

Maryland Agriculture Lending Conditions, Land Values and Cash Rental Rates 2018

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Individuals looking to lease or purchase farmland should always develop a budget to determine an appropriate amount of rent for their financial situation. This report provides information on current land values, cash rental rates, and fixed interest rates for producers, landowners, and professionals in the agricultural real estate and finance sectors. The report is based on a University of Maryland Department of Agricultural and Resource Economics (AREC) and the University of Maryland Extension (UME) conducted in April-May 2018 survey conducted. Participants in the survey included agricultural lenders, appraisers, farm managers, and real estate agents, covering seven UME programming clusters in Maryland. No responses were received from the Capital and Southern Maryland Clusters.

This report contains the most current information available on land values for non-irrigated and irrigated cropland, pastureland, and forested land. The report also contains information on cash rental rates and expectations for movement up or down by survey respondents.

Maryland Ag Land Values and Cash Rents

The survey categorized responses from the UMD Agricultural Land Values and Lending Conditions Survey into seven responding UME programming clusters. Baltimore City is its own cluster and was left separate.

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The highest farmland value was reported in the Western cluster, with an average cost of \$10,000/acre for non-irrigated farmland (Table 1); the lowest value non-irrigated cropland was in the Mid-Shore cluster. Non-irrigated cropland averaged \$7,090 for the state (Table 1). For irrigated cropland, the highest cost per acre was \$8,500/acre in the Western and Central clusters, and averaging \$7,610/acre for the state. Similar to prices for non-irrigated cropland, the lowest priced irrigated cropland per acre was in the Mid-Shore cluster. Pastureland averaged \$6,881/acre for the state with the highest and lowest value pastureland in the Mid-Shore cluster and Lower Shore cluster, respectively. (Table 1). Forested land averaged \$4,164/acre in the state with the highest priced land per acre in the Baltimore City cluster. The lowest priced forest land is in the Lower Shore.

Table 2 highlights the farmland cash rental rates by cluster. For non-irrigated cropland, Baltimore City had the highest rental rate with \$150/acre and the Lower Shore cluster had the lowest cash rental rate at \$90/acre, with the statewide average cash rental rate for non-irrigated cropland at \$121/acre (Table 2). For clusters with irrigated cropland, the highest average cash rental rate is \$267/acre in the Upper Shore cluster and the lowest average cash rental rate was \$100/acre (Table 2). The statewide average cash rental rate for irrigated cropland was \$192/acre. Only two clusters reported averages for pasture land: Western cluster (\$82/acre) and Mid-Shore cluster (\$50/acre).

Maryland Ag Interest Rates

Lenders were also asked to provide information on current fixed interest rates being offered their best customers on short-term, intermediate-term, and long-term and real estate loans; see averages in Table 3. Baltimore City had the lowest average short-term interest rates at 4.67 percent and Central and Western clusters reported the highest interest rate, 5.25 percent, on short-term loans, with the average short-term

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interest rate at 5 percent (Table 3). For intermediate-term interest rates, the lowest average interest rate was in the Upper Shore cluster (4.98 percent) and the highest average interest rate was in the Western cluster (5.75 percent), with the average at 5.34 percent. For long-term and real estate loans, the lowest average interest rate was in the Western cluster (5.36 percent) and the highest average was in the Lower Shore cluster (6.67 percent). The average long-term and real estate interest rate for all reporting clusters was 6.06 percent.

Western Maryland Cluster: The Western Maryland cluster is made up of the counties in the northwest region of Maryland. The observed fair market sales for irrigated cropland per acre was \$8,500, non-irrigated cropland was \$10,000, pasture land was \$7,250, and forested contains lands, \$4,000. This is the largest disparity of prices throughout the clusters. Market sales averages for non-irrigated cropland and forested land are not expected to change. The market sales average for irrigated cropland is expected to increase. The cash rental rate per acre for irrigated cropland was \$100 and pasture land was \$85. These were the lowest value rental rates from this data in Maryland. The fixed interested was 5.25 percent for short-term loans, 5.75 percent for intermediate-term loans, and 5.375 percent for long-term and real estate loans.

Central Maryland Cluster: The majority of participants from this cluster operate in Frederick County. The observed fair market sales average for irrigated cropland per acre for these three counties was \$8,500, non-irrigated cropland was \$8,167, pasture land was \$8,167, and forested lands, \$4,400. Market sales averages for non-irrigated cropland (67 percent), pasture land (67 percent) and forested land (100 percent) were the percentage of participants who believed the market sales average will not change. Market sales averages for irrigated cropland are expected to increase. The cash rental rate for irrigated

cropland per acre was \$100, non-irrigated cropland was \$105, and pasture land was \$85 per acre. The fixed interest rate was 5.25 percent for short-term loans, 5.55 percent for intermediate-term loans and 5.58 percent for long-term and real estate loans.

