

# Indiana Farmland Values and Cash Rents Up, Down & Sideways

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Indiana Farmland Values Webinar  
August 21, 2019

# Land Values

# Purdue Farmland Value Survey Process

- Survey conducted annually during June since 1970
  - Rural Appraisers, Ag Lenders, Farm Managers, Farmers
  - 1<sup>st</sup> online survey in 2019, Mail survey in prior years
- Ask for land values in
  - December '18, June '19, and December '19
  - Responses for top, average, and poor quality land
- Ask for annual cash rent on June survey
- Ask for long-term corn yield to obtain productivity information

# Indiana Farmland Values

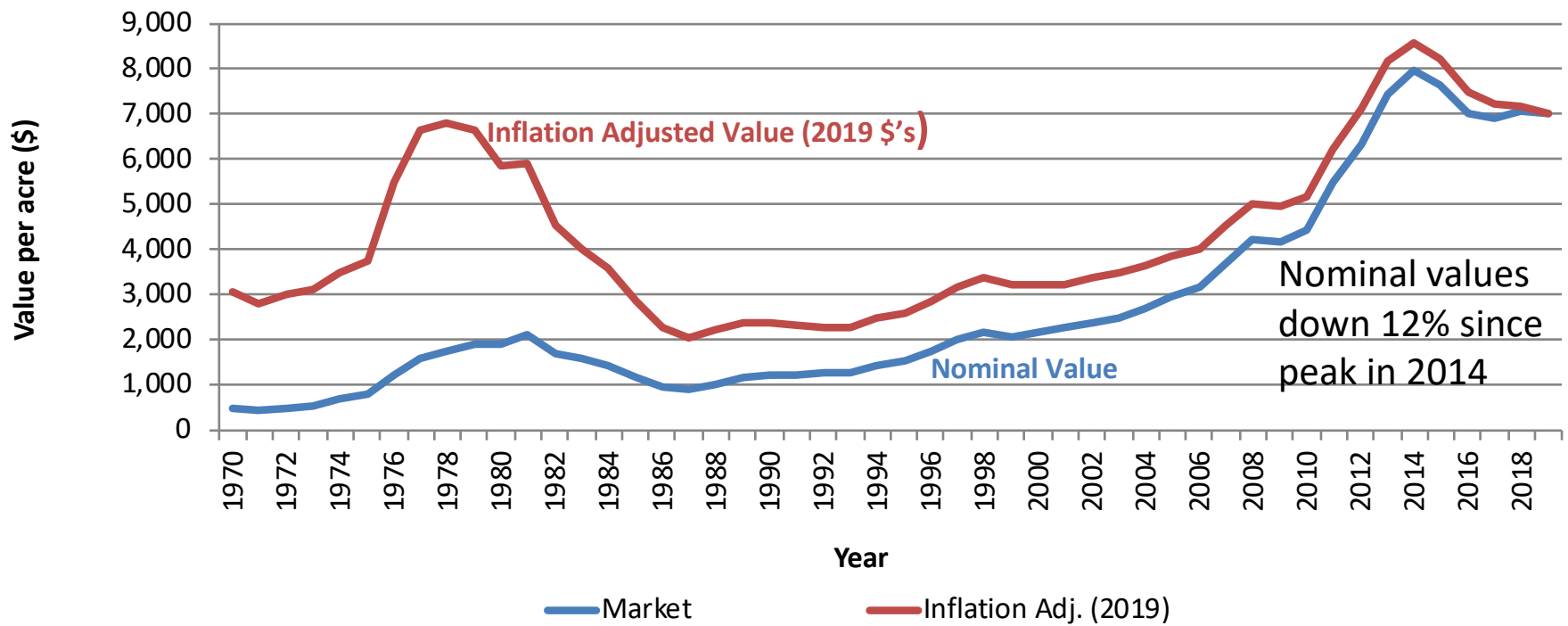
## 2019 Survey Results, State Averages By Land Quality

Land Quality	Yield (Bu./A)	Value (\$/A)		Percent Change
		2018	2019	
Top	204	\$8,668	\$8,212	-5.3%
Average	175	\$7,072	\$7,011	-0.9%
Poor	147	\$5,407	\$5,405	0.0%

