



Agricultural Credit Survey

Early Signs of Financial Pressure

by: Cortney Cowley and Ty Kreitman

August 12, 2024

Agricultural credit conditions in the Tenth Federal Reserve District tightened further in the second quarter of 2024.

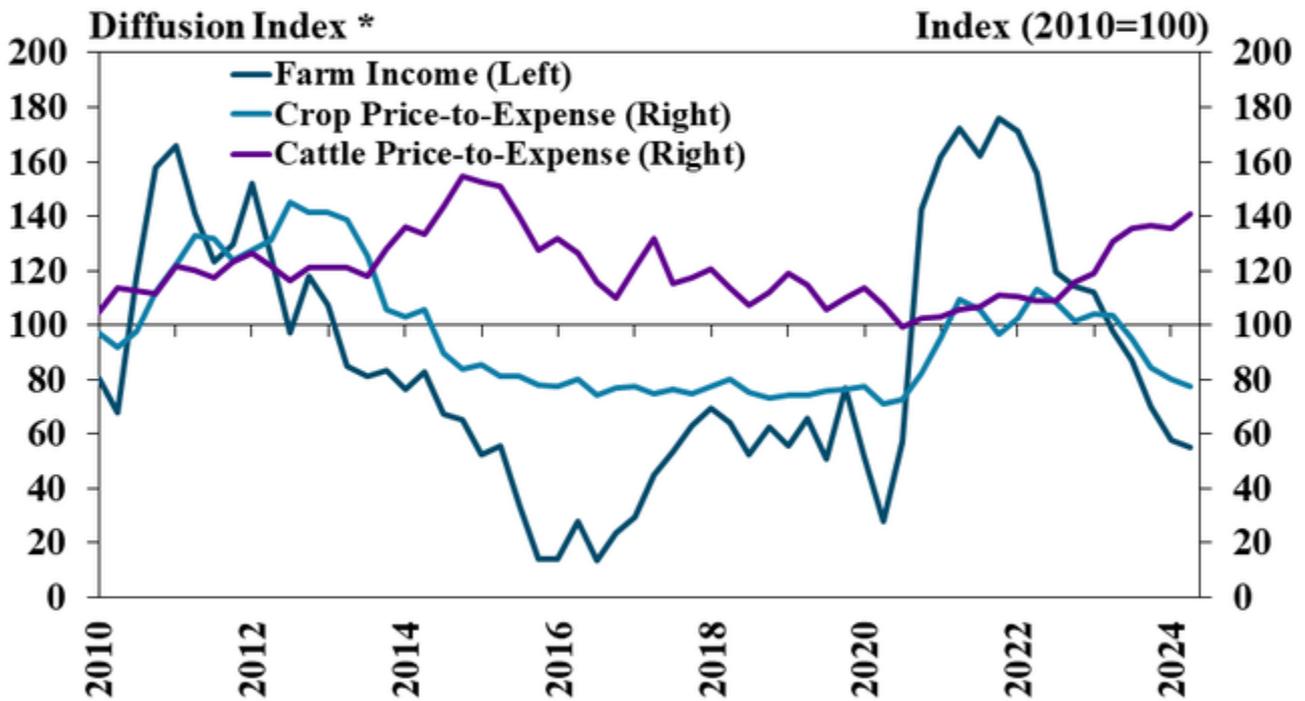
Agricultural credit conditions in the Tenth Federal Reserve District tightened further in the second quarter of 2024. Alongside lower crop prices and continued pressure from elevated production expenses, farm income declined at a slightly faster pace than recent quarters, especially in states more concentrated in crop production. In addition, more agricultural banks also reported that farm borrower liquidity had declined relative to last year. Cattle prices continued to rise through mid-year, however, providing some support to farm borrowers and values for ranchland.

Despite sharp declines in farm income and capital spending, agricultural credit stress remained limited, but signs of financial pressure have appeared. Lenders reported modest deterioration in farm finances, farm loan repayment rates declined at a gradual pace similar to recent quarters, and repayment problems on farm loans rose slightly. Any additional weakening in incomes and liquidity could increase the risk of deterioration in credit conditions.

Section 1: Credit Conditions

Farm incomes in the Tenth District continued to weaken alongside cost pressures that remained elevated. Although the pace of decline in farm income slowed, more than 60% of agricultural lenders reported that farm income was lower than a year ago (Chart 1). Strong cattle prices have supported profit margins in the cattle sector, but prices for crops have declined faster than production expenses.

