

Sales to investors were highest in Southwest (38 percent). West Central reported the lowest investor activity (13 percent).

Interpretation of survey results

It is important to remember the time period when interpreting the 2008 survey results. The Iowa State University survey covers the time period from November 2007 to November 2008. This is important to remember because there have been considerable changes in the situation in Iowa over the past few months. Monthly average corn and soybean prices in Iowa had been continually rising until July of 2008. Corn averaged \$5.41 per bushel in July and current prices are below \$3. Soybeans averaged \$13.10 in July and the current prices are below \$8 per bushel. Confounding this change in revenue has been substantial increases in the costs of production, especially for fertilizers and seed.

The lower grain prices and higher costs of production mean lower net revenue per acre which ultimately would imply moderation in land value. As one survey respondent reported; "... the farmland market, after having had a substantial run over the past several years, the uptrend is appearing to be wearing thin. The recent declines in the grain market appear to be having a direct impact on values...".

A softening of the land market can be inferred by comparing the results of the ISU survey to other surveys of Iowa farmland values. The Realtors Land Institute, which does a semi-annual survey, reported a 6.6 percent increase in values from March to September and an 11 percent increase from September 2007 to March 2008. This would be a 17.6 percent increase from September to September. The 7th District of the Federal Reserve Board reported a 2 percent quarterly increase from July to October and a 17 percent increase in Iowa land values from October to October.

It is important to keep these caveats in mind but, nonetheless, the ISU survey did show considerable strength in Iowa farmland. The \$4,468 average value was the sixth straight year of record average land values. Land values have almost doubled since 2003, going from \$2,275 to \$4,468 in just 5 years.

In 2008, three counties averaged over \$6,000 per acre. This is the first time any county has averaged over that amount. Similarly, 2008 marked the first time that no county has averaged below \$2,000 per acre.

Table 1. Recent changes in Iowa farmland values.

Year	Value per acre	Dollar change	Percentage change
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	0.4
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
2008	4468	560	14.3

There were also some notable changes in other categories from the 2008 survey. East Central reported a significant decrease in the amount of sales activities. Almost half, 44 percent, of the respondents from the East Central crop reporting district reported less sales relative to the same time period from a year ago. This is a reflection of the flooding and other hardships suffered in this area over the past year. South Central Iowa also reported a significant decline in sales, 43 percent reported less sales. This perhaps reflects the relatively soft demand for recreational land.

There was a marked increase in the amount of purchases by farmers and a marked decrease in the purchases by the investor category. These trends started a few years ago and reflect the relative strength of the farm economy and farmers tendency to convert profits into farmland. In North Central Iowa investors dropped from 39 to 26 percent of the purchases but purchases

in the "Other" category increased from 1 to 12 percent. The ISU survey is an opinion survey so this may reflect different perceptions but it could represent the increase in purchases for energy purposes. In North Central, less than one-fourth of the respondents to this year's survey were new.

Iowa farmland is not immune from the current financial situation in the United States and around the world. Exports still make up a sizeable portion of the demand for our grain. In addition, international competition for inputs is strong and having a significant impact on prices. How the current financial situation will play out and over what time period still remains unclear. Regardless there will be impacts on Iowa farmland values.

It is fortunate that today a considerable amount of Iowa's farmland is held without debt. A recently released survey on Iowa farmland ownership showed that 75 percent of the land was debt free. Debt has been used for recent sales but an estimated fourth of the purchases were essentially without debt.

Another factor further clouding the future with respect to Iowa farmland values is the aging farmland owner. Recent estimates show that over half, 55 percent, of the farmland is owned by people over the age of 65. Approximately 10 percent of the farmland, 1 in 10 acres, is owned by a single female over the age of 75. This means there will be a considerable amount of farmland changing ownership over the next several years. Although most people indicated the higher land values had not changed their plans it remains to be seen if the same will be true in the new environment.

