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Land Trends & Values

Speaker:

Doug Hensley

President of Real Estate

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Caring for You and Your Farm®

Spring 2022

Land Trends & Values



Agenda

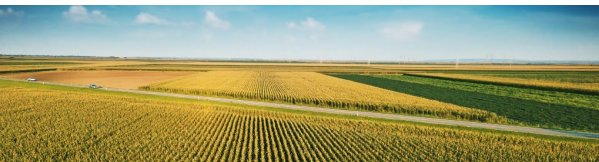


- **Discuss Current Market**
- **Discuss What's Driving This Market**
- **Discuss Expectations for 2022+**
- **Questions?**

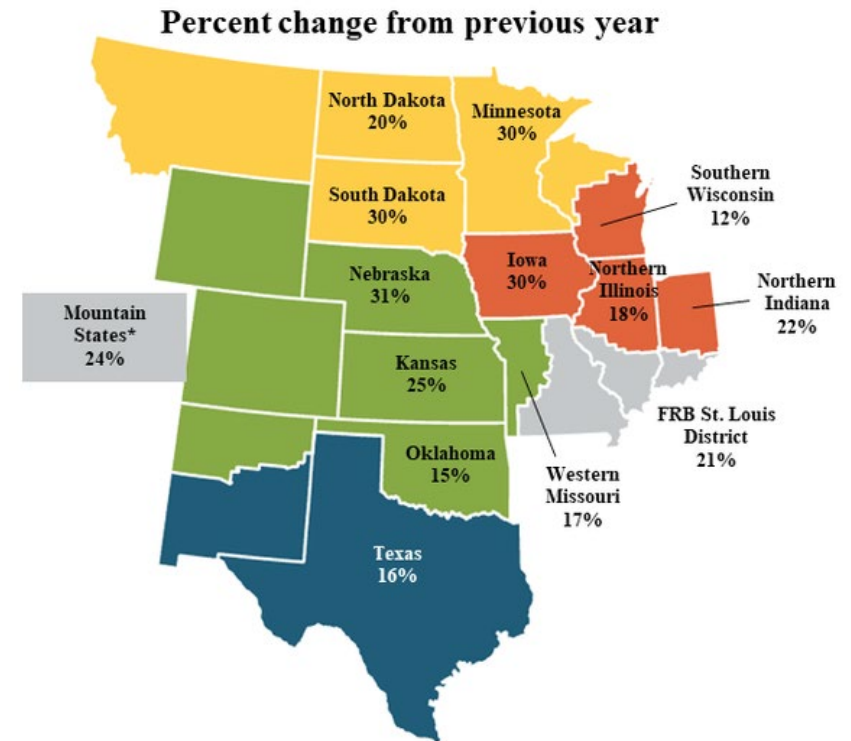
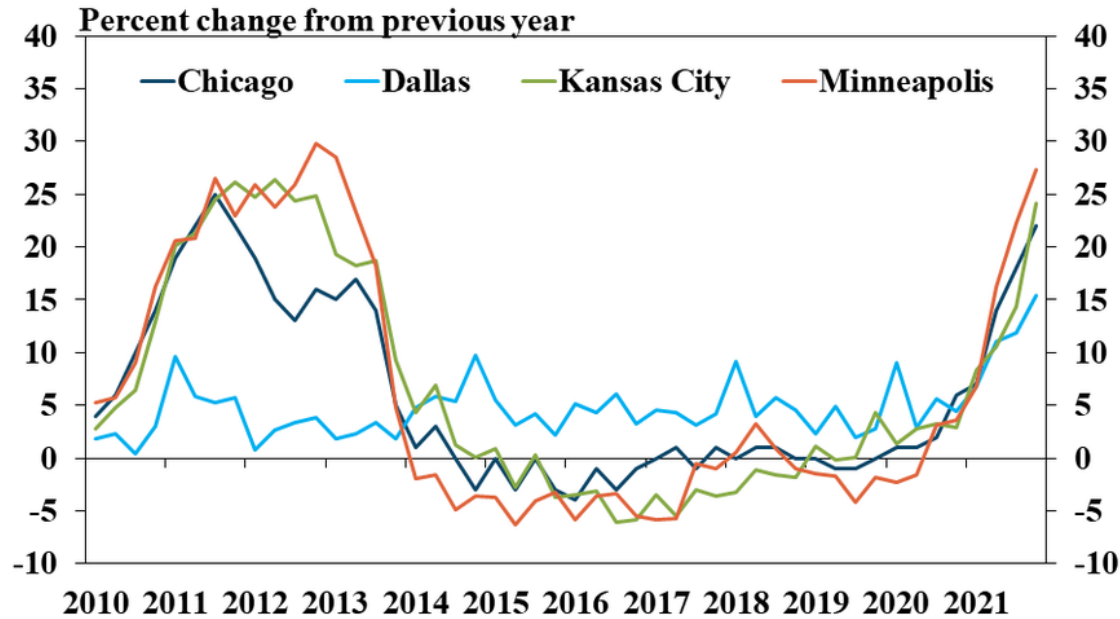


Farmland Values

Farmland values are a barometer of the economic health and wealth of the farming economy.



Non-Irrigated Land Values – Q4



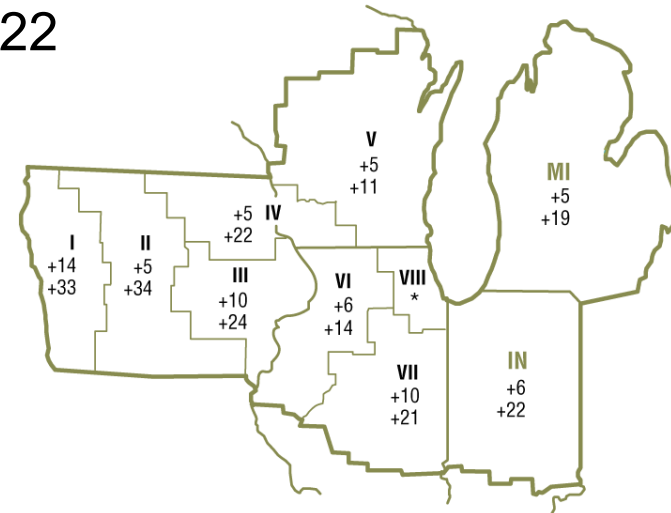
Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.



Chicago Federal Reserve Survey

Percent Change in Dollar Value of “Good” Farmland

	October 1, 2021 to January 1, 2022	January 1, 2021 to January 1, 2022
Illinois	+8	+18
Indiana	+6	+22
Iowa	+10	+30
Michigan	+5	+19
Wisconsin	+4	+12
Seventh District	+7	+22



Top: October 1, 2021 to January 1, 2022
Bottom: January 1, 2021 to January 1, 2022



Source: Federal Reserve Bank of Chicago,
AgLetter, No. 1995, February 2022

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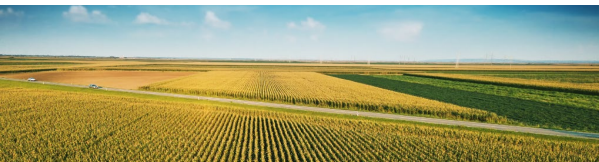


