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LAND MANAGEMENT QUARTERLY

WEBINAR SERIES

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CAP

Agricultural Land Management Quarterly Presenters

Archived Programs: cap.unl.edu/landmanagement

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Outline of topics, Mon. Feb. 19, 2024

Topics:

- Recent Trends in Nebraska Cash Rental Rates
 - Trends in cash rents for 2023-2024
 - Calculating cash rental rates to reflect market prices or farm yields
- Updating Agricultural Leases for the 2024 Production Season
 - Considerations for landlords and tenants entering the new growing season
 - [Aglease101.org](https://www.aglease101.org) - free lease resources
- Ask an Expert
 - Review of submitted questions and from meeting participants
 - Upcoming land management workshops and publications



Sponsorship for Land Management Quarterly

- Interested in sponsoring Land Management Quarterly or another land management outreach event?
 - Sponsorship includes featuring your company's logo and contact information twice during the presentation.
 - All sponsorships help extend outreach on land values, cash rental rates, and proper lease practices throughout Nebraska.
 - Please reach out to Jim Jansen or Anastasia Meyer for further details or with additional questions.



Trends in Cash Rents for 2023-2024

PRESENTED BY JIM JANSEN

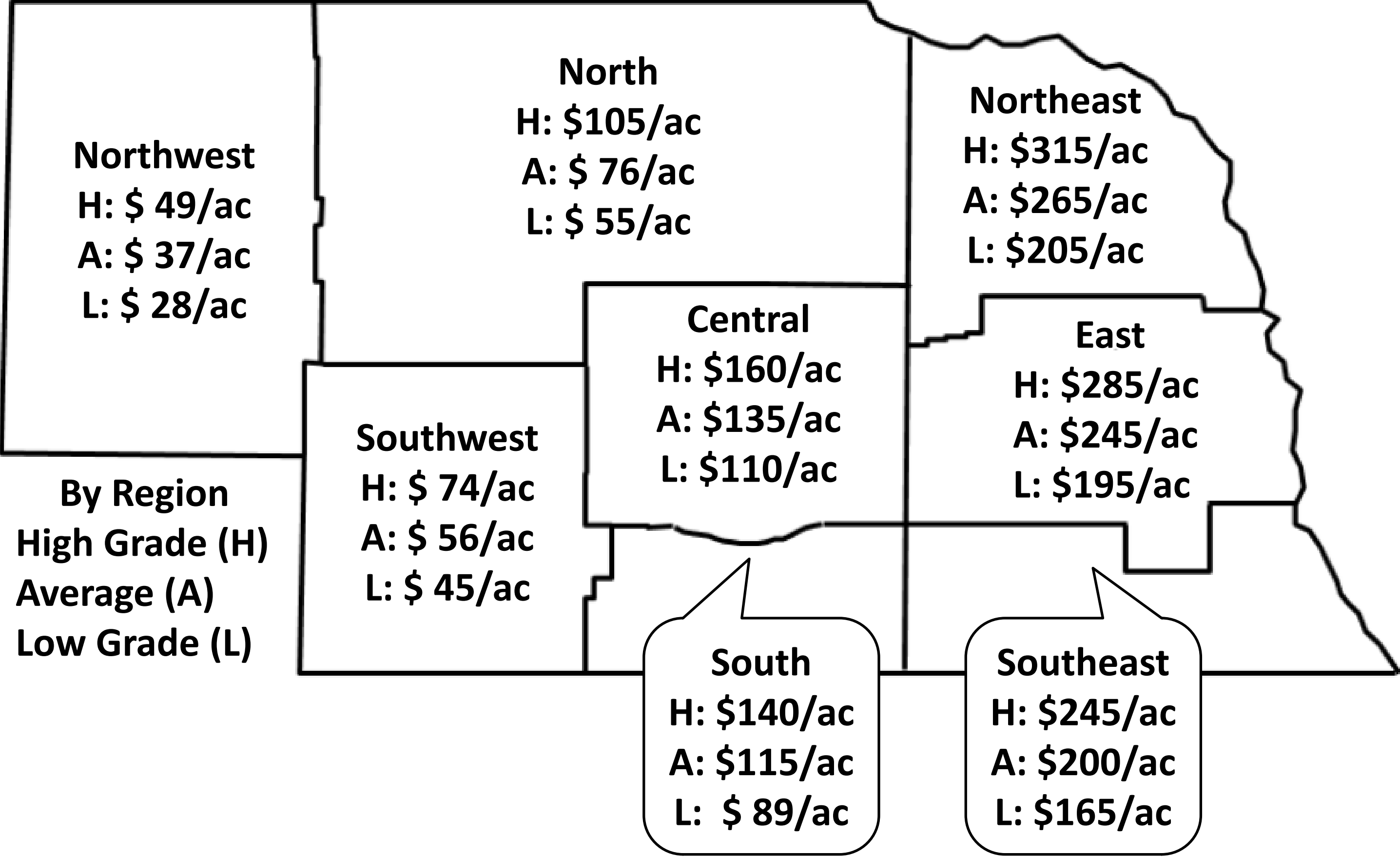


Nebraska Farm Real Estate Survey

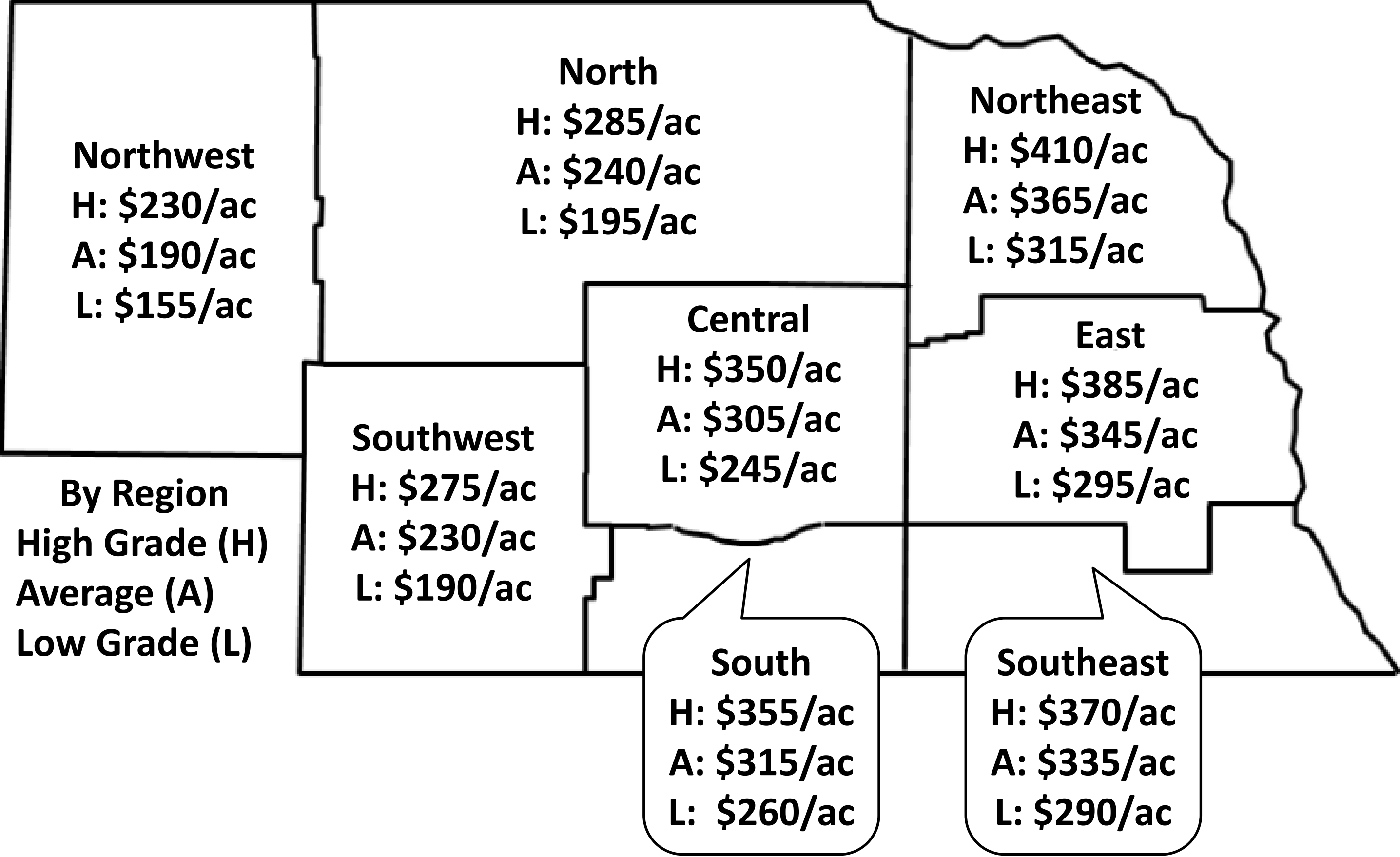
- Annual survey conducted since 1978 of Nebraska agricultural appraisers, professional farm managers, and bankers engaged in the land industry
 - Preliminary results for land values and rental rates published in mid-March.
 - Full report published in June
- Nebraska Farm Real Estate website full access to these resources:
<https://cap.unl.edu/realestate>



