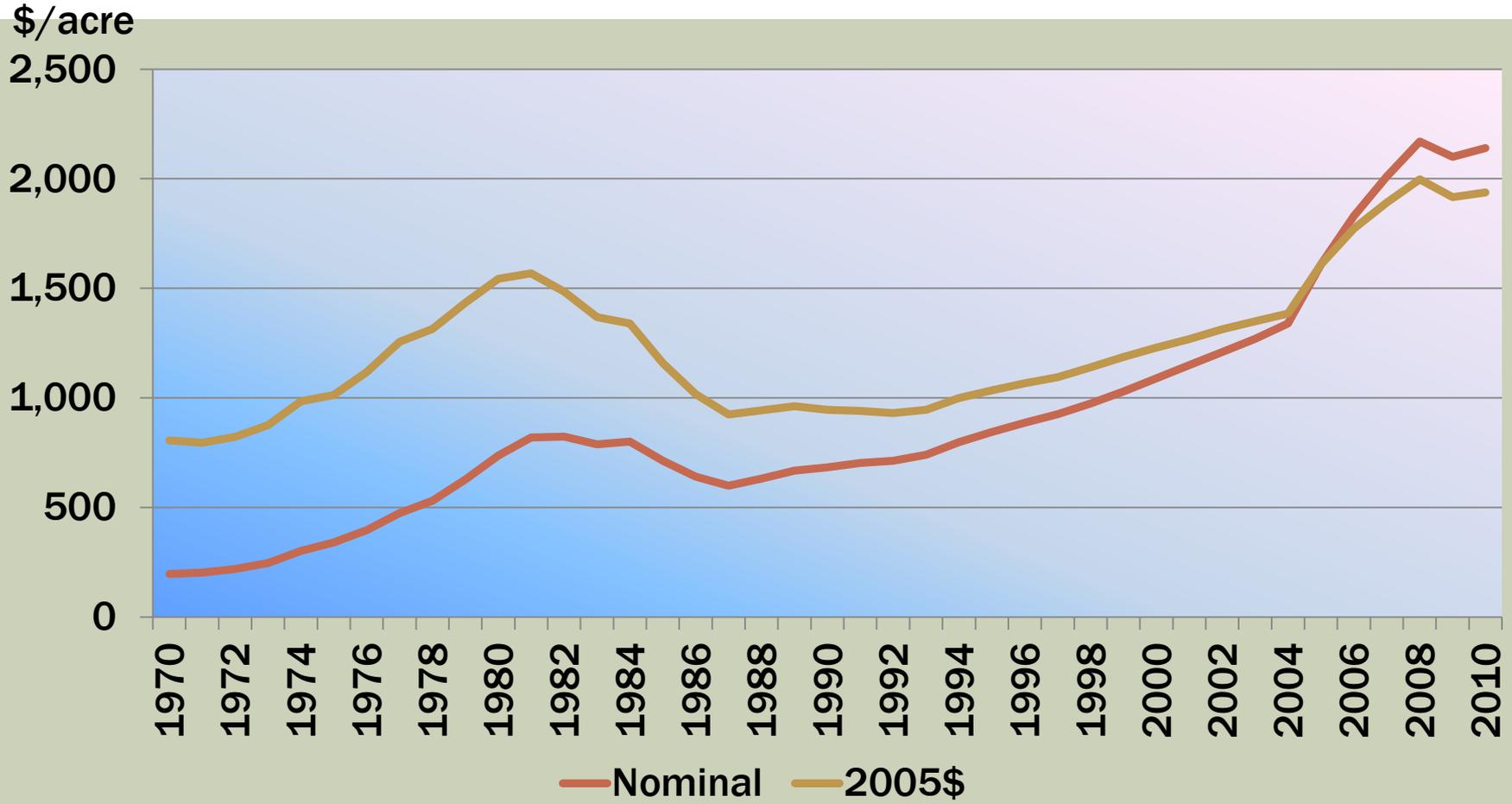


FARM REAL ESTATE VALUES

Joseph W.
Glauber
Chief Economist,
USDA
FDIC Conference
March 10, 2011

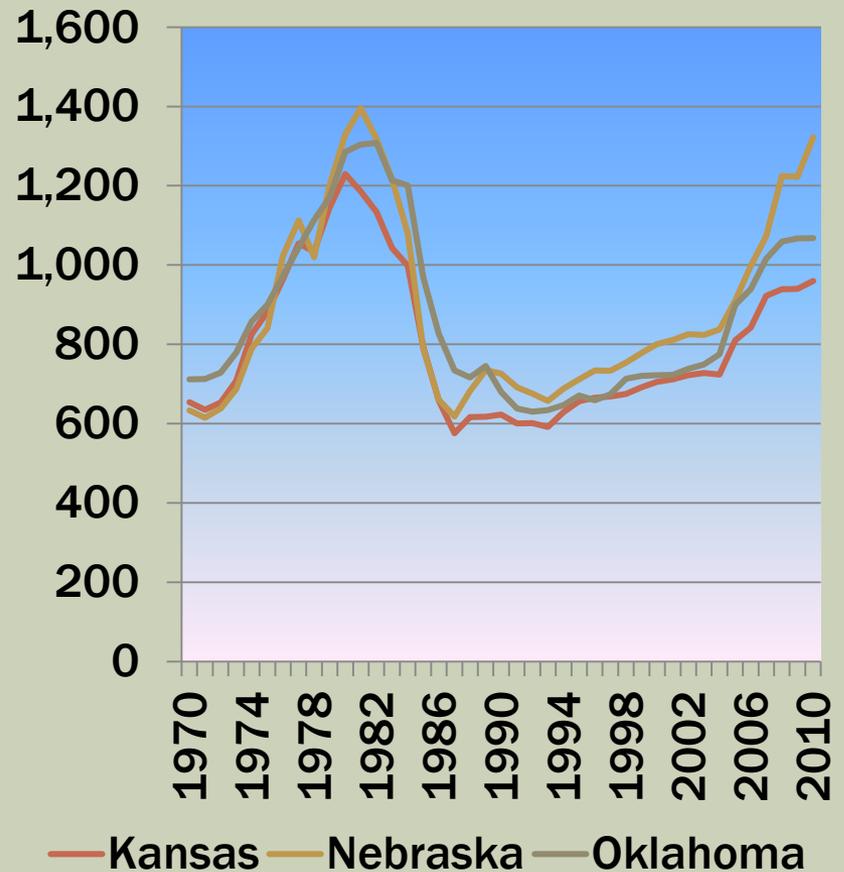
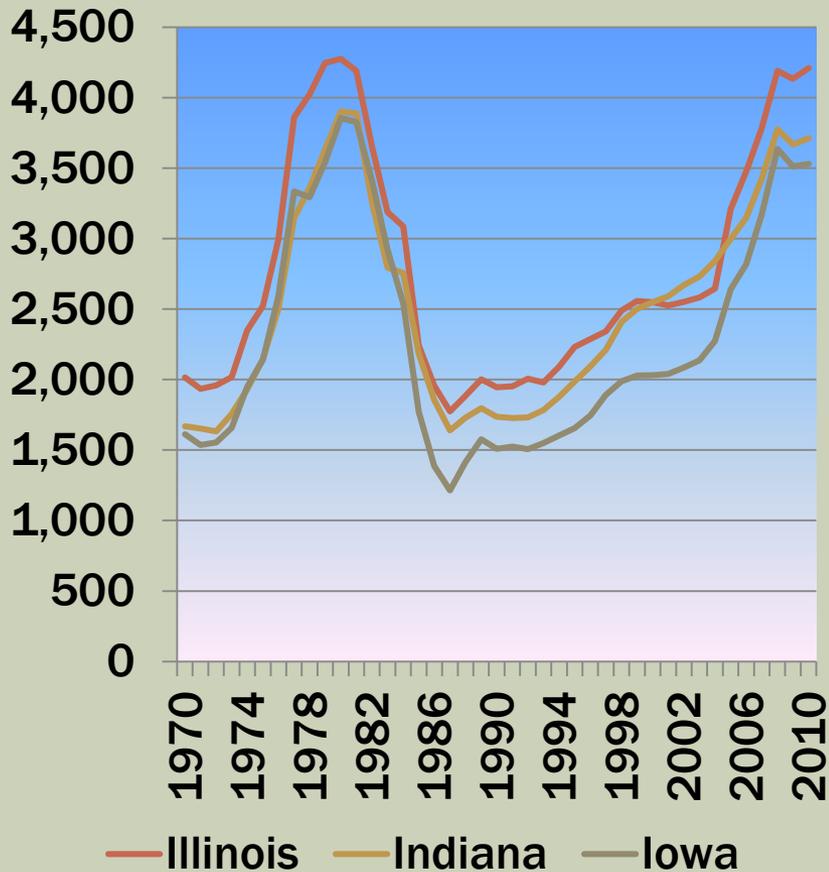
AVERAGE US FARM REAL ESTATE VALUE



