



Farm Lending Increases Alongside Larger Operating Loans

by: Ty Kreitman

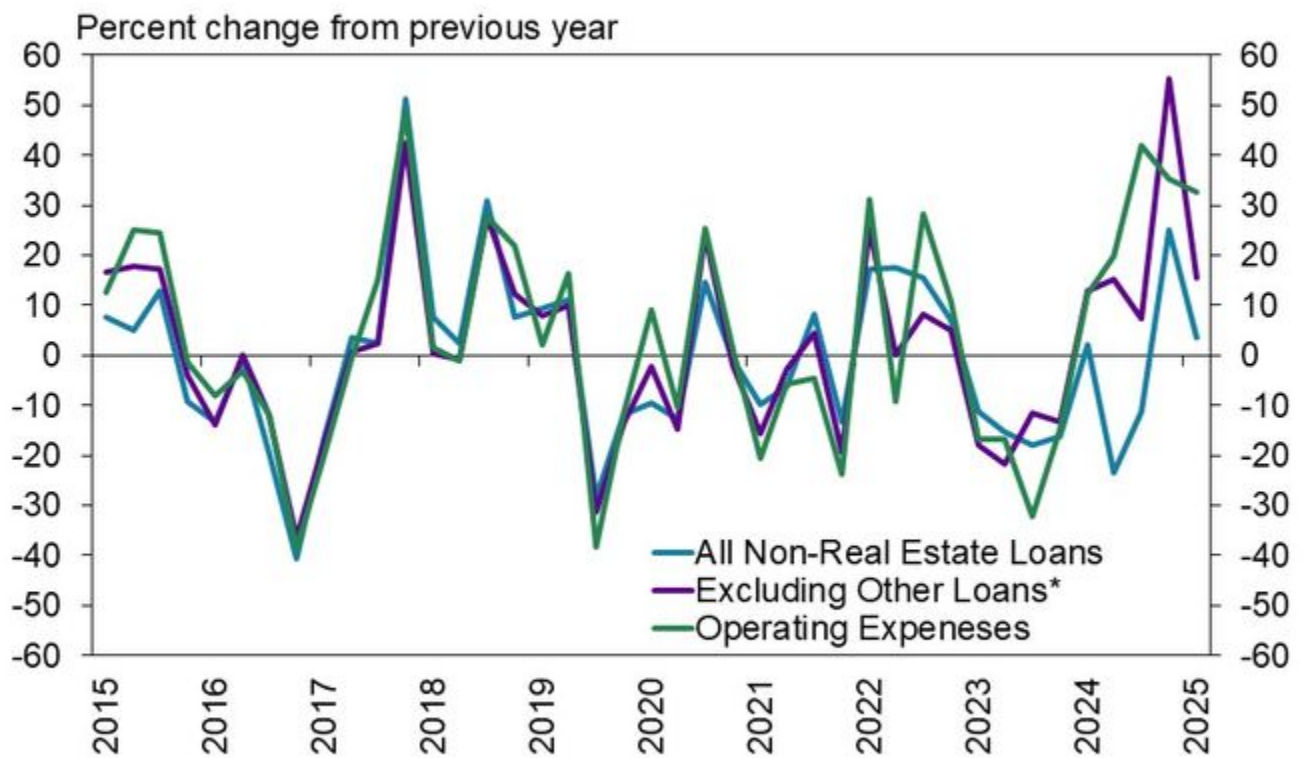
April 24, 2025

Strong growth in farm lending activity at commercial banks continued into the first quarter of 2025. The volume of farm operating loans increased sharply from a year ago alongside an increase in the number of large loans. Demand for non-real estate agricultural loans has grown over the past year alongside elevated production expenses and a contraction in farm sector liquidity. The growth was recorded during the survey period in early February, ahead of recent distribution of assistance payments from the American Relief Act which could potentially improve liquidity for some producers. Looking ahead, however, weak crop prices are likely to continue weighing on financial conditions in the sector and could keep demand for financing elevated.

Fourth Quarter National Survey of Terms of Lending to Farmers

According to the Survey of Terms of Lending to Farmers, the pace of growth in farm lending eased slightly in the early months of 2025. The volume of new non-real estate farm loan activity at commercial banks increased about 4% from a year ago (Chart 1, blue line). However, similar to recent quarters [loans for miscellaneous purposes remained subdued](#) while the volume of loans for key types of farm debt increased considerably more (purple line). The increase continued to be largely attributed to loans for operating expenses, which grew by more than 30% for the third consecutive quarter (green line).

