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## Downward Pressures on 2016 and 2017 Cash Rents

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Cash rents on professionally-managed farmland decreased in 2016. In 2017, pressures to lower cash rents will intensify if commodity prices do not increase. In this article, a table is presented that summarizes cash rents for professionally managed and "average" farmland in Illinois for 2014 through 2016. The 2016 cash rents for "average" farmland is a projection. Data from the Illinois Society of Professional Farm Managers and Rural Appraisers (Illinois Society) and the U.S. Department of Agricultural are used in preparing this table. Then, pressures on 2017 cash rents are described. Also presented in the appendix are additional tables useful in judging cash rents.

### 2016 Cash Rents on Professionally Managed Farmland

The Illinois Society released results of their its annual land value effort in which land prices and cash rents are compiled for nine regions of Illinois (booklets can be ordered [here](#) and a summary is available [here](#). As part of this effort, cash rents for four different land productivity classes are collected:

1. Excellent – farmland with an expected corn yield above 190 bushels per acre. Average cash rents were \$374 per acre in 2014, \$350 per acre in 2015, and \$325 per acre in 2016 (see Table 1).
2. Good – farmland with an expected corn yield between 170 and 190 bushels per acre. Average cash rents were \$322 per acre in 2014, \$295 per acre in 2015, and \$283 per acre in 2016.
3. Average – farmland with an expected corn yield between 150 and 170 bushels per acre. Average cash rents were \$285 per acre in 2014, \$250 per acre in 2015, and \$247 in 2016.
4. Fair – farmland with expected corn yield below 150 bushels per acre. Average cash rents were \$214 per acre in 2014, \$200 per acre in 2015, and \$190 per acre in 2016.

Overall, cash rents decreased in 2016. For excellent productivity farmland, cash rents decreased by 8.5%.

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**Table 1. Cash Rents On Illinois Farmland**

Land Productivity (Expected corn yield)	Professionally Managed Farmland <sup>1</sup>					
	Farmland <sup>1</sup>			Averages <sup>2</sup>		
	2014	2015	2016	2014	2015	2016
	\$/acre	\$/acre	\$/acre	\$/acre	\$/acre	\$/acre
Illinois State Average <sup>3</sup>				234	228	220
Excellent (190+ bushels) <sup>4</sup>	374	350	325	293	278	268
Good (170 - 190 bushels) <sup>4</sup>	322	295	283	243	230	222
Average (150 - 170 bushels) <sup>4</sup>	285	250	247	159	150	145
Fair (Less than 150 bushels) <sup>4</sup>	214	200	190			

<sup>1</sup> From surveys conducted by the Illinois Society of Professional Farm Managers and Rural Appraisers.

<sup>2</sup> Compiled from National Agricultural Statistical Service data.

<sup>3</sup> The Illinois State averages are published by the National Agricultural Statistical Service (NASS). The 2016 value is a projection made at the University of Illinois based on changes in professionally managed farmland from 2015 and 2015 and budgeted changes in incomes.

<sup>4</sup> The 2014 values are based on analysis of county cash rents released by NASS, supplemented with data from Illinois Farm Business Farm Management. The 2015 values are based on data from a variety of sources. The 2016 values are projections that are 3.5% than 2015 values.

## 2016 Average Cash Rents

There is a considerable range in cash rents even for farmland of similar quality. Cash rents can be \$100 higher and \$100 lower than the average within a small geographical area. Often, rents on professionally managed farmland are higher than the average of all cash rents.

National Agricultural Statistical Service (NASS), an agency of the U.S. Department of Agriculture, calculates average cash rents for Illinois. In 2014, cash rent across Illinois averaged \$234 per acre. Average cash rents in 2015 were down 2.6% from 2014 levels to \$228 per acre.

State average cash rents will be released in August 2016. We project that the 2016 cash rent will be \$220 per acre, a decrease of 3.5% from 2015 levels. The 3.5% is slightly higher decrease than the 2.6% decrease between 2014 and 2015. Higher decreases are expected in 2016 because of much lower 2015 incomes combined with low projected 2016 incomes.

