
US Economic Update

Jason Henderson, PhD
Vice President for Extension and Outreach
Professor of Economics

Iowa Ag Bankers Conference
March 17, 2025

1

Today's Outline



Economic Trends



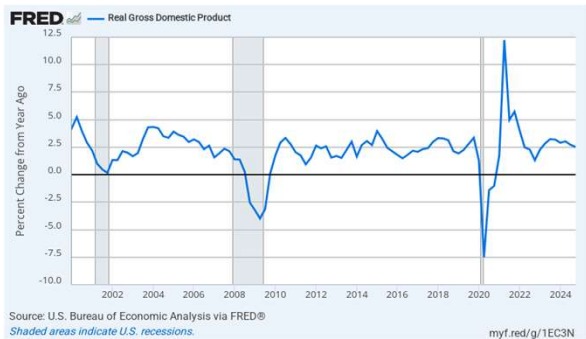
Implications for Agriculture

2

Is the US economy in recession?

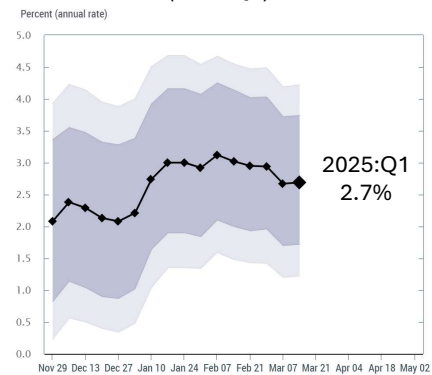
Recession

Two consecutive quarters of negative growth



2024:Q4
2.5%

New York Fed GDP Nowcast (2025:Q1)



IOWA STATE UNIVERSITY
Extension and Outreach

3

Federal Government Spending

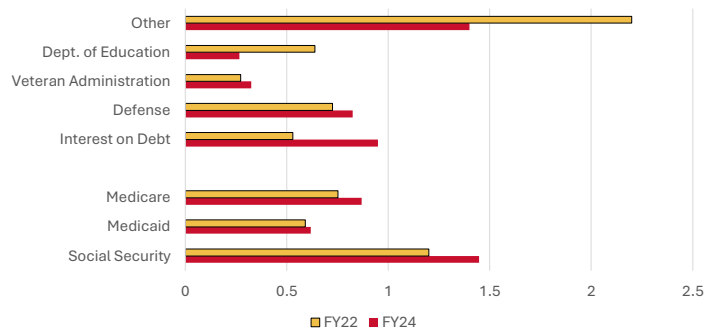
- Accounts for 6.4 percent of GDP, 57% of which is defense spending

Source: Bureau of Economic Analysis, <https://www.bea.gov/sites/default/files/2025-02/gdp4q24-2nd.pdf>

Share of US Outlays, FY2024

Social Security	21.4%
Medicare	12.9%
Medicaid	9.2%
Defense	12.2%
Interest on Debt	14.1%

U.S. Government Outlays (Trillions of US dollars)



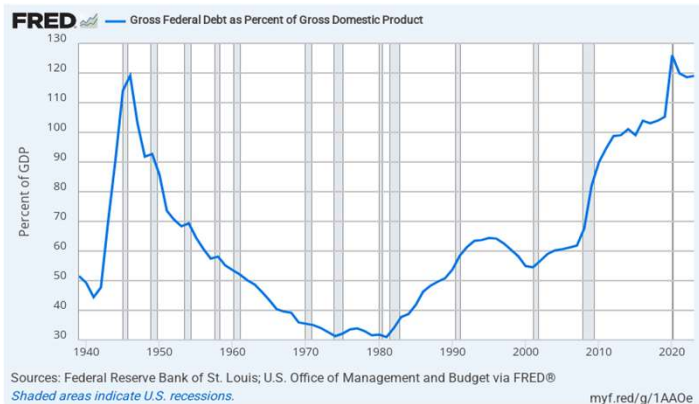
Source: Congressional Budget Office, <https://www.cbo.gov/publication/60843/html>

