

# Kansas Land Values

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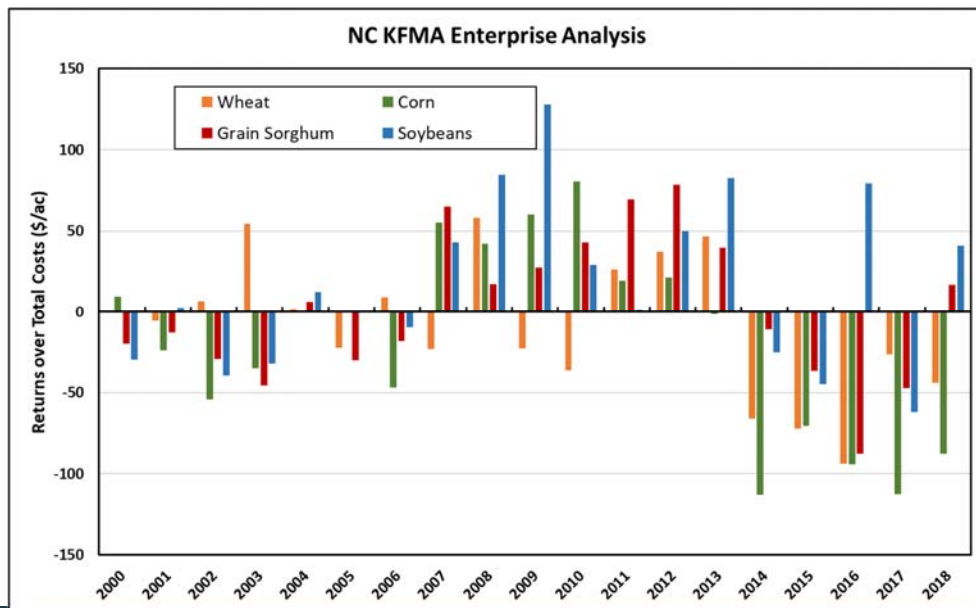


## Current Economic Conditions

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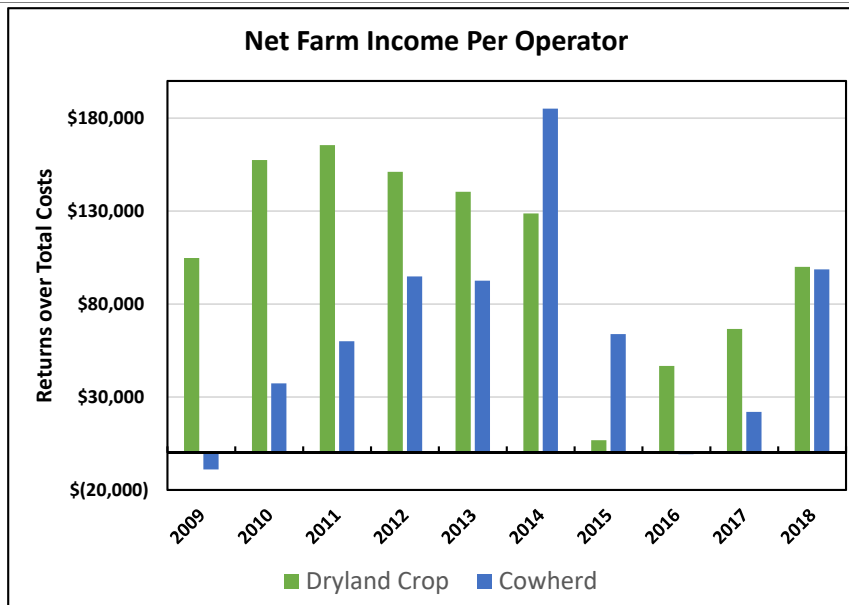


# Returns to Farming

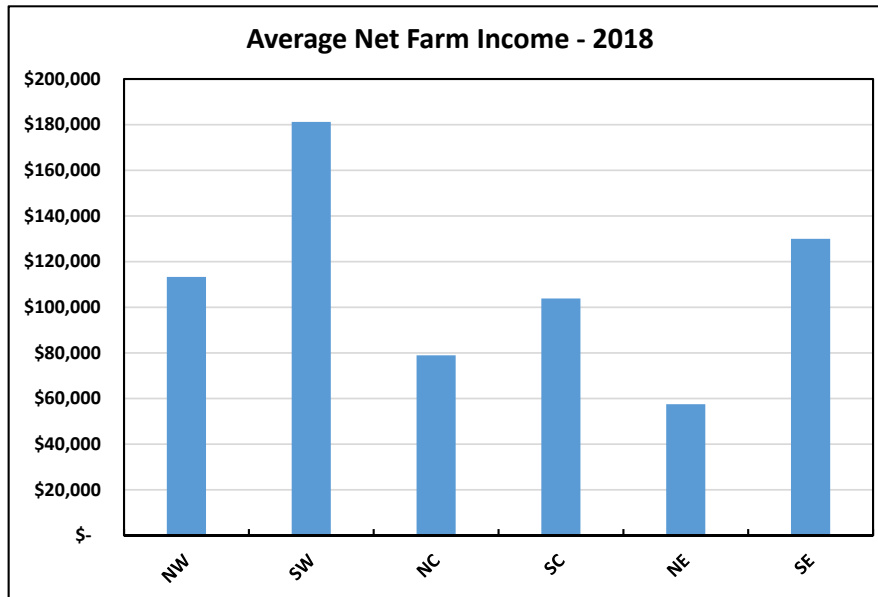


Source: KFMA Enterprise Reports (<http://www.agmanager.info/kfma>)

