2007 IOWA LAND VALUE SURVEY: OVERVIEW

1.0 History and Purpose of the Land Value Survey.

1.1 The survey was initiated in 1941 and is sponsored annually by the Iowa Agriculture and Home Economics Experiment Station, Iowa State University. Only the state average and the district averages are based directly on the ISU survey data. The county estimates are derived by using a procedure that combines the ISU survey results with data from the U.S. Census of Agriculture. The survey was conducted by Michael Duffy and Darnell Smith.

1.2 The survey is intended to provide information on general land value trends, geographical land price relationships and factors influencing the Iowa land market. The survey is not intended to provide an estimate for any particular piece of property.

1.3 The survey is based on reports by licensed real estate brokers and selected individuals considered to be knowledgeable of land market conditions. Approximately 1,100 surveys are mailed each year. Normally 500-600 completed surveys are returned.

1.4 Respondents were asked to report on more than one county if they were knowledgeable about the land markets. The 2007 survey is based on 499 usable responses providing estimates on 668 county land values.

1.5 Participants in the survey are asked to estimate the value of high, medium and low grade land in their county. Comparative sales and other factors are taken into account by the respondents in making these value estimates.

2.0 Analysis by State.

2.1 The 2007 state average for all grades of land was estimated to be $3,908 per acre.

2.2 The increase in the state value was $704 per acre from 2006.

2.3 The percentage increase was 22 percent from 2006.

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3.0 Analysis by Crop Reporting District.

3.1 The highest land values were reported for Northwest, $4,699 per acre.

3.2 The lowest land values were estimated for South Central Iowa, $2,325 per acre.

3.3 The greatest percentage increase was in North Central Iowa, 25.3 percent.

3.4 The least percentage increase was in East Central Iowa, 14.7 percent.

4.0 Analysis by Counties.

4.1 The highest value was estimated for Scott county, $5,699 per acre.

4.2 The lowest value was in Decatur county, $1,828 per acre.

4.3 The greatest dollar increase was $1,142 in Sioux county.

4.4 The greatest percentage increase was 30.3 percent reported in Floyd county.

5.0 Analysis by Quality of Land.

5.1 Low grade land in the state averaged $2,655 per acre and showed a 21 percent increase or $460 per acre.

5.2 Medium grade land averaged $3,666 per acre and showed a 21.8 percent increase or $655 per acre.

5.3 High grade land averaged $4,686 per acre and showed an increase of 22.2 percent or $851 per acre.

6.0 Major Factors Influencing the Real Estate Market.

Survey respondents listed both positive and negative factors influencing the land market. The respondents listed multiple factors in most cases.

6.1 There were 2 positive factors listed by over 10 percent of the respondents.

6.2 Good grain prices was by far the most frequently mentioned positive factor, being mentioned by 35 percent of the respondents. Low interest rates were mentioned by 10 percent of the respondents.

6.3 There were 3 negative factors listed by more than 10 percent of the respondents. High input costs were listed by 25 percent of the respondents. Land prices too high was listed by (12 percent) and a concern over how long it would last was listed by 11 percent of the respondents.

7.0 Number of Sales Compared to Previous Year.

When asked to compare the number of sales in 2007 relative to 2006, 37 percent reported more, 42 percent the same, and 21 percent reported less.

8.0 Land Sales by Buyer Category.

The 2007 survey asked respondents what percent of the land sales were sold to four categories of buyers.

8.1 The majority of farmland sales: 60 percent were to existing farmers. Investors represented 34 percent of the sales. New farmers represented 2 percent of the sales and, other purchases were 4 percent of sales.

8.2 Sales to existing farmers by Crop Reporting Districts ranged from 71 percent in West Central to 40 percent in South Central.

8.3 Sales to investors were highest in South Central (48 percent). Northeast reported the lowest investor activity (27 percent).

9.0 Interpretation of the Survey Results

The 2007 survey shows the biofuel related land boom is continuing. This year's 22 percent increase is the largest yearly percentage increase since 1976. The $704 increase is the highest dollar increase ever recorded.

The 2007 Iowa average land values set a record high for the fifth straight year. Since 2000 average Iowa land values have increased by $2,051 per acre, more than a 100 percent increase over the 2000 average value of $1,857. In just the past 5 years Iowa average land values have increased by over 70 percent.

