy Research Institute, and FRB Kansas City staff calculations

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

U.S. Ag Commodity Prices and Expenses

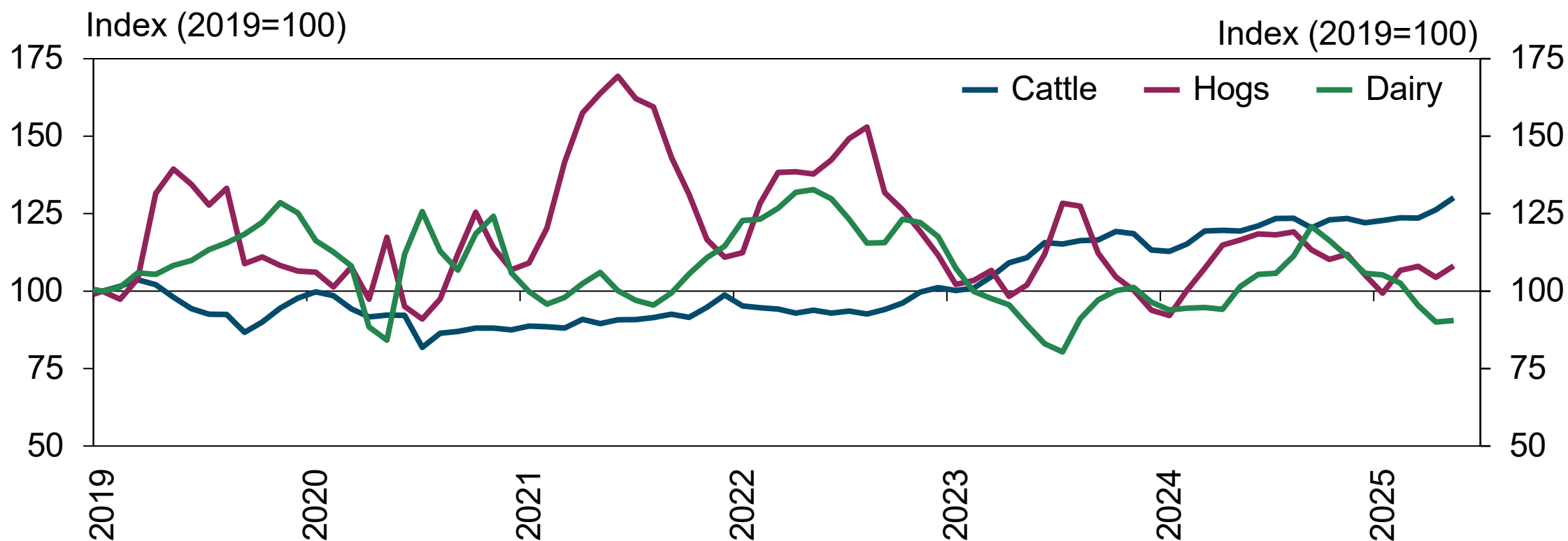


Contribution to Change in Price Index (Q2 2025)



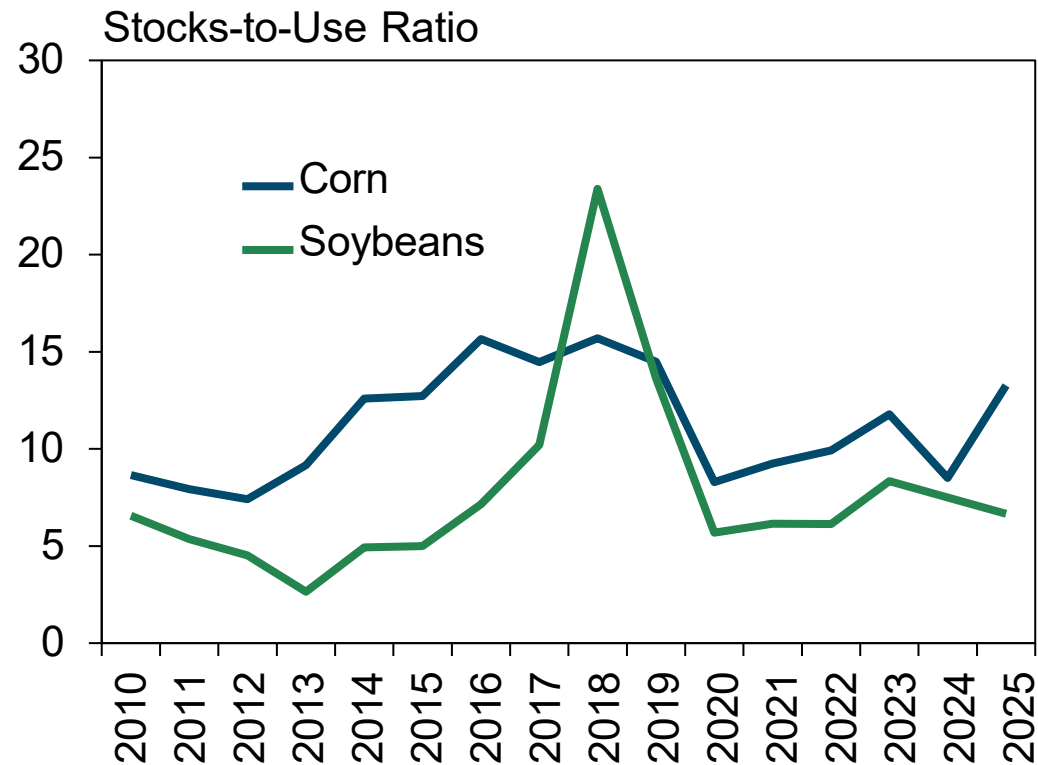
Higher prices and lower feed costs have improved profit opportunities for cattle and hogs.

