



PRESS RELEASE

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FOR IMMEDIATE RELEASE:

Record-Setting Activity Ebbs as Real Estate Market Slows Down

The agriculture real estate market entered a period of de-escalation beginning in the fourth quarter of 2022. The market experienced a reduction in both sales volume and value growth since that time, as interest rates increased, and inflation pressures became more apparent.

That trend has continued into the first half of 2023 with fewer properties being offered for sale and market values that, while still strong, are dramatically off the pace seen in the first half of 2022.

Results from the Federal Reserve District Surveys reflect this trend between the third and fourth quarter of 2022 and now continuing into the first half of 2023. Value growth is still positive across the Midwest, but increases are now in the single digits instead of the double digits seen in 2021 and 2022.

Farm operators remain the largest group of buyers through Farmers National Company, accounting for nearly 80 percent of all land sale transactions.

“These operators have enjoyed a period of high liquidity over the past five years but are now moving into a period of increasing debt service and borrowing. This will most likely result in less available cash reserve to deploy for capital expenditures and land purchases,” said Paul Schadeegg, senior vice president of real estate operations for Farmers National Company. “While investors have not always been the successful buyer of properties offered for sale, they certainly are part of the equation, helping set a floor on land values and creating a competitive market. If farm operators step back from aggressive bidding for land, investors will most likely step in to take advantage of purchasing options.”

There continues to be a strong appetite for agriculture properties from individuals considering farm expansion and investment opportunities due to positive attributes of the ag economy. That overall bullish outlook for the ag economy will continue to drive the demand for high quality cropland, Schadeegg noted.

Commodity markets will remain the primary driver in land sale activity and value moving forward.

“But with that being said, profitability is what will determine what the land market will bear. So, we must consider rising interest rates, inflation and supply chain into the overall picture,” Schadeegg said. “Landowners continue to look for opportunity in the agriculture land market, deciding if this is the best time to sell at historic values or retain ownership of what continues to be a very valuable asset.”

The sales volume at Farmers National Company through the first half of 2023 continues to exceed the five-year average but is slightly off the “exceptional” pace set in 2021 and 2022. Motivated buyers continued to drive bidding at late spring sales, resulting in stable and strong values across all classes of land, Schadeegg said.

“Looking ahead to the second half of 2023, we anticipate strong competition for high quality land offered for sale. The overall U.S. agriculture economy is healthy with Midwestern banks reporting increased operational lending but strong loan performance and projections for a profitable 2023 growing season. Our pipeline for scheduled fall sales is beginning to fill at a typical pace with buyers and sellers of farmland requesting information on upcoming sales,” Schadeegg said.

“We remain confident that the strong demand for quality agriculture land will continue through the year. That opinion, coupled with the stable ag economy and a supply/demand scenario favoring the land owner, will maintain the current and long-term value of farmland across the U.S.,” he added.

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Employee-owned Farmers National Company is the nation's leading landowner services provider. Farmers National Company manages more than 5,000 farms and ranches in 30 states comprising more than 2 million acres. Over the last five years, Farmers National Company has sold 4,796 properties (1,740 at auction) and more than \$6.03 billion of real estate during the last 10 years. Additional services provided by the company include energy management, appraisals, insurance, Hunting Lease Network, forest management, FNC Ag Stock, consultations, and collateral inspections. For more information on our company and the services provided, visit www.FarmersNational.com.