



Weekly Farm Economics: Farm Managers See More Stable Farmland Prices

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Recently, the Illinois Society of Professional Farm Managers and Rural Appraisers conducted a mid-year survey of its membership concerning outlook for farmland price and cash rental markets. After several years of large increases in farmland prices, Illinois Society members expect more stable farmland prices over the next twelve months and five years.

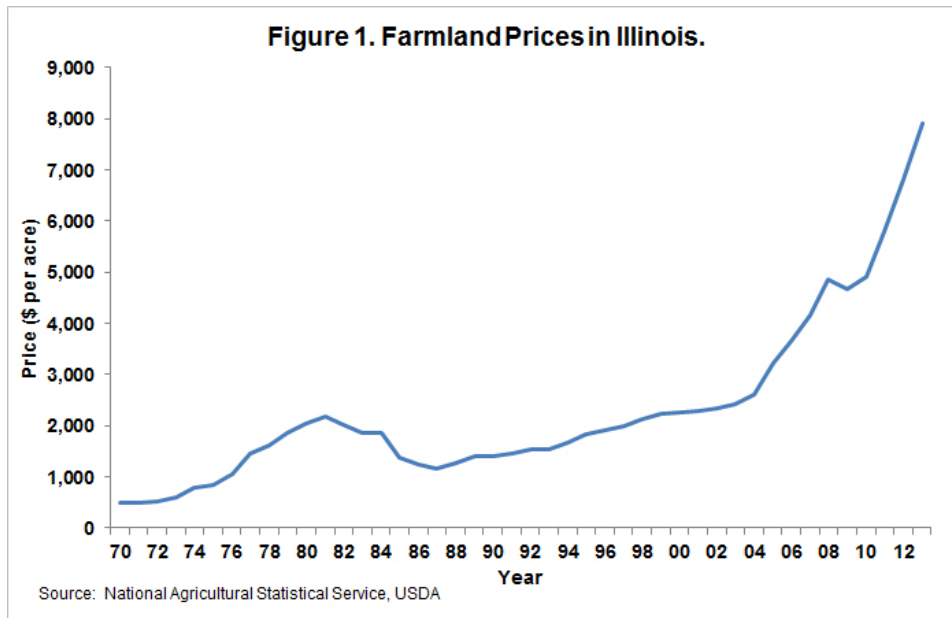
Survey

The Illinois Society is a professional organization whose members manage farms, appraise farmland and other agricultural property, and broker farm real estate. Society members are knowledgeable about the farmland and cash rental markets. More information on the Illinois Society and its members can be found on its website (www.ispfmra.org). The Society publishes a yearly summary of land values and conducts a mid-year survey. A summary of this year's mid-year survey is available [here](#). A summary of Society members' 2014 cash rental expectations is given [here](#).

Recent Yearly Farmland Price Increases

Recent farmland price increases serve as a backdrop for this year's mid-survey. According to the U.S. Department of Agriculture, farmland prices in Illinois increased dramatically in recent years (see [here](#) for more detail). Between 2006 and 2013, average farmland prices in Illinois more than doubled from \$3,640 in 2006 to \$7,900 in 2013 (see Figure 1). Farmland prices experienced large percentage increases in the last three years: farmland prices increased 18% between 2010 and 2011, 17% between 2011 and 2012, and 16% between 2012 and 2013. These increases compare to an average growth rate of 6% between 1986 – when farmland prices reached a low following the price decline during the 1980s – and 2006.

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Increases during the first half of 2013 were less than in recent years. Illinois Society members indicated that farmland prices increased 3% during the first half of 2013.

Expected Farmland Price in the Next Twelve Months

Illinois Society members were asked their expectations of expected farmland price changes over the next twelve months from mid-year 2013 to mid-year 2014. Respondents are divided in their expectations:

- 20% expect farmland prices to increase,
- 41% expect farmland prices to remain the same, and
- 39% expect farmland prices to decline.

Of the respondents expecting decline farmland prices, most expect declines between 1 and 5 percent. Compared to the recent large increases in price over the past several years, most respondents expect a relatively small increase over the next twelve months.

Farmland Price Increases Over the Next Five Years

Society members were asked their expectations of farmland price increases over the next five-years. A response of 4% means that the respondent expected an average increase of 4% in each of the next five years. Responses are

- 46% expect prices to increase between 1 and 5% yearly over the next five years,
- 9% expect prices to remain the same over the next five years.
- 45% expect farmland prices to decrease between 1 and 5% yearly over the next five years.

Compared to recent history, most respondents expect more muted farmland price increases over the next five years.

Chances of a 1980s Style Farmland Price Decline

Given large recent increases in farmland price in recent years, some concern exists that farmland price may decline dramatically similar to the decline that occurred during the 1980s. Respondents were asked what the chances were of a 1980s style decrease in farmland prices over the five years. Responses are:

- 39% do not believe that a 1980s style decline would happen in the next 5-years,

44% indicate that the chances of a 1980s style decline were between 0 and 10%, and 17% indicate that the chances of 1980s style decline were between 10 and 50%.

Overall, most respondents do not believe the chances are high of a 1980s price decline.

Summary

As compared to increases in the last five years, Illinois Society members are expecting more stable farmland prices over the next twelve months and five years. Overall, most respondents do not foresee a large decrease in farmland prices.

Responses are consistent with more slowly growing land prices. The large increases since 2006 likely are not a normal occurrences. Increases nearer historical averages are more likely.