



# Land Facts

THE LORANDA GROUP, INC.

Winter 2013-2014

## The Current State of the Farmland Market

### Observations, Opinions, and Outlook

*By: John D. Moss, President*

**S**ale results from recent farmland auctions are coming in and the information we've gathered so far is confirming many of our prior thoughts regarding the strength and the direction of the land market. These sales have been some of the first we've seen where we could detect the impact that lower grain prices is having on the behavior of bidders. Yet, we've also seen how other variables can influence the demand for land in certain areas and how they can actually offset the negativity that is emanating from the commodity markets.

At any auction, we can often learn more from the people who aren't bidding than from the ones that are. With that in mind, below is just some of what we've seen and heard the past month or so:

- Farmers have enough carryover profits from previous years and are strong enough financially to buy land, if they want to.
- Many investors are still interested in buying land but their projected returns have not been meeting their targeted goals, and there's a lot of money waiting to be invested in farms once returns improve.
- Lenders have become more cautious but are still offering competitive rates and terms for land purchases.
- "A" quality tracts continue to command a good price, but they must have more than just "A" quality soils - they need to have a high percentage of tillable acres, be reasonably well drained, and be easy to farm.
- In general, lower quality farms (i.e., those with poorer soils, waterways, ditches, wet areas, mineral rights exceptions, easement access, etc.) are not selling as well as they did a year ago, or even as well as they did earlier this year.
- Prices seem to be firmer in areas where little has sold the past few years, which is a good reflection of the pent-up demand for land in that locale.
- The total number of registered bidders at an auction remains about the same as last year, but the number of those competing to the very end has dropped.
- Commodity prices are having a negative impact on the attitudes in the countryside, especially since it's currently difficult to pencil in a profit (or at least the type of profit that everyone is used to) for 2014.

Observing buyer behavior is the easy part - understanding what it all means is the challenge. Our interpretation of the behavior we've been witnessing is as follows:

- Farmers are being much more selective in their land purchases at the present. More than once this fall we heard the comment, "Last year I would have bid on this farm, but today I'm thinking that I really don't need it that badly".

- Since there is so much uncertainty regarding farm profitability in 2014, many farmers are now using their excess capital to preserve what they have (by paying down debt, etc.) rather than using it as a down payment for a high-priced farm purchase.
- In general, both farmers and investors currently have the financial capacity to buy land. However, many don't think that last year's land prices can be supported by this year's grain prices, so the price they're willing to pay for farmland has dropped.
- A year ago, nearly all farmers were excited about buying land. Today, many are using any excuse they can find not to.

For the next several months, I think the trends and attitudes discussed above will remain intact. If grain prices stay low, then it wouldn't surprise me to see a price correction in the land market. Keep in mind that this is not necessarily unexpected or even unhealthy... all investments need for prices to pull back at times to help balance and stabilize the marketplace.

Regardless of whether we do see an official correction, I think that farmland sellers may need to lower their price expectations in the near future. Yes, we may still hear about a farm that has sold for a record price at an auction, but this will likely be the exception and not the norm. And even if a farm in 2014 does sell for less than what it would have 12 months earlier, that price will still be considerably higher than in what it was five years ago. Conversely, I foresee land buyers having the opportunity to purchase properties at price levels that they haven't seen for a while. These lower priced transactions may seem like bargains relative to what sold last spring, but in reality they are just a reflection of what current commodity prices can support.

In summary, I think we're going to see a lot of turbulence in the land market for the next 18 months. While this uncertainty may not be pleasant for some in the short term, in the long run it may be the best thing that can happen to the market as a whole.







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Land  
Market  
Update!

## Marketing Farmland in a High Tech World

By: Eric L. Sarff, Vice President

It seems that new technology emerges everyday, from faster devices to creative software and websites that make both our professional and personal lives easier. At Loranda, we constantly strive to incorporate new technologies as part of how we market farmland. That's not to say some of the more traditional methods aren't still important, because they are, but we have found that by combining both old and new we can reach all potential buyers, regardless of whether these prospects get their news and information from the local newspaper, or from the 140 characters offered by *Twitter*.

Loranda is proud to have been one of the first in our industry to recognize the importance and reach of social media. We have used *Twitter*, *Facebook*, *LinkedIn*, and *Google+* to post pictures of the properties we are selling and post timely and informative articles on the farmland market. More recently, we've utilized our *YouTube* page to showcase some really exciting things, including condensed footage of our auction sales, instructional videos that many current and future landowners might find of value, and promotional videos of each property we have for sale.



To enhance the experience of the promotional videos, earlier this year we began using a remote control quad-copter to capture aerial video and photography. With this new technology we have the ability to get a unique bird's eye view of the farms we are selling and provide buyers a perspective that they simply can't get from a two-dimensional map or picture. We

ultimately combine this footage with highlights of the farm, along with a brief history of the property, and upload it to *YouTube* where it is available to prospective buyers 24/7.

It's hard to imagine what new technology we'll be using to market farmland in another 5 years. We're convinced that both farmers and investors will demand immediate access to all available information regardless of the time of day. And Loranda plans on being on the cutting edge for delivering what they want.

## Loranda Fall Sales Summary

County, State	Total Acres	Tillable Acres	Price Per Acre	Soil Class	Notes
Warren, IL	113.75±	112±	\$15,000	A	Square sides; Easy to farm; Sold w/2014 lease
Douglas, IL	960±	948±	\$14,583	A	Contiguous, Easy to farm; Well drained
Montgomery, IL	176±	176±	\$13,920	A/A-	Square sides; Easy to farm
Christian, IL	166±	160±	\$9,009	A/B	Waterways & electric lines; Odd-shaped fields
Mason, IL	76±	76±	\$8,500	A-/B	Easement access; No irrigation
Mason, IL	136±	125±	\$7,550	B/C	Odd-shaped small fields; No irrigation
Mason, IL	22±	-	\$3,600	-	All timber

## REAL ESTATE CORNER

**Q** I've been asked to include my farm in a consignment auction, yet I've never seen land sold this way. Why not?

**A** Consignment auctions can be a very effective way of selling personal property, but as you suggested, you rarely see it used for real estate. For personal property, auctioneers will use the consignment method when they have several people with just a few items to sell. From a practical standpoint, no individual seller has enough to warrant an individual auction so several are grouped together and all the items are offered at the same time. Most sellers don't mind because they know that consigning their property would likely be the only way to get it sold by auction. On the other hand, most real estate parcels, whether commercial, residential, or agricultural, are often worth enough that they can justify a standalone sale. In addition, nearly all land sellers want their farm to be the singular focus of the auctioneer's marketing efforts (and at the actual auction itself), and not simply included in a bigger sale where it has to compete with other properties for the buyers' bids. Finally, the majority of the buyers that attend consignment sales are simply looking for a bargain... not exactly the type of person you're trying to attract when selling a high dollar asset like farmland. As stated earlier, consignment auctions for personal property work very well. But experienced real estate auctioneers know that this concept is likely to fail with real estate, which is why you rarely see them used for this purpose.

