



Outlook for Irrigated and Non-Irrigated Cash Rents in Kansas

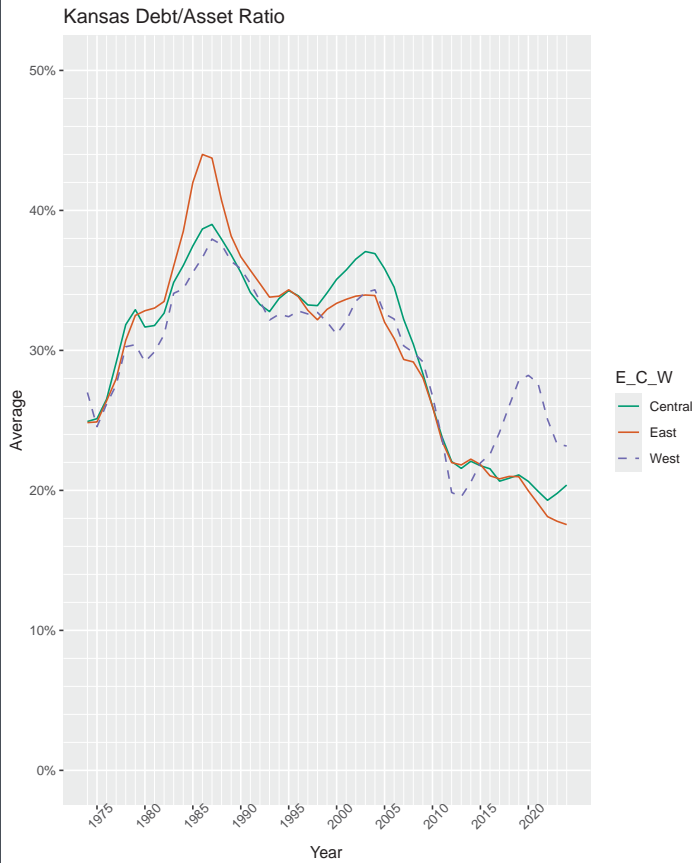
2025 Ag Lenders Conference

Gregg Ibendahl and Daniel O'Brien - K-State

2025-09-30 and 2025-10-01

First, an overview of KFMA farm financials

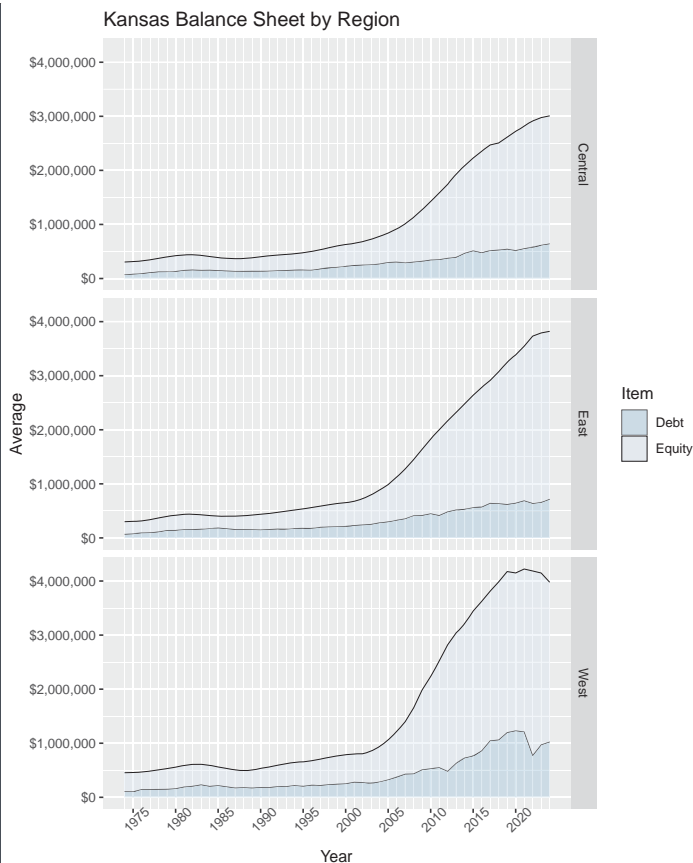
- Debt levels
- Interest costs
- Net Farm Income
- Farm Expenses



Debt/Asset Ratio

- D/A ratios remain at historic lows (KFMA 50 year history)
- Not quite the same in western Kansas
-Possible explanations
- Increase in asset values?
- Decrease in debt?
- Is the D/A ratio a leading or trailing indicator of farm financial problems?

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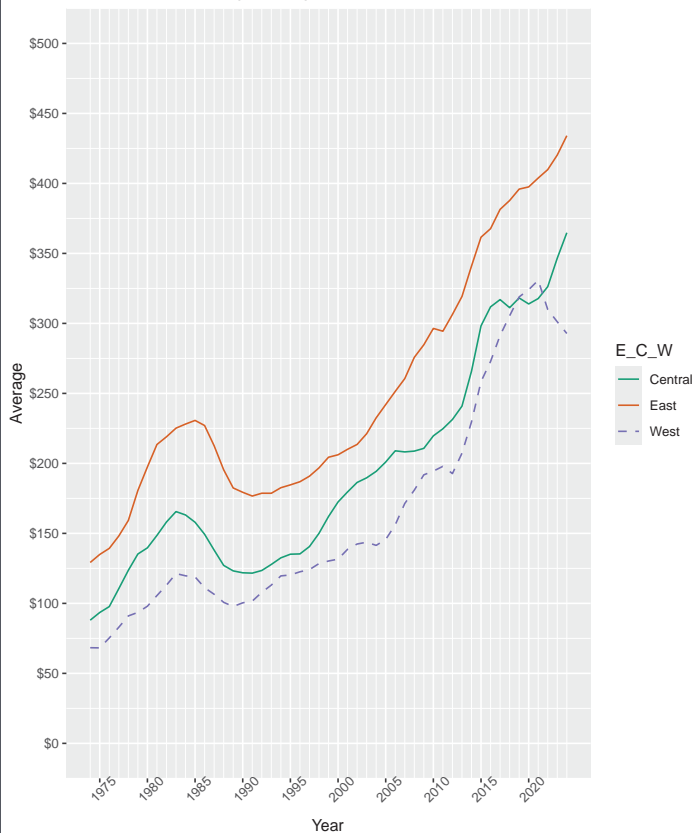


KFMA Balance Sheet

- Most of improvement in D/A ratio can be attributed to increase in land values
- Additional debt varies by region
- Some improvement in western Kansas

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Kansas Farm Debt per Crop Acre

