



LandOwner

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Powerful Insight for LandOwners

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Huge market test ahead for western Nebraska. On Dec. 1, Hall and Hall will auction 28,645 acres of ranch and cropland located in the Ogallala area. All property is located between the North and South Platte rivers.

The total offered includes 26,739 deeded acres and 1,906 leased acres. The total will be offered in 50 tracts and combinations. Wow!

The property, currently located in Keith, Perkins and Deuel counties, offers 3,647 acres of irrigated cropland, 11,705 acres of dryland cropland and 13,293 acres of ranchland. Also included are 27 center-pivot irrigation rigs.

A complete set of livestock working facilities is located on the north end of the ranch. Also included is a ranchouse with guest house and 120,000 bu. of grain storage. There is also a shop, machine shed and 200,000 bu. of grain storage centrally located to the main concentration of irrigated land to the south. In addition, two other modest residences are included in Deuel County.

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More Tenants Aim to Lower 2017 Cash Rent

Get ready for a more difficult lease negotiation this year compared to last year — and last year was difficult enough. That's the bottom line from our 2016 *LandOwner/Pro Farmer Cash Rent and Land Values Survey*.

According to our survey, 14% of tenants say they "absolutely will" walk away from their cash lease if the rental rate is not lowered for 2017. While possibly not statistically significant, it is a two-percentage-point rise from our 2016 survey.

Some 30% of our respondents say they "probably will" walk away if their 2017 cash rent is not lowered. That's up from 28% last year. Again, that may not be statistically significant, but it shows the trend — 44% are willing to walk away this year versus 40% a year ago.

The survey also indicates 74% of respondents

expect cash rents to decline next year, which is nearly equal to last year's 73%. This suggests that the issue of decreasing the cash rental rate for 2017 will likely come up in three out of four rental rate discussions this fall and winter.

The amount of decrease anticipated is relatively restrained, however. Some 46% say they expect rents to decline by less than 10%. That's up from 42% who looked for a decline of less than 10% in 2016 cash rents listed in last year's survey and up from 40% who expected a decline of less than 10% in 2015 cash rents found in our 2014 survey.

Some 24% anticipate a decline of 10% to 19%, and 4% look for a decrease of 20% or more. That is about unchanged from our 2015 survey, which found 25% looking for a decline of 10% to 19% and

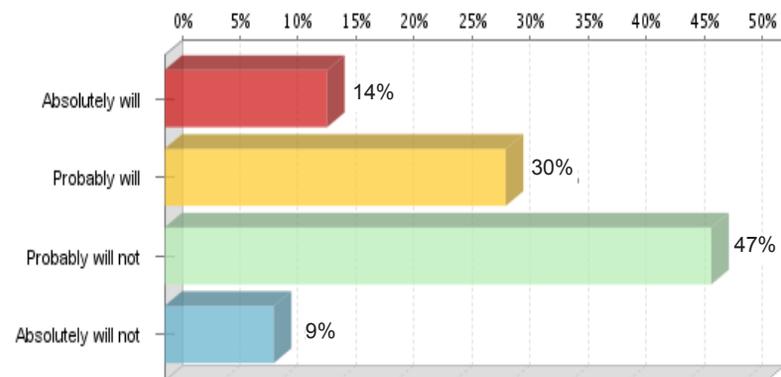
6% expecting a decrease of 20% or more in their 2016 cash rent. In 2014, 31% of survey respondents said they anticipated a decline of 10% or more in their 2015 cash rental rate.

Meanwhile, 24% of respondents anticipate no change in their 2017 rental rate, down one point from last year's 25%. That figure is down from 29% listed in our 2014 survey.

Overall, this data points to a decline in 2017 cash rent of about 7.5%. That fits with our projected decrease for 2017 of 5% to 10%, which we've stated previously in *LandOwner*. For perspective, various university and USDA surveys indicate cash rents declined 5% to 7.5% on average across the Midwest for 2016.

