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AgLetter Insights: Farmland Values Hold Steady, Crop Expectations Again High

By Chicago Fed Staff Writer

Agriculture Regional Economy

Farmland values in the Chicago Fed's midwestern District were essentially unchanged in the second quarter of the year, according to the agricultural lenders surveyed for the latest quarterly edition of the Bank's *AgLetter*. In this quarter's Q&A, David Oppedahl, the publication's lead author and a farm economy specialist with the Chicago Fed, answers more questions about what is happening in the ag sector.

Q: What stood out to you in the new *AgLetter*?

A: The farmland values for the second quarter were flat compared to the previous quarter and a year ago when prices were rising. So it seems we may be having a period where there's the beginning of a plateau. In fact, one of the Wisconsin lenders that we surveyed used that term.

Q: Here, I think, is the quotation, cited in the *AgLetter*: "At some point, farmland values should plateau as outside pressure from solar and data centers subsides." You've been saying for many quarters in a row now that demand for land for alternative energy and for data centers has been helping maintain farmland prices. But now people are seeing that demand wane?

A: Yes, the data are indicating that we may have reached a plateau for now, with weaknesses in farmland markets in some areas. At the same time, given higher crop prices and positive livestock returns, Seventh District farm incomes may be a little better than last year—somewhat better but still not dramatically higher.

Q: So, looking at the data, I'm seeing some slight pickup in quarterly values in Wisconsin, but it's not enough to really change the overall picture?

A: Right. But then when you look at Wisconsin from a year ago, it was down a little bit on a year-over-year basis, as was Indiana. Yet Illinois and Iowa were up a little bit in that same time frame. It all kind of evened out so that, District-wide, there was no change in either the quarter-to-quarter number or the year-over-year number.

Q: And in terms of credit conditions, there's the word "weaker" right away in the *AgLetter*. What's your assessment of the picture?

A: It's been a consistent trend that we've had weakness in credit conditions relative to a year ago: Loan demand is somewhat higher, but then the funds availability and repayment rates are lower.

With weaker farm income in the last few years, since the increases in income we saw in the 2020–21 period, we've had this chipping away at credit conditions. We do see some evidence of an increasing share of farm loans with major or severe repayment problems in the District's agricultural bank loan portfolio: That was up to 3.7%, I believe, from a year ago, when it was at 2.9%. But right now, it's not highly concerning, given that we're coming from very low levels of repayment issues.

Q: Right, it's not falling off a cliff or anything like that?

A: No. If you think back to the 1980s, the level of loans with repayment issues was over 15% at the peak. And now we still haven't reached 5% of farm loans with repayment problems. But that kind of consistent deterioration in credit conditions continues to be a theme.

Q: You mentioned farm income earlier. How are crops looking this year, or is it too soon to have a read on that?

A: Right now, there's looking to be a pretty strong harvest again, especially for soybeans. The eastern part of the Corn Belt has had flooding issues and trouble getting the crop off to a good start, and in the western part they didn't have enough moisture early on. Nonetheless, according to the USDA's estimates this month, Iowa could have a record corn yield and the yield for Illinois would be high, though probably not a record. And it’s similar for soybeans. So the District could have its second-best corn crop in history and maybe the best soybean crop ever.

Q: The mention of a bumper harvest leads to a chance to plug the Chicago Fed’s upcoming Midwest Agriculture Conference. What do you have on the table there?

A: Bumper Harvests, Big Questions. Where Do Midwest Crops Go?—this is the theme of our conference this year, taking place on October 16. And it will be looking at those decisions farmers are making about whether they should store or sell off their crops, plus where they should sell them and what kind of price signals they're getting. There’ll be a lot of discussion about supply and demand of corn and soybeans, as well as livestock feeding, biofuels, and international markets.

Q: Last year's conference was pretty lively, with discussion of the challenges to international agriculture trade. Have those issues begun to resolve themselves, or is that still a big question for farmers this year as they approach harvest?

A: It's always a big question. There is still a lot of pressure on inputs from global forces, but the farm income picture is looking a little more promising than it was, say, six months ago.

Q: Speaking of looking ahead, where do you land in this latest *AgLetter* as you think about what’s on the horizon?

A: The overall take of the lenders we surveyed was that farmland values for the third quarter of 2026 would be flat again. And while the demand for operating loans continues to look rosy, other kinds of lending—for, say, farm machinery and grain storage, construction, and real estate—are expected to be down in the third quarter. So kind of a mixed bag, but it could be worse.