So what does all this mean for Iowa farmland values? To be sure the future is very uncertain. We have seen events over the past few months that are unprecedented and make predictions extremely tenuous. In last year's land value survey report I expected land values to remain strong for at least the next five years. I based this on the mistaken believe that the ethanol boom and subsequent demand for grains was going to last at least that long. Little did I imagine that we would see an almost 50 percent drop in grain prices in just 6 months. I also didn't consider that costs of production would rise as fast as they have. In addition, I never considered that we would see diesel prices fall by almost a fourth since last year and over a third since their high

in July of this year. Finally, it never occurred to me in my wildest imagination, that we would see a financial bailout of the magnitude that we have seen. Today we have government oversight of financial institutions and the very real possibility of direct government participation in the big three automakers.

I mention these factors not as an excuse for poor forecasting last year but as way of indicating the uncertainty of the future, even six months from now. A recent article in the Cleveland Federal Reserve Board report commented that "Economists, even in groups, are not very precise forecasters..." when faced with situations like we have today.

In spite of this uncertainty I will still forge ahead. My feeling is that we have reached a plateau in land values for the near term. A good deal of uncertainty exists long term due to the chaotic global financial situation. There will be adjustments but I don't expect to see a major drop in values reminiscent of the early 1980s because so much of our land is held without debt and the use of contracts as a debt instrument is significantly lower than it was during the late 1970s. This means we should not see the forced liquidations or contract abandonment that we witnessed in the 1980s. There will be financial troubles for farmers, however, especially for those who took on debt for machinery, equipment or other reasons. Their ability to maintain payments and avoid liquidations will be critical.

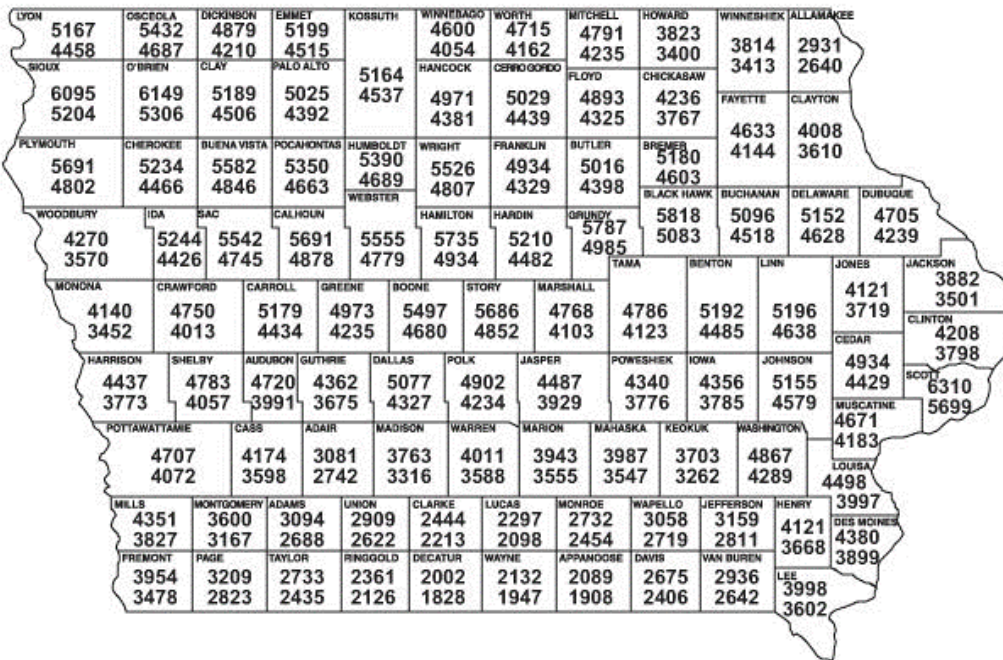
Someone selling land today may not be able to get the same amount as they could have a few months ago. Many of the survey respondents indicated that this was the case. Some said there were still locales with stronger prices but for the most part it was steady to weaker.

