Two recent papers by the Kansas City Federal Reserve Bank examine previous agricultural cycles. The first was published in the Main Street Economist in 2013 entitled *The Wealth Effect in U.S. Agriculture*. It is a brief paper summarizing the research on farmers borrowing practices through an agricultural cycle. During years of low income, farmers tap their existing wealth to finance spending on capital investments such as buildings, vehicles, machinery and other equipment. Thus, similar to nonfarm households, the wealth effect often leads to sharp increases in debt and leverage in farm enterprises. Current farm debt ratios remain near historical lows. Yet, projections of lower farm incomes, high wealth and low interest rates are the recipe for another wealth effect in U.S. agriculture.

A longer more in depth paper that serves as the background for the earlier one was published in the Economic Review this spring by the Kansas City Federal Reserve Bank. It attempts to address the question on everyone’s mind, *Farm Investment and Leverage Cycles: Will This Time Be Different?* The authors examine the ag cycles that started in the 1910, 1940, 1970 and 2005. With today’s historically high farmland values and low interest rates, the stage may be set for the accumulation of farm debt. The patterns of past leverage cycles described above suggest that U.S. farm debt could be approaching yet another turning point in the years ahead. Given the strong wealth effect typically displayed in the U.S. agriculture sector, it seems quite possible that farm investment may prove persistent even when profits decline, leading to an accumulation of debt.