
Farmland Leases: Tales, Types, and Trends

November 27, 2012
**Federal Reserve Bank of
Chicago**

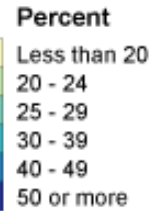
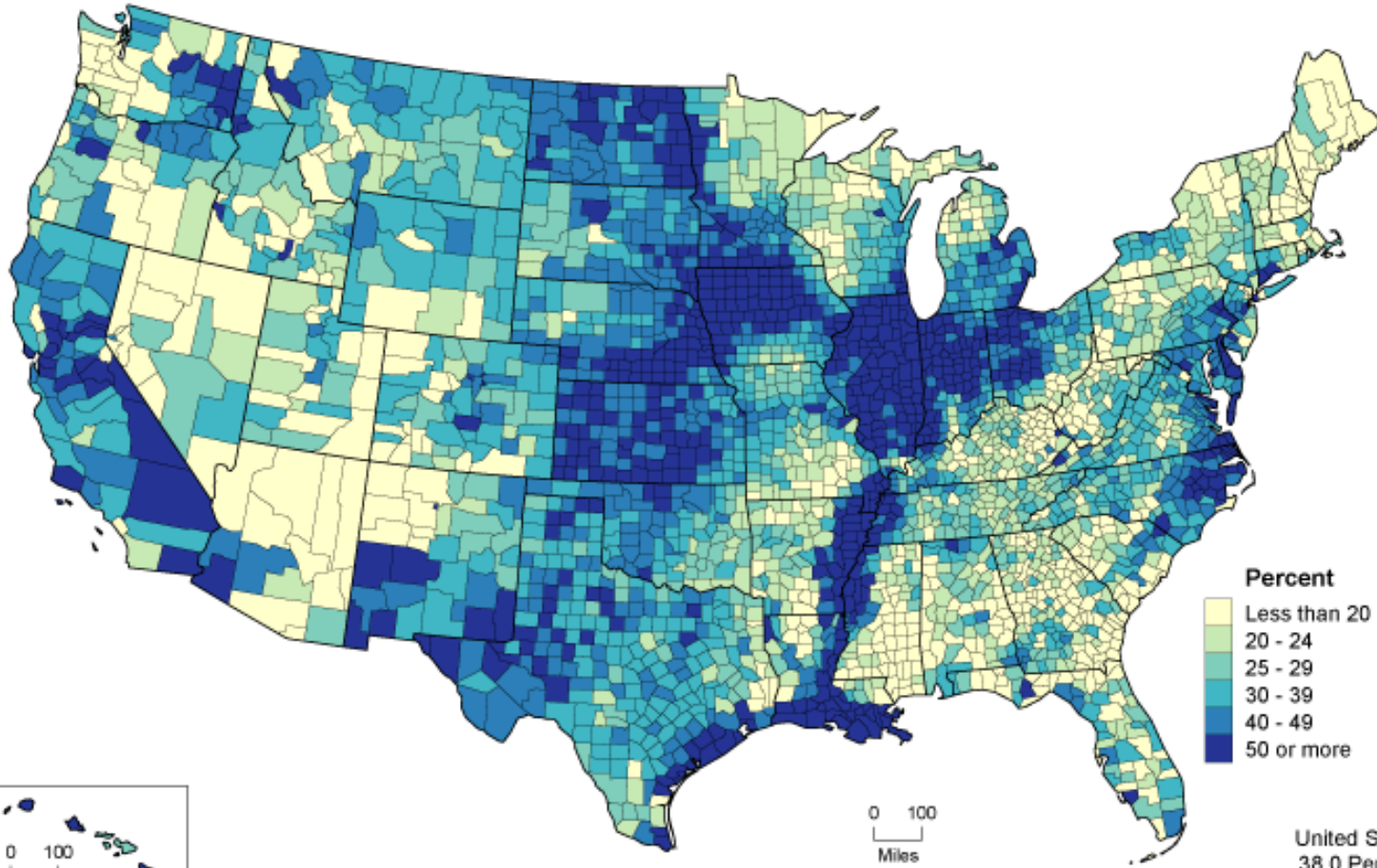
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Why the interest in farmland leases?

- **Widespread and evolving practice in Midwest**
- **Source of income for farmland owners**
- **Affects profitability and cash flow of farms**
- **Lagging relationship of cash rents with farmland values**
- **Impact on lending institutions via loans**