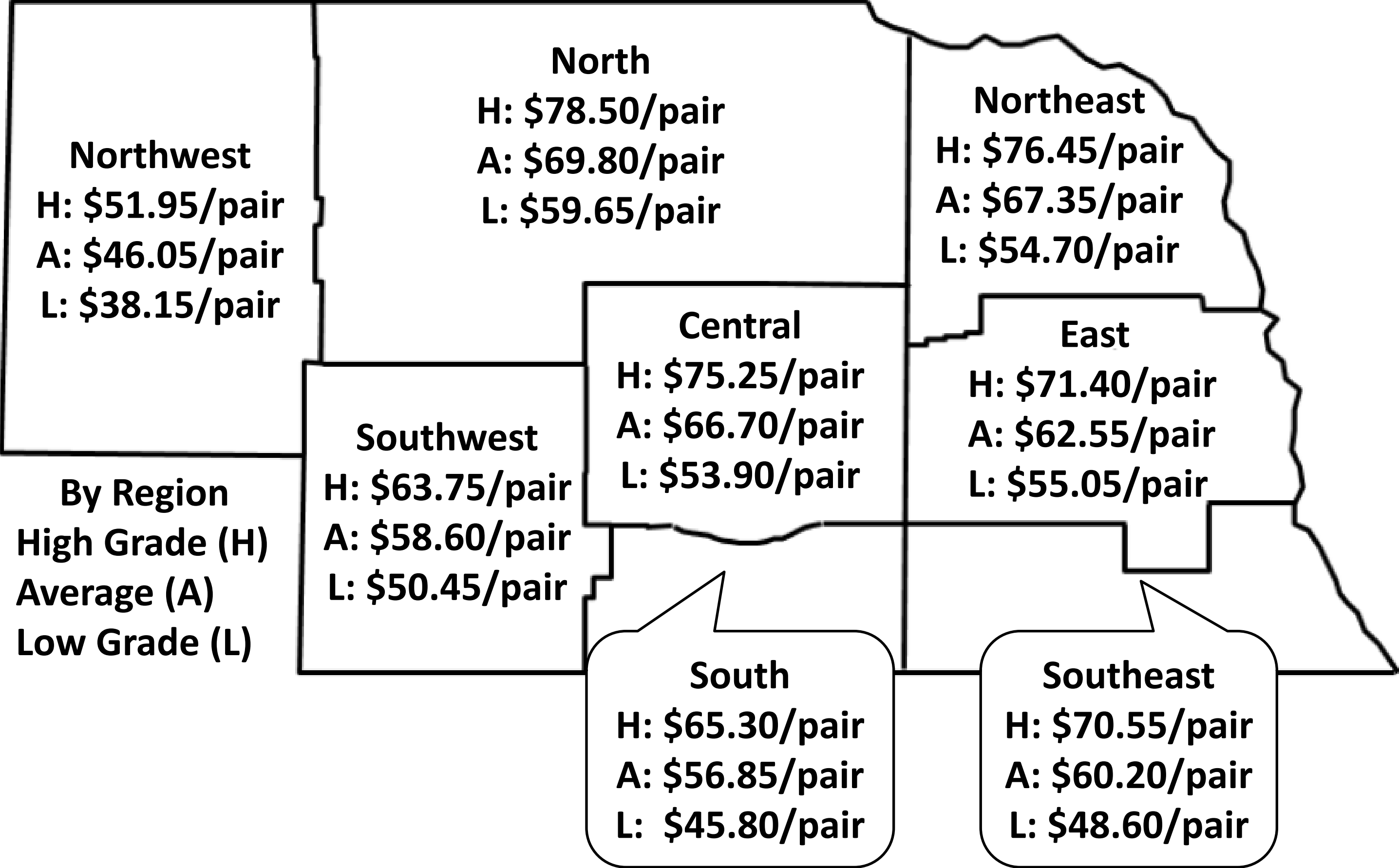
Nebraska Dryland Cropland Rental Rates – 2023



Nebraska Center Pivot Cropland Rental Rates – 2023



Nebraska Cow-Calf Pair Monthly Rental Rates – 2023



USDA-National Agricultural Statistics Service

Cash Rent Survey

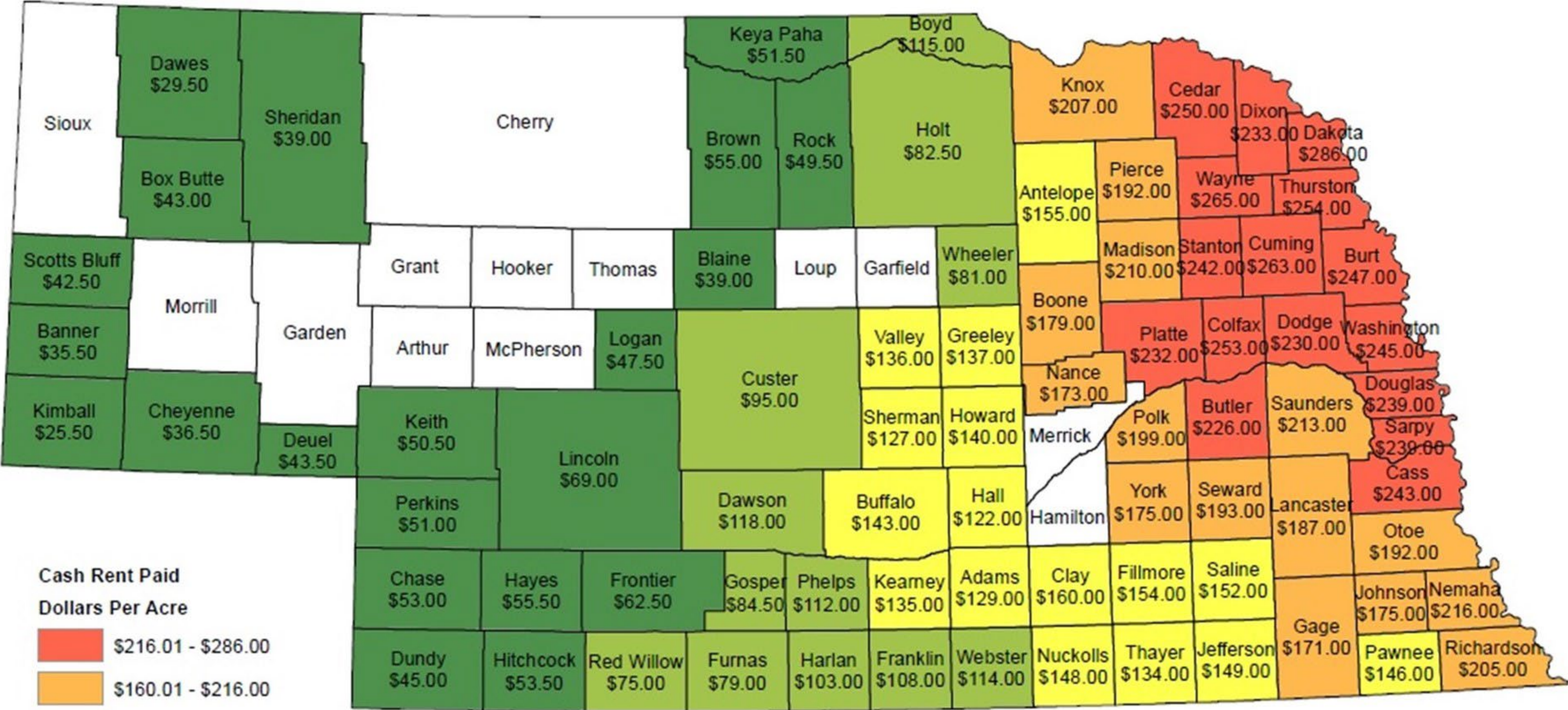
- Biennial survey conducted by the USDA-National Agricultural Statistics Service (NASS) of farmers and ranchers
 - Survey starts in late-winter and conducted through mid-summer of odd-numbered years (occasionally in even-numbered years)
 - Analysis published around the second week of September
- Nebraska county estimates in addition to other resources may be found at:

[www.nass.usda.gov/Statistics by State/Nebraska/Publications/County Estimates/](http://www.nass.usda.gov/Statistics_by_State/Nebraska/Publications/County_Estimates/)



Nebraska Dryland Cropland Rental Rates – 2023

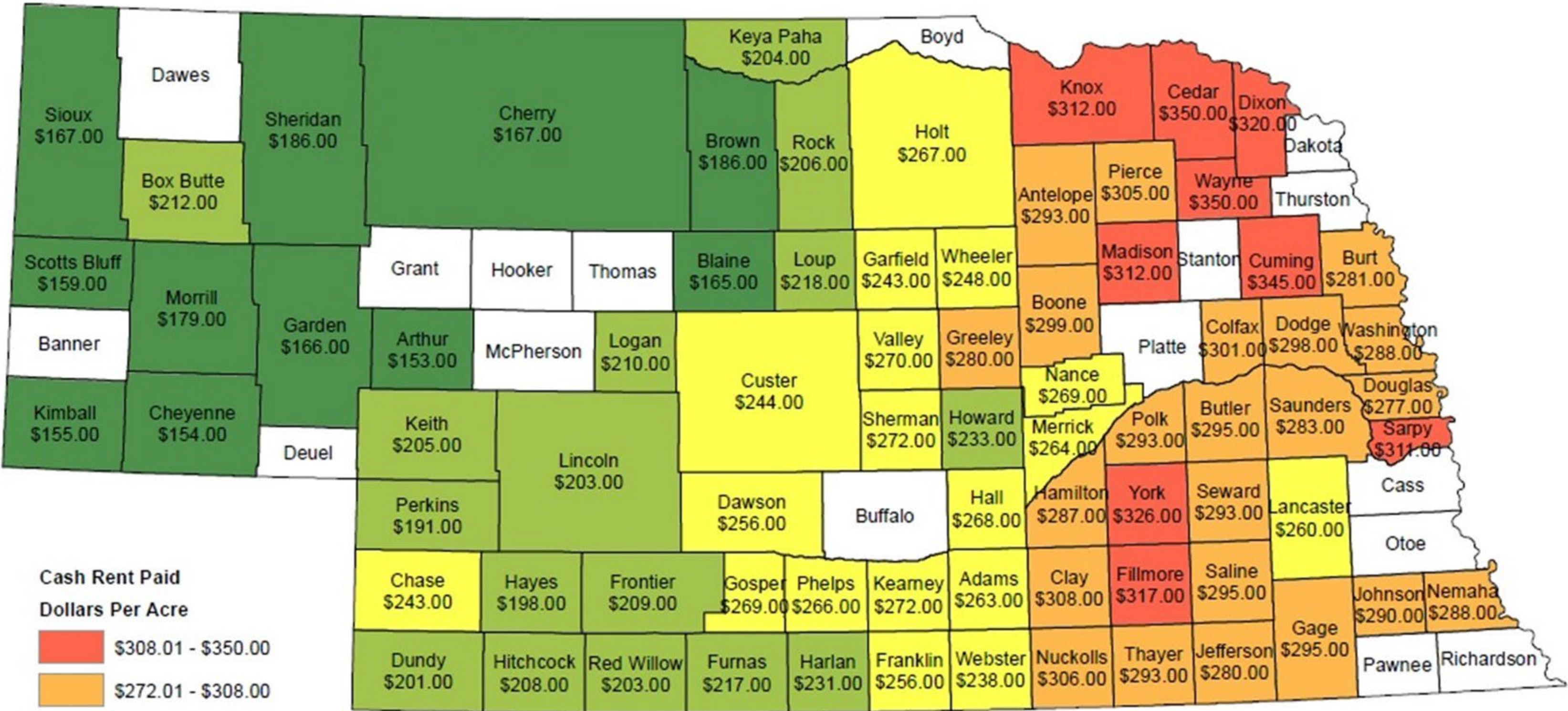
USDA-National Agricultural Statistics Service



