

U.S. Agricultural Economic Update

Nate Kauffman, Federal Reserve Bank of Kansas City

January 17, 2025

The views expressed here are those of the speaker and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.



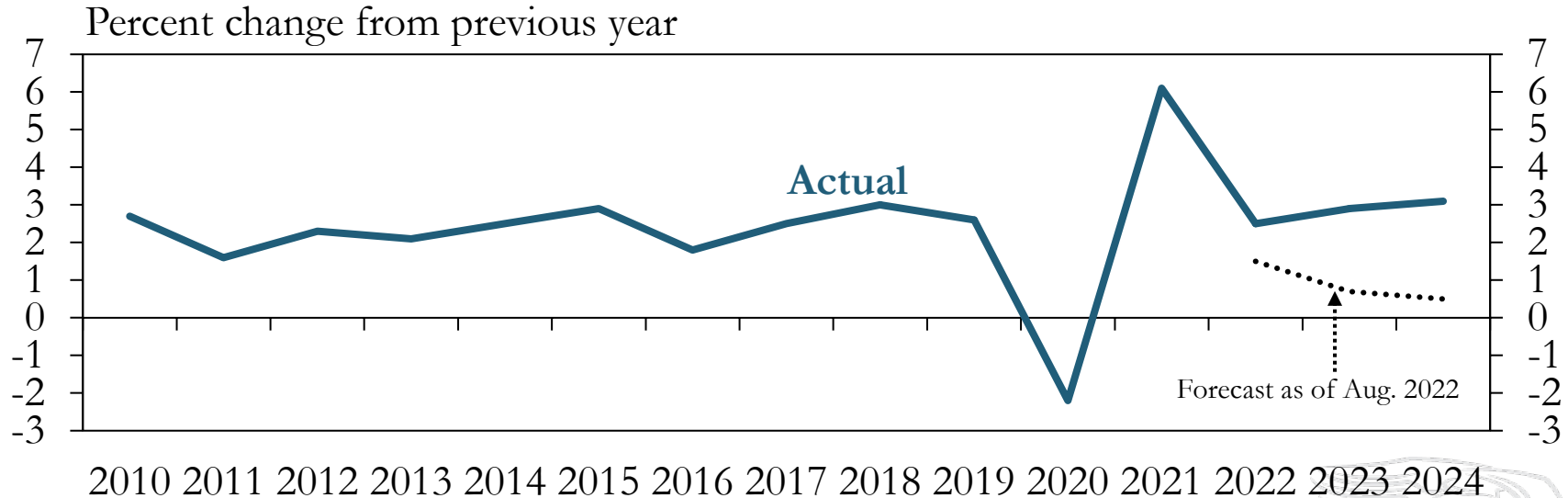
Outlook Themes

- Economic conditions in agriculture were subdued through the end of 2024 alongside weak crop prices.
- Livestock revenues have been notably stronger than crops and conditions are particularly favorable for cattle producers.
- Financial pressure in agriculture has been limited, but could build in the year ahead.



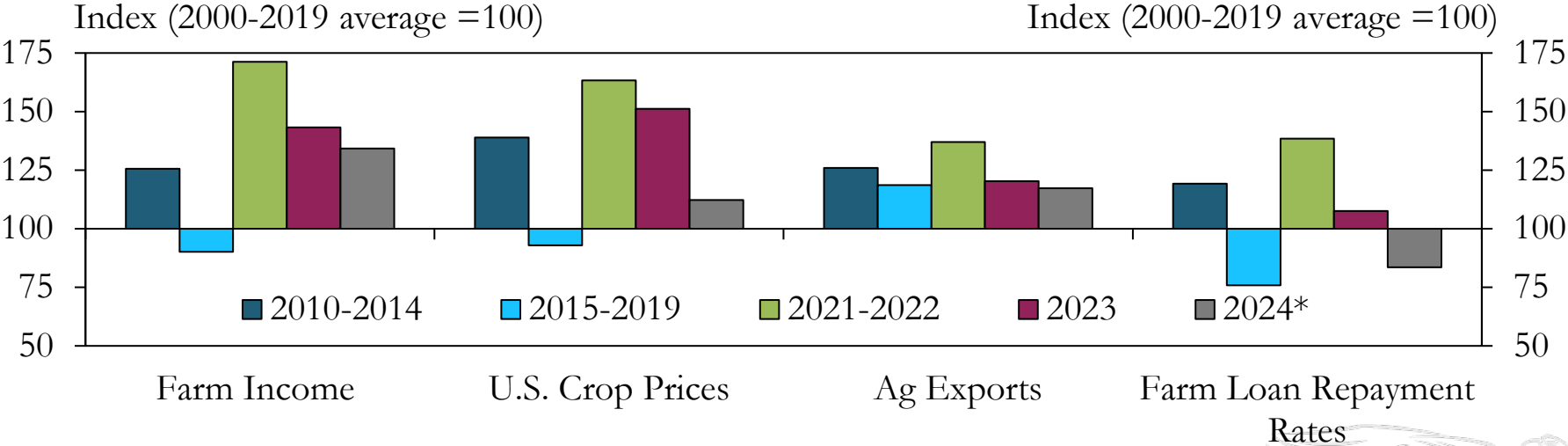
Despite concerns about a post-recovery slowdown in recent years, the U.S. economy has been resilient.

U.S. Real GDP



Economic conditions in U.S. agriculture have softened from a period of exceptional strength.

