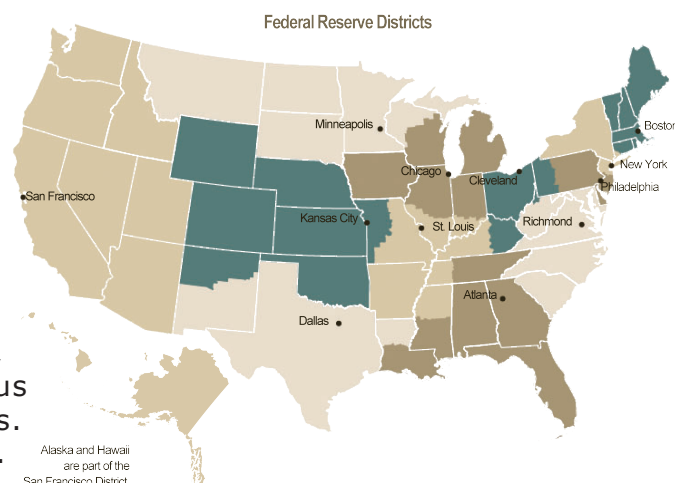


Federal Reserve Beige Book: Summary on the Agricultural Sector & Ag Finance Update

The Beige Book is a Federal Reserve System publication covering current economic conditions across the 12 Federal Reserve Districts. It characterizes regional economic conditions and prospects based on a variety of mostly qualitative information, gathered directly from District sources.

REPORTS ACROSS the twelve Federal Reserve Districts indicate that economic activity has declined slightly since the previous report. Half of the Districts reported slight to moderate declines in activity, three Districts reported no change, and three Districts reported slight growth. All Districts reported elevated levels of economic and policy uncertainty, which have led to hesitancy and a cautious approach to business and household decisions. Manufacturing activity declined slightly. Consumer spending reports were mixed, with most Districts reporting slight declines or no change; however, some Districts reported increases in spending on items expected to be affected by tariffs. Residential real estate sales were little changed, and most District reports on new home construction indicate flat or slowing construction activity. Reports on bank loan demand and capital spending plans were mixed. Activity at ports was robust, while reports on transportation and warehouse activity in other areas were mixed. On balance, the outlook remains slightly pessimistic and uncertain, unchanged relative to the previous report. However, a few District reports indicate the outlook has deteriorated while a few others indicate the outlook has improved.



Chicago - Iowa; 68 counties of northern Indiana; 50 counties of northern Illinois; 68 counties of southern Michigan; and 46 counties of southern Wisconsin.

Farm Expectations for 2025 farm income increased slightly on balance over the reporting period despite ongoing uncertainty about agricultural trade. Income expectations rose for livestock operations but were flat for crop producers. That said, there were reports of large crop and hog operators scaling back or ceasing operations. Corn and soybean planting proceeded quickly in much of the District, though the southern portions faced excessive precipitation which could lead to fields needing to be planted after the window for optimal yield. Corn prices decreased while soybean prices increased. Hog, cattle, and dairy prices rose, and egg prices declined. Contacts reported concerns about the loss of access to agricultural financing for heavily leveraged operators or those unable to pay off 2024 loans. There were limited sales of new farm machinery given high prices.



St. Louis - Arkansas; 44 counties in southern Illinois; 24 counties in southern Indiana; 64 counties in western Kentucky; 39 counties in northern Mississippi; 71 counties in central and eastern Missouri; the city of St. Louis; and 21 counties in western Tennessee.

Agriculture conditions have remained unchanged since our previous report. Wet soil conditions continue to delay planting in some areas. Despite these delays, overall acres planted remain consistent with prior years. Contacts noted that continued delays accessing fields will result in a shift in planting away from corn and toward soybeans. Contacts expressed uncertainty over the cost and availability of feed ingredients and chemicals sourced outside the U.S. Demand for credit remains elevated; however, obtaining loans at affordable rates remains a top concern. A cotton industry contact expects demand from retailers will weaken over the next few months.



