



Best Bargains in Land

See highlighted sections on north central Nebraska

Article taken from the February 2009 Issue of The Progressive Farmer
www.ProgressiveFarmer.com

Where are the good deals? We scoured the countryside and asked the experts to find farm country's best buys. (By Susan K Davis)



Experts say some of the very best deals in farmland are here in eastern Nebraska.
Photo: Jim Patrico

Prime Corn Belt farmland soared to more than \$8,000 per acre in 2008. While you probably won't find many bargains in DeKalb County, Ill., there are areas where you can land some deals in dirt.

As 2008 came to a close, no-sale auctions were making sellers wonder if the land bubble had burst along with commodity prices. "I would guess the no-sales will mean we will see some lower price levels in the coming months, but those prices might not reflect a bargain either," reports John Kirkpatrick, vice president of Westchester Real Estate Inc., in Clarion, Iowa.

In Kossuth County, Iowa, 237 tillable acres with a 74 CSR sold for \$4,542 an acre in November. "That seems like a bargain to me," he says, but quickly adds the buyer might not feel that way. Kirkpatrick figured another farm up for auction was worth \$5,500 per acre, but the 80 acres in Pocahontas County, Iowa, only brought \$5,000 per acre between two farmers.

Better deals in '09? Such softening indicates farmland prices are under some pressure because of falling commodity prices and the global economy. "There is evidence of price erosion on land except for the top tier of quality." Kirkpatrick says. "I still think some regions will lose 10 to 20% depending on where they are situated; they simply have to with inputs and commodity prices where we sit today."

Elsewhere, Pat Karst, vice president of Halderman Real Estate Services Inc., says the central East Coast is one of the bargain farmland areas. With corn staying in the Midwest for ethanol, there are new corn deficit areas such as the poultry and hog production areas in North Carolina. Lower-priced farmland will be purchased to produce corn closer to the livestock production areas. The Mississippi Delta (Louisiana, Arkansas and Mississippi) is also an area that needs corn.

In the Pacific Northwest, cheap land can yield high returns. "In the Northwest in general we think there are going to be opportunities," Karst says from his Wabash, Ind., office. Irrigated land in Idaho recently sold for



A bargain may not look like a bargain, until you see the return on investment. That's the case in north-central Iowa.

Photo: Gregg Hillyer

\$4,700 an acre. That could earn \$225 to \$240 rent per acre with farms of equal quality selling for \$5,000 to \$5,500, reports Westchester's Kirkpatrick. Wheat and sugar beets are the primary crops in the area.

Across the U.S., land used for niche markets is another potential bargain. "We have purchased land with access to contracts for birdseed production, crawdads, duck hunting and barge loading facilities," Karst says.

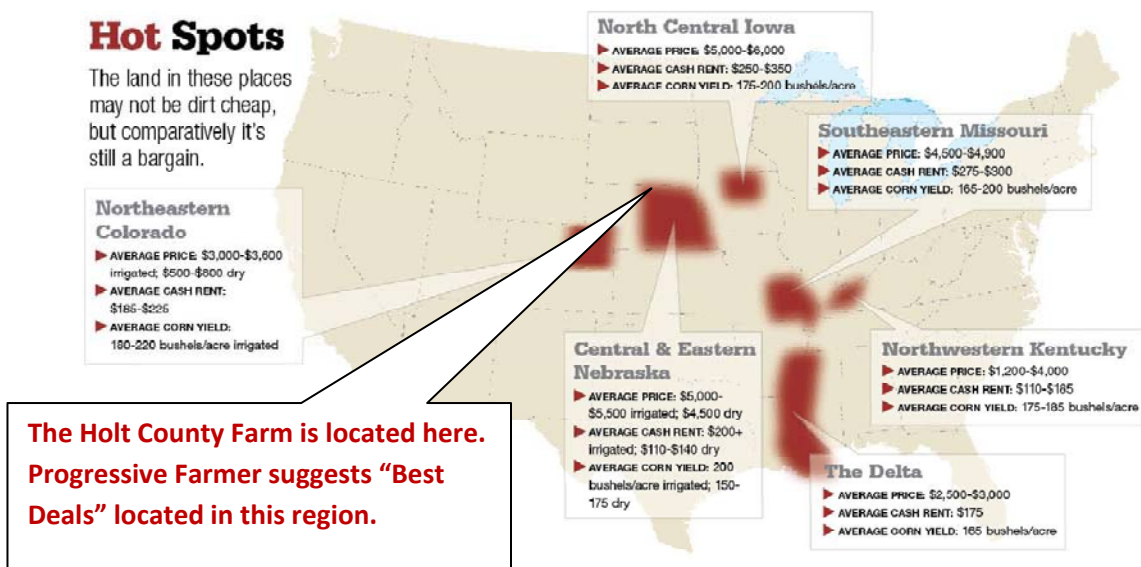
The Great Plains is another hot prospect, particularly areas subject to drought that typically grow wheat. "With drought-resistant corn on the horizon, it could open a whole new area of corn production," Karst predicts.

