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- Professional Farm Management
- Farmland Sales & Acquisitions
- Farmland Auctions
- Trusted Farmland Appraisals





**Landowner Educational Seminar  
Summer 2022**

**Land Trends & Values**



# Agenda



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



# Farmland Values

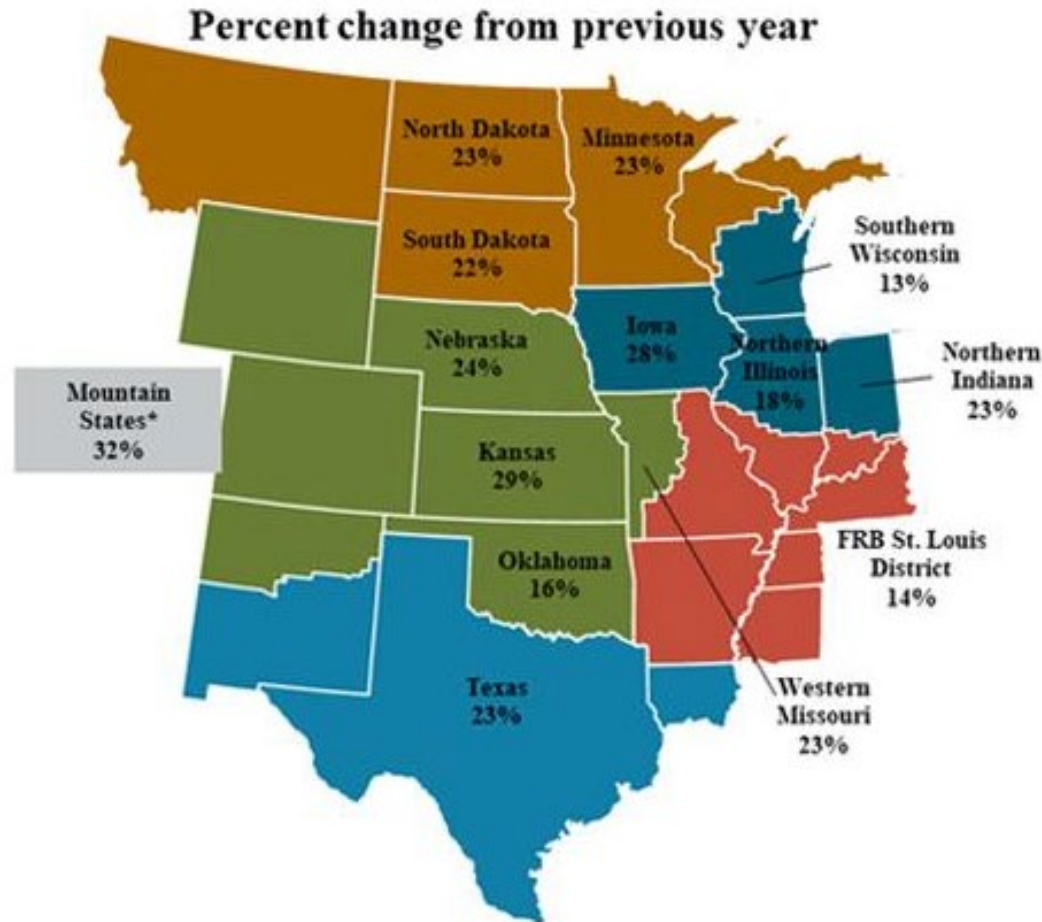
Farmland values are a barometer of the economic health and wealth of the farming economy.







# Non-Irrigated Land Values – Q1, 2022

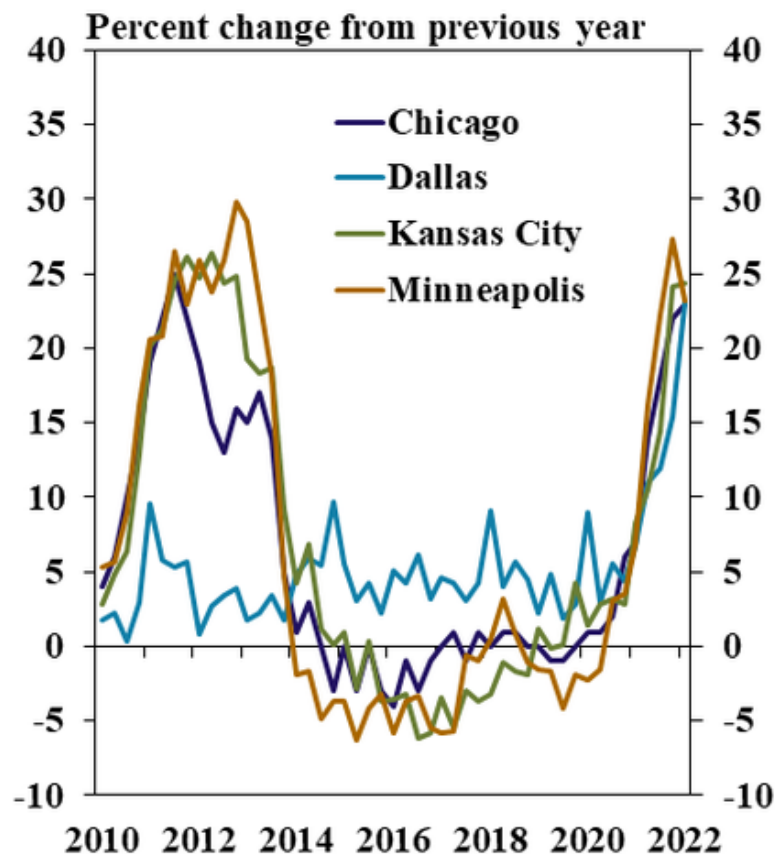


\*Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.  
Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.

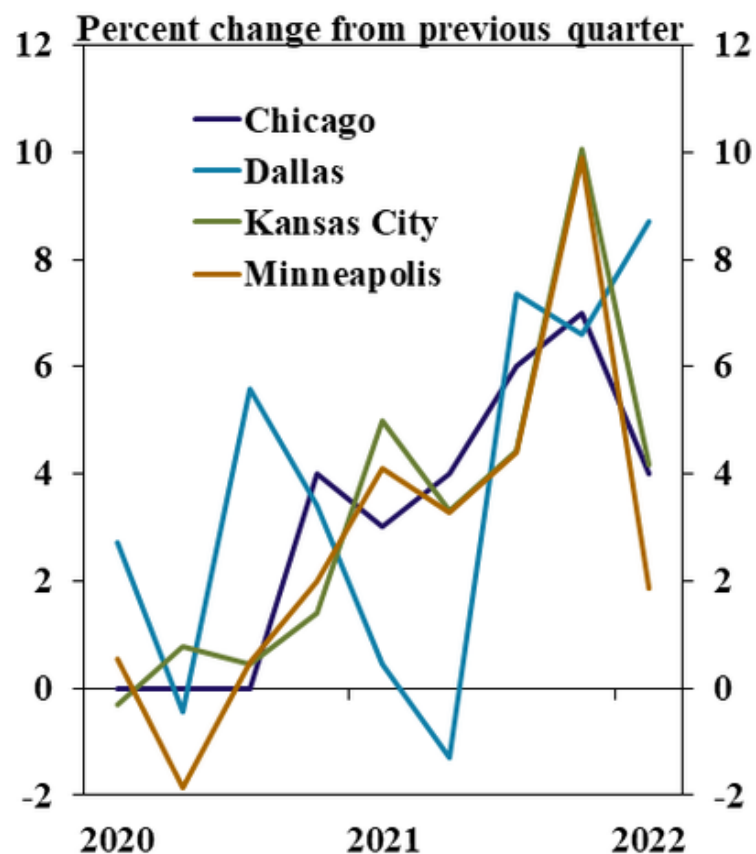


# Non-Irrigated Land Values – Q1, 2022

Annual Change



Quarterly Change



Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.



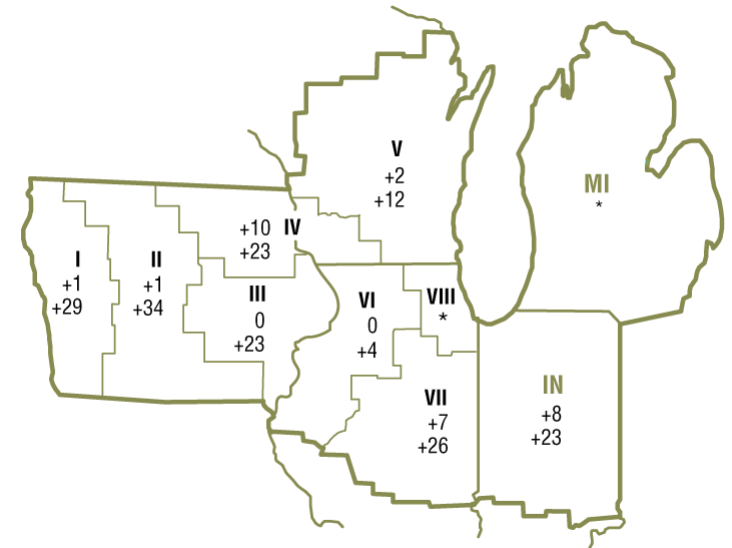
# Chicago Federal Reserve Survey

## Percent Change in Dollar Value of “Good” Farmland

January 1, 2022  
to  
April 1, 2022

April 1, 2021  
to  
April 1, 2022

Illinois	+4	+18
Indiana	+8	+23
Iowa	+3	+28
Michigan	*	*
Wisconsin	+4	+13
Seventh District	+4	+23



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





# Iowa REALTORS® Land Institute

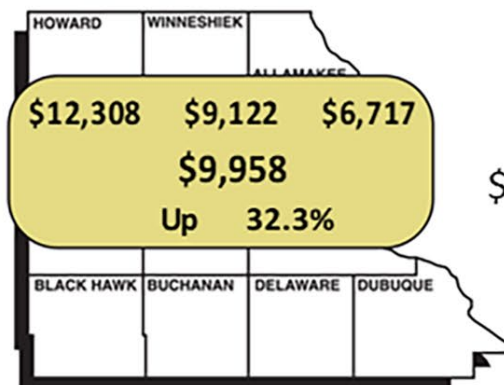
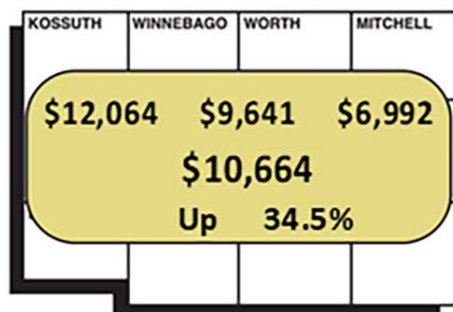
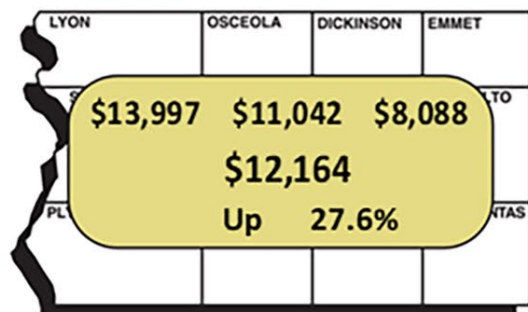
September 2021 – March 2022 +14.1%

