

Graph shows the average price of nonirrigated cropland in southeastern South Dakota.

Farmers Dealing With Soaring Land Prices, For Better And For Worse

BY NATHAN JOHNSON
nathan.johnson@yankton.net

Ask farmers what their biggest regret is during a long career in the business, and the likely answer is that they didn't buy more land when it was cheaper.

Dig a little deeper and they will probably tell you that land was never cheap, but it was once a lot more affordable than it is now.

That's true for both Nebraska and South Dakota.

According to the 2012 South Dakota State University Farm Real Estate Survey, annual agricultural land value increases in the state varied from 5.1 percent to 22.5 percent between 2000 and 2011. The 26.8 percent increase recorded between 2011 and 2012 was the biggest bump in the survey's 22-year history.

In the southeast portion of the state, the average value of agricultural land climbed more than 38 percent, from \$2,900 per acre to \$4,014 per acre between 2011 and 2012.

Overall, agricultural land values in the state have ballooned five-fold since 2000.

Stretching back a decade earlier from 1991-2000, annual increases in agricultural land values fell between 4 percent to 9 percent.

The Nebraska Farm Real Estate Market Highlights 2011-2012 report shows similar developments across South Dakota's southern border.

Agricultural land values in Nebraska climbed 32 percent between 2011-2012 — the

largest jump in the report's 34-year history.

The average value of an acre of farmland in the northeast portion of the state that includes Cedar and Knox counties was \$4,975 per acre, a 37 percent increase.

The average value of agricultural land across the entire state in 2012 was \$2,425, which was

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BRUCE JOHNSON AND SARA VAN NEWKIRK

almost four times higher than five years previous.

At the same time land values are skyrocketing, the estimated annual net rate of return on that land is at a low point.

Irrigated land in Nebraska fared the best with a 3.9 percent annual net rate of return for 2012, while grazing land had the lowest figure with 2.4 percent. Whether looking at irrigated land, dryland cropland or grazing land, 2012 marked the lowest rates of return in the report's history.

"What this means is that current buyers of agricultural land are willing to accept a somewhat lower expected rate of return on their investment than in the past," wrote Bruce Johnson and Sara Van NewKirk, authors of the Nebraska Farm Real Estate Market Highlights 2011-2012 report. "In part, this may reflect a general optimism of higher returns in the future that would justify paying a higher price

for land today. It may also reflect the fact that current rates of return in alternate investments — be it fixed-rate returns on CDs or volatile returns in a risky stock market portfolio — do not look very enticing. But another factor is the dominance of active farmers in the buyer side of the market, who tend to have the resource base and management skills to be able to count on a somewhat higher rate of return out of a particular parcel of land than others."

In South Dakota the net rate of return in 2012 varied from 3.7 percent for non-irrigated cropland and hay land to 3.5 percent for rangeland. The average for all land was 3.6 percent. While that figure is comparable to the past three years, it is lower than the 4.3 percent average seen from 2000-2008 and the 5.4 percent average experienced from 1991-1999.

Why is farmland being purchased? Respondents to the South Dakota survey cited farm expansion, investment potential, strong profits and high commodity prices as the top reasons.

"The major reasons for selling farmland are realizing gains from high sale prices, retirement from farming and settling estates," state Dr. Larry Janssen and Dr. Burton Pflueger, the authors of the report.

Respondents in South Dakota are very optimistic about the future. Between 84 percent and 91 percent, depending on land use, expect land values to increase in the next year. The remainder predicts prices will stay the same.

"None of the respondents forecast a decline in land values during the next 12 months!" the authors state.

In Nebraska, purchase of land for farm expansion is strong, as well.

"Given the fact that the majority of buyers are active farmers in combination with very limited availability of land parcels on the market (essentially half the historical rate), the market is reflecting an aggressive pattern," state the authors of the Nebraska real estate market report.



Agriculture and manufacturing are an integral part of the rich heritage of Yankton County. History shows that when the county was in its infancy in the mid 1860s, the fertile Missouri River land produced small grains, Indian corn and vegetables. Due to its location, steamboat traffic flourished ferrying goods in and out of the county to distant ports. The early settlers worked long and arduous hours expanding the settlement along the river. O. H. Holt, from the book "Dakota" compiled in 1885 stated: "The present population of Yankton is about 4,500, and is made up of a class of people who, for intelligence, enterprise and thrift, have but few peers in any section of the country." Manufacturing soon became part of the early scenery and today is an important facet of the makeup of county commerce. Yankton County salutes both the early pioneers as well as today's residents who, through their agricultural and manufacturing prowess, have assured the county is a flourishing place to call home.

