

2007 IOWA LAND VALUE SURVEY

The average value of an acre of farmland in Iowa increased by just over \$700 during 2007, to an all-time high of \$3,908, according to an annual survey conducted by Iowa State University Extension.

The land boom is being driven by the developing biofuel economy, according to Mike Duffy, ISU Extension farm economist who conducts the survey.

Duffy said the 22 percent increase recorded this year is the greatest one-year increase since 1976, and marks a new record for the fifth year in a row. Since the year 2000, Iowa land values have increased an average of \$2,051 per acre, more than a 100 percent increase over the 2000 average value of \$1,857.

The increases in values were reported statewide, with the survey recording averages above \$5,000 an acre in four counties, and between \$4,000 and \$5,000 an acre in 50 counties. Nineteen counties reported increases of more than 25 percent, and 59 counties had increases between 20 and 25 percent.

Duffy noted that some of the smaller percentage increases occurred in the counties and crop reporting districts along Iowa's eastern and western borders. He said this reflects the impact of local demand for corn from ethanol plants.

Counties along the border rivers previously received the best prices for crops due to low transportation costs to gulf port markets, but now those crops are being used locally by the ethanol plants, which is driving up prices in interior counties.

Duffy said he frequently is asked whether the land market will crash, and how high it might go before it tops out. He also is questioned about the impact of the weakening dollar, the new farm bill, and the percent of the respondents. Another 10 percent mentioned low interest rates as a major factor.

Three negative factors impacting land values were listed by more than 10 percent of the respondents. They included high costs for the inputs needed to grow crops, listed by 25 percent; high land prices in general, listed by 12 percent; and a concern over how long the market would remain at high levels, and listed by 11 percent.

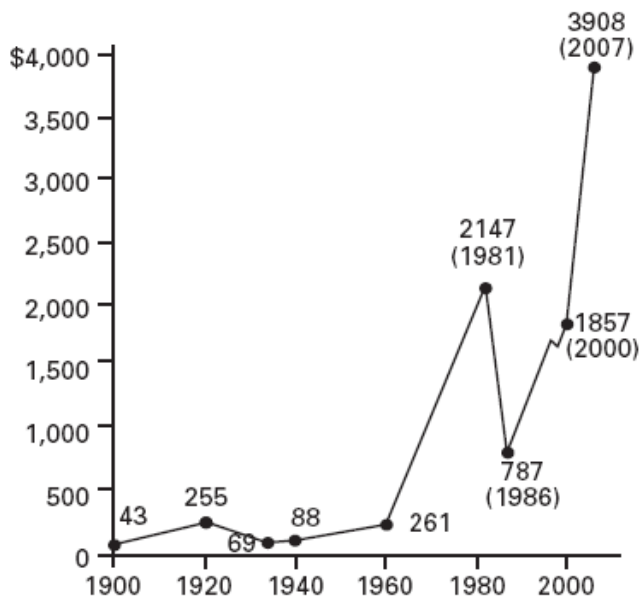
Thirty-seven percent of the respondents to this year's survey reported more land sales in 2007 than in the previous year. That was the highest percentage since 1988. Buyers were existing farmers in 60 percent of the sales, and investors in 34 percent of the sales, essentially unchanged from the previous year, but down considerably from a decade ago when existing farmers represented nearly 75 percent of the buyers. Data on farmland sales has been collected by Iowa State University annually since 1941. 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 November 1. Average response is 500 to 600 completed surveys, with 499 usable surveys returned this year. Respondents provided 668 individual county estimates, including land values in nearby counties if they had knowledge of values in those counties.

Report prepared by Michael D. Duffy, extension economist, and Darnell Smith, research associate, Department of Economics, Iowa State University.
File: Economics 1

... and justice for all

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Figure 1. Average value per acre of Iowa farmland.



Source: 1901-1911 and 1941-2000 from Iowa Agriculture Experiment Station; 1912-1940 from USDA.

current subprime mortgage crisis. "My general feeling is that the land market will remain strong for at least the next five years," he responds. "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," he said. "The world of agriculture as we know it here in Iowa has changed," Duffy said. "Where the changes will settle out and when is not known." Of the nine crop reporting districts in the state, Northwest Iowa reported the highest average value at \$4,699 per acre. The lowest average in the state was in South Central Iowa at \$2,325 per acre. Northeast Iowa was the leader in percentage increase at 27.2 percent, while East Central Iowa had the lowest percentage increase at 14.7 percent.