Ratio of Prices Received-to-Prices Paid

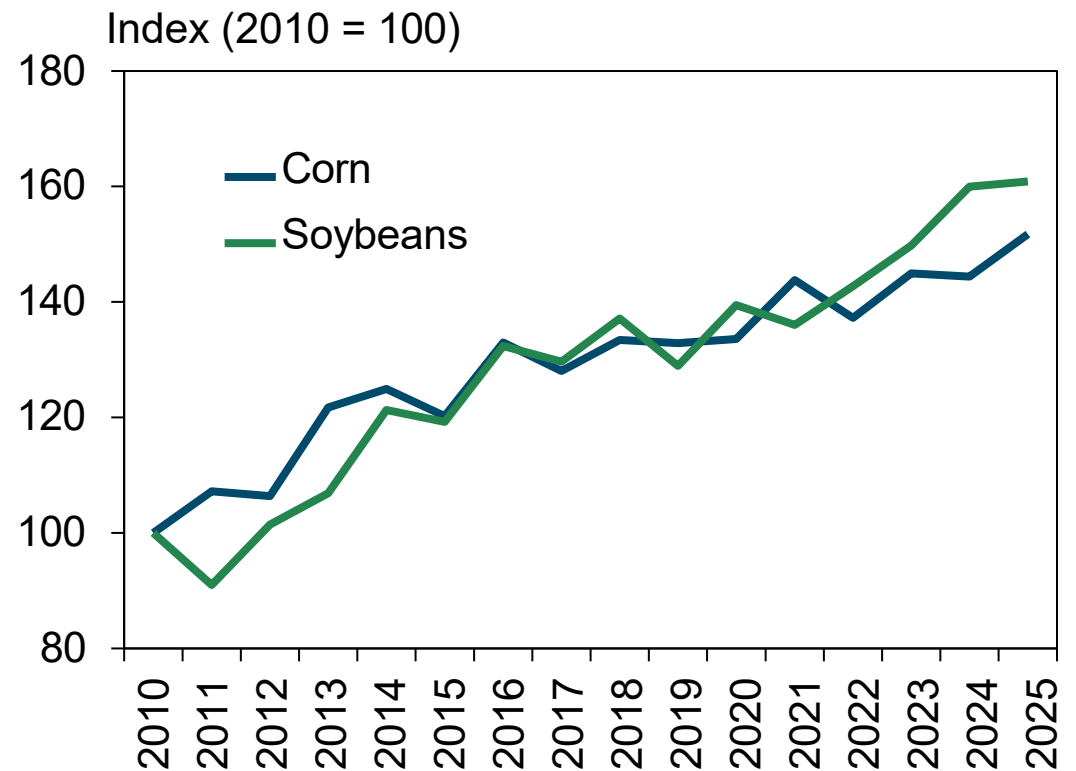


Elevated supplies are likely to continue weighing on prices of major row crops.

U.S. Crop Inventories

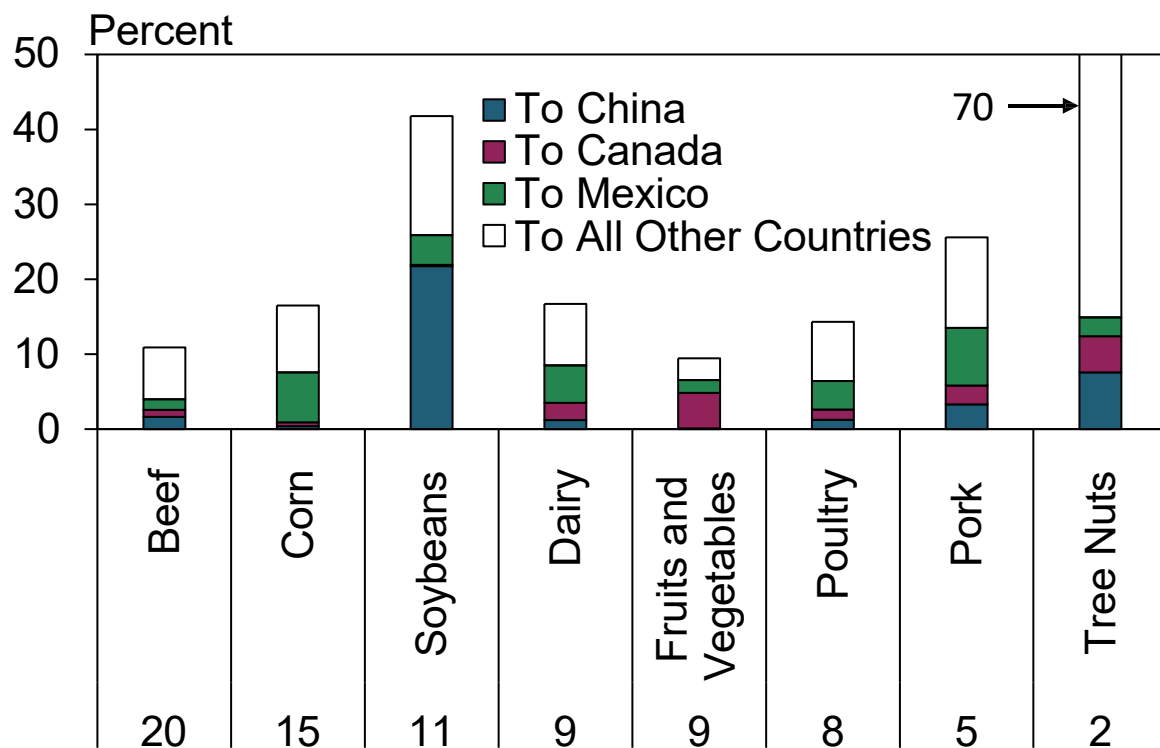


Global Crop Production

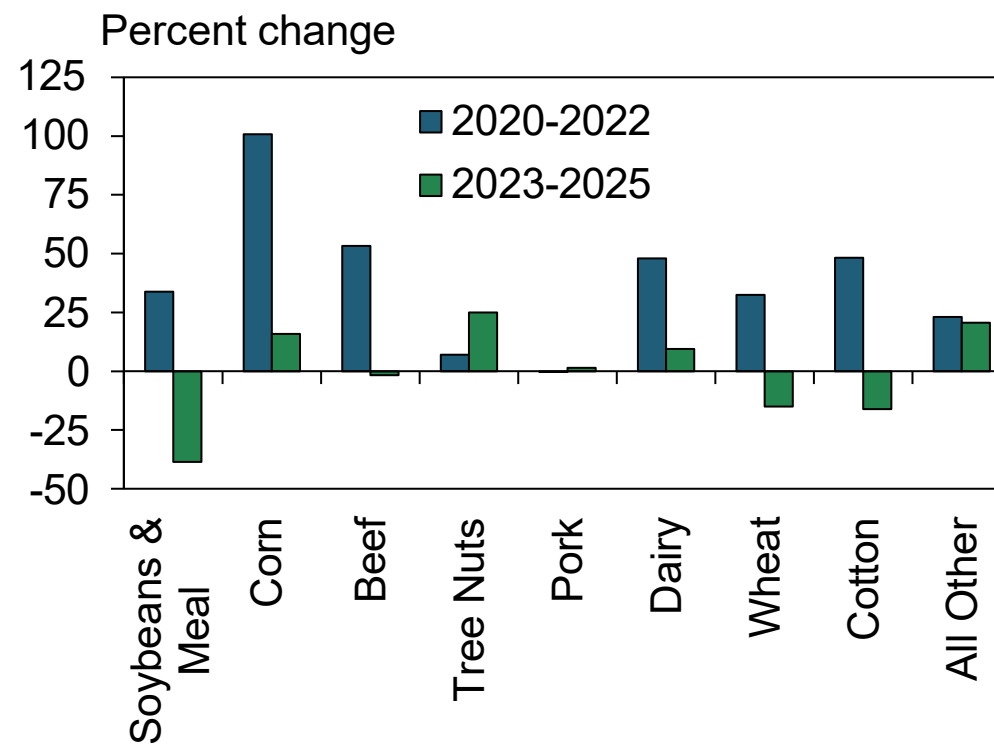


Uncertainty surrounding U.S. agricultural exports represents an additional headwind in a few key industries.

