



Agricultural Finance Update

Large Operating Loans Continue to Drive Growth in Farm Lending Activity

by: Cortney Cowley and Ty Kreitman

October 25, 2024

The volume of new operating loans at commercial banks increased over 40% from last year, following annual growth of about 20% the previous quarter

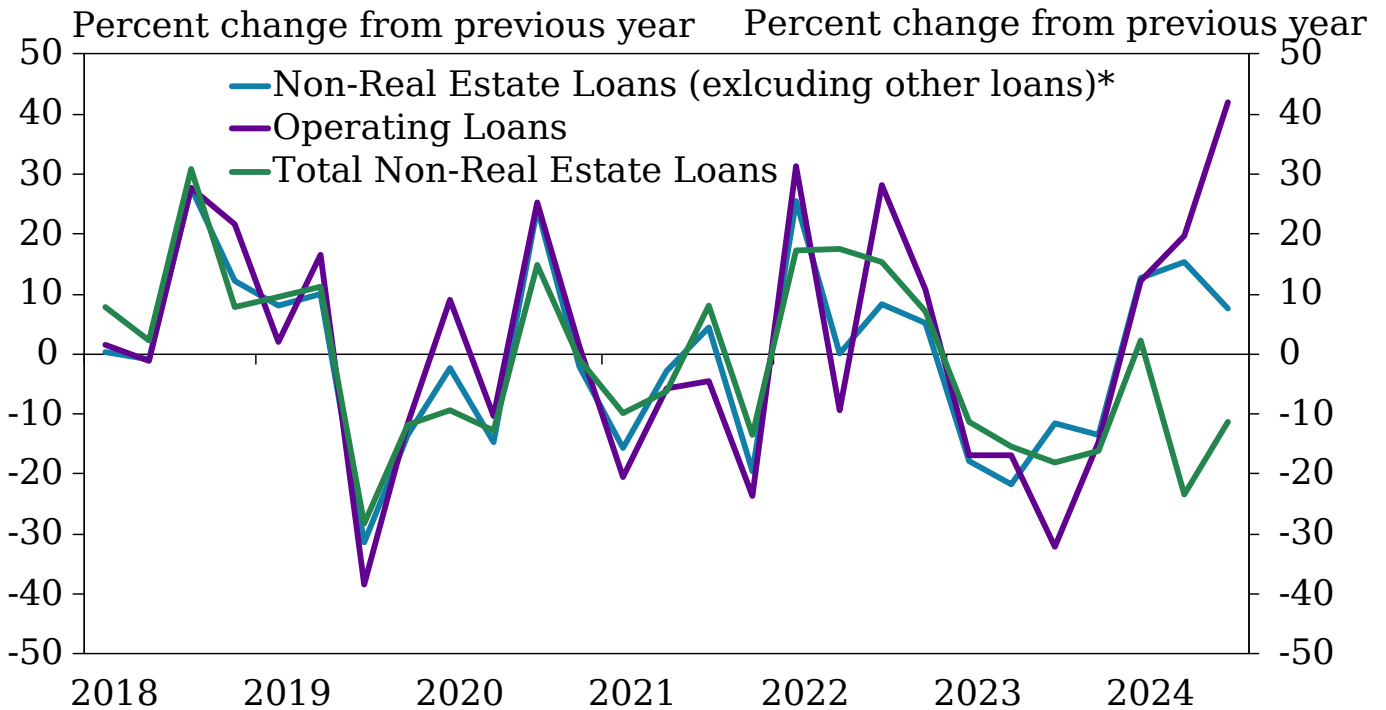
Farm lending activity continued to expand alongside growth in operating loans. According to the Survey of Terms of Lending to Farmers, the volume of new operating loans at commercial banks increased over 40% from last year, following annual growth of about 20% the previous quarter. Similar to last quarter, larger loans and loans originated at small or mid-sized lenders drove the increase in short-term financing. Interest rates on farm loans remained elevated, but maturities declined following dramatic increases earlier in the year.