Indicators of the U.S. Ag Economy



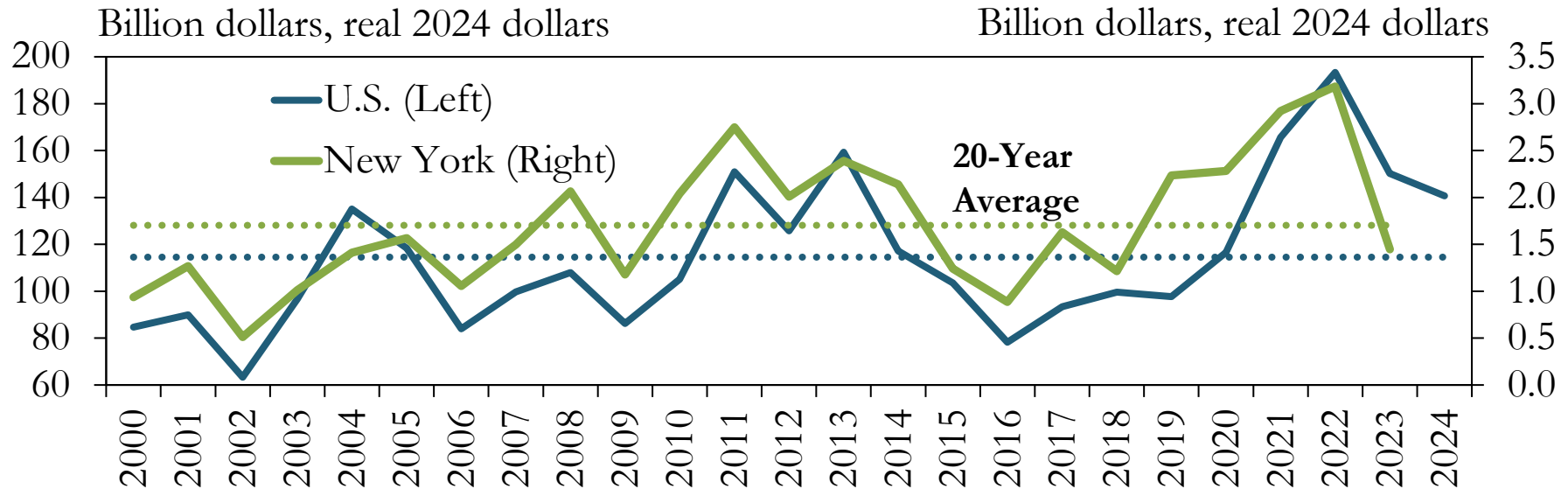
*2024 farm income and farm sector interest expenses are USDA forecasts and 2024 commodity prices, ag exports, farm loan repayment rates, and farmland values are staff estimates.

Sources: USDA , Federal Reserve Surveys of Agricultural Credit Conditions and staff calculations



Farm income has dropped sharply, but the strength of the post-pandemic years was remarkable.

U.S. Real Net Farm Income

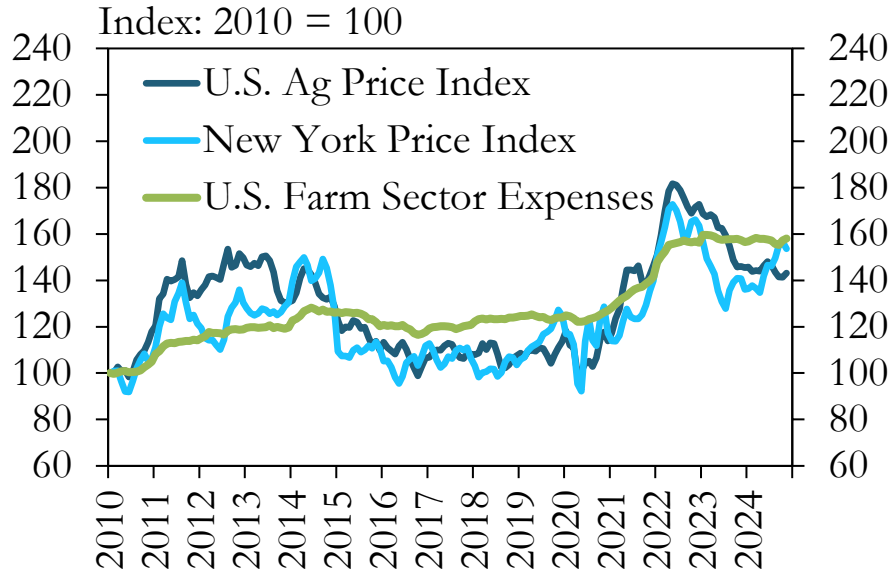


Note: USDA forecasts as of December 3, 2024

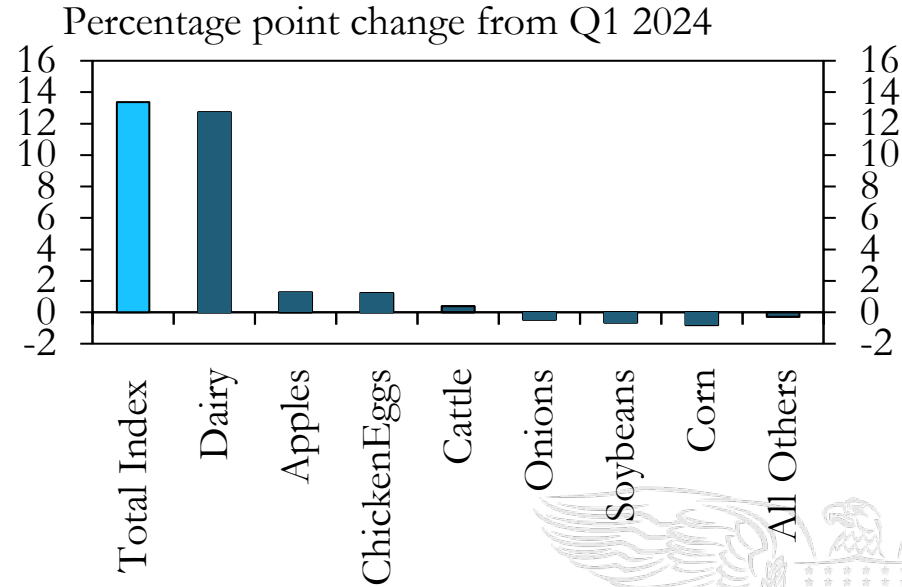
Sources: USDA and staff calculations

Crop prices have been a drag on farm revenues, but recent dairy prices have been a boost for New York.