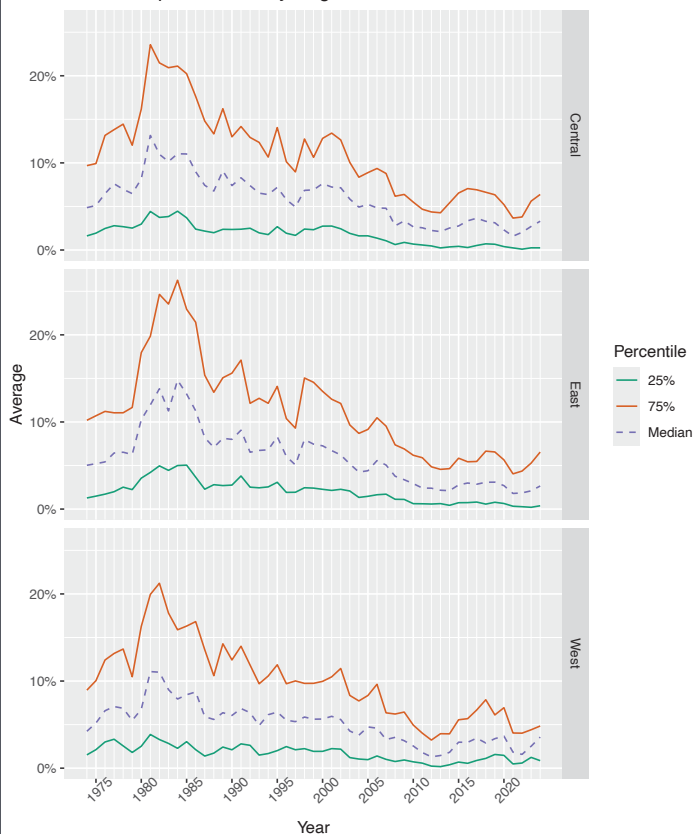


Farm Debt per Acre

- Farms have increased their debt levels on a per crop acre basis
 - Decrease in western Kansas
 - Leveling off in central Kansas
- What are the consequences of higher debt?
 - Farming is more expensive than it's ever been so higher levels of debt might be needed
 - Higher levels of debt can be supported if gross income is also higher
 - Interest expense ratio
 - Lower interest rates allow for higher levels of debt

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Interest Expense Ratio by Region

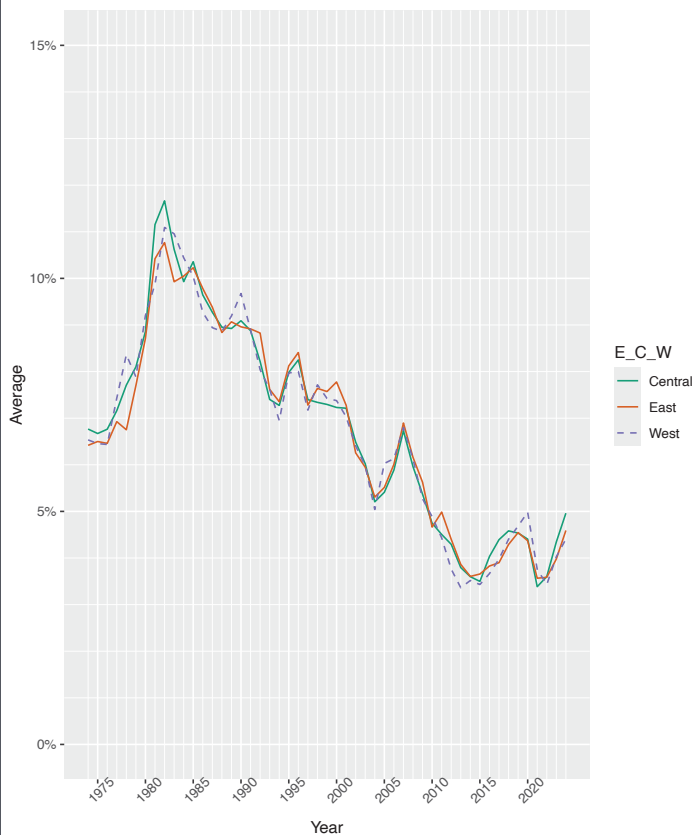


Interest expense ratio

- Ratio is nearly at lowest level in the history of KFMA farms
 - Interest expense / VFP
- 10% is considered the red flag level
 - Interest expense was a big problem in the 1980's farm crisis
 - Farms just couldn't make P and I payments when 10 cents of every dollar the farm produced went to pay interest
 - This is one of the reasons the FFSC set up financial statements the way they did
- Ratio is strong because of:
 - Low interest rates
- Lower farm revenue will make this ratio worse
- Which way will interest rates go after the election?

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Interest Rate on Farm Debt

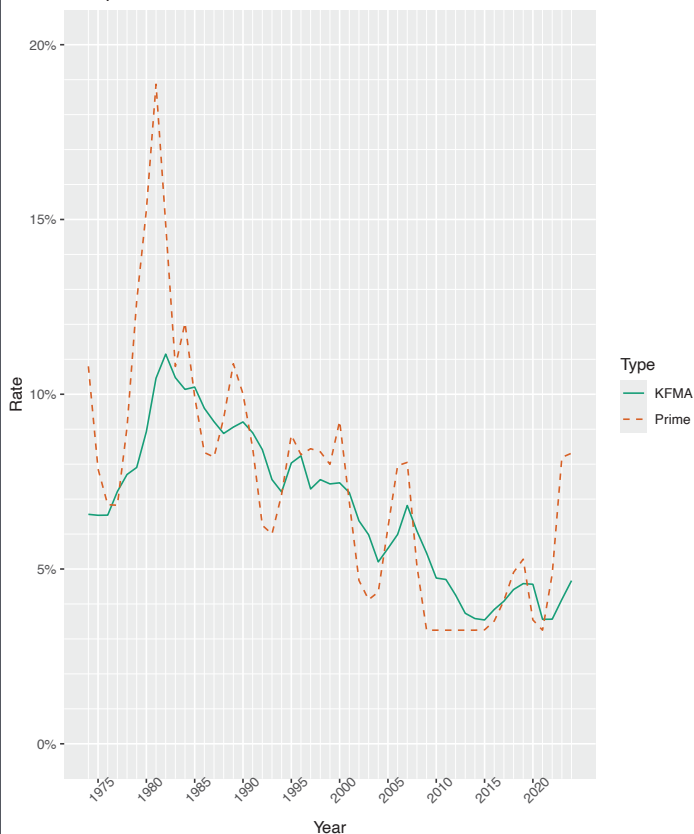


Average farm interest rates

- Interest rates are still at near historic lows on KFMA farms
- Rising interest rates haven't affect the average rate paid by farmers
- This number likely lags the current interest rate because of loans already in place with a fix interest rate

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Comparison of Interest Rates

