



Agricultural Finance Update

Farm Real Estate Values Rise Sharply

by: Nate Kauffman and Ty Kreitman

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Farmland values surged in the third quarter according to Federal Reserve Surveys of Agricultural Credit Conditions

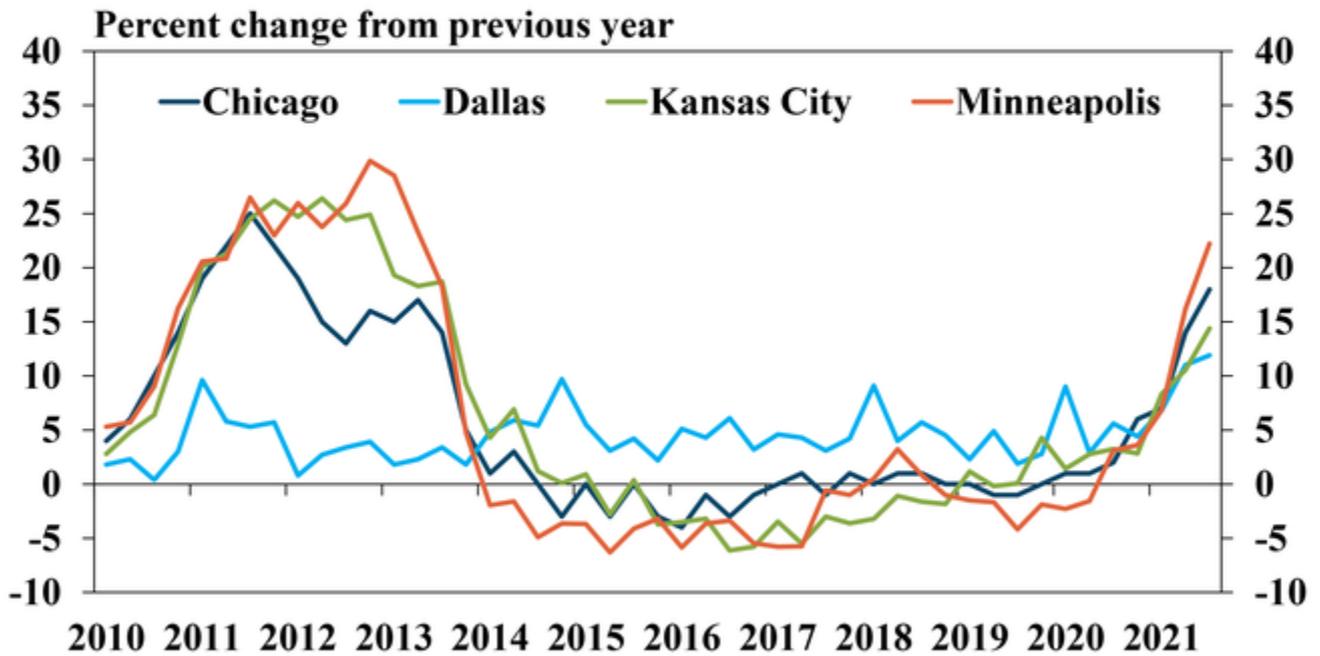
Farmland values surged in the third quarter according to Federal Reserve Surveys of Agricultural Credit Conditions. The value of nonirrigated cropland increased by 12% or more in all participating Districts. The rapid increase was also consistent across most states, with annual increases of more than 20% in some areas. Supporting farm real estate markets, interest rates on farm loans remained at historic lows and strong farm finances drove further improvement in agricultural credit conditions.

Despite persistent concerns about increases in input costs, agricultural lenders expected farm income and credit conditions to remain strong through the end of the year alongside elevated commodity prices. The accompanying surge in farmland values has bolstered farm balance sheets and provided additional support to the sector. Alongside prospects for further strength in commodity markets, the outlook for farm finances and agricultural land values through the end of 2021 remained strong.

Third Quarter Federal Reserve District Ag Credit Surveys

Farm real estate values rose sharply alongside continued strength in the U.S. agricultural economy. The value of nonirrigated cropland increased by an average of about 15% across all participating Districts (Chart 1). The gains from a year ago were the highest in any quarter since 2013 in all regions and have offset reductions in land values that may have occurred in recent years.

