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Ag Decision Maker

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Average value of Iowa farmland reaches $5,064 in 2010

by Mike Duffy, extension economist, 515-294-6160, mduffy@iastate.edu

The average value of an acre of farmland in Iowa increased 15.9 percent in 2010, according to an annual survey conducted by Iowa State University Extension. The statewide average land value as of Nov. 1 this year was $5,064 an acre, up $693 per acre from 2009.

The 2010 survey shows a substantial increase in land values following a drop in 2009. We need to watch the land values and be prudent, but I don't think we need to be overly pessimistic there will be a crash in values anytime soon. The rate of increase in 2010 appears high, but it is half the yearly increases in 1973, 1974 and 1975.

It is important to remember the time span when evaluating survey results. This has been especially true the past few years when corn and soybean prices have varied considerably. Monthly prices for corn averaged 37 percent higher July to November this year compared to average monthly prices from January through June. Soybean prices are 21 percent higher over the same time span.

The survey is sponsored annually by the Iowa Agriculture and Home Economics Experiment Station at Iowa State University. Only the state average and the district averages are based directly on the ISU survey data. The county estimates are derived using a procedure that combines the Iowa State survey results with data from the U.S. Census of Agriculture.

Of the nine crop reporting districts in the state, the Iowa State survey found the highest land values were reported for Northwest Iowa at $6,356 per acre; the lowest land values were reported for South Central Iowa at $2,690 per acre.

The highest county average in the state was O'Brien County at $7,148 per acre, up 16.2 percent from 2009. Decatur County had the lowest average at $2,085 per acre and the lowest dollar increase at $128 per acre. The greatest dollar increase was $1,152 in Wright County; the highest percentage increase was in Kossuth County at 21.9 percent. (See Table on page 2 for all county values.)

Land values should remain strong at least for the next several months.

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Handbook updates

For those of you subscribing to the handbook, the following updates are included.

Estimated Costs of Crop Production in Iowa - 2011 -- A1-20 (13 pages)

Livestock Planning Prices -- B1-10 (1 page)

2010 Farmland Value Survey -- C2-70 (5 pages)

Please add these files to your handbook and remove the out-of-date material.

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University Extension

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Comparative Iowa Land Values 2009 - 2010

By Crop Reporting District:

District	2010 $/acre	2009 $/acre	2009-2010 Change $	2009-2010 Change %
Northwest	$6,356	$5,364	$991	18.5%
North Central	$5,746	$4,827	$919	19.0%
Northeast	$5,022	$4,464	$558	12.5%
West Central	$5,466	$4,652	$814	17.5%
Central	$5,901	$5,026	$874	17.4%
East Central	$5,447	$4,796	$651	13.6%
Southwest	$4,325	$3,559	$766	21.5%
South Central	$2,690	$2,537	$153	6.0%
Southeast	$4,296	$3,832	$464	12.1%
State Average	$5,064	$4,371	$693	15.9%

By County: County Name	2010 $/acre	2009 $/acre	2009–2010 $ Change	2009–2010 % Change
Adair	$3,923	$3,321	$602	18.14%
Adams	$3,187	$2,764	$423	15.30%
Allamakee	$3,376	$3,096	$280	9.04%
Appanoose	$2,196	$2,061	$135	6.56%
Audubon	$5,372	$4,537	$835	18.40%
Benton	$5,827	$4,973	$854	17.18%
Black Hawk	$6,394	$5,434	$960	17.67%
Boone	$6,225	$5,204	$1,022	19.63%
Bremer	$5,762	$5,032	$730	14.51%
Buchanan	$5,642	$4,924	$718	14.59%
Buena Vista	$6,535	$5,538	$997	18.01%
Butler	$5,657	$4,785	$872	18.22%
Calhoun	$6,536	$5,481	$1,055	19.25%
Carroll	$5,949	$5,081	$868	17.08%
Cass	$4,831	$4,053	$779	19.21%
Cedar	$5,362	$4,922	$440	8.94%
Cerro Gordo	$5,704	$4,811	$893	18.57%
Cherokee	$6,061	$5,181	$881	17.00%
Chickasaw	$4,850	$4,245	$605	14.26%
Clarke	$2,429	$2,258	$172	7.61%
Clay	$6,083	$5,153	$930	18.05%
Clayton	$4,464	$4,093	$370	9.04%
Clinton	$4,473	$4,205	$268	6.38%
Crawford	$5,427	$4,608	$820	17.79%
Dallas	$5,806	$4,859	$947	19.50%
Davis	$3,002	$2,691	$311	11.57%
Decatur	$2,085	$1,957	$128	6.56%
Delaware	$5,517	$5,029	$488	9.71%
Des Moines	$4,845	$4,220	$625	14.82%
Dickinson	$5,655	$4,868	$787	16.16%
Dubuque	$5,091	$4,683	$408	8.71%
Emmet	$5,960	$5,045	$915	18.13%
Fayette	$5,118	$4,576	$541	11.83%
Floyd	$5,439	$4,659	$780	16.75%
Franklin	$5,778	$4,786	$992	20.73%
Fremont	$4,586	$3,840	$746	19.43%
Greene	$5,701	$4,797	$904	18.84%
Grundy	$6,452	$5,434	$1,019	18.75%
Guthrie	$4,933	$4,146	$787	18.99%
Hamilton	$6,634	$5,507	$1,127	20.47%

