

U.S. Midwest Farmland Market Update

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ISU CARD Farmland Portal: www.card.iastate.edu/farmland

South Dakota Land and Lending Conference, September 10, 2021

Iowa Land Supply and Price Update Q2 2021

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IOWA STATE UNIVERSITY
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Auction Price Trends – Price per Acre

The Q2 2021 farmland auction prices are at levels that we haven't seen since 2013, with dramatic increases of 20% or more over the already higher Q1 2021 levels. On average, the Iowa farmland auction acres are sold at an average price of \$10,737/acre in Q2 2021, which is 20% higher than the average prices in Q1 2021 and almost 50% higher than year-ago levels. This is likely driven by surging commodity prices, favorable interest rates, and record-level government payments.



Figure 5. Quarterly comparisons of acre price trends.

<https://www.card.iastate.edu/products/publications/pdf/21sr114.pdf>

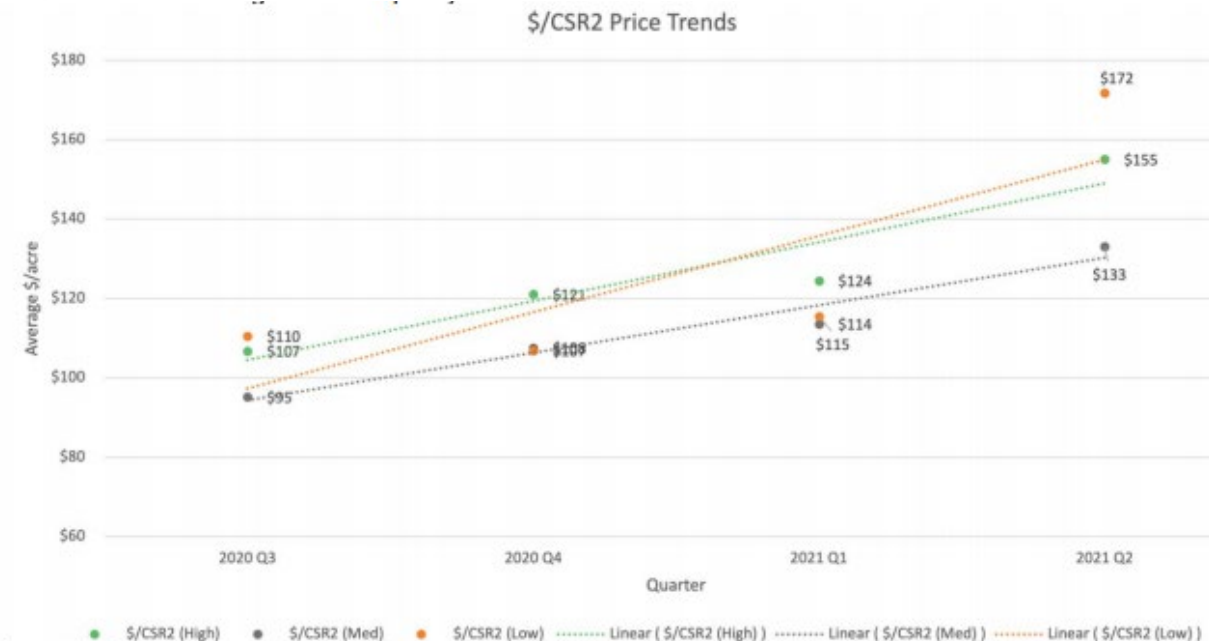


Figure 6. Comparison of quarterly CSR2 price trends.

Grain Belt Farmland Values Jump 7.5% in 6 Months



By **SARA SCHAFER** August 6, 2021

Average Change in Farm Values

The number of benchmark farms in each state is in parentheses.

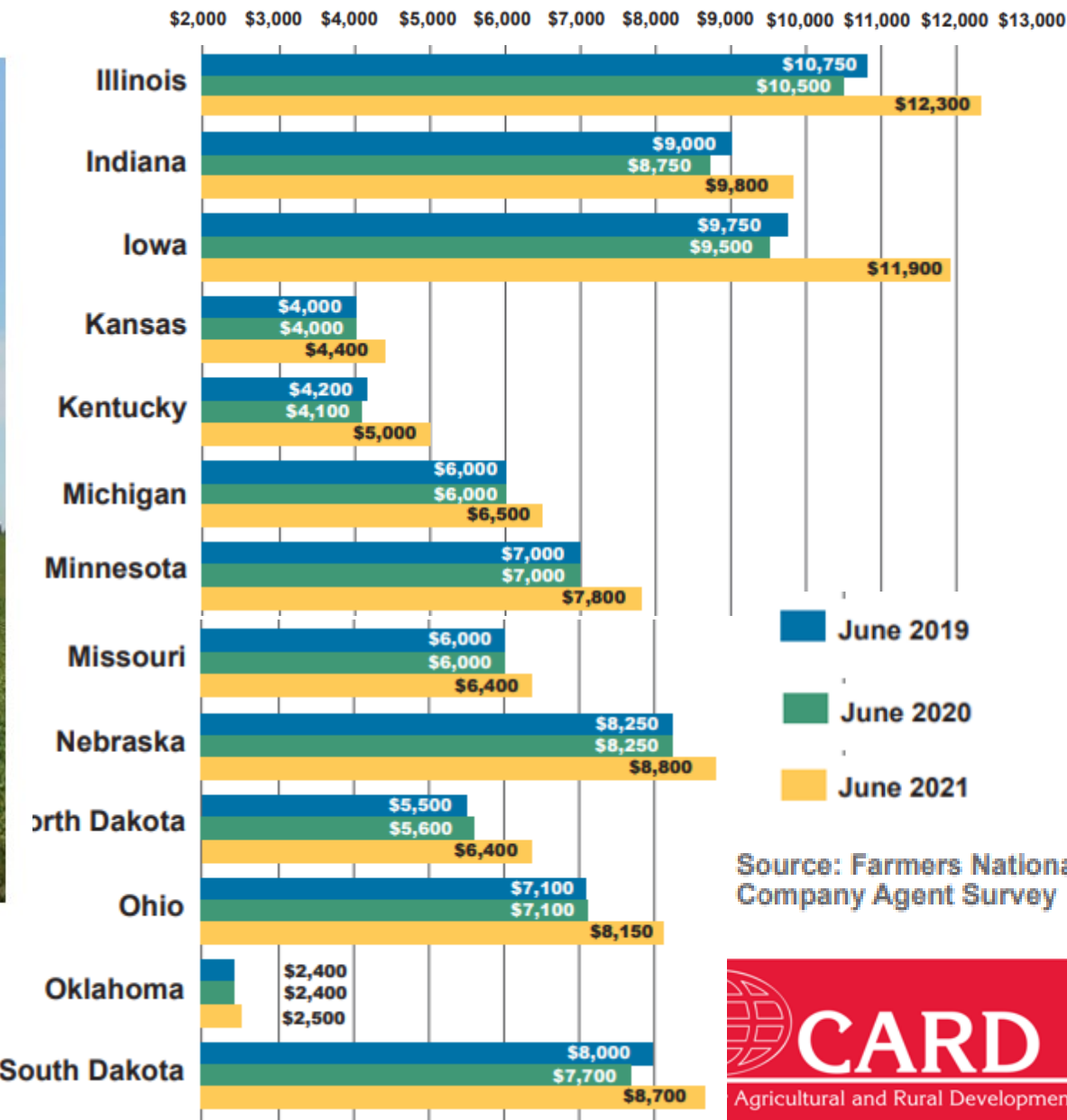
	Six Month	One Year	Five Year	Ten Year
Iowa (21)	▲ 9.9%	▲ 13.9%	▲ 15.3%	▲ 37.3%
Nebraska (18)	▲ 5.6%	▲ 9.5%	▼ 1.8%	▲ 62.9%
South Dakota (22)	▲ 7%	▲ 9.5%	▼ 4.8%	▲ 71.3%
Wyoming (2)	▲ 8%	▲ 10.9%	▲ 29.6%	▲ 75.7%

DATA SOURCE: FARM CREDIT SERVICES OF AMERICA; PHOTO & GRAPHIC: LINDSEY POUND

On average, values were up about 7.5% in the first six months of 2021, according to a recent report from Farm Credit Services of America.
(Photo: Lindsey Pound, Data: FCSAmerica)

HIGH QUALITY LAND VALUES BY STATE

AVERAGE SALE PRICES PER ACRE



Source: Farmers National Company Agent Survey



Local Land Supply and Demand Explain Variations in Land Market

**Land Value = localized net
income / universal interest rate**



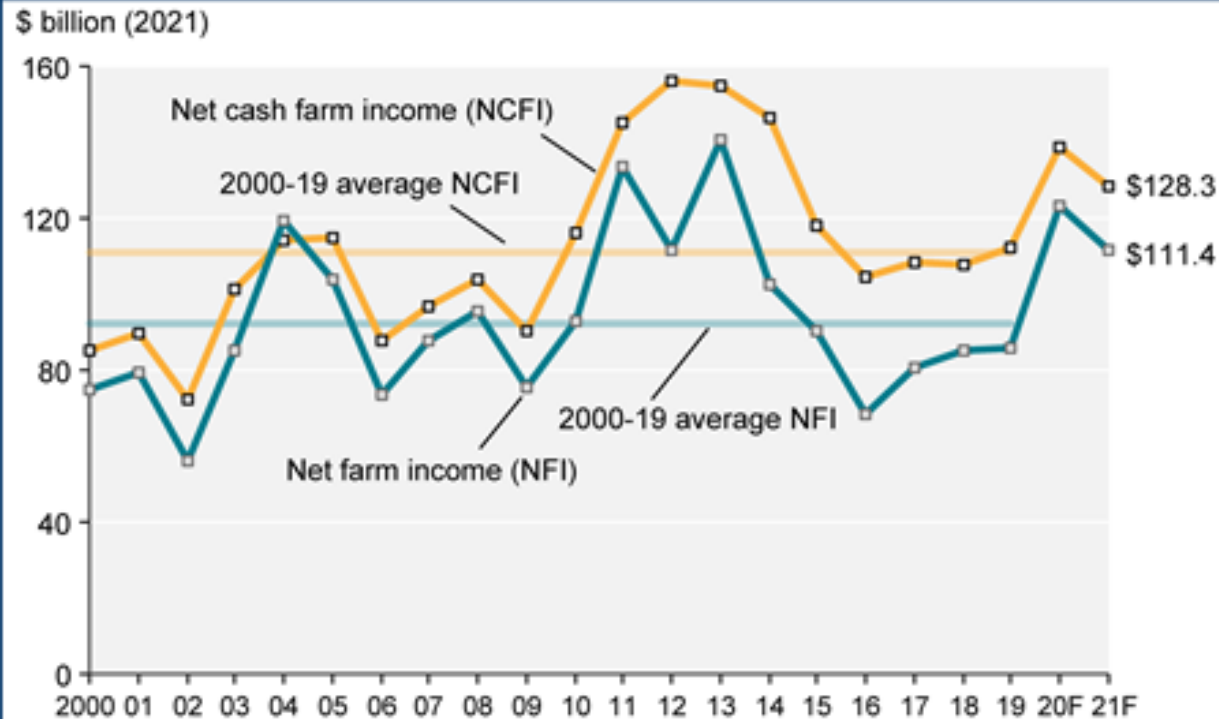
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Are Buyers Moving To Recreational Land In The Age Of COVID-19?

