
Emerging Trends in Farmland Values and Agricultural Credit Conditions

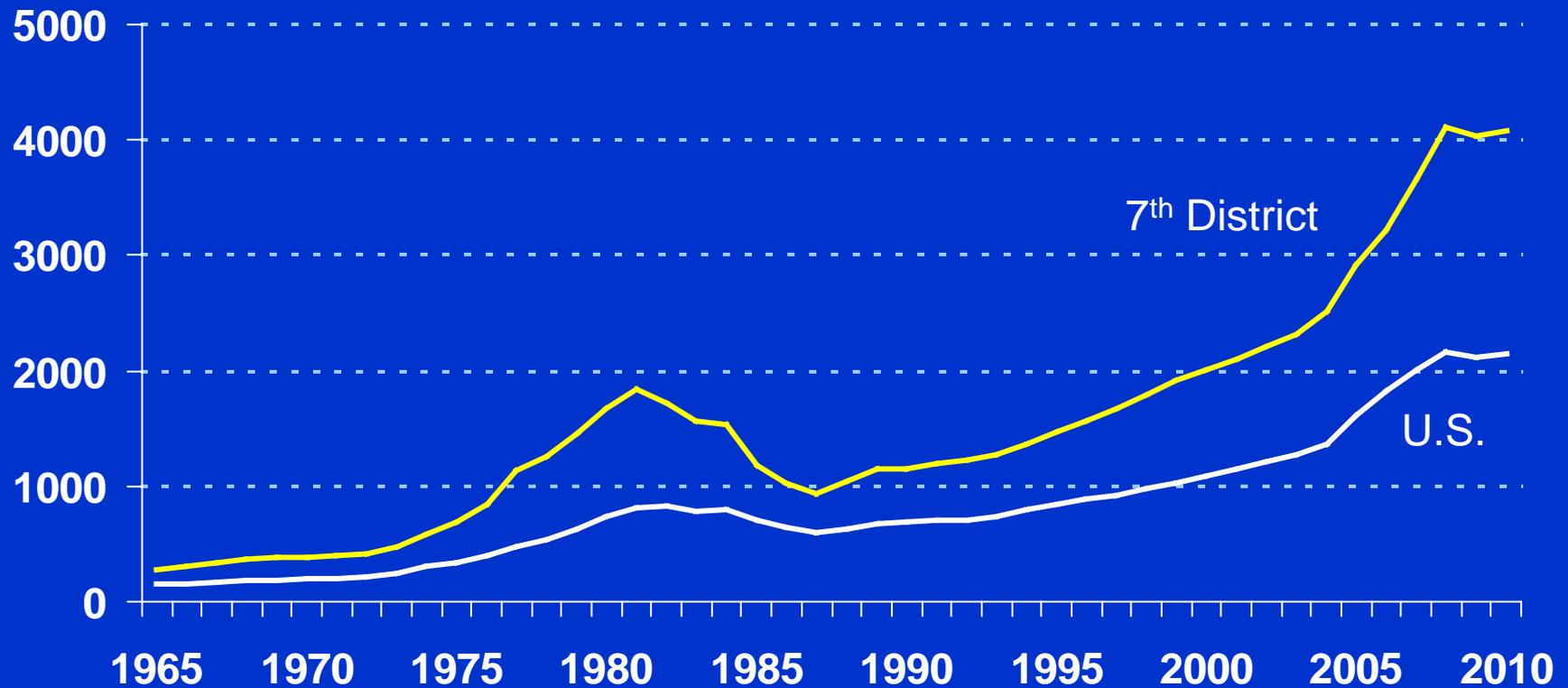
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**USDA Agricultural
Outlook Forum**

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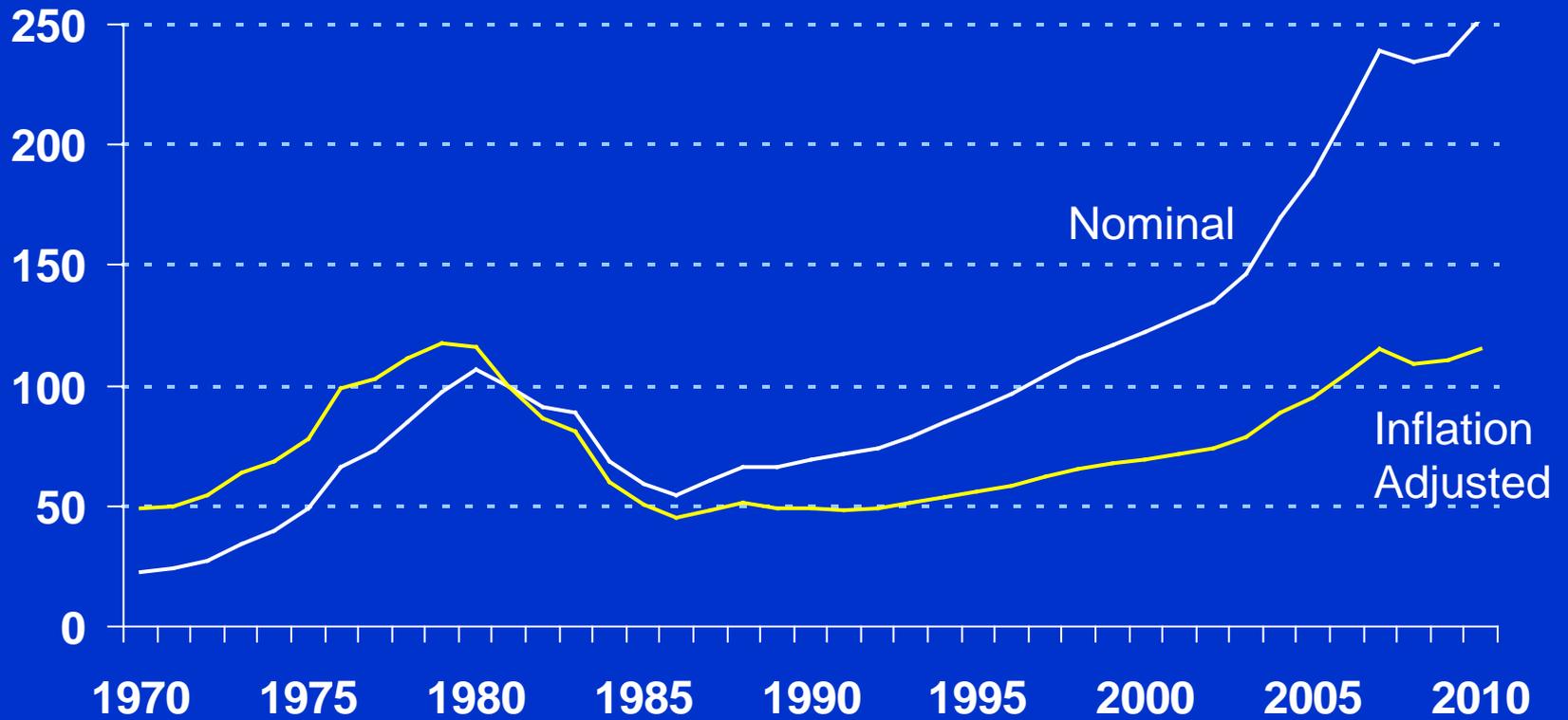
Why the interest in farmland values?

- **Accounts for over 75% of sector asset value**
- **An indicator of agriculture's health**
- **Affects collateral values & portfolio quality**
- **Impact on lending institutions**
- **A factor in the 1980's farm crisis**

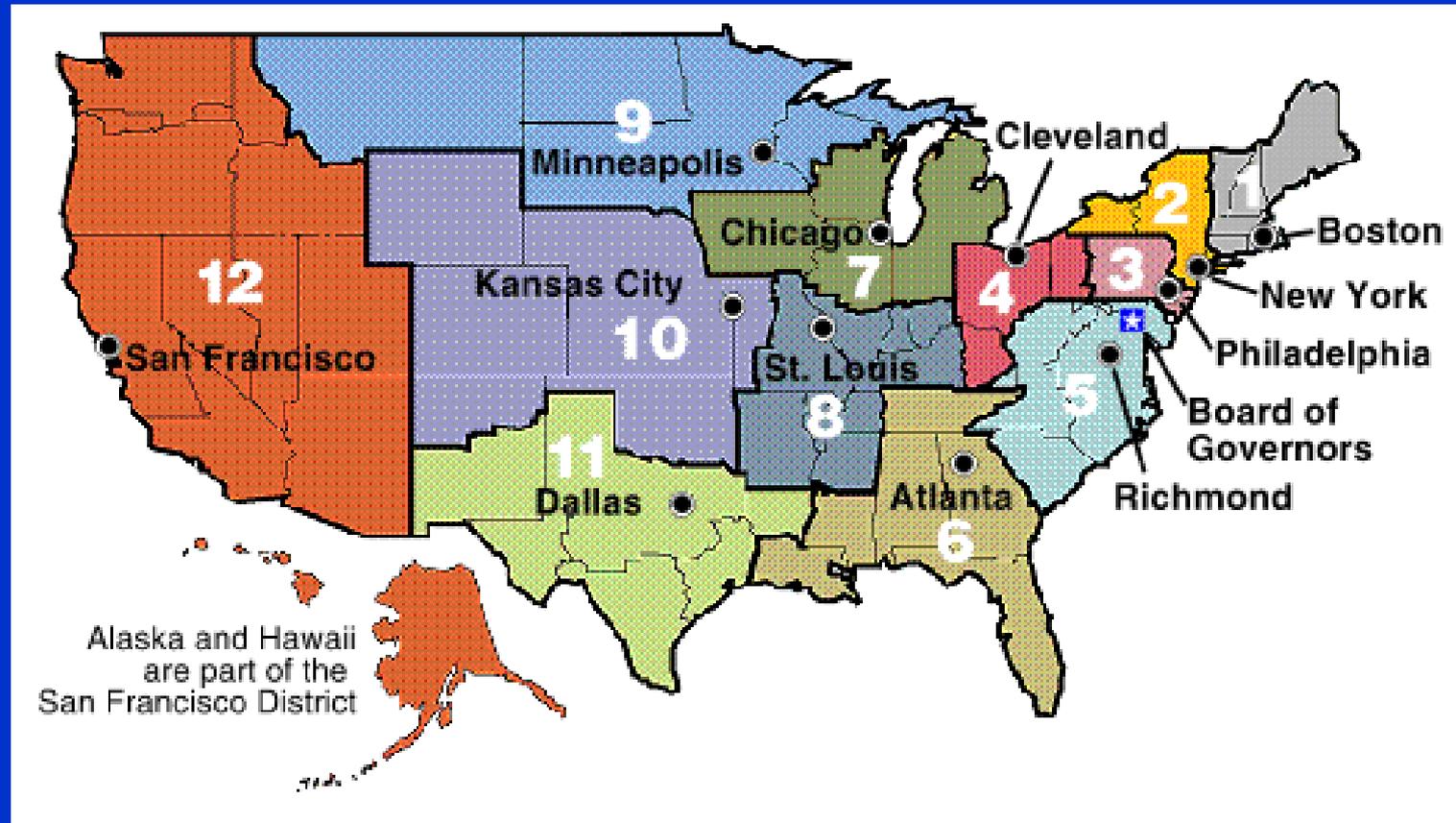
Farm real estate values per acre in dollars for the U.S. and for the Chicago Federal Reserve District (weighted by acres from USDA data)