Ag Commodity Prices and Expenses

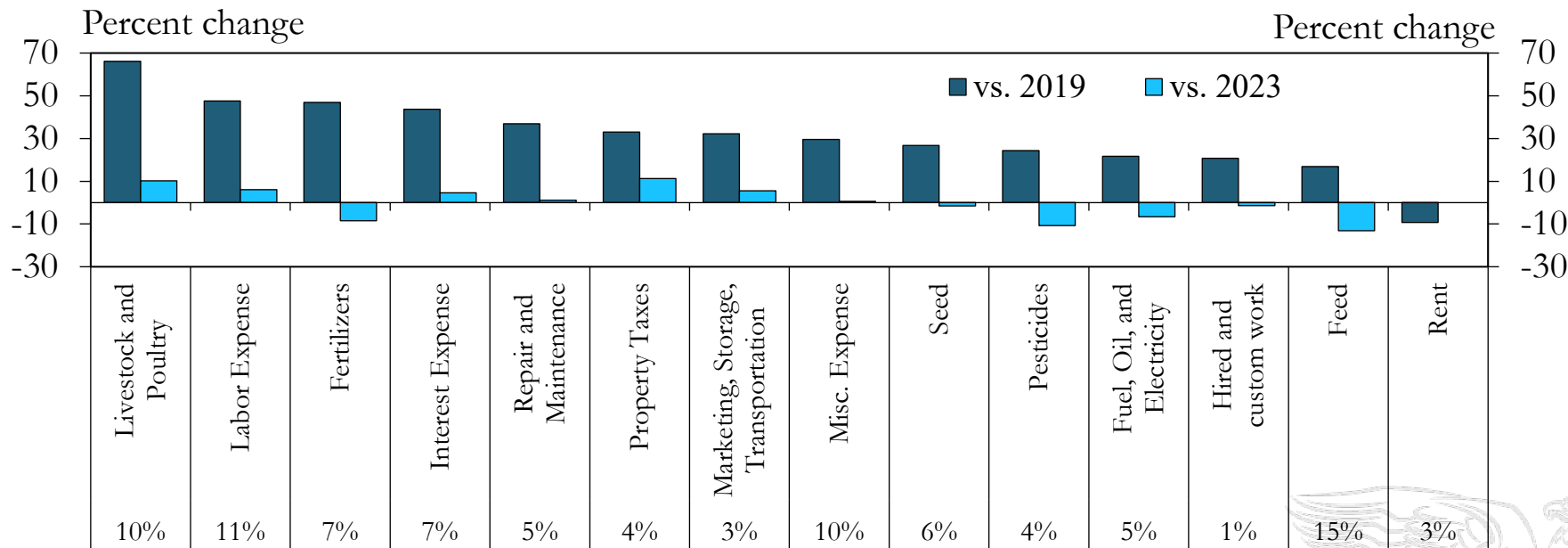


Contribution to Change in New York Price Index



The increase in production expenses was broad and costs have only eased slightly for a few major inputs.

2024 U.S. Farm Sector Expenses

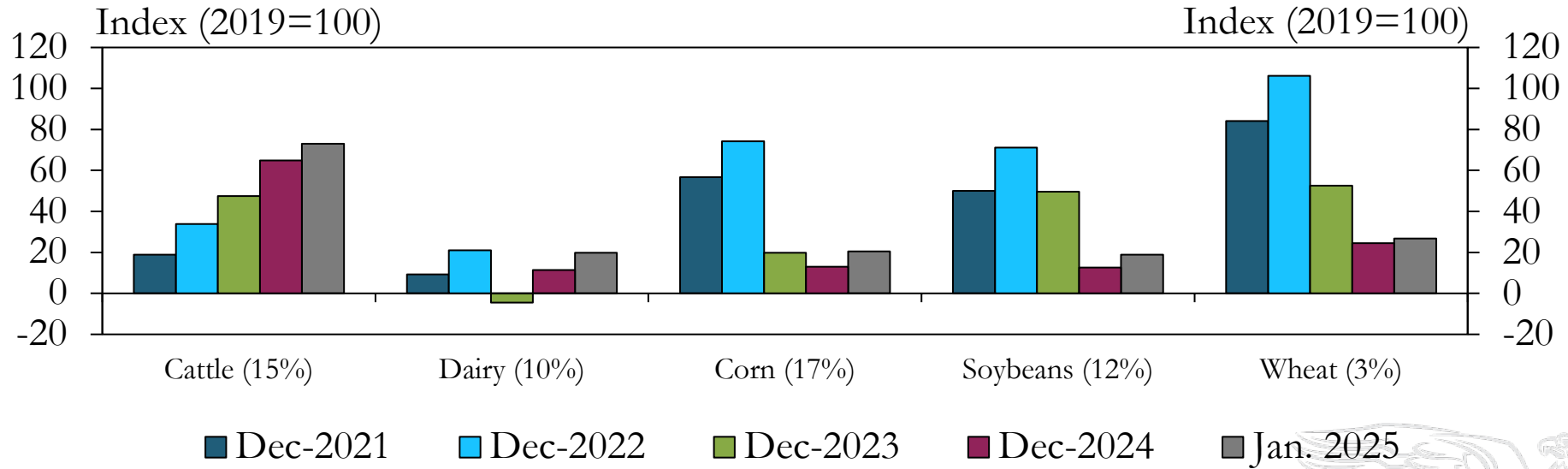


Note: U.S. Forecast as December 3, 2024. Numbers on the horizontal axis denote the share of total expenses.

Source: USDA

Crop prices remain weak in early 2025 while cattle and dairy prices improved over the past year.

