A Bad Wheat Crop Is Not a Farm Economic Collapse

Why Kansas Farm Economics Must Be Measured at the Farm-Business Level

Roger McEowen (roger.mceowen@washburn.edu) – Washburn University School of Law
Roger McEowen's Blog: https://agriculturallaw.lawprofessorsblogs.com/
August 2026

Overview

The historically poor 2026 wheat harvest is serious news for Kansas agriculture. It can mean fewer bushels to sell, less revenue available to cover expenses, and real financial pressure for producers whose operations are heavily dependent upon wheat. But a bad wheat crop and an agricultural economic collapse are not the same thing.

The magnitude of the problem is significant. USDA's National Agricultural Statistics Service currently estimates that Kansas will harvest approximately 5.95 million acres of winter wheat in 2026, with an average yield of only 33 bushels per acre and total production of approximately 196.35 million bushels - a dramatic decline from the state's 2025 winter-wheat yield of 51 bushels per acre and production of 346.8 million bushels. That distinction matters because farm businesses are not evaluated the same way we evaluate a single commodity. A statewide wheat-yield headline tells us something important about production conditions. It does not, standing alone, tell us whether Kansas farms are solvent, whether producers have adequate liquidity, or whether the agricultural economy is experiencing systemic financial failure.

The better question is this: What does the entire farm business look like after the wheat loss? That requires looking at the mix of enterprises, the balance sheet, working capital, debt service, crop-insurance coverage, other sources of income, and the rules-based agricultural safety net. It also requires acknowledging an important fact that gets lost in broad headlines: Kansas agriculture can remain financially resilient in the aggregate while individual farms experience substantial financial stress.

Don't Confuse a Commodity Loss With a Farm-Business Loss

The first mistake in assessing the economic consequences of a poor wheat crop is treating wheat production as though it were the whole Kansas farm economy. Wheat is central to Kansas agriculture and to the state's identity, but Kansas farm businesses are not all single-commodity enterprises.

Kansas agriculture includes wheat, corn, grain sorghum, soybeans and other crops, along with a very large cattle and livestock sector. Many individual farm and ranch operations combine crop and livestock enterprises, and those enterprises expose the producer to different production, price and timing risks.

That is an important economic distinction. Diversification does not mean that livestock prices automatically rise when wheat prices or yields fall. Drought can create problems across several enterprises at the same time by reducing forage supplies, increasing feed costs and forcing livestock decisions. But a diversified operation is still different from a wheat-only operation because the farm is not dependent upon one commodity, one harvest window or one source of revenue.

In other words, the relevant unit of analysis is the farm business—not the wheat crop. A producer may have a poor wheat harvest and still have substantial cattle revenue, a reasonable corn or sorghum crop, crop-insurance proceeds, working capital, equity and access to credit. Conversely, a producer can have a good wheat crop and still have a financially troubled operation because of excessive leverage, high fixed costs or inadequate liquidity.

The Balance Sheet Tells More Than a Wheat Yield

This is where Kansas State University's Kansas Farm Management Association (KFMA) data are particularly useful. The data do not support a claim that every Kansas farm is financially healthy. They do, however, show why it is misleading to equate weak commodity conditions with a statewide farm-solvency crisis.

K-State's 2025 Kansas Farm Management Association (KFMA) data provide a more current picture of the financial condition of Kansas farm operations. The data, covering an average of 754 farms, show a current ratio of 2.70 at the end of 2025, down slightly from 2.72 in 2024. More importantly, the ratio of working capital to operating expenses plus interest expense was 97.5 percent. That measure is approaching, but remains below, the 100 percent level that KFMA identifies as an important liquidity benchmark. At the same time, the average KFMA farm had $4.51 million in assets, $871,068 in liabilities, and a debt-to-asset ratio of only 19.14 percent. The data therefore present a mixed picture: Kansas farms generally entered 2026 with substantial equity and reasonable liquidity, but financial conditions varied significantly among operations. In 2025, 27.9 percent of KFMA farms had net farm income of $50,000 or less, while the least-profitable 25 percent had average net farm income of negative $30,926. In other words, the statewide averages do not indicate a farm-financial collapse, but they also should not be used to suggest that every Kansas farm is financially comfortable.

> **Note:** KFMA reports that 2025 average net farm income (NFI) was $212,494, more than double 2024's $98,931. But KFMA also calculates that government payments plus net crop-insurance proceeds accounted for $105,093, or 49.5% of 2025 NFI. Without those payments and proceeds, KFMA says average accrual NFI would have been $107,401.

Those numbers deserve attention. They are not evidence that farmers are invulnerable. They are evidence that farm financial conditions need to be examined carefully rather than reduced to a single statewide headline.

The same point applies to solvency. A farm can have substantial land and equipment equity and still face a serious cash-flow problem. Likewise, an operation with relatively modest income in a particular year may remain financially sound if it has adequate working capital, manageable debt and sufficient equity.

And averages can conceal significant differences among farms. Some producers are doing well; others are struggling. Both realities matter. The statewide data do not indicate a systemic farm-financial crisis, but they clearly show that some individual operations remain under significant financial pressure.

