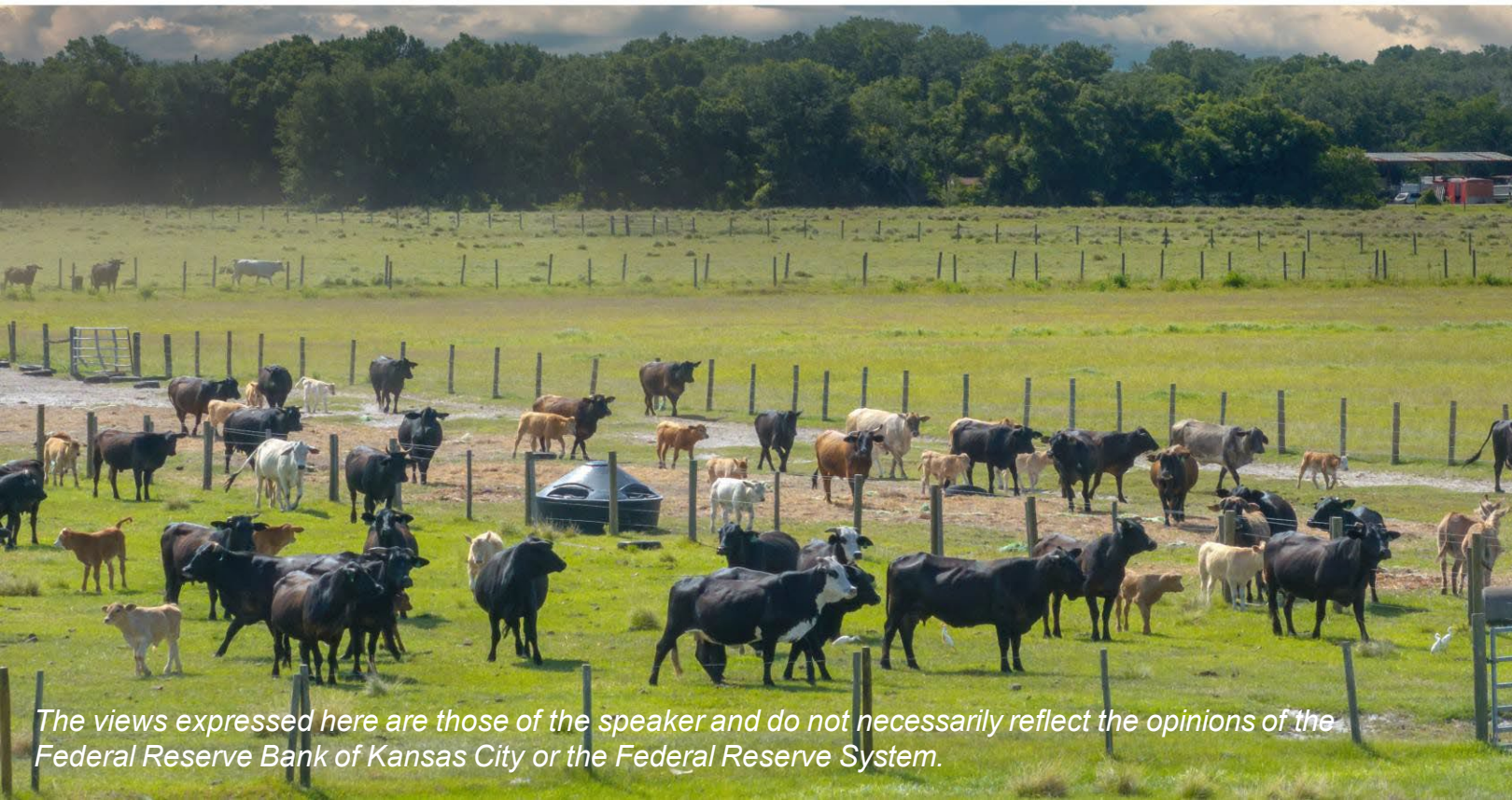


UPDATE ON AGRICULTURAL CREDIT CONDITIONS

Nate Kauffman, Federal Reserve Bank of Kansas City

February 19, 2026



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.

