



Ag Land Prices & the 'Greder Curve'

Regardless of whether ag land values overall are trending up or down over previous years, whether yields are great or weather was unfavorable, there is something I've seen repeated annually throughout my nearly 50 years of experience in the agricultural lending and real estate business in North Iowa. I've dubbed this phenomenon the "Greder curve."

It doesn't take a rocket scientist to know that farmers will pay the best prices for farmland when they are optimistic and feeling wealthy. Isn't that true for all of us? What's not as obvious is when that optimistic season occurs. You might think that time would come after a large harvest. Instead, I've observed the most optimistic time may be right before harvest. The corn looks as thick as the hair on a dog's back. The risk associated with poor pollination and hail has passed.

The motivation of the active farmer buyers appears to be tied more closely to how full they expect the grain bins will be and less about how

full their bank accounts are. They are basing their buying decision on bushels rather than dollars. By next April, after they have paid for the fall dryer gas, the Christmas presents, the March 1 farm payment and the income tax, they don't feel nearly as wealthy.

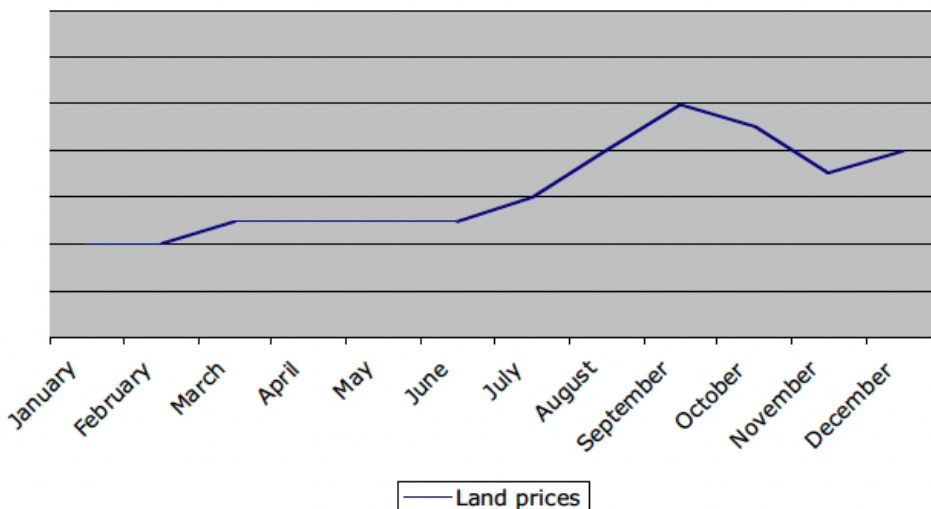
The land prices may show steady gain from January through the summer. In good crop years, they typically make a jump in late summer, just before harvest. Once the farmers start harvest, the prices dip back down and typically finish the year up from the beginning of the year, but farmland values often don't regain that Labor Day optimism.

Like most things in life, there are two sides to every coin. The impact of the Greder Curve is something to capture if you're selling. If you're buying, try not to get caught up in the "irrational exuberance" as former Federal Reserve Bank Chairman Alan Greenspan once called it.

Whether you or your clients are buying or selling, use the "Greder curve" to your advantage either way.

Remember, however, that what the "Greder curve" doesn't change is the valuation that will be placed on that property by the local taxing agency, mortgage holder or someone like me. None of us are swayed by the anticipation of a healthy harvest around the corner, but producers eyeing expansion just might be, without even realizing it.

The "Greder Curve"



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