

# Mississippi Agricultural Land Values and Cash Rents Report: *2017 Survey of Lenders*



This report is intended to be an informational guide for producers, landowners, and professionals working in the agricultural real estate and finance sectors. The report is based on a survey conducted in May 2017 (IRB# 15-156) by the Mississippi State University Department of Agricultural Economics and MSU Extension. The participants in the survey included agricultural lenders, appraisers, farm managers, and agricultural economists.

The 8th Federal Reserve district includes portions of Missouri, Illinois, Indiana, Kentucky, Tennessee, Arkansas, and North Mississippi. Agricultural land values in the 8th Federal Reserve District were up markedly in the first quarter of 2017 after being down through most of 2016 and 2015. Quality farmland in the 8th district was up nearly 10 percent from 1 year ago, with pastureland also up 7.2 percent.<sup>5</sup>

## National and Regional Agricultural Land Values

For the second year, the magnitude of movements in farmland values depends on location. Parts of the 10th Federal Reserve District including Kansas had farmland values decline as much as 13 percent for dry cropland and as much as 10 percent for pastureland. Irrigated cropland is down only about 4 percent. However, Corn Belt states like Nebraska saw declines of irrigated farmland approaching 8 percent, dry cropland down only 4 percent, and pastureland down 10 percent.<sup>1</sup>

The 11th Federal Reserve District, which includes Texas, New Mexico, and Louisiana, showed a modest increase from 2016 moving into 2017. Second-quarter dry cropland values from 2017 across the 11th district averaged \$1,840 per acre. Irrigated cropland averaged \$2,500 per acre and pastureland around \$1,750 per acre.<sup>2</sup> The increases in each category compared to a year ago were 4.3 percent, 5.3 percent, and 3.7 percent, respectively.

The agricultural newsletter from the Federal Reserve Bank of Chicago, which covers the 7th Federal Reserve District that includes parts of Iowa, Illinois, Indiana, Michigan, and Wisconsin, describes land values across the district as “flat” in 2017 compared to 1 year ago. This represents the first “pause” in the decline of average farmland values since 2015.<sup>3</sup> The American Society of Farm Managers and Rural Appraisers reported excellent, average, and fair farmland sales values to be \$10,880, \$6,319, and \$5,003 dollars per acre, respectively.<sup>4</sup>

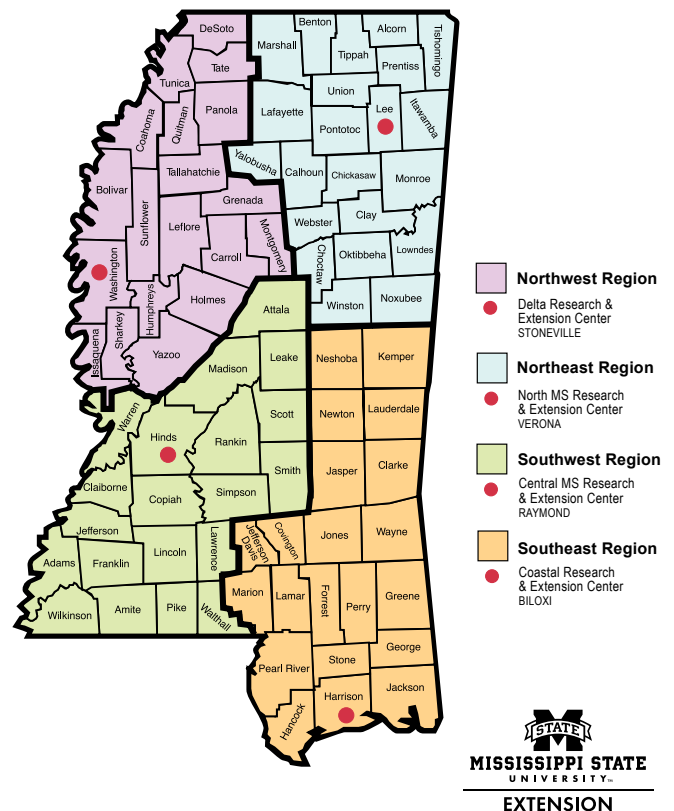


Figure 1. MSU Extension Service regional map with respective regional main office locations.

<sup>1</sup>Cowley, Cortney, and Matt Clark. kcFED Ag Credit Survey. “Slump in Farmland Values Continues.” 9 Feb 2017.

<sup>2</sup>DallasFED Agricultural Survey. Second Quarter 2017. Quarterly Survey of Ag. Credit Conditions in the 11th District.

<sup>3</sup>Oppedahl, David. Federal Reserve Bank of Chicago, AgLetter: May 2017.

