

Who Buys and Rents Iowa's Farmland

Dr. Wendong Zhang

Assistant Professor of Economics and
Extension Economist

2015 Integrated Crop Management Conference,
Iowa State University, Ames, IA

A Quick Introduction: Dr. Wendong Zhang

- Well, No one could replace Dr. Mike Duffy
- Something about me
 - Grown up in a rural county in NE China
 - Attended college in Shanghai and Hong Kong
 - Ph.D. in Ag Econ in 2015 from Ohio State
 - 2012 summer intern at USDA-ERS on farm economy and farmland values
 - Research and extension interests: land value, land ownership, agriculture and the environment, China Ag

Ag Real Estate Investment Trust

Denver's Farmland Partners buys Illinois farms for \$197 million

Acquisition adds 22,300 acres of farmland

By Alicia Wallace
The Denver Post



Landmark Illinois Sale
Investors Feast on Farmland

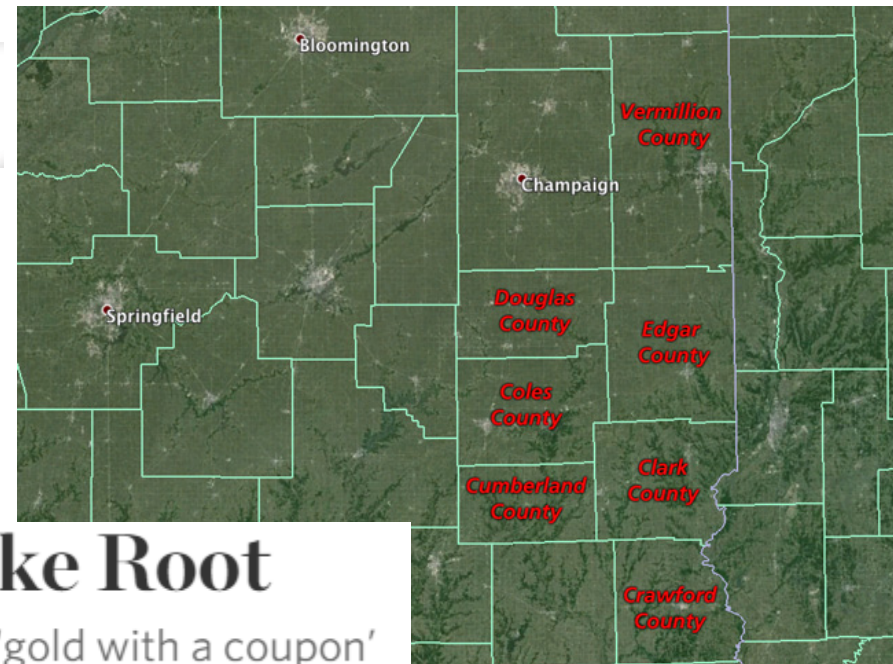


Farmland Partners Set To Buy 22,300 Acres In Illinois

THE WALL STREET JOURNAL.

Farmland Investments Take Root

TIAA-CREF gets \$3 billion for new cropland fund; 'gold with a coupon'



IOWA STATE UNIVERSITY
Extension and Outreach

Source: Denver Post, DTN,
WSJ, AgTax.com



Farmer's Interest Still Strong

- Sioux County Sale Nov 27, 2015
\$17,300/acre – 154 Acre, CSR2 = 100



Sioux County Farmland Sells At \$17,300/acre

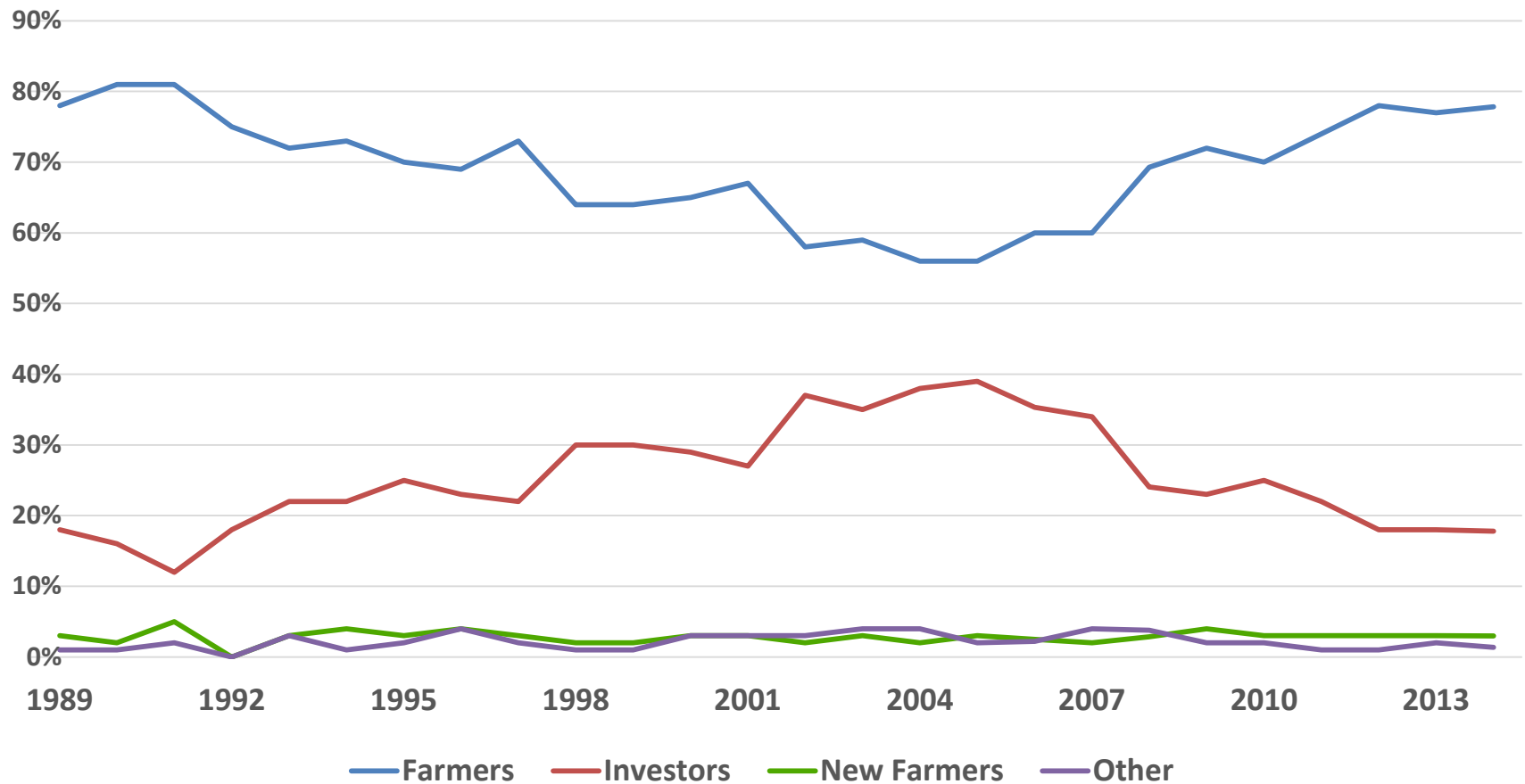
(Hospers) -- Despite low agricultural commodity prices, land still seems to be in high demand with buyers willing to spend near record levels. At a Sioux County land auction held on Friday near Hospers, a tract of 154 acres sold at \$17,300 an acre. Jim Klein of Remsen was the auctioneer for the sale. He says the land sold is of high quality with a history of being very productive.

Klein says the land was sold to a local neighboring farmer that had land already adjacent to the land that sold.

Sioux County is a leader in livestock and poultry production, and Klein believes one reason for the high demand for land is so farmers have somewhere to dispose manure.

WHO PURCHASED in Iowa

Percentage of farmland



TOTAL 2014

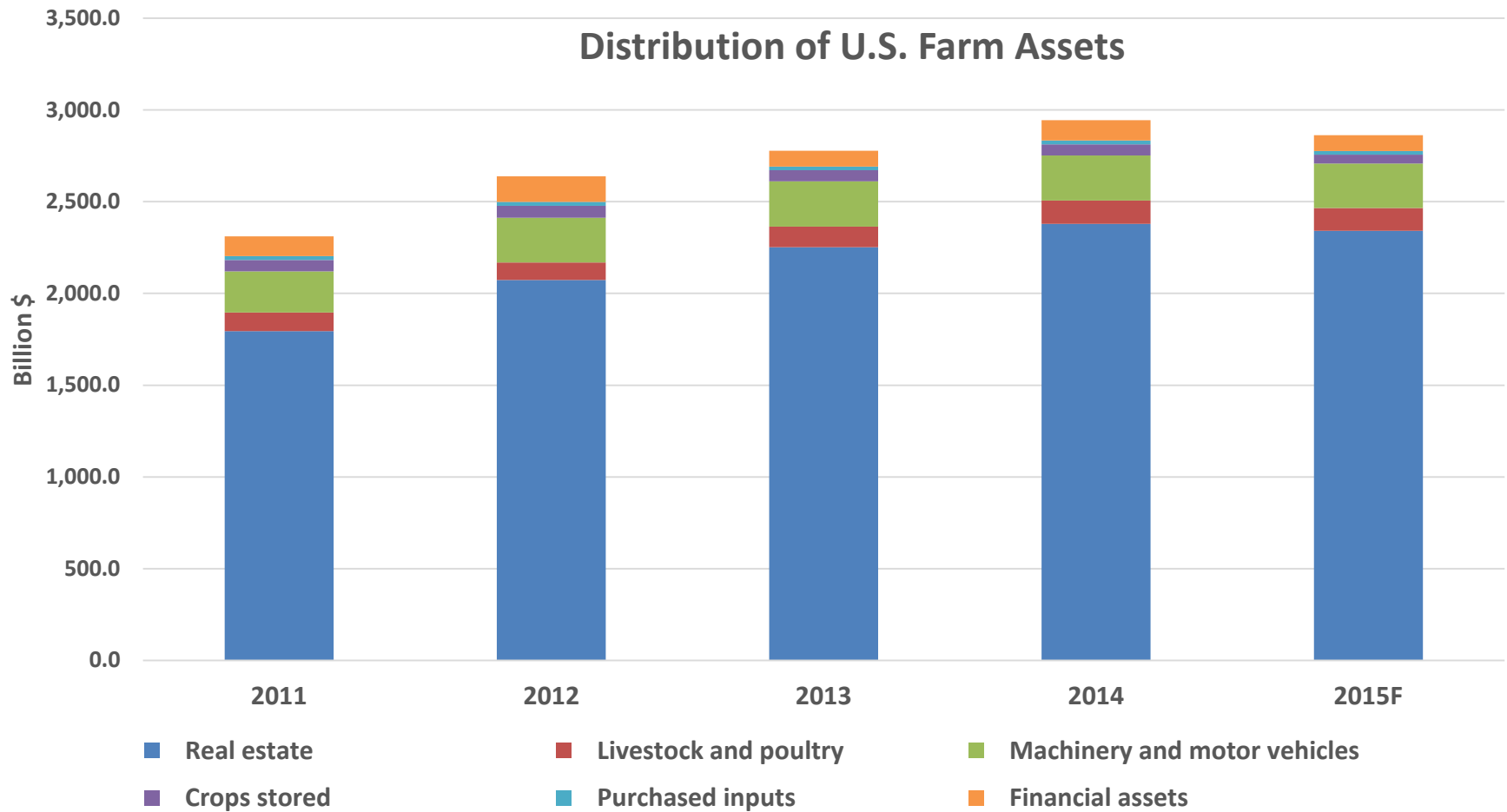
Tenure, Ownership and Transition of Agricultural Land

- Goal: Landlord Profiles
- An integrated survey of farm finance (ARMS) and land ownership (TOTAL)
- TOTAL adds land use, owner attributes, land transaction and decision making for ALL agricultural landowners – operators and non-operators

Why Now?

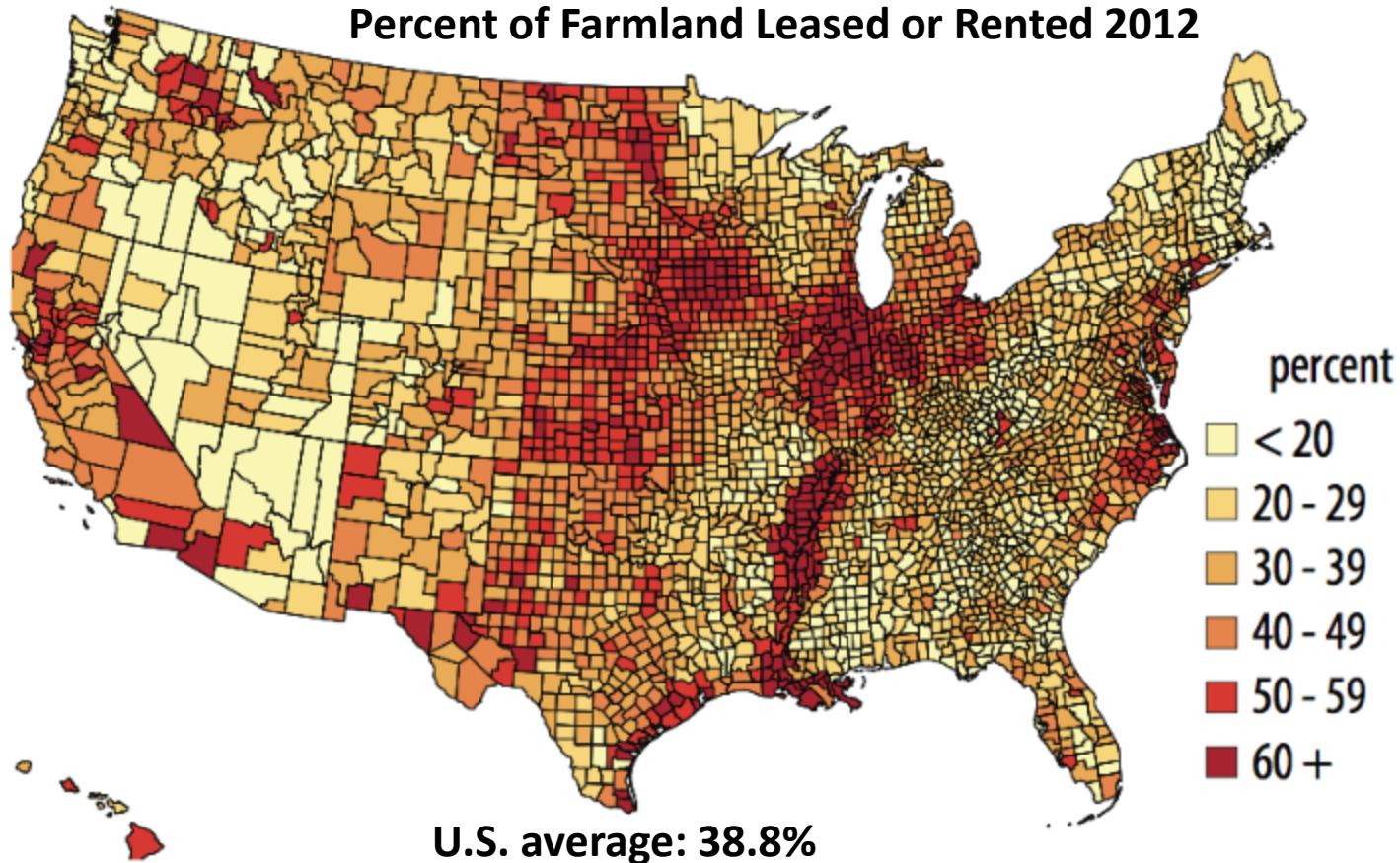
- AELOS preceded TOTAL
 - Agricultural Economics and Land Ownership Survey (1979, 1989, 1999)
 - Latest AELOS data are 15 years old!
- TOTAL will update AELOS, and add new questions on current farm sector issues

Why Care about Farmland Ownership?

