



Agricultural Finance Update

Larger Operating Loans Boost Farm Lending Activity in 2025

by: Ty Kreitman

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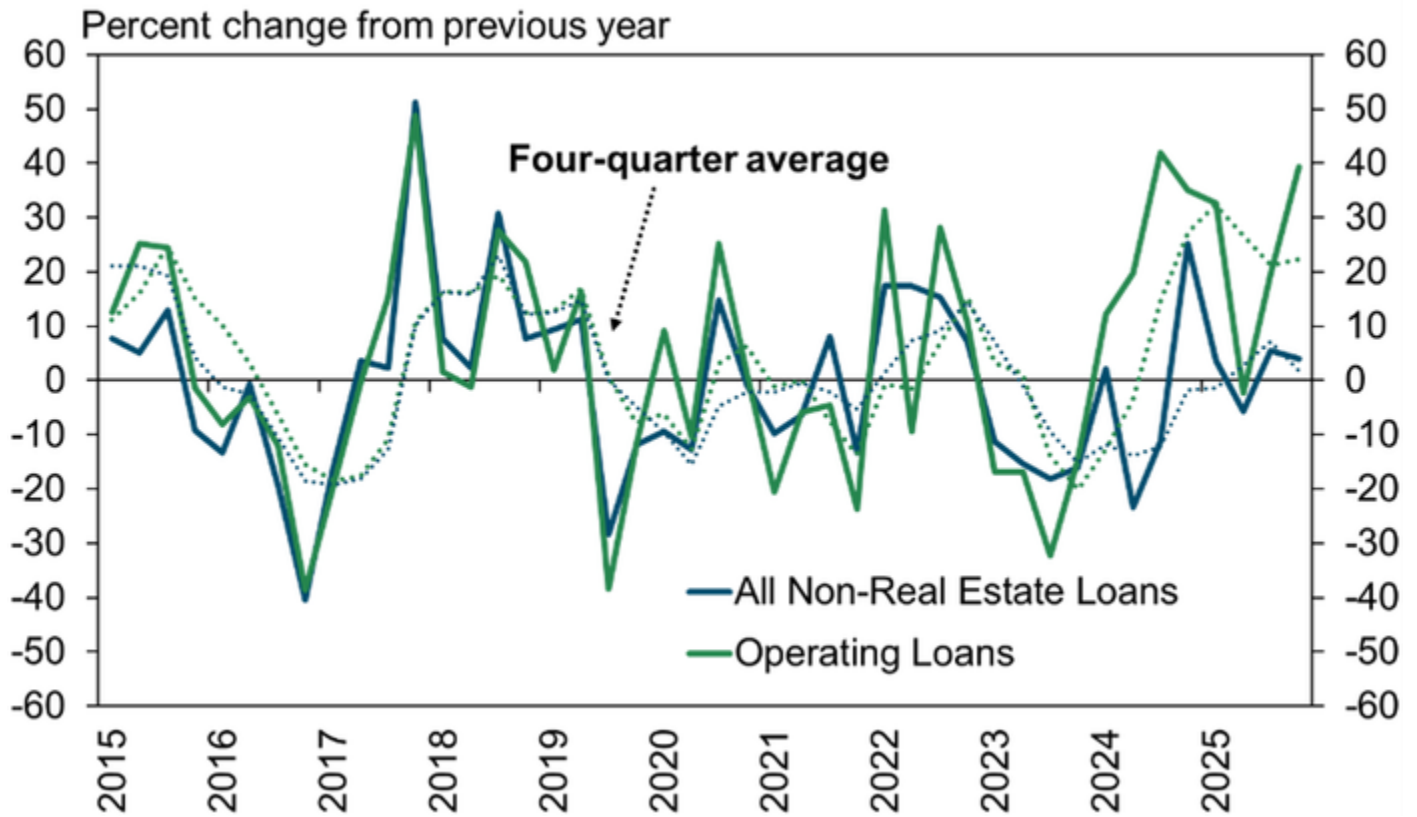
According to the National Survey of Terms of Lending to Farmers, the average size of loans for operating expenses during the year reached a record high and pushed up lending volumes. Farm loan interest rates remained above the average of recent decades but declined for the sixth consecutive quarter. The share of non-real estate loans with a variable rate increased from below average levels and average loan maturities increased.

