

Trends in Farmland Rents in 1986

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Farmland rental arrangements and rates are changing with the new agricultural conditions in North Dakota. Rental rates dropped substantially in 1986, after five years of relatively little decrease, while land values have declined 39 percent statewide since their 1981 peak.

Respondents indicated that some cash rental arrangements are shifting toward crop-share leases and some crop-share arrangements have also changed to a larger landlord share to avoid the government payment limitations. Some are moving from the traditional one-third/two-thirds sharing arrangement to the 50-50 lease, for example. Some have shifted to the 30-70 lease. Crop-share leases tend to be tradition bound, uniquely different in each community and change most slowly.

Leasing is a means of facilitating adjustments in the use of land resources. It provides needed flexibility in landownership versus land-using systems. Too much rigidity in either leads to tensions, conflicts, and other actions. Operators who cannot afford to buy a tract may rent it temporarily for a reasonable charge, which eases entry in farming. Change may be unsettling to some while not fast enough for others, but not recognizing changes is a part of our farm price-income support program problems. Freely negotiated and participatory land ownership and leasing systems serve the American farmer and society well.

A study of recent North Dakota Census of Agriculture data of land owned by full and part owners and rented by part owners and full tenants showed a small increase in leased acreage from 1978 to 1982. Acres rented by full tenants and part owners made up 42.2 percent of all land in farms in 1978 and 43.3 percent in 1982. Rented acres in 1982 accounted for about 54 percent of all land in the North Red River Valley and 52.8 percent in the South Red River Valley. About 51.2 percent of land in the Northeast Central farming area was rented. The smaller area averages for rented land in 1982 were 35.2 percent in the Southwest Central and 38.6 percent in the Southwest farming areas.

The mixture of cash, crop-share, and cash/crop-share leases being used varies over time with farming areas (Figure 1). Annual estimates of rental rates and arrangements are presented in this report. A review of previous reports indicates that the current figures are fairly representative of the long run.

The cash lease is in common use across the state. The specialty crop and transitional areas tend to use cash leases

more frequently, as evident in the Red River Valley and Southeast Central farming areas. Cash leases also are favored by farm operators who lease many tracts of land, where keeping accurate records on all the crop inputs and production shares for many tracts becomes cumbersome.

Cash/crop-share leases fit situations of cash renting the farmstead or some buildings or pasturing calves or horses and crop-share renting the rest of the farm. This system may show up more frequently near cities, where more farmsteads and small acreages are sold or rented and some urbanites rent places for horses. This type of lease makes up about 4 percent of all leases for the state and among farming areas and adds flexibility to the leasing system.

The crop-share lease is the second most common type of lease, averaging about 35-40 percent of all leases for the state in recent years. It is important in all farming areas, with more use in the three northern farming areas and less in the two Red River Valley areas.

The most common types of sharing ratios of crop-share leases for wheat and barley land are given in Figure 2 for 1986. Clearly, the one-third share to landlord and two-thirds to tenant crop-share lease is dominant across the state, but some changes showed up in 1986. The statewide crop-share ratios were 88 percent one-third/two-thirds, 5 percent each of the 50-50 and 30-70 shares, and 2 percent had the 25-75 ratio.

The dominance of the one-third/two-thirds lease is shown in all farming areas, but some 30-70 sharing ratios appear in four farming areas. The 50-50 lease was reported in use in the two Red River Valley and the Northeast Central farming areas. The two Red River Valley areas produce specialty crops which need different sharing arrangements, including potatoes and sugarbeets. The higher returns and strong competition among the several specialty crops require more adjustments in the crop-share lease to local conditions. The Southeast Central area is a transitional farming area, growing corn for silage and grain and other crops, where both the ratios and costs shared must adapt to local conditions.

