AG ECONOMY BAROMETER
PURDUE UNIVERSITY · CME GROUP

U.S. Farmers' Retain Optmistic Outlook for 2025 Despite Ag Trade Uncertainty

February 4, 2025 | Michael Langemeier and James Mintert, Purdue Center for Commercial Agriculture

U.S. farmers retained their post-election optimistic outlook at the start of the new year as the January *Purdue University-CME Group Ag Economy Barometer Index* rose 5 points above a month earlier to a reading of 141. The barometer's rise was primarily attributable to a 9-point rise in the *Current Conditions Index,* while the *Future Expectations Index* rose just 3 points. Compared to recent surveys, fewer producers this month pointed to lower crop and livestock prices as a top concern, which helped explain why producers felt better about the current situation. The shift in attitudes was attributable in part to an improvement in crop prices from the time of the December to the January survey. For example, Eastern Corn Belt prices for near-term delivery of corn and soybeans rose 9% and 5%, respectively, from early December to mid-January. Although producers' appraisal of the current situation improved in January, U.S. farmers remain markedly more optimistic about the future than the current situation, as the *Future Expectations Index* this month was still 47 points above the *Current Conditions Index*. The January barometer survey took place from January 13-17, 2025.

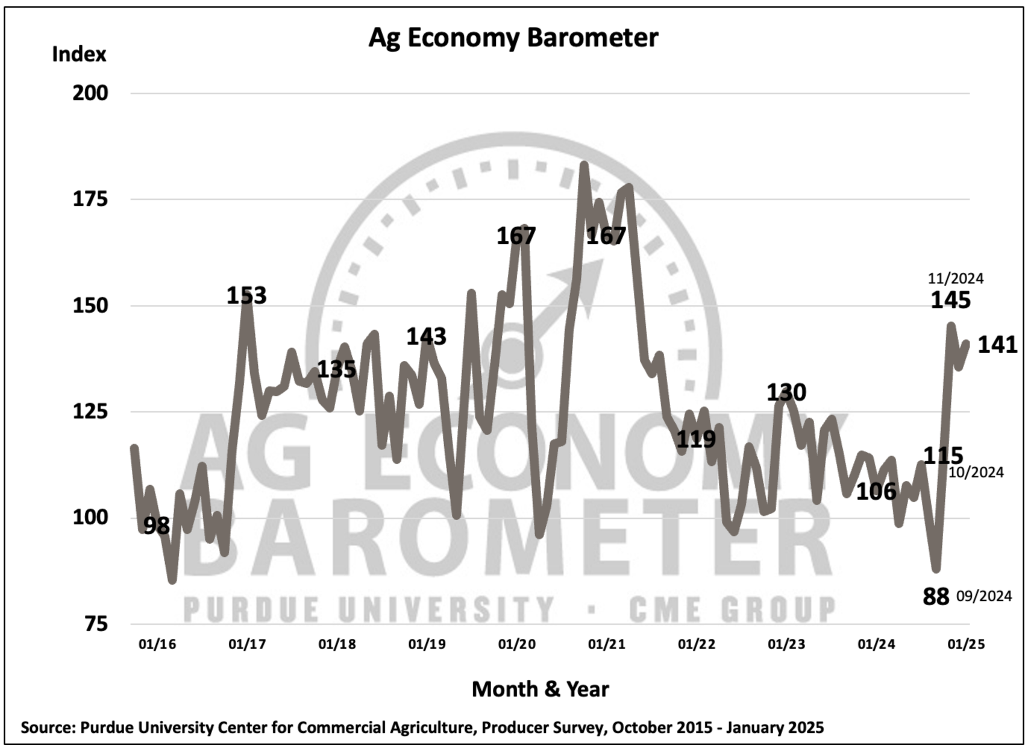

Figure 1. Purdue/CME Group Ag Economy Barometer, October 2015-January 2025.