By County: County Name	2010 $/acre	2009 $/acre	2009–2010 $ Change	2009–2010 % Change
Hancock	$5,810	$4,826	$984	20.40%
Hardin	$5,987	$4,970	$1,017	20.46%
Harrison	$5,151	$4,326	$825	19.06%
Henry	$4,484	$3,904	$580	14.85%
Howard	$4,364	$3,822	$541	14.16%
Humboldt	$6,379	$5,257	$1,121	21.33%
Ida	$5,847	$4,961	$885	17.85%
Iowa	$4,965	$4,183	$781	18.67%
Jackson	$4,183	$3,886	$296	7.63%
Jasper	$5,102	$4,343	$760	17.49%
Jefferson	$3,562	$3,100	$462	14.91%
Johnson	$5,750	$5,052	$698	13.82%
Jones	$4,584	$4,301	$282	6.56%
Keokuk	$4,300	$3,643	$657	18.03%
Kossuth	$6,194	$5,080	$1,113	21.91%
Lee	$4,243	$3,825	$418	10.94%
Linn	$5,676	$5,201	$475	9.13%
Louisa	$5,019	$4,422	$597	13.49%
Lucas	$2,305	$2,163	$142	6.56%
Lyon	$6,277	$5,404	$873	16.16%
Madison	$4,359	$3,721	$638	17.14%
Mahaska	$4,446	$3,867	$579	14.98%
Marion	$4,175	$3,765	$410	10.88%
Marshall	$5,478	$4,598	$880	19.14%
Mills	$5,121	$4,288	$833	19.43%
Mitchell	$5,392	$4,618	$774	16.75%
Monona	$4,676	$3,934	$741	18.84%
Monroe	$3,055	$2,731	$325	11.88%
Montgomery	$4,151	$3,476	$675	19.43%
Muscatine	$5,114	$4,673	$441	9.44%
O'Brien	$7,148	$6,153	$994	16.16%
Osceola	$6,350	$5,467	$883	16.16%
Page	$3,816	$3,195	$621	19.43%
Palo Alto	$5,954	$4,958	$996	20.10%
Plymouth	$6,462	$5,483	$980	17.87%
Pocahontas	$6,345	$5,255	$1,090	20.75%
Polk	$5,554	$4,718	$836	17.73%
Pottawattamie	$5,553	$4,656	$896	19.25%
Poweshiek	$4,979	$4,197	$782	18.63%
Ringgold	$2,609	$2,339	$270	11.55%
Sac	$6,328	$5,405	$923	17.08%
Scott	$6,699	$6,361	$338	5.31%
Shelby	$5,506	$4,625	$881	19.04%
Sioux	$7,048	$6,028	$1,021	16.93%
Story	$6,434	$5,379	$1,055	19.61%
Tama	$5,502	$4,625	$876	18.95%
Taylor	$2,929	$2,530	$399	15.79%
Union	$3,147	$2,826	$321	11.35%
Van Buren	$3,196	$2,872	$324	11.29%
Wapello	$3,569	$3,096	$473	15.27%
Warren	$4,318	$3,873	$445	11.48%
Washington	$5,588	$4,734	$853	18.03%
Wayne	$2,210	$2,074	$136	6.56%
Webster	$6,438	$5,344	$1,094	20.47%
Winnebago	$5,443	$4,522	$922	20.38%
Winneshiek	$4,350	$3,896	$454	11.66%
Woodbury	$4,754	$4,002	$752	18.78%
Worth	$5,376	$4,534	$842	18.56%
Wright	$6,553	$5,401	$1,152	21.33%

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Beyond that there is a fair degree of uncertainty with respect to whether land values can maintain their current levels.

The volatility in corn and soybean prices and production costs lead to tremendous uncertainty and volatility in the land market, as historically reflected in the Iowa State survey. Land values were up 22 percent in 2007, down 2.2 percent in 2009 and up 15.9 percent in 2010. Since 2004, Iowa land values are up 93 percent.