Minneapolis - Minnesota, Montana, North Dakota, and South Dakota; the Upper Peninsula of Michigan; and 26 counties in northern Wisconsin.

District agricultural conditions remained weak overall, but planting season was going well. According to the most recent Ag Credit Survey, 80 percent of respondents reported that farm incomes decreased in the first quarter from a year earlier, as low commodity prices continued to weigh on farm operations. However, corn, soybean, and spring wheat planting progress and emergence in District states as of mid-May were well ahead of average. Persistent drought conditions were causing concern among contacts, particularly in the western portion of the District. Oil and gas exploration activity and production decreased slightly since the previous report.



Kansas City - Colorado, Kansas, Nebraska, Oklahoma, and Wyoming; 43 counties in western Missouri; and 14 counties in northern New Mexico.

Conditions in the Tenth District farm economy remained weak through early May. Corn, soybean, and wheat prices remained low and kept profit opportunities narrow for most producers. Winter wheat conditions in Colorado, Kansas, and Oklahoma were near historic averages, but the crop in Nebraska was particularly poor and raised concerns about reduced revenues in those areas. Soil conditions for corn and soybeans were ideal in most of the region, and planting was pacing near or ahead of typical trends in all District states. In the livestock sector, cattle prices increased over the past month and continued supporting profit opportunities for cow/calf producers. District contacts mentioned payments from the Emergency Commodity Assistance Program could bolster liquidity for many crop producers, but profitability for crops in the year ahead remained a key concern.



Dallas - Texas; 26 parishes in northern Louisiana; and 18 counties in southern New Mexico.

Drought conditions eased in much of the district, though some western areas remained in extreme drought. Ample moisture in crop-growing areas supported favorable planting conditions and led to optimism for production this year, though continued timely rains will be needed. Cotton prices moved up on the news of U.S.-China tariff reductions. Grain prices remained soft, pressured by strong U.S. crop production prospects and trade restrictions. Cattle prices continued to move up to record highs, supported by solid beef demand and a small U.S. cow herd. High calf prices and strong grazing conditions could lead to herd expansion this year. Contacts noted that the recent Emergency Commodity Assistance Program—which issues one-time economic assistance payments based on planting last year—was a notable infusion of cash to farmers and created some financial relief.



San Francisco - Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Utah, and Washington—plus American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands

Conditions in agriculture and resource-related sectors weakened slightly. Exports fell for products such as nuts, tree fruit, beef, and logs. As a result, producers turned to domestic markets. While domestic demand was largely stable, it was insufficient to absorb the extra supply, which led to producers receiving lower prices for their products. Additionally, contacts noted a shift in demand away from some higher-priced products, such as organic produce. While yields of some agricultural products such as nuts were solid, supplies of others such as cattle and logs were down. Growers continued to raise concerns about anticipated increases in input costs, like fertilizer. A contact in the Pacific Northwest paused capital investment plans amid economic and trade policy uncertainty.



Gradual Deterioration in Agricultural Credit Conditions Continues

Agricultural credit conditions deteriorated in the first quarter of 2025 and farm real estate values softened in some regions, according to the Federal Reserve Surveys of Agricultural Credit Conditions. Weak crop prices over the past year contributed to lower farm incomes, a decrease in loan repayment rates, and an increase in renewals and extensions. Tighter farm finances also led to growth in loan demand and lenders reported steady increases in collateral requirements. Interest rates on agricultural loans declined slightly but remained relatively high and farm real estate markets continued to cool in most regions. First Quarter

