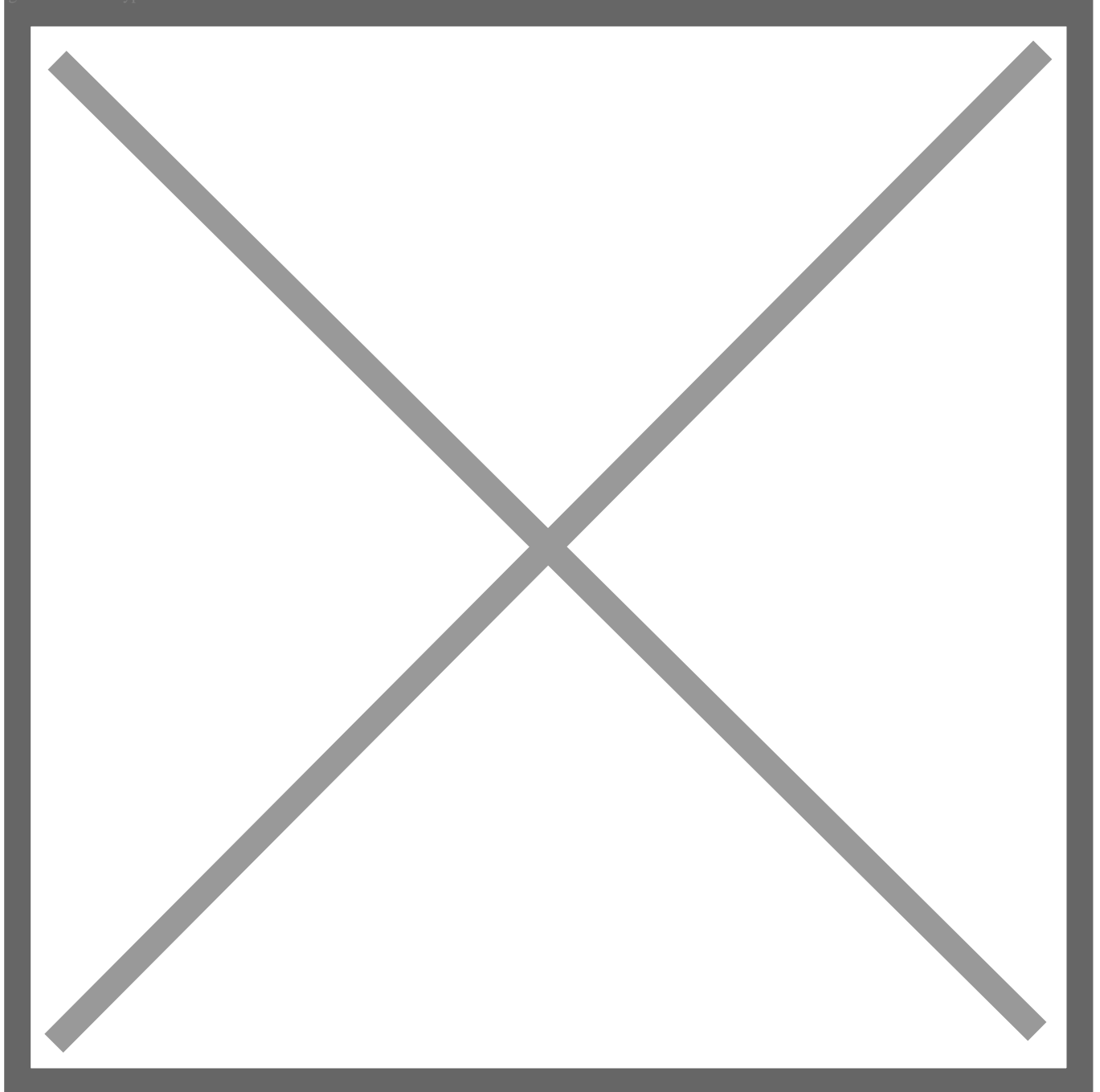


This Isn't Your Father's Land Market

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If you have been reading the popular farm magazines over the past six months, you no doubt have been introduced to the possibility, if not the impending danger, of seeing the Midwest slip into another farm depression.

While it is true that the price of corn has slipped \$1.35 – average October futures price – from a year ago, there are several important factors that differ from the depressed commodity and land market of the 1980s. The Iowa farmland market declined 63 percent from a high of \$2,147/acre in 1981 – to the \$787/acre low of

1987 – due to high interest rates and low corn prices. By the fall of 1985, the United States had ending stocks projections of 3 billion bushels of corn, or 35 percent, of the total 1985 corn crop.

The contrast of these key variables to 2014 are striking. Interest rates are low, and corn prices are nearly double that of 1985. Ending stocks in the latest WASDE Report for corn are 2 billion bushels, or 14 percent, of the total 2014 crop. We are now much less dependent on export demand, with 82 percent of our crop consumed domestically, versus 62 percent in 1985.

China is no longer competing with us for corn exports, but, as you know, they switched from being a major exporter to a net importer of food and fiber. These are the main reasons that I am confident in saying, “This isn’t your father’s land market.”

Looking at all years from 1950 forward, farmland in Iowa increases an average 190 percent over nine years, before correcting. When land prices declined, the average was 16 percent, over 2.5 years.

If you have purchased farmland in the last two years and are worrying about putting the top in the market, you are not alone. There have been five other high price plateaus since 1950, and within a few years they were all glad they bought when they did. Remember the long-term view you had when the purchase was made.

I advise taking advantage of opportunities to buy farmland this year that would fit well into your farming operation, or investment portfolio. The average decline in land prices is 4 percent, if we take out the minus-63 percent slide of the 1980s. One big advantage you have currently as a land buyer is that there is much less competition than during the past three years, which should translate into a lower purchase price.

Corn prices could continue to rally through the winter based on less competition from Brazil, and the fact that U.S. corn stocks are in strong hands. Whether the Iowa average land index turns higher in 2015, or it takes a few more years, there are people every year that need to sell. Obviously each situation is unique, but these generalizations may provide a good starting point for you.

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