MACRO AG ECONOMIC UPDATE

Cortney Cowley, Federal Reserve Bank of Kansas City

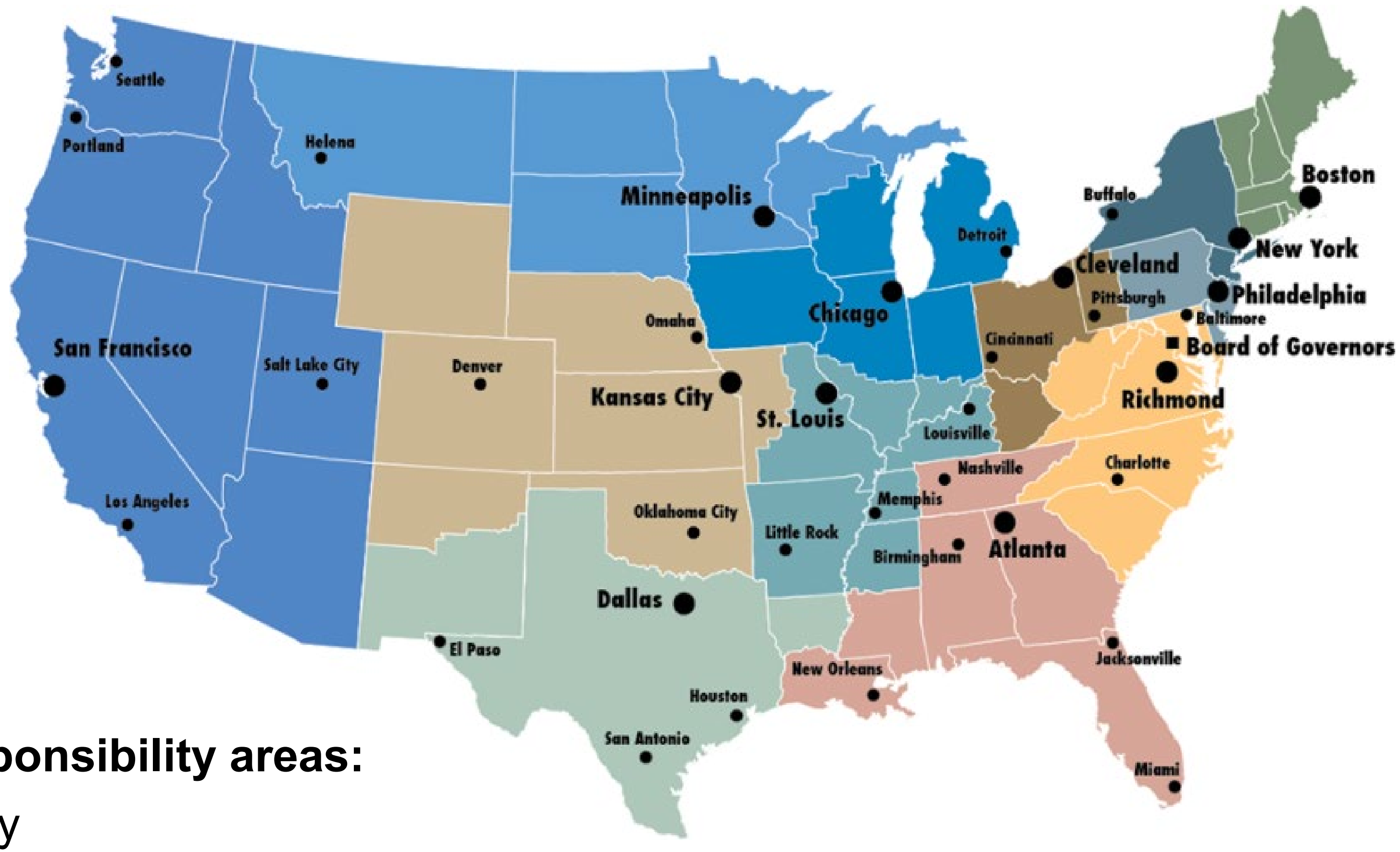
September 21, 2026

2026 SOUTHERN OUTLOOK CONFERENCE

The views expressed here are those of the speaker and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

Center for Agriculture and the Economy℠
FEDERAL RESERVE BANK OF KANSAS CITY

Structure & Functions of the Federal Reserve



5 primary responsibility areas:

- Monetary policy
- Financial system stability
- Bank supervision & regulation
- Payment system safety & efficiency
- Community development

3 primary entities:

- Board of Governors: 7 members appointed by U.S. President
- Federal Reserve Banks: 12 total; semi-independent
- Federal Open Market Committee: 19 members; 12 voting

Federal Reserve Mission

We work in the public's interest by supporting economic and financial stability.

Monetary Policy
Contribute to the formulation and implementation of monetary policy that promotes financial stability and sustainable economic growth; price stability fosters these goals.

Supervision and Regulation
Provide supervisory and regulatory oversight to financial institutions by fostering a sound, accessible and competitive financial system that inspires trust.

Financial Services
Promote a safe and efficient payments mechanism, while providing high-quality, innovative financial services to depository institutions, the U.S. Treasury, and the public.

3

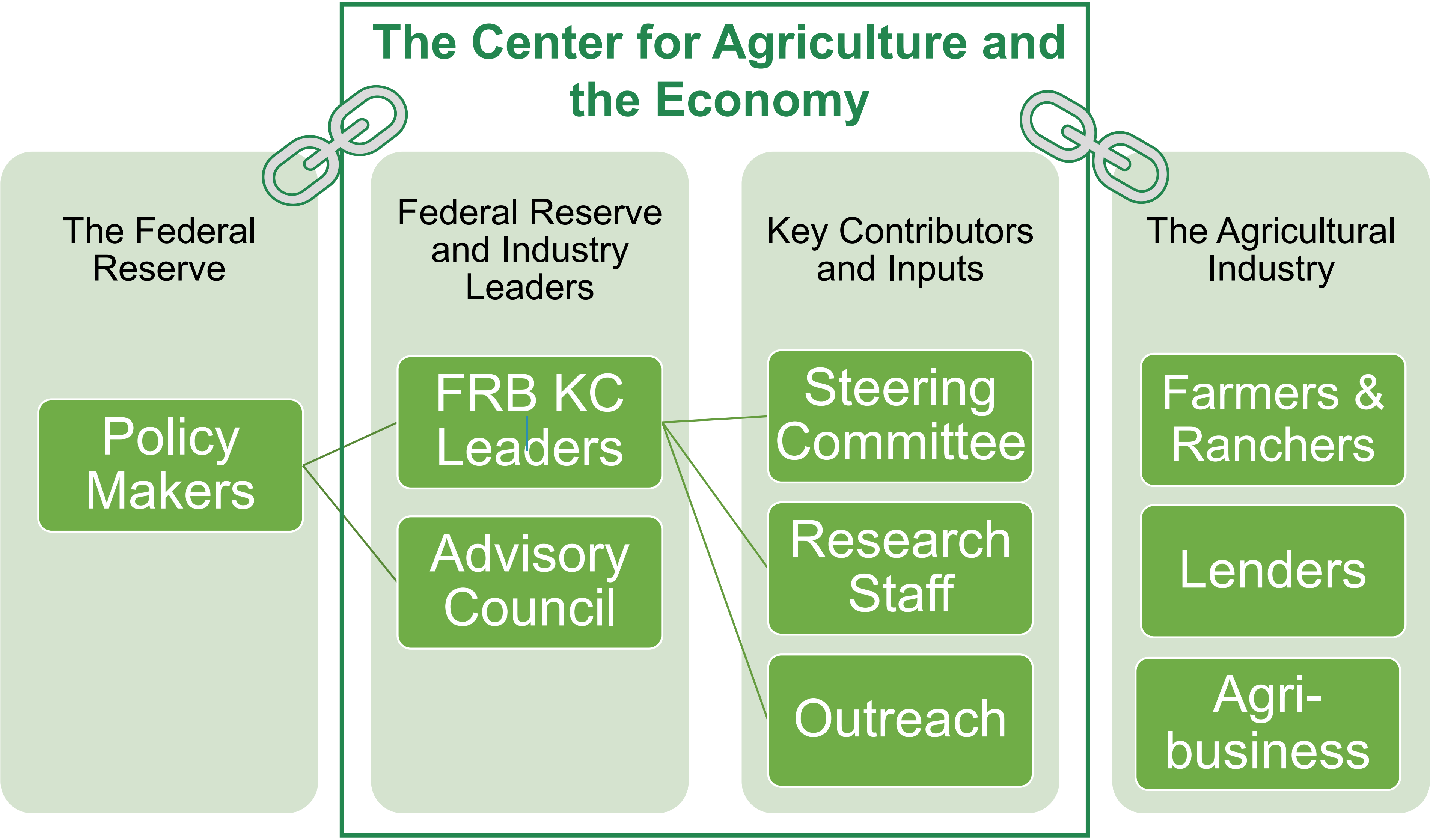
Center FOR Agriculture AND the Economy
FEDERAL RESERVE BANK OF KANSAS CITY

In 2025, we launched the **Center for Agriculture and the Economy** to ensure that economic developments related to agriculture and rural communities are well understood and incorporated into policy discussions.

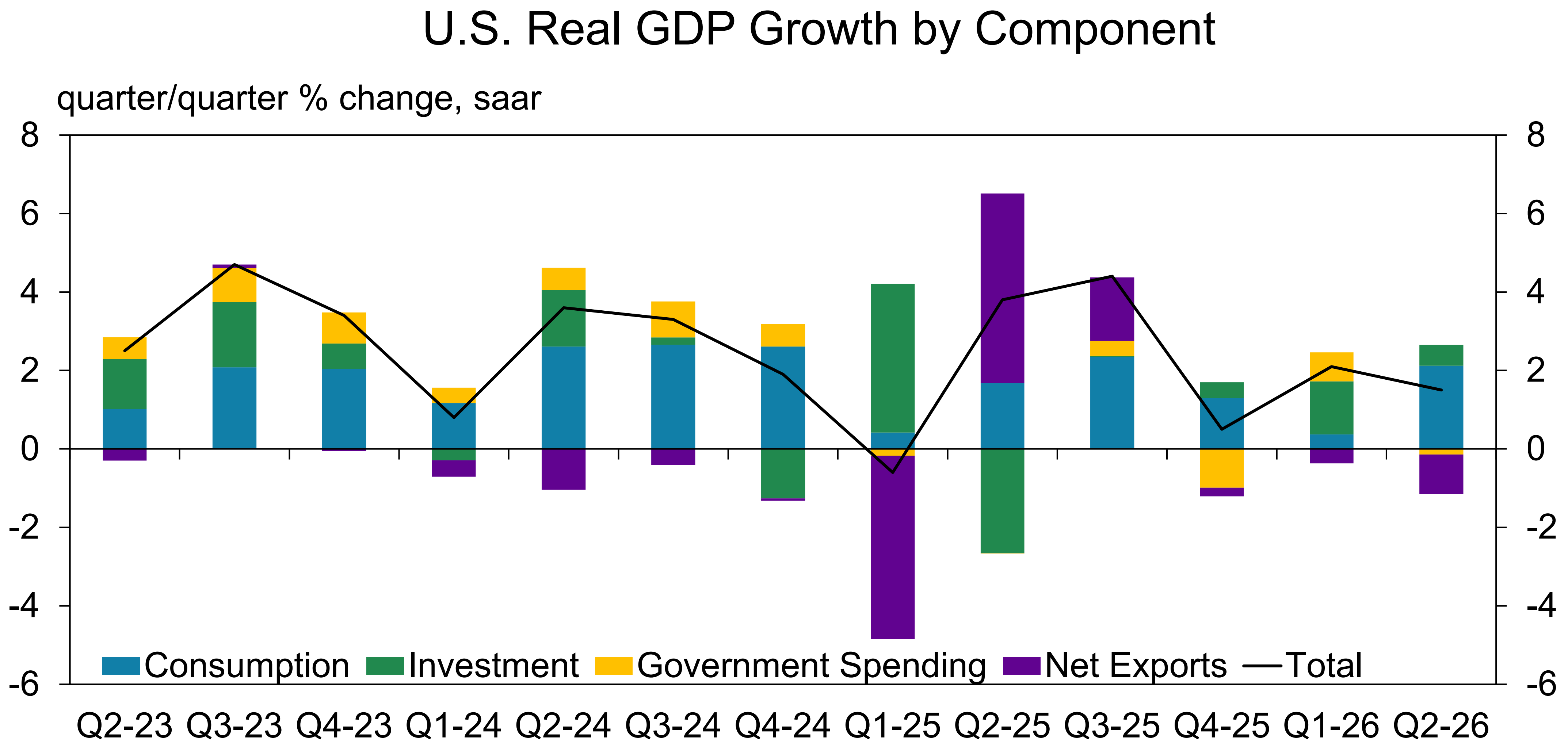
Receive regular updates about the agricultural economy:

Subscribe to receive email alerts when the Kansas City Fed releases new research and information. Scan the QR code or visit www.kansascityfed.org/ealert.

