

Who buys and rents Iowa's farmland?

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Farmland is arguably the largest single item in a typical investment portfolio of U.S. farmers and USDA Economic Research Service (USDA-ERS) projects nearly \$2.3 trillion in real estate equity for the US farm sector in 2014, which accounts for about 85% of the equity for the entire farm sector (USDA-ERS 2015). For Iowa, farmland not only represents the basis for our agricultural production, farmland, including buildings, represents over \$259 billion dollars of wealth in the state of Iowa. After enjoying a decade of growth, farmland values in Iowa and in the Midwest is expected to further decline, which sparks recent interests on topics related to land values, land ownership and land tenure. Who owns, buys, and rents Iowa's farmland, how it is farmed, and who will be vulnerable to potential declines in value are important questions for the future well-being of both Iowa farmers and the agricultural sector in the state in general.

To understand more about the rented land and who owns it across the country, USDA's National Agricultural Statistical Service (NASS) and USDA-ERS conducted and just recently released the results of the 2014 Tenure, Ownership, and Transition of Agricultural Land (TOTAL) survey. TOTAL is a special study as part of the Census of Agriculture program to collect data from landowners and landlords of agricultural land, including non-operator landlords. This survey collected data in the 48 contiguous states on landlords' acres rented out, income, expenses, assets, debt, land transfer plans, landlord demographics, and more. This is the most up-to-date nationwide information on information for all agricultural land owners – operators and non-operators, and serves as an update for Agricultural Economics and Land Ownership Survey (AELOS), the latest of which are already 15 years old. Two of the most striking findings of the survey are about half of Iowa's farmland is rented or leased from someone else and Iowa ranks second in the nation in total agricultural rent received at \$3.7 billion. This article explores some additional highlights of Iowa landlords from the report.

Land Ownership Arrangements

Table 1 shows the number of operator and non-operator landlords by ownership arrangements for Iowa, the Midwest and the nation as a whole. TOTAL defines the Midwest as Iowa, Illinois, Minnesota, Wisconsin, Indiana, Ohio, and Michigan. The results suggest that non-operator landlords – landowners who rent out land but do not farm land themselves – account for the majority of landowners in each of the three geographic definitions: 80.6% in Iowa, 84.9% in the Midwest, and 86.9% in the continuous US. Iowa, in particular, had 105,194 total landlords in 2014, of which only 20,453 are farmers or ranchers.

Table 1. Landlords by Ownership Arrangements in Iowa, Midwest and the U.S.: 2014

	Iowa		Midwest	USA
Operator Landlords	20,453	19.4%	107,955	280,044
Non-operator Landlord	84,741	80.6%	607,263	1,851,796
Individual	48,897	46.5%	344,044	1,092,551
Partnership	17,078	16.2%	118,759	361,826
Trust	13,589	12.9%	100,239	249,632
Corporation	4,266	4.1%	26,877	91,011
Other	1,860	1.8%	17,344	56,776
Total	105,194	100%	715,218	2,131,840

Numbers in this table may not add due to rounding, and the Midwest is defined as Iowa, Illinois, Minnesota, Wisconsin, Indiana, Ohio, and Michigan.

TOTAL further classify the non-operator landlords into five categories: who rent out land individually or as participants in a variety of ownership arrangements, which includes partnership, family or nonfamily corporations, trust. Individual ownership is the most common in Iowa, accounting for nearly half of all landlords in the state. The second most common ownership arrangement for non-operator landlords is partnership, which represents 16% of all landlords in Iowa and followed by trust. Family and Nonfamily Corporation accounts for only 4% of all landlords in Iowa, while about less than 2% of landlords are municipalities or rent out land under more than one arrangement. The breakdown of landlords by ownership arrangements in is very similar to the regional trends in the Midwest or the national average. However, there could be minor differences from state to state: In Illinois, for example, trusts were the second most common ownership arrangement at 18.2% of all landlords (Kuethe 2015).

