

U.S. AGRICULTURAL ECONOMIC UPDATE

Nate Kauffman, Federal Reserve Bank of Kansas City
February 12, 2026

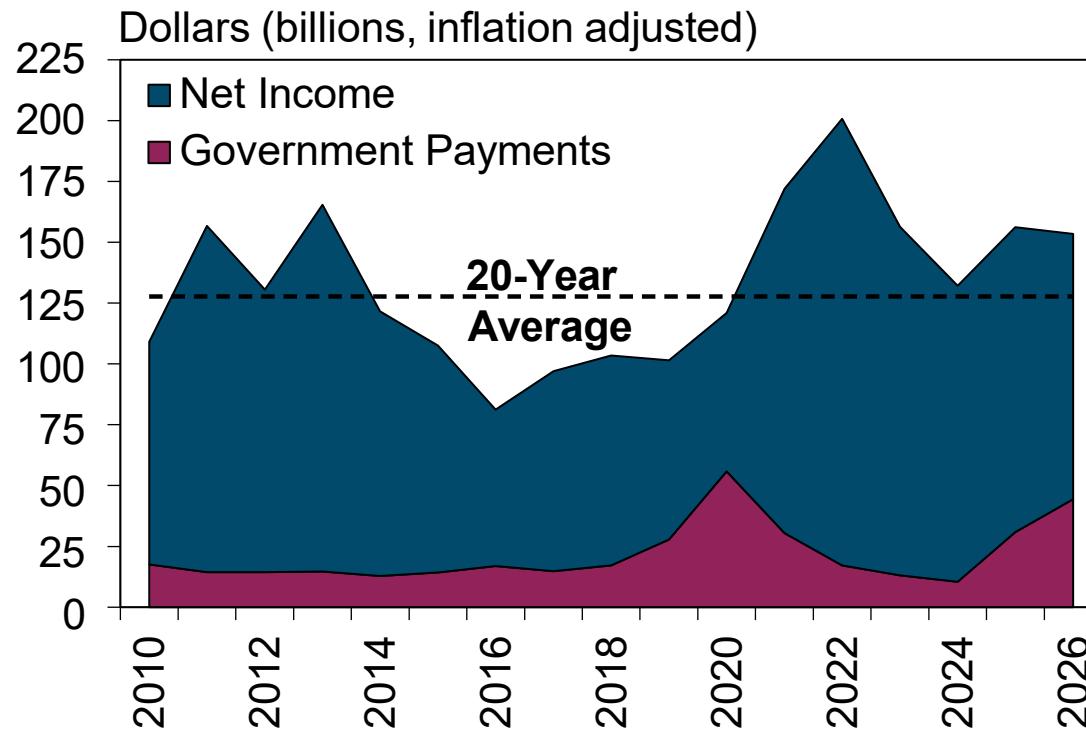


 **Center for Agriculture
AND the EconomySM**
FEDERAL RESERVE BANK OF KANSAS CITY

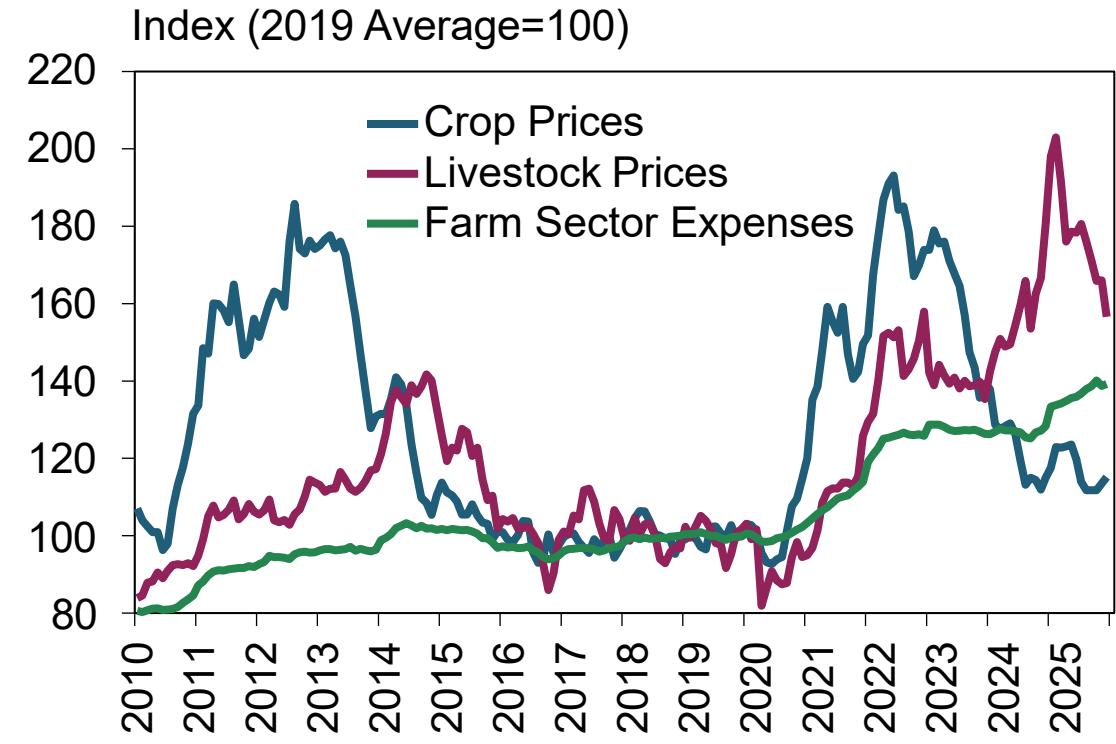
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On the surface, economic conditions in U.S. agriculture appeared strong in 2025, but with notable disparities and risks.

U.S. Net Farm Income



U.S. Ag Commodity Prices and Expenses



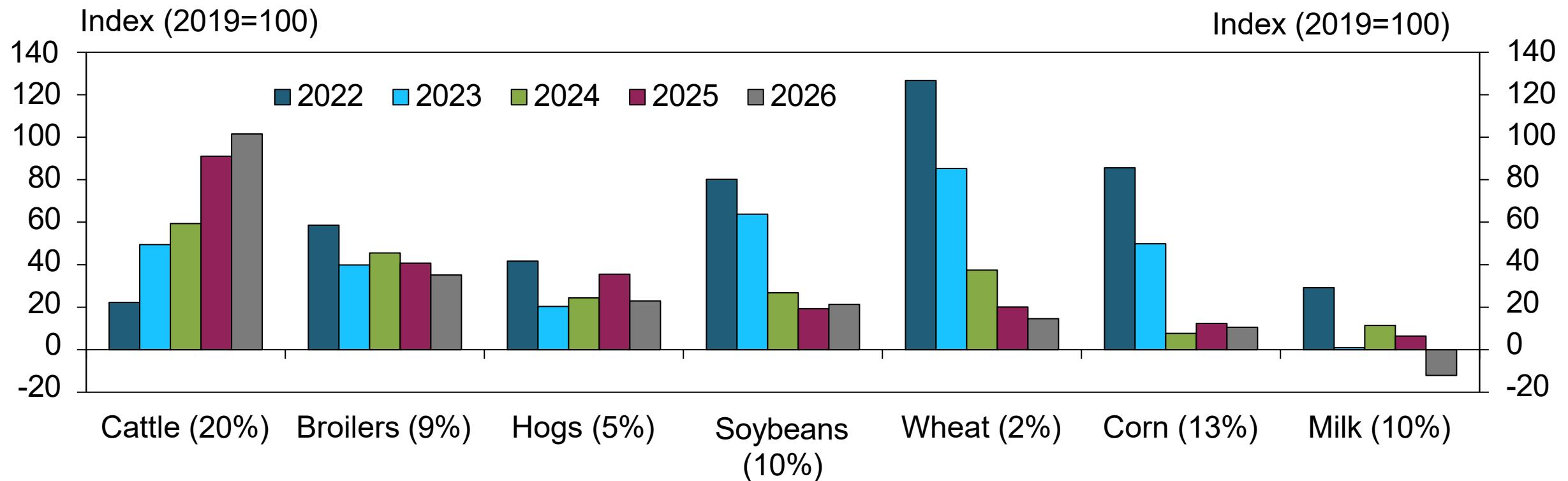
Notes: 2025 net farm income is the USDA forecast as of February 5, 2026.

