

# Who Owns and Rents Iowa's Farmland?

Farmland is arguably the largest single item in a typical investment portfolio of US farmers and the USDA Economic Research Service (USDA-ERS) projects nearly \$2.3 trillion in real estate equity for the US farm sector in 2014, which accounts for about 85 percent of the equity for the entire farm sector (USDA-ERS 2015). For Iowa, farmland not only represents the base for our agricultural production; farmland, including buildings, represents over \$259 billion dollars of wealth in the state. After enjoying a decade of growth, farmland values in Iowa and in the Midwest are expected to further decline, which sparks recent interest on topics related to land values, land ownership and land tenure. Who owns, buys, and rents Iowa's farmland, how it is farmed, and who will be vulnerable to potential declines in value are important questions for the future well-being of both Iowa farmers and the agricultural sector of the state in general.

To understand more about the rented land and who owns it across the country, USDA's National Agricultural Statistical Service (NASS) and USDA-ERS conducted and just recently released the results of the 2014 Tenure, Ownership, and Transition of Agricultural Land (TOTAL) survey.

TOTAL is a special study as part of the Census of Agriculture program to collect data from landowners and landlords of agricultural land, including non-operator landlords. This survey collected data in the 48 contiguous states on landlords' acres rented out, income, expenses, assets, debt, land transfer plans, landlord demographics, and more. This is the most up-to-date nationwide information on agricultural land owners, operators, and non-operators – and serves as an update for Agricultural Economics and Land Ownership Survey (AELOS), the latest of which is already 15 years old. Two of the most striking findings of the survey are about half of Iowa's farmland is rented or leased from someone else and Iowa ranks second in the nation in total agricultural rent received at \$3.7 billion, following Illinois. This article explores some additional highlights of Iowa landlords from the report.

## Land Ownership Arrangements

Table 1 shows the number of operator and non-operator landlords by ownership arrangements for Iowa, the Midwest and the nation as a whole. TOTAL defines the Midwest as Iowa, Illinois, Minnesota, Wisconsin, Indiana, Ohio, and Michigan. The results suggest that non-operator landlords – landowners who rent out land but do not farm

**Table 1. Landlords by ownership arrangements in Iowa, Midwest and U.S., 2014**

	Iowa	Percent	Midwest	US
Operator Landlords	20,453	19.4%	107,955	280,044
Non-operator Landlord	84,741	80.6%	607,263	1,851,796
Individual	48,897	46.5%	344,044	1,092,551
Partnership	17,078	16.2%	118,759	361,826
Trust	13,589	12.9%	100,239	249,632
Corporation	4,266	4.1%	26,877	91,011
Other	1,860	1.8%	17,344	56,776
Total	105,194	100%	715,218	2,131,840

*Numbers in this table may not add due to rounding, and the Midwest is defined as Iowa, Illinois, Minnesota, Wisconsin, Indiana, Ohio, and Michigan.*

land themselves – account for the majority of land-owners in each of the three geographic definitions: 80.6 percent in Iowa, 84.9 percent in the Midwest, and 86.9 percent in the contiguous U.S. Iowa, in particular, had 105,194 total landlords in 2014, of which 20,453 are also farmers or ranchers.

TOTAL further classify the non-operator landlords into five categories:

- individuals,
- partnerships,
- family or nonfamily corporations,
- trusts, or
- other.

Individual ownership is the most common in Iowa, accounting for nearly half of all landlords in the state. The second most common ownership arrangement for non-operator landlords is partnership, which represents 16 percent of all landlords in Iowa and followed by trusts. Family and nonfamily corporations account for only 4 percent of all landlords in Iowa, while less than 2 percent of landlords are municipalities or rent out land under more than one arrangement. The breakdown of landlords by ownership arrangement is very similar to the regional trends in the Midwest and the national average. However, there are minor differences from state to state. In Illinois, for example, trusts were the second most common ownership arrangement at 18.2 percent of all landlords (Kuethe 2015).