Northern Maryland Cluster: The observed fair market sales are measured in dollars per acre. In this cluster, non-irrigated cropland was \$7,500, pasture land was \$6,500, and forested lands, \$4,933 per acre. Market sales averages for non-irrigated cropland (67 percent), pasture land (100 percent), and forested land (100 percent) are not expected to change. The cash rental rate for non-irrigated cropland was \$135 per acre. The fixed interest rate was 4.96 percent for short-term loans, 5.29 percent for intermediate-term loans, and 5.6 percent for long-term and real estate loans.

Baltimore City: Baltimore City is its own separate cluster. The observed fair market sales for non-irrigated cropland was \$8,000, pasture land was \$6,000, and forested lands, \$6,000 per acre. These averages are not expected to change in the next year. The cash rental rate for non-irrigated cropland was \$150. The fixed interest rate was 4.67 percent for short-term loans, 5.23 percent for intermediate-term loans, and 6 percent for long-term and real estate loans.

Upper Shore Cluster: The Upper Shore Cluster is made up of three counties. Out of this cluster's counties, Queen Anne's county has the most survey participants operating in that county, followed by Kent and Cecil counties. The observed fair market sales value for irrigated cropland was \$7,267, non-irrigated cropland was \$6,267, pasture land was \$7,000, and forested lands, \$5,500 per acre. Market sales averages for irrigated cropland (67 percent) and forested land (67 percent) are not expected to change. The cash rental rate for irrigated cropland was \$267 and non-irrigated cropland was \$122 per

acre. The fixed interest rate was 4.967 percent for short-term loans, 4.983 percent for intermediate-term loans, and 5.82 percent for long-term and real estate loans.

Mid-Shore Cluster: The observed fair market sales average for irrigated cropland in this region was \$6,614, non-irrigated cropland was \$5,429, pasture land was \$8,750, and forested lands, \$2,233 per acre. Mid-Shore had the lowest land value prices throughout the clusters. Market sales averages for irrigated cropland (57 percent), pasture land (60 percent), and forested land (86 percent) are not expected to change. The cash rental rate for irrigated cropland per acre was \$258, non-irrigated cropland was \$126, and pasture land was \$50. The fixed interest rate was 5.12 percent for short-term loans, 5.575 percent for intermediate-term loans, and 6.48 percent for long-term and real estate loans.

Lower-Shore Cluster: This cluster is located on the Southern Eastern Shore of Maryland. The majority of survey participants operate in Wicomico and Worcester counties. The observed fair market sales values per acre were \$7,167, \$5,500, \$4,500 and \$2,083 for irrigated cropland, non-irrigated cropland, pastureland and forested lands, respectively. Market sales averages for forested land are not expected to change. The cash rental rate for irrigated cropland per acre was \$142 and \$90 for non-irrigated cropland. The fixed interest rate was 4.75 percent for short-term loans, 5.17 percent for intermediate-term loans, and 6.67 percent for long-term and real estate loans.

Table 1: Farmland Values by Cluster in Maryland (\$/acre)				
<u>Cluster</u>	<u>Non-Irrigated</u>	<u>Irrigated</u>	<u>Pastureland</u>	<u>Forested Land</u>
Western	\$10,000	\$8,500	\$7,250	\$4,000
Central	\$8,167	\$8,500	\$8,167	\$4,400
Northern	\$6,267	n/a	\$6,500	\$4,933

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Baltimore City	\$8,000	n/a	\$6,000	\$6,000
Upper Shore	\$6,267	\$7,267	\$7,000	\$5,500
Mid-Shore	\$5,429	\$6,614	\$8,750	\$2,233
Lower Shore	\$5,500	\$7,167	\$4,500	\$2,083
Average	\$7,090	\$7,610	\$6,881	\$4,164

Table 2: Farmland Cash Rental by Cluster in Maryland (\$/acre)			
<u>Cluster</u>	<u>Non-Irrigated</u>	<u>Irrigated</u>	<u>Pastureland</u>
Western	n/a	\$100	\$85
Central	\$105	n/a	n/a
Northern	\$135	n/a	n/a
Baltimore City	\$150	n/a	n/a
Upper Shore	\$122	\$267	n/a
Mid-Shore	\$126	\$258	\$50
Lower Shore	\$90	\$142	n/a
Average	\$121	\$192	\$68

Table 3: Fixed Interest Rates on Agricultural Loans in Maryland			
<u>Cluster</u>	<u>Short Term</u>	<u>Intermediate Loans</u>	<u>Long-Term and Real Estate</u>
Western	5.25 %	5.75%	5.36%
Central	5.25%	5.55%	5.58%

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Northern	4.96%	5.12%	6.48%
Baltimore City	4.67%	5.23%	6.00%
Upper Shore	4.97%	4.98%	5.82%
Mid-Shore	5.12%	5.58%	6.48%
Lower Shore	4.75%	5.17%	6.67%
Average	5.00%	5.34%	6.06%

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