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## ***REGIONAL LAND VALUE REPORTS***

### **Michigan, Ohio, Indiana, Illinois, Missouri, Kentucky, Tennessee, Arkansas, Mississippi**

Due to a swing in commodity prices, there has been a softening of the market in this region, said Roger Hayworth, area sales manager. The average prices paid per acre for high quality land in Michigan from June 2015 to June 2016 declined \$100; in Ohio by \$200; in Indiana by \$500; in Illinois by \$600; and Mississippi by \$100. Missouri saw a slight uptick of \$200 per acre and Tennessee saw \$150; prices paid per acre in Kentucky and Arkansas remained steady from last June.

“There remained buyers with residual income from those high commodity price years with a continuous need for cropland acres, so the purchasing of land was led by their profitable years,” Hayworth said. “Today, there remain buyers, but they’re cautious.”

While commodity prices have had a significant impact on land values, location and quality remain major influencers on land values.

“When higher quality farmland becomes available, it remains highly sought after and pricing remains pretty stable mostly, while we see mid- to lower-level quality land decline 3 to 8 percent, depending upon the specifics of the subject property, such as tiling, soils and any improvements made,” Hayworth said.

Hayworth noted that in the past six months, there has been a slowing of properties being put on the market, too.

“The uncertainty of commodities, financial markets and maybe the election year have curtailed this market to stabilize and reflect on what may happen for the remainder of 2016. As with most transactions within regions, the local landowner/farmers were the buyers for land acres controlled. As farm income began to squeeze, the transactions overall dropped,” he said. “No doubt we’ve seen a drop in values of minimum quality land, as much as 3 to 5 percent from the last time we reported. There were a couple of sales that I felt were fairly strong, but they were really good properties. I just think farmers/landowners are being real cautious with what they’re doing with their land. They’re being less aggressive, but if something comes up in their area that they really want, they will go after if it’s high quality.”

There also has been an increase among investor groups adding acres to their respective portfolios, which is good news for landowners, he said.

“This leads us to believe that farmland will continue to be viewed as a very favorable/viable investment,” he said. “Looking ahead, I believe we will continue to see sluggish offerings in this market and overall values swaying a little to stable until the end of the year. If commodity prices move slightly higher during

the second half of 2016, expect land prices to remain stable with higher quality, maybe even clicking forward a little.”

### **Kansas, Oklahoma**

Lower quality land is finding softer values. Historically these values are still quite high, but much softer than three to four years ago. Brock Thurman, AFM, Farmers National Company vice president and area sales manager based out of Kiowa, Kan., said his region has been busy moving quality land and that higher quality land has been selling well.

“I would be hesitant to sell low quality land unless the client is aware of the softer values. Historically, those are still high, but much softer than three years ago. Once a seller realizes this, then you can market the lower quality land, but it takes that realization from the seller first,” Thurman said. “High quality land still pencils out an acceptable return and it is desirable as a long-term holding, because of that higher yield potential. Lower quality or lower yielding land may not hold that potential.”

For the first half of 2016, farmers were the most active buyers in this region.

“We do see some investors bidding, but the local farmers are the primary buyers. Investors are seeking a return on investment and may not view the land as a long-term holding as a farmer does. The recreational properties have to be exceptional to bring the strong prices. Medium quality will not bring the values seen three to four ago,” Thurman said.

### **Texas**

Ag land across Texas maintained values at stable levels for the first half of 2016. But, Dan Hatfield, ALC, area sales manager for Farmers National Company in Comfort, Texas, said the area hasn’t seen the fallout from the oil crash just yet.

“The general feeling is that sales have slowed for properties above \$1 million and no one sees that changing in the next three to six months,” Hatfield said.

### **Iowa**

The drop in commodity prices has caused land values to continue to soften in Iowa, said Sam Kain, ALC, GRI, ABRM, national sales manager for Farmers National Company based out of West Des Moines, Iowa. But, land values remain at a comparable level to June 2015, declining by \$500 per acre on average for high quality land.

“The limited amount of land for sale right now has definitely limited the decline in land values,” Kain said. “Although we have seen a decline in all types of land, there is still strong demand for quality land and there appears to be renewed interest from investors. Farmland has always been a very stable investment, which is appealing to investors seeking a secure place to put their money. The majority of ag land sold in my work area has been to settle estates and still goes to farmer buyers though.”

The continued threat of rising interest rates and lower commodity prices will put pressure on land values in the near future, Kain said.

“But considering all that has happened in agriculture, we still have a very good land market,” he noted.

## **Nebraska**

While farmland prices set records in 2012-2013 and enjoyed double-digit increase in the past 10 years, 2016 has seen a plateau in farmland values. From June 2015 to June 2016, high quality land is selling for \$1,500 less per acre on average.

