

Study Shows Kansas Cropland, Pasture Values Higher than Traditional Reporting Methods Indicate

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A new Kansas State University study indicates that using sales transaction data in determining the value of Kansas farmland shows a higher – in some cases significantly higher – value for the land than the traditional survey method derived from producer estimates of farmland value.

“The current growth in land values and the many businesses and personal decisions affected by these values warranted more extensive analysis to obtain estimates that were less aggregated than either the state or crop reporting district-level values that were available,” said K-State Research and Extension agricultural economist Mykel Taylor. “For this study, we obtained sales transaction data from the Kansas Property Valuation Department, which reflect agricultural land sales in Kansas.”

A paper outlining the study is available online at Farm Management: Leasing.

<http://www.agmanager.info/farmmgmt/land/lease/default.asp>

Taylor, along with K-State agricultural economist Kevin Dhuyvetter, embarked on the study in part because state budget cuts in 2009 forced changes in the way land values are reported in Kansas. Prior to 2009, the Kansas Agricultural Statistics Service conducted farmer surveys which allowed land values to be reported at the crop reporting district (CRD) level. “Unfortunately, the CRD-level estimates reported by KAS were discontinued in 2009, so now, no official government-reported data exist of regional values,” Taylor said.

KAS does, however, report state average values for irrigated, non-irrigated, and pasture land, based on an annual survey of agricultural producers, asking for their estimate of the value of cropland and pasture land they operate.

Several potential problems exist with these data, however, Taylor said. “The data for these estimates is a survey of people’s opinions, which may not be highly attuned to the current land market.”

For example, she added, the KAS data have typically lagged behind estimates based on market data, suggesting that changes in land values are moving faster than people not actively engaged in the land markets realize.

“In all cases, the survey-based estimates are lower than the market-based estimates derived from sales transaction data,” Taylor said. “For non-irrigated cropland, the analysis using PVD transactions data suggests a state-level value of \$2,516 an acre, a 48 percent increase over the 2012 KAS-reported value of \$1,700 an acre.

Pasture values are similarly understated by the survey method, she added, noting that the transactions data estimate of \$1,589 per acre for the state is 67.2 percent higher than the KAS-reported value for 2012.

Next weeks article will provide the influence of this study on cash rent values.