



FARMER MAC
Financing Rural America

Farmer Mac Refresh:

Land Values and Trends
Is Ag Land Still a Good Investment?



September 2013

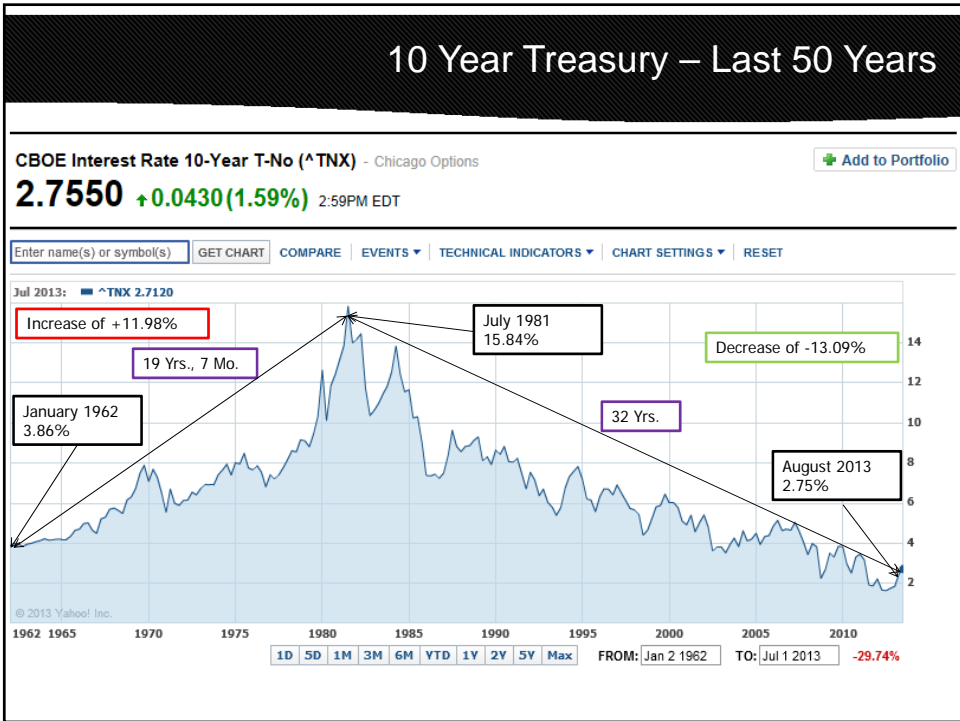
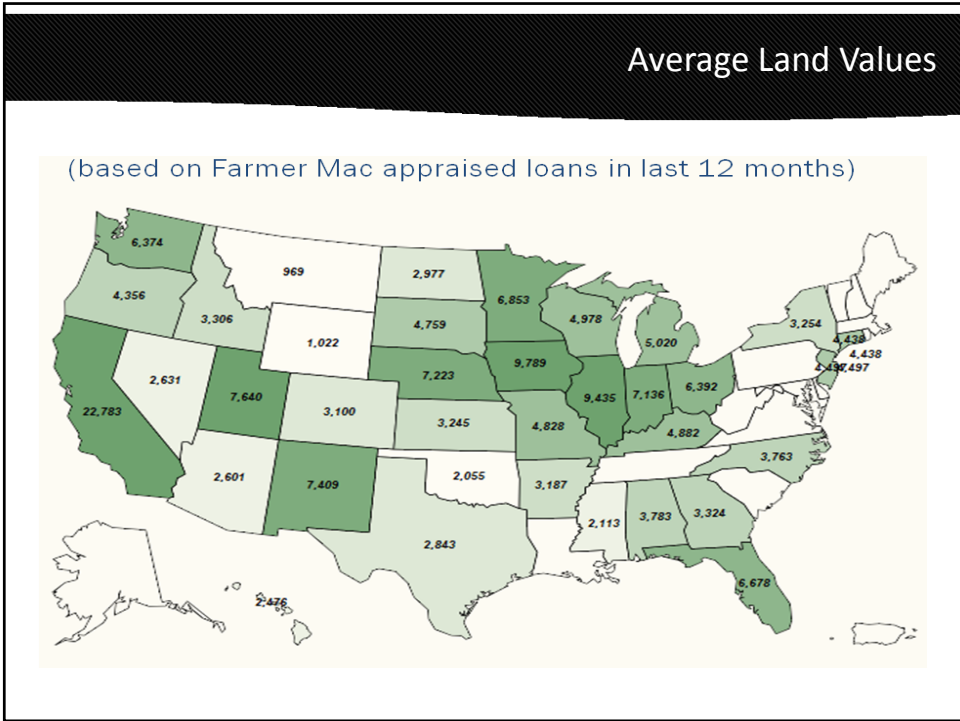


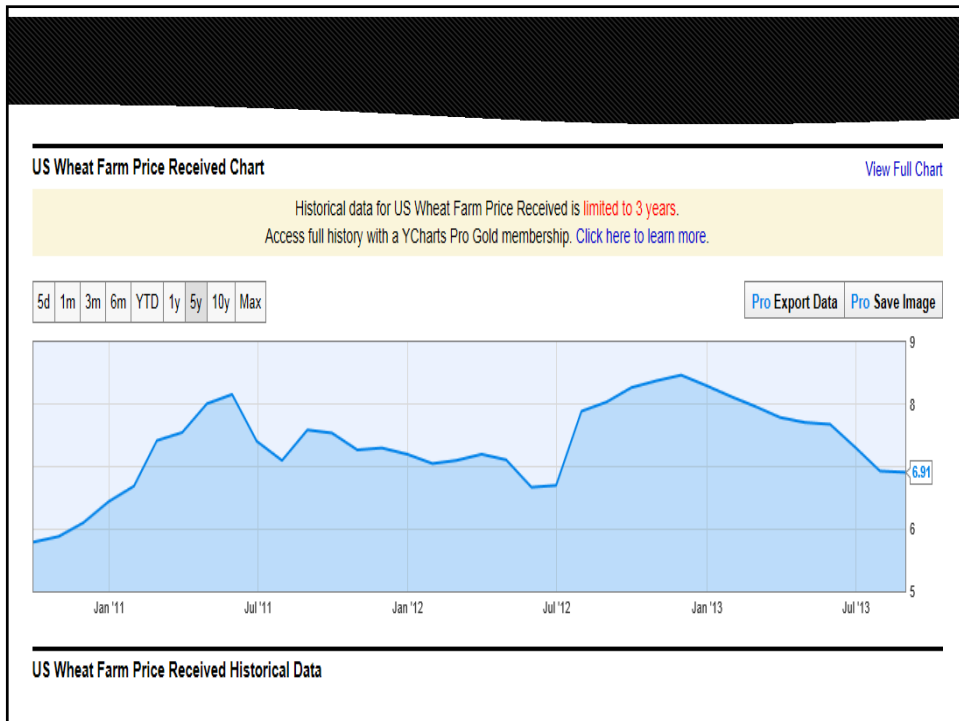
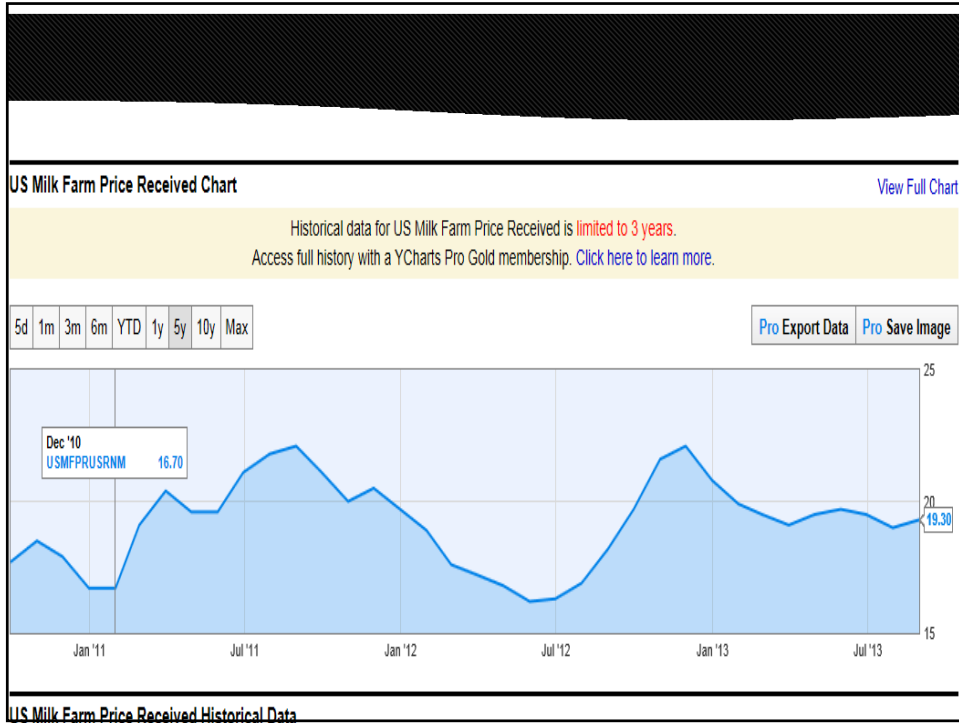
Today's Presenters