In 2014, the 105,194 landlords rented out 16.33 million acres of farmland (cropland and pastureland) in Iowa, and account for more than half of Iowa’s 30.6 million acres of agricultural land base across the state. In contrast, TOTAL reports that about 39 percent of the 911 million acres of farmland are rented out in the survey states across the country.

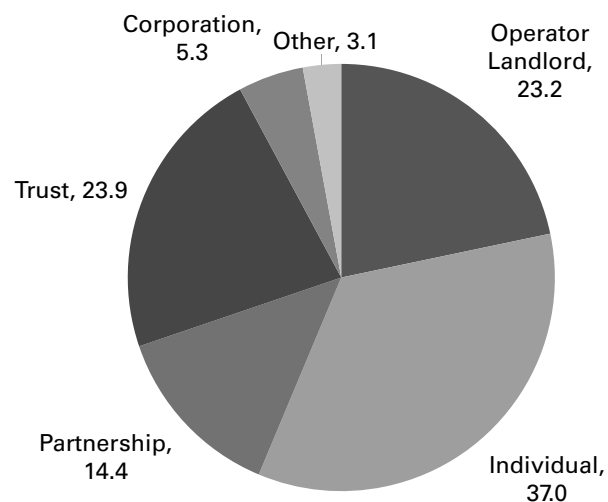
Figure 1 shows how the land rented out is divided by ownership arrangements. Of these acres rented out, only 23 percent were rented out by operator landlords – who not only operate on owned acres but also rent additional land, and 77 percent by non-operator landlords.

While only 19.4 percent of landlords operate on a farm, the operator landlords account for more than 23 percent of total acres rented out, suggesting that current operators tend to rent larger fields, all else being equal. Similar trends can be found for trusts and corporations. In particular, only 12.9 percent of all landlords in Iowa own land as a trust, they rank second in all ownership arrangements based on share of rented acreage at 23.9 percent, which exceeds the share of acres rented out by landlords in a partnership arrangement. In contrast, individual non-operator landlords tend to rent out smaller tracks, all else being equal.

**Economics of Land Ownership**

In 2014, landlords in Iowa received \$3.74 billion in rent payments, the second highest in the United States behind Illinois (Table 2). Of the rent paid for Iowa farmland, 75.1 percent went to non-operator landlords. In particular, non-operator landlords who rent out land individually or in a partnership arrangement account for the majority of the rent, at 48.1 percent. All landlords in Iowa incurred \$0.84 billion in expenses and their debt related to the land they rented out was \$2.50 billion. The value of the land and buildings

**Figure 1. Share of rented acres by ownership arrangements, Iowa, 2014**



Total acres rented out in Iowa, 2014: 16.33 million acres.

they held on their rented out acres was \$100.63 billion. In Iowa, about 80 percent of this agricultural real estate on acres rented out was held by non-operator landlords, at \$78.51 billion. As shown in Table 2, the trends and proportions by ownership type and operation status is roughly the same across the Midwest and the country in general.

The \$0.84 billion in 2014 expenses in Iowa, for both operator landlords and non-operator landlords, include ownership expenses (interest, taxes) and production expenses (fertilizer, seed, feed, fuels, repairs, insurance, wages). As shown in Table 3, 64.2 percent of expenses incurred by all landlords in Iowa were ownership, and 35.8 percent were production, expenses. This

**Table 2. Rent, Expenses, Debt and Asset Values by Ownership Type in Iowa, \$ Billions, 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

*Numbers in this table may not add due to rounding.*

*\*Refers to non-operators landlords who rent out agricultural land under more than one ownership arrangement.*

