

Update on the U.S. Agricultural Economy

Ty Kreitman, Federal Reserve Bank of Kansas City

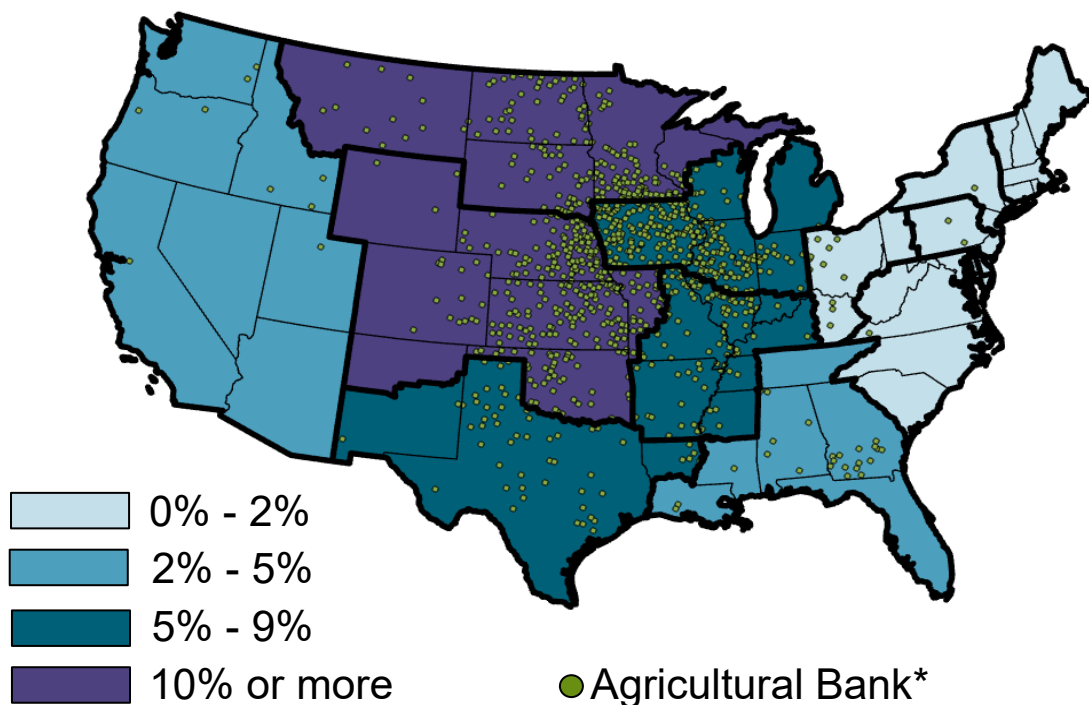
November 7, 2025



The views expressed here are those of the speaker and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

The Federal Reserve regularly incorporates perspectives from agriculture in its policy deliberations.

Farm Income as a Share of Total Income



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Leveraging expertise from the Kansas City Fed, the Center provides timely analysis of industry developments and conducts ongoing research on the agricultural economy.

*Agricultural banks are commercial banks with combined agricultural production and farmland loans totaling at least 25 percent of total loans.

Note: Farm income as a share of total income is shown as the average across all counties in each Federal Reserve District and computed using 2023 farm earnings as a share of total earnings.

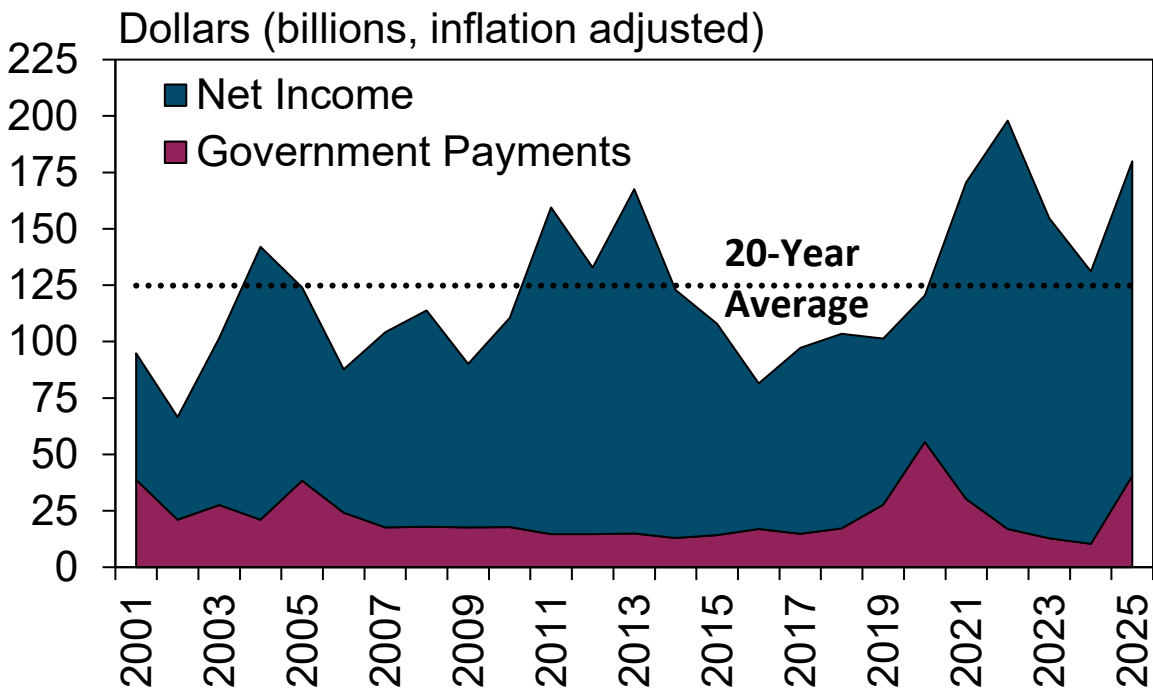
Sources: Bureau of Economic Analysis, Reports of Condition and Income, and FRB KC staff calculations

Outlook Themes

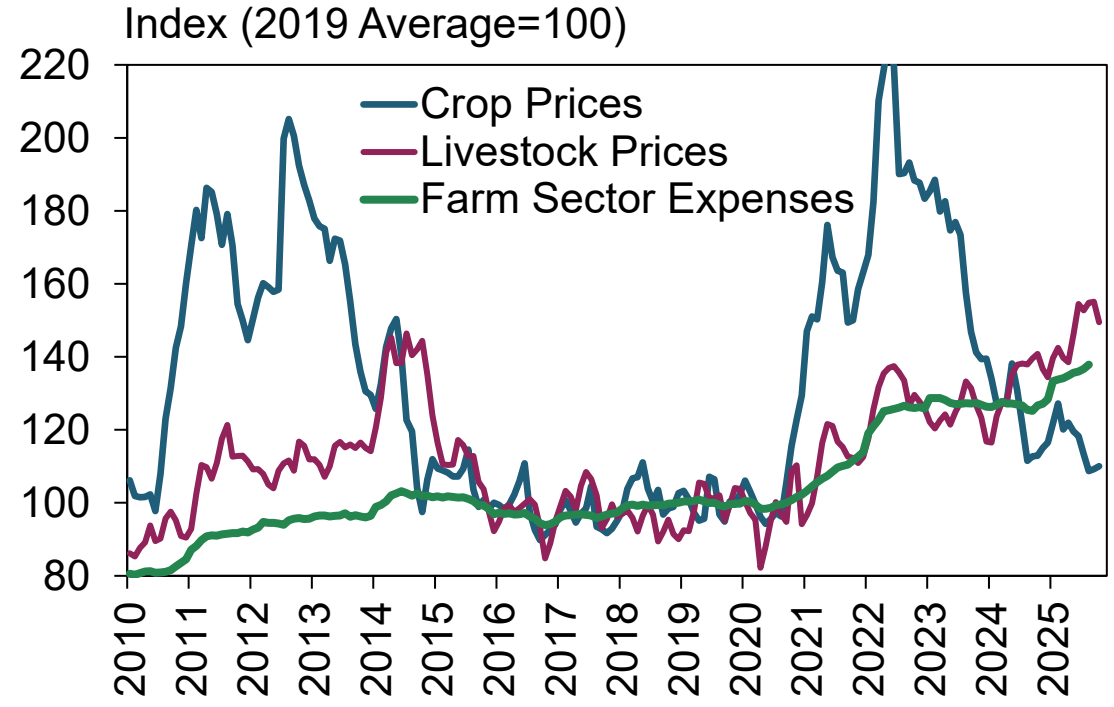
- Disparities in the U.S. ag economy have persisted with notable weakness among row crop producers and ongoing strength among livestock operations.
- Despite significant uncertainty associated with trade, as well as some signs of increased stress, financial conditions in agriculture have remained stable.