March 2021 – September 2021 +18.8%

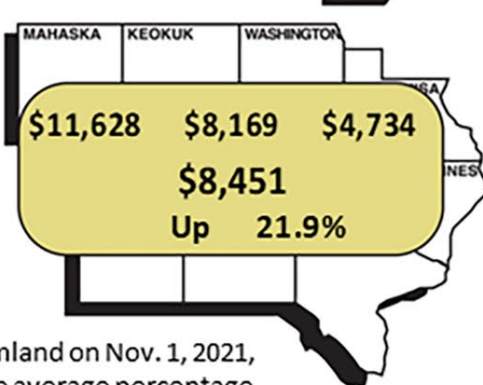
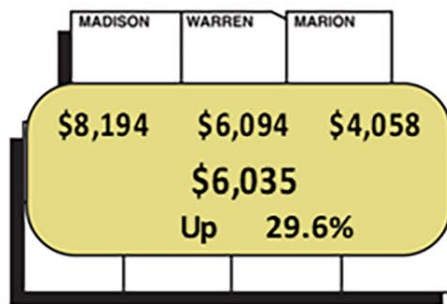
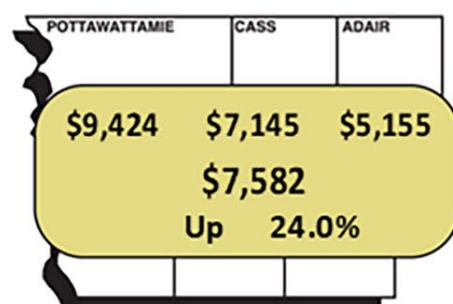
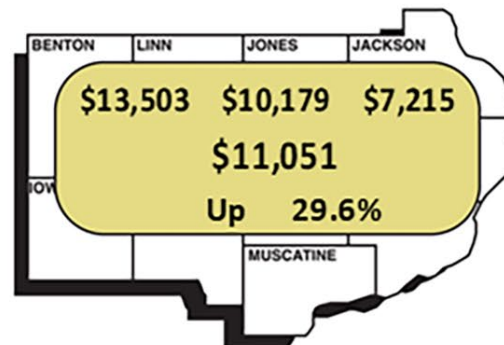
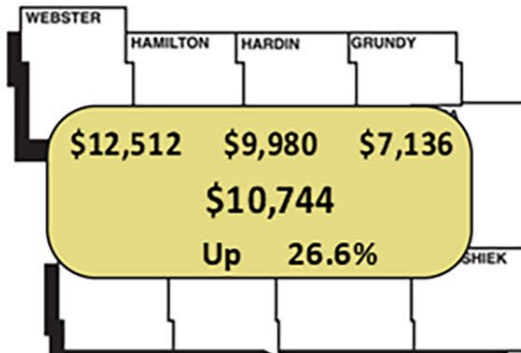
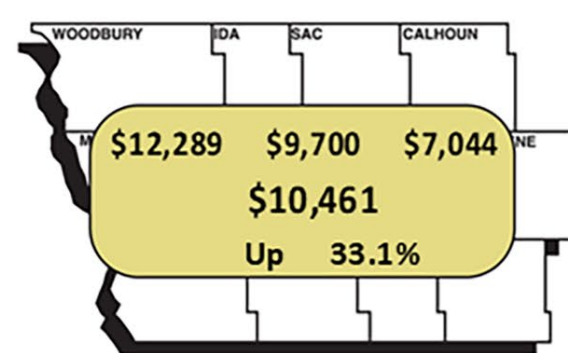
**March 2021 – March 2022 +32.9%**



# 2021 Iowa Land Values by Crop Reporting District



**Iowa**  
 \$11,834 \$9,071 \$6,397  
**\$9,751**  
 Up 29.0%



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

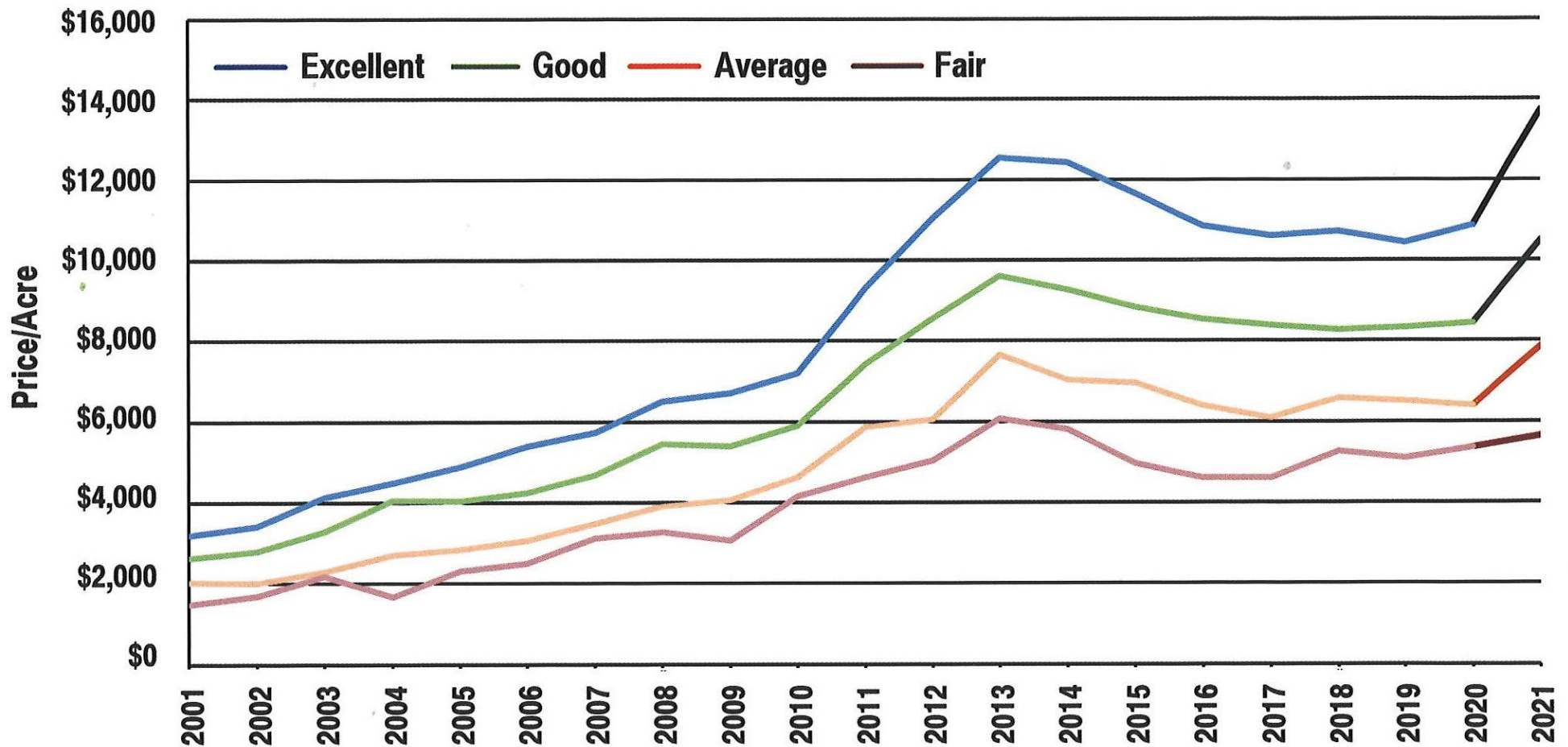
 **CARD**  
 Center for Agricultural  
 and Rural Development



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 **Hertz**  
 Farm Management, Inc.

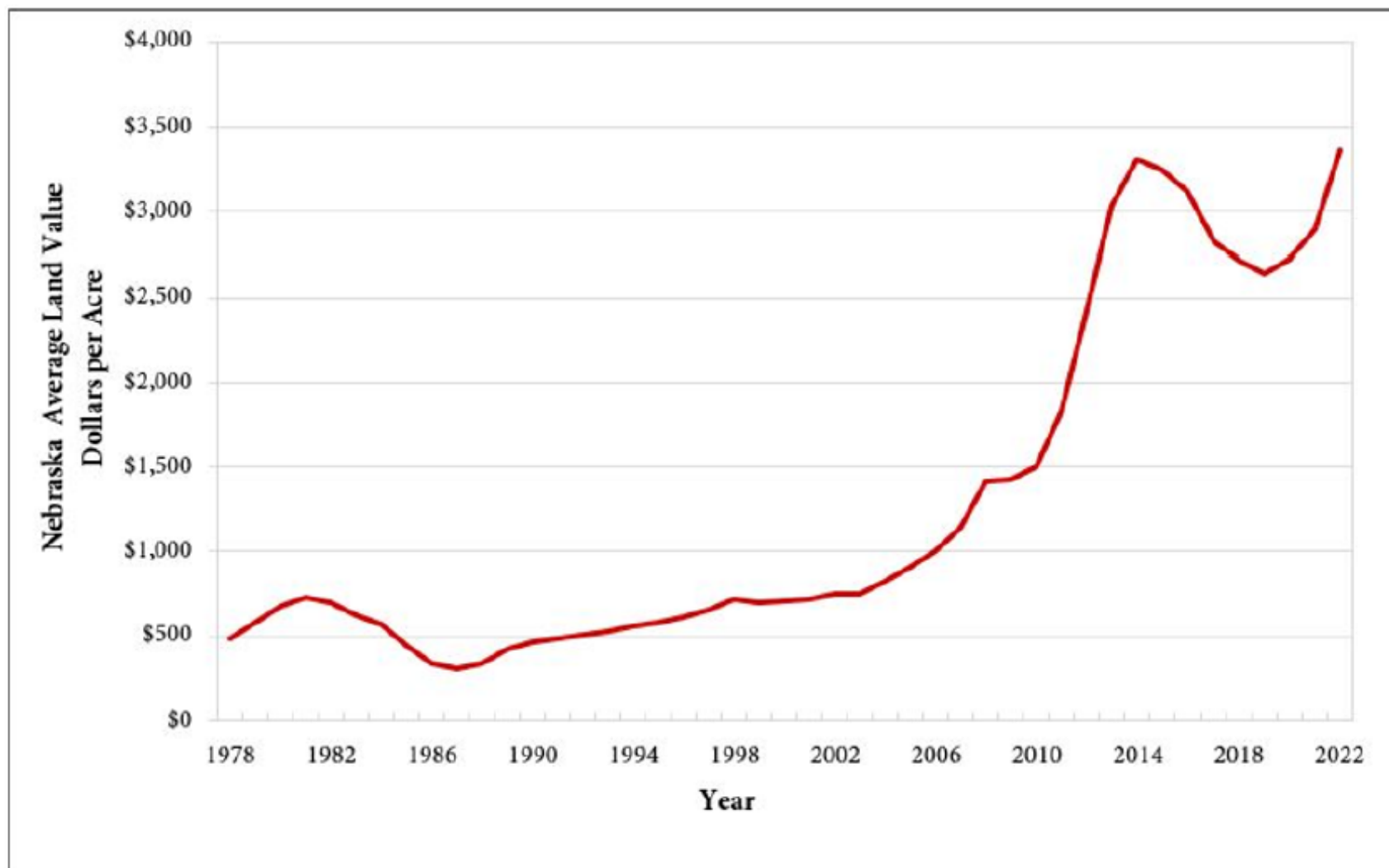
## All Regions: Illinois Land Values by Soil Productivity Class



Source: ISPFMRA, 2022 Illinois Farmland Values & Lease Trends  
[www.Hertz.ag](http://www.Hertz.ag)



**Figure 1. Historic Nebraska Average Land Value 1979-2022<sup>a</sup>**



Source: <sup>a</sup> UNL Nebraska Farm Real Estate Market Surveys, 1979 - 2022.