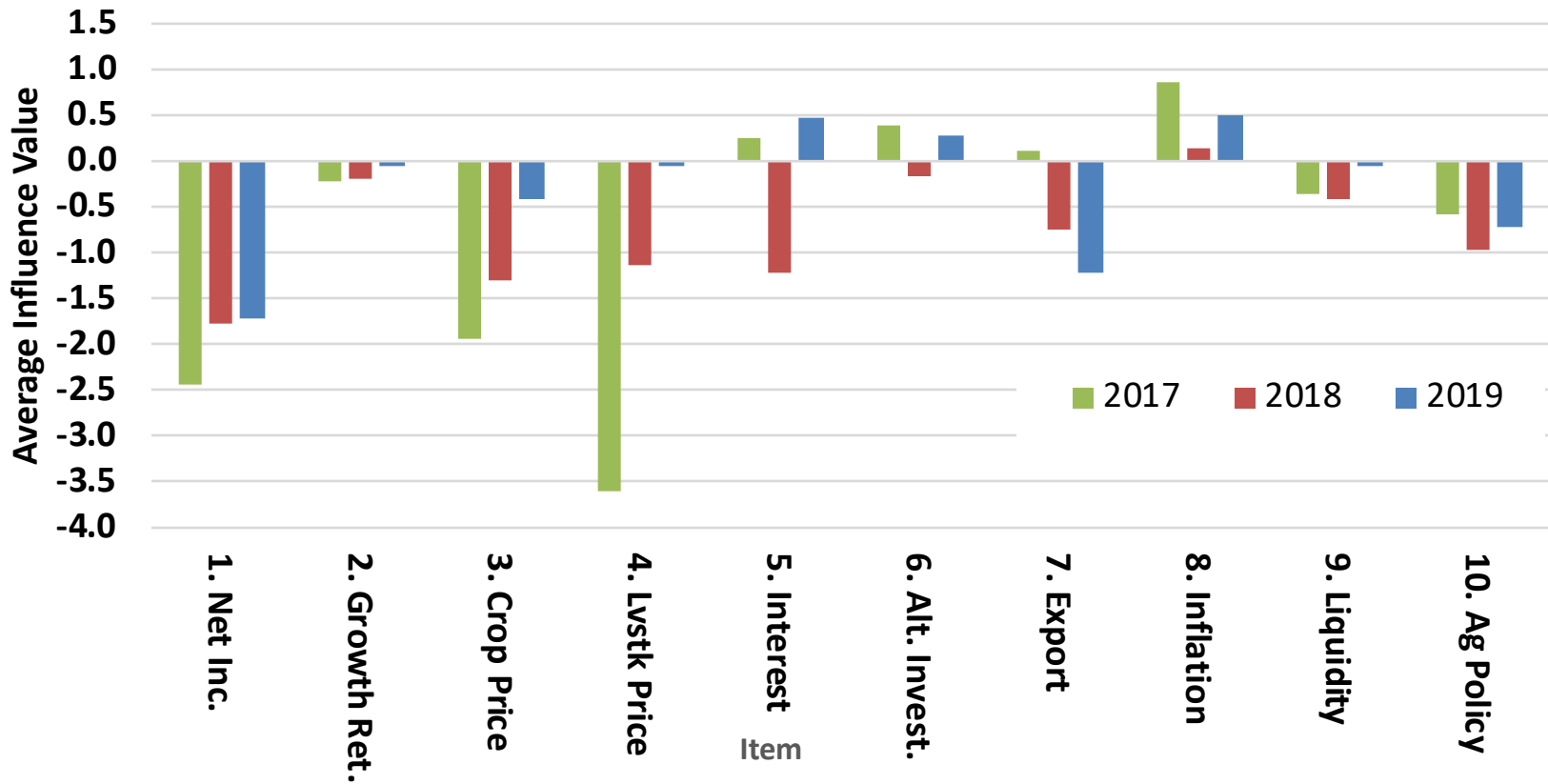
# 2019 Six-Month Land Value Change State Averages, By Land Quality