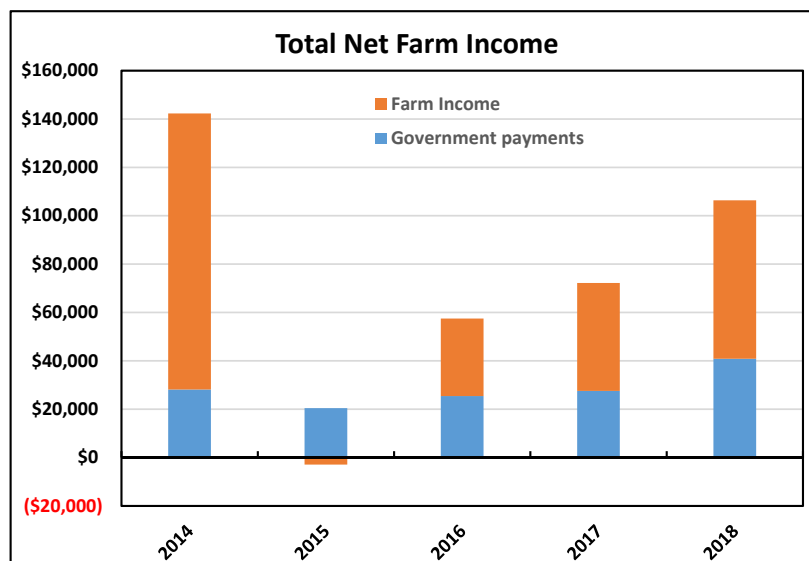
# Net Farm and Ranch Income



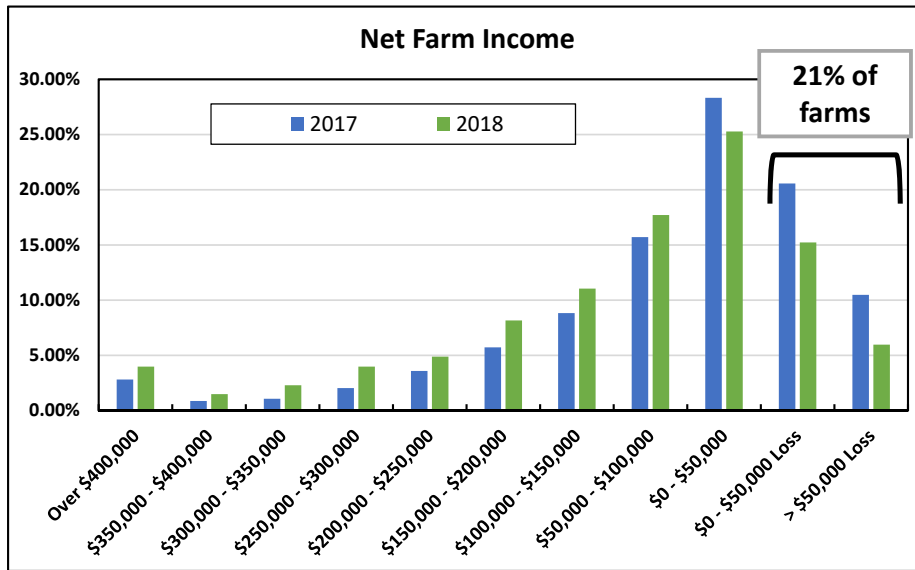
# Average Net Farm Income 2018



# Government Payments



# Distribution of NFI



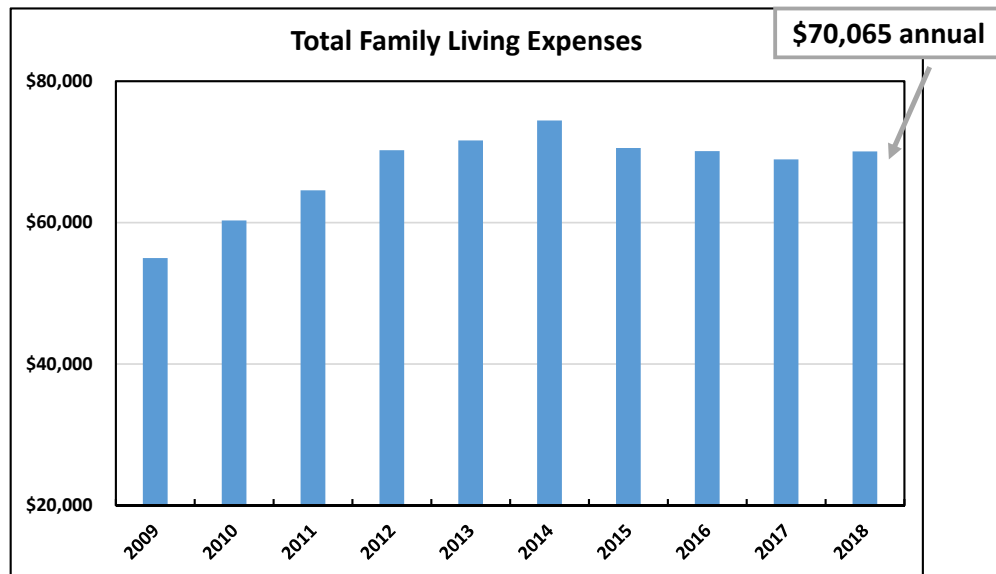
# Distribution of NFI

	2014	2015	2016	2017	2018
Negative Income	18.8%	40.3%	32.8%	24.4%	20.1%
Less than \$50,000	36.7%	67.1%	58.7%	55.8%	46.1%

