



Weekly Farm Economics: What is in an Average Cash Rent?

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November 15, 2011

farmdoc daily (1):191

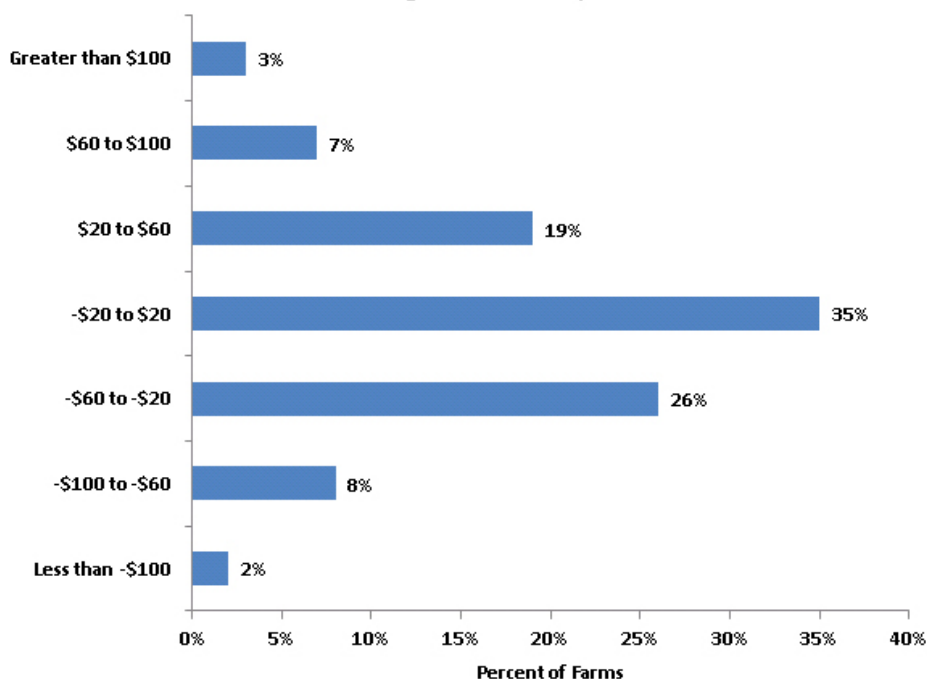
Recommended citation format: Schnitkey, G. "What is in an Average Cash Rent?." *farmdoc daily* (1):191 , Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, November 15, 2011.

Permalink: <http://farmdocdaily.illinois.edu/2011/11/what-is-in-an-average-cash-ren.html>

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Published average cash rents mask the variability that exists in the farmland rental markets. To quantify variability, 2010 cash rents from individual farms in the Illinois Farm Business Farm Management (FBFM) are subtracted from average cash rents published by the National Agricultural Statistical Service (NASS). The resulting distribution is shown in Figure 1. In 2010, 35 percent of the farm cash rents are within \$20 of the average county cash rent. Nineteen percent are between \$20 and \$60 per acre higher than the average county rent while 10 percent of the farm rents are \$60 higher than the average county rent. Twenty-six percent are between \$20 and \$60 lower than the average county rent and 10 percent are over \$60 below the average county rent.

Figure 1. Distribution of Farm Cash Rents Minus County Average Cash Rents, 2010.



Overall, the average of cash rents from FBFM data are close to the averages from NASS. Over the entire state, FBFM rents average within \$2 per acre of the NASS average county rents. This suggests that NASS data provides good indications of average county cash rents.

While NASS averages are accurate, average county rents mask the variability in rents within a county. Only 35 percent of farm cash rents are within \$20 of the average rent. This leaves many cash rents that vary significantly from averages.

Furthermore, average cash rents from FBFM used in Figure 1 likely understate variability. Data used in constructing rents are average for a farm. Many farms have rented land from more than one landlord. Hence, a farm likely has some rents that are above the average and other rents that are below the average.

There are cash rents significantly above the average. For example, there are three percent of the farm rents that are \$100 higher than the average county cash rent. In 2011, the average county cash rent in McLean County is \$233 per acre (see [FEFO 11-16](#)). This would imply that that three percent of farm rents are above \$333 per acre (\$233 average plus \$100). These above-average cash rents generally receive a great deal of public attention.

Given the nature of averages, there also must be rents below the average. As can be seen in Figure 1, 8 percent of the leases are between \$60 and \$100 lower than the average and 2 percent are \$100 below the average.

Implications

Some of the difference in cash rents can be explained by differences in land productivities, with higher productivity leading to higher cash rents. Even given the productivity explanation, there is a large difference in rents across farms.

To a large extent, land owners and farmers are aware of the differences that exist in rents. Much of the difference in cash rents likely is due to desires of land owners and relationships between land owners and farmers. Quantifying these desires and relationships is difficult.

The distribution of cash rents points out difficulty in relying on average to cash rents. It also suggests that "high" cash rents should be taken as a limited indication of all rents within the rental market.