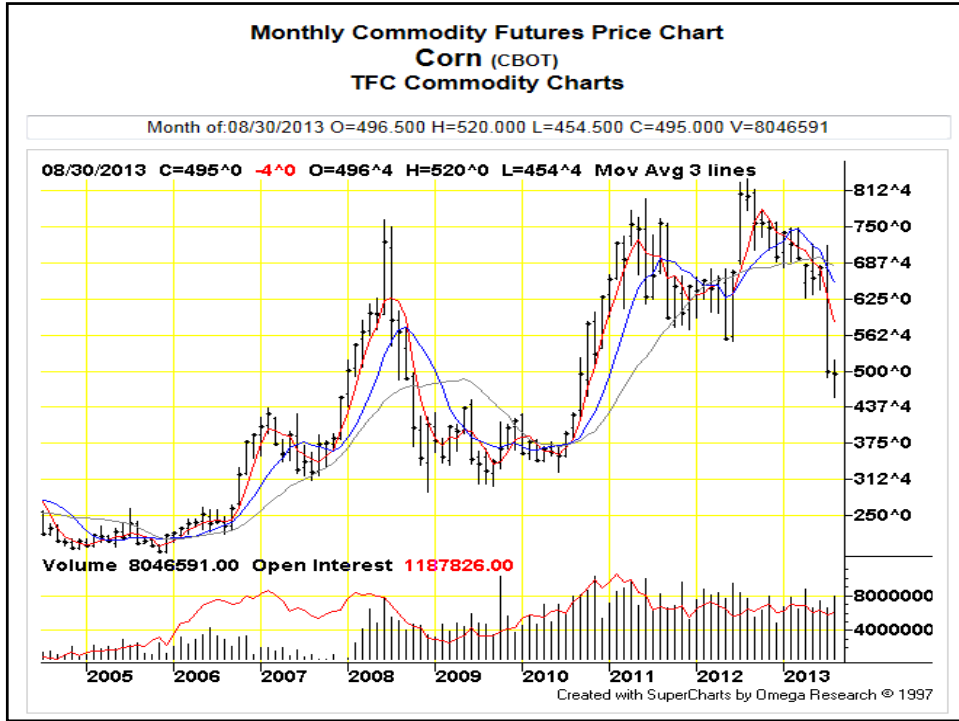
Mary Maloney
202-872-6682
mary_maloney@farmermac.com

Mark Rickels
202-872-6611
mark_rickels@farmermac.com

Special Presenter:
Mike Duffy
Professor of Economics
Iowa State University







**THERE IS NOTHING WRONG WITH CHANGE.....IF IT IS
IN THE RIGHT DIRECTION!**

Winston Churchill

Land Values and Trends; Is Land Still a Good Investment?

Financing Rural America

Farmer Mac Webinar

September 4, 2013

Mike Duffy

IOWA STATE UNIVERSITY
Extension and Outreach

Ag Decision Maker

Outline

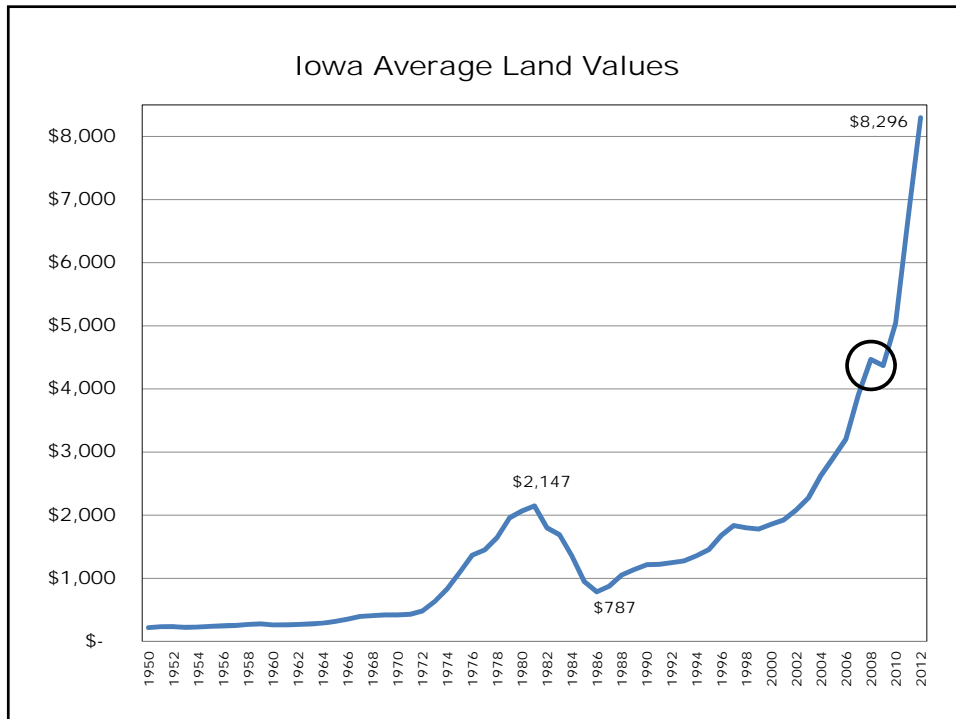
- Ag land values
- Primary influences
- Current farmland ownership
- Outlook
- Discussion

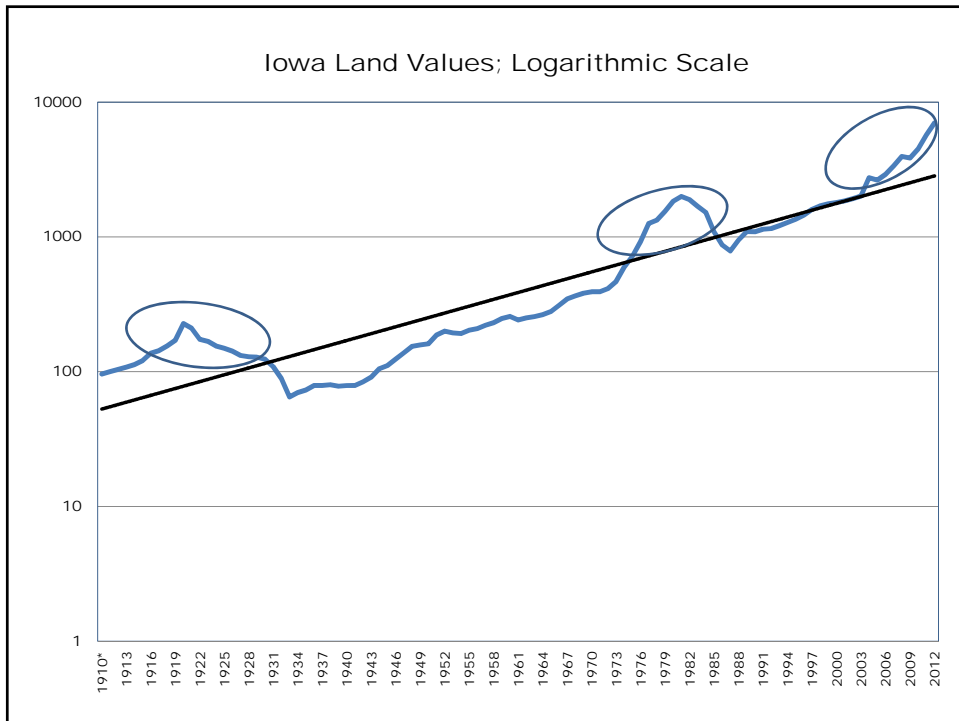
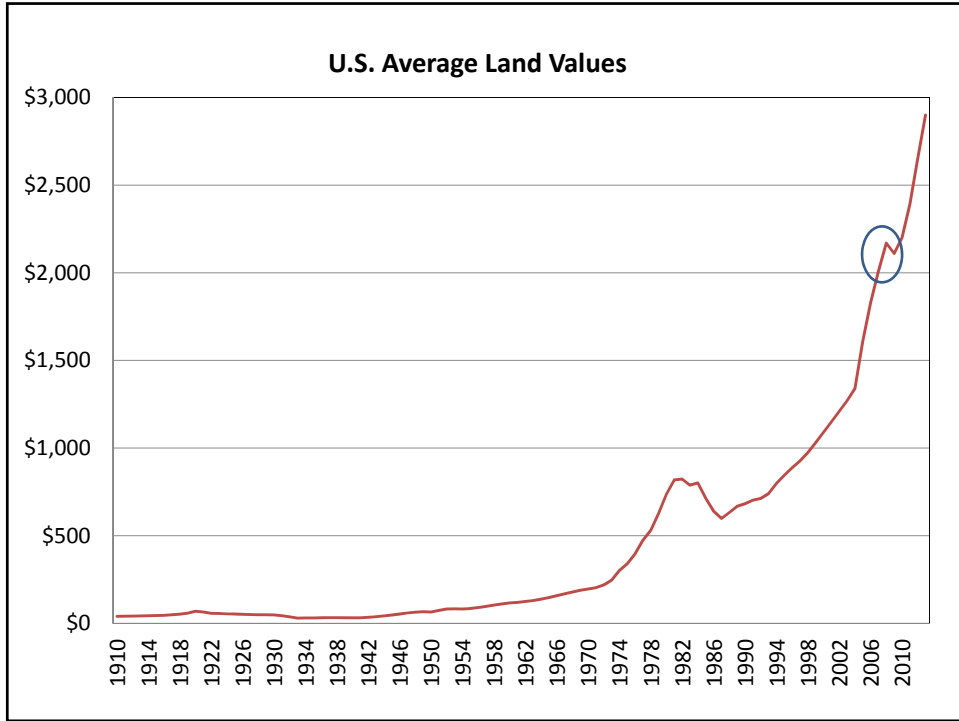
IOWA STATE UNIVERSITY
Extension and Outreach