Percent of Land in Farms Rented or Leased: 2007

0 200
Miles



United States
38.0 Percent

0 100
Miles



07-M117
U.S. Department of Agriculture, National Agricultural Statistics Service

0 100
Miles

Sources of income from farmland leasing

- **Cropland**

- Non-irrigated
- Irrigated



- **Pastures**

- **Energy production**

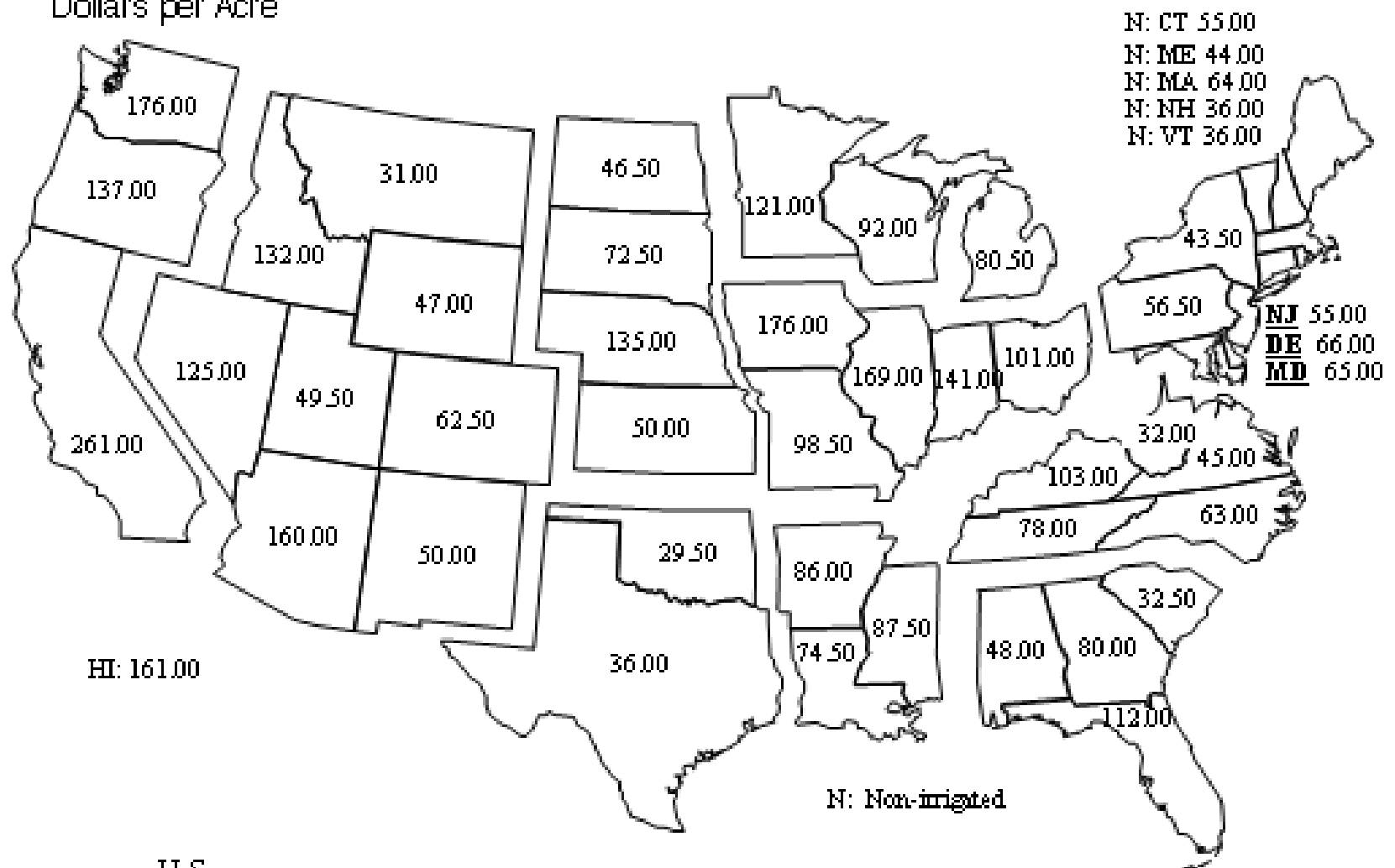
- Wind
- Gas and oil



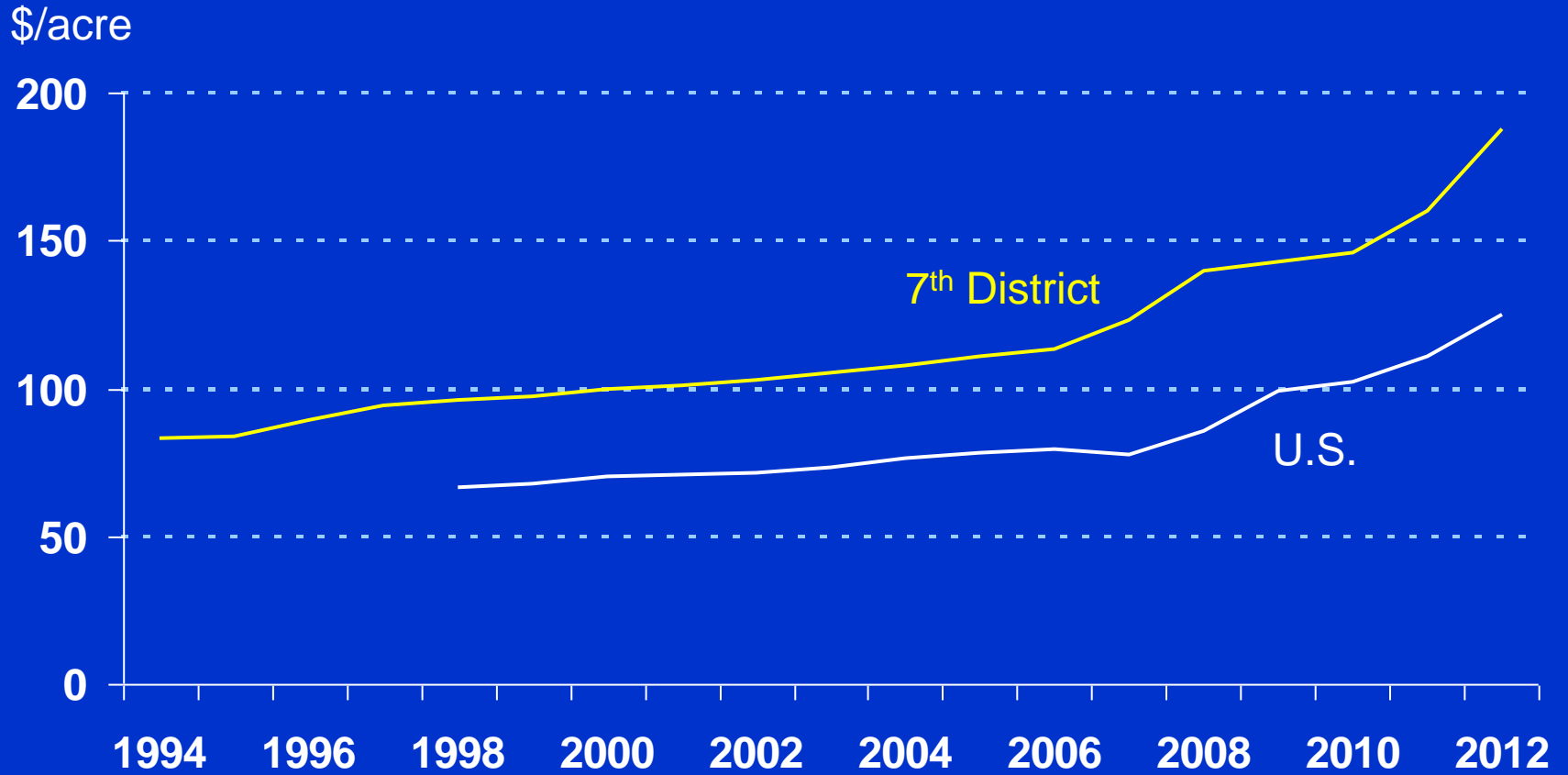
- **Recreational uses: hunting, fishing, etc.**

