AGRICULTURAL ECONOMIC UPDATE

Francisco Scott, Federal Reserve Bank of Kansas City

September 29, 2026





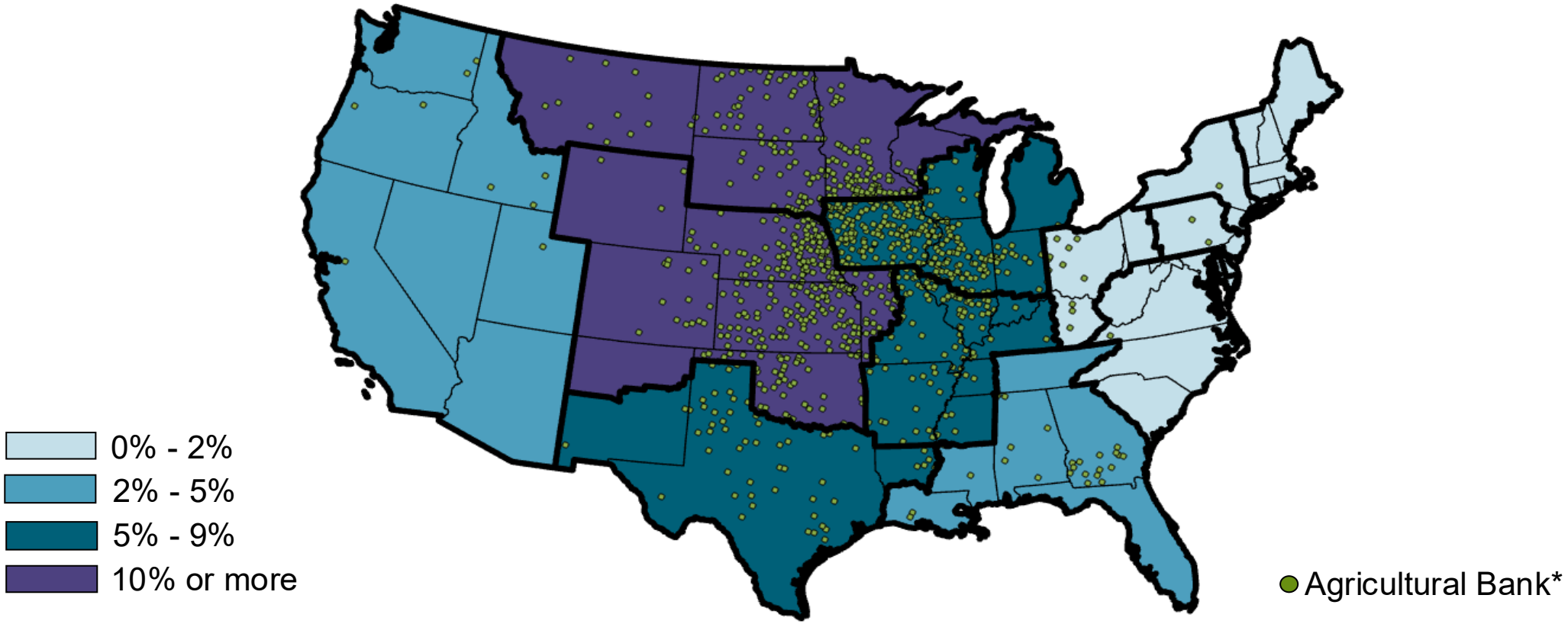
The views expressed here are those of the speaker and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

Center FOR Agriculture AND the Economy℠

FEDERAL RESERVE BANK OF KANSAS CITY

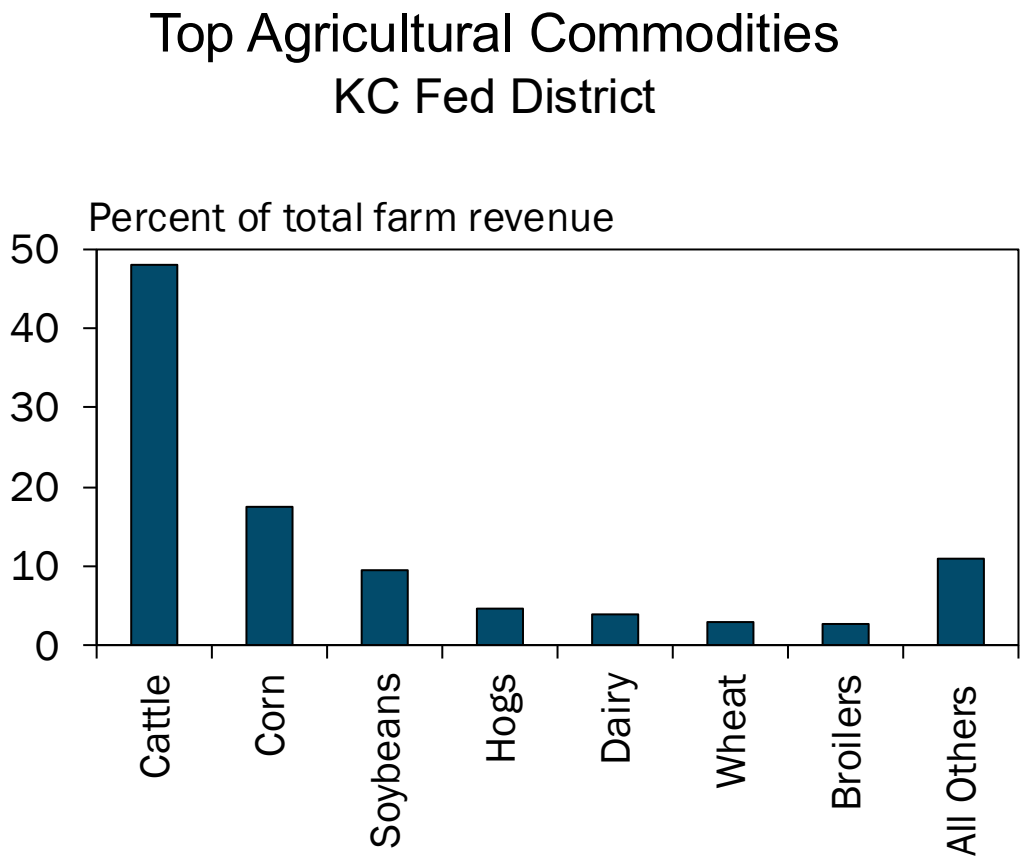
The Federal Reserve often incorporates perspectives in its policy deliberation

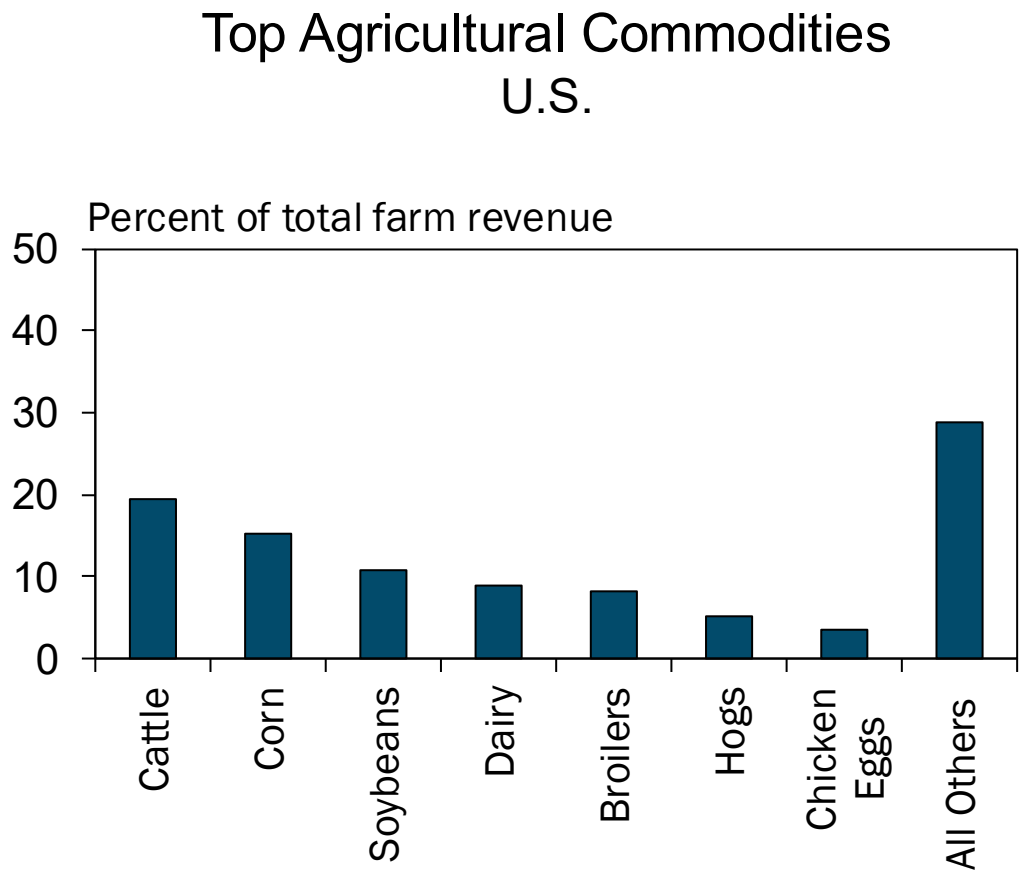
Farm Income as a Share of Total Income



*Agricultural banks are commercial banks with combined agricultural production and farmland loans totaling at least 25 percent of total loans.
Note: Farm income as a share of total income is shown as the average across all counties in each Federal Reserve District and computed using 2023 farm earnings as a share of total earnings.
Sources: Bureau of Economic Analysis, Reports of Condition and Income, and Federal Reserve Bank of Kansas City staff calculations

Ag production in the region covered by the Kansas City Fed resembles U.S. ag production.





