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# Farmland Values, Finance, and Farm Debt



The views expressed are those of the author and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

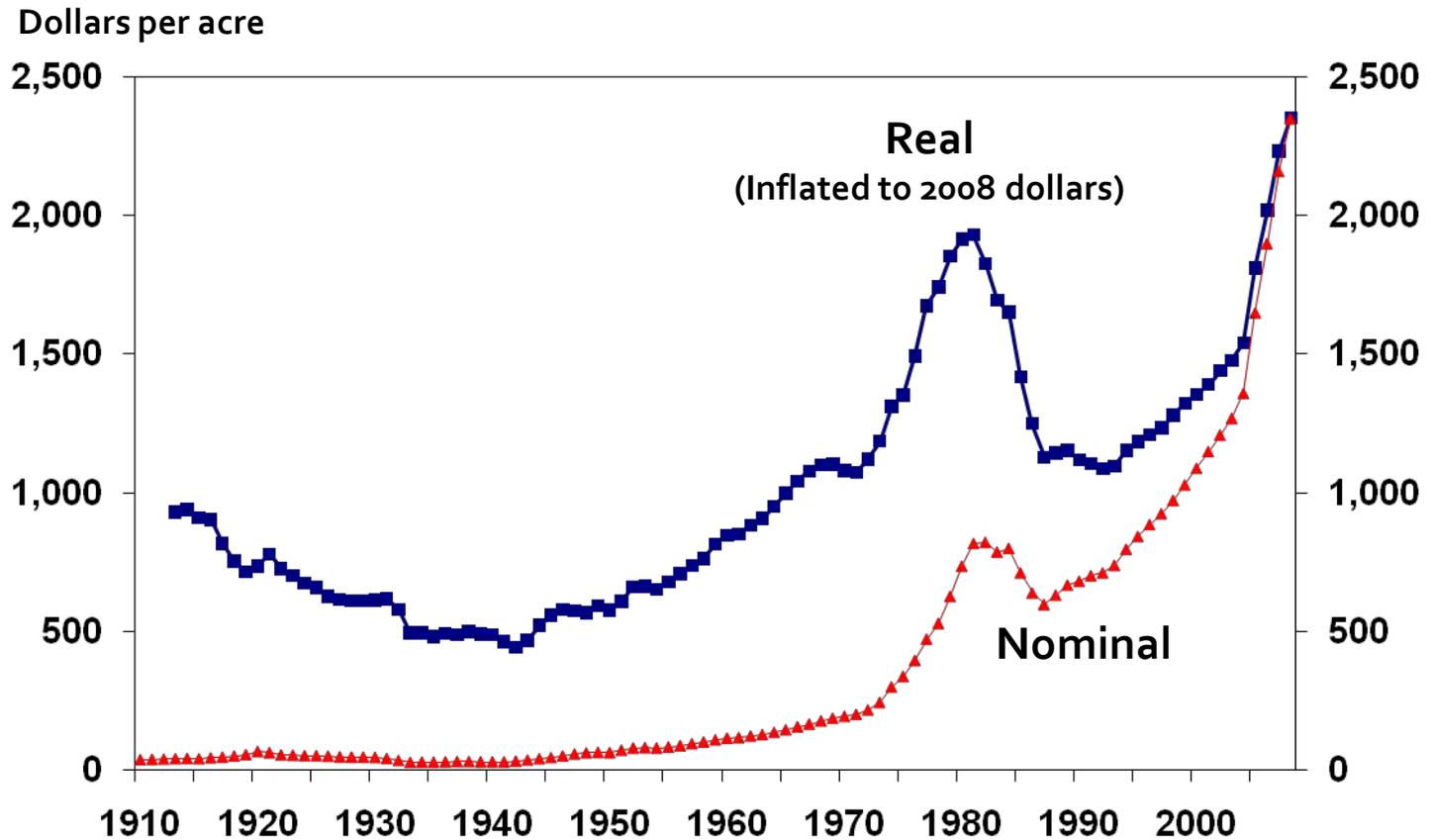
# Today's Roadmap

- **The drivers of change**
  - **Non-farm demand: recreation and residential demand**
  - **Farm demand surges**
- **Has the farm boom peaked?**
- **Will debt levels remain low?**
- **How will demographics shape land markets?**