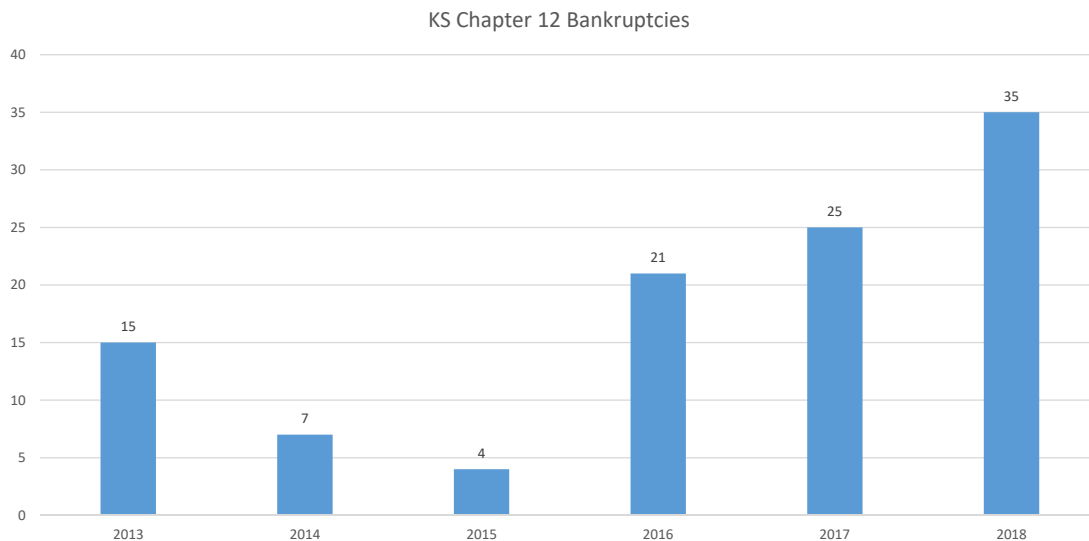
**Farms began to recover in 2018**



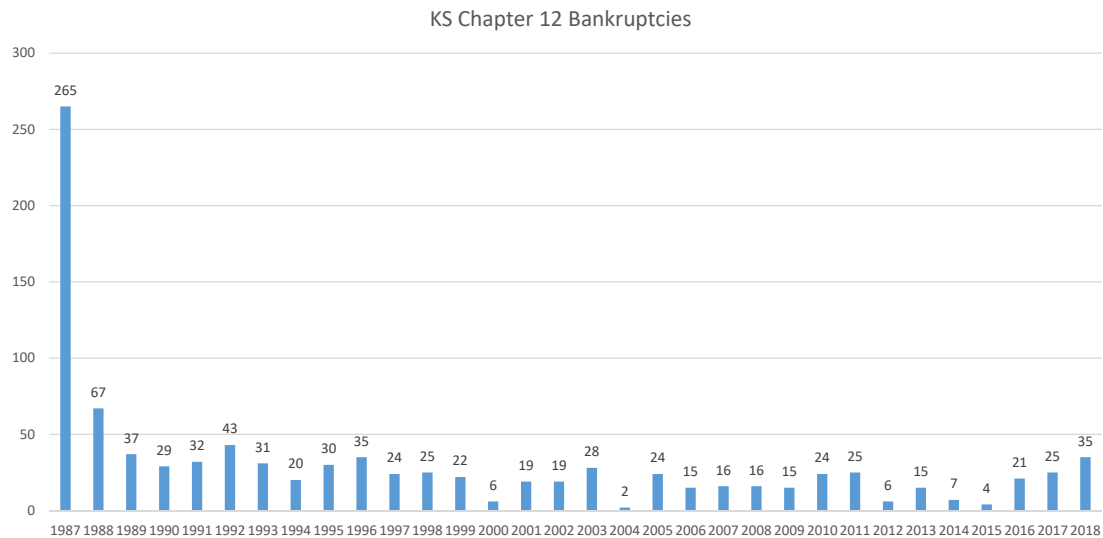
# Farm Family Living Expenses



# Bankruptcies Filed by KS Farms



# Bankruptcies Filed by KS Farms



## Farms with Consistent Profit and Losses

- Farms with negative net farm income each year from 2014 through 2018
  - Kansas – 1.7%
- Farms with positive net farm income each year from 2014 through 2018
  - Kansas – 32.4%

**A number of farms are positioned for opportunity**



# Non-Irrigated Cost of Production (\$/ac)

Year	Corn	Soybean	Wheat
2018	\$291	\$234	\$156
2017	\$276	\$236	\$149
2016	\$279	\$232	\$176
2015	\$312	\$225	\$180
2014	\$322	\$229	\$172
2013	\$308	\$224	\$182
2012	\$325	\$202	\$183
2011	\$281	\$192	\$158
2010	\$268	\$176	\$148
2009	\$267	\$173	\$160
2008	\$265	\$167	\$153
2007	\$231	\$145	\$117
2006	\$191	\$125	\$98

## 2018 Enterprise Information

- Kansas Corn – 2018 Yield at the previous 5 year average
  - Revenue - \$367 per acre
  - Variable Cost - \$291 per acre
  - Total Cost - \$405 per acre
- Kansas Soybeans – 2018 Yield 2% above previous 5 year average
  - Revenue - \$412 per acre
  - Variable Cost - \$234 per acre
  - Total Cost - \$341 per acre
- Kansas Wheat – 2018 Yield 15% above the previous 5 year average
  - Revenue - \$196 per acre
  - Variable Cost - \$156 per acre
  - Total Cost - \$232 per acre

**Soybeans regained profitability**

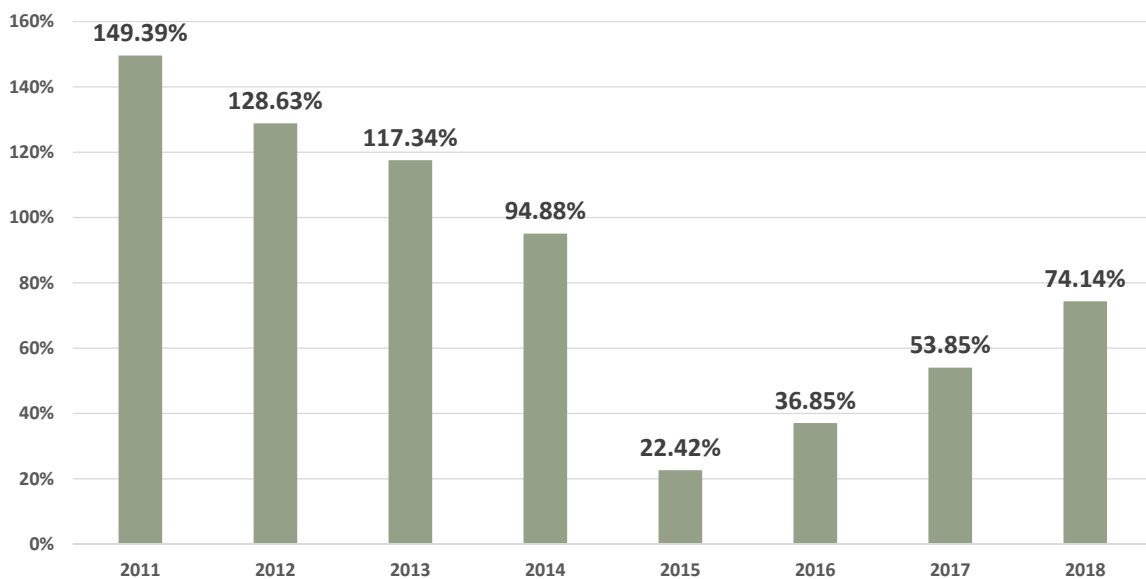
# Shifting Crop Mix

Crop	2015	2016	2017	2018	2019	4-Year % Change
Acres Harvested (Thousand)						
Corn	3,920	4,920	5,200	5,000	6,000	53%
Sorghum	3,200	2,950	2,360	2,650	2,400	-25%
Soybean	3,860	4,010	5,100	4,690	4,540	18%
Wheat	8,700	8,200	6,950	7,300	6,600	-24%
Total	19,680	20,080	19,560	19,640	19,540	-0.7%