Chart 1: Non-Real Estate Farm Loan Volume



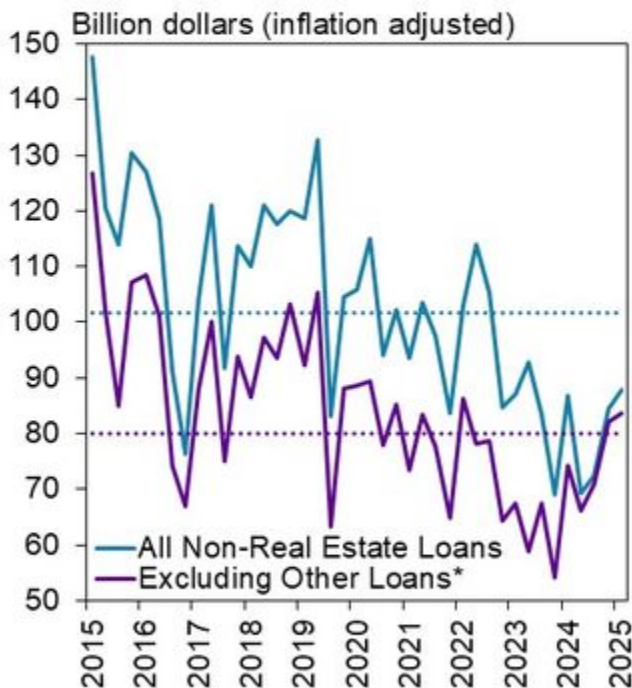
*Other loans include loans used for purposes other than feeder livestock, other livestock, other current operating expenses, farm machinery and equipment, or the purpose is not specified.

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

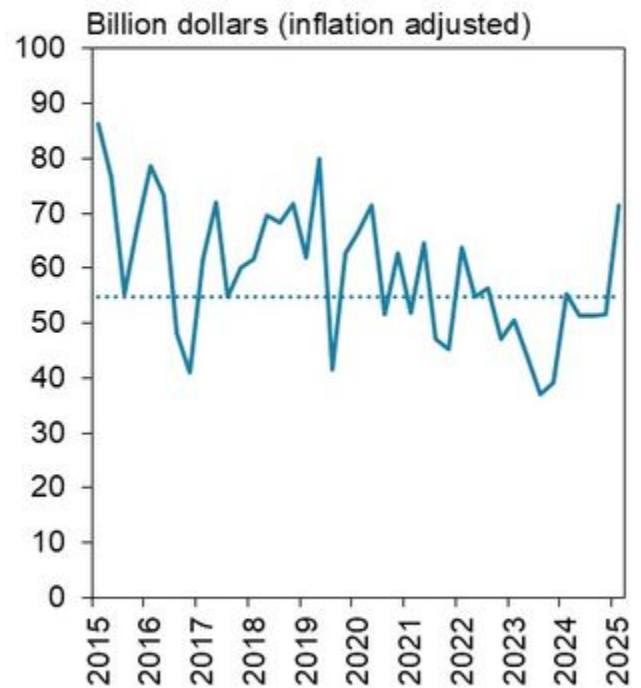
Sharp growth over the past year pushed loan volumes above recent historic averages. Excluding loans for miscellaneous purposes, the volume of all non-real estate lending was slightly above the average over the past year (Chart 2, dark purple line). Growth in operating loans was more pronounced, volumes were well above average, and at the highest level since 2019 (Chart 2, right panel).

Chart 2: Non-Real Estate Farm Loan Volume

Total Non-Real Estate Loans



Farm Operating Loans



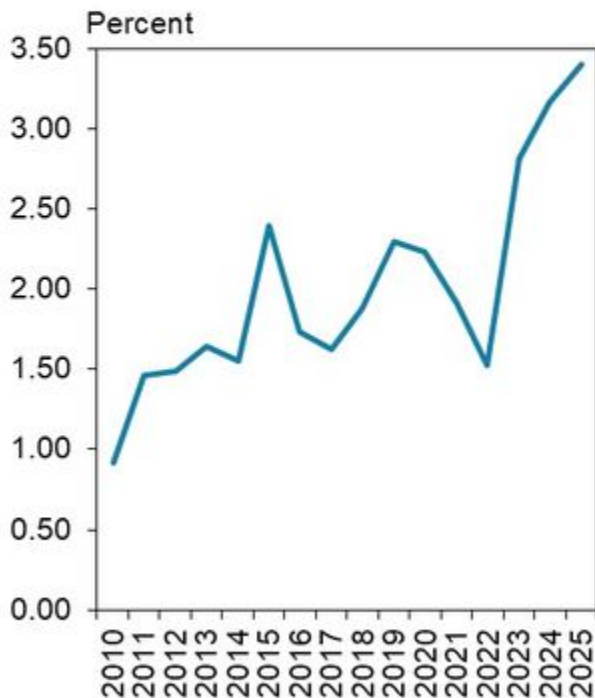
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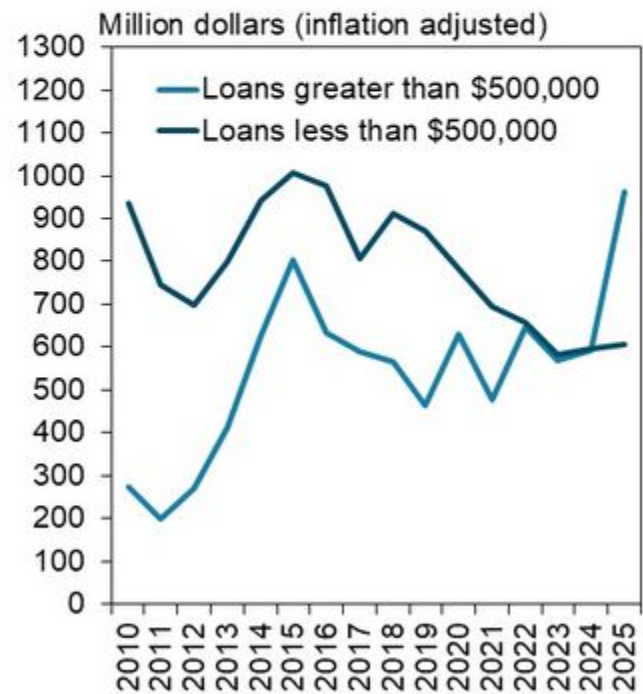
Operating loan volumes grew alongside an increase in large loans. The share of new loans larger than \$500,000 increased sharply for the second consecutive year, rising to about 3.5% in the first quarter (Chart 3, left panel). With a greater number of large loans, the share of lending volumes attributed to loans more than \$500,000 increased substantially (Chart 3, right panel).