2010 Cropland Cash Rent by State

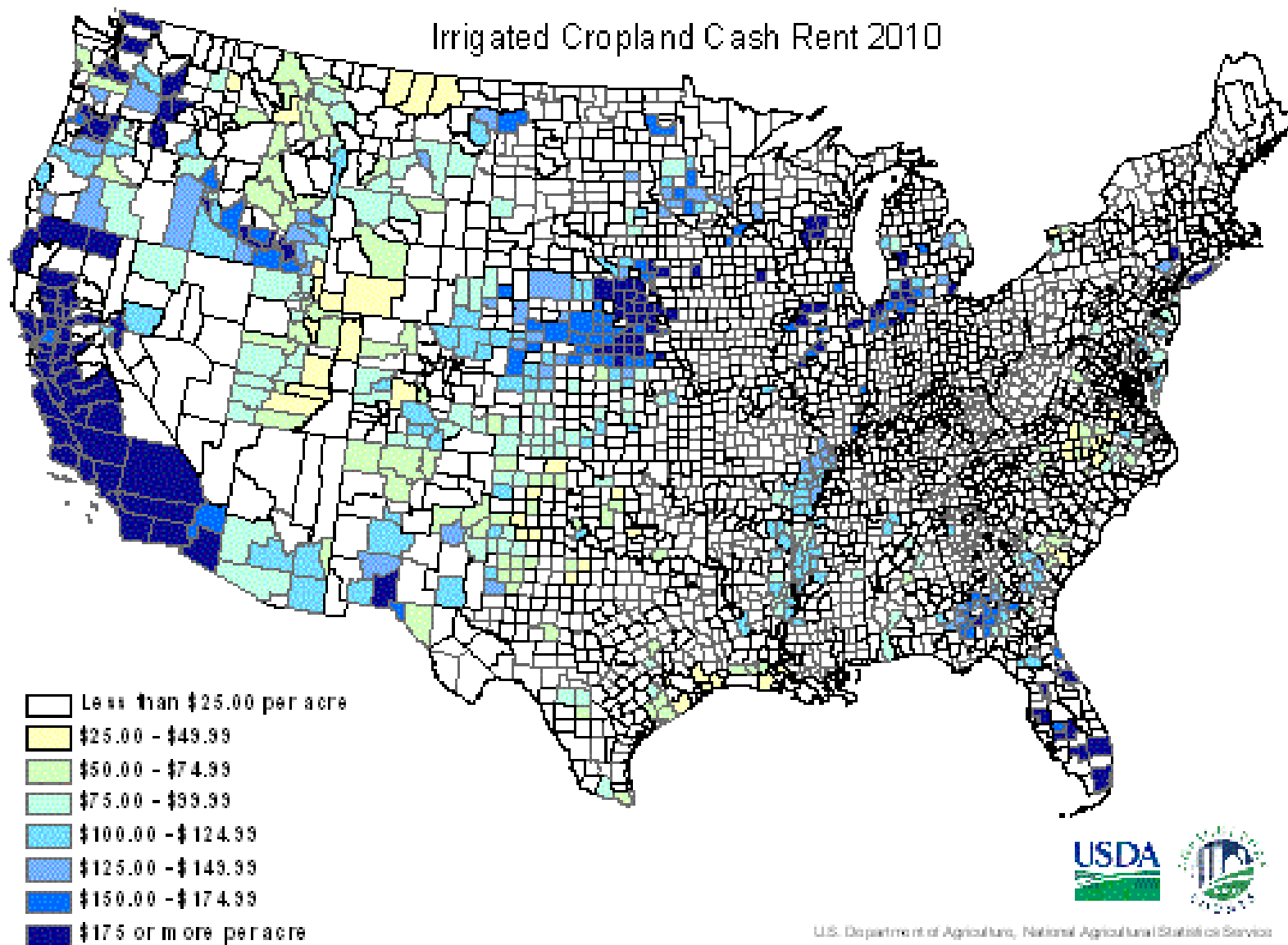
Dollars per Acre



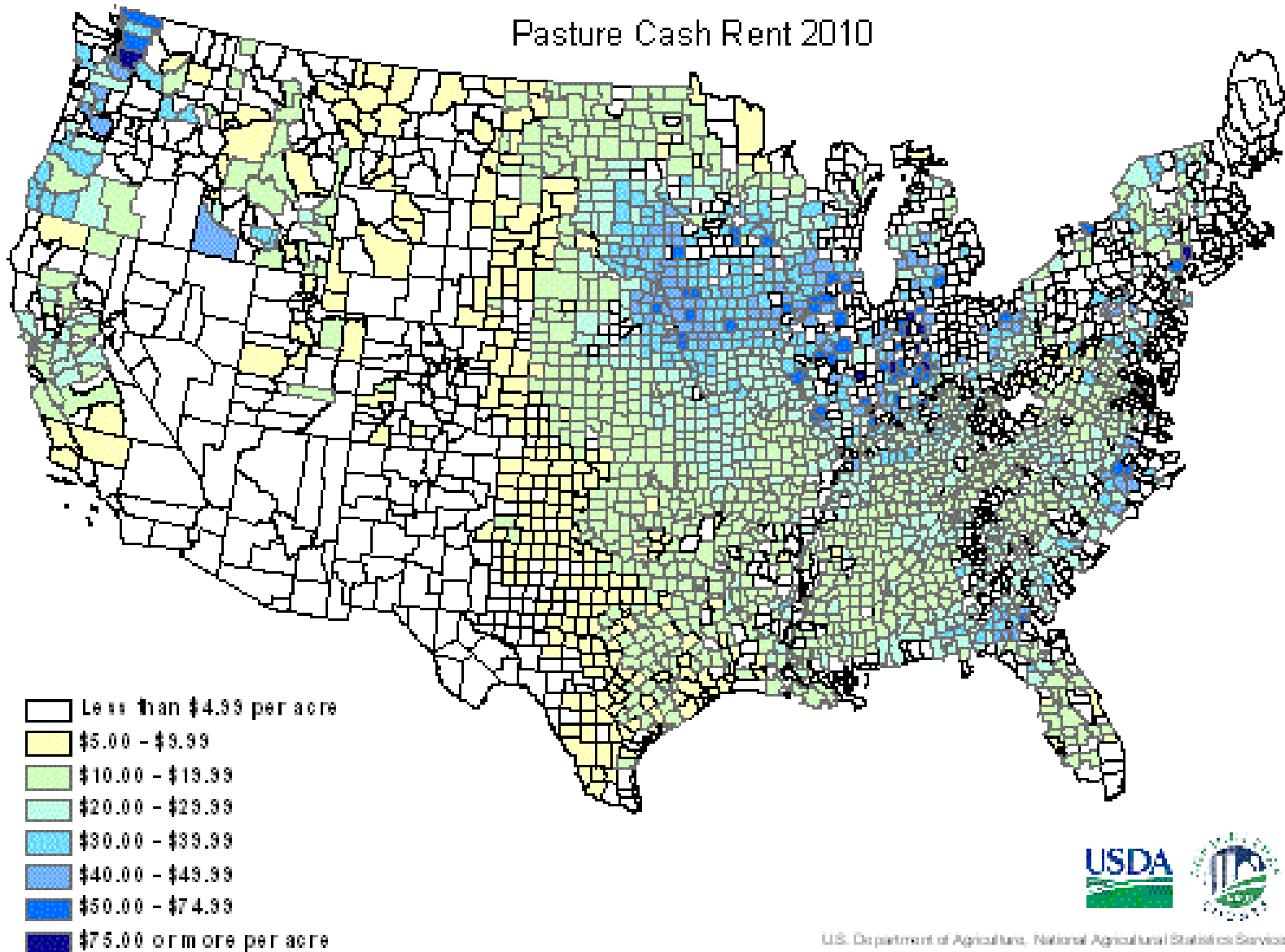
***Farmland cash rents for the U.S. and
for the Seventh Federal Reserve District
(weighted by acres from USDA data)***