The outlook for the U.S. farm economy remained subdued alongside weakness in the crop sector, but aggregate farm financial stress remained limited. Direct government payments and resilient farm real estate values have eased some of the strain from weak profitability for crop producers and strength in the cattle sector has lifted incomes in many areas. [Demand for farm loans has grown alongside tighter working capital, elevated production costs and a surge in cattle prices.](#) Market conditions in the crop sector are likely to keep profit opportunities narrow in the months ahead, prolonging challenges for growers that have led to steady deterioration in agricultural credit conditions.

Fourth Quarter National Survey of Terms of Lending to Farmers

Substantial growth in operating loans drove strong demand for farm lending at commercial banks in 2025. According to estimates from the survey, the volume of new farm operating loans increased nearly 40% from the previous year in the fourth quarter and grew by an average of more than 20% throughout the past year (Chart 1). While the rise in non-real estate lending during the fourth quarter was attributed to operating expenses, [increased feeder livestock lending also contributed to growth in activity](#) throughout most of 2025.

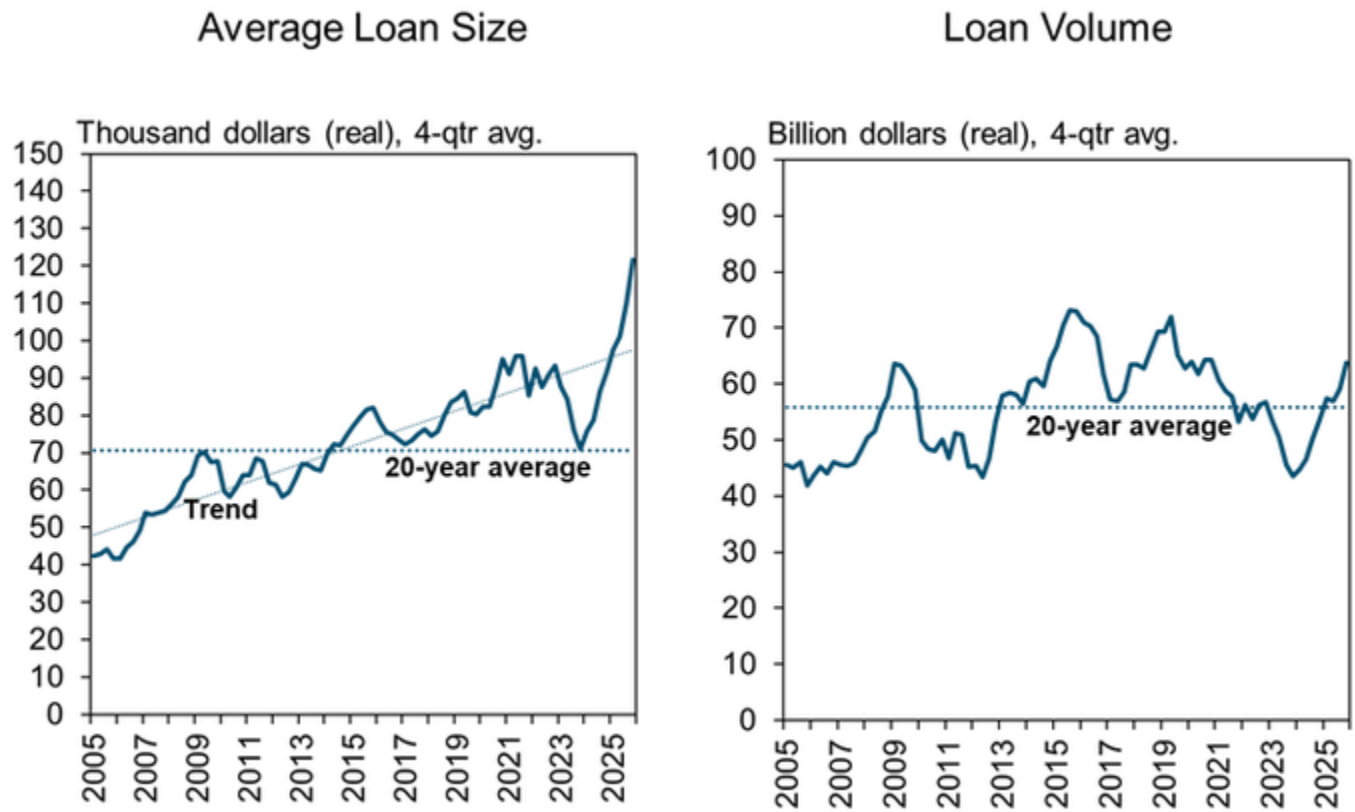
Chart 1: Volume of Non-Real Estate Farm Loans



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

Operating loan volumes increased alongside notable growth in loan sizes. Adjusting for inflation, the average size of farm operating loans during 2025 was 30% larger than the prior year, following similar growth during 2024 (Chart 2, left panel). Loan sizes have grown alongside elevated production expenses and pushed operating loan volumes well above the average of the past two decades (Chart 2, right panel).

