

Mississippi Agricultural Land Values and Cash Rents Report: 2018 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 2018 (IRB# 15-156) by the Mississippi State University Department of Agricultural Economics and the MSU Extension Service. The participants in the survey included agricultural lenders, appraisers, farm managers, and agricultural economists.

were up for most quarters of 2017 for farmland and pastureland with the exception of the second quarter of 2017 when farmland edged down slightly. This upward movement follows 2016; a period where farmland values were down every quarter and pasture lost value in every quarter except the third quarter.⁴

National and Regional Agricultural Land Values

The 10th Federal Reserve District (including Nebraska, Kansas, and Oklahoma) reports that farmland value stabilization in the district is due in large part to low sales volume; history carries more weight when fewer current sales can be used as comparables.¹ However, the 11th Federal Reserve District (Texas and Louisiana) reports land values trending up slightly for irrigated and dryland cropland as well as pastureland with the usual quarterly movements of a few percent up and down. However, the first quarter of 2018 has dry cropland and irrigated cropland values higher than any of the previous years' overall values, and the average price for pastureland is up over previous years.²

The 7th Federal Reserve District (Chicago) reports that farmland values were up marginally in 2017, showing an appreciation of 1 percent. However, this is following three consecutive years of declines after peaking in 2013. The stability of farmland values in the 7th Federal Reserve District's report is attributed to productivity levels being relatively high in the District.³ The 8th Federal Reserve District (including North Mississippi and Arkansas) reports that land values

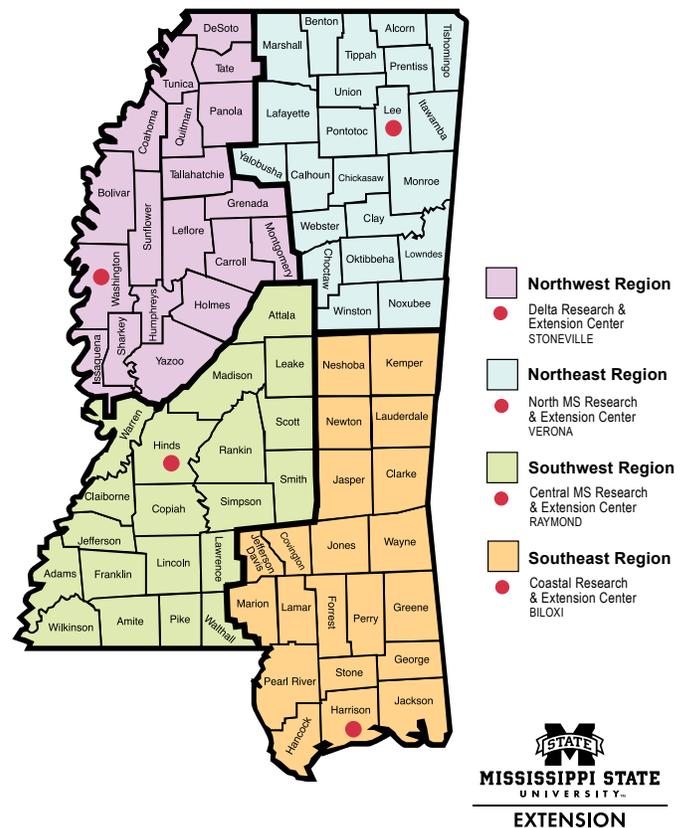


Figure 1. Mississippi State University Extension Service regional map with respective regional main office locations.

¹Cowley, C., & Kauffman, N. kcFED Ag Credit Survey. "Farmland Markets Provide Support Amid a Weak Ag Economy." 15 Feb 2018.
²DallasFED Agricultural Survey, 1st Quarter 2018. Quarterly Survey of Ag Credit Conditions in the 11th District.
³Opendahl, David. Agleter: February 2018. Chicago Federal Reserve Bank.
⁴Sherrer, L., Crews, J., Levine, B., & Kliesen, K. St. Louis Federal Reserve Bank. Ag Finance Monitor. 4th Quarter 2017.

