

## Farmland a Safety Net in the Midst of Turmoil

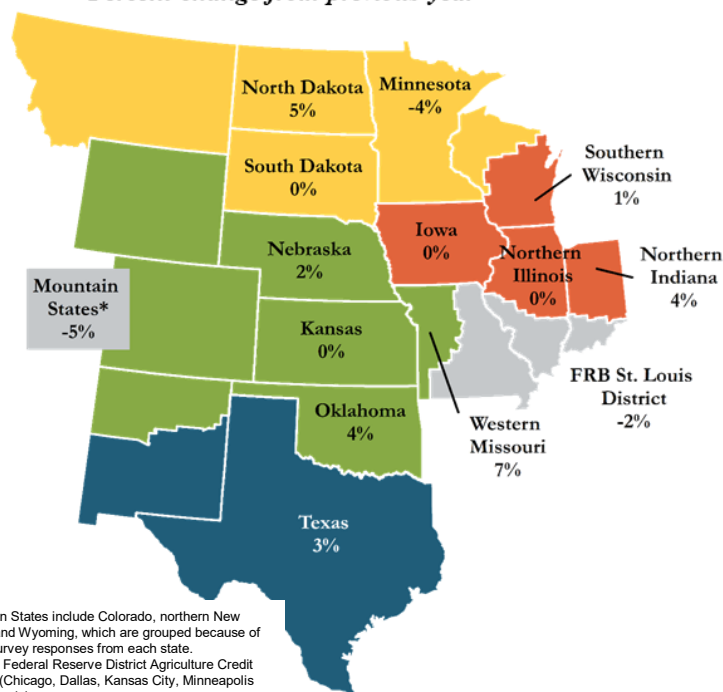
A stable land market seems to be the one constant in a year of downward spiraling agricultural market factors: trade pressure with China, livestock market disruptions with a consumer shift from restaurants and institutions to grocery markets, packing plant reductions cause by COVID-19 outbreaks, export disruptions, drought in some areas, a derecho windstorm in others and downward pressure on the general economy.

As the chart on page 3 shows, the five Federal Reserve districts in the center of the U.S. report mostly steady farmland values in 2020 through the second quarter. This despite lower farm incomes and weaker agricultural credit conditions across those districts. Farm income fell at a considerably faster rate than last year in the Kansas City and Minneapolis districts and continued to drop in the St. Louis district but at a slightly slower pace. Also, farm loan repayment rates continued to decrease in all reporting districts.

In the Chicago Federal Reserve district, 8.3 percent of the farm loan portfolio were classified as having “major” or “severe” repayment problems (as measured in the second quarter of every year). The last time it was higher than this was in 1988. In the Kansas City district, repayment rates in the second quarter remained similar to the first quarter. However, bankers there expect farm borrowers to have more difficulty making loan payments in the third quarter. Still, only 27% of the bankers reported

### Value of Nonirrigated Cropland, Second Quarter 2020

Percent change from previous year



\*Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state. Sources: Federal Reserve District Agriculture Credit Surveys (Chicago, Dallas, Kansas City, Minneapolis and St. Louis).

some level of repayment problems, and, on average, the Kansas City district ag bankers reported less than 3% of farm loan applications were denied.

Yet, despite the negative income and repayment situation in rural areas, the value of farmland continues to provide support to the agricultural economy. In most Midwest and Plains states, farmland values held steady or slightly increased from a year ago, according to bankers’ surveys. Declines in non-irrigated cropland values were most notable in the Mountain States, where lenders reported concerns related to drought conditions.

