

Ag Credit Tightens: How You Can Prepare

What to expect on operating lines, cash flow, and lender expectations

The latest Kansas City Fed Ag Finance Update shows farm debt at ag-concentrated banks continues to build through Q2, with larger operating loans and modestly higher delinquencies from historically low levels. Bank liquidity tightened some, which can translate into firmer credit standards at renewal. Meanwhile, the Dallas Fed's Q3 Agricultural Survey shows mixed but generally steady land values and rents in parts of Texas and neighboring areas, with signs that weather relief helped crops even as carryover debt remains a benchmark to watch for some borrowers. Credit remains available, but plan early and bring a documented plan.



National outlook

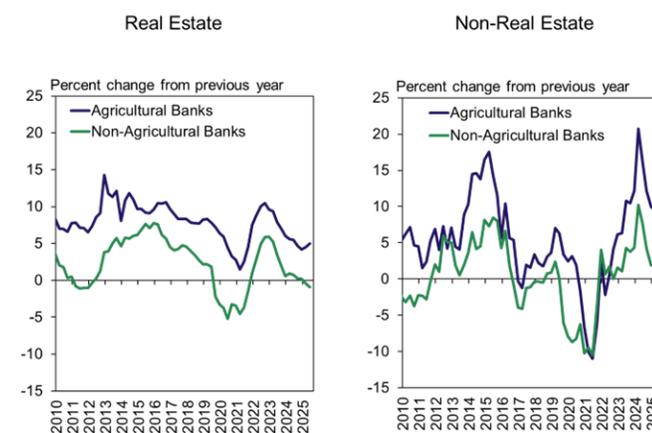
Debt loads continue to increase at ag banks. KC Fed reports continued growth in total farm debt at commercial banks in Q2, with faster increases at banks most focused on agriculture—consistent with larger operating needs and thinner working capital for many crop producers.

Delinquencies ticked up, but remain low. Past-due farm loans edged higher but remain low by historical standards—signs of stress in spots, not a systemic problem.

Bank liquidity generally tighter. Higher loan-to-deposit ratios at ag banks suggest some lenders may lean a bit more conservative on credit line totals or new requests, especially where working capital has eroded.

Baseline profits unchanged. USDA's Sept. 3rd farm income forecast still stands—with no new Economic Research Service (ERS) revision since then—continue to use that as the big-picture backdrop while watching local margins closely.

Chart 1: Change in Farm Debt Outstanding at Commercial Banks



Note: Agricultural Banks are defined as banks with total agricultural loans comprising at least 25 percent of total loans. Figures above are calculated using the same group of 931 agricultural banks from Q2 2025 in every quarter. Sources: Reports of Condition and Income and Federal Reserve Board of Governors

What this means for ag operators

If you rely on an operating line, expect careful questions on cash flow, collateral, and plan quality. The lenders' message generally isn't "no," it's "show me." For many operations—especially those that are crop-heavy—timing of sales, basis management, and expense control are carrying more weight into fall and winter.

Tenth District (Kansas City Fed: CO, KS, MO, NE, NM, OK, WY)

Debt growth and bigger operating notes: KC Fed's Sept. 24 update highlights broad

How Much Risk is Right for You?

debt growth at ag banks, driven by increased financing needs amid softer margins for crop producers. Ranch operations still benefit from firm cattle prices, but bankers are watching liquidity and repayment capacity more closely.

Practical takeaway: Operations that are crop-heavy should prepare a 12–18-month cash flow map that includes basis assumptions, storage costs, and interest expense. If you're cattle-heavy, keep price-risk tools handy to defend recent gains. Bring both to your renewal meeting.



Eleventh District (Dallas Fed: most of TX and parts of NM/LA)

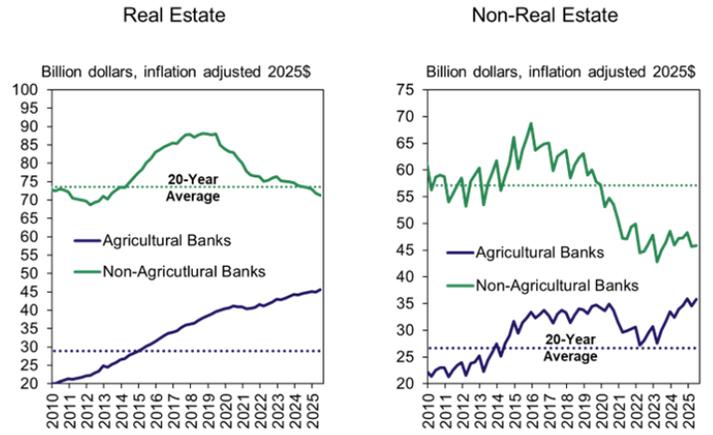
Q3 survey: Land values were mixed quarter-to-quarter (dryland and ranchland up; irrigated down), and cash rents rose for irrigated ground but eased elsewhere. Bankers reported somewhat better conditions in parts of the district after timely rains, though carryover debt remains an issue for some operations. Underwriting is cautious but open for prepared borrowers.

Practical takeaway: If you're renewing in Texas or nearby, bring a plan for managing carryover and document how moisture helped yield/quality—and how that feeds your cash flow. If rents are in play, use current district trends to support a fair reset.