April 23, 2020 / 8 Comments / in [Your] Land Blog

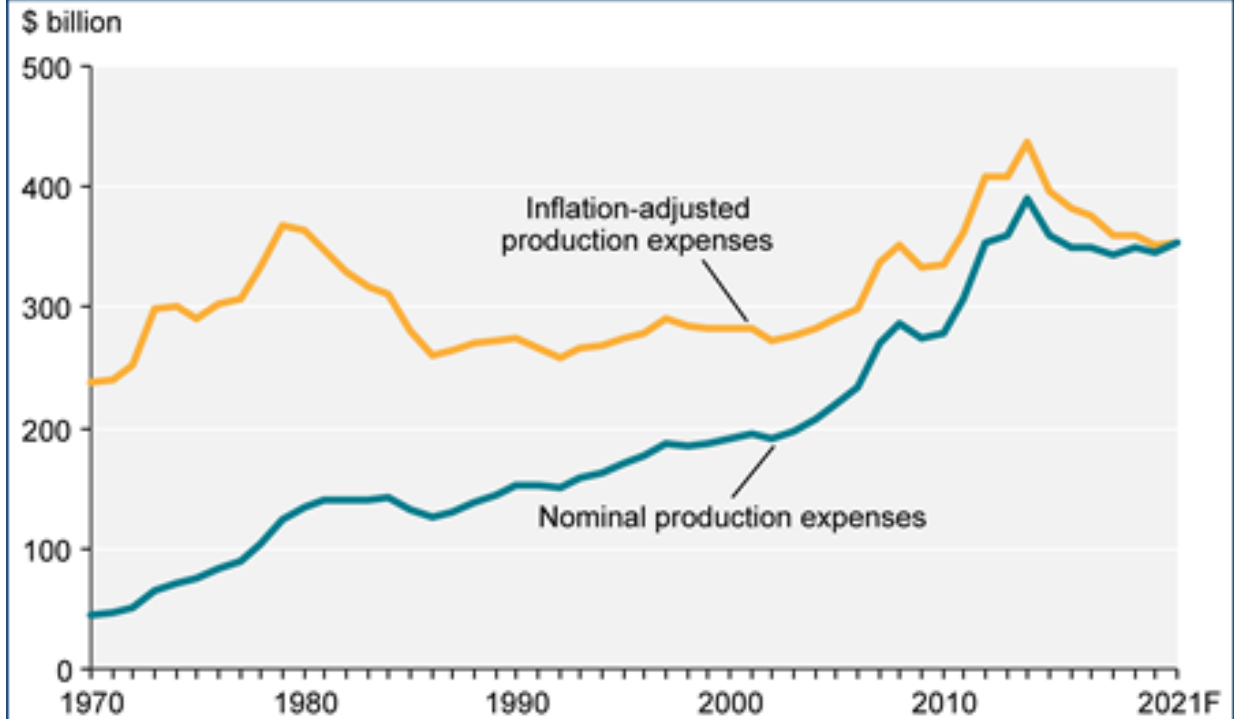
Record federal ad hoc government payments and lower interest rates provided support for land values

U.S. net farm income and net cash farm income, 2000–21F



Note: F = forecast. Values are adjusted for inflation using the Gross Domestic Product chain-type price index, 2021=100.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of February 5, 2021.

Nominal and inflation-adjusted farm production expenses, 1970–2021F



Note: Data for 2020 and 2021 are forecasts. Values are adjusted for inflation using the Gross Domestic Product chain-type price index, 2021=100.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of February 5, 2021.



Economic Research Service
United States Department of Agriculture

The impacts of interest rate changes on US Midwest farmland values

Albulena Basha
Deutsche Gesellschaft Für Internationale Zusammenarbeit (GIZ) GmbH,
Pristina, Kosovo
Wendong Zhang

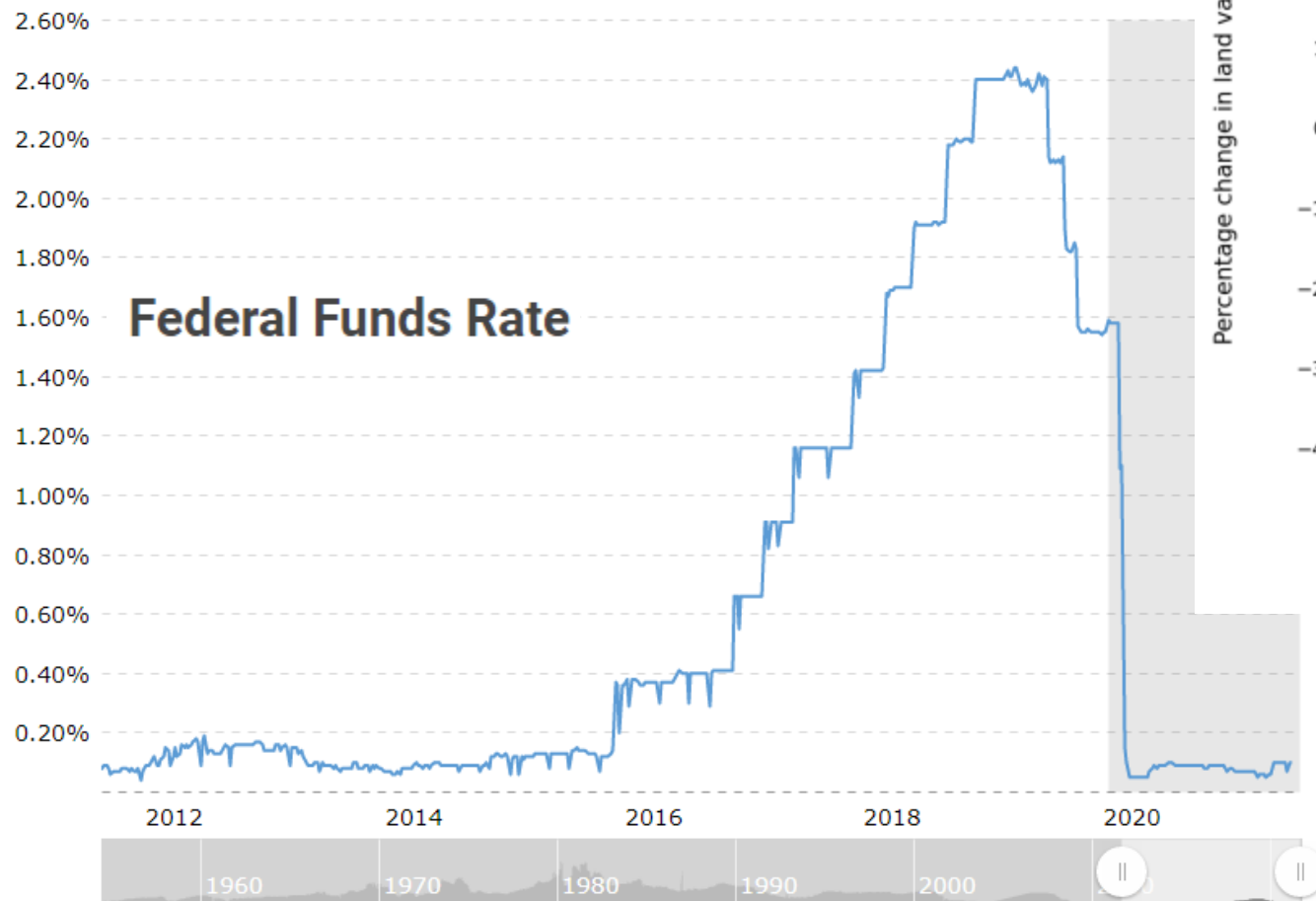
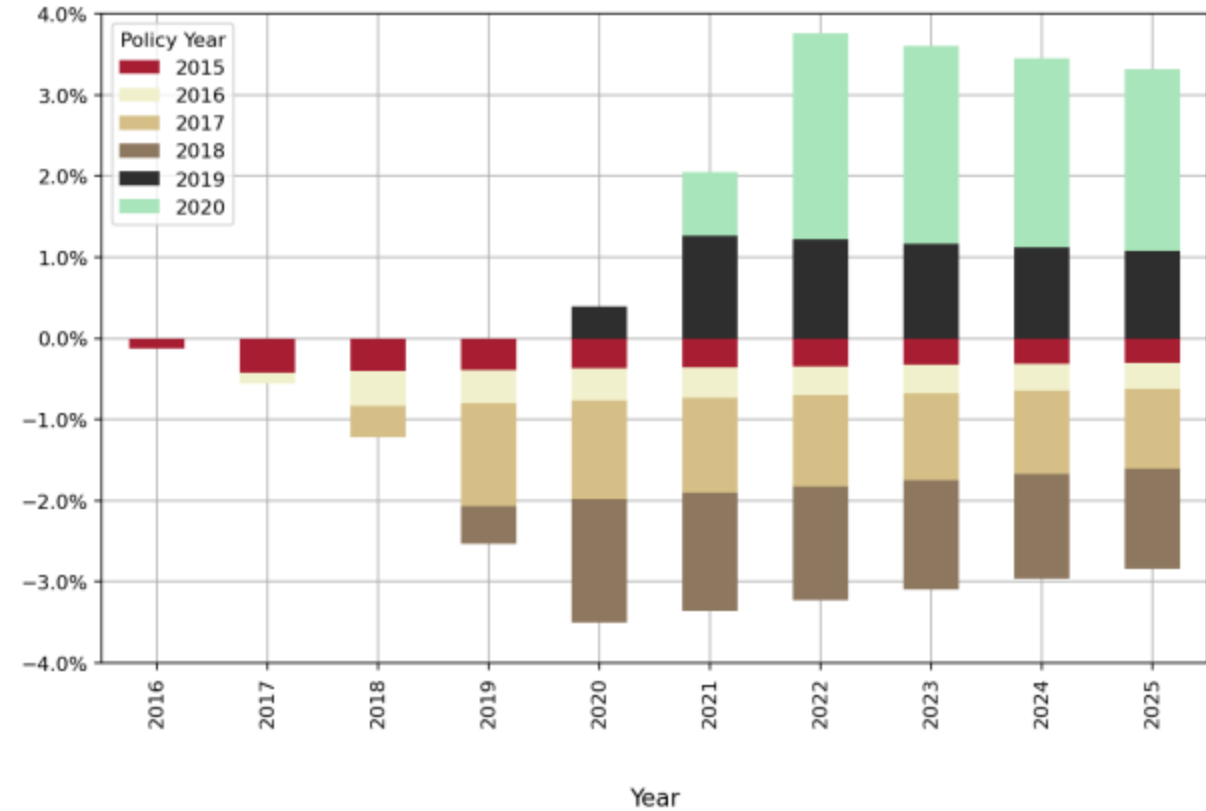


Fig. 3: The short- and long-term impacts of recent Federal Reserve interest rate moves on Great Plains states' farmland values



<https://doi.org/10.1108/AFR-11-2020-0163>

The impacts of interest rate changes on US Midwest farmland values

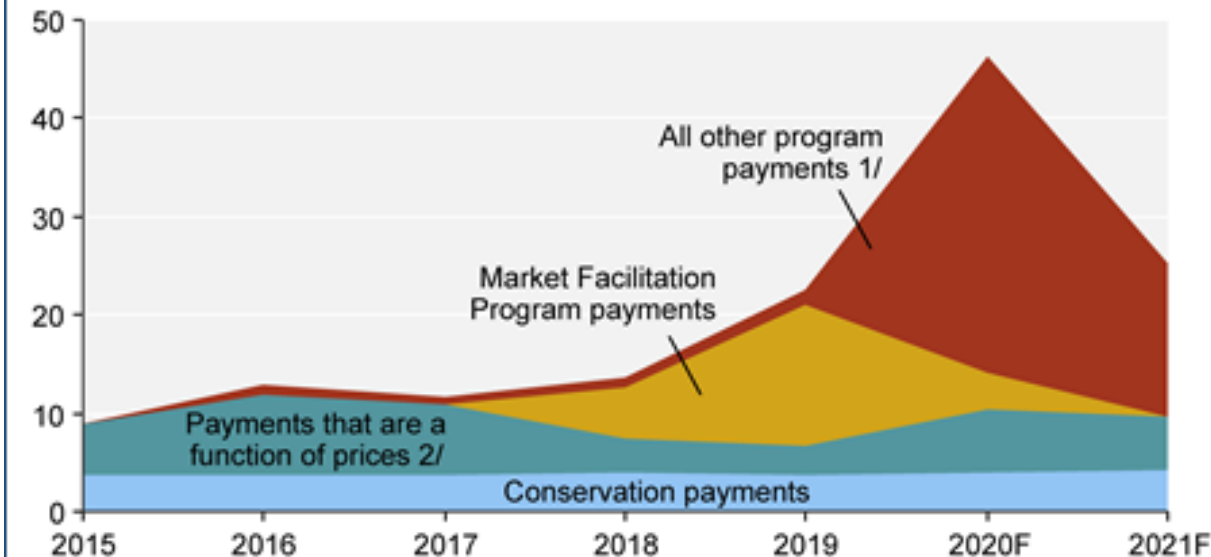
Albulena Basha

Deutsche Gesellschaft Für Internationale Zusammenarbeit (GIZ) GmbH,
Pristina, Kosovo