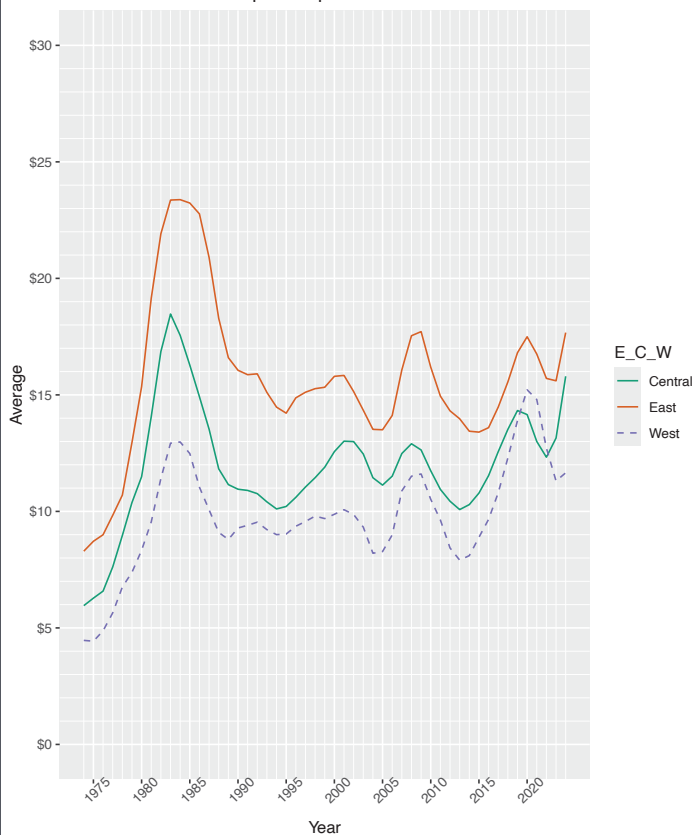


Comparison of KFMA interest cost and Prime

- Very high correlations
- The fixed debt on a farm reduces the interest rate volatility seen with the Prime rate
- Even with a rate cut, KFMA interest costs are likely to continue to rise

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Kansas Farm Interest per Crop Acre



Interest per crop acre

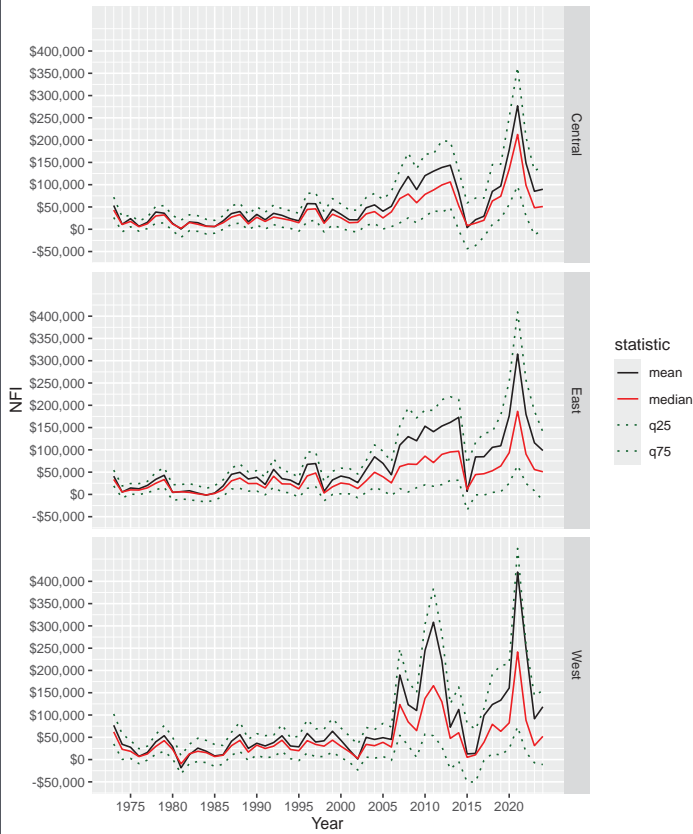
- Despite debt levels per crop acre increasing, the interest per crop acre has remained more stable
- Reflection of lower interest rates than in prior decades
- The lower interest rates (compared to the 1980's) has made debt less important
- Constant debt per acre combined with higher farm revenue (VFP) has helped make the interest expense ratio look very strong

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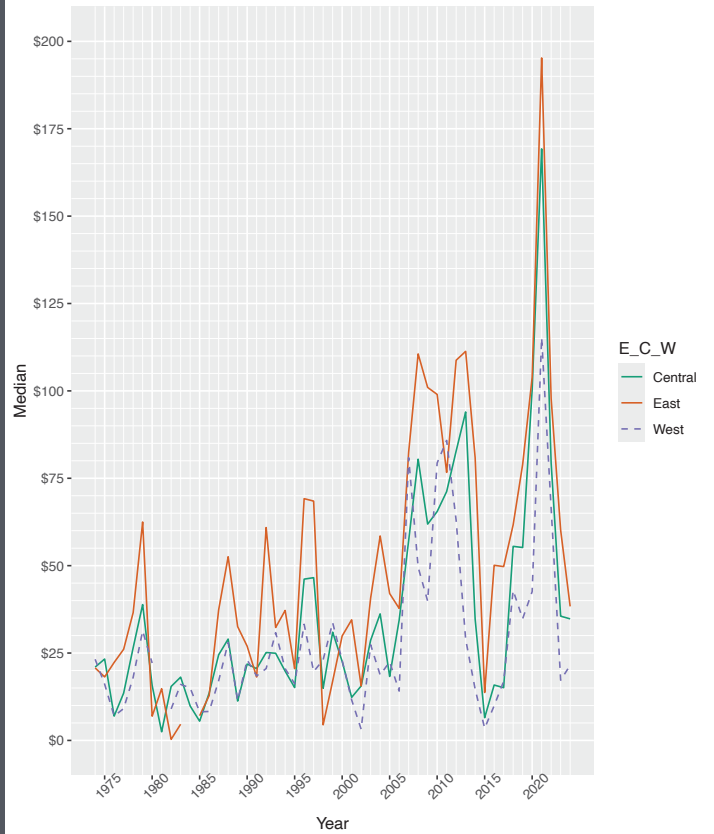
What about Net Farm Income?

