

Update on Agricultural Credit Conditions

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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.



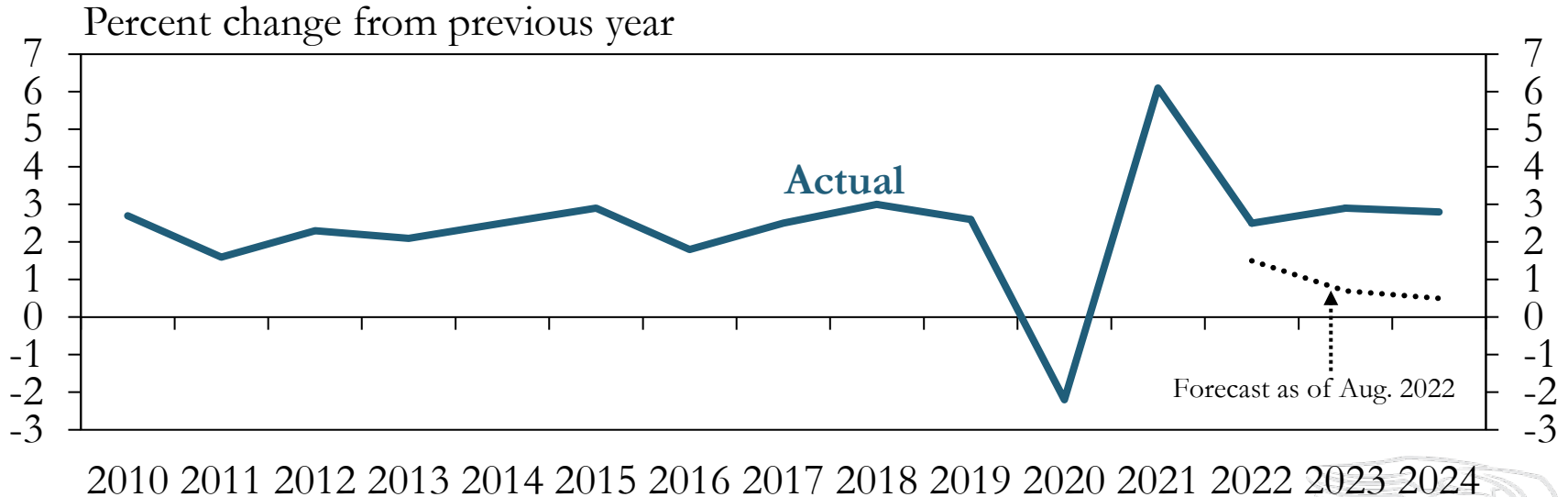
Outlook Themes

- Agricultural credit conditions deteriorated slightly in 2024 alongside weak crop prices and subdued conditions in the farm economy.
- Agricultural real estate values were firm through the end of 2024.
- Signs of growing financial stress emerged in recent months, but recent support from ad hoc government payments could support the farm sector in 2025.



