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INCREASE IN ILLINOIS FARM REAL ESTATE VALUES CONTINUE

Each year the National Agricultural Statistics Service of the USDA releases estimated average farm real estate values and cash rents by state. The estimates are based on surveys of farmers from selected geographical areas. The surveys follow strict statistical guidelines. Estimated values maybe revised the following year based on additional information. Revisions may also be made based on data from the 5-year Census of Agriculture. Values released in 2005 did not include any revisions for previous years. The methodology and timing of the study has changed over time but the statistical information provides some insight as to the changes in farm real estate values from year to year.

AVERAGE ILLINOIS FARM REAL ESTATE VALUE

The average Illinois farm real estate values from 1970 through 2005 are listed in Table 1 and graphically in Figure 1. The average farm real estate value for Illinois in 2005 was \$2,900 per acre, the highest on record. This includes the value of all land and buildings. The figure was 11.1 percent higher than the 2004 average of \$2,610 per acre. The 2005 percentage increase was the highest since a 14.3 percent increase in 1979. Farm real estate values have shown a year over year increase every year since 1988, or eighteen consecutive years. Since 2000, farm real estate values have increased 28 percent.

Since 1970, average farm real estate values have declined only five times as compared to the previous year. Those years were 1982, 1983, 1985, 1986 and 1987. There have been three years when farm real estate values increased over 20 percent, in 1974, 1976 and 1977. The largest increase was in 1977 when values rose 37.3 percent.

During the last ten years, farm real estate values have continued a steady upward increase. The largest increase during that time was the 11.1 percent increase recorded in 2005. The smallest was a 1.3 percent increase in 2001. Low interest rates, low returns on alternative investments and continued use of farmland for developmental purposes have been the main drivers pushing up farm real estate values. These factors seem to have a bigger influence on farm land values than the actual earnings from farm land.

The farm real estate value data is used to construct index numbers of Illinois farmland values. The index can be found at the *farmdoc* website. http://www.farmdoc.uiuc.edu/manage/land_value.asp

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Table 1. Illinois Farm Real Estate Values, 1970 through 2005, and Percent Change from the Previous Year.

Year	Value per acre	Percent change	Year	Value per acre	Percent change	Year	Value per acre	Percent change
1970	\$490	na	1985	\$1,381	-25.1%	2000	\$2,260	1.8%
1971	491	0.2%	1986	1,232	-10.8%	2001	2,290	1.3%
1972	527	7.3%	1987	1,149	-6.7%	2002	2,350	2.6%
1973	590	12.0%	1988	1,262	9.8%	2003	2,430	3.4%
1974	788	33.6%	1989	1,391	10.2%	2004	2,610	7.4%
1975	846	7.4%	1990	1,405	1.0%	2005	2,900	11.1%
1976	1,062	25.5%	1991	1,459	3.8%			
1977	1,458	37.3%	1992	1,536	5.3%			
1978	1,625	11.5%	1993	1,548	0.8%			
1979	1,858	14.3%	1994	1,670	7.9%			
1980	2,041	9.8%	1995	1,820	9.0%			
1981	2,188	7.2%	1996	1,900	4.4%			
1982	2,023	-7.5%	1997	1,980	4.2%			
1983	1,837	-9.2%	1998	2,130	7.6%			
1984	1,845	0.4%	1999	2,220	4.2%			

Source: USDA Agricultural Land Values and Cash Rents Statistical Bulletin

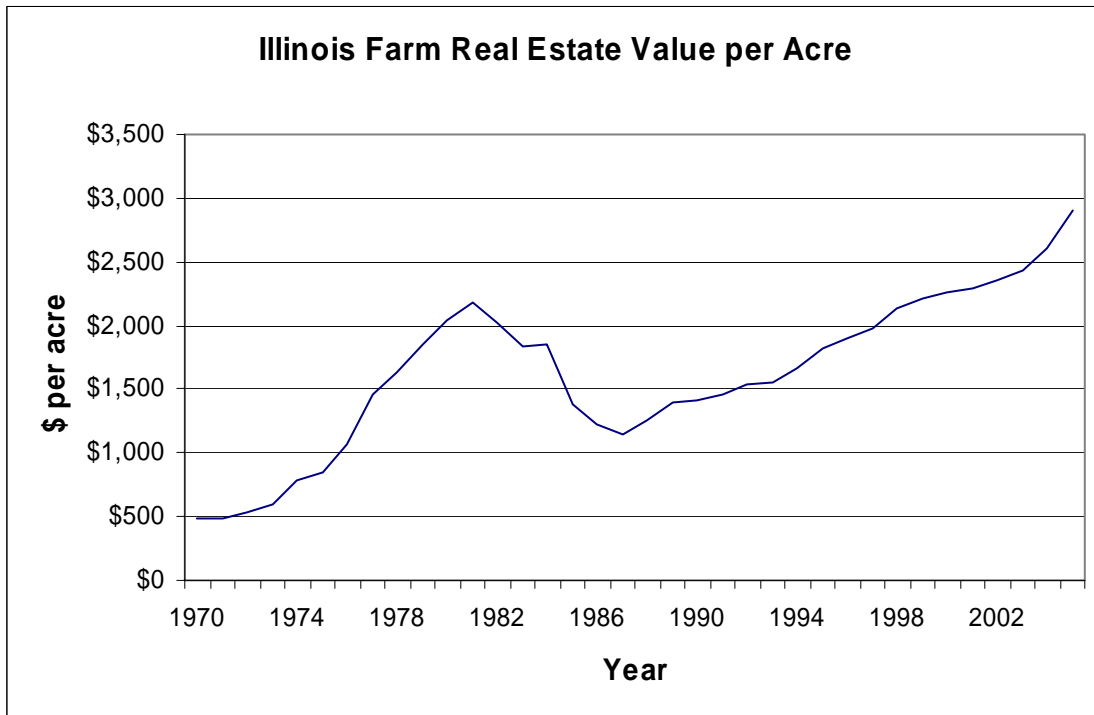


Figure 1. Average Illinois Farm Real Estate Values per Acre, 1970 through 2005.