



Agricultural Finance Update

Farm Lending Grew Sharply to End 2024

by: Ty Kreitman and Nate Kauffman

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Strong growth in farm lending activity at commercial banks continued into the fourth quarter of 2024.

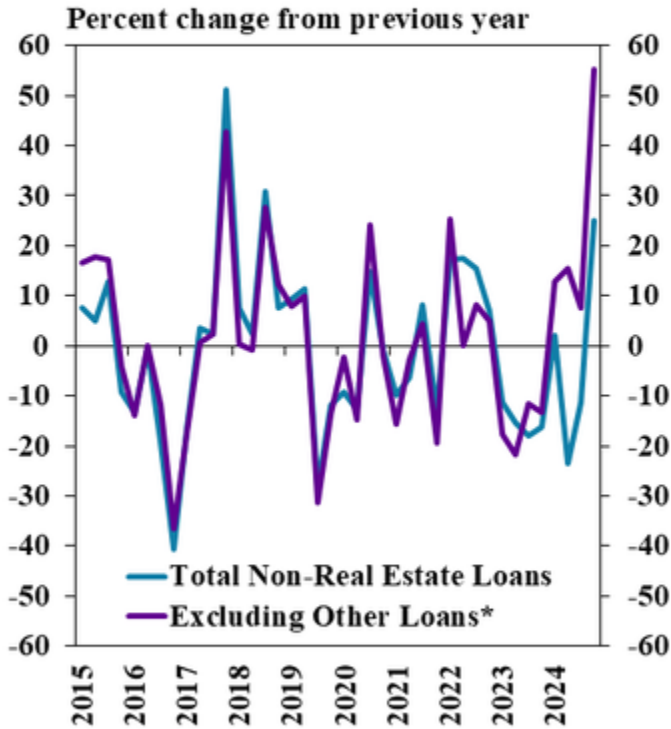
Strong growth in farm lending activity at commercial banks continued into the fourth quarter of 2024. The volume of farm operating loans increased for the fourth consecutive quarter and feeder livestock lending also increased sharply. Demand for non-real estate agricultural loans rebounded over the past year as production expenses remained elevated and farm sector liquidity contracted alongside weak crop prices. Financing also increased despite farm loan interest rates staying above longer-term averages and could intensify financial stress for some farming operations.

Fourth Quarter National Survey of Terms of Lending to Farmers

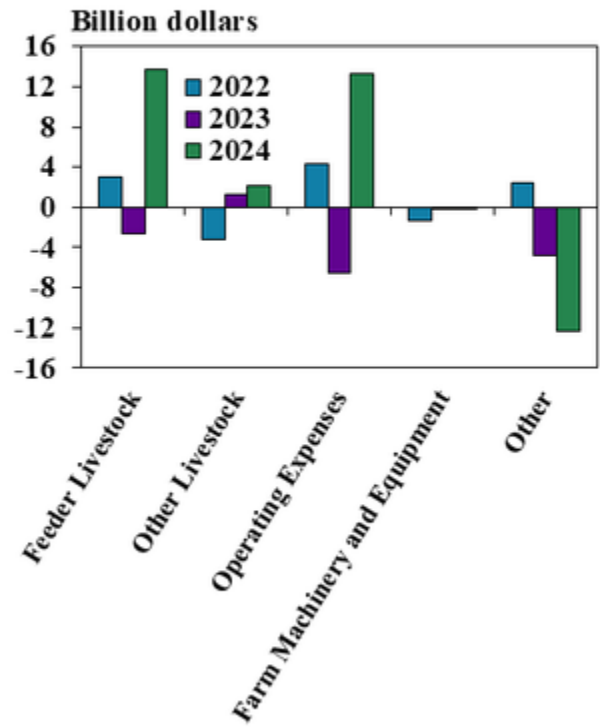
Non-real estate farm lending grew sharply alongside increases in feeder livestock and operating loans. According to the Survey of Terms of Lending to Farmers, the volume of non-real estate farm loans at commercial banks was about 25% higher than the same time a year ago (Chart 1). Considerable growth in loans for feeder livestock and operating expenses contributed most to the increase while [loans for miscellaneous purposes remained subdued](#).

