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## CREDIT UNDER PRESSURE: HOW A SHIFTING AGRICULTURAL ECONOMY IS RESHAPING LENDING— AND REINFORCING FARMER MAC'S ROLE



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Economic uncertainty has a way of cascading—complicating decisions, disrupting planning, and testing resilience. Nowhere is that clearer right now than in agricultural lending.

Borrowers and lenders alike are navigating a difficult combination: persistently high interest rates, unpredictable rate movements, market volatility, and a farm economy under pressure. Credit standards are tightening. Trade strategies are shifting. And loan demand is rising even as repayment performance softens. In this environment, disciplined risk management is essential. So is continued access to flexible, reliable capital through stable sources like the secondary market.

This year has underscored how difficult it can be to anticipate where markets are headed. After the Federal Reserve trimmed interest rates three times in late 2024, momentum toward additional cuts appeared strong, then abruptly slowed. That pause—combined with uneven economic data, disruptions in some federal grant programs, and trade policy uncertainty—left many lenders second-guessing their assumptions.

It's no surprise, then, that volatility has been a defining feature of 2025. In April, inflation concerns and geopolitical headlines pushed the 10-year Treasury from about 4.0% to over 4.5% in a matter of days. The Merrill Lynch Option Volatility Estimate (MOVE) Index, which measures swings in U.S. Treasuries, spiked to nearly 140 in April<sup>1</sup> before easing into the high 70s by August. (Values above 100 indicate higher implied volatility.) In response, many lenders are reassessing how they maintain credit discipline without overreacting to short-term volatility.

And behind the data are real families and farm businesses facing financial strain, making it all the more important that lenders have tools to remain flexible and responsive. Chapter 12 bankruptcy filings (the chapter of the U.S. bankruptcy code specifically designed for family farmers, ranchers, and fishers) rose from a record low of 139 in 2023 to 216 in 2024, and 2025 is tracking higher. In the first half of 2025 alone, 181 new cases were filed.<sup>2</sup> Meanwhile, non-real estate farm loans are experiencing their highest default risk since 2020, according to the Federal Reserve Bank of Chicago.<sup>3</sup>

These pressures are shifting the credit landscape. Higher borrowing costs reduce cash available for principal repayment. Long-term planning has become more difficult for producers. As demand has outpaced credit availability, lenders have tightened collateral requirements.<sup>4</sup> The latest surveys from the Federal Reserve continue to show a reversion to average levels of repayment challenges, tightening credit, and growing scrutiny of land values as a secondary source of strength. For the second consecutive year, agricultural lenders reported producer liquidity (i.e., working capital), farm income declines, and input cost inflation as the top three concerns facing their borrowers in 2025, according to the 2025 ABA-Farmer Mac Agricultural Lender Survey.<sup>5</sup> Lenders are also keeping a keen eye on land valuations, aware that a slowing of equity growth can limit producers' ability to leverage land as collateral.<sup>6</sup> And though operating debt costs expectations for 2026 have dropped as a result of the two Federal Open Market Committee (FOMC) Federal Funds rate cuts in 2025 through November, medium and long-term interest rates remain persistently elevated, preventing many producers from seeing relief from interest expense.

Through all of this, secondary market access remains a stabilizing force. Lenders are looking for consistent, scalable tools that help them meet borrowers' needs while staying within prudent guardrails. Farmer Mac supports this work by offering liquidity, risk management tools, and credit solutions tailored to the agricultural economy's unique needs.

In a market defined by rising costs and unpredictable rates, Farmer Mac remains focused on delivering consistent access to capital. As the premier secondary market partner to agricultural lenders, we help lenders navigate credit challenges, preserve liquidity, and ensure producers can access the capital they need to keep their operations running. By providing flexible credit solutions that reduce exposure and strengthen lending capacity, Farmer Mac helps maintain a stable flow of credit—even in the most uncertain times.

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<sup>1</sup> "Fixed Income Outlook: Cool and Cloudy." June 4, 2025, Charles Schwab Asset Management.  
<https://www.schwabassetmanagement.com/story/fixed-income-outlook>

<sup>2</sup> Wolf, A. and Whitley, S. "Trump Policies Add to Farming Distress as Bankruptcies Increase." April 21, 2025, Bloomberg Law.  
<https://news.bloomberglaw.com/bankruptcy-law/trump-policies-add-to-farming-distress-as-bankruptcies-increase>

<sup>3</sup> Oppedahl, D. and Kepner, E. AgLetter, February 2025. Federal Reserve Bank of Chicago.  
<https://www.chicagofed.org/publications/agletter/2025-2029/february-2025>

<sup>4</sup> Kreitman, T. and Mastrianni, M. "Gradual Deterioration in Agricultural Credit Conditions Continues." June 4, 2025, Federal Reserve Bank of Kansas City.  
<https://www.kansascityfed.org/agriculture/agfinance-updates/gradual-deterioration-in-agricultural-credit-conditions-continues/>

<sup>5</sup> American Bankers Association and Farmer Mac. Agricultural Lender Survey. November 2025.  
<https://www.farmermac.com/wp-content/uploads/2025-AgLender-Survey.pdf>

<sup>6</sup> Bouma Kohlsdorf, B. "USDA: Farm Real Estate Values Still Rising but Slowing." August 15, 2025, American Farmland Owner.  
<https://www.americanfarmlandowner.com/post/usda-farm-real-estate-values-still-rising-but-slowing>



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