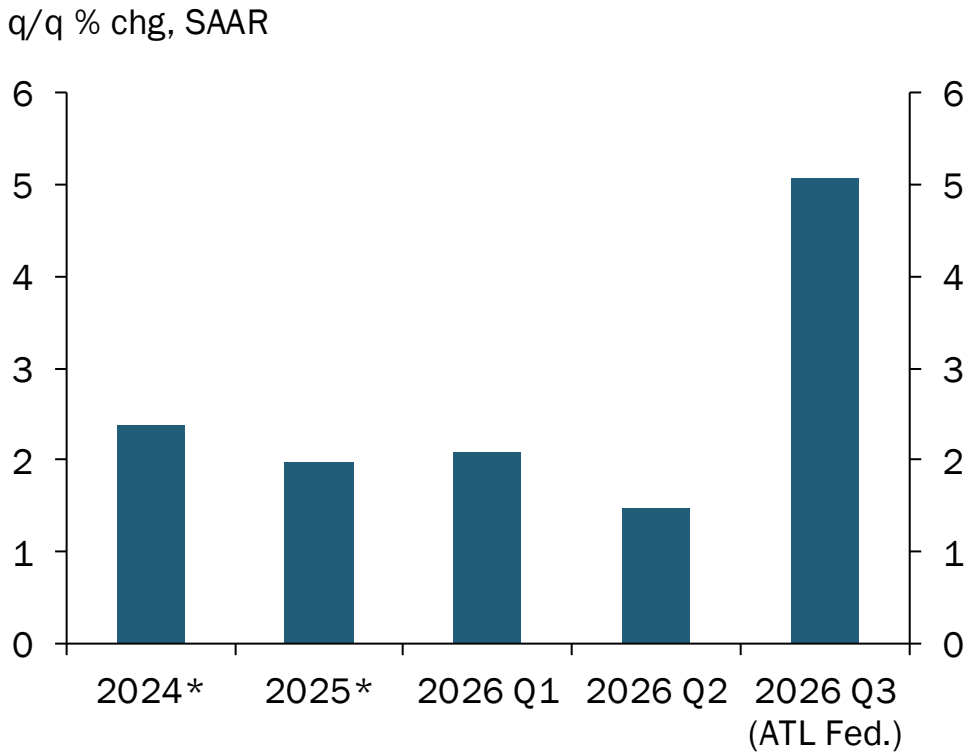
Sources: USDA, Haver Analytics, and FRB KC staff calculations

Themes

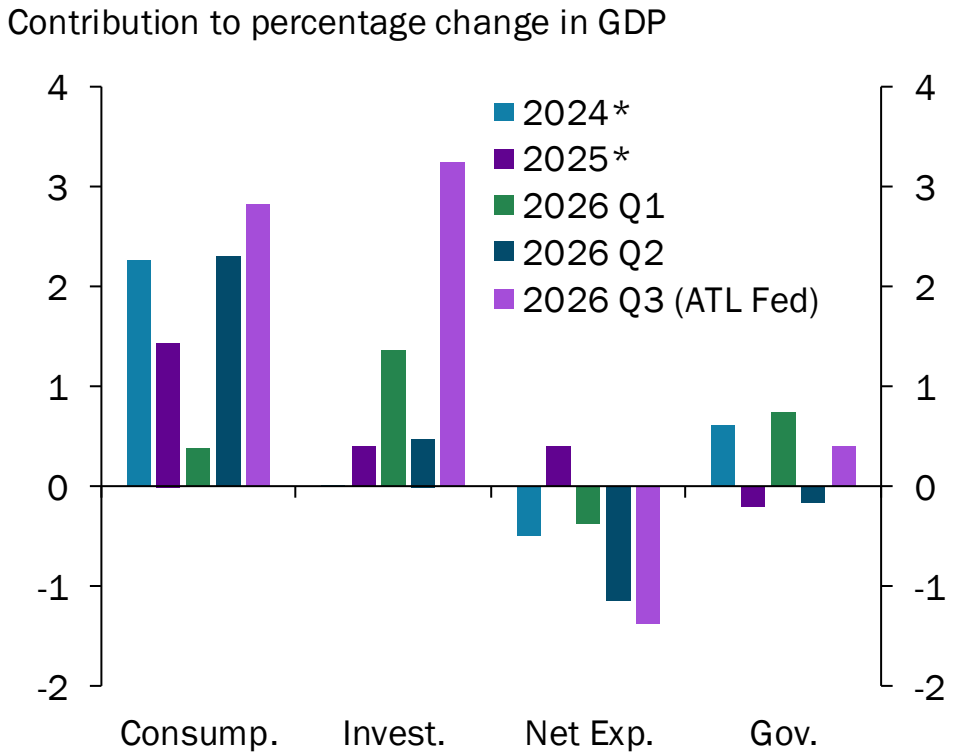
- The U.S. economy has been strong, supported by growth in consumption and investments.
- Labor markets are stable but inflation remains above target.
- The U.S. farm economy is marked by notable disparities, with a slight increase in financial stress for crop producers.
- Land values continue to appreciate.

U.S. economic growth has been strong alongside consumption and domestic investment.