Source: NASS

FARM REAL ESTATE VALUES

(2005 \$/ACRE)



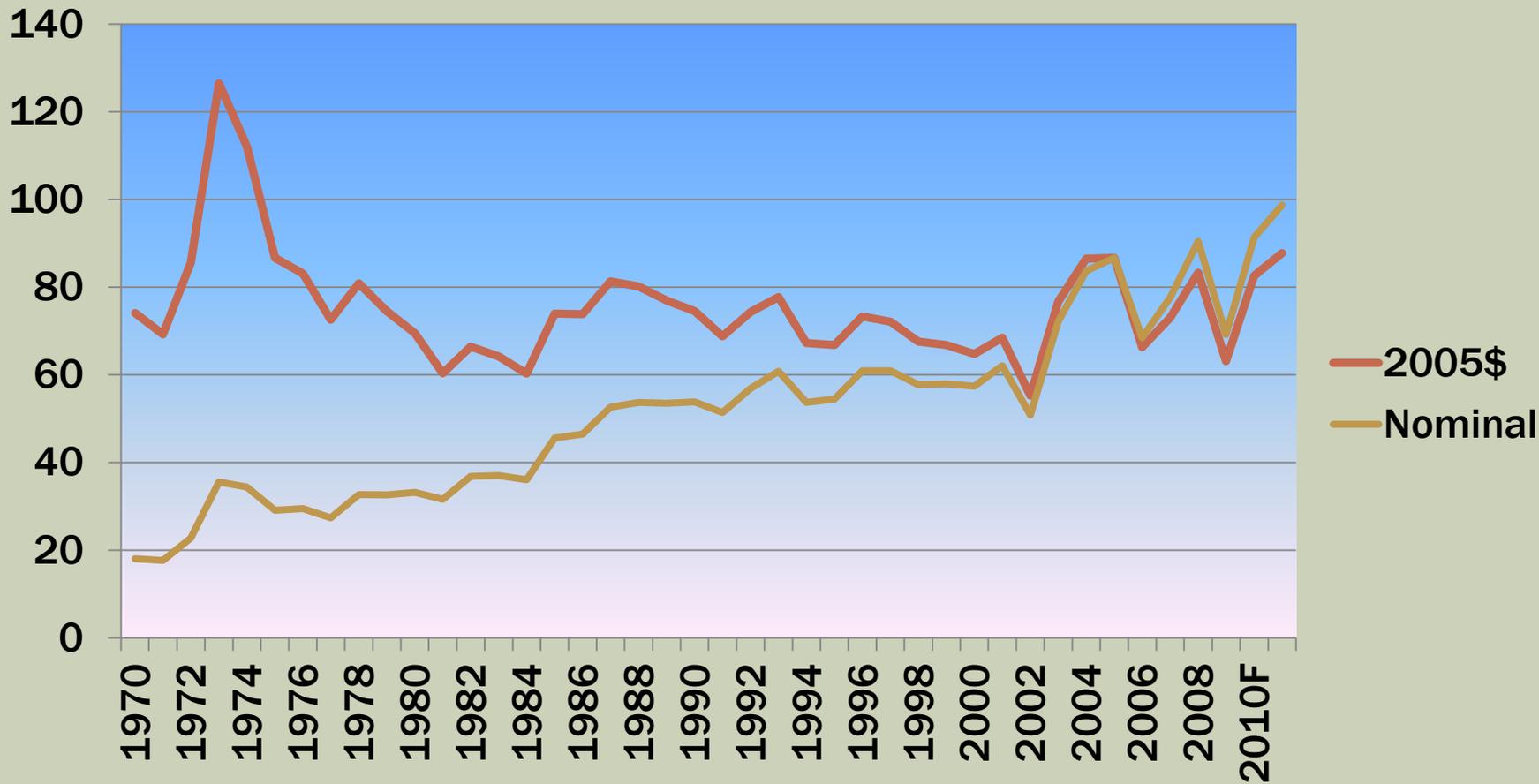
Source: NASS

AVERAGE ANNUAL PERCENT GROWTH RATES IN FARM REAL ESTATE VALUES

State	1975-80	2005-10
Illinois	11.1	5.6
Indiana	12.7	4.3
Iowa	12.5	6.0
Kansas	6.9	3.4
Nebraska	9.6	7.7
Oklahoma	7.4	3.5
US	8.8	3.8

