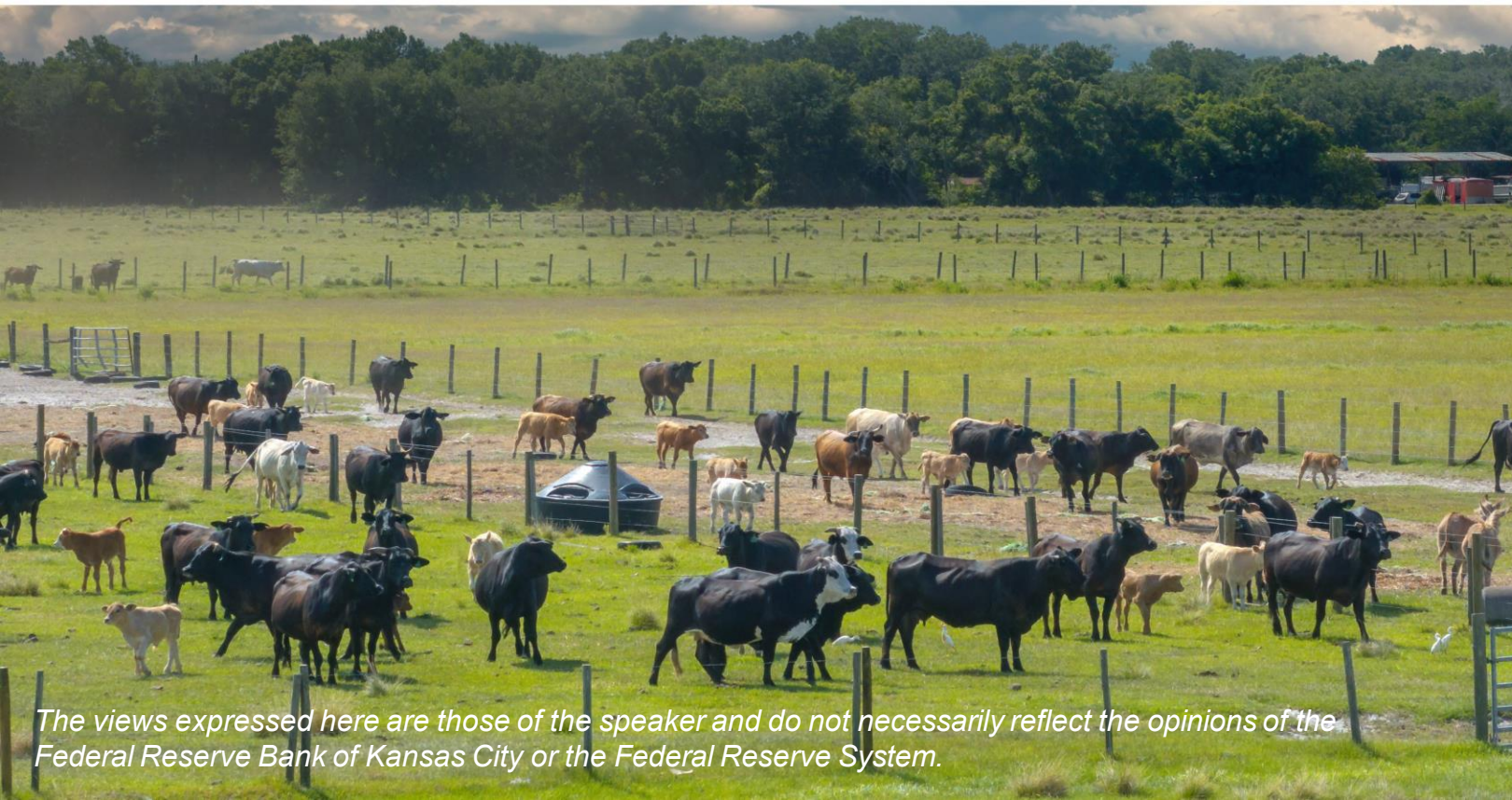


U.S. AGRICULTURAL ECONOMIC UPDATE

Nate Kauffman, Federal Reserve Bank of Kansas City

January 12, 2026



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.

