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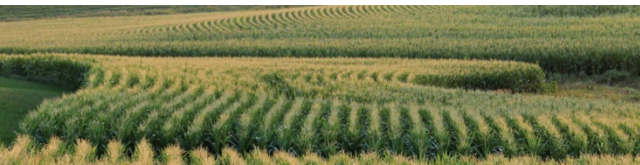
Current & Future Cash Rents in Iowa

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ISU Soil & Land Valuation Conference

May 18, 2016

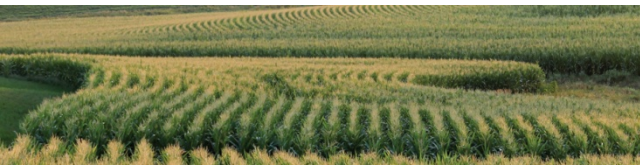
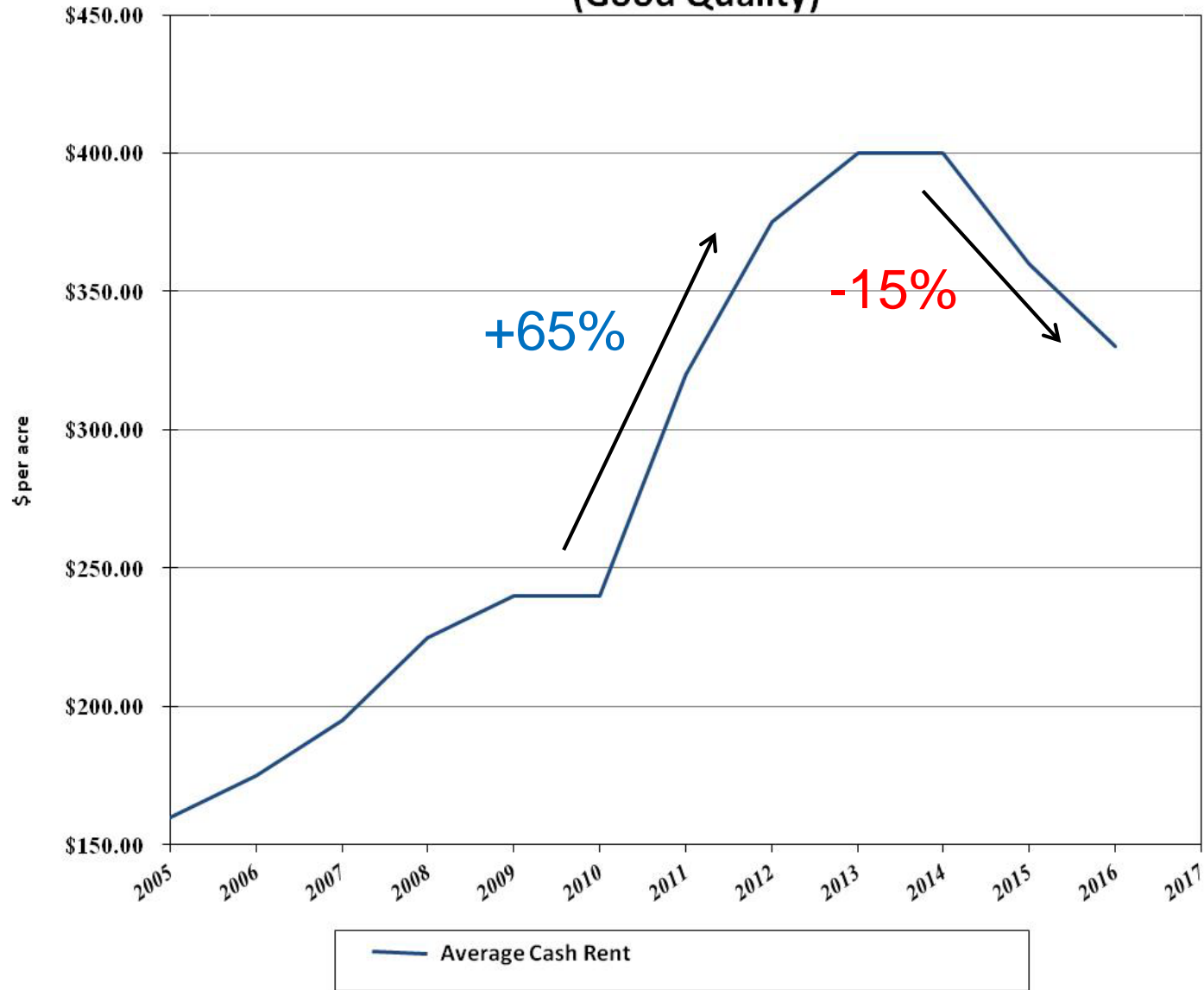


