

# G LAUB FARM MANAGEMENT

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# MID SOUTH VIEWPOINTS

SPRING 2021

MID-SOUTH LAND VALUES REPORT NOW AVAILABLE

A 93 - page report on land values in Arkansas, Louisiana, Mississippi, and Tennessee is now available, courtesy of the Mid-South Chapter of the American Society of Farm Managers and Rural Appraisers. In its fourth year of publication, the Mid-South Land Values and Lease Trends Report supports the chapter's goal of being the premier information center for all rural and farm landowners within the Mid-South.

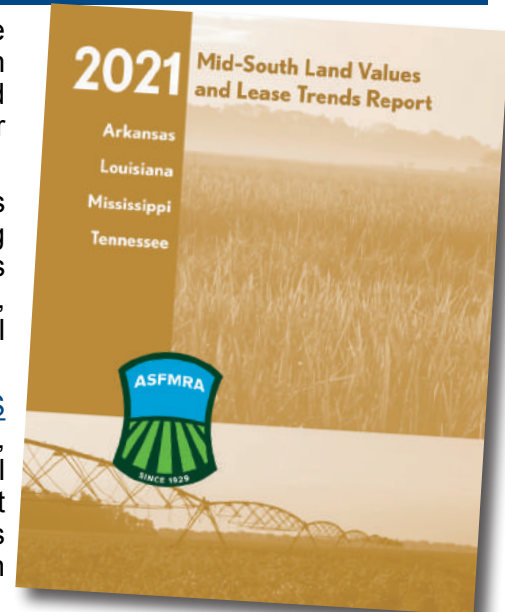
"The report highlights current trends with farmland values, sales, and rents across Arkansas, Louisiana, and Mississippi and parts of western Tennessee," said Doug Hartz, AFM, President of the Mid-South Chapter of the ASFMRA. "Within this publication, there are editorials covering timber, broiler construction cost, cattle, drones, deer health, quail and turkey habitat, agricultural lending, and environmental due diligence."

Copies are \$10 each and may be ordered online at [www.asfmra.org/LandTrendMS](http://www.asfmra.org/LandTrendMS) or by contacting Glaub Farm Management. According to GFM's Jeffrey Hignight, the publication is a huge undertaking by volunteers. "While the chapter has a small fee for a book, the cost is nowhere close to the value of this publication," Hignight said. "We have been fortunate to provide both financial and voluntary work hours developing the report. The time we invest is well worth it to provide quality information to current and future Mid-South landowners."

Remember this publication is an overall view of the Mid-South farmland market and should be used as a general source of information. We encourage you to visit with appropriate land professionals before embarking on important decisions that involve your farm property.

The report contains a complete roster with contact information for farm managers, appraisers, and consultants in the chapter's four-state area. Members with AFM, ARA, RPRA, and AAC after their names have earned designations through ASFMRA. To earn and maintain accreditation, ASFMRA members must achieve and demonstrate heightened levels of knowledge through testing, continuing education, practical field experience, and ethical accountability within their designated discipline.

*Mission: The Mid-South Chapter of the American Society of Farm Managers and Rural Appraisers strives to be the leading organization for rural property professionals by providing first class education, support, and accreditation opportunities, that professionals may provide the best service and highest level of expertise to their clients. We work to connect our members with a broader network of rural professionals located across the country in other chapters of the ASFMRA. The Mid-South Chapter values honesty, integrity and professionalism in all services provided to the clients and general public.*



## FIRST QUARTER AUCTION RESULTS



Land prices continue a strong price pattern, as evidenced by our recent auction, other auction results, and private treaty sales. On March 25, we auctioned 58+/- acres in two tracts located in the Milligan Ridge community of Mississippi County, about six miles southwest of Manila, Arkansas. The farm had a total of 57 FSA tillable acres. With high quality soils, it has a history of row irrigation producing cotton and soybeans in the past four years. In addition, these soils and the farm's location makes it well suited to grow peanuts, corn, and potentially specialty crops.