In 2014, county cash rents supplemented with Illinois Farm Business Farm Management (FBFM) data were used to conduct a statistical analysis. This statistical analysis arrived at average cash rents for farmland of excellent, good, average, and fair land productivities, the same categories as the Illinois Society uses to report professionally-managed cash rents. In 2014, average cash rents were \$293 per acre for excellent productivity farmland, \$243 per acre on good productivity farmland, and \$159 per acre for average productivity farmland (see Table 1). Note that average cash rents are below those for professionally-managed farmland. For example, the average for professionally managed farmland is \$374 per acre, \$81 per acre higher than the \$293 average.

In 2015, NASS did not release county cash rents. Averages for the land productivity classes were estimated using data from a variety of sources. Estimates of 2015 average cash rents are \$278 per acre for excellent productivity farmland, \$230 for good quality farmland, and \$150 per acre for average productivity farmland.

Estimated 2016 cash rents by productivity class are lower than 2015 rents by 3.5%, the same decrease used for estimating the 2016 Illinois state average rent. Estimates for 2016 cash rents are \$268 per acre for excellent productivity farmland, \$222 for good productivity farmland, and \$145 per acre for average productivity farmland.

### Expected Changes in 2017 Cash Rents

Downward pressures will be placed on 2017 cash rents, particularly if commodity prices remain low. Professional farm managers were asked how much they anticipated cash rents to change in 2017 if conditions remain the same as they are currently. When asked, corn prices were near \$3.60 per bushel and soybean prices were near \$8.70 per bushel. Of the farm managers responding to the survey, 41% expected cash rents to decrease between \$25 and \$50 per acre while 50% expected decreases in the \$5 to \$25 per acre range. Only 9% expected cash rents to remain the same, and none expected rents to increase. These expectations point to larger decreases in 2017 than in 2016.

Much of the reason for this downward pressure is because farmers are projected to have losses in 2017 on cash rent farmland. Table 2 shows average cash rents on professionally-managed and all farmland. Table 2 also shows operator and land returns, a return to both farmers and land owners. Operator and land returns are based on expected yields, prices, and costs shown in the *2016 Illinois Crop Budgets*. The operator and land return for excellent productivity farmland is \$224 per acre, \$44 below 2016 average cash rent of \$268 per acre. If these projections hold, farmers will lose \$44 per acre on farmland at the average cash rent level. At the professionally managed cash rent of \$325 per acre, the farmer will lose \$101 per acre (\$224 operator and land return - \$325 cash rent). Losses will occur for all land productivity classes.

**Table 2. 2016 Cash Rents Compared to Operator and Land Returns**

	2016 Cash Rents <sup>1</sup>		Operator and Land Returns <sup>2</sup>
	Professionally Managed	Average	
	\$/acre	\$/acre	\$/acre
Excellent (190+ bushels) <sup>3</sup>	325	268	224
Good (170 - 190 bushels) <sup>4</sup>	283	222	172
Average (150 - 170 bushels) <sup>5</sup>	247	145	89

<sup>1</sup> 2016 cash rents are taken from Table 1.

<sup>2</sup> Based on 2016 Illinois Crop Budgets (December 2015 version). Prices are \$3.85 per bushel for corn and \$8.90 for soybeans. All returns based on a 50-50 corn-soybeans rotation.

<sup>3</sup> Operator and land return based on Central Illinois -- high productivity budgets (201 bushels per acre corn yield and a 58 bushels per acre soybean yield).

<sup>4</sup> Operator and land return based on Central Illinois -- low productivity budgets (186 bushels per acre corn yield and a 53 bushels per acre soybean yield).

<sup>5</sup> Operator and land return based on Southern Illinois budgets (164 bushels per acre corn yield and a 48 bushels per acre soybean yield).

If prices or yield are not above expectations, 2017 will be the third year in a row of losses on cash rent farmland. Rents will likely face greater downward pressure in 2017 as compared to earlier years because the financial positions of farmers have eroded over time. In particular, working capital at the end of 2017 will be at levels requiring many farmers to cut costs.

