

UNCERTAINTIES PERSIST:

TODAY'S LAND MARKET IS HOLDING ITS BREATH

OMAHA – Questions abound in the current land market. Will the negative farm financial situation finally overcome other factors to drive land prices the final leg lower? Will outside influences put more stress on land values or actually support prices? Will regional pockets of stress spill over into the overall land market?

Farm and ranch land is the key financial bedrock for American agriculture as land makes up 82 percent of total assets for the industry. With today's uncertainties in agriculture, everyone involved with owning, buying or selling ag land is holding their breath to see what will happen next with the market and prices.

"At Farmers National Company, we are seeing an uptick in our land sales as more families and inheritors want to sell now," said Randy Dickhut, senior vice president of real estate operations. "Within our 28-state service area, we are also seeing more landowners coming to us to market

and sell their land as evidenced by our volume of land for sale increasing 21 percent. These landowners are just deciding now is the time to sell and capture today's price."

Overall, agricultural land values have held up surprisingly well over the past few years despite lower commodity prices and much lower farm incomes compared to five years ago. There are a number of reasons for this, including the low supply of land for sale, cash rental rates remaining stronger than expected and interest rates that have been historically low.

But there are some important questions looming about the land market that are causing many to figuratively hold their breath in anticipation of what comes next.

"Even though the rate of bankruptcies and forced land sales is low, there is the expectation that numbers will increase somewhat in the year ahead as farmers' cash flows are stressed. There is also an increase of quiet sales to neighbors or

investors where the land is never exposed to the market to see what the true price is. The ultimate question here is how many more properties for sale can the market handle before the volume overwhelms the number of buyers and puts downward pressure on land prices," Dickhut said.

There are regional differences showing up in today's land market that will have a bearing on prices. Dairy producers in Wisconsin, New York and other states have been experiencing low milk prices for some time and those areas are now seeing an increase in retirement sales involving land and assets. Other regions did not experience the record crop yields in 2018 that other areas did, which adds to producers' financial stress and results in additional land for sale entering the market.

Factors outside agriculture are hanging over the land market and may have a further effect

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