Land Quality	6/2018 – 12/2018	12/2018– 6/2019
Top	-3.7%	-1.6%
Average	1.0%	-1.8%
Poor	3.3%	-3.2%

# Indiana Farmland Values 1970 – 2019, Average Quality Land



# Survey Respondents View of Land Value Drivers



# Indiana Land Value Change

## Actual and Forecast

Land Quality	12/2018 - 6/2019 (Actual)	6/2019 – 12/2019 (Forecast)
Top	-1.6%	-2.9%
Average	-1.8%	-2.4%
Poor	-3.2%	-2.0%



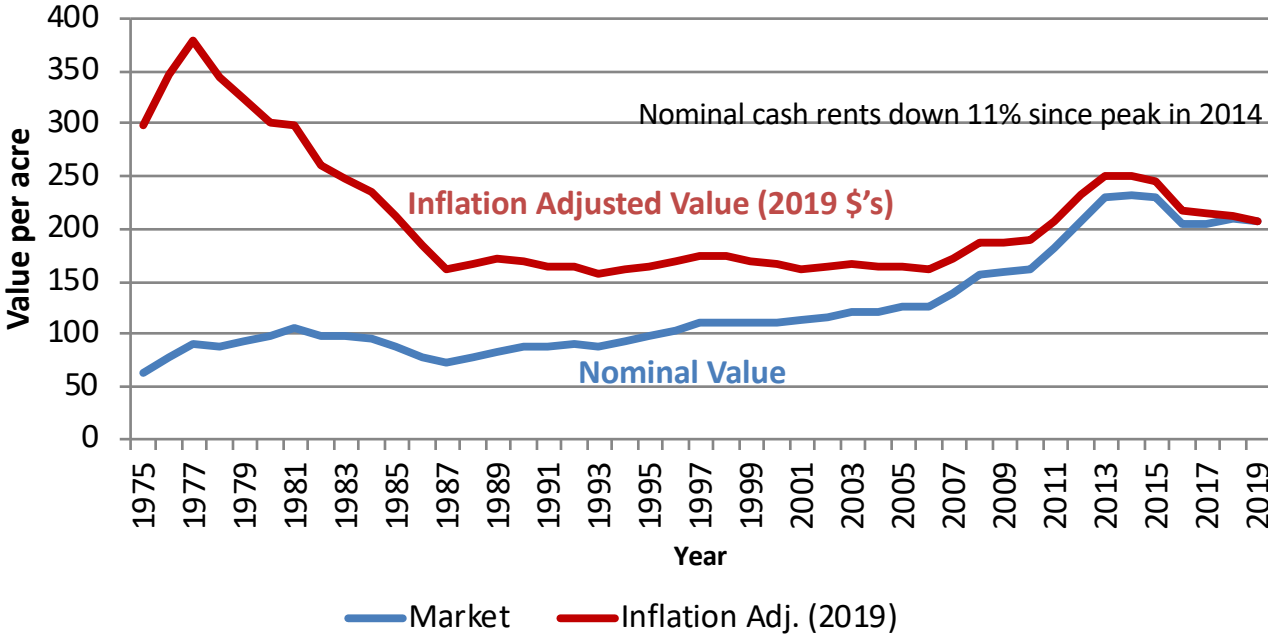


# Cash Rents

# Indiana Cash Rent 2019 Survey Results

Land Quality	Yield (Bu./A)	Value (\$/A)		Percent Change
		2018	2019	
Top	204	\$261	\$249	-4.6%
Average	175	\$210	\$207	-1.4%
Poor	147	\$168	\$166	-1.2%

