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Louisiana Land Market Report

Non-Irrigated Cropland in Louisiana

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Summary

This publication reports on the first Louisiana Ag Lenders and Land Appraiser's survey. The survey is designed to give an update on land values and cash rents for three agricultural land uses, cropland, pasture and forestry, across the state of Louisiana. The survey was also designed to provide a general outlook on expectations of farmland price and rent, interest rate movements and expectations for farm solvency across the state. Responses to the survey are from the perspective of agricultural lenders and rural appraisers across Louisiana. Respondents were divided according to one of the five (5) AgCenter regions they primarily serve: the Northwest (region 1), Northeast (region 2), Central (region 3), Southwest (region 4) and Southeast (region 5). It is our hope that the results from this survey will be useful to all concerned stakeholders in Louisiana's agricultural industry.

In general, survey participants expect values of both irrigated and non-irrigated cropland (~$3870/acre and ~$3240/acre respectively) to remain largely unchanged to slightly increasing in the Northern regions, while in other regions values of both irrigated and non-irrigated cropland are expected to remain generally unchanged. Cropland cash rents on the other hand are expected to have much more variation in movements with cash rents on non-irrigated land (average of ~$123/acre across the state) expected to decrease slightly in three of five regions and slightly increasing in one (Southeast). Cash rents on irrigated land (average of ~ $132/acre across the state) are expected to see increases in the Northwest and Southeast regions with other areas seeing mostly no change to some expectations of a cash rent decrease (Southwest region).

Survey respondents expect that both the values (average of ~$2750/acre for the state) and cash rents (average of ~$29/acre) on pastureland will see some increases in the Northwest region and decrease in the Southwest. Survey respondents expect the Southeast region to see increases in pastureland values and decreases in cash rents. Pastureland in other regions are expected to remain mostly unchanged. Mature hardwood and mature pineland values averaged ~$2910/acre and ~$3220/acre respectively at the state level.

On the behavior of farm financial indicators, the survey respondents expect no significant change in Chapter 12 bankruptcy filings in most regions in Louisiana. The exception being the Northeast region where a slight increase in Chapter 12 filings is expected. **Interest rates** on short term (operating) loans are generally expected to remain unchanged to decreasing except in the

Northwest region where short term interest rates may increase. Short term loan **volume** is expected to decrease except in the Central region where expectation is for operating loan volume in this region to increase. Survey respondents expect intermediate loan **interest rates** to generally decrease across the state and for intermediate loan **volumes** to increase in the Northeast and Central regions bucking the trend in the other three regions. Long term (real estate) loan **interest rates** are expected to decrease in most regions, while the **volume** of long term loans is expected to generally decrease. Long term loan **volumes** are expected to increase in the Northeast. The Northeast also had the highest agreement among survey respondents for long term loans being expected to decrease.