Last year when this survey was conducted, in November, land values were just starting to rise due to the higher grain prices. As a result there was a difference between the Iowa State University values and other Iowa land value surveys. This year, however, the results reported here are similar to other surveys. The Federal Reserve Board reported a 21 percent rise in Iowa land values from October to October. The Realtors Land Institute reported a 20 percent increase from September to September.

The increases in values were evidenced across the state. Five Iowa counties had average values over $5,000 per acre and over half the counties, 51 percent, had average land values between $5,000 and $4,000 per acre.

The percentage increases in values was similar to the dollar increases. Almost a fifth, 19, of the counties reported increases over 25 percent and over half, (59 percent) of the counties reported increases between 20 and 25 percent.

One observation is that the percentage increases in values were not as strong in the counties and crop reporting districts along the rivers. This reflects the recent, relative changes in the crop price basis that have occurred in Iowa. The river counties used to have the narrowest basis between local and gulf port corn prices due to transportation costs. Now, however, with more localized demand from the ethanol plants the differences in basis has shifted.

The respondents to the 2007 survey indicated that biofuel demand and related ramifications are the driver in the increase in land values. Higher grain prices and overall agricultural outlook were mentioned by over half the respondents as positive factors.

There were two specific concerns identified by the respondents. The first focused on the current land values and how long this can last. The second major concern was over increases in input costs. Farmers have seen an increase in profits but the higher land values and rents, coupled with higher seed and fertilizer prices have dampened the profit potential considerably with increased cash flow requirements.

Comments received on some of the surveys reveal a difference of opinion with respect to the current situation and how long it might last. Some expressed a great deal of concern that the land values were too high and that the market might be due for a correction. On the other hand some said the naysayers were overreacting and that the market was continuing to show strength with significant interest.

Regardless of the point of view it is an exciting time in agriculture especially with respect to the land market. This year 37 percent of the respondents reported more sales than last year. This is the highest percentage reporting more year-to-year sales since 1988, when we were just starting to come out of the farm financial crisis.

We are seeing more sales at auction. One appraiser jokingly said he estimated the land value using the income appraisal method and then added $1,000. He went on to say, however, that their recent appraisal approach was to use auction sales to let the market determine land values. There have been reports that some auctions were terminated because the minimum price was not met but recent auction reports indicate there is still a strong market.

Many respondents reported more existing farmers were purchasing land. However, the percentages of purchases by existing farmers and investors were essentially unchanged from a year ago. Overall, 60 percent of the purchasers were reported to be existing farmers and 34 percent were reported to be investors. Farmer purchases have been on a steady downtrend. A decade ago existing farmers represented almost three-fourths of the purchases. Existing farmers as a percentage of purchasers reached a low of just 56 percent in 2005.

So where do we go from here? A farmer, after he had attended a recent auction, commented there were a thousand different economies when it came to the agricultural land market. He was spot on with that comment. Each person is different, each financial situation is different and everyone views the world from their own perspective.

Will the land market crash? How high will land go? How can anyone afford to pay that much for the land? Have we really entered a new golden era that will finally give agriculture lasting profits? What will be the impact of a weakening dollar, of the new farm bill, of the subprime mortgage debacle?

These are just some of the questions. There are as many different answers as there are people answering them.

My general feeling is that the land market will remain strong for at least the next five years. We have seen a fundamental shift in demand for corn due to ethanol production. I don't think this demand will diminish in the near future. Will ethanol be able to move from being an additive to a substitute fuel is a question? There are technologies being developed to use alternative sources for ethanol. But, most of these would involve using the same land that is being used for corn, so, even if the alternative sources do become commercialized, the demand for the land will remain strong. What will have a negative impact will be if the new generation ethanol (or whatever fuel it may be) is developed from something other than the agricultural products we do or could produce.

Additionally, the farm bill is a major uncertainty at this time. Corn and soybean prices have moved beyond the level of support that came with previous farm bills but the provisions of the farm bill will still influence agriculture and land values.

The overall strength of the economy and the full impact of the subprime situation could have spillover effects in the agricultural land market. This is especially true with respect to recreational demand.

The international situation will also have an impact on agricultural land values. This is especially true with respect to petroleum. We have developed an agriculture that is dependent upon fossil fuels. As the price of these fuels continues to rise, so too will the costs of production. Increasing costs of production was identified as the number one negative factor facing the land market. Rising fuel prices and the subsequent increases in related input prices (fertilizers and pesticides) could significantly cut profit margins which will negatively impact land values.

