

AUGUST 2026

PURDUE AGRICULTURAL ECONOMICS REPORT

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Farmland Values Survey 2026

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Indiana's Farmland Market Holds Steady as Regions Swap Places

Todd Kuethe, Schrader Chair in Farmland Economics & Professor of Agricultural Economics

Statewide farmland prices were fairly stable in 2026 with slight rises and falls across quality grades, according to the latest Purdue Farmland Values and Cash Rent Survey. The average price of top quality farmland is \$14,909, up 0.6 percent from June 2025 (Table 1a). The average price of average quality farmland, on the other hand, declined by 1.1 percent from June 2025, at \$12,121 per acre. The average price of poor quality farmland dipped even further, at 3.1 percent to \$9,460. This adjustment follows modest statewide gains in 2024 and 2025 that, as in 2026, masked significant divergence across regions. The farmland market across Indiana most closely mirrors the experiences of 2014 to 2019, where prices moderated following the boom of 2007 to 2013.

Table 1a

Average estimated Indiana land value¹ per acre (tillable, bare land), statewide, June 2026

Class	Corn Bu/A	Land Value						Land Value/bu		Projected Land Value	
		June 2025	Dec 2025	June 2026	% change 6/25- 6/26	% change 6/25- 12/26	% change 12/25- 6/26	\$/bu 2025	\$/bu 2026	Dec 2026	% change 6/26- 12/26
Top	237	14,826	15,182	14,909	0.6	-0.1	-1.8	64.45	62.92	14,809	-0.7
Average	208	12,254	12,345	12,121	-1.1	-2.1	-1.8	61.51	58.25	11,992	-1.1
Poor	179	9,761	9,747	9,460	-3.1	-4.2	-2.9	57.46	52.88	9,355	-1.1
Transition ²		29,043	26,981	27,260	-6.1	-5.1	1.0			27,567	1.1
Recreation ³		9,542	9,277	9,043	-5.2	-5.6	-2.5			9,009	-0.4

Footnotes:

¹ The land values contained in this summary represent averages over several different locations and soil types. Determining the value for a specific property requires more information than is contained in this report and should include an evaluation by a professional appraiser.

² Transition land is land moving out of production agriculture into other, typically higher value, uses.

³ Recreation land is land located in rural areas used for hunting and other recreational uses.

At the regional level, farmland prices exhibited more pronounced changes, but similar to the 2014 to 2019 adjustment period, both positive and negative adjustments were observed across regions and quality grades (Table 1b). There are caveats that must be made, especially in times of adjustment, when interpreting the regional information. First, the regions may mask some of the variability across or within counties or localized impacts. This year, several respondents specifically noted high variation within their local areas — for example, differences in the pace of nearby development or in how many potential buyers remain active in a given pocket of a region. Second, the reported estimates are averages, which do not capture the dispersion of prices. Finally, the number of responses in each region is modest, so these values should be interpreted with caution. This final point is discussed in more detail at the end of the report, including opportunities for new respondents to join our survey pool.

Table 1b*Average estimated Indiana land value per acre (tillable, bare land) by geographic area, June 2026*

Area	Class	Corn Bu/A	June 2025	June 2026	% change 6/25-6/26	Projected Dec 2026	% change 6/26-12/26	Responses
North	Top	246	15,389	14,400	-6.4	14,500	0.7	14*
	Average	213	12,333	10,900	-11.6	10,550	-3.2	
	Poor	183	9,222	8,417	-8.7	8,300	-1.4	
Northeast	Top	234	15,909	13,696	-13.9	13,867	1.2	33
	Average	207	13,791	11,436	-17.1	11,377	-0.5	
	Poor	179	11,032	9,277	-15.9	9,217	-0.6	
W. Central	Top	242	14,388	14,975	4.1	14,570	-2.7	27
	Average	214	11,731	12,458	6.2	12,160	-2.4	
	Poor	185	10,135	10,025	-1.1	9,620	-4.0	
Central	Top	236	15,548	15,730	1.2	15,545	-1.2	38
	Average	207	13,192	13,432	1.8	13,424	-0.1	
	Poor	178	10,567	10,476	-0.9	10,429	-0.5	
Southwest	Top	224	14,233	15,750	10.7	15,857	0.7	13*
	Average	192	10,825	10,875	0.5	10,714	-1.5	
	Poor	159	7,488	7,250	-3.2	7,000	-3.4	
Southeast	Top	--	10,417	10,500	0.8	10,500	0.0	2*
	Average	--	8,167	8,500	4.1	8,500	0.0	
	Poor	--	6,083	8,000	31.5	8,000	0.0	

**Limited responses; Interpret with caution*

Figure 1

*County clusters used in Purdue Land Values
survey to create geographic regions*



With these caveats in mind, the North and Northeast posted the steepest declines in 2026, falling by 6.4 to 11.6 percent in the North and 13.9 to 17.1 percent in the Northeast. It is important to note that in 2025, these regions exhibited the highest percentage increases. The Southwest region posted the largest price increases in 2026, with top quality at 10.7 percent, continuing the seesaw pattern of decline, rise, and decline beginning in 2023. Farmland prices in the Southeast region also increased after declining in both 2025 and 2024. Thus, the Indiana farmland market may still be adjusting to the dramatic shift of the 2020 to 2022 boom, as regions with the strongest prior price increases are now witnessing the most pronounced softening, and vice versa.