Low grade land in the state averaged \$2,655 per acre, an increase of \$460 or 21 percent over the 2006 survey. Medium grade land averaged \$3,666 per acre, a \$655 increase or 21.8 percent. High grade land averaged \$4,686 per acre, an increase of \$851 or 22.2 percent.

Table 1. Recent changes in Iowa farmland values.

Year	Value per acre	Dollar change	Percentage change
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	1,095	261	31.3
1976	1,368	273	24.9
1977	1,450	82	6.0
1978	1,646	196	13.5
1979	1,958	312	19.0
1980	2,066	108	5.5
1981	2,147	82	3.9
1982	1,801	-346	-16.1
1983	1,691	-110	-6.1
1984	1,357	-334	-19.8
1985	948	-409	-30.2
1986	787	-161	-17.0
1987	875	88	11.2
1988	1,054	179	20.4
1989	1,139	85	8.1
1990	1,214	75	6.6
1991	1,219	5	.4
1992	1,249	30	2.5
1993	1,275	26	2.1
1994	1,356	81	6.4
1995	1,455	99	7.3
1996	1,682	227	15.6
1997	1,837	155	9.2
1998	1,801	-36	-1.9
1999	1,781	-20	-1.1
2000	1,857	76	4.3
2001	1,926	69	3.7
2002	2,083	157	8.2
2003	2,275	192	9.2
2004	2,629	354	15.1
2005	2,914	285	10.8
2006	3,204	290	10.0
2007	3,908	704	22.0

Survey participants were asked to indicate positive and negative factors that affected land prices during 2007. Good grain prices was by far the most frequently mentioned positive factor, listed by 35

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										
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
2000	1857	2198	2169	1868	1924	2195	2190	1412	992	1655
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
2000	2324	2547	2462	2329	2375	2660	2743	1825	1509	2353
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
2000	1701	2001	1972	1728	1772	1956	1996	1320	955	1511
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
2000	1117	1370	1387	1167	1126	1299	1288	862	597	875
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