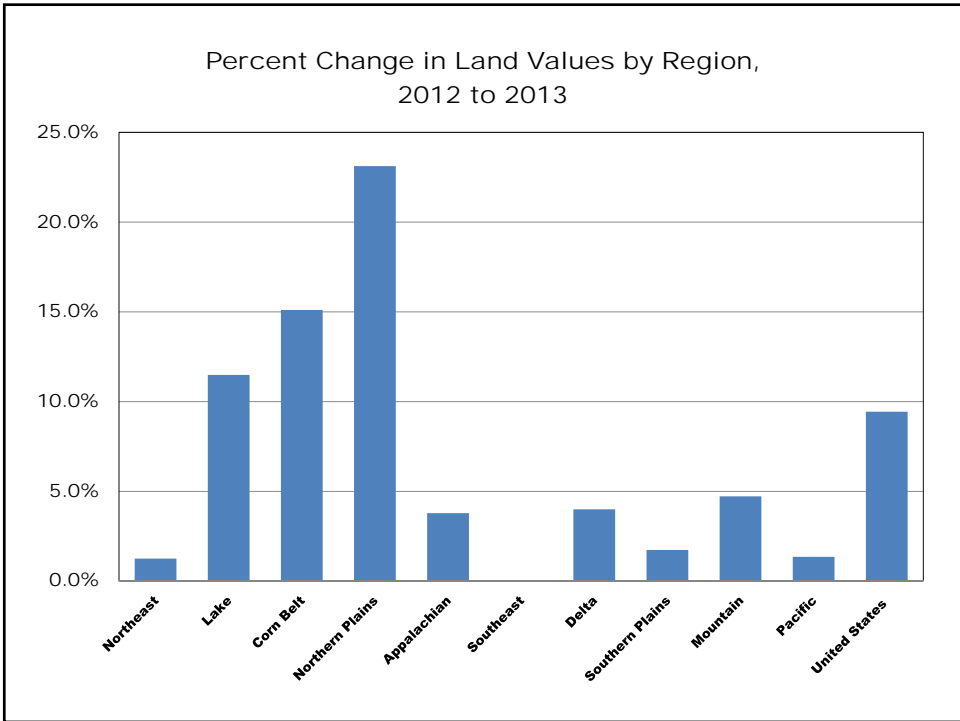
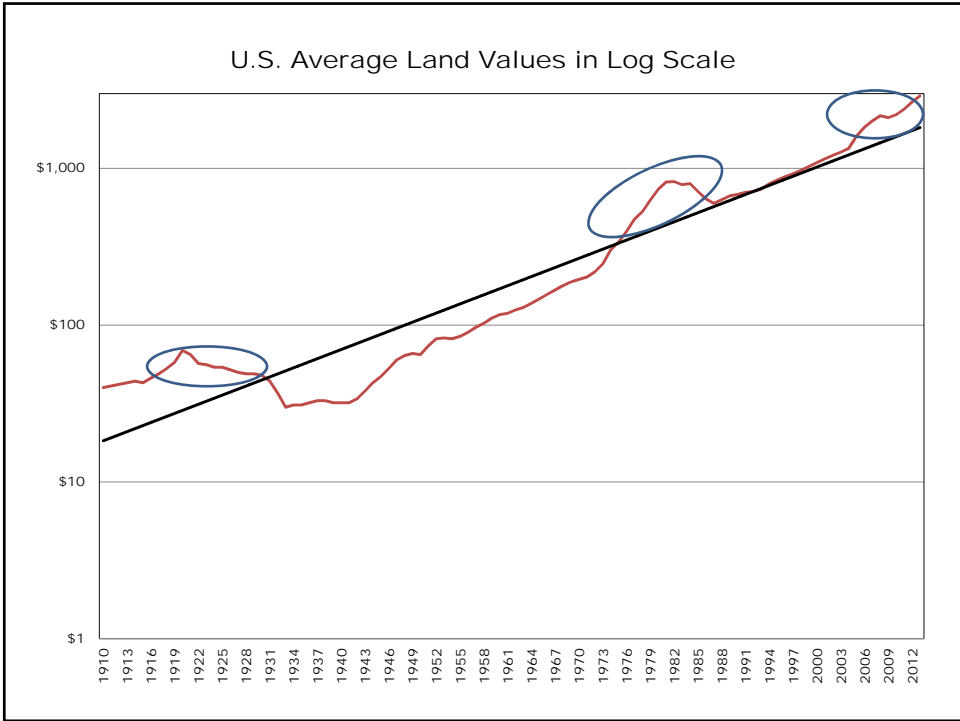
Ag Decision Maker

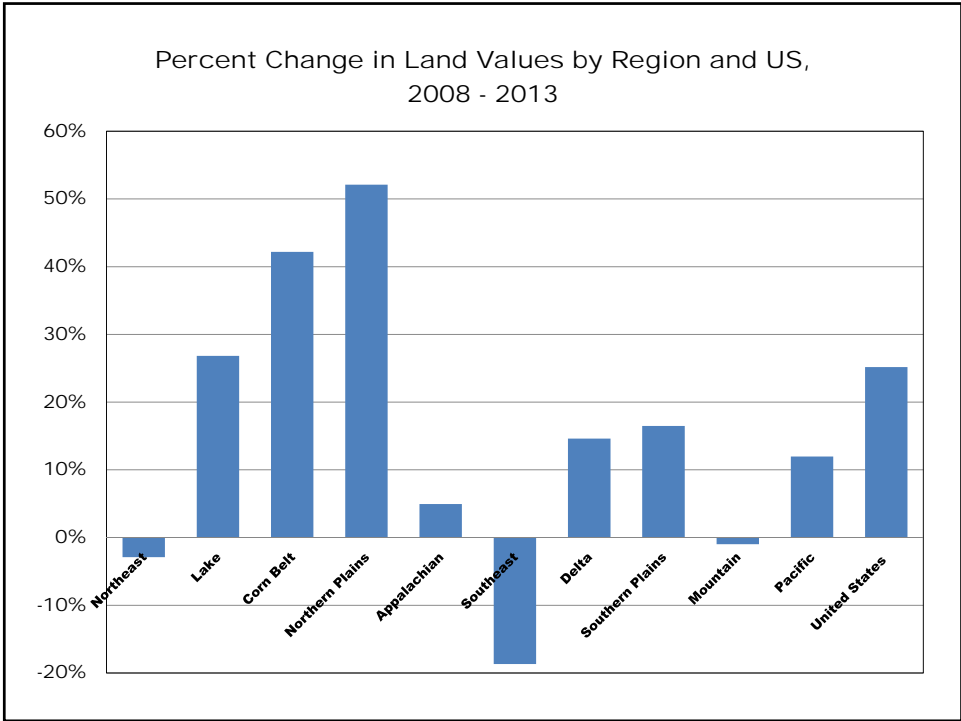
Where We Are

- Record farmland values
- In the Midwest some recent auctions and sales have shown uncertainty in the market
- Considerable uncertainty with crop and prices
- Most people think the rate of farmland value increases will slow; many think they will reverse
- There are considerable regional differences

