

## **Kentucky ANR Agent Land Value and Cash Rent Survey AEC 2011-01**

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In October 2010, Agriculture and Natural Resource (ANR) agents were surveyed to estimate land values and rental rates for various types of farmland. A total of 65 ANR agents completed this survey out of 120 counties, representing 54% of the state total. These responses were evenly distributed between the three reported regions: western KY (22), central KY (21), and eastern KY (22). These regions were further divided by 8 sub-regions based on similar land attributes (see map on page 3). This document summarizes the results from the agent survey. Dollar values are rounded to the nearest \$5-10 or \$100 for rental rates and land values respectively.

There are some important points to make as to the validity of this survey and how it should be interpreted. First, the responses are the best guesses of the responding ANR agents, and as such, they are only estimates. Thus, there is a certain amount of estimation error that should be expected in this data. Second, the reported figures in this document are averages of the county estimates aggregated at the region and sub-region level, not at the county level. There will of course, be some counties in each sub-region whose average land values or rents are lower or higher than the stated sub-region average. Note also that there will be individual farms within a county whose land values or rental rates are considerably higher or lower than the average figure. So, these figures in no way represent ranges of individual farms or tracts of land. They are simply averages for each region or sub-region. 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 sub-region. In particular, sub-regions with few responses should be used with caution (these can be found on the map on page 3). 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.

### Results:

Land values varied considerably more than cash rents. This is because the development value far exceeds the farm value in urbanized counties while cash rents will typically reflect the value for agricultural purposes. Thus the Bluegrass sub-region around Lexington had the highest land values for all four land classes (heavily influenced by development pressure), but had much lower rental rates on cropland compared to western Kentucky. Average cropland land values ranged from \$2300/acre in the South-East sub-region to \$5200/acre in the Bluegrass sub-region. Average sub-region cropland rent ranged from \$70-140/acre. Average sub-region tobacco ground rent ranged from \$120-310/acre. Hay and pasture rents were largely consistent: \$40-55/acre for hay and \$25-45/acre for pasture.

## Survey Changes from October 2009 to October 2010:

Cropland values increased throughout most of the state. This was most dramatic in the western region with an average increase of \$400/acre for cropland. Hay-ground and pasture on the other hand, were down in the central and eastern regions on average. The western region showed increases in land values for both hay-ground and pasture with increases of \$500/acre and \$300/acre respectively. Woodland values were down through most of the state. The western region was unchanged on average, but the central region decreased by an average of \$600/acre and the eastern region decreased by an average of \$200/acre for woodland tracts.

Cash rents were largely unchanged for hay and pasture ground in all regions. For cropland however, there was an average increase \$20/acre in the western region, going from \$110 to \$130/acre. Although the agent survey did not specifically ask about rents on individual tracts, reports in the last year indicate dramatic increases in maximum rents on individual tracts.

Land values in the North-Central sub-region decreased \$1400 to \$2800 per acre. However, it is likely that much of this was caused by the change in survey respondents rather than actual decreases in land values. This is because this sub-region is heavily dominated by the urban influences of Louisville and Cincinnati and because only 6 out of 15 counties responded to the survey in this sub-region. Consequently, fewer respondents close to these cities and more respondents in the remote areas of this sub-region could cause make it appear that land values were decreasing dramatically.