The value of the dollar and international production will also impact Iowa land values. Changes in production anywhere in the world will affect price changes in Iowa. The shift to ethanol has not removed us from the vagrancy of the international markets.

The world of agriculture as we know it here in Iowa has changed. Where the changes will settle out and when is not known. In the meantime there are new opportunities for people. With opportunities come challenges. Some will make money and some won't. There truly are a thousand different economies when it comes to the agricultural land market.

Table 1. Recent Changes in Iowa Farmland Values

	Value Per Acre	Dollar Change	Percentage Change
1968	409	12	3.0
1969	419	10	2.5
1970	419	0	0.0
1971	430	11	2.6
1972	482	52	12.0
1973	635	154	31.9
1974	834	199	31.3
1975	1095	261	31.3
1976	1368	273	24.9
1977	1450	82	6.0
1978	1646	196	13.5
1979	1958	312	19.0
1980	2066	108	5.5
1981	2147	82	3.9
1982	1801	-346	-16.1
1983	1691	-110	- 6.1
1984	1357	-334	-19.8
1985	948	-409	-30.2
1986	787	-161	-17.0
1987	875	88	11.2
1988	1054	179	20.4
1989	1139	85	8.1
1990	1214	75	6.6
1991	1219	5	.4
1992	1249	30	2.5
1993	1275	26	2.1
1994	1356	81	6.4
1995	1455	99	7.3
1996	1682	227	15.6
1997	1837	155	9.2
1998	1801	-36	-1.9
1999	1781	-20	-1.1
2000	1857	76	4.3
2001	1926	69	3.7
2002	2083	157	8.2
2003	2275	192	9.2
2004	2629	354	15.1
2005	2914	285	10.8
2006	3204	290	10.0
2007	3908	704	22.0

Table 2. Average Value Per Acre of Iowa Farmland Listed by Crop Reporting Districts and Grades of Land

Year	State Average	North-west	North Central	North-east	West Central	Central	East Central	South-west	South Central	South-east
					All Grades					
1981	2147	2562	2721	2227	2056	2538	2530	1586	1184	1790
1986	787	937	912	786	768	930	1000	607	403	705
1987	875	1084	1055	835	871	1044	1053	676	421	782
1998	1801	2174	2119	1757	1820	2192	2123	1373	948	1585
1999	1781	2059	2073	1807	1837	2128	2118	1346	981	1570
2000	1857	2198	2169	1868	1924	2195	2190	1412	992	1655
2001	1926	2240	2240	1950	1969	2246	2324	1511	1039	1705
2002	2083	2434	2367	2149	2101	2392	2547	1632	1211	1808
2003	2275	2683	2514	2347	2329	2652	2715	1774	1354	1979
2004	2629	3118	2913	2665	2728	3101	3054	2088	1547	2286
2005	2914	3393	3222	2963	3048	3415	3396	2350	1793	2483
2006	3204	3783	3478	3187	3410	3716	3725	2580	1927	2849
2007	3908	4699	4356	4055	4033	4529	4272	3209	2325	3463
					High Grade					
1981	2759	3035	3209	2885	2576	3061	3293	2050	1880	2726
1986	1048	1131	1094	1048	1000	1154	1343	832	682	1120
1987	1150	1306	1260	1102	1125	1288	1399	912	688	1229
1998	2284	2534	2449	2238	2268	2659	2683	1798	1455	2369
1999	2249	2401	2362	2275	2288	2589	2685	1773	1499	2271
2000	2324	2547	2462	2329	2375	2660	2743	1825	1509	2353
2001	2407	2588	2546	2439	2437	2685	2907	1947	1582	2447
2002	2576	2776	2676	2625	2583	2848	3105	2117	1931	2539
2003	2790	3040	2817	2857	2820	3121	3263	2285	2121	2783
2004	3193	3537	3265	3189	3264	3621	3659	2657	2358	3174
2005	3511	3813	3588	3522	3691	3935	4069	2925	2659	3385
2006	3835	4261	3834	3816	4072	4263	4443	3209	2663	3793
2007	4686	5313	4807	4859	4804	5261	5073	3989	3231	4625
					Medium Grade					
1981	1931	2252	2334	2052	1866	2279	2258	1472	1149	1604
1986	699	830	777	709	684	813	866	561	396	622
1987	780	957	903	754	776	928	925	630	413	696
1998	1638	1970	1885	1604	1670	1968	1930	1274	924	1414
1999	1629	1876	1869	1665	1692	1898	1945	1241	949	1433
2000	1701	2001	1972	1728	1772	1956	1996	1320	955	1511
2001	1768	2057	2040	1800	1807	2013	2125	1410	1004	1571
2002	1924	2278	2142	2010	1930	2175	2358	1522	1152	1659
2003	2123	2507	2309	2221	2167	2438	2543	1659	1307	1834
2004	2457	2930	2669	2515	2564	2858	2863	1956	1492	2118
2005	2736	3199	2982	2834	2833	3165	3172	2217	1725	2347
2006	3011	3561	3223	2987	3213	3458	3501	2442	1866	2679
2007	3667	4385	4026	3777	3796	4194	4005	3047	2296	3270
					Low Grade					
1981	1157	1460	1517	1220	1125	1336	1366	959	624	752
1986	377	488	468	405	350	475	460	290	176	257
1987	432	571	553	444	419	535	495	341	207	289
1998	1030	1299	1286	1059	1021	1258	1205	792	542	739
1999	1045	1216	1314	1110	1040	1296	1188	798	582	790
2000	1117	1370	1387	1167	1126	1299	1288	862	597	875
2001	1170	1388	1423	1208	1202	1416	1404	918	623	871
2002	1322	1571	1568	1448	1332	1516	1628	996	760	997
2003	1463	1808	1682	1512	1500	1707	1811	1130	858	1063
2004	1713	2087	1976	1816	1746	2028	1998	1354	1029	1272
2005	1961	2382	2252	2032	1970	2353	2237	1614	1252	1438
2006	2195	2566	2500	2248	2293	2615	2505	1729	1373	1786
2007	2656	3210	3125	2853	2738	3004	2928	2175	1583	2131

