

Indiana Farmland Values and Cash Rents Continue Downward Adjustments

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Purdue Farmland Value Survey Process

- Survey conducted annually since 1970
 - Rural Appraisers, Ag Lenders, Farm Managers, Farmers
- Ask for land values in
 - December '16, June '17, and December '17
 - Responses for top, average, and poor quality land
- Ask for current cash rent
- Ask for long-term corn yield to obtain productivity information

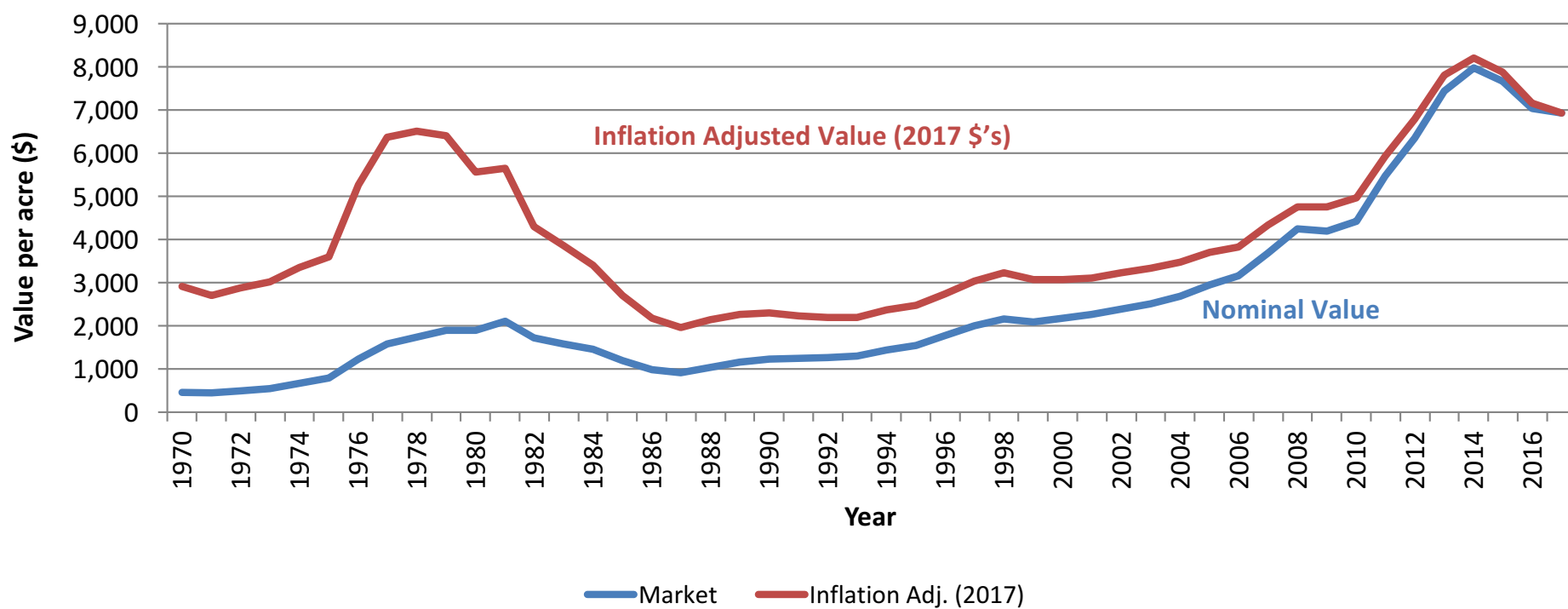
Indiana Farmland Values 2017 Survey Results

Land Quality	Yield (Bu./A)	Value (\$/A)		Percent Change
		2016	2017	
Top	200	\$8,508	\$8,529	0.2%
Average	169	\$7,041	\$6,928	-1.6%
Poor	139	\$5,353	\$5,280	-1.4%

