Stable Land Prices

Gary Schnitkey
Department of Agricultural and Consumer Economics
University of Illinois

Farmland prices in Illinois have remained relatively stable since September 2008, when problems within the U.S. financial sector became evident. The U.S. Department of Agriculture (U.S.D.A.) reported that the average price of farmland in Illinois on January 1, 2009 was $4,550 per acre, down -$20 per acre from the 2008 price of $4,530.

Since January 1, 2009, most reports suggest that farmland prices have been relatively stable. For example, the Illinois Society of Farm Managers and Rural Appraisers took a survey of its membership in July 2009. Society membership indicated that land values remained stable during the first half of 2009.


Expectations are that farmland prices will remain stable through the remainder of 2009. In their mid-year survey, Illinois Society of Professional Farm Managers and Rural Appraiser members were asked their expectations of land prices. Half the respondents expected land prices to decline slightly while 32% expected stable land prices.

Providing support for stable land prices has been expectations of stable cash rents for the 2010 production year. Most reports suggest that there may be softness in cash rents that were set considerably above average; however, cash rents that were near or below average likely will not change much. In 2009, U.S.D.A. reported the average cash rent in Illinois as $170 per acre. Stable cash rents suggest that the 2010 cash rent will be near $170 per acre.

Stable 2010 cash rents contrasts dramatically from recent increases. In 2006, the average cash rent in Illinois was $132 per acre. Cash rents increased to $141 in 2007, $163 in 2009, and $170 in 2009. Between 2006 and 2009, average cash rents in Illinois increased by 29%.

Likely influencing expectations for stable cash rents in 2010 are low 2009 agricultural returns. For cash rented farmland, University of Illinois projections indicate that corn and soybean returns in 2009 could be near $0 per acre. These low returns compare to average returns near $50 per acre, with 2007 and 2008 returns being considerably above average.
Low 2009 returns suggest that cash rents should fall. However, average cash rents rarely fall. The last time cash rents had significant declines were in 1986 and 1987, years in the midst of the farm financial crisis. It would likely take two years of low agricultural returns before cash rents would decline appreciably.

Hence, agricultural returns in 2010 could play a large role in determining 2011 cash rents and 2011 farmland prices. Low 2010 returns could lead to cash flow pressures on farms, causing farmers to seek to lower cash rents. These lower cash rents would then lower farmland returns, potentially lowering farmland prices.

It is reasonable to expect stable farmland prices until the fall of 2010. If 2010 returns are low, both cash rents and farmland prices could decline. A return to more normal agricultural returns could lead to stable cash rents and stable farmland prices.