Average Cash Rentals

Respondents estimated cash rents per acre for tracts rented as wheat/barley land, hayland, and pastureland in 1986. The estimates were averaged by counties and weighted into farming area averages, with ranges in estimates also presented in Figure 3. The two Valley farming areas have little hay or pastureland, so these figures are not

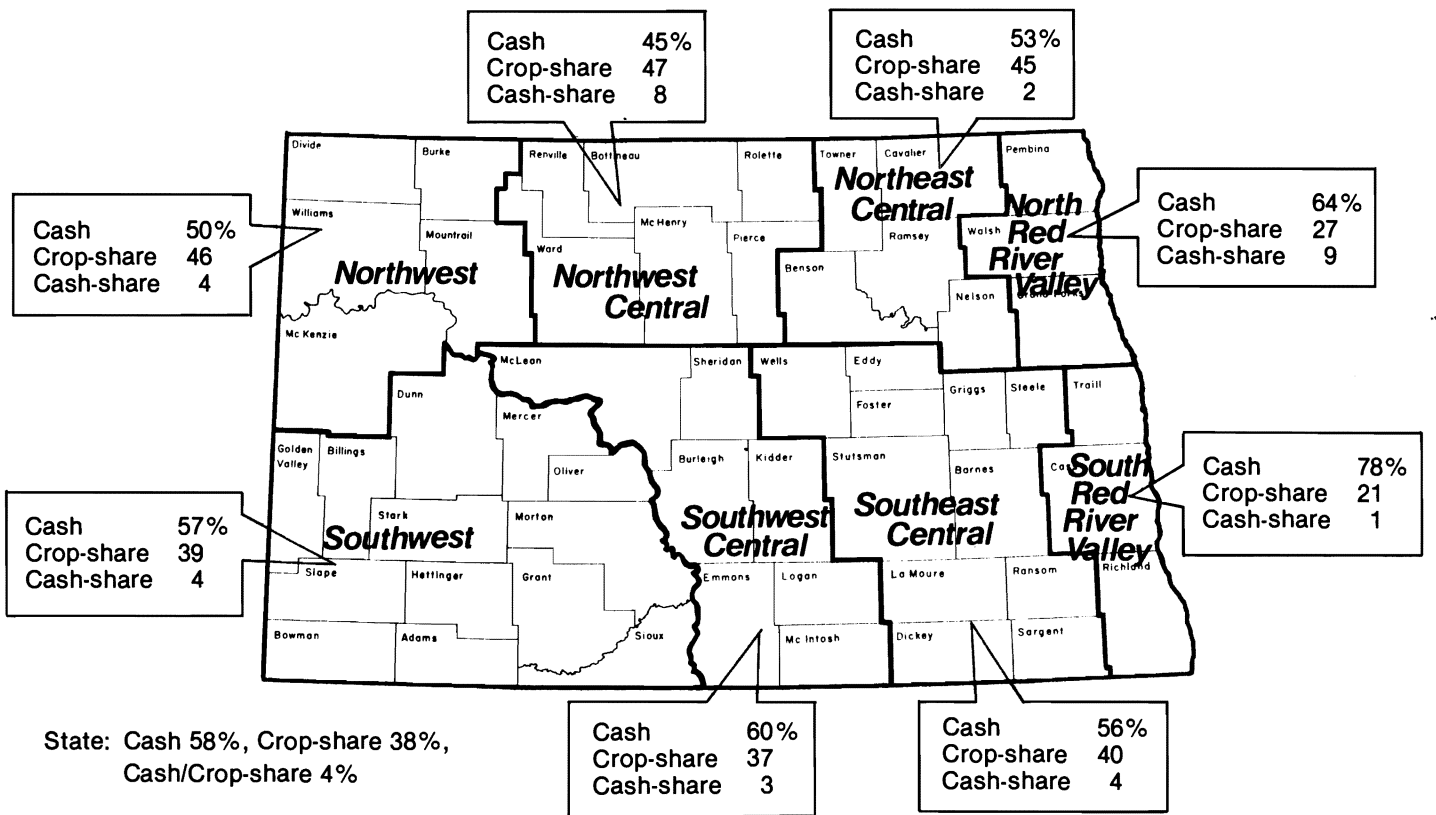


Figure 1. Percent of Farmland Leases by Type in 1986.

