

# Missouri Farm Land Values Opinion Survey

A web-based survey was conducted in September 2020 to determine what people think has been happening to farmland values in Missouri. The survey was sent to persons we expected to have insight on land values. Ag lenders, rural appraisers and farmers received the survey.

In Missouri, land sales prices need not be reported to any governmental or public agency. We hope the opinions expressed by our survey respondents will be helpful to others needing to estimate current farmland values and trends.

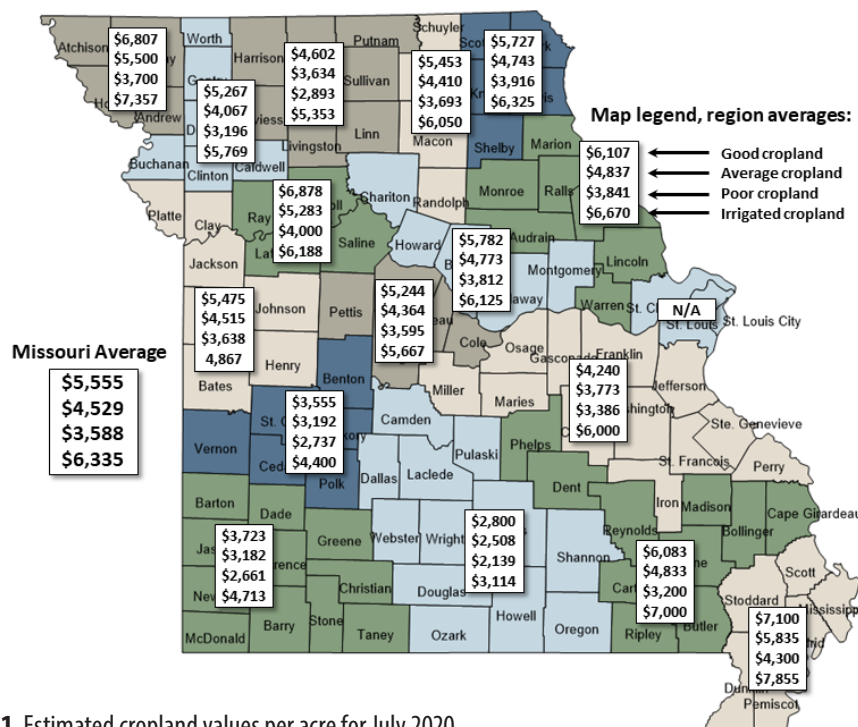
Of the 106 usable surveys in 2020, 64 percent came from lenders, 19 percent from farmers, 11 percent from rural appraisers, and 6 percent from other occupations. They provided their opinions to questions concerning current farmland values and trends. They were asked to exclude from their answer's tracts smaller than 40 acres or land being converted to development or commercial uses.

## Average value of land

Respondents were asked to give estimates of land values as of July 2020 for three classes of cropland and pasture (good, average, poor), irrigated cropland, timberland (with valuable trees), and hunting/recreation land (with little productive agricultural value but with desirable aesthetic qualities). Classification of land was left to the judgment of each respondent. Maps 1, 2 and 3 summarize their responses.

