Iowa Farmland Values

Iowa Innovations: Farmer Mac and the Community Bankers of Iowa

Mike Duffy
April 27, 2011
Current Situation
Iowa Nominal and Inflation Adjusted Land Values
2010 Iowa Land Values by Crop Reporting District

**LYON**
- 7,283 – 5,883 – 4,161
  - $6,356
  - Up 18.5%

**OSCEOLA**
- 6,397 – 5,300 – 3,976
  - $5,746
  - Up 19.0%

**DICKINSON**
- 6,076 – 4,664 – 3,517
  - $5,022
  - Up 12.5%

**EMMET**
- 6,585 – 5,111 – 3,542
  - $5,466
  - Up 17.5%

**KOSSEUTH**
- 7,026 – 5,386 – 3,724
  - $5,901
  - Up 17.4%

**WINNEBAGO**
- 6,152 – 5,445 – 3,840
  - $5,447
  - Up 13.6%

**WORTH**
- 5,335 – 4,140 – 2,868
  - $4,325
  - Up 21.5%

**MITCHELL**
- 3,892 – 2,596 – 1,794
  - $2,690
  - Up 6.0%

**HOWARD**
- 5,862 – 4,053 – 2,620
  - $4,296
  - Up 12.1%
Percent Change in Iowa Land Values by Crop Reporting District from Sept. 2010 to March 2011 (RLI)
Percent Change in Farmland Values 7th Federal Reserve Board District

- IL: 7th District
- IN: 7th District
- IA: 7th District
- WI: 7th District
- 7th District:

4th Qt. 10: [bars]
Jan '10 to Jan '11: [bars]
Factors
Positive Factors Influencing the Land Market

- Commodity prices
- Low interest rates
- Land availability
- Yields
- Safe investment/no others
- Strong demand
Negative Factors Influencing the Land Market

- Economy: 27%
- Input costs: 20%
- Land too high: 18%
- Lower yields: 16%
ISU Land Sales Level Index,
Above 100, Greater Sales Than Previous Year
Reasons Behind Current Situation
Iowa Average Corn and Soybean Prices

- **Corn**
- **Soybeans**
US and Iowa Net Farm Income

US and Iowa Net Farm Income, 1949-2011F

- US
- IOWA

- Billion Dollar


- Billion Dollar

- $0 $1 $2 $3 $4 $5 $6 $7 $8

- $0 $10 $20 $30 $40 $50 $60 $70 $80 $90 $100

- US
- IOWA

- US and Iowa Net Farm Income
Regional disparity for farm business income prospects in 2011

The farm level forecasts are derived from partial budget modeling on the 2009 Agricultural Resource Management Survey (ARMS) using parameters from the sector forecasts.
Value of an Investment made in Iowa Farmland as a Percent of an Investment in the S&P by Year of Investment
Is this another 1970s to be followed by the 1980s?
Differences

- We are not seeing the debt being incurred
- Net farm income is at record levels and being sustained
- Interest rates are at record low levels
- There is a strong demand for land and a limited supply being offered for sale
- We have almost as many people worried as we do pushing
Similarities

• Commodity price jumps; 1970s exports; 2006 onward energy demand and commodity supply issues

• Input prices increases; 1970s corn cost per acre up 87% in 5 years, 49% in past 5 years

• Land prices and commodity prices increasing to unprecedented levels
Considerations

- Ethanol mandate and what would happen if it was removed?
- Interest rates
- Overall economy
- Will people start to take on too much debt?
- Land purchased in the 1970s and early 1980s the only period where the stock market has out performed land
Underlying Trends

• Increasing age of the land owners and what the next generation will do with the land
• Increasing farm size and the need for more acres to generate an income with tight margins
• Increasing reliance on rented acres. What are the implications of this ‘new’ risk?
• Increasing world competition for commodities and inputs
Conclusions

- Land values will likely remain strong in the short run. The level of recent increases will probably not occur but there won’t be significant drops either.
- Inequality, uncertainty and unsustainable are key considerations.
- Barring major catastrophes land should remain a solid, long term investment.
Thank-you

Mike Duffy
478 Heady Hall, ISU
Ames, IA 50011
mduffy@iastate.edu
www.econ2.econ.iastate.edu/faculty/duffy

Iowa State Web sites
www.Extension.iastate.edu/
Agriculture Decision Maker   agdm
Beginning farmer Center  bfc
Iowa Learning Farms  ilf