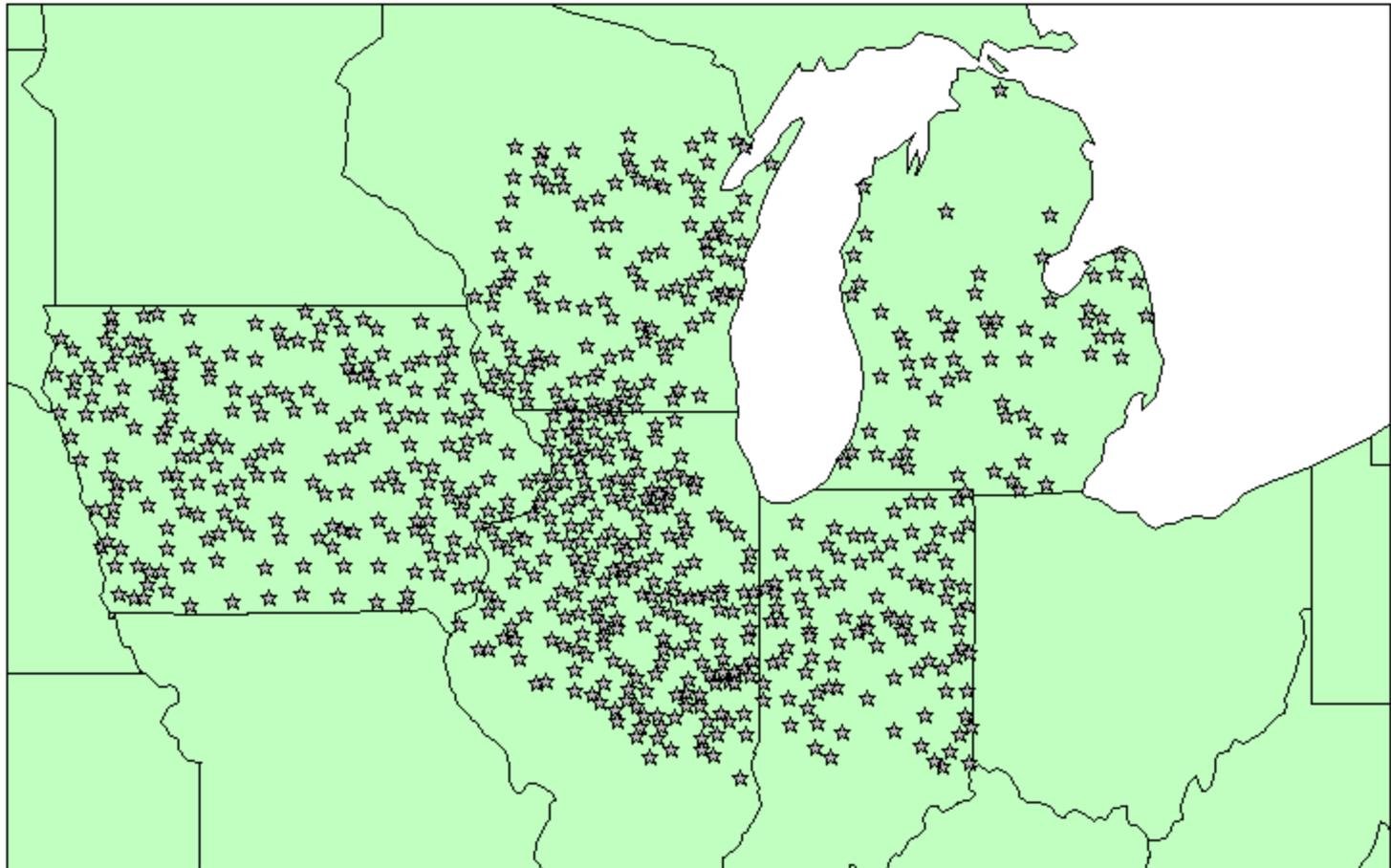
Index of USDA farm real estate values *(1981=100)*