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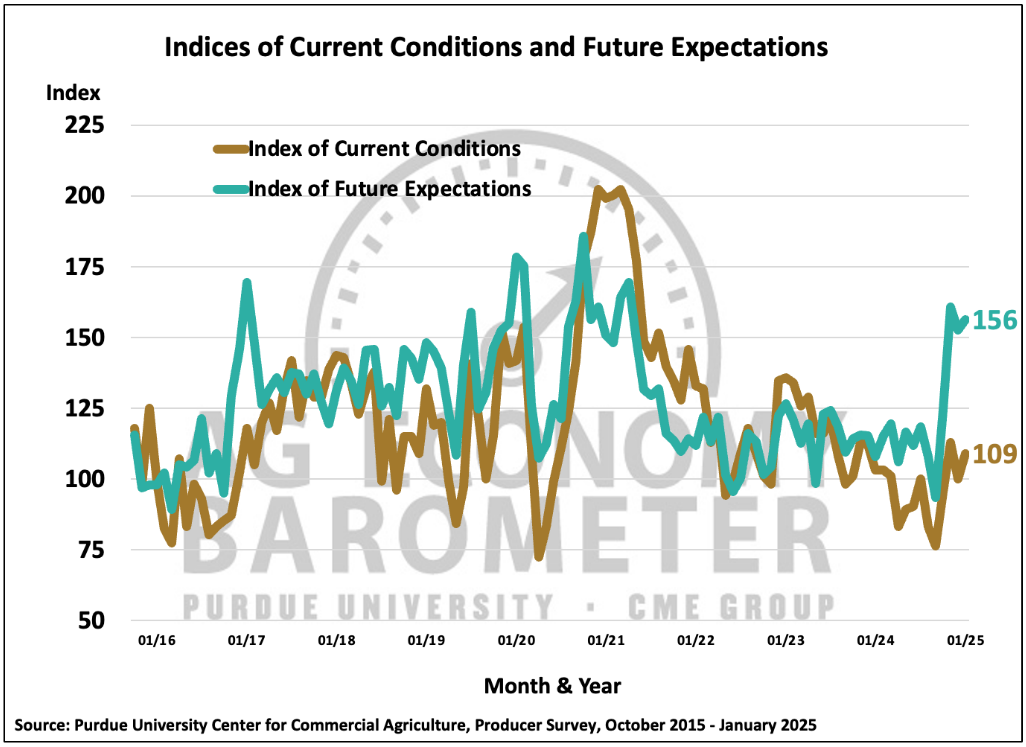

Figure 2. Indices of Current Conditions and Future Expectations, October 2015-January 2025.

The *Farm Financial Performance Index* rose 13 points in January, mirroring the rise in the *Current Conditions Index*. The increase in the financial performance index signals that, on average, producers expect 2025 to be a better year than 2024. The *Farm Capital Investment Index,* at a reading of 48 in January, was unchanged compared to a month earlier. The investment index continues to be notably stronger than last summer when it dipped to a low of 31, with this month's index the second-highest reading of the last three years. Optimistic expectations for the future appear to be behind the strength in the investment index, but it remains to be seen whether producers' improved attitude translates into more farm machinery and new construction investments.