Farm income is expected to increase in 2025 alongside strong livestock revenues and higher government payments.

U.S. Net Farm Income



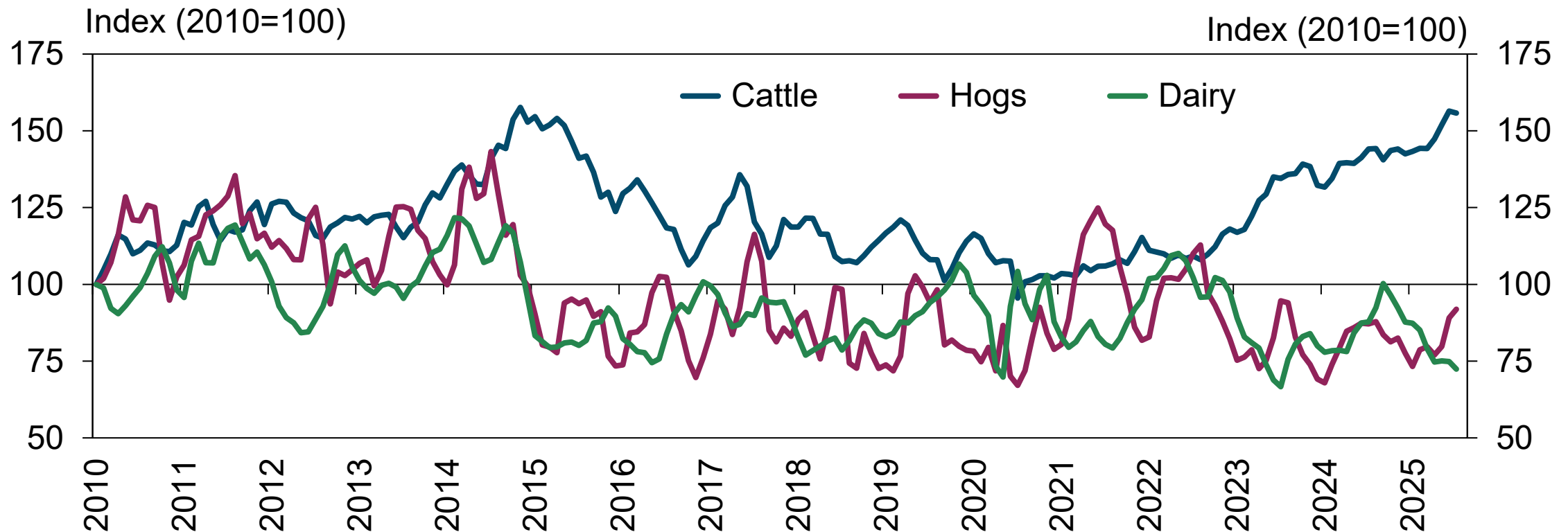
U.S. Ag Commodity Prices and Expenses



Notes: 2025 net farm income is the USDA forecast as of September 3, 2025. Crops price index is the average index of prices for corn, soybeans and wheat. Livestock price index is the average index of prices for cattle, hogs and milk.
Sources: USDA, WSJ, CME, and FRB Kansas City staff calculations

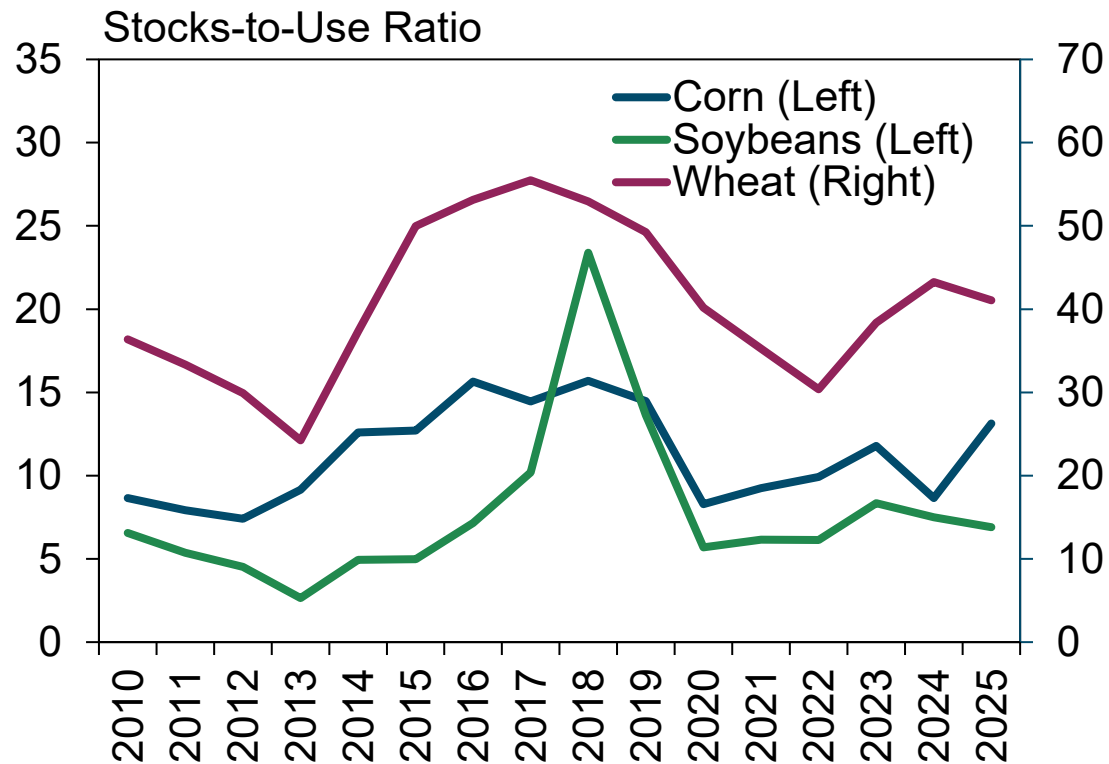
Higher prices and lower feed costs have improved profit opportunities in the cattle sector considerably.

