

# 2017 Farmland Market Review

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This past year has left many land professionals second guessing fundamental economics and scratching their heads in honest disbelief. The majority felt the long term decline in commodity prices (*third year in a row of depressed prices*) would result in a modest correction in farmland values. Much to our surprise, not only did farmland values fail to decrease, but good to high quality tracts of land sold very well, and in some instances, exceptionally well! Farmland sales fared best in areas where the land is predominately owner-operated and crop yields have been very good for multiple years in a row. This fall, a couple of sales brought in excess of \$15,000 per acre (*I left these outliers out of our data presented below*). Why are we continuing to see such high prices in farmland? Well, simple economics are often secondary thoughts when farmers consider acquisition factors other than a simple rate of return. They may ask, and rightfully so, how much is it worth to acquire the farm next door or down the road? This question is made increasingly difficult by the fact that a particular property may only come up for sale once in a lifetime.

Moderate to low quality tracts are selling, but at more reasonable levels than the higher quality land, this is largely attributed to farmers becoming much more selective in what they choose to acquire. Volatility by land class is more prevalent in areas where the predominate form of ownership is a “absentee landowner” (*Investor or Out of Area Owner*). Since these markets are driven predominately by investors who require a predetermined rate of return, sale prices are much more tempered, even on high quality tracts. These areas seem to correlate better with true “market value” sales and fewer record setting prices of emotionally driven transactions.

The outside economy seems to be picking up steam with the Federal Reserve Board increasing interest rates and the Stock Market at an all time high, but the fact remains that interest rates remain historically low. Interest rates continue to be one of the “pillars” supporting the farmland market. As long as borrowing costs (*Interest expense*) and alternate investments (*Interest paid on CD’s*) remain low, the farmland market is fairly well supported. Farmland owners are finding that operators are willing to pay very solid rental rates---that provide landowners a much higher return than a CD can. As long as this remains the case, landowners have little motivation to sell a property, and non-landowners have a reason to consider buying farmland.

With fewer landowners willing to sell, the supply of farmland was fairly tight during the second half of 2017. With this low volume combined with a surprisingly strong year for yields in Illinois, our data showed an increase in value (*year over year when compared to a similar data set from December 2016*) of 4.28%.

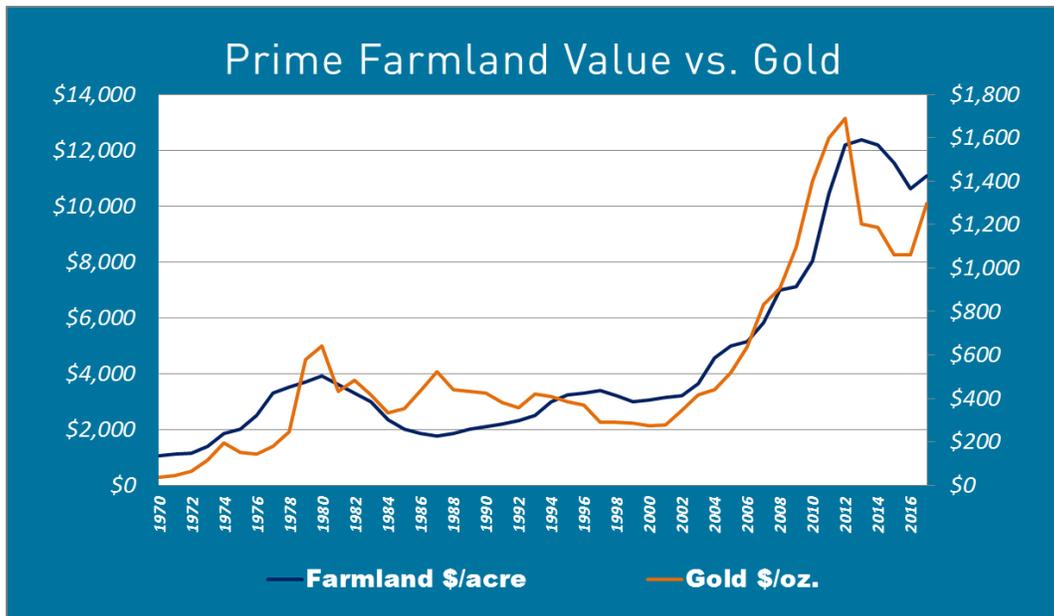
County	Acres	Price/Acre	Sale Date
Champaign	154.0	\$ 11,000	Nov-17
Champaign	145.0	\$ 9,493	Nov-17
Christian	77.0	\$ 10,804	Nov-17
Christian	155.7	\$ 10,450	Nov-17
Christian	40.0	\$ 10,125	Nov-17
Christian	40.0	\$ 10,000	Nov-17
Coles	40.0	\$ 11,000	Oct-17
Coles	80.0	\$ 10,000	Oct-17
DeWitt	39.0	\$ 11,000	Jun-17
DeWitt	130.0	\$ 10,261	Aug-07
DeWitt	40.5	\$ 10,350	Oct-17
Douglas	40.0	\$ 13,000	Nov-17
Douglas	217.6	\$ 11,600	Nov-17
Douglas	163.6	\$ 8,600	Nov-17
Douglas	80.0	\$ 11,490	Nov-17
Logan	214.0	\$ 10,200	Oct-17
Logan	72.6	\$ 12,200	Nov-17
Logan	125.9	\$ 12,150	Nov-17
Logan	120.0	\$ 10,700	Nov-17
Logan	90.0	\$ 12,200	Nov-17
Macon	80.0	\$ 10,750	Aug-17
Macon	258.2	\$ 10,325	Dec-17
Macon	159.9	\$ 10,250	Nov-17