The Center serves as a link between the agricultural industry and our nation’s Central Bank.



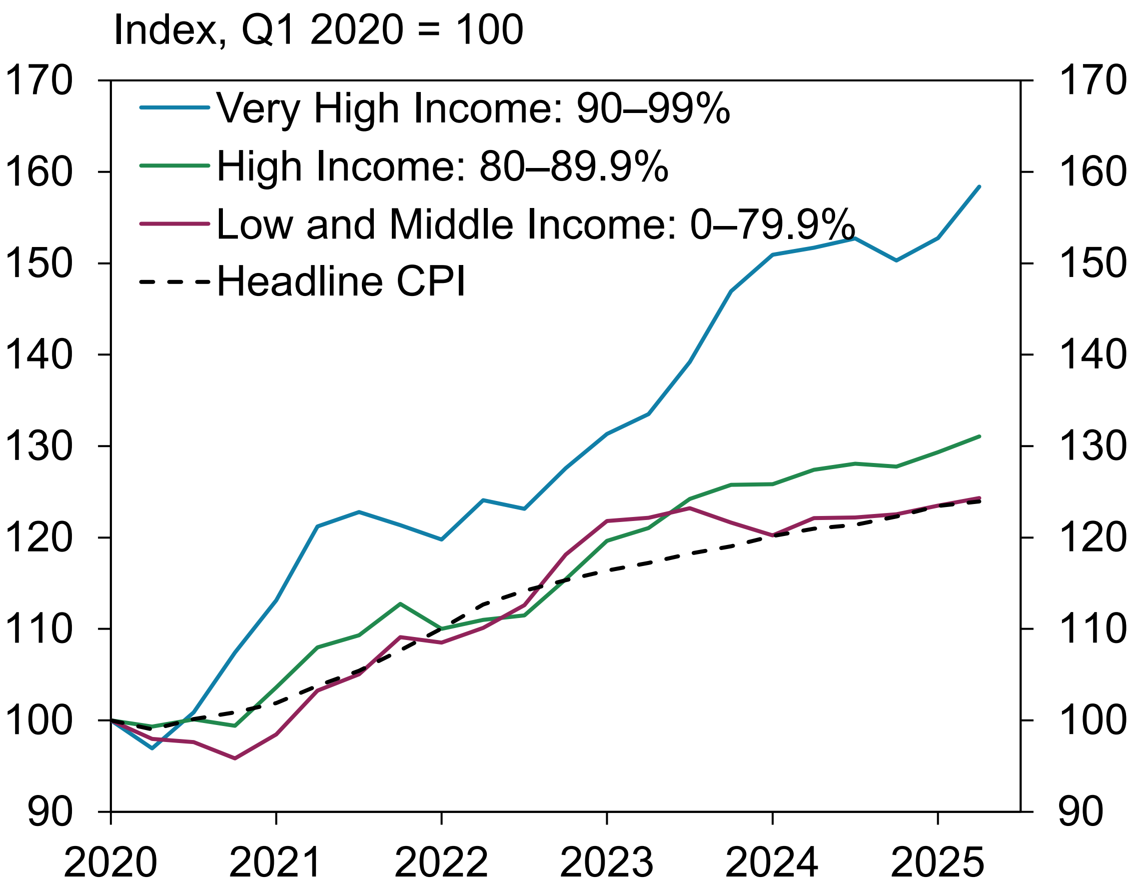
U.S. GDP growth cooled to 1.5% in Q2, as business investment eased and the Iran conflict affected supply chains



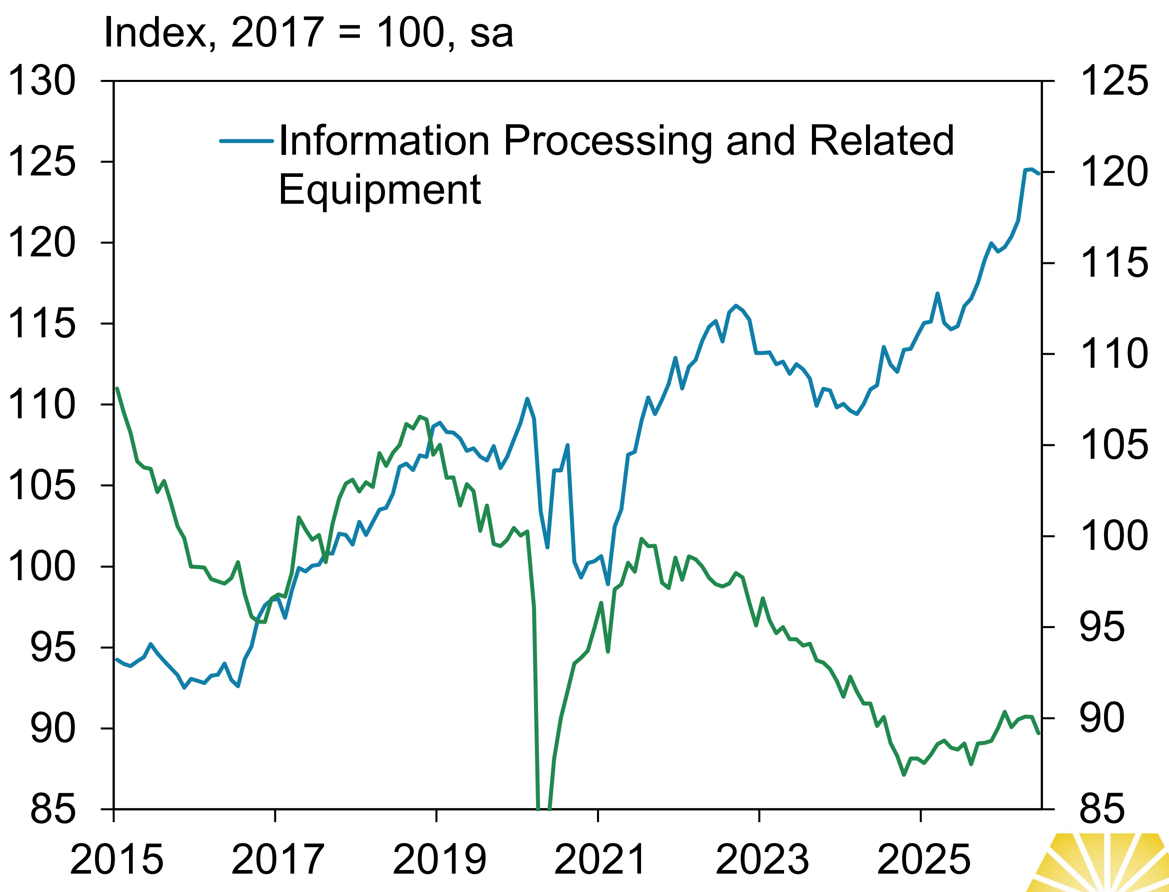
Sources: BEA/Haver Analytics

Current economic growth is supported by consumer spending from high earners and investment in tech-related sectors

U.S. Consumer Spending by Income

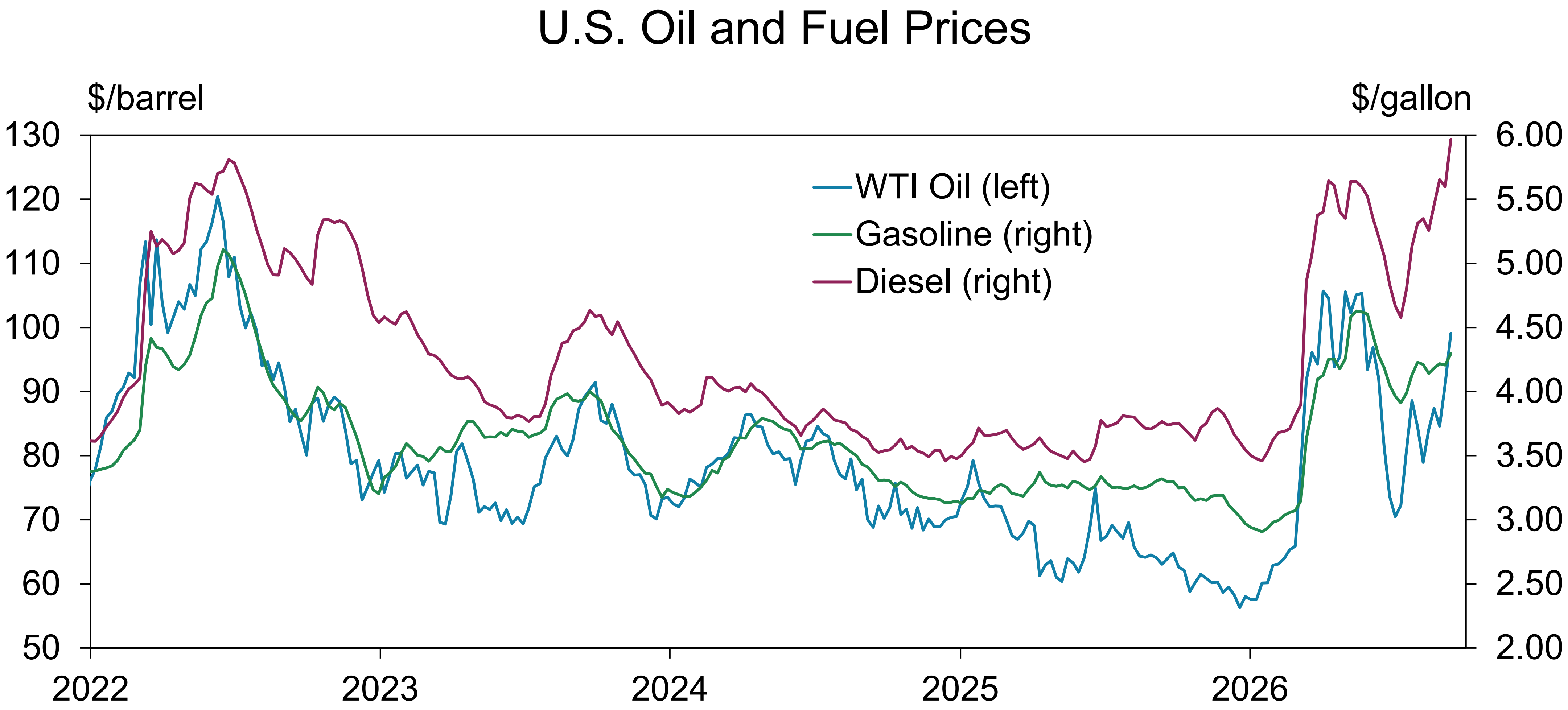


U.S. Industrial Production



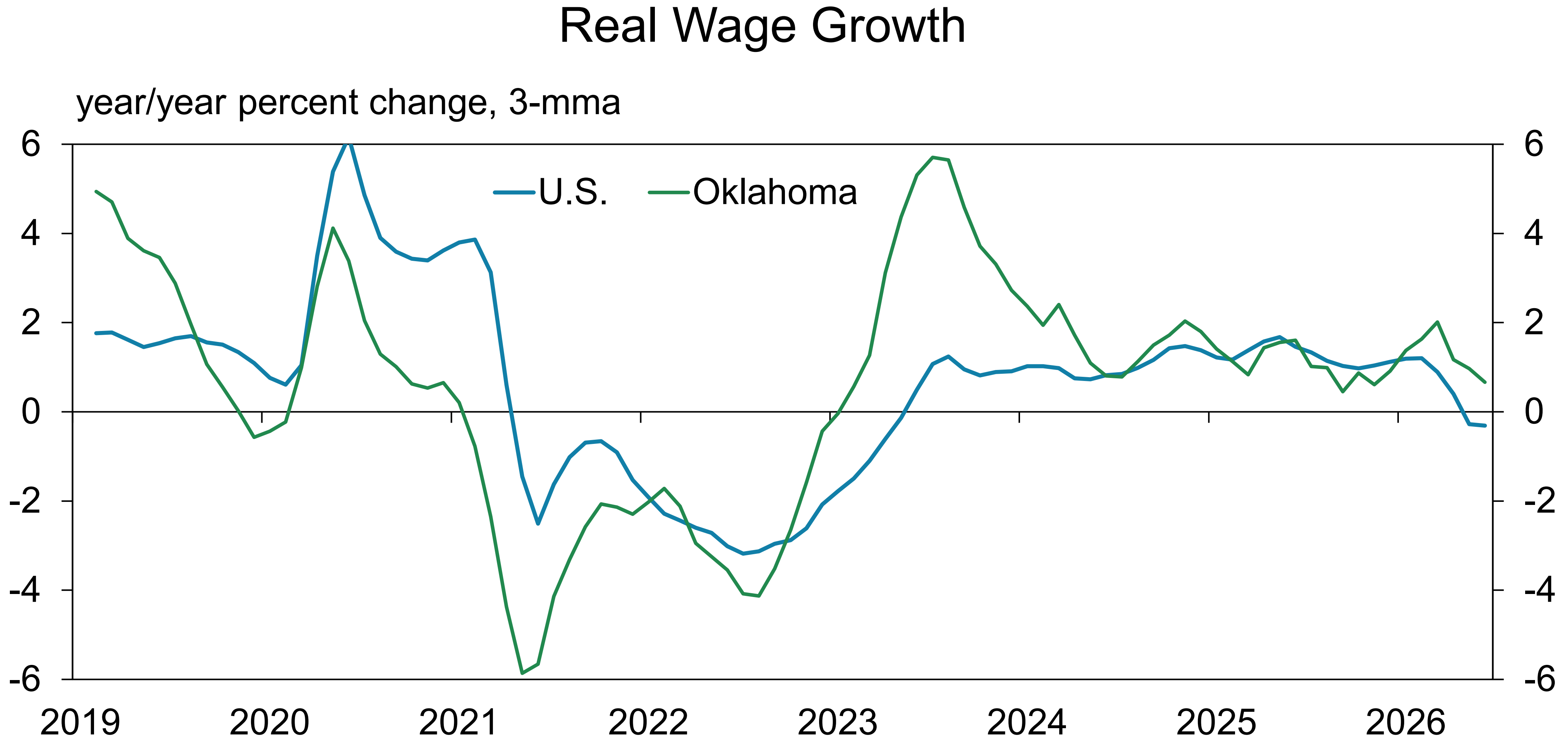
Sources: BEA, BLS, Moody's Analytics, Federal Reserve Board/Haver Analytics

Fuel prices present upside risk to inflation, particularly in energy-intensive industries.



