



Chicago Fed Insights, November 2024

AgLetter Insights: Farmland Values Stop Rising After Nearly Five Years of Increases

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Agriculture Regional Economy

The third quarter of 2024 marked a kind of milestone in the agricultural sector of the region that the Federal Reserve Bank of Chicago serves. For the first time since the end of 2019, farmland values in the Chicago Fed's Seventh Federal Reserve District did not see a year-over-year increase.

In this Q&A about the AgLetter's November 2024 issue, author David Oppedahl, a Chicago Fed policy advisor and its lead ag analyst, discusses this change, recent challenges in getting crops to market, the Bank's early December annual agricultural conference, and more.

Q: It's a very interesting report. For the first time in almost five years, you are reporting no year-over-year increase in farmland values for the District (which comprises Iowa and large parts of Illinois, Indiana, Wisconsin, and Michigan).

A: Yes, it's been quite a run-up in farmland values in the past five years, and now it has petered out, it seems like.

Q: As the AgLetter has been noting every quarter, it's been trending this way for a while.

A: The increases have gotten smaller and smaller, until they vanished. I think a huge factor in this is the decreases in farm incomes over the past few years. There were double-digit increases in farmland values back when there was a big jump up in farm incomes in 2020 and '21. And now we've seen net farm incomes declining—especially crop incomes from corn and soybeans. So that's lowered the demand for expansion and just made it tighter for operations.

But you do still see examples of some farmers bidding up parcels to near-record levels. So there are still some very high auctions out there—even with District farmland values generally growing less than before or declining.

Q: This flattening is an average over the Seventh District. But as you alluded to, it's not uniform, correct?

A: You look at Wisconsin, and there you still see solid numbers—a 4% increase in values from a year ago. That's also smaller than it had been, but it's still showing some strength there.

Part of the reason is that the dairy sector has been doing well this year. It's been doing much better than it had been, and that's given some incentive for those operations to expand.

Q: Dairy is doing well? So oat milk has not taken over?

A: No. There's been some good numbers from exports of dairy products. And cheese continues to be a segment with a lot of demand.

Q: There's another big headline for this time of year that I don't want to wait too long to talk about: You've got the Chicago Fed's big annual Midwest Agriculture Conference coming up on, I believe, December 3?

A: Correct. This year, we're going to be looking at the changing landscape for agricultural inputs such as fertilizers, seeds, and tractors—all the different kinds of things that go into producing agricultural products.

The tightness of incomes makes it more of a focus for a producer to try to minimize their costs right now, which is something you can control more than the world price of corn or soybeans.

Q: I know that you love all your “children,” but is there a panel that has the potential to be especially interesting?

A: One that could be particularly fascinating is called “Key Topics Related to Farm Inputs.”

We’ll examine developments in the digital agricultural space and how connected farms are able to minimize their applications of fertilizer or pesticides by practicing spot spraying. Having the advanced technology helps lower overall costs and the damage to the environment as well.

And there are a lot of changes in the dairy sector, too. University of Wisconsin has a program to develop a “Dairy Brain,” as they call it, which will help to coordinate all the different parts of a dairy operation better and make it so that you can minimize your costs and raise your profits.

Q: It’s a brave new world. And I know you’re always really good about getting a range of people—academics, financial people, on-the-ground farmers. This is a hybrid event? People can attend from afar or in Chicago?

A: That’s correct. We have a small charge for those who come in person, but you also get a meal. So that’s the benefit of being here. And you can interact more readily with the speakers as well.

Q: I read a note in the most recent Beige Book saying that there had been some issues for midwestern farmers in getting their crops to market. Can you explain what that was and why?

A: This year, we are having record crops here in the District for corn and soybeans. Because we’ve had huge harvests of crops this year and there was a lot that was being held from last year’s big harvests, we have a lot of product to move to market.

And what the Beige Book note pointed out was that the Mississippi River is low. And so that restricts barge traffic. And there were some congestion issues with trains going toward Mexico. And so there have been some restrictions on rail movement of products as well.

So it’s been more challenging this fall to transport corn and soybeans as they’re harvested and get them through the pipeline to world markets. That’s been an extra unanticipated cost to production this year because you can’t store it all on the farm, and you have to keep it moving.

Q: So the major agricultural crop prices are down, but livestock prices on average have been up versus a year ago?

A: Yes, that’s one of the brighter spots for producers in the District: In particular, egg and milk prices have gone up quite a bit now from a year ago. Cattle prices have stayed at a very high level, but have been mostly flat more recently.

And there’s actually been some recovery in hog prices, though they’re still down from a year ago. So overall, the livestock sector is faring better than the crop sector right now.

Q: And then you always do an extensive Looking Forward section in the *AgLetter*. What’s the highlight there?

A: Well, kind of the biggest takeaway about what might be happening going forward is that farmland values are likely to start dropping late this year or early next year. Over one-third of the bankers we surveyed said they expected agricultural land values to go down in the fourth quarter of 2024. And at the same time, 55 percent of them see farmland values as overvalued.

It’s not uniform. Almost half see farmland as appropriately valued, and we still have over half that expect farmland values to be stable. But still, there are some cracks in the stability of farmland markets right now. So there’s certainly some concern that there would be a correction. It’s much more of a muted market right now.

To learn more

Please see the most recent [*AgLetter*](#), covering the third quarter of 2024, and the [data on farmland values](#) in the Seventh Federal Reserve District.

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