

Economic Outlook for U.S. Agriculture

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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.



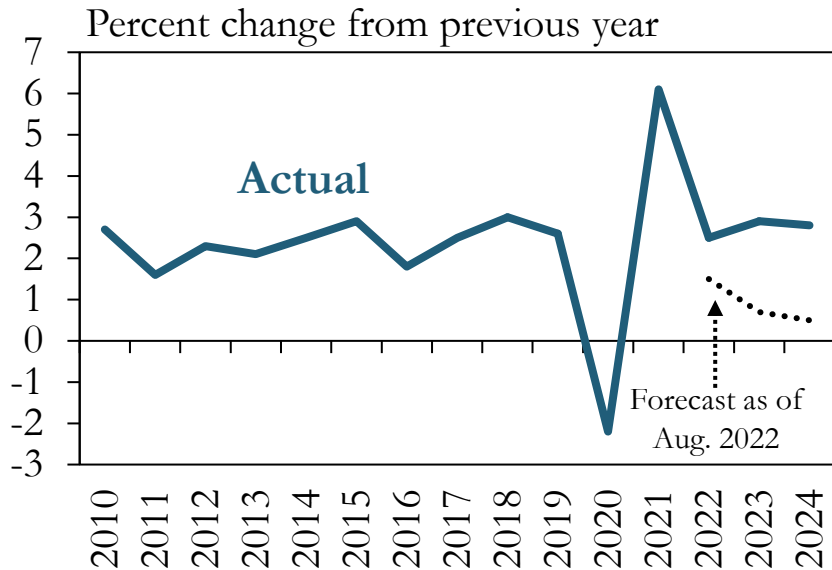
Outlook Themes

- Strength of the U.S. economy in recent years, and in agriculture, has provided support in the farm sector entering 2025.
- Weaker profit margins among crop producers have persisted, but government payments have provided some offset.
- Despite weaker profits and significant economic uncertainty, financial positions in agriculture have generally remained solid.

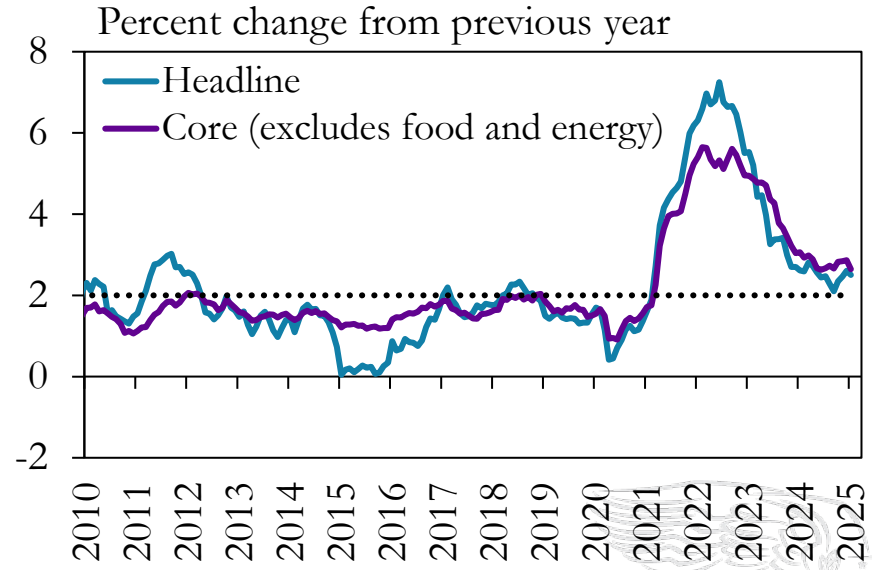


Despite various risks in recent years, growth in the U.S. economy has been resilient following the pandemic.