Figure 1 reveals that, in 2014, these 105,194 landlords rented out 16.33 million acres of farmland (cropland and pastureland) in Iowa, and which accounts for more than half of Iowa’s 30.6 million acres of agricultural land base across the state. In contrast, TOTAL reports that about 39 percent of the 911 million acres of farmland in the survey states. Figure 1 also shows how the land rented out is divided by ownership arrangements. Of these acres rented out, only 23 percent were rented out by operator landlords, and 77 percent by non-operator landlords. While only 19.4% of landlords operate on a farm, the operator landlords account for more than 23% of total acres rented out, suggesting that they current operators tend to rent larger fields, all else being equal. Similar trends can be found for trust and corporation. In particular, only 12.9% of all landlords in Iowa own land as trust, they rank second in all ownership arrangements based on share of rented acreage at 23.9%, which exceeds the share of acres rented out by landlords in partnership arrangement. In contrast, individual non-operator landlords tend to rent out smaller tracks, all else being equal.

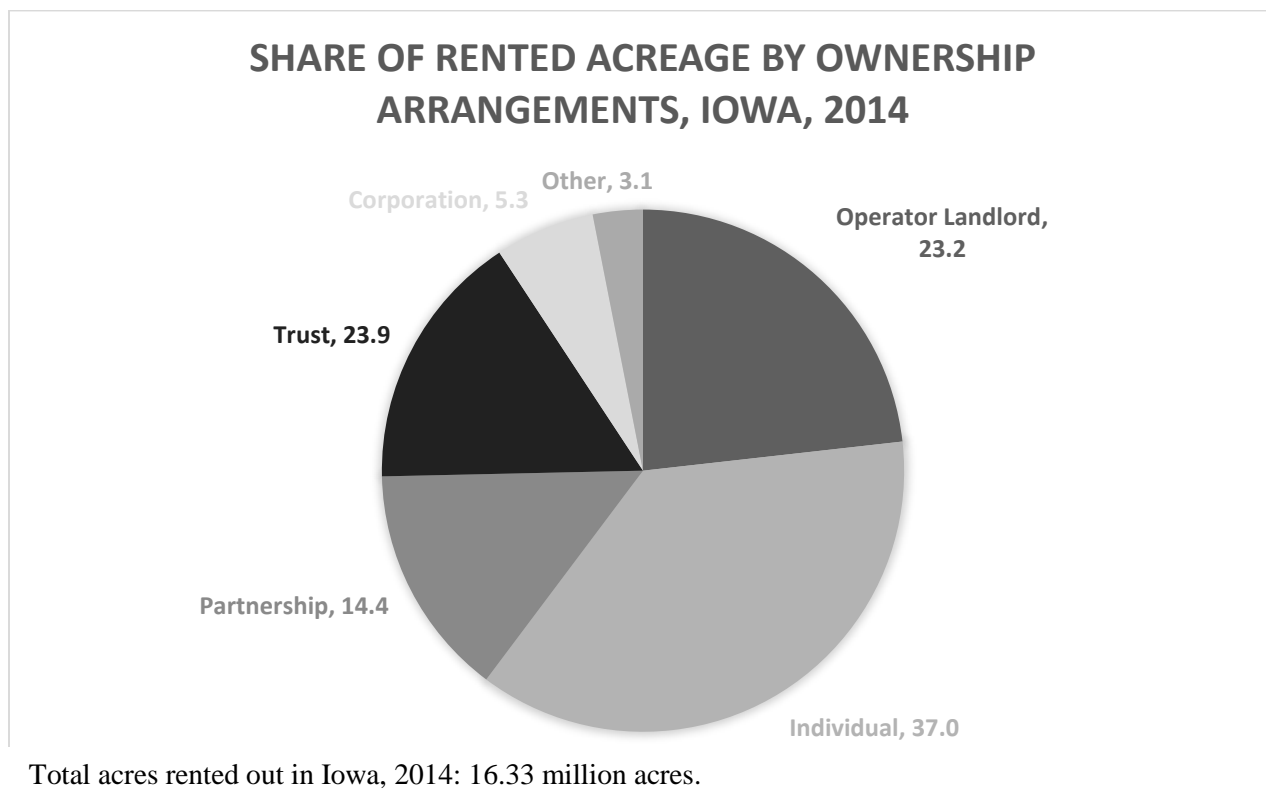


Figure 1. Share of Rented Acreage by Ownership Arrangements, Iowa, 2014

Economics of Land Ownership

In 2014, landlords in Iowa received \$3.74 billion in rent payments, the second highest in the US behind Illinois (Table 2). Of these rent paid for Iowa farmland, 75.1% went to non-operator landlords. In particular, non-

