

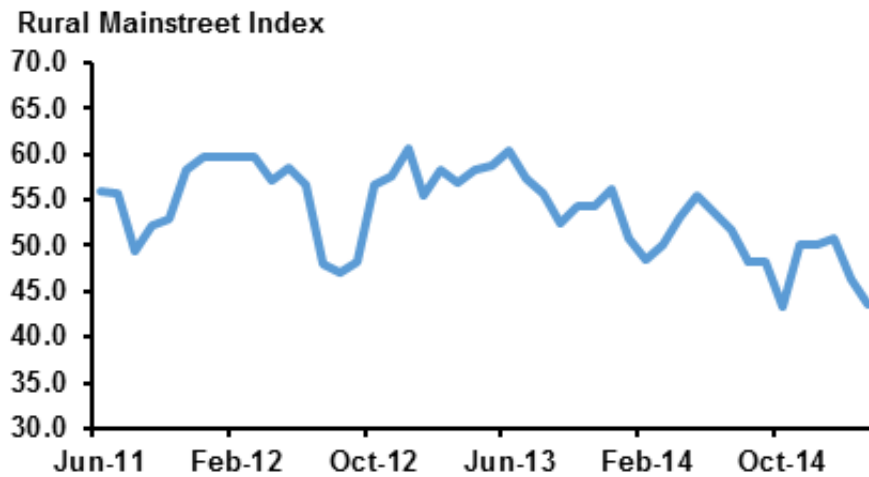
Strong U.S. Dollar Weighs on Rural Economy

Colvin • March 23, 2015

Rural bankers saw a continued decline in both the rural economy and farmland prices over the past month. The strong U.S. dollar is making U.S. corn less attractive on the global market. The glut of corn and soybeans harvested in 2014 continues to weigh heavily on their respective prices. The stabilization of U.S. farmland prices has increased investor interest in farmland with investors purchasing a slightly larger number of acres than eight months ago.

The Rural Mainstreet Index (RMI), an index which ranges from 0 to 100 with 50.0 representing growth neutral, decreased in the March report to 43.6 from 46.4 in February. Ernie Goss, Ph.D, Economics Professor at Creighton University stated, "The strong US dollar is undermining the farm and energy sector by weakening agricultural exports, crop prices and energy prices. Rural Mainstreet businesses dependent on export, agriculture or energy are experiencing pullbacks in economic activity."

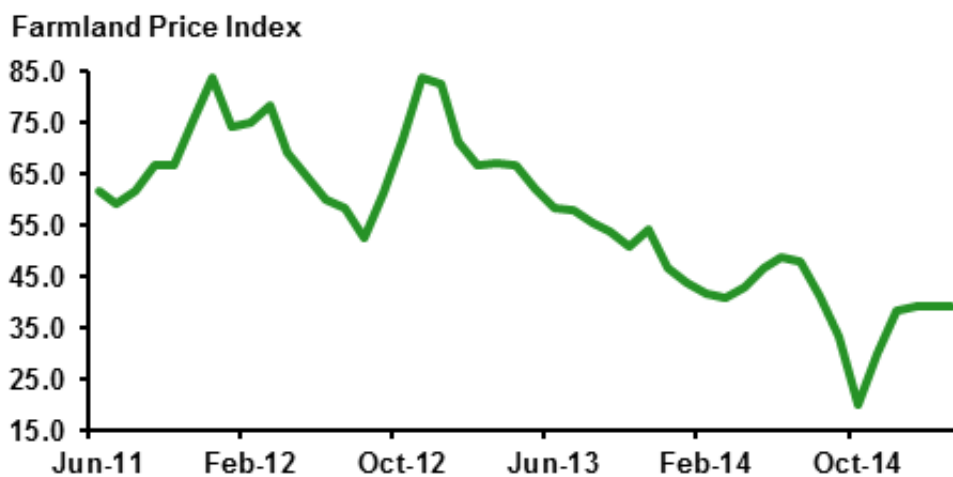
Many expect that the 2015 USDA Prospective Planting report, released at the end of March, will provide more insight into what 2015 may hold for crop price potential. Analysis of the fertilizer market shows that many farmers will be cutting back on nitrogen, phosphorus, and potassium application this year to manage the cost of their operation. If they do, crop yields will be impacted and decline from the expected yield trend.



[<http://www.farmlandforecast.com/wp-content/uploads/2015/03/RIM-March-2015-Rural-Mainstreet-index-Colvin-Co.-LLP-Greyson-Colvin-Marc-Schober-Patrick-Cheney-John-Fairbairn-Farmland-Forecast.png>]

Source: Rural Mainstreet Index Creighton University

The farmland price index remained at 39.4 for the third consecutive month. “Even though crop prices have stabilized, demand for farmland remains weak pulling agricultural land prices down again. This is the 16th straight month the index has moved below growth neutral,” said Goss. Farmers have reported a significantly different story with auctions being well attended and the number of “No Sales” declining significantly from a few months ago.



Source: Rural Mainstreet Index Creighton University

The farm equipment sales index decreased to 15.2 from 19.5 in February. The index

again plunged to a near record low. Pre-planting is normally a very busy season for new farm equipment sales, but indications show that demand is near nonexistent as farmers brace for what may be a second year of decreased farm income.

This month bankers were asked, "What percentage of agriculture land sales in your area over the past year have been made to nonfarmer investors?" The average response was 17.5%, a 3.1% increase from what was reported in June 2014. The stabilization of farm prices over the past six to eight months has increased investor interest in the sector. Farmers needing to inject capital into their operation have been more willing to separate with some of their owned acres, and rather than sell it to another farmer many have turned to investors allowing them to continue to operate the land.

Table 1: Rural Mainstreet Economy Last Two Months and One Year Ago: (index > 50 indicates expansion)

	March 2014	February 2015	March 2015
Area economic index	50.1	46.4	43.6
Loan volume	65.5	46.4	64.9
Checking deposits	65.5	57.3	56.4
Certificates of deposit and savings instruments	42.5	41.8	44.7
Farmland prices	40.9	39.4	39.4
Farm equipment sales	29.3	19.5	15.2
Home sales	51.8	50.9	55.5
Hiring	60.0	56.5	52.2

Retail business	49.2	43.7	40.4
Confidence index (area economy six months out)	47.3	41.5	47.8

Survey

This survey represents an early snapshot of the economy of rural, agricultural and energy-dependent portions of the nation. The RMI is a unique index covering 10 regional states, focusing on approximately 200 rural communities with an average population of 1,300. It gives the most current real-time analysis of the rural economy.

- Colvin



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