

A background image of a Purdue University campus. In the foreground, there is a large, modern fountain with several tall, curved, metallic structures. In the background, a large, classical-style building with a portico and columns is visible. The scene is set outdoors with trees and a clear sky.

# Soaring Farmland and Equipment Values

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# Outline

- Ag Economy Barometer
- Land Value Drivers
  - Net farm income
  - Interest rates
  - Inflation
  - Alternative investments

# Ag Economy Barometer

# Ag Economy Barometer

Index

200

175

150

125

100

75

04/16

04/17

04/18

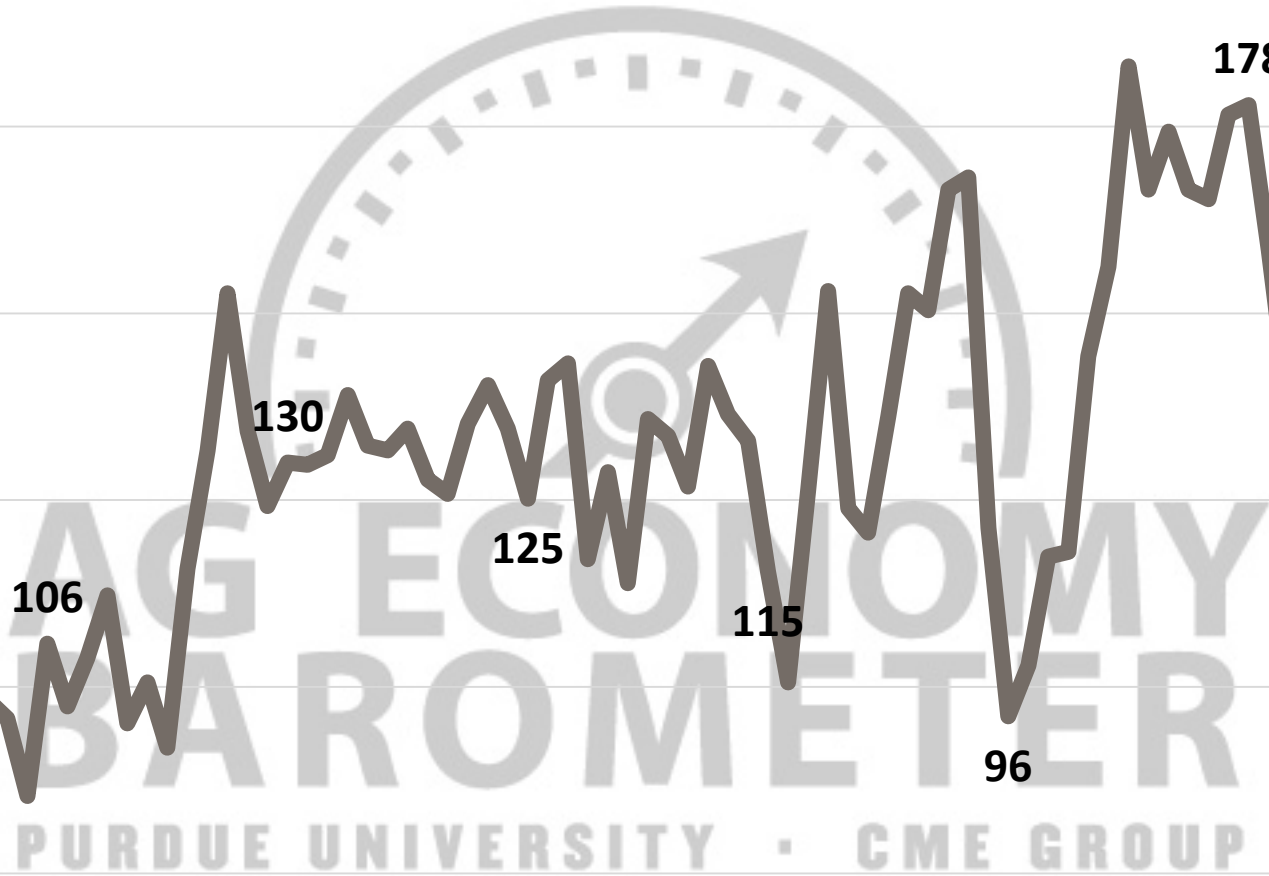
04/19

04/20

04/21

04/22

Month & Year



106

130

125

115

96

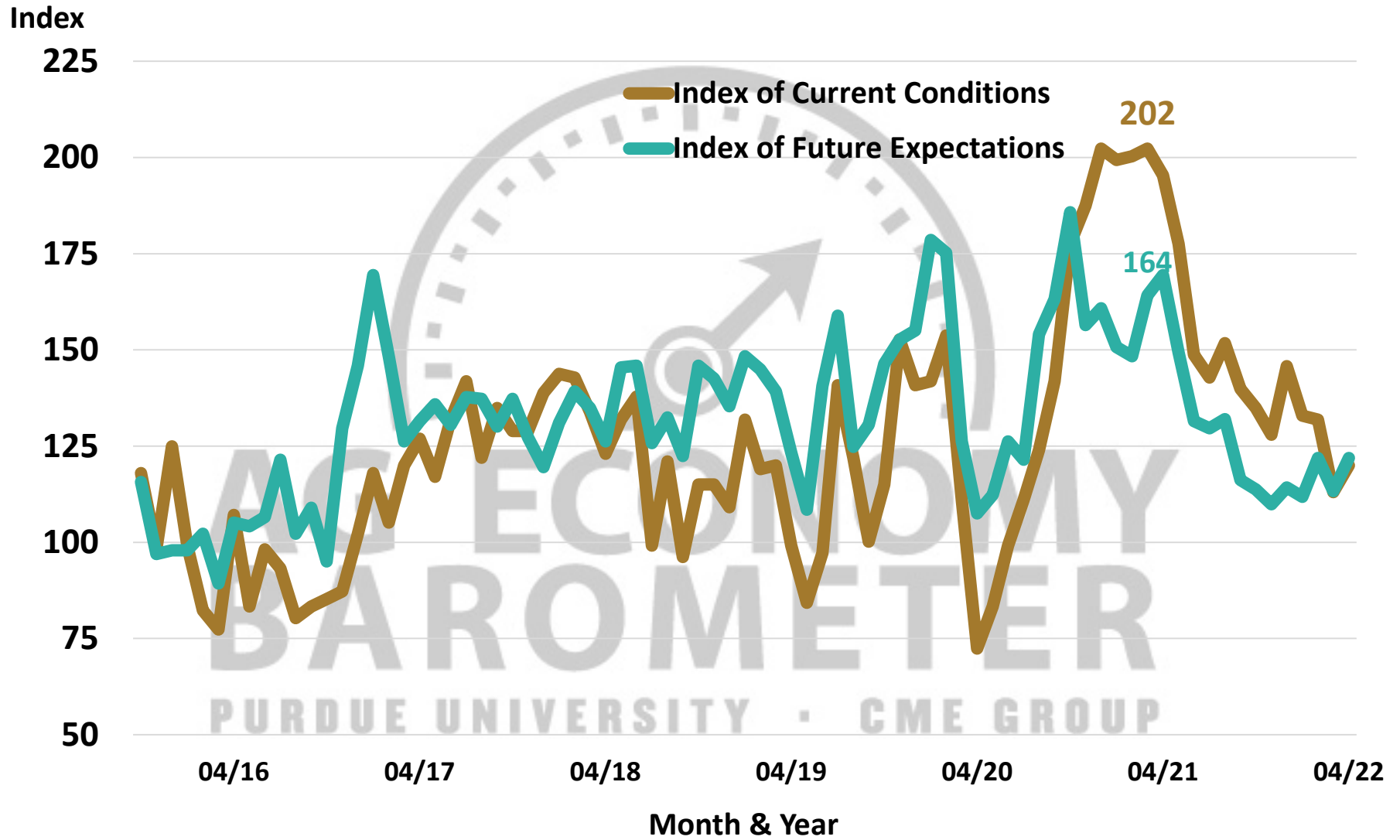
178

125

121

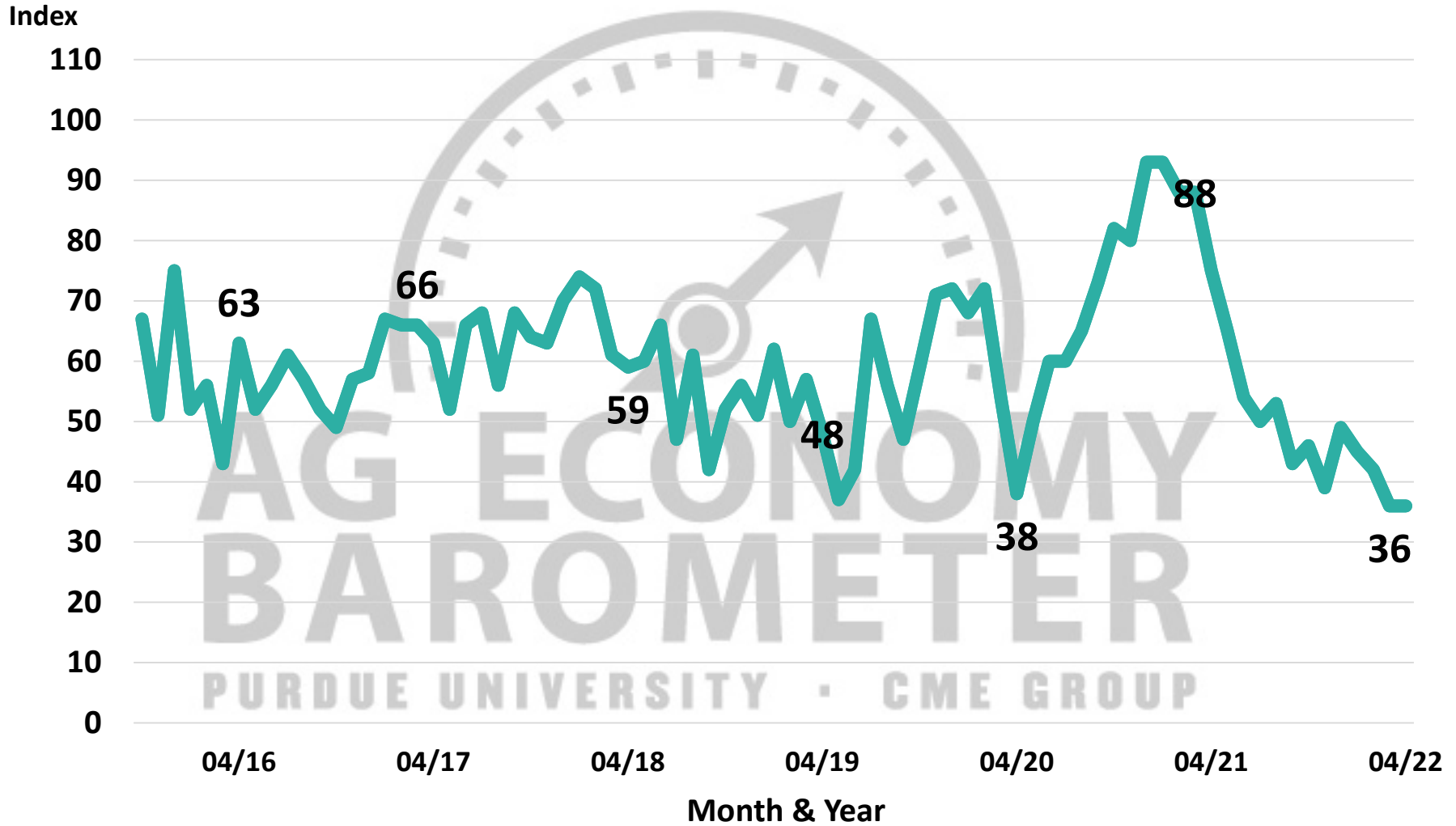
Source: Purdue University Center for Commercial Agriculture, Producer Survey, April 2022

# Indices of Current Conditions and Future Expectations



Source: Purdue University Center for Commercial Agriculture, Producer Survey, April 2022