On a statewide basis, the value of land transitioning out of agricultural production (Table 1a) continued to decline to \$27,260 per acre, down 6.1 percent from 2025. Again, a couple of caveats are worth noting. First, the survey asks for the average value of land “transitioning out of production agriculture and moving into residential, commercial, or industrial uses.” Many of our respondents noted that lumping residential, commercial, and industrial use is difficult given the wide disparity in development pressure across these activities. Second, these statewide estimates again mask regional variability. Many respondents noted the pressures of large-scale development projects in their areas, while at least one other said there is “VERY little development demand” in their market area. The price of recreational lands across the state also declined, to \$9,043, down 5.2 percent from 2025.

Farmland Market Forces

Respondents were asked to evaluate the importance of eleven market forces that may potentially influence the farmland market: (1) current net farm income, (2) expected growth rate in farm returns, (3) crop price level and outlook, (4) livestock price level and outlook, (5) current and expected interest rates, (6) returns to alternative investments, (7) outlook for U.S. agricultural export sales, (8) U.S. inflation rate, (9) cash liquidity of buyers, (10) current U.S. agricultural policy, and (11) farmland conversion to other uses. Respondents rate each market force on a scale of -5 to +5, with -5 being the strongest negative influence. A positive influence is given a value between 1 and 5, with 5 representing the strongest positive influence. A score of 0 indicates the force was not influential. An average for each item was calculated, and averages for 2024, 2025, and 2026 are included in Figure 2.

The downward pressure of a number of market forces intensified between 2025 and 2026, such as crop prices, interest rates, and agricultural exports. In addition, several factors that were positive in 2025 are negative in 2026, such as growth in returns and farmer liquidity. Only three market forces placed positive pressure on farmland prices in 2026. The strongest positive forces were livestock prices and land conversion. Inflation is characterized as a positive but moderate force.

The amount of land on the market also appears stable in 2026 (Figure 3). While the number of respondents reporting “more” continues to grow, “same” remains the dominant response. At least one respondent noted that in their market area, “same” means “basically NO land changing hands.” Several respondents suggested that the pool of interested buyers is shrinking, as buyers express uncertainty, and at least one suggests that “potential sellers appear to be delaying the marketing of their properties in anticipation of a return to higher land values.”

Figure 2

Influence of drivers of Indiana farmland values

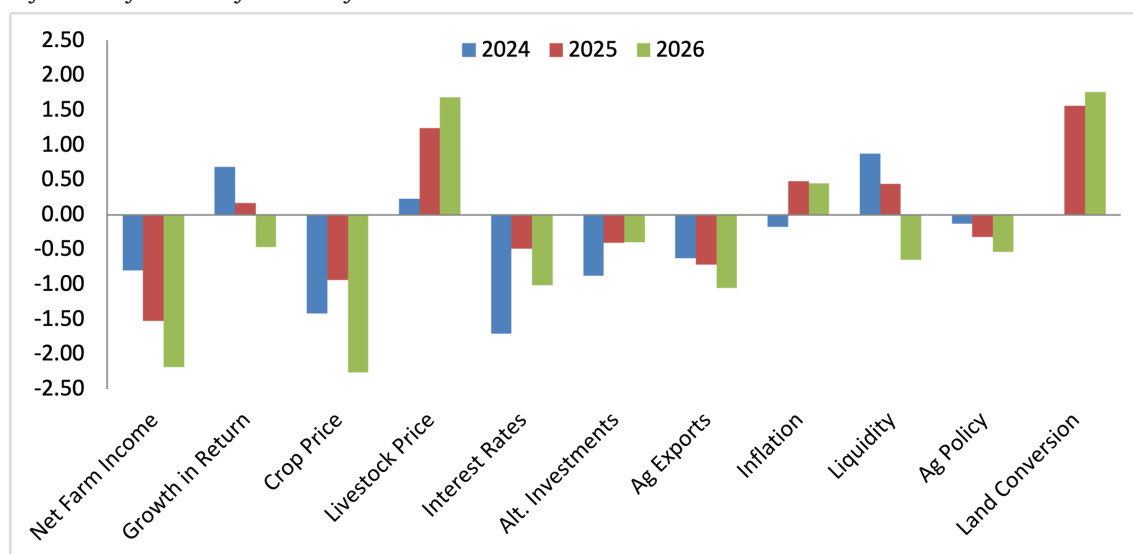
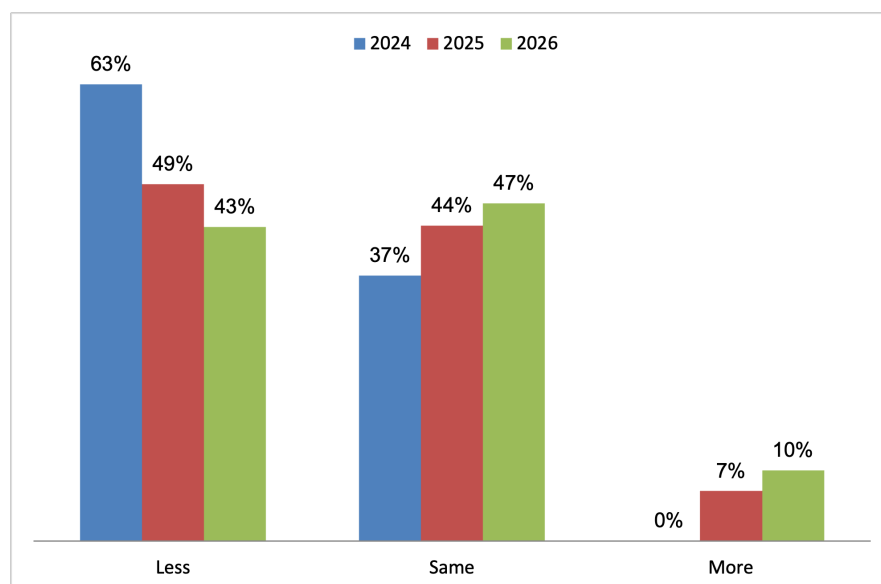