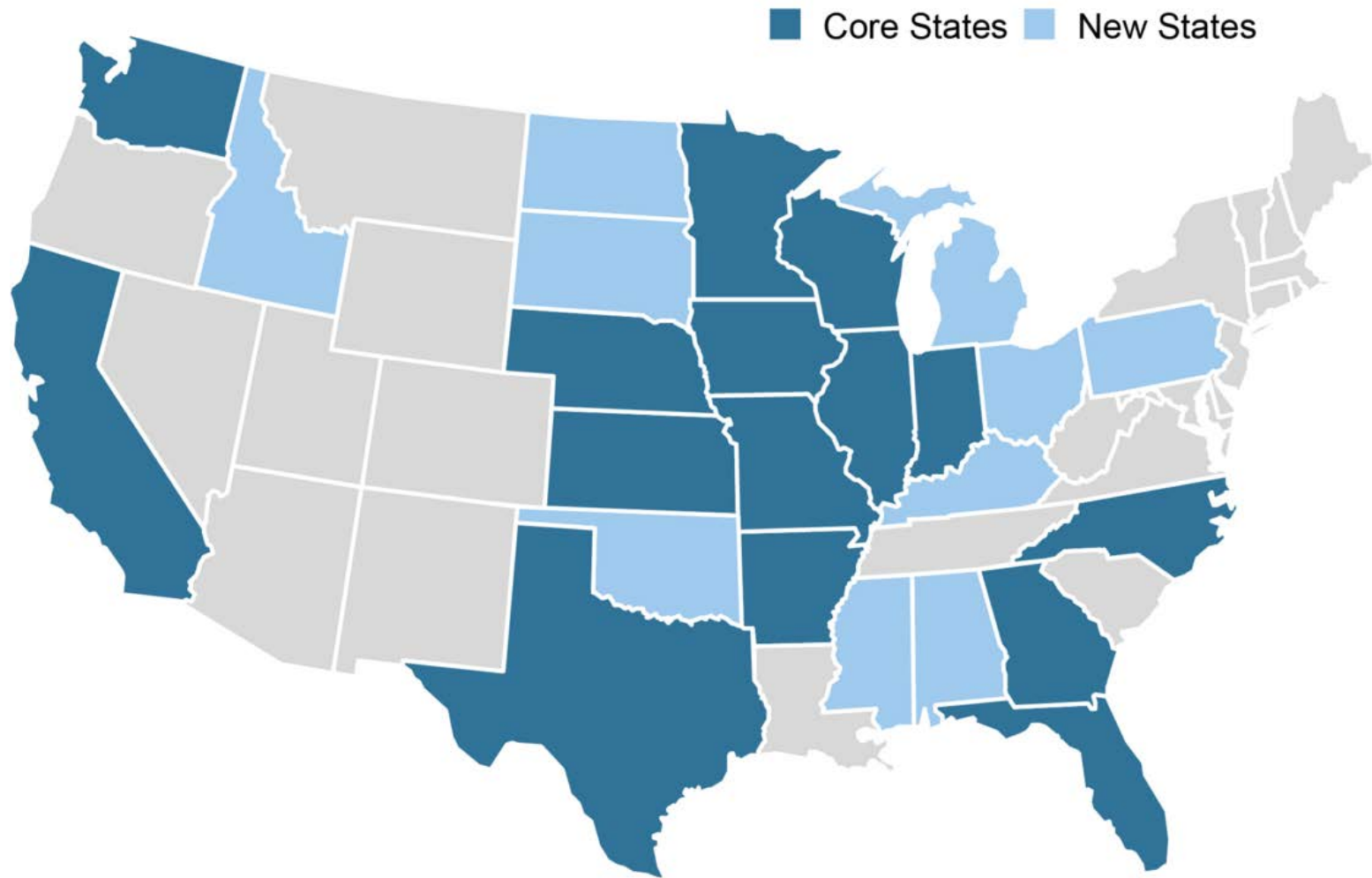


Landlords' profiles not fully/directly covered

Percent of Farmland Leased or Rented 2012



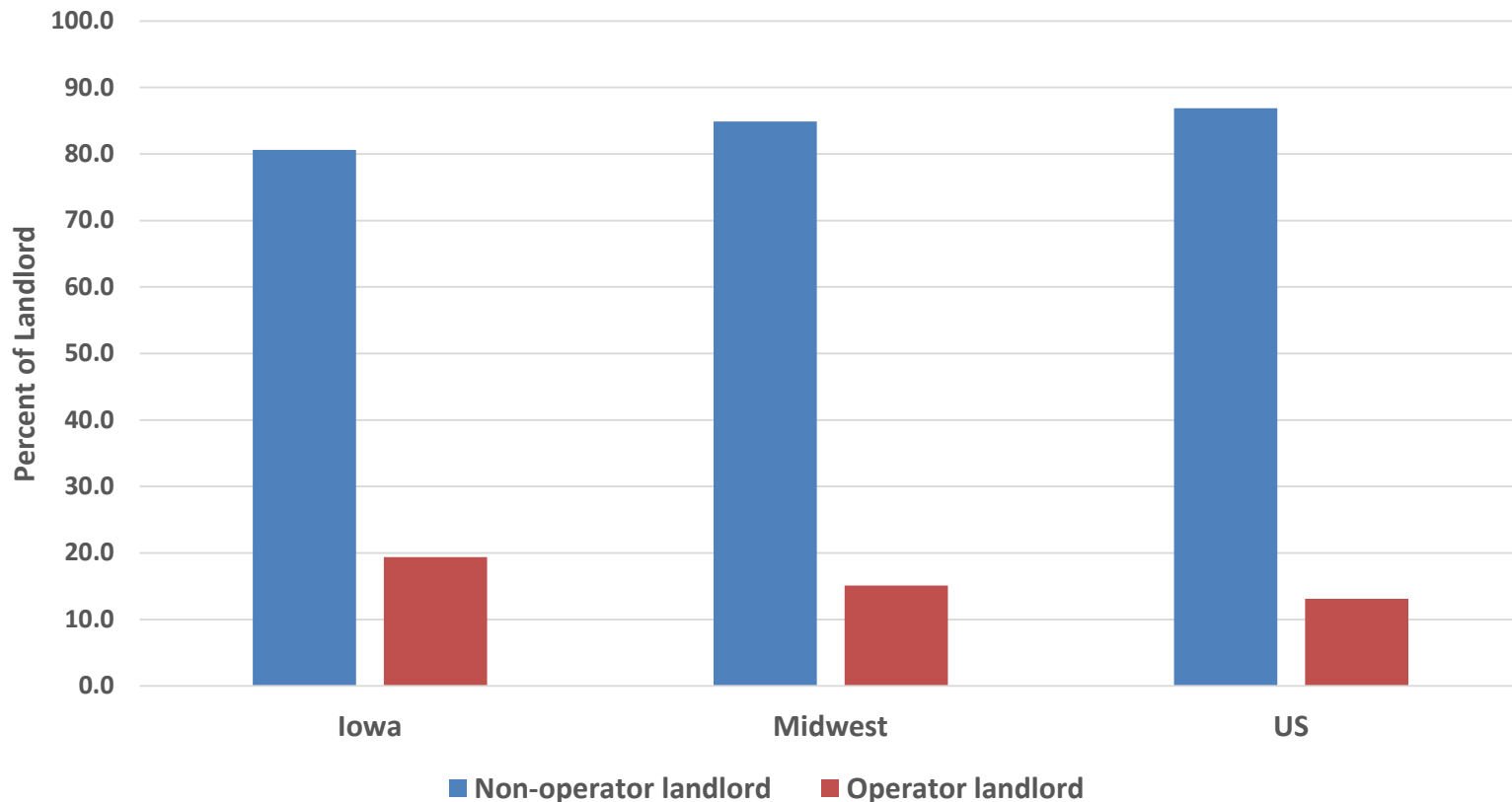
What States Do TOTAL Cover?



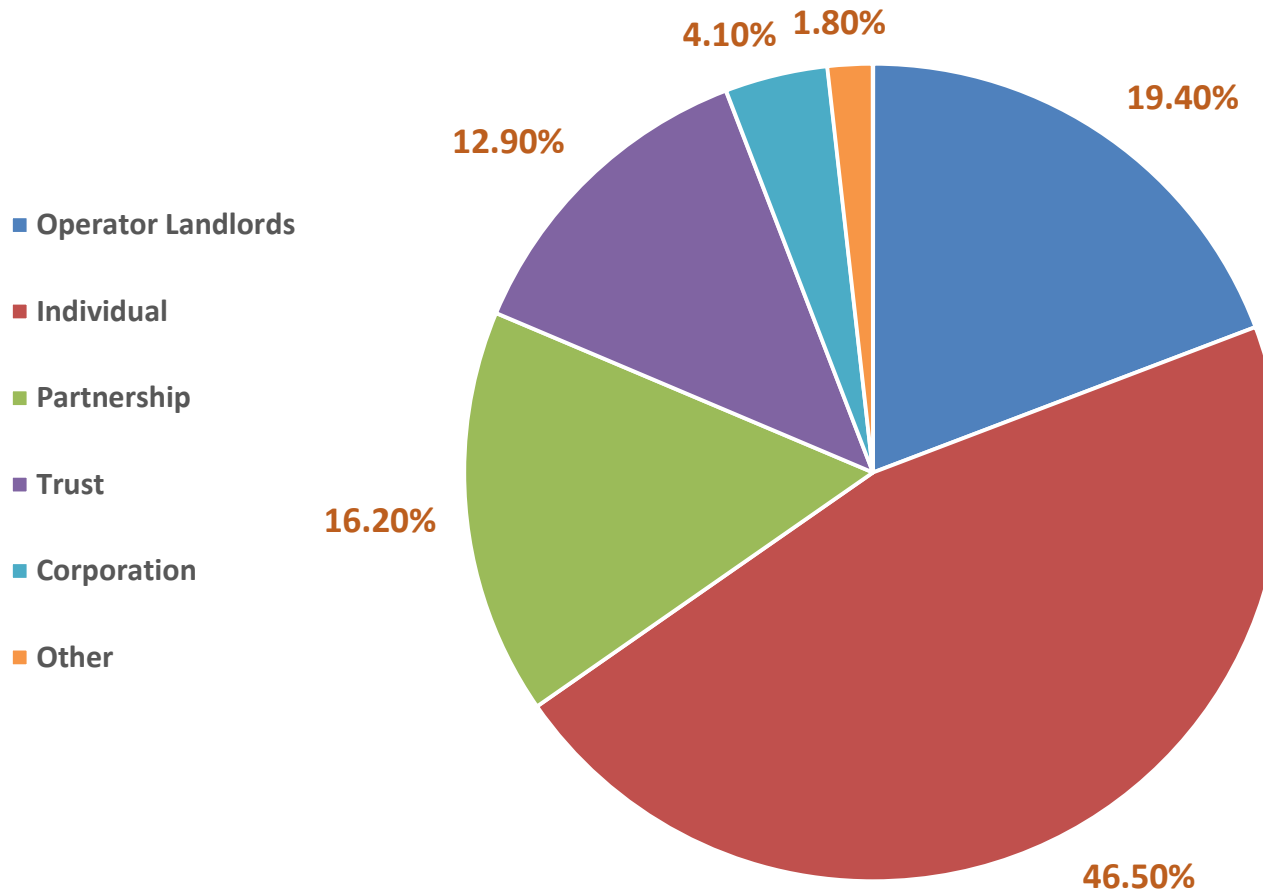
Who own the land and land rented out?

Iowa Landlords by Ownership Arrangements - # Landlords

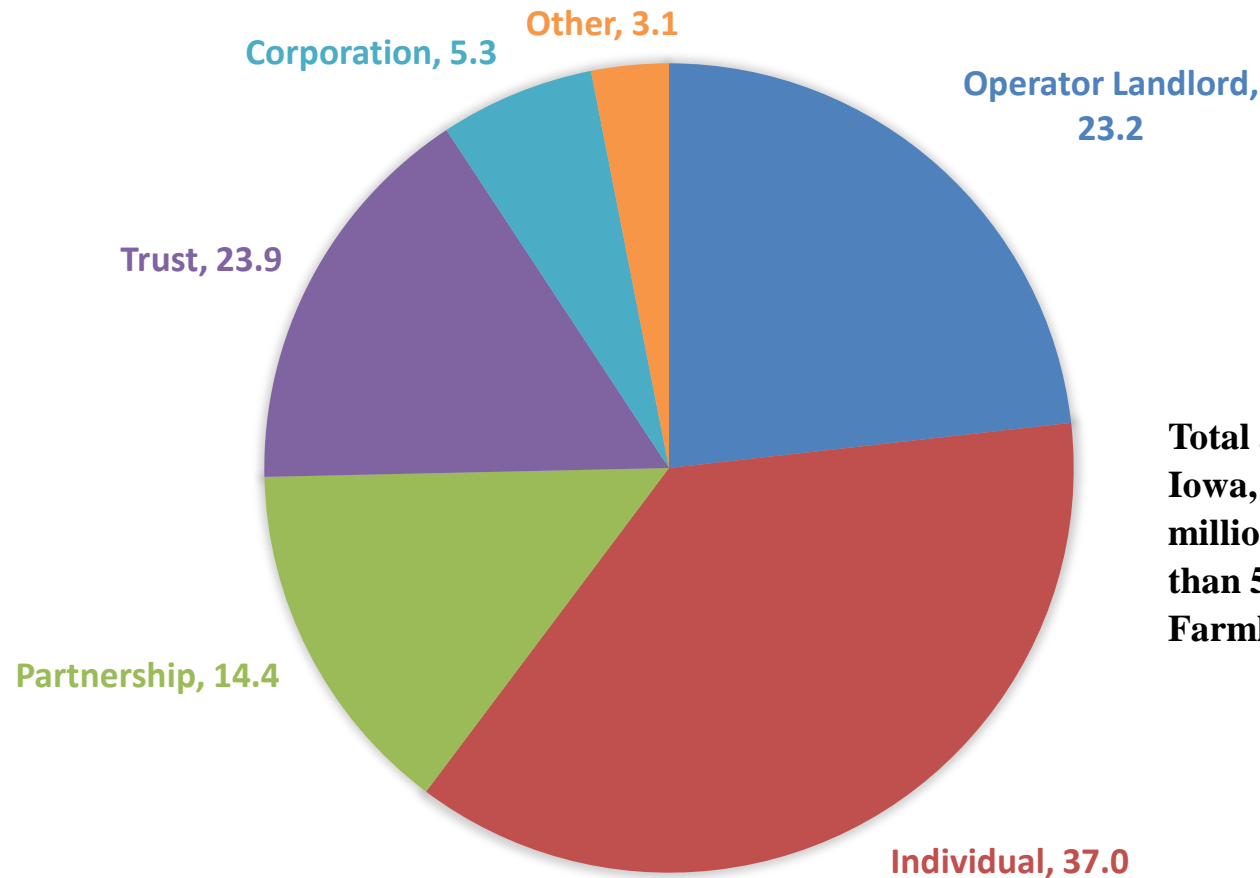
Operator vs. Non-operator Landlords 2014



Iowa Landlords by Ownership Arrangements - # Landlords

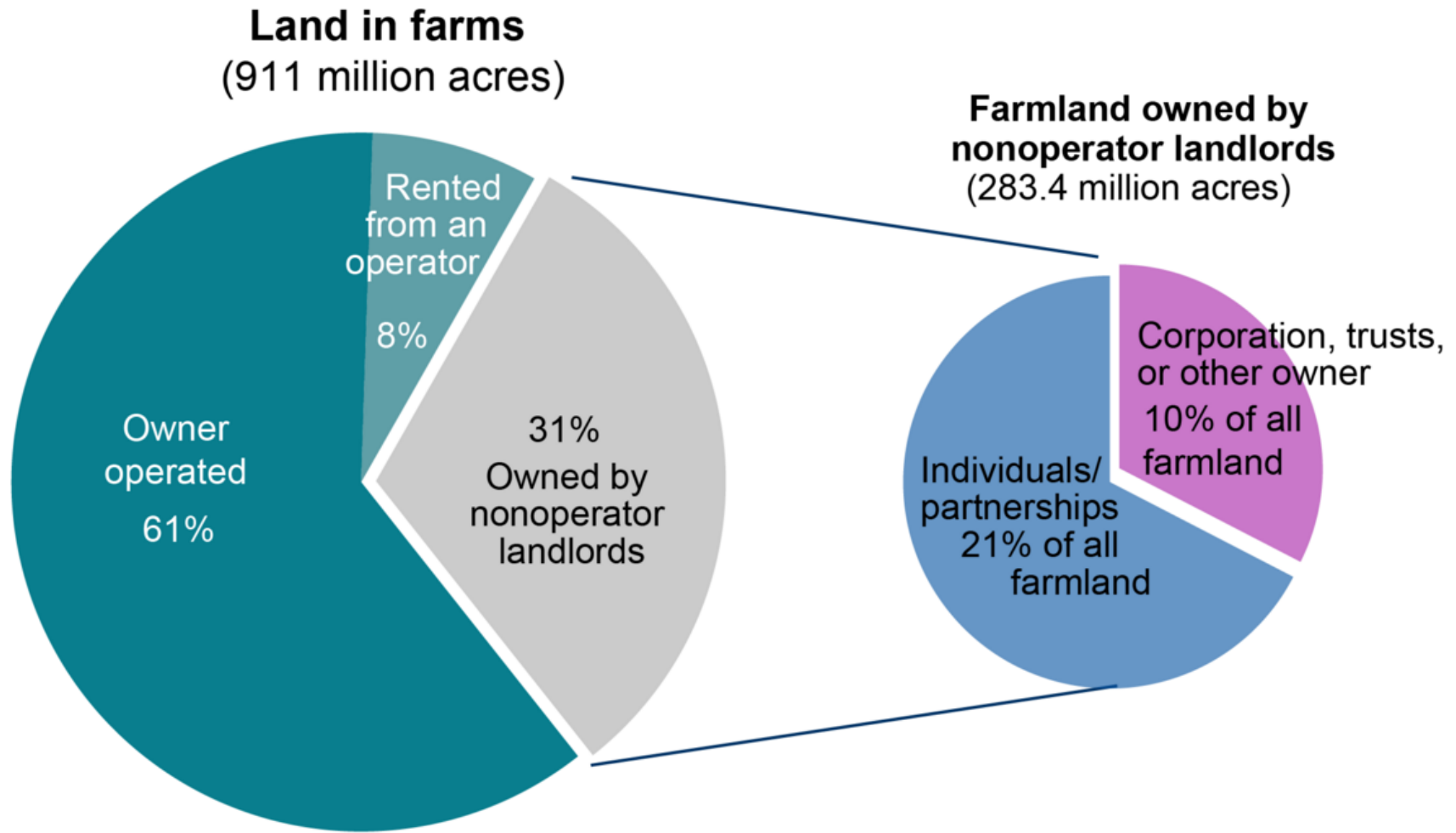


Iowa Landlords by Ownership Arrangements - # Rented Acres

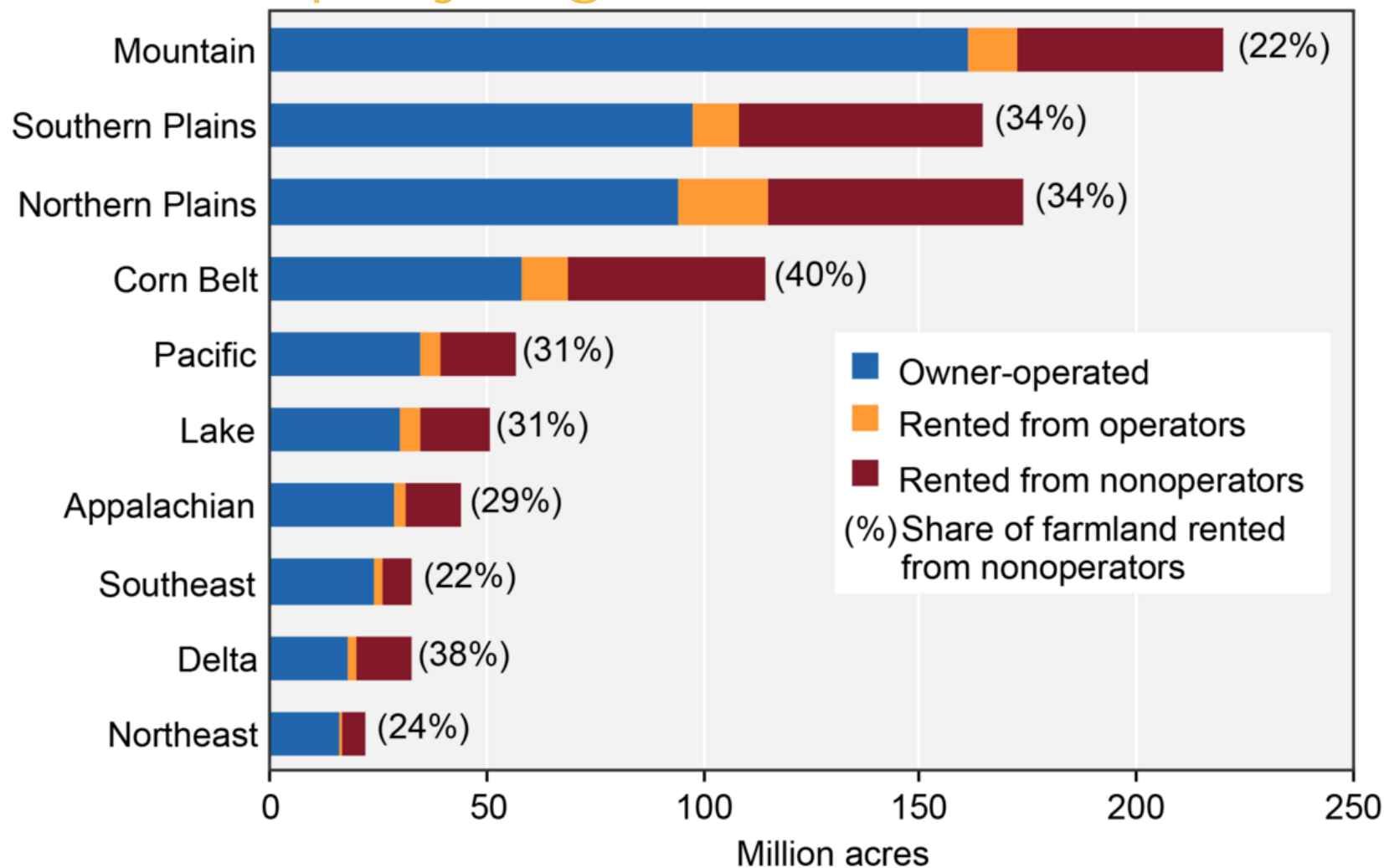


Total acres rented out in Iowa, 2014: 16.33 million acres – more than 50% of Iowa Farmland.

