



Strong Farm Economy Continues to Support Credit Conditions

by: Nate Kauffman and Ty Kreitman

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Agricultural credit conditions improved in the first quarter, and farm real estate values continued to increase alongside strength in the U.S. farm economy. Following a year of accelerating increases, the value nonirrigated cropland across much of the U.S. has soared in 2022 through March. The sharp growth in land values persisted despite a slight increase in farm loan interest rates. With broad strength in farm finances, farm loan repayment rates continued to increase and credit conditions remained strong.

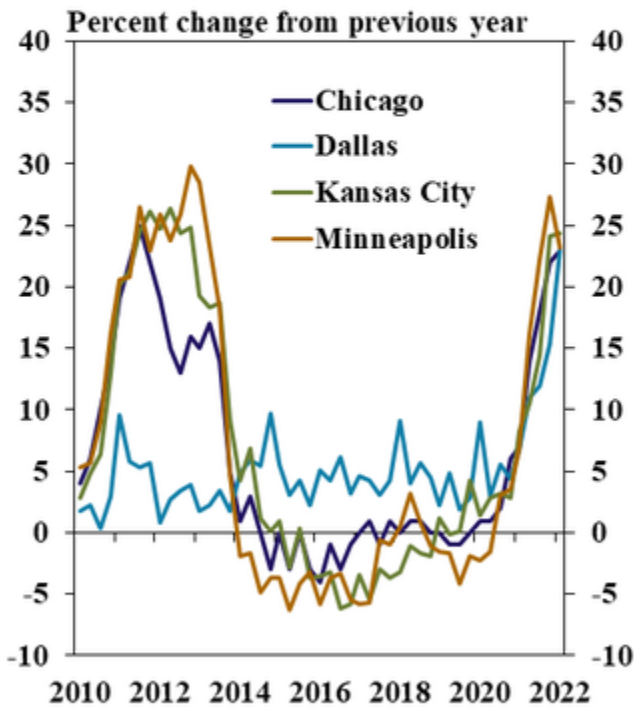
The outlook for agricultural credit conditions remained optimistic alongside persistently strong commodity prices. However, [many lenders expected conditions to soften](#) in coming months alongside the pressures to profit margins from higher input costs and harsh drought conditions in large portions of the country. Farm real estate markets also remained strong, but reduced profit margins or higher interest rates could limit gains in land values in the year ahead.

First Quarter Federal Reserve District Ag Credit Surveys

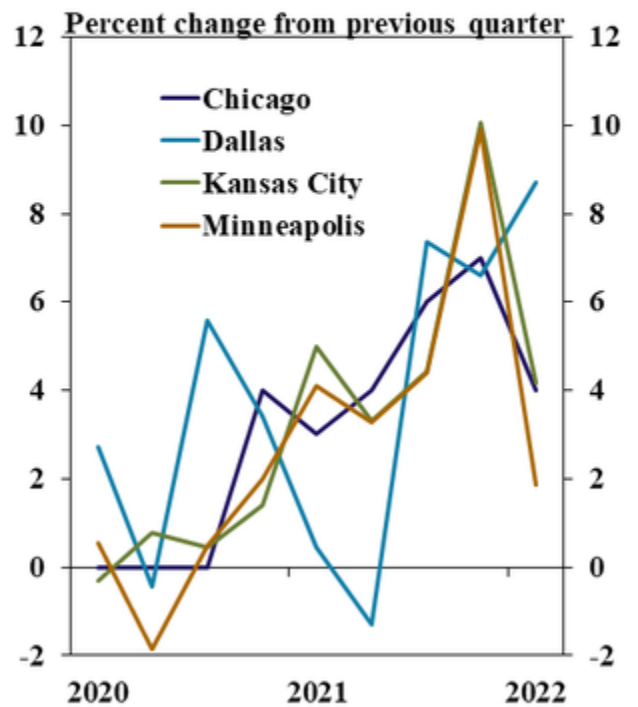
Growth in farm real estate values remained high and accelerated in some regions. Similar to the previous quarter, the value of nonirrigated cropland rose by more than 20% from a year ago in Federal Reserve Districts with a large agricultural concentration (Chart 1). The annual pace of growth increased from the previous quarter in the Dallas and Chicago Districts. Values in the Dallas region also accelerated on a quarterly basis, but steadied to a pace similar to early 2021 in other areas.