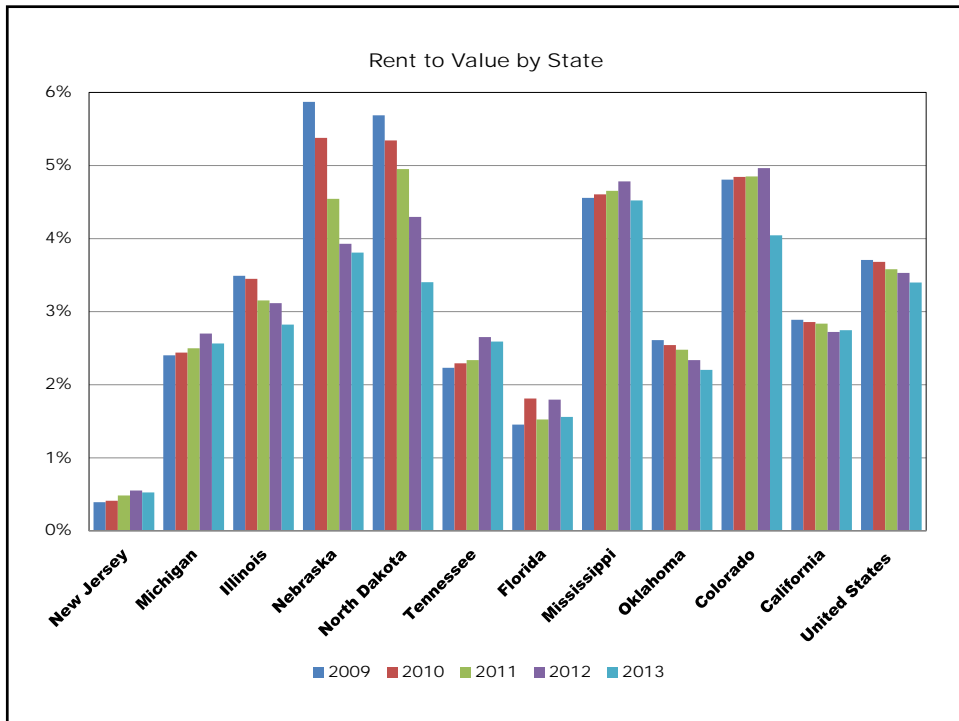
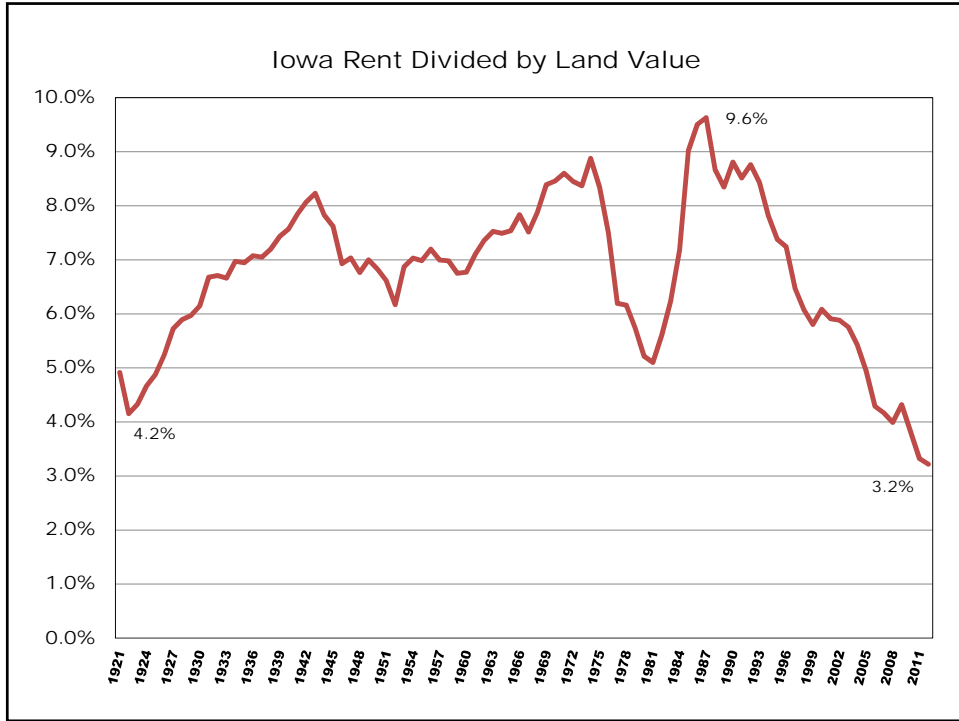


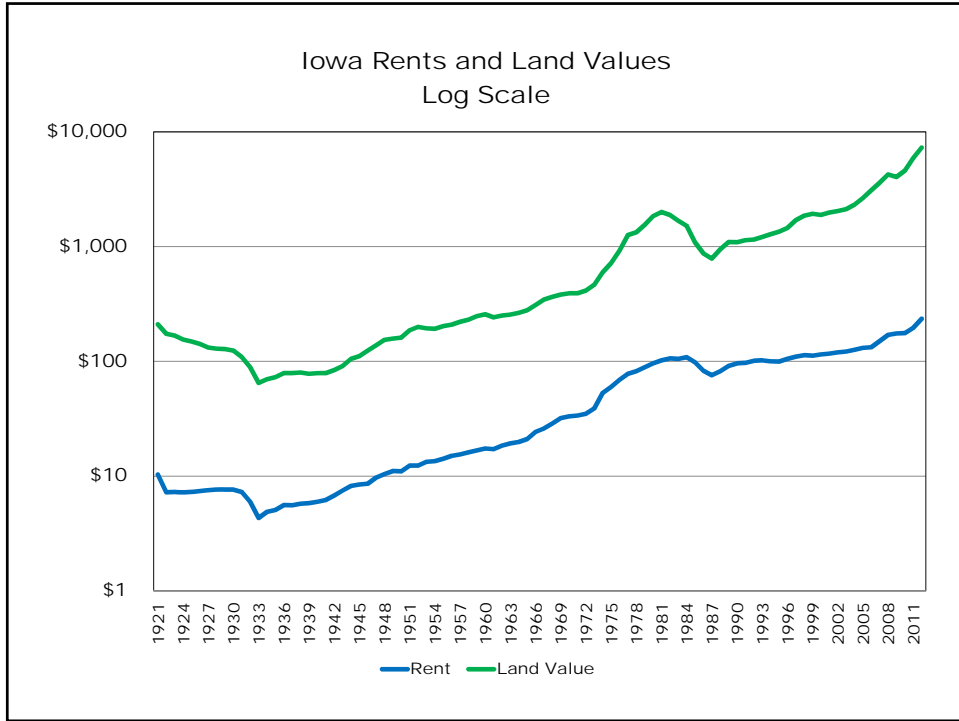






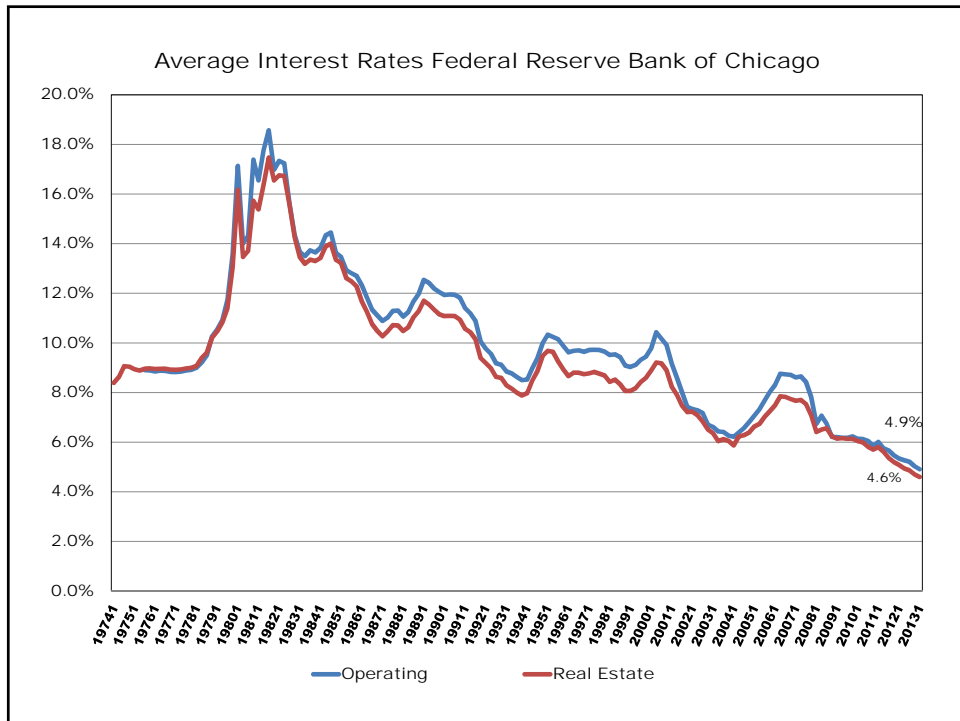
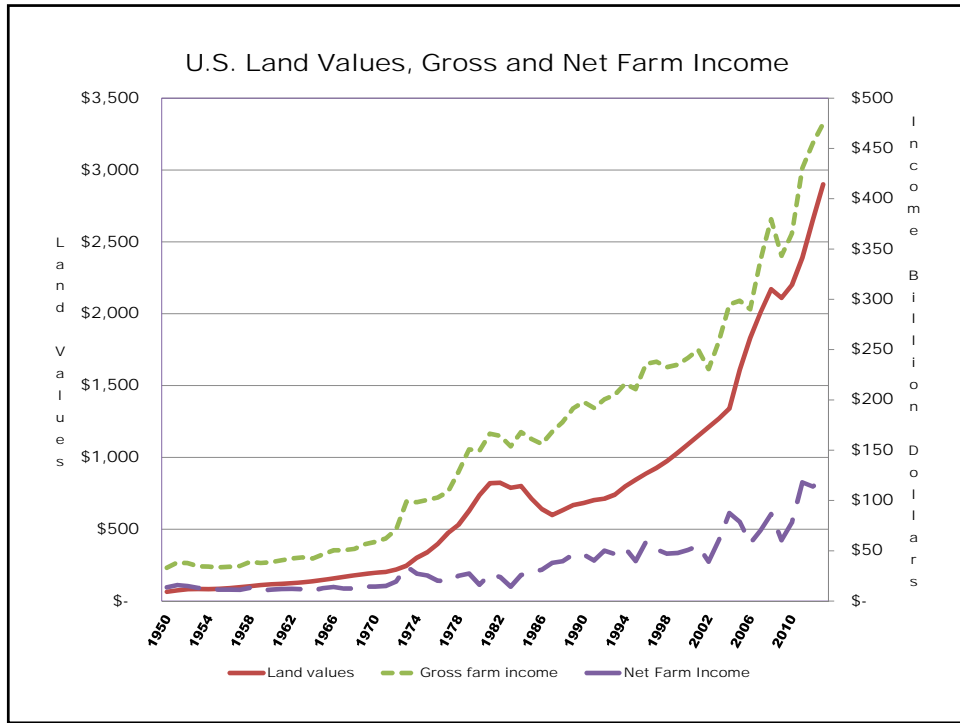
Rents