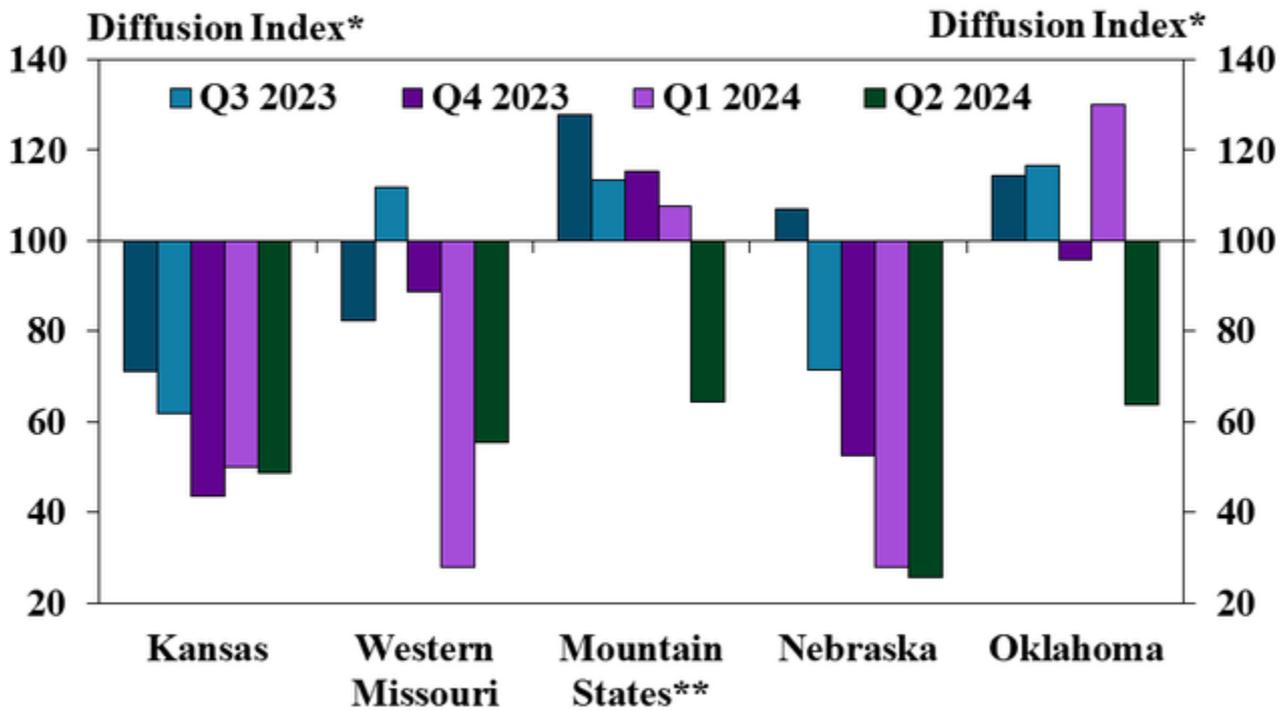
Chart 1: Tenth District Farm Income and U.S. Farm Price-to-Total Production Expenses



*Bankers responded to by indicating whether farm income during the current quarter were 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.
 Additional Sources : USDA, Haver Analytics and staff calculations

Farm income was lower in all states, but the retraction remained especially pronounced in areas more impacted by low crop prices. The index of farm income was lower in Kansas, Missouri, and Nebraska, where crops make up a larger share of farm revenues (Chart 2). After strengthening last quarter, farm income in the Mountain States and Oklahoma declined in the second quarter as 30% of lenders in those states reported lower farm income than a year ago.

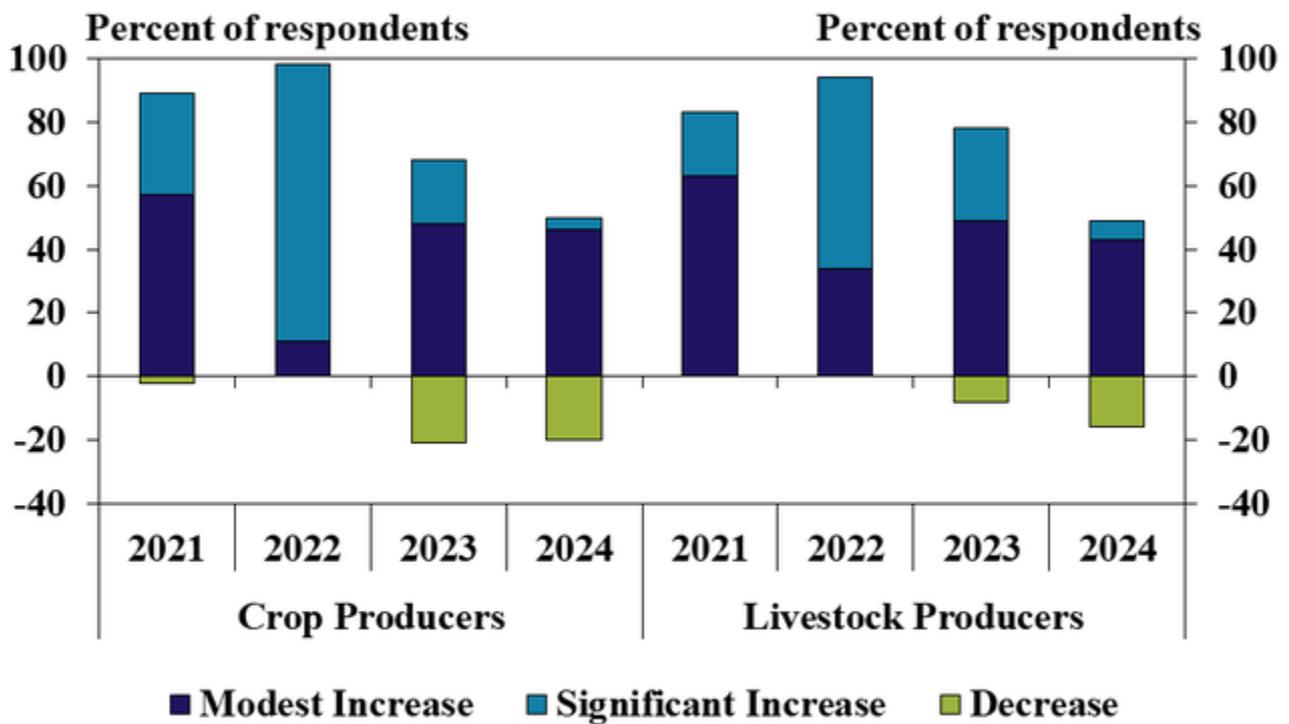
Chart 2: Farm Income by State



*Bankers responded to each item by indicating whether conditions during the current quarter were 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.
 **Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.