Sources: USDA, and Kansas City Fed staff calculations



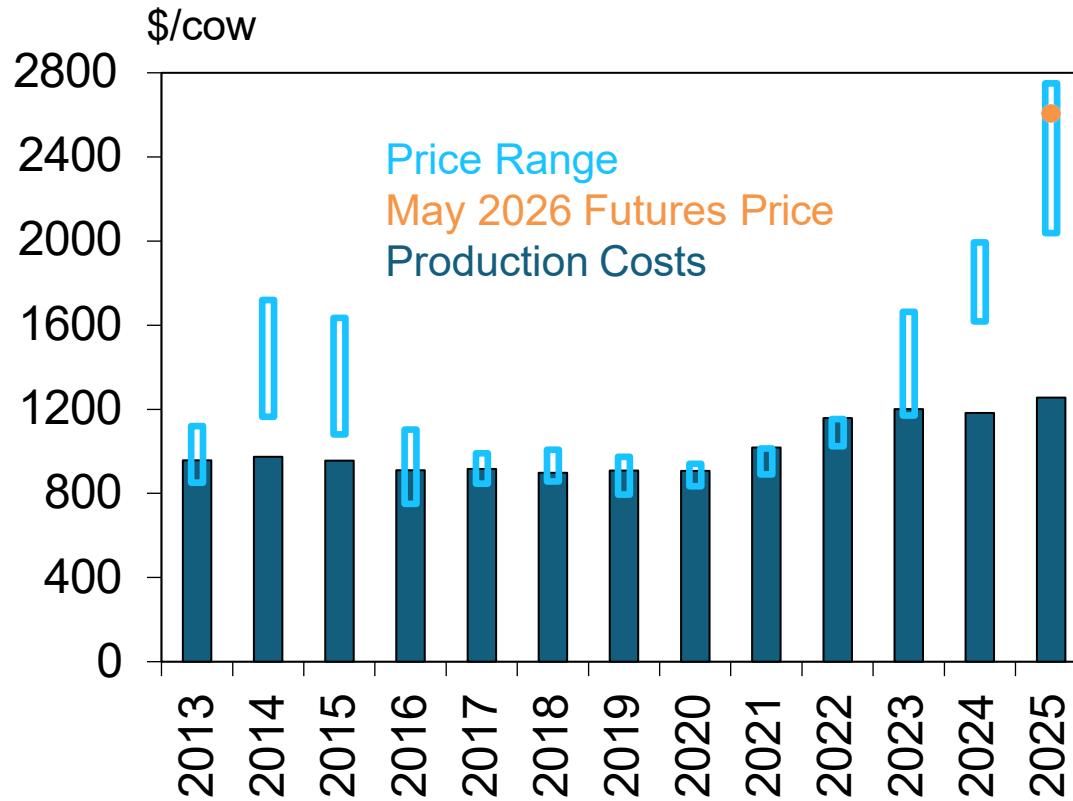
Cattle prices have been particularly strong. Row crop prices have been subdued, but stable.

Agricultural Commodity Prices

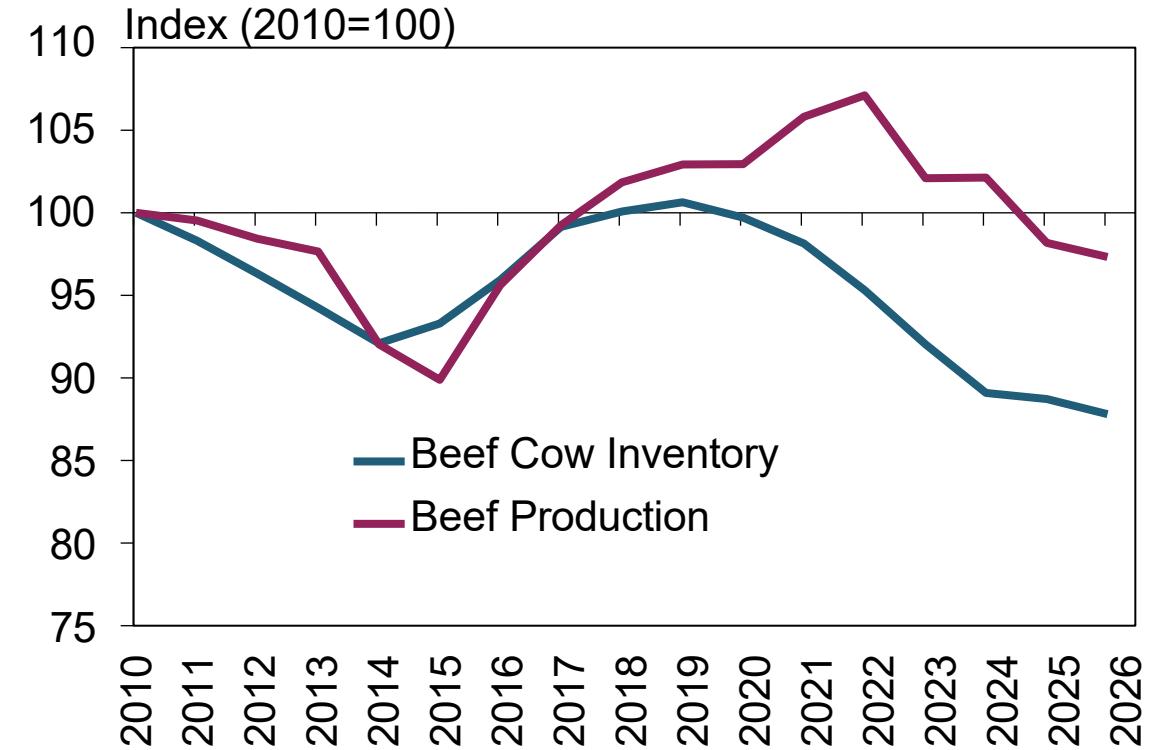


Historically low cattle inventories continue to support prices and strong profit opportunities for cow/calf producers.