NET CASH INCOME

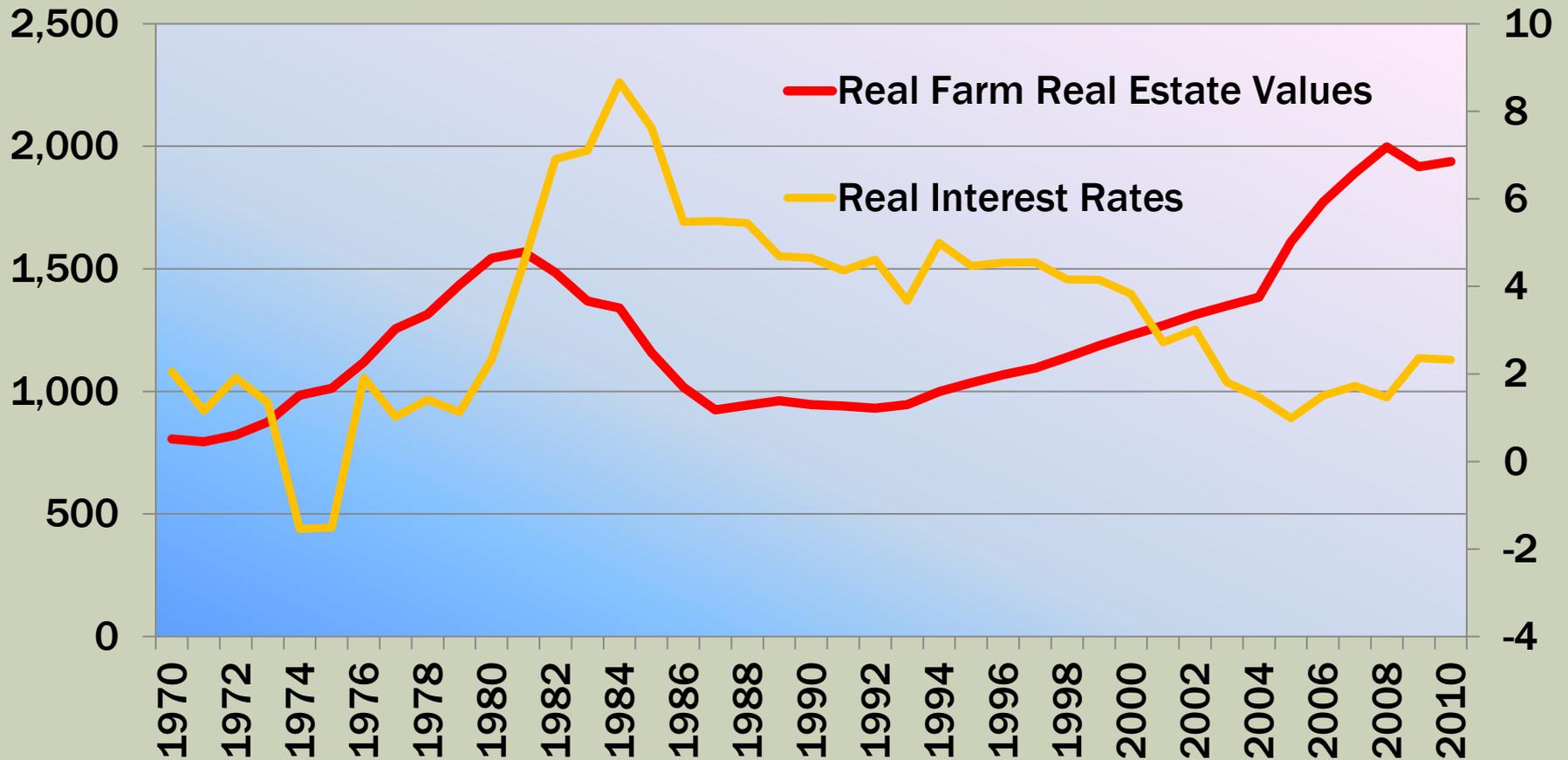
BILLION \$



Source: ERS

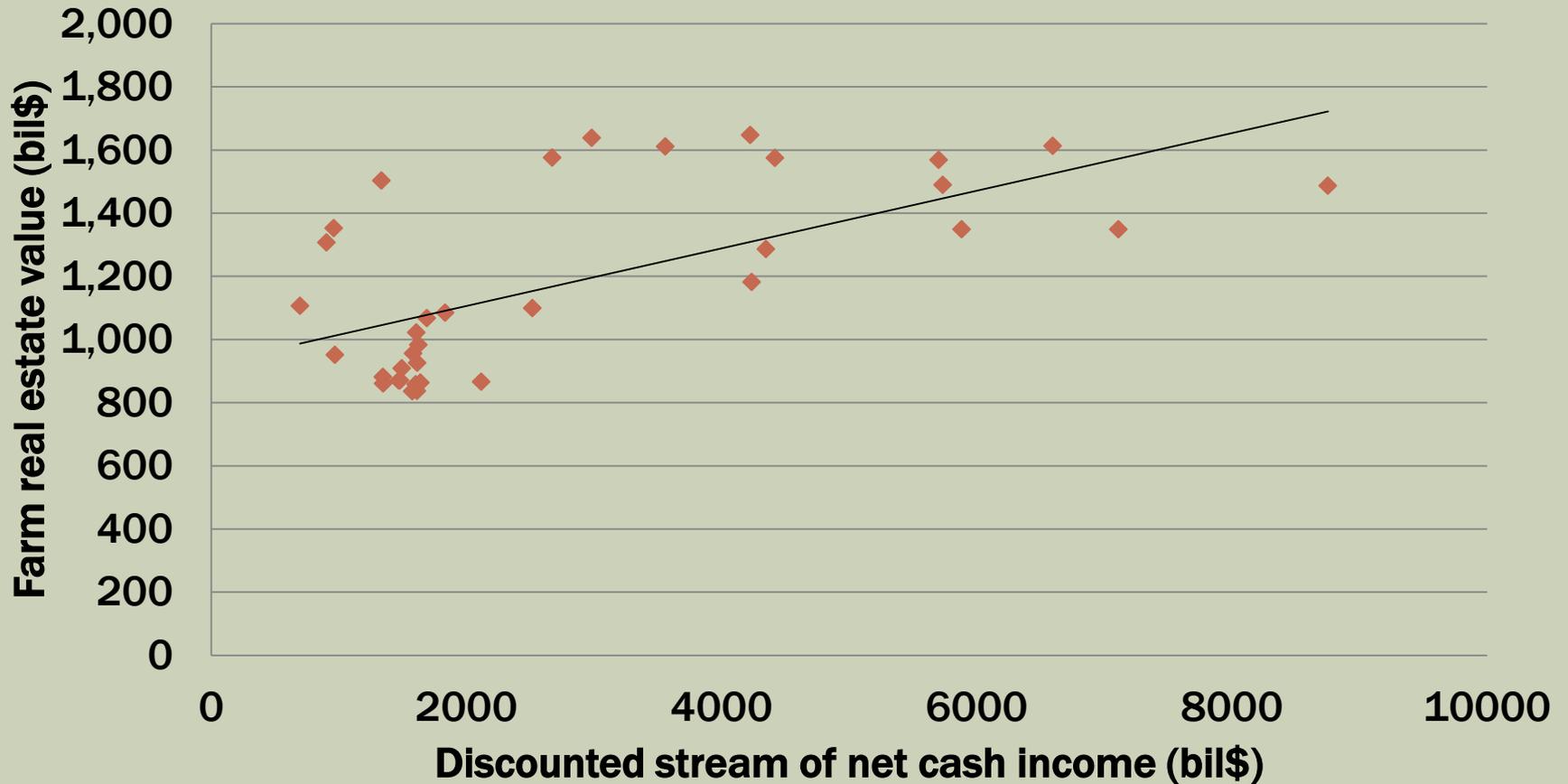
REAL INTEREST RATES AND REAL ESTATE

BILLION 2005\$

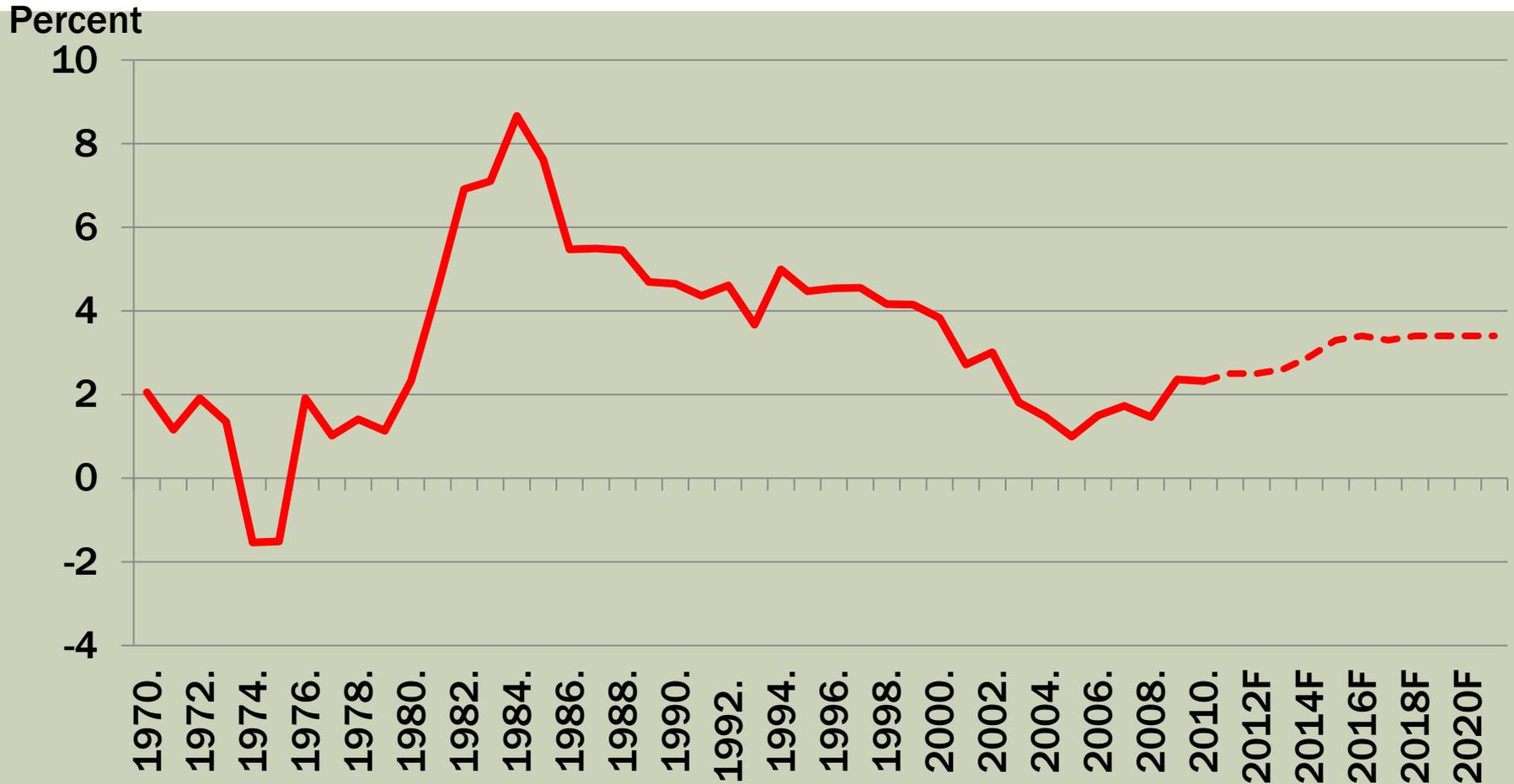