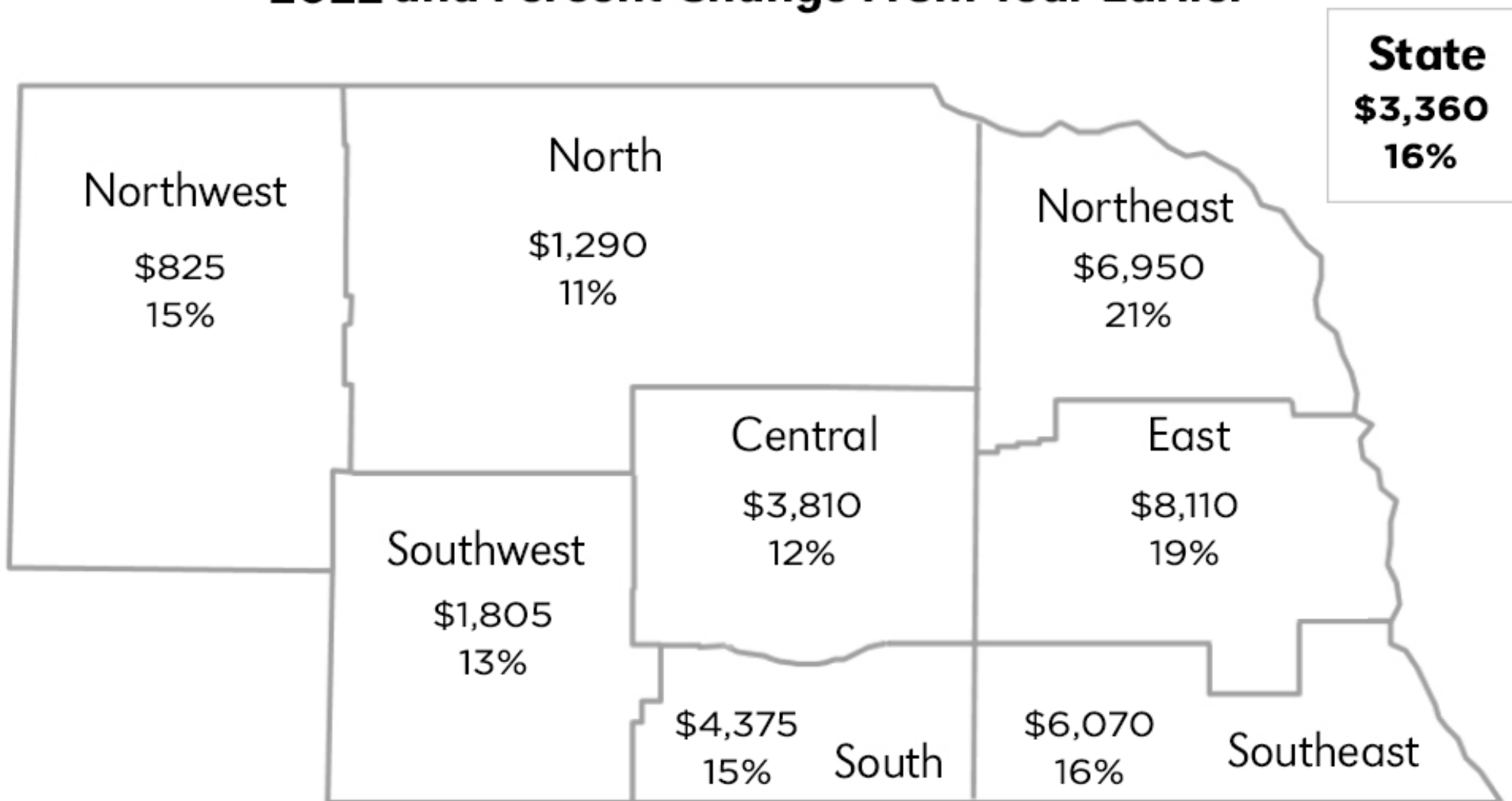
Source: University of Nebraska at Lincoln

[www.Hertz.ag](http://www.Hertz.ag)





## Average Value of Nebraska Farmland, February 1, 2022 and Percent Change From Year Earlier



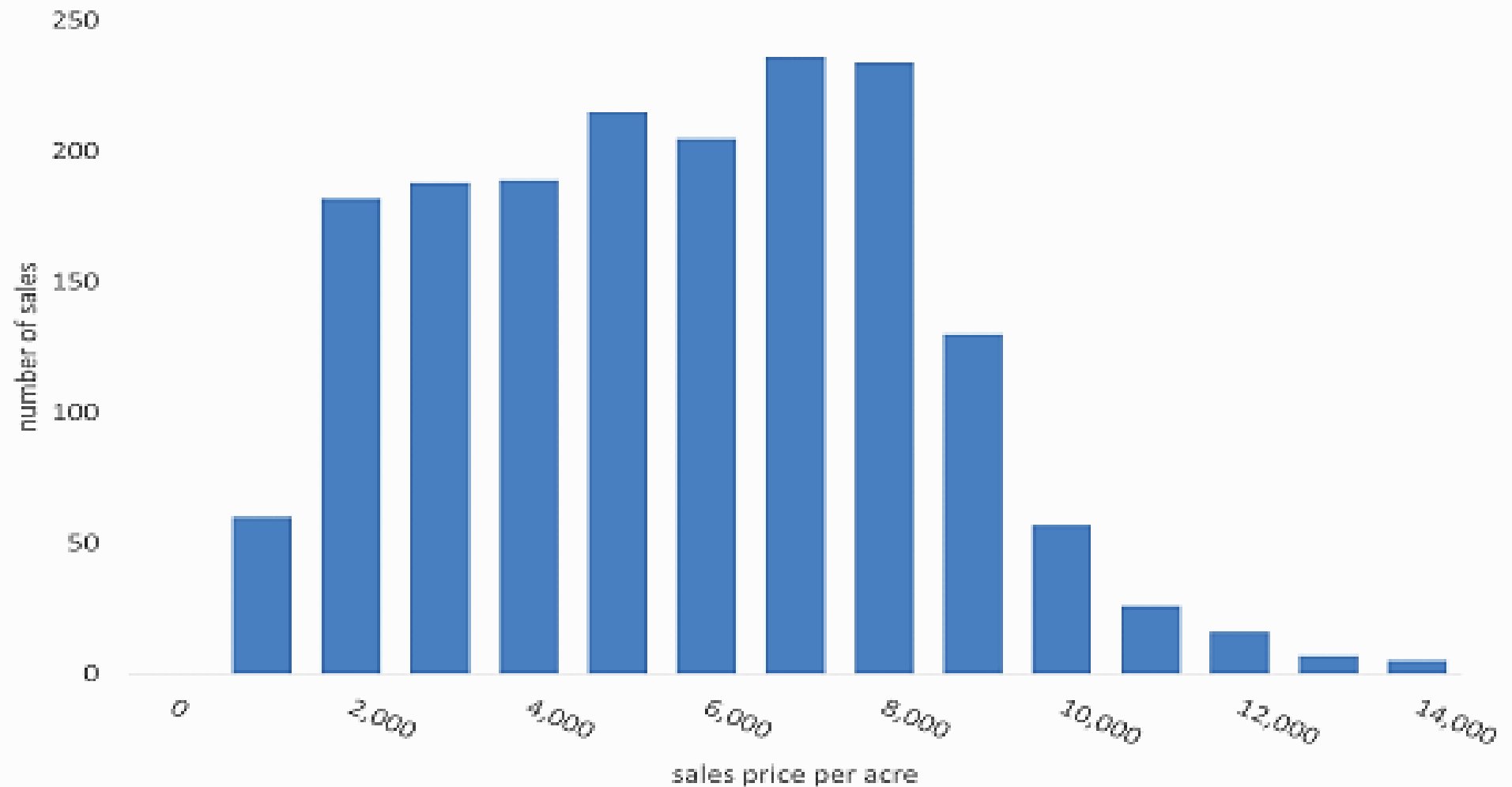
Source: University of Nebraska at Lincoln

**www.Hertz.ag**





## Minnesota farm real estate sales price distribution 2021

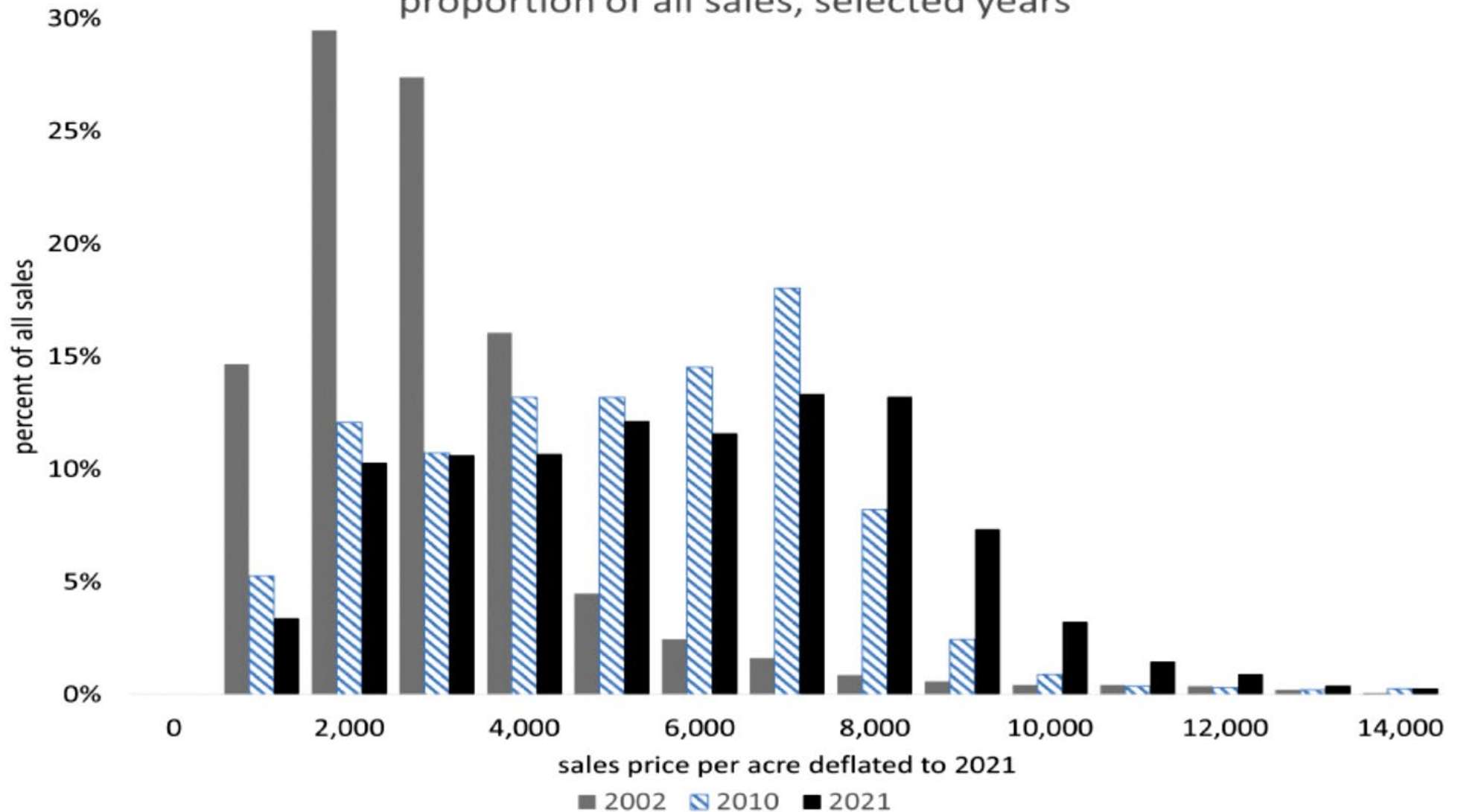


Source: University of Minnesota, Land Economics

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# Minnesota farm real estate sales proportion of all sales, selected years



Source: Minnesota Land Economics

[www.Hertz.ag](http://www.Hertz.ag)

