

# Update on Iowa Land Values & US-China Ag Trade

IOWA STATE UNIVERSITY  
Extension and Outreach



**Wendong Zhang**

Assistant Professor and Extension Economist at ISU  
wdzhang@iastate.edu, 515-294-2536

Issues Impacting Iowa Landowners and Tenants for 2021,  
August 25, 2020



# Midwest Land Values Stable, but trend lower

## ***AgLetter: August 2020***

By David Oppedahl

FEDERAL RESERVE BANK of CHICAGO

### Percent change in dollar value of “good” farmland

	April 1, 2020 to July 1, 2020	July 1, 2019 to July 1, 2020
Illinois	+1	0
Indiana	-1	+4
Iowa	-1	0
Michigan	*	*
Wisconsin	+3	+1
Seventh District	0	+1

\*Insufficient response.



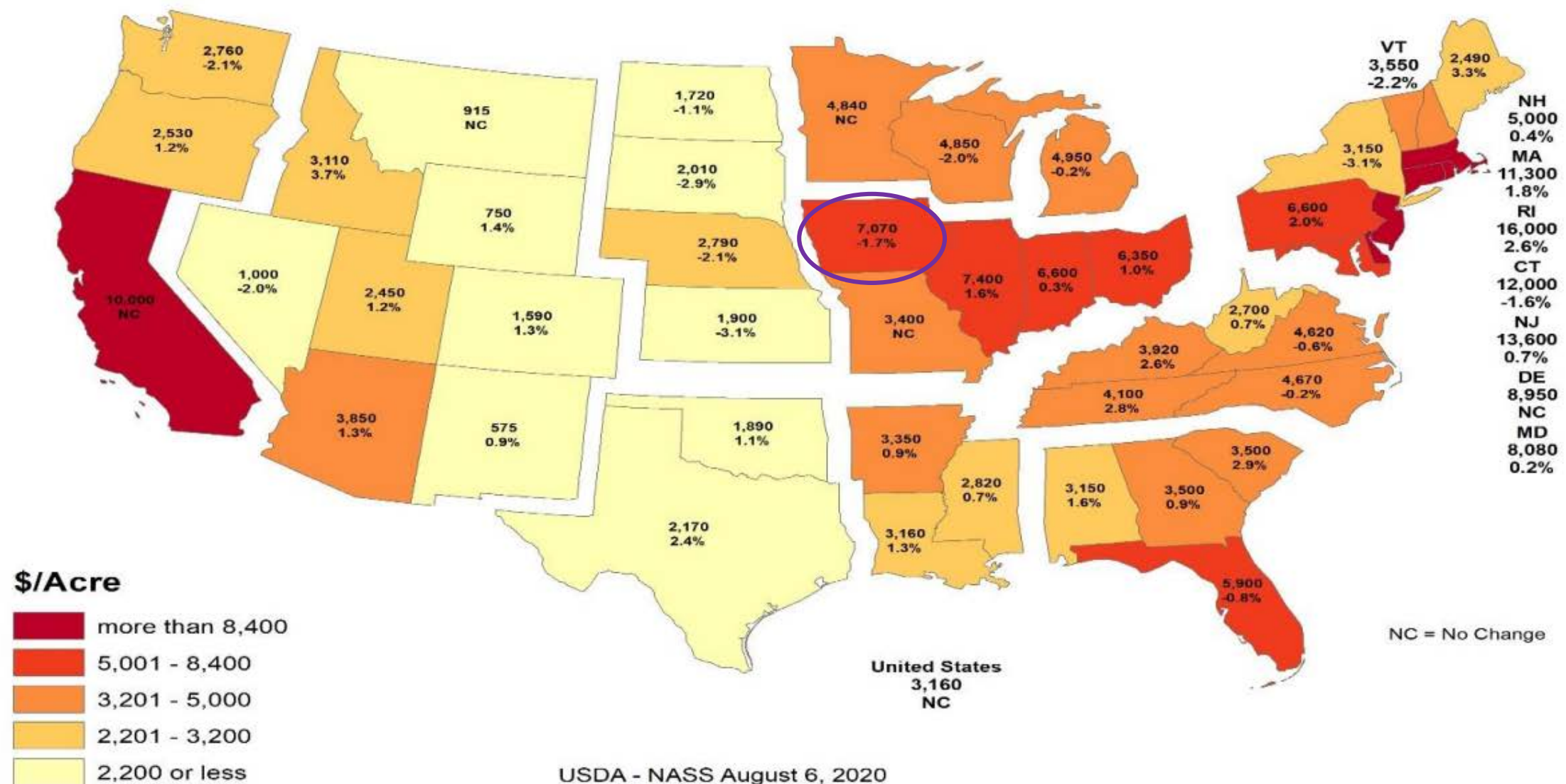
Top: April 1, 2020 to July 1, 2020

Bottom: July 1, 2020 to July 1, 2020

# USDA @ Aug 2020: IA drops -1.7% since June 2019

## 2020 Farm Real Estate Value by State

Dollars per Acre and Percent Change from 2019



# Some additional estimates from Aug 20 – Farm Credit & Kansas City Fed

## Land Value Trends for 1<sup>st</sup> Half of 2020

Iowa, Wyoming: +0.3%

Nebraska: -0.4%

South Dakota: -2.0%

(pasture loss + residual flooding impacts)

