

AN UPDATE ON THE AGRICULTURAL ECONOMY

Cortney Cowley, Federal Reserve Bank of Kansas City
February 11, 2026



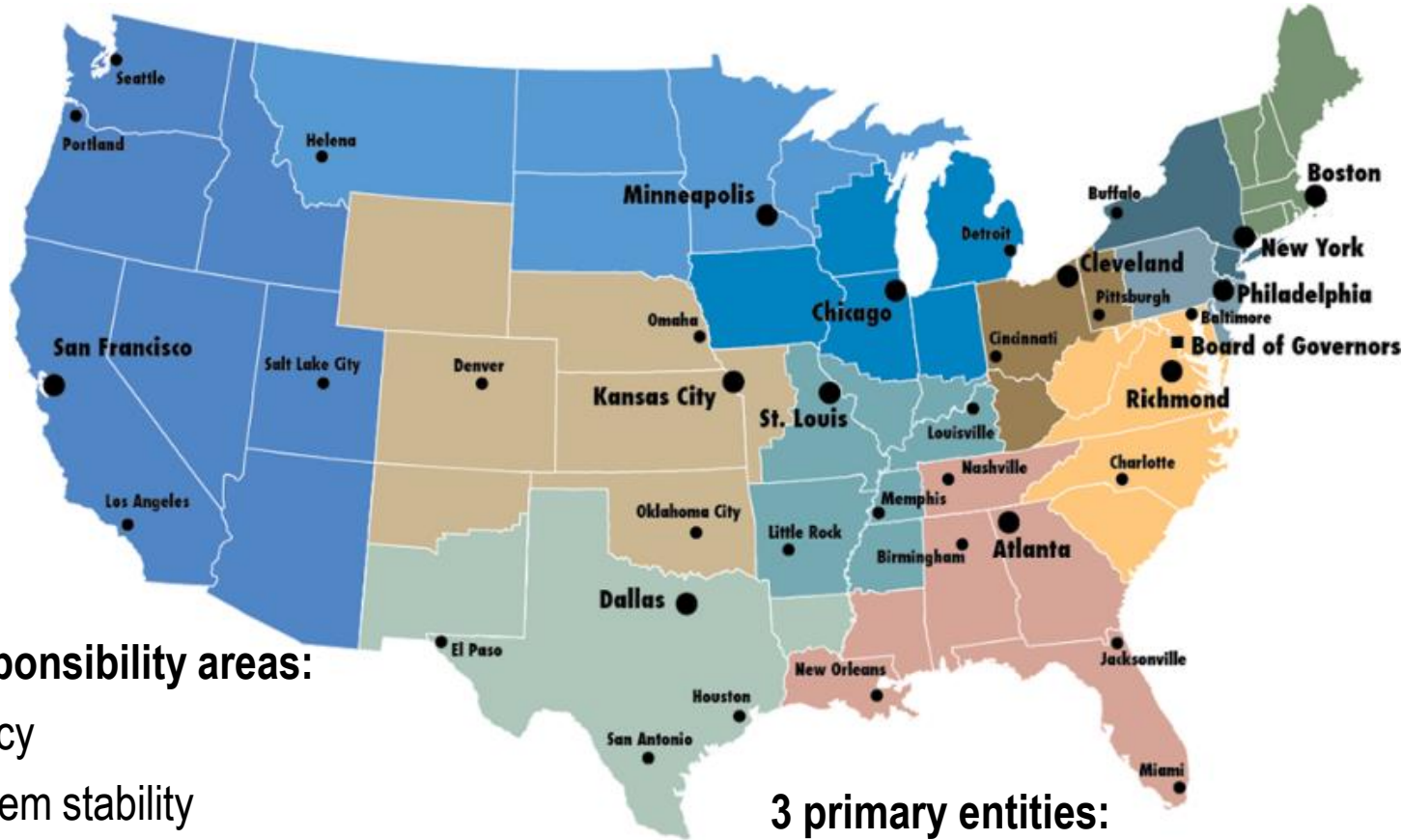
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**Center FOR Agriculture
AND the EconomySM**

FEDERAL RESERVE BANK OF KANSAS CITY

Structure & Functions of the Federal Reserve



5 primary responsibility areas:

- Monetary policy
- Financial system stability
- Bank supervision & regulation
- Payment system safety & efficiency
- Consumer protection & community development

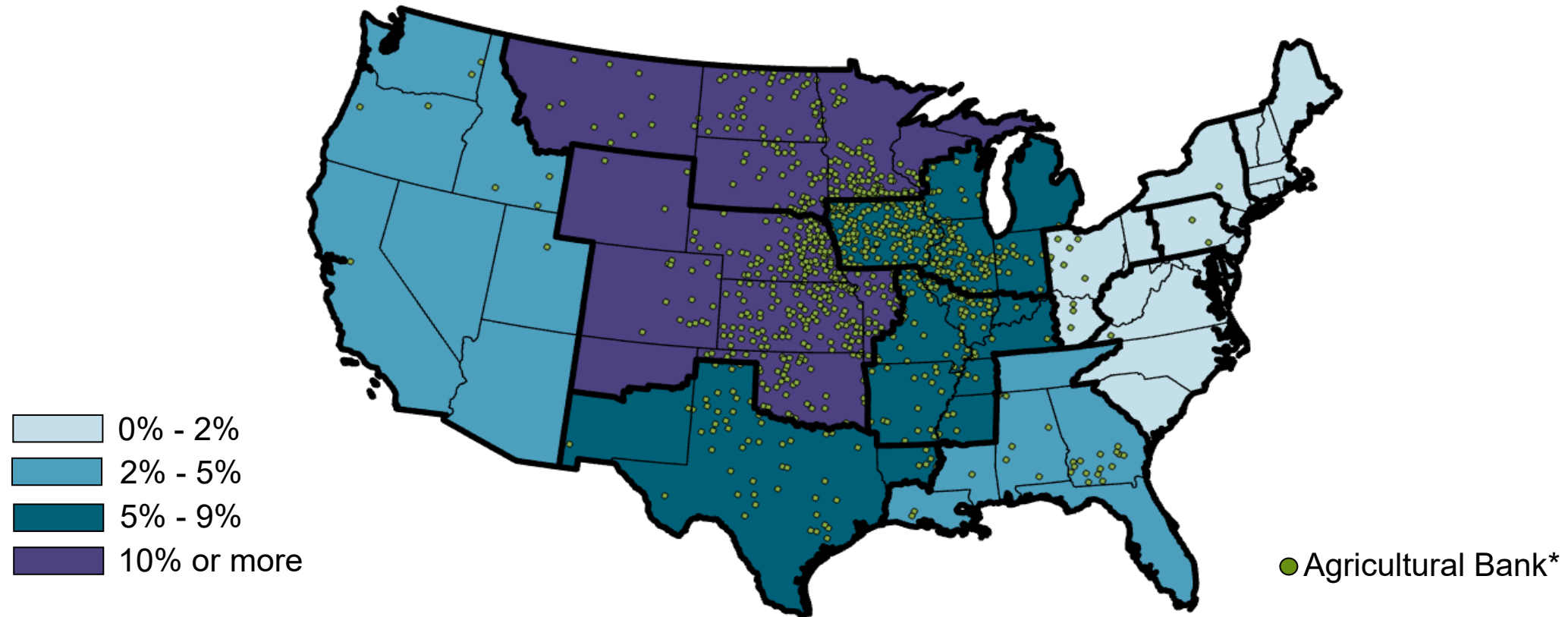
3 primary entities:

- Board of Governors: 7 members appointed by U.S. President
- Federal Reserve Banks: 12 total; semi-independent
- Federal Open Market Committee: 19 members; 12 voting



Agriculture is concentrated in the Tenth District.

Farm Income as a Share of Total Income



*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 Federal Reserve Bank of Kansas City staff calculations

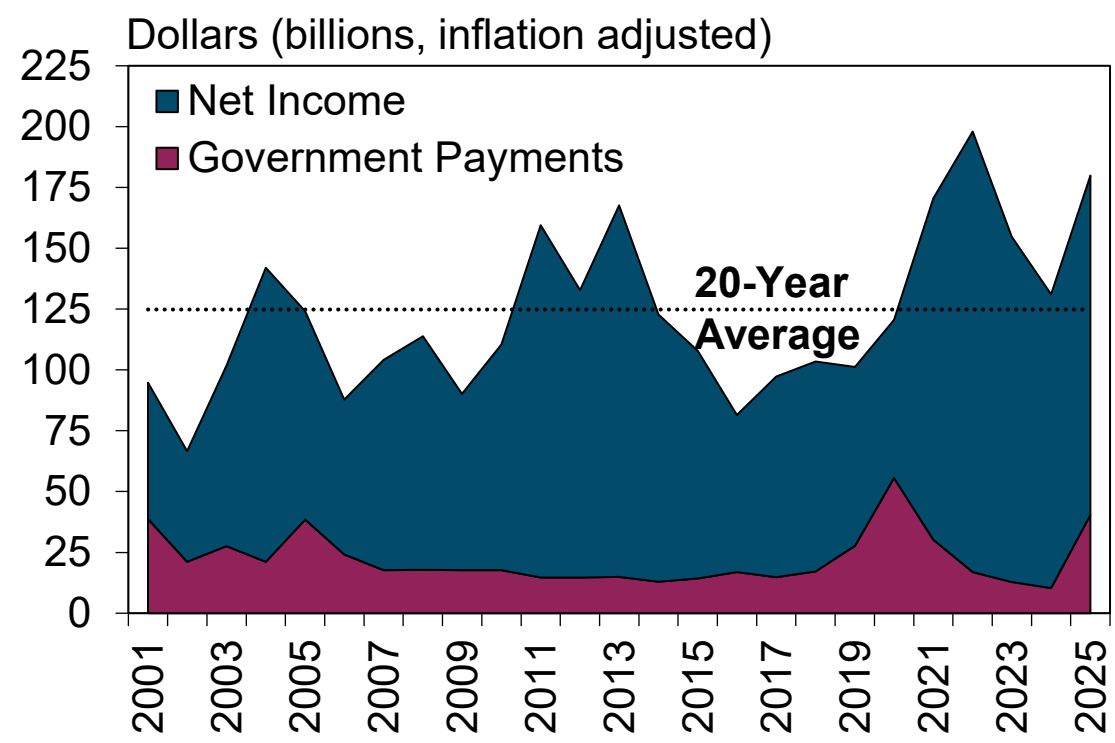
Update Themes

- Disparities in the U.S. ag economy have persisted with notable weakness among row crop producers and ongoing strength among cattle operations.
- Despite significant uncertainty associated with trade, as well as some signs of increased stress, financial conditions in agriculture have remained stable.
- Growth in farm real estate values has slowed but have remained a key source of stability.
- Macro economic growth has been resilient despite a variety of potential risks and uncertainties.

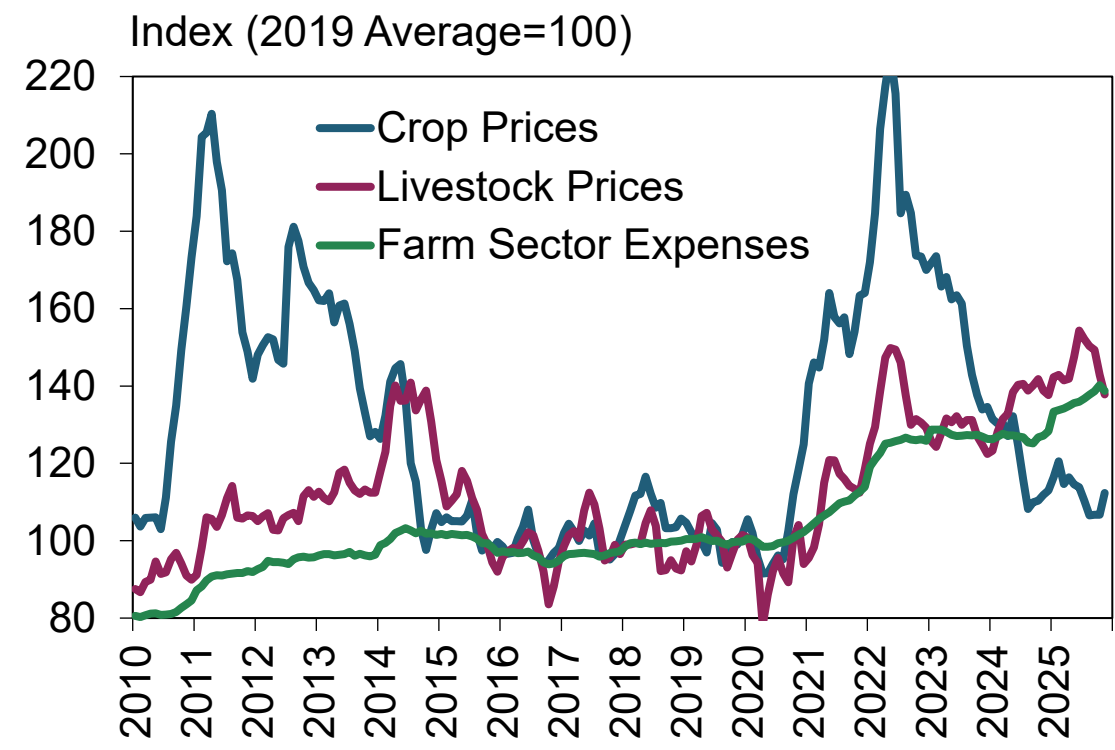


U.S. farm income appeared strong in 2025, but with notable disparities and risks across the sector.