Profits have been squeezed by production costs, which remained elevated but have shown some signs of moderating. About 45% of crop and livestock lenders reported a moderate increase in year-to-date and planned production expenses relative to a year ago, which was similar to last year (Chart 3). In contrast to recent years, however, only 5% of lenders reported significant increases in production expenses and a sizeable share also reported a decline in costs.

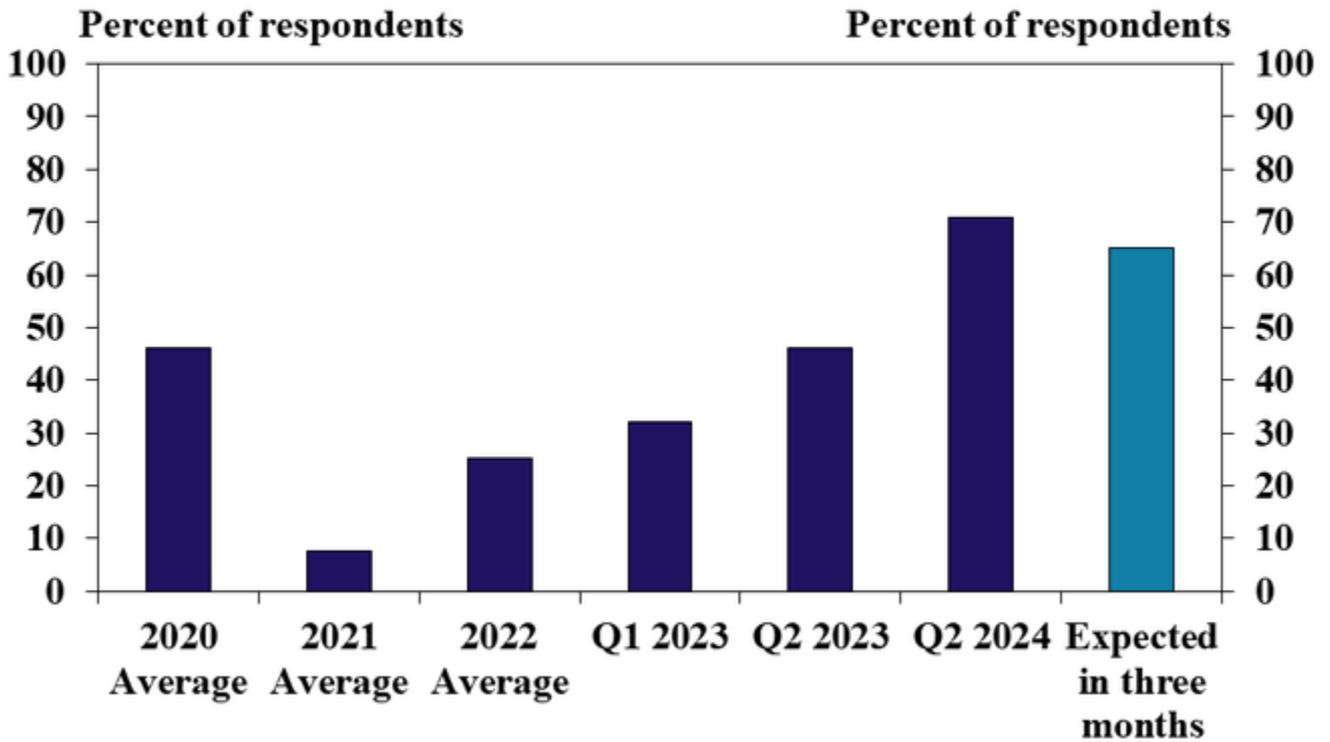
Chart 3: Change in Farm Production Expenses, Q2



Note: Respondents answered the following question: How have year-to-date and planned production expenses changed for crop producers in your area relative to one year ago? How have year-to-date and planned production expenses changed for livestock and dairy producers in your area relative to one year ago?