Ratio of Prices Received-to-Prices Paid

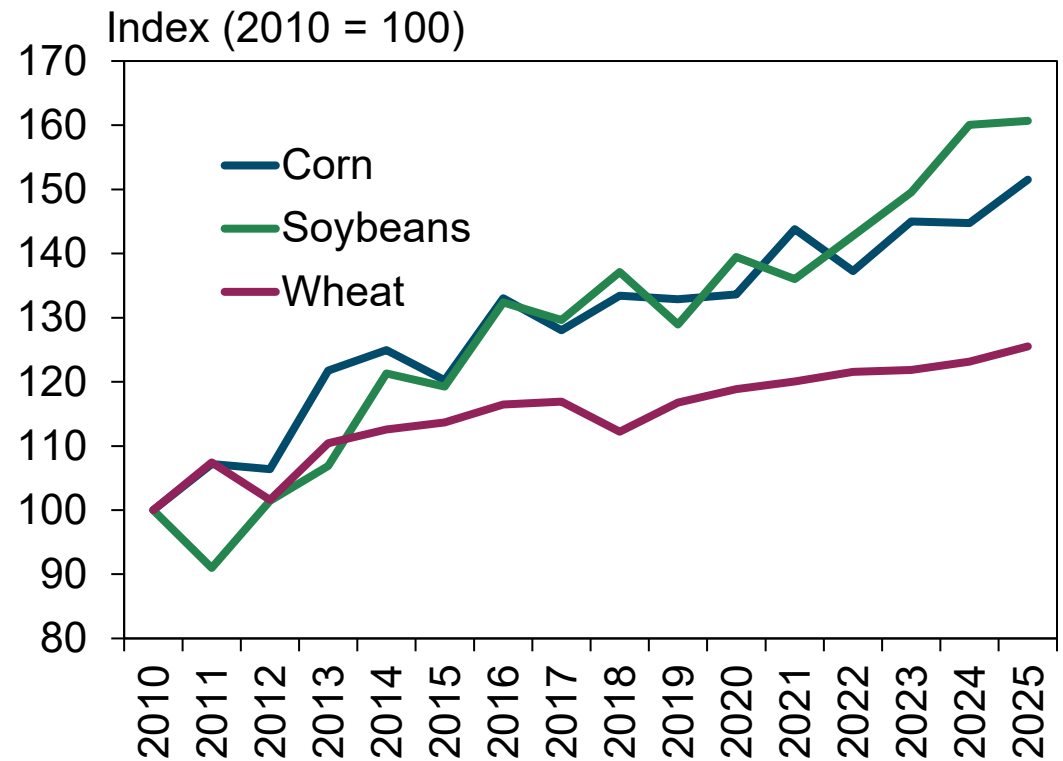


Elevated U.S. supplies and strong global production are likely to continue weighing on prices of major row crops.

U.S. Crop Inventories

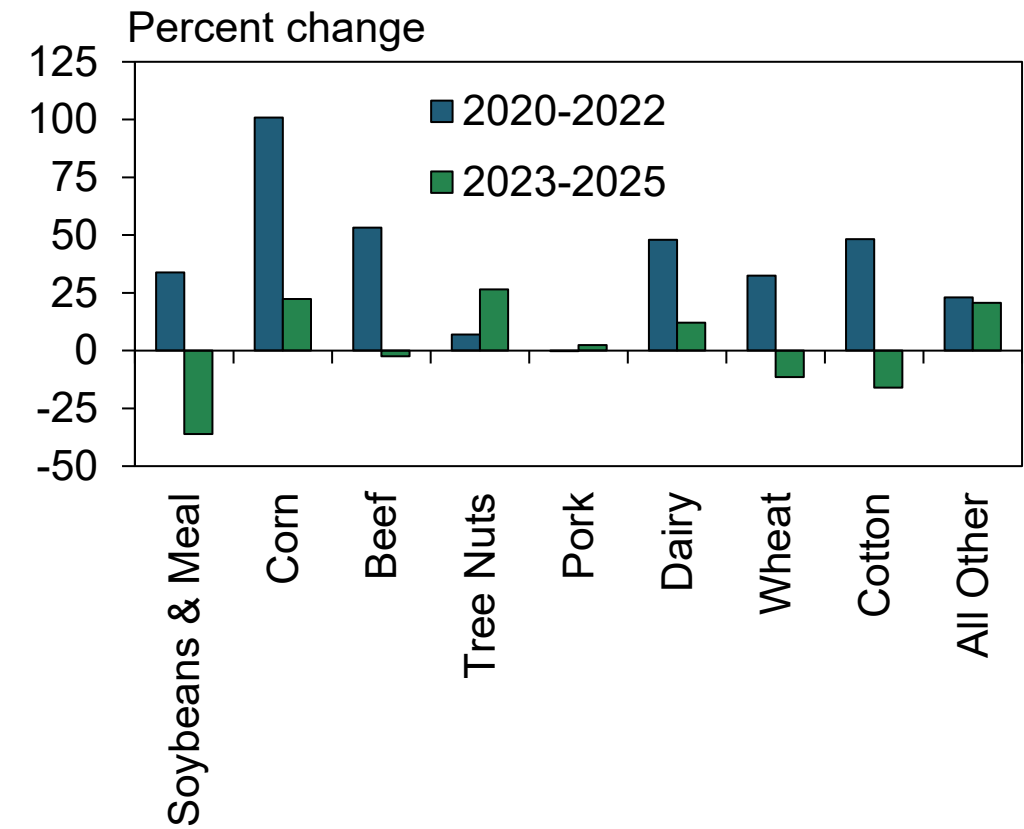


Global Crop Production



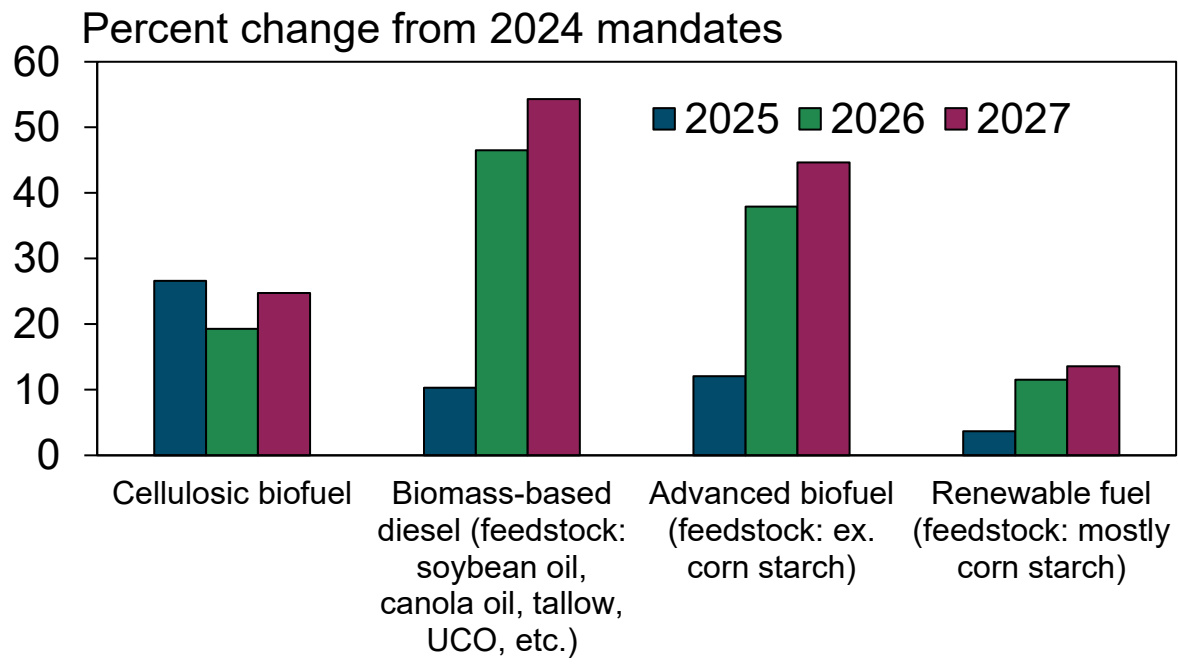
Subdued export activity has been a headwind and developments in biofuel production could have a growing influence on demand.

