



Land Facts

THE LORANDA GROUP, INC.

AUGUST 2011

The Farmland Fire Still Burns

By: John D. Moss, President

The farmland market in 2011 has continued to astound (Iowa land prices up 17% during the past six months)...and confound (someone just paid \$13,000 per acre for a piece of dirt?). To summarize the market so far this year - the demand for land hasn't eased since last winter, and in fact it is even stronger. That said, the hyperbole mentioned in my last letter really hasn't changed that much either - the "doomsday" experts still believe it's only a matter of time before the land "bubble" will burst; while the optimists believe that the growing world population will create such a demand for food that a higher plateau in commodity prices (the biggest driver in land prices) is inevitable, thus continuing to fuel the meteoric rise in U.S. land values. For those keeping score, the optimists have been winning the argument recently...with ease.

Reporting what has happened is easy. Predicting what will happen next is the challenge. With that, following are my thoughts:

In the short term, where I can base my opinion on the facts, I'm optimistic that values will stay strong for a number of reasons:

- ❏ *Grain prices are still quite high, which means, assuming average yields, that there should be plenty of excess profits from 2011 going into land the next few months;*
- ❏ *At this point, next year looks profitable as well based upon current futures prices for the 2012 crop;*
- ❏ *Farmers in many areas appear to have a rather substantial amount of cash saved up, just waiting for the opportunity to buy land;*
- ❏ *New investors continue to enter the land market despite the high prices, and;*
- ❏ *The supply of land should remain reasonably tight in the near term (in times of general economic uncertainty farmland is still a good asset to own), though the thought of getting over \$10,000 per acre may entice some absentee owners to test the market.*

Longer term, where my opinion is based more on conjecture, I'm a little more skeptical. My contrarian concerns are as follows:

- ❏ *Ethanol is still the dog that the media and the "think tanks" like to kick. Subsidies have already been cut. Could a cut in the 15% fuel mandate be possible?*

- ❏ *In the era of huge government deficits, many farm programs are going to be reduced or outright eliminated.*
- ❏ *China imports a lot of grain, specifically a lot of U.S. grain. Thirty years ago, the USSR imported a lot of grain...until politics got in the way. I'm not 100% confident that the Chinese government, or the U.S. government, won't mess up the mutually beneficial relationship that has been established.*
- ❏ *Whenever a lot of new capital enters a market, especially when prices have already jumped dramatically (e.g., IA land values have risen 101% the past 5 years), I think of the old adage - "the best time to sell may be when everyone else is buying".*
- ❏ *The world population will continue to increase, but many of the new people will live in poor regions that couldn't afford to buy corn at \$3.00 per bushel. The problem of grain distribution still has to be solved.*

With land prices this high, and given the facts and conjectures outlined above, it is difficult to flatly state that a person should definitely be a buyer... or a seller... in this market. For the farmer who has the cash and the desire to be a long term owner, then a purchase may make perfect sense. For the absentee owner who inherited the farm, has seen land values rise considerably, and has other uses for the money, then selling now may be a prudent decision. The investor who is buying land to hold for future generations should be O.K, but the investors who hope to double their money in land the next five to ten years may be disappointed. As a word of caution for those who may be ready to sell - make sure you know what current values are in your specific area. I've talked with some landowners recently who are convinced that all farms in the Midwest are now worth at least \$10,000 per acre, because they heard of a sale for considerably more than that. And, I've seen several instances recently where farms have sold privately for considerably less than market value... and in most of these cases the sellers simply had no idea what their farm should be worth. ❏

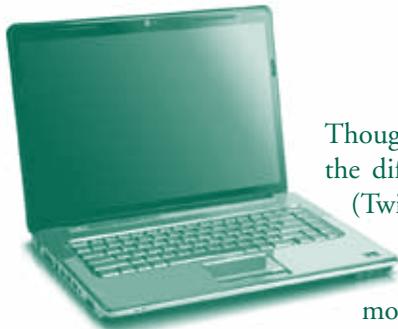


THE LORANDA GROUP, INC.
211 S. Prospect Road, Suite 2
Bloomington, IL 61704
Return Service Requested

Presorted Std.
U.S. POSTAGE
PAID
Champaign, IL
Permit No. 52

**Summer 2011
Land Market
Update!**

**FOLLOW LORANDA FOR THE LATEST NEWS
IMPACTING THE FARMLAND MARKET!**



Loranda and Social Media

By: Eric L. Sarff, Vice President

Though most people know about the different types of social media (Twitter, Facebook, YouTube, blogs, etc.), many believe that they are structured more for personal interaction than for business use. We believe, however, that the various forms of social media can be of real value to those with an interest in farmland, if the content is current and relevant.

In this newsletter, you will see the links to the various outlets that Loranda is utilizing to keep landowners informed. What you won't find posted on any of our sites - what we had for breakfast, or pictures from a recent vacation. What you will find on the

other hand - recent land sales results (Twitter); analyses of current farmland issues (blog); videos of farmland auctions (YouTube); and detailed information on our current listings (Facebook). All of these sites can be accessed directly from the URLs listed, or can be linked from our website (www.loranda.com). 

Loranda on the Web

Market Update Blog: <http://blog.loranda.com>

Twitter: <http://twitter.com/LorandaGroup>

Facebook: Key Search - "Loranda Group"

YouTube: www.youtube.com/LorandaGroup

Website: www.loranda.com

800.716.8189 • loranda@loranda.com



Farm Lease Reminder

If you are thinking about selling your farm before next spring, or possibly changing the terms of the 2012 lease to reflect the increase in commodity prices, then remember that you must properly terminate your current rental agreement before this fall. Each state has its own laws regarding lease termination (when notice must be given, etc.) and the rules must be strictly followed for the termination to be legally enforceable. Many landowners don't realize that overlooking this simple task can cost them thousands of dollars in either reduced sale proceeds or reduced future rent. If you're unsure of the requirements in your state, then contact an attorney or other farmland professional for assistance. 

How Would You Like Your Land Facts?

We've found that a growing number of our subscribers would rather read LandFacts on their computer than receive a printed copy in the mail. If this is your preference, please either email us at (loranda@loranda.com), or complete and return the attached reply card and we will change how the letter is sent.

