

Iowa Land Supply and Price Update Q2 2021

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Iowa Land Supply and Price Update

Q2 2021

Interpretation of the Q2 2021 Results

The farmland market and the agricultural economy have seen a remarkable ride over the past year—the world shut down in early 2020 with unprecedented uncertainty and anxiety; however, the agricultural commodity markets and the land market have gained noticeable strength since fall 2020. Record government support, historically low interest rates, and surging agricultural exports led to a 10% or more hike in farmland values for almost all Midwestern states.

The Q2 2021 update provides concrete evidence of this recent surge:

- Low interest rates, strong government payments, surging agricultural exports, and concerns about drought are behind the rise over the past six months. The Q2 2021 farmland auction prices for 85% tillable grounds increased more than 20%, rising from \$9,956/acre in Q1 2021 to \$11,907/acre in Q2 2021. The implied sales prices for all land quality classes have risen to much higher levels of \$133–\$172/CSR2. This reflects tremendous surges in commodity prices as corn futures prices rose from \$5/bushel in late 2020 to \$6–\$7/bushel in the last two months.
- The recent surge is consistent with reports from several other sources—the [Federal Reserve Bank of Chicago](#) reported a 10% annual increase since last April and the [Farmers National Company's June Land Values Report](#) showed a 5%–15% hike over the last six months due to competitive bidding.
- Farmland supply is still tight—only 42,785 and 31,787 acres were sold in Q1 and Q2 in 2021, respectively, and limited land supply tends to support land values. As of July 1, 2021, there are only 31,798 acres of Iowa farmland available for sale via auction or real estate listings, but the higher offered prices and possible tax policy changes might induce more land supply.
- The farmland auction sales prices for all land qualities lead to even more dramatic increases for lower quality land with the \$/CSR2 rising from \$115/CSR2 to \$172/CSR2 in Q1 2021. This is due to the extremely tight land supply and the strong demand for farmland.
- Farmland auctions are the primary mode of land sales in Iowa's Northwest, North Central, West Central, and Central crop reporting districts; while in southern Iowa and northeast Iowa, real estate listings are the dominant method.

In a recent [CARD Ag Policy Review article](#), I summarized the land market trends across the Midwest and the agricultural professionals' optimistic outlook about future land markets. [The Purdue University Ag Economy Barometer](#) also reported in June 2021 that despite concerns about rising input costs, 54% and 40% of 400 surveyed producers nationwide expect higher or stable farmland prices, respectively, in their area one year from now. This article and quarterly updates like this one can be found at the ISU Farmland Portal at www.card.iastate.edu/farmland. I also welcome collaborations with other companies to better understand the Iowa and Midwest farmland market trends. Please reach out to me at wdzhang@iastate.edu or 515-294-2536.



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This partnership does not signify an endorsement with FarmlandFinder by Iowa State University or Wendong Zhang and similar partnerships can be formed if there is interest and availability. For more information, please contact Dr. Zhang at wdzhang@iastate.edu.

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Q2 2021 Auction Summary by District

In Q2, 2021 (April–June), 12,903 total farmland acres were sold in Iowa across 124 auctions. Prices in all northern and central crop reporting districts and the Southeast crop reporting district seem to have grown much stronger at more than \$140/CSR2, and prices in the Central and East Central districts are higher than \$160/CSR2.