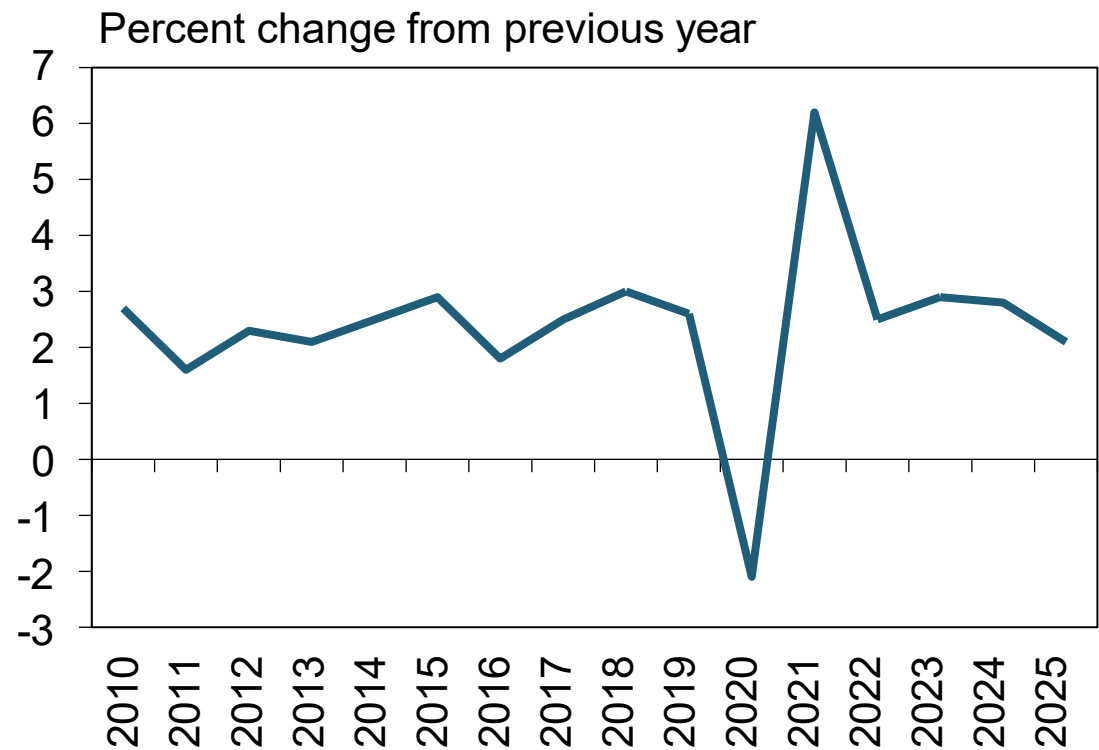


**Center FOR Agriculture
AND the EconomySM**

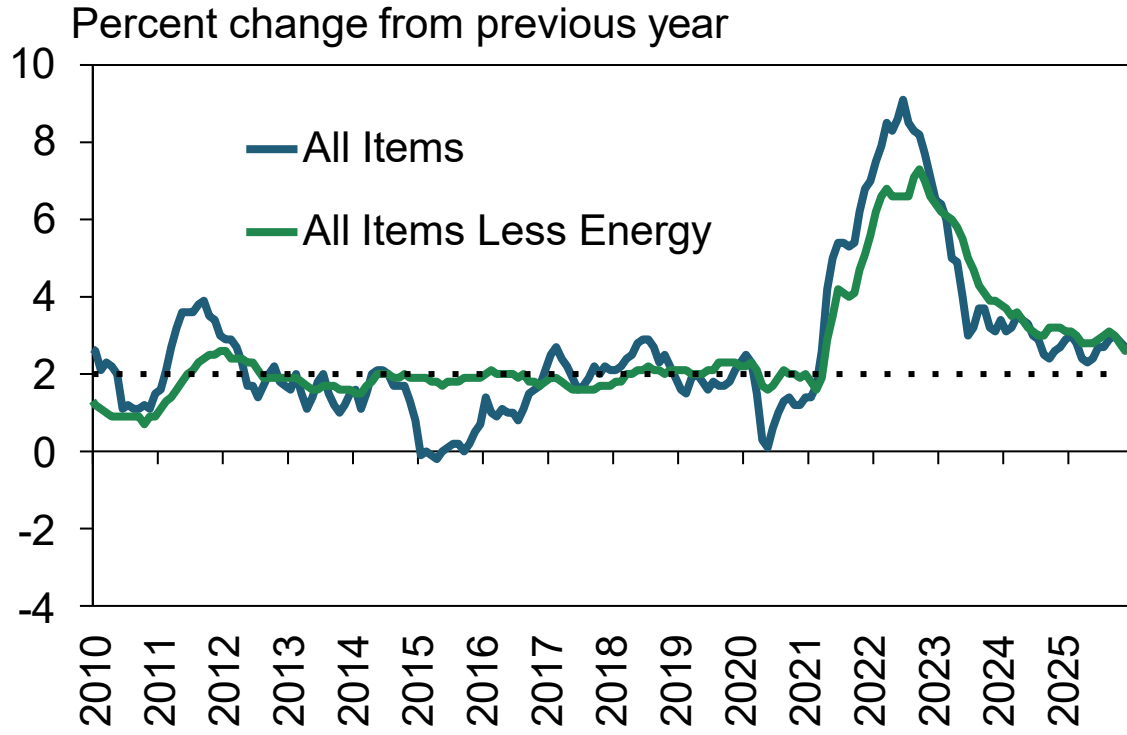
FEDERAL RESERVE BANK OF KANSAS CITY

Despite various risks in recent years, growth in the U.S. economy has been resilient.

U.S. Real GDP



U.S. Inflation

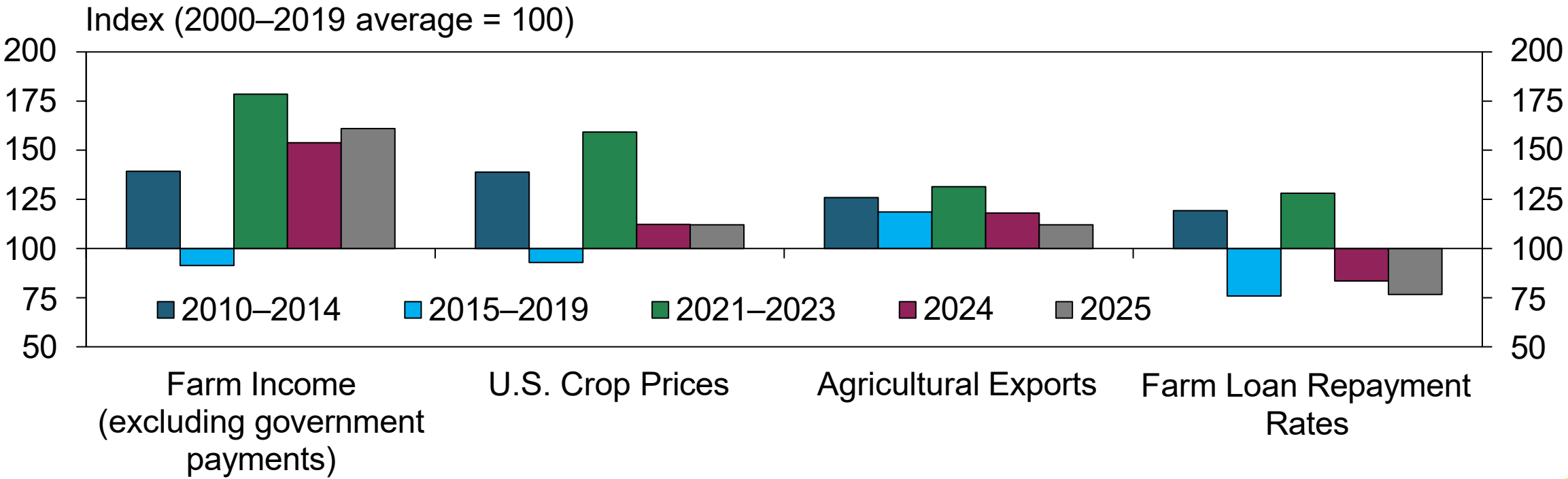


Note: 2025 GDP data updated through the third quarter.
Sources: BEA, BLS and Haver Analytics



Economic conditions in U.S. agriculture remain tenuous.

