

INDIANA FARMLAND VALUES AND CASH RENTS - 2020 UPDATE

Todd Kuethe, Associate Professor & Schrader Endowed Chair of Farmland Economics

Michael Langemeier, Professor & Associate Director, Center for Commercial Agriculture

James Mintert, Professor & Director, Center for Commercial Agriculture



Center for Commercial Agriculture

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

Land Quality	Yield (Bu/Ac)	2019 Value (\$/A)	2020 Value (\$/A)	Percent Change
Top	207	\$8,212	\$8,579	4.5%
Average	180	\$7,101	\$7,236	3.2%
Poor	152	\$5,405	\$5,746	6.3%

2020 Six-Month Land Value Change

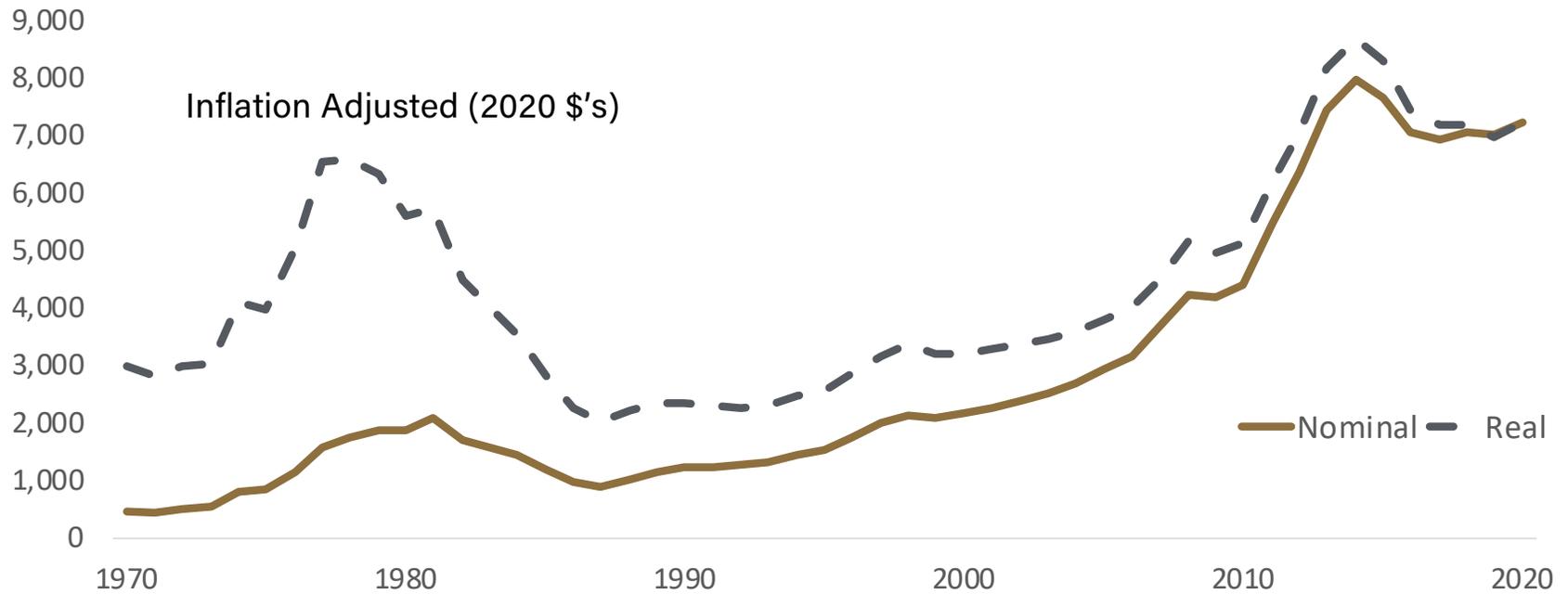
2020 Survey Results, State Averages by Land Quality

June 2019 vs. December 2019 and December 2019 vs. June 2020

Land Quality	6/2019 – 12/2019	12/2019 – 6/2020
Top	5.5%	-1.0%
Average	5.0%	-1.7%
Poor	8.7%	-2.2%

Indiana Farmland Values

1970 – 2020, Average Quality Land



Survey Respondents View of Factors Influencing Current Farmland Values

Positive Influences on Farmland Values

- Low interest rates
- Low returns on alternative investments
- Limited supply of land on the market
- Inflation

