

ECONOMIC UPDATE ON THE U.S. FARM ECONOMY

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March 24, 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.

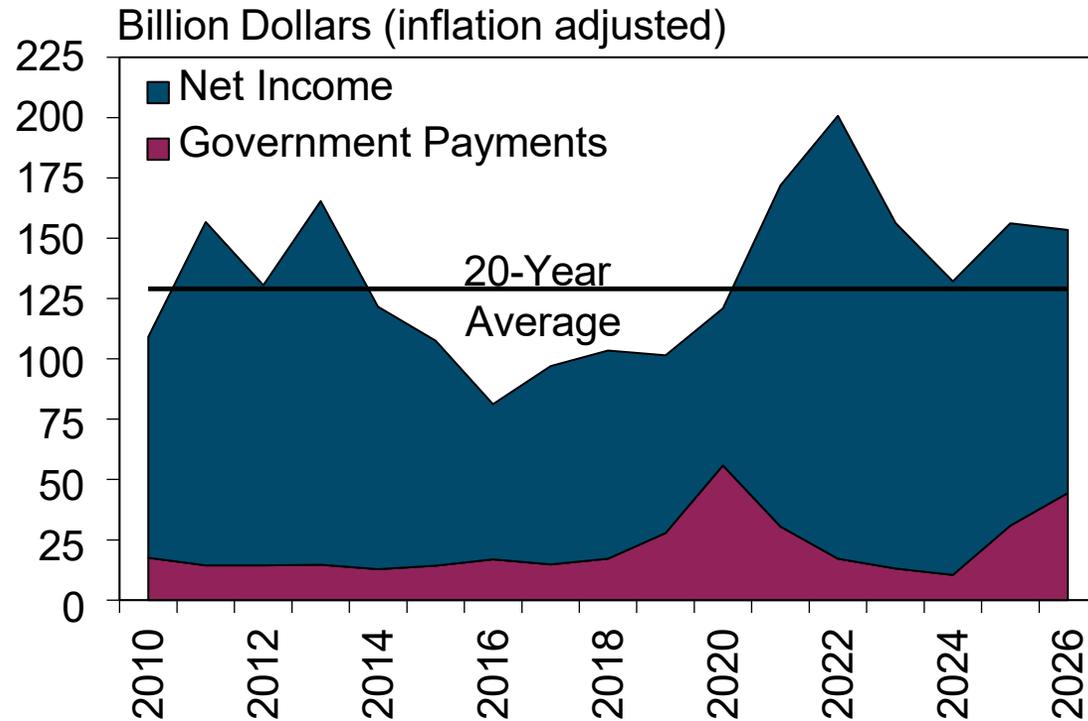


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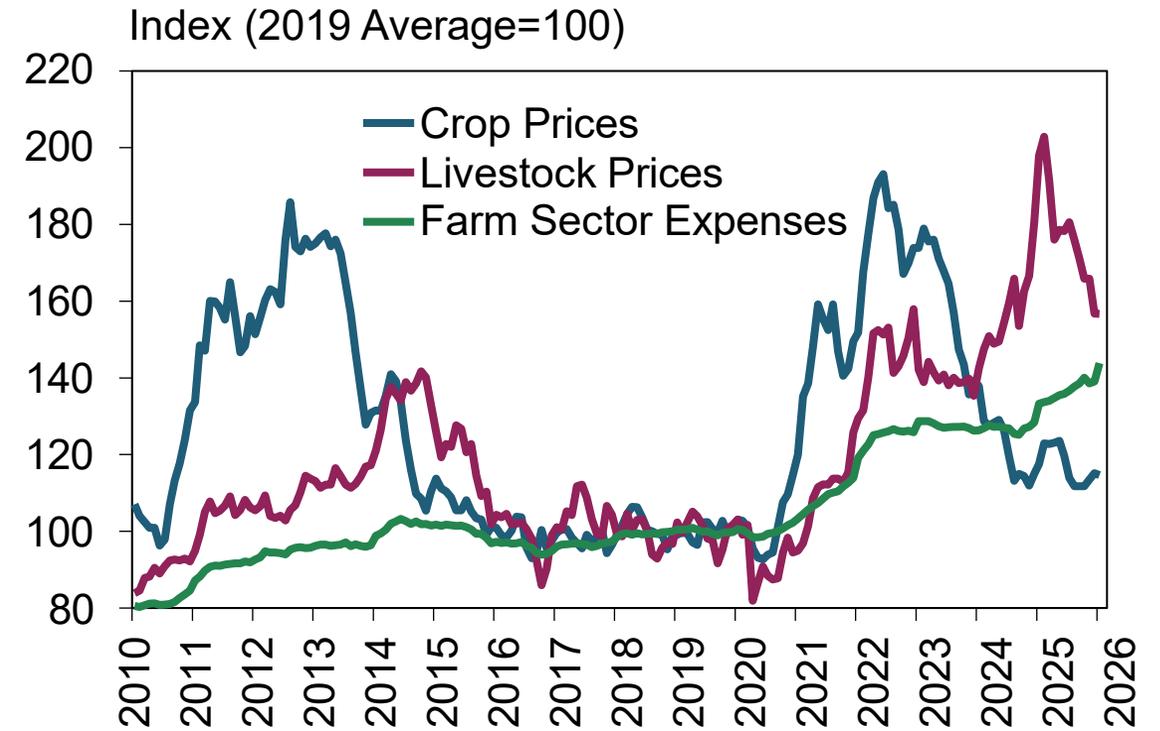
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On the surface, economic conditions in U.S. agriculture appeared strong in early 2026, but with notable disparities and risks.

U.S. Net Farm Income



U.S. Ag Commodity Prices and Expenses

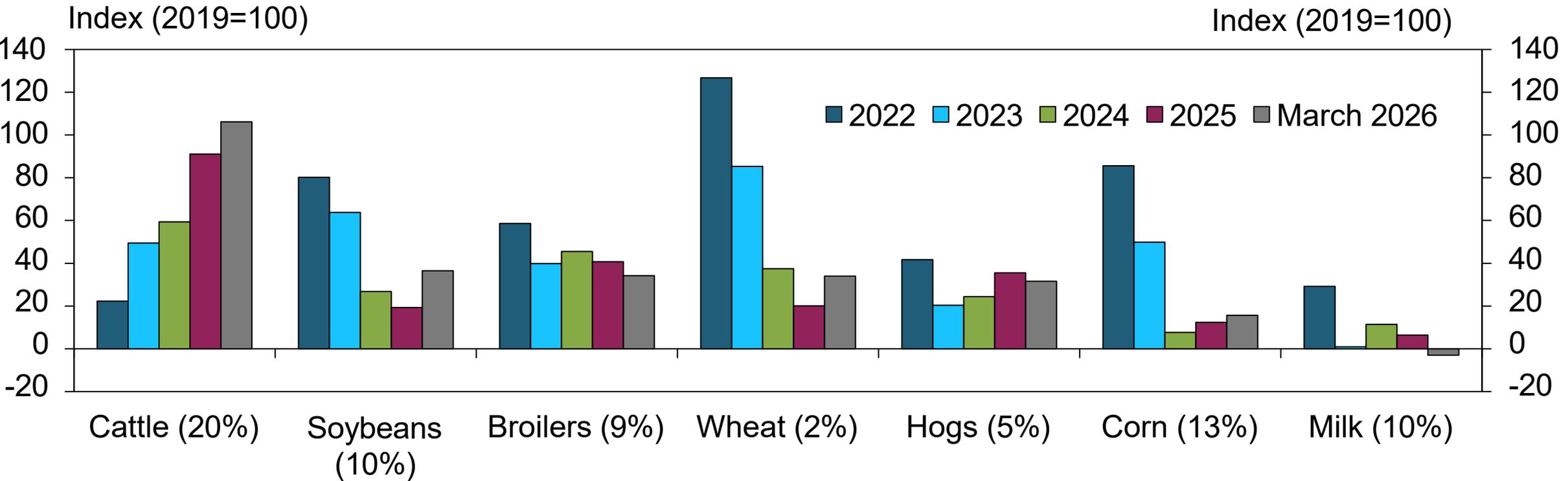


Notes: 2025 net farm income is the USDA forecast as of February 5, 2026.
Sources: USDA, and Kansas City Fed staff calculations



Cattle prices have been particularly strong. Row crop prices remain subdued but have increased in recent weeks.