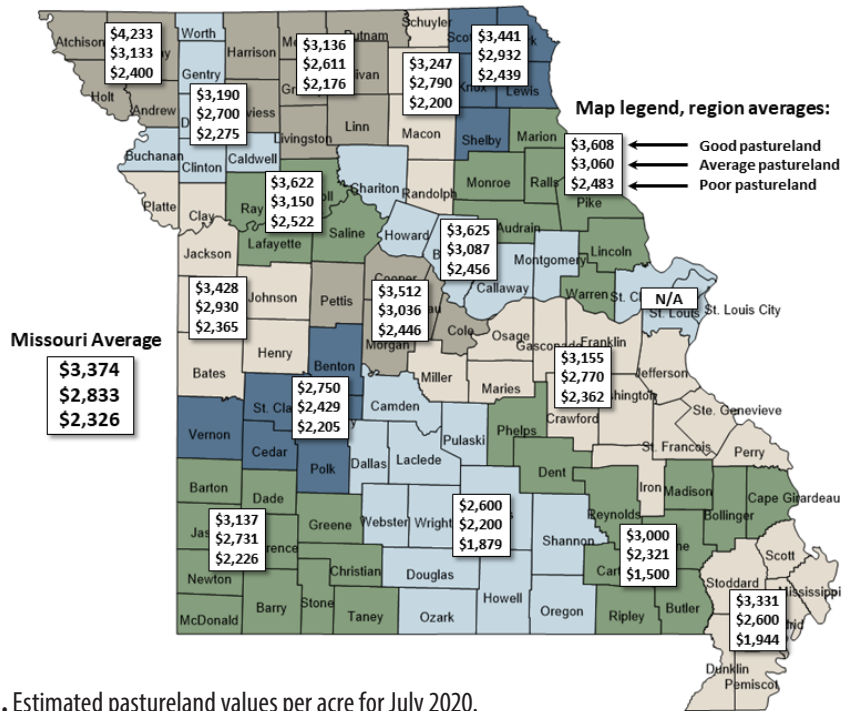
This year's respondents reported the value of good non-irrigated cropland at \$5,555 per acre, up \$134 or 2 percent above last year. The average statewide value reported for irrigated cropland was \$6,335, up \$186 from last year (Map 1).

Good pastureland was estimated to have a statewide average value of \$3,374 per acre, up \$200 or 6 percent above 2019 estimates (Map 2). Timberland was up \$251 to \$2,561 per acre. Hunting/recreation land was up \$125 to \$2,581 per acre (Map 3).

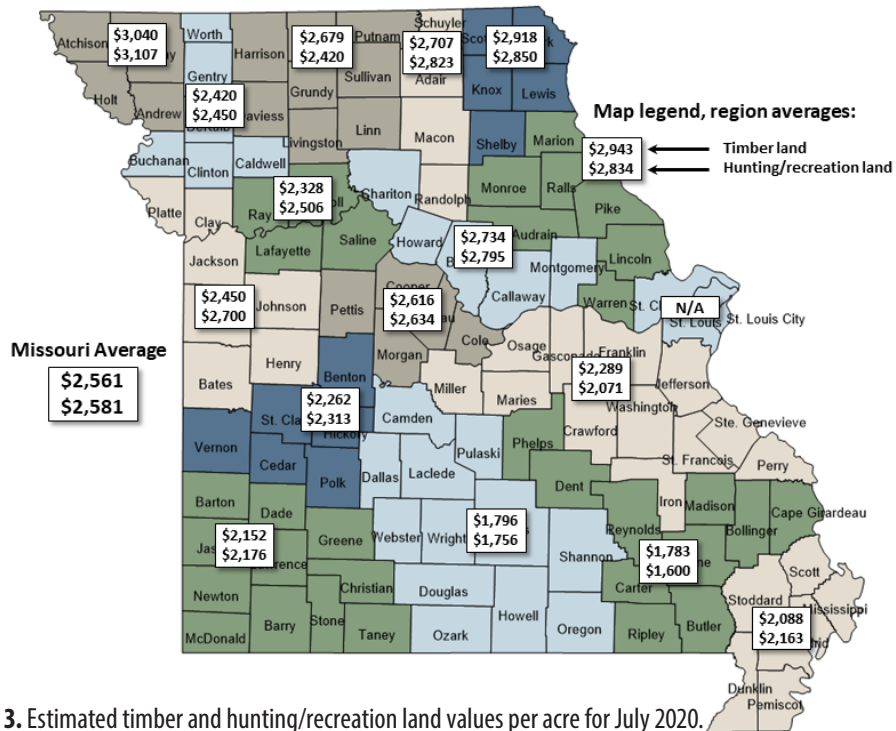


Map 1. Estimated cropland values per acre for July 2020.

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Map 2. Estimated pastureland values per acre for July 2020.



Map 3. Estimated timber and hunting/recreation land values per acre for July 2020.

Map 4 displays the percent change in reported value from the 2019 survey to the 2020 survey for good cropland, good pastureland and timber/hunting/recreational land. Estimated cropland value changes in various regions averaged about 2 percent (Map 4). Changes in pastureland and timber/hunting/recreational land averaged closer to 6 percent. The variability across districts is large. Most survey respondents indicated smaller changes but the small number of responses, some with large changes, caused estimated pastureland values to increase 6 percent. This underscores the need to use caution when valuing any one parcel of land or using individual districts.

