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## **What's Up With Land Prices?**

It's been exciting times in the agricultural land market with more farms being placed on the market and new buyers coming in.

“What started as a gradual strengthening of sales prices last fall escalated into aggressive bidding the past five months to generate new highs in prices paid for farmland in many areas. Prices for good quality farmland are up 15 to 35 percent depending on the location,” said Randy Dickhut, senior vice president of real estate operations with Farmers National Company.

What has propelled this upsurge in prices? Will the aggressive bidding continue?

One of the determining factors in establishing the price paid for ag land in the marketplace is the equilibrium of the supply of land for sale and the demand to buy. Higher commodity prices and better farm incomes, in part from government payments, propelled grain producers to be more aggressive bidders for farmland during the last few months of 2020. More favorable financial conditions for many farmers in 2021 also boosted their interest in purchasing land. Additional buying interest during the past year came from individuals looking for an inflation hedging investment or the security of a farmland asset, too.

In the past 12 months, most areas of the Grain Belt experienced an increase in the amount of land sold starting with additional sale activity last fall. A number of states saw a 10 percent or more bump in the number of transactions while others had a more moderate increase in sales.

“Non-operating landowners became more active sellers of land during 2021 with the higher prices drawing their attention as well as the potential threat of tax law changes,” Dickhut said. “Sellers increasingly turned to Farmers National Company to market and sell their land as evidenced by the 62 percent boost in the number of acres sold by the company during the past 12 months compared to last year along with a 14 percent increase in the number of transactions. The company also set a new record in real estate sales volume with more than \$765 million of land sold during the year.”

The higher prices paid for farmland also were driven by the increased use of competitive bidding sales methods in the hottest land markets generating the best sales prices for sellers. In addition to the traditional public auction, the use of various online auction methods have now become commonplace.

“Farmers National Company held more than double the number of land auctions the last part of 2021 than in 2020 with the most done as simulcast auctions combining a live auction with an auctioneer being broadcast simultaneously to online bidders,” Dickhut said.

With the arrival of the New Year, the question in the land market is whether the strength in prices will carry forward. At this point, if the fundamental factors supporting land prices continue in the current direction, the market should be firm to somewhat higher. Commodity prices and farm incomes will need to remain above long-term averages to provide the financial ability for producers to consider buying more land. If the supply of land for sale doesn’t outpace the demand from producers and investors, the land market will remain in equilibrium at the higher prices. Finally, everyone will be watching interest rates as to when they will rise, by how much and what effect there may be on land prices.

“If any of these underlying factors change or unexpected world or national events come about, the land market could pause and even change direction depending on the size of any changing factor. For now, the outlook for the land market is positive as farmland continues to be a safe, long-term investment,” Dickhut said.

Farmers National Company, an employee-owned company, is the nation's leading agricultural landowner services company. Farmers National Company manages more than 5,000 farms and ranches in 29 states comprising more than 2 million acres. Over the last five years, Farmers National Company has sold 3,949 properties (1,457 at auction) and more than \$5.3 billion of real estate during the last 10 years. Additional services provided by the company include auctions, appraisals and valuation services, insurance, consultation, oil and gas management, a national hunting lease program, forest resource management, and FNC Ag Stock. For more information on our company and the services provided, visit [www.FarmersNational.com](http://www.FarmersNational.com).