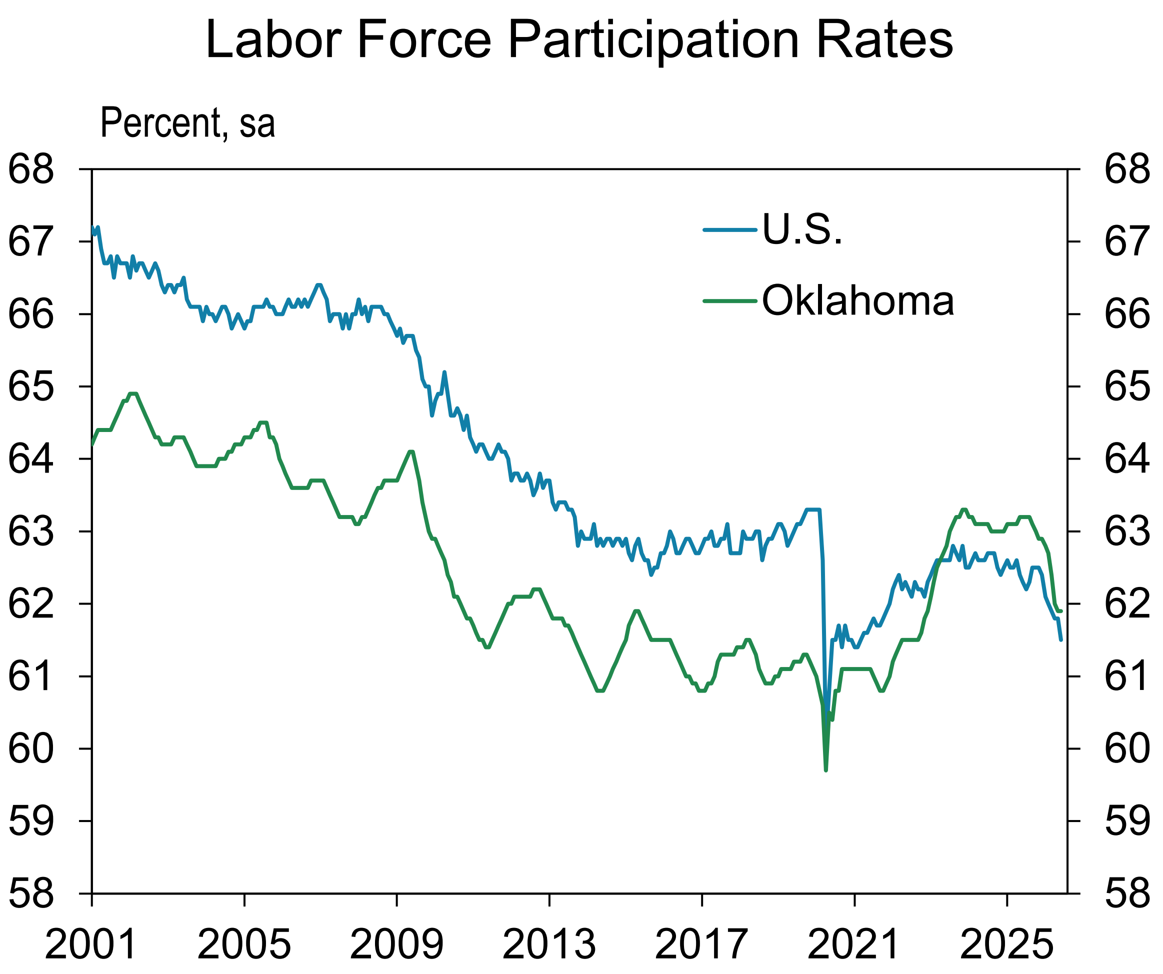
Sources: EIA/Haver Analytics

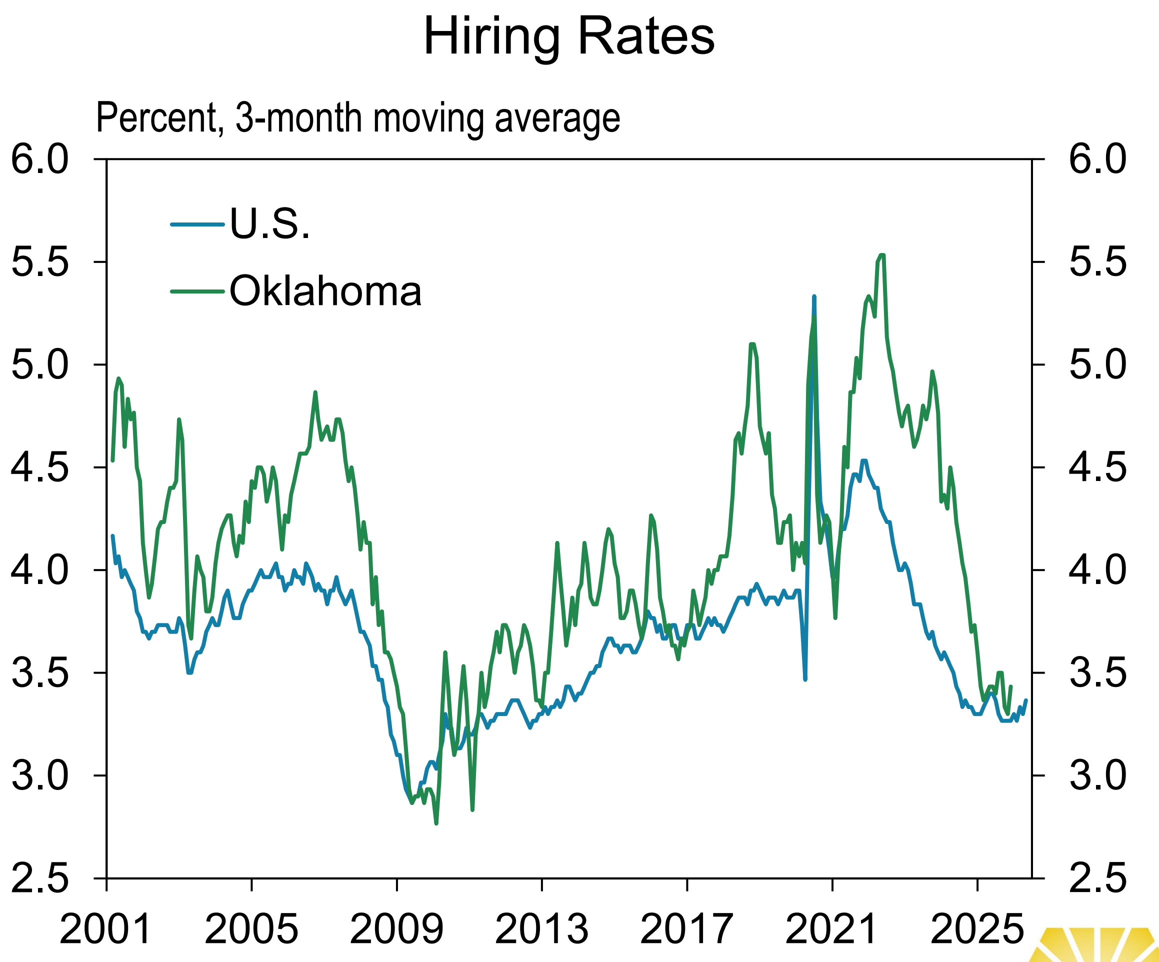
Wage growth has slowed recently but continues to outpace the nation in some areas.



Note: U.S. wage growth is deflated by U.S. CPI. Oklahoma wage growth is deflated by South West Central CPI, including OK, TX, LA, and AR.
Sources: U.S. BLS/Haver Analytics

Both labor supply and demand have softened in the past year, but hiring in the U.S. has picked up in 2026