Cow/Calf Profit Margins



U.S. Cattle Inventory and Beef Production

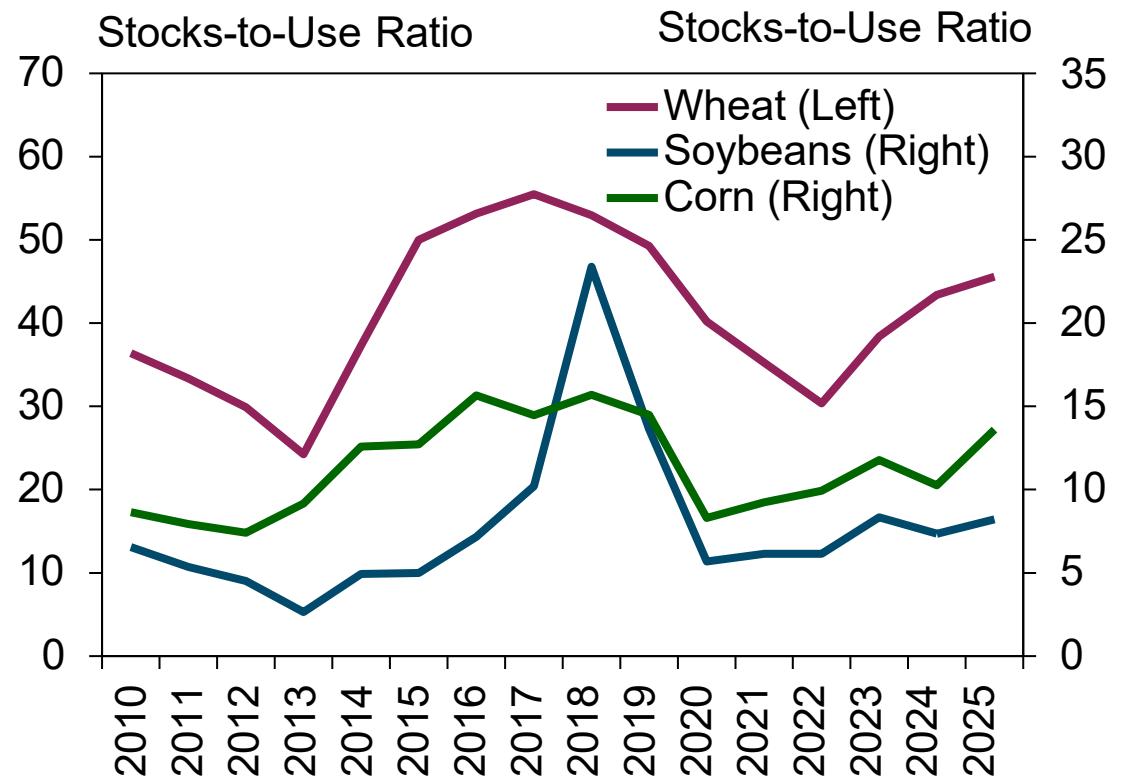


Notes: Cow/Calf costs are based on USDA's Economic Research Service (Commodity Costs and Returns) but exclude the opportunity cost of unpaid labor.
Source: USDA, CME, Haver Analytics and Federal Reserve Bank of Kansas City staff calculations

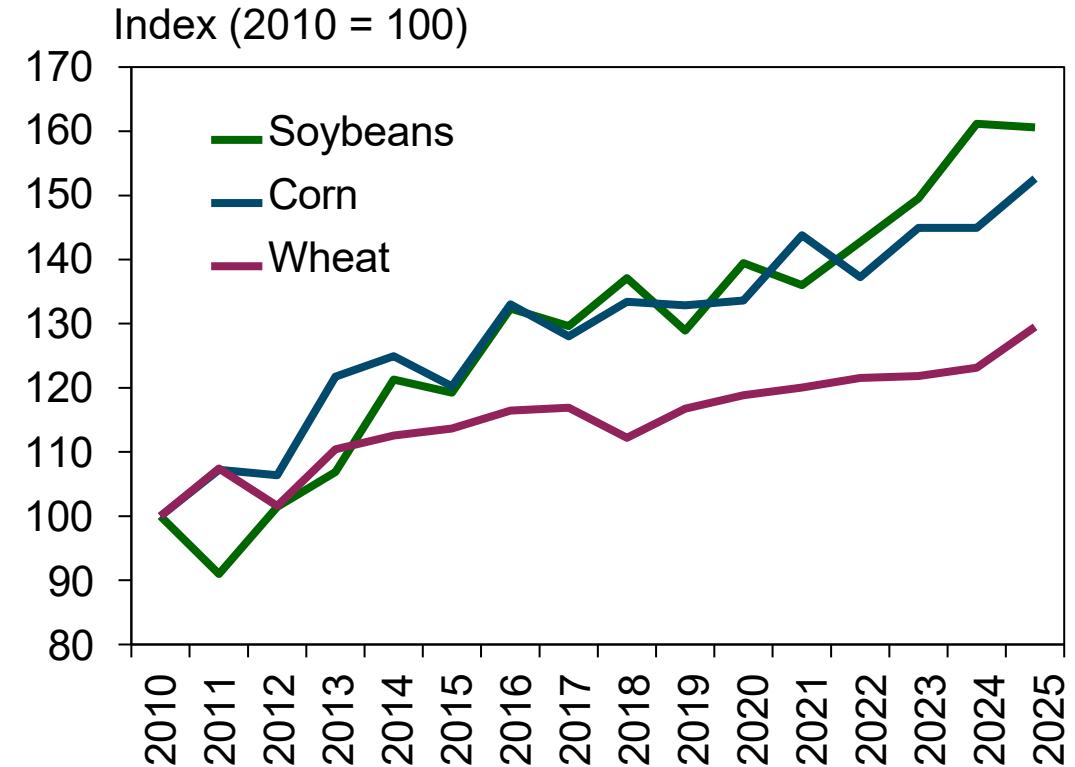


Elevated U.S. supplies and strong global production are likely to continue weighing on crop prices.