Federal Reserve System



Banks in 7th District Land Value and Credit Conditions Survey



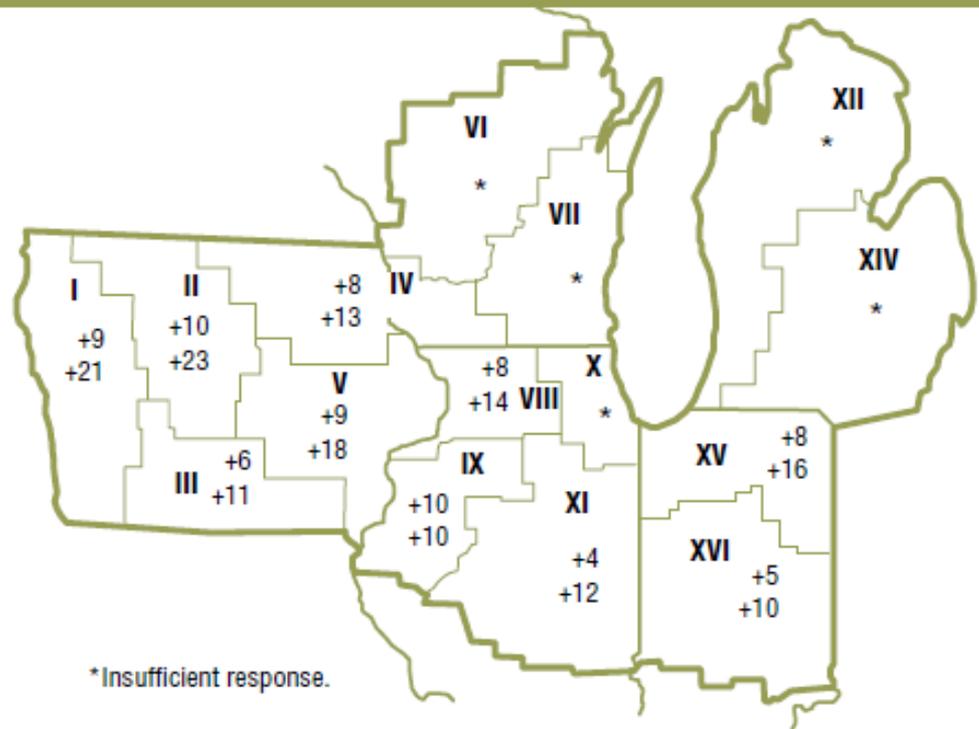
Survey results for January 1, 2011

Percent change in dollar value of "good" farmland

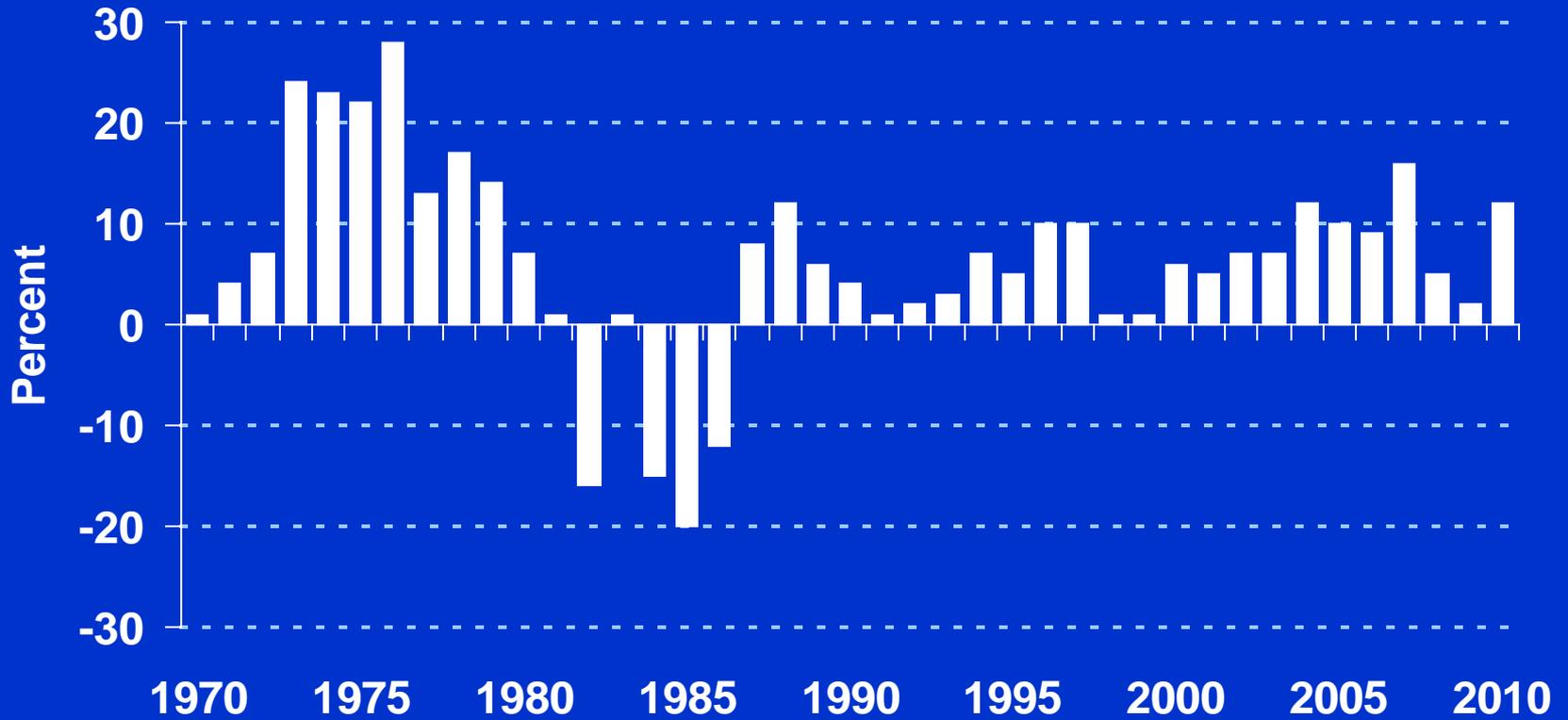
Top: October 1, 2010 to January 1, 2011

Bottom: January 1, 2010 to January 1, 2011

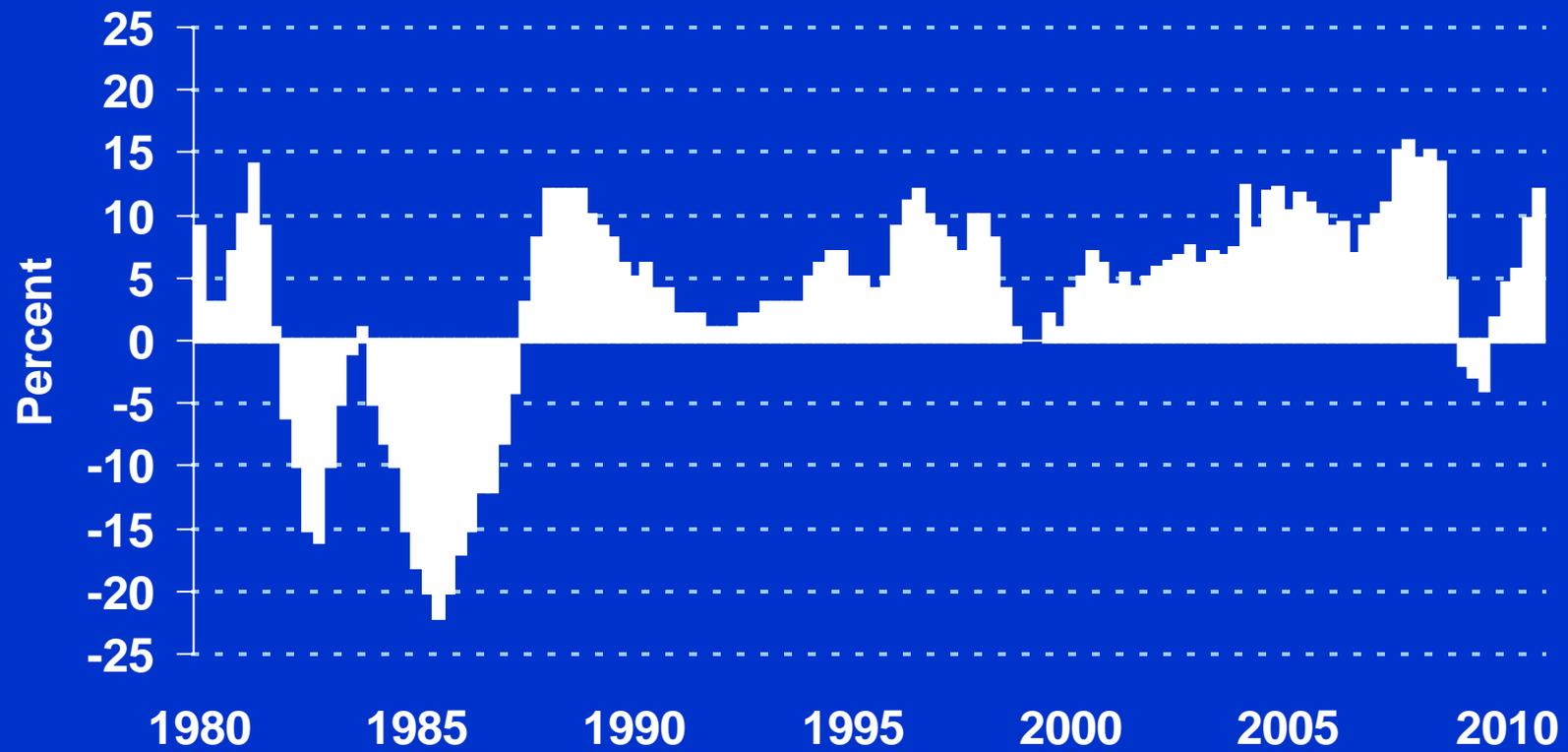
	<u>October 1, 2010 to January 1, 2011</u>	<u>January 1, 2010 to January 1, 2011</u>
Illinois	+7	+11
Indiana	+6	+12
Iowa	+8	+18
Michigan	-1	+4
Wisconsin	+2	+7
Seventh District	+6	+12



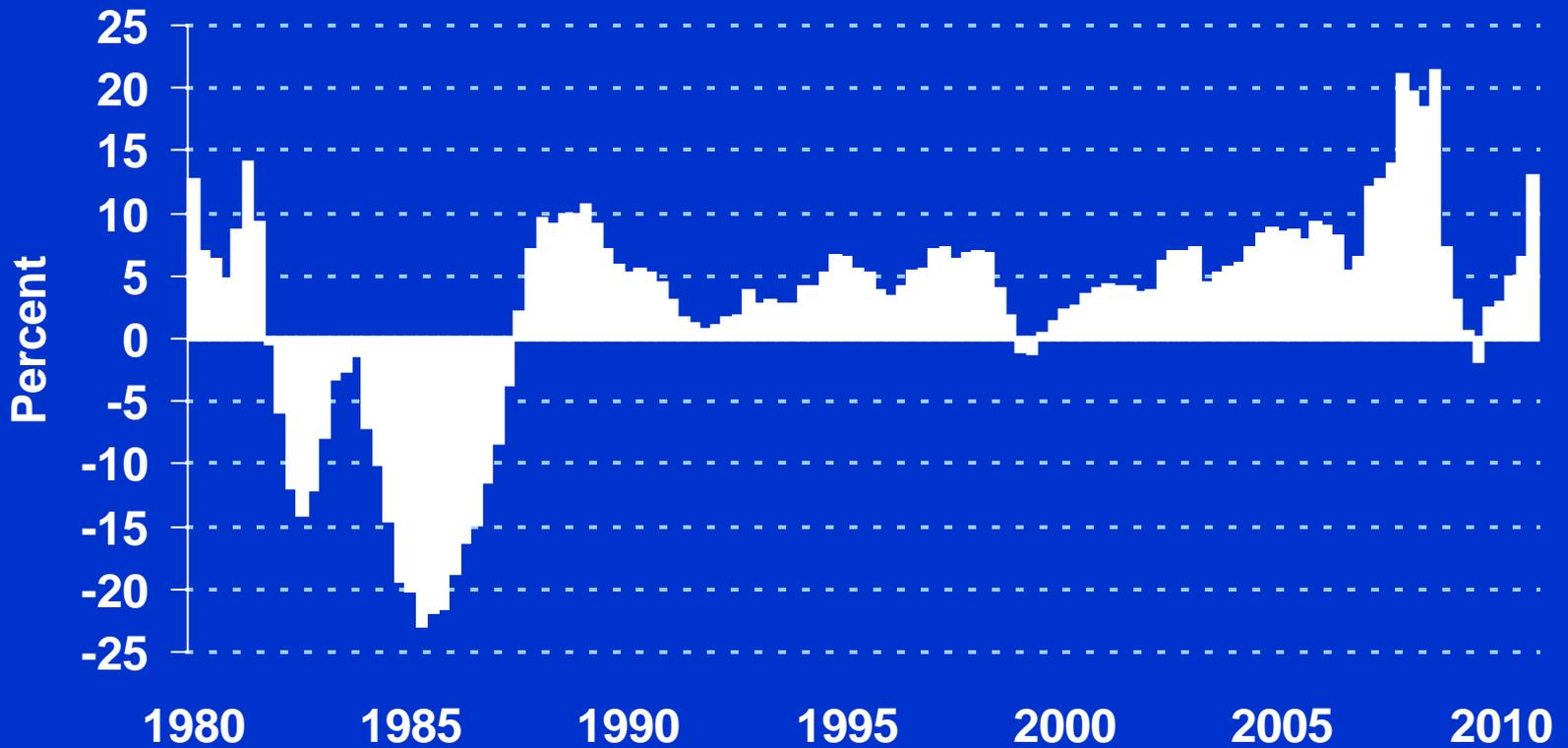
Annual change in farmland values in Chicago Federal Reserve District



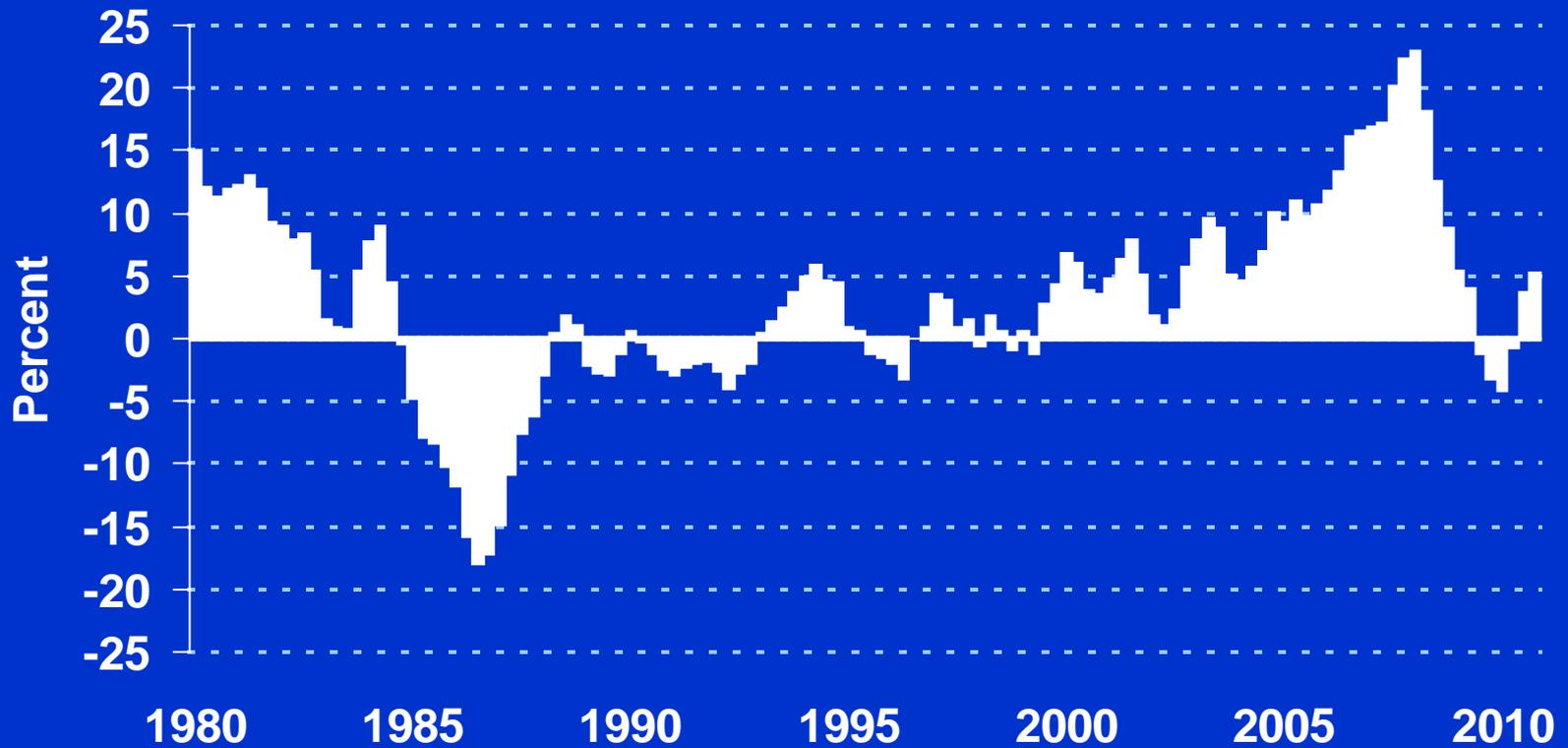
Year over year changes by quarter in farmland values in the Chicago Federal Reserve District