Irrigated Cropland Cash Rent 2010

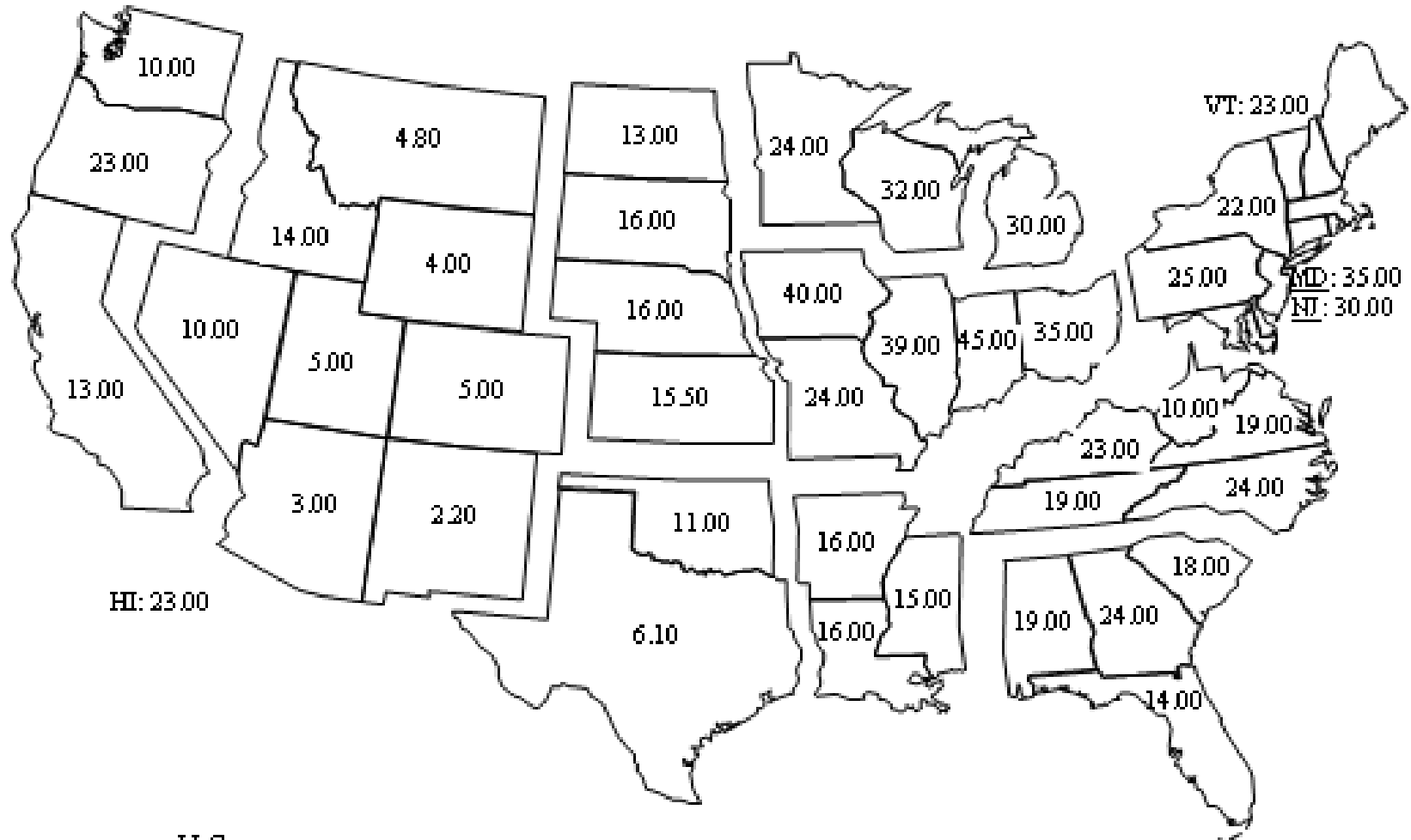


Pasture Cash Rent 2010



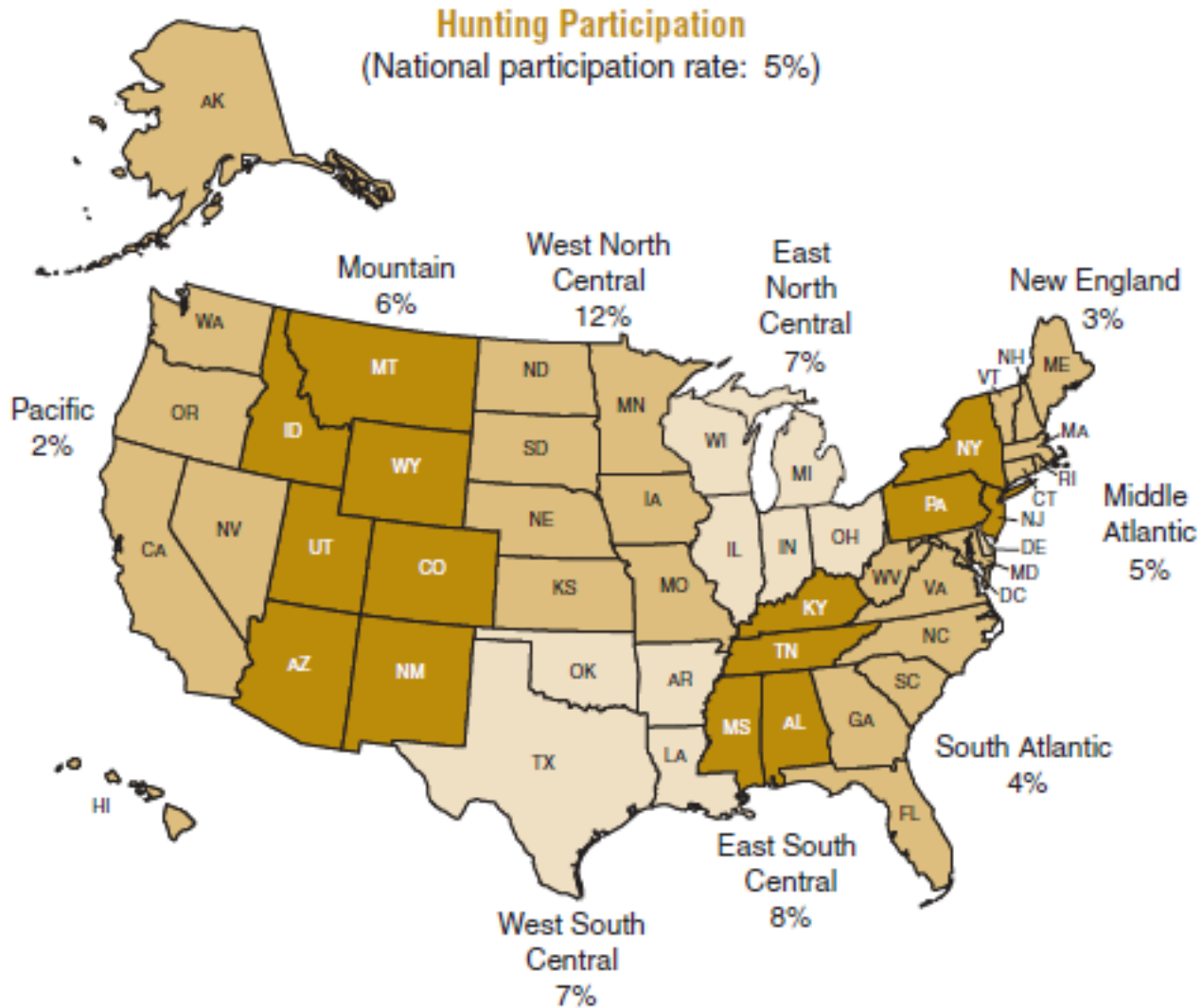
2010 Pasture Cash Rent by State

Dollars per Acre

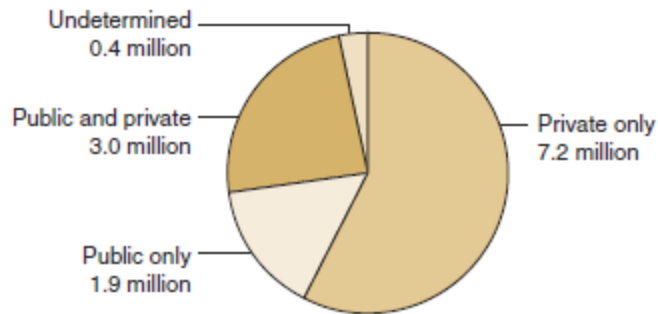


U.S.
11.00

USDA - NASS
September 10, 2010



People Hunting on Public and Private Lands



Total Hunting Expenditures

Total hunting expenditures	\$22.9 billion
Total trip-related expenditures	\$6.7 billion
Food and lodging	2.8 billion
Transportation	2.7 billion
Other trip costs	1.2 billion
Total equipment expenditures	\$10.7 billion
Hunting equipment	5.4 billion
Auxiliary equipment	1.3 billion
Special equipment	4.0 billion
Total other hunting expenditures	\$5.5 billion
Magazines, books	0.1 billion
Membership dues and contributions	0.3 billion
Land leasing and ownership	4.4 billion
Licenses, stamps, tags, and permits	0.7 billion

Source: Table 17.

Plus almost \$400 million in private land use fees
(in other trip costs)

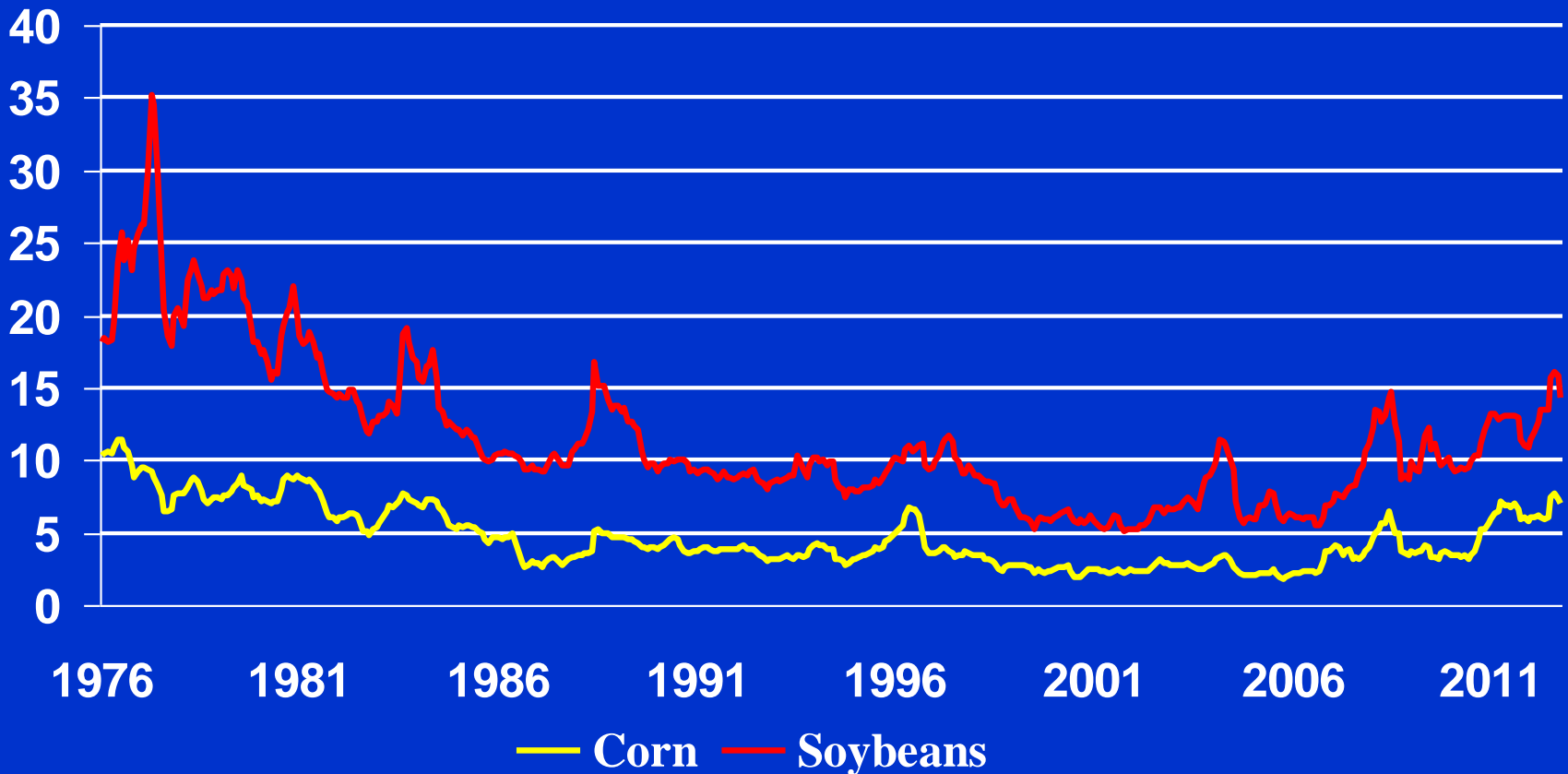
Factors affecting farmland rental rates

- Farmland values
- Commodity prices
- Productivity of the land (inputs, labor required)
- Location and pool of renters
- Interest rates
- Government programs
- Capital investment in structures
- Demand for other uses of land
- Environmental issues
- Inflation, other site characteristics, trade

