

Missouri Farm Land Values Opinion Survey—2005

Ron Plain and Joyce White

Agricultural Economics Newsletter

FM 2005-1
September 2, 2005



Ron Plain
Extension Economist

A survey was conducted in July 2005 to determine what people think has been happening to farmland values in Missouri. Missourians are not required to report the sales price of land to any governmental or public agency and the volume of transactions involving land for farming is small. The opinions expressed through our survey provide a valuable resource to those needing to estimate current farmland values. In July 2005, we received responses from 219 persons with a professional interest in land values: 67% were lenders, 13% were rural appraisers, 8% were extension specialists, 6% were realtors, and 5% were in other related occupations.

Respondents provided their opinions to questions concerning current farmland values and trends. They were asked to exclude from their answers tracts smaller than 40 acres or land being converted to development or commercial uses. With the continuing increase in urban sprawl, this no doubt excludes many tracts near cities and towns.

Average Value of land

Respondents were asked to give their estimates of land values as of July 2005 for three classes of cropland and pasture (good, average, poor), timberland (with valuable trees), and hunting/recreation land (land with little productive ag. value but with desirable aesthetic qualities). Classification of land was left to the judgment of each respondent. Their responses are summarized on Maps 1, 2 and 3 on the following pages.

Outlook

Respondents were asked how much they thought farmland values in their area had changed during the past year. On average, they estimated that

that all types of farmland had increased 10.2%, cropland had increased 10.6%, pasture had increased 10%, and other types of farmland had increased 11.4% (Map 5).

These increases are larger than were predicted in last year's survey. Potential downward pressures did not materialize. Interest rates for loans remained low, commodity prices and production were high, and strong demand for non-agricultural uses held. Several cited an increase in demand for good farmland by farmers relocating as a result of 1031 exchanges.

Optimism for the next 12 months is waning. Although only 6 respondents expect prices to fall, most expect the market to cool. For the period July 2005 to July 2006 they expect the value of all land will increase only 4.9%, cropland 4.7%, pasture 4.3%, and other types of farmland 5.6% (Map 6). Reasons cited include reduced farm profits (high input prices and bad weather), improved earnings from other type investments, less interest in commuting from rural homesites because of higher gas prices, and over-extended investors exiting the market.

Who Is Buying Farmland?

Respondents were asked what they thought buyers of the land in their area planned to do with their purchases — operate as a farm themselves, rent it out, or not use for agricultural production (Map 4).

These questions have been asked on the survey for the last 8 years.

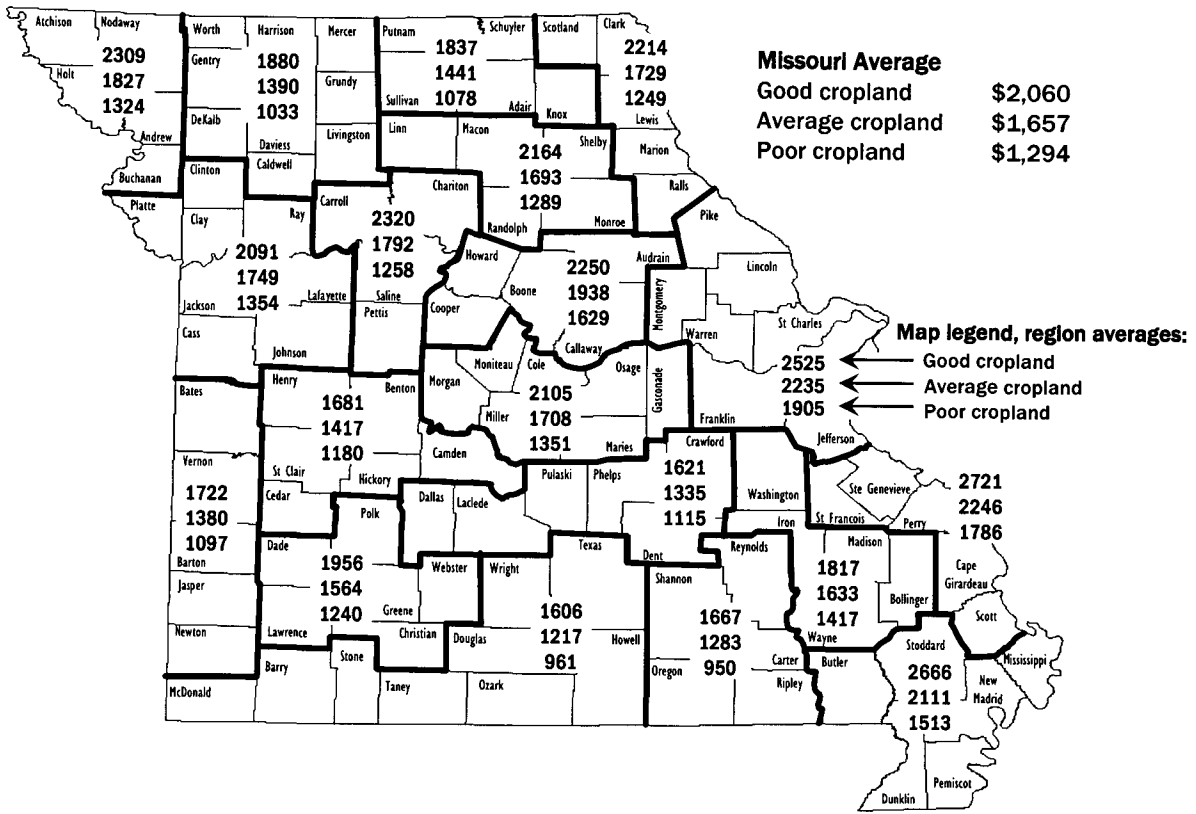
Use	1998-04	2004	2005
Farm themselves	54%	51%	51%
Rent out	23%	24%	27%
Not use for agr.	23%	25%	22%