Negative Influences on Farmland Values

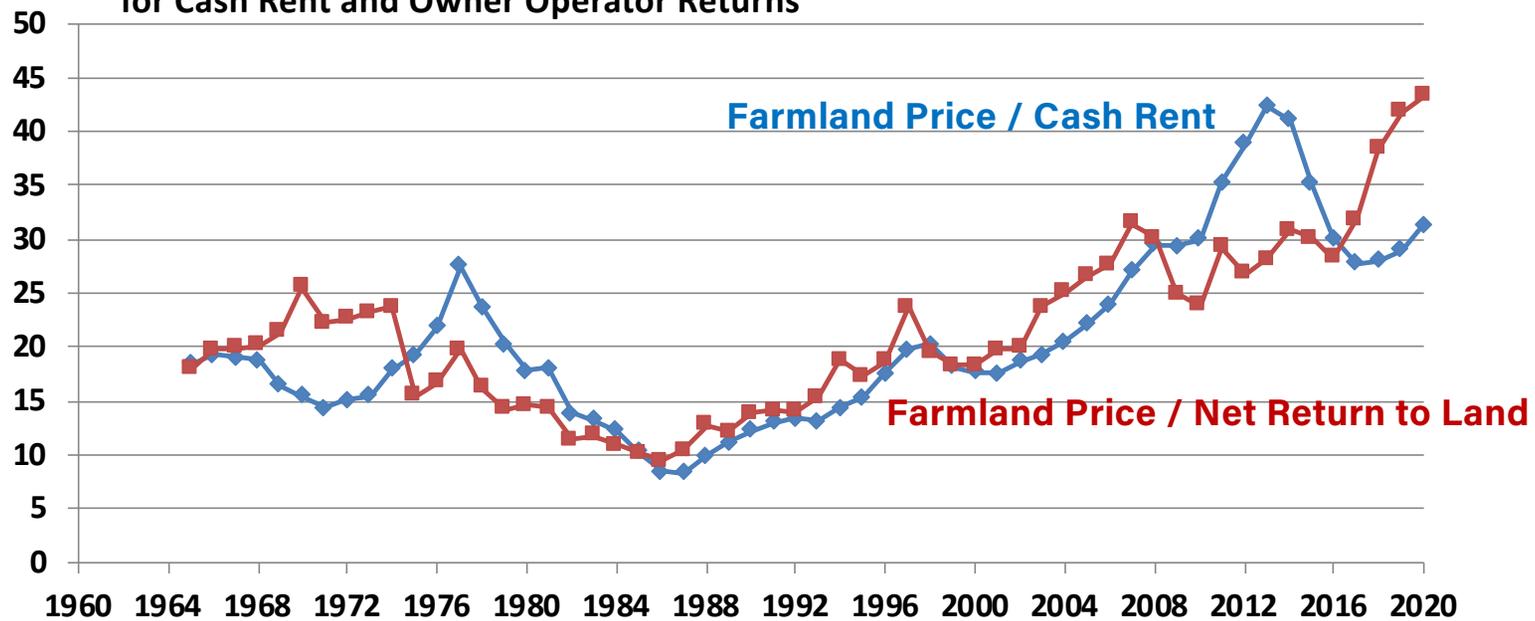
- Low crop prices
- Low livestock prices
- Low net returns
- Poor liquidity

Projected Land Value Changes

Land Quality	12/2019 – 6/2020 (Actual)	6/2020 – 12/2020 (Projected)
Top	-1.0%	-1.5%
Average	-1.7%	-2.0%
Poor	-2.2%	-3.0%

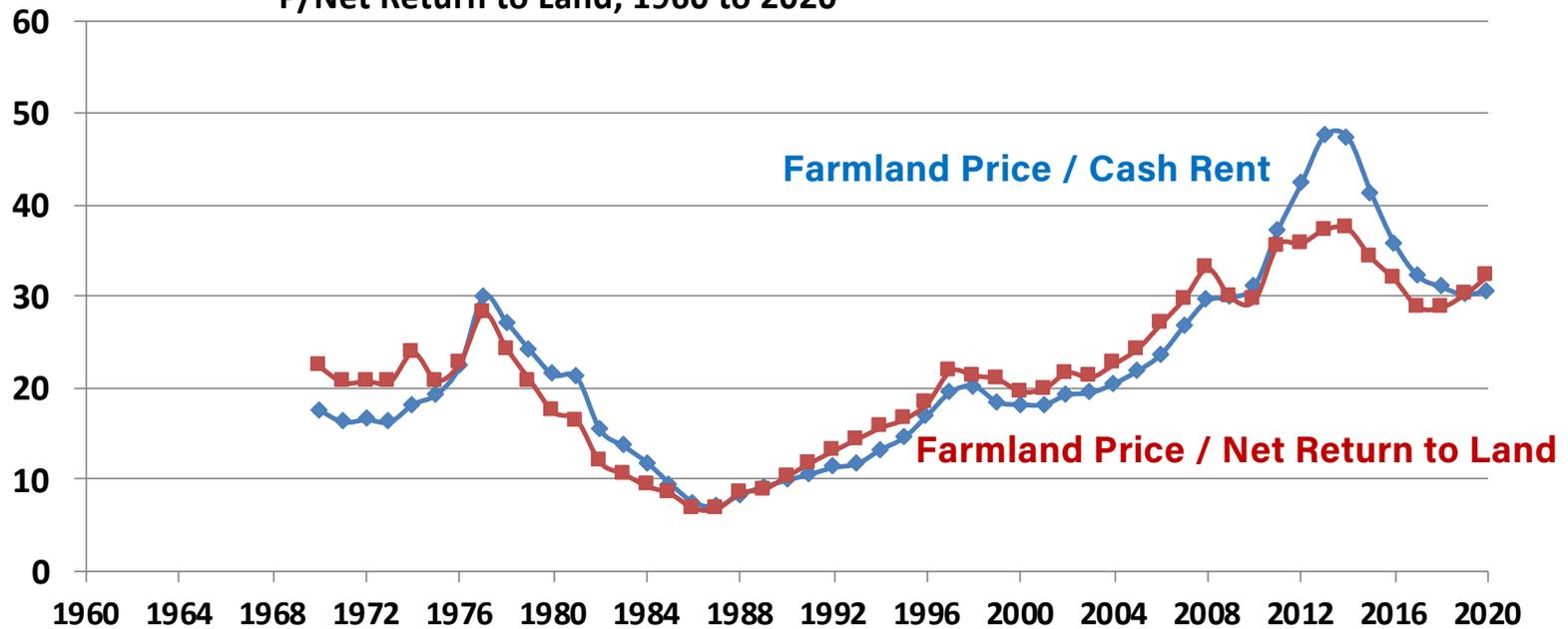
Farmland Buyers Are Expecting Future Net Returns to Land to Be Higher Than Most Recent 5 Years & Historically Low Interest Rates

