Kansas Land Values and Rental Rates

Mykel Taylor
Associate Professor
K-State Dept. of Agricultural Economics
mtaylor@ksu.edu
Current Economic Conditions
Returns to Farming

NC KFMA Enterprise Analysis

Source: KFMA Enterprise Reports (http://www.agmanager.info/kfma)
Returns to Farming

NC KFMA Enterprise Analysis

- Wheat
- Corn
- Grain Sorghum
- Soybeans

Source: KFMA Enterprise Reports (http://www.agmanager.info/kfma)
Returns to Farming

NC KFMA Enterprise Analysis

Returns over Total Costs ($/ac)

Wheat
Corn
Grain Sorghum
Soybeans

Source: KFMA Enterprise Reports (http://www.agmanager.info/kfma)
Returns to Farming

NC KFMA Enterprise Analysis

Returns over Total Costs ($/ac)

-150 -100 -50 0 50 100 150

Wheat  Corn  Grain Sorghum  Soybeans

Source: KFMA Enterprise Reports (http://www.agmanager.info/kfma)
Returns to Farming

Source: KFMA Enterprise Reports (http://www.agmanager.info/kfma)
Net Farm and Ranch Income

Net Farm Income Per Operator

Returns over Total Costs

- Dryland Crop
- Cowherd

- 2008: $(20,000)
- 2009: $(20,000)
- 2010: $30,000
- 2011: $80,000
- 2012: $130,000
- 2013: $180,000
- 2014: $180,000
- 2015: $180,000
- 2016: $180,000
- 2017: $180,000
Average Net Farm Income
Distribution of NFI

31% of farms
Farm Family Living Expenses

Total Family Living Expenses

$68,095 annual
Bankruptcies Filed by KS Farms

No. of Bankruptcies Filed

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<td>No.</td>
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<td>6</td>
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Bankruptcies Filed by KS Farms

KS Chapter 12 Bankruptcies

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<th>Year</th>
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<td>2016</td>
<td>21</td>
</tr>
<tr>
<td>2017</td>
<td>25</td>
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Rental Rates
2017 USDA Non-Irrigated Rents

Source: USDA National Agricultural Statistics Service - Sept 8, 2017
2017 USDA Pasture Rents

Source: USDA National Agricultural Statistics Service - Sept 8, 2017
Public Information

Limited public information on rental rates
  ◦ Surveys (USDA, some KS Counties)
  ◦ K-State budgeting approach: what a representative farmer could afford to pay

Comparisons need to be done carefully
  ◦ One measures what is actually being paid
  ◦ One measures what we expect could be paid
### KSU Non-Irrigated Rental Rates

<table>
<thead>
<tr>
<th></th>
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<td>Osborne</td>
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<td>26.30</td>
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<td>Ottawa</td>
<td>74.70</td>
<td>92.50</td>
<td>63.70</td>
<td>45.10</td>
<td>28.60</td>
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<td>Phillips</td>
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<td>84.00</td>
<td>57.90</td>
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<td>Republic</td>
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<td>115.60</td>
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<td>Rooks</td>
<td>66.80</td>
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<td>59.90</td>
<td>40.40</td>
<td>67.30</td>
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<tr>
<td>Average:</td>
<td>$85.87</td>
<td>100.45</td>
<td>69.31</td>
<td>49.23</td>
<td>31.61</td>
<td>53.67</td>
<td>55.38</td>
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</table>
USDA vs. KSU – Republic

Non-Irrigated Rental Rates ($/ac)

Source: USDA-NASS and www.AgManager.info/land-leasing
Why are rents staying high?

Multi-year leases
- Consider signing 3-5 year leases but renegotiate rate annually

Good yields in 2017-18 in some areas
- Kept some profitability in sector to pay rents that wouldn’t be affordable with average or below average yields

People are willing to pay more than they can afford in the short run
- Length of the short run is going to vary by producer
Online Resources

2017 Kansas County-Level Ag Land Values
- www.agmanager.info/land-leasing/land-buying-valuing

2018 Rent Estimates: Non-Irr. & Irrigated Cropland
- www.agmanager.info/land-leasing/land-rental-rates

Pasture Rental Rate Tool
- www.agmanager.info/land-leasing/land-rental-rates/pasture-rental-rate-decision-tool
Leasing Relationships
Demographic Information

Not surprising that men are the dominant gender of the producer group

D7. What is your gender? (P)

- Male
- Female
Demographic Information

Women make up a much larger percentage of the landowner group.

Does this matter for relationships?

- Conversations with their husband

B9b. What is your landlord's gender?

- Male
- Female
Demographic Information

Average age: 59.6

D7. What is your age? (P)
Demographic Information

Aging farmer population

- Technology is allowing farmers to keep working longer
- Succession plans may have been delayed with recent economic downturn

D1. How many years have you been farming?
Demographic Information

Average age: 72.9

Landowners
  ◦ Don’t typically have the capital to invest in farmland until later in life or...
  ◦ Inherit from parents

Implications of their age
  ◦ Communications may have to be adjusted (texting, letters, etc.)
  ◦ Fixed income – may want fixed cash lease
Demographic Information

Proximity of landowner affects
- Communication (in-person or distance)
- Ability to monitor tenant activities

Often tied to generational distance from the farm
- Perceptions of commercial agriculture
- Understanding of farm practices, farm policy, commodity markets

B4. Where do the LL's live?
- on the farm
- same county
- outside county, same state
- outside state
Demographic Information

Number of years in landowner/tenant relationship

Attitudes toward return on investment

Loyalty to existing leasing arrangement
  ◦ Style of lease
  ◦ Lease amount

B12. How did this landowner obtain the land?

- Inherit
- Purchase
Demographic Information

D9. What % of household income was earned from farming? (P)

- Less than 25%
- 25-50%
- 50-75%
- 75-100%

D9. What % of household income was earned from farming? (L)

- Less than 25%
- 25-50%
- 50-75%
- 75-100%
Lease Information
Lease Information

Communication is key to relationships

◦ Keep them updated on farming practices, market conditions
◦ Helps with the tough talks on renegotiating

B14. How often do you meet or interact with the landowner?

- 5+ times per year
- 2-4 times per year
- Once per year
- Less than once per year
Lease Information

Communication is key to relationships
- Different conversation with an individual (neighbor) versus a banker/lawyer

Group dynamics versus individual
- Siblings with different ideas about how to manage the farm

B8. Who do you lease from?

- Individual
- Group
- Trust
- Other
Lease Information

Perceptions of commercial farming
- Understanding of farm programs, farming practices, markets
- Likelihood of cash rent versus crop share

B10. Is this landowner a retired farmer/rancher?

- No
- Yes
Lease Information

Average: 17.7 years

B13. How long have you been renting from this person/entity?
Lease Information

Communication issues
- Gets harder to talk to more people
- Use a newsletter or similar communication for group

Implications for lease type
- More likely to select a fixed cash lease to reduce paperwork burden

B3. How many landlords do you have?
Who has more power in negotiating lease terms?

A. Landowner
B. Tenant
Who has more power in negotiating lease terms?

A. Landowner
B. Tenant
Negotiating Power

Farmers tend to have better information
- Rental rates (their other leases, coffee shop)
- Market and production conditions
- Technology
- Government programs

Landowners tend to have...the land
Kansas Land Values and Rental Rates

Mykel Taylor
Associate Professor
K-State Dept. of
Agricultural Economics
mtaylor@ksu.edu