

# Will Iowa and Midwest Farmland Values Continue to Increase?

IOWA STATE UNIVERSITY  
Extension and Outreach



**Wendong Zhang**

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wdzhang@iastate.edu, 515-294-2536

2021 ICM Conference  
December 1, 2021




## ISU Land Value Survey News Conference to be held December 14

### Contacts:

Wendong Zhang, 515-294-2536; [wdzhang@iastate.edu](mailto:wdzhang@iastate.edu)

November 22, 2021

Ames, IA – A news conference will be held at 10:00 a.m. on Tuesday, December 14 to announce the results of the 2021 Iowa Land Value Survey conducted by the Center for Agricultural and Rural Development at Iowa State University and Iowa State University Extension and Outreach. Please note the change in location from previous years—the conference will take place in room 0009 of Curtiss Hall on the ISU campus in Ames.

For those who can't attend the conference, a livestream will be available on YouTube at <http://bit.ly/LandResults2021> .

- **To participate the 2021 ISU land value survey** <http://bit.ly/landvalue2021>
- Northwest: **Emmet**, Palo Alto  
North Central: Humboldt, Wright  
Northeast: **Howard**, Allamakee, Buchanan, Dubuque, Black Hawk  
West Central: **Crawford**, **Greene**, Ida, **Sac**  
Central: Dallas, Boone, Polk  
Southwest: Adams, **Fremont**, Taylor, Mills, Adair  
South Central: Clarke, **Decatur**, Union, Davis  
Southeast: **Lee**, **Mahaska**, **Van Buren**, **Wapello**, Davis, Louisa

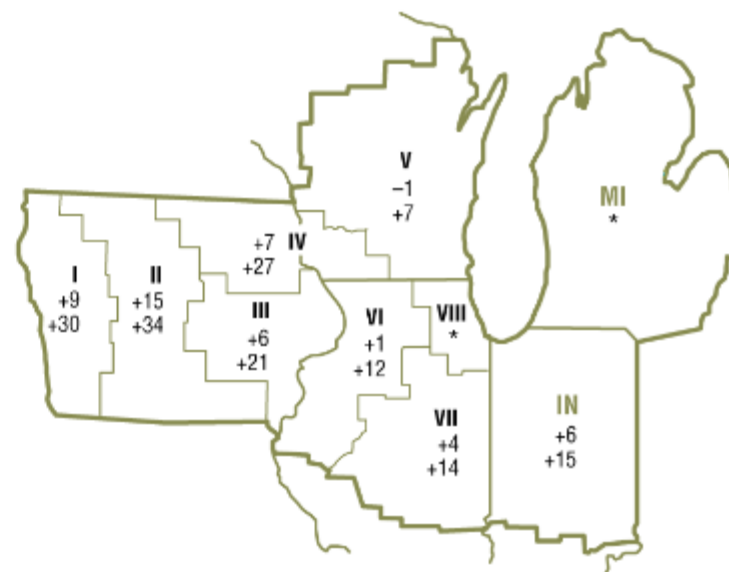
## Midwest Farmland Values Surged in the Third Quarter

According to the most recent *AgLetter*, Seventh District farmland values in the third quarter of 2021 were 18 percent higher than a year ago—the largest year-over-year gain in nine and a half years. Values for “good” agricultural land in the third quarter of 2021 were 6 percent higher than in the second quarter.

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

	July 1, 2021 to October 1, 2021	October 1, 2020 to October 1, 2021
Illinois	+3	+13
Indiana	+6	+15
Iowa	+10	+28
Michigan	*	*
Wisconsin	+1	+10
Sevent District	+6	+18

\*Insufficient response.



Top: July 1, 2021 to October 1, 2021

Bottom: October 1, 2020 to October 1, 2021

# Farmland Values Surge Alongside Strength in Agriculture

Agricultural credit conditions in the Tenth District remained strong in the third quarter and farm real estate values increased sharply.

November 15, 2021 | Agriculture | Ag Credit Survey



**Federal Reserve Bank of Kansas City**

DENVER / OKLAHOMA CITY / OMAHA

## Percent change from previous year \*

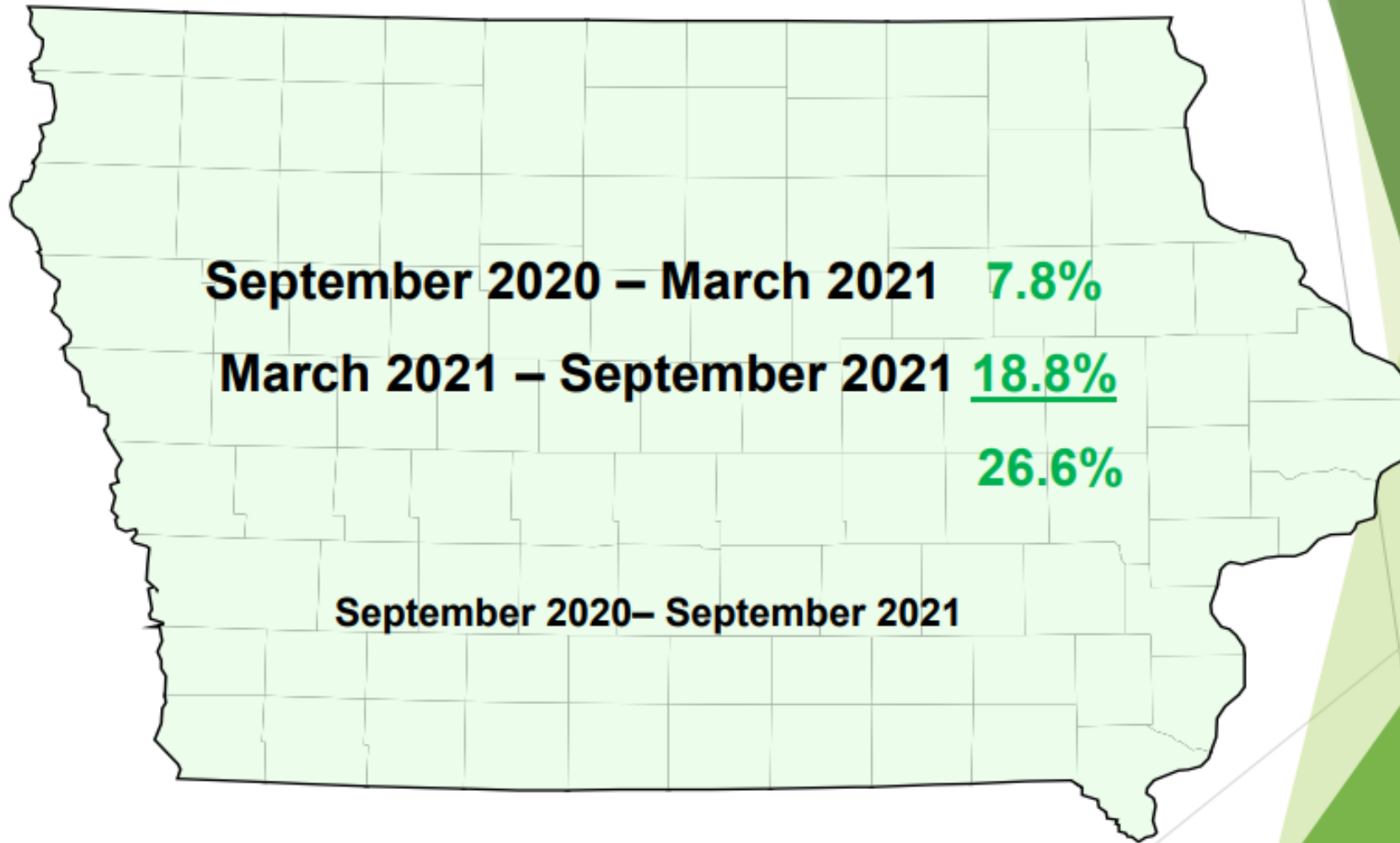
	Nonirrigated	Irrigated	Ranchland
Kansas	9	20	14
Western Missouri	18	n/a **	25
Mountain States***	9	9	9
Nebraska	16	19	21
Oklahoma	9	n/a **	9
Tenth District	14	16	17

\* Percent changes are calculated using responses only from those banks reporting in both the past and the current quarters.

\*\* Not reported due to small sample size.

\*\*\* Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.

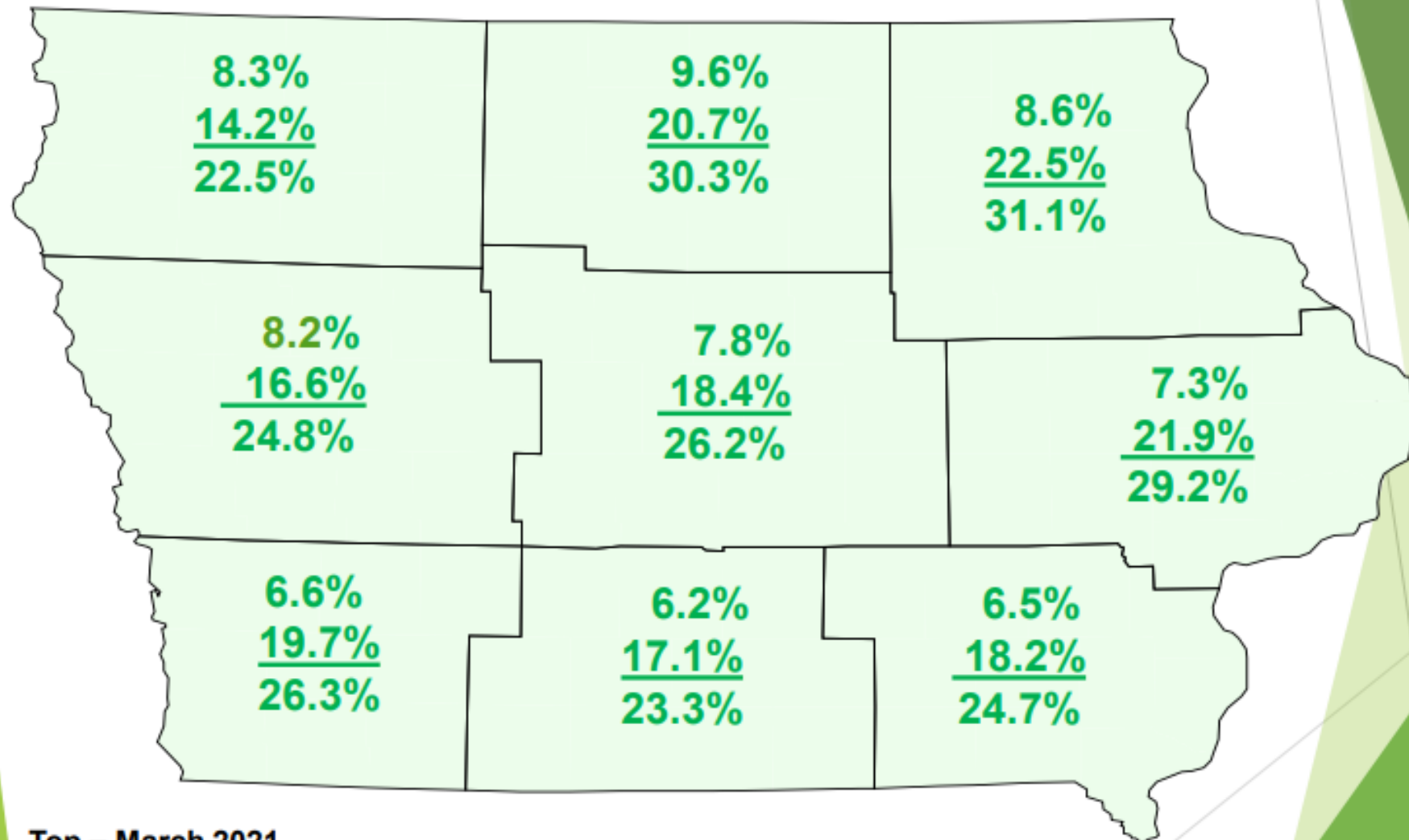
**REALTORS® Land Institute- Iowa Chapter**  
**September 1, 2021**



# REALTORS® Land Institute- Iowa Chapter

## September 1, 2021

September 2020– September 2021



Top – March 2021

Bottom – September 2021

Nine Crop Reporting Districts

## FARMLAND

By **TYNE MORGAN** October 7, 2021

# New Record \$26,000/Acre Iowa Farmland Sale, Record Amount of Land Could Flood Market in Next 60 Days

**SOLD!**

**151.68 Acres, m/l,  
Johnson Co., IA**

**Parcel 1: (75.68 Acres)  
\$21,000/Acre**

**Parcel 2: (76 Acres)  
\$26,000/Acre**



## FARMLAND

# Once, Twice, Sold! 80 Acres in Iowa Sold for \$22,600 Per Acre, Sets New State Record

By **TYNE MORGAN** August 30, 2021



The sale was on 80 acres of ground in Grundy County, Iowa, which is located west of Waterloo. The ground did include a wind turbine, which helped drive up the price as of the record sale.



# 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.

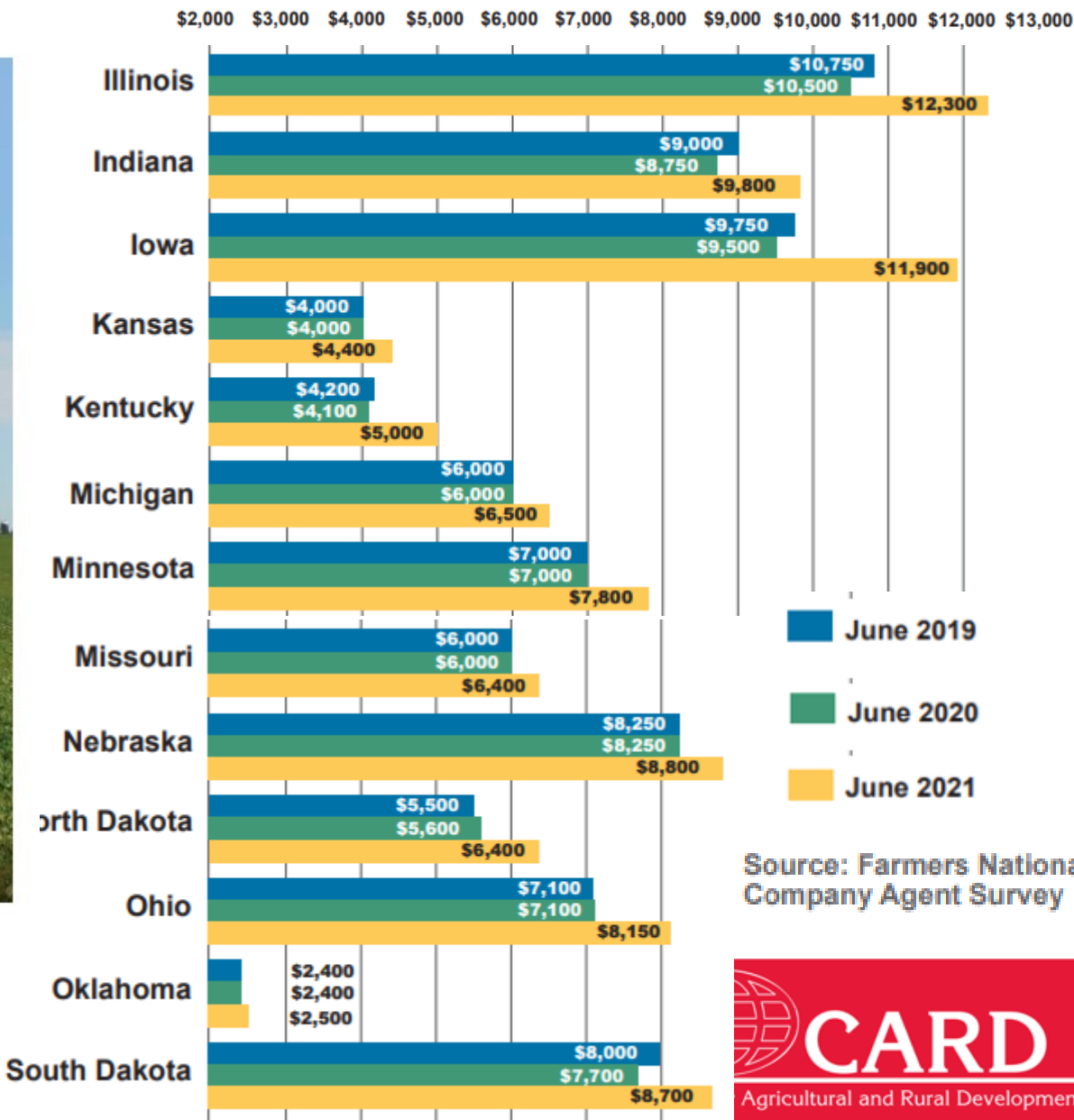
	Six Month	One Year	Five Year	Ten Year
Iowa (21)	▲ 9.9%	▲ 13.9%	▲ 15.3%	▲ 37.3%
Nebraska (18)	▲ 5.6%	▲ 9.5%	▼ 1.8%	▲ 62.9%
South Dakota (22)	▲ 7%	▲ 9.5%	▼ 4.8%	▲ 71.3%
Wyoming (2)	▲ 8%	▲ 10.9%	▲ 29.6%	▲ 75.7%