## Land Sales Move from Auction to Private or Brokered Sales in Q2

Nebraska: -21%; Wyoming: -35%

Iowa: -8%; S. Dakota: -31%

<https://www.morningagclips.com/2020-farmland-values-are-stable/>



## Iowa Tillable Farmland Auction Summary: \$/Soil Quality Index (CSR2)

	2019 Q1-2	2020 Q1-2
<b>\$/CSR2</b>	<b>\$111</b>	<b>\$108</b>
Tillable acres sold	25,180	20,282
# auctions	325	224

Source: Jim Rothermich, Iowa Appraisal and Research

<https://www.iowaappraisal.com/iowa-land-auction-results/>

# Some Additional Estimates & Data Sources

District	Average Farmland Value as of November 2019 - ISU	% Change from November 2018 to November 2019	% Change from September 2019 to March 2020 – RLI Survey
Northwest	\$9,352	0.4%	-0.6%
North Central	\$7,912	1.6%	-0.1%
Northeast	\$7,325	-2.9%	0.3%
West Central	\$7,564	2.0%	1.0%
Central	\$8,336	5.5%	-0.3%
East Central	\$8,475	5.9%	-0.2%
Southwest	\$6,166	1.7%	-0.3%
South Central	\$4,487	3.6%	-1.3%
Southeast	\$6,868	3.8%	1.8%
Iowa Avg.	\$7,432	2.3%	0.1%

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

<https://rliiowachapter.com/rli-land-trends-values>

*Agricultural professionals expect lower farmland values over the next 18 months, continued from page 5*

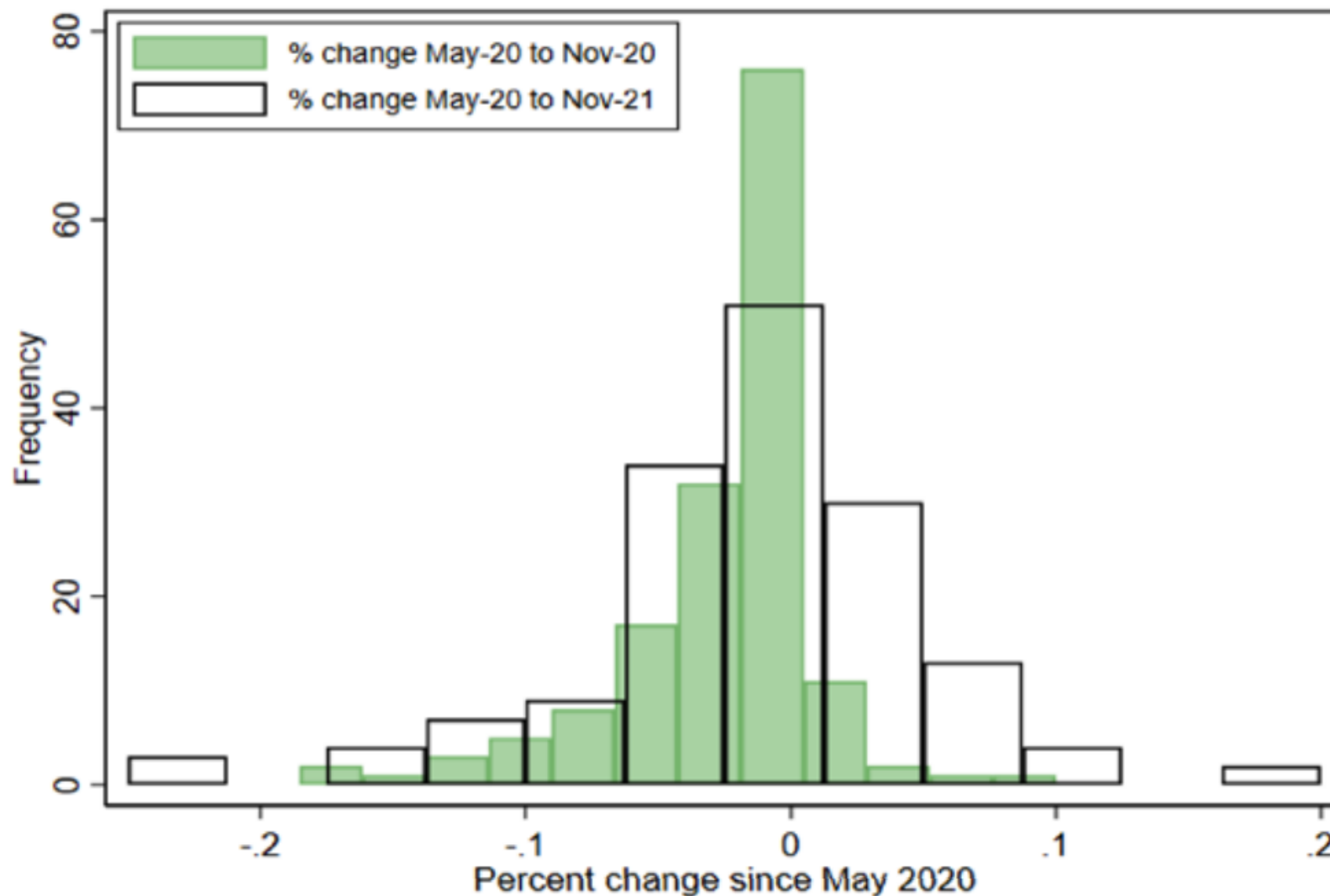
**Table 2. 2020 SMLV estimated land price forecasts and gross capitalization rate for land value across Iowa regions**