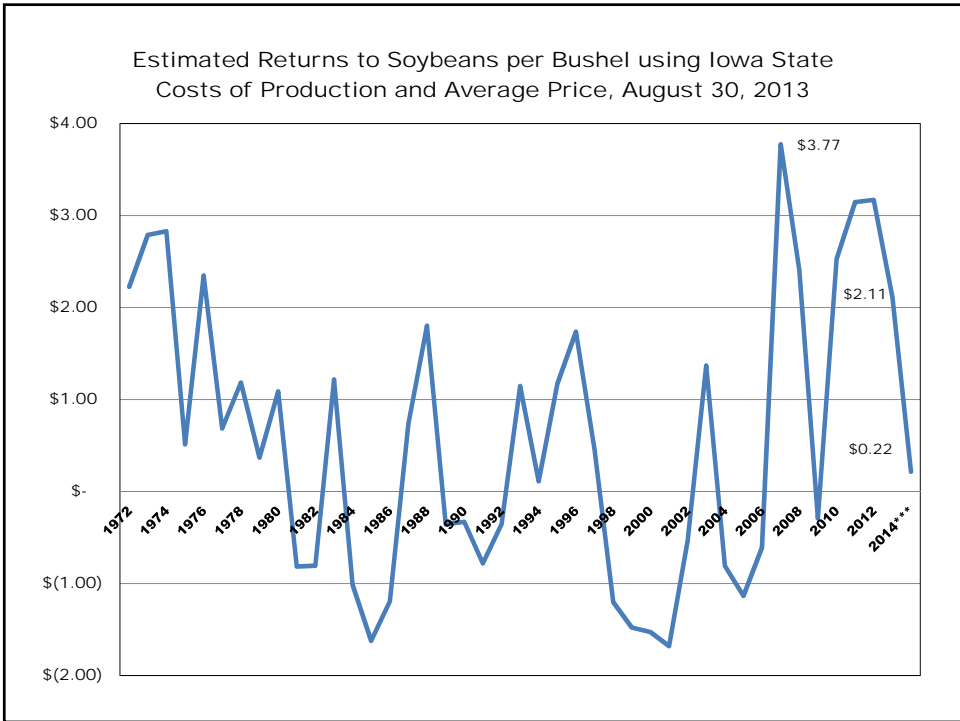
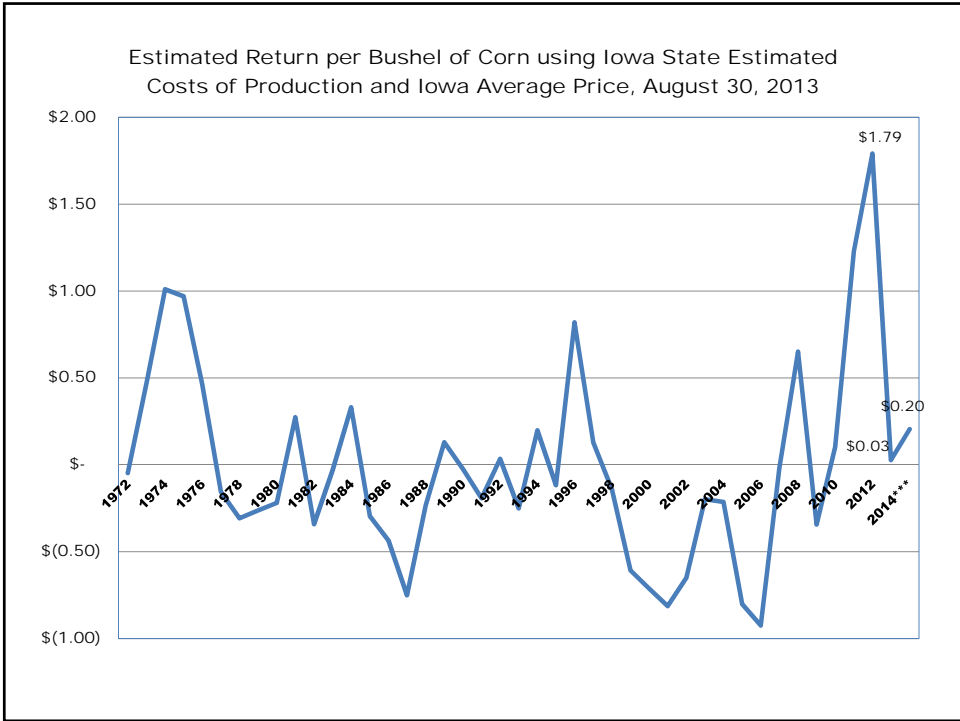


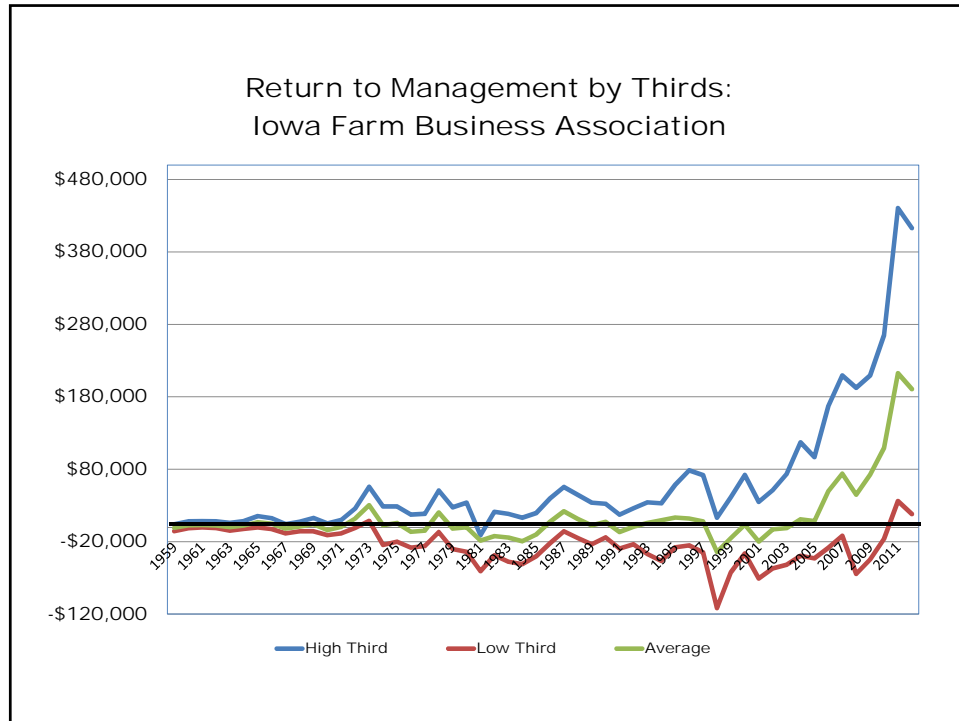


How We Got Here

- Asset pricing model;
 - Value = Income/capitalization rate
- All three values at record levels