## Who is buying land?

Survey respondents thought that 60 percent of farmland buyers were planning to farm the land themselves, 25 percent were planning to rent out the land and 12 percent were planning to use it for non-farming purposes (Map 5). This result shows a slight increase in land purchases for non-agricultural purposes. The more agriculturally dependent districts have a much larger percent of persons buying land to either farm it themselves or rent it to another farmer.

## Factors affecting values

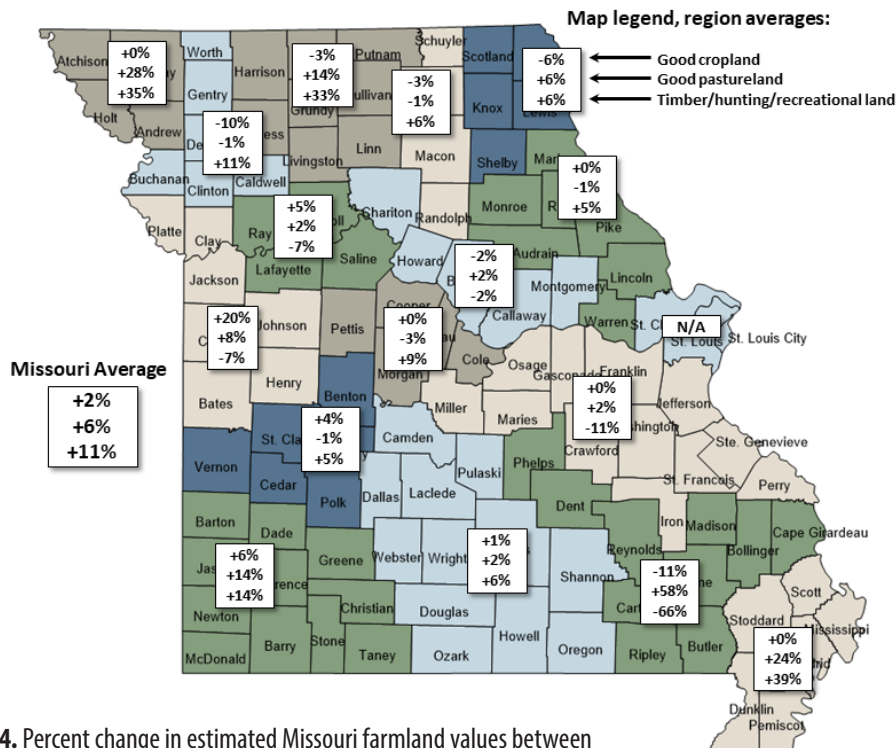
Many comments from the survey respondents mentioned low interest rates and non-farmer/recreational purchases as reasons that land values continue to rise beyond expectations.

Lower interest rates have allowed persons to pay more for the land because principal and interest payments still fit within their expected cash flow. This emphasis on cash flow may be causing some to overlook the lack of profit in the near years of ownership. In addition, farmers with high equity are willing to take on a little more debt at these low rates.

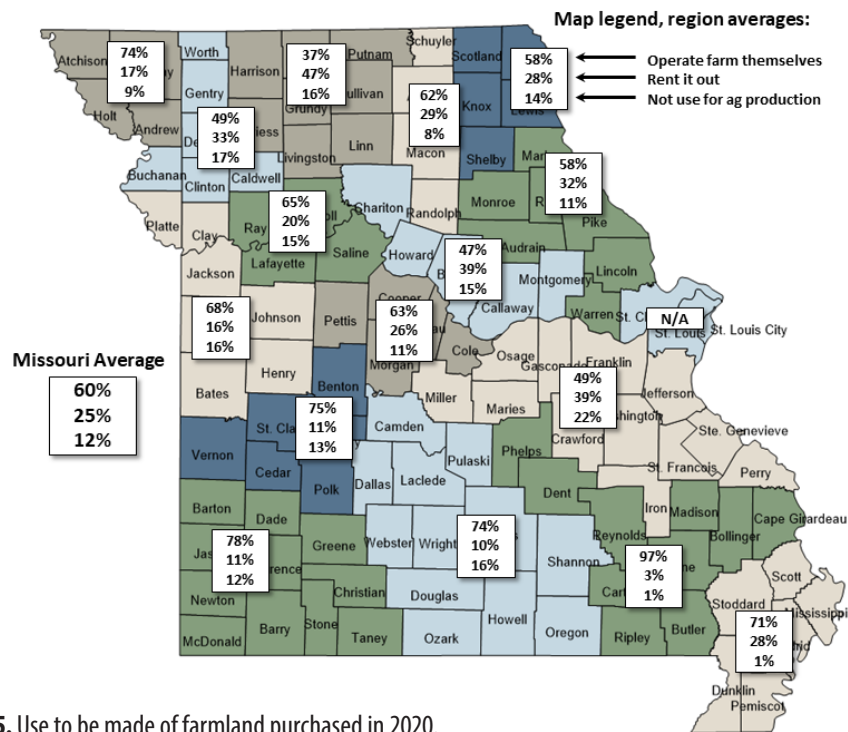
Several respondents mentioned large landowners getting larger and the importance of location for those wanting to use their equipment over more acres.

