



Farmland Values: What do Investors Say?

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June 15, 2012

farmdoc daily (2):114

Recommended citation format: Gloy, B. "Farmland Values: What do Investors Say?." *farmdoc daily* (2):114, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, June 15, 2012.

Permalink: <http://farmdocdaily.illinois.edu/2012/06/farmland-values-what-do-invest.html>

The Illinois *farmdoc* team and the Purdue University Center for Commercial Agriculture are hosting the 45th annual [Top Farmer Crop Workshop](#), July 9-11, in West Lafayette, Ind. This year's workshop will cover a number of timely and important issues relevant to commercial farming operations. Farmland markets in most of the U.S. corn-belt have experienced substantial price appreciation since roughly 2001. At the upcoming Top Farmer workshop we will be presenting some interesting results of a recent Center for Commercial Agriculture survey of 246 farmland investors.

The median farmland ownership of the 246 respondents was 500 acres and they represented a variety of backgrounds including farmers, farmland investors, agricultural lenders, and agribusinesses. Respondents showed some concern about the current situation in the farmland market with nearly half indicating that they felt the farmland market was currently in a bubble. However, larger and more experienced owners were less concerned about a bubble. The median acreage owned by those that felt the market was in a bubble was slightly less than half of those that felt the market was not in a bubble (320 as opposed to 740 acres).

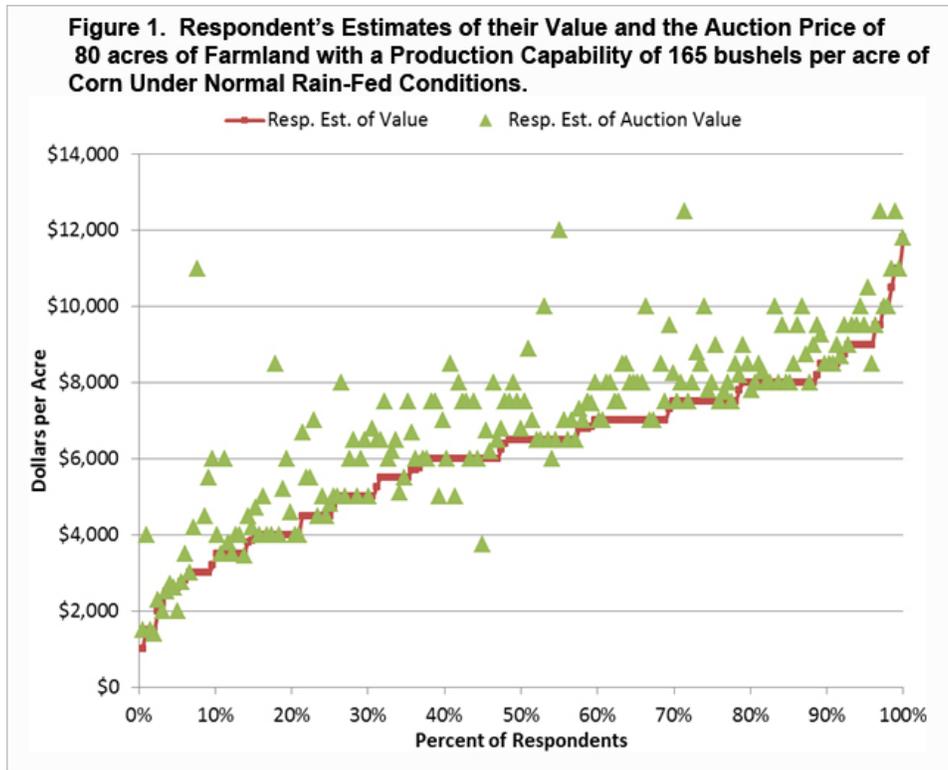
Their opinions about the value of farmland vary widely (Table 1). A one standard deviation range around the mean would include prices from roughly \$4,171 to \$8,187. This wide range of possible outcomes is consistent with substantial amounts of uncertainty regarding the ultimate value of the farm, creating the potential for very large changes in the price of farmland.

Table 1. Respondent's Perception of the Value and Earnings for 80 acres of Farmland with a production capability of 165 bushels of corn per acre under normal rain-fed conditions, \$'s per acre.

Estimate of:	N	Average	Standard Deviation	Median
Farmland value	194	6,179	2,008	6,500
Expected cash rental rate	197	233	86	225
Expected profit from operating	161	201	135	175
Expected price at auction today	197	6,979	2,207	7,450
Would not purchase at any price	212	5%	XXXXX	XXXXX

The distribution of value and auction estimates is further illustrated in Figure 1. Here, the respondents are shown along the horizontal axis and their estimates of the value of the farmland are connected in a line arranged from low to high. Each individual's estimate of the price that the land would sell for at auction is shown with a triangle marker. Nearly half placed a value on the farmland greater than \$6,500 per acre. Twenty percent felt that the farm was worth \$8,000 per acre or more to them. On the other hand, 20 percent felt that the farm was worth \$4,000 per acre or less.

Sixty-five percent of the respondents felt that someone else would pay more for the farm than what they felt it was worth. In all but 4 cases they were correct because there was another respondent in the survey that felt the farm was worth at least what another respondent estimated its auction price to be.



There was a great deal of variability among the estimates of the value of the farm and its cash rental rate. This indicates that the market is likely still searching for equilibrium prices after the dramatic crop price increases that have been experienced in the last decade. This is complicated by a limited amount of farmland for sale. Nearly all of the respondents felt that the amount of farmland for sale was less than normal or about the same as usual.

The detailed survey results indicate that there is a wide range of opinions about expectations of future

farmland values, cash rental rates, and commodity prices. Where farmland values ultimately go will depend upon a number of factors, but until the supply of land offered to the market increases, it is likely that those at the upper end the demand curve will continue to push prices higher. How long this lasts will ultimately depend upon how these individuals' expectations evolve.

Come join us at the 2012 Top Farmer workshop where we will present more results from the survey and address other timely agricultural topics. In addition to the high quality sessions and top-notch speakers, the program will provide ample opportunity to network with other participants and speakers. For a complete list of speakers and to register, visit the [Top Farmer Workshop website](#).