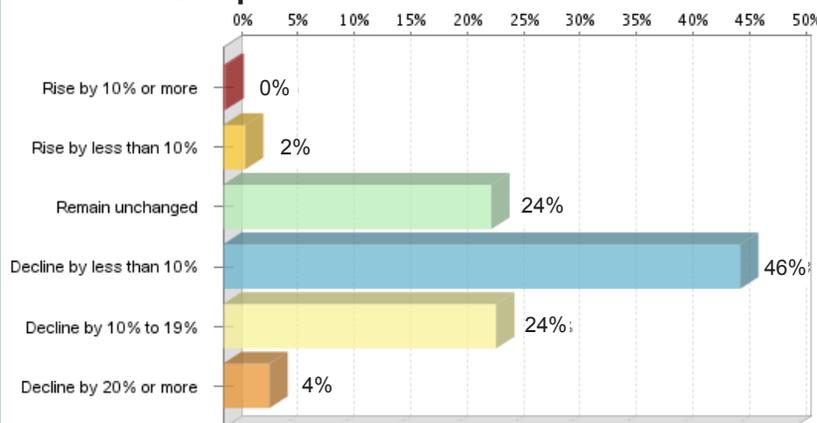
See inside for survey results on land value trends plus comments from respondents.

% Willing to Walk if Cash Rent Not Lowered for 2017



LandOwner/Pro Farmer Survey 2016

74% Expect Lower Cash Rents in 2017



LandOwner/Pro Farmer Survey 2016

Farmland Sales Volume Down on Price Decline

Longtime readers of *LandOwner* know we've written frequently about sales volume — the number of farm properties sold. Those who survived the 1980s farmland collapse will recall volume rose as prices declined, accelerating the price decline due to the hefty oversupply of properties.

Volume has dropped sharply in the recent years as farmland prices peaked in early 2013 and then worked lower. In our view, the decline in the number of properties available to the market has been a supportive force in limiting the slide in farmland prices.

It also makes sense that fewer sales occur as demand weakens and the number of buyers decline. And it also makes sense that fewer sellers bring their properties to the market in the face of declining prices.

Other factors include: (1) The bulk of the farmland bought in recent years was purchased by farm operators. They bought the ground to farm it and have no intention of selling it. (2) Other owners that might have put their property on the market held back, content to wait for a rebound in both demand and prices. This leaves estate settlement as the dominant reason for selling farm property. The number of these sales is somewhat limited.