- NFI will drive the cash rental rate
- Cash rental rates will be above what current year NFI can support
- Historically, situation will improve

Net Farm Income by Region

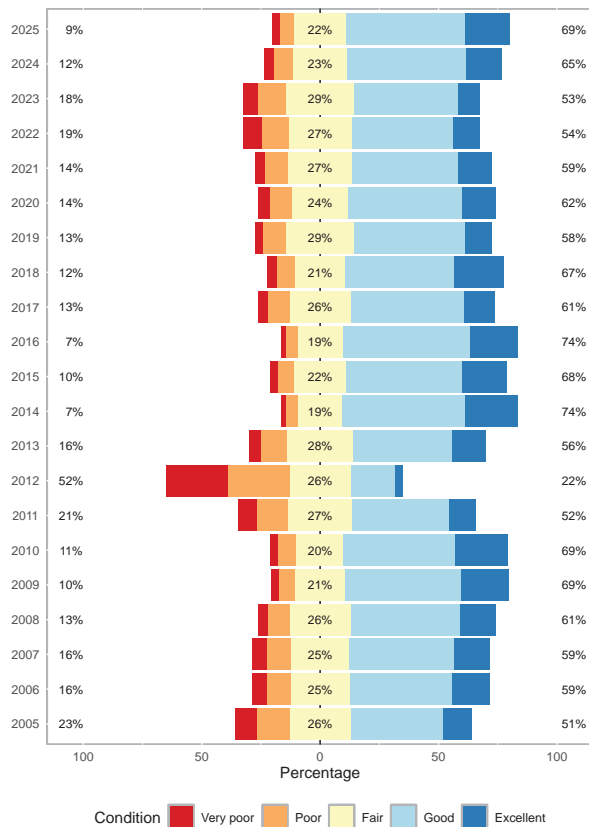


Kansas Median NFI per Crop Acre

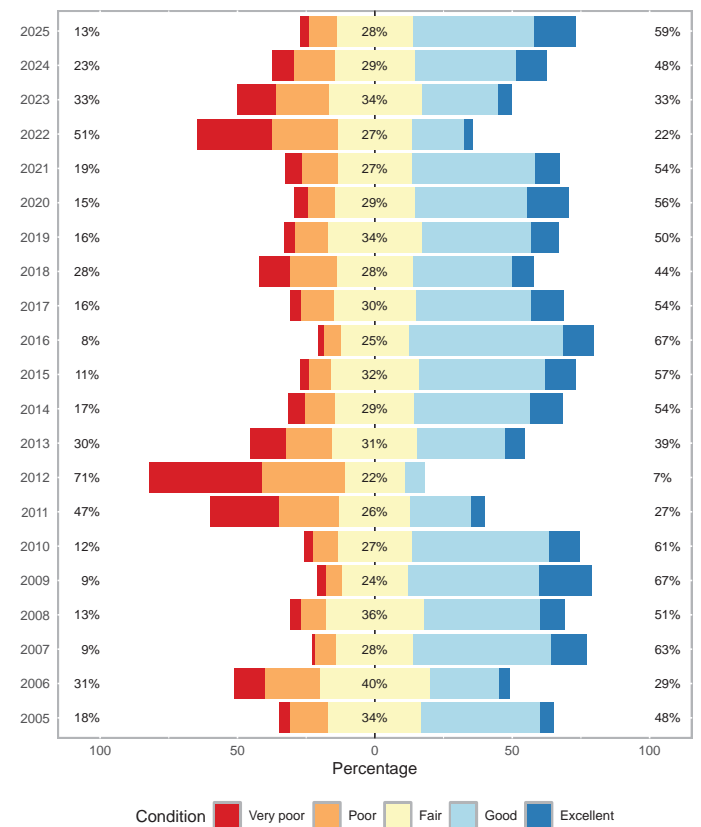


Another very good year for corn and soybean yields

Condition of US Corn as of 9/2/25



Condition of Kansas Corn as of WEEK #35 9/2/25



Corn Yields per Acre by State - 9/2/25

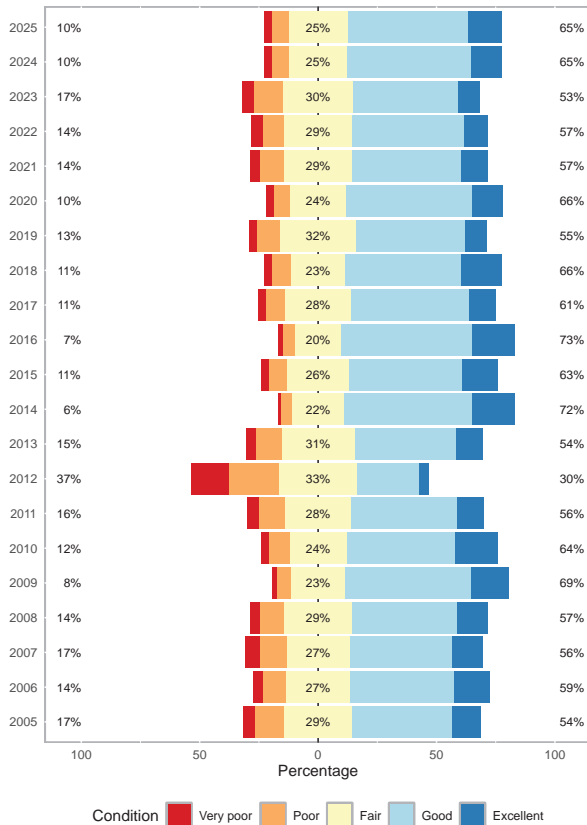
Bushels per harvested acre

State	Last year	2025 prediction			
		Lower CI	Predicted	Upper CI	R squared
Colorado	116.0	123.0	127.1	131.2	0.00
Illinois	217.0	206.3	210.0	213.7	0.69
Indiana	198.0	198.7	201.8	204.9	0.77
Iowa	211.0	216.6	221.5	226.3	0.56
Kansas	129.0	131.6	134.8	137.9	0.72
Kentucky	178.0	170.5	173.5	176.5	0.88
Michigan	181.0	175.3	177.3	179.4	0.68
Minnesota	174.0	194.8	199.2	203.6	0.27
Missouri	183.0	185.6	190.4	195.2	0.83
Nebraska	188.0	199.1	202.1	205.1	0.70
North_Carolina	87.0	145.2	149.4	153.5	0.84
North_Dakota	149.0	142.2	146.4	150.7	0.33
Ohio	177.0	189.6	192.0	194.3	0.85
Pennsylvania	138.0	170.4	175.0	179.6	0.73
South_Dakota	164.0	166.7	171.5	176.2	0.53
Tennessee	152.0	162.4	165.7	169.0	0.84
Texas	112.0	127.7	132.4	137.1	0.52
Wisconsin	174.0	185.1	188.6	192.1	0.52