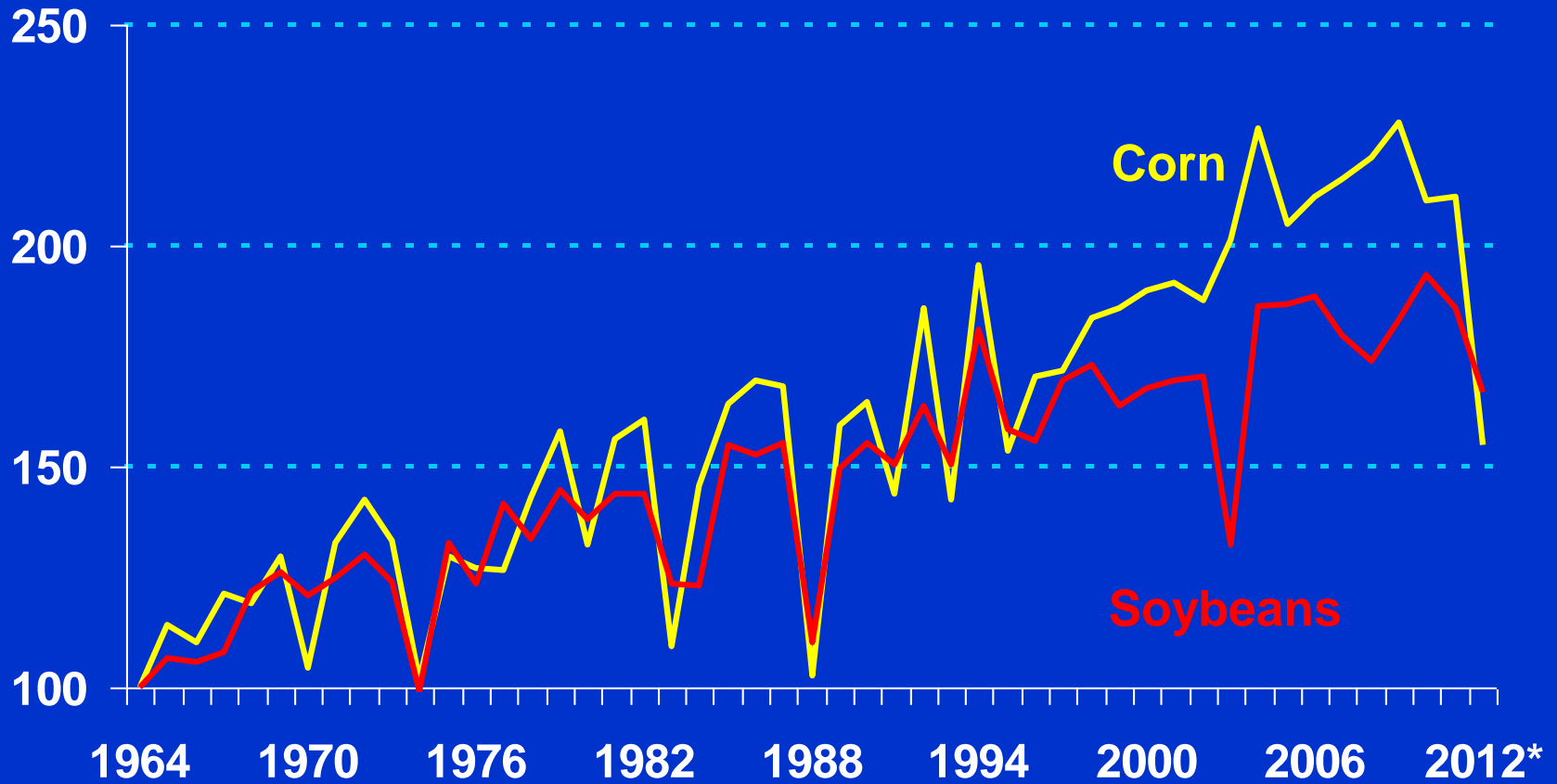


Real Crop Prices

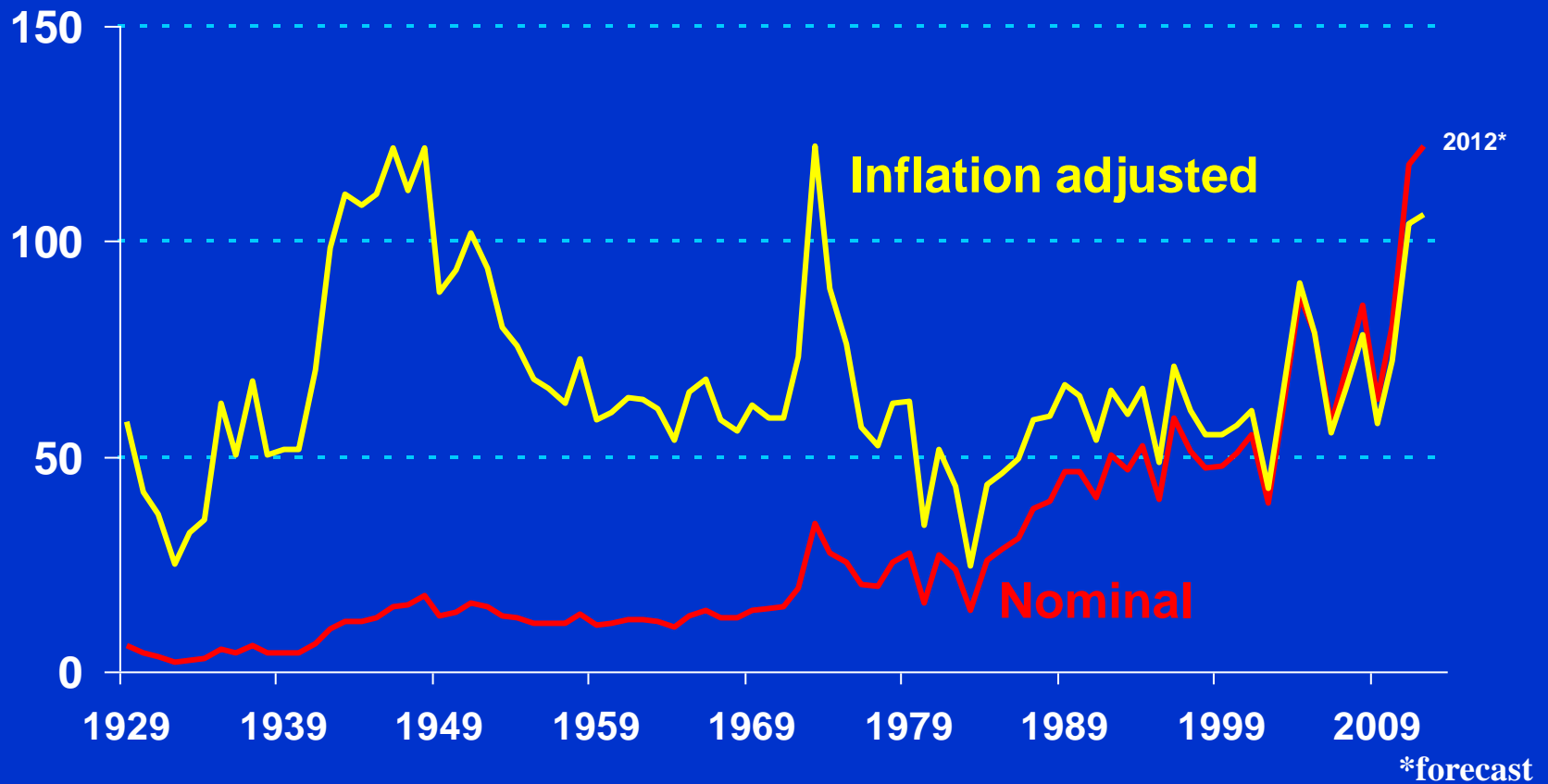
(\$/bushel, adjusted by CPI-U for January 2010)



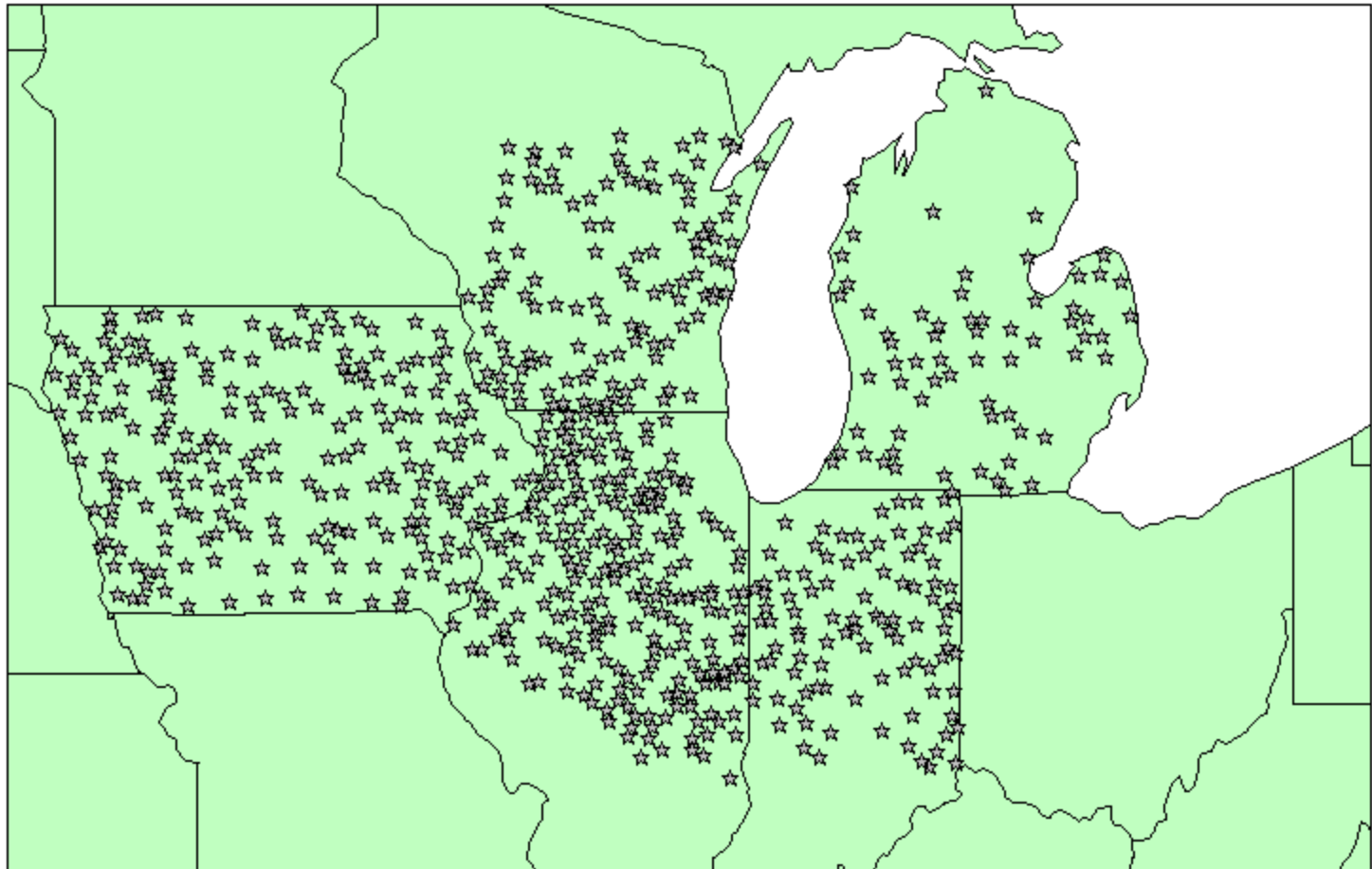
7th District Crop Yield Indexes (1964=100)