Level of Sales Activity, 2007

	More	Same	Less
		Percent	
Northwest	46	43	11
North Central	57	30	13
Northeast	26	55	19
West Central	37	39	24
Central	51	30	19
East Central	30	44	26
Southwest	23	50	27
South Central	27	44	29
Southeast	21	46	33
STATE	**37**	**42**	**21**

Iowa Land Purchases, 2007

	Existing Farmers	Investors	New Farmers	Others
		Percent		
Northwest	67	28	2	4
North Central	58	39	2	1
Northeast	62	27	2	9
West Central	71	27	1	1
Central	70	29	1	0
East Central	54	37	2	7
Southwest	61	38	1	0
South Central	40	48	4	8
Southeast	62	31	2	5
STATE	**60**	**34**	**2**	**4**

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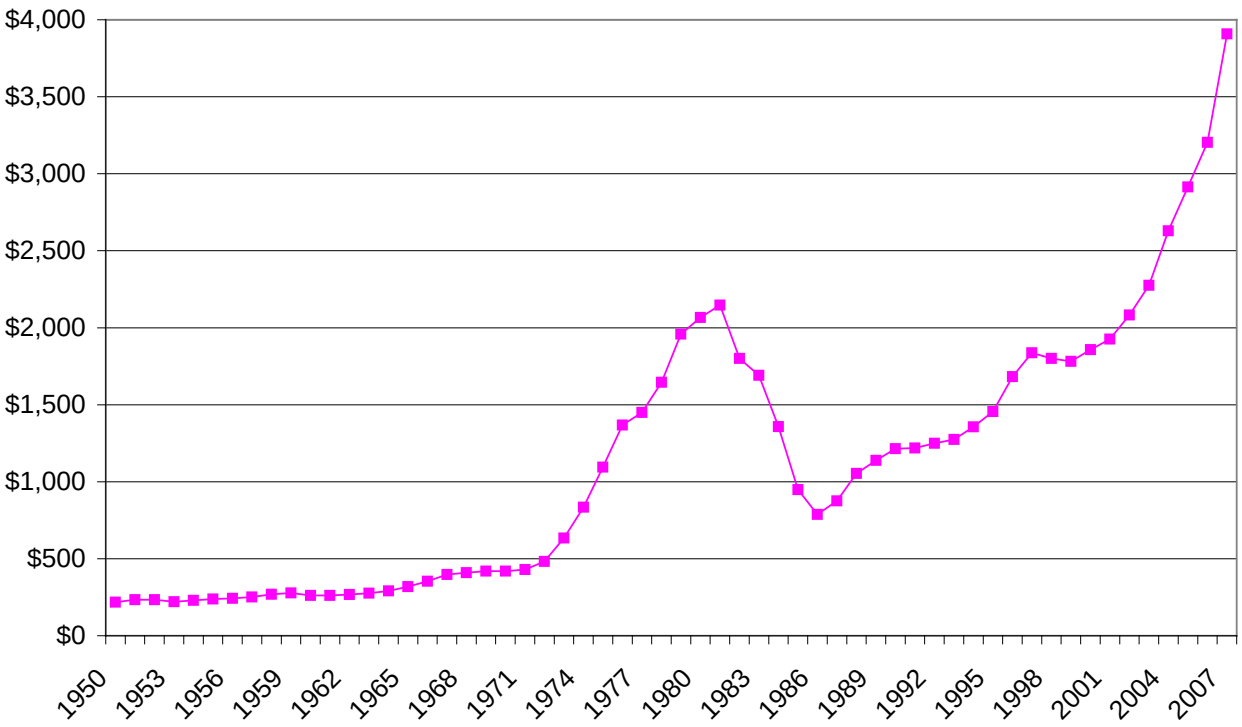
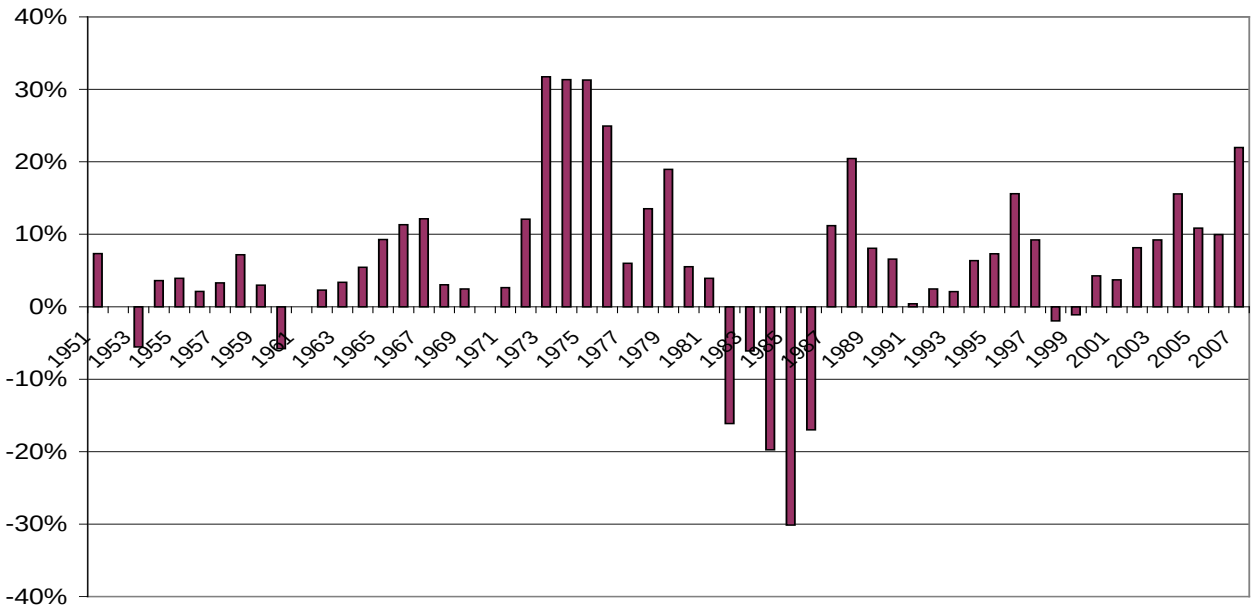
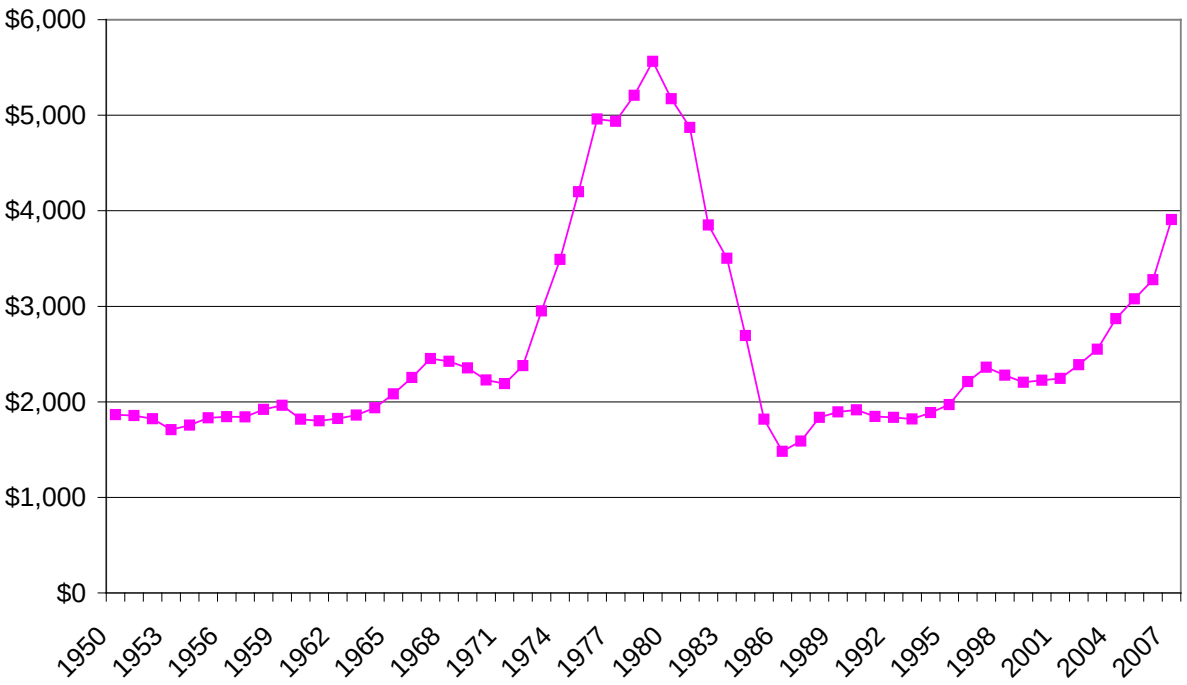
Iowa Average Land Values