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





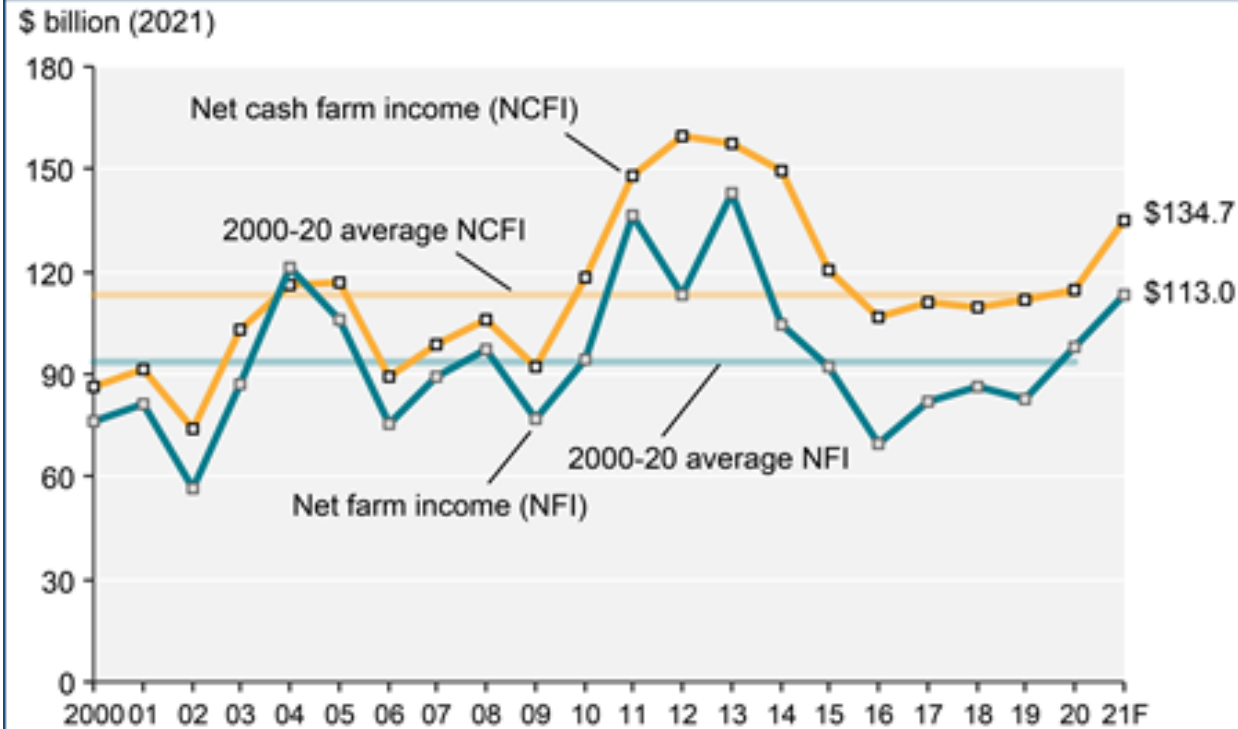
# **Local Land Supply and Demand**

## **Explain Variations in Land Market**

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

# 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

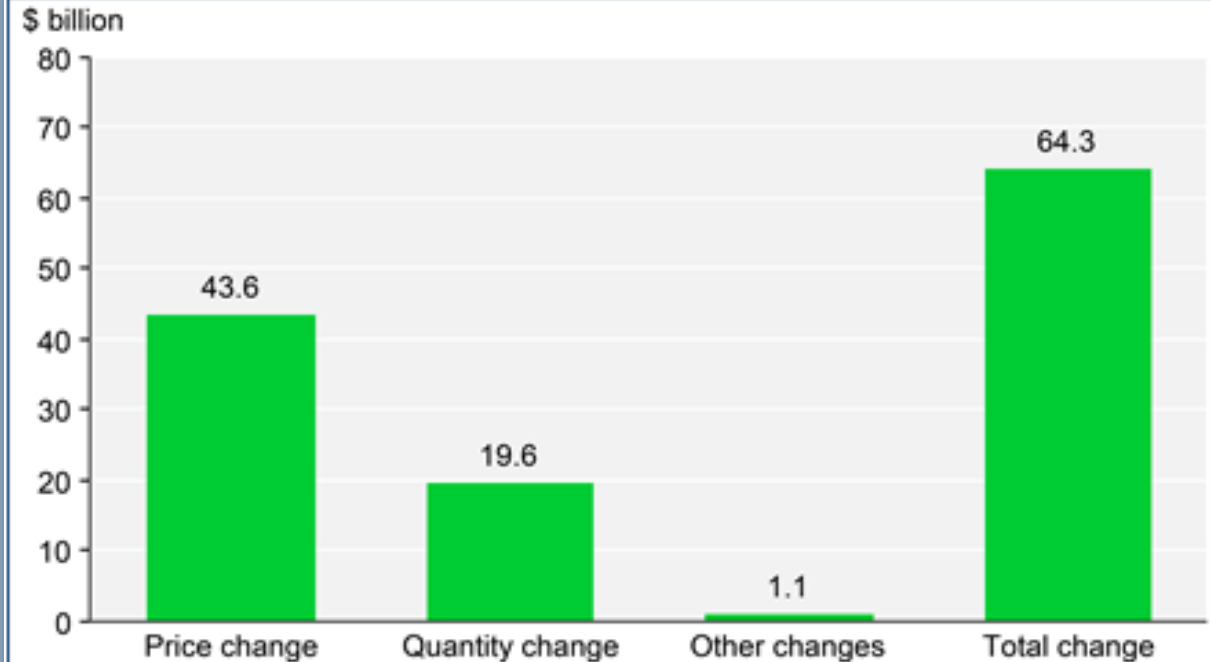


Note: F = forecast. Values are adjusted for inflation using the Gross Domestic Product chain-type price index, 2021=100.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of September 2, 2021.

Change in U.S. farm cash receipts, 2020–21F, by component of change



Note: F = forecast. Other changes include price/quantity changes in "all other crops" (excluding sugarcane and sugarbeets), proso millet, and miscellaneous animals/products for which data are not available. Price, quantity, and other changes may not sum to total because of rounding.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of September 2, 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

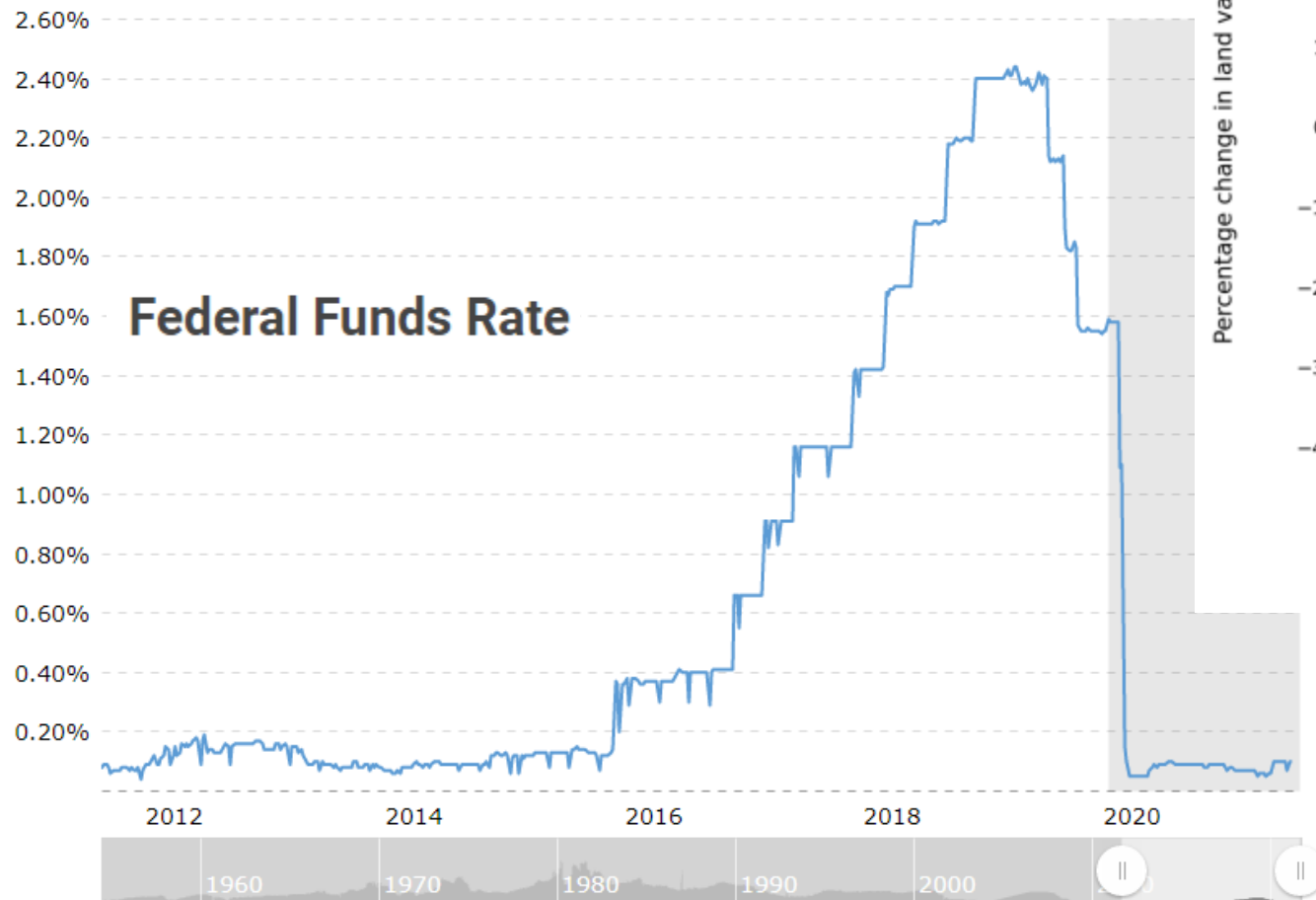
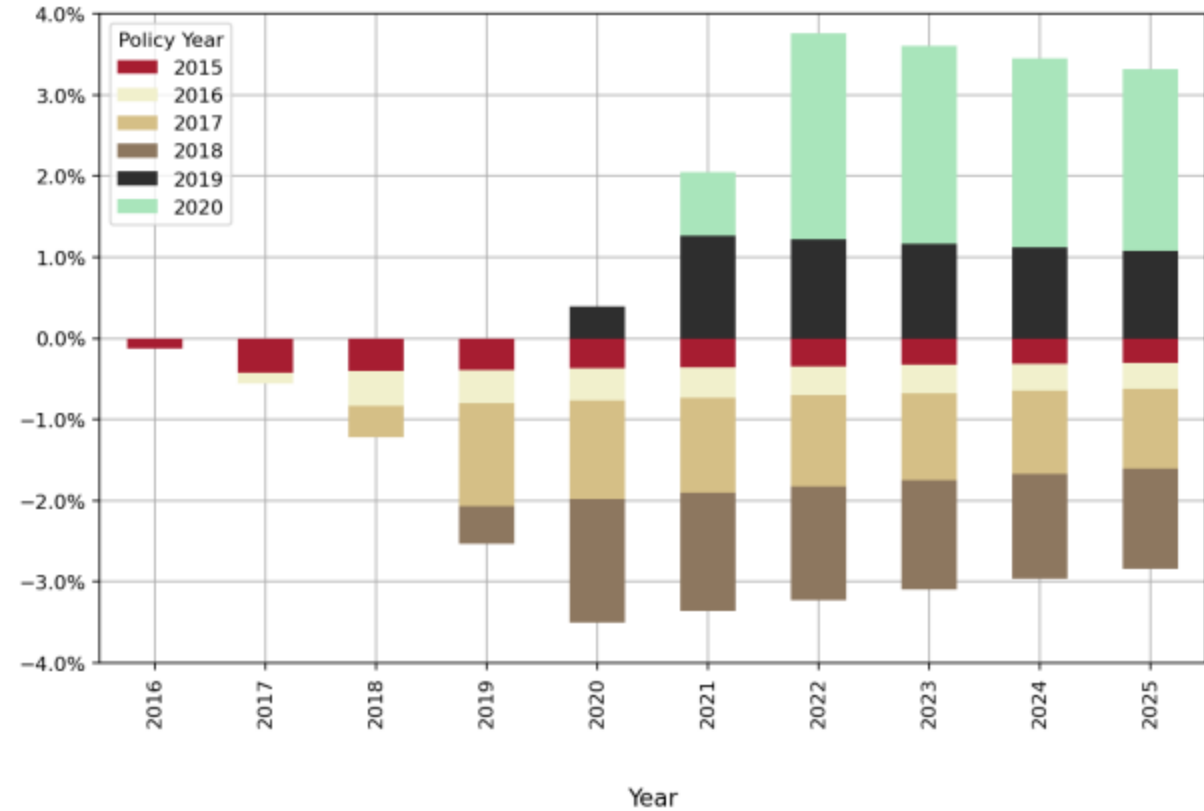


