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Credit Conditions Slip as Crop Profits Remain Weak

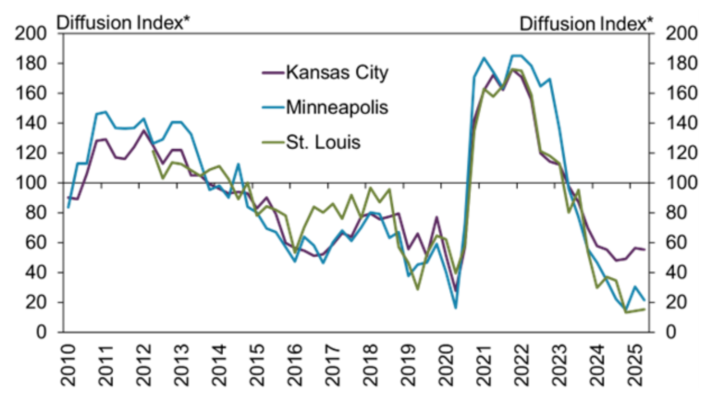
Crop-sector headwinds in Q2 2025 led to further weakening in farm income and credit conditions across the Midwest and Plains

Farm income and credit conditions weakened across the Midwest and Plains in the second quarter of 2025 as profit opportunities in the crop sector remained soft. According to Federal Reserve Surveys of Agricultural Credit Conditions, farm borrower income and loan repayment rates deteriorated at a pace similar to last quarter. Pressure was most acute in crop-heavy regions, while strength in cattle and other livestock helped support finances in parts of the Kansas City and Dallas Districts. Shrinking working capital kept financing needs elevated, and interest rates on agricultural loans remained high. Farm real estate values slipped slightly in some regions but remained historically strong, supporting balance sheets and tempering financial stress for many producers.

Second Quarter Federal Reserve District Ag Credit Surveys

Farm financial conditions continued to erode gradually as weak crop margins weighed on the sector. The decline in farm income was broadly similar to recent quarters across all participating Districts (Chart 1). Weakness was more pronounced in the Minneapolis and St. Louis Districts, which are more reliant on crop revenues, than in the Kansas City District, where robust cattle prices provided some offset. Across district surveys, lenders also reported another quarter of weaker repayment and higher renewals/ extensions in crop-heavy regions (Charts 1–3).

Chart 1: Federal Reserve District Farm Income



Lenders responded by indicating whether conditions during the current quarter was higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of survey respondents who responded "lower" from the percentage who responded "higher" and adding 100.
Note: Information about farm income and borrower spending is only collected for the above Districts. The St. Louis survey began in Q2 2012.
Source: Federal Reserve Surveys of Agricultural Credit Conditions

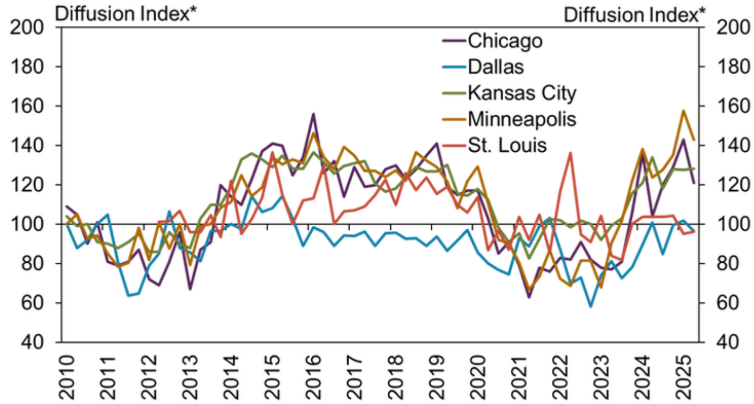
Lower income has tightened liquidity for many producers, and demand for financing continued to climb. Non-real-estate loan demand rose further in many regions, with a comparatively faster increase in the Minneapolis District (Chart 2). In the Dallas and St. Louis Districts, demand was little changed, with roughly equal shares of respondents reporting higher and lower demand.

Agricultural credit conditions also continued to soften. Farm loan repayment rates declined at a pace similar to recent quarters across regions (Chart 3). About 30% of respondents in the Chicago and Kansas City Districts reported lower repayment rates than a year ago, compared with around 40% in Minneapolis and 50% in St. Louis.

As conditions weakened, interest rates on farm loans stayed above recent historical averages. Although rates edged down slightly in recent months, average operating and real estate loan rates remained at least 160 basis points above their 15-year averages in all Districts (Chart 4). Consistent with historical patterns, average rates were higher in the Dallas District and lower in the Chicago District.