U.S. Crop Inventories



Global Crop Production

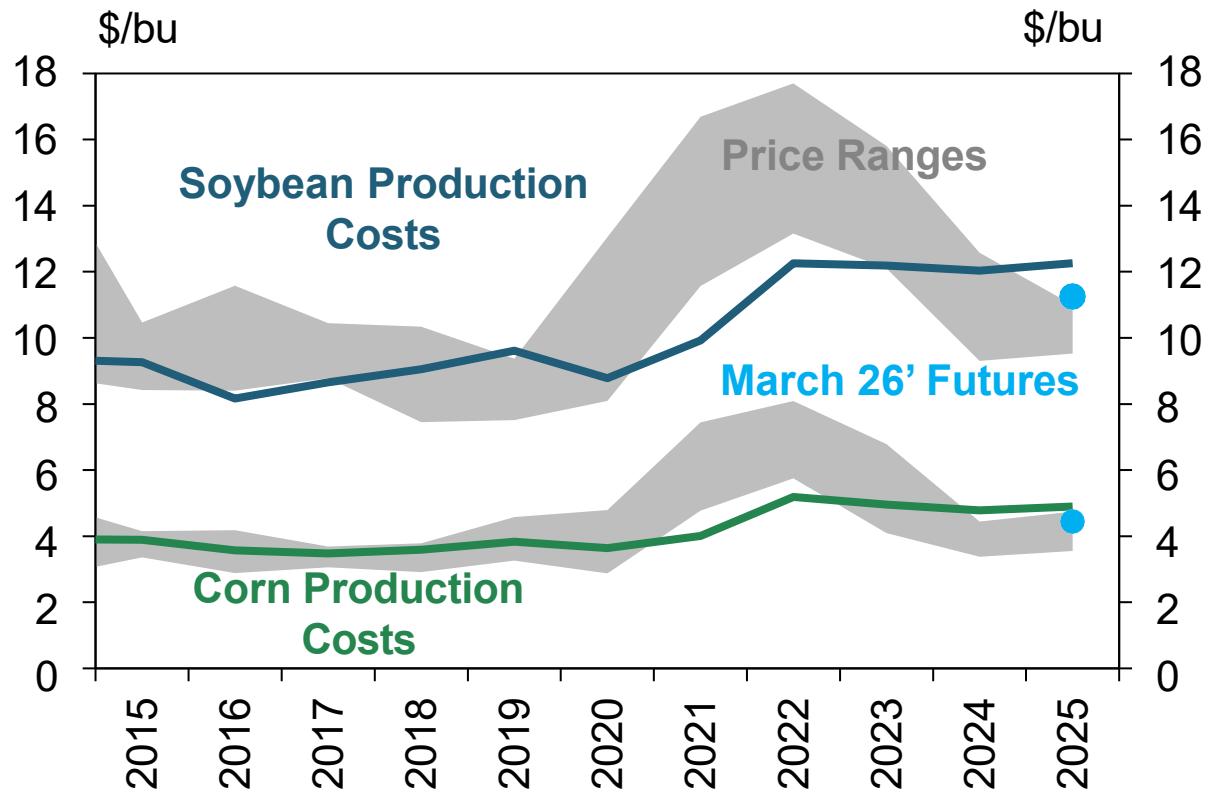


Sources: USDA and FRB Kansas City staff calculations

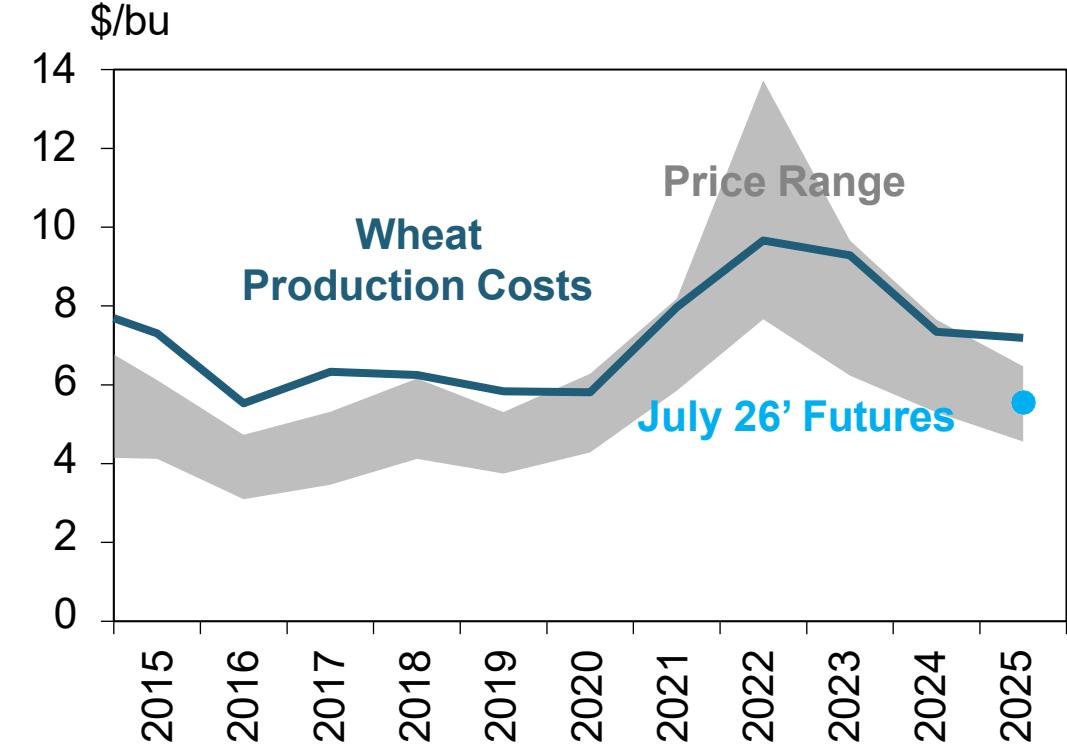


Crop profit opportunities remain narrow, but ad hoc payments and insurance will provide modest near-term support.

Corn and Soybean Profit Opportunities



Wheat Profit Opportunities



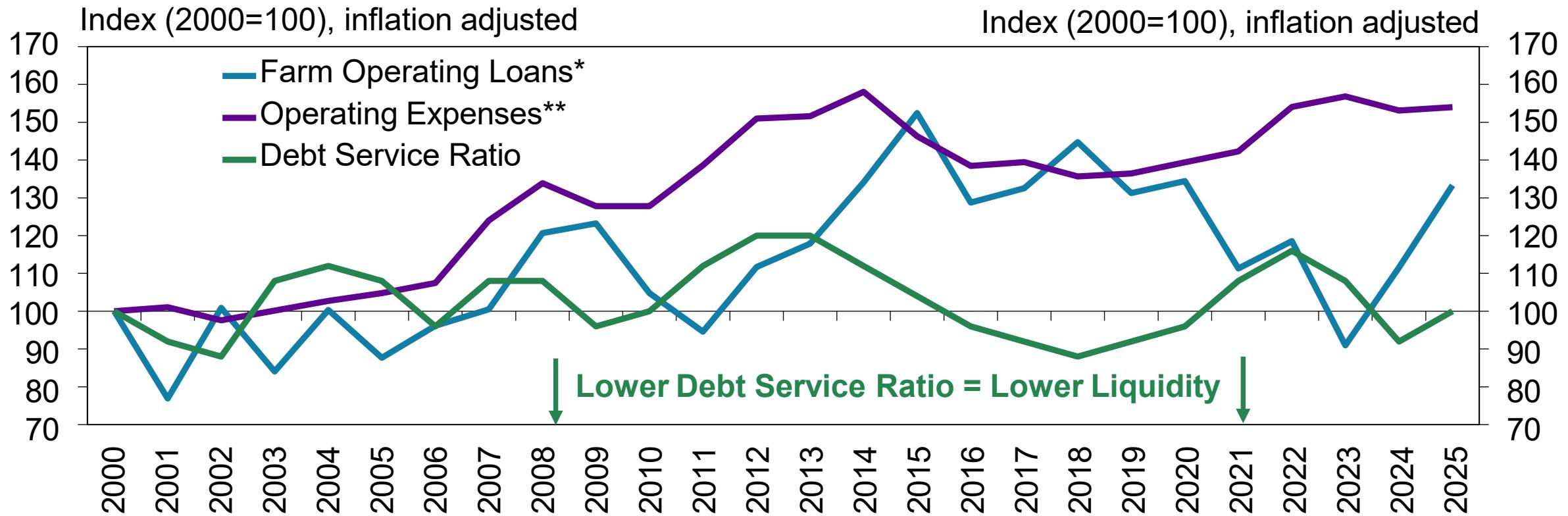
Note: Production costs are estimated using the USDA cost and return estimates and forecasts with national average yields and prices.

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



High production costs and tighter liquidity boosted farm lending activity in 2025.

Farmland Operating Loans, Operating Expenses and Farm Sector Liquidity



*Average annual volume of loans for current operating expenses estimated in the Survey of Terms of Lending to Farmers.