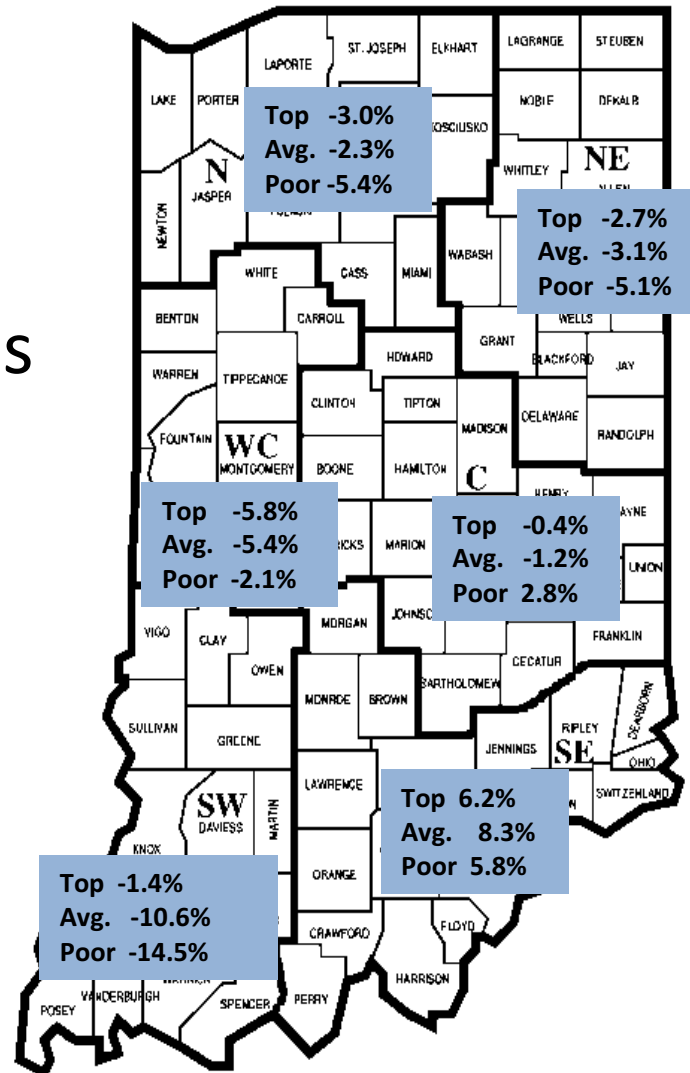
2017 Land Value Change

Land Quality	6/2016 – 12/2016	12/2016– 6/2017
Top	2.9%	-2.6%
Average	1.4%	-3.0%
Poor	1.9%	-3.2%