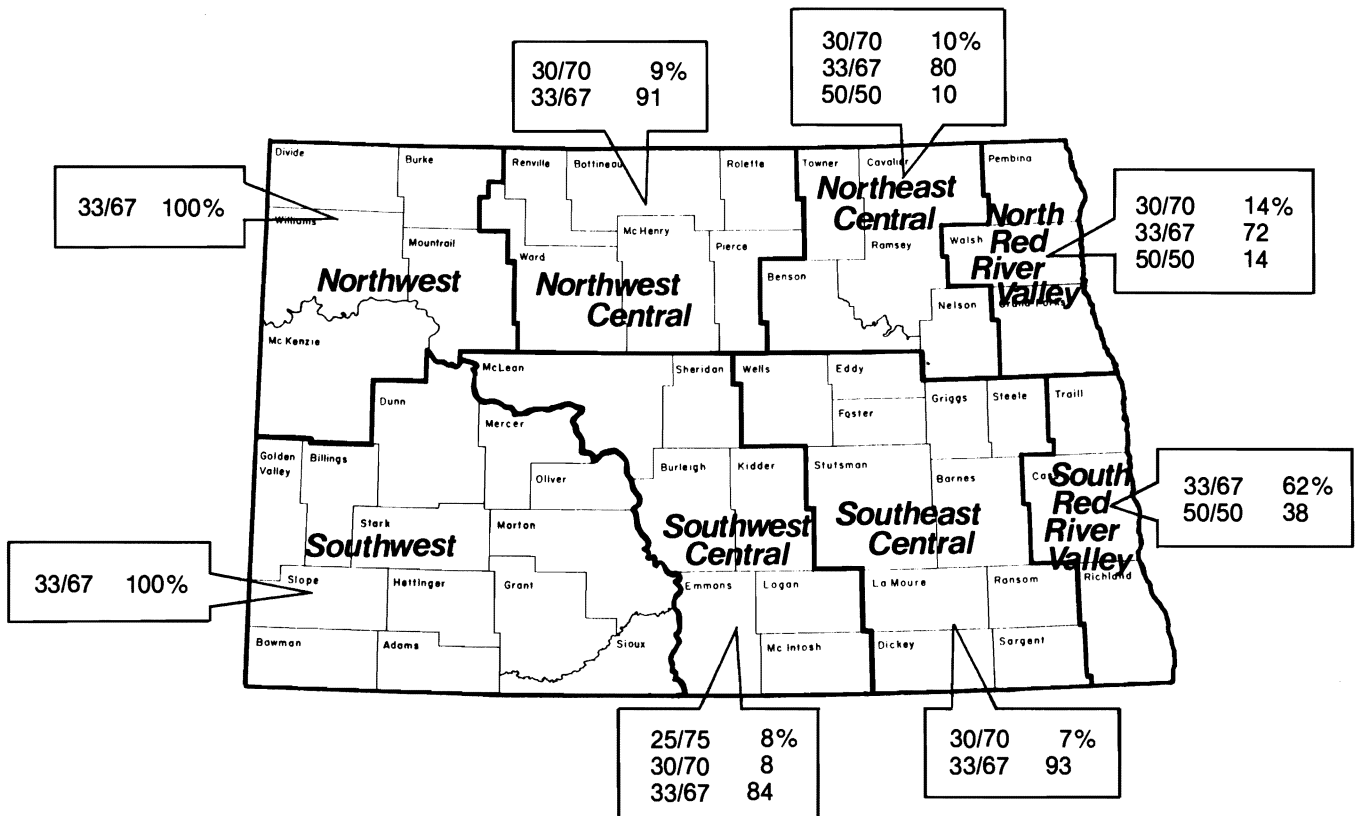