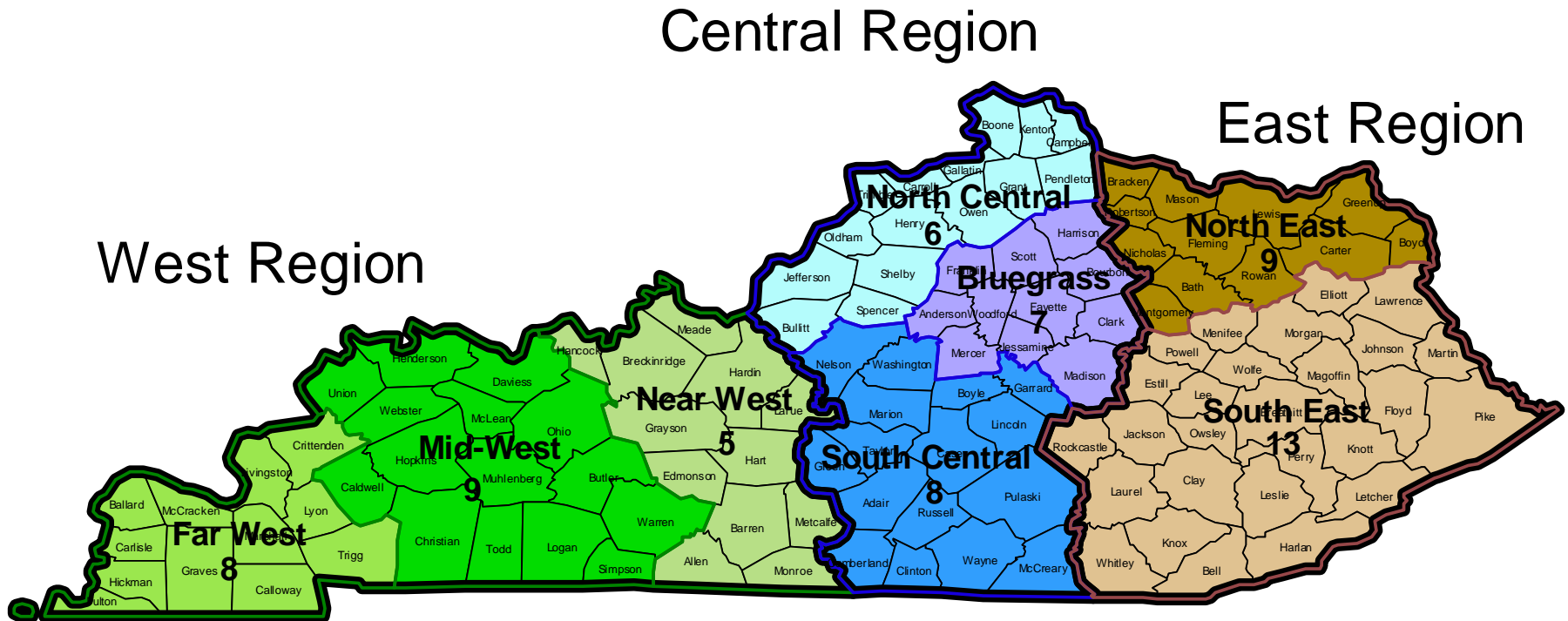
The dynamics driving the land value and rental changes are likely due to the following:

1) Record profitability in the corn and soybean sector in the last few years has resulted in increased demand for cropland. This 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 would also explain the increase in cropland rental rates in this region. A number of agents in the western region noted in the survey that much of the hay-ground and pasture that sold in the last year was being converted to cropland. This would explain why hay-ground and pasture increased in the western region and did not in the other regions.

2) A decrease in disposable income caused by the recession and more difficulty in obtaining credit has resulted in a decrease in demand for recreational-type land. This would explain the dramatic decreases in woodland value in the central and eastern regions. Although woodland values in the western region did not change from the survey responses, individual agents in this region noted significant decreases in woodland value in their counties.

