

The Dairy Business

By
Newton Bair

FAIR RENTAL VALUES (FOR LAND) — At one time or another, most farmers find themselves in the position of being either a landlord or a renter. So, the problem of establishing a fair rental value for land is worth considering.

Land Only Rental
If you check with your neighbors, you'll find a wide range of values. Anything from \$10 an acre land rental to \$100 or more can be found in Southeastern Pennsylvania. The factors that determine these values are the use to be made of the land, the urgency for renting

extra land, the fertility and ease of tillage, and the amount of competition for a given parcel. And all of these can be tempered by some traditions and precedents established in the community.

In order to arrive at land rental rates strictly from agricultural values, we can use two methods. First, as a percentage of its agricultural use value, and second, by capitalizing the investment value. Whichever method we use, the rental should be tied to the productive capacity of the soil. In either case, the

Lebanon Co. DHIA

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Jesse L. Weaver	B3	54.4	82.2	42.7	3.7	1.57
Phares Z. Musser	3	53.7	79.6	40.9	3.8	1.57
Ivan M. Weiler	B3	63.2	81.6	41.8	3.7	1.56
J. Zimmerman	B3	88.1	83.5	43.5	3.6	1.56
R. Zimmerman	B3	84.4	92.5	42.0	3.7	1.55
Clyde E. Deck	G3	68.5	76.6	40.6	3.8	1.54
Melvin M. Nolt	B3	51.0	91.5	40.2	3.8	1.53
J. N. Smith & Son	2	80.9	85.6	31.3	4.9	1.52
Lentzdale Farms	B3	74.3	80.6	37.9	4.0	1.52
Raymond K. Martin	B3	41.8	78.4	37.5	4.1	1.52
H. E. Bomgardner	B3	46.7	84.9	40.1	3.8	1.52
Ray R. Sattazahn	B3	104.6	86.5	42.6	3.5	1.51
Richard Batz	3	28.1	72.8	40.8	3.7	1.51
Enos Zimmerman	B3	65.6	93.1	36.8	4.0	1.49
Jeffrey D. Rymoff	B3	30.0	85.4	39.0	3.8	1.49
Hollow Pride Farm	B3	38.0	81.3	37.0	4.0	1.49
Galen Bollinger	B3	133.1	95.1	46.9	3.2	1.48
Harold Myer	B3	221.4	92.9	44.0	3.3	1.47
A. R. McCrone	B3	36.9	97.1	39.8	3.6	1.45
S. Mt. Echo Fm	B3	100.9	90.4	36.6	4.0	1.45
Melvin M. Nolt	B3	51.0	88.6	38.7	3.7	1.45
Gluck Auf Farm	B8	27.6	94.4	39.8	3.6	1.44
Warren Hetrick	B3	35.0	94.2	38.0	3.8	1.43
M. M. Bennetch	3	125.4	88.3	36.4	3.9	1.41
T. E. Hostetter	B8	35.0	83.8	34.6	4.1	1.41
D. & D. Bucher	G3	63.6	87.2	35.5	4.0	1.41
J. E. Gelsinger	B3	52.0	73.0	39.1	3.5	1.38
R. Sollenberger	G4	35.3	93.8	24.3	5.6	1.37
Dennis L. Showers	B3	40.1	89.5	35.5	3.8	1.35
L. M. Martin	G3	50.0	83.5	36.2	3.7	1.34
David B. Lehman	B3	34.7	80.2	36.7	3.6	1.33
Donald Bomberger	4	50.0	92.0	24.5	5.2	1.28
John H. Tschudy	B1	40.4	83.6	28.4	4.3	1.23
R. Emrich & Son	G3	96.2	88.8	29.9	4.1	1.23
Isaac E. Zimmerman	3	20.8	72.5	29.3	4.2	1.23
Kenneth E. Ober	G3	34.2	76.3	31.1	3.9	1.21
Amos Balsbaugh Jr.	3	38.0	63.1	30.5	3.7	1.12
Carl J. Bross	B3	66.7	89.4	27.2	4.0	1.09
John H. Stick	1	33.1	77.7	22.0	4.0	0.88
Den Mr Goat Dairy	B8	16.0	68.8	4.7	3.4	0.16

rental figure per acre, per year is only a starting place for final negotiation between two parties.

Percent of Agricultural Use Value

Regardless of the prices currently being paid for farmland and on whatever basis they are justified, true agricultural value of land can be figured in only one way. That way is the net annual return from crops produced on it. On a dairy farm, the maximum return is realized from corn and alfalfa. The net annual return from an acre of good land growing corn and alfalfa is currently about \$160. This is derived using actual figures compiled over the last several years from the Pennsylvania 5 Acre Corn and 5 Acre Alfalfa Contests. Since contest fields are generally above average, we can assume this figure is pretty high. A more accurate average is probably \$100 net return from corn and alfalfa. (The range could be from \$50 to \$200 — calculations will have to be based on your value.) Decide for yourself what portion of the net return per acre can be paid out in rent.

Remember that the tenant assumes all risks of yield and price.

Land Rental Based on Capital Value

From the viewpoint of the landlord, this method seems reasonable, but good judgement must be used in setting a value on the land. The following calculations are based on annuity tables and reveal the actual annual return needed to justify an investment in land.

Example #1 — If you borrow \$1000 at 12 percent interest to purchase one acre of land for farming purposes, the land must NET \$133.88 annually in order to amortize the loan in 20 years. Even 30 year amortization requires \$124.14 a year net. \$1,500 an acre land will require a NET return of \$200.82 to pay a 12 percent mortgage. Caution: nobody can afford that kind of rent at present prices for corn and alfalfa!

N.J. passes legislation to hike hunting fees

TRENTON, NJ — Newly-enacted legislation has increased the price of a New Jersey general hunting license from \$10 to \$13.50 per year.

In addition to the general license fee increase, the new law increases the fee for bow and arrow hunting from \$10 to \$15 per year. Special deer permits which formerly cost \$5 will now cost \$10 a year.

Those who formerly purchased a rifle permit for \$3 will now pay a fee of \$5 per year.

The price of the New Jersey pheasant and quail stamp, which formerly was \$5, has now risen to \$15.

And the trapping license, which used to cost \$10, will now be priced at \$20 per year.

For those who are 14 and 15 years of age and those who are 65 to 70 years of age, reduced license fees are available. The general license fee for those persons will be \$7; the bow and arrow hunting license will be

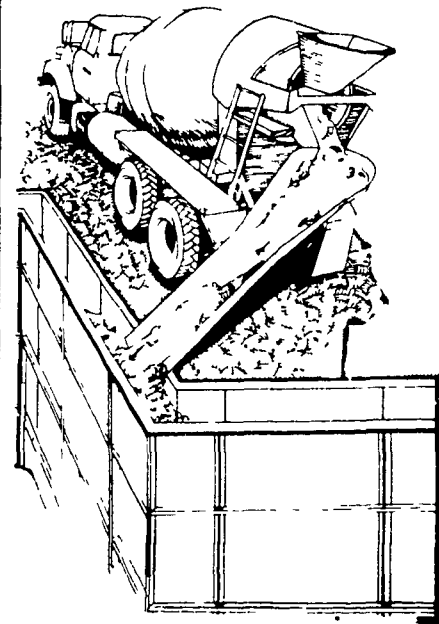
available for \$8, and a trapping license can be purchased for \$10.

In 1973, Pennsylvania license fees were raised to their present levels. A hunting and trapping license

for persons 12 through 16 years of age and for persons

65 years of age and older costs \$5.25; for a person 17 through 64 years of age the license is available for \$8.25

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