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Indiana Land Values and Cash Rents

by J.H. Atkinson, Professor of Agricultural Economics

Stock and commodity traders sometimes use the term "up-tick" to describe a small price increase. Rather than a turnaround in land values the first half of last year, there was what might be termed a "PIK-tick" which withered along with the corn as the hot, dry summer progressed.

The annual Purdue land values survey shows that land values in Indiana declined slightly during the first half of 1984 and were lower in June than a year earlier.

Statewide Averages

The survey indicated that the value of average land in Indiana declined 1.8% in the 6 months ending in June (Table 1). The decline for top land was 1.2% and for poor land, 3.8%. The estimated value of top land was $1,876 per acre, and average land was $1,451. Estimated long run corn yields were 134 and 109 bushels per acre for top and average land, respectively.

Of the nearly 300 persons who responded to the survey, 42% indicated that land values had declined during the 6-month period ending in June; about one-third felt values had been stable, and 21% thought they had increased (Table 2).

For the year ending in June 1984, the Purdue Survey indicated that average land declined by 8%, while top quality land was off less (5.7%) and poor land dropped more (9.8%) (Table 3). The USDA reported that Indiana farm land was off only 1% in the year ending in April. Part of the greater decline reported in the Purdue survey likely is because of the difference in reporting periods. Land values were rising slightly the first half of 1983 and were declining this year. Another probable reason for the differing results is the thin market and variability in prices for similar land. As one respondent wrote, "The market is all over the place. Good land will bring $2,000 to $2,500 when there are few parcels for sale. In other cases there seems to be no buyer at all." In such a market, it is not surprising that results of two different surveys differ somewhat. Note, however, that both surveys indicate declines in land values over the past year.

Year-to-year changes in Indiana land values as reported in the Purdue survey and by the USDA also have differed somewhat in previous years. In 1976 and 1977, the Purdue survey showed substantially larger increases than reported by the USDA. On the other hand, greater increases were reported by the USDA in 1979 and 1980. The Purdue survey showed larger decreases than the USDA in 1982, 1983, and 1984. In general, from 1974 to 1981, the Purdue survey showed land moving up faster and to a higher level than indicated by the USDA. From the peak in 1981, Purdue

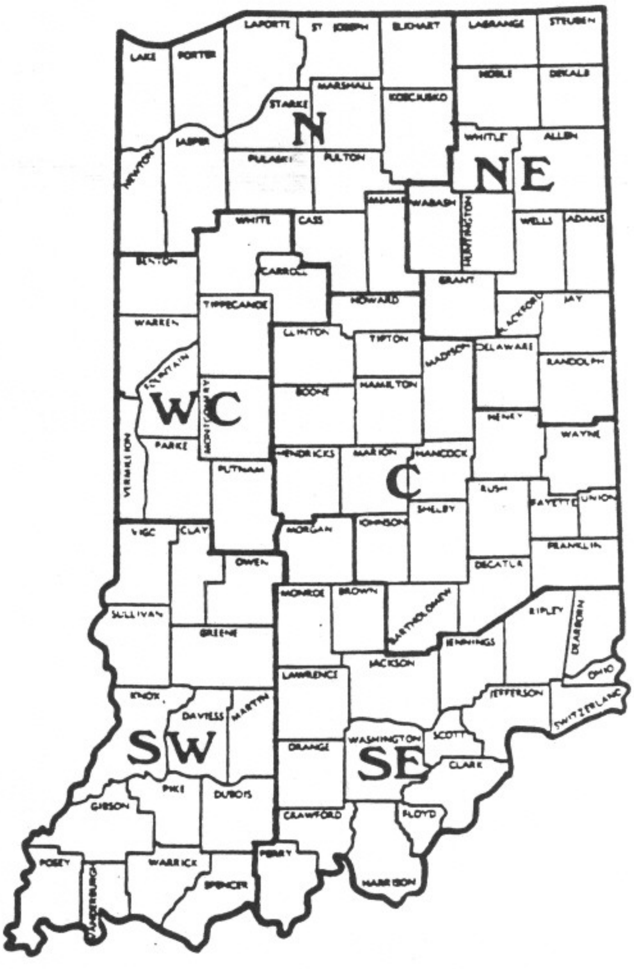

Figure 1. Geographic areas used in the 1984 Purdue Land Values Survey.