U.S. Net Farm Income



U.S. Ag Commodity Prices and Expenses

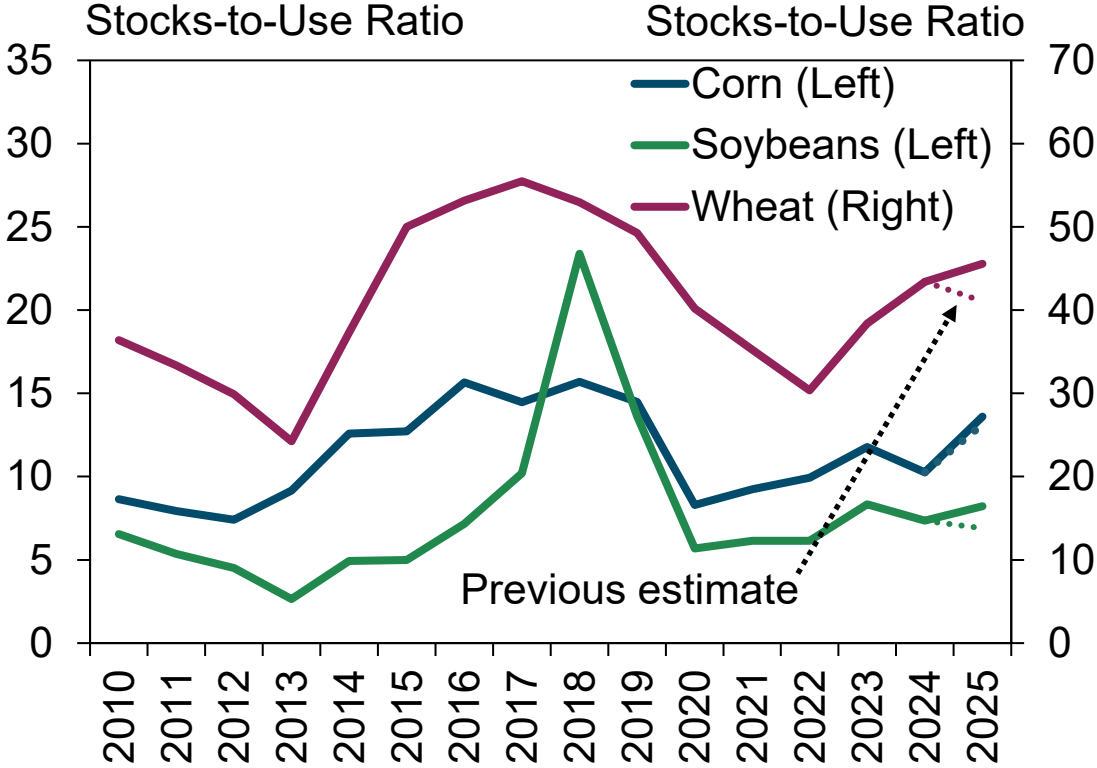


Notes: 2025 net farm income is the USDA forecast as of September 3, 2025. Crops price index is the average index of prices for corn, soybeans, wheat and cotton. Livestock price index is the average index of prices for cattle, hogs, milk, and broilers. Sources: USDA, WSJ, CME, and FRB Kansas City staff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

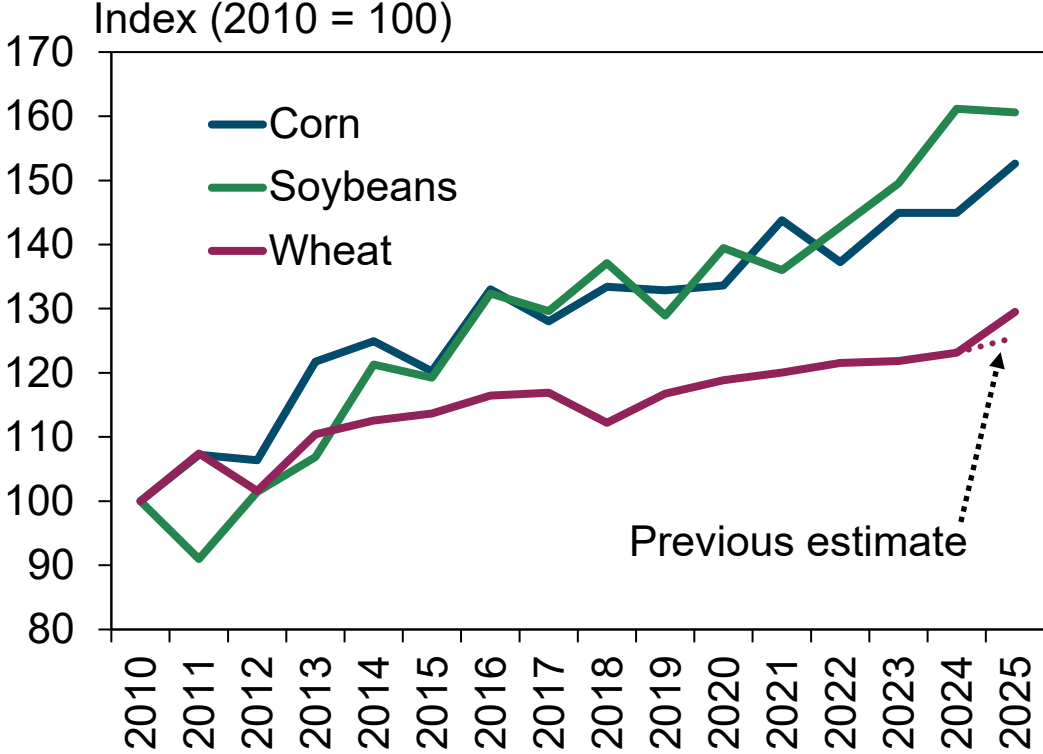


Elevated U.S. supplies and strong global production continue weighing on crop prices.

U.S. Crop Inventories



Global Crop Production

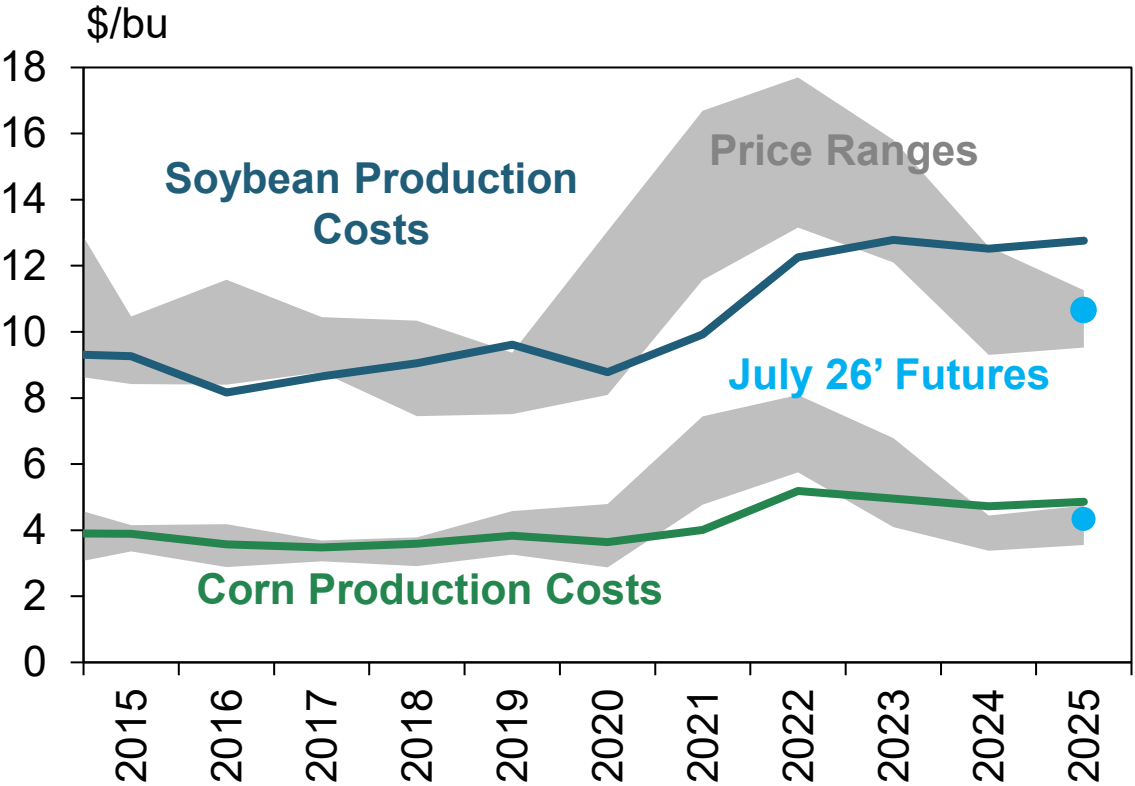


Sources: USDA and FRB Kansas City staff calculations

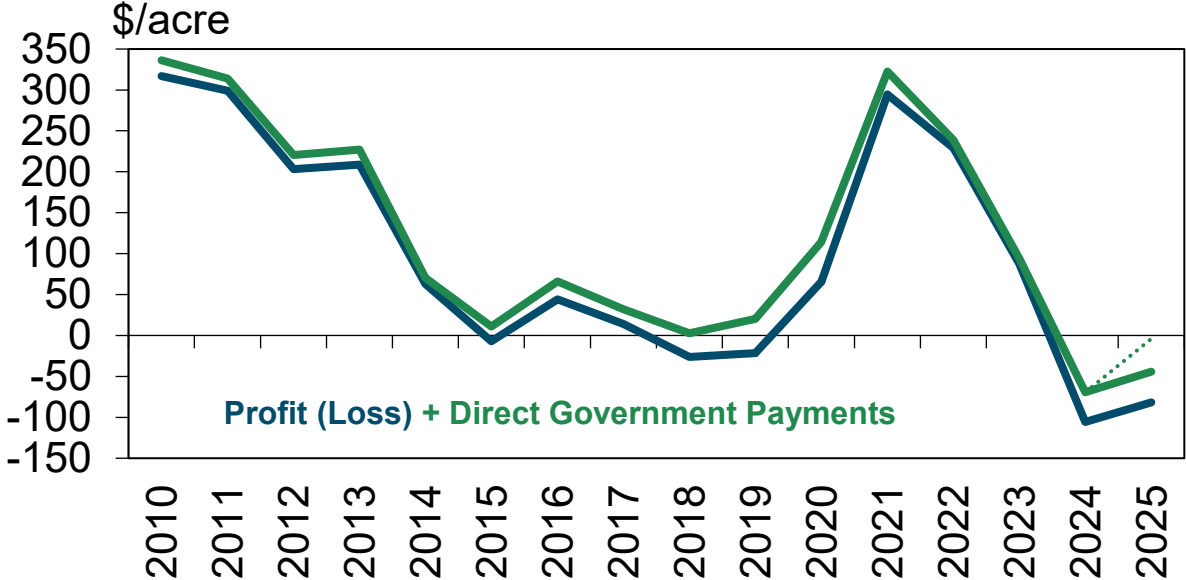


Crop profit opportunities remain narrow, but ad hoc payments and insurance will provide modest near-term support.

Corn and Soybean Profit Opportunities



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



2024: Emergency Commodity Assistance Program (ECAP)

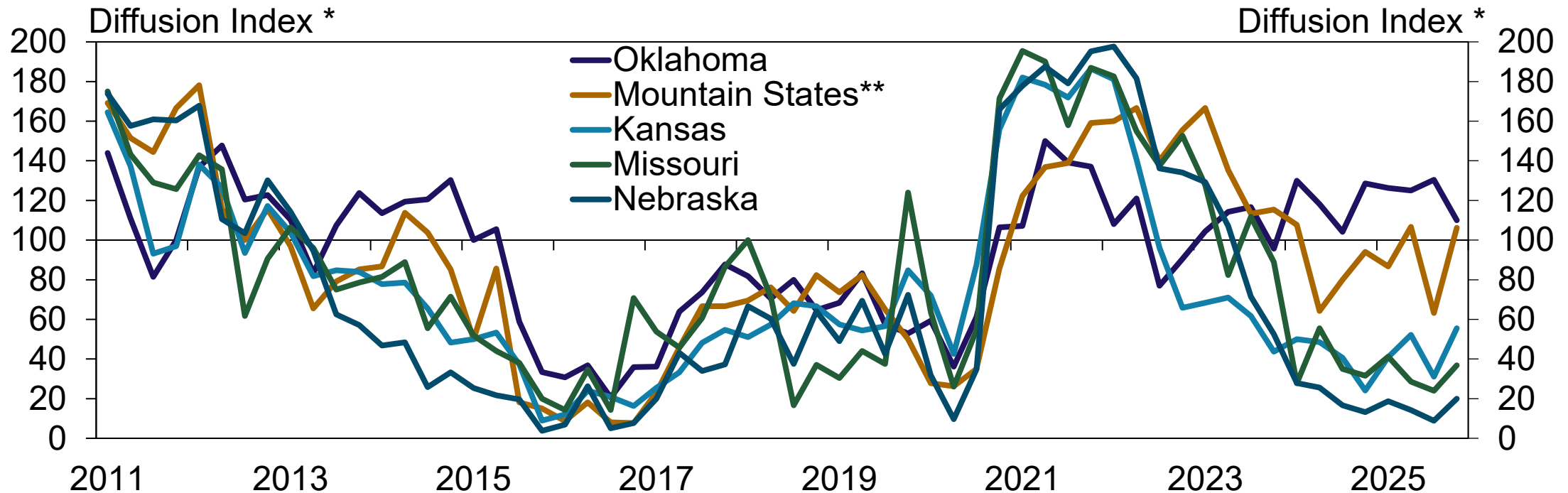
2025: Farmer Bridge Assistance (FBA) Program + Projected ARC/PLC Payments

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

KC Fed District Farm Borrower Income



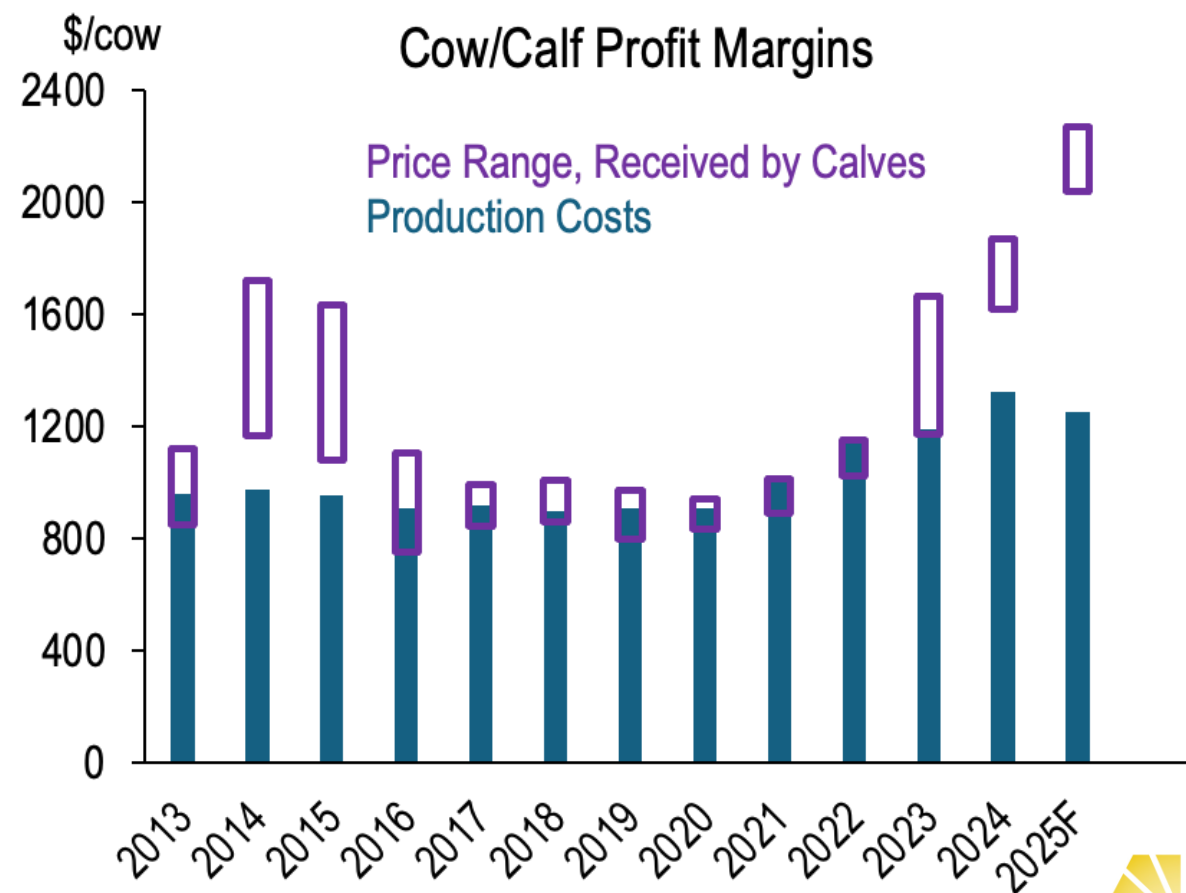
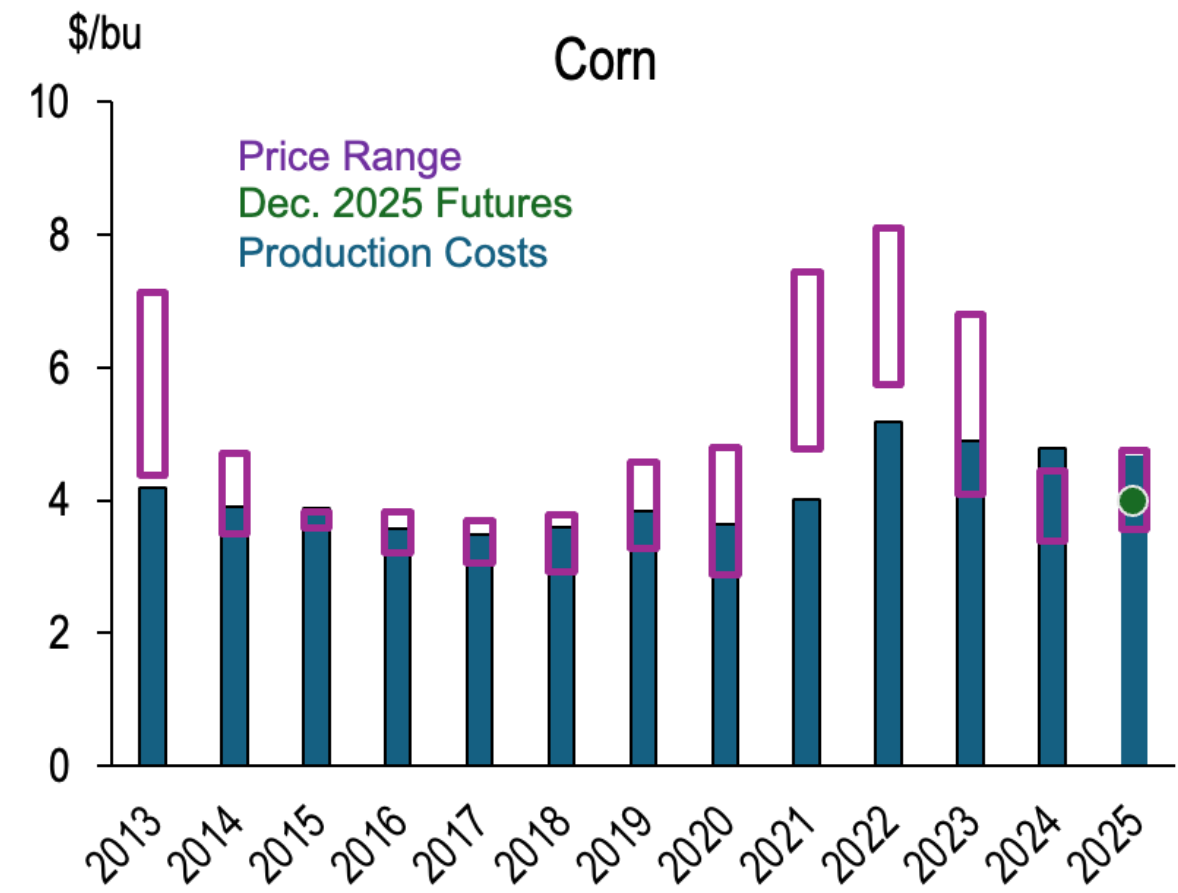
*The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.