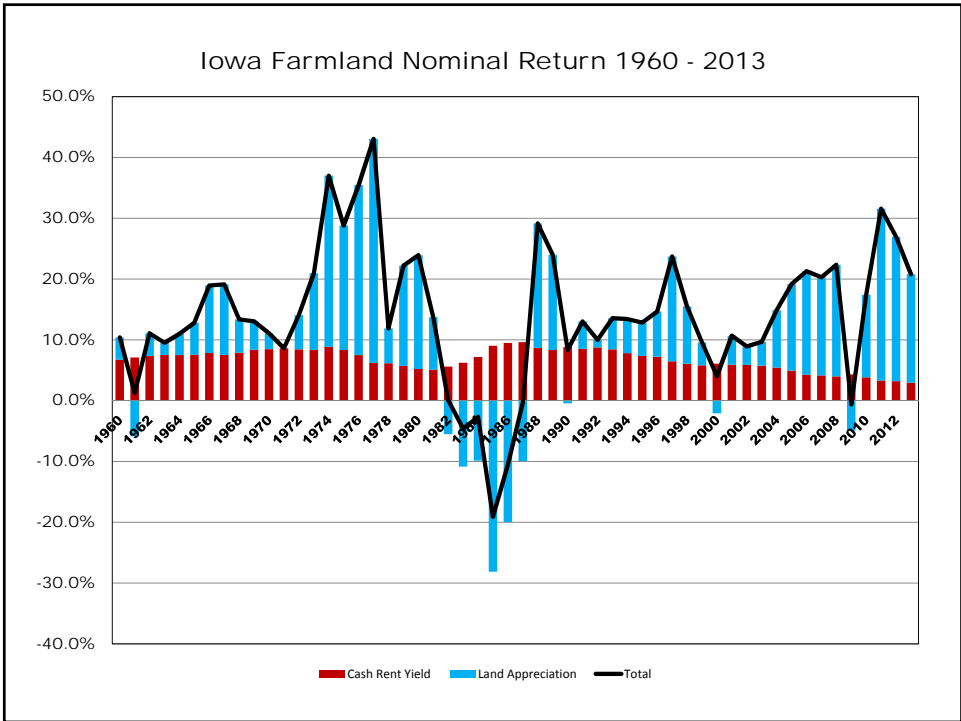
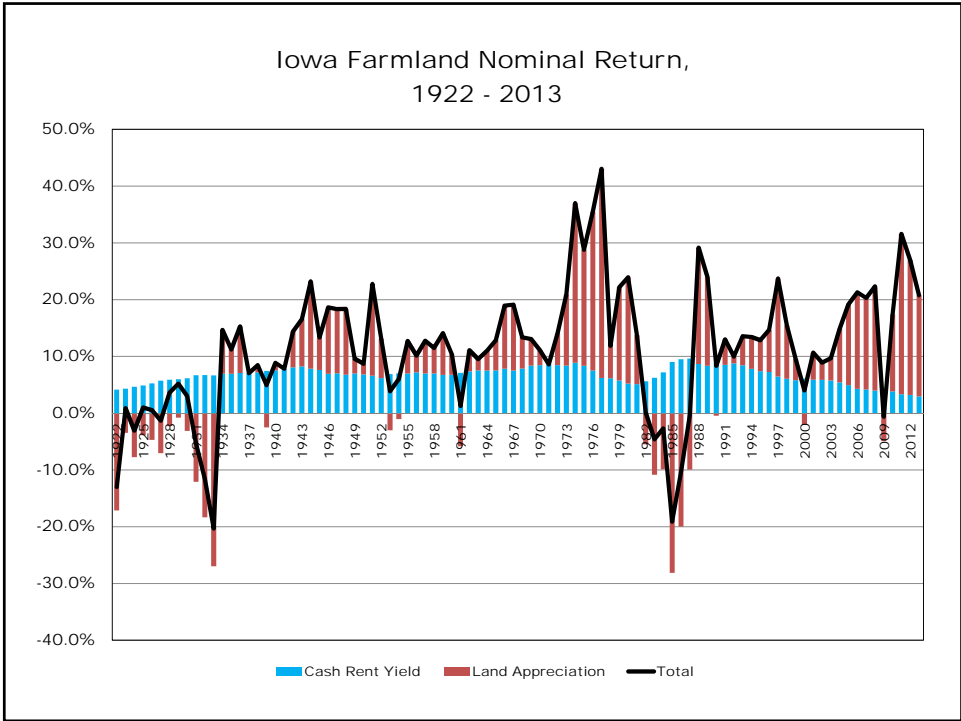






Is Land a Good Investment?

- Depends on;
 - What you pay for it
 - What you get from it
 - Reason for owning
 - Individual property characteristics
 - And so forth
- Land is a totally unique investment
- Land requires a patient investor
- Times are never as good or as bad as they seem

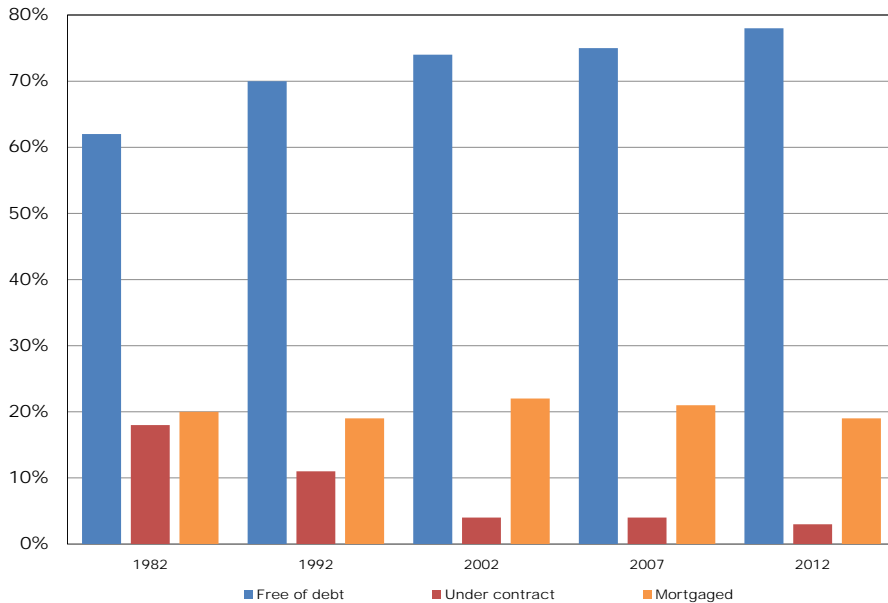


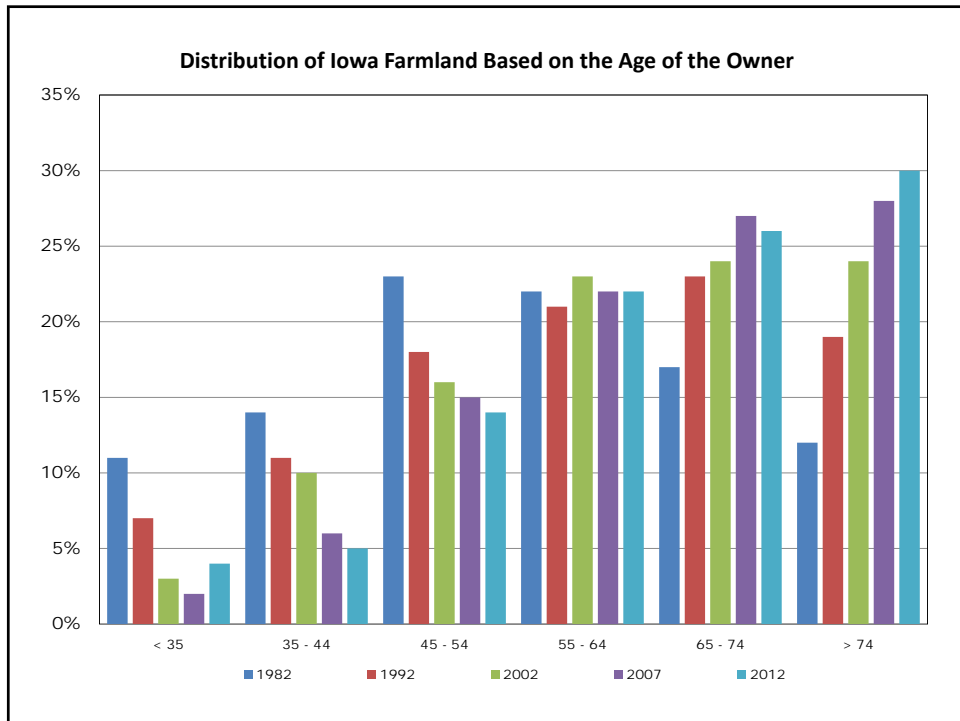
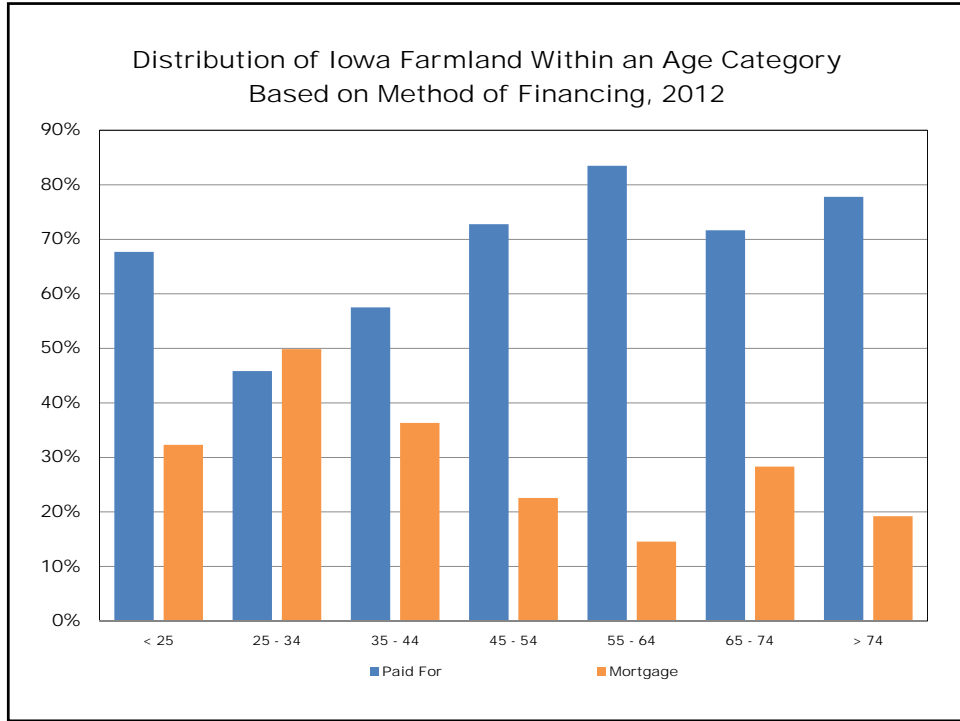
Current Farmland Demographic Situation

