



LandOwner

March 12, 2009

Powerful Insight for LandOwners

Vol. 30 • Iss. 5

The south-central North Dakota market passed a major test early this month with the sale of 16,626 acres. The land, located in north-west Stutsman County, sold in 39 parcels and brought in excess of \$10 million, reports James MacPherson of the *Associated Press (AP)*. That results in an average slightly north of \$600 an acre.

Ken Dalsted, an attorney for the estate selling the property, told the *AP* the land was purchased by 15 buyers and exceeded expectations.

"It exceeded our appraised value, so it shows that the economy is alive and well in North Dakota, or at least here in Stutsman County," he said.

The attorney said the auction was held to settle the estate of Walter Holzworth, who died in November 2007 without a will despite repeated urging from many family members, attorneys, bankers and accountants to write one. "Everybody who ever dealt with him urged him to get a will," Dalsted said. "Why he didn't, I don't know."

More than 500 people attended the March 3 auction at Jamestown, North Dakota.

Mark your calendar.

This year's *Leading Edge Conference* will be July 13-14 at the Marriott Hotel in Des Moines, Iowa. Watch for further details.

Iowa Land Values Post 7.6% Six-Month Decline

The value of an acre of Iowa farmland fell by 7.6% during the six-month period ending March 1, 2009. That's according to the most recent survey conducted by the Iowa Farm and Land Chapter #2 REALTORS® Land Institute (RLI).

The decrease in land values is the first such decline reported by the group's semi-annual survey in nearly a decade. "I had to go back to September, 1999, to find the last time we reported a decrease," reports Troy Louwagie, Hertz Real Estate Services, Mt. Vernon, who leads the RLI survey.

The decline was statewide. All nine Iowa crop reporting districts showed a decrease, states Louwagie. "The districts varied from a 2.5% decrease in southeast Iowa to a 14% decrease in west-central Iowa for the September 2008 to March 2009 period. (See page 2 for details.)

Factors contributing to the decrease in farm-

land values include: Lower commodity prices, high input costs, decreasing returns in the livestock industry, volatility in the stock market, declining confidence in the world economy, and economic uncertainty, he says.

The survey also surfaced several positives that are influencing land values. These include: Low interest rates, well capitalized farmers, strong farm profits in 2007 and 2008, lack of alternative investments and a short supply of listings.

"Usually when I do the survey, I'll find some districts saying the supply of listings is down but not all districts. This is the first time where the survey indicated a shortage of listings consistently across the entire state," Louwagie says.

The survey indicates 70% to 80% of all buyers are farmers — either active or retired — with 10% to 15% being 1031 exchange buyers. Investors were listed as the remaining buyers.

Still Bright Outlook For Agriculture, Believes Westchester's Wise

Despite the current problems facing U.S. agriculture and the global economy, Murray Wise, CEO, Westchester Group, Inc., Champaign, Ill., believes the outlook is bright for agriculture.

"Quite frankly, as I look two, three and five years down the road, I am extremely optimistic regarding U.S. agriculture," he tells *LandOwner*. "I believe the U.S. farmer has as bright an outlook as he has ever had on a go-forward basis."

While the outlook is bright, land values in many areas of the country have softened. "In many counties throughout the Midwest land values have declined 6% to 12%," he says, "but in many other counties, land values have not declined at all.

"I believe the current global economic situation for 2009 will continue to be a volatile situation relevant to land values," he continues. "We are seeing some distinct softness, and I believe this softness will continue for at least the first six months of 2009, possibly the entire year."

But, in Wise's view, the strong outlook for further gains in grain and meat consumption in Southeast Asia means agriculture will benefit in the long-run. "Ethanol is not the major driver behind the recent runup in grain and land values, it is increased consumption levels through higher caloric intake in many Asian countries," Wise states. (See chart at right.)

Wise says the recent softness in land values is

a normal correction following several years of strong gains. "You have to realize that for four, if not five consecutive years, farmland values have increased to double digit levels and that typically doesn't go on forever," he observes.

However, agriculture holds a very strong financial position which should provide staying power to weather a correction in land values. "Consider that in the 1980s the average U.S. farmer had \$22 worth of indebtedness for \$100 worth of assets. In 2008, the average farmer had only \$9 worth of indebtedness for every \$100 worth of assets," he states.

