AGRICULTURAL LAND MANAGEMENT QUARTERLY





Agricultural Land Management Quarterly Presenters

Archived Programs: cap.unl.edu/landmanagement

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Today's Online Meeting Sponsor





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Outline of topics, Monday, May 15, 2023

- Trends in Nebraska cash rental rates
 - Trends in Nebraska cash rental rates for 2023 • 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 2023

Presented By Jim Jansen



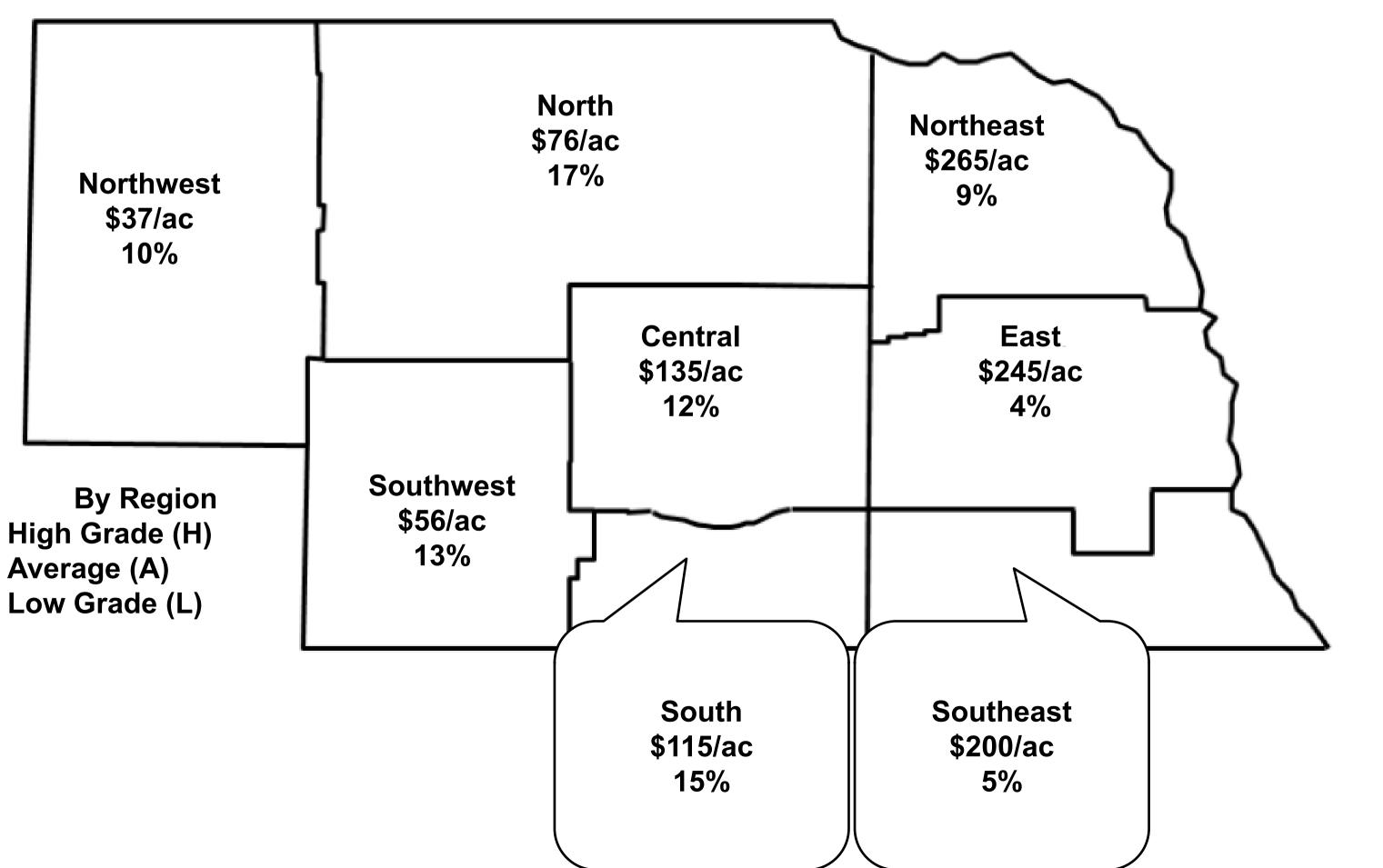
Nebraska Farm Real Estate Survey

- 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 for full access to these resources: https://cap.unl.edu/realestate