Indicators of the U.S. Agricultural Economy

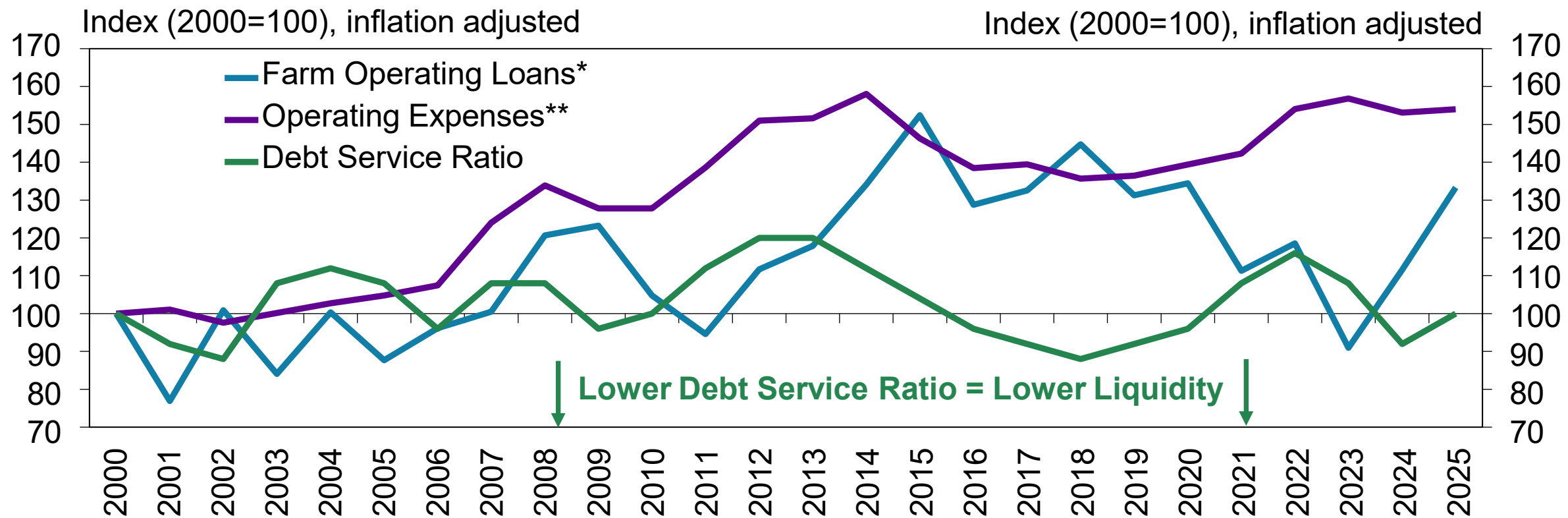


Sources: USDA; FRB Kansas City Survey of Agricultural Credit Conditions and Federal Reserve Bank of Kansas City staff calculations



High production costs and tighter liquidity boosted farm lending activity in 2025.

Farmland Operating Loans, Operating Expenses and Farm Sector Liquidity

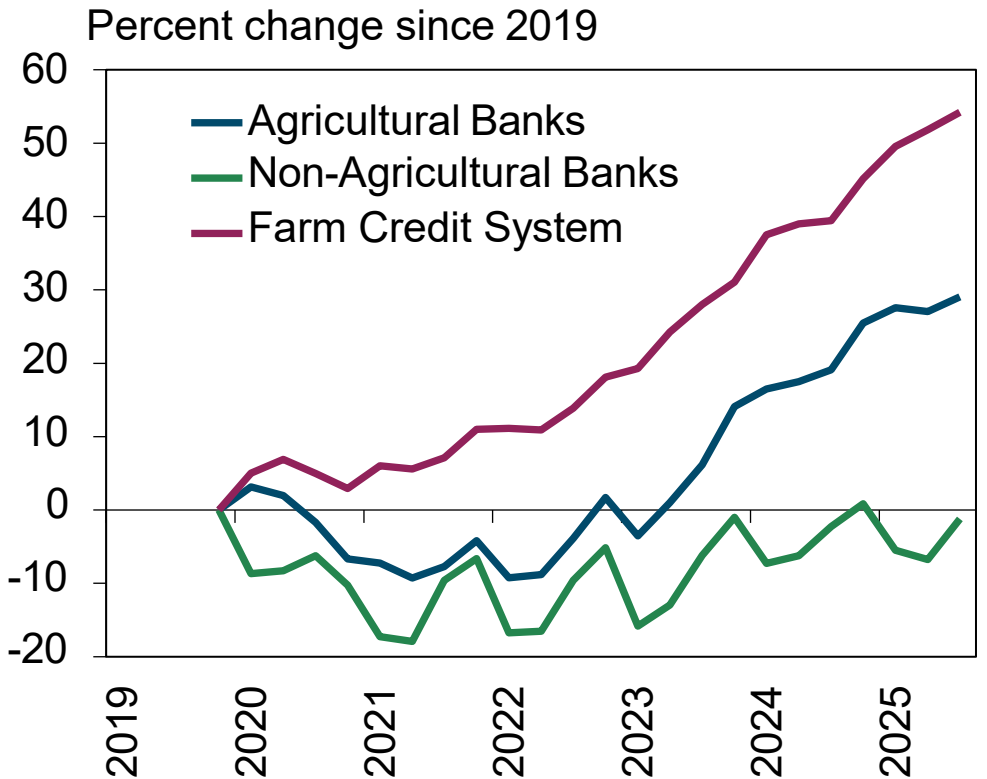


*Average annual volume of loans for current operating expenses estimated in the Survey of Terms of Lending to Farmers.
**Total U.S. farm sector production expenses less interest expenses and capital expenditures.
Sources: USDA, Survey of Terms of Lending to Farmers, Federal Reserve Bank of Kansas City and Federal Reserve Bank of Kansas City staff calculations

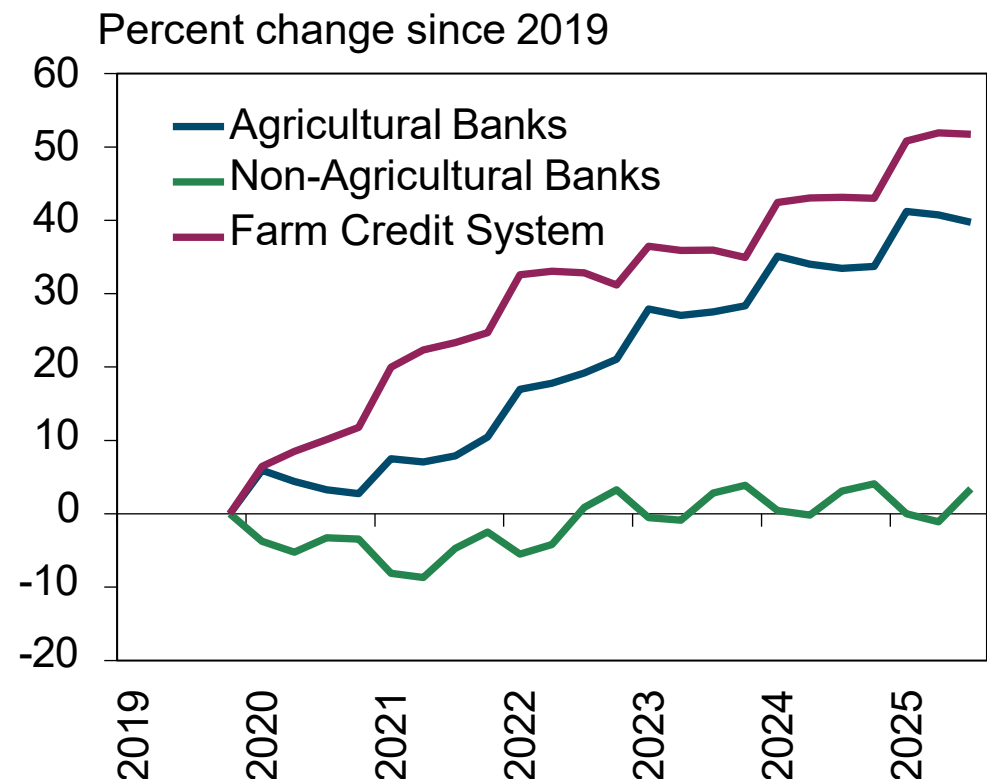


Growth in non-real estate farm debt has been particularly strong at agricultural lenders.