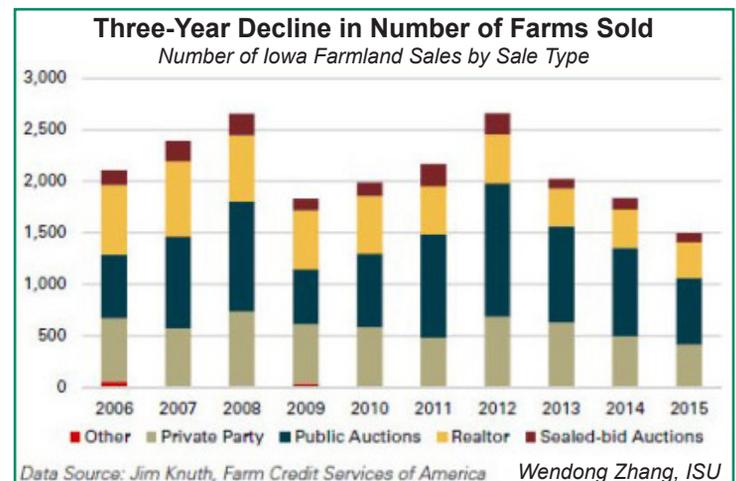
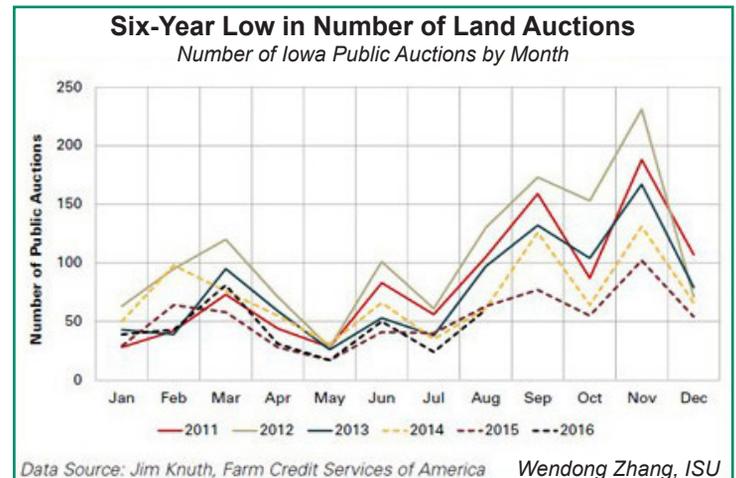
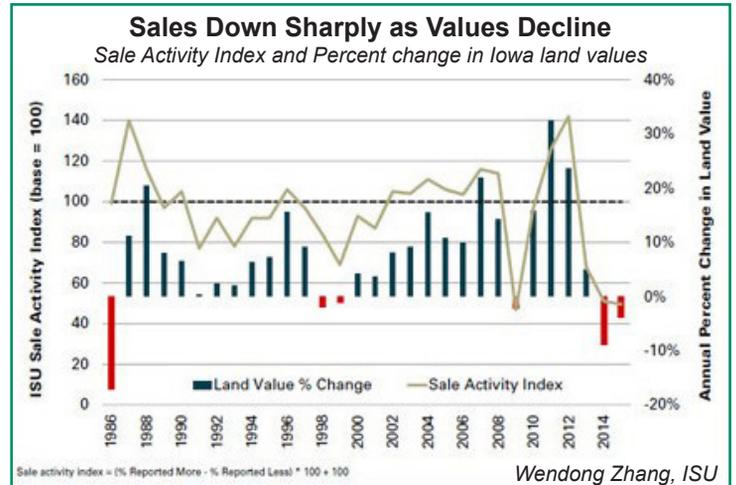
New analysis by Iowa State University's (ISU) Extension Economist Wendong Zhang highlights these trends. He built a *sale activity index* from data pulled from ISU's annual Land Value Survey and data provided by Jim Knuth, senior vice president of Farm Credit Services of America. The index is based on 100, with a number less than 100 reflecting fewer sales and a number in excess of 100 a boost in volume. The top chart plots the index against actual volume. It shows sales activity has dropped off sharply along with the decline in farmland prices.

The second chart shows the number of public auctions in Iowa by year since 2011. The figures for 2016 (black, dotted line) are well under the levels of previous years.

Finally, the third chart shows the total number of farmland sales by sales type. Five sales methods are featured: Other, private party, public auctions, realtor and sealed-bid auctions. It shows volume peaked in 2008 and 2012 when more than 2,500 properties were sold. Land values were strong in 2008 until the financial crisis hit in September. Sales volume dropped sharply in 2009 and then climbed above 2,500 in 2012. Volume has declined consistently since 2012, reading just 1,500 in 2015 — the lowest volume year of the 10 studied. He suggests current sales volume indicates 2016 may match 2015.

Zhang also notes public auctions accounted for 40% to 50% of all farmland sales in Iowa. Auctions as a percentage

of all sales rose from about 30% in 2006-10 to more than 40% in 2011-16. He notes auctions accounted for about 600 of 2015's total volume of 1,500 sales — 40%.



Texas Bankers Report Rise in Ag Land Values

Texas ag bankers report agriculture land values rose on an annual basis through the third quarter, according to the Federal Reserve Bank of Dallas. The bank's district is Texas, southern New Mexico and northern Louisiana.

The survey indicates the value of Texas dryland cropland rose 6.7% through September versus a year earlier and gained 6.1% across the district. This follows a 5% annual gain at the end of the first and second quarters.

The bank survey reports Texas and district irrigated cropland rose 1.1% and 0.5%, respectively, on an annual basis as of Sept. 30. That compares to a 1% dip for both

Texas and district irrigated cropland at the end of the second quarter.

