

Steady Demand for Quality Farmland

Demand for quality farmland in the central Corn Belt remains firm through the first half of the year. Some strength in corn and soybean prices during spring contributed to the growing confidence of buyers. Adding to the steady demand was a continuing shortage of quality farms for sale.

The strength is apparent in Iowa and Indiana, which feature small year-over-year gains in the average value of quality farmland. Illinois, meanwhile, seems to be stabilizing, marking a slim 1% dip through March after a 1% rise two years ago.

That's not to say there aren't plenty of headwinds restraining demand for farmland. These include:

- Commodity prices remain under pressure, but seemed to stabilize above their early winter lows.
- Concern over the potential negative impact of trade wars triggered by the current administration's attempts to renegotiate existing trade agreements.
- Interest rates continue to edge higher.
- The U.S. dollar has strengthened, making U.S. grains, soybeans and proteins slightly more expensive on the global market.

These concerns are especially impacting the farmland market in Nebraska. They also continue to dampen demand for less-attractive farms, which feature lower-quality soils and/or a lower-percentage of tillable acres.

The tight supply of the number of farms on the market is providing support for prices. But landowners with less-desireable farms frequently choose to list their property for sale rather than choose a public auction. However, in doing so, listings of lower-quality farms frequently result in longer marketing periods and extended negotiations on the selling price.

Finally, the firming general economy, is also adding to buyer confidence. That strength is especially seen in the demand for recreational land and acreages, often in areas within reasonable driving distance to larger cities and metro areas. That additional market dynamic is contributing to the buoyancy seen in farmland markets east of the Missouri River, in particular.

These offsetting market dynamics are impacting local farmland markets in unique ways. It takes a thorough understanding of the local market to successfully navigate a farmland purchase or sale. Please feel free to call anyone on the team at Hertz Real Estate Services and Hertz Farm Management if you have any questions about your local market. Also our team is quite knowledgeable on sale-and-lease-back transactions, as well.

Below are the results of a few of our recent auctions:

• **108 acres in Pocahontas Co., Iowa**, east of Laurens sold in late May for \$7,800 per acre. It offered 104 tillable acres with a cropland CSR2 of 81.7 versus the county average cropland CSR2 of 85.1.

• **99 acres in Linn Co., Iowa**, southwest of Fairfax sold in April for \$12,400 per acre. It featured 96 tillable acres and a cropland CSR2 of 89.2, well above the county average cropland CSR2 of 65.8. A second tract of 160 acres sold for \$11,300 an acre. It had 154 tillable acres and a 84.5 CSR2.

• **151 acres in Wright Co., Iowa**, west of Clarion brought \$9,450 an acre at an April auction. It featured 147 tillable acres and a CSR2 of 82.9 versus the county average cropland CSR2 of 82.2.

• **240 acres in Pawnee Co., Nebraska**, west of Burchard, sold in early spring for \$4,500 per acre. It was offered as two tracts with 218 tillable acres. Closing is scheduled for Nov. 1. Conservation Reserve Program contracts expire in September.

Inside This Issue

Page 2: Iowa Farmland Brokers Report 3% Boost in Cropland Values

Page 3: Fed Banks Find Weakness in Far Western Corn Belt

Page 4: Hertz Office Directory

Iowa REALTORS® Report 3% Boost in Cropland Values

March 2018 Iowa Farm & Land Chapter #2 REALTORS® Land Institute Survey of Farm Land Values (Dollars Per Acre)											Percent change in tillable cropland values Past 6 Mo.
Area in Iowa	Land Classification by Potential Corn Production										
	High Quality Cropland		Medium Quality Cropland		Low Quality Cropland		Non Tillable Pasture		Timber		
	Sept. 2017	March 2018	Sept. 2017	March 2018	Sept. 2017	March 2018	Sept. 2017	March 2018	Sept. 2017	March 2018	
Central	\$9,904	\$10,107	\$7,262	\$7,500	\$4,643	\$4,826	\$2,742	\$2,853	\$2,324	\$2,432	2.9%
East Central	9,888	10,254	7,210	7,523	4,568	4,821	2,711	2,800	2,200	2,253	4.3
North Central	8,809	9,035	6,660	6,940	4,501	4,789	2,213	2,334	1,713	1,878	4.0
Northeast	9,373	9,759	7,047	7,175	4,438	4,700	2,881	2,963	2,670	2,734	3.7
Northwest	10,814	10,969	8,250	8,452	5,297	5,439	2,960	2,939	2,565	2,538	2.1
South Central	7,017	7,274	4,676	4,761	3,064	2,964	2,548	2,630	2,856	3,012	1.6
Southeast	9,451	9,620	6,156	6,404	3,727	3,822	2,640	2,744	2,285	2,469	2.6
Southwest	7,792	8,064	6,193	6,363	4,500	4,671	3,164	3,294	2,383	2,338	3.3
West Central	9,053	9,304	7,197	7,205	4,845	4,935	2,817	2,905	2,300	2,329	1.7
State Average	\$9,122	\$9,376	\$6,739	\$6,925	\$4,398	\$4,522	\$2,742	\$2,829	\$2,366	\$2,442	2.9%