	Northwest	Northeast	Southwest	Southeast	STATE
<b>Percent change in land value from May '20 to Nov '20</b>	-2.7%	-2.5%	-2.3%	-1.6%	-2.3%
<b>Percent change in land value from May '20 to Nov '21</b>	-2.1%	-1.4%	-0.6%	0.0%	-1.2%
<b>Percent change in land value from May '20 to Nov '22</b>	-0.7%	0.6%	1.7%	2.6%	0.7%
<b>Percent change in land value from May '20 to Nov '25</b>	10.2%	9.2%	13.1%	10.3%	10.4%
<b>Percent change in land value from May '20 to Nov '40</b>	41.8%	47.5%	43.0%	46.5%	44.1%
	Northwest	Northeast	Southwest	Southeast	STATE
<b>Gross capitalization rate May 1, 2020</b>	2.8%	3.2%	3.5%	3.3%	3.2%
<b>Gross capitalization rate Nov 1, 2020</b>	2.8%	3.2%	3.5%	3.3%	3.1%
<b>Gross capitalization rate Nov 1, 2021</b>	2.8%	3.2%	3.5%	3.3%	3.1%
<b>Gross capitalization rate Nov 1, 2022</b>	2.8%	3.2%	3.4%	3.3%	3.1%
<b>Gross capitalization rate Nov 1, 2025</b>	2.8%	3.2%	3.4%	3.3%	3.1%
<b>Gross capitalization rate Nov 1, 2040</b>	2.8%	3.1%	3.3%	3.1%	3.1%



**Figure 1. The distribution of estimated price changes from May 2020 to November 2020 and November 2021**

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# Concluding Thoughts for Land Values

- **Farmland values** faces downward pressure but is still fairly stable with strong demand and limited sales
- **Cash rent** still high & sticky and could face downward pressure especially if ad hoc federal payments are low
- Expectation for **capitalization rate** is fairly stable around 3%
- **Considerable uncertainty**
  - Impact of COVID-19 & federal payments
  - Trade situation especially with respect to China
  - Land value is roughly localized income divided by interest rates
    - Federal reserve moves on federal funds rate takes 10+ years to be fully capitalized
    - Ad hoc federal payments immediately impact farm income & land values next year



# News Analysis: How bad could U.S.-China relations get?

## Senior U.S., Chinese Officials Say They Are Committed to Phase-One Trade Deal

Talks nod to rising tensions between the nations, as President Trump regularly criticizes Beijing

THE WALL STREET JOURNAL.

By [Bob Davis](#) and [Lingling Wei](#)

Aug. 24, 2020 10:20 pm ET

Caveat:

**Trump doubles down on trade; China is far from meeting promises**



Nancy Marshall-Genzer

Aug 24, 2020



## China's Agricultural Imports under the Phase One Deal: Is Success Possible?

CARD Policy Brief 20-PB 29, May 2020 Xi He, Dermot J. Hayes, Wendong Zhang <https://www.card.iastate.edu/products/publications/pdf/20pb29.pdf>

will be updated this week in August 2020

The data show China imported \$7.27 billion of agricultural and related products from US in the first half of 2020, which is 19.2% of the promised amount for 2020, indicating that China is still falling short of the targeted purchases.

Compared with the first quarter, China accelerates its agricultural purchases from US in the second quarter of 2020, especially for corn, pork and beef.

In the first half of 2020, China imported around \$90 billion of agricultural products, much higher than its \$51 billion agricultural imports in the first half of 2017. However, China imports a greater amount of agricultural products from non-US countries, which, in part, reflects a continued diversification away from US agricultural imports before and during the trade war. We predict China will import \$18.97 billion in agricultural products from the United States in 2020, still far behind the phase one target of \$36.5 billion. In addition, we predict that China will import 8.24 million metric tons of corn from all sources, exceeding its tariff rate quota of 7.2 million metric tons.