Value of U.S. Ag Exports by Product



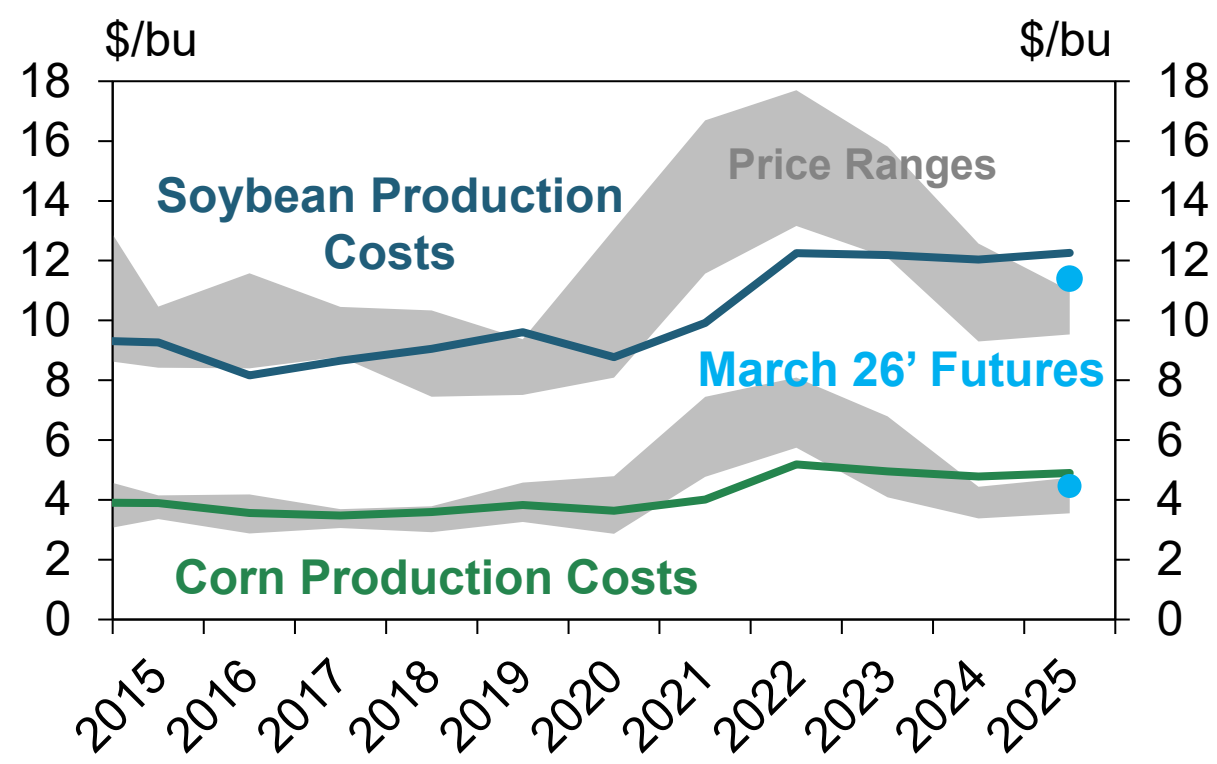
Note: Exports for 2023-2025 are based on year-to-date totals through July.
Sources: USDA, EPA, and FRB Kansas City staff calculations

Proposed Changes to Renewable Fuel Standard Volume Obligations by EPA

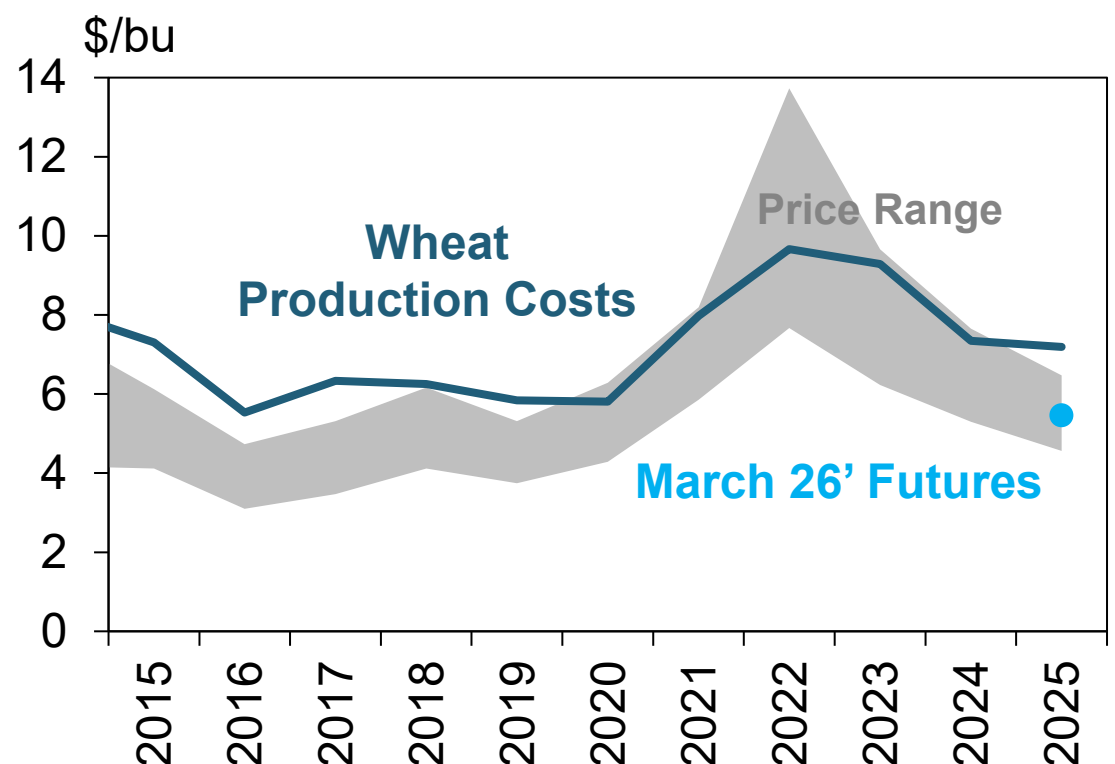


Despite an increase in crop prices during recent days, profit opportunities are likely to remain narrow.