Wendong Zhang

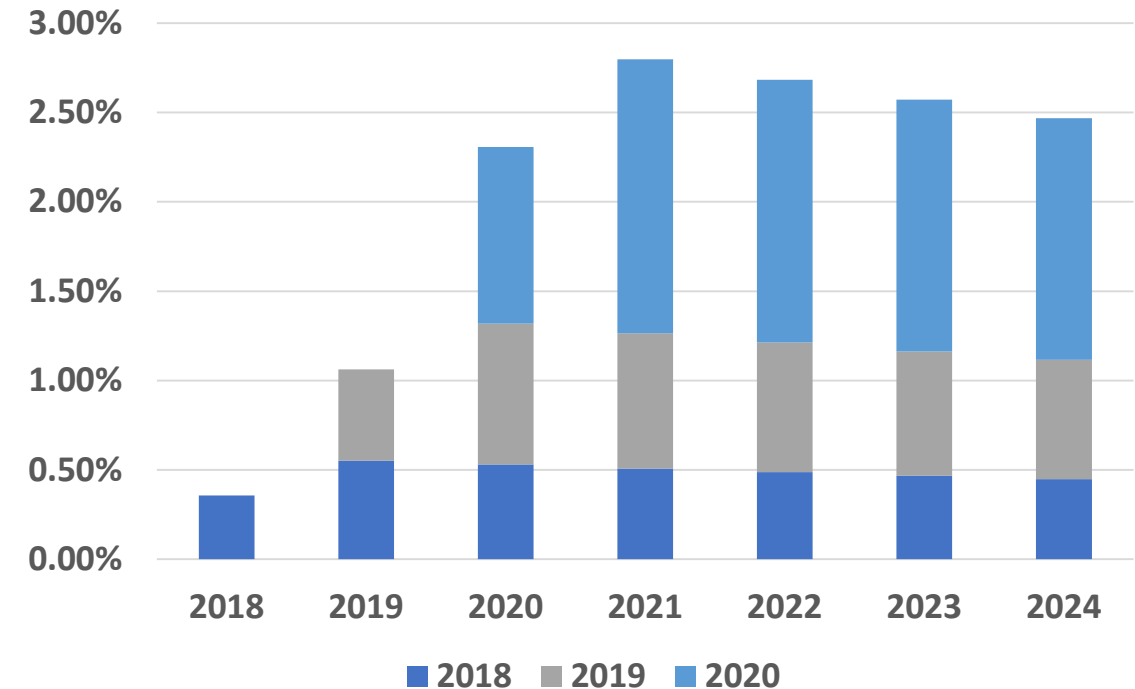
Direct government payments to farm producers, 2015-21F

\$ billion (nominal)



Note: F = forecast. 1/ "All other program payments" includes supplemental and ad hoc disaster assistance, which in 2020 and 2021 includes payments from the Coronavirus Food Assistance Program and the Paycheck Protection Program, and in 2021 also includes payments under the Consolidated Appropriations Act, 2021. 2/ Includes Price Loss Coverage, Agriculture Risk Coverage, loan deficiency payments (excluding grazeout payments), marketing loan gains, certificate exchange gains, and dairy payments. Source: USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of February 5, 2021.

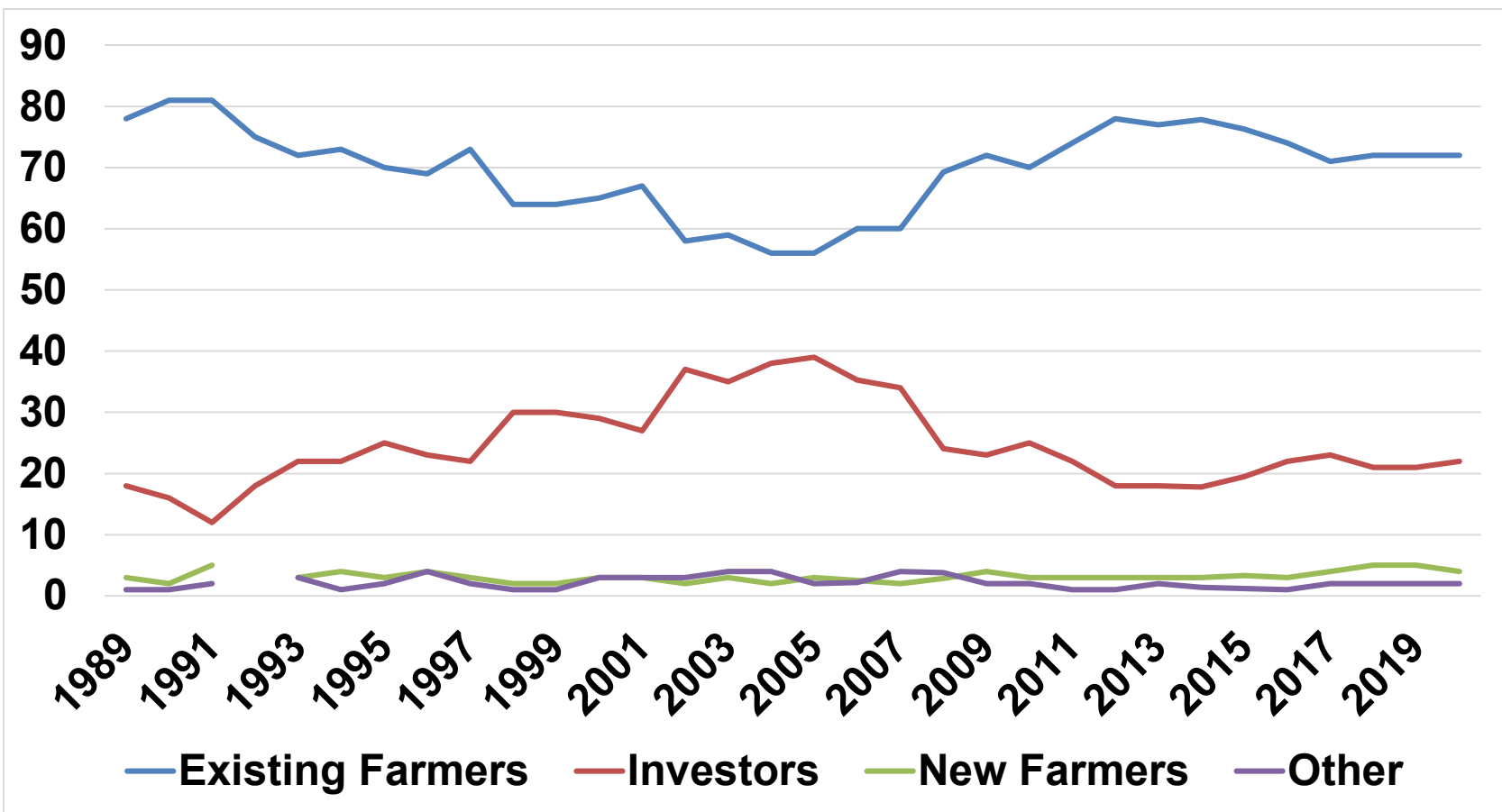
The short- and long-term impacts of recent Government payments on Dakota states' farmland values



<https://doi.org/10.1108/AFR-11-2020-0163>

Iowa Farmland Purchases by Buyer Types 1989-2020

Illinois 2021

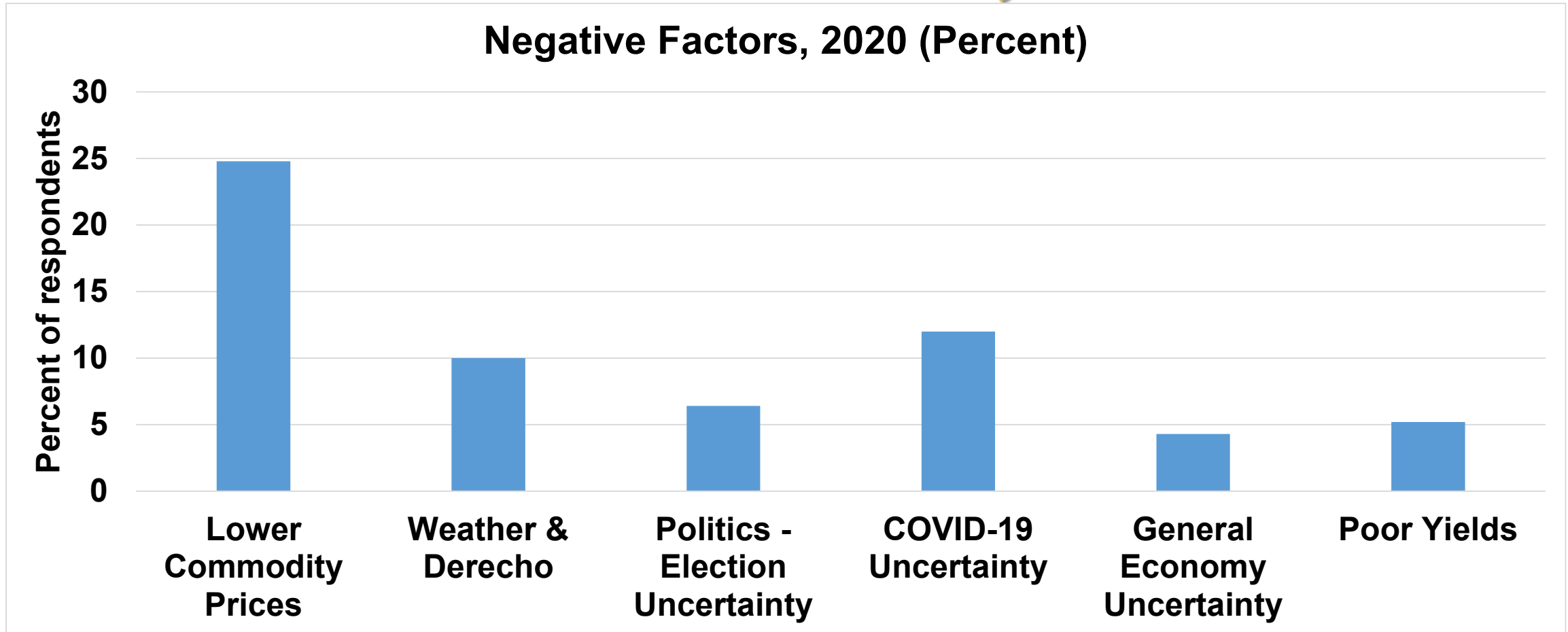


Buyers

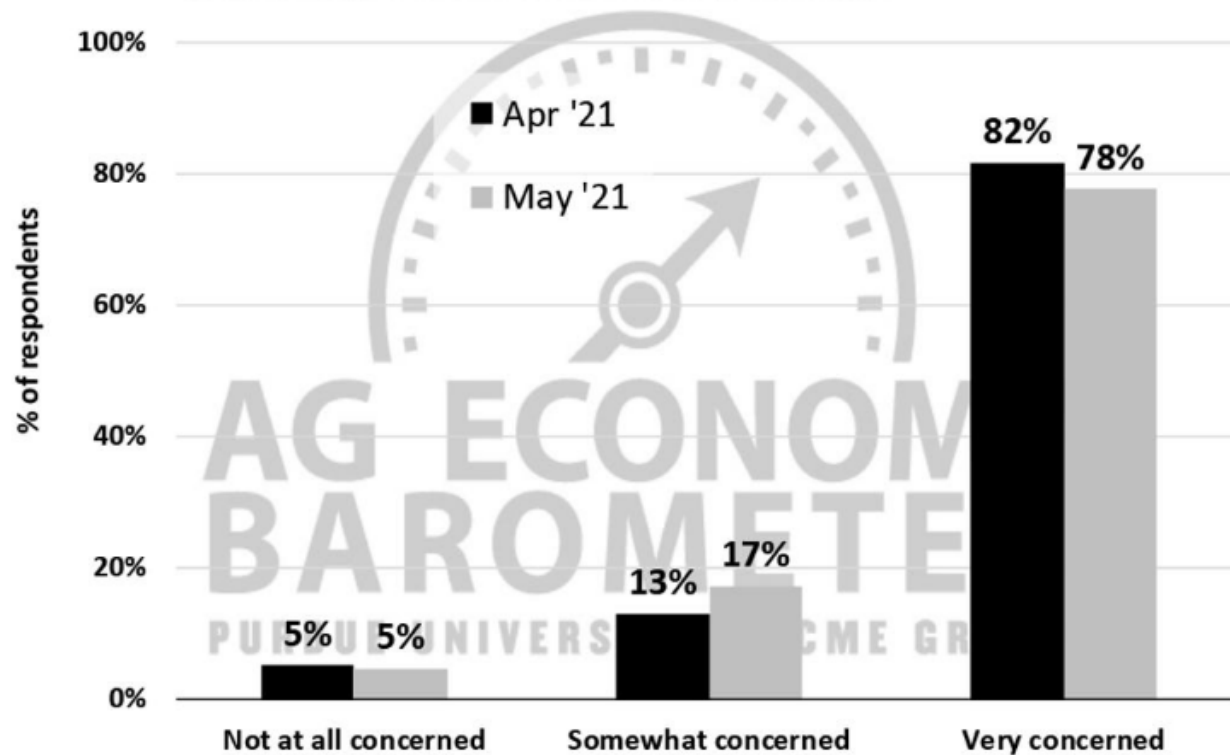
Local farmers	55%
Local investors	16%
Non-local Investors	12%
Institutions	5%
Recreational interests	3%

More investor interest?

