TRACTOR ZOOM

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AG LENDER PLAYBOOK

Finishing 2026 Strong & Looking into 2027

Learnings from the Tractor Zoom Market Update Webinar with Andy Campbell, Director of Insights, Tractor Zoom, and Wes Davis, Partner & Chief Ag Economist at Meridian Ag Advisors

This playbook distills our conversation into 10 signals shaping the farm economy, what our live audience told us, and what it could mean for your lending portfolio.

1 Farm income is up, but nearly a third of it is coming from Washington.

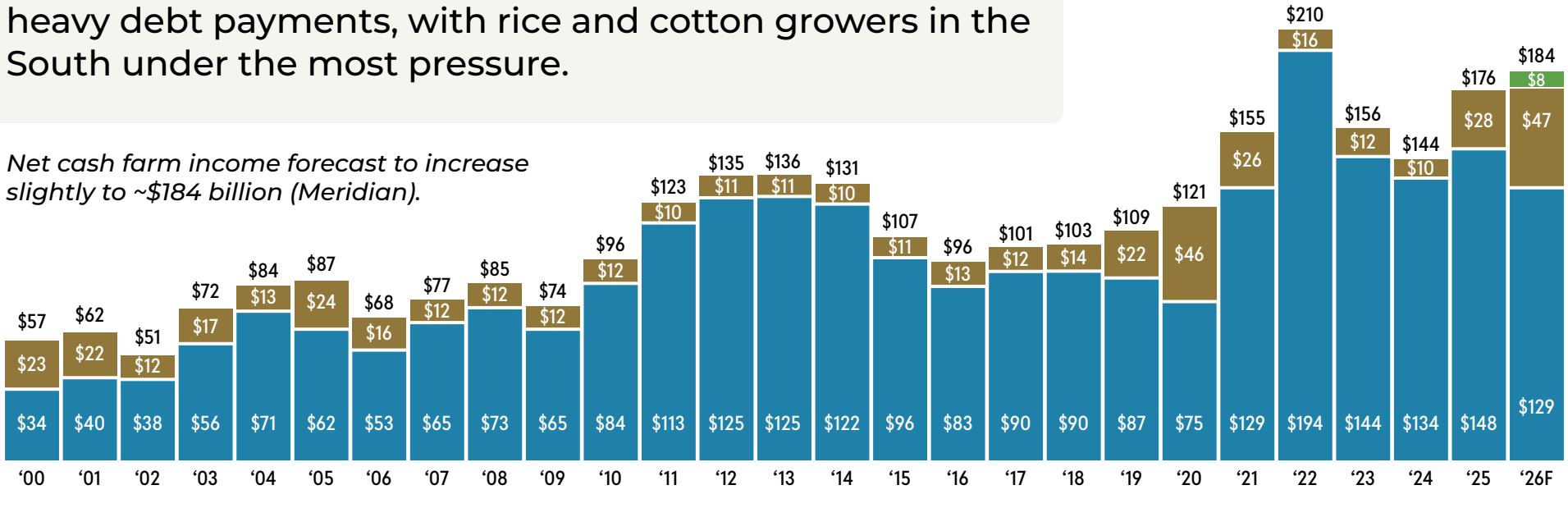
Net cash farm income is forecast at ~$184 billion for 2026, slightly above last year. But operating income from the market is down 13%, while direct government payments are up 70%.

Even with the new ~$8 billion harvest fuel relief program, Wes estimates **15–20% of producers will still be in the red this year,** mostly those carrying high cash rents or heavy debt payments, with rice and cotton growers in the South under the most pressure.

"The check engine light is certainly flashing a little bit in the farm economy."

— Wesley Davis, Meridian Ag Advisors

Net cash farm income forecast to increase slightly to ~$184 billion (Meridian).