** 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



Margins for cow/calf producers continue to expand, even as crop prices have not been in a profitable range in 2024 or 2025.

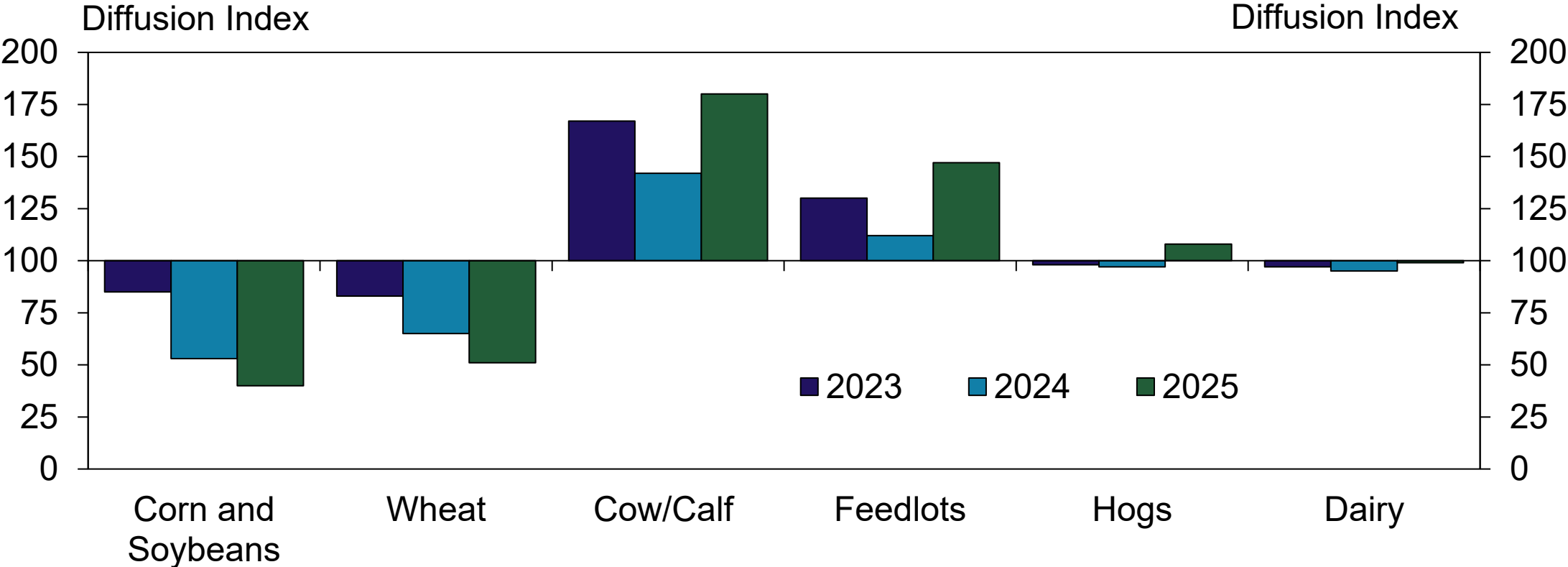


Source: USDA and staff calculations



Farm finances and credit conditions have also remained stronger for cattle operations.

Expected Loan Repayment Rates in Next 3 Months, Q3



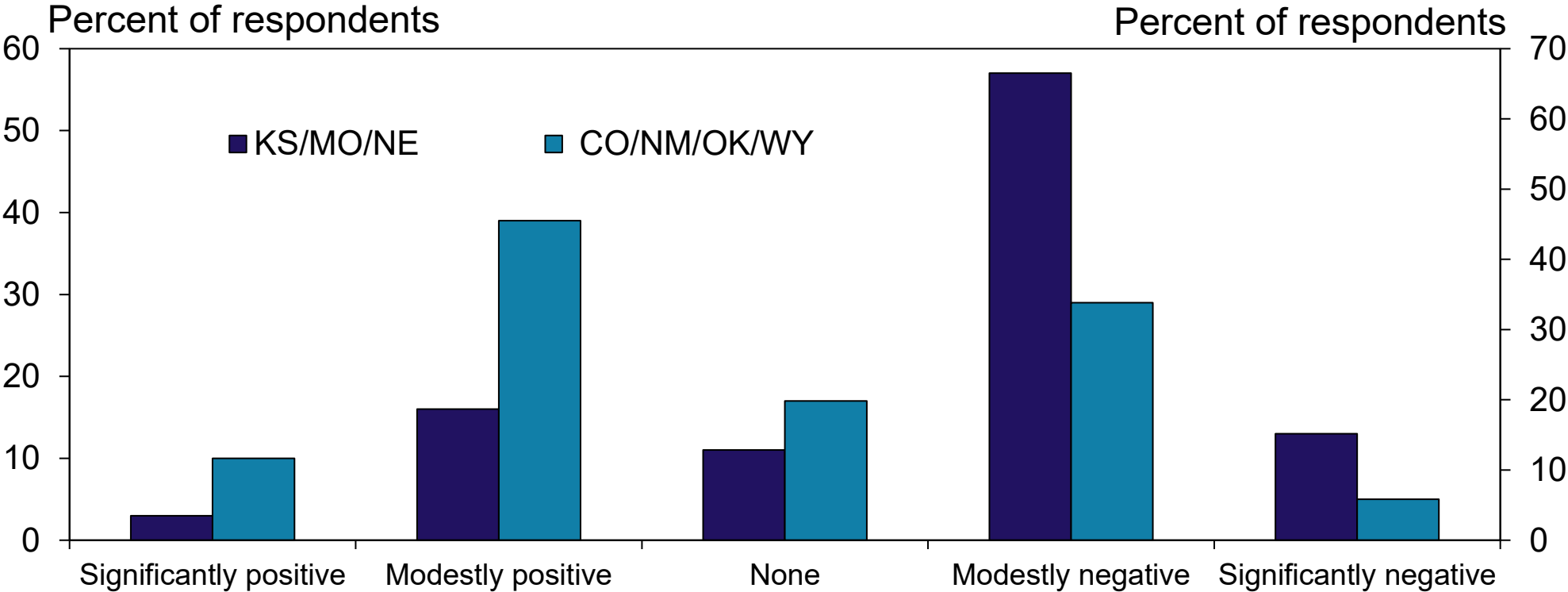
Note: Agricultural lenders were asked, "For the following farm operations, how are loan repayment rates expected to change over the next three months?"

Source: Federal Reserve Bank of Kansas City Ag Credit Survey



Furthermore, areas with a greater concentration in cattle production have seen more positive outcomes in the broader economy.

Effect of The Ag Economy On the Broader Economy, Q3 2025

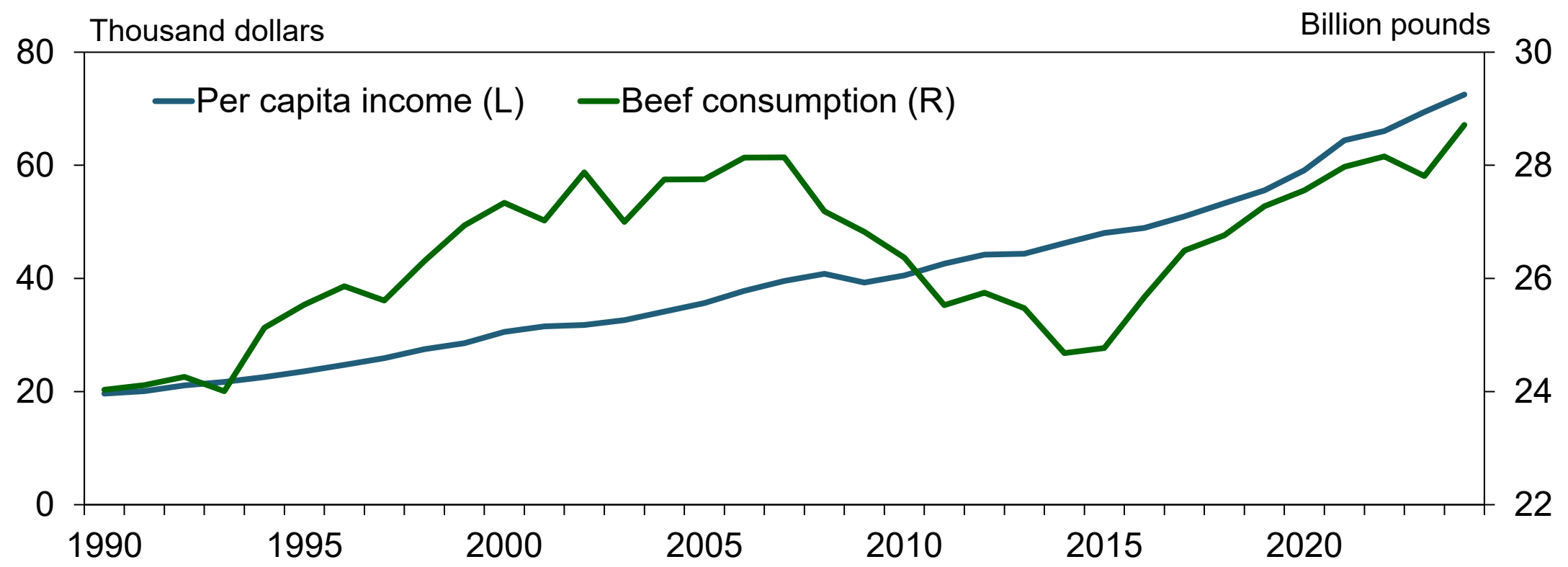


Note: Agricultural lenders were asked, “How have recent agricultural economic conditions affected broader economic conditions and business activity in your lending area?”
Source: Federal Reserve Bank of Kansas City Ag Credit Survey



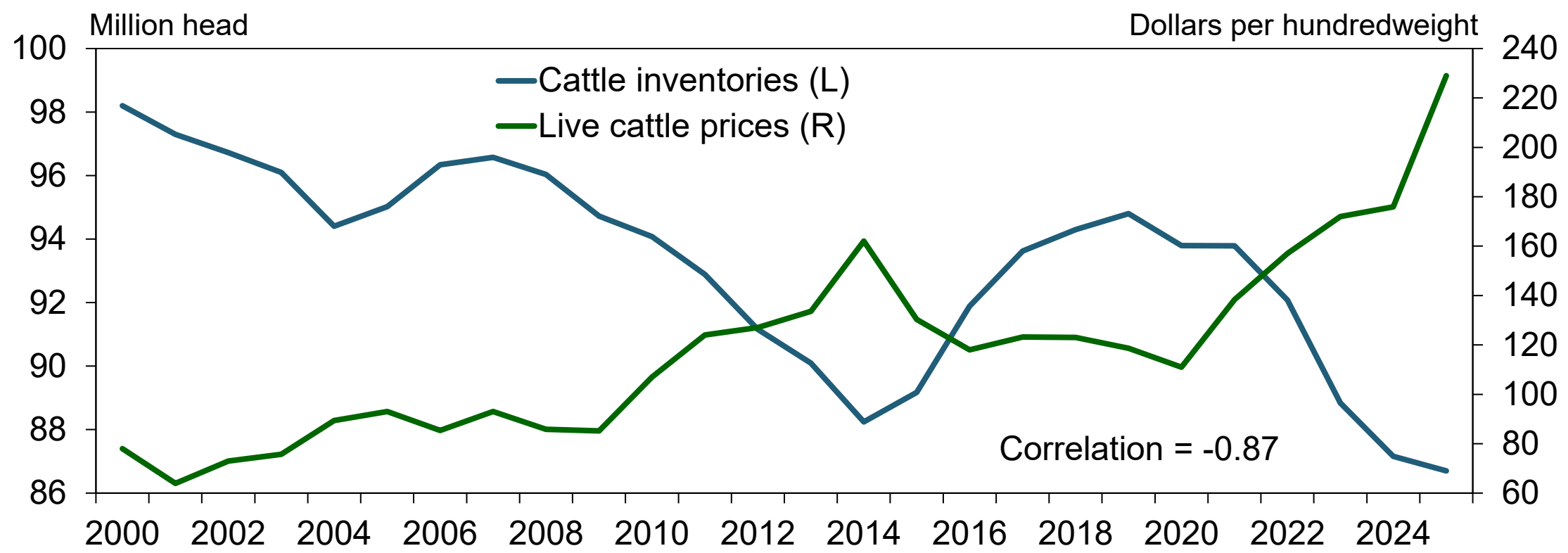
One reason for strength in cattle markets: demand for beef has been very strong.