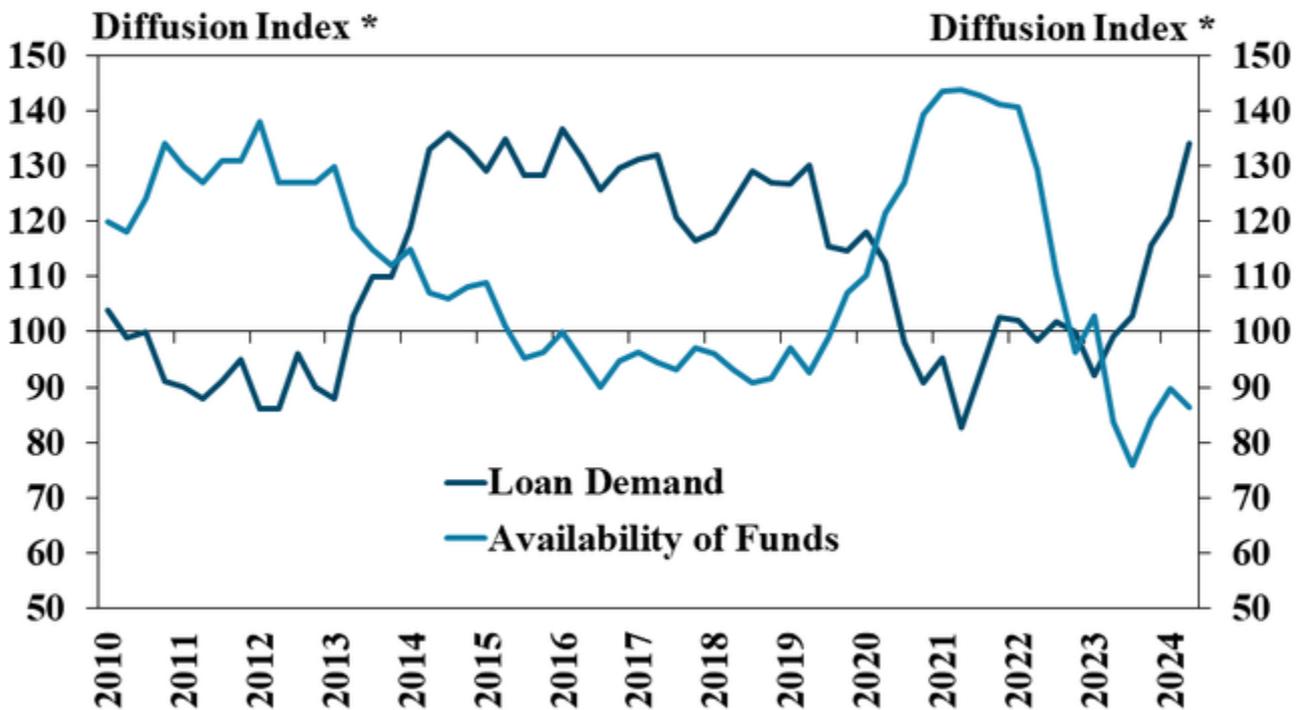
Ongoing expense pressures and low prices for key commodities also further reduced farm liquidity in the region. The share of banks reporting lower farm borrower liquidity has steadily increased since 2021 and climbed to more than 70% in the second quarter (Chart 4). Looking ahead, 65% of banks expected liquidity to continue to decline in the next quarter.

Chart 4: Share of Banks Reporting Lower Farm Borrower Liquidity



Loan demand in the District rose sharply alongside elevated costs and recent liquidity depletion. Demand for non-real estate farm loans rose at the fastest rate since 2016, with nearly 45% of lenders reporting that demand was higher than a year ago (Chart 5). Although loan demand has increased alongside lower farm incomes, availability of funds has declined at a more moderate pace.

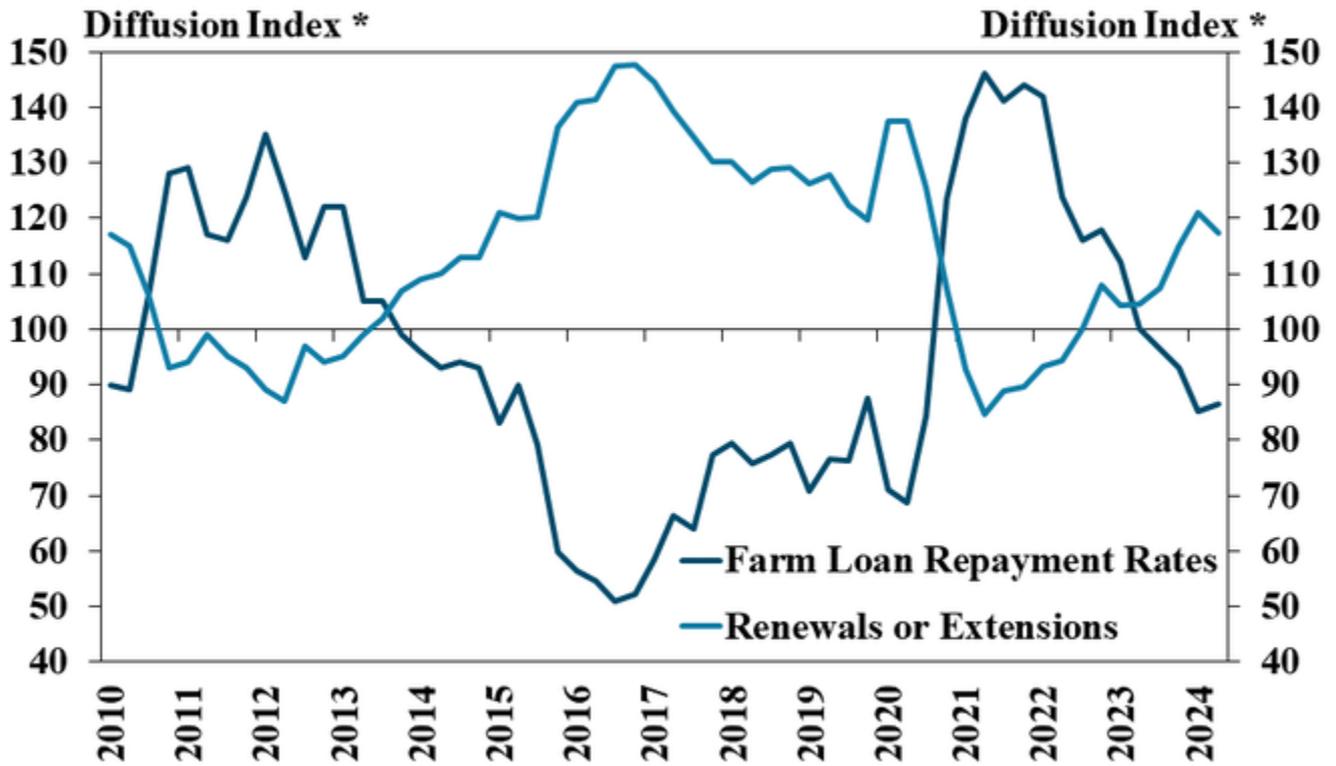
Chart 5: Tenth District Non-Real Estate Loan Demand and Fund Availability



