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Visiting With Your Regional Extension Educator

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Farmland Values and Rental Rates are increasing rapidly in Southwestern Minnesota

Extension Educators have been collecting data of the bare farmland sales and rents for Southwestern Minnesota since before 1990. Both farmland sales and farmland rental rates are increasing, the values increasing at a much greater rate than normal in recent years. Rental rates have averaged a 2.5 percent increase from 1990 to 2005 in actual rents paid in Southwestern Farm Business Management data while land values have averaged a 12% increase for this same time period.

The average farmland sales have been on a steady increase since 2000. The average sale price increased to \$2,574 in 2006 from \$2,262 for 2005 for Southwest Minnesota. This was an average increase across Southwest Minnesota of 13.9 percent. All thirteen counties experienced an increase in prices from 2005 to 2006. This follows increases of 14.4, 16.5, 10.6 for 2005, 2004 and 2003 and since 2001 the average percentage change has been 12.22% while for the previous three years 1998,1999 and 2000 the average change was only 1.67%. This trend in higher farmland values has put pressure on rental rates. The chart below shows the farm land rental rate trends in SW Minnesota from the FINBIN data base. The average increase in farm land rental rates were 2.5% per year in the region since 1996.

Counties	1999	2000	2001	2002	2003	2004	2005	2006 Est.*	2007 Est.*
Brown	\$94	\$94	\$96	\$100	\$101	\$101	\$108	\$111	\$113
Cottonwood	\$92	\$93	\$92	\$96	\$101	\$101	\$101	\$104	\$106
Jackson	\$99	\$100	\$102	\$106	\$103	\$103	\$109	\$112	\$114
Lincoln	\$65	\$65	\$67	\$68	\$71	\$73	\$86	\$88	\$90
Lyon	\$80	\$80	\$82	\$85	\$85	\$87	\$89	\$91	\$93
Martin	\$110	\$110	\$110	\$114	\$110	\$111	\$119	\$122	\$125
Murray	\$74	\$76	\$81	\$84	\$89	\$91	\$89	\$91	\$93
Nicollet	\$104	\$105	\$106	\$111	\$112	\$113	\$112	\$115	\$118
Nobles	\$91	\$91	\$92	\$96	\$97	\$99	\$102	\$105	\$107
Pipestone	\$72	\$72	\$74	\$77	\$85	\$87	\$91	\$93	\$96
Redwood	\$89	\$90	\$92	\$96	\$94	\$95	\$99	\$101	\$104
Rock	\$90	\$90	\$92	\$96	\$107	\$109	\$111	\$114	\$117
Sibley	\$105	\$101	\$102	\$106	\$110	\$110	\$122	\$125	\$128
Watonwan	\$106	\$105	\$105	\$109	\$110	\$111	\$110	\$113	\$115
Average	\$91	\$91	\$92	\$96	\$97	\$99	\$101	\$103	\$109

Rental rates can be compared with the opportunity costs for the present values in farmland, with a current average of \$2,574 in 13 SW Minnesota counties. At an opportunity cost of 5% rate of return, a land owner would need \$129 per acre plus property taxes and liability insurance. This would raise the total income necessary to \$150 or more per acre. Recently completed crop budgets for 2007 crop year indicate farmers can only afford to pay an average rate of \$110 per acre for a corn and soybean rotation ($\$121+99=\220 , $\$220/2=\110). Rental rates are currently increasing at a rapid rate with \$3.00 corn prices now available, but how long will prices remain at these high levels? In the past 25 crop year cash corn prices in Worthington have been at or above \$3.00 only 6 percent of the time. What will corn prices be this fall during harvest? The crop budgets utilize \$2.75 and \$6.00 for corn and soybeans prices. Soybeans prices have been at or above \$6.00 over the last 25 years, 30 percent of the time. Higher prices dramatically affect these numbers. The 2006 budgets indicated a farmer could only afford to pay \$45 per acre rent using \$2.00 for corn and \$5.00 for soybeans. The trend in accelerating land values and rental rates may be determined by how long corn prices can stay at \$3.00 or above.

2007 Corn and Soybean Budgets for Southwest Minnesota

	Corn		Soybeans	
	Estimate	Your Farm	Estimate	Your Farm
Yield Bushel/Acre	160	_____	48	_____
Price \$/Bushel	\$ 2.75	\$_____	\$ 6.00	\$_____
Gross \$/Acre	\$ 440	\$_____	\$ 288	\$_____
USDA Transition Payment	\$ 27	\$_____	\$ 13	\$_____
Total Counter-cyclical Payment	\$ 0	\$_____	\$ 0	\$_____
Total Income Per Acre	\$ 467	\$_____	\$ 301	\$_____
Seed	\$ 60	\$_____	\$ 30	\$_____
Fertilizer	\$ 85	\$_____	\$ 6	\$_____
Herbicide/Insecticide	\$ 25	\$_____	\$ 25	\$_____
Crop Insurance	\$ 13	\$_____	\$ 14	\$_____
Drying Fuel	\$ 15	\$_____		
Fuel/Oil	\$ 20	\$_____	\$ 16	\$_____
Machinery Repairs	\$ 24	\$_____	\$ 20	\$_____
Machine Leases/Machine hire	\$ 7	\$_____	\$ 5	\$_____
Interest on Operating	\$ 9	\$_____	\$ 7	\$_____
Overhead Expenses				
Operator Labor	\$ 30	\$_____	\$ 30	\$_____
Hired Labor	\$ 12	\$_____	\$ 10	\$_____
Depreciation on Machinery	\$ 24	\$_____	\$ 19	\$_____
Other Expenses	\$ 22	\$_____	\$ 20	\$_____
Total Expenses per Acre	\$ 346	\$_____	\$ 202	\$_____
Net Return to Land or the	\$ 121	\$_____	\$ 99	\$_____
Amount Available to Pay Land Rent				

These budget estimates were determined from FINBIN data base and actual farmer costs for 2007.