

# Farmland values: Who's selling, who's buying

Ray L. Brownfield for *Progressive Forage*

## AT A GLANCE

Ag land purchasers include corporations and a variety of investors seeking to diversify financial portfolios; however, land values remain stable.

I have been in this business for over 50 years and, other than the mid-'80s, when land (due to an agricultural economic financial crisis) had to be sold through foreclosure, most land sells because multiple family members have inherited the land and, due to various reasons, opt to sell the farm.

It is not uncommon for siblings to not agree whether to sell or not to sell. Emotions can run pretty high, particularly if one of the siblings is the farm operator. This is where sometimes a professional accredited land consultant (ALC) real estate broker can be of assistance in helping determine the fairest method of sale and remove some of the emotion of nonbiased decisionmaking. There are also cases where the farm owner-operator is ready to retire, for whatever reason, and decides not to pass the farm onto his or her kids or relatives or a charity. They may decide to sell the farm, pay the capital gains taxes and enjoy some very hard-earned money for his or her remaining years of life.

Buyers can be just about anyone with some cash and good credit. The majority of buyers these days are farmers who may own land near that which is being sold. They want to add to their land holdings for the long-term benefit of their children and grandchildren. Most feel the land is what they really know and understand it is a special tangible asset of which no more is being made.

In recent years, investment funds have discovered farmland is a great diversification of their large investment portfolios. Land is a

relatively stable asset as compared to the stock market, which on any day can lose or gain a large percentage of that which is invested.

Over the last 50 years, we have experienced an average appreciation of land value at 0 to 7 percent annually, with the exception of 1982 when the market declined about 50 percent as a result of hyperinflation. The investment funds are usually very sensitive to return on investment; thus, they normally are not the leaders in pushing the sale price to higher levels, and they do seek good farm operators who are financially sound and are able to pay a competitive rent. Also local investors who may be absentee land owners – doctors, lawyers and other professionals – are also farmland buyers. They usually know the land and the seller of the land and want to add to their investment portfolio.

Overall land values have held pretty well, with no major downturn in most areas. Given the uncertain current political climate regarding tariffs causing lower commodity prices, trade agreements and government shutdown, one would think such would have a strong adverse affect on land values. In most areas, land values are relatively stable with more pressure on poorer-producing land, which makes economic sense. We find the market to be more

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Illustration by Corey Lewis.

discerning regarding quality. Soil quality, total tillable acres, well-drained or irrigated fields, good local markets and field size are some of the defining points buyers are looking at.

Land has proven to be a good long-term investment. It is tangible, almost always earns an annual revenue and over time does appreciate. Contrary to the stock market, which has shown daily

variability fueled by rumor and facts, the land market usually remains steady without any short-term radical change in value.



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