Figure 3

Percentage of respondents indicating less, same, or more farmland on the market than in the previous June



Five-Year Forecasts

Respondents were again asked to forecast the five-year average corn price, soybean price, mortgage rate, and inflation (Table 2). Respondents grew a bit more optimistic about long-run commodity prices, increasing corn prices to \$5.05 and soybean prices to \$12.05. These values, however, are still well below the expectations just a few years ago. Conversely, respondents appear more pessimistic about mortgage rates and inflation, increasing to 6.44% and 3.47%, respectively.

Table 2

Projected five-year average corn and soybean prices, mortgage interest, and inflation

Year	Price (\$/bu)		Rate (%)	
	Corn	Soybeans	Interest	Inflation
2022	5.65	12.84	6.41	5.76
2023	5.55	12.81	6.76	4.47
2024	5.02	12.44	6.58	3.73
2025	4.91	11.53	6.28	2.99
2026	5.05	12.05	6.44	3.47
Average	5.24	12.33	6.49	4.08

Cash Rent

Statewide cash rental rates for top quality land declined by 4.1 percent to \$305 per acre (Table 3a). Rates also declined for average quality land by 1.4 percent to \$260 per acre. On the other hand, cash rental rates for poor quality land increased by 3.3 percent to \$214 per acre. With the same caveats as farmland prices, cash rents varied across quality grades and regions (Table 3b). For example, rental rates fell for all three quality grades in the Central region and rose across all three quality grades in the Southeast region. However, in all other regions, some quality grades increased while others decreased.

Table 3a

Average estimated Indiana cash rent per acre (tillable, bare land), statewide, 2025 and 2026

Class	Corn Bu/A	Rent/Acre 2025	Rent/Acre 2026	% Change 25-26	Rent/Bu of Corn 2025	Rent/Bu of Corn 2026	Rent as % of June Land Value 2025	Rent as % of June Land Value 2026
Top	237	318	305	-4.1	1.38	1.29	2.1	2.0
Average	208	264	260	-1.4	1.32	1.25	2.2	2.1
Poor	179	207	214	3.3	1.22	1.20	2.1	2.3

Table 3b*Average estimated cash rent per acre (tillable, bare land) by geographic area, 2025 and 2026*

Area	Class	Corn Bu/A	Rent 2025	Rent 2026	% of Change	Responses
North	Top	246	313	301	-3.9	14*
	Average	213	247	254	3.0	
	Poor	183	179	202	12.7	
Northeast	Top	234	306	304	-0.5	33
	Average	207	253	257	1.7	
	Poor	179	201	212	5.6	
W. Central	Top	242	358	333	-6.9	27
	Average	214	299	289	-3.4	
	Poor	185	239	240	0.3	
Central	Top	236	328	301	-8.2	38
	Average	207	282	260	-7.7	
	Poor	178	223	214	-4.3	
Southwest	Top	224	286	272	-5.1	13*
	Average	192	229	226	-1.3	
	Poor	159	173	184	6.4	
Southeast	Top	--	248	250	0.8	2*
	Average	--	197	208	5.3	
	Poor	--	167	175	4.8	

Limited responses; Interpret with caution*Looking Ahead**

In sum, state-level aggregate farmland prices exhibited relatively modest changes from 2025 to 2026. Respondents suggest that the majority of market forces are placing downward pressure on farmland prices, so it is not surprising that they expect modest declines through the remainder of 2026.

