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WORKING THROUGH VOLATILITY



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Lenders know that when the dollar drops—as it did by roughly 11% in the first half of 2025¹—it’s normally good news for agriculture. A cheaper dollar usually means U.S. crops and livestock cost less overseas, exports pick up, and farm income gets a lift. That typically shows up as stronger cash flow and steadier loan repayments.

But this year, that’s not what lenders are seeing on the ground. Tariffs and trade disruptions are limiting export gains and driving exchange rate swings, keeping farm income uneven despite a weaker dollar. While the USDA expects net farm income to jump 29.5% in 2025, much of that increase is driven by one-time government payments—a “misleading rebound,” according to the American Farm Bureau Federation.² Looking ahead, the dollar may remain under pressure as U.S. growth slows, monetary policy is expected to loosen, and trade tensions persist,³ especially if inflation remains elevated and the Fed is expected to continue easing.

Recent trends also point to a growing divide across the agricultural economy. Livestock, cattle, dairy, and other protein producers are seeing continued strength, while grain and oilseed producers—especially those more reliant on exports—are facing oversupply, weaker prices, and unpredictable operating margins. That volatility is putting pressure on some farmers’ ability to meet loan obligations, particularly in regions where trade exposure is higher. With exports accounting for more than 20% of the value of U.S. agricultural production, according to the USDA,⁴ shifts in global demand and market access can quickly reshape the landscape for lenders. In response, many lenders are rethinking credit risk, reworking terms, and looking for solutions that can help them keep capital flowing—without pulling back.

These pressures have been visible for some time, though they aren’t universal. Earlier this year, lenders in several areas were already having difficult conversations about workout plans and cash flow. Some operations in the Southeast were in their third or fourth year of tight conditions; in parts of the Midwest, working capital was decreasing faster than usual. Congress has since taken steps to strengthen the farm safety net—updating reference prices, reinforcing USDA guarantees, and expanding targeted relief efforts. However, it’s important to note that while these measures are positive, most will take effect for the 2026 crop year, offering little immediate relief for producers and lenders facing current pressures. As a result, these regional strains remain a key source of pressure for lenders and borrowers alike.

In addition, input costs remain a key stress point for many producers. Tariffs and trade frictions with key partners (including Canada, Mexico, and China) have pushed up prices for fertilizer, equipment, and seed—further straining margins.⁵ Labor costs, repair and maintenance, and key equipment purchases are also at significant highs, and according to USDA data, total production-expense outlays are more than \$100 billion greater than they were in 2020.⁶ At the same time, some cost pressures remain volatile (fuel, fertilizer) while others appear more persistent (machinery, labor, interest). The war between Israel and Iran in June 2025 (and the accompanying oil- and supply-chain-shock risk) served as a reminder of how quickly cost shocks can emerge.⁷

Even as some input prices have eased, it appears volatility is becoming a more permanent feature of the market. For lenders, that means finding ways to adapt, not only to short-term pressure but to longer-term shifts in how risk shows up across geographies, commodities, and borrower needs.

Farmer Mac’s role in this environment remains consistent: We help lenders manage capital and concentration risks so they can keep supporting their customers through the cycle. Our tools aren’t a one-size-fits-all solution, and we know not every challenge has a simple fix. But by providing steady, reliable liquidity, we aim to help lenders stay positioned to meet credit needs across the agricultural economy, in upturns and downturns alike.

¹ “The Depreciation of the Dollar.” August 6, 2025, Morgan Stanley Research.
<https://www.morganstanley.com/insights/articles/us-dollar-declines>

² Munch, Daniel. “Disaster Assistance Fuels 2025’s Farm Income Rebound.” February 10, 2025, Farm Bureau.
<https://www.fb.org/market-intel/disaster-assistance-fuels-2025s-farm-income-rebound>

³ “Currency volatility: Will the U.S. dollar regain its strength?” July 28, 2025, J.P. Morgan Global Research.
<https://www.jpmorgan.com/insights/global-research/currencies/currency-volatility-dollar-strength>

⁴ “How important are exports to the U.S. agricultural sector?” FAQs, updated July 18, 2025, U.S. Department of Agriculture Economic Research Service.
<https://www.ers.usda.gov/faqs#Q10>

⁵ “Falling affordability to cut U.S. fall fertilizer demand.” July 21, 2025, Argus Media.
<https://www.argusmedia.com/en/news-and-insights/latest-market-news/2712536-falling-affordability-to-cut-us-fall-fertilizer-demand>

⁶ “USDA Says High Farm Production Costs Not Easing In 2024.” July 13, 2023, United States Senate Committee on Agriculture, Nutrition, & Forestry.
<https://www.agriculture.senate.gov/newsroom/minority-blog/usda-says-high-farm-production-costs-not-easing-in-2024>

⁷ Bacon, Auzinea. “America’s economy faces a new war shock: Surging oil prices.” June 22, 2025, CNN.com.
<https://www.cnn.com/2025/06/22/business/oil-prices-iran-strikes>



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