Five-Year Moving Average Cyclically Adjusted Price to Earnings Multiples for Cash Rent and Owner Operator Returns



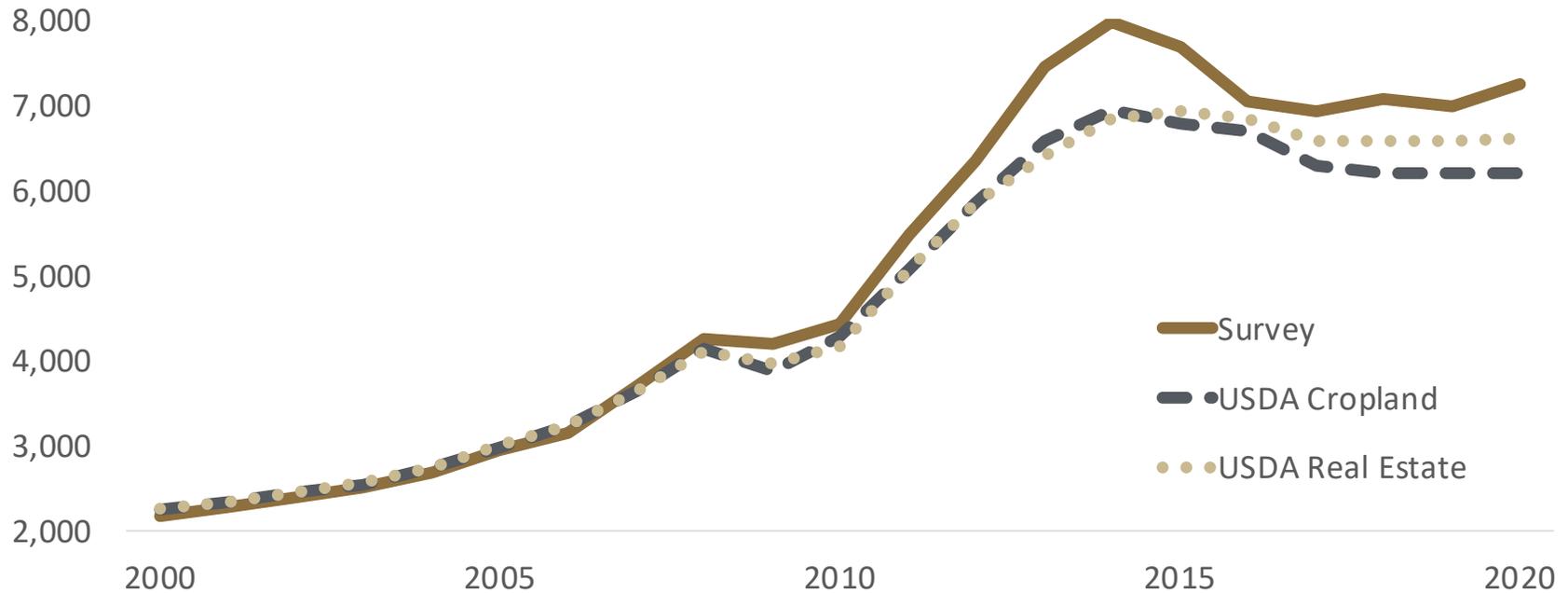
Farmland Buyers Seem To Be Using 10-Year Average Net Returns to Land & Continuation of Historically Low Interest Rates