Corn and Soybean Profit Opportunities



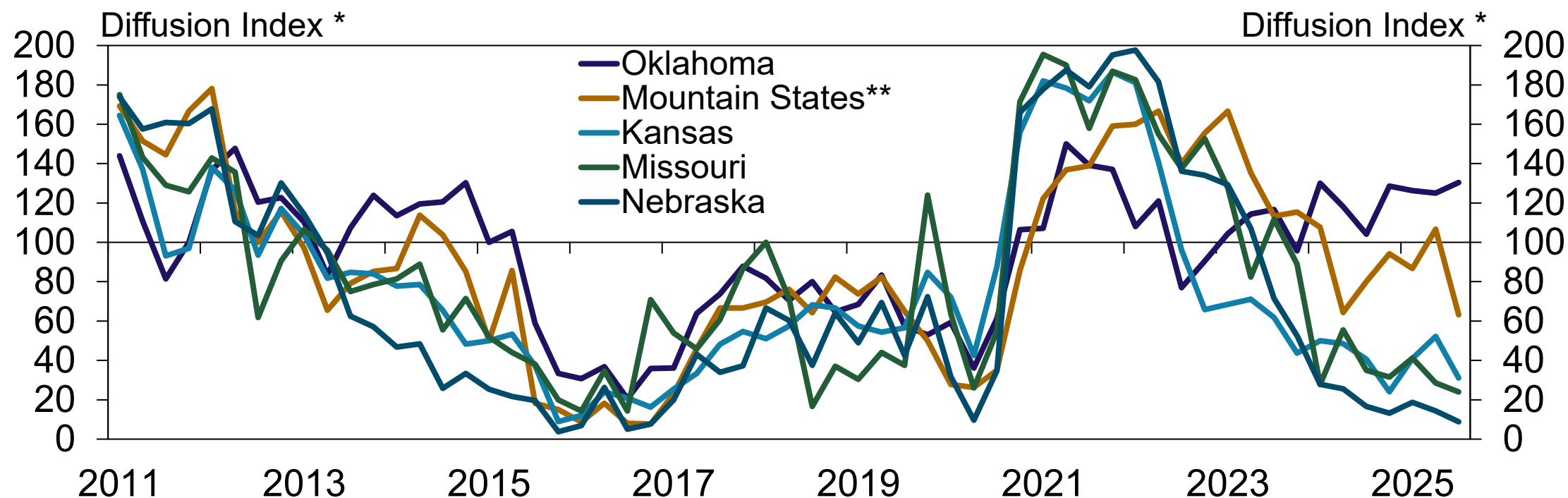
Wheat Profit Opportunities



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, and FRB Kansas City staff calculations

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

Tenth District Farm Borrower Income by State



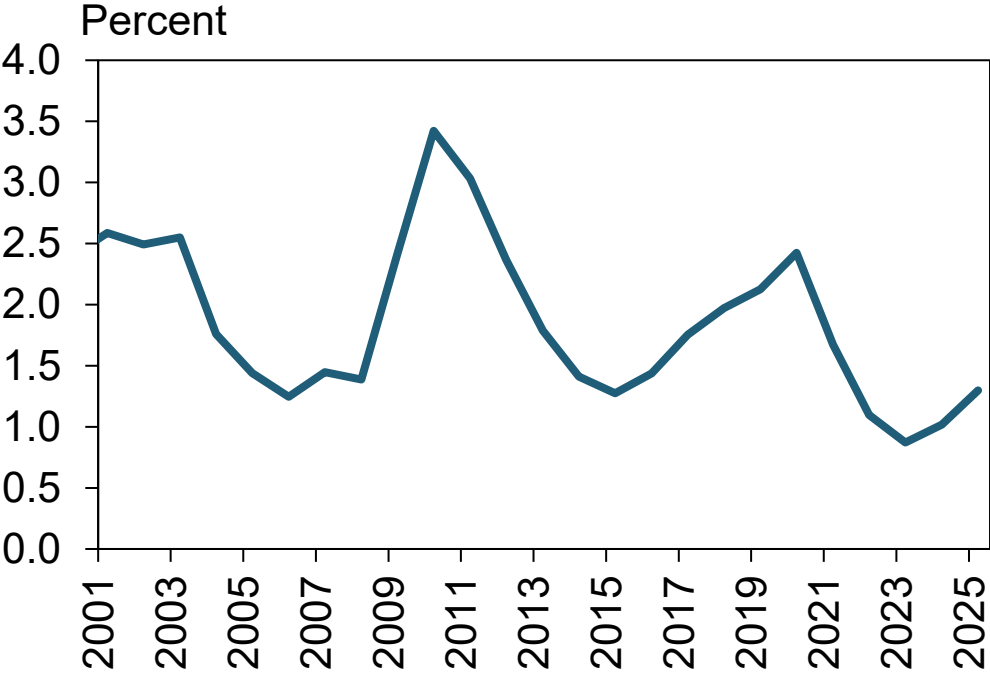
*The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.

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

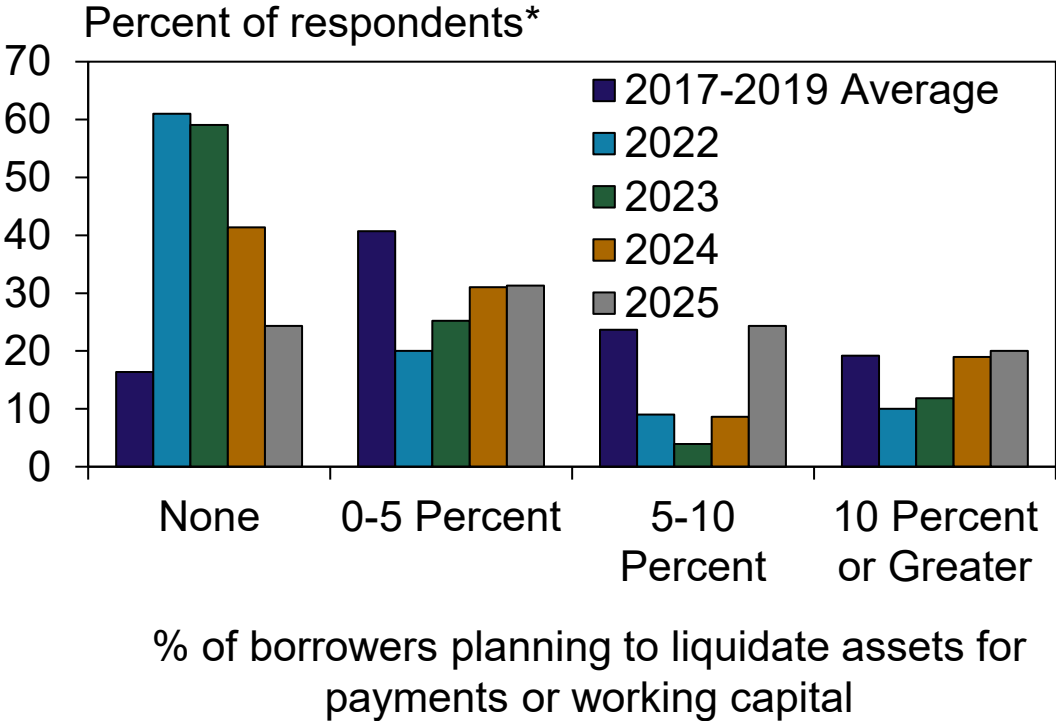
Source: Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions

Farm loan delinquency rates remain low, but financial conditions have tightened.

