Farmland IN PERSPECTIVE

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GLAUB FARM MANAGEMENT

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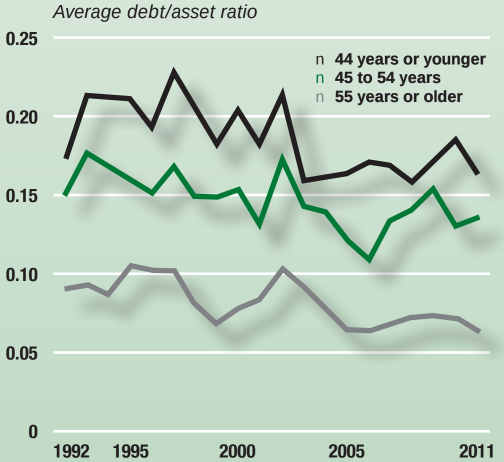
Farm businesses well-positioned financially

Debt owed by U.S. farm businesses rose 39% between 1992 and 2011, after adjusting for inflation. Despite rising debts, financial leverage — measured as debt relative to the value of assets — declined over this period for the typical farm business. Debt use and financial leverage varies widely, but the vast majority of farm businesses are better positioned to withstand unexpected changes in farm income or interest rates than they were in the 1990s.

Farm business debt-to-asset ratios fell for each principal operator age group between 1992 and 2011



Source: USDA, Economic Research Service and National Agricultural Statistics Service, 1992–1995 Farm Costs and Returns Survey and 1996–2011 Agricultural Resource Management Survey.

Manage your farm for optimal income and investment results

by Professor Gary Schnitkey, University of Illinois

Farmland has been and will continue to be an excellent investment. However, farmland is not an investment that can be "left alone." To achieve optimal results, farmland must be managed, and successful management requires information. Four areas require attention: farmland return outlook, farmland productivity, stewardship, and plans.

Farmland Returns

Farmland returns can vary dramatically from year to year. In recent years, commodity prices increased substantially in 2006, with many commodities reaching high price levels in 2012 and 2013. In 2014, commodity prices are declining. Costs of production also have fluctuated in recent years. These items impact returns that are available to split between the landowner and the farmer.

This information is particularly needed for landowners who cash rent their farmland. Most cash rent levels will have to be re-evaluated each year as market conditions change, with the possibility of needing changes each year. When cash rents have not been adjusted, the cash rent the landowner receives may be too low, even though agricultural returns are high, such as occurred in 2010 through 2013. When returns are lower, farmland returns may need to be adjusted downward.

Market information is available from many sites. The extension services at many universities publish land ownership information and provide market outlook. One such source is farmdoc (www.farmdoc.illinois.edu), which publishes a variety of helpful information in its management section.

Farmland Productivity

Some farms will produce higher crop yields than other farms. It is good to maintain a gauge of the productivity of the farm as it affects the rental income from the farm. Two sources of information are useful:

1. Soil maps and productivity information. Soil maps will show the types of soils on the farm and their location. Different soils have different productivities. Soil maps can be obtained from the National Resource Conservation Service, an agency of the U.S. Department of Agriculture. Online professional services also provide this information.

