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FOR IMMEDIATE RELEASE

## **Will Land Prices Go Even Higher?**

The stronger land prices of late 2021 continued higher through the first half of 2022. After a calm period at the start of the year in which the land market remained steady, sales prices took another jump up as a result of the outbreak of war in Ukraine and ongoing inflation fears. Farmers saw stronger commodity prices and investors wanted a low-risk inflation hedging investment, which together propelled the competition for good cropland.

“Prices for good quality cropland are up 20 percent in some areas since the first of the year. Recent Farmers National Company auction sales demonstrate the strength in the land market so far in 2022. Good land that was selling for around \$16,000 last fall sold for \$19,000 to \$21,500 per acre at company auctions in March. This increase in prices is on top of a 15 to 30 percent jump in value across most Grain Belt states in 2021,” said Randy Dickhut, senior vice president for Farmers National Company.

Growing world demand for grains and meats along with uncertain weather conditions brought good commodity price strength in the New Year, which generated a positive view for net farm income in 2022 and the next several years. The Russian invasion of Ukraine thrust food and ag into the spotlight, which in turn added to the world’s need for good cropland. Uncertainties grew from disruptions in input supply chains and the world food and grain trade.

With a return to a normal supply of cropland for sale, farmers who are looking forward to several years of higher grain prices have continued to aggressively bid for the land that did come up for sale during the past few months. Individual investors also stepped into the market as they looked at farmland as a safe, long-term inflation hedging investment. This combined heightened demand propelled land prices higher in 2022.

The question of the moment is, will land prices go even higher?

“Farmers, landowners and the agricultural industry are facing more uncertainty at this moment than almost any other time. The Ukrainian invasion has thrown in a multitude of short and long-term unknowns in the food and ag world,” Dickhut said.

Inputs like fuel and fertilizer are vastly more expensive, raising the cost to produce a crop while feed costs are much higher for livestock producers. Grain prices are at historic levels, but will these go higher or lower? Will farmer buyers become more cautious in their outlook to bid up land if input costs and supply chain issues escalate?

Inflation and stability concerns have come to the forefront when making investment decisions. These concerns increase the demand for land right now as it is generally accepted that farmland is a safe, secure, long-term investment during periods of inflation. Rising interest rates will increase the cost of land mortgages, which will have some damping effect on land prices. How far and how soon rates go up will determine the extent of the interest rate influence.

“The importance of secure and adequate food, fiber and fuel supplies has taken center stage throughout the world. United States agriculture, as the world’s most productive and secure grain and livestock supplier, comes to the forefront of world trade now and will continue in the future. Farmers realize the potential and are therefore willing to bid up land prices in order to control more acres for the years to come. Individual and fund investors are realizing this too and are stepping more into the farmland market,” Dickhut said.

Anything can change at a moment’s notice with the weather, commodity markets, world events and government actions. All will affect agriculture and therefore, the price of farmland, Dickhut noted. The supply of land for sale and how demand holds up over the next months also will be determining factors on land prices.

“With current land prices at heightened levels, most of the supporting factors remain in place at this time to keep values steady to firmer for the next six months. This outlook could be altered at any moment due to unexpected changes in a multitude of factors,” Dickhut added.

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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).