Major Negative Factors Affecting Iowa Farmland Market, 2020



How concerned are you that changes in estate tax policy currently being considered by Congress will make it more difficult to pass your farm on to the next generation of farmers in your family?



Source: Purdue Center for Commercial Agriculture, Producer Survey, April-May 2021

August 2021
21-PB 35

The Tax Implications of the American Families Plan on Iowa Farmland Owners

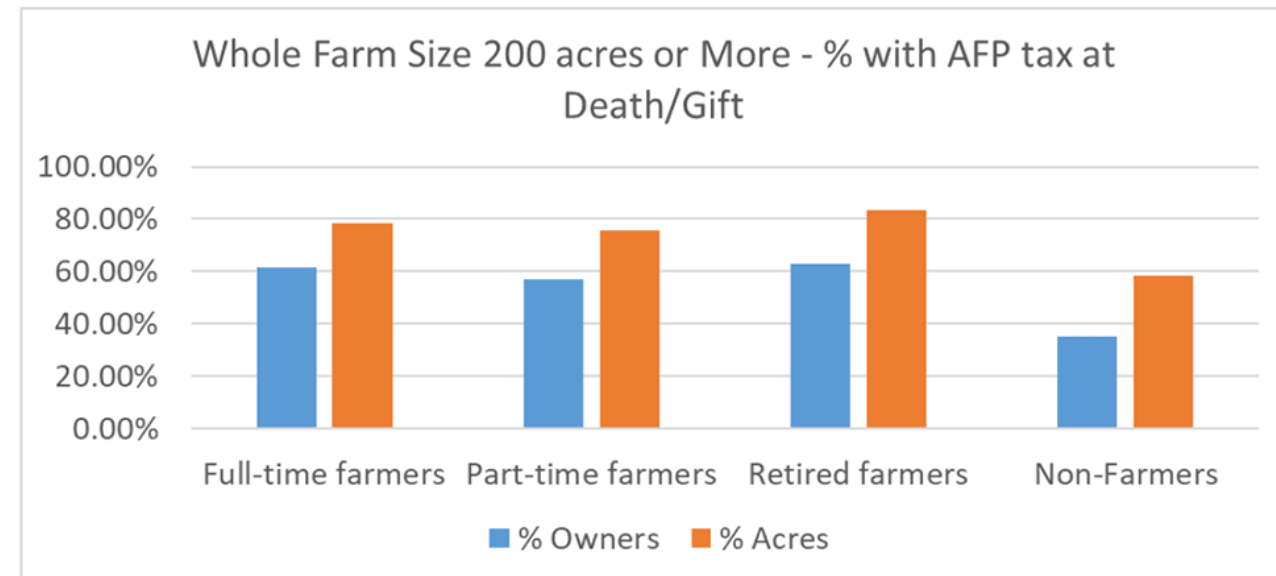
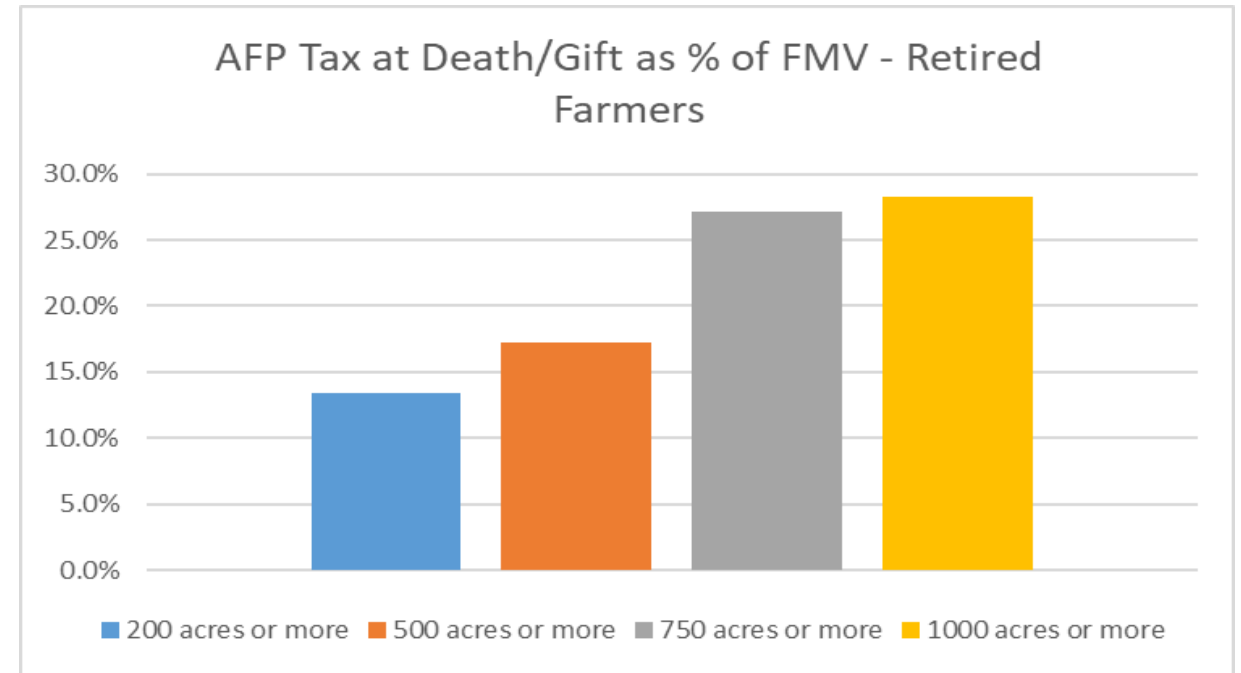
Kristine Tidgren*, Dolezal Adjunct Assistant Professor, Agricultural Education & Studies Department, Director, Center for Agricultural Law and Taxation, Iowa State University, ktidgren@iastate.edu

Wendong Zhang, Associate Professor, Department of Economics and Center for Agricultural and Rural Development, Iowa State University, wdzhang@iastate.edu

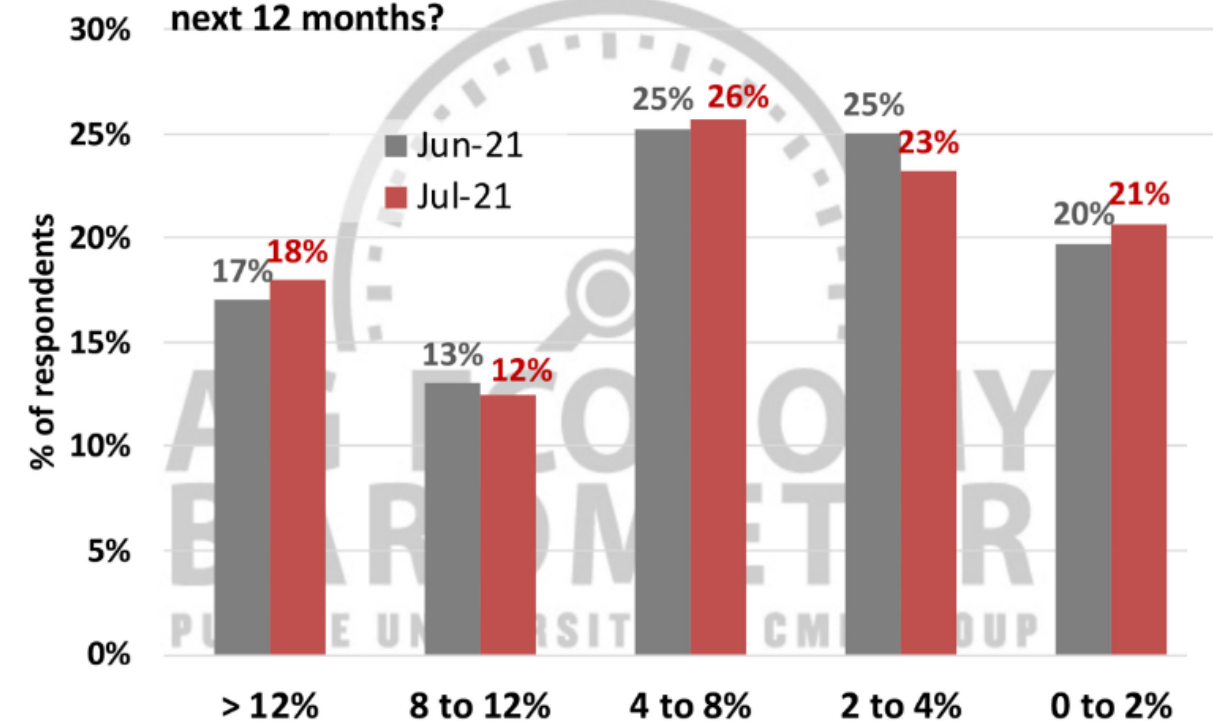
<https://www.card.iastate.edu/products/publications/pdf/21pb35.pdf>

the **American Families Plan** proposes taxing previously unrealized capital gain upon the transfer of appreciated property at death or by gift. This new tax—never before implemented in the United States—would generally apply to gain exceeding \$1 million per person. It the AFP proposes increasing the top marginal tax rate for ordinary income, taxing some capital gain at ordinary income tax rates, subjecting more income to the 3.8% Medicare tax, and taxing unrealized capital gain at death or upon gift. As proposed, the AFP would generally eliminate the tax-free step up in basis for capital gain exceeding \$1 million - **So the first \$1 million would still receive a tax-free step up in basis, but the rest would receive the step up only after paying the tax**

Married couple owning 722 acres jointly, \$519,561 new tax liability per spouse (bought land in 2005 at \$3k/acre)