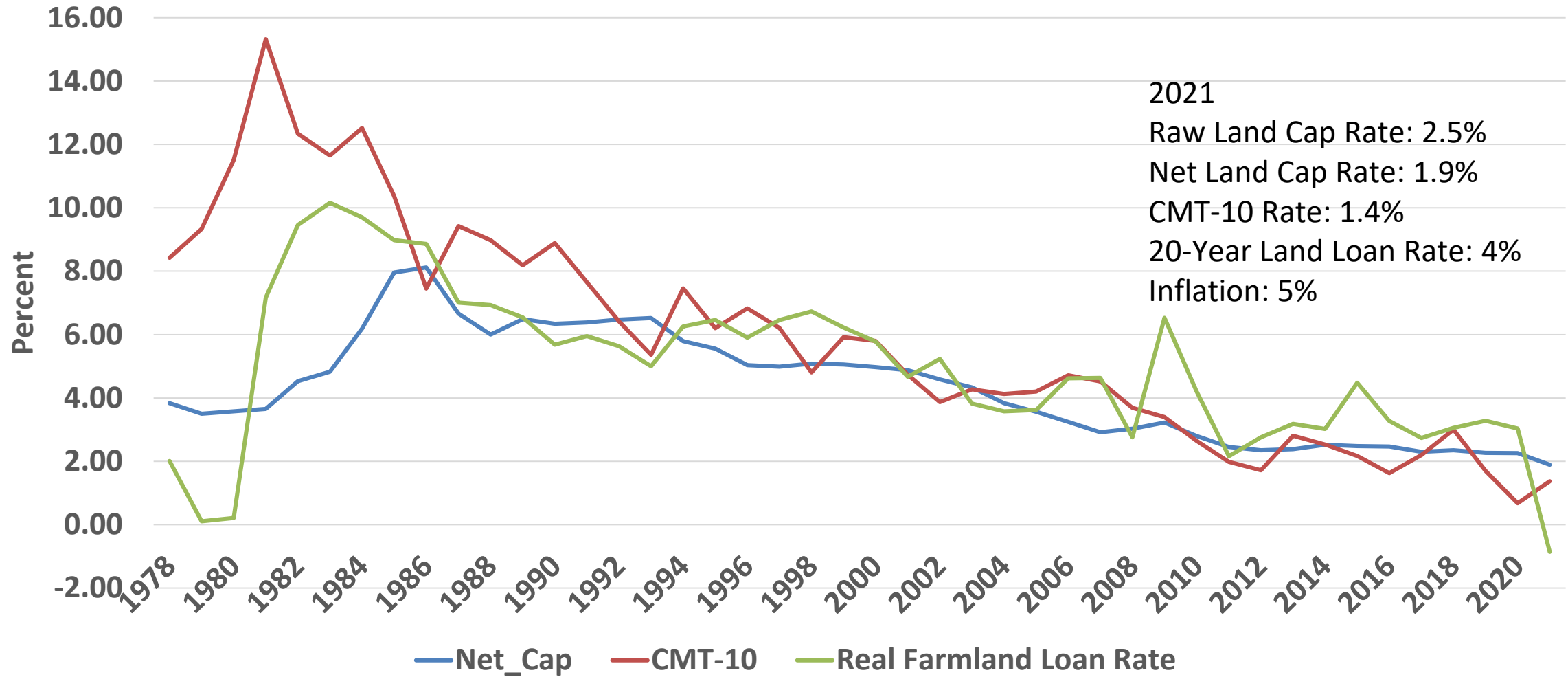
Fig. 3: The short- and long-term impacts of recent Federal Reserve interest rate moves on Great Plains states' farmland values



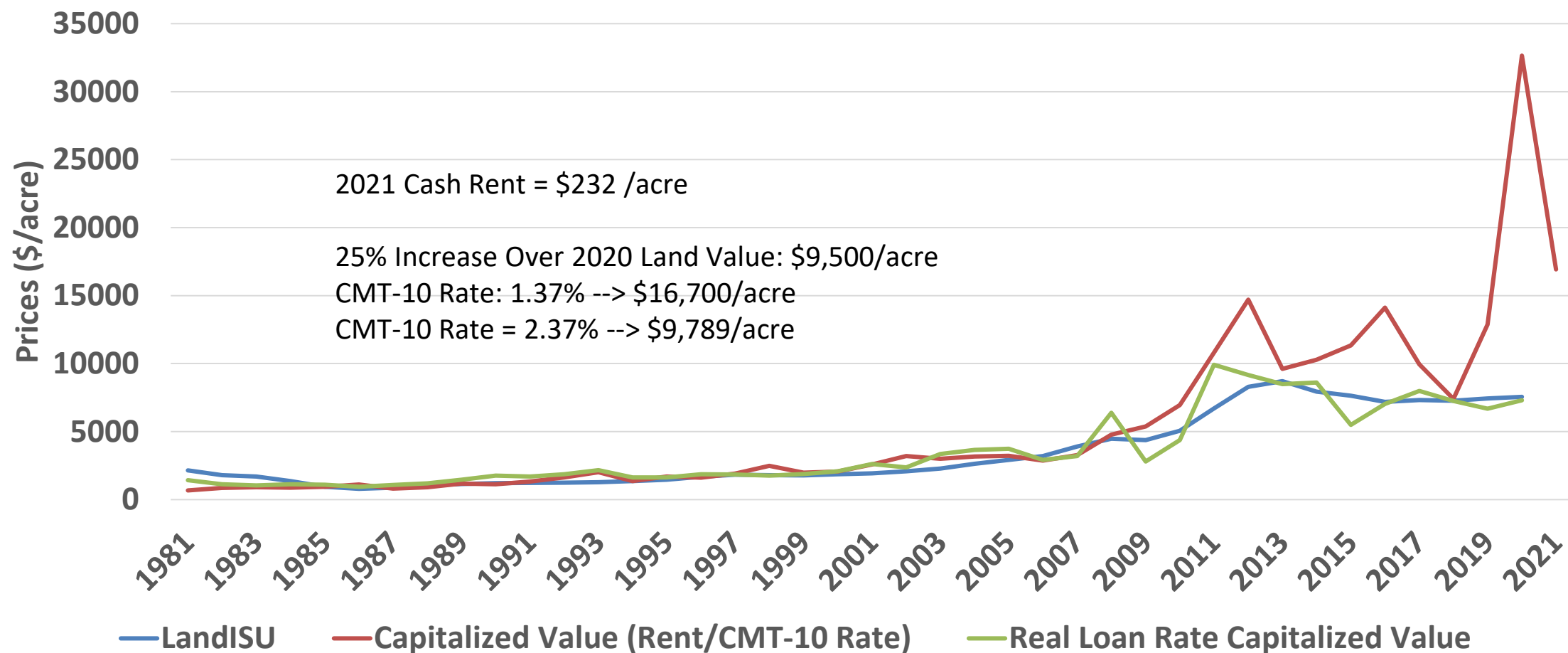
<https://doi.org/10.1108/AFR-11-2020-0163>



## Net Rent to Land Value Ratio vs. 10-Year CMT Interest Rates vs. Inflation-adjusted Chicago Fed Farmland Loan Rate



## ISU Land Values vs. CMT-10 Capitalized Value vs. Real Loan Rate Capitalized Value



# The impacts of interest rate changes on US Midwest farmland values

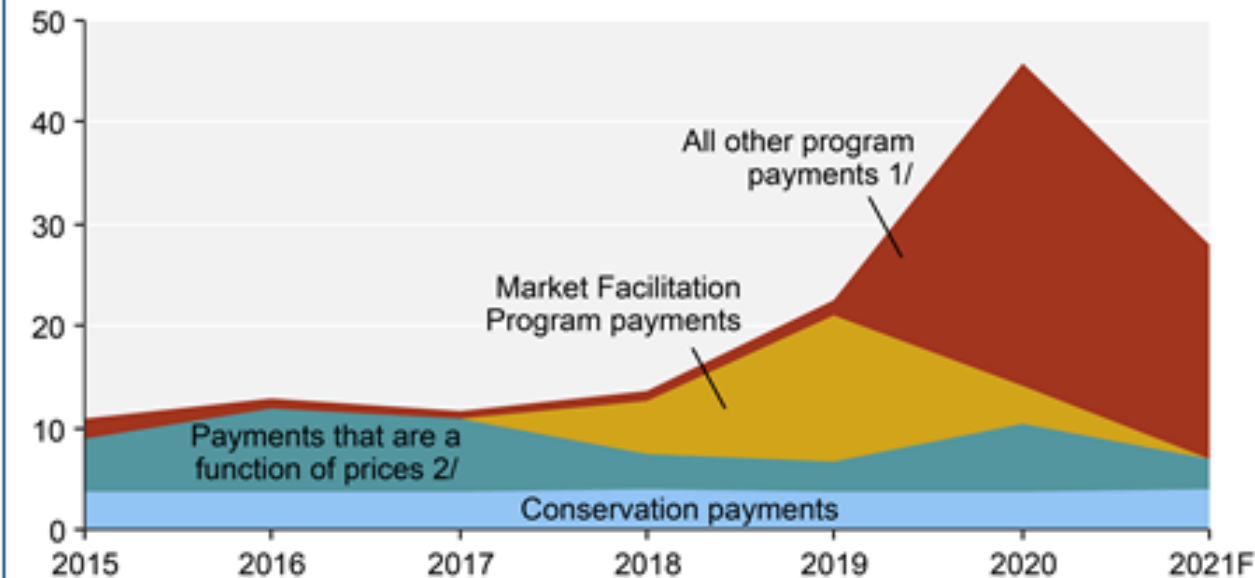
Albulena Basha

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

Wendong Zhang

## Direct government payments to U.S. farm producers, 2015–21F

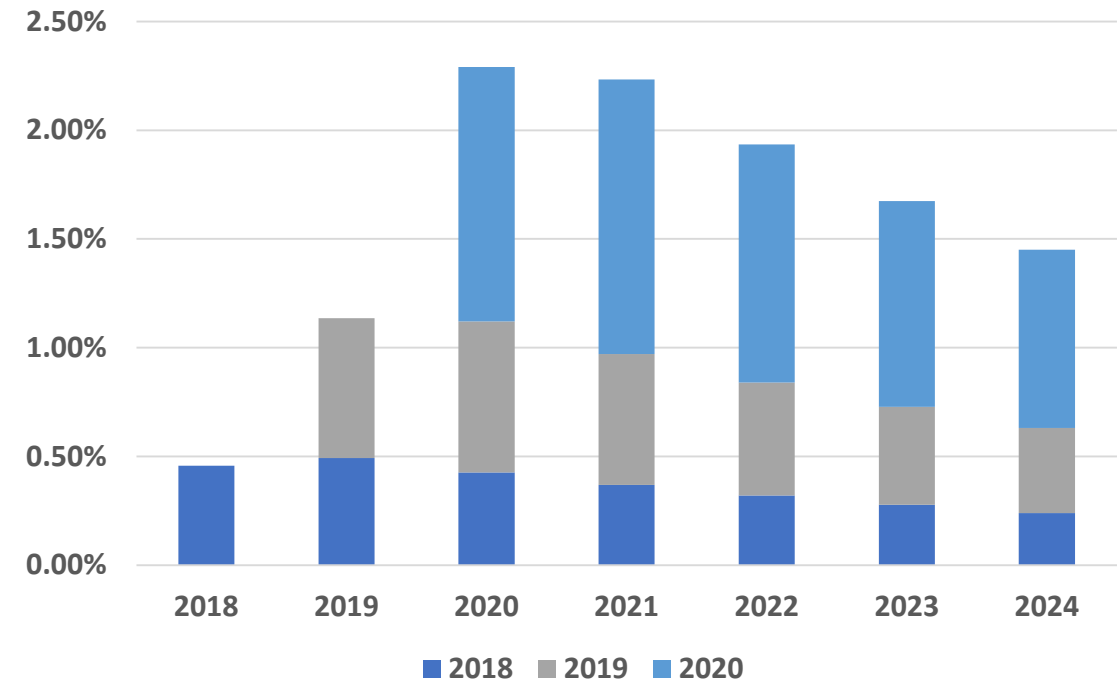
\$ billion (nominal)



Notes: 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 Programs and other USDA Pandemic Assistance for Producers plus loans from the Paycheck Protection program. 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 September 2, 2021.

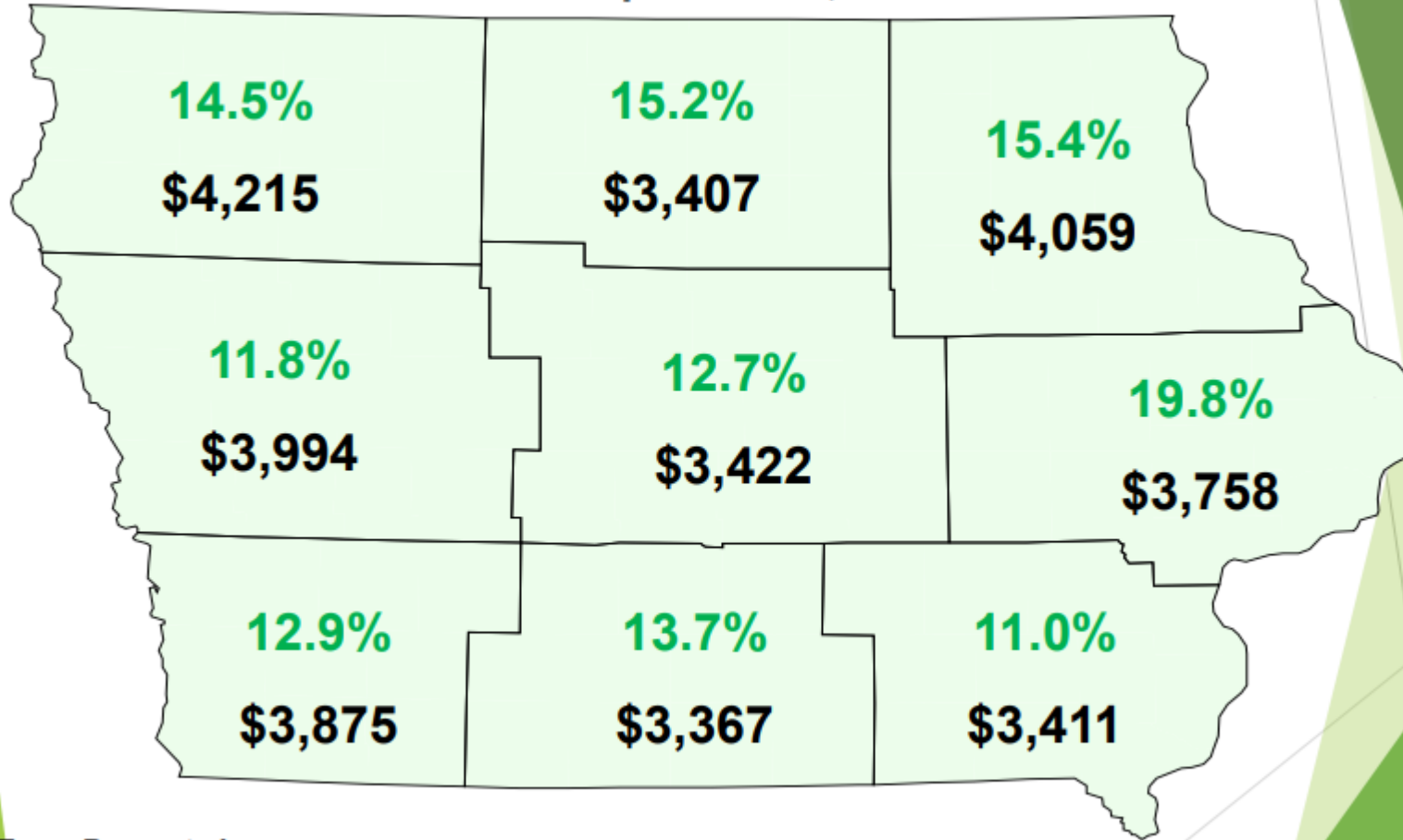
## The short- and long-term impacts of recent Government payments on I-states' farmland values