Map of Louisiana's 64 Parishes
Grouped by LSU AgCenter Regions

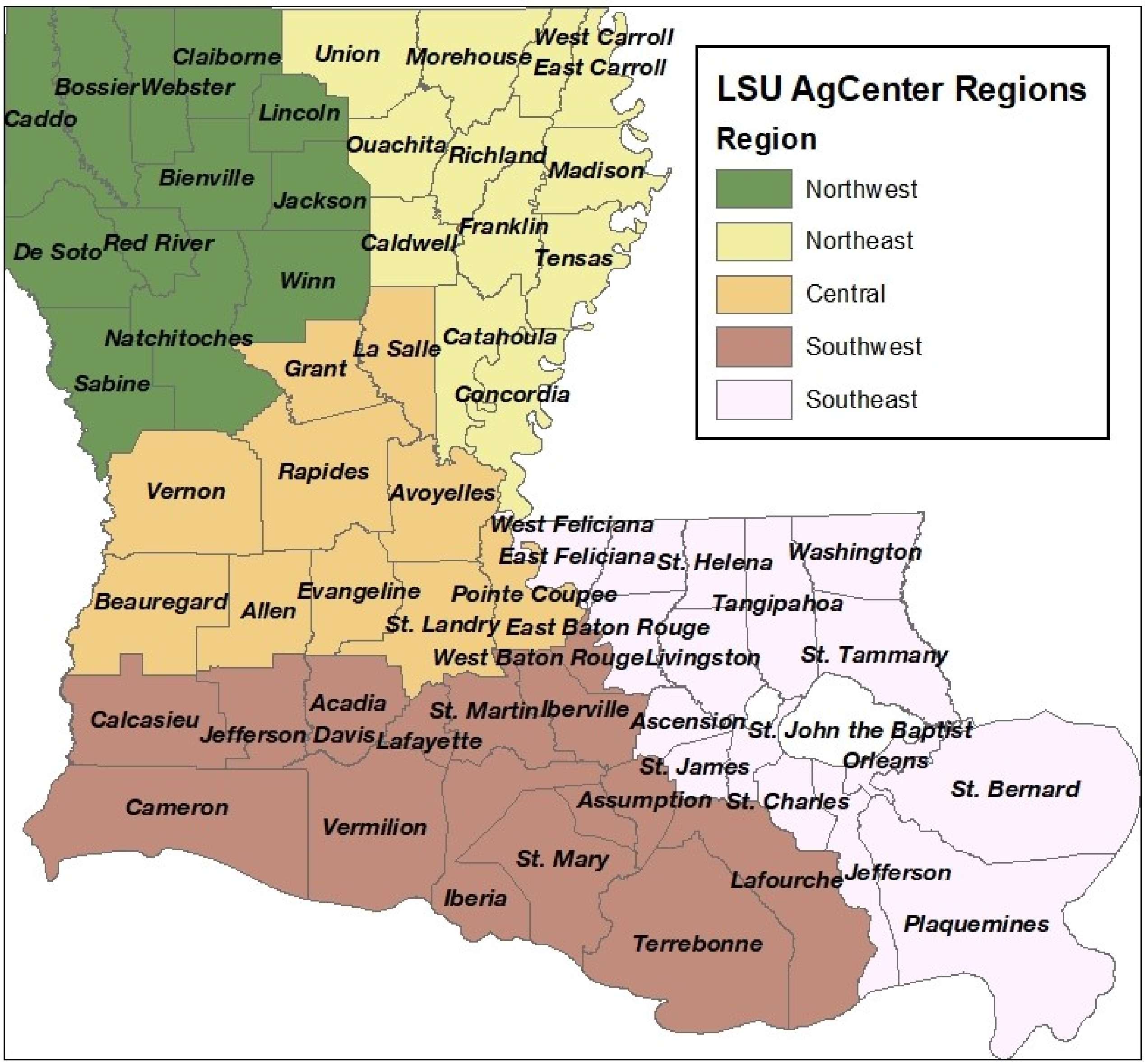

Figure 1

Non-Irrigated Cropland Prices and Non-Irrigated Cropland Rental Rates

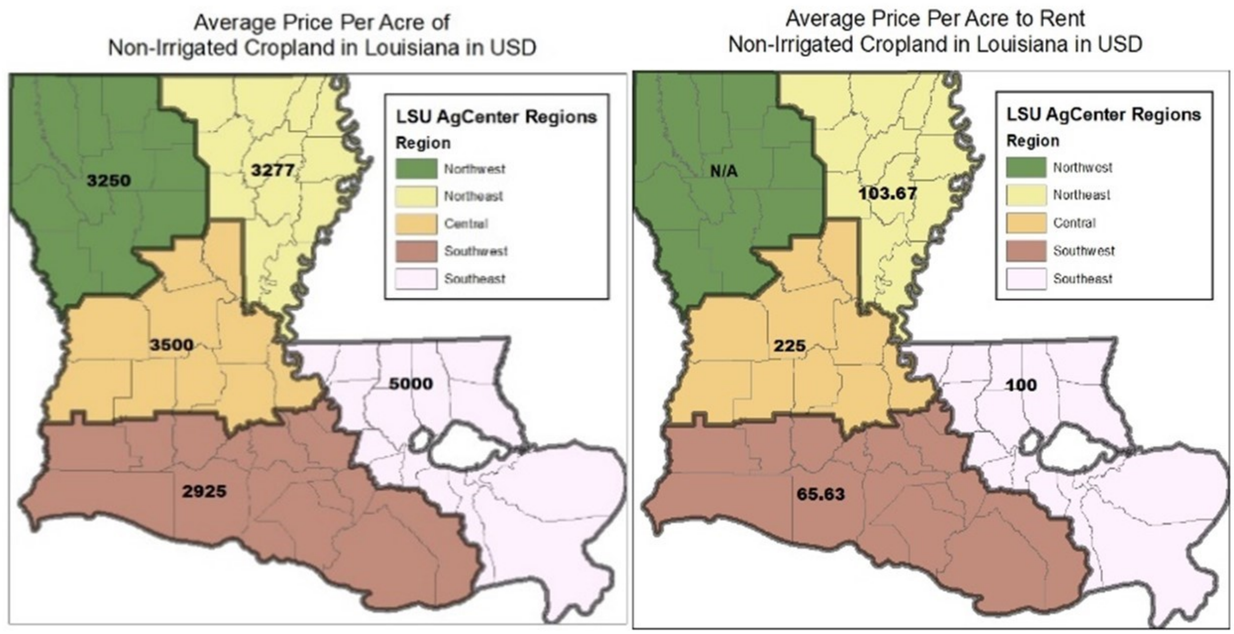

Figure 2

Respondents were asked for their observations of fair sales values for non-irrigated land and cash rents in their respective regions. Figures 2 shows the average of respondents' observations of fair sales values as well as cash rental rates for non-irrigated cropland across five Louisiana State University Ag Center regions. For all survey responses across the state, non-irrigated cropland averaged $3200/acre (excluding the Southeast region), compared to $2900/acre reported by the USDA. The Central region captured the highest values for non-irrigated cropland at $3500/acre, of the five regions surveyed, excluding the Southeast. At $5000/acre the Southeast region had an average land value that was nearly 47% higher than the average of the next two highest region values. However, some of the difference in the Southeast is likely due to competition for space from nearby urban areas and sample size. The Northeast the second highest valued cropland on non-irrigated acres at $3277/acre. The Southwest region had the lowest non-irrigated cropland values at $2925/acre.

Table 1: Average Sales Price and Cash Rental Rates on Non-Irrigated Cropland

Region	Average Selling Price/Acre	Lowest Selling Price/Acre	Highest Selling Price/Acre	Average Rental Rate/Acre	Lowest Rental Rate/Acre	Highest Rental Rate/Acre
Northwest	$3250	$3250	$3250	No Data	No Data	No Data
Northeast	$3277	$2750	$4600	$103.67	$65	$130