County	Acres	Price/Acre	Sale Date
McDonough	80.0	\$ 10,762	Nov-17
McDonough	494.0	\$ 12,623	Oct-17
McLean	88.0	\$ 11,400	Oct-07
McLean	71.3	\$ 9,900	Nov-17
McLean	80.0	\$ 10,300	Nov-17
McLean	157.6	\$ 10,700	Nov-17
Morgan	218.0	\$ 12,300	Oct-17
Moultrie	46.0	\$ 10,869	Nov-17
Piatt	78.8	\$ 10,100	Sep-17
Piatt	159.0	\$ 10,350	Nov-17
Piatt	200.0	\$ 10,600	Nov-17
Piatt	76.7	\$ 11,212	Sep-17
Piatt	41.0	\$ 10,650	Nov-17
Sangamon	197.4	\$ 13,450	Nov-17
Sangamon	190.0	\$ 10,727	Sep-17
Sangamon	90.0	\$ 12,700	Sep-17
Shelby	40.0	\$ 10,500	Oct-17
Shelby	40.0	\$ 10,200	Oct-17
Shelby	80.0	\$ 10,000	Jun-17
Shelby	130.0	\$ 10,261	Aug-17
Woodford	142.9	\$ 13,700	Nov-17
Woodford	77.9	\$ 14,100	Nov-17
Woodford	39.0	\$ 14,100	Nov-17

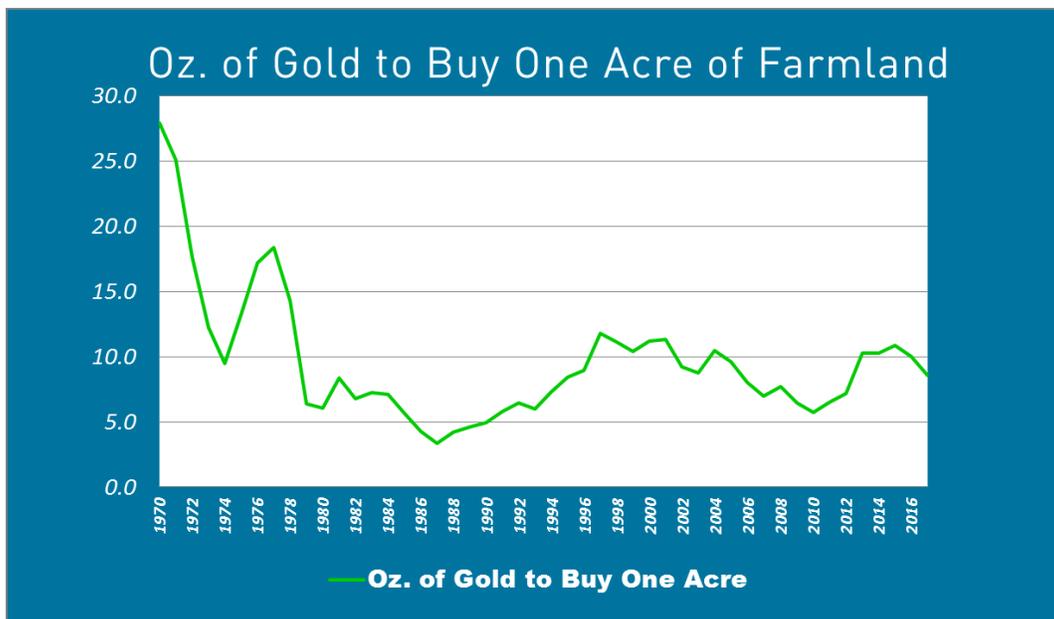


This 4.28% increase was documented by averaging 46 land transactions in 15 counties with Class I Farmland in Illinois. For 2017, the simple average of \$11,075 per acre compared favorably to the 2016 data set yielding an average of \$10,620 per acre. With outlier sales excluded from this data set, I attribute this year over year increase to the lower supply of available farmland during the last third of 2017 when compared to the final third of 2016. Just think of the volatility we would have seen had production been down (*below trend line*) and commodity prices strengthened.

Each year, I analyze the movement of Prime Farmland vs. the Price of an oz. of Gold. A year ago at this time, I may have noted that Farmland would need to decrease to continue what has been a fairly reliable correlation. Instead, much to my surprise, gold jumped to make this correction (*22.4% year over year*).



1970 is used as the base point of reference on each chart.



This chart outlines the ounces of gold needed to buy one acre of Prime Farmland. Over the course of the last five years, this number has stabilized in a tight range of 8.5 - 10.9oz.

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