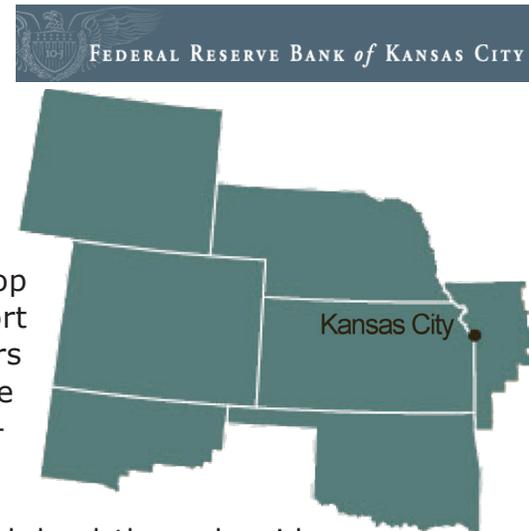


Ag Credit Survey Farm Income and Repayments Decline; Cattle Prices Provide Pockets of Support

Farm finances and credit conditions continued to weaken in the second quarter of 2025.

Farm finances and credit conditions continued to weaken in the second quarter of 2025. According to the Tenth District Survey of Agricultural Credit Conditions, farm income and loan repayment rates in the region declined at a pace similar to recent quarters. Deterioration in agricultural credit conditions was most pronounced in areas more dependent on crop revenues but strong cattle prices continued to support farm finances in some parts of the region. While lenders reported an increase in loan repayment problems, the majority of issues remained minor and recent assistance related to the American Relief Act was expected to provide modest support to producers.

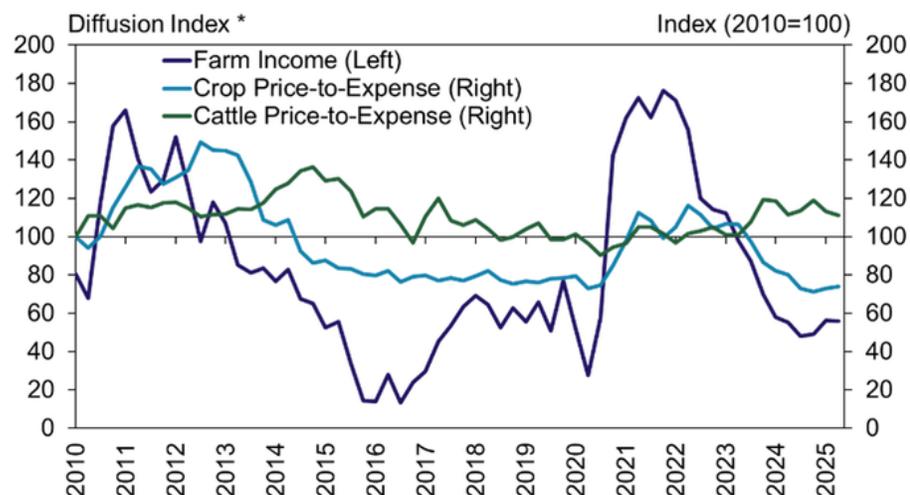


The outlook for the U.S. farm economy remained subdued through mid-2025 alongside relatively low crop prices. Weak profit margins for key crops have reduced working capital for many producers and led to increased loan demand. Financing costs also remained elevated alongside relatively high interest rates. Agricultural real estate values declined slightly through the first half of 2025 but remained strong, providing some support to farmer balance sheets.

Repayment performance continued to soften across the District, with lenders reporting repayment rates fell at a pace similar to recent quarters—comparable to 2017–2019—and with more than 30 percent of lenders in every state except Oklahoma and the Mountain States noting lower repayments. Credit demand kept firming overall, led by Missouri, while easing in Oklahoma, and household costs remained a headwind even as the pace of increase slowed; roughly 30 percent of respondents still saw household spending above a year earlier.

