

## Determining a Fair Cash Rent Value in Knox County

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“What is the current rental rate for farmland in Knox County?” Determining a fair rental rate is a difficult and sometimes complex topic to address. A landlord has costs that need to be addressed while the tenant must earn a profit to be able to rent the ground again next year. Finding the common ground between these two different trains of thought is the challenge. This fact sheet addresses some of the more common factors to consider when determining a fair rental rate.

### What Cash Rental Rate is Fair?

As a landlord, one of the first factors to consider is *“Is the person farming your ground today, caring for your land the way you would?”* If the answer is YES that is worth something. It is tough to place a dollar value on, but it is an important consideration - *Not all people will treat your ground the same!*

A “fair” rental rate should accomplish three objectives:

1. Reflect local agricultural and market conditions.
2. Compensate the owner for costs associated with property ownership.
3. Allow the tenant to operate a sustainable farm business.

Cash rental rates reflect the value of what the land can produce but can also be influenced by the demand for land. Most landlords and tenants will agree that a fair rental price should compensate the owner for any expenses associated with owning the property. Owners also incur an



opportunity cost of keeping their capital invested in a property. From the perspective of the farmer, the rental rate cannot be at a point where total costs of production exceed crop revenue.

### Factors That Determine Rental Value

Many factors should be considered when negotiating a price to rent farm ground. These factors include land productivity, location, site characteristics, previous cropping history, and supply and demand.

**Land Productivity** - One of the major factors used to determine a fair rental value is the productivity of the land. Not all land is equal. Land that is more productive and easier to work will be more expensive to rent than land that is less productive and harder to work. The productivity of the land is impacted by several factors such as soil drainage, soil fertility, soil type and topography.

Landowners should provide a recent soil test to determine the fertility value of the soil and to serve as a baseline for future years of the lease. Land rents



should be reduced for situations in which the tenant will need to add significant amounts of lime and fertilizer to increase productivity. The wetter the field, the lower the rent.

**Site Characteristics** - Location is a very important factor in determining rental rates. The closer the proximity to land already owned or rented is more attractive. Larger tracts of land will justify a higher rental rate. A field surrounded by houses or other development will diminish the rental value. Tree lines or woods on multiple sides of a field will also reduce the value. Pasture rental rates can be affected by fencing, buildings, water source and quality of seeding.

**Previous Cropping History** - Previous cropping history also impacts land rental rates. Land that has been fallow for years or is filled with undesirable vegetation will be of less value. Land that has been cropped recently and produces higher yields will bring a greater rate.

**Supply & Demand** - Ultimately, the land rental price will be determined by the number of farmers who are willing to rent the land. The more farmers interested in the land for agricultural use, the higher the land rent.

**Other Factors** - Other factors may impact the land rental price. These could include the ease of working with the landlord or tenant (personalities do matter), potential for wildlife damage, and “extra” services provided by the tenant. Extra services could include activities such as weed control on non-tillable acres, fence repair, cutting firewood, snow removal, mowing, and other tasks that have value to the landlord. Services like these may allow a tenant to pay a discounted rental rate. Additionally renting to a family member or having a desire to help a young person get started may also lower the rate.

## Knox County Land Rental Rates

The average cropland rent in Knox County for 2022 was \$ (NASS, 2022). Informal surveys of farmers and landowners indicate the range of land rentals to be \$75/acre to over \$250 per acre per year (OSU Extension). It should be remembered that this is only a range and each landowner and tenant should negotiate on a field by field by case basis.

The following are the average land rentals as published by the National Agricultural Statistics Service. For Knox County, the following yearly averages were reported:

<u>Year</u>	<u>Cropland</u>	<u>Pasture</u>
2022	\$129	
2021	\$132	\$50
2020	\$123	\$50.50
2019	\$130	\$51
2018	Not reported	

## Rental Rates in Surrounding Counties - 2022

<u>County</u>	<u>Cropland</u>	<u>Pasture</u>
Ashland	\$109	
Delaware	\$181	
Coshocton	\$96	\$28
Holmes	\$99.50	\$52
Licking	\$132	\$30
Morrow	\$153	
Richland	\$141	

The National Agricultural Statistics Service publishes an annual summary of rental rates across Ohio each year. More information can be found at: <http://quickstats.nass.usda.gov>