**Table 3. Ownership and Production Expenses and Share of Landlord Expenses, Iowa, 2014**

	Ownership Expenses		Production Expenses	
	\$ millions	% of landlord expenses	\$ millions	% of landlord expenses
Iowa Total	542.2	64.2	302.7	35.8
Acres Rented Out (1-49 acres)	24.5	83.1	5.0	16.9
Acres Rented Out (50-99 acres)	62.8	82.6	13.3	17.4
Acres Rented Out (100-199 acres)	147.5	75.7	47.3	24.3
Acres Rented Out (200-499 acres)	186.6	65.7	97.5	34.3
Acres Rented Out (500-999 acres)	71.1	51.8	66.1	48.2
Acres Rented Out (1000-9999 acres)	49.8	40.4	73.6	59.6
Midwest Total	2,401.2	65.2	1,280.0	34.8
USA Total	6,343.7	68.7	2,896.9	31.3

share of ownership costs is consistent with other Midwestern states but lower than the national average because the Midwest and the Plains have the lowest share of ownership expenses. More interestingly, as the total acres rented out increase, the share of ownership expenses decreased from more than 80 percent when only renting out less than 100 acres to only 40 percent when renting out more than 1,000 acres in total.

### **Who Owns Iowa's Farmland – the Demographics of Non-operator Landlords**

Of the 84,741 non-operator landlords in Iowa, 65,398 can be called “principal landlords”, who are either individual owners or the principal in a partnership arrangement. Table 4 presents the breakdown of these principal non-operator landlords by age group, education, farming experience and gender, as well as corresponding financial indicators for each group.

Table 4 confirms alarming trends in the aging landowner population. The average age of principal landlords in Iowa in 2014 was 68.5 years, which is almost 10 years older than the principal farm operators, whose average age was 57.1 years in 2012 from the Census of Agriculture (USDA NASS 2014). More than half (62 percent) of principal landlords were 65 years or older in 2014.

For all the land rented out in Iowa in 2014 by principal non-operator landlords, over 70 percent was owned by someone over the age of 65. In comparison, over half (56 percent) of all farmland in Iowa was owned by someone over 65, according to the Iowa State University Farmland Tenure and Ownership Survey (Duffy 2014). They account for roughly 70 percent of the rent received and the value of land and buildings. In 1982, 12 percent of the farmland in Iowa was owned by those over 75 (Duffy 2014), and now it is more than double that amount at about 30 percent of farmland.

Most principal landlords have college education: 26 percent have some college, and 36 percent have four or more years. A little over half (60 percent) of Iowa's farmland rented out by principal landlords

is owned by males and 40 percent by females. Roughly 40 percent of these principal landlords never farmed before, and 45 percent are retired from farming. Principal owners who retired from farming own 54 percent of all acres rented out, suggesting that they own relatively larger fields. Principal owners who never farmed may have inherited only a portion of a farm from a previous generation, creating split tracts and smaller fields as land is handed down.

The distribution of rent, expenses, assets, and debt by demographic groups are generally in line with the distribution of total acreage rented out by these groups. However, there are several findings especially related to debt in Table 4 that are worth noting. First, female principal landlords tend to bear much more debt than their male landowner counterparts by accounting for 89 percent of total debt on only 40 percent of land rented out. Second, early-stage (less than 34 years old) and mid-stage (45-64 years old) principal landlords tend to bear larger debt than more experienced and late-stage landlords. This is likely because beginning farmers need more debt to start the farm operation and the late-stage landlords have been around long enough to pay down their debt. Finally, principal landlords who are not retired from farming tend to have more debt and more expense per acre, and principal landlords who hold a Bachelor's degree or higher tend to have more debt on the acres they rented out as well.

### **How Did Landlords Acquire the Land They Rent Out?**

In Iowa, operator landlords purchased more than 70 percent of the land they rent out from a non-relative, a relative, or at auction. In contrast, non-operator landlords in Iowa inherited or received as a gift about half of the land they rent out (Table 5). Purchase from a non-relative occurred more frequently than purchase from a relative or at auction. Of all acres rented out, 41.4 percent were inherited or received as a gift, followed by purchased from a non-relative which accounts for 36.7 percent of all farmland rented out.