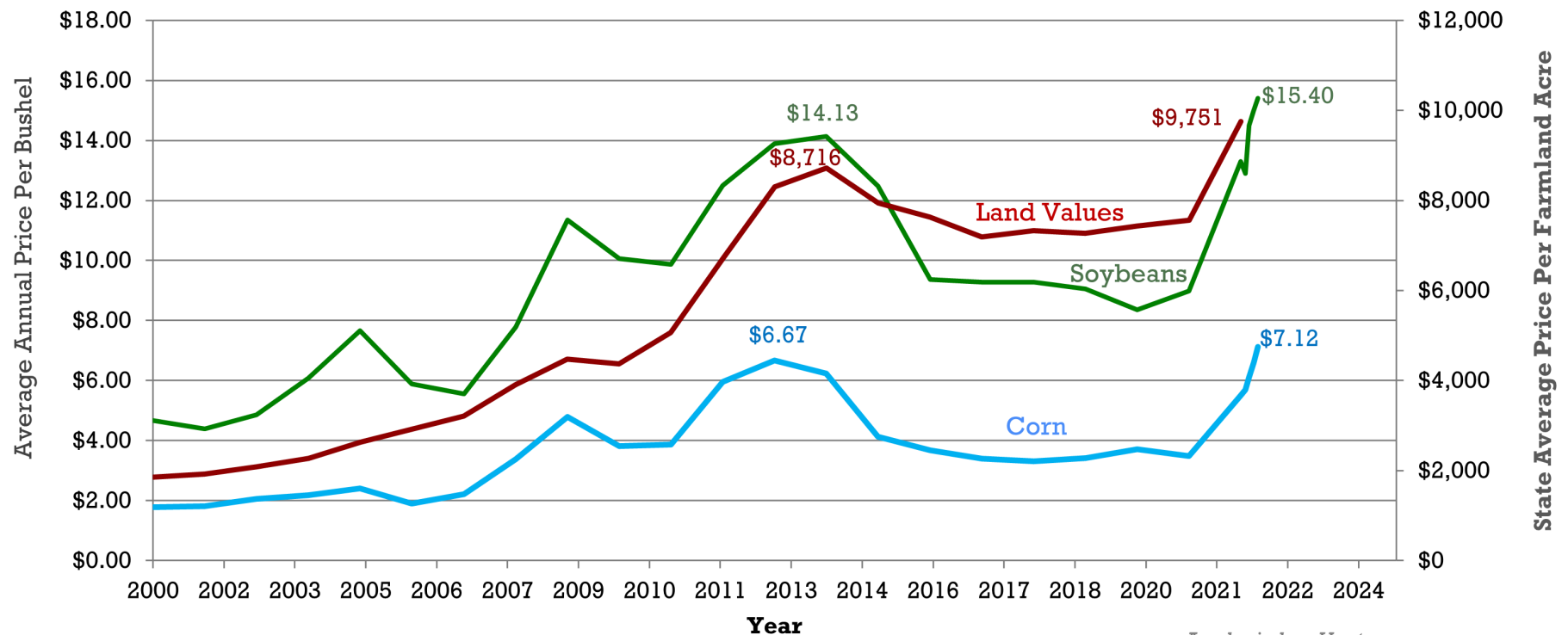


# What's Driving This Market???



# Land Values & Commodities

## Iowa Average Land Values and Commodity Prices



Data from: ISU Extension commodity prices and farmland values

Analysis by: Hertz Appraisal Services



Source: Iowa State University Extension

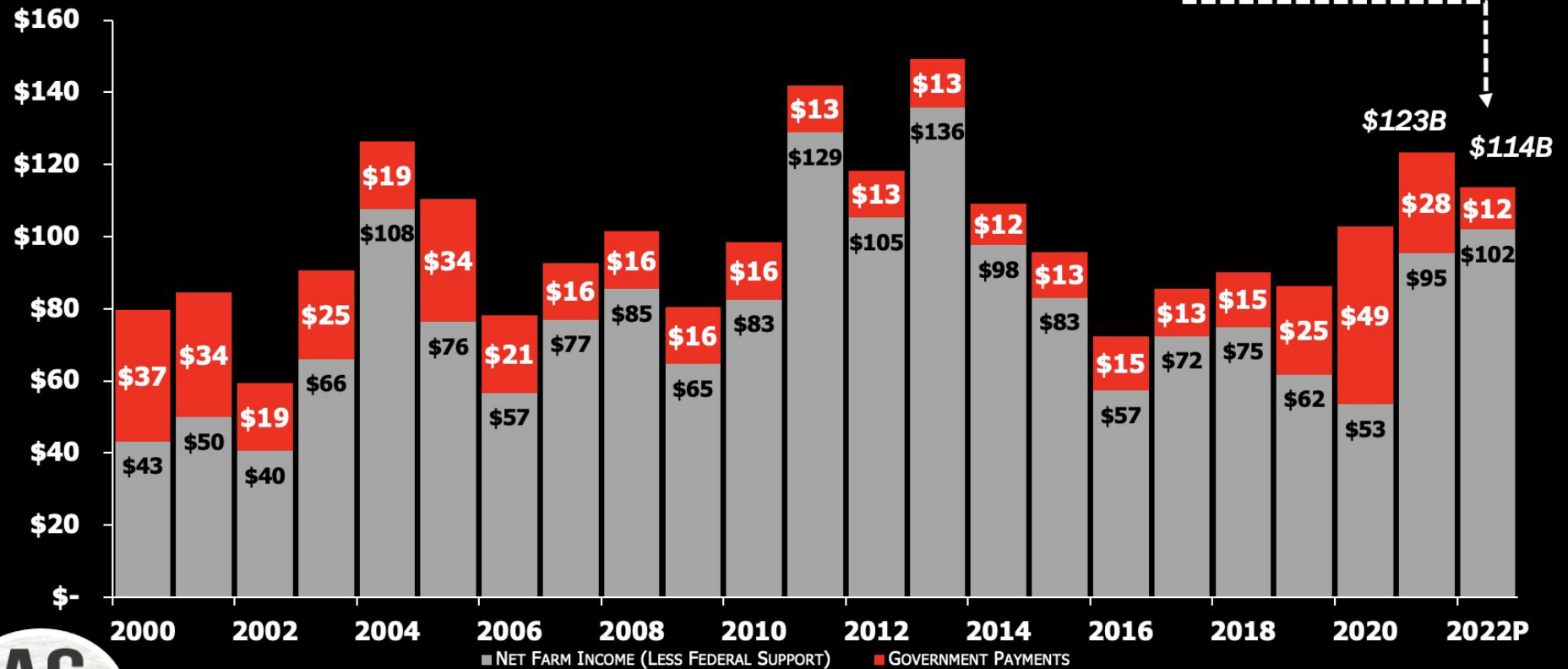
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# U.S. Net Farm Income

## Farm Economy To Slow In 2022

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



Senate Ag Committee Republicans

Senate Ag GOP Analysis, USDA ERS

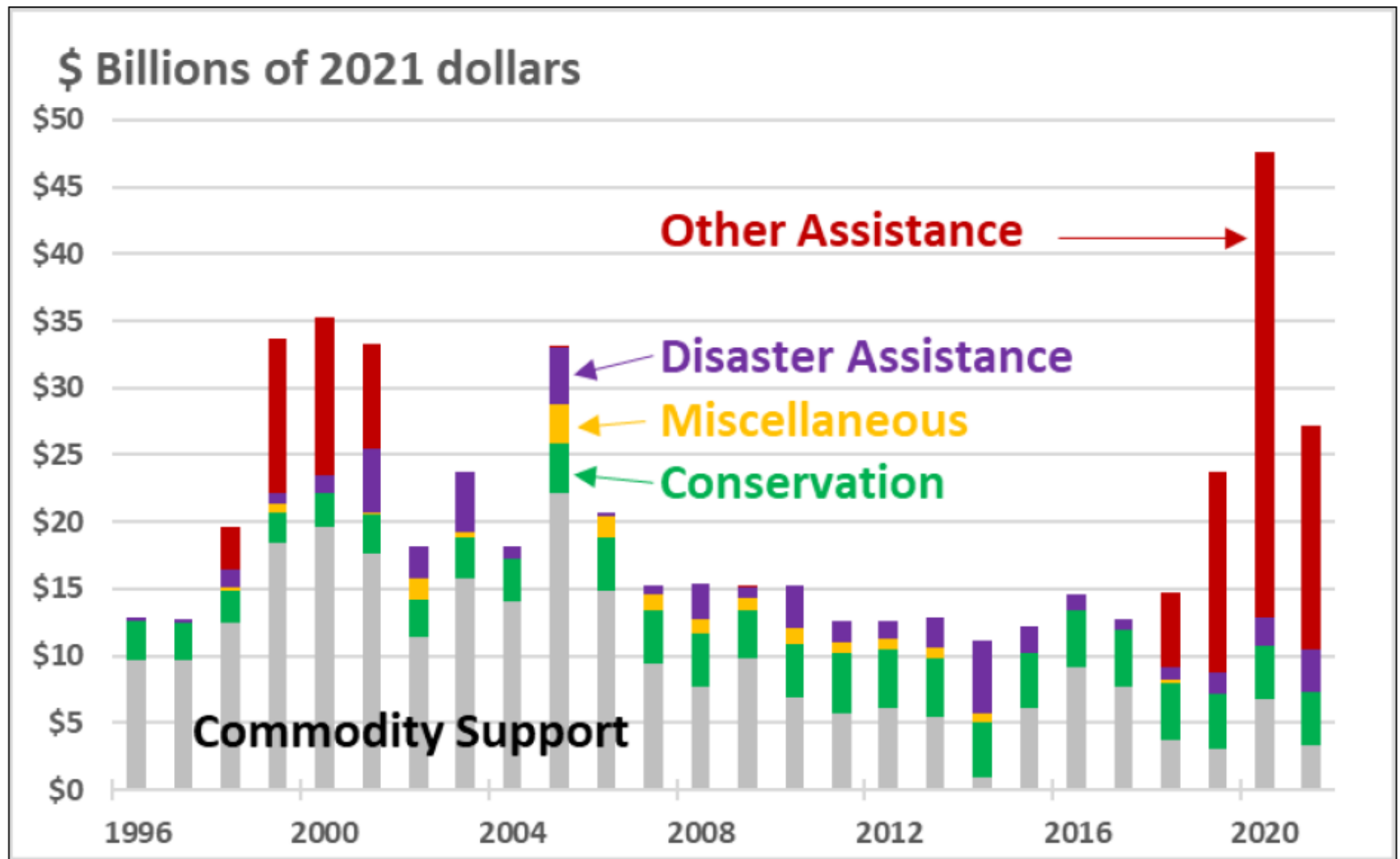


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# Decreasing Government Payments!

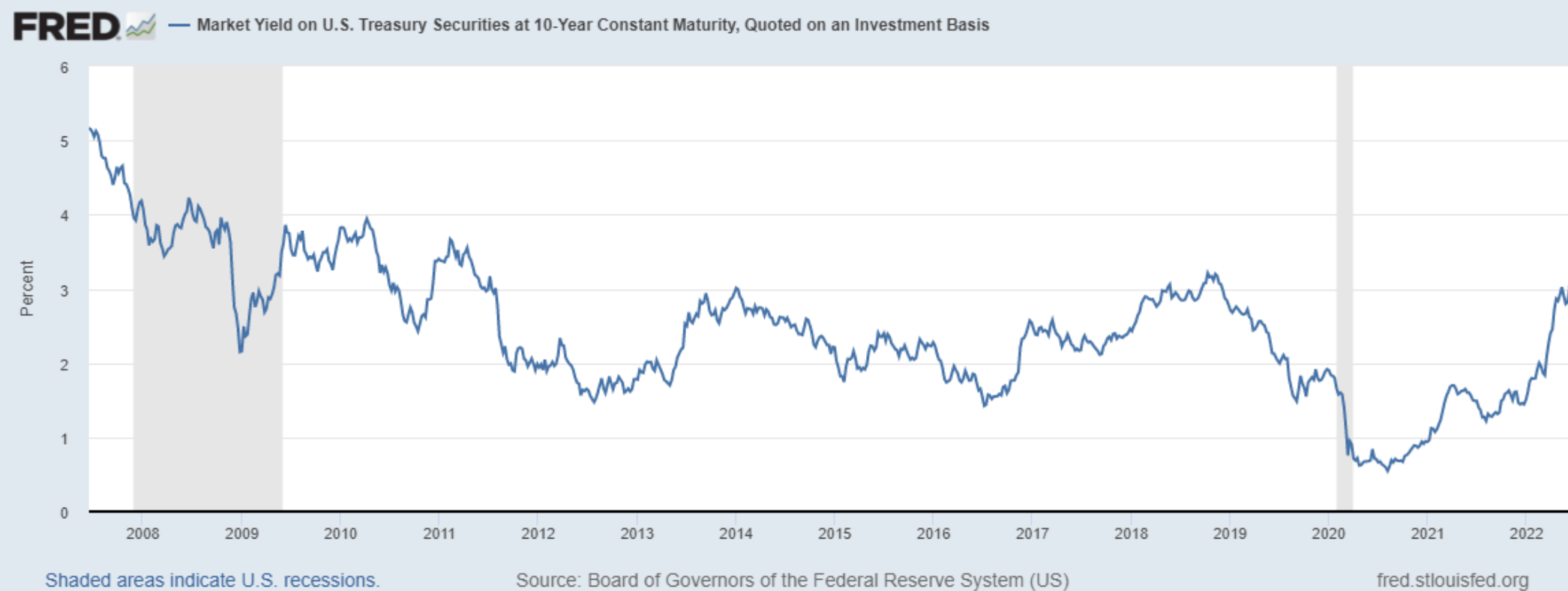


Source: Congressional Research Service

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# Interest Rates – 10 Year Treasury