The value of an acre of Iowa cropland rose 2.9% in the six-month period ending March 1, according to the semi-annual survey conducted by the Iowa Chapter of the REALTORS® Land Institute (RLI). That gain, combined with the 2.0% rise in September, results in a statewide average annual increase of 4.9%, notes survey chair Kyle Hansen, ALC, Hertz Real Estate Services, Nevada, Iowa.

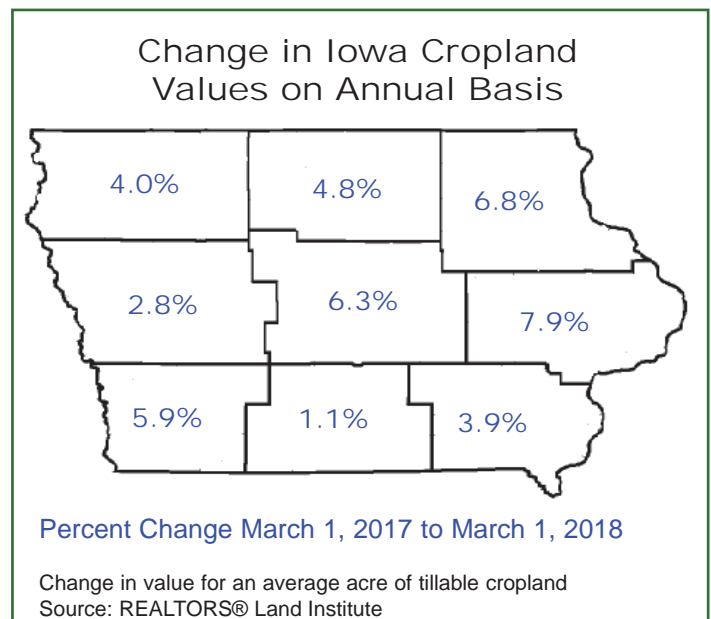
The rise in the March report marks the third consecutive increase in RLI's semi-annual report — 18 months of gains. Cropland values bottomed in RLI's September 2016 report and peaked in RLI's March 2013 report.

The survey pegs the statewide average value of high-quality cropland at \$9,376 an acre, up \$254 or 2.8% from six months earlier. That average is up \$565, or 6.4%, from September 2016.

Medium-quality cropland rose \$186, or 2.8%, to an average of \$6,925 an acre. That is up \$492, or 7.6%, from September 2016. The value of low-quality cropland increased \$154, or 3.5%, to an average of \$4,522 an acre, the survey reports. That figure is up \$338, or 8%, from the recent bottom in September 2016.

The value of non-tillable pastureland rose \$87, or 3.2%, since Sept. 1, 2017, to an average of \$2,829 an acre. That value is up \$99, or 3.6%, from a year earlier. The value of timber land also rose \$76, 3.2% higher for the six-month period to an average of \$2,442 an acre. Timberland value is up \$156, or 3.8% stronger for the year.

All nine Iowa crop reporting districts showed an



increase in the average value of farmland over the six-month period. The gain varied from a 1.6% rise in the south central district to a 4.3% boost in the east central district. Three districts list an average value in excess of \$10,000 for high-quality cropland.

The northwest district remains the state's price leader with an average of \$10,969 per acre for high-quality cropland. As usual, the south-central district lists the lowest price for high-quality cropland at \$7,274 an acre. The east-central district sports the strongest annual percentage gain at 7.9% from March 2017 to March 2018.

Fed Banks Find Weakness in Far Western Corn Belt

Farmland values in Illinois, Indiana and Iowa are showing signs of stabilizing, but values in Nebraska continue to weaken, according to the Federal Reserve Banks of Chicago and Kansas City.

Their latest surveys of ag bankers find the value of Indiana cropland rose 3% on an annual basis through the first quarter of 2018. That follows a 5% decrease posted in 2017 and ends the string of three consecutive years of lower values.