*On a national basis, real farmland values have topped the 1980s highs.*

## U.S. Farmland Values



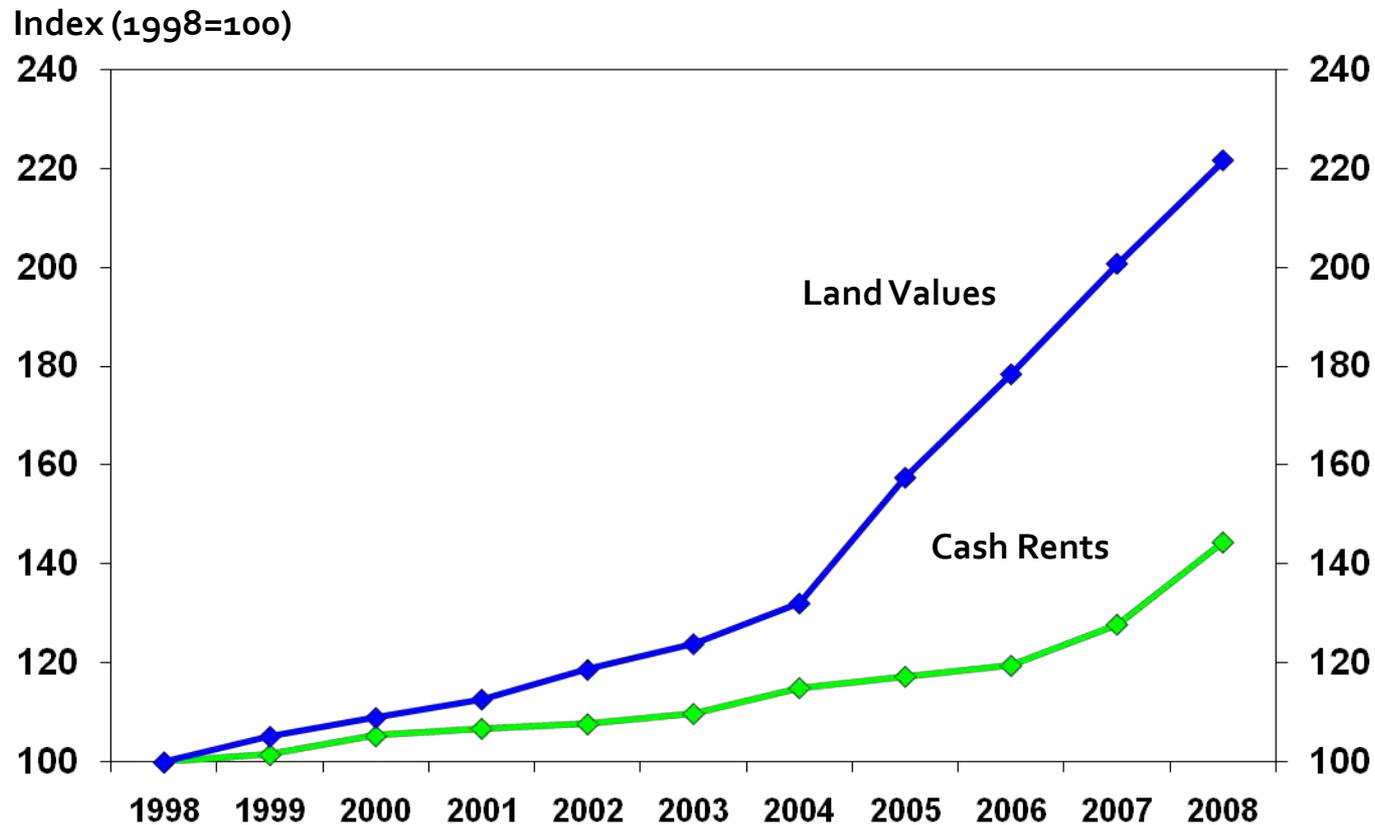
Source: USDA





# Land value gains outpace cash rents.

## U.S. Cropland Values and Cash Rents

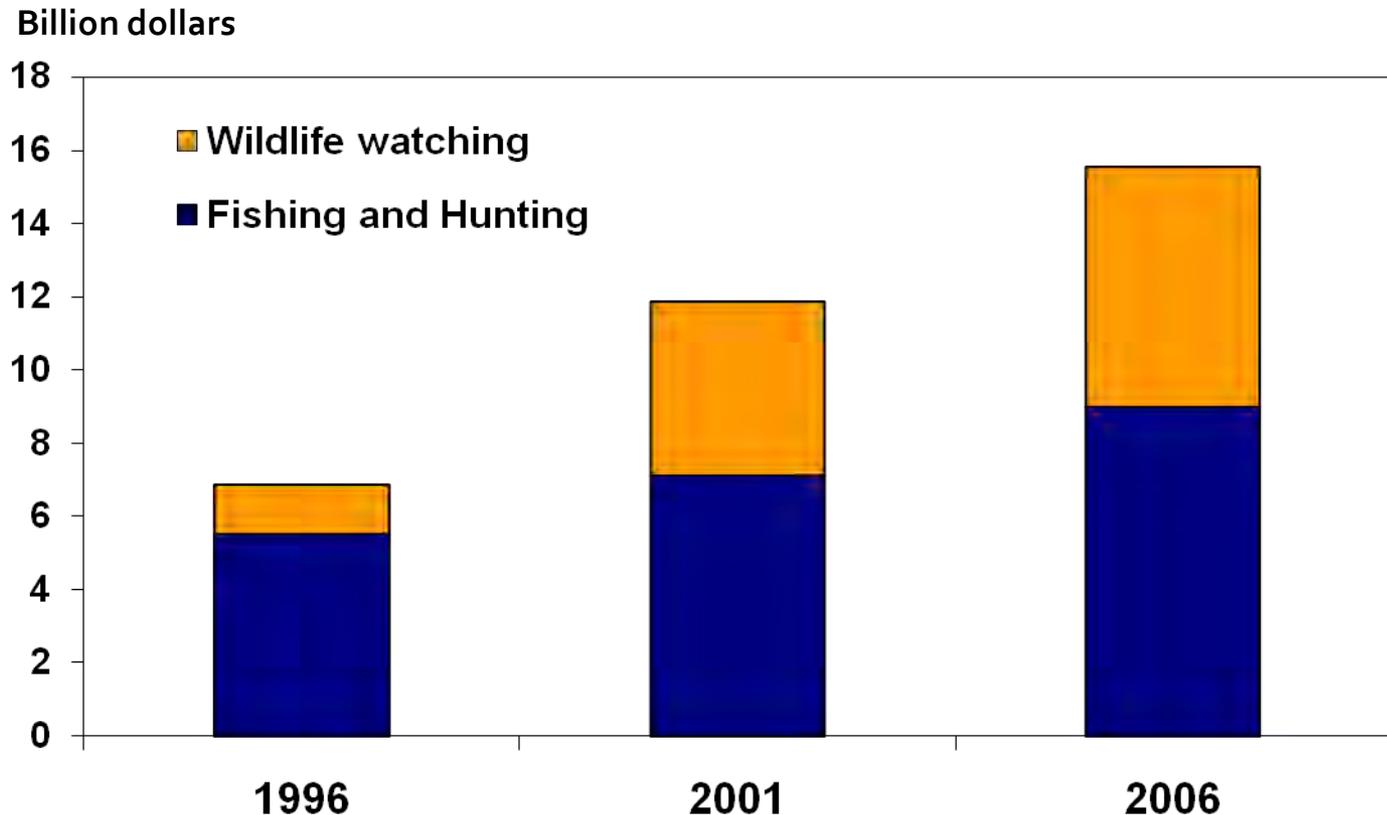


Source: USDA



# *Recreational demand has surged.*

## U.S. Wildlife Recreation Expenditures for Land Ownership and Leasing



Source: US Fish and Wildlife Service



# *Residential pressures have increased.*

## Utah Metropolitan Areas 1990



Metropolitan  
Counties



Source: U.S. Census Bureau



# *Residential demand has spread beyond metro areas.*

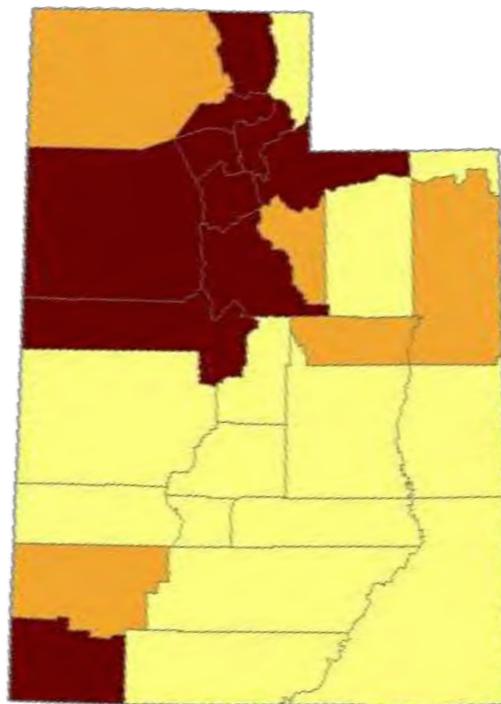
## Utah Metropolitan and Micropolitan Counties 2003