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



**REALTORS® Land Institute- Iowa Chapter**  
**Pasture Acres**  
**September 1, 2021**

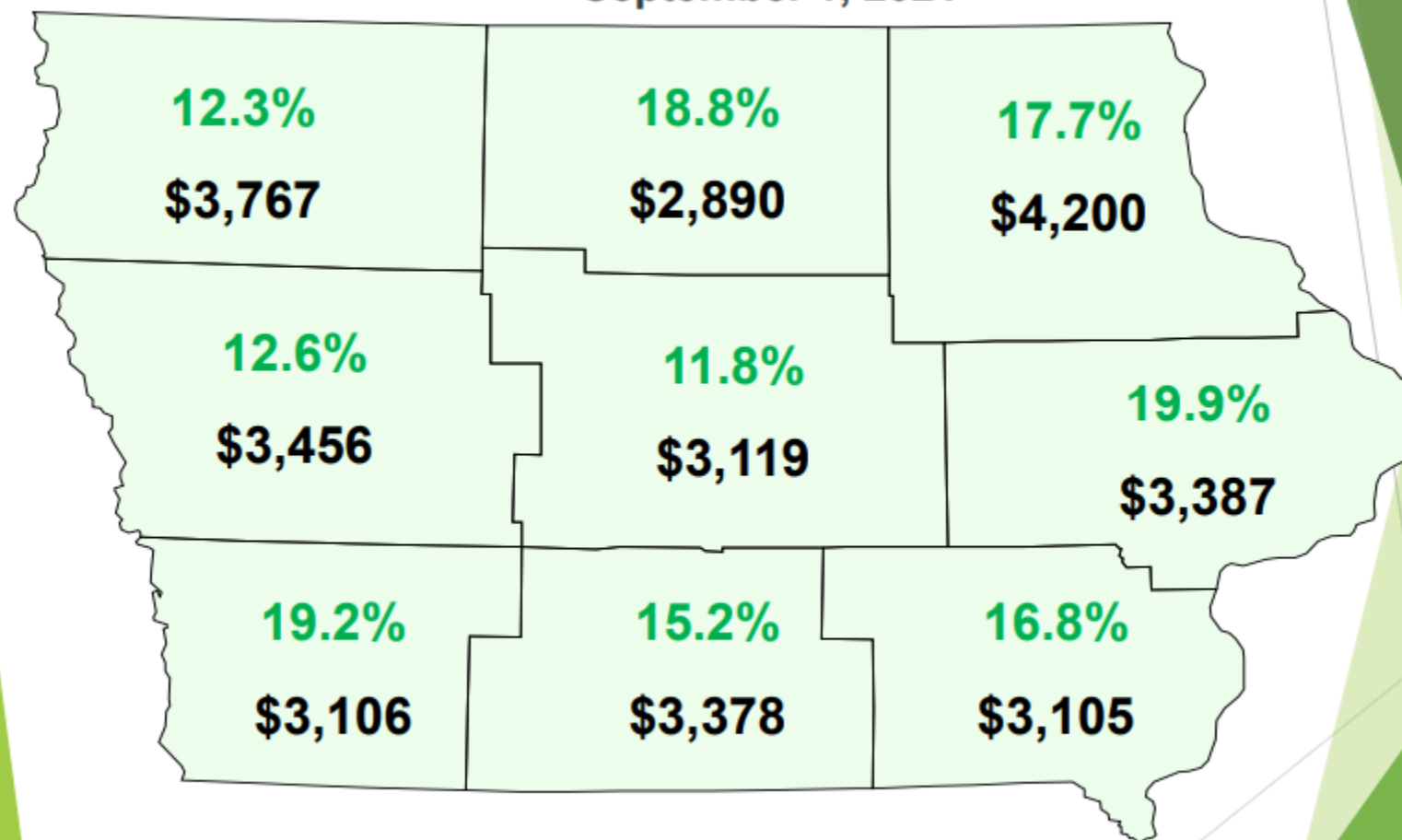


Top – Percent change  
Bottom – Price per Ac

**Nine Crop Reporting Districts**

March 2021– September 2021

**REALTORS® Land Institute- Iowa Chapter**  
**Non-Tillable / Timber Acres**  
**September 1, 2021**



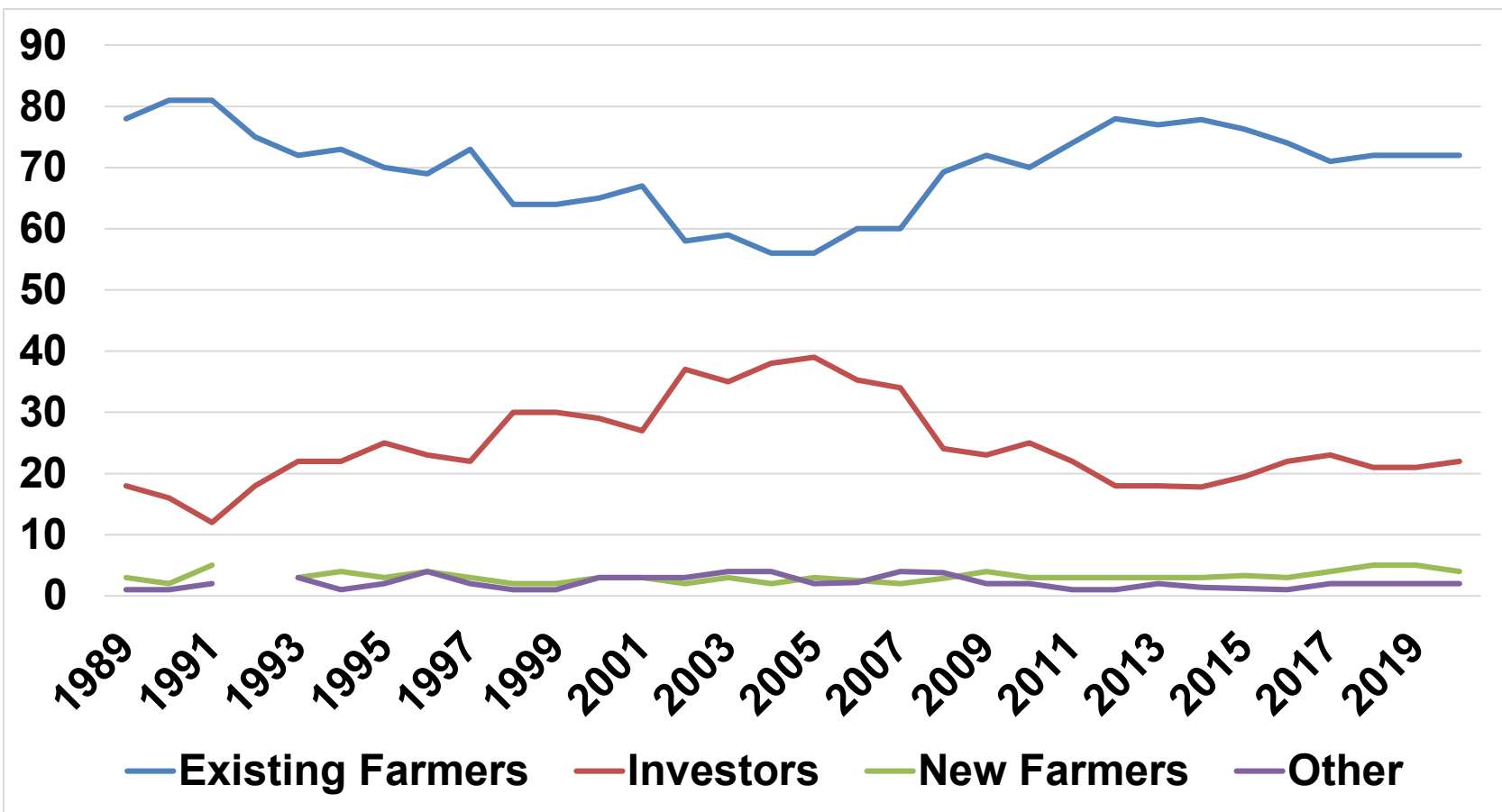
Top – Percent change  
Bottom – Price per Ac

**Nine Crop Reporting Districts**

March 2021 – September 2021

# Iowa Farmland Purchases by Buyer Types 1989-2020

Illinois 2021



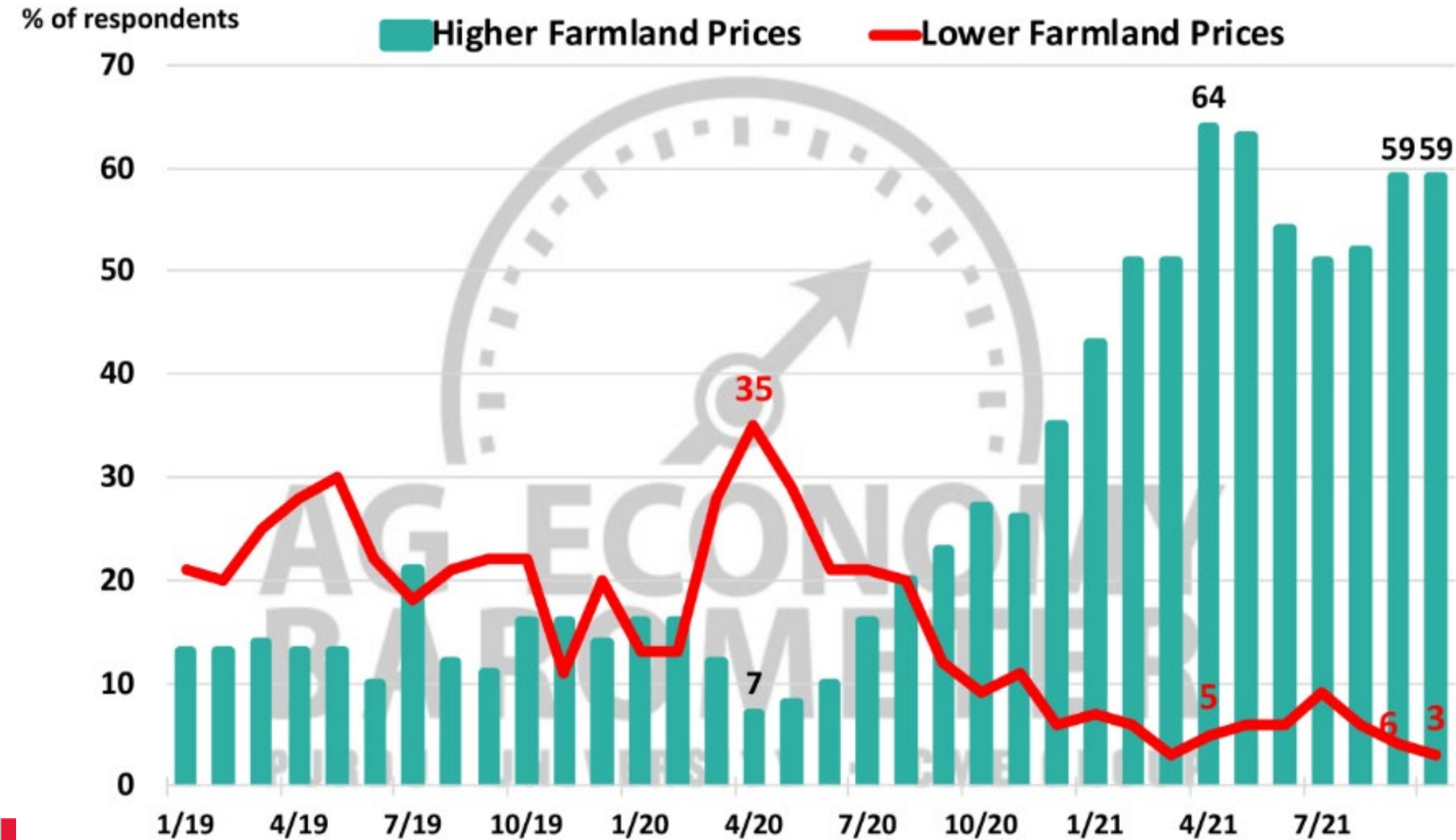
## Buyers

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

More investor interest?



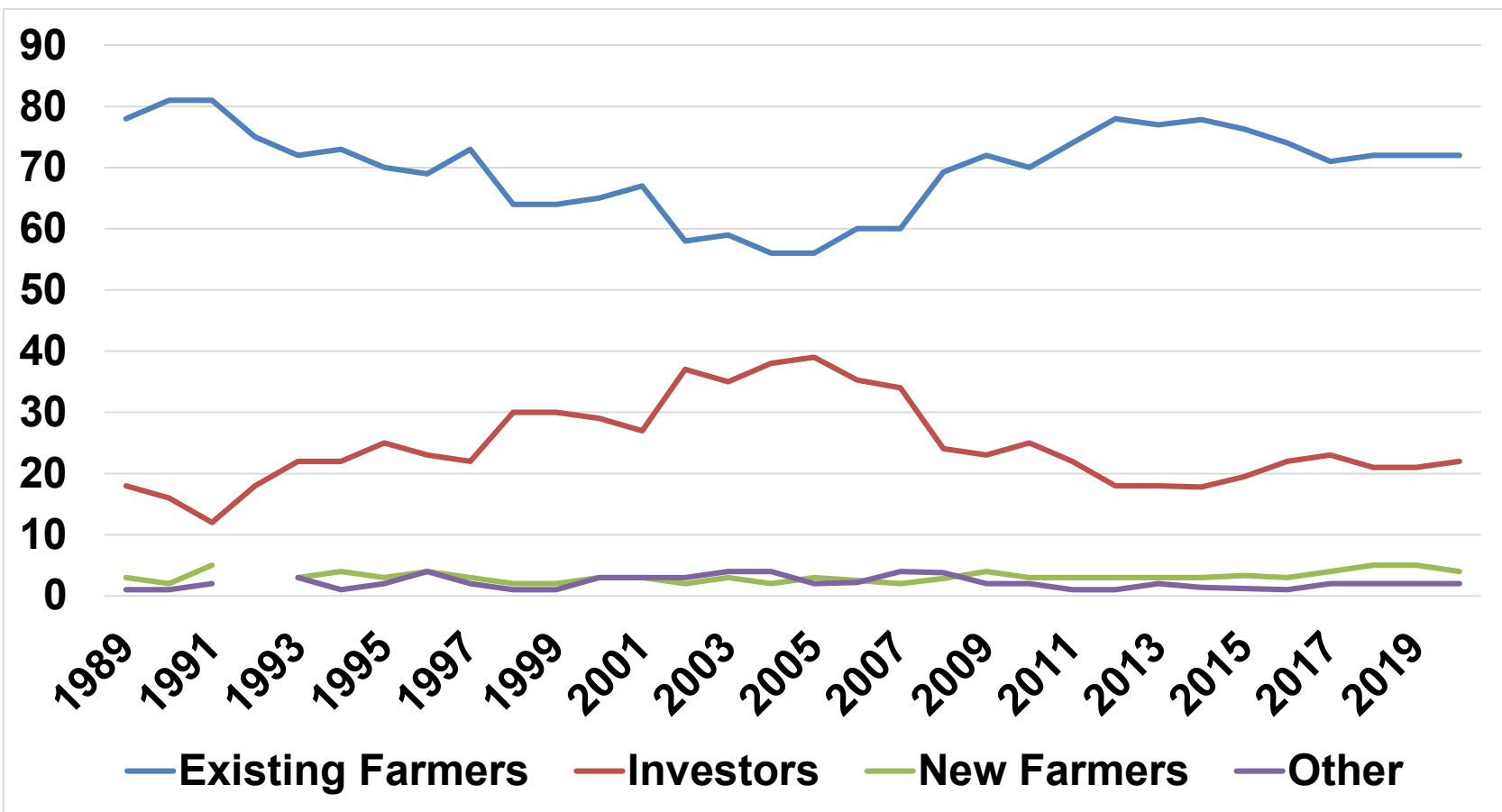
# Farmland Price Expectations, 12 Months Ahead