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Table 1. Average estimated land value per acre (tillable, bare land) and percentage change by geographic area and land class, selected time periods: Purdue Land Values Survey, Indiana, July 1984

Area	Land class	Corn bu/A	December 1983	June 1984	Change Dec. '83 June '84	Projected December 1984	Projected change June '84-Dec. '84
			$	$	Percent	$	Percent
North	Top	134	2,021	1,986	-1.7	1,997	+0.6
	Average	107	1,517	1,468	-3.2	1,466	-0.1
	Poor	80	1,070	1,024	-4.3	1,021	-0.3
	Trans*	...	2.348	2.579	-9.8	2.571	-0.3
Northeast	Top	132	1.757	1.736	-1.2	1,723	-0.7
	Average	106	1.330	1,302	-2.1	1,293	-0.7
	Poor	83	924	883	-4.4	878	-0.6
	Trans*	...	2,268	2,323	+2.4	2,357	+1.5
West Central	Top	142	2,031	2,059	+1.4	2,060	0.0
	Average	117	1,646	1,654	+0.5	1,646	-0.5
	Poor	93	1,242	1,217	-2.0	1,206	-0.9
	Trans*	...	2,806	2,833	+1.0	2.894	+2.2
Central	Top	140	2,200	2,167	-1.5	2,179	+0.6
	Average	115	1,753	1,731	-1.3	1,737	+0.3
	Poor	90	1,302	1,249	-4.1	1,261	+1.0
	Trans*	...	2,744	2,770	+0.9	2,857	+3.1
Southwest	Top	134	1,937	1,895	-2.2	1,910	+0.8
	Average	108	1,494	1,458	-2.4	1,473	+1.0
	Poor	86	1,034	999	-3.4	1,017	+1.8
	Trans*	...	4,257	4,429	+4.0	4,750	+7.2
Southeast	Top	122	1,250	1,216	-2.7	1,208	-0.7
	Average	98	977	943	-3.5	944	+0.1
	Poor	76	732	696	-4.9	694	-0.3
	Trans*	...	2,930	2,626	-0.4	2,893	+0.2
Indiana**	Top	134	1.899	1,876	-1.2	1,875	-0.1
	Average	109	1,478	1,451	-1.8	1,448	-0.2
	Poor	85	1.071	1.030	-3.8	1,029	-0.1
	Trans*	...	2.741	2.749	+0.3	2.863	+4.1

*Land moving into nonfarming uses.
**Based upon all the surveys returned.

figures have shown larger decreases than the USDA. In spite of these year-to-year differences, the change from 1974 to 1984 recorded by the two surveys were identical. Thus, the USDA index in 1984 and the 1984 Purdue estimate of the value of average quality bare, tillable land were both 2.4 times the 1974 levels.

The decline in land values from the peak in mid-1981 has been 31% for average land, 30% for top land, and 33% for poor land. The purchasing power or real value of land has dropped even more because of inflation since 1981. Some landowners who borrowed heavily to buy land in 1979 through 1981 have lost most, or in some cases, all of their equity.

The value of top land per bushel of estimated long run corn yield was $14 in 1984. For average land the figure was $13.31 and for poor land, $12.12 (Table 4). In previous years we have suggested that the differences between land classes in per bushel land values were so small as to indicate that higher quality land is the better buy. These differences widened this year, reflecting the greater declines in the value of lower quality land.

Cash rents were down slightly in 1984—about 2% on average land, a little more on poor land, and slightly less on top land (Table 5). Rent for top land averaged $120 per acre. This land was estimated to yield 134 bushels of corn per acre, thus the rent per bushel was 90 cents. Rent per bushel on poor land (85 bushel yield estimate) was only 8 cents less, indicating better rental values on higher quality land. Because