Agricultural Commodity Prices

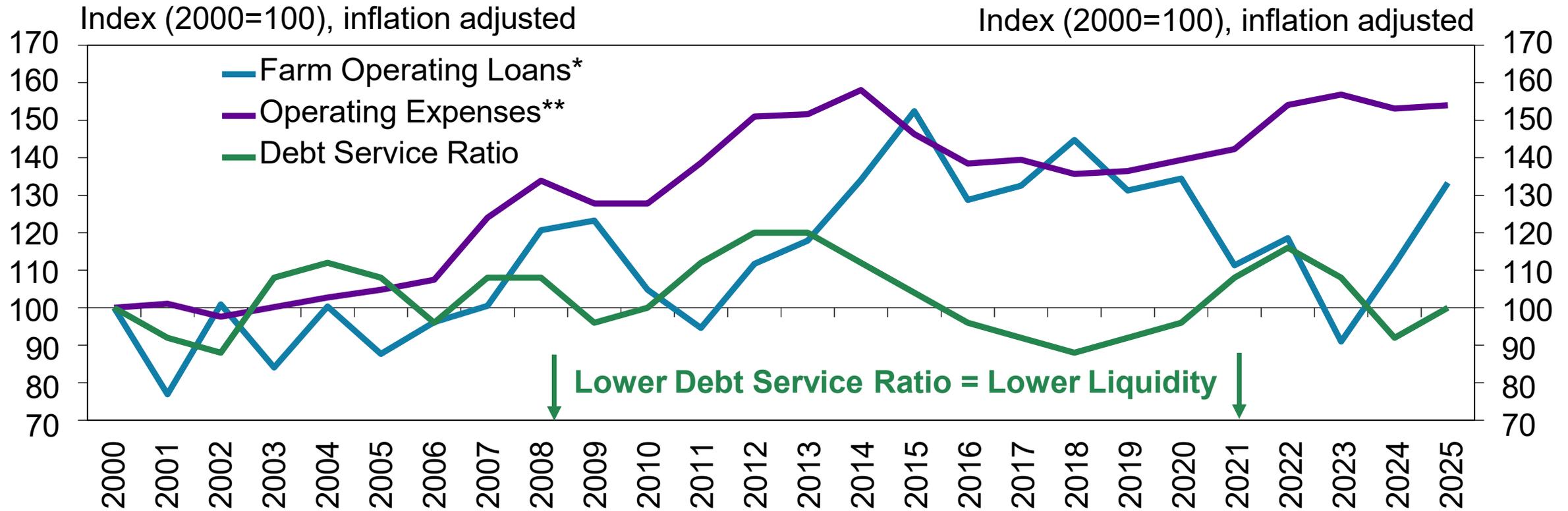


Sources: The Wall Street Journal, USDA and staff calculations



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

Farm Lending Metrics



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

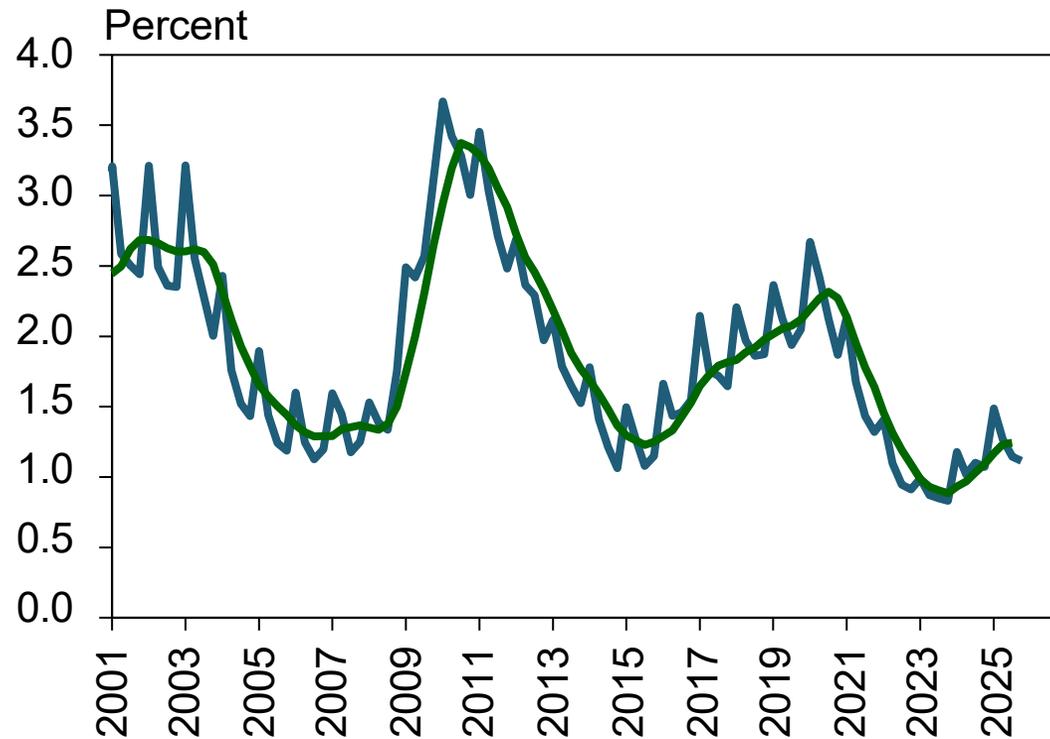
**Total U.S. farm sector production expenses less interest expenses and capital expenditures.

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

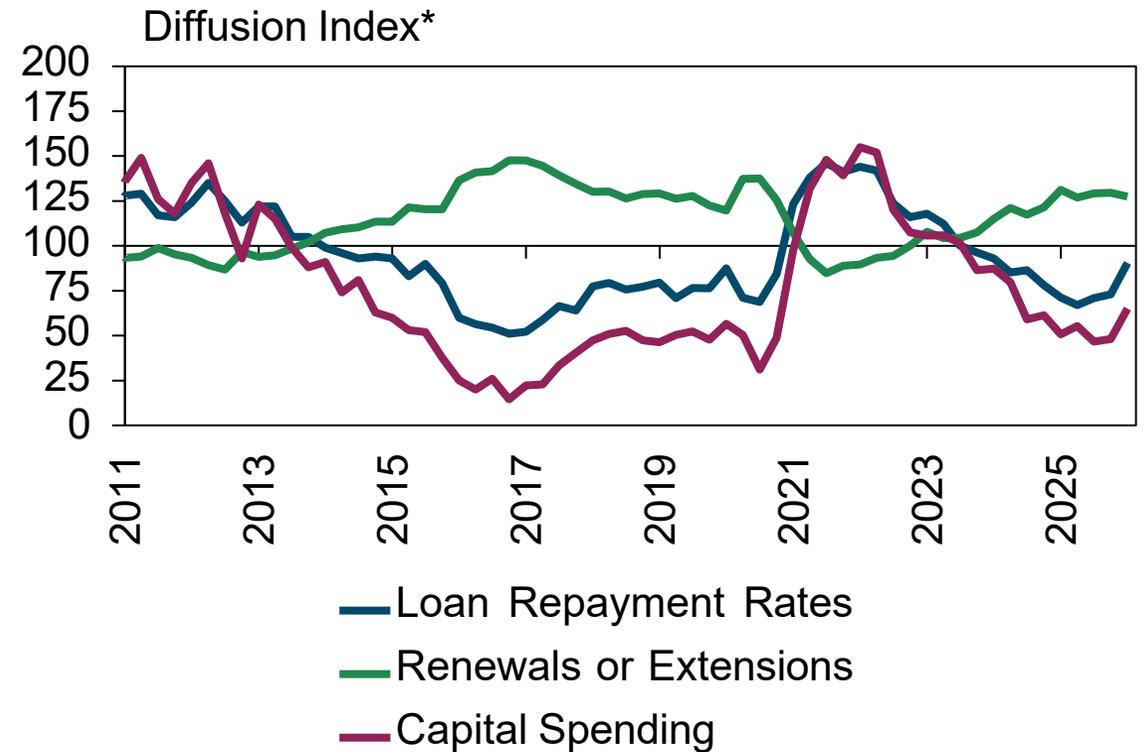


Farm loan delinquency rates have remained low, but some signs of financial tightening have persisted.

U.S. Farm Loan Delinquency Rates, Q4



Indicators of Ag Credit Conditions: KC Fed District

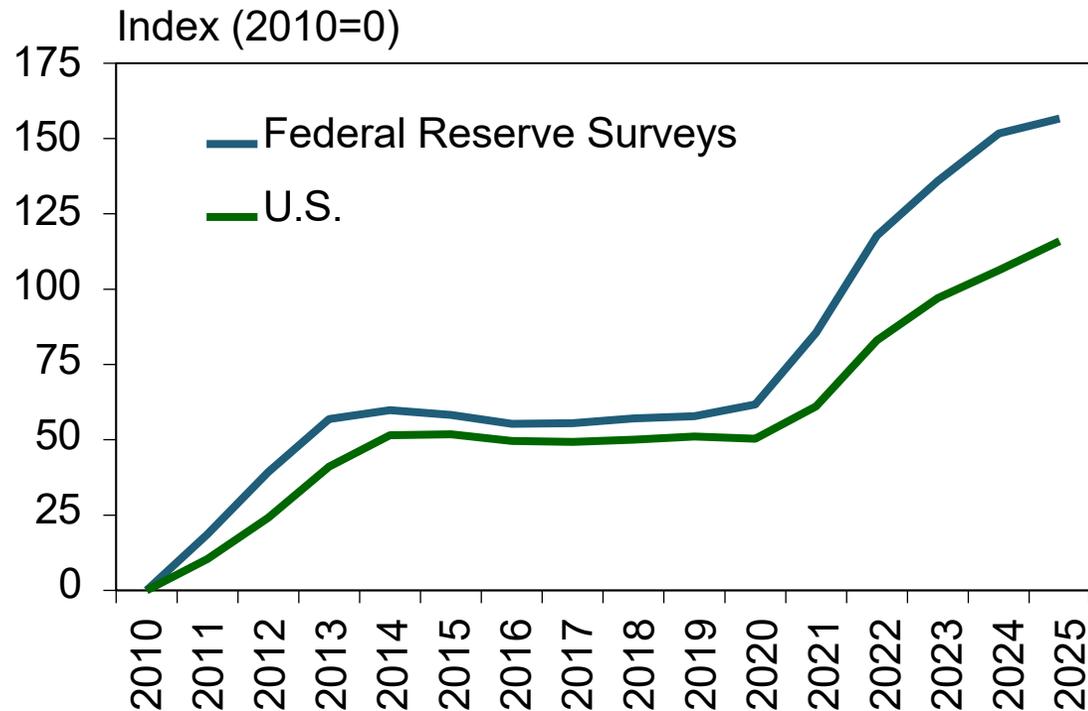


*The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.
Sources: Reports of Condition and Income, Farm Credit Administration, and Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions

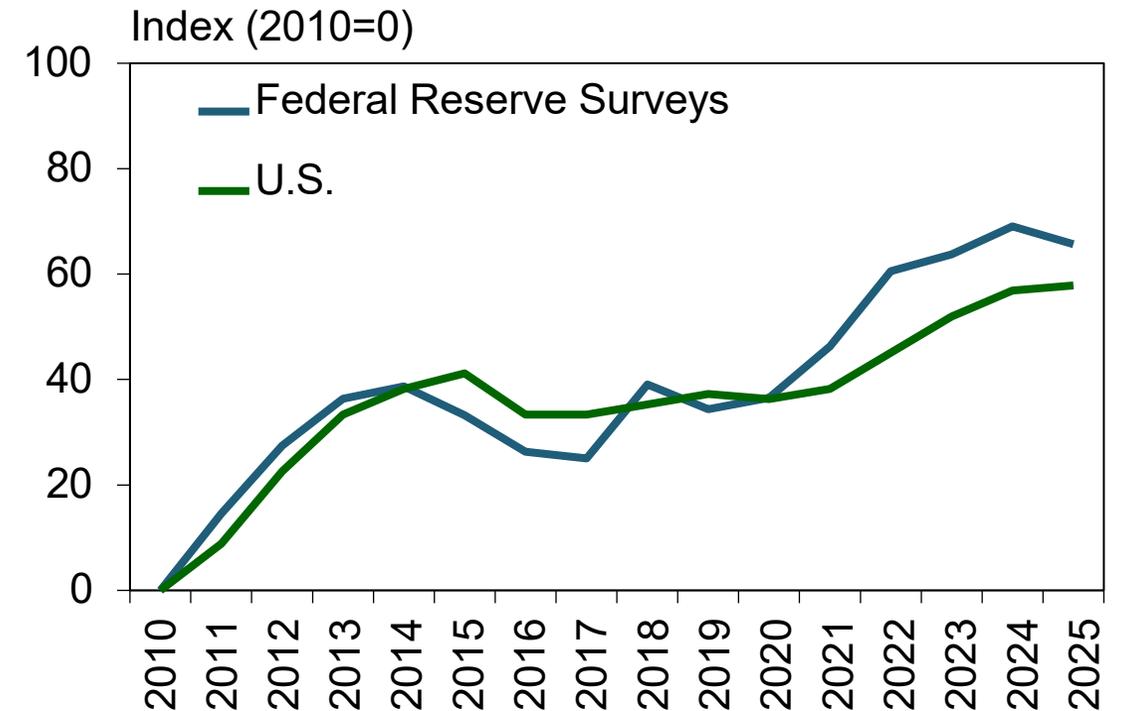


Despite pressures in the crop sector, farm real estate values remained solid through the end of 2025.

Farm Real Estate Values

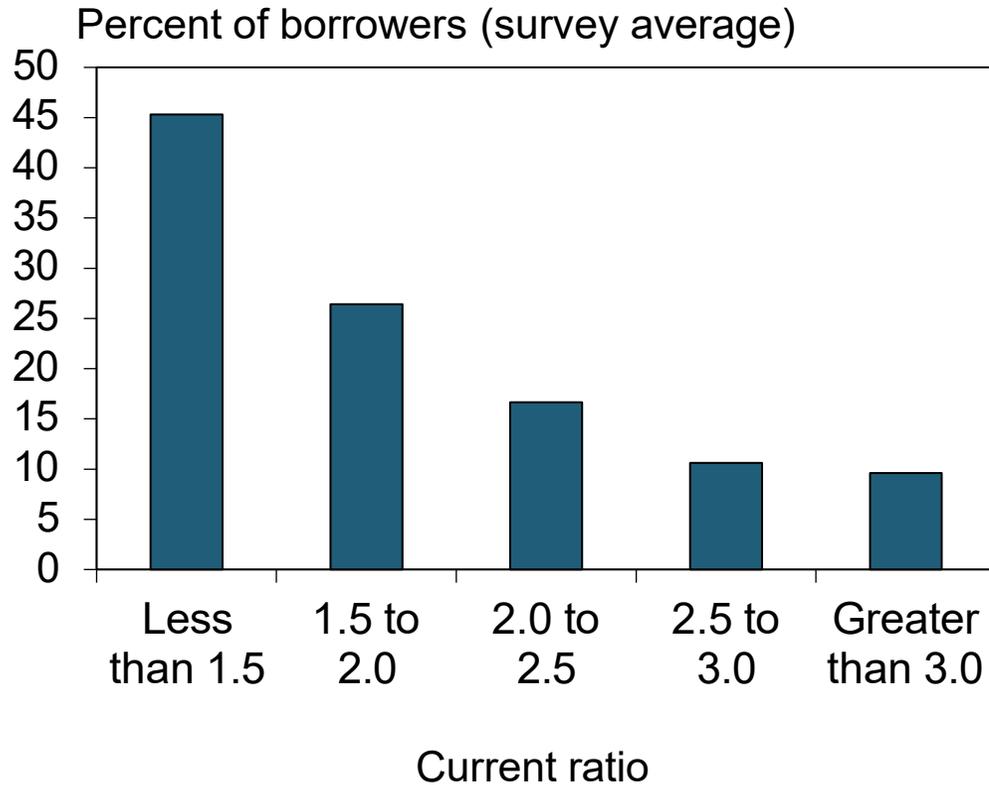


Farmland Cash Rents

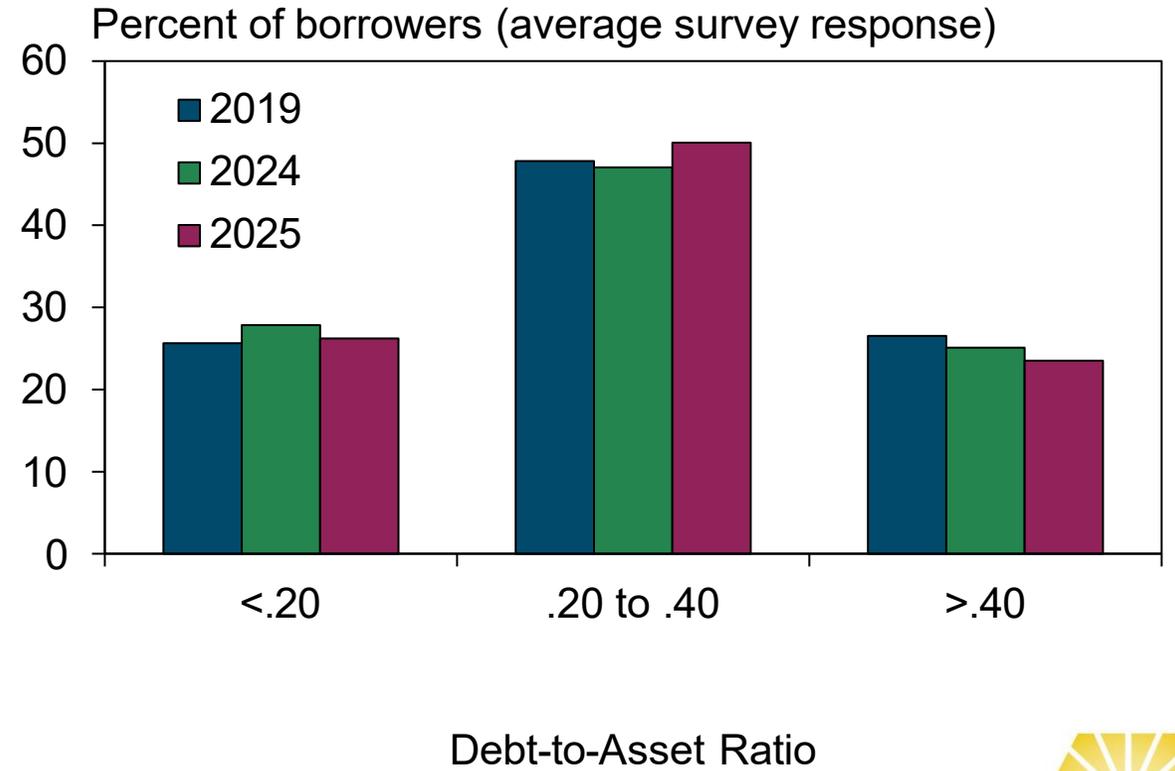


Liquidity is tight for some borrowers, but leverage has remained modest with support from farm real estate values.

Distribution of Farm Borrower Current Ratios, Q4 2025

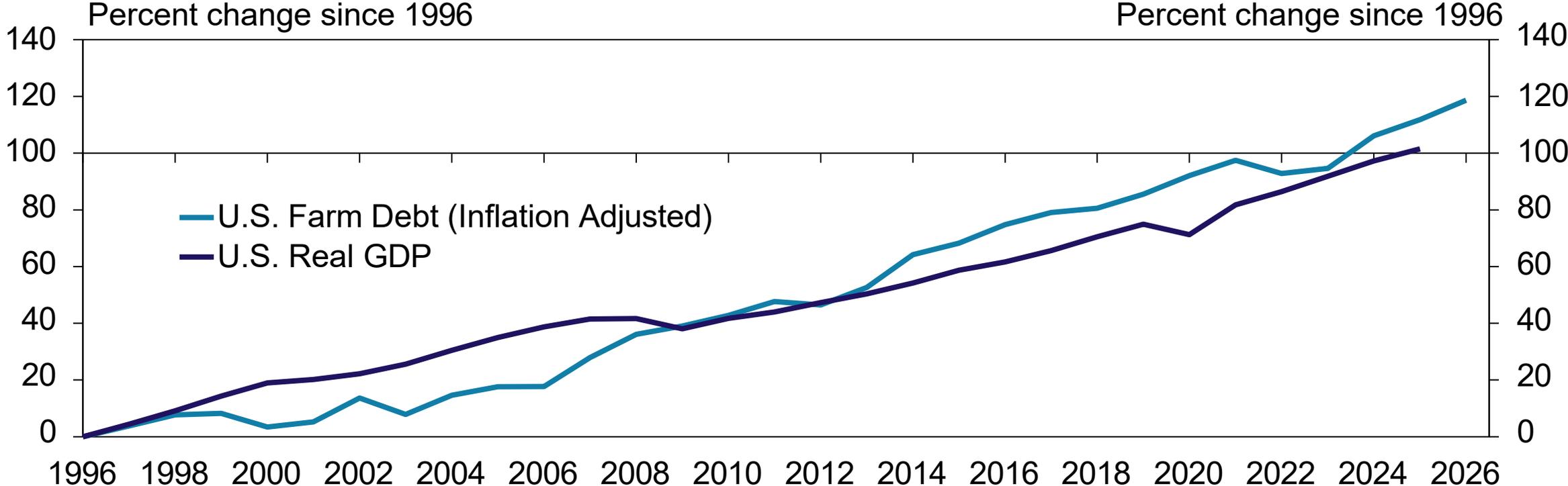


Distribution of Farm Borrower Debt-to-Asset Ratios, Q1



Farm debt has doubled over the past 30 years. But so has the size of the U.S. economy.