# Indiana Farmland Cash Rent 1975 – 2019, Average Quality Land



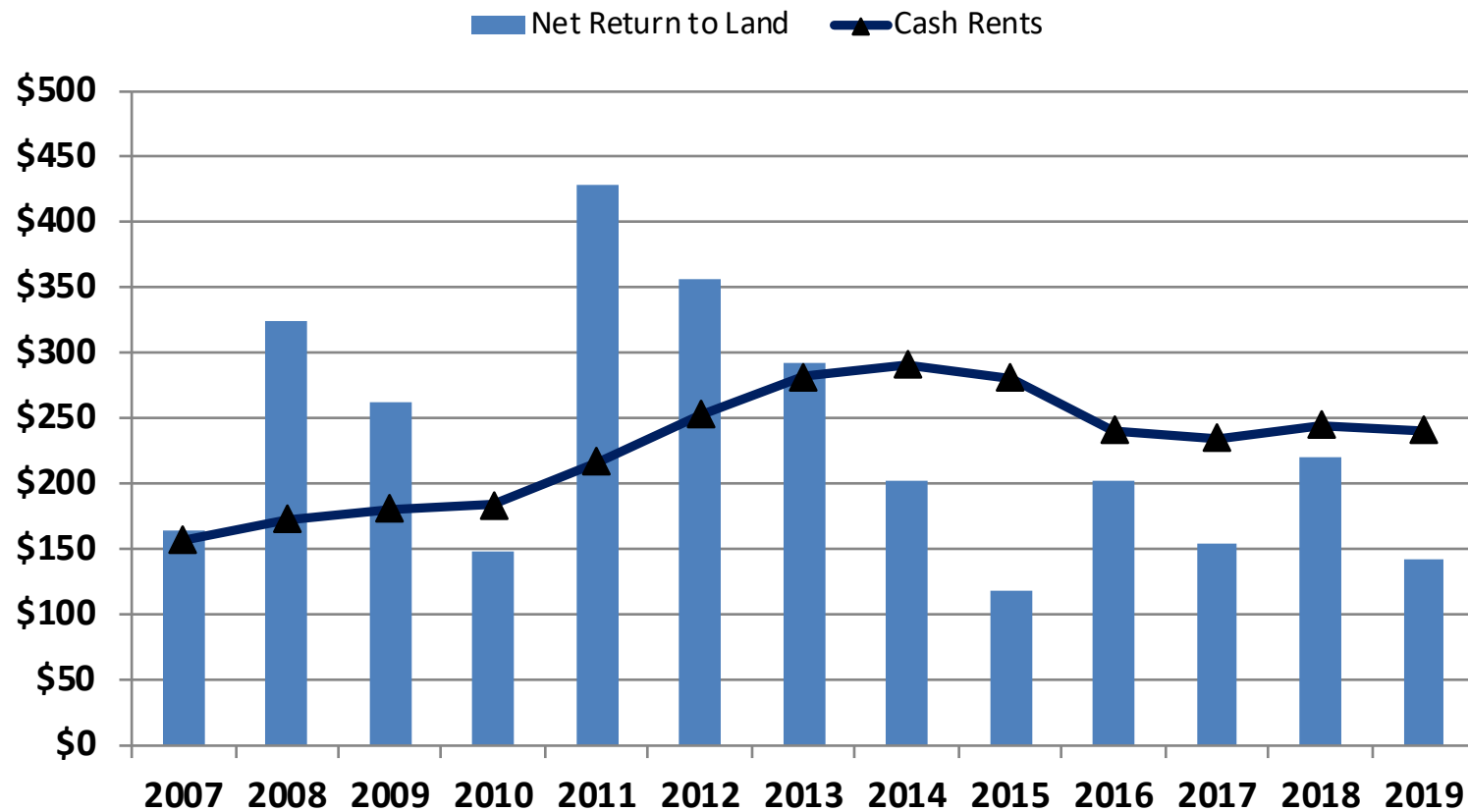
# Short-Term Expectations

- Cash Rent in 2020

Change	% Respondents	Average % Change
Higher	19%	8.4%
No Change	47%	0.0%
Lower	34%	-8.6%