Iowa REALTORS® Land Institute

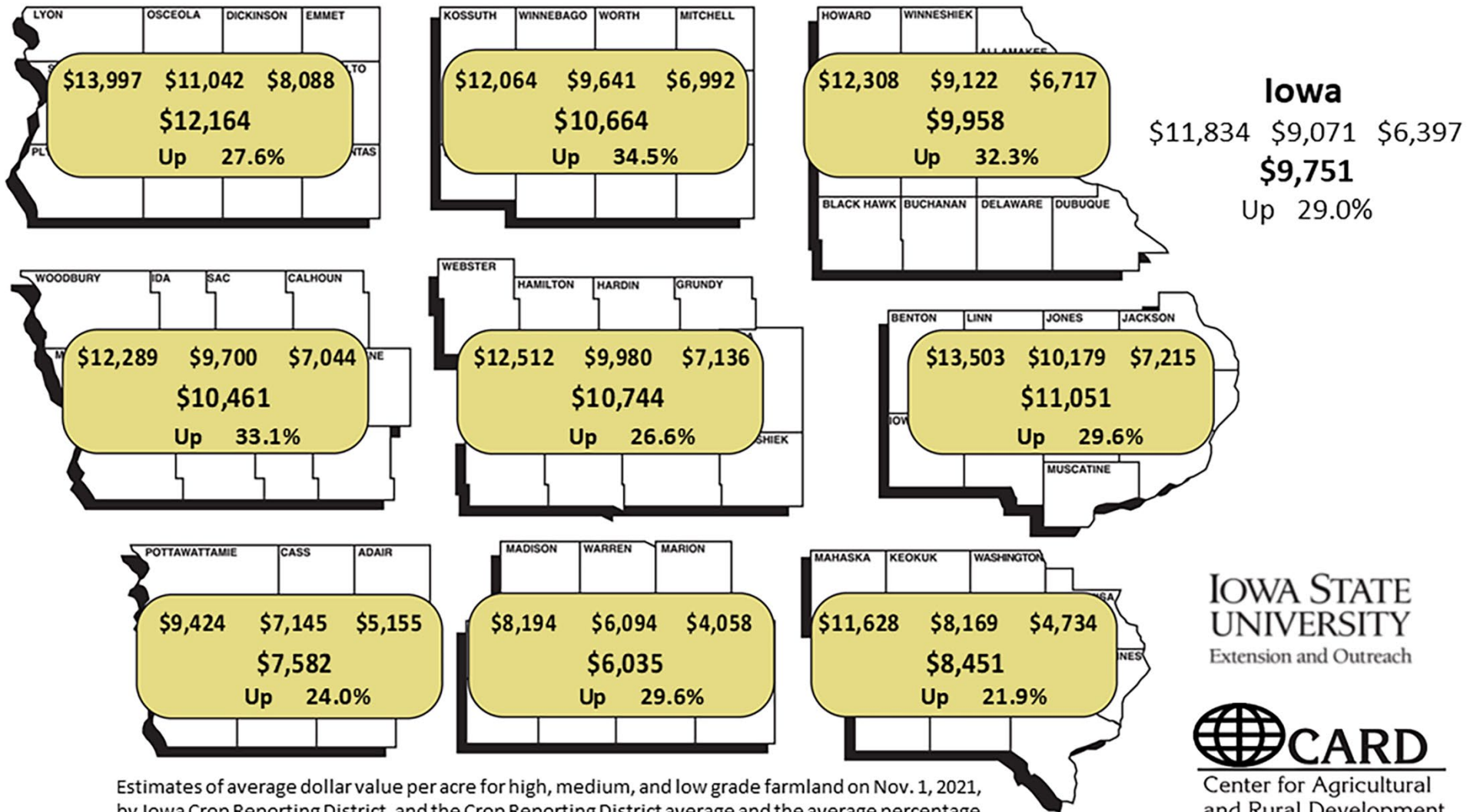
September 2021 – March 2022 +14.1%

March 2021 – September 2021 +18.8%

March 2021 – March 2022 +32.9%



2021 Iowa Land Values by Crop Reporting District



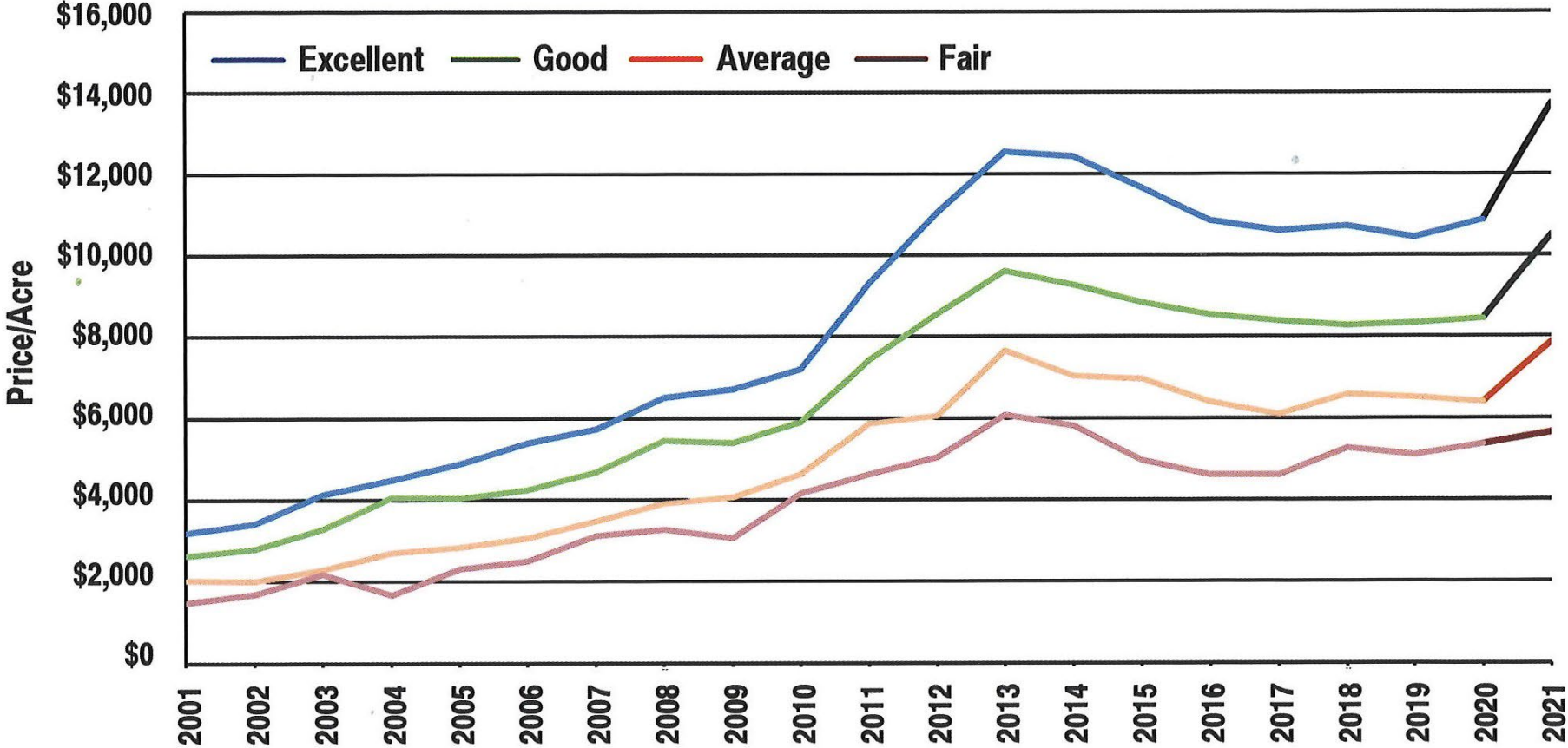
Estimates of average dollar value per acre for high, medium, and low grade farmland on Nov. 1, 2021, by Iowa Crop Reporting District, and the Crop Reporting District average and the average percentage change from Nov. 1, 2020. The estimates are based on a survey conducted by Iowa State University, Center for Agricultural and Rural Development and Iowa State University Extension and Outreach.

IOWA STATE UNIVERSITY
Extension and Outreach

 **CARD**
Center for Agricultural and Rural Development



All Regions: Illinois Land Values by Soil Productivity Class

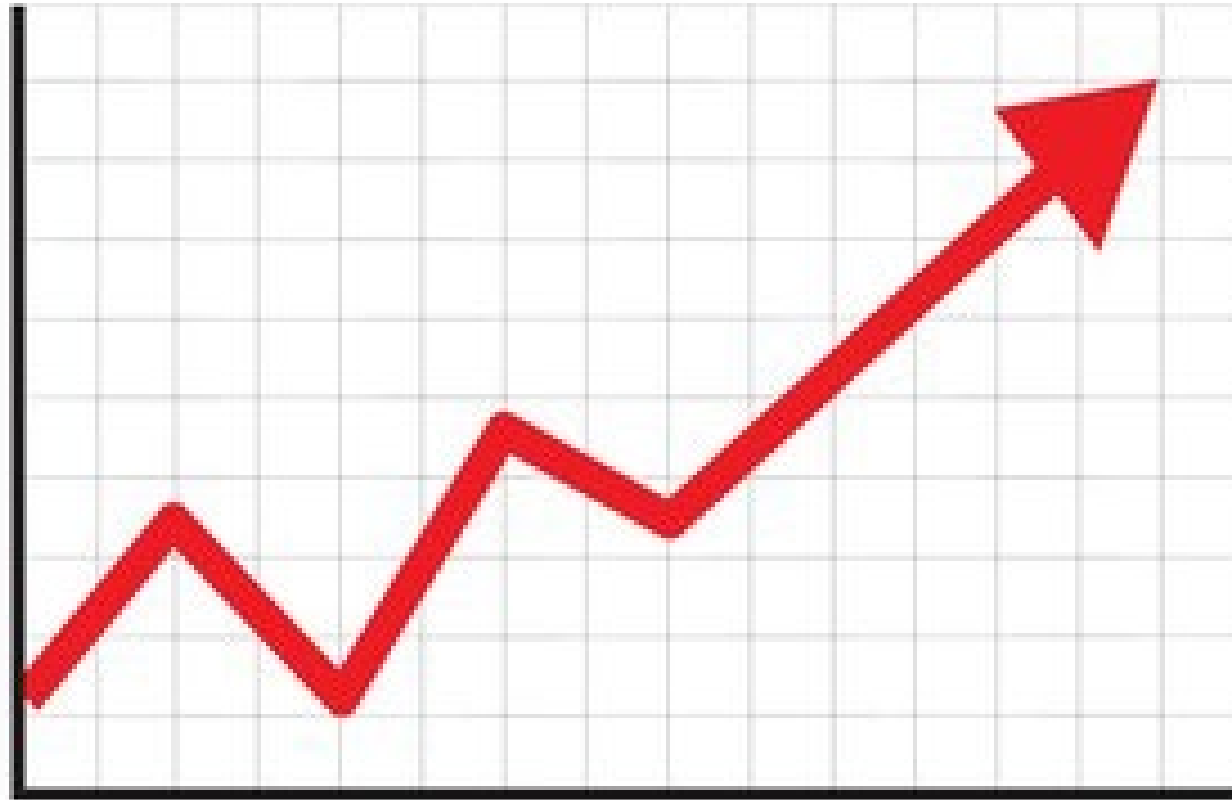


Source: ISPFMRA, 2022 Illinois Farmland Values & Lease Trends

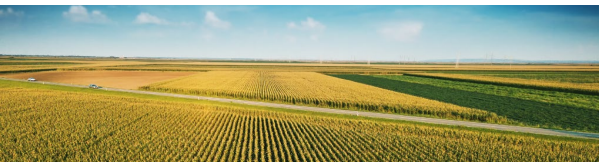
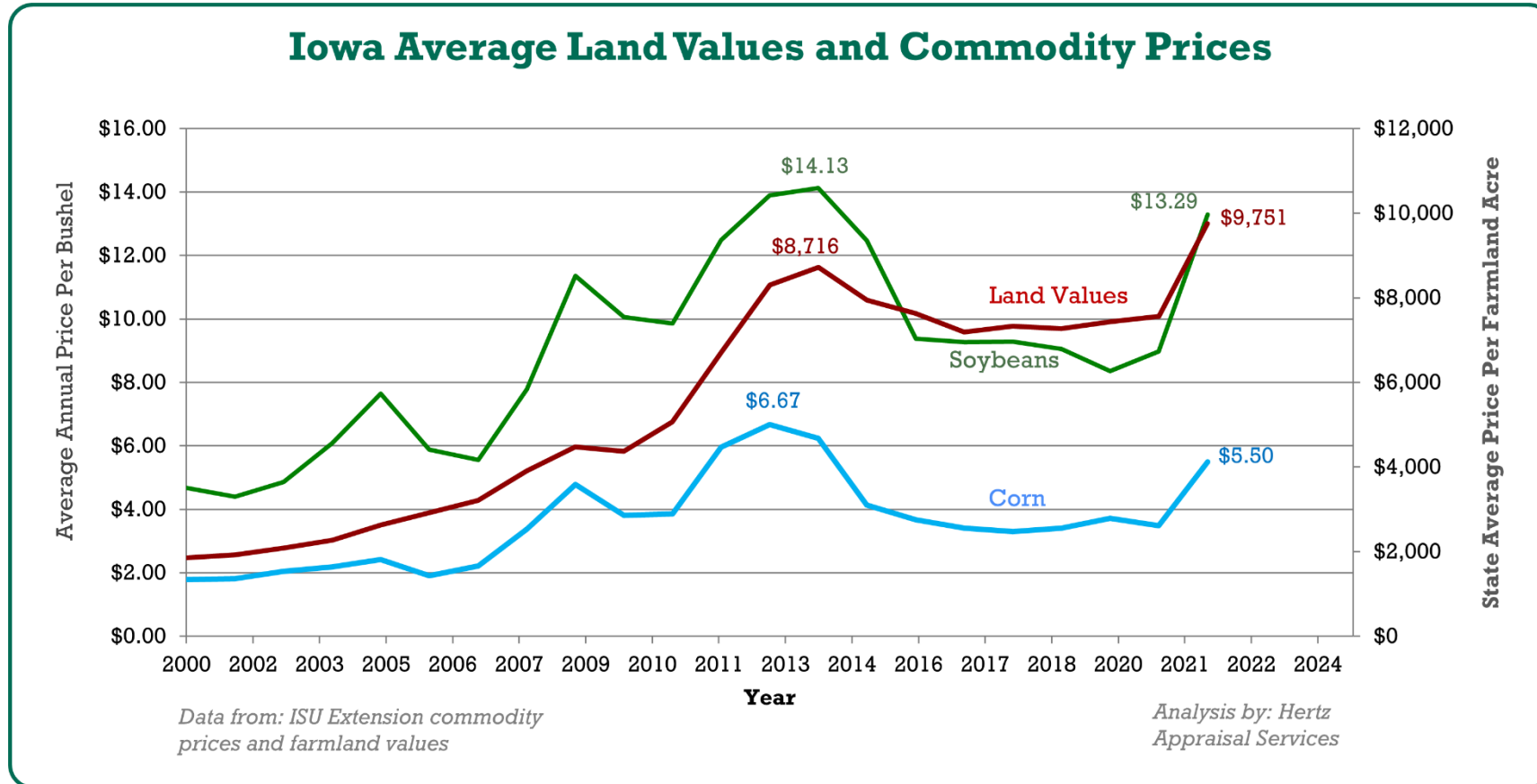
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What's Driving This Market???