Website: www.nass.usda.gov/Statistics_by_State/Nebraska/Publications/County_Estimates/

Nebraska Irrigated Cropland Rental Rates – 2023

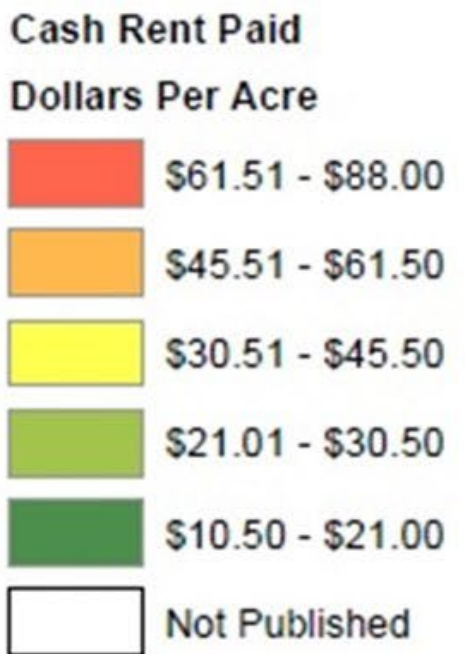
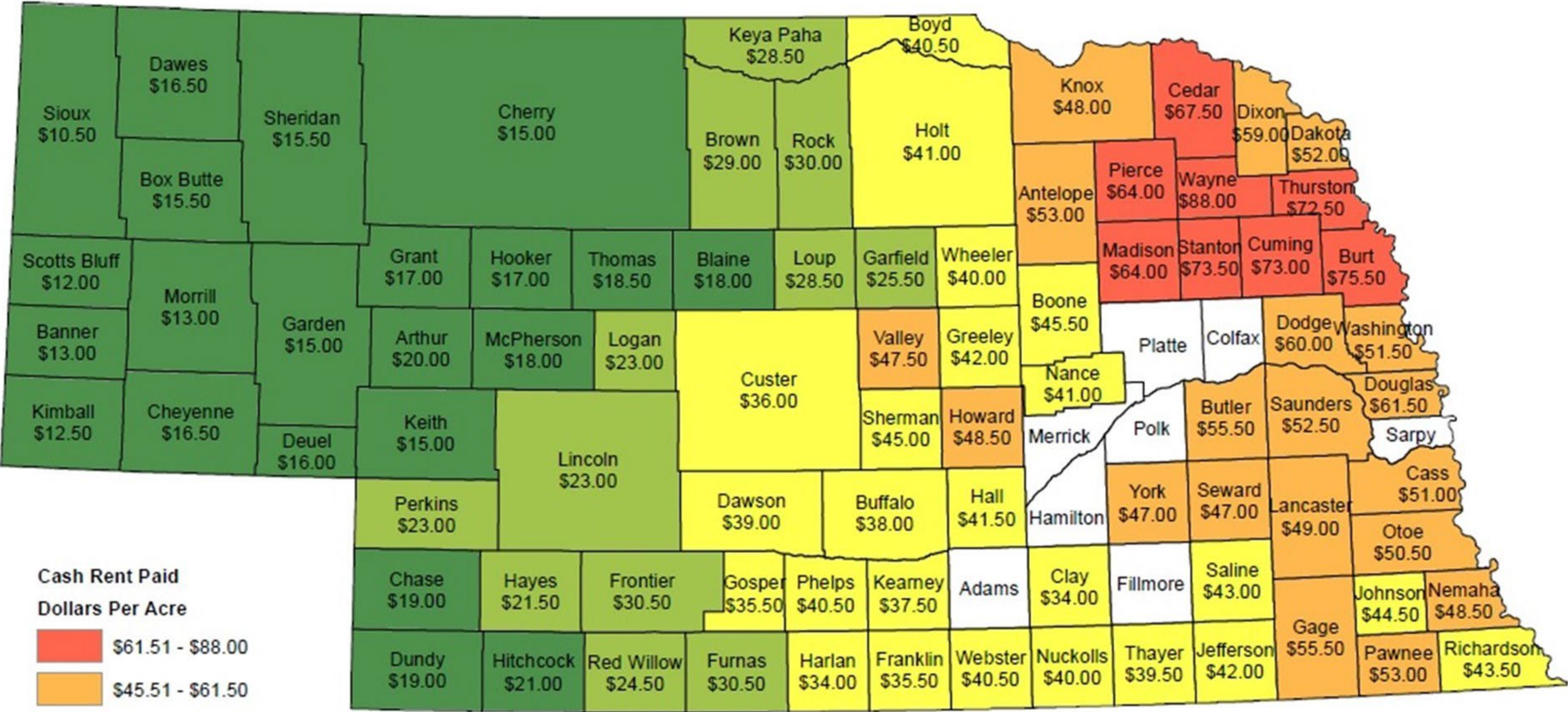
USDA-National Agricultural Statistics Service



Website: www.nass.usda.gov/Statistics_by_State/Nebraska/Publications/County_Estimates/

Nebraska Grazing Land Rental Rates – 2023

USDA-National Agricultural Statistics Service



Website: www.nass.usda.gov/Statistics_by_State/Nebraska/Publications/County_Estimates/

Refundable Nebraska Income Tax Credit for Property Taxes Paid to Schools

Source: Office of the NE Governor - <https://governor.nebraska.gov/>

- For tax year 2023, the property tax credit rebate on taxes paid to K-12 public schools will grow from 25% to 30%. Nebraska property taxpayers will also be eligible for a new 30% rebate on property taxes paid to community colleges.
- Tax Commissioner Tony Fulton reminded Nebraskans of the need to claim their refundable income tax credit on property taxes. These credits can be claimed retroactively going back three years.
- For information on how to claim the refundable income tax credit, go to www.revenue.nebraska.gov/about/nebraska-property-tax-credit.