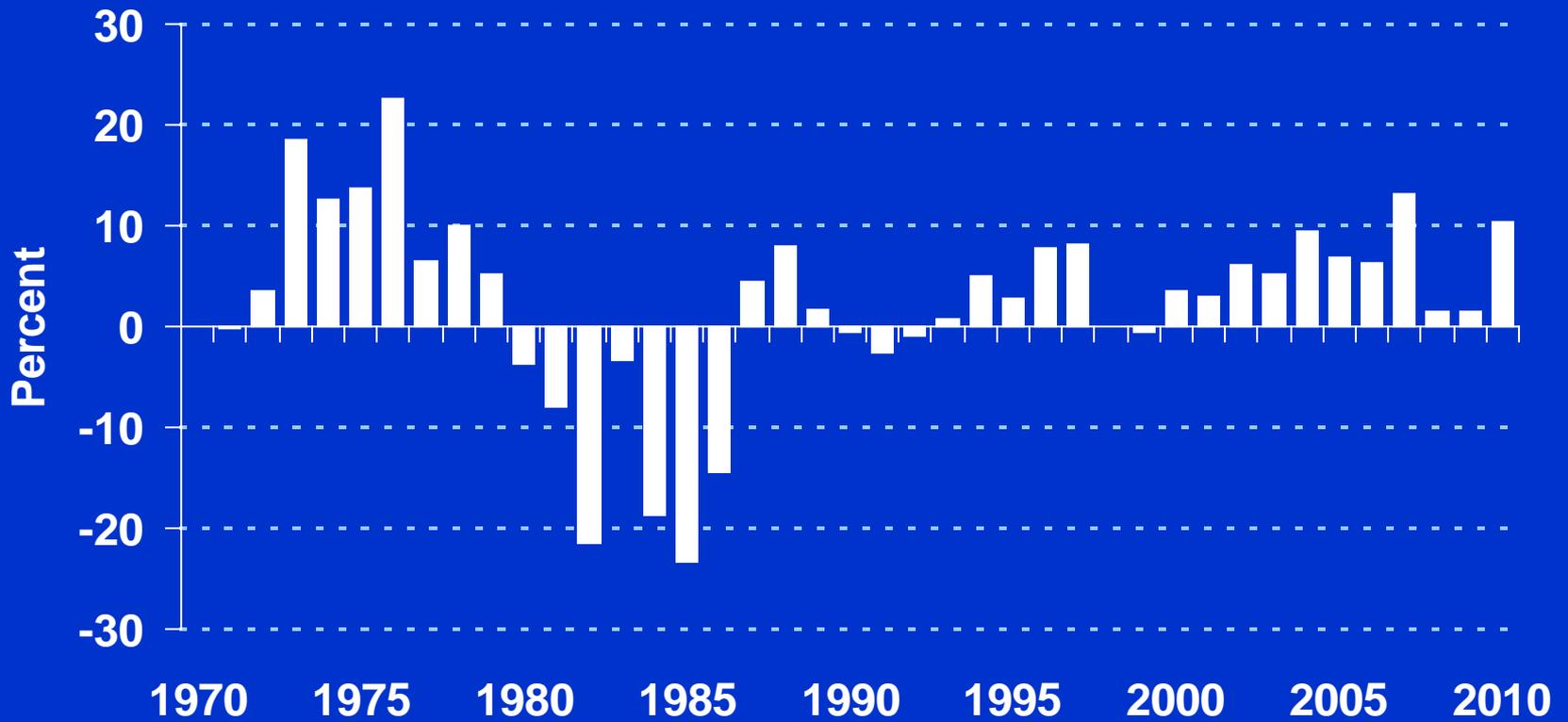
Year over year changes by quarter in non-irrigated land values in the Kansas City Federal Reserve District



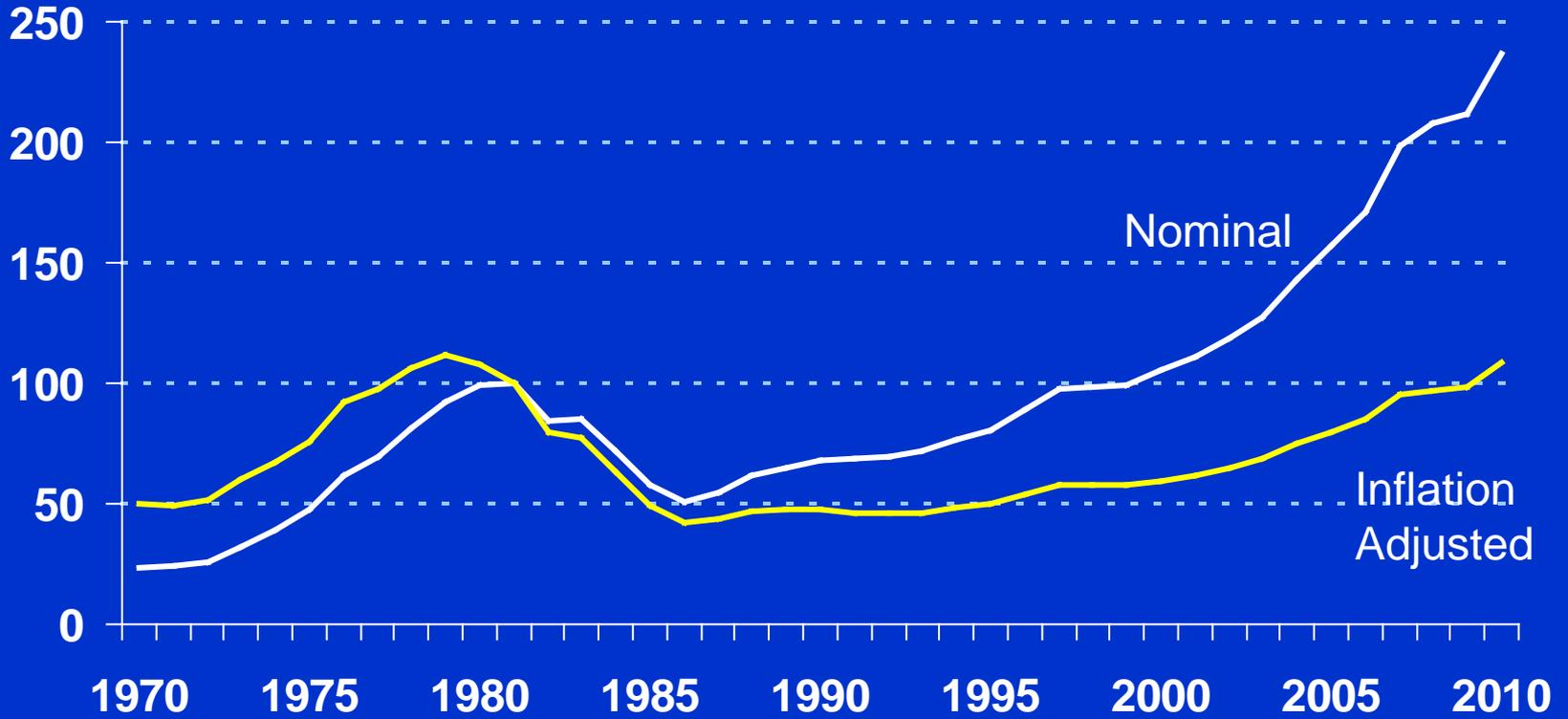
Year over year changes by quarter in dryland values in the Dallas Federal Reserve District