Land Values & Commodities



Source: Iowa State University Extension

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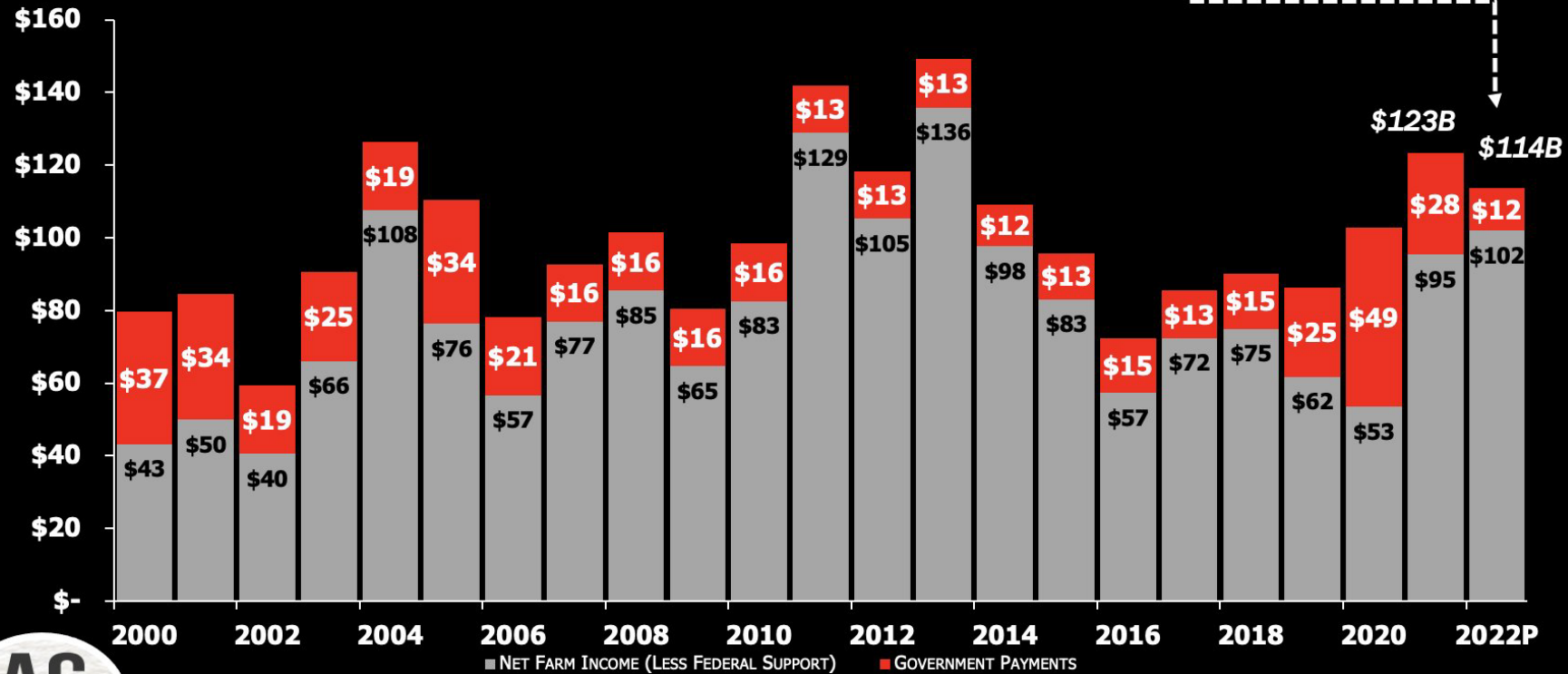
U.S. Net Farm Income

Farm Economy To Slow In 2022

Inflation-Adjusted U.S. Net Farm Income, 2000 to 2022P, Billion Dollars

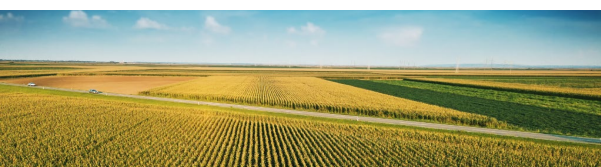
-\$9.7 Billion

Change in inflation-adjusted net farm income during 2022.



Senate Ag Committee Republicans

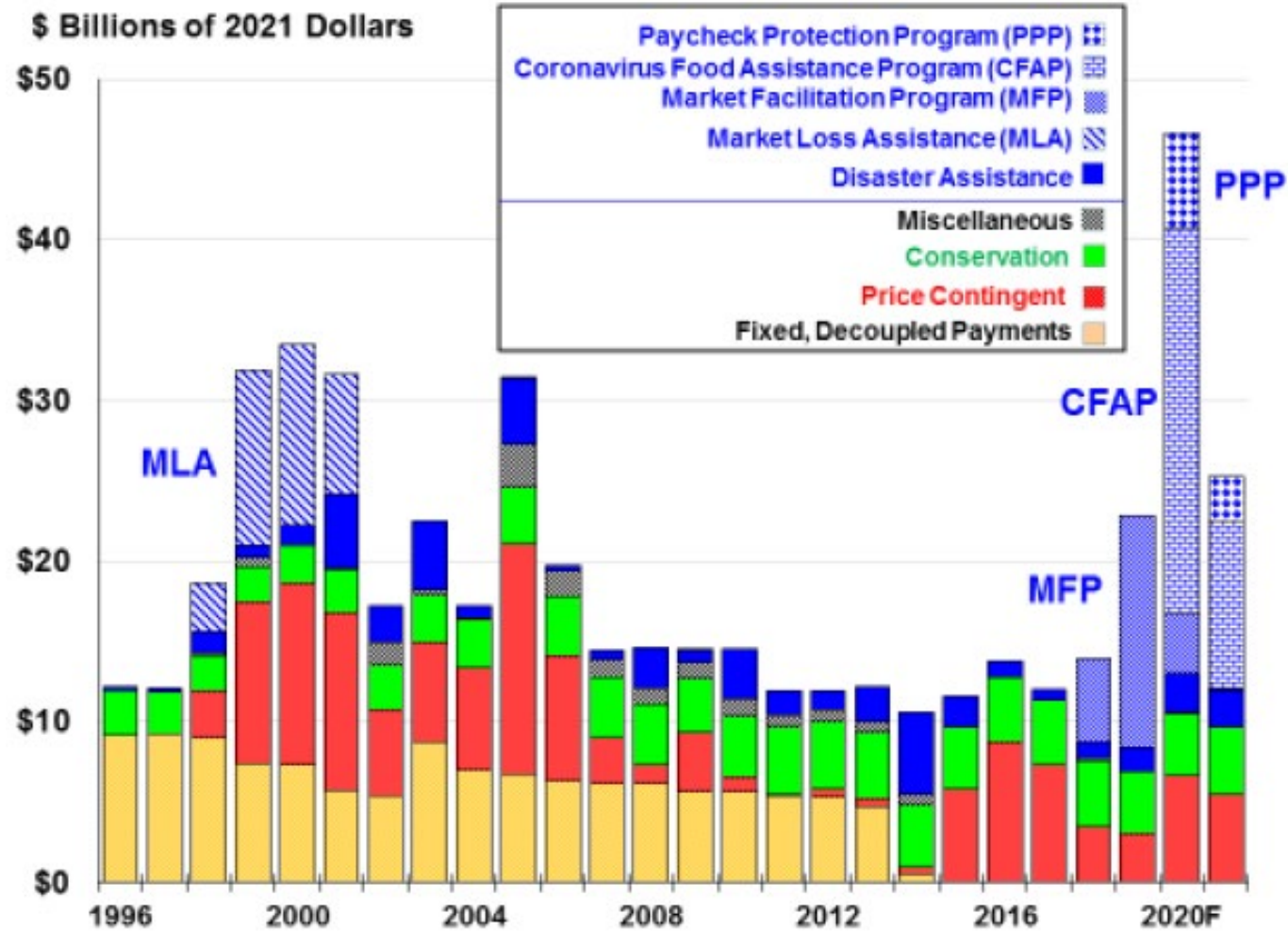
Senate Ag GOP Analysis, USDA ERS



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Decreasing Government Payments!