# Farm Capital Investment Index



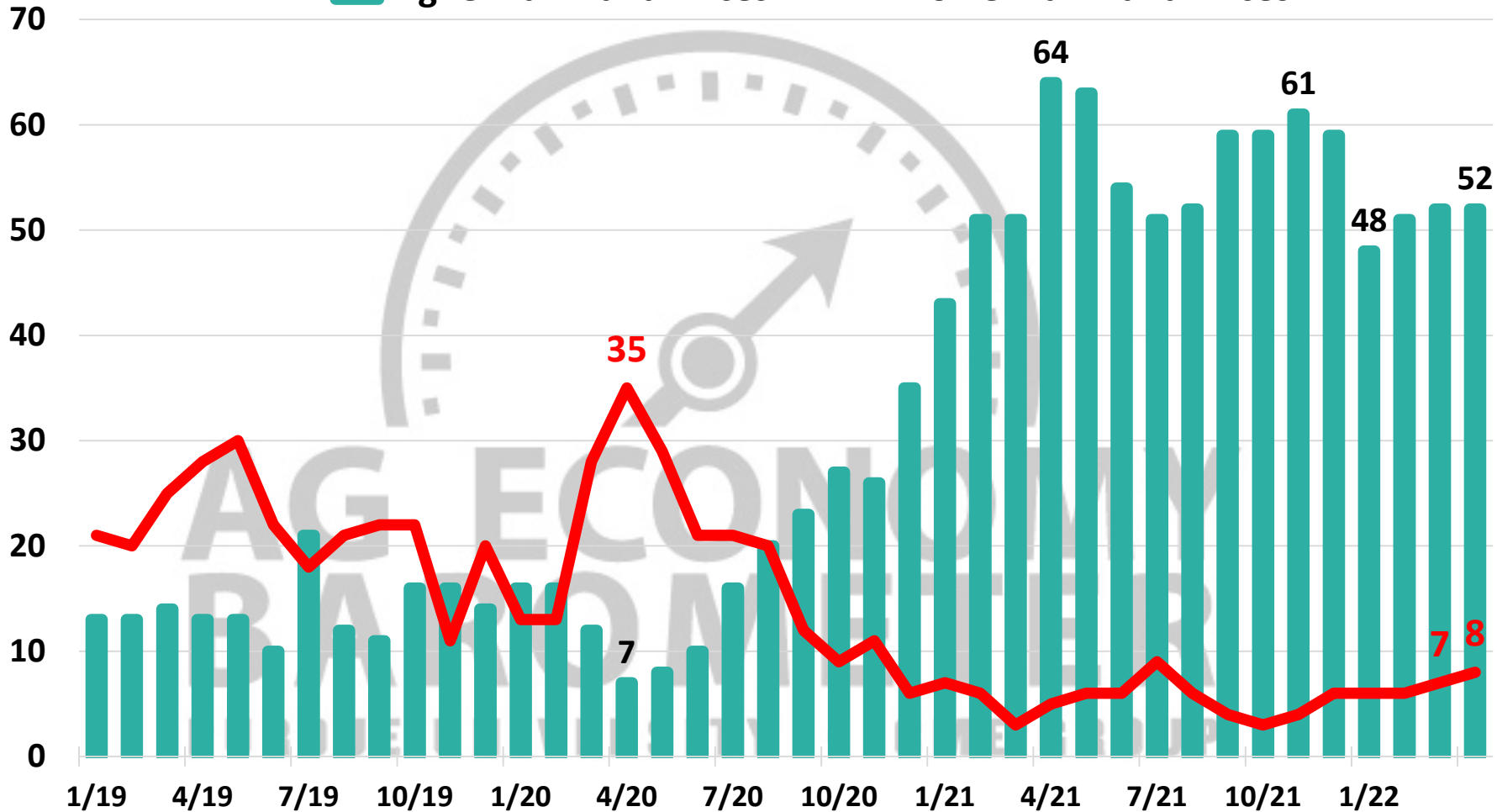
Source: Purdue University Center for Commercial Agriculture, Producer Survey, April 2022