Chart 1: Nonirrigated Cropland Values

Annual Change



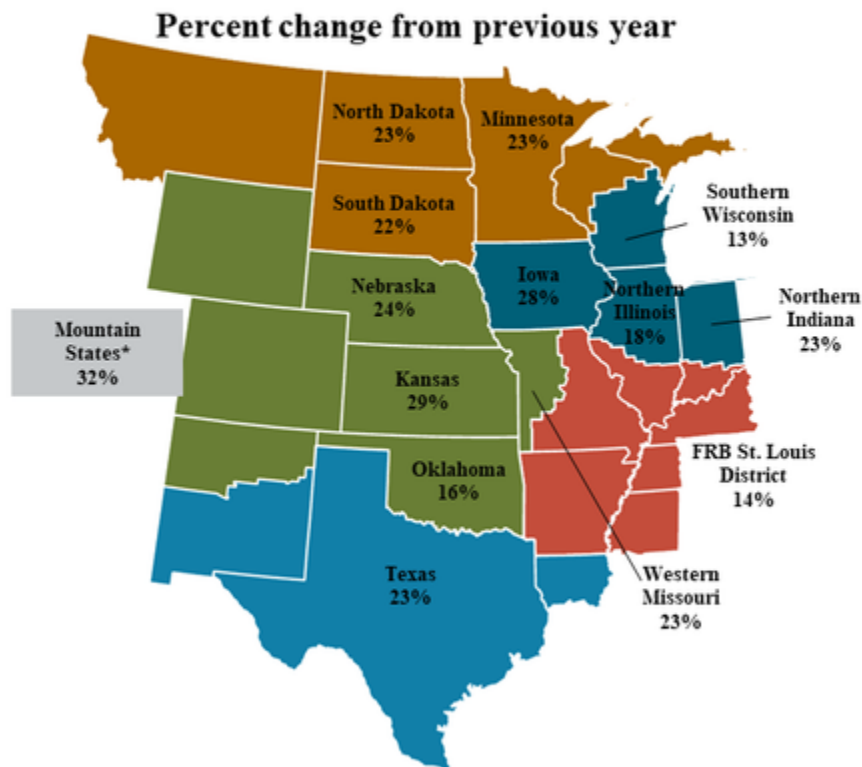
Quarterly Change



Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.

The strength in farm real estate values remained consistent across all states. The value of nonirrigated cropland increased by more than 20% in the majority of states represented in the participating Districts during the first quarter (Map). The increase was particularly sharp in Iowa, Kansas and the Mountain States where values were about 30% higher than a year ago.

Map: Nonirrigated Cropland Values, First Quarter 2022

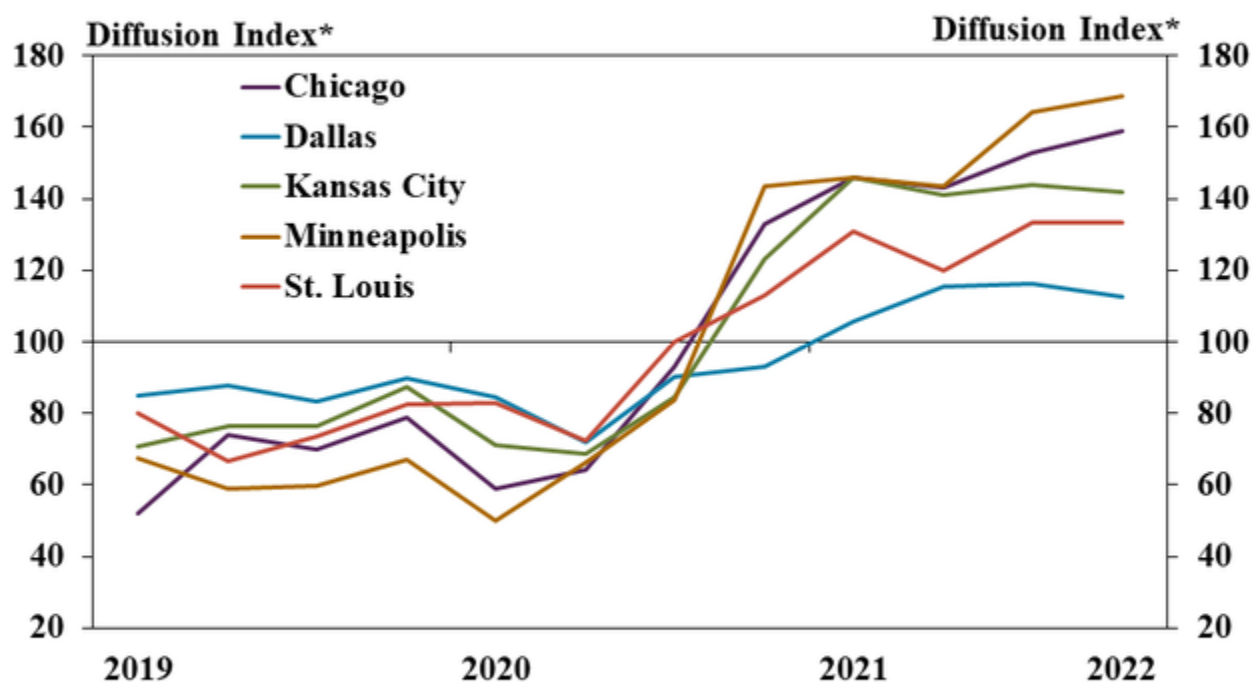


*Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.
Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.