## Shifting Crop Mix to Find Profitability?

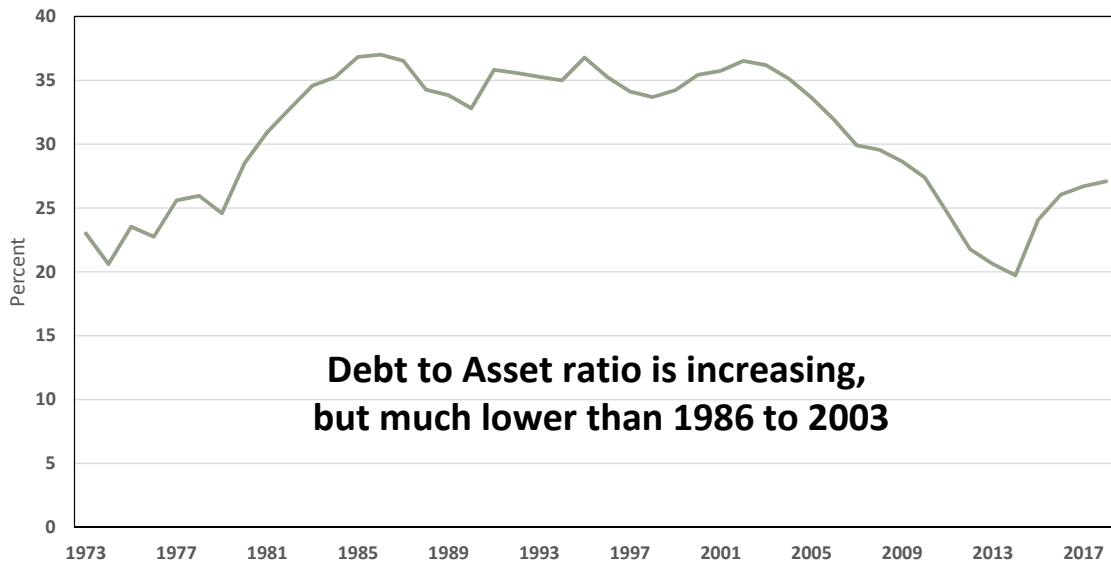


# Debt Repayment Capacity

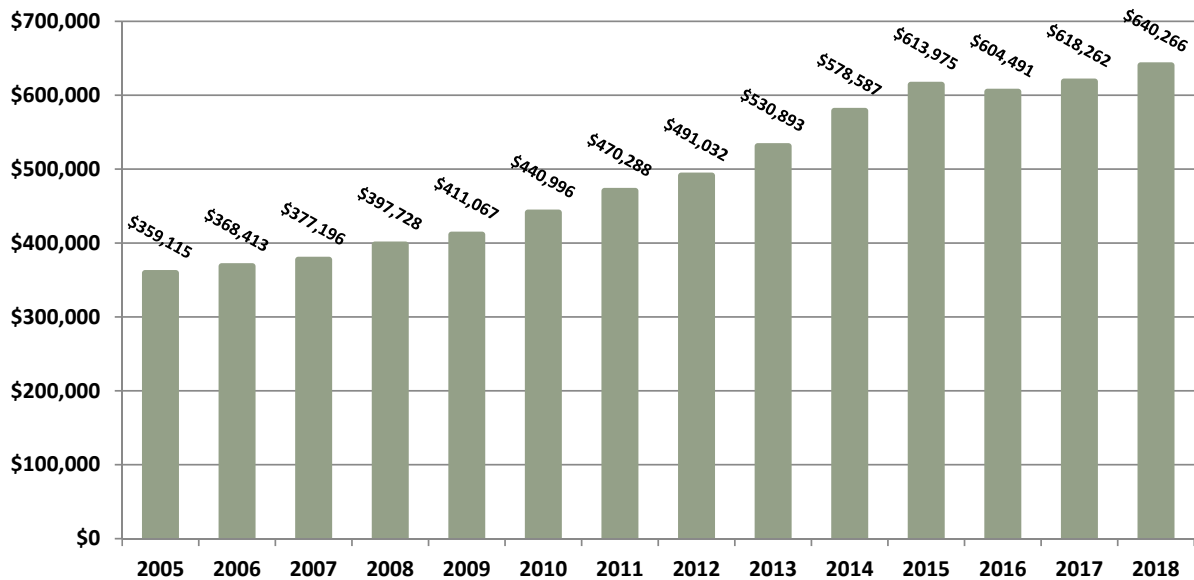




# Debt to Asset Ratio



# KFMA Debt Levels



# Kansas Farm Economy

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Debt has increased

Majority of debt is current liabilities

2018 was a year of increasing debt with some intermediate liabilities repaid



## MFP Payments Dwarfing Farm Bill Payments

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Kansas MFP I crop payments averaged \$37,492 per farm:

- 91.7% of farmers received payments
  - Average for those that received payments was \$40,867
- 87.2% received payments > \$2,500
- 50.6% received payments > \$25,000
- 7.8% received payments > \$100,000



# MFP Payments Dwarfing Farm Bill Payments

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Kansas MFP 2 crop payments expected to average \$58,158 per farm:

- 93.6% of farmers expected to receive payments
  - Average for those that receive payments is \$62,113
- 91.9% of farms payment expected to be > \$2,500
- 67.8% of farms payment expected to be > \$25,000
- 15.7% of farms payment expected to be > \$100,000



# Rental Rates

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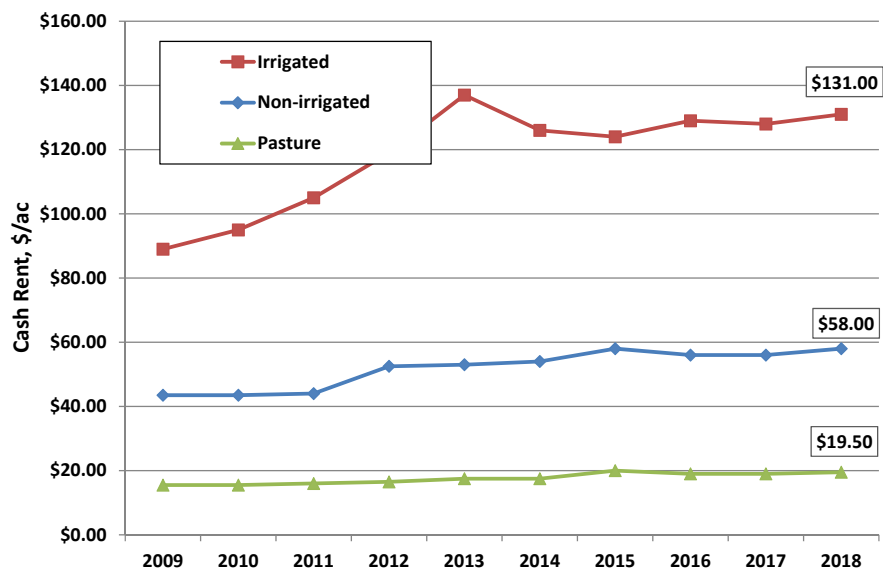
# Returns to Farming

How have we adjusted to this new level of profitability?