# Farmland Price Expectations, 12 Months Ahead

% of respondents

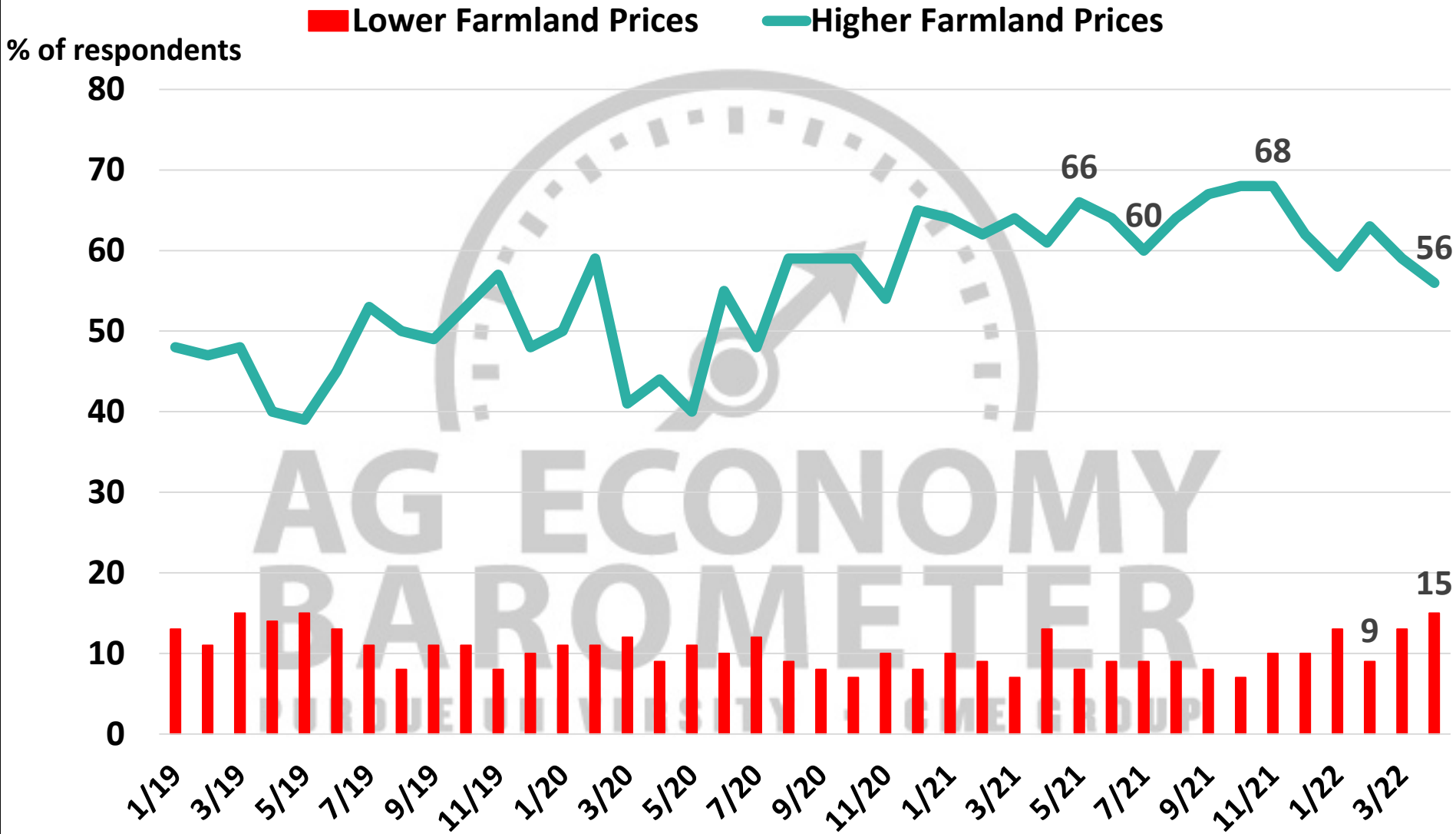
Higher Farmland Prices

Lower Farmland Prices



Source: Purdue Center for Commercial Agriculture, Producer Survey, April 2022

# Farmland Price Expectations, 5 Years From Now



AG ECONOMY  
BAROMETER

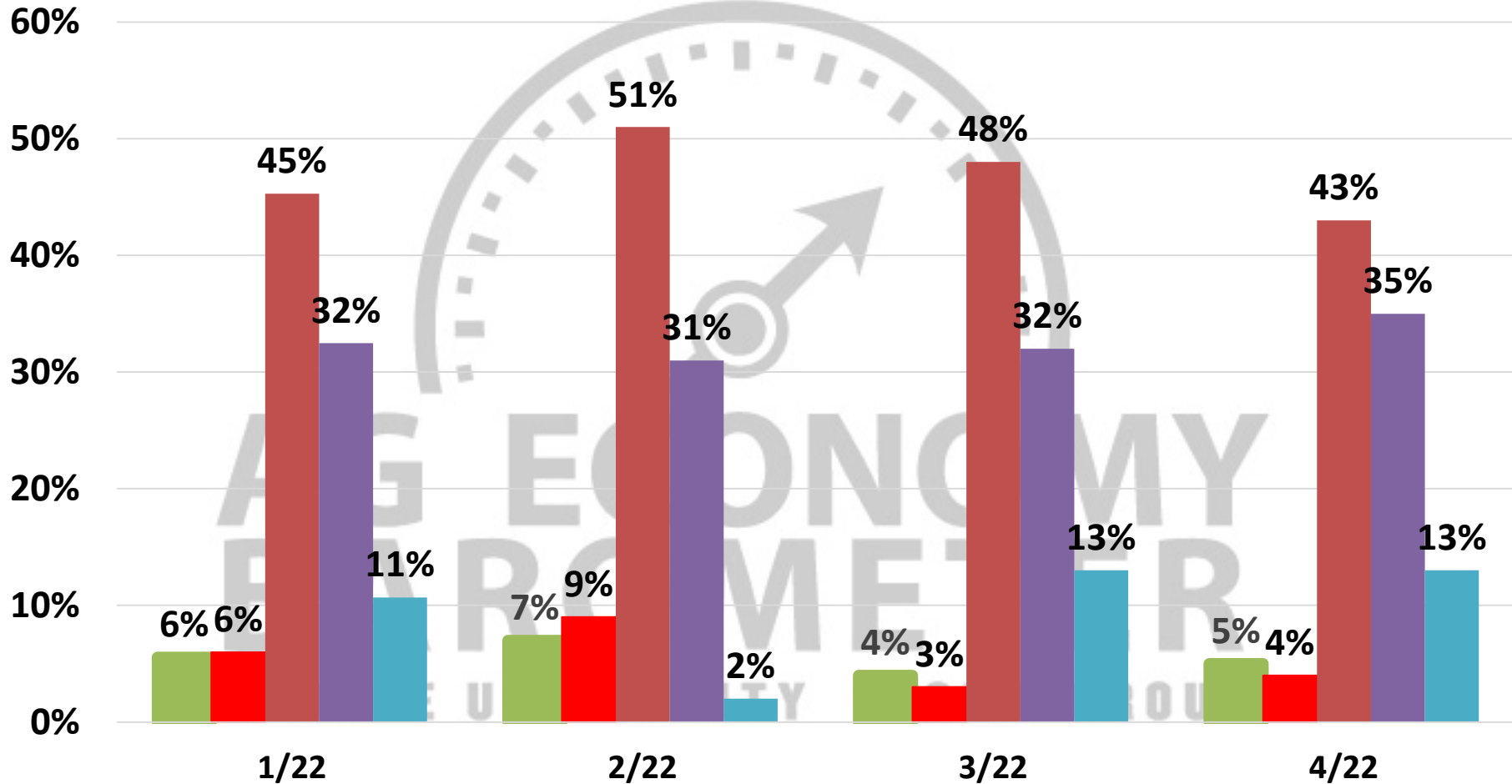
Source: Purdue Center for Commercial Agriculture, Producer Survey, April 2022



# What is the main reason you expect farmland values to rise?

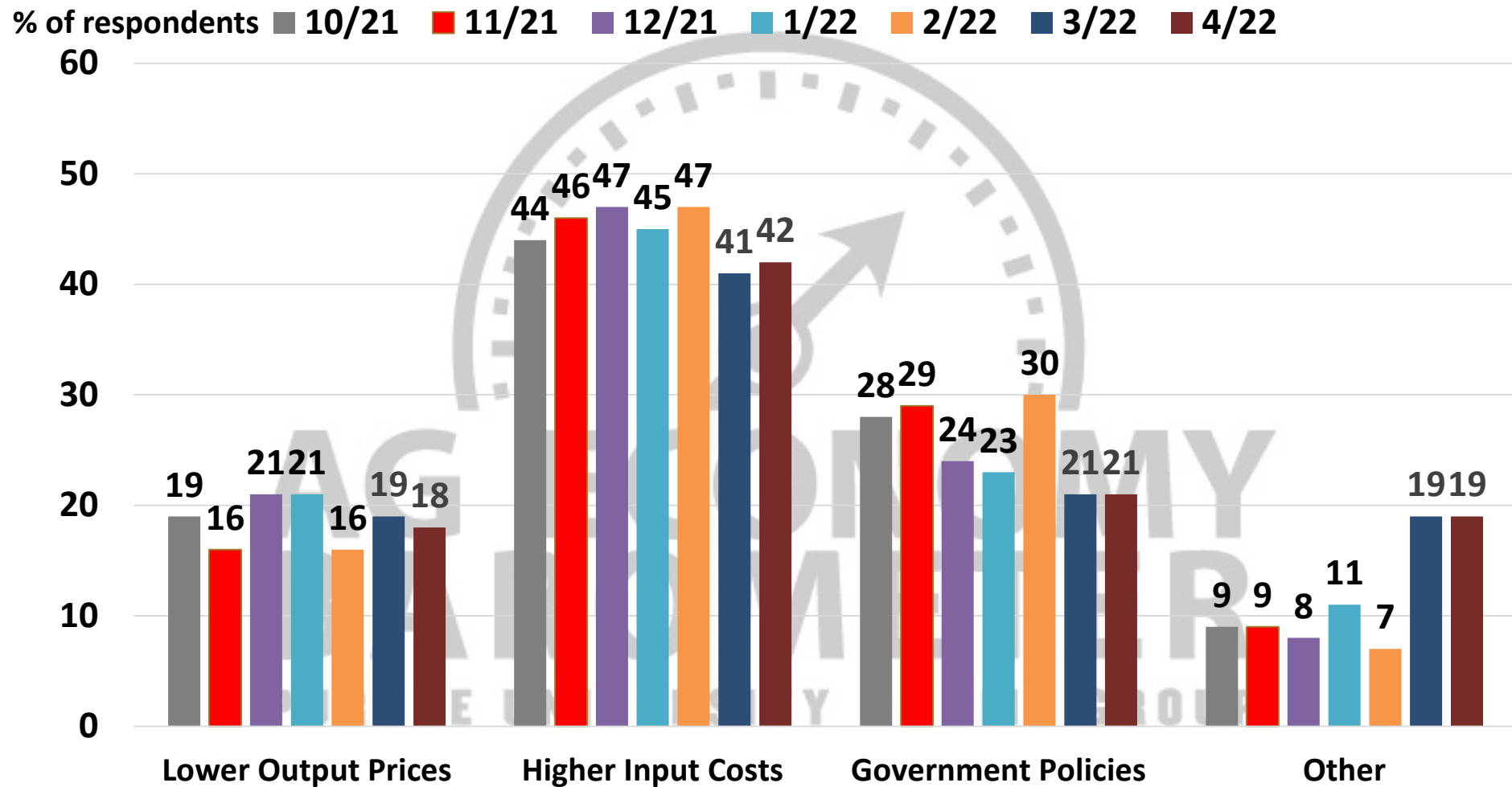
Strong farm cash flows   Low interest rates   Non-farm investor demand   Inflation   Other