U.S. Real GDP

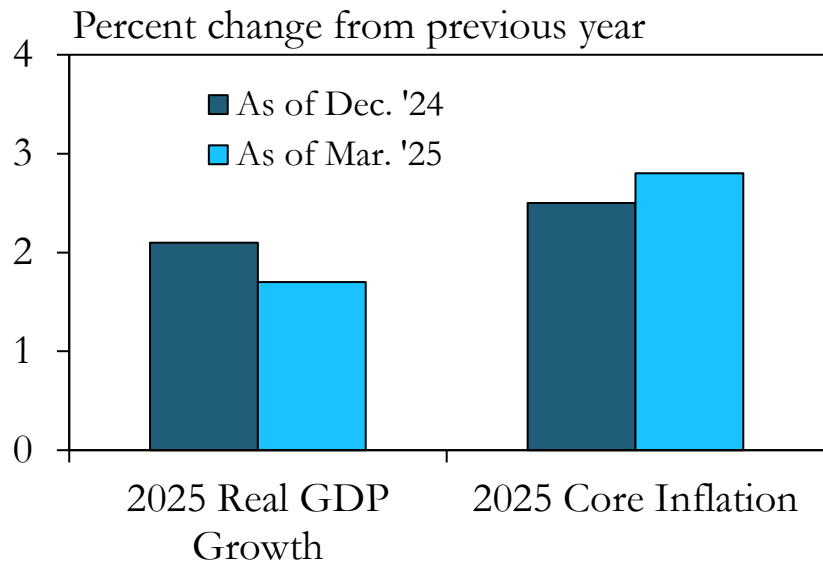


U.S. Inflation

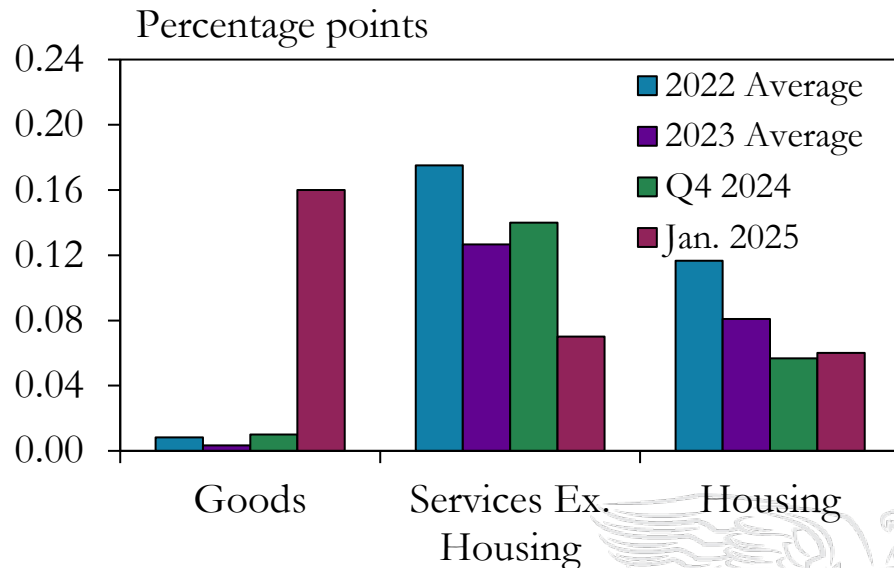


Since the beginning of the year, some measures of economic activity have softened while inflation remains elevated.

FOMC Economic Projections



Contributions to Inflation



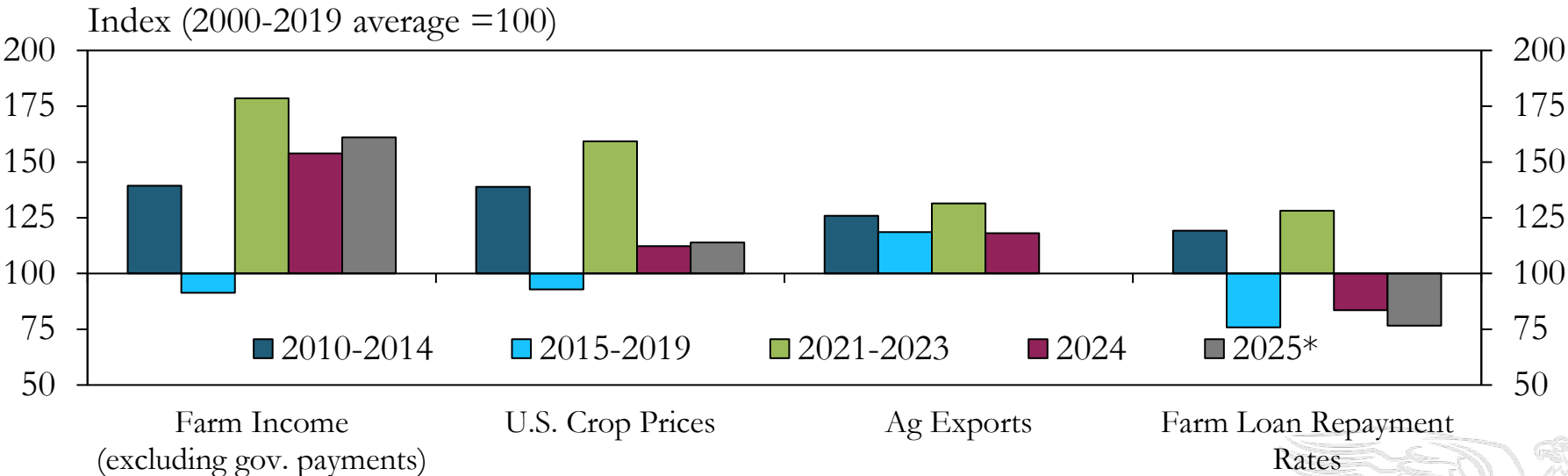
Note: The right chart refers to the contributions to the change in the personal consumption expenditures price index (PCE).