Agricultural Commodity Prices



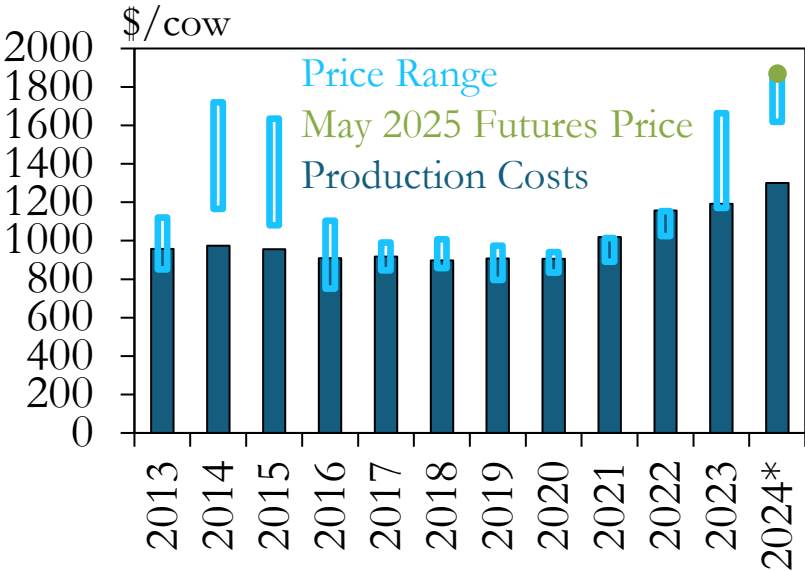
Note: Numbers in parentheses denote the share of total U.S. farm cash receipts

Sources: The *Wall Street Journal*, USDA and staff calculations

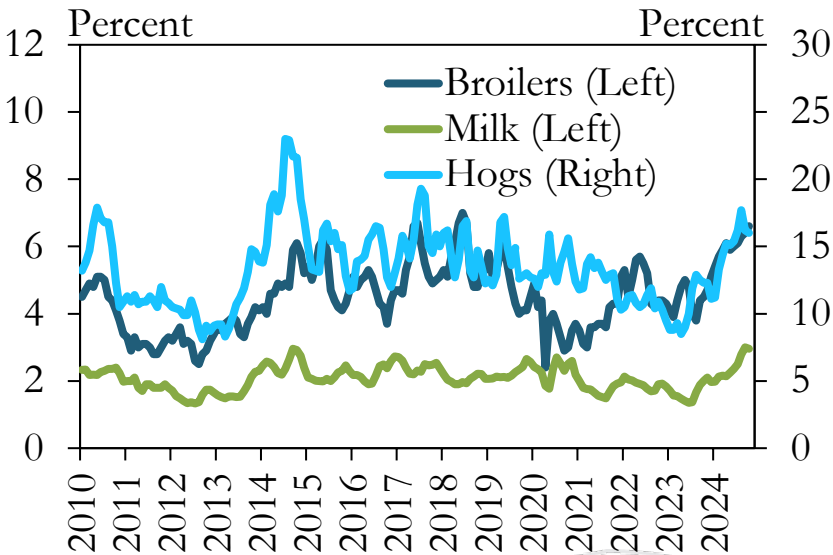


Higher prices and lower feed costs have improved profit opportunities in livestock industries, particularly cattle.

Cow/Calf Profit Margins



Price-to-Feed Cost Ratio



Notes: Cow/Calf costs are based on USDA's Economic Research Service (Commodity Costs and Returns) but exclude the opportunity cost of unpaid labor.

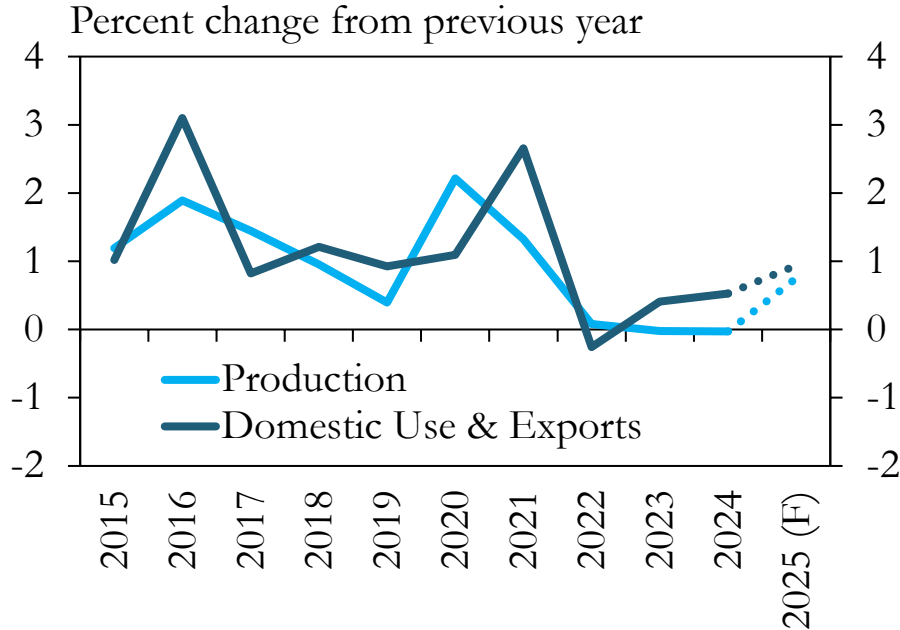
*Staff estimate estimated based on aggregate changes in production costs as of Nov. 2024.

Sources: USDA, CME, Haver Analytics and staff calculations

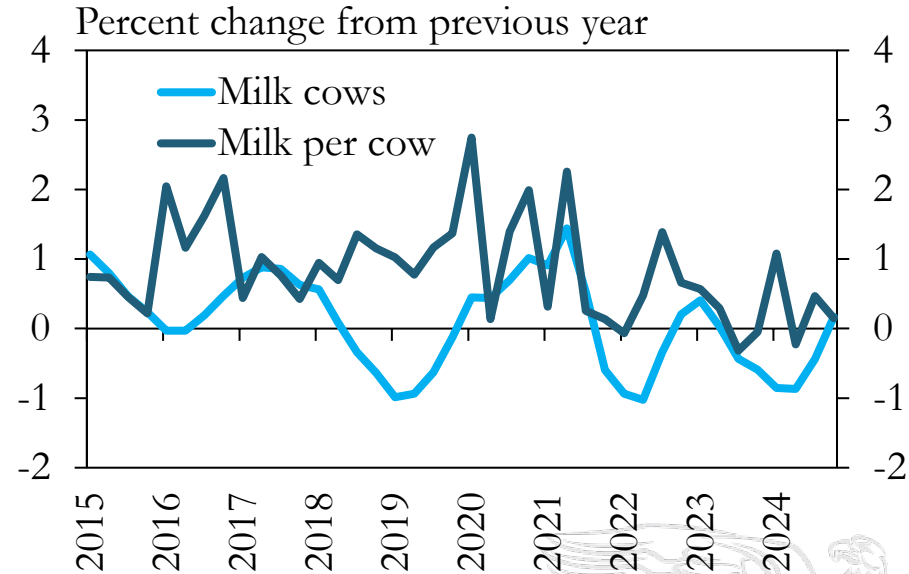


Flat production supported dairy prices in 2024, but recent growth in cow numbers is expected to boost production.