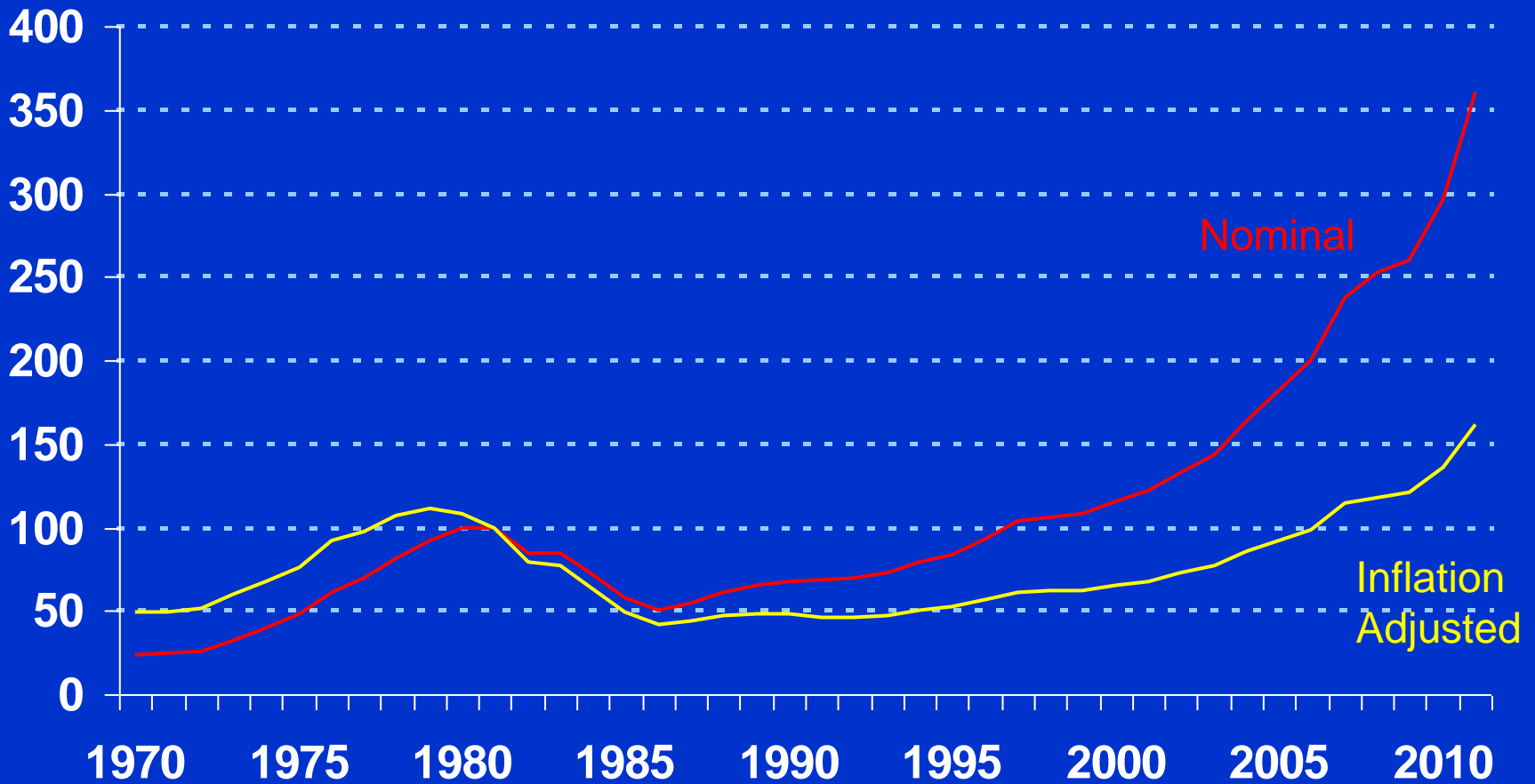
U.S. Net Farm Income ***(billion dollars, 2005 \$ for inflation adjustment)***



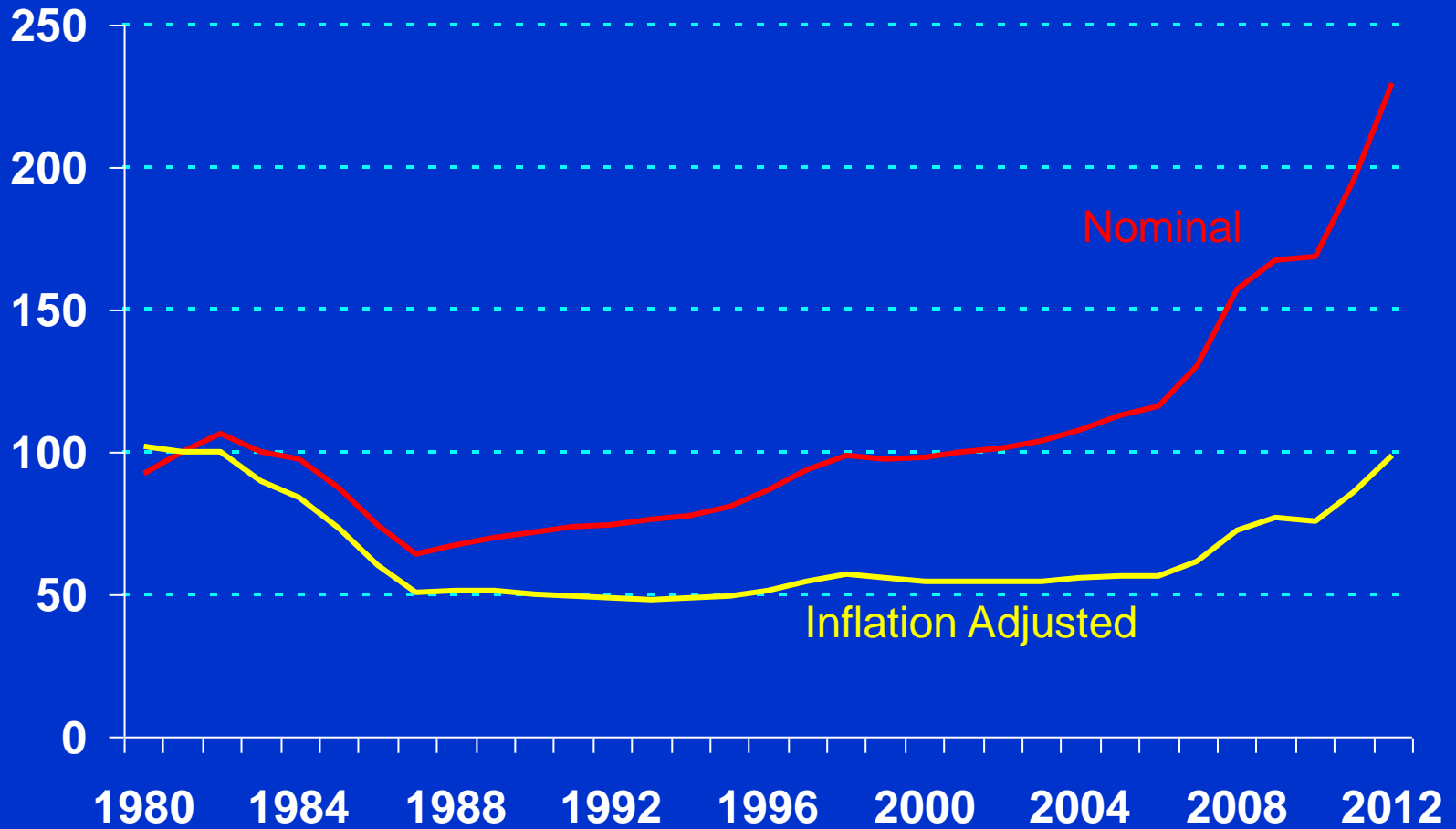
Banks in 7th District Land Value and Credit Conditions Survey