Sources: Federal Reserve Board of Governors, BEA and Haver Analytics



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

Indicators of the U.S. Ag Economy

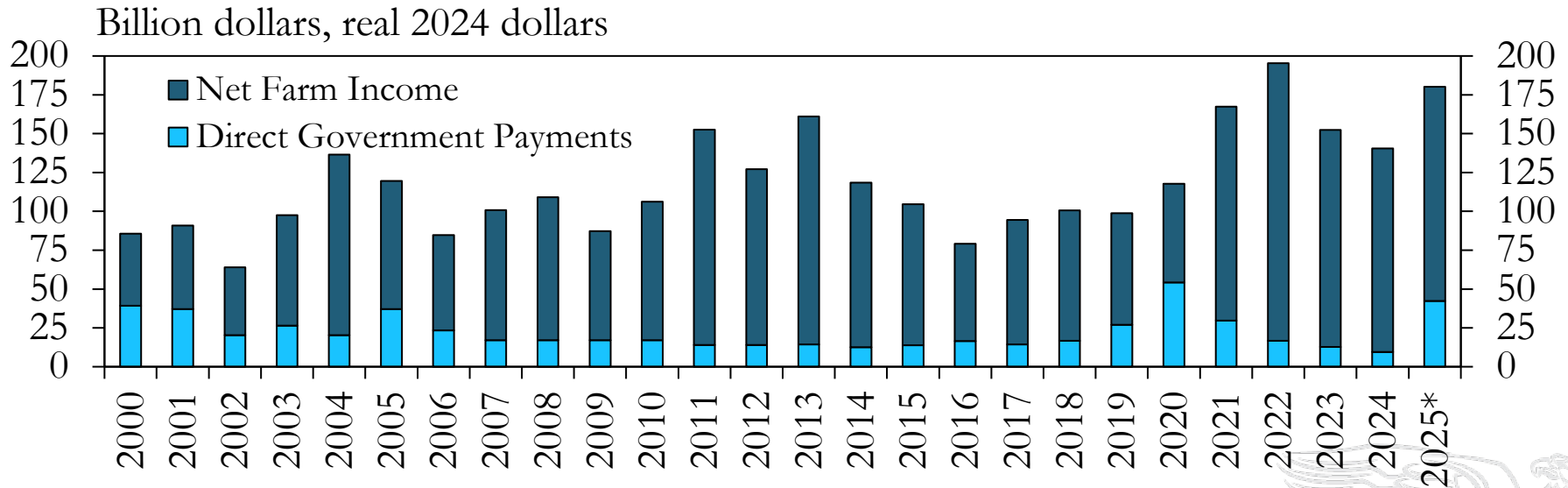


*Year-to-date estimate. No data available for ag exports.
Sources: USDA, Federal Reserve Survey of Agricultural Credit Conditions and staff calculations



Farm income dropped in 2023 and 2024, but forecasts suggest a boost from government payments in 2025.

