

# Financial Outlook for U.S. Agriculture

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February 18, 2025

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.



# Outlook Themes

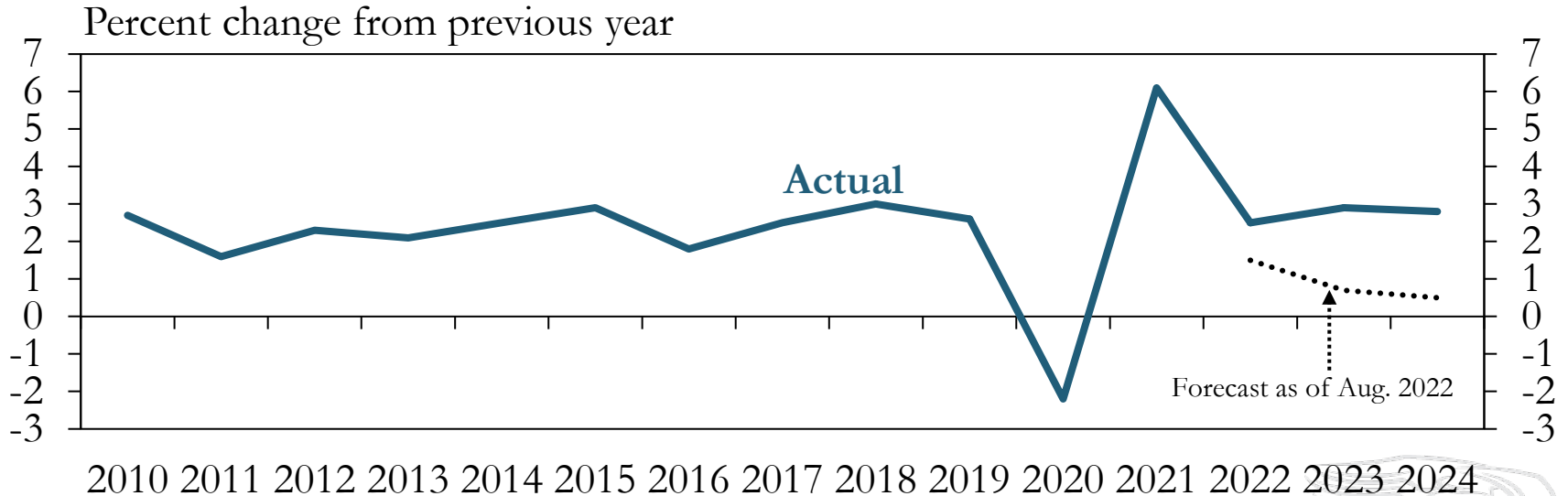
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- Economic conditions in agriculture softened through 2024 alongside weak crop prices.
- Livestock revenues have been notably stronger than crops and conditions have been particularly favorable for cattle producers.
- Financial pressure in agriculture has been limited, with additional support from government payments, but could still build in the year ahead.



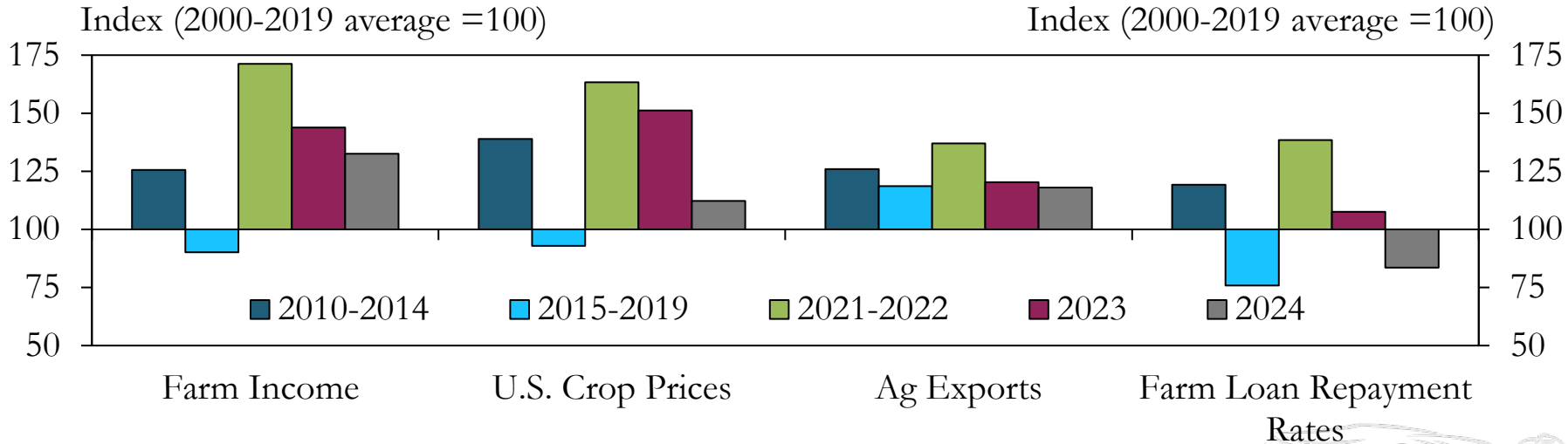
# Despite concerns about a post-recovery slowdown in recent years, the U.S. economy has been resilient.