Weak profit margins in the crop sector continued to weigh on the farm economy even as prospects in the cattle industry remained strong. [Farm operating debt has grown at a rapid pace](#) alongside lower crop prices and persistently high production costs while lending activity for other types of loans has softened. A moderation in farm sector liquidity and higher interest rates has likely contributed to reduced demand for machinery lending and reduced spending on more discretionary purchases.

Third Quarter National Survey of Terms of Lending to Farmers

Growth in farm operating loans continued to strengthen in the third quarter. The volume of new operating loans increased at the fastest pace since 2017, contributing to a 10% increase in lending for key types of non-real estate farm debt (Chart 1). Similar to [the previous quarter](#), demand for loans that typically fund non-specified and miscellaneous purchases slowed significantly and contributed to a decline in total non-real estate lending.

Chart 1: Volume of Non-Real Estate Farm Loans

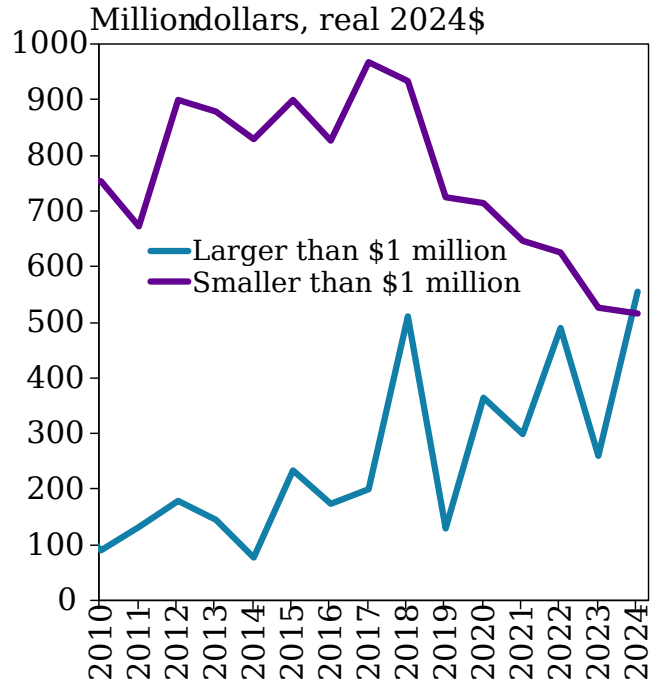
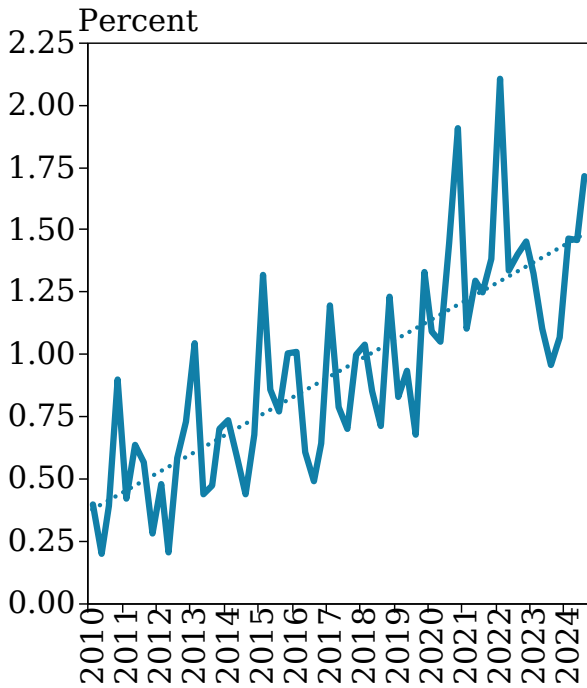


*Other loans include loans used for purposes other than feeder livestock, other livestock, other farm machinery and equipment, or the purpose is not specified.
 Sources: Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City

The volume of operating loans grew alongside a considerable increase in large loans. The number of loans larger than \$1 million increased sharply in the third quarter, rebounding to a level above the historic trend following a pullback during most of 2023 (Chart 2, left panel). For the first time in at least two decades, the volume of loans larger than \$1 million eclipsed the volume of loans smaller than \$1 million (Chart 2, right panel).