Share of Production Exported



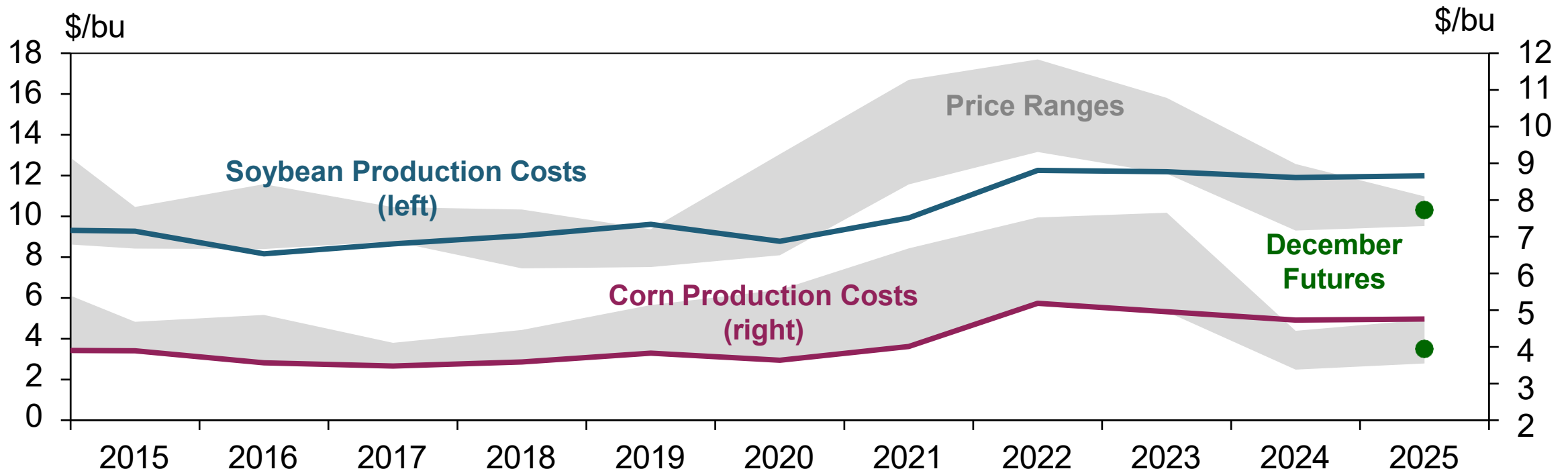
Value of U.S. Ag Exports by Product



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

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

Corn and Soybean Profit Opportunities



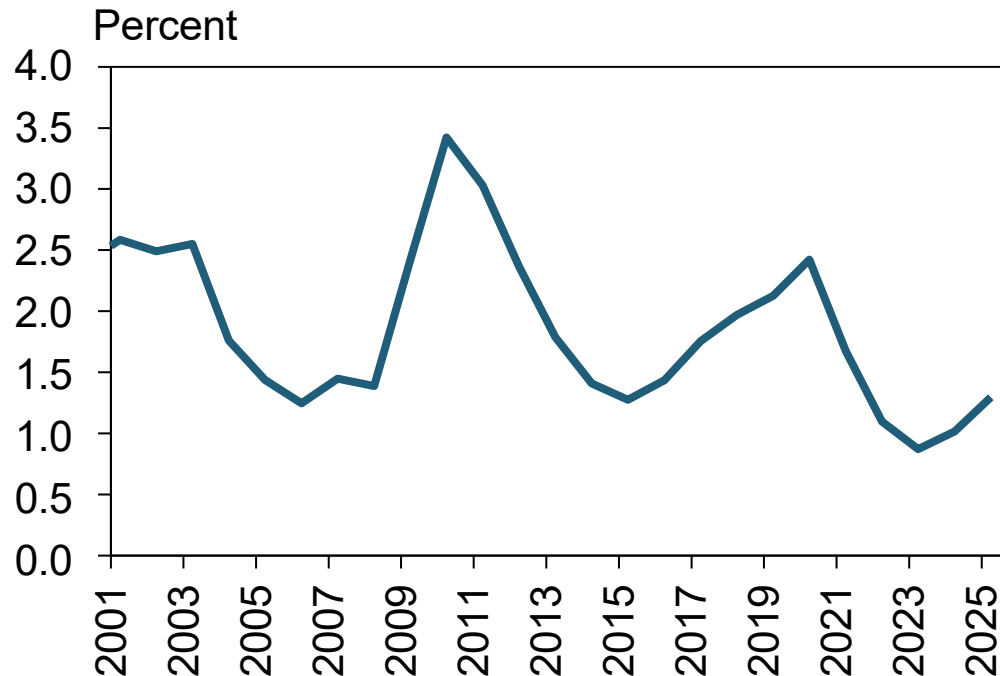
Note: Production costs are estimated using the USDA cost and return estimates and forecasts with national average yields and prices.

Figures for 2025 are forecasts.

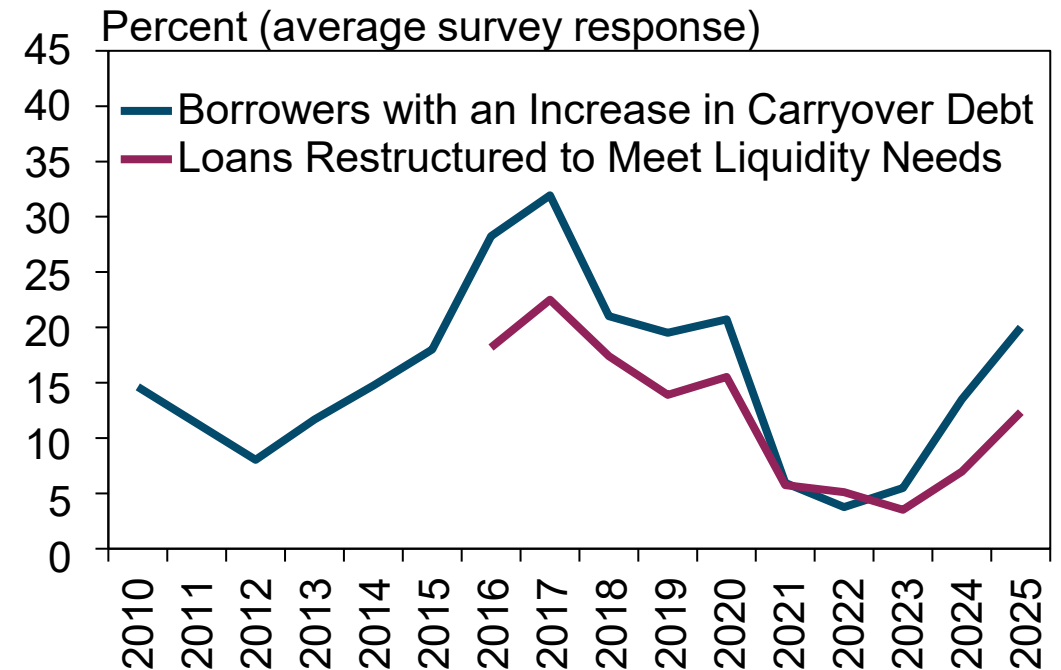
Sources: USDA, Haver Analytics, CME, Barchart.com, and FRB Kansas City staff calculations

