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Kansas and Oklahoma

Land buyers in the South Central Plains have become very discriminating due to lower returns from declining commodity prices. Overall, values remain historically strong and quality land is still in high demand but probably 10 to 15 percent lower than at its peak, according to Brock Thurman, AFM, Farmers National Company vice president and area sales manager, Kiowa, Kan. High quality land will meet with continued excellent demand and, historically, strong values. Marginal quality land will struggle to achieve the same values it experienced during the past four or five years in this area, and will meet with fewer interested buyers.

The drought of the past few years appears to have been broken and this might bring a few more operators seeking to continue expansion on high quality land, said Thurman.

“Western Kansas continues to struggle with lowering irrigation water levels but if the water is plentiful then the land will meet with strong demand and historically high values,” said Thurman. “Oil and gas exploration has begun to retract and that has affected the value of non-producing minerals outside of the core production areas. Values remain tied to land quality and location.”

Prices for irrigated high quality cropland are variable, but range between \$3,300 to \$5,000 per acre in western Kansas and \$5,000 to \$10,000 in northeast Kansas, while the range for non-irrigated land is \$1,200 to \$4,000 across most of Kansas and Oklahoma with the lower prices in the west and values increasing as you move east.

Iowa and Minnesota

Low commodity prices have finally started to affect land values in Iowa and Minnesota, according to Sam Kain, ALC, GRI, ABRM, national sales manager for Farmers National Company, West Des Moines, Iowa. In areas where there is fewer livestock being raised, land values have definitely softened. Specific areas that have seen outbreaks of the Avian flu will definitely see a downward trend, as owners have had to destroy more than 30 million birds.

Owners planning to sell during 2015 should be prepared to market properties beyond their local

areas to draw top buyers, according to Kain. “It is going to be even more important than ever as values shift slightly downward, to reach out to potential purchasers in areas further away,” he said.

In Iowa, top quality land is selling at more than \$11,000 per acre, while Minnesota values are reaching \$8,100 per acre.

North Dakota, Eastern South Dakota and Western Minnesota

Land sales in this region remained strong this past year, according to Terry Longtin, Farmers National Company vice president and area sales manager in Grand Forks, N.D.

While prices are down 10 to 20 percent from a couple of years ago, land prices are still excellent when looking back over the past 10 years, Longtin said. Sellers can expect to see notable buyer interest in their land, as long as it is priced right. Land prices are down though, mainly due to reduced commodity values in the past two years. However, land prices have gone down substantially less than the drop in commodity prices.

There is a trend towards more private listings ~~vs.~~ versus auctions as compared to a year ago in the northern two-thirds of the region. Auctions have seen little success lately, as buyers prefer a behind-the-scenes purchase instead of bidding against their neighbor in a public forum, said Longtin. “We see more buyer competition in the southern end of the region and auctions are working well there,” he said.

Land prices are down, yet still at high price levels as when compared with five to six years ago. Average to good quality land in the area is selling in the \$3,500 to \$6,000 per acre range. Excellent land is in the \$6,800 to \$9,000 per acre range. Top quality land in South Dakota is drawing up to \$8,000 per acre, while North Dakota’s land prices are coming in at \$6,800 and Minnesota at \$9,000 per acre.

Colorado, South Dakota, Nebraska and Wyoming

During the first half of 2015, the wide region covering Colorado, western South Dakota, Nebraska and Wyoming saw continued healthy land sales activity. While values have not increased significantly, they are still at a steady, high level. As the demand for average to medium quality cropland has softened as much as 10 to 20 percent, individual areas in south-central and southwest Nebraska have seen 25 percent decreases in land prices, said JD Maxson, area sales manager for Farmers National Company in North Platte, Neb.

Area demand still remains strong for high quality farms with top class soils, excellent access and gentle, rolling topography. However, a lack of high quality cropland inventory available has slowed the overall land market, Maxson said.

Land auctions held in eastern Nebraska during the first half of 2015 drew sales at or above appraised prices. “The key to this auction activity is prime location,” said Maxson. “Areas in south-central and western Nebraska conversely are feeling the impact of lower commodity prices.”

High inputs and shorter profit margins have area farm operators and investors concerned with bottom line profits. With overall cattle numbers down, grazing acres and pasture grass remain relatively strong, as livestock producers focus on building their herds.

“Looking toward the end of 2015, we are likely to continue to see relatively flat land prices if we do not see an upward movement in commodity price,” said Maxson.

Prices in this wide region are ranging from \$4,000 to \$10,500 per acre for high quality tillable acres, with location, soils and topography dictating price.