U.S. Real Net Farm Income



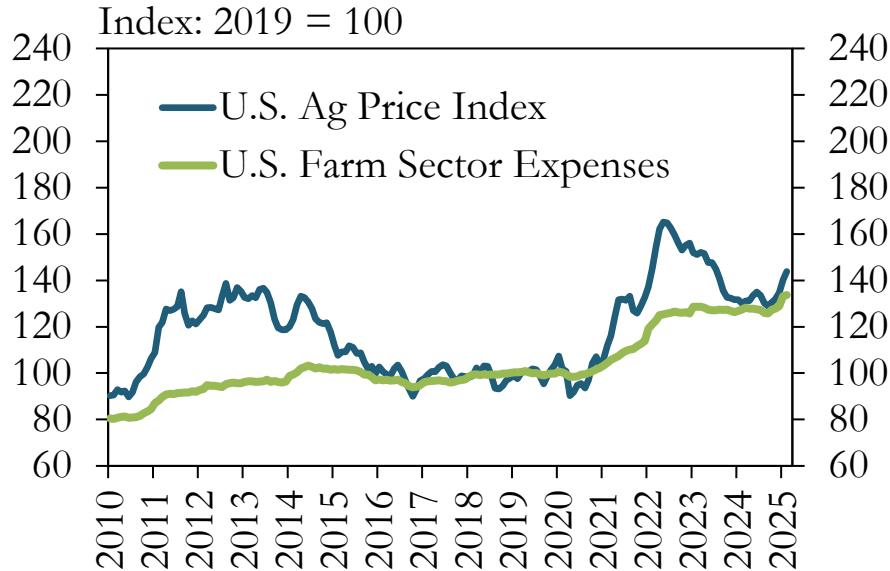
*USDA forecast as of February 6, 2025

Sources: USDA and staff calculations

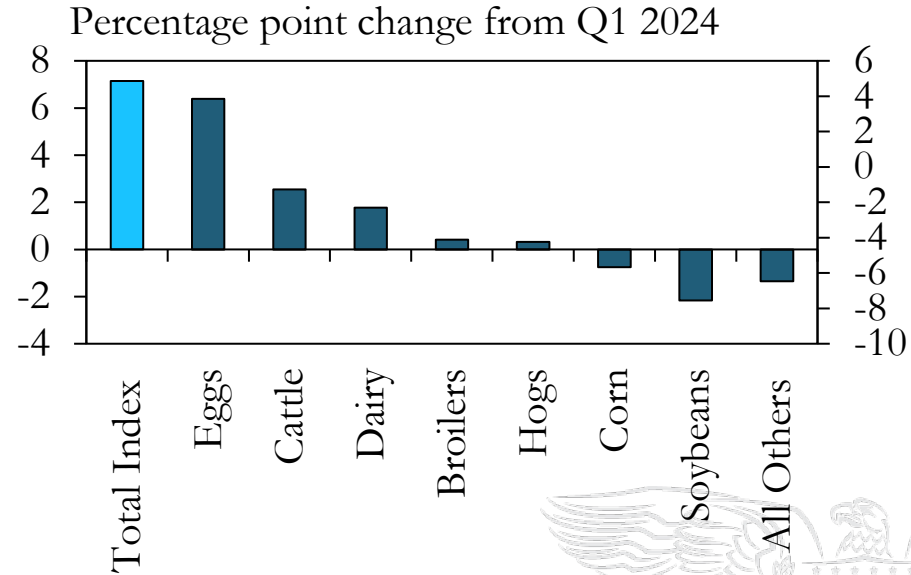


Cattle and dairy prices have increased recently, but crop prices remain low.

Ag Commodity Prices and Expenses

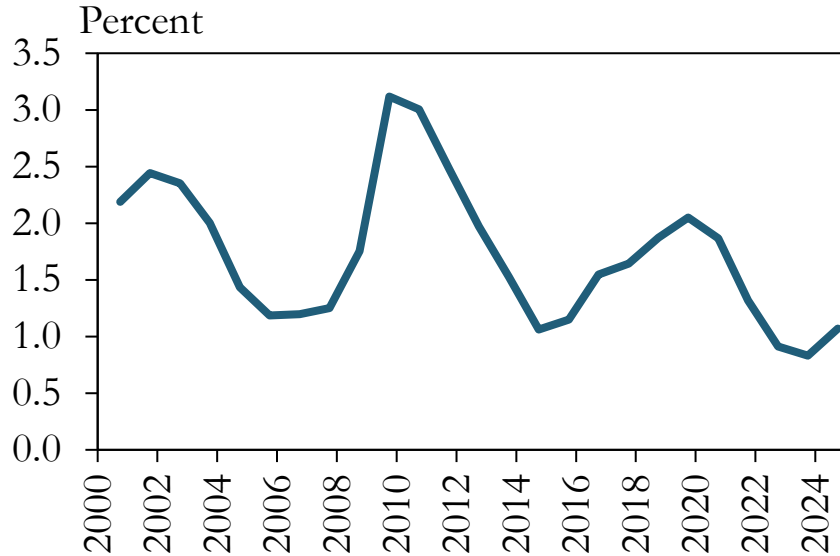


Contribution to Change in Price Index

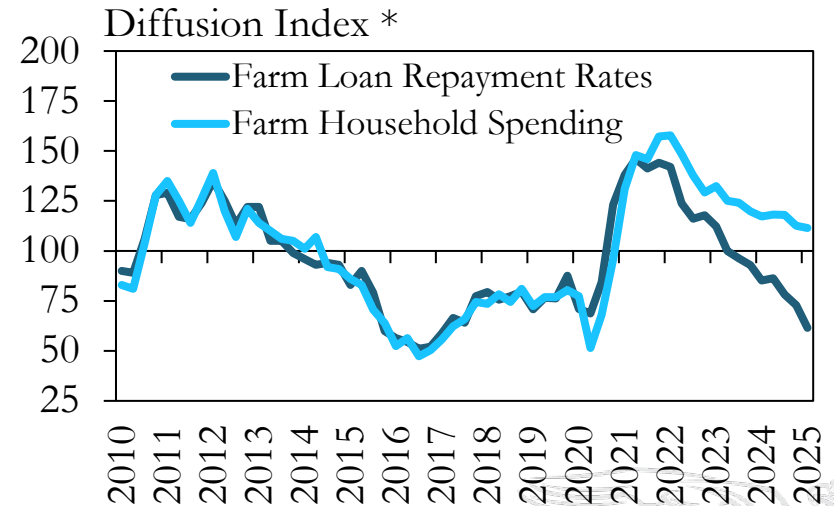


Farm loan delinquency rates have also remained low, but some signs of financial stress have emerged.