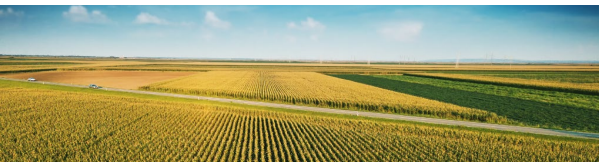
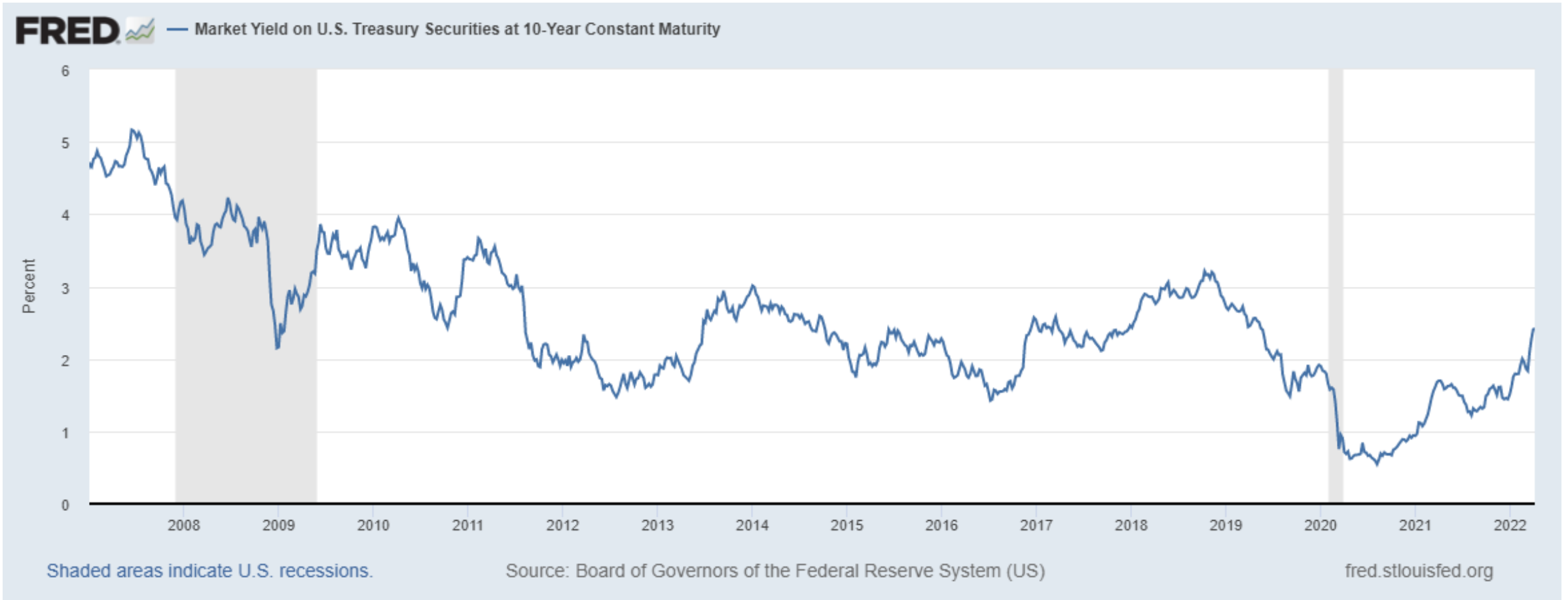


Source: Congressional Research Service, February 2021

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Interest Rates – 10 Year Treasury

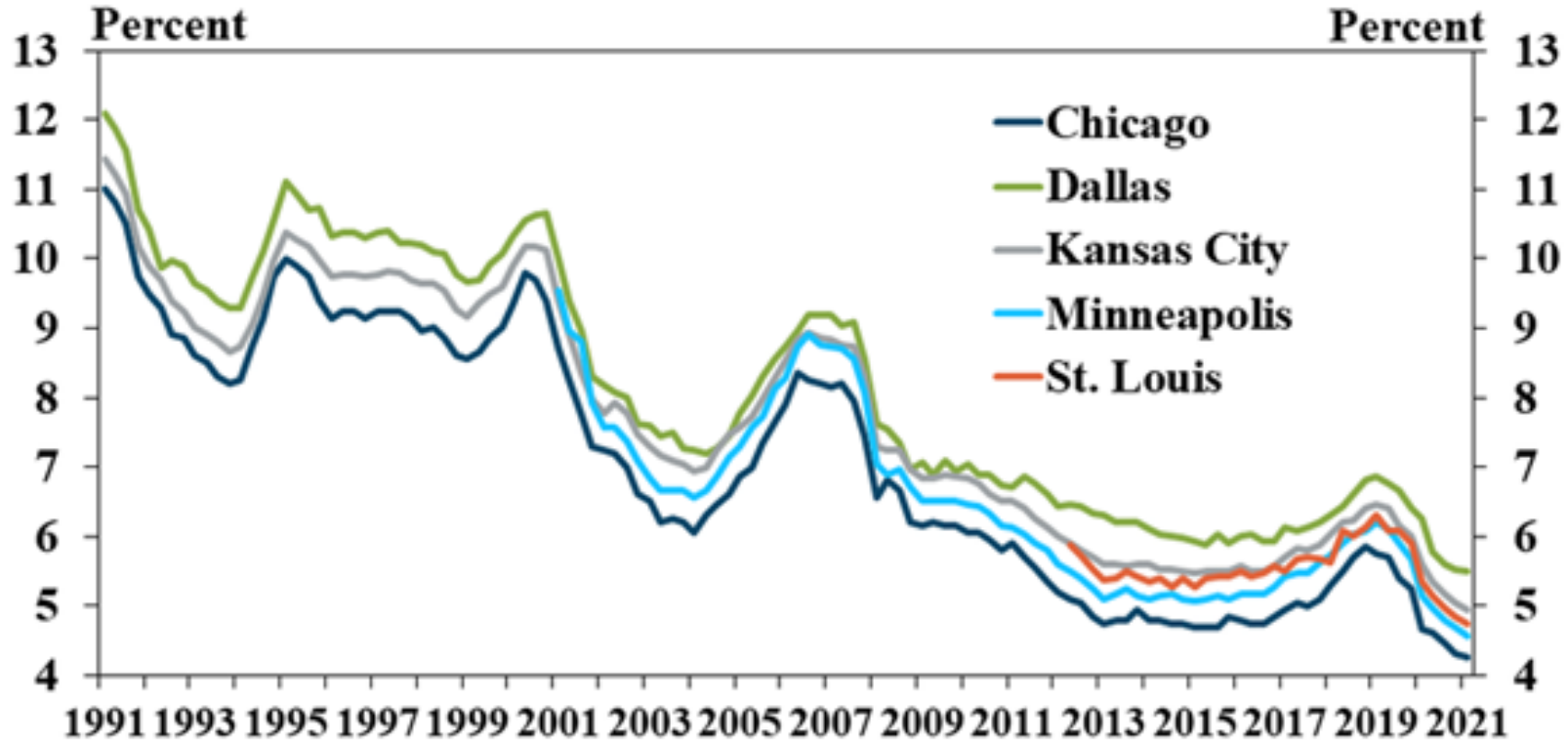


Source: St. Louis Federal Reserve Bank

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Interest Rates... Historical by Fed



*Average of fixed rates on agricultural loans of all types – operating, intermediate and real estate.
Note: Minneapolis survey began Q1 2001. St. Louis survey began Q2 2012. Chicago District includes only operating and real estate loans.
Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.



