

Cattle Strong, Crops Squeezed, Credit Tight

If you sat in a sale barn last week, then walked into the banker's office the same afternoon, you might think you live in two different farm economies. On the one hand, cattle are bringing record prices and many ranchers are in a stronger position. On the other, a row-crop producer is staring at fertilizer quotes that keep changing and asking whether next year's operating note will pencil out. Both of these stories are true at the same time.

The National Outlook - Tighter Margins, Rising Debt

The latest updates from the USDA and the Federal Reserve Bank of Kansas City paint a sector under pressure but not in crisis. Farm financial conditions are slipping, but the slide remains gradual.

USDA reported 86.2 million head of cattle and calves as of January 1, 2026, with beef cows down 1% and cattle on feed down 3% from a year earlier. The USDA Economic Research Service forecasts 2026 net farm income at \$153.4 billion, a nominal decrease of 0.7% from 2025. While net cash farm income is forecast to rise 3% to \$158.5 billion, farm sector debt is expected to climb 5.2% to \$624.7 billion. Crucially, working capital is projected to fall 9.2%.

This indicates that while many producers still show equity on their balance sheets, they have less cash flexibility to handle surprises. Recent Kansas City Fed data also show that non-real-estate farm loan volume rose sharply in early 2026, with operating loans and feeder livestock loans accounting for much of the increase. That combination points to a tighter cash-flow position, even where equity remains strong. In practical terms, some producers may still look solvent on paper but have less room to absorb a price drop, input cost jump, or weather setback.

Geopolitical Drivers and Regional Disparity

The regional picture is uneven. A common theme across the country is the surge in energy, fuel, fertilizer, and freight costs. This is driven largely by conflict in the Middle East and the closure of the Strait of Hormuz, which has pushed prices sharply higher.

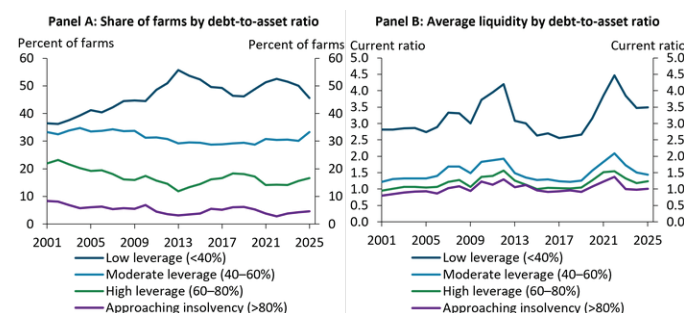
District 7 – Chicago (IA, IL, IN, MI, WI). Farm income expectations declined as input costs rose faster than product prices. Some farmers are shifting acres from corn to soybeans to reduce fertilizer needs.

District 8 – St. Louis (AR, IL, IN, KY, MS, MO, TN). Conditions were mostly unchanged, but bankers noted volatility tied to Middle East tensions and tighter lending standards.

District 9 – Minneapolis (MN, MT, ND, SD, MI UP, northern WI). Economic activity



Chart 1: The distribution of farm leverage is near historic norms, and liquidity is strong for many operations



Note: Current ratio captures the extent to which current farm assets would pay off the farm's current liabilities. Sources: FINBIN (2026), Center for Farm Financial Management: University of Minnesota, and author's calculations.

How Much Risk is Right for You?

increased slightly, but agricultural conditions remained weak due to oil-related input price pressure.

District 10 – Kansas City (CO, KS, NE, OK, WY, western MO, northern NM). This district represents the “split” economy; strong cattle prices support ranching while crop profits remain narrow.

District 11 – Dallas (TX, northern LA, southern NM). Worsening drought has hurt new crop prospects.

District 12 – San Francisco (AK, AZ, CA, HI, ID, NV, OR, UT, WA). Agriculture softened due to weak demand for fruit and non-essential produce.

Livestock: The Sector Stronghold

Cattle producers currently hold the strongest position in the farm economy. Cow-calf profits are robust, and beef prices remain at historic highs because herd numbers are very low. This strength has fueled record ranchland values, which rose nearly 11% year-over-year in early 2026.

However, high prices increase the capital at risk when borrowing to buy replacement females or feeder cattle. Producers are encouraged to evaluate Livestock Risk Protection (LRP) and other downside tools while margins remain wide. Drought risk still matters, especially where forage supplies or water conditions limit herd rebuilding.

Crops: The Margin Squeeze

Row-crop producers face a third year of narrow margins. The rally in some crop prices is often offset by the high costs of fertilizer, diesel, and interest. Roughly 20% of Tenth District borrowers carried more debt forward into 2026 than a year earlier.

For crop farms, the key management questions are cost of production, break-even price, crop insurance coverage, marketing targets, and how much carryover debt can be handled without weakening next year’s plan.

