

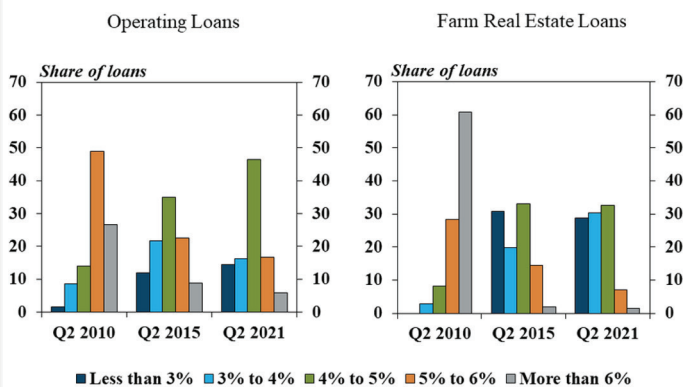
## Interest Rates for Operating Loans Rise Slightly From All-Time Lows



**I**nterest rates on agricultural loans made by commercial banks increased slightly for some types of lending, but remained historically low through the first half of 2021.

The average rate on non-real estate loans was about 30 basis points higher than the all-time low reached at the end of 2020 and the uptick was largely consistent across loan types. In contrast, average rates on farm real estate loans continued to decline and marked another historic low. Rates also remained comparatively low at the largest commercial banks and those lenders offered a sizeable discount for the lowest risk loans, while smaller lenders continued to provide similar accommodation regardless of riskiness.

### Distribution of Interest Rates on Agricultural Loans



Sources: Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City.

Despite the slight increase in rates for operating loans, the historically low interest rate environment and muted demand for agricultural lending suggests that interest expenses have remained low relative to recent years.

Profitability in the sector also continued to be supported by strong prices for most major commodities. The slight decline in financing costs for farm real estate may also provide ongoing support to farmland values.

With the exception of some persistent headwinds for the cattle industry and producers impacted by drought, the outlook for the agricultural economy in 2021 remained strong through the second quarter.

### For more information:

To access the complete Federal Reserve Agriculture Ag Credit Survey report, see: <https://kansascityfed.org/agriculture/agfinance-updates/interest-rates-for-operating-loans-rise-slightly-from-all-time-lows/>