

FARM ECONOMY IN CRISIS WHAT BANKERS MUST WATCH IN Q4 2025

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Agriculture remains a cornerstone of the U.S. economy, but farmers today face mounting pressures: falling commodity prices, rising input costs, unpredictable weather, and shifting global trade dynamics. These challenges are rippling into bank portfolios, putting ag lenders under increasing examiner scrutiny.

This white paper distills insights shared by **Brad Stevens**, banking consultant and nationwide trainer, alongside **Kerry Ronquillo** of Suntell and the Square 1 Credit Suite. Brad analyzes today's ag lending environment, outlining examiner expectations and key portfolio risks. Kerry shares how technology platforms can standardize monitoring, support compliance, and strengthen long-term ag portfolio health.



Brad Stevens

Stevens Risk Management



Kerry Ronquillo

Suntell
kronquillo@suntell.com

The State of the Farm Economy

Commodity Pressures:

- Corn prices are down **39%** in two years; soybeans and wheat have both dropped **30%**.
- Inflation has raised input costs by nearly **16%**, with certain tariffs and supply-chain factors pushing ag costs up **19%** more.
- As a result, farm **income in the central U.S. has fallen by 22%**, leaving many borrowers dependent on subsidies.

Livestock Snapshot

- **Cattle:** Prices remain high due to drought-driven supply constraints, but sustainability depends on market timing. Threats such as the screwworm could disrupt production.
- **Hogs:** Strong balance of demand and supply, with exports still resilient.
- **Poultry:** Egg prices normalized after bird flu disruptions, though spring migration in 2026 could spark a resurgence.

Regional and Structural Factors

- Persistent drought in eastern Montana, New Mexico, and northern California threatens yields and ranching operations.
- Larger farms continue to consolidate as smaller borrowers exit.
- Government subsidies ballooned from **\$10 billion to \$40 billion** annually, masking deeper structural issues.

Portfolio Risks for Community Banks

Rising Loan Levels and Carryovers

- Many borrowers rolled over 2023–24 crop loans rather than repaying, driving up debt.
- Agricultural delinquency rates remain deceptively low only because of subsidies and loan rollovers.
- Charge-offs, currently ~0.18%, are expected to double by 2026.

Collateral and Land Values

- Farmland values, once a safety net, are now slipping in states like Minnesota, Iowa, and Nebraska.
- Overreliance on land collateral could create false confidence if values continue to fall.

Fraud and Forwarding

- Cases of “crop forwarding,” selling pledged crops outside bank channels, are increasing.
- Examiners are emphasizing **collateral verification**, including moisture testing, physical inspections, and updated valuations.

Examiner Priorities

Regulators are zeroing in on:

- **Accuracy of risk ratings** — examiners expect realistic classifications (special mention, substandard, doubtful).
- **Collateral verification** — on-site inspections, updated valuations, and proof crops are intact.
- **Rollover loan practices** — excessive extensions without restructuring may trigger findings.
- **Documentation** — consistent file comments and evidence of borrower engagement.
- **Action plans** — banks must demonstrate strategies for workout, debt reduction, and future risk.

Defensive Measures for Lenders

Brad Stevens emphasizes that “hope is not a plan.” Banks and credit unions should take proactive measures now:

- **Site visits and documentation:** Verify stored crops, monitor livestock conditions, and track drought impacts.
- **Deposit account monitoring:** Watch bleed rates and activity to ensure borrowers aren’t shifting funds elsewhere.
- **Renegotiation over rollover:** Reset terms on carryover loans rather than repeatedly extending.
- **Legal review:** Identify and correct loan-document deficiencies before adversarial action.
- **Early communication:** Set expectations for 2026 crop financing and stress-test cashflows today.

Technology as a Risk-Management Partner

Kerry Ronquillo shares that **Square 1 Credit Suite** supports ag financial institutions by embedding examiner-ready processes into daily operations:

- **Centralized credit files** to track valuations, collateral inspections, and carryover loans.
- **Risk rating scorecards** to enforce consistent classifications across relationships.
- **Inspection and field reports** for documenting farm visits.
- **Exception tracking** to ensure files remain complete and updated.
- **Cashflow and stress testing** with scenario analysis for 12-month and annual budgets.
- **Follow-up reminders** to enforce borrower meeting schedules and action plan reviews.

By consolidating underwriting, servicing, and risk oversight into one system, financial institutions gain examiner-ready transparency and improved portfolio health.

Outlook 2025–2026

- **Commodity prices:** Limited optimism for recovery; global competitors (Brazil, Argentina) erode U.S. market share.
- **Real estate:** Farmland values and rents likely to fall rapidly, especially in the Midwest.
- **Cattle:** Strong pricing may last two to three years, depending on drought patterns.
- **Pork & Poultry:** Stability in hogs; poultry remains vulnerable to **disease outbreaks**.
- **Macro conditions:** Potential economic slowdown in late 2025–26 could further stress off-farm employment income.

The farm economy is entering a period of sustained stress. Falling commodity prices, rising debt levels, and weakening collateral values demand vigilance. Examiners will expect accurate risk ratings, updated collateral reviews, and proactive workout plans.

Community banks that implement forward-looking practices including site visits, stress testing, and consistent documentation will be better positioned to weather the downturn. Platforms like the Square 1 Credit Suite powered by Suntell provide the infrastructure to standardize risk management, strengthen compliance, and transform examiner readiness into a strategic advantage.