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Energy Farming

Rolling blackouts in California and projected future outages in Iowa are prominent news topics. This has led to considerable discussion of alternate energy sources. The use of wind energy is a logical response to this looming “crisis” and could increase land values and revitalize rural communities. A farmer who leases a quarter acre of cropland to a utility company as a wind turbine site can typically earn \$2,000 in royalties per year for the production of electricity. Since the turbines result in minimal interference with crop production, the same parcel can still produce a near normal cash crop return. The three states of North Dakota, Kansas and Texas have enough wind energy potential to meet the electricity needs of the whole country, according to a U.S. Department of Energy wind resource inventory. Electricity produced from wind may also be used in the future to electrolyze water, producing hydrogen that is seen as the fuel most likely to be used for the fuel cell engines of tomorrow’s motor vehicles. If this comes to pass, American farmers and ranchers will replace the foreign oil sheiks as our primary energy providers.

It is also encouraging to hear that oil exploration has begun once again in Iowa. A well-researched site near Clarinda in Page County is reported to have geological formations similar to those found in successful oil fields in Kansas.

Another positive for farm commodity prices and Iowa land values has to be the recent decision by President Bush to deny California’s request for a waiver from federal clean air laws. This long awaited decision will require the addition of ethanol to gasoline in California. Bush’s decision is expected to increase the use of ethanol by almost 600 million gallons a year and could increase corn prices by up to 15 cents a bushel.

Sales Activity Remains Strong

The number of sales for the period January-March 2001 is up statewide from 1,312 to 1,460 or 11% higher than the same period last year. The most dramatic increases are in the Northwest crop reporting district where there is a 112% increase in the number of sales for land with CSR’s of 75 or more. Much of that increase can be attributed to just two counties – Pocahontas and Buena Vista. Pocahontas County had only four sales in this category last Jan.-Mar. compared to fifteen this year – a 275% increase. Buena Vista County had six such sales in this period a year ago compared to thirteen this year – 117% higher.

The North Central district shows an increase in sales of both high and medium quality land – 58% and 79% respectively. Sales activity is strong in nearly every county of this district. Non-CSR sales are up a sharp 64% in the Southwest and 45% in the South Central district. While strength can be found in nearly every non-CSR county, most of the increase can be attributed to Pottawattamie County in the Southwest district and Appanoose, Warren and Wayne Counties in the South Central district.

Land and Stock Trends

About two years ago I received a phone call from a man who wanted an overview of Iowa land price changes during the 1970’s and 1980’s. When I learned he was a financial planner, I asked why he was interested in land price trends. He said he was preparing for a presentation to a group of investors and wanted to show that the stock market would have a price correction similar to that of the land market in the 1980’s. I wish I had taken his idea more seriously! I didn’t write down his name, so I couldn’t follow up and see if he applied the results of his analysis. – KDC