



# 2019 Kansas County-Level Cash Rents for Non-Irrigated Cropland

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### **Please Note:**

The rental rate estimates provided in this publication are calculated for a newly negotiated, equitable lease for the 2019 crop year. **The rental rate estimates reflect what a typical producer could afford to pay, given expected profitability in 2019.** They do not necessarily reflect what people are paying for leased land or at what rental rate the market will ultimately adjust to if farm profitability remains low.

### **Rental Rate Market Overview**

Profitability in the Kansas farm sector has varied dramatically in the past four years. According to Kansas Farm Management Association (KFMA) data, net farm income per operator declined statewide from \$95,355 in 2014 to \$8,451 in 2015, with a rebound to \$46,716 per operator in 2016 and \$62,944 per operator in 2017 (Figure 1). The 2018 crop year is likely to be similar to 2016 and 2017 in profitability, although the impacts of low profitability are highly varied across the state. The diversity of expected profitability for 2019 manifests in the rental rate estimates shown in this publication.

**The rental rate estimates reflect what producers could pay for rented ground, based solely on expected yields, commodity prices, and production costs.** Ignored in these calculations is the ability of producers to pay rent on leased ground using profits gained in previous crop years and/or available equity from owned assets. These factors will come into play when rental rates are negotiated for the 2019 crop year and are likely to keep rental rates above the estimated rates shown in this publication. The difference between the K-State and the U.S. Department of Agriculture-National Agricultural Statistics Service (USDA-NASS) estimates in Table 2 reflect a transition process from high to relatively low rents that will occur as long as profitability in the farming sector stays low for the next several years.