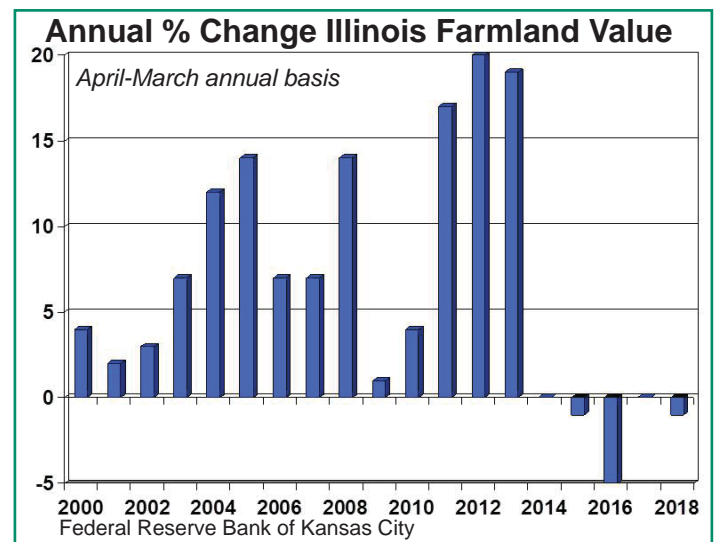
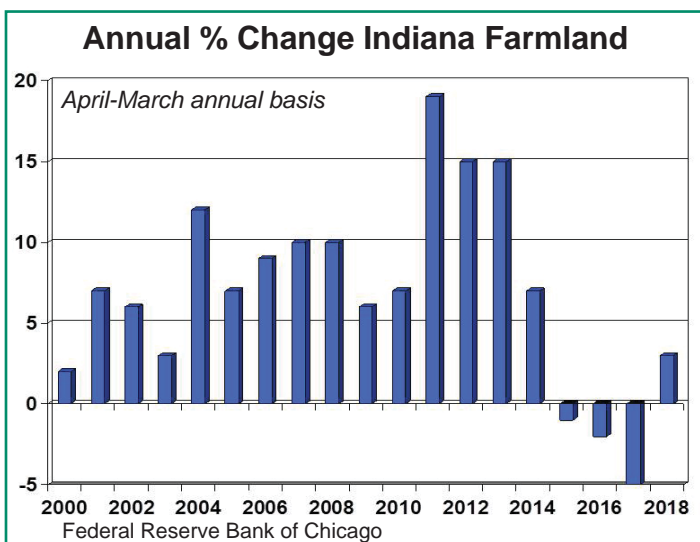
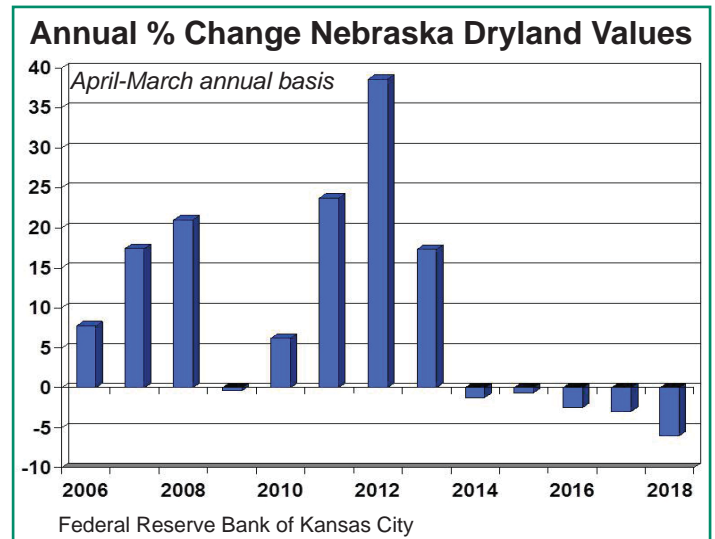
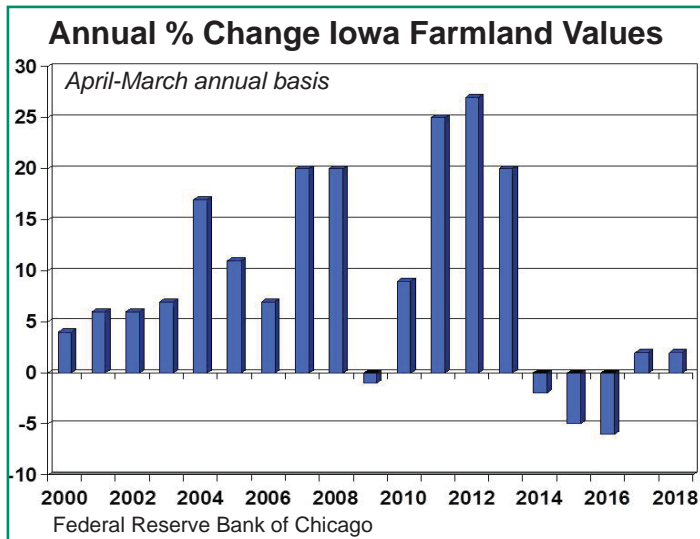
Illinois does not reflect the same simple turnaround as Indiana, but it still shows farmland values in the Land of Lincoln remain stable following a 5% drop in 2016. Values were unchanged on an annual basis through the first quarter of 2017 and are off a slim 1% through the first quarter of 2018.