Does this mean values have fallen or simply quit rising? My preference is to view this as a return to more normal conditions in the land market where the unbridled exuberance we witnessed the past 24 months has been curtailed. I think the land values will retreat some from the highs but not go into the free-fall we witnessed in the 1980s. Unbridled pessimism can have the reverse effect from what we have recently witnessed. One thing we should have learned is that anything can happen and probably will. Where land values will go in the next year or so is really anyone's guess but, overall, Iowa farmland should remain a good investment for the long run.

Table 2. Average value per acre of Iowa farmland listed by crop reporting districts and grades of land.

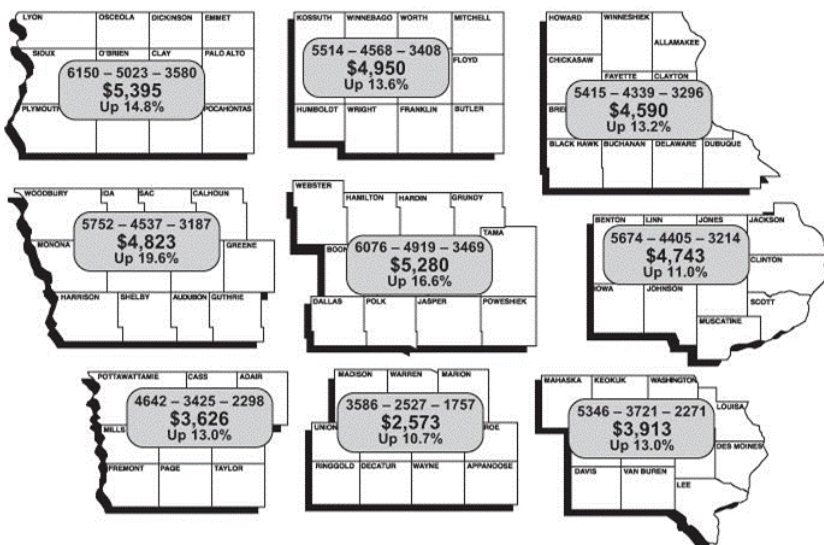
Year	State Avg	North-west	North Central	North-east	West Central	Central	East Central	South-west	South Central	South-east
All grades										
1997	1837	2263	2194	1721	1894	2295	2110	1369	957	1580
1998	1801	2174	2119	1757	1820	2192	2123	1373	948	1585
1999	1781	2059	2073	1807	1837	2128	2118	1346	981	1572
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
2008	4468	5395	4950	4590	4823	5280	4743	3626	2573	3913
High grade										
1997	2328	2647	2531	2210	2350	2790	2673	1786	1443	2383
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
2008	5381	6150	5514	5415	5752	6076	5674	4642	3586	5346
Medium grade										
1997	1668	2033	1945	1577	1742	2050	1910	1280	945	1404
1998	1638	1970	1885	1604	1670	1968	1930	1274	924	1414
1999	1629	1876	1869	1665	1692	1892	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
2008	4195	5023	4568	4339	4537	4919	4405	3425	2527	3721
Low grade										
1997	1042	1354	1337	992	1083	1279	1186	787	544	730
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	1383	1786
2007	2656	3210	3125	2853	2738	3004	2928	2175	1583	2131
2008	2967	3580	3408	3296	3187	3469	3214	2298	1757	2271

Figure 2. 2008 Land values, by county.



County estimates of average dollar value per acre for Iowa farmland based on U.S. Census of Agriculture estimates and a Nov. 1, 2008, survey of Iowa real estate brokers. The top figure is the estimated Nov. 1, 2008, value; the bottom figure is the estimated Nov. 1, 2007, value.

Figure 3. 2008 Land values by crop reporting district.



Estimates of average dollar value per acre for high, medium and low grade farmland on Nov. 1, 2008, by Iowa Crop Reporting District; and the Crop Reporting District average and the average percentage change from Nov. 1, 2007. The estimates are based on a survey conducted by Iowa State University Extension.

... and justice for all

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