

The Dirt on Weekly Iowa Land Auction Prices â€™“ January 22-28, 2016

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Greetings!

Land auctions in Iowa had slightly fewer acres being offered for public auction than last week. There were a total of 1,413 gross acres offered at auction last week. Of those acres, 1,233 acres were tillable. I would describe last week auctions as fairly stable.

A few of the highlights: A 40-acre tract in Buchanan County sold for \$10,900/acre with a CSR/CSR2 of 88/91, an 80-acre tract in Carroll County sold for \$10,700/acre with a CSR/CSR2 of 77/84, a 90-acre tract in Buena Vista County sold for \$9,200/acre with a CSR/CSR2 of 82/89, and an 80-acre tract in Sioux County sold for \$9,000/acre. There were two “no sales” last week with one of the tracts being successfully negotiated after the auction.

On January 23, 2016, there was a cash rent auction in Buchanan County. There were two tracts offered: one tract had 210 crop acres with CSR/CSR2 of 82/89, and one tract with 120 crop acres with a CSR/CSR2 of 84/89. Contract was for 2016 and 2017. One-hundred percent rent due March 1 each year. The auction method was “Buyers Choice.” The final bid was \$333/acre. The successful bidder took both tracts for a total of 330 acres at \$333/acre. This calculates to a \$4 rental rate/CSR point.

While this may seem “high,” it is not far out of line with recent sale-lease backs. Recent sale-lease backs indicate rental rates ranges from \$275/acre to \$310/acre. Of these sale- lease backs, the \$ rental rate/CSR point ranges from \$3.74/CSR point to \$3.95/CSR point. So, yes, the cash rental auction is on the very top end of the range, but is not an outlier.

Logic tells us that when farm income decreases then rental rates should also decrease. However, that logic does not take into account area demand, individual operator efficiency, and an operator's ability to withstand lower crop prices and still earn a profit. The cash rental auction in Buchanan County indicates there is strong demand to control acres.

Now more than ever landlords are forced to become active managers of their farm to negotiate a fair lease and earn a reasonable return. Knowledge is a powerful tool. Peoples Company has the resources to make you successful. Please contact us if you are needing help with lease negotiations.

Check back next week as I will be discussing Capitalization Rates on several sale-lease backs. Please check out our [December auction results](#). Please make sure and hit the [“like” button on Facebook](#).

Talk to you soon! Thanks.

[Jim Rothermich](#)

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