Mississippi Land Values and Cash Rents

Responses from the MSU Agricultural Land Values and Credit Conditions Survey were categorized into the four regions shown in **Figure 1**. The Northwest represents the Delta region of Mississippi. This report contains the most current information available on land values for dryland 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.

One hundred six surveys were sent to lenders, appraisers, real estate brokers, farm managers, and representatives of other agricultural operations in Mississippi with a response rate of 49 percent. 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.

Delta Cropland Values and Rents

Dry and irrigated cropland values in the Mississippi Delta Region edged up from 2017 into 2018. Delta dry cropland averaged \$3,522 per acre in 2018 while Delta irrigated cropland averaged \$4,746 per acre. This represents an average increase of just over 6 percent for both dry and irrigated cropland in the region compared to what was reported a year ago. The increase comes after last year where Delta farmland remained mostly flat.

	Average	Minimum	Maximum
<i>2018 Delta Sales Values</i>			
Dry cropland			
	3,522	2,700	4,250
Irrigated cropland	4,746	3,296	5,850
<i>2018 Delta Cash Rents</i>			
Dry cropland	112	45	185
Irrigated cropland	171	100	250

	2018	2017	% Change
<i>Land Sales Values</i>			
Dry cropland	3,522	3,287	6.3
Irrigated cropland	4,746	4,453	6.2
<i>Cash Rents</i>			
Dry cropland	112	112	0
Irrigated cropland	171	172	0

Rents, meanwhile, in the Delta saw no movement from 2017 into 2018. Cash rents in the region had experienced a period of decline from 2014 into 2017. Rents were nearly \$200 per acre on average for Delta irrigated cropland and \$140 per acre for Delta dry cropland in 2014. Rental rates steadily declined into 2017; rents averaged \$172 per acre in 2017 for irrigated cropland and \$112 per acre for dry cropland in the Delta. The 2018 survey suggests the steady decline in cash rents in the region has slowed (**Table 2**).

Non-Delta Cropland Values and Rents

Non-Delta cropland values have edged up from 2017 into 2018. Dry non-Delta cropland increased 7.1 percent, while non-Delta irrigated cropland increased nearly 10 percent. This increase, like those classes in the Delta, comes after mostly flat or declining land values over the past 4 years.

	Average	Minimum	Maximum
<i>2018 Non-Delta Sales Values</i>			
Dry cropland	2,823	2,000	3,200
Irrigated cropland	3,456	3,000	4,500
<i>2018 Non-Delta Cash Rents</i>			
Dry cropland	82	50	140
Irrigated cropland	117	75	150

With respect to non-Delta cash rents, dry cropland rents are mostly unchanged, where \$2 on average may or may not actually reflect any difference from a year ago. However, irrigated non-Delta cropland average cash rents fell from \$128 per acre to \$117 per acre, representing a nearly 9 percent drop from a year ago.

	2018	2017	% Change
<i>Land Sales Values</i>			
Dry cropland	2,823	2,625	7.1
Irrigated cropland	3,456	3,119	9.9
<i>Cash Rents</i>			
Dry cropland	80	78	2.5
Irrigated cropland	117	128	-9.4

Mississippi Pastureland Values and Rents

Mississippi pastureland values are shown in Table 5 and averaged \$2,262 per acre in 2018. This represents a very modest decline from 2017 of around 2 percent. Cash rents, however, were down nearly 5 percent from 2017 into 2018 with an average rent of \$27 per acre.

Table 5 also shows the cash rental rates and the average land sales values in Mississippi on a dollars per animal unit (AU)⁵ basis with a Mississippi State University-recommended stocking rate of 1.2 AU per 2 acres. The rental cost to run one cow/calf pair is simply double the dollars-per-acre value or rental rate.

