Agricultural Land Management Quarterly Presenters

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webpage: cap.unl.edu/succession

Archived Programs: agecon.unl.edu/landmanagement
A special thanks to Zag Land Company for sponsoring today’s webinar.

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- Land Management for farms, pasture, CRP, and recreational land
- Land Real Estate Brokerage for both Buyers and Sellers
- Consulting, Valuations, Lease Analysis, and more

Phone: (402) 841-4002   Email: Sam@Zag.ag   Zag.ag
Outline of topics, Monday, May 16, 2022

- Trends in Nebraska cash rental rates
  - Trends in Nebraska cash rental rates for 2022
  - 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
Trends in Nebraska Cash Rental Rates for 2022

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 by 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 – 2022 Preliminary Estimates

- **Northwest**: $33/ac, 11%
- **North**: $65/ac, 15%
- **Southwest**: $49/ac, 18%
- **Central**: $120/ac, 22%
- **Southeast**: $190/ac, 12%
- **South**: $100/ac, 20%
- **Northeast**: $245/ac, 9%
- **East**: $235/ac, 7%

By Region

- High Grade (H)
- Average (A)
- Low Grade (L)
Nebraska Dryland Cropland Rental Rates – 2022
Preliminary Estimates

By Region
- **Northwest**
  - High Grade (H): $45/ac
  - Average (A): $33/ac
  - Low Grade (L): $27/ac

- **North**
  - High Grade (H): $98/ac
  - Average (A): $65/ac
  - Low Grade (L): $50/ac

- **Southwest**
  - High Grade (H): $67/ac
  - Average (A): $49/ac
  - Low Grade (L): $39/ac

- **Central**
  - High Grade (H): $145/ac
  - Average (A): $120/ac
  - Low Grade (L): $105/ac

- **Northeast**
  - High Grade (H): $290/ac
  - Average (A): $245/ac
  - Low Grade (L): $195/ac

- **East**
  - High Grade (H): $275/ac
  - Average (A): $235/ac
  - Low Grade (L): $185/ac

- **South**
  - High Grade (H): $130/ac
  - Average (A): $100/ac
  - Low Grade (L): $78/ac

- **Southeast**
  - High Grade (H): $235/ac
  - Average (A): $190/ac
  - Low Grade (L): $160/ac
Nebraska Center Pivot Cropland Rental Rates – 2022 Preliminary Estimates

Northwest $175/ac 16%
North $230/ac 9%
Southwest $225/ac 17%
Central $275/ac 17%
South $280/ac 19%
Southeast $315/ac 13%
Northeast $340/ac 11%
East $340/ac 14%

By Region
High Grade (H)
Average (A)
Low Grade (L)
Nebraska Center Pivot Cropland Rental Rates – 2022 Preliminary Estimates

North
H: $280/ac
A: $230/ac
L: $195/ac

Northwest
H: $210/ac
A: $175/ac
L: $140/ac

Southwest
H: $270/ac
A: $225/ac
L: $180/ac

Central
H: $335/ac
A: $275/ac
L: $225/ac

Northeast
H: $390/ac
A: $340/ac
L: $285/ac

East
H: $365/ac
A: $330/ac
L: $290/ac

South
H: $330/ac
A: $280/ac
L: $245/ac

Southeast
H: $345/ac
A: $315/ac
L: $265/ac

By Region
High Grade (H)
Average (A)
Low Grade (L)
Nebraska Cow-Calf Pair Monthly Rental Rates – 2022 Preliminary Estimates

By Region

- **North**
  - High Grade (H): $73.65/pair
  - Average (A): $67.05/pair
  - Low Grade (L): $56.10/pair

- **Northwest**
  - High Grade (H): $48.50/pair
  - Average (A): $43.15/pair
  - Low Grade (L): $35.85/pair

- **Southwest**
  - High Grade (H): $60.90/pair
  - Average (A): $56.70/pair
  - Low Grade (L): $47.95/pair

- **Central**
  - High Grade (H): $71.40/pair
  - Average (A): $61.45/pair
  - Low Grade (L): $47.95/pair

- **Southeast**
  - High Grade (H): $67.35/pair
  - Average (A): $57.40/pair
  - Low Grade (L): $44.95/pair

- **South**
  - High Grade (H): $63.85/pair
  - Average (A): $51.20/pair
  - Low Grade (L): $40.15/pair

- **Northeast**
  - High Grade (H): $76.25/pair
  - Average (A): $65.80/pair
  - Low Grade (L): $52.35/pair

- **East**
  - High Grade (H): $68.25/pair
  - Average (A): $58.35/pair
  - Low Grade (L): $49.30/pair

**Nebraska Cow-Calf Pair Monthly Rental Rates – 2022 Preliminary Estimates**

Preliminary Estimates
Financial Implications for Changing Commodity Prices and Adjusting Cash Rents

