



**Brazil to lift limit** on foreign ownership of farmland, reports the Australian *Financial Review*. The restriction was adopted in 2010 over concerns countries such as China could gain control of a large portion of Brazil's prime farmland. But the new government's investment secretary says the rule is "nonsense" and promises to ease the restrictions.

**LEC July 18-19.** Our annual *Pro Farmer* Leading Edge Conference will be at the West Des Moines Marriot in West Des Moines, Iowa. The hotel is located at Exit 121 on I-80 West. The hotel location is both easy to reach by vehicle or by taxi from the airport.

This year's event includes a special two-hour session on succession planning called "Leaving a Lasting Legacy," led by Transition Point Business Advisors. Of course, the packed conference will include our usual in-depth look at land values, commodity prices, fuels and fertilizers, weather and ag policy.

For more, go to: [profarmer.com/events](http://profarmer.com/events) click on Leading Edge or call 888-698-0487.

## Strong Prices for Quality Western Illinois Cropland

A few auctions in western Illinois grabbed headlines recently with strong selling prices. The most recent example came May 19 as 340 acres passed under the gavel for as much as \$16,250 an acre.

The land in question consisted of five non-contiguous tracts in Brown and Adams counties, ranging in size from 40 acres to 113.5 acres. Four of the tracts offered extremely high soil PIs and a high percentage of tillable acres. These commanded prices ranging from \$12,500 an acre to \$16,250 an acre. The fifth tract had a lower percentage tillable and a low soil PI. It brought \$6,000 an acre.

Tract 1: 113.5 level acres located on the edge of Timewell in Brown Co., all tillable, pattern tiled and a soil PI of 135.5 (147 being maximum per Bulletin 811), with 140 being about maximum on a practical basis in that part of Illinois. It sold for \$13,000 an acre.

Tract 2: 52.5 acres northeast of Timewell with 51 acres tillable and a PI of 134.4. It brought \$12,750 an acre.

Tract 3: 68 acres three miles east of Golden in Adams Co.; 100% tillable with a PI rating of 130.7. It brought \$12,500 an acre.

Tract 4: 65 acres southeast of Golden, 56 tillable acres with 33 of the total classified HEL (highly erodible land) with a soil PI of 111.2. It sold for \$6,000 an acre.

Tract 5: 40 acres northeast of Clayton in Adams Co., 100% tillable and a PI of 131.4. It sold for \$16,250 an acre.

"We really have not seen much fall off in demand for quality farmland," says Dan Sullivan, Sullivan Auctioneers, LLC, Hamilton, Ill., whose firm handled the auction. "We had an Adams Co. farm with a PI of about 140 sell earlier this spring for \$16,400 an acre. We had a smaller tract over in Fulton Co. with a high PI sell for \$12,800 an acre on Saturday."

This wasn't the case of two farmers going head-to-head, he notes. "This was a 'high-profile' set of farms so there was plenty of interest. We had strong attendance — standing room only — with a high number of people registered. There were a lot of bidders for each tract. There was a little 1031 money there, as well, and some investors, but they had a hard time competing with farmer bidders," he adds.

## Land Pros See Slight Boost in Iowa Land Values for 2016

Iowa land professionals expect the average value of an acre of farmland to rise 2.3% in 2016, according to a survey conducted by Iowa State University's (ISU) Dr. Wendong Zhang at the Annual Soil Management Land Valuation Conference.

The conference asks attendees to project average land values for the end of year as well as for other periods. The conference's survey has projected the state average Nov. 1 value reported by the ISU Land Value Survey within a percentage point or two since the survey was started in 1964.

The conference's survey has overshot the Nov. 1 average in each of the past three years, however. Last year's conference survey projected an end-of-year average of \$8,178 an acre. The final figure reported by ISU's Land Value Survey was \$7,633 an acre — a miss of \$545 or 6.7%.

This year's conference survey uncovered some optimism on the part of attendees. The survey resulted in a projected Nov. 1 final of

\$7,776 an acre. If achieved, that would be a gain of 2.3% versus 2015's state average.

Conference attendees project an average price of \$8,358 an acre for the northwest quarter of the state. They peg an average value of \$8,191 an acre for the northeast quarter, an average of \$6,958 for the southwest quarter and a \$7,320 average for the southeast quarter of the state.

