

# Mississippi Agricultural Land Values and Cash Rents Report: 2016 Survey of Lenders



This report is intended to be an informational guide for producers, landowners, and professionals working in the agricultural real estate and finance sectors. The report is based on a survey conducted in May 2016 (IRB# 15-156) by the Mississippi State University Department of Agricultural Economics and MSU Extension Service. The participants in the survey included agricultural lenders, appraisers, farm managers, and agricultural economists.

Agricultural land values in the 8th Federal Reserve District also declined. The 8th District includes portions of Missouri, Illinois, Indiana, Kentucky, Tennessee, Arkansas, and Northern Mississippi. Quality farmland in the 8th District is down 6.4 percent from 1 year ago and pastureland is mostly flat. Cash rents in the 8th District are also down, with quality farmland renting for 7.5 percent less than it did in 2015 and pastureland renting for 2.2 percent less than a year ago<sup>4</sup>.

## National and Regional Agricultural Land Values

Nationally, the magnitude of recent movements in farmland values depended largely on location. Reports from some locations, including Ohio, Kentucky, and Tennessee, are that farmland is holding its value<sup>1</sup> and may have even increased slightly despite the unfavorable outlook for commodity prices. Other reports from the Federal Reserve Banks in the Cornbelt area have indicated a decline in farmland values.

The agricultural newsletter from the Federal Reserve Bank of Chicago (which covers the 7th Federal Reserve District, including parts of Iowa, Illinois, Indiana, Michigan, and Wisconsin) reported a 1 percent overall drop in agricultural land values in the fourth quarter of 2015. The annual movement in land values for the 7th Federal Reserve District was a 3 percent drop from January 2015 to January 2016<sup>2</sup>. Despite the decline, however, adjusted 7th District agricultural land values are still nearly twice as high as they were as recently as 2005.

The 10th Federal Reserve District includes Colorado, Kansas, Nebraska, Oklahoma, and Wyoming. The sharpest decline in farmland in the 10th District occurred in the fourth quarter of 2015 and first quarter of 2016, when non-irrigated farmland fell by 3.72 percent and 3.52 percent, respectively. Irrigated farmland was off during those periods by 1.65 percent and 2.38 percent for the most recent fourth and first quarters<sup>3</sup>. Pastureland, however, was up for most of 2015, increasing by 8.8 percent in the second quarter of 2015 but falling 1 percent by the first quarter of 2016.

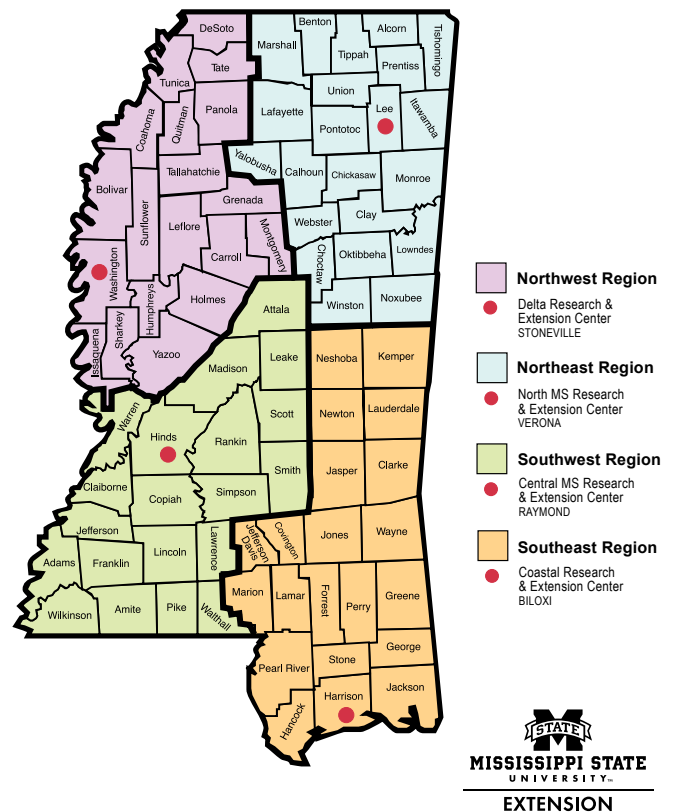


Figure 1. MSU Extension Service regional map with respective regional main office locations.

