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29 October 2026 – Laramie, WY

Farm Lending Slows While Financial Pressures Persist



The U.S. farm economy is sending mixed signals. New farm lending slowed this summer, even as outstanding debt kept growing. Crop prices improved, but fuel, fertilizer, and borrowing costs remain high. Cattle income still supports many ranches, although prices have pulled back. A farm's value is only part of the story. The other part is having enough cash to pay bills and fund another year.

USDA's September forecast puts 2026 net farm income at $158.4 billion, down 2.6 percent from 2025 before inflation. Production expenses may reach $492.8 billion, up 4.5 percent. Total farm debt is forecast to grow 4.6 percent to $605.1 billion. National working capital is expected to rise 3.5 percent after falling 15 percent in 2025. But national averages can mask farms that are drawing down cash, using past savings to pay today's bills.

Less New Borrowing Does Not Mean Less Debt

The Kansas City Fed released new lending data on October 14. In the third quarter, the volume of new non-real-estate farm loans at commercial banks fell about 25 percent from a year earlier. The estimate does not include Farm Credit System lending or direct Farm Service Agency (FSA) loans. Operating loans caused most of the drop, but livestock lending also fell, Chart 1.

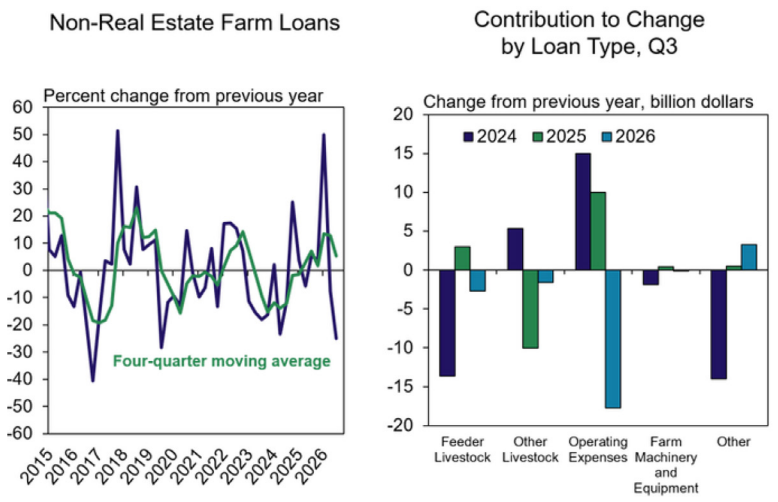
At banks with farm loan portfolios below $100 million, the average new operating loan fell to about $30,000. It had topped $100,000 in the third quarter of each of the prior two years. At larger lenders, the average fell from $150,000 to $115,000. These figures describe loans finalized, not applications turned down, Chart 2.

Meanwhile, outstanding farm debt at commercial banks kept growing through the first half of 2026, a September 22 Fed report found, Chart 3. New lending includes only loans finalized over a specific period. Outstanding debt is money still owed on earlier loans, so both trends can be true at once.

In the second quarter, farm loan delinquency rates were low and unchanged from a year earlier. Slower lending does not mean farmers are widely failing to repay.

Farm loan rates were fairly stable when the Kansas City survey was taken in early August, Chart 4. Note: these rates were collected in early August 2026, before the Federal Reserve's September 16 rate increase.

Chart 1: Volume of Non-Real Estate Farm Loans



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

On September 16, the Federal Reserve raised its target interest rate range by one-quarter point, to 3.75 to 4.00 percent, and it left that range unchanged at its October 28 meeting. Farm loan rates were creeping up even before the September increase. In the Dallas Fed's third-quarter survey, taken September 1 to 9, the average variable rate on other farm operating loans rose from 7.90 percent in the second quarter to 8.12 percent in the third.

Credit is still available, but terms are tightening in some areas. In an August Fed report, about one in five lenders in most regions required more collateral than a year earlier. Around St. Louis, it was nearly three in ten.

Different Districts, Different Pressures

The October 14 Beige Book shows how much local conditions matter. In District 7 (Chicago), heavy rain slowed harvest, cut expected yields, and raised drying costs. District 9 (Minneapolis) expected lower yields after summer heat and drought. Higher crop prices may help, but the lost bushels could erase the gain unless crop insurance makes up the difference. In parts of the Chicago District, contacts did not expect insurance to cover lost income.

District 8 (St. Louis) reported strong yields in Arkansas, while drought and costly fuel cut hay production in Mississippi. In District 11 (Dallas), early October rain improved prospects. But contacts said fertilizer cost 10 to 25 percent more than a year ago, and diesel prices had nearly doubled.

District 10 (Kansas City) reported gradual weakening in farm credit conditions. High cattle prices helped some areas, while weak crop margins and costly diesel hurt others. Some rural Colorado contacts reported short-term diesel shortages. District 12 (San Francisco) noted higher borrowing and fuel costs, below-average Idaho yields, and vineyards left idle by weak wine-grape demand.

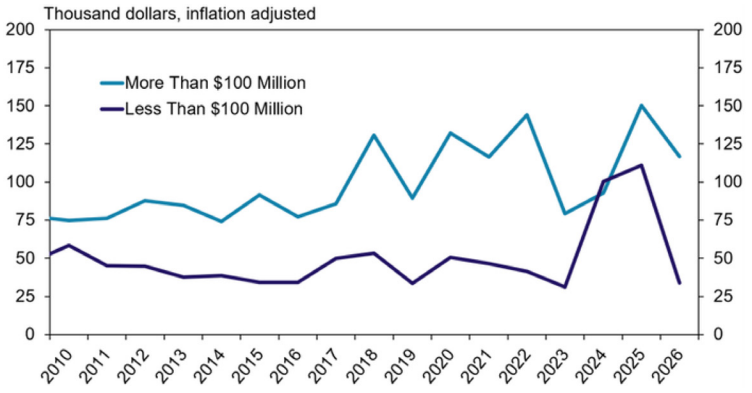
Higher Crop Prices Still Face Higher Costs

USDA forecasts crop cash receipts to rise 6.1 percent in 2026, but also expects fuel and oil expenses to rise 28.8 percent and fertilizer and lime spending to rise 15.3 percent. Higher prices alone will not guarantee a profit.