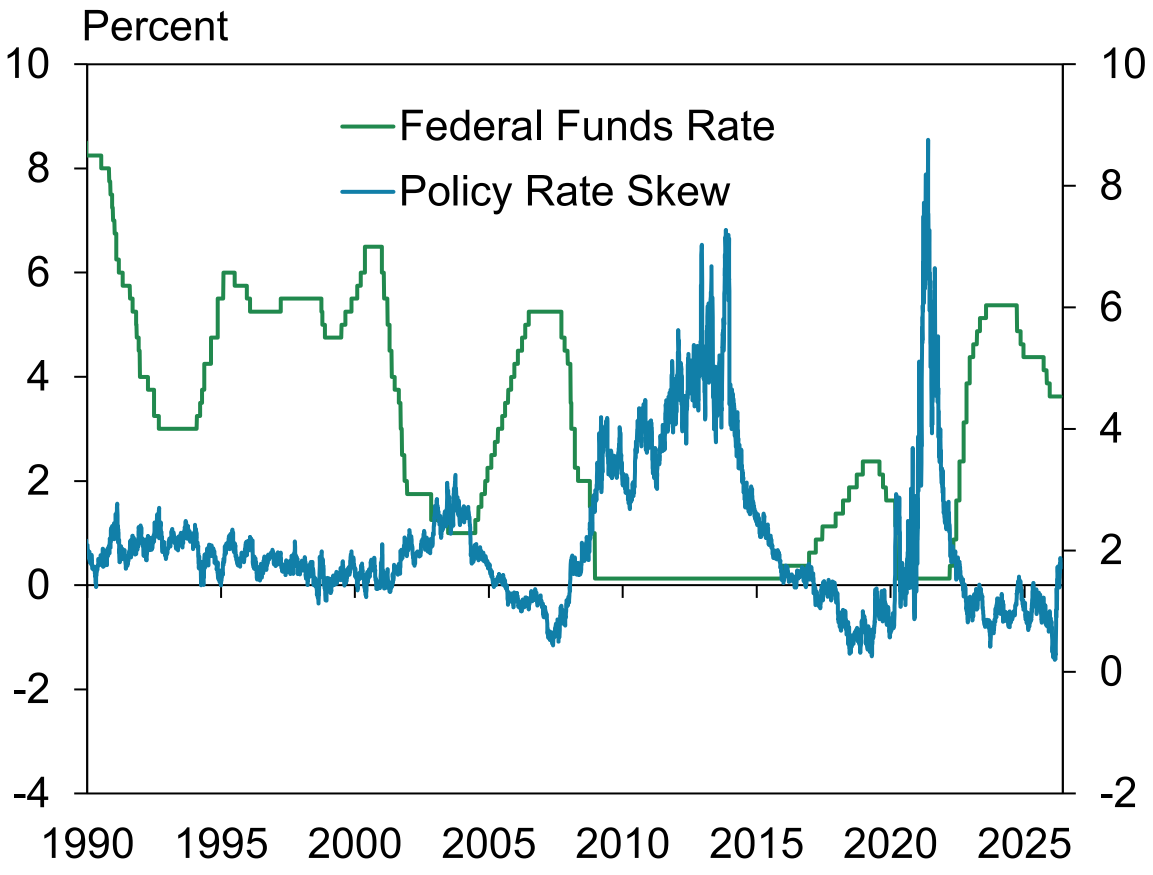


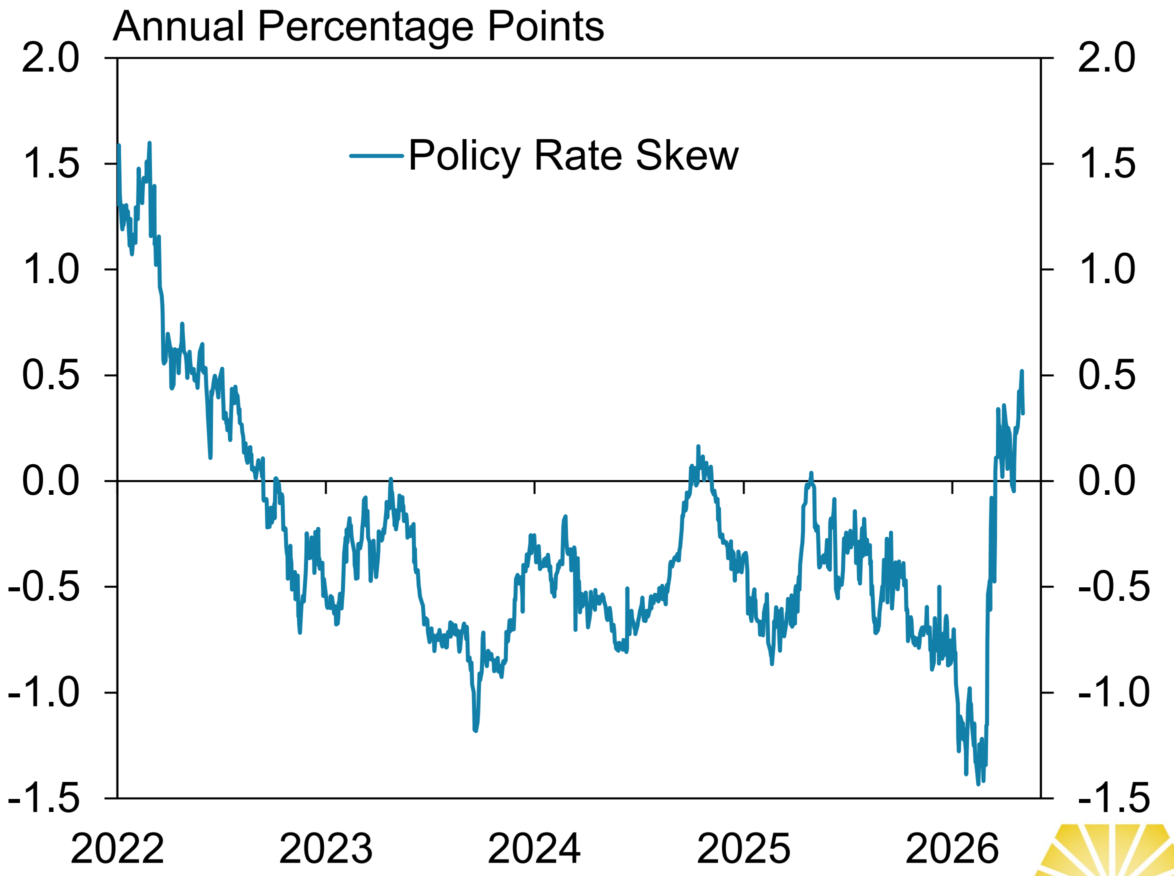


Source: U.S. Bureau of Labor Statistics/Haver Analytics

The Kansas Fed's policy rate skew increased above zero following the Iran conflict, indicating markets see upside risk for interest rates

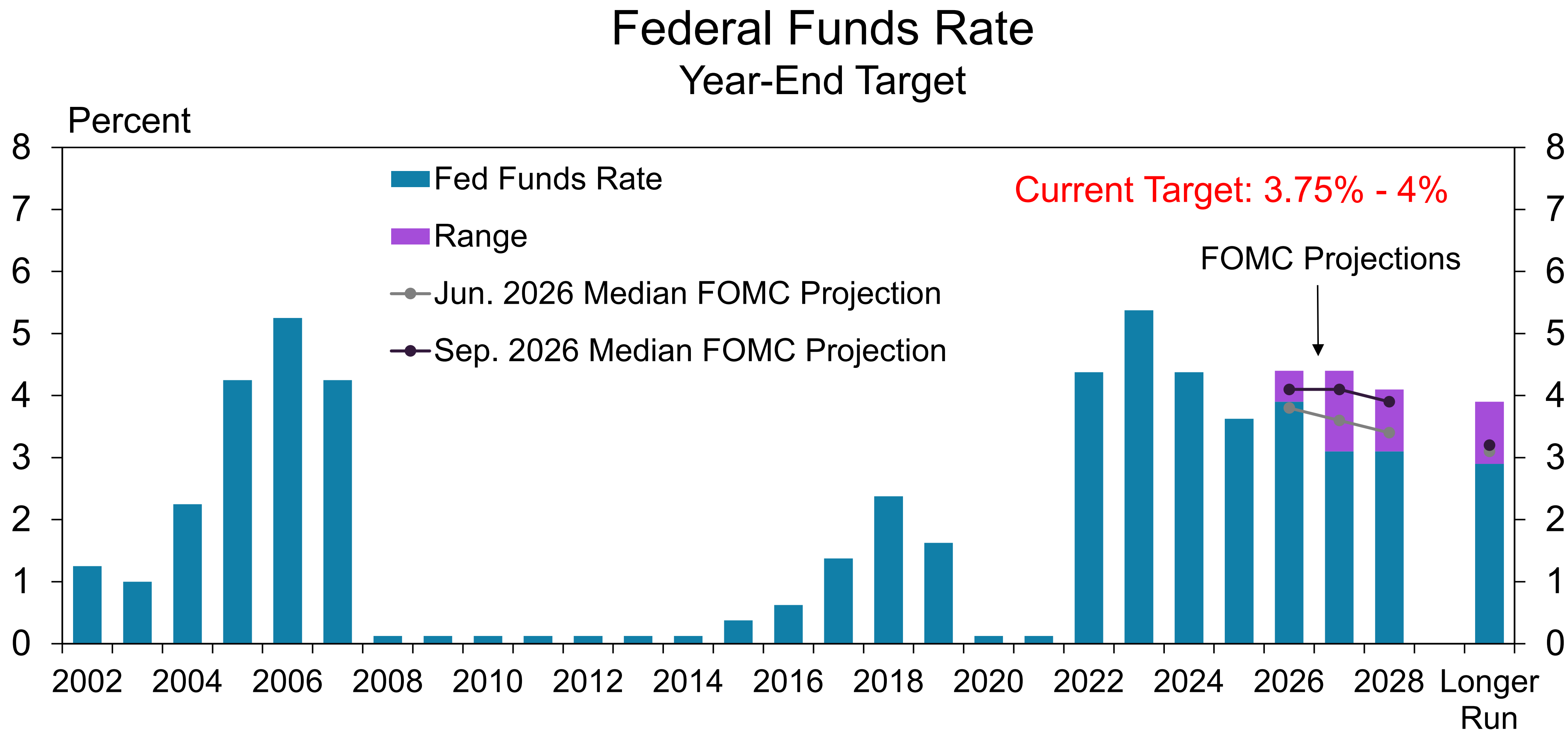
Kansas City Fed Policy Rate Skew





Sources: Federal Reserve Board, Bundick, Doh, & Smith (2024), CME Group

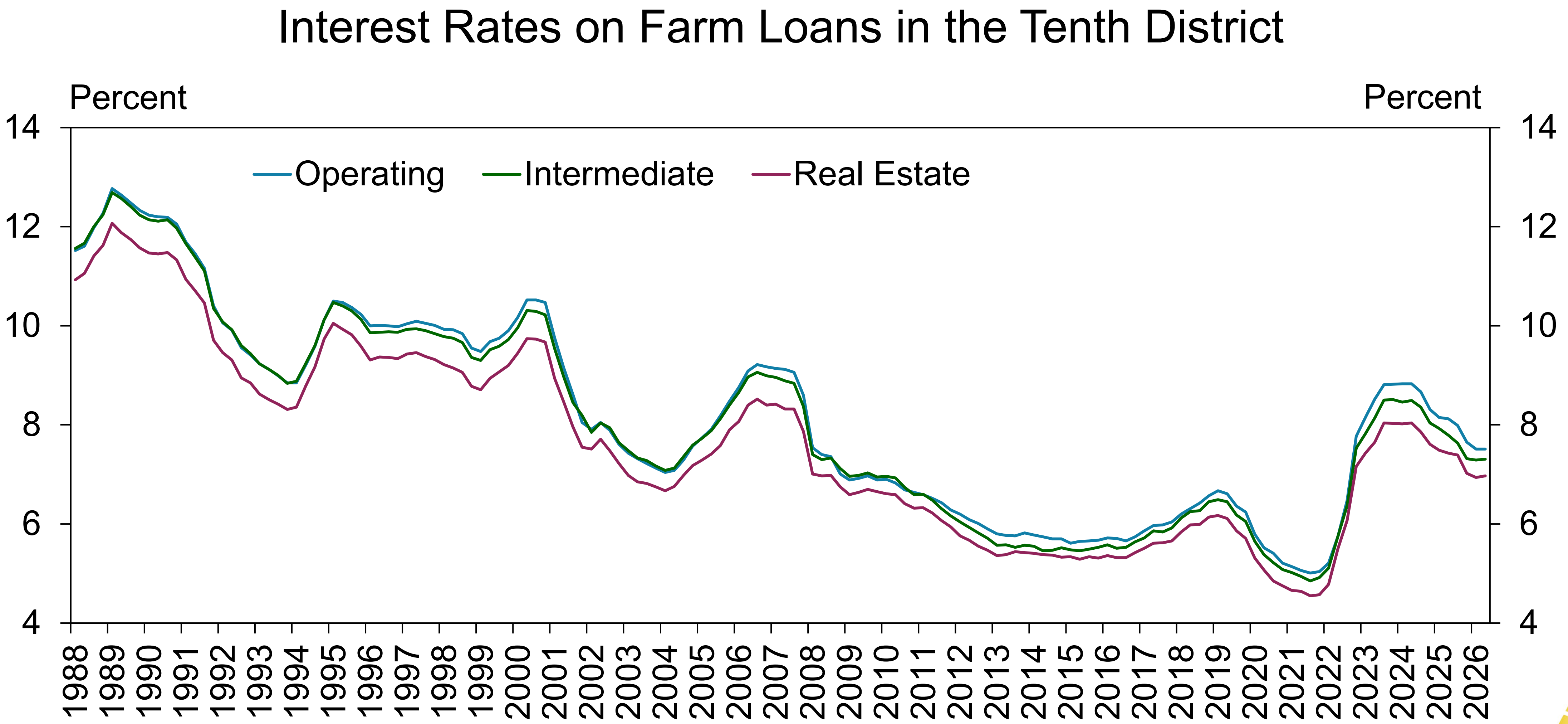
The Fed increased the federal funds rate by 25 basis points in September, and the latest projections are shown



Note: Data and FOMC projections are for year-end.

Sources: Bureau of Economic Analysis, FOMC

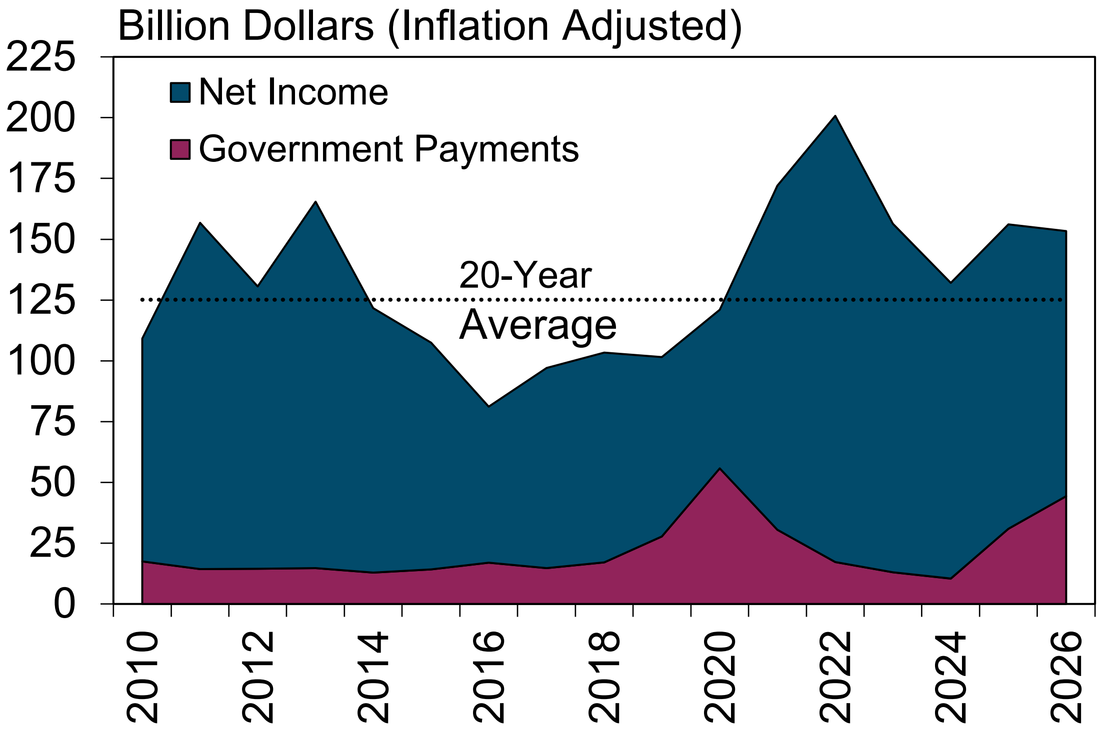
Interest rates on farm loans remain elevated.