Metropolitan  
Counties



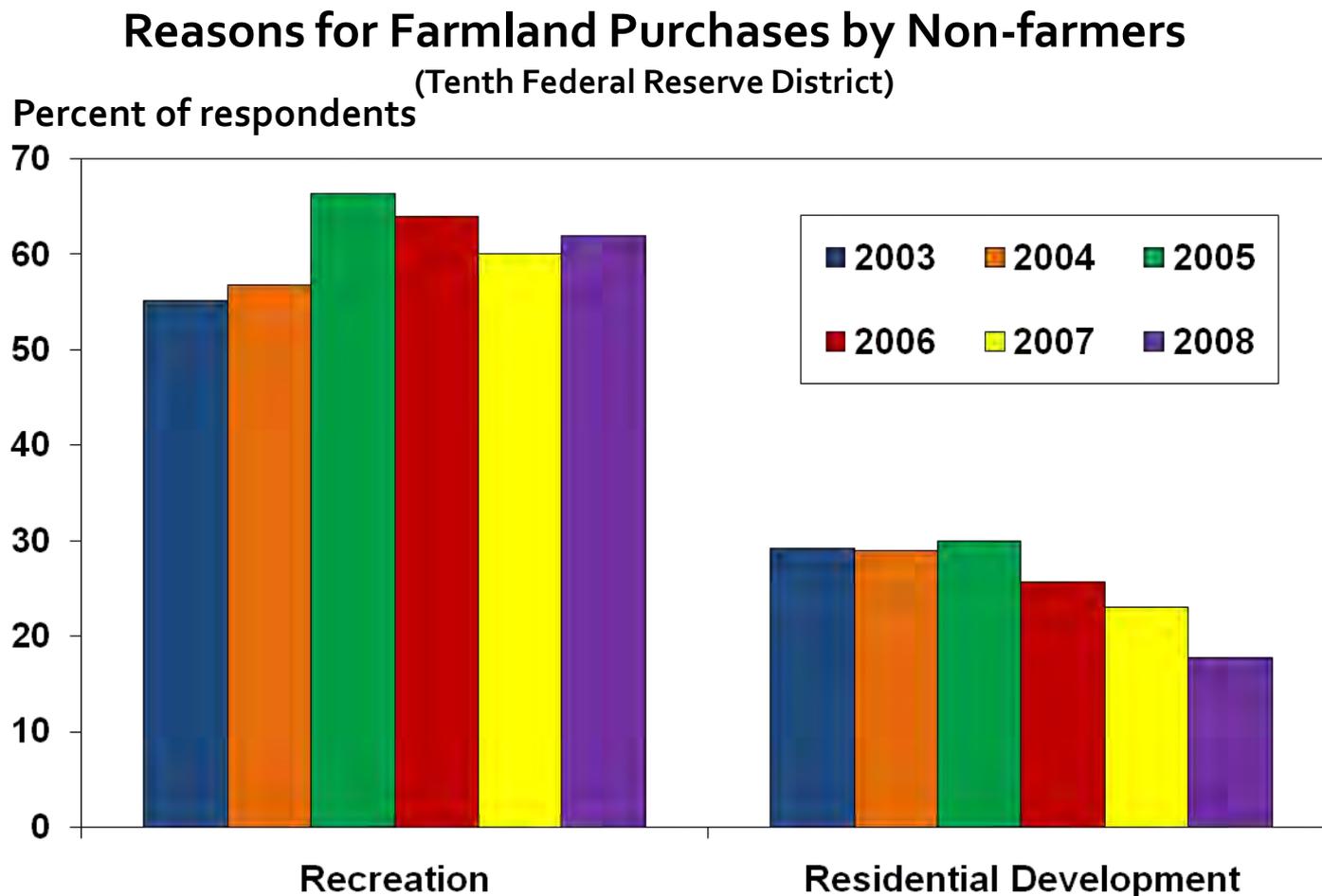
Micropolitan  
Counties



Source: U.S. Census Bureau



# Recreational and residential demand has slowed.

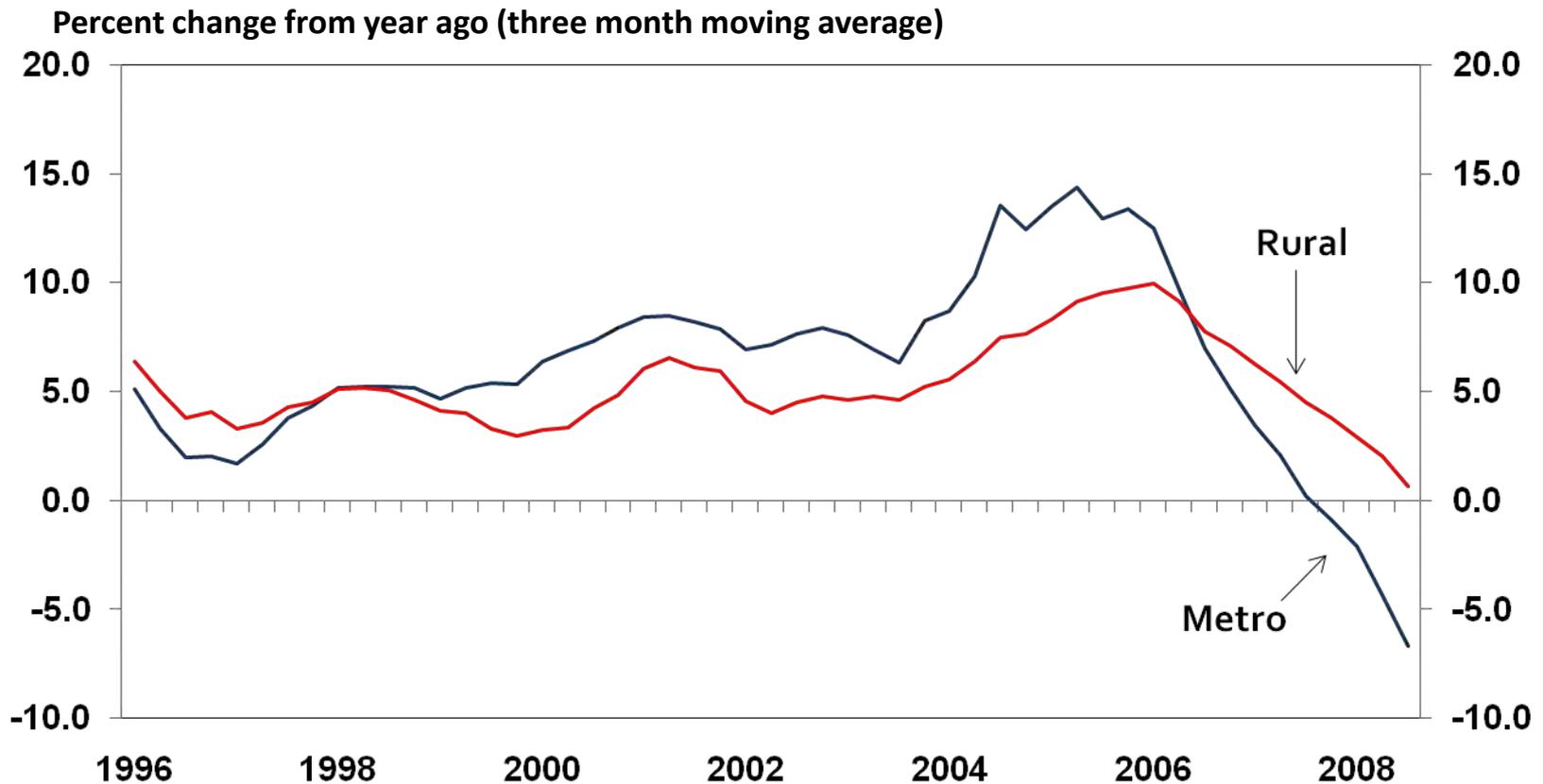


Source: Federal Reserve Bank of Kansas City



# *Rural home prices are holding.*

## U.S. Housing Price Growth



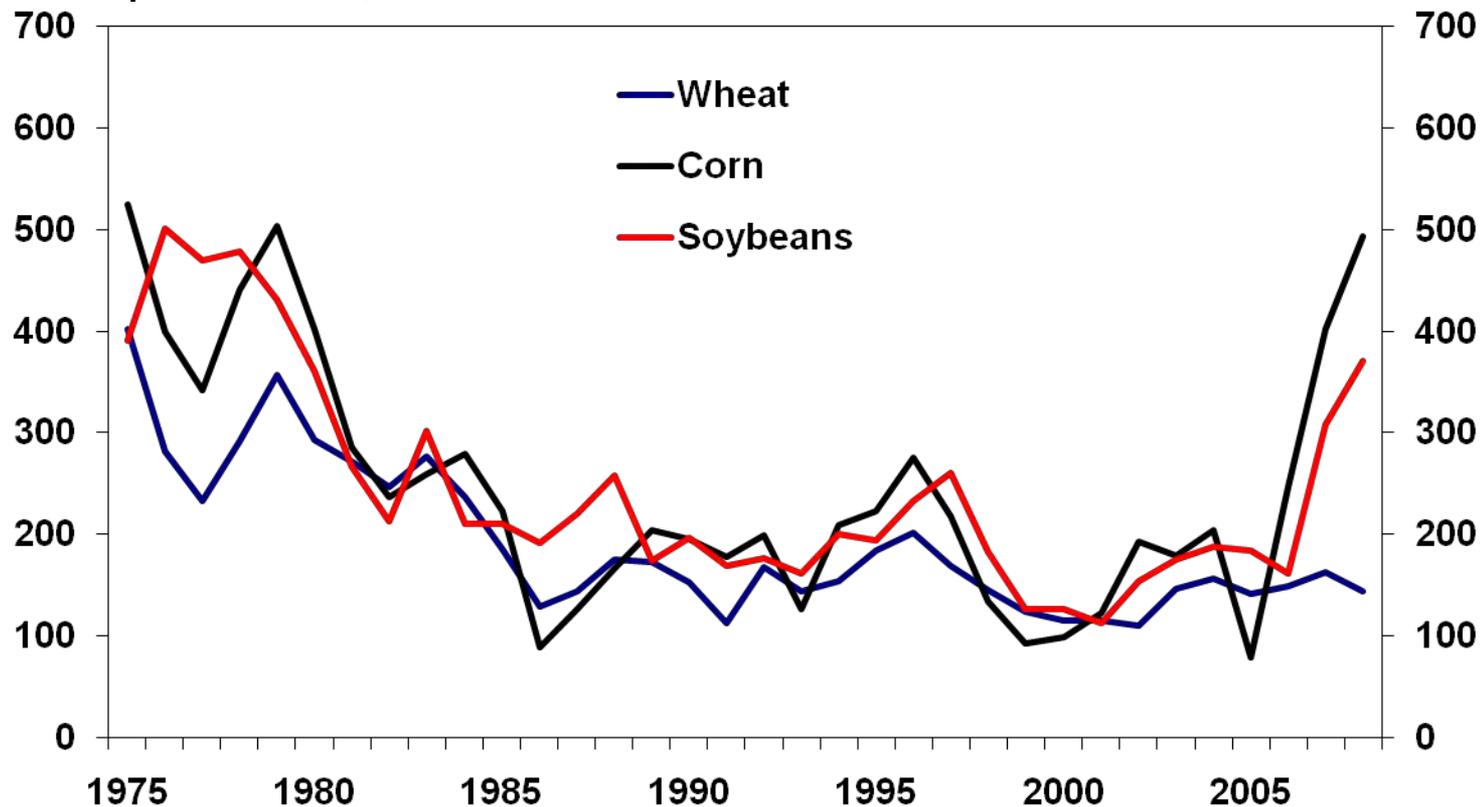
Source: Federal Housing Finance Authority



# Market returns have jumped sharply for corn and soybeans.

## Market returns to Crop Production (less variable or operating costs)

Dollars per acre (2007=100)