U.S. Real GDP



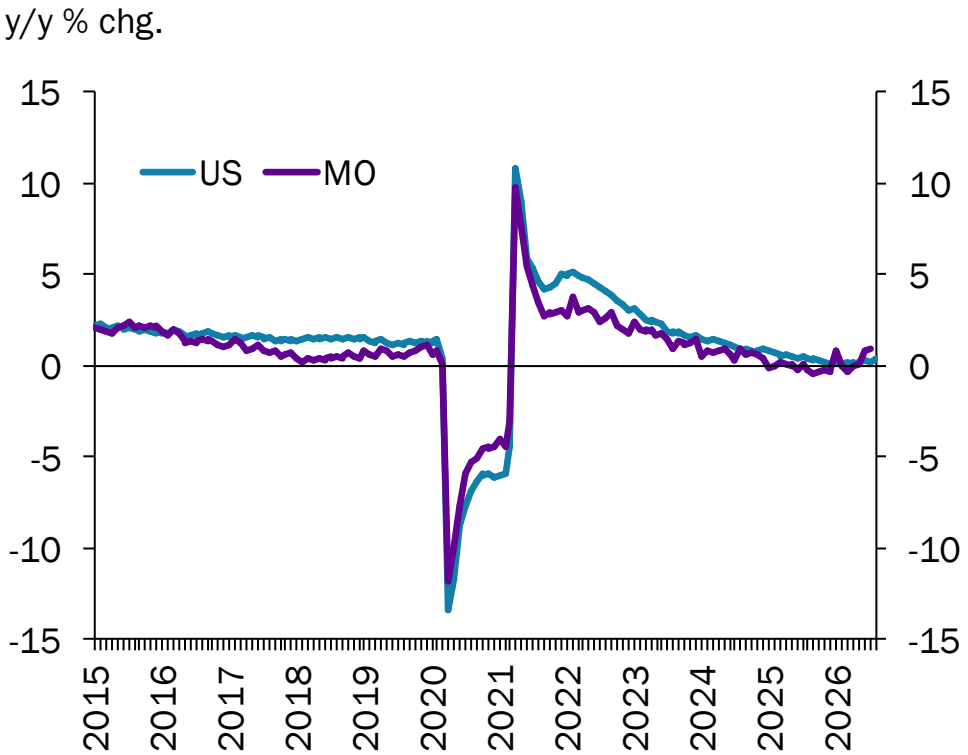
Contributions to real GDP growth



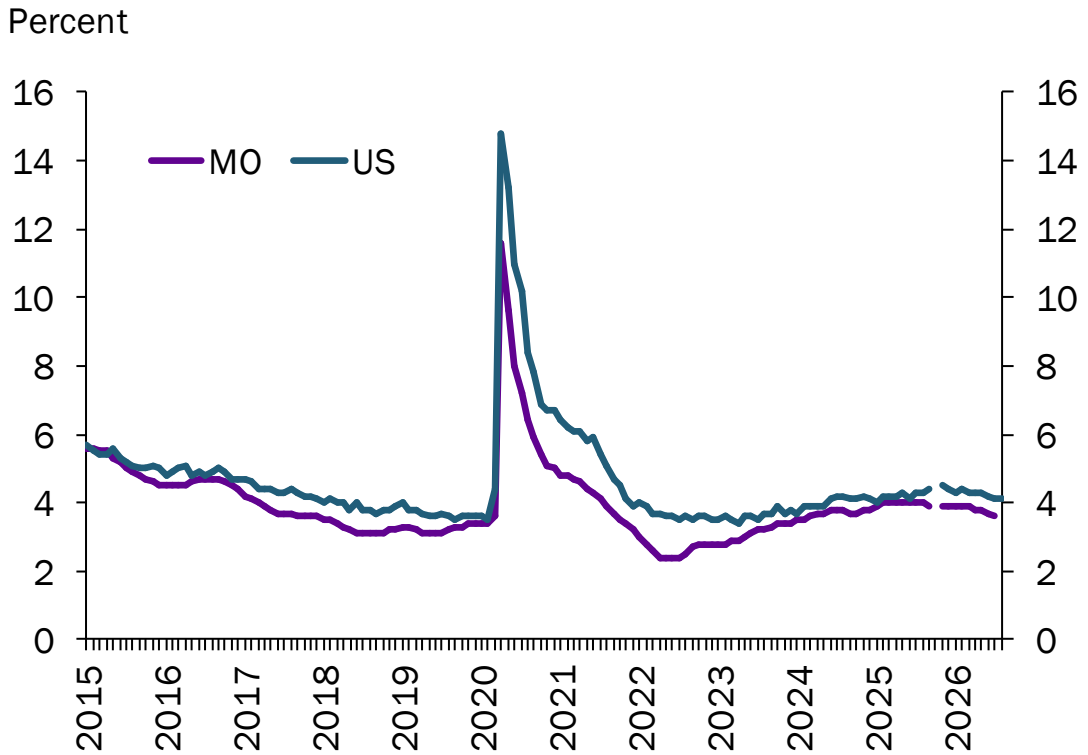
Notes: 2024 and 2025 numbers are averages of q/q growth or percentage point contribution. 2026 Q3 is based on Atlanta Fed's GPDNow nowcast
Sources: BEA through Haver

Job growth has slowed, but the unemployment rate remains low.

Employment Growth

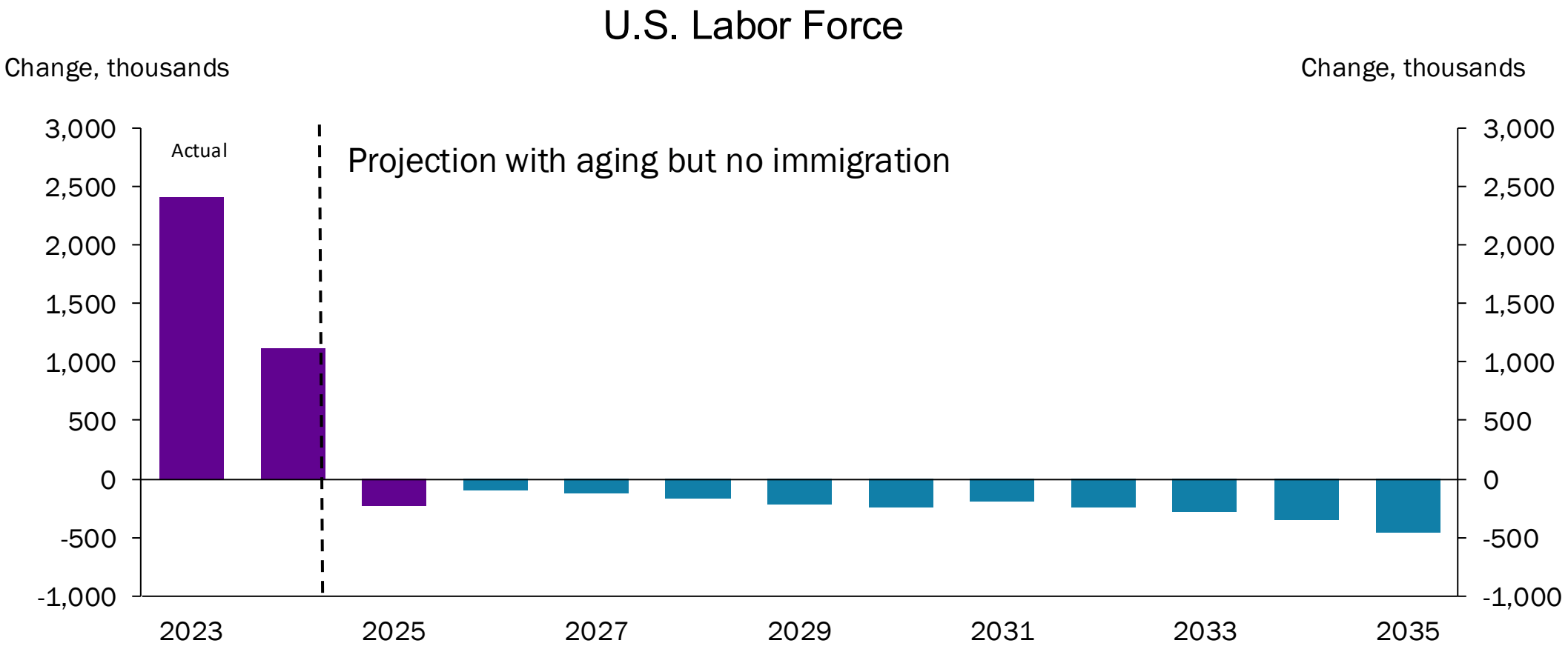


Unemployment Rate



Sources: BLS through Haver

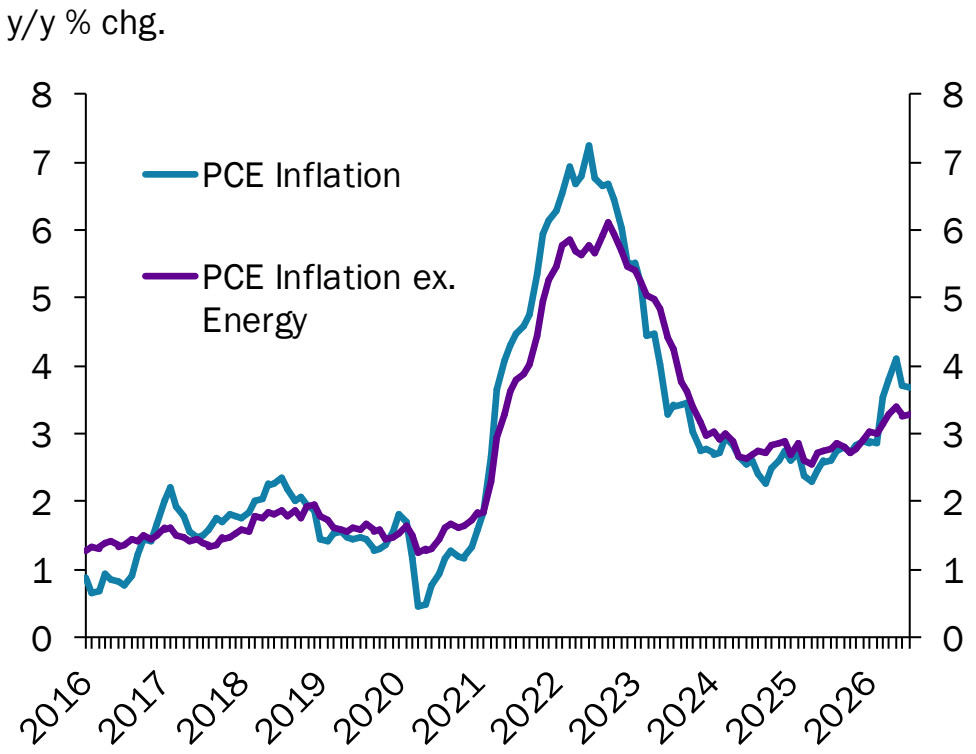
Job growth may be needed to keep the labor market balanced.



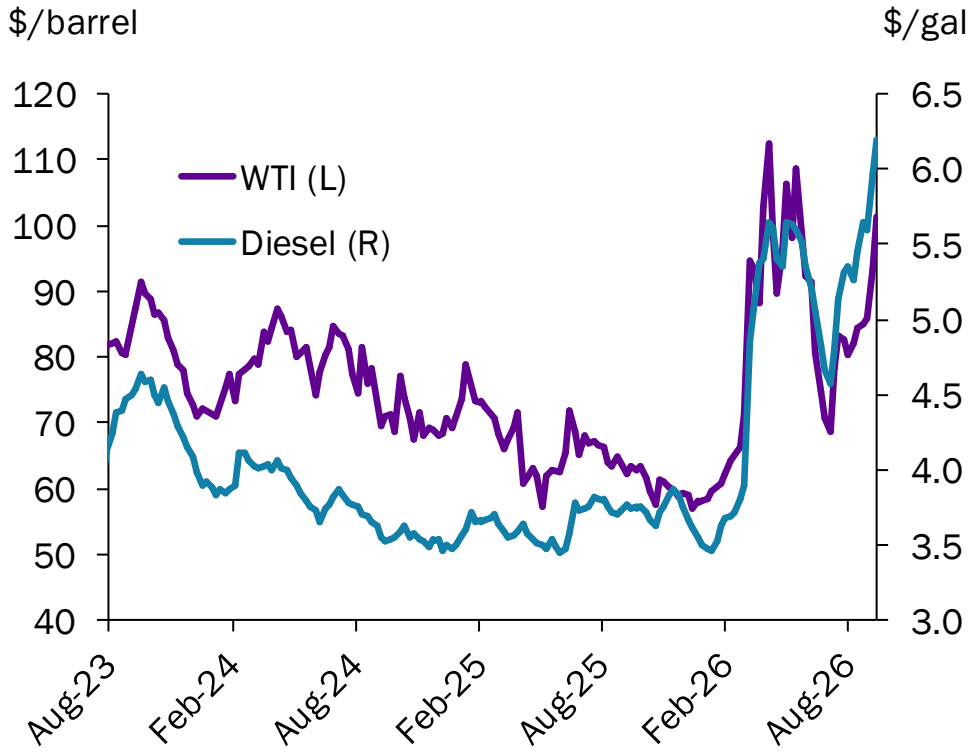
Note: Labor force projections allow the 2025 population to age according to estimates for births and deaths but assume no immigration. Labor force participation rates are assumed to remain at 2025 levels for each age cohort. Sources: BLS and Federal Reserve Bank of Kansas City staff calculations (Is the U.S. Labor Force Nearing Its Peak?)