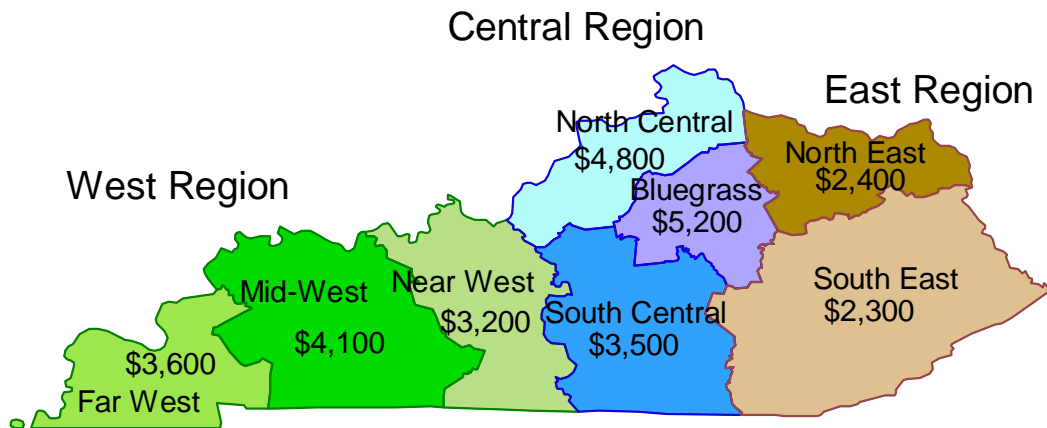
3) Poor profitability in the cow-calf sector, combined with increased difficulty obtaining credit, resulted in reduced demand for hay and pasture ground. This would explain the decrease in land values for hay-ground and pasture in the central and eastern regions of the state.

# Kentucky Counties by Sub-region



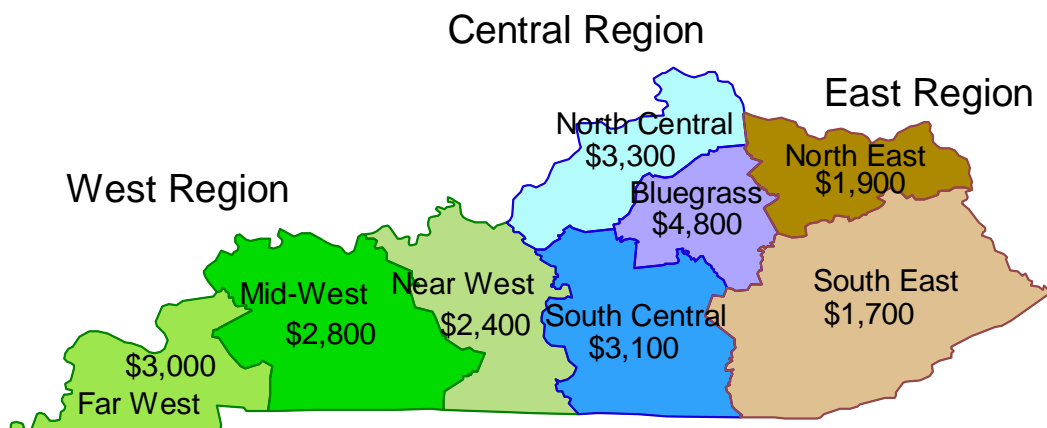
Based on October 2010 survey of Agriculture and Natural Resource County Extension Agents. Numbers under each sub-region represent the number of completed surveys. Total of 65 completed surveys.

## Average Cropland Value by Subregion in Kentucky



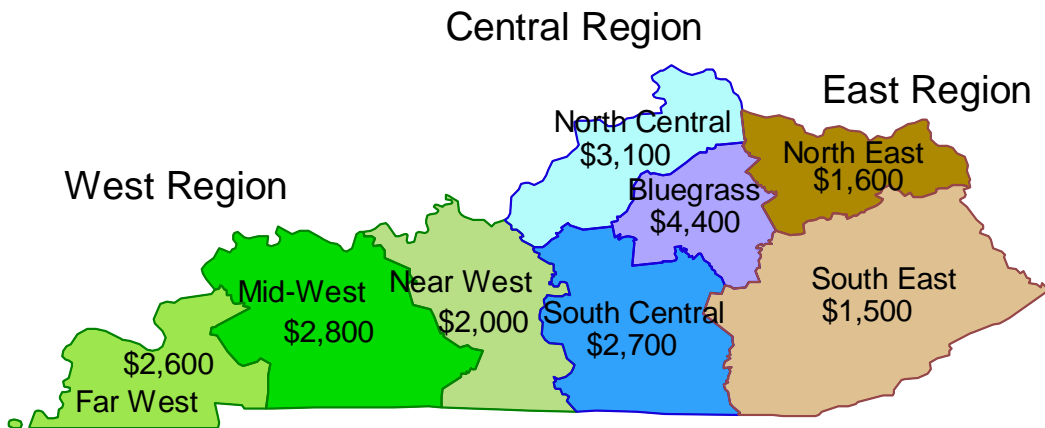
Estimated value per acre based on October 2010 survey of Agriculture and Natural Resource County Extension Agents. Total of 65 completed surveys.