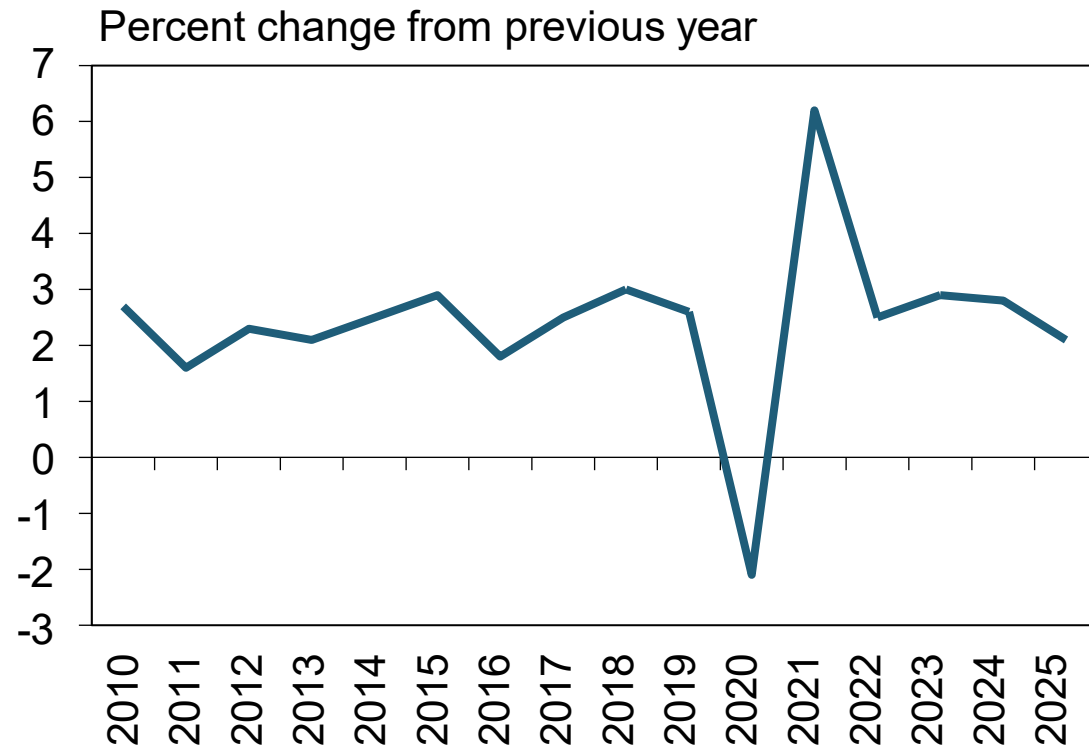


**Center FOR Agriculture
AND the EconomySM**

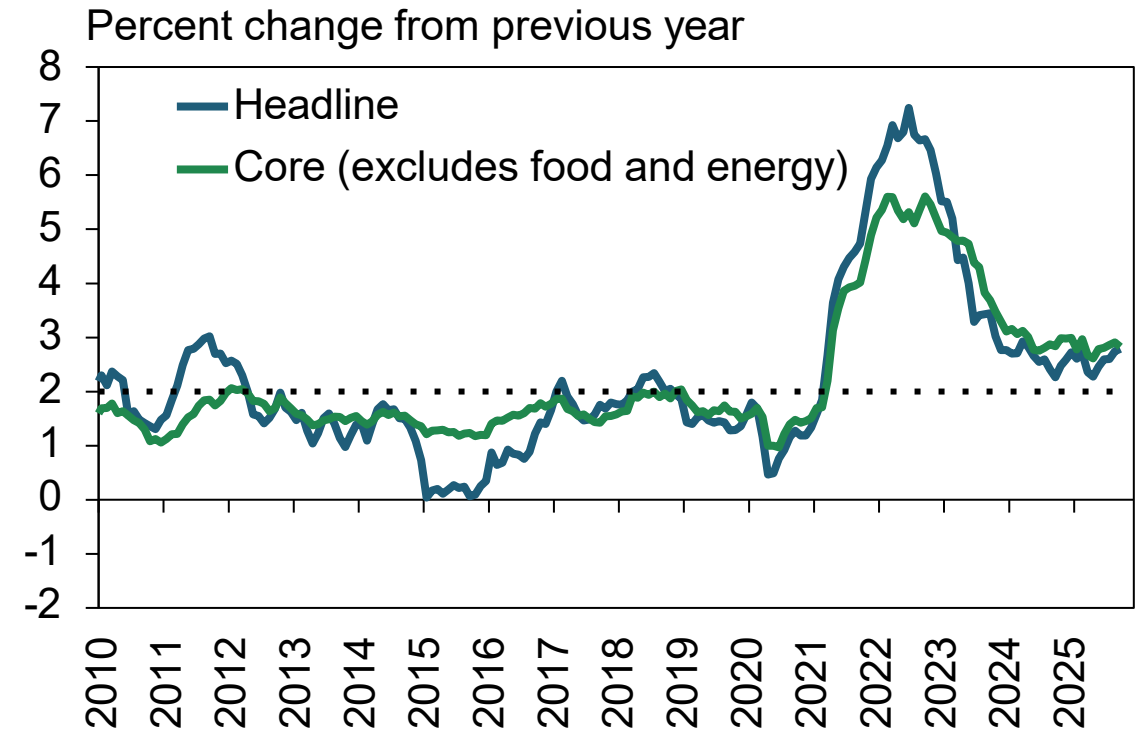
FEDERAL RESERVE BANK OF KANSAS CITY

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

U.S. Real GDP

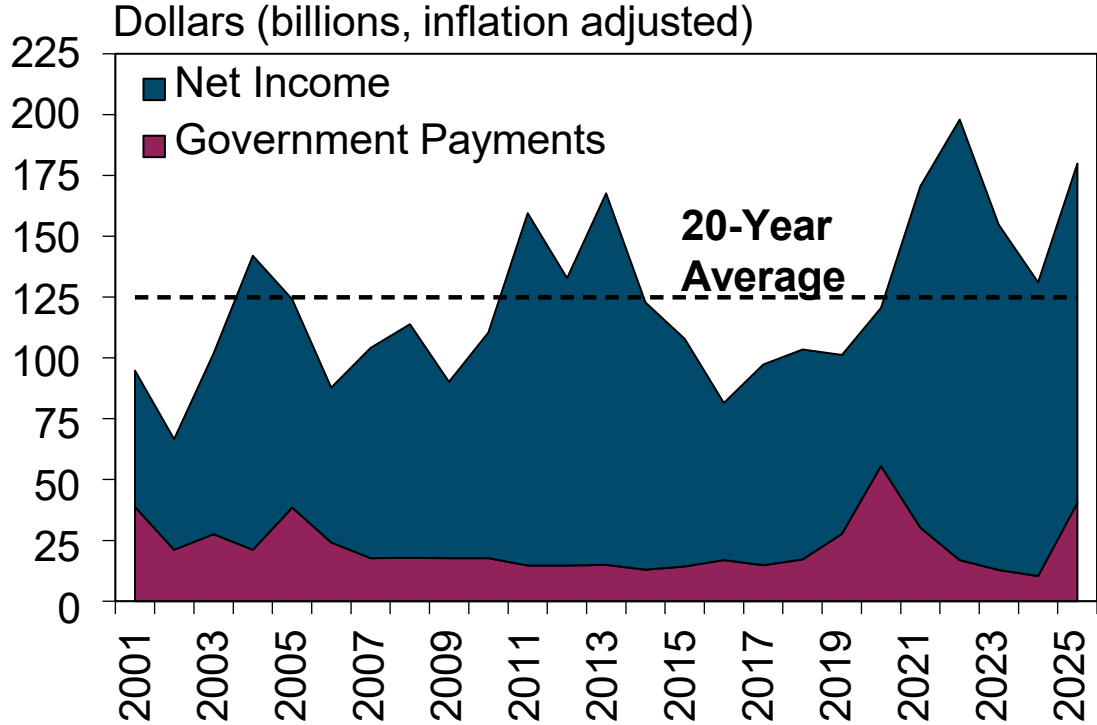


U.S. Inflation

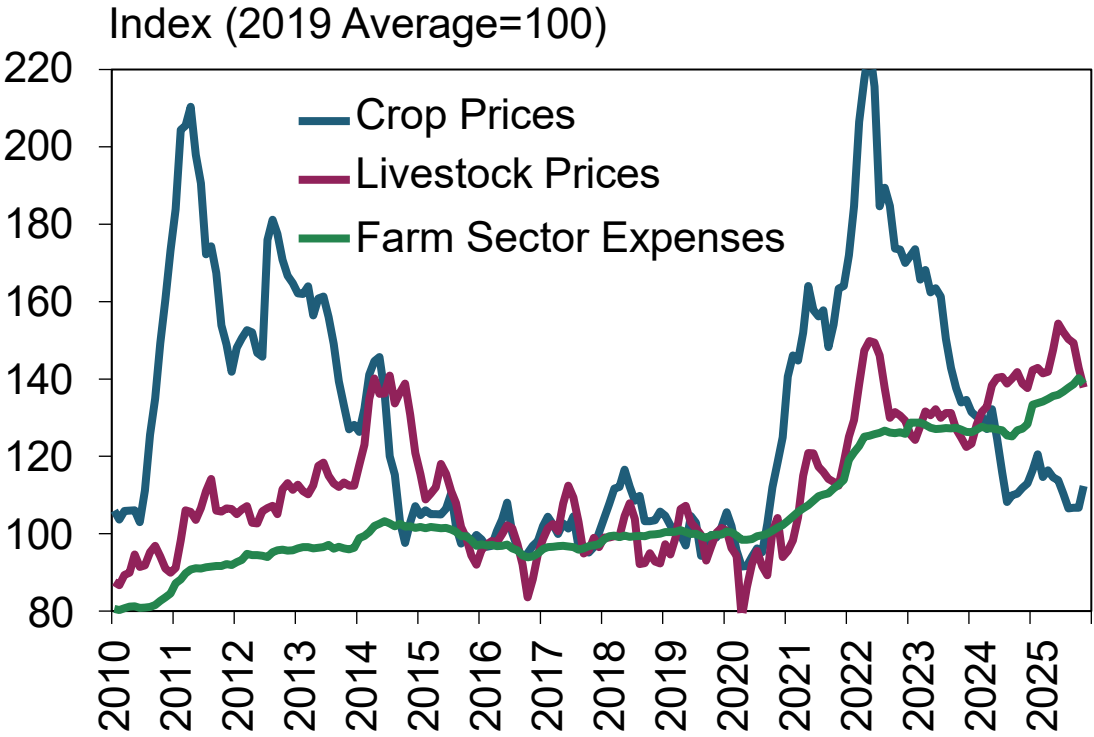


On the surface, economic conditions in U.S. agriculture appeared strong in 2025, but with notable disparities and risks.

U.S. Net Farm Income



U.S. Ag Commodity Prices and Expenses

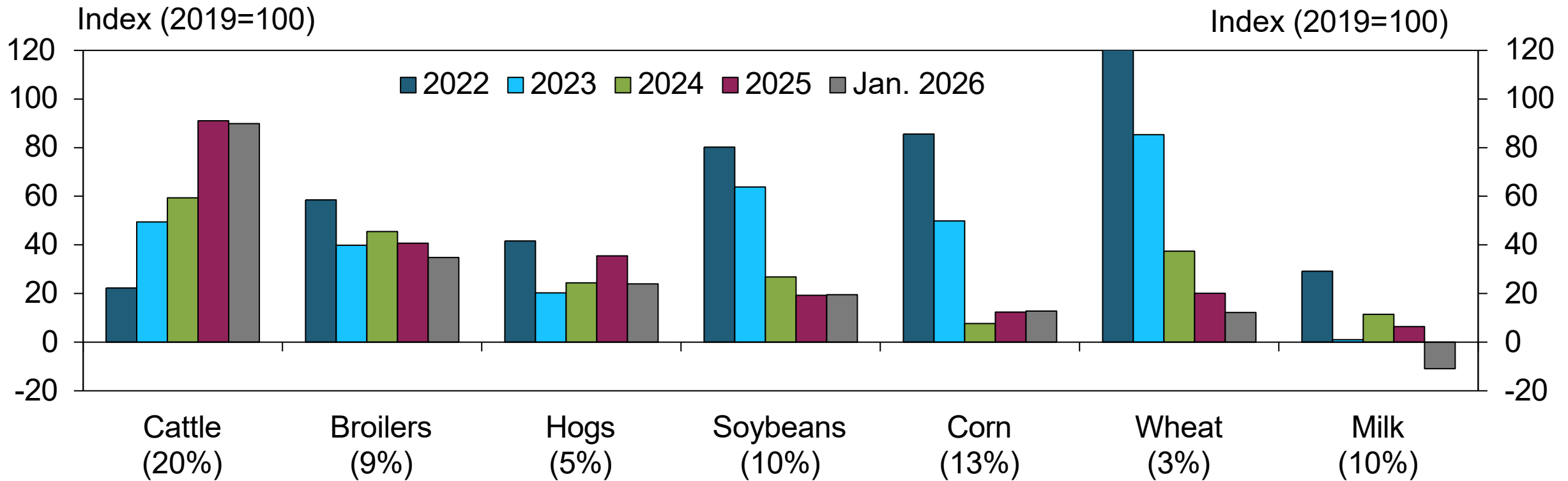


Notes: 2025 net farm income is the USDA forecast as of September 3, 2025. Crops price index is the average index of prices for corn, soybeans, wheat and cotton. Livestock price index is the average index of prices for cattle, hogs, milk, and broilers.
Sources: USDA, WSJ, CME, and FRB Kansas City staff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