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

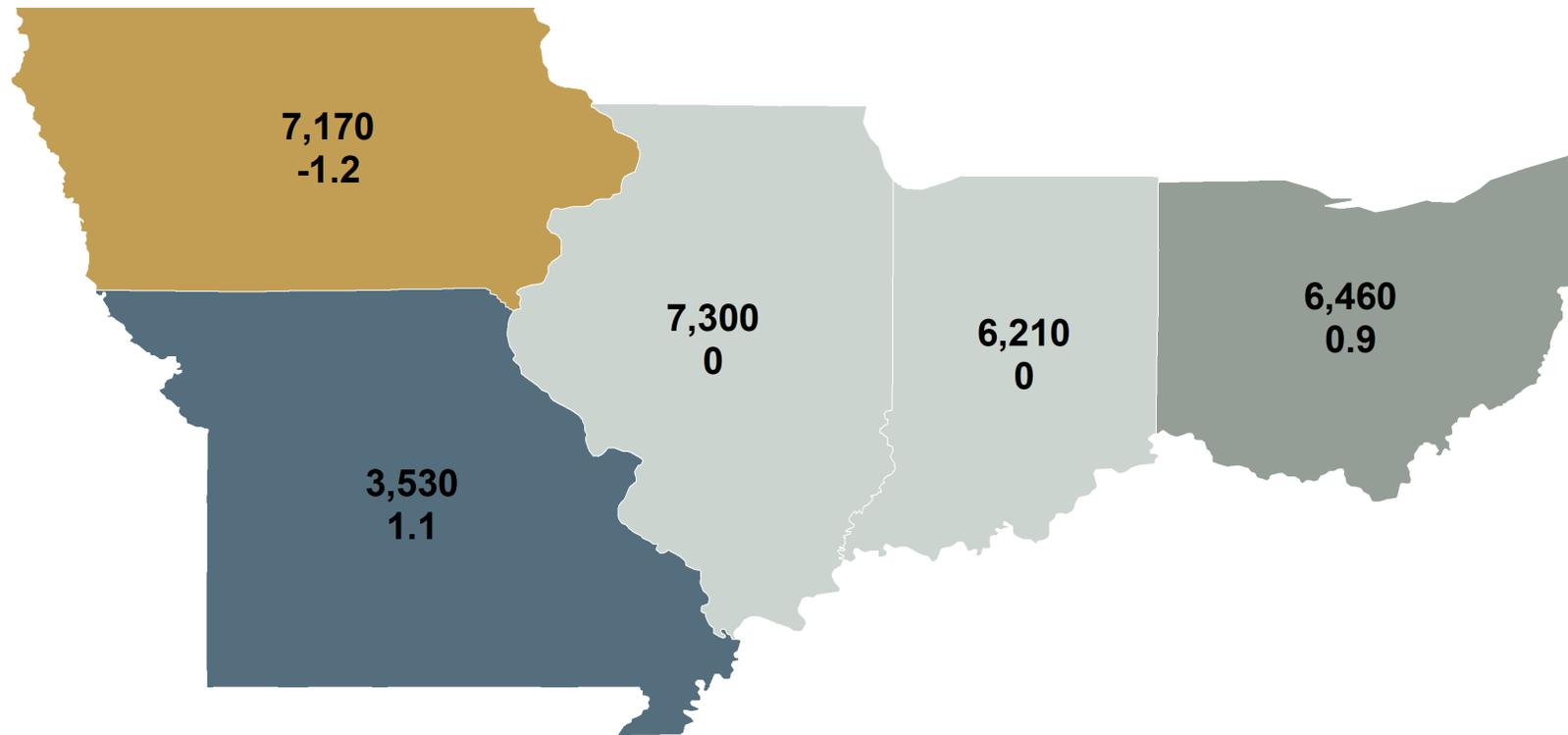


Comparison with USDA Land Values

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

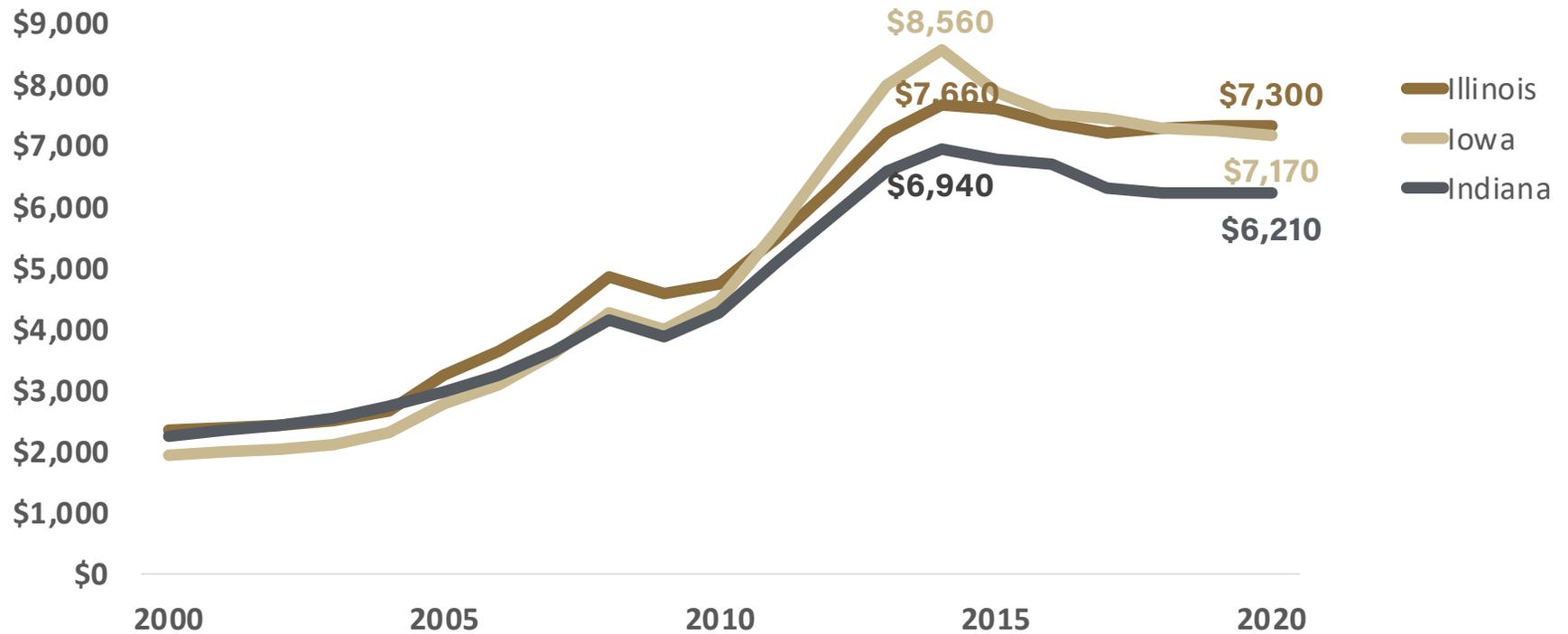


USDA's Estimated Corn Belt Cropland Values, 2020 (% Change from 2019)



