

# Land Value and Cash Rent Survey

Greg Halich and Karen Pulliam, Agricultural Economics

In January 2012, Agriculture and Natural Resource (ANR) agents were surveyed to estimate land values and rental rates for various types of farmland. A total of 68 ANR agents completed this survey out of 120 counties, representing 57 percent of the state. These responses were distributed between the three geographic regions as follows: Western Kentucky (23), Central Kentucky (27), and Eastern Kentucky (18). These regions were further divided into eight subregions based on similar land attributes (Map 1). This document summarizes the results from the agent survey. Dollar values are rounded to the nearest \$5-\$10 for rental rates and \$100 for land values.

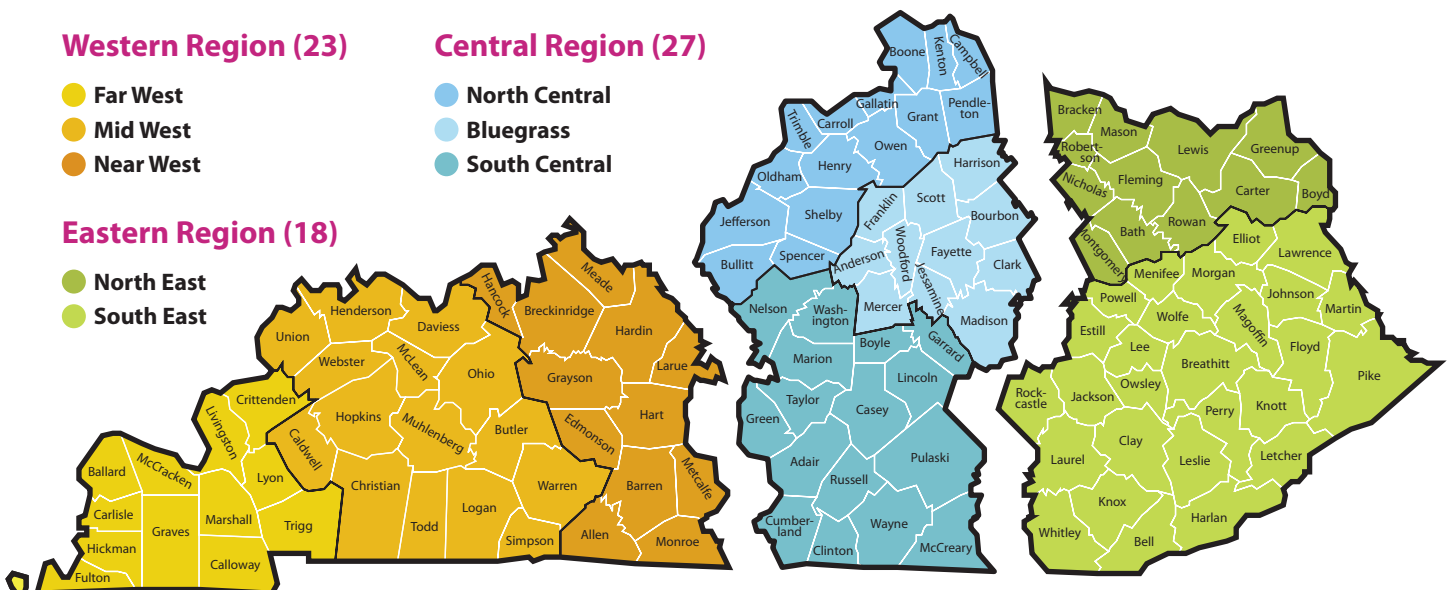
Certain points should be noted as to the validity of this survey and how it should be interpreted. First, the responses are the best estimates of the responding ANR agents. Thus a certain amount of estimation error should be expected in this data. Second, the reported figures in this document are averages of the county estimates aggregated at the region and subregion level, not at the county level. Some counties in each subregion will

have average land values or rents lower or higher than the stated subregion average. Note also that individual farms within a county may have land values or rental rates considerably higher or lower than the average figure. So these figures are not intended to represent ranges of individual farms or tracts of land. They are simply averages for each region or subregion. Actual land values and rental rates of individual farmland will be influenced heavily by productivity, accessibility, competition, and distance to markets. Third, the validity of these figures decreases as we move from region to subregion. In particular, subregions with few responses should be used with caution. Also, because the responding counties change from year to year, the resulting averages may be influenced by the change in respondents—particularly around the urban areas of Lexington and Louisville, where development or amenity value may have more impact than actual farmland value on prices.