Viewed over the longer horizon, 2026 will likely be viewed as part of a period of adjustment following the short but sharp price boom of 2020 to 2022, when statewide farmland values rose over 60 percent in three years. This period of adjustment is similar in many ways to the 2014 to 2019 adjustment period. The character of this year's divergence — regions moving in sharply different directions, with at least two showing internal splits between quality grades — echoes 2018's "Up, Down, and Sideways" pattern within the prior adjustment period. Whether 2026 occupies a similar late-cycle position within the current adjustment, as 2018 did within 2014 to 2019, is not yet possible to say.

Purdue Farmland Values and Cash Rent Survey

The Purdue Farmland Values and Cash Rent Survey is conducted each June. The survey is possible through the cooperation and contribution of numerous professionals knowledgeable of Indiana's farmland market. These professionals include farm managers, rural appraisers, land brokers, agricultural loan officers, farmers, and Farm Service Agency (FSA) county office directors.

These professionals were selected because their daily work requires they stay well informed about farmland values and cash rents. These professionals provide an estimate of the market value for bare, poor, average, and top quality farmland in December 2025, June 2026, and a forecast for December 2026. To assess the productivity of the farmland, respondents provide an estimate of long-term corn yield for top, average, and poor productivity farmland. Respondents also provide a market value estimate for land transitioning out of agriculture and for recreational land. The survey received 127 responses in 2026; not all respondents provided estimates for every land class or question, as individual respondents may have direct knowledge of only certain land qualities or uses in their area.

The data reported here provide general guidelines regarding farmland values and cash rent. To obtain a more precise value of an individual tract, contact a professional appraiser or farm manager who has a good understanding of the local market.

A Note on Survey Participation

The number of professionals contributing to this survey has declined substantially over its history, from roughly 300 to 400 respondents in the 1990s and 2000s to closer to 100 in recent years, with the decline accelerating over the past several years. This year's tables have been restructured to reflect this reality more transparently: statewide and regional figures are now reported separately, and regional tables include the number of responses underlying each estimate. We believe these changes give readers a clearer sense of which figures should be interpreted with more caution.

We would like to grow the pool of professionals who contribute to this survey, particularly in the Southeast, Southwest, and North regions of the state. If you are a farm manager, rural appraiser, land broker, agricultural loan officer, or other professional with knowledge of farmland values and cash rents in your area, we welcome your participation in next year's survey. Signing up takes less than a minute, and registered respondents will receive an advance copy of next year's report before its public release. Scan the QR code below or visit [<https://bit.ly/4z0DKKZ>] to add your name to next year's invitation list.



PURDUE **AGRICULTURAL ECONOMICS REPORT**

Trends in Farmland Price-to-Rent Ratios in Indiana

Michael Langemeier, Director, Center for Commercial Agriculture & Professor of Agricultural Economics

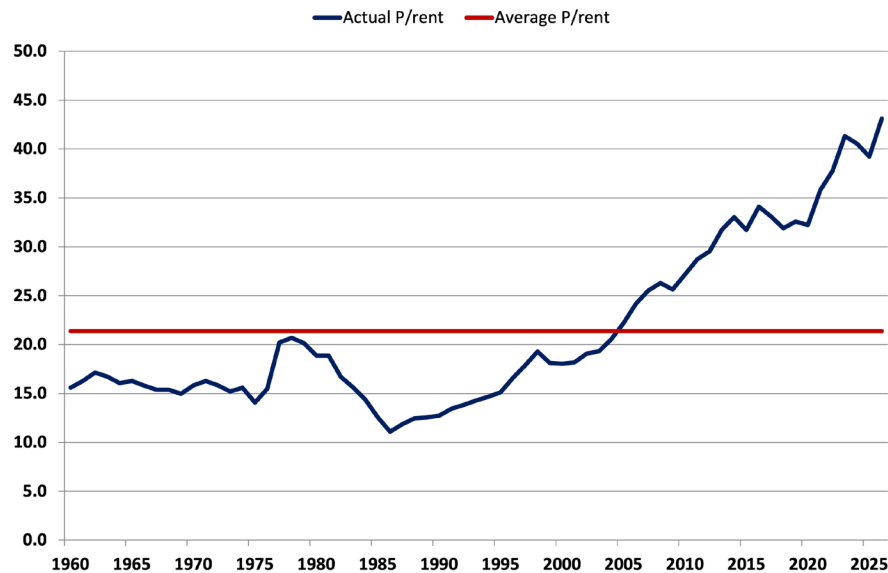
Farmland prices in west central Indiana increased 6.0% in 2026 and are now 29.6% above the previous peak in 2014. Compared to the farmland price in 2007, current farmland prices in west central Indiana are 211% higher. Farmland prices are influenced by many factors, including net income, the growth in earnings, crop and livestock prices, interest rates, alternative investment returns, inflation, liquidity, agricultural policy, and land conversion. Cash rent, which is influenced by net return to land, along with interest rates, are often referred to as fundamental factors impacting farmland prices. Concerns are periodically expressed by many investment analysts that farmland prices are higher than justified by the fundamentals. One justification for this concern is that previous research has established the tendency of the farmland market to over-shoot its fundamental value.

