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## 2012 Iowa Farm and Rural Life Poll: Land Values

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## 2012 Iowa Farm and Rural Life Poll: Land Values

by Laura Sternweis, extension communications and J. Gordon Arbuckle, Jr., extension sociologist, 515-294-1497, arbuckle@iastate.edu

The 2012 Iowa Farm and Rural Life Poll was recently released, and this year it focused on a number of topics of likely interest to AgDM readers. “The steady and steep increase in agricultural land values has been a topic of much discussion in recent years, and the 2012 Farm Poll aimed to get a handle on what Iowa farmers think about the issue,” said J. Gordon Arbuckle, Jr., a sociologist with Iowa State University Extension and Outreach. “I worked with (ISU Extension and Outreach agricultural economist) Mike Duffy, who is the leading expert on the subject, to develop some questions to try to understand where farmers think land markets are heading, what has been driving increases and what some of the impacts on farming have been.”

Many farmers appear to believe that farmland is overvalued and eventually the market bubble will burst, according to the 2012 Iowa Farm and Rural Life Poll.

“The value of farmland in Iowa and across the Midwest has risen steeply over the past few years,” said Arbuckle. “We wanted to know what farmers are thinking about those increases.” Arbuckle co-directs the annual Iowa Farm and Rural Life Poll with Paul Lasley, another ISU Extension and Outreach sociologist.

“In the 2012 Farm Poll, we asked farmers to share their perspectives regarding the future trajectory of land values and farm income, as well as their opinions about the relative importance of several factors that are driving increases in land values,” Arbuckle said. “We also asked them to rate how much they agreed or disagreed with a series of statements about potential impacts of rising land values on farming.”

Arbuckle said 1,296 farmers participated in the 2012 Farm Poll and on average they were 64

years old. Fifty-one percent earned more than half of their income from farming, while an additional 18 percent earned between 26 and 50 percent of their household income from the farm operation.

### The future of land values

As shown in Table 1, more than two-thirds of the farmers agreed that current land values are too high, cannot be sustained and are much higher than the land is actually worth. Forty-eight percent agreed that the farmland market is in a bubble that will eventually burst and lead to major drops in values. Only 10 percent believed that land values would continue to rise at double-digit rates.

“Other farmers were more optimistic,” Arbuckle said. “Forty-one percent believed land values would continue to rise, though at a slower pace. Further, 60 percent of survey participants agreed that quality Iowa cropland is still a good investment.”

### Drivers of increases

Farmers were asked to rate the influence of several factors on the recent escalation of land values, shown in Table 2. “They indicated that high grain prices are the strongest driver of increases in land values, followed by competition between local farmers who want to expand their land base,” Arbuckle explained.

Farmers also see the investment potential of farmland as a driver for rising land values, Arbuckle continued. “About two-thirds of farmers indicated that low returns on other types of investments are a strong or very strong influence. Other investment-related factors were rated somewhat lower on the influence scale: about half of farmers rated the influence of individual investors or institutional investors as strong or very strong.”

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Arbuckle noted that other factors were rated as strongly influential by half or fewer farmers: greed (52 percent), increased global demand for food (50 percent) and ethanol production (45 percent). The lowest-rated factor was purchase of land for hunting or recreational purposes.

**Impacts of increases**

“We also asked farmers several questions to gauge their opinions about how increases in land prices have impacted farming,” Arbuckle said. “Ninety-six percent agreed that rising land values have driven land rents higher, and just over 90 percent agreed that increases have made it tougher for the next generation to enter farming.”

Eighty-two percent agreed that it is more difficult to expand operations, and 70 percent agreed that increases have made it harder to pass farms to the next generation, he said.

Seventy-one percent of survey respondents agreed that rising land prices have intensified farming, and 43 percent believed that high land prices have led to “mining” of the soil, Arbuckle

said. “Farmers don’t seem to believe that increases in land value are resulting in better land stewardship: just 23 percent of farmers agreed that commitment to soil conservation has increased along with land values; nearly half — 49 percent — disagreed.”

Two survey items focused specifically on potential benefits, Arbuckle said. Fifty-four percent of respondents indicated that non-operator landowners have benefited from increases in land values more than farmers have. Forty percent of farmers agreed that land value increases have benefitted farmers.

**About the Iowa Farm and Rural Life Poll**

Conducted every year since its establishment in 1982, the Iowa Farm and Rural Life Poll is the longest-running survey of its kind in the nation. ISU Extension and Outreach, the Iowa Agriculture and Home Economics Experiment Station, the Iowa Department of Agriculture and Land Stewardship, and the Iowa Agricultural Statistics Service are partners in the Farm Poll effort.

**Table 1. The future of land values**

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
	— Percentage —				
Land values are too high and cannot be sustained at these levels .....	2	7	23	40	28
Land values are currently much higher than the land is actually worth .....	2	11	22	43	23
Quality Iowa cropland is still a good investment .....	2	8	30	50	10
The farmland market is in a bubble that will eventually burst and lead to <u>major</u> drops in values .....	1	15	36	38	10
Land values will continue to climb, but more slowly .....	1	12	46	39	2
Crop prices will stay level or continue to increase over the next five years .....	4	31	48	15	2
Farmer net income will stay level or continue to increase over the next five years .....	5	36	44	15	1
Land values will continue to climb at double-digit rates .....	9	41	40	8	2

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The 2012 Iowa Farm and Rural Life Poll summary report (PM 3036) and previous Iowa Farm and Rural Life Poll summary and topical reports are available to download from the ISU Extension

and Outreach Online Store, <https://store.extension.iastate.edu/>, and Extension Sociology, <http://www.soc.iastate.edu/extension/farm-poll2012.html>.