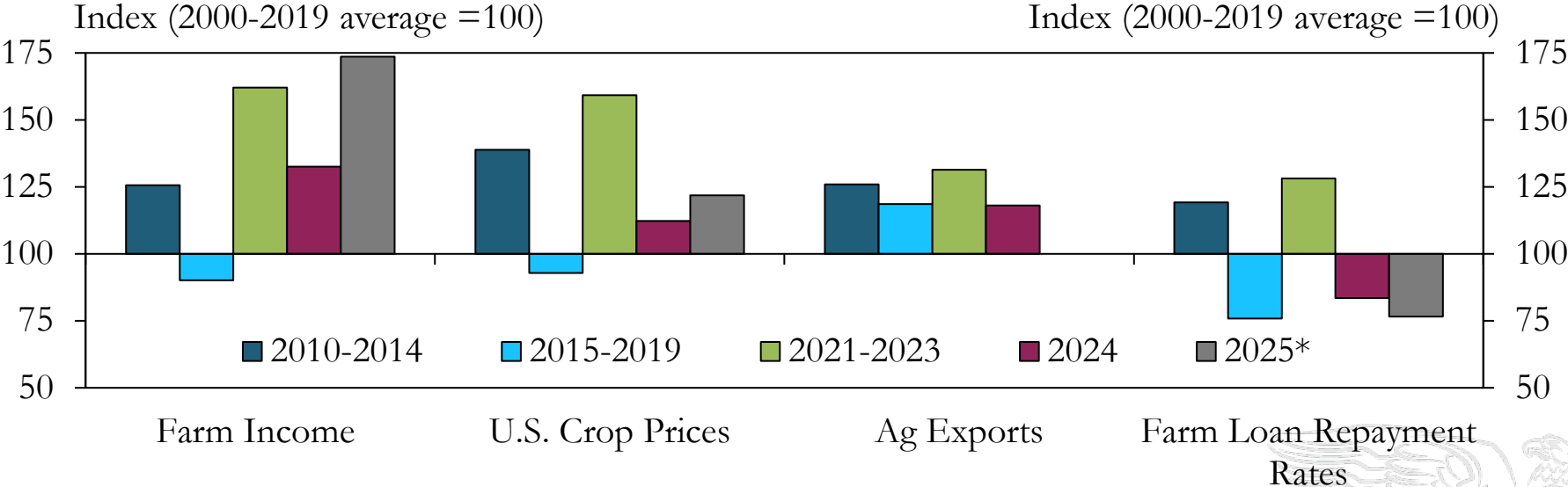
Despite concerns about a post-recovery slowdown in recent years, the U.S. economy has been resilient.

U.S. Real GDP



Economic conditions in U.S. agriculture softened in 2024 from a period of exceptional strength.

Indicators of the U.S. Ag Economy



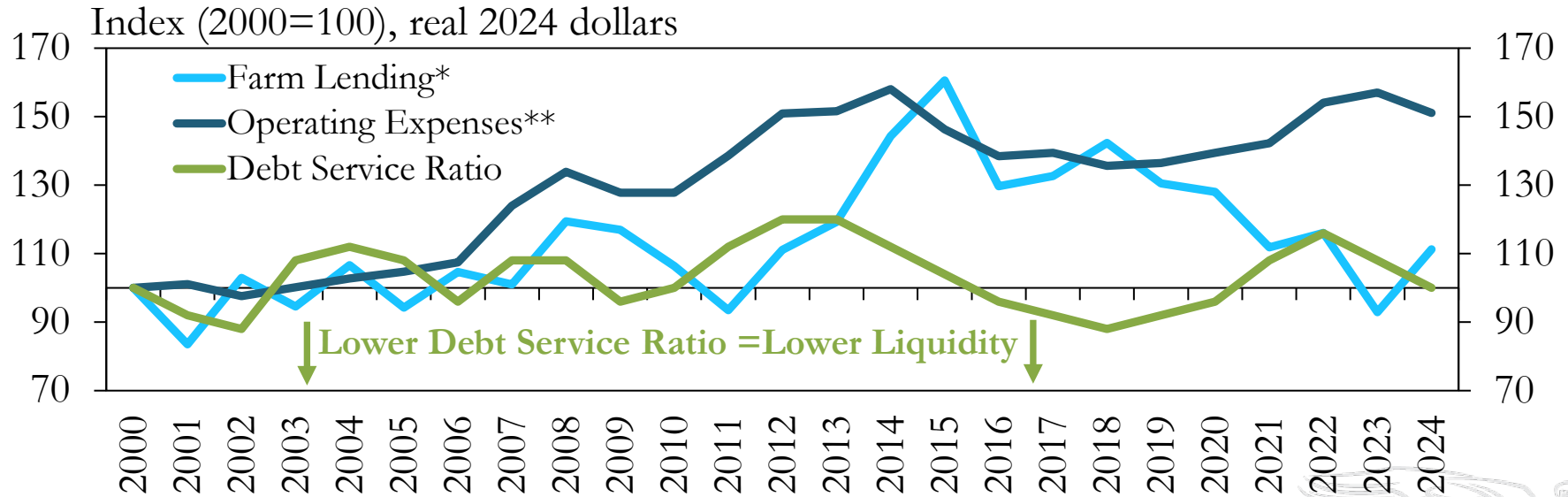
*Year-to-date estimate. No data available for ag exports.