Iowa shows the most consistent shift to the plus side. It reports a 2% annual increase in the value of farmland, equal to the 2% rise reported a year ear-

lier. The two back-to-back years of small annual gains follows three consecutive years of losses. While not confirming a shift in trend, the two years of small annual gains in the value of Iowa farmland has some observers calling for continued stabilization in farmland values.

The weakness noted in the value of Nebraska dryland cropland runs counter to the steady price trends noted in the Iowa, Illinois and Indiana. But the weakness is consistent with the negative trends still being reported in the survey by ag bankers in the Central and Southern Plains. We believe this weakness is also being exacerbated by very high real estate taxes, often \$50 to \$100 an acre or more.

Nebraska dryland cropland declined 6% on an annual basis through the first quarter of 2018. Irrigated cropland decreased 4% annually and ranch/pasture land declined 9%. For the bank district as a whole, the value of dryland and irrigated cropland declined 3%.



Hertz Real Estate Services
415 S. 11th St
PO Box 500
Nevada, IA 50201-0500
515-382-1500
E-mail: Doug.Hensley@Hertz.ag

Hertz Real Estate Services
6314 Chancellor Dr.
PO Box 1105
Cedar Falls, IA 50613
319-234-1949
E-mail: MorganT@Hertz.ag

Hertz Farm Management
1101 13th St. N
PO Box 503
Humboldt, IA 50548-0503
515-332-1406
E-mail: TomC@Hertz.ag

The Larson Agency
116 W. 2nd St.
Madrid, IA 50156
515-795-2775
E-mail: DonL@Hertz.ag

Hertz Real Estate Services
2800 4th St. SW, Ste. 7
Mason City, IA 50401-1596
641-423-9531
E-mail: CalD@Hertz.ag

Hertz Real Estate Services
102 Palisades Road & Hwy. 1
PO Box 50
Mt. Vernon, IA 52314-0050
319-895-8858
E-mail: TroyL@Hertz.ag

Hertz Farm Management
120 W Mission Street
PO Box 157
Strawberry Point, IA 52076
563-933-4973
E-mail: JoelK@Hertz.ag

Hertz Farm Management
1621 E. Washington St., Ste. 5
Washington, IA 52353
319-382-3343
E-mail: MattC@Hertz.ag

Hertz Real Estate Services
143 N 2nd St.
PO Box 907
DeKalb, IL 60115
815-748-4440
E-mail: RichG@Hertz.ag

Hertz Real Estate Services
720 E. Culver Court
P.O. Box 9
Geneseo, IL 61254-0009
309-944-2184
E-mail: ChadK@Hertz.ag

Hertz Real Estate Services
200 E. Court St., Ste. 600
Kankakee, IL 60901
815-935-9878
E-mail: EricW@Hertz.ag

Hertz Real Estate Services
700 W Bridge St.
PO Box 467
Monticello, IL 61856-0467
217-762-9881
E-mail: BrentB@Hertz.ag

Hertz Farm Management
11717 M Circle
Omaha, NE 68137
402-697-7500
E-mail: MikeK@Hertz.ag

Hertz Farm Management
100 North 34th Street, Suite A
Norfolk, NE 68701-7700
402-371-9336
E-mail: MarlinK@Hertz.ag

Hertz Farm Management
113 Dover Ave.
Tipton, IN 46072
765-319-3384
E-mail: KevinW@Hertz.ag

RETURN SERVICE REQUESTED

Corporate Headquarters
415 South 11th St., P.O. Box 500
Nevada, IA 50201-0500
(515) 382-1500
www.Hertz.Ag



Presorted Standard
U.S. Postage Paid
Waterloo, IA 50701
Permit No. 71