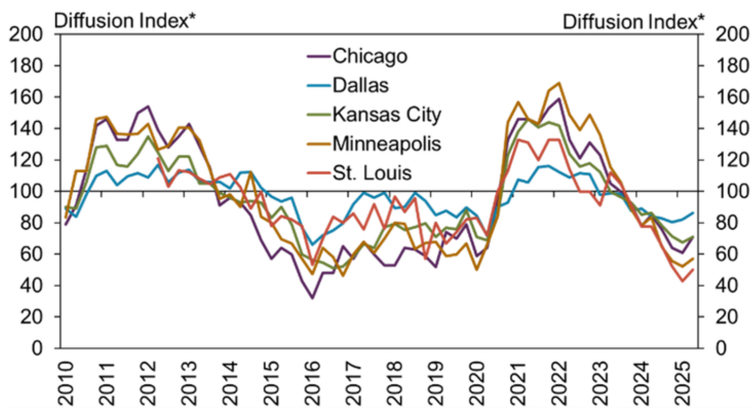
Farm real estate values remained firm overall but continued to moderate.

Chart 2: Federal Reserve District Non-Real Estate Farm Loan Demand



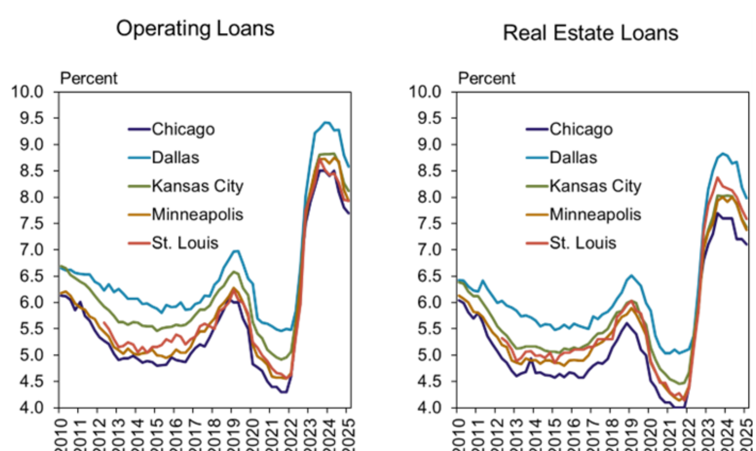
Lenders responded by indicating whether conditions during the current quarter was higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of survey respondents who responded "lower" from the percentage who responded "higher" and adding 100.
Note: Information about farm income and borrower spending is only collected for the above Districts. The St. Louis survey began in Q2 2012.
Source: Federal Reserve Surveys of Agricultural Credit Conditions

Chart 3: Federal Reserve District Farm Loan Repayment Rates



*Lenders responded by indicating whether conditions during the current quarter was higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of survey respondents who responded "lower" from the percentage who responded "higher" and adding 100.
Note: The St. Louis survey began in Q2 2012.
Source: Federal Reserve Surveys of Agricultural Credit Conditions

Chart 4: Federal Reserve District Average Farm Loan Interest Rates

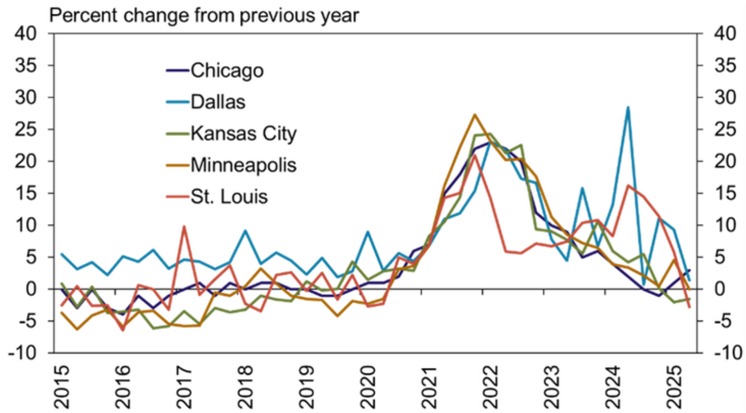


Note: Shown as average fixed and variable rates for each loan type. St. Louis survey began in 2012.
Source: Federal Reserve Surveys of Agricultural Credit Conditions

Respondents reported that nonirrigated cropland values changed by less than 5% in all participating regions (Chart 5). Values increased slightly in the Dallas and Chicago Districts and were modestly lower elsewhere.

Looking ahead to Q3, Ninth District lenders expect further softening in farm incomes despite some recent relief on input costs and rainfall.

Chart 5: Federal Reserve District Nonirrigated Cropland Values



Source: Federal Reserve Surveys of Agricultural Credit Conditions

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