How Will The Ag Economy Climb Out of Its Bottom?

There's light at the end of the tunnel, but we might not see it completely turn around for two to three years," says Grant Gardner, University of Kentucky ag economist.

By **Margy Eckelkamp**
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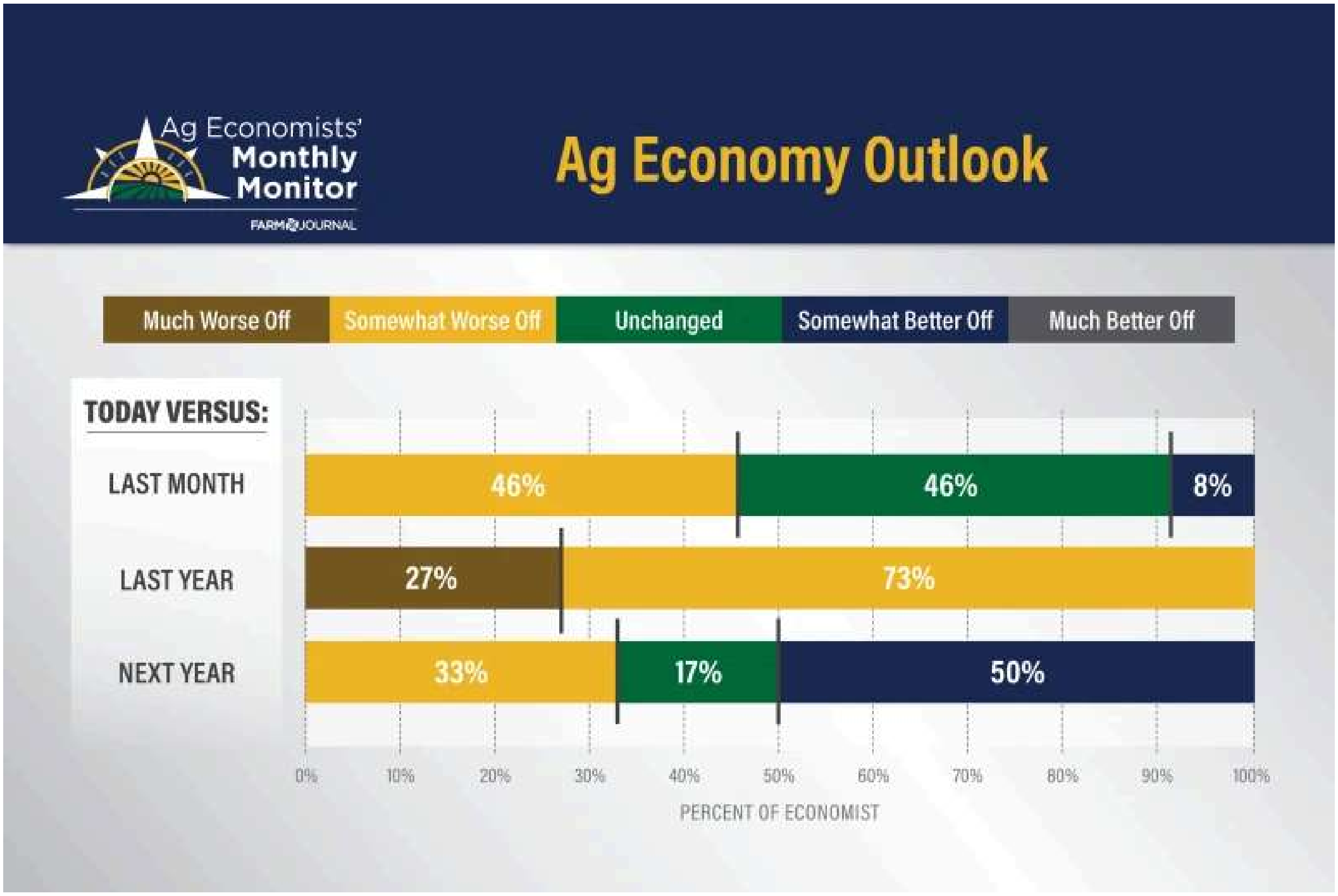

46% of ag economists say the economy situation is "somewhat worse off" compared to last month and 27% say it's "much worse off" compared to last year. (Lindsey Pound, September Ag Economists' Monthly Monitor)

According the latest Ag Economist's Monthly Monitor, all respondents say the U.S. ag economy is in worse shape than one year ago (27% much worse off, 73% somewhat worse off). As this year marks the third year or economic hardships for many row crop producers, economists believe we might have found the bottom of this ag cycle.

