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2009 Florida Land Value Survey: Farm Land Prices Remain Down[1]

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Introduction

The Florida Land Value Survey, conducted by the Food and Resource Economics Department, University of Florida, provides estimates of the value of different types of agricultural land for geographic regions of the state. The most recent survey was conducted in November–December 2009 *for land values in May 2009*. Survey respondents come from varied backgrounds, including rural appraisers, farm lenders, real estate brokers, farm managers, land investors, personnel from the Farm Services Agency and the Natural Resource Conservation Service, county property appraisers, and other persons who develop and maintain information about rural land values in their areas. A total of 304 questionnaires were mailed; 17 were returned as undeliverable, moved, no longer active, etc. The overall response rate was 34.5 percent.

It is apparent from the survey responses in 2009 that the recessionary U.S. and Florida economies, the slower rate of Florida's population growth, and the decline in the Florida housing construction industry continue to be reflected in a further decline in most Florida farmland values. Other factors such as rising energy related costs, additional costs for disease control for some commodities, and commodity prices that were stable or declining also help explain the decline in the 2009 farmland values.

Changes in 2009 Land Value Report

The 2009 land value report format is identical and consistent with other land value reports since 2006. It is not identical to land value reports prior to 2006. In the years prior to 2006, the reported land values were subdivided into four or five regions in Florida. Beginning with the 2006 report, the state has been divided into two regions: northern and southern. The northern region is defined as all counties north of and including Alachua, Flagler, Levy, and Putnam Counties. The southern region is defined as all counties south of and including Citrus, Marion, and Volusia Counties. This change was made to provide larger sample sizes and to enhance the reliability of

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the estimated values. Citrus land values were not reported for 2006 because the numbers of surveys completed were insufficient for the purpose of analysis. Citrus land values were reported for 2007 and 2008. Transitional land values for metropolitan and non-metropolitan areas were combined due to limited data. Therefore, the data for 2009 are not directly comparable to reports from years prior to 2006.

Summary of Results

The 2009 Florida Land Value Survey results indicate clearly that land values in most categories continued to decrease statewide in Florida. Changes in farmland value are comparable in both the northern and southern regions of the state (Table 1). Land values declined in the northern region between 3.1 and 17.7 percent except for farm woods, which was up 1 percent. Declines in farmland value in the southern region ranged between 10.5 and 30.7 percent except for pastureland and farm woods—these increased between 1.5 and 22 percent. The 22 percent increase was for unimproved pasture land and is thought to be a market correction for a large price decrease in 2008. The largest decline in the northern region of the state was for non-irrigated cropland at 17.7 percent. The largest decline for the southern region was for mature grapefruit at 30.7 percent.

Transitional land values, or land being converted or likely to be converted for non-agricultural uses, indicated larger declines in the southern region of the state. Transitional land values in the northern region range between a 4.1 percent increase for land within five miles of a major town and a 7.3 percent decrease for land greater than five miles from a major town (Table 3). In the southern region of the state, transitional land value changes range between a negative 10.6 percent and a negative 45.9 percent.

The survey results from land sales professionals indicate that the average value of agricultural land ranges from approximately $3,208 per acre for farm woods in the northern region to $12,086 per acres for mature orange groves in the southern region of the state. Values for most types of farmland were down in 2009. However, farm woods values were up slightly in 2009 although remaining close to the 2008 levels, while unimproved pastureland values reported in the southern region were up by 22 percent in 2009. This latter increase is believed to be a market correction for a substantial decrease reported in 2008. During 2008 and 2009, unimproved pastureland values were flat. Transitional land less than five miles from a major town in the northern region of the state also exhibited a modest increase in 2009 (about 4%). Even with this increase, however, transitional farmland value is still less than 50 percent of the 2007 values. The reasons mentioned most frequently for the continued decline in Florida farmland value were the weak U.S. and Florida economies, Florida's sluggish population growth, the decline in the Florida housing construction industry, and financing that remains difficult to obtain. The survey indicates that the downward trend in farmland values is expected to continue in 2010, but the decline will not be as steep since projections point to expected decreases of seven percent in the northern region and six percent in the southern region (these trends were reported by respondents but not reported in Table 4).