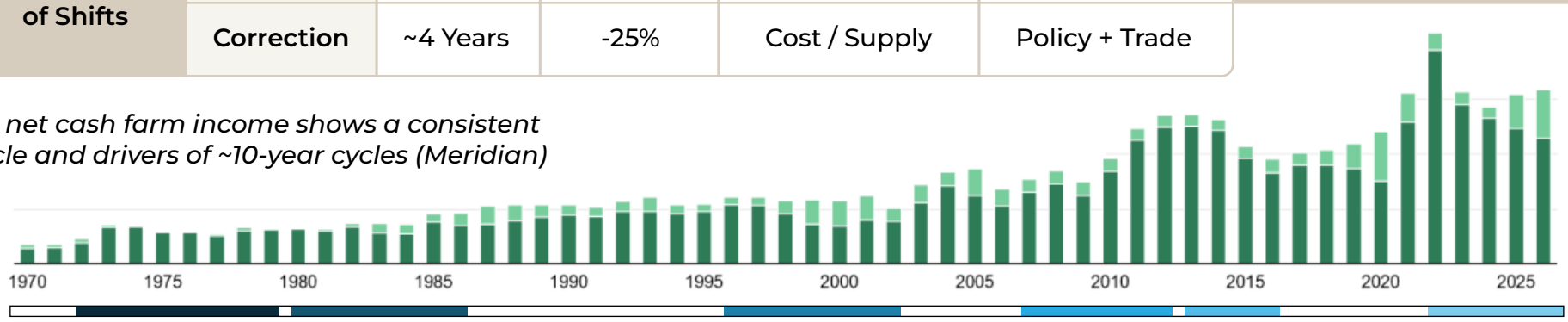
2 This still looks like a normal ag cycle, and we're close to where a downturn usually ends.

Ag runs in roughly 10-year cycles: **A long climb, followed by a shorter correction.** Corrections typically last about four years, and we're about four years into this one. What's missing is the trigger that starts the next climb.

Historical Duration of Cycles and Magnitude of Shifts		Average Duration	Average Magnitude	Primary Catalysts	Recovery Trigger
	Expansion	~6 Years	+130%	Demand Shocks	Export demand
	Correction	~4 Years	-25%	Cost / Supply	Policy + Trade

Current Cycle Position:
~4 Years into correction; the next expansion catalyst still TBD

US net cash farm income shows a consistent cycle and drivers of ~10-year cycles (Meridian)



1972-1979: The Export Boom
Peak income: ~$36B
Recovery: Export normalization

1980-1986: The Great Farm Credit Crisis
~45% real income decline
Recovery: Policy intervention + mass foreclosures

1996-2002: Freedom to Farm Stress
-17% nominal income decline
Recovery: China WTO entry + ethanol mandate

2007-2012: The Golden Age
Peak income: ~$136B
Recovery: Export demand & biofuels policy change

2013-2016: The Lost Decade
-30% nominal income decline
Recovery: Partial + trade deals

2022-Present: Great Reshuffle
-32% real income decline (so far)
Recovery: TBD - export or policy?

3 What turns a cycle: Four signals to watch.

A century of farm data shows that downturns end when one of four triggers activates. None has fired yet in this cycle, which makes these the signals most worth tracking over the next 12 months.

Cycle recovery typically hinges on one of four drivers, as this table compiled by Meridian illustrates.

Demand can be local, too. For instance, a new crush or ethanol plant typically adds **2–5¢/bu of basis within ~50 miles** and gives farmers the confidence to make longer-term equipment decisions.

SIGNAL	WHAT TURNED PAST CYCLES	WHAT TO WATCH NOW
Demand Shock	China's soybean surge (2003–04); ethanol/RFS boom (2007–08)	EPA biofuel volumes (RVO); USMCA review; China purchases
Supply Shock	2012 drought (corn went from $3 to $8/bu)	Drought in the Southwest and Great Plains; Brazilian weather
Policy Pivot	Farm credit restructuring after 1986; trade aid after 2018	Farm Bill; continued farm aid payments; 45Z biofuel credits
Input Cost Inflation	2015–16 fertilizer and energy price correction	Strait of Hormuz resolution; possible price resets from ag input suppliers

4 Some of the pain is structural, and it won’t cycle out.

Input makers' margins are back to 2019 levels, which means they're passing their own costs through. USDA sees 2026 farm expenses up $21 billion, led by fuel (+28%) and fertilizer (+15%), and Wes doesn't expect a break. Add Brazil's lasting cost edge in soybeans, and the next upturn starts from a higher cost floor.