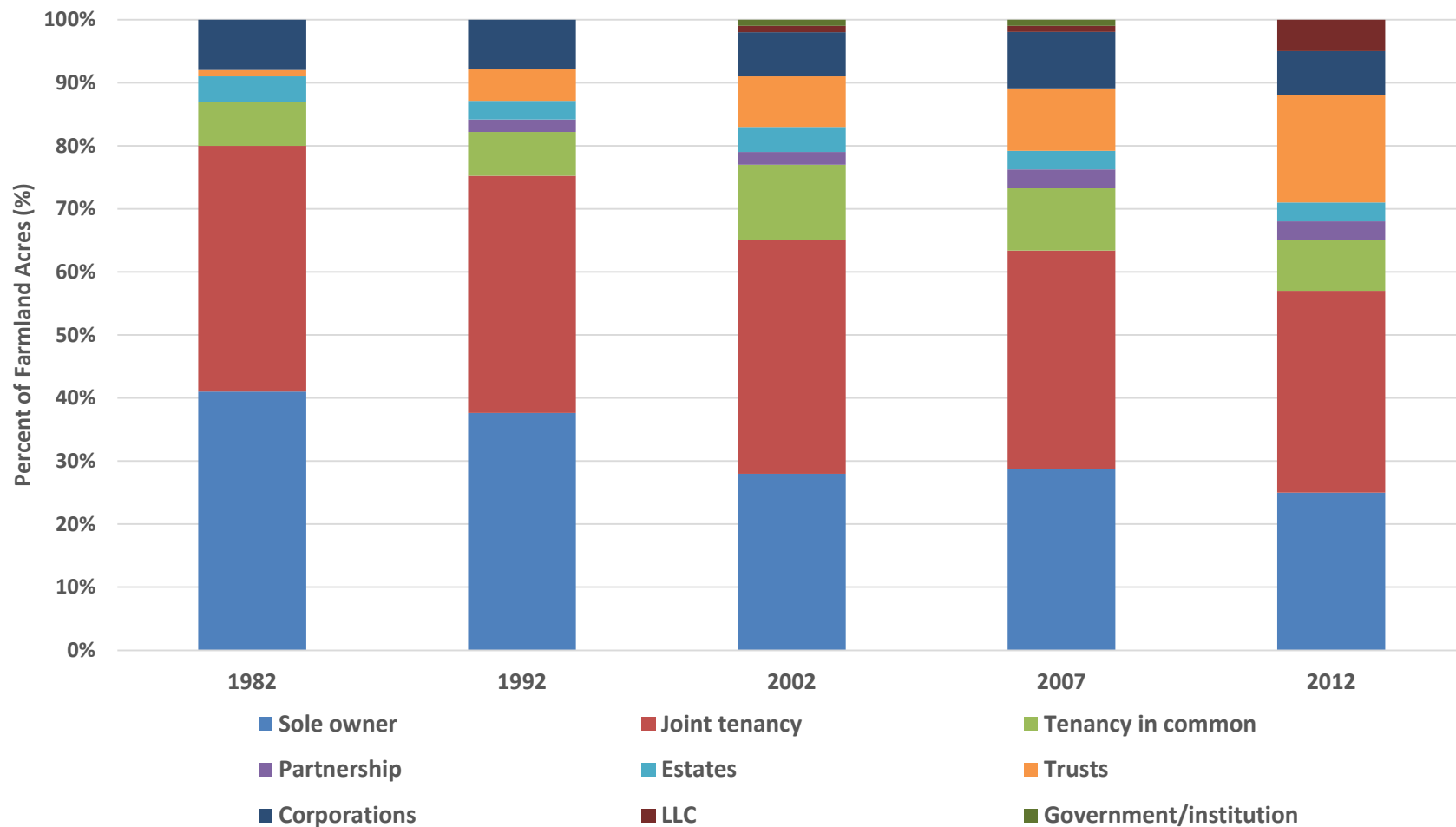
US Land in Farms by Ownership 2014



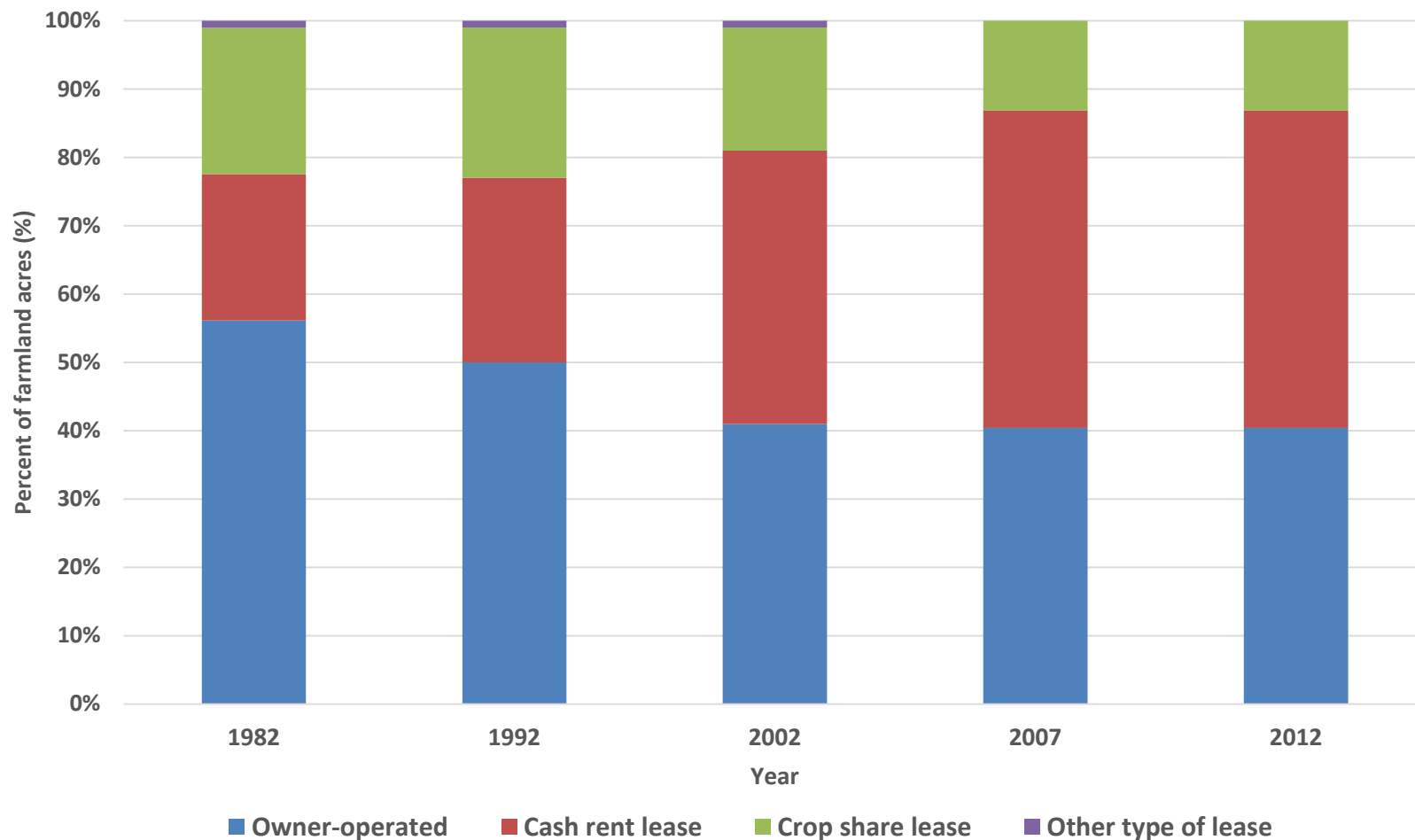
Owner-operated and rented farmland by ownership, by region, 2012



Distribution of Iowa Farmland Acres by Land Ownership Type 1982-2012



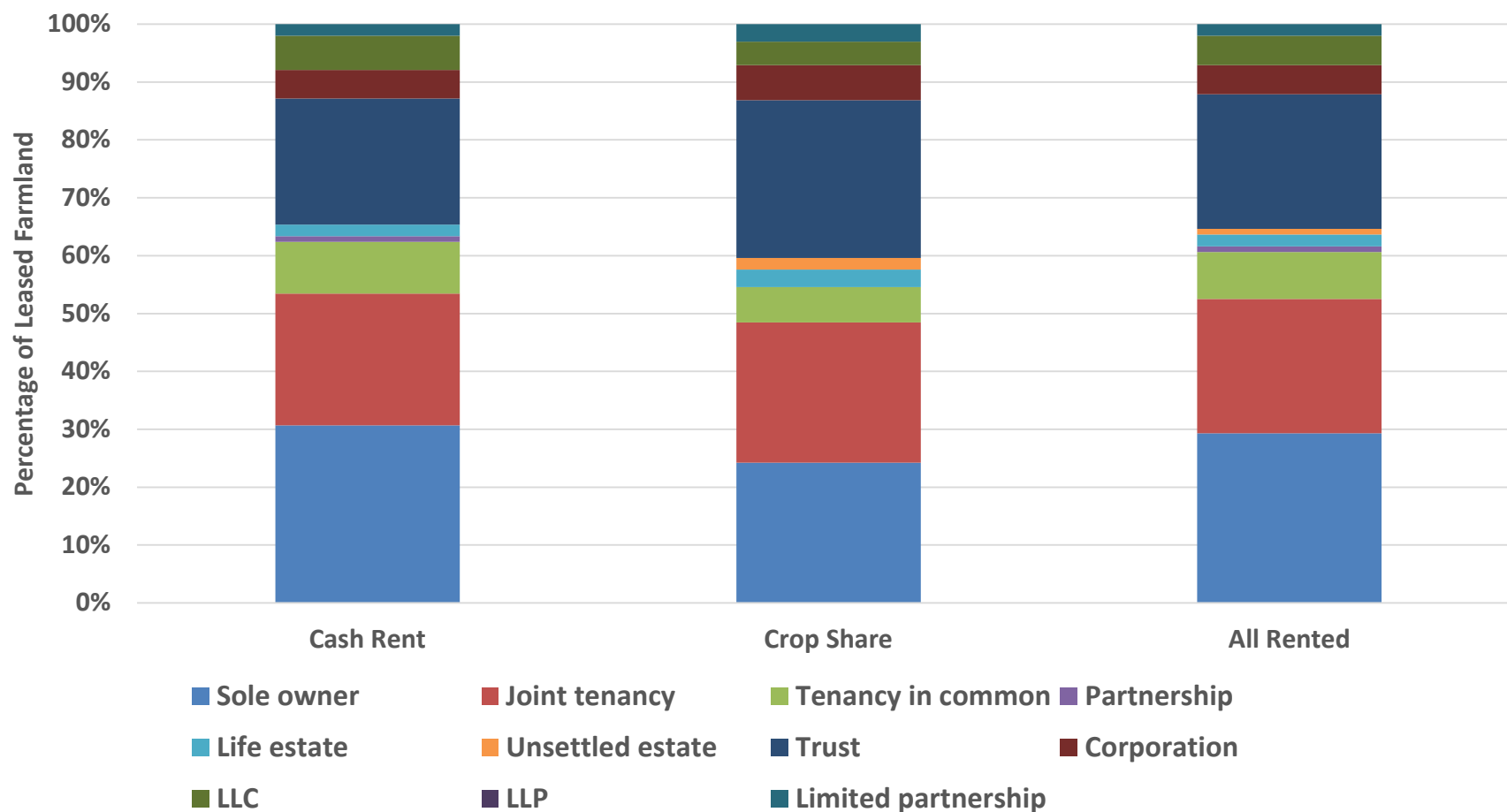
Distribution of Iowa Farmland Acres by Tenure 1982-2012



Distribution of Iowa Leased Farmland by Types of Leases 1982-2012



Distribution of Iowa Leased Farmland by Types of Leases and Ownership 2012

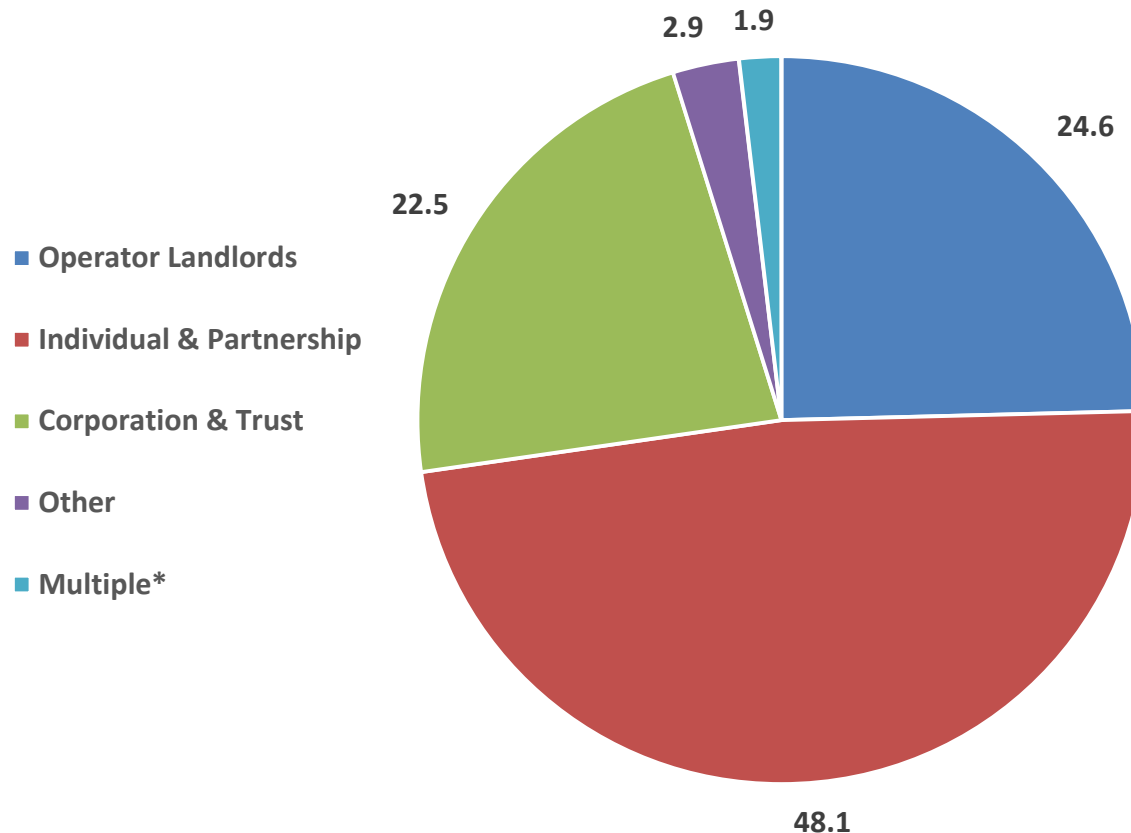


Economics of Land Ownership

Rent, Expense, Asset, Debt by Landlord Ownership Types 2014

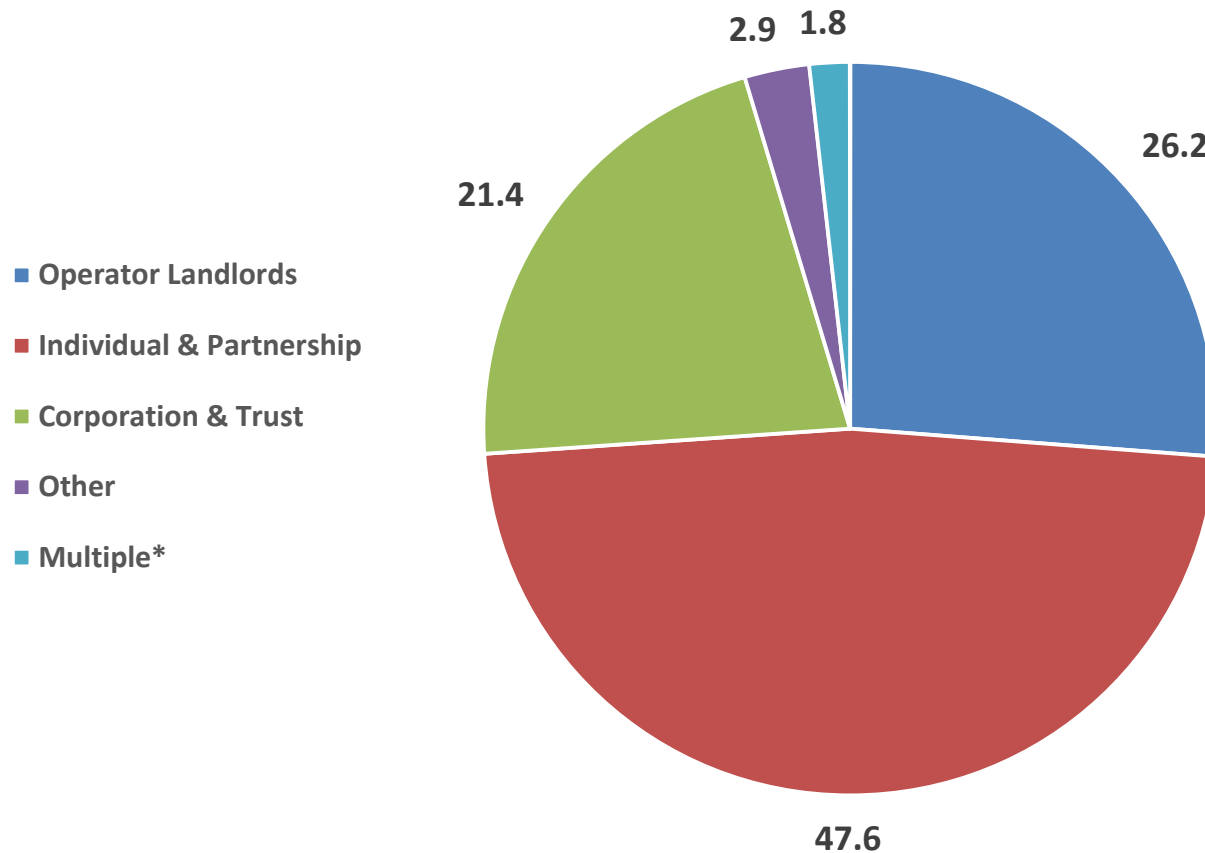
	Rent Received	Expenses	Value of Land and Buildings	Total Debt
Operator Landlords	0.92	0.22	22.12	0.66
Non-operator Landlord	2.81	0.62	78.51	1.84
Individual & Partnership	1.80	0.40	49.82	1.14
Corporation & Trust	0.84	0.18	23.52	0.49
Other	0.11	0.024	3.17	
Multiple*	0.07	0.015	2.01	
Iowa Total	3.74	0.84	100.63	2.50
Illinois Total	3.8	0.90	107.8	3.48
Midwest Total	14.3	3.7	419.1	15.1
U.S. Total	31.2	9.2	1,132.0	32.8