U.S. Farm Loan Delinquency Rates, Q2



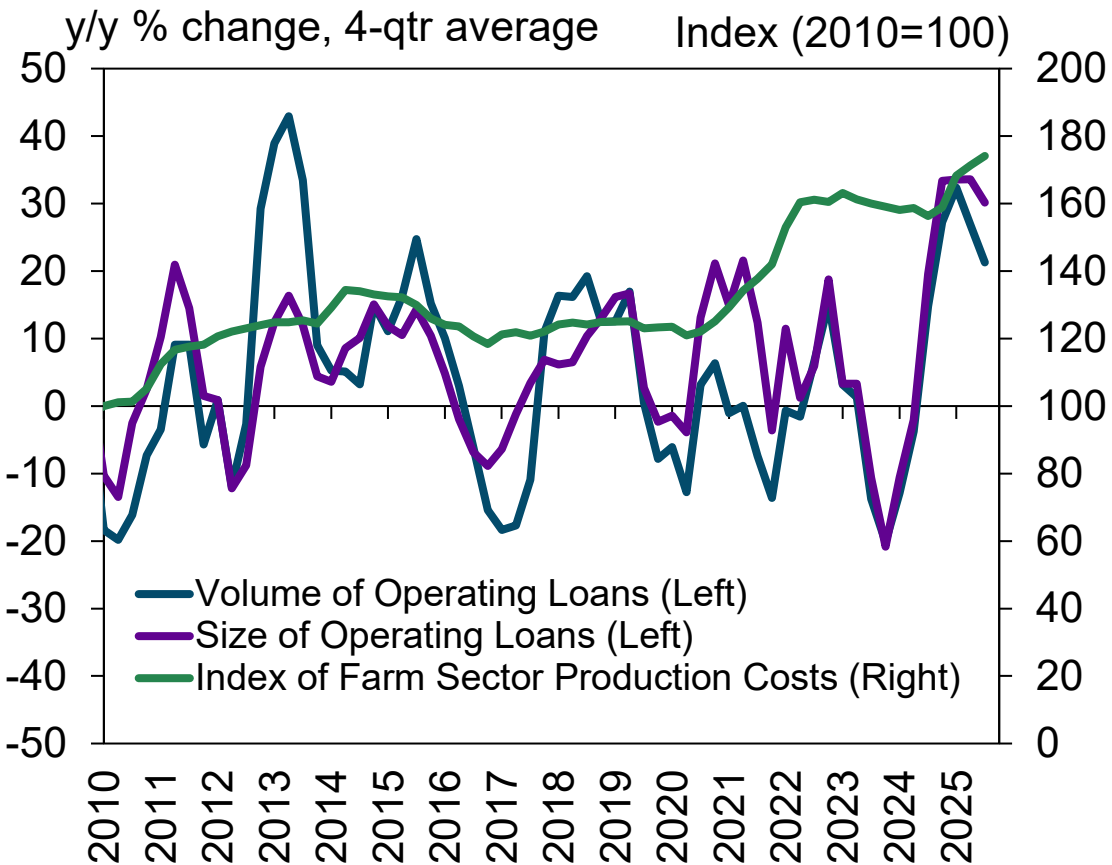
Share of Farm Borrowers Planning to Sell Mid-to Long-Term Assets, Q3



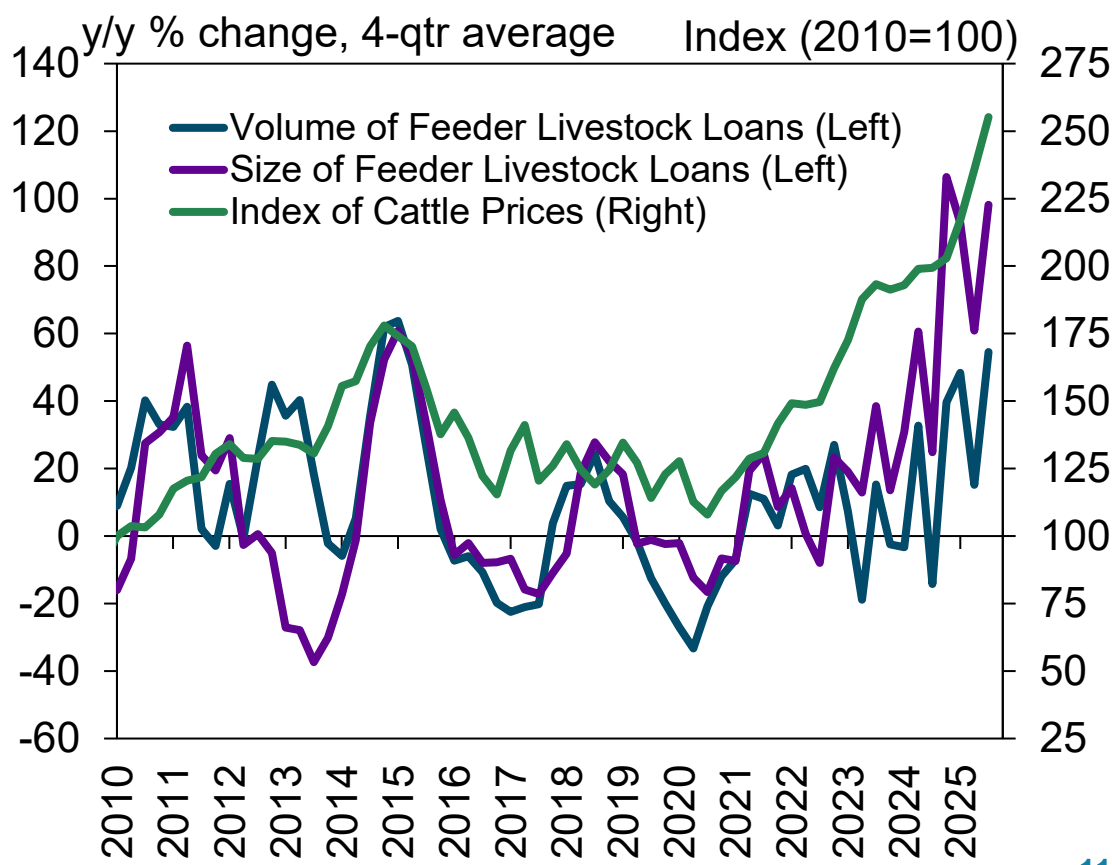
*Respondents answered the following question: What percent of your farm borrowers plan to sell mid-to-long term assets before the end of the year in an effort to improve available working capital or make loan payments?
Sources: Reports of Condition and Income, Federal Reserve Board, and Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions

Operating and livestock loans have grown alongside elevated input costs and the surge in cattle prices.

Production Expenses and Farm Operating Lending



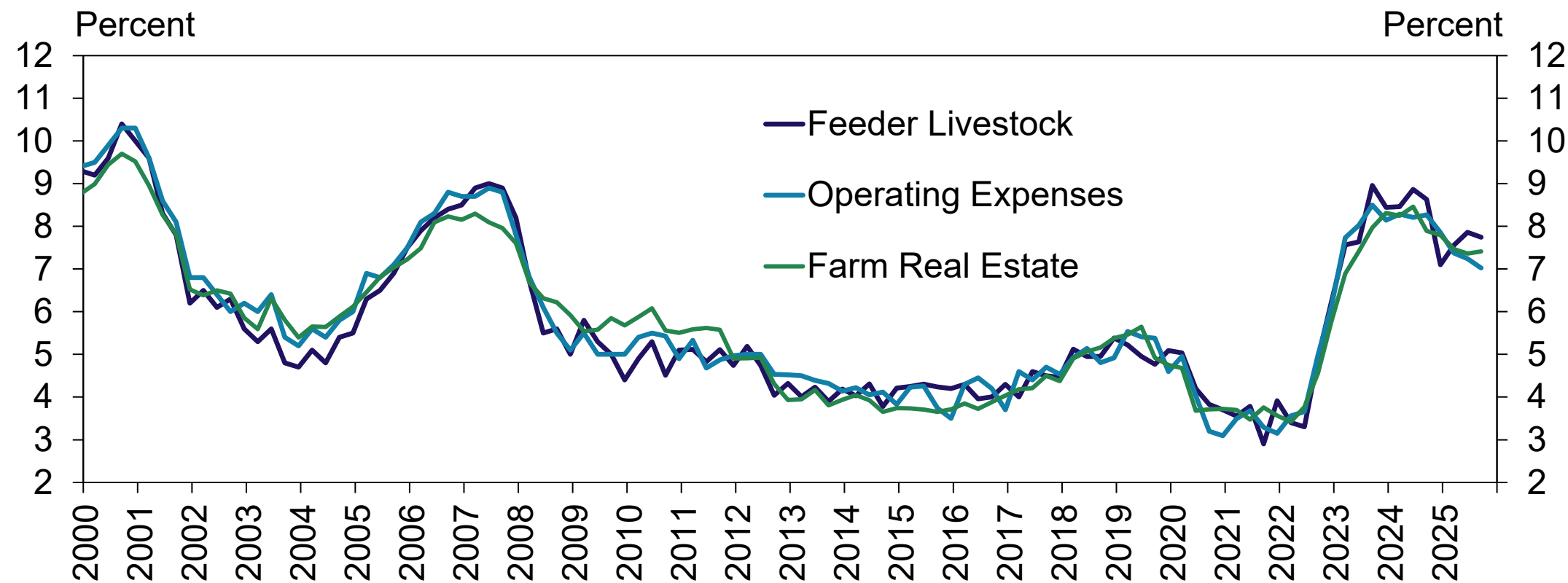
Cattle Prices and Feeder Livestock Lending



