



LAND
STEWARDSHIP
PROJECT

LSP Myth Buster #35

An ongoing Land
Stewardship Project
series on ag myths
and ways of
deflating them.

Updated: Dec. 2012

→ **Myth:** High land prices benefit the economies of rural communities.

→ **Fact:**

When news broke in October that yet another Iowa farm was sold for a record price—\$21,900 per acre in this case—one could

be forgiven for jumping to an obvious conclusion: Farm Country is flush with cash these days.

Indeed, based on pure numbers, the statistics are impressive. The average value of an acre of Iowa farmland has tripled in the past 10 years. In Minnesota, the statewide average land value is \$4,900 an acre, an increase of about 23 percent over 2011.

In general across the Midwest, land prices have reached levels not seen in a century, even adjusted for inflation.

Armchair economists say it's simply a matter of supply and demand. Market prices for commodities like corn and soybeans are at all-time highs, so it naturally follows that prices for the soil that can produce those commodities would also be through the roof. That's partially true, but, as the *Land Stewardship Letter* has reported (see No. 1, 2012, pages 14-15, www.landstewardshipproject.org/about/mediarelations/landstewardshipletter) it's a little more complicated than that.

Government policies like crop insurance remove virtually any risk from farming land that in the past may have been considered too poor to raise a crop on profitably. This has made it quite lucrative for large landowners to bid up prices on even highly erodible, marginal land.

It also turns out that the conventional wisdom that high land prices always result in a healthier rural economy is also pretty simplistic, and in most cases, downright wrong. *Bloomberg News* recently did a fascinating analysis of the relationship between farmland values and income disparities.

The focus of *Bloomberg's* reporting was Iowa, which has traditionally had a relatively narrow gap between the richest and the poorest residents. A wide income disparity gap has long been more closely associated with metropolitan areas—think New York's Park Avenue and Harlem's slums, for example. However, according to the U.S. Census Bureau, less populated areas now dominate the ranks of U.S. counties where income inequality increased the most sharply in recent years.

Some of the disparity can be attributed to the land boom. Take O'Brien County, Iowa, for example, which had the state's highest—\$9,513—average per-acre land value in

2011. According to *Bloomberg*, in that county, “The top 10 percent of wage-earning households collected 54 percent of the county's income in 2010, compared with 40 percent a decade earlier. Of more than 3,000 U.S. counties, O'Brien had the 23rd highest jump in income inequality from 2000 to 2010.”

Families that sell out to the highest bidder are often not living in the community any more, meaning their wealth isn't staying local. In addition, when a farm is sold, it's more than likely bought to add acres to a larger operation, not to serve as a basis for a new start-up.

“Iowa had had historically low levels of inequality, but now it is skyrocketing,” Iowa State University sociologist David Peters told *Bloomberg*. “Today you have far fewer farmers and a small number earning larger and larger incomes. It doesn't spread through the economy like it used to.”

This is bad news for Main Street businesses as well as local institutions like churches and schools, which rely on warm bodies to stay viable, no matter what land is selling and renting for. It's also bad news for beginning farmers, who are priced out of even renting land, let alone buying it.

As the Land Stewardship Project's Farm Beginnings program has learned, this means it's a critical time to ask an important question of landowners: is getting the highest price possible for that acre of land worth the price it imposes on the community?

→ **More information**

- To read the *Bloomberg News* article, “Nation's Breadbasket Heads to the Soup Kitchen as Inequality Grows,” see <http://go.bloomberg.com/multimedia/nations-breadbasket-heads-to-soup-kitchen-as-inequality-grows>.

- For more information on what LSP is doing to help beginning farmers get access to farmland, see www.landstewardshipproject.org/morefarmers/lspfarmernetwork.

→ **More Myth Busters**

To download copies of previous installments in LSP's Myth Busters series, see www.landstewardshipproject.org/about/libraryresources/mythbusters. For paper copies, contact Brian DeVore at 612-722-6377.