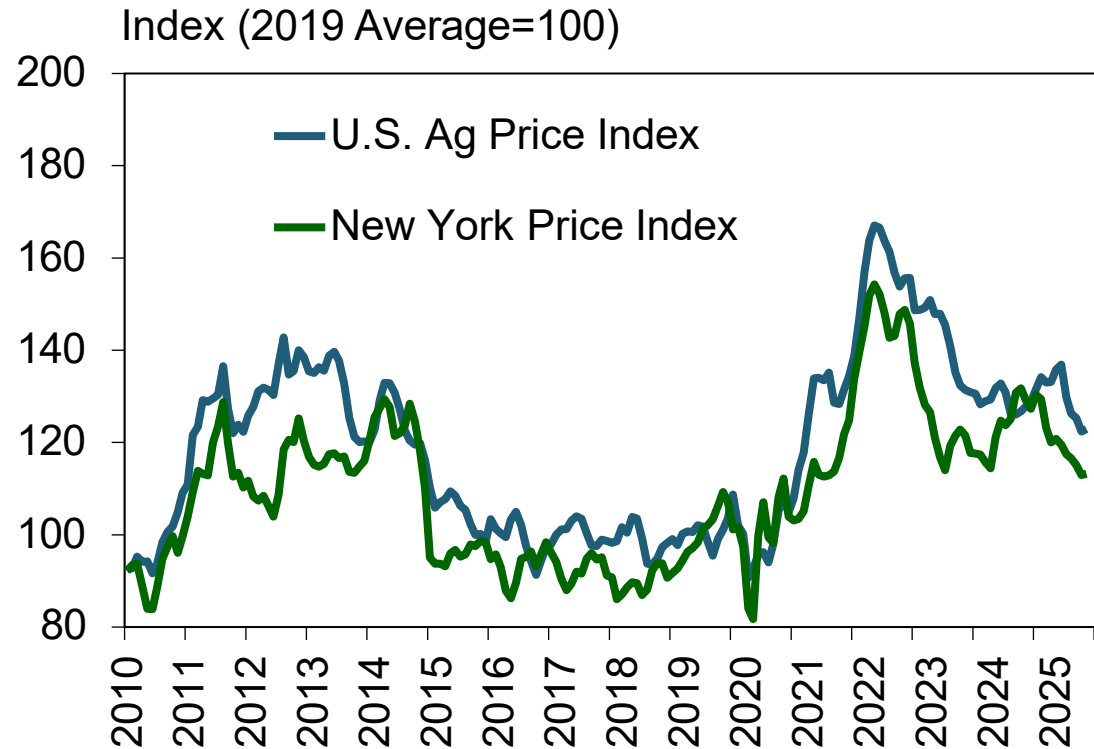
Cattle prices have been particularly strong, while row crop prices have remained subdued.

Agricultural Commodity Prices

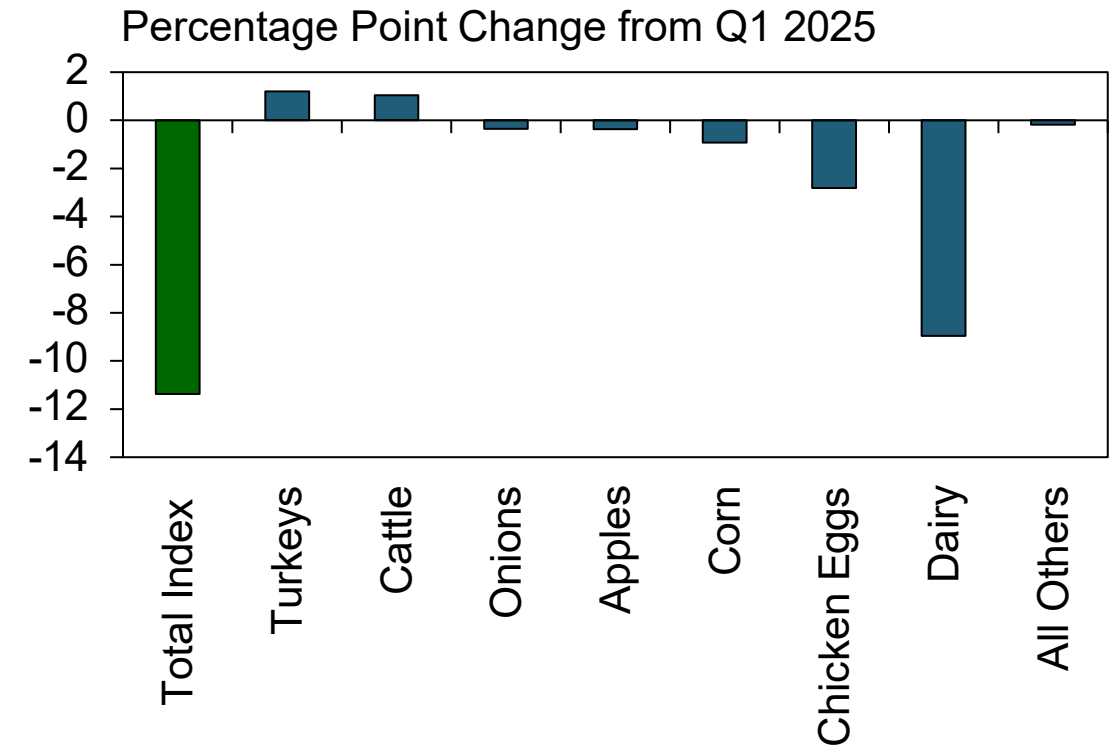


Agricultural commodity prices have eased over the past few years and, more recently in New York, attributable to dairy.

Index of Agricultural Commodity Prices



Contribution to Change in New York Price Index (2025 Q4*)



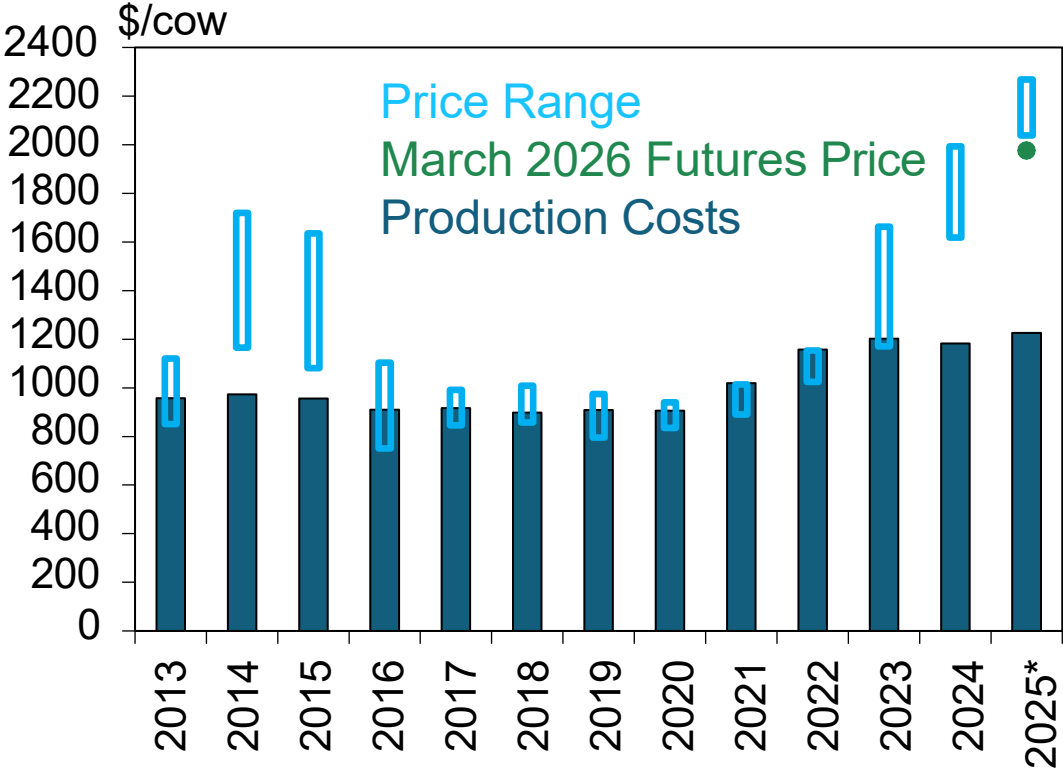
*Includes prices through November 2025. December not yet available.

