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# Ag Land Assessment Task Force

**Matthew Elliott**

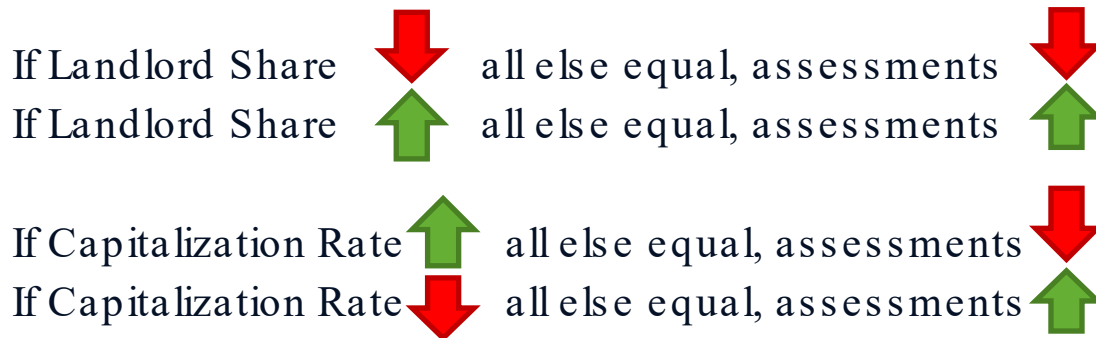
**Associate Professor Ness School of Management  
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# Productivity Formula

## Two Statutory Factors:

- Landlord Share: 35%
- Capitalization Rate: 6.6%

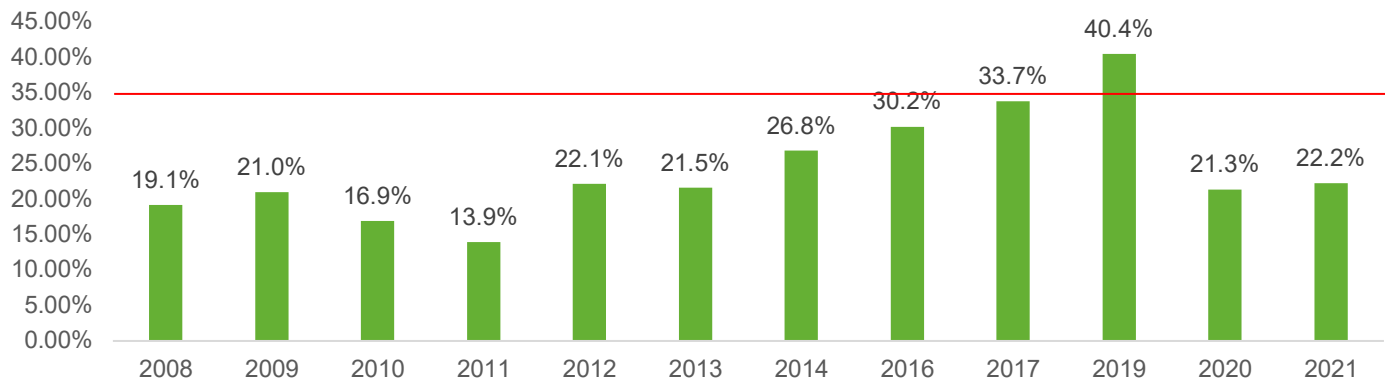
$$\frac{\text{County 8 yr olympic avg revenue per acre} * 35\%}{6.6\%} = \text{County Avg. Assessment}$$

