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## **Iowa Farmland Value Reaches Record High at \$2,629 an Acre**

AMES, Iowa -- The average value of an acre of farmland in Iowa increased \$354 to an all-time high of \$2,629 in 2004, according to an annual survey conducted by Iowa State University. Using this average increase of \$354, the total value of the state's 32.6 million acres of farmland was up by about \$11.5 billion over the past year.

The 2004 average value topped a previous record of \$2,275 reported last year, and it represented a 15.6 percent increase over the 2003 average. Mike Duffy, ISU Extension farm economist who conducts the survey, said the effect of inflation on the value of the dollar means that the 2004 figure is roughly the same as the value of land in 1973, before the run-up in values began that led to a peak of \$2,147 in 1981.

After the 1981 peak, Iowa land values dropped sharply, reaching a statewide average of \$787 per acre in 1986. The 2004 figure represents an increase of 234 percent in the past 18 years.

Values increased in all 99 Iowa counties and topped \$1,000 an acre in every county for the first time since ISU began conducting the survey in 1941. Twenty-seven counties had an average value of more than \$3,000 per acre this year, compared with only four in that category in 2003. The average value in Scott County this year was \$4,167 an acre, the first time a county has topped the \$4,000 level.

The survey of real estate brokers, farm lenders, and others who work directly with the land markets, indicated the increases topped 10 percent in all nine of the state's crop reporting districts, ranging from 12.5 percent in the east central district to 17.7 percent in the southwest crop reporting district. Gains of less than 10 percent were reported in only eight counties. Fifteen counties had increases of more than 20 percent. The smallest percentage increase was 7.7 percent in Jones County, and the largest increase was 22.9 percent in Hardin County.

The average value increased for the fifth year in a row after slight declines in 1998 and 1999. The largest dollar increase was \$592 per acre in Humboldt County. Other counties with an increase of more than \$500 per acre (or \$50,000 per 100 acres) included Plymouth, Dickinson, Calhoun, Hancock, Wright, Hamilton, Webster and Hardin.

Iowa farmland has increased in average value by about 47 percent over the past five years. Duffy said he is frequently asked whether the run-up in prices is likely to result in another crash in land values similar to the one that occurred in the mid 1980s. "That is a very difficult question to answer. The answer really is 'it depends,'" Duffy said. Some of the factors that will influence future land values include the level of government farm programs, which have helped support land prices in recent years, and federal budget, trade and monetary policy.

The cost of farm programs could make them a political target, which would have an adverse effect on land values, Duffy said, and challenges to the legality of U.S. farm subsidies by our international trading partners also could be a factor. Federal monetary policies might be a factor if interest rates begin to rise, he said.

Duffy said low interest rates were a major factor in value increases this year and were mentioned by 45 percent of those responding to the survey. Other positive factors were good crop yields in 2003, mentioned by 22 percent of the respondents; strong demand for land as a productive investment, mentioned by 19 percent; good grain prices in the recent past, mentioned by 18 percent; favorable tax treatment of land transactions, mentioned by 15 percent, and the scarcity of land on the market, mentioned by 12 percent.

Negative factors that worked to hold down prices from even larger increases this year included lower current grain prices, listed by 20 percent of the respondents, and the belief that land prices are too high to provide enough cash flow to pay for the purchase, mentioned by 12 percent.

Low grade land, which averaged \$1,713 per acre in 2004, increased 17.1 percent over the previous year. Medium grade land averaged \$2,457 per acre, a 15.7 percent increase, and high grade land averaged \$3,193 per acre, an increase of 14.4 percent.

The highest value in an individual county was \$4,167 per acre in Scott County in east central Iowa, while the lowest value in an individual county was \$1,104 per acre in Decatur County in south central Iowa.

Forty-four percent of the survey respondents said the number of sales this year was about the same as last year, while 33 percent said there were more sales in 2004, and 22 percent said there were fewer sales. Existing farmers were the buyers in about 56 percent of the transactions this year, with investors accounting for about 38 percent of the sales, new farmers 2 percent, and other purchasers 4 percent.

About 1,100 copies of the survey are mailed each year to licensed real estate brokers, ag lenders, and others knowledgeable of Iowa land values. Respondents are asked to report values as of Nov. 1. Average response is 500 to 600 completed surveys, with 516 returned this year. Respondents provided 675 individual county estimates, including land values in nearby counties if they had knowledge of values in those counties.

Only the state average and the averages for the nine crop reporting districts are based directly on data collected in the survey. The county estimates are derived through a procedure that combines ISU survey results with data from the U.S. Census of Agriculture. The ISU survey is the only one of several conducted throughout the year that reports data for all 99 counties.

The survey is sponsored by the Iowa Agriculture and Home Economics Experiment Station at ISU, with results reported by ISU Extension. Duffy was assisted in the project this year by Darnell Smith, extension program specialist in economics.

Additional information on the 2004 survey is available on the ISU Extension Web site at <http://www.extension.iastate.edu/emms/lvs2004/>.

