

Cash Rents Changed Little in 1989

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North Dakota wheatland cash rents per acre in 1989 continued near levels of the last four years. Some areas experienced minor changes, but the state average cash rent for wheatland was \$28.71 per acre in 1989, \$28.22 in 1988, \$28.66 in 1987, and \$28.40 an acre in 1986. A rising average value of cropland for the state in 1989 and the little change in the average wheatland cash rent resulted in a small decline in the ratio of wheatland cash rents to cropland values for the state.

Average hayland cash rents for the state rose to \$11.51 per acre in 1989, up about \$1.22 an acre from the average of \$10.29 in 1988. The 1987 average was \$10.70 per acre and \$10.10 per acre in 1986.

Pastureland average cash rents for the state were up \$1.04 an acre in 1989 to \$9.09 per acre, rising from the average of \$8.05 per acre reported in both the 1987 and 1988 reports. The 1989 average of \$9.09 is close to the average of \$8.92 reported in 1985 but less than the peak pastureland rent of \$10.15 per acre reported in 1983.

The droughts of 1988 and 1989 have created problems in many localities and especially for much of the Southwest farming area. Respondents in the Southwest area in 1989 reported rises in cash rents for all three types of land use: wheatland, hayland, and pastureland.

The farmland rental market aids adjustments in the use of land resources, particularly in the short term. Rents serve as a measure of the strengths of landlords and tenants in relatively local rental markets. Operators who cannot afford to buy more land sought to rent it. Operators placing land into the CRP program could either rent or buy replacement acreages in 1989. However, the CRP program reduced the amount of land available in the market for either purpose. Importantly, CRP payments, along with the other federal farm income support programs, provided some operators facing a credit squeeze or cashflow bind with the chance to farm another year and others the funds to buy land.

The mixture of leasing arrangements of cash, cropshare, and cash-cropshare showed some shift toward cash rents in 1989 (Figure 1). Using multiple-peril crop insurance introduces more paperwork into cropshare arrangements, so some landlords have returned to the cash lease to avoid this added complication.

The state distribution of lease types shows a rise in cash leases from about 58 percent cash lease in 1986 to 62 percent in 1988 to the current high of 65 percent. Land for grazing livestock is often cash leased, usually using an animal unit month measure in the Southwest and Southwest Central farming areas. Smaller tracts in most areas tend to be cash rented. The combination of cropshare leasing of the cropland and cash leasing of buildings and specialty crop acres continued at about 5 percent of all leases in 1989, so the increase in cash leases resulted in a small decline in the percentage of cropshare leases from 33 percent to 30 percent in 1989.

Among the eight farming areas, the Northwest area reported a decline in cash leases from 49 percent for the recent years to 35 percent in 1989, and a rise in cropshare leases and strong increase in the combination cash-cropshare leases. The Southwest area also showed a decline in cash leases from 67 percent in 1988 to 61 percent in 1989 and a return to the usual 30 percent in cropshare leases, but still high in the combination cash-cropshare lease. Many landlords understand the stress of cash leases in periods of drought and have shifted toward the standard one-third/two-thirds cropshare lease.

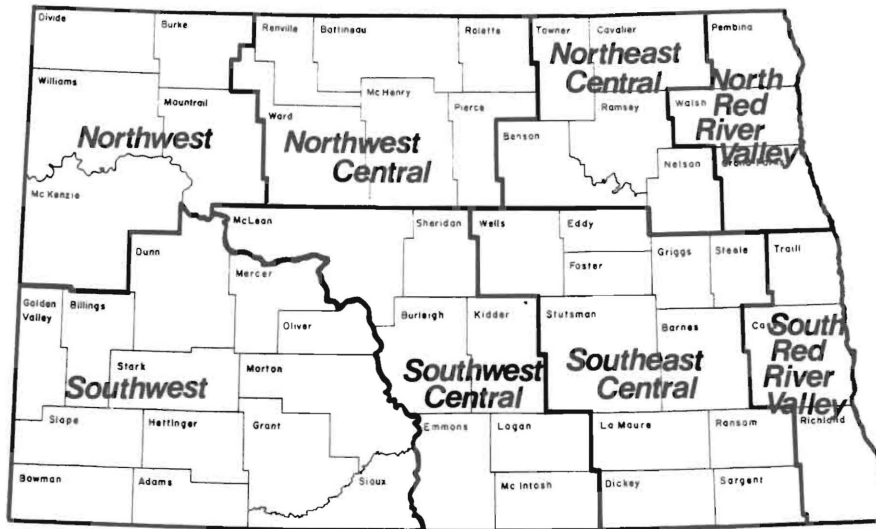
Cash leases continue as the dominant lease type in the Southwest Central and Northeast Central areas and at an even more dominant position in the two Valley farming areas. Cash leases made up 82 percent of all leases in both 1988 and 1989 in the North Red River Valley and 78 percent of all leases in the South Red River Valley area. The use of cropshare leases declined some in both Valley areas with a substantial increase in the combination cash-cropshare leases. The combination of potatoes, sugarbeets, and other specialty crops in the two Valley areas tends to favor the use of cash leases for the additional acreages operated. Cash leases increased in the transitional Southeast Central farming area from 56 percent in 1988 to 64 percent in 1989 with declines in the other types of leases.

