AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

farmdoc DAILY

Department of Agricultural and Consumer Economics, University of Illinois Urbana-Champaign

Weekly Farm Economics: 2013 Cash Rents on Professionally Managed Farmland in Illinois

Gary Schnitkey

Department of Agricultural and Consumer Economics
University of Illinois

April 9, 2013

***farmdoc daily* (3):66**

Recommended citation format: Schnitkey, G. "2013 Cash Rents on Professionally Managed Farmland in Illinois." *farmdoc daily* (3):66, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, April 9, 2013.

Permalink: http://farmdocdaily.illinois.edu/2013/04/2013-cash-rents-managed-illinois.html

http://farmdoc.illinois.edu/podcasts/fefo/FEFO_13_06.mp3
The Illinois Society of Professional Farm Managers and Rural Appraisers conducts an annual study of farmland prices and cash rents (see here). As part of this process, the Society asks its membership what cash rents will be for the upcoming production year. Society members indicate that the 2013 cash rents for farmland with expected corn yields over 190 bushels per acre will be $396 per acre, up $17 from the 2012 rent of $379 per acre.

Survey

This survey is of professional farm managers. Hence, cash rents reported in the survey tend to be higher than average cash rents that consider all farmland. For a variety of reasons, including that farm managers are knowledgeable of market conditions, average rents on managed farmland tend to be higher than on farmland not professionally managed.

Average 2013 Cash Rents

The Society asks its members for cash rents of four farmland classes:

1. Excellent quality farmland has expected corn yields over 190 bushels per acre,
2. Good quality farmland has expected corn yields between 170 and 190 bushels per acre,
3. Average quality farmland has expected corn yields between 150 and 170 bushels per acre, and
4. Fair quality farmland has expected yields below 150 bushels per acre.

For each class, an average cash rent is given for the high 1/3, the mid 1/3, and the low 1/3 of leases. In 2013, the average of the mid 1/3 leases is $396 per acre for excellent farmland, $339 per acre for good quality farmland, $285 per acre for average quality farmland, and $235 per acre for fair quality farmland (see Table 1)

We request all readers, electronic media and others follow our citation guidelines when re-posting articles from farmdoc daily. Guidelines are available here. The farmdoc daily website falls under University of Illinois copyright and intellectual property rights. For a detailed statement, please see the University of Illinois Copyright Information and Policies here.

Table 1. Per Acre Cash Rents for High 1/3, Mid 1/3, and Low 1/3 Cash Rent Leases by Land Class in 2013, Illinois Society of Professional Farm Managers and Rural Appraisers.

Category[2]	Land Class[1]			
	Excellent	Good	Average	Fair
	---------- $ per acre ----------			
High 1/3	447	385	324	265
Mid 1/3	396	339	285	235
Low 1/3	320	274	221	179

[1] Excellent quality farmland has expected corn yields over 190 bushels per acre, good between 170 and 190 bushels per acre, average between 150 and 170 bushels per acre, and fair below 150 bushels per acre.

[2] Gives average for high 1/3 rents, mid 1/3 rents, and low 1/3 rents.

Source: Illinois Society of Professional Farm Managers and Rural Appraisers, *2013 Farmland Value Report*.

As can be seen in Table 1, there is a great deal of variability in cash rents for a given productivity class. In the excellent land class, for example, the high 1/3 leases average $447 per acre while the low 1/3 leases average $320 per acre, a range of $127 per acre. The other productivity classes have similar ranges: Good has a $111 range ($385 for high 1/3 – $274 for low 1/3), average has a $103 per acre range ($324 for high 1/3 – $221 for low 1/3) and fair has a $86 range ($265 for high 1/3 – $179 for low 1/3).

These ranges largely exist because of differing relationships between landlord and tenants and because of difference in return desires of landlords. These ranges would be larger if all – and not just professionally managed – farmland had been included. The ranges point out that relying on simple averages to gauge the farmland markets misses a great deal of the variety.

Trends in Cash Rents

Cash rents have increased over time, as illustrated by averages of the mid 1/3 leases (see Table 2). In 2007, rents for the mid 1/3 for excellent quality farmland were $183 per acre. From $183 per acre, cash rent levels increased to $241 per acre in 2008, $267 in 2009, $268 in 2010, $319 in 2011, $379 in 2012, and $396 in 2013. Since 2007, mid 1/3 rents increased by $213 per acre ($396 in 2012 – $183 in 2007).

Table 2. History of Cash Rents for Mid 1/3 of Cash Rent Leases.

Year	Land Class[1] Excellent	Good	Average	Fair
	$ per acre			
2007	183	164	144	120
2008	241	207	172	138
2009	267	221	187	155
2010	268	231	189	156
2011	319	271	220	183
2012	379	331	270	218
2013	396	339	285	235

[1] Excellent quality farmland has expected corn yields over 190 bushels per acre, good between 170 and 190 bushels per acre, average between 150 and 170 bushels per acre, and fair below 150 bushels per acre.

Source: Illinois Society of Professional Farm Managers and Rural Appraisers, *2013 Farmland Value Report*.

Cash rent increases between 2013 and 2012 are less than those between 2011 and 2012. For excellent quality farmland, rents increased $17 between 2012 and 2013 ($396 in 2013 – $379 in 2012), compared to a $60 increase when 2011 and 2012 ($379 in 2012 – $319 in 2011).

Summary

Rents on professional managed farmland will be higher in 2013 than in 2012, continuing a string of years of cash rent increases. The increase in 2013 is less than that which occurred between 2011 and 2012. The next year could be pivotal in terms of cash rent increases. If normal crops occur and commodity prices fall, cash rents in 2014 may not increase.

The Illinois Society of Farm Managers and Rural Appraisers annually publishes a booklet that gives detailed information on farmland prices and rents for ten regions in Illinois. Information on ordering this booklet can be found on the Illinois Society of Professional Farm Managers and Rural Appraisers website at the following page: http://www.ispfmra.org/2013/03/2013-illinois-farmland-values-lease-trends/.