U.S. Per Capita Income and Beef Consumption



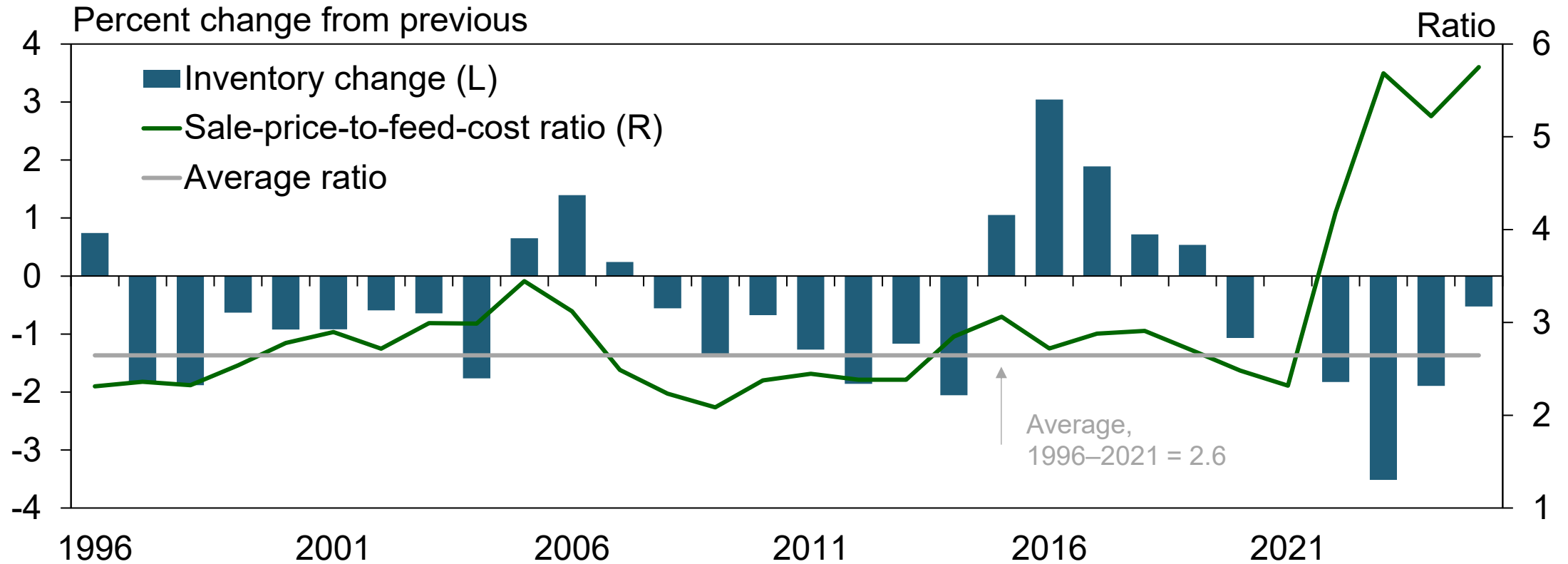
Also, historically low inventories have also supported high prices.

Cattle Inventories and Prices



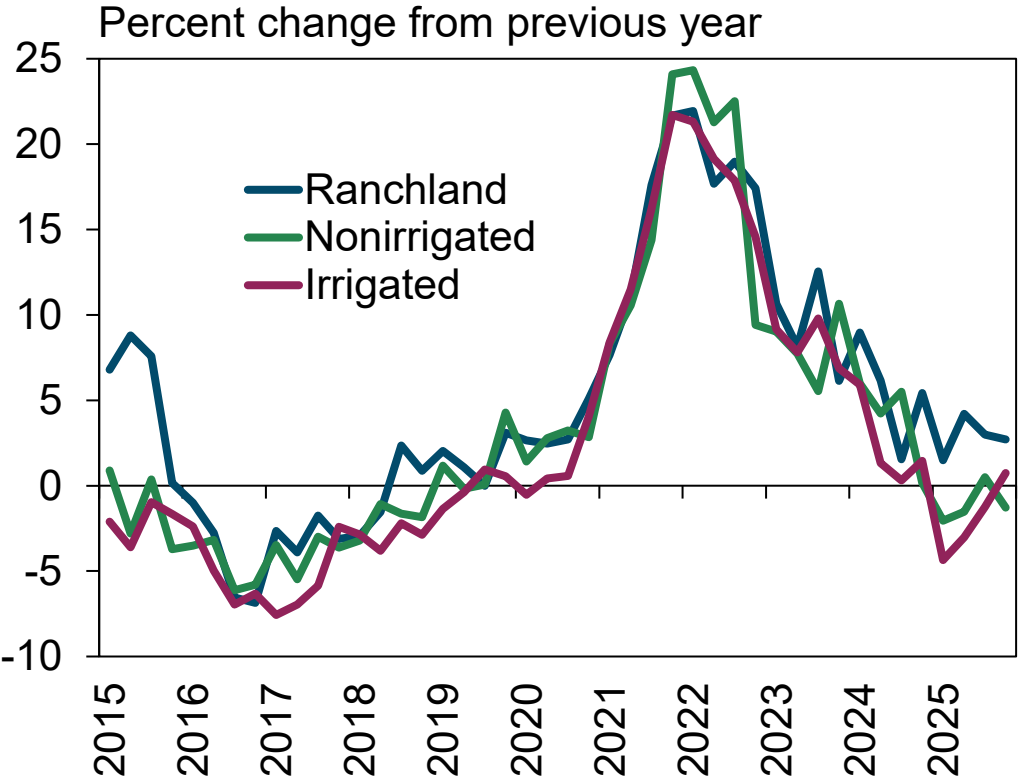
In the cattle sector, are profit margins *too high* for herd expansion?

U.S. Cattle Inventories and Price-to-Cost Ratios

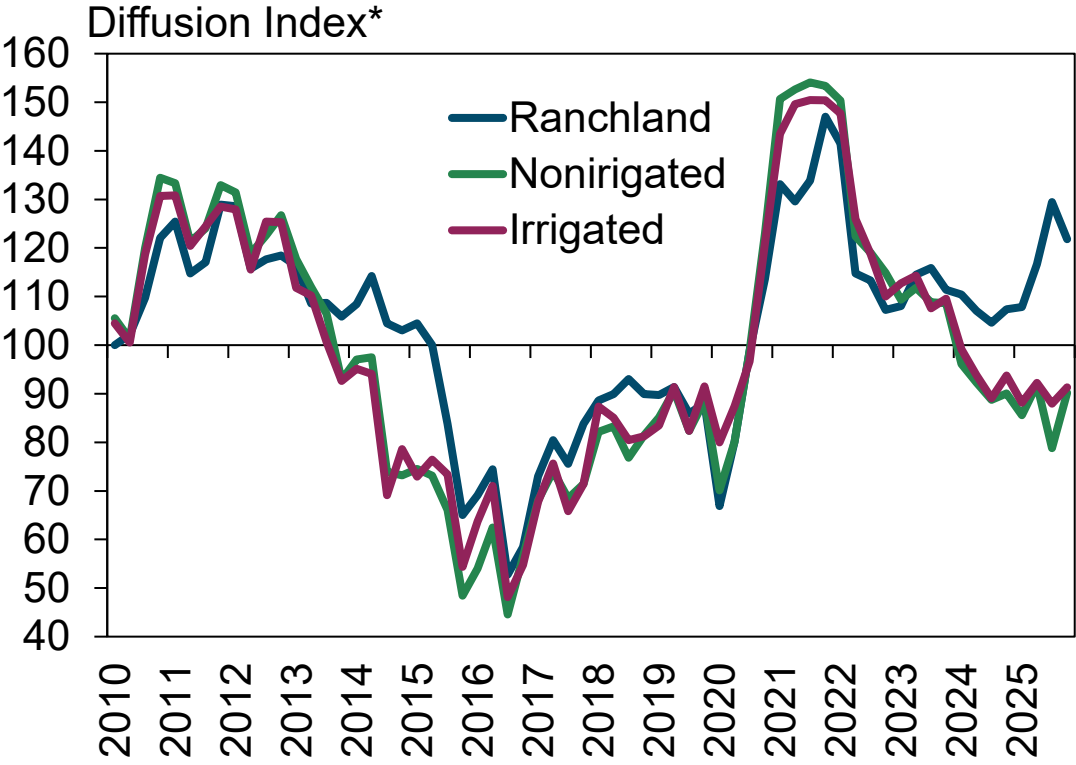


Cropland markets have softened, but values remain firm and lenders see potential for strength in ranchland.

Tenth District Farmland Values



Expected Change in Tenth District Farmland Values

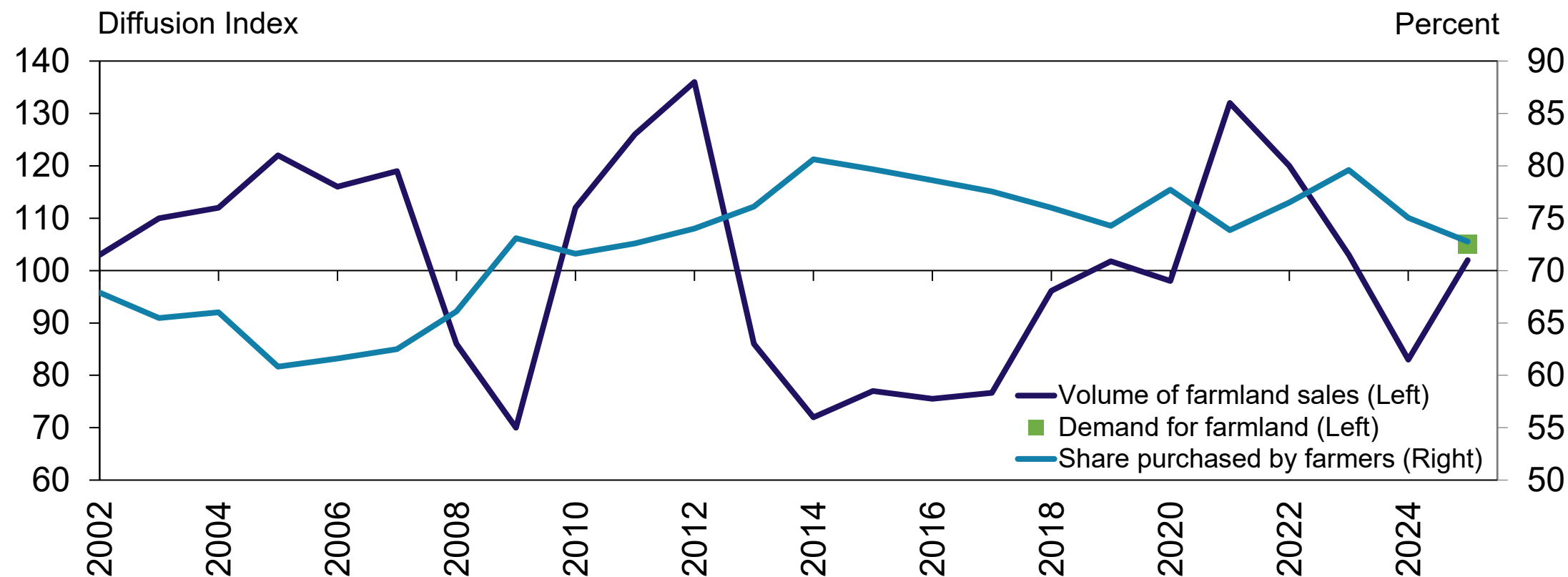


*The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.
Source: Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions



Farmland sales ticked up in 2025, but demand indicators fell slightly

Indicators for the Supply and Demand for Farmland

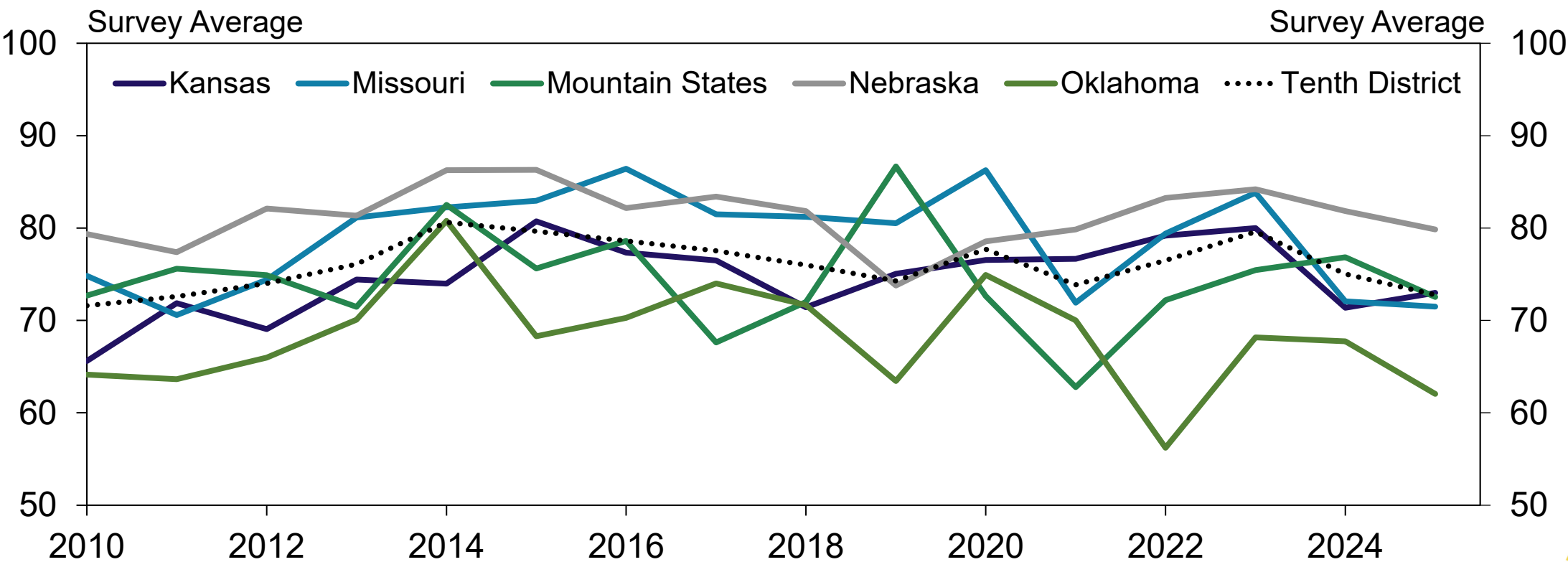


Note: Respondents were asked the following questions: How does the volume of farmland sales this year compare to last year in your area (increased, decreased, or remained the same)? Of the farmland sold this year, what share was purchased by farmers? How does demand for farmland this year compare to last year in your area?

