## Agricultural Finance Update

# Slowdown in Farm Economy Continues

by: Cortney Cowley and Ty Kreitman

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Agricultural credit conditions continued to decline amid a broader slowdown in the farm economy.

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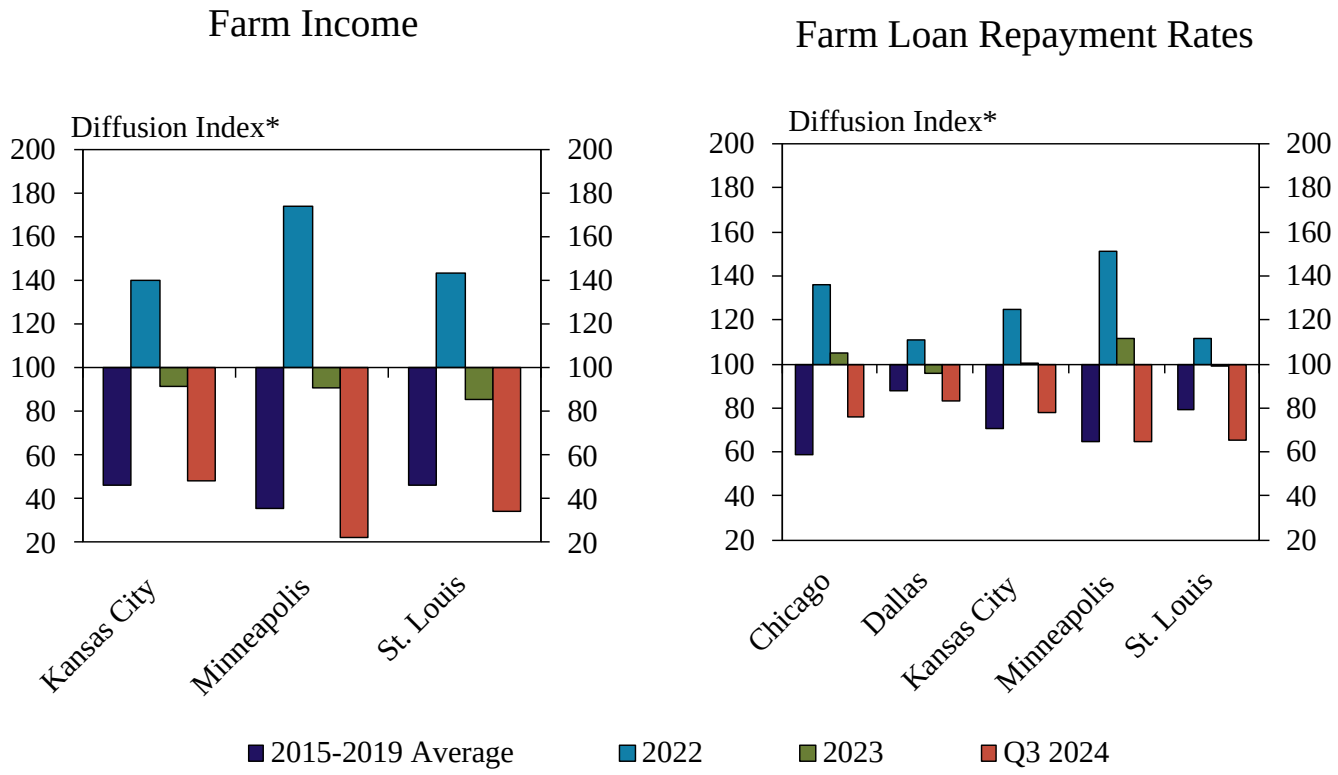
Agricultural credit conditions continued to decline amid a broader slowdown in the farm economy. Results from Federal Reserve System Agricultural Credit Surveys showed that farm income and loan repayment rates weakened further in the third quarter.

Persistently high production expenses and lower prices for key commodity crops have weighed on farm incomes and made it more difficult for farm borrowers to repay loans. Growth in farm real estate values continued to moderate, but average interest rates on farm loans decreased.