Inflation remains elevated and price pressures are broad-based.

PCE Inflation



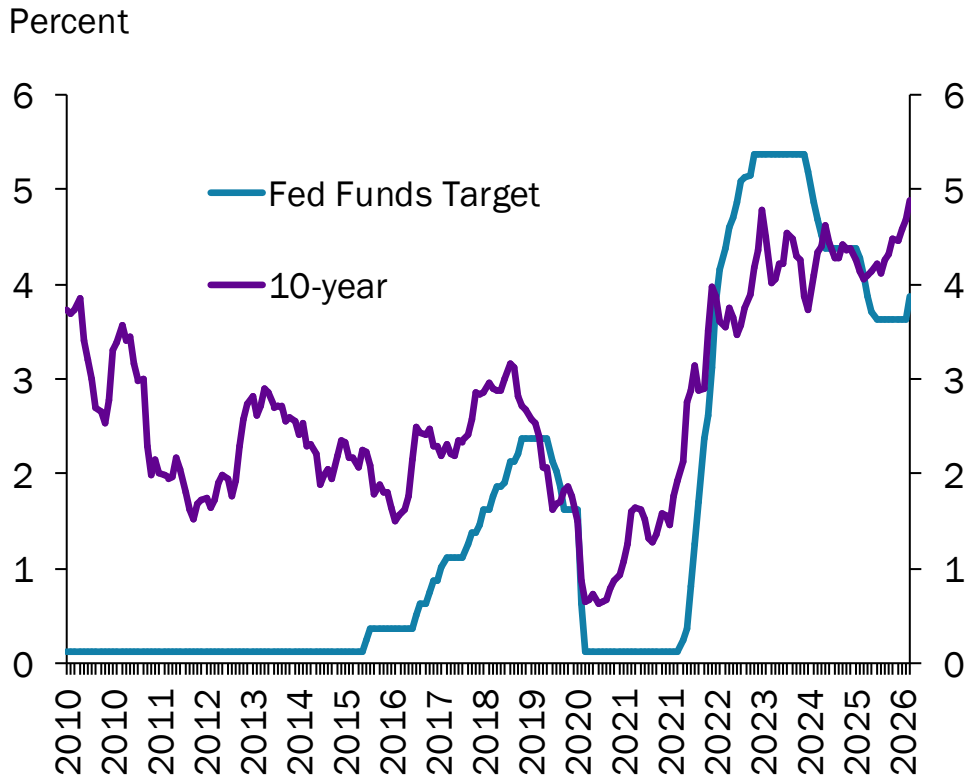
Oil and Diesel Prices



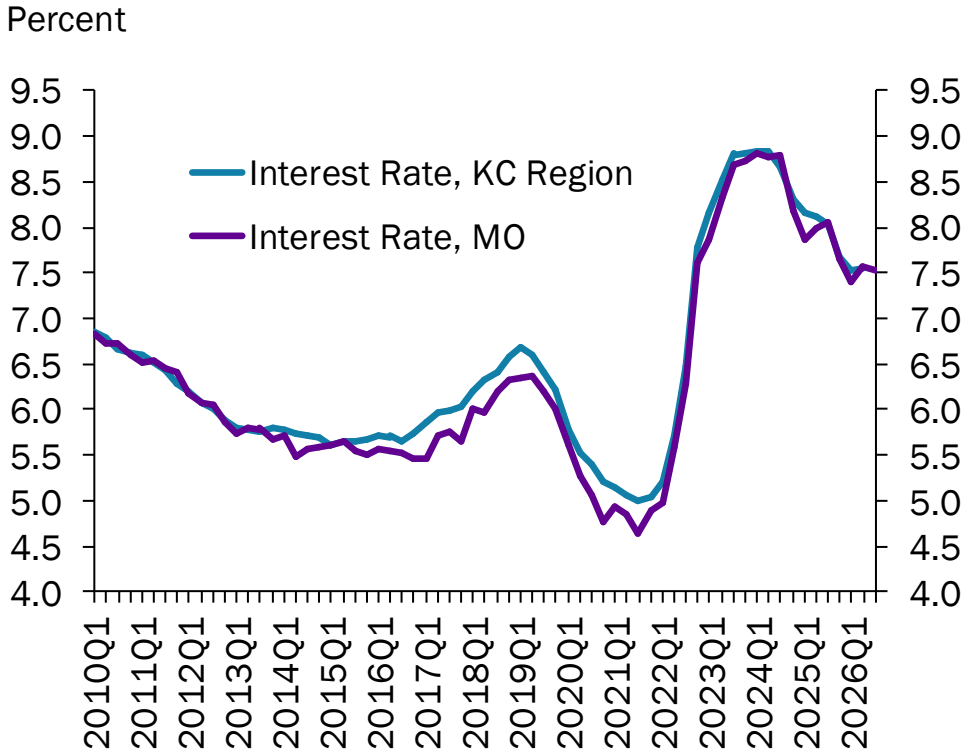
Sources: BEA through Haver

Interest rates on farm loans have declined through the middle of 2026.

Interest Rates

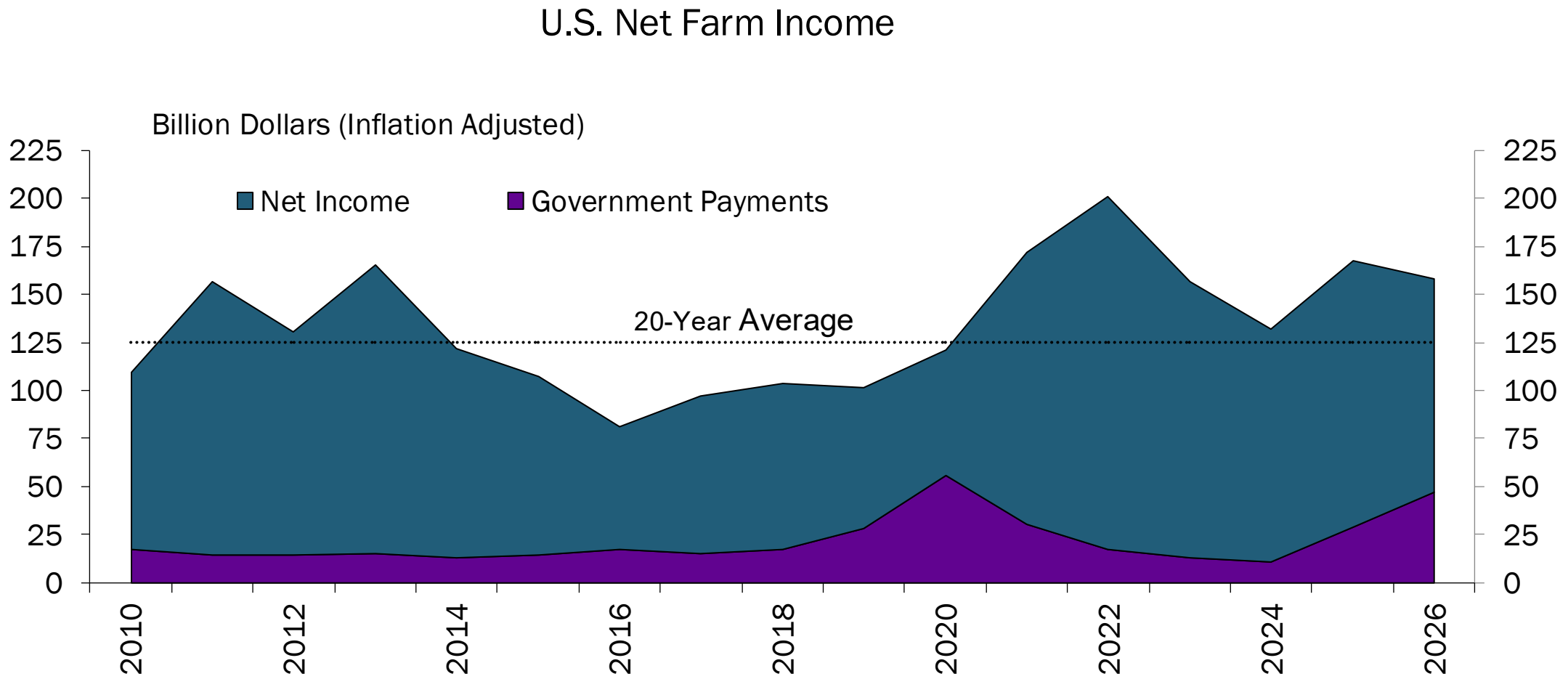


Farm Loan Interest Rates



Sources: Federal Reserve Board of Governors, KC Fed Surveys

The outlook for farm income in 2026 appears strong but is complicated by notable disparities and risks.