## U.S. Real GDP



# Economic conditions in U.S. agriculture have softened from a period of exceptional strength.

## Indicators of the U.S. Ag Economy



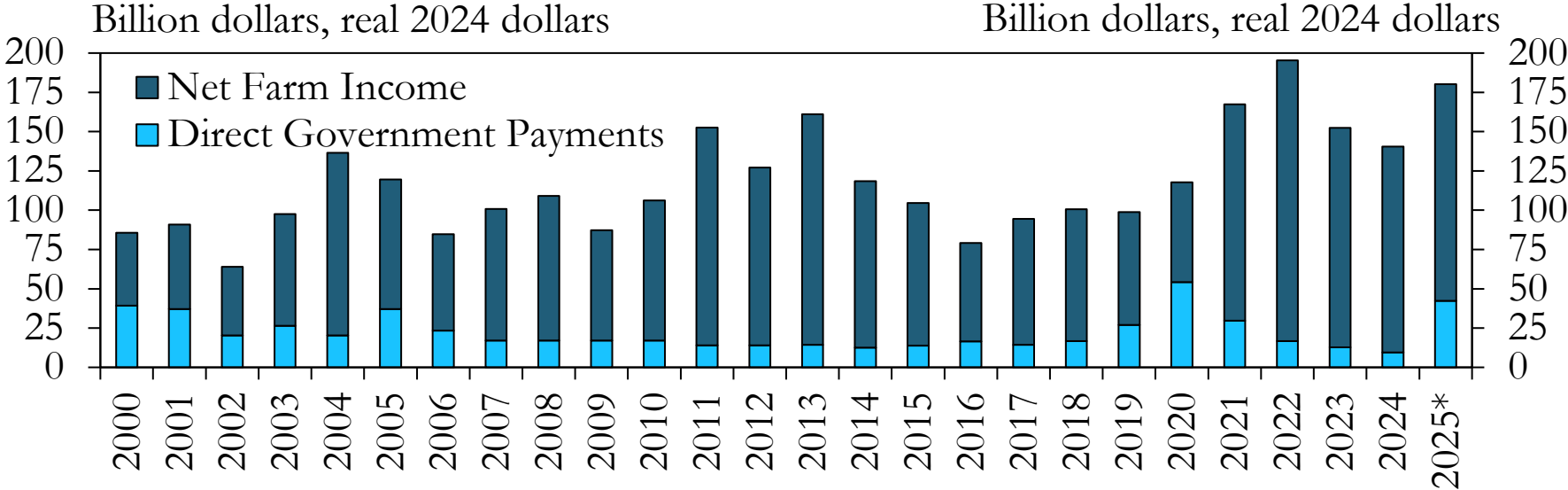
\*2024 farm income and farm sector interest expenses are USDA forecasts and 2024 commodity prices, ag exports, farm loan repayment rates, and farmland values are staff estimates.

Sources: USDA , Federal Reserve Surveys of Agricultural Credit Conditions and staff calculations