% of respondents



Source: Purdue Center for Commercial Agriculture, Producer Survey, April 2022

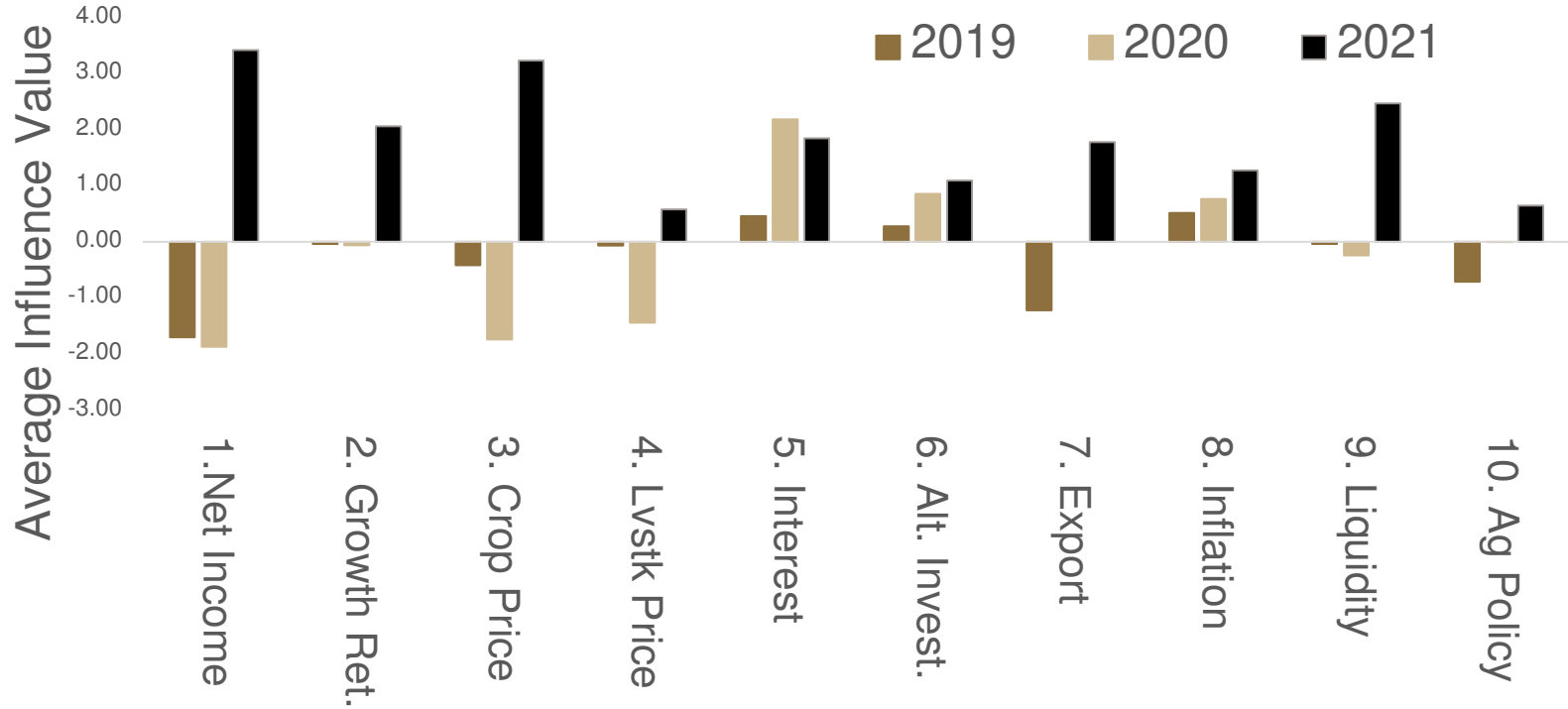
# Looking ahead to next year what are your biggest concerns for your farming operation?