"It means our costs are probably not going to come down... We've kind of reset structurally to a higher cost basis for a lot of our crops."

— Wesley Davis, Meridian Ag Advisors



5 Machinery is the cost farmers control most, so it's the first to wait.

Equipment makes up 15–18% of a farm's costs, and it's one of only two major costs farmers have a high degree of control over. You can run a combine one more year, but you can't skip buying seed.

COST CATEGORY	% OF TOTAL COSTS	DEGREE OF CONTROL
Machinery & Equipment	~15-18%	High
Crop Insurance	~5-7%	High
Fertilizer	~12-15%	Moderate
Herbicides & Pesticides	~6-8%	Moderate
Labor	~5-7%	Moderate
Cash Rent & Land	~25-30%	Moderate / Low
Interest & Debt Service	~5-7%	Moderate / Low
Seed & Planting	~8-10%	Low

Machinery, crop insurance, and fertilizer represent the highest-impact cost levers (Meridian)

6 Fewer buyers are financing, and the ones who do are stretching it out.

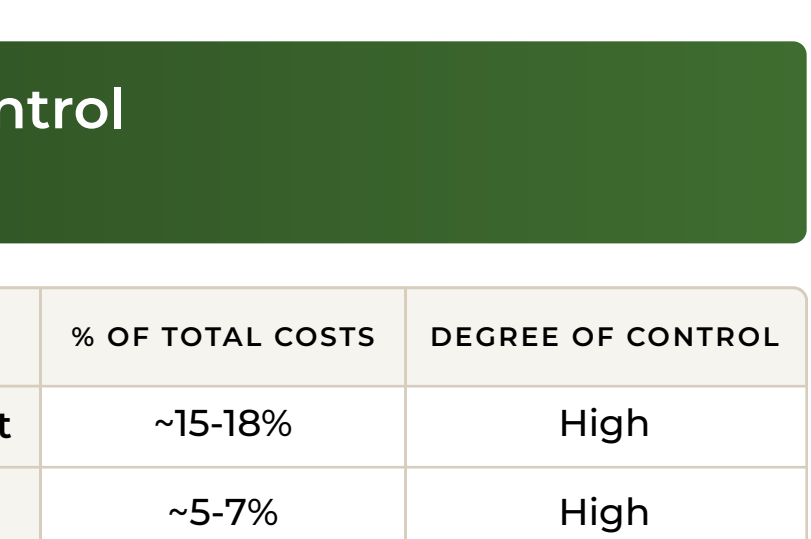
New tractor and combine sales are down 44% from the 2021 peak, and the share bought with financing has dropped from 81% to 66%. Cash deals move and financed deals stall.

One dealer told Andy that headers were flying off the lot before harvest because buyers paid cash. "As soon as that financing decision has to come in... it really has been stopping the sales progress."