IOWA STATE UNIVERSITY
Extension and Outreach

4

Federal Government Debt

Federal Government Debt \$36 trillion



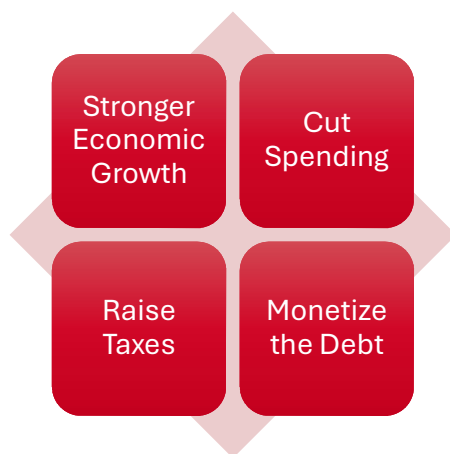
Who Holds Treasury Securities (Dec. 2023)

23%	Foreign
35%	Fed and Govt Agencies
17%	Other (mainly private)
13%	Mutual, Insurance & Pension Funds
6%	State & Local Govt
5%	Depository Institutions

IOWA STATE UNIVERSITY
Extension and Outreach

5

Strategies to Reduce Government Debt



Challenges

Stronger Economic Growth: Demographics

Cut Spending: Who's Spending?

Raise Taxes: Who's Taxes?

Monetize the Debt: Inflation

IOWA STATE UNIVERSITY
Extension and Outreach

6

US GDP



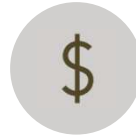
GOVERNMENT
SPENDING

SLOWING



BUSINESS
INVESTMENT

TAX CUTS



CONSUMER
SPENDING

INFLATION



TRADE

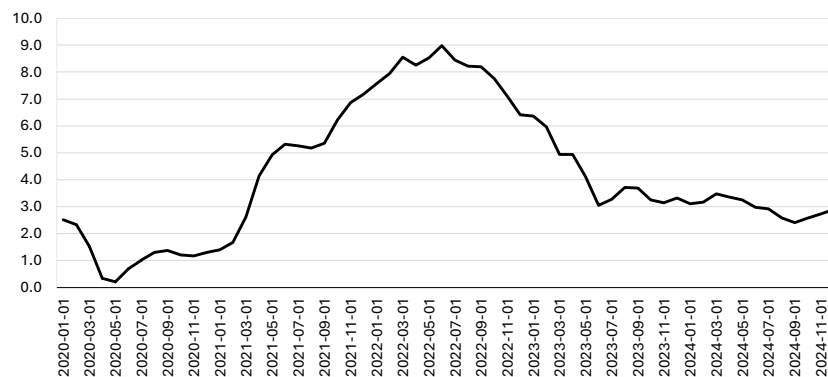
TARIFFS

IOWA STATE UNIVERSITY
Extension and Outreach

7

What direction will inflation go?

Consumer Price Index
(Percent change from year ago)



Source: Bureau of Labor Statistics

IOWA STATE UNIVERSITY
Extension and Outreach

8

The Definition of Inflation

Too Much Money

Chasing

Too Few Goods

IOWA STATE UNIVERSITY
Extension and Outreach

9

Today's Monetary Policy

Quantitative Easing or Tightening uses the Fed Balance Sheet

Step 1: Federal Reserve "Prints Money" and Buys Assets from Banks

Step 2: Banks decide what to do with the money.

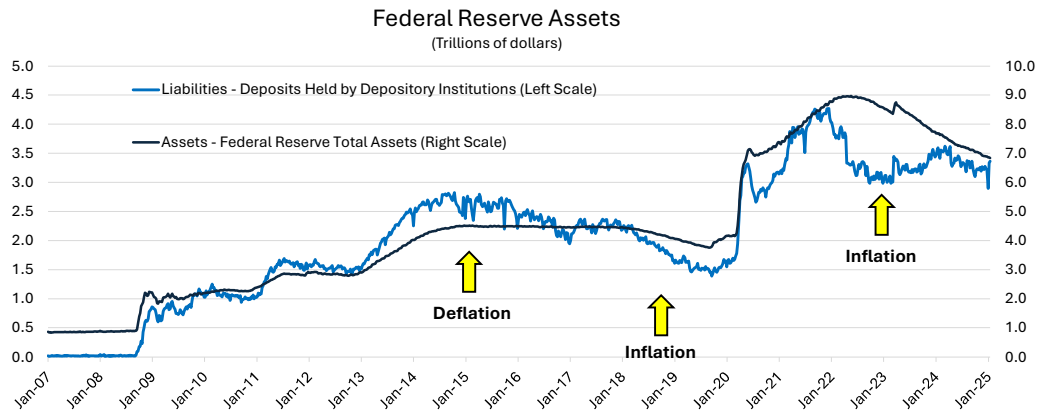
Option 1:
Deposit money in
Federal Reserve
Accounts

Option 2:
Lend money into
the economy
(farmers, etc.)