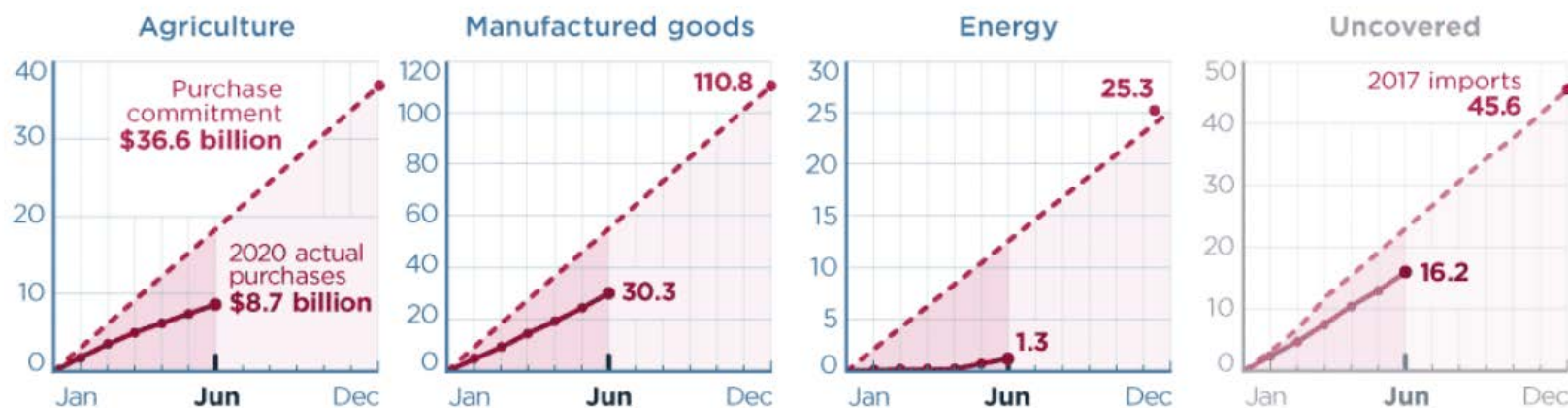
# US-China phase one tracker: China's purchases of US goods

Chad P. Bown (PIIE)

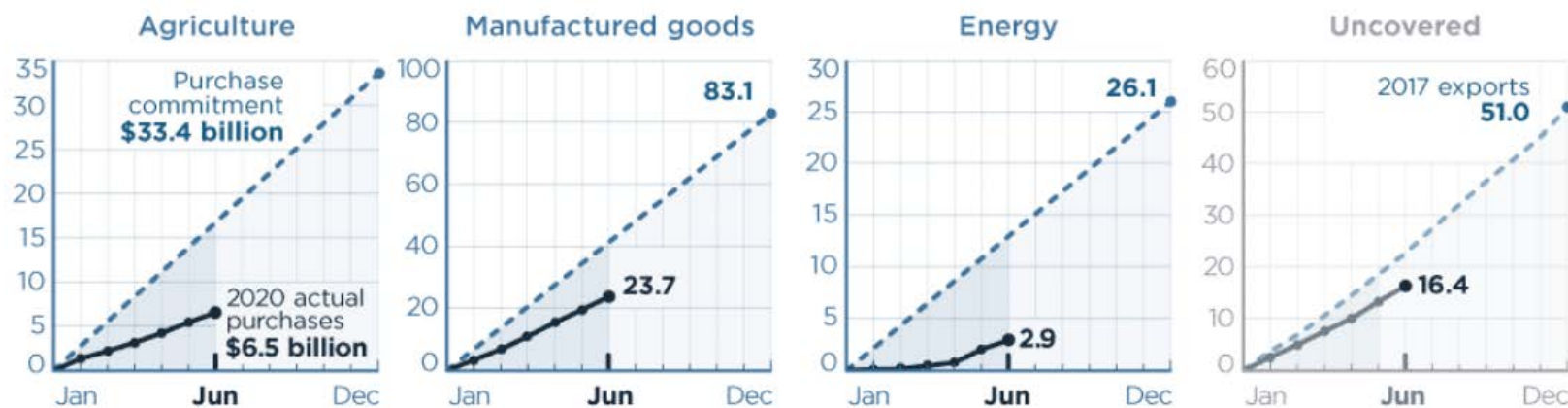
August 5, 2020

US exports and China's imports in 2020 of all goods covered by the phase one deal as of June 2020

