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Agricultural Outlook 2026

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After traveling through more than 30 states this past year, two words capture the prevailing American attitude as we approach our 250th birthday in 2026: uncertainty and chaos. Both the agriculture and general economies are bifurcated, with some sectors and segments struggling while others appear to be doing quite well.

Trade, tariffs, and sanctions intermixed with geopolitics and regional warfare have created a sense of unsettledness and eroded trust throughout the agriculture and general economies. Despite this environment, one must continue to make prudent short-run and long-run financial and business decisions that can impact family and personal stability.

Subscriptions Versus Agreements

A number of current agreements with global trading partners, both friends and foes, appear to be more analogous to "subscriptions" with short terms that can be renegotiated with a social media post or perceived slight. These can quickly change markets, demand, prices, and supply chains and inflate expenses with extremes in volatility in the marketplace. Those dependent on export markets must continue to monitor the health of the economies of Mexico, Canada, China, and others, as well as the level of tariffs and sanctions.

The Diminishing Dollar

The value of the dollar and its influence on global trade is diminishing as countries such as the BRICS (Brazil, Russia, India, China, and South Africa) collaborate with 40 other nations to trade in their own currencies. At the turn of the century, the dollar represented approximately 75 percent of global trade, and now it stands at 58 percent. A level below 50 percent would reduce the ability and flexibility of the United States on various fiscal, monetary, and trade policy options.

The weak dollar can be a positive for agricultural products that are exported, making them less expensive overseas. However, the downside is more expensive input goods such as fertilizer, chemicals, critical parts and supplies for equipment and technology. This can quickly inflate costs and create critical supply shortages, creating margin compression.

Rising Competition from the Global South

Outlook 2026 would suggest that more competition from the Global South, including South America, Africa, and Oceania, is inevitable. Starting in 2013 with the initiation of the Belt and Road Initiative, China has made $1.3 trillion in strategic investments globally for the diversification of sources of food, fiber, and fuel and also increased cultural influence. This will continue to impact grain, row crops, and specialty crops by driving down breakeven levels and causing more consolidation in those industries. The old "two in ten year rule" is now coming back into play with monotype businesses. That is, markets and weather line up for record profits for two years, followed by another eight years when breakeven or small profit without government payments is the goal, and economic profit is a victory.

Diversification as a Strategy

Agriculture in 2026 favors operations that have three to six revenue sources, including both farm and nonfarm income. In my travels and engagement with young, beginning farmers and ranchers, this appears to be an increasing mode of operation. Side gig income also creates networking for innovation and building of marketplace networks which are enhanced through these outside ventures.

Federal Reserve and Interest Rate Outlook

Expect the Federal Reserve to take an aggressive posture of lowering interest rates and accommodative stimulus. This will be a direct result of the current administration's new appointments and, more importantly, the chairperson. The Federal Reserve will be in a balancing act between increased unemployment, particularly in white-collar jobs being replaced by AI, and inflation created by tariffs and sanctions.

The Deficit Challenge

A mounting issue will be the federal deficit with undisciplined federal spending and the national debt, which now exceeds $38 trillion. The accelerated pace of increases with no plan sends a message to treasury and bondholders, particularly foreign nations, that yields must increase to accommodate additional risk. This, in turn, increases the likelihood of higher rates at the long end of the yield curve, influencing the long-term cost of money.

Recession

The disconnect between the everyday workplace and the skyrocketing stock market is a challenge, particularly with the anticipation of results from AI and other technology. The

ALICEs (Asset Limited, Income Constrained, Employed) make up almost 50 percent of the marketplace but only 4 percent of the economy. This group has felt a recession for the past two years.

The group that could create a national recession are the HENRYs (High Earners, Not Rich Yet). They are experiencing record layoffs; particularly as white-collar workers are being replaced by AI. They have been big spenders and could curtail their habits very quickly, resulting in economic contraction, especially within the service-based economy, which represents 70 percent of the U.S. economy.

The group most concerned about a steep, prolonged recession are the HERMANs (High Earners, Rich, Mobile, Appreciated Net Worth), often over 60 years of age, who have benefited from record stock market price increases or paper wealth, land, and home value increases. Should the stock market or the housing market correct for a prolonged period, this group could place the U.S. economy into recession, similar to the first decade of this century. Those in value-added and livestock markets must closely monitor this group's spending habits.

Support for Agriculture

The general public's support for agriculture appears to be waning after record high support during COVID as producers stepped up to the challenge of feeding people and fueling vehicles. This support has now disappeared due to urbanization since the turn of the century, combined with cuts in SNAP (Supplemental Nutrition Assistance Program) and foreign aid. Waning urban support for agriculture could loom large and have a major impact on renegotiation of the Farm Bill, other farm policy, and midterm elections next year.

Management Mindset

The agricultural industry is at a pivotal point as global reordering and shifting economic, consumer, and societal trends reshape the landscape both internationally and domestically. While it sometimes appears to be overwhelming, it creates opportunity for those with an entrepreneurial mindset to plan. Focus on the controllables with sound financial, business, and risk management practices that are planned, executed, and monitored. Just like previous economic and global cycles, these practices endure the winds of change that were prevalent when our ancestors founded the country over 250 years ago. A culture of resiliency, agility, and nimbleness can be nurtured, whether it is a start-up or a business transitioning to the next generation, by those who prioritize business management and financial planning, regardless of industry and societal changes.

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