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



Demand for financing increased last year alongside elevated expenses and reduced liquidity.

Farm Lending and Liquidity



*Average annual volume of loans for current operating expenses and livestock loans estimated in the Survey of Terms of Lending to Farmers.

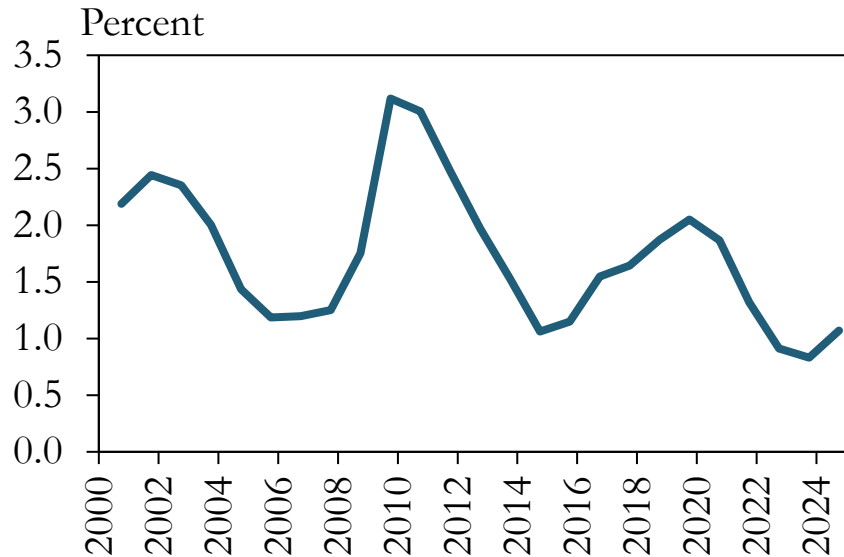
**Total U.S. farm sector production expenses less interest expenses and capital expenditures.

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

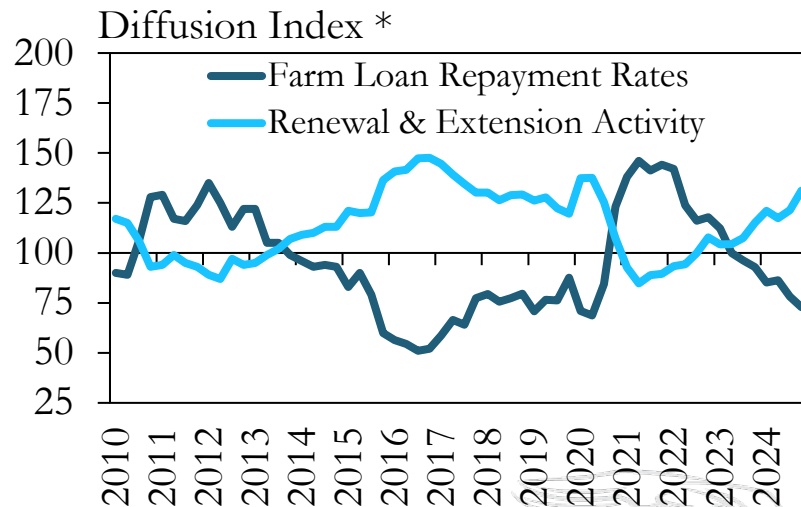


Loan delinquency rates remained low, but some signs of farm financial stress emerged toward year-end.