The survey uncovered expected weakness in 2017 farmland values, however. The survey resulted in an average price of \$7,572 an acre for November 2017. That would reflect a decrease of \$204 (2.6%) from the group's 2016 end-of-year projection. The conference survey found attendees expect a decline of \$221 an acre in 2017 for northwest Iowa, a \$200 drop for the northeast, a \$33 increase in southwest Iowa and a sharp \$451-per-acre decline (6.2%) in southeast Iowa.

The group expects farmland values to rebound nearly 7% by November 2020, to an average of \$8,303 an acre.

## Mr. Land: “I’m a Buyer”

Longtime *LandOwner* readers know we occasionally interview an industry friend we call *Mr. Land*. We appreciate his insights and believe they will be helpful to you, too, but he is very shy and does not want to be identified.

*LandOwner*: It’s been about six months since we last visited. When we did, you talked about the correction that was underway. You said you thought agriculture could work through this correction without it turning into a full-scale collapse like we saw in the 1980s. Is that still your view?

*Mr. Land*: It is. The market is weaker. No doubt about it. Oh yes, there are the occasional auctions that put up a really strong price. But the trend is weaker. And for good reason, with the grain and soybean prices we have and everyone calling for low prices through the end of the decade. It’s hard to get people excited about buying farmland with these kind of prices and this outlook.

*LandOwner*: But you don’t see an 80s-style collapse ahead.

*Mr. Land*: That’s right. There are plenty of negatives out there, but missing is high interest rates. They put the nail in the coffin on land prices in the 1980s. It’s hard to believe it now because current rates are so low. But, we had a prime rate in excess of 20%! Can you imagine? All the economics of buying and operating a farm were turned upside down overnight. The collapse in land prices was inevitable.

You know, farmers weren’t the only ones who had their worlds turned upside down by sky-high interest rates. Savings and loans got hammered, too. About a third of them went under in the late 80s and early 90s. Farmers and their lenders just felt it quicker and the collapse in farmland values and farm bankruptcies came sooner.

*LandOwner*: The Federal Reserve seems pretty clear that it will raise rates in June or July. Does that concern you?

*Mr. Land*: Not really because the lead up to the rise in interest rates and people’s attitudes toward debt are so much different now than in the 80s. The lessons from the 80s have not been lost in agriculture.

Of course, we have younger people on the land who don’t remember the collapse of 80s but their parents sure do. And the boards of directors remember in the case of young farm lenders. This has kept a large majority of farmers from getting upside down if interest rates go up.

The drop in commodity prices has significantly changed the financial picture for a lot of people. But they’ve been

adjusting to lower prices for the last two to three years. The last go around in the 80s, they had no warning. Farm incomes were cut by 40% overnight by government decree.

And this time, they’ve had more than ample warning on an interest rate hike. They’ve had years to get ready, with plenty of help from their lenders who made it easy to lock in low rates. We had none of that in the 80s. The Federal Reserve just announced one day that it would take the Fed funds rate from 9% to more than 20%... Overnight!

No one could prepare for that. And fixed-rate mortgages on farmland basically did not exist. They were re-set annually. So there we were with incomes cut 40% and interest rates being re-set at more than twice what they once were. Just think of what those loan payments jumped to. Some were re-financed and stretched over a longer period, but when commodity prices remained low, refinancing didn’t help. And the farm sales were on.

This time, we’ve had warnings. Interest rates are fixed. And the Fed is lifting interest rates by only a quarter basis point or so. This is way different from going from 9% to 21% or so. That’s why I think we can get through this with just a normal correction of 25% or so rather than the 50% to 60% collapse that we had in the 80s.

*LandOwner*: Where do you think we are in this correction? Are we just getting started or are we closer to the end?

*Mr. Land*: In the western Corn Belt, especially Iowa, I think we are in the middle. I think we are in year three of a five-year correction. Looking at the data from the REALTORS® Land Institute, we’re down about 20% through March of this year from the high in March of 2013. There’s more to go on the downside, but not a lot more. And then we build a base for a quite a while before moving higher at a more normal 4% to 5% per year.