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**Survey Results By Crop Reporting District:**

<b>District</b>	<b>2004 \$/acre</b>	<b>2003 \$/acre</b>	<b>\$ Change</b>	<b>2003-2004 % Change</b>
Northwest	3,118	2,683	435	16.2%
North Central	2,913	2,514	399	15.9%
Northeast	2,665	2,347	317	13.5%
West Central	2,728	2,329	399	17.1%
Central	3,101	2,652	449	16.9%
East Central	3,054	2,715	340	12.5%
Southwest	2,088	1,774	314	17.7%
South Central	1,547	1,354	193	14.2%
Southeast	2,286	1,979	306	15.5%
State Average	2,629	2,275	354	15.6%

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<b>District</b>	<b>2004 \$/acre</b>	<b>2003 \$/acre</b>	<b>\$ Change</b>	<b>2003-2004 % Change</b>
Adair	1,766	1,487	279	18.8%
Adams	1,697	1,392	305	21.9%
Allamakee	1,789	1,645	144	8.7%
Appanoose	1,270	1,090	180	16.6%
Audubon	2,421	1,982	439	22.2%
Benton	3,015	2,777	238	8.6%
Black Hawk	3,311	2,967	344	11.6%
Boone	3,284	2,883	401	13.9%

Bremer	3,027	2,647	380	14.3%
Buchanan	2,976	2,556	419	16.4%
Buena Vista	3,223	2,782	441	15.8%
Butler	2,900	2,536	364	14.4%
Calhoun	3,302	2,790	513	18.4%
Carroll	3,054	2,729	325	11.9%
Cass	2,279	1,880	400	21.3%
Cedar	3,280	3,027	253	8.4%
Cerro Gordo	2,995	2,704	291	10.8%
Cherokee	2,890	2,406	484	20.1%
Chickasaw	2,523	2,300	223	9.7%
Clarke	1,327	1,116	211	18.9%
Clay	2,974	2,644	330	12.5%
Clayton	2,430	2,111	318	15.1%
Clinton	2,939	2,701	238	8.8%
Crawford	2,607	2,192	415	18.9%
Dallas	2,947	2,634	313	11.9%
Davis	1,461	1,225	236	19.3%
Decatur	1,104	936	167	17.9%
Delaware	3,059	2,576	483	18.8%
Des Moines	2,840	2,562	279	10.9%
Dickinson	2,771	2,269	503	22.2%
Dubuque	2,949	2,722	227	8.4%
Emmet	3,064	2,698	366	13.6%
Fayette	2,671	2,263	408	18.0%
Floyd	2,781	2,307	474	20.6%
Franklin	2,962	2,562	399	15.6%
Fremont	2,342	2,052	291	14.2%
Greene	2,909	2,615	295	11.3%
Grundy	3,493	3,102	391	12.6%
Guthrie	2,388	1,982	406	20.5%
Hamilton	3,442	2,881	561	19.5%
Hancock	2,986	2,441	545	22.3%
Hardin	3,080	2,507	573	22.9%
Harrison	2,460	2,096	364	17.3%
Henry	2,677	2,391	286	12.0%
Howard	2,190	1,945	245	12.6%
Humboldt	3,260	2,669	592	22.2%
Ida	2,935	2,568	367	14.3%
Iowa	2,370	2,032	337	16.6%
Jackson	2,427	2,122	305	14.4%
Jasper	2,687	2,302	384	16.7%
Jefferson	1,916	1,698	218	12.8%
Johnson	3,169	2,698	471	17.4%
Jones	2,883	2,677	206	7.7%
Keokuk	2,281	2,047	234	11.4%
Kossuth	3,119	2,686	432	16.1%
Lee	2,341	1,982	359	18.1%
Linn	3,275	2,926	349	11.9%
Louisa	2,579	2,168	411	18.9%
Lucas	1,358	1,199	159	13.2%
Lyon	2,938	2,634	304	11.5%
Madison	2,136	1,808	328	18.1%
Mahaska	2,362	1,954	408	20.9%

Marion	2,136	1,793	343	19.1%
Marshall	3,187	2,846	340	12.0%
Mills	2,310	1,907	404	21.2%
Mitchell	2,724	2,409	315	13.1%
Monona	2,251	1,914	336	17.6%
Monroe	1,418	1,200	219	18.2%
Montgomery	2,103	1,798	305	17.0%
Muscatine	2,976	2,528	448	17.7%
O'Brien	3,463	2,993	470	15.7%
Osceola	2,963	2,561	402	15.7%
Page	1,994	1,772	222	12.5%
Palo Alto	2,937	2,532	405	16.0%
Plymouth	3,064	2,564	501	19.5%
Pocahontas	3,210	2,762	449	16.2%
Polk	2,893	2,483	410	16.5%
Pottawattamie	2,627	2,242	384	17.1%
Poweshiek	2,518	2,053	465	22.7%
Ringgold	1,202	1,017	185	18.2%
Sac	3,112	2,678	434	16.2%
Scott	4,167	3,697	470	12.7%
Shelby	2,614	2,227	387	17.4%
Sioux	3,434	3,072	363	11.8%
Story	3,362	2,873	489	17.0%
Tama	2,760	2,369	391	16.5%
Taylor	1,629	1,436	193	13.5%
Union	1,684	1,497	187	12.5%
Van Buren	1,614	1,355	260	19.2%
Wapello	1,969	1,764	205	11.6%
Warren	2,395	2,124	270	12.7%
Washington	2,915	2,546	369	14.5%
Wayne	1,312	1,208	104	8.6%
Webster	3,394	2,825	569	20.1%
Winnebago	2,725	2,368	357	15.1%
Winneshiek	2,269	1,904	365	19.1%
Woodbury	2,395	2,039	355	17.4%
Worth	2,708	2,215	493	22.3%
Wright	3,358	2,804	553	19.7%

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