We decided to sell in two lots since 40 acres was row irrigated from a neighbor's well and the other 18 acres was row irrigated by its own well. Utilizing our online auction platform, we facilitated the bidding process, which resulted in an ending sale price of \$6,500 per total acre. Although local, the buyer was on a trip out of state yet still able to participate

in the auction. This is one reason we are continuing to use our virtual auction system: buyers can bid from anywhere as long as they have an internet connection.

The title search produced one minor hiccup—a lack of filing probate in the property's county location. The owner's parents lived in another state, and probate was filed in their home county. Arkansas requires an ancillary probate for those who do not live where the property is located. Fortunately, this issue only caused a slight delay in closing and did not affect the auction sale.

## FOOD PRICE INFLATION ON THE RISE

Changes in the international prices of food commodities is measured on a monthly basis by the United Nations Food & Agriculture Organization (FAO). Known as the FAO Food Price Index (FFPI), the analysis consists of the average price indices of five commodity groups—cereals, vegetable oils, dairy, meat, and sugar—weighted by the average export shares of each of the groups from 2014-2016.

The FFPI averaged 118.5 points in March 2021, which is 2.1% higher than February. This monthly increase marks the tenth consecutive monthly increase in the FFPI value, as well as the highest value to the FFPI since June 2014. The increase can be credited to strong gains in vegetable oils, meat, and dairy indices.

The FAO Cereal Price Index averaged 123.6 points, down 1.7% from February but still 26.5% above the March 2020 level. Wheat export prices declined in March, which can be credited to generally strong supply levels and favorable production conditions for 2021. International corn and barley prices also declined in March, though strong import demand from China kept them from falling even more than they did. Rice prices decreased in March after several months of strong prices, while sorghum prices rose in March.

The FAO Vegetable Oil Price Index averaged 159.2 points in March. This is 8% higher than February and is the highest level it has seen since June 2011. International palm oil prices saw a monthly increase for the tenth consecutive month. Soy oil prices also rose greatly due to the potential of firm demand from the biodiesel industry.

The FAO Dairy Price Index averaged 117.4 points in March, up 3.9% from February. This is the tenth consecutive month of increasing prices for the dairy index. International butter prices rose in March due to a slow start to the dairy production season in Europe. Milk powder prices also rose due to imports in Asia, specifically China.

The FAO Meat Price Index averaged 98.9 points in March, up 2.3% from February. This increase continues a six-month trend. Poultry and pork quotations increased due to imports by Asian countries, mainly China. Higher sales in Europe in preparation for Easter celebrations also supported pork prices. Bovine meat prices remained relatively steady with the February rate, as increases in quotations from Brazil and the US helped balance a decrease in export prices from Australia.