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

U.S. Farm Loan Delinquency Rates, Q2



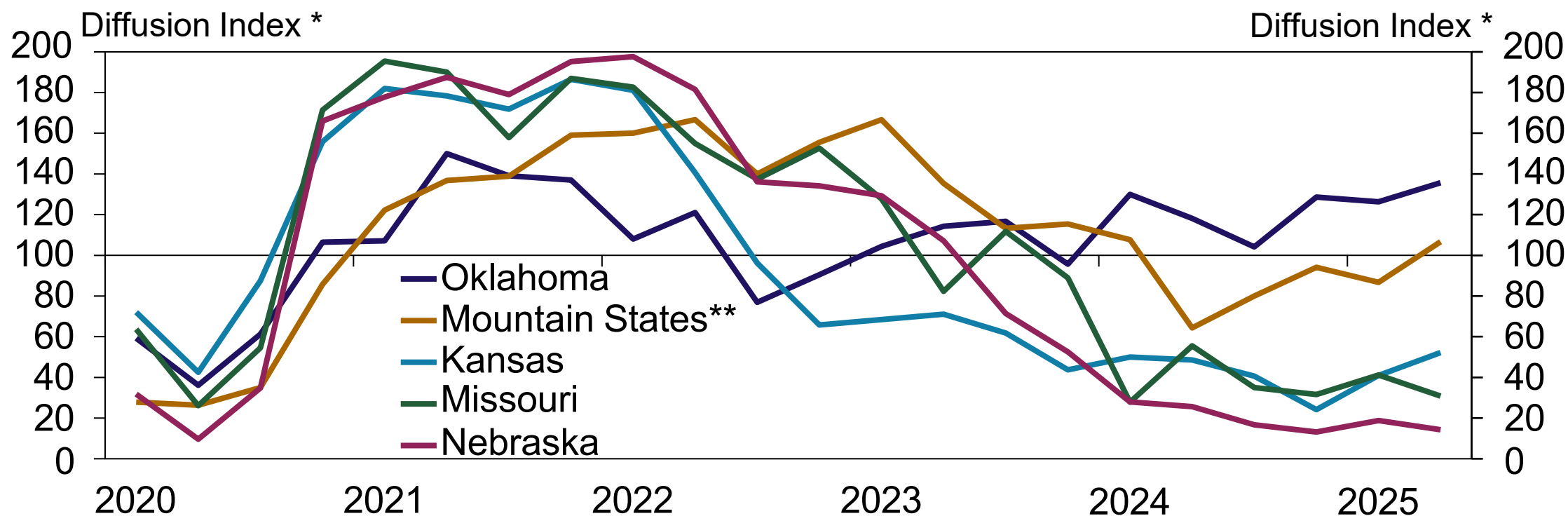
Borrowers with Increased Carryover Debt and New Loans Involving Restructuring, Q1



Note: Q2 2025 results of the Survey of Agricultural Credit Conditions are preliminary
Sources: Reports of Condition and Income, Federal Reserve Board and Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions

Farm financial conditions have deteriorated more in areas heavily concentrated in crop production.

Tenth District Farm Borrower Income by State



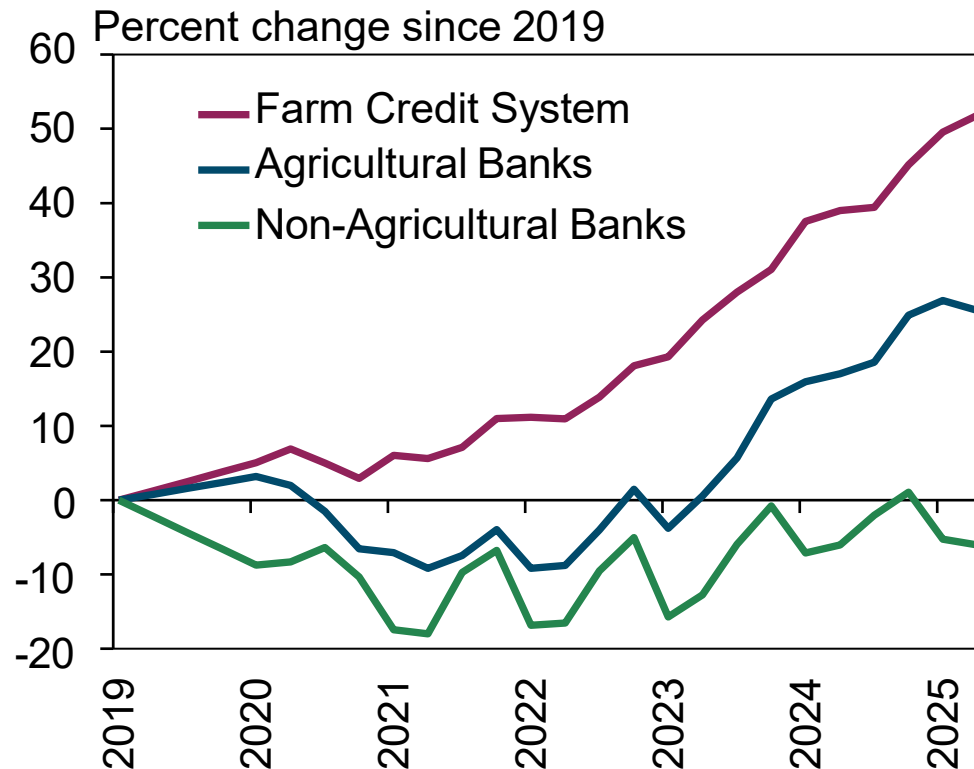
*The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.

** Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.

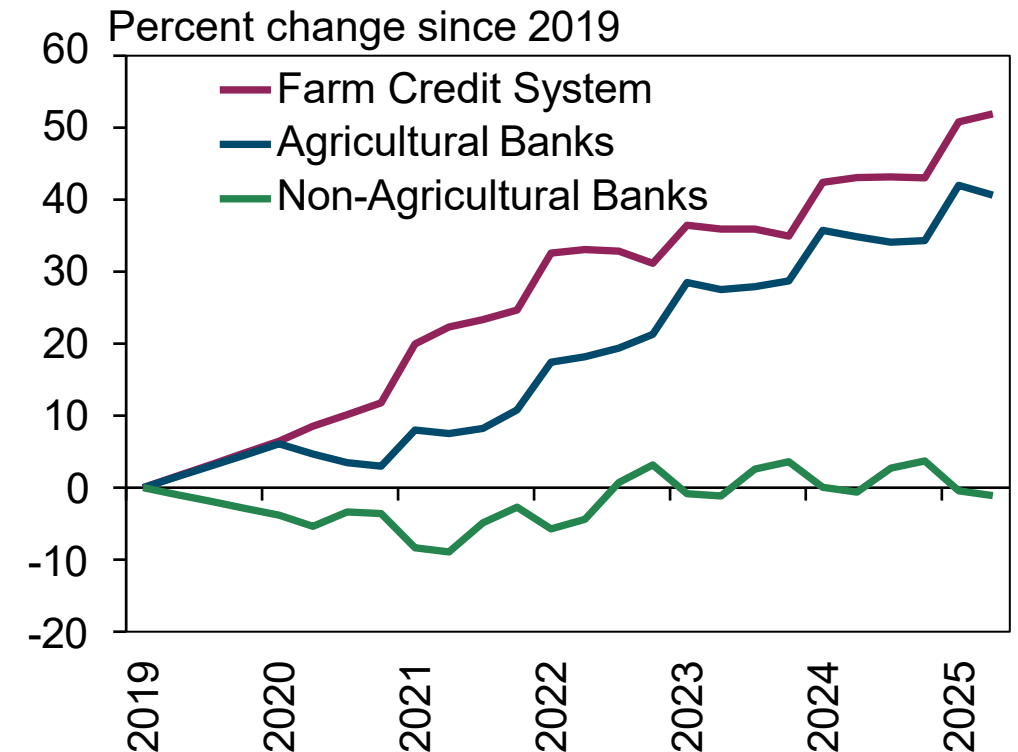
Source: Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions

Growth in non-real estate farm debt has been particularly strong among agricultural lenders.

Outstanding Farm Production Debt



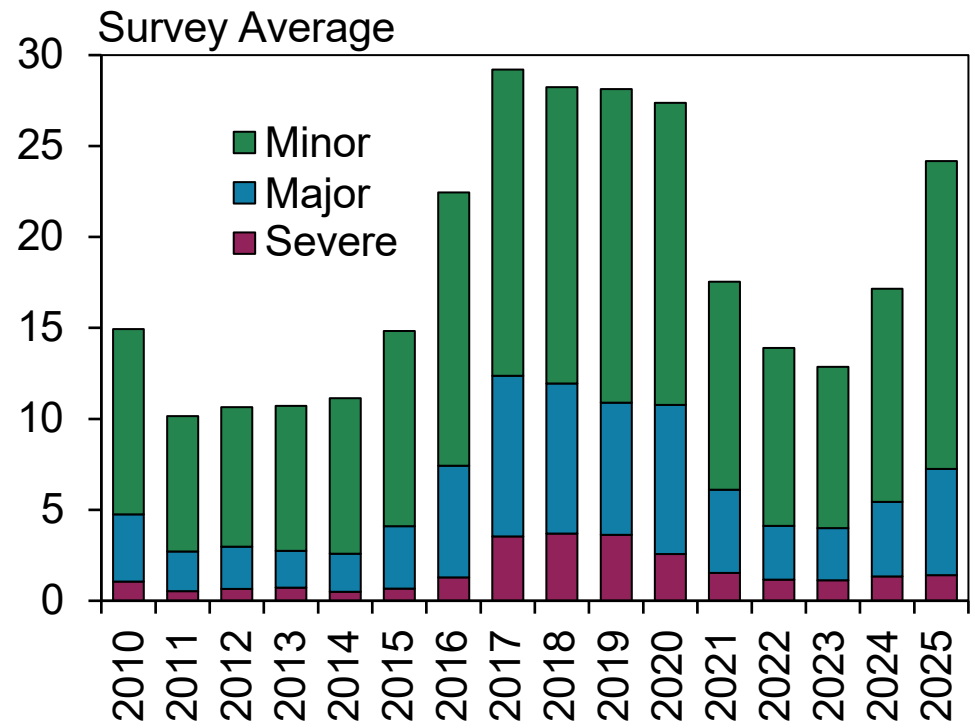
Outstanding Farm Real Estate Debt



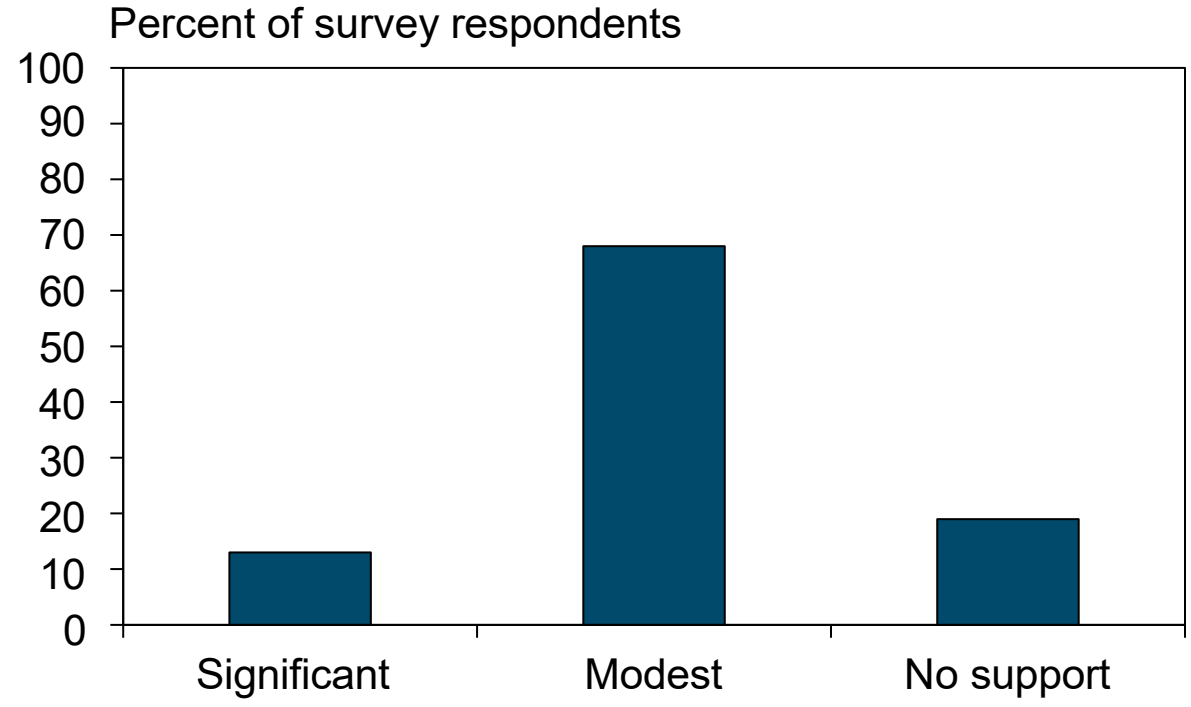
Note: Agricultural Banks are defined as banks with total agricultural loans comprising at least 25% of total loans.
Sources: Reports of Condition and Income and Federal Reserve Bank of Kansas City staff calculations

Despite notable tightening, repayment issues remain minor and ad hoc assistance has provided modest support.

