

2005 Iowa Farmland Value Survey

The average value of an acre of farmland in Iowa increased \$285 to an all-time high of \$2,914 in 2005, according to an annual survey conducted by Iowa State University. This is the third year in a row with a new record high, according to Mike Duffy, ISU Extension farm economist who conducts the survey.

The 2005 average value topped a previous record of \$2,629 reported last year, and it represented a 10.8 percent increase statewide over the 2004 average. Duffy said values increased in all 99 counties in Iowa, and only 21 counties reported an average increase of less than 10 percent.

Using the average value of \$2,914, the total value of the state's 32.6 million acres of farmland is about \$95 billion. Duffy said that the effect of inflation on the value of the dollar means that the 2005 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. In inflation-adjusted dollars, the peak arrived in 1979.

After the peak, Iowa land values dropped sharply, reaching a statewide average of \$787 per acre in 1986 before beginning to recover. The 2005 figure represents an increase of 270 percent in the past 19 years and 57 percent in the past five years.

Values increased in all 99 Iowa counties and topped \$1,000 an acre in every county for the second time since ISU began conducting the survey in 1941. The highest average values in the state were reported in the Central Iowa crop reporting district at \$3,415 per acre. The South Central district had the lowest average values at \$1,793, but that district also had the highest percentage of increase at 15.9 percent on average.

The survey of real estate brokers, farm lenders, and others who work directly with the land markets, indicated the increases topped 8 percent in all nine of the state's crop reporting districts, ranging from 8.6 percent in the Southeast district to 15.9 percent in the South Central crop reporting district. Gains of less than 10 percent were reported in only 21 counties. Seven counties had increases of more than 15 percent. The smallest percentage increase was 3.6 percent in Marshall County, and the largest increase was 24.3 percent in Ringgold County.

The average value increased for the sixth year in a row after slight declines in 1998 and 1999. The largest dollar increase was \$540 per acre in Scott County, which also set a state record with an average value of \$4,707 per acre. Other counties with an increase of more than \$400 per acre included Delaware, Marion, Mills and Audubon.

Duffy said low interest rates were a major factor in value increases this year and were mentioned by 27 percent of those responding to the survey. Other positive factors were good crop yields, mentioned by 26 percent of the respondents; tax-free treatment of transactions involving land exchanges, mentioned by 20 percent; government programs and payments, mentioned by 16 percent; and strong investment demand, mentioned by 12 percent.

Negative factors that worked against greater increases this year included lower current grain prices, listed by 28 percent of the respondents; the high costs of farm inputs and machinery and low profitability in general, mentioned by 16 percent; and an uptrend in interest rates, also mentioned by 16 percent.

Duffy said he is frequently asked whether land values have peaked or whether the market is too high. He said the answers to those questions cannot be determined from the survey, but "it does appear that these concerns are on people's minds. When you combine several of the similar negative factors mentioned, well over a fourth of the respondents are concerned that the market is too high for profitable farm production," he said.

Duffy also noted that farmland rental rates have been increasing more slowly than land values over the past several years. Factors that might contribute to stability in land prices include the observation that about 45 percent of the farmland in Iowa is owned by people who do not live on farms, and about 19 percent of those

non-farm owners do not even live in Iowa. Duffy said those factors, combined with a survey that showed about three-fourths of Iowa's farmland is owned without debt, indicate the potential for significant land value declines is less than it was in the early 1980s.

The survey indicated low grade land, which averaged \$1,961 per acre in 2005, increased 14.5 percent over the previous year. Medium grade land averaged \$2,736 per acre, a 11.4 percent increase, and high grade land averaged \$3,511 per acre, an increase of 10.0 percent.

Forty-eight percent of the survey respondents said the number of sales this year was about the same as last year, while 29 percent said there were more sales in 2005, and 23 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 39 percent of the sales, new farmers 3 percent, and other purchasers 2 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 483 returned this year. Respondents provided 615 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 2005 survey is available on the ISU Extension Web site at emms/land05/

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Average Land Values By Crop Reporting District:

District	2005	2004	2004-2005 Change	
	\$/acre	\$/acre	\$	%
Northwest	3,393	3,118	274	8.8%
North Central	3,222	2,913	309	10.6%
Northeast	2,963	2,665	298	11.2%
West Central	3,048	2,728	320	11.7%
Central	3,415	3,101	314	10.1%
East Central	3,396	3,054	342	11.2%
Southwest	2,350	2,088	262	12.5%
South Central	1,793	1,547	246	15.9%
Southeast	2,483	2,286	198	8.6%
State Average	2,914	2,629	285	10.8%

By County:

County	2005	2004	2004-2005	
	\$/acre	\$/acre	\$ Change	% Change
Adair	2,020	1,766	254	14.4%
Adams	1,952	1,697	255	15.0%
Allamakee	1,978	1,789	189	10.5%
Appanoose	1,455	1,270	185	14.5%
Audubon	2,824	2,421	403	16.6%
Benton	3,314	3,015	299	9.9%
Black Hawk	3,636	3,311	325	9.8%
Boone	3,597	3,284	313	9.5%
Bremer	3,345	3,027	317	10.5%

Buchanan	3,289	2,976	313	10.5%
Buena Vista	3,555	3,223	332	10.3%
Butler	3,191	2,900	290	10.0%
Calhoun	3,626	3,302	324	9.8%
Carroll	3,307	3,054	252	8.3%
Cass	2,610	2,279	331	14.5%
Cedar	3,667	3,280	386	11.8%
Cerro Gordo	3,302	2,995	307	10.2%
Cherokee	3,186	2,890	297	10.3%
Chickasaw	2,746	2,523	223	8.8%
Clarke	1,607	1,327	280	21.1%
Clay	3,281	2,974	307	10.3%
Clayton	2,716	2,430	286	11.8%
Clinton	3,157	2,939	218	7.4%
Crawford	2,880	2,607	273	10.5%
Dallas	3,167	2,947	220	7.5%
Davis	1,676	1,461	214	14.7%
Decatur	1,321	1,104	217	19.7%
Delaware	3,494	3,059	434	14.2%
Des Moines	2,947	2,840	107	3.8%
Dickinson	3,049	2,771	278	10.0%
Dubuque	3,267	2,949	318	10.8%
Emmet	3,380	3,064	316	10.3%
Fayette	3,032	2,671	360	13.5%
Floyd	3,058	2,781	276	9.9%
Franklin	3,273	2,962	312	10.5%
Fremont	2,588	2,342	246	10.5%
Greene	3,154	2,909	245	8.4%
Grundy	3,759	3,493	267	7.6%
Guthrie	2,643	2,388	255	10.7%
Hamilton	3,785	3,442	343	10.0%
Hancock	3,344	2,986	358	12.0%
Hardin	3,387	3,080	307	10.0%
Harrison	2,756	2,460	296	12.0%
Henry	2,812	2,677	134	5.0%
Howard	2,422	2,190	232	10.6%
Humboldt	3,600	3,260	339	10.4%
Ida	3,243	2,935	308	10.5%
Iowa	2,708	2,370	338	14.3%
Jackson	2,724	2,427	297	12.2%
Jasper	2,924	2,687	238	8.8%
Jefferson	2,099	1,916	184	9.6%
Johnson	3,473	3,169	304	9.6%
Jones	3,059	2,883	176	6.1%
Keokuk	2,460	2,281	179	7.8%
Kossuth	3,456	3,119	337	10.8%
Lee	2,620	2,341	279	11.9%
Linn	3,661	3,275	386	11.8%
Louisa	2,918	2,579	339	13.1%
Lucas	1,555	1,358	197	14.5%
Lyon	3,088	2,938	149	5.1%
Madison	2,427	2,136	290	13.6%
Mahaska	2,619	2,362	257	10.9%
Marion	2,563	2,136	427	20.0%
Marshall	3,303	3,187	116	3.6%
Mills	2,714	2,310	404	17.5%
Mitchell	2,995	2,724	270	9.9%
Monona	2,492	2,251	241	10.7%
Monroe	1,718	1,418	300	21.1%
Montgomery	2,404	2,103	301	14.3%
Muscatine	3,311	2,976	336	11.3%
O'Brien	3,811	3,463	348	10.0%

Osceola	3,261	2,963	298	10.0%
Page	2,206	1,994	212	10.6%
Palo Alto	3,248	2,937	311	10.6%
Plymouth	3,386	3,064	321	10.5%
Pocahontas	3,547	3,210	337	10.5%
Polk	3,180	2,893	288	9.9%
Pottawattamie	2,973	2,627	347	13.2%
Poweshiek	2,767	2,518	248	9.9%
Ringgold	1,494	1,202	292	24.3%
Sac	3,425	3,112	314	10.1%
Scott	4,707	4,167	540	12.9%
Shelby	2,925	2,614	311	11.9%
Sioux	3,617	3,434	182	5.3%
Story	3,679	3,362	317	9.4%
Tama	3,015	2,760	255	9.2%
Taylor	1,791	1,629	163	10.0%
Union	1,927	1,684	243	14.5%
Van Buren	1,850	1,614	236	14.6%
Wapello	2,056	1,969	87	4.4%
Warren	2,716	2,395	321	13.4%
Washington	3,144	2,915	228	7.8%
Wayne	1,485	1,312	172	13.1%
Webster	3,732	3,394	338	10.0%
Winnebago	3,013	2,725	288	10.6%
Winneshiek	2,522	2,269	254	11.2%
Woodbury	2,650	2,395	255	10.7%
Worth	3,025	2,708	317	11.7%
Wright	3,707	3,358	350	10.4%