Central	$3500	$3000	$4000	$225	$225	$225
Southwest	$2925	$2500	$3200	$65.63	$50	$100
Southeast	$5000	$5000	$5000	$100	$75	$125

Akin to irrigated cropland, cash rents in the Central region was significantly higher than all other regions coming in at an average of $225/acre, more than double the rate of all other regions (excluding the Northwest due to lack of data). Contrasting the case of irrigated lands, cash rents in the Central regions were higher than those in the Northeast region. The Southwest was on the opposite extreme having an average cash rent value of only $66. Across all regions (excluding the Northwest), the average rental rate for irrigated cropland was $124/acre (compared to $75/acre reported by the USDA for 2019 non-irrigated croplands in Louisiana). There was insufficient cash rent data from the Northwest to determine average cash rental rates for irrigated land in that region.

Similarly, to irrigated cropland, urbanization seems to play a large role in influencing the price of cropland; likewise, cash rents were seemingly unaffected by urbanization with the southeast having the second lowest rate (Northwestern data was unavailable). Land productivity and crop variety grown again seem to influence cash rent values, but Central Louisiana's location seems to be more important than the productivity of the Northeast. The Northeast is known for its productivity in corn and soybeans, which have been two of the highest value cash crops grown in the state particularly prior to 2017. However, the Central region has a much lower concentration of irrigated corn and soybean acres than the Northeast and more non-irrigated acres of those crops.