Notes: Net farm income and government payments are the USDA forecast as of September 5, 2026.
Sources: USDA, and Federal Reserve Bank of Kansas City staff calculations

Safety net and ad hoc payments have increased considerably from prior periods.

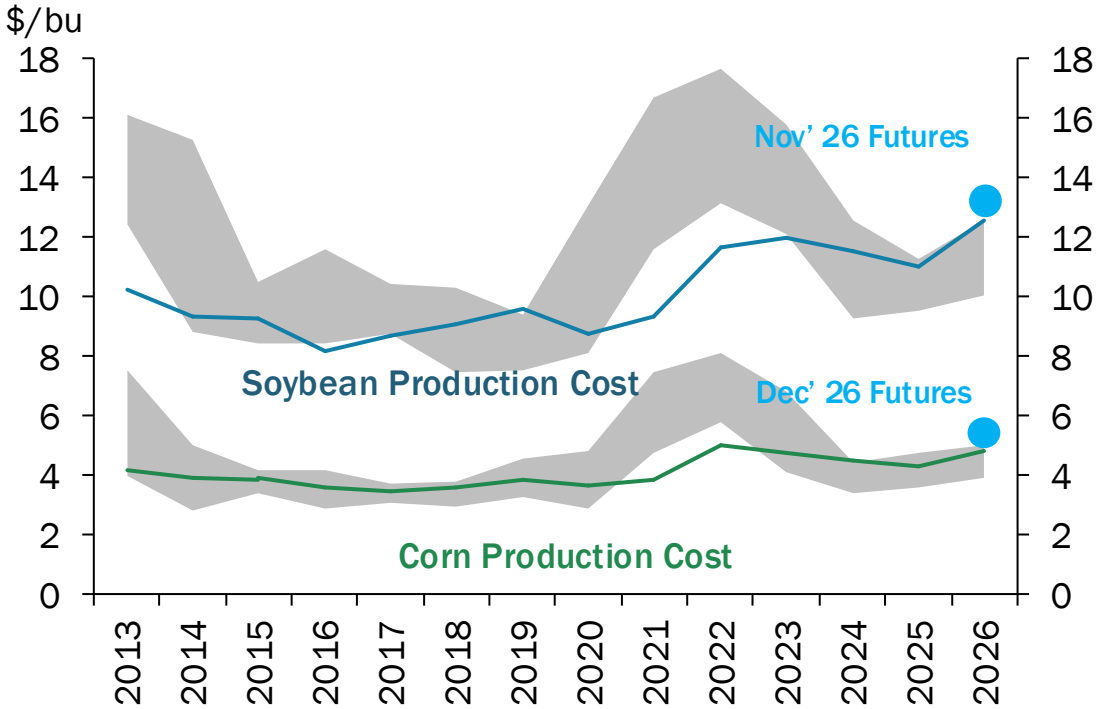
Average Direct Government Transfers to Farmers, 2016$ billion

	1960-1995 (Coupled payments era)	1996-2005 (Decoupled payments era)	2006-2018 (RFS era)	2018-2025	2026F
Safety Net	14.13	13.57	6.48	1.99	11.01
Ad Hoc	0.00	4.97	1.62	13.31	17.47
Others	1.65	3.35	4.58	3.74	3.96
Total	15.78	21.89	12.68	19.04	32.44

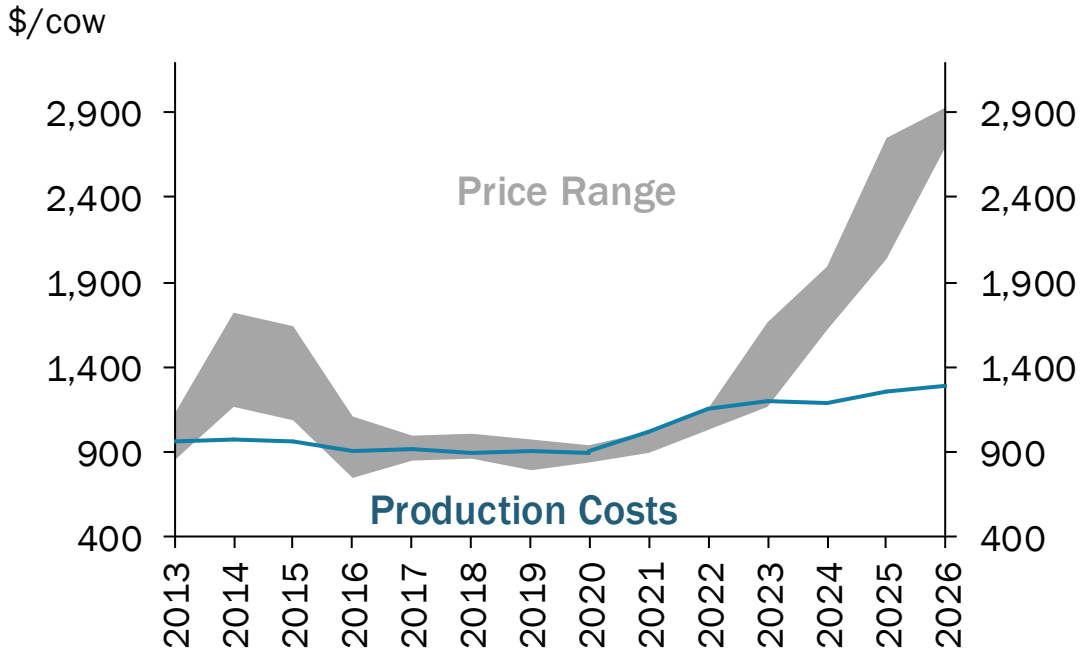
Notes: Direct government transfers exclude crop insurance premium subsidies
Sources: USDA, and Federal Reserve Bank of Kansas City staff calculations

Crop profits are limited alongside elevated costs while opportunities for cattle producers are strong.

Corn and Soybean Profit Margin Opportunities

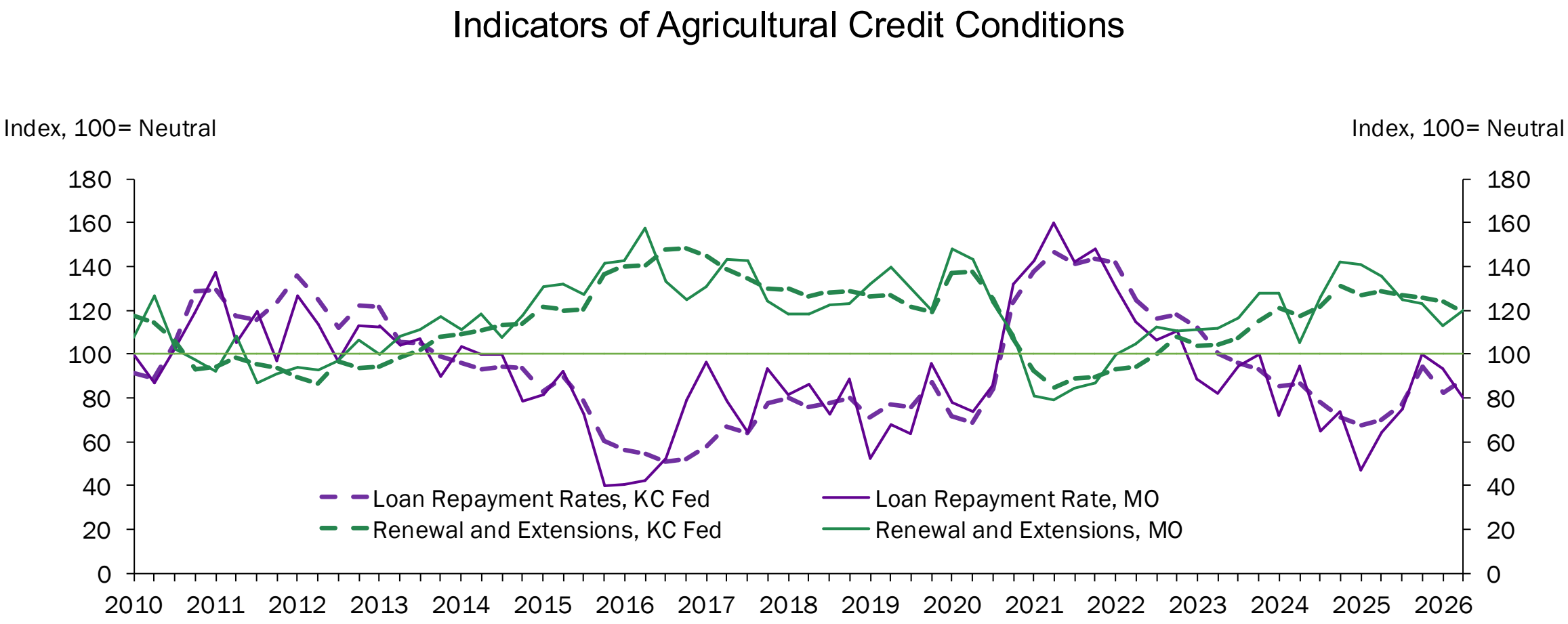


Cow/Calf Profit Margin Opportunities



Note: Production costs are estimated using the USDA cost and return estimates and forecasts with national average yields and prices. The cost of production excludes the opportunity costs of unpaid labor. Figures for 2026 are forecasts.
Sources: USDA; CME Group; Haver Analytics; Federal Reserve Bank of Kansas City staff calculations