In Colorado, Westchester's Scott Shuman reports recent sales of irrigated land bringing \$3,000 to \$3,600 per acre with rents from \$180 to \$225 per acre, and dryland farms selling from \$500 to \$800 per acre.

"They looked like good buys with high wheat prices," Shuman says from Eaton, Colo. "There are many good buys in eastern Colorado and western Kansas, but there are also a lot of people looking," he says. California dairies and other western states are looking for Colorado Front Range land. Shuman reports that not-yet-listed irrigated acreage for \$2,500 per acre with rent at \$180 to \$185 would yield about a 7% return.

A good deal. It looks, smells and yields like the Corn Belt, but it's actually Appalachia. Northwestern Kentucky is bound only by the Ohio River and is about as close to the Corn Belt as it gets. The northwestern part of the Bluegrass State produces high average corn yields and is within minutes of major river ports.

Growing up across the river in southern Illinois, David Maloney knew a good deal when he saw it. In 1966 he bought 1,650 acres of farmland near Waverly, KY. The productive farmland has three major grain terminals within 20 miles. His five-year corn average is about 170 to 174 bushels per acre. Last fall Maloney grew his highest corn yield ever—about 193 bushels per acre.



Another plus Maloney has over his Illinois relatives is lower taxes. Unlike Illinois, Indiana and Ohio, taxes on Kentucky farmland are based on the ag value rather than the property value. For example, farmland that sells for \$6,000 per acre is taxed on the farmland value of \$1,200 per acre.

Auctioneer Bill Kurtz has sold land in Kentucky to Illinois and Ohio farmers wanting to capture the lower tax base. "Bargains, like beauty, are in the eye of the beholder," Kurtz chuckles. A bargain to one of the individuals involved may be high-priced to the other side. It depends if you're on the buying or selling end of the deal, says Kurtz, who owns 250 acres near Owensboro.

Ohio farmer Howard Snyder was looking for large tracts of Iowa farmland when he glanced across the road and asked the realtor, "Why is the land over there \$500 less?" The realtor simply replied, "Because it's Minnesota."

After seeking acreage for five years, Snyder snagged 784 acres before the land was listed. The corn and soybean grower bought the Minnesota farmland for \$1,900 an acre in 1997 after selling his dairy herd. In the fall of 2007, the Malvern, Ohio, farmer was offered \$4,500 per acre but didn't sell. "That was the best investment I ever made. I'd buy more if I could find some."

Where the pros go. Bargains can be found outside the Corn Belt. Just ask the professionals. The soil may be a little rough around the edges, but the return on investment may be higher because the land costs less than prime central Illinois acreage.

Dig Into Deals

Like any deal, the land can look good on paper or online. Investigate closely what the land really offers. There are bargains within corn country, but you might have to do a little more digging and figuring. Purchase price is only part of the equation. States have various ways of measuring the land's productivity. In Iowa the gauge is the CSR; in Illinois it's called the Productivity Index.

Iowa, Nebraska, Missouri, Minnesota, South Dakota and Kansas all have anti-corporate ownership laws that restrict corporate and foreign ownership, as well as ownership by U.S. pension funds and certain family farm corporations (such as LLCs and LLPs, depending on the state). Illinois, Indiana, Ohio, Idaho, Washington, Oregon, California and Arizona do not have these ownership restrictions. Other considerations include irrigation costs, access to markets, cash rental rates, etc.