The recent profitability of agriculture may have encouraged investment in farmland for production purposes.

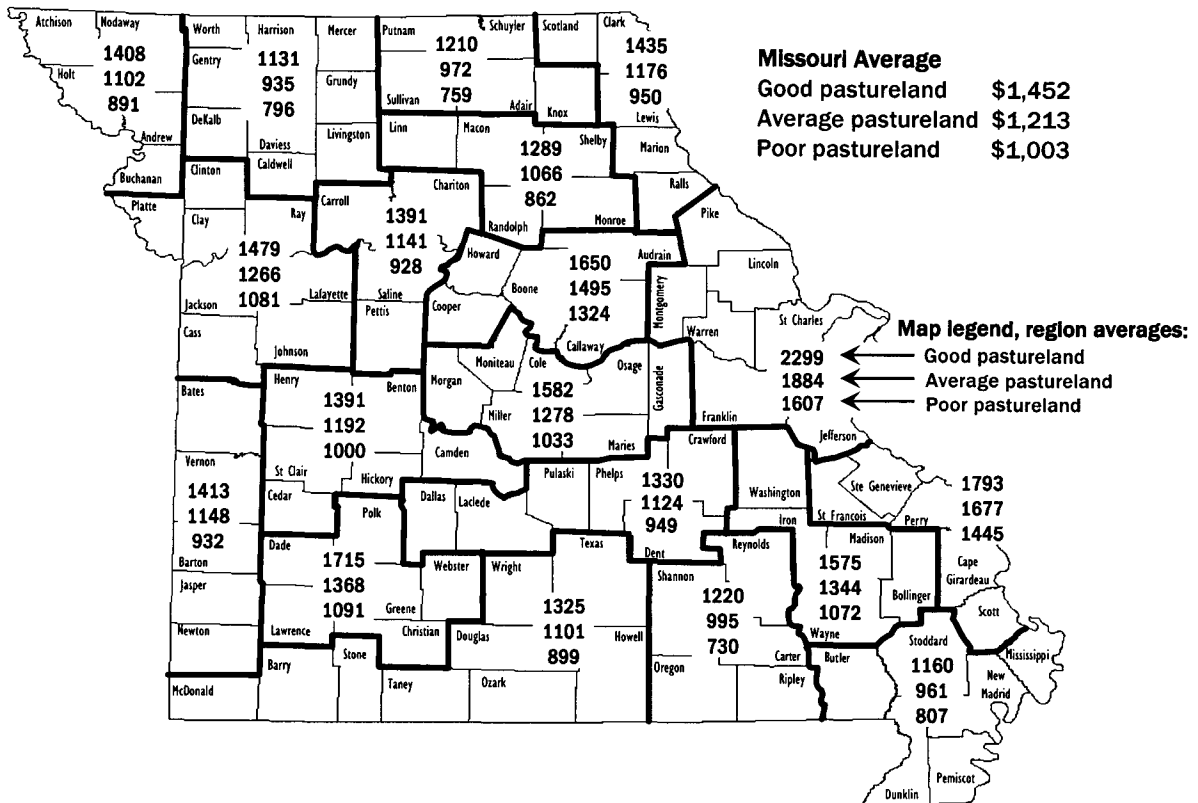
University of Missouri, Lincoln University,
U.S. Department of Agriculture & Local
Extension Councils Cooperating

University of Missouri Extension does not discriminate on the basis of race, color, national origin, sex, sexual orientation, religion, age, disability or status as a Vietnam-era veteran.

