



Land Facts

THE LORANDA GROUP, INC.

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The 2020 Farmland Market “Keeping It In Perspective”

By: John D. Moss, President

Like many of you, when the COVID-19 quarantine was implemented several months ago my daily routine changed. Nearly all my social activities were cancelled, as was my ability to conduct business in a normal way. The additional time I had was a blessing as it gave me an opportunity to take a step back and analyze the land market through a bigger lens, instead of having my thoughts and opinions shaped by whatever news story or sound bite that happened to be trending. As it turned out, this was somewhat refreshing as the different view allowed me to refocus my perspective of farmland and why people should (or shouldn't?) own it given the environment we're in.

It's easy to let the “in the moment” news strategy that is standard across the Internet and social media today lure us into thinking about land strictly from a short-term position. We certainly have had enough news the past several months that would fall into this category, including the trade-tariff disagreement with China; the ramifications of COVID-19; the Saudi-Russia oil war that crippled the ethanol industry; and the increasingly unpredictable weather we've seen during the growing season. These events have resulted in lower commodity prices (which obviously does not bode well for land prices), but are they just short-term blips on the radar that the market will shrug off, or are they a long-term shift in the fundamentals?

Fortunately, there have also been some events lately that have provided stability to the market: a continuation of record low interest rates; a limited supply of farms to buy; and rather substantial government trade subsidy payments. Though the positive influences haven't been as newsworthy as

the negative ones, they have added crucial support to farm real estate prices. Need proof? Recent surveys have suggested that over the past 12 months, average prices for most classes of land have fallen only slightly (anywhere from 1 – 3%), which, considering the circumstances, isn't as much as some would expect.

At this point, I need to state that despite all the negative news that we hear on a regular basis about the farm sector, in my opinion there is no need to panic now regarding your farmland investment. The characteristics that I see when looking through the bigger lens remind me that farmland should be viewed as an asset with a longer holding period (10 + years), if the owner wants to maximize his or her return on investment. In addition (unlike certain alternative assets), land has proven over time that it

will appreciate in value; that it can generate an income stream that often exceeds that of bonds and equities; and that it can play a complimentary role in a balanced investment portfolio. There's also that emotional attachment to the ground that many have that you won't find with a paper asset or with other types of real estate.



If you're willing to have patience and accept these parameters, then owning a farm makes perfect sense. However, it's also important to remember that your motivation for owning a farm can change over time, which is why I encourage my clients to evaluate their goals and objectives on a regular basis. For example, I've worked with numerous families recently where a group of siblings had inherited a farm from their parents. After holding on to the land for several years, they realized that the next generation had no interest in the property so they decided to sell their holdings so they could simplify their estates. I've also consulted with farmers who decided to sell land (with



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Land Market Update!

Farmland Values – A Look Back

In 1929, when my grandfather was a senior at Purdue University, he wrote a research paper titled “An Appraisal of 100 Farms in Northwestern Indiana”. His paper analyzed 1928 farmland prices in that part of the state and the table below represents some of his findings. To see how far we’ve come over the past 90 years, I’ve also included 2019 information regarding yields and land prices in northwest Indiana from the Purdue Land Value Survey. It’s interesting to note that oats were a popular grain being grown in 1928 while soybeans were not yet part of a standard crop rotation.



Relation of Land Prices to Yields of Corn, Oats, and Wheat

Soil Productivity (Corn - Per Acre)	1928 Price of Land	2019 Price of Land	2019 Yields Corn	1928 Yields Corn	1928 Yields Oats	1928 Yields Wheat
30 to 40 Bu. (POOR)	\$95/A	\$5,068/A	140 Bu/A	34 Bu/A	33 Bu/A	19 Bu/A
40 to 50 Bu. (GOOD)	\$122/A	\$6,939/A	170 Bu/A	43 Bu/A	38 Bu/A	20 Bu/A
50 Bu. & Over (TOP)	\$144/A	\$8,082/A	201 Bu/A	51 Bu/A	42 Bu/A	20 Bu/A

THE LORANDA GROUP, INC. is a diversified agricultural real estate services firm headquartered in Bloomington, IL with offices across the Midwest. We offer auction, brokerage, sale/leaseback, and consulting services to agricultural and recreational landowners.



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a leaseback) that they had previously purchased so they could pay down debt. In each of these situations, the original plan when they acquired the acreage was to hold on to the asset, but their circumstances and motivation had changed over time so that selling the property was the best solution.

Given current commodity prices, will the average price of land continue to drift lower during the next 12 months? Most likely yes, though probably not as much as one would think given the news that

we’re bombarded with. The most productive tracts will continue to be in the greatest demand while prices for the lower quality farms will likely soften. Just remember that a price correction with an asset like farmland is not a sign to panic, but instead it’s a reminder to regain your perspective on why it’s been a good investment to own over time.