Source: Purdue Center for Commercial Agriculture, Producer Survey, April 2022

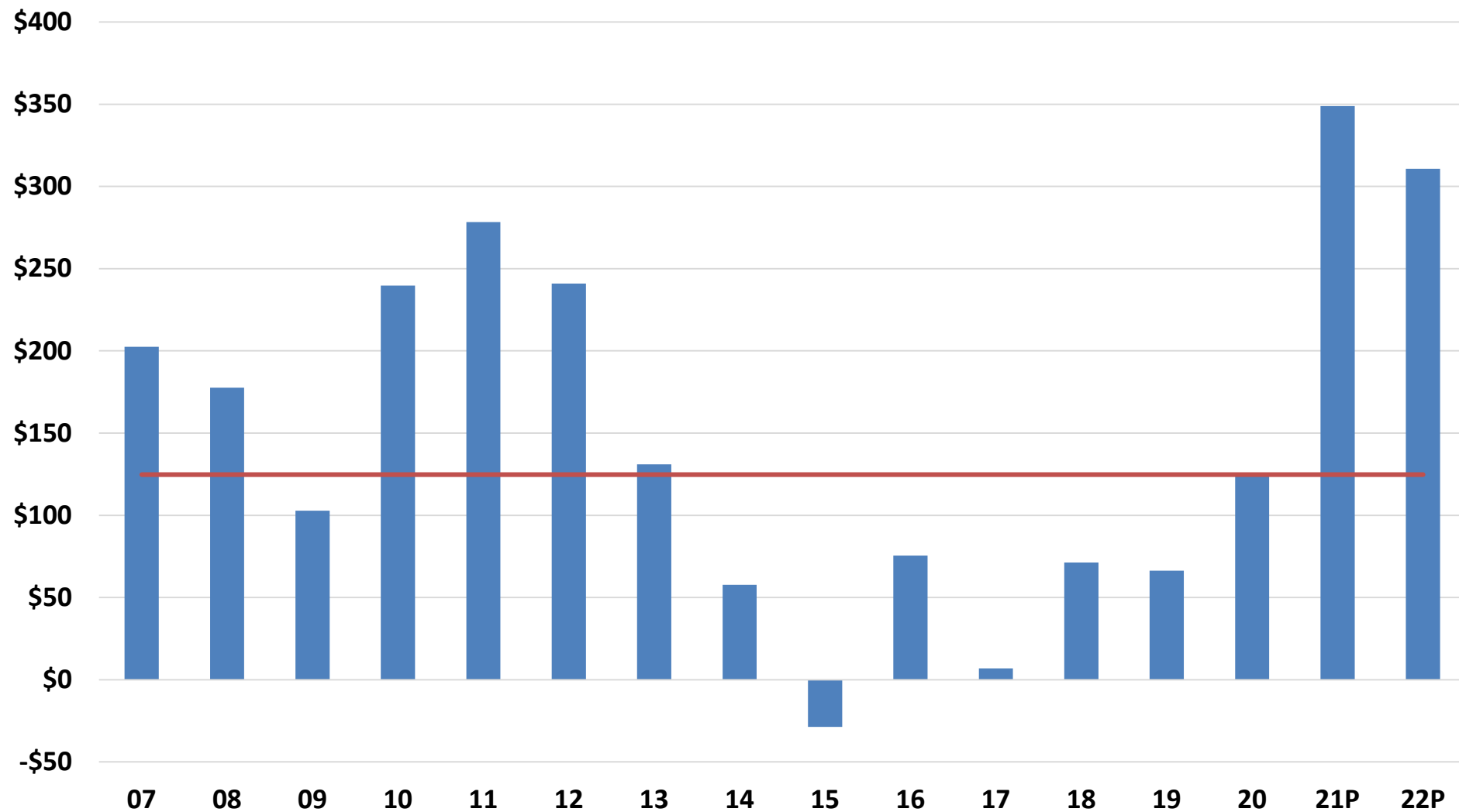
# Land Value Drivers

# Land Value Drivers



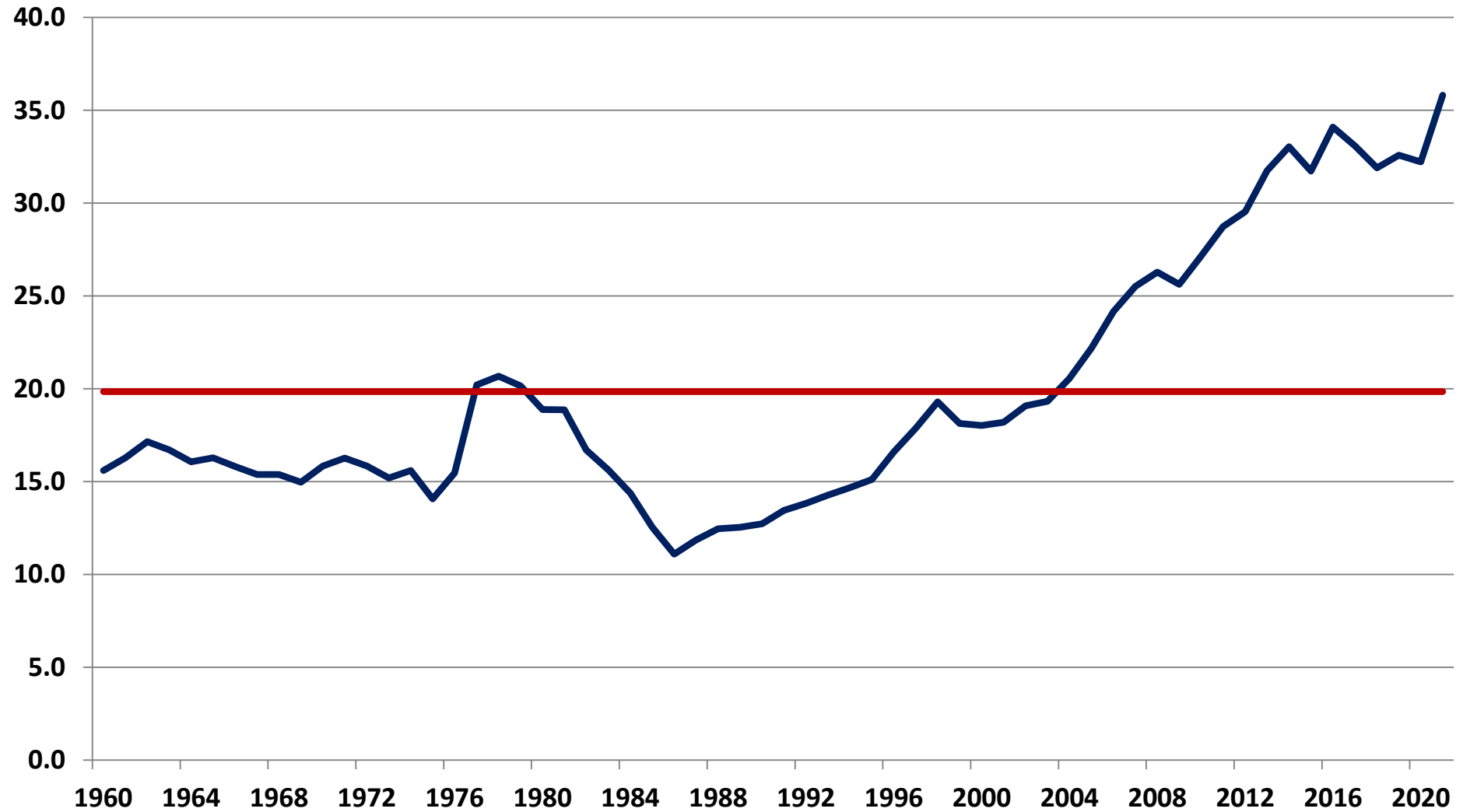
# Net Farm Income, Corn/Soybean Rotation (\$ per Acre) West Central Indiana Case Farm