# Farm income dropped sharply in 2024, but new forecasts anticipate a boost from government payments in 2025.

## U.S. Real Net Farm Income

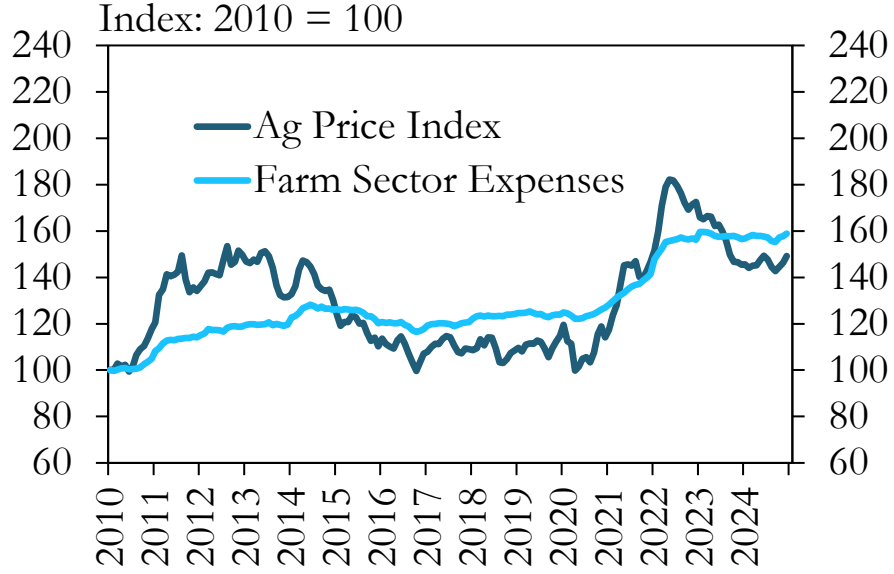


\*USDA forecast as of February 6, 2025

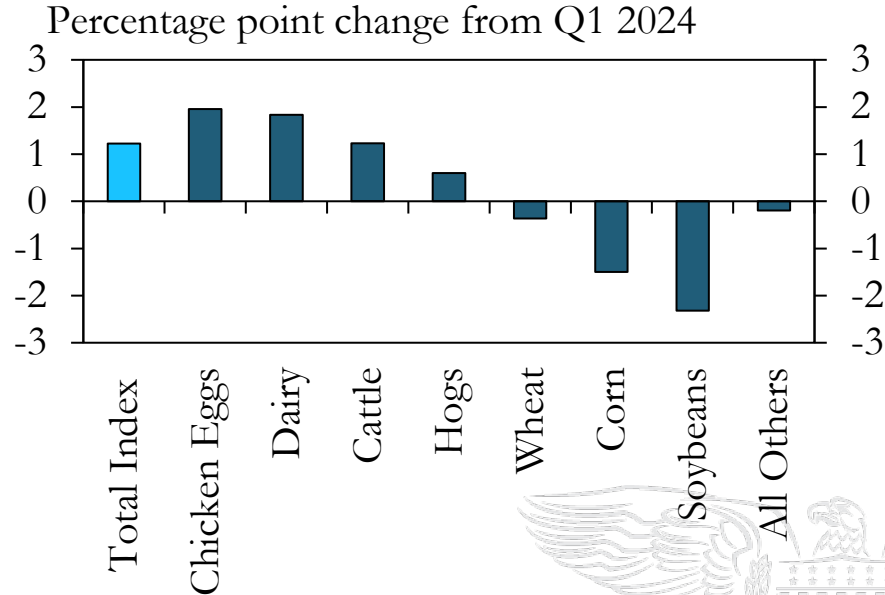
Sources: USDA and staff calculations

# Recent cattle and dairy prices have supported farm revenues, but crop prices have been a drag.

U.S. Ag Commodity Prices and Expenses



Contribution to Change in Price Index

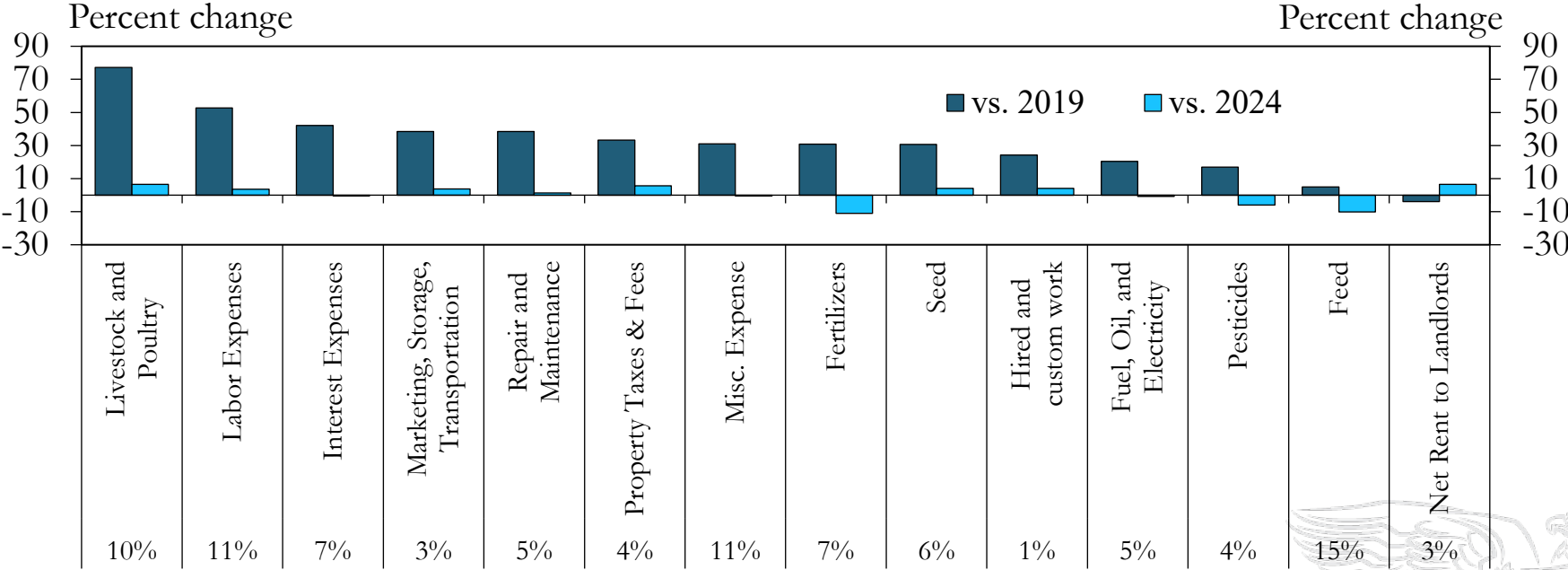


Source: USDA, Haver Analytics, and staff calculations



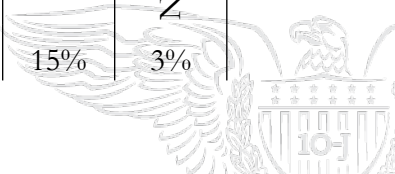
# The increase in production expenses was broad and costs have only eased slightly for a few major inputs.

## 2025 U.S. Farm Sector Expenses



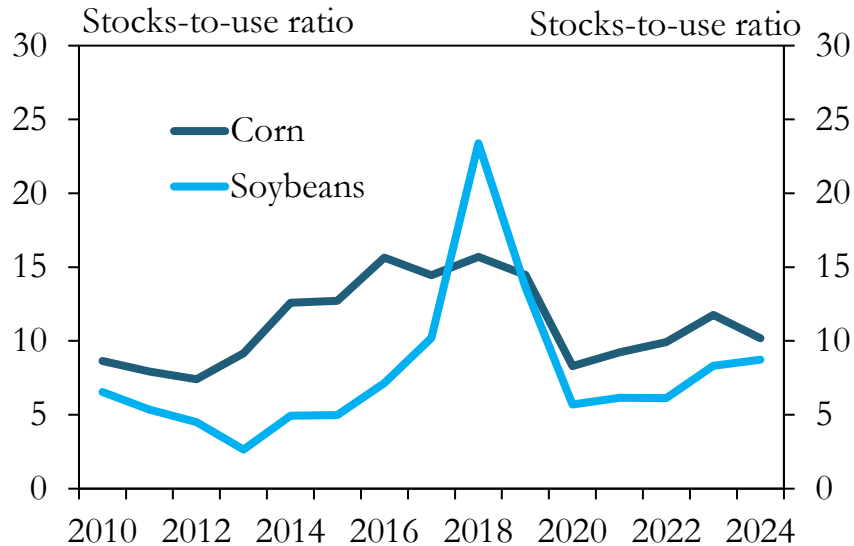
**Note:** U.S. Forecast as February 6, 2025. Numbers on the horizontal axis denote the share of total expenses.

