

Q4  
2021

**MW** Murray Wise  
ASSOCIATES LLC

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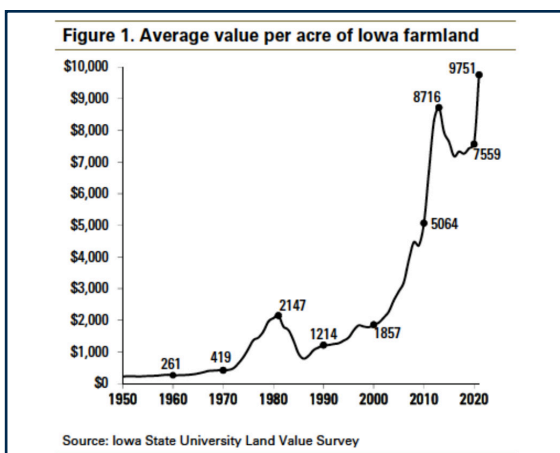
# THE WISE AG UPDATE

Your source for farmland & agribusiness transaction news by *Murray Wise Associates LLC*

## **MW** COMMENTARY: 2021 IN REVIEW

BY ERIC SARFF

To say that 2021 in the farmland real estate market has been fast paced would be the understatement of the year. Across many regions of the U.S. we have seen a tremendous amount of demand for farmland from many types of buyer groups. Iowa State University recently released the 2021 Farmland Value Survey and the results show the 2021 average price for farmland across the entire state of Iowa is \$9,751 per acre, which is a 29% increase from the 2020 report.



Keep in mind, this is for the entire state of Iowa and certain regions saw an even bigger increase. For example, the North Central region experienced a nearly 35% increase in values year after year with an average value of \$10,664 per acre. A recent auction in Sioux County, IA resulted in all five auction tracts bringing more than \$20,000 per acre, with the

top bid ending up at \$25,100 per acre. Here in Illinois, we have experienced a similar rise in values, with multiple sales in Central Illinois crossing the \$19,000 per acre threshold recently.

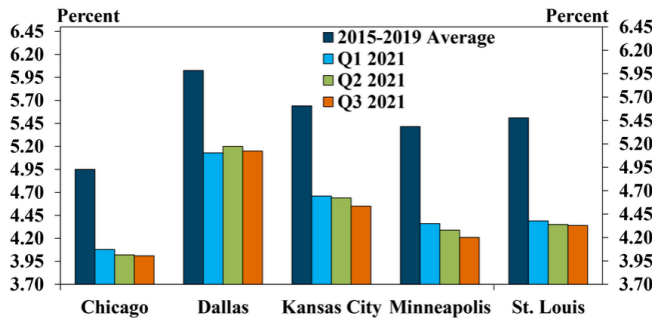
While these year-after-year numbers are impressive, it's also important to step back and see where we were a year ago and put this appreciation into context. The 2020 volume of sales was extremely low, and a good amount of the sales transactions were from trusts being closed, estates being cleaned up, and to a lesser extent, some distressed sales. For the most part, owners were choosing not to sell because price levels were not attractive enough to sell. So, while the huge jump over the last 12 months is eye catching, I think this large jump implies an artificial level of volatility in the land market -- particularly based on the low volume we experienced in 2020. Historically, land has been one of the least volatile assets available.

In my December 2020 article, where I looked back on 2020 and forward to 2021, I hit on three primary factors that were starting to trigger higher demand for farmland -- interest rates, rising commodity prices, and inflation fears. All three of these were factors in the meteoric rise in prices that we have witnessed

## 2021 IN REVIEW (CONT. FROM PG. 1)

historic record lows; and when debt service levels are low, buyers can spend more capital on purchases. If we see interest rates hover around their current levels -- and I think we will -- they will continue to play a significant role in fueling interest in land markets.