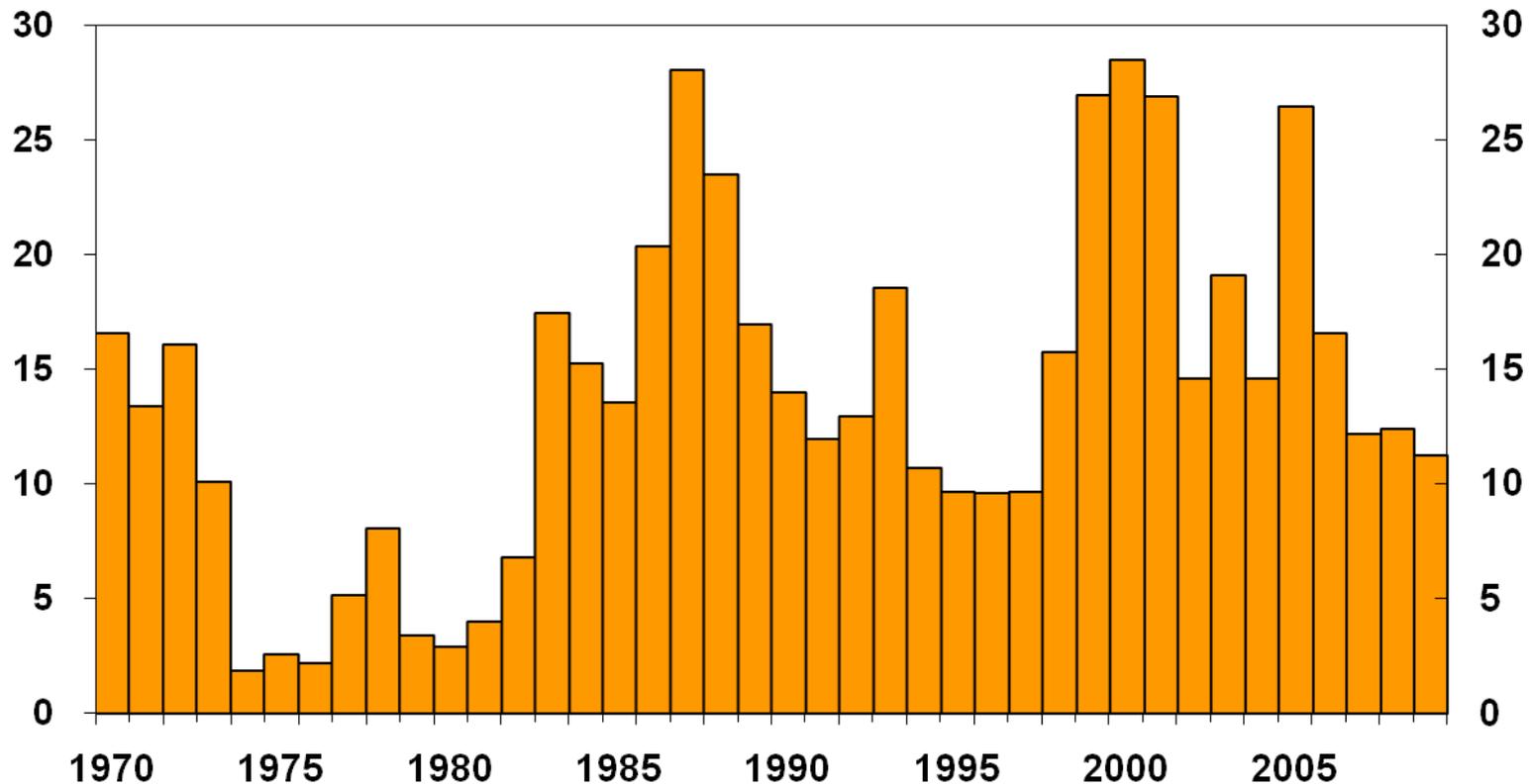
Calculations based on USDA cost and returns data.



# *Government payments have declined in a booming farm economy.*

## U.S. Farm Subsidy Payments

Billions of Dollars (2008=100)



Source: USDA



# Today's Roadmap

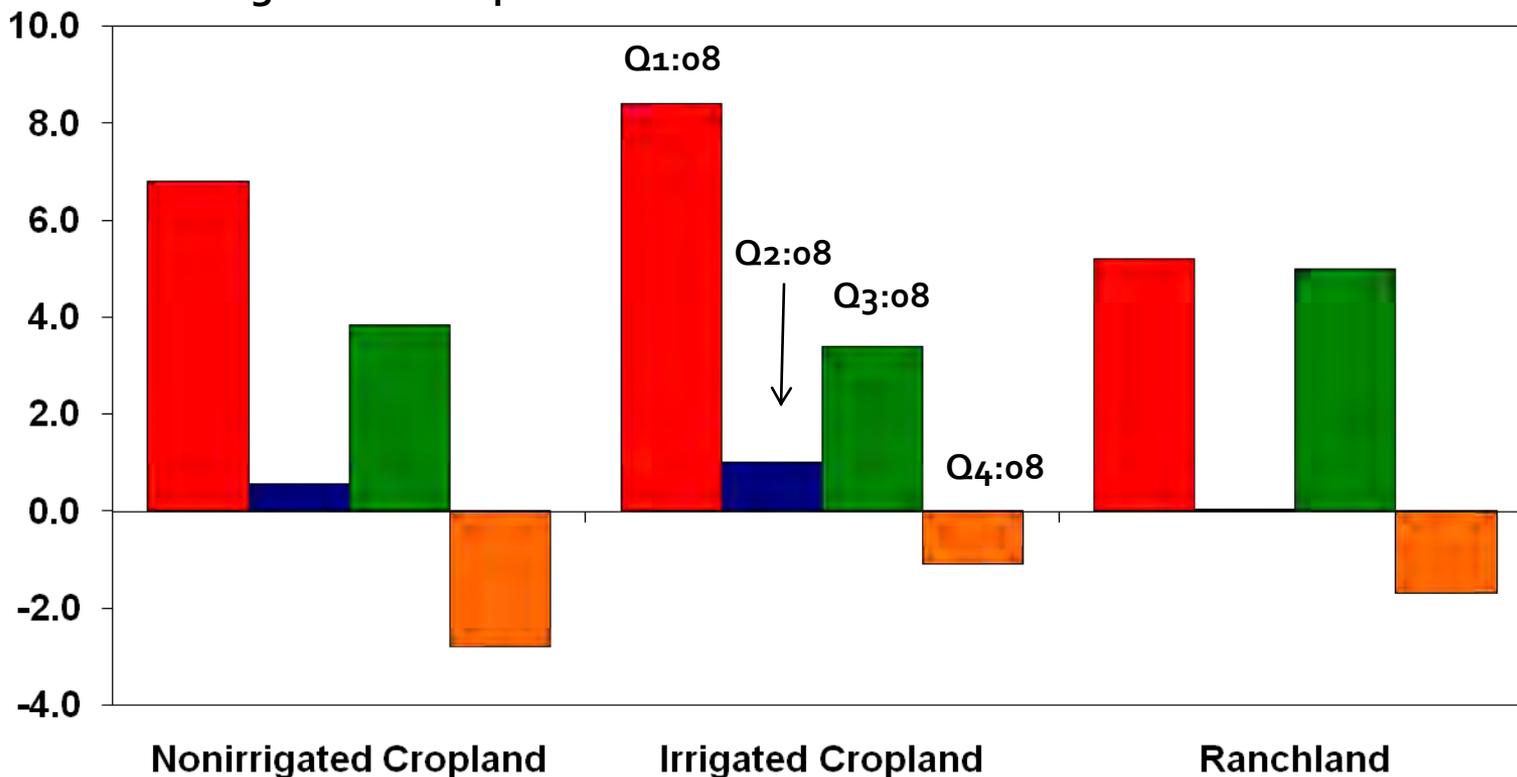
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  - Non-farm demand
  - Farm demand surges
- **Has the farm boom peaked?**