I-State Cropland Values

2000 – 2020, USDA Estimated Cropland Values, per acre



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

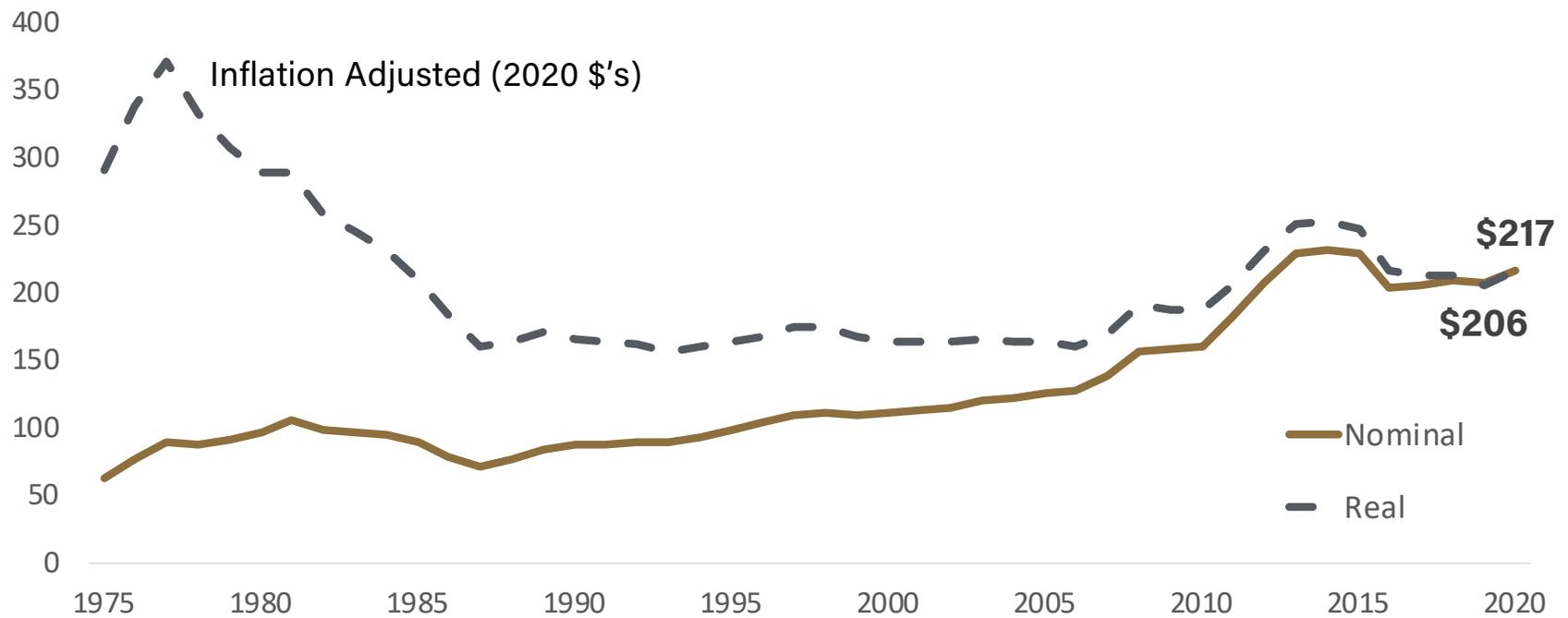
2020 Survey Results, State Averages by Land Quality