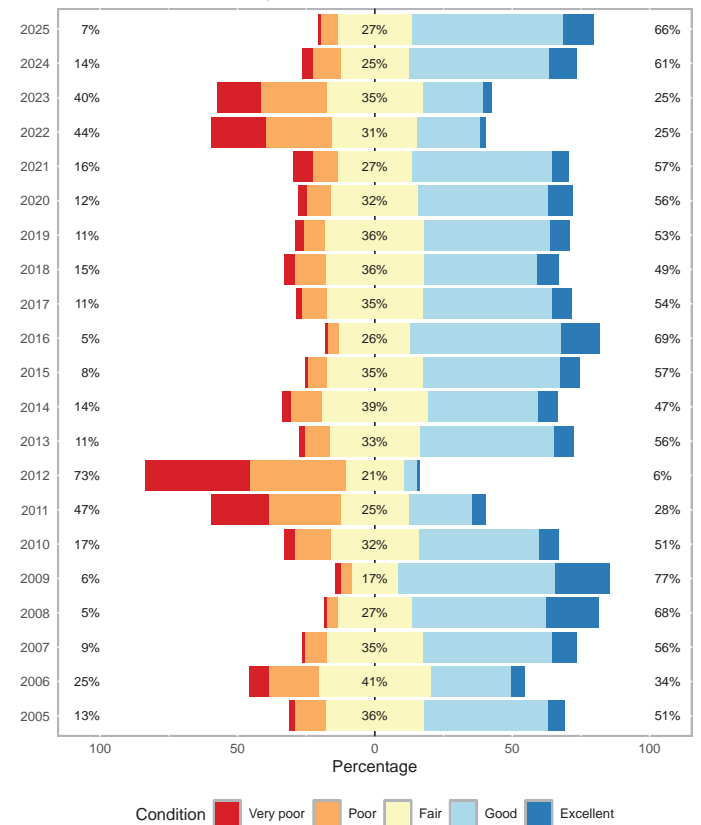
Most states will have very good corn yields

- Likely to be a record US yield in the low 180 range

Condition of US Soybeans as of 9/2/25



Condition of Kansas Soybeans as of WEEK #35 9/2/25



Soybean Yields per Acre by State - 9/2/25

Bushels per harvested acre

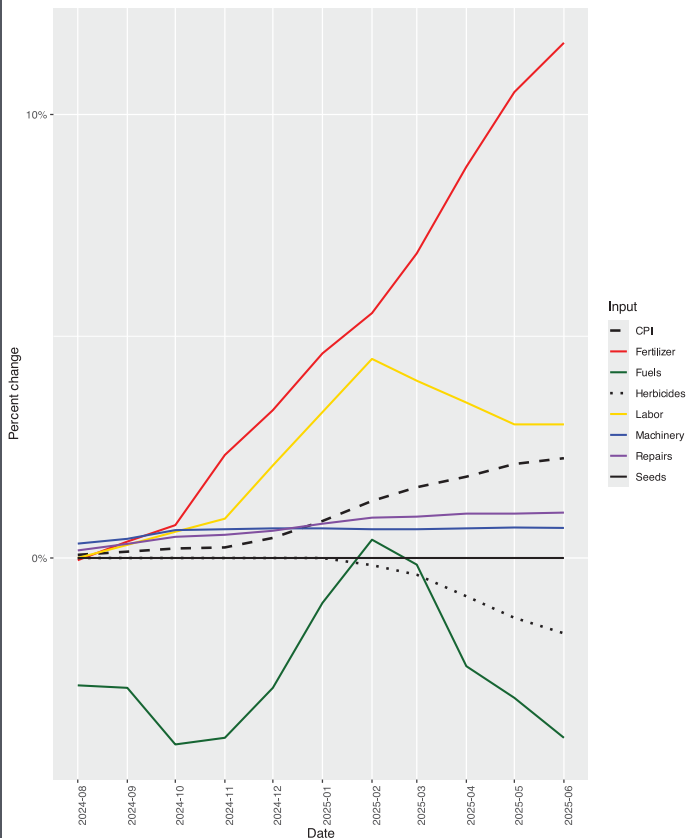
State	Last year	2025 prediction			R squared
		Lower CI	Predicted	Upper CI	
Arkansas	55.0	56.6	57.7	58.9	0.37
Illinois	64.0	61.3	62.6	63.9	0.33
Indiana	59.0	60.2	61.0	61.9	0.62
Iowa	60.0	61.7	63.0	64.2	0.62
Kansas	35.0	40.5	42.2	43.8	0.72
Kentucky	48.0	48.5	49.9	51.2	0.77
Louisiana	52.0	57.4	59.9	62.4	0.47
Michigan	49.0	48.5	49.8	51.0	0.29
Minnesota	45.0	50.0	51.5	53.0	0.38
Mississippi	56.0	58.4	59.3	60.2	0.63
Missouri	49.0	52.0	53.3	54.6	0.68
Nebraska	57.5	62.1	63.4	64.7	0.65
North_Carolina	39.0	40.0	40.8	41.7	0.67
North_Dakota	37.5	33.6	35.0	36.4	0.21
Ohio	50.0	56.1	57.0	57.9	0.61
South_Dakota	43.0	46.4	48.1	49.9	0.38
Tennessee	42.0	44.5	45.7	47.0	0.82
Wisconsin	48.0	52.6	54.4	56.2	0.60

Most states will have very good soybean yields

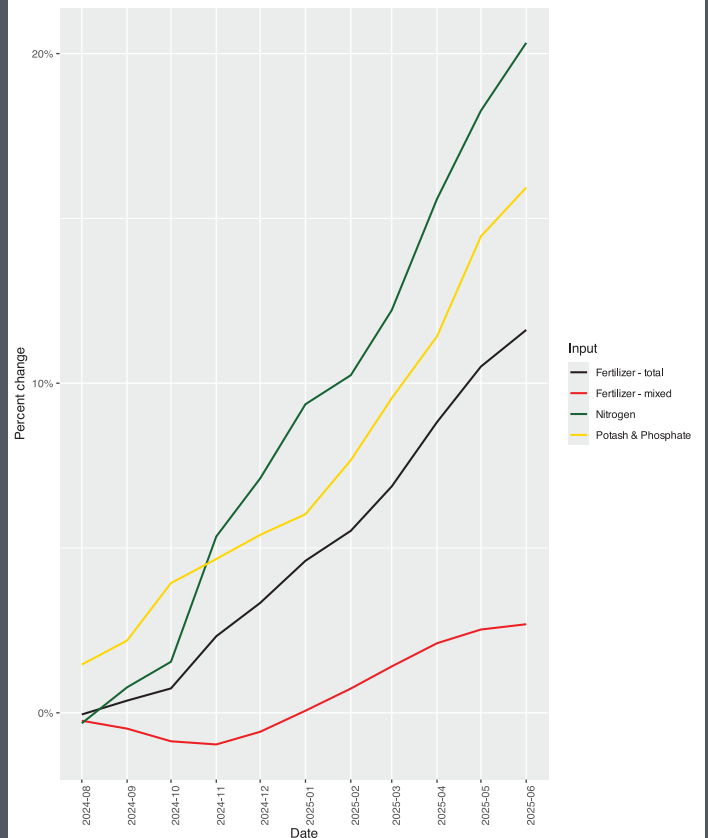
- Average US yield close to record (again)
- Soybeans are much tougher to estimate than corn (lower R sq)