U.S. Farm Loan Delinquency Rates, Q4



Kansas City Fed District Ag Credit Indicators



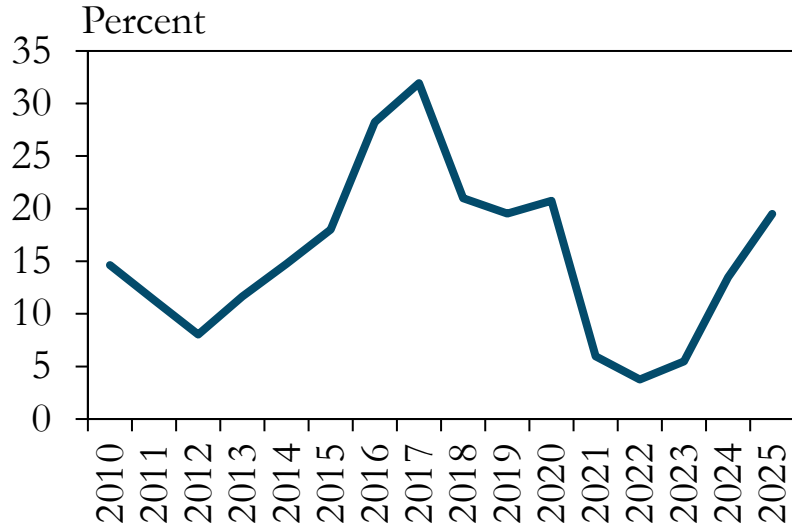
*The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.

Sources: USDA and Survey of Ag Credit Conditions

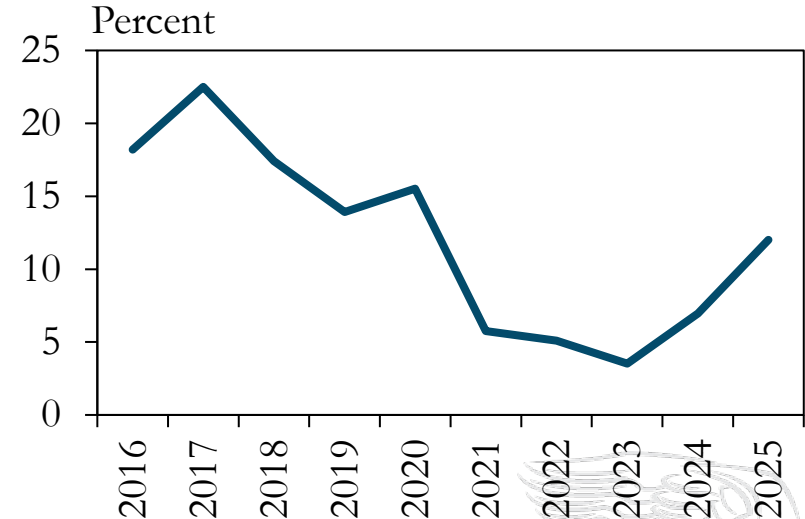


Carryover debt increased notably in early 2025 alongside an uptick in loan restructuring.

Farm Borrower with Increased Carryover Debt, Q1



New Loans Involving Restructuring to Meet Liquidity Needs



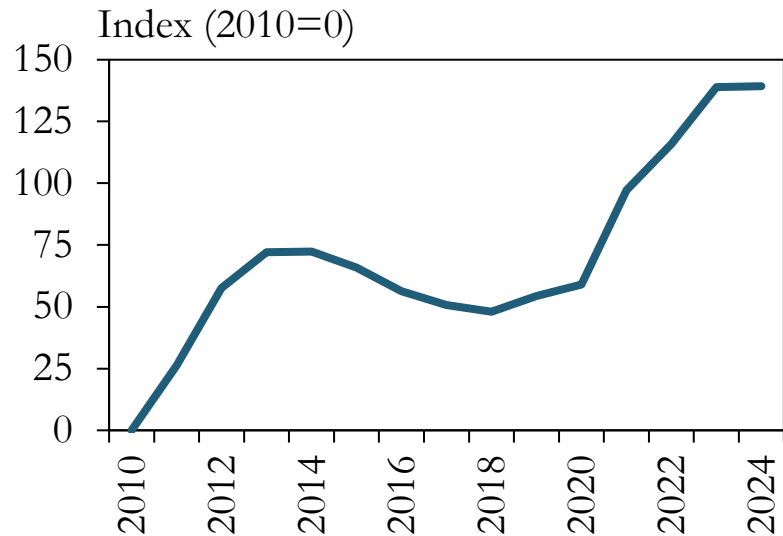
Note: Survey results are shown as the average survey response