Borrowing costs edged down but stayed historically elevated—average rates on farm real estate and operating loans were more than 50 basis points below 2024 levels yet remained over 125 basis points above the 20-year average. Farmland values also eased slightly: lenders reported cropland declined about 2 percent year over year while ranchland rose about 4 percent, with cash rents largely unchanged; even so, nonirrigated cropland values were

Chart 1: Tenth District Farm Income and U.S. Farm Price-to-Total Production Expenses



*The index numbers are computed by subtracting the percentage of respondents who responded "lower" from the percentage who responded "higher" and adding 100.
Sources: USDA, Haver Analytics and staff calculations

How Much Risk is Right for You?

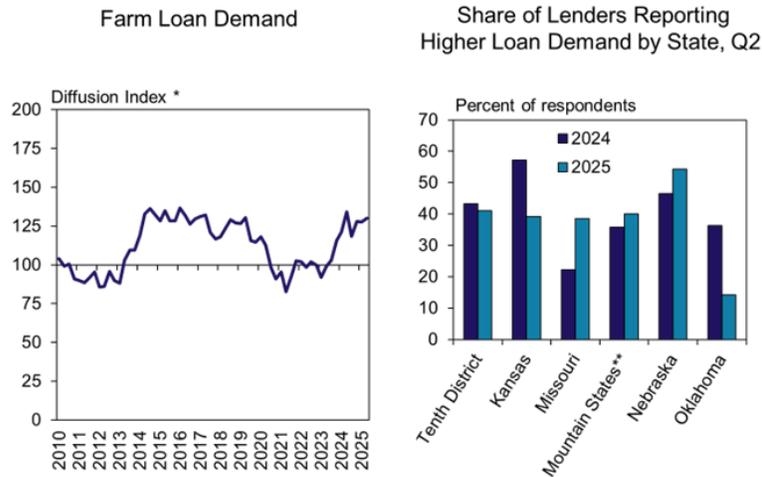
still about 70 percent above 2020 and more than 300 percent above 2010.

Farm Finances and Credit Conditions

Farm financial conditions in the Tenth District tightened gradually alongside weak crop prices. According to survey respondents, farm income continued to decline at a similar pace to recent quarters (Chart 1). Despite ongoing strength in the cattle sector, farm finances in the region have tightened considerably as profit opportunities for crop producers remained limited.

Farm income deteriorated most in areas more heavily concentrated in crop production. The share of lenders that reported farm income was lower than a year ago was highest in Nebraska, Missouri, and Kansas where corn and soybeans comprise a comparatively larger share of aggregate state farm revenues (Chart 2). In Oklahoma, however, half of respondents indicated that farm income was higher than the same time last year.

Chart 3: Tenth District Farm Loan Demand

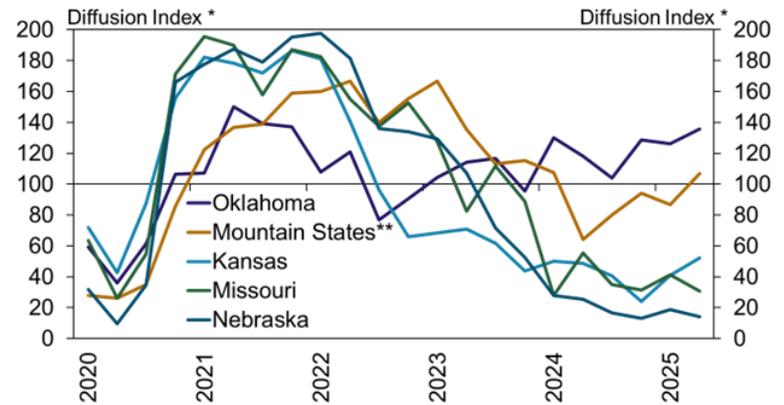


*The index numbers are computed by subtracting the percentage of respondents who responded "lower" from the percentage who responded "higher" and adding 100.
 ** Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.

demand for non-real estate farm loans was also similar to recent quarters (Chart 3, left panel). The share of respondents reporting that demand was higher than a year ago increased most notably in Missouri but declined notably in Oklahoma (Chart 3, right panel).