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

Demand from non-farm land uses has increased

Share of Farmland Purchased by Farmers

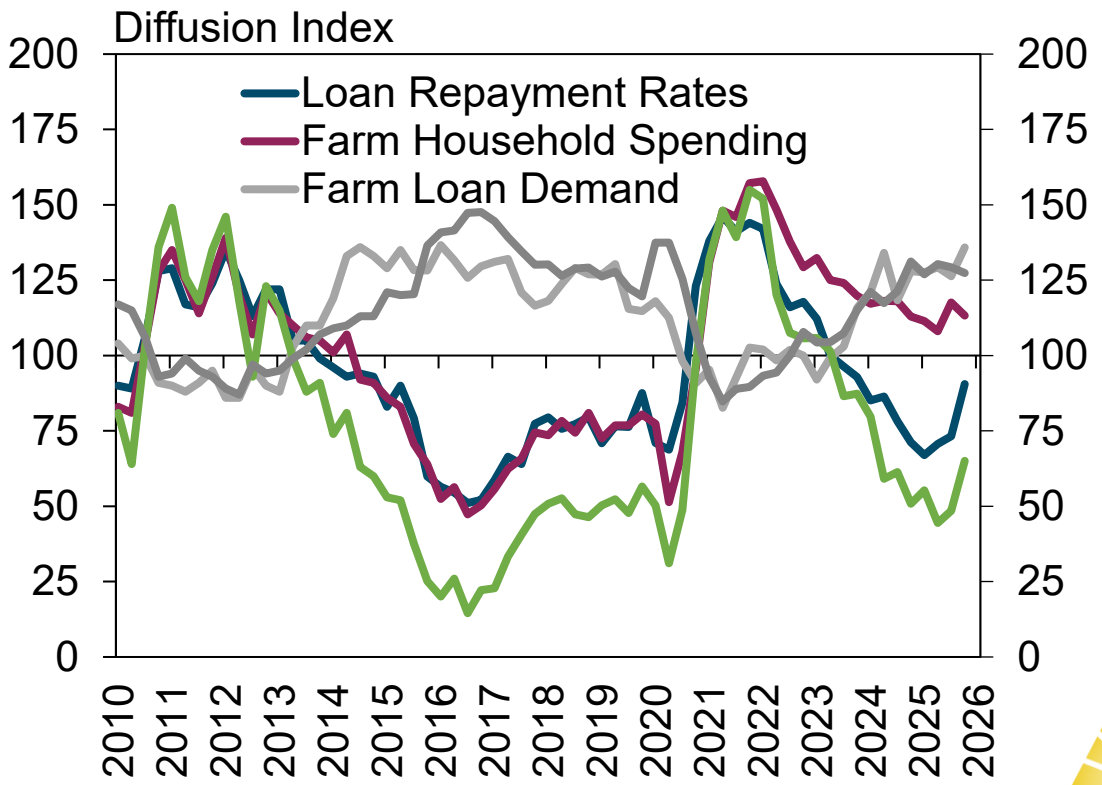
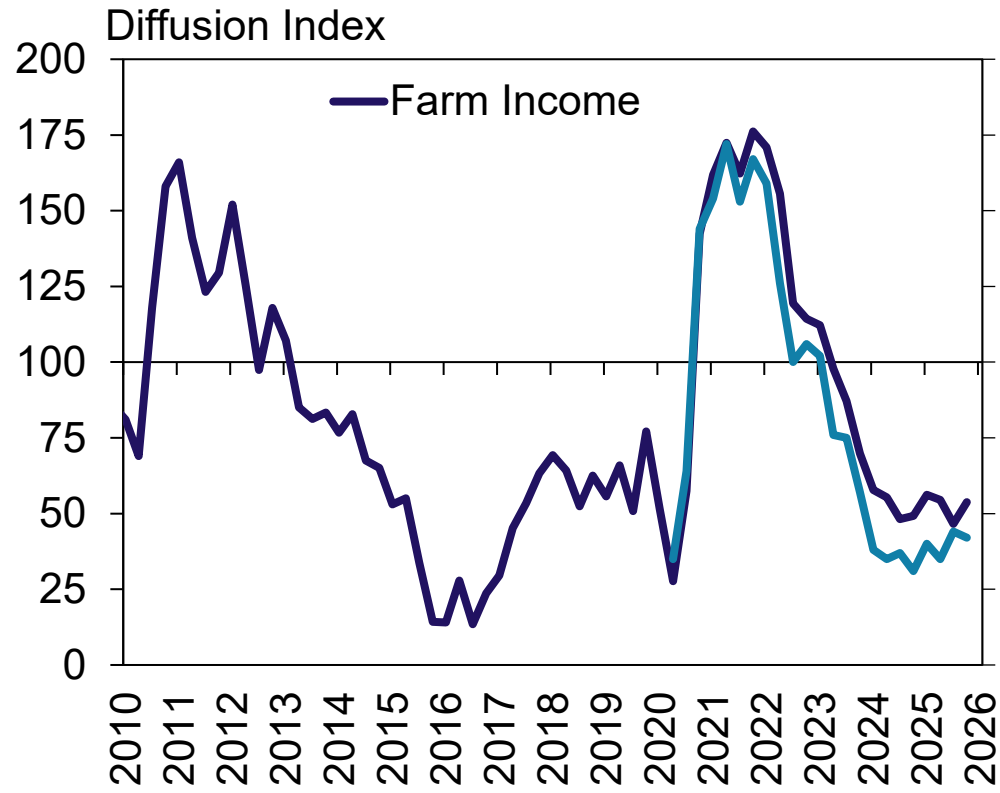


Note: Respondents were asked the following question: Of the farmland sold this year, what share was purchased by farmers?
Source: Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions

Lower crop prices and farm income have weighed on farm finances and agricultural credit conditions

Farm Income and Liquidity

Select Credit Conditions

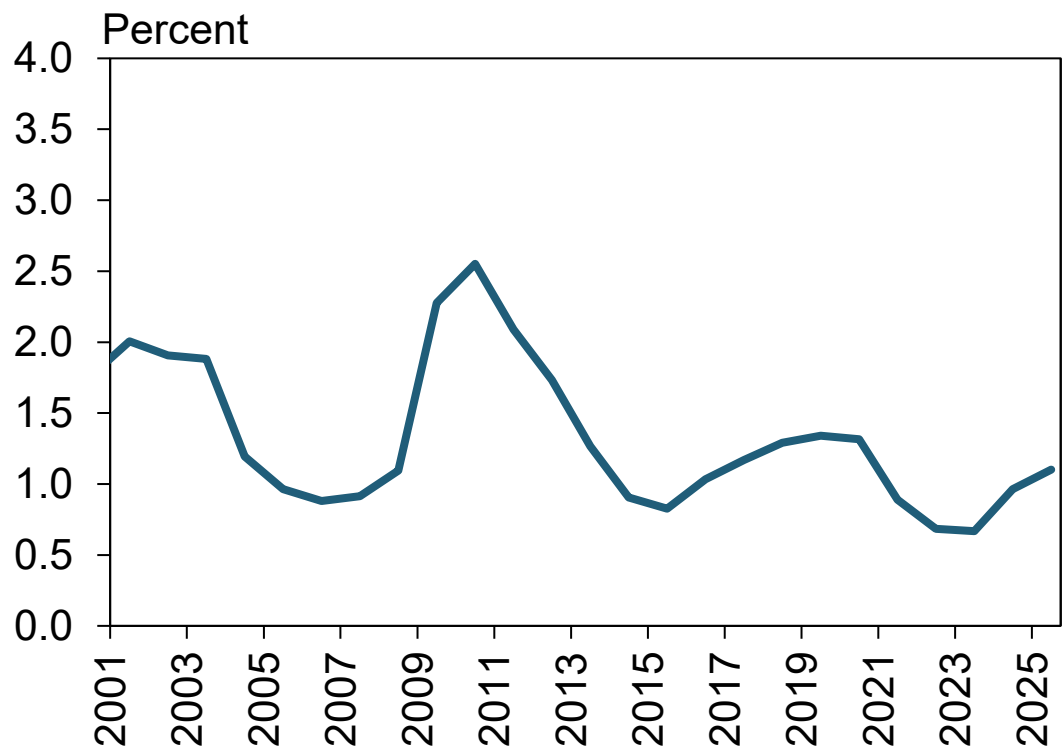


Source: Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions

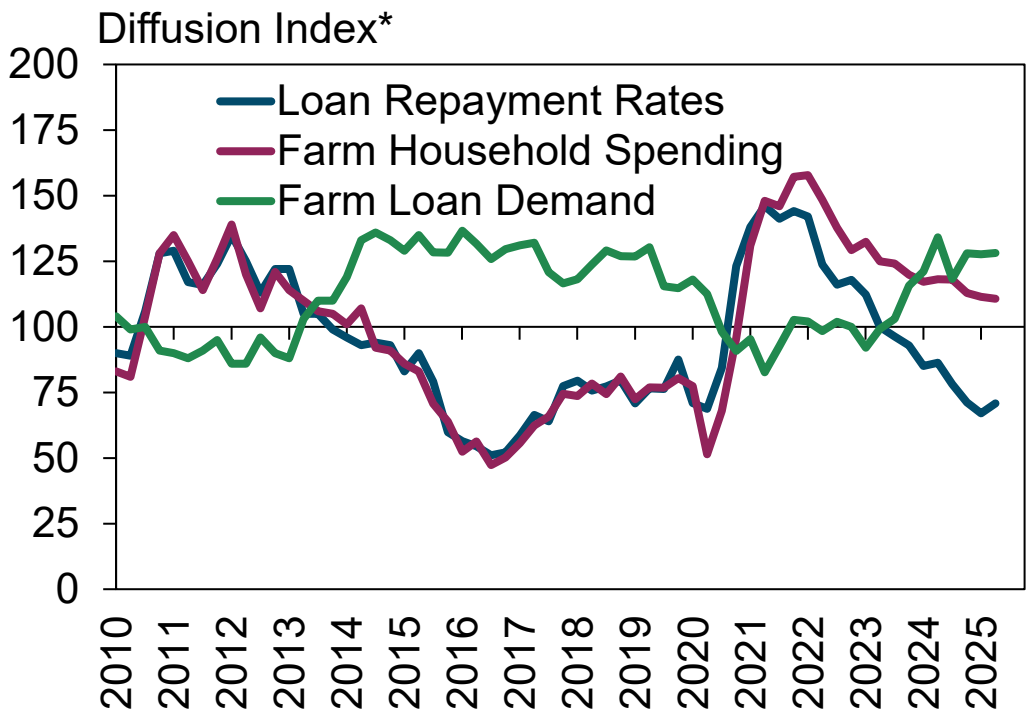


Farm loan delinquency rates have remained low, but signs of financial tightening have persisted.

U.S. Farm Loan Delinquency Rates, Q3



Indicators of Ag Credit Conditions

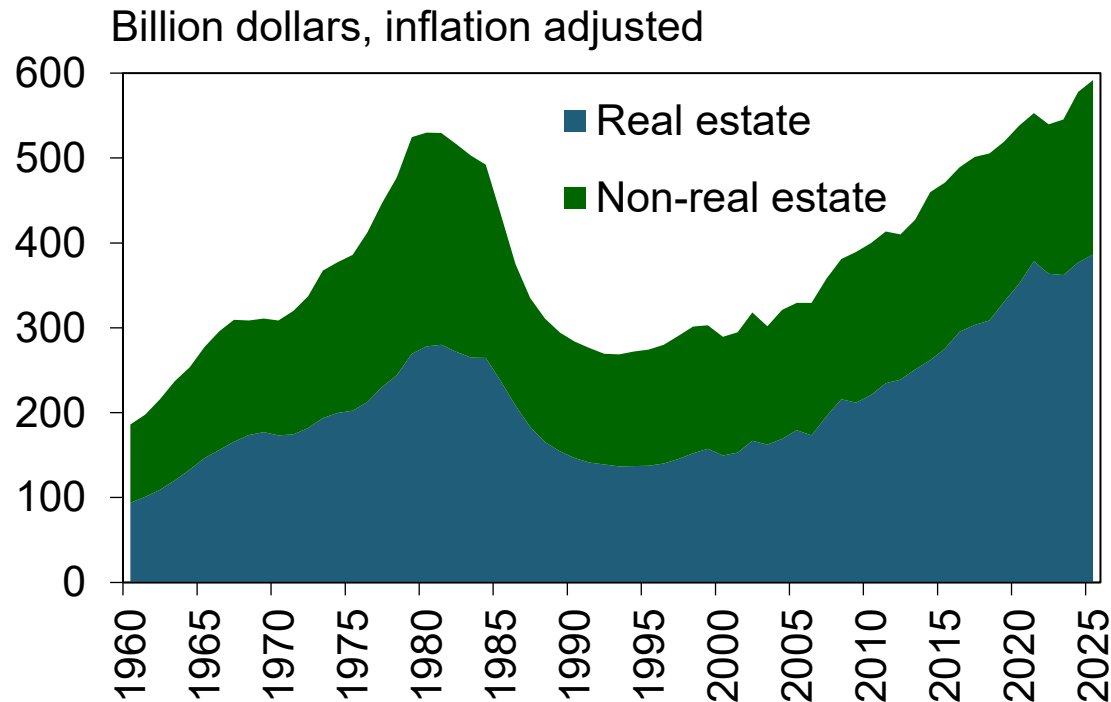


*The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.
Note: Farm loan delinquency rates are the weighted average of commercial banks and the Farm Credit System.
Sources: Reports of Condition and Income,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



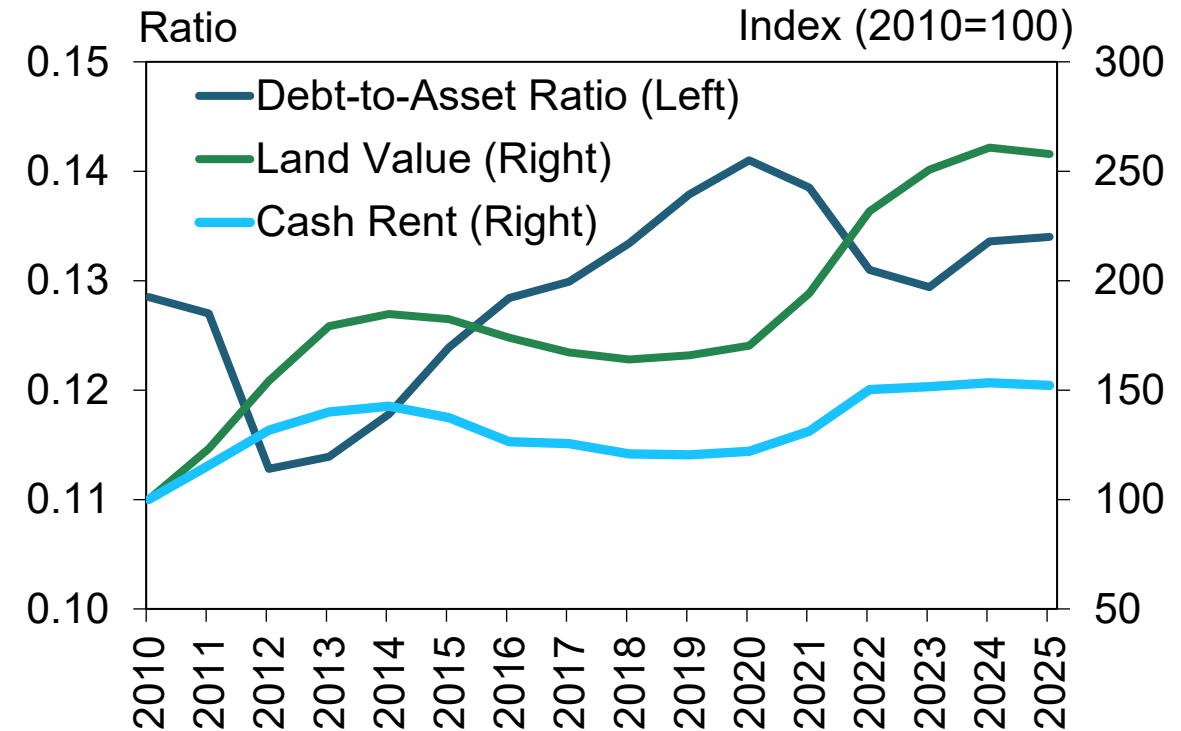
Despite an increase in agricultural debt, leverage in the sector has been steady with support from land values.