"We've got to bridge the gap to next year, where things look better from the policy perspective," says Grant Gardner, University of Kentucky ag economist. "From that point on, it's about what farmers can weather, and if we can get a bump to push beans to $11 cash price and see cash $5 corn. That's what's needed with input prices today,"

Perhaps the biggest question beyond how long farmers can persist through the tough conditions is what it will take to bounce out of this recession. Ag economists point to more than a handful of factors impacting profitability for row crop farmers, including low grain prices, high input costs and trade uncertainty.

"The current era of relatively low commodities prices can be defined not as prices relative to historical prices, but the price ratio to input costs," says Ben Brown from the University of Missouri. "The financial burden of these low price ratios to input cost situations becomes particularly acute when consecutive years are stacked together — as we are seeing now."

Long-Term Solution

Ag economists point to one action that would inject positivity in the outlook for row crop profitability — a trade deal with China. Based on the September survey, 77% say current U.S.-China trade policies hurt farmers, but uncertainty still looms as 54% think China will buy U.S. soybeans in 2025.

"It's fair to say a trade deal with China is the silver bullet," says Michael Langmeier at Purdue University. "Trade uncertainty hurts farmers short-term and long-term. We've already hurt our export prospects for '25. We are so far behind. Long term I worry about losing market share for China."

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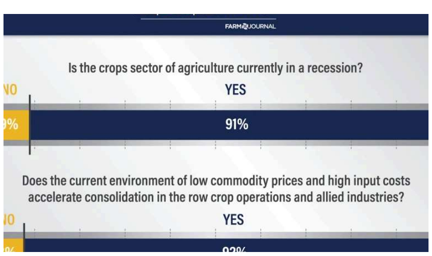

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Langemeier says Brazil has been expanding soybean production since 2018 and could become China’s sole supplier of soybean imports.

Gardner echoes the importance of China for soybeans.

“The best hope we have — a trade deal with China,” Gardner says.

While Brown agrees there’s no 1-for-1 substitute for China when it comes to trade, he’s optimistic for expanding efforts to additional export countries and building domestic demand.

“There has been a lot of talk about reshuffling the deck and effectively trading players. That will happen to a point, but there is not a full substitution — we call this “slippage.” If we can’t replace China, can we reconstruct them?” Brown says. “I would argue we can. It comes in a variety of small changes that seem inconsequential but add up.”

He says while none of these examples individually equal China’s tons, they help consume the abundant supply of U.S. crops: increased support for domestic biofuels use, more research and development around products using soybean by-products and lowering restrictions and red tape on other international countries.

Short-Term Solution

From the September monthly monitor, 62% of economists say direct government payments would provide meaningful relief, though many believe challenges are too severe for short-term fixes.

“Short term, the pain is here,” Langemeier says. “Having an MFP payment is going to get us over the hump.”

He cites 50¢ to 75¢ per acre would be an “immense” help, which is lower than the 80¢ to 90¢ payments in 2018.

“When you look at the ARC and PLC programs, the One Big Beautiful Bill upped some of the payments. But payments won’t come until October 2026. Farmers need the payments now. There’s an urgency. Net income in 2024, 2025 and 2026 is ugly. This isn’t like 2014 to 2019, when only one year was bad — 2015. This is just as bad, but we’ve got three years in a row,” Langemeier says.

Brown and Gardner agree there’s a lot at stake with the current conditions and farmers could go out of business.

“My sense is there are farms that will go out of business regardless of if there are payments or not,” Brown says.

Gardner says the current financial support being discussed for farmers won’t equal profitability for farmers, but rather just survivability.

“If you look at where the payments were recently, it may cover some loss, and it may cover enough loss to keep a farmer producing into the next calendar year, but it won’t make them whole. There’s still going to be a loss,” Gardner says.