- All = -1.3%

## Cash Rent and Net Return to Land, West Central Indiana



# Cash Rent Summary

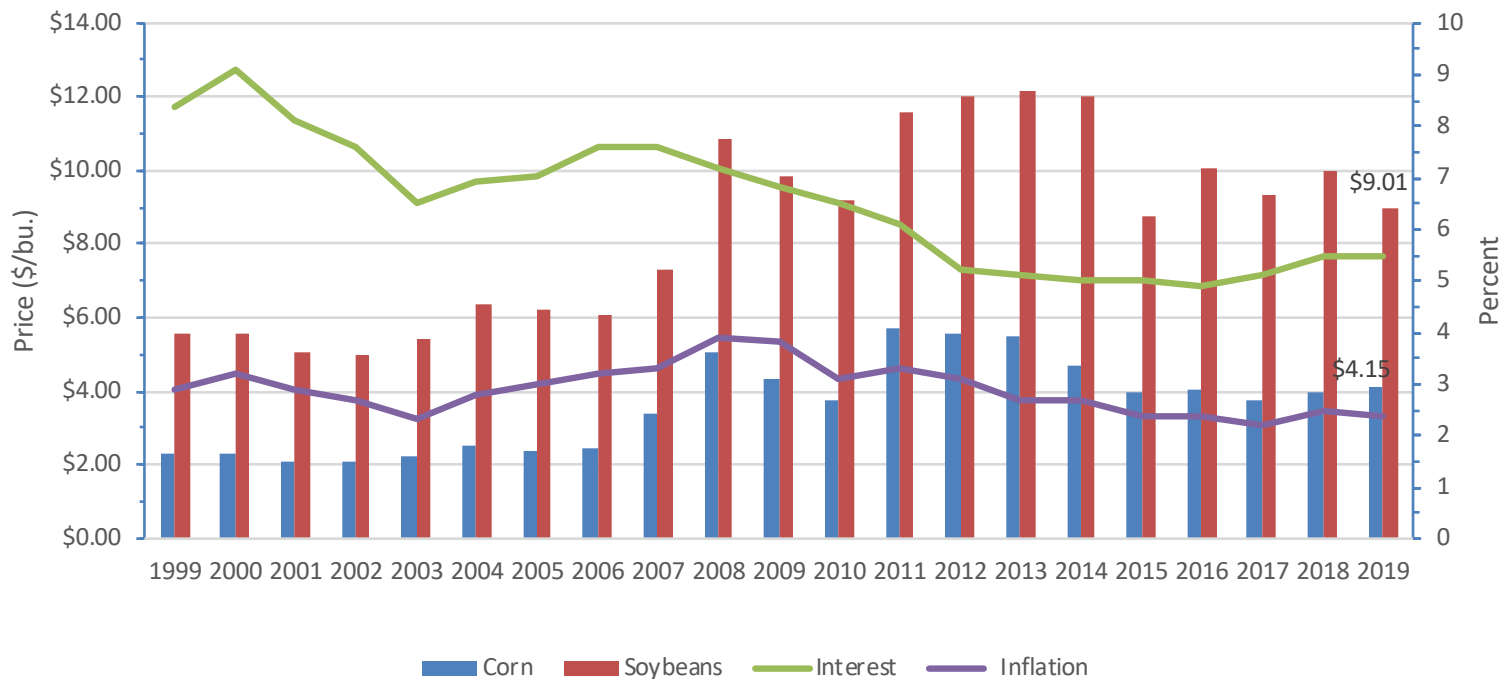
- Cash rents declined 1.2% to 4.6% in 2019
- Respondents expect 2020 rents to decline 1.3%
- Compared to the peak in 2014:
  - Nominal rents down about 11%
  - Inflation adjusted rents down about 18%