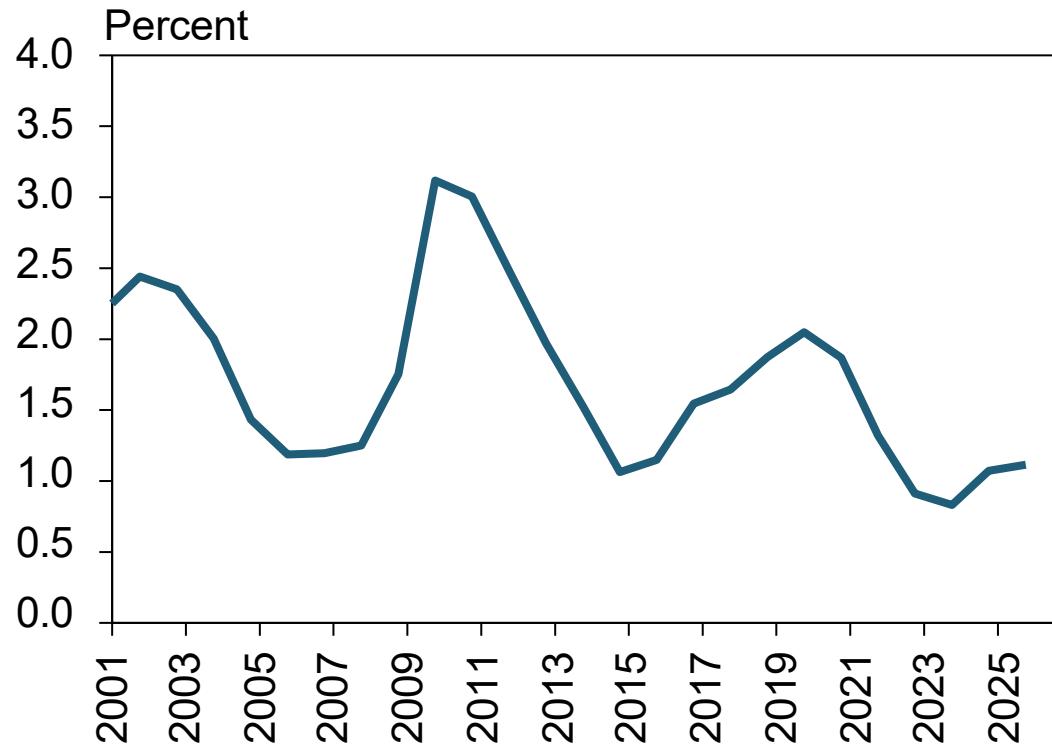
**Total U.S. farm sector production expenses less interest expenses and capital expenditures.

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

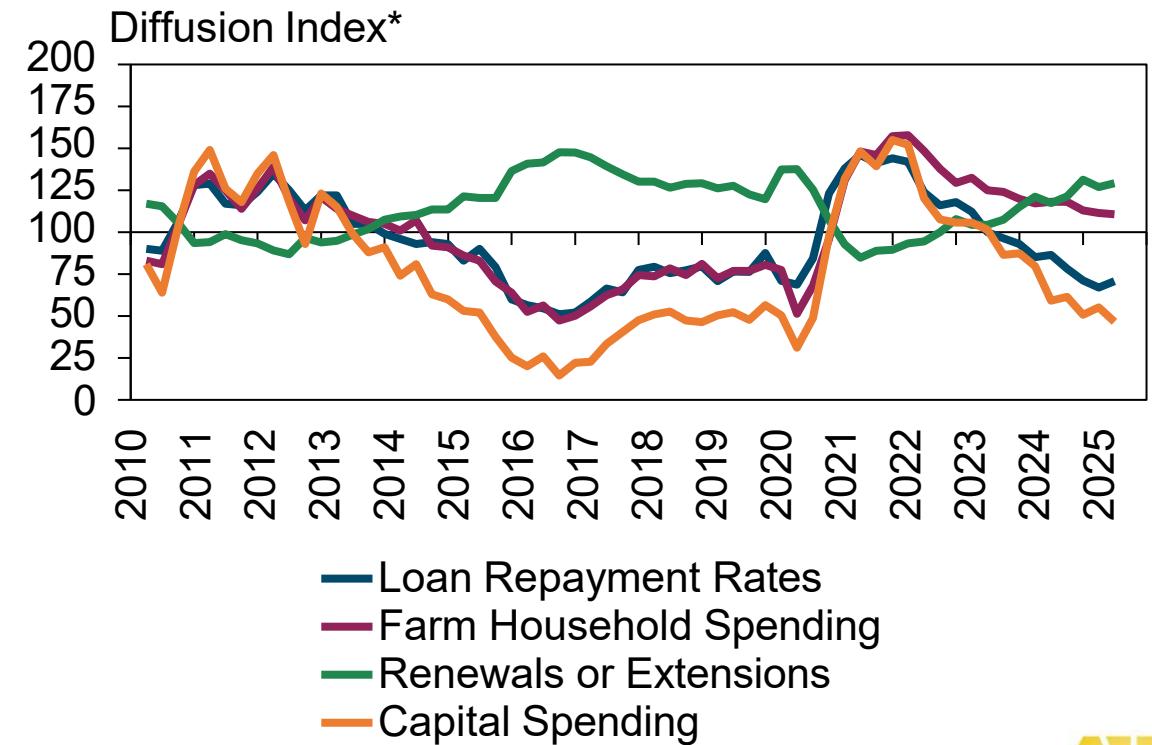


Farm loan delinquency rates have remained low, but signs of financial tightening have persisted.

U.S. Farm Loan Delinquency Rates, Q4



Indicators of Ag Credit Conditions:
KC Fed District

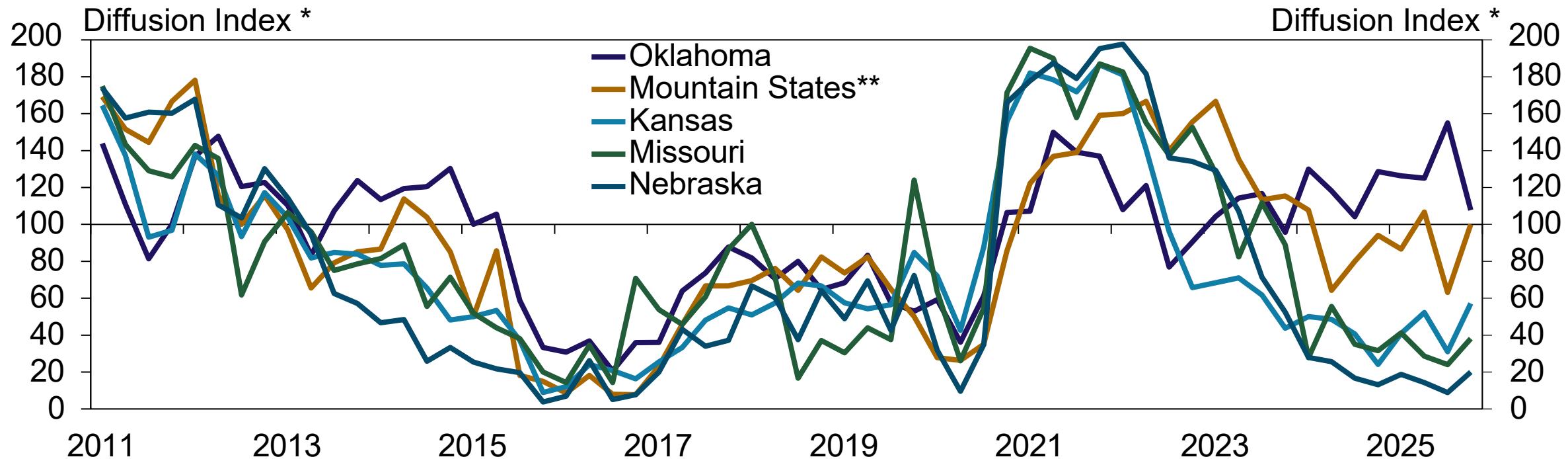


*The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.
Sources: Reports of Condition and Income, Farm Credit Administration, and Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions



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.