% Total Rent by Landlord Ownership Arrangements 2014



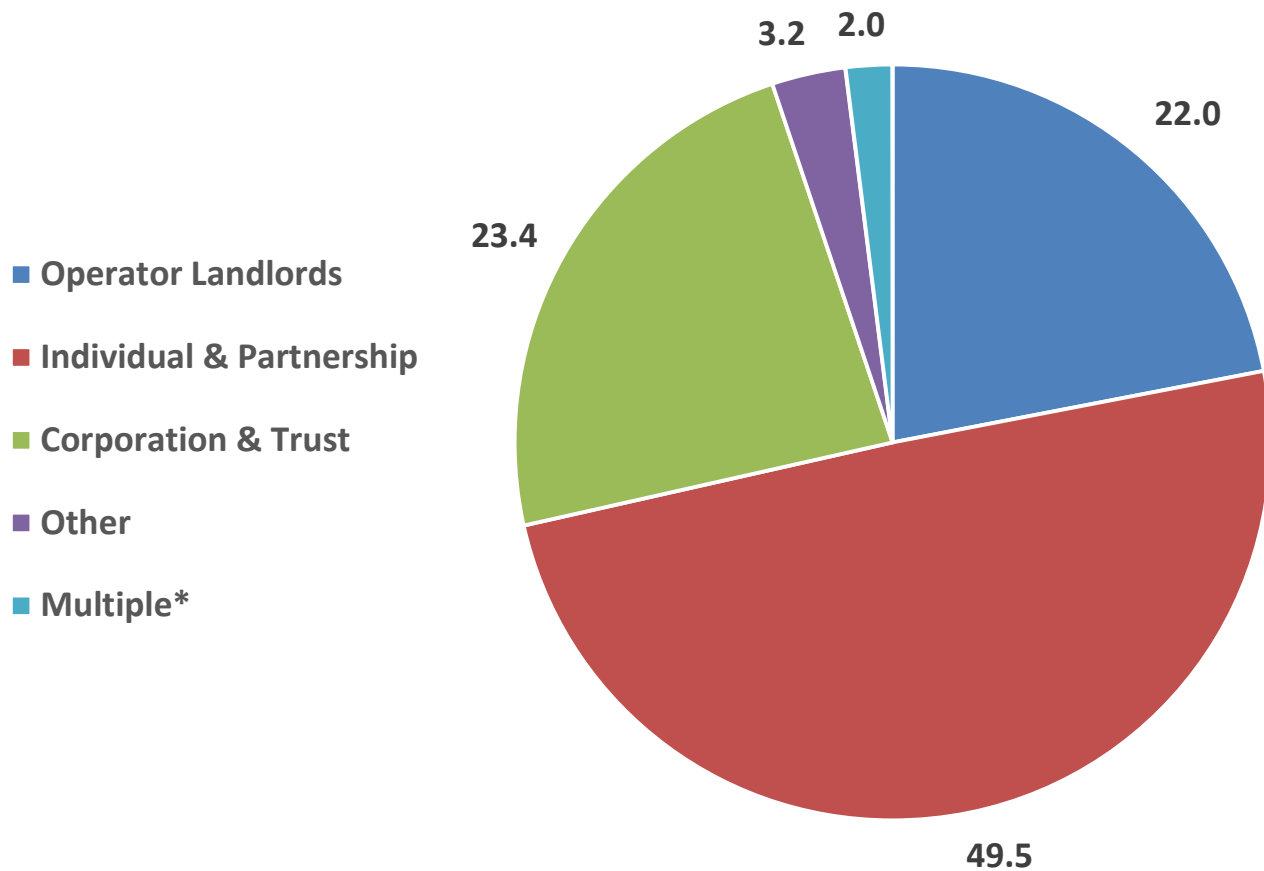
Total Rent
Received in
Iowa 2014:
\$3.7 Billion

% Total Expense by Landlord Ownership Arrangements 2014



Total
Expense in
Iowa 2014:
\$0.84 Billion

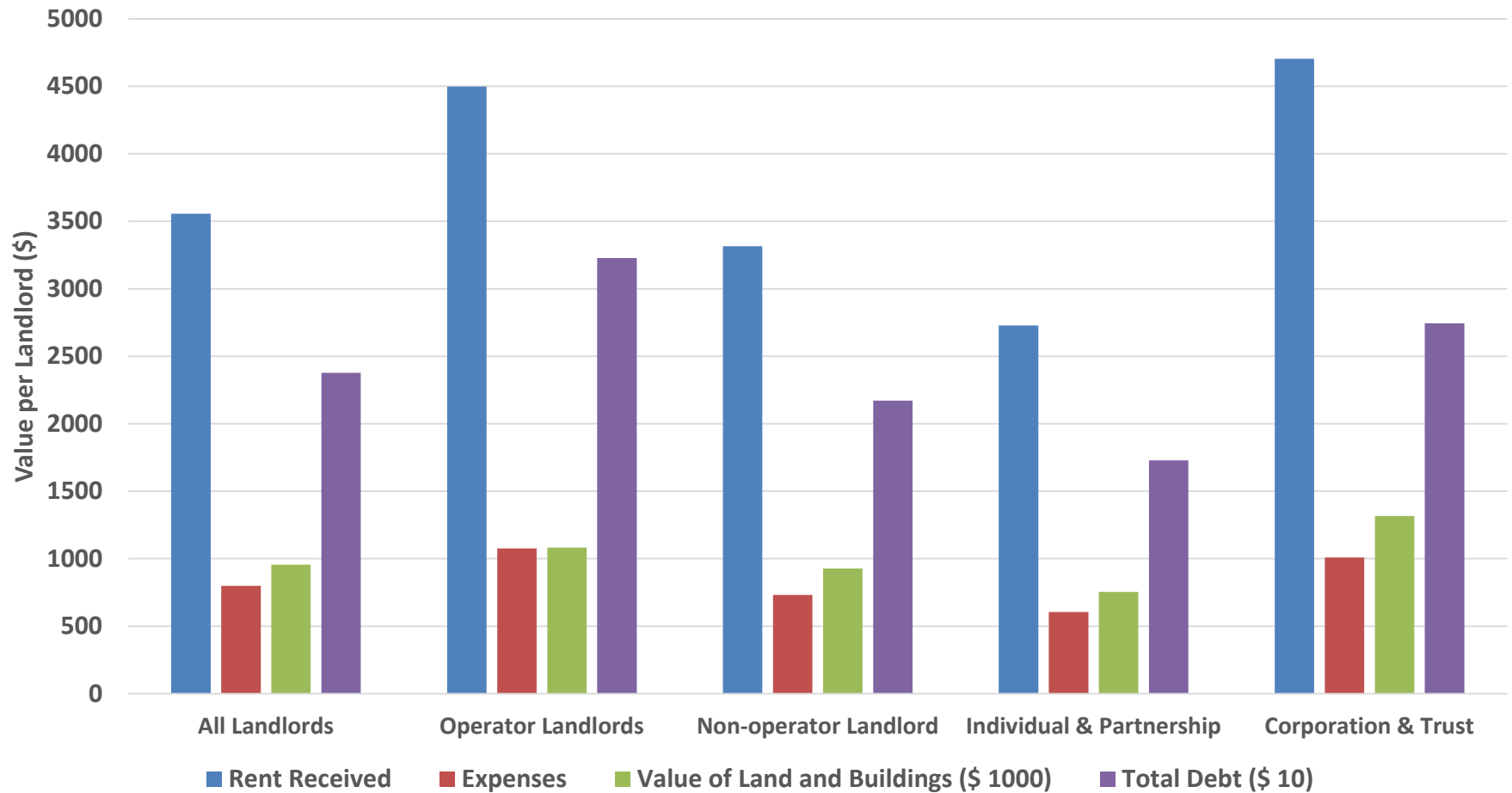
% Total Ag Real Estate Value by Landlord Ownership Arrangements 2014



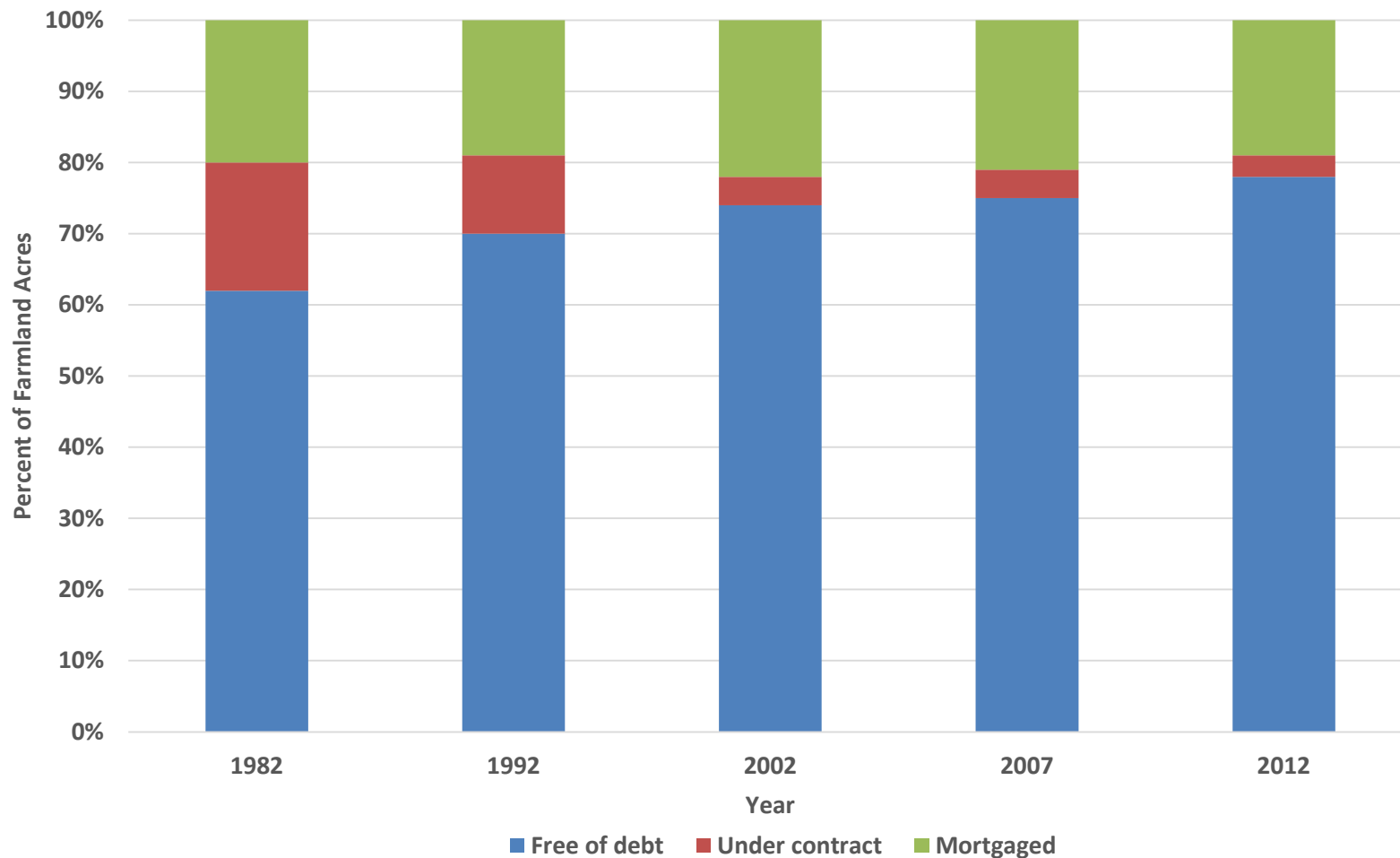
Total Value
of Land &
Buildings in
Iowa 2014:

\$100.63
Billion

Rent Expense Asset Debt per Landlord in Iowa 2014



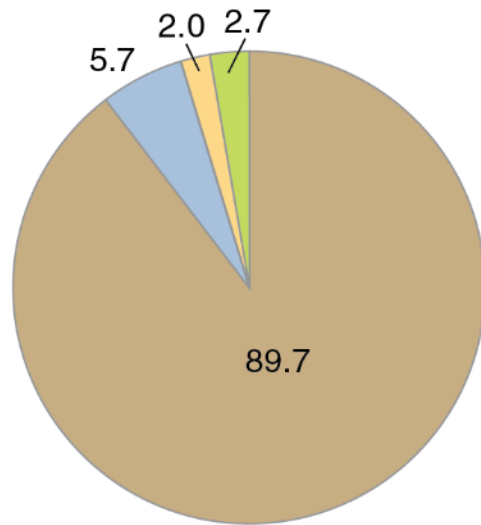
Method of Finance 1982-2012



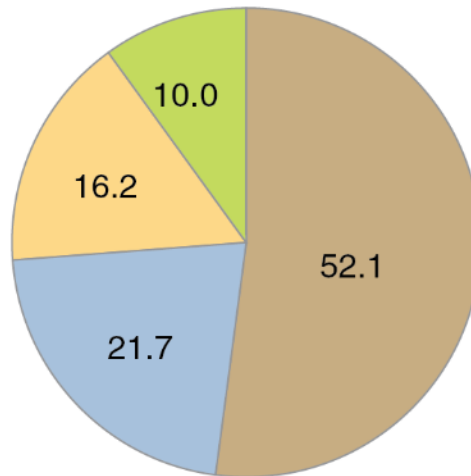
Farms, Acres, Prod Value by Farm Type 2011 in the U.S.