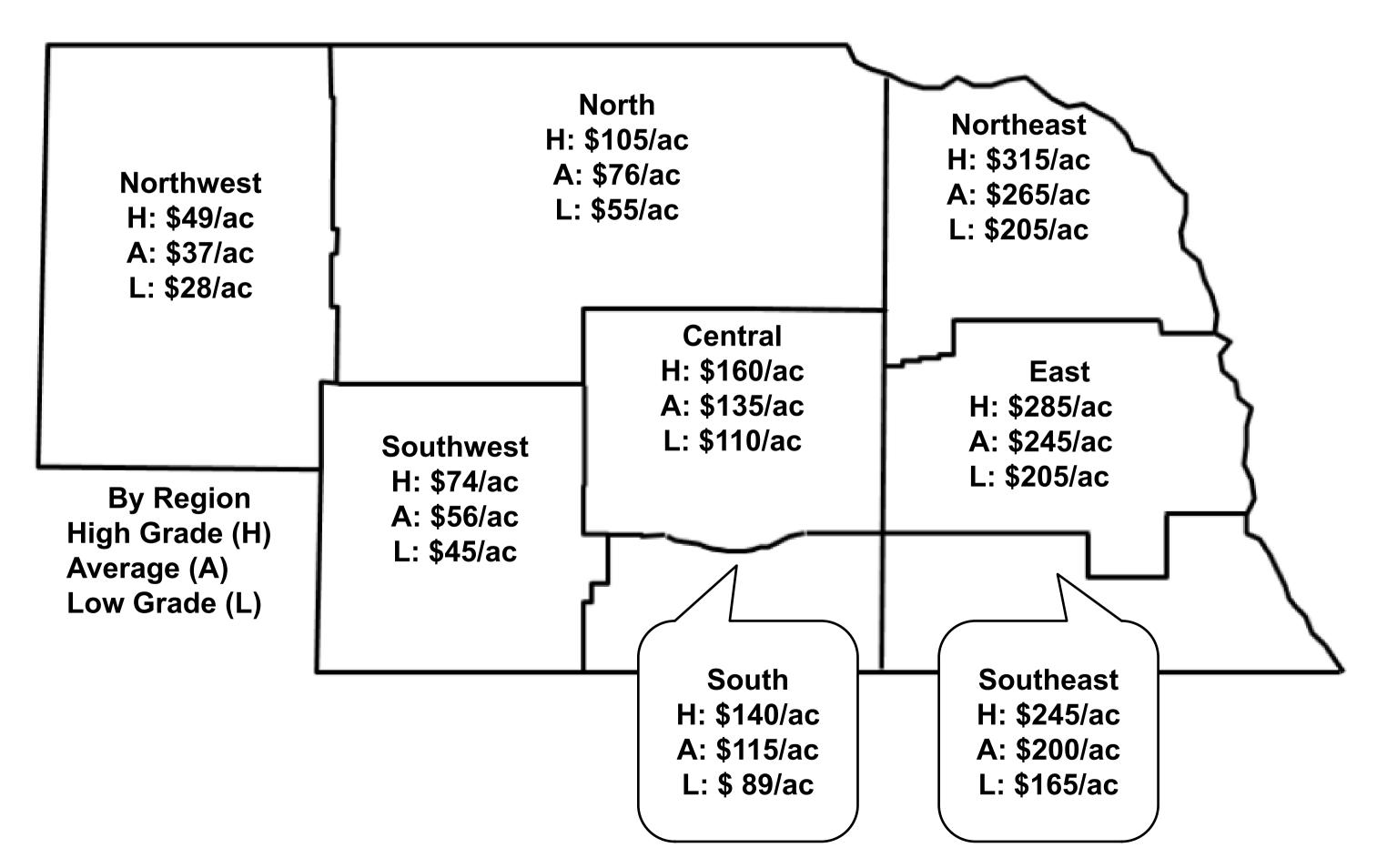


Nebraska Dryland Cropland Rental Rates – 2023 Preliminary Estimates



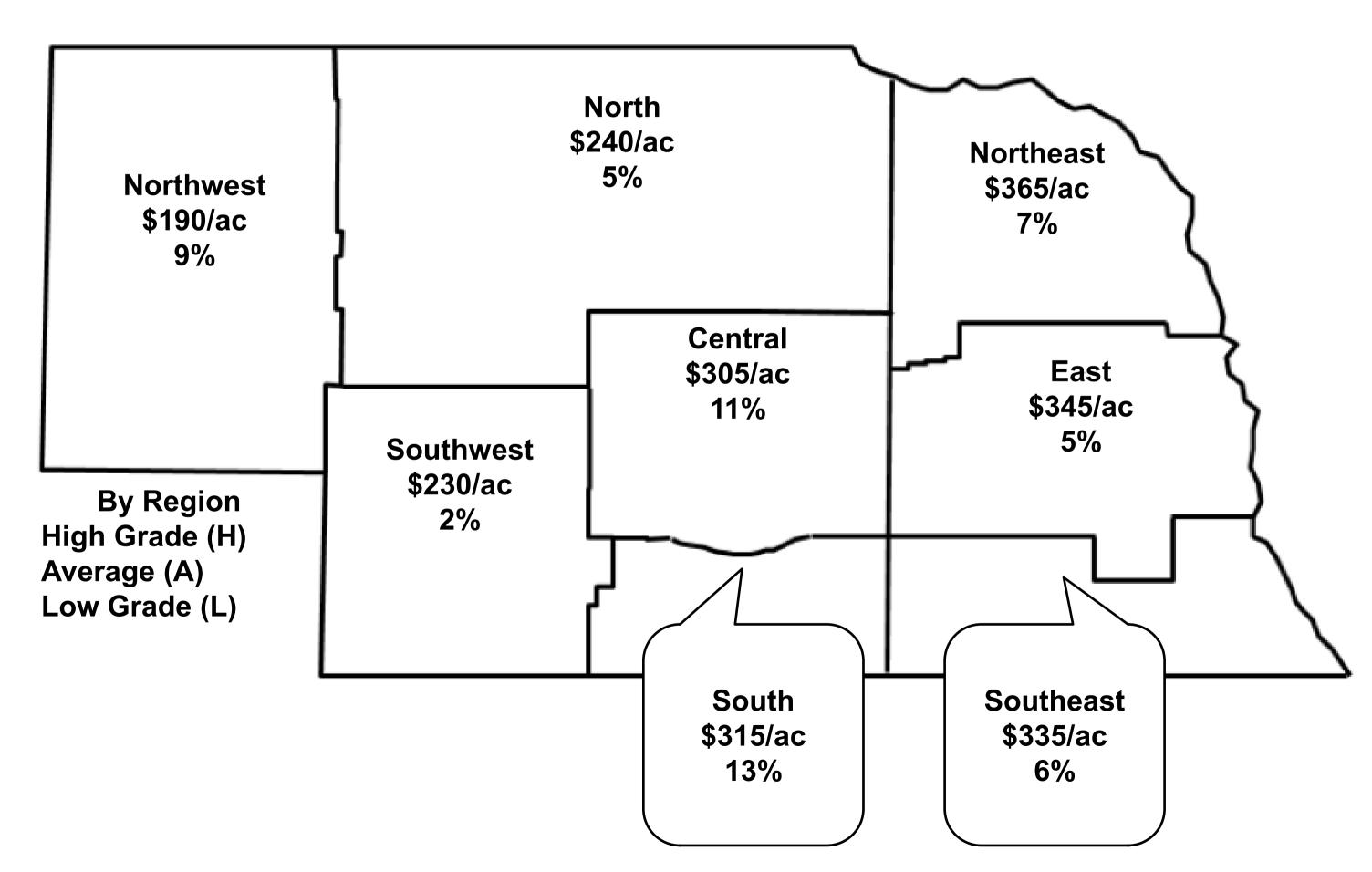
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Nebraska Dryland Cropland Rental Rates – 2023 Preliminary Estimates