Land sales experts indicated that decreases in the value of Florida agricultural lands were primarily due to weak agricultural and non-agricultural demand for land and the fact that farmland ownership continued to be investment-based, not income-based. Responses from some of the experts in the survey included

> *almost no sales of land due to a poor economy; nothing is selling the market is stagnate; financing is difficult to achieve; most of the agricultural land being sold is (still) going into development; housing demand has dried up, land values continue to drop, sellers are getting realistic; everything is on hold, lots for sale but no money; and sales are down, values are down, and financing is hard to get.*

Many experts continue to note the slowness in sales. The number of land sales was estimated to be lower from 2008 to 2009 by 76 percent of the southern region experts and by about 58 percent of the northern region experts (information collected from survey but not reported in the tables). Some factors that were identified as affecting the number of agricultural land transfers included a slowing rate of

large housing developments, a poor housing market in general, difficulty in obtaining financing, and the general downturn in the economy.

Changes by Type of Land Use

The value of agricultural land for 2009 by type of land use is reported in Table 1.

Cropland

The value of all types of cropland decreased in the northern regions of the state (insufficient data were returned to evaluate southern cropland values). The value of irrigated cropland in the northern region decreased 16.1 percent, while the value of non-irrigated cropland in the northern region decreased 17.7 percent.

Citrus

Citrus land values, like most other Florida farmland values, were down in 2009 according to the survey. The estimated value of mature oranges dropped 10.5 percent and mature grapefruit was down 30.7 percent in the southern region. The estimated value of mature oranges in the southern region for 2009 was $12,086, and mature grapefruit average price per acre was $7,369. Land with 5- to 7-year-old citrus plantings was estimated at $7,459 per acre, which represents a decline of 28.7 percent. These land value declines may seem relatively large, yet it must be remembered that, in addition to the general decline in the economy, the industry also has faced significant price and disease issues.

Pastureland

According to the 2009 survey, the value of pastureland in the northern region continued to slide in value, improved pasture decreased 14.7 percent, and unimproved pasture declined 3.1 percent. The survey information in the southern region generated better news with both values being reported up: improved pasture by 2.7 percent and unimproved pasture by 22 percent. It is thought that the land value reported on unimproved pasture in 2009 is a market correction for an overly steep decline reported in 2008.

Farm Woods

The value of farm woods in both the northern and southern regions of the state exhibited very minor increases. Farm wood values increased 1.0 percent in the northern region, and 1.5 percent in the southern region.

Regional Comparisons of Agricultural Land Values

The southern region has more than double the per acre price of the northern region for similar types of land. In 2009, the value of improved pasture was $8,072 per acre in the southern region, and $3,737 per acre in the northern region. The value of unimproved pasture ranged from $6,939 per acre in the southern region to $3,558 per acre in the northern region, about 96 percent higher per acre in the southern region. In general, the gap in pastureland values between the southern and northern regions of the state increased between 2008 and 2009 because land values were down by a larger percentage in the northern portion of the state.

No comparisons of cropland values were possible between the northern and southern regions of the state due to insufficient data from the southern region.

Cash Rents

Cash rents (Table 2) declined between 2008 and 2009 in both the northern and southern regions with the exception of cash rents for unimproved pasture. The estimated annual cash rent for non-irrigated cropland in the northern region was $48 per acre in 2008, and was estimated at $44 per acre in 2009. The estimated cash rent for improved pastureland in the northern region was $32 per acre in 2008, and was estimated at $29 per acre in 2009 by the experts. Cash rent for unimproved pastureland in the northern region was $21 per acre in 2008, and was estimated at $24 per acre in 2009. The estimated cash rent for improved pastureland in the southern region was $43 per acre in 2008, and was estimated at $37 in 2009. Cash rent for unimproved pastureland in the southern region was $13 per acre in 2008, and was estimated at $15 per acre in 2009.

Cash rental rates generally remain less than 1.5 percent of the value of the land for the different types of cropland and pasture. These rates are low compared to other areas of the country.

Transitional Land

Transitional land was defined in the survey as agricultural land that is being converted or is likely to be converted to non-agricultural uses such as residential or commercial. Transitional land values are reported in Table 3.

According to the experts, the value of transitional land within five miles of a major town in the northern region increased by 4.1 percent from 2008 to 2009, and decreased 7.3 percent if located more than five miles from a major town. In the southern region of the state, the value of transitional land within five miles of a major town decreased by 10.6 percent from 2008 to 2009, and decreased 45.9 percent if located more than five miles from a major town. The value of transitional land within five miles of a major town ranged from $8,089 per acre in the northern region to $29,619 per acre in the southern region. The value of transitional land more than five miles from a major town ranged from $ 5,376 per acre in the northern region to $14,686 per acre in the southern region. Again, in 2009, the experts indicated land sales were slow, but sales had not stopped completely for development purposes.

