Farm Bankruptcies This Year Already Exceed 2024 Levels

By
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MEREDITH OPERATIONS CORP.

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More farms nationwide filed for bankruptcy in the first three months of the year this year than across the entirety of 2024. That's according to new research from University of Arkansas System Division of Agriculture extension economist Ryan Loy, which also shows that the 259 filings in the first three months of 2025 are the most in any year since 2021.

"'We've had 259 filings in the United States so far this year,' Loy said," according to reporting from the University of Arkansas System Division of Agriculture's Mary Hightower. "'And that's just through the first quarter of this year. We've already beat last year in terms of national filings,' he said. 'Once you see this on a national level, it's a clear sign that financial pressures that we saw before in 2018 and 2019 are kind of reemerging.'"

"Filing under Chapter 12 of the federal bankruptcy code gives farmers and family fishermen an opportunity to propose and carry out a plan to repay all or part of their debts," Hightower reported. "...Chapter 12, introduced in 1986 at the height of the farm crisis, was designed with farms in mind and offers an alternative to a Chapter 7 filing, which a farm's assets are liquidated to pay creditors."

"In 2019, there were 599 Chapter 12 filings across the U.S., which was the highest in at least the past decade. However, by 2021, that number declined to 276," Hightower reported. "'That drop was due in part to some of that pandemic-related assistance and stronger commodity prices at that time,' Loy said. '...But now, we've really reversed course.'"

Why Are Bankruptcy Filings Up?

"A large part of the pressure stems from the fact that 'commodity prices are back at levels where they were in the 2018-2019 era,' said Scott Stiles, extension economics program associate for the Division of Agriculture," Hightower reported. "Adding to the pressure cooker are input costs — seed, fertilizer, pest management tools and diesel — that never seem to decline much or for a long period."

"'There are (also) concerns about the trade environment that we're in,' Stiles said," according to Hightower's reporting. "'There have certainly been a lot of weather challenges.'"

AgWeb's Margy Eckelkamp reported that "with higher input costs and lower commodity prices, row crop farmers have used cash reserves and working capital."

"'It tough because it's [working capital] already been burnt through, and that's your first offense against commodity price volatility,' (Ag Resource Management's Ashley) Arrington says," according to Eckelkamp's reporting. "'I saw last year when cash was really starting to get depleted, and some people who should have addressed their problems last year, kicked the can down the road. And then this year, we can't get anything done for them because it's just too far upside down.'"

"...When asking ARM farmer customers who didn't renew business with the ag lender the reason why, it wasn't because they switched lenders," Eckelkamp reported. "'When we were asking that question, 'Why haven't these people applied with us again?' One of the biggest reasons why is they were no longer farming, and that's the largest amount I've really ever seen in my career,' Arrington says."

Loan Repayment Rates Lower Compared to Last year

The Federal Reserve Bank of Chicago's David Oppedahl, and Elizabeth Kepner wrote in May that "district agricultural credit conditions weakened during the first quarter of 2025. Repayment rates for non-real-estate farm loans were much lower in the January–March period of 2025 compared with a year ago, and the renewals and extensions of these loans were higher."

"In the first quarter of 2025, demand for non-real-estate farm loans relative to a year ago was up for the sixth consecutive quarter, while the availability of funds for agricultural lending relative to a year earlier was down for the eighth consecutive quarter," Oppedahl and Kepner reported. "At 61 (its lowest value since the first quarter of 2020), the index of repayment rates for non-real-estate farm loans was down from a year ago for the sixth consecutive quarter; 39% of responding bankers observed lower rates of repayment for the first quarter of 2025 relative to the first quarter of 2024, and no bankers observed higher rates."

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