Source: 10 Year Treasury Securities less percentage change in GDP IMP.

FARM REAL ESTATE POSITIVELY RELATED TO NET CASH INCOME



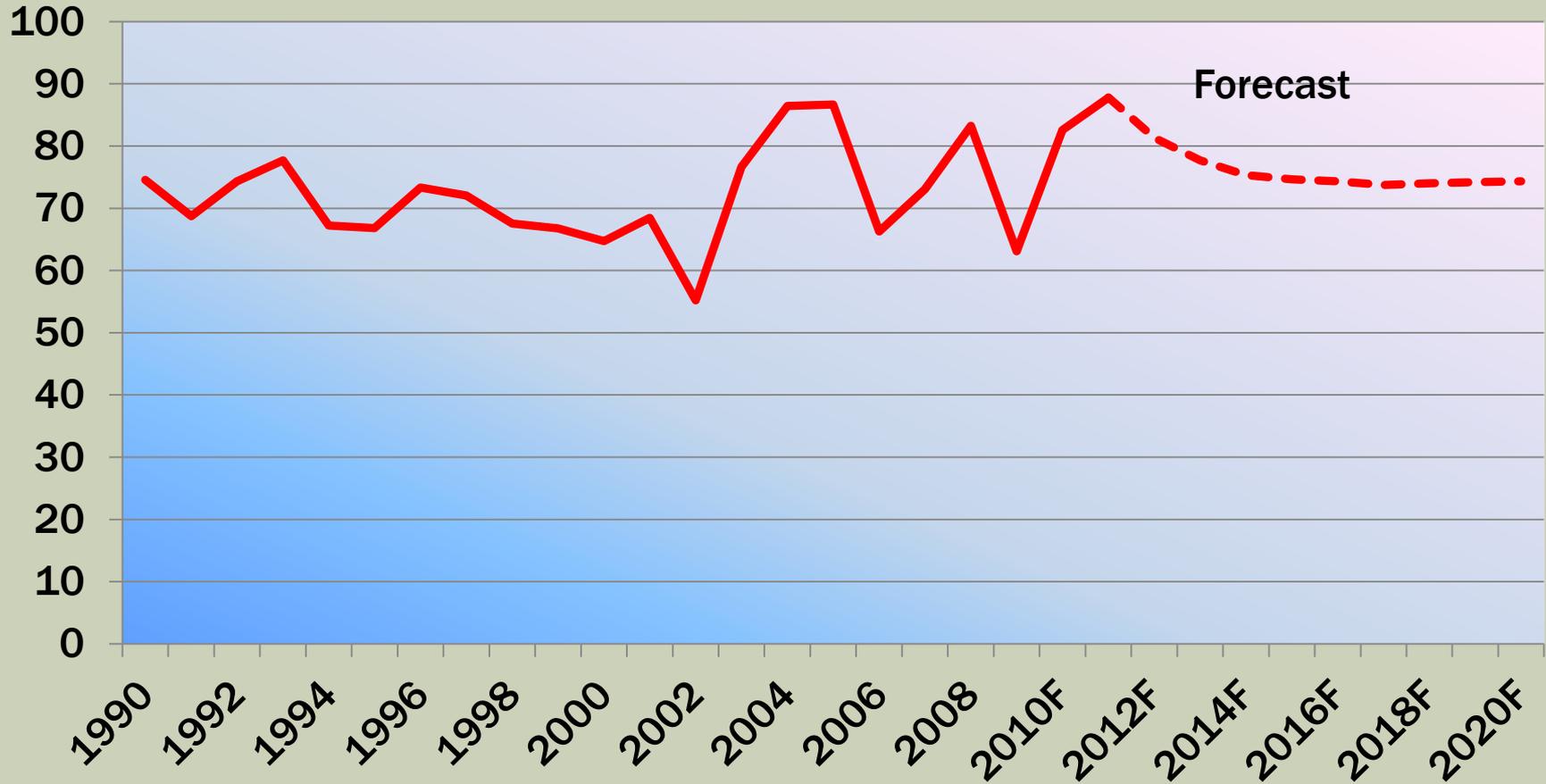
REAL 10-YEAR INTEREST RATES WITH PROJECTIONS TO 2020