Ranchland values moved higher, according to the survey. The bank says Texas and district ranchland values increased 5.3% and 5.1%, respectively, on an annual basis through the third quarter. That increase compares to annual gains of 1.5% for both Texas and the district reported at the end of the second quarter.

Despite the reported gains, the survey indicates district bankers expect farmland values to trend lower in the fourth quarter.

Dryland Cropland Values Up 6%

	Average Value	Prior Year
	\$ per acre	% change
1. Northern High Plains	\$855	3.7%
2. Southern High Plains	696	-1.6
3. Northern Low Plains	767	-3.6
4. Southern Low Plains	1,268	3.4
5. Cross Timbers	1,425	0.0
6. North Central Texas	2,807	10.4
7. East Texas	2,548	0.0
8. Central Texas	4,192	16.5
9. Coastal Texas	3,350	11.6
10. South Texas	n.a.	n.a.
11. Trans-Pecos and Edwards Plateau	2,005	10.5
Texas	\$1,943	6.7%
12. Southern New Mexico	300	0.0
13. Northern Louisiana	2,236	-5.2
Entire District	\$1,900	6.1%

n.a. = not enough reported

Ranchland Values Gain 5%

	Average Value	Prior Year
	\$ per acre	% change
1. Northern High Plains	\$608	-3.7%
2. Southern High Plains	681	-1.3
3. Northern Low Plains	807	-2.7
4. Southern Low Plains	1,094	15.2
5. Cross Timbers	1,525	0.0
6. North Central Texas	2,807	9.4
7. East Texas	2,675	4.8
8. Central Texas	5,192	19.2
9. Coastal Texas	2,720	15.7
10. South Texas	n.a.	n.a.
11. Trans-Pecos and Edwards Plateau	1,844	-1.6
Texas	\$2,078	5.3%
12. Southern New Mexico	350	0.0
13. Northern Louisiana	2,064	8.3
Entire District	\$1,753	5.1%

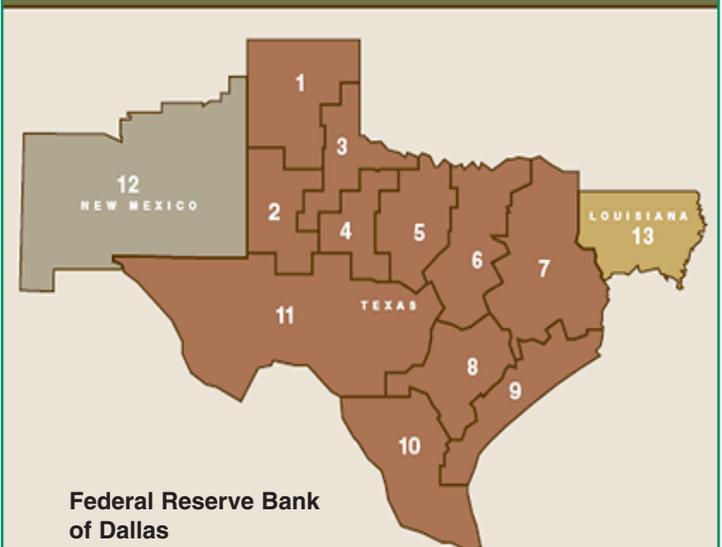
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Texas Irrigated Cropland Up 1%

	Average Value	Prior Year
	\$ per acre	% change
1. Northern High Plains	\$1,986	2.9%
2. Southern High Plains	1,660	-5.8
3. Northern Low Plains	1,665	6.5
4. Southern Low Plains	1,640	7.9
5. Cross Timbers	n.a.	n.a.
6. North Central Texas	2,838	31.3
7. East Texas	2,840	0.0
8. Central Texas	3,733	3.7
9. Coastal Texas	4,450	6.1
10. South Texas	2,917	0.0
11. Trans-Pecos and Edwards Plateau	3,107	11.9
Texas	\$2,241	1.1%
12. Southern New Mexico	4,450	3.8
13. Northern Louisiana	3,371	-8.5
Entire District	\$2,530	0.5%

n.a. = not enough reported

Eleventh Federal Reserve District



IOWA: UNION COUNTY —
September 8: 91 acres one-half mile west of Creston; 82 acres tillable; rolling; cropland CSR2 73.7 (62.3 county average cropland CSR2); **\$6,100** per acre. Christopher Smith, ALC, Hertz Real Estate Services, Nevada, 800-593-5263.