Outstanding Farm Production Debt



Outstanding Farm Real Estate Debt

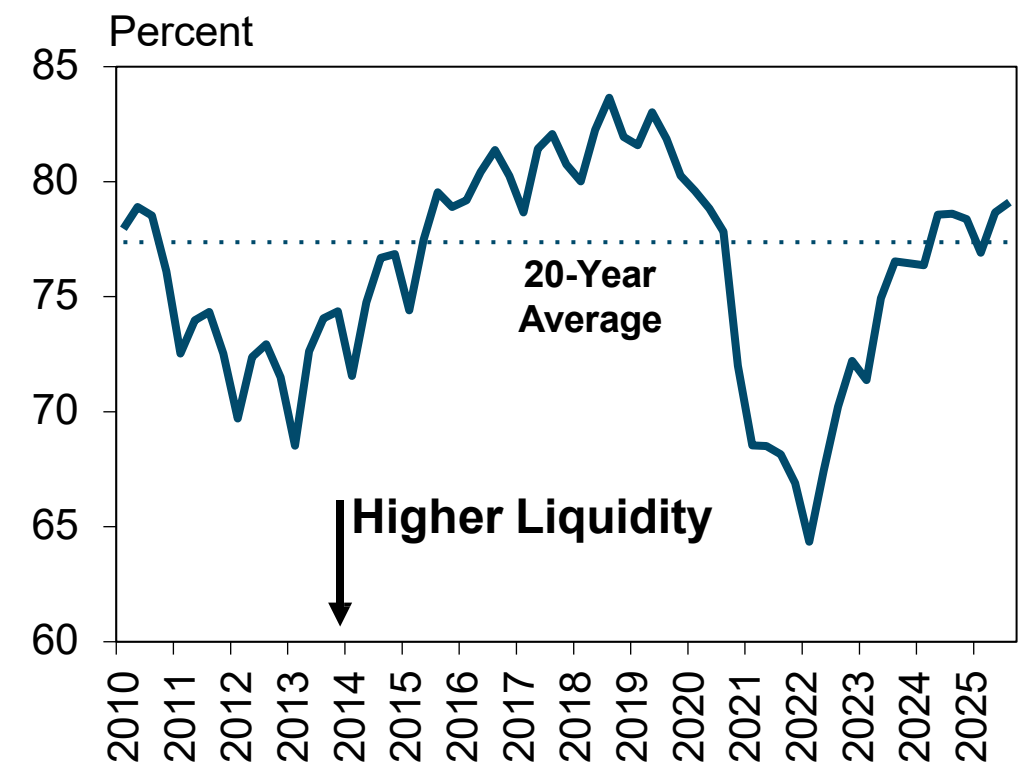


Note: Agricultural Banks are defined as banks with total agricultural loans comprising at least 25% of total loans.
Sources: Reports of Condition and Income and Federal Reserve Bank of Kansas City staff calculations

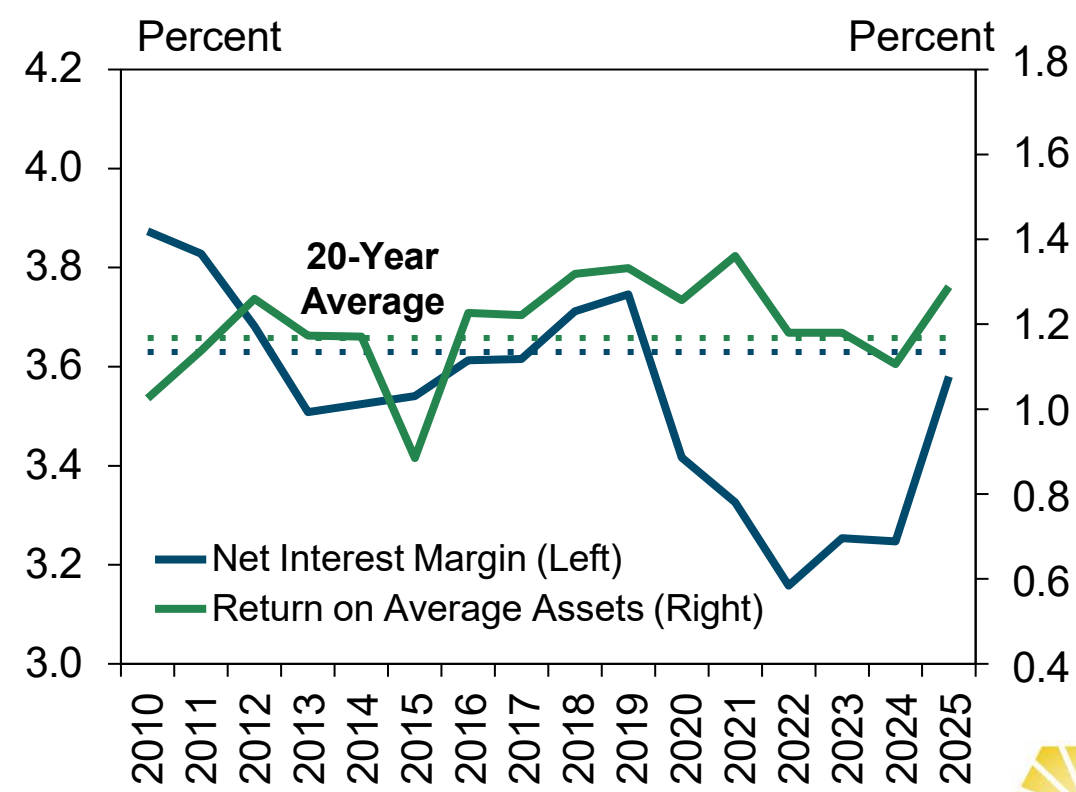


Liquidity at agricultural banks tightened and earnings increased alongside strong loan growth.