U.S. Farm Debt and U.S. Real GDP

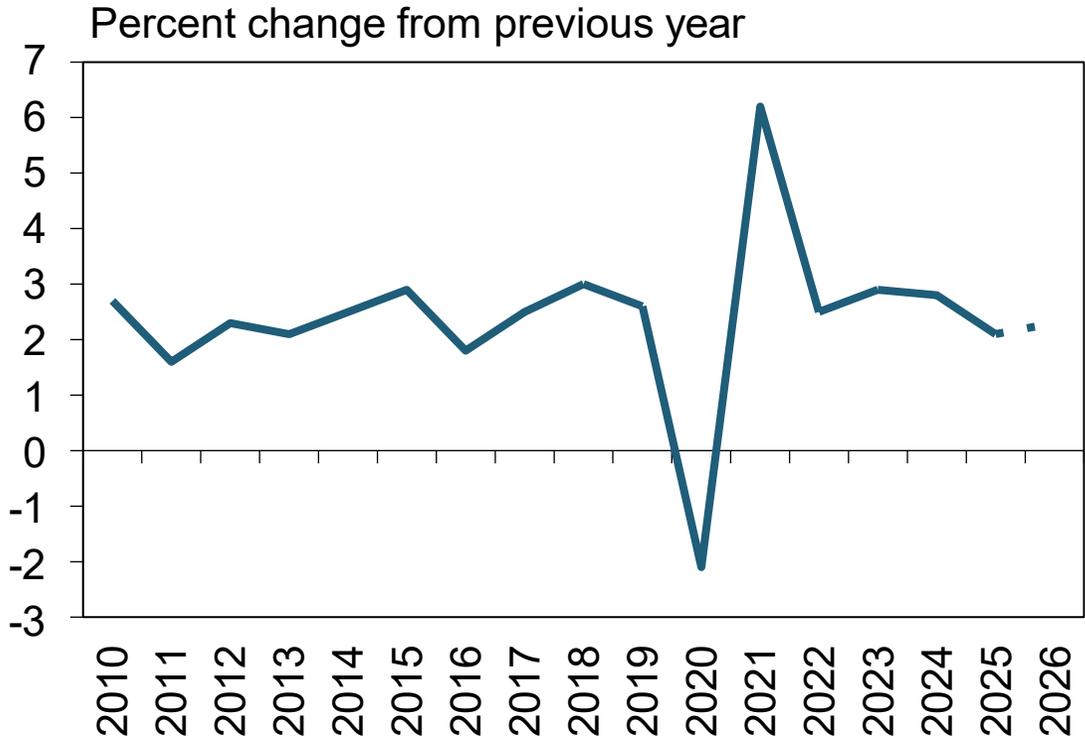


Sources: BEA and USDA

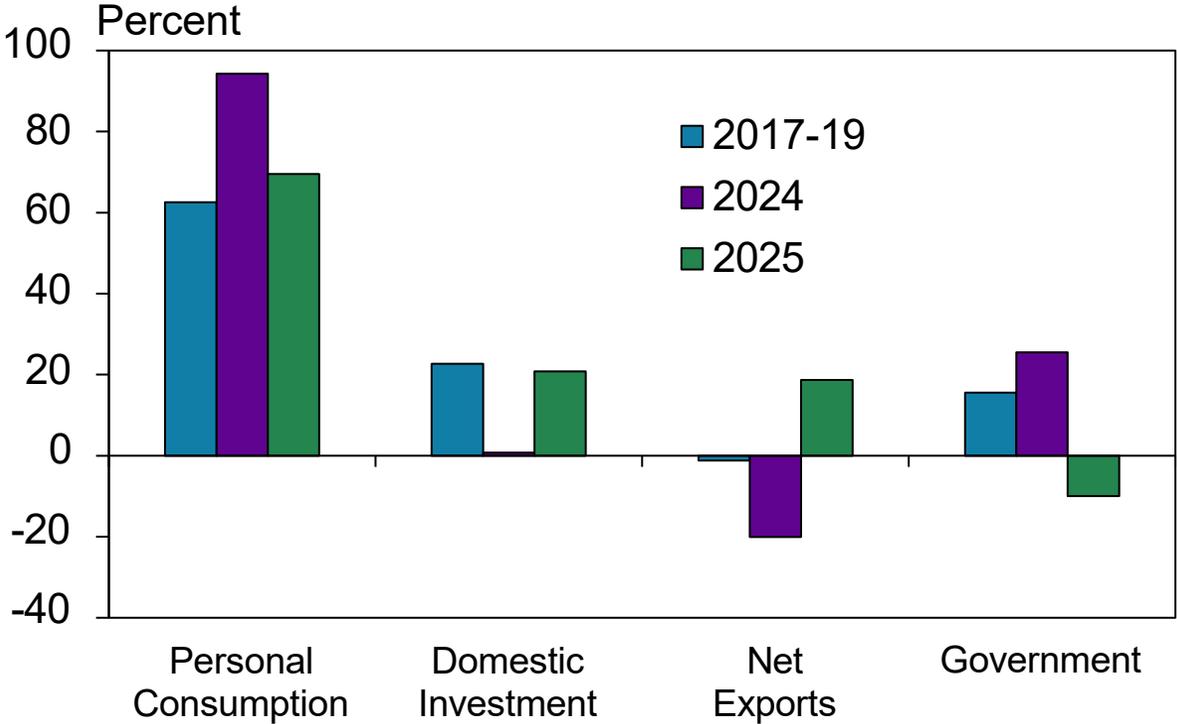


Despite various risks and uncertainties, growth in the broader U.S. economy has been resilient.

U.S. Real GDP



Contributions to U.S. GDP Growth

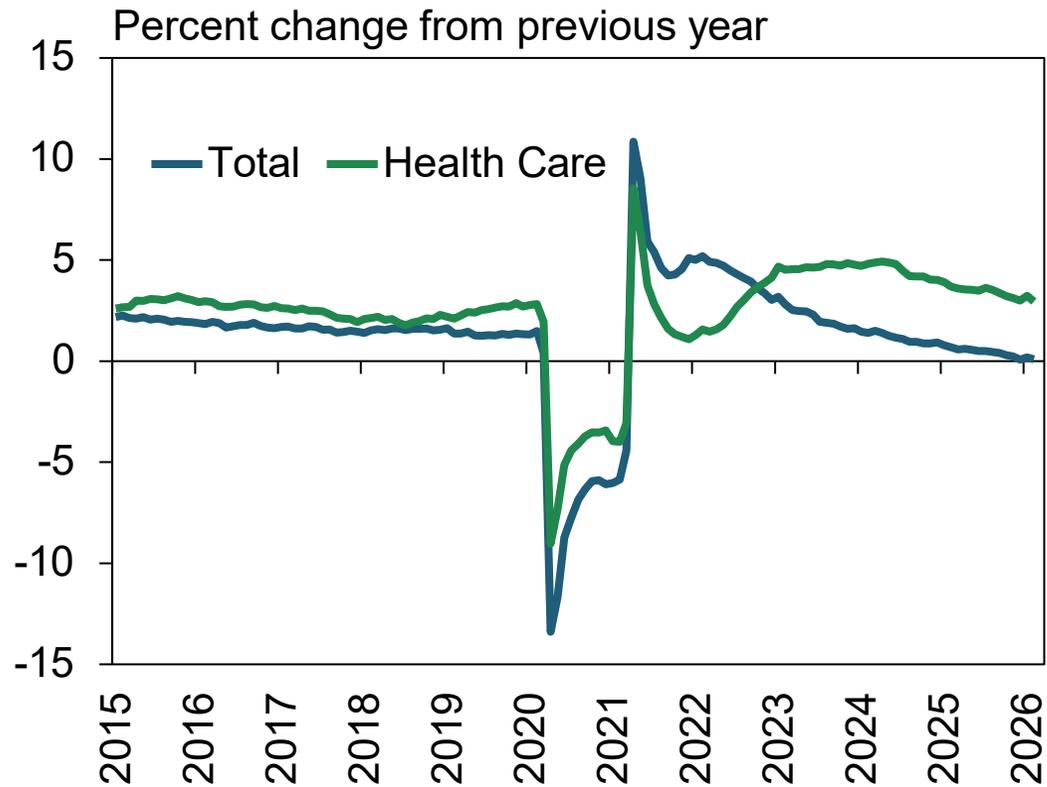


Note: The 2026 GDP figure is the median projection from the December 2025 FOMC Summary of Economic Projections.
Sources: BEA, Haver Analytics and FRB KC staff calculations