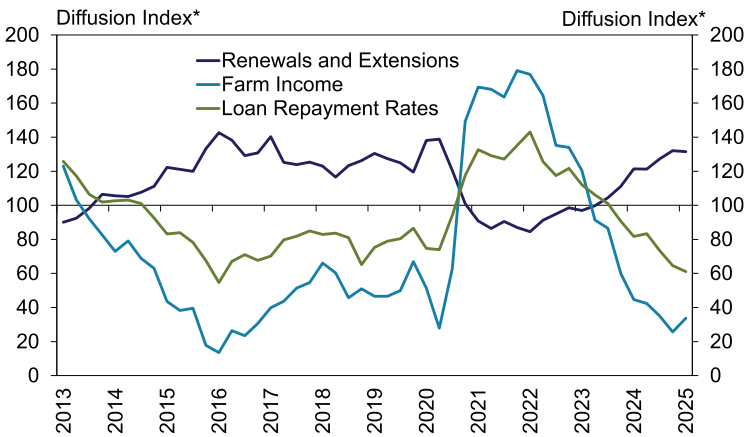
Federal Reserve District Ag Credit Surveys

Agricultural credit conditions weakened during the first quarter alongside gradual deterioration in a variety of farm financial metrics. Loan renewals and extensions, on average, increased at a pace similar to recent quarters and farm loan repayment rates declined at a faster pace across all Districts (Chart 1). Indicators of credit conditions weakened as the share of respondents reporting farm incomes lower than a year prior remained similar to last quarter.

Demand for farm loans also continued to grow as farm finances tightened, but credit availability was steady. Demand for non-real estate loans, on average across all Districts, increased at the fastest pace since 2016 (Chart 2). As demand for farm loans continued to grow, availability of funds among agricultural lenders remained unchanged following gradual declines throughout 2024.

As credit conditions weakened and demand for loans increased, more lenders reported tighter credit standards. The share of respondents that reported an increase in collateral requirements compared with a year ago was the highest in over a decade across all Districts (Chart 3). The most notable increase in collateral requirements was reported in the St. Louis District, where farm finances for the quarter were weaker than in other regions.

Chart 1: Farm Income and Credit Conditions



*Lenders responded by indicating whether conditions during the current quarter were higher than, lower than, or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of survey respondents who responded "lower" from the percentage who responded "higher" and adding 100.

Note: Each index is the average of individual indices for the Dallas, Chicago, Kansas City, Minneapolis and St. Louis Districts. Information about farm income is only collected for the Kansas City, Minneapolis, and St. Louis Districts.

Source: Federal Reserve Surveys of Agricultural Credit Conditions

Summary

Agricultural credit conditions continued to weaken nationwide in the first quarter of 2025, driven by declining farm incomes, increased loan demand, and tighter credit standards.

While all Federal Reserve Districts reported signs of financial stress in the farm sector, regional differences emerged in crop and livestock market performance, loan accessibility, and land value trends. These developments underscore growing concerns about farm profitability and liquidity heading into the 2025 growing season.

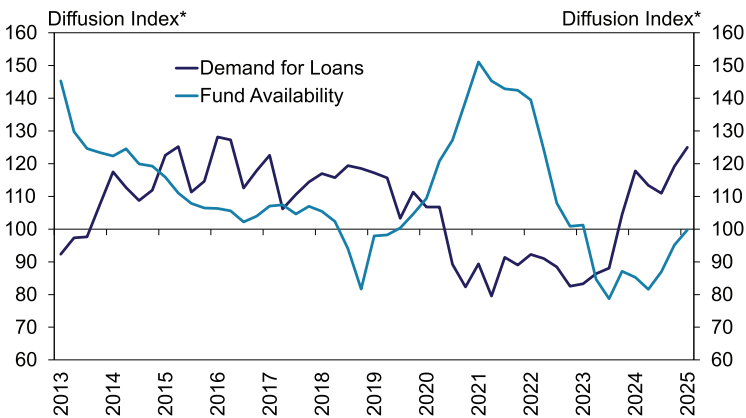
Interest Rates

Farm loan interest rates continued to decrease from highs reached in 2023 and 2024. On average across all Districts, rates on both operating and real estate loans were about 60 basis points less than a year ago (Chart 4). Farm loan interest rates have declined over the past year alongside lower benchmark rates; however, they remained elevated relative to recent historical averages.

