

Land Investment Monthly - January 2021

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Workers harvest celery in California. The coronavirus pandemic has underlined the importance of worker protection for food security © Brent Stirton/Getty Images

2021 Farmland Outlook: Buckle Up for a Dynamic Market

Perhaps the biggest factor driving farmland values higher is low interest rates. Currently fixed rates on real estate loans are at historic lows. For example, the Kansas City Federal Reserve reports average interest rates for farmland at 4.85%. The Chicago Federal Reserve reports rates have fallen to 4.24% for farm real estate loans.

How do these falling rates play out in the real world? For example, you bought a farm a year ago with the goal of having a monthly payment of \$426 per acre. Interest rates drop by 200 basis points, which is similar to what happened in 2020. Today you can buy the same farm and pay \$1,300 an acre more and still have the same monthly payment — just based on the drop in interest rates.

“That’s the power of cheap money,” says Steve Bruere, president of [Peoples Company](#) in Clive, Iowa. Bruere is bullish on 2021 values.

He says prices could even return to the record levels seen in 2013. As a reminder, farmland values in Iowa hit \$8,716 per acre, according to the [Iowa State University Farmland Value Survey](#). In 2020, the state

average for all quality of land was estimated at \$7,559 per acre. [Read More](#)

Agriculture Industry Bets on Carbon as a New Cash Crop

U.S. farmers make their living raising crops from the soil each year. Now, some are getting paid for putting something back into their fields: carbon.

Big agriculture companies including [Bayer](#) AG , [Nutrien](#) Ltd. and Cargill Inc. are jockeying with startups to encourage crop producers to adopt climate-friendly practices and develop farming-driven carbon markets. Those efforts would let retailers, food makers and other companies offset their greenhouse gas emissions by paying farmers for their fields' capacity to withdraw carbon dioxide from the atmosphere and trap it in the soil.

The concept envisions the U.S. Midwest's swatches of cropland doing double duty as a vast carbon sink. Plants' process of photosynthesis withdraws carbon dioxide from the air, combines it with water and sunlight to produce energy, and ultimately embeds carbon in dirt through roots, while releasing oxygen back into the atmosphere. Soil, if left undisturbed, can retain the converted carbon for years.

Agricultural companies, long criticized as environmental villains, say that paying farmers to maximize those natural processes can put the scale of modern farming behind a potential climate solution. Farmers, following half a decade of lean crop prices, are contemplating a possible new source of income that is less dependent on weather and agricultural commodity markets. The Environmental Protection Agency has estimated that the agriculture sector accounts for 10% of U.S. greenhouse gas emissions. [Read More](#)

Investors show healthy appetite for food sector

While investors have long included global agribusinesses or food manufacturers in their portfolios, their interest in the mucky business of farming is increasingly focused on assets that advance two critical global goals: increasing food security and tackling climate change.

Last year, for example, the agri-food technology sector — whose innovations often contribute to more efficient and sustainable forms of food production — attracted almost \$20bn in venture capital, according to AgFunder, a venture capital firm.

While this represents a 5 per cent decline from 2018 levels, pension funds and others are continuing to make large investments in agri-food companies.

“We’ve seen our sector go from nothing to very active,” says Adam Anders, managing partner at Anterra Capital, a venture capital firm focused on food and agriculture. “Whether you use PitchBook or AgFunder data, there’s definitely billions of dollars being deployed.”

Meanwhile, as Covid-19 has exposed weaknesses in global food systems, some investors are shifting their focus to food supply chains. For example, Canada's BMO Global Asset Management says that when engaging with companies it invests in, it will now focus on sustainable food systems, including worker protection. [Read More](#)

Soiltech sensors give farmers actionable data on crop performance

With a career in telecommunications and manufacturing and with family ties to Idaho, Ehsan Soltan found a way to apply his background and problem-solving skills to agriculture. And it all began by paying close attention to farmers' pain points.

"I attended grower meetings just to listen and learned that growers and farm managers would drive hundreds of miles a day to pick up soil and then determine moisture levels to plan irrigation," Soltan recalls.

He realized he could develop a wireless, standalone moisture sensor that would allow farmers to direct their time and attention to other responsibilities. He tested multiple variations with local potato farmers who provided invaluable feedback and helped validate the design. [Read More](#)

What Vilsack's Return to USDA Would Mean for U.S. Farmers and Ranchers

In addition to coronavirus response, [Farm Journal Washington correspondent Jim] Weisemeyer says another priority for the next Administration will directly tie into agriculture.

"Climate change is going to be the number one issue in his early years of the Administration," he says. "Agriculture plays a big role in climate, as well as working with the EPA on the Renewable Fuel Standard (RFS) program."

[Chuck Conner, who served as Deputy Secretary for the US Department of Agriculture,] says based on the eight years Vilsack served as Agriculture Secretary under the Obama Administration, Vilsack proved he believes in science. Conner thinks that will be key in creating climate initiatives and priorities within agriculture.

"In the eight years that he was there, Tom Vilsack believed in science and believed in evaluating and government actions based upon the best available science," says Conner. "That's key in this climate debate, because obviously, there are circumstances where there's a lot of hype and a lot of enthusiasm on issues that may not have a whole lot of science backing to them."

Conner says his experience with Vilsack leads him to believe Vilsack will be passionate about climate change as Agriculture Secretary, but will use science to back up whatever path USDA takes. [Read More](#)

New York Farmers Await State Decision on Overtime

Farmers in New York are spending the last week of 2020 worrying that a state panel will recommend a legal change that could increase their overtime costs for the next growing season.

A 2019 law required the state's farms [to provide overtime pay](#) to their employees if they work more than 60 hours in a week. It also created the three-person Farm Wage Board, which was tasked with reviewing whether the overtime threshold should be lowered.

The 60-hour trigger was a compromise between agriculture interests concerned about increased costs and labor unions, who said the overtime threshold for farms should be 40 hours, as it is for most other industries and occupations in the state. [Read More](#)