U.S. Farm Loan Delinquency Rates, Q4



Kansas City Fed District Ag Credit Indicators



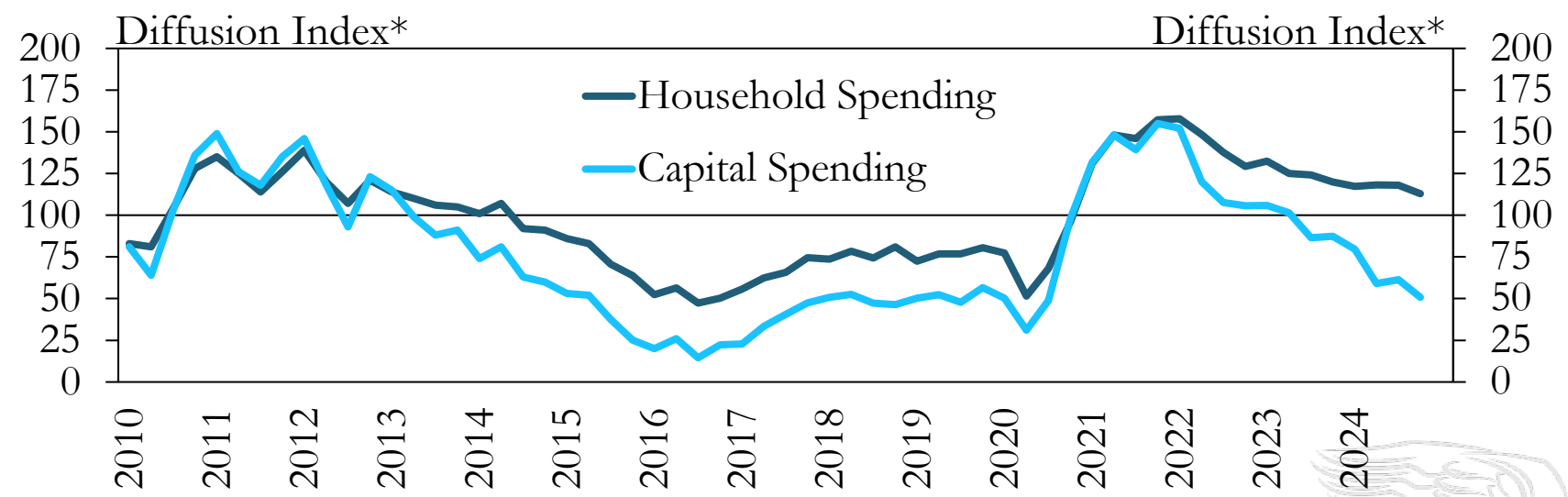
*The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.

Sources: Federal Reserve Board of Governors and Survey of Agricultural Credit Conditions



Farm borrowers cut back on capital spending in response to tighter finances, but pressure on household budgets persisted.