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Alongside an increase in demand for new loans, renewals and extensions remained elevated and farm loan repayment rates declined at a similar pace as last quarter. Most agricultural lenders continued to report an increase in renewals and extensions and lower farm loan repayment rates relative to a year ago (Chart 6). However, despite sharp declines in crop prices and income for farm borrowers, agricultural credit conditions have decreased at a comparatively slower pace

Chart 6: Select Tenth District Credit Conditions

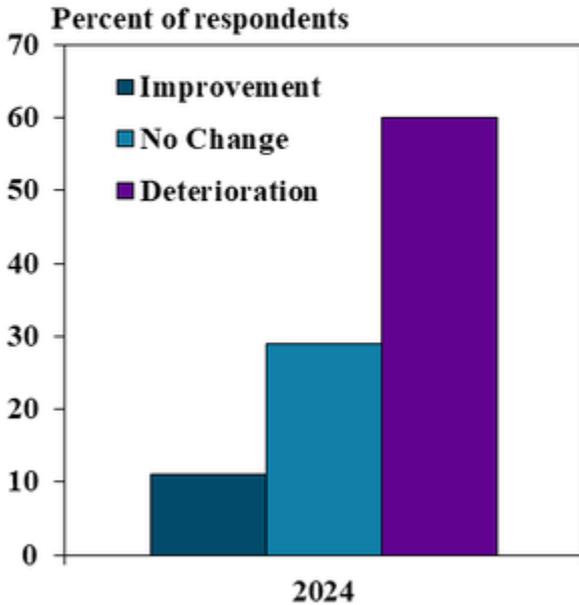


*Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.

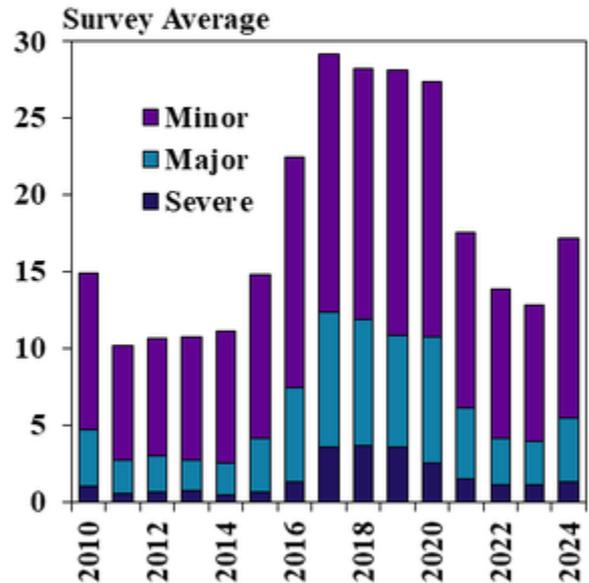
Credit conditions have tightened alongside modest deterioration in farm finances, and loan performance weakened slightly. In the second quarter, 60% of agricultural lenders reported a deterioration in farm borrower financial condition relative to a year ago, while 30% reported no change and 10% reported an improvement (Chart 7). Although 17% of banks reported repayment problems, up from 13% in 2023, a majority of the problems remained minor.

Chart 7: Borrower Financial Conditions and Loan Repayment Problems, Q2

Change in Financial Condition of Farm Borrowers From 1-Year Ago



Degree of Farm Loan Repayment Problems

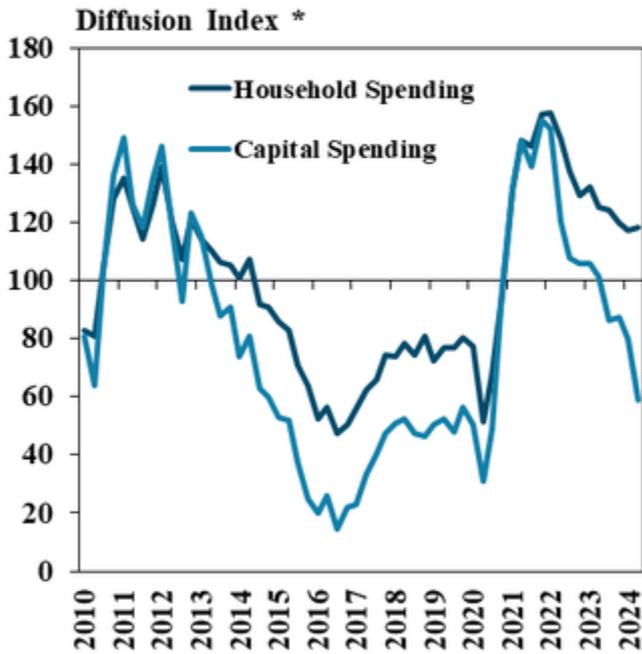


Note: Bankers responded to the following questions: Assess the overall change in the financial condition of agricultural borrowers (farmers and/or ranchers) in your area from a year earlier (significant improvement, modest improvement, no change, modest deterioration, significant deterioration). Please indicate the percentage of the dollar amount of your bank's farm loan portfolio that currently falls within each of the following repayment classifications (None, minor, major or severe).