- Reduced machinery turnover?
- Reduced use of inputs?
- Negotiated for lower rents?



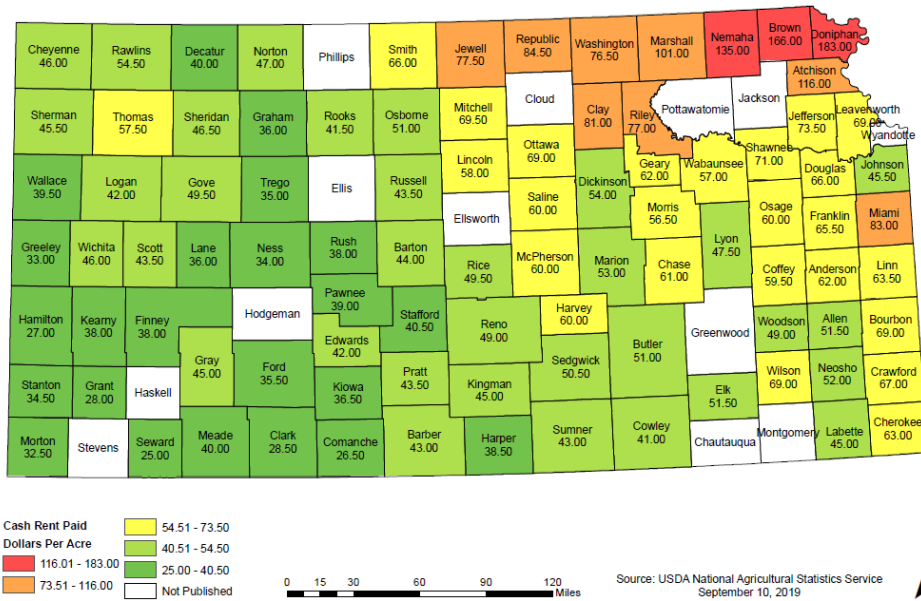
## Kansas Cash Rents



Source: USDA-NASS



### 2019 Non-Irrigated Cropland Cash Rent Paid Per Acre Kansas



## Rents Estimated from Budgets

Use a budgeting approach that reflects *expected* returns to farming

- County average yields
- Futures prices with basis adjustments

Production practices based on information from KSRE agronomists

- Custom rates for machinery costs

Calculate shares based on contributions of operator and landowner

- Use equitable shares to estimate a cash rent



# Projected Rental Rates

What do they represent?

Budgeting approach with expected prices and county yields gives an estimate of

- What a representative farmer could afford to pay

Ignores

- Working capital (carry over from previous years)
- Debt obligations and other cash outlays
- Alternative rental arrangements (subsidization)
- Above average yields



## Non-Irrigated Rental Rates

NE District	2013	2014	2015	2016	2017	2018	2019
Atchison	172.50	180.50	125.80	109.30	99.80	118.80	92.70
Brown	202.90	213.20	148.50	129.30	117.90	145.40	113.30
Doniphan	229.60	239.60	166.70	145.90	132.20	148.30	115.40
Jackson	150.20	157.30	109.80	94.90	86.70	104.30	82.30
Jefferson	161.80	170.10	118.60	102.90	93.80	116.10	91.00
Leavenworth	149.20	157.20	109.80	94.50	87.50	106.90	83.30
Marshall	143.20	152.20	106.60	91.80	81.90	94.50	76.70
Nemaha	164.00	172.00	120.00	104.10	94.10	113.70	90.00
Pottawatomie	147.40	155.70	108.80	94.00	85.20	106.60	84.80
Riley	125.80	134.30	94.20	80.90	71.22	86.80	71.80
Wyandotte	141.50	151.30	105.70	90.70	84.90	111.40	86.40
Average:	\$162.55	\$171.22	\$119.50	\$103.48	\$94.11	\$113.89	\$89.79

Source: [www.AgManager.info](http://www.AgManager.info)



# Non-Irrigated Rental Rates

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WC District	2013	2014	2015	2016	2017	2018	2019
Gove	75.20	54.40	35.40	22.80	4.90	7.80	16.20
Greeley	59.80	40.70	26.40	16.90	3.60	5.90	12.30
Lane	60.60	41.30	26.80	17.00	3.60	6.00	12.70
Logan	70.90	46.20	30.00	19.20	4.10	6.30	12.90
Ness	63.50	39.30	25.50	16.10	3.40	5.40	11.30
Scott	79.80	60.00	39.10	25.10	5.30	7.70	16.30
Trego	65.30	46.30	30.20	19.30	4.10	6.30	13.30
Wallace	64.20	41.60	26.90	17.10	3.70	5.80	11.90
Wichita	74.50	48.00	31.30	20.00	4.30	6.30	13.20
Average:	\$68.20	\$46.42	\$30.18	\$19.28	\$4.11	\$6.39	\$13.34

Source: [www.AgManager.info](http://www.AgManager.info)



## Returns to Land

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Has every farmer dropped their cash rents?

Answer: No, but they are starting to...

What is keeping the adjustment from occurring quickly?



## Returns to Land

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Residual cash from better revenue years will allow farmers to be competitive a little longer

- Neighbors with more carry-over cash will keep bids high
- But adjustments will occur if commodity prices remain low

Contracts length in Kansas averages 3 to 5 years

- Farmers are locked in for the short run
- Adjustments will be made as the contracts are renewed



## Land Value Trends

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# Land Values

Affected by profitability in ag sector

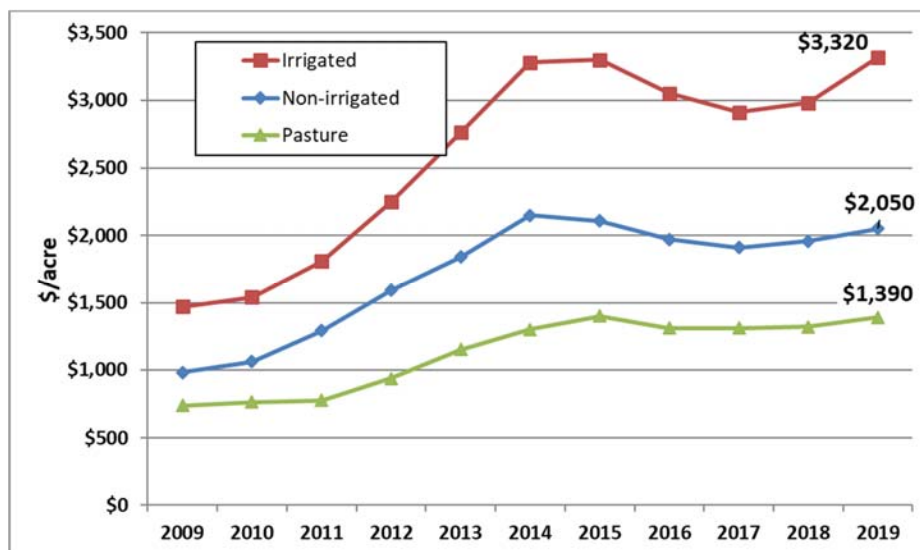
But land values do not adjust as quickly as profitability to changes in commodity prices