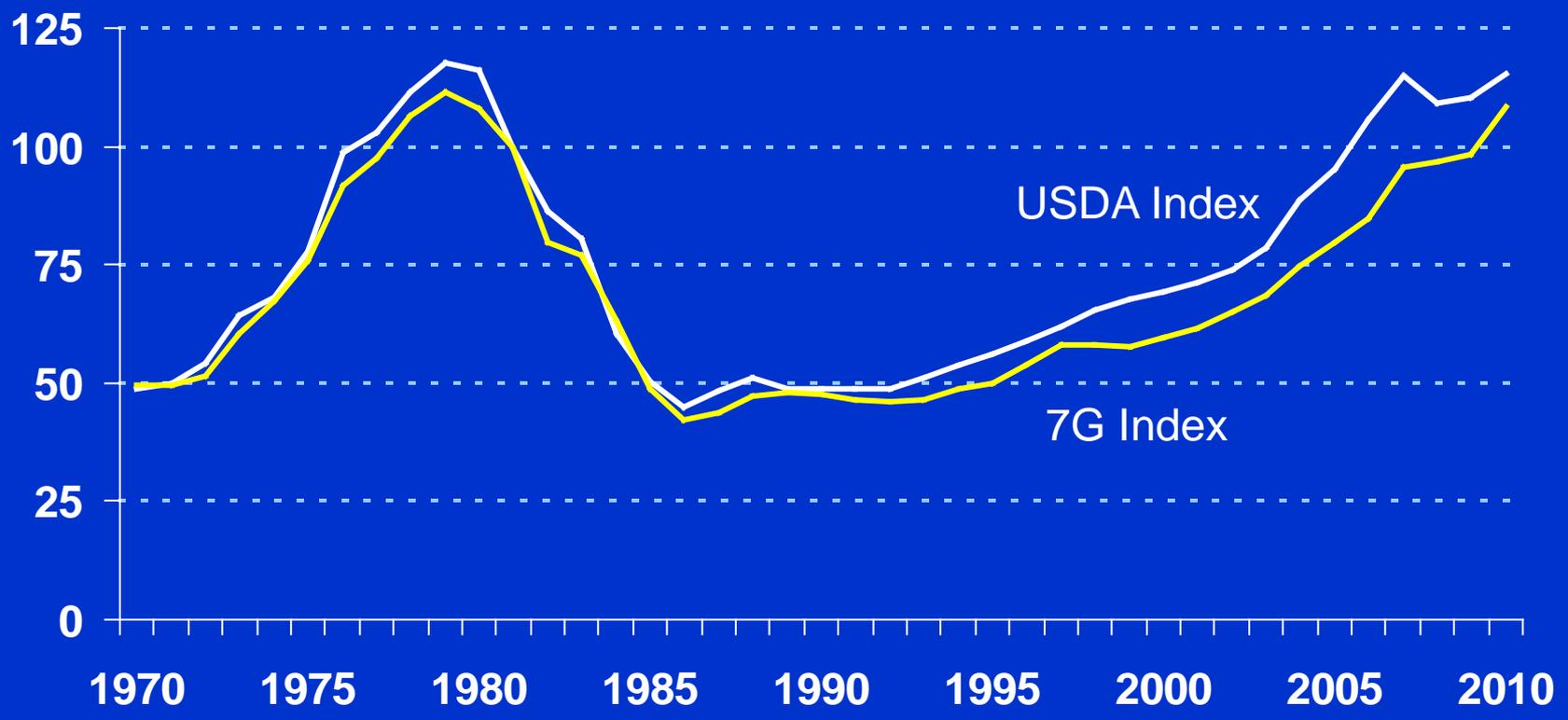
Inflation adjusted annual change in farmland values for Chicago Federal Reserve District



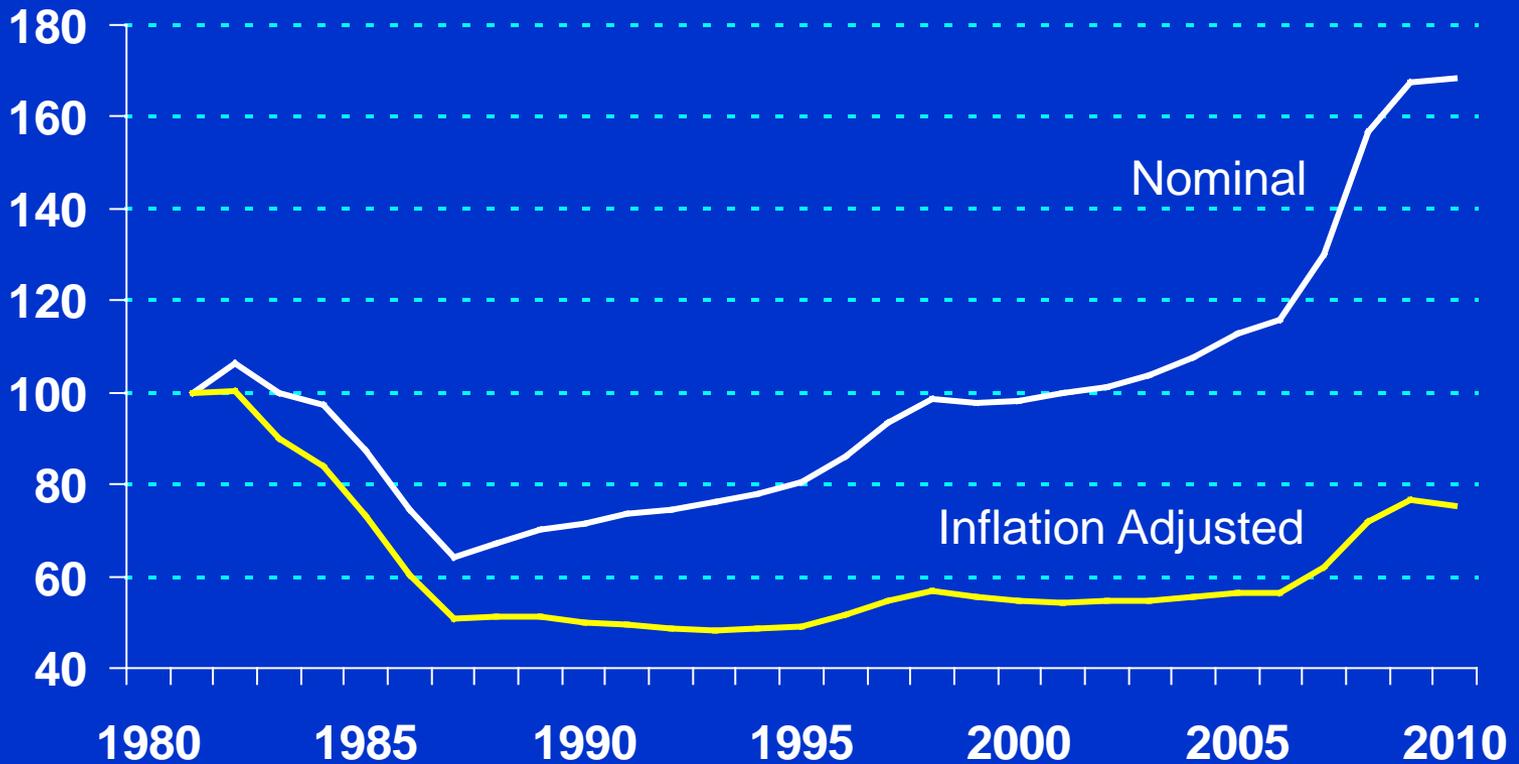
***Index of Chicago Federal Reserve
District farmland values
(1981=100)***



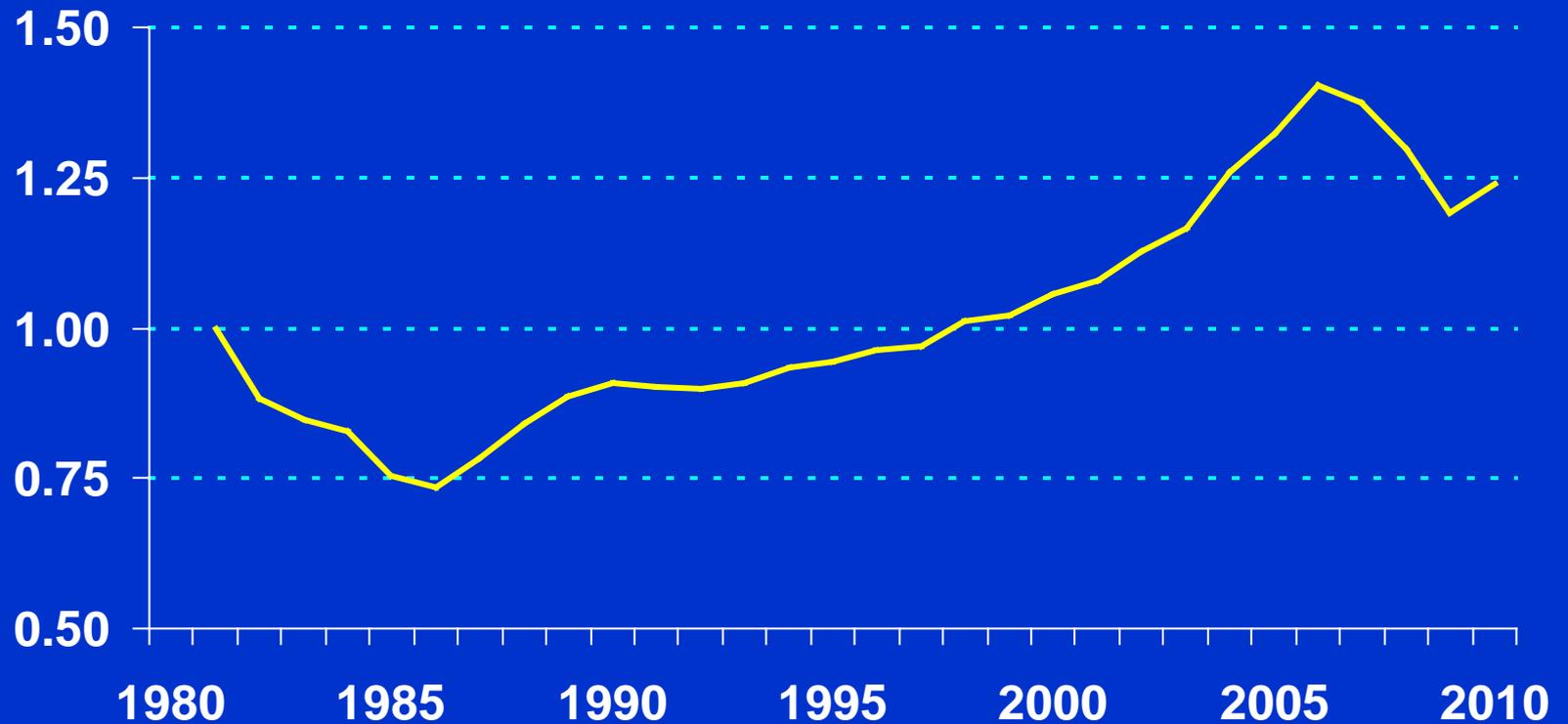
***Indices of Chicago District farmland values and
USDA farm real estate (1981=100, adjusted by PCE)***