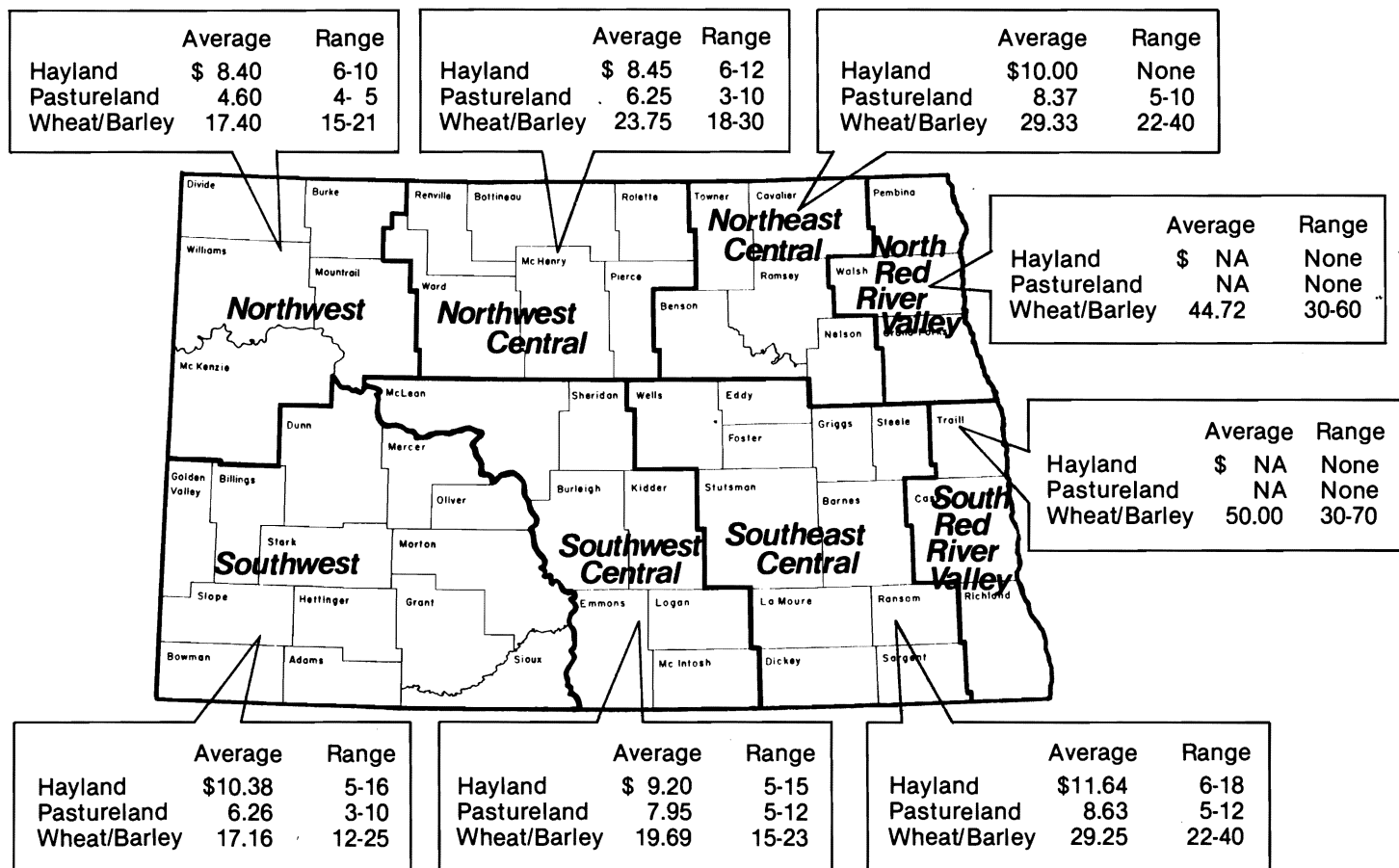