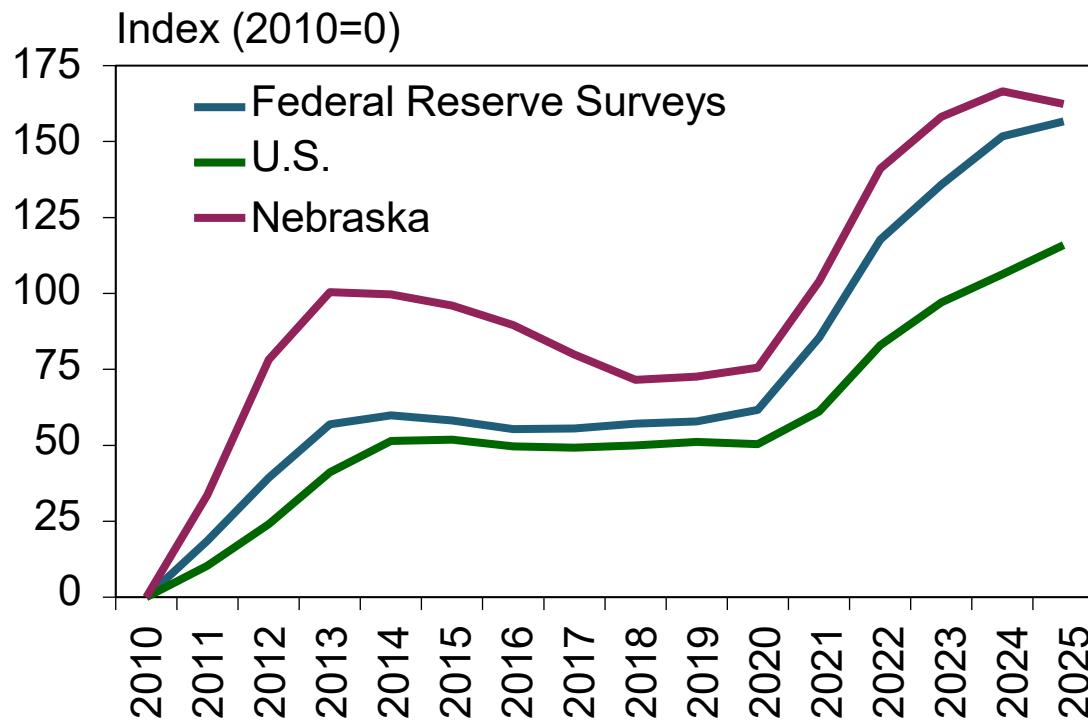
** Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.

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

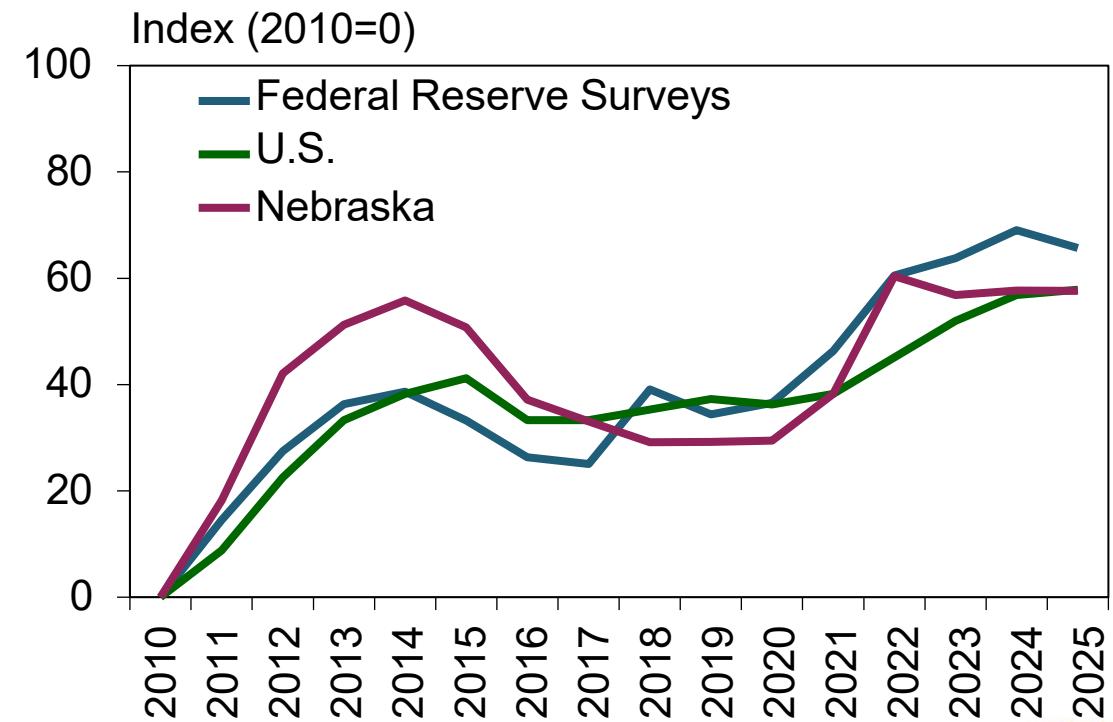


Despite pressures on the sector, farm real estate values remained firm through the end of 2025.

Farm Real Estate Values:
Federal Reserve Surveys



Farmland Cash Rents:
Federal Reserve Surveys

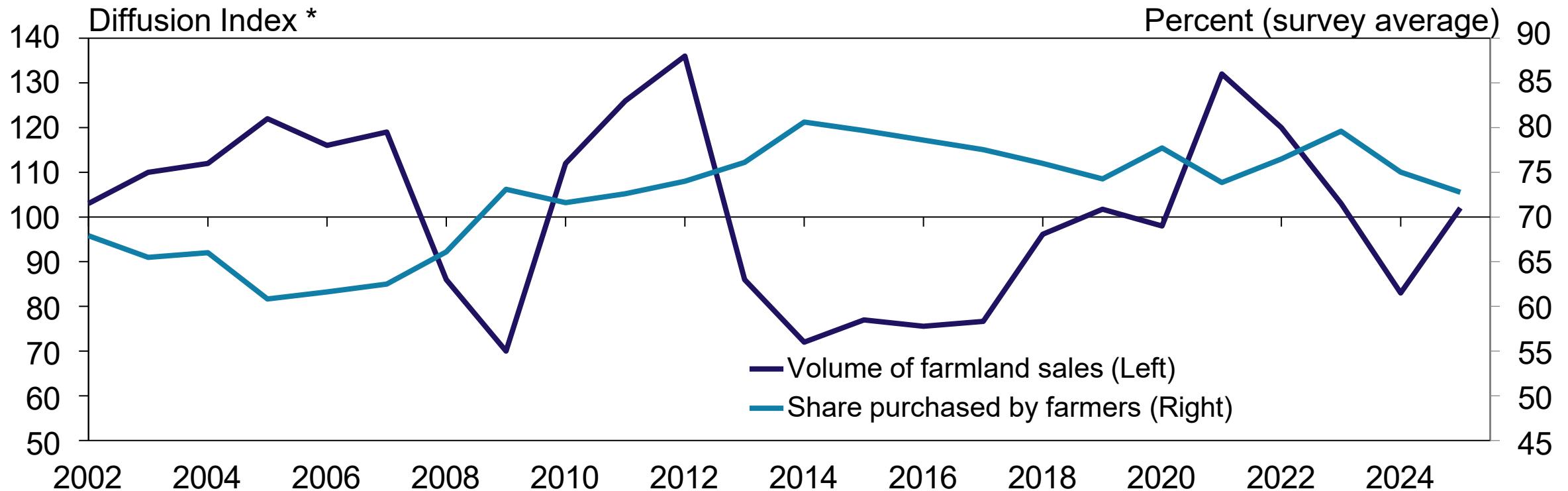


Sources: Federal Reserve Survey of Agricultural Conditions and USDA



The volume of farmland sales remained steady in 2025 despite a slight retreat in purchases by farmers.