This year has seen the expectation of high yields so farmers are optimistic that they can afford another piece of land. Low prices have not seemed to retard demand for land. Some respondents indicated that various government payments have provided the cash needed to buy.

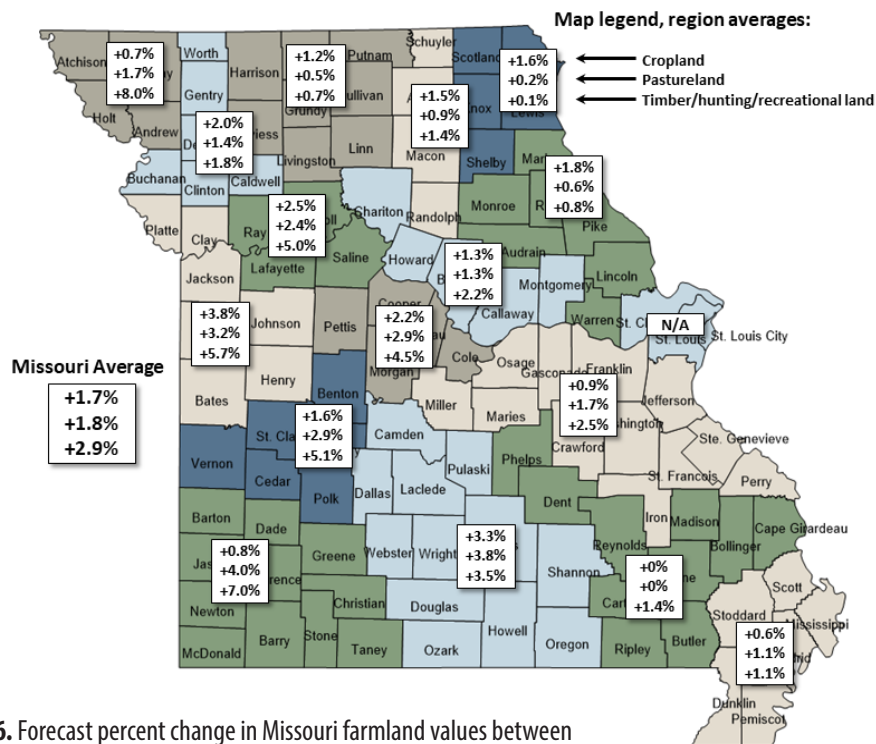
Across the state, 37 percent of purchases were thought to be for renting out the land or not using it for agriculture. This percentage impacts those who are more likely to consider lands productive capacity rather



**Map 4.** Percent change in estimated Missouri farmland values between July 2019 and July 2020.



**Map 5.** Use to be made of farmland purchased in 2020.



**Map 6.** Forecast percent change in Missouri farmland values between July 2020 and July 2021.

than its investment capacity. Several comments from survey respondents gave specific examples of how some purchasers, especially of pasture and recreational land, paid much more than the land would provide in profit. But when putting a house on the acreage or as a place to invest money in a hard asset, purchasers were willing to pay higher prices.

Several respondents said that the expansion of broadband Internet into the rural areas has resulted in people purchasing land surrounding metropolitan areas, driving up values. One person said land within a 1.5-hour drive of St. Louis was being purchased by investors rather than farmers.