Kansas City Fed District Farm Borrower Spending

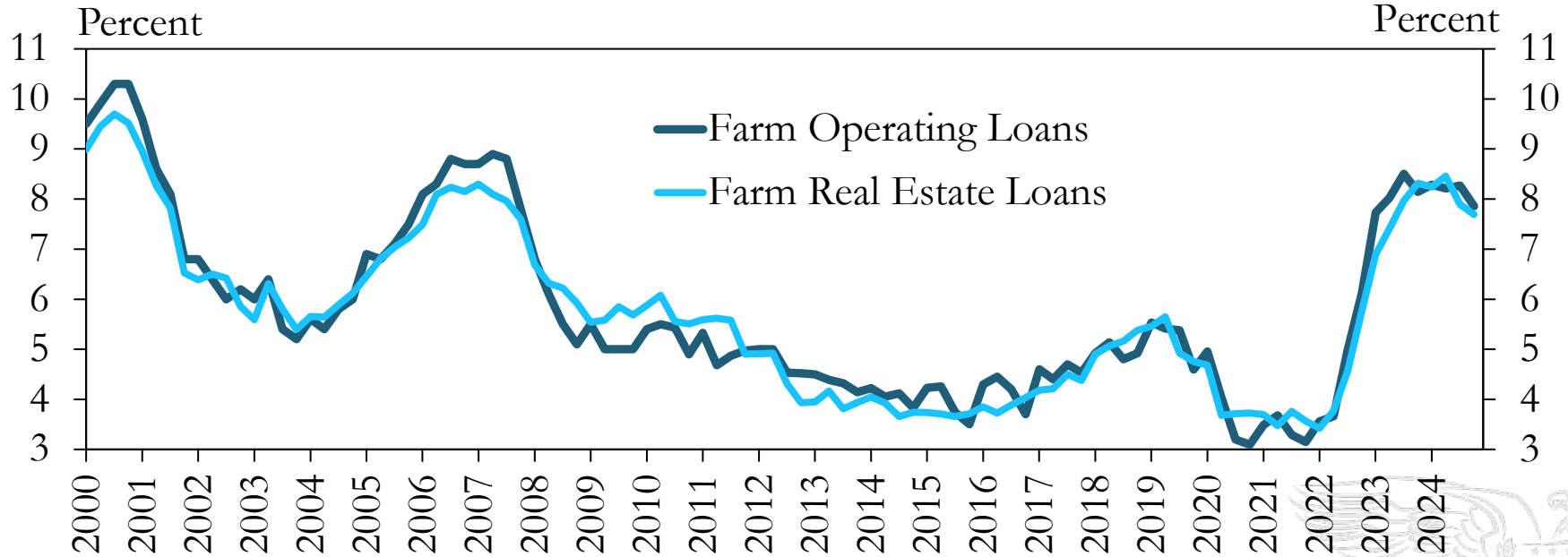


*The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.
Source: Federal Reserve Survey of Agricultural Credit Conditions



And interest rates could potentially exacerbate financial difficulties.

Average Interest Rates on Agricultural Loans

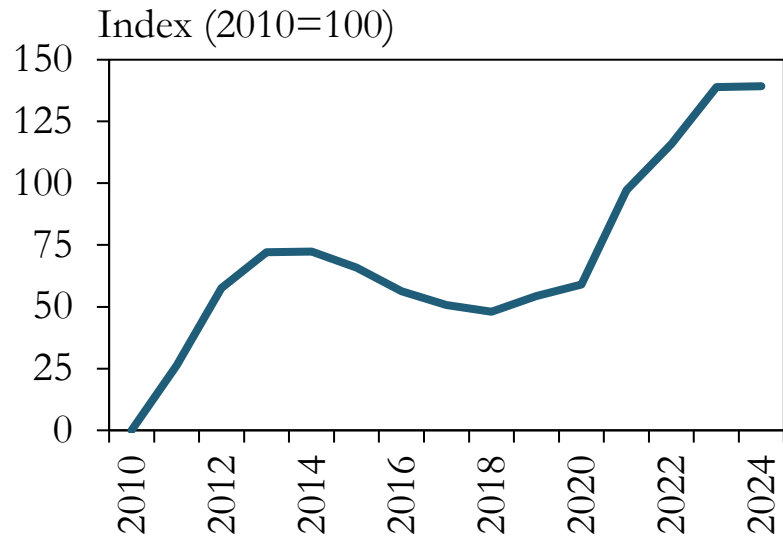


Sources: Federal Reserve Board of Governors and Survey of Terms of Lending to Farmers

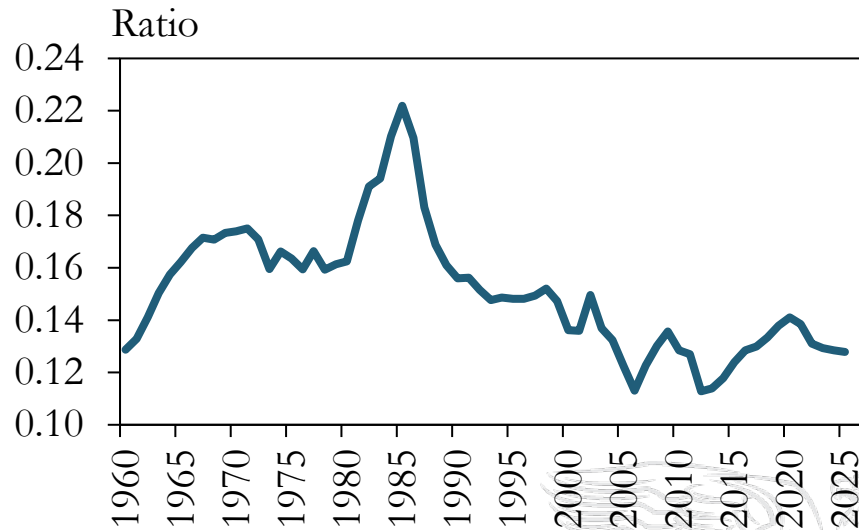


Despite pressures on the sector, farm real estate values have been firm and leverage in the sector has been steady.