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# Average Cash Rents Eastern Iowa Managed Farms (Good Quality)



# Cash Rent Influences

- Cash rents move in the same direction as land values
- Both are connected to commodity prices, production costs, and net profit

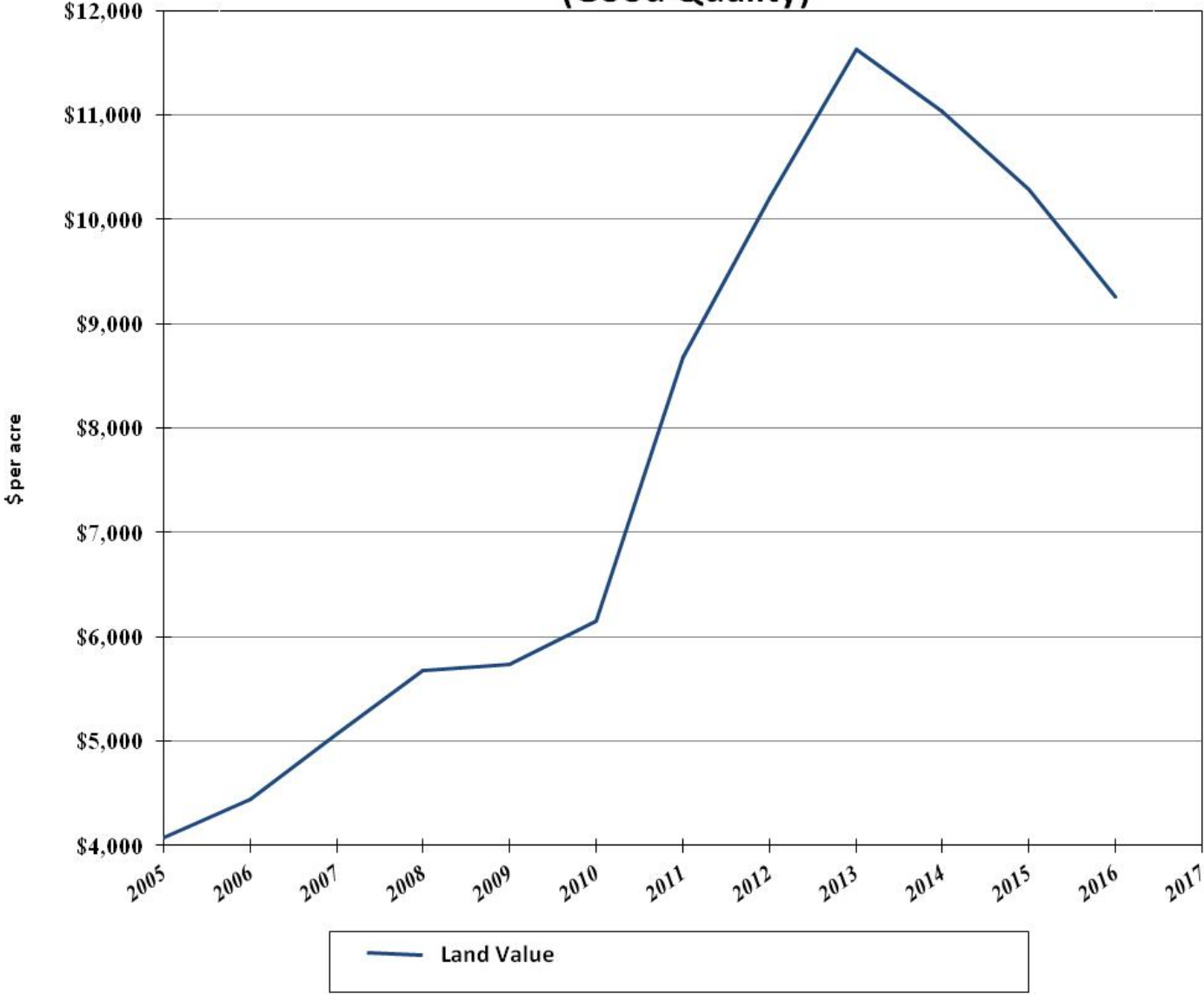


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