Figure 2. Percent of Crop-share Leases Reported for Wheat Land in 1986.



State: Hayland \$10.10, Pastureland \$7.54, Wheat/Barley \$28.40

Figure 3. Average Cash Rent Per Acre for Hayland, Pastureland, and Wheat/Barley Land and the Ranges in Estimates for Eight Farming Areas in 1986.

presented. Cash rents for all three land uses declined at the state level in 1986.

Cash rentals at the state level for wheat/barley land averaged \$28.40 per acre in 1986, down \$2.54 per acre (8.2 percent) from 1985. The peak was reported in 1982 at \$32.97, so the current average is down 14 percent in four years.

Cash rentals for wheat/barley land were down 13 percent in the South Red River Valley in 1986 and 11 percent in the Southeast Central farming area. Smaller declines of 8 and 7 percent were measured in the Northeast Central and Northwest Central farming areas.

The larger declines from recent peaks in cash rentals for wheat/barley land were experienced in the Southeast Central area, down \$7.39 from its 1982 peak of \$36.64 per acre, or 20 percent in four years, and the Northeast Central area, which peaked in 1981 at \$36.28, then declined 19 percent in five years. The Northwest Central area average was down 15.8 percent and the North Red River Valley average decreased 14.8 percent from their 1982 peaks. The wheatland cash rent average dropped 12 percent from its 1983 peak in the Southwest Central farming area.

The state average cash rent for hayland was \$10.10 per acre in 1986, down \$1.09 per acre (or 10 percent) from 1985. The peak cash rent was \$12.62 per acre in 1982, so the current estimate is down 20 percent in four years.

Average hayland cash rentals declined about 9 percent in the Northeast Central area in 1986, followed by 6 percent in the Southeast Central and 5 percent in the Southwest farming areas.

Total declines from hayland cash rental peaks were led by nearly 29 percent in the Southeast Central area in four years, 20 percent in the Southwest area in the last three years, 16 percent in the Southwest Central in three years, and 12 percent in the Northwest Central farming area in the last five years.

The state average cash rent for pastureland in 1986 was \$7.54 per acre, down \$1.38 (or 15 percent) from 1985. Areas having larger declines in cash rents were the Northwest Central, Southeast Central, and Southwest farming areas. Little change was evident in cash rents in the Southwest Central and Northeast Central farming areas in 1986.

Examining declines in pastureland cash rentals from their peak values shows substantial declines in the Northeast Central, Northwest Central, and Southeast Central areas, and moderate declines in the Southwest and Southwest Central farming areas. Cash rentals peaked in the

Southwest area back in 1980 and have slowly declined since. Pastureland rentals in the Northeast Central area from 1976 to 1983 were in a range of \$11-12 per acre, then dropped to a plateau of \$10.50 for three years, and had another decline in 1986.

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cooperative extension program in the counties as well as a direct source to the individual who inquires. The location of professional staffing in the service area allows "hands on" experience which can relate directly to the producer's needs. Such experience gained by the staff specialist can provide the basis for a commonness of interest and professional trust and confidence in the technical information offered to the producer.

The center also provides a demonstration kitchen for extension home economics programs. It becomes an ideal site for conducting multi-county homemaker, 4-H club and young adult programs that may benefit a large segment of the area's population.

Currently, a number of states are reviewing the organizational structure of their extension and experiment station programs. The regional or center concept is attracting much attention as a cost effective system of transferring technological information to the producer. "Regionalization" is a term that arouses the ire of some, possibly because of traditional association with the historic county boundaries. Nevertheless, with the generally good roads and the rapid advances in electronic communication systems it must be recognized that some informational programs can be more efficiently and effectively offered on an area basis rather than in individual counties. Extension staff specialists at the university who provide many of the program offerings are limited in number and can schedule only a limited number of programs. Further, the complexities of subject matter often require a more detailed class-room type presentation than the broad-brush treatment sometimes offered because of time constraints. Thus, to make a program offering at a center serving several counties has to be recognized as a more effective means of utilizing a specialists' talents and time for the dissemination of information to a larger number of producers.

This is not to suggest the abandonment of the county extension agent's office or extension programs, but it would require some shift in program planning to take advantage of subject matter that may be best offered on an area basis. This could require county extension agents within a center area to consider area program planning as well as county programs having in mind best utilization of both extension staff specialists and research personnel from the experiment station who often participate in public informational meetings.

For those interested solely in economy of government services, it cannot be said that the center concept will save any money, but it is believed it could upgrade availability of technical information to the producers who require more training and information on the technological areas they are concerned with. Many are seeking such information, knowing it is essential to survival in a highly competitive industry. A center fully implemented as a focal point for information utilizing on-site professional staff supported with input from local county agents and the staff specialists at the University could be a very effective method of not only assisting producers to survive and prosper but also, by so doing, improve the quality of life in rural North Dakota.

The new center at the Carrington Station, a \$420,000 facility constructed solely with gifts and grants from many sources including a large number of area farmers, ranchers and businessmen, offers the opportunity to discover a new, more complete and effective system of information transfer. It would seem that every effort should be made by all concerned including the cooperative extension service, the experiment station and area producers to take advantage of such opportunity. I am confident that if this done all may discover a better way of keeping the producer on the land better informed in agricultural technology.