IOWA STATE UNIVERSITY
Extension and Outreach

10

Despite Shirking Fed Assets, Fewer Banks Deposits Slows the Downward Pressure on Inflation

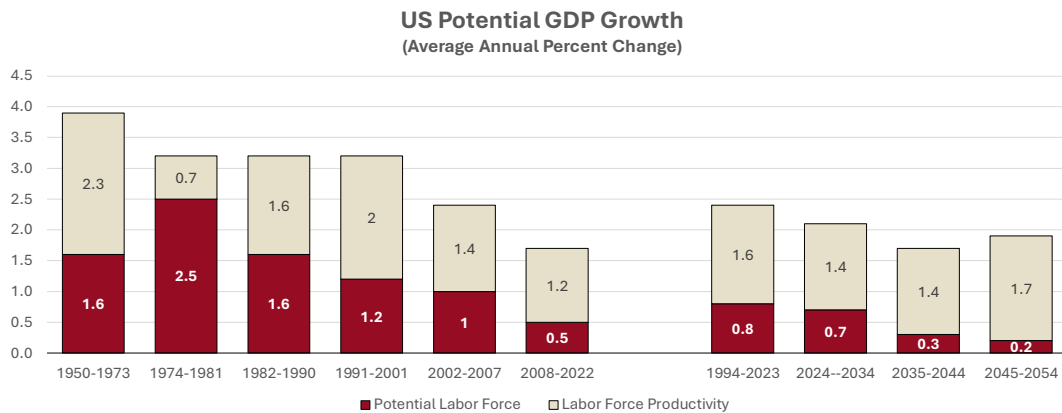


Source: Federal Reserve Economic Data (FRED)

IOWA STATE UNIVERSITY
Extension and Outreach

11

Too Few Goods: Boost GDP through productivity to offset demographics



Source: Congressional Budget Office

IOWA STATE UNIVERSITY
Extension and Outreach

12

Job markets are slowing.



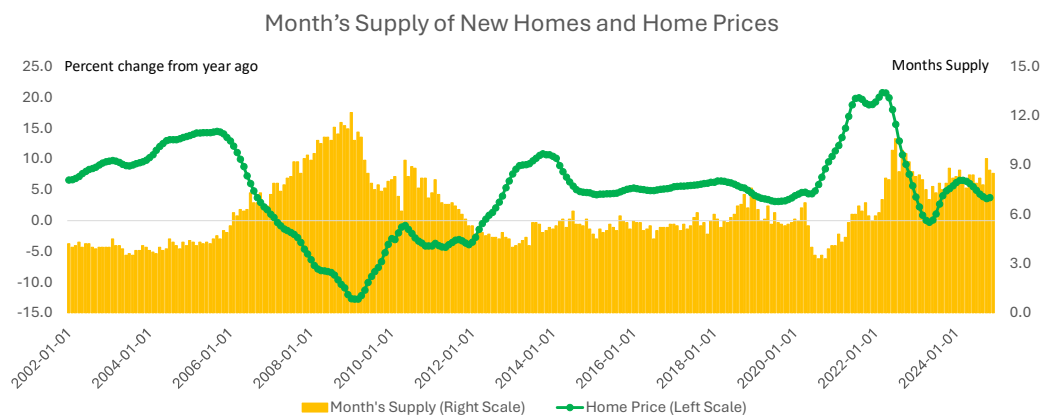
Fewer job openings

Fewer people quitting jobs

IOWA STATE UNIVERSITY
Extension and Outreach

13

Housing Markets are Softening



IOWA STATE UNIVERSITY
Extension and Outreach

14

Trade: the rise of anti-globalization

- Tariffs and Trade Wars
 - “Tax” on imported goods
 - Impacts depend on the retaliation
 - Historical outcomes: higher inflation and slower GDP
- Implications for agriculture
 - Is the US the supplies of first choice or South America?
 - Focus on US consumer markets – food, fuel, bio-based products ...

Will US be a producer or consumer economy?