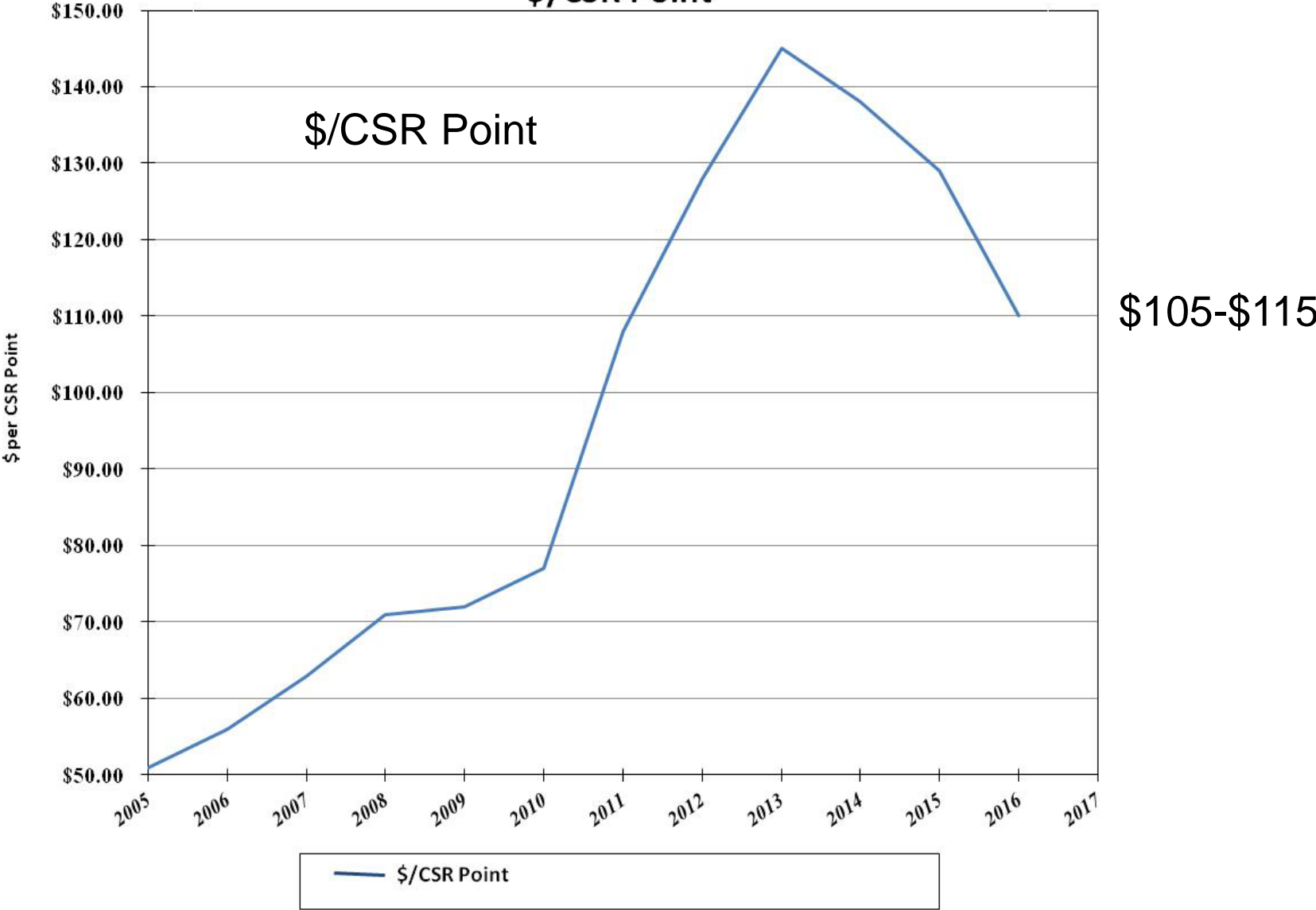
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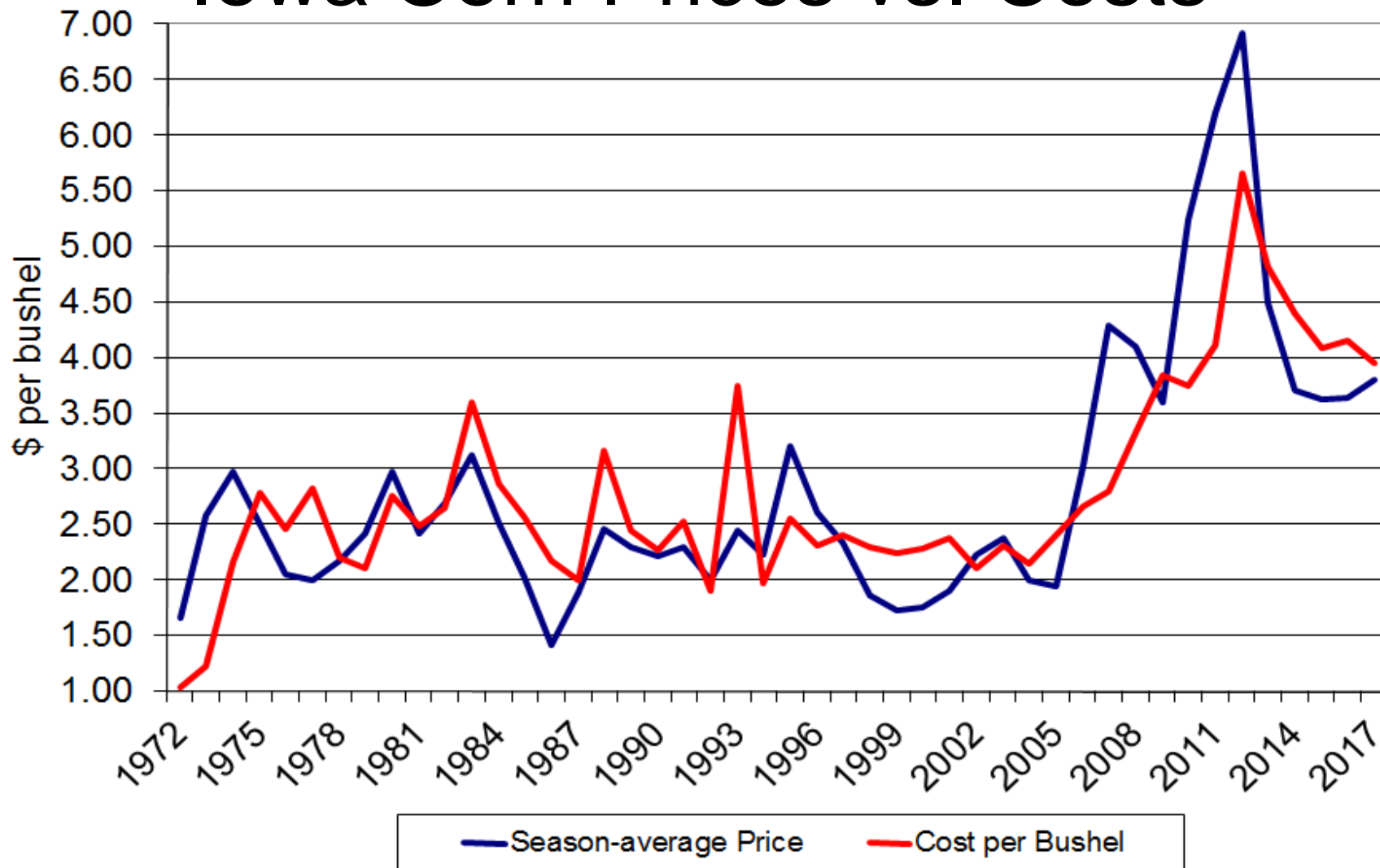
# Average Land Values Eastern Iowa Managed Farms (Good Quality)



