Overview of Forces Shaping Land Asset Values

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Driving Forces Behind Land Values

- Income
- Interest rates
- Lack of alternative investments
- Strong commodity demand
- Strong demand for land
Income
2011 farm business net cash income forecast compared with 2010

Source: ERS partial budget model based on the 2010 Agricultural Resource Management Survey (ARMS) using parameters from the sector forecasts.
Percent Change in Land Values 2010 - 2011

-4.0% to 0.0%
0.0% to 5.0%
5.0% to 10.0%
10.0% to 30.0%

Percentages are represented by the color coding of the states on the map.
Interest rates
Market Yield on 10 Year U.S. Treasury Securities
Lack of Alternative Investments
Annual Closing Dow Jones Industrial Average
Value of an Investment made in Iowa Farmland as a Percent of an Investment in the S&P by Year of Investment
Strong Output Demand
Quantity of Corn and Soybeans Exported
Current Factors to Consider

- Level of debt
- Income
  - Cost of production increases, especially rent
  - Changes in demand; exports and legislation
- U.S. economic conditions
- World economic conditions
- Impact of high land prices
Land Values: A View from the Midwest
Percent Change in Farmland Values
January to January and October to October

- Illinois
- Indiana
- Iowa
- Missouri
- Kansas
- Nebraska
- South Dakota

USDA Federal Reserve Banks
Percent Change in Land Values by Federal Reserve Bank District, October 2010 to October 2011

- Minneapolis
  - Non-irrigated: 25%
  - Irrigated: 15%

- Kansas City
  - Non-irrigated: 25%
  - Irrigated: 28%

- Chicago
  - Non-irrigated: 25%
Iowa Land Values Adjusted for Inflation Using Consumer Price Index or Producer Price Index for Farm Products
Loan Demand Index; Federal Reserve Bank of Chicago
Strong Demand for Land
Percent of IA Farms and Cropland By Percent of Acres Rented, 2007
Distribution of Iowa Farmland by Gender of Owner

- Spouses: 40%
- Single owner-male: 20%
- Single owner-female: 20%
- Multiple owners: 20%
Observations

- Land values are increasing at rates not seen since the early 1970s
- Commodity prices have been the primary force driving the increasing values
- Low interest rates and lack of alternative investments are positive factors
- Relatively good yields
- Impact on beginning farmers
- Possibility for a collapse similar to 1980s is a frequently asked question
Factors to Watch

- Debt levels; not just land debt
- Costs of production
- Commodity prices
- Interest rates
- Economic conditions
- Inertia
- Others
Thank-you

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