Basic Ag Land Leasing Decisions for 2022

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“We come and go, but the land is always here. And the people who love it and understand it are the people who own it – for a little while.”

— Willa Cather
Vision for the land that we own

- Should not be about how to generate the most profit
- We don’t get to take the ground with us when we are gone
- How have we made it better?
  - What should happen to the ground under my ownership?
    - Improve soil
    - Reduce erosion
    - Improve productivity

- Leaving the land in better shape should be our priority
Choices, Choices, Choices
For owned or inherited ground

• Sell!
• Keep in family?
  • Keep and farm it?
  • Keep and rent it
    • Manage the rental agreement yourself
    • Use land manager?

• The parties involved need to agree on that future
Communications - Important

• Most peoples’ goal is to hold the family together(?)
  • Don’t make that assumption – get that commitment
• Best way is to be open and clear with communications
• Be sure to include spouses and adult children/grand children – especially their spouses
• Put all options on the table
• Listen!!
Options for renting

• Crop share rent
• Cash rent
• Flexible cash rent

• What you choose is a function of the risk you care to take
Types of Cropland Leases

• **Crop Share**: landowner receives percentage of actual crop yield as payment for leasing the agricultural land to tenant. Landowner may share input and production costs of raising the crop.

• **Cash Lease**: landowner receives an agreed upon cash payment amount for leasing the agricultural land to the tenant.

• **Flex Lease**: landowner and tenant set a base cash rental rate which can flex upon actual crop yields, prices, or a combination of the two.
Crop Share Lease Agreements
Landlords engaged in crop share lease arrangements typically receive a percentage of the actual crop yield as payment for leasing the property to the tenant. Landowner usually shares input and production costs of raising the crop.
Crop Share = Fair or Equitable
It is a function of the RISK you can take

- A fair way to rent, if the expenses are split properly
- Usually requires both parties to market grain
- Share in the risk and the reward
Why or why not?

**PROS:**
- Shared management decisions
- More landowner control
- Opportunity for mentorship
- Tax management (timing of income and expenses)
- Share production risk… if crop is good

**CONS:**
- Landlords do not like to…
- Pay expenses
- Market their crop
- Share production risk… if crop is bad
What are typical shares?

• Most common 50:50, 40:60, or 33:67
  • Less amount going to the landowner
    Irrigated and Eastern Nebraska – 50:50
    Non irrigated in SE, SC, SW – 40:60
    Panhandle – 33:67
  • Depends on the crop, neighborhood and expenses
Simple modification of traditional crop share

• To avoid paying production expenses, landowners accept a smaller percentage of production
  • examples 25:75 or 30:70
Cash Leasing
Cash Leasing

Cash refers to a negotiated price paid to rent the ground for 12 months.

It is a function of ‘risk’ and the ‘reward’ or ‘kick in the rear’:

- When prices are rising, the tenant usually does better.
- When prices are dropping, the landlord usually does better.
- The tenant assumes all production risk.
Nebraska Cash Rental Rates

Dryland Cropland Rental Rates
Dryland Cropland Rental Rate Ranges – 2021 Season

By Region

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

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

- **Southeast**
  - High Grade (H): $195/ac
  - Average (A): $170/ac
  - Low Grade (L): $130/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

- **South**
  - High Grade (H): $120/ac
  - Average (A): $84/ac
  - Low Grade (L): $58/ac

