

Iowa Farmland Values Increase After Three Years of Decline ISU Land Value Survey shows 2.0% increase statewide since 2016

Ames, Iowa—After having fallen in each of the three previous years, the average value of an acre of farmland in Iowa saw an increase in 2017. The average statewide value of an acre of farmland is now estimated to be \$7,326. This represents an increase of 2.0 percent, or \$143 per acre, from the 2016 estimate.

Land values were determined by the 2017 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 \$7,326 per acre estimate, and 2.0 percent increase in value, represents a statewide average of low-, medium-, and high-quality farmland. The survey also reports values for each land quality type, crop reporting district (district hereafter), and all 99 counties individually.

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, culminating in an historic peak of \$8,716 per acre by 2013. Average farmland values then began an immediate decline, dropping 8.9 percent, 3.9 percent, and 5.9 percent, in the following three years. Those declines were the first time since the 1980s farm crisis that farmland values had declined three consecutive years.

Dr. Zhang said that limited land supply is the main factor driving this year's increase in farmland values. "Commodity prices and farm income are still stagnant," Dr. Zhang said. "I would not consider this a turn of the land market. Given the rising interest rates and stagnant farm income, I would not be surprised to see a continued decline in values in the future. This, to me, is a temporary break in a downward adjustment trajectory."

Land Values by County

Only four of Iowa's 99 counties—Fremont, Mills, Montgomery, and Page—reported lower land values this year. Each of those counties reported a decline in value of 0.3 percent. For the fifth year in a row, Scott and Decatur counties reported the highest and lowest farmland values, respectively. Decatur County reported a value per acre of \$3,480, a gain of \$37, or about 1.1 percent, from last year's report. Scott County reported a value of \$10,497, an increase of \$162 per acre, or about 1.6 percent.

Dubuque County reported the largest dollar increase in value with a gain of \$335 per acre, and Allamakee and Clayton Counties reported the largest percent increase in values, 4.7 percent. Of the four counties that reported a decrease in value, Mills County had the largest dollar decrease in value, losing about \$25 per acre.

Land Values by District

Of the nine crop reporting districts, only the South Central district reported a decrease in average value, with values falling from \$4,241 per acre in 2016 to \$4,172 in 2017, a loss of 1.6 percent. The Northwest district again showed the highest overall value—\$9,388 per acre, up from \$9,243 per acre in 2016, a gain of 1.6 percent. The East Central district showed the largest percentage gain in value, 3.8 percent, bringing average value there to \$8,218.

Land Value by Quality

Statewide, high-, medium-, and low-quality farmland values increased 2.0 percent, 2.2 percent, and 0.5 percent, respectively. High-quality farmland saw the largest increase in value in the East Central district, 4.2 percent, and the largest decrease in the South Central district, 1.2 percent. Medium-quality farmland increased the most in the Southeast district, 4.2 percent, and the decreased the most in the South Central district, losing 1.2 percent. Low-quality farmland gained the most value in the Northwest district, 3.3 percent, and decreased the most in the Southwest district, where it fell 6.1 percent.

Factors Influencing Land Values

The most common positive factors influencing land prices noted by survey respondents were favorable interest rates, strong crop yields, limited land supply, strong demand, and the availability of cash and credit. The most commonly cited negative influences were lower commodity prices, cash or credit availability, high input prices, weak cash rental rates, an uncertain agricultural future, and strong alternative (stock market, economy).

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 and the results are released 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 2017 survey is based on 877 usable responses from 710 agricultural professionals. Sixty-four percent of these 710 respondents answered the survey online.

CARD offers a web portal at <https://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.