I think we are in year two of the five-year correction in the eastern Corn Belt. The rally in farmland prices started a year later in the eastern Corn Belt and the decline started a year later as well. The later start was due to the record yields in the eastern Corn Belt that offset, somewhat, the decline in corn and soybean prices.

*LandOwner*: So, are you buyer now or are you waiting?

*Mr. Land*: I’m a buyer now if the property is particularly attractive. I’m more of a buyer in the western Corn Belt than the eastern because I think there is not as much left on the downside in the west. And farmland is an illiquid market. You have to buy when the land is available.

# Farmland Values Decline Again in Northern Plains, Minnesota

The value of Northern Plains and Upper Midwestern cropland continues to decline, according to preliminary data from the Federal Reserve Bank of Minneapolis. The bank's quarterly survey finds the value of nonirrigated cropland fell nearly 6% for the year ending March 31, 2016, compared to a year earlier. The decrease marks the third consecutive year farmland values have declined, according to the bank. The Fed bank serves bankers in Minnesota, Montana, the Dakotas, the Upper Peninsula of Michigan and northwest Wisconsin.

**Leading the decrease**, according to the survey, was North Dakota, with a 10.3% decline in the value of non-irrigated cropland. Montana and northwestern Wisconsin followed with decreases of 9.3% and 8.7%, respectively. South Dakota registered a 7.1% decline, while Minnesota trails with a decrease of 3.8%.

District ranch and pastureland values were lower, as well, with nearly a 10% decrease. Leading the down-move was an annual 17.5% nose dive in values in South Dakota. Minnesota notes pastureland values fell 5.6%, while values in northwestern Wisconsin followed with a 4.8% annual decline.

District irrigated cropland values held steady on an annual basis, marking a 0.5% rise. Minnesota irrigated cropland rose nearly 5% on an annual basis, but Wisconsin fell 5.6%, South Dakota skidded 4.3% and Montana moved down 3.5%, followed by a 1% decrease by Montana.

Quarterly figures indicate some stabilization may be underway. Dryland cropland declined 2.5% in the first quarter compared to the final quarter of 2015. But Wisconsin noted a 7.7% rise, followed by Montana with a 1.7% quarterly boost. Minnesota, however, slipped 2.7%, while North Dakota and South Dakota fell 3.5% and 3.7%, respectively, compared to the previous quarter.

Ranch and pastureland values were basically steady for the quarter, registering a 0.5% decrease. Leading the decline was South Dakota, which saw values slide 4.3% for the quarter. However, Minnesota, North Dakota and Wisconsin all registered small gains of 1.6% to 1.7%.

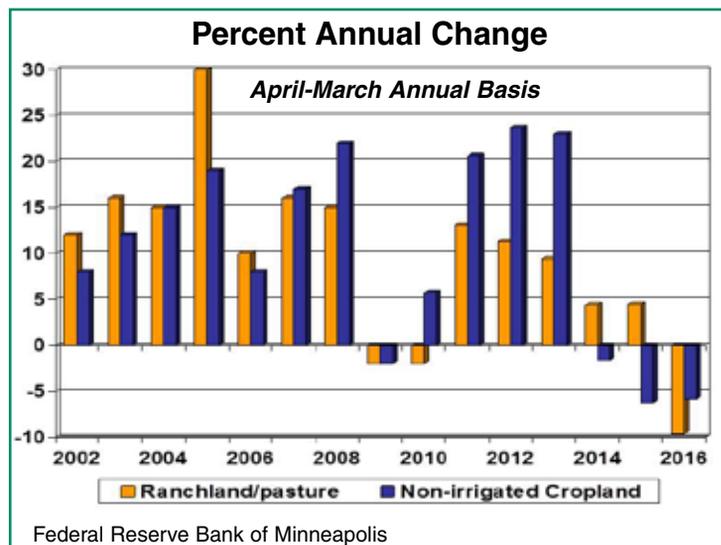
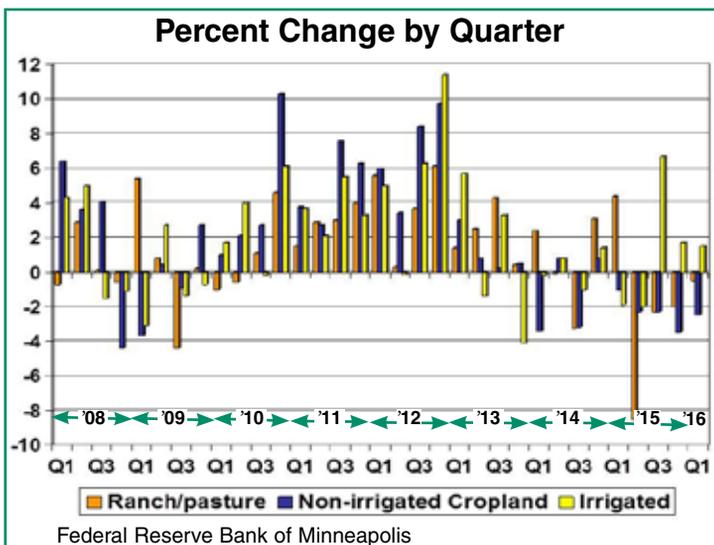
Cash rental rates declined sharply on an annual basis, according to the survey. Minnesota saw average cash rent decline 11%, while South Dakota notched a 13.3% decrease. North Dakota also saw a 6.4% decline in cash rent.