# Average Land Values Eastern Iowa Managed Farms \$/CSR Point



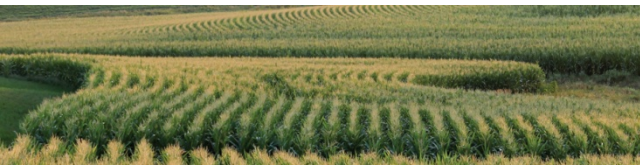
# Iowa Corn Prices vs. Costs



**IOWA STATE UNIVERSITY**

Extension and Outreach/Department of Economics

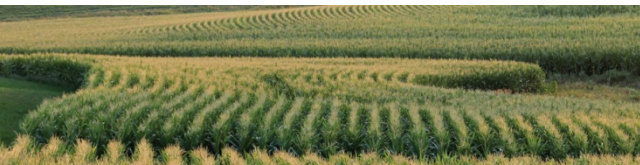
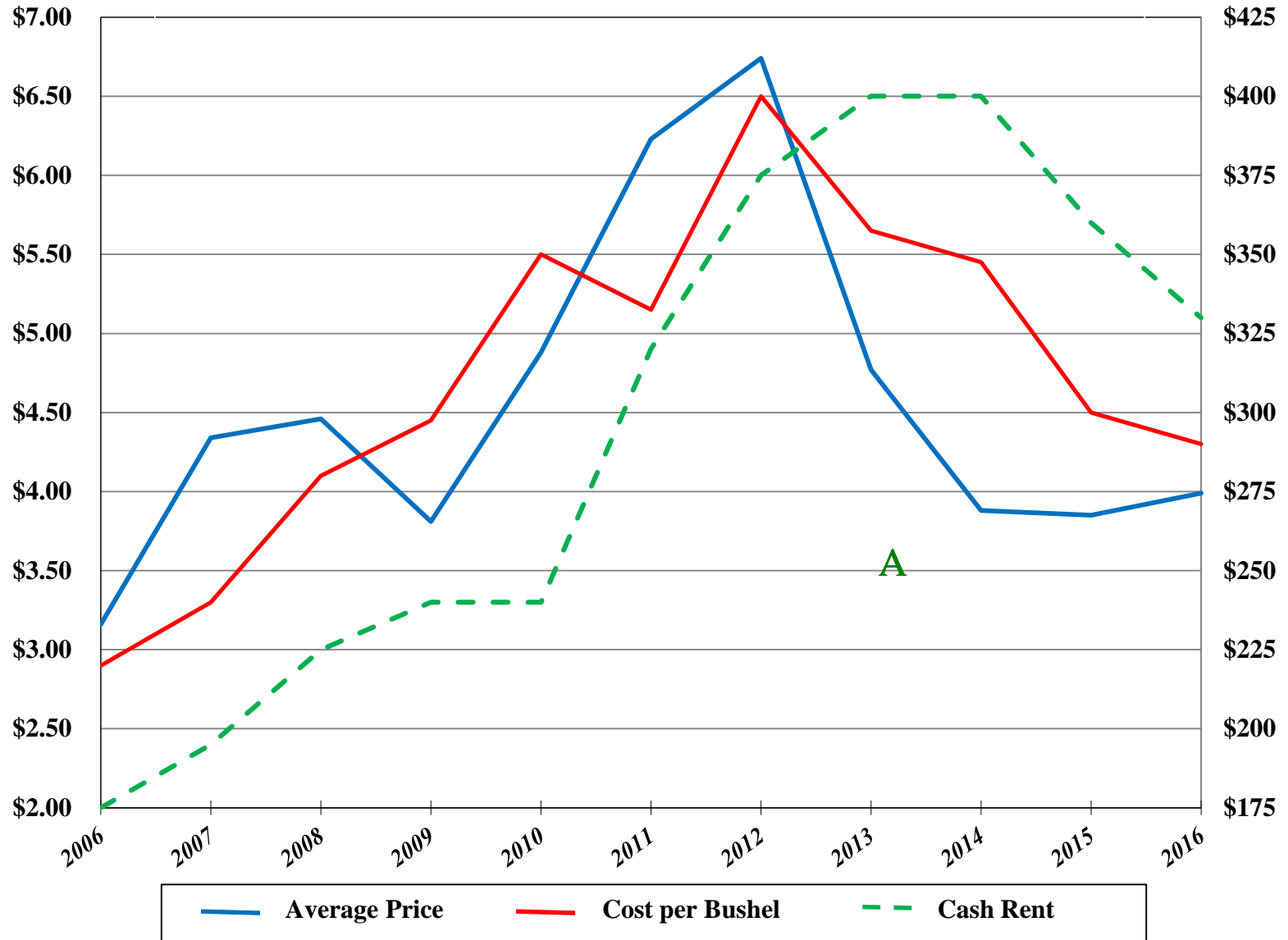
*Ag Decision Maker*



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# Eastern Iowa Corn Prices vs. Actual Costs





# Why rents remain high?

- **Cash rents tend to lag behind in relation with revenue**
- **Producers are hesitant to give up rented land**
- **Some producers have been willing to subsidize rented land with cash reserves**



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# Where are rents headed?