### Interest Rates on Farm Real Estate Loans

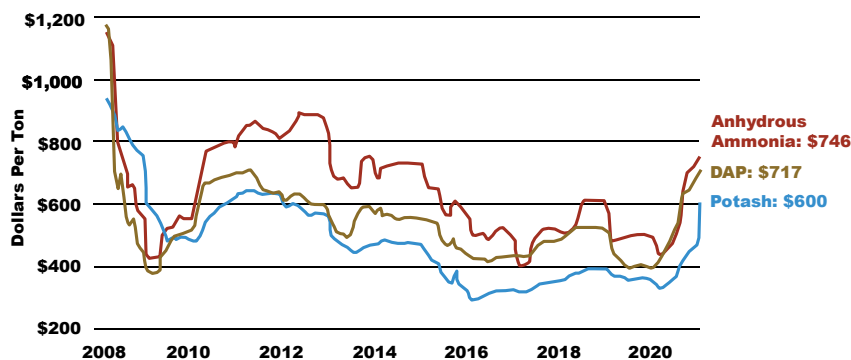


Note: Average fixed rate on farm real estate loans for all Districts.  
Sources: Federal Reserve District Surveys of Agricultural Credit Conditions.

Source: Federal Reserve Bank of Kansas City

In addition to low interest rates, commodity prices strengthened throughout the year, which has contributed to helping farmers be more profitable. As long as we see strength in the commodity markets, we will see strength in the land market. That being said, rising input prices for farm production will play a role in how aggressive some farmers can get on cash rents and land purchases. Input prices for anhydrous ammonia and phosphate are up significantly and not projected to go down anytime soon.

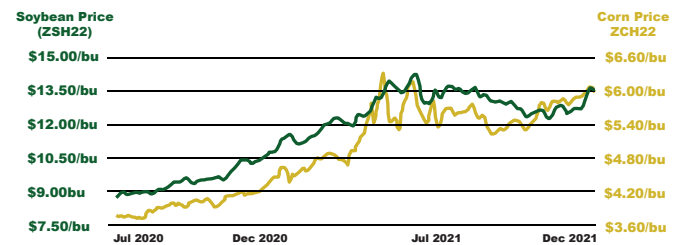
### Fertilizer Prices in Illinois



Source: Farmdoc Daily

Finally, inflation has been possibly the biggest driving factor in demand for farmland, especially from investors. I lost count a long time ago of the number of investor buyers that have contacted us in the last 12 – 18 months and said they all had the same request – they wanted to own more farmland as a hedge against inflation. Historically hard assets like farmland have been a great inflationary hedge. A phrase that I have always liked and have no shame in saying I have stolen is “Farmland is like gold with a coupon”.

### Commodity Prices



Source: Chicago Board of Trade

In addition to rising land prices, 2021 also brought with it new opportunities on how we sell farms. We have always avoided the cookie cutter approach to marketing land and have tried to tailor our marketing efforts to each specific farm we market. We pretty much ran the gamut in 2021 on sale methods – traditional brokerage, sealed-bid offerings, timed online-only sales, live online virtual auctions utilizing the multi-parcel system, live online auctions with the bidder's choice method of sale, live in-person multi-parcel auctions and live in-person bidder's choice sales (the last two types also included an online component for online bidders to compete in real time against in-person bidders). I think it is foolish to narrow our sales method to just one kind, which could be a disservice to the seller. However, I do believe online bidding is here to stay and we anticipate having online bidding be front and center for our auctions moving forward. Whether that means fully online or in-person with online bidding available

## FROM THE ARCHIVES

Almost 30 years ago, I wrote, “optimism is the word of the day in the current farmland market.” Thirty years later, I feel the same way. MWA’s president Eric has done a wonderful job of wrapping up the farmland market of

2021 in his commentary so I won’t belabor the reasons for my optimism, other than to say just as I felt the nineties appeared to be an excellent time to invest in U.S. farmland, I have similar feelings about the twenties. 🏡

