



Land Facts

THE LORANDA GROUP, INC.

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Beyond Commodity Prices and Yields

By: John D. Moss, President

Despite lackluster grain prices and uncertain crop prospects, recent surveys suggest that the average price of farmland has stabilized the past few months. For some, this doesn't make intuitive sense – if net farm income is lagging then why aren't land prices lower? In the past, this relationship has typically held true but we need to remind ourselves that there are influential factors beyond commodity prices and crop yields that can dictate how much someone will bid on a farm....

1. Affordable Interest Rates: Even though the Federal Reserve recently raised interest rates for the fourth time since 2015, long-term rates on farm mortgages remain quite reasonable. In addition, the interest on short term C.D.'s, an investment alternative for many landowners, still lags the return to prime farm land by nearly 2%. If you don't need the money, then why sell the farm, pay the capital gains tax, and then invest in an asset that will return less than what the farm is making?

2. A Limited Supply: In many areas across the Midwest, there are fewer buyers looking for land but prices have remained steady primarily because there aren't many parcels for sale. Historically, the turnover rate for farmland has always been low relative to other assets, but the market seems even tighter now. This leads to a different phenomenon - buyers know that certain parcels will only come for sale once in their lifetime, so they bid more than they normally might because they don't want to miss out on the one opportunity to buy.

3. The Allure of Owning Land: It's easy to analyze farmland from the perspective of soil productivity or return on investment. What's harder to quantify;

however, is the heartfelt desire that some people, including those outside of agriculture, have to own land. These individuals have accumulated enough wealth that they can afford to spend money on their passions, and in this case, it's a farm or ranch. Their perspective is different with this asset – they speak in terms of heritage and pride of ownership; and how they hope to leave a legacy for future generations. This mindset is not only attracting new buyers to the marketplace, it also helps explain why many existing landowners have no interest in selling their property, regardless of the price they're offered.

Looking forward, I would anticipate that the average price of land will remain reasonably firm the next few months; though there may be a wide variance from the mean. Remember that the average price of land includes everything from highly productive prairie soils to rolling sand hills. The demand for "A" quality tracts should remain strong as buyers have historically been willing to pay a premium for the best. Conversely, prices for the lesser quality tracts will drift lower in certain areas simply because farmers have become more selective with what they buy.



Loranda Company News

LeeAnn Moss Named to Hall of Fame

LeeAnn Moss, Executive Vice President of The Loranda Group, was recently named to the Illinois Society of Professional Farm Managers and Rural Appraisers "Hall of Fame". This award is given to long term members "whose professional accomplishments and personal standards exemplify the ethical philosophies and professionalism of the Society."

Within Loranda, LeeAnn is an economist, a real estate broker, an auctioneer and an appraiser. She has also served as an instructor with the Department of Agricultural and Consumer Economics at the University of Illinois at

Urbana-Champaign, is an Appraisal Qualifications Board Certified USPAP Instructor who teaches appraisal standards across the country, and has developed and taught national appraisal courses for the American Society of Farm Managers and Rural Appraisers.

LeeAnn has many years of experience in marketing and valuation of real property assets, including the sale of thousands of acres of real estate. She is an award-winning writer, speaker and educator on issues relating to real estate and agribusiness. Congratulations to LeeAnn for her accomplishments and contributions to the industry!



THE LORANDA GROUP, INC.
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Land Market Update!

The Trump Administration and Its Impact on Agriculture

Whenever there's a new administration in the White House, there's always some apprehension in the countryside – will the President continue with the same programs as his predecessor or will he implement his own policies that will affect the way I farm? After six months of watching the Trump administration for any concrete signs, most experts still are not sure how the President may respond to many of the challenges currently facing agriculture. Like him or not, President Trump has a different style of governing that may best be described as unpredictable. He has set some lofty goals for the next four years, but some of the ideas and changes he discussed during his campaign probably won't come to fruition. As the President has already seen, you can't operate a big government in the same vacuum as a big business and expect the same results.

This isn't to say that President Trump hasn't had some impact already, it's just that agriculture hasn't been a priority for him. Hard decisions on a variety of topics will need to be made in the near future, and following is a quick overview of what we might expect based upon what he has stated (or tweeted) the past several months...

1. Environmental Regulations: As promised in his campaign, the President has begun to reign in the EPA and many of the far-reaching regulations that they implemented in the last administration. Protecting the environment is critically important, but unfortunately many government policymakers don't understand the consequences or burdens inherent with the rules they propose, as we saw with the "Waters of the U.S." debate.

2. Bio-Fuels The government recently announced that the biofuel mandate in 2018 will be nearly the same as this year's, which was a pleasant surprise to many. Unfortunately, the long-term prospect for ethanol and other biofuels is more uncertain. The current head of the EPA, Scott Pruitt, has not been a proponent of these types of fuels in the past so President Trump will likely have to overrule his EPA chief if we hope to

maintain or increase the amount of ethanol or other products that are used in the fuel supply. As we've seen though, this President isn't afraid to override or remove anyone in his administration who disagrees with him.

3. Government Spending Bill: President Trump recently presented his first budget to Congress and the monies allocated to agriculture, like most other departments, were reduced. Changes were proposed for several important programs, including a reduction in crop insurance subsidies and lower payment limitations for many farmers. Though his budget has been described as "dead on arrival", it personifies his belief that government spending must be reduced and it also may be the first sign of his expectations for the 2018 Farm Bill.

4. Trade Agreements: As part of his "America First" policy, the President has been adamant about reviewing all our current trade agreements. If they aren't deemed fair, then he's promised to renegotiate the treaties until they are. While this position sounds great at a campaign rally, remember that any one trade agreement can involve several countries and a multitude of products. The cancelling of a supposedly "unfair" trade deal may seem perfectly reasonable to the U.S. steel worker, but to the Midwest farmer it could be a disaster. Agriculture in this country relies heavily on exports; e.g. nearly 45% of our soybeans are shipped outside the U.S. each year.

While some of what we know about the administration's positions regarding agriculture does seem foreboding, fortunately the President can't unilaterally make changes to most programs without input from Congress. He'll have to work with our elected representatives to pass new legislation and as we've seen with the deliberations on health care... what he wants is not necessarily what he will get. You may not like the way our government operates, but it does provide a system of checks and balances to ensure stability over time.