# Land value gains have slowed recently.

## Farmland Value Gains (Tenth Federal Reserve District)

Percent change from last quarter\*



Source: Federal Reserve Bank of Kansas City

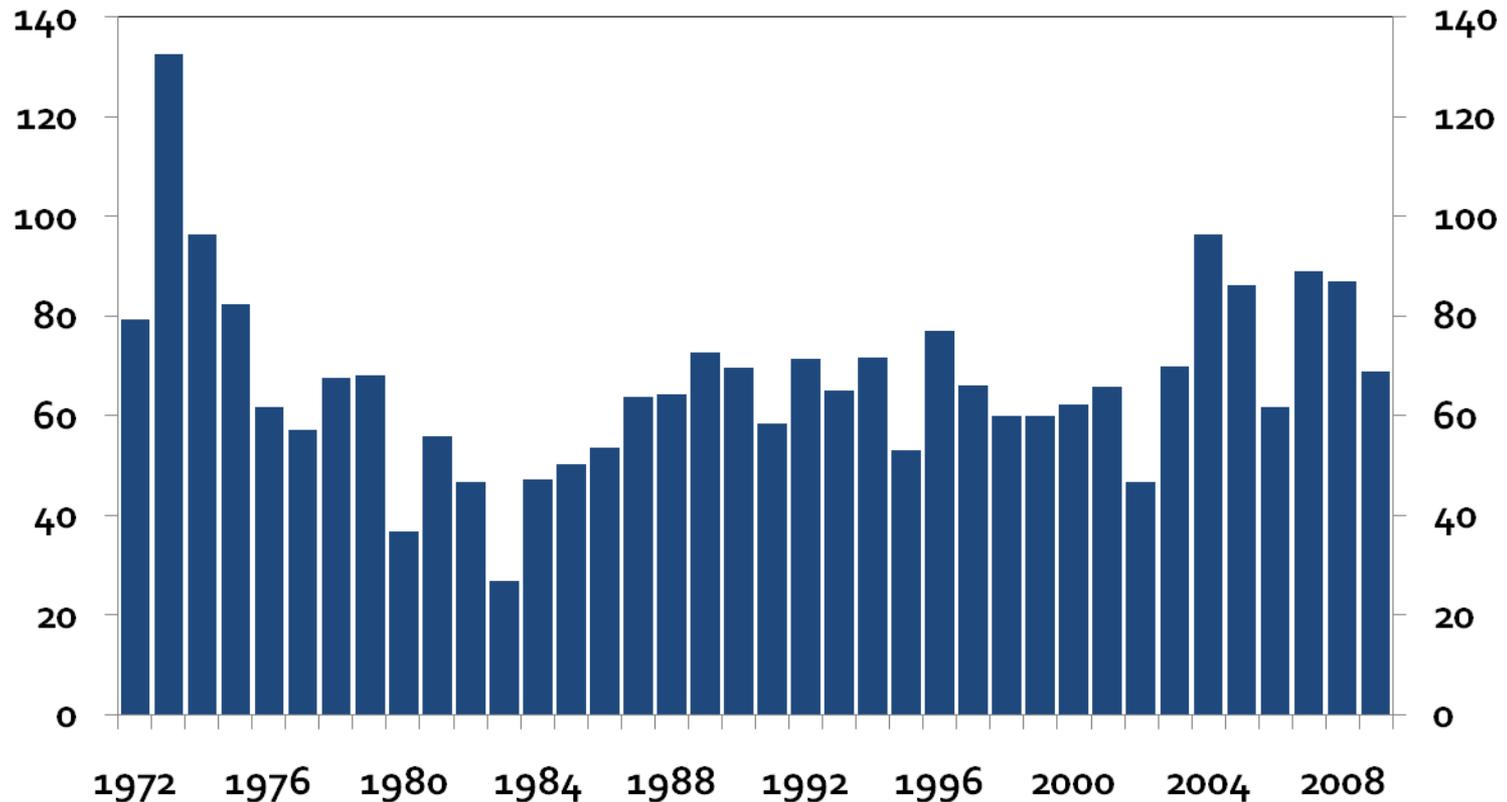
\*Percent changes are calculated using responses only from those banks reporting in both the past and the current quarter.



# *Farm income is expected to shrink in 2009.*

## Real U.S. Net Farm Income

Billion dollars (2008 constant dollars)

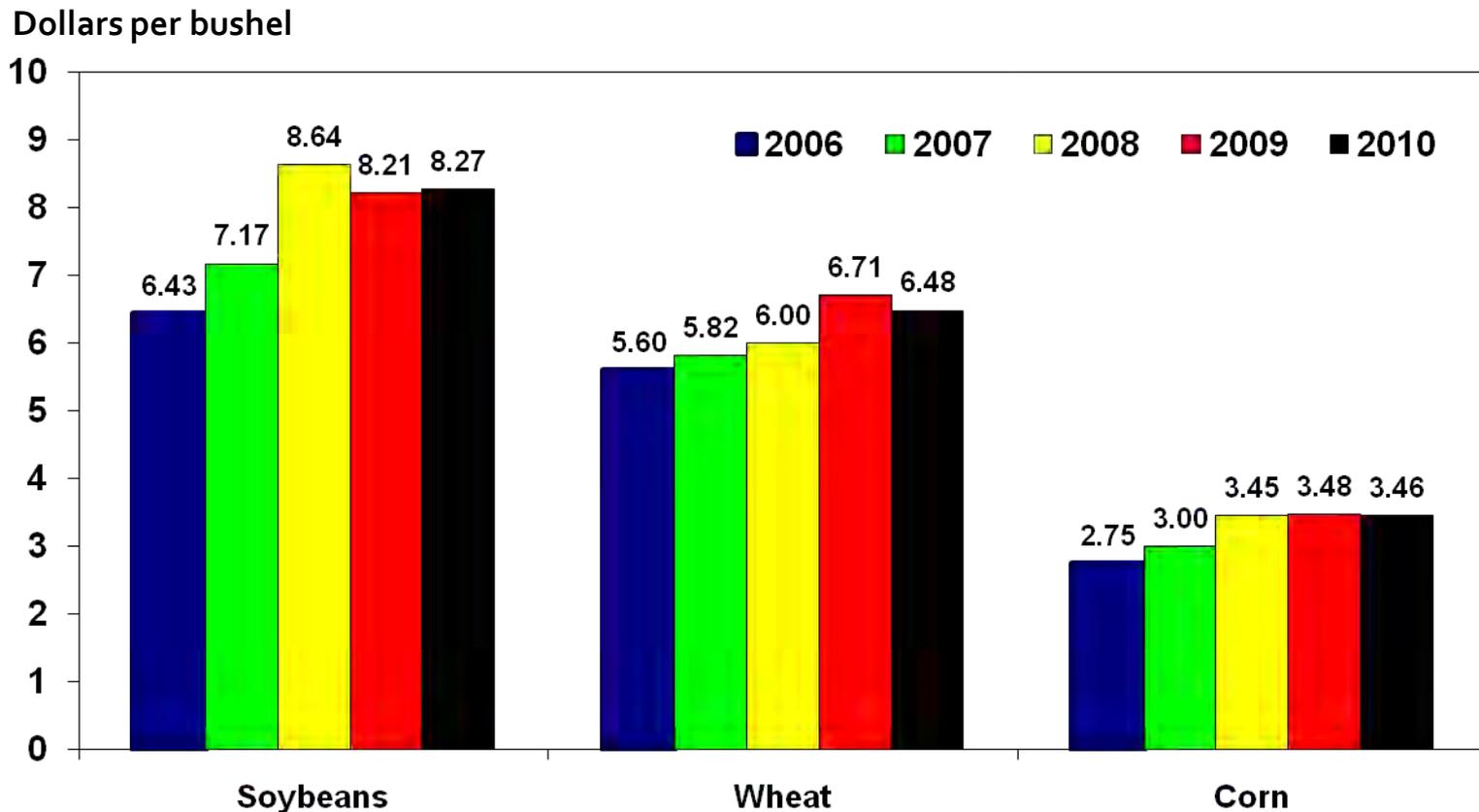


Source: USDA



# Will production costs ease?

## Crop Breakeven Prices (Variable and Fixed Costs)



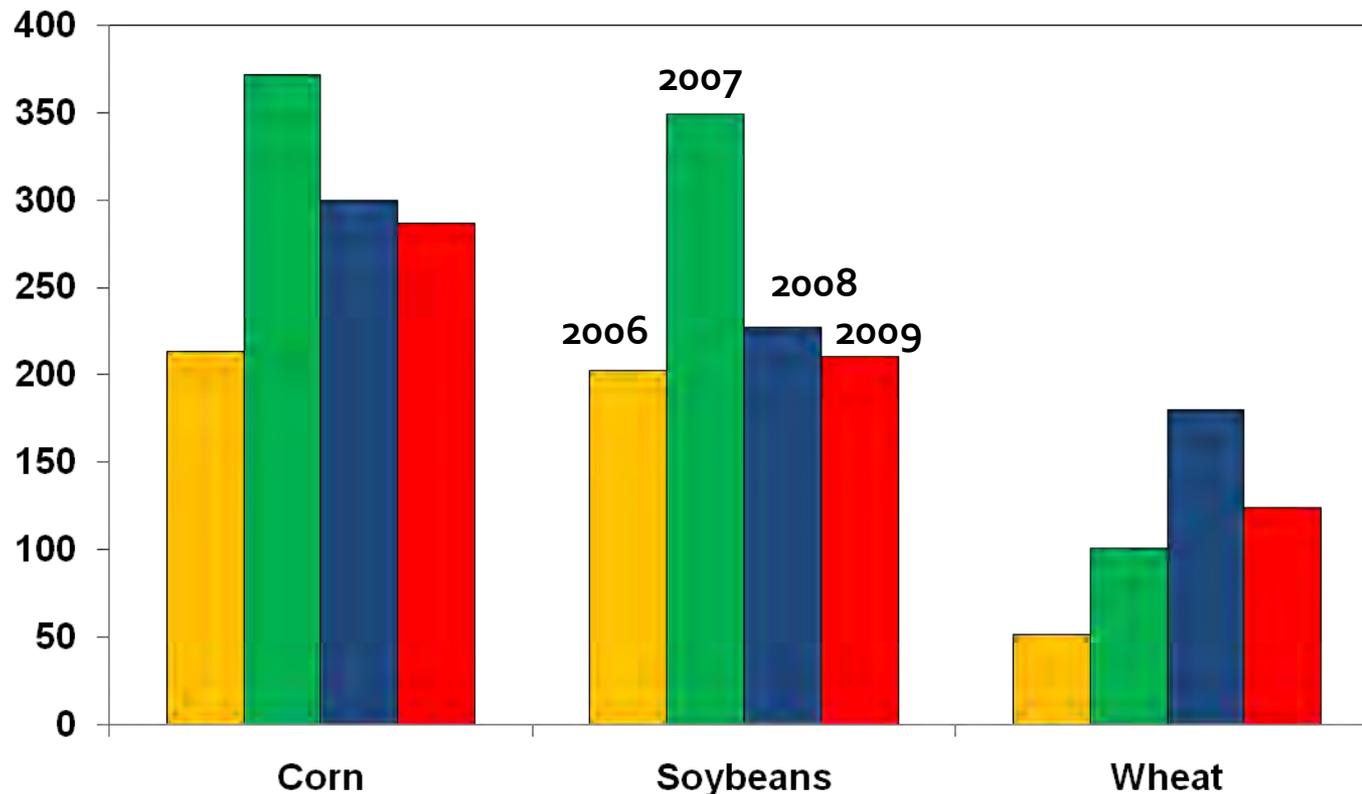
Source: Calculations based on USDA cost of production forecasts