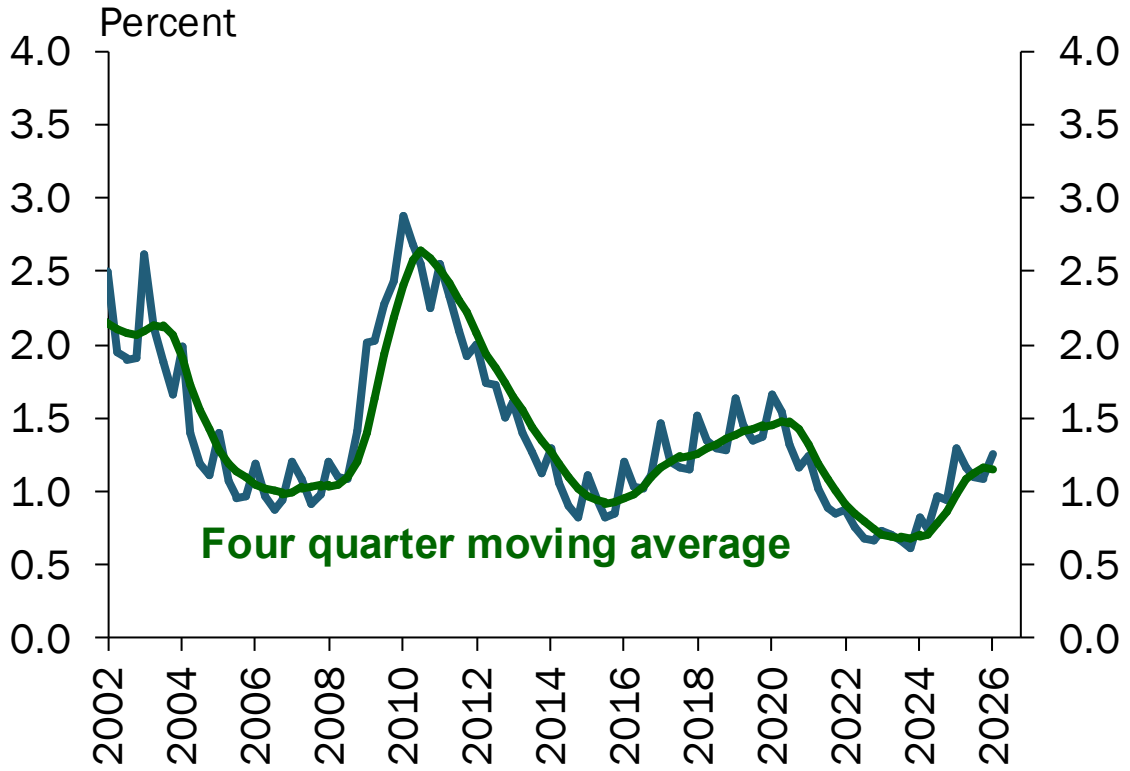
Agricultural credit conditions have tightened alongside ongoing challenges in the crop sector.



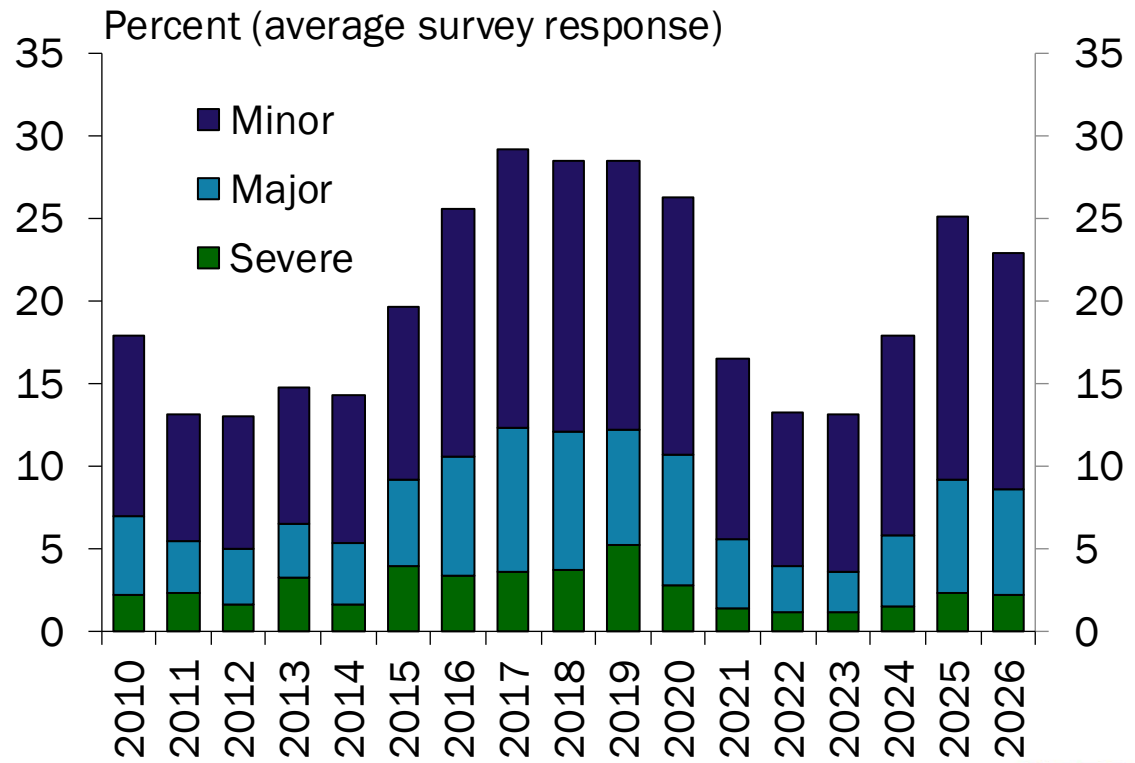
*The index numbers are computed by subtracting the percentage of lenders who responded “lower” from the percentage who responded “higher” and adding 100.
Source: Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions

Deterioration of financial conditions in the U.S. farm sector has been modest.

U.S. Farm Loan Delinquency Rates



Degree of Farm Loan Repayment Issues*

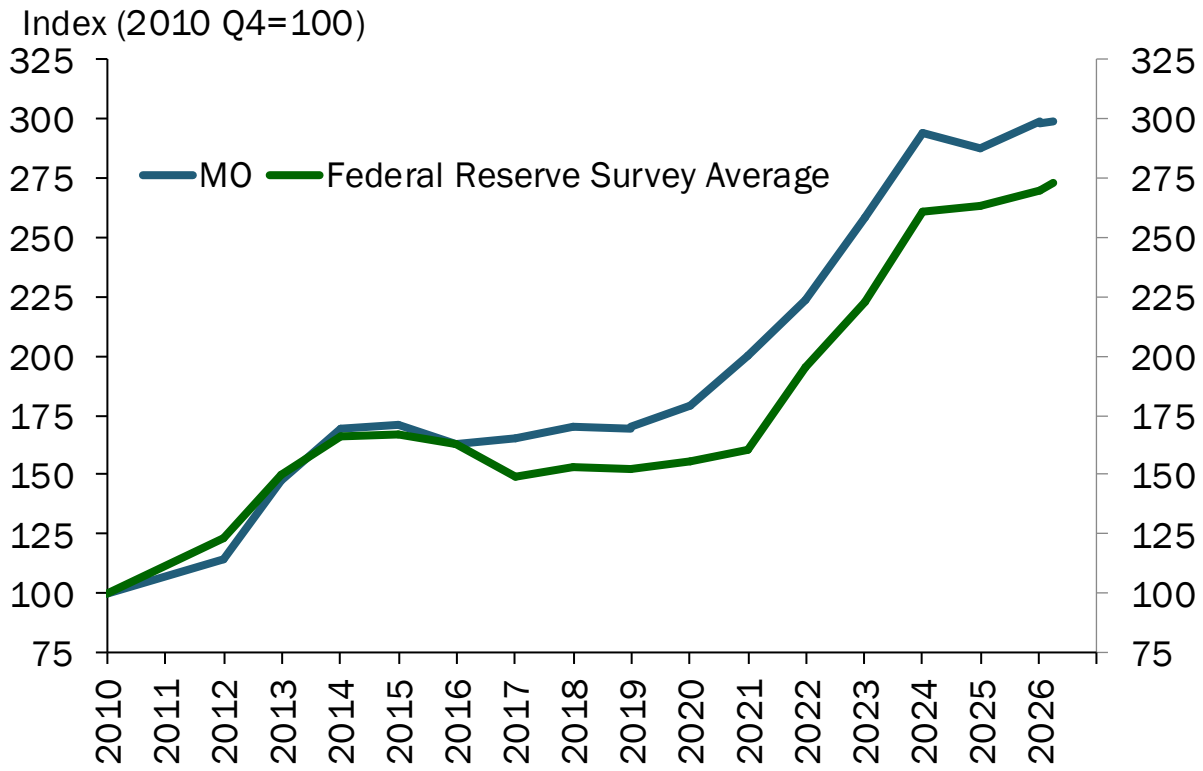


*Federal Reserve Survey Average - Agricultural lenders answered the following question: Please indicate the percentage of the ddlar amount of your bank's farm loan portfolio that currently falls within each of the following repayment classifications (none, minor, major or severe).

