1979 Farmland Leasing Arrangements and Rentals

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Renting farmland is used by many North Dakota farmers to gain control of additional resources for their farm business. Reporters in the annual farmland market study provided estimates on the types of leases and on rentals paid per acre in 1979. Simple averages of these rentals were calculated and are presented for eight farming areas.

The 1979 survey of trends in the farmland leasing market indicates about 56 per cent of the leases were cash leases, 36 per cent crop share, and 8 per cent cash/share leases for the state (Figure 1). Comparable figures for 1978 were 48 per cent cash leases, 46 per cent share leases, and 6 per cent cash/share leases. These averages are similar to those reported for the 1977 leasing market.

Three illustrations contain computed simple averages for the eight farming areas now used in this survey. The eight farming areas better reflect the current production-land use patterns than the seven state economic areas used in previous reports. The averages are based on 111 leasing reports. The 1979 survey involved a substantial addition of reporters over the 1978 level, with a 58 per cent increase in leasing reports. One effect is that some area figures are not

comparable with previous averages. It is expected that future reports will benefit from both the increased number of reporters and reports received. Both factors should improve the reliability of the leasing study.

This leasing report is based on 111 replies to questions about the types of leases, rental rates, and sharing ratios in the reporter's service areas: Information mailed in is tabulated for the eight farming areas shown in Figure 1, and simple averages are computed for each item to estimate the rental situation in North Dakota. This report presents a short, quick insight into the trends affecting the farm leasing market in North Dakota.

Figure 1 presents the per cent of leases by types in use in 1979 for the eight farming areas. Cash leases dominated other leasing arrangements in all areas except the Northwest

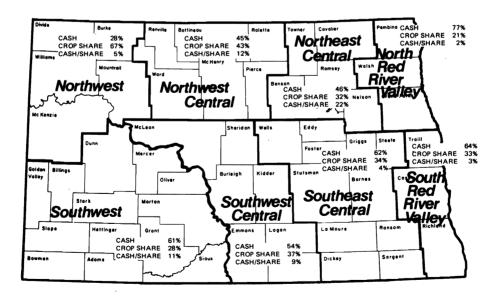


Figure 1. Per Cent of Leases by Types in Use in 1979

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area. The crop share lease led in the Northwest area and was used as frequently as the cash lease in the Northwest Central area. Crop share leases led in the Northwest area in 1978 and 1976 but not in 1977. Cash leases commonly have greater importance in the Red River Valley area cash crop and in the livestock region of the state.

The most common crop share arrangement continues to be the 2/3-1/3 sharing ratio. This arrangement accounted in 1979 for about 80 per cent of the crop share leases in wheat for the state (Figure 2). It was the dominant sharing ratio in the western two-thirds of the state. Only in the southern part of the Red River Valley was the 50-50 crop sharing agreement for wheat used frequently. The eastern half of North Dakota showed the most variation in types of crop sharing arrangements.

The state average cash rental for wheat or barley land averaged \$31.56 per acre in 1979. This was up from the \$26.04 estimated in 1978 and \$25.29 per acre reported for 1977 (Figure 3). Cash rentals can be expected to rise as land values increase (up about 14 per cent in 1979). However, rentals are held down by lower product prices with year-to-year fluctuations in the ratio of rents to value

reflecting the relative bargaining positions of renters and landlords. Cash rentals on land for wheat or barley in the western four farming areas averaged \$20.29 per acre in 1979. In the eastern four farming areas cash rentals averaged \$37.34 per acre for wheat or barley. This compares with cash rentals averaging \$18.23 per acre in 1978 in the western four farming areas and \$32.05 per acre in the eastern four farming areas in 1978.

Average cash rent for pastureland in 1979 was \$8.99 per acre. In 1978 it averaged \$8.96 per acre. The average in the western four farming areas was \$7.02 per acre in 1979 and \$6.45 in 1978. Pastureland in the four eastern farming areas averaged \$12.29 per acre in 1979 and \$11.57 in 1978.

Sunflowers were grown on over three million acres in North Dakota in 1979. Reports on lease rates for sunflower acreage indicated an average in the four western farming areas of \$29.29 per acre. The average in the four eastern farming areas was calculated at \$38.02 per acre. Figures in both areas exhibited a high degree of variability. This reflects the difference in quality of land used for sunflowers. The highest average cash rent reported was \$75.00 per acre in the Red River Valley areas.

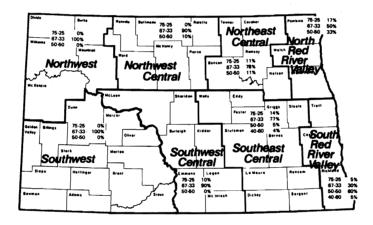


Figure 2. Per Cent of Crop Share Leases Reported for Wheat, 1979

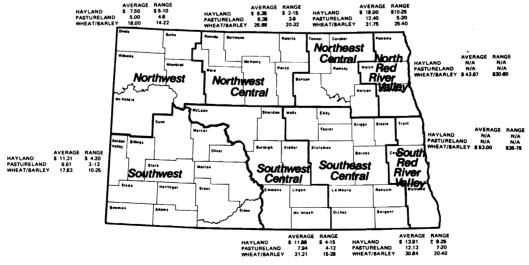


Figure 3. Cash Rents Per Acre for Hayland, Pastureland, and Wheat/Barley Land in 1979, Computed Simple Averages and Range in Estimates Reported