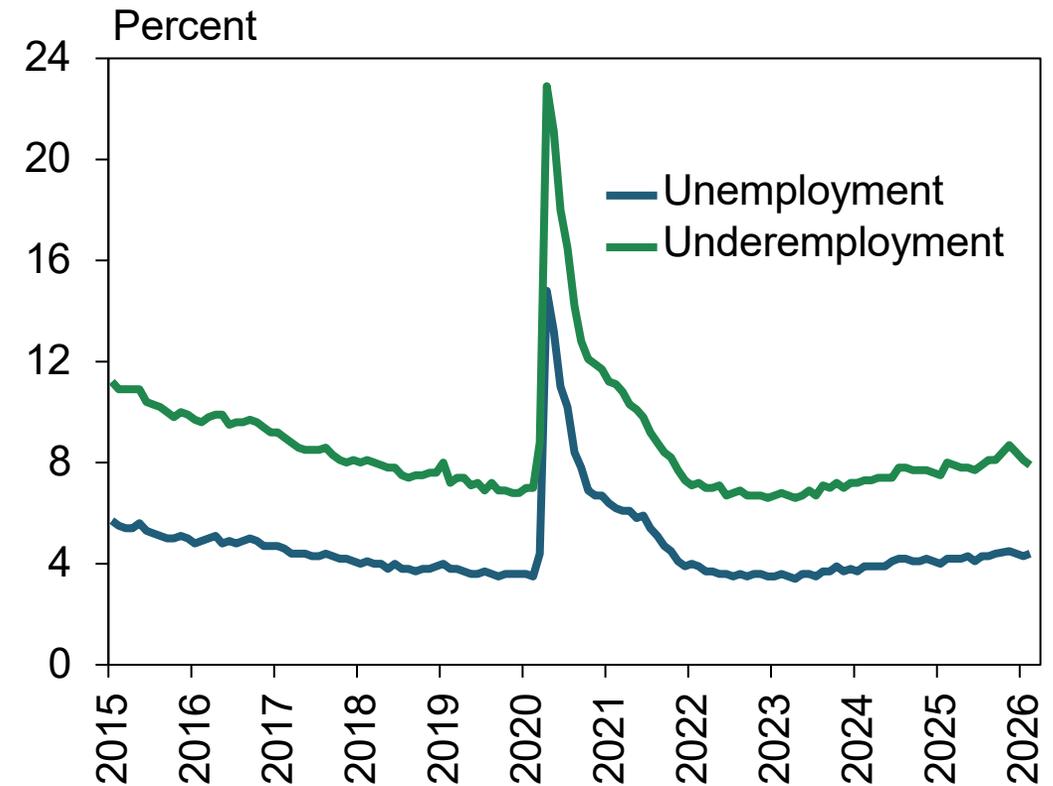


Job growth has slowed, but unemployment remains low and relatively stable.

U.S. Job Growth



U.S. Unemployment Rate



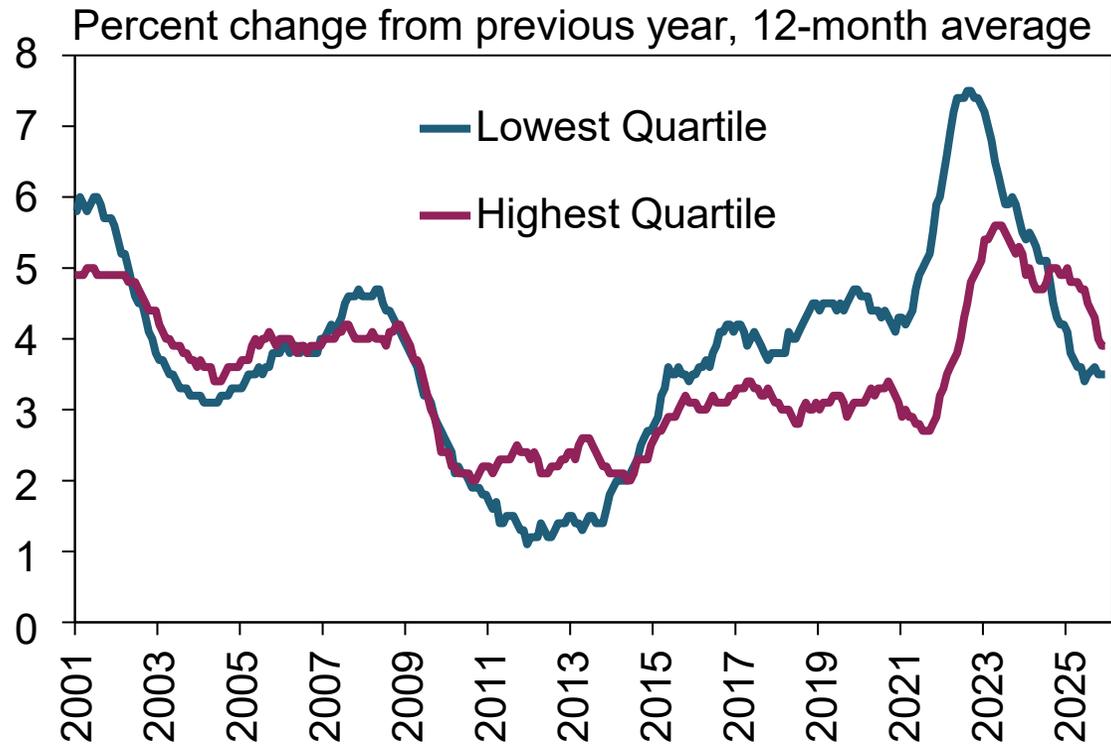
Note: Unemployment rate is the U3 rate (individuals without jobs who have actively looked for work in the past four weeks) and underemployment is the U6 rate (discouraged workers, those marginally attached to the labor force, and people working part-time for economic reasons).

Sources: BLS and Haver Analytics

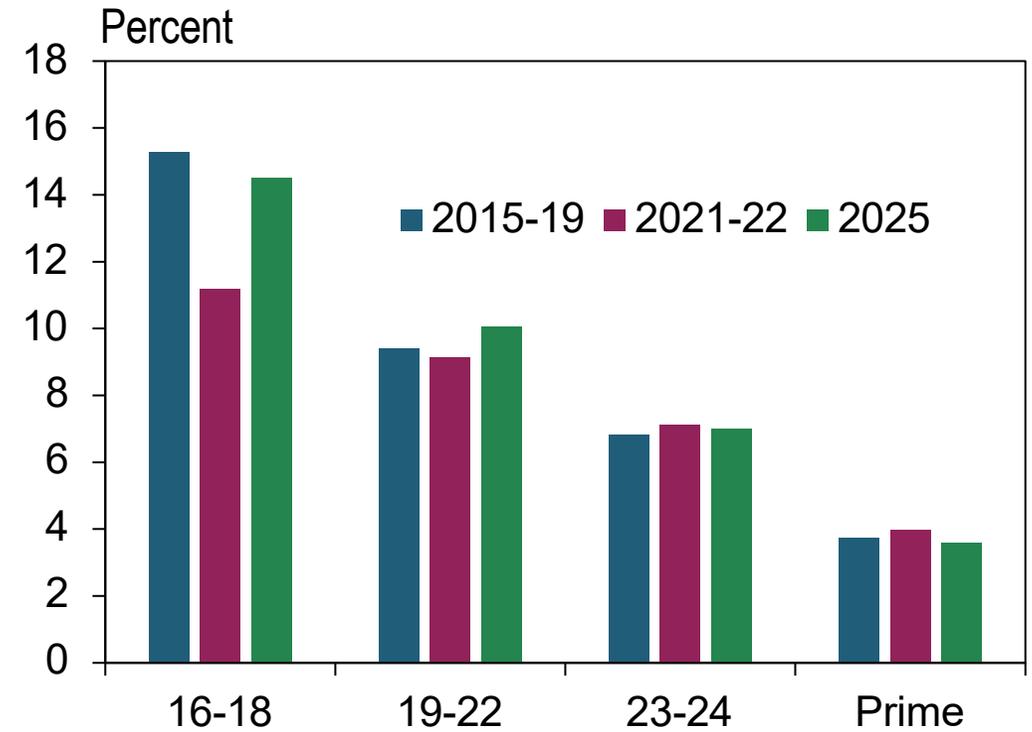


Steady income growth has supported consumer demand, but challenges have emerged for lower wage and younger workers.

