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Farm Loans Keep Growing as Lenders Sort the Risk

A recent Agricultural Finance Update from the Federal Reserve Bank of Kansas City brings good news with a catch. Farm loan growth stayed strong in the first quarter of 2026, but it was not spread evenly. The difference came down to the type of lender. Agricultural banks, meaning banks where farm loans make up a big share of all lending, kept growing both kinds of farm loans. That includes real estate loans on land and non-real-estate loans, the operating and production loans that pay for seed, feed, fuel, and livestock. Non-agricultural banks did the opposite. They cut back on those operating loans, even while their farmland loans grew. In fact, operating loan balances at those banks fell for the first time since 2021, Chart 1.

Big Banks Pull Back on Production Loans

The pullback in non-real-estate production lending was concentrated among a small number of banks with farm loan portfolios larger than $1 billion. At those big lenders, non-real-estate farm loan balances dropped nearly 10 percent from a year earlier, while farm real estate loans grew nearly 10 percent. Most other size groups grew both kinds of loans, Chart 2.

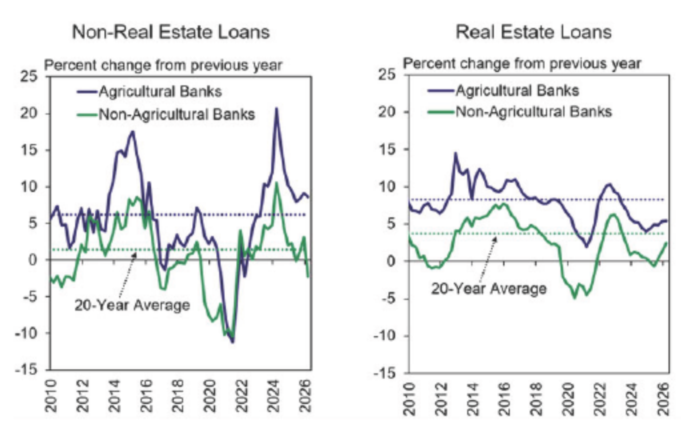
The bigger message is not that farm credit has dried up. It is that credit now depends more on the type of lender, your borrowing history, your collateral, and how confident the lender is in your repayment plan. Even among big banks, the pullback was not everywhere. Only three of the largest lenders had more than a 10 percent drop in farm debt from last year. Across every size group, more banks grew farm lending than cut it, Chart 3.

Loan performance still looks solid. The Kansas City Fed reported that late-payment rates were about the same as a year earlier and stayed low. Even so, about 2 percent of farm loans at the largest agricultural banks were at least 30 days past due, compared with less than 1.5 percent at smaller lenders. Big lenders have had weaker problem-loan numbers for years, which may be part of why some are more cautious now.

Payments and Debt Are Supporting the Big Picture

One more thing is propping up income this year: government support. USDA expects direct government payments to farmers to reach $44.3 billion in 2026, up $13.8 billion from 2025. Some of today's stability is coming from payments, not from the market. USDA also expects total farm sector debt to reach $624.7 billion, up 5.2 percent from 2025, so the cost and structure of borrowed money remain important, Chart 4.

Chart 1: Farm Debt Outstanding at Commercial Banks



Note: Agricultural Banks are defined as banks with total agricultural loans comprising at least 25% of total loans. Figures above are calculated using the same group of 880 agricultural banks from Q1 2026 in every quarter
Source: Reports of Condition and Income and Federal Reserve Board of Governors

Regional Conditions are Split

The picture also changes by region. The Federal Reserve's Beige Book, released June 3, 2026, shows a split farm economy across its districts. In the Seventh District (Chicago Fed), farm income expectations were little changed; planting was mostly on schedule, but high fertilizer and fuel prices pushed some acres from corn to soybeans. The Eighth District (St. Louis Fed) slipped a bit, with weak export sales, tighter credit for some growers, and delays getting operating money. The Ninth District (Minneapolis Fed) stayed under stress: 76 percent of Ag Credit Survey respondents said farm income fell in the first quarter from a year earlier, though fast planting progress and strong cattle prices were bright spots.