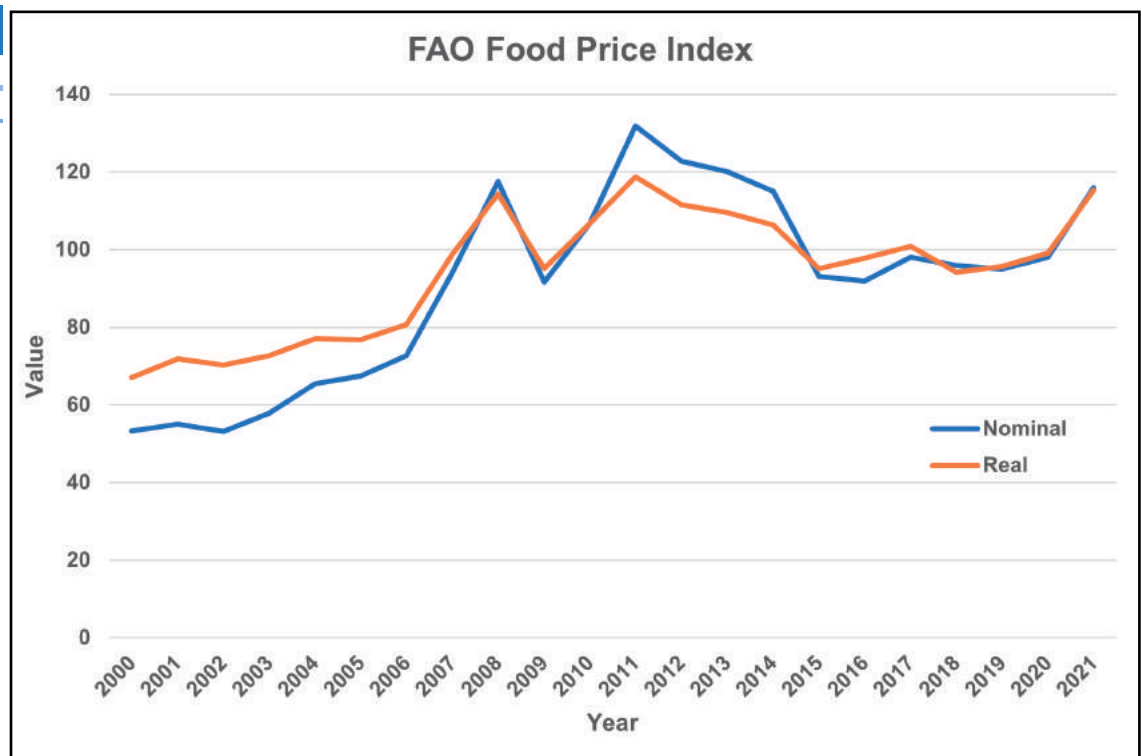
The FAO Sugar Price Index averaged 96.2 points in March, down 4% from February. This marks the first decrease in two months, which can be credited to the potential for large exports out of India. China's strong import demand prevented even more of a decline.

Food prices have been fairly stable over the last several years. With Covid disruptions in the supply chain, many commodities—including food—have started increasing. Some industry experts believe this trend will continue. Fortunately, those who own physical and real assets such as farmland have a hedge against inflation to protect wealth.

### FAO Food Price Index

2014-2016=100

Month	Nominal	Real
2000	53.3	67
2001	55	71.8
2002	53.1	70.2
2003	57.8	72.6
2004	65.5	77.1
2005	67.4	76.8
2006	72.6	80.7
2007	94.2	98.8
2008	117.5	114.3
2009	91.7	95.1
2010	106.7	106.8
2011	131.9	118.8
2012	122.8	111.5
2013	120.1	109.5
2014	115	106.3
2015	93.1	95.1
2016	91.9	97.8
2017	98	100.8
2018	95.9	94.2
2019	95	95.6
2020	98	99.1
2021	115.9	115.3



## HOW PROPERTY TAXES APPLY TO VACANT LAND

Property taxes apply to all land investments, regardless of whether you're living on the land, building on it, or making an income off of it. That means that if you own vacant land, you must pay property taxes on it although you may also be eligible for some rather decent deductions.

Here's what you need to know about property taxes on vacant land, followed by a glance at deductions for which you might be eligible.

The amount of property taxes that you owe on vacant land are calculated by your county tax assessor and are usually based on the "best and highest use" potential of the plot—i.e., its most profitable use. Even so, you can expect that the amount you'll owe for vacant land is much less than the amount you would owe for improved land.

Depending on where you live, you may have state specific rules that govern property taxes on vacant land and how much they can increase year after year. In Arkansas, for example, all agricultural lands in the state—including cropland, pastureland, and timberland—are given special classification by the state constitution (Amendment 59). The land is valued upon its productive use and not its market value. Arkansas Act 1185 requires that each county in the state shall be required to appraise all market value at least once every three years.

Landowners may find themselves facing higher property taxes than they anticipated, so a good rule of thumb is to look at the property tax history of a plot of land prior to purchasing it so that you can get a heads up on what you're in for. But if you buy vacant land and think the assessed value is too high—or if you think it's gone up too much in the past year—then you do have some potential recourse.