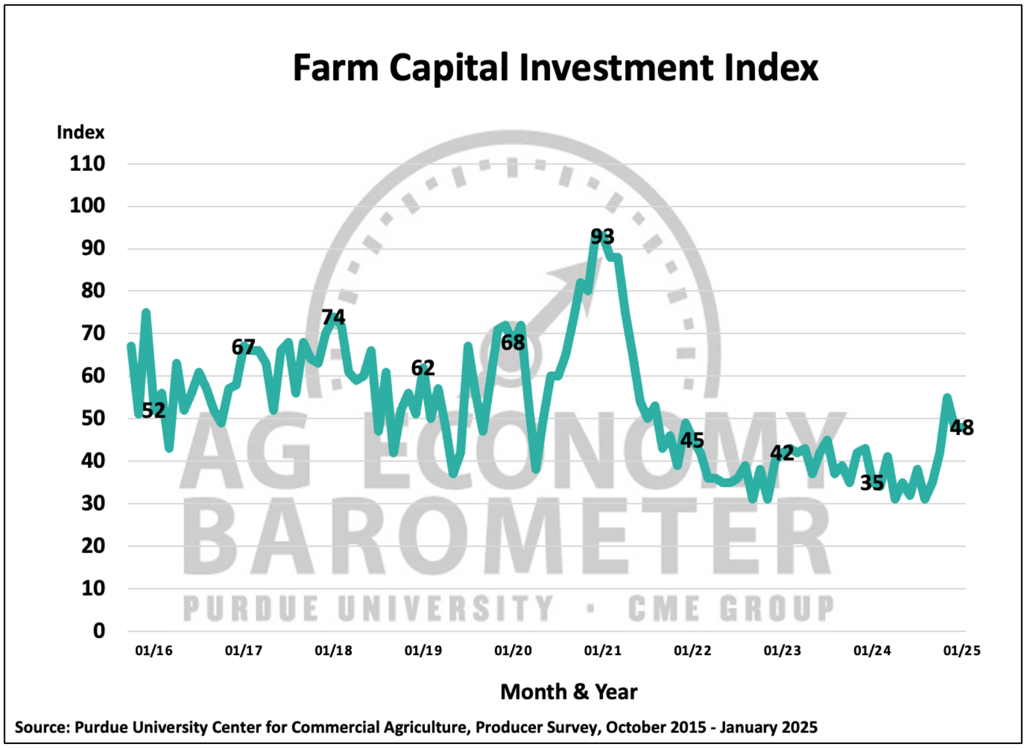

Figure 3. Farm Capital Investment Index, October 2015-January 2025.

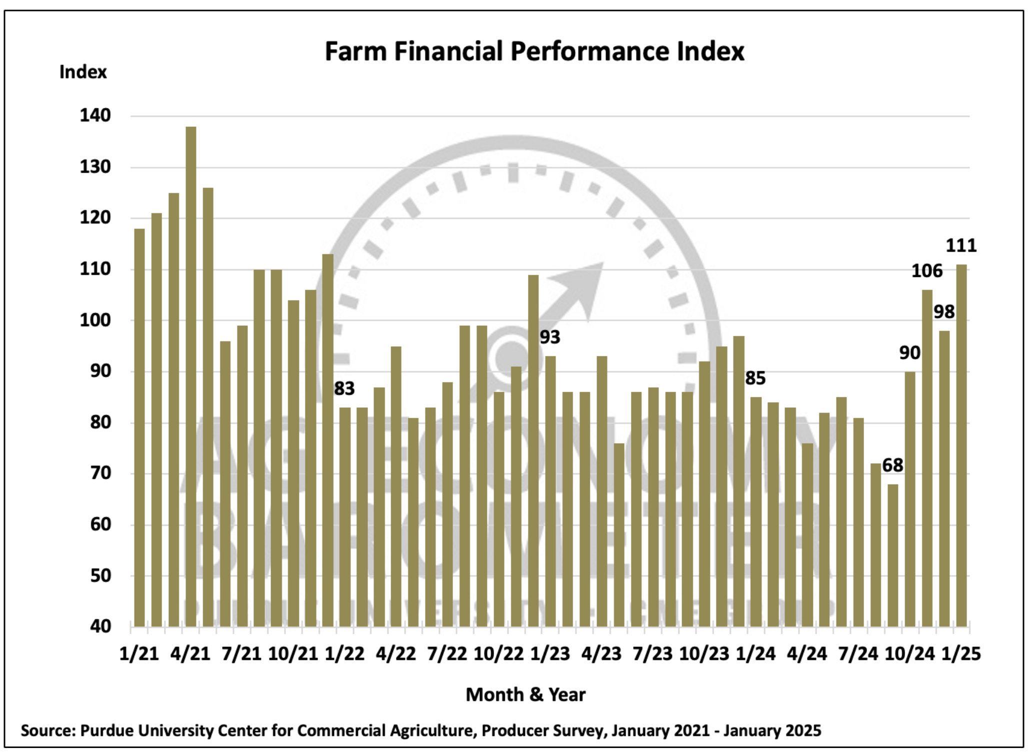

Figure 4. Farm Financial Performance Index, January 2021-January 2025.

