



## Ohio Cropland Values and Cash Rents 2005-06

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### **Abstract:**

Demand for land value and cash rent data is strong as farmers, landowners, ag lenders, agribusiness persons and investors seek baseline data to formulate their business and investment plans. Previously, data has been gathered by surveying farmers, landlords or a combination of the two groups. In this initial survey we survey two groups of professionals with strong ties and an intimate knowledge of agriculture land and rental markets. This survey found that on a statewide basis, bare Ohio cropland averaged \$3886 per acre for top land, \$3280 for average land and \$2693 for poor land. Top land averages 177 bushels of corn per acre and rents for \$138 per acre. Average land yields 146 bushels of corn per acre and rents for \$111 per acre. Poor cropland averages 113 bushels per acre and rents for \$87 per acre. The survey found that cash rents are expected to increase 2.5% in 2006.

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A survey of agricultural lenders, farm managers and rural appraisers was conducted at three OSU Extension/AEDE meetings in the Fall of '05 and Winter of '06. This survey was a sample of participants in attendance at these meetings. It was not a random sample of the population but rather a survey of all willing participants in attendance at these meetings designed to test the survey instrument. Surveying these agricultural experts is an attempt to capture unbiased data for evaluating farmland value and cash rents. Eighty-four surveys were completed, analyzed and summarized. Seventy-two percent of the surveys were collected from professionals in western Ohio while 22% of the respondents were from north-central Ohio. The results are summarized in Table 1.

This survey found that on a statewide basis, bare Ohio cropland averaged \$3886 per acre for top land, \$3280 for average land and \$2693 for poor land. Top land averages 177 bushels of corn per acre and rents for \$138 per acre. Average land yields 146 bushels of corn per acre and rents for \$111 per acre. Poor cropland averages 113 bushels per acre and rents for \$87 per acre. The survey found that cash rents are expected to increase 2.5% in 2006.

#### **Top Farmland**

Survey results indicate the average yield for "top" performing farmland equals 177 bushels per acre. Results also show that average value of "top" farmland is \$3886 per acre. According to survey data this "top" producing farm land is expected to be valued at \$4005 by July of 2006. This is an increase of 3%.

"Top" farmland rents for an average of \$138 per acre according to survey results which equals \$0.78 per bushel of corn produced. Rents in the "top" farmland category equal 3.55% of land value.

#### **Average Farmland**

Yields for "average" performing farmland equal 146 bushels per acre. Results also show that the value of "average" farmland is \$3280 per acre. According to survey data this "average" producing farm land is expected to be valued at \$3379 by July of 2006. This is an increase of 3%.

"Average" farmland rents for an average of \$111 per acre according to survey results which equals \$0.76 per bushel of corn produced. Rents in the "average" farmland category equal 3.3% of land value.

#### **Poor Farmland**

The survey summary shows the average yield for "poor" performing farmland equals 113 bushels per acre. Results also show that average value of "poor" farmland is \$2693 per acre. According to survey data this "poor" producing farm land is expected to be valued at \$2802 by July of 2006. This is an increase of 4%.

"Poor" farmland rents for an average of \$87 per acre according to survey results which equals \$0.77 per bushel of corn produced. Rents in the "poor" farmland category equal 3.1% of land value.

#### **Cash Rent**

Measures such as “Rent as a % of Land Value” and “Cash Rent per Bushel of Corn are valuable in many rental negotiations as many use these measures as “rules of thumb” when negotiating cash rent rates. In this study, rent as a percent of land value ranges from 3.55% for top cropland to 3.22% for poor cropland. This is considerably lower than historical ratios which have tended to be in the 4.5-5% range. Other states in the North Central region have found lower than historical ratios in recent surveys, although Ohio ratios in this study are the lowest reported out of the comparable states. Lower ratios may be due partly to the sharp increase in land values and lower interest rates in recent years.

Rent per bushel of corn is \$0.78 for top cropland, \$0.76 for average farmland and \$0.77 for poor cropland. Comparing rent per bushel to other North Central states such as Indiana and Iowa show Ohio values to be lower per bushel than these comparable states. For example, Indiana Farmland survey results show rent per bushel on “Average Land” to be \$0.91 per bushel.

According to survey results cash rents are expected to increase 2.5% from 2005 to 2006. Surveyed professionals see farmland values increasing 6.9% over the next 5 years, although the range in responses was large. Responses for farmland value change over a 5 year time horizon ranged from +25% to -20%.

Pasture rents average \$45 per acre according to the survey results. Pasture quality farmland has an average value of \$2360 per acre.

**Table 1: Ohio Cropland Values and Cash Rents - 2005-2006**

Land Class	Corn bu/A	Land Value		% Change	Land Value/Bu		Cash Rental Rates		
		Dollars per Acre			Winter 2005/2006 - June 2006	Winter 2005/2006	Projected June 2006	\$'s/A	Rent/bu. Corn Wi.05/06
		Winter 2005/2006	Projected June 2006	Winter 2005/2006					
<b>Top</b>	176.96	\$3,885.80	\$4,005.50	3.08%	\$21.96	\$22.63	\$137.79	\$0.78	3.55%
<b>Average</b>	145.65	\$3,279.63	\$3,379.38	3.04%	\$22.52	\$23.20	\$111.40	\$0.76	3.30%
<b>Poor</b>	113.35	\$2,693.04	\$2,801.92	4.04%	\$23.76	\$24.72	\$86.79	\$0.77	3.10%

**Summary**

This study will add to existing research on Ohio farmland values and cash rents that can assist producers and landowners with purchase and rental decisions. Existing research includes: Ohio Farm Real Estate Markets at:

<http://aede.osu.edu/resources/docs/pdf/C2V16S20-H8CG-UEFY-JGL2H3JPU7Y1PO5J.pdf>

Land Rental Rates: Survey Results and Summary at:

<http://vanwert.osu.edu/ag/landrentalrates.pdf> and companion Cash Rent Calculator at: <http://vanwert.osu.edu/ag/calculator.htm>

Also, check with your local OSU Extension Office for local land value/rental survey summaries. For additional information on farmland lease issues see the Department of Agricultural, Environmental and Development Economics (AEDE) Farm Management webpage at: <http://aede.osu.edu/Programs/FarmManagement/MgtPublications.htm>