

# Organic Certification Continues to Grow Rental Income and Land Values

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For the past several years, the debate has continued about whether organic certification increases rental income and results in added land value.

There has been sufficient market support for increases in both rental and sale value for smaller tracts of cropland, primarily located adjacent to urban centers, where "farm to table" markets are driven by consumer demand. But the question remained, what about larger agricultural tracts located in rural markets?

Historically, increased market support for both rental and sale values were only seen in extremely competitive organic markets where demand heavily outweighed supply, and with "self-sufficient financially feasible" operations like greenhouses or dairy farms.

We find a new trend is emerging, driven by three primary factors.

First, institutional investors are moving away from the higher risk investments into more stable investments like farmland, which has become a stable haven for investors. They look to maximize net returns by accepting a small downside risk of a property losing organic certification for a higher return over time.

Secondly, as sustainable ag takes bigger hold in the market, growers who look to maximize net profits per tillable acre are turning to organic crops where net income exceeds conventional crop revenues.

Thirdly, consumers are more concerned about where and how their produce and grains have been produced, thus increasing demand for organic produce and grains.

The combination of these three factors has resulted in increases for both land rents and sales price for organically certified land.

In August, [Mercaris](#) released a white paper about its [Mercoterra project](#), which investigates the impact of organic certification on land value. Partners include Croatan Institute, Laird Norton Company, Merge Organics, Midwestern BioAg, and Peoples Company.

The Mercoterra project confirms what we are seeing in the market. According to data from the survey of organic farmers and landowners, organic land for row crops on average receive a 25% rent premium over conventional cropland. Among respondents who rent both conventional and organic land, Mercaris found a price premium of \$68 per acre annually for certified organic land.

[CLICK HERE](#) to learn more about the effect of organic certification on U.S. farmland rental values in the Mercoterra white paper.