Degree of Farm Loan Repayment Problems, Q2



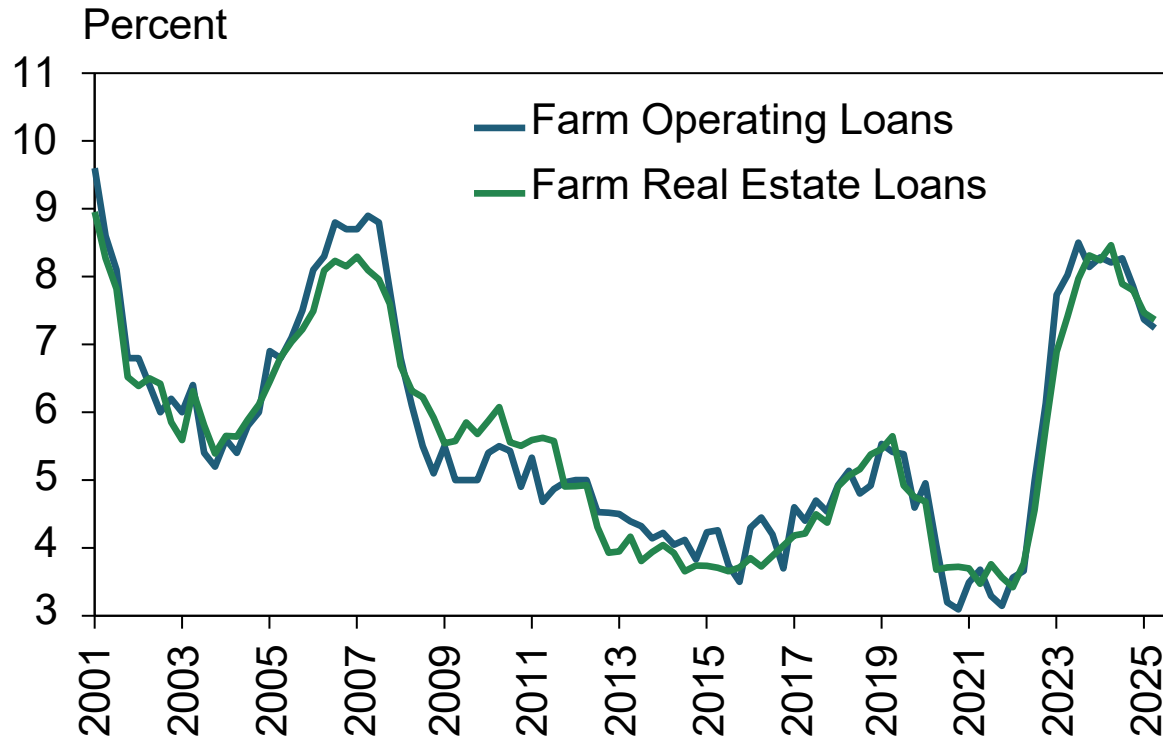
Level of Support to Farm Finances Expected from American Relief Act, Q2 2025



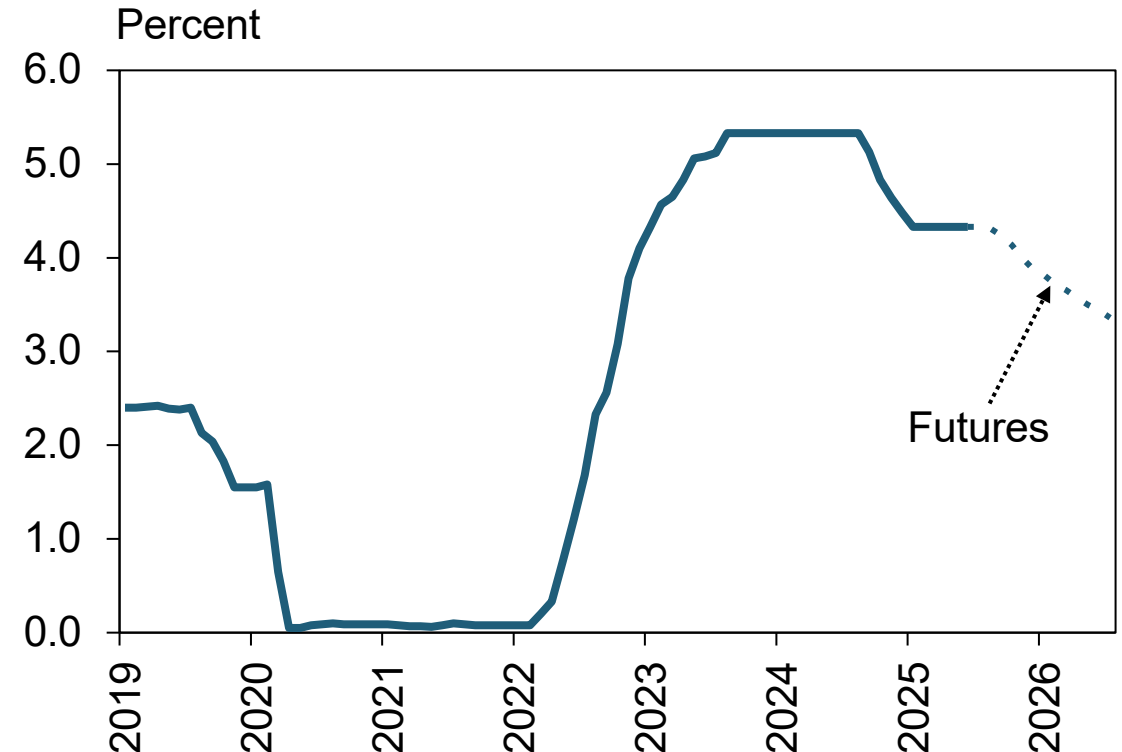
Note: Q2 2025 results of the Survey of Agricultural Credit Conditions are preliminary
Source: Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions

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

Average Interest Rates on Agricultural Loans

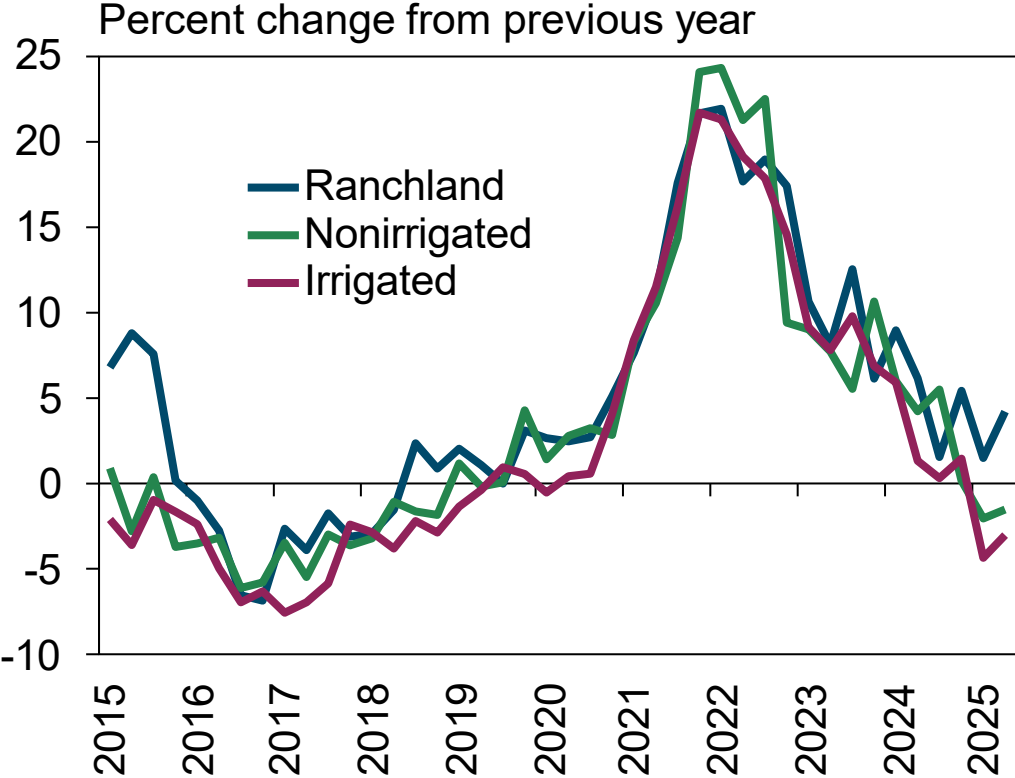


Federal Funds Rate

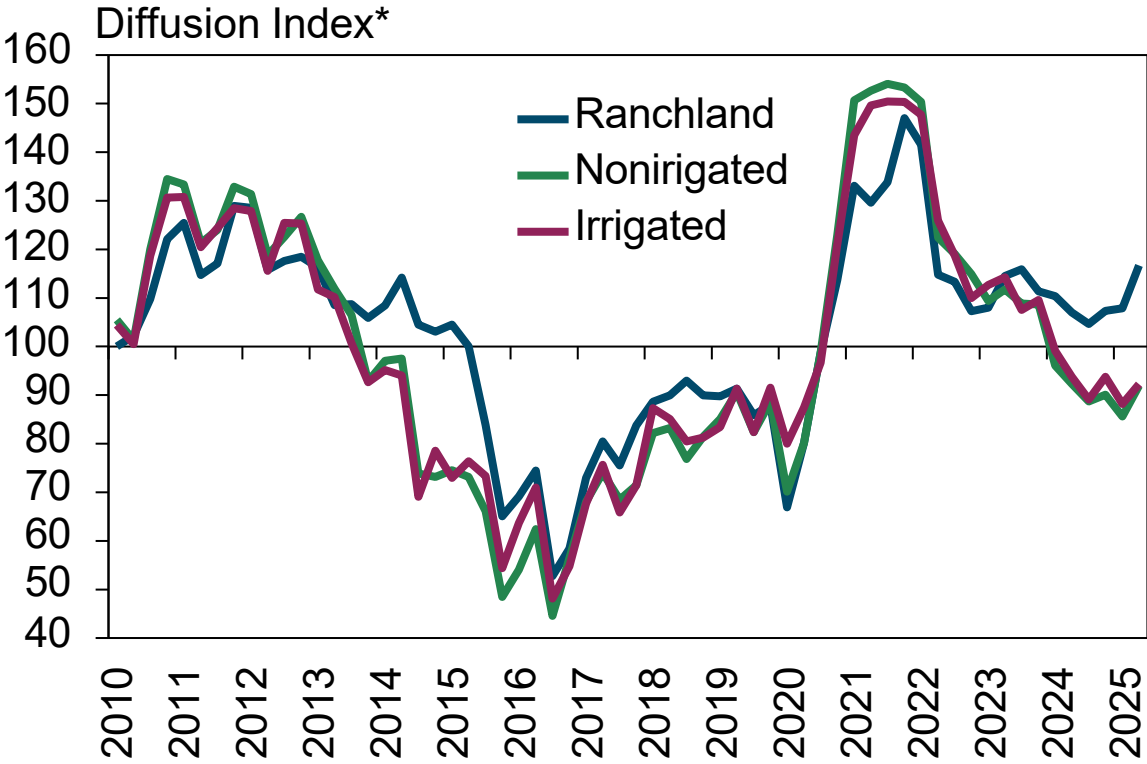


Cropland values have softened, but lenders see potential for strength in ranchland markets.

Tenth District Farmland Values



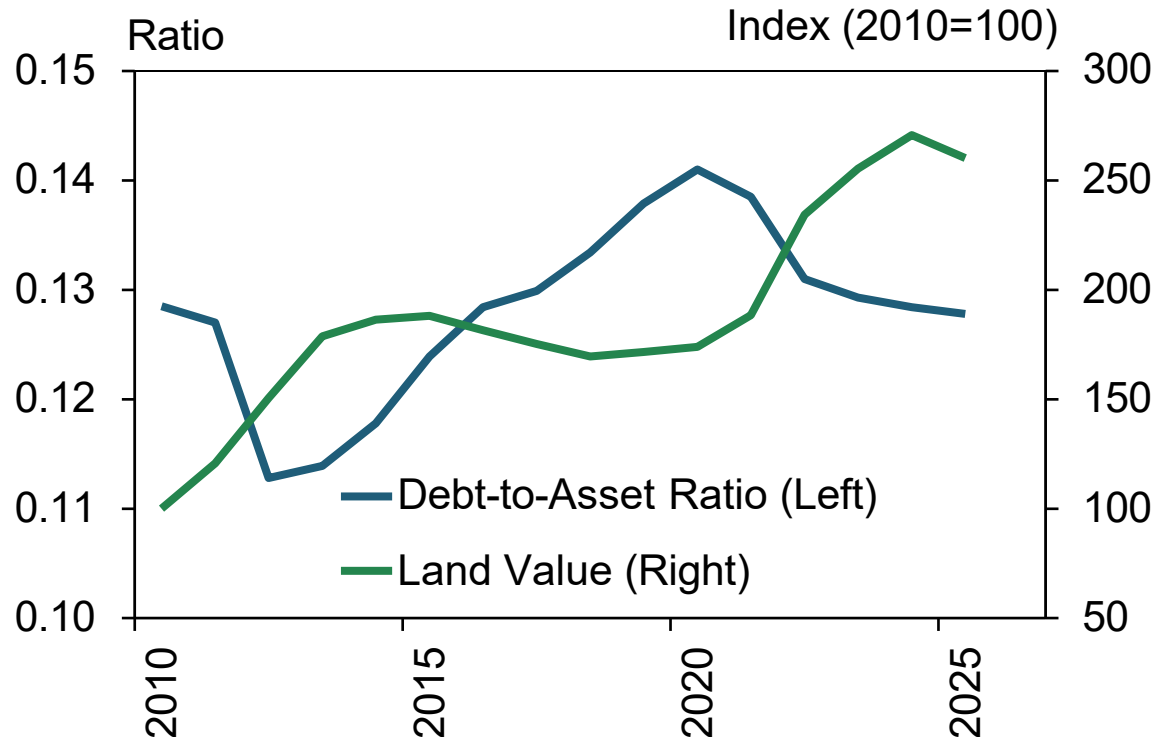
Expected Change in Tenth District Farmland Values