Farmland Supply and Demand in the Tenth Federal Reserve District



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

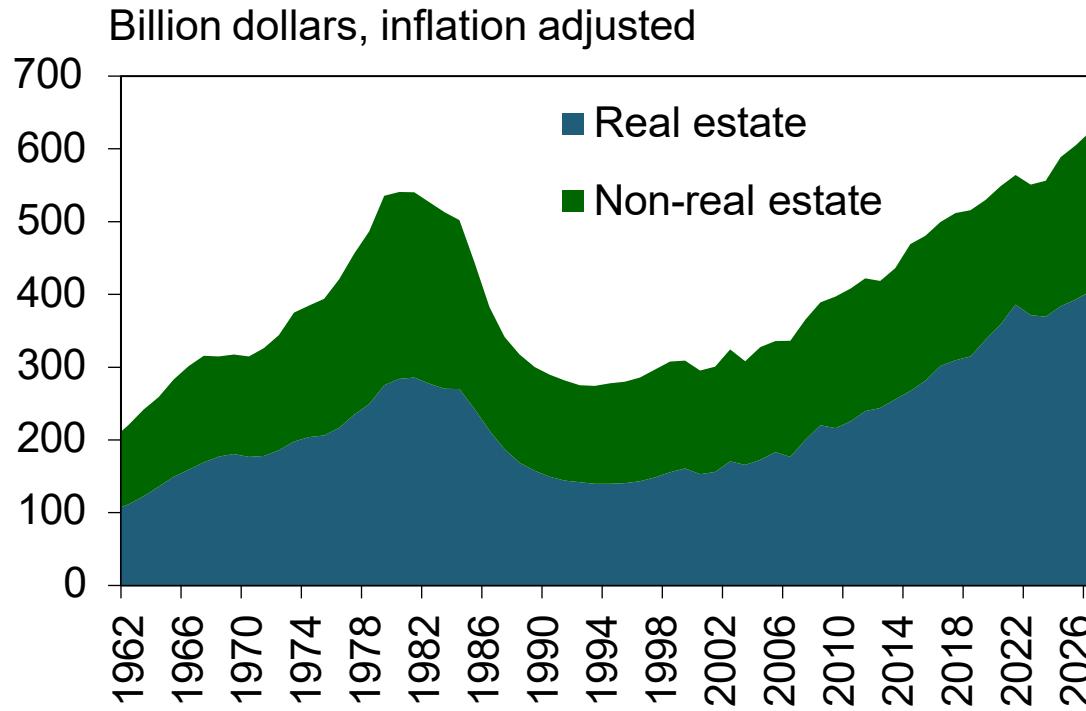
Note: Respondents were asked the following questions - How does the volume of farmland sales this year compare to last year in your area (increased, decreased, or remained the same)? How does demand for farmland this year compare to last year in your area (increased, decreased, or remained the same)?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

Sources: Federal Reserve Survey of Agricultural Conditions

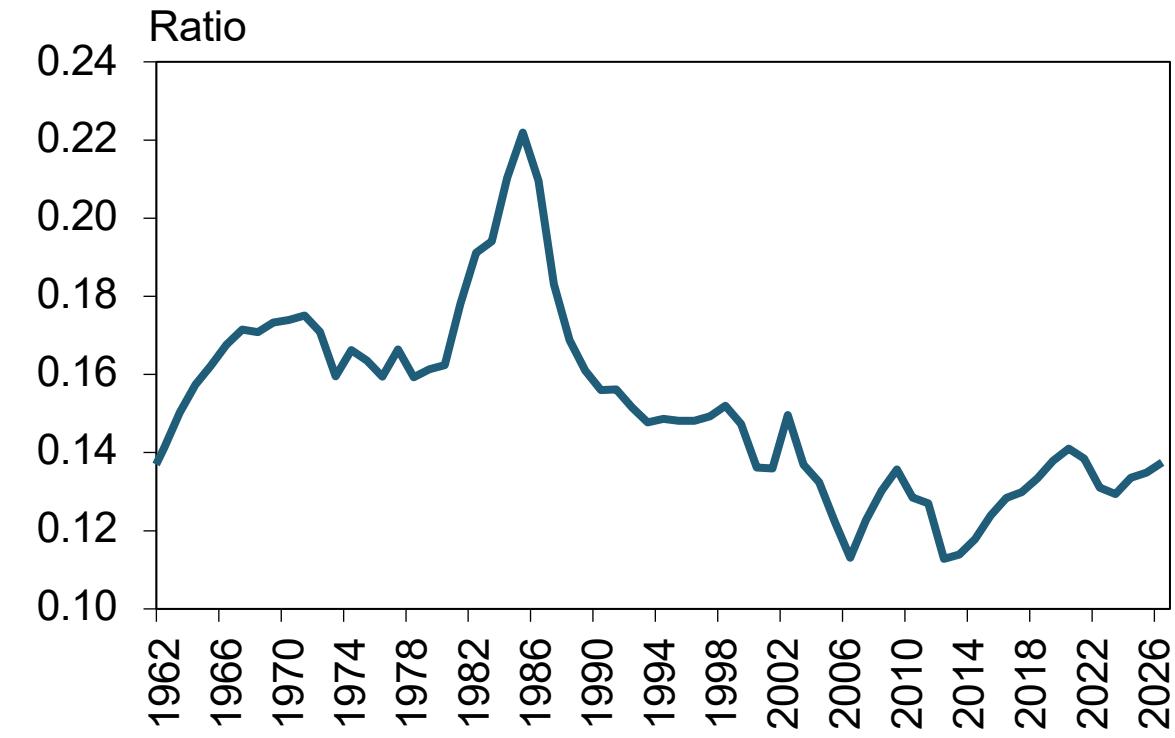


Agricultural debt has continued to build, but leverage in the sector has been steady with support from ag real estate values.

U.S. Farm Sector Debt



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



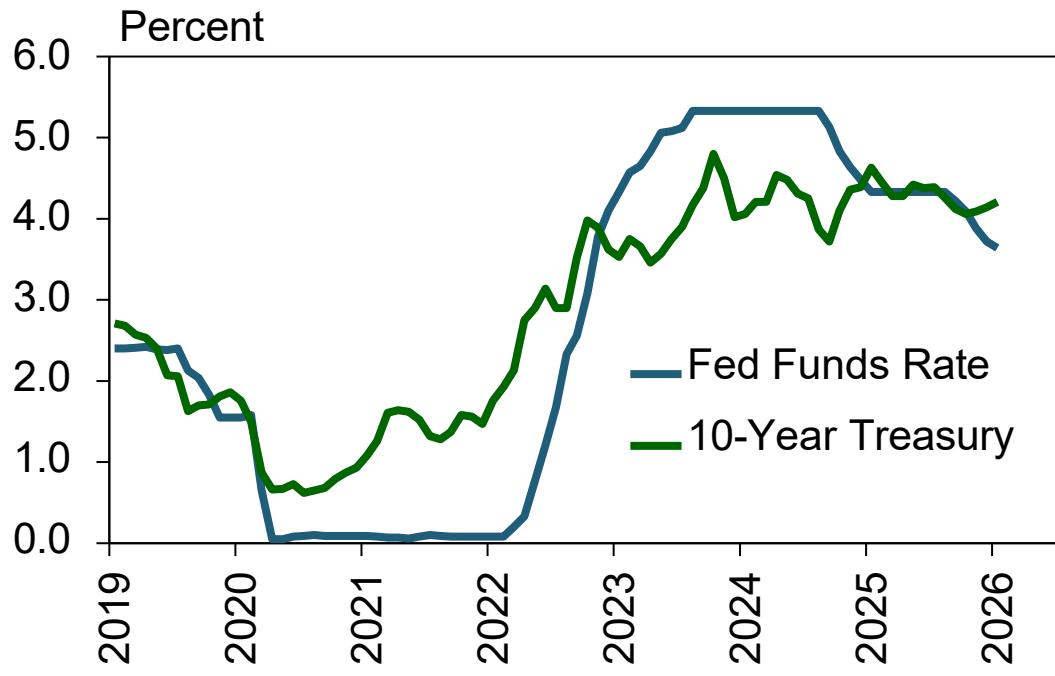
Note: Farm balance sheet figures are USDA forecasts as of September 3, 2025.