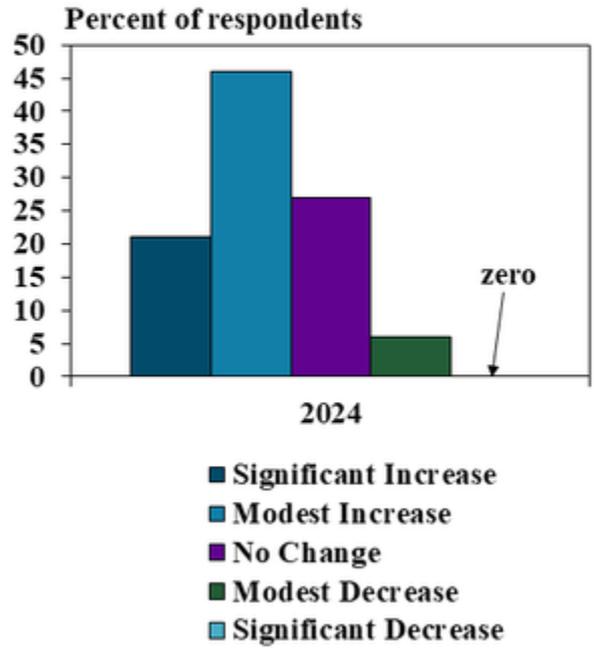
Capital spending remained subdued alongside softer farm finances, but household spending continued to rise gradually. The path of capital and household spending diverged further in the second quarter, as capital expenditures dropped at a faster pace and household expenditures continued to increase at a similar pace as the previous quarter (Chart 8). Nearly half of bankers in the region reported that living expenses for farm borrowers increased modestly compared to last year and more than 20% reported that the increases were significant—which could amplify financial stress for some farm households.

Chart 8: Tenth District Farm Borrower Spending

Household and Capital Spending



Change in Household Living Expenses, Q2 2024

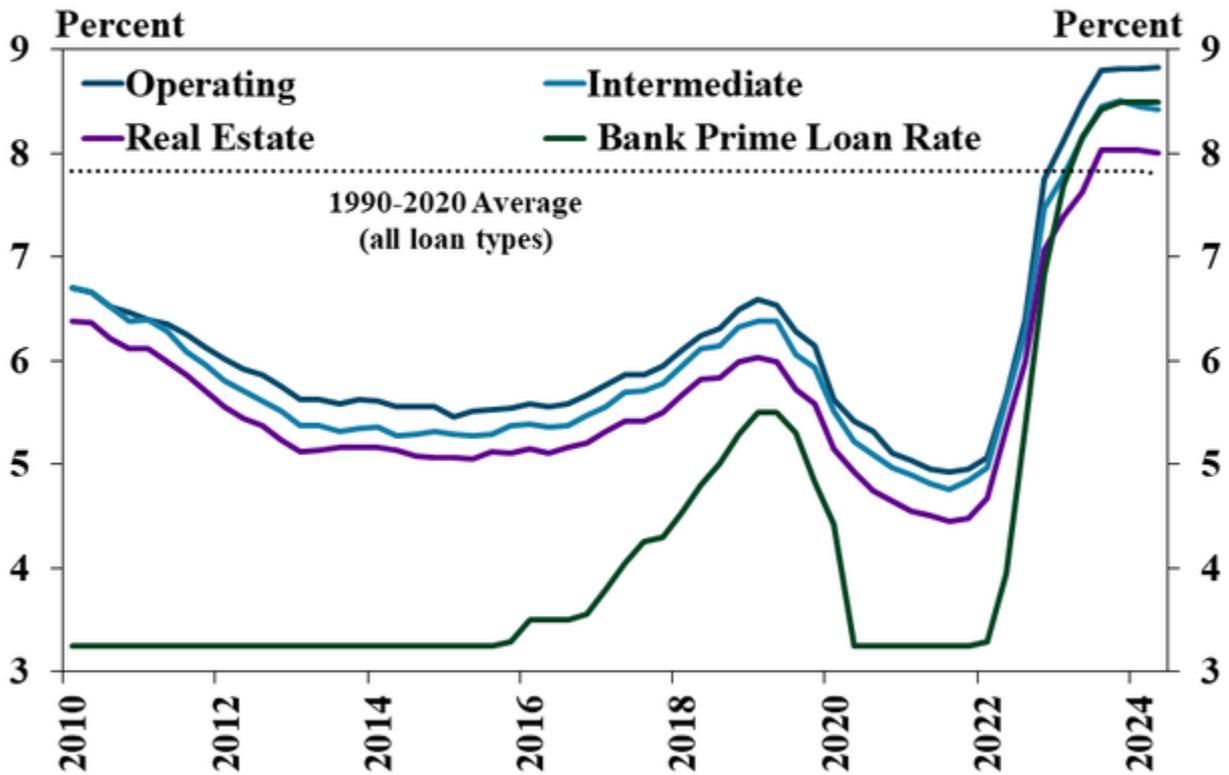


*Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100. Note: Bankers responded to the following question: How have year-to-date and planned household living expenses changed for farm households in your area relative to one year ago? (significant increase, modest increase, no change, modest decrease, significant decrease).

