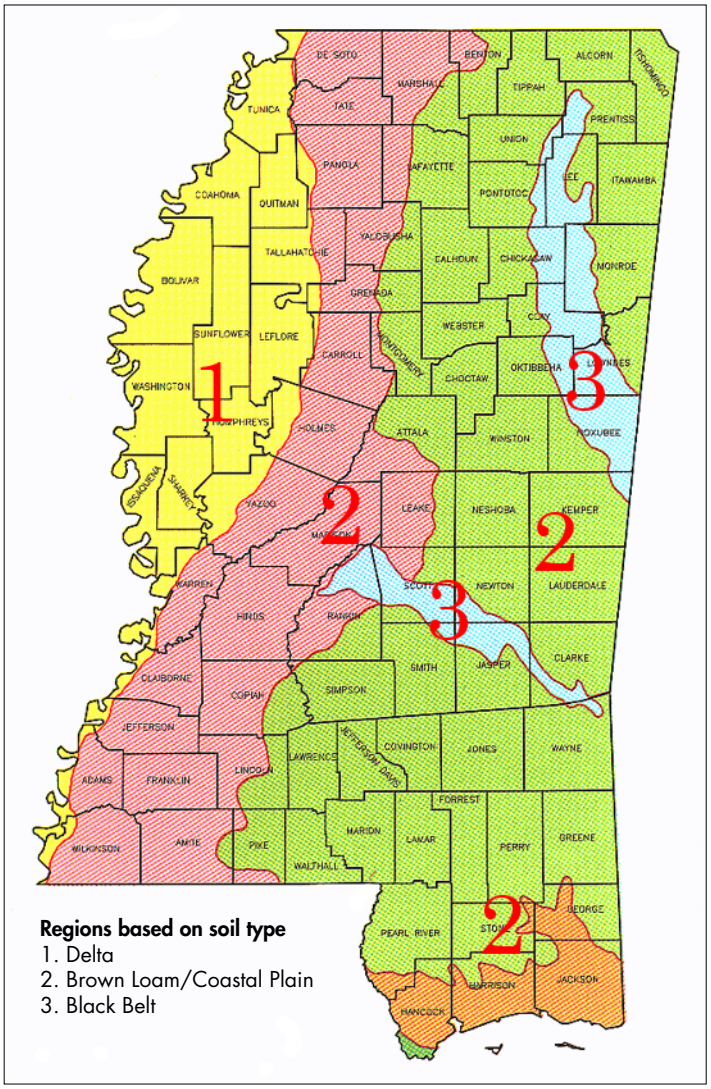
Mississippi Agricultural Land Values and Cash Rents Report: 2014

This report is intended as a guide for producers, lenders, and others involved in the agricultural industry for benchmarking land values and cash rental rates for crop- and pastureland across Mississippi. The data for this report on land sales and rents are from a survey of participating lenders across Mississippi, comprising over half of all agricultural land sales taking place in any one year.



Regions based on soil type
1. Delta
2. Brown Loam/Coastal Plain
3. Black Belt

Land Values

National and Regional Cropland Values

From 2012 to 2013, the national average land value for agricultural cropland increased 12 percent, from $3,350 per acre to $3,810 per acre[1]. Some Corn Belt states, such as Illinois and Indiana, saw similar increases in farmland values to those shown nationally, at much higher overall prices. Illinois, between 2012 and 2013, saw land values increase from $6,300 per acre to $7,190 per acre, or roughly 12.3 percent[2], while Indiana had an increase of nearly 13 percent, from $6,448 per acre to $7,430 per acre[3] for average farmland during that same period.

Regional surveys from the St. Louis Federal Reserve track land values for portions of states within the 8th Federal Reserve District. The survey area includes the northern half and Delta region of Mississippi, all of Arkansas, the western portions of Tennessee and Kentucky, and the southern portions of Illinois, Indiana, and Missouri. From the fourth quarters of 2012 to 2013, this region's average land prices for quality farmland increased from $5,230 per acre to $5,868 per acre or, nearly 11 percent[4].

[1]USDA National Agricultural Statistics Service.
[2]FarmdocDaily, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign.
[3]Purdue Agricultural Economics Report: Indiana's Farmland Market. Department of Agricultural Economics, Purdue University.
[4]Agricultural Finance Monitor. Agricultural Credit Conditions in the 8th Federal Reserve District. The Federal Reserve Bank of St. Louis.

MISSISSIPPI STATE UNIVERSITY
EXTENSION SERVICE

Mississippi Cropland Values

Using the lenders' survey data from across Mississippi, cropland values are separated into irrigated, non-irrigated, soil type, and soil quality categories. Small tract sales, assemblage sales, and sales with a change in highest and best use have been excluded from the statistics provided below.

