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Land Values Decline

In March, the Federal Reserve Bank of Minneapolis reported a 3.5 percent decline in the average value of non-irrigated cropland across north-central states, compared to a year earlier. This included: A 4.3 percent annual decline in farmland values in Minnesota; a drop of 4.6 percent in both Wisconsin and North Dakota; and a decline of 1.6 percent in South Dakota. Montana had the largest year-to-year decline, with a decrease of about 24 percent.

Many agricultural experts and economists have been warning for the past few years that we could be heading towards a significant correction in farmland values across the Midwest. Based on recent data, there appears to be evidence that a reduction in average land values has been occurring in some regions of the U.S., including the Upper Midwest. Significantly lower corn and soybean prices in both 2014 and 2015 have resulted in reductions in farm income levels, thus putting downward pressure on average land values in many areas.

In contrast to most other land value surveys, the USDA released data in July 2015 that showed average farm real estate values increased by 2.4 percent across the United States from June 2014 to June 2015. The USDA statistics only involve producers and include the value of farmland, along with the value of buildings and improvements.

Furthermore, the USDA stats listed an average decline of 1.1 percent in Minnesota farmland values and a decline of 5.9 percent in Iowa.

Iowa State University does a comprehensive land value survey each December, which is regarded as one of the best resources

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on trends for Midwest farmland sales. Iowa farmland values rose at an incredible pace from 2000 to 2013, with only one minor decline in 2009, before more significant declines of 8.9 percent in 2014, and 3.9 percent in 2015. This was the first time that the Iowa land value survey has shown two consecutive years of decline since 1998 and 1999. The 2015 Iowa Farmland Value Survey showed a decline in land values for eight of the nine crop reporting districts, with the greatest decline at 6.7 percent in the North-Central District. Only the Northwest District showed a slight increase of 0.7 percent in land values for December 2015, compared to December, 2014.

Trends in farmland values in southern Minnesota are probably fairly close to the trends shown in the Iowa land value survey, reflecting the lower crop prices and tighter profit margins. Similar to Iowa, land values in portions of southeast and south-central Minnesota have shown a greater decline than some other areas of the state, such as southwest Minnesota. Some isolated land sales across southern Minnesota have still been reported at fairly high values. However, the overall trend in the past 18 to 24 months has witnessed a decline of 10-20 percent from the peak land values in 2013 and early 2014.

One of the best sources of farm real estate values in Minnesota is the University of Minnesota's Land Economics [website](#). This website is updated annually after September 30 and accesses a database of various land values, based on farmland valuations reported to the state by county assessors throughout Minnesota. This website allows for selected sorts by county, state economic regions, watersheds, and types of land.

Record 2015 crop yields in many areas of the Upper Midwest, along with some improvement in crop prices in the Spring of 2016, have seemed to stabilize land values somewhat during the first few months of the year.

Most likely, the future trends in crop prices, along with the level of 2016 crop yields and livestock profitability, will determine if land values continue to stabilize, or if we see further declines later on.

An increase in interest rates by the Federal Reserve in the next year or two would also likely have a negative impact on land values. The good news is that there still seems to be fairly good demand by both farm operators and investors to purchase land,

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especially when it drops to a certain level.

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2016 Ag Conference

Join ICBM for this year's Ag Conference in Austin, MN.

Bankers will learn from ag industry experts and participate in discussions on critical ag issues and how they affect the financial industry.

The event will be held July 19-20. Registration and program information is available [here](#).

Questions? Contact Patti Coles, ICBM Meeting and Event Planner at pcoles@icbm.org or 651-789-3987.

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