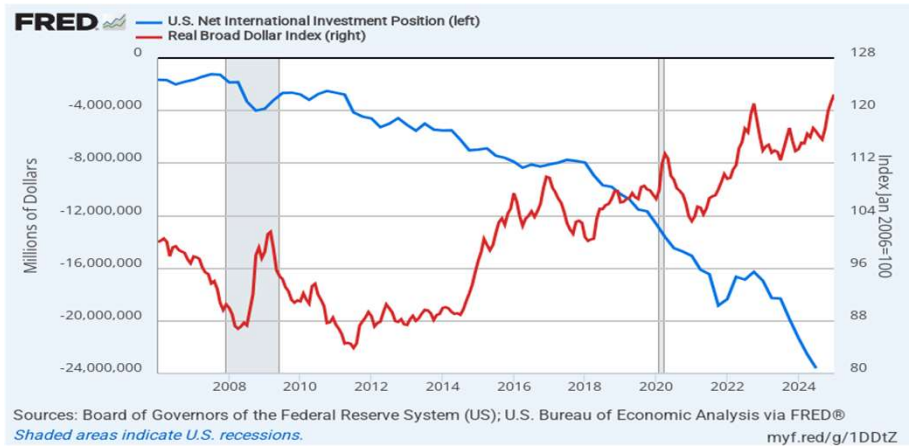


PRODUCER ECONOMY
(WEAKER DOLLAR)



CONSUMER ECONOMY
(STRONGER DOLLAR)

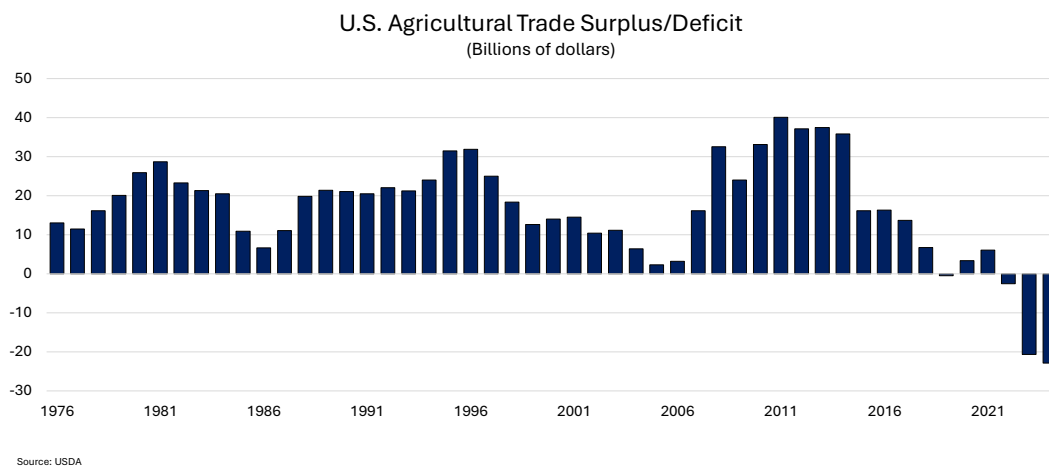
The dollar soars as foreign money flows to the US.



IOWA STATE UNIVERSITY
Extension and Outreach

17

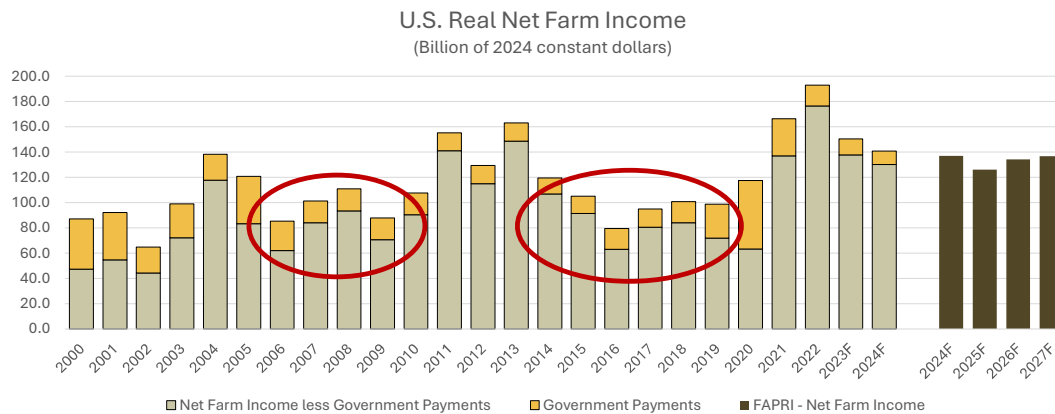
A record trade deficit for US agriculture.