Upward pressure on household expenses eased, but likely continued to challenge many borrowers. The pace of increase in farm borrower household spending slowed from previous quarters, but some lenders commented that financial pressures from elevated living costs persisted (Chart 4, left panel). The share of respondents that reported household

Chart 2: Farm Borrower Income by State



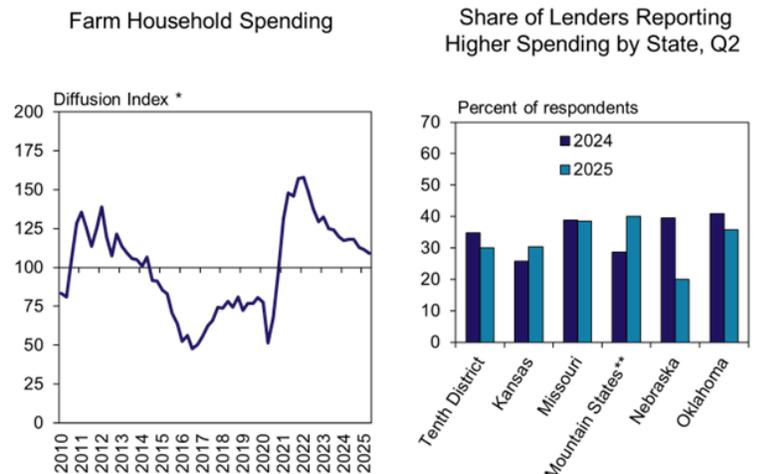
*The index numbers are computed by subtracting the percentage of respondents who responded "lower" from the percentage who responded "higher" and adding 100.
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income was higher than the same time last year.

Producers who are primarily renters could be more exposed to financial pressures. About 60 percent of survey respondents answered that the financial conditions of majority owner-operators were at least modestly stronger than majority renter-operators. Renters have a more limited ability to leverage strength in farmland valuations to improve working capital positions and could be more challenged by weak crop profits.

As financial conditions continued to tighten, demand for credit increased steadily. Much like farm income, the pace of increase in de-

Chart 4: Tenth District Farm Household Spending



*The index numbers are computed by subtracting the percentage of respondents who responded "lower" from the percentage who responded "higher" and adding 100.
 ** Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.

spending was higher than a year ago was near 30 percent in most states (Chart 4, right panel).

With further softening in farm finances, credit conditions deteriorated steadily. Farm loan repayment rates declined at a pace similar to recent quarters and comparable to the period between 2017-2019 (Chart 5, left panel). The share of lenders that reported lower repayment rates increased to more than 30 percent in all states except Oklahoma and the Mountain States (Chart 5, right panel).

Loan performance weakened alongside recent deterioration in financial conditions, but most repayment issues remained relatively minor. On average across the region, less than 10 percent of farm loan balances had major or severe repayment problems while about 15 percent had minor troubles (Chart 6, left panel). Repayment issues were most pronounced in Nebraska where lenders reported, on average, that about 35 percent of loans had at least minor difficulties (Chart 6, right panel).

The recent distribution of assistance from the American Relief Act may ease some financial pressure for borrowers in 2025. Nearly 70 percent of lenders in the District anticipated economic and supplemental disaster assistance would provide modest support to farm finances and another 10 percent thought the support would be significant. The remaining 20 percent of respondents expected no support or were uncertain.