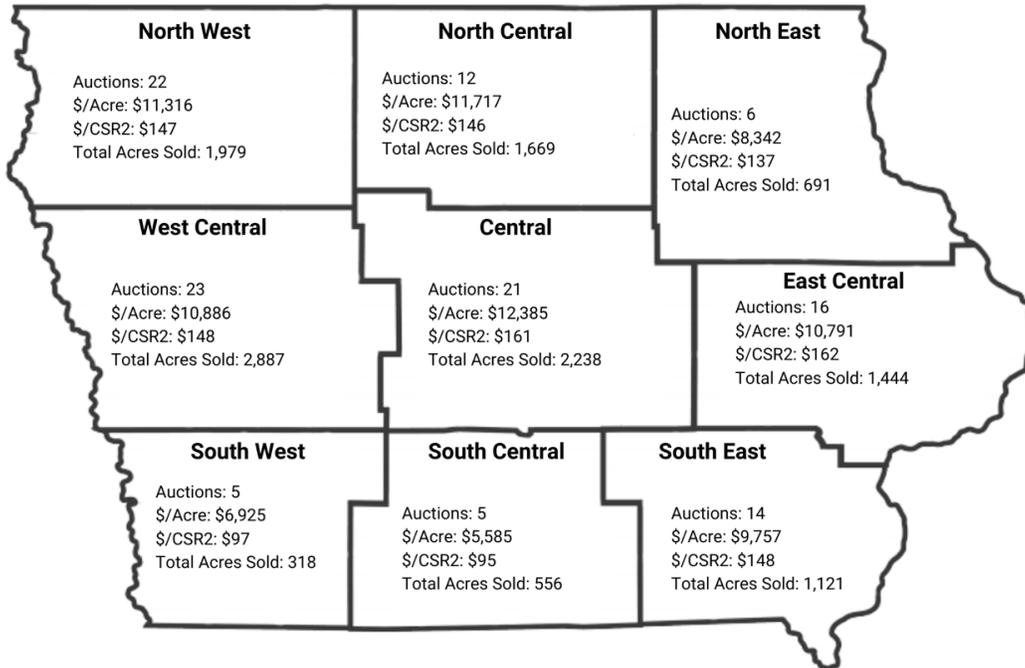


Figure 1. Iowa farmland auctions by crop reporting district, Q2 2021.

Q2 2021 85% Tillable Auction Summary by District

Out of all auctions, only 91 sold tillable cropland, with the Northeast district having only two such sales. The auctions sold 11,311 acres of 85% tillable grounds with the Northwest, West Central, Central, Southeast, and East Central districts all reporting more than \$150/CSR2 in the implied auction sales prices.

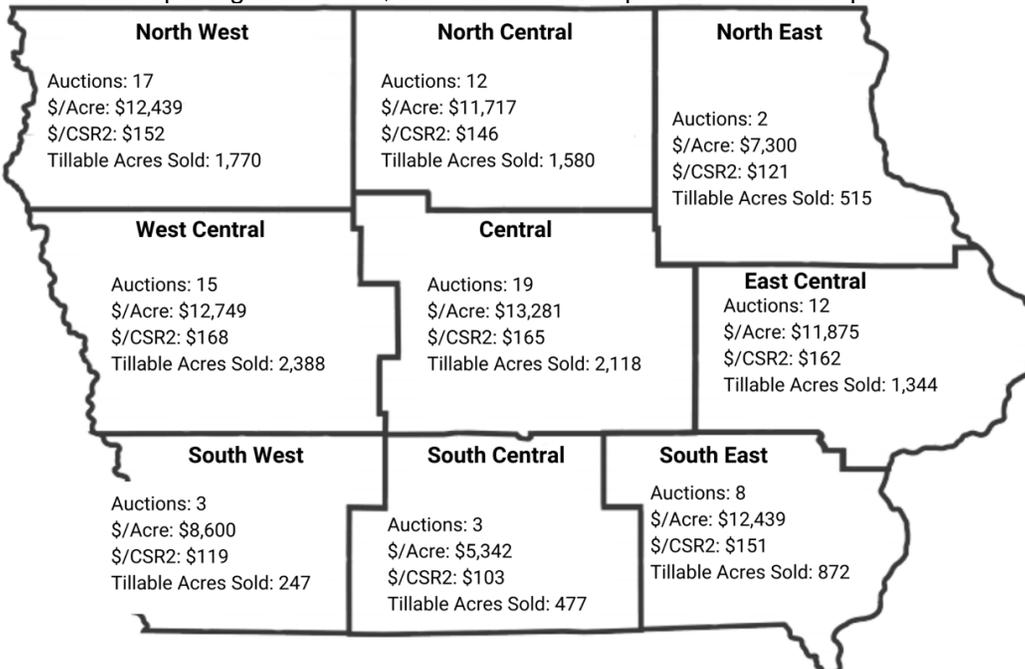


Figure 2. 85% tillable farmland auctions by crop reporting district, Q2 2021.