**Source:** USDA

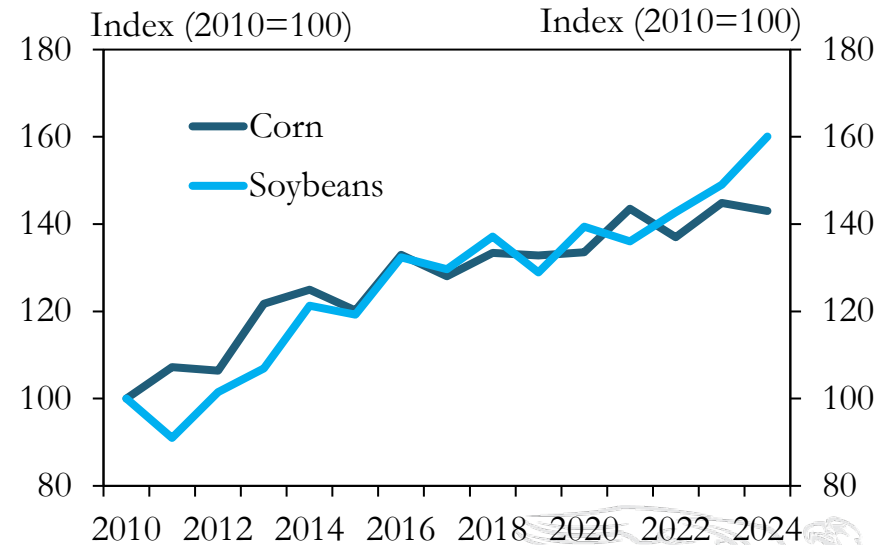


# Elevated inventories and strong global production are likely to continue weighing on crop prices.

## U.S. Crop Inventories



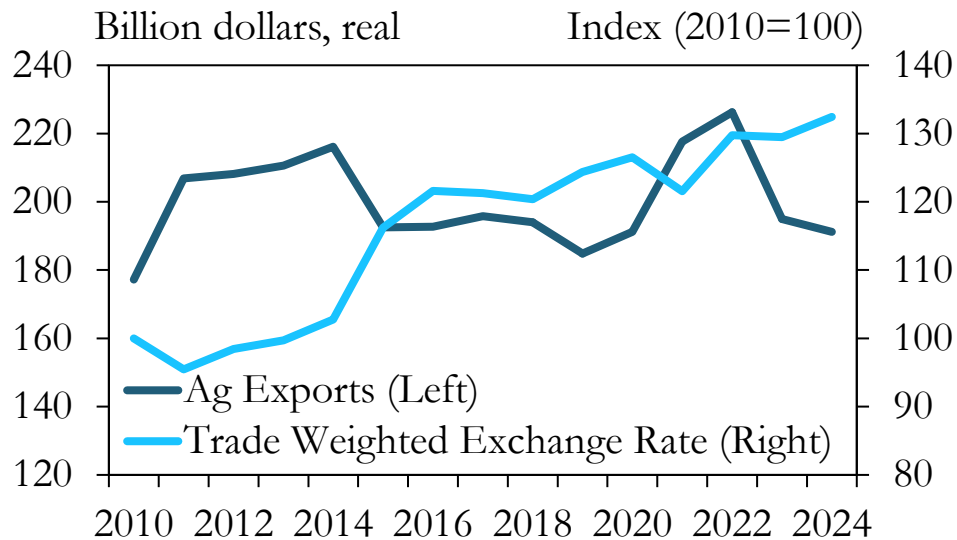
## Global Crop Production



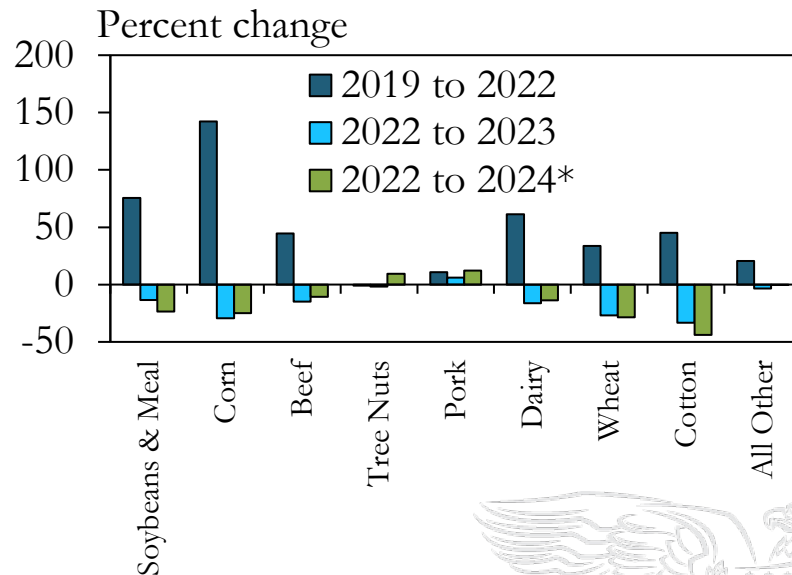


# A decline in the value of U.S. ag exports has also weighed on farm incomes.

## U.S. Ag Exports and U.S. Exchange Rate



## Value of U.S. Exports by Product

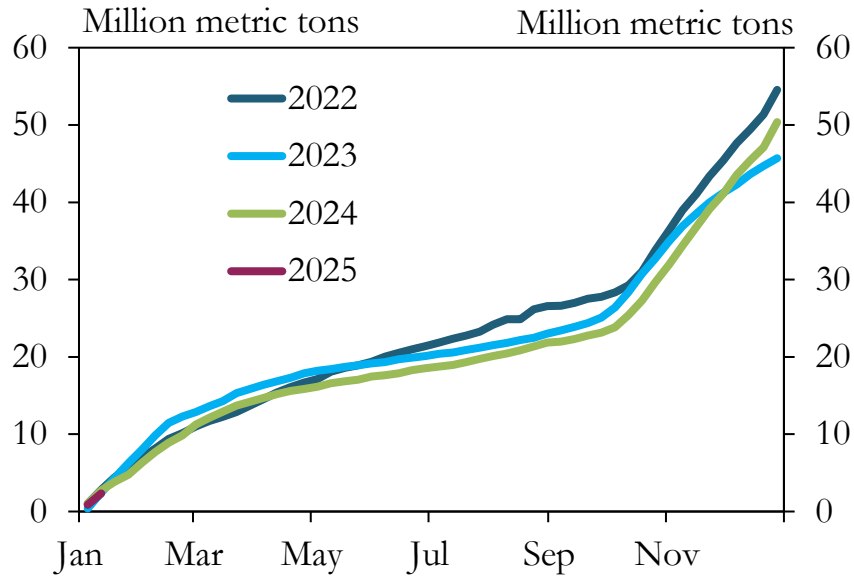


Sources: USDA and staff calculations

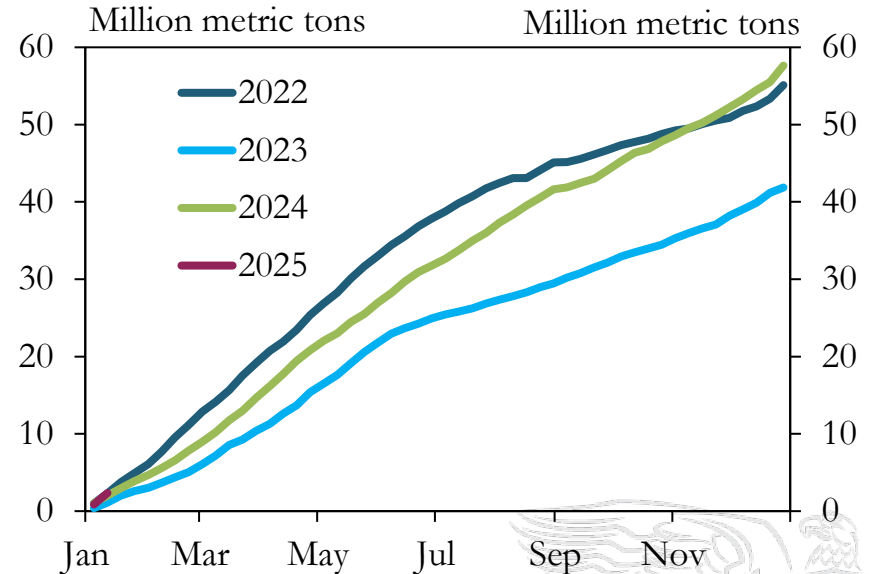