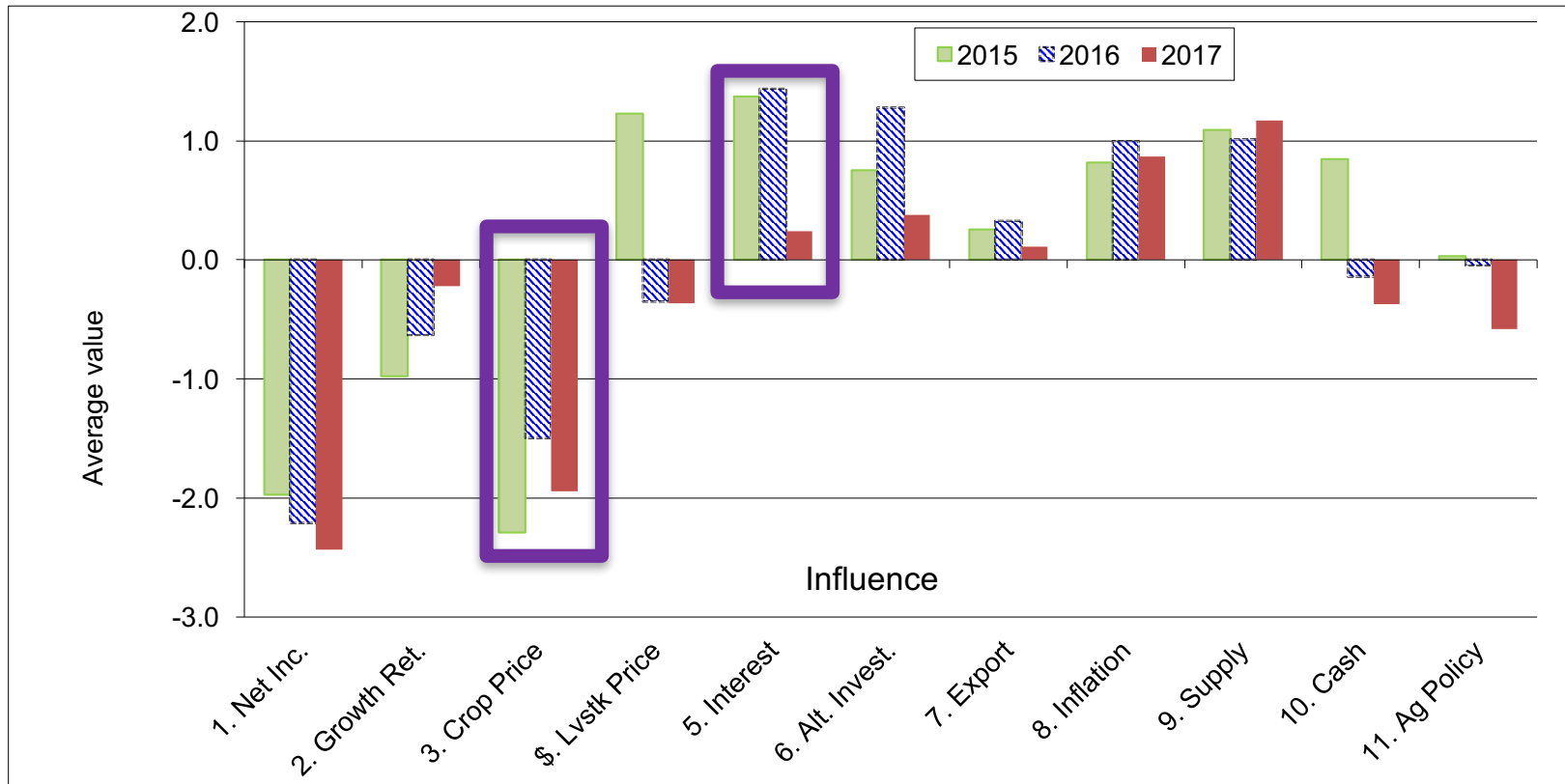
Indiana Farmland Values 1970 – 2017, Average Quality Land