#### Inside This Issue

Page 2: IA & IL Trends

Page 3: Recent Sales

Page 4: Office Directory

# Iowa & Illinois Farmland Trends – Stable the Past 6 Months

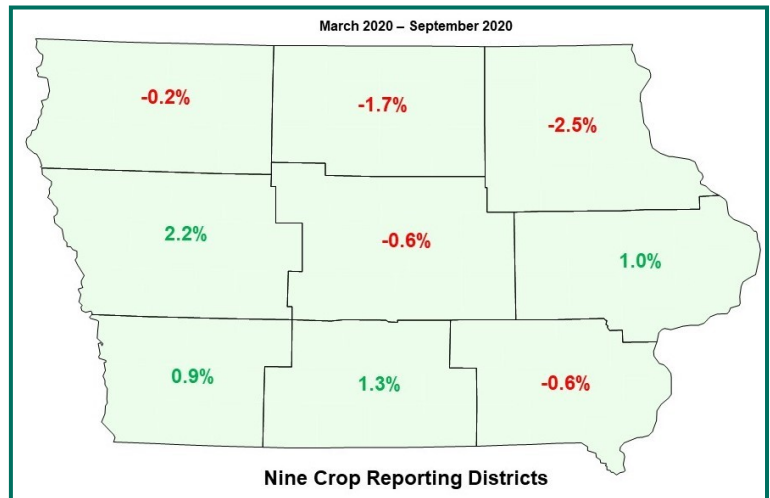
Despite gyrations in the commodity markets and the general economy, farmland values have remained mostly steady through the pandemic months, according to September 1 surveys of agricultural real estate agents and professional farm managers and rural appraisers.

The REALTORS® Land Institute – Iowa Chapter reported no change in the statewide average of farmland values from March 1 to September 1, 2020. Dividing the state into the nine crop reporting districts, farmland value changes ranged from a 1.3% increase in the South Central district to a 1.7% decrease in the North Central district since March 2020.

Survey participants site supportive factors as the limited amount of land on the market, 1031 Exchange activity and low interest rates. Negative factors included trade uncertainty, variability in yields in this year’s crop and weather patterns.

In Illinois, the change in top quality farmland prices ranged from a 3% increase in the northeast to a mere 0.6% decline in the central region as reported by the Illinois Society of Professional Farm Managers and Rural Appraisers. The Illinois mid-year survey was conducted in late August.

The average price for Excellent Quality farmland across the state was \$10,313 per acre. The survey defines “Excellent Quality” land as having a Productivity Index (P.I.) of 133 - 147. The same trend was true with Good Quality land ranging from an increase of 2.2% in the northern half of the state to a drop of 2.1% across the southern counties. The



exception was the east central area which saw an increase of 4.5% since January 1, 2020. The average paid for Good Quality farmland across the state was \$8,233 per acre. “Good Quality” land has a 117 - 132 P.I. rating.

“Average Quality” Illinois cropland varied less than 2%, up or down, since the first of the year, with the statewide average around \$6,350 per acre. “Average Quality” land ranges from 110-116 P.I.

The Illinois survey also looked at cash rent expectations for 2021. Those responding to the survey at the end of August indicated an expectation of a 2.5 percent decline in cash rents for professionally managed Excellent farmland going into 2021. This drops the average rate from \$305 per acre to \$297. For Good farmland the rate is projected to drop from \$270 to \$253. For Average

land the rate is expected to go from \$224 per acre to \$212, and \$173 to \$160 for Fair quality land.

Looking farther into the future, only 35% of the agricultural professionals surveyed expected cash rent rates to go up by as much as 10% over the next five years. Most expected the trend to stay steady, along with an expectation of low inflation in the next two years.



## Mid-Year 2020 Illinois Farmland Values (% Change from Jan. 1, 2020)

Region	Excellent	Good	Average
1	\$9,888 (+3%)	\$8,095 (+2.2%)	\$6,642 (+1.8%)
2	\$10,394 (+1.4%)	\$8,508 (+2.2%)	\$6,735 (+1.0%)
3	\$11,080 (+2.5%)	\$8,622 (+2.7%)	\$5,227 (+1.0%)
4	\$10,513 (+1.0%)	\$8,742 (-1.5%)	\$7,018 (-1.5%)
5	\$10,082 (+0.9%)	\$7,953 (+4.5%)	\$6,107 (-1.5%)
6	\$10,437 (-0.6%)	\$8,300 (0%)	\$6,471 (-1.2%)
7	\$11,250 (0%)	\$8,700 (-2.1%)	\$4,945 (-1.1%)
8	N/A	\$10,227 (-1.0%)	\$7,204 (-1.0%)
9	N/A	\$8,500 (+2.1%)	\$6,820 (+1.1%)
10	N/A	\$7,861	\$6,350

Source: University of Illinois and the Illinois Society of Farm Managers and Rural Appraisers