U.S. Milk & Dairy

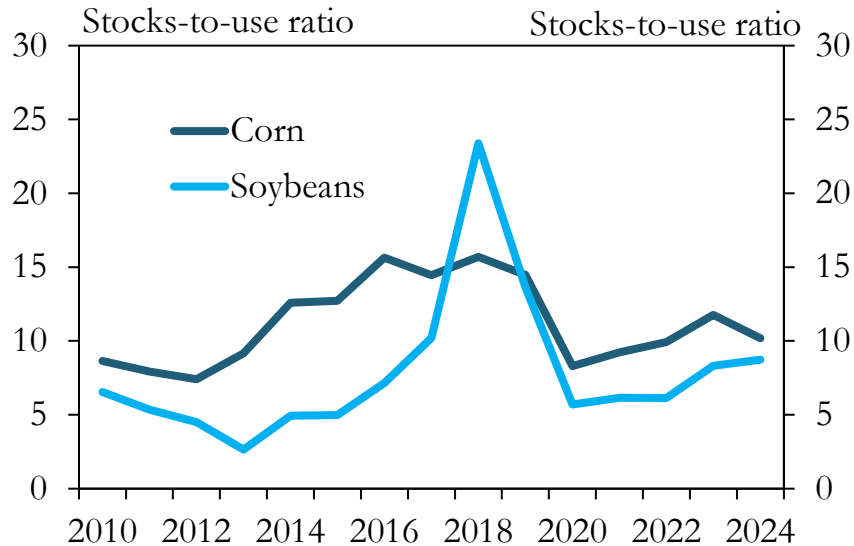


U.S. Dairy Herd

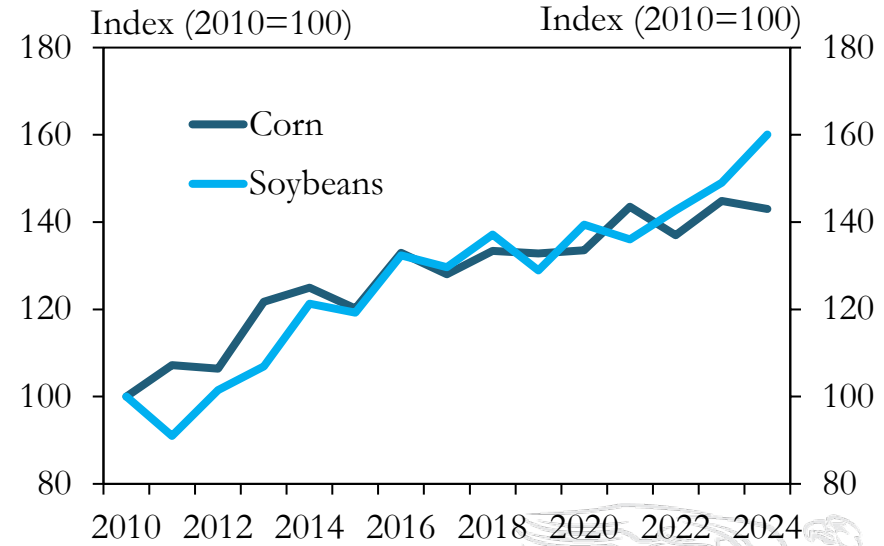


In the crop sector, elevated inventories and strong global production are likely to continue weighing on prices.