## b. China's imports by product type, billions USD



## c. US exports by product type, billions USD



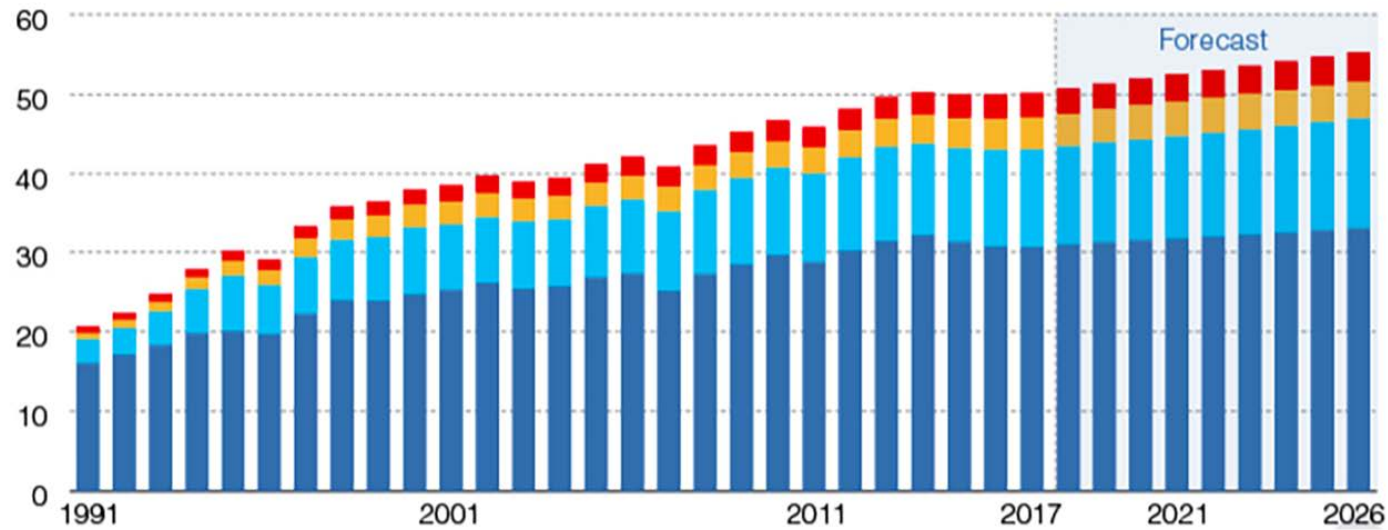


# What remains unchanged after COVID-19: Chinese surging meat consumption & beyond

## A Meatier Middle Kingdom

■ Pork ■ Poultry ■ Beef and veal ■ Sheep

Unit: Kilograms per capita



Source: 财新数据  
Caixin Data

Original Sources: Organization for Economic Co-operation and Development, Food and Agriculture Organization of the United Nations

Oct 12, 2018 08:20 PM

DAILY CHART

Caixin  
ENGLISH | 财新中文

## Charts of the Day: China's Growing Meat Consumption

CHINADAILY 中国日报网  
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### Chilean cherries a hit with festive shoppers

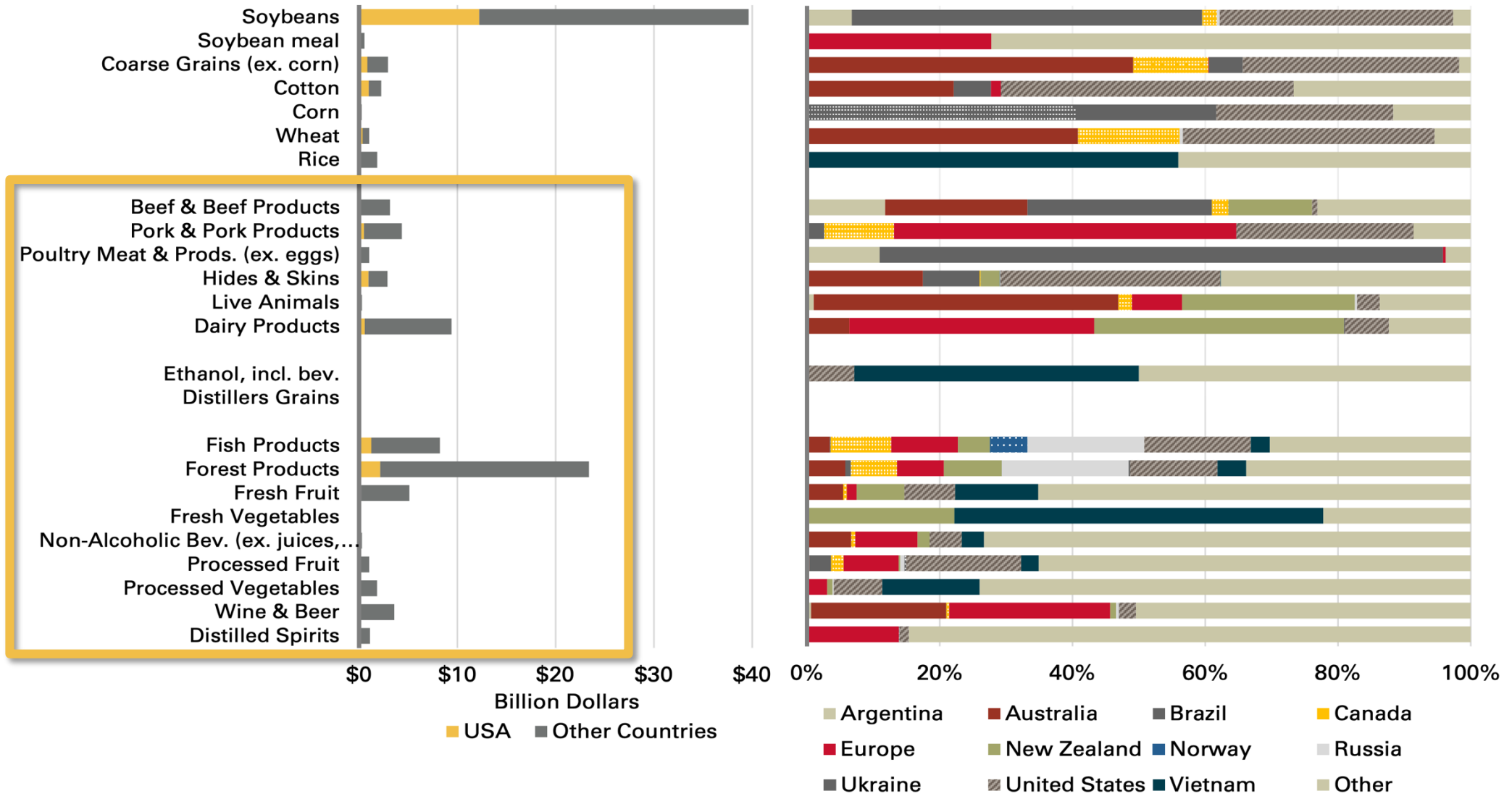
By Ouyang Shijia | China Daily | Updated: 2019-02-12 09:45