In addition to the volatility in prices and costs, there has been a substantial shift in the fundamental supply and demand situation for farmland. Over 60 percent of the 2009 respondents indicated there were fewer sales in 2009 compared to 2008. This was the largest drop in sales reported in the Iowa State survey. In 2010, almost three-fourths of the respondents said sales were either the same or less than 2009. This shows the slump in sales is either continuing, or in some cases worsening, throughout the state.

Data on farmland values have been collected by Iowa State University annually since 1941. About 1,100 copies of the survey are mailed each year to licensed real estate brokers, ag lenders and others knowledgeable of Iowa land values. Respondents are asked to report values as of Nov. 1. This year 479 usable surveys provided 627 individual county estimates.

Additional information on the 2010 survey is available in AgDM File C2-70; an archived version of Duffy's news conference announcing the results are available online at www.extension.iastate.edu/landvalue/.

2010 Land Value Survey Tables - Tables indicate 2010 values by crop reporting district and county, 2009 values, dollar change from 2009 to 2010 and percentage change from 2009 to 2010.

Note to media editors: Data from the 2010 survey, including printable charts and maps, and an archive of the Dec. 15 news conference are available online at www.extension.iastate.edu/landvalue/.

Farmers had a major role in jump-starting ethanol-based increases in corn demand

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In their IFPRI Research Monograph, "Reflections on the Global Food Crisis: How did it happen? How has it hurt? and How can we prevent the next one?," Derek Headey and Shenggen Fan examine the various potential causes of the 2006-2008 run-up in the price of agricultural commodities. They assert that, as a result of the decline in real food prices between the peak of the 1970s crisis and 2005, "rich and poor governments alike…saw little need to invest in agricultural production, and reliance on food imports appeared to be a relatively safe and efficient means of achieving national food security."

Then came the surge in the price of agricultural commodities beginning in the fall of 2006 and the continued high prices since then. As a result, Headey and Fan write, "needless to say, the stability and effectiveness of the world's food system are no longer taken for granted." In their monograph they assess "existing explanations of the crisis" in order to identify the most important, with an eye toward proposing solutions that would, in their view, prevent a repeat of the crisis in the future.

While Headey and Fan are willing to accept the idea that falling real prices resulted in declining investment in agricultural production, they do not find that these shrinking real prices caused the crisis as the result of "productivity decline and falling research and development" in the agricultural sector. We agree with much of their analysis but would point out that they ignore two important areas of investment in grain and oilseed markets.

First, though governments may have reduced the relative size of their investment in agricultural research, private investment in farm chemicals and genomics has been booming. As a result, yield levels in major exporting countries have continued to trend upward at relatively the same average annual rates for periods that cover recent decades as the yield growth rates in the 1960s and 1970s.

While it is true that agricultural yields and output faltered in many developing countries because the World Bank and International Monetary Fund ill-advisedly shutdown public extension, credit and marketing

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services, the anticipated yield plateau in major grain producing countries never flattened out. It is hard to know how long yields will continue their upward paths, but for now the movement is unabated.

Despite the fact that Headey and Fan engaged in an analysis of investment on the supply side, they ignored the impact of investment on the demand side.

Even though crop farmers experienced extended periods of "low" prices prior to the price run-up in latter half of the 2000s, farmers' supply response to those prices did not result in market self-correction. Given the "sunk investment" in land and machinery that saddles farmers with high fixed costs, crop farmers have little choice but to continue raising grains and oilseeds in order to cover at least part of the costs that remain whether they grew something or not. Contrary to the expectations of the proponents of the 1996 Farm Bill, farmers did not—and could not—respond to lower prices by materially reducing total crop production in a timely fashion.

With production locked in at an increasing rate—the result of the investment in technology by the increasingly integrated farm chemical and genomics industry—farmers had only one direction in which they could turn, demand enhancement. Though there were hungry people in the world, effective demand for their product was primarily limited by the rate of population increase.

As a result, the various grain and oilseed promotion boards at both the state and national levels, began throwing all they had into identifying non-food uses for their dirt cheap commodities. The goal was identify potential uses of their commodities that would increase the utilization of their plentiful crops, and thus lift prices out of the basement.

Soybean promotion boards invested in research in everything from bio-diesel to the use of soybean oil for dust control on unpaved country roads, to soy ink, to resin-based countertops. Corn promotion boards invested in research in the use of corn to produce bio-degradable clothing fibers, to increased use of high fructose corn syrup, to products made from corn including sunscreens and plasticizers.

But the holy grail of investment was in valued-added enterprises that would use the corn locally and increase local employment. The focus was on developing a use that would allow the farmers to benefit not only from increased corn prices, but also give them a share in the profits of the firm using their product. And, ethanol was the product that would do both.