Total Auction Sales

In Q2 2021, there were only 124 auction land sales in Iowa, a much tighter supply compared to Q4 2020 and Q1 2021. In Q2 2021, some Iowa counties will have only one or no auction farmland sales at all. Even accounting for the seasonability of the farmland sales trends (most land sales occur between September and March), the Q2 2021 sales continue to reveal that the land market still has a very tight supply. In general, limited land supply is corresponding to higher land prices.

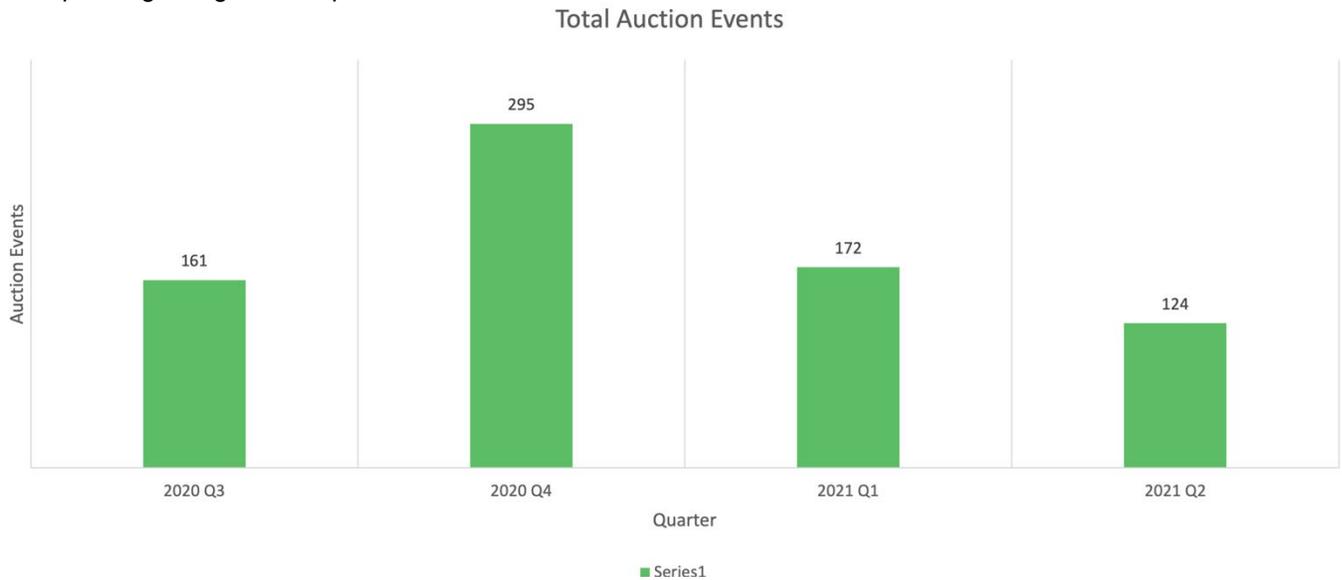


Figure 3. Total number of auctions, Q3 2020–Q2 2021.

Acres Sold at Auction

In Q2 2020, there were only 7,001 acres sold across Iowa at auction. This is due to the shock and restrictions from the COVID-19 pandemic. While the 12,903 acres sold in Q2 2021 are much higher compared to Q2 2020, they are still below the historical average, as are the Q1 2021 sales activities. Over the last 12 months, 78,177 acres of Iowa farmland were sold through auction. Assuming 40% of farmland sales are through auctions, less than 200,000 acres of Iowa farmland sold at auction.

