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What Does The Future Hold?

There has been considerable negativity in recent months about the future of the economy, but you can always find a silver lining in every dark cloud if you look hard enough. According to a recent news article, worldwide soil fertility problems such as acidity, salinity and poor drainage will be an increasing hindrance to food production around the world. According to a study by the International Food Policy Research Institute, nearly 4 million acres of farmland or one percent of irrigated area worldwide is lost to excessive salt every year. In Asia only about six percent of farmland is free of such problems. This loss of farmland and a corresponding expectation that world population will grow by 1.5 billion during the next 20 years should translate into an increased demand for farm products and an increase in exports. North America has the largest share of the best land at 29 percent. Our challenge will be to increase crop production and at the same time preserve our own soil for future generations.

The Agriculture Department projects that farm exports should rise from \$50.9 billion last year to \$53 billion this year, then steadily increase to about \$66 billion within five years. This scenario is based on a healthy world economic outlook, which we have been expecting for some time. High energy prices are probably the greatest threat to world economic growth. While high energy prices have stifled world economic growth and exports, they have also led to an increased demand for ethanol, which is often the cheapest option at the pump. The Governors' Ethanol Coalition report states that if ethanol use were quadrupled to 6.5 billion gallons over the next 15 years, American consumers would save almost \$60 billion dollars. About 635 million bushels of corn is currently utilized for ethanol production. Iowa produced 1.7 billion bushels of corn on 12 million acres last year. According to the report, if all this corn were used to produce ethanol it would make 4.5 billion gallons, or the equivalent of 190 million barrels of crude oil. This represents a 21-day supply of crude oil for the United States. This country's dependence on foreign oil has doubled since the Arab embargo of 1973. Today about 56 percent of the oil used in the U.S. is imported. If the trend continues, the proportion will increase to almost 70 percent by 2010. With gasoline prices projected to reach \$2 to \$3 per gallon, increased ethanol demand and production would seem to be a foregone conclusion.

How the issues of world soil damage, farm exports and high energy prices will impact farmland values remain to be seen. The facts seem to indicate that the world will increasingly look to North America for its food needs. This would seem to indicate that our farmland will be in demand to meet these needs. This should have a positive effect on future farmland values.

Sales Activity Is Up

The number of sales for the first quarter of this year is running ahead of the same period a year ago. There have been more sales in every reporting district except for the Central district. The greatest increase in sales is in the Northeast district, which is up 46.5 percent from last year. The smallest increase in sales is in the South Central region with an increase of two percent.

The number of sales of high quality land is up 28.5 percent for the January – March period. The number of sales of medium grade land is up 27.5 percent, low quality is down 2.5 percent and ungraded (no CSR) is up 20.9 percent for the first quarter.