U.S. Farm Sector Debt



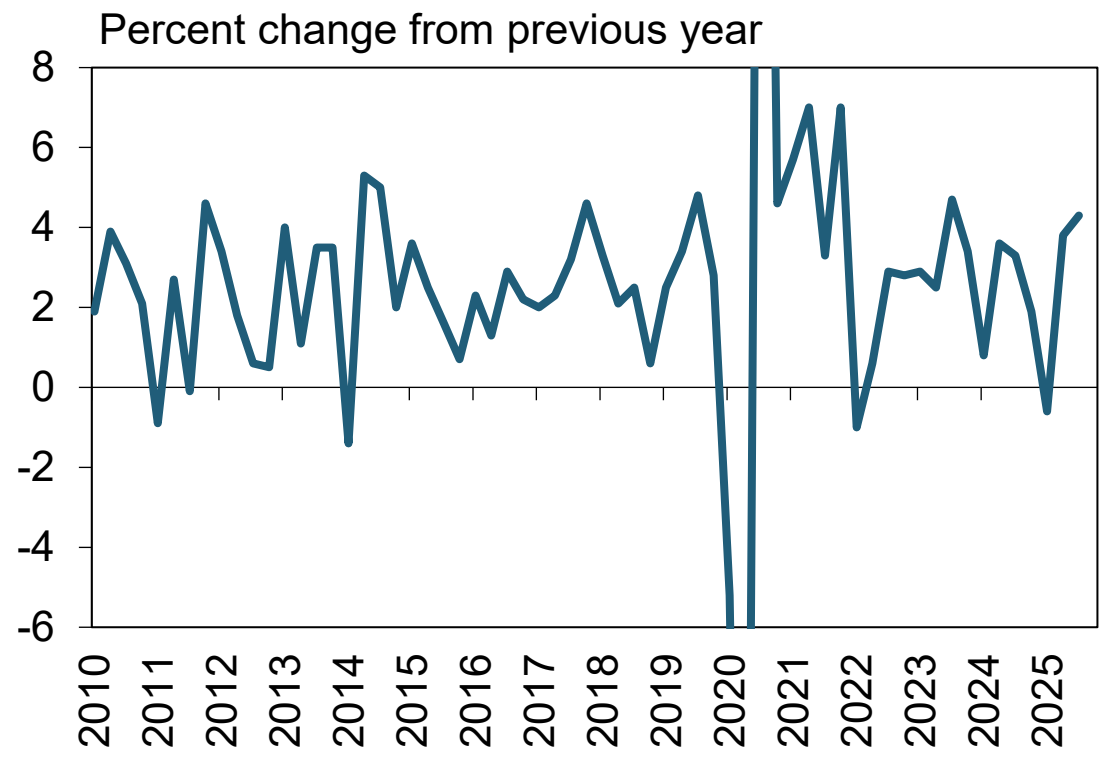
Note: Farm balance sheet figures are USDA forecasts as of September 3, 2025.
Source: USDA

KC Fed District Cropland Values and U.S. Farm Sector Leverage

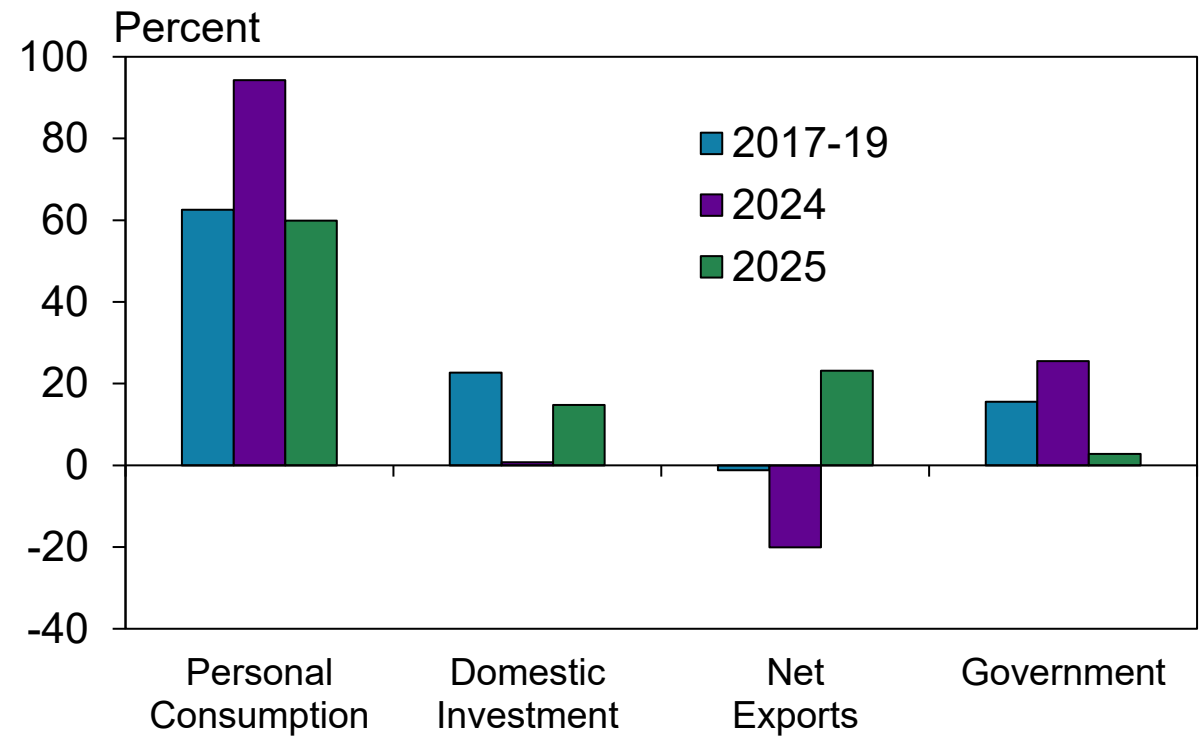


Despite various risks and uncertainties, growth in the broad U.S. economy has been resilient.

U.S. Real GDP



Contributions to U.S. GDP Growth

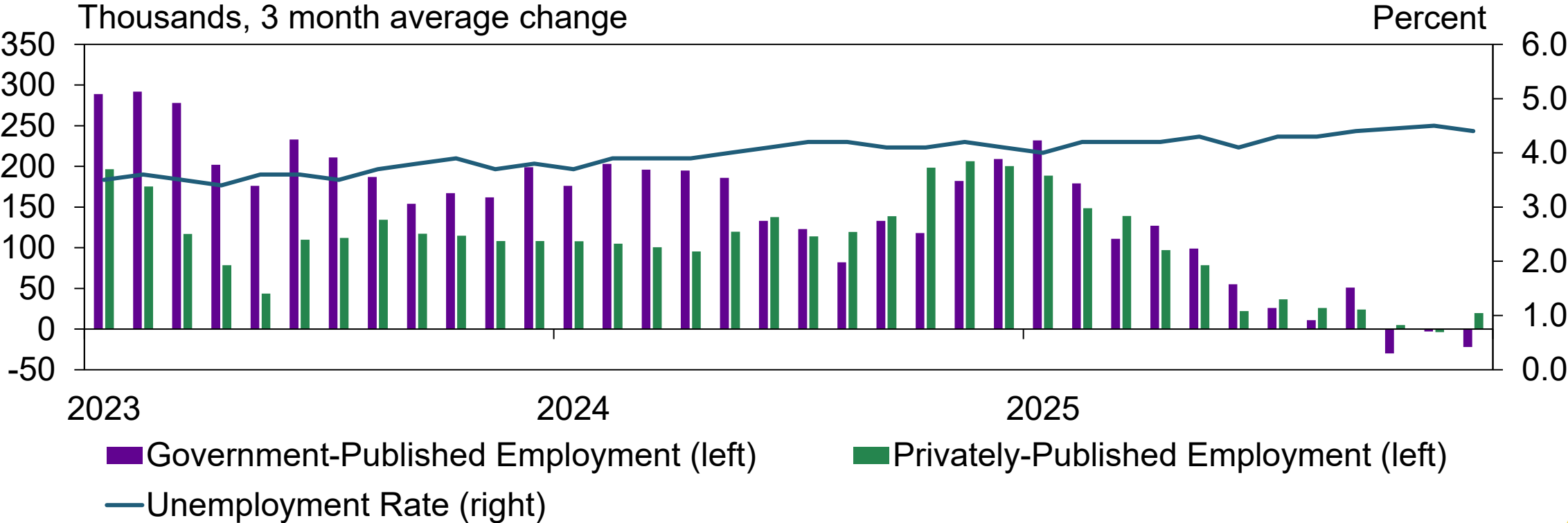


Sources: BEA, Haver Analytics and FRB KC staff calculations.



Job growth slowed sharply in 2025, but unemployment has increased only slightly.

U.S. Employment Situation

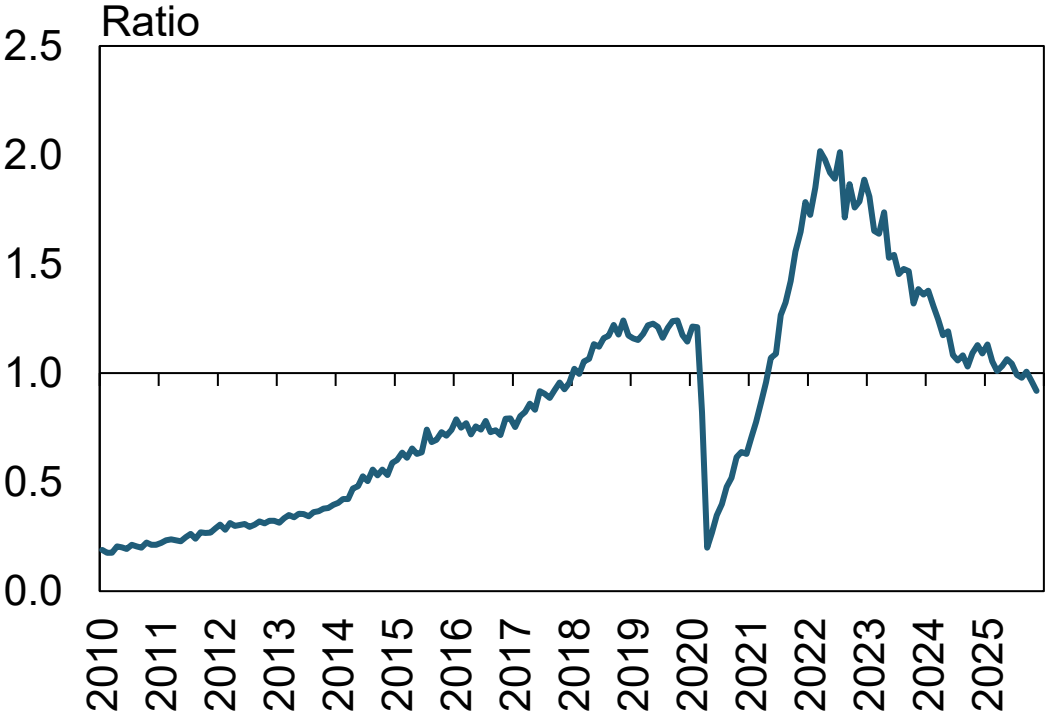


Note: BLS data for October 2025 was not published and is interpolated as the average of September and November for this figure.
Sources: BLS, ADP Research Institute, Haver Analytics.

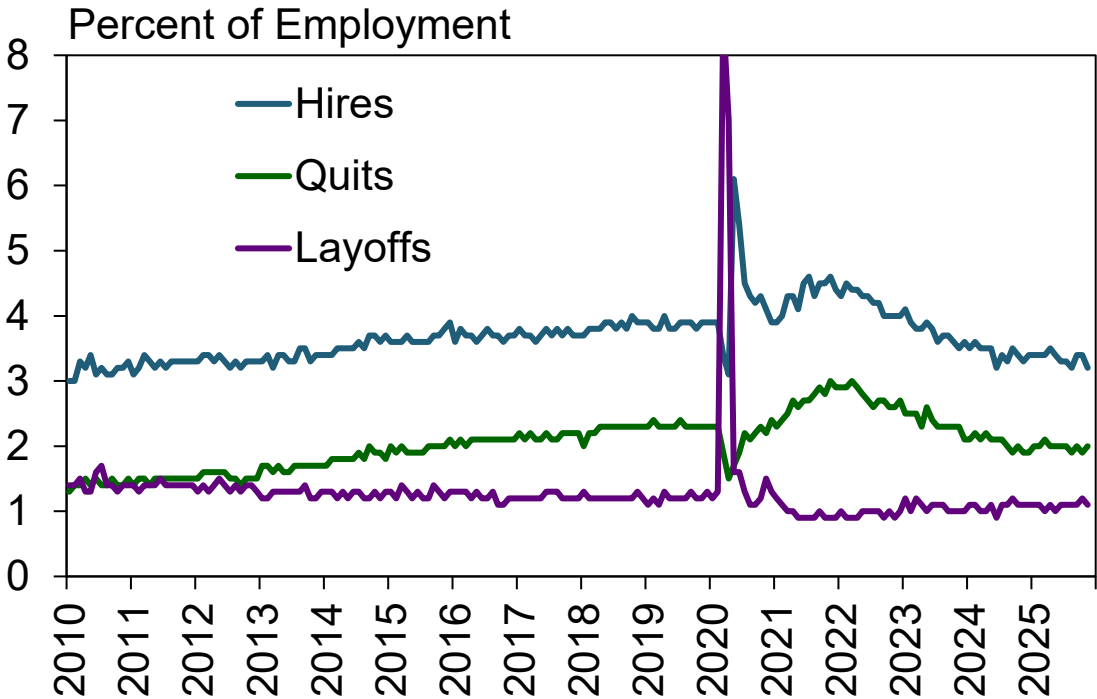


Firms have reduced hiring and quits have fallen as demand for labor has waned, but layoffs remain low.