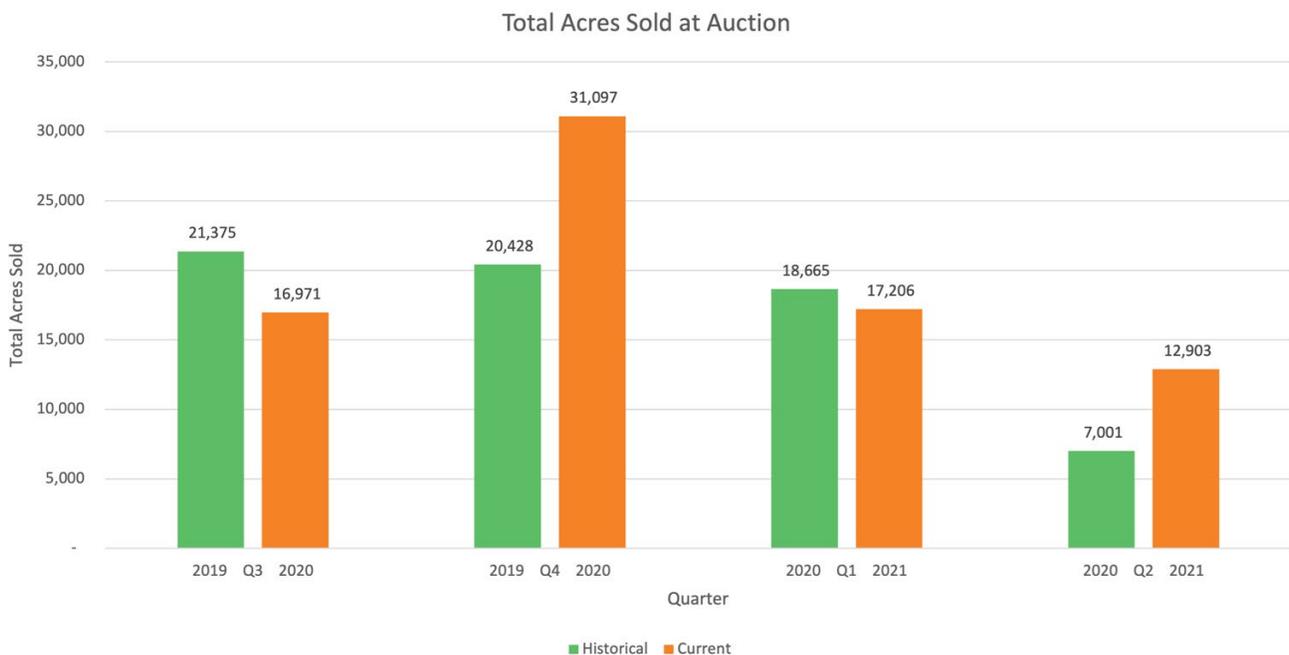


Figure 4. Comparison of total quarterly auction sales.

Auction Price Trends – Price per Acre

The Q2 2021 farmland auction prices are at levels that we haven't seen since 2013, with dramatic increases of 20% of more over the already higher Q1 2021 levels. On average, the Iowa farmland auction acres are sold at an average price of \$10,737/acre in Q2 2021, which is 20% higher than the average prices in Q1 2021 and almost 50% higher than year-ago levels. This is likely driven by surging commodity prices, favorable interest rates, and record-level government payments.