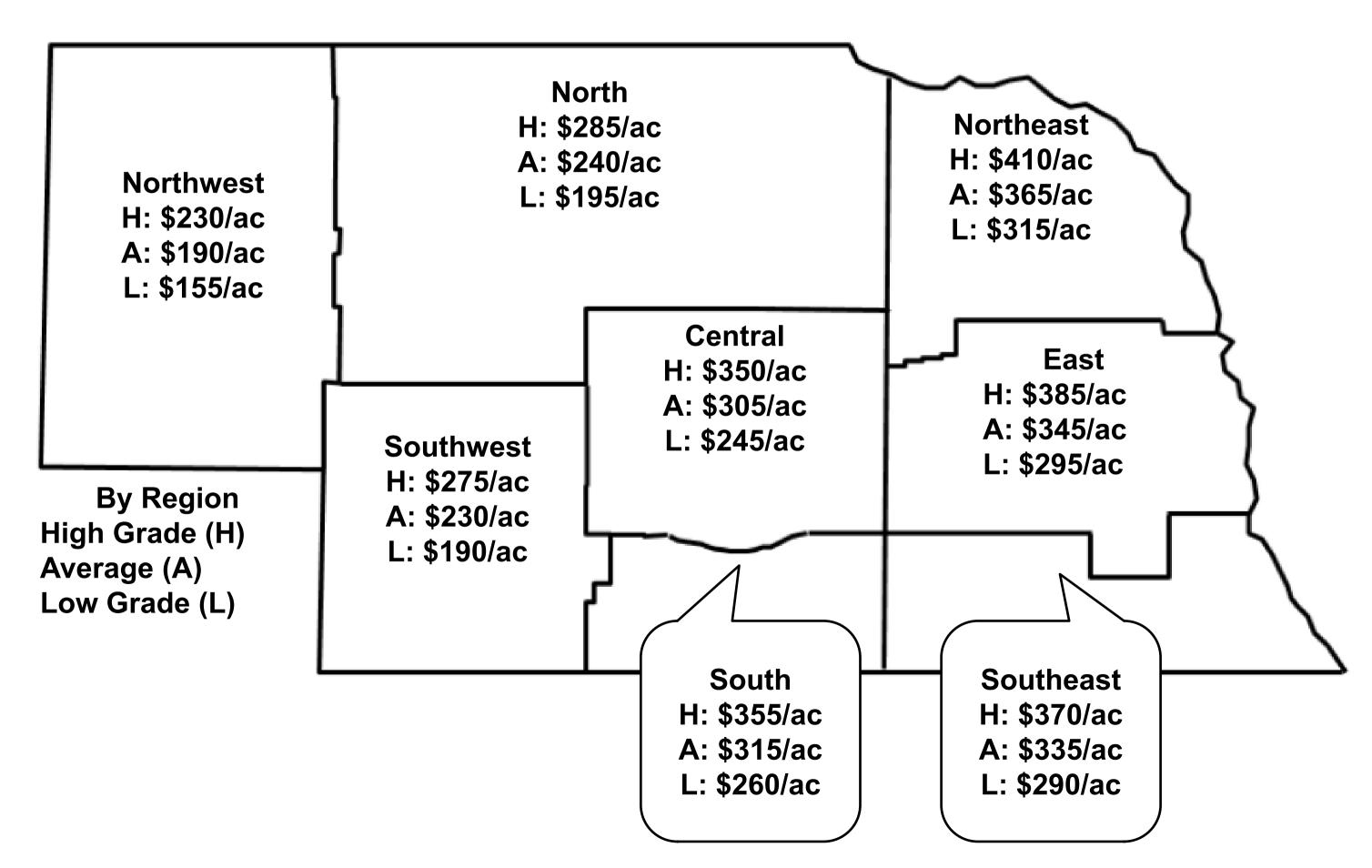


Nebraska Center Pivot Cropland Rental Rates – 2023 Preliminary Estimates



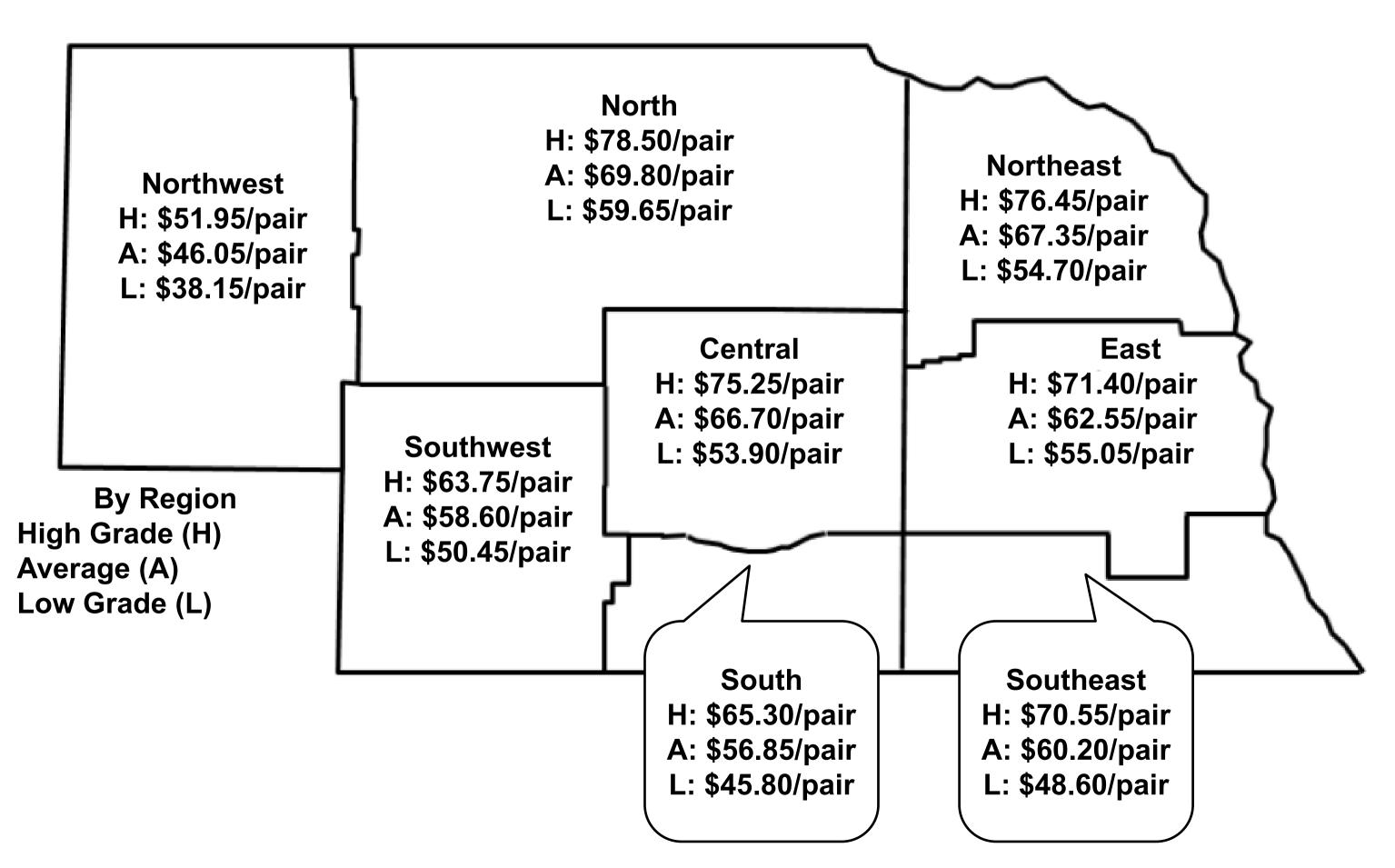


Nebraska Center Pivot Cropland Rental Rates – 2023 Preliminary Estimates