	Minnesota	Montana	N. Dakota	S. Dakota	Wisconsin
<b>Non-irrigated</b>	\$6,564	\$ 610	\$1,948	\$5,215	\$3,675
<b>Irrigated</b>	7,500	1,770	2,920	6,175	4,500
<b>Ranchland</b>	2,249	380	725	2,176	2,475

Federal Reserve Bank of Minneapolis preliminary survey data  
Average values include all banks responding to current survey.

	Quarterly			Annual		
	Non-Irrigated	Irrigated	Ranchland	Non-Irrigated	Irrigated	Ranchland
Minnesota	-2.7%	0.4%	1.6%	-3.8%	4.7%	-5.6%
Montana	1.7	15.7	NA	-9.3	-3.5	NA
N. Dakota	-3.5	4.0	1.7	-10.3	-1.0	-2.1
S. Dakota	-3.7	-2.6	-4.3	-7.1	-4.3	-17.5
Wisconsin	7.7	5.9	1.7	-8.7	-5.6	-4.8
District	-2.5	1.5	-0.5	-5.8	0.5	-9.6

Percent change includes only those banks responding to both the current and year-ago survey.  
Caution: Extremely small sample size for Montana and North Dakota.  
Federal Reserve Bank of Minneapolis preliminary survey data



**MINNESOTA: PIPESTONE Co. —**  
April 22: 61 acres 5 miles north of Pipestone; 57 acres tillable; CER 73.3; PI 95.6; **\$6,700** per acre. Chuck Sutton, Auctioneer & Land Broker, Pipestone, 507-825-3389.

**IOWA: OSCEOLA COUNTY —**  
April listing: 80 acres; 77 acres tillable; CSR2 97.0 (county cropland CSR2 87.6); spring possession; **\$11,500** per acre. Rich Vander Werff, Vander Werff and Associates, Inc., Sanborn, 712-729-3264.

**NEBRASKA: VALLEY Co. —**  
April 25: 160 acres 2.5 miles west of Arcadia; 45 acres cropland, 35 certified flood irrigated acres; 18 acres of alfalfa; 90 acres pasture; farmstead; SRPG 50.1; **\$2,250** per acre. Dave Davis, Farmers National Company, Broken Bow, 308-872-6413.

**INDIANA: ADAMS COUNTY —**  
April 18: 63 acres 5 miles north of Decatur; 60 acres tillable; 3-acre farmstead; **\$7,165** per acre. Ritter Cox, Schrader Real Estate and Auction Co., Inc., Columbia City, 800-451-2709.

**IOWA: PLYMOUTH COUNTY —**  
April 11: 80 gently rolling acres 3 miles east of Akron; 77 acres tillable; CSR2 46.2 (county cropland CSR2 72.3); **\$8,200** per acre. Bruce Brock, Brock Auction Company, Inc., Le Mars, 712-548-4634.

**OKLAHOMA: GARFIELD Co. —**  
April 6: 640 acres 10 miles north of Garber and 420 acres minerals. Tract 1 of Farm 1; 15-acre farmstead; **\$95,000** total. Tract 2: 145 acres; 125 acres cropland; balance grass, shelter belt and four ponds; **\$2,000** per acre. Farms 2-3: 480 acres; 330.5 acres cropland; **\$575,000** total or about **\$1,198** per acre. Minerals: **\$95,000** total. Vicki Wiggins Allen and Kim Allen, Wiggins Auctioneers, LLC, Enid, 580-223-3066.