Real Estate Values

Agricultural real estate valuations remained strong, but land markets softened in many areas alongside weaker farm finances and relatively high interest rates. Nonirrigated cropland values increased by less than 5% from the previous year in the Chicago and Minneapolis Districts and decreased slightly in the Kansas City District (Chart 5). Values in the Dallas District increased notably, with local contacts continuing to report strong recreational and investor demand.

Chart 2: Non-Real Estate Loan Demand and Fund Availability

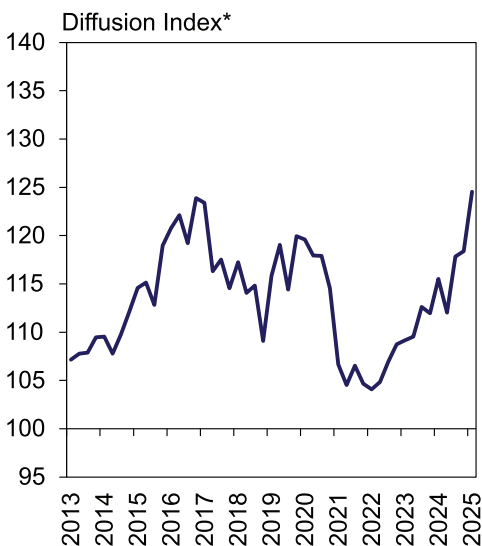


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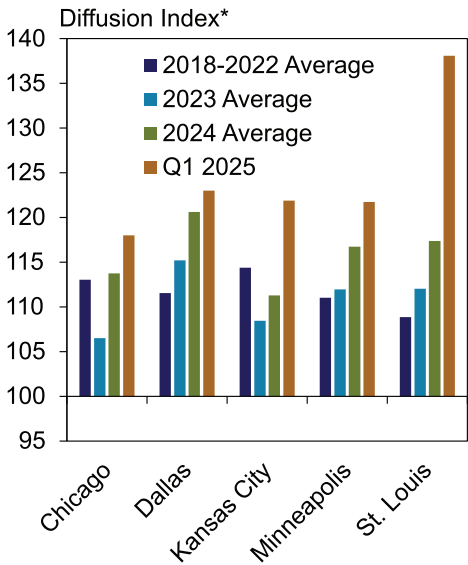
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Source: Federal Reserve Surveys of Agricultural Credit Conditions