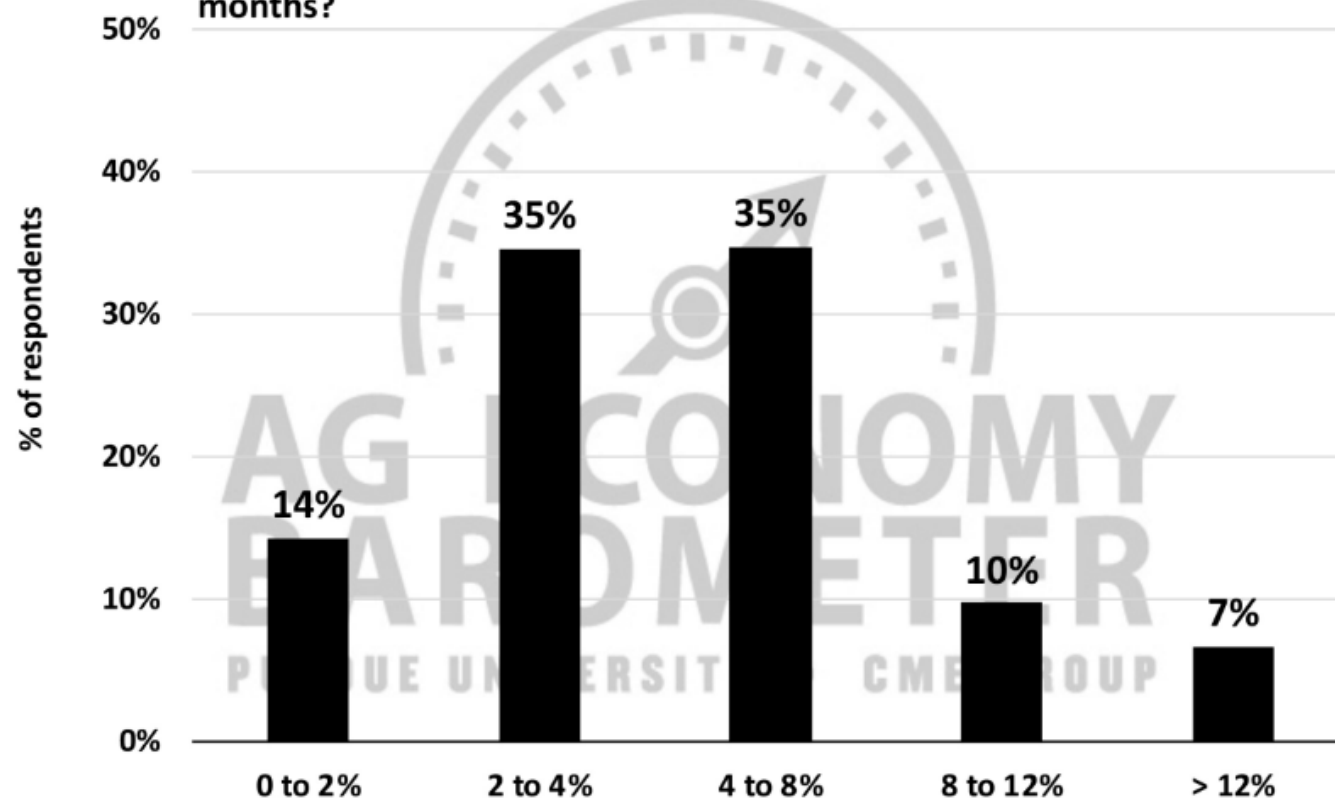


The average price paid for farm inputs increased by 1.8% per year during the last ten years. Using this as a frame of reference, by how much do you expect input prices to change during the next 12 months?



Source: Purdue Center for Commercial Agriculture, Producer Survey, June & July 2021

The average inflation rate for consumer items was 1.5% per year during the last ten years. Using this as a frame of reference, what do you expect the rate of inflation for consumer items to be during the next 12 months?



Source: Purdue Center for Commercial Agriculture, Producer Survey, July 2021

The relationship between inflation and farmland returns

October 2020

Bruce Sherrick, Ph.D., Director of the TIAA Center for Farmland Research and Fruin Professor of Farmland Economics

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

TIAA Center for Farmland Research

Table 2: Asset return characteristics, 1970 to 2019⁶

Asset/Index	Annual average return	Standard deviation	Coefficient of variation
----- 1970 - 2019 -----			
U.S. ag 32 states	10.2%	6.5%	0.64
U.S. equities	7.1%	16.5%	2.31
European equities	6.1%	20.3%	3.35
U.S. corporate bonds	7.5%	2.6%	0.35
U.S. 10 year bonds	6.3%	3.0%	0.48
U.S. 30 year mortgages	7.7%	3.6%	0.46
U.S. listed real estate	10.9%	16.8%	1.53
Gold	7.53%	22.2%	2.95
PPI	3.40%	4.9%	1.44
CPI	3.84%	2.8%	0.73

U.S. Equities: S&P 500 index; **European equities:** MSCI EAFE Index; **U.S. corp**
Corporate AAA rated bonds; **U.S. 10 year bonds:** U.S. 10 year Tr
mortgages: Average rate on 30 year fixed rate mortgage; **U.S. lis**
Index; **Gold:** London Bullion Market Association Gold Price; **PPI:** P

U.S. equities
European equities
U.S. listed real estate
U.S. corporate bonds
U.S. 10 year bonds
Gold
CPI
PPI

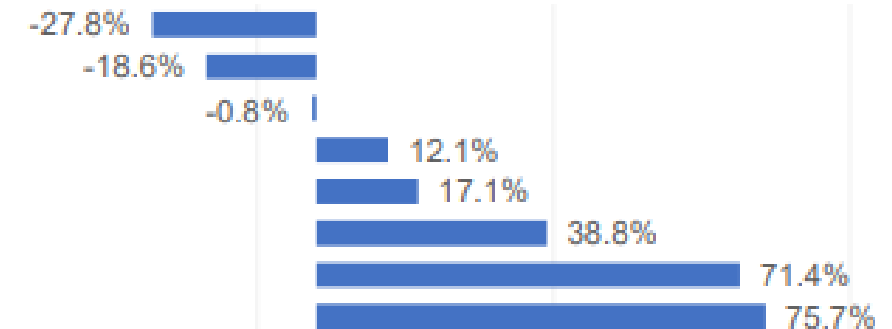


Figure 5: Three-year rolling geometric correlations with U.S. 32 state farmland returns, 1970 to 2019⁸

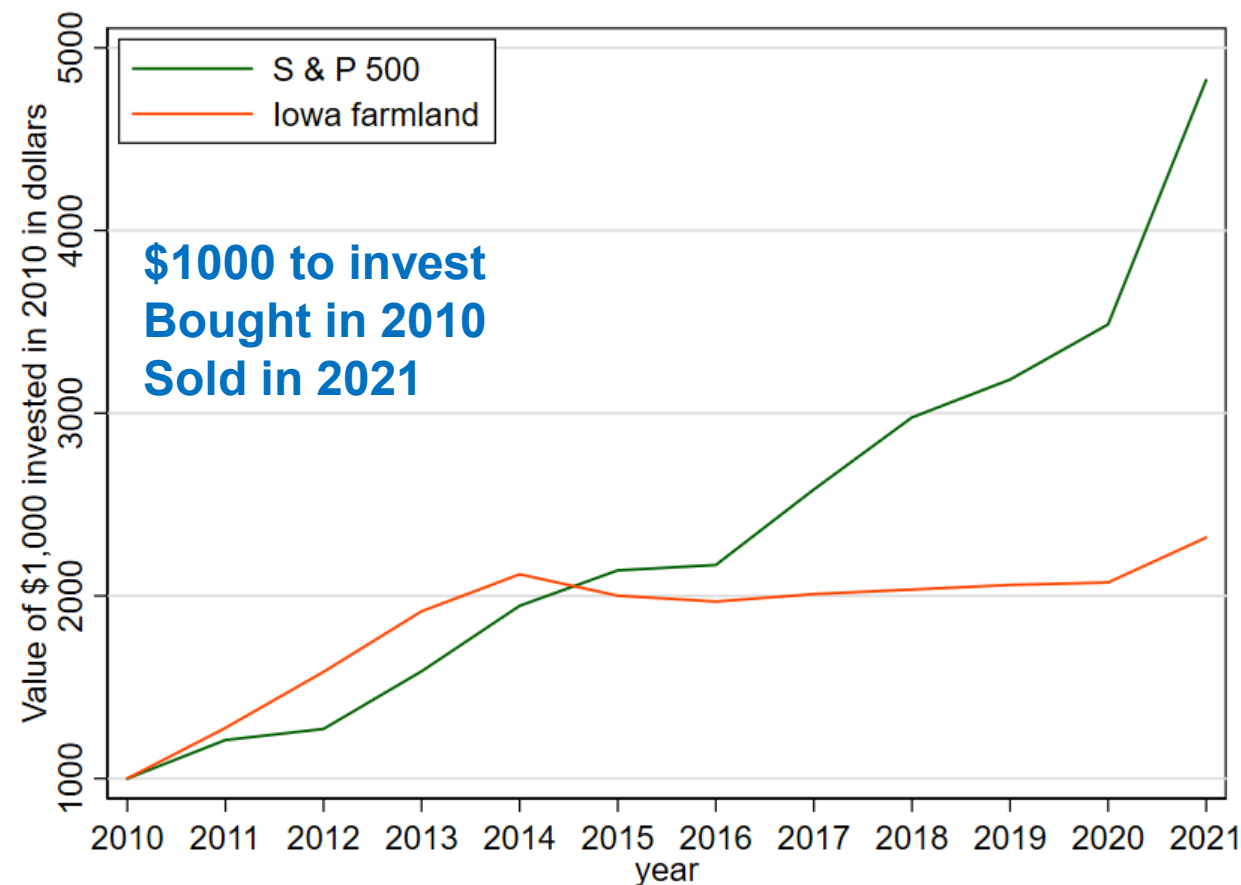
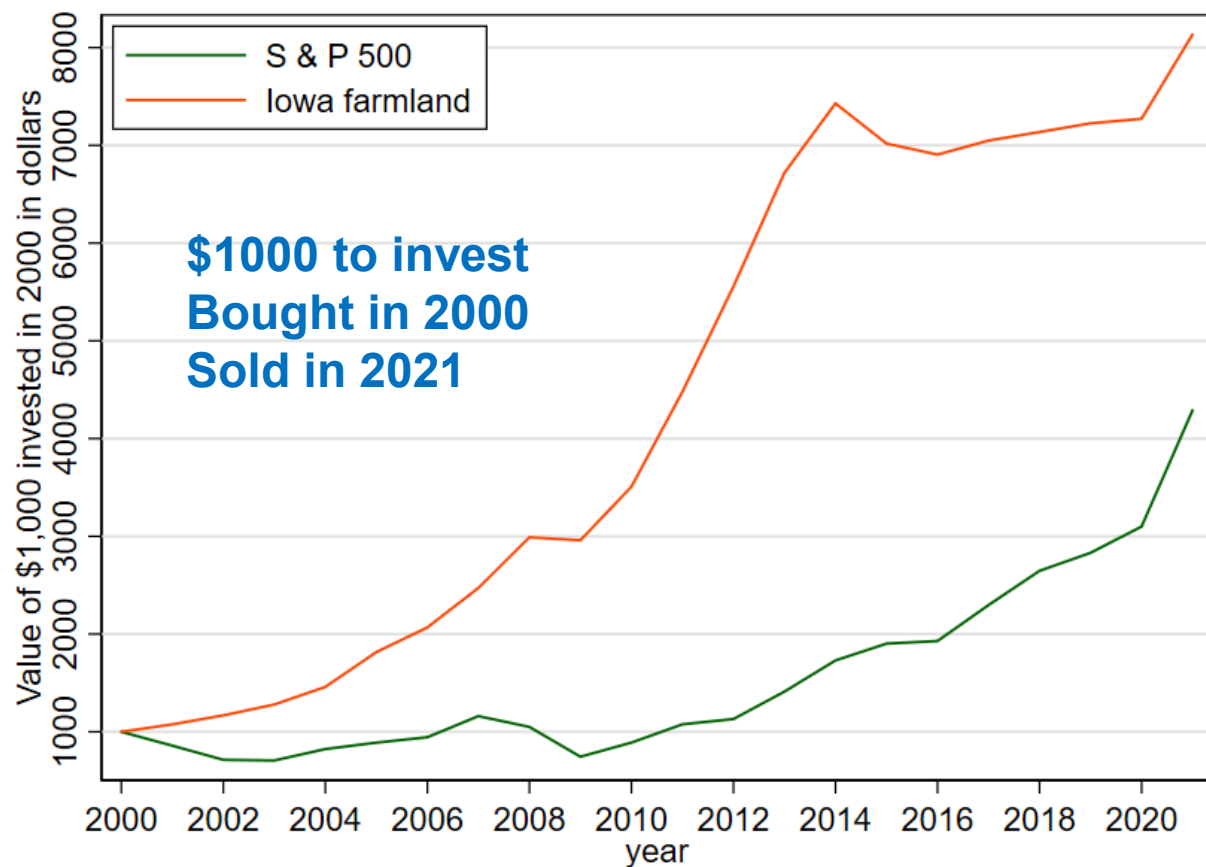
<https://farmland.illinois.edu/research-briefs/>



Comparing the stock market and Iowa land values: A question of timing

By Wendong Zhang, extension economist, 515-294-2536, wdzhang@iastate.edu
and Mike Duffy, retired extension economist