## Recent sales reported to...



Here's a listing of recent sales reported to us by real estate brokers and auctioneers across the country. If you have recent sales you'd like to share, call us at 319-277-1278 or e-mail us at [landowner@profarmer.com](mailto:landowner@profarmer.com).

**ILLINOIS: FULTON COUNTY — May 28:** 246 acres 2 miles north of Fairview. Tract 1; 158 acres; 153 acres tillable; PI 140.2 (147 is maximum per Bulletin 811); **\$8,300** per acre. Tract 2: 30.5 acres; 100% tillable; PI 130.1; **\$12,800** per acre. Tract 3: 50 acres; 31 acres open pasture with balance wooded; **\$4,000** per acre. Tract 4: 7.5 acres; farmstead; **\$262,500** total. Sullivan Auctioneers, LLC, Hamilton, 844-847-2161.

**COLORADO: YUMA COUNTY — May 26:** 320 acres 10 miles southeast of Clarkville; 304 acres dryland cropland; farmstead; **\$255,000** total or about **\$797** per acre. Reck Agri Realty & Auction, Sterling, 800-748-2589.

**KANSAS: PAWNEE COUNTY — May 25:** 150 acres 2 miles northwest of Larned; all dryland cropland; **\$1,100** per acre. Carr Auction & Real Estate, Inc., Larned, 800-503-2277.

**INDIANA: TIPTON COUNTY — May 24:** 104 acres 25 miles northwest of Tipton; Tracts 1&2; 83 acres; 62 acres tillable; balance wooded; **\$5,108** per acre. Tract 3: 21 acres; 18 acres tillable; balance wooded; **\$7,933** per acre. Sam Clark, Halderman Real Estate Services, Noblesville, 317-442-0251.

**SOUTH DAKOTA: MCCOOK COUNTY — May 19:** 54 acres 11 miles west of Colton; 51.5 acres; "L"-shaped field; all tillable acres enrolled in CRP at \$79.97 per acre through Sept. 30, 2017; **\$4,800** per acre. Wayne Bessman, Bessman Auction & Clerking Services, LLC, Madison, 605-270-4980.

**KENTUCKY: DAVIESS COUNTY — May 19:** 48 acres 6 miles south of Owensboro; 34.5 acres tillable; balance wooded; poured basement; **\$5,300** per acre. Amy Whistle, Kurtz Auction & Realty Co., Owensboro, 800-264-1204.

**KANSAS: OTERO COUNTY — May 17:** 1,390 acres 7 miles south of Rocky Ford. Tracts 1-3: 1,220 acres; 885 acres of flood irrigated cropland; balance in grass; **\$1,281** per acre. Tract 4: 160 acres; 128 acres of flood irrigated cropland; **\$2,100** an acre. Neal Mann, Farm & Ranch Realty, Inc., Colby, 785-635-2102.

**IOWA: JONES COUNTY — May listing:** 95 acres 5 miles west of Monticello; 89.5 acres tillable; CSR2 83.7 (county cropland CSR2 61.8); **\$8,400** per acre. Bret Barner, Barner Realty & Auction, Anamosa, 319-480-2124.

**IOWA: BUENA VISTA COUNTY — May private listing:** 80 acres 2 miles east of Marathon; 79 acres tillable; CSR2 83.7 (CSR2 61.8 county cropland average); **\$9,000** per acre. Ken Schmitt, AFM, Farmers National Company, Jefferson, 515-386-5320.

**NORTH DAKOTA: CAVALIER COUNTY — May 5:** 240 acres 10 miles west of Walhalla; 177 acres cropland; PI 63.6; 57.4 acres enrolled in the Native Woodland Tax Law program; **\$2,000** per acre. Andy Gudajtes, ARA, Farmers National Company, Grand Forks, 701-780-2828.

## EQUITIES

Ready for a run at the all-time highs?

### Weekly Dow Jones Industrial Average

Above the short-term downtrend, resistance is at the all-time high of 18,351.36.