Chart 1: Volume of Non-Real Estate Farm Loans

Annual Change



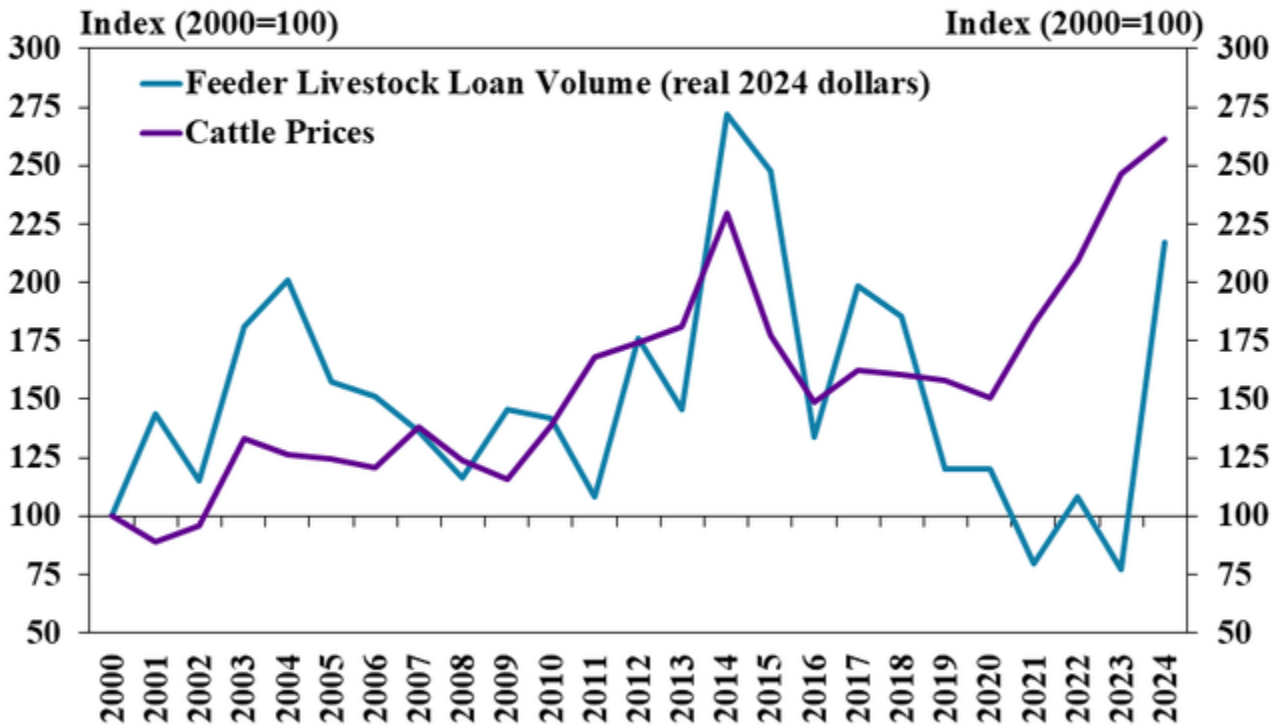
Contribution to Change by Loan Type, Q4



*Other loans include loans used for purposes other than feeder livestock, other livestock, other current operating expenses, 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

Feeder livestock lending increased as cattle prices remained at historically high levels. The volume of loans used for purchasing feeder livestock has typically increased during periods of increasing cattle prices (Chart 2). Lending levels were subdued in recent years but picked up in 2024, reaching the highest level for the fourth quarter since 2015.

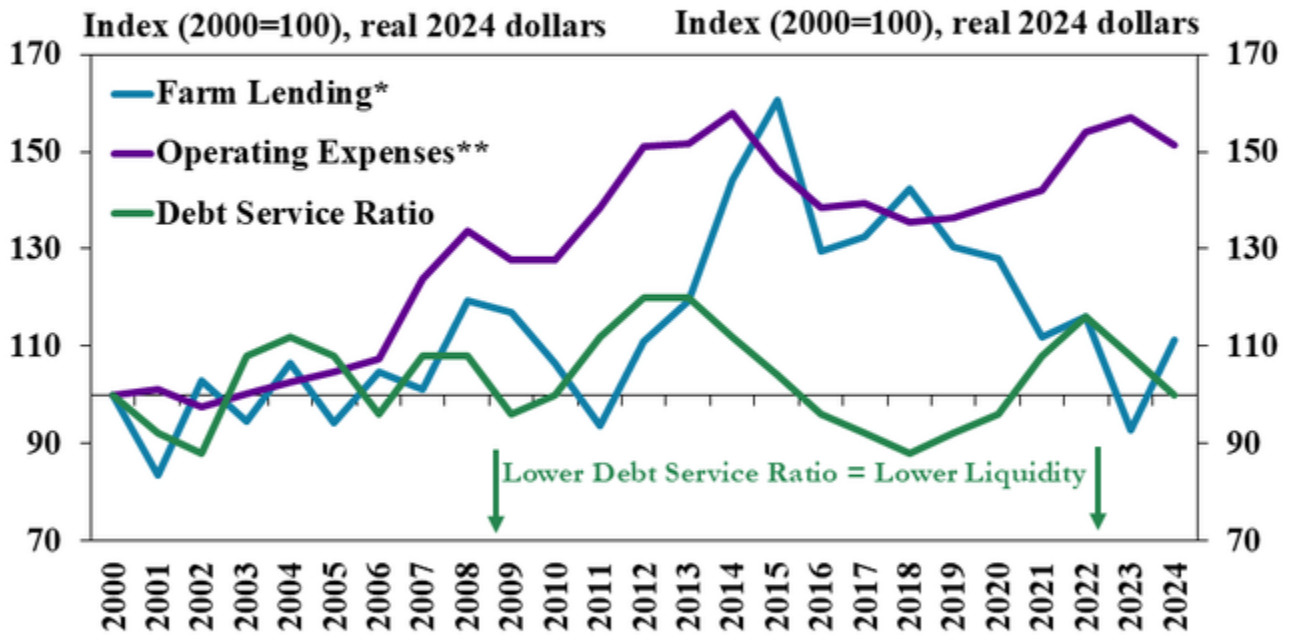
Chart 2: Feeder Livestock Lending and Cattle Prices, Q4