U.S. Crop Inventories

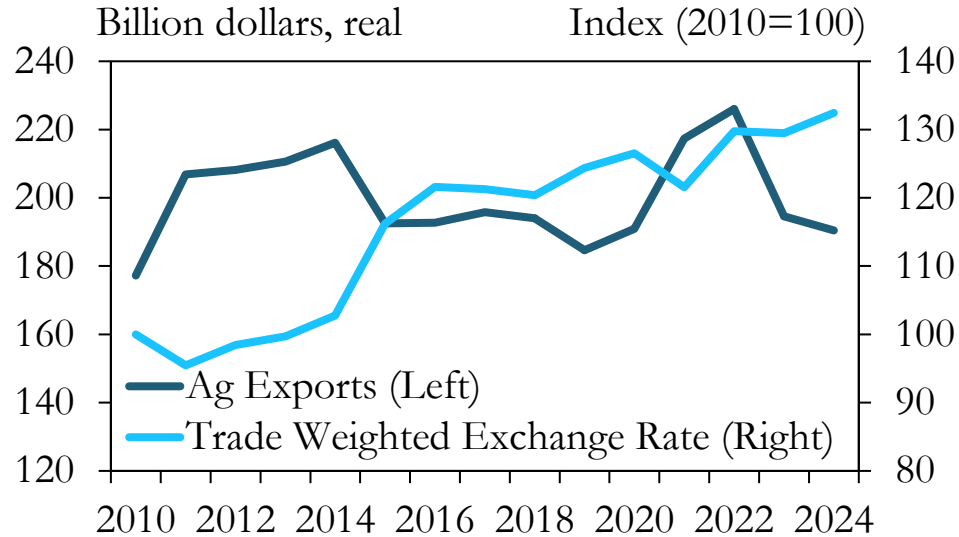


Global Crop Production

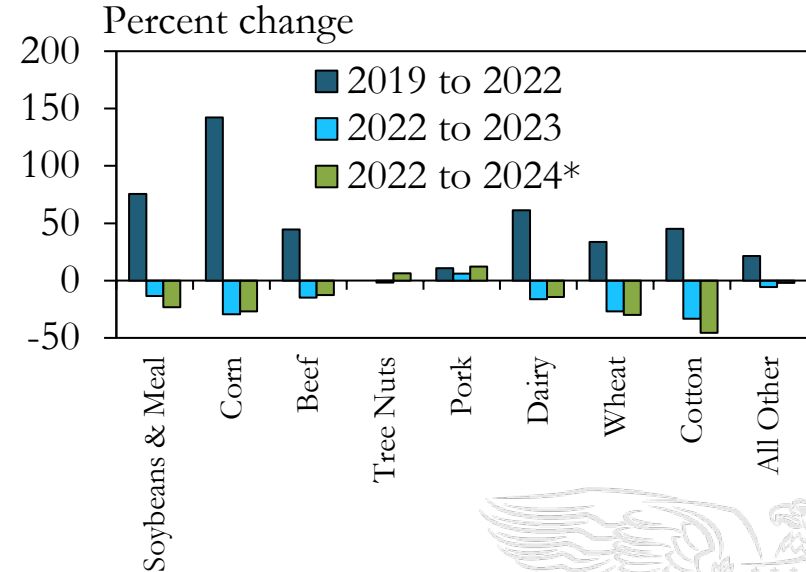


Sluggish export activity has also weighed on prices of many commodities.

U.S. Ag Exports and U.S. Exchange Rate



Value of U.S. Exports by Product



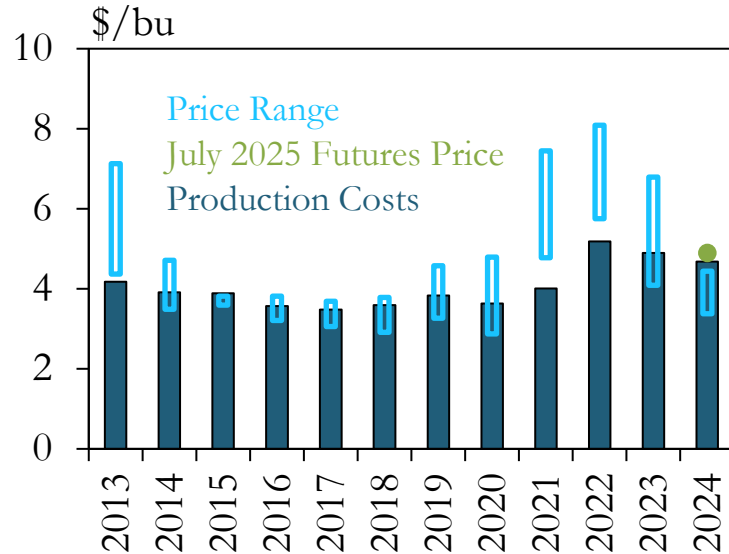
*Year-to-date change through November

Sources: USDA and staff calculations

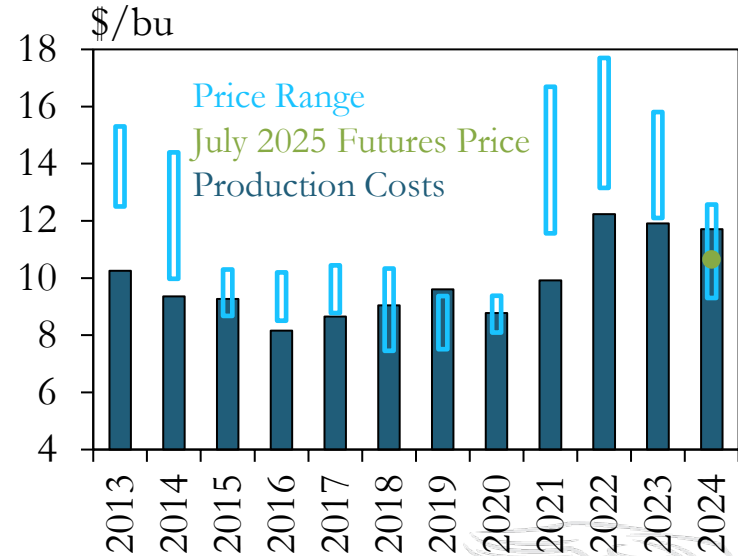


With market conditions weighing on row crop prices, profit opportunities are likely to remain narrow.

Corn Profit Margin



Soybean Profit Margin

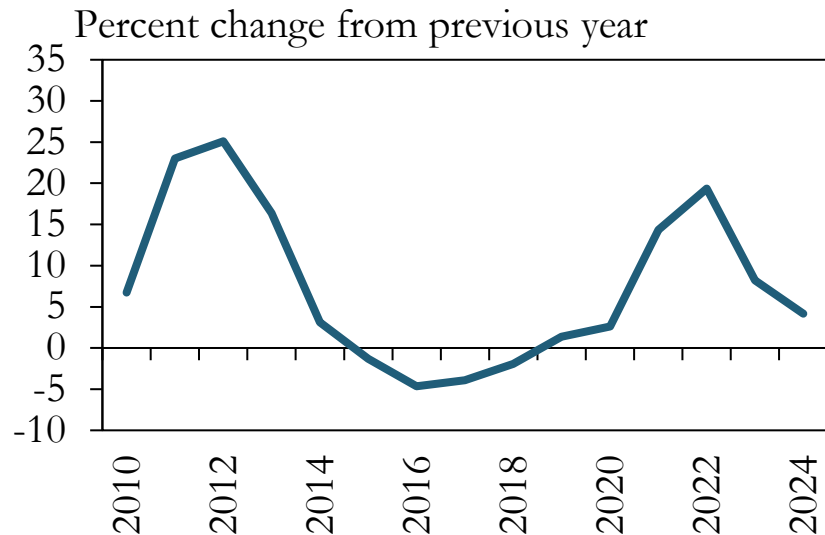


Note: Production costs are calculated from USDA annual estimates and forecasts.