Percent of U.S. farms, acres operated, or value of production

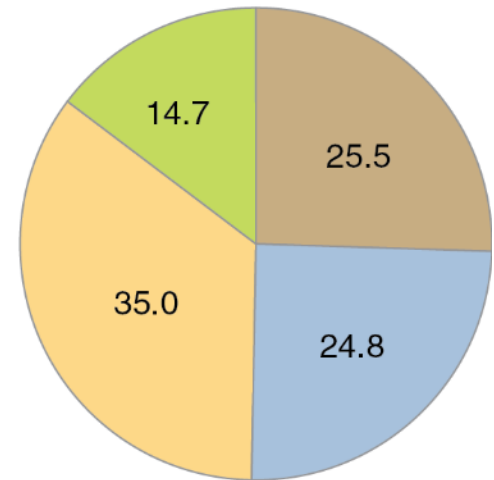
■ Small family farms ■ Large-scale family farms
■ Midsize family farms ■ Nonfamily farms



Farms



Land operated

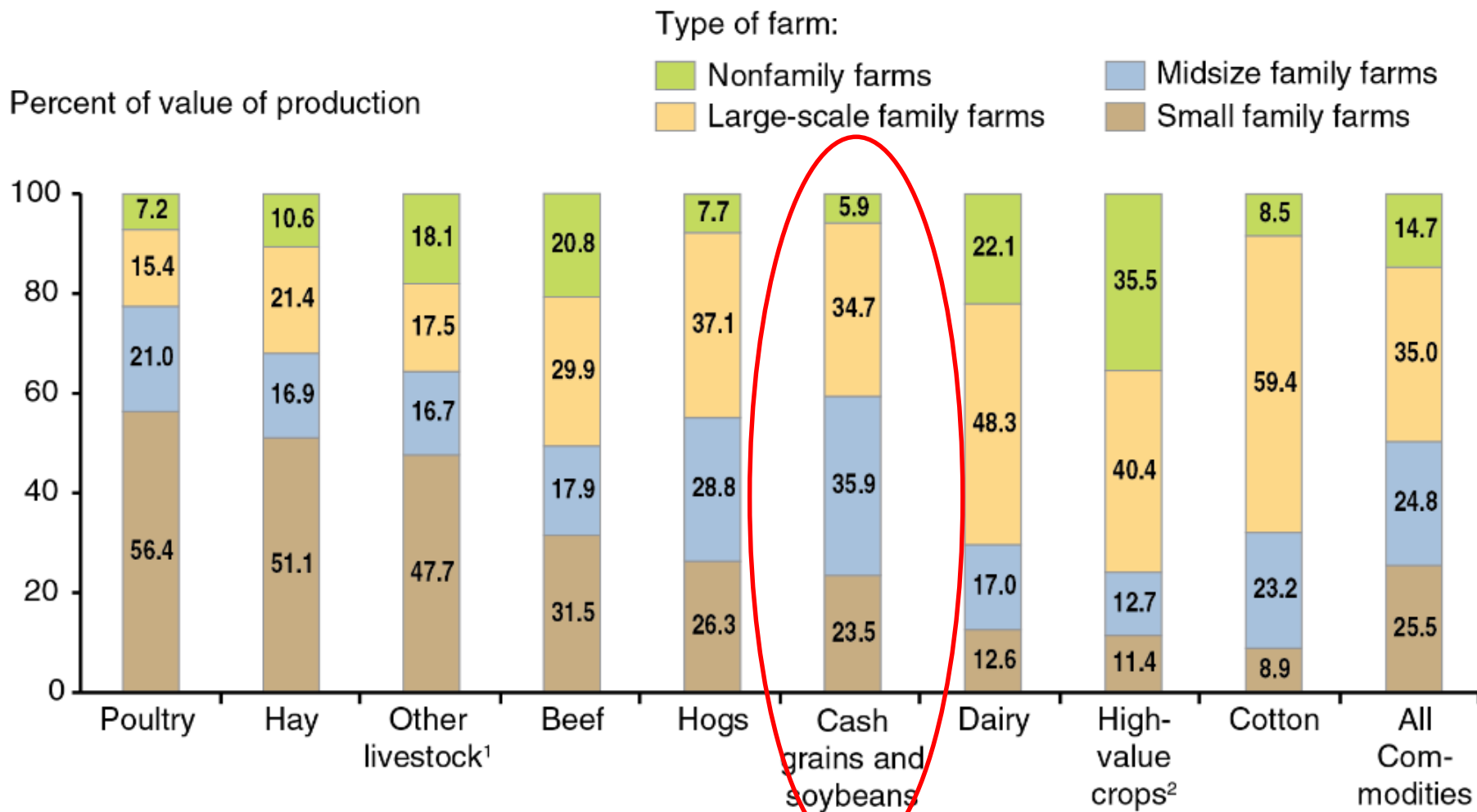


Value of production¹

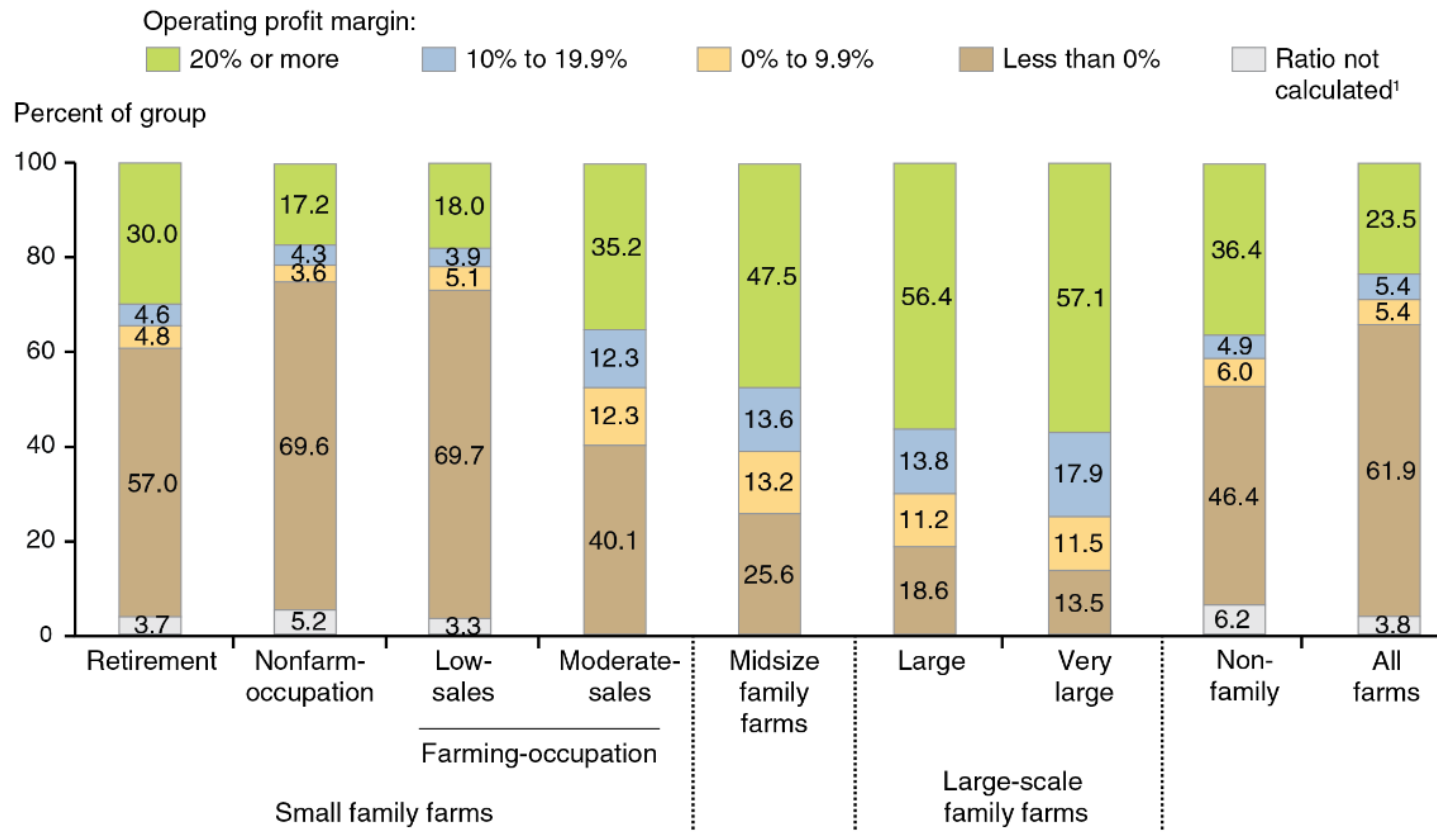
Residence Farm = Under \$350,000 GCFI & non-farm occp.
 Mid-Size Farm = \$350,000-\$999,999 GCFI
 Very Large Farm = \$5,000,000 or more GCFI

Intermediate Farm = Under \$350,000 GCFI & farm occp.
 Large Farm = \$1,000,000-\$4,999,999 GCFI
 Non-Family Farms = Any farm not operated by owner.

Distribution of Production Value across Commodities (US 2011)



Farms by Operating Profit Margin and Farm Type 2011



Note: Operating profit = 100 percent X (net farm income + interest paid – charge for operator and unpaid labor – charge for management) ÷ gross farm income.

Residence Farm = Under \$350,000 GCFI & non-farm occp.

Mid-Size Farm = \$350,000-\$999,999 GCFI

Very Large Farm = \$5,000,000 or more GCFI

Intermediate Farm = Under \$350,000 GCFI & farm occp.

Large Farm = \$1,000,000-\$4,999,999 GCFI

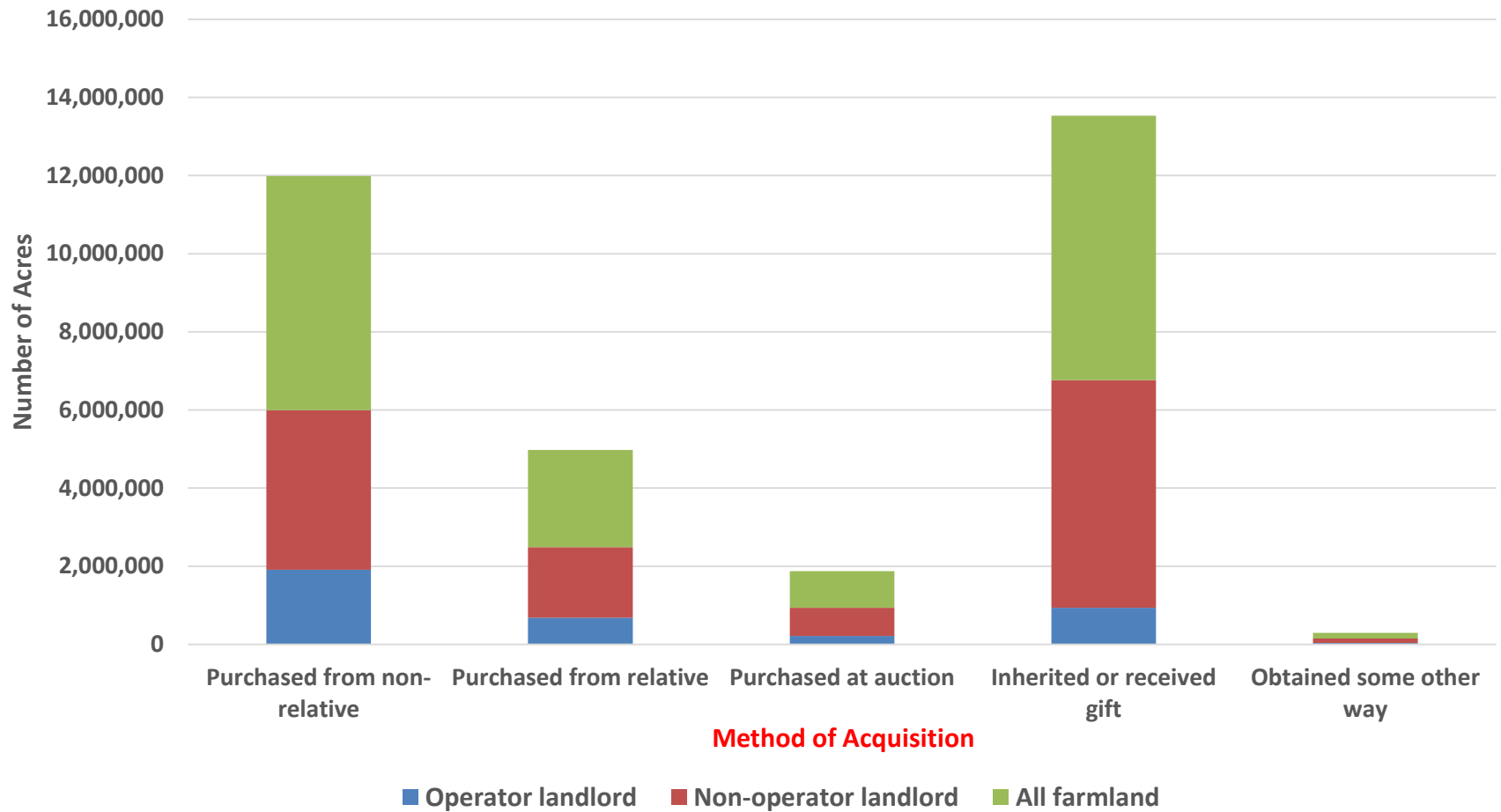
Non-Family Farms = Any farm not operated by owner.

How Did Iowa Landlords Acquire Their Land?

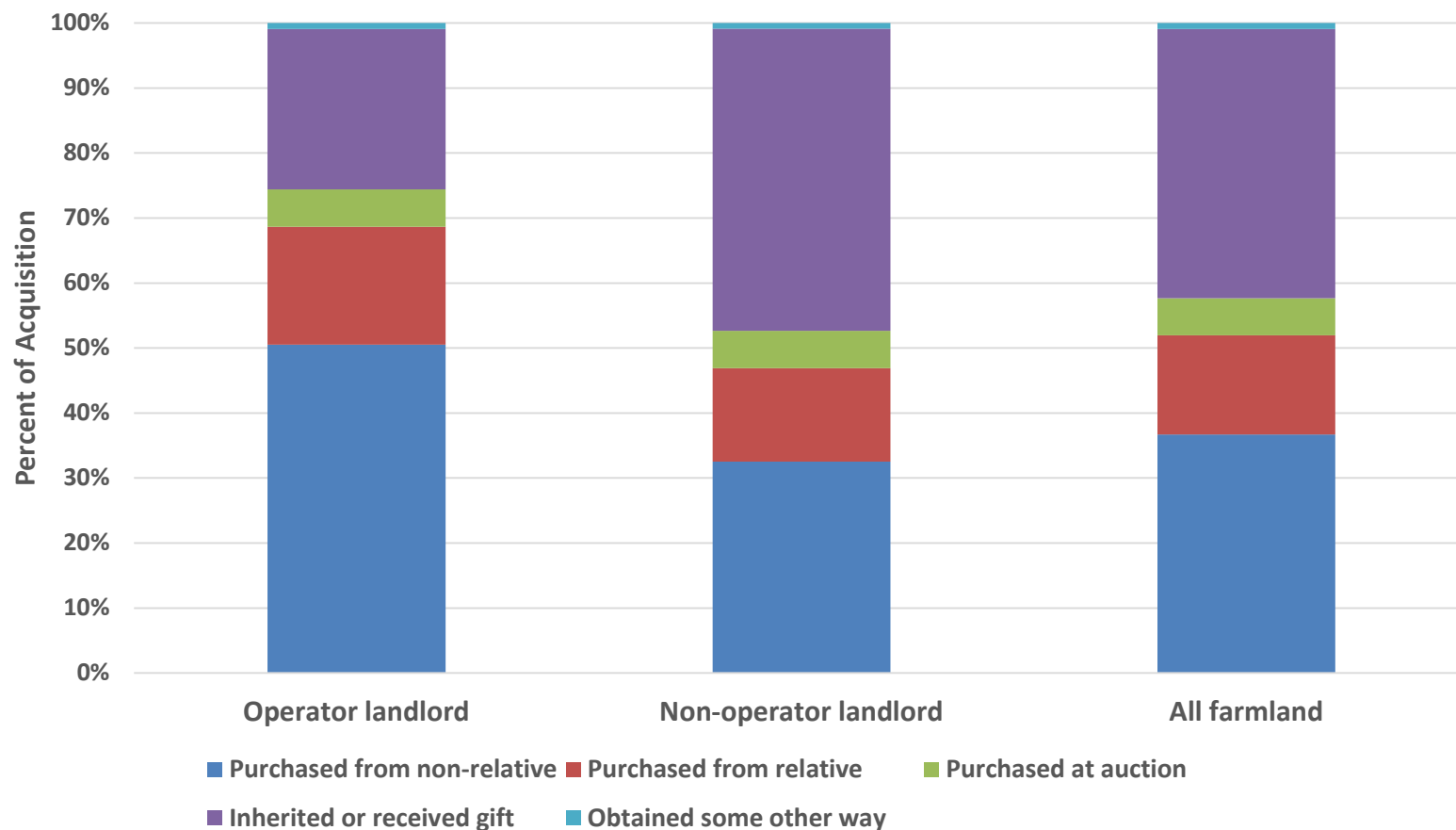
Acquisition of Land by Landlord Types 2014

	Operator Landlord (percent)	Non-operator Landlord (percent)	All Farmland (percent)
Purchased from non-relative	50.5	32.5	36.7
Purchased from relative	18.1	14.4	15.2
Purchased at auction	5.8	5.7	5.7
Inherited or received gift	24.7	46.5	41.4
Obtained some other way	0.9	0.9	0.9
Total	100	100	100
Total Acres Rented Out	3,786,869	12,546,625	16,333,494