To the expansion of broadband Internet was added the impact of COVID-19. Several respondents indicated that people were seeking land outside the city to build a house and escape the problems associated with crowded areas in cities. Some of these respondents surmised that this would be a short-term phenomenon and not carry into longer term land values in their area.

## Outlook

In 2019, respondents expressed their outlook for land values. They forecast no change for cropland and only a 1

percent increase for pastureland and timber/recreational land values. Despite tight financial situations discussed in agriculture, this year they estimated a nearly 2 percent increase for cropland and pastureland. Map 6 shows the expected change by region.

## USDA land value data

Table 1 reports the USDA estimates of average land values for Missouri and surrounding states. The \$3,530 estimate of the USDA for cropland is \$999 lower than the \$4,529 value reported by our survey respondents for average cropland. For pastureland, the USDA estimates the value at \$2,000 per acre, or \$833 less than our survey estimate of \$2,833 per acre.

The USDA data for other states can give a relative perspective of the value of land between states.

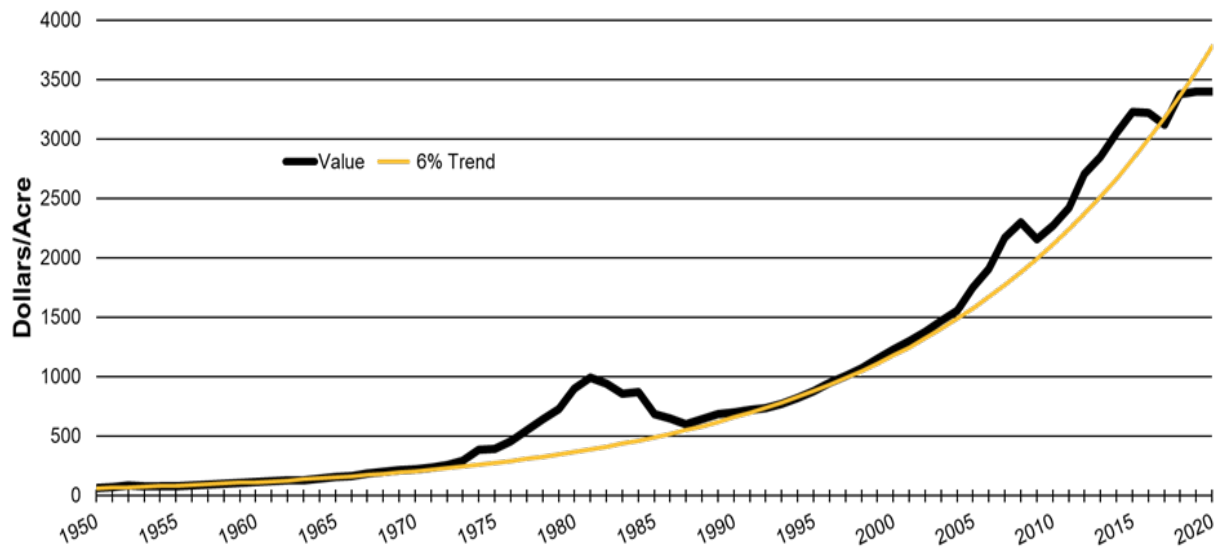
Figure 1 shows the trend in Missouri farmland and building values over time. There has been a consistent 6 percent appreciation of value since 1950. According to USDA data, real estate values began deviating from the 6 percent trend line about 15 years ago. Real estate values in Missouri have settled back down on the trend line and are slightly under it.

**Table 1. Agricultural land values per acre, June 2020.**

State(s)	Cropland (dollars)	Pasture (dollars)	All land and buildings (dollars)
Missouri	3,530	2,000	3,400
Arkansas	2,880	2,650	3,350
Illinois	7,300	3,200	7,400
Iowa	7,170	2,690	7,070
Kansas	2,080	1,370	1,900
Corn belt <sup>1</sup>	6,350	2,340	6,110
United States <sup>2</sup>	4,100	1,400	3,160

<sup>1</sup> Includes Indiana, Illinois, Iowa, Missouri, and Ohio.

<sup>2</sup> Averages 48 states.



**Figure 1.** All farmland and buildings, 1950–2020, Missouri values.