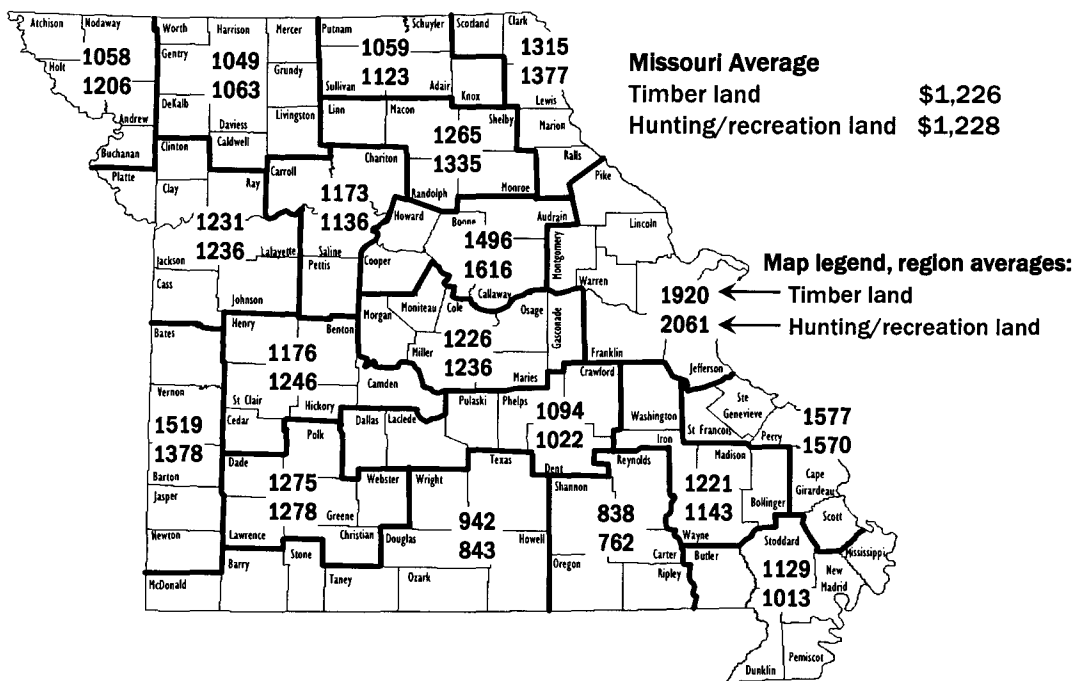
Map 1. Estimated cropland values per acre for July 2005



Map 2. Estimated pastureland values per acre for July 2005



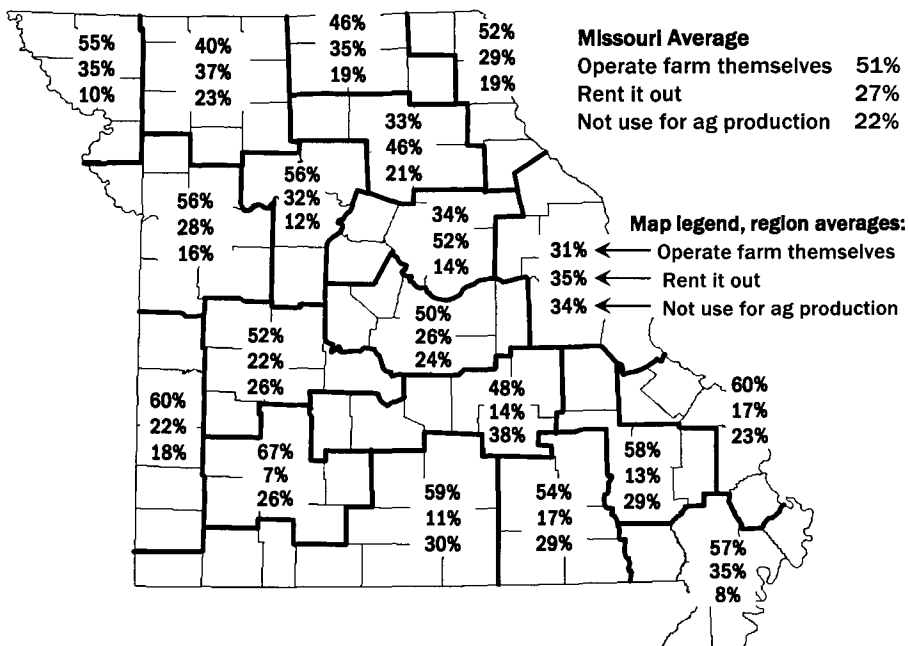
Map 3. Estimated timber and hunting/recreation land values per acre for July 2005