Chart 3: Collateral Requirements

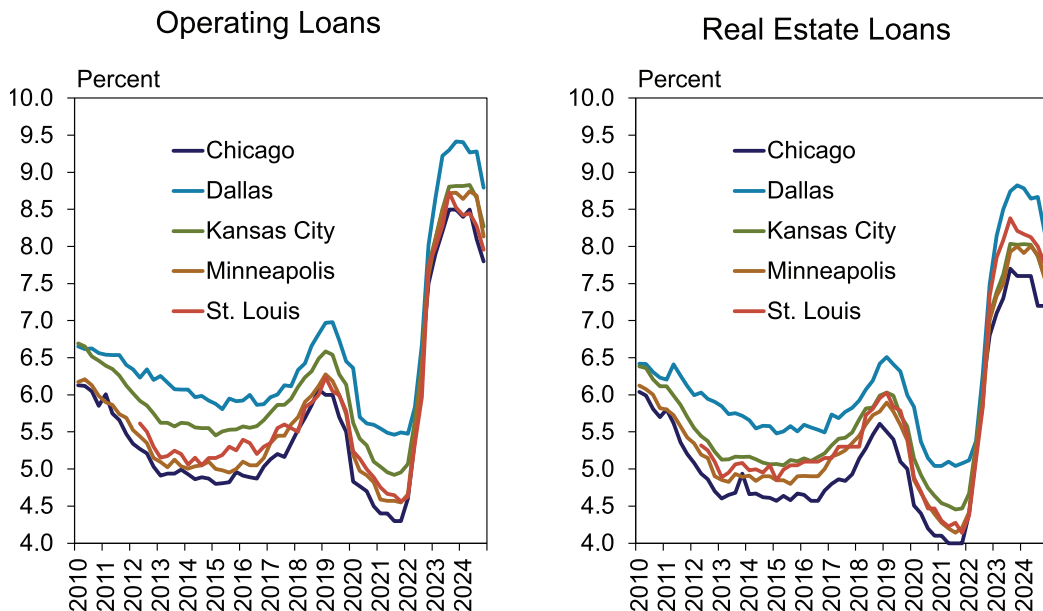


*Lenders responded by indicating whether conditions during the current quarter were higher than, lower than, or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of survey respondents who responded "lower" from the percentage who responded "higher" and adding 100.



Note: The index in the left panel is the average of individual indices for the Dallas, Chicago, Kansas City, Minneapolis, and St. Louis Districts. The survey for the Dallas District refers to 'credit standards' and all other surveys refer to 'collateral requirements'.
Source: Federal Reserve Surveys of Agricultural Credit Conditions

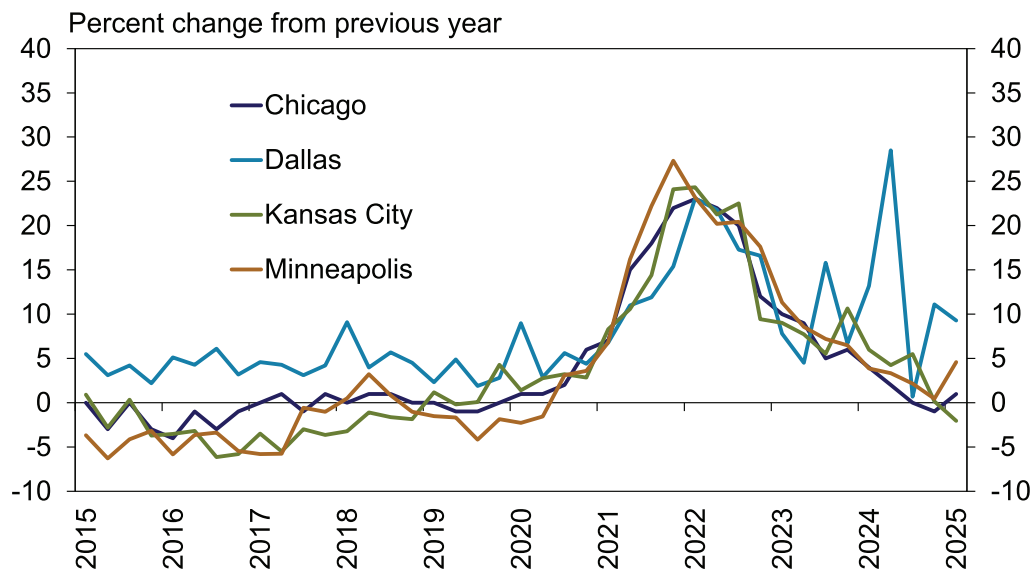
Chart 4: Average Farm Loan Interest Rates



Note: Shown as average fixed and variable rates for each loan type. St. Louis survey began in 2012.

Source: Federal Reserve Surveys of Agricultural Credit Conditions

Chart 5: Nonirrigated Cropland Values



Source: Federal Reserve Surveys of Agricultural Credit Conditions

For more information:

For more information on other sectors of the U.S. economy or to access the complete Federal Reserve Beige Book summary, see: <https://www.federalreserve.gov/monetarypolicy/publications/beige-book-default.htm>.

For more information on the Ag Finance Update,

see: <https://www.kansascityfed.org/agriculture/agfinance-updates/gradual-deterioration-in-agricultural-credit-conditions-continues>.