



Farmer sentiment improves as interest rate expectations shift

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WEST LAFAYETTE, Ind., April 2, 2024 /PRNewswire/ -- U.S. farmers' outlook improved in March as the [Purdue University/CME Group Ag Economy Barometer](#) index increased to 114, marking a 3-point rise from February. While the Index of Current Conditions fell by 2 points to 101, the Index of Future Expectations climbed to 120, up by 5 points from February. The disparity between current and future indexes was primarily influenced by farmers' perceptions of a financial downturn taking place in the past year, coupled with some expectations for improvement over the next 12 months. The March survey was conducted from March 11-15, 2024.

"Producers' expectations for interest rate changes have shifted, which could help explain why producers look for financial conditions to improve," said [James Mintert](#), the barometer's principal investigator and director of Purdue University's [Center for Commercial Agriculture](#).

This month 48% of respondents said they expect a decline in the U.S. prime interest rate over the next year, up from 35% in December. Just one-third (32%) foresee an increase, compared to 43% last month. Only 20% of respondents this month identified the risk of rising interest rates as a primary concern, a decrease from the 24% recorded December 2023. High input costs continue to be producers' No. 1 concern, with 36% of respondents expressing worry.

The Farm Capital Investment Index increased by 7 points this month, indicating growing optimism among producers about making large investments. Producers who said it is a good time for a large investment rose to 15%, up 11% from the start of the year. This optimism is fueled by producers who pointed to strong cash flows on their farms, coupled with higher dealer inventories for farm machinery. However, some producers still feel hesitant to invest due to concerns about high costs for machinery and construction and high interest rates.

Producers displayed a more optimistic short-term outlook on farmland values in March, with the Short-Term Farmland Values Index rising to 124, a 9-point increase from the previous month. This month, 38% of producers expect farmland values to increase in the coming year, compared to 31% in January and February.

"Factors contributing to this optimism included non-farm investor demand, inflation expectations and strong cash flows. An improved interest rate outlook might have been a factor as well, although producers didn't point to that explicitly in this month's survey," Mintert said.

More farmers this month (24%) said they believe farmland prices will go up because of inflation expectations compared to last month (18%). There was also a slight increase in producers citing strong cash flows (8% in March versus 6% in February) as a reason, and a modest decline in the number of producers who mentioned non-farm investor demand as a major factor influencing the farmland market. However, despite this decline, 57% of producers still consider non-farm investor demand the primary reason for their bullish outlook on farmland values.

Interest in using farmland for carbon sequestration or solar energy production appears to be increasing. In this month's survey, nearly 1 out of 5 respondents (18%) said they or their landowners had been approached about carbon capture utilization and storage on their farmland. Additionally, 12% of this month's respondents said they had discussions with companies interested in leasing farmland for a solar energy project in the last six months, compared to 10% in February. When it comes to long-term farmland lease rates offered by solar energy companies, 54% of respondents this month said they were offered \$1,000 or more per acre, while just over one-fourth (27%) were offered \$1,250 or more per acre.

The March barometer also revealed that many farmers are concerned about potential government policy changes affecting their farms following this year's elections. Forty-three percent of respondents anticipate more restrictive regulations for agriculture. Additionally, 4 out of 10 (39%) producers expect taxes impacting agriculture to rise.

About the Purdue University Center for Commercial Agriculture

The [Center for Commercial Agriculture](#) was founded in 2011 to provide professional development and educational programs for farmers. Housed within Purdue University's Department of Agricultural Economics, the center's faculty and staff develop and execute research and educational programs that address the different needs of managing in today's business environment.

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SOURCE CME Group

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