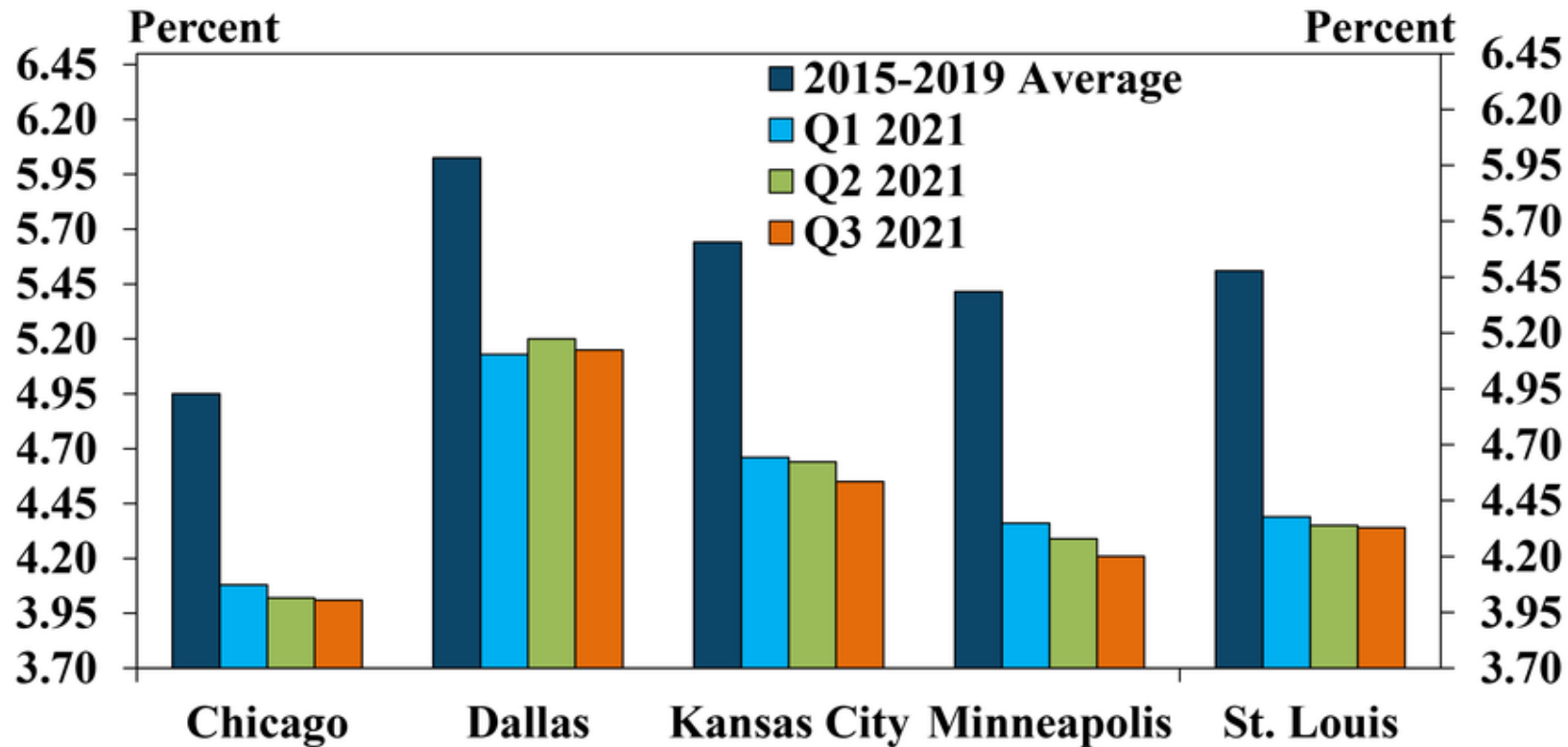
Source: Federal Reserve

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Interest Rates... 2021

Chart 2: Interest Rates on Farm Real Estate Loans

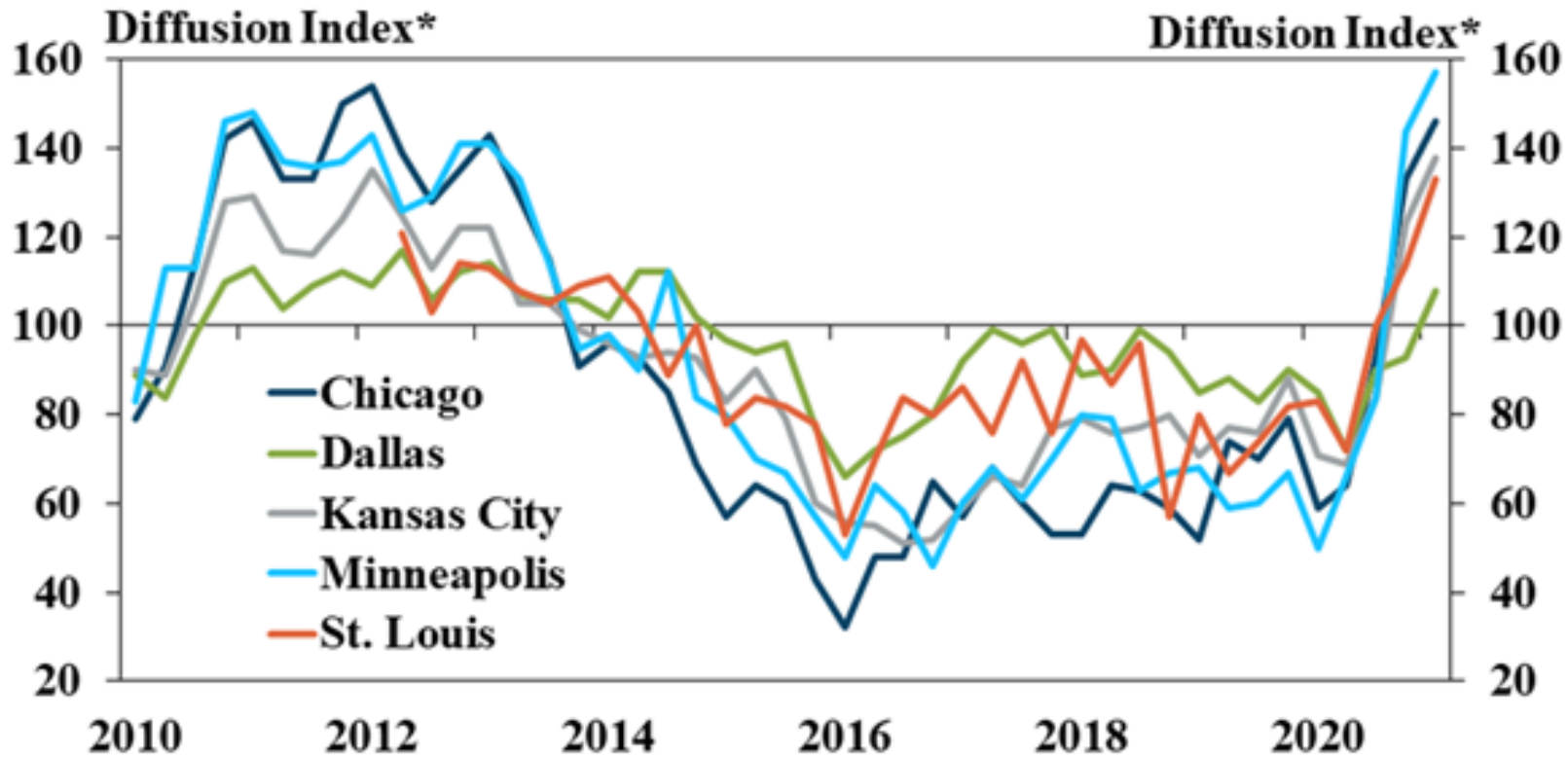


Source: Federal Reserve

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Bank Repayment Capacity



*Bankers responded by indicating whether conditions during the current quarter was higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100. Note: St. Louis survey began Q2 2012. Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.

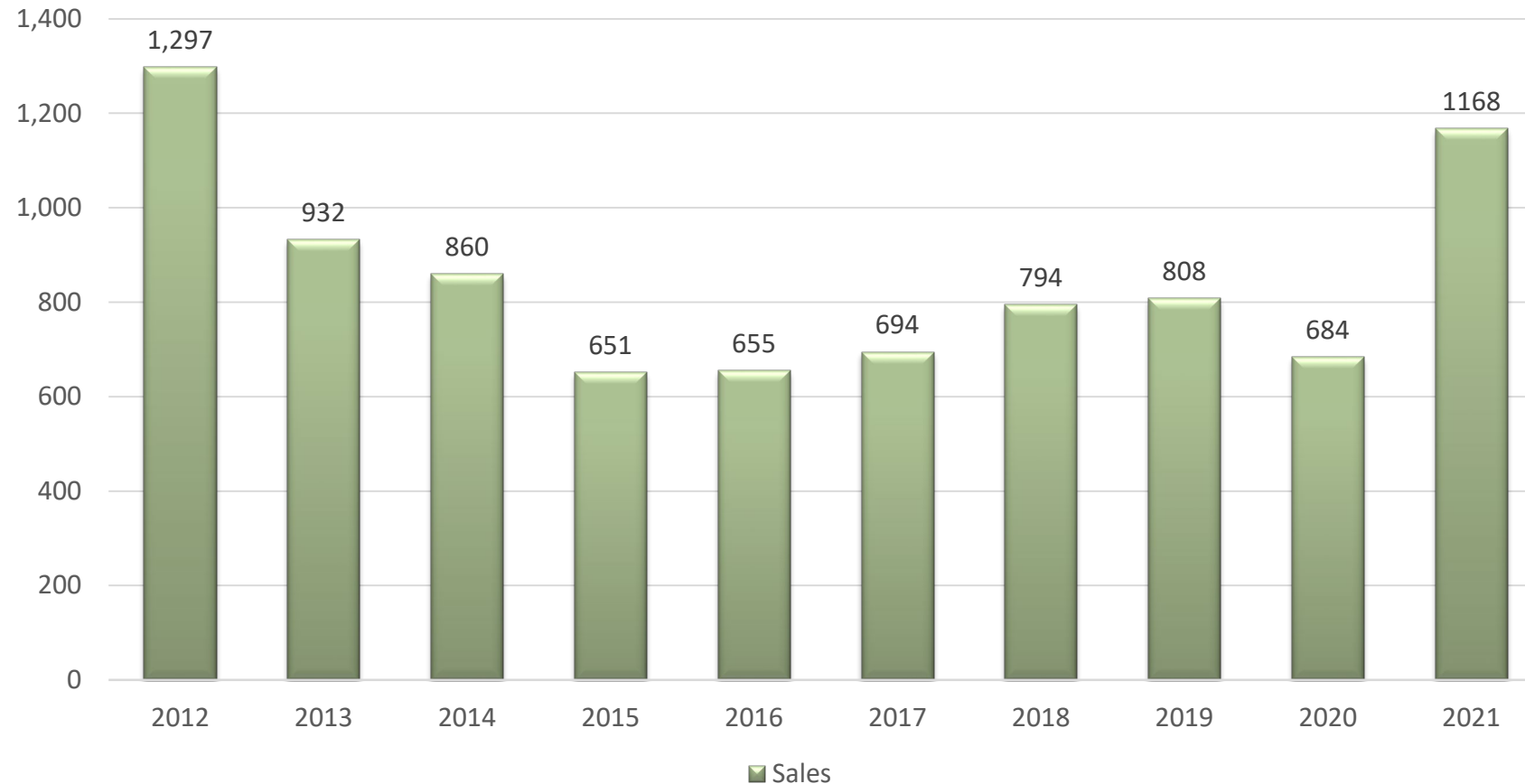


Source: Federal Reserve

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Land Sale Volume – IA Farmland Market Sales

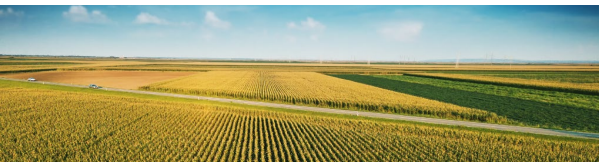
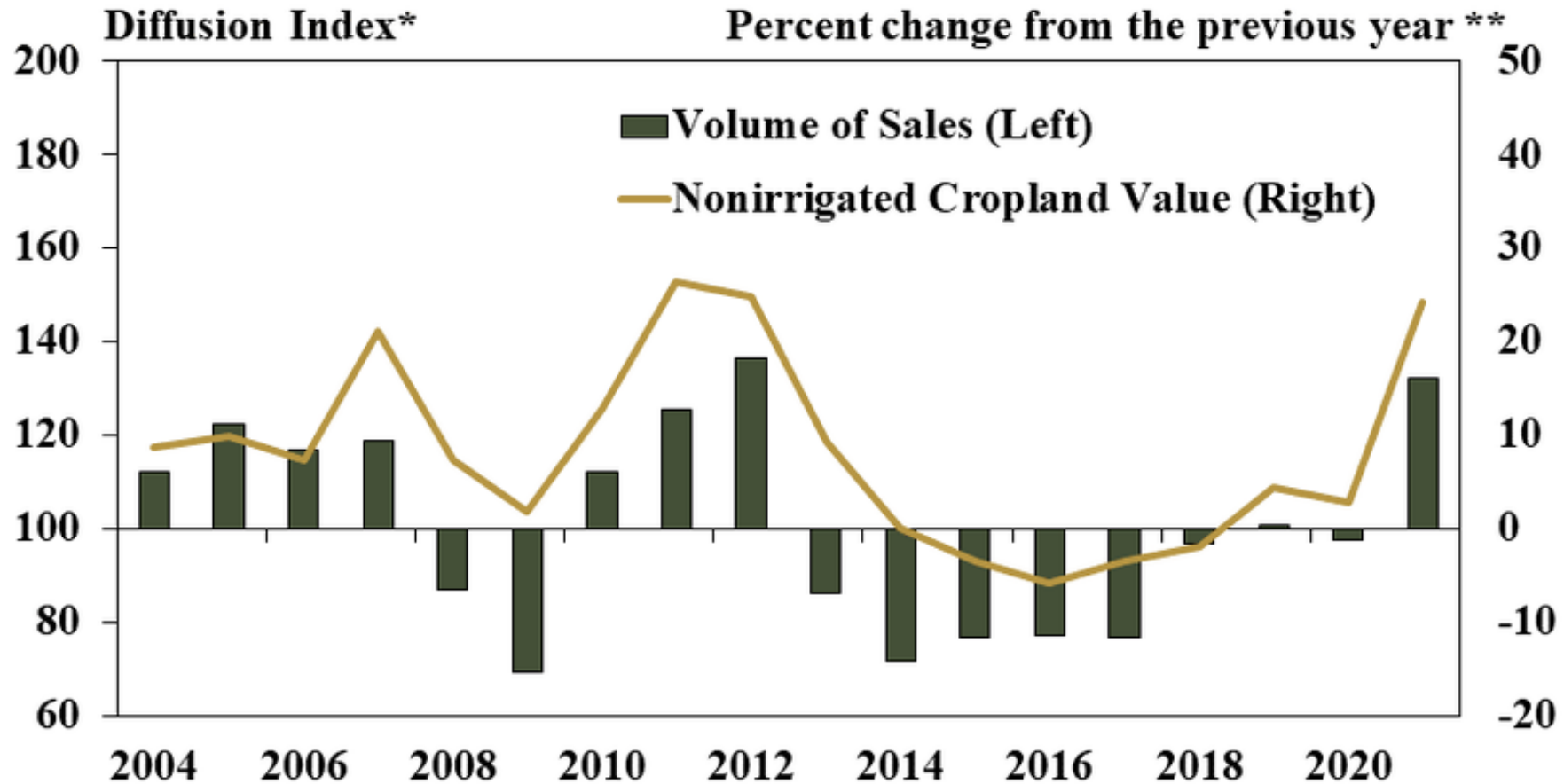


Source: Farm Credit Services of America

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Land Sale Volume – Fed Reserve 10th District (WCB)



Source: Ag Credit Survey, KC Fed Reserve – February 2022

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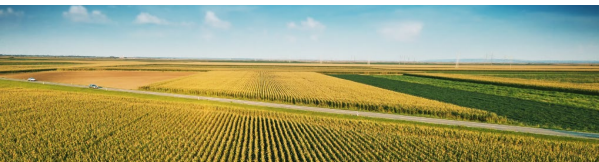


What's Driving This Market???