## Results

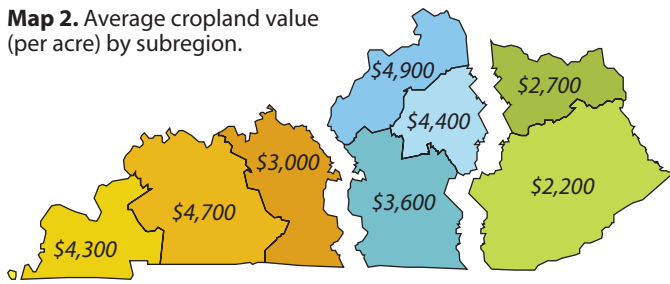
Land values varied considerably more than cash rents, because the development value far exceeds the farm value in urbanized counties while cash rents will typically reflect the value for agricultural purposes. The Bluegrass and North Central subregions around Lexington and Louisville had similar to slightly higher land values than Western Kentucky but had much lower rental rates on cropland. Average cropland values at the subregion level ranged from \$2,200 to \$4,900 per acre; hay ground ranged from \$1,800 to \$4,200 per acre; pasture ranged from \$1,600 to \$3,800 per acre; and woodland ranged from \$1,100 to \$2,700 per acre. In all cases, the South East subregion had the lowest values and the North Central subregion had the highest values. Average subregion cropland rent ranged from \$80 to \$180 per acre; tobacco ground rent (with a curing barn) ranged from \$90 to \$430 per acre; hay rent ranged from \$45 to \$60 per acre; and pasture rent ranged from \$30 to \$60 per acre.

Map 1. Kentucky Counties by Region.

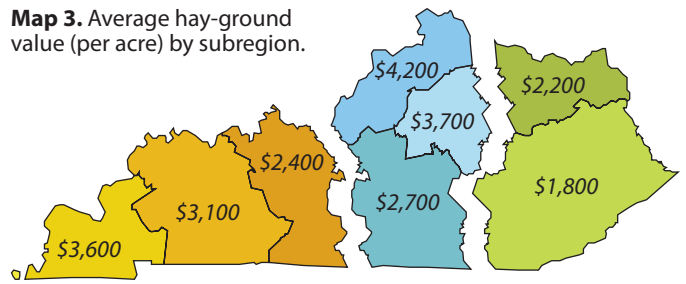


Numbers beside each region represent the number of completed surveys.

**Map 2.** Average cropland value (per acre) by subregion.



**Map 3.** Average hay-ground value (per acre) by subregion.



**Survey Changes from October 2010 to January 2012<sup>1</sup>**

Cropland values increased in the three Western subregions and in South Central Kentucky by \$600 to \$900 per acre, which was roughly a 20 percent increase. On the other hand, cropland values decreased significantly in the Bluegrass and North-Central subregions, by \$1,100 and \$1,400 per acre, respectively. Hay ground and pasture values were down in almost all of the Central and Eastern regions on average. The Western subregions showed increases in land values for hay ground and pasture of \$400 to \$1,000 per acre. Woodland values were down or largely unchanged throughout the state except the Far West subregion, which had a \$500 per acre increase.