**Table 4. Non-operator principal landlords – individuals or partnership: income, expenses, assets, debt by demographics in Iowa, 2014**

	Non-operator Principal Landlords – Individual or Partnership		Rent Received	Expenses	Value of Land and Buildings	Total Debt	
	(Acres rented to others, mil.)	(Number)					(\$ billions)
Total	8.43	65,398	\$1.80	\$0.41	\$49.82	\$1.14	
	Percent		Percent				
<b>Age</b>	< 55 years	7.0	14.4	7.5	7.0	7.3	NR
	55 to 64 years	21.5	22.9	23.7	23.2	23.9	33.3
	65 to 74 years	29.5	28.2	30.6	26.0	27.9	23.0
	75 to 84 years	24.2	18.6	23.8	28.0	23.2	NR
	85+ years	<u>17.7</u>	<u>15.9</u>	<u>16.9</u>	<u>15.8</u>	<u>20.3</u>	<u>NR</u>
	All ages	100	100	100	100	100	100
	Percent		Percent				
<b>Education</b>	High school or less	39.5	37.9	40.8	43.0	38.8	35.4
	Some college	24.7	26.3	20.8	19.2	26.4	15.2
	College graduate or more	<u>35.8</u>	<u>35.7</u>	<u>35.4</u>	<u>37.8</u>	<u>37.4</u>	<u>49.5</u>
	All education	100	100	100	100	100	100
	Percent		Percent				
<b>Farming Experience</b>	Never farmed	33.9	40.2	35.4	32.0	35.8	31.9
	Retired from farming	53.6	44.8	51.7	49.3	54.3	40.5
	Not retired from farming	<u>12.5</u>	<u>15.0</u>	<u>12.9</u>	<u>18.7</u>	<u>12.5</u>	<u>27.6</u>
	All experience	100	100	100	100	100	100
	Percent		Percent				
<b>Gender</b>	Male	59.6	58.4	62.3	69.2	63.8	11.0
	Female	<u>40.4</u>	<u>41.6</u>	<u>37.7</u>	<u>30.8</u>	<u>39.2</u>	<u>89.0</u>
	All Gender	100	100	100	100	100	100

NR – numbers not reported.

### A Look Ahead: Ownership Transfer in the Next Five Years

The TOTAL survey asked landowners about their plans for transferring ownership in the next **five years** – what they plan to do not only with the land they currently rent out for agricultural purposes but with all their land. All landlords in Iowa expect to transfer out 1.7 million acres of all the acres they rent out over the next five years, which account for about 11 percent of all acres rented out. For all farmland they own in Iowa, they expect to transfer out 2.68 million acres in the next five years, which is about 9 percent of the total agricultural land base in the state, not including land expected to be in wills (about 2.38 million acres). Of land slated for ownership transfer, landlords expect to keep or put more than

60 percent of these acres in trusts. Less than 10 percent of land is expected to be sold to a non-relative, while more than 20 percent is expected to be sold to a relative or given as a gift. This means only a small percentage of farmland will be available for new entrants into the farming sector in Iowa.

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**Table 5. Acquisition of land rented out to others, Iowa, 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	<u>0.9</u>	<u>0.9</u>	<u>0.9</u>
Total	100	100	100
Total Acres Rented Out	3,786,869	12,546,625	16,333,494

**Table 6. Five-year plan to transfer acres rented out and all farmland in Iowa, 2014**

	All Acres Rented Out		Non-operator Landlord		All Farmland	
	Acres	Percent	Acres	Percent	Acres	Percent
Put or keep in a trust	1,212,602	69.5	615,228	57.2	1,730,267	64.5
Sell to a non-relative	155,912	8.9	137,114	12.7	199,315	7.4
Gift	92,067	5.3	NR	NR	134,839	5.0
Sell to a relative	<u>233,802</u>	<u>13.4</u>	<u>NR</u>	<u>NR</u>	<u>569,202</u>	<u>21.2</u>
Total to Transfer	1,744,444	100	1,075,983	100	2,683,684	100
Put or keep in will	1,586,081		1,265,885		2,378,860	

NR - numbers not reported

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