Source: USDA; Haver Analytics; FRB Kansas City staff calculations

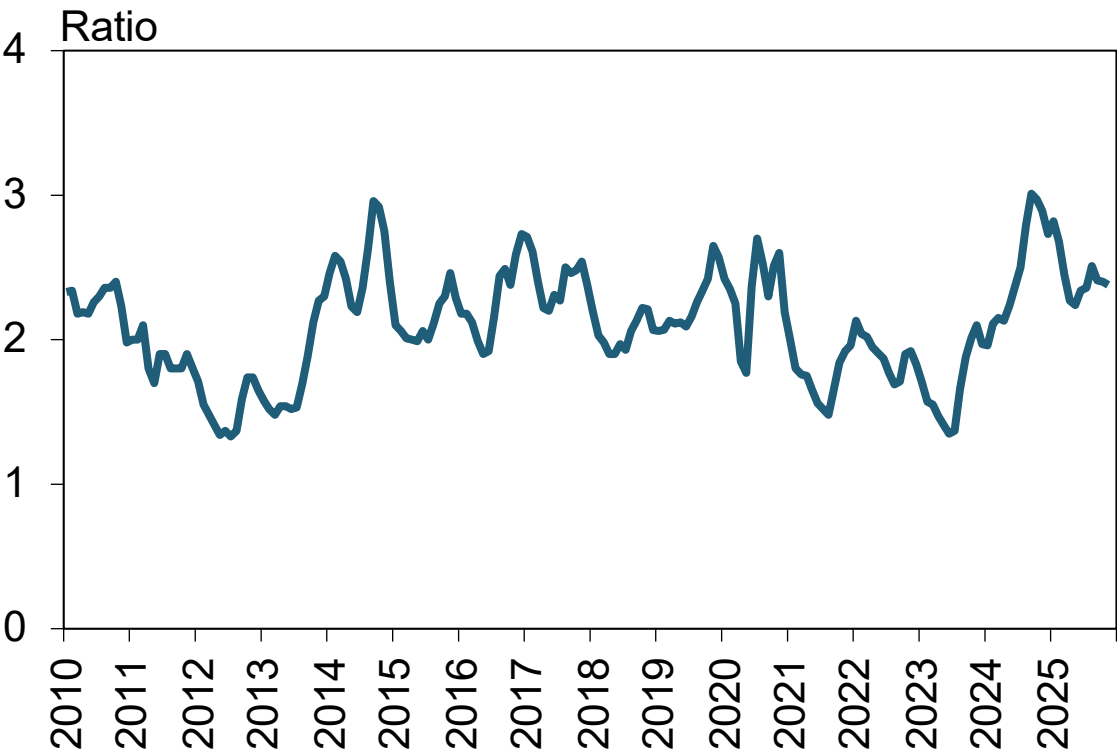


Higher calf prices and lower feed costs have supported profit opportunities in both the cattle and dairy industries.

Cow/Calf Profit Margins



Milk Price-to-Feed Cost Ratio

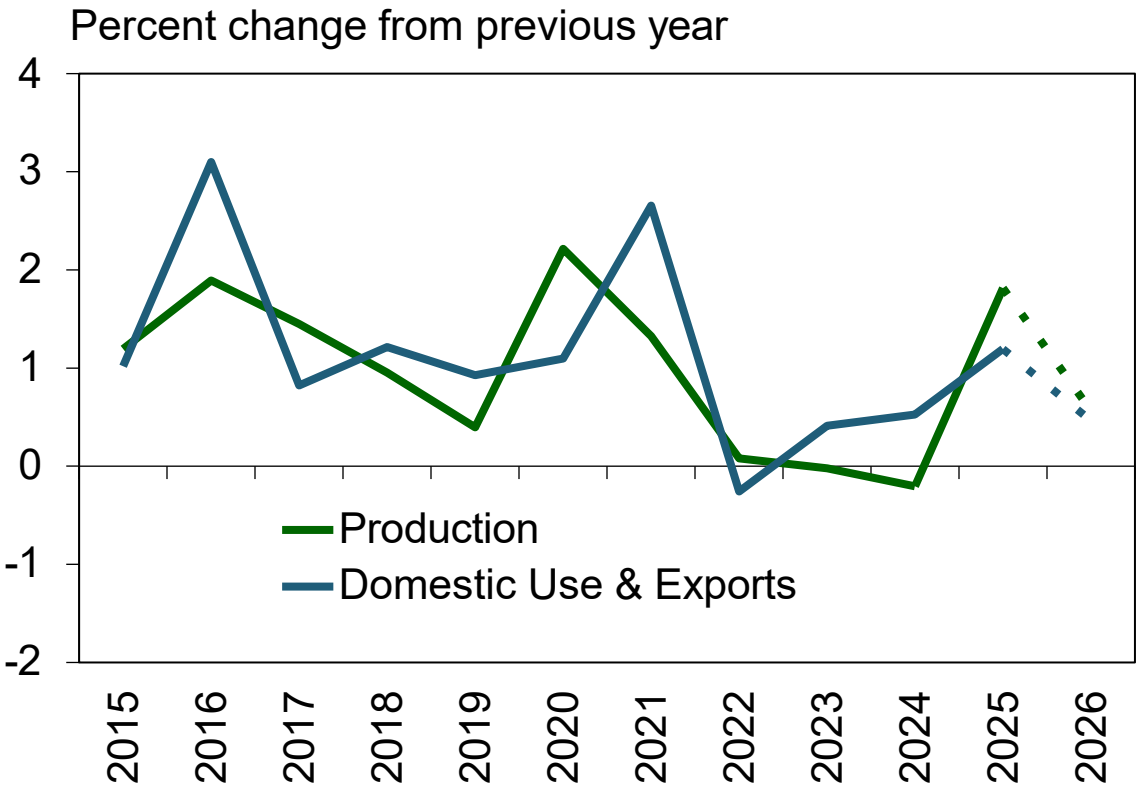


Sources: USDA and FRB Kansas City staff calculations

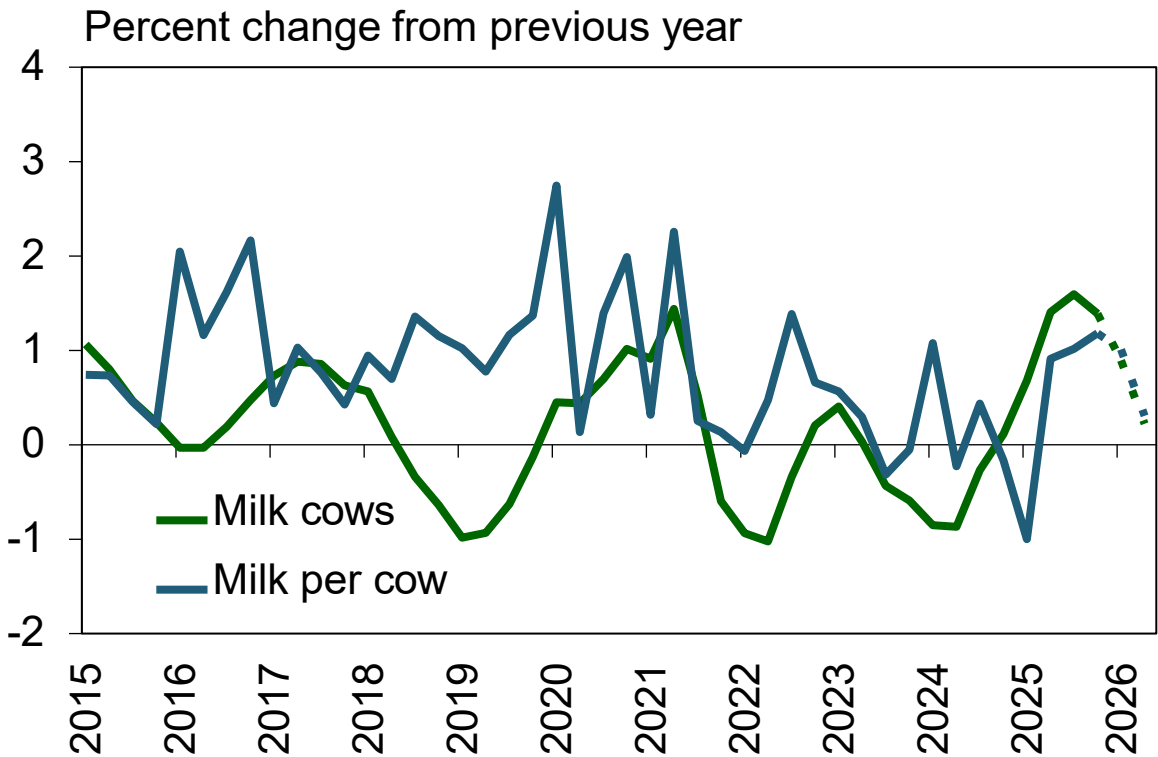


Herd growth and higher output boosted milk production in 2025 and has weighed on prices in recent months.