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

# Iowa Farmland Purchases by Buyer Types 1989-2020

Illinois 2021

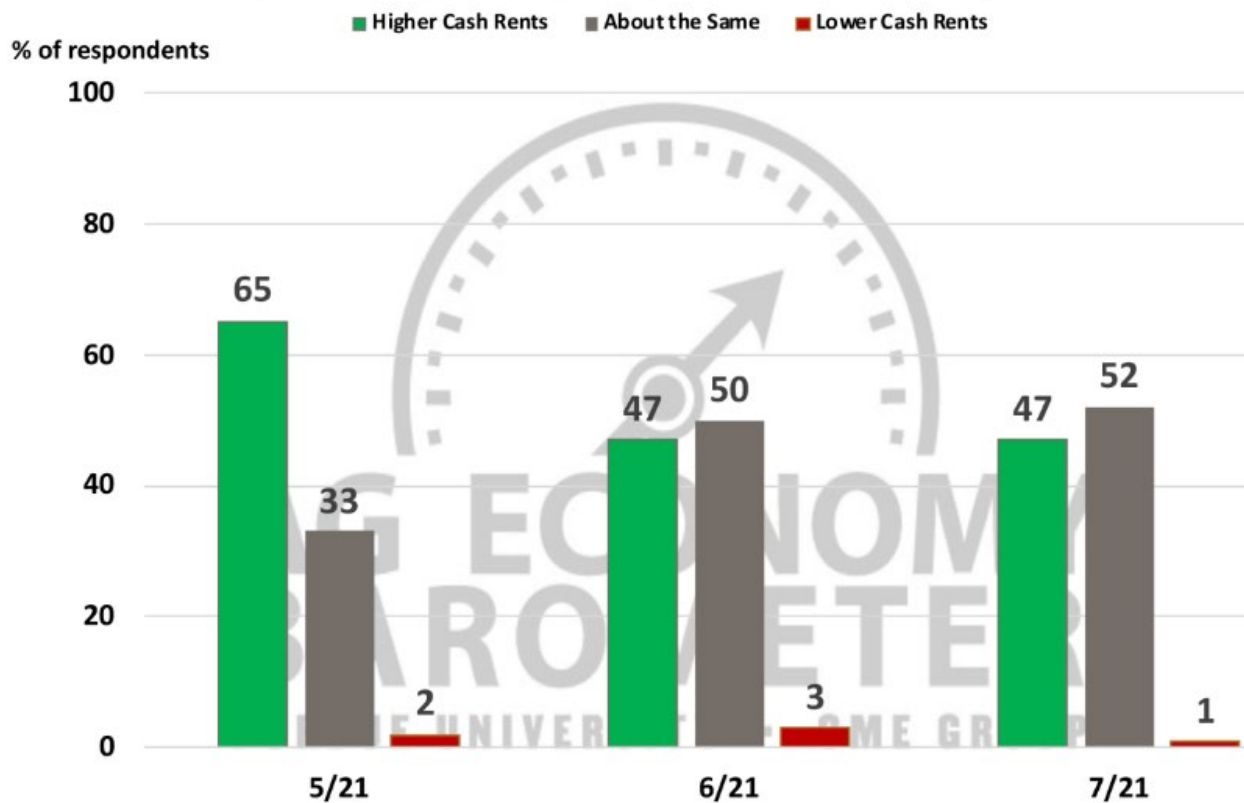


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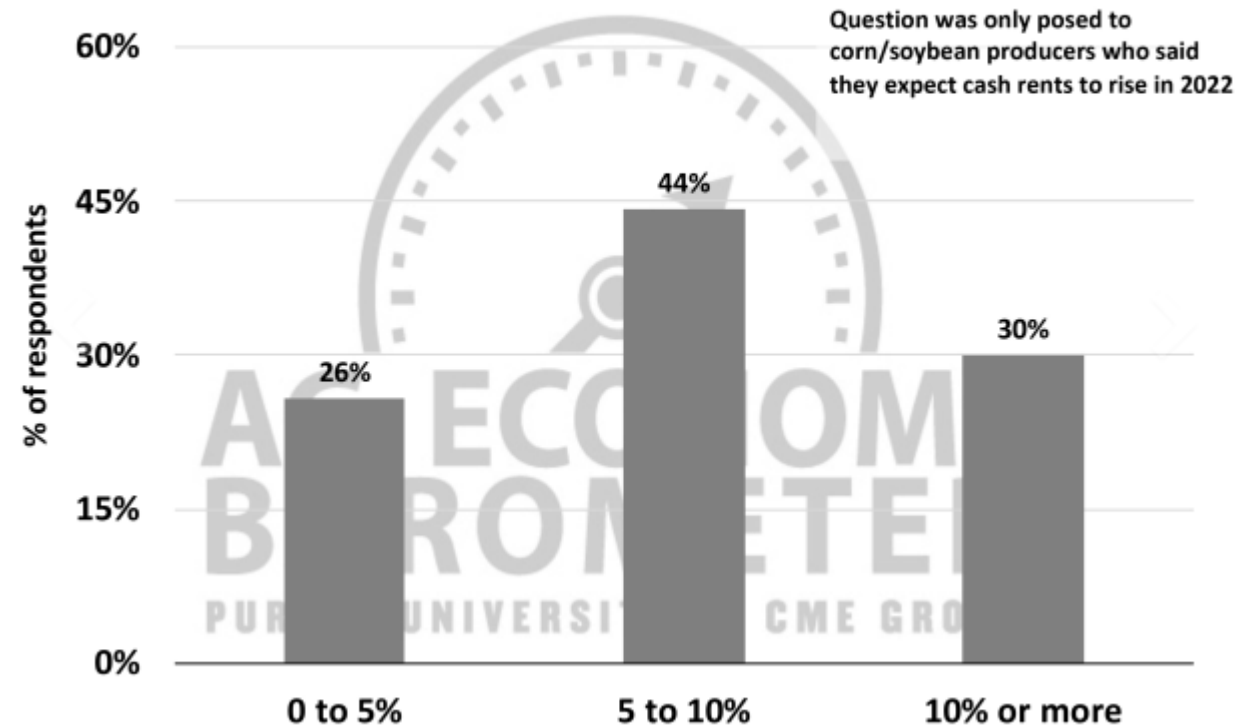
Compared to 2021, what are your expectations for cash rents in your area in 2022?



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



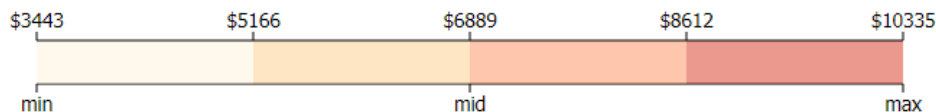
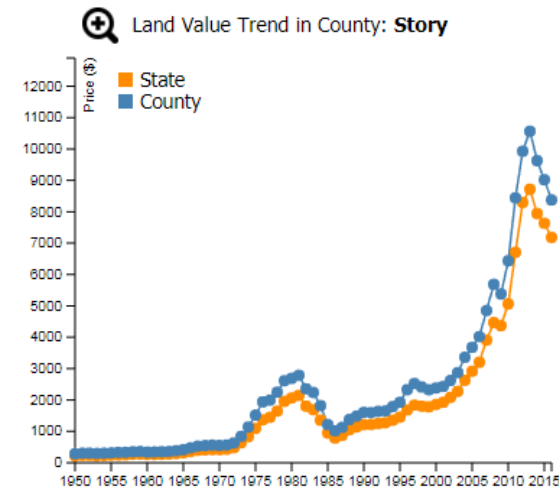
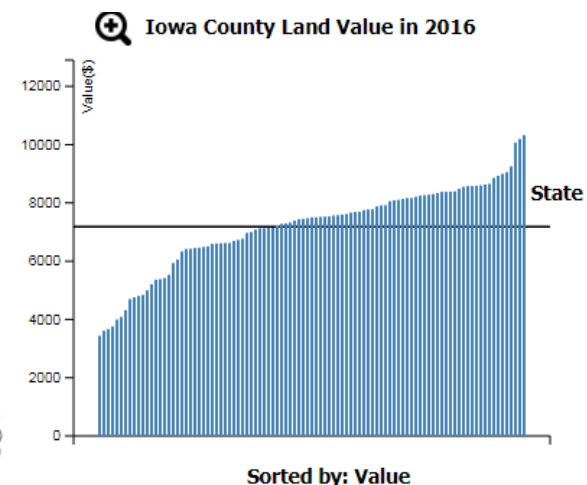
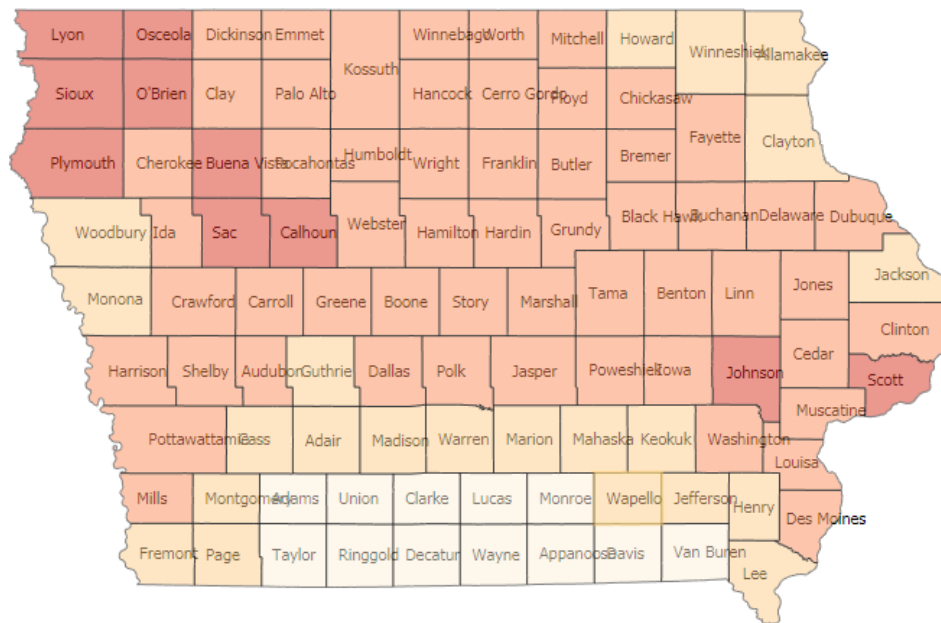
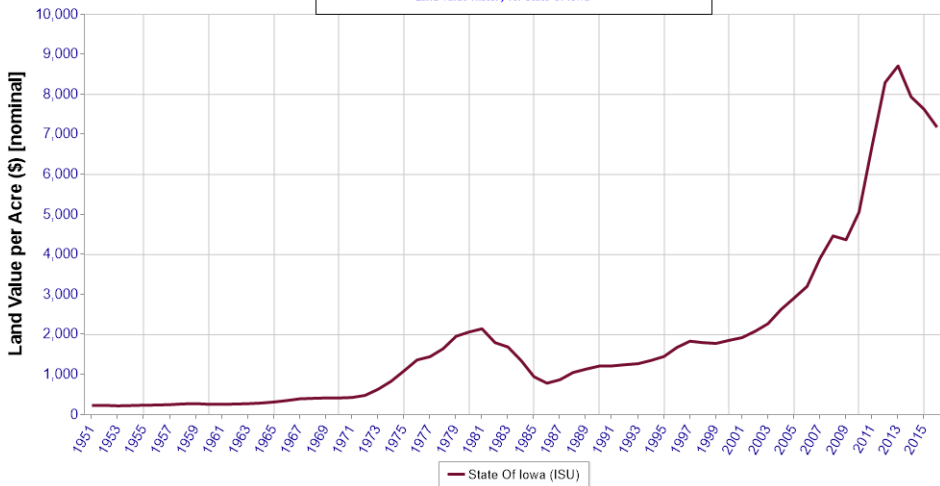
Compared to this year, by how much do you expect 2022 cash rents in your area to increase?