A standard measure of financial performance used for stocks is the price-to-earnings ratio (P/E). A high P/E ratio sometimes indicates that investors think an investment has good growth opportunities, relatively safe earnings, a low capitalization rate, or a combination of these factors. However, a high P/E ratio may also indicate that an investment is less attractive because the price has already been bid up to reflect these positive attributes.

This paper computes a ratio equivalent to the P/E ratio for farmland, the farmland price-to-cash-rent ratio (P/rent), and discusses trends in the P/rent ratio. We use land value and cash rent data for the 1960 to 2026 period for west central Indiana to illustrate the P/rent ratio. Data from 1975 to 2026 were obtained from the annual *Purdue Land Value and Cash Rent Survey*. For 1960 to 1974, the 1975 Purdue survey numbers were indexed backward using the percentage change in USDA farmland value and cash rent data for the state of Indiana.

Price-to-Rent Ratio

The P/rent ratio for west central Indiana averaged 21.4 over the 66-year period from 1960 to 2026 (Figure 1). The peak P/rent ratio before 1990 occurred during the 1977 to 1979 period. The P/rent ratio dropped substantially from 1980 to 1986, reaching a low of 11.1 in 1986. The rise from around 15 in 1976 into the 20s and down to 11.1 in 1986 corresponds to what is viewed as the bubble in farmland prices that was followed by one of the most difficult periods in history for production agriculture (i.e., the early-to-mid 1980s).

Figure 1*Farmland Price to Cash Rent Multiple for West Central Indiana, 1960 to 2026*

The P/rent ratio has been above the long-run average since 2004. From 2004 to 2014, the P/rent ratio increased from 20.6 to 33.0. Since 2014, the P/rent ratio has ranged from 31.7 in 2015 to 43.1 in 2026. The current value of 43.1 is substantially higher than the historic average of 21.4, and thus at least raises concerns that current farmland prices are overvalued in relation to returns. Having said that, one of the reasons often mentioned as a major explanatory factor associated with the recently high P/rent ratio is low interest rates. The average interest rate on 10-year treasuries from 1960 to 2026 was 5.9%. The interest rate on 10-year treasuries has been below its long-run average since 2001. However, after averaging less than 1.0% in 2020, the 10-year Treasury rate has been increasing. The average annual rate has been above 4% since 2024.

Over the 66-year period from 1960 to 2026, the P/E ratio for stocks is 20.4, which is similar to the long-run average P/rent ratio. Though the long-run averages are similar, the P/E and P/rent ratios do not necessarily track one another. The average correlation coefficient between these two measures is only 0.33. Though not the topic of this paper, diversification potential between the stock market and farmland is relatively high.