Little good news when it comes to inputs

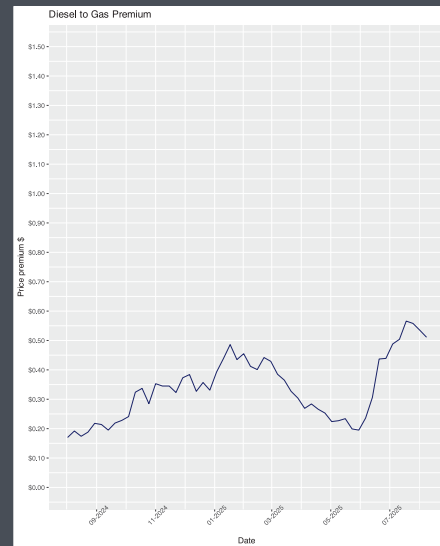
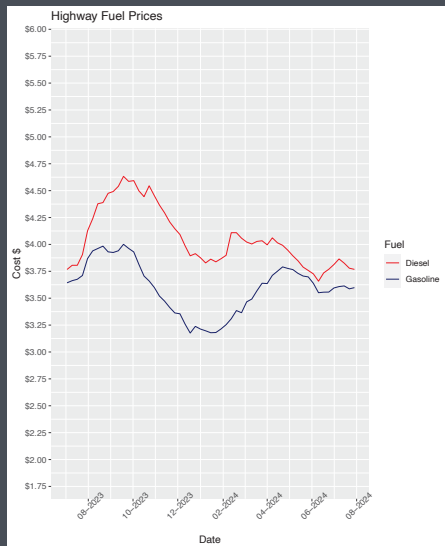
USDA Price Indexes Relative to 2024-8-01



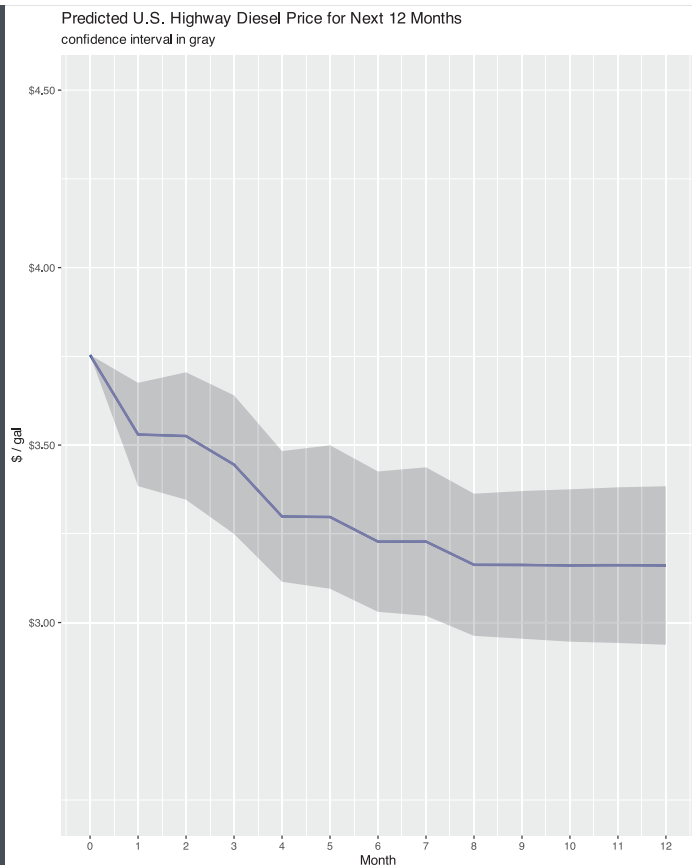
USDA Fertilizer Indexes Relative to 2024-8-01



Price premium of diesel for last 12 months



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Diesel price prediction for the next 12 months

- Based on oil futures market and the diesel premium
- Assumption that the premium is following the same pattern as last year
- Is the oil futures price too low?
 - should there be a bigger confidence interval on estimate?

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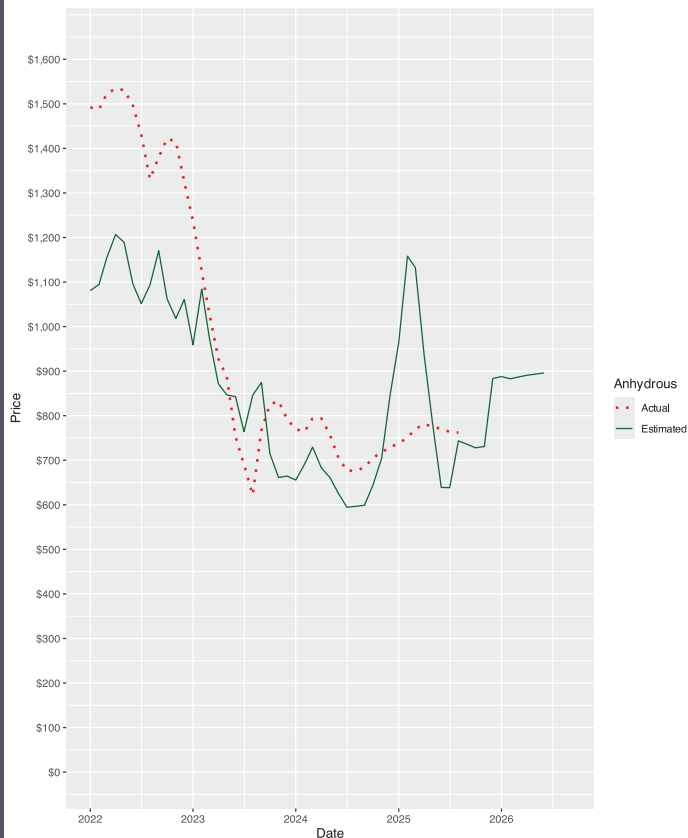
Latest fertilizer prediction model

Term	Coefficient	P-value
Intercept	-320.05	< 0.001
Oil (lag 6 mo)	3.04	< 0.001
Corn	38.22	0.001
Inflation (lead 2 mo)	196.54	< 0.001

- based on corn futures price
- oil price
 - lag 6 months
- inflation expectations
 - 2 month lead

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Anhydrous Price - Actual vs Predicted



