Farm Real Estate Values Continue Rapid Climb

by: Nate Kauffman and Ty Kreitman

February 24, 2022

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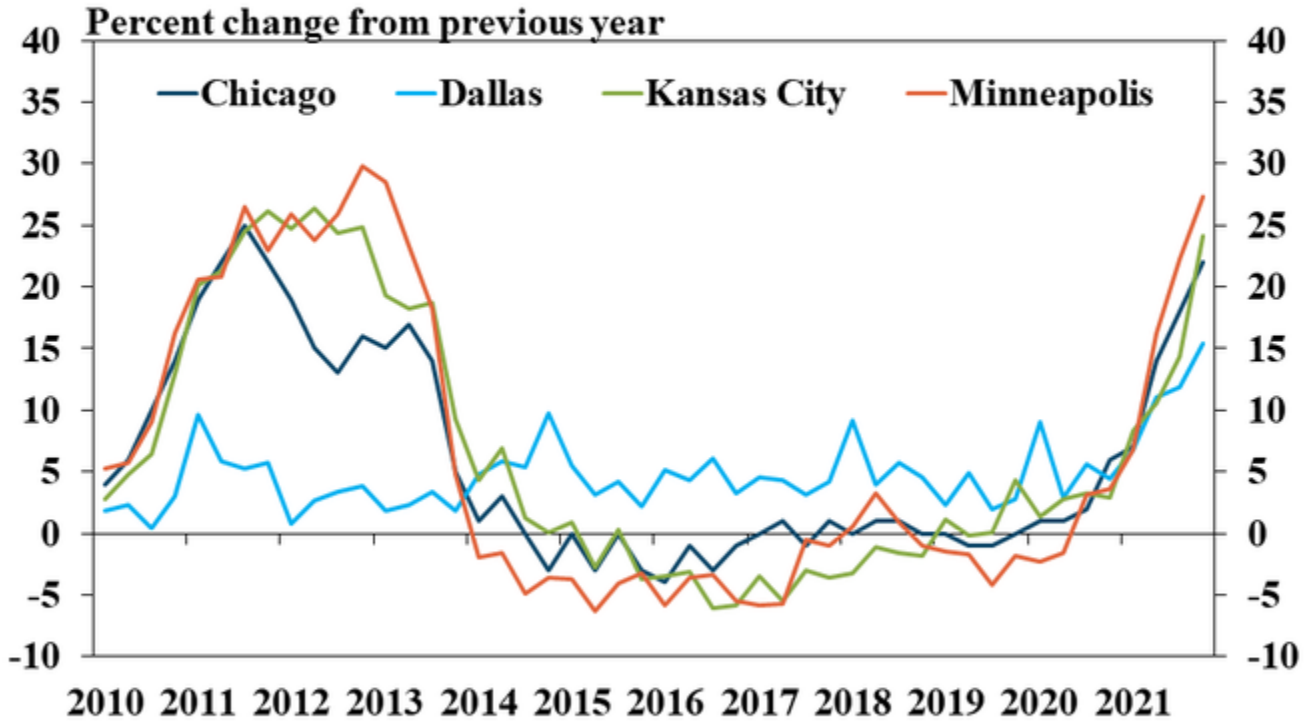
Agricultural real estate values continued to increase at a rapid pace across farm country through the end of 2021. The increase in the value of farmland has accelerated in recent quarters alongside elevated commodity prices that have boosted profit opportunities and supported broad strength in the U.S. farm economy. Adding support to agricultural real estate markets, farm finances and credit conditions have improved drastically from recent years and interest rates on farm loans remained near historic lows.

The outlook for agricultural credit conditions remained strong looking out to the year ahead. Elevated commodity prices and robust support from government aid programs throughout the pandemic have supported rapid improvement in farm income and credit conditions. Despite concerns about the impact of higher input costs and intensifying drought in some regions, markets for most major commodities remained strong and producers throughout the agricultural sector were poised for sound profit opportunities in 2022.

Fourth Quarter Federal Reserve District Ag Credit Surveys

Farm real estate values continued to increase at a rapid pace. The value of nonirrigated cropland was nearly 25% higher than a year ago in all Districts except Dallas (Chart 1). The pace of growth also increased from previous quarters throughout the U.S., accelerating to the fastest rate of growth since 2012 and 2013 in all Districts.