Presented by Jim Jansen
U.S. Drought Monitor Map - May 10, 2022

Source: National Drought Mitigation Center, May 10, 2022
U.S. Drought Monitor Map - May 10, 2022

Source: National Drought Mitigation Center, May 10, 2022
Consider Using Flex Leases Due to Uncertainty in Prices or Yield

- Flexible cash leases vary the rent paid for land based upon the actual performance of the crop yield, pasture, or livestock.
- The actual rent paid flexes with a predetermined range to more equitably divide the financial returns from the property or asset.
  - Higher than expected performance results in a final rental rate higher than the agreed upon base rate.
  - Lower than expected performance results in a final rental rate lower than the agreed upon base rate.
# Flexible Crop Lease

- Flexible crop lease with changes in corn prices moving up and down.

<table>
<thead>
<tr>
<th>Farm Base Rent</th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Rental Rate</strong></td>
<td>$220/ac.</td>
</tr>
<tr>
<td>5-yr Farm APH</td>
<td>150 bu.</td>
</tr>
<tr>
<td>Planting Time Price Guarantee</td>
<td>$5.90/bu.</td>
</tr>
</tbody>
</table>

### Harvesting-Time Price Increase

| Actual Harvest Time Price Guarantee | $6.35/bu. |
| Difference ($6.35/bu. - $5.90/bu.) | $0.45/bu. |
| Percent Change | $\frac{[6.35/bu. - 5.90/bu.]}{[5.90/bu.]} \times 100 | 7.6 % |

<table>
<thead>
<tr>
<th><strong>Final Rent</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Rate</td>
<td>$220/ac.</td>
</tr>
<tr>
<td>Percent Increase in Rent ($220 x 7.6%)</td>
<td>$17/ac.</td>
</tr>
<tr>
<td>Final Rent</td>
<td>$237/ac.</td>
</tr>
</tbody>
</table>

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<td>Planting Time Price Guarantee</td>
<td>$5.90/bu.</td>
</tr>
</tbody>
</table>

### Harvesting-Time Price Decrease

| Actual Harvest Time Price Guarantee | $5.45/bu. |
| Difference ($5.45/bu. - $5.90/bu.) | -$0.45/bu. |
| Percent Change | $\frac{[5.45/bu. - 5.90/bu.]}{[5.90/bu.]} \times 100 | -7.6 % |

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<th><strong>Final Rent</strong></th>
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<tbody>
<tr>
<td>Rental Rate</td>
<td>$220/ac.</td>
</tr>
<tr>
<td>Percent Decrease in Rent ($220 x -7.6%)</td>
<td>-$17/ac.</td>
</tr>
<tr>
<td>Final Rent</td>
<td>$203/ac.</td>
</tr>
</tbody>
</table>
Flexible Cow-calf Pair Lease

- Flexible pasture lease based on feeder cattle futures where prices moves down

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<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Current Pasture Rent ($/Pair)</td>
<td>$275.00/pair</td>
</tr>
<tr>
<td>Expected Feeder Cattle Futures</td>
<td>$172.50/cwt.</td>
</tr>
<tr>
<td>Actual Feeder Cattle Futures</td>
<td>$160.43/cwt.</td>
</tr>
<tr>
<td>Percentage of Change</td>
<td></td>
</tr>
<tr>
<td>$(160.43 – 172.50) / 172.50</td>
<td>7% Change in Price Down</td>
</tr>
<tr>
<td>Drop Pasture Rent by 7%</td>
<td>-$19.25/pair</td>
</tr>
<tr>
<td>Final Rent ($/Pair)</td>
<td>$255.75/pair</td>
</tr>
</tbody>
</table>
Flexible Cow-calf Pair Lease

- Flexible pasture lease based on feeder cattle futures where prices moves up

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<table>
<thead>
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<tbody>
<tr>
<td><strong>Current Pasture Rent ($/Pair)</strong></td>
<td>$275.00/pair</td>
</tr>
<tr>
<td><strong>Expected Feeder Cattle Futures</strong></td>
<td>$172.50/cwt.</td>
</tr>
<tr>
<td><strong>Actual Feeder Cattle Futures</strong></td>
<td>$184.58/cwt.</td>
</tr>
<tr>
<td><strong>Percentage of Change</strong></td>
<td></td>
</tr>
<tr>
<td>(184.58 – 172.50) / 172.50</td>
<td>7% Change in Price Down</td>
</tr>
<tr>
<td><strong>Drop Pasture Rent by 7%</strong></td>
<td>+$19.25/pair</td>
</tr>
<tr>
<td><strong>Final Rent ($/Pair)</strong></td>
<td>$294.25/pair</td>
</tr>
</tbody>
</table>
2022 Production Season
Looking at the Management Part of the Lease…