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

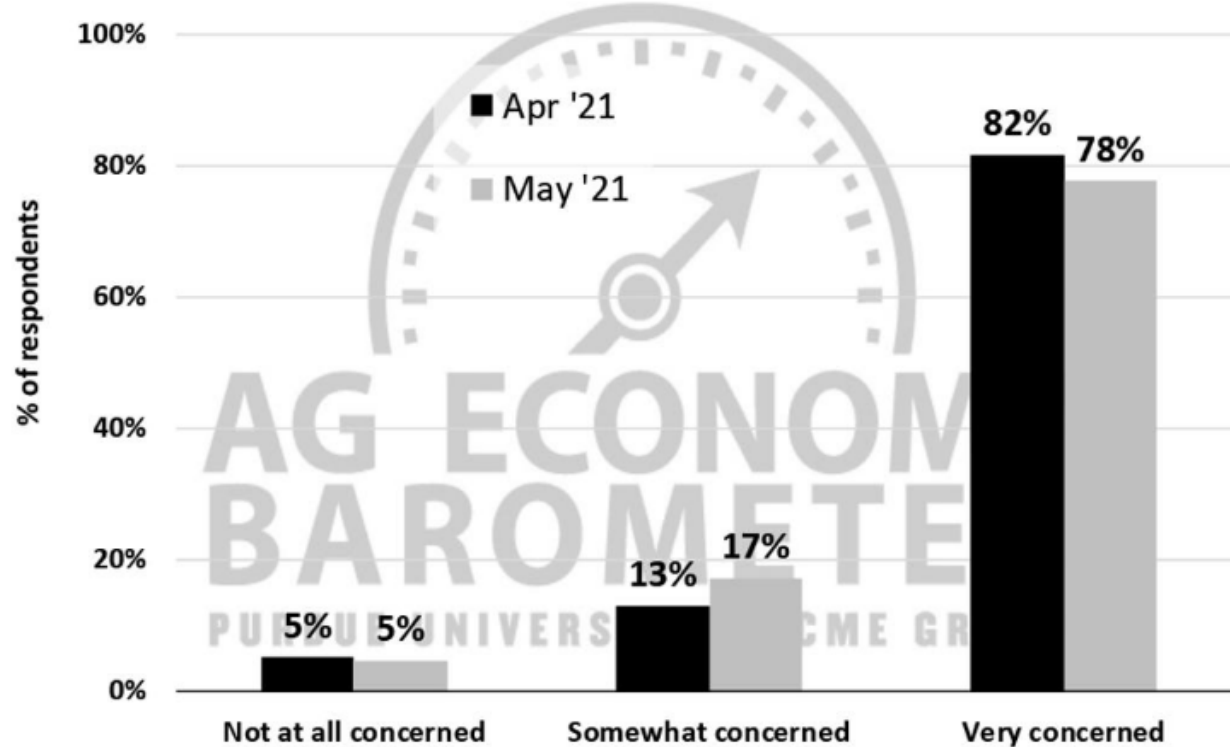


<https://www.card.iastate.edu/farmland>



# 94<sup>th</sup> ANNUAL SOIL MANAGEMENT LAND VALUATION CONFERENCE

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

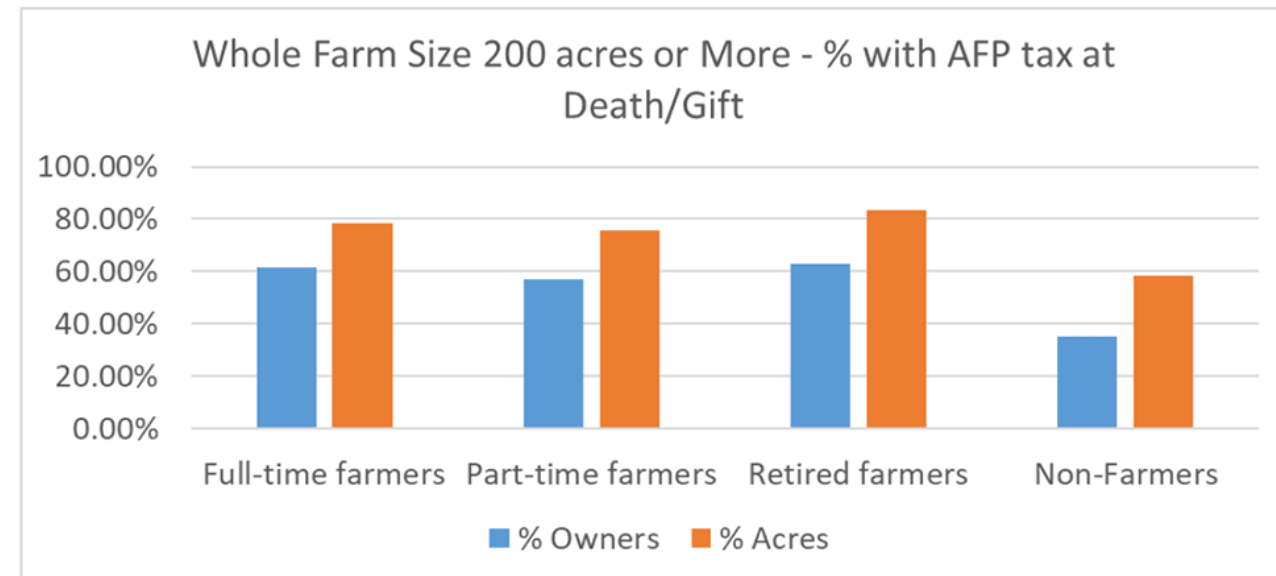
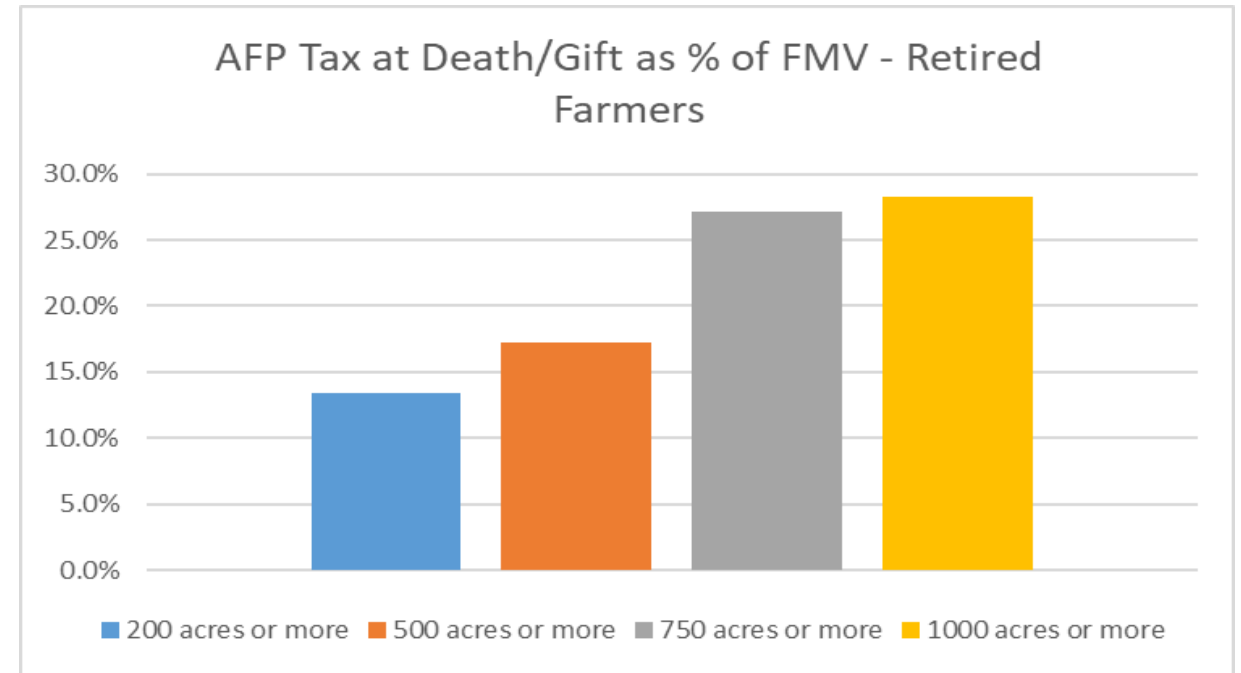
**Kristine Tidgren\***, Dolezal Adjunct Assistant Professor, Agricultural Education & Studies Department, Director, Center for Agricultural Law and Taxation, Iowa State University, [ktidgren@iastate.edu](mailto:ktidgren@iastate.edu)

Wendong Zhang, Associate Professor, Department of Economics and Center for Agricultural and Rural Development, Iowa State University, [wdzhang@iastate.edu](mailto:wdzhang@iastate.edu)

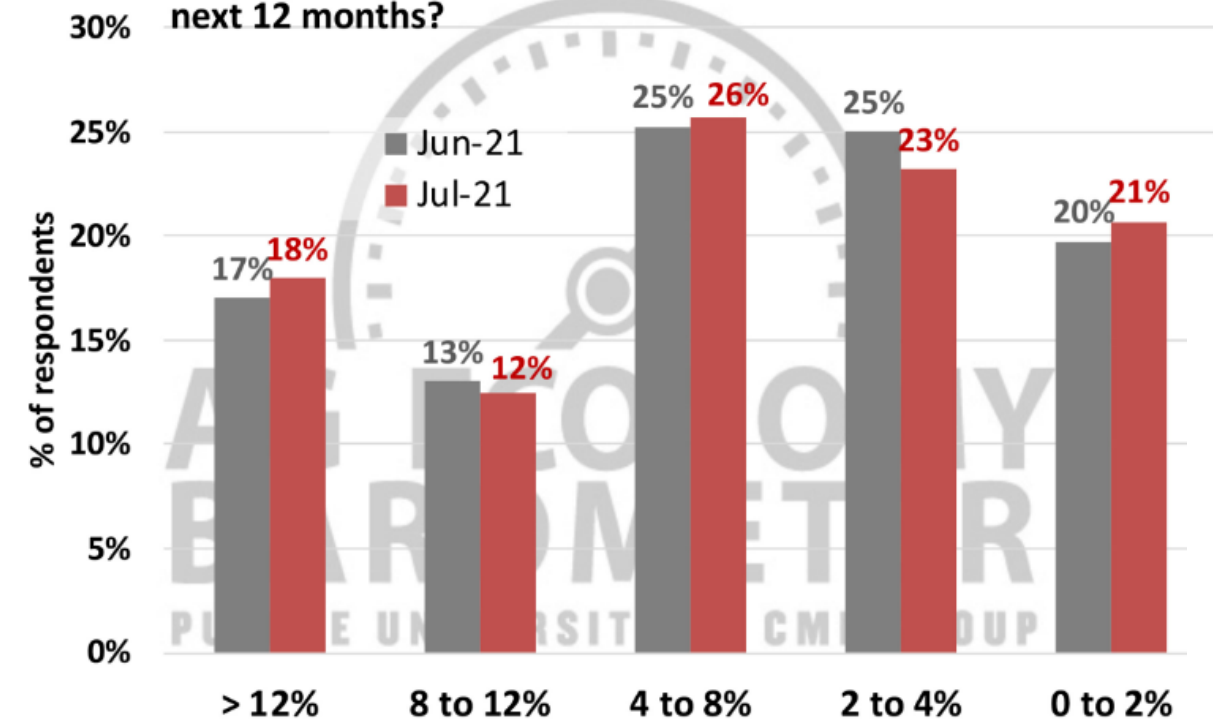
<https://www.card.iastate.edu/products/publications/pdf/21pb35.pdf>

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)**

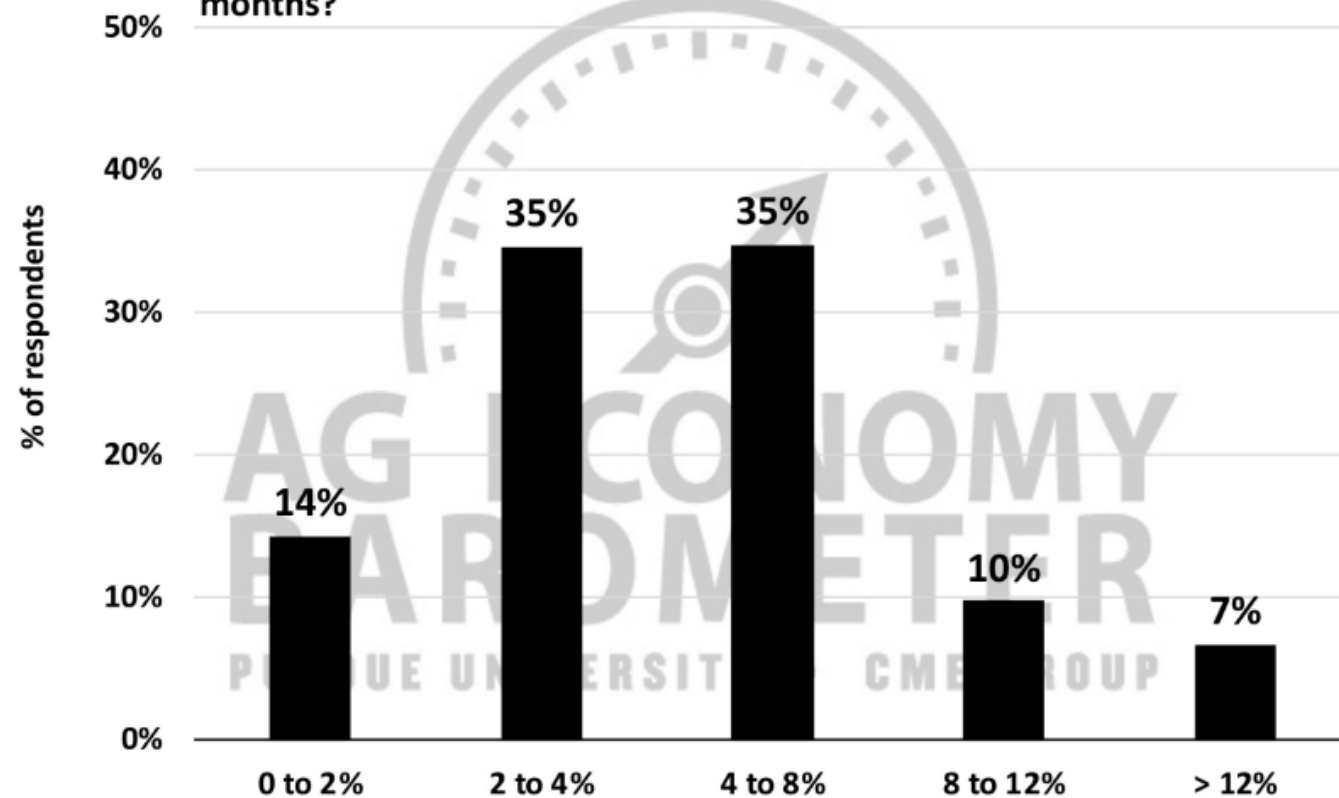


The average price paid for farm inputs increased by 1.8% per year during the last ten years. Using this as a frame of reference, by how much do you expect input prices to change during the next 12 months?



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

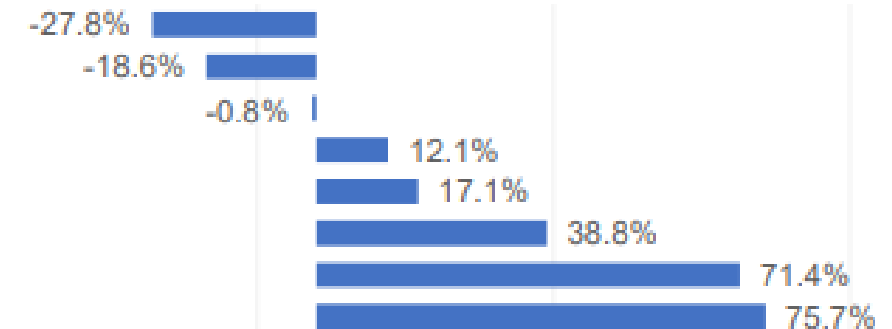
TIAA Center for Farmland Research

**Table 2: Asset return characteristics, 1970 to 2019<sup>6</sup>**

Asset/Index	Annual average return	Standard deviation	Coefficient of variation
----- 1970 - 2019 -----			
<b>U.S. ag 32 states</b>	<b>10.2%</b>	<b>6.5%</b>	<b>0.64</b>
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 2019<sup>8</sup>**

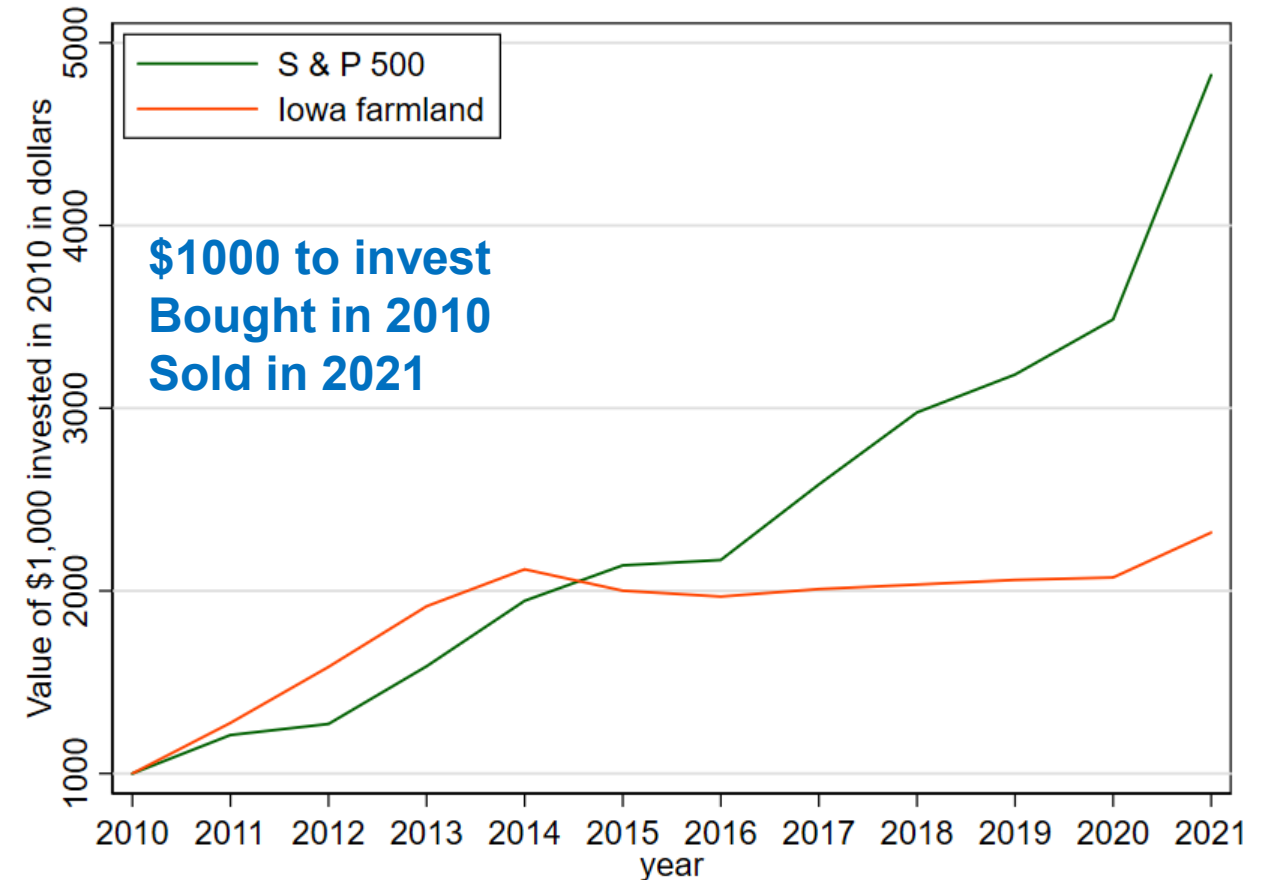
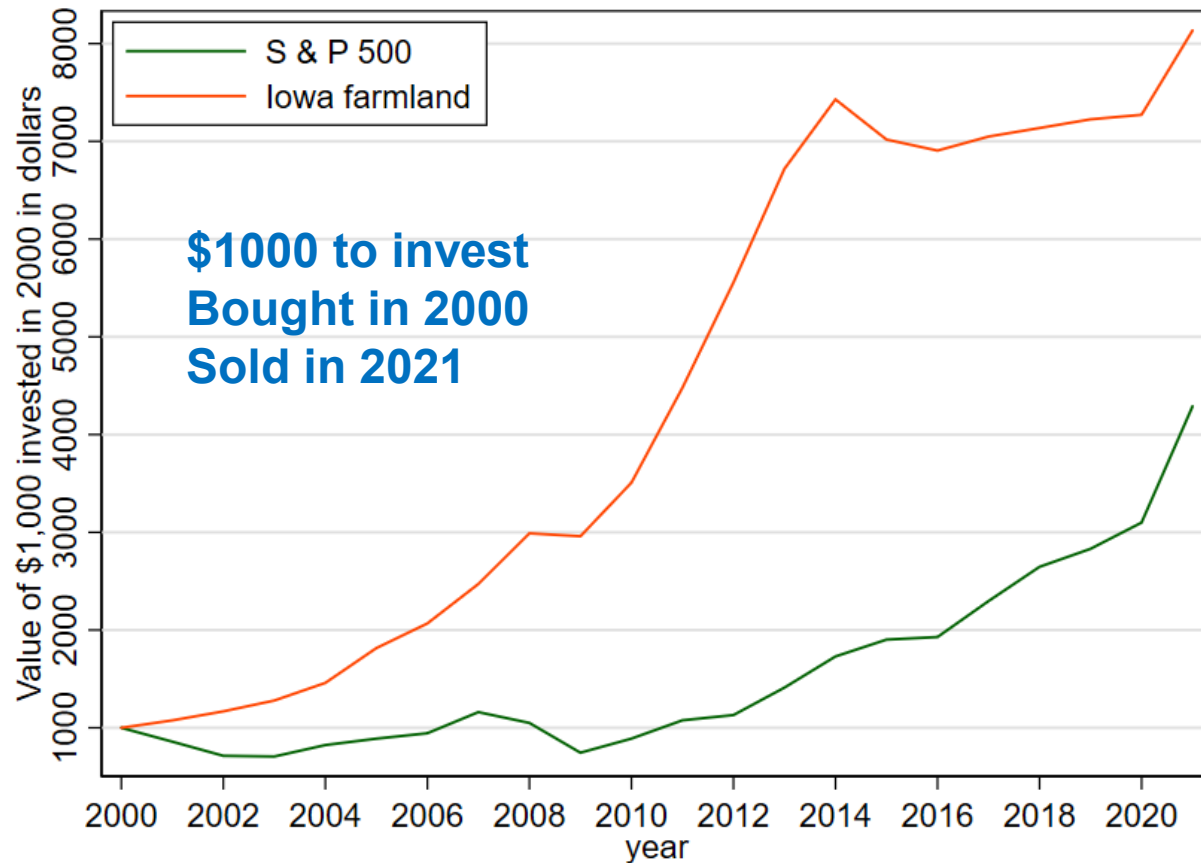
<https://farmland.illinois.edu/research-briefs/>