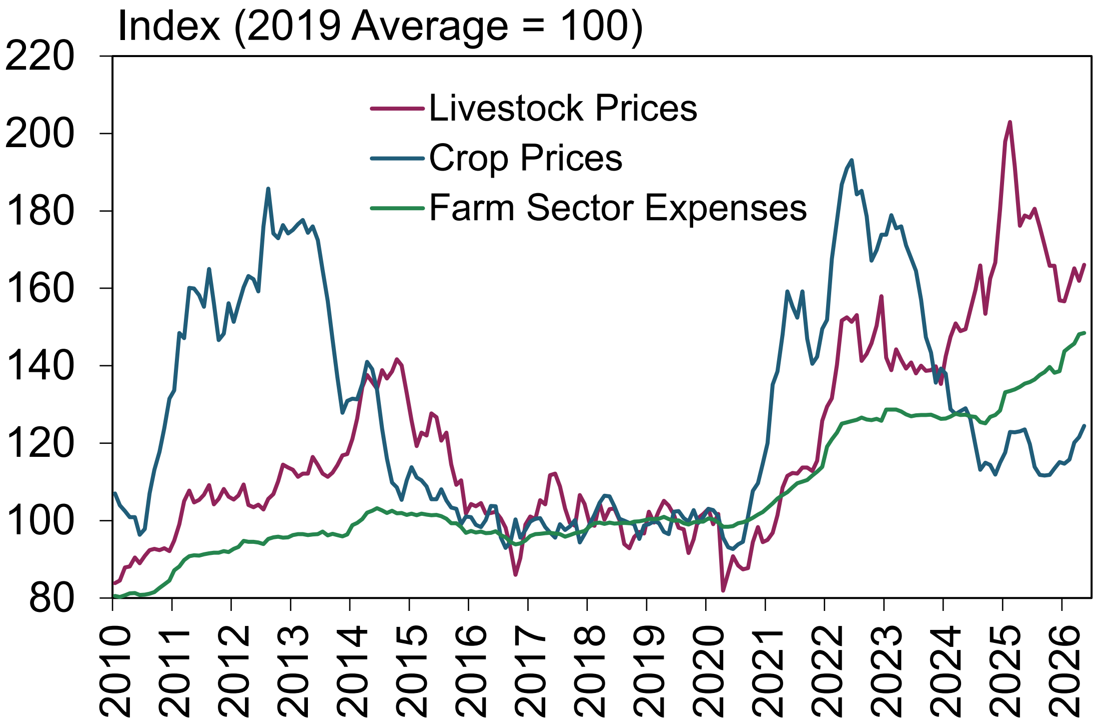
Source: Federal Reserve Bank of Kansas City Ag Credit Survey

The outlook for farm income in 2026 appears strong but is complicated by notable disparities and risks.

U.S. Net Farm Income

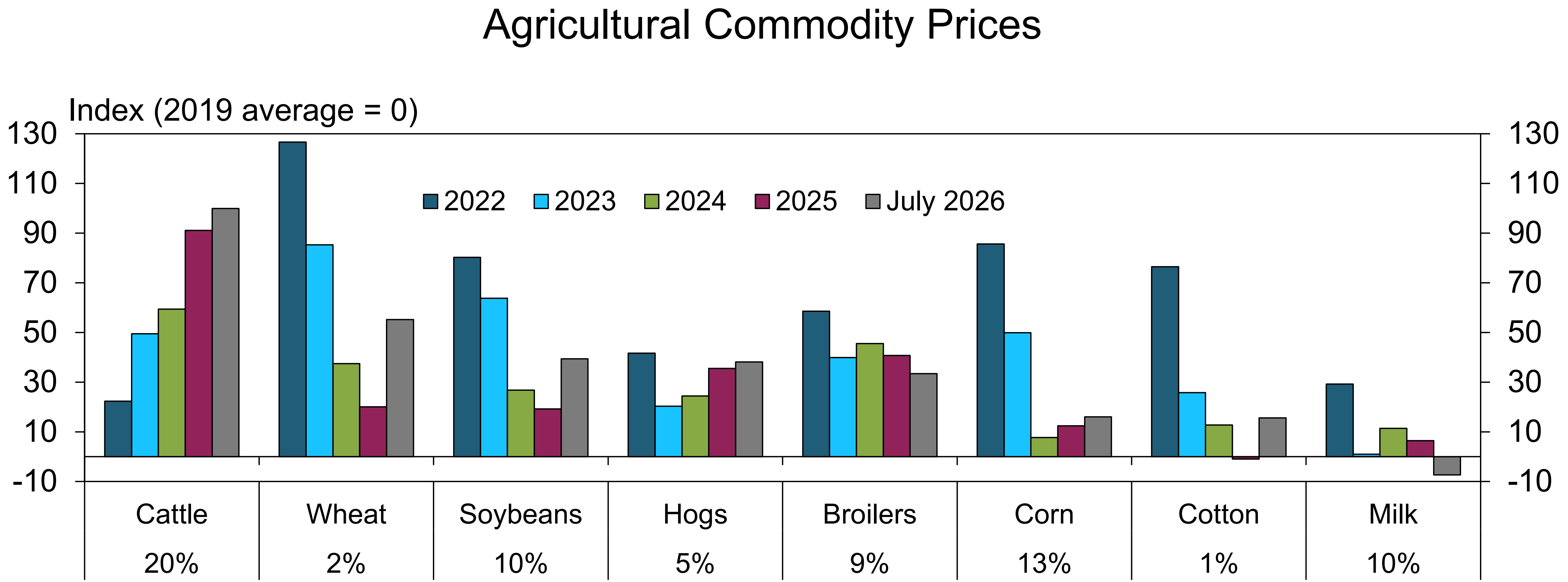


U.S. Ag Commodity Prices and Expenses



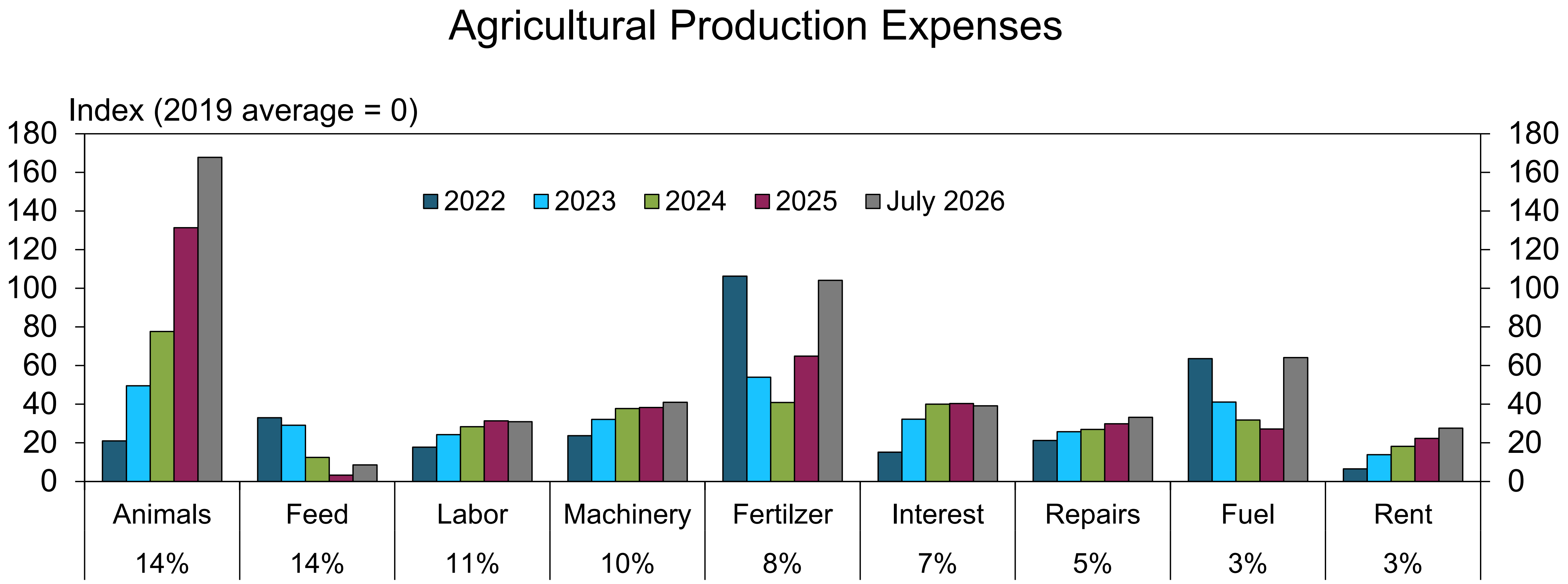
Notes: Net farm income and government payments are the USDA forecast as of February 5, 2026.
Sources: USDA, and Federal Reserve Bank of Kansas City staff calculations

Cattle prices are exceptionally strong. Crop prices are relatively low but have increased in recent months.



Note: The numbers below each commodity denote the average share of U.S. farm cash receipts attributed to each commodity.
Sources: The Wall Street Journal, USDA, and Federal Reserve Bank of Kansas City staff calculations

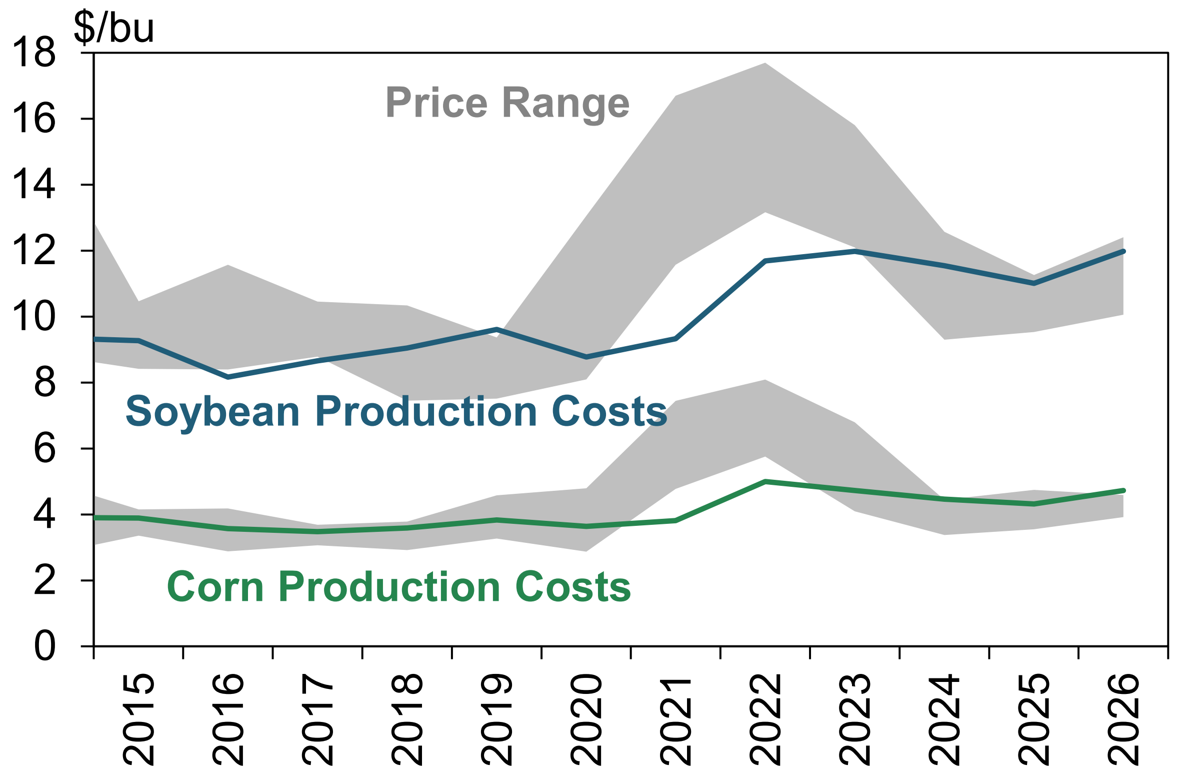
Broad cost pressures and recent fertilizer and fuel price spikes are keeping production expenses elevated.