Crop Insurance Is Risk Transfer - Not a Government Bailout

Another reason a poor wheat harvest does not automatically translate into a farm-solvency crisis is the development of modern agricultural risk management.

Revenue Protection crop insurance is a contractual risk-transfer mechanism. The producer purchases coverage, pays a premium, and receives an indemnity when the loss satisfies the terms of the policy. The amount of protection depends upon the coverage elected, the producer's approved yield and the applicable policy provisions. It does not guarantee profitability, and an indemnity does not automatically make every farm financially whole.

But that distinction should not obscure the economic value of crop insurance. A severe yield or revenue loss can be materially less damaging to a producer's cash position when an insurance indemnity is available. For a farm lender, the difference between an uninsured production failure and an insured loss can be significant when evaluating repayment capacity and liquidity.

Risk management is preferable to repeatedly waiting for a disaster and then asking Congress for an ad hoc rescue package. A rules-based insurance system allows producers to make decisions in advance, pay for protection, and transfer a defined portion of their risk.

The One Big Beautiful Bill Act (OBBBA) Impact

Farm economics are affected by more than commodity prices and yields. Tax policy and credit conditions can materially influence cash flow, investment and the ability of a farm business to replace productive assets.

The OBBBA, enacted in 2025, also changed the policy environment facing agricultural producers. The law strengthened the federal farm safety net; it did not make individual farms immune from low yields, low prices or poor management.

Among other changes, OBBBA provided for up to 30 million additional base acres nationwide for ARC and PLC purposes. USDA's Farm Service Agency is implementing the 2026 base-allocation process, with eligible landowners reviewing their Base Allocation Summaries between June 1 and August 31, 2026. The significance of the base-acre provision is that the safety net can better reflect changes in agricultural production since the last broad base-acre update. But base acres are not the same thing as current planted acres, and an increase in base acres does not guarantee a payment. ARC payments depend upon revenue falling below the applicable guarantee, while PLC payments depend upon the effective price falling below the applicable effective reference price. That is an important distinction. The OBBBA strengthened the safety net and increased its potential relevance to modern production patterns. It did not convert ARC and PLC into general farm-profit guarantees.

OBBBA also preserved the 20 percent IRC §199A deduction for qualifying pass-through business income, helping avoid the scheduled expiration of that deduction for many family-owned businesses. The legislation also restored permanent 100 percent bonus depreciation for qualifying property acquired after January 19, 2025, an especially important consideration for capital-intensive farm businesses.

The law also created a new tax exclusion under IRC §139L for qualified lenders. For qualifying real-estate loans secured by rural or agricultural real property, 25 percent of the interest received by a qualified lender may be excluded from gross income, subject to the statutory requirements. The provision creates an incentive for qualified lenders to compete for qualifying agricultural real-estate loans. It would be too strong, however, to assume that the entire tax benefit automatically becomes a lower interest rate for the borrower. The ultimate effect depends upon competition, credit risk, loan demand and other market conditions.

Farm Safety Net and Government Intervention

There is an important distinction between a predictable, rules-based agricultural safety net and an open-ended system of government intervention.

A market-oriented farm policy does not require government to disappear from agriculture. It requires government to establish predictable rules, protect property and contract rights, facilitate private risk transfer, maintain functioning credit markets and provide transparent safety-net programs rather than repeatedly responding to every downturn with ad hoc bailouts.

That distinction matters in the current environment. A poor wheat crop is precisely the kind of event that should cause producers, lenders and policymakers to examine risk-management tools, liquidity and balance sheets - not automatically conclude that the entire agricultural economy has failed.

Nor should a bad crop become an excuse for permanent administrative management of agricultural production. Farmers need the freedom to adjust crop rotations, livestock numbers, capital expenditures, marketing strategies and land use as economic conditions change. Sound agricultural policy should preserve that flexibility.

The Real Question Is Farm-Level Resilience

The most responsible conclusion is therefore neither panic nor complacency for Kansas agriculture. A historically poor Kansas wheat crop is a serious economic problem for many producers. Some operations will face tighter cash flow. Some may need additional borrowing. Some may have inadequate insurance coverage or insufficient working capital. And some operations may already be financially vulnerable because of leverage, high fixed costs or several consecutive years of weak margins.

But none of those facts establishes that Kansas agriculture as a whole is experiencing systemic financial collapse. To determine that, a farm business must be evaluated as a whole: enterprise diversification, revenue, expenses, working capital, liquidity, leverage, land and equipment equity, crop insurance, access to credit, tax obligations and the operation's ability to generate cash over time. That is the lesson that gets lost when agricultural economics is reduced to a headline about bushels.

Conclusion

Kansas agriculture has real challenges. Producers should take those challenges seriously. But serious agricultural problems should be analyzed with the same discipline that farmers use when making production and financial decisions. That means examining the whole operation, measuring the risk, understanding the balance sheet, and using available risk-management tools. The bottom line is that one must avoid confusing a temporary setback with permanent economic failure.

A bad wheat crop is a bad wheat crop. It is not, by itself, a farm economic collapse.