Table 1. Mississippi Delta Area: 2013

	Mean	Min	Max	N
Flood-irrigated	3,966	2,762	5,450	54
Pivot-irrigated	3,628	1,875	4,280	19
Quality dryland	3,238	2,086	5,000	17
Good–fair dryland	2,553	1,250	3,800	22

Table 2. Mississippi Delta Area: 2012

	Mean	Min	Max	N
Flood-irrigated	3,421	2,189	5,000	53
Pivot-irrigated	3,569	2,000	4,800	15
Quality dryland	2,846	1,704	3,966	30
Good-Fair dryland	2,222	1,000	3,500	38

Table 3. Brown Loam/Coastal Plain Area: 2013

	Mean	Min	Max	N
Flood-irrigated	*	*	*	*
Pivot-irrigated	*	*	*	*
Quality dryland	2,490	1,358	4,000	22
Good-Fair dryland	2,200	2,000	3,113	29
*Not enough data.				

Table 4. Brown Loam/Coastal Plain Area: 2012

	Mean	Min	Max	N
Flood-irrigated	3,607	2,378	4,800	8
Pivot-irrigated	*	*	*	*
Quality dryland	2,657	957	4,500	55
Good-Fair dryland	2,556	1,250	3,800	12
*Not enough data.				

Table 5. Black Belt Area: 2013

	Mean	Min	Max	N
Flood-irrigated	*	*	*	*
Pivot-irrigated	*	*	*	*
Quality dryland	2,469	1,700	4,000	12
Good-Fair dryland	*	*	*	*
*Not enough data.				

Table 6. Black Belt Area: 2012

	Mean	Min	Max	N
Flood-irrigated	*	*	*	*
Pivot-irrigated	*	*	*	*
Quality dryland	2,070	919	3,928	23
Good-Fair dryland	*	*	*	*
*Not enough data.				

Table 7. Statewide Average: 2013

	Mean	Min	Max	N
Flood-irrigated	3,988	2,762	5,450	57
Pivot-irrigated	3,628	1,875	4,280	19
Quality dryland	2,734	1,358	5,000	51
Good-Fair dryland	2,458	1,250	3,800	34

Table 8. Statewide Average: 2012

	Mean	Min	Max	N
Flood-irrigated	3,411	2,189	5,000	61
Pivot-irrigated	3,627	2,000	4,800	17
Quality dryland	2,584	919	4,500	108
Good-Fair dryland	2,355	1,000	957	50

Tables 1 to **6** show the minimum, maximum, and average sales values per acre for the three different soil regions based on irrigation method and soil quality for 2012 and 2013. **Tables 7** and **8** show the statewide averages for the same categories. Areas marked with an asterisk did not have enough sales to calculate an informative average for that area but were included in the statewide averages.

Mississippi cropland values tend to be much lower than some of their Corn Belt counterparts. The highest sales for top-quality irrigated Delta soils neared $5,500 per acre in 2013 and averaged closer to the $4,000 per acre mark. For both 2012 and 2013, quality dryland Delta crop soils were selling for approximately $600 per acre less than flood-irrigated fields, with the poorest-quality Delta cropland soils averaging $1,200 per acre below those being flood/furrow-irrigated.

Quality dryland soils in the Brown Loam and Black Belt areas sold for around $750 per acre less on average than Delta dryland quality soils. However, 2012 sales show that the value spread between Brown Loam and Delta area dryland crop soils to be much smaller at nearly $200 per acre.

Between 2012 and 2013, statewide average sales prices for flood/furrow-irrigated, quality dryland, and good or fair dryland soils increased. Flood/furrow-irrigated soils increased 14.5 percent while dryland soils saw more modest increases, with a 5.5 percent increase for quality dryland soils and a 4.2 percent increase for good or fair dryland soils. Pivot-irrigated soils saw no change in the statewide average sales price from 2012 to 2013; however, fewer statewide sales in this category may obscure significant differences.

National and Regional Pastureland Values

The USDA National Agricultural Statistics Service reports average pastureland values of $1,110 per acre and $1,170 per acre for the years 2012 and 2013, respectively, for an increase of almost 5.2 percent. The lowest land values on a dollar per acre basis for pastureland nationally were reported in the Mountain States (Colorado, Wyoming, Montana, etc.) at $594 per acre in 2013, and the Northern Plains States (North and South Dakota, Nebraska, etc.) at $754 per acre in 2013.

The highest reported pastureland values nationally occurred in the Southeast (Florida, Georgia, etc.) at $3,770 acre and the Northeast (New York, New Jersey, etc.) at $3,370 per acre.

While the National Agricultural Statistics Service survey results reported a pastureland value of $2,190 per acre for the Delta area in 2013, the Agricultural Finance Monitor Surveys from the St. Louis Federal Reserve Branch reported pastureland values less than $2,000 per acre for the areas around Memphis and Little Rock, with the lowest values shown in the second quarter surveys at $1,757 per acre.

Mississippi Pastureland Values

Pastureland values based on Mississippi land sales for 2012 and 2013 are shown in **Table 9**. While very few sales occurred for land designated as pastureland in the Delta for 2012 and 2013, the average sales price in the Loam and Black Belt regions appears fairly robust given the number of observations. **Table 9** shows the average sales price for pastureland in Mississippi to be around $2,000 per acre, close to the surveyed values given by the 8th Federal Reserve District.