<sup>1</sup><http://brownfieldagnews.com/2016/05/17/farmland-values-holding-steady-indiana-ohio/>

<sup>2</sup>AgLetter: Farmland Values and Credit Conditions. Federal Reserve Bank of Chicago. February 2016.

<sup>3</sup>Farm Debt Accumulating. Federal Reserve Bank of Kansas City. 2016.

<sup>4</sup>Agricultural Finance Monitor First Quarter 2016. Federal Reserve Bank of St. Louis.

## Mississippi Land Values and Cash Rents

The responses from the MSU Agricultural Land Values and Credit Conditions Survey were broken down into the four regions shown in **Figure 1**. The Northwest represents the Delta region of Mississippi. The report contains the most current information available on land values for dry land and irrigated cropland, pastureland, and timberland. The report also contains information on cash rental rates and expectations for movement up or down by survey respondents.

Ninety-four surveys were sent out to lenders, appraisers, real estate brokers, farm managers, and representatives of other agricultural operations in Mississippi. Fifty-one surveys were completed and returned. Row-crop, pasture, and timberland sales values are for tracts where the highest and best use has not changed from agriculture. In other words, the values reported do not include agricultural land that has been sold with the intent of being developed for a different purpose. **Table 1** shows the percentage of total responses by occupation and by region.

By Occupation	
	Percent
Loans and Lending	60
Agricultural Real Estate Broker	5
Appraisal	15
Farm Management Services	12
Other	8
By Location	
	Percent
Southwest	10
Southeast	14
Northwest	52
Northeast	24
Percentages are based upon completed and returned surveys.	

### Delta Cropland Values and Rents

Land sales values in the Delta were mostly flat between 2016 and 2015. Delta dry land showed a negligible increase of 0.4 percent, while Delta irrigated cropland increased a slight 1.2 percent. However, the increases are very small, and, given the possibility for some sampling error, it is likely that the average sales prices for non-irrigated and irrigated land in the Delta have not moved much in the last year.<sup>5</sup>

**Table 2. Fair market Delta land sales values and cash rents in dollars per acre.**

	Average	Minimum	Maximum
<i>2016 Delta Sales Values</i>			
Dry Cropland	\$ 3,176	\$ 1,800	\$ 4,500
Irrigated Cropland	\$ 4,450	\$ 3,000	\$ 5,200
<i>2016 Delta Cash Rents</i>			
Dry Cropland	\$ 117	\$ 75	\$ 170
Irrigated Cropland	\$ 176	\$ 110	\$ 225

**Table 3. Changes in Delta land sales values and rents 2015–16 in dollars per acre.**

	2015	2016	Percent Change
<i>Land Sales Values</i>			
Dry Cropland	\$ 3,163	\$ 3,176	0.4
Irrigated Cropland	\$ 4,339	\$ 4,450	1.2
<i>Cash Rents</i>			
Dry Cropland	\$ 124	\$ 117	-5.8
Irrigated Cropland	\$ 191	\$ 176	-7.9

Rents, on the other hand, fell substantially from 2015 to 2016. Dry cropland rents in the Delta fell 5.8 percent, while irrigated cropland rents fell 7.9 percent. The change in rents relative to the change in land sales values, however, is not surprising given that rents are typically renegotiated within at most 3 years and, therefore, are much more sensitive to changes in farm incomes and profitability.

Survey respondents were also asked to give their best guess as to the direction land values and rents would go over the course of the next 12 months. Of the respondents, 61 percent expect Delta land prices to go down, while 39 percent expect no change in land values. With respect to rents, 71 percent of respondents expect a decline in Delta cash rental rates, while 29 percent expect rents to hold fast to their 2016 rates.

### Non-Delta Cropland Values and Rents

Non-delta dry cropland sales values for 2016 averaged \$2,457 per acre, while irrigated non-Delta cropland averaged \$3,061 per acre. **Table 4** shows that the maximum surveyed non-irrigated sales value in non-Delta farm ground was \$3,000 per acre, while the minimum was \$2,000 per acre. The range for sales values for non-Delta irrigated cropland was \$3,800 per acre at the upper end and \$2,500 per acre on the lower end.

<sup>5</sup>The error for dry and irrigated Delta cropland is 3.1 percent and 2.8 percent, respectively.