To appeal your property tax assessment, start by digging into the data. Pull up your property's record card and look for discrepancies in the description of your land. If you find any, you should have no trouble getting a fast adjustment. If that doesn't work, look to the comps and your land itself to make a case for why the assessed value is too high. You can then take this information to your county assessor, where you'll go through a formal appeal process.

Note that you'll likely face limitations on when you can appeal your vacant land property taxes. For instance, expect that you won't be able to place an appeal until a new assessment comes out after your purchase, and from there you may have between 30 and 90 days to launch your case.

On the bright side, as a land investor, you are eligible to write off certain expenses related to owning your vacant property, and that includes your property taxes. You can also write off the interest that you pay on your land loan. Keep in mind that under the Tax Cuts and Jobs Act (TCJA), certain deductions that were formerly standard for investors of vacant land—think improvements, maintenance fees, and legal and accounting fees—are no longer viable write-offs unless you are a land dealer purchasing property or who owns agricultural income producing property.



## IS LAND STILL A GOOD INVESTMENT OPTION?

Land has been one of the best investments in the US for the past two decades, but will the trend continue into the 2020s? In short, the long-term picture for the land market seems fairly positive, given that the supply is limited to 2.3 billion acres while the demand is steadily increasing. Yet, there's obviously a lot more to it.

The demand for land in this country—or any major country for that matter—is influenced by several standard factors:

- Uses for land
- Resources
- Financing availability
- Interest rates
- Economic conditions
- Export conditions
- Demographics
- Employment
- Government policies and subsidies

This list isn't absolute, but the above factors are the most important. That said, the only factor during the past few years working against the land market has been falling commodity markets, which have been improving over the past several months.

As far as the overall environment is concerned, there's still a lot of optimism. This is clearly reflected in the fact that consumer confidence has gone from just 37.4 in January 2012 to 127.4 in July 2018, which was revealed in a study by NBC News. Such optimism is backed by several strong factors, such as better corporate earnings, increased wages, extremely low interest rates, bullish stock market, rising retail spending, and more.

The all-time low interest rates—coupled with the falling inventory of homes and all the other factors discussed above—indicate that the optimism is here to stay. The construction industry is still not showing any signs of slowing down, while lumber prices have been steadily increasing.

As mentioned above, farmland values haven't shared the same optimism as the rest of the land market. However, given the agriculture industry's huge contribution to the US economy and its representation of 54% of all land in the US, farmland shouldn't be ruled out either—particularly because it's usually considered a fairly reliable investment option in the long-term, and the recent trends for farmland values haven't been too bad either. Both the farmland real estate and pasture land values showed a slight recovery, while the cropland values managed to hold their ground and arrest their fall. There seems to be little doubt about commercial opportunities. Rising consumer confidence, falling interest rates, and decreasing inventory of homes on the market, besides the other factors discussed above, indicate there may be good opportunities in the US land market for a long time to come. Plus, with values showing some signs of recovery, farmland isn't too bad of an investment option either. The global demand for agricultural goods is on the rise, and the global commodity markets are improving and expected to make a comeback soon as well.

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Ted L. Glaub  
Manager/Broker  
& Auctioneer



Jeffrey Hignight  
Manager/Broker



Houston M. Matthews  
Certified General  
Appraiser

## LAND INVESTMENTS: CURRENTLY AVAILABLE & RECENTLY SOLD

- 13 +/- Acres in Greene County, AR (Available)
- 58 +/- Acres in Mississippi County, AR (Sold)
- 67 +/- Acres in Phillips County, AR (Available)
- 185 +/- Acres in Lonoke County, AR (Pending)
- 888 +/- Acres in Prairie County, AR (Sold)
- 940 +/- Acres in St. Francis County, AR (Sold)
- 1,153 +/- Acres in Monroe County, AR (Sold)

A large portion of sales occur on properties not listed or advertised on the open market.  
Contact us about these listings and additional land investments.

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