# Low prices and uncertainty about U.S. trade relations spurred crop bargain buying at the end of 2024.

## Corn Exports

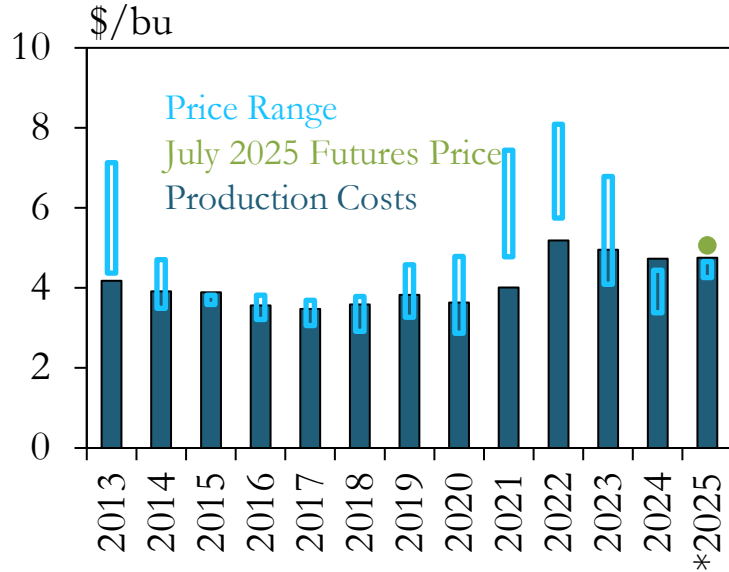


## Soybean Exports

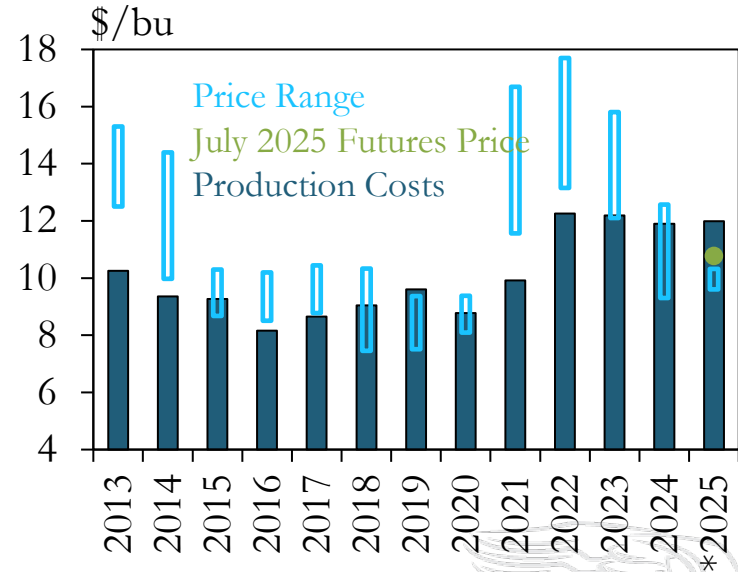


# But with market conditions constraining row crop prices, profit opportunities are likely to remain narrow.

## Corn Profit Margin



## Soybean Profit Margin



**Note:** Production costs are calculated from USDA annual estimates and forecasts.

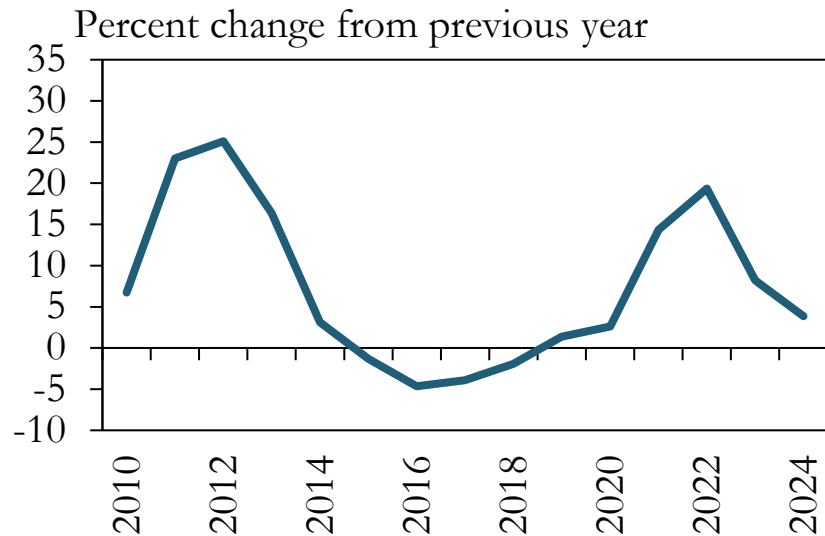
\*Forecast