Chart 3: Farm Operating Loans by Loan Size, Q1

Number of Loans Greater than \$500,000 As a Share of All Loans



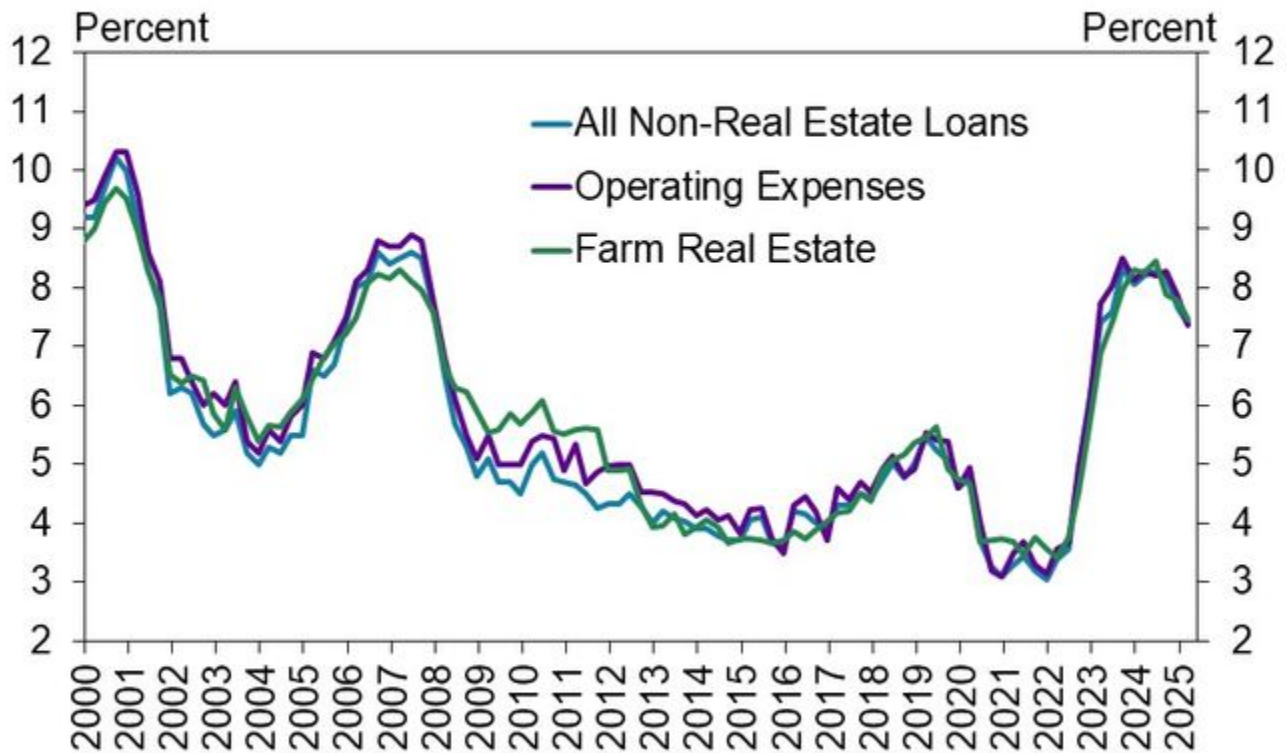
Volume of Loans by Size



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

Interest rates on most types of agricultural loans declined slightly. The average rate charged on non-real estate farm loans dropped on average, by about 30 basis points from the previous quarter (Chart 4). Average rates were around 80 basis points lower than this time last year, but remained above the average of recent decades.

Chart 4: Average Interest Rate by Loan Type



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

[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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<https://www.kansascityfed.org/agriculture/agfinance-updates/farm-lending-increases-alongside-larger-operating-loans/>

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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.
