

Farmland Prices Continue Upward Rise

(Bloomington, IL. March 23, 2023) -- Prices being paid for Illinois farmland continue their upward curve, a trend that applies to all classes of farmland across the entire state. This is according to the information released here today at the 2023 Illinois Farmland Values Conference sponsored by the Illinois Society of Professional Farm Managers and Rural Appraisers.

According to Luke Worrell, AFM, ALC, Worrell Land Services, Jacksonville, IL, overall chair of the event, "2022 continued to see a sharp rise in land values. While certain pockets of Illinois experienced more strength than others, in general, Illinois land was up across the board. Across all of the regions that have "Class A" Excellent acreage, we saw an increase of 16 percent. "Class B" Good farmland was up 17 percent, "Class C" Average up 7 percent, "Class D" Fair up 7 percent and recreational land was up 17 percent on average."

He told those at the conference "If you factor in 2021 results, Class A land across Illinois saw an increase of over 45 percent during a 24-month time span. While premium acreage always carries the flag, lesser quality acreage saw increases in excess of 25 percent and in some instances over 40 percent over the same time period. Mixed use and recreational properties have seen a strong increase as well with this year's study showing an increase of 14 percent in 2022 alone."

"With the benefit of hindsight, we are able to look back and see something of a perfect storm that led us here," he continued. "Reduced transactions in 2020, historically low interest rates, strong demand, increased commodity markets and overall fear in other economic sectors all played a role in the groundswell. In many parts of Illinois, we saw a huge number of transactions throughout the first few months of 2022. In my own area, if you wanted to know what the record price was, you only had to look up how the latest auction performed."

"We have seen several things change that could impact our next steps," Worrell stated. "Interest rates have literally more than doubled since last year and that is bound to have an effect. The early months of 2023 have provided more erratic sales than what we have become accustomed to."

Additionally, Worrell says there doesn't seem to be nearly the number of transactions taking place or farms being advertised early this spring. It remains to be seen if this is the first step of a "leveling off", "a small softening" or a mere "breather". "Whatever might develop, there is a definitive different feeling to the overall market. That isn't to say we expect a drastic correction; we do not anticipate the market to plummet downward. In fact, 70 percent of survey respondents foresee either a level market or slight decrease. Only 1 percent of respondents expect a decrease greater than 10 percent."

Average Sales Prices for 2022 (per acre)

Excellent	Good	Average	Fair	Recreational	Transitional
\$16,005	\$11,871	\$8,359	\$6,473	\$4,951	\$27,177

Percentage Change 2021 – 2022

Excellent	Good	Average	Fair	Recreational	Transitional
7.69%	7.18%	6.75%	7.05%	5.45%	5.28%

How Sales Are Happening

The report, compiled by members of the Society, indicate that 24 percent of parcels were sold by private treaty, 58 percent by public action, 13 percent by multi-parcel auction, and 5 percent by sealed bid. Public auctions have increased.

An article in the *2023 Illinois Land Values and Lease Trends Report*, distributed at the conference and authored by Gary Schnitkey, Ph.D. University of Illinois, points to farmers accounting for 60 percent of the purchasers, with 58 percent being local farmers and 2 percent being relocating farmers. Individual investors who would not farm the land were the next largest group, accounting for 27 percent of the buyers. Local investors accounted for 15 percent of the buyers and non-local investors accounted for 12 percent. Institutions accounted for 8 percent of buyers. Survey respondents indicated that 58 percent of farmland buyers required debt financing.

Cash Rents Are Higher, Too

Schnitkey reports that average cash rent levels increased substantially from 2022 to 2023 for all land productivity classes with the higher quality land experiencing the greatest absolute increase. For Excellent productivity farmland, the \$412 per acre cash rent for 2023 was \$43 higher than the \$369 per acre cash rent in 2022. Cash rents for Good quality land increased by \$31 per acre from \$322 in 2022 to \$353 per acre in 2023. Average quality farmland increased from \$275 per acre in 2022 to \$285 per acre in 2023, an increase of \$10 per acre. Fair quality farmland increased \$8 from \$215 per acre in 2022 to \$223 per acre in 2023.

Overall Expectations on Rents

Overall, farm managers were asked their expectations of 2024 cash rent level:

- 0% percent expect 2024 cash rents to increase over 2023 levels,
- 36 percent expect 2024 cash rents to be the same as in 2023, and
- 36 percent expect 2024 cash rents to decrease from 2023 levels.

Most farm managers expect the agricultural economy in 2023 to remain the same (45 percent) or decline (48 percent) from 2022 levels. Seven percent expect the agricultural economy to be better.

Copies of the presentation are available for review at www.ispfmra.org. The actual *Farmland Values and Lease Trends Report* is available for hard-copy order at the site as well. Cost is \$20 per single issue.

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Note to Editors

For more information feel free to contact either Luke Worrell or Dr. Schnitkey.

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