U.S. Milk & Dairy



U.S. Dairy Herd

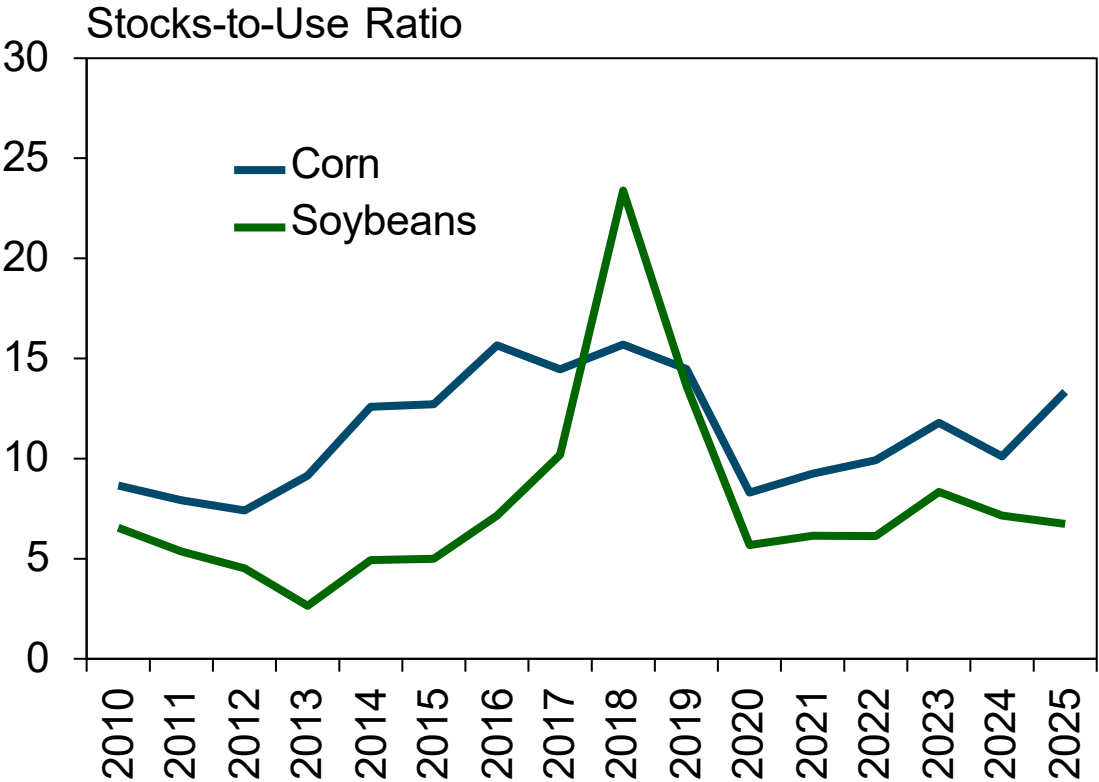


Note: 2026 figures are forecasts
Source: USDA

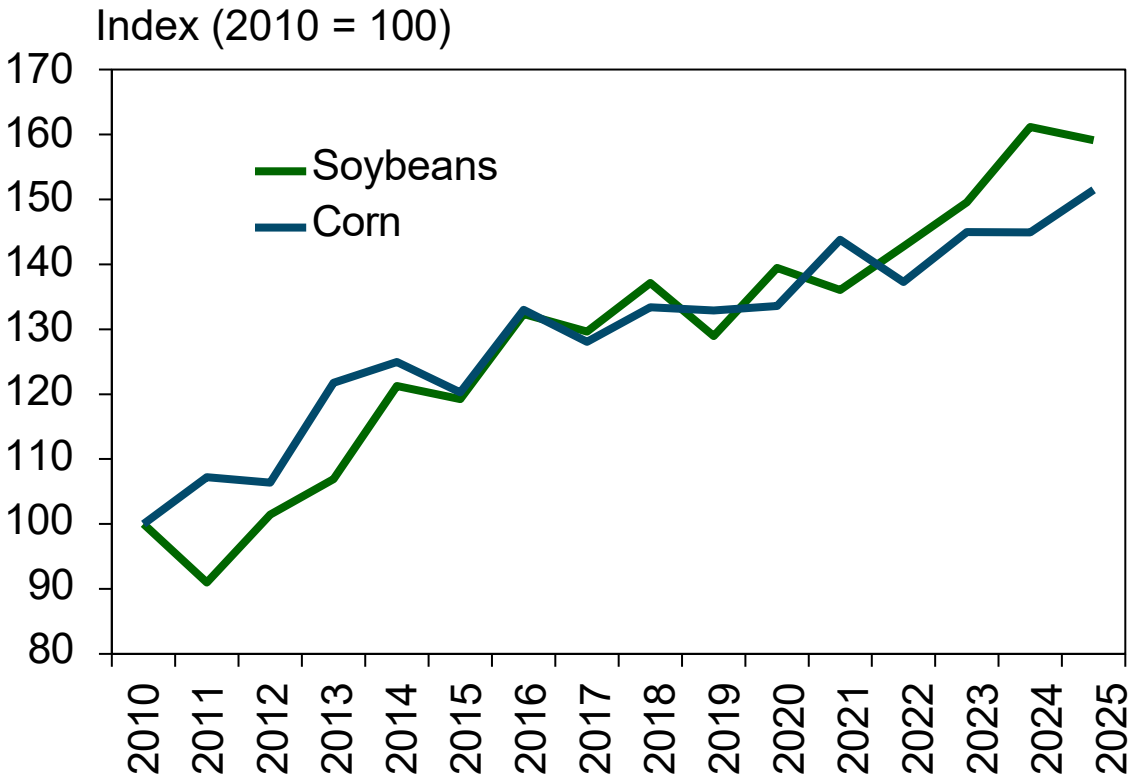


Elevated U.S. supplies and strong global production are likely to continue weighing on crop prices.