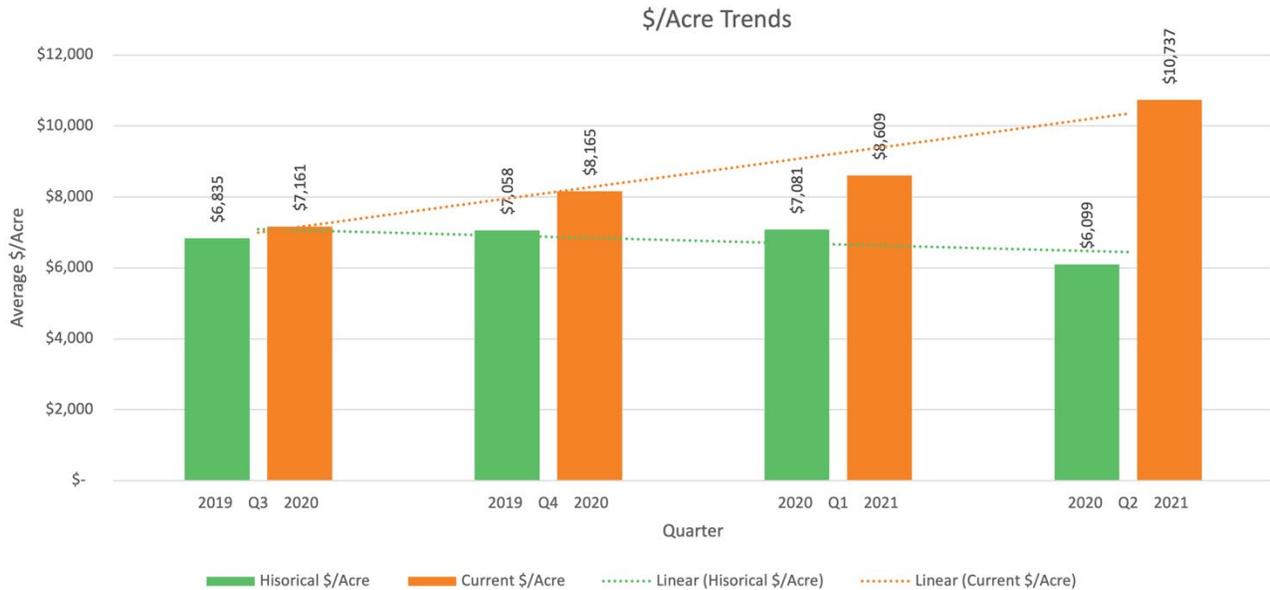


Figure 5. Quarterly comparisons of acre price trends.

Auction Price Trends – Price Per CSR2

The farmland auction price trends, measured as per-acre sales prices per CSR2 point (price per CSR2), all showed decent growth across the three land quality classes. The Q2 2021 results show that the dollar per CSR2 metric is incredibly strong and experienced significant growth for high-quality CSR2 (CSR2: >75) with \$155/CSR2 through sold auction prices and low-quality (CSR2: <50) showing \$172/CSR2 prices. The dramatically higher \$/CSR2 for low quality land reflects the impacts of limited land supply especially in southern Iowa and the strong demand for farmland regardless of quality.



Figure 6. Comparison of quarterly CSR2 price trends.

Auction Price Trends – All Farms vs. 85% Tillable Farms

Farmland that is at least 85% tillable consistently yields a \$1,000/acre price premium when compared to average auction prices for all sales. Notably, the Q2 2021 auction prices show significant (over 20%) increase relative to Q1 2021, with even larger premium for tillable grounds, which now sell for an average of close to \$12,000/acre. The large premium re-enforces the lack of quality farms.



Figure 7. Comparison of quarterly price trends, all sales vs. 85% tillable.

New Acres Available on Market

Farmland sales have a seasonal pattern with most sales occurring after harvest. However, Q1 2021 and Q2 2021 farmland supply numbers are substantially lower, which reflects a further tightening of the market that tends to support land prices. Encouraged by the higher offered prices and the possible changes in capital gains tax policies, many real estate companies are reporting possible increase in acres available for sale.



Figure 8. New acres available on the market, Q3 2019–Q2 2021.

Farmland Available for Sale as of June 2021

As of June 2021, there are 12,903 and 18,895 acres of Iowa farmland available for sales via farmland auctions and real estate listings, respectively. Farmland auctions are the primary mode of land sales in the Northwest, North Central, West Central, and Central districts; while in southern Iowa and northeast Iowa real estate listings are the dominant method. The West Central, East Central, South Central, and Southeast districts have more land available for sale, while in contrast, northern Iowa and southwest Iowa have tighter land supply with less than 2,500 acres available for sale.

It is interesting and critical to see whether and how much more land will come to the market encouraged by the much higher prices and possible federal tax policy changes.

