

U.S. land prices

In July, 2014 Rabobank released a paper titled “Land Values 2014: At The Tipping Point.” The bank’s analysis focuses on the U.S., mainly the corn belt. Here are some excerpts:

- “We maintain the view that as of 2013-14 land values, on average, have responded to fundamental drivers and are therefore not the result of an asset bubble. However, with the prospects for increasing interest rates and falling commodity prices an adjustment is needed beginning in 2014-15 to avoid the future development of an asset bubble.”
- Between 2005 and 2013, land values increased by 218 per cent in North Dakota, 224 per cent in South Dakota, and 242 per cent in Nebraska.
- In the Midwest: “Over the long term, the additional net cost to land renters will drive economic margins below breakeven and force rental payments lower. Land prices should continue to decline to the point where costs become sustainable relative to returns over the long term.”
- “Significant commodity price declines in 2014-15 are likely to drive decreases in Midwest and Plains rental values as margins tighten.”
- “Over the past 12 months, land values have plateaued and in some areas declined as buyers show caution.”
- “While we believe an adjustment of up to 10 per cent would be healthy in bringing land values back in line with gross revenue and additional decreases will be needed as interest rates increase...”
- “Cultivating lower yielding, marginal land was viable during high grain prices seen in recent years, yet those producers are expected to face the greatest challenge.”

Rabo Agrifinance

Rabo AgriFinance is the U.S. ag finance division of Rabobank, N.A. The company entered the U.S. ag finance market in 2002 when it bought Valley Independent Bank. Rabobank, N.A. part of the Rabobank Group, a Dutch bank. Rabobank’s global website says, “It is our ambition to be the global leading food and agri bank.” It has a direct lending presence in Australia, Asia, Europe and the U.S.

Rabobank N.A. is very familiar with the Canadian market — it’s chief executive is John Ryan, CEO and president of Farm Credit Canada from 1997 to 2007 — but the bank doesn’t lend directly to Canadian farmers. Rabobank is involved in the Canadian corporate banking sector, and some Canadian farmers use Rabobank products though the Ag Partner Financing input program it operates with Richardson Pioneer.

The logo for Grainews, featuring the word "Grainews" in a stylized font with a small orange dot above the 'i' in "news".

Leeann Minogue is the editor of Grainews. This was published in the Sept. 2014 issue.