U.S. Crop Inventories



Global Crop Production

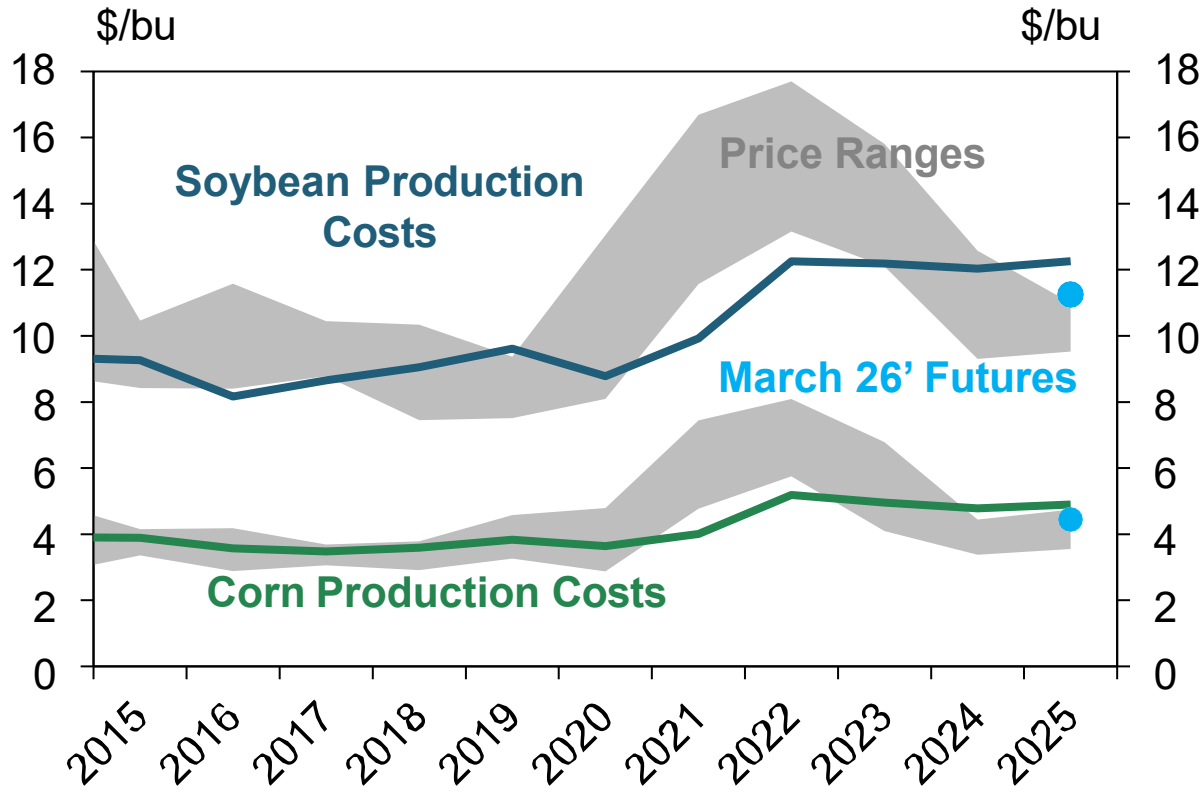


Sources: USDA and FRB Kansas City staff calculations

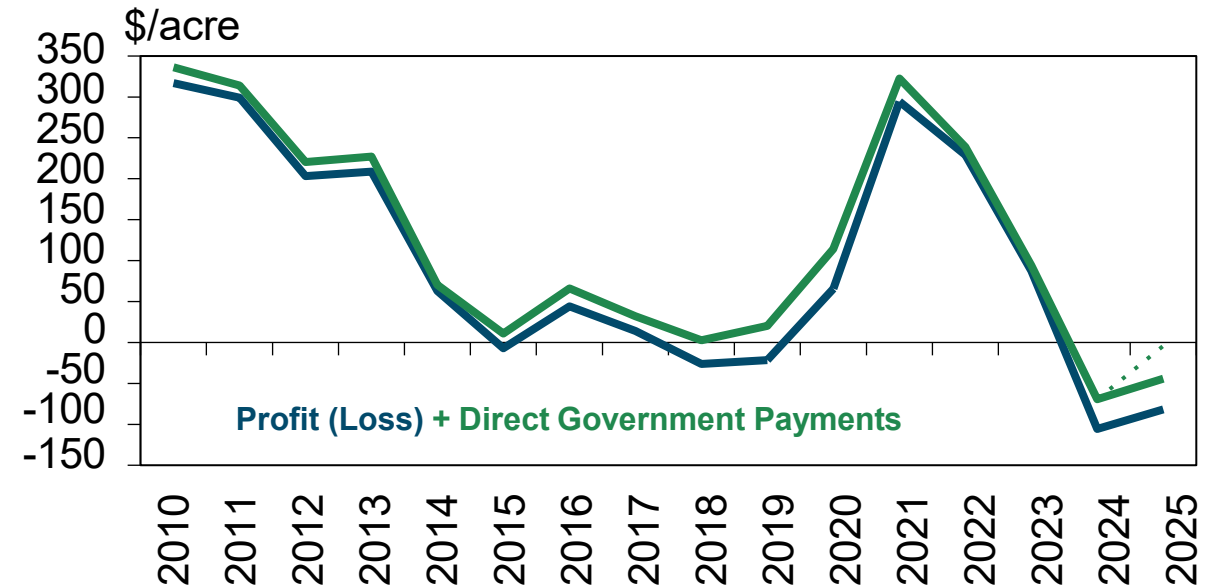


Crop profit opportunities remain narrow, but ad hoc payments and insurance will provide modest near-term support.

Corn and Soybean Profit Opportunities



Average Profit (Loss) for a Hypothetical 50/50 Corn and Soybean Farm



2024: Emergency Commodity Assistance Program (ECAP)

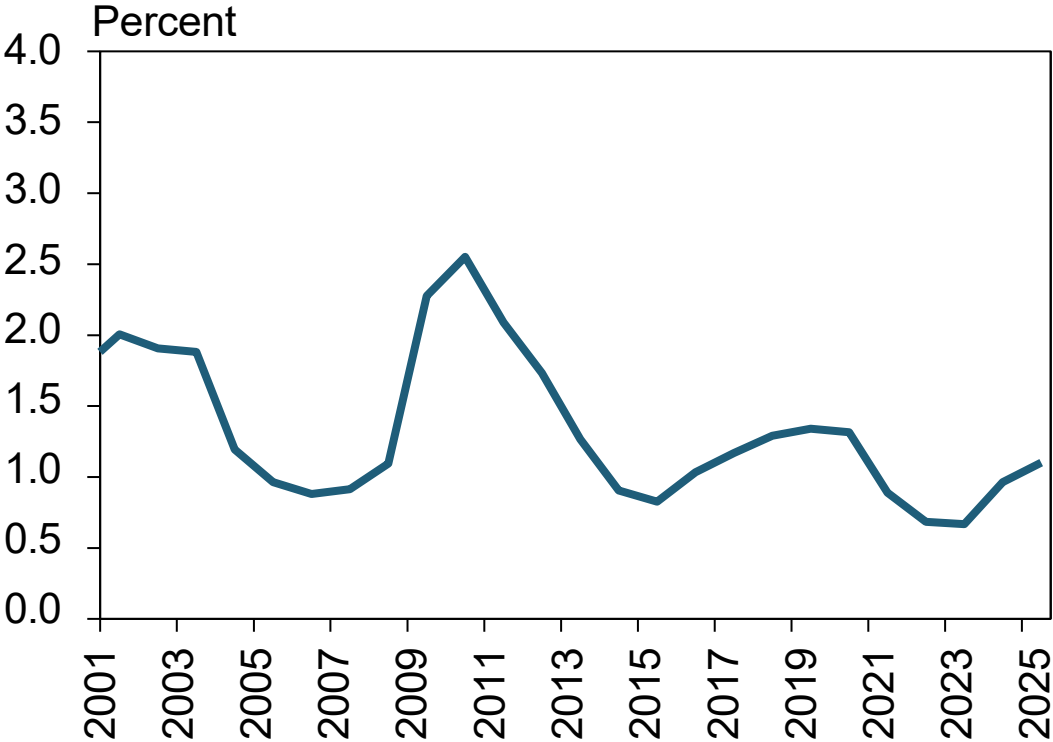
2025: Farmer Bridge Assistance (FBA) Program + Projected ARC/PLC Payments

Note: Production costs are estimated using the USDA cost and return estimates and forecasts with national average yields and prices.
Sources: USDA, Haver Analytics, CME, and FRB Kansas City staff calculations

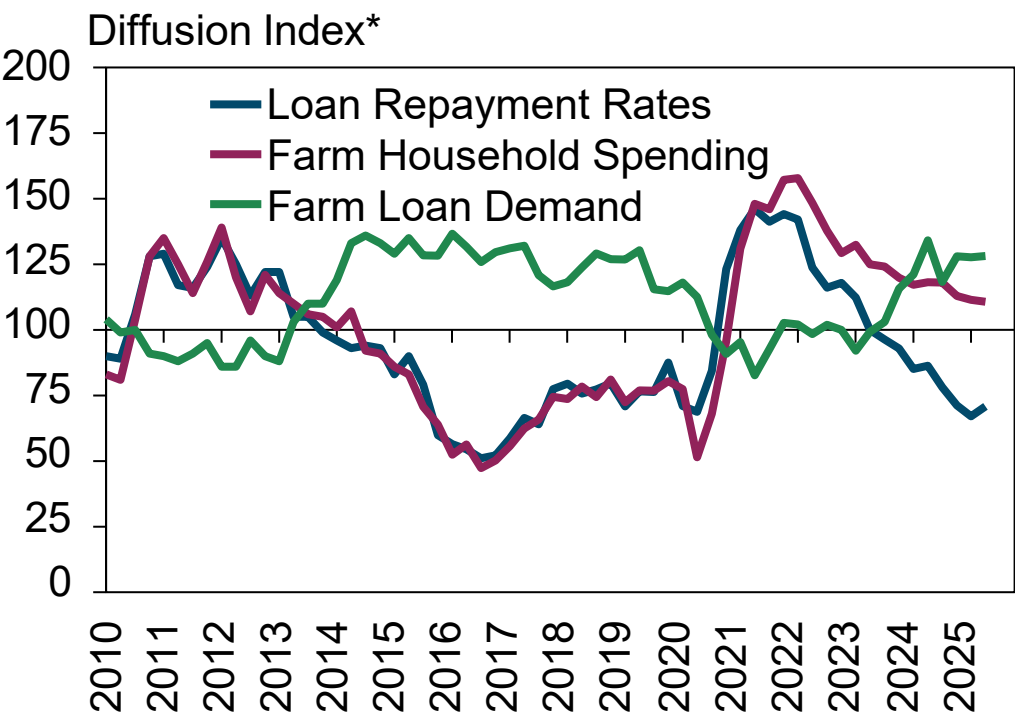


Farm loan delinquency rates have remained low, but signs of financial tightening have persisted.

