

Producers bullish about farmland values amid strong current conditions

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WEST LAFAYETTE, Ind. and CHICAGO, March 2, 2021 /PRNewswire/ -- Farmers continue to report strong current economic conditions on their farms, according to the February [Purdue University/CME Group Ag Economy Barometer](#). While the overall reading for the *Ag Economy Barometer* changed very little compared to January, down 2 points to a reading of 165 in February; the *Index of Current Conditions* remained near its all-time high at a reading of 200. Meanwhile, the *Index of Future Expectations* continued a four-month decline, down 20% from its October peak, to a reading of 148.

The *Ag Economy Barometer* is calculated each month from 400 U.S. agricultural producers' responses to a telephone survey. This month's survey was conducted from February 15-19, 2021.

"The ongoing strength in ag commodity prices and farm income continue to support producers' perspective on current conditions," said [James Mintert](#), the barometer's principal investigator and director of Purdue University's Center for Commercial Agriculture. "At the same time, concerns about possible policy changes affecting agriculture, and eroding confidence in future growth in ag trade, continue to weigh on producers' future expectations."

Producers are very bullish about farmland values. Fifty-one percent of respondents in February said they expect farmland values to rise during the next year, up 8 points from the January survey. U.S. farmers were also optimistic about the long-run trend in farmland values, as 62 percent of respondents indicated farmland values are likely to rise over the next five years.

That same bullishness spilled over into expectations for rising farmland cash rental rates in 2021. In February, more producers (36%) now say they expect cash rental rates to increase, compared to just 18% who felt that way in December. Those expecting rates to remain unchanged fell from 75% to 61%, the decrease primarily due to more producers' expecting rental rates to increase.

The percentage of farms expecting to see a better financial performance in 2021 compared to the prior year has been rising since last summer and on the February survey reached 37 percent, up 4 points from January and 25 points higher than last July. When asked about their perception of the most critical risk facing their operation, 29% ranked production, up 8 percent from February 2020, and 18% ranked financial risk, down 8 percent from one year ago.

Each winter the barometer survey asks respondents about plans for growth on their farms. This winter: 50% of commercial-scale farms reported that they either have no plans to grow or plan to exit/retire in the next five years; 17% expect their farm operation to grow at a rate of less than 5 percent annually; 25% expect their operation to grow 5 to 10 percent annually; and 9 percent expect their farm to grow more than 10 percent per year. Overall, Mintert said, these results point towards continued consolidation in the farm sector.

Although producers are optimistic about the current situation on their farms, confidence in the future continues to erode. Reasons behind the 20% decline in the *Index of Future Expectations* that has taken place since October appear centered on concerns about the long-term future for agricultural trade and uncertainty about a variety of policies affecting agriculture. In February, only 45% of farmers expected ag exports to increase over the next 5 years, down from 65% in October. The percentage expecting a favorable outcome to the U.S. trade dispute with China is also down, 37% in February compared to 65% in October.

"Even though we have seen a recent 'ramp-up' in ag exports to China, producers remain worried about the future of ag trade," said [Michael Langemeier](#), associate director of the Center for Commercial Agriculture. "They are also concerned about the possibility of more restrictive environmental regulations as well as higher estate and income taxes, all expressed on previous barometer surveys. Uncertainty about all these factors appears to be the motivation for the divergence between farmers' perspective on the current versus the future situation."

Interest in alternative protein sources has increased markedly over the last year. Respondents on the February survey were asked several questions to learn about their perspectives on the possible impact of alternative proteins on U.S. agriculture. More than half of producers indicated they expect to see alternative protein sources increase market share in the years ahead (55% expect a total protein market share of up to 10 percent; 15% expect total market share to exceed 10 percent) and, indicated that if the market share becomes significant, they think it's likely to reduce aggregate farm income.

Read the full Ag Economy Barometer report at <https://purdue.ag/agbarometer>. The site also offers additional resources – such as past reports, charts and survey methodology – and a form to sign up for monthly barometer email updates and webinars.

Each month, the Purdue Center for Commercial Agriculture provides a short video analysis of the barometer results, available at <https://purdue.ag/barometervideo>, and for even more information, check out the *Purdue Commercial AgCast* podcast. It includes a detailed breakdown of each month's barometer, in addition to a discussion of recent agricultural news that impacts farmers. Available now at <https://purdue.ag/agcast>.

The Ag Economy Barometer, Index of Current Conditions and Index of Future Expectations are available on the Bloomberg Terminal under the following ticker symbols: AGEGBARO, AGECCURC and AGECFTEX.

About the Purdue University Center for Commercial Agriculture

The [Center for Commercial Agriculture](#) was founded in 2011 to provide professional development and educational programs for farmers. Housed within Purdue University's Department of Agricultural Economics, the center's faculty and staff develop and execute research and educational programs that address the different needs of managing in today's business environment.

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Related websites:

Purdue University Center for Commercial Agriculture: <http://purdue.edu/commercialag>

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