Sources: *Wall Street Journal*, Haver Analytics, Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City

Farm lending has also increased alongside elevated farm sector production costs and deterioration in liquidity. Non-real estate lending activity has historically increased during periods of declining debt service coverage and high operating expenses (Chart 3). Annual average loan volumes dropped sharply through 2023, but ticked up in 2024 and upward pressures are likely to persist if liquidity continues tightening.

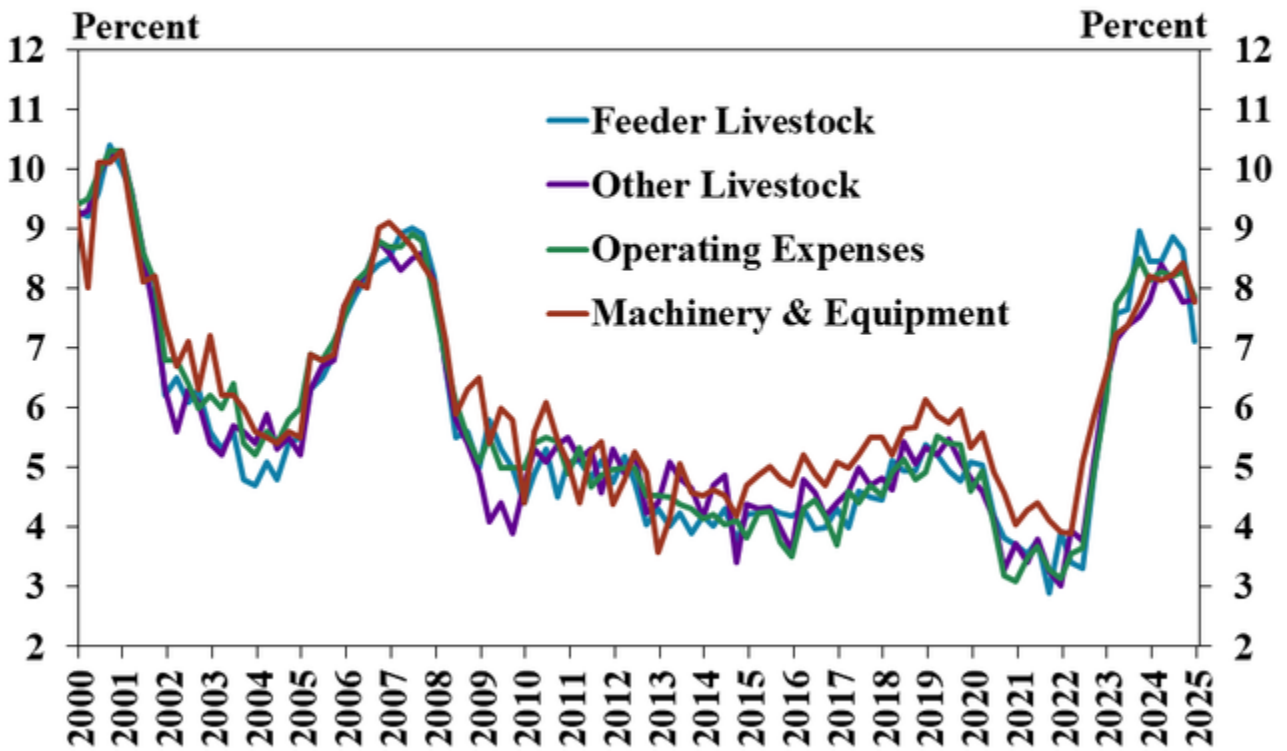
Chart 3: Farm Lending, Operating Expenses and Liquidity



*Average annual volume of loans for current operating expenses and livestock loans estimated in the Survey of Terms of Lending to Farmers.
 **Total U.S. farm sector production expenses less interest expenses and capital expenditures.
 Sources: USDA, Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City

Interest rates on agricultural loans declined slightly, but remained at multi-decade highs. The mean rate charged on all types of non-real estate farm loans dropped on average, by about 50 basis points since the beginning of 2024 (Chart 4). Rates were still above the average over the past 25 years and could worsen the emerging financial stress for some borrowers.

Chart 4: Average Effective Interest Rate by Loan Type



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 Data Tables](#)

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

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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.



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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 serves as Executive Director of the Bank's Center for Agriculture and the Economy. 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.