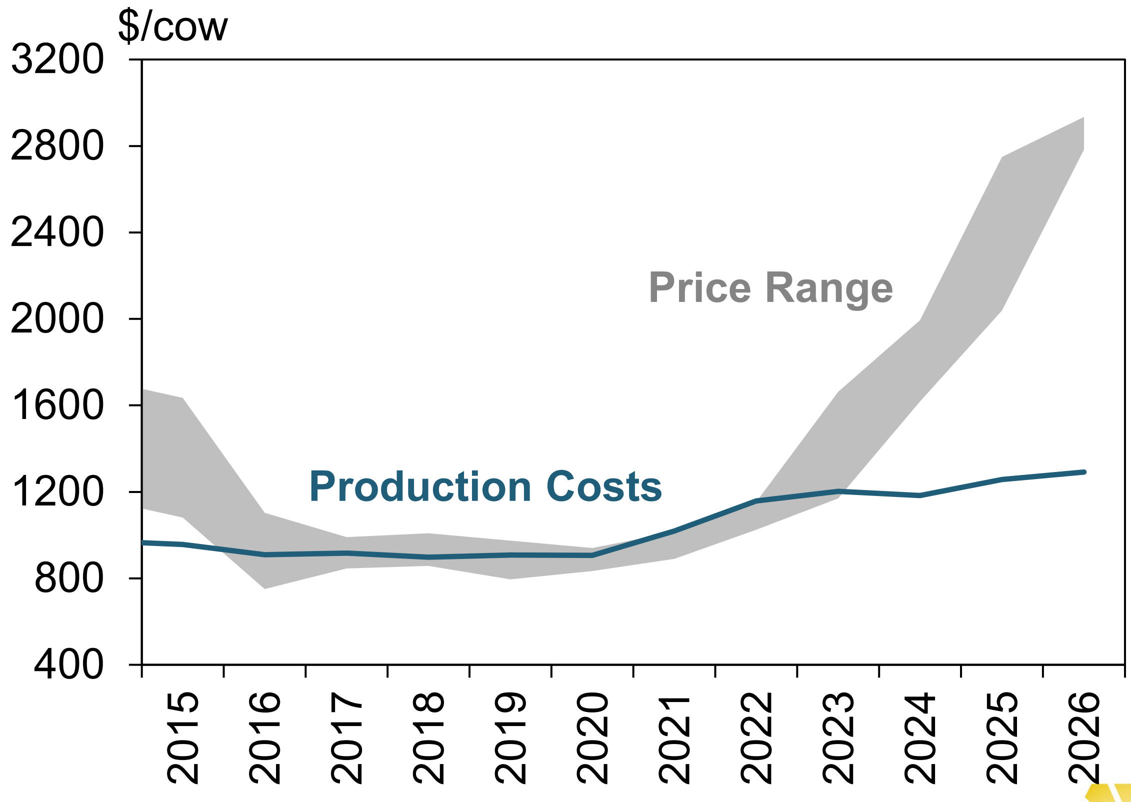
Note: The numbers below each expense category denote the average share of U.S. farm production expenses attributed to each category.
Sources: USDA and Federal Reserve Bank of Kansas City staff calculations

Crop profits are limited alongside elevated costs while opportunities for cattle producers are strong.

Corn and Soybean Profit Margin Opportunities

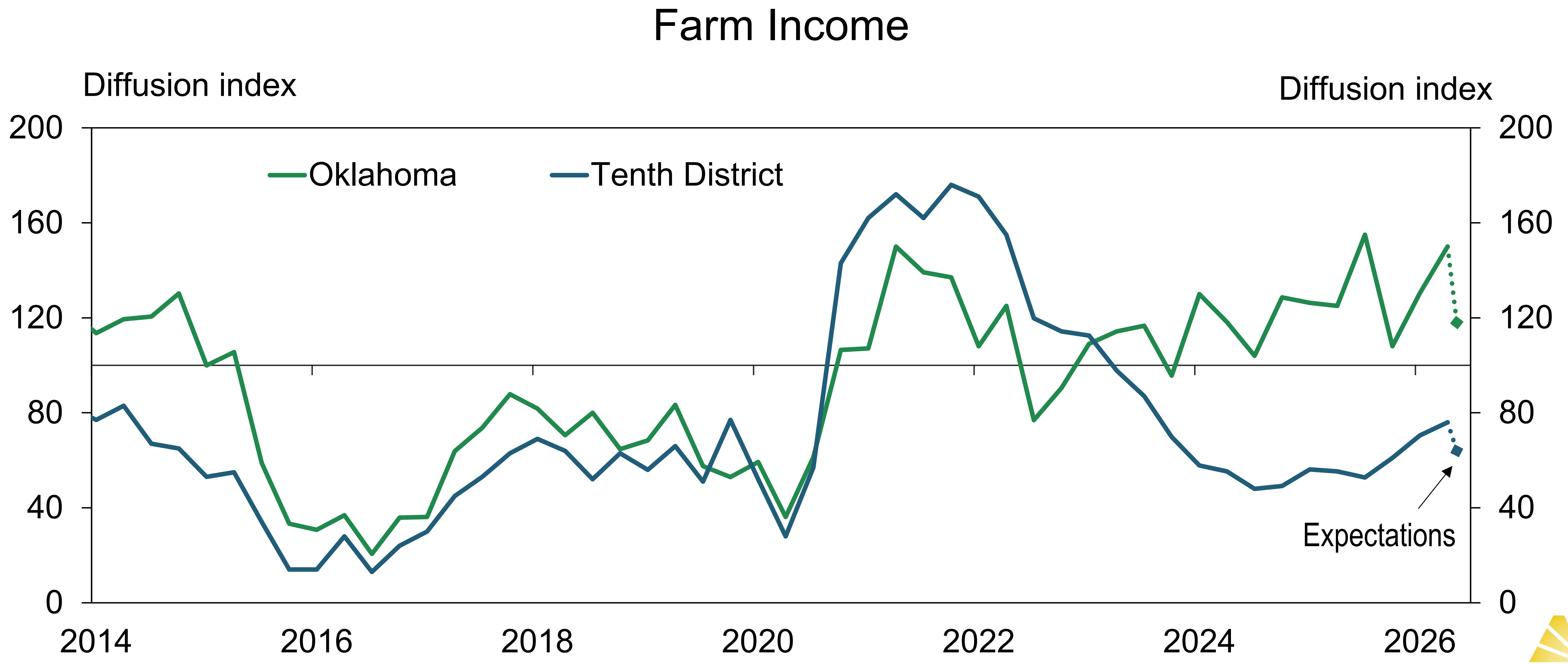


Cow/Calf Profit Margin Opportunities



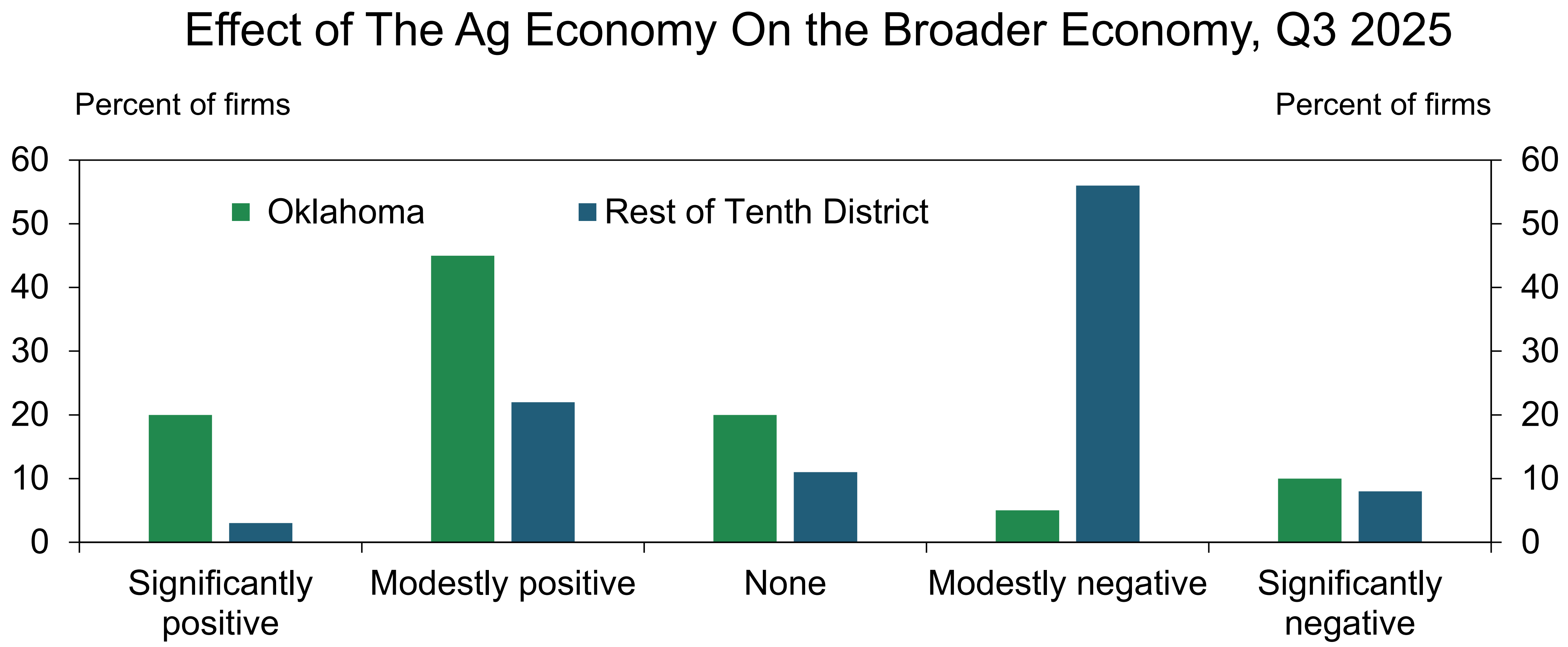
Note: Production costs are estimated using the USDA cost and return estimates and forecasts with national average yields and prices. The cost of production excludes the opportunity costs of unpaid labor. Figures for 2026 are forecasts.
Sources: USDA; CME Group; Haver Analytics; Federal Reserve Bank of Kansas City staff calculations

We are seeing some disparities in farm income growth across states, due, in large part, to ag industry composition.



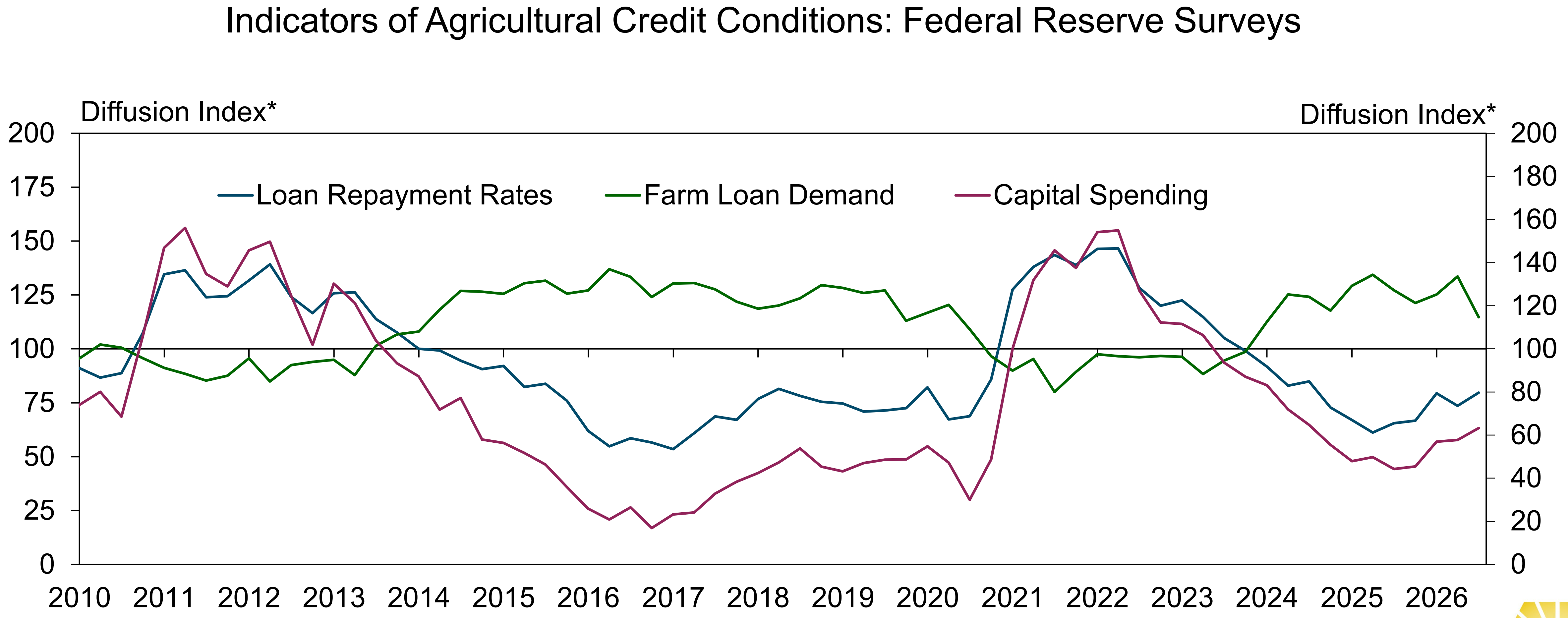
Sources: FRBKC Ag Credit Survey, Wall Street Journal/Haver Analytics

Furthermore, areas with a greater concentration in cattle production saw more positive outcomes in the broader economy.