Nebraska Cow-Calf Pair Monthly Rental Rates – 2023 Preliminary Estimates



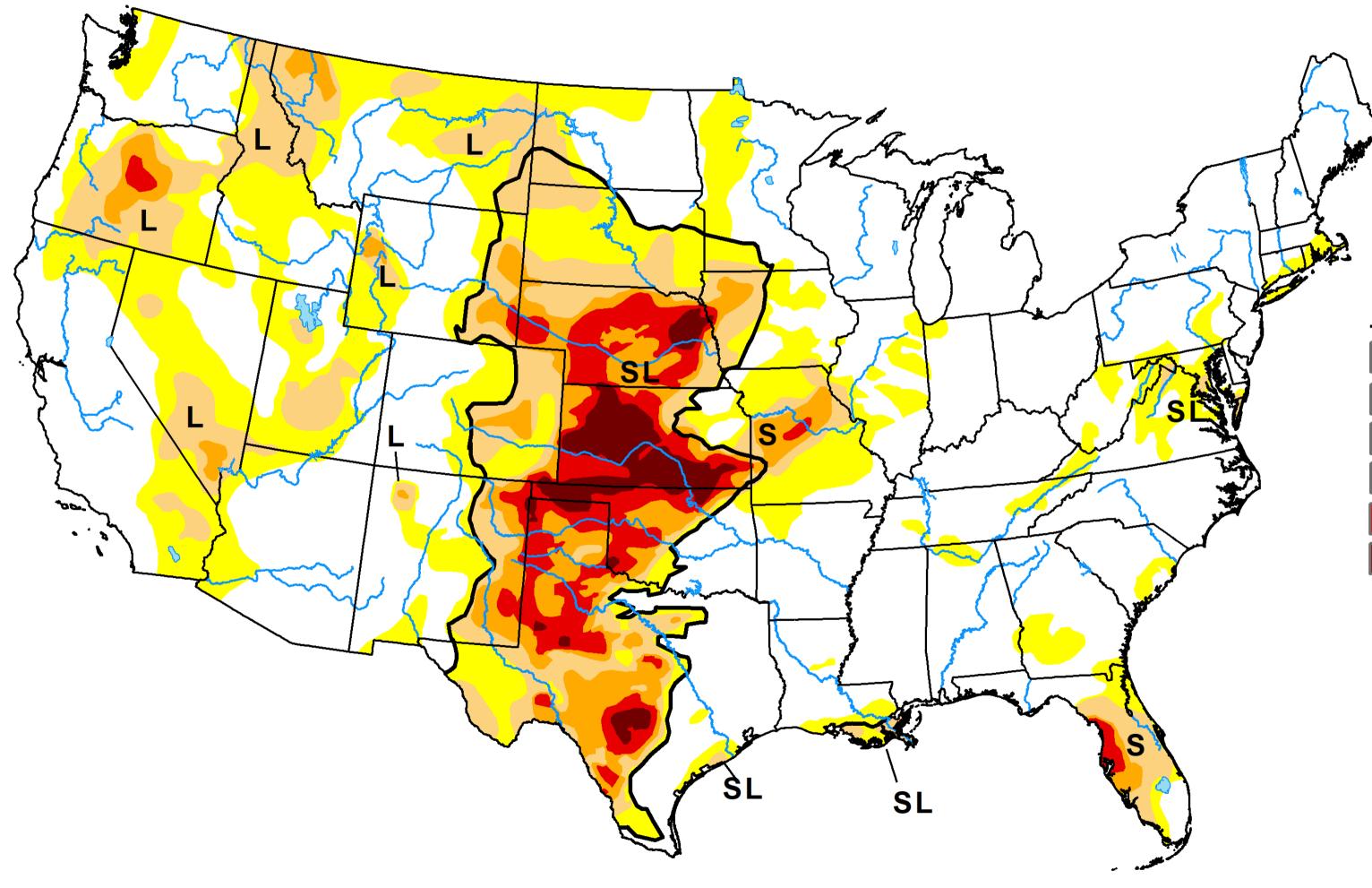
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Financial Implications for Changing Commodity Prices and Adjusting Cash Rents