Cash rents were largely unchanged for hay and pasture ground except in the South Central and North Central subregions which showed \$15 to \$30 per-acre increases. For cropland, however, all subregions except the South East

**Table 1.** Regional Land Values in Kentucky.

Region	Cropland	Hay	Pasture	Woodland
Western	\$4,100	\$3,000	\$2,700	\$2,000
Central	\$4,300	\$3,500	\$3,000	\$2,200
Eastern	\$2,400	\$1,900	\$1,700	\$1,300

Per-acre value based on January 2012 survey of Agriculture and Natural Resource County Extension Agents. Total of 68 completed surveys.

showed significant increases in cash rent, ranging from \$20 to \$60 per acre. These changes were larger than the increases seen from the previous two surveys on cropland cash rent. Although the agent survey did not specifically ask about rents on individual tracts, reports in the last year again indicated dramatic increases in maximum rents on individual tracts, especially in the South Central subregion.

Land values in the Bluegrass and North Central subregions decreased \$100 to \$1,400 per acre, with the majority in the

\$600 to \$1,100 range. The reason these two regions had such dramatic decreases in land values is probably due to:

- Their proximity to the urban influences of Lexington, Louisville, and Cincinnati, which tends to price farm and forestland above their production value, thus having more room for downward movement
- Problems with the horse industry that have led to the sale of many of these farms

**Table 2.** Regional Cash Rents in Kentucky.

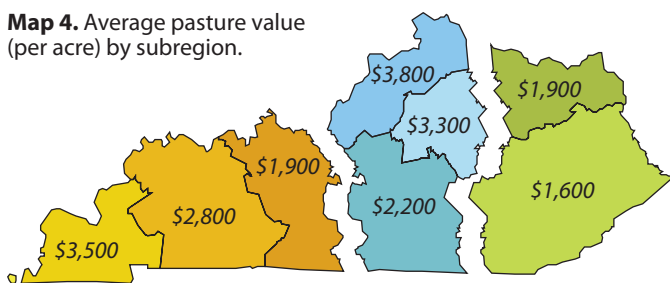
Region	Cropland	Tobacco <sup>a</sup>	Hay	Pasture
Western	\$160	\$320/\$270	\$55	\$50
Central	\$130	\$310/\$230	\$55	\$40
Eastern	\$90	\$230/\$170	\$45	\$35

Per-acre rental rate based on January 2012 survey of Agriculture and Natural Resource County Extension Agents. Total of 68 completed surveys.

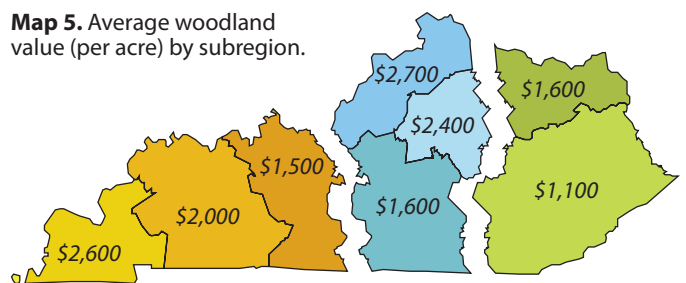
<sup>a</sup> Tobacco rent with/without curing barn.

1 The changes noted here are based on 41 counties that responded to both the 2010 and 2012 surveys. This method was used in an attempt to remove potential response biases by providing a consistent baseline in the two surveys.

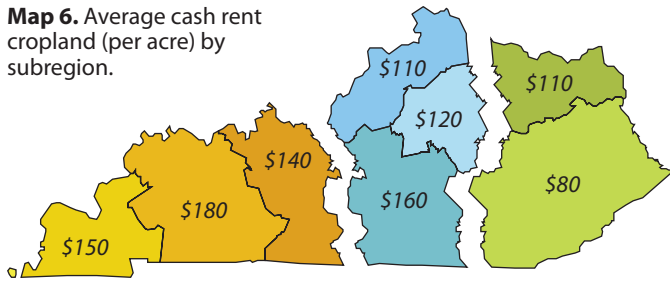
**Map 4.** Average pasture value (per acre) by subregion.



