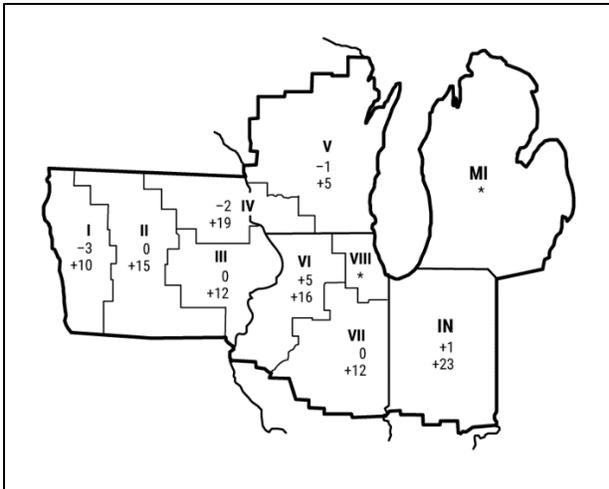


Farmland Values Up 10-23% across the “I states” in 2022

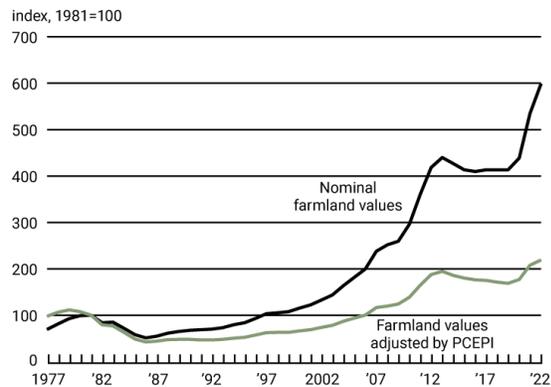
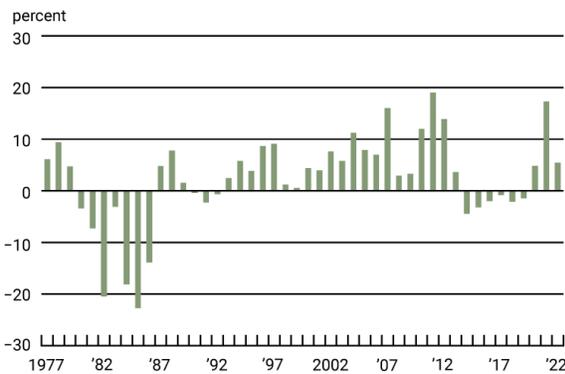
By David Klein, Vice President & Designated Managing Broker/Auctioneer

On February 9, 2023, the Federal Reserve Bank of Chicago released its survey on farmland values and confirmed the numbers we track at First Mid Ag Services. The gain was the second largest increase in the past 10 years and broadly found to be up 12% for the year.



Chicago Federal Reserve Change in Farmland Values
 Top number is the last quarter of 2022
 Bottom number is year over year percent change.

They also track a quarterly change and that can be found in the charts below.



Sources: Author’s calculations based on data from Federal Reserve Bank of Chicago surveys of farmland values; and U.S. Bureau of Economic Analysis, Personal Consumption Expenditures Price Index (PCEPI), from Haver Analytics. The Author is David Oppendahl, Senior Business Economist at the Chicago Federal Reserve. For the full article see: [AgLetter: February 2023 - Federal Reserve Bank of Chicago \(chicagofed.org\)](https://www.chicagofed.org/agletter/2023/02/farmland-values-up-10-23-across-the-i-states-in-2022)

At First Mid Ag Services, we track a first-half/last-half of the year comparison to determine how farmland values may be changing seasonally and by soil quality in our strategic market areas we serve across Illinois.

As we compare the last half of 2021 to the last half of 2022, arms-length sales data comprised mainly of auction sales across all land classes shows a 16% per tillable acre price increase year over year and 12% increase per acre. The percentage of tillable acres was slightly lower in 2022 versus 2021 and the soil PI about 1.5 points higher, which accounts for some of this variance in those numbers. So, the data set suggests in Illinois we sold slightly higher quality land in 2022 than we did in 2021.



Another interesting revelation from the First Mid Ag Services data set suggests we were up 10% in the first half of 2022 and only 2% in the second half of the year. This correlates well with Chicago Federal Reserve's numbers.

The data set revealed soil quality also seemed to matter, as soils in the 130-138 soil PI range increased the most, while some of the lower soil quality ranges did not show quite as much increase in land valuation in 2022.

In the second half of the year, soils in the highest productivity range of 138 or higher revealed an average price of \$17,236 per acre, or \$125.38/soil PI point/tillable acre. They were also 97.3% tillable. The second tier of 130-137.9 showed an average price of \$14,769 per acre or \$116.83 per soil PI point/tillable acre. These farms were 94.4% tillable and actually showed the highest overall price increase for a land classification, the way we divide them, at 13%.

The next land class is divided at 123 soil PI to 129.9 and averaged \$11,840 per acre or \$108.50 per soil PI/tillable acre. This land class averaged only 86.1% tillable, and that heavily influenced the price as these farms have more grass waterways, tree lines, ditches and undulation. Our lowest soil quality divide gets wider and has more variation in the influences because this land class includes not only lower percentage tillable tracts but also tracts containing sandy soils with irrigation. It is somewhat less reliable as a barometer, but the average was \$11,756 per acre with a weighted price of \$111.99 per soil PI/tillable acre, and being only 76.7% tillable.

Supply was definitely up in 2022 across all land classes and we are seeing a diminished supply coming to the market as we begin 2023. While market factors, such as interest rates are impacting some purchases, many are still being made with cash. Those individuals are weighing out land investment in hard assets versus other alternatives. There still seems to be interest in owning



land. As long as the supply does not become overburdensome by forced sales, farmland prices could remain very strong. We expect to see more listings and fewer auctions as we go into the

summer months. This will be beneficial to supplying those buyers seeking to complete 1031 like-kind exchanges because of land being sold for development or other reasons.

January and February auction prices continue to be strong on smaller tracts and may be down just slightly on larger parcels in 2023 (0-2%). Farmer and individual investor participation continues to be very strong on smaller tracts. Strong grain prices have been holding and will continue to heavily influence the price direction of land as fertilizer costs and loan rates have retraced some going into spring planting. This is all helpful to farm profitability on new acquisitions. First Mid Ag Services continues to have upcoming auctions in southeastern Illinois in March. We also have listings in McLean, Dewitt and Piatt



County of prime farmland for sale. See our website firstmidag.com for details.



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