Expected corn prices for 2017 will determine the intensity of downward pressure on 2017 cash rents. If expected corn prices remain in the mid to high \$3.00 range, average cash rent decreases in 2017 could be

near or exceed 10%. Downward pressure on 2017 cash rents will be intense if expected 2017 prices are below \$3.50. Less pressure could occur if expected corn prices are above \$4.20 per bushel.

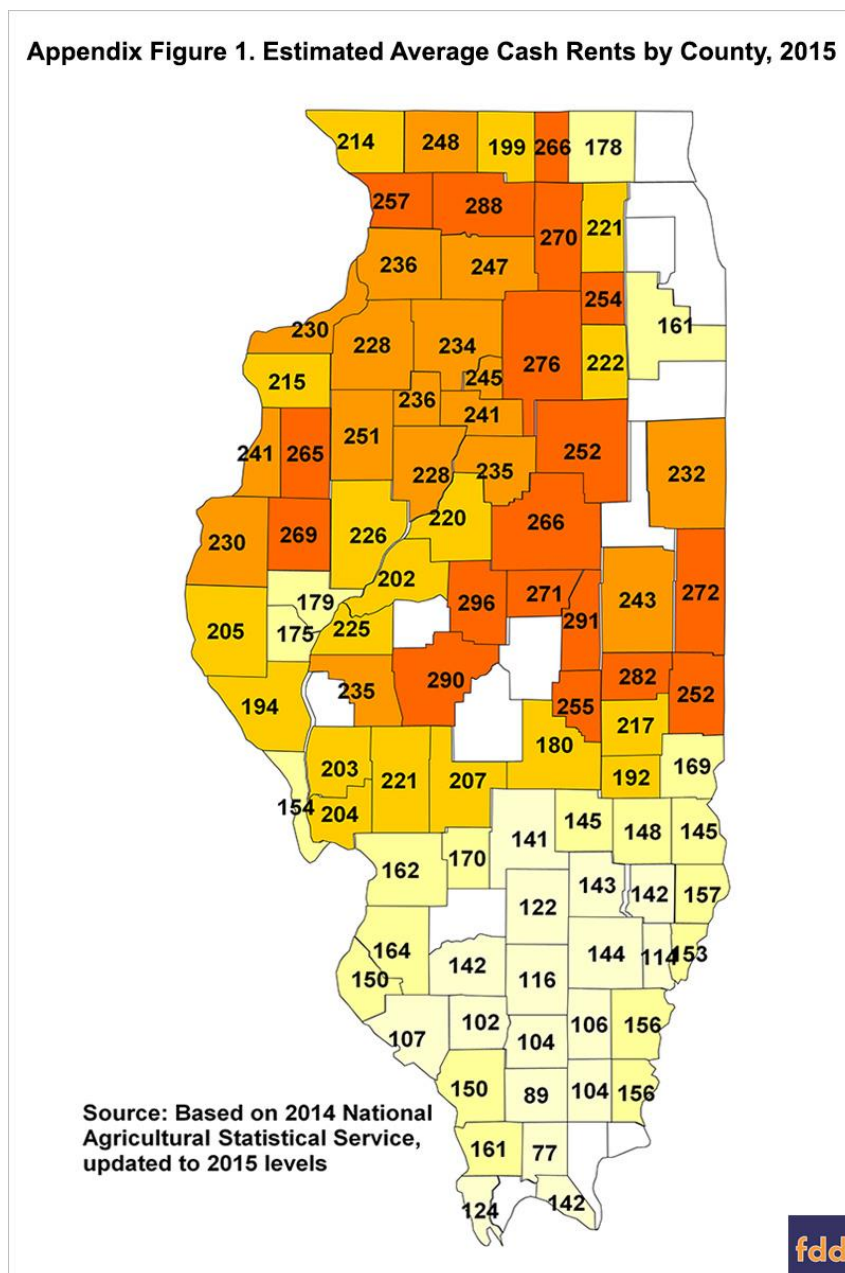
### Summary

Low incomes in agriculture are leading to falling cash rents. Depending on commodity price outlook, 2017 cash rents could continue to face downward pressures. If 2017 expected corn prices are below \$4.00 per bushel, decreases in 2017 cash rents could be larger than those in 2015 and 2016.

