



Hobbyists Are Pricing Out Some Farmers and Ranchers

📌 agriculture

Summary: The boom of hobby farmers is driving up rural real estate prices and driving traditional farms out of the market. With aesthetically attractive farms being the most in demand, here are the best ways to advise traditional farmers and ranchers so they can find viable, affordable land.

George Washington was still in his first presidential term when the first edition of The Old Farmer's Almanac was published in 1792. A source of wildly accurate weather and astronomical calculations, as well as a little entertainment, the Almanac is the longest-standing periodical in North America. Sources say the formula used by Robert B. Thomas, the original editor, is 80% accurate — an indispensable tool for the agricultural world. If only the Almanac could have predicted one of the most widespread problems farmers and ranchers are facing in 2022: the rise of hobby farms. These non-traditional, personal farms are making rural land pricier and harder to procure for business-focused farmers and ranchers.

If your community financial institution (CFI) is an agricultural lender, as many are, you follow weather, stock prices, commodity futures, and other factors that affect your customers. Now there's another factor to understand: the demand for hobby farms. In some areas, wealthy people's desire to own a picturesque property is pricing farmers out of the market for renting or buying a base of operations. The rising expense of land makes farm and ranching operations more tenuous, both increasing the need for loans and raising the likelihood of loan delinquency.

Farmland costs more overall

The problem doesn't exist in every part of the US, but it's a factor in a significant number of farming regions. [According to the US Department of Agriculture, the value of farm real estate](#) went up by 7%, or \$220 an acre, from 2020 to 2021. Cropland was up 7.8% YoY and pastureland rose by 5.7%.

The prettier the spot, the more it's worth

Even the most windswept, out-of-the-way farmland has its own particular beauty. In this market, however, the more conventionally attractive a property is, the more it's likely to be worth. Parcels that are close enough to major metropolitan areas to be logical locations for second homes can bring even higher prices. Some buyers, especially those who work remotely, are newly interested in this type of area as a place for a primary home.

New York's Hudson Valley is just one example of this phenomenon. The average listing price for undeveloped land, including farms and ranches, rocketed by 62% between January 2020 and January 2022. The area is a popular one for both second homes and vacation rentals through such platforms as Airbnb.

That makes it more difficult and expensive for farmers to find land for their operations, as well as places to live. A one-bedroom apartment in Coxsackie, NY, for instance, attracted 130 applications, showing just how high the area's demand for housing has become.

The situation is similar near Atlanta, around Austin, TX, in California’s Bay Area, and in some sections of Washington. In fact, farmers’ difficulties in finding affordable land is a nationwide problem. The One Million Acres for the Future campaign aims to help ameliorate the issue by asking Congress to invest \$2.5B to help facilitate land access through the 2023 Farm Bill. The problem is the most severe, says coalition land campaign director Holly Rippon-Butler, *“in places where there’s a lot of money and the agricultural land is high quality and aesthetically attractive.”*

Non-farm buyers have a financial head start

Non-farm buyers often have a borrowing advantage over farmers and ranchers as they compete to buy agricultural properties. They can frequently access standard mortgage options. Beginning farmers, on the other hand, tend to rely on slower loans through the USDA.

Land that’s actively farmed can qualify for property tax breaks, which would seem to give an advantage to farmers. But farmers who have tried to rent land from homeowners say that the realities of farm life — birth, death, noise, manure — aren’t in keeping with the hopes of owners who want, at most, a storybook farm.

Instead, homeowners often hire someone to grow and harvest hay, which is aesthetically pleasing, quiet, pleasant smelling, and doesn’t involve slaughter. It also qualifies the land where it grows for a tax break.

What CFIs can do

Much of the value for CFIs in understanding this dynamic is in the ability to advise farmer and rancher customers. These clients need to know that:

- Partnerships between landowners and farmers can work. Successful agreements typically last long enough for farmers to develop a customer base and sustainable operations. They also involve landowners who understand the realities of farming and are able to prioritize letting farmers do their work over concerns about landscaping or optics.
- Conservation agreements, easements, and other incentives to keep land undeveloped can also help farmers find space to work.
- In the short term, “pick an area that’s not so pretty” might be among the best advice a banker can give.

LOOKING TO GROW YOUR LOAN PORTFOLIO?

Financial institutions are looking for ways to boost their loan portfolio. Depending on your portfolio concentration, you may need C&I loans or choose a hedging solution to satisfy the long-term, fixed-rate needs of your customers. Check out our [Lending Services](#) to find the right solution for your institution.

ECONOMY & RATES

Rates As Of: 08/05/2022 01:31PM (GMT-0700)			
Treasury	Yields	MTD Chg	YTD Chg
3M	2.58	0.17	2.52
6M	3.10	0.19	2.91
1Y	3.24	0.31	2.85
2Y	3.24	0.35	2.50
5Y	2.96	0.28	1.70

10Y	2.83	0.17	1.31
30Y	3.07	0.06	1.16
FF Market		FF Disc	JOBB
2.33		2.50	2.40
SOFR		Prime	QBER
2.29		5.50	2.32

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.