Presented by Jim Jansen



U.S. Drought Monitor Map - May 11, 2023



Source: National Drought Mitigation Center, May 11, 2023

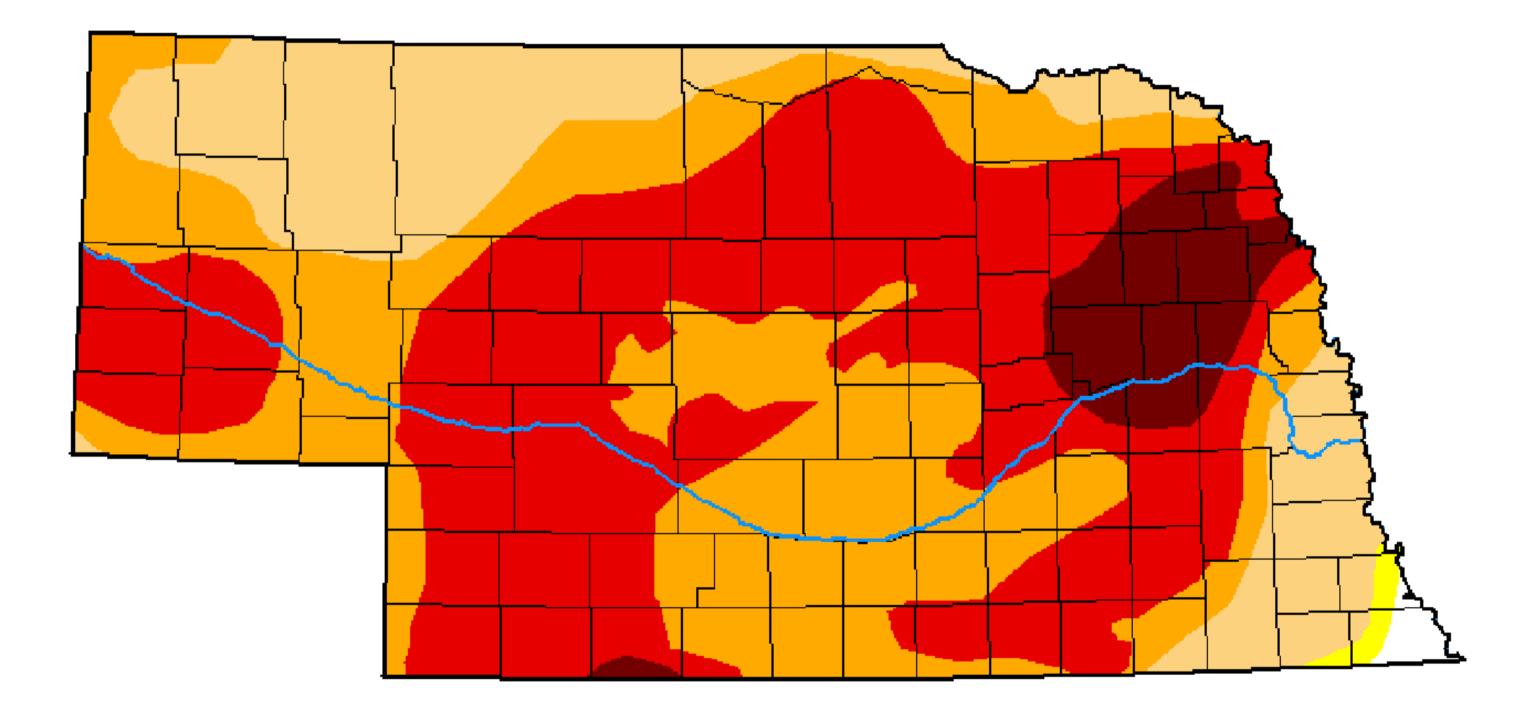
<u>Intensity:</u>

None

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought



U.S. Drought Monitor Map - May 11, 2023



Source: National Drought Mitigation Center, May 11, 2023



Intensity:



- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought



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 • <u>Higher than expected performance results in a final rental rate</u> higher than the agreed upon base rate.
- - Low<u>er</u> 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.

