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CASH RENT SURVEY DATA - NATIONAL AGRICULTURAL STATISTICS SERVICE (NASS) VS. LAND GRANT SURVEYS – WHY THE DIFFERENCES?

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Abstract

Unprecedented profitability in grain farming in the U.S. has led to an escalation in cash rental rates. Landowners and farmers have found it increasingly hard to agree on an equitable cash rent as crop prices and input costs have experienced significant volatility over the last several years. Cash lease rates aren't public knowledge and don't have a public clearinghouse such as a futures exchange which means information on rates is often sketchy. Farmers with full yield and profit information are often reluctant to share this information with the landowner for fear of rent escalation. Landowners knowing there is significant value in "fringe benefits" that farmers provide (snow clearing, rock removal, fence-row maintenance, tiling, etc..) may be reluctant to recognize this value in the negotiation process. Farmer: "I'm only paying \$125 per acre for a similar farm" or landowner: "my neighbor is getting \$200 per acre for land that isn't near the quality of mine" are often part of the discourse as landowners and tenant farmers negotiate for an equitable lease amount.

Rent surveys are conducted by NASS and many Land Grant Universities in an attempt to provide decision-makers baseline data. NASS has conducted surveys since 2008, surveying farmers regarding cash rental rates they presently pay on farms they rent. These survey data are summarized and published as an average cash rent by county.

Land Grant Universities conduct land rental surveys by surveying professional serving the agricultural industry. These professionals include agricultural lenders, rural appraisers, professional farm managers, extension professionals, and others. These survey data are summarized and published as averages by land production class and by region.

NASS survey results consistently yield lower rents than Land Grant University survey results for average land production class.

Two issues drive the differences in these survey results. First, survey questions are not the same. NASS cash rent surveys ask respondents to report the cash rent on parcel. Land grant surveys ask respondents to indicate average cash rents for each land production class for recently rented parcels. This difference may lead land grant survey respondents to return results that are indicative of marginal cash rents as they are asked to provide data for recently rented parcels. The NASS survey effort does not stipulate that the returned information be from recently rented parcels and may reflect lower rental rates from long-standing rental agreements.

The second major difference between these two surveys is that they survey different populations. The NASS cash rent survey effort surveys farmers while land grant universities survey agricultural professionals. Farmers, with knowledge that their survey responses are summarized and published for public consumption may not choose to respond with a high cash rent on their highest quality rented parcel. These differences are highlighted in this study as we examine survey question construction and motives of the two separate survey populations.

Keywords: cash rent, surveys