

# Farmland

## IN PERSPECTIVE

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# GOODWIN

*Goodwin & Associates Real Estate, L.L.C.*



**Mark Goodwin**  
*Real Estate Broker*

131 Airport Dr. • Unit H  
Joliet, IL 60431  
**(815) 741-2226**

## Cellulosic Ethanol Plant Gets Guaranteed Loan

A commercial-scale cellulosic ethanol plant has received the USDA Rural Development's first-ever loan guarantee. The \$80 million loan to Range Fuels Inc., Soperton, Ga., comes from the Section 9003 Biorefinery Assistance Program authorized by the 2008 Farm Bill.

"The investment in this facility – which will make cellulosic ethanol from wood chips – has the potential to significantly advance the timetable for second-generation ethanol production in this country," said former U.S. Agriculture Secretary Ed Schafer earlier this year.

The mission of USDA Rural Development is to increase economic opportunity and improve the quality of life for rural residents.

## Current Financial Turmoil:

### *The Impact On Farmland Values — Prospects For 2009 Clouded*

By Charles E. Gilliland, Ph.D.

Research Economist • Real Estate Center • Texas A&M University

Immersed in the worst economic crisis since World War II, farmland market participants face 2009 in a state of unparalleled confusion. In addition to economic turmoil, world events threaten armed conflicts in all corners of the globe. Uncertainty and survival have become bywords of the times. Many speculate that the recent amazing land market performance will stumble during 2009. Others see reasons to expect growing land values. Both point to equally plausible future trends that justify their conclusions.

#### **Recreational Land**

A growing demand for scenic properties for recreational use has increasingly drawn non-farmers to rural land markets in many areas in recent years. Price increases have been phenomenal, doubling in less than five years. These markets depend on buyers with substantial amounts of disposable discretionary income. However, the current economic recession has caused buyers to become cautious, blunting previously feverish demand pressure. Consequently, recreational land market sales slowed in 2008. Continued weakening of the economy threatens to undermine existing price levels, pointing to stagnant or declining markets ahead.

#### **Farmland**

Farmland faces a decidedly different dynamic. USDA studies indicate that average U.S. cropland values have increased dramatically for the past four years, posting annual gains exceeding 10 percent each year and climbing an astounding 19 percent from 2004 to 2005. Although the rate of increase appears to be slowing, the 2008 growth of 10.4 percent represents a sizable gain in a difficult year. Cash rents for cropland skyrocketed in 2007 and 2008 as commodity prices soared to new highs. Then prices retreated in the fall, leaving many farmers at risk of sustaining losses at harvest.

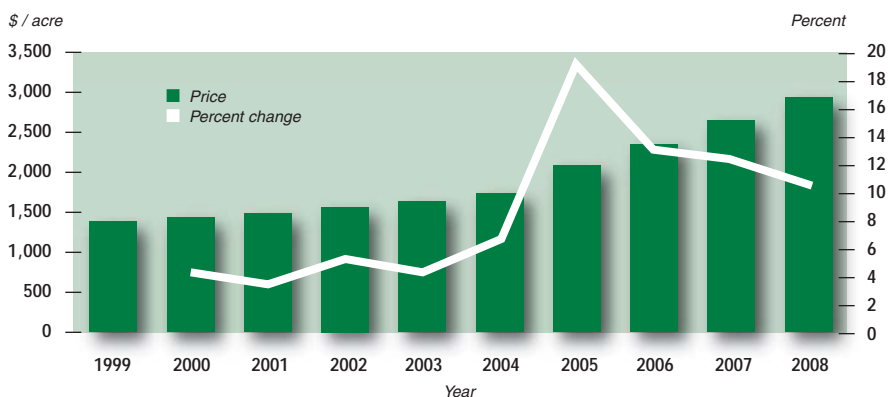
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### Future bulls