Sources: USDA, Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City

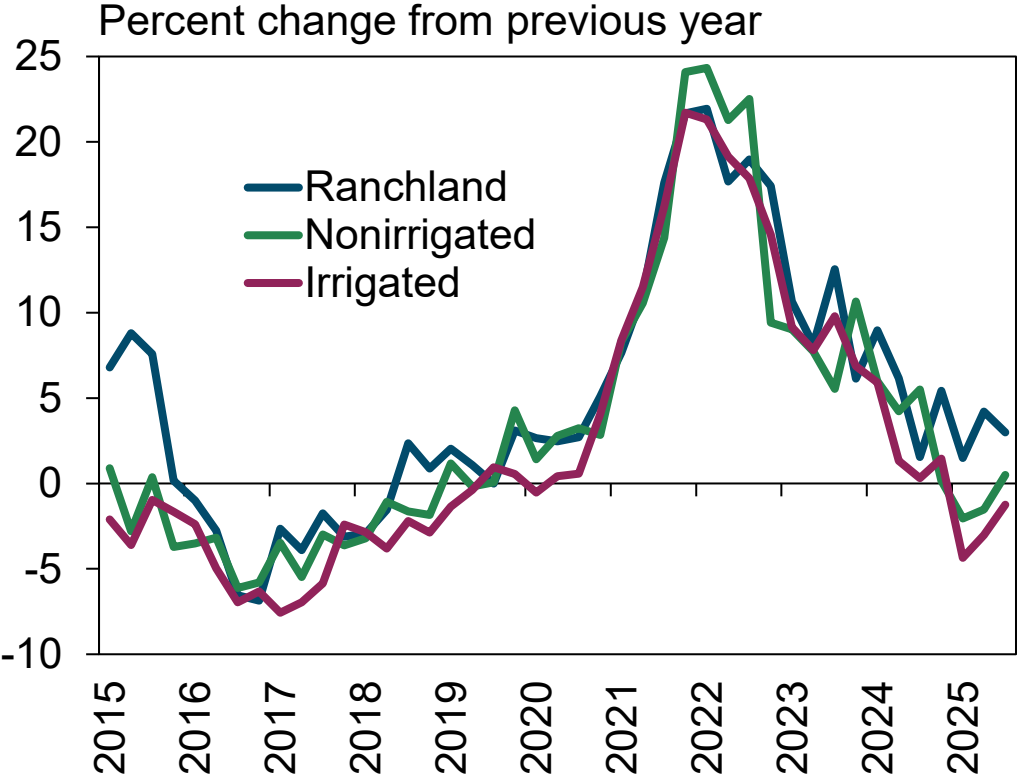
Interest rates on farm loans have declined slightly but remain elevated.

Average Interest Rate by Loan Type

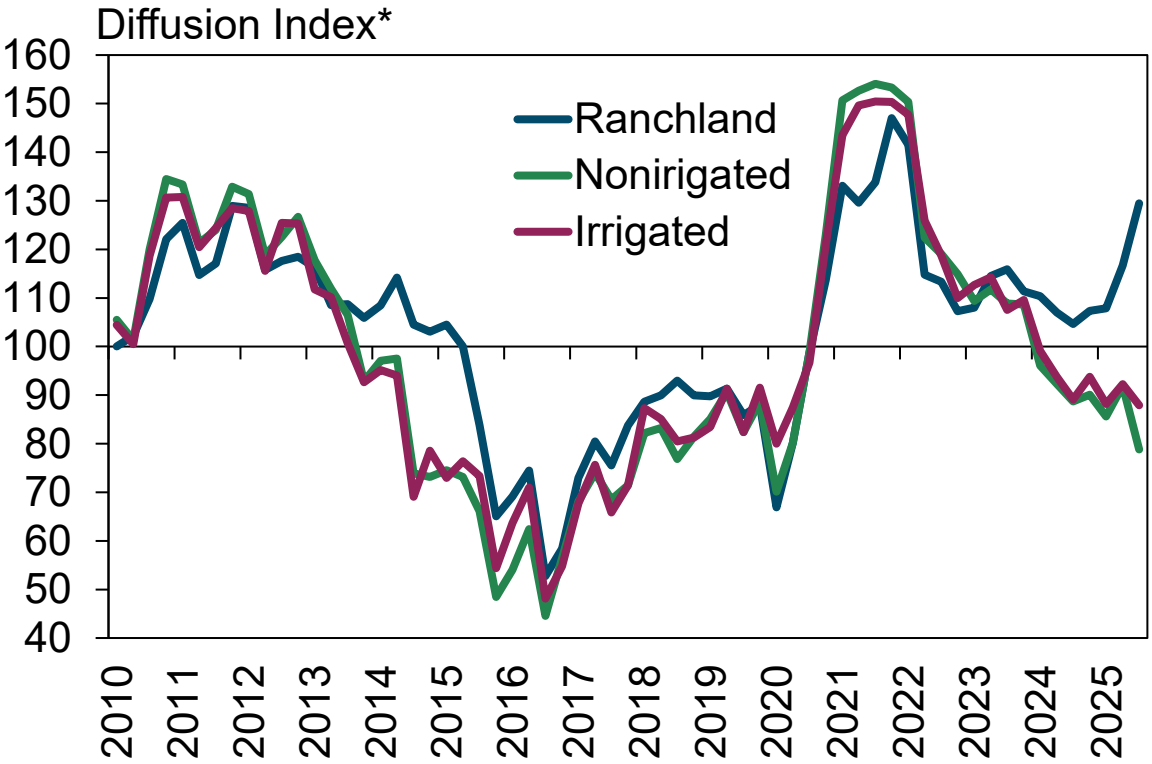


Cropland markets have softened, but values remain firm and lenders see potential for strength in ranchland.