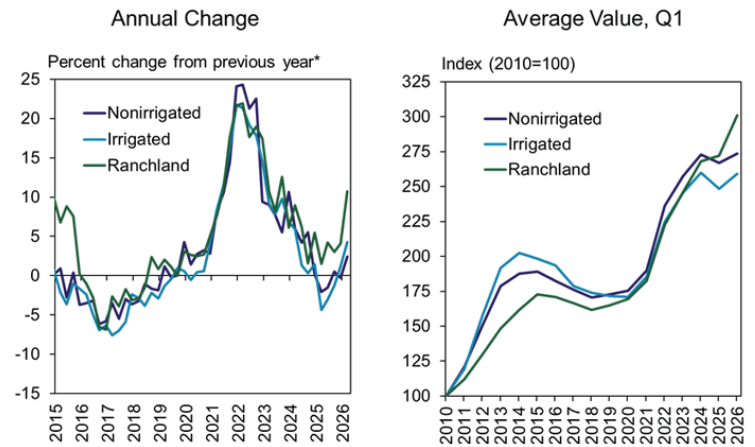
Credit and Support Systems

Interest rates have eased slightly but remain a critical factor in cash-flow planning. Additionally, government support, specifically Farmer Bridge Assistance (FBA) payments, is providing a necessary cushion for many operations. In the Tenth District, about 80% of ag lenders expected Farmer Bridge Assistance payments to provide at least modest support to farm income and credit conditions.

Management and Risk Mitigation

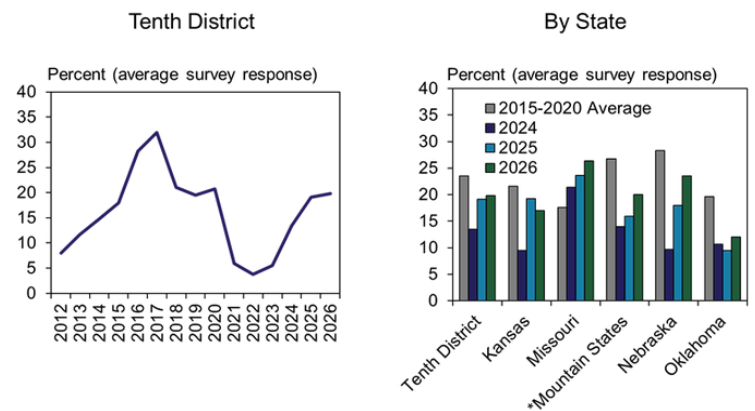
The best response to tighter finances is planning rather than panic. Producers should update cash-

Chart 2: Tenth District Farmland Values



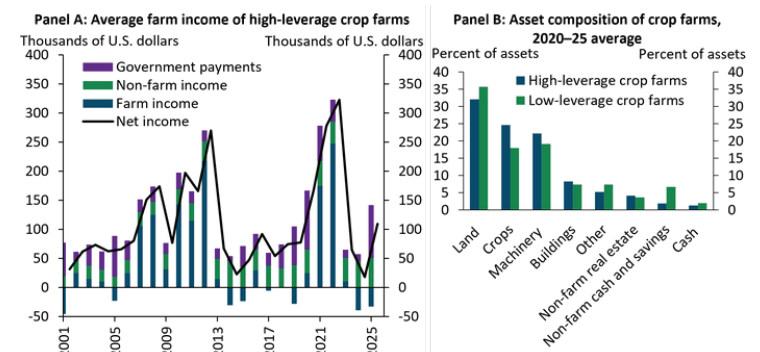
* Percent changes are calculated using responses only from those respondents reporting in both the past and the current quarters

Chart 3: Tenth District Farm Borrowers with an Increase in Carryover Debt, Q1



*Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state
Note: Respondents answered the following question- What percent of your farm borrowers had an increase in carryover debt this year versus last year?

Chart 4: Government payments and non-farm income have limited stress for high-leverage crop farms and farmland is a primary asset for all types of operations



Notes: The crops category in Panel B includes the value of crops, prepaid expenses, and receivables. The other category includes miscellaneous farm and non-farm assets.
Sources: FINBIN (2026), Center for Farm Financial Management: University of Minnesota, and author’s calculations.