**Sources:** USDA, Haver Analytics, *The Wall Street Journal*, and staff calculations

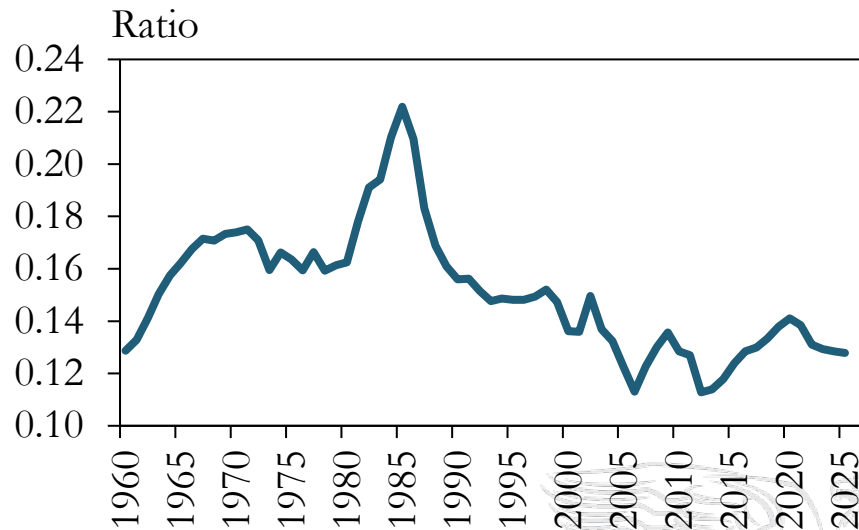


# Despite pressures on the sector, farm real estate values have been firm and leverage in the sector has been steady.

## Farm Real Estate Values Kansas City Fed District

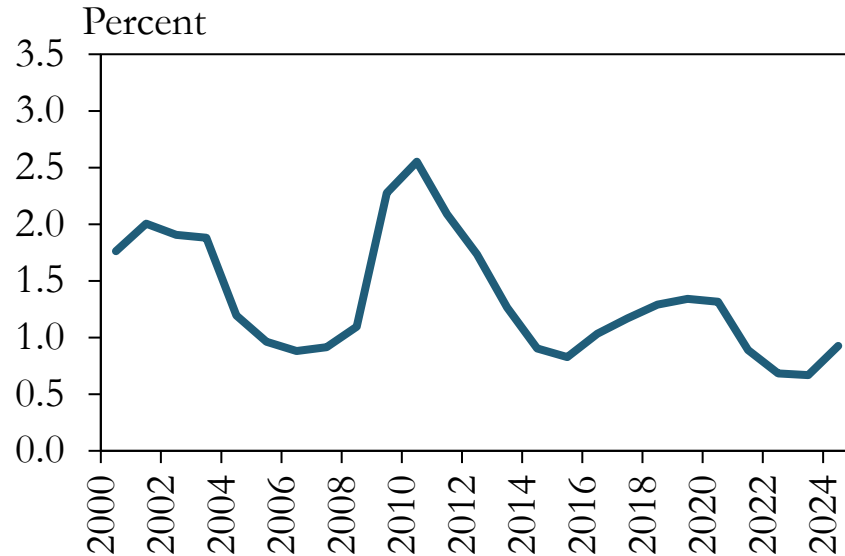


## U.S. Farm Sector Debt-to-Asset Ratio

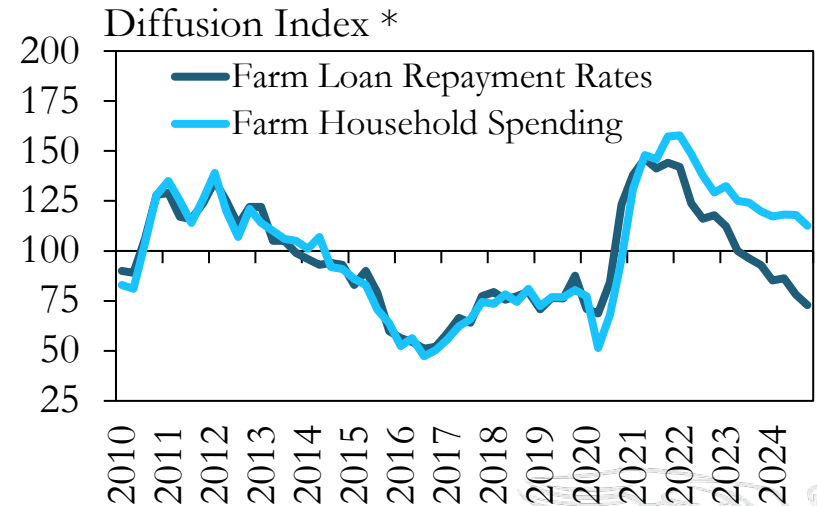


# Farm loan delinquency rates have also remained low, but some signs of farm financial stress have emerged.