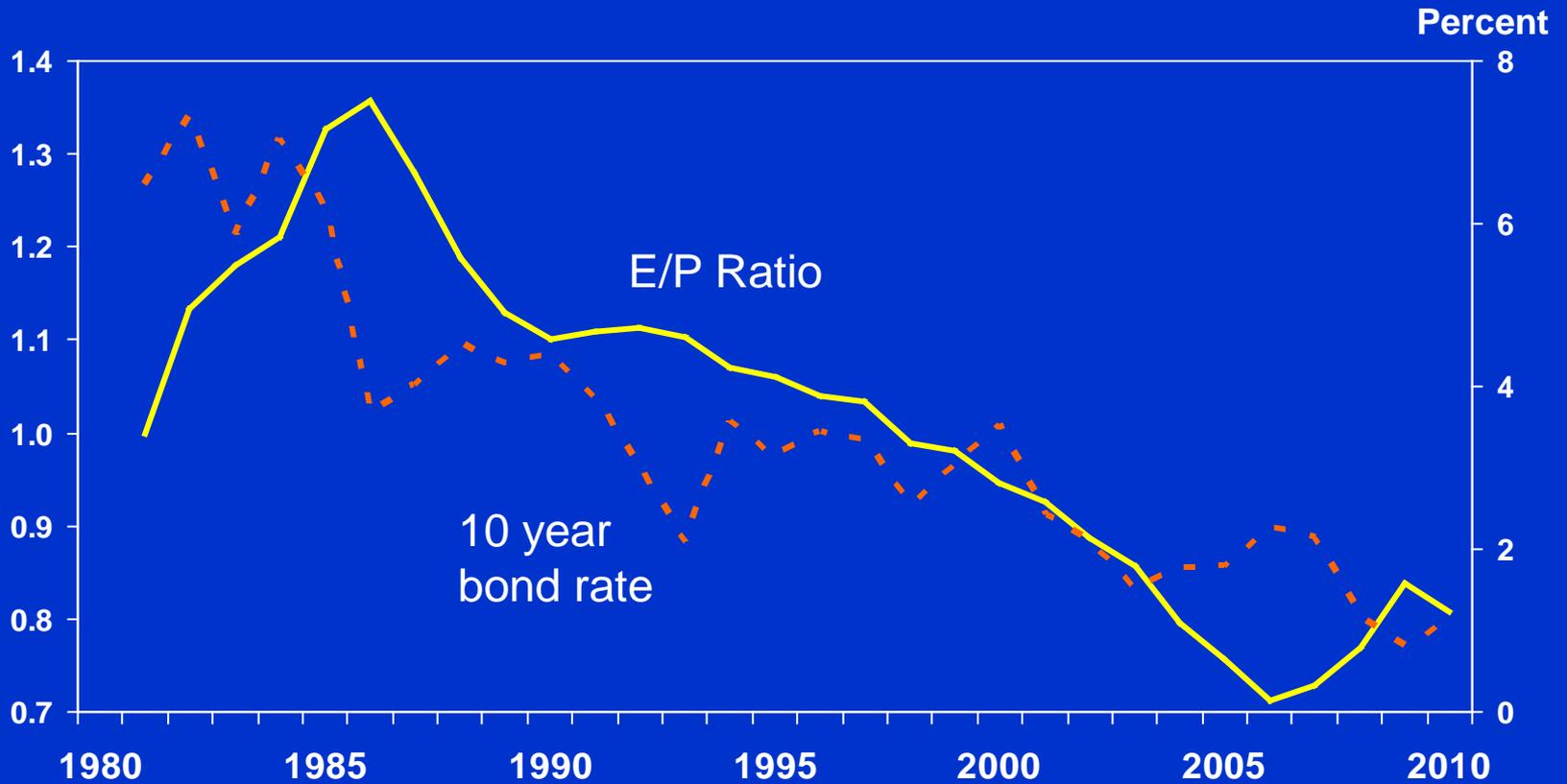
Index of Chicago District Cash Rents Nominal vs. Inflation Adjusted (1981=100)



Farmland Price to Earnings Ratio for the Chicago District (1981=1)



7th District Earnings to Price Ratio (left axis, 1981=1) vs. Real Return on 10 Year Treasury Bonds



What factors affect farmland values?

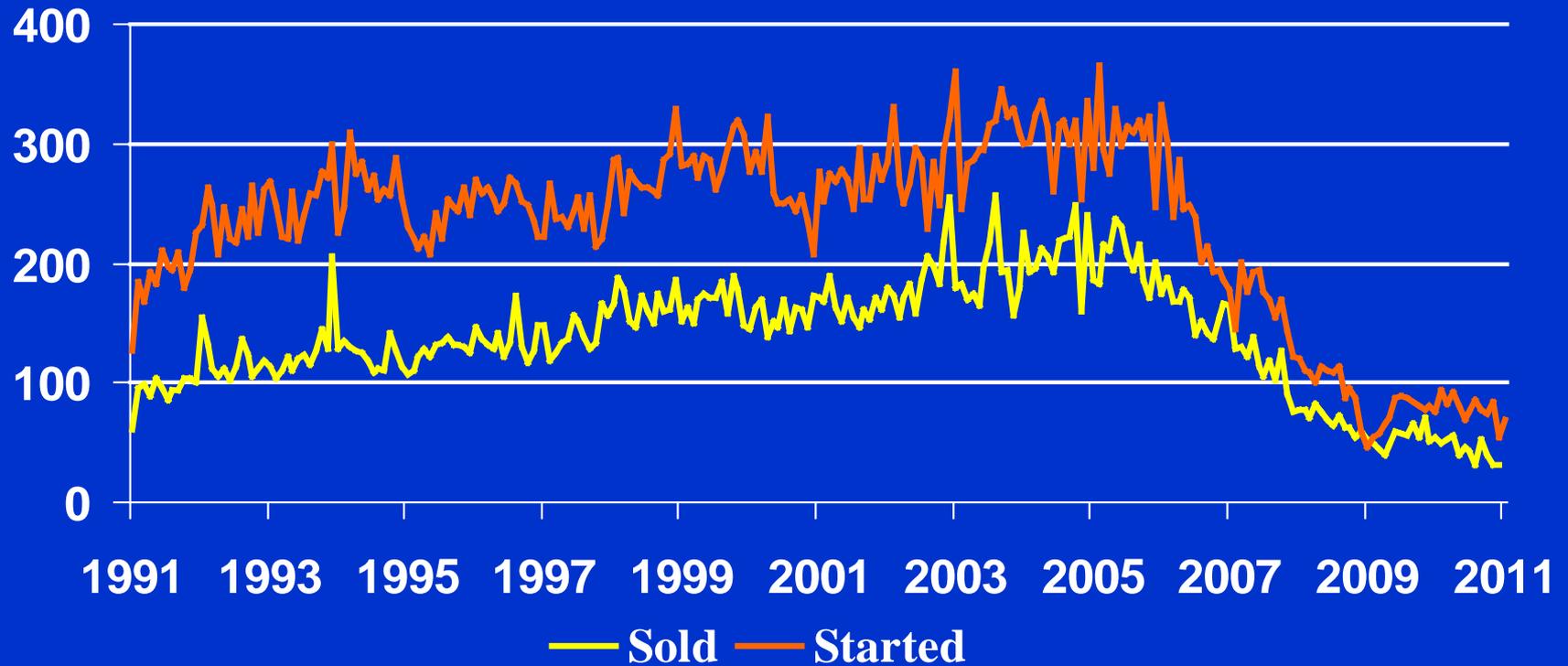
- **Expected net returns**
- **Interest rates**

- **Government programs**
- **Capital investment in structures**
- **Non-farm demand**

- **Inflation, lending policies, other investments, speculation, technology, trade, site characteristics, environmental issues**

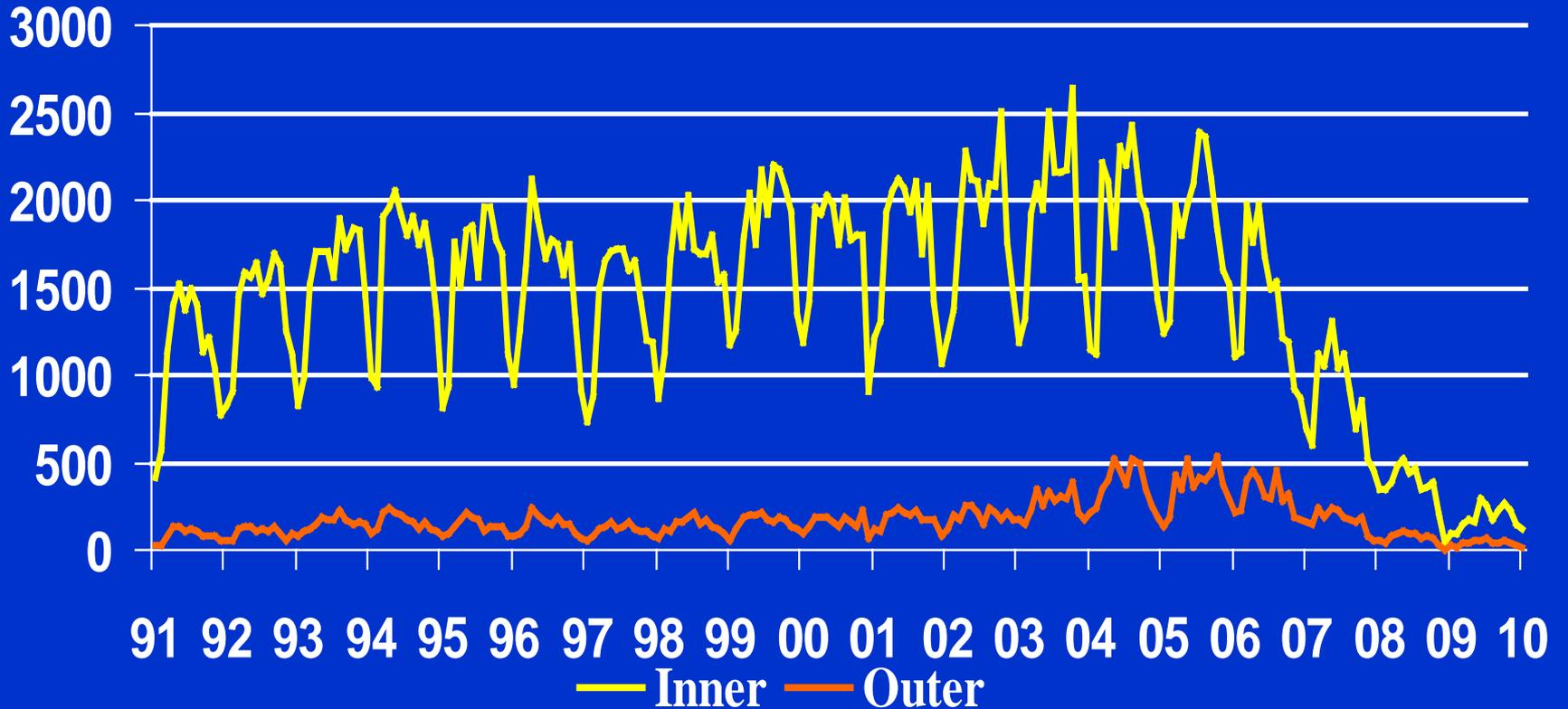
Midwest New Housing Units Sold and Started