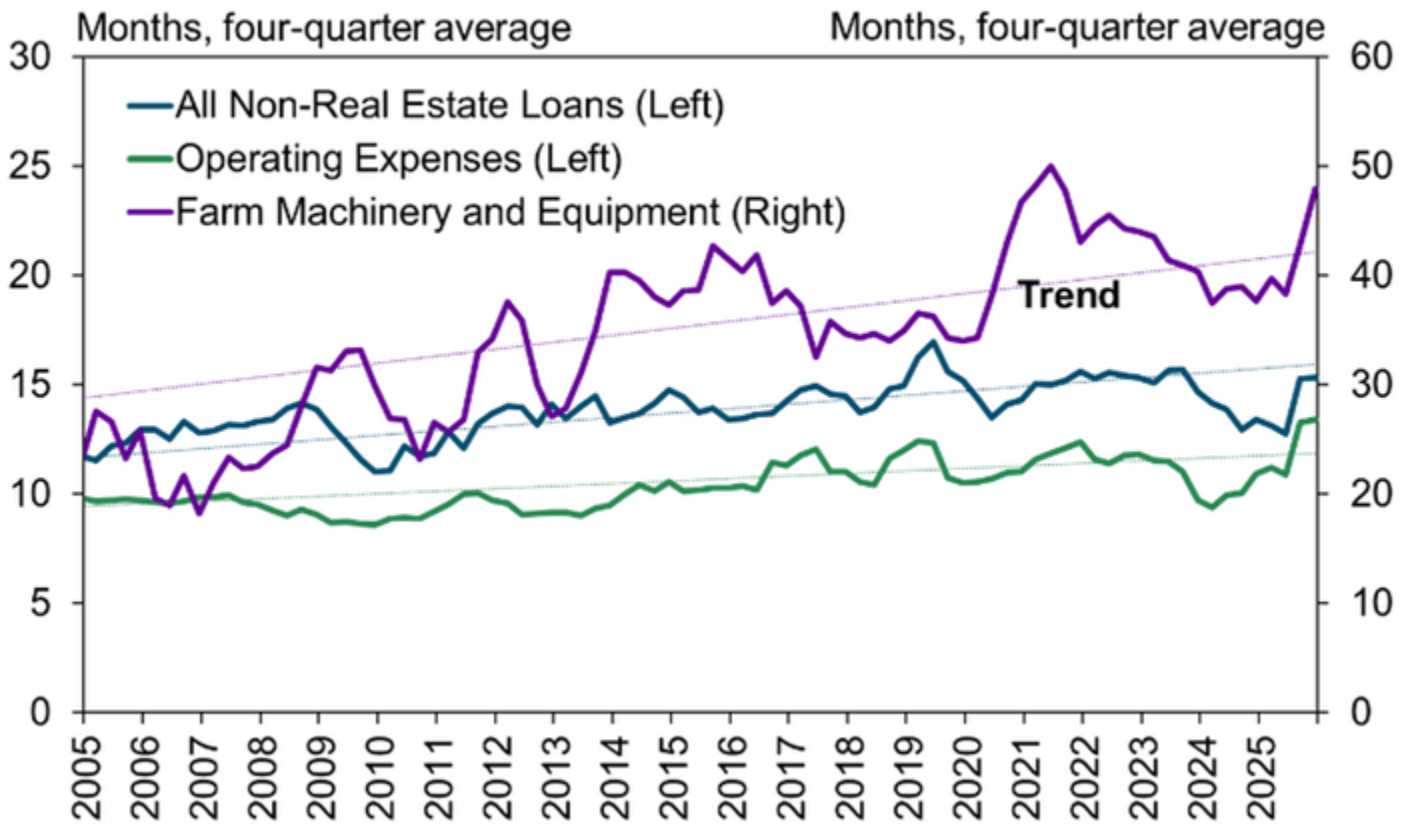
Chart 2: Volume and Size of Farm Operating Loans



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

As the size of notes grew, maturities for most types of non-real estate farm loans increased in 2025. The average maturity of farm operating loans during 2025 increased by about 3 months compared with 2024 and reached record highs in the fourth quarter (Chart 3). The average maturity on machinery and equipment loans also increased over the past year and hit the highest level since 2021.

