AGRICULTURAL LAND MANAGEMENT QUARTERLY
Website: cap.unl.edu/land
Agricultural Land Management Quarterly Presenters

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Webinar Outline: Monday, August 16, 2021 at 12:00 PM CDT

- 2021 Nebraska Farm Real Estate Survey and Report Estimates
  - Agricultural land values & cash rental rates
  - Special feature report on real estate transactions during COVID-19
- Landlord & Tenant Communication
  - Communicating crop progress on leased land
  - Terminating verbal leases and approaching deadline
- Ask an Expert
  - Review of submitted questions
  - Upcoming land management workshops and publications
2021 Nebraska Farm Real Estate Survey and Final Report

PRESENTED BY JIM JANSEN
Disclaimer

- Many cash rental rates in Nebraska were set prior to the economic shocks caused by COVID-19.
- The survey collection period for the Nebraska Farm Real Estate Report may partially reflect these rates and not account for possible adjustments.
- Landlords and tenants might consider amending contractual agreements to account for these shocks.
Nebraska Farm Real Estate Survey

- Annual survey conducted since 1978 of Nebraska agricultural appraisers, professional farm managers, and bankers engaged in the land industry
- Preliminary results for land values and rental rates published the second week of March.
- Full report published in June
- Nebraska Farm Real Estate website full access to these resources: https://cap.unl.edu/realestate
Nebraska Agricultural Statistics Districts
Nebraska Dryland Cropland Rental Rates - 2021
Final Report Estimates

Northwest $30/ac 9%
North $57/ac 11%
Central $98/ac 8%
South $84/ac 10%
Southwest $42/ac 12%
Northeast $225/ac 5%
East $220/ac 2%
Southeast $170/ac 3%
South $84/ac 10%
Nebraska Dryland Cropland Rental Rates - 2021
Final Report Estimates

By Region

North
- High Grade (H): $91/ac
- Average (A): $57/ac
- Low Grade (L): $45/ac

Northwest
- High Grade (H): $42/ac
- Average (A): $30/ac
- Low Grade (L): $24/ac

Southwest
- High Grade (H): $54/ac
- Average (A): $42/ac
- Low Grade (L): $35/ac

Central
- High Grade (H): $120/ac
- Average (A): $98/ac
- Low Grade (L): $88/ac

South
- High Grade (H): $120/ac
- Average (A): $94/ac
- Low Grade (L): $88/ac

Northeast
- High Grade (H): $265/ac
- Average (A): $225/ac
- Low Grade (L): $180/ac

East
- High Grade (H): $240/ac
- Average (A): $220/ac
- Low Grade (L): $175/ac

Southeast
- High Grade (H): $195/ac
- Average (A): $170/ac
- Low Grade (L): $130/ac
Nebraska Center Pivot Irrigated Cropland Rental Rates - 2021
Final Report Estimates

North: $210/ac - 8%
Northwest: $150/ac - 7%
Southwest: $195/ac - 5%
Central: $235/ac - 2%
South: $235/ac - 7%
East: $290/ac - 4%
Northeast: $305/ac - 5%
Southeast: $280/ac - 6%
South: $235/ac - 7%
Nebraska Center Pivot Irrigated Cropland Rental Rates - 2021
Final Report Estimates

North
H: $255/ac
A: $210/ac
L: $180/ac

Northwest
H: $170/ac
A: $150/ac
L: $125/ac

Southwest
H: $230/ac
A: $195/ac
L: $165/ac

Central
H: $275/ac
A: $235/ac
L: $195/ac

South
H: $265/ac
A: $235/ac
L: $185/ac

Northeast
H: $345/ac
A: $305/ac
L: $260/ac

East
H: $330/ac
A: $290/ac
L: $250/ac

Southeast
H: $310/ac
A: $280/ac
L: $240/ac

By Region
High Grade (H)
Average (A)
Low Grade (L)
Nebraska Cow-Calf Pair Monthly Rental Rates - 2021
Final Report Estimates

By Region
High Grade (H)
Average (A)
Low Grade (L)

Northwest
H: $48.90/pair
A: $39.55/pair
L: $32.75/pair

North
H: $69.65/pair
A: $63.10/pair
L: $52.80/pair

Southwest
H: $59.40/pair
A: $51.65/pair
L: $43.70/pair

Central
H: $68.70/pair
A: $58.95/pair
L: $42.10/pair

Northeast
H: $72.35/pair
A: $60.75/pair
L: $47.45/pair

East
H: $65.85/pair
A: $55.20/pair
L: $45.50/pair

Southeast
H: $64.45/pair
A: $54.90/pair
L: $38.35/pair

South
H: $61.55/pair
A: $49.80/pair
L: $39.85/pair
# Adjustments Made to Nebraska Land Auctions Due to COVID-19 in 2020