### Third Quarter Federal Reserve District Ag Credit Surveys

Farm income and credit conditions weakened slightly in the third quarter. Both income and farm loan repayment rates declined at a faster pace in all reporting districts compared to a year ago (Chart 1). Alongside sharp declines in crop prices, financial conditions fell at the fastest pace in the Minneapolis and St. Louis regions. Declines were more muted in Chicago, Dallas, and Kansas City regions, which could be due to larger contributions from livestock production in those areas.

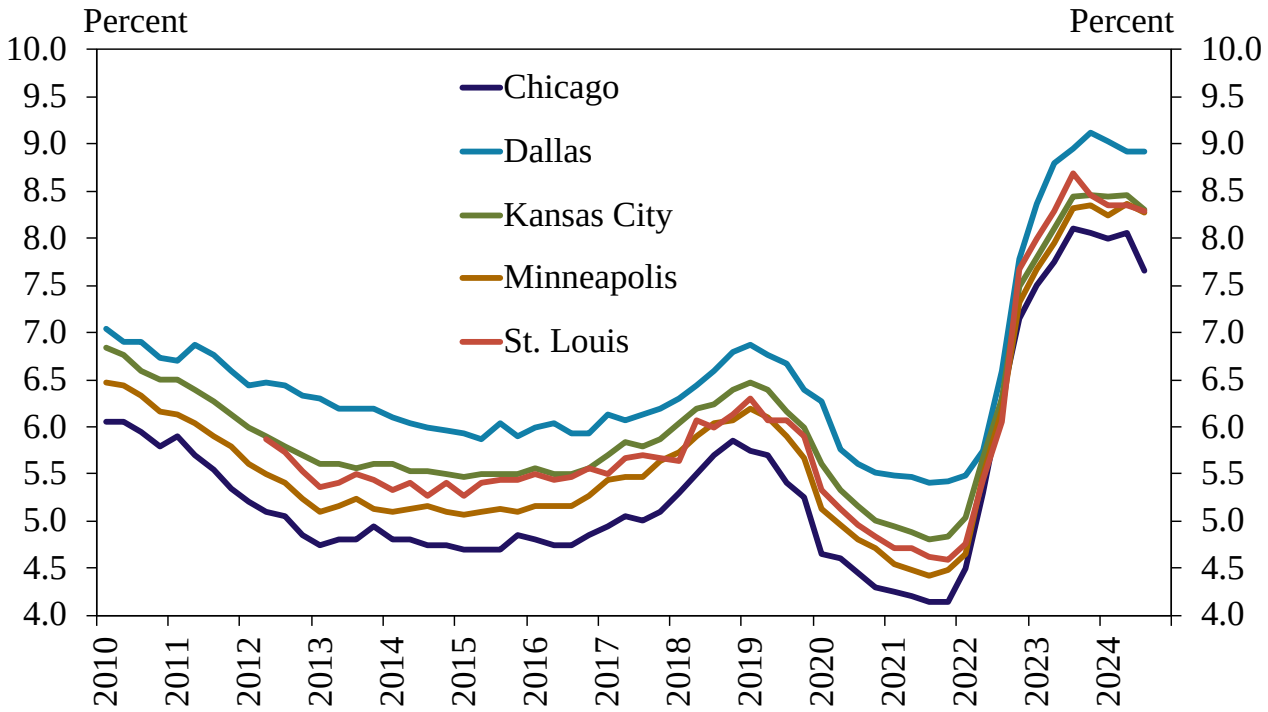
# Chart 1: Farm Income and Loan Repayment Rates




*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.
Note: Information about farm income is only collected for the Kansas City, Minneapolis, and St. Louis Districts.
Sources: Federal Reserve District Surveys of Agricultural Credit Conditions

Farm loan interest rates declined slightly alongside recent reductions in benchmark rates. The Federal Open Market Committee lowered the target range for the federal funds rate by 50 basis points in mid-September and interest rates on farm loans across all Districts declined by about 14 basis points, on average during the survey period in the second half of the month (Chart 2). In the Chicago region, interest rates fell by 40 basis points, the largest decline since the first quarter of 2020.