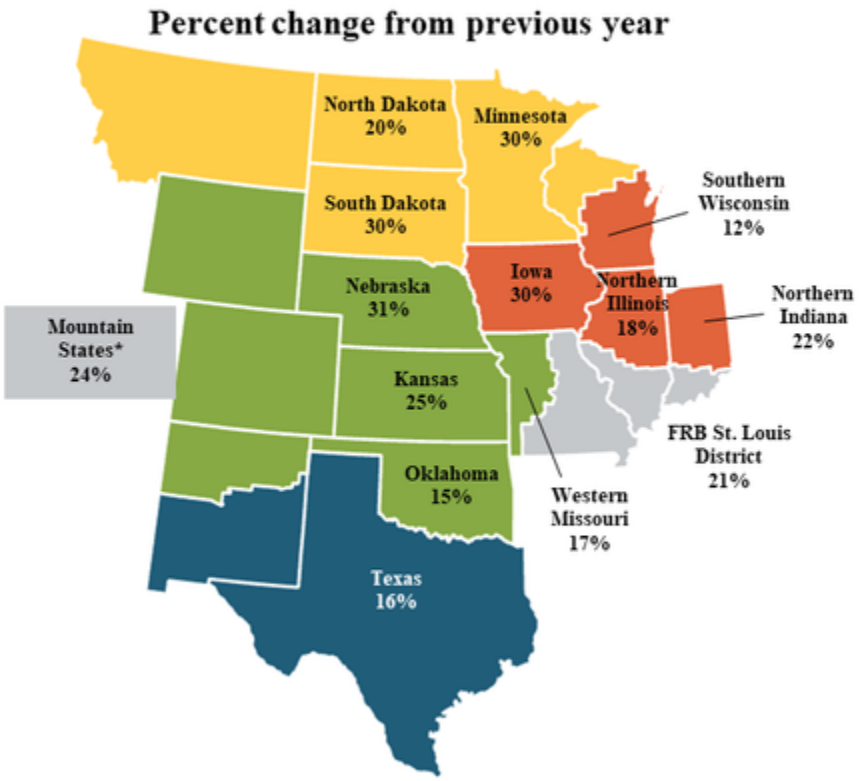
Chart 1: Nonirrigated Cropland Values



Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.

The strength in farm real estate values also remained consistent across all states. Nonirrigated cropland values increased sharply in all states within Districts participating in the survey (Map). The pace of growth was most rapid in Nebraska, Iowa, Minnesota and South Dakota.