(Seasonally adjusted at annual rates, single units in thousands)



Building Permits for Single-family Houses in Chicago Collar Counties

(not seasonally adjusted)



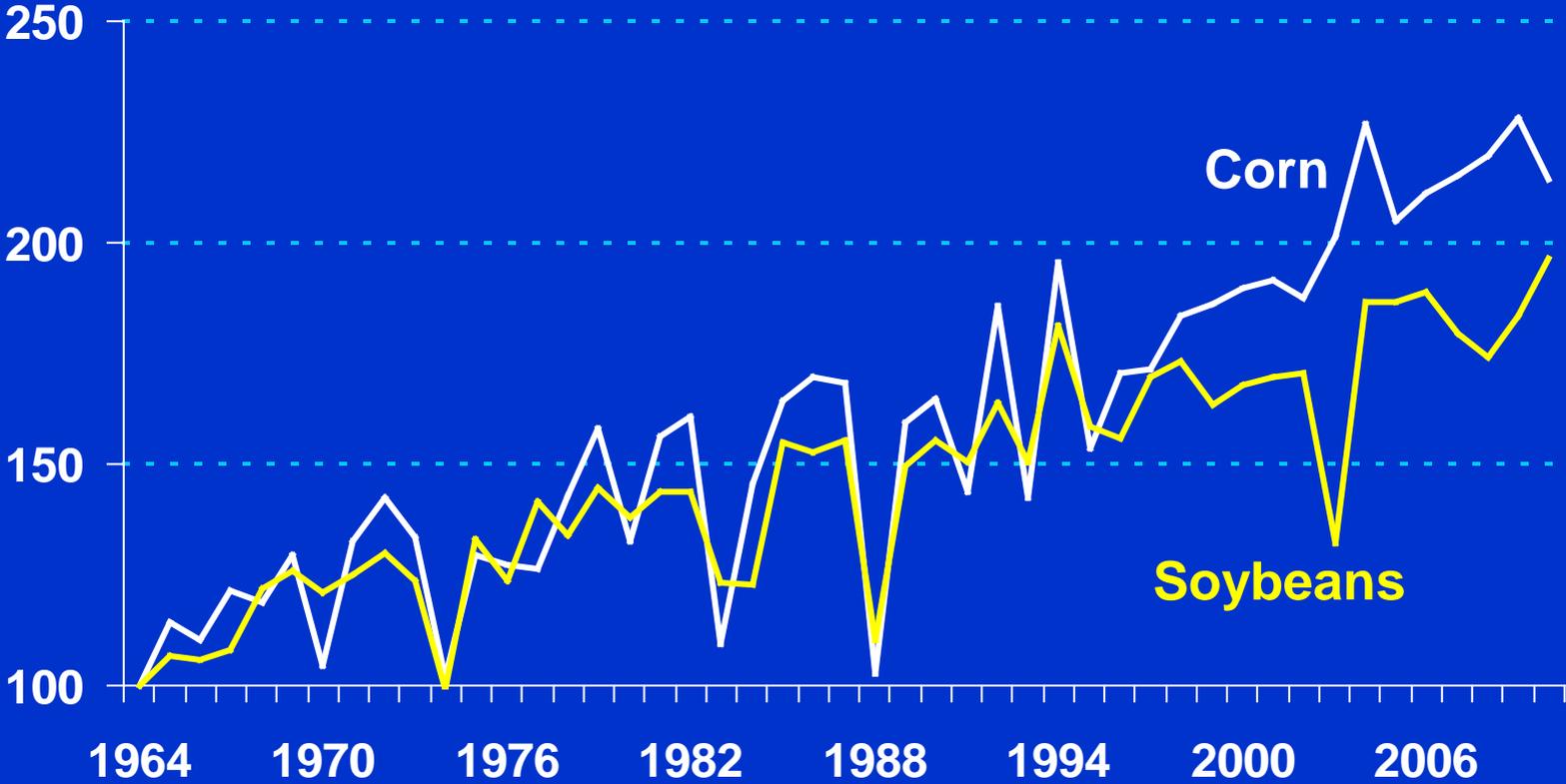
Impact of housing foreclosures varies



Supporting factors for farmland values?

1. **Expected income stream higher, more variable**
2. **Productivity and good yields**
3. **Non-farm investment slowed, possibly reviving
(few residential and recreational buyers)**
4. **Government payments are lower,
but renewed support for biofuels**
5. **Off-farm income growth is uncertain**
6. **Low interest rates**
7. **Few local sales until recently**
8. **Opportunism**

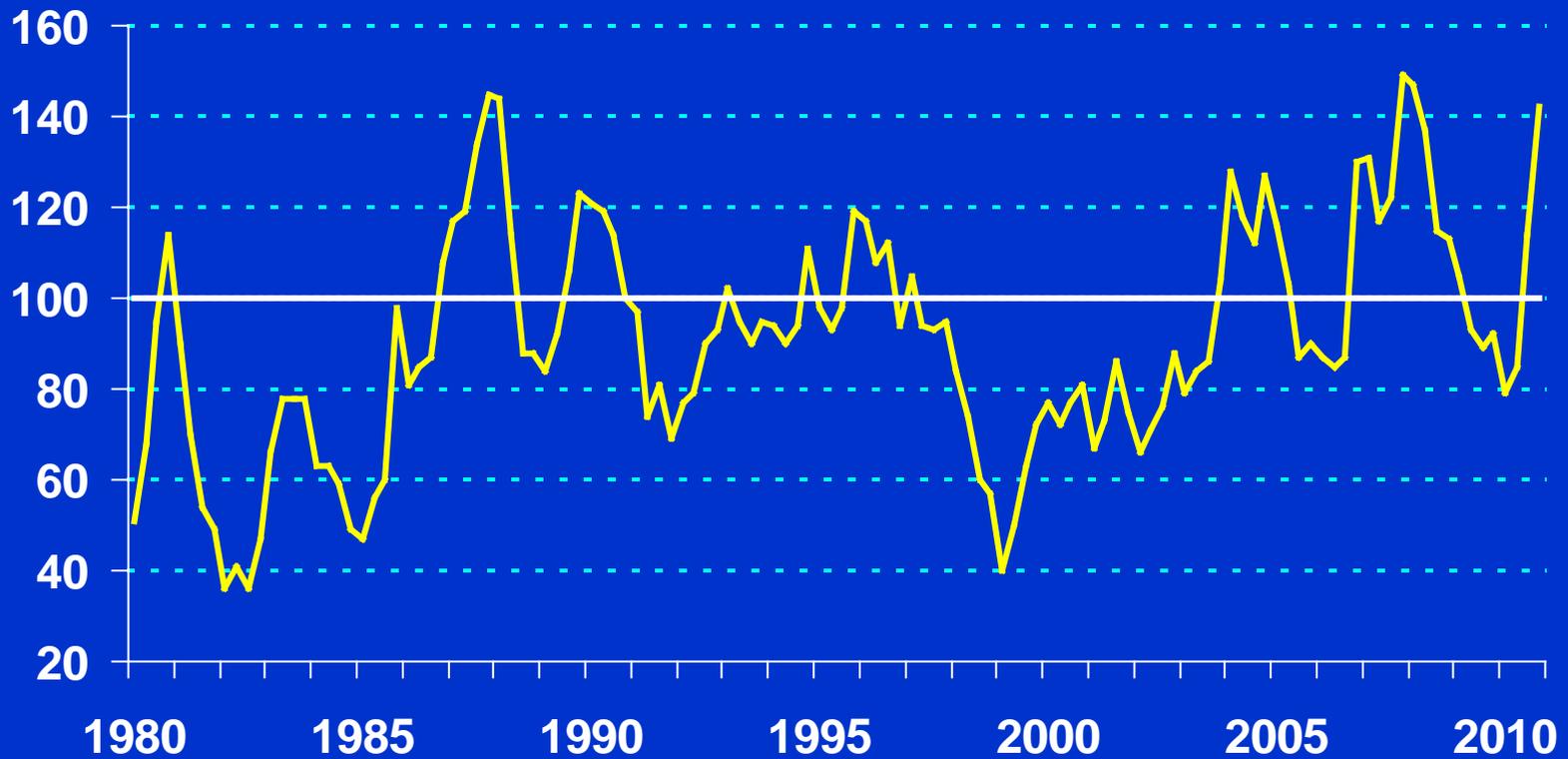
Chicago District Crop Yield Indices (1964=100)