Interest Rates and Farmland Values

As credit conditions tightened and loan demand grew gradually, interest rates on farm loans remained above recent historic averages. Average interest

Chart 5: Tenth District Farm Loan Repayment Rates

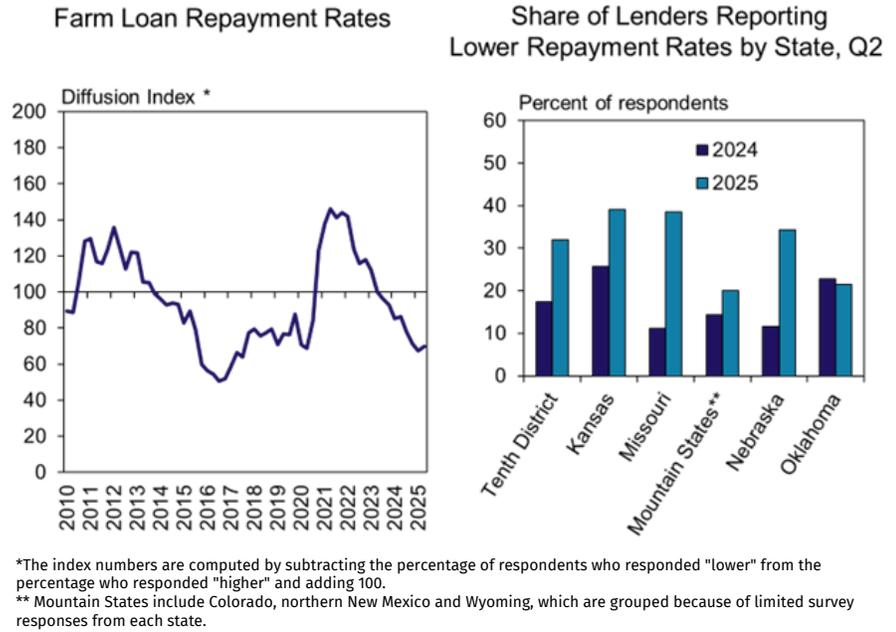


Chart 6: Degree of Farm Loan Repayment Problems, Q2

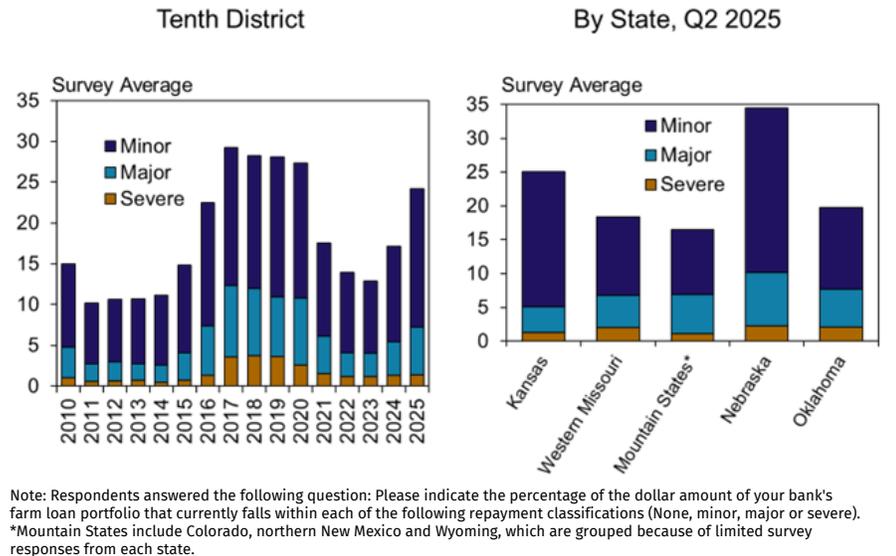
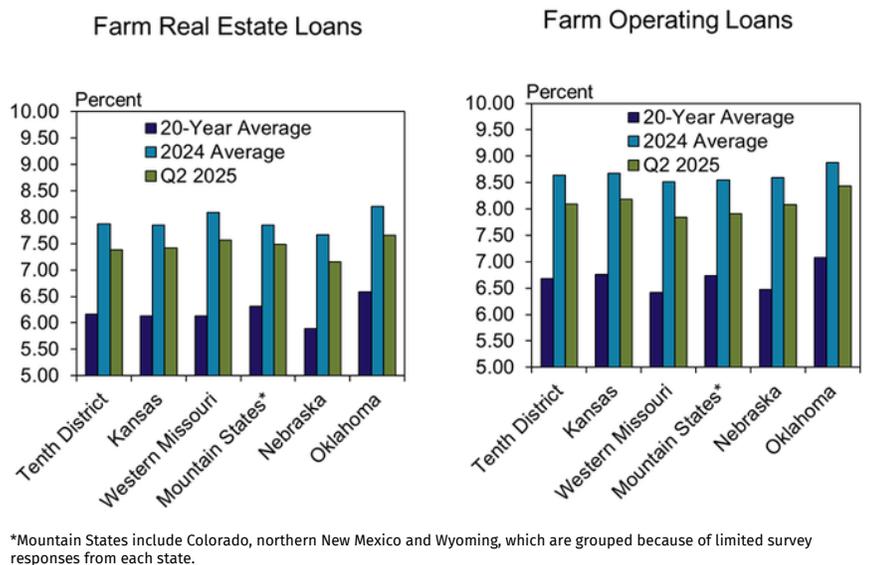


