

# FARMLAND Insights

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Mark Goodwin  
Doug Deininger

Real Estate Brokers

21036 S. States Lane • Shorewood, IL 60404  
**(815) 741-2226**

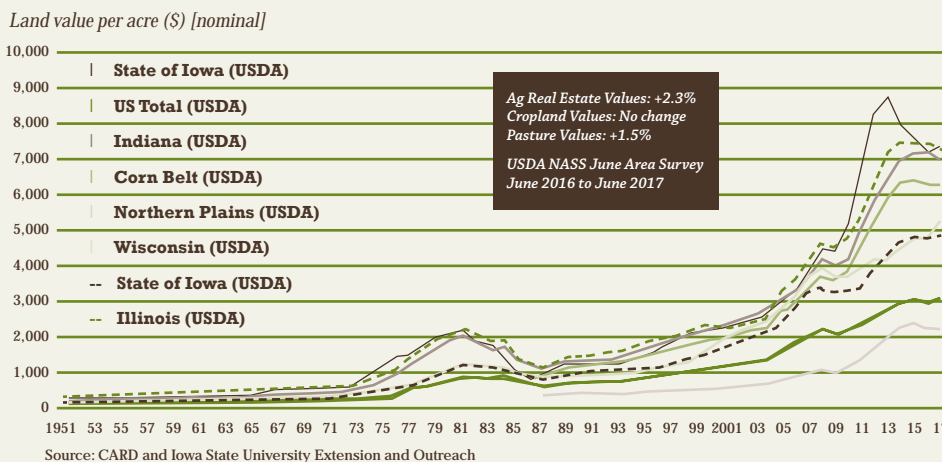
## Don't Bet On the Turn of the U.S. Land Market Yet

by **Wendong Zhang**  
Assistant Professor | Department of Economics  
Iowa State University | [wdzhang@iastate.edu](mailto:wdzhang@iastate.edu)

Farmland is arguably the most significant asset in the typical landowner's investment portfolio. The total value of all U.S. land and buildings consistently accounts for more than 80% of total U.S. farm assets. As a result, the strength of the farmland market is critical to maintaining a strong equity position for producers and landowners, as well as providing robust collateral for lenders during the current downturn in the agricultural economy.

Mainly due to limited land supply, many Midwestern states, such as Iowa, reported a modest increase in land value during the past year. I would, however, caution the optimistic interpretation of this as the turnaround of the farmland market. Given rising interest rates and continued declines in U.S. farm income, this recent bump could likely be just a temporary break in a continued downward adjustment in the farmland market.

**Figure 1. Ag Real Estate Values for U.S., the Corn Belt and Select Corn Belt States from 1951 – 2017**



According to the Iowa State University Land Value Survey, after three consecutive declines since its 2013 peak, the average land value for all qualities of farmland in Iowa saw its first increase. The estimated \$7,326 per acre statewide average for all qualities of land represents a 2.0% increase from November 2016.

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## Soybean planted area may surpass corn in 2018/19, a first

The area of soybeans planted in the United States may exceed the area planted for corn in 2018/19, a first for the United States, according to the U.S. Department of Agriculture (USDA). Corn and soybeans are the most widely produced crops in the U.S., accounting for more than half of all acres planted.

Many reasons support the growth in soybean acres relative to corn acres.

- n Corn production has benefited from sustained growth in the yield per acre, allowing farmers to dedicate less land to corn while maintaining the same output.
- n Soybean yields also improved, but the relative gains are not as large.
- n As corn yields grow, overall area planted to corn is projected to trend lower.

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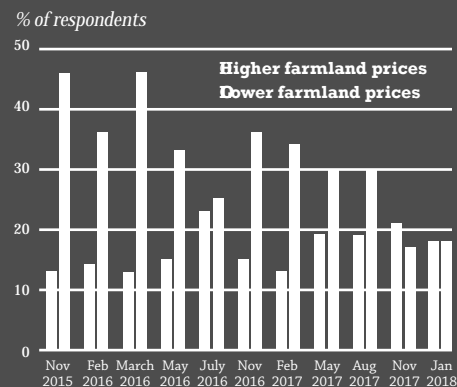
## Factors to Watch

## Looking Forward

## No replay of 1980s Farm Crisis

**Figure 2. Producers' Farmland Price Expectations from Ag Economy Barometer, Purdue University**

Farmland Price Expectations, 12 months from now

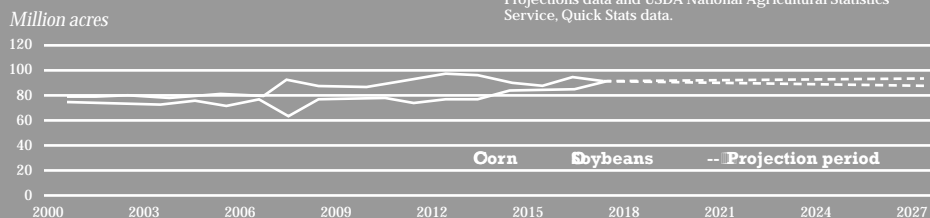


Most recent observation: Jan. 2018  
Source: Producer Survey

**Q** In addition, soybean demand is heavily tied to domestic and international demand for meat. Soybean meal is a primary component of animal feeds across species. Rising incomes in many emerging economies have translated to increased meat consumption and international demand for soybeans. This rising demand is expected to place upward pressure on soybean prices and increase producer return, incentivizing further plantings.

### U.S. corn and soybean area planted

Note: Data are reported in marketing years (September–August)  
Source: USDA Economic Research Service, Agricultural Baseline Projections data and USDA National Agricultural Statistics Service, Quick Stats data.



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Mark Goodwin & Associates Real Estate, L.L.C.  
21036 S. States Lane  
Shorewood, IL 60404

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Email: [mgoodwin@bigfarms.com](mailto:mgoodwin@bigfarms.com) • Web: [www.bigfarms.com](http://www.bigfarms.com)



*Mark Goodwin, ALC, CCIM*  
Managing Broker

*Doug Deininger, ALC*  
(815) 439-0667

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