

Iowa Land Values Show Stability in Turbulent Year

Annual ISU survey finds average value of Iowa farmland per acre increased 1.7% since 2019

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Ames, Iowa – Favorable interest rates, a strong demand for land, and substantial government payments helped stabilize Iowa’s farmland market in a year in which Iowa’s farmers faced the destructive onslaught of a derecho, significant uncertainties in US agricultural trade, and a pandemic that significantly altered market demand.

“The land market faced downward pressure initially with the onset of the COVID-19 pandemic, which lowered food demand and resulted in declines in livestock and ethanol prices,” said Dr. Wendong Zhang. Zhang is an assistant professor of economics at Iowa State University and is responsible for leading the annual Iowa Land Value Survey.

This year’s survey found that the average statewide value of an acre of farmland is \$7,559, an increase of 1.7%, or \$127, since 2019. The \$7,559 per acre estimate, and 1.7% increase in value, represents a statewide average of low-, medium-, and high-quality farmland.

Statewide, Iowa’s high-quality farmland saw a decline in value of 0.1%. However, Zhang said that it’s important to note that number is more indicative of a flat market, rather than a decline, and that several factors have led to a recent rebound in the market. “The rebound in recent months is due to strong government payments, interest rate cuts, limited land supply, and recent commodity price rallies,” he said.

In mid-November, both US corn and soybeans prices their highest point so far this year. Despite some decline since then, both prices are still higher than at the beginning of the year, especially soybeans. “The export surges related to the phase one deal and China’s efforts to rebuild its hog herd ramped up demand for feed grains,” Zhang said.

“There is definitely concerns and downside risks about the price rallies because post-harvest prices are typically lower,” he said. However, he stressed that China is still at least 10%–15% short of its regular hog inventory, so farmers should continue seeing increased feed grain demand. Additionally, Germany, a key competitor for US pork exports, is now battling with African swine fever, the same disease that decimated China’s hog industry, which could increase US pork exports in the future.

Zhang also said that farm payments in 2020 helped prop up the farmland market “in a big way.” According to the USDA’s Economic Research Service, farm payments will increase 107% in 2020, mostly due to supplemental and ad hoc disaster assistance for COVID-19 relief. They also project net farm income will increase 43.1% in 2020.

Some of the increase in overall value this year is also due to increased demand for low-quality land in certain parts of the state. The overall average increase in farmland value was very modest, but low-quality land in the Northeast, West Central, South Central, and Southeast districts saw increases of 8% or more.

“Strong demand for pasture and timber grounds, which are even more appealing now with social-distancing requirements, contributed to the rise in low-quality land value,” Zhang said. However, he noted that when compared to high-quality land, it doesn’t take a substantial change in the dollar value of low-quality land to constitute a large percent increase in values.

Land Values by County

Seventy-eight of Iowa’s 99 counties showed an increase in land values. For the eighth year, Scott and Decatur Counties reported the highest and lowest values, respectively. Despite having the highest overall value, average land values in Scott County decreased \$178 per acre to \$10,659. Decatur County, however, saw average values increase \$264 per acre to \$3,849.

Wayne County reported the largest percentage increase, 7.7%, while Lyon County saw the largest dollar increase, \$577 per acre. The largest dollar decrease was reported in Des Moines County, \$241 per acre, and the highest percentage decrease, 3.4%, was reported in Henry County.

Land Values by District

The Northwest crop reporting district reported the highest land values, \$9,536 per acre, and the South Central district reported the lowest, \$4,658 per acre.

In general, land values across crop reporting districts increased—only the Southwest district reported a decline in land values (-0.9%). The largest percentage increases were in the West Central and South Central districts, 3.9% and 3.8%, respectively; however, both the Northeast and Northwest districts reported increases of 2% or higher.

Land Values by Quality

Statewide, low-quality land now averages \$5,078 per acre, an increase of 6.7% or \$319 per acre. Medium-quality land now averages \$7,119 per acre, an increase of 2.6% or \$181 per acre. High-quality land now averages \$9,068 per acre, a decrease of 0.1% or \$10 per acre.

Only low-quality land in the North Central district showed a decline in average prices this year (-0.5%). Low-quality land in the Northeast, West Central, South Central, and Southeast districts, however, all saw increases of 8% or more.

The West Central and South Central districts reported the largest gains in medium-quality land values, 5.0% and 4.4%, respectively. While no districts reported a loss in medium-quality land, the Southwest district only reported a nominal gain of \$2 per acre.

High-quality land in five of Iowa's nine crop districts saw increases of less than 2%, while East Central and Southwest districts reported a decline of more than 2%.

Factors Influencing the Land Market

Favorable interest rates, limited land supply, and recent commodity price rallies were the most frequently mentioned positive factors influencing the land market in this year's survey. Other positive factors respondents noted included COVID-related payments, government payments, and strong demand for land, especially by farmers.

The most frequently mentioned negative factors affecting were lower commodity prices, uncertainty due to the COVID-19 pandemic and weather. Other negative factors included political uncertainty related to the 2020 election, poor yields, and general economic uncertainty.

Land values were determined by the 2020 Iowa State University Land Value Survey, conducted in November by the Center for Agricultural and Rural Development (CARD) at Iowa State and Iowa State University Extension and Outreach. Results from the survey are consistent with results by the Federal Reserve Bank of Chicago, the Realtors Land Institute, and the US Department of Agriculture.

The Iowa State Land Value Survey was initiated in 1941, the first in the nation, and is sponsored annually by Iowa State. The survey is conducted every November and the results are released mid-December. Only the state average and the district averages are based directly on the Iowa State survey data. County estimates are derived using a procedure that combines the Iowa State survey results with data from the US Census of Agriculture.

The Iowa State Land Value Survey is based on reports by agricultural professionals knowledgeable of land market conditions, such as appraisers, farm managers, agricultural lenders, and actual land sales, and is intended to provide information on general land value trends, geographical land price relationships, and factors influencing the Iowa land market. The 2020 survey is based on 707 usable responses from 484 agricultural professionals. Sixty-seven percent of the 484 respondents answered the survey online.

CARD offers a web portal at <https://www.card.iastate.edu/farmland/> that includes visualization tools, such as charts and interactive county maps, allowing users to examine land value trends over time at the county, district, and state level.

For over 60 years, the [Center for Agricultural and Rural Development](#) at [Iowa State University](#) has conducted innovative public policy and economic research on local, regional, and global agricultural issues, combining academic excellence with engagement and anticipatory thinking to inform and benefit society.

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