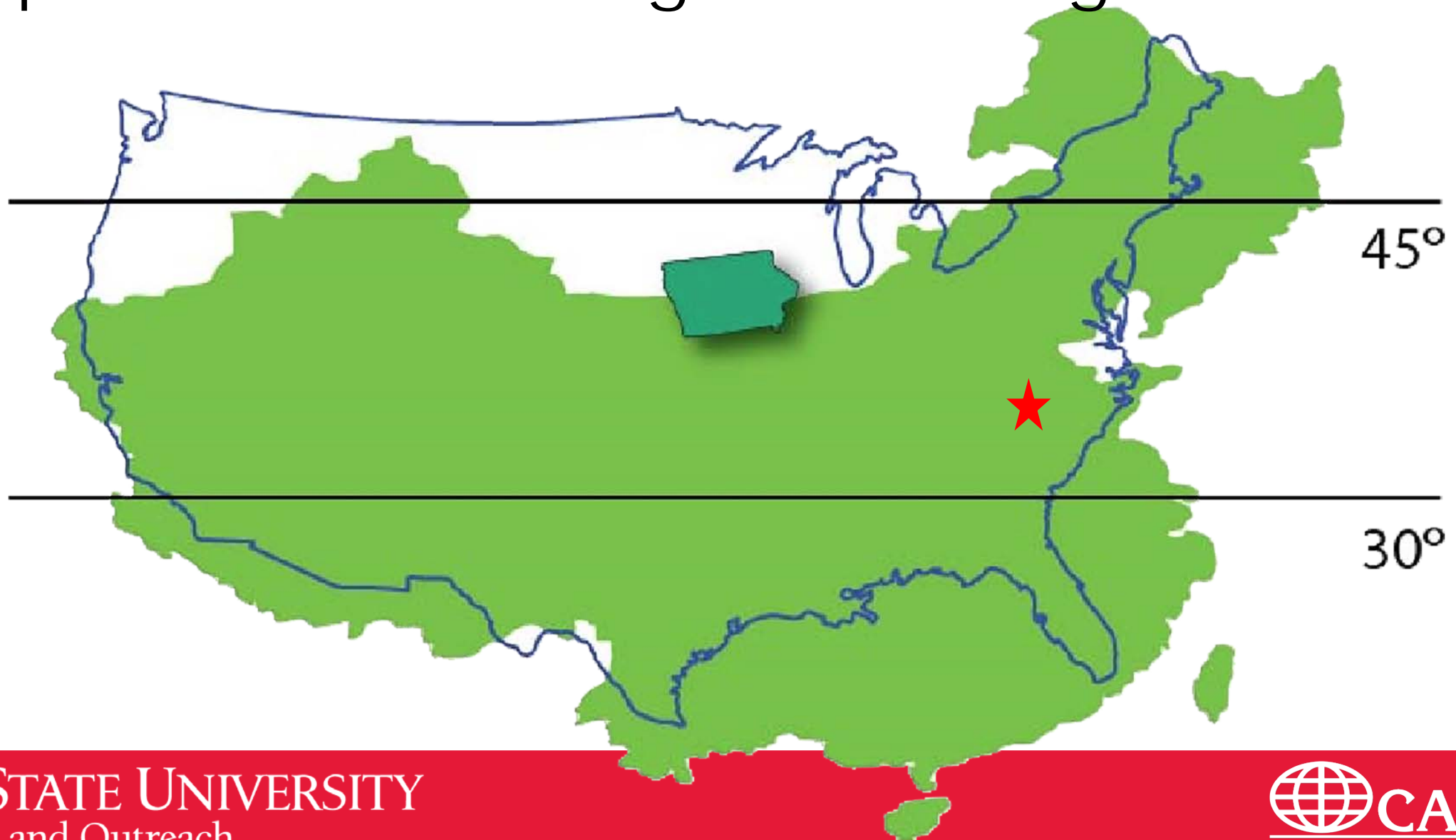
Consumers buy cherries at a supermarket in Guangzhou, capital of Guangdong province. [Photo by Li Zhihao/For China Daily]

A possible & more balanced pathway  
for China's ag import surge?