Map: Nonirrigated Cropland Values, Fourth Quarter 2021

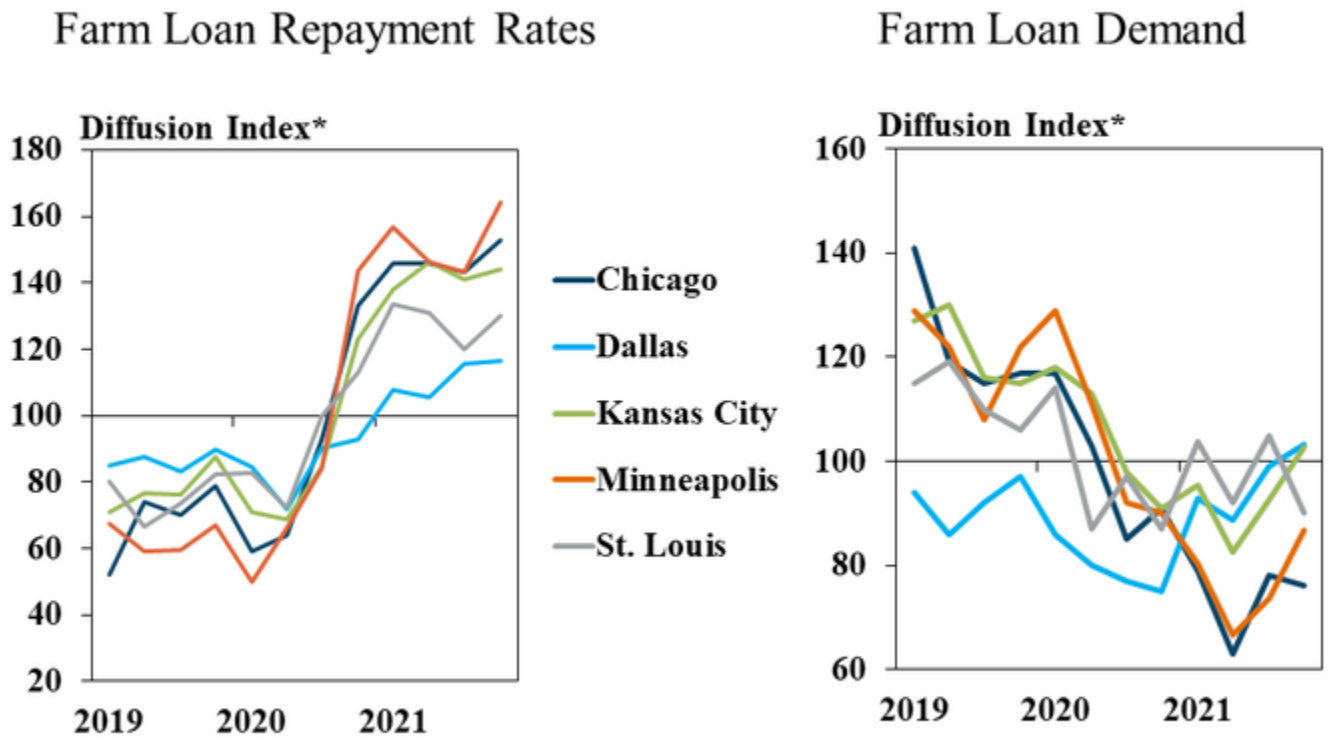


*Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.
Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.

Strong agricultural real estate markets coincided with consistent improvement in farm finances. Alongside elevated commodity prices, bankers in regions participating in the survey reported that farm income was higher than a year ago for the fifth consecutive quarter (Chart 2). The pace of increase was the fastest on record for both the Kansas City and St. Louis Districts and only slightly less than the record for the Minneapolis District.

The strength in farm finances also supported further improvement in credit conditions. Farm loan repayment rates continued to increase at a steady pace in all regions (Chart 3, left panel). Higher farm incomes also continued to limit credit needs for some producers and demand for farm loans remained subdued across all areas (Chart 3, right panel).

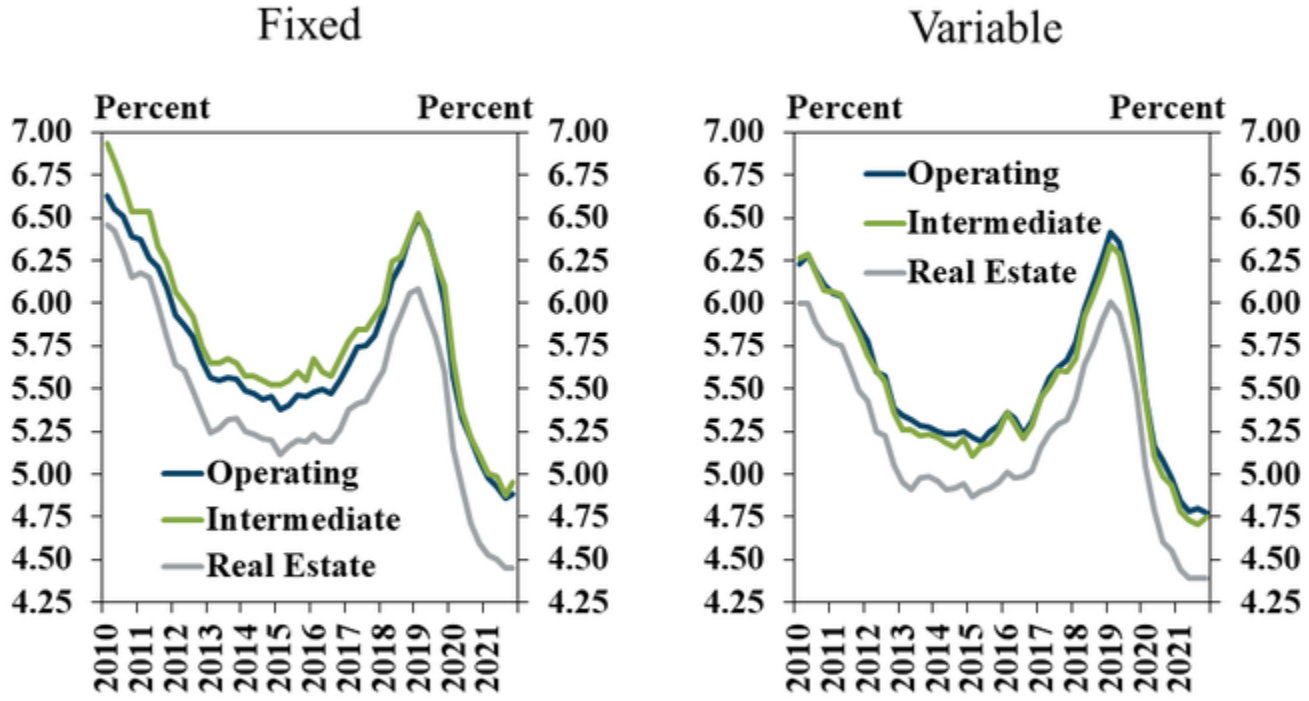
Chart 3: Select Agricultural Credit Conditions