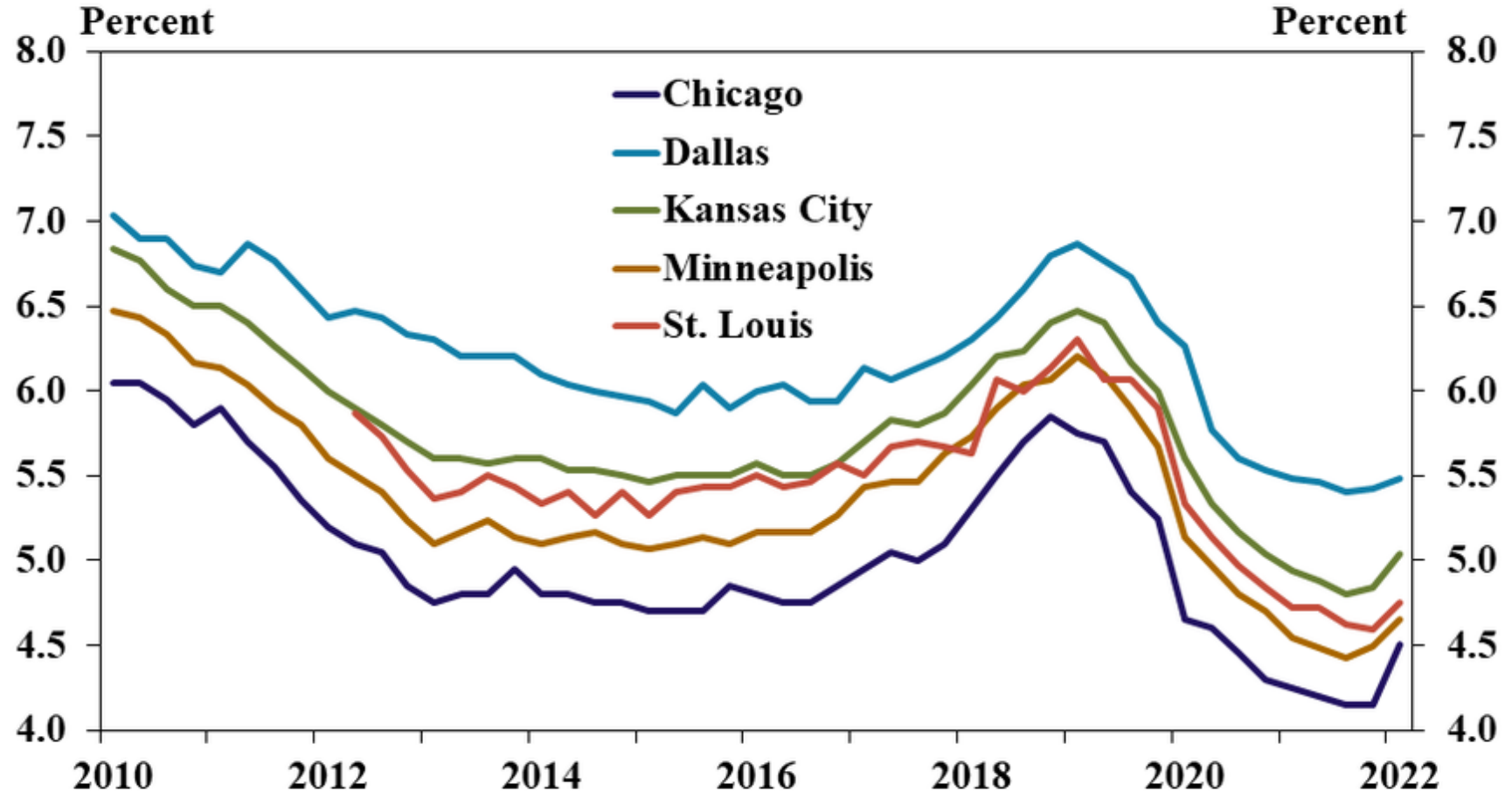


Source: St. Louis Federal Reserve Bank

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# Interest Rates... Historical by Fed

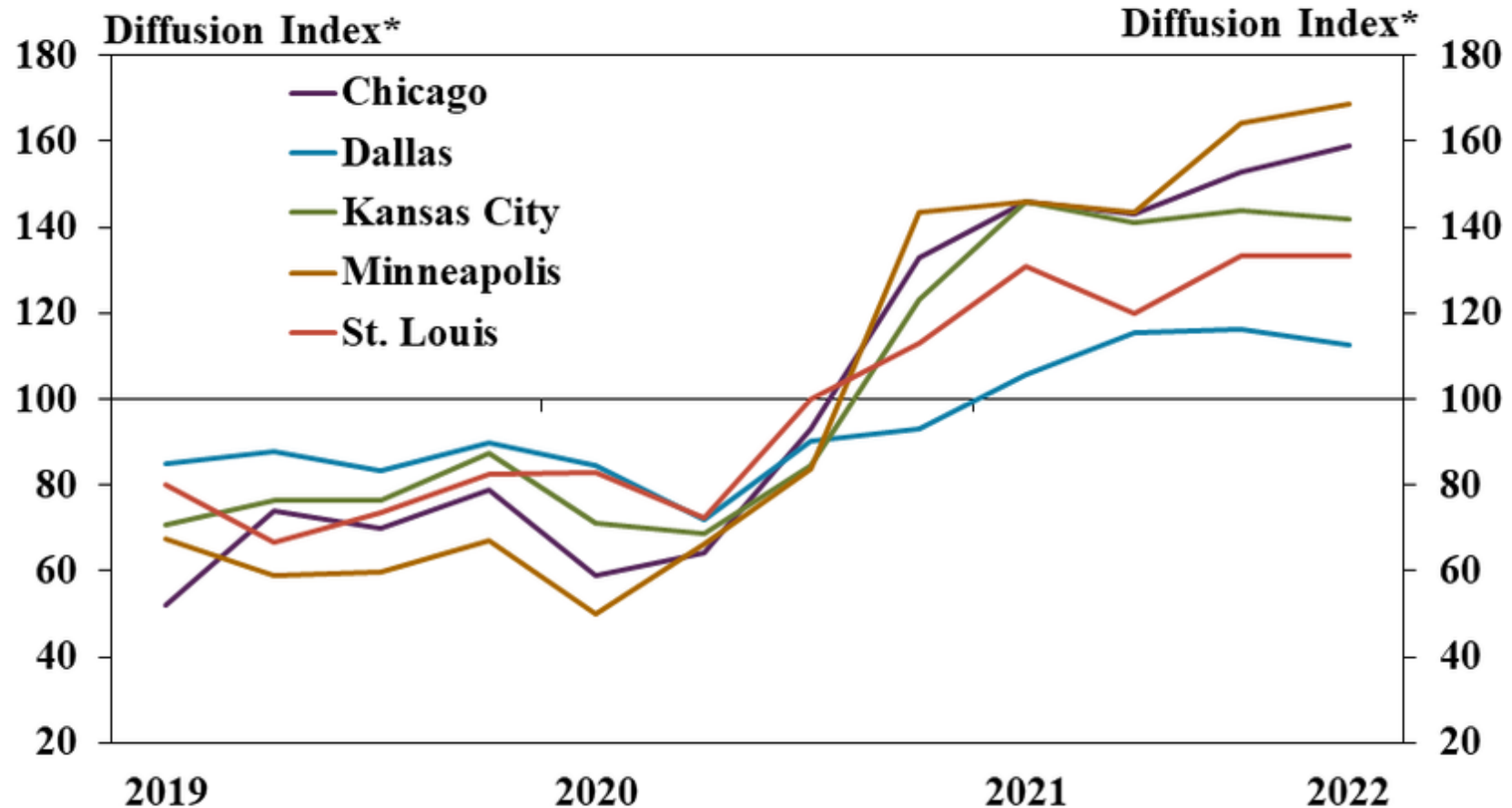


Source: Federal Reserve

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# Bank Repayment Capacity

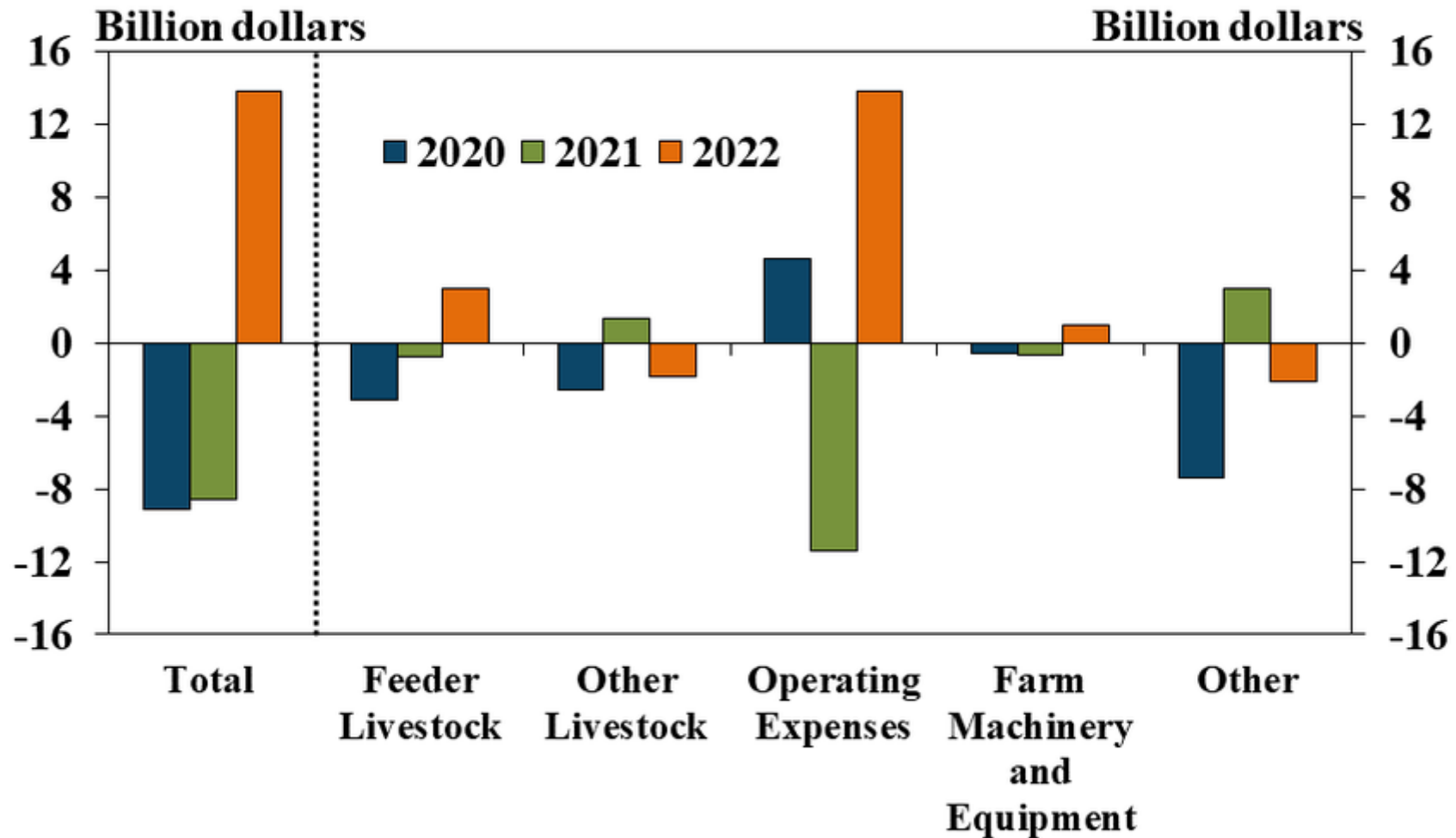


Source: Federal Reserve

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# Change in Loan Volume... A Shift in the Making?