- **Commodity Prices**
- **Farm Income**
- **Government Support... kindof**
- **Interest Rates**
- **Borrowing Capacity... \$\$\$ to Loan**
- **Land Sale Volume**



Do you ever recall a market where all the major drivers aligned simultaneously?



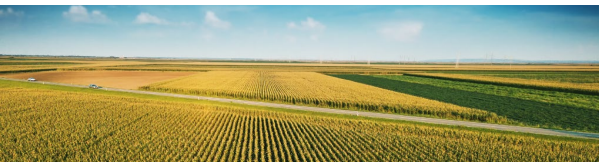
Who Are The Buyers?

- Farmers → 60-80%, depends where!
- Local Investors – Individuals
- Non-Local Investors – Individuals
- Institutions – e.g., *TIAA-CREF, John Hancock, Prudential, UBS, Other Pension/Retirement Plans*
- Newer Institutional Investors – e.g., *Summit, Ceres, Homestead Capital*
- Crowd Funding Individual Farms – e.g., *AcreTrader*



Farmland: Financial Performance 1990-2020

Asset/Index	Annual Ave. Return	Standard Deviation	Coefficient of Variation	US Ag 32 States Correlation	Minimum Return	Maximum Return
	----- 1991 - 2020 -----					
US Ag 32 States	8.6%	3.79%	0.441	1	-1.2%	19.3%
NCREIF Total Farmland	11.0%	6.62%	0.604	0.655	2.0%	33.9%
Indiana	9.0%	5.06%	0.562	0.652	-1.0%	22.0%
Illinois	9.2%	5.65%	0.611	0.797	0.8%	26.0%
Iowa	10.7%	7.39%	0.693	0.645	-5.3%	24.9%
Minnesota	10.3%	5.51%	0.535	0.787	-1.8%	20.3%
Dow Jones	8.2%	14.38%	1.759	-0.108	-41.3%	28.9%
Composite REITS	10.1%	17.67%	1.746	-0.106	-47.5%	32.5%
AAA	5.7%	1.64%	0.290	0.263	2.5%	8.8%
TCM10Y	4.3%	1.84%	0.433	0.339	0.9%	7.9%
Mort30F	5.9%	1.72%	0.290	0.345	3.1%	9.2%
CD6M	3.37%	2.18%	0.648	0.355	0.2%	6.6%
Gold	5.29%	14.13%	2.672	0.040	-31.9%	27.7%
PPI	1.71%	3.94%	2.304	0.141	-7.4%	8.2%
CPI	2.22%	0.87%	0.394	0.288	0.1%	4.0%



Source: University of Illinois, TIAA
Center for Farmland Research

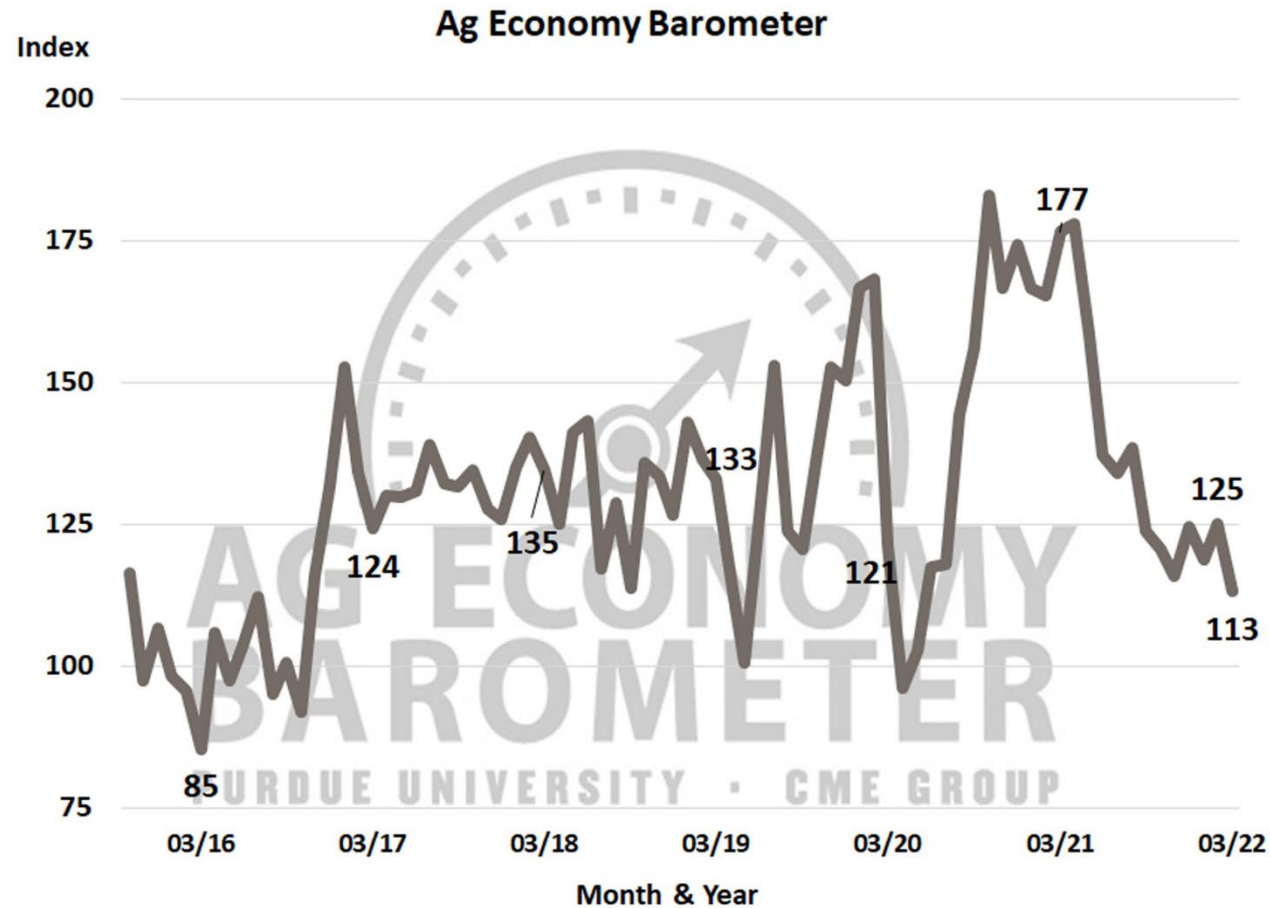
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So... What To Expect???



Attitudes Improved Quickly... But...

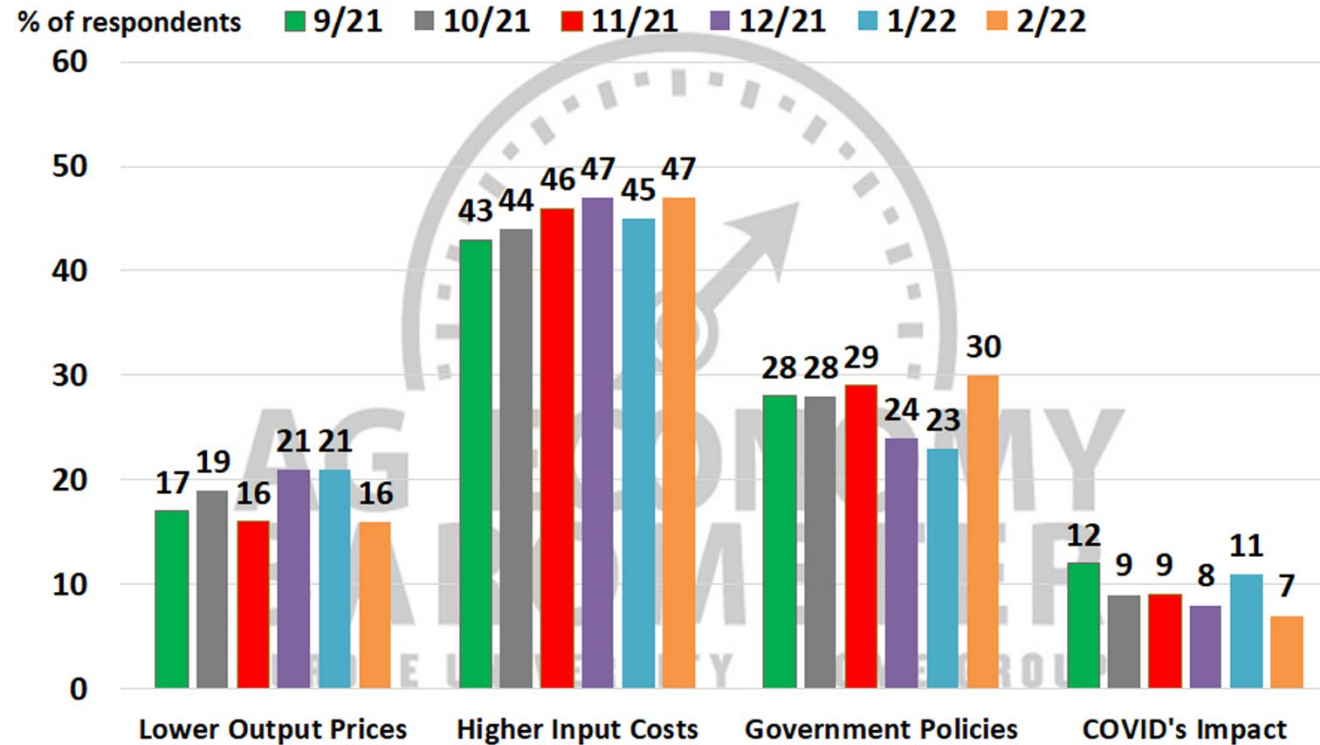


Source: Purdue University Center for Commercial Agriculture, Producer Survey, March 2022



There Are Concerns...