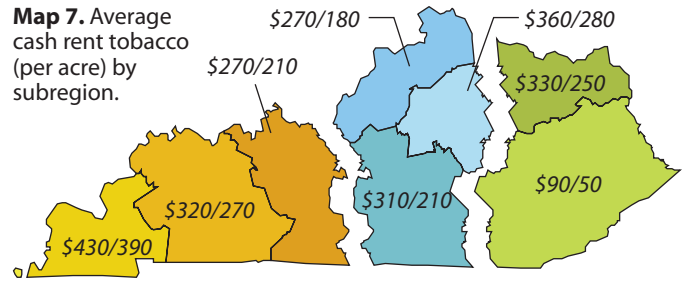
**Map 5.** Average woodland value (per acre) by subregion.



**Map 6.** Average cash rent cropland (per acre) by subregion.



**Map 7.** Average cash rent tobacco (per acre) by subregion.



Other dynamics driving the land value and rental changes are likely due to the following:

- Record profitability in the corn and soybean sector in the last few years has resulted in increased demand for cropland. This demand may explain why, in general, the Western region that grows the bulk of the corn and soybeans in the state experienced a dramatic increase in land values (except woodland) and an increase in cropland rental rates. A number of agents in the Western region noted that much of the hay ground and pasture sold in the last two years was being converted to cropland. Land values for hay ground and pasture increased in the Western region and did not in the other regions.
- A decrease in disposable income caused by the prolonged recession and more difficulty in obtaining credit has resulted in decreased demand for recreational-type land and hobby farms. This decreased demand would explain the widespread decreases in woodland, hay, and pasture values in the Central and Eastern regions.
- Poor profitability in the cow/calf sector until the last year and generally decreasing cow numbers resulted in reduced demand for hay and pasture ground. Demand would be expected to change if calf prices remain strong for a prolonged period and cattle farmers look to expand operations.

**Table 3.** Subregional Land Values in Kentucky.

Subregion	Cropland	Hay	Pasture	Woodland
Far West	\$4,300	\$3,600	\$3,500	\$2,600
Mid West	\$4,700	\$3,100	\$2,800	\$2,000
Near West	\$3,000	\$2,400	\$1,900	\$1,500
South Central	\$3,600	\$2,700	\$2,200	\$1,600
Bluegrass	\$4,400	\$3,700	\$3,300	\$2,400
North Central	\$4,900	\$4,200	\$3,800	\$2,700
North East	\$2,700	\$2,200	\$1,900	\$1,600
South East	\$2,200	\$1,800	\$1,600	\$1,100

Per-acre value based on January 2012 survey of Agriculture and Natural Resource County Extension Agents. Total of 68 completed surveys.

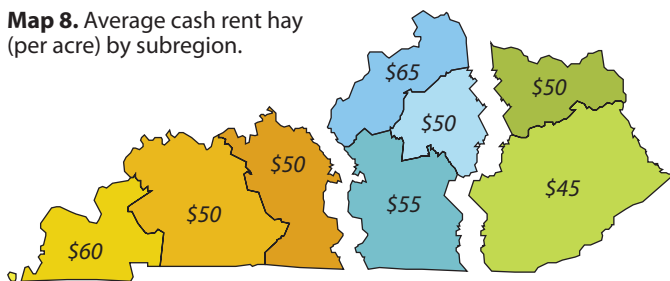
**Table 4.** Subregional Cash Rents in Kentucky.

Sub-Region	Cropland	Tobacco <sup>a</sup>	Hay	Pasture
Far West	\$150	\$430/\$390	\$60	\$60
Mid West	\$180	\$320/\$270	\$50	\$45
Near West	\$140	\$270/\$210	\$50	\$40
South Central	\$160	\$310/\$210	\$55	\$45
Bluegrass	\$120	\$360/\$280	\$50	\$35
North Central	\$110	\$270/\$180	\$65	\$45
North East	\$110	\$330/\$250	\$50	\$30
South East	\$80	\$90/\$50	\$45	\$40

Per-acre rental rate based on January 2012 survey of Agriculture and Natural Resource County Extension Agents. Total of 68 completed surveys.

<sup>a</sup> Tobacco rent with/without curing barn.

**Map 8.** Average cash rent hay (per acre) by subregion.



**Map 9.** Average cash rent pasture (per acre) by subregion.