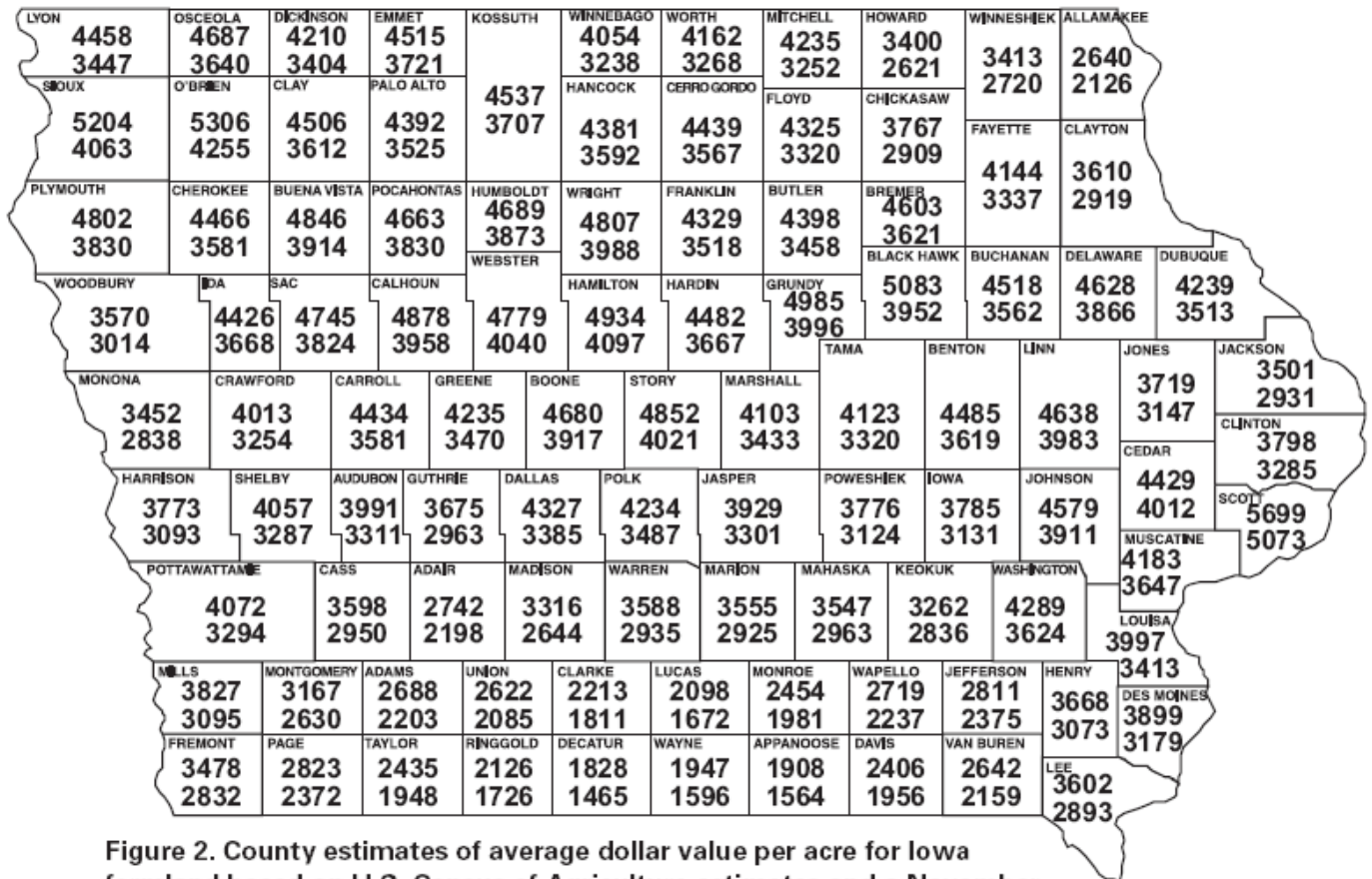


Figure 2. County estimates of average dollar value per acre for Iowa farmland based on U.S. Census of Agriculture estimates and a November 1, 2007, survey of Iowa real estate brokers. The top figure is the estimated November 1, 2007, value; the bottom figure is the estimated November 1, 2006, value.

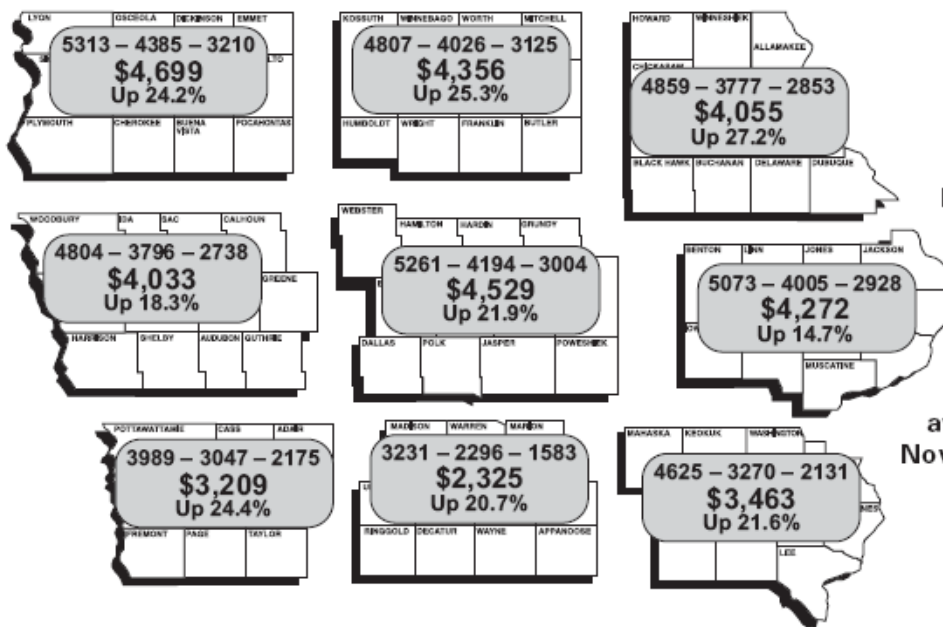


Figure 3. Estimates of average dollar value per acre as of November 1, 2007, by Iowa Crop Reporting District. First line: high-, medium-, and low-grade farmland values. Second line: district average. Third line: average percentage change since November 1, 2006.