Source: CBO, Budget and Economic Outlook, Jan 2011

NET CASH INCOME

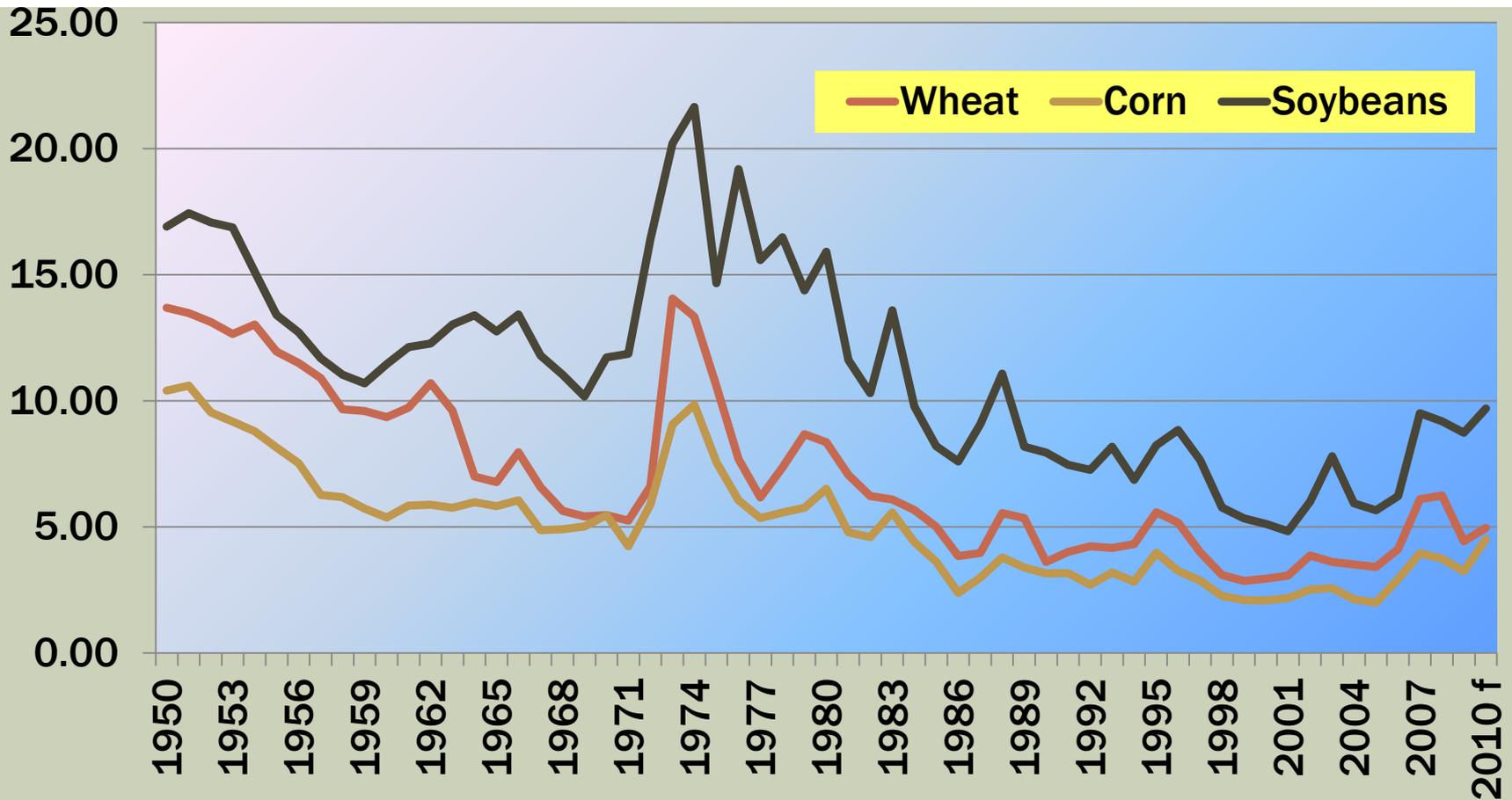
BILLION 2005\$



Source: *USDA Agricultural Projections to 2020*, Feb 2011

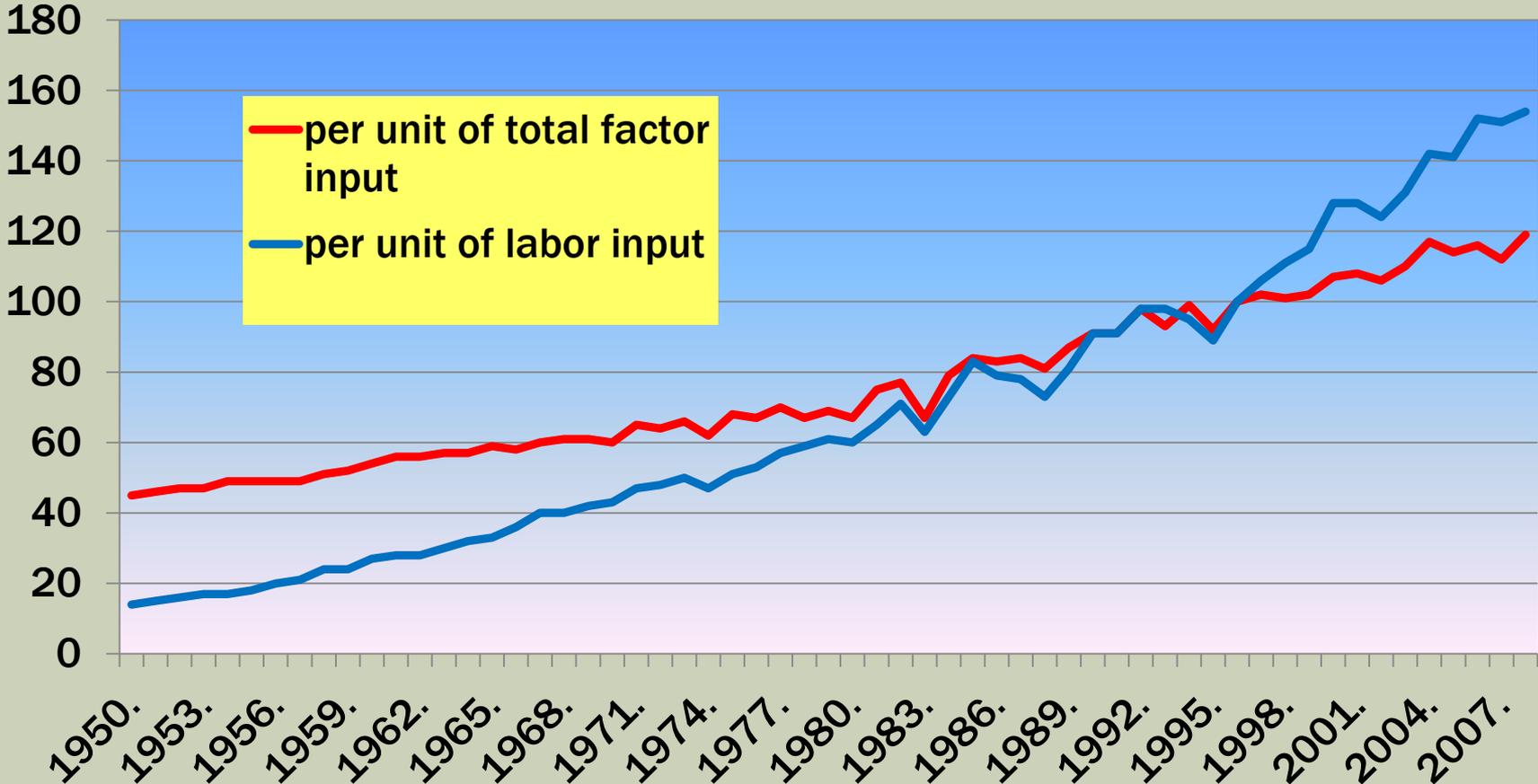
REAL CORN, WHEAT AND SOYBEAN PRICES

2005\$/BUSHEL



Deflated by GDP implicit price deflator, 2005 = 100 (BEA 2010)