U.S. Farm Loan Delinquency Rates, Q3



Indicators of Ag Credit Conditions

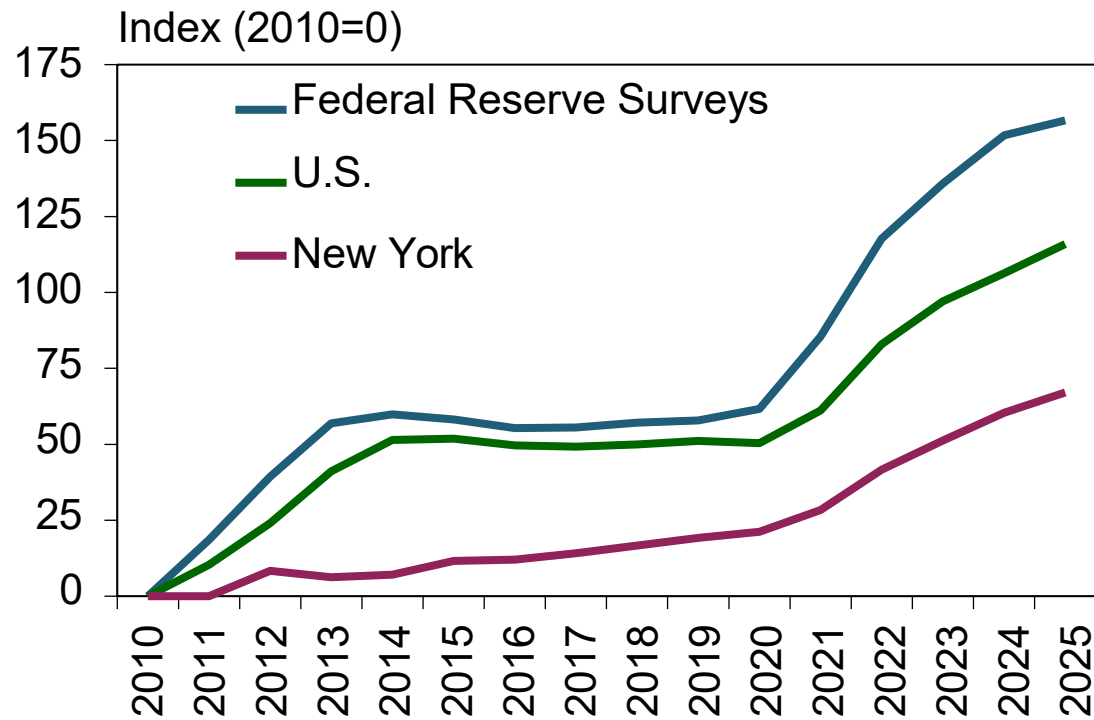


*The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.
Note: Farm loan delinquency rates are the weighted average of commercial banks and the Farm Credit System.
Sources: Reports of Condition and Income, Farm Credit Administration, and Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions

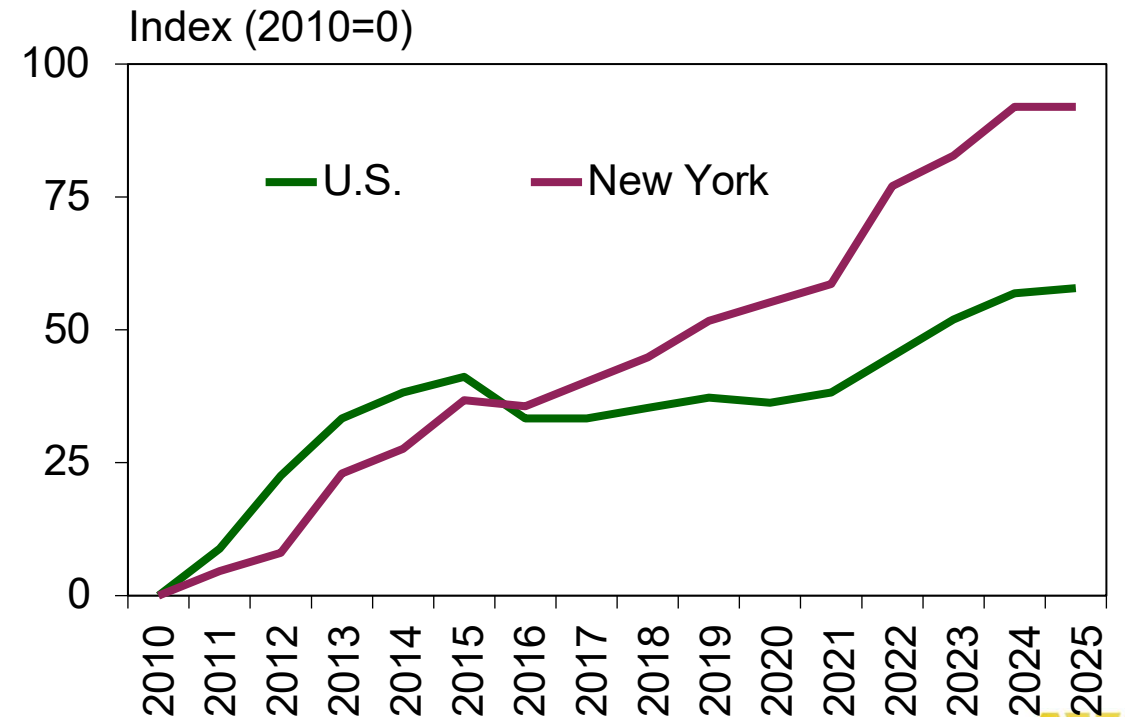


Despite pressures on the sector, farm real estate values have been firm.

Farm Real Estate Values

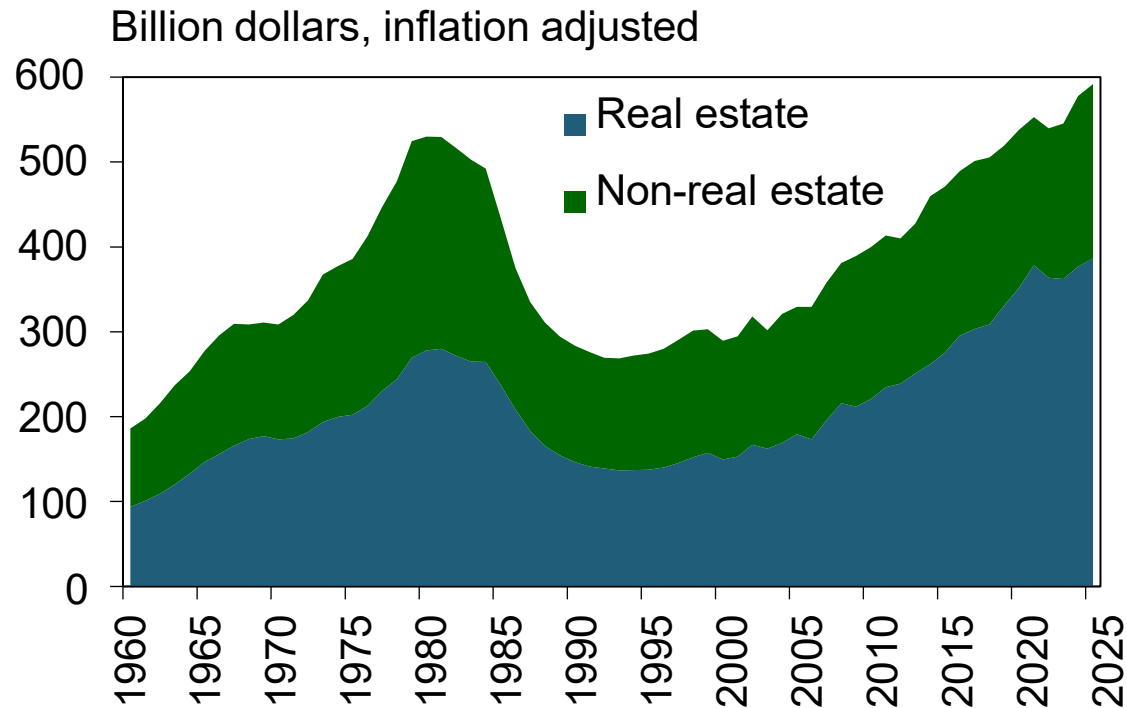


Farmland Cash Rents

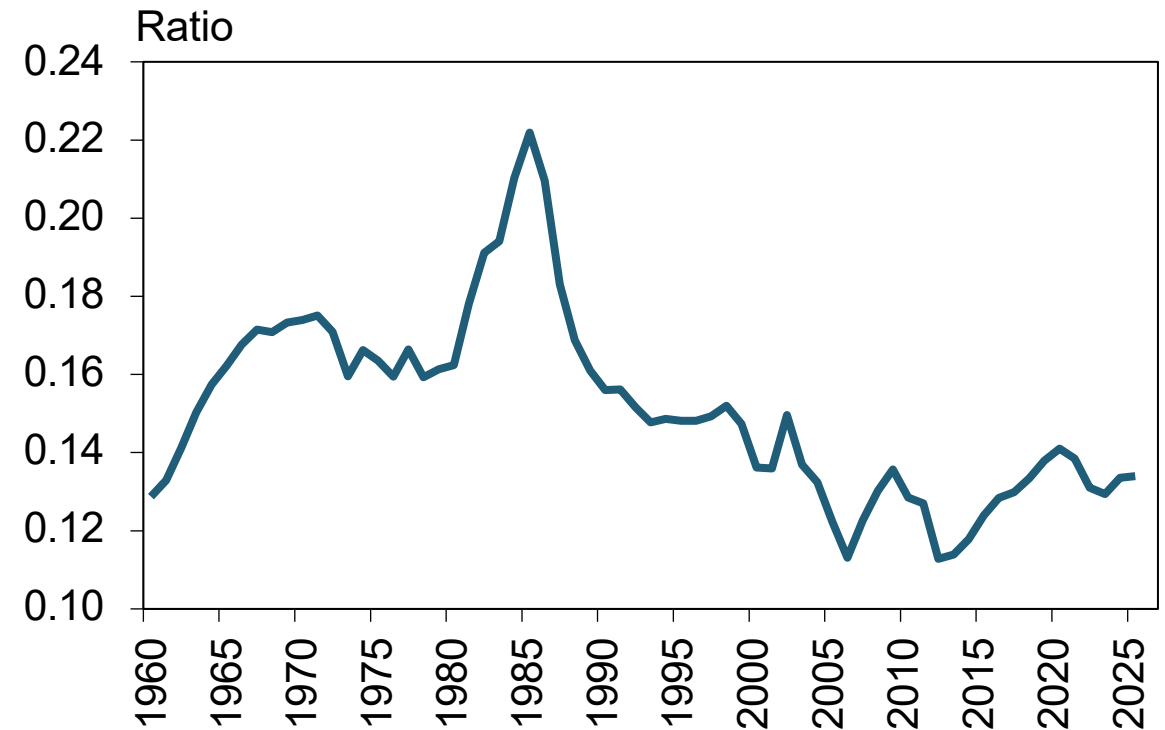


Despite an increase in agricultural debt, leverage in the sector has been steady with support from ag real estate values.