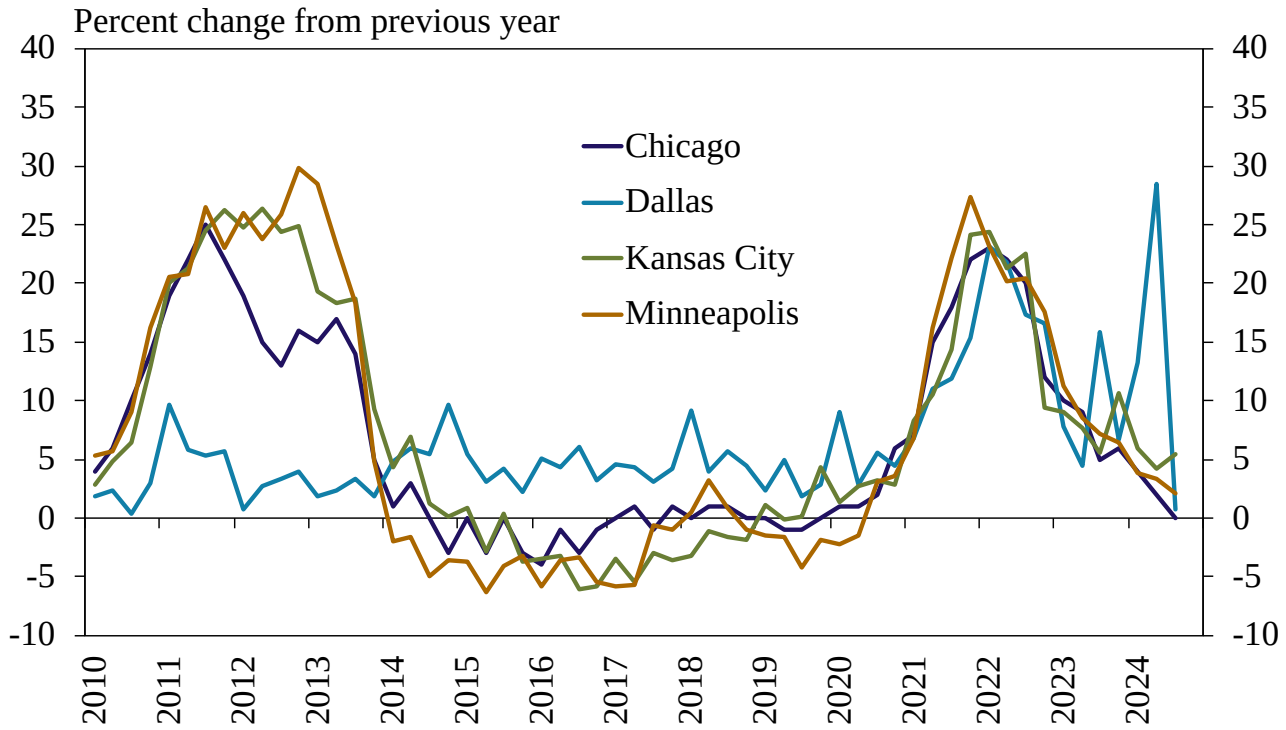
# Chart 2: Average Farm Loan Interest Rates*




*Average fixed rates on agricultural loans of all types- operating, intermediate and real estate
Sources: Federal Reserve District Surveys of Agricultural Credit Conditions

Farm real estate values remained resilient despite headwinds from lower crop prices and higher interest rates, but growth continued to slow. Although annual growth in nonirrigated cropland values in the Kansas City region grew at a slightly faster pace compared with the previous quarter, values in other regions grew at a slower pace (Chart 3). Most notably, valuations in the Chicago region were unchanged from the previous year for the first time since 2019.

# Chart 3: Nonirrigated Cropland Values




Sources: Federal Reserve District Surveys of Agricultural Credit Conditions

Federal Reserve Ag Credit Surveys Historical Data
Federal Reserve Ag Credit Surveys Tables
About the Federal Reserve Ag Credit Surveys

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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, Ty is a key contributor to the Center for Agriculture and the Economy, an initiative at the Kansas City Fed focused on strengthening the Federal Reserve's ties to agriculture and rural communities through research, data, and industry engagement. Ty's responsibilities include 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 before moving to Regional Affairs in 2018. He holds a B.A. in Economics and Finance from the University of Nebraska-Lincoln and an M.A. in Financial Economics from Youngstown State University.His passion for agricultural economics is shaped by his experience growing up in a rural farming and ranching community in the western Nebraska panhandle. Ty lives in Omaha with his husband.