IOWA: BUCHANAN COUNTY —
September 8: 95 noncontiguous acres. Tract 1: 40 acres 6 miles north of Troy Mills; 37 acres tillable; CSR2 82.5 (75.4 county average cropland CSR2); **\$10,600** per acre. Tract 2: 55 acres 3 miles north of Troy Mills; 54 acres tillable; CSR2 86.4; **\$8,300** per acre. Troy Louwagie, ALC, Hertz Real Estate Services, Mount Vernon, 319-895-8858.

ILLINOIS: STARK & PEORIA COUNTIES — September 7: 732 acres northwest of Princeville. Tract 1: 28 acres; 27 acres tillable; PI 136.3 (147 is maximum); **\$11,000** per acre. Tract 2: 66 acres; 63 acres tillable; PI 120.8; **\$7,000** per acre. Tract 3: 76 acres; 75 acres tillable; PI 133.8; 7 acres in CRP at \$220.80 per acre through 2022; **\$11,500** per acre. Tract 4: 84 acres; 72 acres tillable; PI 118.1; **\$5,200** per acre. Tract 5: 106 acres; 70 acres tillable; PI 117.8; **\$4,700** per acre. Tract 6: 141 acres; 137 acres tillable; PI 130.7; **\$9,250** per acre. Tract 7: 87 acres; PI 107.7; **\$2,600** per acre. Tract 8: 139 acres; 82 acres tillable; PI 131.3 on tillable; **\$2,125** per acre. Tract 9: 5-acre farmstead with no farm house, 50,000-bu. grain storage, barns; **\$65,000** total. Sullivan Auctioneers, Hamilton, 844-847-2161.

ILLINOIS: LASALLE COUNTY —
August private treaty: 79 acres north of Lostant; 77 acres tillable; PI 140 (147 maximum); corn PI 190.2; **\$9,200** per acre. Mark Mommsen, Martin, Goodrich & Waddell, Sycamore, 815-901-4269.



Recent sales reported to...



Here's a listing of recent sales reported to us by real estate brokers and auctioneers across the country. If you have recent sales you'd like to share, call us at 319-277-1278 or e-mail us at landowner@profarmer.com.

KANSAS: DECATUR COUNTY — October 18: 720 noncontiguous acres northwest of Clayton. Tract 1: 240 acres; 147 acres dryland cropland; balance grass; **\$1,400** per acre. Tract 2: 160 acres; 128 acres cropland; balance grass; **\$1,600** per acre. Tract 3: 320 acres; 161 acres cropland; balance grass; **\$1,050** per acre. Mike and Grant Bailey, Farm & Ranch Realty, Inc., Colby, 800-247-7863.

ILLINOIS: FULTON COUNTY — October 14: 56 acres just south of Farmington. Tract 1: 53 acres; 47 acres tillable; PI 137.3 (147 is maximum per Bulletin 811); **\$9,300** per acre. Tract 2: 3 acres; farmstead; **\$100,000** total. Doug Hensley, Gorsuch-Hensley Real Estate & Auction, Canton, 309-647-8811.

SOUTH DAKOTA: AURORA COUNTY — October 14: 638 acres near White Lake; 246 acres cropland; PI 56.5; balance pasture and farmstead; **\$2,950** per acre. Offered as four tracts; purchased as a single unit. Terry Haiar, Terry Haiar Auction Service, Alexandria, 605-239-4626.

