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Indiana Farmland Values & Cash Rents Jump Upward

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Statewide Land Values

The June 2005 Purdue Land Values Survey found that on a state-wide basis bare Indiana cropland ranged in value from $2,367 per acre for poor land, to $3,556 per acre for top land (Table 1). Average bare Indiana cropland had an estimated value of $2,945 per acre. For the 12-month period ending in June 2005, this was an increase of 11.1%, 9.4% and 8.5%, respectively for poor, average, and top land. Increases this large have not occurred since 1996-1997 when the Purdue Land Values Survey reported a state wide increase of 12% to 15%.

Part of the difference in land values reflects productivity differences. As a measure of productivity, survey respondents provide an estimate of long-term corn yields. The average reported yield was 108, 139, and 169 bushels per acre, respectively for poor, average, and top land. The value per bushel for different land qualities was very similar, ranging from $21.08 to $22.01 per bushel.

The average value of transitional land, land moving out of agriculture, increased 8.5% this year. The average value of transitional land in June 2005 was $8,207 per acre. Due to the wide variation in estimates for transitional land, the median value* may give a more meaningful picture than the arithmetic average. The median value of transitional land in June 2005 was $7,000 per acre.

Statewide Rents

Cash rents increased statewide $3 to $4 per acre (Table 2), continuing the steady increase of the past several years. The estimated cash rent was $154 per acre on top land, $126 per acre on average land, and $99 per acre on poor land. This was an increase in rental rates of 3.1% for poor land, 3.3% for average land, and 2.7% for top land. State wide, rent per bushel of estimated corn yield ranged from $0.91 to $0.92 per bushel.

Cash rent as a percentage of value continued to decline. For top and average farmland, cash rent as a percentage of farmland value was 4.3%. For poor farmland, cash rent as a percentage of farmland value was 4.2%. These values are the lowest reported in the 31 year history of the Purdue Land Value Survey.

Area Land Values

Survey responses were organized into six geographic regions of Indiana (Figure 1). In past years, there have been definite geographic differences in land value changes. This year there is only one notable difference – the change in land values in the Southeast was not as large as in other areas of the state (Table 1). The highest valued land continues to be in the Central region followed by the West Central, North, Northeast, Southwest, and Southeast.

** The median is the middle observation in data that have been arranged in ascending or descending numerical order.*

acre (Table 3). Estimated per acre median values of the larger tracts (10 acres) ranged from $5,250 to $8,500 per acre.

Table 2. Average estimated Indiana cash rent per acre, (tillable, bare land) 2004 and 2005, Purdue Land Value Survey, June 2005

Area	Land Class	Corn bu/A	Rent/ Acre 2004 $/A	Rent/ Acre 2005 $/A	Change '04-'05 %	Rent/bu. of Corn 2004 $/bu.	Rent/bu. of Corn 2005 $/bu.	Rent as % of June Land Value 2004 %	Rent as % of June Land Value 2005 %
North	Top	173	149	153	2.7%	0.89	0.88	4.4	4.1
	Average	140	122	125	2.5%	0.89	0.89	4.5	4.2
	Poor	107	93	97	4.3%	0.88	0.90	4.5	4.1
Northeast	Top	165	138	141	2.2%	0.84	0.86	4.3	4.1
	Average	134	107	111	3.7%	0.81	0.83	4.1	3.9
	Poor	104	85	87	2.4%	0.85	0.84	4.1	3.7
W. Central	Top	168	162	166	2.5%	0.98	0.99	4.8	4.5
	Average	140	137	140	2.2%	0.99	1.00	4.9	4.5
	Poor	108	109	112	2.8%	1.02	1.03	4.9	4.6
Central	Top	172	162	167	3.1%	0.95	0.97	4.6	4.2
	Average	142	133	138	3.8%	0.94	0.97	4.4	4.1
	Poor	113	108	112	3.7%	0.97	0.99	4.3	4.0
Southwest	Top	170	146	155	6.2%	0.90	0.91	5.0	5.0
	Average	138	116	123	6.0%	0.89	0.89	5.2	4.9
	Poor	106	89	93	4.5%	0.89	0.88	5.6	5.0
Southeast	Top	161	118	123	4.2%	0.77	0.77	4.1	4.2
	Average	133	94	99	5.3%	0.76	0.74	3.9	4.0
	Poor	103	72	77	6.9%	0.74	0.74	3.7	3.8
Indiana	Top	169	150	154	2.7%	0.91	0.91	4.6	4.3
	Average	139	122	126	3.3%	0.90	0.91	4.5	4.3
	Poor	108	96	99	3.1%	0.92	0.92	4.5	4.2

Area Cash Rents

All areas of the state reported an increase in cash rent for all land qualities (Table 2). The largest percentage increases in cash rent occurred in the Southern regions of the state.

Cash rents are the highest in the Central and West Central regions. Across all three land qualities, cash rents in these two regions were very similar. When looking at the cash rent per bushel for the West Central and Central regions, these values ranged from $0.97 to $1.03 per bushel. These per bushel rents are the highest in the state. The next highest per-bushel rent was in the North and Southwest, ranging from $0.88 to $0.91. Per bushel rents in the Northeast ranged from $0.84 to $0.86. The lowest per bushel cash rents were $0.74 to $0.77, reported for the Southeast.

Farmland Supply & Demand

The supply of land on the market and the number of interested buyers and their expectations has an important influence on farmland prices. To assess the supply of land on the market, respondents were asked to provide their opinion of the amount of farmland on the market now compared to a year earlier. The respondents indicated either more, the same, or less. Only 16% of the 2005 respondents indicated more land was on the market now compared to year-ago levels (Figure 2). The remaining 84% of the respondents indicated the amount of land on the market at the current time was the same or less than a year ago. These results indicate the quantity of land for sale remains limited.

Respondents were also asked to indicate if interest in a farmland purchase by farmers, rural residents, or nonfarm investors had increased, decreased, or remained the same compared to a year earlier. A total of 55% of the respondents indicated increased farmer interest (Figure 3). Forty-one percent of the respondents indicted

Table 3. Median value of five-acre and ten-acre home sites

Area	Median value, $ per acre: 5 Acres or less for home site 2002 $/A	2003 $/A	2004 $/A	2005 $/A	10 Acres & over for subdivision 2002 $/A	2003 $/A	2004 $/A	2005 $/A
North	6,000	6,000	6,000	7,250	5,000	5,000	5,000	6,000
Northeast	5,000	6,000	6,000	6,500	4,500	5,000	5,000	5,000
West Central	5,800	6,000	6,000	6,000	5,000	5,000	5,000	6,000
Central	7,000	8,500	8,000	10,000	5,750	7,500	7,900	8,500
Southwest	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,250
Southeast	5,500	6,000	6,000	7,000	5,000	4,750	5,000	6,000