Ag Decision Maker

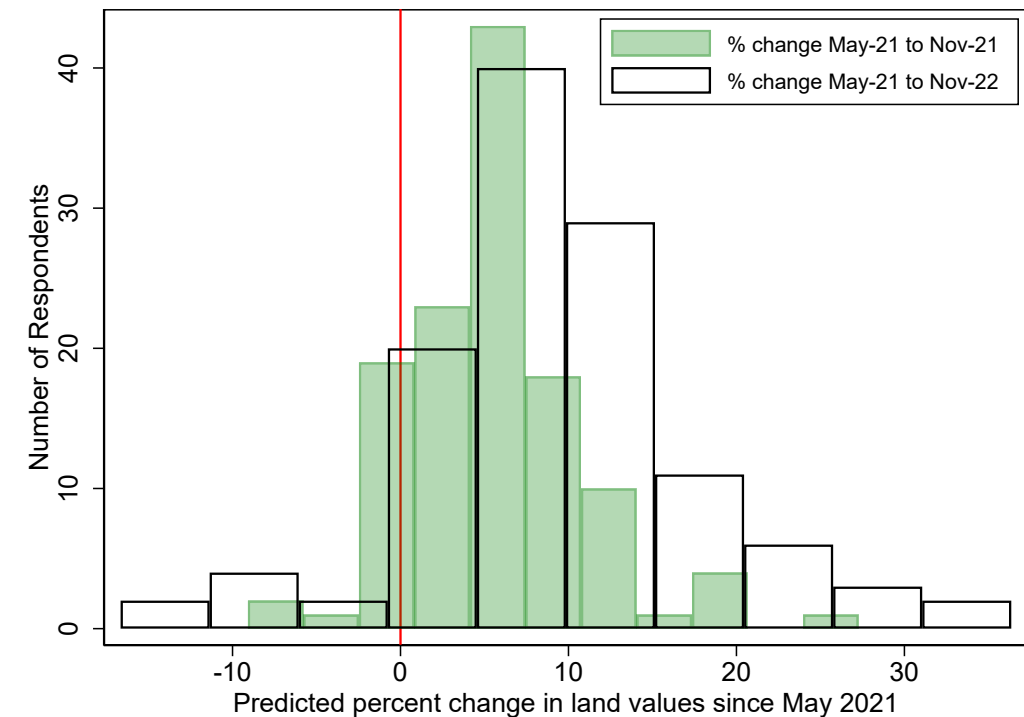


2021 SMLV Estimated Land and Commodity Price Forecasts					
LAND	AVG ESTIMATE OF % CHANGE SINCE MAY 2021				
	NW	NE	SW	SE	STATE
Nov 2021	5.6%	6.9%	4.1%	5.5%	5.7%
Nov 2022	9.9%	8.5%	6.5%	11.0%	9.2%
Nov 2023	11.0%	10.0%	8.2%	14.4%	11.0%
Nov 2025	21.8%	20.0%	12.8%	22.1%	19.7%
Nov 2040	54.4%	52.5%	44.1%	71.7%	55.7%
Commodity Cash Prices (\$/bushel)					
	CORN		SOYBEAN		
May 2021	\$	5.90	\$	14.00	
Nov 2021	\$	5.29	\$	12.93	
Nov 2022	\$	4.92	\$	12.14	
Nov 2023	\$	4.85	\$	11.89	

<https://www2.econ.iastate.edu/faculty/zhang/smlv/2021/>

94th Annual Soil Management and Land Valuation Conference; Next Year: Wed May 18, 2022 in Ames

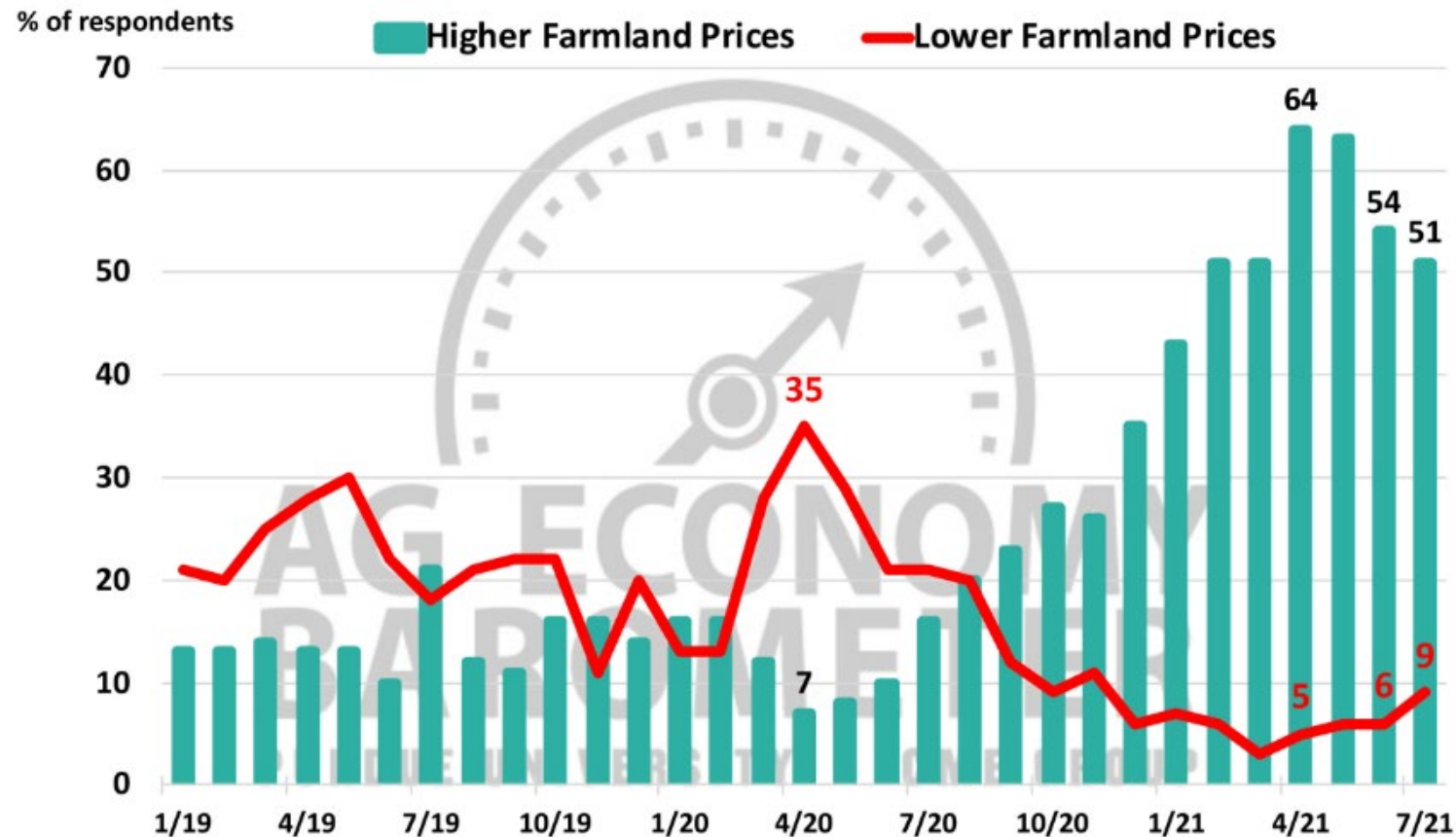
SMLV May 2021 forecast of land values in Iowa



<https://www2.econ.iastate.edu/faculty/zhang/smlv/2021/>

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Farmland Price Expectations, 12 Months Ahead



Source: Purdue Center for Commercial Agriculture, Producer Survey, July 2021



Compared to 2021, what are your expectations for cash rents in your area in 2022?

■ Higher Cash Rents ■ About the Same ■ Lower Cash Rents

% of respondents

100

80

60

40

20

0

5/21

6/21

7/21

65

47

52

2

3

1

Source: Purdue Center for Commercial Agriculture, Producer Survey, July 2021



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Compared to this year, by how much do you expect 2022 cash rents in your area to increase?

Question was only posed to corn/soybean farmers who expect cash rents to increase in 2022

■ Jul-21 ■ Jun-21 ■ May-21

60%

45%

30%

15%

0%

0 to L.T. 5%

5 to L.T. 10%

10% or More

26%

20%

18%

41%

48%

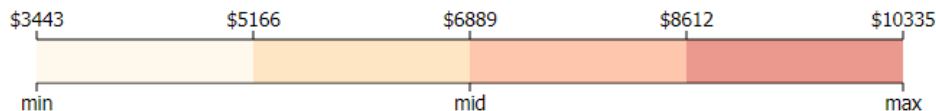
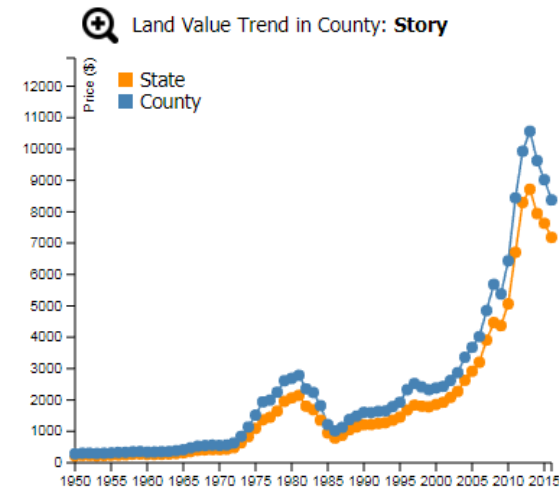
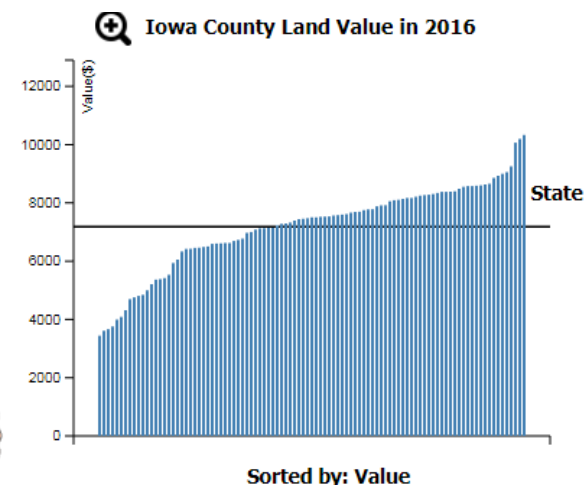
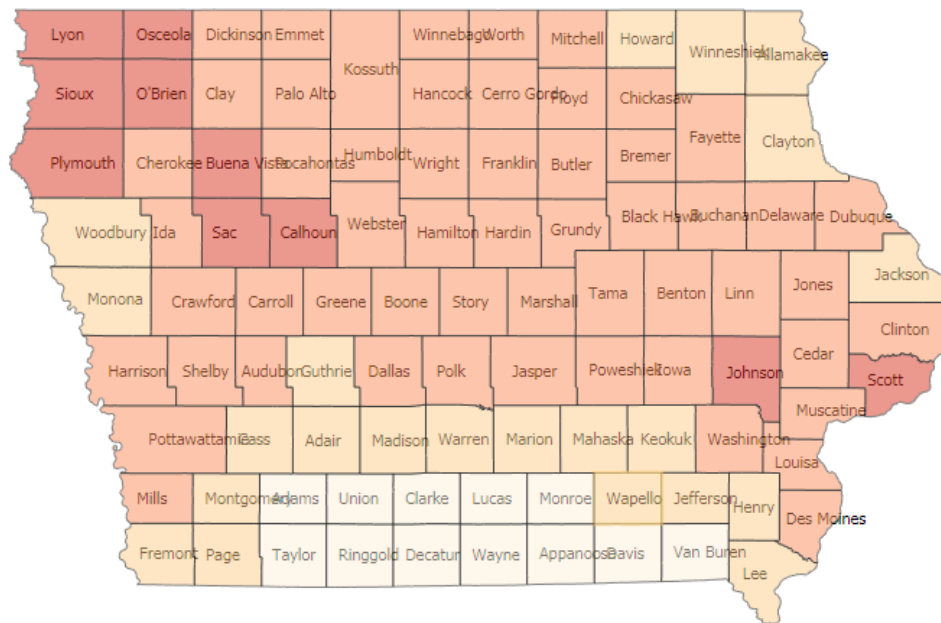
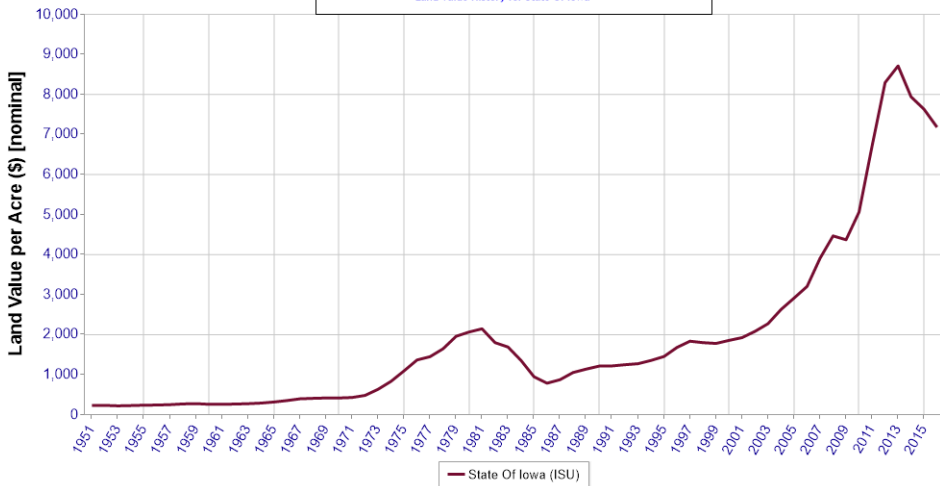
39%