<sup>4</sup>Illinois Chapter of the American Society of Farm Managers and Rural Appraisers. 2017. “2017 Illinois Farmland Values and Lease Trends.”

<sup>5</sup>Agricultural Finance Monitor. Federal Reserve Bank of St. Louis. First Quarter 2017.

Nationally, rents across most of the Midwest and Southeast are continuing their downward trend that began in 2014. Rents in Corn Belt states such as Illinois and Indiana are off by an average of 9 percent, while states in the 11th and 8th Federal Reserve districts are down a more modest 1 percent to 3 percent. Rents in the Plains states, including Kansas and Nebraska, more closely mirror those of the Corn Belt states, where they are off nearly 10 percent for farmland.

### Mississippi Land Values and Cash Rents

The responses from the MSU Agricultural Land Values and Credit Conditions Survey were categorized into the four regions shown in Figure 1. The Northwest Region represents the Delta region of Mississippi. This report contains the most current information available on land values for dry land and irrigated cropland, pastureland, and timberland. The report also contains information on cash rental rates and expectations for movement up or down by survey respondents. Ninety-four surveys were sent to lenders, appraisers, real estate brokers, farm managers, and representatives of other agricultural operations in Mississippi. The response rate was 63 percent. Row-crop, pasture, and timberland sales values are for tracts where the highest and best use has not changed from agriculture. In other words, the values reported do not include agricultural land that has been sold with the intent of being developed for a different purpose. **Table 1** shows the percentage of total responses by occupation.

### Delta Cropland Values and Rents

Land sales values in the Delta were mostly flat between 2016 and 2017. Delta dry land showed a slight increase of 3 percent, while Delta irrigated cropland remained the same as 2016. However, the increase in dry cropland is modest, such that differences in the quality of farmland being sold relative to last year may account for the difference. Given national trends, it is unlikely the increase represents the Delta region as a whole.

| <b>Table 1. Percentage of respondents by occupation.</b> |                |
|----------------------------------------------------------|----------------|
| <b>By Occupation</b>                                     |                |
|                                                          | <b>Percent</b> |
| Loans and lending                                        | 66             |
| Agricultural real estate broker                          | 6              |
| Appraisal                                                | 16             |
| Farm management services                                 | 12             |

Irrigated land values, however, showed almost no change at all from 2016. Therefore, it is probable that the average sales prices for both non-irrigated and irrigated land in the Delta have not changed much in the last year.<sup>6</sup>

**Table 2. Fair-market Delta land sales values and cash rents in dollars per acre.**

|                                | <b>Average</b> | <b>Minimum</b> | <b>Maximum</b> |
|--------------------------------|----------------|----------------|----------------|
| <i>2017 Delta Sales Values</i> |                |                |                |
| Dry cropland                   | \$ 3,287       | \$ 2,500       | \$ 4,000       |
| Irrigated cropland             | \$ 4,453       | \$ 3,500       | \$ 5,500       |
| <i>2017 Delta Cash Rents</i>   |                |                |                |
| Dry cropland                   | \$ 112         | \$ 85          | \$ 175         |
| Irrigated cropland             | \$ 172         | \$ 140         | \$ 225         |

**Table 3. Changes in Delta land sales values and rents 2016–17 in dollars per acre.**

|                          | <b>2016</b> | <b>2017</b> | <b>% change</b> |
|--------------------------|-------------|-------------|-----------------|
| <i>Land Sales Values</i> |             |             |                 |
| Dry cropland             | \$ 3,176    | \$ 3,287    | 3               |
| Irrigated cropland       | \$ 4,450    | \$ 4,453    | 0               |
| <i>Cash Rents</i>        |             |             |                 |
| Dry cropland             | \$ 117      | \$ 112      | -4.4            |
| Irrigated cropland       | \$ 176      | \$ 172      | -2.3            |

Rents continue to modestly decline across the Delta. Dry cropland rents in the Delta fell 4.4 percent from 2016 to 2017, while irrigated cropland rents fell by 2.3 percent. While rents in the Delta declined less from 2016 to 2017 than they did from 2015 to 2016, they still mirror the national trend of declining cash rents for quality farmland.

With respect to expectations for the future movement of cash rents in the Delta region, a majority of respondents expect the downward trend to continue. A minority of respondents expect rents to remain steady moving into 2018. No respondents expect rents to rise in the next year.

### Non-Delta Cropland Values and Rents

Non-Delta dry cropland sales values for 2017 averaged \$2,625 per acre, while irrigated non-Delta cropland averaged \$3,119 per acre. **Table 4** shows that the maximum non-irrigated sales value in non-Delta farmland was \$3,000 per acre, while the minimum was \$1,600 per acre. The range for sales values for non-Delta irrigated cropland, according to the surveys, was \$3,800 per acre at the upper end and \$2,500 per acre on the lower end.