- **Competition – Rent paid by neighbors**
- **Some producers willing to give up rented land to lower risk**
- **Pressure from lenders to renegotiate**
- **Softening Input Prices**
- **Commodity prices (Expectation)**



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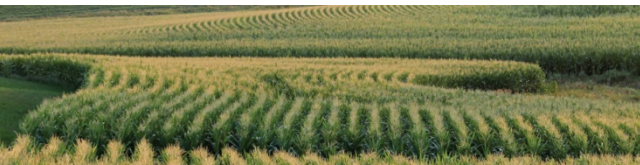
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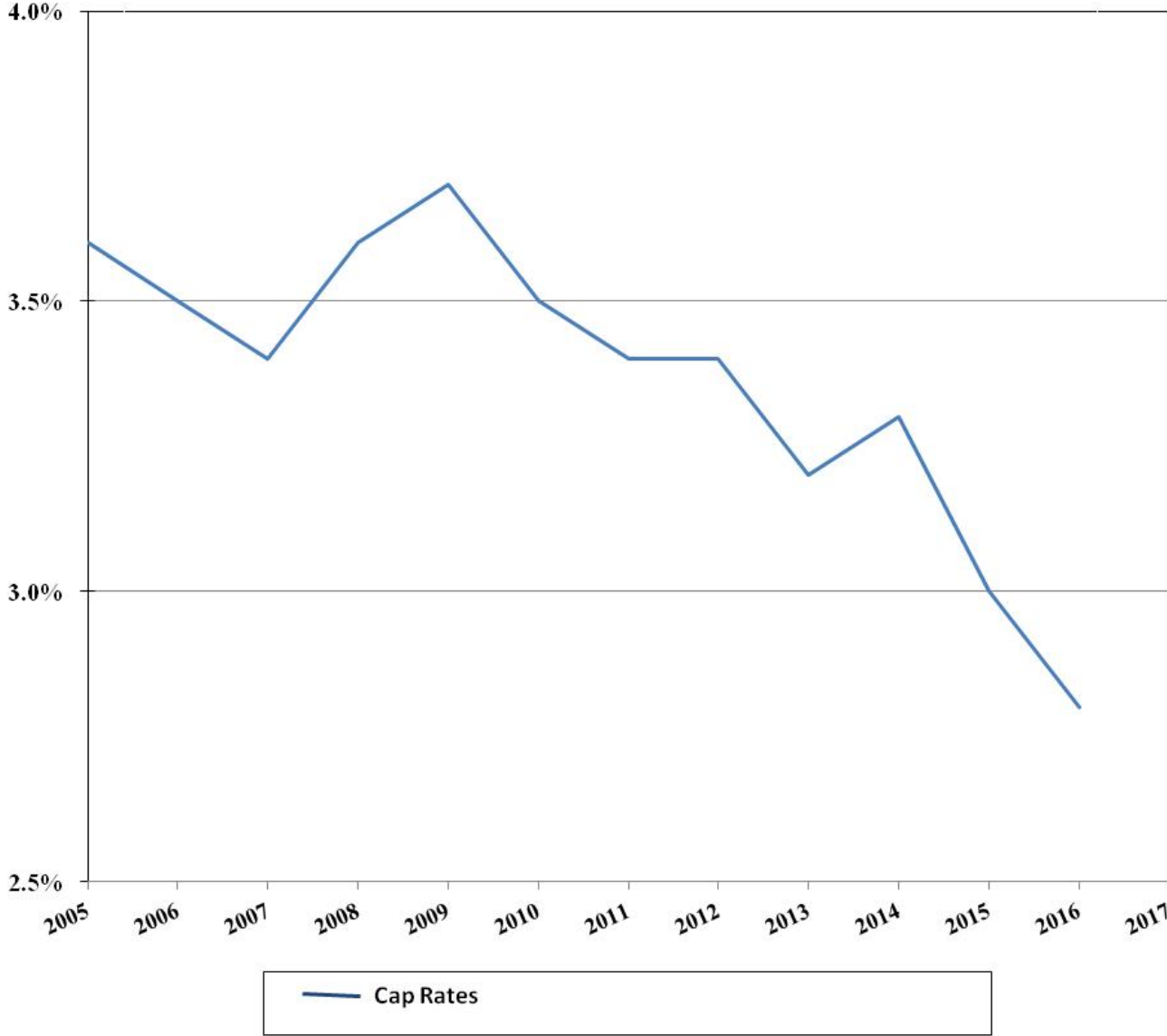
# Where are rents headed?