## U.S. Farm Loan Delinquency Rates, Q3



## Kansas City Fed District Ag Credit Indicators



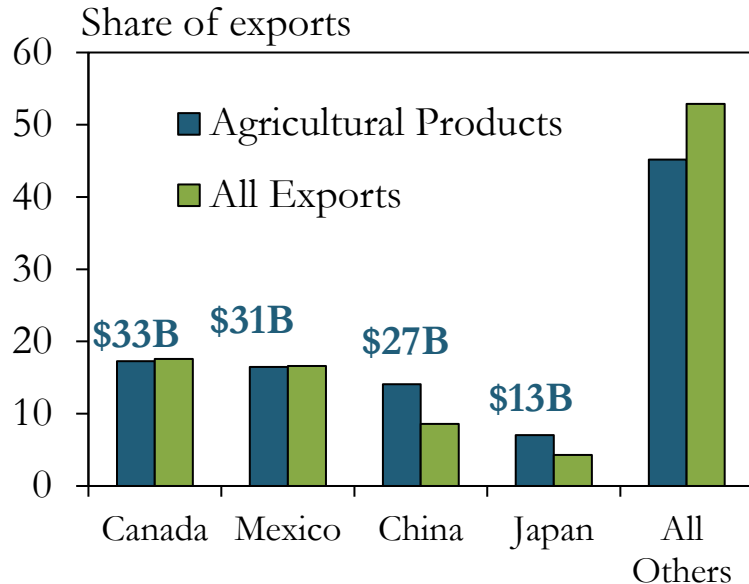
\*The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.

Sources: USDA and Survey of Ag Credit Conditions

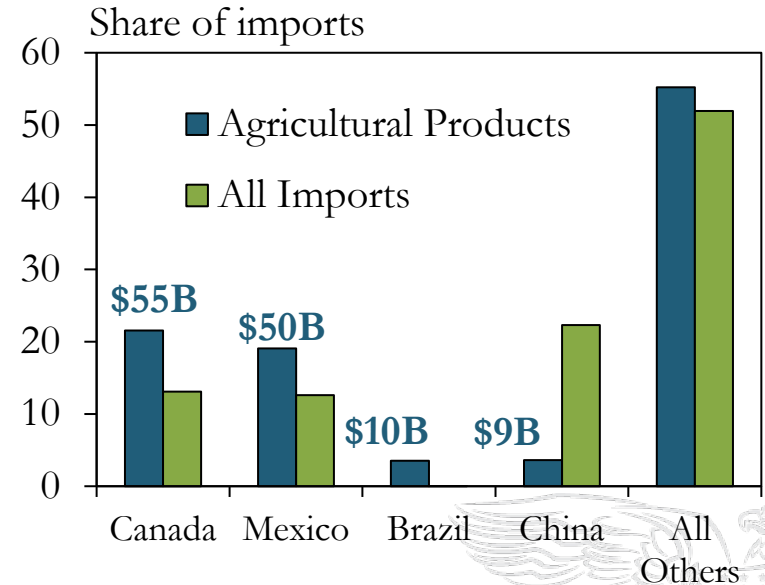


# Canada, Mexico and China are by far the most important individual trading partners for U.S. ag & non-ag products.

## Top U.S. Export Partners



## Top U.S. Import Partners



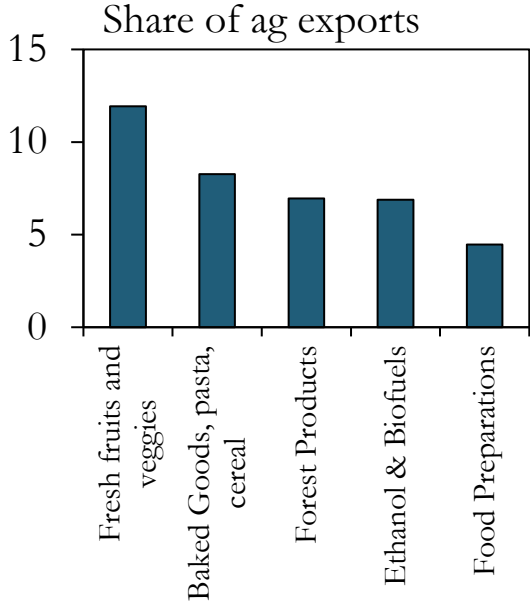
**Note:** Dollar values denote the annual value of agricultural products to each trade partner in 2024.