U.S. Job Openings-to-Unemployed



U.S. Labor Force Dynamics

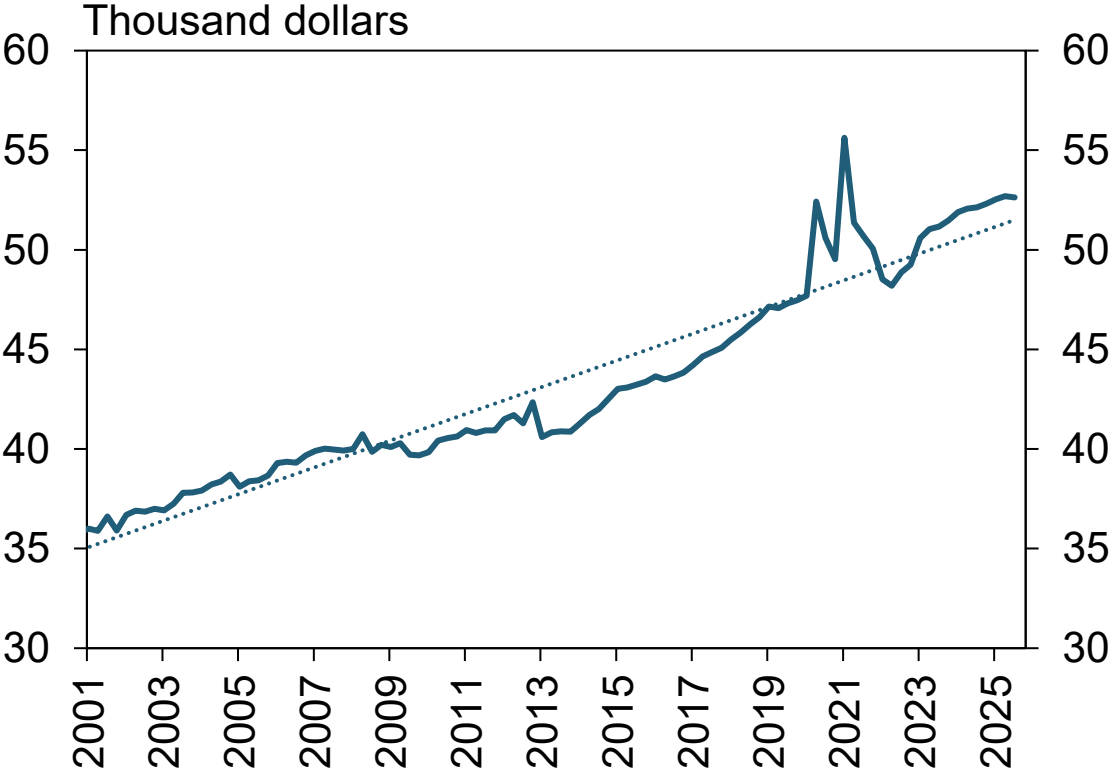


Sources: BLS and Haver Analytics.

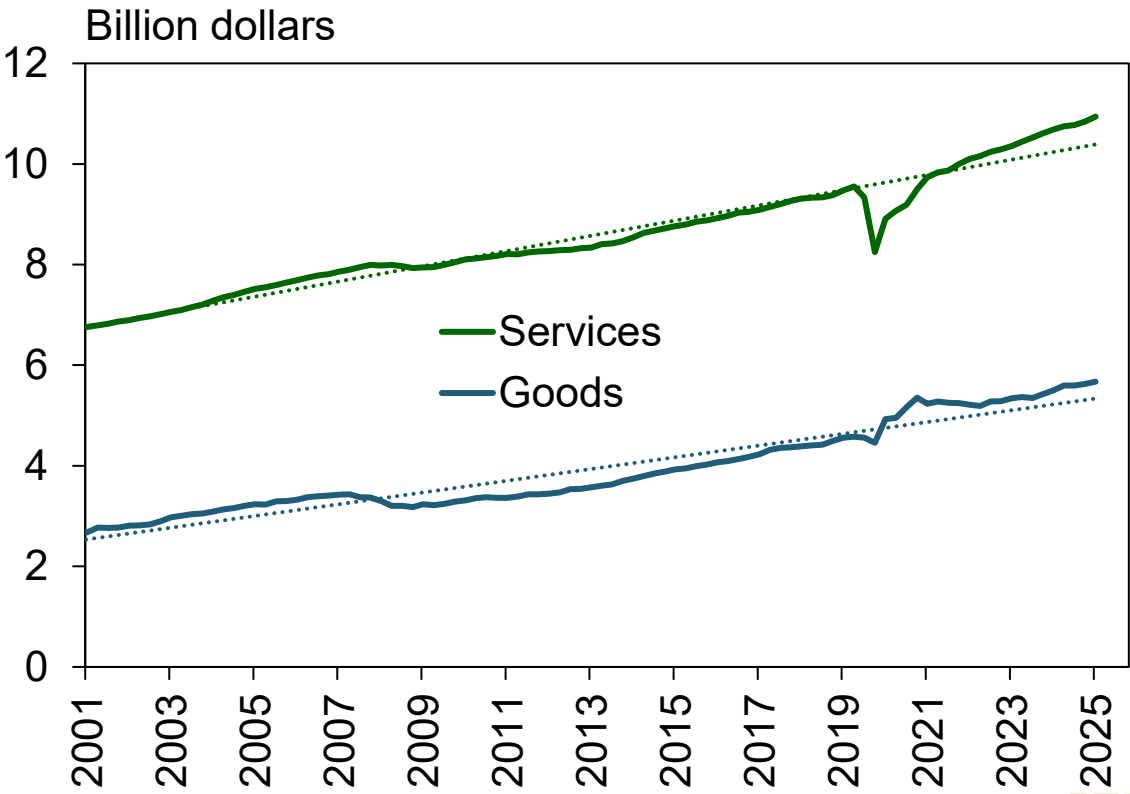


Strength in disposable income has supported firm consumer spending and domestic demand for ag products more broadly.

U.S. Real Disposable Personal Income per Capita



U.S. Real Personal Consumption Expenditures

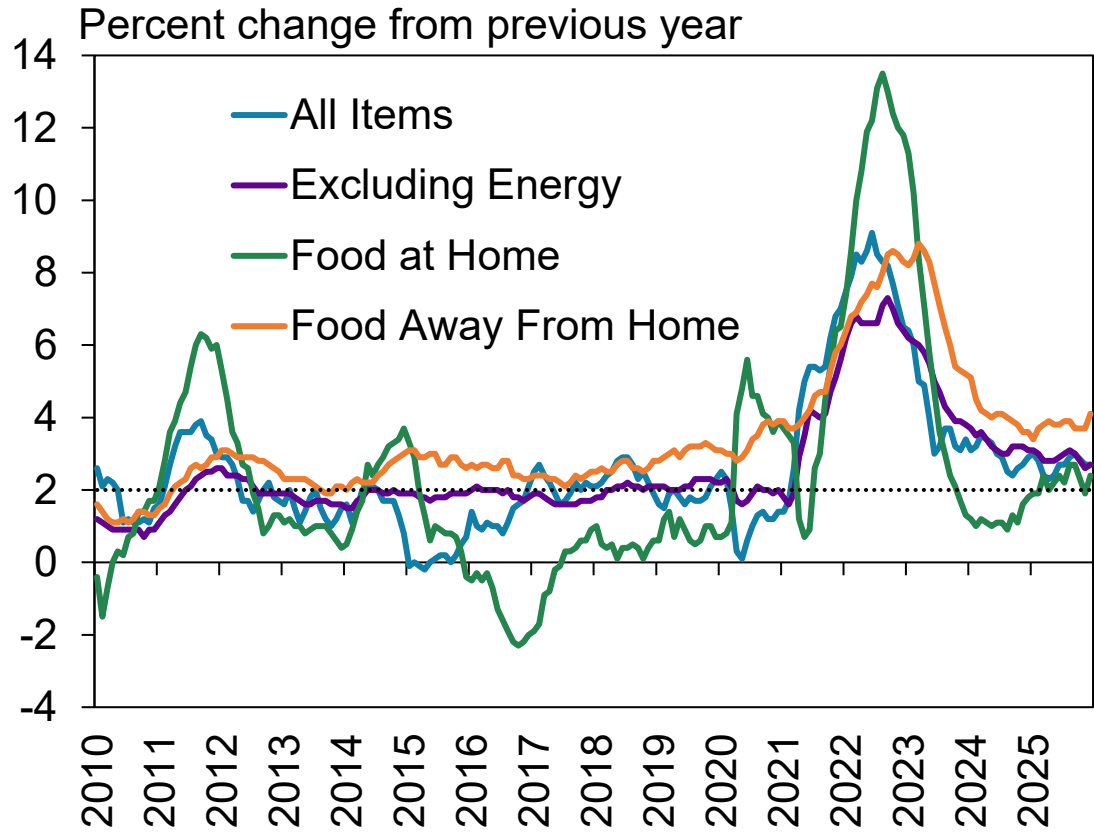


Sources: BLS and Haver Analytics

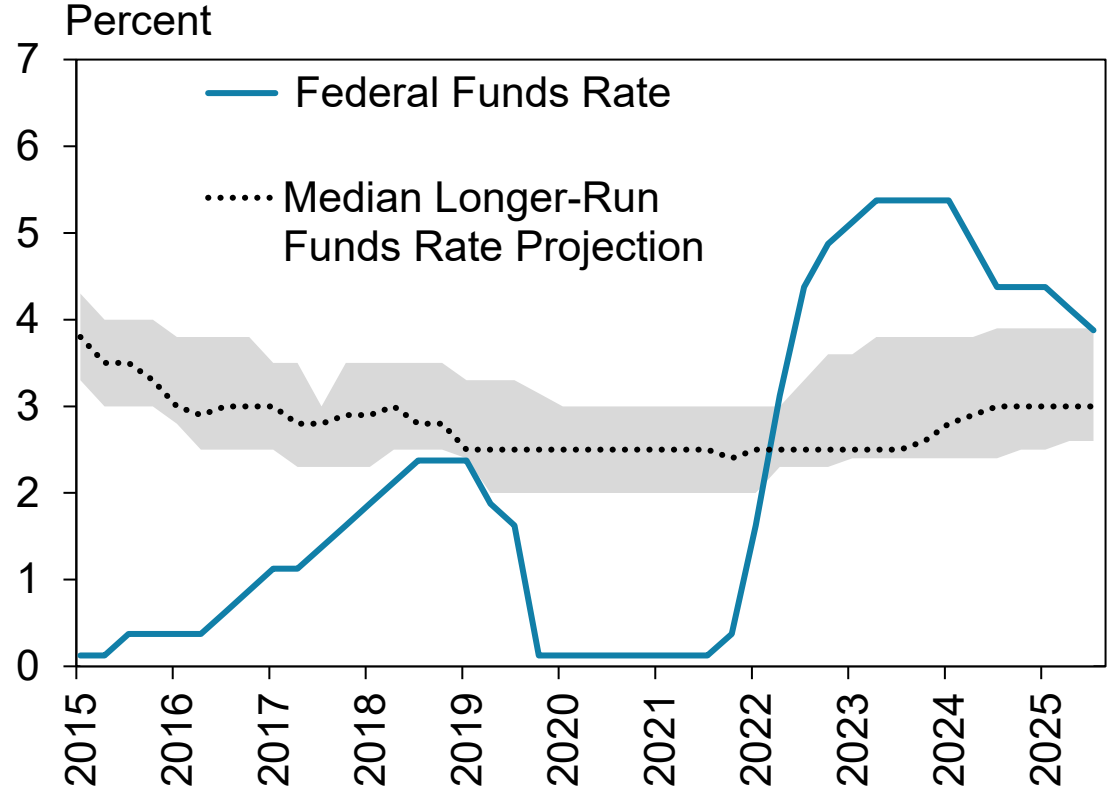


Inflation remains above target and monetary policy is likely restrictive, but perhaps only modestly.

U.S. Inflation



Federal Funds Rate and Projections

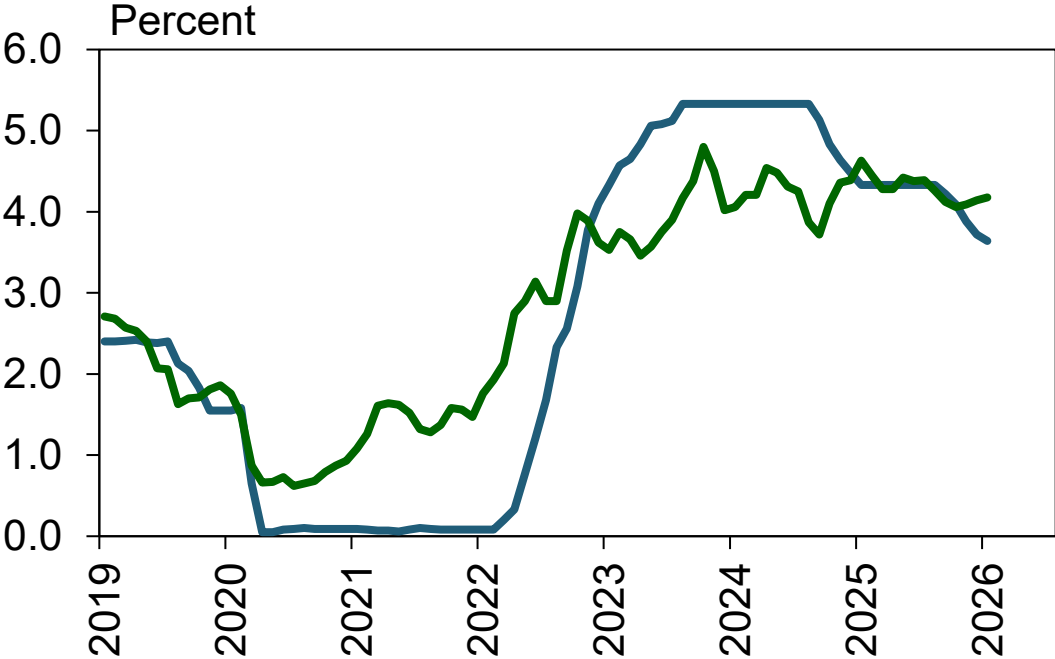


Sources: BLS, Federal Reserve Board and Haver Analytics

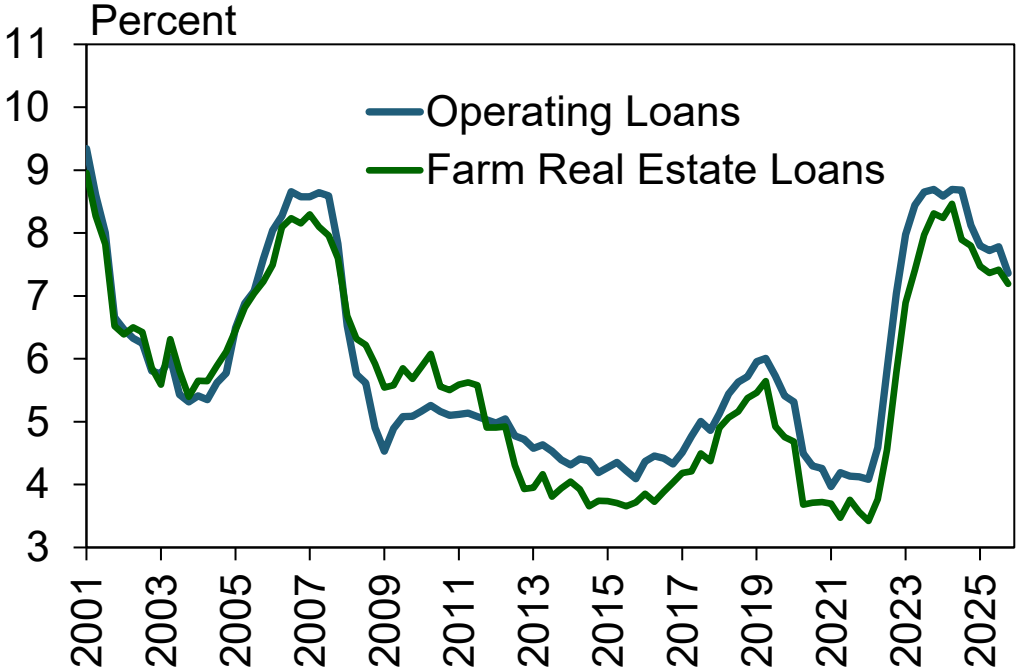


Interest rates on farm loans have declined slightly but remain a somewhat persistent headwind.

