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Will the Surge in Land Prices Continue?

OMAHA, Neb. – What started out with better than expected sales prices at land auctions prior to fall harvest extended into very strong prices at some auctions during October and November, surprising many.

“Farmers National Company had auction sales in several states during this time where land sold near levels last seen in 2012. In specific instances, prices for good quality cropland in the heart of the Midwest are up hundreds to thousands of dollars per acre more than anticipated,” said Randy Dickhut, senior vice president of real estate operations at Farmers National Company.

What is propelling the land market and will this current surge in prices continue?

Agricultural land prices have been fairly stable in the past several years despite the gyrations of the ag economy. Producer incomes were taking hits, but the land market took it in stride except for the hardest hit areas or segments. The factors supporting the land market remained constant during this time, which included historically low interest rates, a lower supply of land for sale and adequate demand for good cropland about everywhere.

The demand for land is the driver of the current land price surge.

“Values for good cropland are strong right now with more farmers stepping up to buy as well as a growing number of individual investors. Buying interest from farmers has increased as they anticipate a better income year in 2020 than once thought,” Dickhut said.

Higher commodity prices and the historic influx of government payments in 2020 have helped the financial condition of many farmers and therefore their interest in productive land.

Demand for all types of land has also seen an increase. As a result of COVID-19, a growing number of individuals have become interested in land as an investment. An individual might be interested in a rural acreage so they can have a place outside an urban area or it might be cropland if they want a safe, long-term investment. Bottomline, buying interest for land in general is up.

“The overall supply of good cropland for sale is on the low side and is similar to the past few years. Despite the slower ag land market, the dollar amount of land that Farmers National Company is currently selling for its clients is near record levels at \$300 million,” Dickhut said.

The New Year will bring a renewed examination of the underlying factors propelling land prices. There will be no large influx of government cash for producers in 2021, but grain prices are significantly higher so that more of net farm income will come from the market. Interest rates continue to be historically low, which supports strong land prices.

Looking ahead, the supply of ag land on the market will not change much as it remains mostly inheritors, estates and non-operating families who sell. Farm finances will be adequate for another year to avoid an increase in forced sales by lenders. Active demand for good cropland by farmers and investors will continue for now, Dickhut predicted.

In the land market, the same supporting factors that have been keeping ag land values stable the past few years are expected to carry on in 2021. The additional factor driving land prices at the end of 2020 is the stronger demand by both farmers and investors.

“Calls from buyers and sellers come in daily at Farmers National Company. Interest in land and ag land in particular grew in 2020. Looking ahead, if nothing unexpected happens to challenge the current land market, land prices will continue to firm up in 2021,” Dickhut said.

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Editor’s Note: Regional information can be inserted here from media center reports at:

<https://www.alberscommunications.com/media-center/farmers-national/farmers-national-company-january-2021-land-values/>

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