Kansas Agricultural Land Values: 2015 Update

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Farm Financial Series Webinar
April 6, 2016
Sponsored by Porter Cattle Co.

Returns to Farming
Source: KS Farm Management Association

Updated: Returns to Farming
Source: KS Farm Management Association

KANSAS AG LAND VALUES

2015 Cropland Values
Legend
U.S. 4,433 -4.7%
$12,000 - 12,999 1%
$10,000 - 11,999 1%
$8,000 - 9,999 1%
$6,000 - 7,999 1%
$4,000 - 5,999 1%
$2,000 - 3,999 1%
$0 - 1,999 1%
$1,000 - 1,999 1%
$800 - 999 1%
$600 - 799 1%
$400 - 599 1%
$200 - 399 1%
$100 - 199 1%
$50 - 99 1%
$0 - 49 1%
$10,000 - 9,999 1%
$12,000 - 12,999 1%
$10,000 - 11,999 1%
$8,000 - 9,999 1%
$6,000 - 7,999 1%
$4,000 - 5,999 1%
$2,000 - 3,999 1%
$0 - 1,999 1%
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$0 - 1,999 1%
$1,000 - 1,999 1%
$800 - 999 1%
$600 - 799 1%
$400 - 599 1%
$200 - 399 1%
$100 - 199 1%
$50 - 99 1%
$0 - 49 1%
2015 Pasture Values

Kansas Land Values

Rent-to-Land Value Ratio

MARKET-BASED LAND VALUES

Kansas Land Values

- Source for market transaction data
  - Property Valuation Department, Topeka

- 2010-2015 sales data
  - STR location
  - Acres in sale
  - Mixture of irrigated, non-irrigated and pasture
  - Soil types found on parcel
  - 20-year average rainfall by section NEW!
  - Enrollment in government set-asides
  - Value of improvements

<table>
<thead>
<tr>
<th>Year</th>
<th>Average</th>
<th>Acres in Sale</th>
<th>CRP Contracts</th>
<th>Sales Per County</th>
<th>Total Sales Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td>156.4</td>
<td>1.51%</td>
<td>23.7</td>
<td>2,468</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>14.7%</td>
<td>354,356</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>15.1%</td>
<td>362,948</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td>15.9%</td>
<td>383,119</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td>16.7%</td>
<td>401,975</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td>22.5%</td>
<td>518,322</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Sale Data Averages

<table>
<thead>
<tr>
<th>Sale Year</th>
<th>Non-Irrigated ($/ac)</th>
<th>Irrigated ($/ac)</th>
<th>Pasture ($/ac)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,558</td>
<td>1,696</td>
<td>1,108</td>
</tr>
<tr>
<td>2011</td>
<td>1,728</td>
<td>2,605</td>
<td>1,553</td>
</tr>
<tr>
<td>2012</td>
<td>2,003</td>
<td>3,023</td>
<td>1,641</td>
</tr>
<tr>
<td>2013</td>
<td>2,467</td>
<td>3,516</td>
<td>1,675</td>
</tr>
<tr>
<td>2014</td>
<td>2,730</td>
<td>3,464</td>
<td>2,035</td>
</tr>
<tr>
<td>2015</td>
<td>2,445</td>
<td>3,363</td>
<td>1,894</td>
</tr>
</tbody>
</table>

### LAND MODEL RESULTS

#### Non-Irrigated Cropland

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimated Value ($/ac)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$1,525</td>
</tr>
<tr>
<td>2011</td>
<td>$1,713</td>
</tr>
<tr>
<td>2012</td>
<td>$2,094</td>
</tr>
<tr>
<td>2013</td>
<td>$2,542</td>
</tr>
<tr>
<td>2014</td>
<td>$2,683</td>
</tr>
<tr>
<td>2015</td>
<td>$2,808</td>
</tr>
</tbody>
</table>

#### Irrigated Cropland

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimated Value ($/ac)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$4,925</td>
</tr>
<tr>
<td>2011</td>
<td>$5,035</td>
</tr>
<tr>
<td>2012</td>
<td>$5,093</td>
</tr>
<tr>
<td>2013</td>
<td>$6,183</td>
</tr>
<tr>
<td>2014</td>
<td>$6,525</td>
</tr>
<tr>
<td>2015</td>
<td>$6,831</td>
</tr>
</tbody>
</table>

#### Pasture

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimated Value ($/ac)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$971</td>
</tr>
<tr>
<td>2011</td>
<td>$1,272</td>
</tr>
<tr>
<td>2012</td>
<td>$1,351</td>
</tr>
<tr>
<td>2013</td>
<td>$1,641</td>
</tr>
<tr>
<td>2014</td>
<td>$1,731</td>
</tr>
<tr>
<td>2015</td>
<td>$1,813</td>
</tr>
</tbody>
</table>

Source: Taylor, 2015
2015 Pasture Land Values

2015 Irrigated Land Values

Land Price Expectations

• Actual land sales are not falling off as quickly or dramatically as we expected
• Lender’s surveys and USDA surveys indicated an expectations of lower land values
• Net farm income indicates a fall off in land values is likely

K-State
Research and Extension

Land Price Expectations

• Not showing up in the data non-irrigated cropland sales. Why?
  – I can’t measure no-sales
  – Reports of higher quality ground still holding value
  – Residual cash from high profitability years
• But this can’t go on indefinitely...

K-State
Research and Extension

Returns to Farming

Forecasting Land Values

• Based on an estimated model for Kansas land values, the one-year multiplier for net farm income for acre was 1.50
  – The long-run multiplier is 21.71 or an implied capitalization rate of 4.61%
• At the projected net farm income per acre of $53...
  – Projected long-run Kansas land price is $1,151 a decline of 43.3%
**Kansas Agricultural Land Values: 2015 Update**

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www.AgManager.info

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• Geometric growth rate = 3.4%  
• Geometric growth rate = 3.95%  
• Difference in value = -30% to -50%  
• How long to get there?

• 2015 Kansas Agricultural Land Values  
  Soon to be published on AgManagerinfo

• 2016 Rental Rates for Non-Irrigated Cropland  

• 2016 Rental Rates for Irrigated Cropland  

• Analysts travel to the producer’s home, providing private and confidential business advice  
• Uses nationally recognized financial analysis software, FINPACK, to develop a balance sheet, enterprise budgets, and a base long-range business plan.  
• Can explore business changes such as alternative enterprises, debt re-structure, farm transitions, etc.  
• Will show projected impact on Net Farm Income and Cash Flow  
• Assistance when working with creditors  
• Facilitates discussion among family members and sets goals for the farm business  
• $450 base fee

Were 5 Farm Analysts across the state...Now 30!!!

Call 1-800-321-FARM to set up an appointment with a Farm Analyst  
[http://www.k-state.edu/kams/services/financial-counseling/index.html](http://www.k-state.edu/kams/services/financial-counseling/index.html)
<table>
<thead>
<tr>
<th>Connect you to helpful resources</th>
<th>Provide resources for farm families</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Farm analysts</td>
<td>• Successions</td>
</tr>
<tr>
<td>• Attorneys</td>
<td>• Transitions</td>
</tr>
<tr>
<td>• Mediators</td>
<td>• Communication</td>
</tr>
<tr>
<td>• Referrals</td>
<td>• Disputes</td>
</tr>
</tbody>
</table>

Discuss appeal options for adverse decisions
• Farm loan delinquency or denial
• USDA Farm Programs

1-800-321-FARM
www.k-state.edu/kams