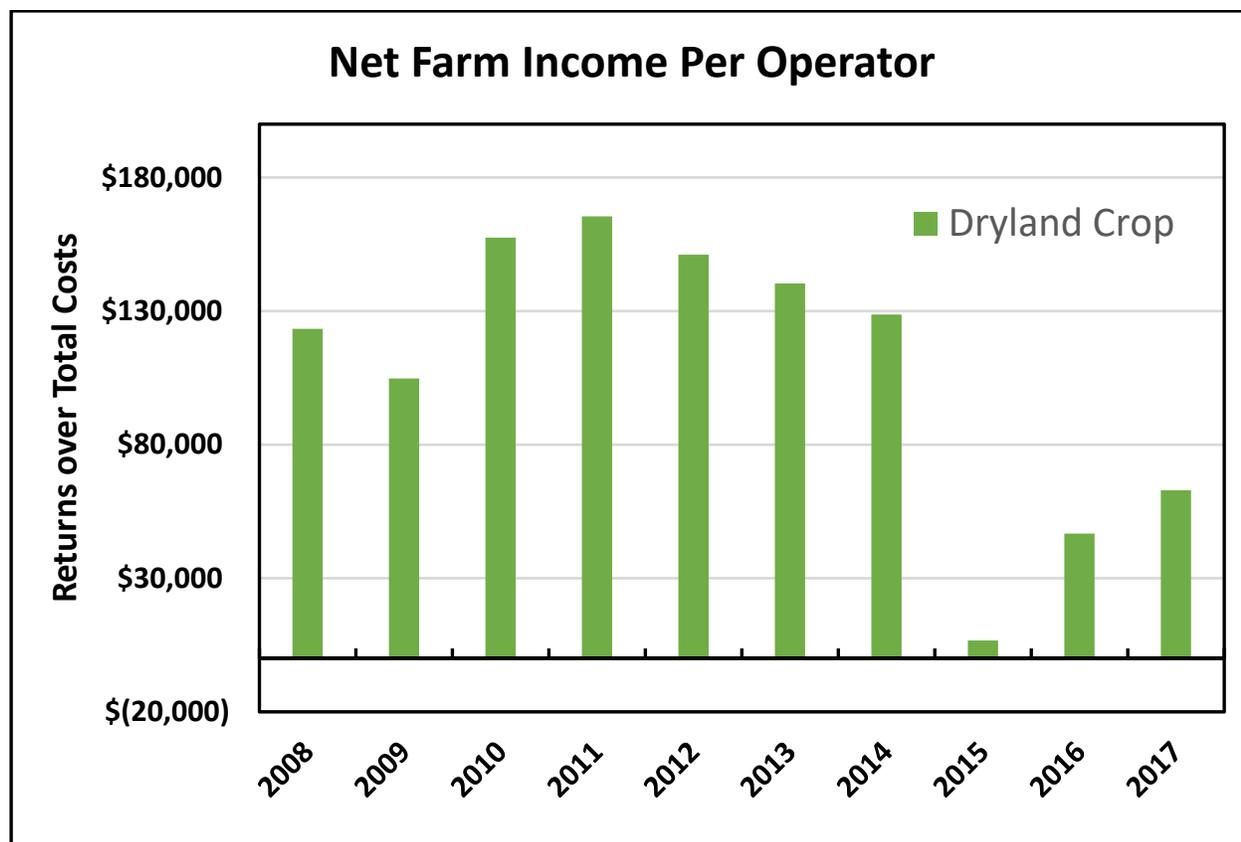


Figure 1. Average net farm income in Kansas for non-irrigated crop producers, 2008-2017.

The recent decline in farm profitability puts producers in a difficult situation. Producers do not want to lose land if they can possibly afford to keep it, because the capital investment (e.g. machinery purchases, breeding herd size) and labor decisions they made over the past several years were based on the amount of land they had to farm. This will lead many to pay more for the land than estimates of expected profitability suggest they can pay and keep rental rates from falling at an accelerated rate, at least in the short-term. Over a longer period of time, if profitability remains low, rental rates will continue to decline as producers burn through existing working capital or equity and are unable to continue to pay higher rates.

It is worth noting that not all farmers have the same amount of working capital or equity in owned land available to them for paying rental rates above expected profit levels. Producers who started farming in the last 5-10 years are less likely to own most of the land they operate, making it difficult to subsidize high rental rates with returns from land they own. Similarly, a producer who employed an aggressive growth strategy in the past decade may also have trouble paying high rents due to borrowing costs on land they purchased. The impact of a farm recession on producers' ability to pay rents above expected profits will not be uniform.

## Rental Rate Calculations

The first step in the cash rent estimation process is to determine equitable crop share percentages for the landowner and the operator. The decision aid used to guide these calculations is the *KSU-Lease.xls* Excel spreadsheet available at the AgManager.info website (<http://www.agmanager.info/land-leasing/land-rental-rates>). The basic premise of the approach in *KSU-Lease* is that a lease is considered to be equitable if the income from the lease is shared proportionally to the value of the inputs (costs) contributed by both parties.<sup>1</sup>

The *KSU-Lease* spreadsheet requires input of production cost data for a given crop mix, expected yields, and expected commodity prices. Costs of production and farming practices are based on information in the Farm Management Guides (projected crop budgets published annually and available at <http://www.agmanager.info/farm-management-guides/2018-farm-management-guides-non-irrigated-crops>). The crop enterprise mix for each of six regions (NW, SW, NC, SC, NE, and SE) of the state is determined using average acres estimates from 2012-2015 from the KFMA database (<http://www.agmanager.info/kfma>). The crop mix is limited to wheat, corn, soybeans, and grain sorghum, where wheat is either summer-fallow or continuous. Expected yields for these same crops are estimated from the KFMA database using a 10-year average yield. Expected commodity prices are based on 2019-2021 harvest futures contracts (July for wheat, December for corn, and November for soybeans) and the average daily prices during the month of November 2018. To get at expected cash prices for each of the regions, 3-year historical (2016-2018) harvest-time basis levels are added to the futures prices.

Other inputs required in the *KSU-Lease* spreadsheet are seed, fertilizer, chemical, land, and machinery costs. Prices of seed, fertilizer, and chemicals (herbicide, insecticide, and fungicide) are based on current costs. Machinery costs are based on region-specific projected custom rates for 2018, using a diesel price of \$2.00 per gallon, multiplied by typical farming operations in the region. Custom rates are used as a proxy for machinery costs. Land cost in the *KSU-Lease* spreadsheet is set at a level that results in an economic profit of \$0 per tillable acre. This is consistent with the economic theory that competitive industries, such as commodity farming, will have average economic profits close to zero in the long run. This happens because when profits are positive across most farms, those profits are used to bid up the price of fixed

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<sup>1</sup> For a further discussion of the principles behind how leases are determined see publications NCFMEC-01 and NCFMEC-02 also available at [www.AgManager.info](http://www.AgManager.info).

assets like land. Likewise, if profits are negative, there will be economic pressures for land values (and rents) to decline.