Rental rates for non-Delta cropland are also shown in **Table 4**. An average cash rent for non-irrigated land was \$78 per acre, while irrigated cropland rented for \$128 per acre. The spread between the lowest and highest rental rates is above \$100 per acre for non-irrigated farmland outside of the Delta in Mississippi, and the irrigated rent differs by about \$50 per acre.

**Table 5** shows the change in land values and cash rents for non-Delta farmland in Mississippi. Similar to Delta farmland, non-Delta irrigated farmland sales values

<sup>6</sup>Parman, Bryon. 2016. "Mississippi Agricultural Land Values and Cash Rents Report: 2016 Survey of Lenders." Mississippi State University Extension Service. P2967.

in Mississippi showed little to no change from 2016 to 2017. However, non-Delta dry cropland sales values increased by 8.6 percent.

**Table 4. Fair-market non-Delta land sales values and cash rents in dollars per acre.**

|                                    | Average  | Minimum  | Maximum  |
|------------------------------------|----------|----------|----------|
| <i>2017 Non-Delta Sales Values</i> |          |          |          |
| Dry cropland                       | \$ 2,625 | \$ 1,600 | \$ 3,000 |
| Irrigated cropland                 | \$ 3,119 | \$ 2,500 | \$ 3,800 |
| <i>2017 Non-Delta Cash Rents</i>   |          |          |          |
| Dry cropland                       | \$ 78    | \$ 50    | \$ 145   |
| Irrigated cropland                 | \$ 128   | \$ 100   | \$ 155   |

**Table 5. Changes in non-Delta land sales values and rents 2016–17 in dollars per acre.**

|                          | 2016     | 2017     | % change |
|--------------------------|----------|----------|----------|
| <i>Land Sales Values</i> |          |          |          |
| Dry cropland             | \$ 2,417 | \$ 2,625 | 8.6      |
| Irrigated cropland       | \$ 3,058 | \$ 3,119 | 1.9      |
| <i>Cash Rents</i>        |          |          |          |
| Dry cropland             | \$ 79    | \$ 78    | -1       |
| Irrigated cropland       | \$ 124   | \$ 128   | 3        |

Cash rents for non-Delta farmland remain relatively flat from 2016. Dry cropland off the Delta fell 1 percent, from \$79 per acre to \$78 per acre, and non-Delta irrigated cropland slightly increased 3 percent, from \$124 per acre in 2016 to \$128 per acre in 2017. These modest movements are small enough, however, that it is likely there was no movement at all. Given the sizable drop from 2015 to 2016, it is probable that rents did, in fact, level off for at least 1 year.

When asked about expected movements in cash rents as it pertains to non-Delta farmland, most respondents believe rents will move downward in the next year, and 30 percent expect rents to remain constant.

### Mississippi Pastureland Values and Rents

Mississippi pastureland values (Table 6) averaged \$2,309 per acre in 2017. The range of values was \$1,500 per acre for lower-quality pastureland and \$3,500 per acre for higher-quality pastureland. The average cash rental rate for pastureland on a dollars-per-acre basis was \$28.33 per acre in 2017.

Table 6 also shows the cash rental rates and the average land sales value in Mississippi on a dollars-per-animal-unit (AU)<sup>7</sup> basis with a Mississippi State University-recommended stocking rate of 1.2 AU per 2 acres. The cost to run one cow/calf pair is simply double the dollar-per-acre value or rental rate.

When survey respondents were asked about their expectations for pastureland rents, 75 percent indicated that they expect pastureland rents to fall in the next 12 months, while 25 percent expect no change in rental rates for pastureland. With respect to pastureland sales value, 35 percent of respondents expect a decrease and 65 percent expect no change in the dollars-per-acre sales value.

**Table 6. Changes in pastureland sales values and rents 2016–17 in dollars per acre.**

|                          | 2016     | 2017     | % change |
|--------------------------|----------|----------|----------|
| <i>Land Sales Values</i> |          |          |          |
| Dollars per acre         | \$ 1,923 | \$ 2,309 | 20       |
| Dollars per AU           | \$ 3,205 | \$ 3,832 | 20       |
| <i>Cash Rents</i>        |          |          |          |
| Dollars per acre         | \$ 31.63 | \$ 28.33 | -10.5    |
| Dollars per AU           | \$ 52.69 | \$ 47.20 | -10.5    |

### Mississippi Timberland Values

Mississippi land value for mature pine, according to survey respondents, is \$2,392 per acre in 2017, which is 15.6 percent higher than 2016 (Table 7). The range for mature pineland across Mississippi was reported to be between \$1,000 per acre to \$3,500 per acre, depending on recreational value and overall stand quality.