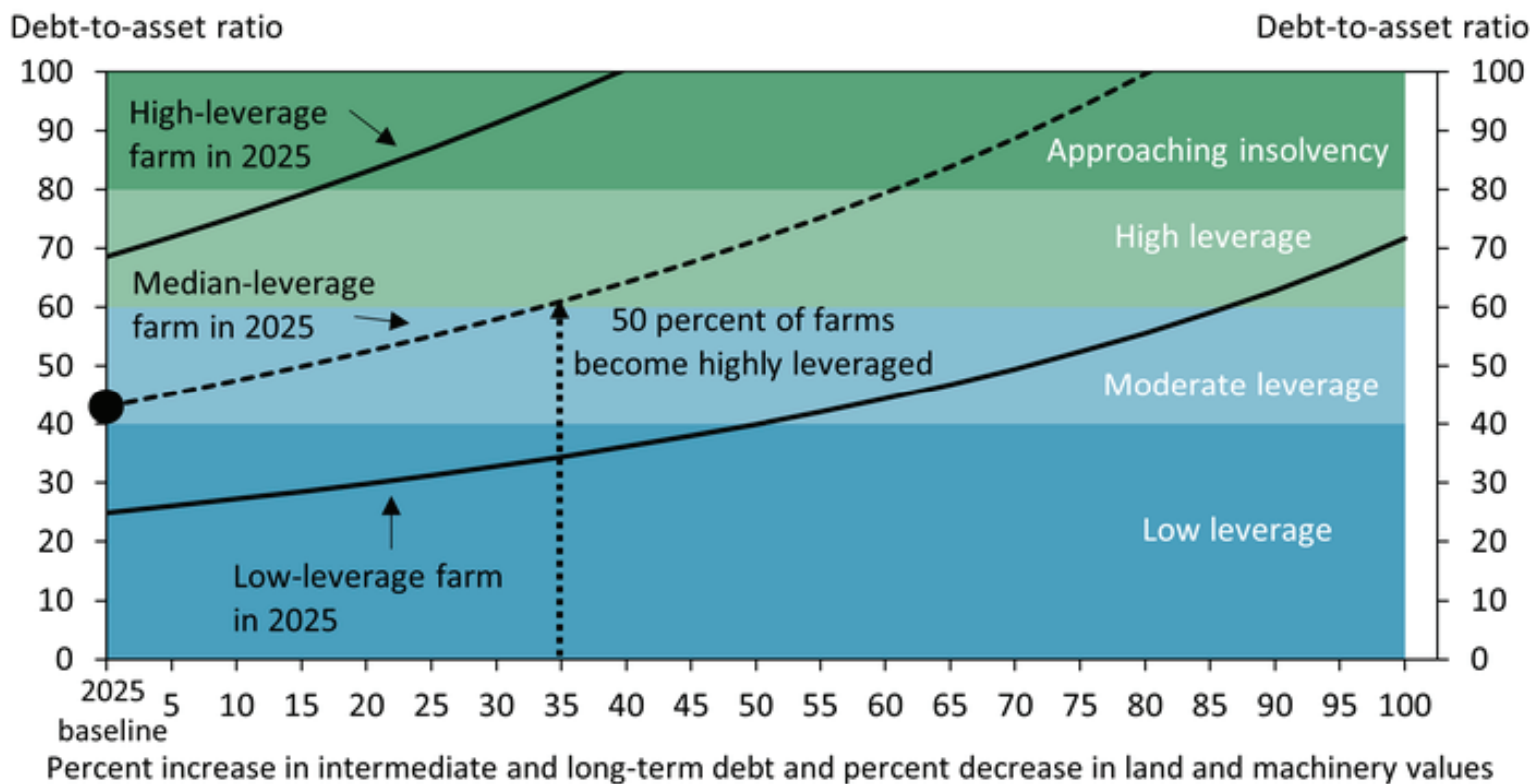
flow projections and stress-test budgets under scenarios of lower prices or higher input costs. For perspective, the median farm would not approach high leverage unless debt rose by 35% while land and machinery values fell by 35% at the same time — a combination not seen since the 1980s farm crisis.

Tools from RightRisk Analytics are specifically designed to help producers understand these risks. The RightRisk toolbox allows managers to evaluate enterprise changes, machinery costs, and financing choices under uncertainty.

Ultimately, every operation should know its cost of production and repayment capacity before making major decisions. Lenders respond much better to a plan than to a surprise. Highly leveraged operations must watch liquidity closely, and every producer should know their break-even price before making the next major decision.

For more on ag finance and risk management topics, see past issues of RightRisk News at RightRisk.org/news.

Chart 5: Most farms would only be exposed to financial stress with a combination of substantial debt accumulation and rapid asset depreciation



Notes: Scenarios assume an equal percent increase in intermediate and long-term debt and decrease in land and machinery values. For example, a value of 35 on the x-axis indicates a 35 percent increase in intermediate and long-term debt and a 35 percent decrease in land and machinery values. Scenarios assume no change to other balance sheet items, including current assets, current liabilities, and non-farm items. Baseline values are 2025 averages.

Sources: FINBIN (2026), Center for Farm Financial Management: University of Minnesota, and author’s calculations.

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