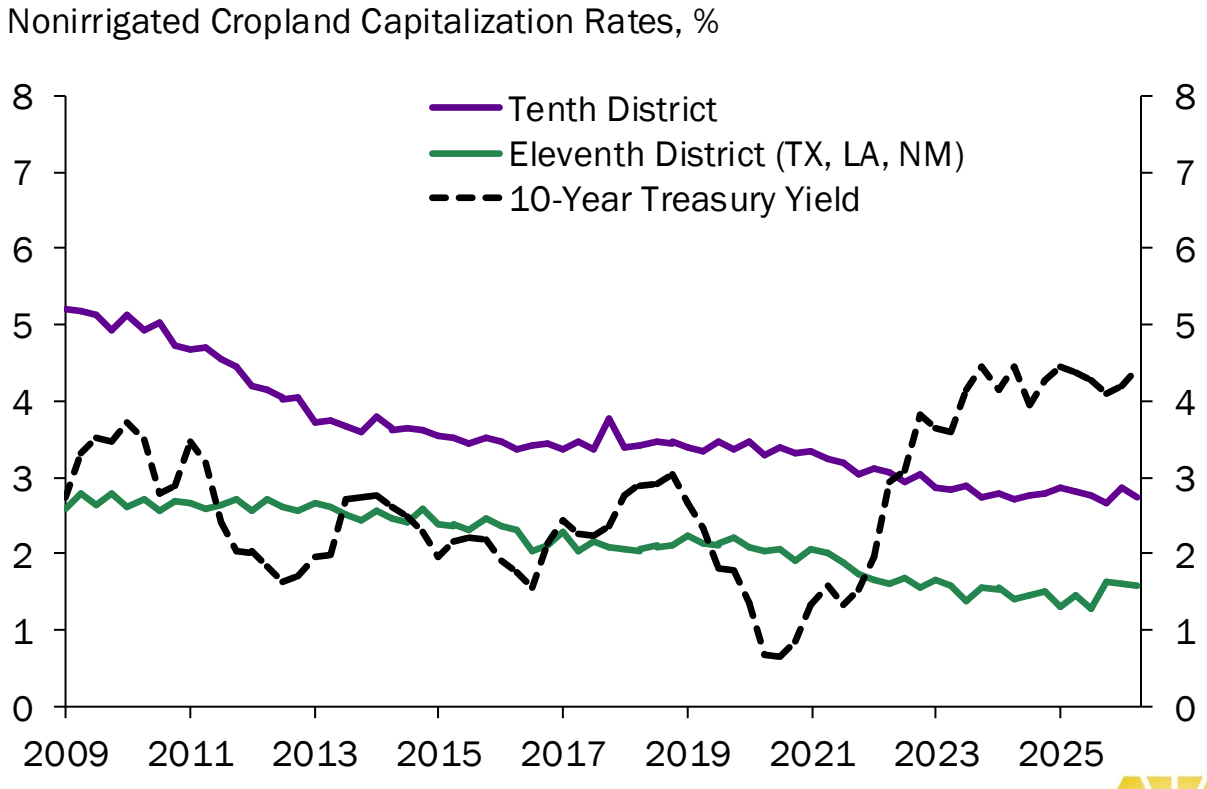
Sources: Commercial Bank Reports of Condition and Income, Farm Credit Administration, and Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions

Farmland values have been resilient.