**Sources:** U.S. Census Bureau and USDA

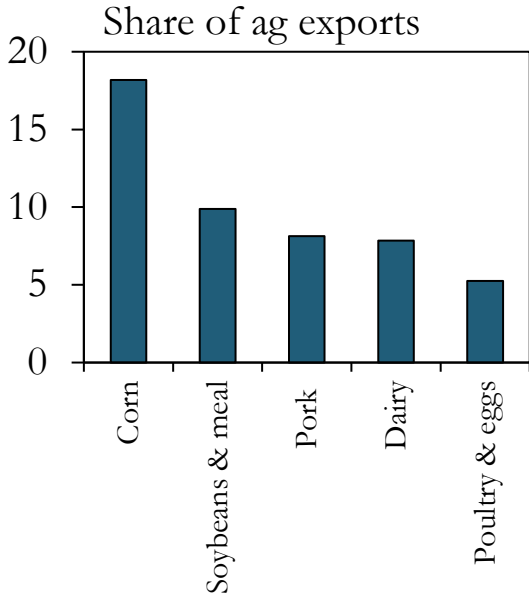


# Crops and proteins are key exports to Mexico and China while consumer-oriented products are key exports to Canada.

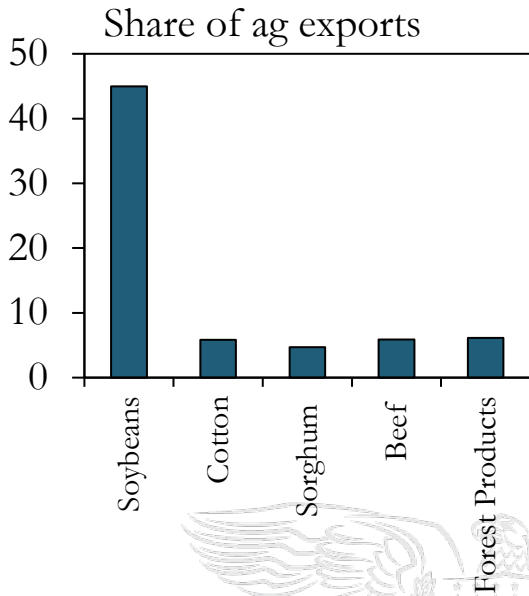
Top Ag Exports to Canada



Top Ag Exports to Mexico



Top Ag Exports to China

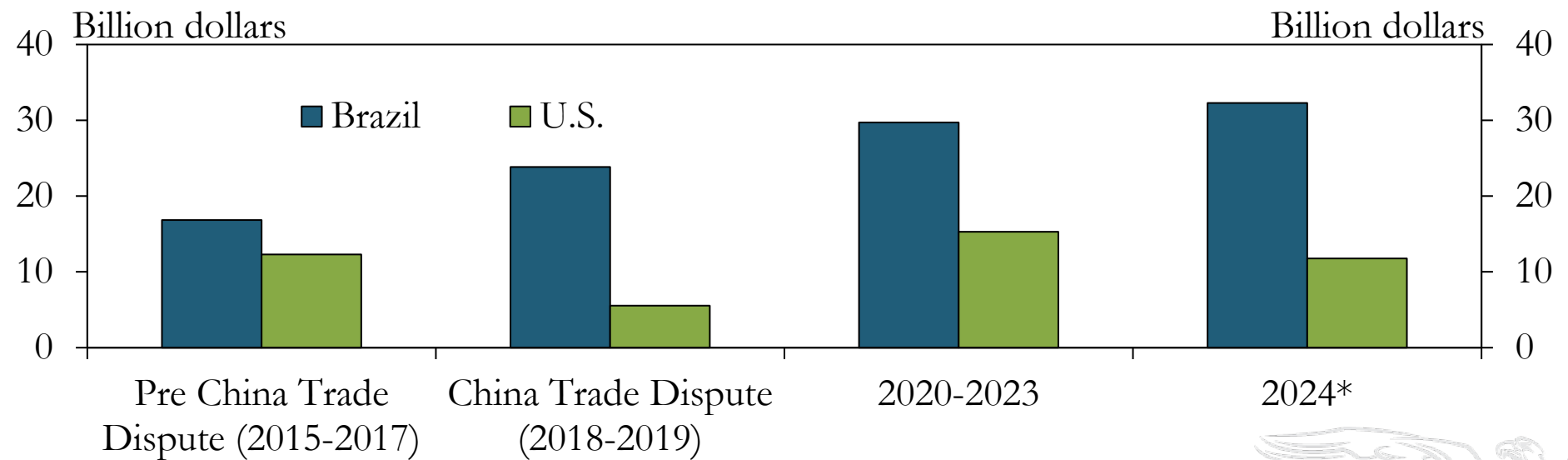


Sources: USDA and staff calculations



# Soybean exports to China were severely disrupted during the 2018-2019 trade dispute and Brazil exports strengthened.

Annual Average Soybean Exports to China



\*YTD estimated as of November 2024.

Sources: USDA and staff calculations





# Summary

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- Lower crop prices have weighed on the agricultural economy, particularly in regions significantly concentrated in crop production.
- Agricultural credit conditions remain relatively solid but could continue to weaken in the coming year if recent trends persist.
- There is significant uncertainty and risk, particularly with respect to trade, that will be important to monitor.



## AGRICULTURE AND THE ECONOMY

The Kansas City Fed is a leader on topics related to the agricultural economy within the Federal Reserve System. Our work provides insights on agricultural and rural economies for our seven-state region of the Tenth Federal Reserve District and nationally.



## Resources on the Ag Economy



### Ag Finance Updates

Find articles summarizing recent developments in agricultural finance and lending.

[Ag Finance Update](#)



### Ag Credit Survey

The quarterly Ag Credit Survey provides current indicators of the financial performance of Tenth District agriculture.

[Ag Credit Survey](#)



### Ag Outlooks

Review the latest Ag Bulletin for a summary of ag conditions and additional outlook articles on the ag economy.

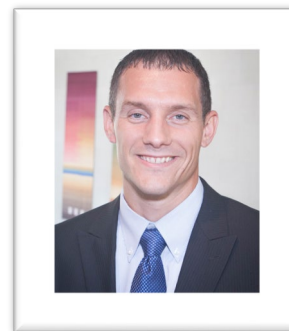
[Ag Outlook, Ag Bulletin](#)



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