



## Trends in Iowa Farmland Ownership

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Iowa's elevated farmland values appear to be persisting at record levels. Last year's ISU land values survey showed record high values, and surveys since then confirm that the upward trend is continuing. At the same time, another ISU Extension survey found some significant changes have occurred in Iowa farmland ownership over the past 20 years.

The driving force behind almost all of the changes is the aging of farmland owners. In 2002, 24 percent of Iowa farmland was owned by people over the age of 74. This is double the amount that was reported in 1982 when 12 percent of the farmland was owned by people in this age category.

Nearly half, 48 percent, of the farmland in Iowa is owned by people over the age of 65. In 1982, 29 percent of the land was owned by people over 65.

So how does the aging population affect farmland ownership patterns in Iowa? One of the biggest changes is in how the land is owned. There were significant declines in sole ownership and significant increases in farmland owned as joint tenants and held in trusts. The amount of land held by a husband and wife remained essentially unchanged.

As the aging farmland owners die, they pass the land on to their heirs. In 1982, the owners indicated they would transfer 85 percent of the farmland within the family. Often this means there are multiple heirs and they appear to be holding on to the land rather than selling it.

Multiple heirs are spurring other trends in Iowa farmland ownership. For one thing, the amount of farmland owned by people who do not live in Iowa has increased steadily, rising from 6 percent in 1982 to 19 percent in 2002.

The change in ownership patterns also has led to a change in residency for farmland owners. The amount of farmland owned by those who actually live on the farmland decreased significantly from 57 to 47 percent from 1982 to 2002. There was a corresponding increase in the percent of farmland owned by someone who does not live on a farm at all. In 1982, 37 percent of the land was owned by someone who did not live on a farm and by 2002 this had risen significantly to 45 percent.

With aging farmland owners and multiple heirs, Iowa is seeing an increase in rented farmland. Excluding land in government programs, the amount of land that is rented increased from 43 to 59 percent from 1982 to 2002. A major shift also occurred in how the land is rented. In 1982, rented land was equally divided between crop share and cash rent. By 2002 more than two-thirds (69 percent) of the leased farmland was under a cash rent arrangement.

Another notable trend occurred in the financing of the farmland. Currently almost three-fourths, 74 percent, of Iowa's farmland is owned without debt. This compares to the 62 percent of the farmland that was debt free in 1982. From 1982 to 2002, the amount of farmland held under a contract also decreased significantly from 18 percent to 4 percent.

A final trend that likely is associated with the aging of farmland owners is the increase in the size of tracts of farmland owned. In 1982, 40 percent of Iowa's farmland was owned by people who had 80 acres or less. In 2002, land holdings in the 80 acre-or-less category had dropped significantly to just 13 percent. At the other end of the spectrum, land held by those with over 600 acres increased significantly from 5 to 16 percent from 1982 to 2002.

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The amount of land held by males or females remained unchanged between 1982 and 2002. Females currently own 47 percent of the farmland. This percentage is almost identical when considering only leased farmland. In that case, women own 46 percent of the land.

Given the increases in out-of-state ownership and the age of the owners, one would have anticipated an increase in the amount of land under the care of a professional farm manager. There was an increase in farmland acres using a professional farm manager but this increase was not statistically significant.

**Implications**

So where does this leave us? Is this just a set of interesting statistics or does it provide us with a glimpse of the future? Do we want to try and make any corrections, if possible?

Whether or not we want to make changes is a value judgment and the subject of another article. The changes coming, however, are significant and do have implications for how Iowa's land will be used in the future.

The average U.S. life expectancy is 77. That means with average life expectancy, we could expect almost one-fourth of Iowa's farmland to change hands in the next few years. The total may not be that high but, when those aging owners die, the land will be transferred somehow.

The answers to the survey questions lead me to believe that the trends we have seen for the last 20 years will continue. The amount of land anticipated to be transferred within the family remained approximately the same from 1982 to 2002. Of the farmland going to the family, there was a significant shift between willing and giving as a means of dispersal. But, in total, land going to the family remained at roughly three quarters of the total for the two time periods. Land that was anticipated to be placed in a trust increased significantly from 6 to 13 percent between 1982 and 2002.

If these trends continue, we will see more land rented using a cash rent arrangement over the next several years. We also will see more land owned by people who live out-of-state and they will own a larger share of the land.

Two immediate issues face the state's policy makers. One is the impact of the current government programs that are attached to the land due to payments based on production. The payments have increased rents and land values in Iowa. As more land is owned by people outside the state, the benefits of the higher rents and values will leave the state. Rent, in general, will leave the state as the ownership shifts to non-resident owners.

Second, the shift to cash-rented land could make it harder for young people to enter farming. Crop share renting has been a traditional way for the owner and operator to share the production risks, and loss of that option may make entry more difficult for beginning farmers.

The current situation and the potential trends make it even more imperative that farmland owners have an estate plan. This is especially true if one of the siblings has stayed behind to farm the land, while others moved away. Too often there are disputes and hard feelings when land is transferred without a well-conceived estate plan. In some cases, the farming heirs have to quit because they don't have the financial resources to buy out the other heirs who want their share of the estate.

There are always some events that might change these trends. For example, the record land values may continue and the subsequent desire to receive the money outweighs the reasons for holding the land. If this happens, we could expect to see more land changing hands via the real estate market.

Another possibility is that the succeeding generation will not have the same affinity or feeling for the land as the second generation. In other words, the land today is being passed on to those

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who either grew up on it or still have some non-monetary attachment to the land. Their children may not have the same affection for the land and as it is passed to them, the land will again be transferred via the market rather than within the family.

No one knows what direction farmland values with take; however, odds are that the current trends will continue, and even accelerate, for the next several years. These trends have definite implications for the future of farmland ownership in Iowa.

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