Chart 2: Farm Operating Loans by Size

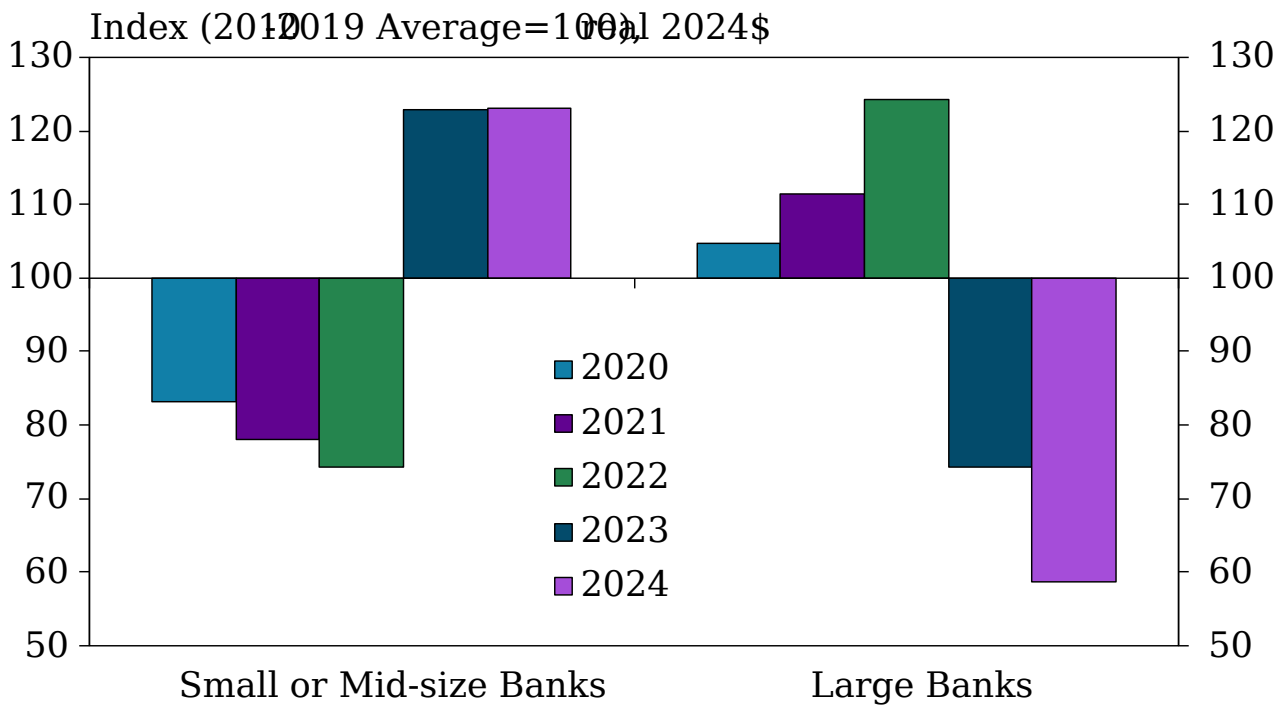
Number of Loans Larger Than \$1 Million as a Share of Operating Loans Volume of Loans by Size, Q3



Sources: Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City

Despite substantial growth in larger loans, the growth in loan volumes was concentrated among small and mid-sized lenders. The volume of new farm loan originations at small and mid-sized banks continued to increase in the third quarter while farm loans at large banks declined at a faster pace (Chart 3). Coming out of the pandemic, lending activity declined at smaller lenders and increased at larger institutions, but that trend reversed in 2023 and has continued into 2024.