Given the completed crop budgets in *KSU-Lease* for each of the six regions, the next step is to identify who provides each of the contributions and calculate the resulting equitable crop share percentages for the landowner and the operator. The equitable shares are calculated based on a net share lease (i.e., no inputs being shared by the landowner) with an adjustment to account for 100% of government payments going to the operator.<sup>2</sup> It is important to recognize that the calculated equitable crop share percentages are based on the relative contributions of the inputs, which tend to reflect what people have traditionally done in a region over a long period of time. For the rental rate estimates in this publication, a short term net crop share is calculated to reflect current profitability. Therefore, the calculated values reflect what is equitable based on current costs and do not necessarily reflect what people have historically done or the percentage they would be likely to share over multiple years.

The expected commodity prices, crop acreage mix, historic yields, and landowner's crop share percentage averaged to the regional level are presented in Table 1. The estimated crop share percentages used in the analysis range from 2.5% in the Southeast region of the state to 30.9% in the Northeast region.<sup>3</sup> The difference in crop share splits across the regions reflects the relative productivity, costs, and revenue potential of the farmland.

The second step in the cash rent estimation process was to use the equitable crop share percentages determined in step one to calculate the expected return to the landowner, given price and yield expectations for the 2019 crop year for each county.<sup>4</sup> To do this, the estimated crop share split was applied to 8-year historical county-level yields (2011-2018), as reported by USDA-NASS, and the expected commodity price forecasts shown in Table 1 to determine an estimate of expected landowner crop share revenue at the county level. The crop rotation (i.e., crop mix) was based on county level data from the 2002 and 2007 Census of Agriculture.

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<sup>2</sup> The completed versions of the six *KSU-Lease* files include numerous details that are not presented here to save space. However, the files are available from the author upon request.

<sup>3</sup> These values will deviate from what might be "typical" in a region for two primary reasons. First, these values reflect what is equitable based on current land values and farming practices. Second, these values have been adjusted to account for the operator receiving 100% of government payments.

<sup>4</sup> For counties in the West Central, Central, and East Central regions, the average crop share percentage for the corresponding northern and southern regions was used.

**Table 1. Prices and Acreages Used to Estimate Cash Rental Rates**

Region	Price, \$/bu	Crop Enterprise Mix, % of acres*	10-Year Adjusted Trend Yields*	Landowner's Crop Share
<b>Northwest</b>				13.1%
Wheat	4.93	35.3	48.0	
Corn	3.56	18.3	78.0	
Soybeans	8.25	3.2	33.0	
Grain Sorghum	3.35	8.0	78.0	
<b>Southwest</b>				6.7%
Wheat	4.97	41.0	38.5	
Corn	3.63	1.7	71.0	
Soybeans	8.24	0.5	25.5	
Grain Sorghum	3.39	15.9	71.0	
<b>North Central</b>				24.2%
Wheat	5.08	44.2	51.5	
Corn	3.90	10.2	108.5	
Soybeans	8.41	31.5	39.0	
Grain Sorghum	3.45	14.1	105.5	
<b>South Central</b>				21.2%
Wheat	5.00	64.7	51.5	
Corn	3.53	7.5	89.0	
Soybeans	8.37	15.9	34.5	
Grain Sorghum	3.36	11.9	89.0	
<b>Northeast</b>				24.3%
Wheat	5.04	6.8	51.5	
Corn	3.60	41.6	135.5	
Soybeans	8.49	50.7	43.0	
Grain Sorghum	3.42	0.9	113.0	
<b>Southeast</b>				16.3%
Wheat	5.12	15.3	47.5	
Corn	3.72	31.8	107.0	
Soybeans	8.57	63.3	32.5	
Grain Sorghum	3.49	2.3	73.0	

\* Crop enterprise mix and trend yields presented here are averaged across the KFMA region. However, county-level values for both of these variables were used to calculate the county-level rental rates. Crop enterprise mix values do not necessarily add to 100% due to fallow or double cropping, depending on the region.