**Table 4. Fair market non-Delta land sales values and cash rents in dollars per acre.**

	Average	Minimum	Maximum
<i>2016 Non-Delta Sales Values</i>			
Dry Cropland	\$ 2,417	\$ 2,000	\$ 3,000
Irrigated Cropland	\$ 3,058	\$ 2,500	\$ 3,800
<i>2016 Non-Delta Cash Rents</i>			
Dry Cropland	\$ 79	\$ 40	\$ 145
Irrigated Cropland	\$ 124	\$ 60	\$ 175

Rental rates for non-Delta cropland are also shown in **Table 4**. The average cash rent for non-irrigated land is \$79 per acre, while irrigated cropland in 2016 is renting for \$124 per acre. The spread between the lowest and highest rental rates is above \$100 per acre for both irrigated and non-irrigated farmland outside of the Delta in Mississippi.

**Table 5** shows the change in land values and cash rents for non-Delta farmland in Mississippi. Similar to Delta farmland, non-Delta farmland sales values in Mississippi showed little to no change from 2015 to 2016. Irrigated cropland off the Delta had a 0 percent change, while dry cropland showed a 1.6 percent drop. However, 1.6 percent is within the margin of error<sup>6</sup> for the survey.

**Table 5. Changes in non-Delta land sales values and rents 2015–16 in dollars per acre.**

	2015	2016	Percent Change
<i>Land Sales Values</i>			
Dry Cropland	\$ 2,457	\$ 2,417	-1.6
Irrigated Cropland	\$ 3,061	\$ 3,058	0
<i>Cash Rents</i>			
Dry Cropland	\$ 105	\$ 79	-24.8
Irrigated Cropland	\$ 145	\$ 124	-14.5

Cash rents for non-Delta farmland came down substantially from 2015. Dry cropland off the Delta fell almost 25 percent from \$105 per acre to \$79 per acre, and non-Delta irrigated cropland fell 14.5 percent from \$145 per acre in 2015 to \$124 per acre in 2016. The drop in cash rents for non-Delta cropland was 19 percent greater for dry cropland than dry cropland in the Delta, while non-Delta irrigated cropland fell by 6.6 percent more than its Delta equivalent.

When asked about the expected movement in non-Delta cropland values, 61 percent of respondents expect no change over the next 12 months in irrigated cropland values, with 39 percent expecting a drop in non-Delta irrigated cropland values. The expectation for non-Delta dry cropland values is an even 50/50 split between cropland values falling and staying near their 2016 level.

With respect to rents, 59 percent of respondents expect non-Delta dry cropland rents to decrease over the next 12

months, with the other 41 percent expecting no change. In the case of non-Delta irrigated land, 33 percent of respondents expect a rental rate decrease, while 66 percent expect no change.

### **Mississippi Pastureland Values and Rents**

Mississippi pastureland values are shown in **Table 6** and averaged \$1,923 per acre in 2016. The range of values was \$1,500 per acre for lower-quality pastureland and \$2,200 per acre for higher-quality pastureland. Average rental rates for pastureland on a dollars-per-acre basis were \$31.36 per acre in 2016.

**Table 6** also shows the cash rental rates and the average land sales value in Mississippi on a dollars-per-AU<sup>7</sup> basis, with a Mississippi State University recommended stocking rate of 1.2 AU per 2 acres. The cost to run one cow/calf pair is simply double the dollar-per-acre value or rental rate.

**Table 6. Changes in pastureland sales values and rents 2015–16 in dollars per acre.**

	2015	2016	Percent Change
<i>Land Sales Values</i>			
Dollars per acre	\$ 2,455	\$ 1,923	-27.6
Dollars per AU	\$ 4,092	\$ 3,205	-27.6
<i>Cash Rents</i>			
Dollars per acre	\$ 34	\$ 31.63	-24.8
Dollars per AU	\$ 56.67	\$ 52.72	-24.8

The largest decline in agricultural land values in Mississippi occurred in pastureland. Sales values for pastureland in Mississippi dropped more than 27 percent from 2015 to 2016, with the average sales value falling from \$2,455 per acre to \$1,923 per acre. Cash rental rates for pastureland were also off sharply, dropping nearly 25 percent in 2016.