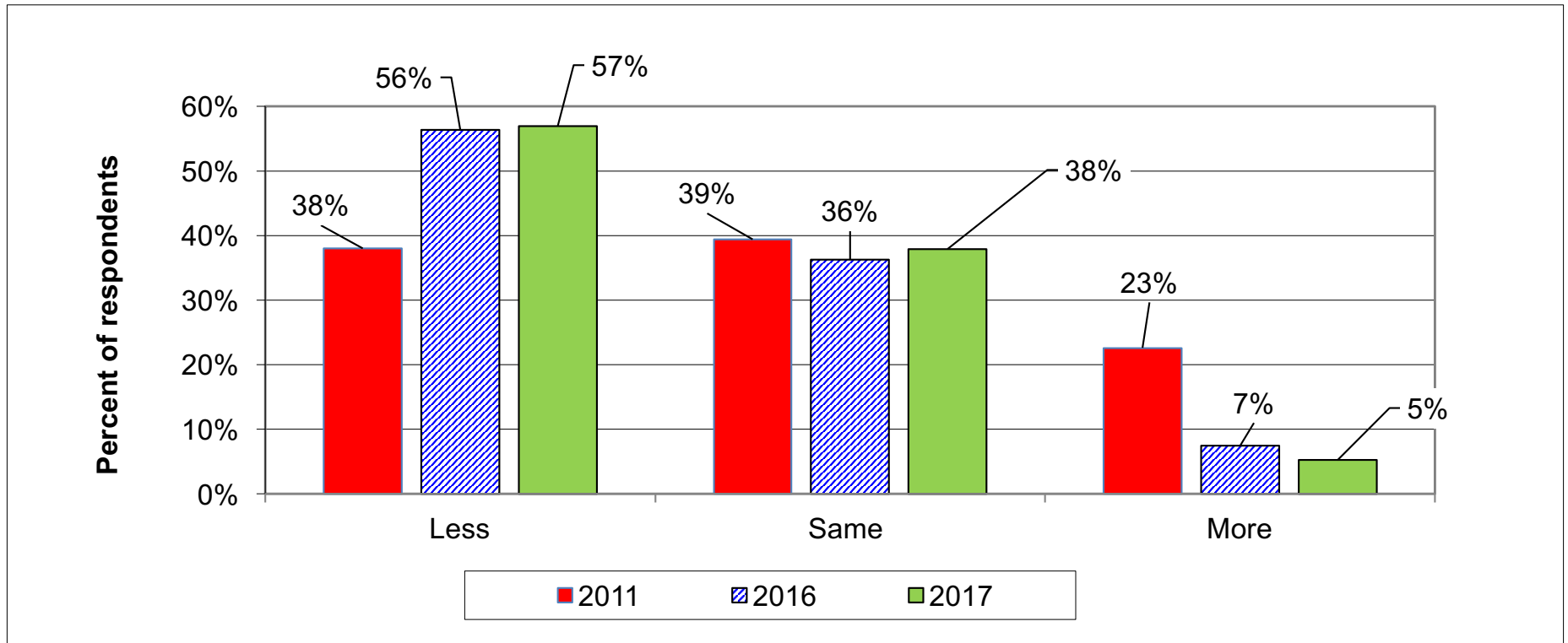
Regional Farmland Value Changes



Survey Respondents View of Land Value Drivers



Land on Market Today vs. Peak Land Supply Year (2011) and 2016



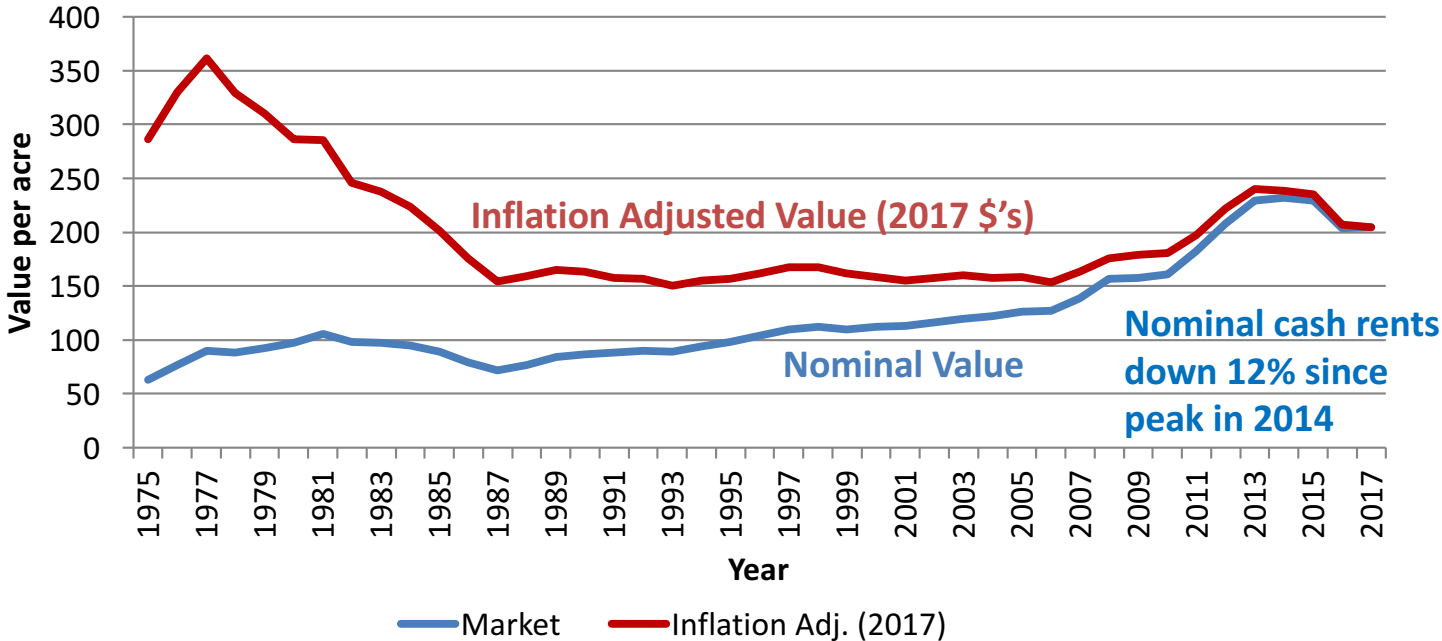
Land Value Summary

- June '16 to June '17
 - Decline Slowed, Market remains weak
 - Top Quality +0.2%, Average Quality -1.6%, Poor Quality -1.4%
 - Down 13% - 14% from peak of 2014
- Last half of 2017, respondents expect decline 2.2% to 3.0%
- Looking Ahead...year to year estimate
 - Anticipate annual reduction 3% - 6% June '17 to June '18