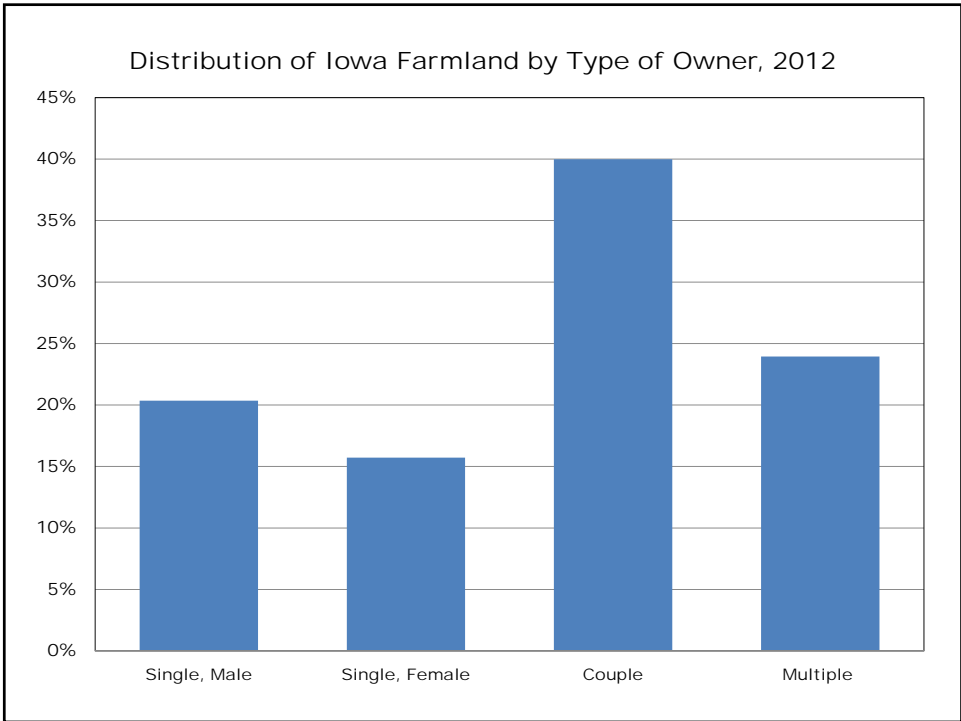
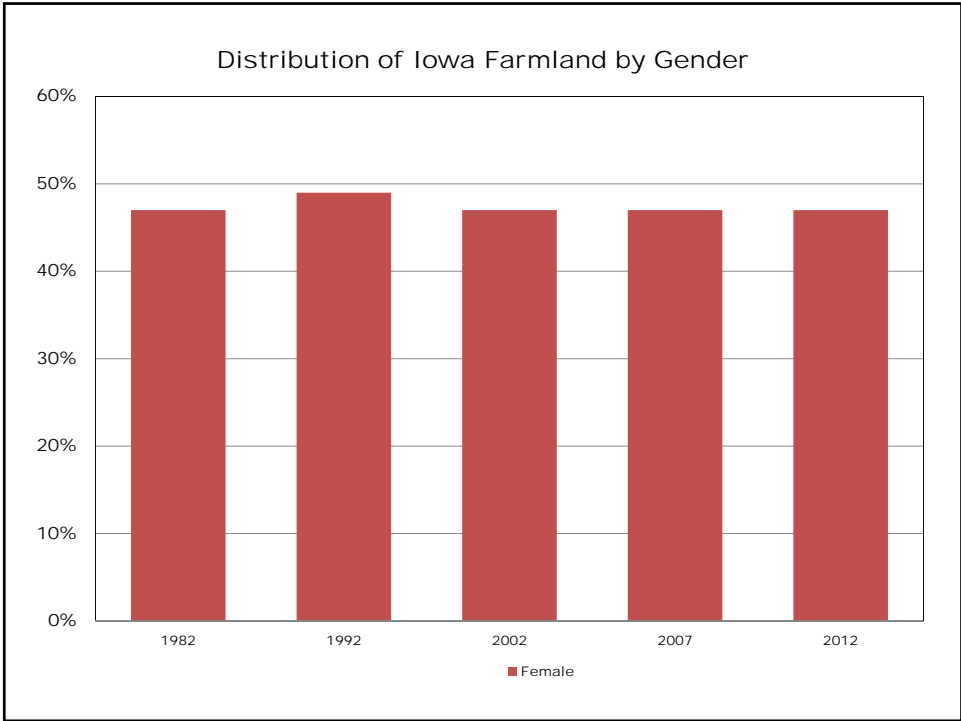
IOWA STATE UNIVERSITY
Extension and Outreach

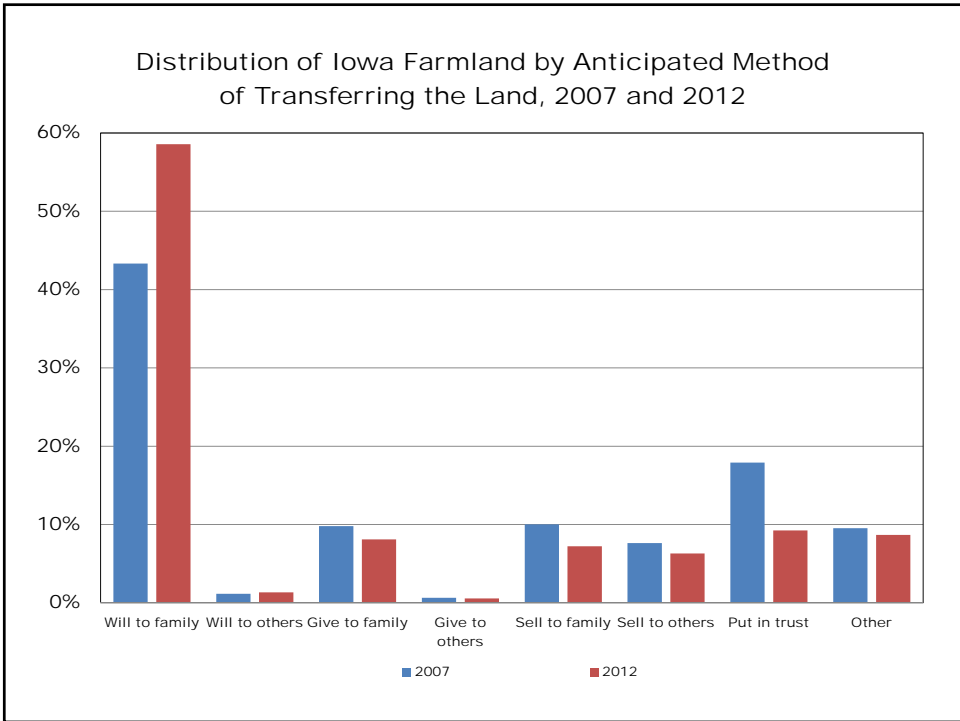
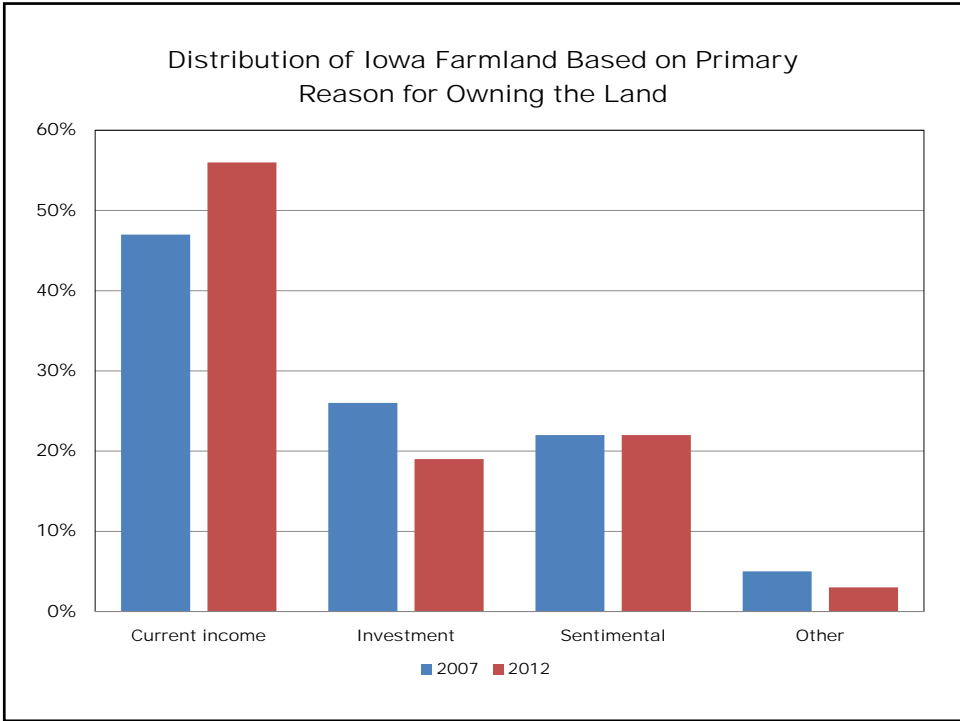
Ag Decision Maker

