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
Sources of income from farmland leasing

- Cropland
  - Non-irrigated
  - Irrigated

- Pastures

- Energy production
  - Wind
  - Gas and oil

- Recreational uses: hunting, fishing, etc.
Farmland cash rents for the U.S. and for the Seventh Federal Reserve District
(weighted by acres from USDA data)
2006 National Survey of Fishing, Hunting, and Wildlife-Associated Recreation

Hunting Participation
(National participation rate: 5%)

[Map of the United States showing different regions highlighted in various shades of brown, indicating hunting participation rates.]
2006 National Survey of Fishing, Hunting, and Wildlife-Associated Recreation

People Hunting on Public and Private Lands

- Undetermined: 0.4 million
- Public and private: 3.0 million
- Public only: 1.9 million
- Private only: 7.2 million

Total Hunting Expenditures

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total hunting expenditures</td>
<td>$22.9 billion</td>
</tr>
<tr>
<td>Total trip-related expenditures</td>
<td>$6.7 billion</td>
</tr>
<tr>
<td>Food and lodging</td>
<td>2.8 billion</td>
</tr>
<tr>
<td>Transportation</td>
<td>2.7 billion</td>
</tr>
<tr>
<td>Other trip costs</td>
<td>1.2 billion</td>
</tr>
<tr>
<td>Total equipment expenditures</td>
<td>$10.7 billion</td>
</tr>
<tr>
<td>Hunting equipment</td>
<td>5.4 billion</td>
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<tr>
<td>Auxiliary equipment</td>
<td>1.3 billion</td>
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<tr>
<td>Special equipment</td>
<td>4.0 billion</td>
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<tr>
<td>Total other hunting expenditures</td>
<td>$5.5 billion</td>
</tr>
<tr>
<td>Magazines, books</td>
<td>0.1 billion</td>
</tr>
<tr>
<td>Membership dues and contributions</td>
<td>0.3 billion</td>
</tr>
<tr>
<td>Land leasing and ownership</td>
<td>4.4 billion</td>
</tr>
<tr>
<td>Licenses, stamps, tags, and permits</td>
<td>0.7 billion</td>
</tr>
</tbody>
</table>

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)

Corn

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

Inflation adjusted
Nominal

2012*
*forecast
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

E/P Ratio

10 year bond rate

Percent
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