Presented by Allan Vyhnalek
Communications Will be the Key to Successful Leasing

- During the growing season – consider reporting to landlords regularly
  - Moisture – rainfall amounts
  - Weed pressure
  - Disease or insect pressures
  - Other pertinent issues
    - Current crop prices & farm economy
  - Report increases in other expenses; fertilizer, fuel, repairs, chemicals, etc.
- Remember – communication is critical even for cash leases!
  - Make sure the landlord views the land – in person or virtually
Communication - Considerations for Tenants

• Both landlord and tenant need to communicate effectively on needs related to leases
• The key to success will be how well you LISTEN
  • Seek first to understand, before you can be understood
  • Ask clarifying questions
• Both producers and landowners have been calling over the past 27 months due to unprecedented times
  • First the pandemic
  • Now the Ukraine/Russia conflict
Communication - Considerations for Landlords

- During the growing season – consider visiting with tenants
  - If feasible, consider visiting the land and look around – what events are influencing the property in 2022?
  - As for reports from tenants – if the operators are not communicating regularly
    - Express expectations on:
      - Weed control
      - Other management issues or concerns
- Remember – communication is critical even for cash leases!
Adjustments to Leases by Type

- Do crop share leases need to be adjusted?
  - Typically not – production risk usually shared between landlords and tenants
  - Price risk also shared between landlord and tenant
  - Flexible leases may not need to be adjusted depending upon the lease provisions

- So, would cash leases need to be adjusted?
  - Possibly, but what does the lease say?
    - Legally, a change to the terms of the lease or payment rates may not be required.
    - Remember with low commodity prices, the landlords usually have better deal
    - With high commodity prices, sometimes the tenants get the better deal
Cash Lease Adjustments

• Adjusting the lease due to rapid increase in corn prices will be a joint landlord/tenant decision
• What one party “thinks” should happen does not necessarily matter, but what can be mutually agreed upon
• Consider the gross crop revenue per acre compared to the cash rental rate
• Example: consider center pivot irrigated cash rental rate at $350/acre
  • Expected corn yields of 200 bushels/acre and price $6.85/bushel
  • Gross crop revenue is: 200 bushels x $6.85 per bushel = $1370 per acre
    • Rent comprises 25.6% of gross revenue (typically in the 25 to 35% range)
    • Depends on area of Nebraska
Adjustments to Leases by Type

• Let’s look more at rain-fed soybean example
  • Rent is $190/acre
    • Dryland soybean APH: 40 bushels/acre
    • Price for fall soybeans: $14.00/bushel
  • Gross Income: 40 bushels/acre x $14.00/bushel = $560/acre
  • Rent/Gross Income = $190/$560 = 33.9% of gross income goes for paying rent
  • Remember the typical range is 25-35% (from previous slide)
Pasture Leases

• Plan ahead for the Big 3! Fire, Drought, & Hail
• Landlords need to be clear about management expectations for their pasture (weed control, fertilization, stocking rate)
• Tenants need to report conditions – especially if drought is developing, or if volunteer trees (red cedars) are a problem (for example)
Having a Written Lease is Imperative!

- Not your grandpa’s farm anymore
- 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
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-01A)
- Crop Share 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

Lease Publications

Fillable PDF Forms
Ask an Expert

Presented by Jim Jansen & Allan Vyhnalek
Question: How do I approach including conservation provisions in a grazing land lease? Such as more aggressive rotation of pastures and cross fencing or using alternative weed control practices?

Answer: First step – proper communication between both parties.

- Do the landlord and tenant believe in the same approaches for the management of the property?
- Does the property currently have cross fencing? Who will install and/or maintain the fence?
- What are the alternative methods of weed control?
Question: If a tenant does not pay a landlord in accordance to terms of the lease agreement (amount or when due), does the lease continue until the termination date?

• **Answer:** Depending upon the provision in a lease for late payment, a landlord may have grounds for possibly evicting or dismissing a tenant
  
  • Certain states have specific provisions that allow for a landlord to demand the rent within a set period of time and a tenant may be evicted or a lien placed on the growing crop if rent has not been paid by the end of that period
  
  • Suggested to use an attorney to communicate with the uncooperative tenant and follow the proper procedure for dealing with late payments

*** Consult with an attorney for legal advice ***
Land Management Questions

• Question: Online participants may now submit their questions.
• Answer: Review of questions and answers will be based upon remaining time available.
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Nebraska Agriculture Land Studies Fund

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

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https://go.unl.edu/landfund

Barbara Soderlin
University of NE Foundation
Ph: 402-670-0095
barbara.soderlin@nufoundation.org
Upcoming Webinar: Mon. Aug 15, 2022 at 12:00 PM CDT

Topics:
• 2022 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