Source: KC Federal Reserve

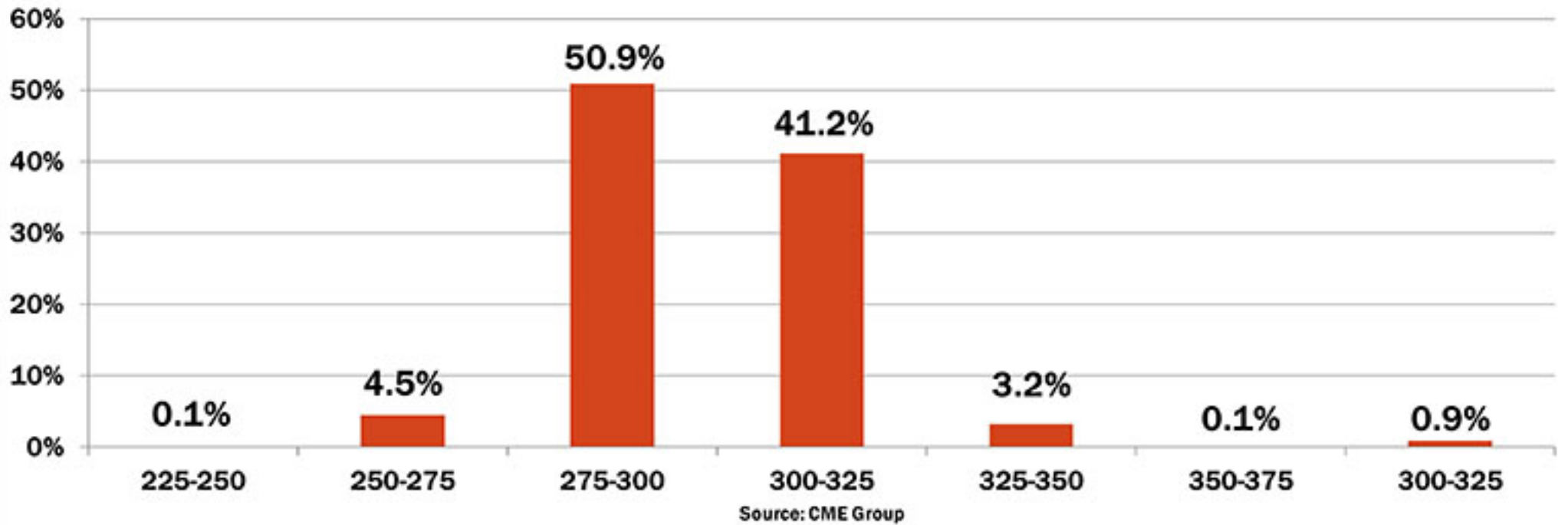
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# Can the FOMC Beat Inflation?

## ODDS OF FEDERAL FUNDS RATES DEC. 2022

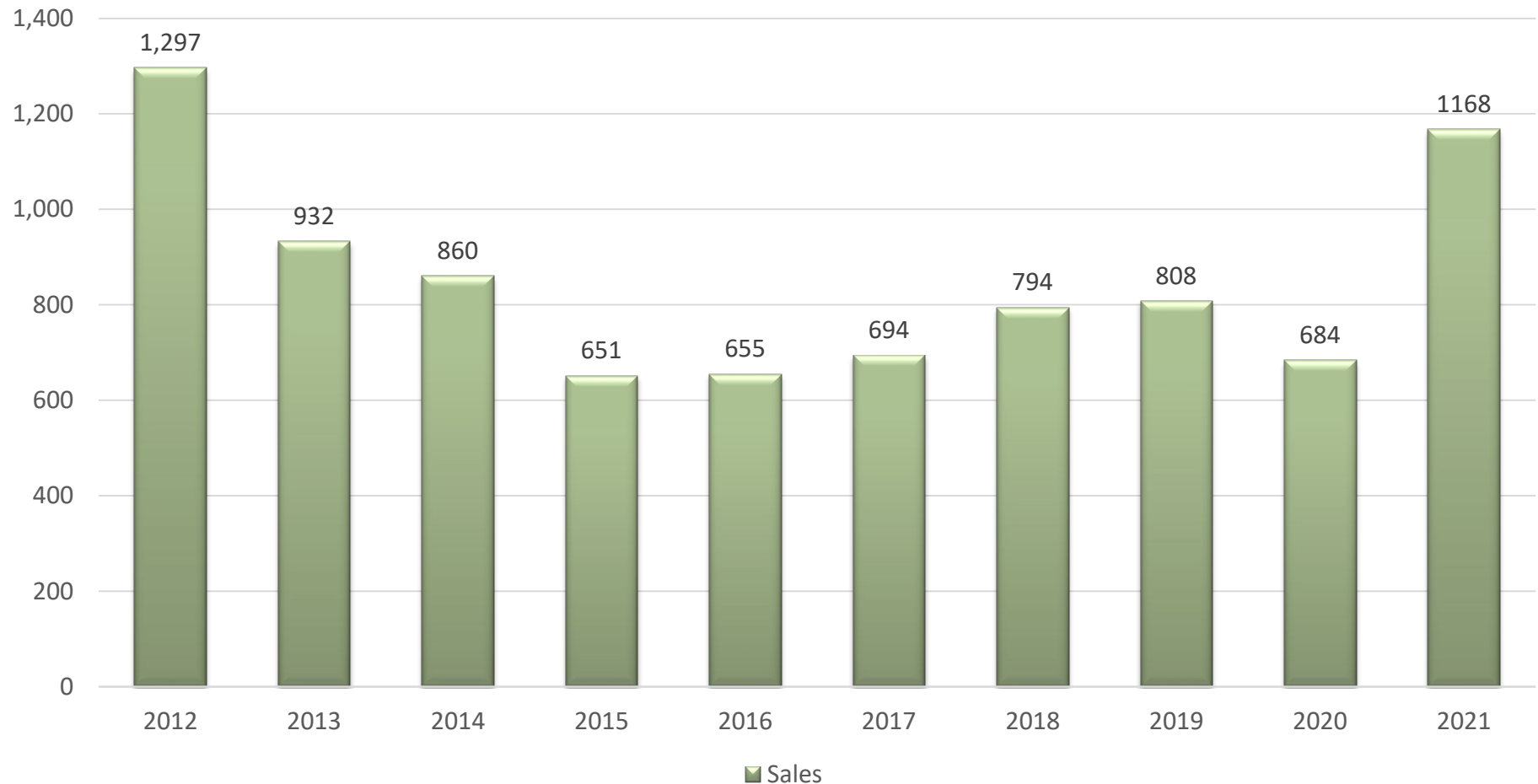


Source: CME Group

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# Land Sale Volume – IA Farmland Market Sales

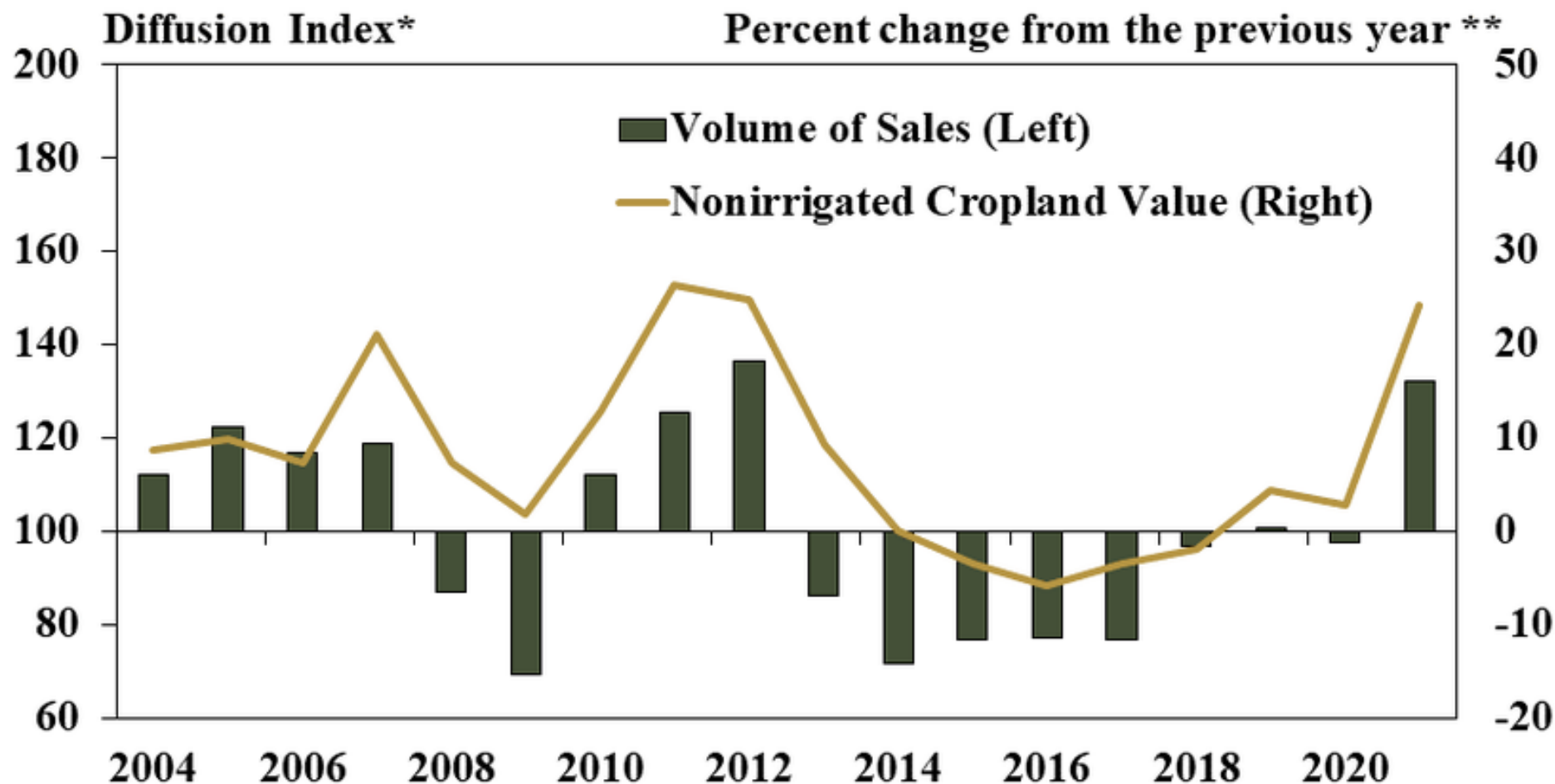


Source: Farm Credit Services of America

[www.Hertz.ag](http://www.Hertz.ag)



# Land Sale Volume – Fed Reserve 10<sup>th</sup> District (WCB)



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

[www.Hertz.ag](http://www.Hertz.ag)



# What's Driving This Market???

- **Commodity Prices**
- **Farm Income**
- **Government Support... less in '22**
- **Interest Rates... still low, but shift has started**
- **Borrowing Capacity... loan demand creeping up.**
- **Land Sale Volume... shifted higher in 2021**