Changes in Non-Irrigated Cropland Prices and Rental Rates

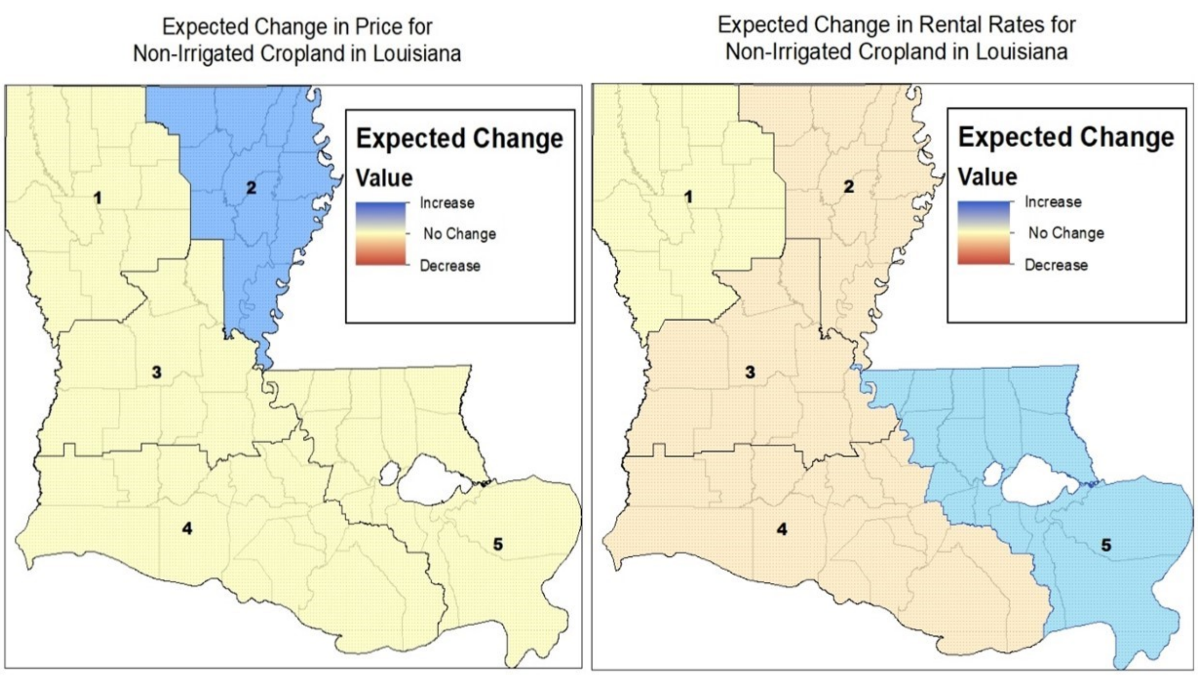

Figure 3

Figure 3 highlights the average expectations of survey respondents for an increase, decrease or no change in land values and cash rents. The maps show a color gradient that is based on the fraction of survey respondents that expect prices to change in one of the three directions listed. Figure 4 shows the average expectation that respondents had for how the values of non-irrigated land will change in the near future. On average, respondents expected to see no change to the values of non-irrigated cropland in each region with the exception of region 2 (Northeast) where respondents expect the value of non-irrigated cropland to increase slightly. It's important to note that these changes are aggregated at the regional level so some variation by parish is expected. On the other hand, Figure 5 shows that survey respondents expected cash rents in regions 2, 3 (Central) and 4 (Southwest) to see slight decreases. In region 5 (Southeast), respondents, on average, expected to see a slight increase in cash rents. In regions 2, 3 and 4, respondents expected to see slight decreases in cash rents on average and no change in cash rents on non-irrigated cropland in region 1. In general, much less movement in cash rents on non-irrigated land is expected by survey respondents compared to expectations for cash rent movements on irrigated cropland. Additionally, cash rents on non-irrigated land have higher expectations to see cash rents decrease, even if only slightly.

Those that are interested may find further details on irrigated cropland, pastureland, mature pine and mature hardwood and agricultural financial indicators in reports that will follow this one.

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