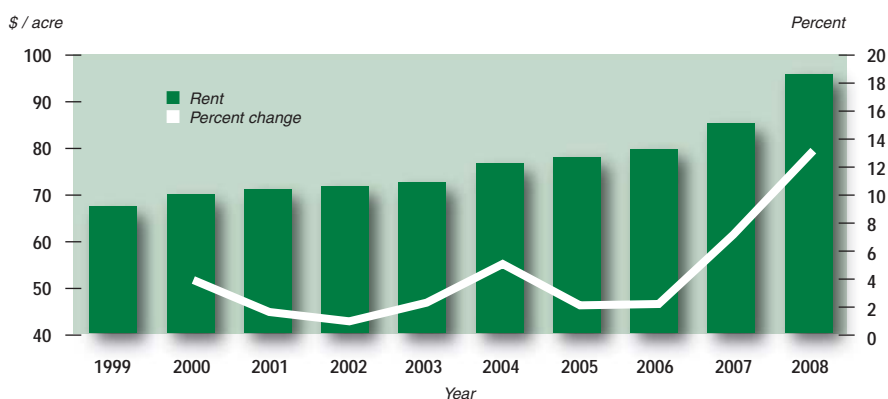
So long as commodity prices climb faster than input costs, the appetite for farmland expands. What will the future bring? Bullish investors see a return of high commodity prices in the future. In 2009, they argue, numerous producers will find production loan capital difficult to obtain. The ensuing debt squeeze, a fall-out from the financial market freeze, will reduce planted acres, further contracting the supply of historically low stocks. In this scenario, some land could actually be withdrawn from production owing to scarcity of production credit. These circumstances suggest that corn, wheat, and soybean prices will rebound in mid-year as the contraction becomes clear. Farmers who can plant will realize expanded net profits.

In addition to enhanced profitability, many observers believe that massive recent and planned government emergency spending will lead to hyper-inflation in the future. Holding tangible assets like land provides protection from a sinking currency. Now is the time, the thinking goes, to position capital in land. Further, sizable pools of investment cash are reportedly waiting on the sidelines for safe, lucrative investments. Anticipated

### U.S. Average Cropland Value (Price and annual percent change)



### U.S. Average Cropland Rents (Cash rents and annual percent change)



Source: USDA – NASS

## Highlights from the Census of Agriculture

The number of farms in the United States grew 4% between 2002 and 2007 with operators becoming more diverse, according to the results of the 2007 Census of Agriculture released earlier this year by the U.S. Department of Agriculture's National Agricultural Statistics Service. The agricultural census is conducted every five years.

The 2007 Census counted 2,204,792 farms in the United States, a net increase of 75,810 farms. A farm is any place from which \$1,000 or more of agricultural products were, or normally would be, produced and sold during the Census year.

Nearly 300,000 new farms have begun operation since the last census in 2002. Compared to all farms nationwide, these new farms tend to have more diversified production, fewer acres, lower sales, and younger operators who also work off-farm.

During the past five years, U.S. farm operators have become more demographically diverse. The 2007 Census counted nearly 30% more women as principal farm operators. The count of Hispanic operators grew by 10%, and the counts of American Indian, Asian and Black farm operators increased as well.

The latest census figures show a continuation in the trend toward more small farms or toward very large farms and away from mid-sized operations. Between 2002 and 2007, the number of farms with sales of less than \$2,500 increased by 74,000. The number of farms with sales of more than \$500,000 grew by 46,000 during the same period.

Census results show that the majority of U.S. farms are smaller operations. More than 36% are classified as residential / lifestyle farms, with sales of less than \$250,000 and operators with a

primary occupation other than farming. Another 21% are retirement farms, which have sales of less than \$250,000 and operators who reported they are retired.

The 2007 Census found that 57% of all farmers have Internet access, up from 50% in 2002. For the first time in 2007, the census also looked at high-speed Internet access. Of those producers accessing the Internet, 58% reported having a high-speed connection.

The Census of Agriculture is a complete count of the nation's farms and ranches and the people who operate them. It provides the only source of uniform, comprehensive agricultural data for every county in the nation.

Census results are available at [www.agcensus.usda.gov](http://www.agcensus.usda.gov).





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Mark Goodwin & Associates Real Estate LLC  
131 Airport Drive • Unit H  
Joliet, IL 60431

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*Goodwin & Associates Real Estate, L.L.C.*

131 Airport Drive • Unit H • Joliet, IL 60431  
(815) 741-2226 • Fax (815) 741-2807  
Email: [mgoodwin@bigfarms.com](mailto:mgoodwin@bigfarms.com) • Web: [www.bigfarms.com](http://www.bigfarms.com)

*Mark Goodwin, ALC*

*President, Illinois Chapter,  
Realtors' Land Institute*

*Member, Will County Farm Bureau*

*Member, Rotary International*