June 2020 vs. June 2019

Land Quality	Yield (Bu/Ac)	2019 Value (\$/A)	2020 Value (\$/A)	Percent Change
Top	204	\$249	\$259	4.0%
Average	175	\$207	\$217	4.8%
Poor	147	\$166	\$175	5.4%

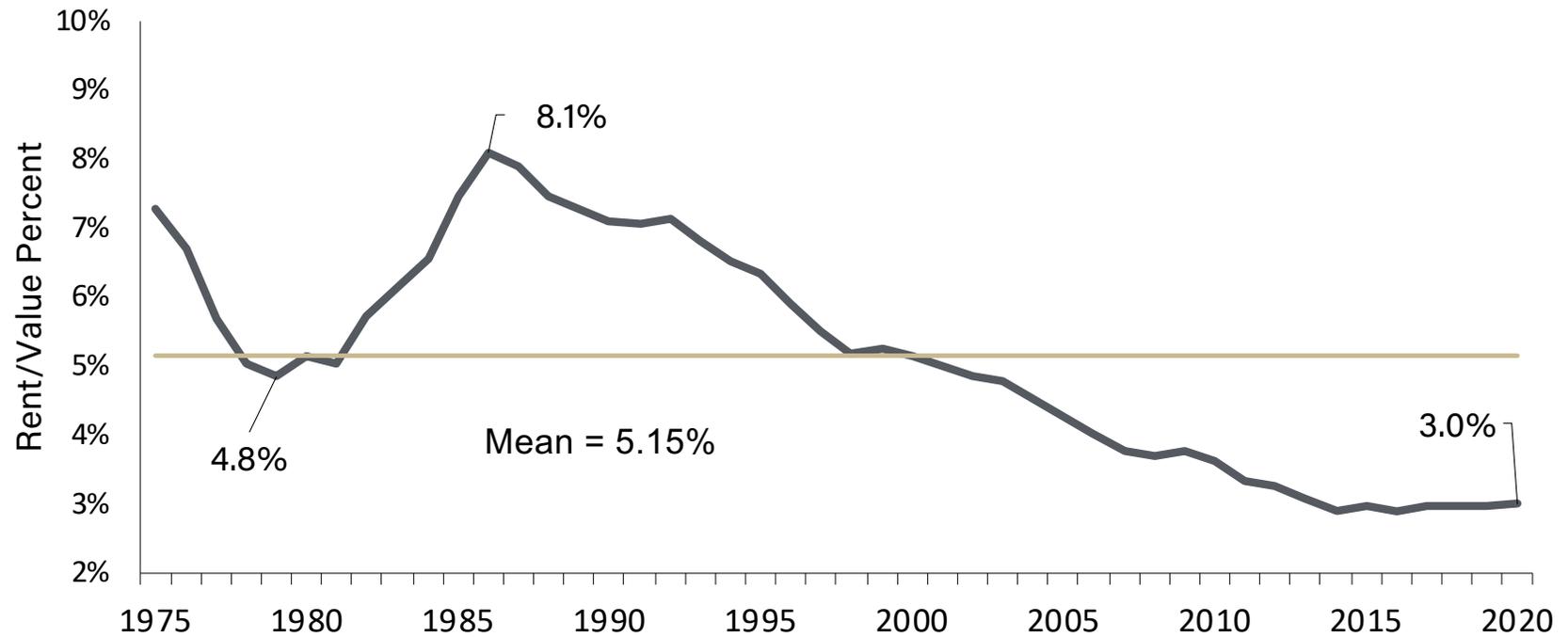
Indiana Cash Rents

1975 – 2020, Average Quality Land

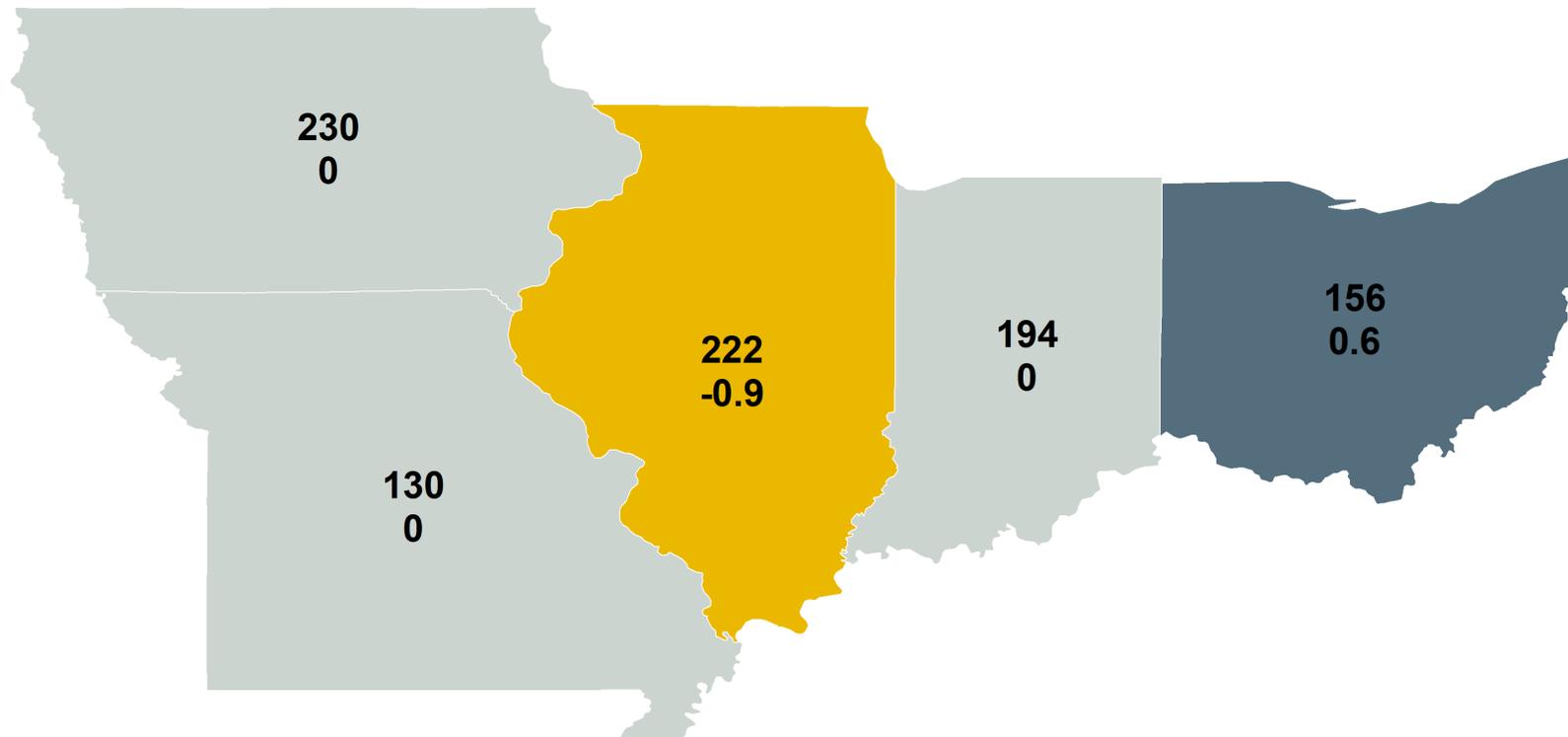