Adjustment period due to

- Long-run reasons for buying and holding land
- Expectations of buyers/sellers

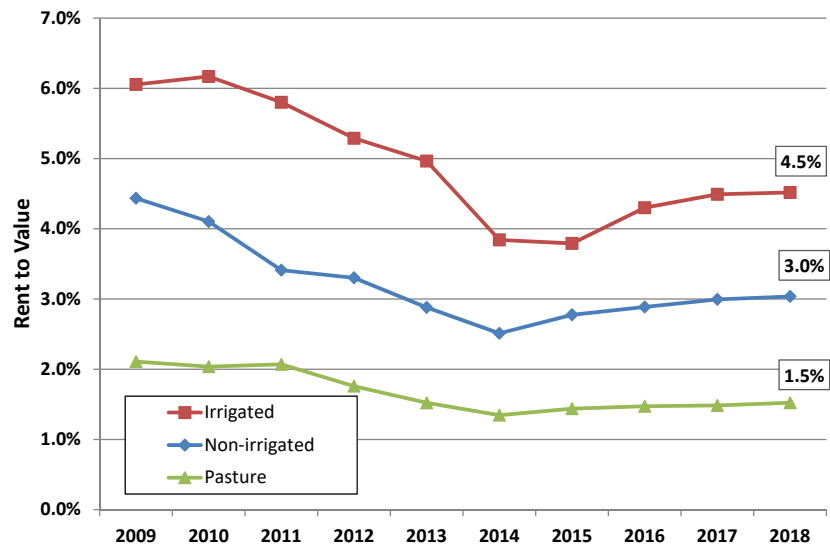


## Kansas Land Values



Source: USDA-NASS

# Rent-to-Land Value Ratio



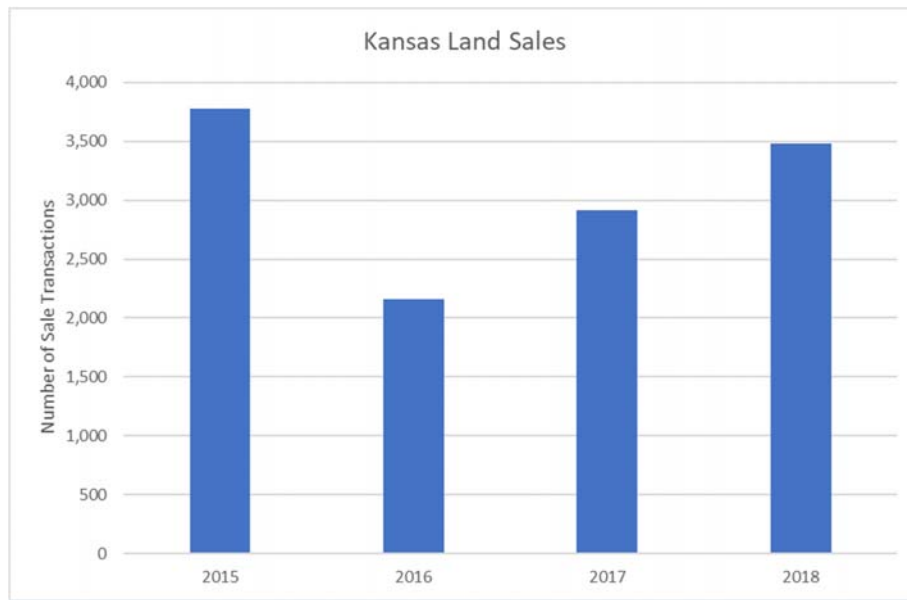
Source: USDA-NASS



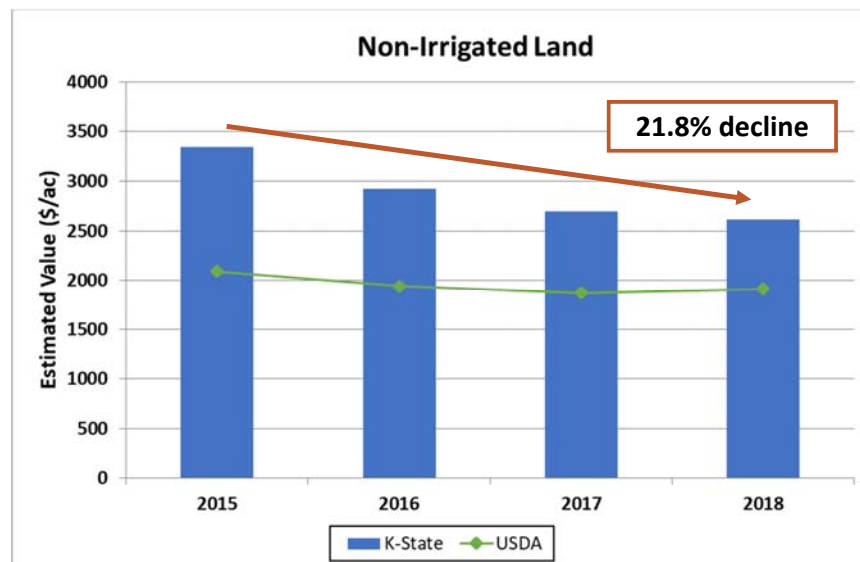
# Market-Based Land Values



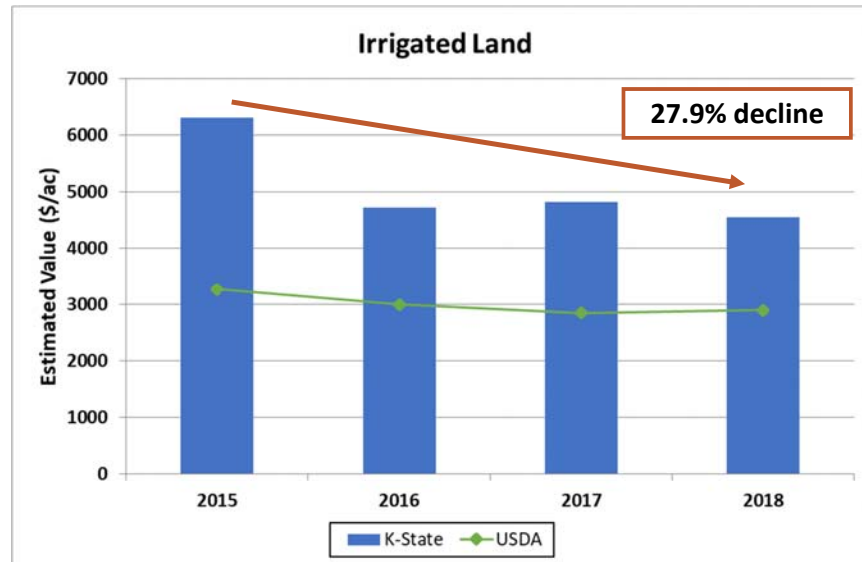
# PVD Sales Data 2015-2018



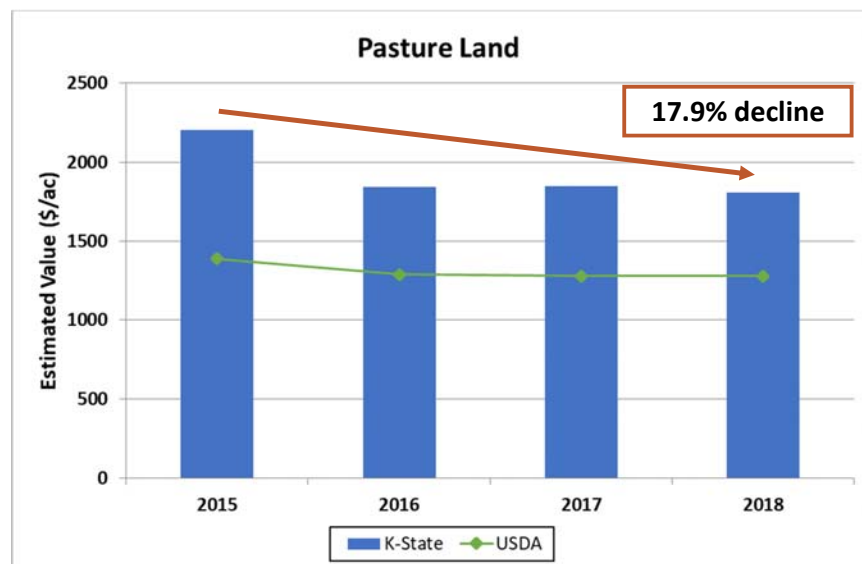
# Land Model Results



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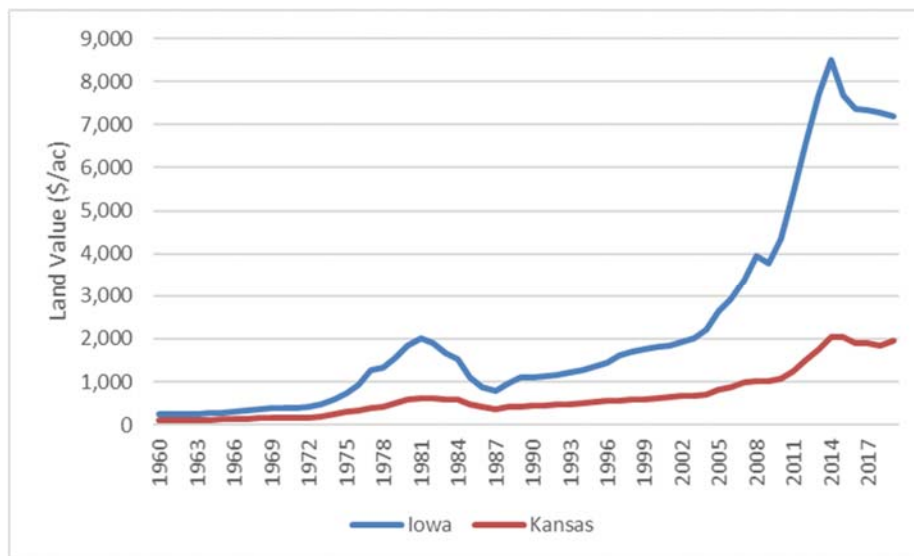