Wage Growth by Wage Level

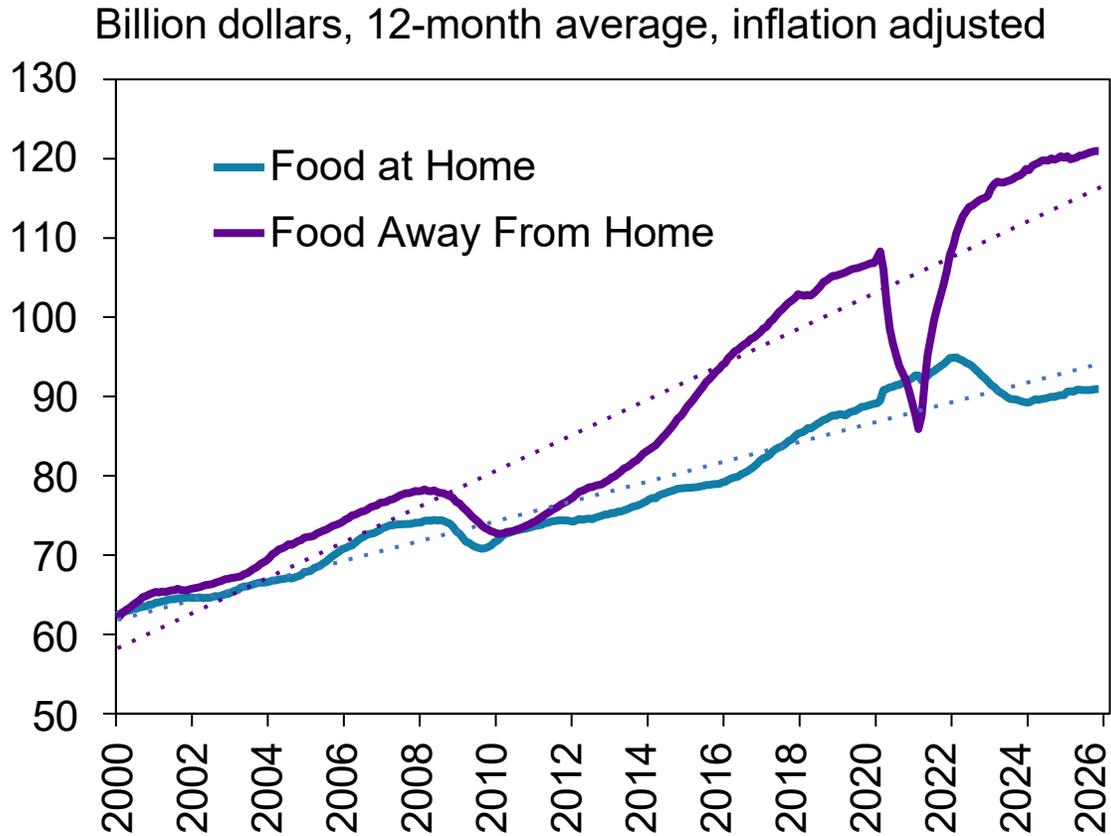


Average Unemployment Rate by Age Bracket

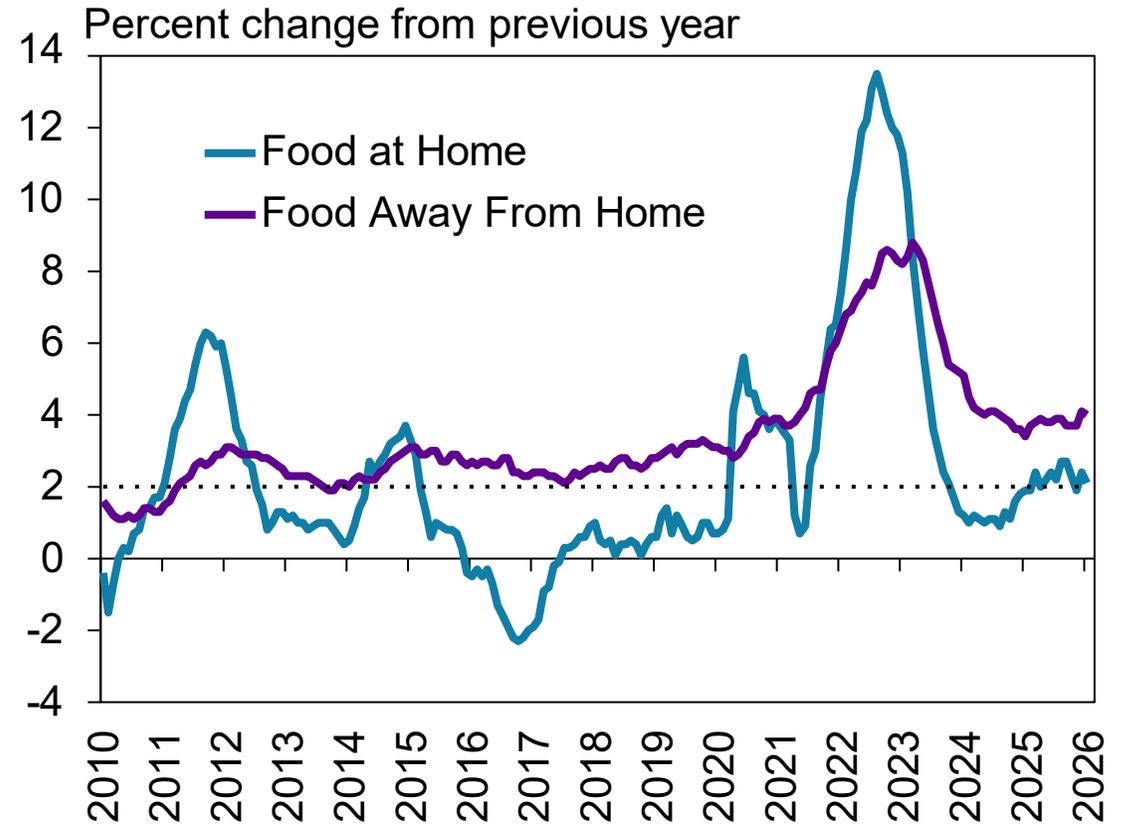


Strong consumer spending has supported purchases on food away from home.

U.S. Food Expenditures



U.S. Inflation

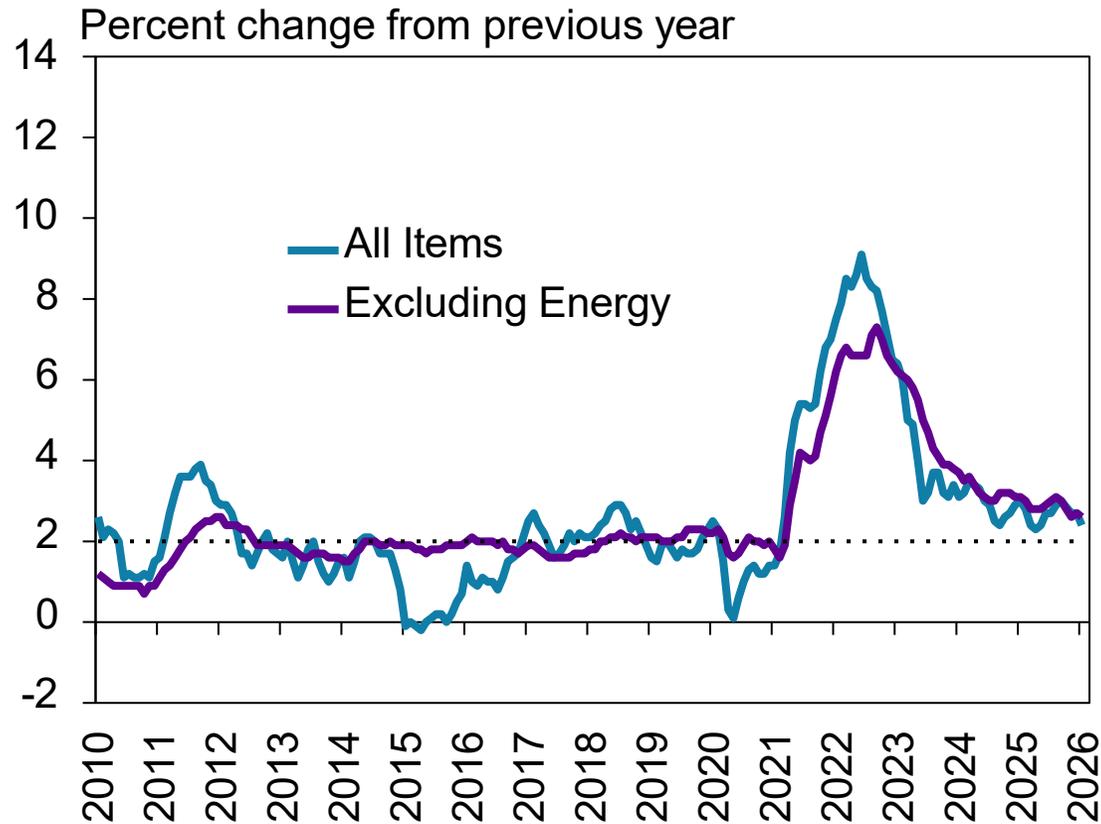


Note: October 2025 BLS data was not reported and is interpolated in the chart above.
Sources: BLS, USDA and Haver Analytics

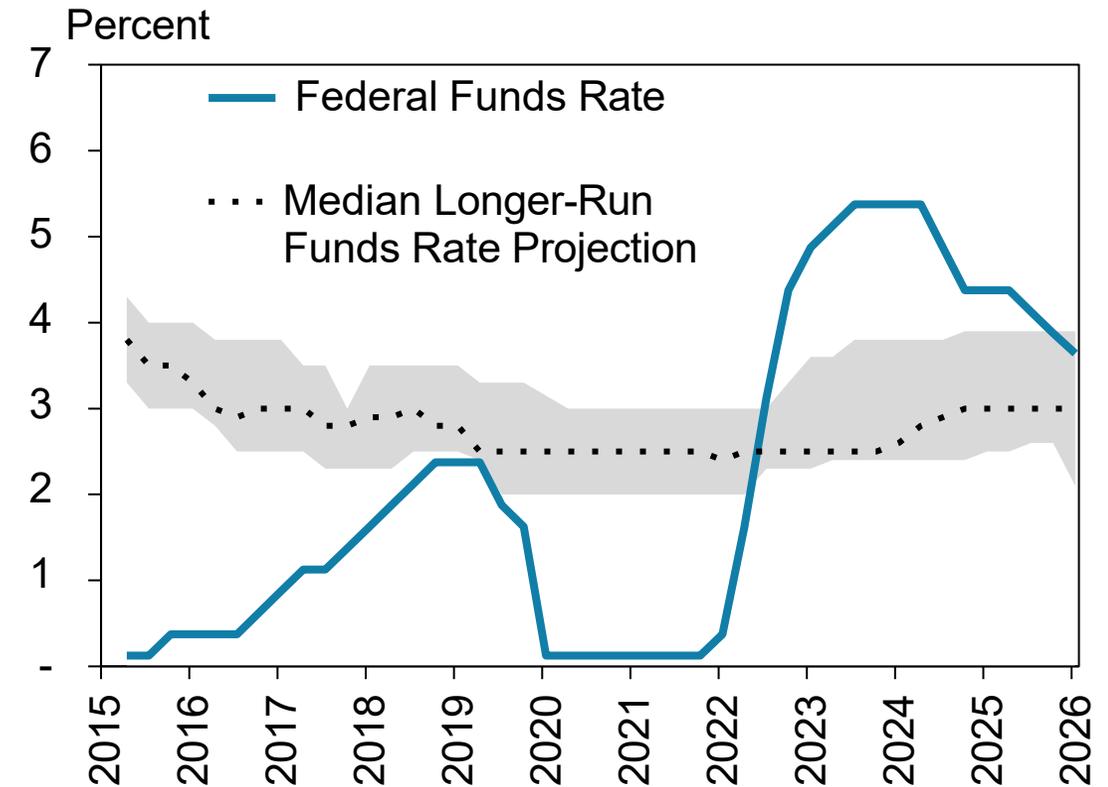


Overall, inflation remains above target. Monetary policy may still be slightly restrictive, but perhaps not much.