Cropshare leases are important to many landlords and tenants because they permit both to share inputs and products in various combinations, which tend to vary by communities across the state. Cropsharing ratios for wheatland by farming areas are presented in Figure 2. Area averages are based on estimates of the respondents for their counties or service areas and indicate what is usually true of the communities they serve.

The most commonly used cropsharing ratio for wheatland provides a one-third return to the landlord and two-thirds to the tenant. Some landlords with several tenants may use different combinations among them as they arrive at these voluntary arrangements. Some landlords share costs of some

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|----------------|-----|-----|-----|-----|
| Cash | 35% | 48% | 69% | 82% |
| Cropshare | 52 | 50 | 25 | 14 |
| Cash-Cropshare | 13 | 2 | 6 | 4 |

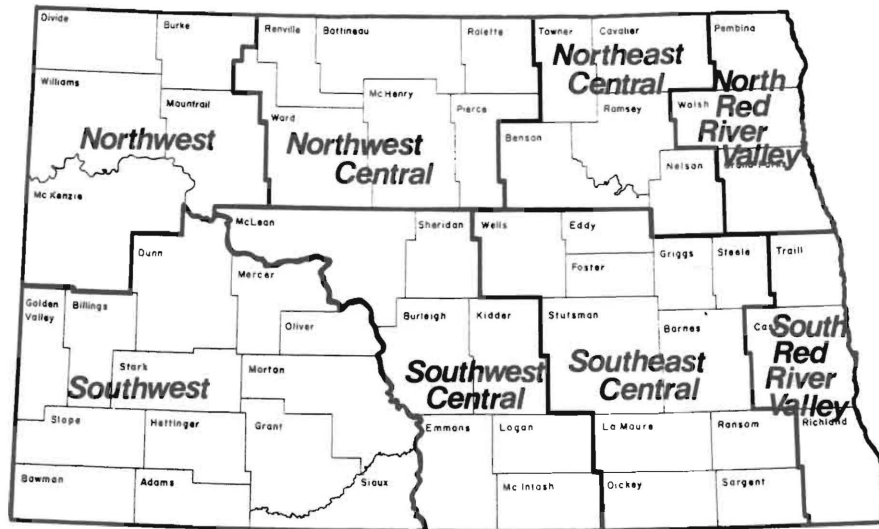


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|----------------|-----|-----|-----|-----|
| Cash | 61% | 70% | 64% | 78% |
| Cropshare | 30 | 29 | 33 | 17 |
| Cash-Cropshare | 9 | 1 | 3 | 5 |

State: Cash - 65%, Cropshare - 30%, and Cash-Cropshare - 5%.

Figure 1. Percent of Farmland Leases by Type in North Dakota by farming areas in 1989.

| | | | | |
|--------|-----|------|-----|-----|
| 25/75: | | | 11% | |
| 30/70: | 11% | | 22 | |
| 33/67: | 78 | 100% | 56 | 91% |
| 40/60: | 11 | | | |
| 50/50: | | | 11 | 9 |



| | | | | |
|--------|----|-----|----|-----|
| 25/75: | | 12% | 4% | |
| 30/70: | 6% | 18 | 18 | |
| 33/67: | 94 | 70 | 74 | 67% |
| 40/60: | | | 4 | 33 |

State: 25/75: 4%, 30/70: 11%, 33/67: 79%, 40/60: 2%, 50/50: 4%

Figure 2. Percent of Cropshare Leases by Sharing Ratios for Wheat Land for N.D. Farming Areas, 1989.

chemicals and fertilizers to encourage their use, and these encouragements become adopted as community standards.

The one-third/two-thirds sharing arrangement dominated the state at 86 percent of all cropshare leases for wheatland in 1989, up from 79 percent in 1988. The 30/70 ratio declined from 11 percent in 1988 to 6 percent of all cropshare leases in 1989. The 50-50 ratio continued at 4 percent in 1989.