For information purposes only. Seek guidance from a tax professional or the Department of Revenue for specific questions on the tax credit.



Calculating Cash Rental Rates

PRESENTED BY JIM JANSEN



Estimating Cash Rental Rates by Adjusting Survey Data

- Land rental rate survey data:
 - Evaluate available cash rental survey data to establish a baseline in the landlord and tenant negotiation process.
- Average yields:

County	Value	Farm	Value
County Rental Rate	\$190/ac.	County Rent/Bushel	\$1.42/bu.
Corn Yield	<u>134 bu./ac.</u>	APH Yield	<u>x 119 bu./ac.</u>
County Rent/Bushel	\$1.42/bu.	Farm Level Rent	\$168.73/ac.



Cash Equivalent From Crop Share

- Rent paid to landlord by tenant based off owner's share of net returns per acre.
 - Example 50/50 split:

Value	Corn - March 2024	Corn - July 2024	Corn - Nov. 2024
Yield (50% share)	80 bu./ac.	80 bu./ac.	80 bu./ac.
Price/bushel	<u>x \$4.89/bu.</u>	<u>x \$5.05/bu.</u>	<u>x \$5.37/bu.</u>
Income	\$391.20/ac.	\$404.00/ac.	\$429.60/ac.
Owner Expenses*	<u>-\$195.00/ac.</u>	<u>-\$195.00/ac.</u>	<u>-\$195.00/ac.</u>
Net Return to Owner (Effective Rent)	\$196.20/ac.	\$209.00/ac.	\$234.60/ac.



Cash Equivalent From Hay Share

- Rent paid to landlord by tenant based off owner's share of net returns per acre.
 - Example 33/67 & 50/50 split:

Value	33:67 Hayland Share	50:50 Hayland Share
Yield (share)	0.5 ton/ac.	0.75 tons/ac.
Price/ton	<u>x \$180/ton</u>	<u>x \$180/ton</u>
Income	\$89.10/ac.	\$135.00/ac.
Owner Expenses*	<u>-\$0.00/ac.</u>	<u>-\$35.00/ac.</u>
Net Return to Owner (Effective Rent)	\$89.10/ac.	\$100.00/ac.

**In this example, the owner does not pay any expenses for the 33/67 hay share. Also, the owner pays \$35 per acre in fertilizer expense for the 50/50 hay share.*



Return on Investment

- Multiply the estimated current market value by the expected rate of return to determine the rental rate per acre.

Farm	Dryland Cropland	Irrigated Cropland
Land Value	\$7,500/ac.	\$11,050/ac.
Rate of Return	<u>x 2.8-3.2%</u>	<u>x 3.1-3.5%</u>
Rental Rate per Acre	\$210-\$240/ac.	\$343-\$387/ac.

*Estimated net rates of return by land type are available in Table 5 of the Nebraska Farm Real Estate Market Highlights Report 2022-2023.

Updating Agricultural Leases for the 2024 Production Season

PRESENTED BY ANASTASIA MEYER



Having a Written Lease is Imperative!

- Handshake lease agreements may be ended at anytime
- Termination notice must be given by September 1 (previous year)
- Handshake leases for farmland start on March 1
- Fill-in-the blank written leases may be found at: www.aglease101.org

Cash Farm Lease NCFMEC-01A

For additional information see NCFMEC-01 (Fixed and Flexible Cash Rental Arrangements For Your Farm). This form can provide the landowner and operator with a guide for developing an agreement to fit their individual situation. This form is not intended to take the place of legal advice pertaining to contractual relationships between the two parties. Because of the possibility that an operating agreement may be legally considered a partnership under certain conditions, seeking proper legal advice is recommended when developing such an agreement.

This lease entered into this _____ day of _____, 20____, between _____, owner, of _____ Address _____, spouse, of _____ Address _____ hereafter known as "the owner," and _____, operator, of _____ Address _____, spouse, of _____ Address _____ hereafter known as "the operator."

I. Property Description
The landowner hereby leases to the operator, to occupy and use for agriculture and related purposes, the following described property: _____ consisting of approximately _____ acres situated in _____ County (Counties), _____ (State)

II. General Terms of Lease

A. Time period covered. The provisions of this agreement shall be in effect for _____ year(s), commencing on the _____ day of _____, 20____. This lease shall continue in effect from year to year thereafter unless written notice of termination is given by either party to the other at least _____ days prior to expiration of this lease or the end of any year of continuation.

B. Review of lease. A written request is required for general review of the lease or for consideration of proposed changes by either party, at least _____ days prior to the final date for giving notice to terminate the lease as specified in II-A.

C. Amendments and alterations. Amendments and alterations to this lease shall be in writing and shall be signed by both the owner and operator.