When survey respondents were asked about their expectations for pastureland rents, 33.3 percent indicated they expect pastureland rents to fall in the next 12 months, while 66.6 percent expect no change in rental rates for pastureland. With respect to pastureland sales value, 21 percent of respondents expect a decrease, and 79 percent expect no change in the dollars-per-acre sales value of pastureland.

### **Mississippi Timberland Values**

Mississippi land values for mature pine, according to survey respondents, is \$2,069 per acre, which is 10 percent lower than 2015 (**Table 7**). The range for mature pine land across Mississippi was reported to be between \$1,600 and \$4,000 per acre, depending upon recreational value and overall stand quality.

**Table 7** also shows the sales value for mature hardwood stands across Mississippi. Mature hardwood land

<sup>6</sup>The margin of error for non-Delta dry cropland is 2.8 percent.

<sup>7</sup>AU = a single 1,000-pound animal. 1.2 AU = 1 cow/calf pair.

values averaged \$2,470 in 2016. The range of hardwood values given by respondents was \$1,700 per acre for mature hardwood land at the bottom and \$4,500 per acre at the top, again depending upon recreational value and overall quality of the standing timber. The difference between 2015 and 2016 Mississippi hardwood timberland values is -3 percent, which is within the margin of error for the survey<sup>8</sup>.

**Table 7. Changes in timberland sales values 2015-16 in dollars per acre.**

	2015	2016	Percent Change
<i>Land Sales Values</i>			
Mature Pine Timberland	\$ 2,300	\$ 2,069	-10
Mature Hardwood	\$ 2,545	\$ 2,470	-3

## Land Values and Cash Rents Conclusions and Outlook

### Row Crop Farm Land

Persistently lower commodity prices, sticky input costs, and low farm incomes since 2014 have had a dampening effect on crop farmland values both nationally and in Mississippi. While anecdotal evidence suggests that there are pockets within the Mississippi Delta where land values remain strong, other areas are showing a decline. Cropland values off the Delta in Mississippi remain mostly unchanged from a year ago. Low interest rates and recreational agricultural land income are helping push back against declining farm incomes and land values. However, should crop commodity prices stay well below break-even, land values will start moving downward in the Delta and across the rest of Mississippi.

Cash rents for cropland, however, require relatively frequent renegotiation and, therefore, have already begun adjusting to lower crop commodity prices. This is especially true for farmland off the Delta, where rents have

fallen as much as 25 percent. Average cash rents across Mississippi will likely fall even farther into 2017 as the last group of tenants on 3-year leases from the high commodity price period before 2014 will be up for renegotiation.

### Pasture and Grazing Land

Pastureland values and rents are down sharply from a year ago, as cattle prices adjust down from their record highs in 2014 and 2015. For the most part, grazing land has reverted back to the price level and rental rate paid before the cattle price explosion in 2014.

Heading into next year, while there still may be significant downward movement in pastureland rental rates, it is unlikely that pastureland sales values will fall much farther. As far back as 2012-13, grazing land averaged around \$2,000 per acre statewide in Mississippi. With a 2016 average pastureland value of \$1,923 per acre, it is likely that Mississippi rangeland has found the bottom. Cash rents for pastureland, however, would still need to come off approximately \$10 per acre to align with the average rate seen before the beef cattle market spike.

### Pine and Hardwood Timber Land

Mature pine timberland's sharp decrease comes on the heels of approximately 6 years of pine sawtimber prices that mostly stayed below \$25 per ton<sup>9</sup>. Brief spikes have occurred when the \$25-per-ton mark was broken. However, pine sawtimber prices have mostly failed to approach their most recent highs of \$40 per ton set in the first decade of the 2000s. Until pine prices begin to recover, it is unlikely mature standing pine timberland will approach \$3,000 per acre.

Mixed-mature hardwood timberland has held steady in the last year. A \$5-per-ton drop occurred in the latter half of 2015, but those losses have been recovered in 2016, with mixed hardwood sawtimber again approaching \$40 per ton. If the overall upward trend continues for mixed hardwood prices, it is possible mixed hardwood lands could reach the \$3,000-per-acre mark in the next 2 years.

<sup>8</sup>Margin of error for hardwood timber is 4.6 percent.

<sup>9</sup>Hardwood and pine timber prices from the "Mississippi Timber Price Report." MSU Extension Service. Quarter 1, 2016.