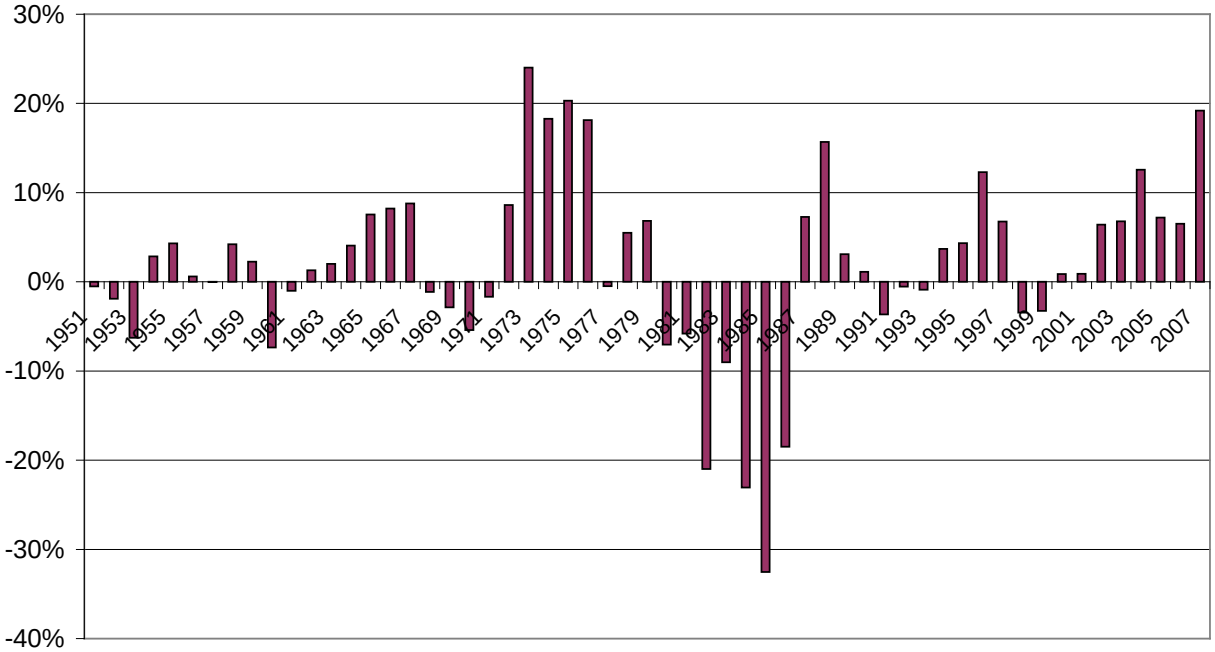
Percentage Change in Iowa Average Land Values