Acquisition of Land by Landlord Types 2014

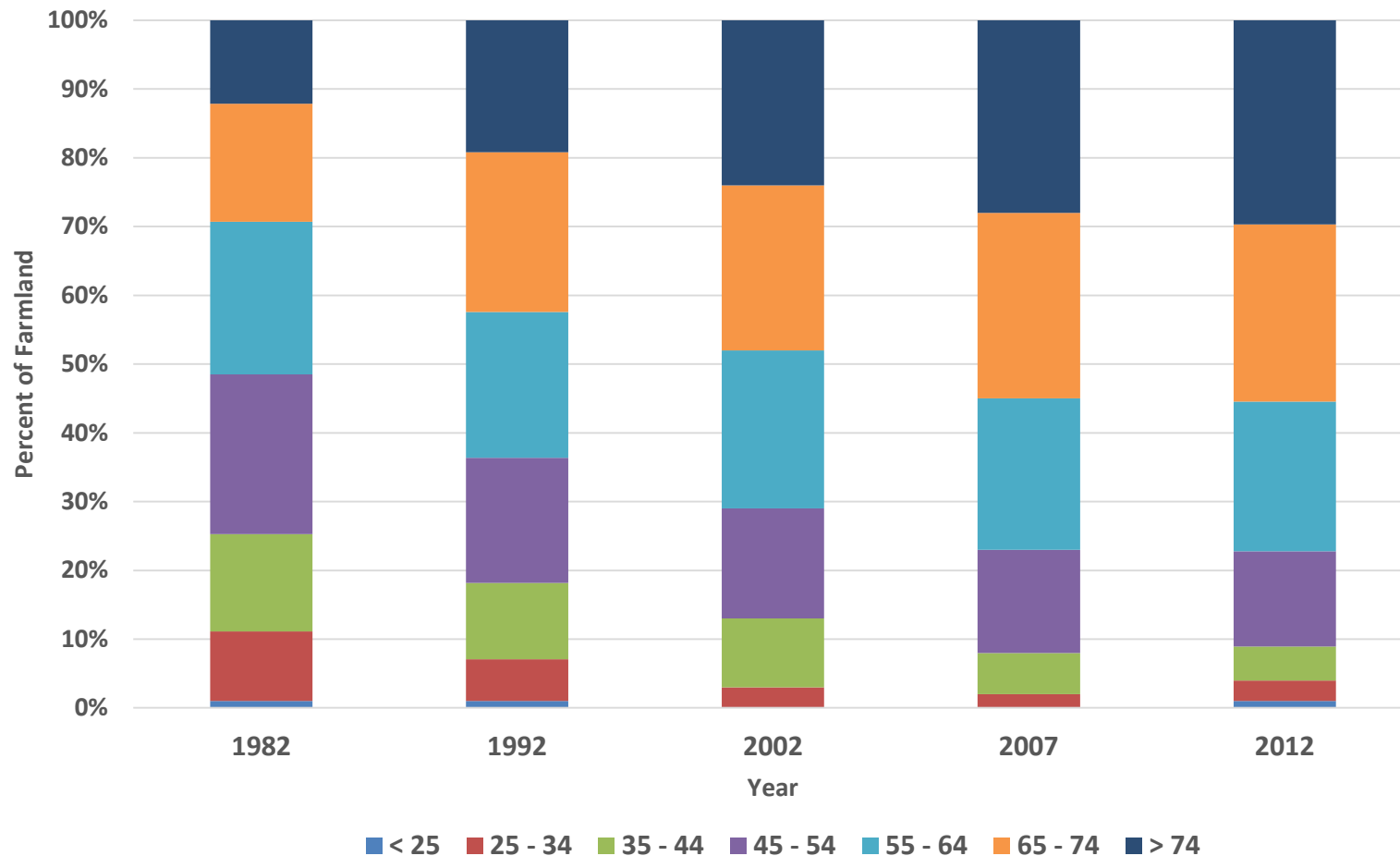


% Acquisition of Land by Landlord Types 2012

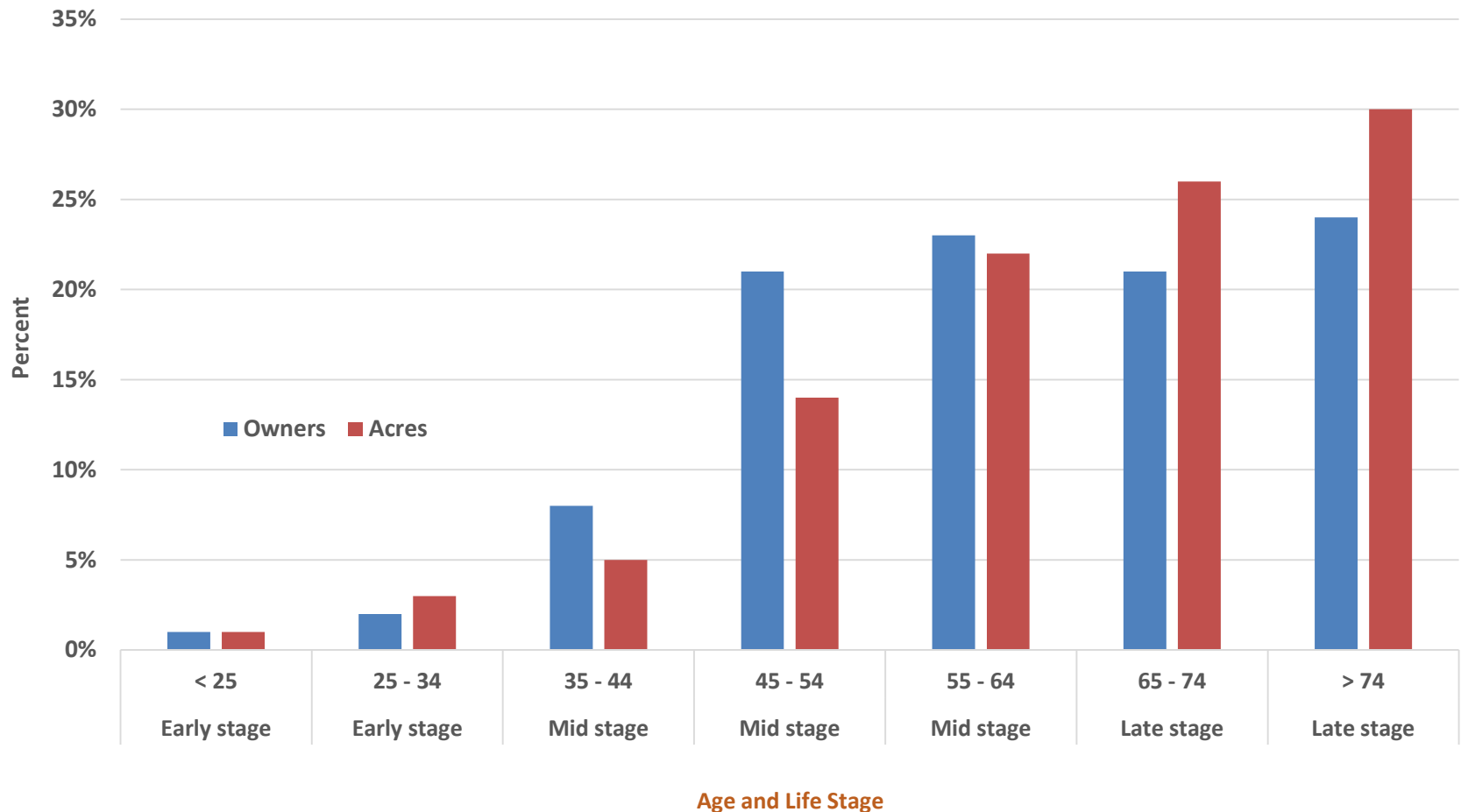


Demographics of Iowa Landlords

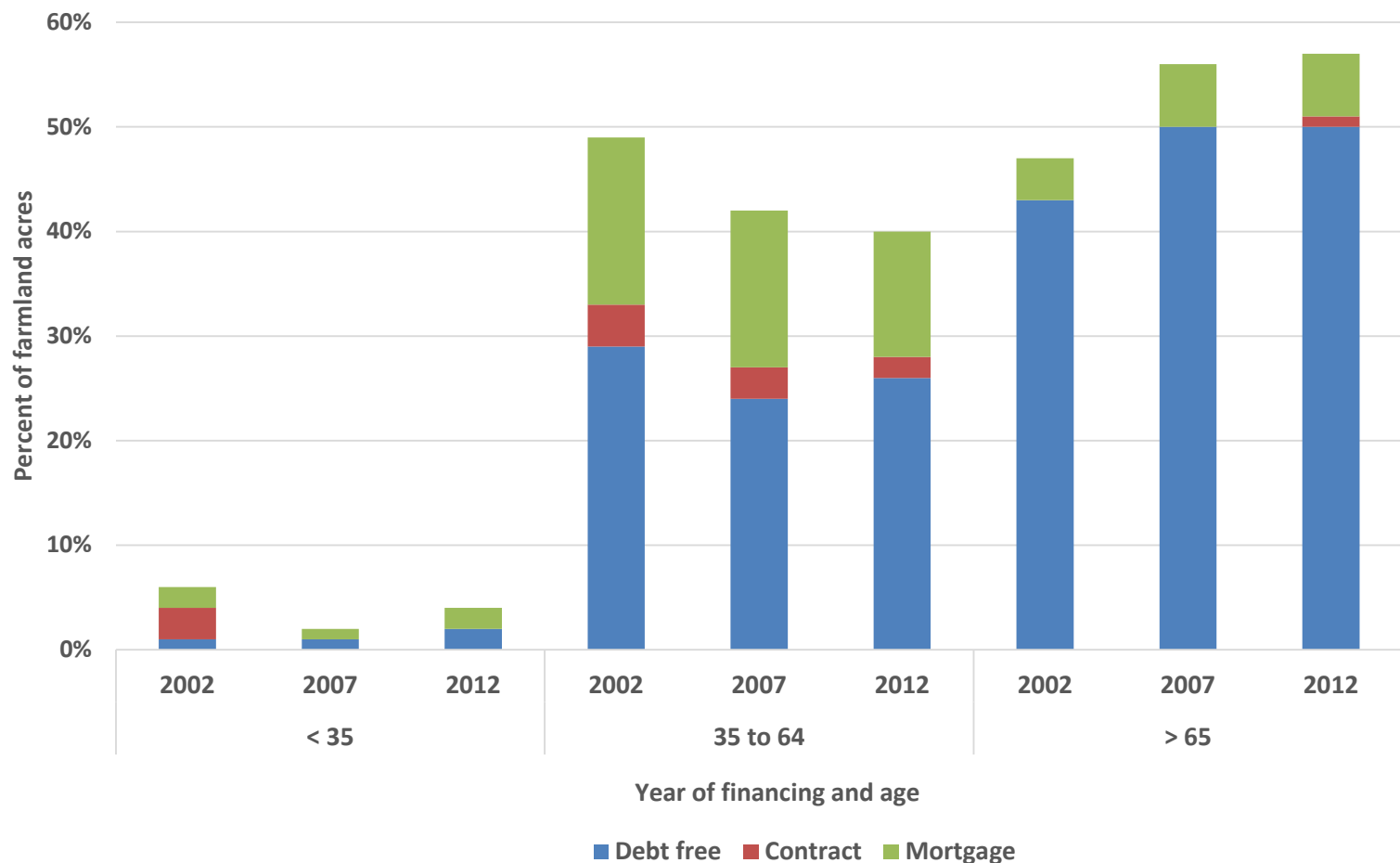
% of Farmland by Age and Life Stage of Owners



% of # Landlords and # Acres by Age and Life Stage 2012

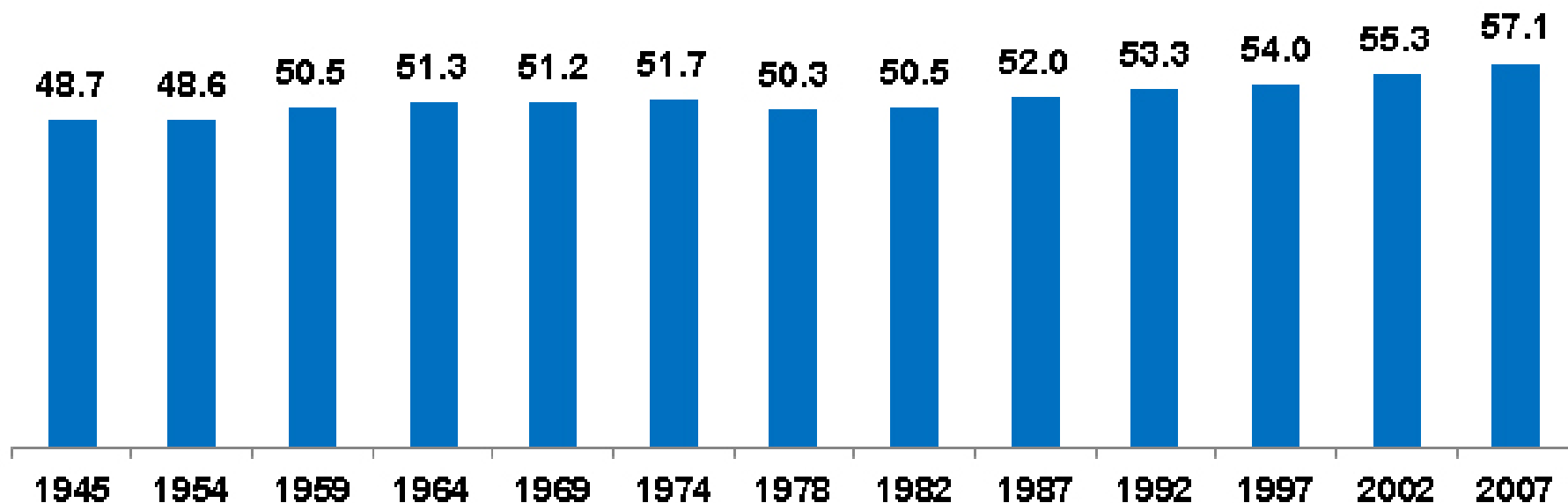


% of # Landlords and # Acres by Age and Life Stage 2012



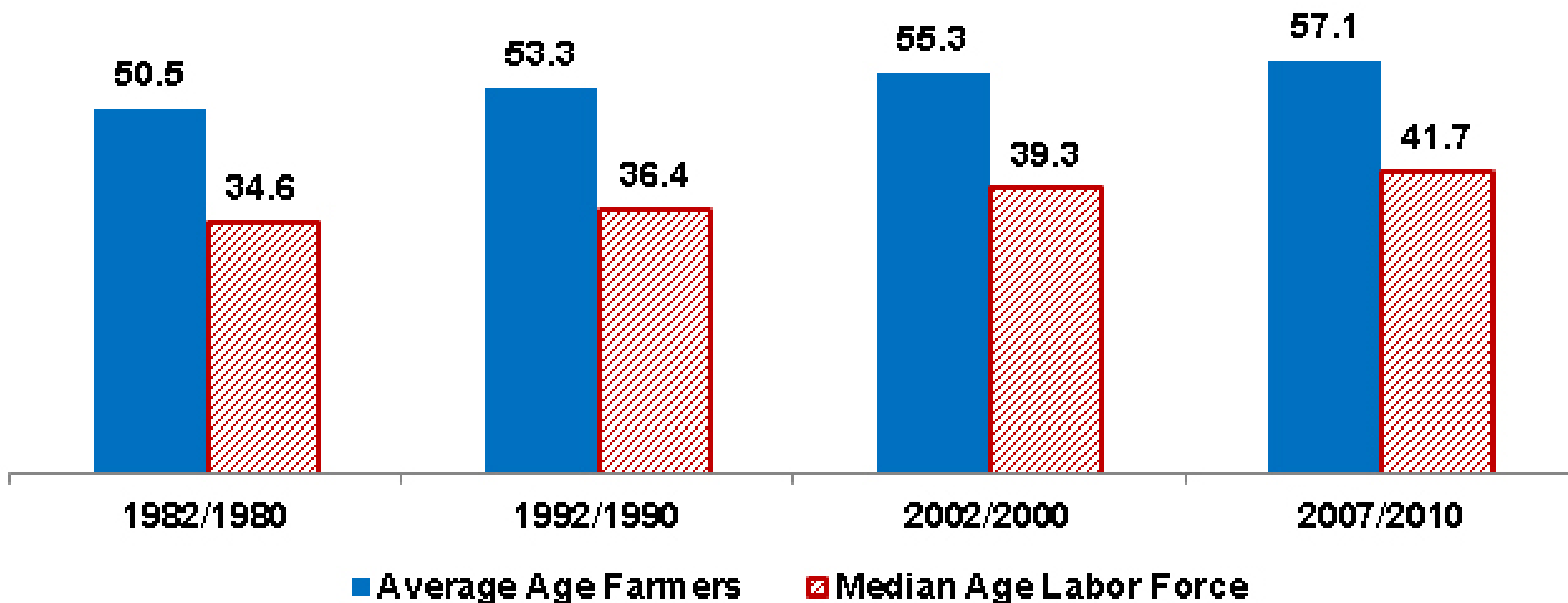
Putting Aging Farming Population into Perspective