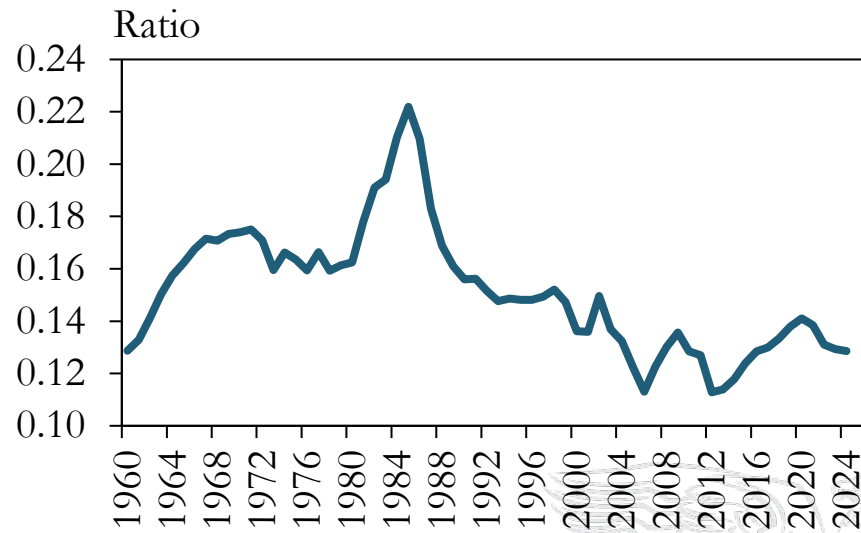
Sources: USDA, Haver Analytics, *The Wall Street Journal*, and staff calculations

Despite pressures on the sector, farm real estate values have been firm and leverage in the sector has been steady.

Farm Real Estate Values
Kansas City Fed District

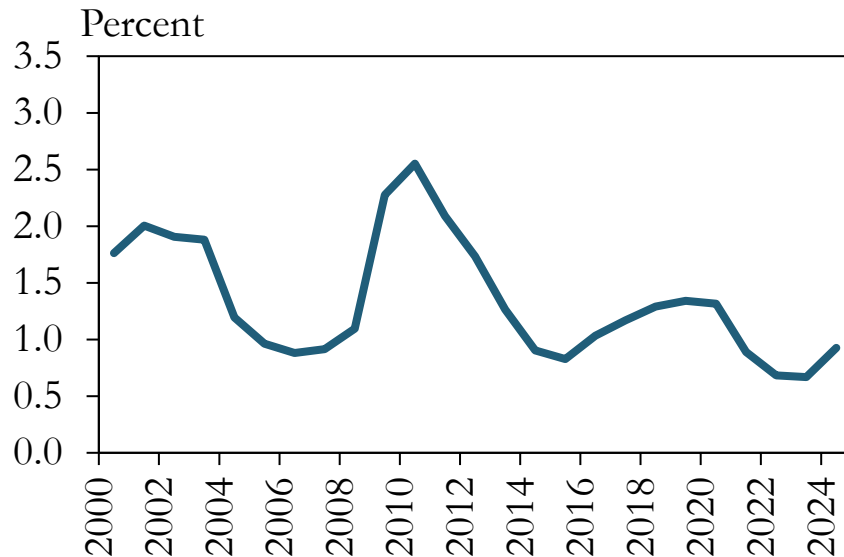


U.S. Farm Sector Debt-to-Asset Ratio

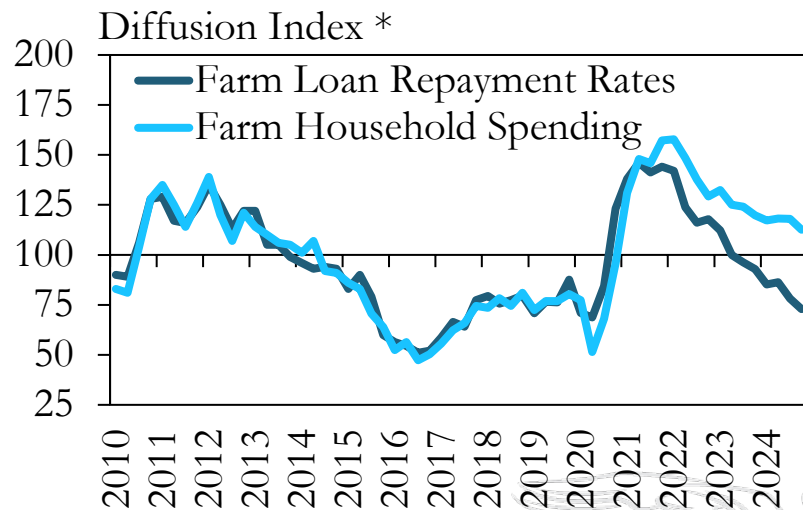


Farm loan delinquency rates have also remained low, but some signs of farm financial stress have emerged.

