INDIANA FARMLAND VALUES AND CASH RENTS - 2020 UPDATE

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Purdue Farmland Value Survey

- Survey conducted annually in June since 1970
- Respondents: rural appraisers, ag lenders, farm managers, and farmers
- Information collected:
  - Land values December 2019, June 2020, December 2020 (projection)
  - Top, average, and poor quality land
  - Annual cash rental rate
  - Long-term corn yield (productivity)
**Indiana Farmland Values**

2020 Survey Results, State Averages by Land Quality

June 2020 vs. June 2019

<table>
<thead>
<tr>
<th>Land Quality</th>
<th>Yield (Bu/Ac)</th>
<th>2019 Value ($/A)</th>
<th>2020 Value ($/A)</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top</td>
<td>207</td>
<td>$8,212</td>
<td>$8,579</td>
<td>4.5%</td>
</tr>
<tr>
<td>Average</td>
<td>180</td>
<td>$7,101</td>
<td>$7,236</td>
<td>3.2%</td>
</tr>
<tr>
<td>Poor</td>
<td>152</td>
<td>$5,405</td>
<td>$5,746</td>
<td>6.3%</td>
</tr>
</tbody>
</table>
## 2020 Six-Month Land Value Change

2020 Survey Results, State Averages by Land Quality
June 2019 vs. December 2019 and December 2019 vs. June 2020

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Top</td>
<td>5.5%</td>
<td>−1.0%</td>
</tr>
<tr>
<td>Average</td>
<td>5.0%</td>
<td>−1.7%</td>
</tr>
<tr>
<td>Poor</td>
<td>8.7%</td>
<td>−2.2%</td>
</tr>
</tbody>
</table>
Indiana Farmland Values

1970 – 2020, Average Quality Land

Inflation Adjusted (2020 $’s)
### Survey Respondents View of Factors Influencing Current Farmland Values

<table>
<thead>
<tr>
<th>Positive Influences on Farmland Values</th>
<th>Negative Influences on Farmland Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Low interest rates</td>
<td>- Low crop prices</td>
</tr>
<tr>
<td>- Low returns on alternative investments</td>
<td>- Low livestock prices</td>
</tr>
<tr>
<td>- Limited supply of land on the market</td>
<td>- Low net returns</td>
</tr>
<tr>
<td>- Inflation</td>
<td>- Poor liquidity</td>
</tr>
</tbody>
</table>

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### Projected Land Value Changes

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Top</td>
<td>−1.0%</td>
<td>−1.5%</td>
</tr>
<tr>
<td>Average</td>
<td>−1.7%</td>
<td>−2.0%</td>
</tr>
<tr>
<td>Poor</td>
<td>−2.2%</td>
<td>−3.0%</td>
</tr>
</tbody>
</table>
Farmland Buyers Are Expecting Future Net Returns to Land to Be Higher Than Most Recent 5 Years & Historically Low Interest Rates
Farmland Buyers Seem To Be Using 10-Year Average Net Returns to Land & Continuation of Historically Low Interest Rates

Ten-Year Moving Average of Cyclically Adjusted P/Cash Rent & P/Net Return to Land, 1960 to 2020
Comparison with USDA Land Values

2000 – 2020, Average Quality Indiana Land Values (Purdue Survey)
USDA Indiana Cropland & USDA Indiana Farm Real Estate Values

Survey
USDA Cropland
USDA Real Estate
USDA’s Estimated Corn Belt Cropland Values, 2020 (% Change from 2019)

- **Missouri**: 3,530 (1.1% increase)
- **Iowa**: 7,170 (-1.2% decrease)
- **Illinois**: 7,300 (0% change)
- **Indiana**: 6,210 (0% change)
- **Ohio**: 6,460 (0.9% increase)
I-State Cropland Values

2000 – 2020, USDA Estimated Cropland Values, per acre

<table>
<thead>
<tr>
<th>Year</th>
<th>Illinois</th>
<th>Iowa</th>
<th>Indiana</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$6,940</td>
<td>$7,660</td>
<td>$7,170</td>
</tr>
<tr>
<td>2005</td>
<td>$8,560</td>
<td>$7,300</td>
<td>$6,210</td>
</tr>
<tr>
<td>2010</td>
<td>$7,660</td>
<td>$7,170</td>
<td>$6,210</td>
</tr>
<tr>
<td>2015</td>
<td>$7,300</td>
<td>$7,170</td>
<td>$6,210</td>
</tr>
<tr>
<td>2020</td>
<td>$7,300</td>
<td>$7,170</td>
<td>$6,210</td>
</tr>
</tbody>
</table>
Land Value Summary

- June 2019 to June 2020
  - Increased in last half of 2019, weakened first half of 2020
- Land values expected to decline modestly in second half of 2020
- Key drivers: farm income (−), commodity prices (−), interest rates (+), limited supply (+)
Cash Rents
## Indiana Cash Rents

### 2020 Survey Results, State Averages by Land Quality

**June 2020 vs. June 2019**

<table>
<thead>
<tr>
<th>Land Quality</th>
<th>Yield (Bu/Ac)</th>
<th>2019 Value ($/A)</th>
<th>2020 Value ($/A)</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top</td>
<td>204</td>
<td>$249</td>
<td>$259</td>
<td>4.0%</td>
</tr>
<tr>
<td>Average</td>
<td>175</td>
<td>$207</td>
<td>$217</td>
<td>4.8%</td>
</tr>
<tr>
<td>Poor</td>
<td>147</td>
<td>$166</td>
<td>$175</td>
<td>5.4%</td>
</tr>
</tbody>
</table>
Indiana Cash Rents
1975 – 2020, Average Quality Land

Inflation Adjusted (2020 $’s)

Nominal
Real

$206
$217


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Cash rent to land value ratio

1975 – 2020, Average Quality Land

Rent/Value Percent

Mean = 5.15%

4.8%

8.1%

3.0%
USDA Corn Belt Cash Rents, 2020

- Illinois: 222 (-0.9)
- Missouri: 130
- Indiana: 194
- Ohio: 156 (0.6)
I-State Cash Rents

2000 – 2020, USDA per acre cash rent

- Iowa
- Illinois
- Indiana

$230
$222
$194
Cash Rent Summary

- Increased 4.0% to 5.4%
- Cash rent to land value ratio held steady at 3.0%
Cash Rent and Net Return to Land, West Central Indiana

2020 Net Returns Expected to Put Downward Pressure on 2021 Cash Rental Rates
Full report available on Purdue Center for Commercial Agriculture’s web site

Purdue.edu/commercialag

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AUGUST CROP PRODUCTION REPORT PANEL
WEDNESDAY, AUGUST 12, 2020 @ 1:30 P.M. (EDT)