Dryland Cropland Rental Rates – 2020 Season

Gravity Irrigated Cropland Rental Rate Ranges – 2021 Season

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

Northwest
H: $145/ac
A: $115/ac
L: $89/ac

North
H: $210/ac
A: $180/ac
L: $135/ac

Northeast
H: $320/ac
A: $280/ac
L: $225/ac

Southwest
H: $195/ac
A: $170/ac
L: $135/ac

Central
H: $255/ac
A: $215/ac
L: $170/ac

East
H: $280/ac
A: $260/ac
L: $230/ac

Southeast
H: $285/ac
A: $240/ac
L: $210/ac

South
H: $245/ac
A: $210/ac
L: $175/ac

Center Pivot Irrigated Cropland Rental Rate Ranges – 2021 Season

By Region

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

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

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

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

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

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

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

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

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

Irrigated Cropland Rental Rates – 2020 Season

Pasture per Acre Rental Rate Ranges – 2021 Season

By Region

Northwest
H: $18/ac
A: $13/ac
L: $11/ac

North
H: $41/ac
A: $28/ac
L: $15/ac

Southwest
H: $30/ac
A: $22/ac
L: $16/ac

Central
H: $45/ac
A: $37/ac
L: $32/ac

Southeast
H: $59/ac
A: $49/ac
L: $42/ac

East
H: $72/ac
A: $53/ac
L: $40/ac

Northeast
H: $85/ac
A: $66/ac
L: $49/ac

South
H: $47/ac
A: $38/ac
L: $28/ac

By Grade

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

Pasture per Acre
Rental Rates – 2020 Season

# Cow-Calf Pairs Rental Rate Ranges – 2021 Monthly

<table>
<thead>
<tr>
<th>Region</th>
<th>High Grade (H)</th>
<th>Average (A)</th>
<th>Low Grade (L)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>H: $69.65/pair</td>
<td>A: $63.10/pair</td>
<td>L: $52.80/pair</td>
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<tr>
<td></td>
<td>Northwest</td>
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</tr>
<tr>
<td></td>
<td>H: $48.90/pair</td>
<td>A: $39.55/pair</td>
<td>L: $32.75/pair</td>
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<tr>
<td></td>
<td>Southwest</td>
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<tr>
<td></td>
<td>H: $59.40/pair</td>
<td>A: $51.65/pair</td>
<td>L: $43.70/pair</td>
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<tr>
<td></td>
<td>Central</td>
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<tr>
<td></td>
<td>H: $68.70/pair</td>
<td>A: $58.95/pair</td>
<td>L: $42.10/pair</td>
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<td>South</td>
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<tr>
<td></td>
<td>H: $61.55/pair</td>
<td>A: $49.80/pair</td>
<td>L: $39.85/pair</td>
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<tr>
<td></td>
<td>Southeast</td>
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<tr>
<td></td>
<td>H: $64.45/pair</td>
<td>A: $54.90/pair</td>
<td>L: $38.35/pair</td>
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<tr>
<td></td>
<td>East</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>H: $65.85/pair</td>
<td>A: $55.20/pair</td>
<td>L: $45.50/pair</td>
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<tr>
<td></td>
<td>Northeast</td>
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<tr>
<td></td>
<td>H: $72.35/pair</td>
<td>A: $60.75/pair</td>
<td>L: $47.45/pair</td>
</tr>
</tbody>
</table>

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

Flexible Cash Lease Arrangements

• Start with a ‘base’ rent
• Flex up to a limit (maximum tenant will pay)
• Flex down to a limit (minimum that Landlord will accept)

• Based on Price, yield, or total revenue
Limiting Risk Exposure

• Compare expected farm performance against actual crop yield, price, or revenue
  • If performance is better than expected, more rent is paid
  • If performance is less than expected, less rent is paid
Establishing the Ceiling and Floor

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

- Maximum Rent: $210

- Base Rent: $175

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

- Minimum Rent: $140

Rent Range
## Variable Rent by Crop Revenue

<table>
<thead>
<tr>
<th>Farm Base Rent</th>
<th>Rental Rate</th>
<th>$175/ac.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected Yield</td>
<td>$3.30/bu.</td>
<td>150 bu.</td>
</tr>
<tr>
<td>Expected Farm Price</td>
<td>$495/ac.</td>
<td>140 bu.</td>
</tr>
<tr>
<td>Expected Farm Income*</td>
<td>$495/ac.</td>
<td>$3.86/bu.</td>
</tr>
</tbody>
</table>

### Harversting-Time Price Increase

| Actual Yield | 140 bu. |
| Actual On-Farm Price | $3.86/bu. |
| Actual Farm Income* | $540/ac. |
| Difference ($540/ac. - $495/ac.) | $45/ac. |
| Percent Change [($540/ac. - $495/ac.) / $495/ac.] x 100 | 9.0 % |

### Final Rent

| Rental Rate | $175/ac. |
| Percent Increase in Rent ($175 x 9.0%) | $16/ac. |
| Final Rent | $191/ac. |

### Harversting-Time Price Decrease

| Actual Yield | 165 bu. |
| Actual On-Farm Price | $2.85/bu. |
| Actual Farm Income* | $470/ac. |
| Difference ($470/ac. - $495/ac.) | -$25/ac. |
| Percent Change [($470/ac. - $495/ac.) / $495/ac.] x 100 | -5.0 % |

### Final Rent

| Rental Rate | $175/ac. |
| Percent Decrease in Rent ($175 x -5.0%) | -$9/ac. |
| Final Rent | $166/ac. |

*Expected and actual farm income do not include any safety net payments or crop insurance indemnity.
Other Lease Provisions to consider
Lease Provision - Fertility

• Phosphorus
  • Minimum to be left in soil at end of lease
  • Maximum that can be in soil (manure application)
  • Protect tenant with clause if large amount applied

• Mining of soil
  • Consider soil test at end of lease
  • Minimum nutrients left must be followed

• Lime
  • Typically, a Landlord Expense
  • If tenant is applying – then protect with clause in lease
Lease Provisions – Soil Health & Environmental Concerns

• Fixing excessive erosion
  • Typically, a landlord’s expense
• Non-crop acres
  • Who controls cedar trees and noxious weeds?
• Tillage vs. No-till considerations
• Organic vs. Non-organic production
• GMO vs. Non-GMO production
• Crop residue removal
  • Grazing stalks vs. baling stalks
Lease Provisions – Other Items

• If there is a pasture, who is taking care of the fencing?

