

Farmers take back top spot in land sales

Editor's note: In an effort to shed light on the upward trend in Illinois land values, we asked several market experts these questions. This is the first in a three-part series.

Question:

Are farmers buying, or is it mostly investors?

Mac Boyd: Looking at the entire state, farmers are buying more than investors

at this point, but there are still investors in the market. Prior to 2005-06, preceding the large run-up in commodity prices, it was nearly all investors (1031 exchangers). But with the economic and housing slumps, the land that was once being developed stopped. At that point, commodity prices zoomed upward, and the farmer became a buyer again.

Penny Lauritzen: In the northwest area of the state, the buyers are primarily

operating farmers. There is a minor interest by pension fund buyers. There is very little 1031 money moving or inquiries by parties that have funds coming soon that they will need to reinvest.

Roy Bracey: During the past few years, investors, particularly those who were executing 1031 exchanges, were the dominant buyers of farmland. Over the past six months, the mix of buyers is more evenly split between farmers and

investors. The 1031 exchange driven investor is rare now, and we are seeing more pure investment money coming into the farmland market.

Bret Cude: Farmers are the main buyers at this time.

Question:

Are farmers still primarily financing or paying cash?

Boyd: Perhaps a little more financing than they were, but most are still using cash. The investors have been all cash for a while, and there are still some investors out there paying cash. Current investors aren't doing as many 1031 exchanges. They are just interested in buying land because they have seen land doing very well the past few years. The other alternative investment opportunities available are not as appealing. There is a lot of cash in the land market these days because investors and farmers are in a very strong cash position right now. Perhaps, there has been an increase in financing to some degree, but it is still largely a cash market.

Lauritzen: Most are using cash for operating funds to limit short-term borrowing and paying down previous debt. The new purchases are being financed with "paid for" property used as additional collateral.

Bracey: Farmers have prospered in this area the past couple of years due to record or near-record yields and surging grain prices. They have cash available to invest in land, but significantly higher land prices result in the continued need for financing. Lenders are experiencing big increases in volume this year.

Cude: I see farmers financing and paying cash. Most still are placing down a significant percentage and financing the balance.

■ **Next issue:** Cash rent and long-term projections for farmland prices.

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