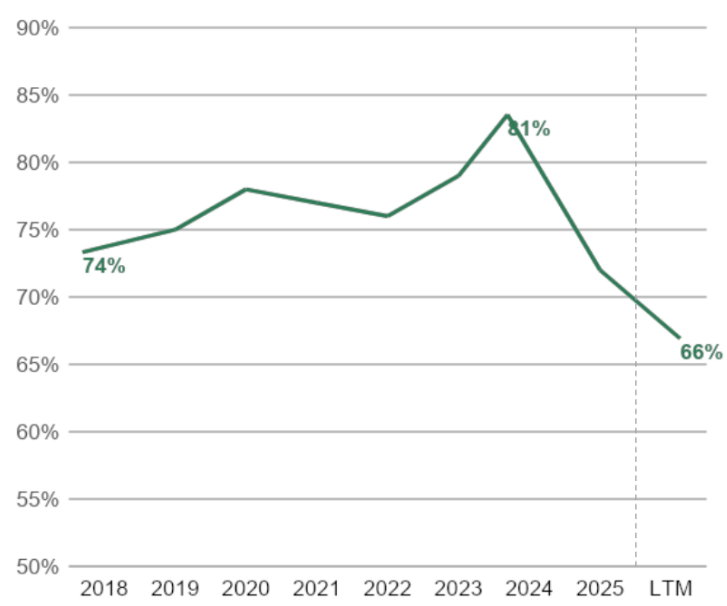
Those who do borrow are lengthening repayment to protect cash flow. As Andy put it, what farmers might have paid off in 10 years, they're now stretching to 15 or 20. That keeps payments manageable today, but it leaves less room to borrow for expansion later.

US new tractor and combine sales are down ~44%... share bought with financing has fallen to ~66% (Meridian).

New tractors and combines sold (Thousand Units)



Share of units bought with financing (Percent)



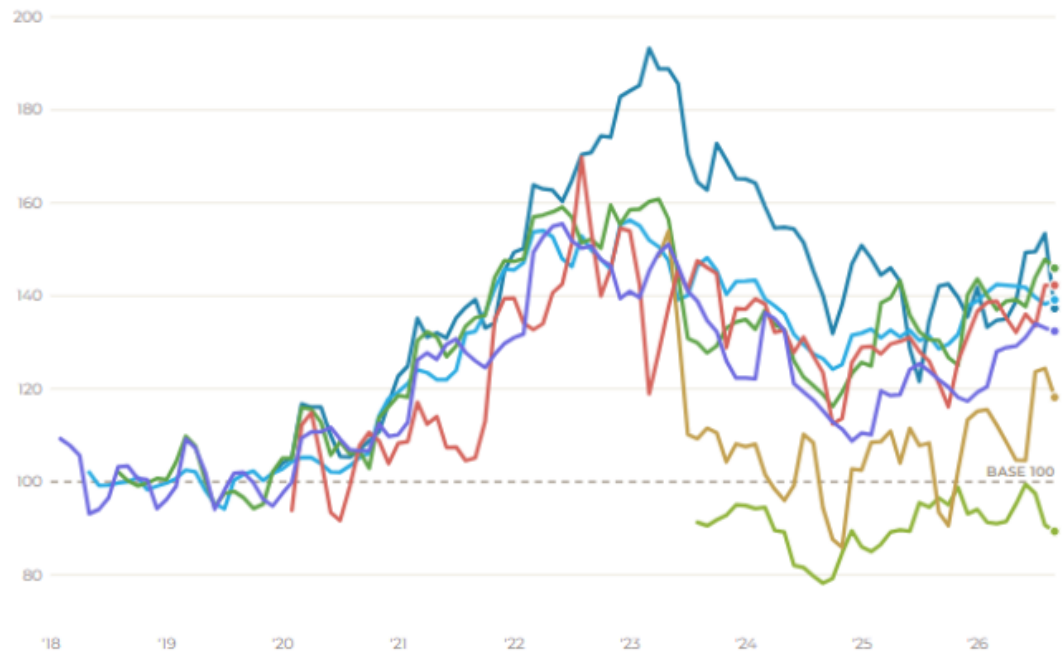
7 Used Equipment values are firming.

Tractor Zoom's used equipment price index shows six of seven large-ag categories above their 2018 baseline, and five up year over year, led by planters (+26%) and self-propelled sprayers (+17%). The laggards are 4WD tractors (–3%) and Class 9 combines (–7%).

There are two main reasons for this: Commodity prices offer more certainty than in 2025, and supply is tight enough that dealers no longer have excess inventory to discount.