Figure 1. Average Age of Farmers, U.S., 1945-2007

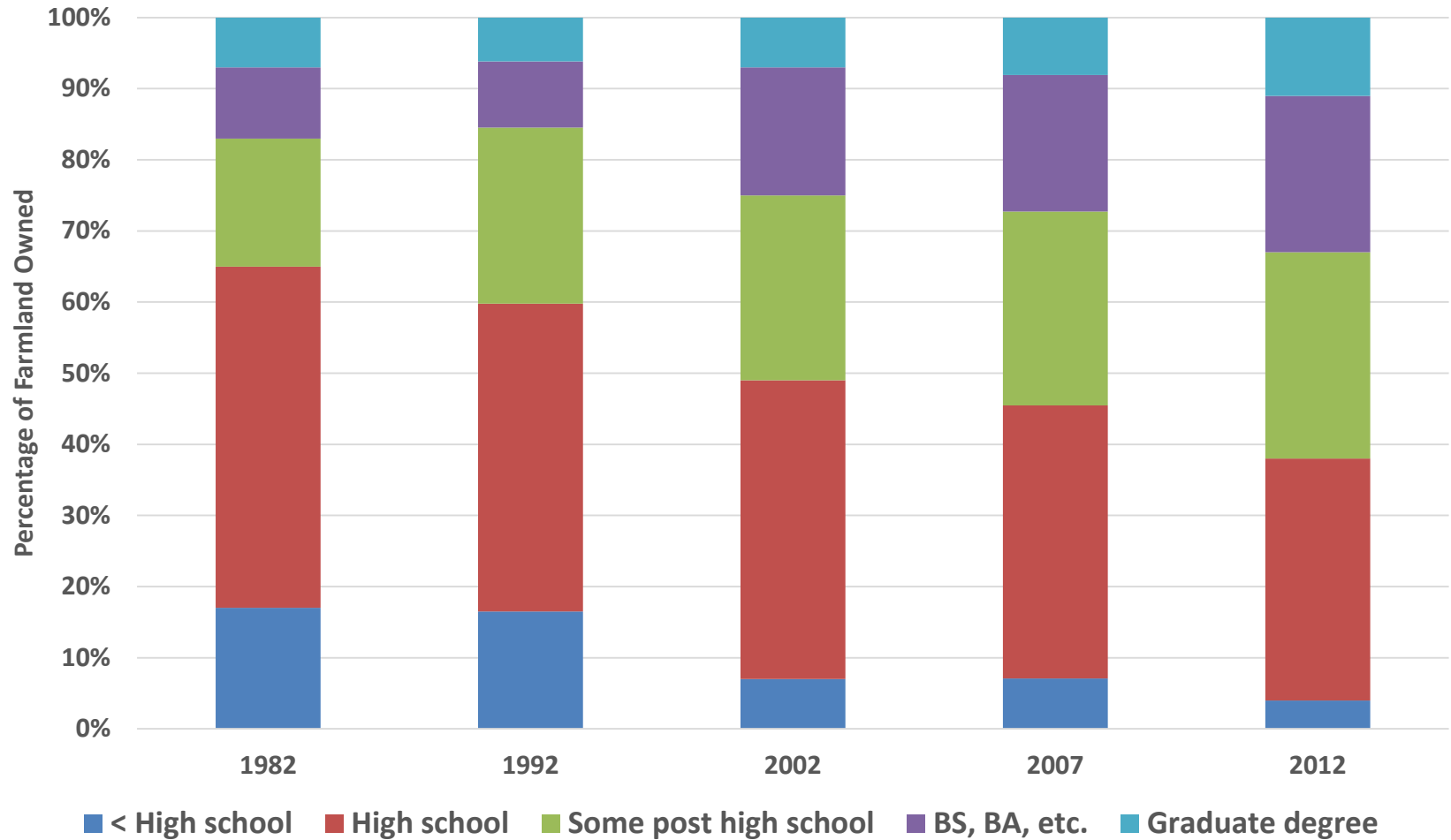


Putting Aging Farming Population into Perspective

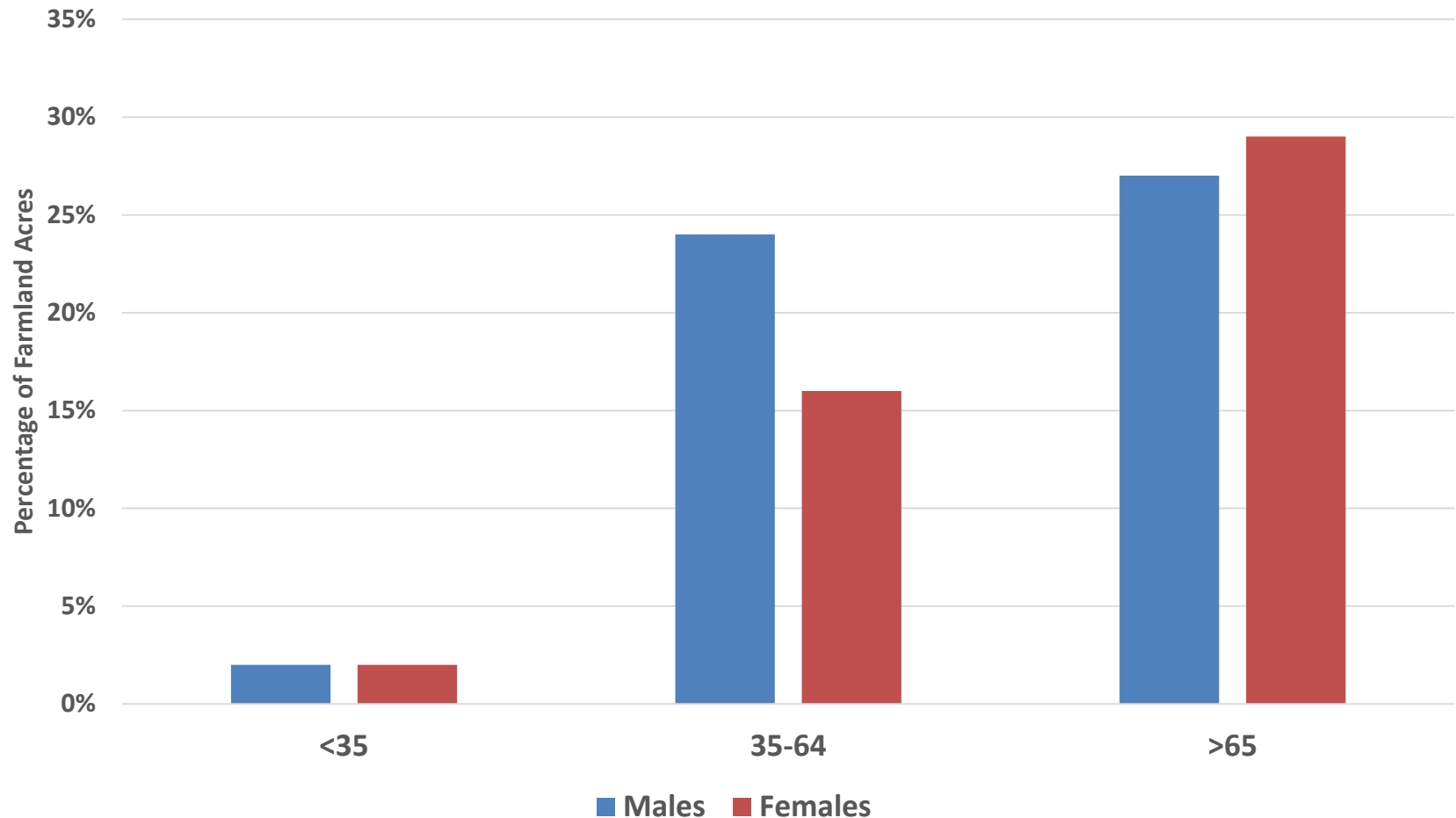
Figure 2. Average Age of Farmers and Median Age of Labor Force, U.S., 1980-2010



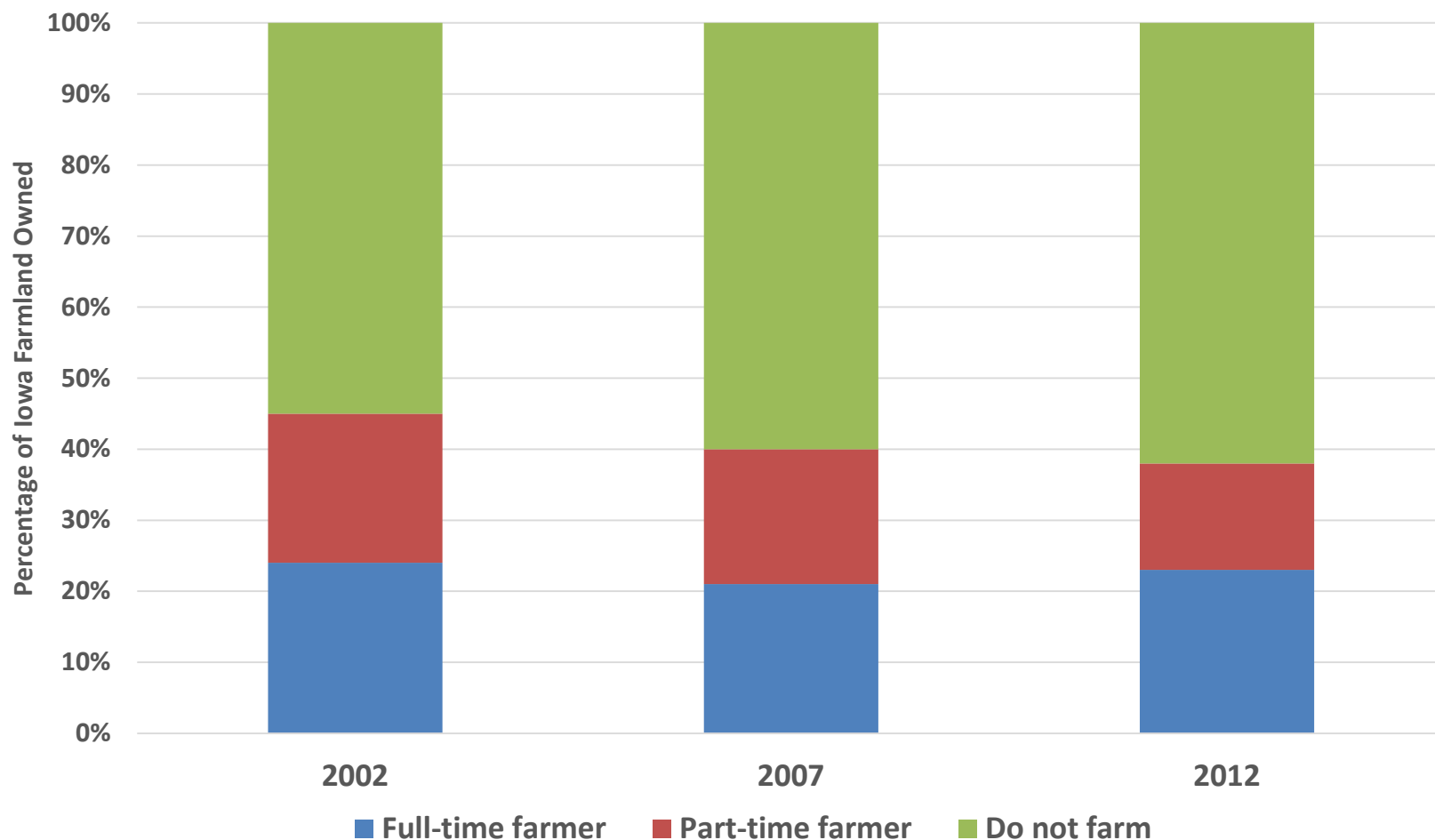
Distribution of Farmland by Highest Education Level 1982-2012



Distribution of Farmland by Gender and Age 2012

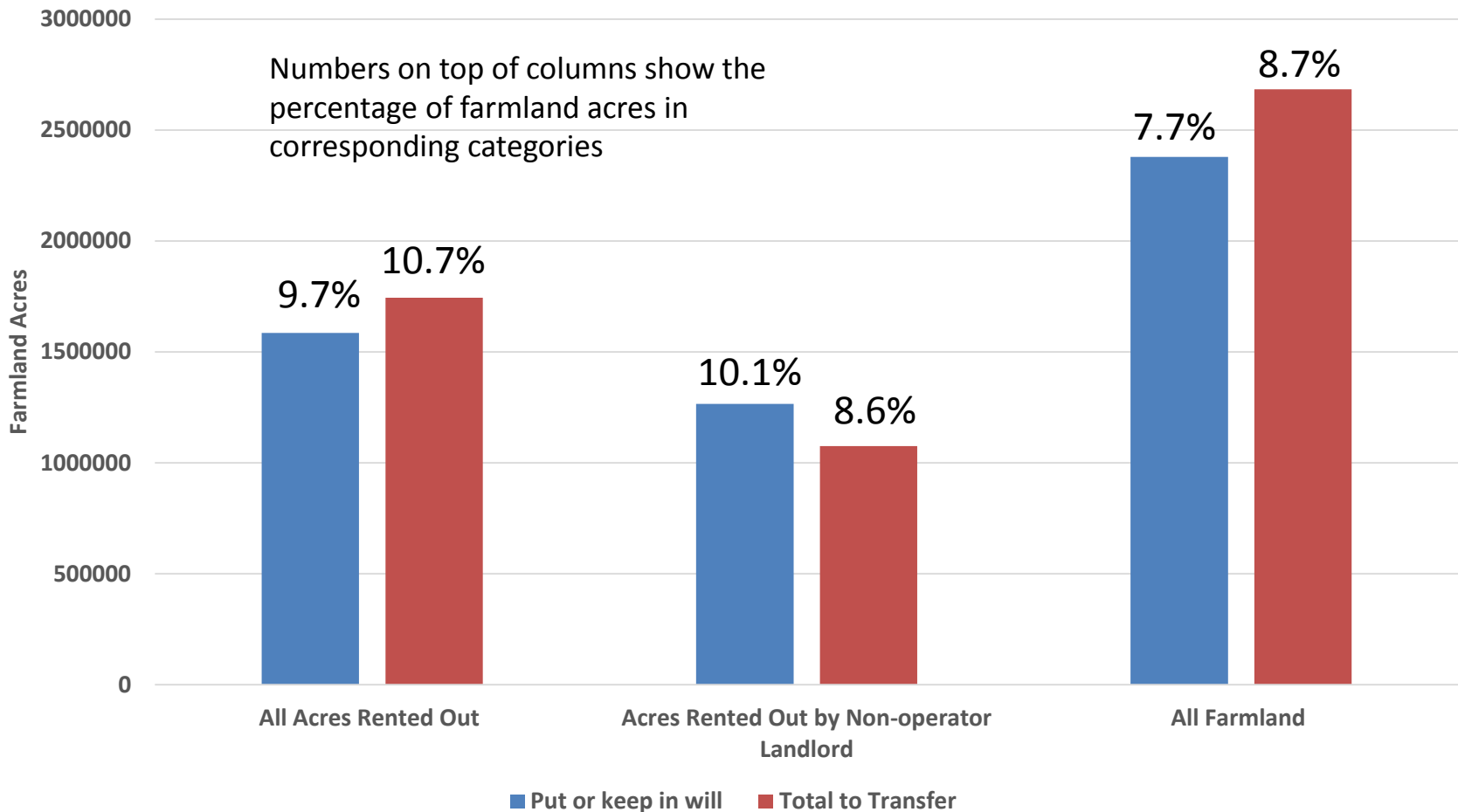


Distribution of Farmland by Farming Status of Owners 2002-2012

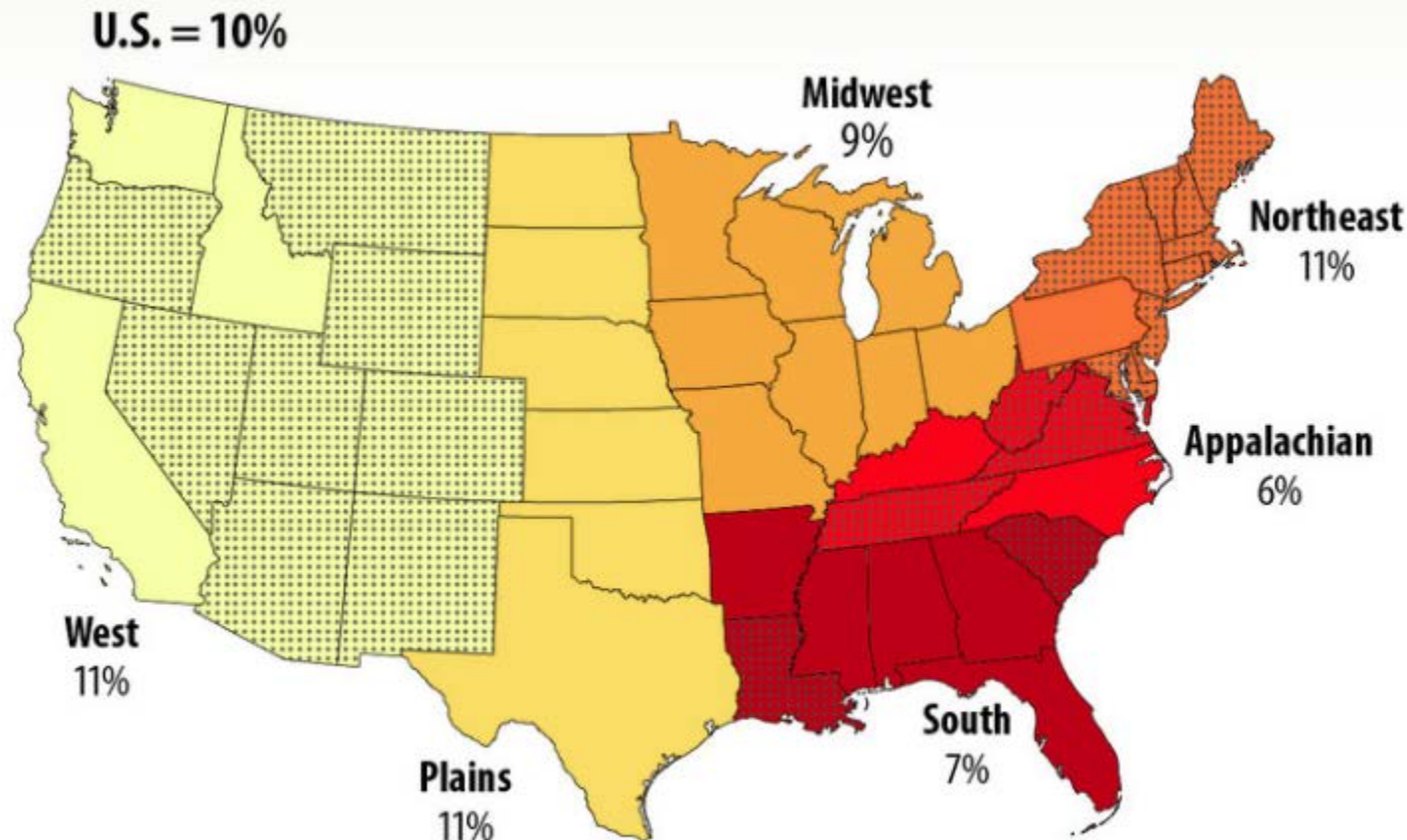


Anticipated Transfer of Iowa Farmland

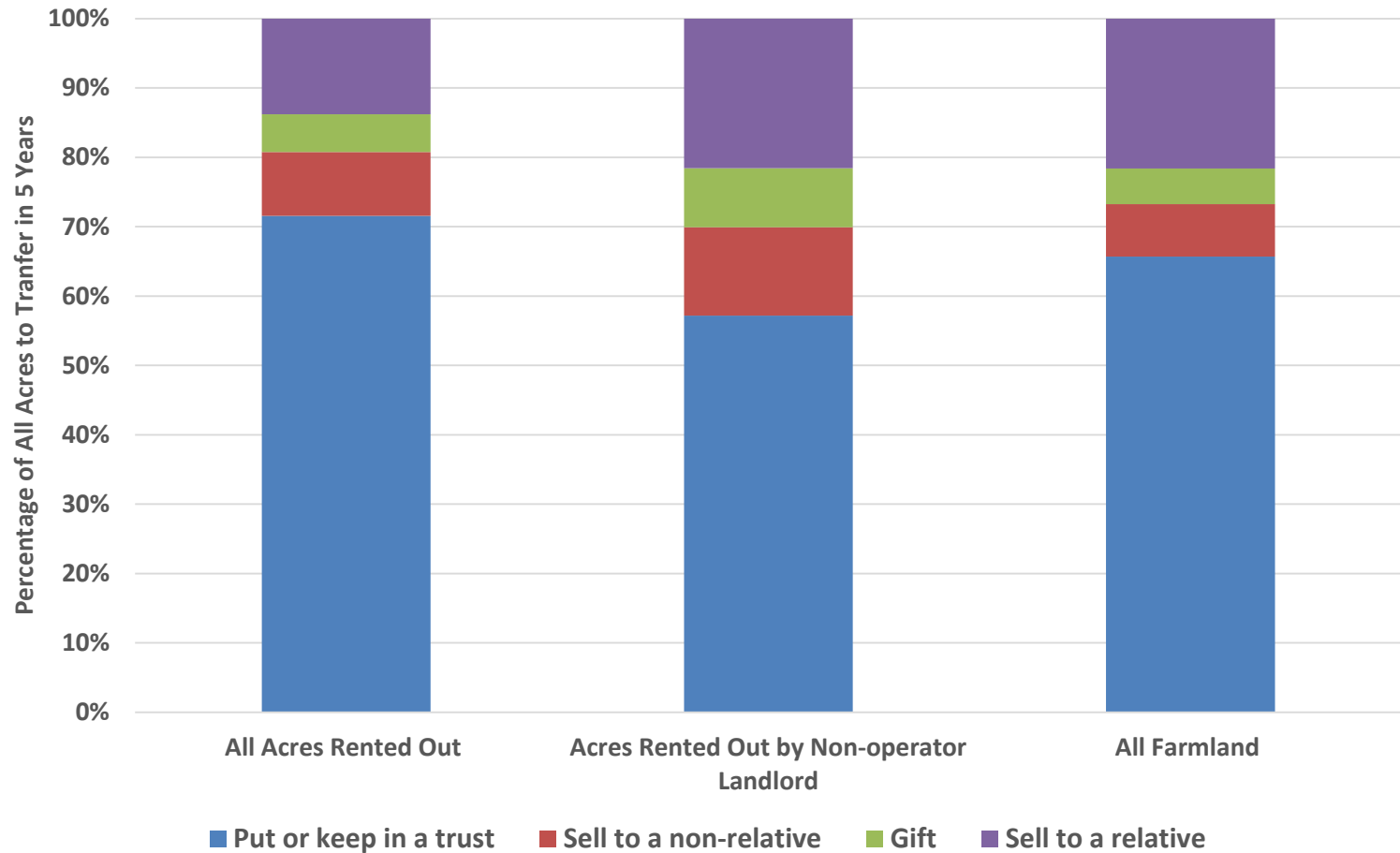
Anticipated Transfer over the next 5 years (2014-2019)



