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AgLetter Insights: Farmland Values in Midwest Edge Slightly Upward While Credit Conditions Tighten

By Chicago Fed Staff Writer

Agriculture Regional Economy

The *AgLetter's* May 2025 issue marks a new chapter in the story of the Chicago Fed publication, with a more streamlined format and some new data being featured. According to the survey responses for the latest *AgLetter*, farmland values increased modestly, while credit conditions continued to tighten across the Bank's Seventh Federal Reserve District, covering a wide swath of the Midwest. David Oppedahl, lead author of the *AgLetter* and a Chicago Fed policy advisor, shares more of what he learned from the most recent survey results in this Q&A.

Q: What's new in the first quarter? What's your headline?

A: Farmland values were a bit higher than they were a year ago, with some upward movement in these values from the previous quarter. But at the same time, farm credit conditions continue to deteriorate somewhat.

Q: What are people sharing with you about credit conditions? And what does this feedback tell us?

A: Well, we had one Illinois banker say, "Working capital decreased dramatically in 2024 and probably will in 2025 as well." There are liquidity constraints that are coming into play for farm operations that make it harder to get loans. Another responding banker suggested there were some farm operations that wouldn't be able to get loans in their local area. So, there's some concern about a credit squeeze developing.

And then, non-real-estate farm loan repayment rates are down, and renewals and extensions of these loans are up. So that's indicative of a more challenging environment due to lower crop prices in recent years.

Q: But the *AgLetter* survey responses also show some positive signs, correct?

A: There was a little bit of good news for farmers. In the first quarter, commodity prices moved up some. So, they sold a lot of corn and soybeans in the first quarter to empty their bins, so to speak. That, along with extra federal payments, should provide a little bit of financial cushion.

Q: Were you starting to see some real concern about credit conditions among the bankers in the survey?

A: Not too broadly. There is some concern, but when you look at the numbers, the changes have been relatively modest. For instance, the share of operations reported as having an increase in carryover debt from 2024 to this current year was about 19%—a noticeable amount, but still a minority. So, there's concern, but not big alarm bells at this point.

Q: And you alluded to this before, but why do the conditions seem to be tightening?

A: It's just the general squeeze that's happened from the input costs rising and staying relatively high, plus crop prices remaining lower than in the 2021–23 period. It seems like the livestock subsector is doing better than the crop subsector this year. There's a little bit of a decrease in feed costs when you have crop prices coming down, and then livestock prices have generally stayed strong.

Q: It seems like farmland values are pretty static, pretty much staying the course from where they've been?

A: Yes, the Seventh District did see an increase of 4% in farmland values in the first quarter of 2025 from the fourth quarter of last year, but the quarterly change is kind of a volatile measure. On a year-over-year basis, District agricultural land values were up 1% in the first quarter of this year.

Q: Is there anything else from the *AgLetter* that you want to highlight—or anything that stood out in the comments from survey respondents?

A: Well, I should point out that we continue to see higher demand for operating loans. And that's likely to continue into the next quarter. There's less demand for farm mortgages and for loans related to farm equipment and the building of structures. So, we're in a period where you're seeing relatively higher volumes of certain kinds of loans that help meet immediate liquidity needs.

Q: Stepping back from the news a bit, this is the first edition of the *AgLetter*—which has been around in various versions since the 1940s—in a new format, or at least new from where it's been in recent years. Do you want to say a few words about what you've done and why?

A: We've reformatted *AgLetter* to provide a new look. For instance, the table displaying credit conditions at Seventh District agricultural banks (what we refer to as figure 3 in the release) shows these data in a format that's easier to digest, in part by facilitating comparisons of index readings, loan-to-deposit ratios, and farm loan interest rates from the previous quarter and a year ago. It's also got a new feature. There's additional information on renewals and extensions of non-real-estate farm loans among the indexes we report. Overall, it has a little cleaner look to it. And it's tighter, with half the number of pages. So, when you print it out, you're not using as much ink.

Q: And then, one more change we should note in the order of business: You've typically held the Chicago Fed's big annual Midwest Agriculture Conference in late November or early December, but it's moving up this year. Will you elaborate on that please?

A: Our annual Ag Conference is going to be held on September 30 of this year mainly because that's when we could get some key speakers to participate in the event. The conference's 2025 theme is the impacts of international trade on agriculture in the Midwest. We're looking forward to hosting the annual event this fall—and to seeing people earlier in the year than usual.

To learn more

Please see the most recent *AgLetter*, covering the first quarter of 2025, and the [data on farmland values](#) in the Seventh Federal Reserve District.

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