Action steps for the next 30–60 days

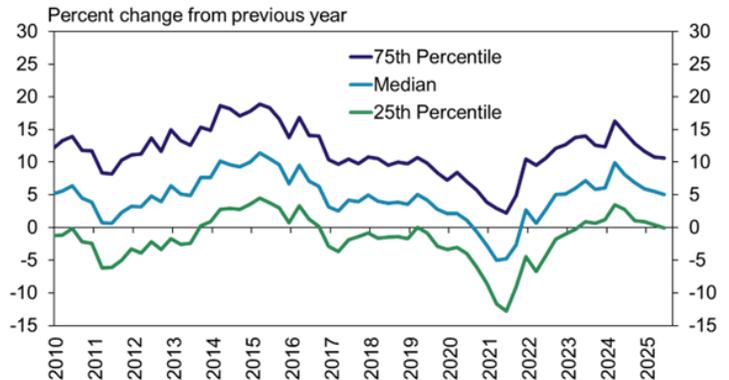
Update your cash-flow plan through next fall. Stress-test with slightly lower prices, average-to-below-average yields, and a bit higher interest

Chart 2: Level of Farm Debt Outstanding at Commercial Banks



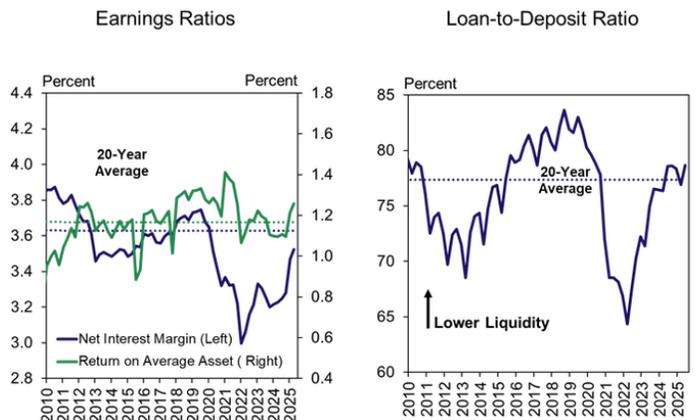
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Chart 3: Distribution of Farm Debt Growth at Agricultural Banks



Note: Agricultural Banks are defined as banks with total agricultural loans comprising at least 25 percent of total loans. Source: Reports of Condition and Income and Federal Reserve Board of Governors

Chart 4: Earnings and Capital at Agricultural Banks



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cost than today. Show how you'll bridge any negative months (marketing, inventory sales, or a larger line). Lenders want to see timing, not just totals.

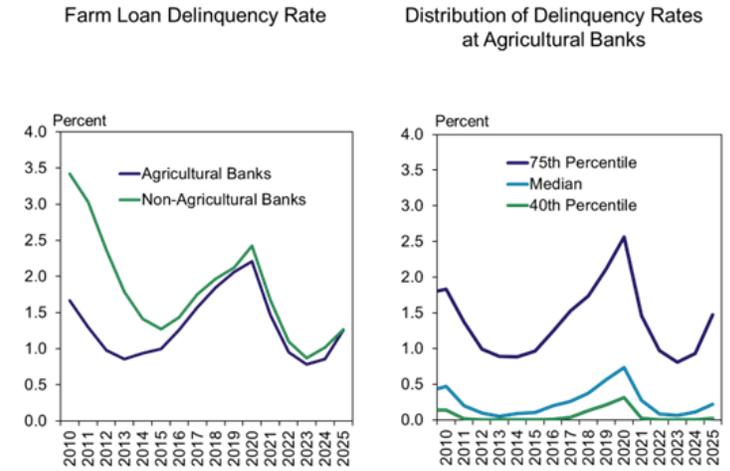
- Renew early—be “file ready.” Bring: last year’s actuals, year-to-date performance, a forward cash flow plan, inventory and basis assumptions, marketing targets, and a short note on risk tools (insurance, hedges, etc.). Expect questions on working capital and collateral coverage given higher loan-to-deposit ratios.
- Tune marketing and risk tools. For crops, compare on-farm storage costs vs. basis carry and cash needs; lock profits when they pencil. For cattle, revisit Livestock Risk Protection (LRP), options, or hedges to protect margins on higher-value animals.
- Preserve liquidity. Delay non-essential capital purchases; compare input prices; consider selling idle assets to bolster working capital before renewal.
- Rent and lease talks. Use local rent and land-value signals (e.g., Dallas Fed district tables, USDA-NASS Cash Rent estimates) to frame fair terms. Consider flexible clauses that share price risk.

Key insights

Recent signals from KC Fed: farm debt at ag banks continued to build; delinquencies nudged higher but remain low; liquidity is tighter—so expect careful underwriting, not a credit crunch.

Dallas Fed Q3 reports show a mixed land/rent picture and some weather-helped

Chart 5: Farm Loan Delinquency Rates at Commercial Banks, Q2



Note: Delinquent farm loans include all agricultural loans past due 30 or more days or non-accruing. Agricultural banks include all banks with farm loans comprising at least 25 percent of total loans. Sources: Reports of Condition and Income and Federal Reserve Board of Governors

improvement—use that data in landlord and lender conversations.

The national profit baseline (ERS, Sept. 3) is unchanged; local margins will be decided by price, basis, and interest costs over the next few months. These shifts align with a normal credit cycle, not a credit crisis.



References:

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