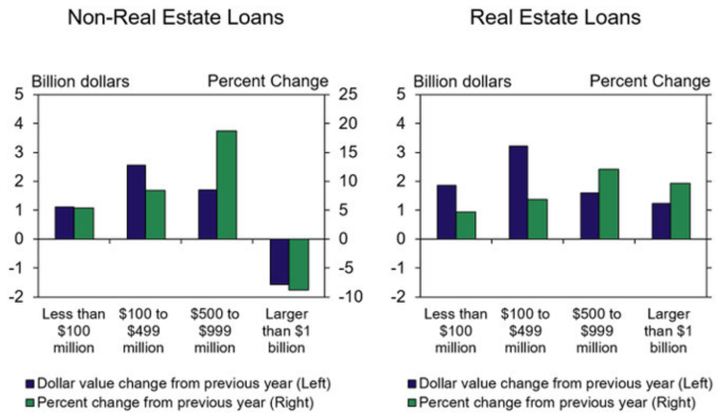
The Tenth District (Kansas City Fed) showed the clearest crop-versus-beef split. Severe drought hurt wheat in Kansas, Nebraska, and Oklahoma, while strong cattle prices helped cow-calf and diversified operations. The Eleventh District (Dallas Fed) had better crop prices but real production risk, especially where drought worsened in the Texas Panhandle; cattle prices stayed high for ranchers, while feedlots and packers felt financial strain. The Twelfth District (San Francisco Fed) weakened somewhat, with higher fertilizer and fuel costs, soft tree-crop demand, solid livestock markets, and tighter credit.

Put together, these reports point to one story. Beef cattle, especially cow-calf operations, are carrying many ranch and diversified operations. Some crop regions are seeing better prices. But higher input costs, drought, and tighter working capital are limiting the gain.

Beef Cattle are Strong, Livestock is Mixed

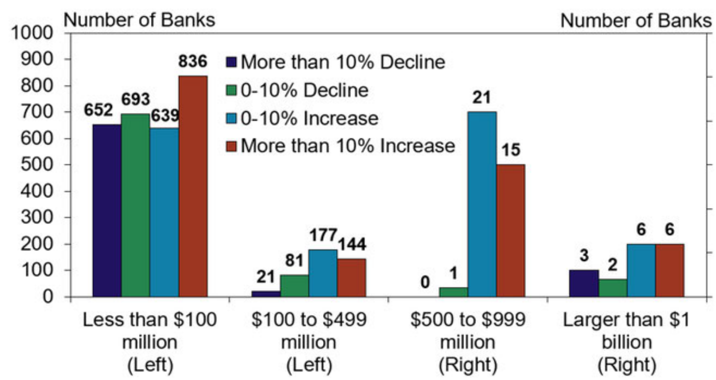
The livestock picture is strong in some places and weak in others. USDA expects cattle and calf cash receipts to grow by $5.2 billion, or 4.1 percent, in 2026 as cattle prices keep climbing, and that strength is real. But it is not the same as saying the whole livestock sector is strong. Total animal and animal product receipts are still forecast to fall about 5.8 percent from 2025. The decline is driven by dairy and eggs: milk receipts are expected to drop 12.8 percent and egg receipts to fall 66 percent, with hog receipts edging lower as well. The egg drop mostly reflects prices returning toward normal after avian-influenza disruptions drove prices unusually high. Poultry meat is a separate story from eggs, with broiler receipts forecast to rise slightly. So the headline is not a booming livestock economy. It is a strong