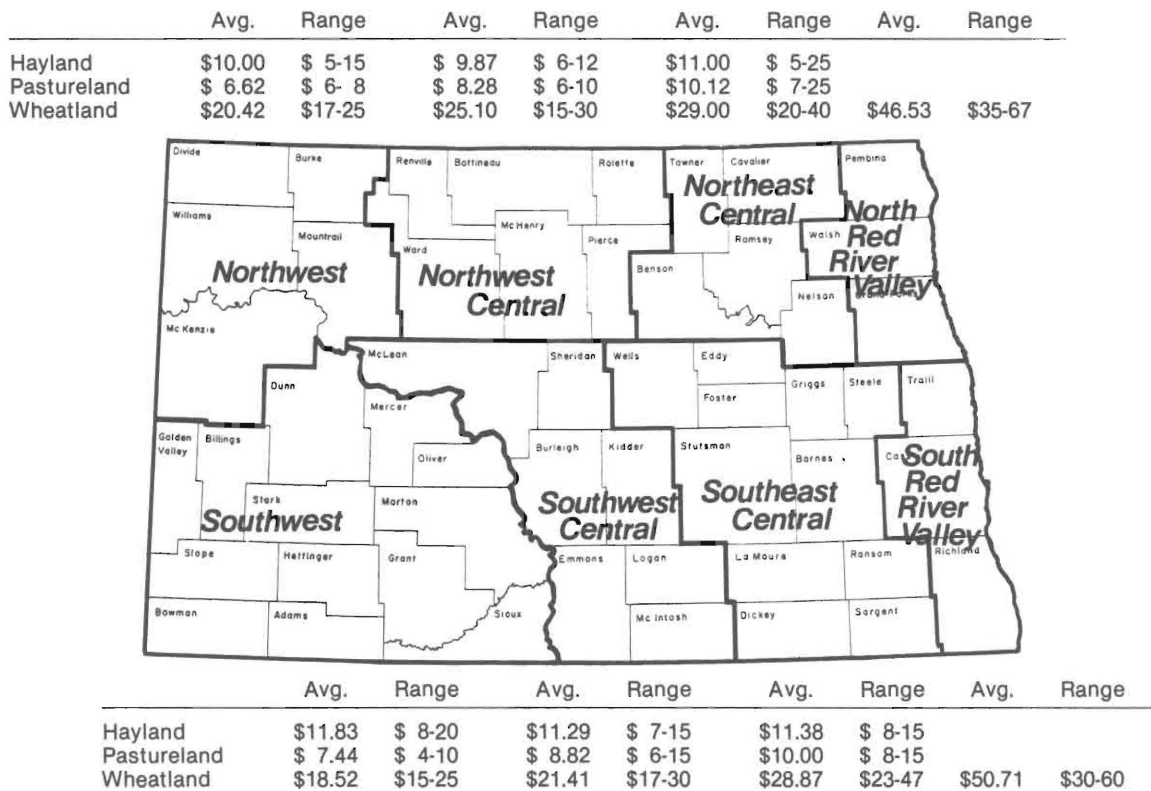
Wheatland cropsharing arrangements among farming areas showed more variability than in previous years. Only the Northwest Central area continued to report 100 percent using the popular one-third/two-thirds ratio. The one-third/two-thirds ratio declined some in most farming areas, with increases in the 30/70 ratio in the Northwest and Southwest Central farming areas in 1989. The 40/60 ratio rose in usage in the South Red River Valley area and continued at 11 percent in the Northwest area. Use of the 25/75 ratio declined in the Northwest, rose in the Southwest Central area, and continued at 4 percent in the Southeast Central area. The transitional Southeast Central farming area with its long growing season grows a wider range of crops plus livestock in its grazing areas. The area has much of the irrigated cropland of North Dakota with its specific sharing arrangements.

AVERAGE CASH RENTALS PER ACRE

The estimates by respondents of average cash rents paid for hayland, pastureland, and wheatland in their service areas were averaged and presented in Figure 3. County averages are calculated for each type of land use and weighted by land in farms in developing the area weighted averages. Both the area weighted average rental and the low and high estimate provided by respondents are included in the figure.

Average hayland rentals per acre rose sharply in 1989 in the severely drought impacted Southwest and substantially in both the Northwest and Northwest Central farming areas (Figure 3). Hayland rents in the Southwest declined with the severe drought in 1988 but rose in 1989 to reflect the need for forage. The Northwest and Northwest Central areas experienced increases of over 12 percent in average cash rents in 1989 after having increased rents in 1988. Both the Northeast Central and Southeast Central areas reported over 6 percent increases in average hayland cash rents in 1989.