## Average Hayground Value by Subregion in Kentucky



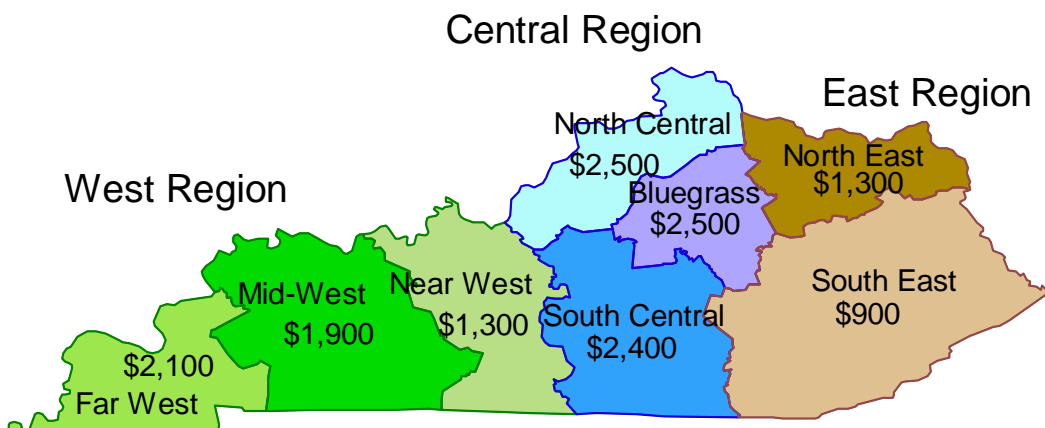
Estimated value per acre based on October 2010 survey of Agriculture and Natural Resource County Extension Agents. Total of 65 completed surveys.

## Average Pasture Value by Subregion in Kentucky



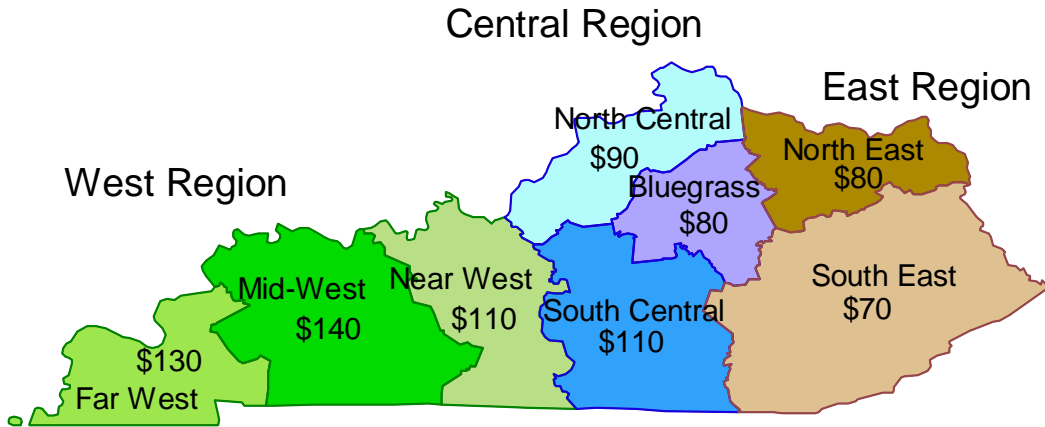
Estimated value per acre based on October 2010 survey of Agriculture and Natural Resource County Extension Agents. Total of 65 completed surveys.