Prediction for next 12 months

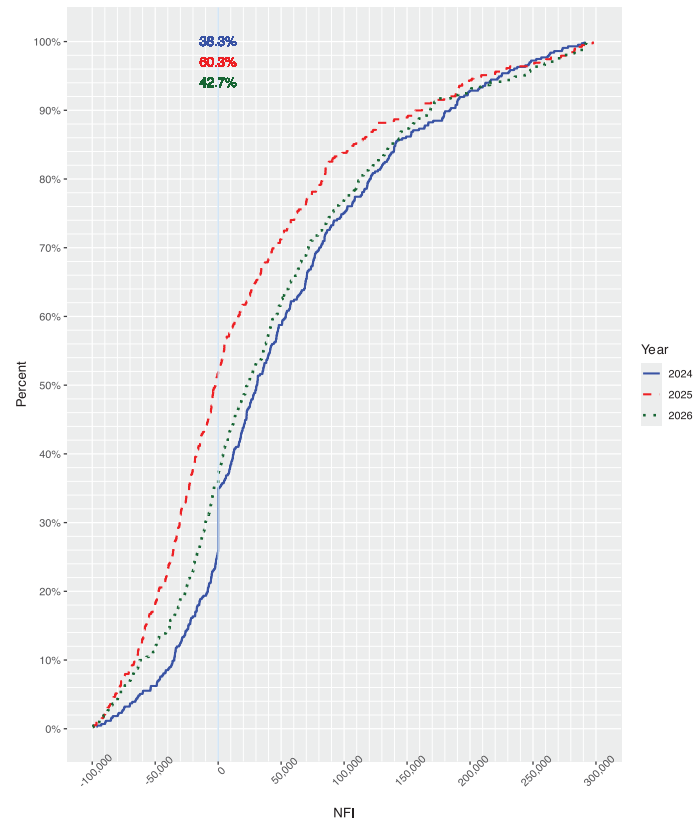
- Using inflation rate of 5%
- Oil prices in the mid \$70's

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More detail on NFI prediction

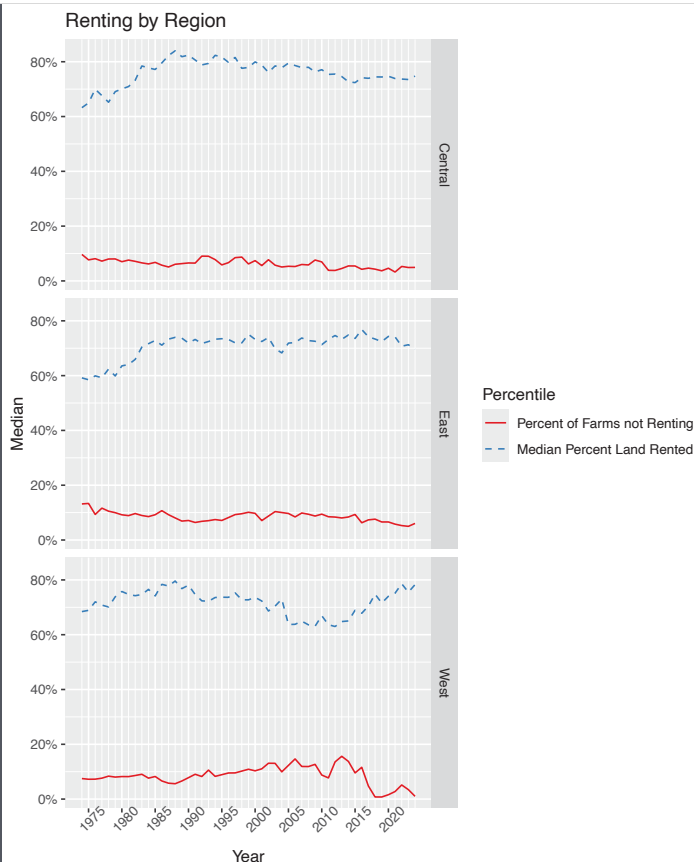
		2023	2024	Est 2025	Est 2026
Income					
	<i>Livestock VFP</i>	\$ 89,564	\$ 93,053	\$ 96,047	\$ 97,055
	Corn	210,252	208,950	212,374	188,889
	Grain sorghum	32,090	28,081	31,747	30,553
	Soybeans	159,769	145,829	164,458	187,745
	Wheat	112,267	115,816	103,359	98,565
	Govt payment (farm bill only)	22,472	66,295	16,914	108,460
	Crop ins proceeds	110,060	50,145	8,344	10,262
	<i>Crop VFP</i>	\$ 720,699	\$ 676,320	\$ 599,591	\$ 688,087
	TOTAL VFP	\$ 810,263	\$ 769,372	\$ 695,637	\$ 785,143
Expenses					
	Seed/Other Crop Expenses	83,050	84,560	86,251	88,838
	Crop Insurance	31,028	26,428	26,956	27,765
	Fertilizer-Lime	139,705	119,807	112,363	137,426
	Gas-Fuel-Oil	33,140	30,486	30,791	31,099
	Herbicide-Insecticide	93,396	86,790	88,525	90,296
	<i>Total Operating Expenses</i>	\$ 608,924	\$ 580,243	\$ 582,308	\$ 619,750
	Interest paid	25,578	32,034	32,354	32,678
	Depreciation - machinery	79,538	83,742	82,067	82,888
	Total Farm Expenses	\$ 722,215	\$ 704,358	\$ 705,152	\$ 743,822
	Net Farm Income	\$ 88,049	\$ 65,014	\$ (9,515)	\$ 41,320

CDF of Net Farm Income by Year
State of Kansas



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Cash leasing of farmland



Use of rented farmland

- Over 90% of farms rent some amount of farmland
- Of the land farmed, nearly 80% of it is rented
- Even though land rental costs amount to 7% of total production costs, rent still is very important
- Purchased land will typically not cashflow with some level of rented land