Two breakeven prices for each crop can be important. Cost Breakeven is the local cash price per bushel needed to cover all costs, including rent, machinery, and interest. Cash or Repayment Breakeven is the local cash price needed to cover cash operating costs, family living, and scheduled principal and interest payments, without counting any expense twice.

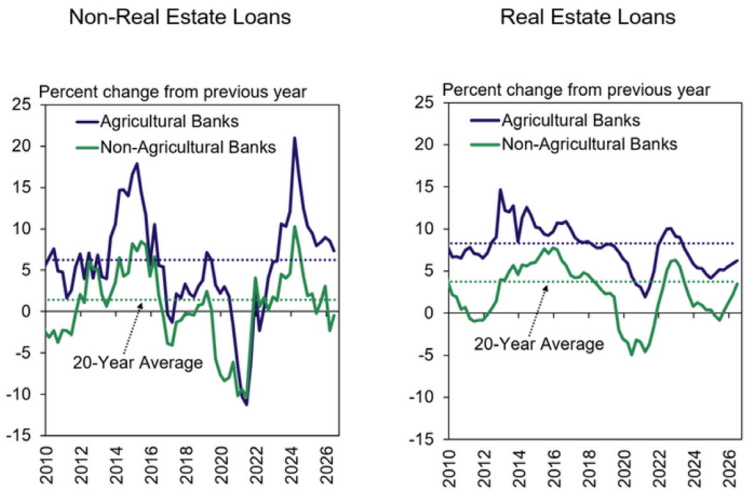
Both should be based on the bushels expected to sell. Compare both breakeven prices with the Local Cash Bid, not futures alone. The local bid equals futures plus basis (local cash price minus futures price).

Chart 2: Average Size of Farm Operating Loans by Farm Loan Portfolio Size, Q3



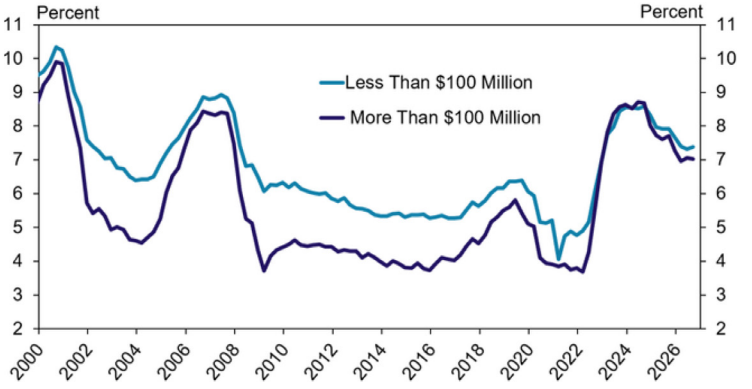
Sources: Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City

Chart 3: 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 881 agricultural banks from Q2 2026 in every quarter.
Sources: Reports of Condition and Income and Federal Reserve Board of Governors

Chart 4: Average Interest Rate on Non-Real Estate Farm Loans by Farm Loan Portfolio Size



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

Include drying and freight as costs once. Then weigh the cost of storing grain against the cash needed now. Crop insurance may cover part of a yield loss, but don't assume it will replace every lost dollar.

Livestock: Valuable Cattle, but More Price Risk

Cattle-heavy Oklahoma has fared better than many crop areas. Yet an October 2 Kansas City Fed report found feeder cattle prices fell about 20 percent in recent months, though futures began to recover.

News about beef imports and packing plant closures played a role. That report was for a region, not a picture of every cattle market. As an example, in the Beige Book, Dallas reported cattle prices below a year ago, while San Francisco reported prices near record highs.

Cow-calf, feedlot, and dairy operations all face different costs and price risks. USDA expects lower average net farm income for every type of livestock farm business in 2026. Buying replacement females or feeder cattle at high prices ties up cash. Herd rebuilding also takes years, so heifer decisions made now shape income well into the future. Before expanding, test lower selling prices against feed, grass, replacement, and interest costs.

Livestock Risk Protection (LRP) insurance and forward contracts can reduce some risks. Learn what each covers, including basis, and what risk remains.

Planning for the 2027 Operating Year

Government aid, crop insurance payments, and cattle income have helped limit stress, the Kansas City Fed says. But a payment expected next spring does not pay the bill due this month. Credit can bridge a short cash gap, even for a profitable farm. But an enterprise that loses money year after year needs a change, not just a bigger loan.

Before loan renewal, take four steps. First, update the balance sheet and working capital: current assets minus bills due within a year. Second, make a month-by-month cash plan. Show insurance and government payments separately, with realistic dates. Do not build the 2027 budget around another one-time government payment. Third, test a hard year. What if prices or yields fall while fuel and interest costs rise? What if the operating line is smaller, or is not renewed? Fourth, review costs, leases, marketing, and planned purchases early, while options remain open.

Some risks are outside any farm's control. Still, a good response starts with knowing your own numbers. RightRisk's *Risk Scenario Planning* and *Multi-Temporal Risk Analyzer* tools can help compare uncertain outcomes and longer-term choices.

Keep in mind that the purpose is not to predict exactly what 2027 will bring. Rather, it is to recognize warning signs while there is still time to respond.

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