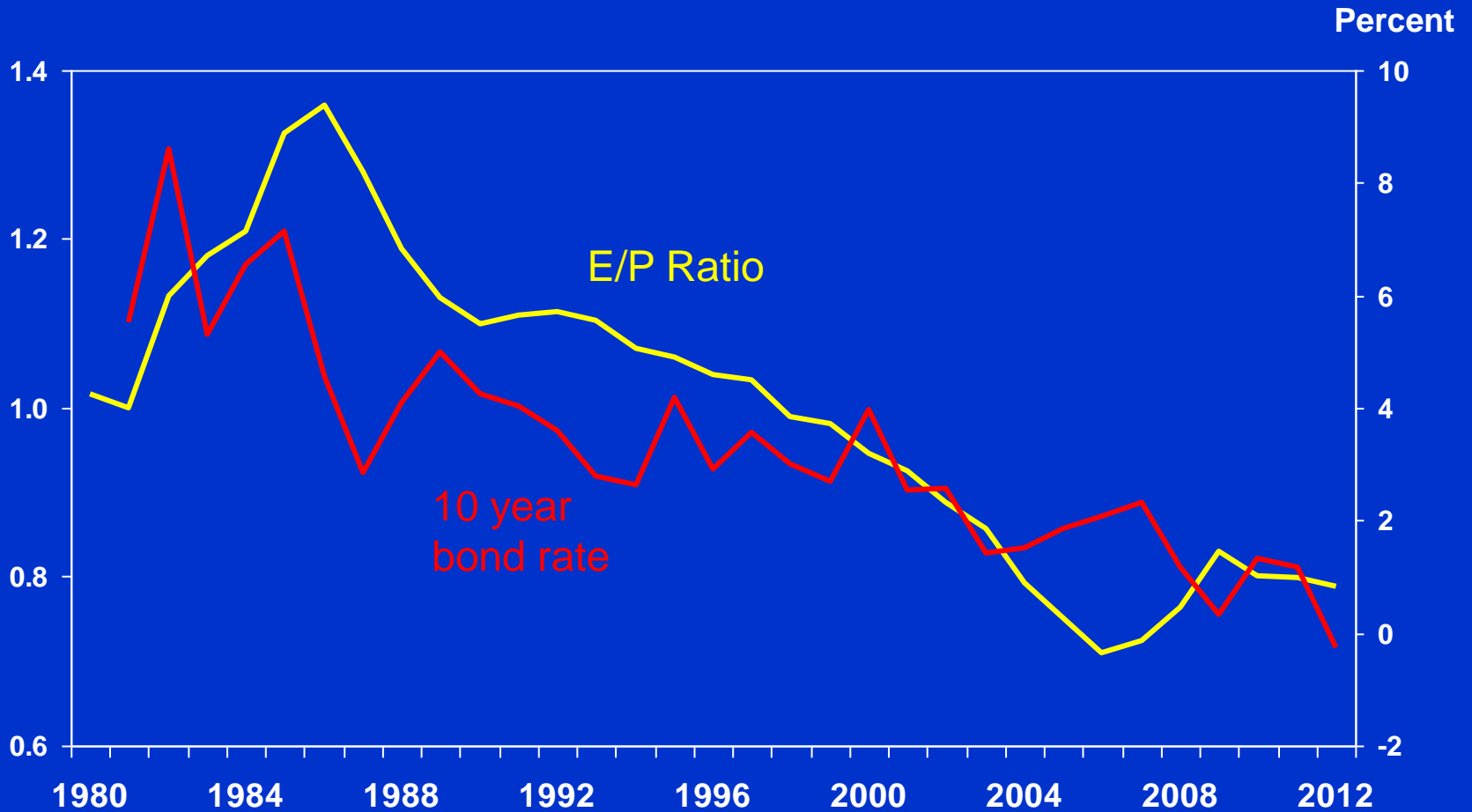
Index of Seventh District farmland values (1981=100)



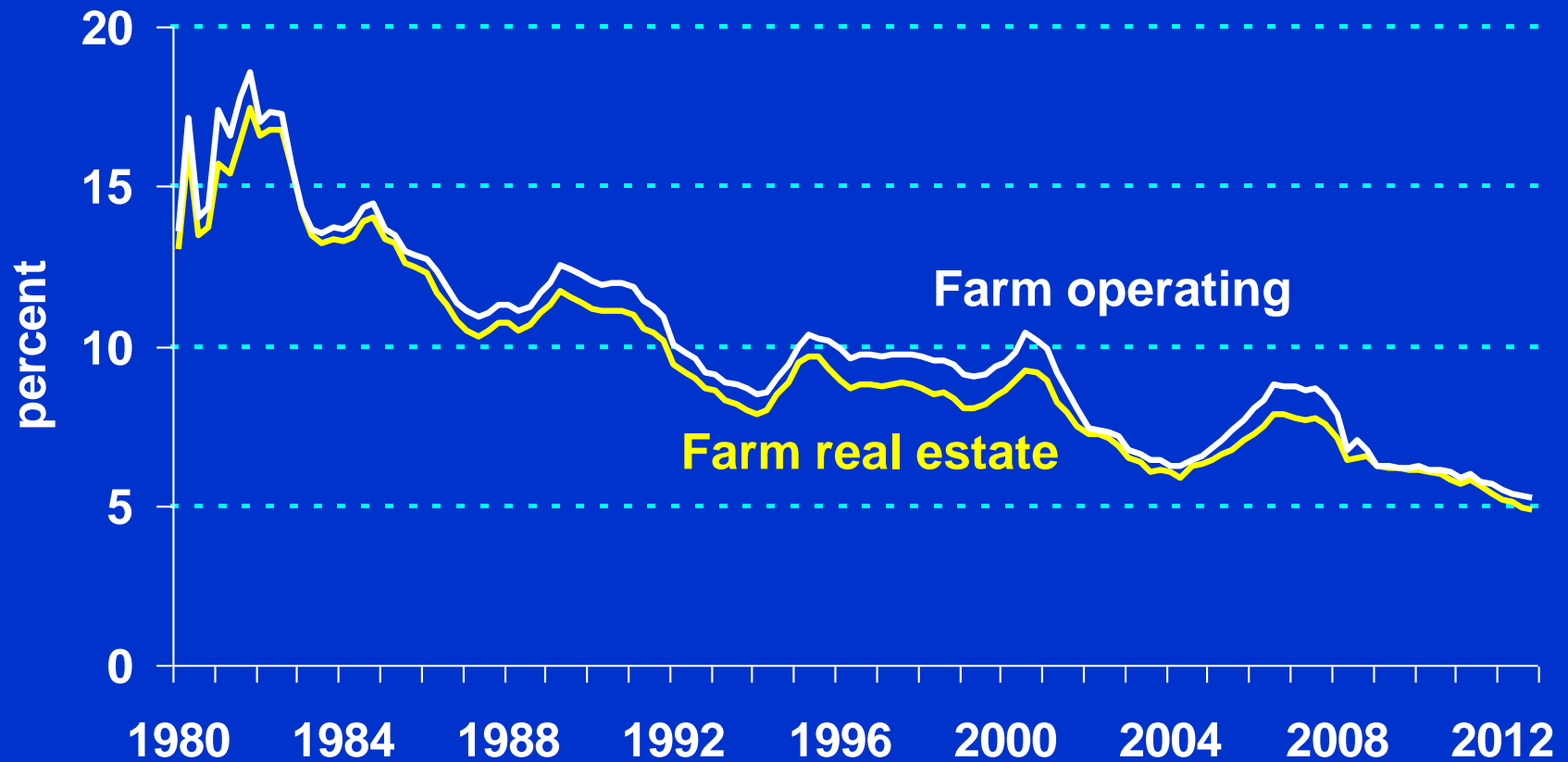
Index of Seventh District Cash Rents Nominal vs. Inflation Adjusted (1981=100)



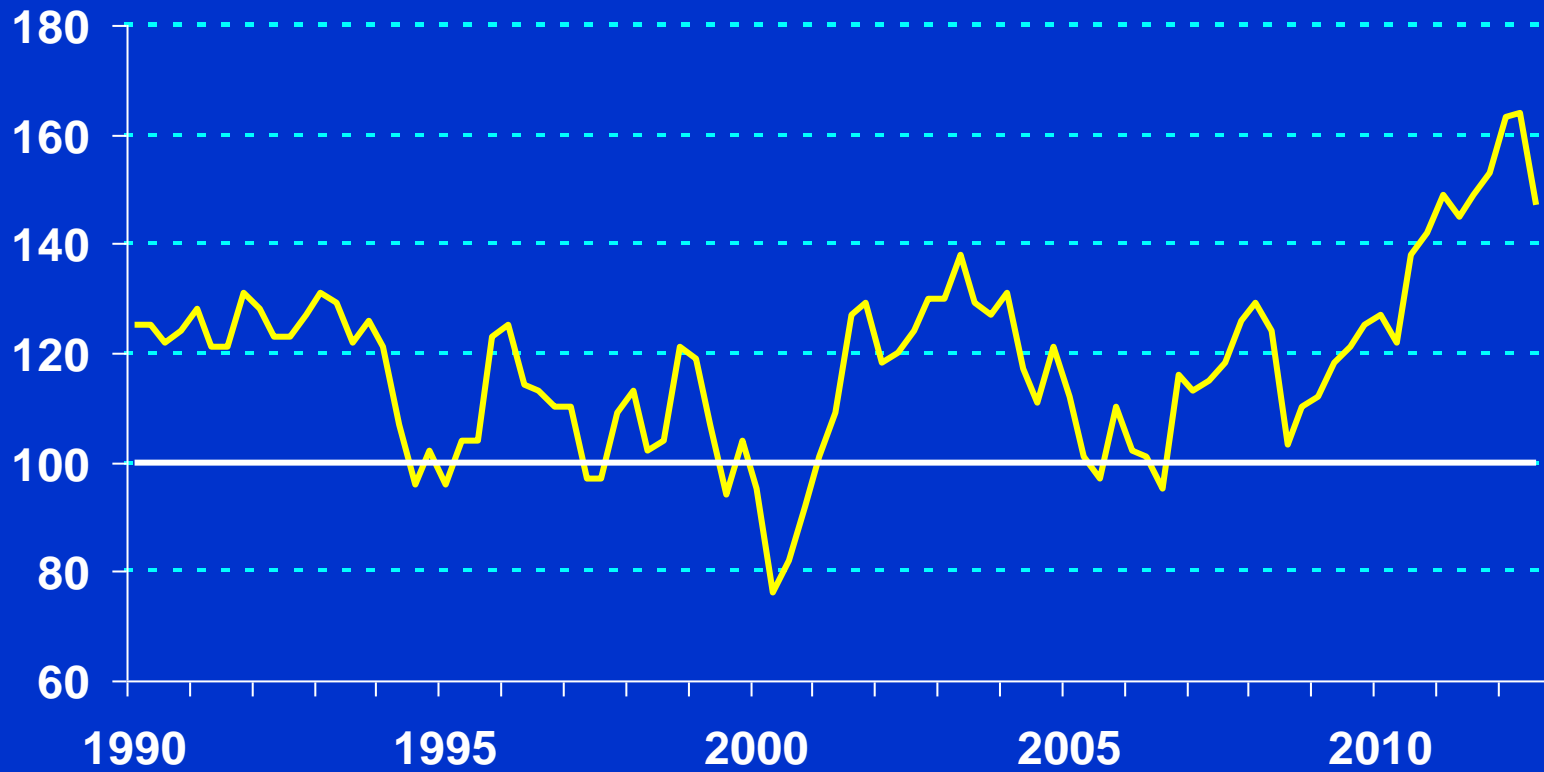
7th District Earnings to Price Ratio (left axis, 1981=1) vs. Real Return on 10 Year Treasury Bonds