<table>
<thead>
<tr>
<th>Adjustment to Transaction Method</th>
<th>Response Rate</th>
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<tbody>
<tr>
<td>Increased Online Auctions</td>
<td>31.5</td>
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<tr>
<td>More Combination Online &amp; Public Auctions</td>
<td>27.9</td>
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<tr>
<td>Remained Unchanged</td>
<td>10.6</td>
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<tr>
<td>Decreased Public Auctions</td>
<td>17.3</td>
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<tr>
<td>Delayed Listing Land</td>
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Major Considerations Identified by Land Industry Professionals for Listing Land through an Online Auction in Nebraska

### Planned Adjustments to Nebraska Land Auction Methods Post COVID-19 in 2021

<table>
<thead>
<tr>
<th>Adjustment to Transaction Method</th>
<th>Response Rate</th>
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</thead>
<tbody>
<tr>
<td>Increased Online Auctions</td>
<td>23.4</td>
</tr>
<tr>
<td>Increased Public Auctions</td>
<td>9.7</td>
</tr>
<tr>
<td>More Combination Online &amp; Public Auctions</td>
<td>55.1</td>
</tr>
<tr>
<td>Decreased Public Auctions</td>
<td>8.6</td>
</tr>
<tr>
<td>Decreased Online Auctions</td>
<td>3.2</td>
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</tbody>
</table>

Transaction Methods Identified by Land Industry Professionals for Land Sales in Nebraska

Landlord & Tenant Communication

PRESENTED BY ALLAN VYHNALEK
Good Communication for Agricultural Leases

• Time to be “checking out” the crop or grazing land
  • Tenant should consider taking the landlord out to visit the rented property
• Time to be discussing issues about the rented property
  • Consider different methods for addressing the challenges
    • What strategies might be available to incentivize the other party to help remediate an issue
      • Look for weed control, disease, or insect damage
      • Consider soil conservation practices for the future
    • If irrigating, what equipment needs are there?
Things to Observe on a Farm Visit

- Conditions to note and discuss on rented properties
  - Cropland
    - Uneven plant stand may indicate wet spots in fields
    - Weed issues with resistance and disease/insect pressure
    - Maturity of plants
  - Grazing land
    - Forage height and condition of plants
    - Overall weed pressure
    - Noxious weeds or brush
Verbal Leases and Approaching Deadlines

• Strongly encourage to terminate all verbal leases (handshake or oral agreement) and change to a written contract

• State of Nebraska requirements for terminating a verbal lease
  • Prior to September 1, 2021 notification required to terminate a verbal lease for the 2022 growing year
    • Notification must be given six months prior to March 1, 2022
      • Cropland leases require a six-month termination notice or the contract will automatically renew
      • Pasture leases are typically for five months and may not require a six-month termination notice
Value of a Written Lease

- Written leases carry a higher value over a verbal lease
- Protects the rights of both parties under the contract
  - Specific duties and rights of each party spelled out in the contract
- Documents lease terms for unforeseen events
  - An unforeseen passing of older landlords or tenants may require another party to step in and manage the estate
  - An absentee third party may not have current knowledge or experience in the agricultural industry
Great Time to Review Leases

• Things to be considering:
  • Reviewing conservation practices
  • Non-cropland weed control
  • Timing of leasing payment
  • When is your lease termination notice date?
  • Look over all other provisions
When should a lease be renegotiated?

• Maybe this is done at the same time every year
  • Avoids confusion and mistrust issues
• Does not have to be by September 1 (verbal lease termination deadline)
• No specific recommendation – just encouraging good communications
  • Tenants may desire renegotiating a lease early on to provide more certainty for securing crop inputs
AgLease101.org – Free PDF Leases

- AgLease101.org – Free PDF leases for landowners and operators

Ag Lease 101 helps both land owners and land operators learn about alternative lease arrangements and includes sample written lease agreements for several alternatives. Ag Lease 101 was created by and is maintained by the North Central Farm Management Extension Committee.
AgLease101.org – Free PDF Leases

**Lease Publications**
- Fixed and Flexible Cash Rental Arrangements for Your Farm (NCFMEC-01)
- Crop Share Rental Arrangements For Your Farm (NCFMEC-02)
- Pasture Rental Arrangements For Your Farm (NCFMEC-03)
- Rental Agreements For Farm Buildings and Livestock Facilities (NCFMEC-04)
- Purchasing and Leasing Farm Equipment (NCFMEC-05)
- Beef Cow Rental Arrangements For Your Farm (NCFMEC-06)
- Farm Building Rental Rate Survey (NCFMEC-07)

**Lease Forms**
- Cash Farm Lease (NCFMEC-01)
- Crop Share Farm Lease Cash Farm Lease (NCFMEC-02)
- Pasture Lease (NCFMEC-03)
- Farm Building or Livestock Facility Lease (NCFMEC-03A)
- Farm Machinery Lease for Non-commercial Transactions (NCFMEC-05A)
- Livestock Rental Lease (NCFMEC-06A)
ASK AN EXPERT

PRESENTED BY JIM JANSEN & ALLAN VYHNALEK
Land Management Questions

• Question: How should a flexible cash lease be arranged (adjusted) with a rise or fall in grain prices?