Chart 2: Changes in Farm Debt Balances by Farm Loan Portfolio Size, Q1 2026



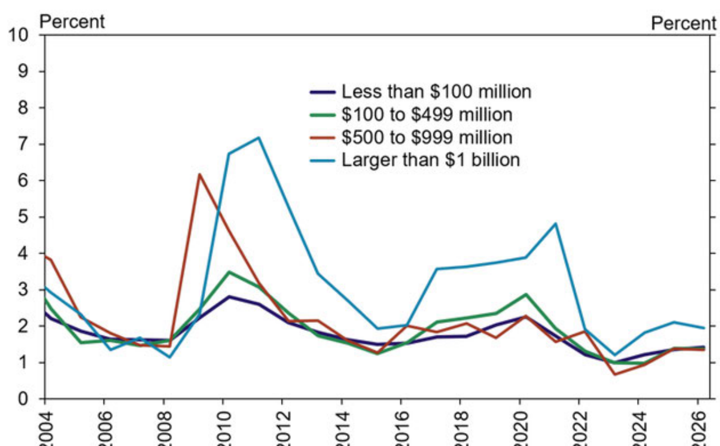
Source: Reports of Condition and Income and Federal Reserve Board of Governors

Chart 3: Distribution of Year-Over-Year Change in Farm Debt by Farm Loan Portfolio Size, Q1 2026



Note: The figures are calculated using only banks that reported an agricultural loan balance during Q1 2025.
Source: Reports of Condition and Income and Federal Reserve Board of Governors

Chart 4: Farm Loan Delinquency Rates by Farm Loan Portfolio Size, Q1



Note: Delinquent farm loans include all agricultural loans past due 30 or more days or non-accruing.
Source: Reports of Condition and Income and Federal Reserve Board of Governors

beef-cattle market, cow-calf especially, sitting next to real weakness in dairy and eggs.

Cattle prices also deserve a planning note. Today's strength reflects the smallest U.S. cattle herd in decades and the slow biology of rebuilding. Rebuilding takes years. Early in the cycle, prices can stay high because ranchers hold back heifers to grow the herd. Those animals come out of the feeding and slaughter pipeline, which keeps supplies tight for a while. The relief comes later, once that expansion works through and more animals reach market, which is when prices tend to soften. That is why a strong calf market should be tested across several years in a cash-flow plan, not treated as permanent.

Crop Receipts Not Keeping up with Costs

Crop producers face a different squeeze. USDA expects crop cash receipts of $240.8 billion in 2026, up 1.2 percent in nominal dollars but down after adjusting for inflation. Corn receipts are expected to rise, soybean receipts are expected to hold about even, and wheat and rice receipts are expected to decline. USDA also forecasts total production expenses at $477.7 billion, up about 1 percent from 2025. That is a whole-farm-sector expense figure, including livestock, feed, purchased animals, labor, repairs, interest, and other costs. It should not be subtracted from crop receipts as if it were crop-only. The better takeaway is simpler: crop receipts are not keeping up with inflation, while whole-sector costs remain high.

Plan for the Farm You Actually Manage

For the months ahead, the smartest move is to assume that averages hide the details that matter to you. A strong cattle price does not fix a crop cash-flow problem. Steady land values do not put cash in the checkbook. A low late-payment rate across the country does not mean your lender will renew or grow your operating line.

So update your cash-flow projection before fall planning begins. Use today's prices, realistic yields, real interest rates, and current input costs. Then stress-test it. What if yields drop 10 percent? What if fuel or fertilizer stays high? What if calf prices soften? What if your lender asks for more information before renewing your operating line?

RightRisk analytics can help you work through those questions before they turn urgent. The *Risk Scenario Planning* tool helps you weigh a proposed change when key numbers are uncertain. The *Multi-Temporal Risk Analyzer* helps with decisions that play out over several years, including cattle-cycle or debt-service questions. The *Risk Mitigation Filter* helps you sort whether a decision should move ahead, be revised, or wait.

The takeaway is simple: farm finance is not in crisis, but it is getting more selective. Lenders are watching repayment ability, cash on hand, collateral, and how managers respond. Farm and ranch managers should watch the same things.

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