“And they continue to tail off,” said JD Maxson, area sales manager for Farmers National Company in North Platte, Neb. “This decline in farmland values in Nebraska denotes the first decline in recent years. It’s a result of a weak commodity market, soft cash rents and continued stress on livestock producers’ bottom line profit. Corn prices are at the lowest level in three years, affecting profit margins. Producers are waiting for an upward bump in prices, which explains the ‘glut’ of corn in on-site corn storage, and lower commodity prices have forced investors and owner/operators to rethink their strategies for calendar year 2016.”

Furthermore, as the demand for tillable cropland acres has dropped off, grazing pasture acres paralleled this downward trend as ranchers and livestock producers became more prudent and cautious, Maxson said.

“Livestock producers experienced a record-setting cattle market in 2014 and throughout 2015, only to see cattle numbers increase (heifers to feedlots and not held back for breeding). Livestock producers (cow/calf and cattle on feed) have experienced a sharp decline in bottom line profitability, which has a direct impact on pastureland/grazing acres. With cattle numbers up, one would automatically expect additional pressure on grazing acres; however short line profits have seemingly depressed the pastureland market. Purchasing additional grazing acres, while realizing lower profits at market time, has had a direct reflection on prices paid per acre. Buyers are more cautious and have been forced to be more selective with their long-term farmland investments.”

However, Maxson noted that specific pockets of Nebraska farmland have seen land pricing steady to strong. For example, a March 24 land auction in Milford, Neb., for 260 acres in Seward County sold in three tracts for \$10,500-10,700, proving high quality land with improvements like tiling, center pivot irrigation, abundant water and good access to grain markets is still in demand, he said.

On the flipside, dryland cropland is showing a stronger rate of decline, 15 to 25 percent location specific, compared to pivot and gravity irrigated cropland. Then in other areas of the state, cropland values vary with the biggest adjustments found in central and western Nebraska. Maxson said he anticipates lower grain prices will persist throughout the rest of 2016, which will continue to have a negative impact on cash rental rates for early 2017.

“With the double digit appreciations over the past almost 10 years, these recent small declines in land values basically just bring us back to normalcy,” he said.

### **North Dakota, South Dakota, Minnesota**

In the Northern Plains, a diverse region comprised of high quality, tillable farmland, grassland and recreational property, land values for high quality land continued to decline by \$400 per acre average in North Dakota from June 2015 to June 2016, by \$100 per acre average in South Dakota and by \$900 average by acre in Minnesota.

“Land values continue to slide off their peak in North Dakota,” said Brian Mohr, area sales manager for Farmers National Company in Garretson, S.D. “In the majority of the Red River Valley, prices range between \$4,000-\$5,000 per acre for high quality land. This would be down 15 to 20 percent from 2014-2015. On marginal land outside the area, we are seeing steeper declines of 20 to 35 percent depending on how bad the flaws are on the land. Prices range between \$1,500 -\$2,500 for poorer quality land.”

Land values for top quality land in the southeast portion of South Dakota has remained stable from 2015 until now. Even recent auctions for land in this state have shown a slight increase.

“Well attended public auctions are the norm with prices up to \$10,000 per acre,” Mohr said. “As you move west, the prices drop significantly once you get past the Missouri River pheasant belt.”

The central portion of western Minnesota sees land values down from their high point, but interest remains strong and top quality land has sold well at auction, Mohr said.

“A recent sale of 2,000 acres set values at more than \$4,100,” Mohr said. “Land sales in southern Minnesota range between \$5,000 and \$8,000, down slightly from last year.”

### **Washington**

In Washington, land values have plateaued, but remain slightly above last June’s level. In fact, there’s still significant demand for high quality farmland by both farmers and investors, said Flo Sayre, Farmers National Company real estate broker for the state of Washington.

“I’m getting more and more calls on a regular basis from investors, but we do have a considerable number of local farmers who are picking up the property next door or close by for their own operations,” she said.

Land that has a high quality irrigation system is being sold first, Sayre said. But land that’s had other improvements made, such as grain storage systems or potato storages, aren’t as heavily sought after.

“Those other improvements are not getting them any more value. Farmers are just after the dirt,” she said.

Surprisingly, there’s still strong demand for fruit ground, Sayre said, as investors move away from traditional crops to more labor intensive, permanent plantings.

“That’s a bit alarming to me, because as labor costs change due to the minimum wage increase and modifications in what other countries are importing, that could be a major factor in future land and crop values,” she said.

Other factors coming into play include commodity prices, rising fuel costs and banks tightening their lending practices.

“There are some landowners who are contemplating getting rid of marginal parcels or the banks are telling them that they’ll have to get rid of a few parcels. I expect in the next six to 15 months to see a number of those parcels come on to the market for sale, because the banks won’t extend their debt portfolio any further,” she said. “We’ll see what the outcome will be with the election and if interest rates change in the following few months.”