OHIO: MEIGS COUNTY — October 13: 524 mostly timber acres north of Salem Center. Tract 1: 32 acres; 28 acres tillable; **\$2,253** per acre. Tract 2: 24 acres; 15 acres tillable; **\$1,716** per acre. Tracts 3-15: 432 acres; 119 acres tillable; balance timber; **\$2,265** per acre. Tract 16: 36 acres timber; **\$2,203** per acre. Murray Wise Associates, Champaign, Ill., 800-607-6888.

INDIANA: RUSH COUNTY — October 12: 135 acres 2.5 miles southeast of Milroy; 134 acres tillable; corn PI 164.3; **\$10,868** per acre. Offered as two tracts; purchased as single unit. Rusty Harmeyer, Halderman Real Estate Services, Richmond, 765-561-1671.

MISSOURI: CHARITON COUNTY — October 10: 222 acres southwest of Keytesville. Tract 1: 35 acres; 31 acres tillable; **\$7,400** per acre. Tract 2: 100 acres; 93 acres tillable; sandy soils; 7 acres timber; **\$2,950** per acre. Tract 3: 48 acres; 14 acres cropland; 28 acres timber; wet soils and backwater sloughs; **\$2,550** per acre. Tract 4: 39 acres; 5 acres tillable; 28 acres timber; 6 acres of water in a blow-hole. **\$3,550** per acre. Boyd Harris, ALC, Farmers National Company, Centralia, 573-682-6500.

IOWA: GRUNDY COUNTY — October 5: 117 acres 3 miles south of Parkersburg; all tillable acres; cropland CSR2 86.4 (87.2 county average cropland CSR2); non-highly erodible land (NHEL); **\$7,850** per acre. Jeffrey Obrecht, Peoples Company, Iowa Falls, 641-648-5065.

IOWA: POCAHONTAS COUNTY — October 5: 100 acres; 98 tillable acres, 8 acres of which is separated by state highway from remaining 90 acres; cropland CSR2 82.4 (82.4 county average cropland CSR2); **\$8,200** per acre. Chuck Sikora, The Acre Co., Spencer, 712-262-3529.

NEBRASKA: HOLT COUNTY — September 30: 240 acres 2 miles south of Atkinson; hay ground with sub-irrigation; perimeter fences, windmill and tank; **\$2,500** per acre. Robert Litz, Farmers National Company, O'Neill, 402-336-3600.

High Percentage of Farmers Remain Farmland Buyers

Despite expectations farmland values will decline again in 2017, nearly 40% of farmers say they are still in the market to buy farmland. Those findings come from our 2016 *LandOwner/Pro Farmer Cash Rent and Land Values Survey*.

Our annual survey found 71% of respondents anticipating a decline in the price of farmland next year, while about 24% expect land values will stay the same. Some 4% anticipate farmland values to rise in 2017 by less than 10% while slightly less than 1% look for values to increase by 10% or more.

These figures are similar to what our survey yielded the two previous years. In 2015, 75% of respondents expected farmland values to decline while 23% anticipated prices to remain stable. In 2014, 73% of respondents looked for lower farmland values while 21% thought prices would remain stable.

There has been some shift in the degree of anticipated decline. In 2014, 31% of survey respondents expected farmland values to decline by 10% or more in 2015. In 2015, 27% anticipated prices to decline by 10% or more in 2016. This year, 21% expect values to decline by 10% or more next year. Meanwhile, the percentage anticipating a decline of less than 10% has increased. In 2014, 42% of respondents expected farmland values to decline by less than 10%. That percentage rose to 48% in 2015 and reached 50% in our current survey. The percentage looking for values to remain the same has inched higher, as well — from 21% in 2014 to 24% in this year's current survey.

This suggests a slowing in the pace of the current decline. This is consistent with what we've seen from recent surveys and at recent auctions.

Meanwhile, nearly two out of five survey respondents say they remain in the market to buy farmland.

This year's survey finds 38% saying they are "looking to buy" compared to 42% in each of the past two years. That still-strong percentage indicates the aggressive nature of our *Pro Farmer* Members and *LandOwner* subscribers. The goal is to build their operations and some see the current price decline as an excellent opportunity to step into the market and acquire quality farmland for their family business.