■ Annual    — Average, 2007 to 2020

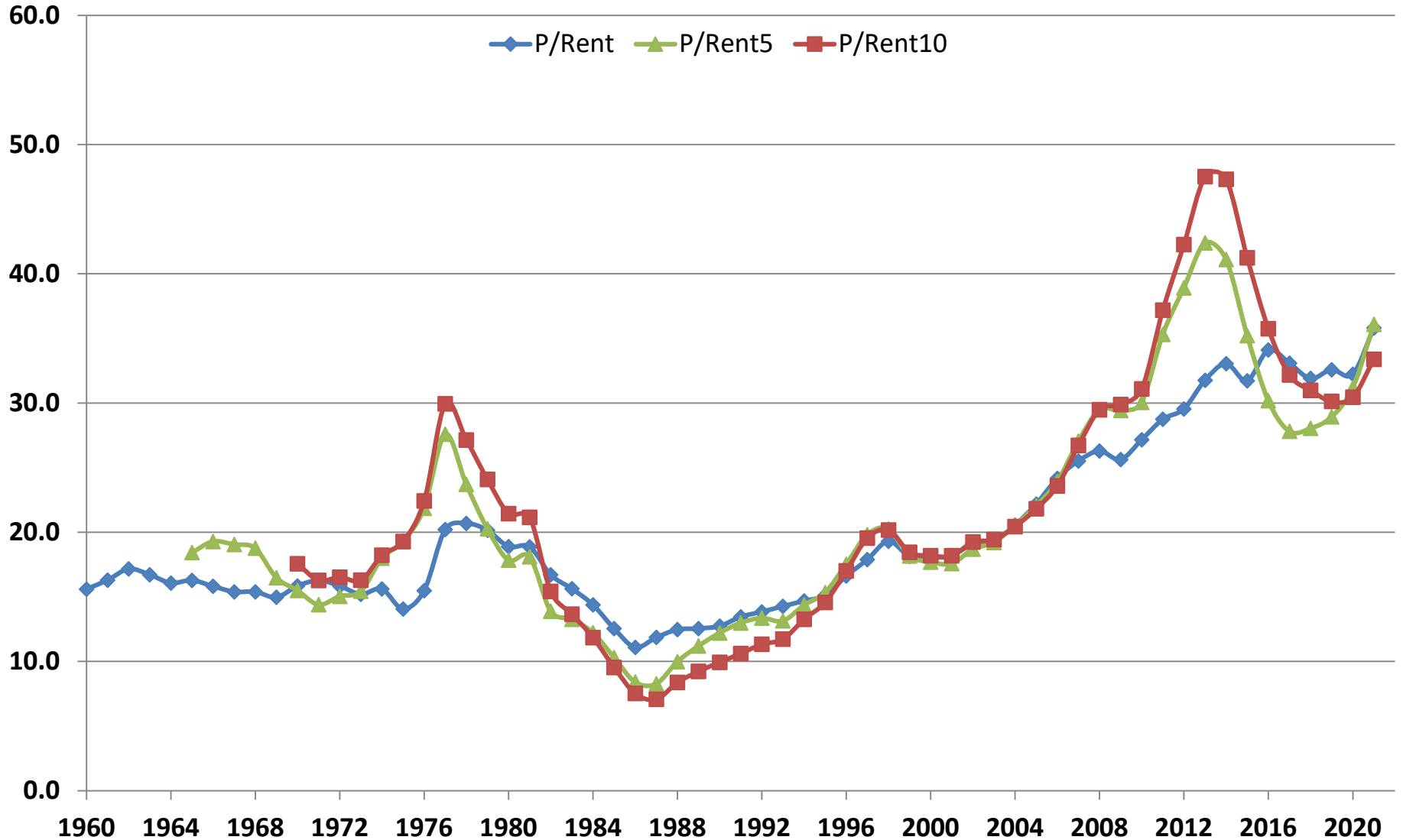


# Farmland Price to Cash Rent Multiple for West Central Indiana, 1960 to 2021.

— Actual P/rent — Average P/rent



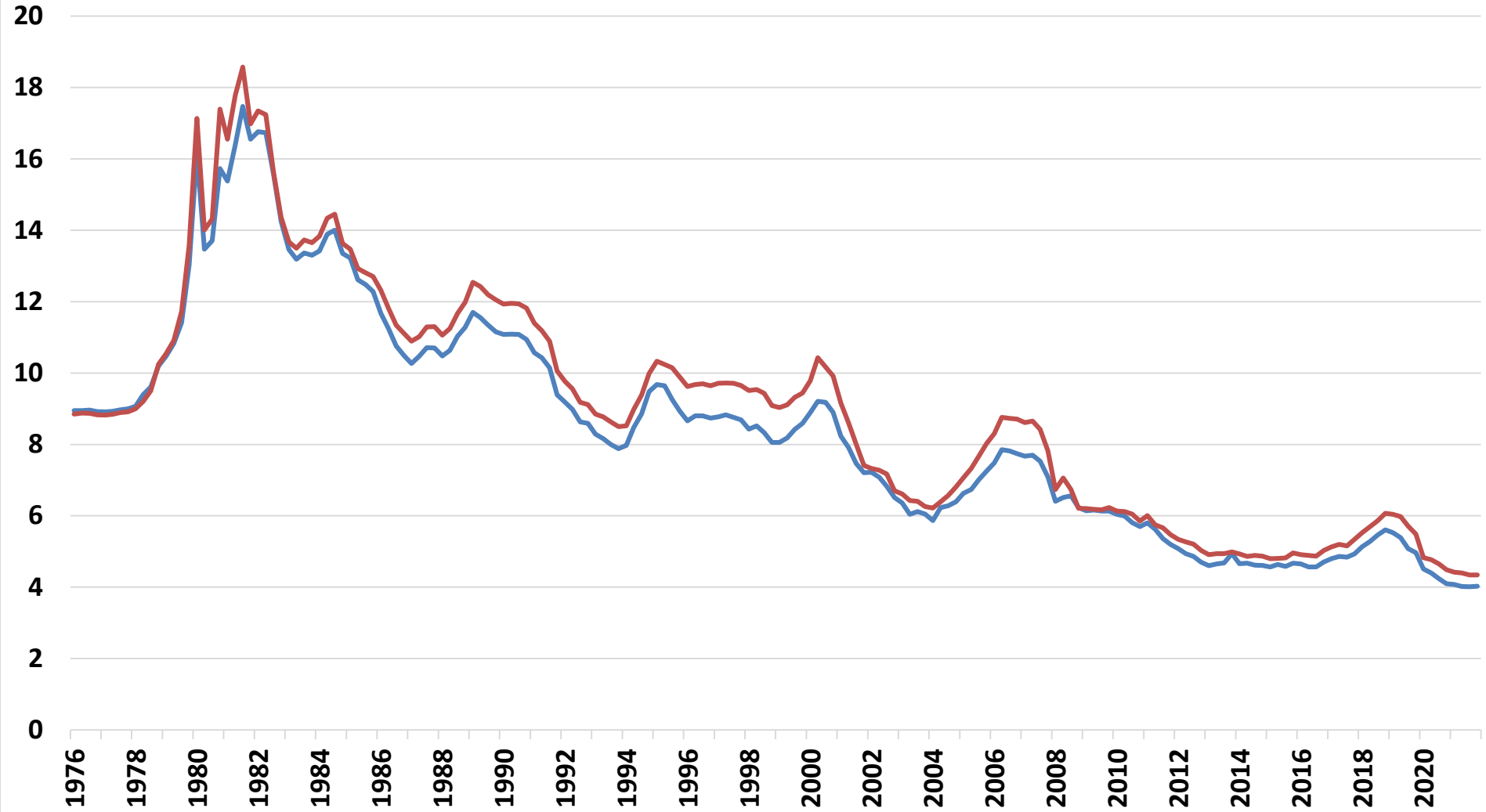
# Current, 5-Year, and 10-Year Cyclically Adjusted P/rent Ratios for West Central Indiana, 1960 to 2021.