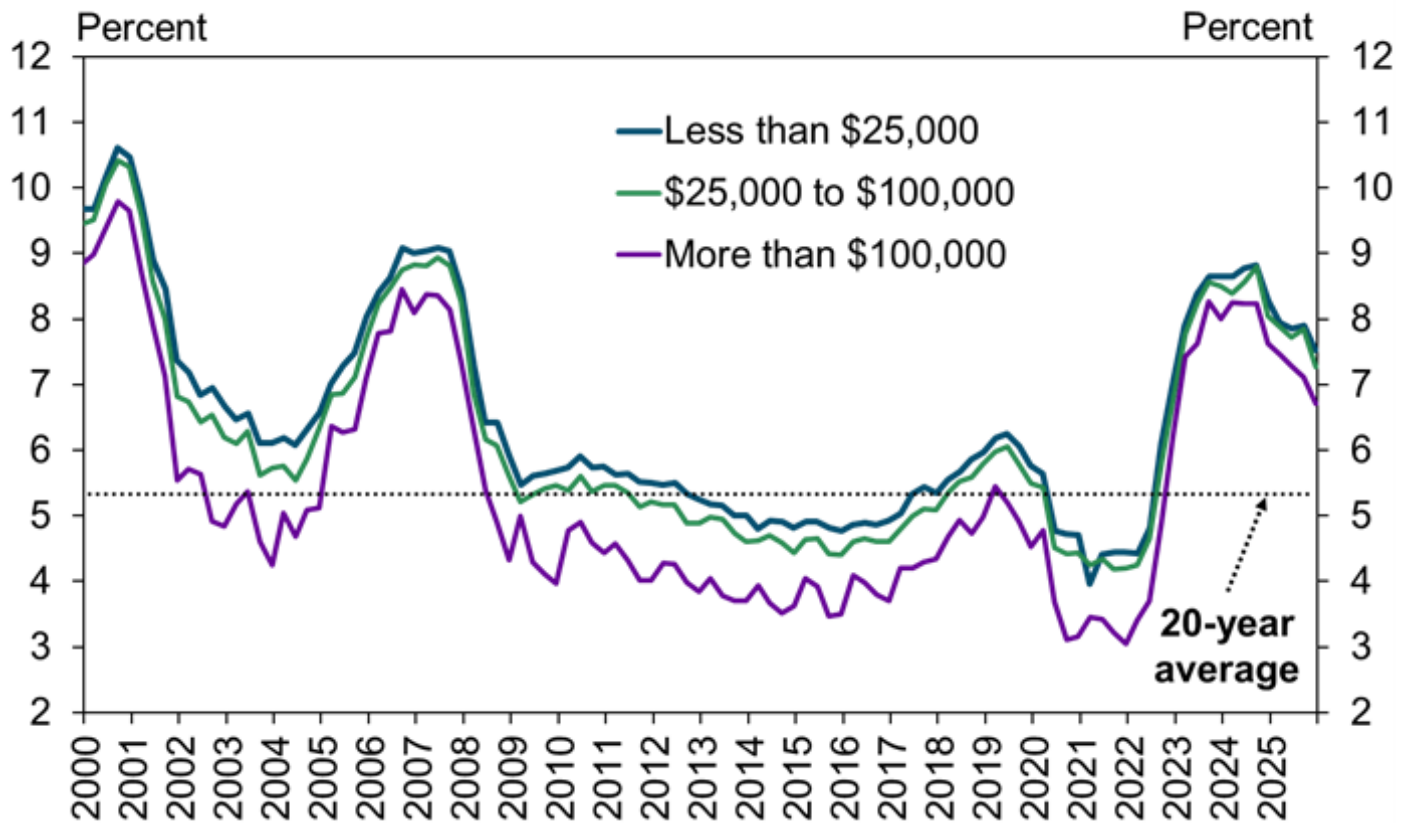
Chart 3: Average Maturity by Loan Type



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

Farm loan interest rates declined slightly and remained slightly lower for larger loans. The average rate charged for non-real estate loans dropped about 40 basis points from the previous quarter. Compared with early 2024, average rates on loans less than \$100,000 decreased by about 110 basis points while rates on loans greater than \$100,000 were about 150 basis points lower (Chart 4).