U.S. Inflation



Federal Funds Rate and Projections

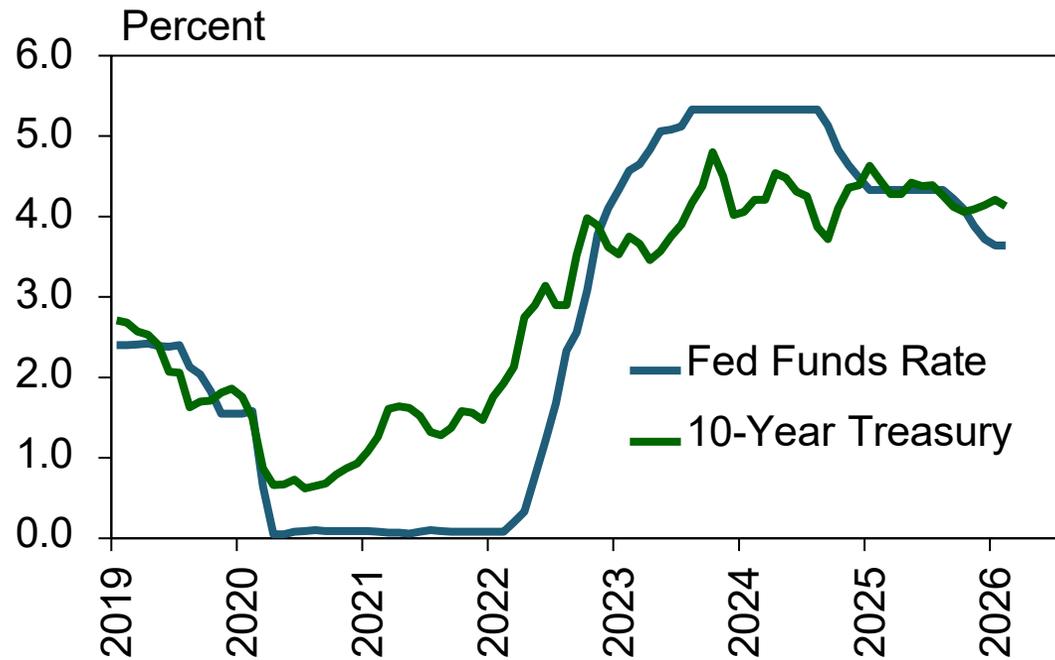


Note: October 2025 BLS data was not reported and is interpolated in the chart above.
Sources: BLS, Federal Reserve Board and Haver Analytics

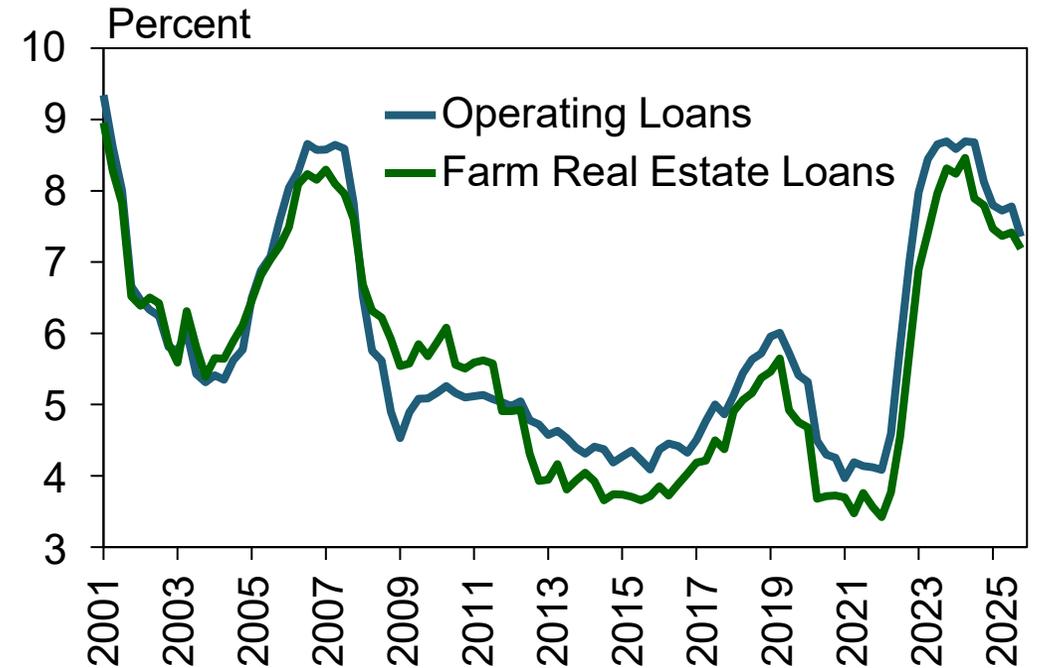


Interest rates on farm loans have declined but remain a somewhat persistent headwind.

Interest Rates

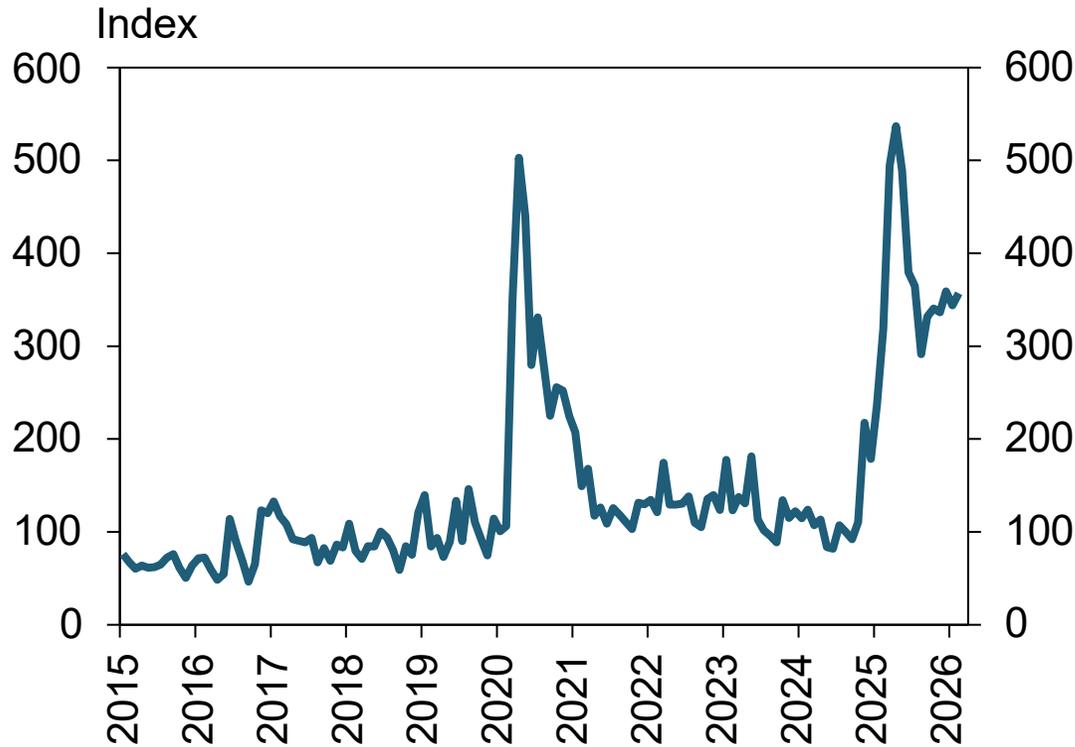


Average Interest Rates on Farm Loans

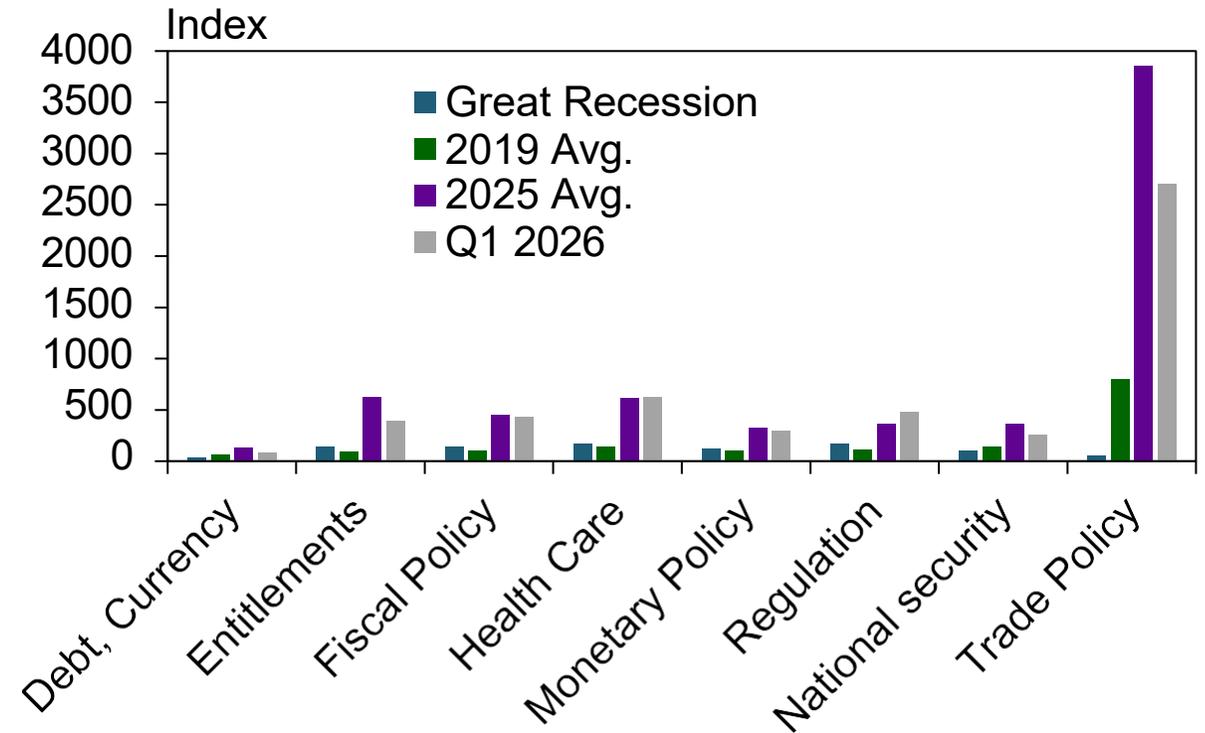


Uncertainty about economic policy remains elevated despite recent easing, particularly related to trade.