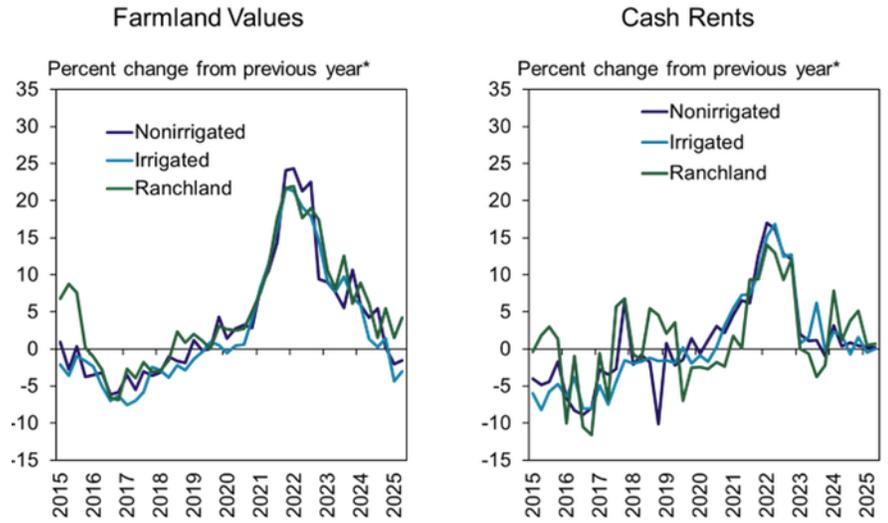
Chart 7: Tenth District Average Farm Loan Interest Rates



rates charged on farm real estate and operating loans were more than 50 basis points lower than in 2024, but remained more than 125 basis points above the average of the past 20 years (Chart 7). The slight decline over the past several months was similar across all states in the region for all types of loans.

Farmland values remained strong, but declined slightly alongside weaker farm finances and relatively high interest rates. According to lenders, the value of cropland in the region declined by about 2 percent from a year ago while ranchland increased about 4 percent (Chart 8, left panel). Similar to recent months, cash rents on all types of land were nearly unchanged from a year ago (Chart 8, right panel). Despite modest declines in recent months, the average value of nonirrigated cropland remained about 70 percent higher than in 2020 and more than 300 percent higher than in 2010.

Chart 8: Tenth District Farmland Values and Cash Rents



*Percent changes are calculated using responses only from those banks reporting in both the past and the current quarters

For more information:

For more information on the Tenth District agricultural economy or to access the complete Ag Credit Survey, see: <https://www.kansascityfed.org/agriculture/ag-credit-survey/farm-financial-conditions-continue-to-deteriorate>