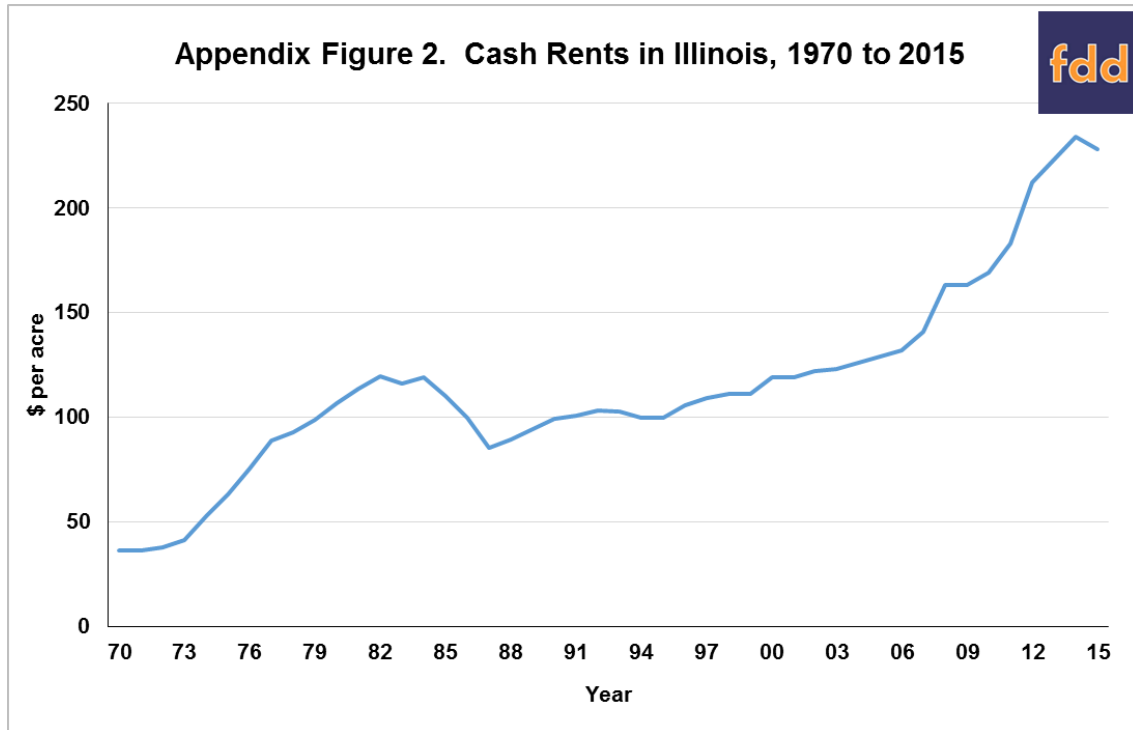
Cash rent averages presented in this article will be updated as more information becomes available. In particular, estimates of 2016 cash rents will be updated when NASS releases its rent estimates in August 2016.

### Appendix: Useful Figures Summarizing Illinois Land Cash Rents

Appendix Figure 1 shows estimates of average cash rents by county. Values in this figure are based on 2015 NASS county yields. NASS did not release county yields in 2015. Updates were based on changes in state rents and professionally managed rents.



Appendix Figure 2 shows average cash rents in Illinois from 1970 to 2015. This data comes from the National Agricultural Statistical Service.



## References

- Illinois Society of Professional Farm Managers and Rural Appraisers. "Illinois Farmland Values, Rent Trends Continue Downward." Released March 17, 2016, accessed March 22, 2016. <http://www.ispfmra.org/2016/03/17/illinois-farmland-values-rent-trends-continue-downward/>
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