Sources: Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions

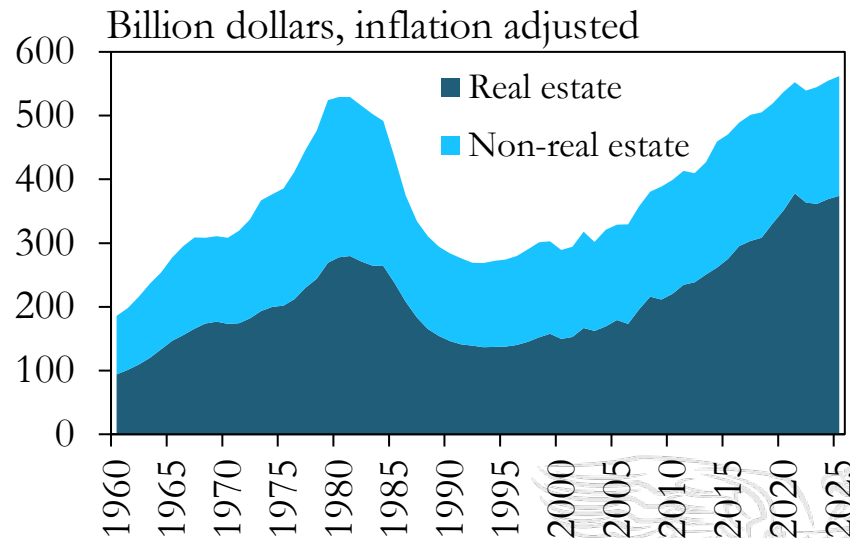


Despite recent pressures on the sector, farm real estate values have been firm, and leverage has been steady.

Farm Real Estate Values Kansas City Fed District

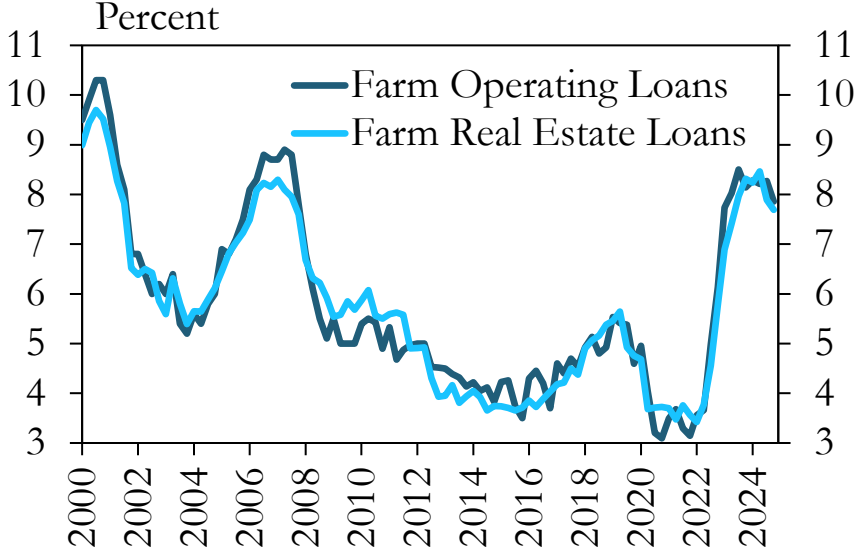


U.S. Farm Sector Debt

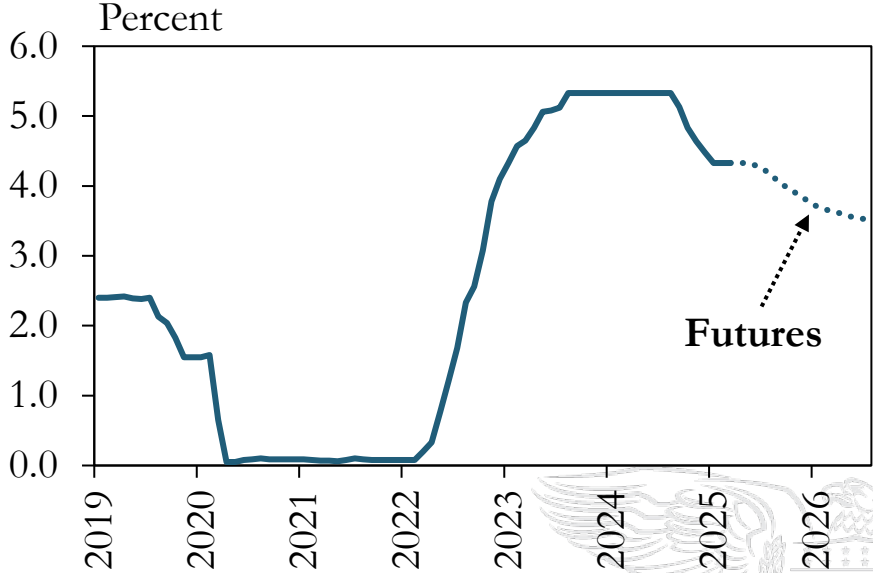


Interest rates on farm loans have declined slightly, but still remain elevated.