Table 7 also shows the sales value for mature hardwood stands across Mississippi. Mature hardwood land values averaged \$2,250 in 2017. Hardwood value reported by respondents was \$1,000 per acre for mature hardwood land on the low end and \$3,000 per acre at the top, again depending on recreational value and overall quality of the standing timber.

**Table 7. Changes in timberland sales values 2016–17 in dollars per acre.**

|                          | 2016     | 2017     | % change |
|--------------------------|----------|----------|----------|
| <i>Land Sales Values</i> |          |          |          |
| Mature pine timberland   | \$ 2,069 | \$ 2,392 | 15.6     |
| Mature hardwood          | \$ 2,470 | \$ 2,250 | -9.1     |

## Land Values and Cash Rents

## Conclusions and Outlook

### Row-crop Farmland

Evidence from across the country shows that the number of cropland acres sold is down sharply from just a few years ago. This is especially the case in the Plains states, where sales volumes are down nearly 20 percent from 2016 and down a total of 36 percent from 2015.<sup>8</sup> Anecdotal evidence and actual sales numbers from across Mississippi and the Midsouth follow a similar trend, with sales numbers falling in 2017.

<sup>7</sup>1 animal unit (AU) = a single 1,000-pound animal. 1.2 AU = 1 cow/calf pair.

<sup>8</sup>Cowley, Cortney, and Matt Clark. kcFED Ag Credit Survey. "Slump in Farmland Values Continues." 9 Feb 2017.

In some instances, appraisers, brokers, and producers had a difficult time finding land for sale in the Midsouth from the end of 2016 through the first half of 2017, and many believe the lack of total acres for sale reflects some renewed strength in the market. However, another theory is that weakness in the land market has potential sellers reluctant to sell at prices being offered, or simply not listing their property over fears of having to settle for prices that are much lower than were common in 2014.

Evidence from the Mississippi State University survey shows sales prices slightly elevated over last year. Land values off the Delta are up nearly 9 percent from last year for dry land and 2 percent for irrigated. Given that prices have not improved much over the previous two crop years for the common commodities grown in that area, it is unlikely that increased profits are helping prop up off-Delta farmland values.<sup>9</sup> Rather, impatient buyers are offering prices above revenue potential to encourage the sale.

Cash rents across Mississippi continue their downward trend, which began in 2014. However, the precipitous drop from 2015 to 2016 has not been as sharp moving into 2017. An excellent harvest season for grain and cotton producers in Mississippi in the fall of 2016 may have relieved some of the downward pressure on rents. Also, the decline from 2015 to 2016 of over 10 percent enabled some commodities, with yields on the high side of average, to cover operating and direct expenses at the 2016 cash rental rate. It will take another year to determine which of the above scenarios is the correct one in explaining the changes in 2017.

## ***Pasture and Timberland***

Pastureland values across Mississippi have been volatile over the last 3 years, moving from \$2,455 per acre in 2015 down to \$1,803 per acre in 2016, then back up to \$2,309 in 2017. This movement seems to match the volatility witnessed in the cattle market over this period, though, typically, land prices do not move that dramatically in such a short period. The probable explanation for the large swings are knee-jerk reactions by potential pasture buyers in areas where land was overpriced in 2015 and then dropped more than revenue potential dictated into 2016. The most likely scenario moving into 2018 for pastureland prices is that they settle somewhere closer to \$2,000 per acre as they find some more stability at the end of the most recent boom/bust cattle cycle.

Mixed hardwood sawtimber prices have increased nearly 25 percent from 2016 to 2017.<sup>10</sup> Meanwhile, pine sawtimber, pine pulpwood, and hardwood pulpwood have changed very little from 2016 to 2017, with what movement there has been heading downward.

According the Mississippi Timber Price Report for the first and second quarters of 2017, mixed hardwood sawtimber prices are experiencing 10-year highs at \$40–45 per ton. However, this has not yet translated into higher land sales values for hardwood timber in Mississippi. Should prices remain high, and as standing timber inventories are depleted, the expectation is upward movement in hardwood timberland prices.

However, there seems to be very little immediate relief coming for pine timberland prices as pine sawtimber hit 10-year lows (well below \$25 per ton in the first half of 2017). While properties with recreational value may support the value of some tracts, standing pine sawtimber currently does not have the value it had before 2011.

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<sup>9</sup>Parman, Bryon. 2016. Farm Revenues and Profitability for Mississippi Row Crop Producers: 2016. MSU Extension Service. P2991.

<sup>10</sup>Mississippi Timber Price Report. 1st and 2nd Quarter 2017. Mississippi State University Extension Service.

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