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

By Wendong Zhang, extension economist, 515-294-2536, [wdzhang@iastate.edu](mailto:wdzhang@iastate.edu)  
and Mike Duffy, retired extension economist

\*\*\*\*\*  
**Ag Decision Maker**  
\*\*\*\*\*



# Biden, Xi Open Talks on Friendly Note, With Tough Topics Ahead

Chinese leader says he wants nations to 'coexist in peace'; Biden says their responsibility is to avoid conflict

**“China and the United States should respect each other, coexist peacefully, and cooperate for a win-win situation. I would like to work with Mr. President to form a consensus and take positive actions to lead the positive development of China-US relations. This is the need for the benefit of the people of the two countries and the expectation of the international community.”**

President Xi Jinping, November 15<sup>th</sup>



★★★  
U.S.-China Joint Glasgow Declaration on Enhancing Climate  
Action in the 2020s

U.S. DEPARTMENT of STATE

NOVEMBER 10, 2021

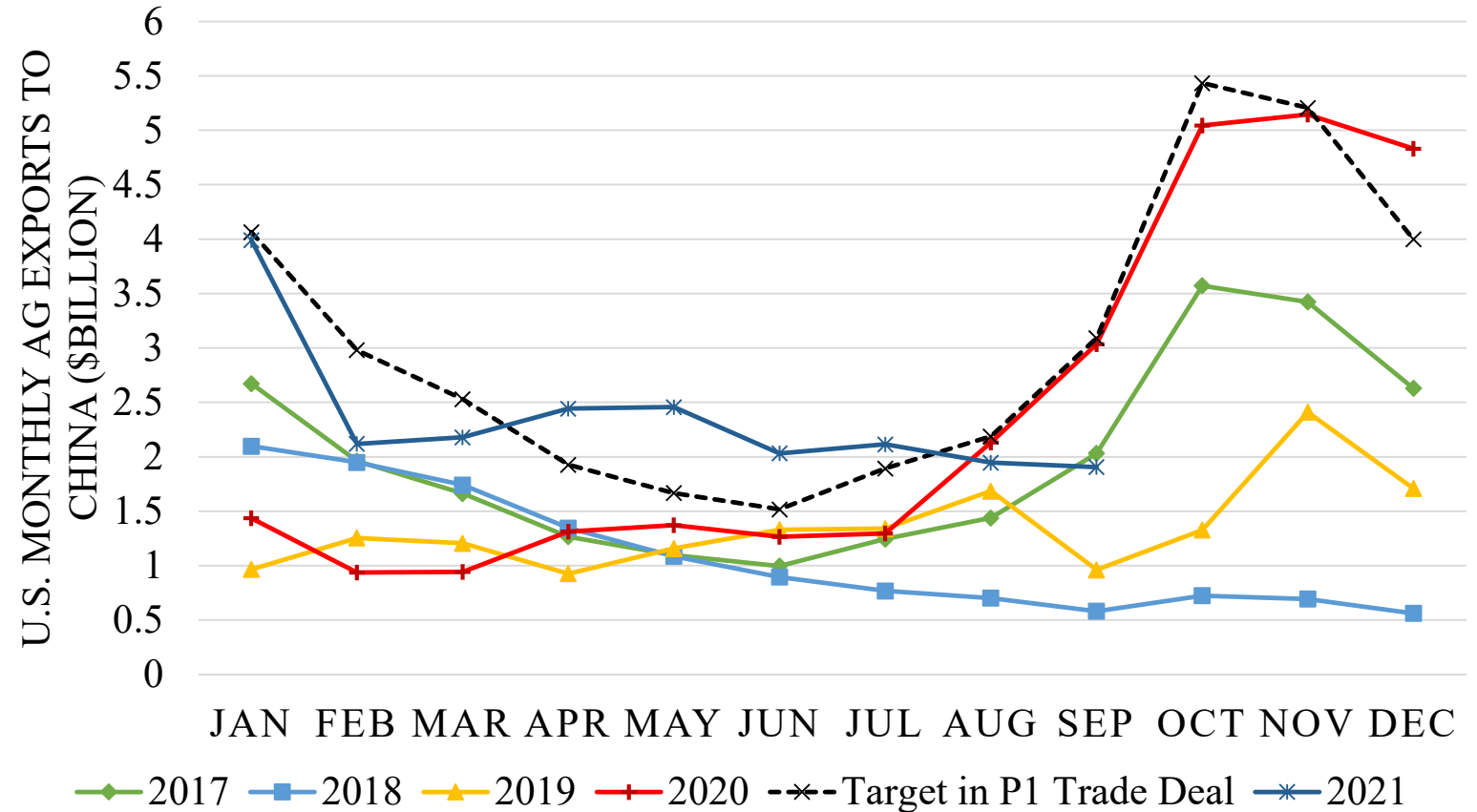
Featured Article

## The Case for Healthy U.S.-China Agricultural Trade Relations Despite Deglobalization Pressures†

Wendong Zhang✉

First published: 13 October 2020 | <https://doi.org/10.1002/aepp.13115>

<https://www.card.iastate.edu/products/publications/synopsis/?p=1313>



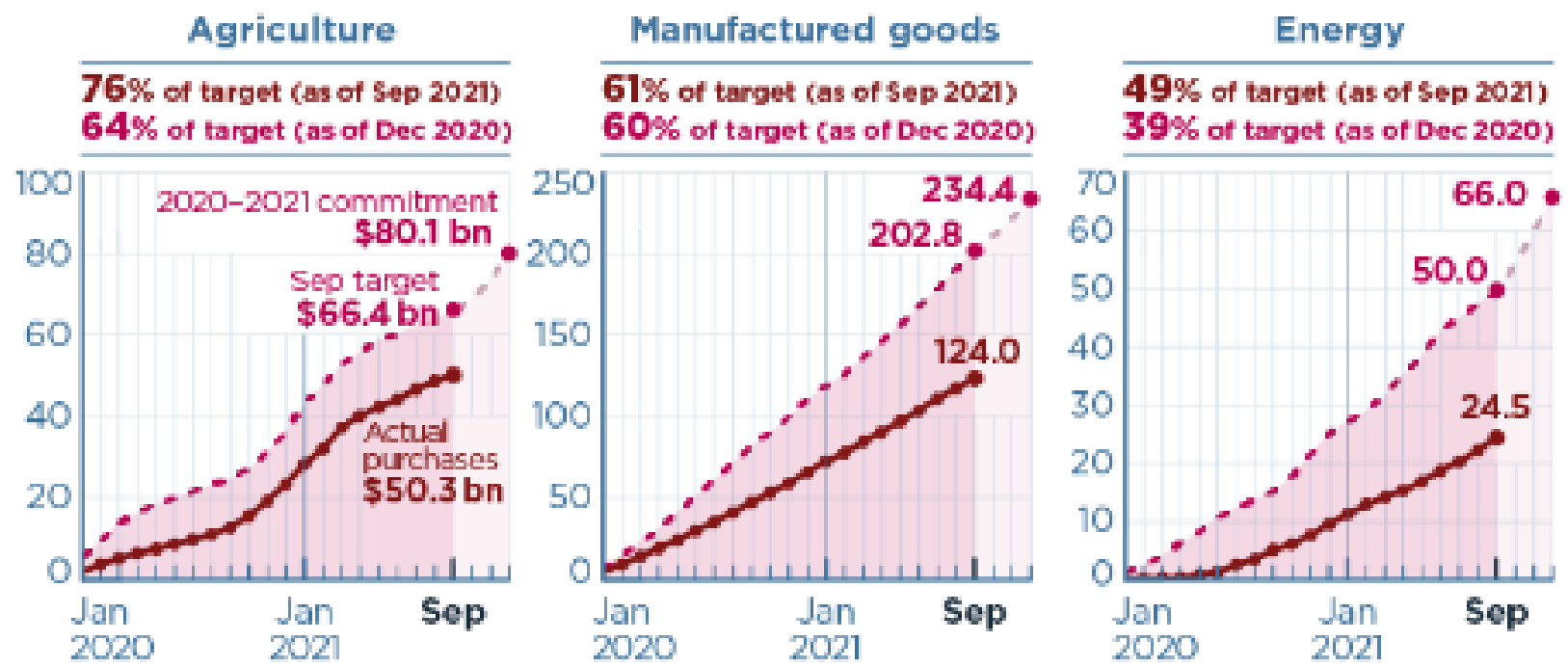


# US-China phase one tracker: China's purchases of US goods

Chad P. Bown (PIIE)  
October 27, 2021

As of September 2021

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



## CARD Policy Briefs

IOWA STATE UNIVERSITY

**Xi He**  
**Dermot Hayes**  
**Wendong Zhang**

February 2021 20-PB 29

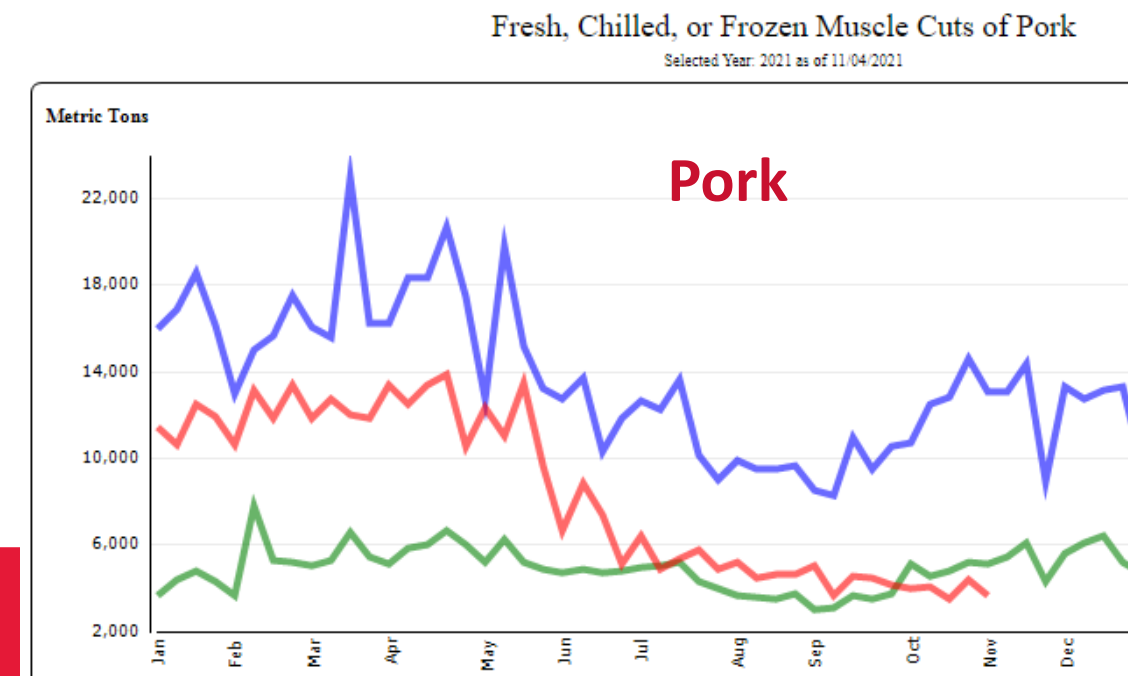
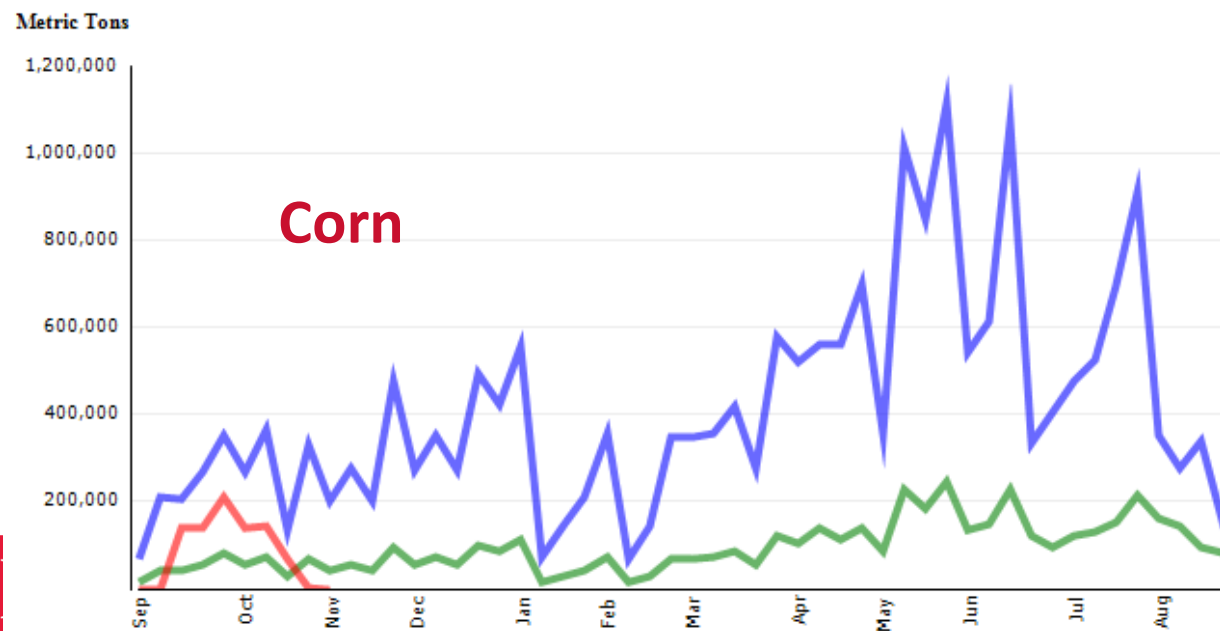
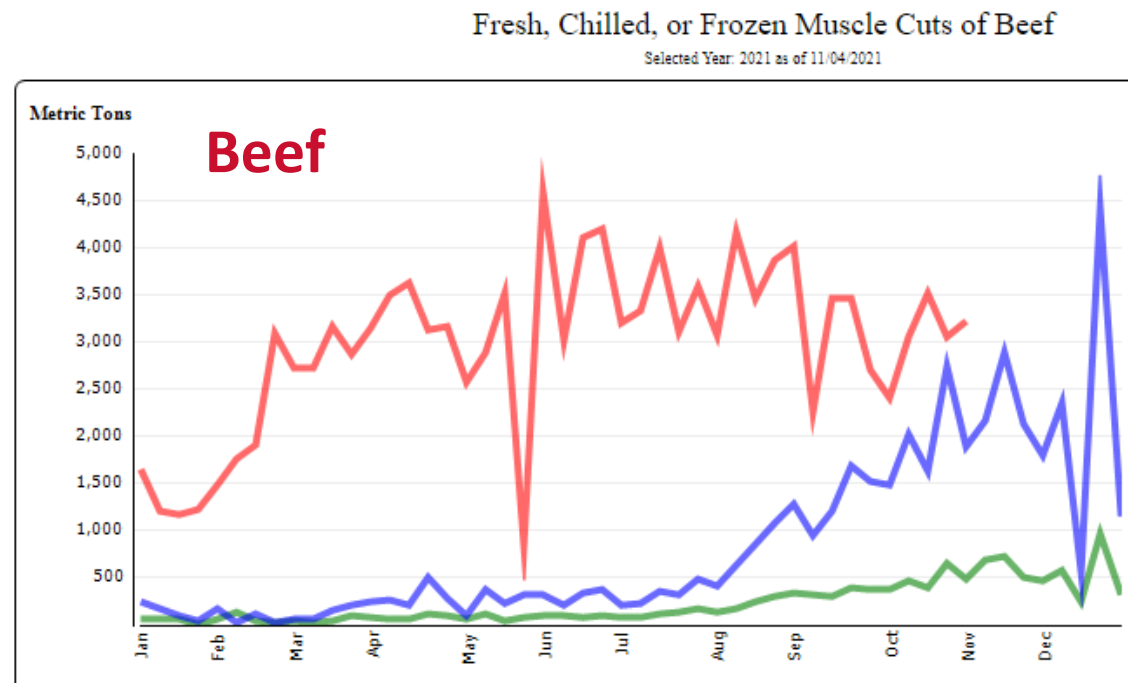
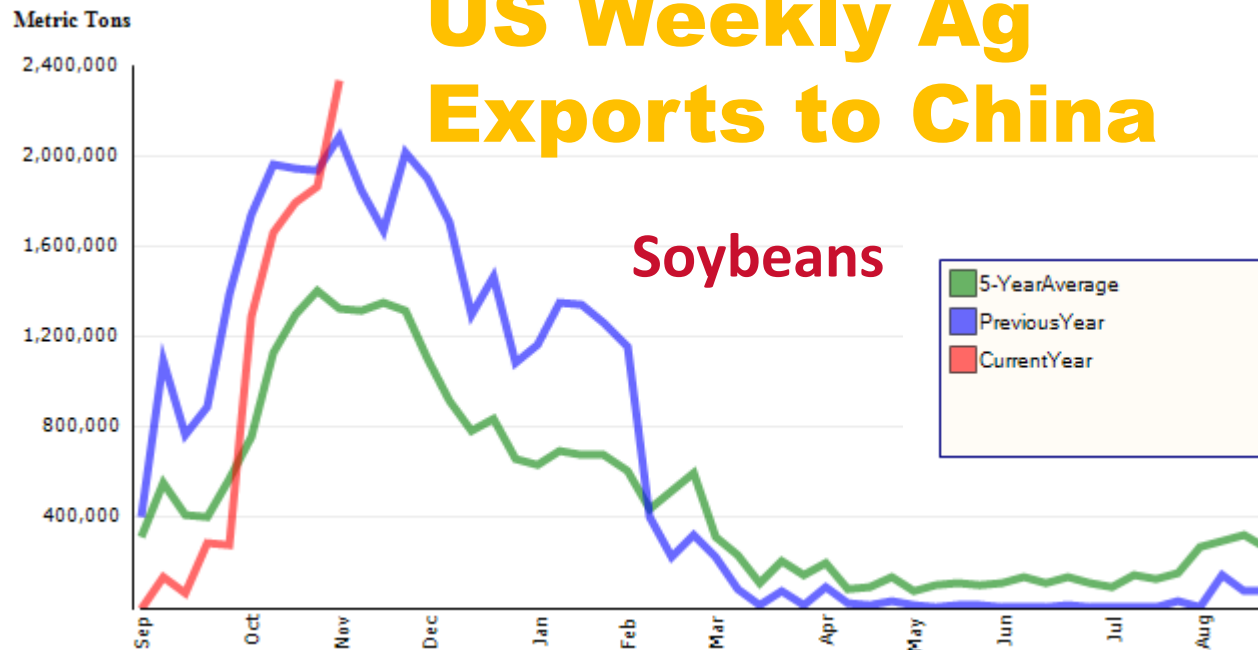
# China's Agricultural Imports under the Phase One Deal: Is Success Possible?