Farm Base Rent		Farm Base Rent	
Rental Rate	\$220/ac.	Rental Rate	\$220/ac.
5-yr Farm APH	150 bu.	5-yr Farm APH	150 bu.
Planting Time Price Guarantee	\$5.91/bu .	Planting Time Price Guarantee	\$5.91/bu .
Harvesting-Time Price Increase		Harvesting-Time Price Decreas	se
Actual Harvest Time Price Guarantee	\$6.36/bu .	Actual Harvest Time Price Guarantee	\$5.46/bu .
Difference (\$6.36/bu \$5.91/bu.)	\$0.45/bu .	Difference (\$5.46/bu \$5.91/bu.)	- \$0.45/bu .
Percent [\$6.36/bu \$5.91/bu.] Change [\$5.91/bu.] x 100	7.6 %	Percent [\$5.46/bu \$5.91/bu.] x 100 Change [\$5.91/bu.] x 100	-7.6 %
Final Rent		Final Rent	
Rental Rate	\$220/ac.	Rental Rate	\$220/ac.
Percent Increase in Rent (\$220 x 7.6%)	\$17/ac.	Percent Decrease in Rent (\$220 x -7.6%)	-\$17/ac.
Final Rent	\$237/ac.	Final Rent	\$203/ac.

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Flexible Cow-calf Pair Lease

• Flexible pasture lease based on feeder cattle futures where prices move down

Current Pasture Rent (\$/Pair)	
Expected Feeder Cattle Futures	
Actual Feeder Cattle Futures	
Percentage of Change	
(195.46 – 210.37) / 210.37	7% (
Drop Pasture Rent by 7%	
Final Rent (\$/Pair)	

\$300.00/pair

\$210.37/cwt.

\$195.46/cwt.

Change in Price Down

-\$21.00/pair

\$279.00/pair



Flexible Cow-calf Pair Lease

• Flexible pasture lease based on feeder cattle futures where prices move up

Current Pasture Rent (\$/Pair)	
Expected Feeder Cattle Futures	
Actual Feeder Cattle Futures	
Percentage of Change	
(225.10 – 210.37) / 210.37	7%
Increase Pasture Rent by 7%	
Final Rent (\$/Pair)	

\$300.00/pair

\$210.37/cwt.

\$225.10/cwt.

Change in Price Up

+\$21.00/pair

\$321.00/pair



2023 Production Season Looking at Lease Management

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 2023?
 - 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?
 - What are the terms?
 - Motivation of low or high commodity prices



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





Cash Lease Adjustments

- Example: consider center pivot irrigated cash rental rate at \$350/acre
 - Expected corn yields of 240 bushels/acre and price \$5.56/bushel
 - Gross crop revenue is: 240 bushels x \$5.56 per bushel = \$1,334 per acre
 - Rent comprises 26.2% of gross revenue (typically in the 25 to 35% range)
 - Depends on area of Nebraska
 - Lower percent for corn, higher for soybeans



Adjustments to Leases by Type

- Let's look more at rain-fed soybean example
 - Rent is \$200/acre
 - Dryland soybean APH: 45 bushels/acre
 - Price for fall soybeans: \$12.70/bushel • Gross Income: 45 bushels/acre x \$12.70/bushel = \$571/acre • Rent/Gross Income = $\frac{200}{571} = 35.0\%$ 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: <u>www.aglease101.org</u>

Cash Farm Lease	NCFMEC-01A
For additonal information see NCFMEC-01 (Fixed and	Flexible Cash Rental Arrangements For Your Farm).
This form can provide the landowner and operator with individual situation. This form is not intended to take the relationships between the two parties. Because of the po- legally considered a partnership under certain condition developing such an agreement.	ne place of legal advice pertaining to contractual ossibility that an operating agreement may be
This lease entered into thisday 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 a following described property:	and use for agriculture and related purposes, the
consisting of approximately acres situated in	County (Counties),(State)
II. General Terms of Lease	
A. Time period covered. The provisions of this agreemen	
on the day of , 20 thereafter unless written notice of termination is given h	by either party to the other at least <u>days</u> prior to
expiration of this lease or the end of any year of continu	
B. Review of lease. A written request is required for gen proposed changes by either party, at least days pri lease as specified in II-A.	
C. Amendments and alterations. Amendments and alter signed by both the owner and operator.	ations to this lease shall be in writing and shall be
D. No partnership intended. It is particularly understood nor intended to give rise to, a partnership relation.	d and agreed that this lease shall not be deemed to be,