**In 2021, the drivers all aligned (aka “Goldilocks”).**  
**Here in mid-2022, shifts are occurring.**



# 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

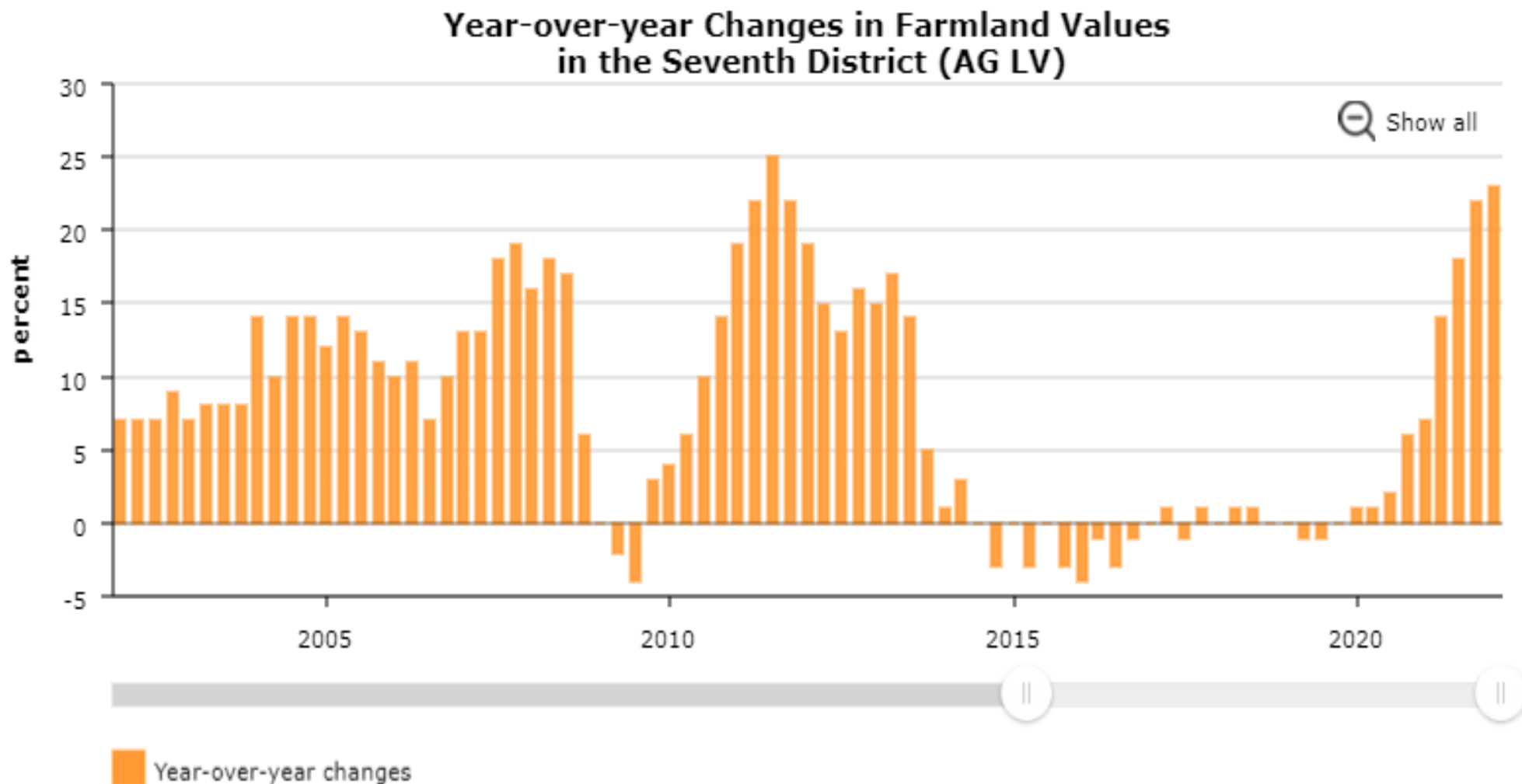
Asset/Index	Annual Ave. Return	Standard Deviation	Coefficient of Variation	US Ag 32 States Correlation	Minimum Return	Maximum Return
----- 1991 - 2020 -----						
US Ag 32 States	8.6%	3.79%	0.441	1	-1.2%	19.3%
NCREIF Total Farmland	11.0%	6.62%	0.604	0.655	2.0%	33.9%
Indiana	9.0%	5.06%	0.562	0.652	-1.0%	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  
[www.Hertz.ag](http://www.Hertz.ag)



# Farmland: Financial Performance



Source: Chicago Fed

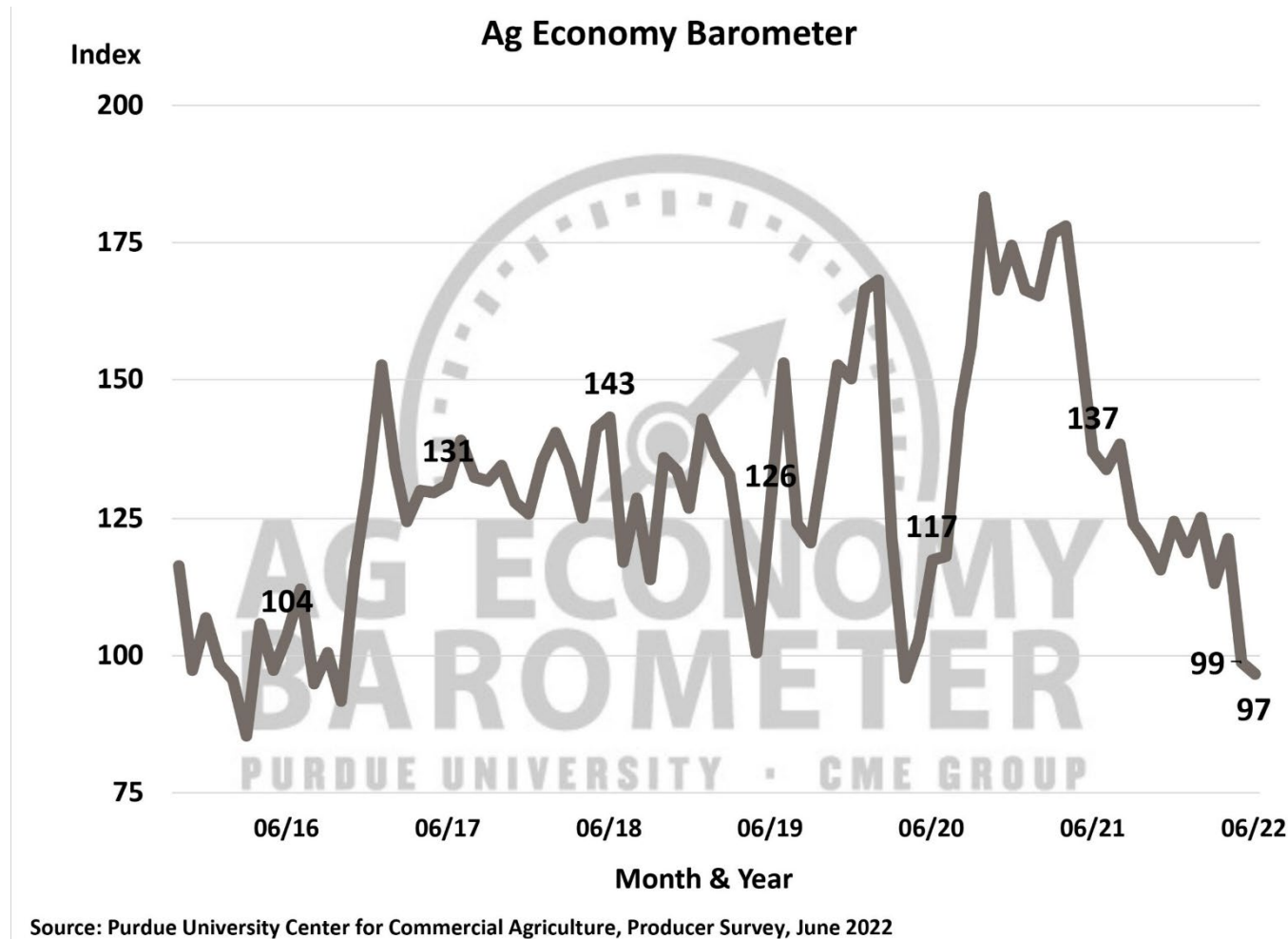
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# So... What To Expect???



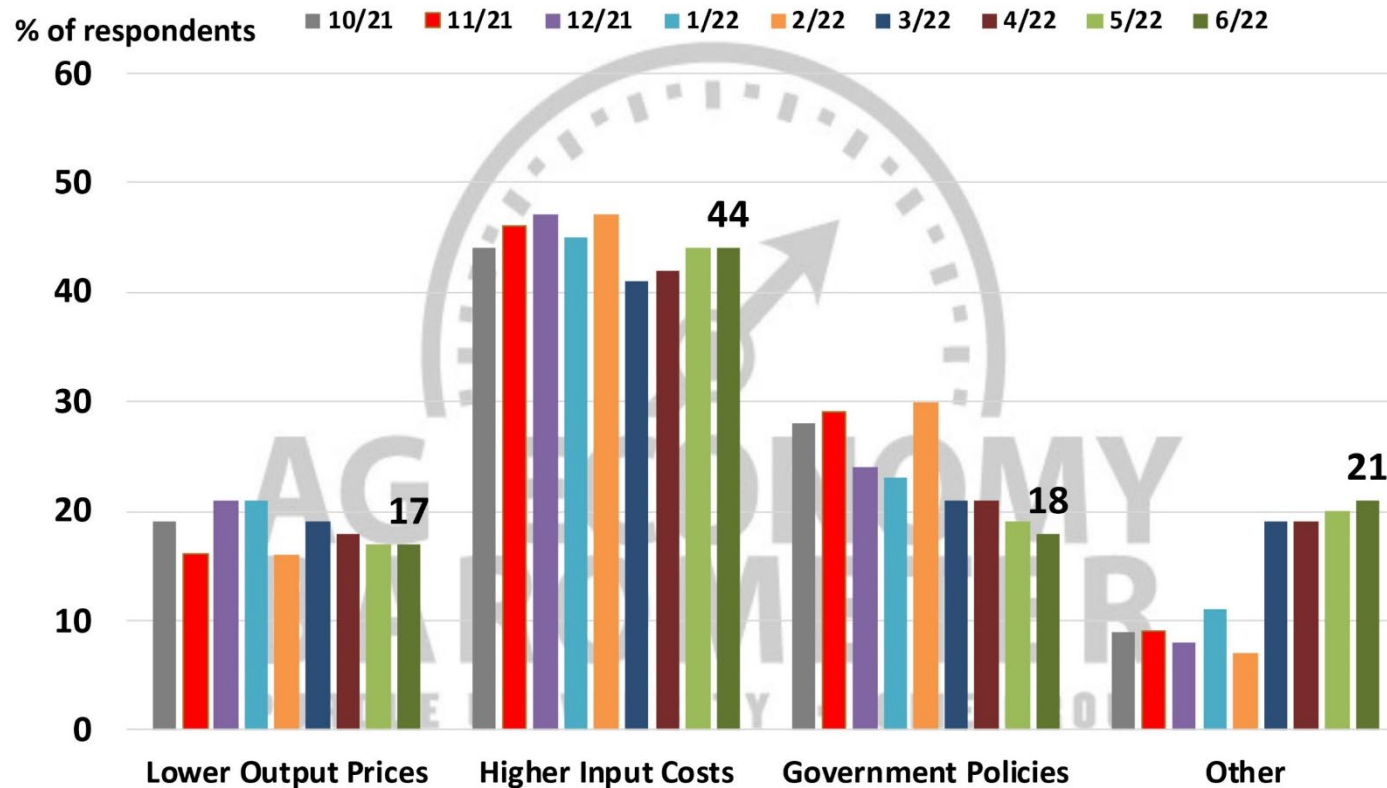
# Attitudes Have Zig-Zagged...