# *Crop profits are expected to decline.*

## Net Returns to Land From Crop Production

Dollars per acre



Calculations based on USDA cost and returns and futures price data.



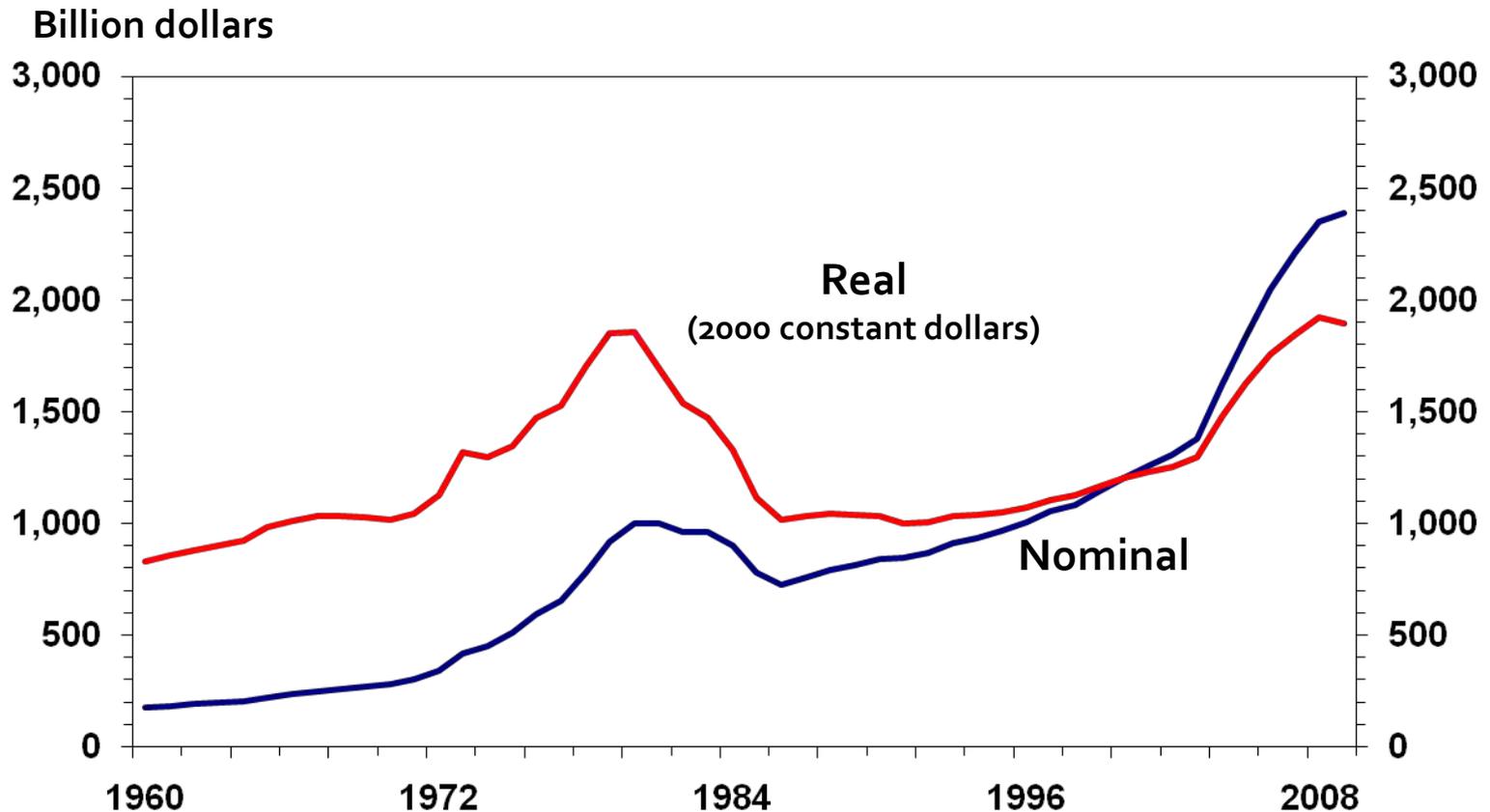
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# Real farm asset gains are expected to slow.