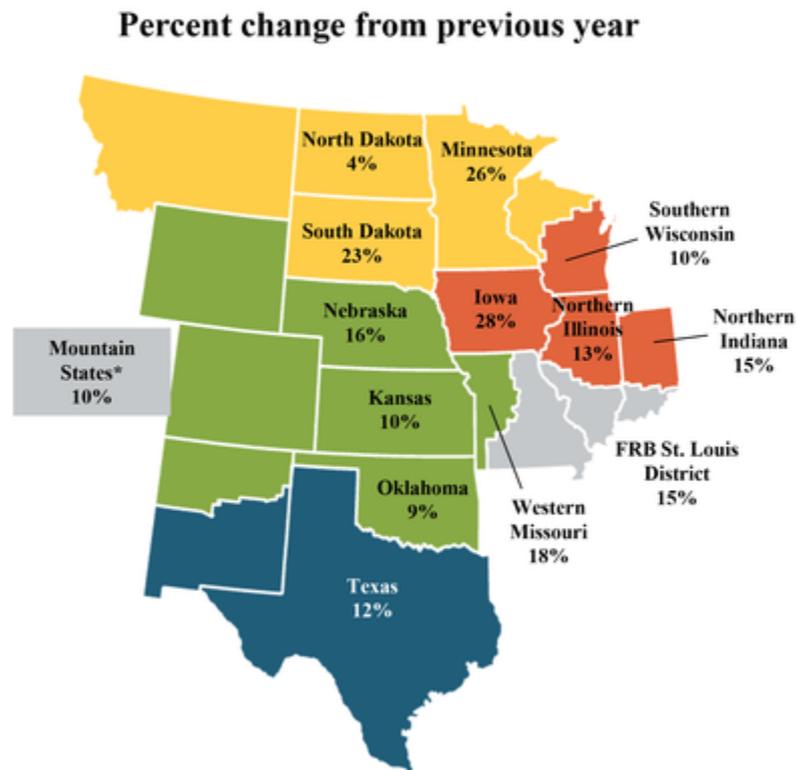
Chart 1: Nonirrigated Cropland Values



Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.

The surge in farm real estate values was consistent across nearly all states. The value of nonirrigated cropland increased nearly 10% or more from a year ago in all states with available data except North Dakota (Map). Values grew by over 20% in Iowa, Minnesota and South Dakota and between 9% and 20% in all other states except North Dakota.

Map: Nonirrigated Cropland Values, Third Quarter 2021

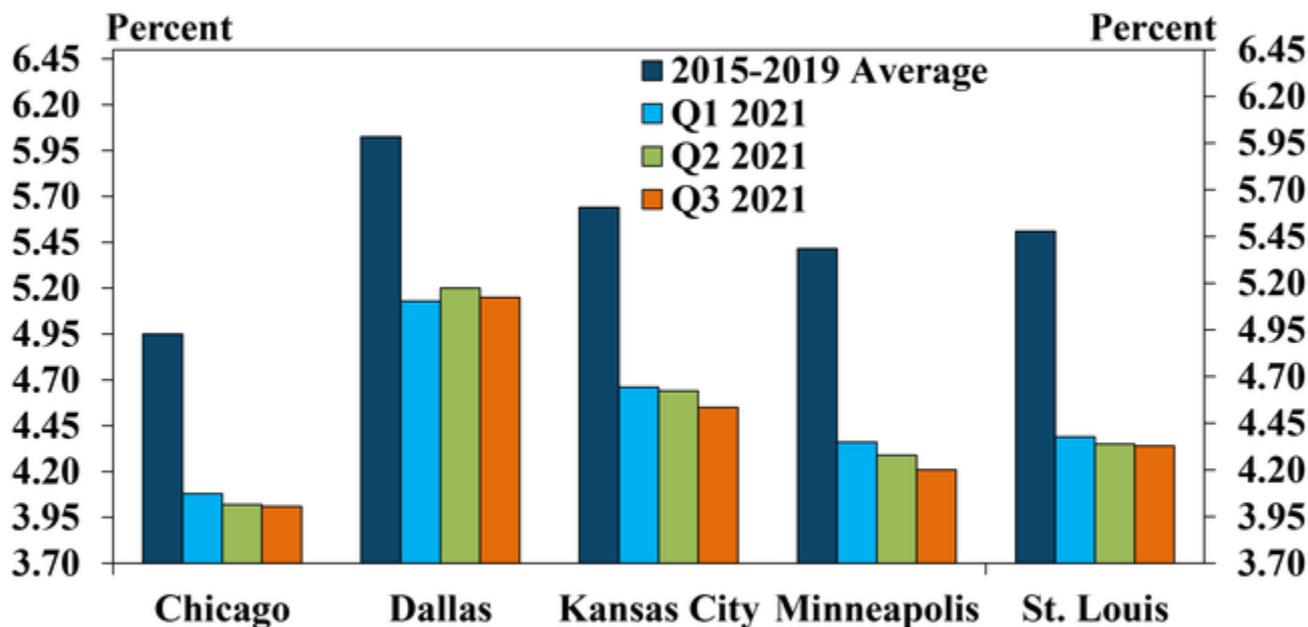


*Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.

Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.

Providing support to agricultural real estate markets, interest rates on farm loans remained historically low. The average fixed rate charged on loans for farmland declined slightly from last quarter and remained at or near an all-time low in all Districts (Chart 2). On average, interest rates were about 100 basis points below the average from 2015 to 2019 which has reduced financing costs and contributed to higher demand for farmland.

Chart 2: Interest Rates on Farm Real Estate Loans



Note: Average fixed rate on farm real estate loans for all Districts.
Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.

Agricultural credit conditions also continued to improve alongside strong farmland markets. Farm loan repayment rates increased from a year ago at a pace similar to the prior quarter in all Districts (Chart 3). Elevated commodity prices and robust government support have boosted farm finances in 2021, leading to improved credit conditions and contributing to the recent strength in farm real estate values.

Data and Information

[Federal Reserve Ag Credit Surveys Historical Data](#)

[Federal Reserve Ag Credit Surveys Tables](#)

[About the Federal Reserve Ag Credit Surveys](#)

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Nate Kauffman is Senior Vice President and Omaha Branch Executive at the Federal Reserve Bank of Kansas City. In his role as the Kansas City Fed's lead economist and representative in the state of Nebraska, Nate provides strategic direction and oversight for the Omaha Branch, regional research, and economic outreach throughout the state. He serves as a local connection to the nation's central bank and is responsible for briefing the Kansas City Fed's president – a member of the Federal Open Market Committee – on regional economic and business activity. In addition, Nate serves as Executive Director of the Bank's Center for Agriculture and the Economy. He is a leading voice on the agricultural economy throughout the seven states of the Tenth Federal Reserve District and the broader Federal Reserve System. Nate oversees several Bank and Federal Reserve efforts to track agricultural economic and financial conditions. He also speaks regularly on the agricultural economy to industry audiences and the news media, including providing testimonies at both U.S. Senate and U.S. House Agriculture Committee hearings. Nate joined the Federal Reserve in 2012. He received his Ph.D. in economics from Iowa State University. Prior to receiving his Ph.D., Nate spent three years in Bosnia and Herzegovina coordinating agricultural economic development projects. Nate lives in Omaha with his wife and four children.

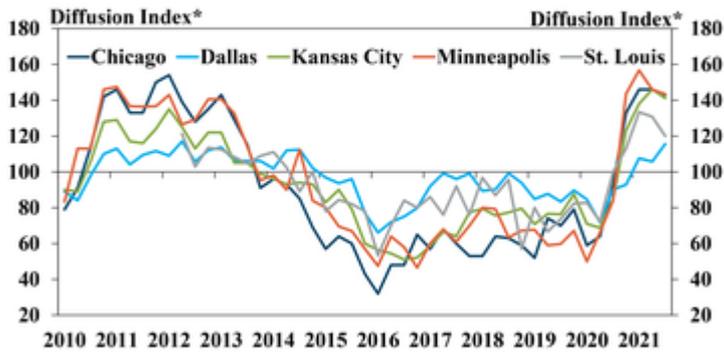


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Ty Kreitman is an associate economist in the Regional Affairs Department at the Omaha Branch of the Federal Reserve Bank of Kansas City. In this role, he primarily supports the Federal Reserve Bank of Kansas City and the Federal Reserve System efforts surrounding agricultural economics research, analysis and outreach. His responsibilities include co-authoring the *Tenth District Survey of Agricultural Credit Conditions* and *Agricultural Finance Updates*. Ty joined the Bank in 2015 as an assistant bank examiner in the Examinations & Inspections Department at the Omaha Branch and transferred to his current position in 2018. He holds a B.A. degree in Economics and Finance from the University of Nebraska-Lincoln and a M.A. degree in Financial Economics from Youngstown State University.

Chart 3: Farm Loan Repayment Rates



*Bankers responded by indicating whether conditions during the current quarter was higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.
Note: Survey in St. Louis District began Q2 2012.
Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.