Table 9. Mississippi Pastureland Values ($/acre) for 2012 and 2013.

	Mean	Min	Max	N
	—2012—			
Delta	*	*	*	*
Loam	2,288	970	3,850	64
Black Belt	1,972	1,249	2,811	26
	—2013—			
Delta	*	*	*	*
Loam	2,025	1,200	2,850	46
Black Belt	1,904	1,200	2,900	23

*Not enough data.

Pastureland sales values fell in both the Black Belt and loam regions from 2012 to 2013, by 11.5 percent and 3.45 percent, respectively. The fall in pastureland values based on Mississippi sales data from 2012 and 2013 corresponds with a drop in pastureland values reported by the 8th Federal Reserve District surveys around the Memphis area during the same time.

Due to variations in stocking rates both regionally and nationally, evaluating pastureland values on a per-animal unit (AU) basis may be more useful than a per-acre basis. The Mississippi State University Extension Service forage specialist recommends a stocking rate of 0.6 AU per acre where 1.2 AU = 1 cow/calf pair. Thus each cow/calf pair requires 2 acres per year, assuming a continuous grazing program. Based on the per-acre costs of grazing land in Mississippi, **Table 10** shows the average market value of land required to run one cow/calf pair.

By comparison, Mississippi's forage land values are much lower based on a per-AU calculation on average than those areas with the lowest per-acre values. In the Mountain States, the stocking rate density may be as low as 20 acres per 1.2 AU, or 0.06 AU per acre. With pastureland sales prices of around $300 per acre, the required land purchase to run one cow/calf pair would be nearly $5,000 per 1.2 AU.

Table 10. Mississippi Average Pastureland Values $ per 1.2 AU for 2012 and 2013.

	2012	2013
Delta	*	*
Loam	3,813	3,375
Black Belt	3,286	3,173

*Not enough data.

Cash Rents

Average cash rents for quality farmland within the 8th Federal Reserve District were between $180 and $190 per acre for quality farmland and $60 and $65 per acre for pastureland in 2013. The rents reported for quality farmland make no distinction between irrigated and nonirrigated ground.

Table 11 shows the average, minimum, and maximum cash rental rates reported statewide for Mississippi in 2013. The rental rates given use the same land categories as those shown in **Tables 1** to **8** but do not stratify the data based on region. Pastureland values are reported for both a dollar per acre value and a dollar per 1.2 AU (dollars per cow/calf pair). The Mississippi statewide average cash rental rate for cropland, making no distinction between irrigated and nonirrigated land in 2013, was $140 per acre.

Table 11. Statewide Cash Rental Rate Averages: 2013.

	Mean	Min	Max
Flood-irrigated	168	125	225
Pivot-irrigated	141	120	160
Quality dryland	105	50	150
Good-Fair dryland	80	50	125
Pasture $/acre	20	10	35
Pasture $/1.2 AU	33	17	54

Land Value and Cash Rental Rate Outlook

Cropland Outlook

Typically, agricultural land values are determined by two major factors: commodity prices and interest rates. These two factors, in turn, shape expectations for growth in value and potential for agricultural land as an investment. Lower row-crop commodity prices toward the end of 2014, combined with the expectation for low row-crop commodity prices in 2015, suggest downward pressure on land values in Mississippi and throughout the United States. Interest rates on both long- and short-term loans are expected to rise in the future, increasing the downward pressure on land values as principles must adjust to compensate for higher interest rates.

Surveys from the second quarter by the 8th Federal Reserve District show land values leveling off or slightly declining from previous quarters/years. A period with low agricultural land sales would also indicate a drop in agricultural property values. If that happens, landowners will be reluctant to sell for prices below those seen in recent years, while renters will anticipate low or negative returns at current prices.

In the short term, cash rents for 2015 are expected to be near those of 2014 and 2013, as many of those contracts were negotiated in advance, and producers are hesitant to relinquish their rights to parcels they are currently farming. In the long run, should commodity prices and returns remain low, cash rental rates will likely be reduced to reflect the change in overall returns to farmland.

Pastureland Outlook

While pastureland value has not increased over the last few years at the rate seen by row-crop producers, historically high market cattle prices have driven up potential returns to grazing land markedly in the second and third quarters of 2014. Given the higher-than-usual returns to pastureland, rental rates for grazing land are likely to increase in 2015, especially in drought-stricken areas of the U.S. The potential for an overall increase in pasture rental rates, however, may be somewhat limited as the number of cattle currently on grass is low compared to previous years.

Sales values on pastureland are likely to see an increase in 2015 due to the higher potential returns; however, the persistence of high cattle market prices will determine just how high grazing land will go in the future.

By **Bryon J. Parman**, Assistant Extension Professor, Agricultural Economics.

Publication 2871
Extension Service of Mississippi State University, cooperating with U.S. Department of Agriculture. Published in furtherance of Acts of Congress, May 8 and June 30, 1914. GARY B. JACKSON, Director
(POD-12-14)

MISSISSIPPI STATE UNIVERSITY
EXTENSION SERVICE
MSUcares.com