• For pasture – know what happens for the Big 3 Disasters!
  • Fire, Hail, or Drought

• Hunting rights
  • Crop ground vs. pasture
  • Nebraska recreational use law
Lease Provision – Other Items

• Corn stalks use
  • Grazing vs. harvesting as bedding
  • Removing all material (not preferable)

• Manure application
  • How often
  • Limits on P application
    (based on soil test)
For the Tenant - What to Communicate

• Force yourself to share information with the landlord
• Yes – even for cash leases!
• Timely crop updates
  • Include moisture conditions
  • Weed, disease, or insect pressures
• Consider sending as text or emails with pictures
For the Landlord - What to Communicate

• Overall management of the farm (do you have vision or goals?)
• Specifically:
  • Weed control
  • Erosion control
  • Non-crop acre management expectations
• If using farmstead, what is the expectation for managing that asset?
Rental Agreements

• Written leases are a ‘must’
  • Names and addresses of parties involved
  • Legal description of the property to be leased
  • If multiple rates, have legal description of each partition
  • Set termination notice timeframe
  • Set payment (s) date (s)
  • Specifies other conditions (examples)
    • Use of soil tests
    • Fertility expectations – including lime provided by landowner
Terminating Verbal CROPLAND Agreements

• For farmland, notice of termination must be given by September 1 (6 months prior to March 1, start of new lease)
  • Set by Supreme Court
  • For either ending lease, or changing provisions!
  • Even for winter wheat

Modified from https://centralsandhills.unl.edu/documents/134905/11797899/Lease+Termination.pdf/c6764a9f-2a34-4a86-a481-76c1e3e6f8ec
Terminating Verbal (or handshake) Lease Agreements

• The formal notice to a tenant (or landowner) that a lease is terminated should be written and possibly sent certified mail (consult your attorney)
• A copy of the written notice should also be kept
• A verbal termination notice might be adequate but could be difficult to prove in court if litigation were necessary to enforce the lease termination.
• The six-month prior notice deadline for verbal leases applies to the date the notice is received by the tenant, not the date the notice is sent by the landowner.

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Fill in the Blank Lease Forms

• [https://aglease101.org](https://aglease101.org)
### Fill in the Blank Lease Forms

- Aglease101.org

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<tr>
<th>Lease Publications</th>
<th>Lease Forms</th>
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<tbody>
<tr>
<td><strong>Fixed and Flexible Cash Rental Arrangements for Your Farm</strong></td>
<td>Cash Farm Lease (NCFMEC-01A)</td>
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<tr>
<td><strong>Crop Share Rental Arrangements For Your Farm</strong></td>
<td>Crop Share Farm Lease</td>
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<td>(NCFMEC-02)</td>
<td>Cash Farm Lease (NCFMEC-02A)</td>
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<td><strong>Pasture Rental Arrangements For Your Farm</strong></td>
<td>Pasture Lease (NCFMEC-03A)</td>
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<td><strong>Rental Agreements For Farm Buildings and Livestock Facilities</strong></td>
<td>Farm Building or Livestock Facility Lease (NCFMEC-04A)</td>
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<td>(NCFMEC-04)</td>
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<tr>
<td><strong>Purchasing and Leasing Farm Equipment</strong></td>
<td>Farm Machinery Lease for Non-commercial Transactions</td>
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<tr>
<td>(NCFMEC-05)</td>
<td>(NCFMEC-05A)</td>
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<td><strong>Beef Cow Rental Arrangements For Your Farm</strong></td>
<td>Livestock Rental Lease</td>
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<td>(NCFMEC-06)</td>
<td>(NCFMEC-06A)</td>
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<tr>
<td><strong>Farm Building Rental Rate Survey</strong></td>
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</table>
Land link

• Started February 1, 2021
• Problem – two-fold
  • Land seekers don’t have access to land so they can farm/ranch
  • Older generation does not have path to succession (their children are not returning to the farm/ranch)
• Land Link can match land seekers with landowners
• Applications made, reviewed, and possible matches are suggested
• Landowners decide who they would like to interview
Land Link – if you are interested (information or application)

• [https://cap.unl.edu/landlink](https://cap.unl.edu/landlink)

• On-line information and applications at this site

• Questions – contact Allan
For more information, visit CAP.unl.edu or go to https://cap.unl.edu/land.
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