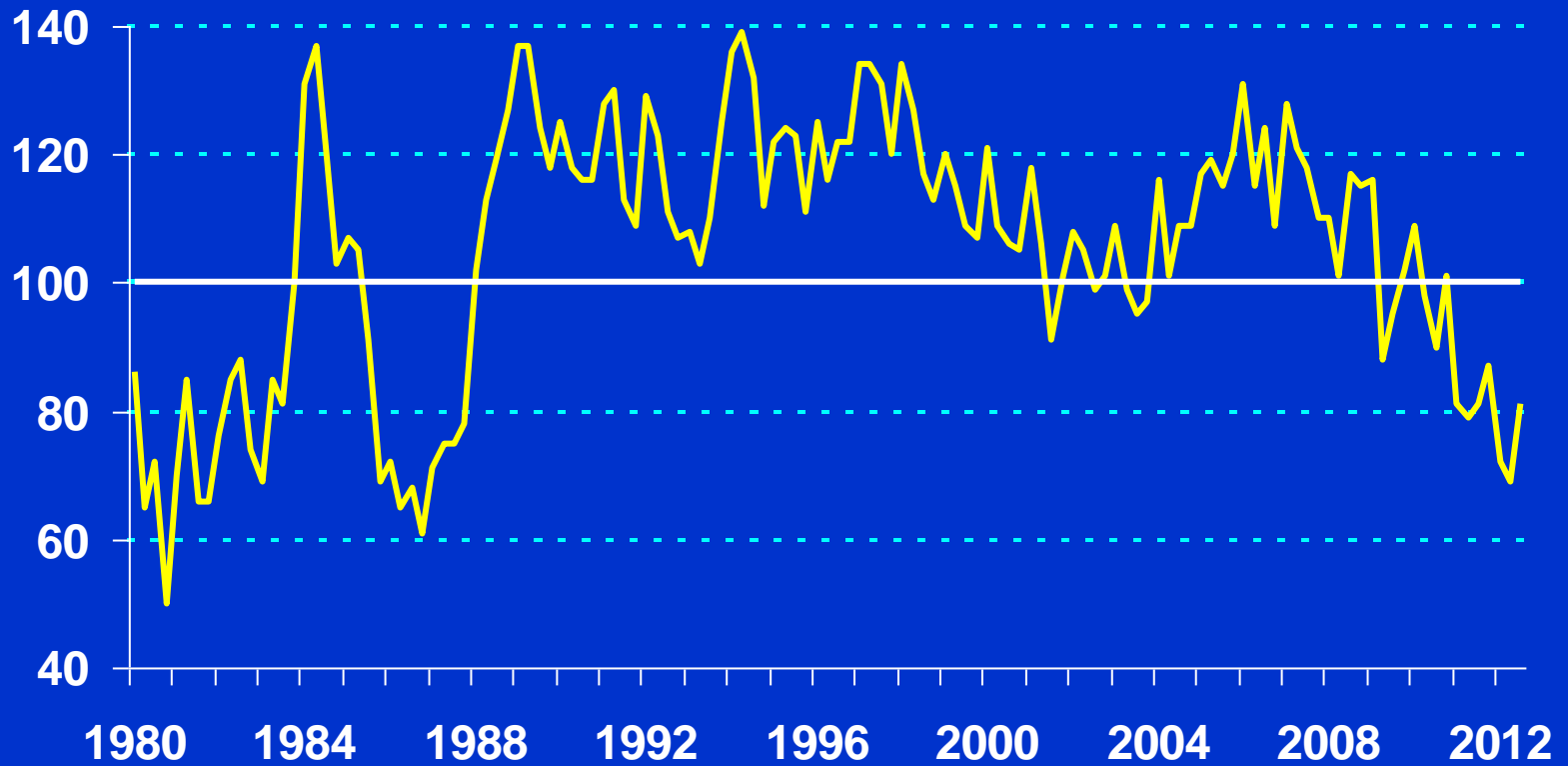
Interest rates charged on new farm loans in the Seventh Federal Reserve District



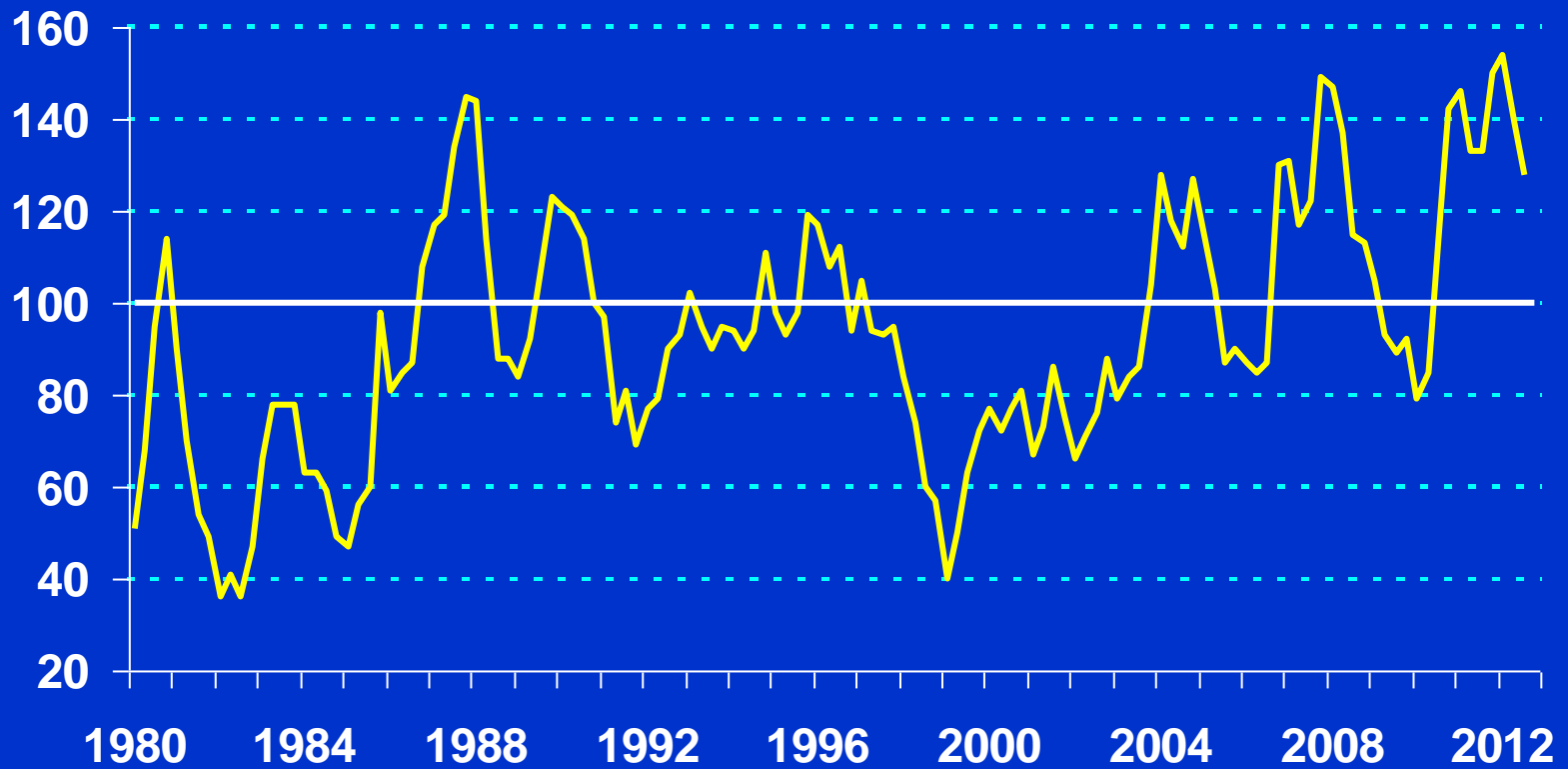
Index of funds availability for the Seventh Federal Reserve District



Index of agricultural loan demand for the Seventh Federal Reserve District (excluding real estate)



Index of agricultural loan repayment rates for the Seventh Federal Reserve District



<http://www.chicagofed.org>