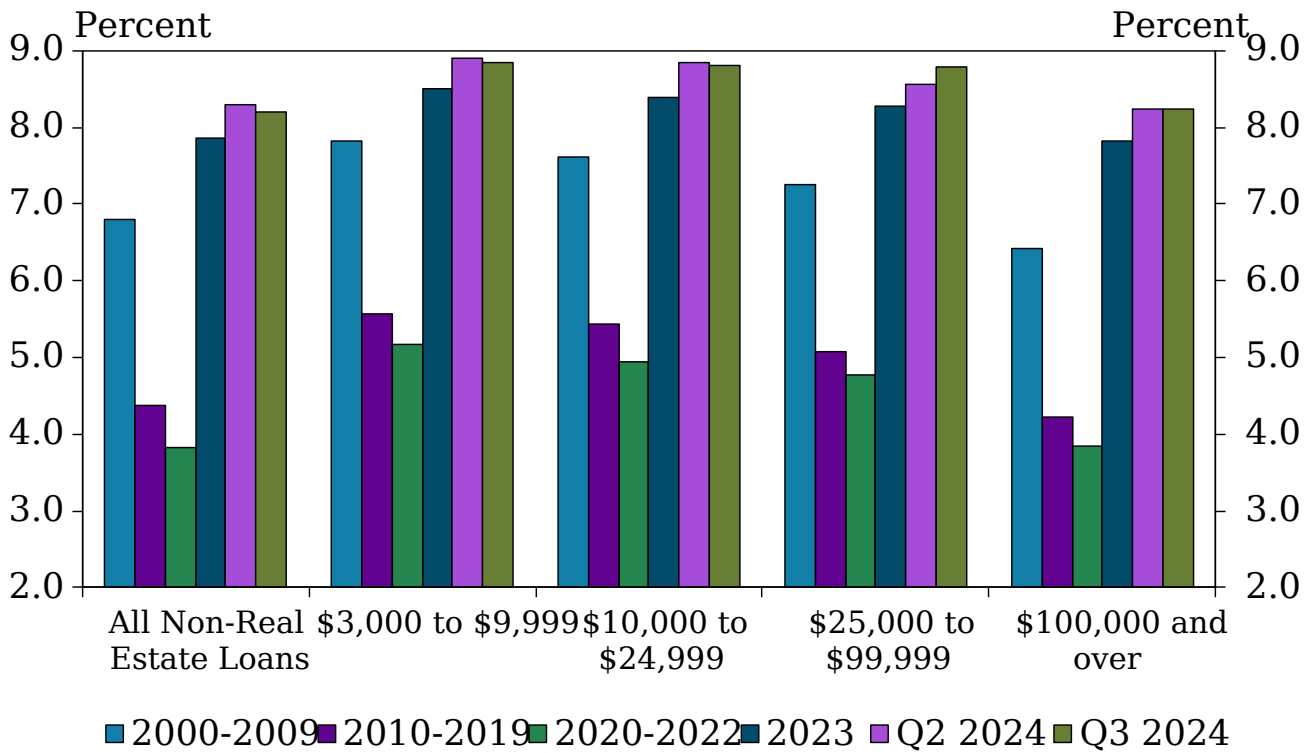
Chart 3: Farm Loan Volumes by Bank Size, Q3



Note: Small or mid-size banks have farm loan portfolios with \$25 million or less in farm loans and large banks have portfolios with more than \$25 million in farm loans.
 Sources: Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City

Interest rates on farm loans were steady in the months prior to the recent decline in the federal funds rate. Average interest rates on all farm loans remained slightly above 8% in the third quarter of 2024, well above average levels from two years ago (Chart 4). Rates changed by less than 10 basis points on loans of most sizes and remained slightly lower on larger notes.