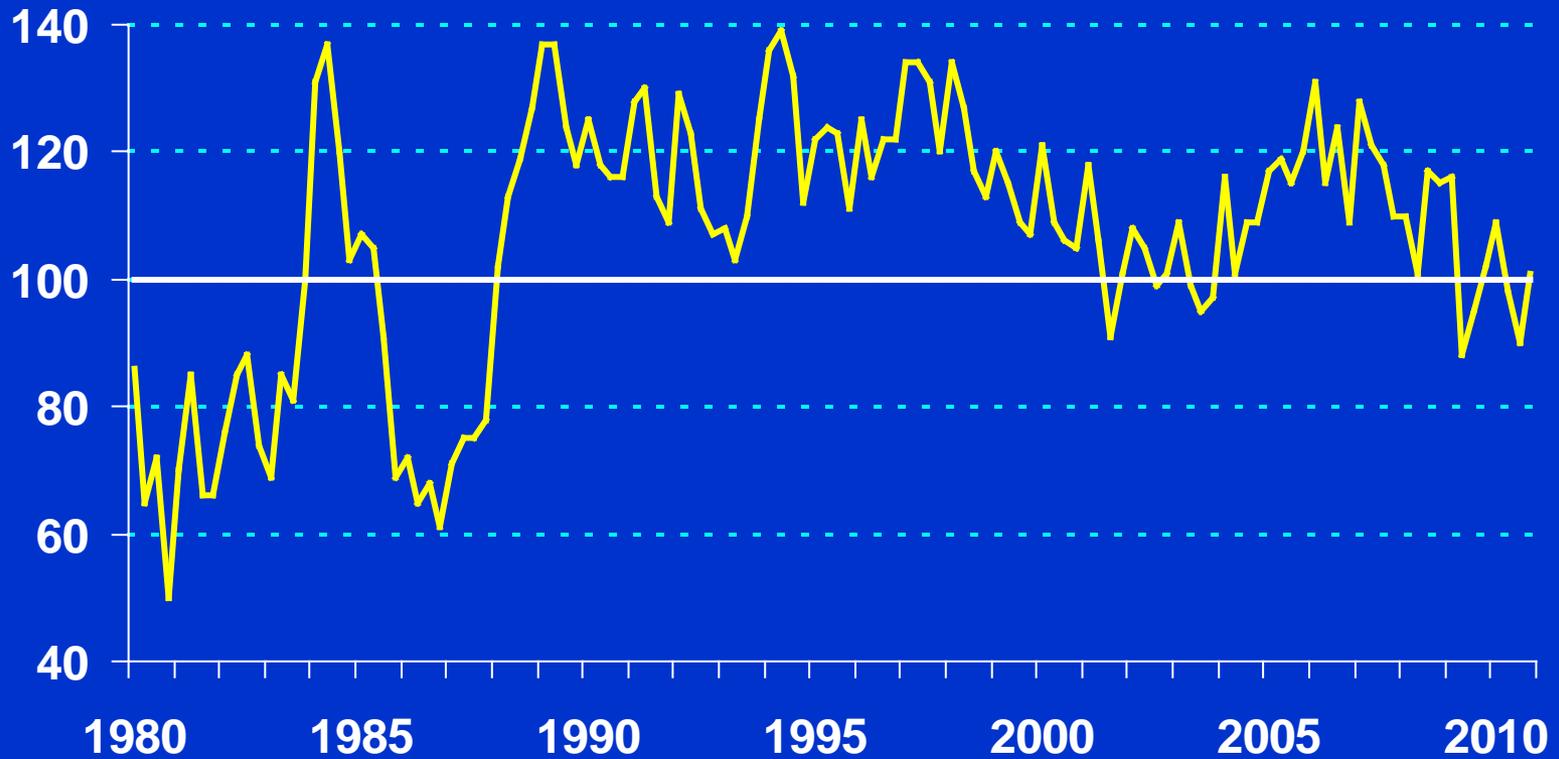
Financial indicators for the farm sector

- **Net farm income forecasted to increase**
- **Farm program spending at lower levels**
- **Most farm balance sheets remain strong**
- **Interest rates are still very low**
- **Credit conditions improved in 2010**
 - **Less than 2% of loans with “major” or “severe” repayment problems (Chicago District)**
 - **Loan extensions and renewals were lower**

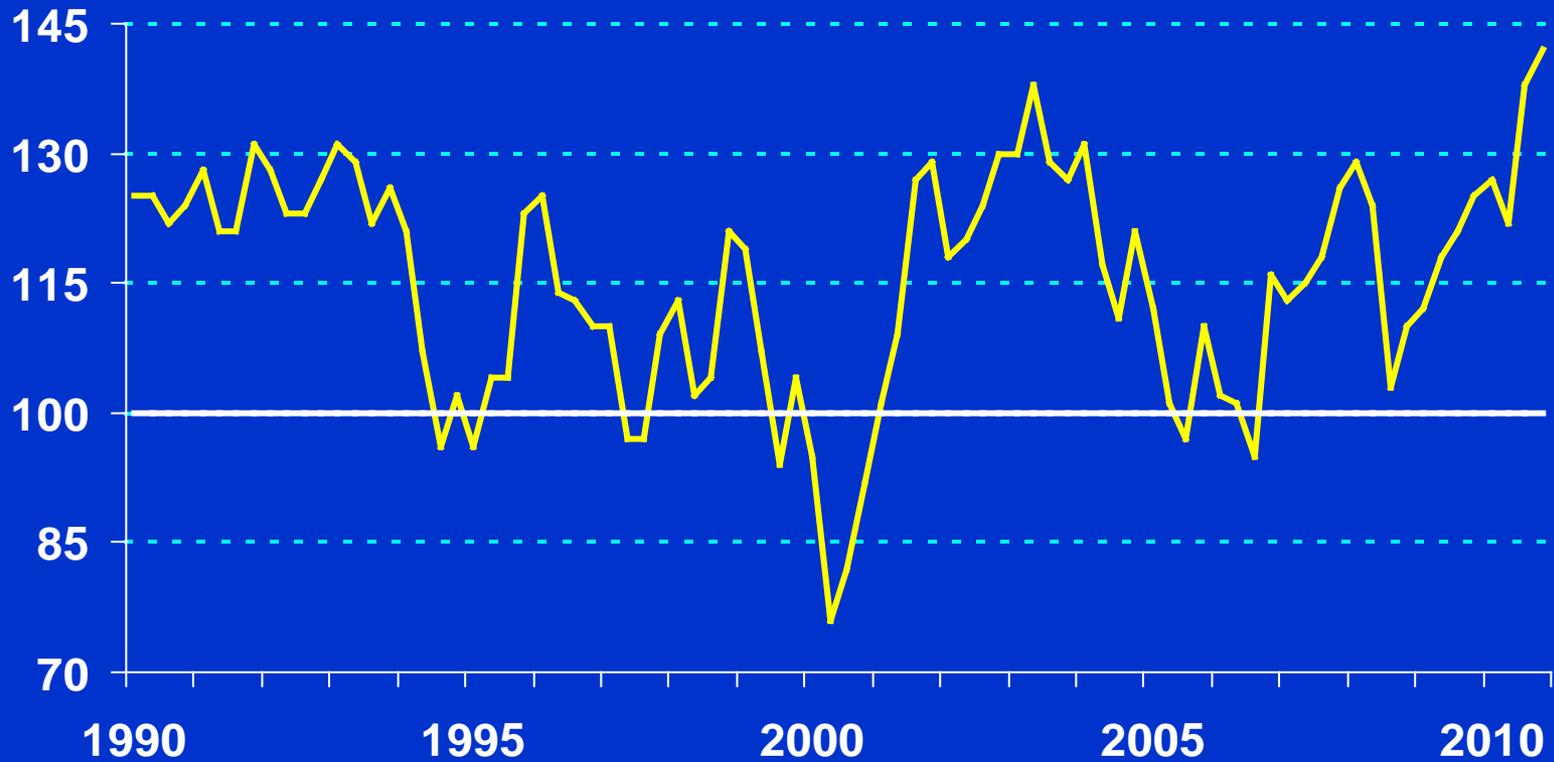
Index of agricultural loan repayment rates for the Chicago Federal Reserve District



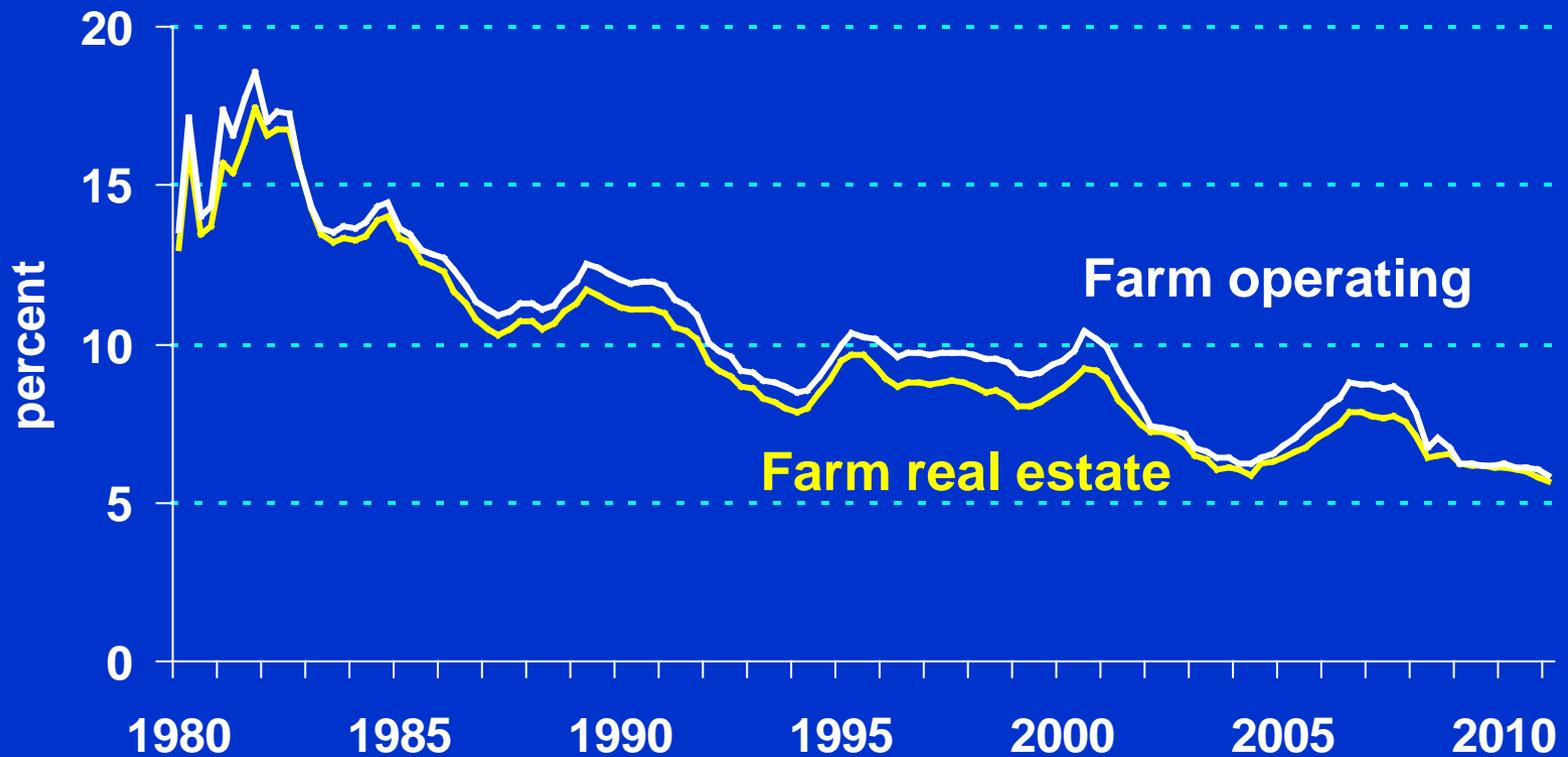
***Index of agricultural loan demand for the Chicago
Federal Reserve District (excluding real estate)***



Index of funds availability for the Chicago Federal Reserve District



Interest rates charged on new farm loans in the Chicago Federal Reserve District



U.S. farm financial ratios improved following the '80s crisis