## Average Woodland Value by Subregion in Kentucky



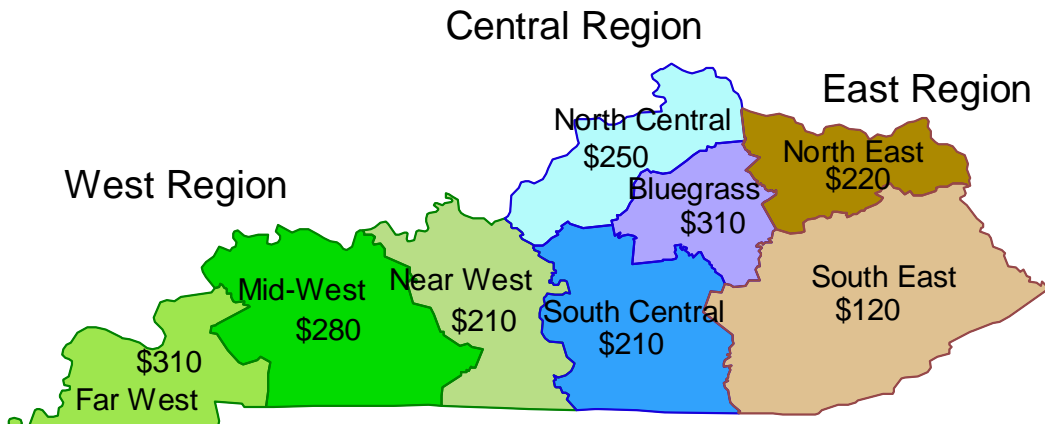
Estimated value per acre based on October 2010 survey of Agriculture and Natural Resource County Extension Agents. Total of 65 completed surveys.

## Average Cash Rent Cropland by Subregion in Kentucky



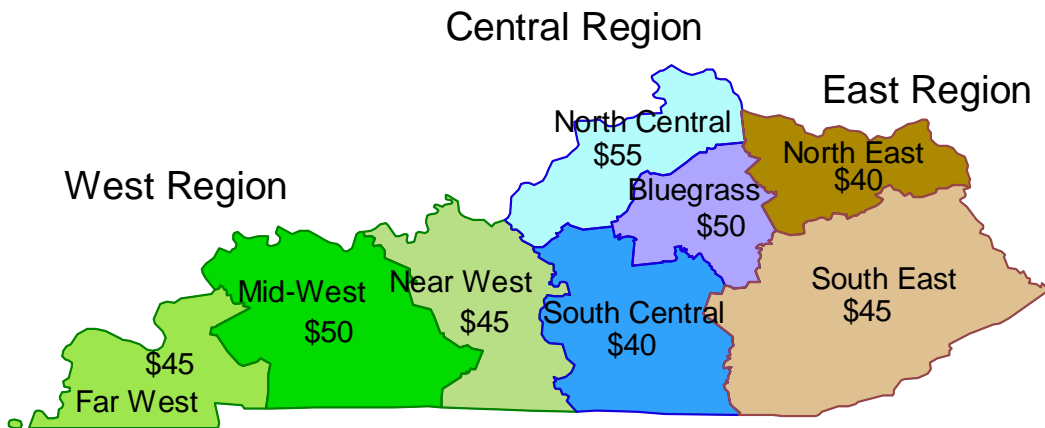
Estimated value per acre based on October 2010 survey of Agriculture and Natural Resource County Extension Agents. Total of 65 completed surveys.