Equipment Values by Category

Quality-adjusted auction price index · base = 100 · 2018 – Sept 2026



CATEGORY	INDEX	YOY
Class 7 & 8 Combines	145.9	▲ 11.9%
SP Sprayers	142.3	▲ 17.4%
All Other Tractors	139.2	▲ 8.2%
4WD	137.3	▼ 3.3%
Headers	132.4	▲ 8.5%
Planters	118.2	▲ 26.5%
Class 9 Combines	89.3	▼ 7.4%

Behind the data:
The index tracks quality-adjusted auction prices from Tractor Zoom Pro, with related segments (e.g., utility and row crop tractors, platform and row crop headers) combined into volume-weighted category composites, indexed to 2018 = 100.

8 Fewer buyers are financing, and the ones who do are stretching it out.

Sharing, custom hire, and rental all run into the same problem: everyone needs the machine at the same time. Owning longer is the simpler answer.

Wes added a hypothesis worth watching: The 4–6 year trade cycle may have been a product of the boom years. If farmers can add new technology through aftermarket upgrades, they'll hold equipment longer, which would also support used values.

"How much of the cycle has driven our belief that farmers want to trade in every 4 to 6 years, versus... they may actually be comfortable if they can get that technology in an aftermarket part."

— Wesley Davis, Meridian Ag Advisors

9 The election matters most for the Farm Bill, trade, and farm aid.

Going into the midterms, prediction market Kalshi gave Democrats a 64% chance of sweeping Congress, a split Congress 28%, and a Republican sweep 11% (as of October 20, 2026). Wes expects a Farm Bill deal or extension by year-end regardless.

	DEMOCRATS SWEEP	SPLIT CONGRESS	REPUBLICANS SWEEP
Farm Bill	Strong push to finish in the lame duck	Lame-duck deal is the best path	Less urgency; House-passed bill likely anchors a 2027 bill
Trade & Farm Aid	More oversight of tariffs and trade aid	House hearings; limits stall in the Senate	Administration keeps a free hand on tariffs and ad hoc aid

10 The biggest unknown for 2027 may be debt nobody can see.

Farm debt is at a record $605 billion, and that's only what's been tracked. Vendor, retail, and fintech credit isn't fully captured, and debt is measured on December 31, even though operating borrowing peaks in June–July. Chapter 12 bankruptcy filings rose 46% in 2025.

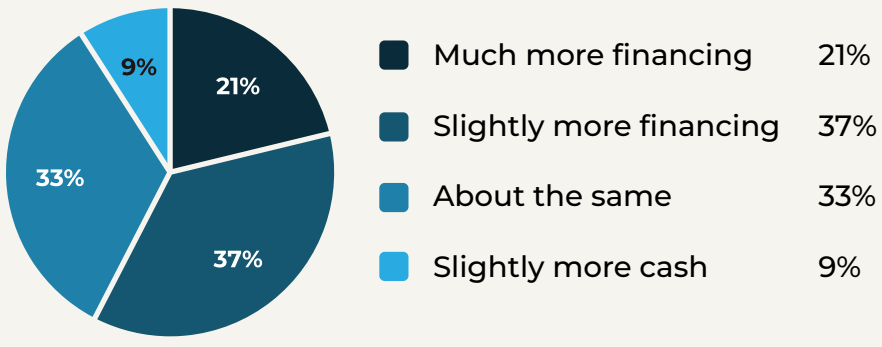
Wes was careful not to sound an alarm (since he admits to not having all the data), but if stress shows up, it could ripple to the retailers, co-ops, and dealerships holding that credit.