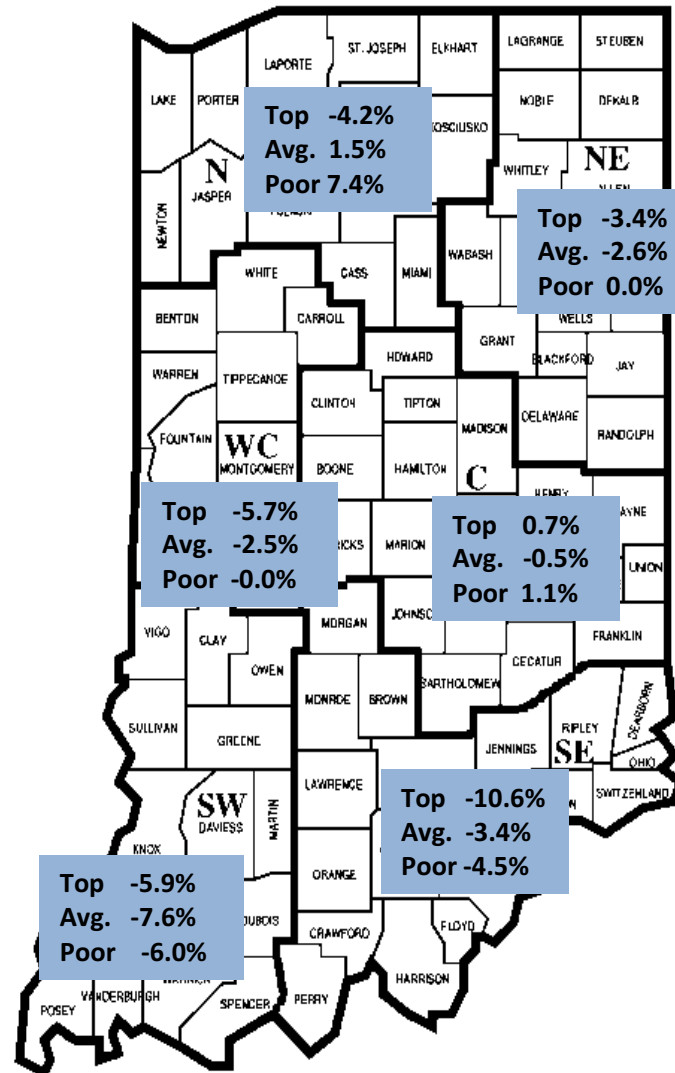
Indiana Cash Rent 2017 Survey Results

Land Quality	Yield (Bu./A)	Value (\$/A)		Percent Change
		2016	2017	
Top	200	\$257	\$253	-1.6%
Average	169	\$204	\$205	0.5%
Poor	139	\$157	\$163	3.8%

Indiana Farmland Cash Rent 1975 – 2017, Average Quality Land



Regional Farmland Cash Rent Changes



Short-Term Expectations

- Cash Rent in 2018

Change	% Respondents	Average % Change
Higher	7%	8.2%
No Change	33%	0.0%
Lower	59%	-9.3%