Cash rent to land value ratio

1975 – 2020, Average Quality Land

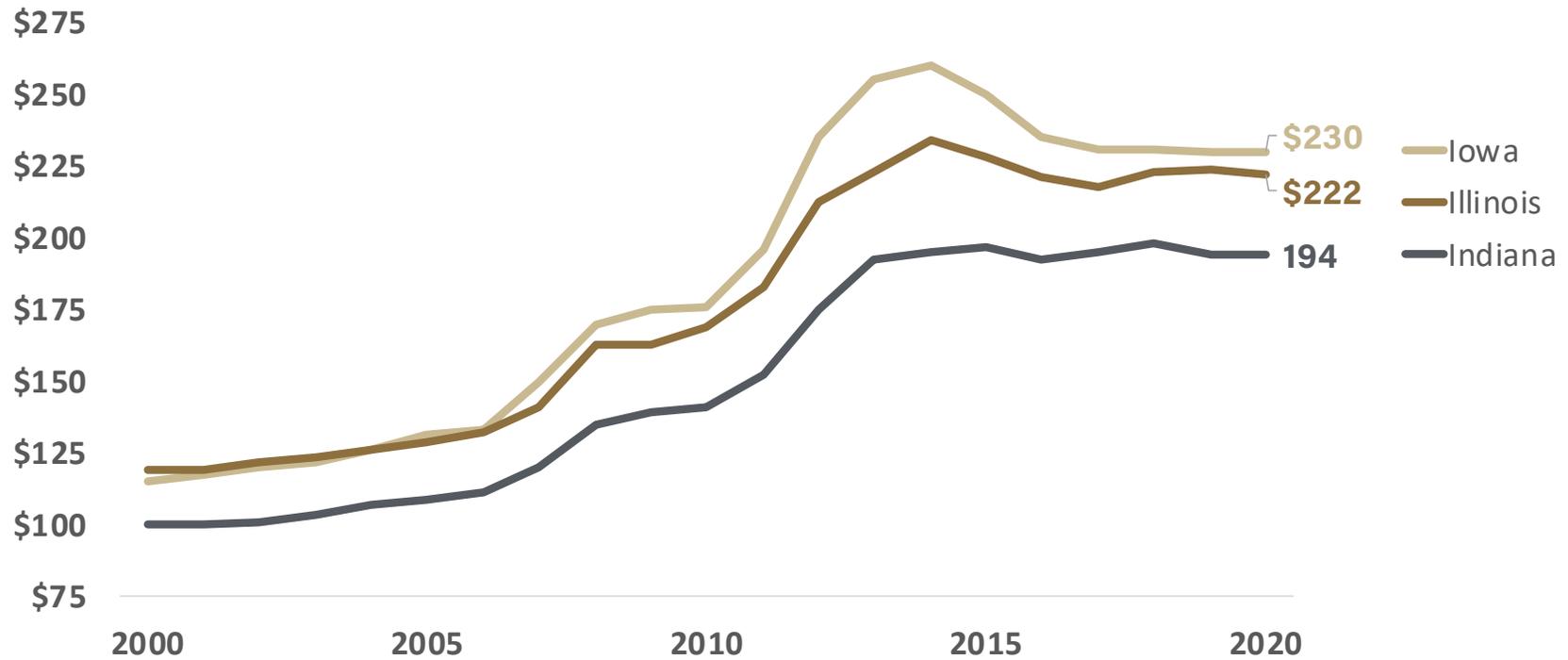


USDA Corn Belt Cash Rents, 2020



I-State Cash Rents

2000 – 2020, USDA per acre cash rent

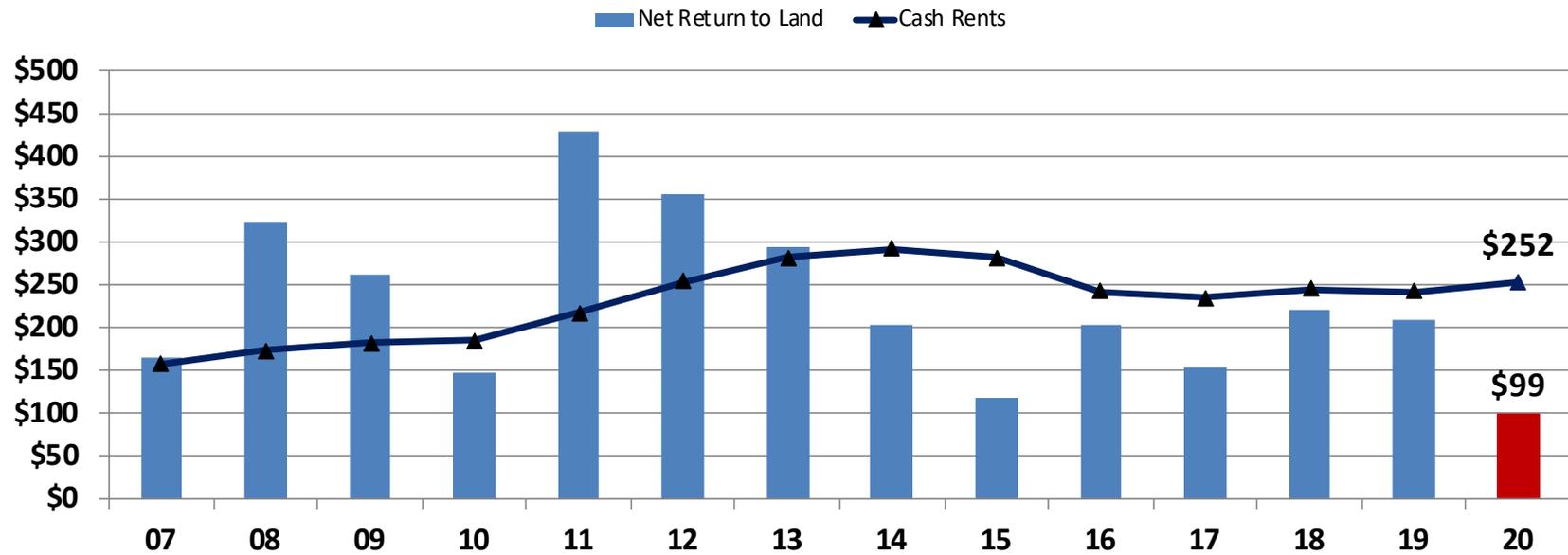


Cash Rent Summary

- Increased 4.0% to 5.4%
- Cash rent to land value ratio held steady at 3.0%

2020 Net Returns Expected to Put Downward Pressure on 2021 Cash Rental Rates

Cash Rent and Net Return to Land, West Central Indiana



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)**



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