Economic Policy Uncertainty Index

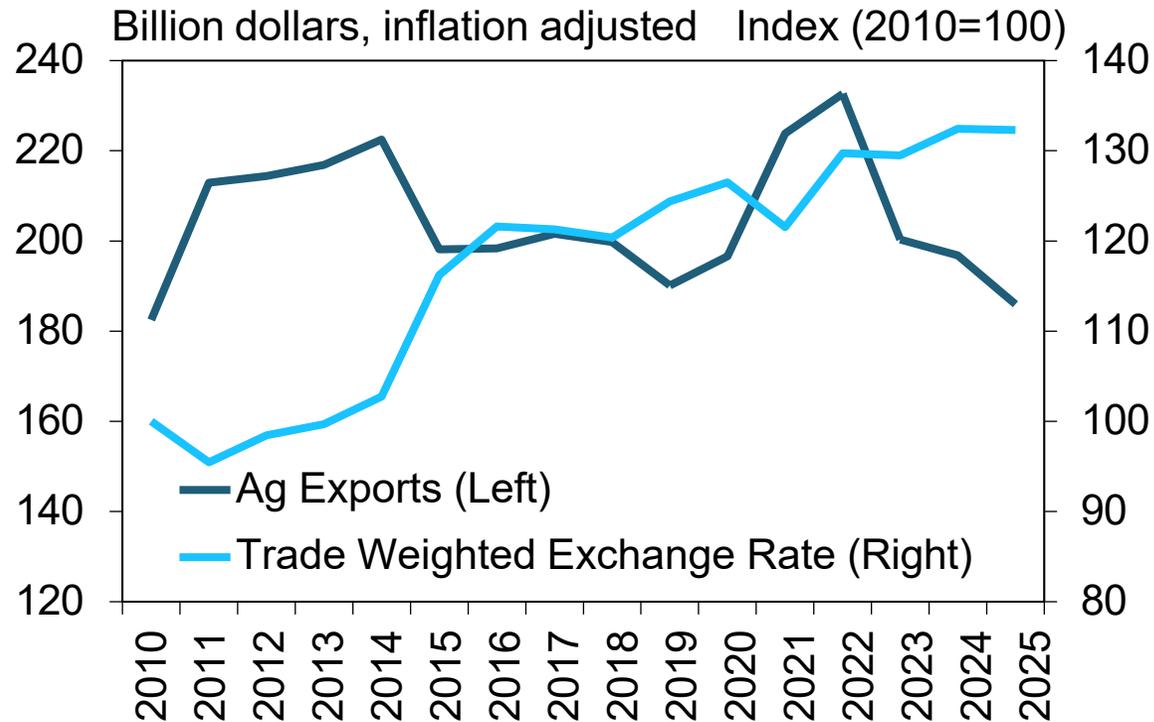


Components of Economic Policy Uncertainty

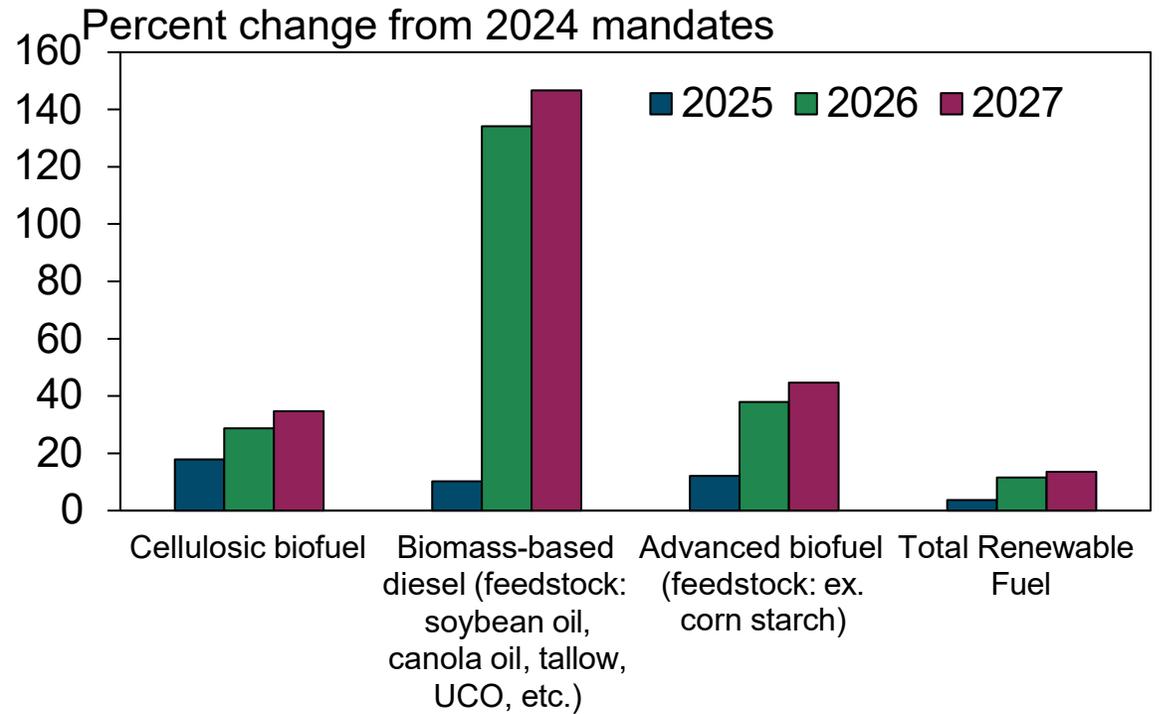


Trade has been a notable headwind for key ag products while biofuel policy has potential to support domestic demand.

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



Proposed Changes to Renewable Fuel Standard Volume Obligations by EPA

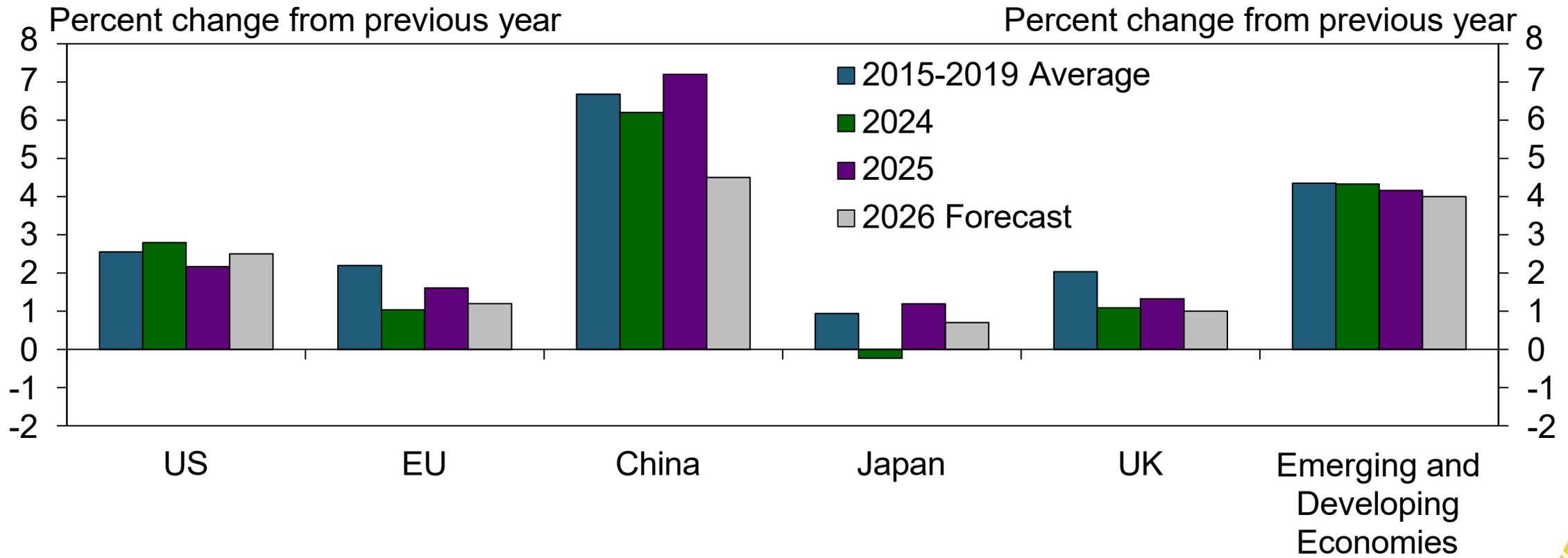


Note: Exports for 2023-2025 are based on year-to-date totals through October.
Sources: USDA, EPA, and FRB Kansas City staff calculations



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

Real GDP Growth



Summary

- Profit margins among crop producers are likely to remain narrow in 2026, 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.
- Economic uncertainty and the potential for reduced economic growth are primary near-term risks associated with Middle East conflict, in addition to costs of fertilizer and fuel.





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