34%

32%

43%

<https://www.card.iastate.edu/farmland>



94th ANNUAL SOIL MANAGEMENT LAND VALUATION CONFERENCE

Thank You!



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2019 ISU Land Value Survey


2019 ISU Land Value Survey


The 2019 ISU Land Value Survey shows a 2.3 percent increase in average Iowa farmland values from November 2018 to November 2019. The average statewide value of an acre of farmland is now estimated at \$7,432. This modest increase, which barely exceeds the pace of inflation, is the second rise over the past six years, but still represents a 15 percent decrease from the 2013 peak in nominal land values, or a 23 percent drop in inflation-adjusted values.

2017 Iowa Farmland Ownership & Tenure Survey Paper Copy Available for Order (\$5 Only)

The new, 60-page **2017 Iowa Farmland Ownership and Tenure Survey report is available for order at the Extension Store** for only \$5 each paper copy. This is a unique survey across the nation which provides statistically representative information on many aspects of land ownership, tenure and transitions in Iowa. For example, the survey finds that 60% of Iowa land is owned by people 65 years or older, 82% of Iowa land is owned free of debt, and 29% of all acres is primarily owned for family or sentimental reasons.

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www.card.iastate.edu/farmland

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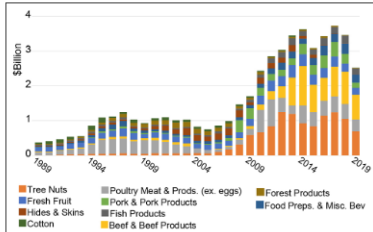
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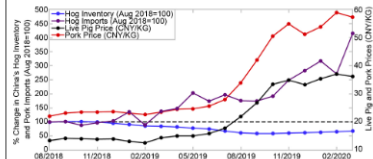
Xi He and Wendong Zhang, 2020. "Implications of Hong Kong's Special Status Revocation for Agricultural Trade between the United States, Hong Kong, and Mainland China." *Agricultural Policy Review*. Center for Agricultural and Rural Development, Iowa State University.

In 1992, the United States granted Hong Kong status as a customs territory separate from mainland China. On June 29, 2020, however, the US Department of Commerce withdrew that status due to recent tensions between China and the United States. Hong Kong, as the world's largest re-exporting port, plays a large intermediary role in US-China trade, and the revocation of its special status may provoke China into taking retaliatory economic and/or political actions. He and Zhang examine trends in Hong Kong's import/export of US agricultural products and how that trade may be affected. They find that the revocation itself is not likely to directly affect US-China agricultural trade prospects much if neither China nor the United States responds with further actions.



Chen-Ti Chen, Tao Xiong, and Wendong Zhang, 2020. "Large Hog Companies Gain from China's Ongoing African Swine Fever." *Agricultural Policy Review*. Center for Agricultural and Rural Development, Iowa State University.

Since November 2018, China has reduced its hog and sow inventory by almost 32% due to ongoing outbreaks of African Swine Fever.



www.card.iastate.edu/china

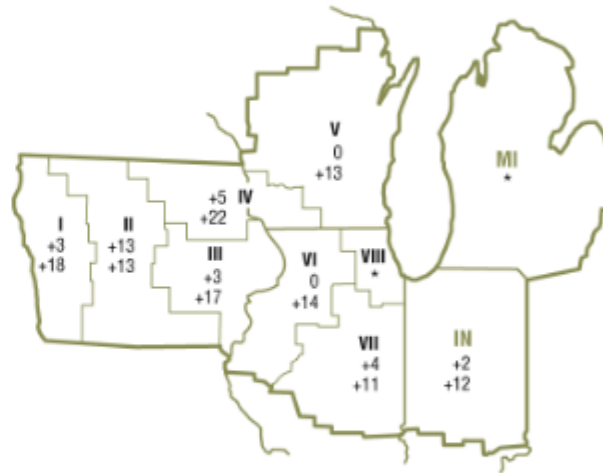
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Percent change in dollar value of “good” farmland

	April 1, 2021 to July 1, 2021	July 1, 2020 to July 1, 2021
Illinois	+3	+12
Indiana	+2	+12
Iowa	+6	+18
Michigan	*	*
Wisconsin	0	+13
Seventh District	+3	+14

Midwest Farmland Values Soared in the Second Quarter

According to the most recent *AgLetter*, Seventh District farmland values in the second quarter of 2021 were 14 percent higher than a year ago. Values for “good” agricultural land in the second quarter of 2021 were 3 percent higher than in the first quarter.

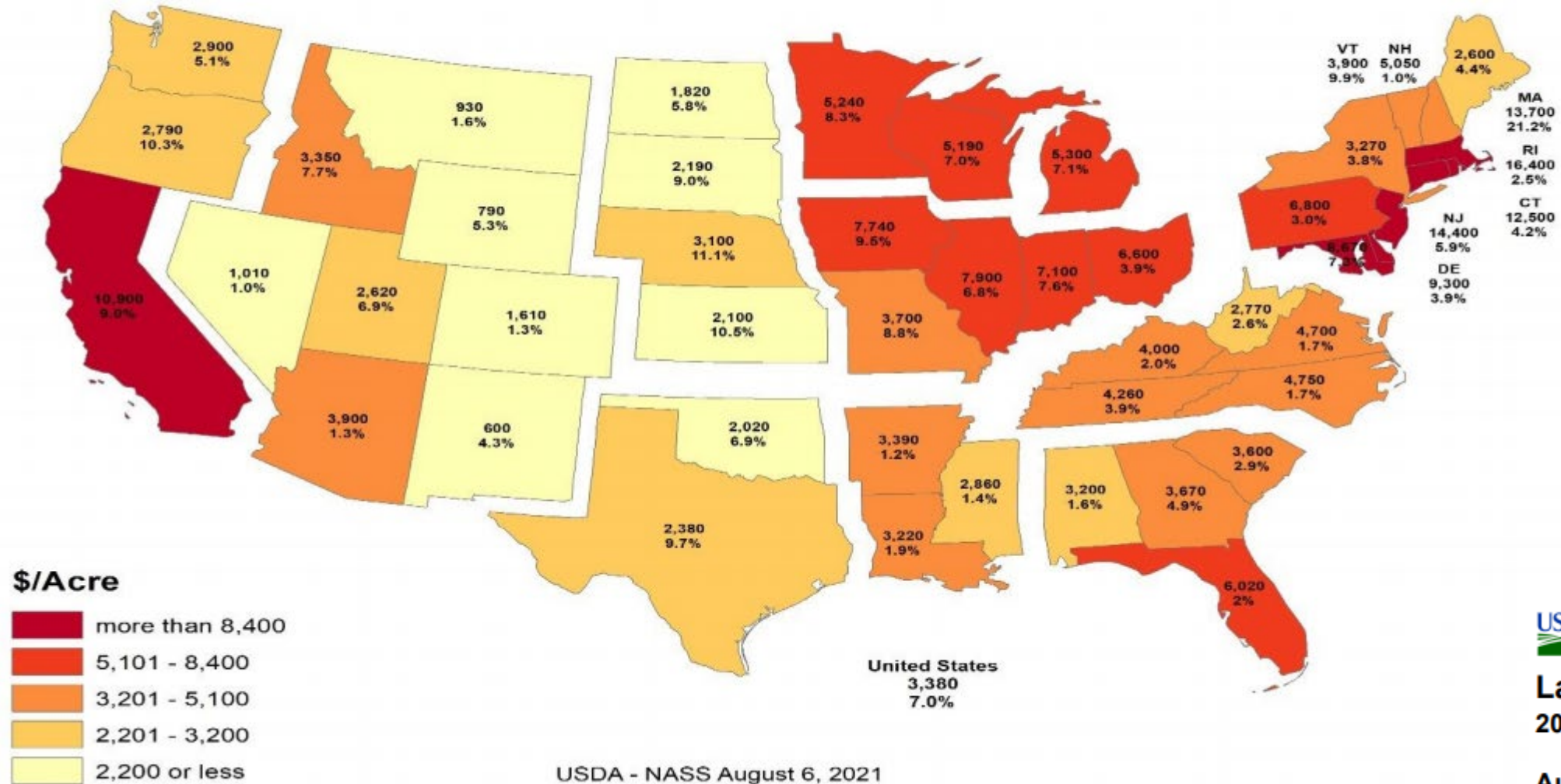


Top: April 1, 2021 to July 1, 2021

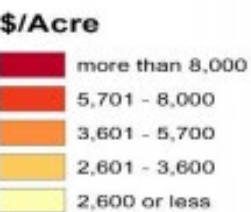
Bottom: July 1, 2020 to July 1, 2021

2021 Farm Real Estate Value by State

Dollars per Acre and Percent Change from 2020

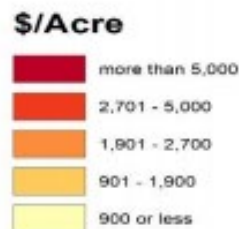


Dollars per Acre and Percent Change from 2020



USDA - NASS August 6, 2021

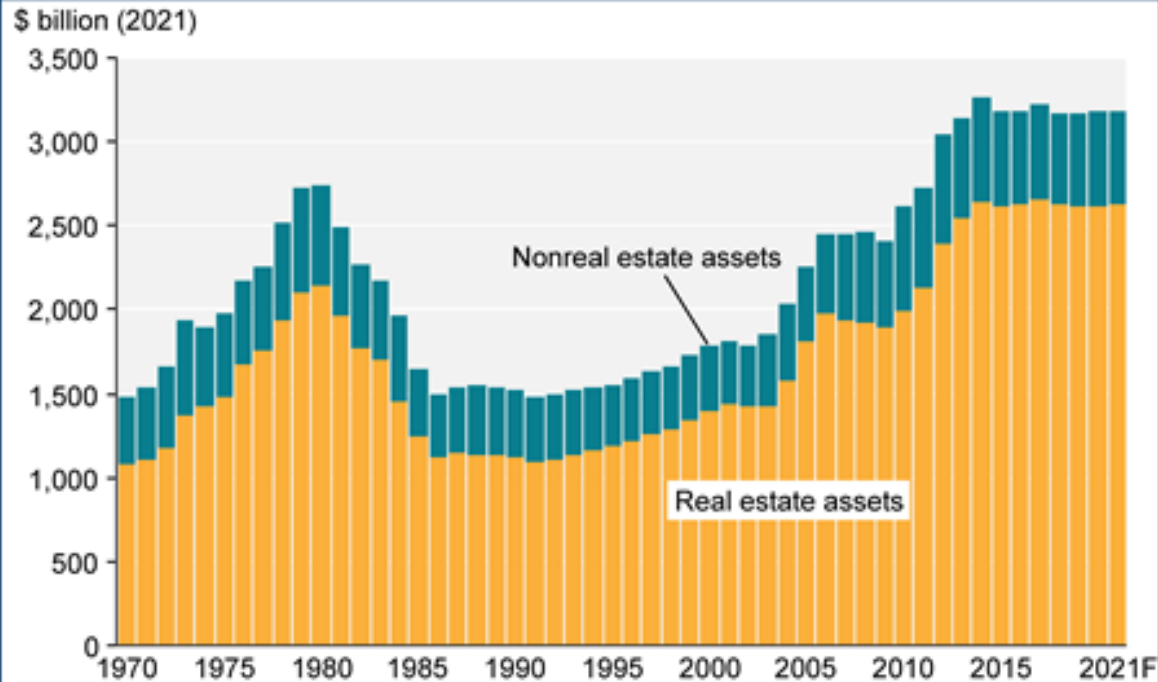
Dollars per Acre and Percent Change from 2020



