

# News Release

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## **IS THIS FARM BOOM DIFFERENT? KANSAS CITY FED RESEARCH EXPLORES AGRICULTURE'S BOOM AND BUST CYCLES**

U.S. agriculture is notorious for its golden eras. History has shown, though, that golden eras fade.

Today, U.S. agriculture is in the midst of another farm boom. Could this time be different? Omaha Branch Executive Jason Henderson explores this question in recent articles for the Federal Reserve Bank of Kansas City's *Main Street Economist* and *Economic Review*.

During the 1910s, 1940s and 1970s, U.S. agriculture experienced soaring export demand, which boosted farm profits. At the same time, low interest rates quickly translated rising incomes into booming farmland values, especially during the 1910s and 1970s. Past prosperity wilted, however, as global demand shifted, capital investments led to increased agricultural supplies, and leaner farm incomes were unable to support record-high farmland prices, especially at higher interest rates.

Robust export activity, strong bio-fuels demand and low interest rates have spurred another farm income and farmland value boom. Despite the vast similarities to past booms, Henderson notes that farmers today have hesitated to accumulate debt in financing new investments. Will limited farm debt and leverage be enough to keep any correction in agricultural profits from spiraling into a farm bust?

The *Main Street Economist* article "Is This Farm Boom Different?" explores the foundations of the current and past farm booms and is available at [www.kansascityfed.org/publications/research/mse](http://www.kansascityfed.org/publications/research/mse).

"Agriculture's Boom-Bust Cycles: Is This Time Different?" provides a more in-depth examination of agriculture's boom-bust cycles, including a look at the 1940s when export demand was sustained and debt accumulation was limited. It is available in the *Economic Review* at [www.kansascityfed.org/publications/research/er/index.cfm](http://www.kansascityfed.org/publications/research/er/index.cfm).

The Federal Reserve Bank of Kansas City and its branches in Denver, Oklahoma City and Omaha serve the Tenth Federal Reserve District: Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico and the western third of Missouri.

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