Average pastureland cash rentals per acre for the state rose nearly 13 percent in 1989 after showing no change in



State: Hayland: \$11.51, Pastureland: \$9.09, Wheatland: \$28.71

Figure 3. Average Cash Rents Per Acre for Hayland, Pastureland, and Wheatland and the Ranges in Estimates for Eight Farming Areas for N.D., 1989.

the drought year of 1988. Large percentage increases in these rents were reported in 1989 for the Southwest and Northwest Central areas. The Southeast Central area had nearly a 10 percent increase in 1989 after nearly a 5 percent increase in 1988. Pastureland rentals rose nearly 18 percent in 1987 in the Northwest area and rose nearly a fourth in 1988, but the drought of 1989 kept the area from any increase in 1989.

Cropland rented for cash is measured in terms of cash rentals per acre for wheatland. The state average cash rent for wheatland rose 50 cents per acre in 1989 to an average of \$28.71. The 1989 estimate is close to the 1987 average of \$28.66 an acre.

Average wheatland cash rentals in the eight farming areas in recent years have been fluctuating with little real increase from their 1981-82 highs. For example, in the Northwest area the average cash rent rose sharply by 29 percent in the drought year of 1988 and declined by 17 percent in 1989 to be near its 1984 average. The Southwest wheatland average cash rent in 1989 of \$18.52 an acre is close to its 1981 and 1983 averages.

The two Red River Valley areas have also been impacted by the droughts of 1988 and 1989, with little net change from the wheatland cash rent averages of earlier years. Wheatland rents showed a large increase in the North Red River Valley area in 1989 after a large decline in 1988 and are still below the 1987 average. The South Red River Valley area in 1989 averaged the same as in 1988, and these averages have been fluctuating with little net increase since 1983.

Average cash rents for wheatland in all farming areas in 1989 are still easily within the averages reported within the last 10 years. Nominal cash rents per acre for wheatland have not increased much in any of the farming areas since 1978 or 1979. Some localities have experienced increased demands for rented land and have had offers for higher rents, but most landlords do not change from tenants they are satisfied with. Some landlords are using crop insurance with their cropshare contracts because of the years of drought.

RATIO OF CASH RENTS TO CROPLAND VALUES

The 15-year history of the rise and fall in cropland values for the state are presented as vertical columns in Figure 4 and measured on the lefthand scale.

The wide line near the top presents the state average cash rents per acre for wheatland, measured in dollars per acre on the righthand scale. Cash rents per acre generally rose in the late 1970s, peaked in 1982, and averaged in the \$28-29 range in the last four years.

The righthand scale also presents the ratio of rents to average value of croplands, with the ratio at its low of 5.7 in 1979 and its high observed in 1987 at 9.25. The 1988 ratio was 9.0, and it fell to 8.7 in 1989 due to the increase in the average value of croplands in 1989.

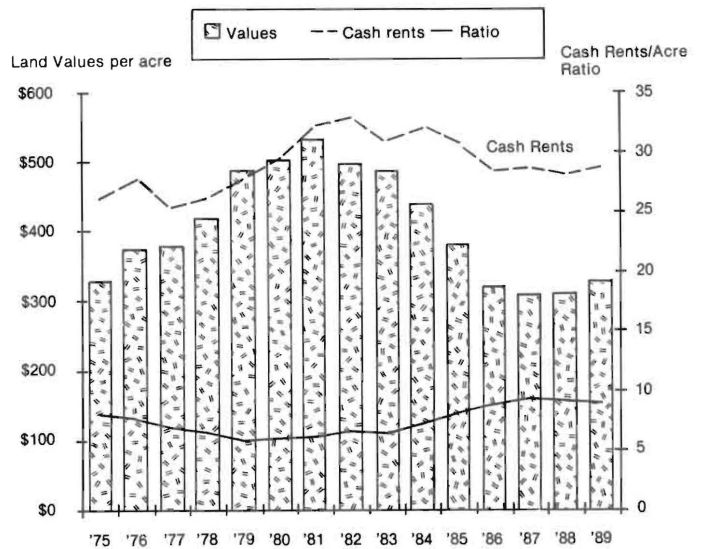


Figure 4. State Average Cropland Values and Wheatland Cash Rentals Per Acre and the Ratio of Rents to Value, 1975-1989.