

Farmland more valuable than ever

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As home prices continue to slide nationwide, the value of farmland is setting records.

Demand for grain for food, fuel and export, along with low interest rates and a weakened dollar have raised farmland prices by double digits the past two years. Average values have doubled since 2000.

Farm real estate prices rose 20% to 23% in Iowa, Nebraska, South Dakota and Wyoming in 2007, according to Farm Credit Services of America, an agricultural lender.

The Federal Reserve Bank of Chicago reports that prices rose 15% for the first three quarters of 2007 in its district, which includes Iowa and parts of Illinois, Indiana, Wisconsin and Michigan. That's on top of a 14% increase nationwide in 2006 — to a record average of \$2,160 an acre — the U.S. Department of Agriculture says. Figures for 2007 will come out in summer.

The growth has attracted "a tidal wave of investors," says Murray Wise of Illinois' Westchester Group, which manages \$500 million in client assets. "It's everybody from the person concerned about the stock market to large government and corporate pension funds, insurance companies, hedge funds."

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Iowa State University Extension economist Michael Duffy says the price surge benefits owners of all sizes of farms, because they depend on the values for retirement income and for getting loans. But, he says, the high prices are a barrier for young farmers starting out.

Wise says the housing market downturn has prompted lenders to shift capital from mortgages to agriculture.

The demand for ethanol has gotten much of the credit for increasing land prices. But Wise points to other factors, including the low value of the dollar, which makes U.S. exports relatively cheap.

Wise predicts that farmland will appreciate 6% to 12% annually over the next three years, on top of average annual farm income of 4% to 5%.

Hicks and Perkins report for The Des Moines Register.



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