Farm Real Estate Values
Kansas City Fed District

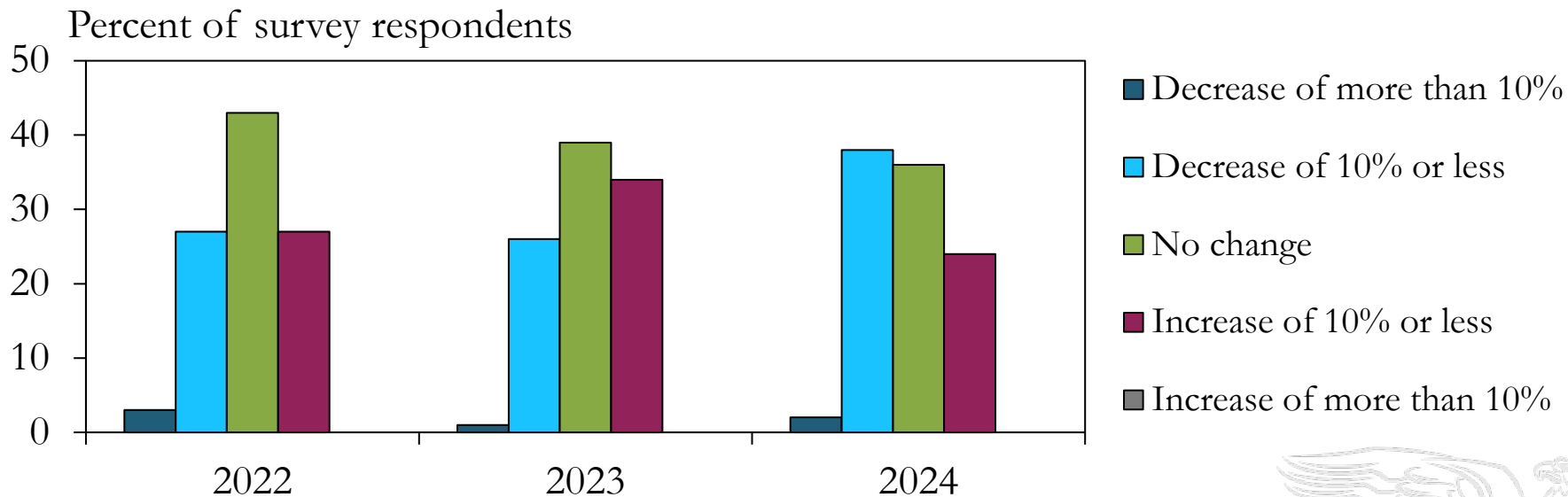


U.S. Farm Sector Debt-to-Asset Ratio



Looking ahead, a growing share of lenders expect modest deterioration in land values.

Expected Change in Farmland Values in 2025



Note: Respondents were asked the following question: Looking ahead, what change do you expect in non-irrigated cropland values one year from now?

Sources: Survey of Agricultural Credit Conditions



Summary

- Credit conditions remain solid despite some deterioration through 2024. Recent increases in crop prices and ad hoc government payments will likely provide additional support in Q1 of this year.
- Farm real estate values remained strong through the end of 2024 but could soften in the year ahead.
- Economic growth, both in the United States and globally, will be an important overarching driver of support in commodity markets, in addition to developments with respect to trade.



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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.

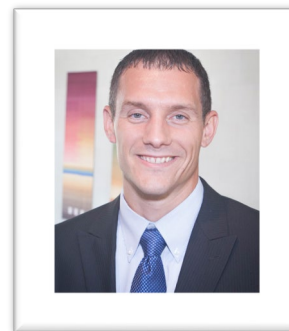
[Ag Outlook, Ag Bulletin](#)



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