TOPIC	WHERE THINGS STAND	QUESTION FOR 2027
Land Values	Cropland hit a record $6,020/acre in 2026, up 3.3%, even as crop margins narrowed	Will land adjust from the value side?
Input Costs	USDA sees 2026 expenses up $21B (4.5%), led by fuel (+28%) and fertilizer (+15%)	Will input pricing break before grower margins recover?
Cattle	Beef cows are at the lowest count since 1961; replacement heifers rose 1%, the first gain since 2017	When will the herd rebuild?
Specialty Crops	Six crops lost $7B+ in 2025; apple acres continue to remain flat while some farms remain unprofitable	Who moves first in reducing specialty crop acres – smaller farms or investors/ lenders?
Farm Policy	Government payments rise to ~$55B in 2026, about 30% of net cash farm income	How much of 2027 income will depend on Washington?
Off-book Debt	Debt hits a record $605B, and USDA says vendor and nontraditional credit is not fully tracked	How much farm debt sits outside the official data?
Financial Stress	Chapter 12 filings rose 46% in 2025; April 2026 was the highest month since 2020	Where could financial stress concentrate?

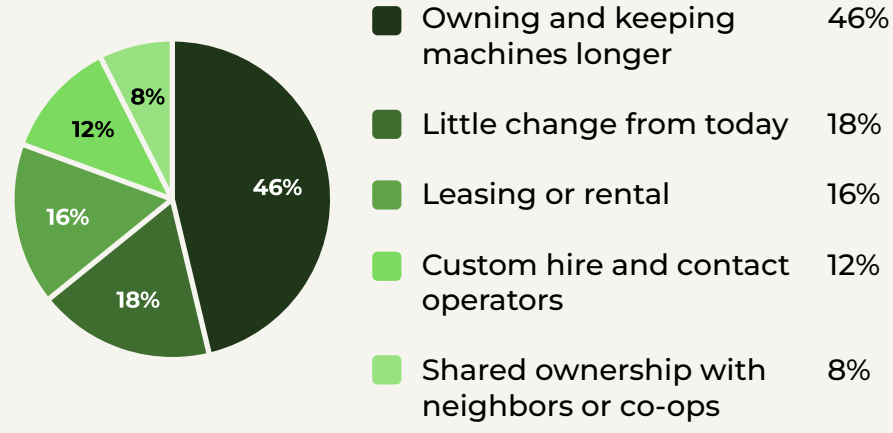
What Our Audience Told Us.

Nearly 120 equipment dealers, ag lenders, and other ag professionals joined us live, and submitted a record 40+ questions ahead of time. Here's how they answered our live polls, and where their answers surprised us.

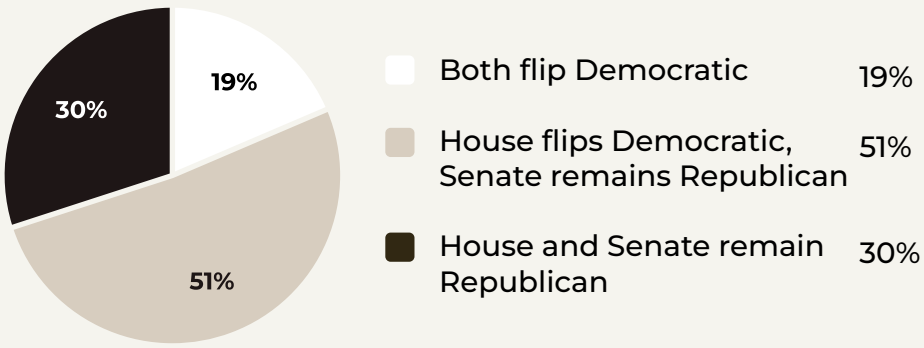
In 2027, how will your customers' mix of financed vs. cash equipment purchases change compared with 2026?