Agricultural real estate values continued to rise sharply despite a slight uptick in interest rates. The average fixed rate charged on farm loans increased in all Districts following an increase in the federal funds rate in mid-March (Chart 2). Fixed rates increased by an average of 20 basis points from the previous quarter across all regions, with a slightly faster rise in the Chicago District.

With high commodity prices supporting farm finances, credit conditions improved further. Farm loan repayment rates increased at a pace similar to recent quarters in most regions and rose at a slightly faster pace in the Chicago and Minneapolis Districts (Chart 3). It marked the fifth consecutive quarter of higher rates of repayment in nearly all regions.

Chart 3: Farm Loan Repayment Rates



*Bankers responded by indicating whether conditions during the current quarter was higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100. Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.

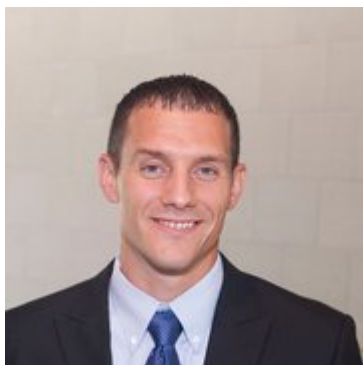
Data and Information

[Federal Reserve Ag Credit Surveys Historical Data](#)

[Federal Reserve Ag Credit Surveys Tables](#)

[About the Federal Reserve Ag Credit Surveys](#)

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Nate Kauffman is Senior Vice President and Omaha Branch Executive at the Federal Reserve Bank of Kansas City. In his role as the Kansas City Fed's lead economist and representative in the state of Nebraska, Nate provides strategic direction and oversight for the Omaha Branch, regional research, and economic outreach throughout the state. He serves as a local connection to the nation's central bank and is responsible for briefing the Kansas City Fed's president – a member of the Federal Open Market Committee – on regional economic and business activity. In addition, Nate is the Kansas City Fed's principal expert in agricultural economics. He is a leading voice on the agricultural economy throughout the seven states of the Tenth Federal Reserve District and the broader Federal Reserve System. Nate oversees several Bank and Federal Reserve efforts to track agricultural economic and financial conditions. He also speaks regularly on the agricultural economy to industry audiences and the news media, including providing testimonies at both U.S. Senate and U.S. House Agriculture Committee hearings. Nate joined the Federal Reserve in 2012. He received his Ph.D. in economics from Iowa State University. Prior to receiving his Ph.D., Nate spent three years in Bosnia and Herzegovina coordinating agricultural economic development projects. Nate lives in Omaha with his wife and four children.

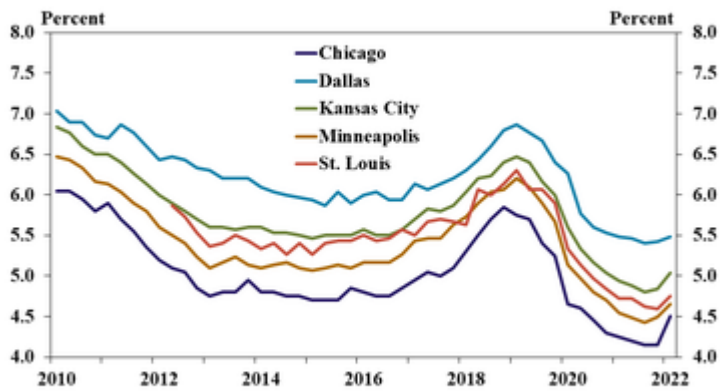


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Ty Kreitman is an associate economist in the Regional Affairs Department at the Omaha Branch of the Federal Reserve Bank of Kansas City. In this role, he primarily supports the Federal Reserve Bank of Kansas City and the Federal Reserve System efforts surrounding agricultural economics research, analysis and outreach. His responsibilities include co-authoring the *Tenth District Survey of Agricultural Credit Conditions* and *Agricultural Finance Updates*. Ty joined the Bank in 2015 as an assistant bank examiner in the Examinations & Inspections Department at the Omaha Branch and transferred to his current position in 2018. He holds a B.A. degree in Economics and Finance from the University of Nebraska-Lincoln and a M.A. degree in Financial Economics from Youngstown State University.

Chart 2: Average Fixed Interest Rates*



*Average of fixed rates on agricultural loans of all types -- operating, intermediate and real estate.
 Note: St. Louis survey began Q2 2012. Chicago District includes only operating and real estate loans.
 Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.