The *Short-Term Farmland Value Expectations Index* rose by 5 points to 115 in January as the index reverted to the same reading as in November. Farmers' confidence that farmland values will continue to rise dipped late last summer when crop prices were weakening but recovered sharply in October. Since October, the index has fluctuated between values of 110 to 120. The modest improvement in the index this month was attributable to an increase in the number of producers who said they expect values to rise, while fewer producers said they expect values to remain about the same. The *Long-Term Farmland Value Expectations Index,* which is derived from a question that asks producers to look ahead five years, fell 5 points in January to 150. This still leaves the long-term index 8 points higher than its low for the last 12 months, which was in August of last year.

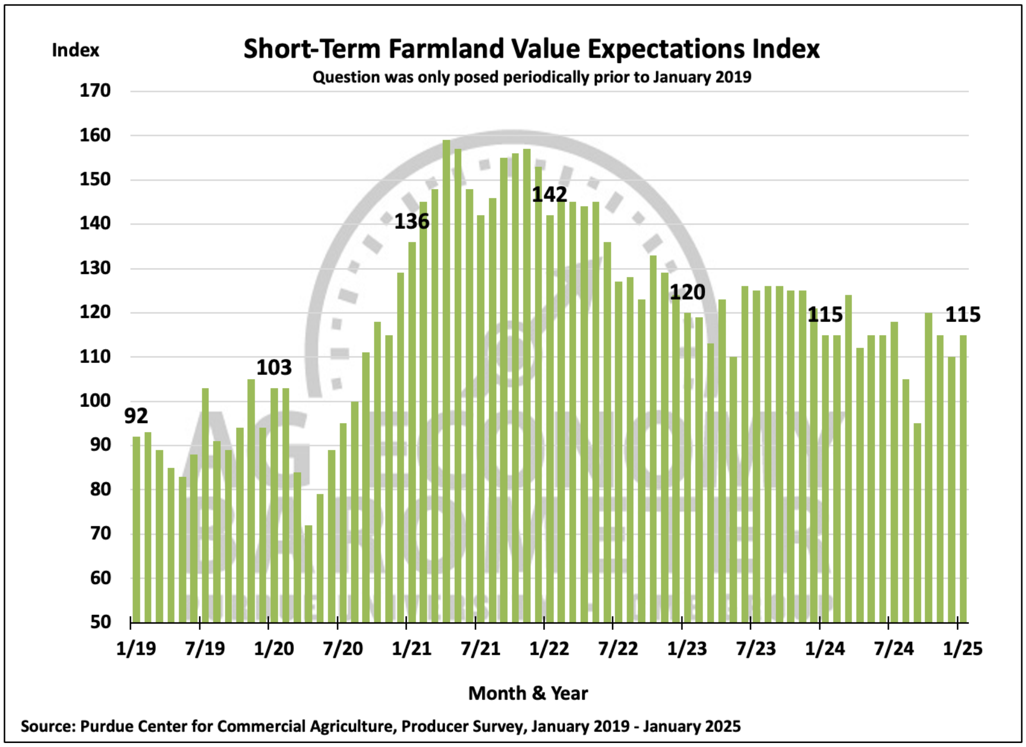

Figure 5. Short-Term Farmland Value Expectations Index, January 2019 - January 2025.