- Average of All Respondents = -4.9%

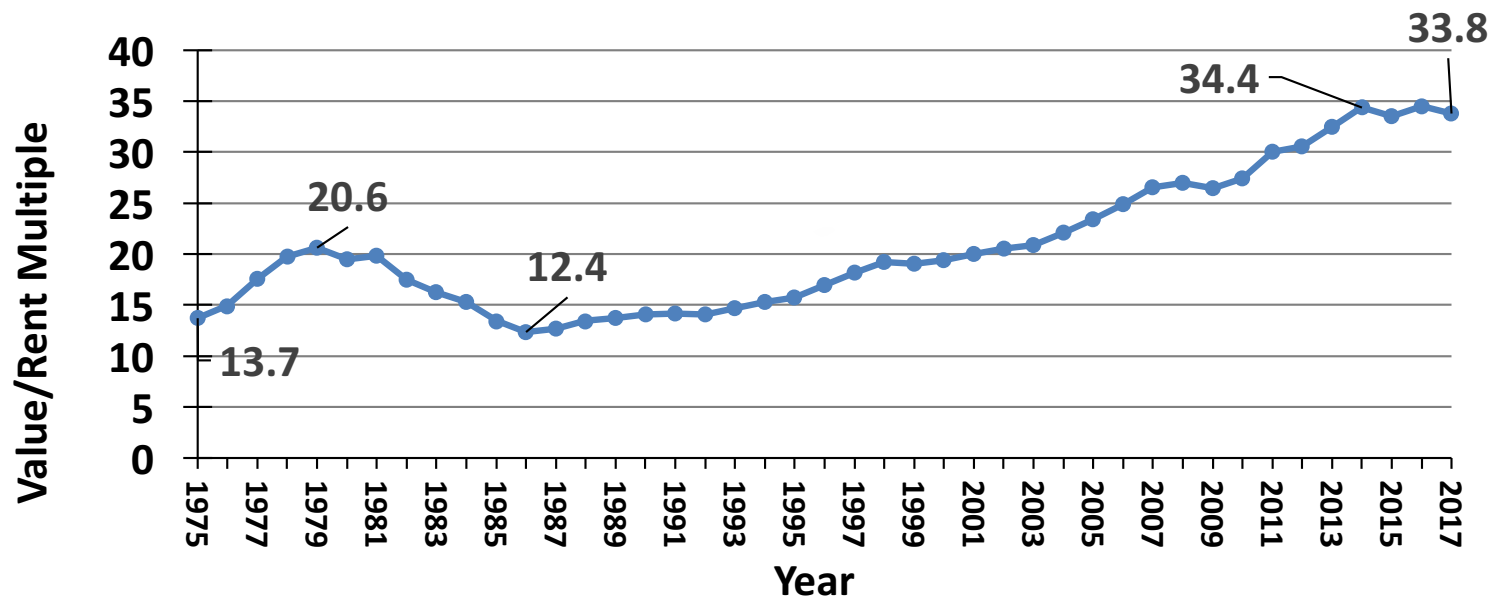
Cash Rent Summary

- Cash rents declined 9.8% to 10.9% in 2016
- Respondents expect 2018 rents to decline 4.9%
- Down from peak: 9% to 13%
- Anticipate decline of 3% - 5%

Downward Pressures on Cash Rents and Land Values

- **Cash Rents**
 - Relatively low earnings for corn and soybeans
- **Land Values**
 - Decline in cash rent
 - Increase in long-term interest rates
 - Increase in risk premium for the farming sector
 - Relatively high P/rent ratio

Land Value to Income Multiplier 1975-2017, Average Quality Land



5-Year Forecast By Survey Respondents

Where do you expect farmland prices to be in 5 years?

Direction	% Respondents	Change
Increase	74% {	9.5%
No change		0.0%
Decrease	26%	-13.6%
Overall	100%	0.7%

Cash Rents and Land Values in the Corn Belt

- Iowa (2013 to 2017)
 - Cash rents declined 18.9%
 - Land values declined 17.6%
- Illinois (2013 to 2017)
 - Cash rents declined 21.1%
 - Land values declined 24.2%
- Indiana (2014 to 2017)
 - Cash rents declined 11.6%
 - Land values declined 13.1%

Land Value Summary

- June '17 vs. June '16
 - Top Quality +0.2%, Average Quality -1.6%, Poor Quality -1.4%
- Declines of 2.2% to 3.0% are expected in last half of 2017
- Over the next 5-years, respondents expect increase of only 0.7% in Indiana values, but there are significant differences of opinion

Cash Rent Summary

- Cash rents in 2017 flat for top & average quality land, small increase for poor quality land
- Respondents expect 2018 rents to decline 4.9%

Articles, Spreadsheets and Decision Tools

Purdue Initiative for Family Firms

Purdue Agricultural Economics Report

Purdue.edu/commercialag