	2018	2017	% Change
<i>Land Sales Values</i>			
Dollars per acre	2,262	2,309	-2.1
Dollars per AU	3,770	3,832	-2.1
<i>Cash Rents</i>			
Dollars per acre	27.00	28.33	-4.9
Dollars per AU	45.00	47.20	-4.9

Mississippi Timberland Values

Timberland prices from 2017 into 2018 were significantly different between pine timber and hardwood timber tracts. The price for mature pine timberland was down nearly 15 percent from 2017 into 2018 (moving from nearly \$2,400 per acre to \$2,075 per acre). This marks the largest single year’s decline for pine timberland prices since this survey began in 2015; these are among the lowest pine timberland prices in several years.

Mature hardwood timber land tracts increased 8.4 percent from \$2,250 per acre to nearly \$2,450 per acre, according to survey respondents. It is important to bear in mind that timberland tracts are often very different from one another, and price swings can be dramatic depending on geographic features and potential recreational opportunities.

	2018	2017	% Change
<i>Land Sales Values</i>			
Mature pine timberland	2,075	2,392	-15.3
Mature hardwood	2,455	2,250	8.4

Conclusions and Outlook

Row-Crop Farmland

Much of the U.S. has seen farmland values stabilize somewhat from 2017 into 2018. Very modest gains/declines from around the country indicate that there was likely no real change in the market value for cropland. Mississippi Delta and non-Delta farmland values closely resemble the national trend and show little or no change.

The recent halt in the decline of farmland value across the country and in Mississippi can likely be explained by productivity levels. Typically, high productivity across the nation for major row crops puts downward pressure on prices. Yet the impact that high yields have had on commodity prices has not been sufficient to offset the effect of those higher yields on farm profitability.

It is important to point out that some stability appears to have occurred, and at least a portion of this stability is likely related to higher yields. The continuation of few tracts of farmland for sale may be helping prop up prices. The Kansas City Federal Reserve Report shows that the quantity of farmland sold in 2017 within its district is still well below the years when commodity prices were high. Anecdotal evidence from the Mississippi Delta region points to a similar situation, where the number of sales typically are lower.

Moving forward, farm profits and commodity price expectations will drive land values and rents into the next year or so. While high yields have provided a reprieve for some farmers across the U.S. and Mississippi, a poor production year without a large corresponding increase in commodity prices may be enough to force some farmers to sell. Should these sellers make up a large enough segment of the agricultural market, the downward trend in farmland values will likely continue or perhaps accelerate into 2018–19.

Pasture and Timberland

It appears that the volatility in the pastureland market across Mississippi has decreased. Large swings (from \$2,455 per acre in 2015 following historically high calf prices, down to \$1,803 per acre in 2016, and back up to \$2,309 in 2017) appear to be holding steady at approximately \$2,250 per acre. Cattle markets have proven over the last few years to drive pastureland values across the state, and the recent stability in beef prices has at least somewhat stabilized the value of pastureland across Mississippi.

⁵1 animal unit (AU) = a single 1,000-pound animal. 1.2 AU = 1 cow/calf pair.

Mixed hardwood sawtimber prices have dipped from \$40 per ton in 2017 to \$35 per ton in 2018.⁶ However, pine sawtimber, pine pulpwood, and hardwood pulpwood have remained flat from 2016 through 2018 with a slight downward trend. Pine sawtimber was selling for \$23.40 per ton on average across Mississippi, with pine pulpwood selling for approximately \$5 per ton.

While hardwood land prices have not reacted negatively to the lower hardwood timber prices, a reduction is likely should hardwood sawtimber prices remain lower than in previous years. Mature pine plantations need an outlet for standing timber to prevent pine timberland from slipping below \$2,000 an acre. It is likely that, based upon standing timber values alone, mature pine timberland would be worth substantially less than \$2,000 per acre were it not for recreational opportunities and income helping maintain some stability in value.

⁶Mississippi Timber Price Report, 4th Quarter 2018. Mississippi State University Extension Service.

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



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