Loan-to-Deposit Ratio at Agricultural Banks



Earnings and Capital at Agricultural Banks

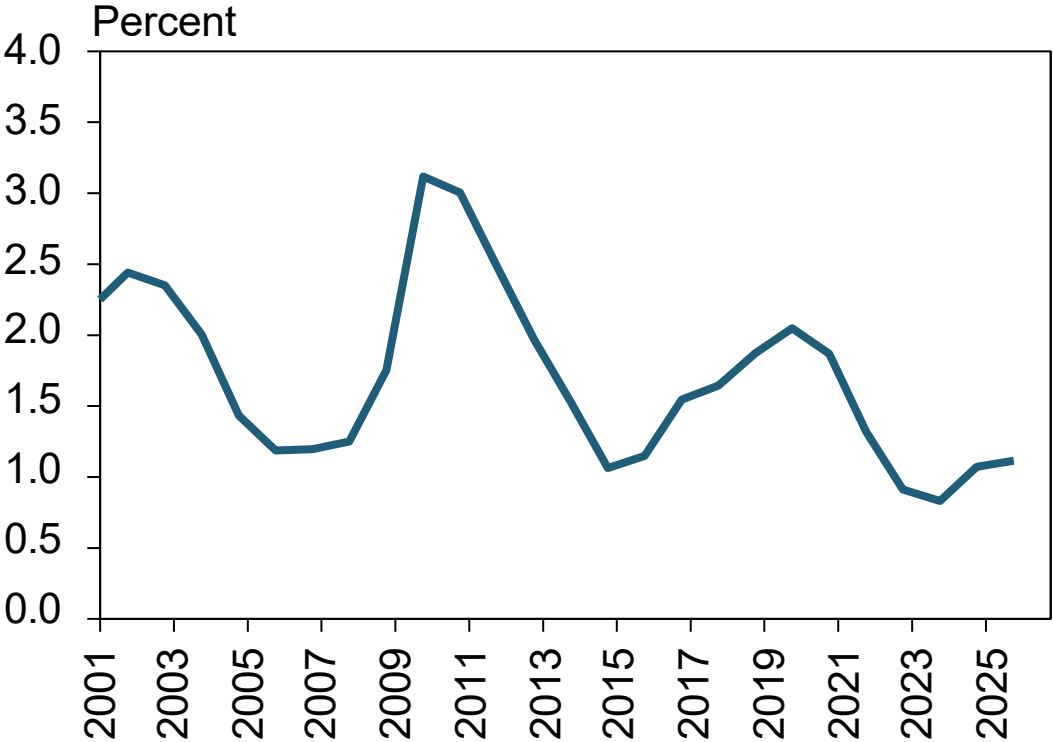


Note: Agricultural Banks are defined as banks with total agricultural loans comprising at least 25% of total loans.
Sources: Reports of Condition and Income and Federal Reserve Bank of Kansas City staff calculations

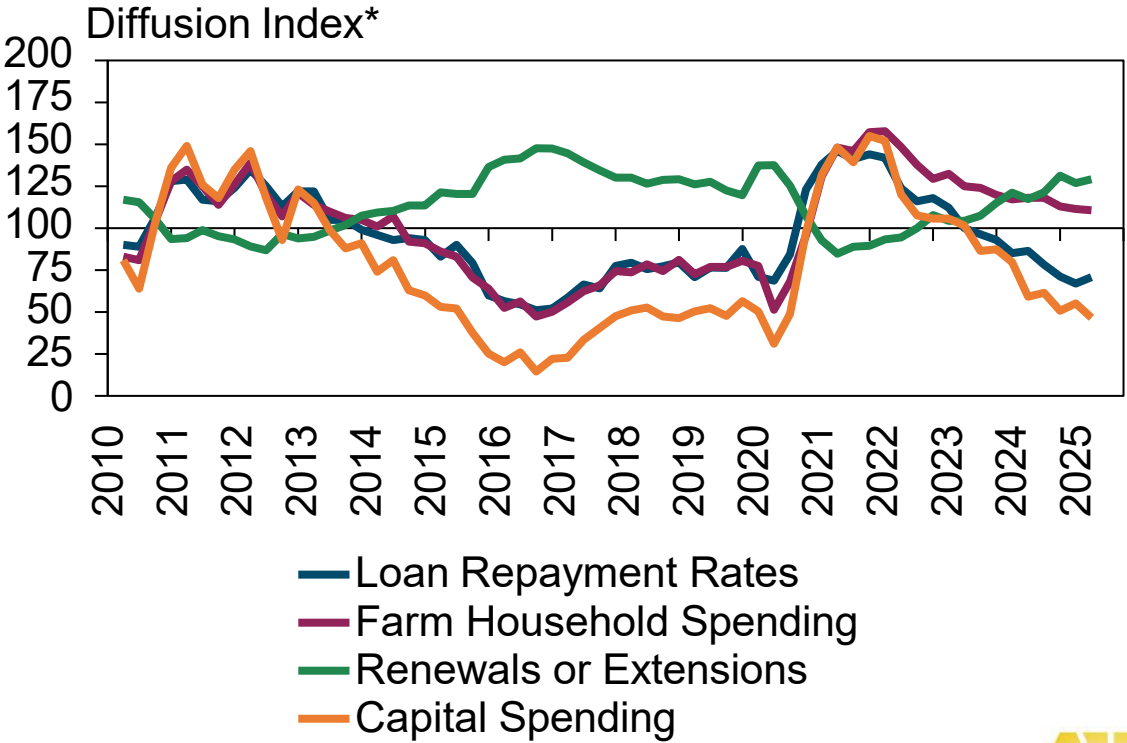


Farm loan delinquency rates have remained low, but signs of financial tightening have persisted.

U.S. Farm Loan Delinquency Rates, Q4



Indicators of Ag Credit Conditions:
KC Fed District

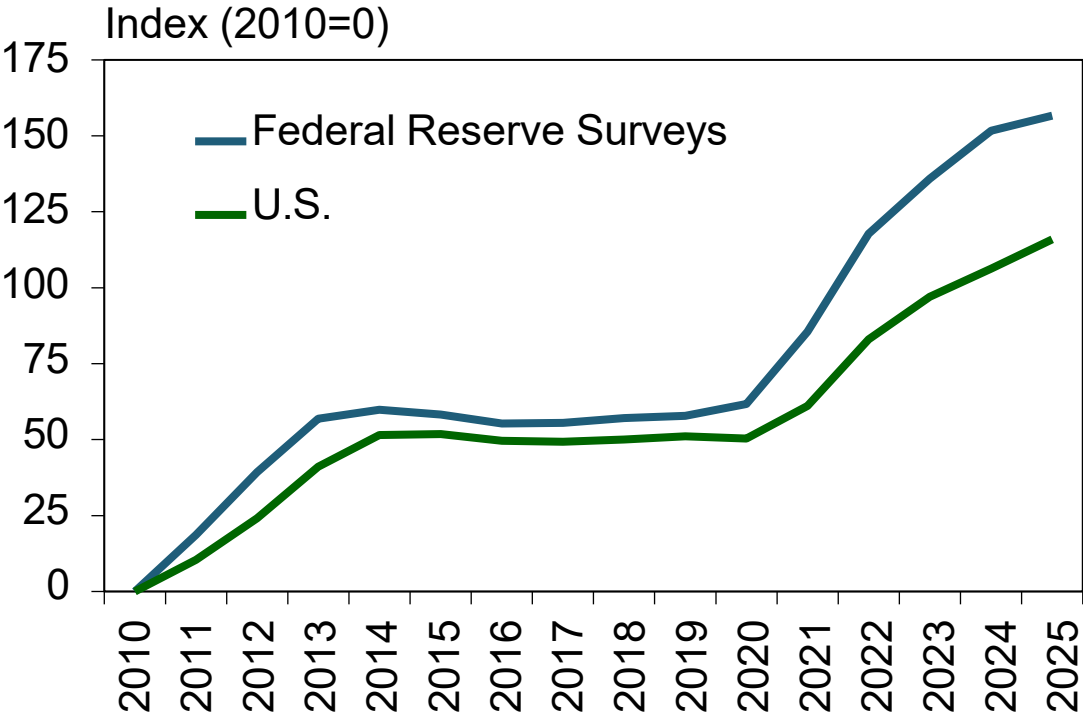


*The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.
Sources: Reports of Condition and Income, Farm Credit Administration, and Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions

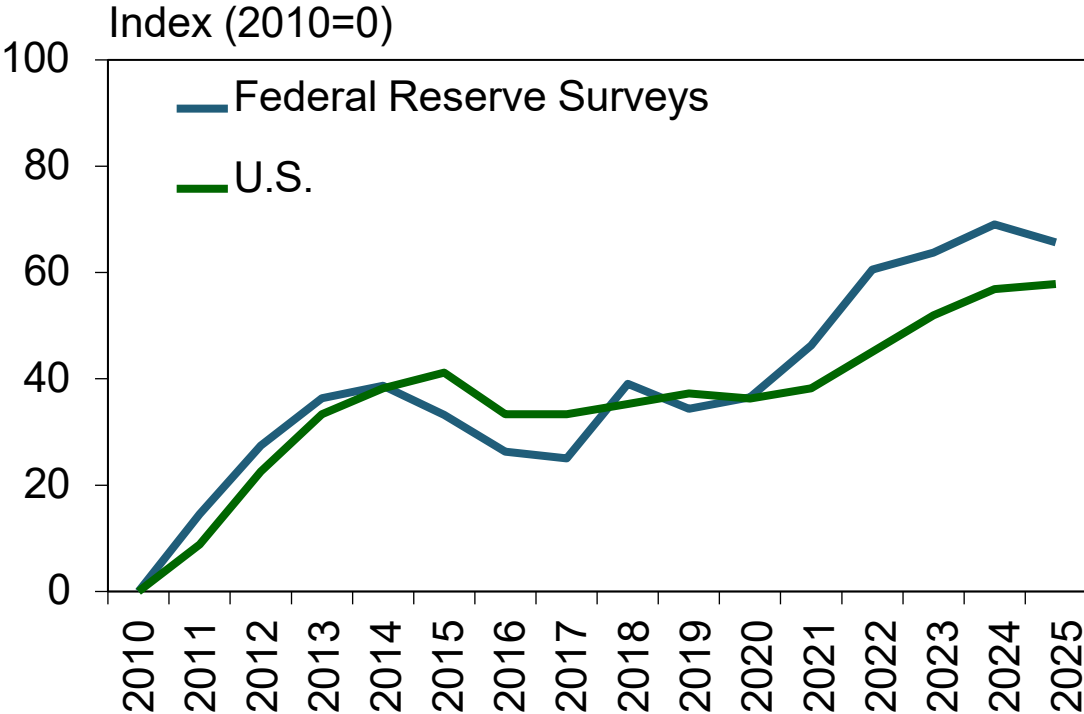


Despite pressures on the sector, farm real estate values remained firm through the end of 2025.

Farm Real Estate Values:
Federal Reserve Surveys



Farmland Cash Rents:
Federal Reserve Surveys

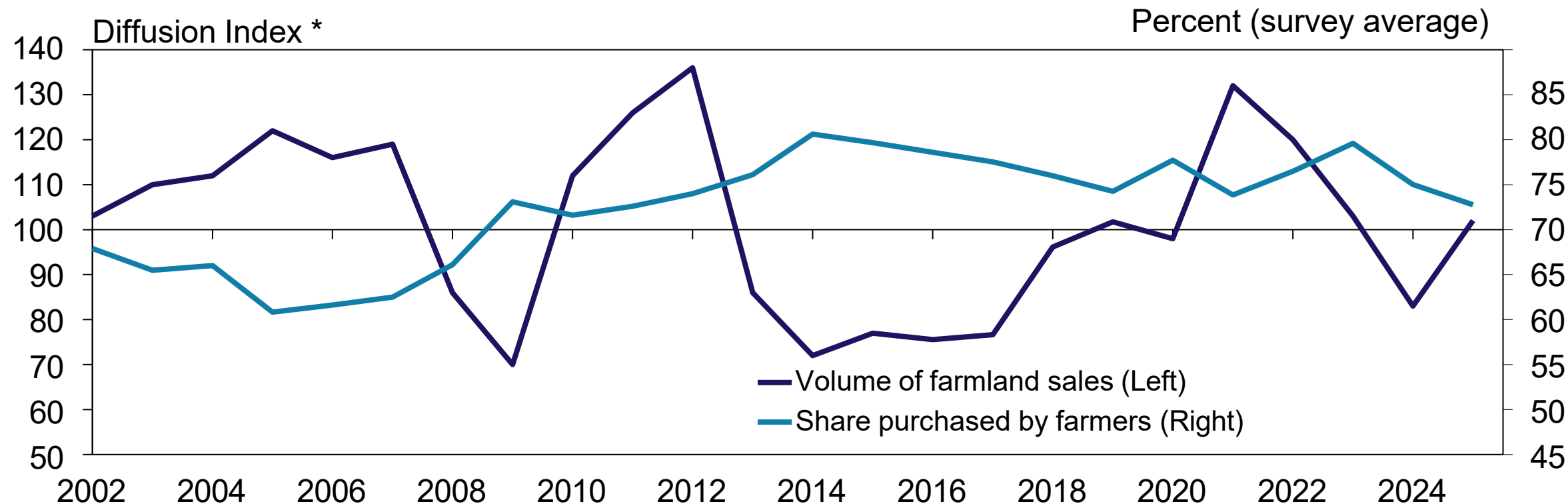


Sources: Federal Reserve Survey of Agricultural Conditions and USDA



The volume of farmland sales remained steady in 2025 despite a slight retreat in purchases by farmers.