D. No partnership intended. It is particularly understood and agreed that this lease shall not be deemed to be, nor intended to give rise to, a partnership relation.

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AgLease101.org – Free PDF Leases

Ag Lease 101

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Ag Lease 101





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.




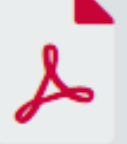
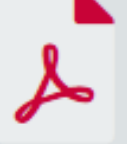

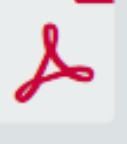
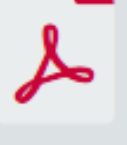
AgLease101.org – Free PDF Leases

Lease Publications

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-01A)
-  [Crop Share Farm Lease Cash Farm Lease](#)
[Cash Farm Lease](#)
(NCFMEC-02A)
-  [Pasture Lease](#)
(NCFMEC-03A)
-  [Farm Building or Livestock Facility Lease](#)
(NCFMEC-04A)
-  [Farm Machinery Lease for Non-commercial Transactions](#)
(NCFMEC-05A)
-  [Livestock Rental Lease](#)
(NCFMEC-06A)

Fillable PDF Forms

Critical Lease Provisions in 2024

- May be too late to change lease provision for 2024 assuming a typical start of March 1
- In February, some parties have not set lease rate yet – so this remains a major discussion point (rental rates discussed earlier in presentation)
- Pay attention to fall crop prices vs. current crop prices!
- Doing the right thing for the property is more important than the cash rental rate!
 - Conservation of soil
 - Managing weed/insect/disease pressures
 - Maintaining or improving fertility



Critical Lease Provisions in 2024 (continued)

- Other lease considerations
 - Timing of lease payments
 - Irrigation equipment (ownership and maintenance)
 - Fertility and manure management
 - Stalk removal
 - Hunting rights



Pasture and Grazing Land Leases

- Pasture or grazing land typically have a 5 month lease
 - Typically May to October or June to November
- Notice of termination is not specifically required for a handshake agreement
 - Lease ends each year, so the termination notice is not necessary (still good to communicate with other party)



Pasture and Grazing Land Leases (continued)

- Control of noxious weeds and brush
- Consider adding lease provisions to address natural disaster
 - Fire
 - Hail
 - Drought
- How will the length of the lease be adjusted?
- How will lease payments be adjusted?



ASK AN EXPERT

PRESENTED BY JIM JANSEN &
ANASTASIA MEYER



Land Management Questions

- **Question: When should the cash rent be due for my crop or grazing land leases?**
- **Answer:** The period of time when the cash rent should be due varies upon the need and capacity of each party engaged in the lease.
- Typically a portion of the cash rent may be due around the signing of the lease and the remaining amount around harvest or sale of the livestock off grazing land (fall?).
- Other suggested timings amount of cash rent might include:
 - March 1st – 1/2, November 1st – 1/2
 - March 1st – 1/3 , June 1st – 1/3, November 1st – 1/3



Land Management Questions

- **Question: Who should pay the bill if the tenant hires a third-party company to make repairs on a pivot? The landlord or tenant?**
- **Answer:** A good written lease should specify the handling of the repair bill. If not specified, work on incorporating terms for the next lease.
 - Multi-year lease may be used when the tenant has made large investment in the property such as irrigation equipment or amendments to the soil (lime).
 - When using multi-year lease, consider adding clauses to update the rental rate each year to account for economic conditions.
 - In many Nebraska farmland leases, the tenant may cover the first \$XXX – of repairs. The ‘deductible’ amount could be negotiated.
 - Many amounts range from \$500 to \$1000 per year.
 - So, if the third party’s expenses fall into the ‘deductible,’ the tenant might cover that portion. The landlord may cover the rest of the bill exceeding that amount.



Land Management Questions

- **Question: Should I rent my land out on a single or multi-year lease arrangement?**
- **Answer:** Depends on the parties engaged in the lease arrangement and norms of the area. No set standard exists on the length of the lease.
 - Multi-year lease may be used when the tenant has made large investment in the property such as irrigation equipment or amendments to the soil (lime).
 - When using multi-year lease, consider adding clauses to update the rental rate each year to account for economic conditions.
 - Over the past 15 years – single year lease has become more popular.
 - Single year lease allow for greater flexibility and adjustments to events influencing agricultural land. Preferred method when working with a new party.