Section 2: Interest Rates and Farmland Values

Average interest rates were nearly unchanged from last quarter and remained above average. Interest rates on operating loans ticked up by 1.5 basis points, while rates on intermediate and real estate loans fell by 2 basis points (Chart 9). However, all rates remained above the average over the past 30 years.

Chart 9: Tenth District Average Interest Rates

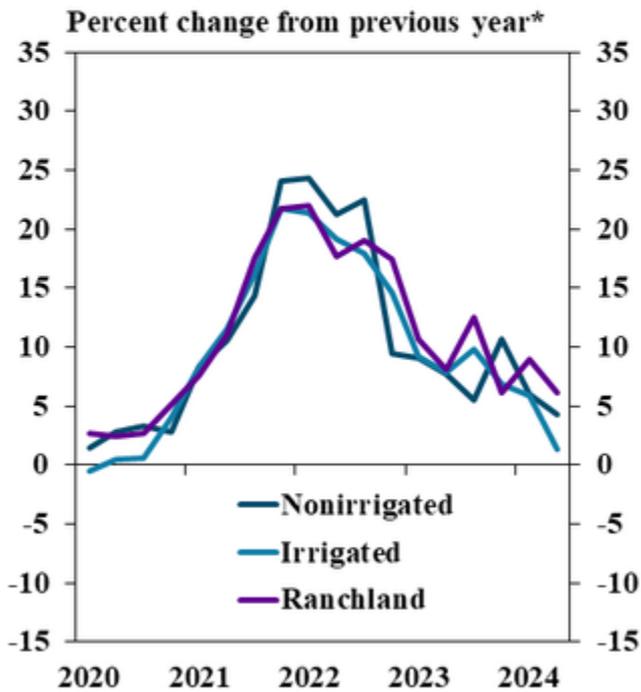


Note: Average rates are calculated as the average of fixed and variable rates for each loan category.
 Additional Sources: Federal Reserve Board and Haver Analytics

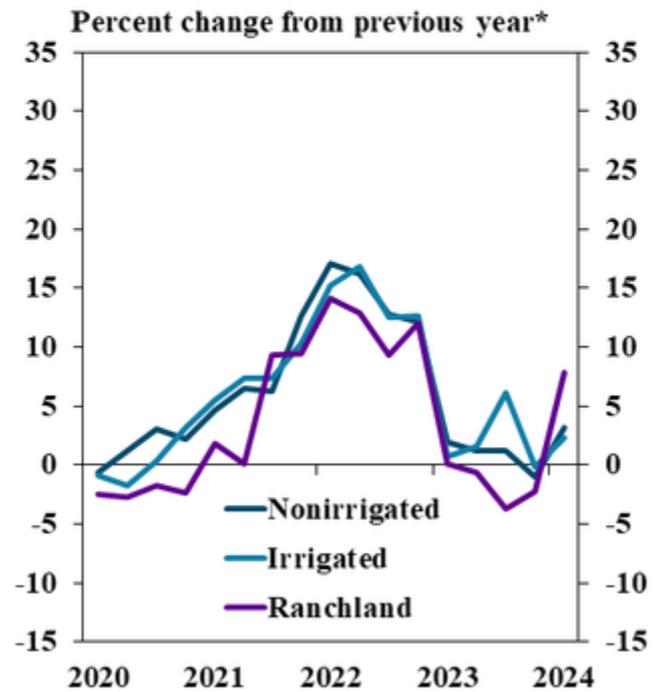
The value of all types of farmland grew at a slower pace, while cash rents rebounded slightly. Values for nonirrigated and irrigated cropland grew less than 5% from a year ago, while ranchland values held firmer and increased 6% (Chart 10). Ranchland cash rents also rebounded more sharply than rents for cropland. In the second quarter, rents for ranchland rose nearly 8% from last year. Stronger prices and profit margins for cattle could be contributing to relatively stronger markets for ranchland in the region.