Cyclically Adjusted P/Rent

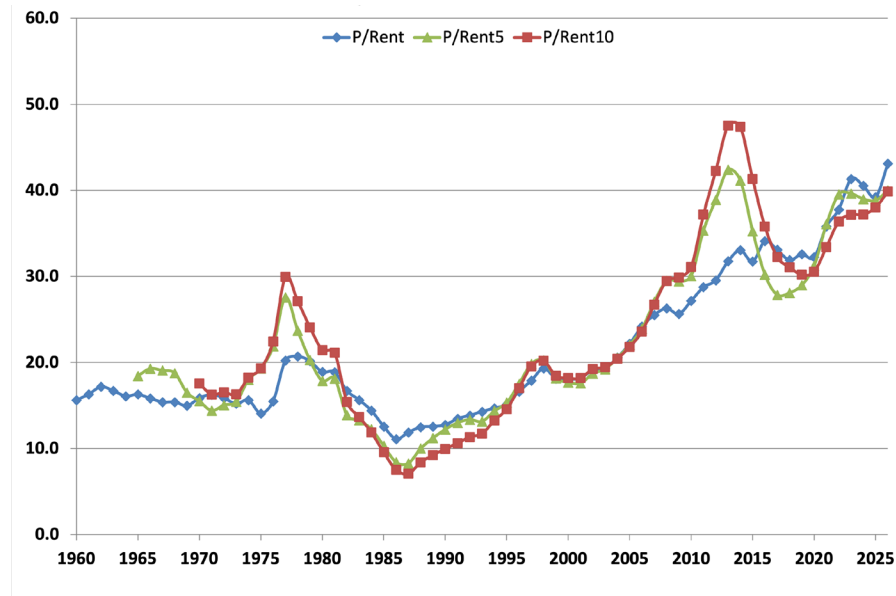
Shiller (2005; 2026) uses a 10-year moving average for earnings in the P/E ratio, often labeled either P/E10 or cyclically adjusted P/E (CAPE), to remove the effect of the economic cycle on the P/E ratio. When earnings collapse in recessions, stock prices often do not fall as much as earnings, and P/E ratios based on low current earnings can sometimes become very large. Similarly, in good economic times, P/E ratios can fall, and stocks can look cheap, simply because the very high current earnings are not expected to last, so stock prices do not increase as much as earnings. By using a 10-year moving average of earnings in the denominator of the P/E ratio, Shiller has smoothed out the business cycle by deflating both earnings and prices to remove the effects of inflation. Shiller also uses the P/E10 to gain insight into future rates of return. That is, if an investor buys an asset when its P/E10 is high, do subsequent returns from that investment turn out to be low, and vice versa?

The P/rent ratios reported thus far are the current year's farmland price divided by the current year's cash rent. Here, we model our P/rent10 after Shiller's cyclically adjusted P/E ratio. Cash rent and farmland prices are deflated, and the 10-year moving averages of real cash rent are calculated. The P/rent10 ratio is computed by dividing the real farmland price by the 10-year moving average real cash rent. A similar computation is done for operator net returns (P/NR-10). We also compute a P/rent5 ratio by dividing real farmland price by a 5-year moving average of real cash rent.

Figure 2 compares the current P/rent ratio with the P/rent5 and P/rent10 ratios. From 2011 to 2015, the P/rent10 ratio was substantially higher than the P/rent ratio. Essentially, during this period, current cash rent, used to compute the P/rent ratio, was higher than the 5-year average and 10-year average cash rent. Assuming that cash rent and interest rates were the primary drivers of farmland prices during this period, those purchasing farmland were likely using current cash rent rather than a longer-run average of cash rent when evaluating the expected long-run returns from owning land. From 2014 to 2019, a period of declining cash rent, the P/rent5 ratio was well below the P/rent ratio. Since 2020, the differences between P/rent, P/rent5, and P/rent10 have been relatively small.

Figure 2

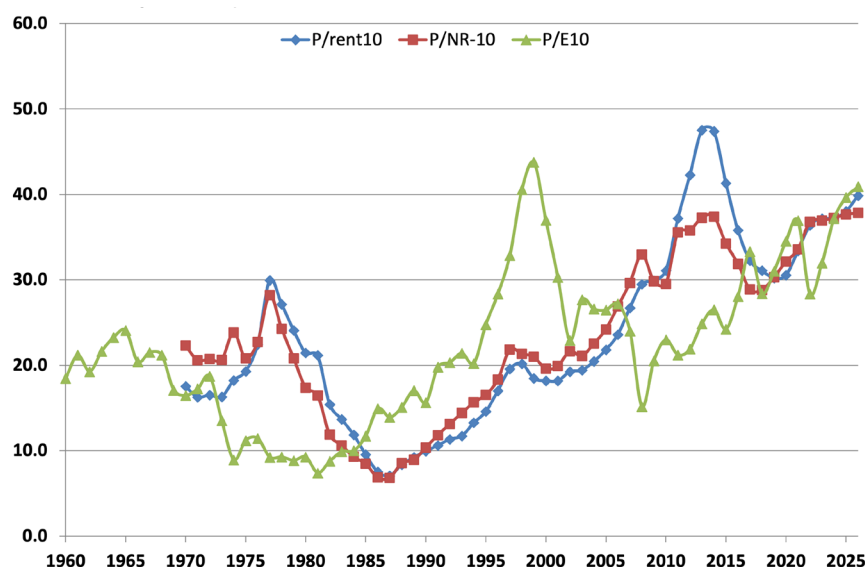
Current, 5-Year, and 10-Year Cyclically Adjusted P/rent Ratios for West Central Indiana, 1960 to 2026



The P/rent10, P/NR-10, and Shiller's P/E10 ratios are illustrated in Figure 3. The P/rent10 ratio peaked in 2013 at 47.5. The ratio then steadily declined, reaching a low of 30.2 in 2019. The ratio increased from 30.5 in 2020 to 39.9 in 2026. The current P/rent10 ratio (i.e., 39.9) is still relatively high compared to the long-run average (using 1960 to 2026 data) of 23.8. Does the current P/rent10 ratio signify a bubble or is something else going on? Regarding this question, we would like to make two points. First, though interest rates have increased recently, they are still low compared to the long-run averages since 2007. The rate on 10-year treasuries has averaged only 2.9% since 2007. Second, as we note below, the P/rent10 is currently similar to the P/NR-10 ratio, suggesting that we are in equilibrium.