## Average Cash Rent Tobacco by Subregion in Kentucky



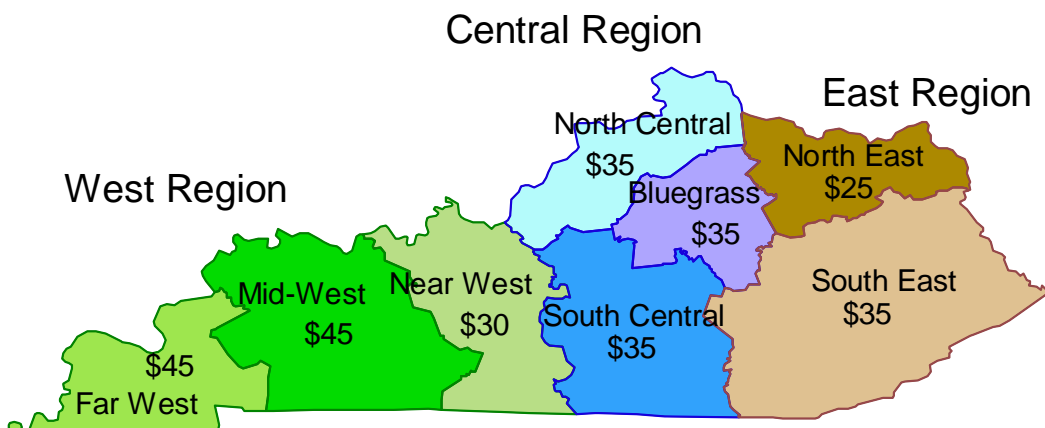
Estimated value per acre based on October 2010 survey of Agriculture and Natural Resource County Extension Agents. Total of 65 completed surveys.

## Average Cash Rent Hay by Subregion in Kentucky



Estimated value per acre based on October 2010 survey of Agriculture and Natural Resource County Extension Agents. Total of 65 completed surveys.

## Average Cash Rent Pasture by Subregion in Kentucky



Estimated value per acre based on October 2010 survey of Agriculture and Natural Resource County Extension Agents. Total of 65 completed surveys.

## Regional Land Values in Kentucky

Region	Cropland	Hay	Pasture	Woodland
Western	\$3,700	\$2,800	\$2,500	\$1,800
Central	\$4,400	\$3,700	\$3,300	\$2,500
Eastern	\$2,300	\$1,800	\$1,500	\$1,100

Per acre value based on October 2010 survey of Agriculture and Natural Resource County Extension Agents. Total of 65 completed surveys.

## Regional Cash Rents in Kentucky

Region	Cropland	Tobacco	Hay	Pasture
Western	\$130	\$270	\$45	\$40
Central	\$100	\$260	\$45	\$35
Eastern	\$70	\$170	\$45	\$30

Per acre rental rate based on October 2010 survey of Agriculture and Natural Resource County Extension Agents. Total of 65 completed surveys.

## Sub-Regional Land Values in Kentucky

Sub-Region	Cropland	Hay	Pasture	Woodland
Far West	\$3,600	\$3,000	\$2,600	\$2,100
Mid West	\$4,100	\$2,800	\$2,800	\$1,900
Near West	\$3,200	\$2,400	\$2,000	\$1,300
South Central	\$3,500	\$3,100	\$2,700	\$2,400
Bluegrass	\$5,200	\$4,800	\$4,400	\$2,500
North Central	\$4,800	\$3,300	\$3,100	\$2,500
North East	\$2,400	\$1,900	\$1,600	\$1,300
South East	\$2,300	\$1,700	\$1,500	\$900

Per acre value based on October 2010 survey of Agriculture and Natural Resource County Extension Agents. Total of 65 completed surveys.

## Sub-Regional Cash Rents in Kentucky

Sub-Region	Cropland	Tobacco	Hay	Pasture
Far West	\$130	\$310	\$45	\$45
Mid West	\$140	\$280	\$50	\$45
Near West	\$110	\$210	\$45	\$30
South Central	\$110	\$210	\$40	\$35
Bluegrass	\$80	\$310	\$50	\$35
North Central	\$90	\$250	\$55	\$35
North East	\$80	\$220	\$40	\$25
South East	\$70	\$120	\$45	\$35

Per acre rental rate based on October 2010 survey of Agriculture and Natural Resource County Extension Agents. Total of 65 completed surveys.