• Answer: A flex lease can account for changes in grain prices, crop yield, or revenue.

If Rent Rises Above $210, the Default Max Payment is Made

| Maximum Rent | $210 |

If Rent Falls Below $140, the Default Min Payment is Made

| Minimum Rent | $140 |
Flexible Crop Lease

- Flexible lease where corn prices decrease and increase

<table>
<thead>
<tr>
<th>Farm Base Rent</th>
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</thead>
<tbody>
<tr>
<td>Rental Rate</td>
<td>$175/ac.</td>
</tr>
<tr>
<td>5-yr Farm APH</td>
<td>130 bu.</td>
</tr>
<tr>
<td>Planting Time Price Guarantee</td>
<td>$4.58/bu.</td>
</tr>
</tbody>
</table>

Harvesting-Time Price Increase

| Actual Harvest Time Price Guarantee | $5.03/bu. |
| Difference ($5.03/bu. - $4.58/bu.) | $0.45/bu. |
| Percent [($5.03/bu. - $4.58/bu.) / $4.58/bu.] x 100 | 9.8 % |

Final Rent

| Rental Rate | $175/ac. |
| Percent Increase in Rent ($175 x 9.8%) | $17/ac. |
| Final Rent | $192/ac. |

Harvesting-Time Price Decrease

| Actual Harvest Time Price Guarantee | $4.13/bu. |
| Difference ($4.13/bu. - $4.58/bu.) | -$0.45/bu. |
| Percent [($4.13/bu. - $4.58/bu.) / $4.58/bu.] x 100 | -9.8 % |

Final Rent

| Rental Rate | $175/ac. |
| Percent Decrease in Rent ($175 x -9.8%) | -$17/ac. |
| Final Rent | $158/ac. |
Land Management Questions

• Question: What provisions need to be in a verbal lease termination letter?

• Answer: Proper termination letters need to have the appropriate information for the parties and rented property. Things to include in a termination letter might include:
  • Date
  • Name and address of landlord and tenant
  • Legal description of property
  • Terms stating the termination of the lease
• Consider consulting an attorney who may send out a termination letter for a nominal fee
• Send via Certified mail with return receipt
Land Management Questions

- **Question:** If the ground will be sold and the current lease ends on February 28, 2022 - does notification need to be given to the tenant on lease termination?

- **Answer:** Professional courtesy should be shown to the other party any time major changes are made to the ownership of land
  - Notifying sooner rather than later important so the tenant may make adjustments
  - What does the lease contain related to termination?
    - Written lease – does the lease end or contain a rollover clause?
    - Verbal lease requires termination prior to September 1, 2021
    - Any existing lease not terminated (or ended) will rollover to the new owner!
Land Management Questions

- Question: Online participants may now submit their questions
- Answer: Review of questions and answers will be based upon remaining time available.
Upcoming Landlord & Tenant Cash Rent Meetings

- Website: cap.unl.edu - scroll to the bottom of the webpage to see upcoming meetings

- **AUG 16**
  - Land Management Quarterly Webinar
    - UPDATED CASH RENTS, LAND VALUES, REAL ESTATE REPORT.
    - 12:00 AM
    - Online (via Zoom)

- **AUG 17**
  - Ag Land Leasing and Management Workshop
    - LINCOLN
    - 10:30 AM
    - Lancaster County Extension

- **AUG 18**
  - Ag Land Leasing and Management Workshop
    - WILBER
    - 9:00 AM
    - Saline County Extension

- **AUG 18**
  - Ag Budget Calculator User Workshop
    - 1:00 PM
    - Online (via Zoom)

- **AUG 19**
  - Your Farm or Ranch: Estate? Succession? Legacy?
    - CENTER FOR AG PROFITABILITY WEBINAR
    - 12:00 PM
    - Online (via Zoom)

- **AUG 24**
  - Ag Land Leasing and Management Workshop
    - DAKOTA CITY
    - 1:30 PM
    - Dakota County Extension
Upcoming Webinar: Monday, Nov. 15, 2021 at 12:00 PM CST

Topics:

• USDA Land Management Highlights
  • 2021 county-level cash rental rate estimates
  • ARC & PLC

• Landlord & Tenant Communication
  • Harvest season reports and closing out the lease
  • Considerations for leases in 2022

• Ask an Expert
  • Review of submitted questions and from meeting participants
  • Upcoming land management workshops and publications
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