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2014 Cash Rent Regional Reports

Nebraska

Cash Rents in Nebraska for 2014 are steady compared to last year in most areas, according to Blake Florell, AFM, Farmers National Company area vice president, Kearney, Neb.

High quality irrigated farm ground continues to be in very strong demand, affecting lease rates. Several factors are impacting demand for this type of farmland, including excellent irrigated yields over the last several years. According to Florell yields were also strong for dry land in many areas of Eastern Neb. in 2013.

“Competition by producers to expand farming operations, underlying land asset values and long term future optimism will keep lease rates strong into next season,” said Florell.

Current cash rent lease value ranges vary in Nebraska, from \$215 - \$425 for irrigated land and \$50 - \$400 for dry land, depending on location. Cash rent values traditionally strengthen from western areas to eastern areas in Nebraska, for both dry land and irrigated ground.

Indiana and Ohio

Cash rent rates in Indiana and Ohio for 2014 are steady to higher, reported Steve Wright, Farmers National Company area vice president, Lafayette, Ind. Even with recent drops in commodity prices, demand for land to cash rent is still very high.

“Operators are looking to amortize their machinery cost over more acres,” said Wright.

In this area, Cash Rent-*Plus* (flex rents) have become the lease of choice by both land owners and operators. “It provides base rent with upside potential for the land owner, but only if the operator has a good year,” said Wright.

Rates in Indiana and Ohio are a reflection of the corn belt as a whole, which saw a larger than expected crop in 2013. Producers are facing lower commodity prices, countered by lower fertilizer costs.

Moving into 2014, Wright projects rents to be steady to slightly higher with more leases moving to Cash Rent -*Plus*. Current cash rent lease value ranges vary in Indiana from \$200 - \$400 based on location, and in Ohio from \$100 - \$325 based on location.

Kansas

Cash rent rate levels for 2014 in Kansas remain steady in comparison with those of the previous year, according to Brock Thurman, AFM, Farmers National Company area vice president, Kiowa, Kan. He reports that lease activity here is in line with trends across the grain belt.

“Moving into 2014, projections point to steady rents on cropland, and possible slight increases in pasture rents,” said Thurman.

Current cash rent lease values in Kansas range from \$50 - \$200 for non-irrigated land to \$125 - \$300 for irrigated acres.

Kentucky

Cash rents in Kentucky are looking very similar in 2014 to what was seen in 2013, according to Parke Carter, AFM, Farmers National Company area vice president, Lexington, Ky. Current demand will maintain cash rent levels through 2014, despite reduced commodity prices said Carter.

Variable leases are making a showing in Kentucky. In addition, crop share rental arrangements where landlords and operators split expenses are prevalent. Other trends include strong appreciation levels on long-term leases that have just been re-negotiated.

“Most rental values in 2014 should remain equal to 2013 levels,” said Carter. “However, we are seeing cases of re-negotiated long-term leases that were undervalued increasing up to 50 – 60 percent in some cases.”

Cash rents on good cropland range from \$100 - \$300 per acre based on location.

Iowa

Lease activity is high in 2014 with demand very strong for all farmland classes, according to Larry Hill, AFM, Farmers National Company area vice president, Eagle Grove, Iowa.

“As with farmland sales values, the best farmland continues to demand the highest lease rates,” said Hill. “If the farm owner has kept up with increased cash rent values over the last few years then we are calling the market in this area steady.”

In some cases, farms that were not professionally managed, are showing existing lease rates as much as \$100 an acre below the market. There is demand for good, improved pasture land. The area that appears to be the weakest in Iowa is poorly-drained farmland, as well as small irregular shaped fields with a high portion of non-tillable acres.

Projections into 2014 are for steady rents in this state. “A key indicator for us is that farmland values are continuing to be very strong and when you look at return on investment, we think rental rates will be stable,” said Hill.

Cash rents on cropland in Iowa range from \$100 - \$500 per acre based on quality and location.

North Dakota, South Dakota and Minnesota

Rates for cash rents have not seen substantial change during the past 12 to 15 months in this area, according to Terry Longtin, Farmers National Company area vice president and area sales manager, Grand Forks, N.D. Longtin reported that rates for 2014 leases are coming in with renewal rates at the same level as 2013, and will likely remain consistent for next year.

“If commodity prices don’t go up over the upcoming year, I anticipate a drop in rents for this section of the country for the 2015 season,” said Longtin.

Despite a slow start, interest in Cash Rent-*Plus* leases is growing, providing flexibility. Cash rent lease values in North Dakota range from \$50 - \$275 per acre, with numbers in South Dakota at \$140 - \$350 per acre. Cash rents range from \$50 - \$350 per acre in Minnesota.

Illinois

Use of cash rent leases continues to increase according to Dennis Hoyt, AFM, Farmers National Company area vice president, Quincy, Ill. Farmers continue to grow their operations, with the result being the growing high demand for leased land.

Overall, yields in 2013 were better than early season expectations resulting in positive year-end income levels.

“Cash rent rates for 2014 will be steady in most cases with a few top-end rents falling back slightly, said Hoyt. “A large number of cash rent leases have moved to some form of flex type terms, and those leases are remaining steady from 2013 to 2014.”

Cash rent lease values in Illinois range from \$200 - \$500 per acre.

Texas and Mid-South

Texas was not as greatly affected by the national recession over the past several years given its broad geographic area and diversified economic base, according to Mike Lansford, Farmers National Company area vice president for the southern region, Fort Worth, Texas.

“The drought over the past three years has greatly affected agricultural land markets, rental rates, and cattle prices,” said Lansford. “While some recovery has occurred during 2013, rainfall is the greatest, single, natural component that affects agriculture in this region, including rental rates.”

As land values in this area continue to rise conservatively, so will cash rent rates, according to Lansford.

In east Texas, an area with low crop production, cultivated land is almost entirely cash leased. Dry land crop production dominates central Texas where crop share arrangements are the leasing trend. Current rates for both these areas are \$25 - \$35 per acre. Lease rates in southeast Texas have not changed vastly in the past 20 years, with cash lease rates currently ranging from \$25 - \$50 an acre for cropland. There has been a trend beginning to move away from cash leases to net share leases with a per acre minimum, said Lansford.

In the panhandle of Texas cash rent lease values range by land quality with irrigated crop land demanding \$60 - \$200 per acre. Cash rent lease values throughout the mid-south range from \$80 - \$190 per acre.