Figure 3

*Ten-Year Moving Average of Cyclically Adjusted P/rent, P/OO, and P/E Ratios,
1960 to 2026*



The P/NR-10 ratio fell through the first half of the 1970s when real returns grew faster than land values, increased from around 20 in the mid-1970s to 28.2 in 1977, and then fell to 6.8 in 1987. The P/NR-10 ratio then increased steadily until it reached an initial peak of 37.4 in 2014. The P/NR-10 ratio has ranged from 28.8 to 37.8 since 2014. From 2015 to 2018, the P/NR-10 ratio was smaller than the P/rent10 ratio, indicating that ten-year average cash rents were smaller than ten-year average net returns to land. From 2019 to 2025, the P/NR-10 ratio was similar to the P/rent10 ratio. Currently, the P/rent10 ratio is slightly higher than the P/NR-10 ratio, indicating that the ten-year average net return to land is slightly higher than the ten-year average cash rent. In the long run, you would expect the two ratios to be similar. In fact, the average P/rent10 and P/NR-10 ratios for the 1960 to 2025 period were 23.8 and 23.3, respectively.

It is evident from Figure 3 that there is not a close link between the P/E10 ratio and the P/rent10 ratio. The P/E10 ratio was much higher than the P/rent ratio from 1995 to 2002. In contrast, the P/E10 ratio was quite a bit lower than the P/rent ratio from 1976 to 1981, in 2008, from 2011 to 2015, and in 2022 and 2023.

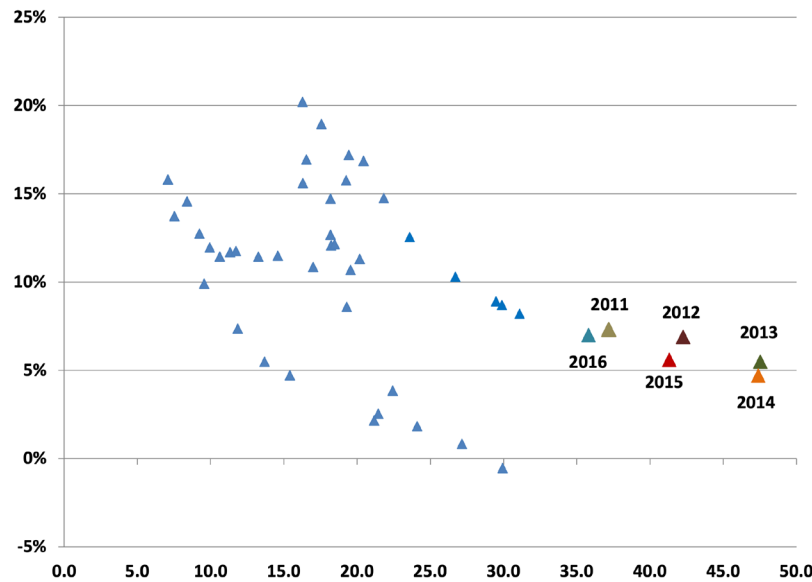
Buy at a High Ratio: Get a Low Future Return?

Shiller also discusses the relationship between the P/E10 ratio and the annualized rate of return from holding S&P 500 stocks for long periods. In general, his results show that the higher the P/E10 ratio at the time of purchase, the lower the resulting multiple-year returns, like for the next 10 or 20 years. The west-central Indiana farmland and cash rent data from 1960 to 2026 are used to compute 10-year and 20-year annualized rates of return. Returns are the sum of the average of cash rent as a fraction of the farmland price each year, plus the annualized price appreciation over the holding period.