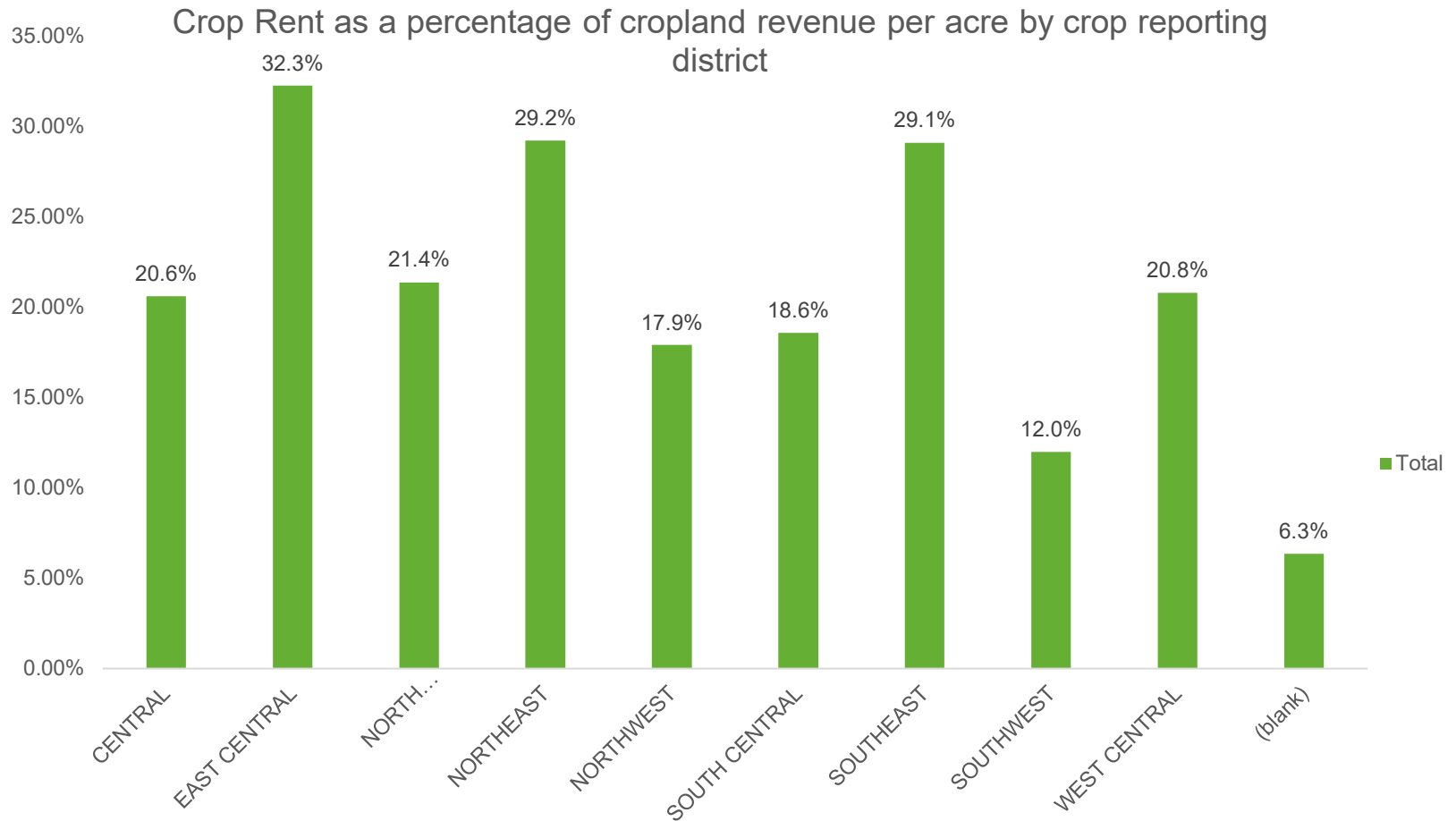


# Landlord Share

- The landlord share percentage can be compared with cropland cash rents.
- Landlord shares percentages of revenue per acre tend to be higher than cash rent as a percentage of revenue to account for assuming revenue risk.
- The statutory landlord share appears high— particularly when viewing central and western districts

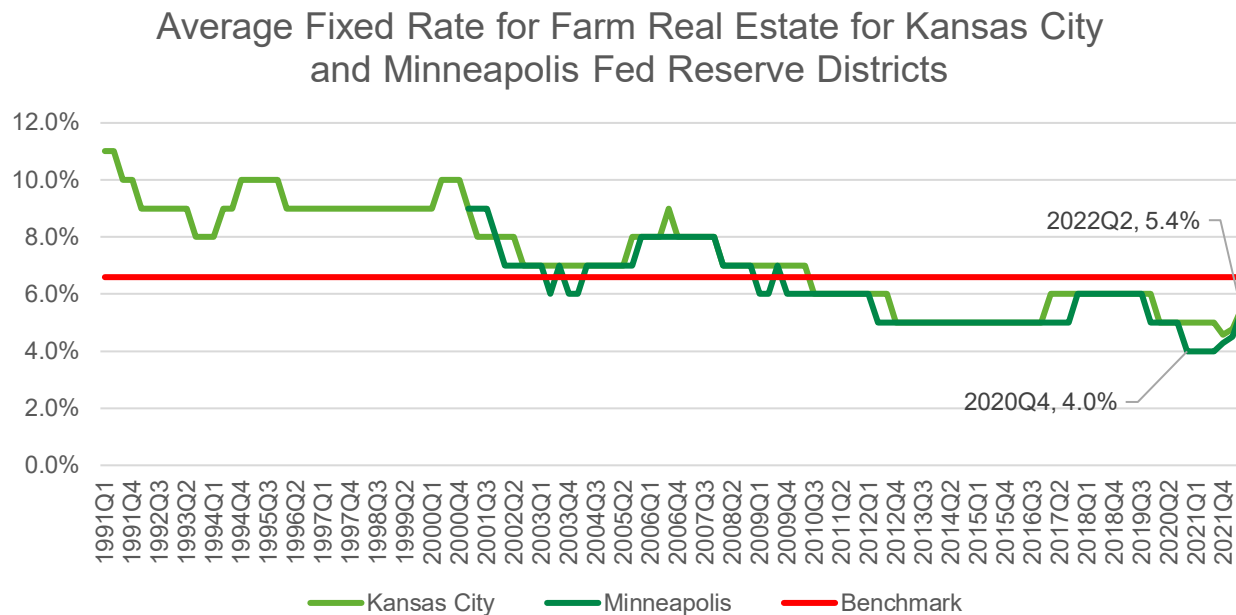
Crop Rent as a percentage of cropland revenue per acre in South Dakota By Year





# Capitalization Rate

- Capitalization rate can be compared with average fixed interest rate for farmland
- The statutory capitalization rate appears high— however recent changes in fixed rates have narrowed the gap



# Summary

- Statutory landlord share appears high for central and western districts (e.g., 30% may be more appropriate for a statewide value)
- The statutory capitalization rate has been too low since the inception of the productivity formula but more recently that gap has narrowed.

For every \$100 in cropland revenue per acre a 5% decrease in landlord share (e.g., 30%) would decrease land value assessments by \$75 per acre with a 6.6% cap rate.

For every \$100 in cropland revenue per acre a 1% decrease in the cap rate (e.g., 5.6%) would increase land assessments by \$95 per acre with a 35% landlord share.



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