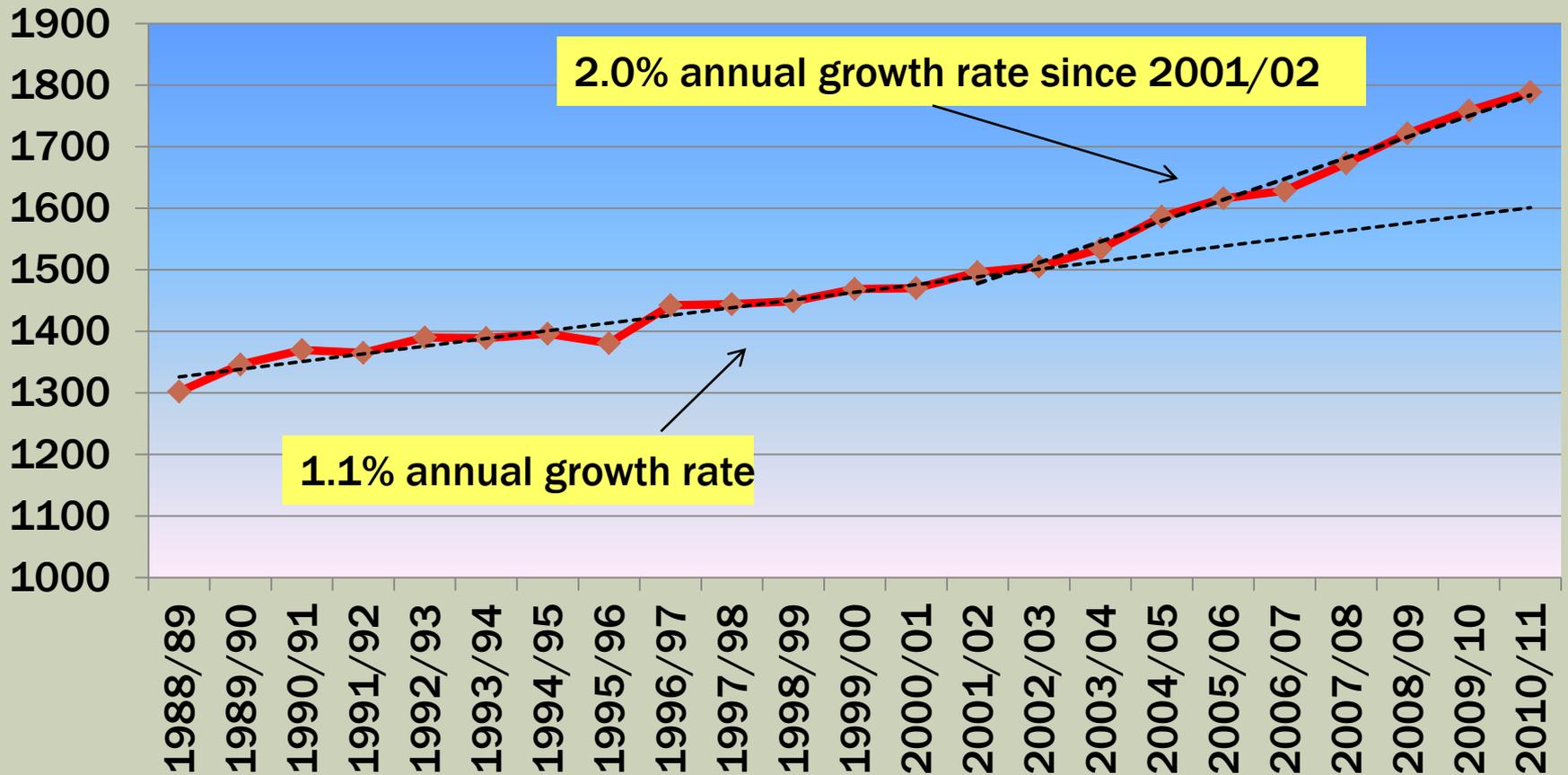
FARM PRODUCTIVITY



Source: ERS

WORLD WHEAT AND COARSE GRAIN DEMAND

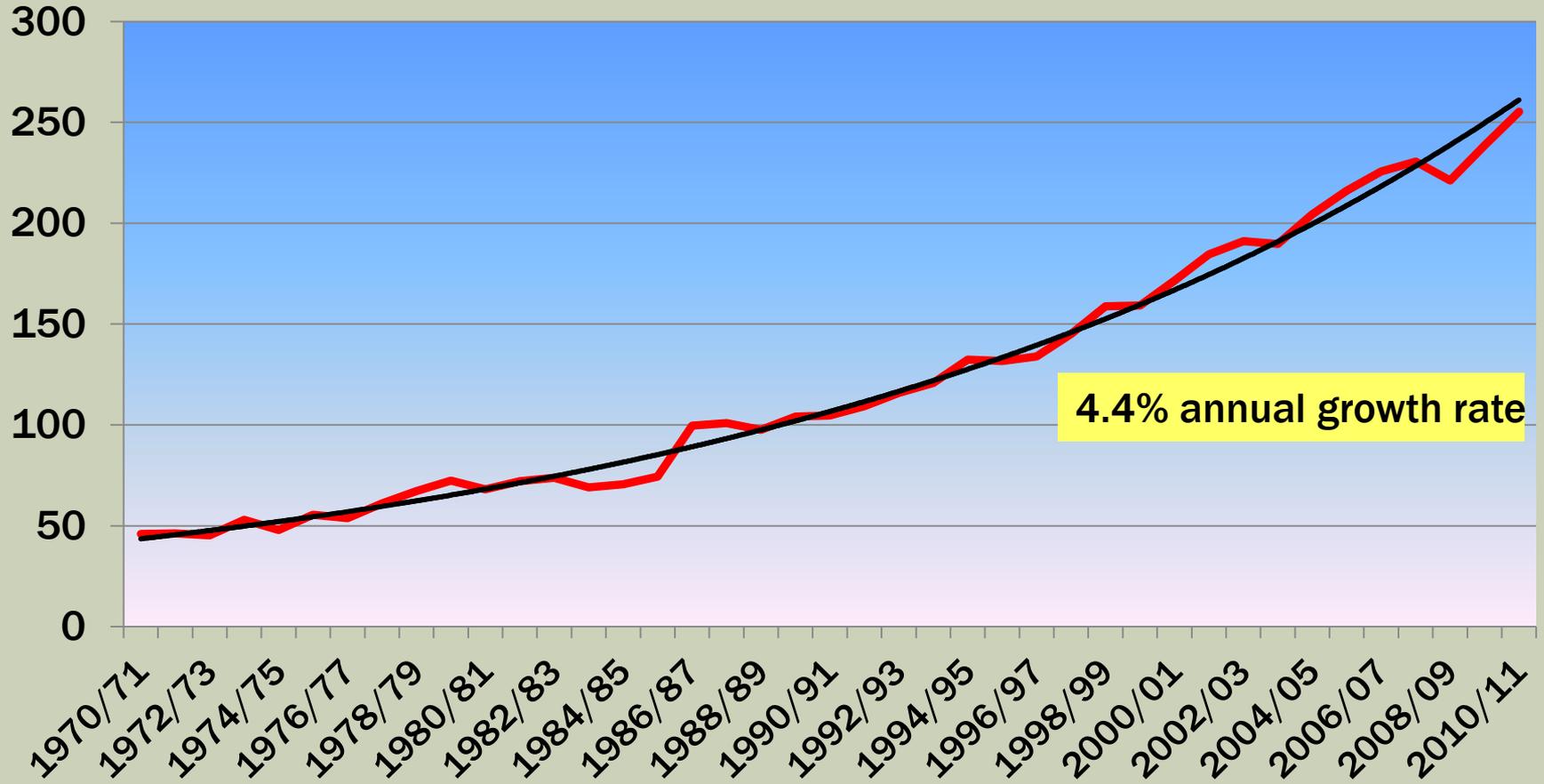
MILLION MT



Source: FAS

WORLD SOYBEAN DEMAND

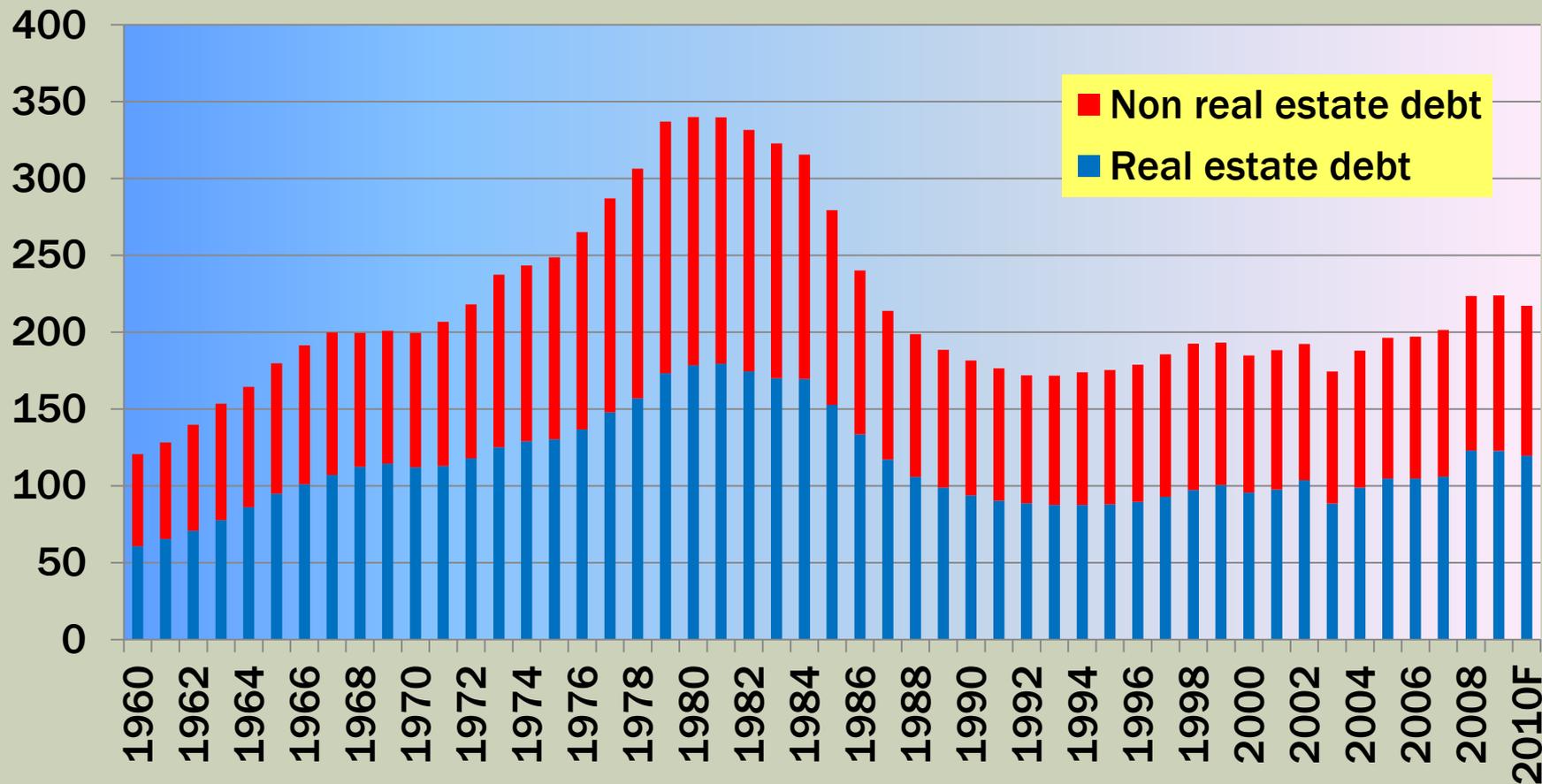
MILLION MT



Source: FAS

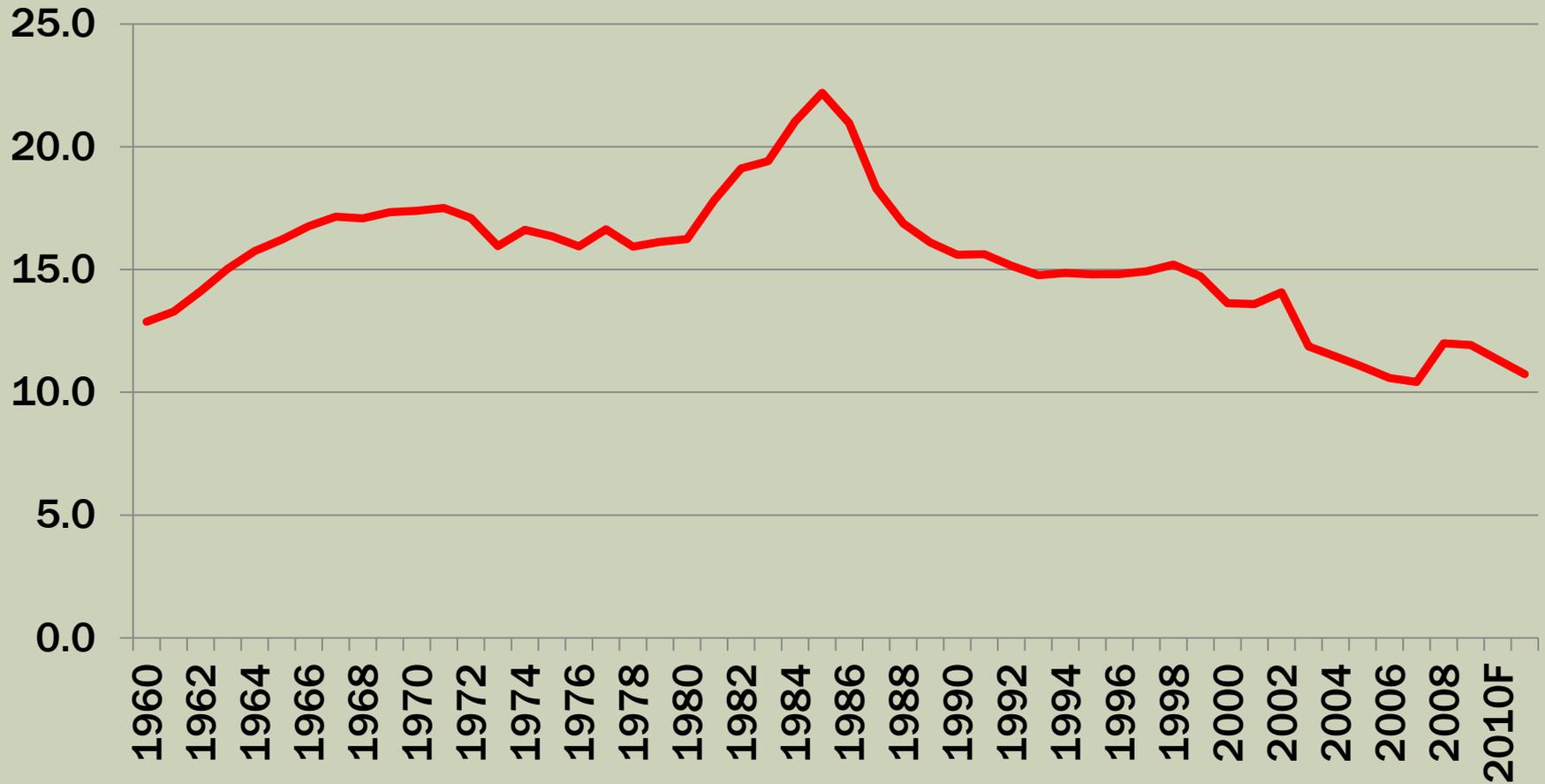
FARM DEBT RISING BUT STILL LOW RELATIVE TO 1980S (2005\$)

Billion \$



