

Land prices in the U.S. have been high since late 2021. Despite the market remaining steady at the start of 2022, the outbreak of war in Ukraine and inflation fears have further catalyzed the rise in prices in recent months.

According to a report by Farmers National Company, farmers have seen stronger commodity prices and investors, the opportunity for a low-risk inflation hedging investment, which together have propelled the competition and increased prices for good cropland.

Randy Dickhut, Senior Vice President of the company explained how "prices [...] are up 20 percent in some areas". "Recent Farmers National Company auction sales demonstrate [...] [that] good land that was selling for around \$16,000 last fall, sold for \$19,000 to \$21,500 per acre at company auctions in March."

"This increase in prices is on top of a 15 to 30 percent jump in value across most Grain Belt states in 2021", he added.

Firstly, growing world demand, along with uncertain weather conditions brought good commodity price strength at the start of the year, which generated a positive view for net farm income in 2022 and the next several years.

Secondly, the Russian invasion of Ukraine has added to the world's need for good cropland, as uncertainties have grown from disruptions in input supply chains and in world food and grain trade.

"Farmers, landowners and the agricultural industry are facing more uncertainty at this moment than almost any other time. The Ukrainian invasion has thrown in a multitude of short and long-term unknowns in the food and ag world," Dickhut said.

With a return to a normal supply of cropland for sale, farmers who are looking forward to several years of higher grain prices have continued to aggressively bid for the land that did come up for sale during the past few months.

In addition, individual investors see farmland as a safe, long-term investment, as a result of inflation and stability concerns. In the future, rising interest rates will increase the cost of land mortgages and will thus have a damping effect on land prices.

"The importance of secure and adequate food, fiber and fuel supplies has taken center stage throughout the world", Dickhut stated.

With "United States agriculture, as the world's most productive and secure grain and

livestock supplier, [...] farmers realize the potential and are therefore willing to bid up land prices in order to control more acres for the years to come. Individual and fund investors are realizing this too and are stepping more into the farmland market," he continued.

In conclusion, the Senior Vice President predicted: "With current land prices at heightened levels, most of the supporting factors remain in place at this time to keep values steady to firmer for the next six months."

However, he admitted that "this outlook could be altered at any moment due to unexpected changes in a multitude of factors", such as weather, commodity markets, world events and government actions.