Farmland Supply and Demand in the Tenth Federal Reserve District

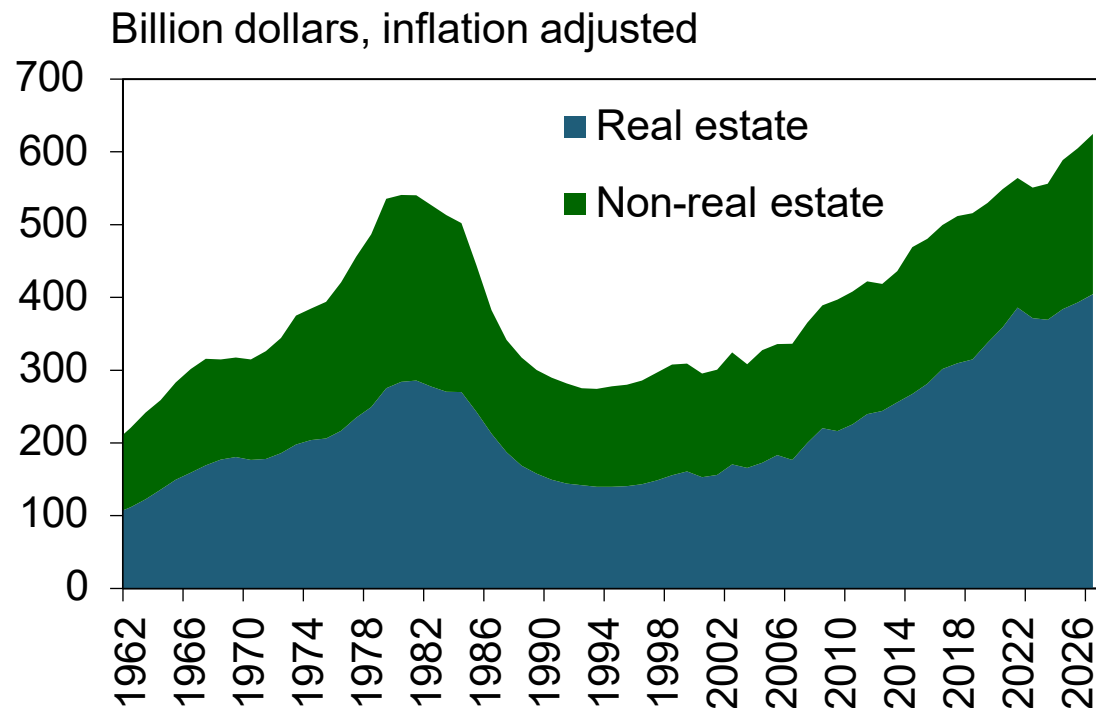


*The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.
Note: Respondents were asked the following questions - How does the volume of farmland sales this year compare to last year in your area (increased, decreased, or remained the same)? How does demand for farmland this year compare to last year in your area (increased, decreased, or remained the same)? Of the farmland sold this year, what share was purchased by farmers?
Sources: Federal Reserve Survey of Agricultural Conditions

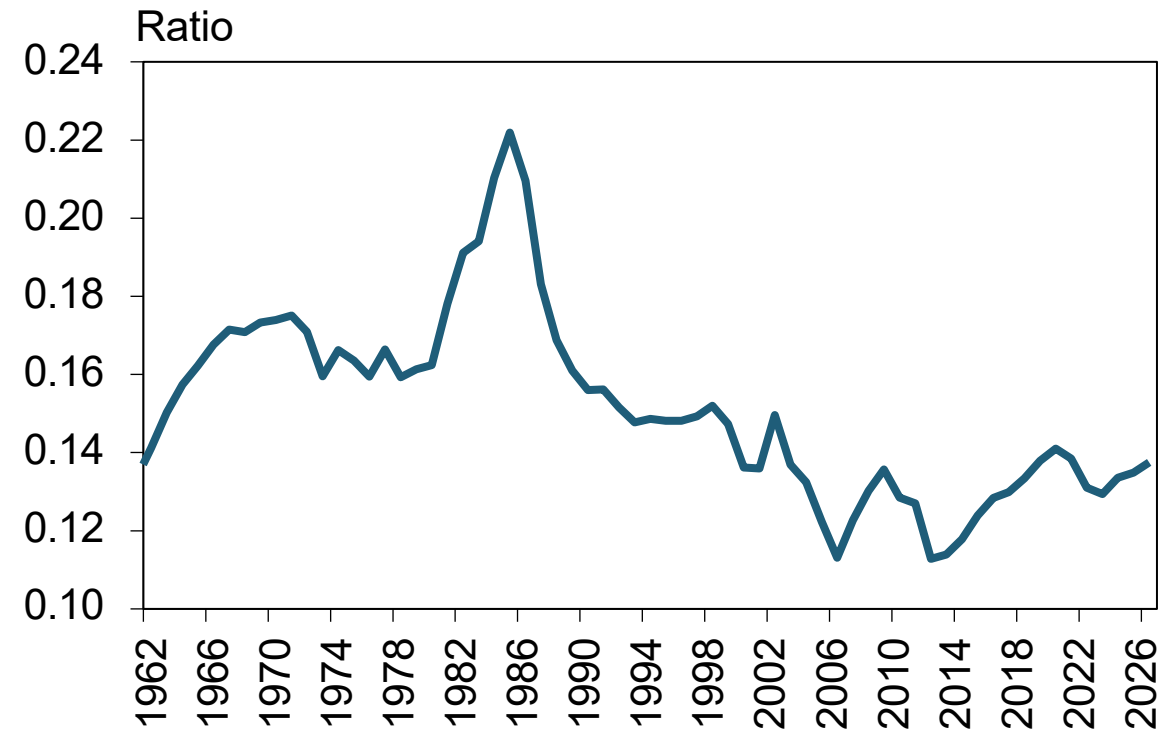


Agricultural debt has continued to build, but leverage in the sector has been steady with support from ag real estate values.

U.S. Farm Sector Debt



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



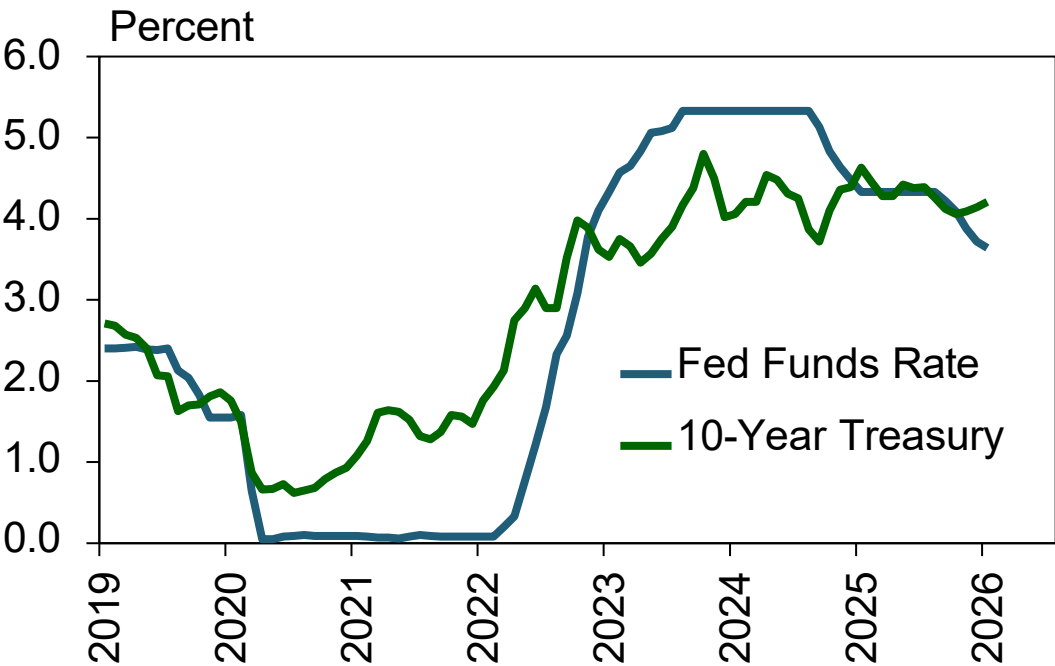
Note: Farm balance sheet figures are USDA forecasts as of September 3, 2025.