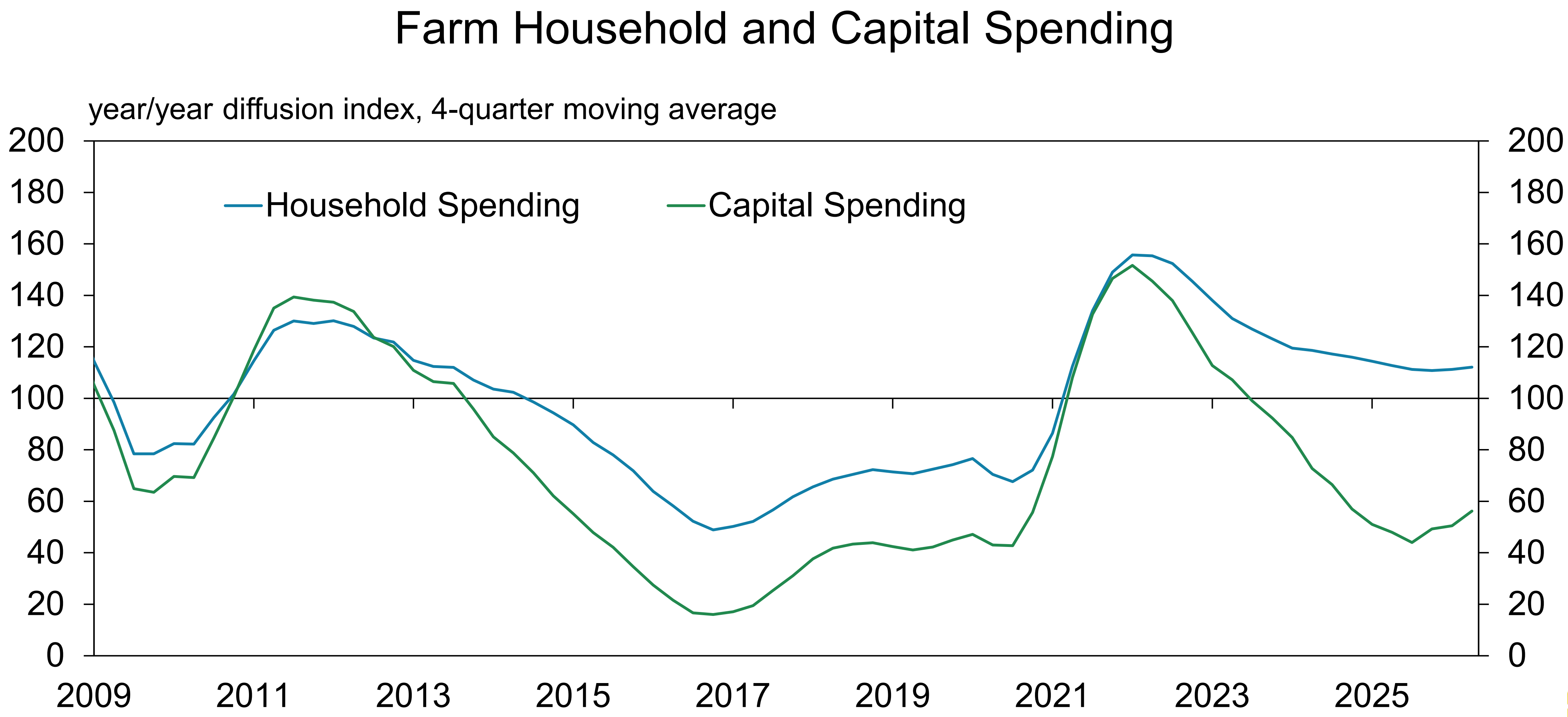
Note: Agricultural lenders were asked, "How have recent agricultural economic conditions affected broader economic conditions and business activity in your lending area?"
Source: Federal Reserve Bank of Kansas City Ag Credit Survey

Agricultural credit conditions have tightened alongside ongoing challenges in the crop sector.



*The index numbers are computed by subtracting the percentage of lenders who responded “lower” from the percentage who responded “higher” and adding 100.
Source: Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions

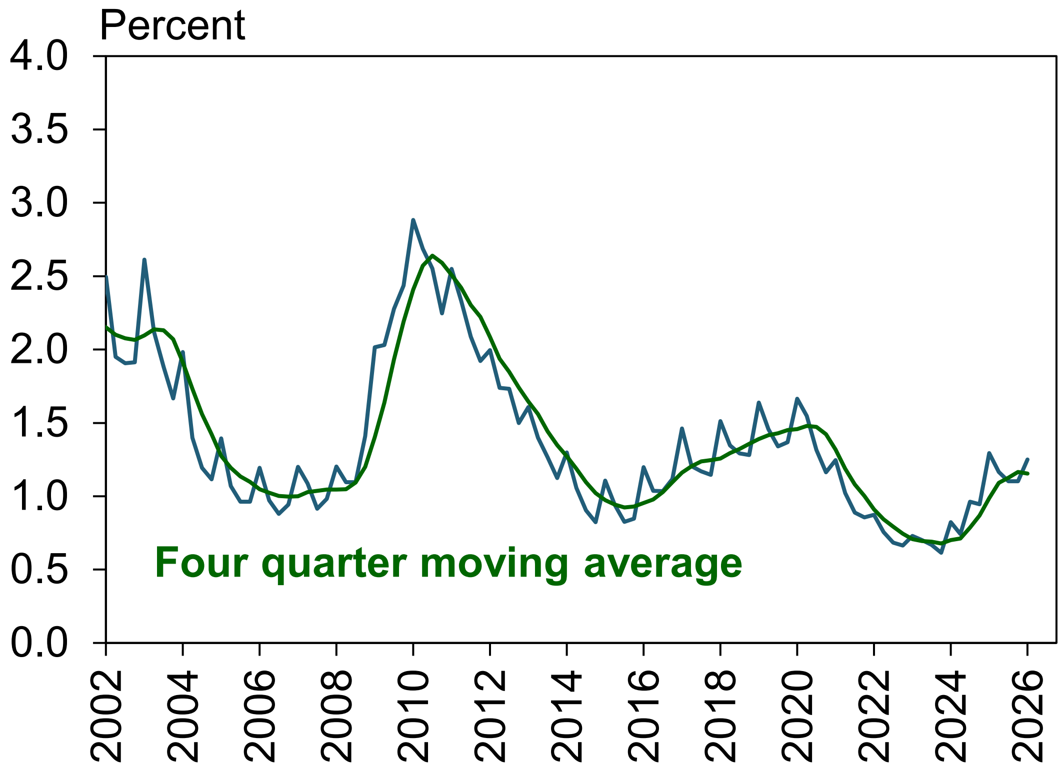
Farm household spending has remained elevated, but capital spending has declined.



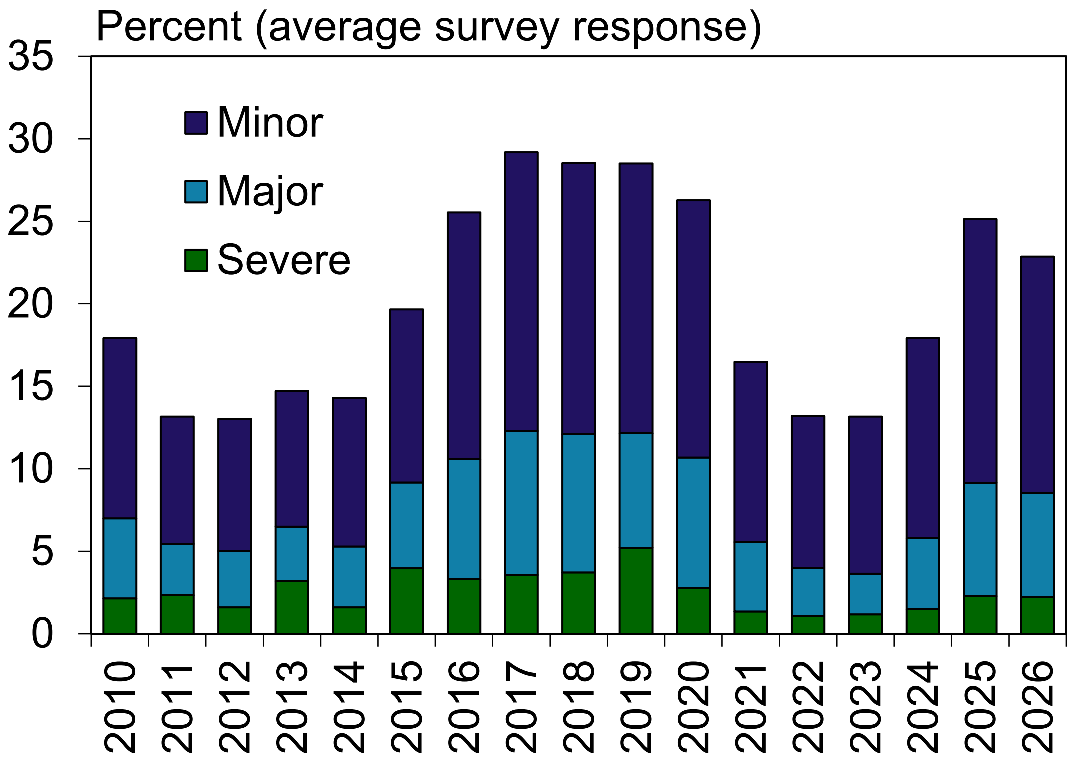
Source: Federal Reserve Bank of Kansas City Ag Credit Survey

Overall, however, deterioration of financial conditions in the U.S. farm sector has been modest.

U.S. Farm Loan Delinquency Rates



Degree of Farm Loan Repayment Issues*

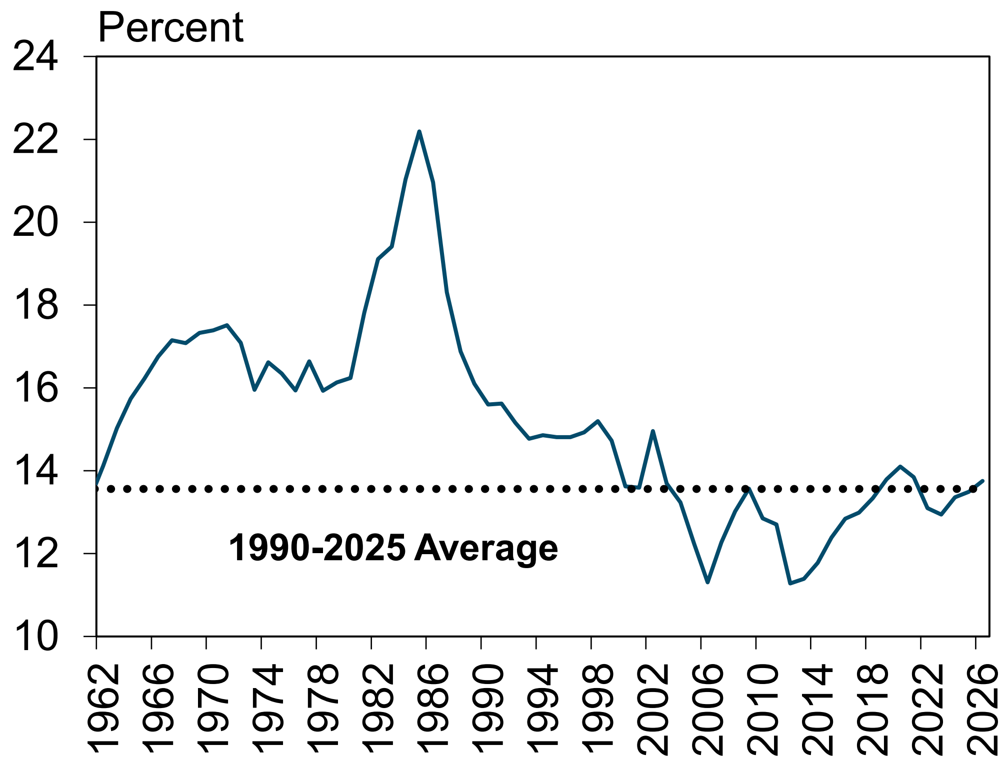


*Agricultural lenders answered the following question: Please indicate the percentage of the dollar amount of your bank's farm loan portfolio that currently falls within each of the following repayment classifications (none, minor, major or severe).