## “PAST THOUGHTS”

### THE FARMLAND MARKET

By Murray Wise

January 15, 1992

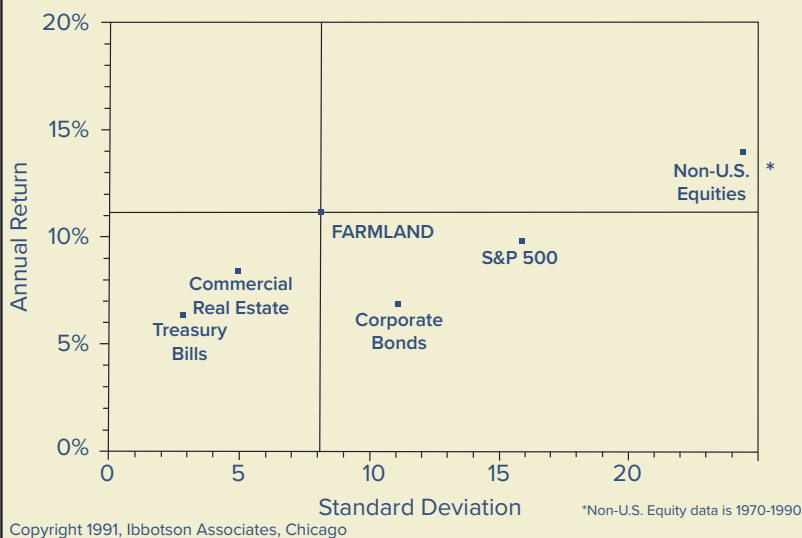
In the eighties, when our economy was considered strong and prosperous, the media was painting a bleak picture for the farming industry.

Now, the tables have been turned, and agriculture is about the only strong sector of our entire economy. As a result, optimism is the word of the day in the current farmland market.

From the current upswing in farmland prices, it is quite obvious today’s buyers clearly see the long-term profitability of farming. By looking at Illinois prices, you’ll find high quality land selling well over \$2,000 an acre. The Iowa land market has regained over 40% since the market lows were established in 1986. Such gains in farmland values are being seen in other agricultural states throughout the Midwest. Any why not? Buying farmland for the purpose of farming is a profitable investment for the strategic buyer. Today, unlike the seventies, many farmers prefer to rent farmland rather than establish a large debt burden to make such an acquisition. The result is that landowners and tenants are reaping record income opportunities with farming.

Annual returns from income and appreciation of farmland have averaged over 10% annually for over a 30-year period. This figure is slightly more than the returns of the S&P 500 while significantly higher than commercial real estate, Treasury Bills, and international or long-term corporate bonds. From a risk point of view, the standard deviation of farmland is considerably less than most other investment alternatives (See Figure I). In addition, farmland provides

Figure I Annual Return vs. Volatility 1960 - 1990



many benefits, such as reasonable cash flow, appreciation potential, diversification, a minimal downside risk, a negative correlation with stocks and bonds, and a positive correlation with U.S. inflation.

The early nineties appear to be an excellent time to invest in U.S. farmland. While most other investments are more volatile, farmland values have increased every year for the past four consecutive years. From every indication, this trend should continue for some time. When a value decline of 60-70% is followed by a sudden rally of 15-30% much like farmland has done in recent years, this indicates that a long-term investment opportunity may be availing itself.

The highest quality farmland is now selling at prices that allow a reasonable annual return on investment, plus excellent potential for a future increase in value. From all indications, a stable and profitable long-term outlook for agriculture and its investors looks inevitable. 🏡

*Murray B. Wise*





[Home](#) / [Auctions](#) / [Chariton County Farmland Auction](#)

### Chariton County Farmland Auction



Info	Bid History	Messages	Bid Count	Auction Total	Per Acre
			146	\$1,480,000.00	\$5,670.50

**Winning Bids**

Lots	Combo	Bidder	Bid
2, 3, 4, 5, 6	C1	B****n	\$1,140,000.00 \$5,533.96/Acre
1		M****r	\$340,000.00 \$6,181.82/Acre