Nonirrigated Cropland Values



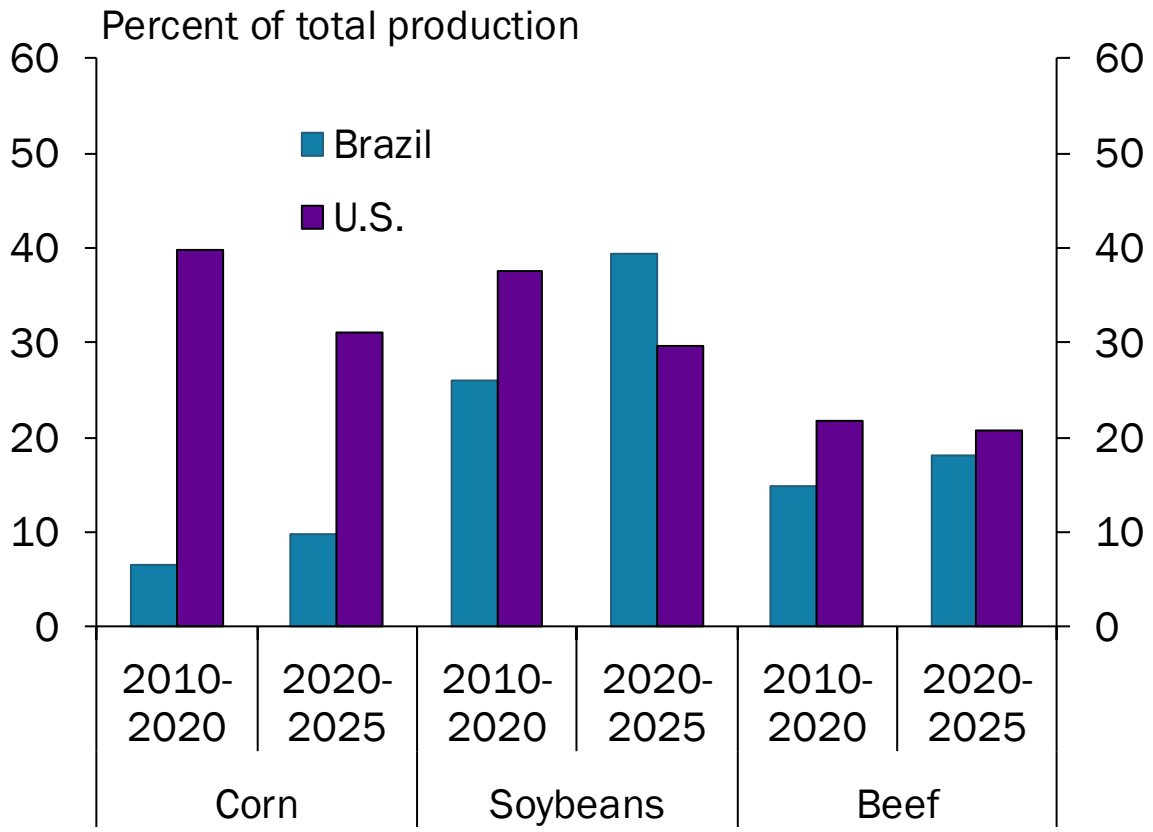
Farmland Cap Rates



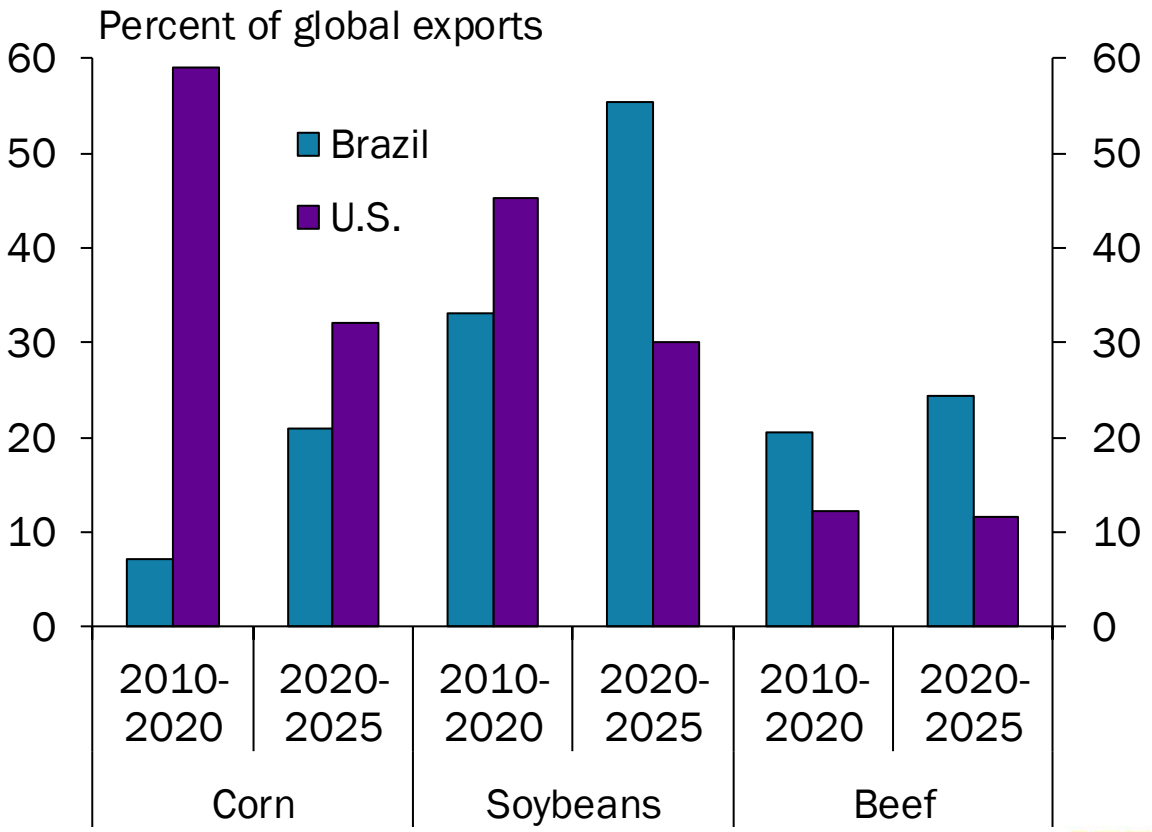
Sources: Federal Reserve Bank of Kansas City Survey of Agricultural Credit Conditions, Report of Conditions and Income, Farm Credit Administration, and Federal Reserve Bank of Kansas City staff calculations

Trade and global competition are long-term concerns.

Global Agricultural Production



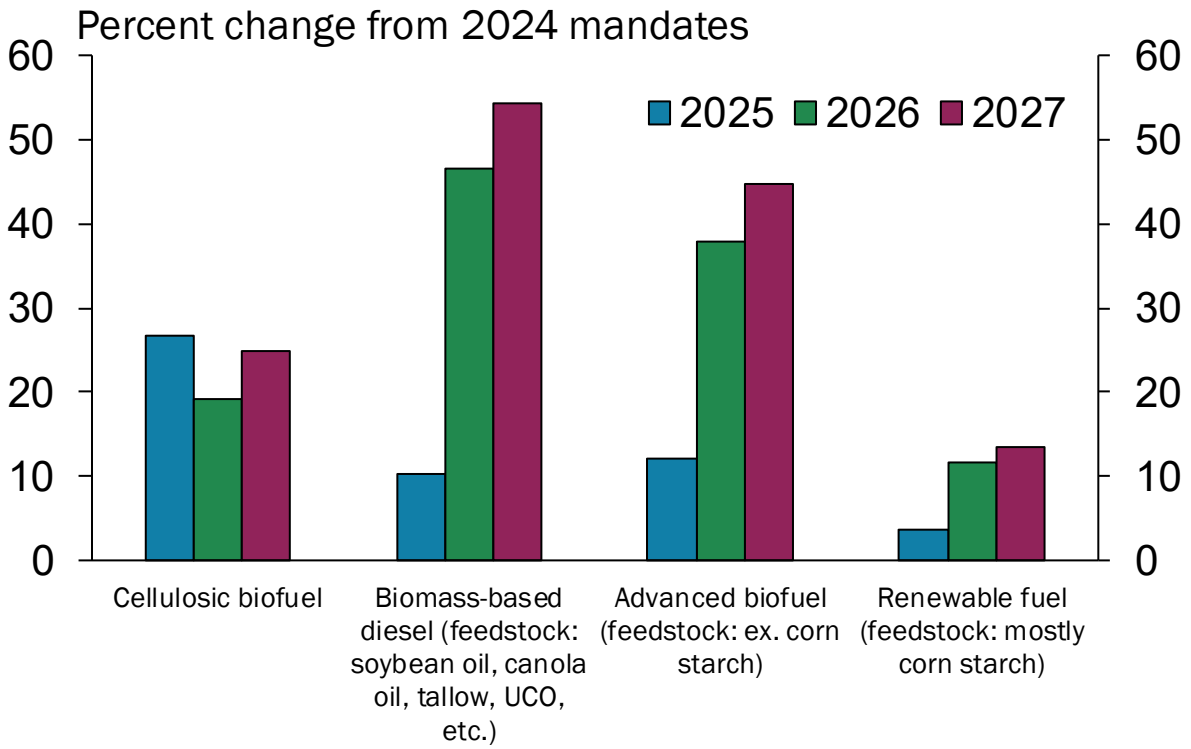
Global Agricultural Exports



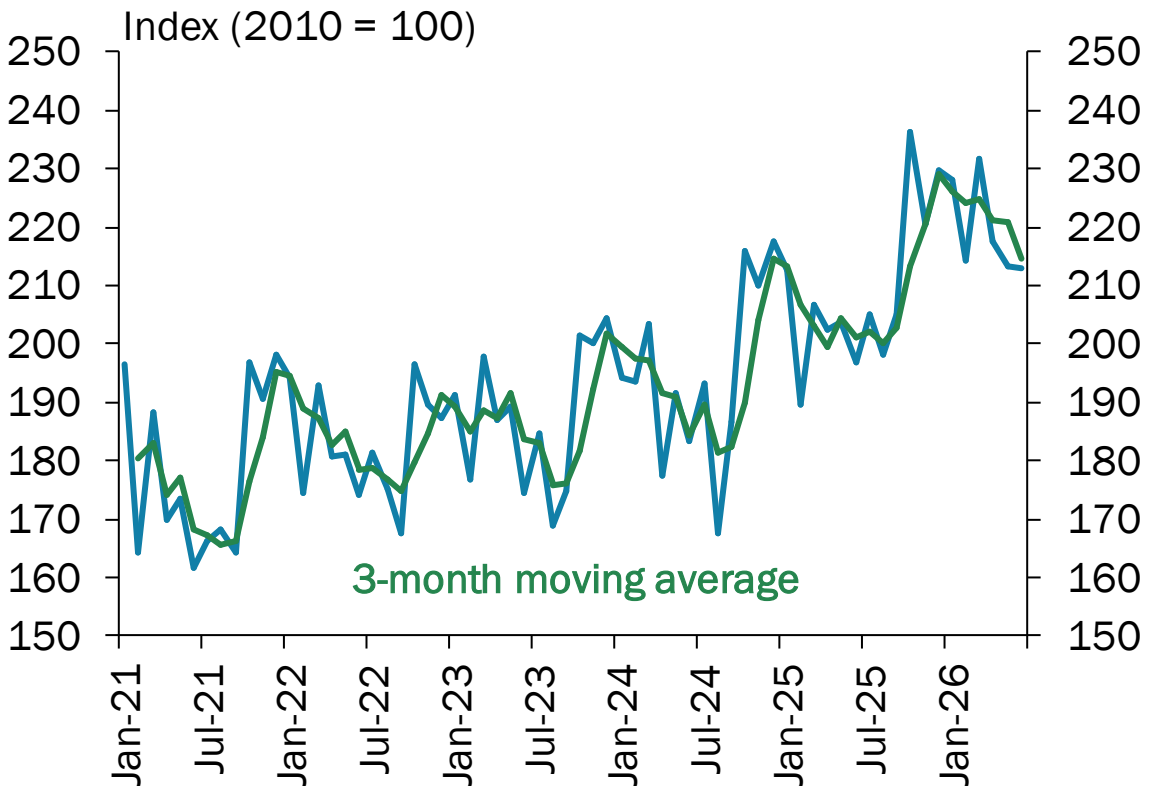
Sources: USDA and Federal Reserve Bank of Kansas City staff calculations

Policy-driven demand for crops is key for the U.S. farm sector.

EPA Renewable Fuel Standard Volume Obligations



U.S. Soybean Crush



Sources: USDA, EPA, and FRB Kansas City staff calculations

Summary

- Profit margins among crop producers are likely to remain narrow in 2026, but they are likely to improve alongside higher commodity prices.
- Government payments have limited losses, and the strength of recent years continues to provide support.
- Profitability among livestock operations has boosted incomes in many regions.
- Financial stress has increased slightly for crop producers, but many are in a stable position.
- Uncertainty surrounding weather, trade, and geopolitics could keep volatility in commodity markets elevated.

Center FOR Agriculture AND the Economy

FEDERAL RESERVE BANK OF KANSAS CITY

www.kansascityfed.org/center-for-agriculture-and-the-economy/

Receive regular updates about the agricultural economy:

Subscribe to receive email alerts when the Kansas City Fed releases new research and information. Scan the QR code below or visit www.kansascityfed.org/ealert

Francisco Scott
Senior Economist
Federal Reserve Bank of Kansas City