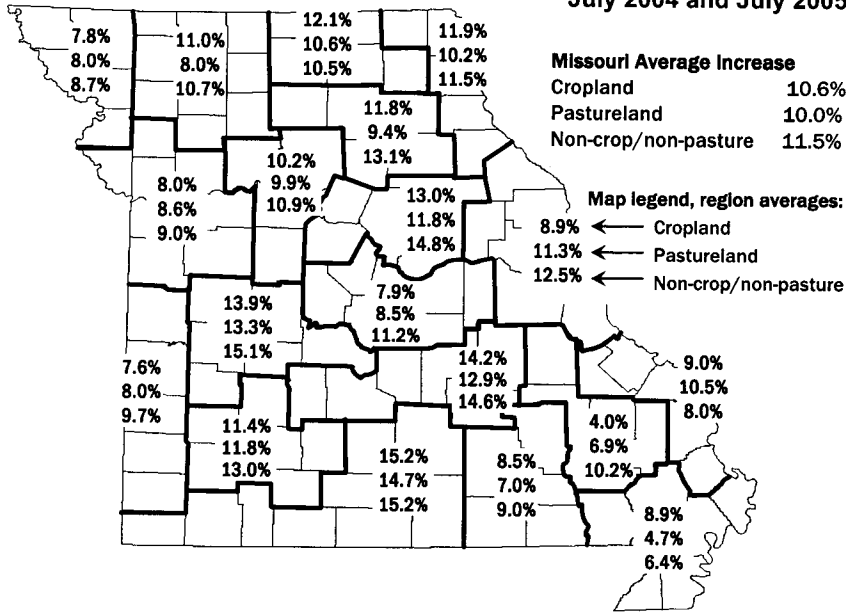
**Agricultural Land Values Per Acre, January 1, 2005
 (USDANASS)**

	All Cropland	Pasture	All land & bldgs.
Missouri	\$1,890	\$1,260	\$1,740
Kansas	800	500	800
Arkansas	1,420	1,570	1,820
Iowa	2,650	1,000	2,490
Illinois	3,030	1,240	2,900
Cornbelt (IN, IL, IA, MO, OH)	2,750	1,330	2,550
U.S. (average 48 states)	1,970	694	1,510

Map 4. Use to be made of farmland purchased in 2005

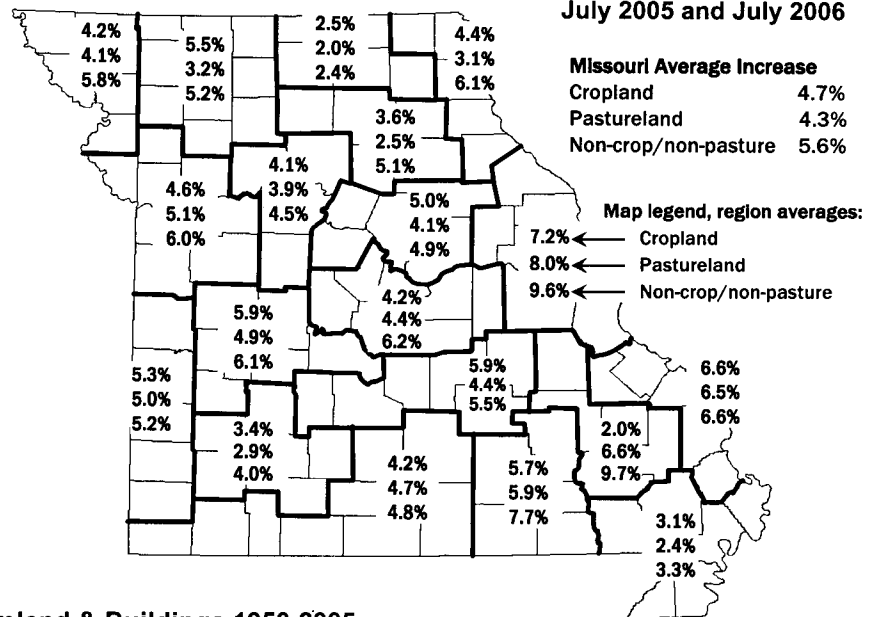


Map 5. Percent change estimated for Missouri farmland values between July 2004 and July 2005



Northeast Missouri lender:
*"It has got to stop before long.
 Nothing cash flows unless we use
 other resources."*

Map 6. Percent change forecast for Missouri farmland values between July 2005 and July 2006



Southwest Missouri lender:
*"As long as urban dwellers have a
 job, and have money to spend on
 recreational things, rural real estate
 prices will continue to rise."*

**All Farmland & Buildings 1950-2005
 Missouri Values, USDA/NASS**