U.S. Farm Sector Debt



U.S. Farm Sector Debt-to-Asset Ratio

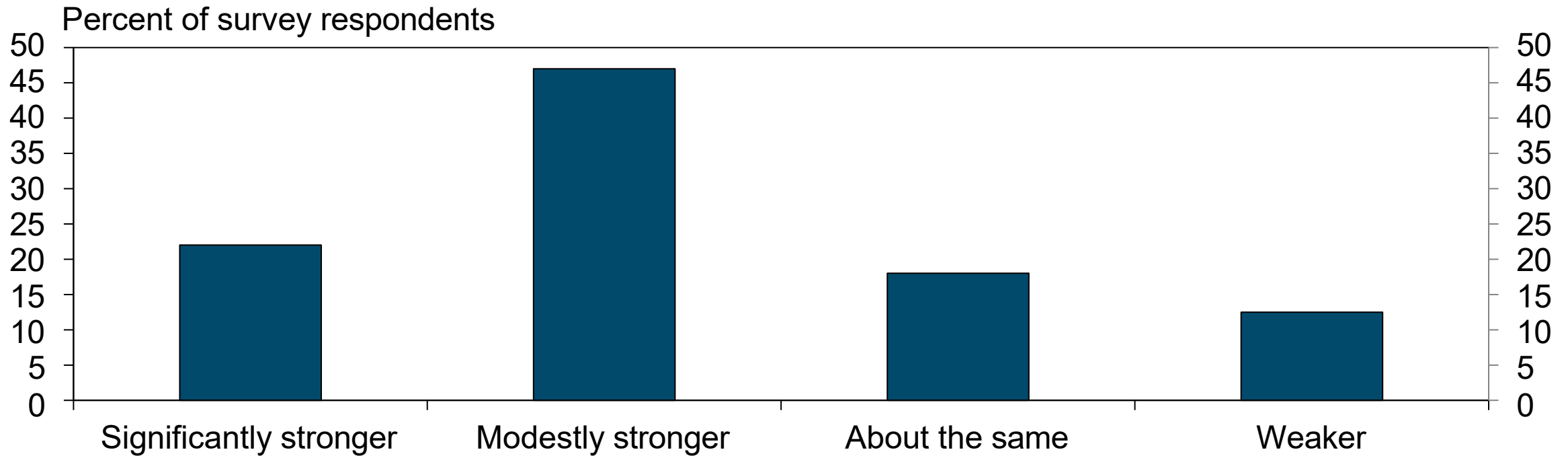


Note: Farm balance sheet figures are USDA forecasts as of September 3, 2025.
Source: USDA



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

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



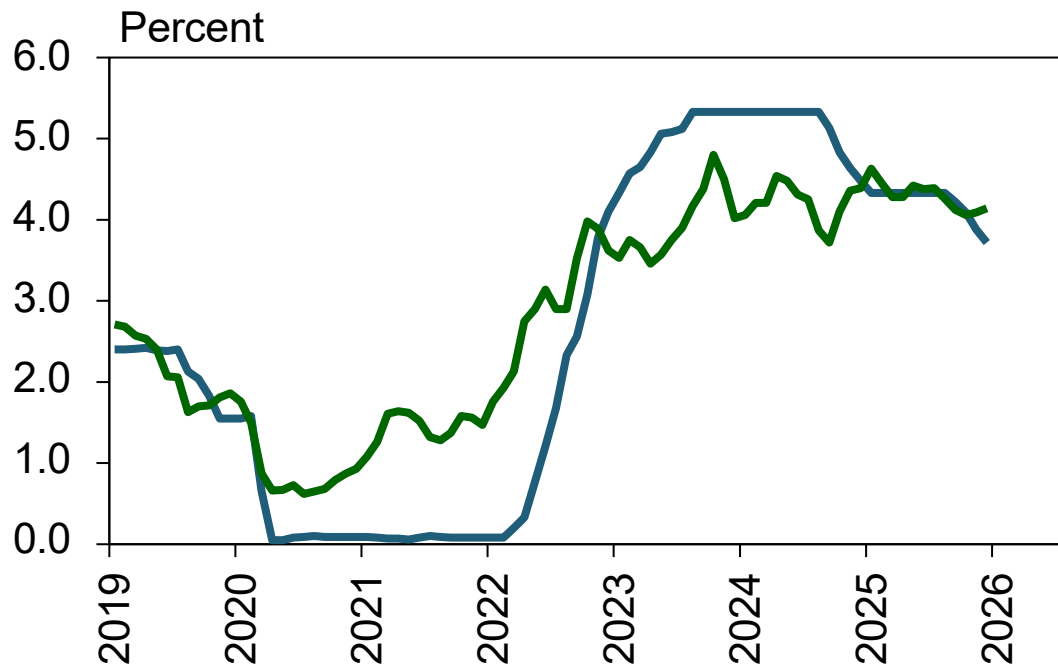
Note: Survey respondents were asked the following question: How do overall financial conditions for majority owner-operators compare with overall financial conditions for majority renter-operators in your lending area?

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

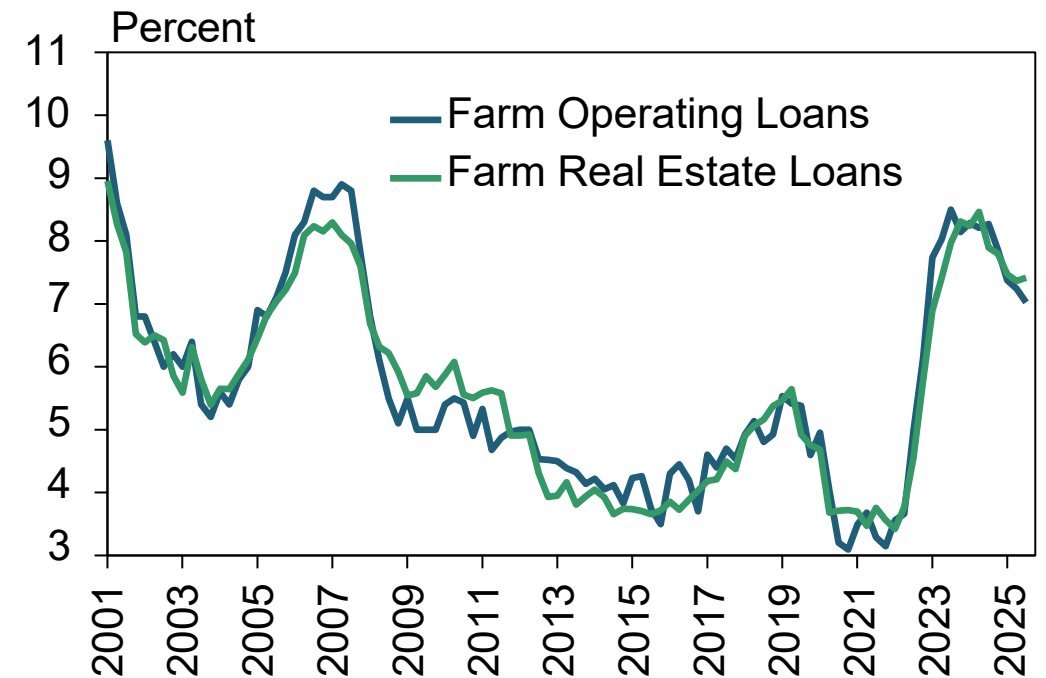


Interest rates on farm loans have declined slightly but remain a somewhat persistent headwind.

Federal Funds Rate and 10-Year Treasury Yield



Average Interest Rates on Farm Loans



Summary

- Profit margins among crop producers are likely to remain narrow in 2026, but the strength of recent years continues to provide support.
- Government support has also provided a temporary boost to incomes and will offset some losses.
- Prolonged weakness in crop profit margins remains a challenge to producers and appears likely to weigh on financial conditions as the year progresses.
- Resilience in the U.S. economy has provided support for ongoing strength in the livestock industry which, in turn, remains a relative bright spot in U.S. agriculture.



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