Illinois, Indiana, Ohio, Southern Michigan, Western Kentucky and Eastern Missouri

Activity throughout this region is seeing a calming of sales during the first half of 2015, with values trending slightly downward. Based on current market factors, this trend is likely to continue throughout the summer months and into fall, according to Roger Hayworth, ALC, area sales manager for Farmers National Company in Lafayette, Ind.

“Continuation of a softening market throughout the eastern region has been brought on by several factors, but mostly influenced by lower commodity prices based on the bumper crops of 2014,” said Hayworth.

Going forward, values will be impacted by the uncertainty of the 2015 crop size, the hint of a possible rise in interest rates and an appreciating U.S. dollar. The impact of these factors is likely to result in downward pressure on land values.

A tight supply of farmland in this region has helped reduce the negative shift and continue to support values for those interested buyers looking to enhance their acreage control, according to Hayworth. For landowners wanting or needing to sell, prices are still excellent, even if they have seen a slight correction in the past 12 months.

“Quality land still remains in high demand and buyers and sellers are adjusting expectations accordingly,” said Hayworth.

Top prices in the region can be seen in Illinois at \$11,600 per acre on average for high quality land. These levels are followed by Indiana showing values of up to \$9,200 per acre and Ohio at \$7,500 per acre.

Arkansas, Mississippi, Missouri and Texas

Activity in the southern region overall remains steady, but calm. Year-end values for 2014 in Texas indicated an overall slight increase above 2013 values. According to the TAMU Real Estate Center, the 2014 Texas statewide, size adjusted, average price was \$2,364 per acre, up from \$2,350 per acre last year. Texas rural land values have increased 33 percent since 2009 and 124 percent since 2004. Quality land for sale in all classes is still moving at a strong pace, said Mike Lansford, Farmers National Company vice president for the southern region, Fort Worth, Texas. Other states in the southern region are posting steady, but generally flat, land values.

Texas has seen an increase in land sale activity, along with a slight increase in land values in the past year. The wide variety of geographic regions and land classes in the state has led to some variance of this overall trend. Although improved in 2014, the prolonged drought across much of Texas and the Southwest continued to be the strongest deterrent for the land market in 2014 and early 2015. Recent abundant rains across Texas have all but dissipated the drought. Reservoirs, stock tanks and rivers throughout much of the state are at or near capacity. Forage stocks are drastically improved. Along with these recent improvements to range conditions, the fall in oil prices and the continued possibility of rising interest rates are contributing to prolonged uncertainty.

With commodity prices decreasing, there has been an increased demand for managed timber tracts in east Texas, along with recreational tracts. Well managed pine plantations reflect average prices of approximately \$3,250 per acre. Listing demand for timber tracts has seen a drastic increase in the past year.

“Land values should remain generally flat and exhibit less fluctuation as seen in recent years,” said Lansford. “Quality is still king no matter what the land classification. Top quality properties in all classes will continue to capture good prices. Buyers for top producing farms are still available.”

Prices for top farmland are averaging \$5,000 per acre in Arkansas, \$3,750 per acre in Tennessee, \$3,500 per acre in Texas, \$5,000 per acre in Mississippi and \$6,700 per acre in the Missouri Boot Heel.

Washington

Prices remain strong in the Pacific Northwest, but there is some shifting predicted based upon the encroaching drought situation, according to Flo Sayre, real estate broker for Farmers National Company in Pasco, Wash. The California drought has been shifting land focus to the Northwest.

Washington Gov. Jay Inslee declared the entire state of Washington in a critical drought and ordered that all irrigation districts and irrigators curb usage by at least 15 percent, and some areas as high as 25 to 30 percent cut-back mandated by the districts. Non-critical crops will be cut back more to allow for permanent plantings to survive. Some districts are offering to buy back the current year water in exchange for non-use in 2015. The latest report by WSDA is that much of the dairy corn for silage and winter feed might not get planted on the west side of the state due to the drought.

As the year wraps up and lenders become more demanding of higher returns, expect to see a higher volume of properties turning over. “Interest rates cannot remain at this level forever,” Sayre said. Buying power will decline as interest rates begin to climb. Sayre expects 2015 to be a “very active year” for real estate sales in the Pacific Northwest. Competition for quality land is still strong.

“If landowners are considering selling, they need to be first in line to attract the best buyers,” Sayre said.

Irrigated farmland in the area is currently averaging \$10,000 per acre, with premium land upwards to \$12,000 and more.

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