# Agricultural Interest Rates

Source: Federal Reserve Bank of Chicago

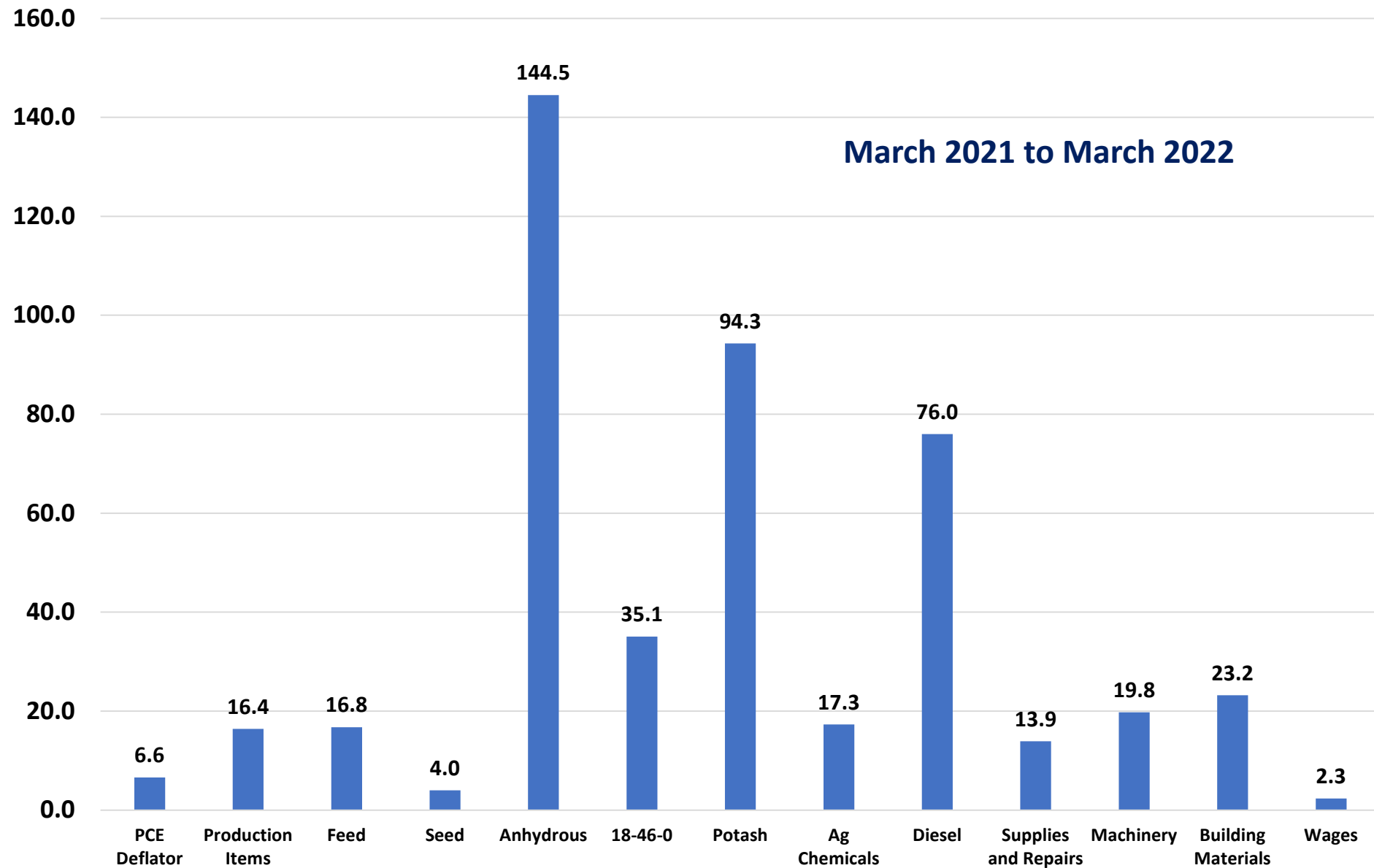
— Real Estate — Operating





# Percentage Change in Inflation and Farm Input Prices in the Last 12 Months

March 2021 to March 2022



# Alternative Investments

- Beta
  - The risk of a well-diversified portfolio depends on the market risk of the investments included in the portfolio
  - Beta ( $\beta$ ) measures the sensitivity of an individual investment to market movements (Market: S&P 500)
  - Farmland, Indiana: 0.107
  - Individual Farms, Kansas: 0.064

# Alternative Investments (continued)

- Excess Returns
  - Farmland, Indiana:
    - 0.06 to 0.08
  - Individual Farms, Kansas:
    - Average = 0.018
    - Top quartile = 0.057

# Questions, Comments

[www.ag.purdue.edu/commercialag](http://www.ag.purdue.edu/commercialag)

