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Indiana Farmland Values & Cash Rents Jump Upward

Craig L. Dobbins, Professor and Kim Cook, Research Associate

What a difference a year can make. Last year at this time, there were questions about whether or not farmland values were nearing a top. There are no such discussions this year. This year the question is “How high might farmland values and cash rent go?”

State-wide Land Values

Higher corn and soybean prices brought about by the increased demand for these crops are being translated into higher farmland values and cash rents. The June 2007 Purdue Land Value Survey found that farmland values in all areas of the state took a sharp turn upward. On a state-wide basis, the average value of bare Indiana cropland ranged from \$2,991 per acre for poor quality land to \$4,407 per acre for top quality land (Table 1). Average quality Indiana cropland had an estimated average value of \$3,688 per acre. For the 12-month period ending in June 2007, this was an increase of 19.2%, 16.6%, and 16.9%, respectively for poor, average, and top quality land. One needs to go back to 1977 to find a larger annual increase in Indiana farmland values.

Land quality was measured in the survey by asking survey respondents

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

to provide an estimate of long-term corn yields. The average reported yield was 112, 144, and 175 bushels per acre, respectively for poor, average, and top quality land. State-wide, the value per bushel for different land qualities was very similar, ranging from \$25.15 to \$26.80 per bushel. On a per bushel basis, the most expensive land is the poor quality land with a value of \$26.80 per bushel. Top quality land was the least expensive at \$25.15 per bushel.

The average value of transitional land, land moving out of agriculture, increased 4.5% this year. The average value of transitional land in June 2007 was \$9,520 per acre. However, there is a very wide range of values for transitional land – from twice its agricultural value to more than ten times its agricultural value. These values are strongly influenced by what the land is transitioning into and its location. 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 2007 was \$7,500 per acre.

Survey respondents indicated the value of rural recreational land, land used for hunting and other recreational uses, is \$3,873 per acre across Indiana. This average is more than average quality farmland. But as with transitional land, there is a wide range of values for rural recreational

land. The June values reported for recreational land varied from \$975 to \$10,000 per acre. The median value for rural recreational land in June was \$3,500 per acre.

State-wide Rents

One important contributor to the value of farmland is the annual rent that can be obtained from ownership. State-wide, cash rents increased \$10 to \$16 per acre (Table 2). The largest dollar increase in rent was for top quality land. The smallest dollar increase in rent was for poor quality land. The estimated cash rent was \$171 per acre on top quality land, \$139 per acre on average quality land, and \$110 per acre on poor quality land. This was an increase in rental rates of 10% for poor quality land, 9.4% for average quality land, and 10.3% for top quality land. Again, this is the largest annual increase in cash rent since 1977. State-wide, rent per bushel of estimated corn yield ranged from \$0.97 to \$0.99 per bushel.

Cash rent as a percentage of value continued to decline. For top quality farmland, cash rent as a percentage

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from 12.6% to 17.6%. The exceptions to this were the changes in the value of poor quality land in the North and Southwest with changes of 24.7% and 22.3%, respectively. The increase in farmland values in the Southeast was more modest, ranging from 6.2% to 12.9%.

The highest average farmland values are in West Central and Central Indiana. While the Central Indiana top and poor quality farmland values are slightly higher than those in West Central Indiana, average quality land values are slightly higher in West Central Indiana. Land value per bushel of estimated long-term corn yield (land value divided by bushels) is the highest in the Central and West Central regions, ranging from \$26.39 to \$28.24 per bushel. This was followed by the Northeast, ranging from \$25.36 to \$28.06 per bushel and the North, ranging from \$24.57 to \$26.51. The Southwest and Southeast had the lowest land values per bushel and ranged from \$21.02 to \$25.38 per bushel.

Area Cash Rents

All areas of the state reported an increase in cash rent for all land qualities (Table 2). The strongest percentage increases were in the North and Northeast, ranging in value from 12.3% to 14.9%. This was followed by Central and West Central Indiana with changes of 7.6% to 10.9%. The changes in the Southwest and Southeast ranged from 3.2% to 8.7%.