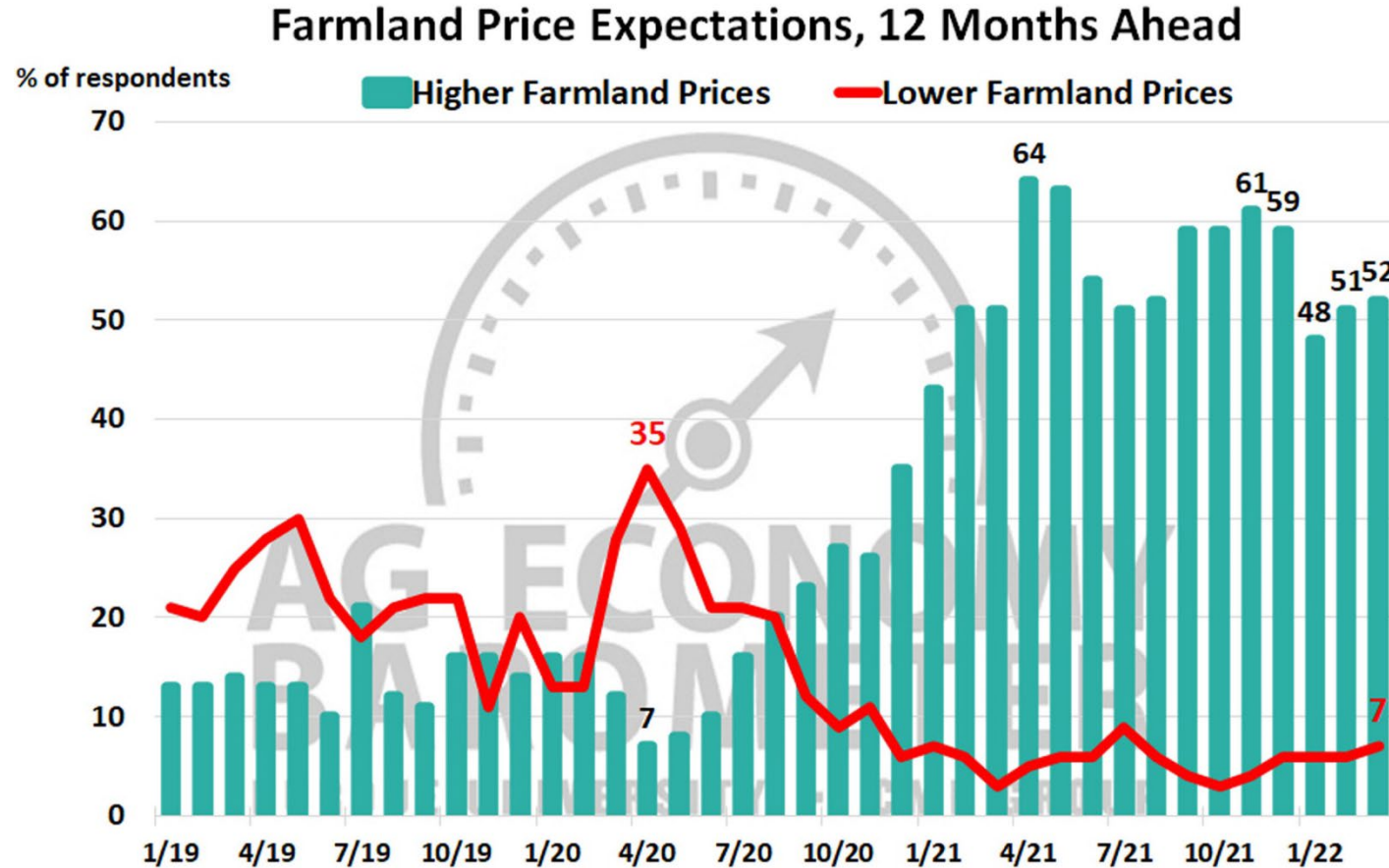
Looking ahead to next year what are your biggest concerns for your farming operation?



Source: Purdue Center for Commercial Agriculture, Producer Survey, February 2022



Short-Term Attitudes Are Very Positive

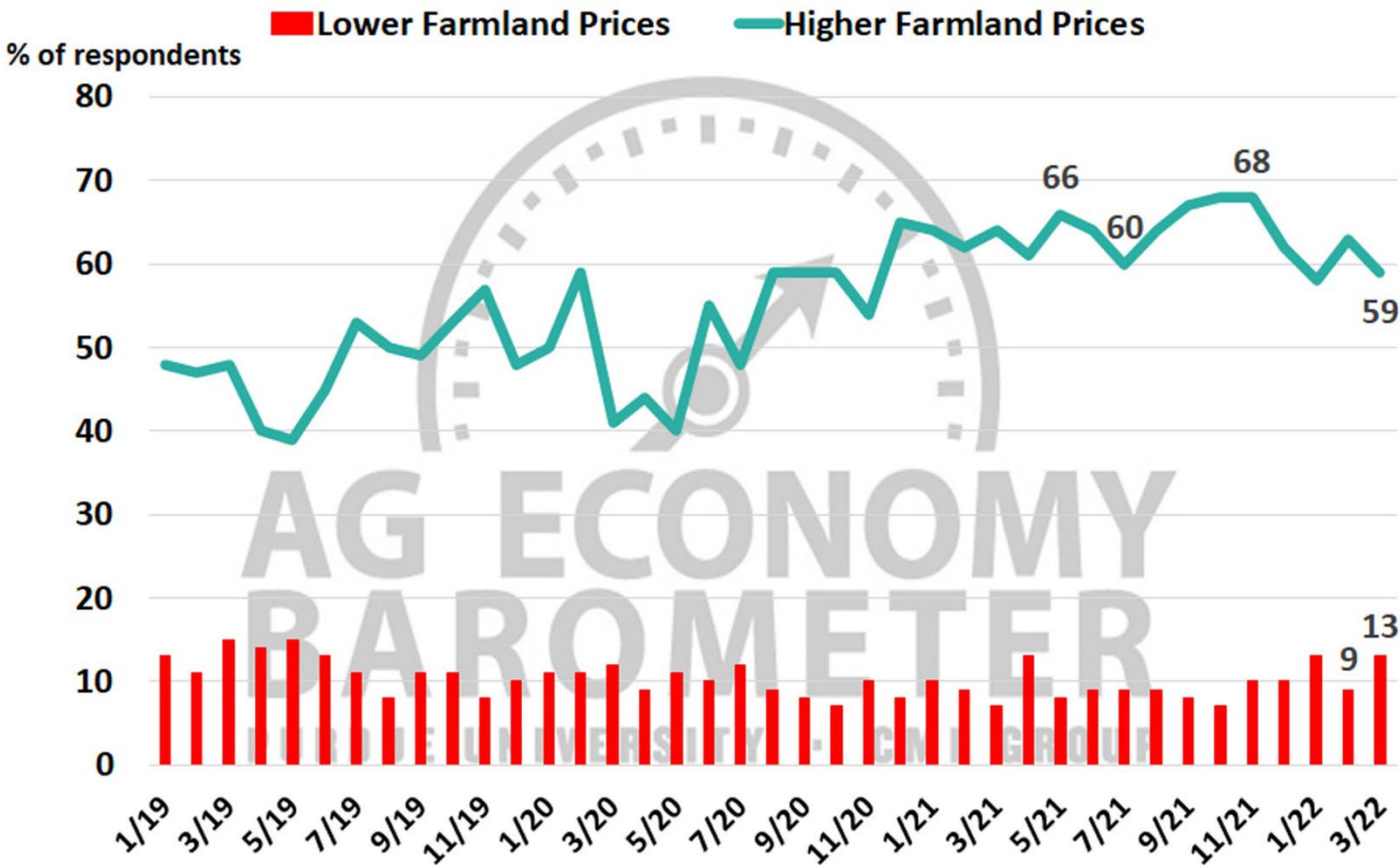


Source: Purdue Center for Commercial Agriculture, Producer Survey, March 2022



Longer Term Expectations

Farmland Price Expectations, 5 Years From Now

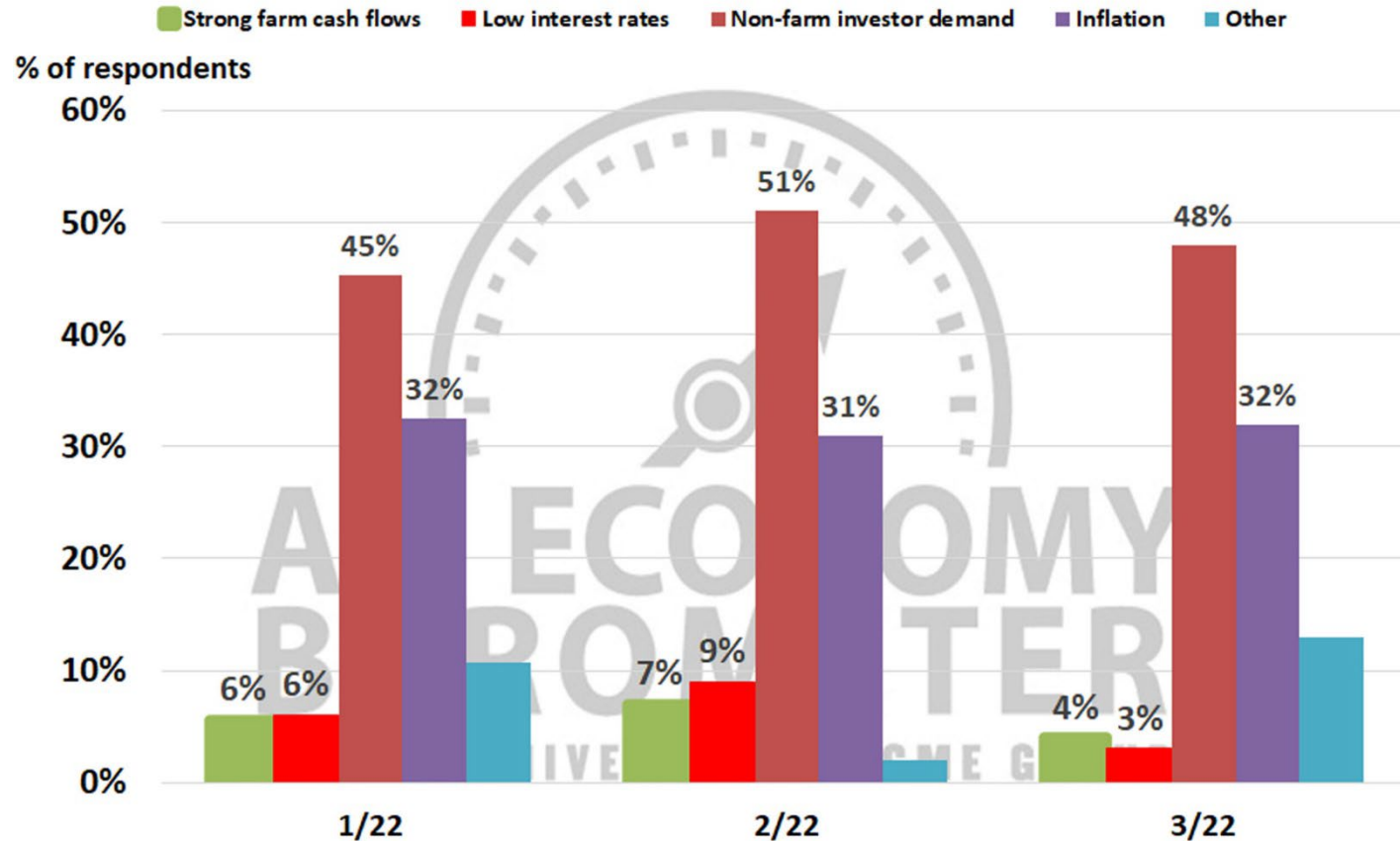


Source: Purdue Center for Commercial Agriculture, Producer Survey, March 2022

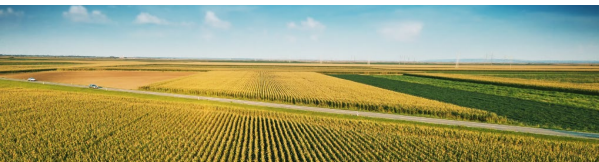


Long-Term Land Value Expectations

What is the main reason you expect farmland values to rise?