Source: USDA

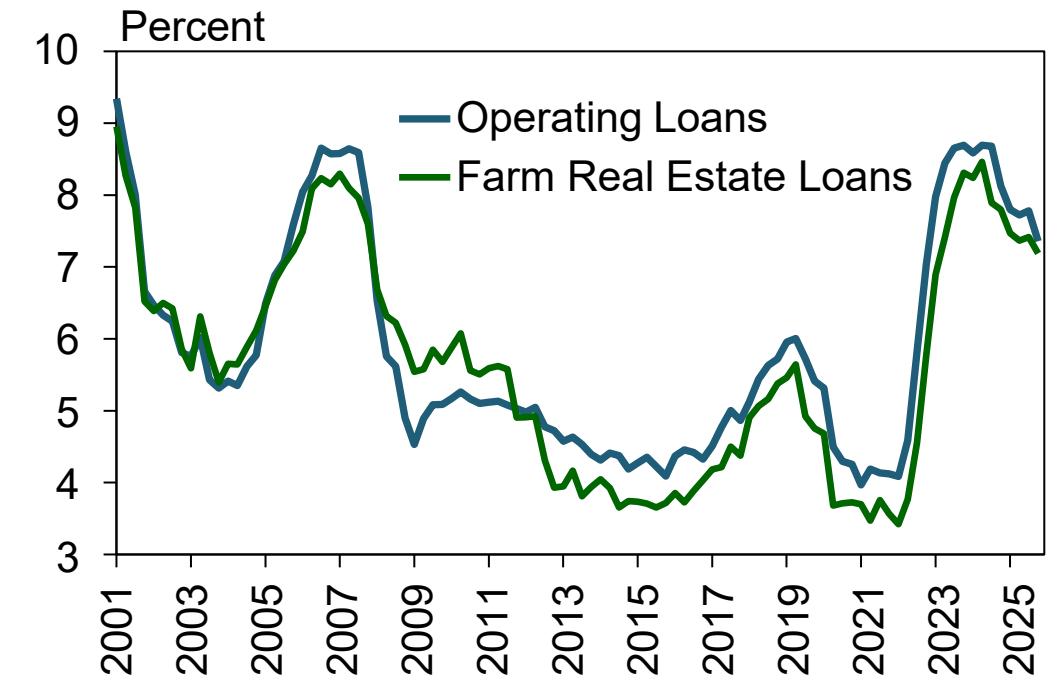


Interest rates on farm loans have declined slightly but remain a somewhat persistent headwind.

Federal Funds Rate and 10-Year Treasury Yield



Average Interest Rates on Farm Loans

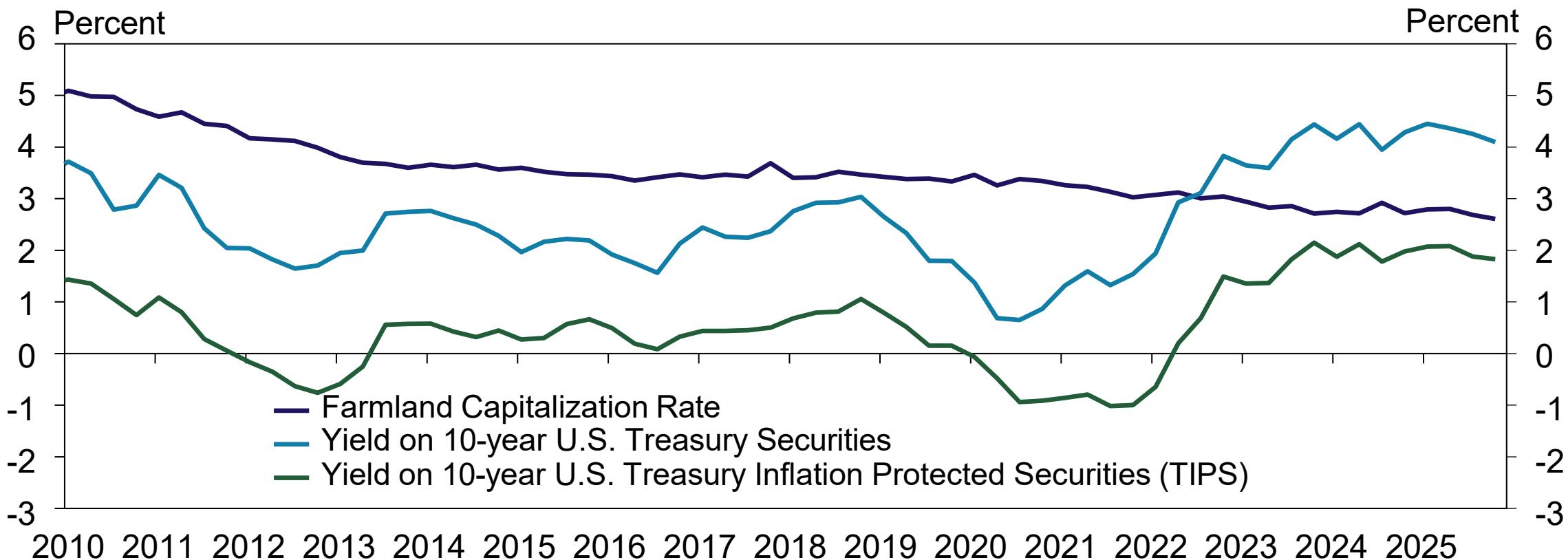


Sources: Federal Reserve Board of Governors; Survey of Terms of Lending to Farmers



Farmland may be perceived as an attractive investment when considering inflation, despite better returns elsewhere.

Farmland Capitalization Rate and Yields on U.S. Government Securities



Note: The capitalization rate is calculated as cash rent on nonirrigated farmland divided by the value of nonirrigated farmland.

Sources: Federal Reserve Survey of Agricultural Credit Conditions, Federal Reserve Board of Governors, Federal Reserve Bank of Kansas City staff calculations



Summary

- Profit margins among crop producers are likely to remain narrow in 2025, but the strength of recent years continues to provide support.
- Profitability among livestock operations has also supported the U.S. ag economy but, in the cattle industry, herd rebuilding has remained slow.
- Financial stress has increased slightly for crop producers, but many still remain in a stable position alongside strong real estate valuations.
- Reduced borrowing costs for operating loans has eased some pressure as demand for financing continues to rise.





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