# Key Chinese agricultural imports by commodity and country in 2017



# What remains unchanged: Comparative advantage for US Ag





# Changes in my hometown?

Greenhouse – plastic film - Shandong Province



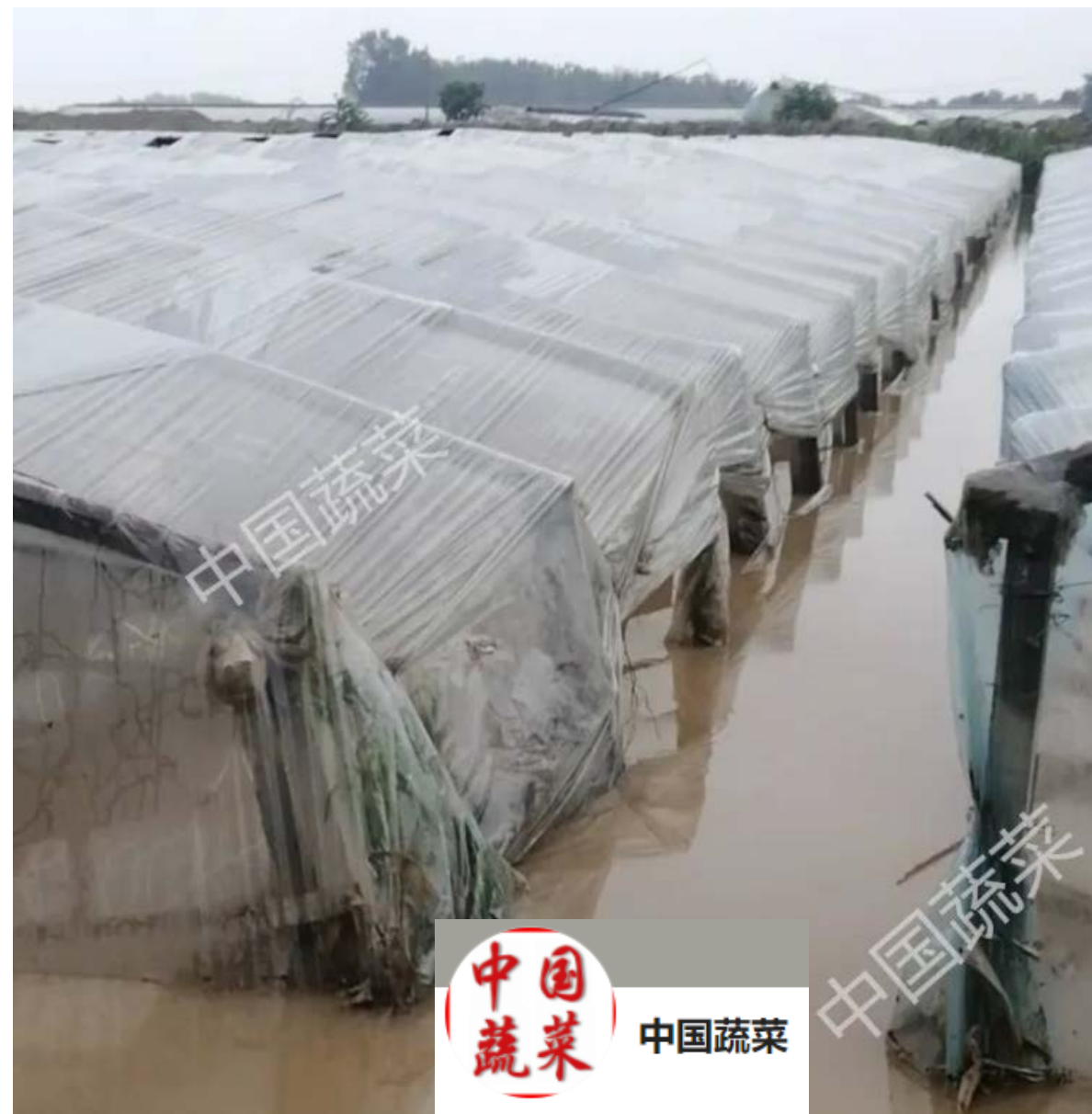
In China, 500+ million consumers shop on mobile phones, even before the coronavirus