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"We look for land on the edge of the high-priced land or properties that are the best land in their neighborhood," says Halderman's Karst. For example, areas outside central Illinois average slightly less corn yields than the heartland, but the land price is 25% lower.

Patience is a must when shopping for soil. "Look for properties that are not listed for sale. It is also easier to find a bargain when you are willing to consider a variety of locations," Karst says.



The Delta (below photo) looked like a bargain to the Steritz family (right to left): Jim and David Steritz, and Jim's brother-in-law Michael Carson.

Photo: Debra Ferguson

Westchester's Kirkpatrick says north-central Iowa offers good returns. Corn yields range from 175 to 200 bushels and can be purchased for \$5,000 to \$6,000 per acre. "These farms consistently lease to quality operators, from \$250 to \$350 per tillable acre for the 2009 crop year."

Kirkpatrick also finds areas in Missouri that have fair yields but cost less to buy. "The rents are fairly competitive so maybe a 4% return on investment becomes 5% net. Irrigated land in southeast Missouri has sold for \$4,500 to \$4,900 per acre with rent from \$275 to \$300 per acre," he says. Although land can vary there, "this is not the norm for quality land."

Other areas that could have a good return on investment include southern Minnesota, Kansas, Colorado and South Dakota, adds Kirkpatrick.

Where are the best farmland deals? "They're in eastern Nebraska," replies Ron Christensen, without skipping a beat. "In eastern and central Nebraska the top price for quality land is in the \$5,000 to \$5,500 range," Christensen says.



Farmland near Osceola, Neb., doesn't bring \$8,000 per acre like it does back east, but it can produce 200-bushel-per-acre corn and 60-bushel soybeans on a consistent basis. Irrigation wells and pivots are included in the purchase price.

Dryland acreage sells for around \$4,500 per acre and can produce 150- to 175-bushel corn. Christensen reports that central and eastern Nebraska land yields a 4 to 5% return for investors. While land rose 20% in 2007, the stock market had a 6% increase.

Head south. Rising land prices were one reason the David Steritz family from Ohio sought Southern acreage. The Steritzes had been searching for continuous blocks of land for years. An investment firm knew the Steritz family was looking and approached them about purchasing land in Arkansas. In 1998 the family sold 4,500 acres near Hillsboro, Ohio, and bought more than 10,000 acres near Lake Village, Ark., using the IRS 1031 exchange. The code allows the equity not to realize any gain.

The Arkansas soil, high in organic matter, doesn't require potash or much phosphate. Chicot County's corn averaged 168 bushels per acre compared to the 122-bushel-per-acre average of Highland County, Ohio, in 2007.

Other farmers have discovered this secret. Farmers have moved to Arkansas from Missouri, Texas and Louisiana. Steritz says this is not unusual.

He hears about bargain land around the country. And where might those places be?" I hate to bring that up," Steritz says, as if he would reveal a secret. "There are always things available in agriculture."

He hints about finding other places to farm but isn't sure the family is ready to pull up stakes again. "This has turned out to be a nice place to live," says the 81-year-old farmer.



Photo: Debra Ferguson

Pulling up Roots

The David Steritz family wanted to expand their southern Ohio farm, but land in the Buckeye State was bringing more than they wanted to pay. In 1998 the Steritzes left behind land that the family had settled in the 1800s.

David loaded up and moved to Lake Village—Arkansas, that is—but with more than a pickup with a rocking chair teetering on top. "We moved our whole farm—45 loads of equipment," Steritz recalls of the 700-mile trip.

Three of his six children also headed south. "We've been through 11 seasons," says David's 52-year-old son Jim.

A challenge? Sure. A reward? You bet. "That's where we made the greatest gain—taking a less expensive farm and improving drainage, irrigation and roads," Jim says about the investment. "Other than a few grain bins and pivot irrigation system, the farm was basically 'raw acreage.'"

Unlike the rolling farmland the family left in Ohio, the Delta is known for its rich fertile soil and is perfect for growing rice. The Steritz family sought Extension specialists to learn how to grow rice. Located only eight miles from Greenville, Miss., the farms are also two miles from the Mississippi River and major river terminals.

The decision to head south was based purely on economics. "You can't get emotionally attached to ground," Jim says. Are they seeking bargain acreage again? "We keep our options open." Perhaps, he suggests, "if the right situation would present itself."