To help jump-start the industry, farmers made what seemed, at the time, like a risky investment in facilities to convert their below-the-cost-of-production corn into ethanol for use as a fuel. Not only did they invest in the plants, they worked tirelessly to obtain government subsidies to help develop the industry and enable it to increase the efficiency of the corn-to-ethanol conversion process. They lobbied Midwest legislatures to mandate the use of ethanol in all gasoline sold in their state. They pressed Congress to designate ethanol as a fuel oxygenate.

In short, corn and soybean farmers threw everything they could imagine up against the wall in hopes that something would stick. And what stuck was ethanol.

But it took two events to keep corn-based ethanol from sliding down the wall. Researchers found that the oil industry preferred oxygenate MTBE, a potential carcinogen, was seeping into the water supply. That boosted the fortunes of ethanol's use as an oxygenate in the large California market as the use of MTBE in motor fuel was banned.

The other event was a series of hurricanes in the Gulf of Mexico, including Katrina and Rita, that forced the shutdown of oil platforms and onshore refineries. As a result, the price of gasoline soared, making the existing ethanol plants extremely profitable. And then an administration that had been skeptical of ethanol became its biggest booster. With the high level of profitability of ethanol plants and new government mandates, an unprecedented influx of Wall-Street-type-of-investment resulted in a sharp increase in the expected amount of corn that would be needed.

The increase in the demand for biofuels, that the report cites as one of the causes of the price spike of 2008, did not happen in a vacuum. One of the impacts of a long period of low prices was the increased investment by corn and soybean farmers in demand enhancement research. Without those low prices, especially prices that were well below the cost of production, the early investment by farmers in the ethanol industry and supportive public policy would have been much slower in development.

In our view the report missed one of the most important impact of the 30-year regimen of declining real commodity prices, it triggered investment in non-food demand enhancement. Ethanol and other biofuels just happened to be what stuck to the wall.

New publication helps farmers increase drying efficiency with dryeration

by Dana Petersen, Farm Energy Conservation and Efficiency Initiative, 515-294-5233, petersen@iastate.edu, and Laura Sternweis, Extension Communications and External Relations, 515-294-0775, lsternwe@iastate.edu

A new ISU Extension publication addresses techniques for dryeration and combination drying to increase the drying rate for high-temperature corn dryers.

When harvest conditions require high-temperature grain drying, the dryer system may be the bottleneck that limits harvest rate. A new publication from Iowa State University Extension addresses techniques for dryeration and combination drying to increase the drying rate for high-temperature corn dryers.

"Dryeration and Combination Drying for Increased Capacity and Efficiency" (PM 2089K) is available to download from the Extension Online Store, www.extension.iastate.edu/store/.

This publication illustrates dryeration techniques and management considerations to increase both drying capacity and overall energy efficiency. Topics include delayed cooling, moisture testing, system design and combination drying using both high-temperature and low-temperature systems to achieve optimal results.

"In high-temperature systems, moisture is removed from the corn kernels faster than the moisture can equalize within the kernels," said Shawn Shouse, ISU Extension agricultural engineer. "The dryeration process allows this moisture to move towards the surface of the kernel where it can be removed more efficiently."

Implementing dryeration or combination drying requires additional planning, but the energy savings are considerable.

The publication is part of a series of farm energy conservation and efficiency educational materials being developed through the ISU Farm Energy Conservation and Efficiency educational initiative. The purpose is to increase farmers' awareness of opportunities for improving efficient use of farm energy. The initiative also will help farmers explore alternatives to reduce farm energy demand and to improve their farms' overall profitability in a rapidly changing energy environment.

Publications available include:

Energy Consumption
How Much Energy is Being Used on Your Farm?
Electric Savings: Understanding Demand and 3-phase Motor Use
Tracking the Energy Use on Your Farm

Field Crops
Limiting Field Operations
Energy Conservation in Corn Nitrogen Fertilization

Grain Drying
Dryeration and Combination Drying for Increased Capacity and Efficiency
Managing High Temperature Grain Dryers for Energy Efficiency

Swine
Energy Efficient Fans for Swine Production
Sizing Minimum Ventilation to Save Heating Energy in Swine Housing

Farm Equipment
Ballasting Tractors for Fuel Efficiency

Poultry
Energy Efficient Fans for Poultry Production

For more information, go to http://farmenergy.exnet.iastate.edu.

Updates, continued from page 1

Internet Updates

The following updates have been added on www.extension.iastate.edu/agdm.

Should I Invest in Agricultural Start-up Business Ventures-- C5-225 (3 pages)

Decision Tools and Current Profitability

The following tools have been added or updated on www.extension.iastate.edu/agdm.

Corn Profitability -- A1-85

Soybean Profitability -- A1-86

Ethanol Profitability -- D1-10

Biodiesel Profitability -- D1-15

Returns for Farrow-to-Finish -- B1-30

Returns for Weaned Pigs -- B1-33

Returns for Steer Calves -- B1-35

Returns for Yearling Steers -- B1-35