operator landlords who rent out land individually or in a partnership arrangement accounts for the majority of the rent, at 48.1%. All landlords in Iowa incurred \$0.84 billion expenses and their debt related to the land they rented out was \$2.50 billion. The value of the land and buildings they held on their rented out acres was \$100.63. In Iowa, about 80% of this agricultural real estate on acres rented out was held by non-operator landlords, at \$78.51 billion. Further, as shown in Table 2, the trends and proportions by ownership type and operation status is roughly the same across the Midwest and the country in general.

Table 2. Rent, Expenses, Debt and Asset Values by Ownership Type in Iowa, \$Billions, 2014

	Rent Received	Expenses	Value of Land and Buildings	Total Debt
Operator Landlords	0.92	0.22	22.12	0.66
Non-operator Landlord	2.81	0.62	78.51	1.84
Individual & Partnership	1.80	0.40	49.82	1.14
Corporation & Trust	0.84	0.18	23.52	0.49
Other	0.11	0.024	3.17	
Multiple*	0.07	0.015	2.01	
Iowa Total	3.74	0.84	100.63	2.50
Illinois Total	3.8	0.90	107.8	3.48
Midwest Total	14.3	3.7	419.1	15.1
U.S. Total	31.2	9.2	1,132.0	32.8

Numbers in this table may not add due to rounding.

*Refers to non-operators landlords who rent out agricultural land under more than one ownership arrangement.

Table 3. Ownership and Production Expenses and Share of Landlord Expenses, Iowa, 2014

	Ownership Expenses		Production Expenses	
	\$ millions	Percent	\$ millions	Percent
Iowa Total	542.2	64.2	302.7	35.8
Acres Rented Out (1-49 acres)	24.5	83.1	5.0	16.9
Acres Rented Out (50-99 acres)	62.8	82.6	13.3	17.4
Acres Rented Out (100-199 acres)	147.5	75.7	47.3	24.3
Acres Rented Out (200-499 acres)	186.6	65.7	97.5	34.3
Acres Rented Out (500-999 acres)	71.1	51.8	66.1	48.2
Acres Rented Out (1000-9999 acres)	49.8	40.4	73.6	59.6
Midwest Total	2,401.2	65.2	1,280.0	34.8
USA Total	6,343.7	68.7	2,896.9	31.3

The \$0.84 billion in 2014 expenses in Iowa include both ownership expenses (for example, interest, taxes) and production expenses (for example, fertilizer, seed, feed, fuels, repairs, insurance, wages). As shown in Table 3, 64.2 percent of expenses incurred by all landlords in Iowa were ownership, and 35.8 percent were production, expenses. This share of ownership costs is consistent with other Midwestern states but lower than the national

average because the Midwest and the Plains have the lowest share of ownership expenses. More interestingly, as the total acres rented out increase, the share of ownership expenses decreased from more than 80 percent when only renting out less than 100 acres to only 40 percent when renting out more than 1,000 acres in total.

How Did Landlords Acquire the Land They Rent Out?

In Iowa, operator landlords purchased more than 70 percent of the land they rent out from a non-relative, a relative, or at auction. In contrast, non-operator landlords in Iowa inherited or received as a gift about half of the land they rent out. Furthermore, purchase from a non-relative occurred more frequently than purchase from a relative or at auction. Finally, of all acres rented out, 41.4% were inherited or received as a gift, followed by purchased from a non-relative which accounts for 36.7% of all farmland rented out.

