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Iowa Farmland Value Survey Shows Historic High Statewide Average

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Since 1941, Iowa State University has conducted an annual land value survey intended to analyze, interpret, and disseminate information about farmland value trends throughout the state of Iowa. Individuals knowledgeable of market conditions, such as real estate brokers and economists, are asked to contribute price estimates for high, medium, and low value land in their counties, and, if applicable, surrounding counties. Survey administrators also analyze comparative sale values and other factors in developing an estimate of farmland values. While the survey does not provide an estimated value of any one piece of land, it does provide an overview of price trends for farmland on a state and county level.

In 1986, ISU professor and extension economist Mike Duffy took over as the head administrator of the Iowa Farmland Values Survey. However, when Dr. Duffy announced his retirement from ISU extension, the staff and faculty at CARD were granted the opportunity to administer this highly anticipated annual survey.

Historical Data
While one number—the average Iowa farmland acre value (estimated at $8,716 per acre in 2013)—typically garners the most attention, the survey actually provides a much more complex view of farmland values. The survey estimates an average overall value for farmland in each of Iowa’s 99 counties, and a low, medium, high, and average value for land in each crop-reporting district, and the state as a whole.

The entire set of historical data including the years 1950–2013 is available on the ISU extension web site at http://bit.ly/1csmLz8. The following figure shows the weighted average value per acre of Iowa farmland from 1950 ($218) to 2013 ($8,716).

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The Iowa State University land value survey reported an average increase of 5.1 percent in Iowa farmland values—the ninth time in the past 10 years land values have increased. The statewide average value of an acre of farmland is now estimated to be $8,716. Scott County in eastern Iowa saw the largest estimated increase over last year’s value at 12.45 percent, the highest increase in value at $1,374, and now has the highest estimated total value per acre at $12,413.

Despite the average value increasing again, 2013 marked the second time in the past 10 years where some counties reported lower land values than the previous year. In 2009, 85 of Iowa’s 99 counties reported lower values than the year before, and this year 14 counties reported lower land values than in 2012. This year, Osceola, Dickinson, Lyon, and O’Brien counties showed the largest average loss of value at 3.72 percent. Except for 2009 and 2013, all county land values have increased each year since 2004.

Interestingly, the 2013 survey reveals a shift that occurred in certain regions of the state. From 2010–2012 O’Brien County reported the highest land values in the state. However, in 2013, Scott County reported the highest increase in land values and the highest land values overall, while land values in O’Brien County actually dropped the most of all counties reporting lower values. It is interesting to note that from 1950–1973 and 1978–2009 Scott County had the highest land values in the state.
The slowing, or even reversal, of the rate of increase in land values is supported by data from other surveys. The Realtors Land Institute reported land values up 9.4 percent from September 2012 to March 2013 but only up 1.2 percent from March 2013 to September 2013. The Federal Reserve Bank of Chicago reported Iowa land values up 9 percent from October 2012 to October 2013, however, the same survey reported Iowa land values decreased by 1 percent from July to October 2013.

**Outlook for land values**

Strong and weak price sales occurring at the same time indicate a market in flux. The key question is if this shows the market is going to settle into a plateau, if it is just pausing before another takeoff in values, or if the market has peaked and is due for a correction. The odds are against a major collapse in land values; however, if projections of a new lower level for commodity prices hold then we should expect land values to drop accordingly.

There have been three ‘golden’ eras for Iowa land values over the past 100 years. The first ended in a long, drawn out decline in land values from 1921 to 1933, and the second golden era ended with a sudden collapse from 1981 to 1986. How this third golden era will end is not known, but it would appear that it will be a more orderly adjustment rather than a sudden collapse.

Currently, with respect to Iowa land values, one respondent described the situation as being a plateau. He based this comment on the observation that there had been some very strong sales in his area but there had also been some weak or no sales at recent auctions—a sentiment echoed by many of the respondents.

**Market-influencing factors**

Most survey respondents, 88 percent, listed positive and/or negative factors influencing the land market. Of these respondents, almost 83 percent listed at least one positive factor and 77 percent listed at least one negative factor.

The single biggest factor to assess land value movement is gross farm income, and a majority of survey respondents were concerned about income. Over three-fourths, 76 percent, of respondents cited lower commodity prices as a negative factor affecting land markets. Data show the rate of increase in land values slowed and commodity prices started dropping after June 2013.

In Iowa, corn and soybean price movements are good indicators of gross farm income movement. There was a 33 percent drop in the Iowa average corn price from October 2012 to October 2013, and there was an 11 percent drop in soybean prices over the same period. The November estimated price for Iowa corn was 39 percent lower than the November 2012 price, and soybean prices were 11 percent lower.

Commodity prices dropped this year, something that also occurred in 2009. Will commodity prices rebound as they did in 2010 or will they continue down? The answer to that question could provide insight into whether future land prices will rise or fall.

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**Average Value per Acre of Iowa Farmland by Grades of Land**

<table>
<thead>
<tr>
<th>Grade of Land</th>
<th>Dollars (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High quality land</strong></td>
<td><img src="image1" alt="High quality land" /></td>
</tr>
<tr>
<td><strong>Medium quality land</strong></td>
<td><img src="image2" alt="Medium quality land" /></td>
</tr>
<tr>
<td><strong>Low quality land</strong></td>
<td><img src="image3" alt="Low quality land" /></td>
</tr>
</tbody>
</table>

*Weighted average for all grades*