Source: USDA

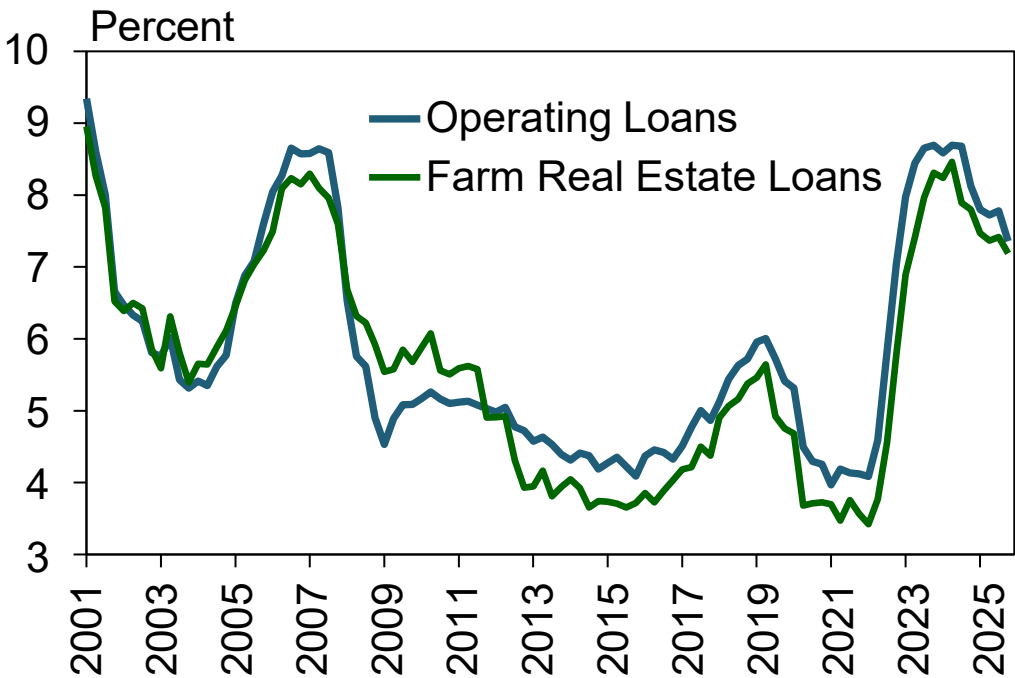


Interest rates on farm loans have declined slightly but remain a somewhat persistent headwind.

Federal Funds Rate and 10-Year Treasury Yield



Average Interest Rates on Farm Loans

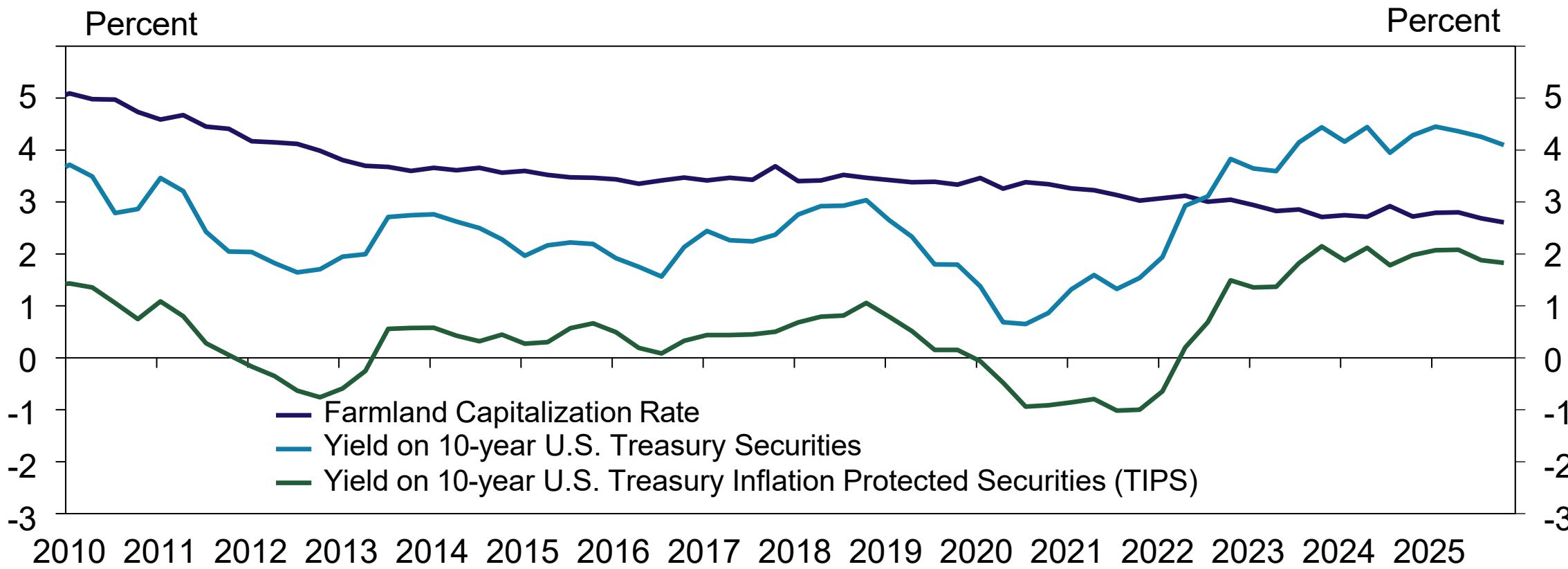


Sources: Federal Reserve Board of Governors; Survey of Terms of Lending to Farmers



Farmland may be perceived as an attractive investment when considering inflation, despite better returns elsewhere.

Farmland Capitalization Rate and Yields on U.S. Government Securities



Note: The capitalization rate is calculated as cash rent on nonirrigated farmland divided by the value of nonirrigated farmland.
Sources: Federal Reserve Survey of Agricultural Credit Conditions, Federal Reserve Board of Governors, Federal Reserve Bank of Kansas City staff calculations



Summary

- Profit margins among crop producers are likely to remain narrow in 2026, but the strength of recent years continues to provide support.
- Profitability among livestock operations has also supported the U.S. ag economy but, in the cattle industry, herd rebuilding has remained slow.
- Financial stress has increased slightly for crop producers, but many still remain in a stable position alongside strong real estate valuations.
- Reduced borrowing costs for operating loans has eased some pressure as demand for financing continues to rise.



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