Survey comments:

Minnesota: 2017 is lining up to be a critical year in the row-crop business. Largest component of crop inputs is land cost. It is simply not feasible to have land costs at 40% to 60% of expected income and think the operator can survive long term.

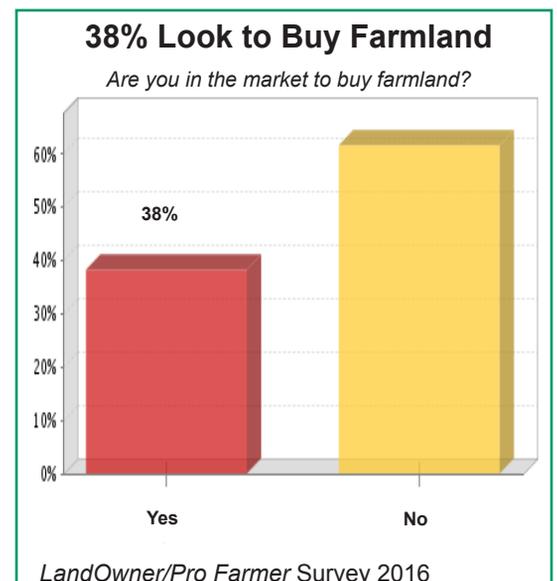
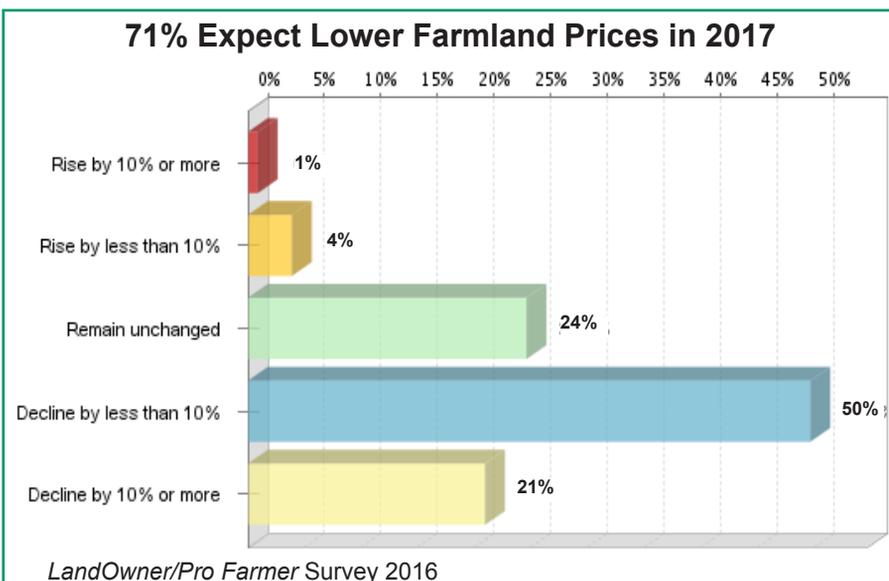
Kansas: Farmers who have been overly aggressive in bidding up cash rent and acquiring high-priced machinery to expand their operation using equipment-company financing are starting to come under pressure from local lenders as those annual payments are becoming current liabilities.

Illinois: Land in my area is still very competitive, especially for class one farms.

New York: Definitely some talk about lowering lease rates. I had a neighbor ask me not to bid on a piece of ground that he has rented for a long time as he intends to ask for a significant reduction in rent and assumes the landowner will call me to see what I would pay.

Iowa: I terminated three fields totaling 112 acres because marginal land will not work even though landlords were cooperative. I helped them enroll in CRP.

Nebraska: Many farmers are giving up their highest-dollar farms where rents are not coming down.