# There Are Concerns...

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

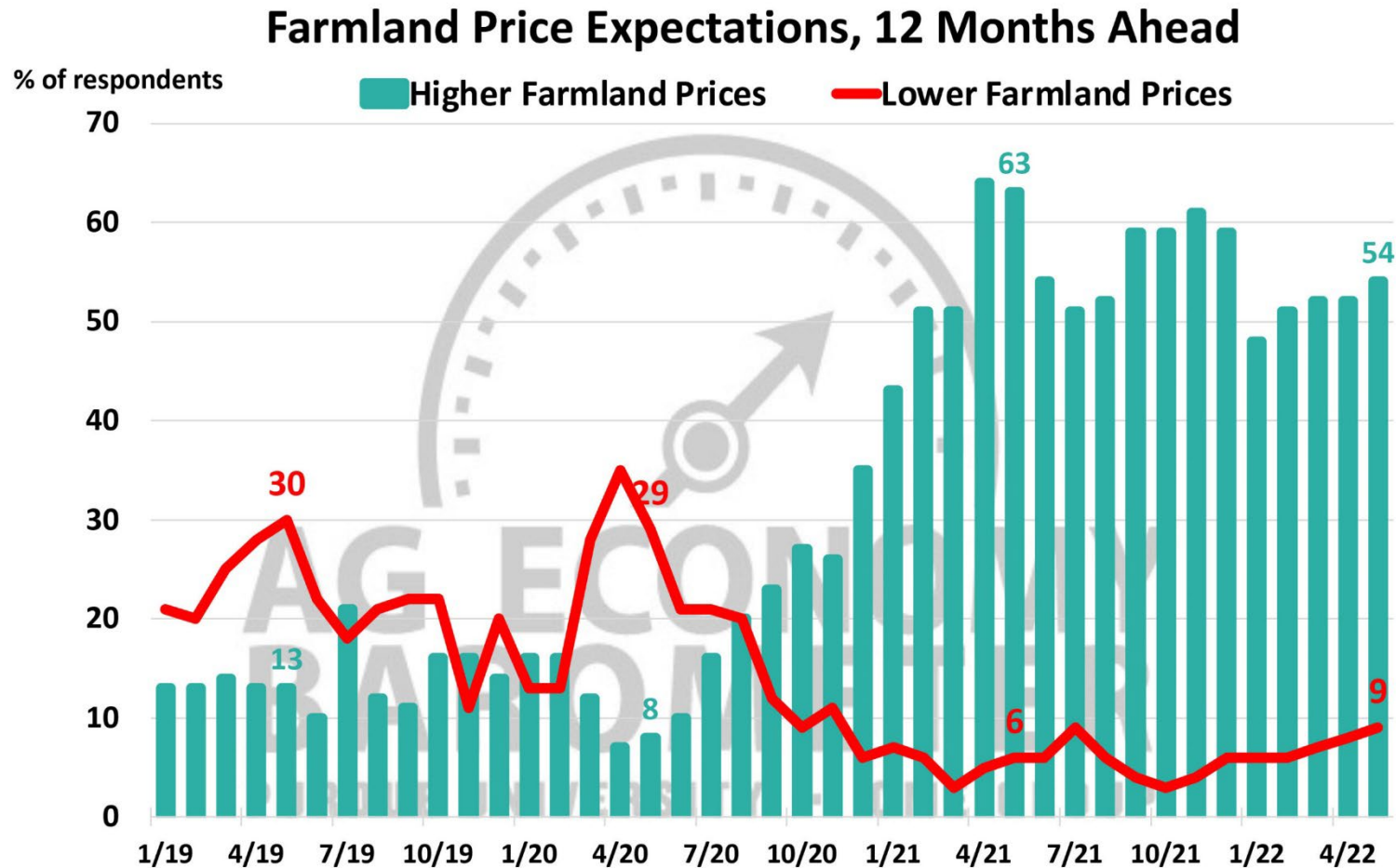


Source: Purdue Center for Commercial Agriculture, Producer Survey, June 2022





# Short-Term Attitudes Are Very Positive

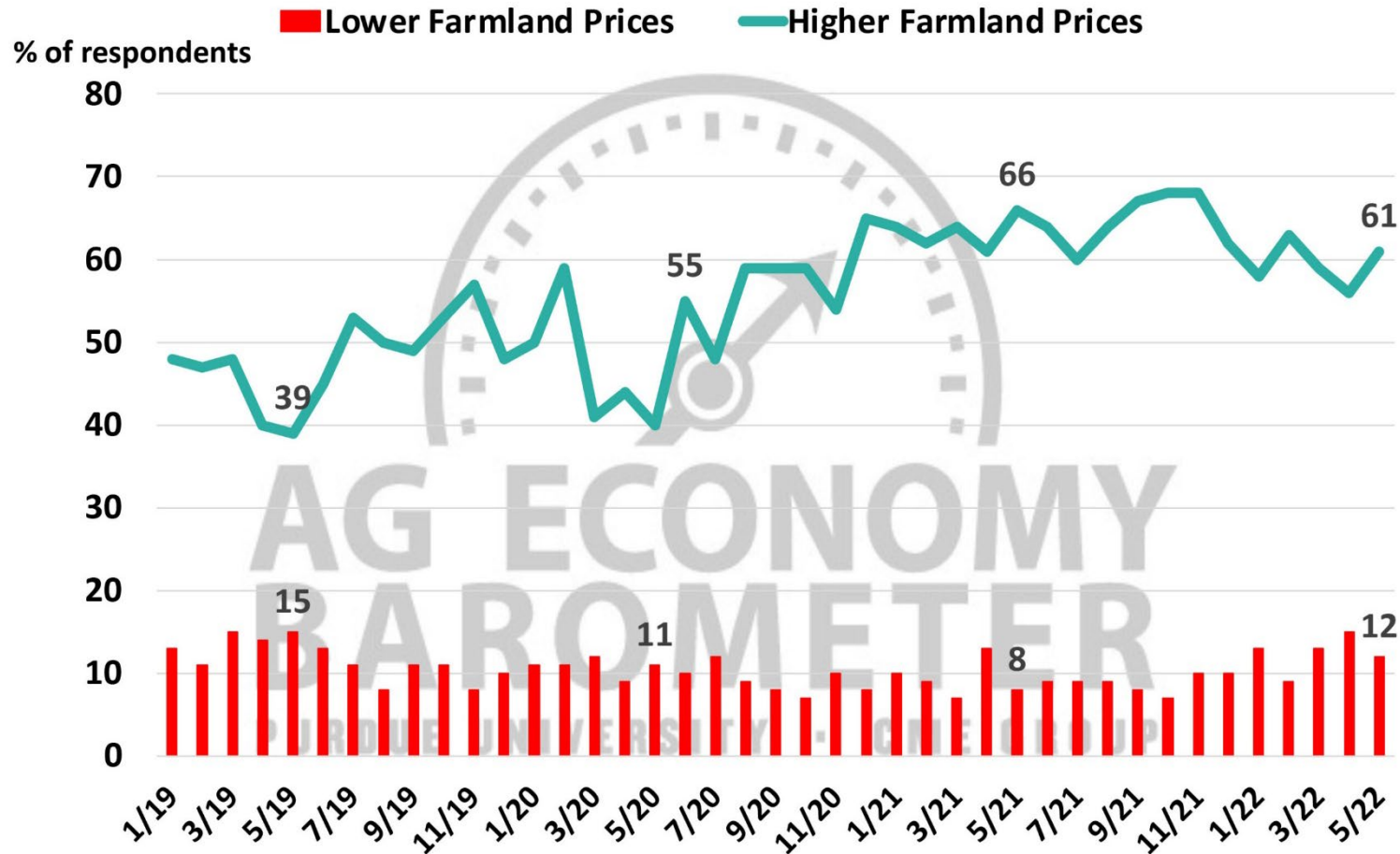


Source: Purdue Center for Commercial Agriculture, Producer Survey, May 2022



# Longer Term Expectations

## Farmland Price Expectations, 5 Years From Now

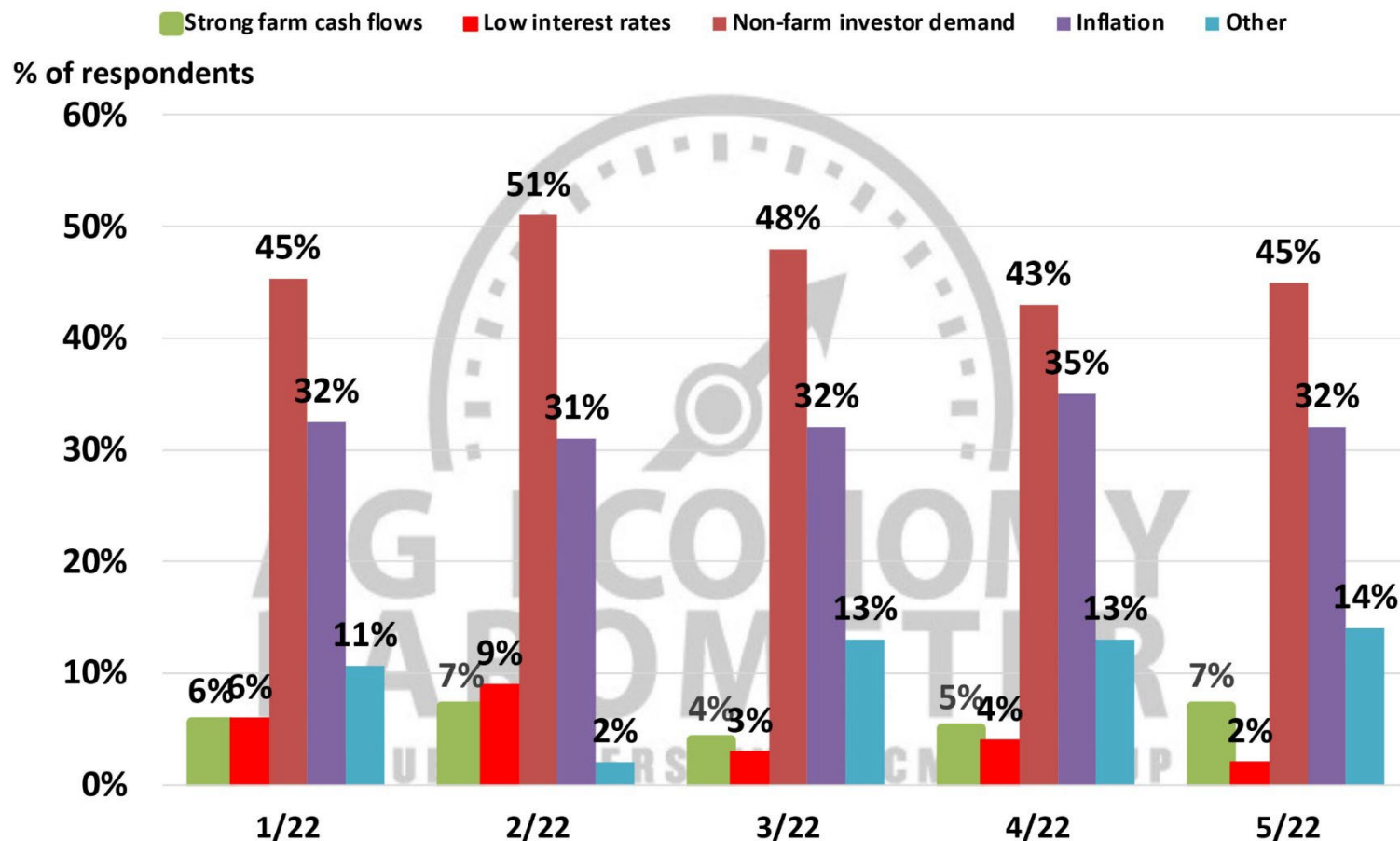


Source: Purdue Center for Commercial Agriculture, Producer Survey, May 2022



# Long-Term Land Value Expectations

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



Source: Purdue Center for Commercial Agriculture, Producer Survey, May 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?







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