Average Interest Rates on Agricultural Loans



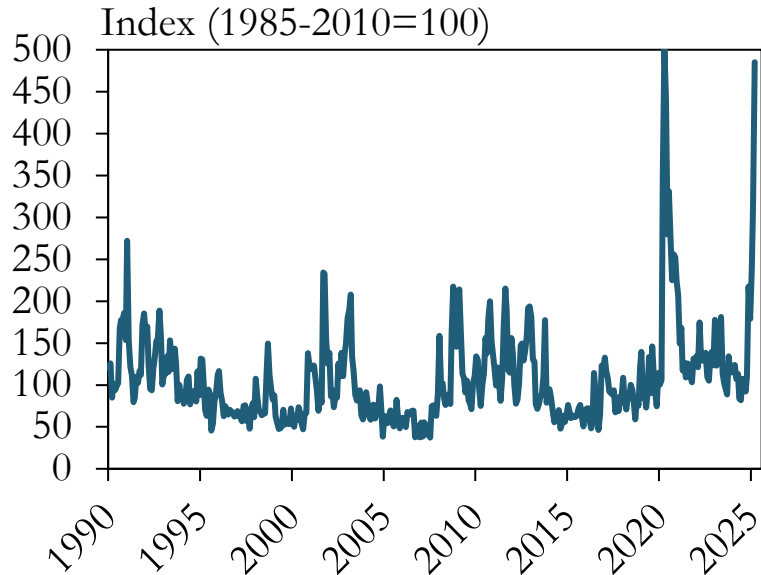
Fed Funds Rate



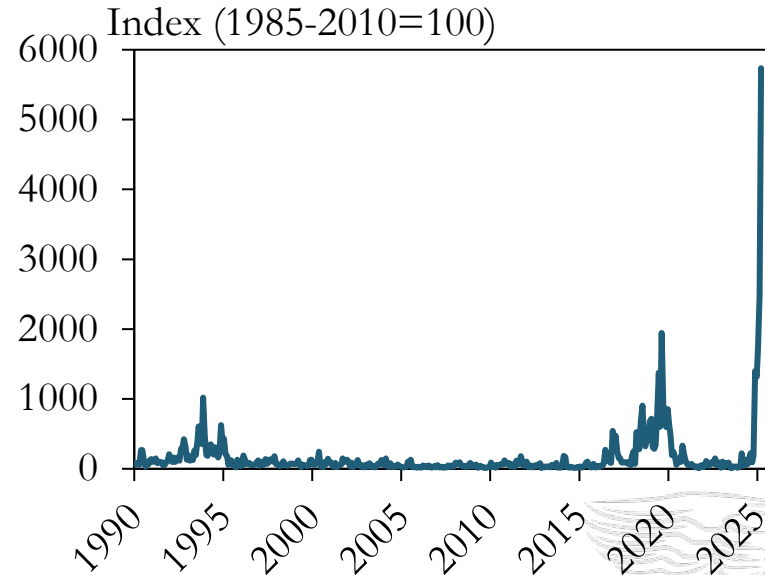
Sources: Federal Reserve Board of Governors and Survey of Terms of Lending to Farmers

Some measures of uncertainty have surged in recent weeks alongside policy developments.