Federal Funds Rate and 10-Year Treasury Yield



Average Interest Rates on Farm Loans

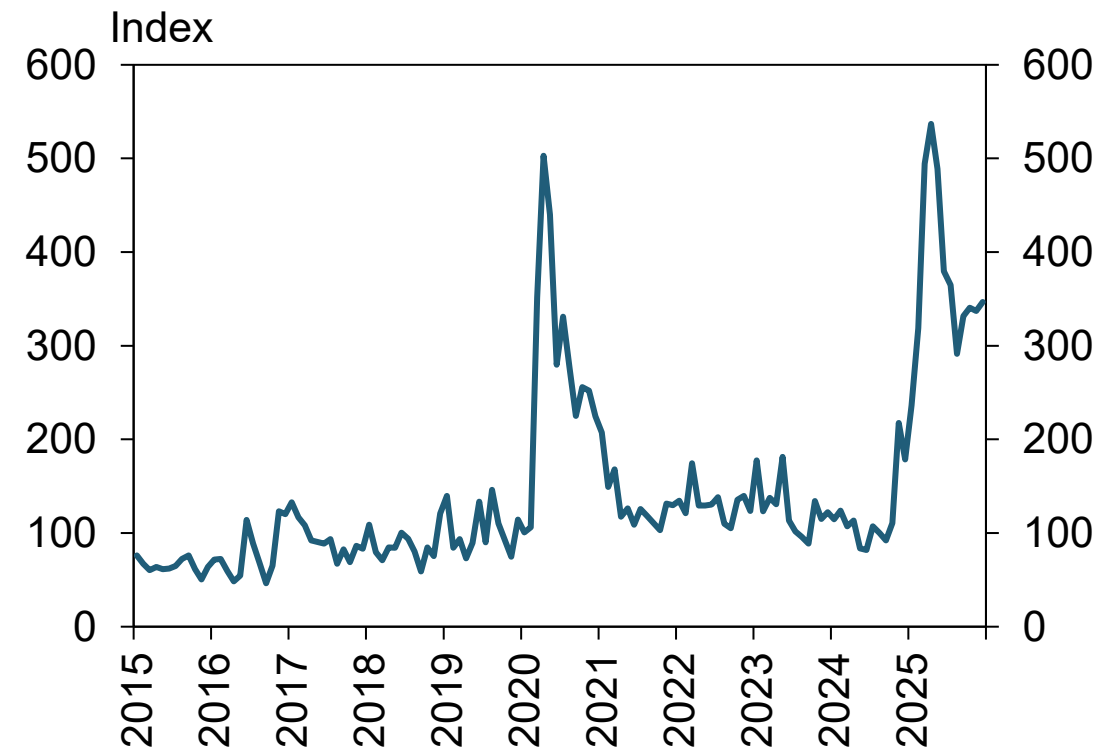


Sources: Federal Reserve Board of Governors and Survey of Terms of Lending to Farmers

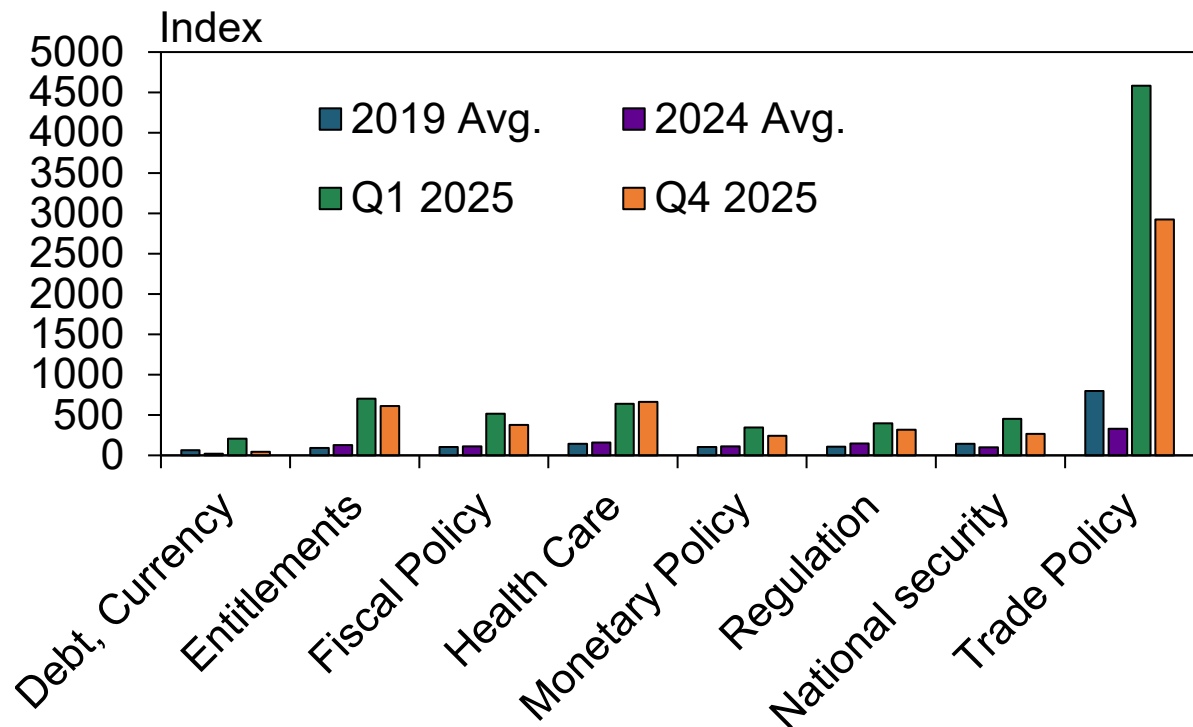


Uncertainty about economic policy remains elevated despite recent easing, particularly related to trade.

Economic Policy Uncertainty Index



Components of Economic Policy Uncertainty

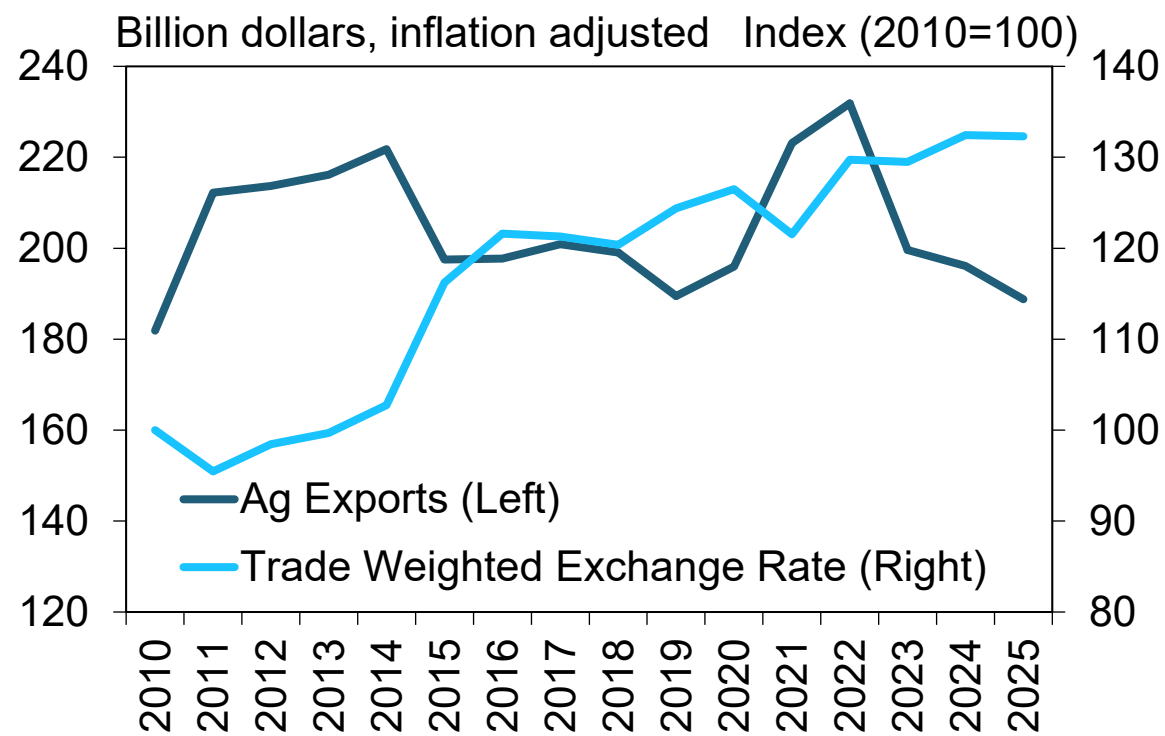


Sources: PolicyUncertainty.com and Haver Analytics

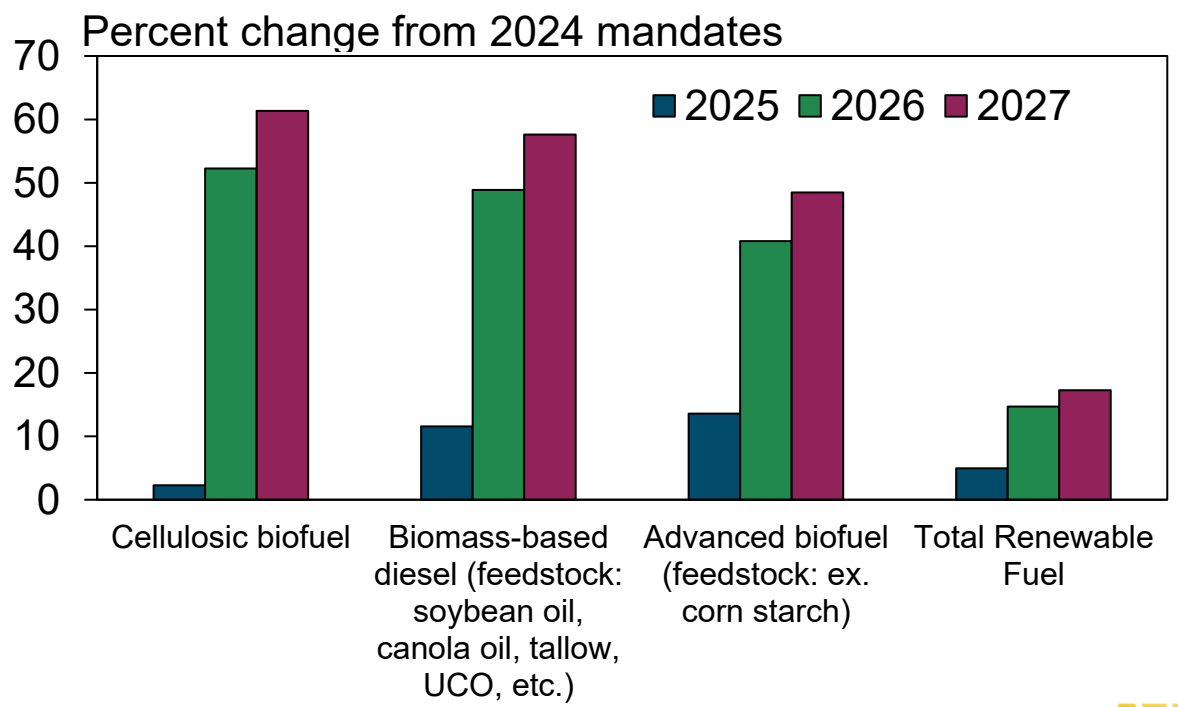


Trade has been a notable headwind for key ag products while biofuel policy has potential to support domestic demand.

U.S. Ag Exports and U.S. Exchange Rate



Proposed Changes to Renewable Fuel Standard Volume Obligations by EPA

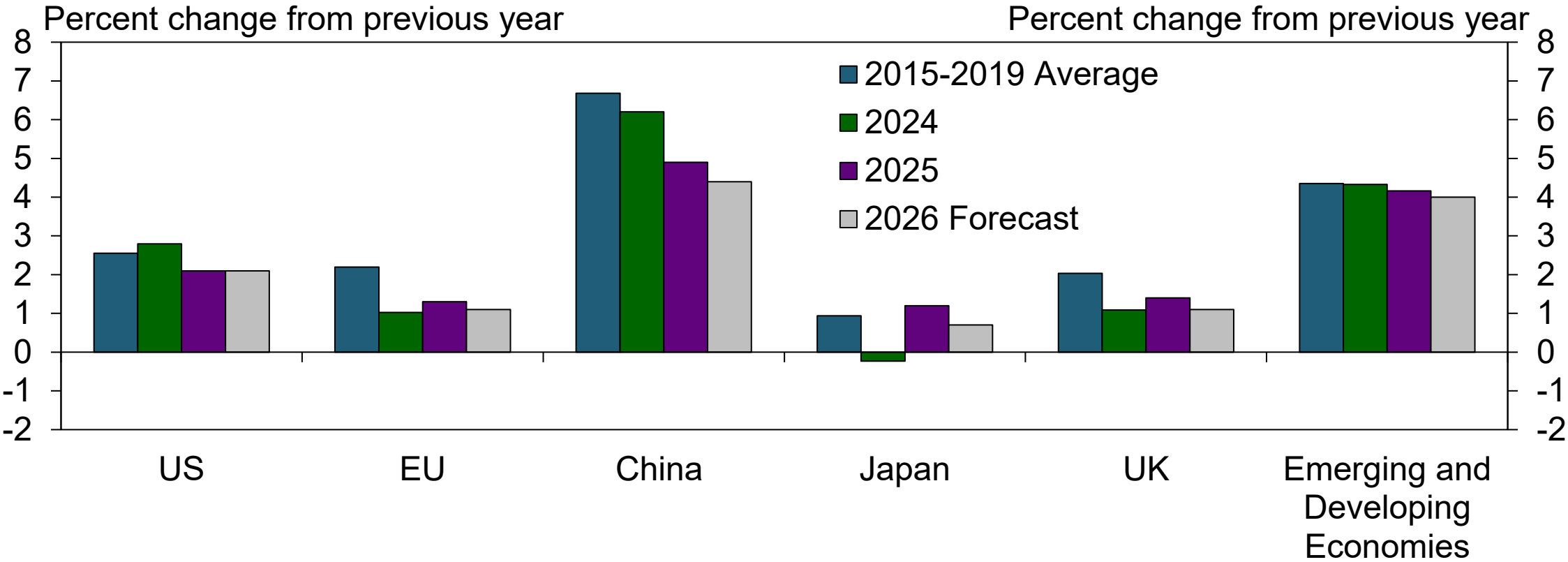


Note: Exports for 2023-2025 are based on year-to-date totals through October.
Sources: USDA, EPA, and FRB Kansas City staff calculations



Prospects for global economic conditions remain steady but growth could remain subdued in some regions.

Real GDP Growth



Sources: Bureau of Labor Statistics, BEA, Wolters Kluwer, Statistical Office of the European Communities, Cabinet Office of Japan, Office of National Statistics, China National Bureau of Statistics, International Monetary Fund and Haver Analytics



Summary

- Profit margins among crop producers are likely to remain narrow, but the strength of recent years has provided support and government assistance has given a modest boost to finances in the near-term.
- Prolonged weakness in crop profit margins remains a challenge to producers and could weigh further on agricultural credit conditions in the months ahead.
- Low prices could continue challenging oil and gas profitability in the near-term, with prospects for rising natural gas demand in the longer-term.
- U.S. and global economic activity will remain important to the broader agricultural and energy economies.





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