Since 2020, each January barometer survey has included questions about farmers' operating loans for the upcoming year. The percentage of respondents who said they expect to have a larger operating loan this year compared to a year ago rose to 18%, up slightly from last year's 15%. In a follow-up question, producers who expect to have a larger loan were asked why their loan size was increasing. This year, 23% of farmers who expect their loan size to increase said it was because they were carrying over unpaid operating debt from the prior year, up from 17% last year and just 5% two years ago. The shift is reflective of the decline in farm income, particularly crop income, that has taken place in the last two years and could be an early sign that financial stress among producers is increasing.

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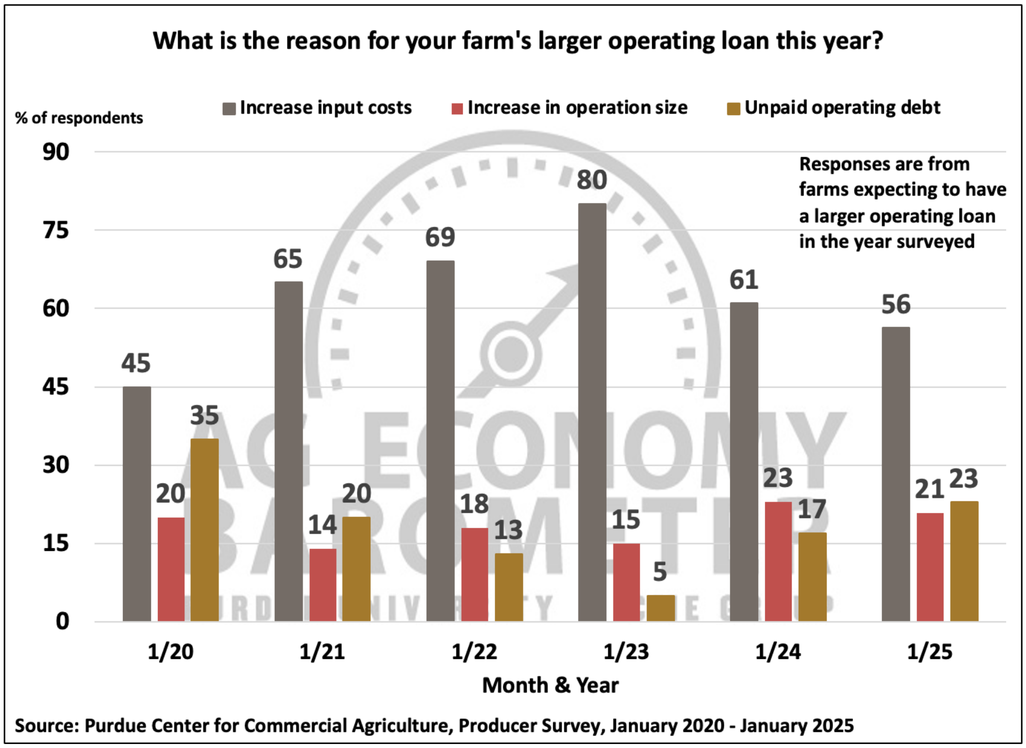

Figure 6. Reasons for Increasing Farm Operating Loan Size, January 2020-January 2025.

The future of agricultural trade is on many producers' minds. When asked in January which policy or program will be most important to their farm in the next five years, 42% of respondents chose "trade policy," which was more than double the percentage who chose "crop insurance program." Unsurprisingly, there is significant concern among U.S. farmers that a trade war could break out that negatively impacts U.S. ag exports, although attitudes did appear to shift from December to January. Over the last three months, the percentage of U.S. producers who think a trade war is either "likely" or "very likely" has ranged from a high of 48% in December to this month's low of 40%. Meanwhile, the percentage of producers who think a trade war is either "unlikely" or "very unlikely" rose to 29%, up from 21% in December.