**Backup Bids**

Lots	Combo	Bidder	Bid
4, 5, 6	C8	d****2	\$385,000.00 \$5,428.57/Acre
3		a****k	\$52,000.00 \$8,666.67/Acre
2		m****g	\$690,000.00 \$5,307.69/Acre
5, 6	C5	d****2	\$96,000.00 \$6,000.00/Acre
1, 3	C7	r****m	\$340,000.00 \$5,573.77/Acre
1, 2	C6	m****g	\$900,000.00 \$4,984.85/Acre
4		M****g	\$250,000.00 \$4,629.63/Acre
1, 2, 3, 4	C4	c****2	\$1,108,000.00 \$4,522.45/Acre
2, 3	C3	r****m	\$560,000.00 \$4,177.65/Acre
5		m****m	\$14,000.00 \$1,750.00/Acre
6		d****2	\$68,000.00 \$8,500.00/Acre

**Combo Bids**

Lots	Combo	Bidder	Bid
2, 3, 4, 5, 6	C1	B****n	\$1,140,000.00 \$5,533.96/Acre
4, 5, 6	C8	d****2	\$380,000.00 \$5,428.57/Acre
5, 6	C5	d****2	\$96,000.00 \$6,000.00/Acre

**Lot 1 - Tract 1**  
55 Acres  
**\$340,000.00**

55+ acres consisting of very productive Shannondale silt loam and timber. The timber would make an ideal spot for hunters seeking to hunt white-tailed deer, turkey, rabbits, squirrels, etc. This tract also features a FAA-approved grass airstrip that could be used as-is or converted back to farmland.

**Lot 2 - Tract 2**  
180 Acres  
**\$690,000.00**  
*In winning combo of \$1,140,000.00*


130+ acres featuring fertile Shannondale Silt loam soils. This tract also boasts frontage along the Chariton River and offers opportunities such as fishing and duck hunting.

**Lot 3 - Tract 3**  
6 Acres  
**\$62,000.00**  
*In winning combo of \$1,140,000.00*

6+ acres that would make an ideal country building site with a beautiful view. The tract contains a rustic barn and also features the ability to access high-speed fiber internet service up to 1 GigaBit speeds.

*Bidding Platform For Online-Only Farmland Auction From 2021*


will depend on what fits best for our client and the project.

In summary, 2021 is a year not many in our industry will forget. A combination of rising farm values, inflation fears and strengthening commodity markets has resulted in some very impressive sales results. Moving into 2022 I expect to see similar results in our industry as long as the variables driving it remain at their current levels. 



*Eric Sarff, President  
Murray Wise Associates*

## PARKLAND STUDENT WINS ANNUAL SCHOLARSHIP

As our November 9 auction of 75 acres in Champaign County realized a high closing bid of \$12,200 per acre, it was difficult to determine who was the happiest individual in the room: the seller, the buyer or Will Delaney, a Parkland College student enrolled in a farm management class. Will was competing in an appraisal competition during our November auction. Will's appraisal of the farm was the closest -- earning him a \$1,000 scholarship from Murray Wise Associates. Congratulations Will! We know your future is bright in the agriculture industry. 



*Eric Sarff (Left) - Will Delaney (Middle) - Larry Wood, Parkland Teacher (Right)*


## OUR NEWEST TEAM MEMBER

Murray Wise Associates is pleased to welcome Elizabeth Strom as our newest Vice President.

Prior to joining MWA, Elizabeth served as a Professional Farm Manager and Real Estate Broker for Hertz Farm Management Inc., where she managed nearly 19,000 acres across Illinois. Her experience closely aligns with MWA -- working to meet the goals and financial objectives of her farmer and landowner clients. Elizabeth has also bought and sold farmland throughout the Midwest for her clients.


Elizabeth is an Accredited Farm Manager (AFM). She serves on local boards for American Society of Farm Managers and Rural Appraisers and is on the Board of Directors for the Illinois Realtors Land Institute. She is a licensed Real Estate Broker in Illinois, auctioneer and licensed drone pilot and draws from her knowledge



of growing up on a corn, soybean and cattle farm in Toulon, IL. Elizabeth received her Associates from Black Hawk Community College and a B.S. in Agricultural Business and Agronomy from Iowa State University in Ames, IA. 

## IN THE NEWS

With farmland in the news recently primarily attributed to record prices, the experts at Murray Wise Associates have been asked to share their views a number of times. Recently, Eric Sarff was interviewed on Brownfield Ag News, sharing: "Both in Iowa and in Illinois we had a number of sales before Labor Day, which is typically not a common time to put your farm on the market. But as prices were strong, all those properties sold. And as we moved into October and now getting close to November, prices have remained strong (and) demand is still very strong. And I think we'll see that continue through the end of the year."