Table 1. China's Imports of Key Commodities 2017 and 2020

	2017 Jan-Dec			2020 Jan-Dec		
	US	Non-US countries	US share	US	Non-US countries	US share
<i>China's total import value (\$Million)</i>						
Corn	160	442	26.55%	959	1532	38.50%
Soybeans	13940	25698	35.17%	10634	28904	26.90%
Cotton	983	1207	44.88%	1466	1869	43.96%
Sorghum	957	69	93.26%	978	135	87.90%
Peanuts	62	268	18.74%	203	941	17.77%
Pork	1162	3217	26.53%	1695	17198	8.97%
Beef	25	3116	0.80%	228	10000	2.23%
Poultry	0	1032	0.00%	750	2748	21.44%
Dairy	1087	8203	11.71%	479	9659	4.73%
Ethanol	1	29	3.09%	15	21	41.18%
Total agricultural and related products	24,000	101,860	19.07%	27,300	143,501	15.98%

Source: General Administration of Customs of China data (GACC 2020)

# US Weekly Ag Exports to China





## BELT AND ROAD

# China-Laos high-speed railway set to roll through COVID cloud

Southeast Asian country's rising infections reduce pomp of Friday's launch



The China-Laos bullet train will compress what is normally a two-day road trek through rugged mountain terrain into a brisk three hours or so. © CCTV/Reuters

MARWAAN MACAN-MARKAR, Asia regional correspondent

November 30, 2021 18:11 JST

the \$6 billion project in the land-locked country.



The track from Vientiane to Boten, a northern frontier town along the Laos-China border, will compress what is normally a two-day road trek through rugged mountain terrain into a brisk three hours or so. The Lane Xang, as the bullet train has been named after an ancient Laotian kingdom, will travel through 75 tunnels and across 167 bridges at a speed of up to 160 kph.



# FINDING FIRMER GROUND:

## The Role of Agricultural Cooperation in U.S.–China Relations

A Report by the US Heartland China Association and The Carter Center

September 2021

**Dr. Minghao Li**

Assistant Professor

Economics, Applied Statistics, and International Business Department

New Mexico State University

**Dr. Wendong Zhang**

Associate Professor

Department of Economics and Center for Agricultural and Rural Development (CARD)

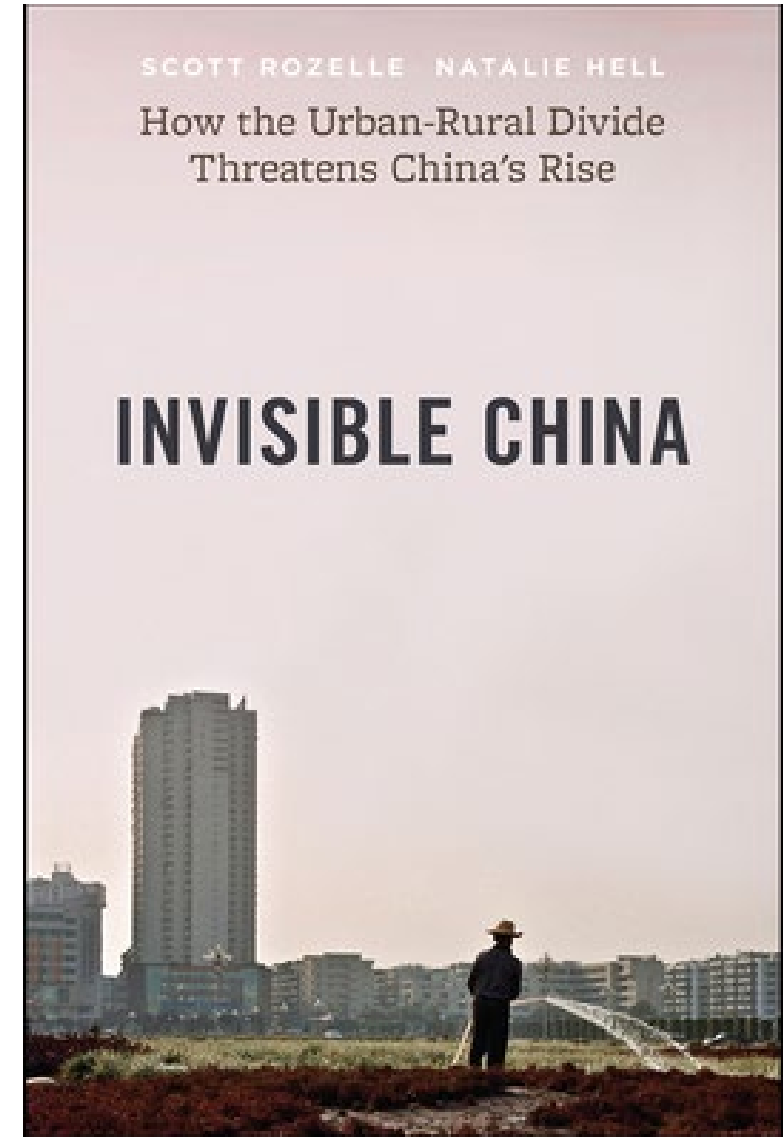
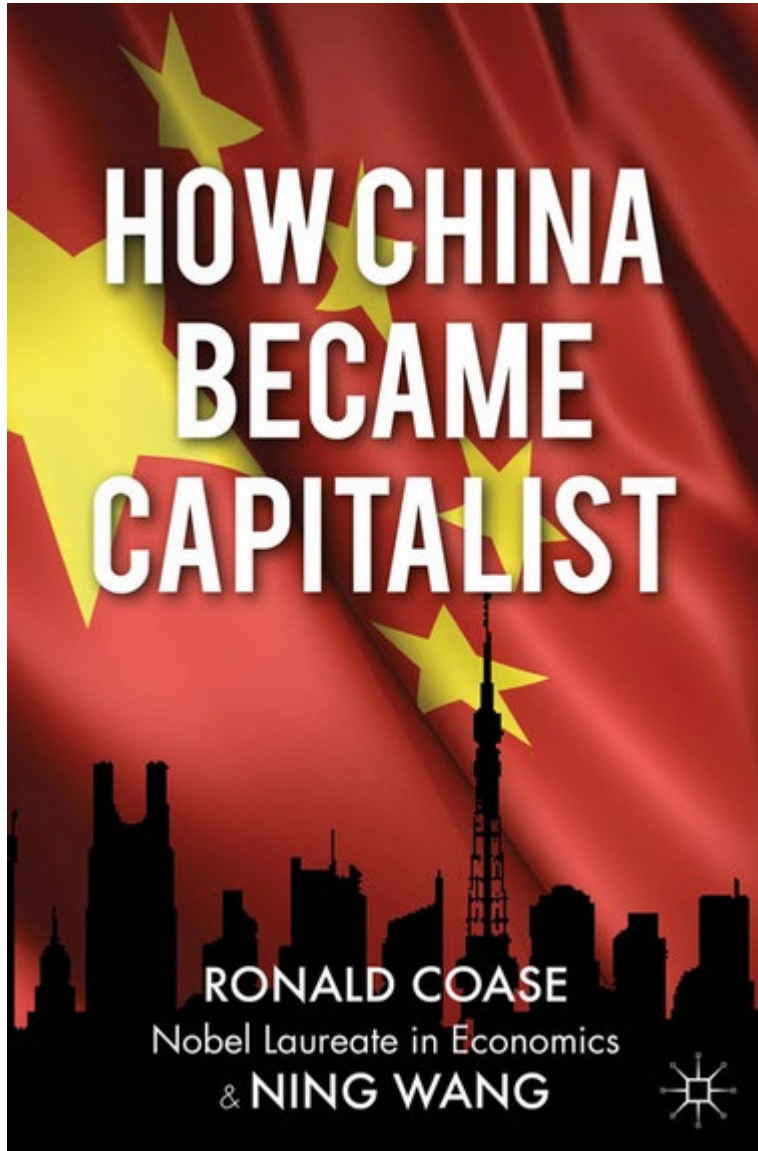
Iowa State University

### Table of Contents

<b>Foreword by Ambassador Quinn .....</b>	<b>4</b>
<b>Preface by Governor Holden.....</b>	<b>8</b>
<b>1. Executive Summary.....</b>	<b>10</b>
<b>2. Current Threats to US-China Collaboration .....</b>	<b>13</b>
<i>Growing Mutual Mistrust and Hostility .....</i>	<i>13</i>
<i>US Farmers' Views on China .....</i>	<i>16</i>
<i>Less Room for Top-level Cooperation .....</i>	<i>17</i>
<i>The Ongoing US-China Trade War .....</i>	<i>18</i>
<i>The Impacts of COVID-19 on US Agricultural Exports to China .....</i>	<i>22</i>
<b>3. Collaboration in Agriculture: Addressing Bilateral and Global Challenges ....</b>	<b>24</b>
<i>Enhancing Food Security .....</i>	<i>24</i>
<i>Improving food quality .....</i>	<i>26</i>
<i>Developing Science and Technology .....</i>	<i>28</i>
<i>Fighting Climate Change.....</i>	<i>30</i>
<b>4. Channels of US-China Collaboration .....</b>	<b>32</b>
<i>Resuming and Enhancing High-Level Agricultural Talks .....</i>	<i>32</i>
<i>Reducing Tariff and Non-Tariff Trade Barriers .....</i>	<i>32</i>
<i>Improving Business Climate for Agribusinesses .....</i>	<i>33</i>
<i>Building Infrastructures to Strengthen International and Domestic Supply Chains .....</i>	<i>36</i>
Box 1: Container on Vessel/Barge transportation and St. Louis Region's Logistic Hub .....	38
<i>Increase Research Collaboration and Education Exchange .....</i>	<i>39</i>
Box 2: The Cornell-Nanking Cooperation and the MSU-NAU Initiative .....	41
<b>References .....</b>	<b>42</b>
<b>Appendix A: 2021 US-China Ag Roundtable Schedule .....</b>	<b>49</b>
<b>Appendix B: Author &amp; Contributor Biographies .....</b>	<b>58</b>

<https://usheartlandchina.org/wp-content/uploads/2021/09/Finding-Firmer-Ground-The-Role-of-Agricultural-Cooperation-in-US-China-Relations.pdf>

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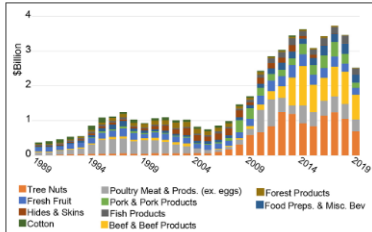
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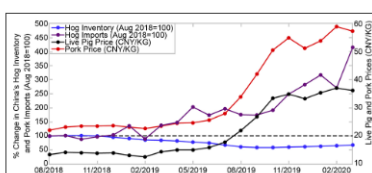
**Xi He and Wendong Zhang. 2020. "Implications of Hong Kong's Special Status Revocation for Agricultural Trade between the United States, Hong Kong, and Mainland China." *Agricultural Policy Review*. Center for Agricultural and Rural Development, Iowa State University.**

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.



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