

# **Property Values & Livestock Farming – The Whole Story**

## **An analysis by the Coalition to Support Iowa’s Farmers**

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*Editor’s note: Do livestock farms affect the value of nearby land and residences? The answer is a provocative “yes,” but not nearly for the reasons trumpeted by those opposed to the growth of livestock farming in Iowa. That’s the conclusion of a six-month analysis conducted by the Coalition to Support Iowa’s Farmers (CSIF).*

*In the last of a three-part series, we review the results of studies conducted in eight states. The studies reveal that the correlation between livestock farms and property values is a complicated one and dependent on many factors, from the style and size of a farm to how its managed.*

### **Part III -- Studies inconclusive**

(West Des Moines, IA – Jan. 17, 2009) Numerous reviews and working papers have been written to shed light on the impact – positive or negative – new livestock, hog and poultry farms have on the value of neighboring property.

In 2003, Iowa State University’s Center for Agricultural and Rural Development (CARD) examined the issue. While its authors stopped short of saying the issue of livestock farming and property values is entirely subjective, they did suggest that the changing structure of animal agriculture and Iowa’s rural communities plays a significant role in the discussion.

For example, the report noted that in 1980, approximately 65,000 Iowa farmers raised hogs with an average of 200 pigs residing on each farm.

“When living or traveling rural areas, one expected to smell the smells, hear the noises and see the sights that accompany such operations,” the authors noted. “Complaints between rural neighbors about livestock operations made little sense when everybody had livestock.”

By 2002, however, the number of farms with hogs totaled 10,000 and each was home to an average of 1,400 pigs. This change, the authors wrote, “now means far fewer rural residents have a large financial interest in livestock. What once was the smell of money is now the smell of somebody else’s money and an externality to be dealt with.”

To assess the potential extent of “damages” caused by Iowa hog farms, CARD conducted a hedonic, or quality-value analysis, of the impact of livestock facilities on rural residential property values by reviewing 1,145 actual home sales in five north central Iowa counties. After studying the data, CARD wrote that the “results suggest that there may be approximately a 10 percent drop in property value if a new livestock facility is

located upwind and near a residence.” They added, however, that their estimates were only predictions.

In 2008, Purdue University Extension summarized a review of studies measuring the impact of confined animal feeding farms on nearby property values. It found that in Ohio, the change in property price was defined as “small.” In North Carolina, property value changes ranged from minus-3.6 percent to none. In Iowa, property value fluctuations ranged from a minus-6 percent to a 4 percent *increase*.

“The obvious implication is that individuals will realize different impacts from the location of CAFOs,” wrote Purdue Extension’s Roman Keeney. “An interesting point raised in the study of Iowa property values is that larger operations tend to be newly built and employ best available technologies for dealing with waste and odor. As a result, it may be that larger operations are not necessarily more harmful than smaller feeding operations.”

At the University of Missouri, Ann Ulmer and Ray Massey of the school’s Agricultural Economics Extension conducted a literature review in 2006 of eight studies measuring the impact of animal feeding farms on residential and nonresidential land prices. These studies were conducted in six states: Iowa, North Carolina, Michigan, Pennsylvania, Colorado and Missouri.

Five of the eight studies, they wrote, indicated that livestock farms reduced nearby residential property values from .3 to 16 percent. The amount of reduction was based on numerous variables including whether the farmer raised livestock, dairy or poultry, distance between the farm and residence and wind direction.

Interestingly, three of these five studies indicated that larger animal feeding farms (or the presence of many animals) influenced residential values *less* than smaller farms. And in Colorado, researchers found that increasing the size of beef and dairy farms decreased the value of residences while the increase in the size of hog farms increased the value of nearby residences.

A positive correlation between hog barns and property values was also discovered in a recent study conducted by Indiana University.

The study, produced by the Indiana Business Research Center (IBRC) for the Indiana Soybean Alliance (ISA) and released November 2008, based its results in part on an analysis of real estate transactions in three Indiana counties between 2000-2006.

Researchers found that hog barns located within one mile of a non-town residence increased the sale price by \$12,700.

Timothy Slaper, co-author of the report and director of economic analysis for the IBRC at IU's Kelley School of Business, says the study showed that a “definitive negative impact on property values could not be supported statistically.”

Jane Ade Stevens, interim director for the Indiana Soybean Association, agrees.

"The study reinforces the fact that assessing the impact of a livestock barn on property values is very complicated," she says. "To make unsubstantiated statements that any or all hog barns have a negative impact on property values is not supported by the study's findings."