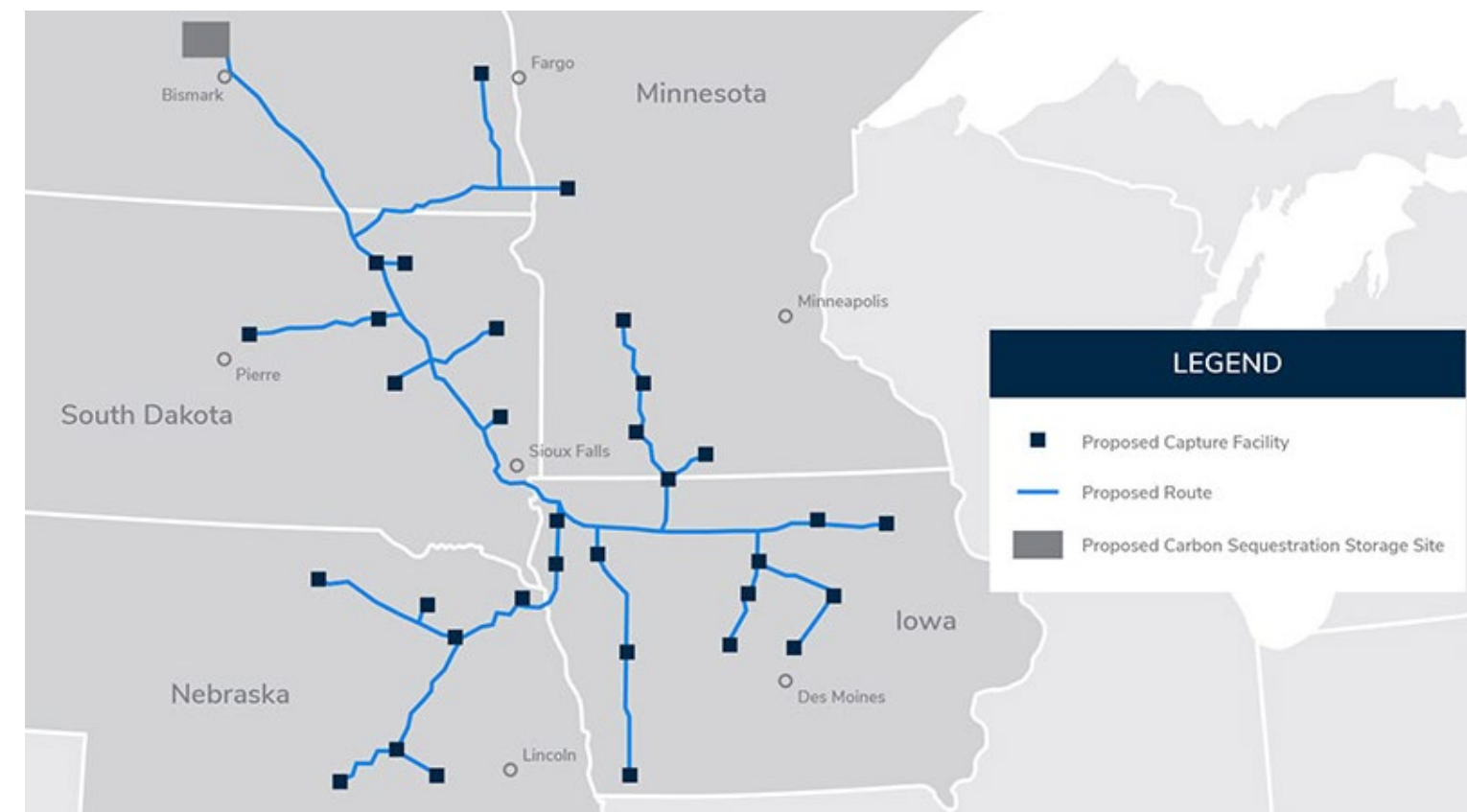
Land Management Questions

- **Question: Can I be forced to provide an easement on my land to allow a carbon or hydrogen pipeline to be built? Answer:** The Nebraska Public Service Commission statutes typically authorize eminent domain for “common carriers.”
- Currently, carbon pipelines are not considered common carriers under traditionally established statutes in Nebraska.



Land Management Questions

- **Question: Can I be forced to provide an easement on my land to allow a carbon or hydrogen pipeline to be built?**
- **Answer:** Infrastructure such as petroleum and natural gas pipelines or electrical transmission lines (in theory) are open to transporting the public's energy.
- Carbon (or hydrogen) pipelines might try to qualify as common carriers in Nebraska, but attempts to do so have been limited.



Land Management Questions

- **Question: What about wind turbines? Can I be forced to provide an easement for a wind turbine to be built on my land?**
- **Answer:** Wind turbines would not be considered a “common carrier” to gain access to a property for an easement.
 - Large electrical transmission lines generating power from these put in by a public power district may have different rights.
- ****Always consult with an attorney to represent your interests in an easement negotiation or eminent domain dispute.****



Land Management Questions

- **Question: What about solar panels? Can I be forced to provide an easement for a solar panel development to be built on my land?**
- **Answer:** Solar developers typically seek a long-term lease arrangement with landowners to build an energy generation site.
 - Terms of leases typically run 20 to 30 years.
 - Landowners typically receive a lease payment each year for using the property.
 - Lease terms may spell out a renewal clause for the solar development and infrastructure removal at the lease's end.
- ****Always consult with an attorney to represent your interests in a lease negotiation or related communications.****



Land Management Questions

- Question: Online participants may now submit their questions.
- Answer: Review of questions and answers will be based upon remaining time available.



Nebraska Agriculture Land Studies Fund

- **Interested in helping support the Nebraska Farm Real Estate Survey & Report?**
- Please consider donating to help cover future expenses.

Donate Directly

<https://go.unl.edu/landfund>

University of NE Foundation

Ph: 800-432-3216

Email: info@nufoundation.org



Upcoming Webinar: Mon. May 20, 2024 at 12:00 PM CDT

Topics:

- Trends in Nebraska cash rental rates
 - Trends in Nebraska cash rental rates for 2024
 - Financial implications for changing commodity prices and adjusting cash rents
- Proper communication and decision making for agricultural land
 - Improving communication between landlords, tenants, and family members
 - Short- and long-term decision making for agricultural land
- Ask an expert
 - Review of submitted questions
 - Upcoming land management workshops and publications