CURRENCIES

U.S. dollar firming, but range-bound

Weekly U.S. Dollar Index



Fundamental trends

U.S. DOLLAR: After slumping in late September, the U.S. dollar has surged in early October. A portion of the strength reflects expectations for a modest Federal Reserve increase in U.S. interest rates in December. The greenback strength also reflects big losses by the British pound and the euro. It now appears as if the

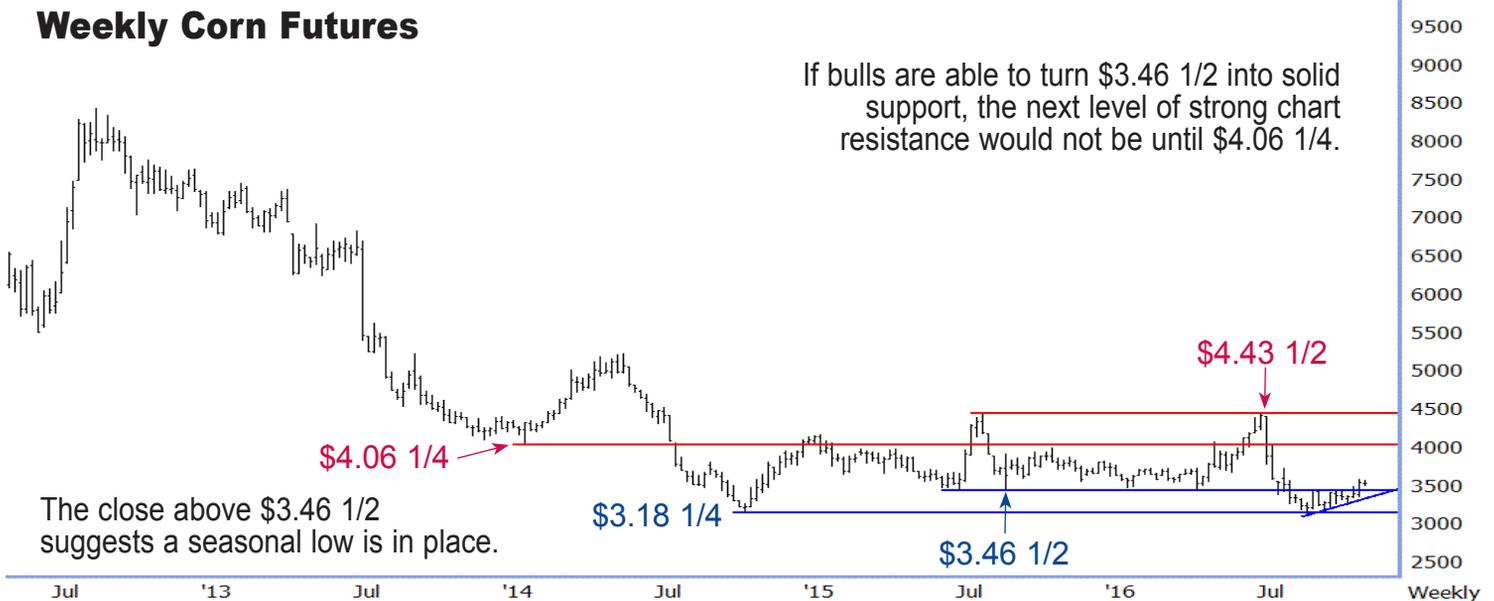
United Kingdom's separation from the European Union will be less than amicable.

USDA's Oct. 12 Supply & Demand Report held good export news, but the rising U.S. dollar could hurt those prospects, particularly for wheat, as U.S. grain prices work to be competitive on the global market.

CORN

Signs a seasonal low is in place

Weekly Corn Futures



Fundamental trends

CORN: The corn market reacted well to the Oct. 12 USDA reports, since they contained a 1.0-bu.-per-acre cut to the average yield, a 50-million-bu. boost to the export forecast and a 64-million-bu. reduction in projected 2016-17 carryover. Futures topped short-term resistance, suggesting a seasonal low is

in place. Export sales for the week ended Oct. 6 of 873,400 metric tons (MT) were at the low end of expectations, but exports were strong, topping 1.2 million metric tons (MMT). Ultimately, slow farmer selling and firming basis bode well for short-term price prospects.