



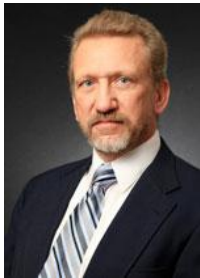
# ECONOMICS COMMENTATOR

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## SOUTH DAKOTA AGRICULTURAL LAND CASH RENT VALUES, 2012



by  
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We wish to thank the individuals who participated in the 2012 South Dakota Farm Real Estate Market Survey. Without their responses this report would not be possible. Special thanks to: Olivia Tyrrell for conducting the survey and inputting data and Penny Stover for maintaining the mailing list and varied survey tasks.

Agricultural land values continue to boom for all land uses and in most regions of South Dakota. The most recent annual (2011 to 2012) increase of 26.8% for all agricultural land values in South Dakota is the highest annual rate of increase in the past 22 years of this survey. From 2011 to 2012, statewide average cash rental rates per-acre increased for all land uses, with substantial increases (>20%) in cropland and hay land cash rental rates in several regions.

Statewide average cash rental rates per-acre increased \$22.60 for cropland, \$8.75 for hay land, and \$1.90 for rangeland. Cash rental rate increases for all land uses were strongest in the southeast, central, and north-central regions. Cropland cash rental rates increased in all regions of South Dakota, while rangeland and hay land cash rental rates increased in all but one region.

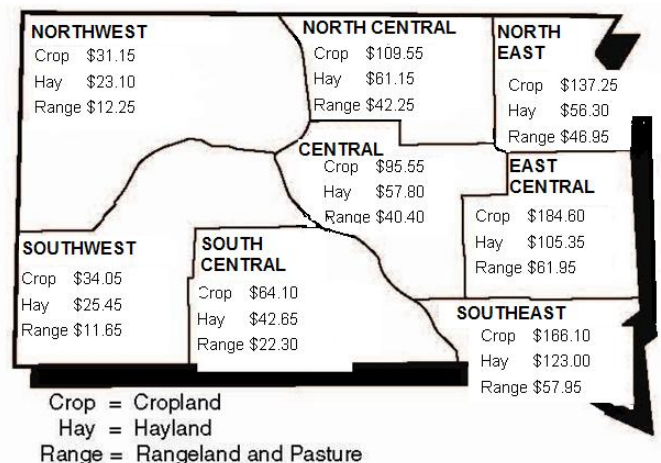
Cash rental rates differ greatly by region and by land use. For non-irrigated land uses, cash rental rates per acre are highest in the southeast and east-central regions and lowest in northwest and southwest South Dakota. In every region, cash rental rates are highest for cropland and lowest for rangeland and pasture (figure 1).

Cash rental rates increased substantially in most regions of South Dakota for cropland, hay land and rangeland. From 2011 to 2012, statewide average cash rental rates increased \$22.60 per-acre for cropland, \$8.75 per-acre for hay land, and \$1.90 per-acre for pasture and rangeland. The statewide average percentage change in cash rental rates was 22.8% for cropland, 15.3% for hay land, and 9.2% for pasture and rangeland. The statewide change (both dollar amount and percentage) in cropland

and hay land cash rental rates for 2012 is the highest recorded over the 22 year period of the SDSU land market survey.

Cash rental rates for cropland increased between \$32 and \$34.50 per-acre in the east-central and southeast regions and varied between increases of \$18 and \$26 per-acre in the northeast, north-central, and central regions. In the south-central region, cash rental rates for cropland increased about \$11 per-acre compared to increases of \$3.25 to \$3.45 per-acre in the southwest and northwest regions.

**Fig 1. Average cash rental rate of South Dakota nonirrigated cropland, hayland, and rangeland, by region, February 2012, dollars per acre.**



Source: 2012 South Dakota Farm Real Estate Market Survey, SDSU

Cash rental rates for hay land increased a record \$31.70 per-acre in the southeast region and varied between \$9.95 and \$12.75 per-acre in the south-central, central, and north-central regions. Average cash rental rates for hay land increased from \$2 to \$2.90 per-acre in the northwest, southwest, and east-central regions. Surprisingly, average cash rental rates for hay land decreased in the northeast region. A possible explanation is that most hay land reports for 2012 from the northeast region were for native hay compared to reports for “all hay” or alfalfa hay in 2011.

Rangeland cash rental rates increased an average of \$9.15 per-acre in the central region. In the north-central and three eastern regions, increases in rangeland cash rental rates varied from \$1.30 to \$4.30 per-acre. For regions west of the Missouri River, rangeland cash rental rates showed modest changes of \$1.20 per-acre or lower. Overall, very strong increases (>20%) in cash rental rates and land values occurred for cropland and hay land in the southeast, north-central, and south-central regions and for all land uses in the central region. Pasture and rangeland values also increased more than 20% in the southeast and north-central regions, while cash rental rates increased around 10%. Strong increases in land values and cash rental rates of 8 to 18%, depending on land use, occurred in the east-central region.

## Cash Rates of Return to Agricultural Land

Gross cash rent as a percent of reported land value is a measure of gross rate of cash return to land, before deduction of property taxes and other landlord expenses. In 2012, the statewide average gross cash rate of return to land (rent-to-value ratio) is 4.2% for non-irrigated cropland, 3.7% for hay land, 3.4% for rangeland, and 3.8% for all agricultural land. These annual average rates are the lowest calculated in the past 22 years!

For more detailed information, a full copy of South Dakota Agricultural Land Market Trends, 1991 – 2012, by Janssen and Pflueger, has been published. It may be accessed at: <http://igrow.org/up/resources/03-3007-2012.pdf>.

**NOTE:** This edition of the *Commentator* is also available electronically on our website at: <http://www.sdstate.edu/econ/research/commentator/no541.pdf>

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