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AgLetter Insights: Farmland Values in Chicago Fed's Region Mark First Annual Decline This Decade

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Agriculture Regional Economy

In the fourth quarter of 2024, farmland values in the Chicago Fed's Seventh Federal Reserve District showed a small annual decrease, snapping the four-year streak of annual increases in agricultural land values.

In this Q&A about the AgLetter's February 2025 issue, author David Oppedahl, a Chicago Fed policy advisor and its lead ag analyst, discusses this change, what's been happening with farm commodity prices, and what the outlook is for 2025.

Q: Let's start with the ag products with the biggest price increases during the fourth quarter of 2024: livestock and eggs. What happened, and how do you explain what happened?

A: We have had an extended period of contraction in the number of cattle in the United States, mainly because of pressures outside of our District, in places like Texas and Oklahoma, where they've had a longer drought that has reduced their ability to sustain cattle herds. Cattle prices have gone up in response. And obviously, consumers are seeing that as well in the stores.

It's a slightly different story for eggs. Avian influenza has killed a lot of chickens, either directly or because once it's in a flock, the whole flock has to be culled. And so, there's been a big shrinkage in the ability to produce eggs. And with high demand, you're seeing now surcharges for eggs in stores and restaurants. It's really a challenging situation for people who want to consume eggs—and, of course, that's a majority of us.

The one thing to point out there is that it's not unprecedented. The prices two years ago were actually a little bit higher on eggs than they were in December 2024. So, we had one wave of this in 2022, and now we're having a second wave.

Q: So that's cattle and eggs. Are hogs a story here as well?

A: In 2024, hog prices were down for most of the year, and so with prices going up recently it's really just a recovery more than an increase in prices there. It's kind of similar for dairy, a bit of a return to more normal kinds of prices. That's obviously helping the farmers with those livestock, but it isn't anything as out of the ordinary as what's happening with cattle and eggs.

Q: Interesting. And can you just give some sense of the magnitude of these increases?

A: In December, prices for all livestock combined were up by a third relative to a year ago. Specifically, prices for hogs and cattle were up by 18% and 10% from a year earlier, respectively—and for milk, up by 14%. Now for egg prices, there was a whopping 132% increase from the previous year. That pushed the overall number for the category up dramatically.

Q: Since we're on the subject of outputs, let's talk about crop yields. It sounds like regional farmers continue to produce even against challenging weather conditions.

A: We had drought conditions in parts of the District over the summer and during the growing season at various points, but the rains came at timely periods and helped to keep crops growing well. So overall, the District's yields—its bushels per acre—for corn and soybeans were both at very solid levels. Corn yields even set a record. The overall output was the second highest for both as well. It was a strong year in terms of production, so that helped to overcome some of the decreases in crop prices for those particular commodities.

Q: You've anticipated my next question. Crop prices presented a different kind of challenge than the weather did, correct?

A: That's right. We had a continuation of the price declines from the previous two years. They weren't as steep this past year, but still, overall revenues for both corn and soybeans are going to be down from the previous year because of the declines in prices being larger than the increases in crop output.

Q: And crops have to be grown somewhere. What did you learn about Seventh District farmland values from your survey respondents?

A: Farmland values were down 1% in 2024 from the year prior in our District. This annual decrease ended a four-year streak of annual increases in agricultural land values. From the start of the Covid pandemic through 2023, we generally had strong increases in farmland values, but what happened in 2024 ran counter to that.

It seems like we're now in territory similar to what we experienced prior to the pandemic, when there were generally small decreases or no changes in farmland values for a number of years after the previous peak had been reached in 2013. We are still above that previous peak in terms of the level of farmland values, but they did retreat some last year.

Q: So am I understanding this correctly—even if these values are slightly on the decline now, they still look pretty strong in historical terms?

A: That's correct. And the state of Wisconsin is still having farmland value increases from a year ago. It's possible that just the scarcity of land available for sale there has helped maintain price levels. In addition, the greater concentration in dairy and some of the other parts of agriculture that didn't suffer price declines like corn and soybeans did last year are probably helping farmland values there.

Q: Let's look under the hood for a moment here. To get these data and prepare this quarterly report, you survey a wide range of agricultural banks in the Seventh District. What makes them a good data source?

A: Well, we've been asking our agricultural bankers what the conditions are like and what's happened with farmland values in their areas for decades now. And they've had a good ability to understand the nature of the local market given their agricultural lending and the kinds of relationships they have with the different players in their markets. They've got their fingers on the pulse of the farmland market.

Q: And then, what's in it for them? Why do they participate?

A: I think it's helpful for ag bankers to get a feel for what's happening not only in their respective local areas, but also, more broadly, in our District and across the Midwest. We're able to kind of paint that broader picture for them, as well as share what other banks are seeing. And I presume that they also have an altruistic motive—that they see helping the Federal Reserve as a way to benefit not only themselves, but also the broader public and the good of the United States economy.

Q: Another question relating to the bankers: What do they tell you is happening with agricultural credit conditions in the District?

A: Based on the responses in our January survey, covering the fourth quarter of 2024, agricultural credit conditions have continued to deteriorate some. The repayment rates on non-real-estate agricultural loans have been lower than a year ago, and the numbers of renewals or extensions have been increasing for those same kinds of loans. So, it does seem that a small but rising share of borrowers is not going to be eligible for loan renewals or credit in the new year.

At the same time, we do see higher demand for these non-real-estate farm loans, particularly operating loans. There are lower levels of working capital in a lot of farm operations. And more farmers are needing to borrow again after having had an influx of cash—not only from higher prices in previous years, but also from some of the government assistance in response to the pandemic.

Profit margins are tighter; it's a more challenging environment for our corn and soybean producers in particular. With that said, while we do see some of the repayment problems picking up, it's not beyond what they were four years ago—before the increase in farm incomes started during the pandemic and continued through its aftermath. So, ag credit conditions are moving back to where we were pre-pandemic, in a sense.

Q: Your survey respondents indicated that demand for non-real-estate farm loans relative to a year ago was up for five quarters in a row now. But that's not necessarily a crisis, right? That can be standard operating procedure—where people take out loans to float parts of their business?

A: That's correct. It's not a crisis at this stage. There's just kind of more normal activity. It swings back when profit margins are tighter. You don't have as much working capital at play, and so you end up borrowing more.

And I should add that interest rates on the farm loans we track have started to come down some. So that's helpful to borrowers at this stage, though the rates are still up quite a bit from where they were a couple of years ago. Historically they're not high, but it can seem that way when you've had historically low interest rates for a while.

Q: Okay, last question: What are the surveyed bankers expecting from farmland values and credit conditions as they look to the future?

A: For the first quarter of 2025, it looks like there'll be a continued movement toward higher levels of operating loans and lower levels of loans for things like farm machinery and grain storage construction. And that just reflects that there's less purchasing of those kinds of assets right now. With tighter profit margins, the farmers are pulling back on certain types of purchases.

In terms of farmland values, it's similar: There's just not as much competition for those acres, so the prices are probably not going to be as high. Thus, we could see an additional decrease in District farmland values for the first quarter of 2025.

To learn more

Please see the most recent [*AgLetter*](#), covering the fourth quarter of 2024, and the [data on farmland values](#) in the Seventh Federal Reserve District.

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