A return below 17,067.59 would make bears' target the October 2014 low of 15,855.12.

### Fundamental trends

**EQUITIES:** The Dow Jones Industrial Average (DJIA) staged a major February-to-April comeback after diving in January, but that move fell short of its May 2015 highs. Indeed, the losses experienced in the wake of the April 2016 top suggest the stock market might be starting a fresh downward leg. The mid-May financial mar-

ket reaction to Fed meeting minutes implying a June interest rate increase also seemed tellingly negative. Thus, last week's major equity market rebound was rendered doubly impressive.

This seemingly holds optimistic connotations for the intermediate-term outlook for the U.S. and global economies.

## WHEAT

Wheat must soon fight seasonal harvest pressure

### Weekly SRW Wheat Futures



The contract must break the long-term downtrend to signal a low is in the works. Above that, old support at \$5.50 1/4 is strong resistance.

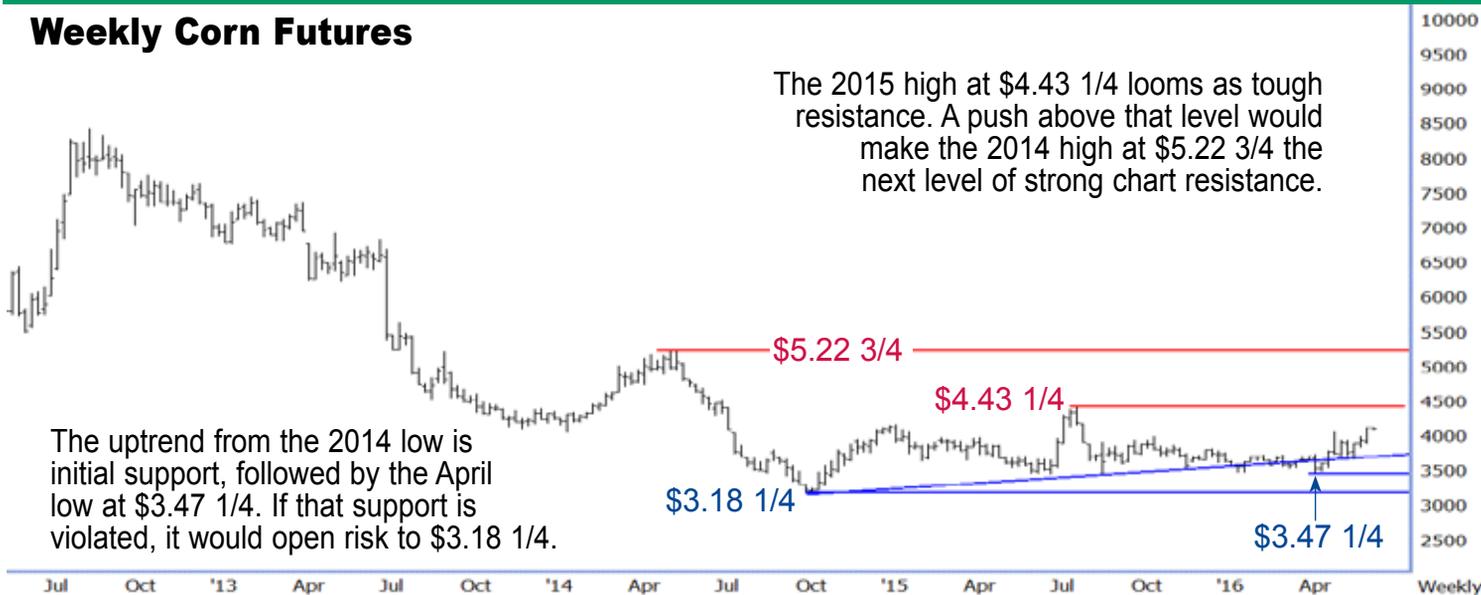
Key support is at \$4.66 1/4, \$4.42 1/4 and \$4.25 1/2.

### Fundamental trends

**SRW:** Despite surprisingly weak wheat export numbers for the week ended May 19, wheat futures rallied. Weather and disease concerns due to excessive rains are supporting prices, with the industry worrying about potential summer harvest problems.

**HRW:** Favorable spring weather has raised expectations for a big HRW harvest. But long-range weather forecasts indicate rains will persist into summer. That could create real problems for farmers if rains interfere with harvest and could cause concerns about crop quality.