**Table 2. Factors driving land value increases**

	No Influence	Slight Influence	Moderate Influence	Strong Influence	Very Strong Influence
	— Percentage —				
High grain prices.....	1	2	13	56	29
Competition between neighboring/local farmers who want to expand their land base.....	1	6	22	50	22
Low returns on other investments make investment in land more attractive.....	1	8	25	47	19
Individual investors purchasing farmland.....	1	13	36	41	10
Increased global demand for food.....	1	10	39	43	7
Greed.....	8	18	21	28	24
Institutional investors purchasing farmland.....	2	17	34	35	13
Ethanol production.....	2	16	38	36	9
Land purchased for hunting or recreational uses.....	11	43	29	14	4

## Spotlight on ISU Extension Agricultural and Natural Resources websites

**A**griculture and Natural Resources has many statewide resources to help Iowans. A few are listed. For more, visit the ANR website at: <http://www.extension.iastate.edu/ag/>.

### Ag Decision Maker (AgDM)

[www.extension.iastate.edu/agdm/](http://www.extension.iastate.edu/agdm/)

Agricultural economics and business resources to help make sound management decisions for your business or farming operation.

### Ag Marketing Resource Center (AgMRC)

[www.agmrc.org/](http://www.agmrc.org/)

The Agricultural Marketing Resource Center is an electronic, national resource for producers interested in value-added agriculture. Browse commodities and products, investigate market

and industry trends, study business creation and operation, read research results and locate value-added resources.

### Agricultural Management E-School (A.M.E.S.)

[www.extension.iastate.edu/ames/](http://www.extension.iastate.edu/ames/)

In-depth self-study courses and resource centers that provide management education to agricultural producers, educators and service providers.

### Annie's Project

[www.extension.iastate.edu/annie/](http://www.extension.iastate.edu/annie/)

An educational program dedicated to strengthening women's roles in the modern farm enterprise.

Spotlight on ISU Extension Agricultural and Natural Resources websites, continued from page 5

**Beginning Farmer Center**

[www.extension.iastate.edu/bfc/](http://www.extension.iastate.edu/bfc/)

Coordinating education programs and service for beginning farmer efforts statewide and assessing the needs of beginning and retiring farmers. Providing support in financial management and planning, legal issues and tax laws, and many more services.

**Center for Agricultural Law and Taxation**

[www.calt.iastate.edu/](http://www.calt.iastate.edu/)

Providing timely, critically objective information to producers, professionals and agribusinesses concerning the application of important developments in agricultural law and taxation and a primary source of professional educational training in agricultural law and taxation.

**Farm Energy Initiative**

[farmenergy.exnet.iastate.edu/](http://farmenergy.exnet.iastate.edu/)

Helping to make agriculture more energy efficient. Tips and pointers on equipment maintenance and operation, farmstead electric use and fuel efficiency.

**Farm Financial Planning Program**

[www.extension.iastate.edu/farmanalysis](http://www.extension.iastate.edu/farmanalysis)

One-on-one financial counseling, computerized

analysis of the farm business and referral to other extension programs or outside services that may be useful in farm financial planning.

**Iowa Beef Center**

[www.iowabeefcenter.org/](http://www.iowabeefcenter.org/)

Working to develop and deliver the latest in research-based information to improve the profitability and vitality of Iowa's beef industry.

**Iowa Pork Industry Center**

[www.ipic.iastate.edu/](http://www.ipic.iastate.edu/)

Works to promote efficient pork production technologies in Iowa, maintain Iowa's pork industry leadership and strengthen rural development efforts.

**Iowa Land Value Survey**

[www.extension.iastate.edu/topic/landvalue/](http://www.extension.iastate.edu/topic/landvalue/)

The only statewide survey that collects information on land values in each of Iowa's 99 counties. Current and historical data available.

**Value-Added Agriculture Program**

[www.extension.iastate.edu/valueaddedag](http://www.extension.iastate.edu/valueaddedag)

The Value Added Agriculture Program (VAAP) provides unbiased, science-based information to help establish or expand agricultural-related businesses in Iowa.

Updates, continued from page 1

**Internet Updates**

The following information files have been added or updated on [www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm).

**Computing a Cropland Cash Rental Rate** – C2-20 (4 pages)

**Flexible Farm Lease Agreements** – C2-21 (4 pages)

**Current Profitability**

The following files and tools have been updated on [www.extension.iastate.edu/agdm/info/outlook.html](http://www.extension.iastate.edu/agdm/info/outlook.html).

**Corn Profitability** – A1-85

**Soybean Profitability** – A1-86

**Iowa Cash Corn and Soybean Prices** – A2-11

**Ethanol Profitability** – D1-10

**Biodiesel Profitability** – D1-15

**Returns for Farrow-to-Finish** – B1-30

**Returns for Weaned Pigs** – B1-33

**Returns for Steer Calves** – B1-35

**Returns for Yearling Steers** – B1-35

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