

**IOWA STATE UNIVERSITY**

Department of Economics

Farmland Values Fall from Historic High

Land value survey shows decrease in value of \$773 per acre

Ames, Iowa – Average Iowa farmland value is now estimated to be \$7,943 per acre—a drop in value of \$773, or 8.9 percent, per acre. Land values were determined by the Iowa Land Value Survey, which was conducted in November by the Center for Agricultural and Rural Development at Iowa State University. Results from the survey are similar to results found by the Realtors Land Institute and the Federal Reserve Bank of Chicago.

As farmland values do not rise or fall uniformly across the state, the survey examines values by crop reporting districts, each of the 99 counties individually, low-, medium-, and high-grade farmland, and also averages the state as a whole. The \$7,943 per acre and 8.9 percent drop in value represent the state as a whole.

While this year marks the largest decline in farmland values since 1986, it is only the second year since 1999 that the survey has shown a decline in farmland values. After hitting a historic peak in 2013, values have returned to a mid-point between 2011 and 2012 values. In spite of the decrease, farmland values are more than double what they were 10 years ago, 81 percent higher than 2009 values, and 18 percent higher than 2011 values. “I think we have seen a peak for the time being,” said Michael Duffy, a retired ISU economics professor and extension farm management economist, who conducted this year’s survey. “Commodity prices and farm income are settling back to more expected levels, and I think land values will probably move sideways for a while,” he said. “Many people think this report indicates the beginning of another farm crises, but land values are still considerably higher than they were just a few years ago.”

For the second year in a row, Scott (eastern) and Decatur (south-central) counties reported the highest and lowest farmland values, respectively. Decatur County reported a value per acre of \$3,587, a drop of \$41 per acre from last year’s report. While Scott County reported the highest value at \$11,618 per acre, prices there declined about \$795 per acre, or about \$22 per acre more than the statewide average. “Scott County typically has the highest value primarily due to the location on the (Mississippi) river and good soil,” Duffy said.

The largest decrease in farmland value was in Southwest Iowa, which reported a drop of 13.5 percent. Worth County, located in the Northeast portion of the state, however, reported the largest percentage drop in value for any one county at 15.2 percent. The value of all grades of farmland fell, with high-grade farmland taking the largest hit and losing a full 9 percent (\$974 per acre) of its value. “The reason high-grade farmland fell in value faster than low- or medium-grade farmland is because it had increased in value faster over the past few years,” Duffy said. Medium- and low-grade farmland fared slightly better, losing 8.5 percent (\$688 per acre) and 7.9 percent (\$420 per acre), of their values, respectively.

The only crop reporting district to show an increase in values was Southeast Iowa, which reported values at 3.2 percent higher than last year. Keokuk County, located in the Southeastern portion of the state, reported the largest percentage increase for any single county at 2.4 percent.

Corn and soybean prices started falling in 2013, and as a result farm income dropped. The most recent USDA net farm income estimate showed a record high income in 2013, but a 23 percent drop

in net farm income for 2014. Falling commodity prices, along with a drop in farmland value, could make problems for some farmers. "The drop in farmland value is due to the drop in commodity prices," Duffy said. "Pressure could come if farmers incurred debt in anticipation that commodity prices would continue. I think all farmers will have a cash flow problem for the next 18 months or so. If farmers still have equity in their land they should be able to refinance, but farmers who got over extended will be in trouble," he said.

Of respondents that listed positive and/or negative factors influencing farmland values, low interest rates were the most commonly cited positive factor, and lower commodity prices were the most frequently cited negative factor. Other negative factors mentioned included high input prices and an uncertain agricultural future.

The survey was initiated in 1941 and is sponsored annually by Iowa State University. Only the state average and the district averages are based directly on the ISU survey data. The county estimates are derived using a procedure that combines the ISU survey results with data from the US Census of Agriculture. Beginning this year the survey is being conducted by the Center for Agriculture and Rural Development in the Economics Department at Iowa State University.

The survey is based on reports by licensed real estate brokers and selected individuals considered to be knowledgeable of land market conditions. Respondents were asked to report for more than one county if they were knowledgeable about the land markets. The 2014 survey is based on 428 usable responses providing 608 county land values estimates.

For additional resources, including maps and historical survey data, please see <http://www.card.iastate.edu/land-value/2014/>