UW Extension
Green County

Factors Determining Land Rental Rates in 2017

Land rental rates increased dramatically from 2009-2013 due to the demand for farmland. This demand was driven by higher commodity prices, larger farms seeking more land for both manure disposal and feed, and larger equipment allowing grain producers to run more acres. The higher cost and limited availability of land in the surrounding counties also contributed to higher rental as more operators were looking for land.

Due to lower commodity prices in 2014 Green County farm land rental rates dropped for the first time in several years. According to the USDA the average farm land rental rate was $157/acre for Green County in 2014 a decrease of 1.9%. Despite continued lower commodity prices in 2016 rental rates for agricultural land in Green County increased by 7.8% in 2016 to an average of $169/acre. This increase is mostly due to the demand for land and the fact all the surrounding counties had higher cash rents in both 2014 and 2016. See county comparison at the end of this article.

Margins on many agriculture commodities are expected to be small again in 2017 and this should create some downward pressure on farm land rental rates. However, the decline will likely not be large or rapid as there is still a good demand for farm land. A factor that will also temper significant reductions in farmland rental rates include the current level of farm land prices. Although land prices have peaked in many areas the average price paid for farm land in Green County increased by 14.3% in 2015 and averaged $5,117/acre. In this area we are not as likely to see a drastic reduction in land values (especially for high quality crop land) like they are seeing in other states because our values did not spike as high several years ago.

Another factor that will temper the decline in land rental rates include some multi-year rental contracts that are still locked in at higher rates that will run through the 2017 cropping season. There is still a solid demand for crop land and we will likely still see some farmers willing to again accept very small profit margins to maintain future access to the land they currently rent.

There are many factors that influence land rental rates. These factors start with the quality of the land and soil types. Obviously a deep Tama soil is going to be worth more than a shallow sloping field that contains lower yield capacity soils. Other factors that impact the value of renting bare ground are as follows:

Location: land parcels located near large livestock farms will be higher as will land that adjoins other parcels that are already being farmed by another party. In either case these parcels are worth more to the nearby operators and they will usually be willing to pay more because of the location of the land.

Fertility: land with low fertility levels will result in lower rental rates. Soil test levels should always be requested when renting new farm land to determine the fertility level of the soils.

Size of Parcel: smaller parcels will generally bring lower rates and larger parcels more due to the cost of transporting large equipment. In fact, some small parcels of less than 5 acres are rented for free by landowners simply to reduce their property tax liability through the Farmland Use Assessment law.

Accessibility: fields with narrow, steep or poor farm road access for large farm equipment and tractor trailers will bring less than those fields bordering a paved road.

Contract Length and Payment: the number of years that the land lease runs and when payment is required will impact the price. Some landlords require 100% of the payment up front. There is usually some discount given on these contracts due to the time value of money. However, most contracts still require half of the rental payment up front and the other half at the end of the year. Many farmers are also looking at flexible cash rental agreements to help reduce rental rates. However, they find resistance from landlords on fixed income that are not interested in taking on any of the risk in the crop prices or yields even if it could potentially mean higher returns.

Conservation Plan: a farm that requires hay in the rotation and containing contour strips may bring lower rental rates because many grain producers are not interested in hay, and don't want to deal with strips and waterways, therefore you have smaller pool of producers interested in the land.

Personal factors: many landlords place a big value in how they are treated (plowing their snow, giving a quarter of beef, etc.) timeliness of payment, and how the land is cared for when determining rates. Many times these personal factors trump all the others listed when determining rental rates.

The bottom line on land rental rates is that the land is worth whatever another party is willing to pay for it and that is set by local supply and demand. If you want to see rental rate charts or get farm cash lease forms, both fixed and flexible go to the UW-Extension Green County Agriculture Web page at: green.uwex.edu/agriculture/

Mark Mayer, UW-Extension Agriculture Agent, Green County
December 2016

Farm Land Rental Rates for Green and Surrounding Counties 2012-2016

County	2012	2013	2014	2015	2016	Percent Change 2014 to 2016
Dane	$152	$163	$179	*No Data*	*$172*	-4.6%
Green	$154	$160	$157	*$161*	*$169*	7.8%
Iowa	$173	$172	$162	*No Data*	*$199*	21.4%
Lafayette	$207	$212	$231	*No Data*	*$227*	-1.9%
Rock	$188	$175	$177	*No Data*	*$182*	2.7%
Steph. IL	$252	$225	$258	*No Data*	*$221*	-14.7%

Estimate for Green County. Ag Staticitics Service did not collect farm land rental data in 2015

Source: USDA National Ag Statisitics Service