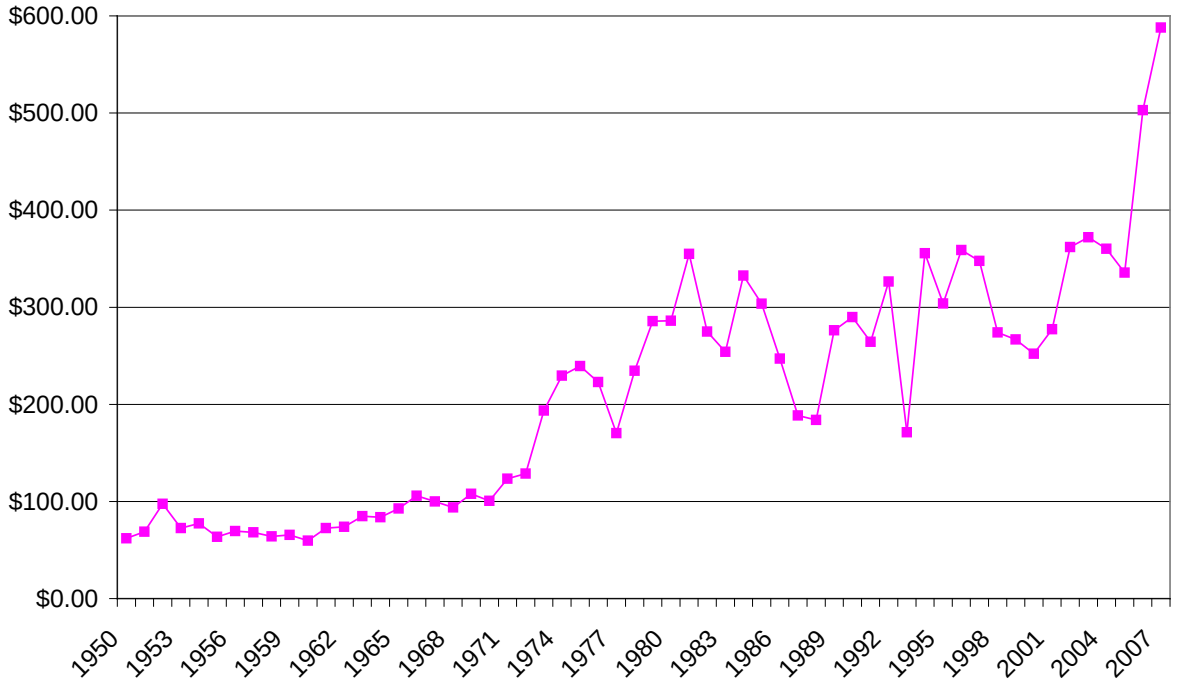
Inflation Adjusted Iowa Average Land Values in 2007 Dollars