*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.
Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.

Providing additional support to farm real estate markets, interest rates remained low. Despite increasing slightly from the previous quarter, the average rate charged on all types of farm loans was well below the historical average (Chart 4). Fixed and variable rates on all loan types remained about 190 basis points and 170 basis points less than the average of the last 20 years, respectively.

Chart 4: Average Interest Rates by Loan Type*



*Average interest rate across all Districts with applicable data. Includes Chicago, Dallas, Kansas City, Minneapolis, St. Louis Districts.
Note: St. Louis survey began Q2 2012. Chicago District survey includes only fixed operating and real estate loans.
Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.

Data and Information

Federal Reserve Ag Credit Surveys Historical Data

Federal Reserve Ag Credit Surveys Tables

About the Federal Reserve Ag Credit Surveys

Authors

Nate Kauffman

Senior Vice President, Economist, and Omaha Branch Executive; Executive Director of the Center for Agriculture and the Economy

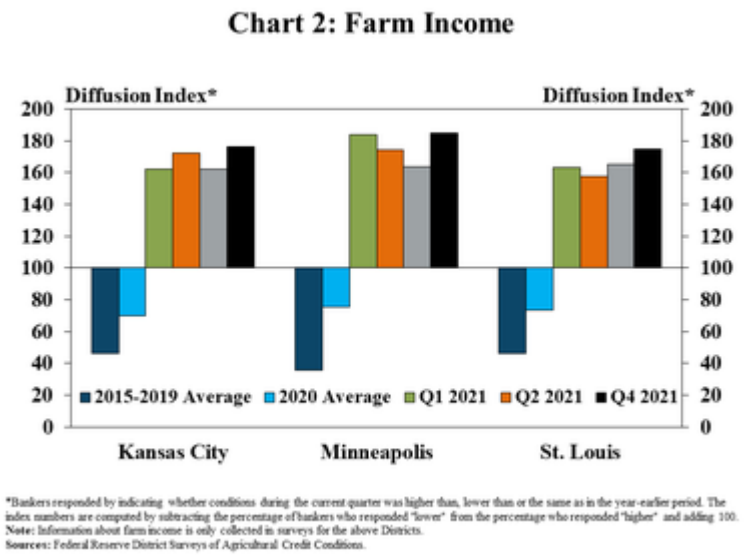
Nate Kauffman is Senior Vice President and Omaha Branch Executive at the Federal Reserve Bank of Kansas City. In his role as the Kansas City Fed's lead economist and representative in the state of Nebraska, Nate provides strategic direction and oversight for the Omaha Branch, regional research, and economic 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.

Ty Kreitman

Associate Economist

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.

Media



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