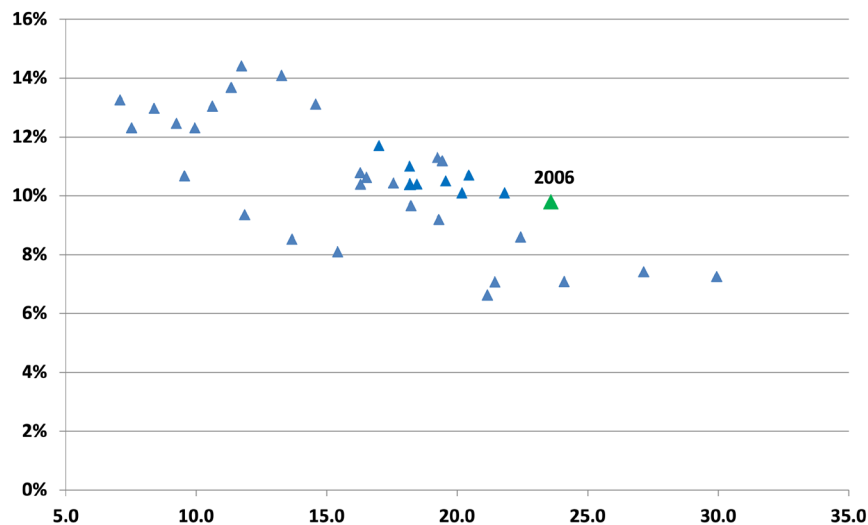
The results for farmland show a negative relationship like that exhibited in Shiller's stock data. The 10-year holding period returns for farmland show a strong negative relationship (Figure 4). That is, if one purchased farmland when the P/rent10 ratio was very high, like now, they tended to have a low 10-year rate of return. Alternatively, if one purchased farmland when the P/rent10 was intermediate or low, they tended to have moderate to high 10-year returns. The 10-year returns ranged from a small negative to 20% and averaged 11.0%. The 20-year holding period returns also exhibit a strong negative relationship with the P/rent10 ratio (Figure 5). The 20-year holding returns ranged from 6 to 16% and averaged 10.9%.

Figure 4

Ten-Year Rate of Return (left axis) and P/rent10 at the Time of Purchase (horizontal axis), 1960 to 2016

**Figure 5**

Twenty-Year Rate of Return (left axis) and P/rent10 at the Time of Purchase (horizontal axis), 1960 to 2006



As noted above, Figure 4 presents the ten-year rate of return for farmland and the P/rent10 ratio for land purchased in west central Indiana from 1960 to 2016. The P/rent10 ratio in 2016 (i.e., 35.8) represents the lowest ratio since 2011. The ten-year rate of return for farmland purchased in 2016 was 7.0%, up from a 5.7% rate of return the year before. From 2017 to 2026, the P/rent10 ratios range from 30 to 40. Will rates of return for land purchased since 2017 stay positive? The answer to this question depends on what happens to net returns to land and interest rates. If long-run net returns are strong and interest rates stay relatively low, the answer to the question is probably yes.

The 20-year rate of return for land purchased in 2006 is 9.8%, which is in the middle of the range of 20-year rates of return illustrated in Figure 5. Since 1996, the 20-year rate has been in a tight range (i.e., 10 to 12%). It will be

interesting to see if the 20-year rate of return declines as the P/rent10 ratio increases in the next few years. For land purchased in 2007, the P/rent10 is 26.7. In the following three years (i.e., 2018 to 2020), this rate will increase to approximately 31. After 2010, the P/rent10 ratio ranges from 30 to 47.

Final Comments

Our analysis indicates that the P/rent ratio (price per acre divided by cash rent per acre) is substantially higher than historical values. To maintain the current high farmland values, cash rents would have to remain relatively high, and interest rates would also have to remain relatively low. Most agricultural economists expect crop net returns to be lower than the levels experienced in 2021 and 2022 in the next few years. What about the capitalization rate, which is computed by dividing cash rent by land values (i.e., the inverse of the P/rent ratio)? The implied capitalization rate in 2026 using west-central Indiana data is 0.023. Several factors impact the capitalization rate, including interest rates and macroeconomic factors such as rent growth, GDP, credit risk, and asset class. The relationship between the capitalization rate and interest rates is not a one-to-one relationship. Specifically, capitalization rates have a much narrower range than interest rates. Having said that, the recent increases in interest rates put upward pressure on the capitalization rates. This, along with lower net crop returns, suggests that the P/rent ratio should at least stabilize, and depending on the impact of interest rates on capitalization rates, could even decline in the near future.

We demonstrated that farmland values have tended to have a cyclical component in which farmland values move too high relative to the underlying fundamentals and then, over time, move too low relative to fundamentals. We use a cyclically adjusted P/rent ratio to show that a very high P/rent ratio, as we have now, tends to be associated with low subsequent returns. Simply stated, this means that the historical relationships show that those who bought farmland when the P/rent ratio was high tended to have low subsequent returns. On the other hand, those who bought farmland when the P/rent ratio was intermediate or low tended to have intermediate or high subsequent returns. The current record-high P/rent ratio could be a warning to current farmland buyers that their odds of favorable returns on these purchases are probably not high.

Our reading from examining 66 years of history is that the current relationship between farmland prices and cash rents suggests that farmland prices are elevated. If we are correct, this means that those purchasing farmland at current prices may experience “buyer’s remorse” in coming years. However, there remain some possible situations in which farmland values could be maintained or even increase. Positive influences on land include relatively low interest rates, the relatively small percent of land currently on the market, the attractiveness of farmland to pension fund managers, and the fact that land is a good hedge against inflation.

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