FARM MANAGERS' THOUGHTS ON THE FUTURE OF

There was a lot of variability in land values this past year, and in some instances, prices seemed to defy common sense. ASFMRA reached out to some of our more seasoned farm management professionals to get their thoughts on what to expect in 2018 and what will have the biggest influence on land values in the coming year. Three professional farm managers share their insights into the key drivers for farmland values.

Randy Dickhut, AFM, senior vice president real estate operations with Farmers National Company in Omaha, Neb.

Ray Brownfield, AFM, founder of Land Pro LLC in Oswego, Ill.

David Thien, AFM, with Thien Farm Management in Council Bluffs, Iowa

WHERE ARE LAND VALUES HEADING?

Randy Dickhut, AFM, senior vice president of real estate operations with Farmers National Company in Omaha, Neb., believes land values will probably continue the slow decline that has been happening the past four years despite a more recent stabilization, or good-quality land may see a slight increase in prices.

"Overall, average-quality and below ag land will still experience price pressure as buyers bid more aggressively for quality properties," he says.

Dickhut further indicated that the low supply of land for sale in the marketplace has been a key to the slower-than-expected price decline. "It seems likely that there will be additional farms coming up for sale due to financial stress in the ag economy. There will probably only be a small increase, which the market will absorb," Dickhut says.

However, Dickhut also indicated that "if we see more land for sale than expected, there will be downward price pressure, and of course, low commodity prices and low net farm income levels have a continued negative effect on land-buying interest."

Ray Brownfield, AFM, founder of Land Pro LLC in Oswego, Ill., echoes Dickhut's assessment of land values in the central Midwest states. "In 2018, there will be some continued downward pressure on land values, especially the land with lower productivity ratings that has poor drainage and/or a high percentage of non-tillable acres," Brownfield says.

Brownfield adds one interesting twist to that sentiment. "We will continue to see smaller tracts of land adjacent to landowners who have waited for years to acquire the land or in communities where little land has been sold actually maintain existing market values and in some remote instances actually increase in market value," he says.

David Thien, AFM, with Thien Farm Management in Council Bluffs, Iowa, believes land values will adjust downward at a faster pace than seen in the past several years. "Over the past one to two years, land prices have been stable to down slightly with the hopes that the downward trend in commodity prices will cease and return to more profitable levels," he says.

Thien doesn't believe higher, more profitable prices will become a reality anytime soon. "There is simply too much supply of corn and soybeans and limited areas for growth in demand. For commodity prices to improve, there will have to be a supply disruption somewhere in the world, and input prices have not adjusted to current commodity prices and remain very sticky," he says.

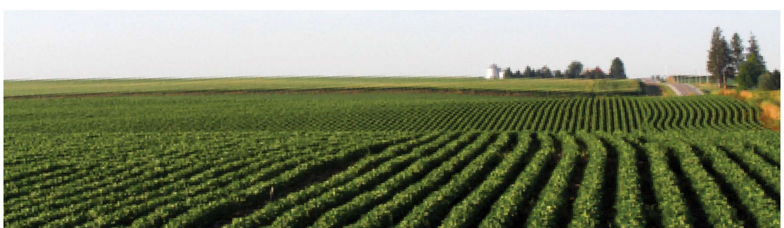
WHAT WILL HAVE THE BIGGEST INFLUENCE IN 2018?

Dickhut, Brownfield and Thien agree that supply of land will have the biggest influence. However, Thien also notes in the past farmers have been able to build equity and capital, which have allowed them to "string themselves along at breakeven or lower commodity price levels." This capital burn, as Thien calls it, is nearing the end for most farmers, and investor-buyers are starting to step back into the market cautiously and with the belief that land prices still need more downward adjustment.

Dickhut: "If there is an increase in land for sale and a stable or decreasing buying interest, land prices will decline further. Currently, there are enough farmer-buyers and investors to keep the supply and demand in equilibrium. If supply increases without a corresponding increase in buying interest, market forces will put pressure on land prices in 2018."

Brownfield: "The biggest influencer regarding land values will be supply of land on the market, which may remain tight, causing continued demand influencing mostly stable market values, even with commodity prices potentially staying at current low levels. However, even though current commodity prices are less than desired, if in the event global and U.S. policies are such that trade agreements such as NAFTA are negatively influenced, the tremendous trade we now have with Canada and Mexico would most likely be sharply curtailed, with an extremely detrimental effect particularly on corn prices. Also, the uncertainty regarding a possible armed conflict with North Korea and the position China may take could be equally catastrophic to our current trade with China, particularly soybeans and in the future corn with China entering into the production of ethanol."

Thien: "Supply of land on the market at current commodity prices will be the biggest influence on land values. There has been a very limited market in our area, especially for high-quality land. I believe this limited supply has held land prices up and delayed a downward adjustment to land prices. The limited supply of land on the market coupled with the anticipation of prices returning to profitable levels has provided the most support to land prices in our area."



Three professional farm managers agree that supply of farmland is the biggest market driver heading into 2018, but some downward price adjustment is still possible.

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