Chart 10: Tenth District Farmland Values and Cash Rents

Farmland Values



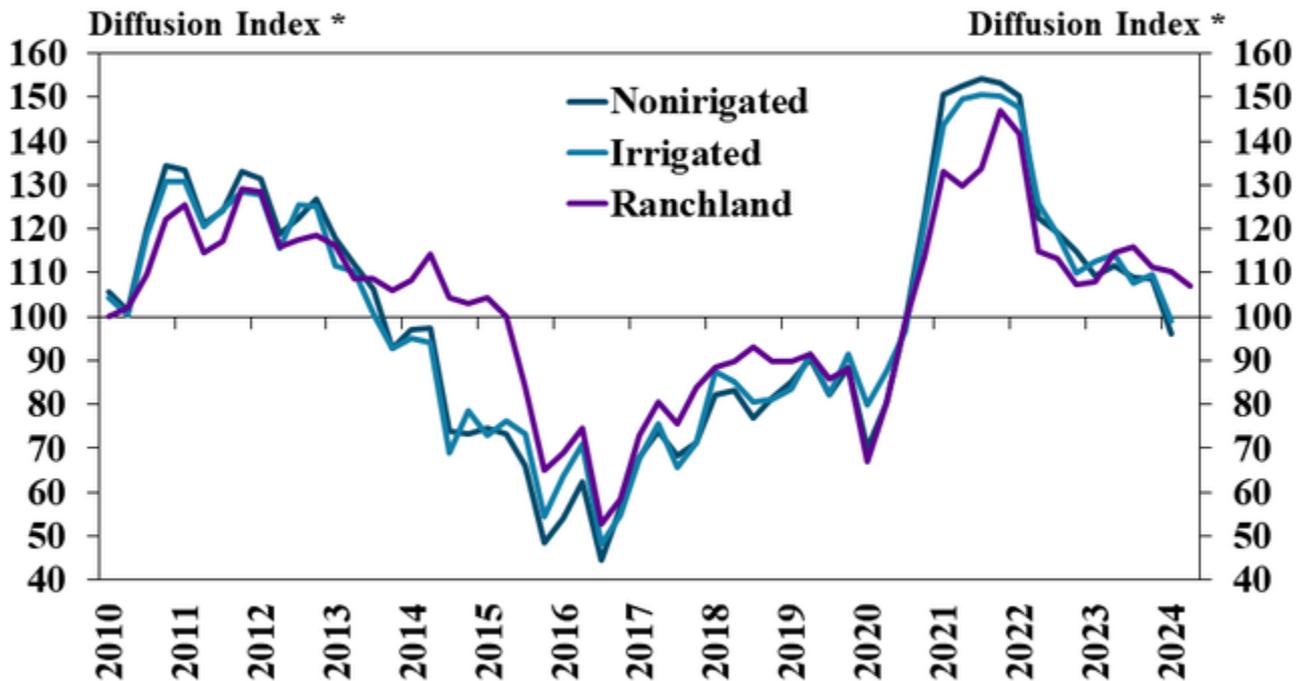
Cash Rents



*Percent changes are calculated using responses only from those banks reporting in both the past and the current quarters.

Amid higher interest rates and a general moderation in the farm economy, lenders expected land values to moderate further in the months ahead. About 80% of agricultural lenders expected land values to remain unchanged in the next quarter (Chart 11). However, for the remaining 20%, a larger share of bankers expected cropland values to decline and ranchland values to increase.

Chart 11: Expected Change in Tenth District Farmland Values



*Bankers responded to each item by indicating whether conditions during the next three months were expected to be 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.

Banker Comments Q2 2024

"Beef producers have experienced good margins over the last 12-18 months, but increasing replacement costs and interest costs will reduce margins moving forward."- Kansas

"Lower grain prices and continued drought are causing stress."- Kansas

"Inflation has increased family living expenses for our producers. Lower crop prices compared to a year ago is also worrisome to farmers in the area but continued high livestock prices have helped our cattle producers."- Kansas

"Inflation is having a substantial effect on family living. Equipment upgrades and new purchases are a rare conversation with stressed cash flows."- Missouri

"We expect profit margins to be reduced in the row crop sector while we should see significant improvement in profit margins in the cattle sector."- Missouri

“The cattle market has provided much needed profit for cattle producers, but expansion and replacements have a lot of risk for borrower and lenders if a correction is to take place in the near future.”- Missouri

“We are seeing quite a few of our farm lines of credit approaching their max already, which would be a few months earlier than normal.”- Nebraska

“Inflation is keeping household spending higher, liquidity took a hit and we have seen some refinancing needed against land, but land prices are still high even with higher interest rates.”- Nebraska

“Interest rates and commodity prices and primary concerns in our area.”- Nebraska

“If cattle prices maintain, cattle producers will be okay until stockers are purchased, but if cattle prices deteriorate, it could be ugly. Crop farmers with low prices are hurting and yields were all over the spectrum.” - Oklahoma

“Cost of living is increasing significantly and equipment and parts cost are increasing significantly.” - Oklahoma

“Higher rates are straining farmers cash flow and ability to operate with increasing input costs.” Oklahoma

Data: [Credit Conditions](#) | [Fixed Interest Rates](#) | [Variable Interest Rates](#) | [Land Values](#) A total of 132 banks responded to the Second Quarter Survey of Agricultural Credit Conditions in the Tenth Federal Reserve District—an area that includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, the northern half of New Mexico and the western third of Missouri. Please refer questions to Cortney Cowley, senior economist or Ty Kreitman, associate economist at 1-800-333-1040.

Authors



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Cortney Cowley serves as **Oklahoma City** Branch Executive and Assistant Vice President for the Federal Reserve Bank of Kansas City. Cowley joined the Bank in 2015 as an economist and was promoted to senior economist in 2021. In 2025, Cowley began her role as Branch Executive. As Oklahoma City Branch Executive, Cowley is the Bank's lead officer and economist in Oklahoma. She recruits and works closely with the Oklahoma City Branch Board of Directors and is responsible for briefing Kansas City Fed President Jeff Schmid, a member of the Federal Open Market Committee, on economic trends in the state. She also serves as a special advisor on agriculture to Vice Chair for Supervision Miki Bowman at the Federal Reserve Board of Governors. Cowley's team conducts research and surveys on key regional issues such as energy, manufacturing and migration. Cowley holds a Ph.D. in Agricultural Economics from Oklahoma State University, as well as a master's degree in Civil Engineering from Colorado State University and a bachelor's degree in Biosystems Engineering from Oklahoma State University, where she was named a Harry S. Truman Scholar. She is a member of the Economic Club of Oklahoma, Downtown Club of Oklahoma City, the Agricultural and Applied Economics Association and serves as an economic advisor on the campaign cabinet of the United Way of Central Oklahoma. Cowley, along with her husband and eight-year-old twins, lives on a small farm northwest of Oklahoma City.



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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.