Table 4. Acquisition of Land Rented Out to Others, Iowa, 2014

	Operator Landlord (percent)	Non-operator Landlord (percent)	All Farmland (percent)
Purchased from non-relative	50.5	32.5	36.7
Purchased from relative	18.1	14.4	15.2
Purchased at auction	5.8	5.7	5.7
Inherited or received gift	24.7	46.5	41.4
Obtained some other way	0.9	0.9	0.9
Total	100	100	100
Total Acres Rented Out	3,786,869	12,546,625	16,333,494

A Look Ahead: Ownership Transfer in the Next Five Years

The TOTAL survey asked landowners about their plans for transferring ownership in the next five years – what they plan to do not only with the land they currently rent out for agricultural purposes but with all their land. All landlords in Iowa expect to transfer out 1.7 million acres of all the acres they rented out over the next five years, which account for about 11 percent of all acres rented out. For all farmland they own in Iowa, they expect to transfer out 2.68 million acres in the next five years, which is about 9 percent of the total agricultural land base in the state, not including that is in or is expected to be put into wills (about 2.38 million acres). Of these land slated for ownership transfer, landlords expect to keep or put more than 60 percent of these acres in trusts. Only less than 10 percent of land are expected to be sold to a non-relative, while more than 20 percent are expected to be sold to a relative or given as a gift. This means only a small percentage of farmland will be available for new entrants into the farming sector in Iowa.

Table 5. Five-year Plan to Transfer Acres Rented Out and All Farmland in Iowa, 2014

	All Acres Rented Out		Non-operator Landlord		All Farmland	
	Acres	Percent	Acres	Percent	Acres	Percent
Put or keep in a trust	1,212,602	69.5	615,228	57.2	1,730,267	64.5
Sell to a non-relative	155,912	8.9	137,114	12.7	199,315	7.4
Gift	92,067	5.3	-	-	134,839	5.0
Sell to a relative	233,802	13.4	-	-	569,202	21.2
Total to Transfer	1,744,444	100	1,075,983	100	2,683,684	100
Put or keep in will	1,586,081		1,265,885		2,378,860	

References

US Department of Agriculture, Economic Research Service. 2015. "U.S. and State-Level Farm Income and Wealth Statistics." Accessed on October 31, 2015 via [http://www.ers.usda.gov/data-products/farm-income-and-wealth-statistics/us-and-state-level-farm-income-and-wealth-statistics-\(includes-the-us-farm-income-forecast-for-2015\).aspx](http://www.ers.usda.gov/data-products/farm-income-and-wealth-statistics/us-and-state-level-farm-income-and-wealth-statistics-(includes-the-us-farm-income-forecast-for-2015).aspx)

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Demographic Characteristics [for Ag Decision Maker]

Table 6. Non-operator Principal Landlords – Individuals or Partnership: Income, Expenses, Assets, Debt by Demographics in Iowa, 2014

	Non-operator Principal Landlords – Individual or Partnership (Acres, mil.) (Number)		Rent Received	Expenses (\$ billions)	Value of Land and Buildings (\$ billions)	Total Debt
	Total	8.43 65,398	1.80	0.41	49.82	1.14
		Percent	Percent			
Age	< 55 years	7.0 14.4	7.5	7.0	7.3	
	55 to 64 years	21.5 22.9	23.7	23.2	23.9	33.3
	65 to 74 years	29.5 28.2	30.6	26.0	27.9	23.0
	75 to 84 years	24.2 18.6	23.8	28.0	23.2	
	85+ years	17.7 15.9	16.9	15.8	20.3	
	All ages	100 100	100	100	100	100
		Percent	Percent			
Education	High school or less	39.5 37.9	40.8	43.0	38.8	35.4
	Some college	24.7 26.3	20.8	19.2	26.4	15.2
	College graduate or more	35.8 35.7	35.4	37.8	37.4	49.5
	All education	100 100	100	100	100	100
		Percent	Percent			
Farming Experience	Never farmed	33.9 40.2	35.4	32.0	35.8	31.9
	Retired from farming	53.6 44.8	51.7	49.3	54.3	40.5
	Not retired from farming	12.5 15.0	12.9	18.7	12.5	27.6
	All experience	100 100	100	100	100	100
		Percent	Percent			
Gender	Male	59.6 58.4	62.3	69.2	63.8	11.0
	Female	40.4 41.6	37.7	30.8	39.2	89.0
	All Gender	100 100	100	100	100	100