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AgLetter Insights: Farmland Values Rose While Credit Conditions Weakened

By Chicago Fed Staff Writer

Agriculture Regional Economy

Agricultural land grew costlier in the Chicago Fed's midwestern District in the fourth quarter of 2025, and farm credit conditions deteriorated. That's the key news from agricultural bankers surveyed for the *AgLetter's* February 2026 issue. In this quarter's Q&A, David Oppedahl, lead author of the *AgLetter* and a Chicago Fed policy advisor, talks about District farmland values' big rebound in 2025 from their slowdown in 2024, the challenges farmers will face as money becomes harder to access, and other highlights of what he's learned from the latest results of the Chicago Fed's ongoing survey.

Q: It seems like there's a pretty clear headline in this quarter's *AgLetter*. What was the number again?

A: Yes, 2025 ended strong for farmland values: In the final quarter, there was a 6% increase in the value of good farmland from a year earlier and a 2% increase from the previous quarter. This was a bounce-back from 2024, when there was a small year-over-year decrease in farmland values in the final quarter.

Q: And did the ag bankers you survey offer any insight into why it was up 6% year over year?

A: Well, they noted that there seemed to be a lot of 1031 transactions, which are tied into the tax code: When you sell property in one area, you can buy a property elsewhere without having to pay some of the taxes on it, as long as you do it in a proper transaction within a given time frame. And so that, for instance, might free up land that was sold for housing around Chicago and then the income from that would be plowed back into farmland somewhere else in Illinois. This has happened in previous time periods, and it seems to be on the rise again.

Q: Any sense of what's driving the demand for land?

A: Partly that could be due to some of the energy infrastructure that's being built across the region, whether it's for solar power or wind turbines. And now, of course, we've got data centers going up across the District, taking up quite a big footprint in certain areas. Moreover, we're seeing continued growth in a major industrial area just north of Indianapolis. You also hear about neighbors, in particular, who are willing to bid higher to get farm property that they've probably had their eyes on for years.

Q: Did people report increases across the whole five-state District?

A: The increases in farmland values were stronger in all areas from a year ago, but Wisconsin and Indiana were the leaders of the increases this time.

Q: Meanwhile, as noted in the other main portion of the *AgLetter*, it looks like credit conditions continue to deteriorate.

A: That's correct. The credit conditions were deteriorating in terms of, particularly, repayment rates. About 84% of loans had no significant repayment problems, and about 11% had some minor repayment problems. So that still left 5.6% with more major or severe repayment problems. And then there was also an increase in renewals and extensions on non-real-estate lending, indicating some borrowers sought more time to repay their debt.

Still, while there's this kind of deterioration, you also have rising non-real-estate loan demand. Planting season for agriculture is coming up, and farms need working capital to be able to plant. And in some cases, farms are needing to extend their operating loans or apply for more loans to have additional capacity to fund all their activities. As credit conditions

tightened, a higher level of collateral was being required by a bit more of the banks, according to the survey respondents. These surveyed bankers reported, on average, that 3.8% of farm loan customers who received operating credit in 2025 were not likely to qualify for it in 2026.

So it's a more challenging environment again, but not to the extreme that it had been in some earlier periods. And we're waiting to see how long this will last.

Q: I read that the 5.6% of loans with major or severe repayment problems is the highest it's been since mid-2020. What does that indicate?

A: Strains on farm income are continuing. Farm input costs have risen over the past five years or so. And while prices for crops had risen previously, they've fallen since then. So when you look at net farm income, it's been challenging, particularly for crop farmers.

Livestock is doing somewhat better. One of their key inputs is feed, and feed costs are down because corn and soybean prices are lower. At the same time, you do see pretty high cattle prices still, and dairy and hog prices have not collapsed.

Q: What's the outlook for the year ahead?

A: Our surveyed bankers anticipate farmland values in 2026 may be down somewhat. The majority expected them to be stable, but more bankers expected farmland values would go down than the number who expected them to go up in the first three months of this year.

And then there was also a clear majority of bankers who foresaw lower levels of land purchases or improvements by farmers in the coming year, and the same is expected for buying machinery, trucks, and other equipment. So, whether it's purchasing land or doing other things to improve their operations, farmers are having to be very choosy about where they're going to deploy working capital.

To learn more

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

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