# Long-Run Values

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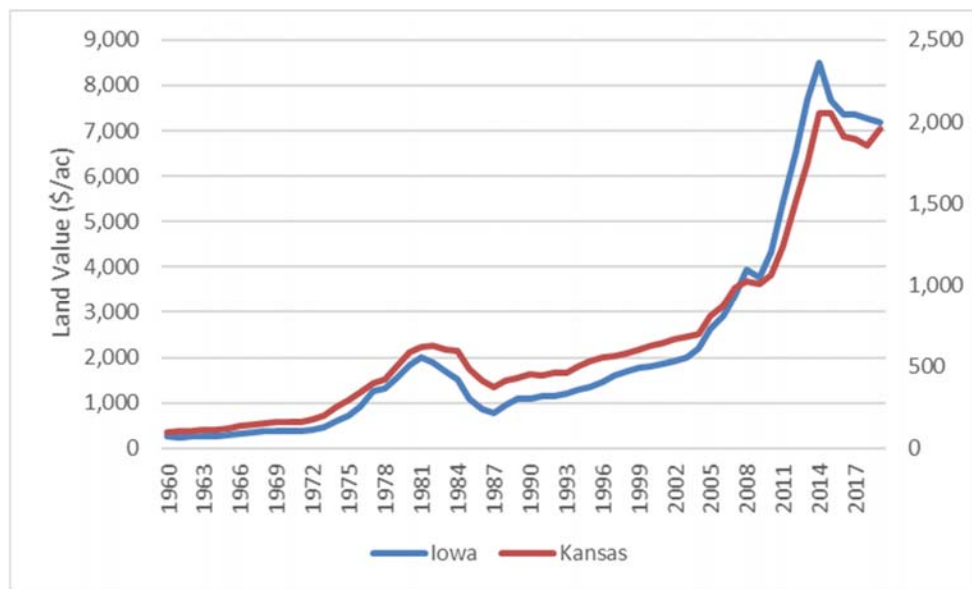


## USDA Land Values 1960-2019

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# USDA Land Values 1960-2019



## Market Going Forward

Resiliency in the land market, given commodity prices and economic/trade uncertainty

Interest rates remain low

2018 Farm Bill increased loan limits on direct and guaranteed loans

MFP made a big difference in 2018 and 2019 cash flows, but isn't likely to factor into long-run expectations for land values

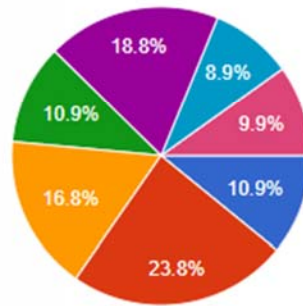
Values in the coming year...