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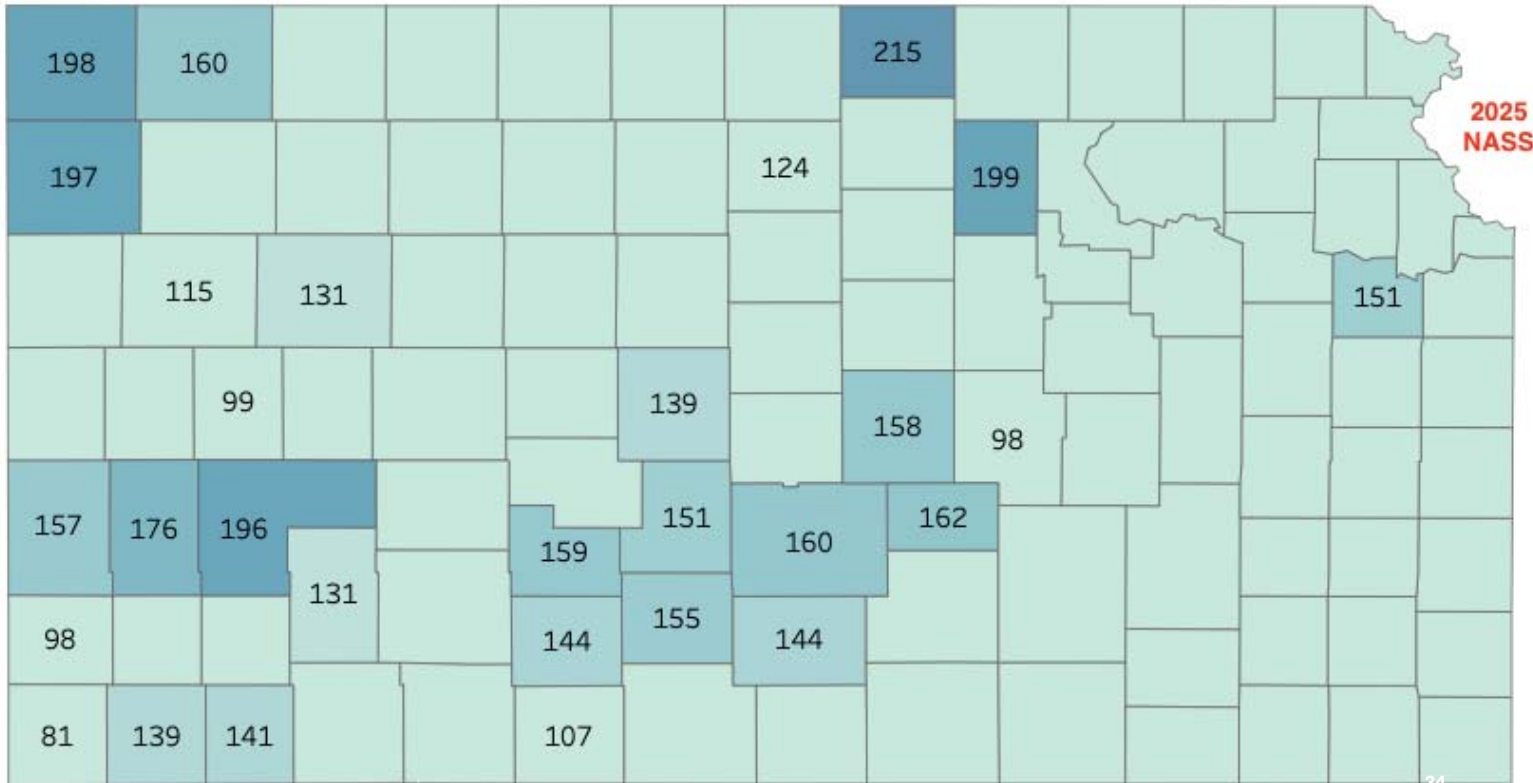
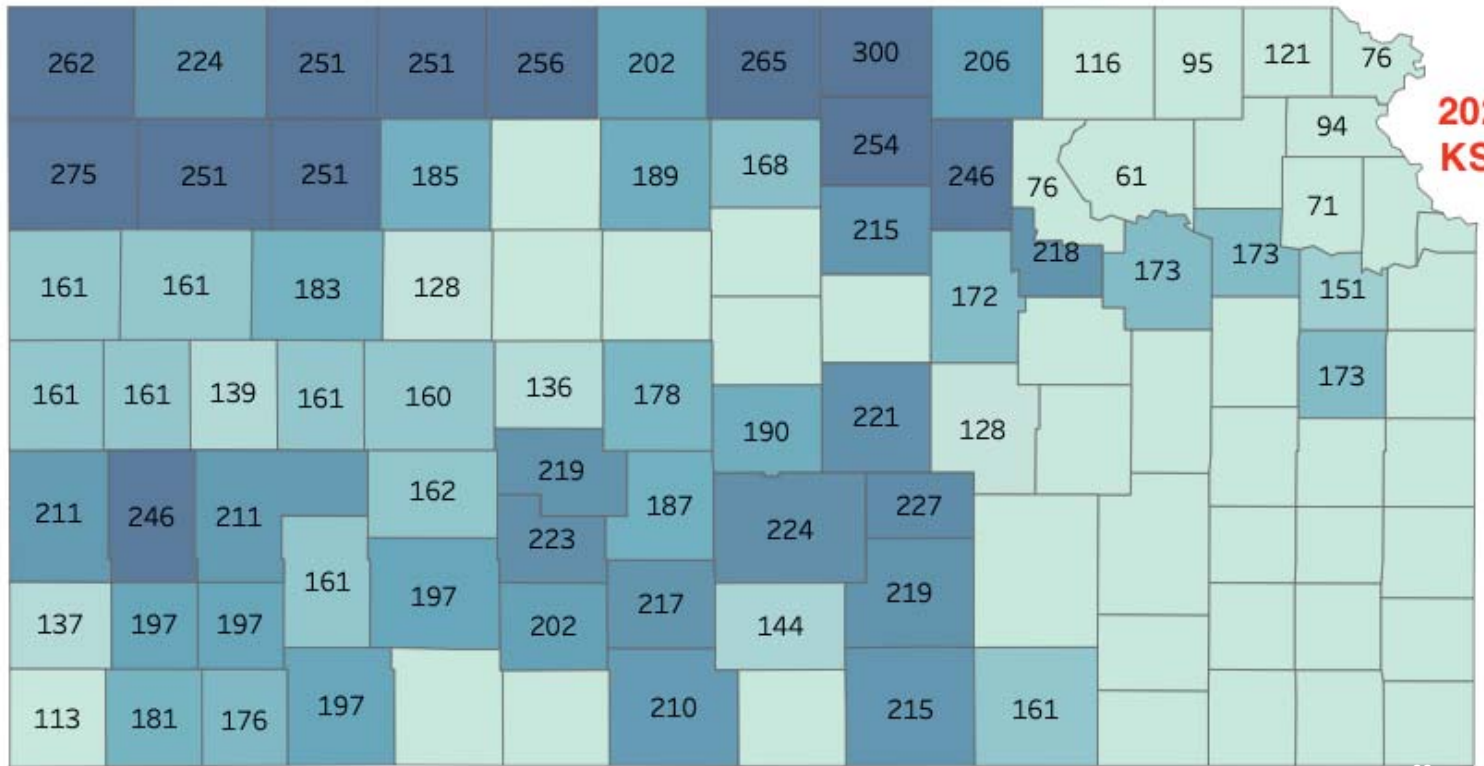
Purpose of publications

- NOT an endorsement for what a tenant should actually pay a landlord
- Instead, they are provided to give a starting point in lease negotiations
- What is a “fair” or “equitable” lease?
 - Any lease that a tenant and landlord willingly agree to in which they have both utilized the best information they have available to them in making a decision, is considered here to be a “fair” and/or “equitable” lease.

Why produce these publications

- Nearly every farm leases some land
- Local rental rates may not reflect the ability of the land to support going market rental rates
- Issues from surveys of county rental rates
 - Information may be outdated - time from survey until reported
 - Truthfulness in survey response
 - Surveys could reflect multi-year leases from previous year
- A lack of information about lease rates that incorporate land productivity into the rate calculation

		KSU	NASS
EAST	Northeast	107	122
	East Central	55	71
	Southeast	44	57
CENTRAL	North Central	70	78
	Central	44	54
	South Central	37	46
WEST	Northwest	51	56
	West Central	45	47
	Southwest	36	37



Questions?

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