# Long-Term Expectations

## Cash Rent and Land Values



# 5-Year Expected Average Values for Corn, Soybeans, Interest Rates & Inflation, By Survey Year



# 5-Year Forecast By Survey Respondents

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

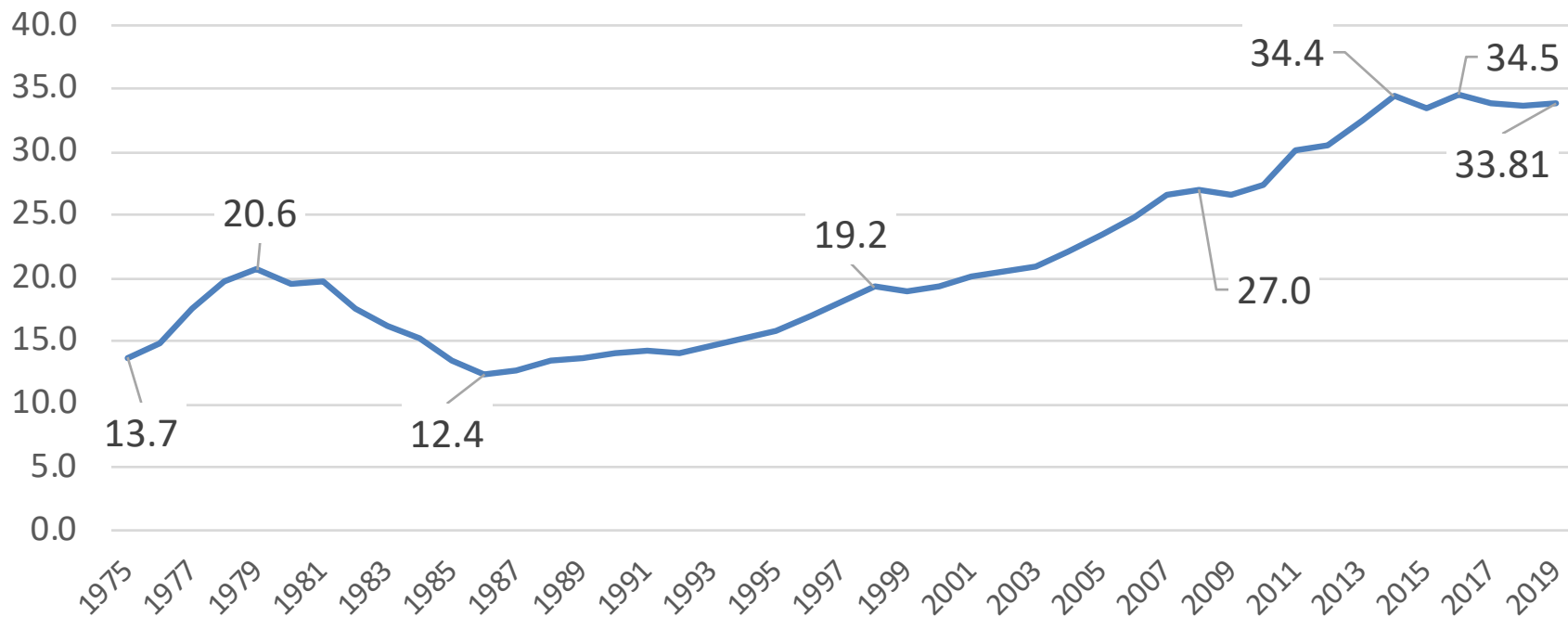
Direction	% Respondents
Increase	87% { 58%
No change	
Decrease	13% } 42%
Overall	100%

# Reasons for Downward Pressure on Cash Rents and Land Values

- **Cash Rents**
  - Relatively low earnings for corn and soybeans
- **Land Values**
  - Decline in cash rent
  - Increase uncertainty in long-term interest rates
  - Increase in trade policy risk
  - Large crop carryovers
  - Relatively high P/rent ratio

# Land Value to Income Multiplier

## 1975-2019, Average Quality Land



# Summary

- Indiana farmland values up and down, -3.7% to 3.3% from June '18 to December '18; Declined 1.6% to 3.2% December '18 to June '19
- For year – Top Quality -5.3%, Average Quality -0.9%, Poor Quality 0%
- Over the next 5-years, respondents outlook remains mixed 58% expect higher values, 13% expect lower, and 29% expect no change

# Summary

- Cash rents declined 1.2% to 4.6% in 2019
- 47% of the respondents expect 2020 rents to be the same in 2020
  - 19% of the respondents expect an increase
  - 34% of the respondents expect a decline
- The value-to-income multiple remains high at 33.8
- Strengths of farmland market
  - Limited supply, historically low interest rates
- Weaknesses of farmland markets
  - Farm incomes, commodity prices, trade policy, ag policy

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September 13, 2019; 12:30 pm EDT**

**2019 Crop Outlook Following USDA's  
September Crop Production report**

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