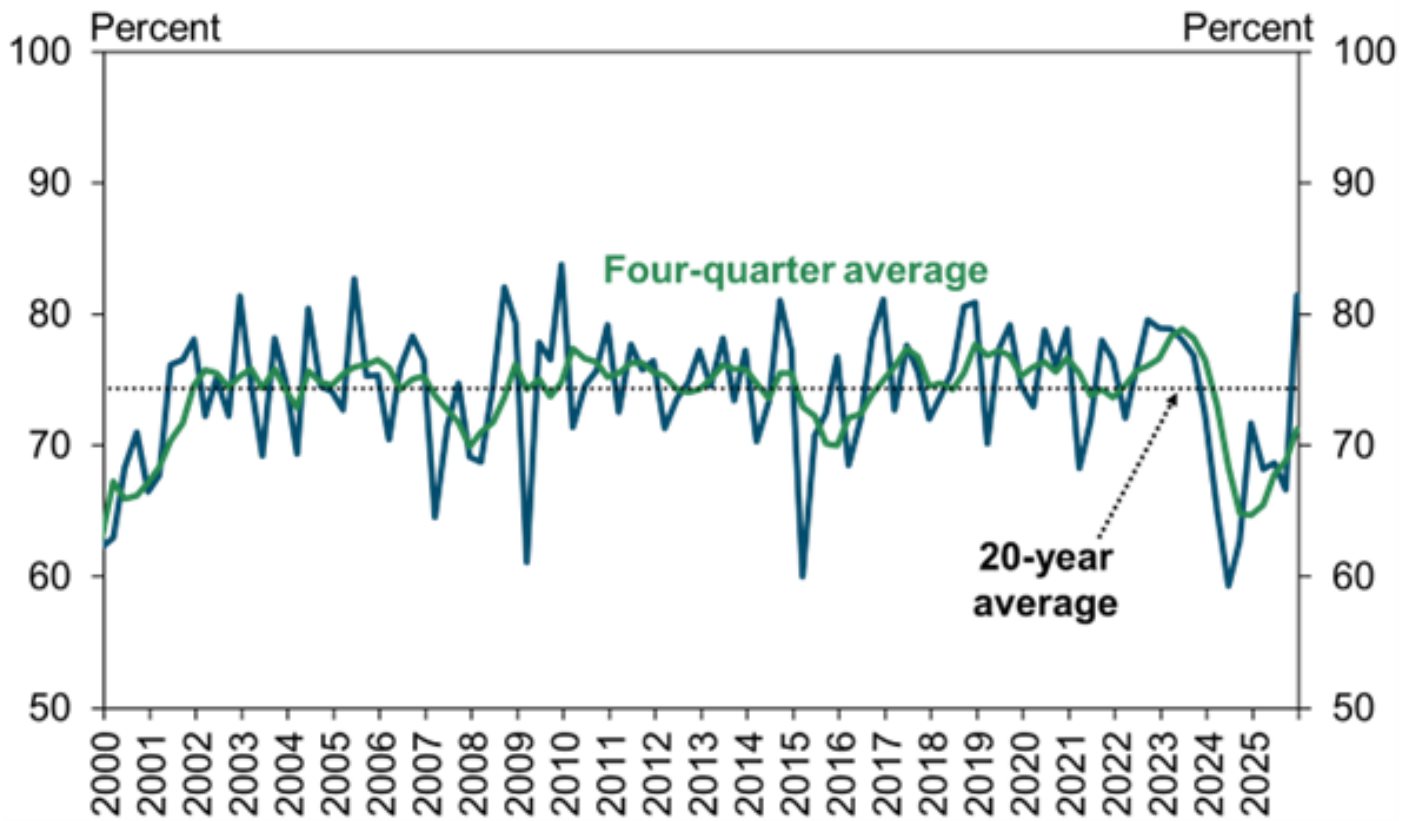
Chart 4: Average Interest Rate on Non-Real Estate Farm Loans by Loan Size



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

The share of non-real estate loans with variable rates increased sharply as interest rates declined. More than 80% of non-real estate loans had a floating rate during the fourth quarter, a considerable increase from recent quarters (Chart 5). The share of loans with variable terms has historically declined slightly during periods of higher rates but dropped more notably in 2024 when rates swiftly rose to multi-decade highs.

Chart 5: Share of Non-Real Estate Farm Loans with a Floating Interest Rate



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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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.