# Viewer Poll Data

Where are you from?

101 responses



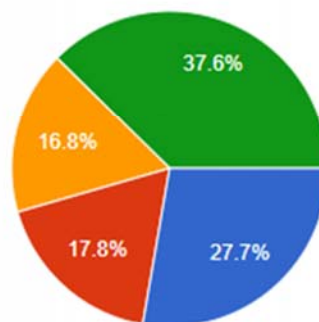
- Northwest Kansas
- North-central Kansas
- Northeast Kansas
- Southwest Kansas
- South-central Kansas
- Southeast Kansas
- Other state



# Viewer Poll Data

What is your primary occupation?

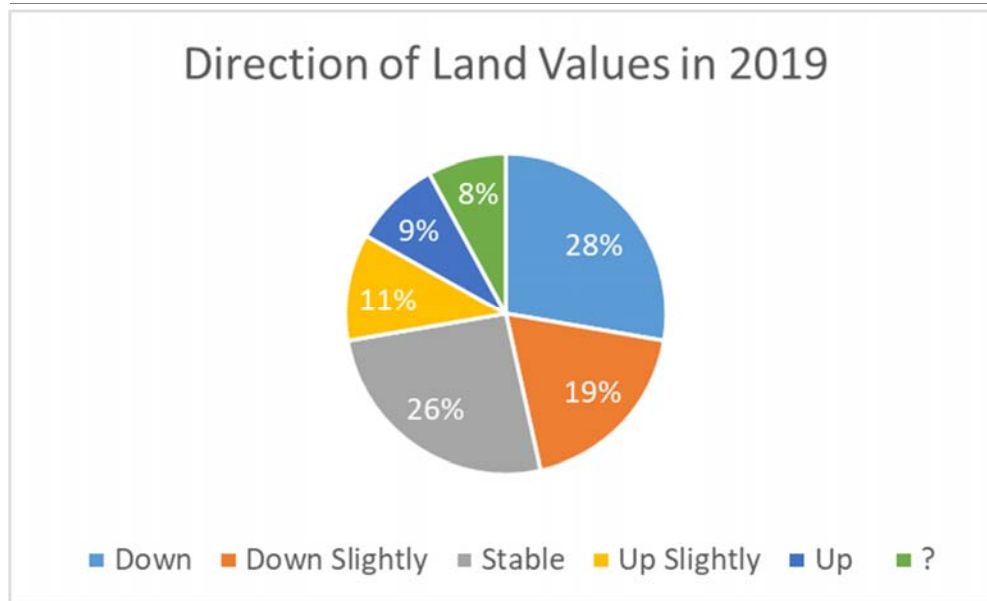
101 responses



- Lender
- Farmer/Rancher
- Landlord
- Other



# Viewer Poll Data



## Online Resources

### 2018 Kansas County-Level Ag Land Values

- [www.agmanager.info/land-leasing/land-buying-valuing](http://www.agmanager.info/land-leasing/land-buying-valuing)

### 2019 Rent Estimates: Non-Irrigated Cropland

- [www.agmanager.info/land-leasing/land-rental-rates](http://www.agmanager.info/land-leasing/land-rental-rates)

### Pasture Rental Rate Tool

- [www.agmanager.info/land-leasing/land-rental-rates/pasture-rental-rate-decision-tool](http://www.agmanager.info/land-leasing/land-rental-rates/pasture-rental-rate-decision-tool)



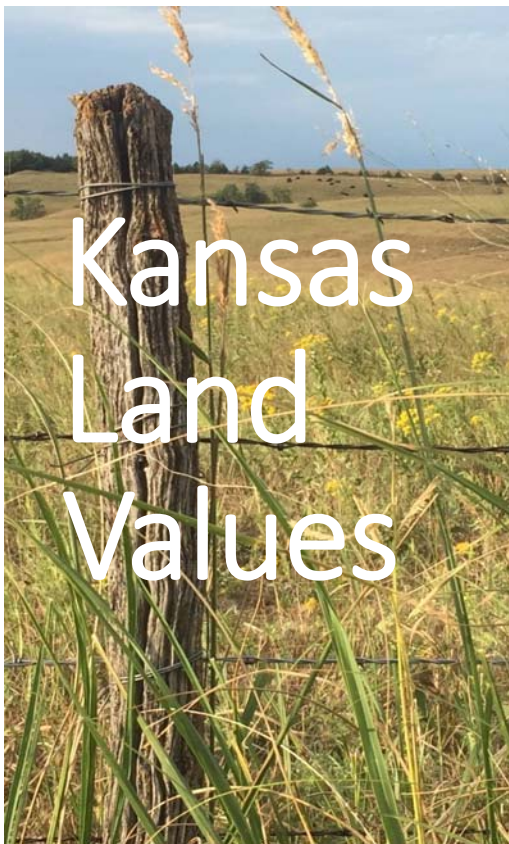
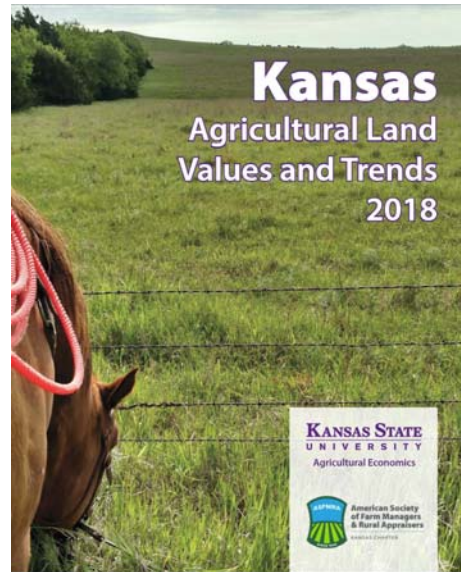
# Land Value Information



## 2018 Kansas County-Level Land Values for Cropland and Pasture

April 2019 (available at [www.AgManager.info](http://www.AgManager.info))

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