**Table 2. Estimated Cash Rental Rates for Non-Irrigated Cropland (\$/ac)<sup>1</sup>**

<b>Region</b>	<b>County</b>	<b>2016 KSU Rent (\$/ac)</b>	<b>2017 KSU Rent (\$/ac)</b>	<b>2018 KSU Rent (\$/ac)</b>	<b>2019 KSU Rent (\$/ac)</b>	<b>2017 NASS Rent (\$/ac)<sup>2</sup></b>
<b>NW</b>	Cheyenne	19.80	6.50	10.20	18.20	43.50
	Decatur	30.70	10.10	12.60	21.90	48.00
	Graham	24.60	7.90	11.10	20.00	35.00
	Norton	31.50	10.40	13.30	23.10	46.00
	Rawlins	25.80	8.40	11.80	21.10	59.00
	Sheridan	28.20	9.20	12.70	22.20	43.50
	Sherman	19.90	6.50	10.40	18.20	48.00
	Thomas	25.20	8.20	12.60	22.00	55.00
	<b>Average:</b>	<b>25.71</b>	<b>8.40</b>	<b>11.84</b>	<b>20.84</b>	<b>47.25</b>
<b>WC</b>	Gove	22.80	4.90	7.80	16.20	49.50
	Greeley	16.90	3.60	5.90	12.30	31.00
	Lane	17.00	3.60	6.00	12.70	37.00
	Logan	19.20	4.10	6.30	12.90	43.50
	Ness	16.10	3.40	5.40	11.30	30.00
	Scott	25.10	5.30	7.70	16.30	42.00
	Trego	19.30	4.10	6.30	13.30	39.00
	Wallace <sup>^</sup>	17.10	3.70	5.80	11.90	39.00
	Wichita <sup>^</sup>	20.00	4.30	6.30	13.20	42.00
	<b>Average:</b>	<b>19.28</b>	<b>4.11</b>	<b>6.30</b>	<b>13.15</b>	<b>39.25</b>
<b>SW</b>	Clark	14.00	0.90	2.50	7.50	29.50
	Finney	15.10	0.90	2.80	8.70	33.50
	Ford	16.30	1.00	2.90	9.00	33.50
	Grant	10.90	0.70	2.50	7.80	30.00
	Gray	17.20	1.10	3.40	10.50	40.00
	Hamilton	11.50	0.70	1.90	5.90	27.50
	Haskell <sup>^</sup>	14.10	0.90	3.10	9.70	33.50
	Hodgeman	13.10	0.80	2.40	7.30	33.50
	Kearny <sup>^</sup>	12.80	0.80	2.20	6.80	33.50
	Meade	11.40	0.70	2.40	7.40	39.50
	Morton	10.60	0.70	2.00	6.30	31.50
	Seward	12.90	0.80	2.80	8.60	33.50
	Stanton	13.70	0.90	2.60	7.90	37.00
	Stevens	12.50	0.80	2.70	8.20	33.00
	<b>Average:</b>	<b>13.29</b>	<b>0.84</b>	<b>2.55</b>	<b>7.85</b>	<b>33.86</b>

<sup>1</sup> KSU Rental Rate is based on using *KSU-Lease* and a risk-adjusted equitable crop share approach. *KSU-Lease.xls* is available at <http://www.agmanager.info/farmmgmt/land/lease/default.asp>

<sup>2</sup> NASS rental rates available at [www.nass.usda.gov](http://www.nass.usda.gov) (individual values were reported for 90 of 105 counties, remaining 15 are multi-county averages indicated with "<sup>^</sup>" following county name)

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NC	Clay	56.30	37.60	64.70	65.40	76.50
	Cloud^	53.40	34.00	57.40	60.40	68.00
	Jewell	53.70	34.20	58.10	61.20	79.50
	Mitchell	51.70	32.30	53.60	57.40	62.00
	Osborne^	42.40	26.30	43.10	46.60	54.00
	Ottawa	45.10	28.60	49.00	51.90	68.00
	Phillips	41.40	26.00	43.90	46.60	68.00
	Republic	56.40	37.50	65.80	66.20	87.00
	Rooks	32.60	20.30	37.20	40.00	38.50
	Smith	48.60	30.50	50.30	53.60	66.50
	Washington	59.90	40.40	67.30	67.60	78.50
	<b>Average:</b>	<b>49.23</b>	<b>31.61</b>	<b>53.67</b>	<b>56.08</b>	<b>67.86</b>
C	Barton	34.10	17.40	34.10	39.80	46.50
	Dickinson	46.00	24.60	48.40	54.60	49.50
	Ellis^	25.90	13.10	24.70	29.20	37.00
	Ellsworth^	37.60	19.20	35.30	41.40	47.00
	Lincoln	40.90	21.10	39.70	46.20	47.00
	Marion	41.50	21.90	43.20	49.00	48.00
	McPherson	43.10	22.30	44.50	51.20	58.00
	Rice	42.50	22.00	42.00	48.50	51.00
	Rush	30.00	15.10	28.90	34.30	35.50
	Russell	32.90	16.60	32.00	37.90	39.50
	Saline	42.50	22.30	43.00	49.20	61.50
	<b>Average:</b>	<b>37.91</b>	<b>19.60</b>	<b>37.80</b>	<b>43.75</b>	<b>47.32</b>
SC	Barber	26.60	10.50	25.30	32.20	40.00
	Comanche	21.80	8.50	19.80	25.70	45.00
	Edwards	25.80	10.10	25.80	33.20	43.00
	Harper	26.00	10.20	23.10	29.60	41.50
	Harvey	41.40	16.80	39.50	49.30	60.00
	Kingman	27.90	11.00	27.60	35.20	39.00
	Kiowa	23.40	9.10	22.00	28.30	45.00
	Pawnee	29.20	11.40	25.90	33.40	40.00
	Pratt	31.40	12.40	29.30	37.50	41.00
	Reno	34.50	13.80	33.00	41.80	52.50
	Sedgwick	34.70	13.90	32.70	41.40	53.50
	Stafford	32.00	12.70	29.50	37.30	42.50
	Sumner	31.00	12.30	28.00	35.70	43.00
	<b>Average:</b>	<b>29.67</b>	<b>11.75</b>	<b>27.81</b>	<b>35.43</b>	<b>45.08</b>