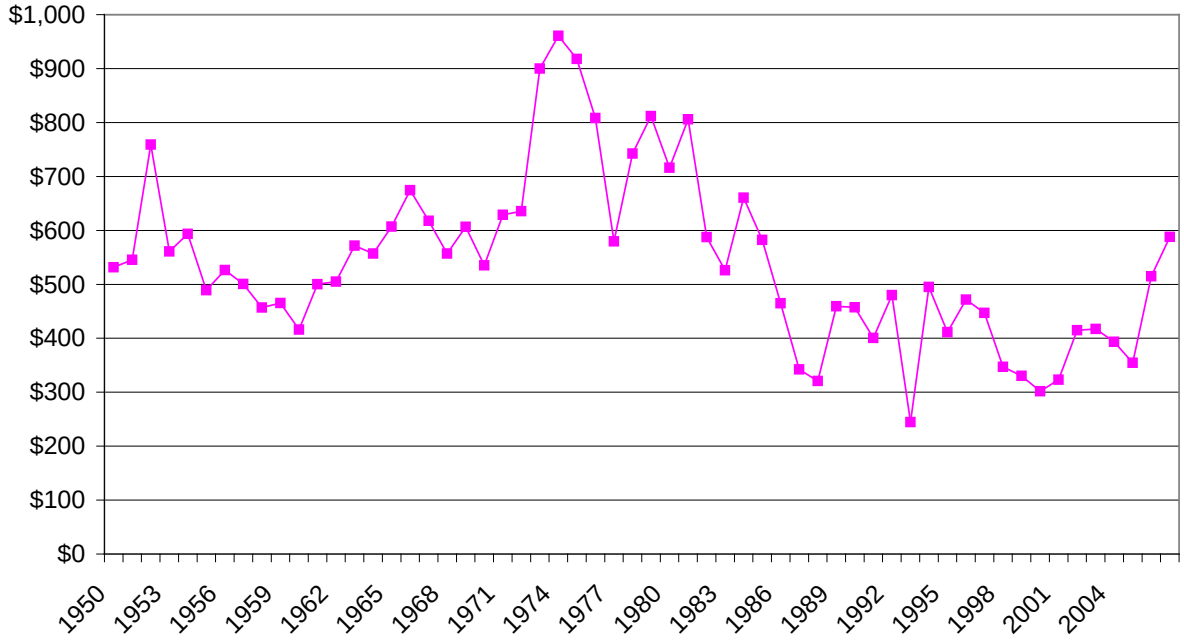
Percentage Change in Inflation Adjusted Iowa Average Land Values



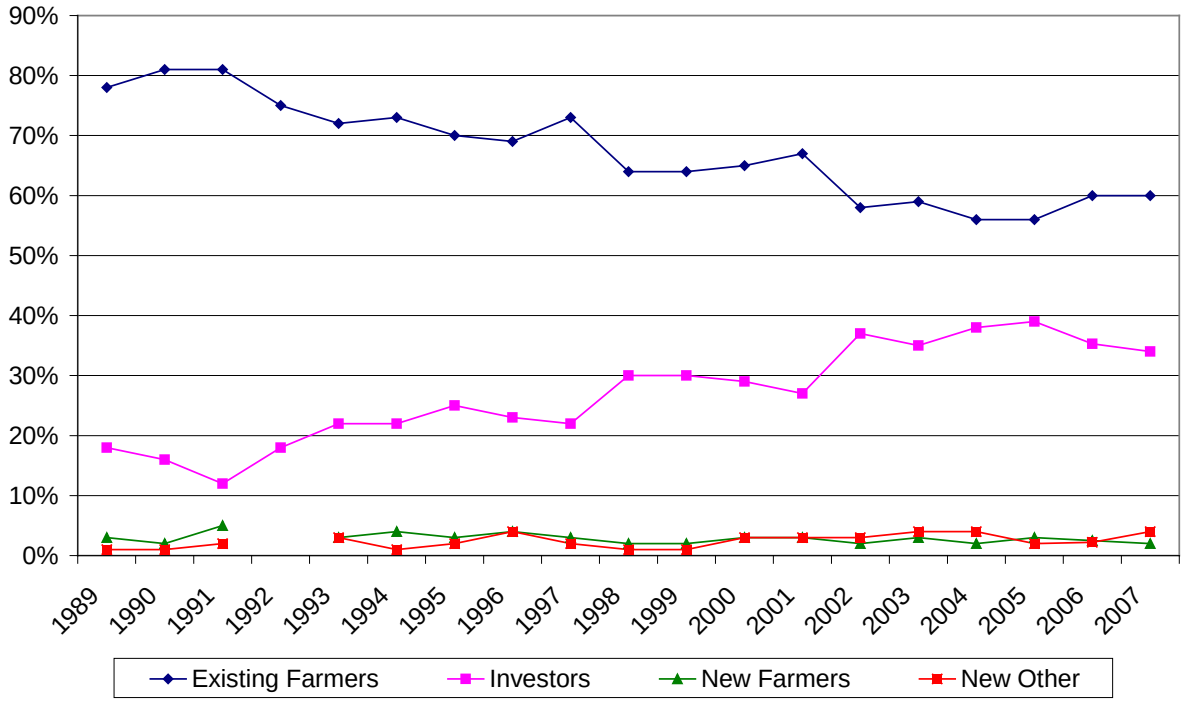
Iowa Average Corn Gross Revenue per Acre



Inflation Adjusted Corn Gross Revenue per Acre (2007 Dollars)



Purchasers of Iowa Farmland by Year



Level of Sales Activity Relative to Previous Year