Expected Trends

Professional sales experts were asked if they expected agricultural land values to be higher, lower, or remain unchanged between May 2009 and May 2010. About 67 percent of the southern region respondents and 65 percent of the northern region respondents expected agricultural land values to exhibit no change during this time (Table 4). About 29 percent of the southern region respondents and 33 percent of the northern region respondents expected land values to decrease over the same period. Only three percent of the northern and five percent of southern region respondents expected agricultural land values to increase between May 2009 and May 2010. The average decline expected in the southern region between May 2009 and May 2010 was six percent, and in the northern region seven percent. If these predictions for 2010 are accurate, another year of declining land values lies ahead, but the experts are indicating the rate of decline may be slowing.

Use of the Survey Results

The land value estimates provided in this report are based on the opinions of many people involved in the real estate market and may not reflect actual land sales data. Several factors must be considered when using this report. For example, the group of participating respondents changes from year to year, and some of the land use categories and values reported are based on sample responses with limited observations.

These estimates should serve as a guide to the relative average values of different land uses within and between areas in Florida. It must be understood that the value of a specific tract of land may vary substantially from these estimates because of the physical characteristics, location, and economic and institutional factors that may affect or restrict its use. Therefore, this survey should not be used to determine the value of a specific tract of land in Florida.

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Table 1. Estimated farm land values per acre, by geographic region and land use, May 2007, 2008, and 2009

Region / Land Use	Dates			Changes	
	May 2007	May 2008	May 2009	2007–08	2008–09
	(dollars per acre)			(percent)	
Northern Region					
Cropland					
Irrigated	6,712	5,106	4,283	(–23.9)	(–16.1)
Non-irrigated	5,776	4,436	3,651	(–23.2)	(–17.7)
Pastureland					
Improved	4,706	4,381	3,737	(–6.9)	(–14.7)
Unimproved	4,479	3,670	3,558	(–18.1)	(–3.1)
Farm Woods	4,226	3,177	3,208	(–24.8)	1.0
Southern Region					
Citrus					
Mature Oranges	16,123	13,500	12,086	(–16.76)	(–10.5)
Mature Grapefruit	11,183	10,640	7,369	(–4.9)	(–30.7)
5–7 Year Citrus	11,900	10,461	7,459	(–12.1)	(–28.7)
Cropland					
Irrigated	10,432	7,763	***	(–25.6)*	***
Non-irrigated	***	***	***	***	***
Pastureland					
Improved	9,025	7,862	8,072	(–12.9)	2.7
Unimproved	7,752	5,684	6,959	(–21.6)	22.0
Farm Woods	8,369	7,627	7,739*	(–8.9)	1.5

* Less than 20 observations
*** Insufficient data
Source: Florida Land Value Survey, Food and Resource Economics Department, University of Florida

Table 2. Cash rent for farm land, by geographic region, May 2007, 2008, and 2009

Item	Northern Region			Southern Region		
	2007	2008	2009	2007	2008	2009
	(dollars per acre)			(dollars per acre)		
Land Class						
Improved Pastureland	36	32	29	33	43	37
Unimproved Pastureland	27	21	24	20	13*	15
Non-irrigated Cropland	51	48	44	***	***	***

* Less than 20 observations
*** Insufficient data

Table 3. Estimated value of transitional farm land, by geographic region, May 2007, 2008, and 2009

Region / Category	Dates			Changes	
	May 2007	May 2008	May 2009	2007–08	2008–09
	(dollars per acre)			(percent)	
Less than five miles to major town					
Northern Region	17,414	7,771	8,089	(–55.4)	4.1
Southern Region	54,442	33,113	29,619	(–39.2)	(–10.6)
Greater than five miles to major town					
Northern Region	10,912	5,800	5,376	(–46.8)	(–7.3)
Southern Region	25,800	27,150	14,686	5.2	(–45.9)

Table 4. Respondent expectation of farm land value changes over the next twelve months, by geographic region, May 2009

Region	Higher Expectations	No Change	Lower Expectations
	(percent of responses)		
Northern Region	2.5	65.0	32.5
Southern Region	4.8	66.1	28.6