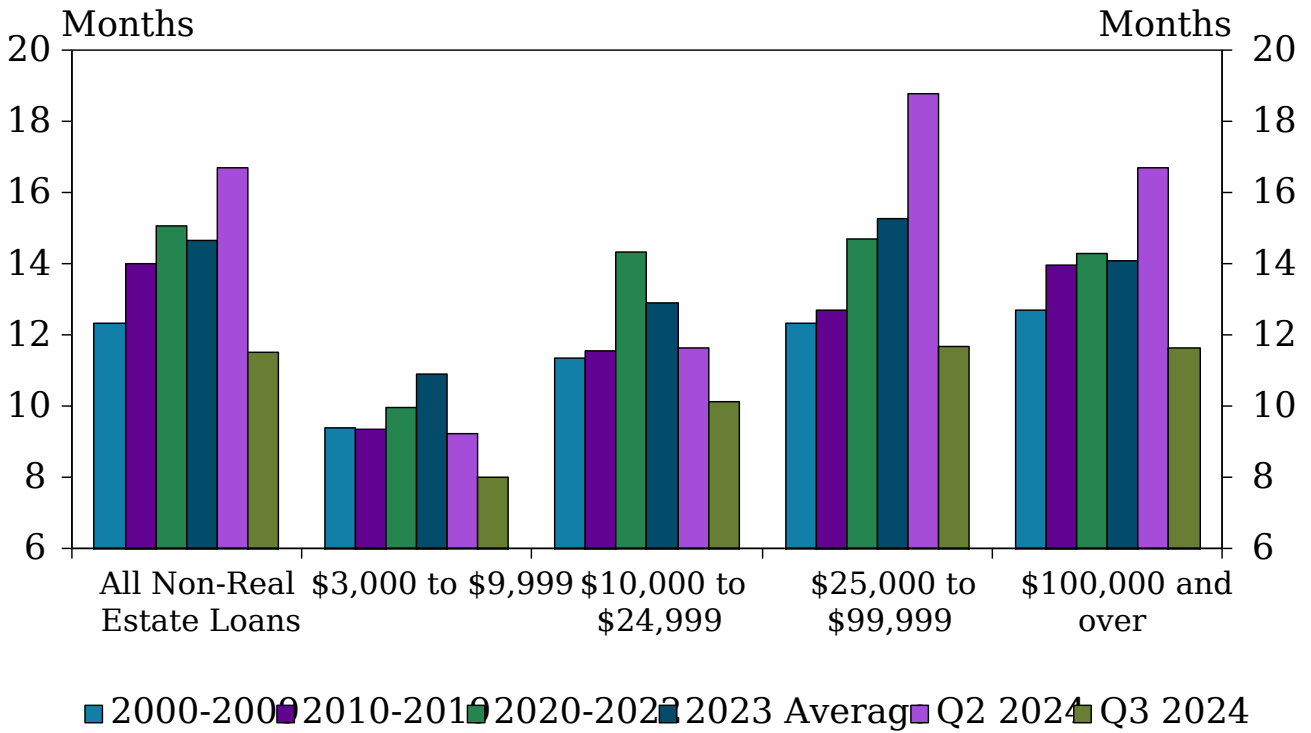
Chart 4: Average Interest Rates by Loan Size



Sources: Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City

Loan durations moderated from levels that were considerably higher in previous quarters. The average duration of non-real estate loans fell by about five months from the previous quarter (Chart 5). Average maturities declined for loans of all sizes but most notably for larger loans.

Chart 5: Average Maturity by Loan Size



Sources: Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City

Data and Information [National Survey of Terms of Lending to Farmers Historical Data](#)

[National Survey of Terms of Lending to Farmers Tables](#)

[About the National Survey of Terms of Lending to Farmers](#)

Authors



Cortney Cowley

Assistant Vice President and Oklahoma City Branch Executive

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.



Ty Kreitman

Associate Economist

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.