

# Midwestern Farmland – The Year in Review

The land market in 2010 was fascinating to follow. For perspective, over the past 12 months agricultural real estate has been described by some experts as the best investment alternative available today. In contrast, other experts describe the market as a bubble ready to burst. Hyperbole aside, here are some of the facts:

1. Land prices have moved upward on average from 5 – 15 %, and in most areas current values are at all time highs.
2. In general, there have been substantially fewer farms available for sale.
3. Both farmers and investors have been active buyers, though they continue to be selective – “A quality” farms are in greater demand than “B or C quality” tracts.
4. The market continues to be localized – a farm selling for \$9,000 per acre in Illinois and a farm selling for \$4,000 per acre in Indiana may be equally representative of market value in each respective area.

The factors driving land prices upward have been well documented. They include higher commodity prices, poor returns on alternative investments, the desire to own a “hard asset” within the food chain, etc. Looking into 2011, we believe that grain prices will ultimately determine if this bull market in land can be sustained, and most grain analysts see continued strength for the next several months. That said, at some point the steep uptrend in farmland prices will have to moderate. Very few investments have ever been able to sustain in the long term the returns that the land market has produced over the past 4 years.

*The Loranda Group is a diversified agricultural real estate firm that offers auction, brokerage, and consulting service across the Midwest. For questions about land in your specific area, please contact a Loranda representative.*