IOWA STATE UNIVERSITY
Extension and Outreach

18

Farm incomes drop from historical highs But what is the bottom?



IOWA STATE UNIVERSITY
Extension and Outreach

19

19

Ag captures a small share of the retail food dollar.



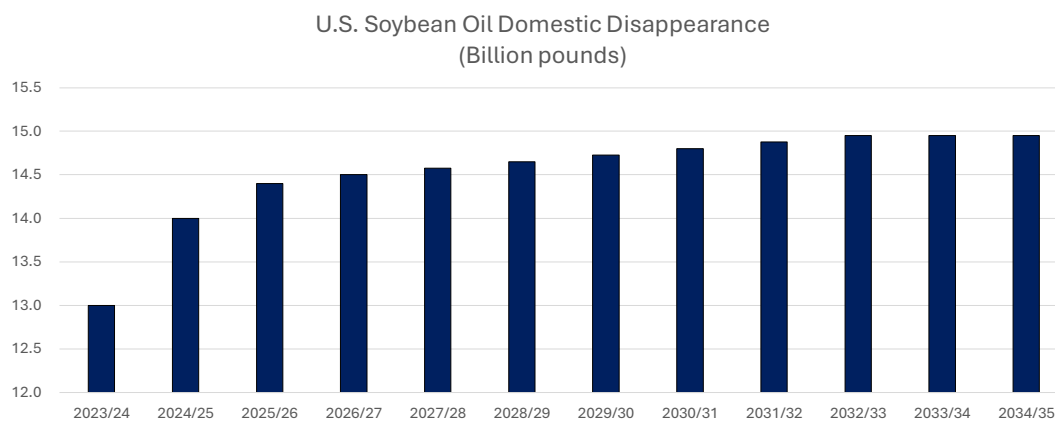
For every dollar spent on food, 13.6 cents goes to the farm.

As away from home food expenditures rise, that share shrinks.

IOWA STATE UNIVERSITY
Extension and Outreach

20

Biofuels is a wildcard and policy driven.

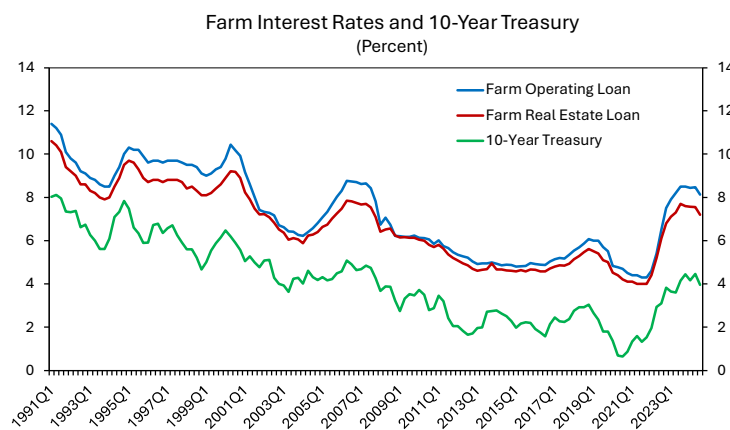


Source: USDA

IOWA STATE UNIVERSITY
Extension and Outreach

21

Farm interest rates will remain higher.



Source: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis and Federal Reserve Bank of Chicago

IOWA STATE UNIVERSITY
Extension and Outreach

22

Farmers are Not Investing.

- Combine sales down 23.1% in 2024
- Tractor sales down 13.3% in 2024

Source: Association of Equipment Manufacturing

- 51% of farmers plan for fewer machinery purchases in 2025
- 59% of farmer plan for fewer building purchases in 2025

Source: Ag Barometer

- Iowa Manufacturing Employment is down 2.9% since June.

Source: Bureau of Labor Statistics

IOWA STATE UNIVERSITY |
Extension and Outreach

23

What will Happen to Farmland Values?