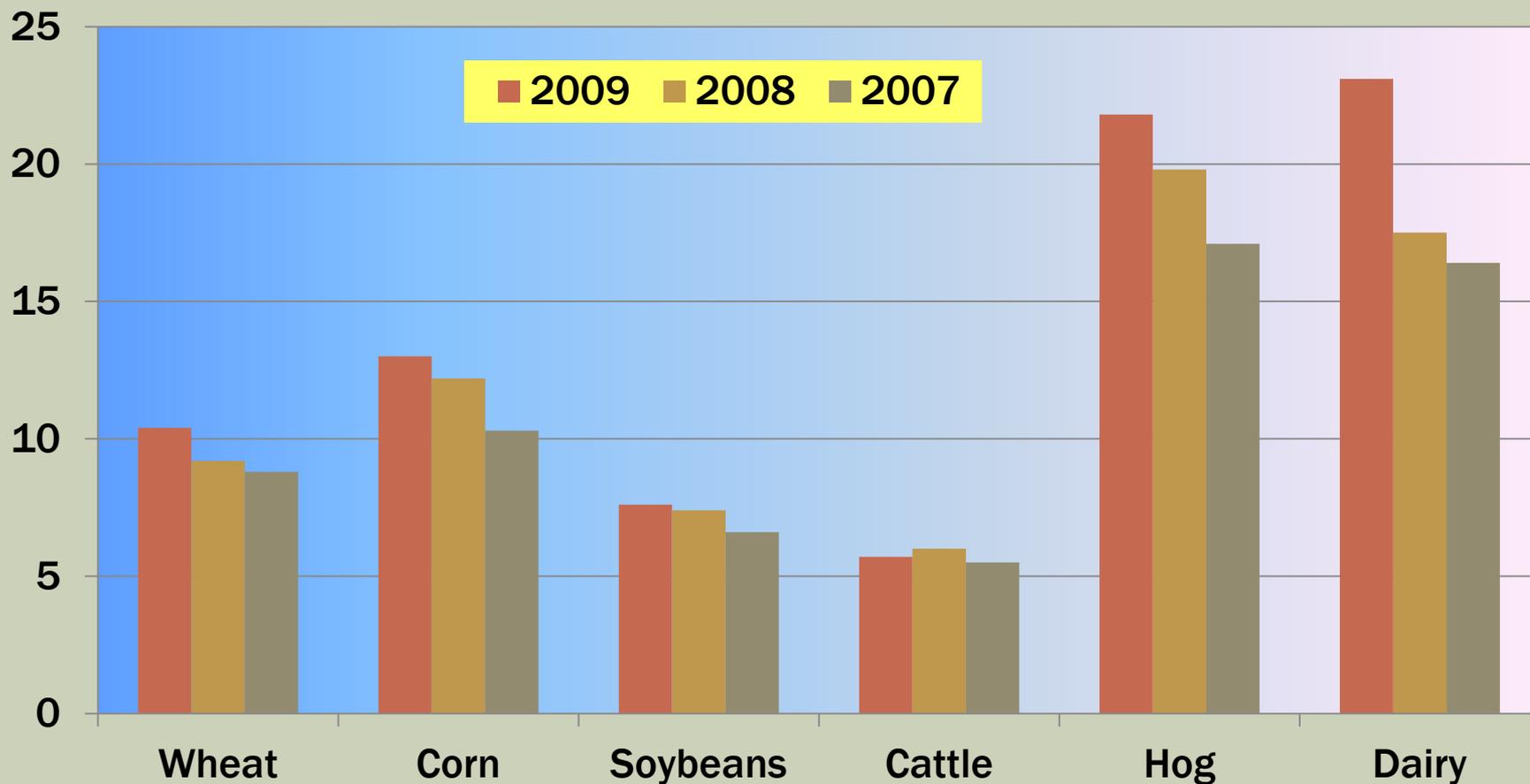
Source: ERS

FARM DEBT AS PERCENT OF ASSETS



Source: ERS

DEBT AS A PERCENT OF ASSETS BY TYPE OF FARM OPERATION



Source: ERS

CONCLUSIONS

- Farmland values have risen sharply over past 5 years though comparisons to the late 1970s seem unfounded. Increases appear to be generally consistent with rise in farm income and low interest rates.
- Net income has been volatile which could lead to volatility in farmland values
- Real interest rates are expected to rise though remain below levels of the 1980s and 90s
- Long term factors for farm income remain positive: strong foreign and domestic demand
- Budget cuts could affect land values but payments are small portion of net cash income
- Ag sector in better financial shape than in early 1980s