## U.S. Farm Assets

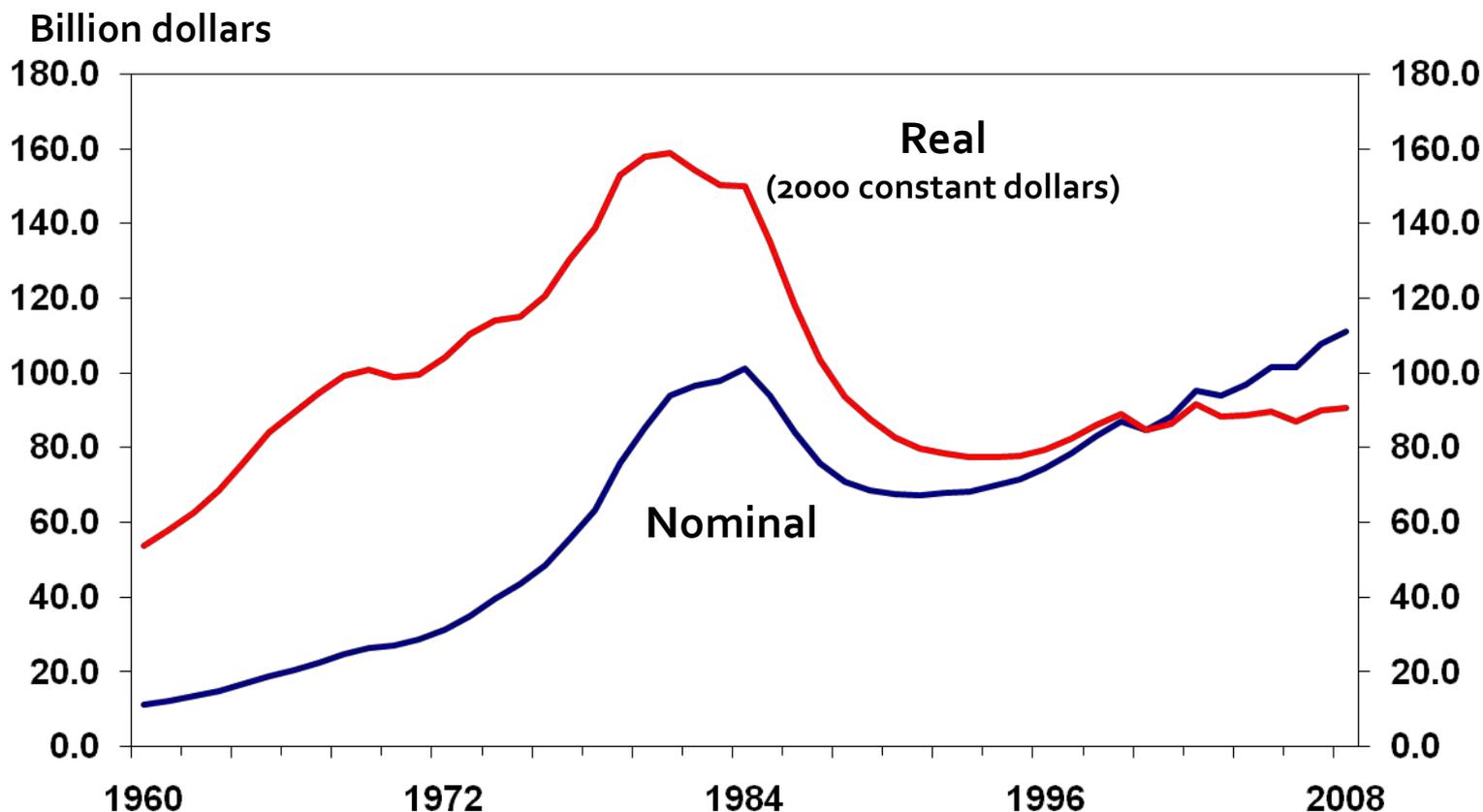


Source: USDA



# Farm real estate debt levels are flat, on a real basis.

## U.S. Farm Real Estate Debt

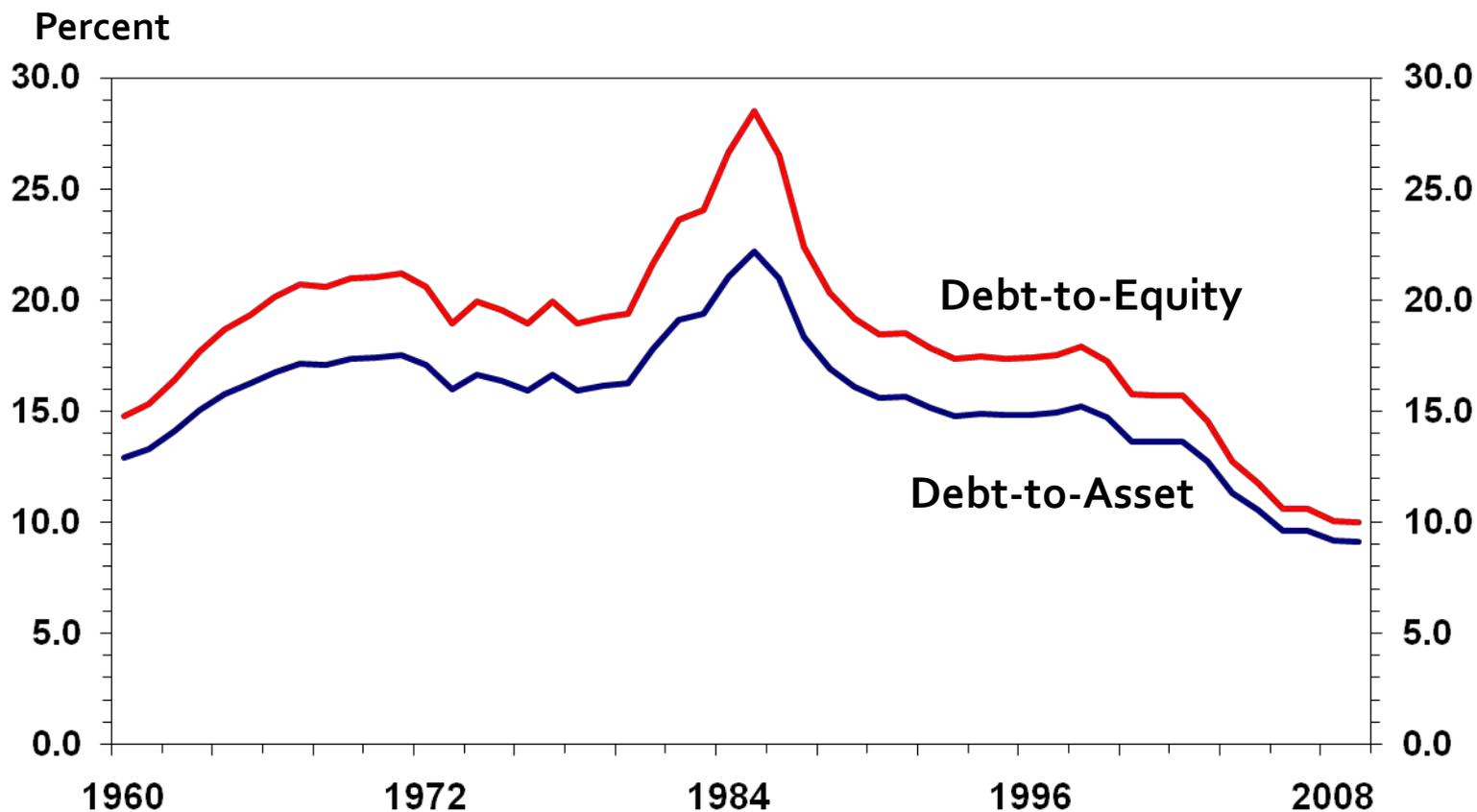


Source: USDA



# *Farm debt ratios are expected to remain at historical lows.*

## U.S. Farm Debt Ratios



Source: USDA



# Today's Roadmap

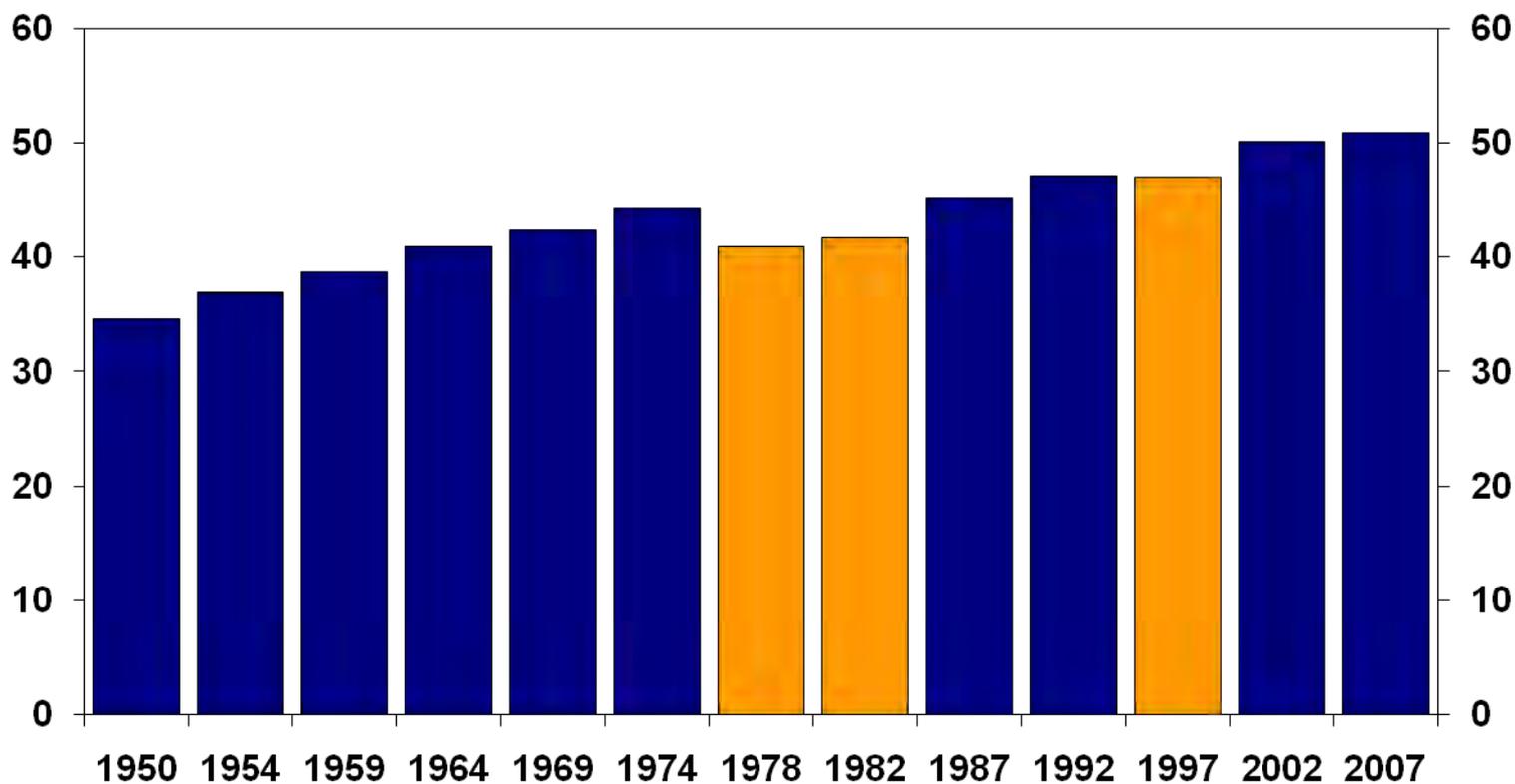
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# How will the retirement of the boomers affect the farm sector?