Economic Policy Uncertainty

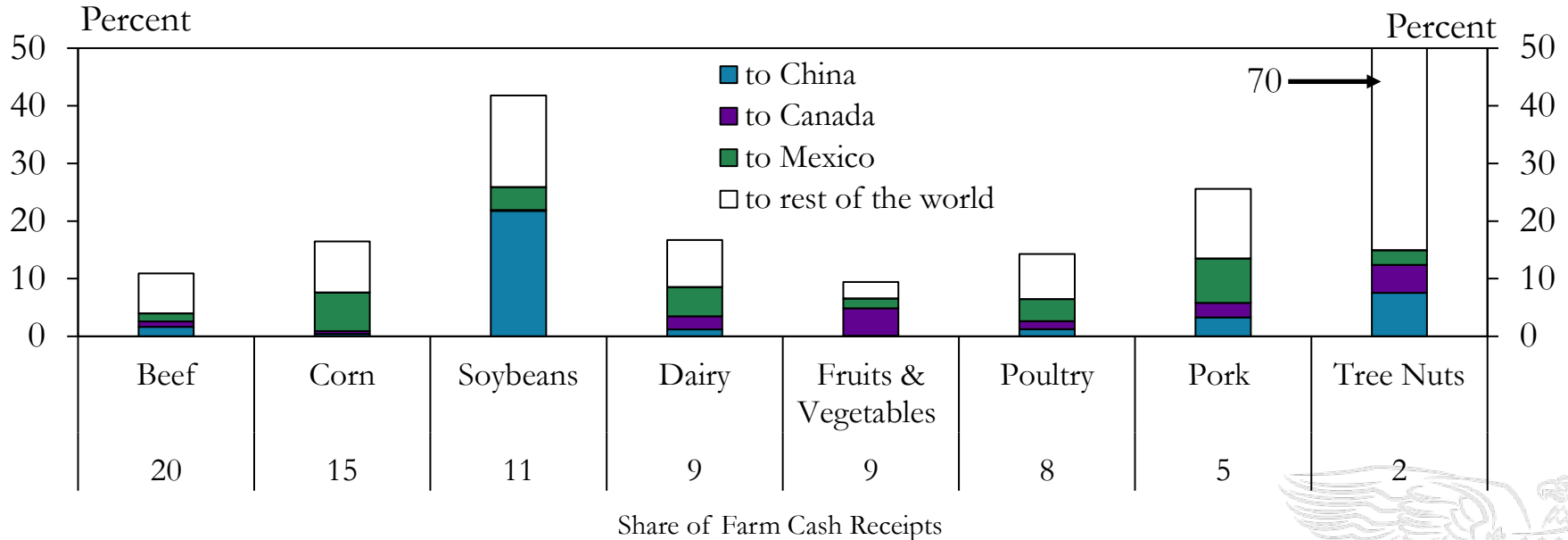


Trade Policy Uncertainty



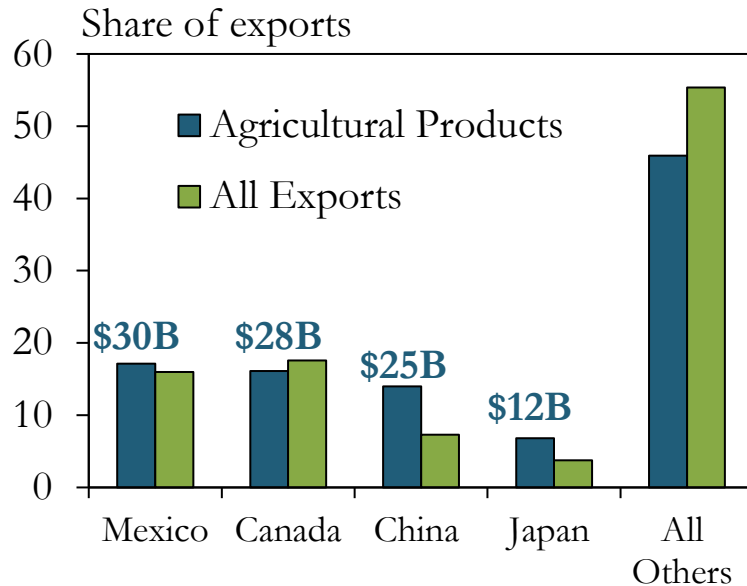
Tariffs on U.S. agricultural exports represent an additional headwind in a few key industries.

Share of U.S. Production Exported

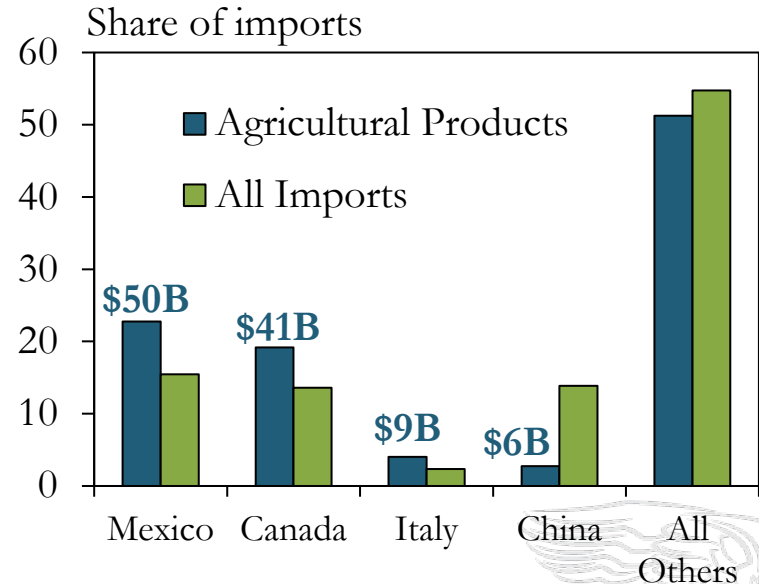


Canada, Mexico and China are the most important individual trading partners for U.S. ag & non-ag products.

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



Concluding Remarks

- Expectations for softer economic growth, and persistently low crop prices are likely to weigh on the industry through 2025. But aggregate financial pressure will most likely be limited.
- Uncertainty, however, is extremely high alongside policy-related developments..
- Borrowing costs have remained elevated as the Federal Reserve weighs the balance between the outlook for economic growth and inflation.



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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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