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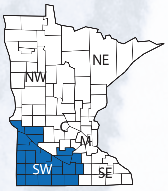

Regional Spotlight:
SOUTHWEST Planning Region

Landowners Reap Gains from High Commodity Prices

Rental rates for land have risen steadily in southern Minnesota's farm country in recent years, driven by high prices for corn, soybeans and other crops.

Last year was another record year for farm incomes, including big gains in cash receipts for both crop and livestock production, according to data from the U.S. Department of Agriculture (USDA). Those results followed record-setting farm incomes in 2011, along with huge gains in 2009 and 2010.

Ranked fifth in the U.S. in net farm income, Minnesota farmers have reaped the benefits of historically high prices for corn, soybeans and other crops. Despite drought and recession, the state's agriculture economy has remained strong in the last five years, with Minnesota's net farm income nearly doubling from 2007 to 2011.

Farm expenses, however, also rose rapidly in the last five years, with prices for seed, fertilizer and chemicals, fuel, machinery and equipment, repair and maintenance, labor, marketing, storage and transportation jumping more than 25 percent from 2007 to 2011.

Another increasing expense for farmers is cash rent for farmland, where landowners have responded to rising incomes and increased demand by raising their rates. According to the USDA, about 40 percent of U.S. farmland is rented, making it a significant part of the profit equation for farmers.

Leasing the Heartland

Data indicate that many landlords in southwestern Minnesota have asked for — and received — substantial price increases for their available acres. Farmland rental data taken from FINBIN — a database that includes records of more than 2,400 Minnesota farms — and a joint study conducted by the University of Minnesota Extension and the Center for Farm Financial Management show that average annual cropland rental rates have risen in each of the 19 counties in southwestern Minnesota with available data. In fact, with the exception of Swift County in 2010 and Cottonwood and Watonwan counties in 2009, cropland rental rates increased incrementally in each successive year in every county from 2007 to 2011 (see Table 1).

A basic premise of economics holds that supply and demand are driving forces in regional economies. For example, if there were more acreage available for lease than family or commercial producers to farm the land, prices would naturally decrease as lessors looked to attract leases for their land. Instead, farmland rental rates have increased due to revenue gains from higher commodity prices and increased competition from larger producers who are moving into new areas and often offering higher land rental rates than current contracts.

Some analysts and farm operators, however, are worried that if cropland rental rates keep rising in 2013 and beyond, and if total crop production also continues to rise or if grain prices drop, profits will be squeezed on both the revenue and expense sides, making farming a more difficult economic activity.

TABLE 1

Cropland Rental Rates Per Acre

	Average Rental Rates Per Acre					Percent Change
Region 6W	**2007**	**2008**	**2009**	**2010**	**2011**	**2007-2011**
Big Stone Co.	$78	$81	$87	$98	$102	+30.8%
Chippewa Co.	$108	$125	$140	$149	$159	+47.2%
Lac qui Parle Co.	$92	$97	$110	$112	$127	+38.0%
Swift Co.	$84	$98	$106	$105	$118	+40.5%
Yellow Medicine	n/a	n/a	n/a	n/a	n/a	n/a
Region 8	**2007**	**2008**	**2009**	**2010**	**2011**	**2007-2011**
Cottonwood Co.	$108	$143	$139	$148	$164	+51.9%
Jackson Co.	$119	$146	$145	$157	$167	+40.3%
Lincoln Co.	$107	$120	$152	n/a	n/a	n/a
Lyon Co.	$100	$119	$137	$140	$168	+68.0%
Murray Co.	$100	$120	$143	$154	$168	+68.0%
Nobles Co.	$117	$132	$140	$146	$168	+43.6%
Pipestone Co.	n/a	n/a	n/a	n/a	n/a	n/a
Redwood Co.	$104	$122	$140	$158	$173	+66.3%
Rock Co.	n/a	n/a	n/a	n/a	n/a	n/a
Region 9	**2007**	**2008**	**2009**	**2010**	**2011**	**2007-2011**
Blue Earth Co.	$136	$163	$171	$174	$194	+42.6%
Brown Co.	$119	$133	$148	$154	$173	+45.4%
Faribault Co.	$134	$152	$168	$173	$194	+44.8%
Le Sueur Co.	$121	$149	$153	$169	$179	+47.9%
Martin Co.	$133	$158	$177	$181	$210	+57.9%
Nicollet Co.	$127	$150	$161	$169	$197	+55.1%
Sibley Co.	$130	$149	$172	$192	$203	+56.2%
Waseca Co.	$126	$136	$145	$160	$175	+38.9%
Watonwan Co.	$122	$148	$146	$165	$177	+45.1%

Sources: University of Minnesota Extension and the Center for Farm Financial Management, "Cropland Rental Rates for Minnesota Counties"

Location, Location, Location

Even though many counties in the region saw population declines, the demand for farmland led to a steady expansion in real estate employment. It may seem strange that the region saw an increase in real estate jobs over the last five years, especially since total employment in southwestern Minnesota fell during the recession and recovery. But with farmland leases on the rise, the real estate industry welcomed job gains.

Through the first three quarters of 2012, there were 316 business establishments providing 1,276 covered jobs in the real estate, rental and leasing industry in southwestern Minnesota. In addition, the region had nearly twice as many jobs at self-employed real estate establishments, with 2,488 non-employers in 2010, according to data from the U.S. Census Bureau and the IRS (see Table 2).

Despite the recession, real estate jobs grew 1 percent in the region from 2008 to 2012, while self-employment in real estate jumped 14.4 percent from 2006 to 2010. Offices of real estate agents and brokers, which is the sector most often associated with the real estate industry, actually suffered a 20 percent decline both in covered employment and self-employment in the region in the last five years.

In contrast, the region saw huge increases in lessors of real estate, which includes farmland rental and leasing as described above, as well as lessors of residential buildings, nonresidential buildings, mini-warehouses and self-storage units. Self-employed lessors of real estate jumped 41 percent. Southwestern Minnesota also welcomed a 15 percent gain in covered jobs in activities related to real estate, such as property managers, real estate appraisers, and listing services and escrow agencies.

These job gains, and the demand for farmland real estate activities that is driving them, are a positive sign for the regional economy. Southwestern Minnesota is rich in farming and agriculture, and if crop prices stay high, the land will continue producing riches for farmers and landowners.

TABLE 2

Southwest Minnesota Real Estate Industry Employment

NAICS Code	Covered Employment	2008 Jobs	2009 Jobs	2010 Jobs	2011 Jobs	2012 Jobs	Change 2008-2012
53	Real Estate, Rental and Leasing	1,263	1,221	1,227	1,227	1,276	+1.0%
5311	Lessors of Real Estate	402	389	392	401	435	+8.2%
5312	Offices of Real Estate Agents and Brokers	129	118	101	100	103	-20.2%
5313	Activities Related to Real Estate	472	492	525	525	543	+15.0%
NAICS Code	**Self-Employment**	**2006 Firms**	**2007 Firms**	**2008 Firms**	**2009 Firms**	**2010 Firms**	**Change 2006-2010**
53	Real Estate, Rental and Leasing	2,174	1,964	1,742	2,510	2,488	+14.4%
5311	Lessors of Real Estate	1,088	965	825	1,535	1,537	+41.3%
5312	Offices of Real Estate Agents and Brokers	506	478	421	411	405	-20.0%
5313	Activities Related to Real Estate	434	409	389	457	443	+2.1%

Source: DEED Quarterly Census of Employment and Wages and U.S. Census Bureau