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<b>NE</b>	Atchison	109.30	99.80	118.80	92.70	108.00
	Brown	129.30	117.90	145.40	113.30	168.00
	Doniphan	145.90	132.20	148.30	115.40	168.00
	Jackson	94.90	86.70	104.30	82.30	70.50
	Jefferson	102.90	93.80	116.10	91.00	73.50
	Leavenworth <sup>^</sup>	94.50	87.50	106.90	83.30	107.00
	Marshall	91.80	81.90	94.50	76.70	92.00
	Nemaha	104.10	94.10	113.70	90.00	142.00
	Pottawatomie	94.00	85.20	106.60	84.80	72.50
	Riley	80.90	71.22	86.80	71.80	72.50
	Wyandotte <sup>^</sup>	90.70	84.90	111.40	86.40	107.00
	<b>Average:</b>	<b>103.48</b>	<b>94.11</b>	<b>113.89</b>	<b>89.79</b>	<b>107.36</b>
<b>EC</b>	Anderson	58.30	44.70	63.70	52.10	63.50
	Chase	57.80	44.20	60.90	50.00	54.50
	Coffey	57.60	44.40	61.20	49.80	52.00
	Douglas	76.60	59.20	75.10	60.50	68.00
	Franklin	64.80	50.30	68.80	55.50	76.00
	Geary	66.20	49.30	66.80	56.70	62.00
	Johnson <sup>^</sup>	68.80	53.50	67.70	54.50	56.50
	Linn	56.30	43.80	59.90	48.40	47.50
	Lyon	56.80	44.00	58.50	47.50	61.50
	Miami <sup>^</sup>	69.20	53.50	71.50	57.90	83.00
	Morris	53.00	39.60	56.60	48.00	55.00
	Osage	62.00	47.90	65.70	53.50	61.50
	Shawnee	79.00	61.10	79.00	64.00	67.00
	Wabaunsee	67.30	51.50	68.10	56.10	52.50
<b>Average:</b>	<b>63.84</b>	<b>49.07</b>	<b>65.96</b>	<b>53.89</b>	<b>61.46</b>	
<b>SE</b>	Allen	32.60	24.00	41.90	36.50	49.50
	Bourbon	32.10	23.80	43.00	37.10	76.50
	Butler	34.70	24.50	42.60	39.20	46.50
	Chautauqua	24.30	17.20	35.40	32.00	40.00
	Cherokee	34.80	25.30	47.00	41.20	70.00
	Cowley	27.90	19.00	33.70	31.90	39.00
	Crawford	35.60	26.00	46.80	41.00	61.50
	Elk <sup>^</sup>	31.30	22.90	40.80	35.90	54.00
	Greenwood	36.40	27.00	44.10	38.20	54.00
	Labette <sup>^</sup>	29.20	20.60	39.70	35.90	54.00
	Mongtomery <sup>^</sup>	29.90	21.30	41.10	37.00	41.50
	Neosho	29.70	21.40	41.10	36.40	52.50
	Wilson	31.90	22.90	41.80	37.40	63.00
	Woodson	32.60	23.80	44.10	38.80	54.00
<b>Average:</b>	<b>31.64</b>	<b>22.84</b>	<b>41.65</b>	<b>37.04</b>	<b>54.00</b>	

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