My hometown was battling with storm damages too



The Gazette



# China's Not as Rich as You Think, but Higher Future Income Means Growing Demand

**China has over 600 million poor with \$140 monthly  
income: Premier Li Keqiang**

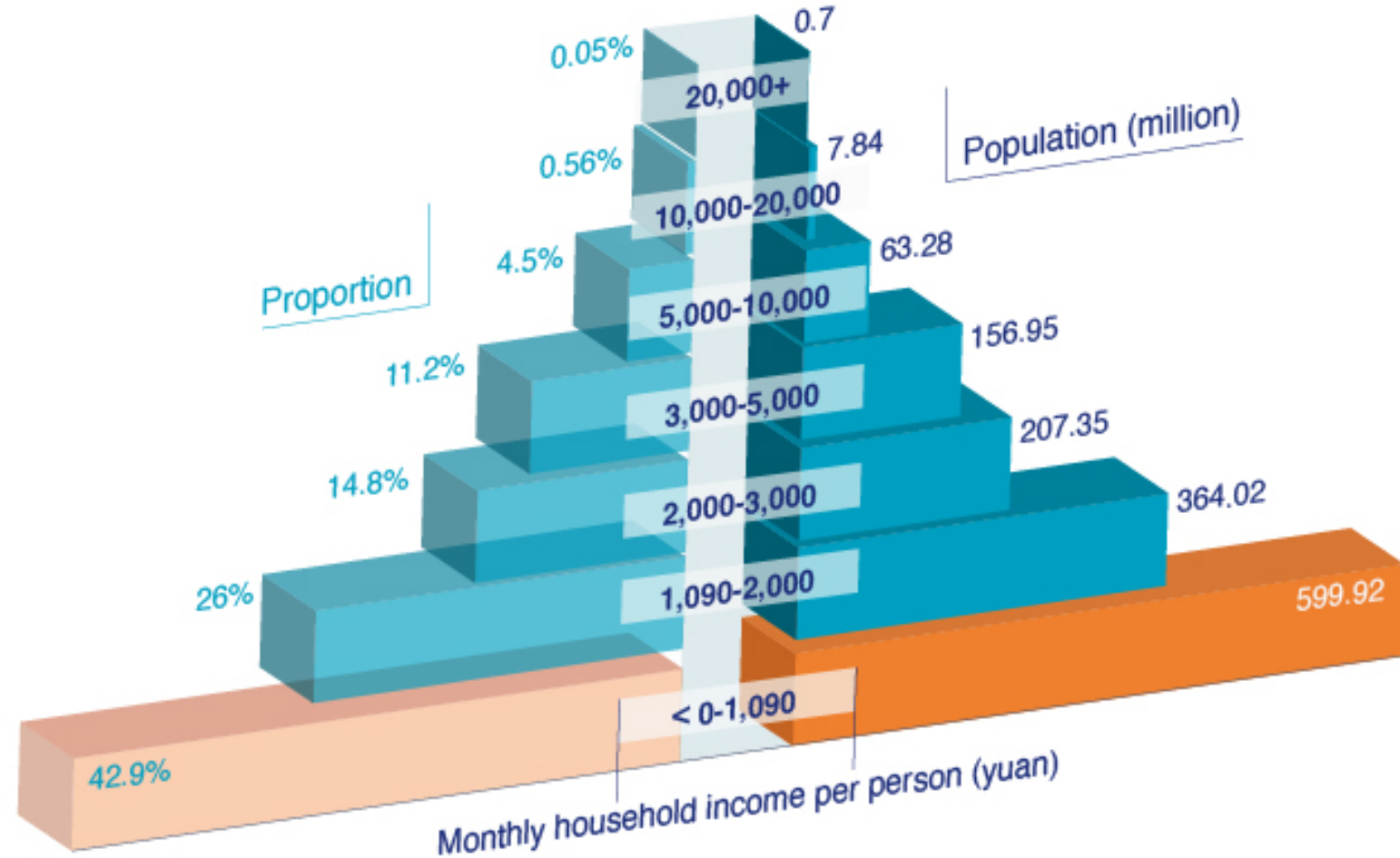
Updated : May 28, 2020 08:53 PM IST





## How Large Is China's Low Income Population?

1000 yuan  
= 580 Real  
(2019);  
now 760  
= \$ 140



Note: data for 2019

Sources: China Institute for Income Distribution of Beijing Normal University,  
National Bureau of Statistics

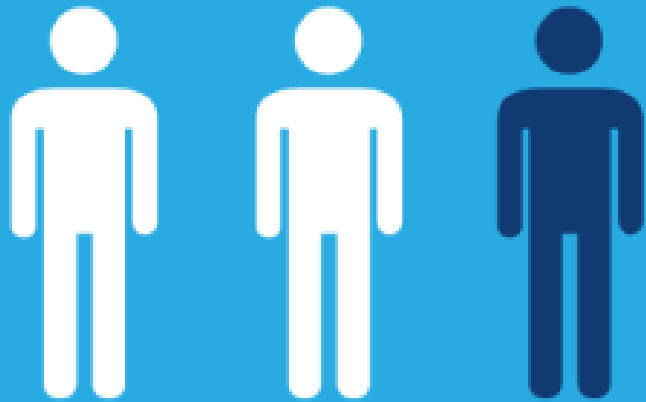
Caixin

<https://www.caixinglobal.com/2020-06-06/opinion-china-has-600-million-people-with-monthly-income-less-than-141-is-that-true-101564071.html>

# What remains unchanged after COVID-19: Chinese surging middle class

**88 percent of the next billion entrants  
into the middle class will be in Asia**

By 2030, Asia could represent 2/3  
of the global middle class population.



BROOKINGS



# 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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Iowa State University  
578 Heady Hall  
518 Farm House Lane  
Ames, Iowa 50011-1054

Phone: (515) 294-1183  
FAX: (515) 294-6336

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[www.card.iastate.edu/farmland](http://www.card.iastate.edu/farmland)

## Wendong Zhang

Assistant Professor and Extension Economist  
478C Heady Hall, Iowa State University  
515-294-2536  
[wdzhang@iastate.edu](mailto:wdzhang@iastate.edu)

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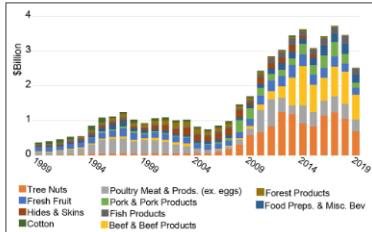
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### China Ag Center · Publications

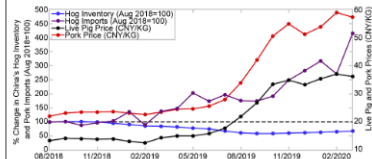
**Xi He and Wendong Zhang, 2020. "Implications of Hong Kong's Special Status Revocation for Agricultural Trade between the United States, Hong Kong, and Mainland China." *Agricultural Policy Review*. Center for Agricultural and Rural Development, Iowa State University.**

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 (ASF).



[www.card.iastate.edu/china](http://www.card.iastate.edu/china)