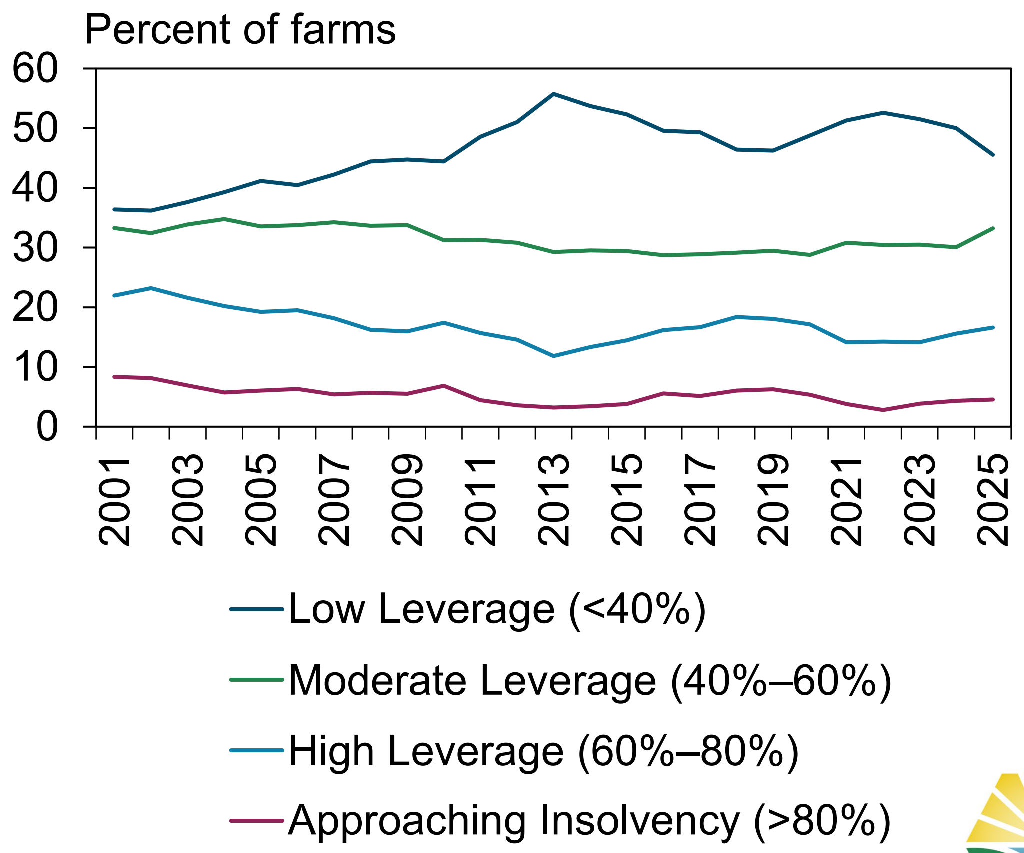
Sources: Commercial Bank Reports of Condition and Income, Farm Credit Administration, and Federal Reserve Bank of Kanas City Survey of Agricultural Credit Conditions

Farm solvency is near historic norms with many operations maintaining a strong financial position.

Farm Sector Debt-to-Asset Ratio



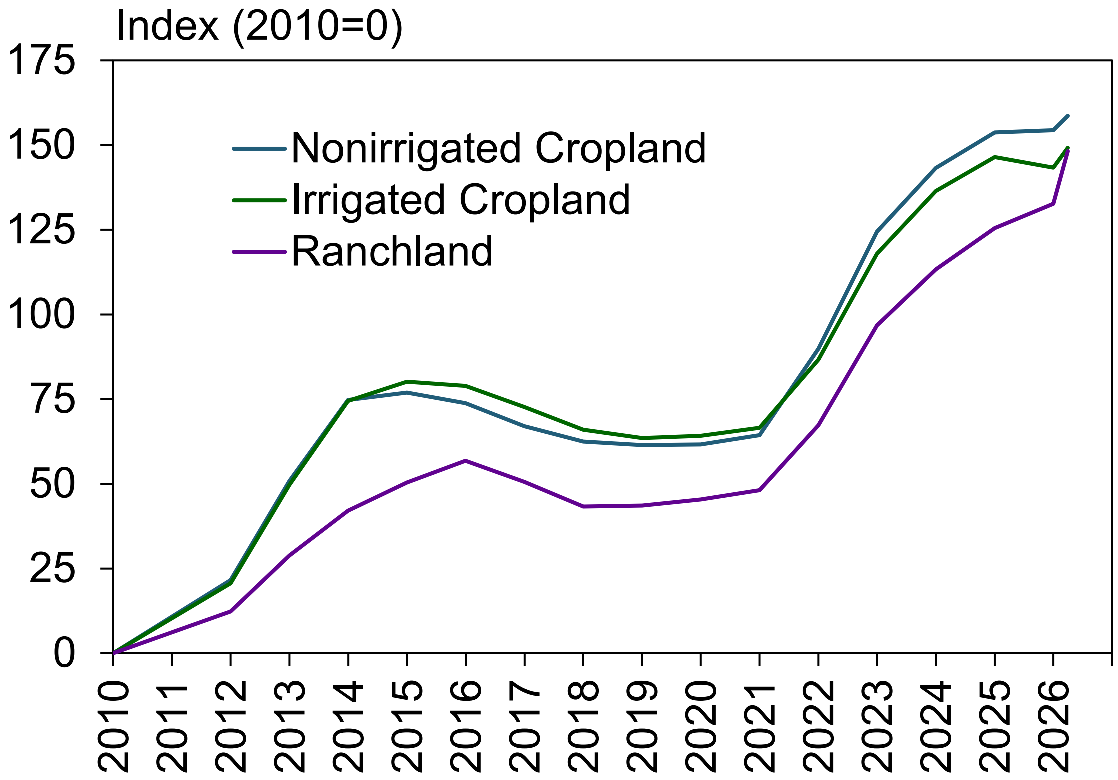
Share of Farms by Debt-to-Asset Ratio



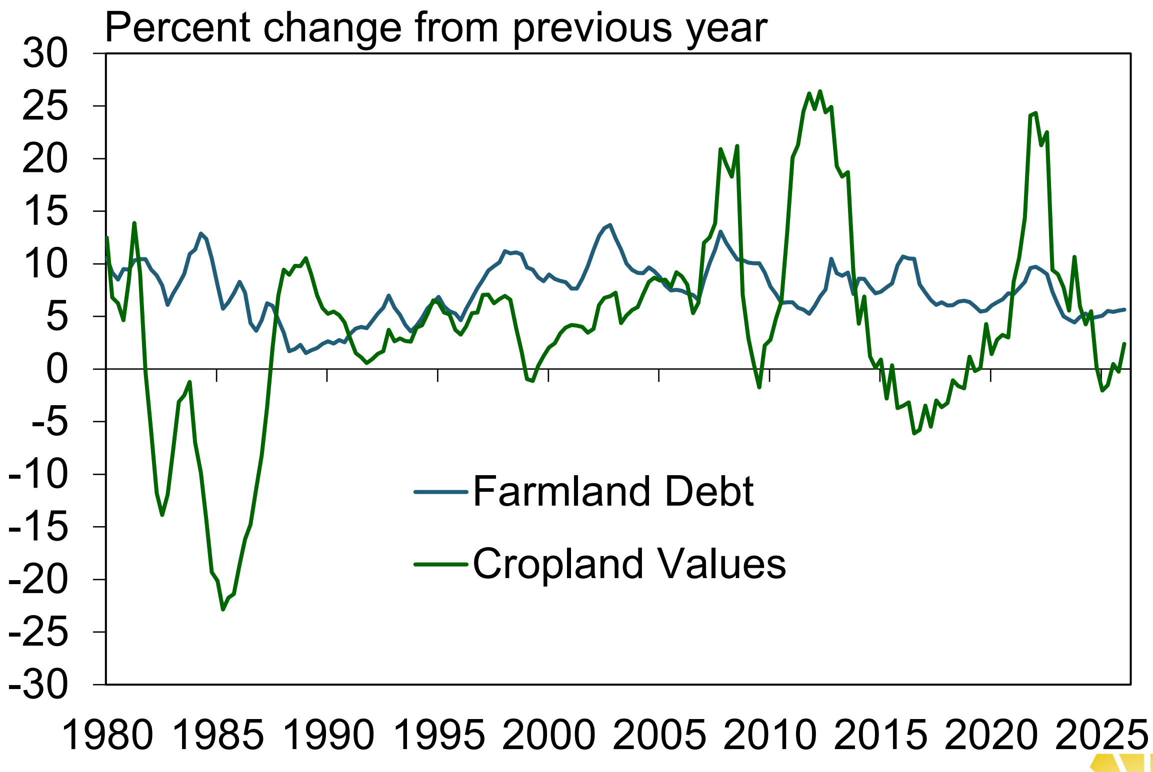
Sources: USDA, FINBIN, Center for Farm Financial Management, University of Minnesota, and Federal Reserve Bank of Kansas City staff calculations

Farmland values have been resilient and debt accumulation continues to signal gradual deterioration in financial conditions.

Farm Real Estate Values

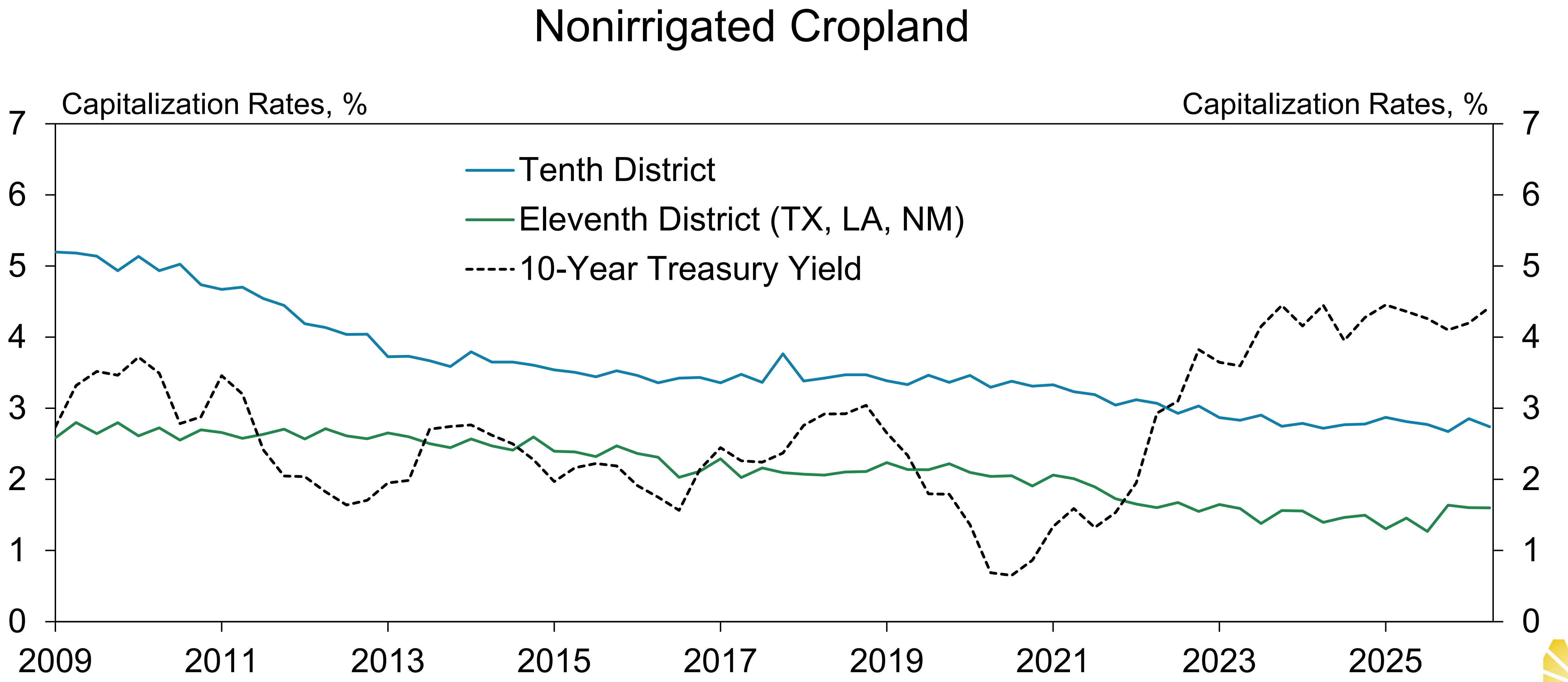


Farmland Debt and Cropland Values



Sources: Federal Reserve Bank of Kanas City Survey of Agricultural Credit Conditions, Reports of Conditions and Income, Farm Credit Administration, and Federal Reserve Bank of Kansas City staff calculations

Risk-free rates of return have increased with interest rates and outpaced capitalization rates on nonirrigated cropland



Sources: Federal Reserve Bank of Kansas City, Federal Reserve Bank of Dallas, Federal Reserve Board of Governors (FRED)

Summary

- Profit margins among crop producers are likely to remain narrow in 2026, but government payments have limited losses, and strength of recent years continues to provide support.
- Profitability among livestock operations has boosted incomes in many regions, and herd rebuilding in the cattle industry remains slow.
- Financial stress has increased slightly for crop producers, but many are in a stable position.
- Uncertainty surrounding weather, trade and geopolitics could keep volatility in commodity markets elevated.

Center FOR Agriculture AND the Economy

FEDERAL RESERVE BANK OF KANSAS CITY

www.kansascityfed.org/center-for-agriculture-and-the-economy/

Receive regular updates about the Oklahoma economy and agricultural economy:

Subscribe to receive email alerts when the Kansas City Fed releases new research and information. Scan the QR code below or visit www.kansascityfed.org/ealert

Cortney Cowley

Oklahoma City Branch Executive and Assistant Vice President
Steering Committee, Center for Agriculture and the Economy
Federal Reserve Bank of Kansas City
Cortney.cowley@kc.frb.org