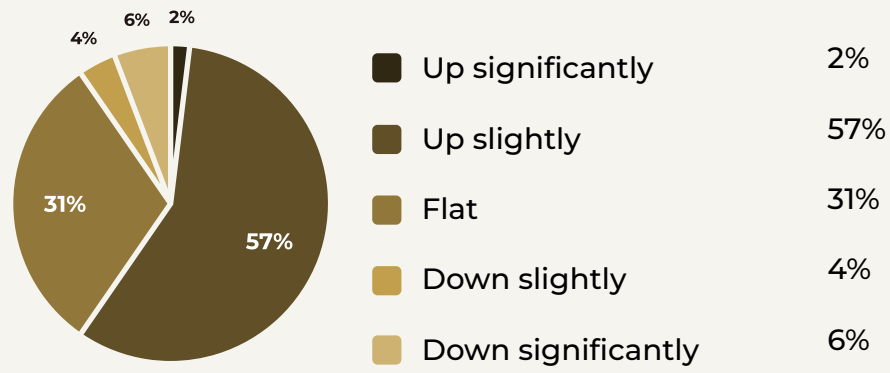
Over the next 5-10 years, which will change the most in how farmers get access to equipment?



What are your election expectations?



Compared to 2026 what do you expet for your business's profitability in 2027?



Dealer & Lender Questions Heading Into 2027

ECONOMIC OUTLOOK

1. What's the 12-36 month economic outlook?
2. Are we doomed to repeat the '80s farm crisis, with foreclosures and bank failures?
3. What common economic indicator signals a turn in farm economics?

INPUT COSTS

4. Will fuel prices affect equipment purchases?
5. What are the trends in defaults on farm equipment payments?

EQUIPMENT & CREDIT

6. I'm really worried about 2027 input costs, particularly fuel, fertilizer and interest. Is there anything that might happen between now and next year to lower them?
7. What are the impacts of the current fuel prices?

GOVERNMENT & POLICY

8. Where does the Farm Bill stand?
9. How much government support will be there in the next Congress?

What It Could Mean For Your Lending Portfolio.

KEY ISSUES	WHAT TO DO
Year-end balance sheets may understate debt	Mid-year balances and direct conversations about other credit tell a fuller story.
Longer terms trade today's cash flow for tomorrow's capacity.	Stretching repayment keeps borrowers current but leaves less room to borrow for growth.
Collateral is moving in different directions.	Most used equipment categories are firming, but 4WD tractors and Class 9 combines are down. Cropland hit a record $6,020/acre, yet, for example, Iowa farmland now takes 16–19 years of operating returns to pay off, vs. 11–12 historically.
Financing speed matters to dealers.	Dealers say financed deals stall under added financing scrutiny while cash deals close.
Watch for stress showing up off the books.	Chapter 12 filings rose 46% in 2025. If stress builds, it may surface first at retailers, co-ops, and dealerships holding non-traditional credit.

Possible Outcomes Based On a Few Scenarios.

Based on a few potential scenarios of the upcoming midterm elections, here are a few things that could happen. Policy views are based on objective model forecasting by Meridian Ag Advisors, but are not the opinion or official prediction of any person. Watch the full recording for the reasoning behind them.

IF...	WHAT TO DO	WHAT TO WATCH IN YOUR PORTFOLIO
Democrats sweep Congress	Push to finish the Farm Bill; more oversight of tariffs	Conservation program payments becoming more of an option; export-crop borrowers benefiting from trade stability
Split Congress	Lame-duck Farm Bill deal is the best path; trade limits stall	Continued uncertainty for export-dependent borrowers
Republicans sweep Congress	Administration keeps a free hand on tariffs and ad hoc aid	How much borrower income depends on one-time payments
A cycle trigger fires (demand, supply, policy, or input costs)	No recovery trigger has fired yet	Farmers' cash cushions and land-equity borrowing "don't run forever"

Keep The Conversation Going.



Watch the full recording for Wes's reasoning behind every scenario. And read the recent 13-page ag report by Wes Davis, ***The Mysterious Farm Economy***, available for free on the Meridian Ag Advisors website.

Didn't get your question answered? Andy and Wes will work through the rest in a follow-up podcast to be released in early November. Stay tuned to the **Beyond the Hood Podcast page** to find this and other equipment-focused conversations with insights you can act on.

Watch Now

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Data current as of October 2026 Macro data and analysis courtesy of ***Meridian Ag Advisors.***