Eric was also interviewed on December 7 by RFD TV. You can watch or listen to the interviews by shooting a photo of the QR codes below or by simply clicking on the icons – if viewing from your computer. 

Brownfield Interview:



RFD TV Interview:



## RECENT TRANSACTIONS

<b>Pamlico Co., NC</b> - 4528± Ac	\$25,700,000	(\$5,675/Acre)
<b>Henry Co., IL</b> - 39.5± Ac	\$448,325	(\$11,350/Acre)
<b>Mason Co., IL</b> - 40± Ac	\$280,000	(\$7,000/Acre)
<b>Douglas Co., IL</b> - 16± Ac	\$256,000	(\$16,000/Acre)
<b>Steele Co., MN</b> - 187± Ac	\$790,075	(\$4,225/Acre)
<b>Murray Co., MN</b> - 148± Ac	\$928,700	(\$6,275/Acre)
<b>Morgan &amp; Washington Co., OH</b> - 513± Ac	\$1,508,950	(\$2,941/Acre)
<b>Chariton Co., MO</b> - 261± Ac	\$1,554,000	(\$5,954/Acre)
<b>Wright Co., IA</b> - 80± Ac	\$880,000	(\$11,000/Acre)
<b>Sarasota Co., FL</b> - 10 North Port Lots	\$185,405	
<b>Sarasota Co., FL</b> - 10 North Port Lots	\$179,300	
<b>Mississippi Co., MO</b> - 815± Ac	\$6,500,000	(\$7,975/Acre)
<b>Coles Co., IL</b> - 53± Ac	\$821,500	(\$15,500/Acre)
<b>Edgar Co., IL</b> - 326± Ac	\$2,526,500	(\$7,750/Acre)
<b>Humboldt Co., IA</b> - 699± Ac	\$4,500,000	(\$6,437/Acre)
<b>Saline Co., IL</b> - 294± Ac	\$1,959,855	(\$6,666/Acre)

# THE WISE AG UPDATE

## CURRENT LISTINGS & UPCOMING AUCTIONS

### Current Listings

**Bremer Co., IA** - 81± Acres - Call for More Information

**Wright Co., IA** - 122± Acres - Call for More Information

**Winneshiek Co., IA** - 125± Acres - Call for More Information

### Greenhouse Opportunity

We are pleased to announce that the Receiver for the AgTech Greenhouse property located at 1077 Cane Ridge Road, Paris, KY has entered into a Purchase Agreement for \$22,500,000 including all personal property, subject to higher and better offers.

## RECENT TRANSACTIONS (CONTINUED)

<b>Champaign Co., IL</b> - 75± Ac	\$915,000	(\$12,200/Acre)
<b>Champaign Co., IL</b> - 148± Ac	\$3,600,000	(\$15,000/Acre)
<b>Edgar Co., IL</b> - 889± Ac	\$13,842,473.50	(\$15,458/Acre)
<b>Franklin Co., VA</b>	\$16,210,000	

Visit [MurrayWiseAssociates.com](http://MurrayWiseAssociates.com) or call (800) 607-6888 for details on any property.

This communication includes "forward-looking statements" within the meaning of the federal securities laws, including, without limitation, statements with respect to the outlook of Farmland Partners Inc. ("FPI") and Murray Wise Associates LLC ("MWA") and proposed and pending farmland auction, brokerage, financing and asset management activities. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" or similar expressions or their negatives, as well as statements in future tense. Although FPI and MWA believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, beliefs and expectations, such forward-looking statements are not predictions of future events or guarantees of future performance and actual results could differ materially from those set forth in the forward-looking statements. Any forward-looking information presented herein is made only as of the date of this communication, and FPI and MWA do not undertake any obligation to update or revise any forward-looking information to reflect changes in assumptions, the occurrence of unanticipated events, or otherwise.

*MurrayWiseAssociates.com*

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