**Weekly Corn Futures**

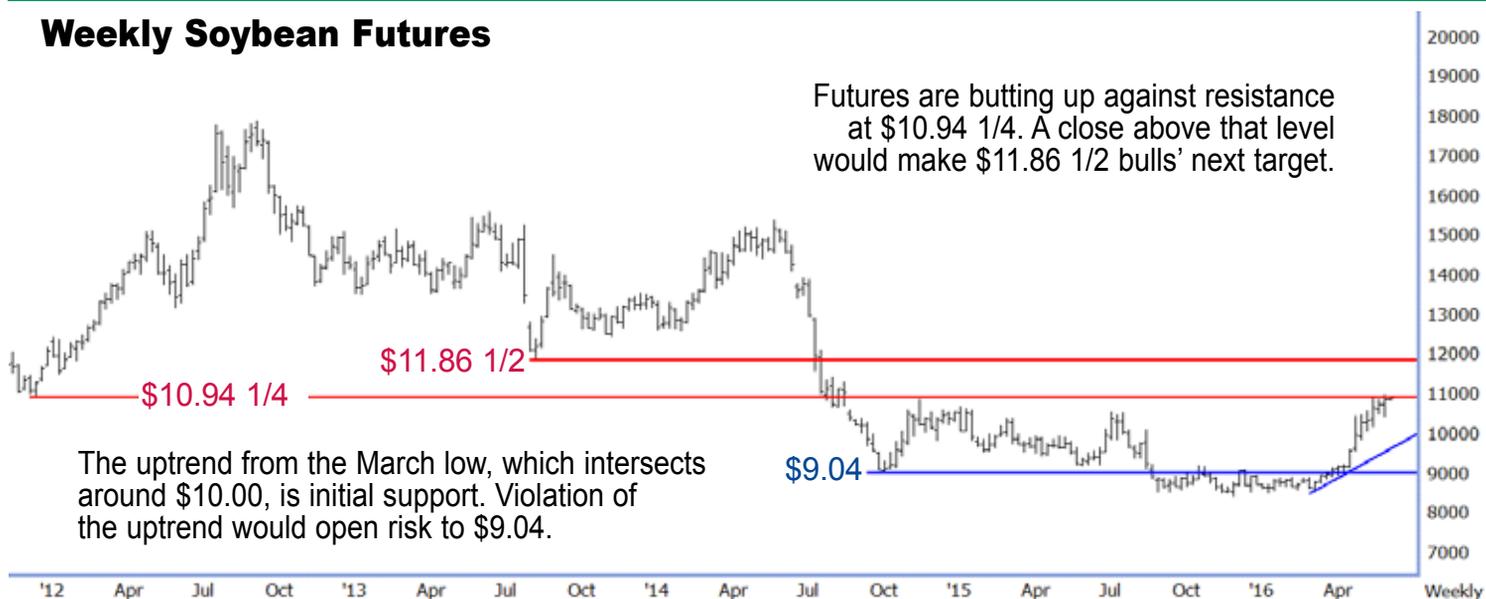


**Fundamental trends**

**CORN:** For the week ended May 19, weekly old-crop corn sales topped expectations at 1.381 million metric tons (MMT). In addition to strong weekly sales, daily sales of 318,000 metric tons (MT) for 2015-16 and 65,000 MT in new-crop sales were announced last week. That news sent futures above the April highs, as

corn attempted to catch up to rallies in the soybean and soymeal markets. Strong exports and South American production problems justify this optimism. Still, the market's ability to sustain this rally is highly debatable, as export demand could dry up as prices rise amid a strengthening U.S. dollar.

**Weekly Soybean Futures**



**Fundamental trends**

**BEANS:** Poor weather and other issues have raised serious concerns about Argentina's ability to meet soybean and soymeal export commitments. Those worries helped drive the latest surge in soymeal futures, despite a stable domestic situation and flat basis levels. The meal market's recent behavior, with the July

contract gaining \$41.60 against December futures from April 18 to May 25, looks very much like an old-fashioned pit squeeze. Industry sources suggest some entity in the soybean/meal sector was upside down in its positions and its subsequent actions have exaggerated the advance.