



# Examining Land Values, Cash Rents, Crop Input Costs & Potential Crop Profitability in 2015

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Cropland values in Ohio have increased again in 2014. Data from the Ohio Ag Statistics Service shows an increase of 8.9% for bare cropland in Ohio for 2014. According to this data, bare cropland averages \$5650/acre, up from \$5190/acre the previous year.

The Western Ohio Cropland Values and Cash Rents Survey (AEDE) was conducted in January 2014. The projected value for Average cropland in western Ohio was \$7142 per acre. Top cropland in western Ohio was projected to average \$8654 per acre while Poor cropland in western Ohio was expected to average \$5658 per acre. The Chicago Federal Reserve Bank and Purdue University both conducted land value surveys in June 2014. The Chicago Fed survey of bankers found land values of "good" farmland increased by 3% year-over-year while Purdue found that the statewide annual increase in cropland values ranged from 6.4 to 7.1% depending on land productivity.

Low debt-to-asset ratios together with continued low interest rates continue to lend positive support to land values. Lower profit margins in 2014 and 2015 could potentially restrict further land value increases. These competing fundamentals create a somewhat uncertain picture for land values in 2015.

Projected budgets for Ohio's primary crops for 2015 show the potential for low margins. Returns to Variable Costs (Gross Revenue minus variable costs) are projected to be \$146-\$322 per acre for Ohio Corn in 2015 depending on the land production capabilities. Budget projections for 2015 soybeans show Returns to Variable Costs to be \$168-\$337 per acre. Wheat budget projections for 2015 find Returns to Variable Costs to be between \$122 and \$233 per acre. This is assuming current prices of inputs and present December, November and September 2015 futures prices, respectively. These projections are based on OSU Extension Ohio Crop Enterprise Budgets available online at: <http://aede.osu.edu/research/osu-farm-management/enterprise-budgets>

Strong equity positions together with higher property taxes will likely continue to lend support to cash rental rates however lower profit margins in 2014 and 2015 will potentially put downward pressure on rents. These competing fundamentals suggest a relatively steady outlook for cash rental rates in 2015.

Variable costs for Ohio's major field crops for 2015 will be virtually unchanged from 2014. Variable costs for corn for 2015 are projected to be \$376 to \$460 per acre. Variable costs for 2015 Ohio soybeans are projected to range from \$209 to \$229 per acre. Wheat variable expenses for 2015 are projected to range from \$188 to \$232 per acre.

Crop input costs offer a mixed bag of change. Energy costs are predicted to be lower. Seed costs will range from modestly lower to modestly higher depending on seed company, genetic package and newness of hybrid or variety. Crop protection chemicals will likely follow the same pattern as some products will increase in price while some (glyphosate in particular) will decrease.

Fertilizer continues to be the most volatile of the crop input costs. Most fertilizer products are at slightly higher prices compared to last year at this time. Production issues, short gas supplies, plant turnarounds and political unrest have lent support to higher prices. Lower profit margins will compete with logistical concerns and strong equity positions to create uncertainty in fertilizer markets in 2015.

*Outlook information presented here was developed with data from AEDE research, the Energy Information Administration, USDA, other Land Grant research, futures markets and retail sector surveys. While gauged to the best of this author's capabilities, forward looking statements contained in this document may prove to be incorrect due to changes in supply and demand and other political and economic related events.*