Credit Conditions Strong but Softening

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Farm income and credit conditions softened in the third quarter alongside a moderation in the farm economy. According to Federal Reserve District Surveys of Agricultural Credit Conditions, farm income softened from a year ago and loan repayment rates were steady following two years of substantial improvement. Despite more tempered conditions in the agricultural economy and further increases in interest rates, farm real estate values remained strong.

The U.S. agricultural economy has moderated in recent months alongside elevated costs and lower prices for some key commodities. Despite easing from strong levels, agricultural credit conditions and farm loan performance remained strong. Robust financial strength built up over the past two years alongside high farm incomes has continued to support farm finances throughout 2023. Looking ahead, many farm lenders continue to cite interest rates, higher input costs, and drought as key concerns.

Third Quarter Federal Reserve District Ag Credit Surveys

Agricultural credit conditions remained sound, but conditions have eased from a period of considerable strength. According to survey results in participating Districts, farm income softened from a year ago at a modest pace (Chart 1, left panel). Repayment rates on farm loans were largely unchanged in all regions compared with a year ago with similar shares of respondents reporting that repayment was higher and lower than a year ago (Chart 1, right panel).
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Softening in farm income and loan repayment rates coincide with further increases in interest rates. Interest rates charged on farm loans increased for the eighth consecutive quarter and were the highest in more than 20 years (Chart 2). Average rates on all types of loans climbed to above 8% in all Districts, a steep rise from historic lows in 2021 that has increased financing costs considerably for farm borrowers.
Despite some downward pressures, agricultural real estate values remained strong. Growth in nonirrigated farmland values softened further in the third quarter but remained firm, with increases averaging about 5% from a year ago in most regions (Chart 3). In contrast to most areas, farmland values in the Dallas District grew at a notably stronger pace with some respondents in the region observing robust demand in some areas of Texas.
Chart 3: Nonirrigated Cropland Values

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 testinomies 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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