U.S. Farm Loan Delinquency Rates, Q3



Kansas City Fed District Ag Credit Indicators

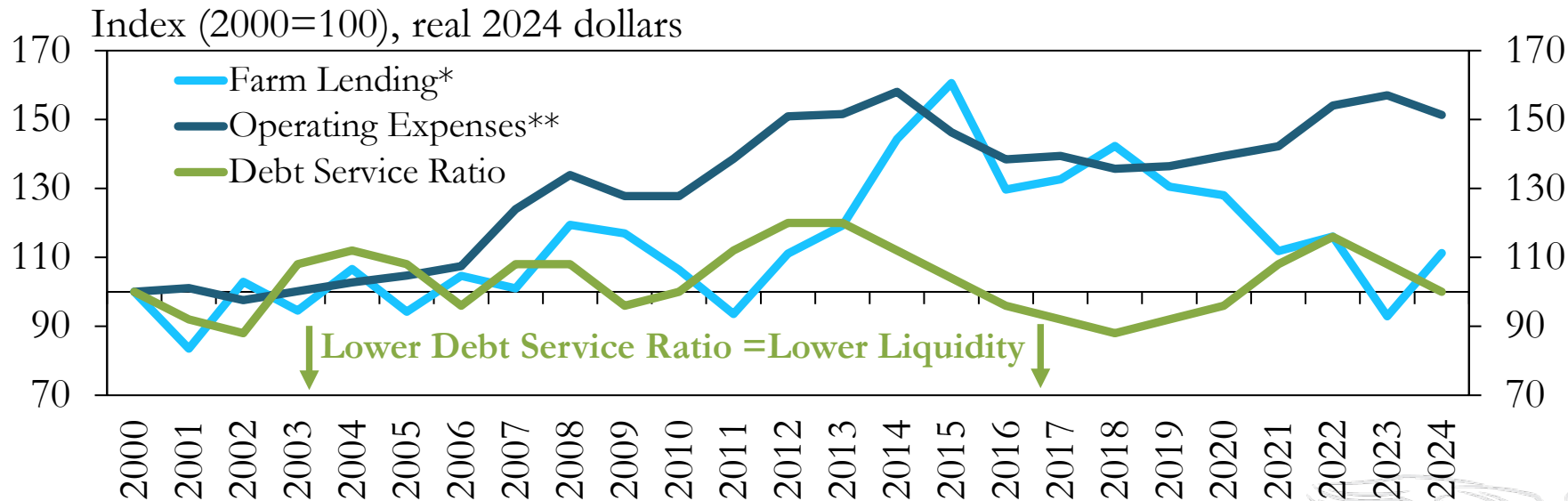


*The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.

Sources: USDA and Survey of Ag Credit Conditions

Demand for financing has increased alongside elevated expenses and reduced liquidity in the farm sector.

Farm Lending and Liquidity



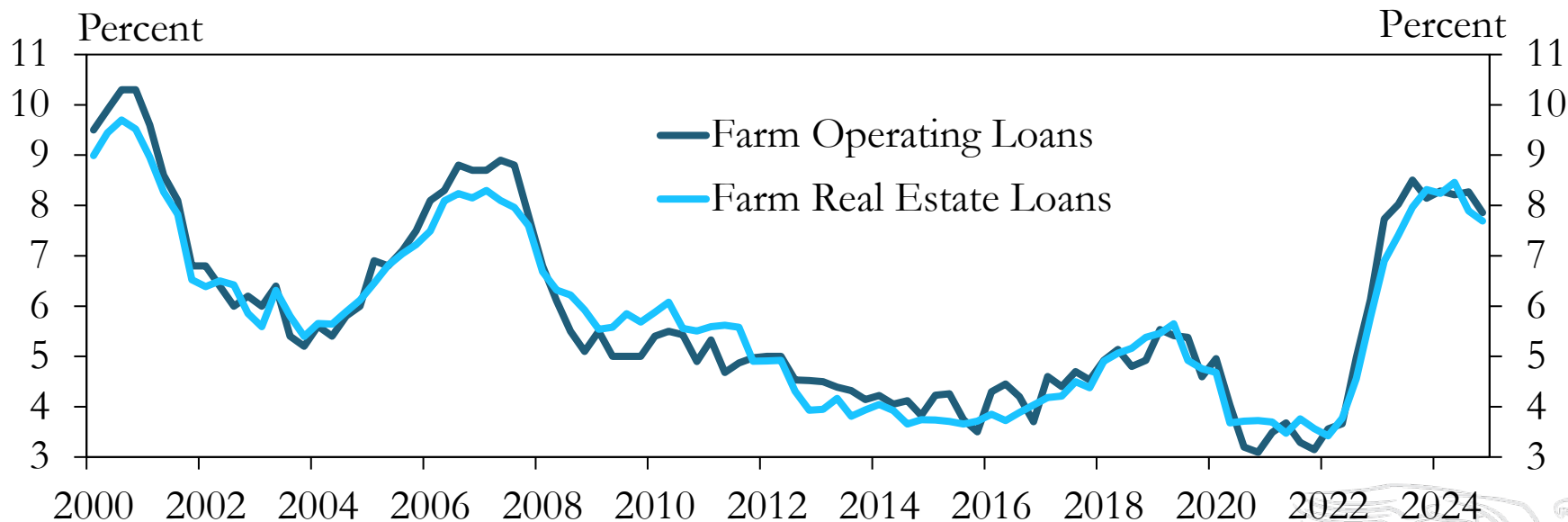
*Average annual volume of loans for current operating expenses and livestock loans estimated in the Survey of Terms of Lending to Farmers.

**Total U.S. farm sector production expenses less interest expenses and capital expenditures.

Sources: USDA, Survey of Terms of Lending to Farmers, and Federal Reserve Bank of Kansas City

And interest rates have increased sharply over the past two years, potentially exacerbating financial challenges.

Average Interest Rates on Agricultural Loans



Summary

- Lower crop prices have weighed on the agricultural economy, particularly in regions significantly concentrated in crop production.
- Agricultural credit conditions remain relatively solid but could continue to weaken in the coming year if recent trends persist.
- Economic growth, both in the United States and globally, will be an important overarching driver of support in commodity markets, in addition to developments with respect to trade.



AGRICULTURE AND THE ECONOMY

The Kansas City Fed is a leader on topics related to the agricultural economy within the Federal Reserve System. Our work provides insights on agricultural and rural economies for our seven-state region of the Tenth Federal Reserve District and nationally.



Resources on the Ag Economy



Ag Finance Updates

Find articles summarizing recent developments in agricultural finance and lending.

[Ag Finance Update](#)



Ag Credit Survey

The quarterly Ag Credit Survey provides current indicators of the financial performance of Tenth District agriculture.

[Ag Credit Survey](#)



Ag Outlooks

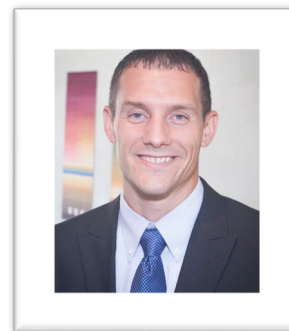
Review the latest Ag Bulletin for a summary of ag conditions and additional outlook articles on the ag economy.

[Ag Outlook, Ag Bulletin](#)



Kansas City Fed Research

Find recent monetary policy, payments system and regional and community research from the Kansas City Fed.
[Macroeconomics, Banking and Finance, Community Research, Regional](#)



Nate Kauffman

Senior Vice President and Omaha Branch Executive

nathan.kauffman@kc.frb.org



Subscribe to stay connected