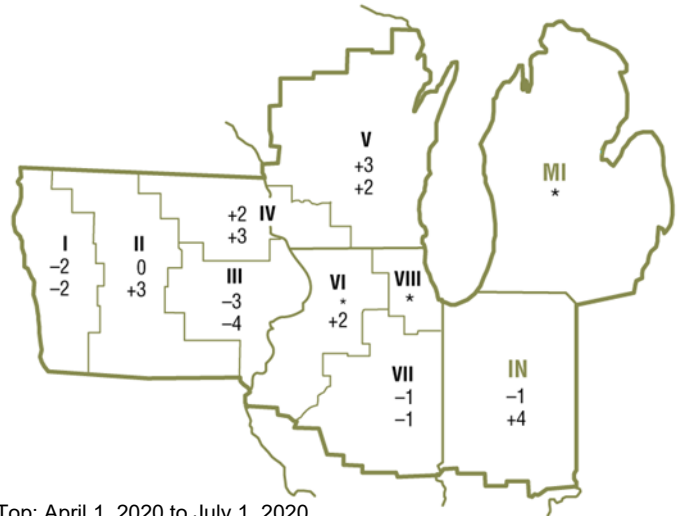
# Farmland a Safety Net in the Midst of Turmoil (continued)

“Farmland values seemed to benefit not only from the rebound in crop revenues and higher government payments, but also from lower nominal interest rates and a ‘flight to safety’ mentality spurred by the pandemic,” explained David Oppedahl, senior business economist with the Federal Reserve Bank of Chicago.

In the Chicago Fed district, after being adjusted for inflation with the Personal Consumption Expenditures Price Index (PCEPI), District farmland values were still up slightly in the second quarter of 2020 from the second quarter of 2019, given that inflation slowed. This uptick broke a streak of year-over-year declines in real farmland values that had extended back six years.

Also, banks have money to lend. Fund availability continues to expand, reported the surveyed bankers. The Kansas City district bankers said the increase in funds available for financing relative to the previous year was the highest since 2013. Credit programs available for farmers may be supporting liquidity at agricultural banks, in addition to a sharp increase in deposits.

In the Chicago Fed district, 26 percent of surveyed bankers reported their bank had more funds available to lend in the second quarter of 2020 than a year ago and 7 percent reported they had less funds available. Banks in the Chicago district made their normal amount of agricultural real estate loans in the first half of the year, but a higher-than-normal amount of farm operating loans, according to the Aug. 1 Federal Reserve Bank survey.



Top: April 1, 2020 to July 1, 2020  
Bottom: July 1, 2020 to July 1, 2020  
\*Insufficient response.

	April 1, 2020 to July 1, 2020	July 1, 2019 to July 1, 2020
<b>Illinois</b>	+1	0
<b>Indiana</b>	-1	+4
<b>Iowa</b>	-1	0
<b>Michigan</b>	*	*
<b>Wisconsin</b>	+3	+1
<b>Seventh District</b>	0	+1

## Recent Hertz Sales Surpass Expectations

In each issue we want to highlight sales from the past calendar quarter.

**154.45 acres in Grundy County, IA**, west of Conrad. This parcel offered 153.19 tillable acres with a CSR2 of 94 and sold at public auction for \$12,300 per acre.

**148.75 acres in Dallas County, IA**, west of Adel. This parcel consisted of 147.09 crop acres with a CSR2 of 88.4. It sold for \$12,000 per acre at public auction.

**128.59 acres in Marshall County, IL**, north of Camp Grove. This parcel offered 121.68 tillable acres with a 138.1 P.I. and sold at public auction for \$11,500 per acre.

**75 acres in Dakota County, NE**, near Hubbard. This farm has 73.5 tillable acres with a 53.7 NCCPI and sold for \$6,200 per acre in a one-chance sealed bid sale.

Now, more than ever, in-depth knowledge of the local market is key to any successful farm sale or purchase. To gain a better understanding of farmland values in your local area, please call any of our offices listed on the back page of this newsletter.

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 Drive  
PO Box 1105  
Cedar Falls, IA 50613  
319-234-1949  
E-mail: MorganT@Hertz.ag

Hertz Farm Management  
1101 13th St, N, Ste. 2  
PO Box 503  
Humboldt, IA 50548-0503  
515-332-1406  
E-mail: TomC@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 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: SamZ@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 S. 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