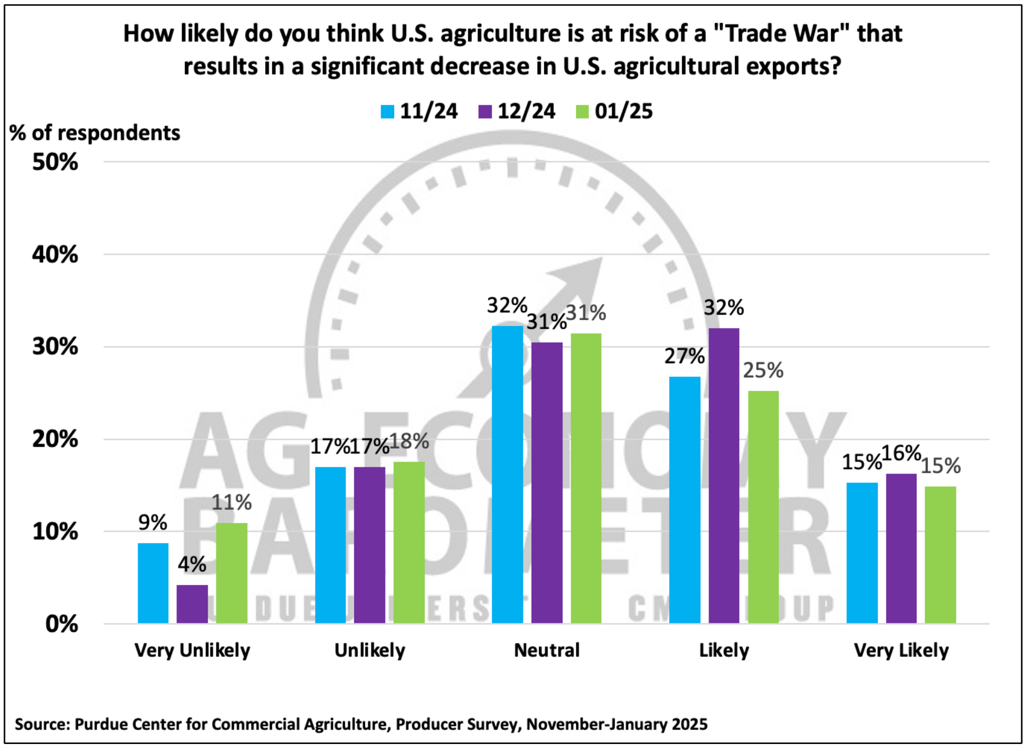

Figure 7. Likelihood that U.S. Agriculture is at Risk of a Trade War, November-January, 2025.

Leasing of farmland for solar energy production continues to increase. In this month's survey, 11% of producers said that within the last 6 months, they had discussed leasing farmland they own for solar energy production. According to survey respondents who engaged in discussions, lease rates offered by solar energy companies were generally higher in 2024 and 2025 than in prior years, with 40% of this month's respondents reporting offers of $1,250/acre or more, and 26% reporting lease rate offers of $1,500/acre or more. Fifty-four percent of respondents reported that contract offers included an escalator clause. There was some variability in the escalator clauses, with the most commonly reported range being 2 to 3% per year, while some respondents reported payment escalators of 3 to 4% per year. Overall, 3% of the January barometer survey respondents said that either they or one of their landowners had signed a solar lease.

Wrapping Up

Farmer sentiment remained strong at the start of the new year, rising modestly from December to January. Farmers reported an improvement in current conditions on their farms due in part to increases in crop prices from early December to mid-January. Farmers expect conditions to improve as the *Future Expectations Index* remains well above the *Current Conditions Index*. U.S. producers expect 2025 to be better than 2024, as the *Farm Financial Performance Index* is at its highest level since late 2021. However, producers are concerned about the future of agricultural trade, with over 40% of respondents citing "trade policy" as the most important policy for their farm in the next five years and 40% of producers saying that they think a trade war is either "likely" or "very likely."