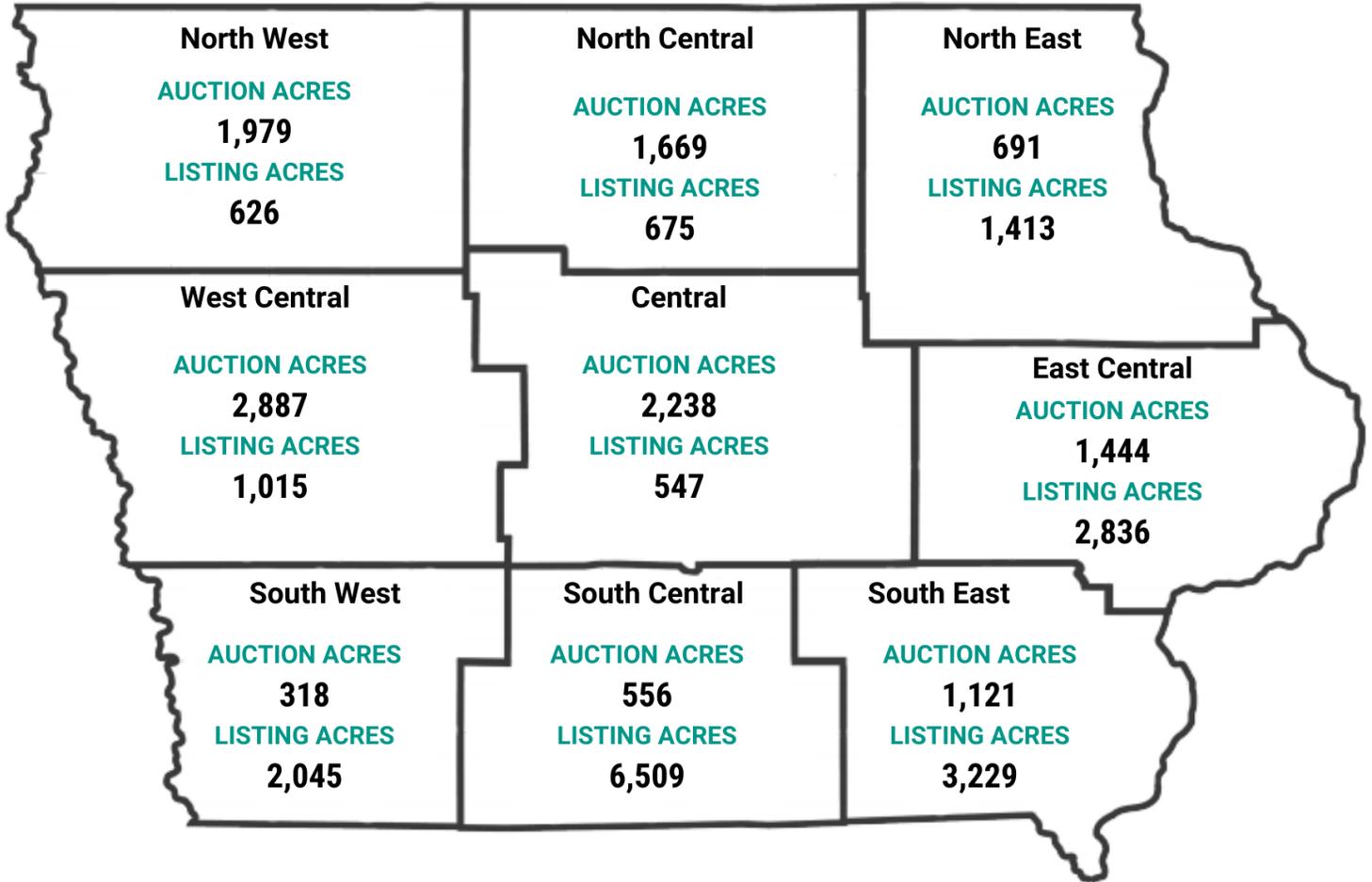


Figure 9. New acres available on the market, Q3 2019–Q2 2021.

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