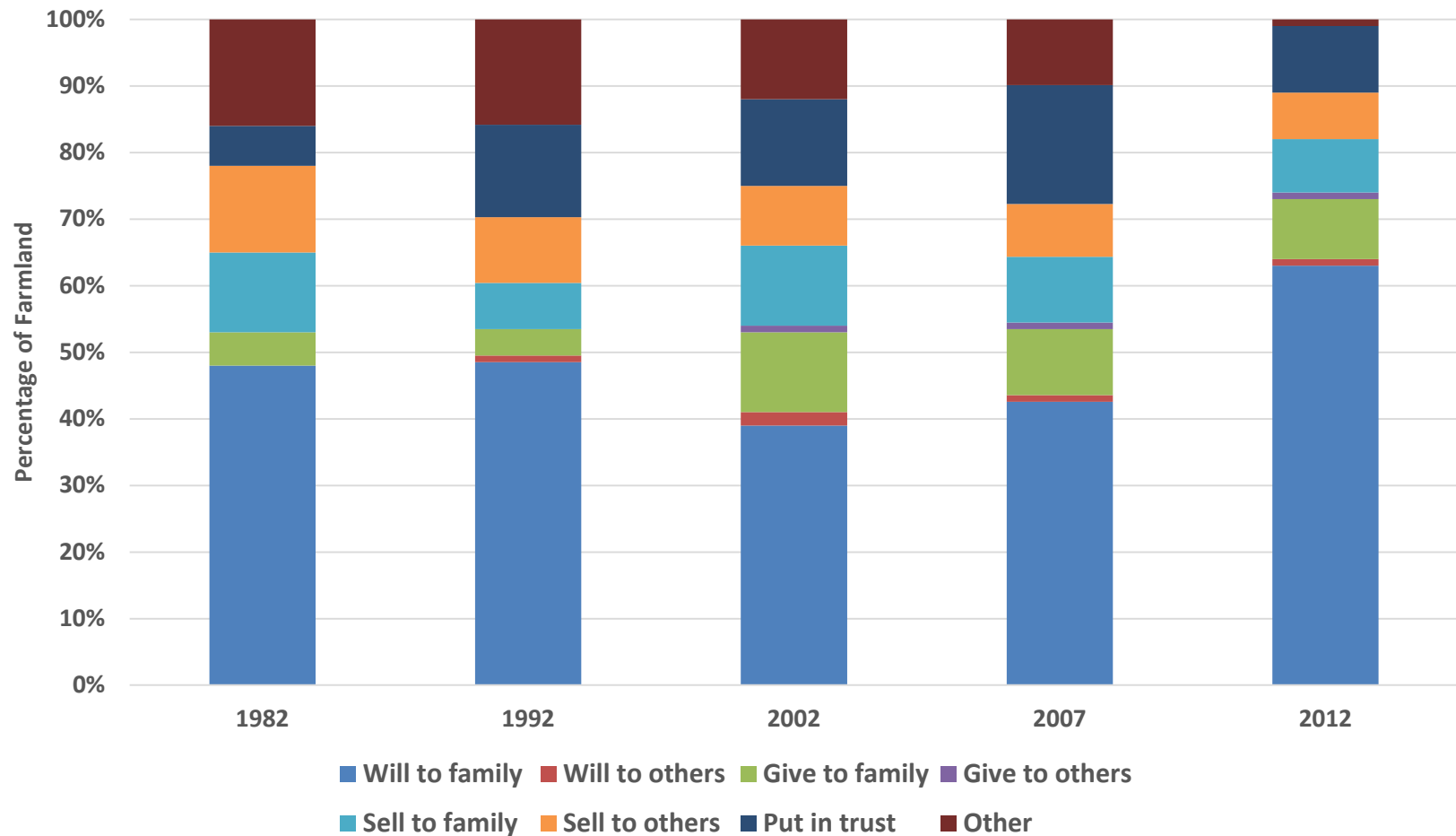
% of Farmland Expected to Transfer in the Next Five Years, by Region, 2015



% of Farmland Acres that will be transferred in 5 years



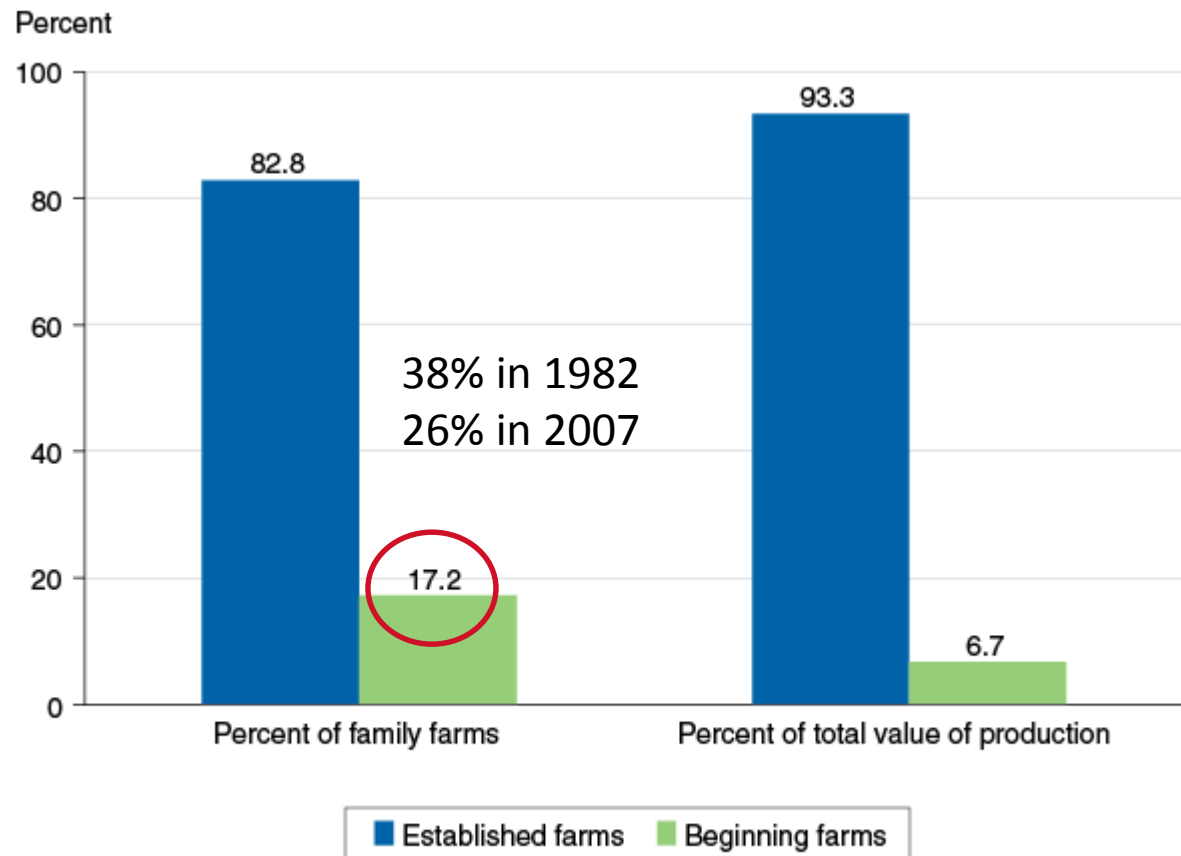
Method of Anticipated Transfer 1982-2012



Beginning Farmers and Farm Transition

Share of Beginning Farms in the US 2011

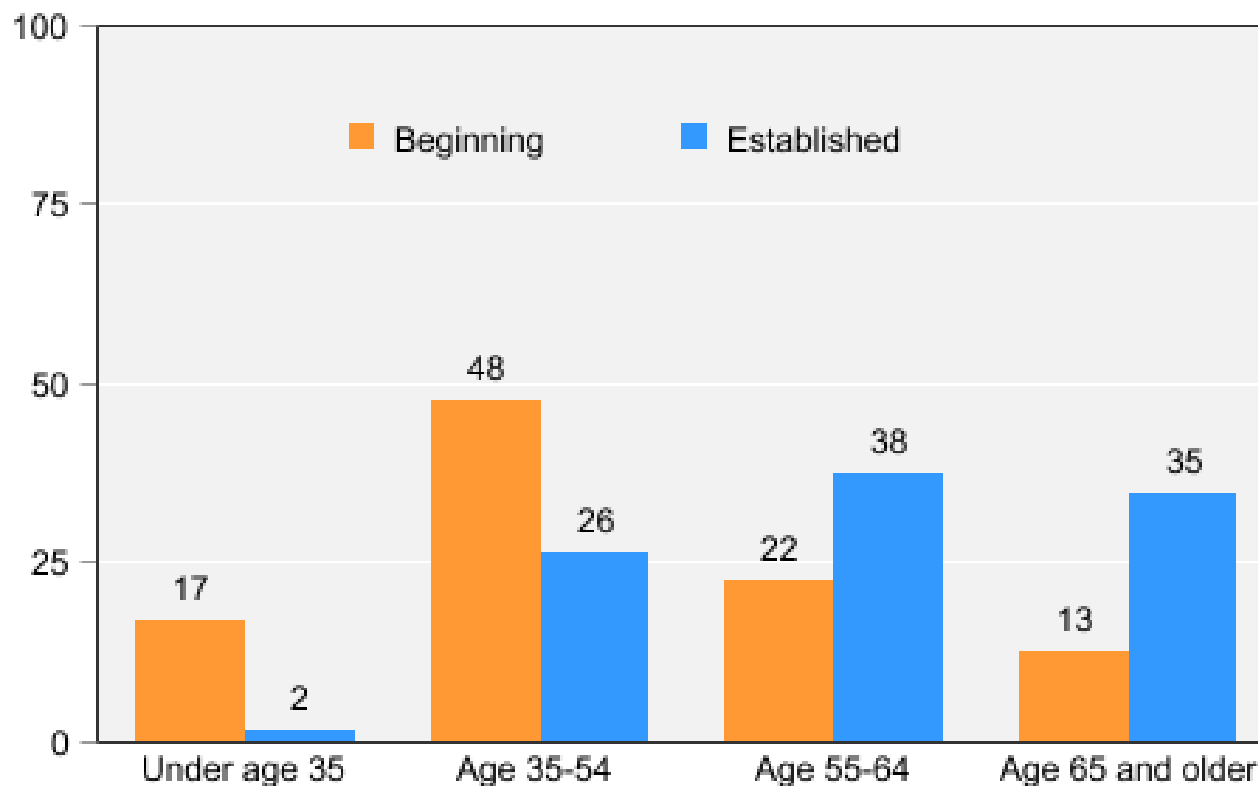
Beginning Farmers:
< 10 years of farming
experience



Source: USDA, Economic Research Service using 2012 ARMS data.

Age Distribution of US Beginning Farmers vs. Established Farmers 2012

Percent of principal operators

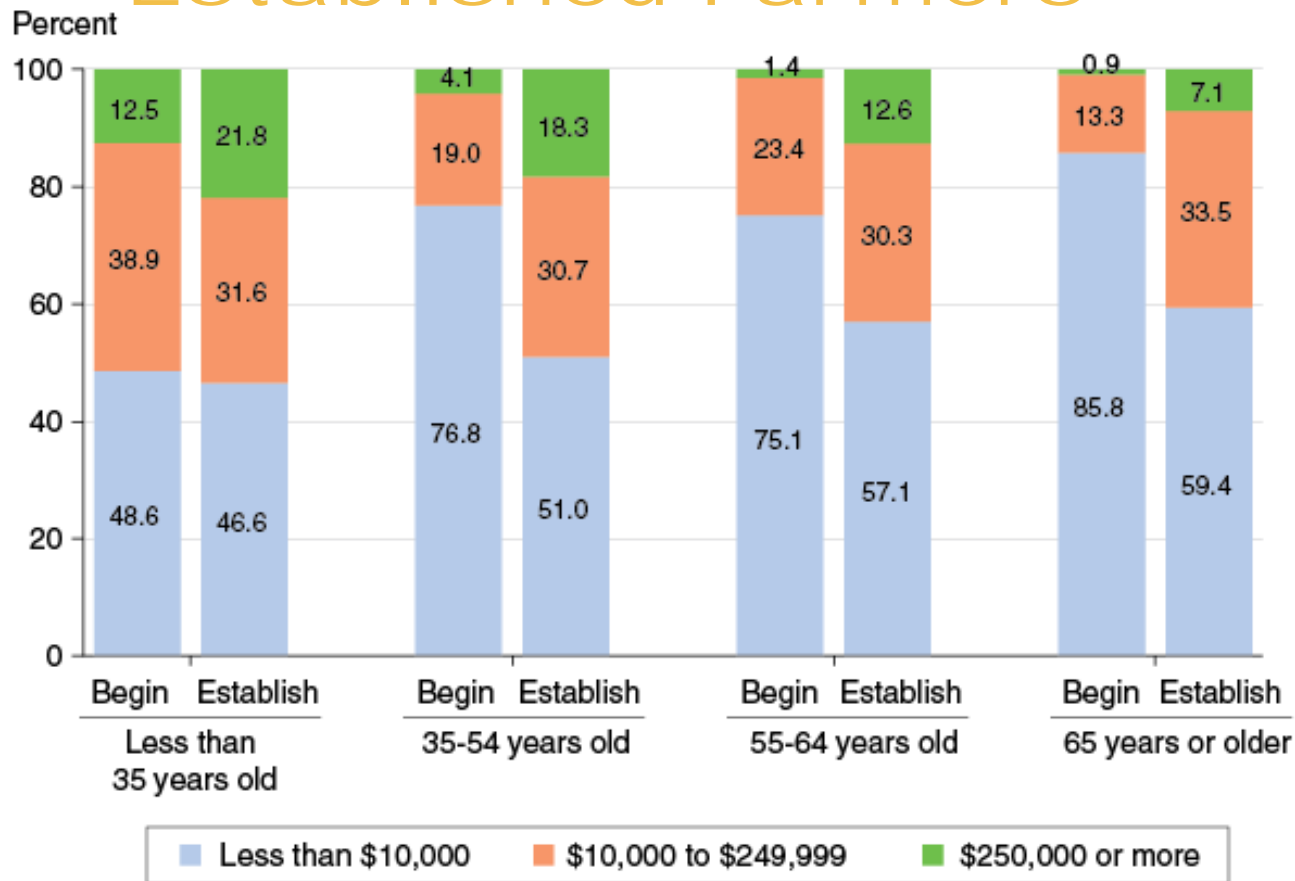


Beginning farmers:
< 10 years of farming experience

Source: USDA, Economic Research Service and National Agricultural Statistics Service, 2012 Agricultural Resource Management Survey.

Value of Production: Beginning vs. Established Farmers

Beginning farmers:
< 10 years of farming experience

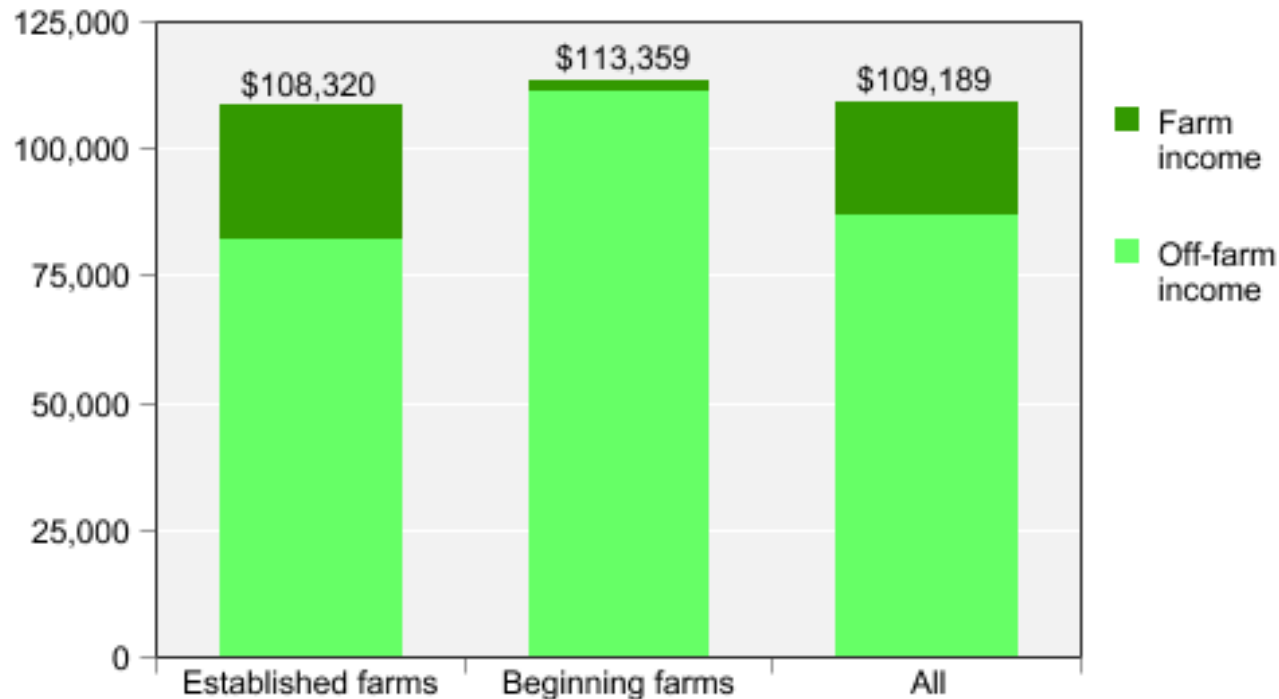


Note: "Begin" = beginning farms; "Establish" = established farms.

Source: USDA, Economic Research Service using 2012 ARMS data.

Source of Household Income: Beginning vs. Established Farmers

Average dollars per farm



Note: Beginning farms are those where all operators have 10 or fewer years of farming experience.

Source: USDA, Economic Research Service and National Agricultural Statistics Service, 2012 Agricultural Resource Management Survey.

Thank You!

Wendong Zhang
Assistant Professor and Extension Economist
Iowa State University
515-294-2536

wdzhang@iastate.edu

<http://www.econ.iastate.edu/people/faculty/zhang-wendong>