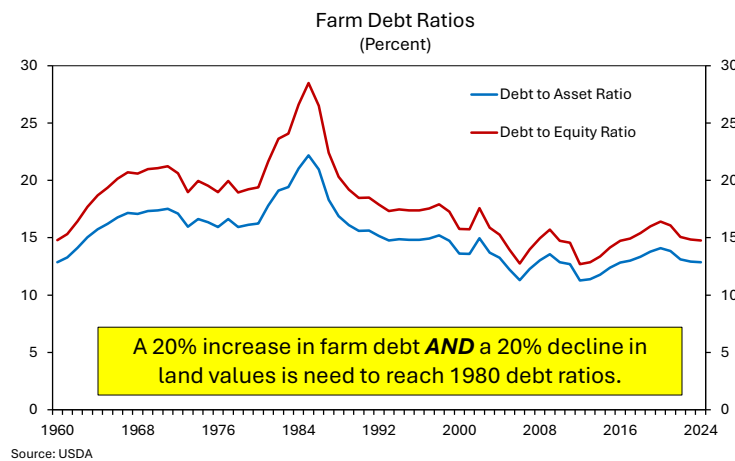
- Iowa farmland values eased 1% during the past year.
Source: Federal Reserve Bank of Chicago
- Iowa farmland values eased 5%
Source: Iowa State University survey of farm realtors
- Nationally, 15% of farmers expect lower values in 2025
- However, 60% of farmers expect non-farm investor demand to drive farmland values higher.

Source: Ag Barometer

IOWA STATE UNIVERSITY |
Extension and Outreach

24

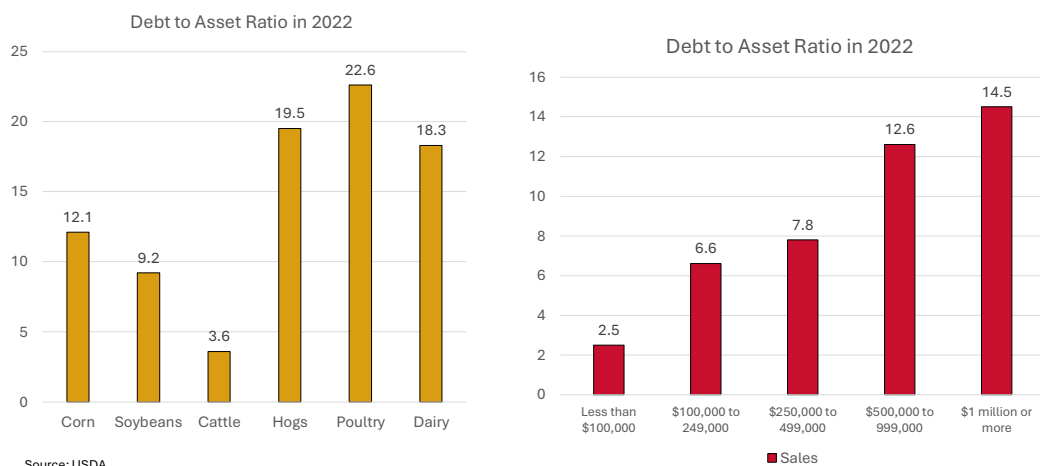
Farmers have not leveraged the farm.



IOWA STATE UNIVERSITY
Extension and Outreach

25

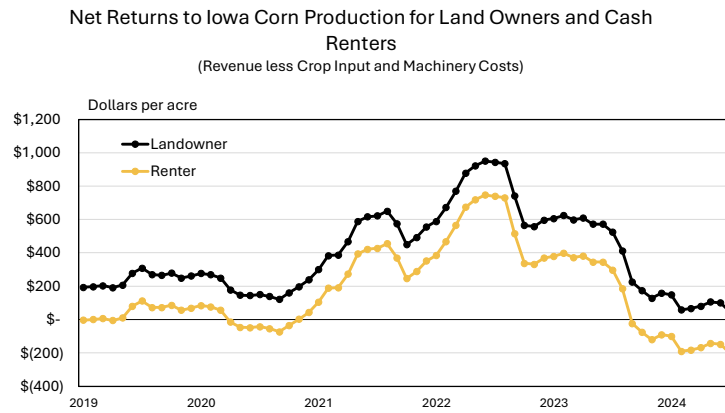
Debt is not evenly distributed.



IOWA STATE UNIVERSITY
Extension and Outreach

26

Young and beginning farmers struggle the most.



Source: Ag Decision Maker, [Ag Decision Maker - Iowa State University \(iastate.edu\)](https://agdecisionmaker.iastate.edu)

IOWA STATE UNIVERSITY
Extension and Outreach

27

Conclusions



Economic Outlook:
Is a global economic transformation underway?



Farm Income Prospects:
Farmers are optimistic, but where will demand emerge?



Farm Finances:
Agriculture is well-positioned, but how about young and beginning farming operations.

IOWA STATE UNIVERSITY
Extension and Outreach

28

IOWA STATE UNIVERSITY

Extension and Outreach