<u>Year</u>	<u>Iowa Co. High Quality Avg.</u>	<u>Your Farm</u>	<u>Corn \$ Per Bu</u>	<u>Soybeans \$ Per Bu</u>
2010	\$224	\$250	\$3.55	\$9.59
2011	\$255	\$250	\$5.18	\$11.30
2012	\$272	\$350	\$6.22	\$12.50
2013	\$315	\$350	\$6.89	\$14.40
2014	\$320	\$340	\$4.46	\$13.00
2015	\$267	\$340	\$3.70	\$10.10
2016	\$275	\$315	*\$3.35	*\$9.10

\*Current USDA Estimate



# Eastern Iowa Cap Rates (Good Quality)





# Owner - Operator Budget for 2016

## High Producing Farm

### 200 Acres in the Midwest

No property taxes included (cash rent lease)

#### ASSUMPTIONS:

**Cropland Acres**      **200.0**      **Corn Base**      **100.0**      **Bean Base**      **100.0**

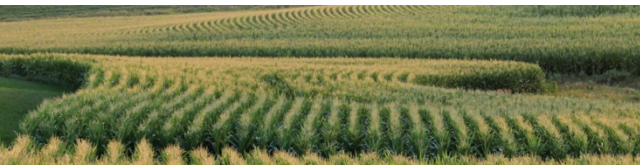
		Price Levels				
		#1	#2	#3	#4	
<u>CROP</u>	<u>ACRES</u>	<u>YIELD</u>	<u>\$/BU</u>	<u>\$/BU</u>	<u>\$/BU</u>	<u>\$/BU</u>
Corn	100.0	200	\$3.00	\$3.50	\$4.00	\$4.50
Soybeans	100.0	55	\$7.00	\$8.00	\$9.25	\$10.25
Crop Insurance Payment			\$50.00	\$0.00	\$0.00	\$0.00
Government Program Payment			\$65.00	\$65.00	\$35.00	\$0.00

#### ESTIMATED INCOME

Corn	60,000	70,000	80,000	90,000
Soybeans	38,500	44,000	50,875	56,375
Crop Insurance Payment	10,000			
Government Program Payment	13,000	13,000	7,000	

#### ESTIMATED TOTAL INCOME

\$121,500	\$127,000	\$137,875	\$146,375
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<b>ESTIMATED EXPENSES</b>	<b>\$/Acre</b>				
Corn - Seed	105	10,500	10,500	10,500	10,500
Fertilizer	100	10,000	10,000	10,000	10,000
Crop Ins.	20	2,000	2,000	2,000	2,000
Dry and Store	40	4,000	4,000	4,000	4,000
Machinery & Fuel	70	7,000	7,000	7,000	7,000
Pesticides	50	5,000	5,000	5,000	5,000
Soybeans- Seed	65	6,500	6,500	6,500	6,500
Fertilizer	60	6,000	6,000	6,000	6,000
Pesticides	50	5,000	5,000	5,000	5,000
Machinery & Fuel	55	5,500	5,500	5,500	5,500
Crop Ins.	15	1,500	1,500	1,500	1,500
Storage	10	1,000	1,000	1,000	1,000
Property Taxes		0	0	0	0
Repairs	500	500	500	500	500
Insurance	500	500	500	500	500
Intrest on Operating	4%	1,478	1,478	1,478	1,478
<b>TOTAL EXPENSES</b>		<b>\$66,478</b>	<b>\$66,478</b>	<b>\$66,478</b>	<b>\$66,478</b>
<b>NET INCOME</b>		<b>\$55,023</b>	<b>\$60,523</b>	<b>\$71,398</b>	<b>\$79,898</b>
<b>NET INCOME/TILLABLE ACRE</b>		<b>\$275.11</b>	<b>\$302.61</b>	<b>\$356.99</b>	<b>\$399.49</b>



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# Thank You

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