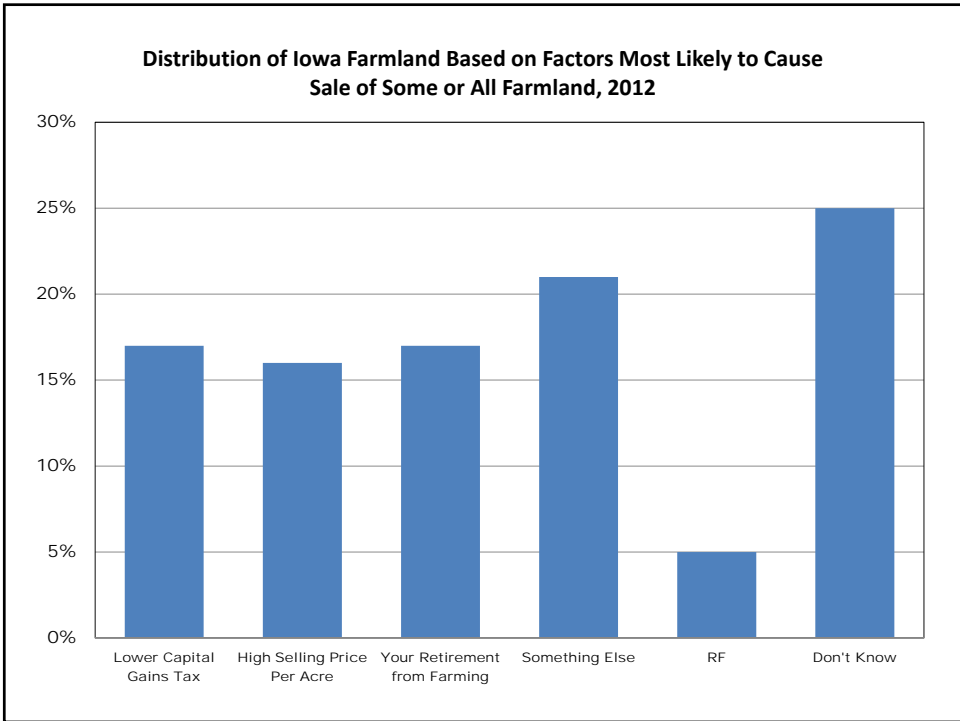
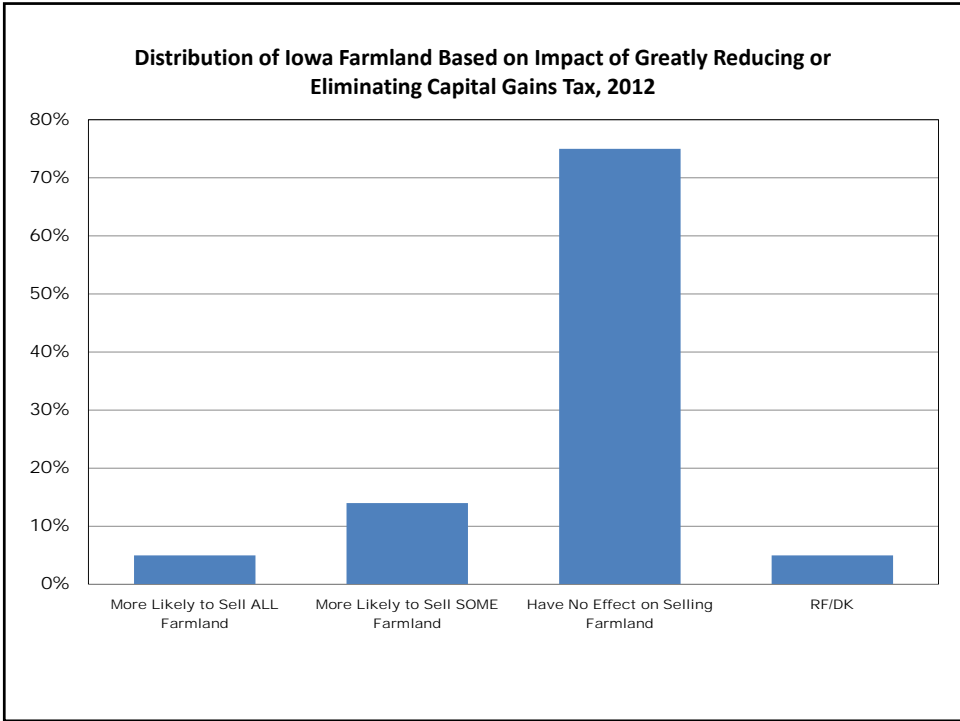
Percent of Iowa Farmland by Method of Financing and Year











Farmland Values in 2014 and Beyond

IOWA STATE UNIVERSITY
Extension and Outreach

Ag Decision Maker

Key Factors

- Farm income
- Commodity supply & demand
- Farm bill features
- Interest rates
- Energy; supply, demand and source
- U.S. & world economic performance
- Psychology of the markets

IOWA STATE UNIVERSITY
Extension and Outreach

Ag Decision Maker

What's Ahead

- Are we experiencing a bubble or reaction to unusual circumstances?
- Will we see a 'pop' or simply losing air?
- Income will be the key; commodity prices and how high will input costs go
- Interest rate movements
- Where will corn prices settle? Will they settle or will we continue to see wild swings?
- Bubble or correction; the impact on the individual is what matters

What's Ahead

- Uncertain supply & demand will lead to rapid swings in prices and profitability
- Land value increases should moderate but profitability this year will determine how much
- Major collapse in ag. isn't likely w/o significant outside events

Outlook for land

- The big question is if this is a temporary slowdown/reversal or if this is the start of a major correction
- How conditions affect the individual farm is what is important
- Each farm and farm situation is unique

Thank-you

Mike Duffy
478 Heady Hall, ISU
Ames, IA 50011
mduffy@iastate.edu

Underwriting Standards

	Fast Track Choice	Full UW Standard	Full UW Choice
Max Loan Size	\$1 million	\$11m/\$30m	\$11m/\$30m
Loan-to-Value Ratio	55%	70%*	60%
Debt to Asset Ratio	40%	50%	40%
Current Ratio	1:1	1:25	1:50
Debt Service (TDC)	1:1	1:25**	1:50
Credit Scores	720	680	680
Tax Return	2-Yrs	3-Yrs	3-Yrs

*60% IL, IN, IA, MN, MO, NE, ND, OH, SD
60% for loans greater than \$5 million

**1.50% when LTV greater than 60%

Appraisal Requirements

- Seller engages the appraiser
- Must be state-licensed and certified general appraiser
 - Certified residential license OK if primary value of the property is in the residence
 - Written engagement letter
 - Assumptions and limiting conditions
- Seller reviews appraisal and uploads into AgPower®
- Farmer Mac may not approve loans when:
 - Neighborhood analysis reflects near-term development away from agriculture
 - Highest and best use statement indicates a use other than agricultural

Strategies To Compete

- Sellers are using Farmer Mac to:
 - Preserve existing relationships
 - Attract new high quality clients
 - Grow with your larger producers
 - Generate fee income opportunities
 - Diversify portfolio risk
 - Reduce capital requirements
 - Increase loan, deposit, and other cross sell opportunities
 - Offer competitive fixed rate products

2013 Road Show Locations

Register at www.farmermac.com
Calendar of Events

LOCATIONS

Monday, Sept. 9:

Storm Lake, IA

Tuesday, Sept. 10:

Willmar, MN

Wednesday, Sept. 11:

Owatonna, MN

Thursday, Sept. 12:

Cedar Rapids, IA

Friday, Sept. 13:

Johnston, IA

Monday, Sept. 16:

Columbus, NE

Tuesday, Sept. 17:

Kearney, NE

Wednesday, Sept. 18:

St. Joseph, MO

Thursday, Sept. 19:

Columbia, MO

Friday, Sept. 20:

Quincy, IL

Tuesday, Sept. 24:

Victoria, TX

Wednesday, Sept. 25:

Waco, TX

Thursday, Sept. 26:

Tyler, TX

Friday, Sept. 27:

Dallas (Love Field), TX

Monday, Sept. 30:

West Lafayette, IN

Tuesday, Oct. 1:

Defiance, OH

Wednesday, Oct. 2:

Lexington, KY

Thursday, Oct. 3:

Champaign, IL

Friday, Oct. 4:

Rockford, IL