USDA - NASS August 6, 2021

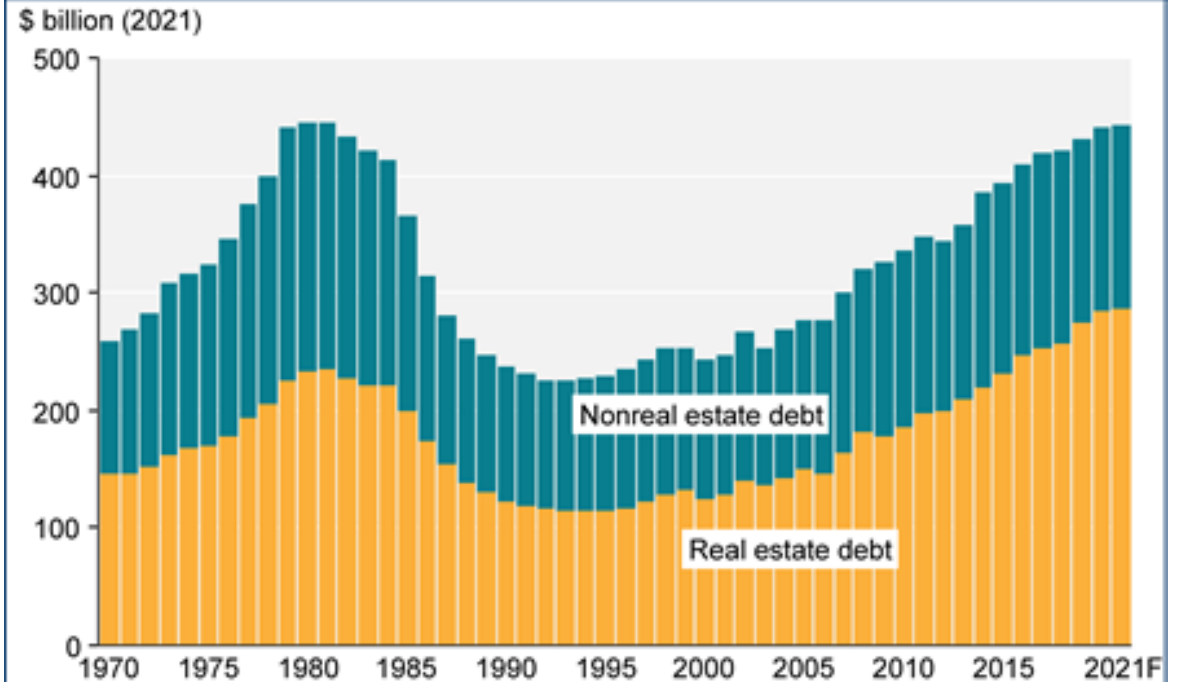
Why We Care About Farmland?

Farm sector assets, inflation adjusted, 1970–2021F



Note: Data for 2020 and 2021 are forecasts. Values are adjusted for inflation using the Gross Domestic Product chain-type price index, 2021=100.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of February 5, 2021.

Farm sector debt, inflation adjusted, 1970–2021F

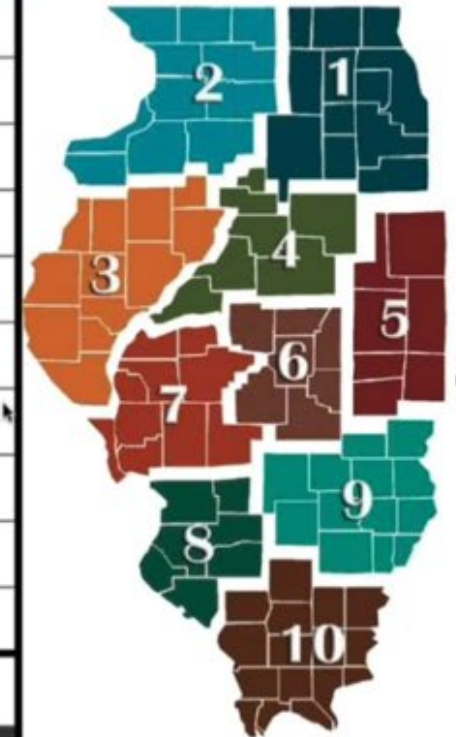


Note: Data for 2020 and 2021 are forecasts. Values are adjusted for inflation using the Gross Domestic Product chain-type price index, 2021=100.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of February 5, 2021.

All Categories of Farmland The Great State of Illinois-2020

These figures are the **median values** from the committee data as reported by each region on the categories shown.

	<i>Excellent</i>	<i>Good</i>	<i>Average</i>	<i>Fair</i>	<i>Recreational</i>	<i>Transitional</i>
Region 1	\$10,050	\$8,165	\$6,055	--	--	--
Region 2	\$10,372	\$8,300	\$5,683	\$4,784	\$4,159	--
Region 3	\$12,100	\$6,790	\$4,450	--	\$3,500	--
Region 4	\$11,000	\$8,750	\$5,925	\$6,945	--	--
Region 5	\$10,382	\$8,088	\$6,152	--	\$4,600	--
Region 6	\$10,750	\$9,250	\$7,025	\$6,000	\$4,000	\$33,333
Region 7	\$11,600	\$9,000	\$7,050	--	\$3,380	--
Region 8	----	\$11,548	\$8,532	\$6,893	\$3,400	\$10,041
Region 9	----	\$7,001	\$7,039	\$4,870	\$3,033	--
Region 10	----	\$9,761	\$5,250	\$4,000	\$2,627	--
All Regions	\$10,695	\$8,400	\$6,055	\$5,000	\$3,658	\$10,379
Averages are dangerous - but they give us a snapshot of each category (for comparison).						
<i>Percent Avg. Price Change</i>	+4.2%	+1.3%	-1.4%	+5.1%	-5.5%	-25.3%
<i>Compared to Median change</i>	+3.7%	+2.0%	-4.6%	+2.3%	-2.2%	-27.3%



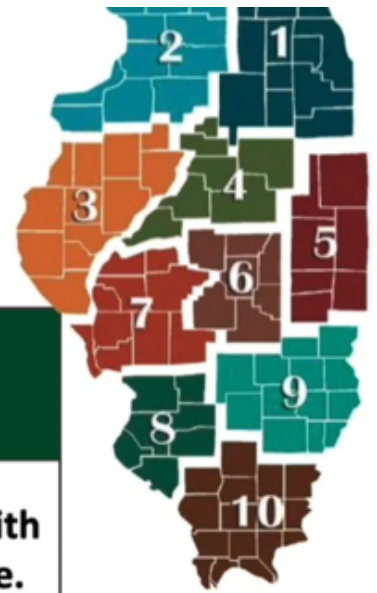
Illinois Society
of Professional Farm Managers & Rural Appraisers

<https://ispfmra.org/2021/03/22/watch-now-presentations-from-our-2021-land-values-webinar/>

2020 – Results at a Glance

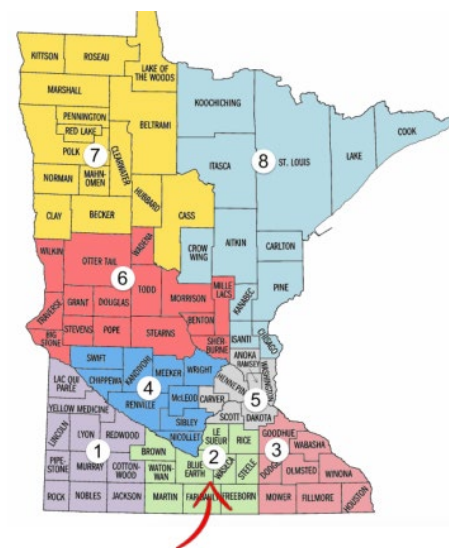
From Our Data

<i>Land Category</i>	<i>2020 Change</i>	<i>Comments</i>
Excellent	+4.2%	The premium land carried the flag forward in 2020. The all-tillable tracts with high PI ratings were in high demand and strength was seen throughout the state.
Good	+1.3%	While not riding to the heights of “Excellent” land, the “Good” class likely caught some tailwinds from Class A acreage.
Average	-1.4%	This classification likely catches the broadest diversity of tracts amongst the five categories. Factors like percentage of tillable acreage, “farmability”, possible improvements and CRP/CREP possibilities likely factor in heavily.
Recreational	-5.5%	An interesting finding in that 2020 appears to have given up much of 2019’s gains. This type of land is often tied into discretionary income and given the circumstances of 2020, perhaps this shouldn’t be surprising.
Transitional	<i>Lower on Limited Information</i>	Very limited findings in “Transitional Land” throughout 2020. Most of the data compiled came from Southern Illinois.



Region 2 - Cropland Sales (per tillable acre)

County	*Qualified Sales	Low	High	Mean	Median	Sales Activity	Value Trend
Blue Earth	11	\$5,800	\$9,000	\$7,467	\$7,326	Slightly Lower	Slightly Lower
Brown	8	\$6,343	\$8,583	\$7,424	\$7,515	Lower	Steady to Slightly Higher
Faribault	15	\$6,200	\$8,211	\$7,370	\$7,500	Higher	Higher
Freeborn	Limited	\$5,200	\$7,800	\$6,500	\$6,500	Limited	Higher
Le Sueur	5	\$4,343	\$6,904	\$6,115	\$6,548	Lower	Lower
Martin	9	\$6,650	\$9,300	\$7,813	\$7,500	Lower	Steady
Rice	Limited	\$5,500	\$9,350	\$7,425	\$7,425	Limited	Higher
Steele	4	\$5,807	\$7,661	\$6,738	\$6,741	Lower	Steady
Waseca	10	\$4,698	\$8,299	\$7,441	\$7,713	Higher	Higher
Watsonwan	10	\$5,591	\$7,824	\$6,928	\$7,185	Lower	Lower



Region 1 - Cropland Sales (per tillable acre)

County	*Qualified Sales	Low	High	Mean	Median	Sales Activity	Value Trend
Cottonwood	9	\$5,375	\$8,250	\$7,000	\$6,975	Lower	Slightly Lower
Jackson	19	\$4,000	\$8,850	\$7,000	\$7,200	Higher	Stable to Slightly Higher
Lac Qui Parle	13	\$4,000	\$7,000	\$5,220	\$5,050	Lower	Slightly Lower
Lincoln	20	\$2,500	\$8,500	\$5,650	\$6,000	Higher	Higher
Lyon	20	\$4,000	\$8,500	\$6,375	\$6,275	Slightly Higher	Stable
Murray	8	\$2,600	\$7,425	\$6,500	\$5,500	Lower	Lower
Nobles	25	\$4,625	\$12,200	\$7,550	\$7,650	Steady	Stable
Pipestone	14	\$4,700	\$10,000	\$7,325	\$7,200	Steady	Higher
Redwood	23	\$4,575	\$8,675	\$7,200	\$7,200	Higher	Stable
Rock	17	\$5,200	\$13,700	\$9,750	\$9,900	Steady	Stable to Slightly Higher
Yellow Medicine	19	\$4,200	\$7,525	\$5,850	\$5,800	Slightly Lower	Stable

2020

Land Value & Cash Rent Survey

<http://mnasfmra.com/>
Released on Jan 2021



**American Society
of Farm Managers
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