## Age Demographics of U.S. Farmers

Percent 55 or older

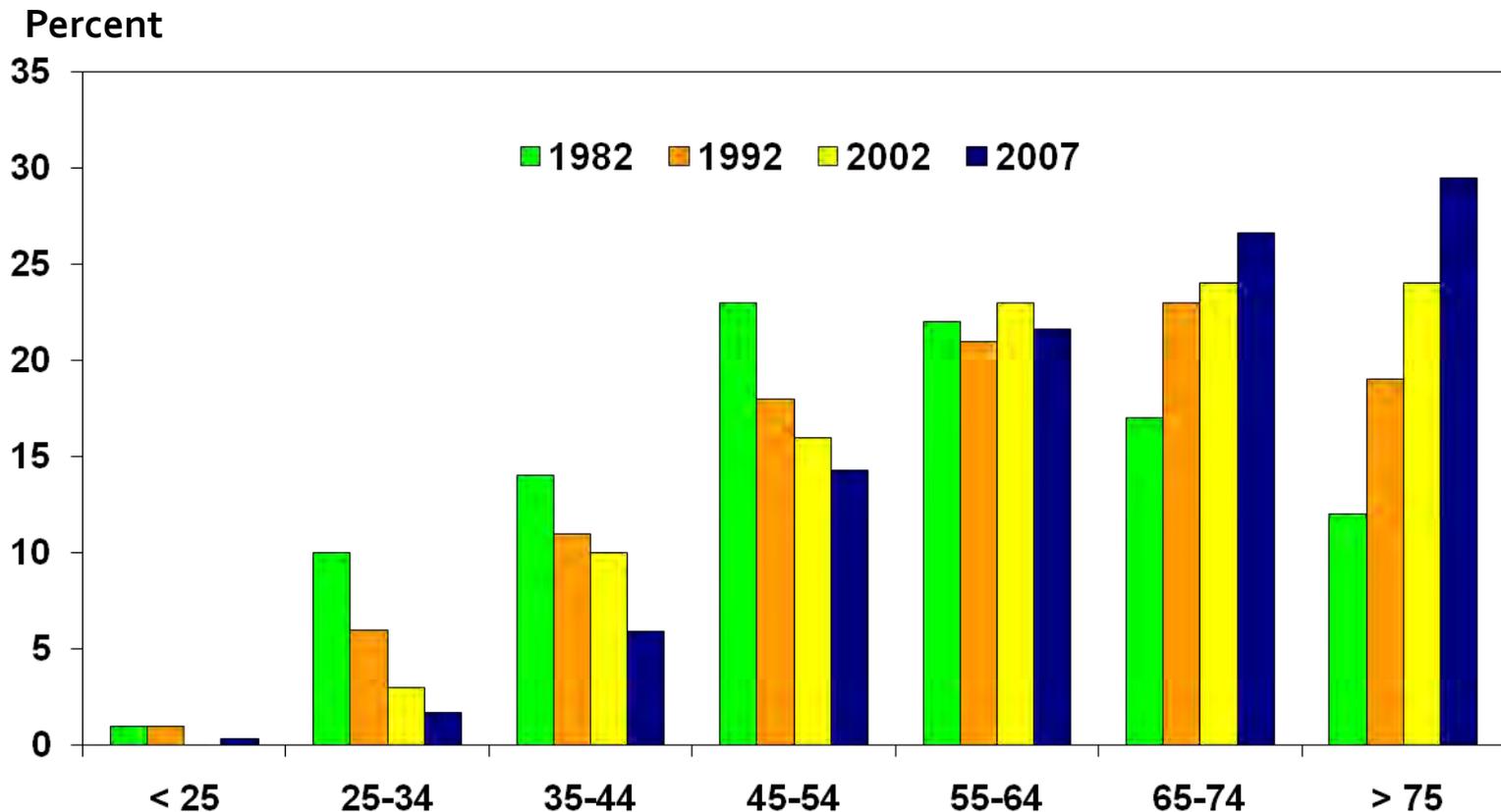


Source: USDA



# *Farmland is increasingly owned by older people.*

## Distribution of Iowa Farmland by Age of Owner

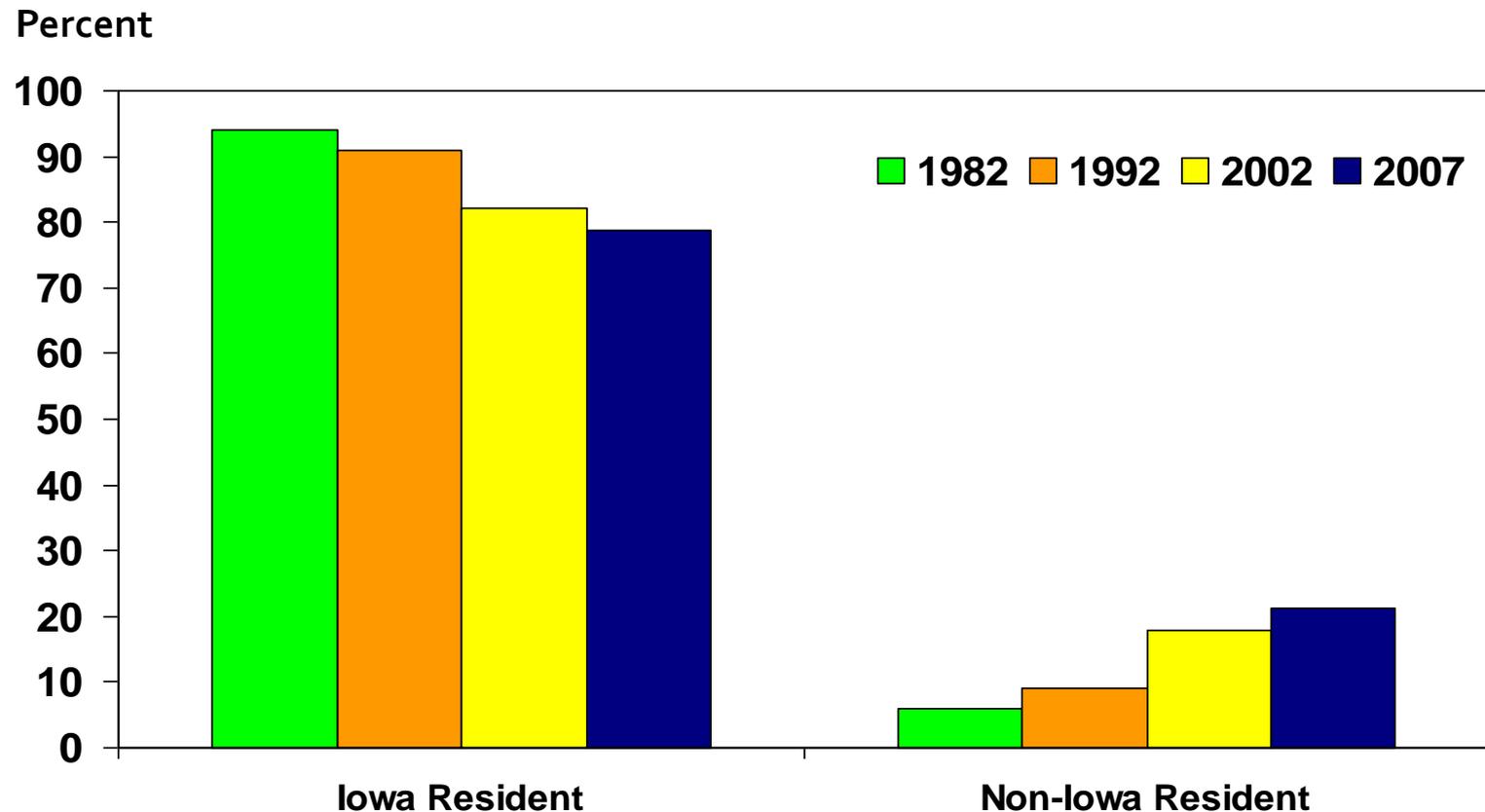


Source: Iowa State University



# *Out-of-state ownership is increasing.*

## Distribution of Iowa Farmland by Residence



Source: Iowa State University



# Conclusions

- Land values boom with rising farm income.
- Have farmland values peaked?
  - The recession has trimmed non-farm demand.
  - A global recession and financial crisis have trimmed exports.
- Will debt levels remain low even with thinner margins?
- How will demographics shape the farm sector?