Cash rents are the highest in the West Central region, followed by the Central region. Cash rent per bushel in West Central Indiana ranges in value from \$1.06 to \$1.12 per bushel. In the Central region, these values ranged from \$1.01 to \$1.04 per bushel. Per bushel rents in these two regions are the highest in the state. Cash rents in the North are similar to those in Central and West Central Indiana. Cash rents in the North range from \$114 to \$180 per acre and \$1.00 to \$1.02 per bushel. The per bushel rent in the Northeast and Southwest ranged from \$0.89 to \$0.95. The lowest per bushel cash rents continue to be in

Table 2. Average estimated Indiana cash rent per acre, (tillable, bare land) 2006 and 2007, Purdue Land Value Survey, June 2007

Area	Land Class	Corn bu/A	Rent/Acre		Change '06-'07 %	Rent/bu. of Corn		Rent as % of June Land Value	
			2006 \$/A	2007 \$/A		2006 \$/bu.	2007 \$/bu.	2006 %	2007 %
North	Top	181	158	180	13.9	0.91	1.00	4.2	4.1
	Average	145	128	145	13.3	0.91	1.00	4.2	4.0
	Poor	112	101	114	12.9	0.94	1.02	4.2	3.8
Northeast	Top	173	141	162	14.9	0.86	0.93	4.1	3.7
	Average	143	114	128	12.3	0.84	0.89	3.9	3.5
	Poor	110	89	100	12.4	0.85	0.91	3.7	3.2
W. Central	Top	177	169	187	10.7	0.98	1.06	4.2	4.0
	Average	147	143	157	9.8	1.01	1.07	4.1	3.9
	Poor	114	118	127	7.6	1.05	1.12	4.2	4.0
Central	Top	177	164	181	10.4	0.95	1.02	4.0	3.8
	Average	147	136	149	9.6	0.96	1.01	4.0	3.8
	Poor	117	110	122	10.9	0.99	1.04	3.9	3.8
Southwest	Top	177	158	168	6.3	0.91	0.95	4.3	4.0
	Average	145	126	134	6.3	0.90	0.93	4.3	4.1
	Poor	111	92	100	8.7	0.87	0.90	4.6	4.1
Southeast	Top	162	124	128	3.2	0.75	0.79	3.9	3.8
	Average	132	97	102	5.2	0.73	0.77	3.6	3.5
	Poor	99	75	78	4.0	0.75	0.78	3.4	3.1
Indiana	Top	175	155	171	10.3	0.91	0.98	4.1	3.9
	Average	144	127	139	9.4	0.91	0.97	4.0	3.8
	Poor	112	100	110	10.0	0.93	0.99	4.0	3.7

the Southeast, ranging from \$0.77 to \$0.79 per bushel.

Rural Home Sites

Respondents were asked to estimate the value of rural home sites with no accessible gas line or city utilities and located on a black top or well-maintained gravel road. The median value for five-acre home sites ranged from \$7,000 to \$10,000 per acre (Table 3). Estimated per acre median values of the larger tracts (10 acres) ranged from \$6,000 to \$9,000 per acre.

Farmland Supply & Demand

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 land was on the market than one year ago. Only 15.9% of the 2007 respondents indicated more land was on the market now compared to year-ago levels (Figure 2). The remaining 84.1% of the respondents indicated the amount of land on the market

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

Area	Median value, \$ per acre							
	5 Acres or less for home site				10 Acres & over for subdivision			
	2004 \$/A	2005 \$/A	2006 \$/A	2007 \$/A	2004 \$/A	2005 \$/A	2006 \$/A	2007 \$/A
North	6,000	7,250	7,000	8,100	5,000	6,000	7,000	8,000
Northeast	6,000	6,500	7,000	8,000	5,000	5,000	6,000	9,000
West Central	6,000	6,000	7,500	8,000	5,000	6,000	7,500	8,000
Central	8,000	10,000	10,000	10,000	7,900	8,500	10,000	9,000
Southwest	5,000	5,000	5,000	7,000	5,000	5,250	7,000	6,000
Southeast	6,000	7,000	7,000	9,000	5,000	6,000	6,250	6,750