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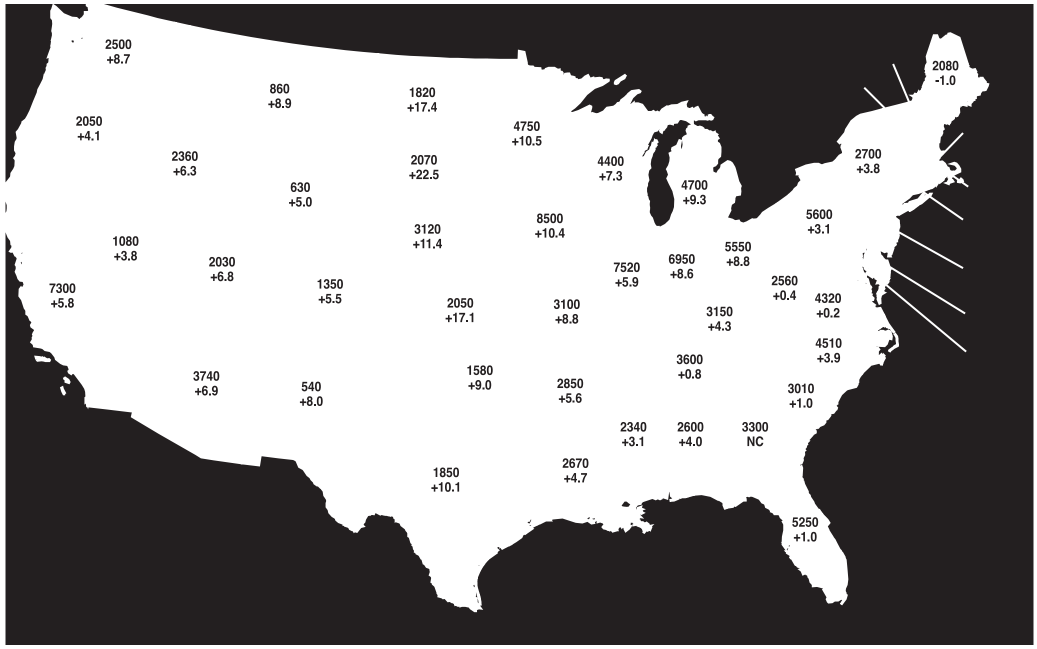
rural appraisers and brokers who specialize in farmland can help in the analysis and valuation of the landowners assets.

There are many rewards to owning farmland. Each parcel of farmland is individual and has its own characteristics that make it desirable. Farmland is a real asset that provides a cash return while still maintaining an in ation hedge. Farmland returns have been very competitive with other investments. These desirable characteristics more than compensate for the management needs associated with farmland.

Dr. Gary Schnitkey *serves as a professor and farm management specialist in the Department of Agricultural Economics, University of Illinois. His extension activities focus on risk management and farm income evaluation.*



The United States farm real estate value, a measurement of the value of all land and buildings on farms, averaged $2,950 per acre for 2014, up 8.1% from 2013 values. Regional changes in the average value of farm real estate ranged from a 16.3% increase in the Northern Plains region to 1.1% increase in the Southeast region. The highest farm real estate values were in the Corn Belt region averaging $6,370 per acre. The Mountain region had the lowest farm real estate value averaging $1,070 per acre.

Despite gains, food insecurity remains concentrated in Sub-Saharan Africa

A recent, international food security assessment by the Economic Research Service (ERS) of the U.S. Department of Agriculture indicates that Sub-Saharan Africa remains the most food-insecure region in the world, although the region shows signi cant improvement over previous assessments. The share of the population that is food insecure is projected to decline to under 30% in 2014, compared to 50% or more of the population estimated to be food insecure in the late 1990s.

Estimates of the distribution gap the amount of additional food needed to increase per capita consumption in all income groups to the nutritional target of about 2,100 calories per day show that the overall gap for the region will decline about 17% in 2014. However, the intensity of food insecurity in Sub-Saharan Africa measured by the distribution gap is expected to remain high relative to other regions studied.

The overall improvement in food security in the region in 2014 is primarily due to the outlook for increased grain production. The ERS assessment also foresees improved food security conditions in 2014 in Asia and the Latin America and Caribbean region, as well as improvements in the generally food-secure conditions in North Africa.

Intensity of food insecurity in study countries, 2014

Distribution gap* in kg per capita per year

<1
1 – 4.9
5 – 14.9
Non-IFSA countries

* The difference between projected food availability and the food
within individual countries to meet the nutritional target.
IFSA = International Food Security Assessment.
Source: Calculations by USDA, Economic Research Service.

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Farmland ownership involves correctly making many critical decisions to maximize income and asset value. However, many landowners do not have the time, resources, or knowledge to achieve optimal results.

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