CARD
Center for Agricultural and Rural Development

IOWA STATE UNIVERSITY
Extension and Outreach

Farmland Values Show Historic Third Year of Decline

ISU Land Value Survey shows 5.9% decrease statewide since 2015

Ames, Iowa – Average Iowa farmland value has shown a decline for the third year in a row—the first time this has happened since the 1980s farm crisis—and is now estimated to be $7,183 per acre. The statewide per acre value declined $450, or 5.9 percent, since November, 2015. Farmland values hit a historic high in 2013, but have steadily declined since then. The statewide average value for an acre of farmland is now about 17.5 percent lower than 2013 values.

Land values were determined by the 2016 Iowa State University Land Value Survey, which was conducted in November by the Center for Agricultural and Rural Development (CARD) at Iowa State University and Iowa State University Extension and Outreach. Results from the survey are consistent with results by the Federal Reserve Bank of Chicago, the Realtors Land Institute, and the US Department of Agriculture. Dr. Wendong Zhang, Assistant Professor of Economics at Iowa State University, led the annual survey.

The $7,183 per acre, and 5.9 percent drop in value, represents a statewide average of low-, medium-, and high-quality farmland. The survey does also report values for each land quality type, crop reporting district (district hereafter), and all 99 counties individually.

Average farmland values hit a historic peak of $8,716 per acre in 2013, but declined 8.9 percent in 2014, 3.9 percent in 2015, and have now fallen an additional 5.9 percent. "The golden era of phenomenal, yet abnormal, growth in farm income and land values, as we saw from 2006 to 2013, is already behind us. The land market is going through an orderly adjustment while the US agricultural sector, a competitive industry, is trying to adjust to the old normal of zero industry-wise net profits," said Dr. Zhang. "For a pessimist, there are reasons to worry, especially for landowners and/or producers who are over-leveraged. For an optimist, this decline is still modest, and the probability of a replay of the 1980s farm crisis is low." Zhang said the likelihood of another farm crisis is low due to steady farm income accumulation before the downturn, a stronger government safety net, and an overall lower debt level in the agriculture sector.

Starting in 2004, several factors, including the ethanol boom and historically low interest rates, drove five consecutive years of double-digit growth in average farmland values. By 2008, average values were almost 70 percent higher than 2004, and by 2013, average values were over 230 percent higher than 2004 values. While they have declined three years in a row now, average values are still 173 percent higher than 2004.

The decline didn't come as a surprise for some—in November 2015, over 75 percent of ISU Land Value Survey respondents thought land values in their territory would continue to decline in 2016. The majority predicted the decline would be either less than 5 percent or between 5 and 10 percent, which is consistent with the 5.9% decrease reported by the 2016 ISU survey.

"Looking ahead, land values might continue to adjust downwards in the next year or two," said Dr. Zhang. "This is consistent with the stagnant corn and soybean futures prices and potential rise in interest rates; however, many respondents to the ISU survey are hoping for the market to rebound in 3 or 4 years."

Land Values by County

All 99 counties reported a drop in average land values this year. For the fourth year in a row, Scott and Decatur counties reported the highest and lowest farmland values, respectively. Decatur County reported a value per acre of $3,443, a loss of $71, or about 2 percent, from last year's report. Scott County reported a value of $10,335, a decrease of $583 per acre, or about 5.3 percent, close to the statewide average decline of 5.9 percent.

Plymouth and Sioux Counties reported the largest dollar decrease in values, $747 per acre, and Monona County reported the largest percent decline in values, 8.4 percent. Decatur County reported the smallest dollar decrease, $70 per acre, and Decatur, Appanoose, Wayne, and Lucas Counties all reported the smallest percent decrease in average values, at 2 percent.

Land Values by District

All nine districts reported a loss in average land values in 2016. The highest average land values were reported in the Northwest district, at $9,243 per acre. The lowest average values were reported in the South Central district, at $4,241 per acre.

The largest district-wide decrease in value was in West Central Iowa, which reported a drop of 8.7 percent, bringing farmland values there down to $7,358 per acre. The smallest decrease was reported in the Southeast district, 2.6 percent, bringing values there to $6716 per acre.

Values by Land Quality

Low-quality land in the Southwest and South Central districts were the only areas to show an increase in average values, reporting gains of 2.9 and 5.2 percent, respectively. Dr. Zhang says that the increase is due to strong recreational demand and high Conservation Reserve Program payments.

Statewide, low-quality land declined the least, $169 per acre, or 3.5 percent. Medium-quality land decline $422 per acre, or 5.9 percent. High-quality land statewide declined the most per acre, losing $606, or 6.5 percent, of its value. The statewide averages per acre for low-, medium-, and high-quality land are now $4,665, $6,705, and $8,758, respectively.

Factors Influencing Land Values

The most common positive factors influencing land prices noted by survey respondents were low interest rates, strong crop yields, limited land supply, and strong demand. The most commonly cited negative influences were lower commodity prices, high input prices, livestock losses, weak cash rental rates, and a weakening global economy and stock market returns.

The ISU land value survey was initiated in 1941, the first in the nation, and is sponsored annually by Iowa State University. The survey is typically conducted every November while the results are released every mid-December. 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.

The ISU Land Value Survey is based on reports by agricultural professionals knowledgeable of land market conditions such as appraisers, farm managers, agricultural lenders, and actual land sales. It is intended to provide information on general land value trends, geographical land price relationships, and factors influencing the Iowa land market. The 2016 survey is based on 518 usable responses providing 711 county land values estimates. Forty-eight percent of respondents answered the survey online.

CARD offers a new web portal at http://www.card.iastate.edu/farmland/ that includes visualization tools, such as charts and interactive county maps, allowing users to examine land value trends over time at the county, district, and state level.