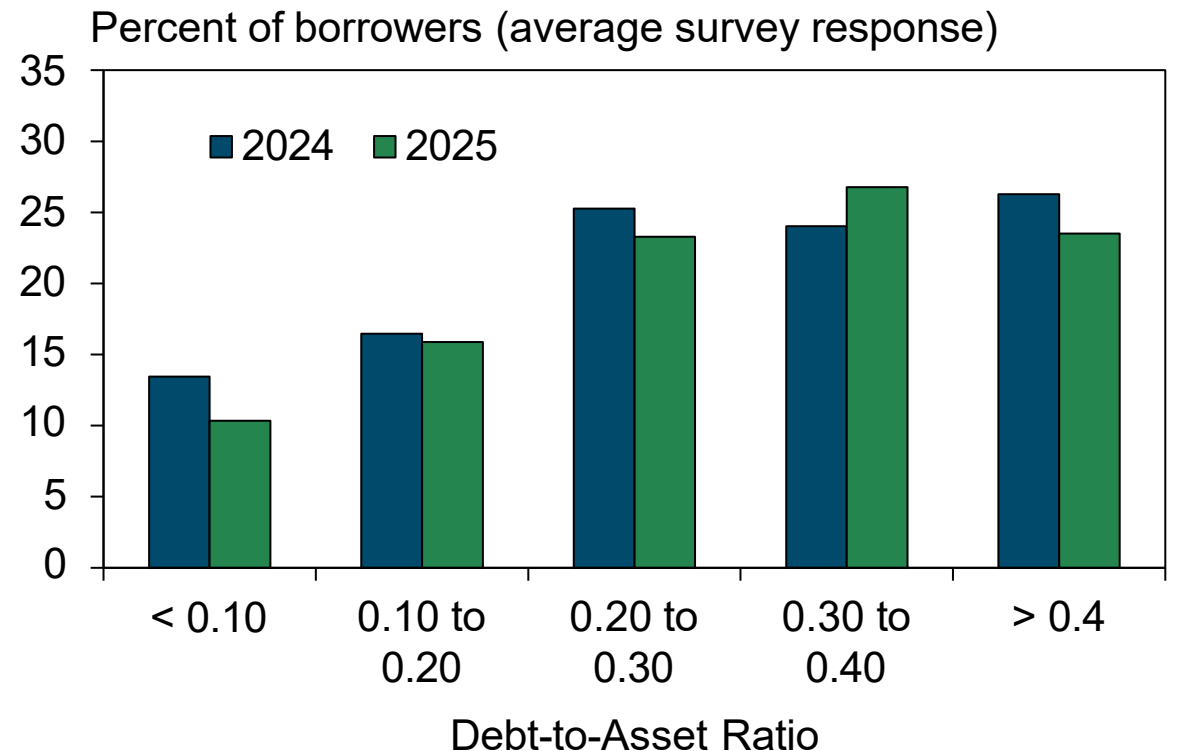
*The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.
Source: Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions

Leverage in the sector has been steady alongside strength in land values.

Tenth District Farmland Values
And U.S. Farm Sector Leverage

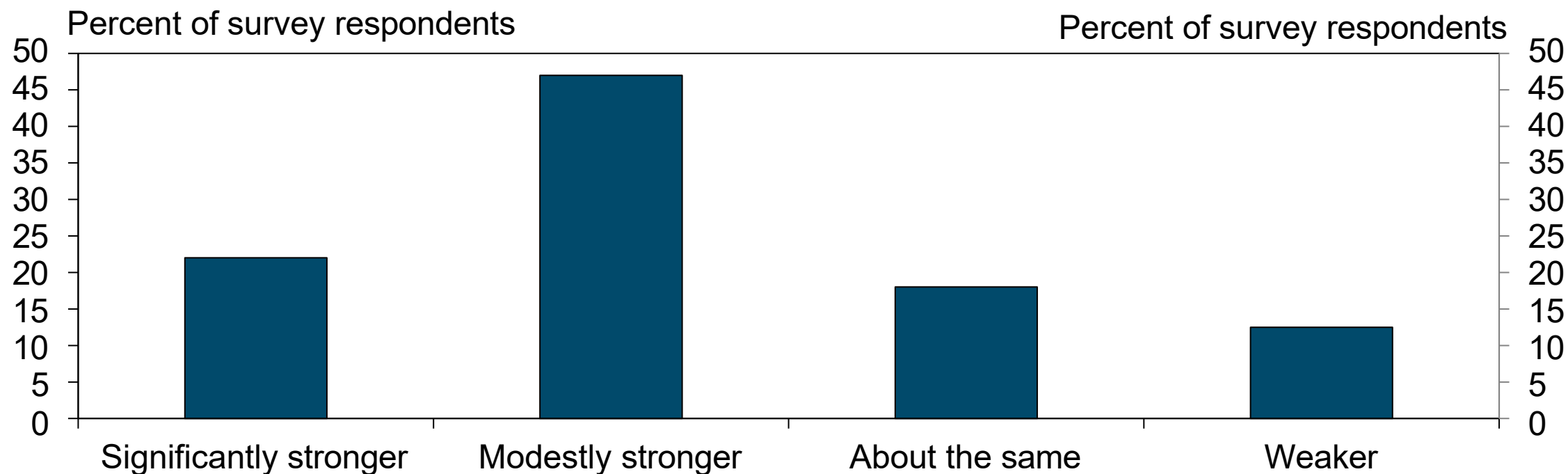


Debt-to-Asset Ratio Distribution
of Farm Borrowers, Q1



Without support from land as collateral, some renter-operators are likely more exposed to financial pressures.

Comparison of Owner-Operator vs. Renter-Operator Financial Conditions



Note: Q2 2025 results of the Survey of Agricultural Credit Conditions are preliminary
Survey respondents were asked the following questions: How do overall financial conditions for majority owner-operators compare with overall financial conditions for majority renter-operators in your lending area?
Source: Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions

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



Nate Kauffman

Senior Vice President and Omaha Branch Executive

Federal Reserve Bank of Kansas City

nathan.kauffman@kc.frb.org

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