Tenth District Farmland Values



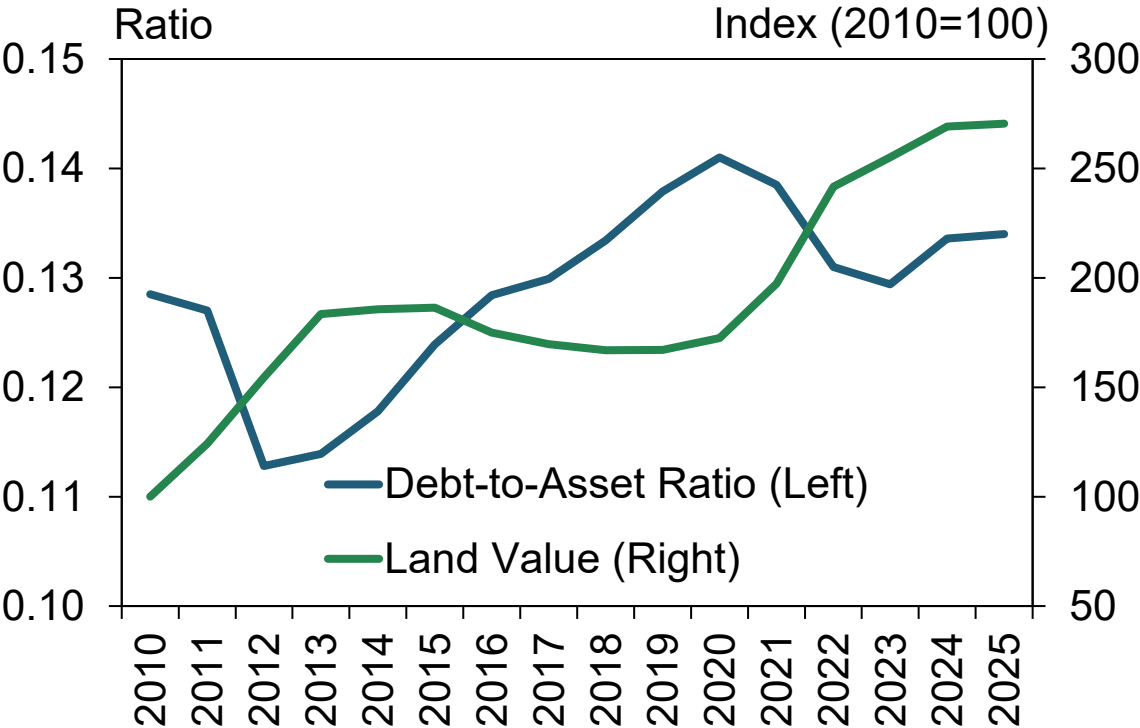
Expected Change in Tenth District Farmland Values



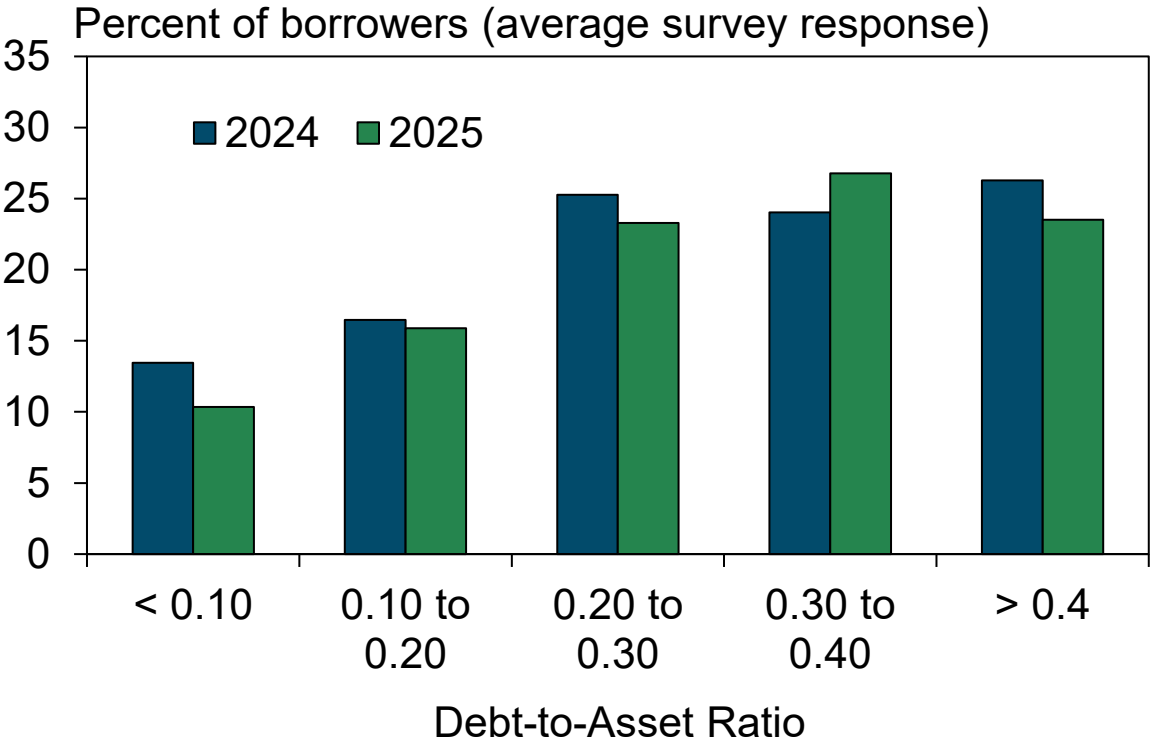
*The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.
Source: Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions

With support from resilient land valuations, leverage in the sector remains modest.

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



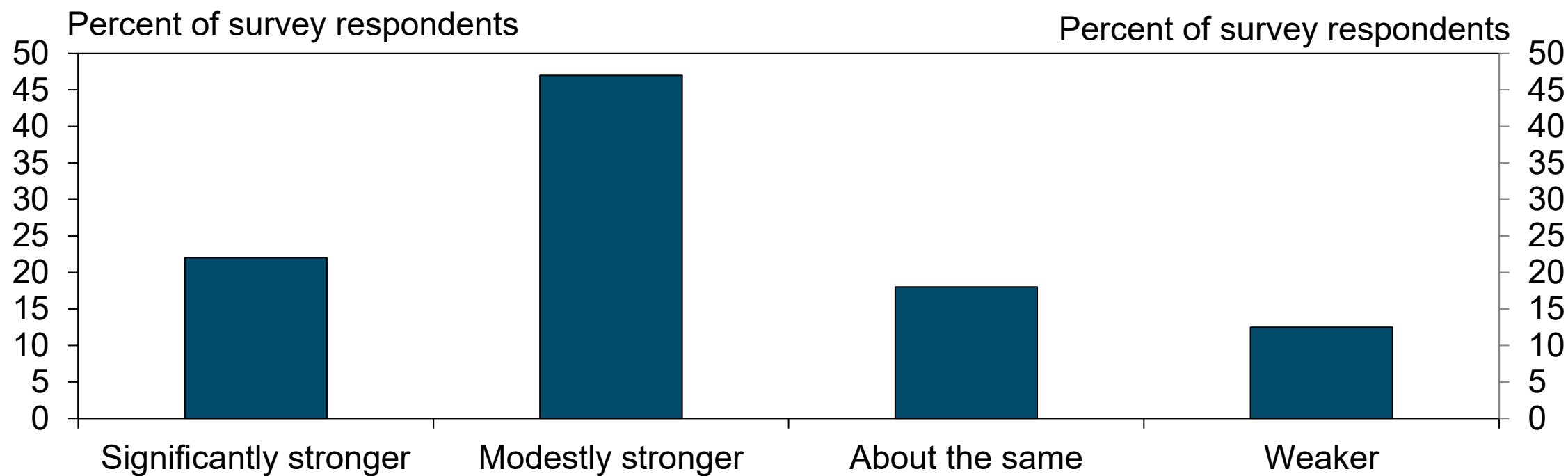
Debt-to-Asset Ratio Distribution
of Farm Borrowers



Sources: USDA and Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions

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

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



Note: Survey respondents were asked the following question: 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 narrow in 2025, but the strength of recent years continues to provide support.
- Government support has also provided a temporary boost to incomes, but large uncertainties remain with respect to policies on trade and energy.
- Prolonged weakness in crop profit margins remain a challenge to producers and could weigh further on agricultural credit conditions in the months ahead.
- U.S. and global economic activity will remain important to the broader agricultural economy.



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Ty Kreitman

Associate Economist

Federal Reserve Bank of Kansas City

ty.kreitman@kc.frb.org