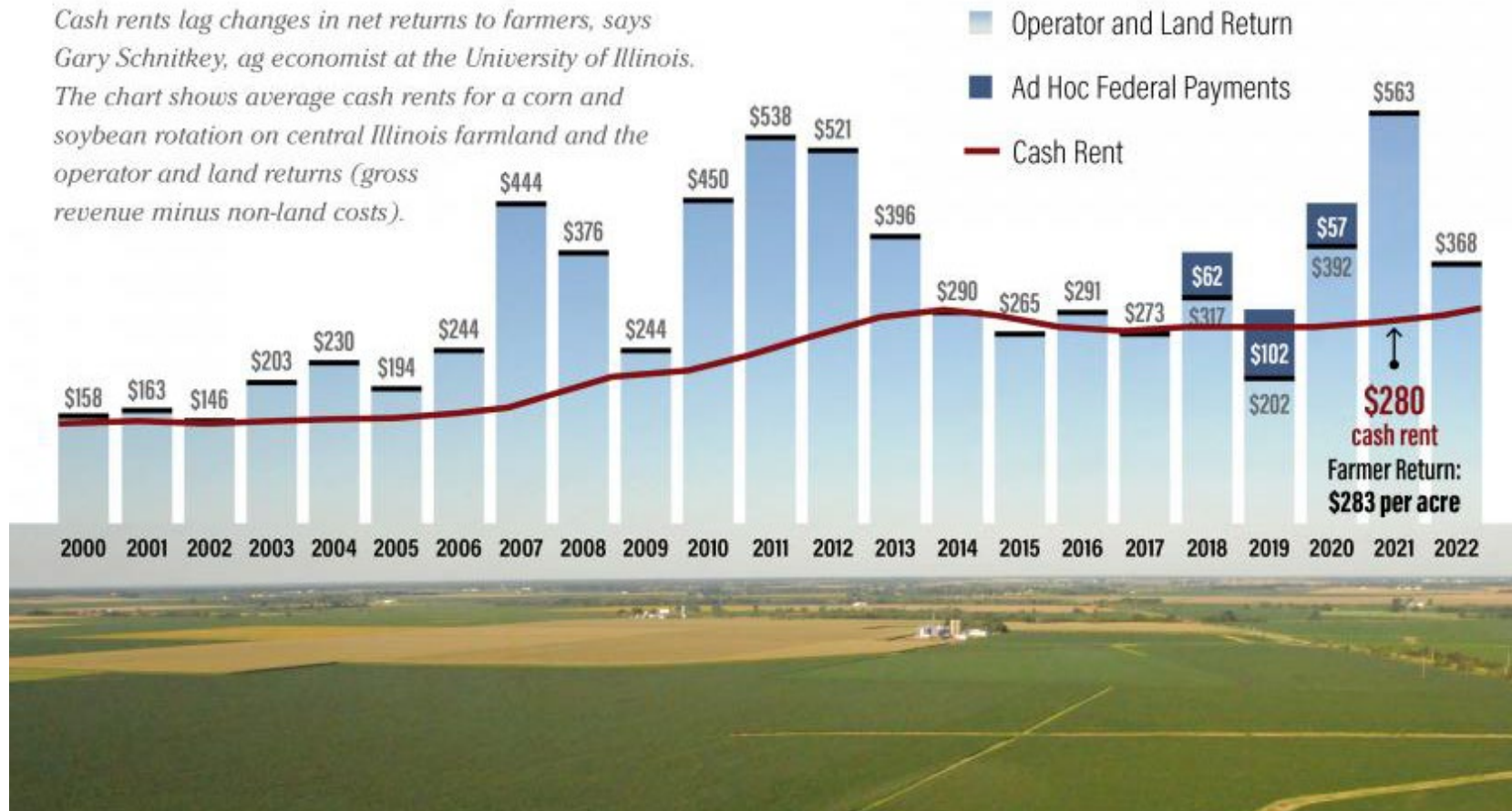
Source: Purdue Center for Commercial Agriculture, Producer Survey, March 2022



2022 Rental Outlook

Ebbs and Flows of Rents and Returns

Cash rents lag changes in net returns to farmers, says Gary Schnitkey, ag economist at the University of Illinois. The chart shows average cash rents for a corn and soybean rotation on central Illinois farmland and the operator and land returns (gross revenue minus non-land costs).



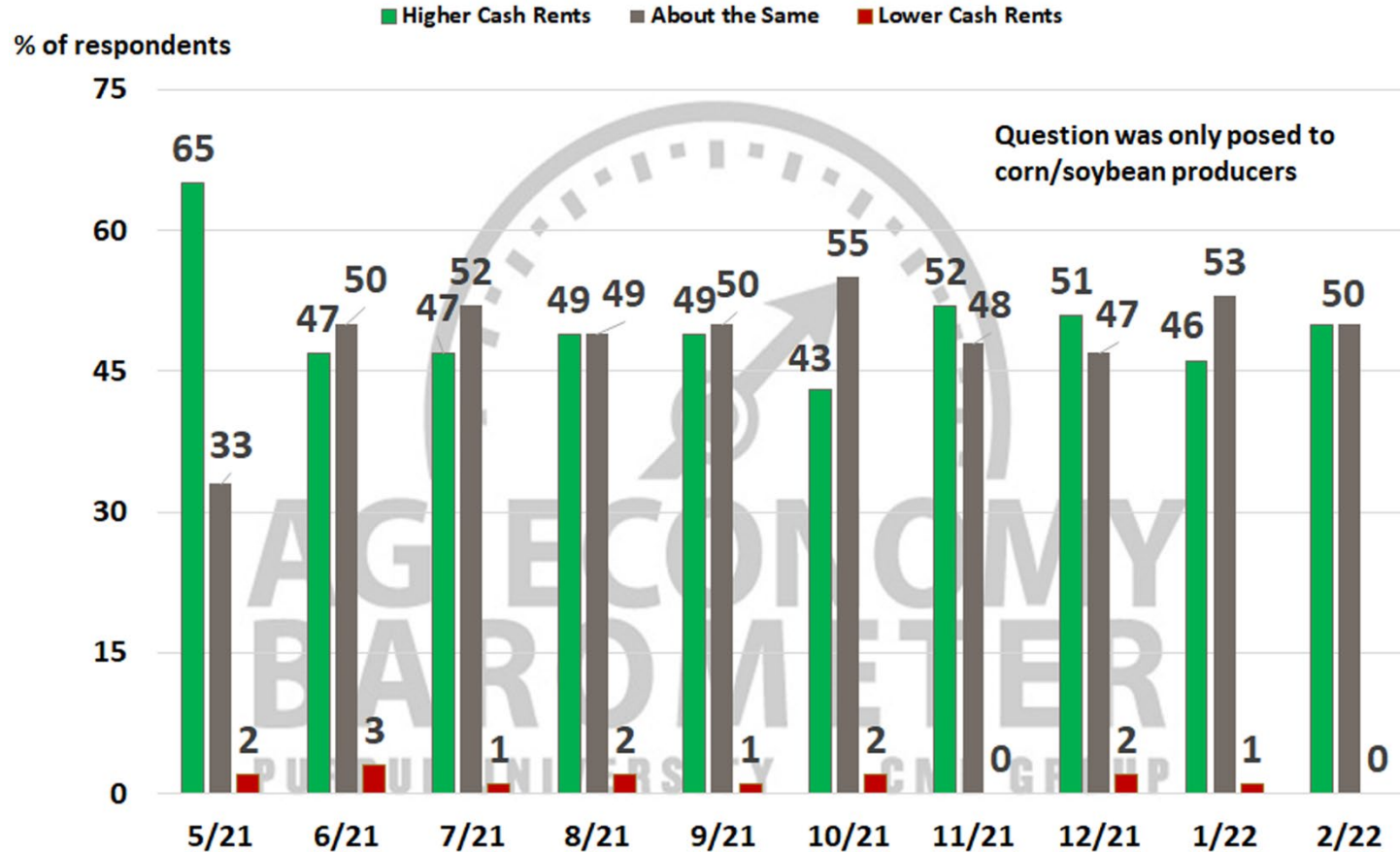
Source: University of Illinois FBFM, Fall 2021

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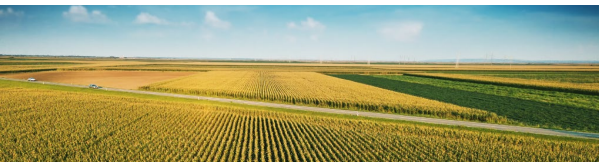


2022 Rental Outlook

Compared to 2021, what are your expectations for cash rents in your area in 2022?



Source: Purdue Center for Commercial Agriculture, Producer Survey, February 2022



What to watch in the coming months...

- **Commodity Prices**
 - 2021 Peak in May/June... what happens this year? It's been wild!
- **Interest Rates & Inflation**
 - How hard will the Fed push rates?
- **Sales Volume**
 - Was way up for Q3 and Q4 in 2021... and still strong in Q1 2022. Can market strength hold?

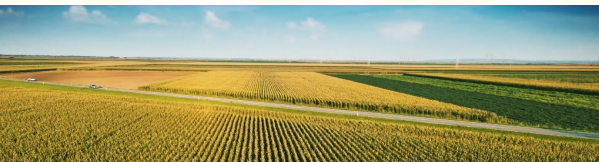


What to watch in the coming months...

- **Farm Policy Under Biden Administration**
 - Ad-hoc Support, Crop Insurance?
- **Tax Policy Under Biden Administration**
 - Income tax rates, Capital Gain tax rates, Step-Up in Basis, 1031 still allowed? Will BBB happen?



Thank You!





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