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AgLease101.org – Free PDF Leases

Ag Lease 101

Ag Lease 101

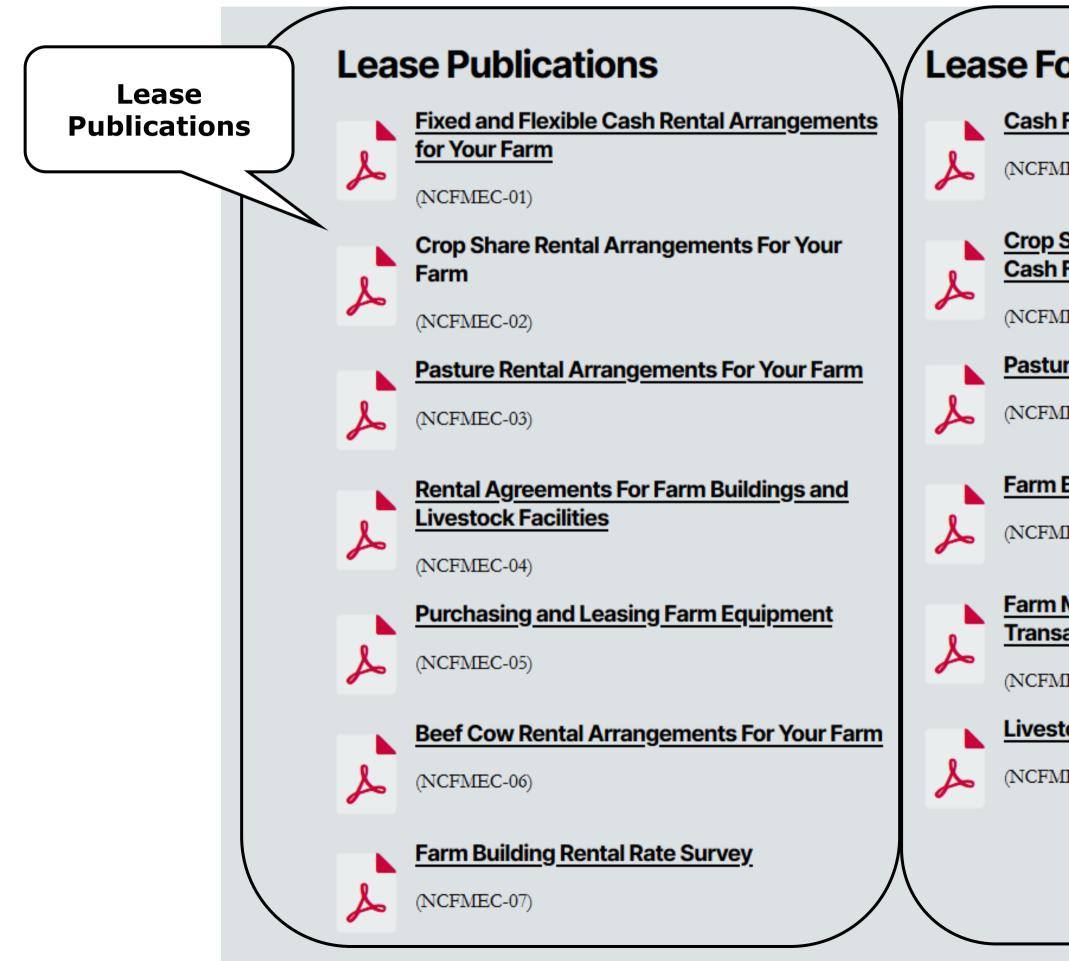
Ag Lease 101 helps both land owners and land operators learn about alternative lease arrangements and includes sample written lease agreements for several alternatives. Ag Lease 101 was created by and is maintained by the North Central Farm Management Extension Committee.







AgLease101.org – Free PDF Leases



Forms	Fillable PDF Forms
n Farm Lease	
MEC-01A)	
o Share Farm Lease Cash Farm Lease o Farm Lease	
MEC-02A)	
ure Lease	
MEC-03A)	
n Building or Livestock Facility Lease	
MEC-04A)	
n Machinery Lease for Non-commercial sactions	
MEC-05A)	
stock Rental Lease	
MEC-06A)	

Ask an Expert

Presented by Jim Jansen & Allan Vyhnalek



Land Management Questions

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?



Land Management Questions

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.

submit their questions. ers will be based upon



Today's Online Meeting Sponsor





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Eric Geiger, Farm Manager Email: Eric.Geiger@PeoplesCompany.com Mobile: 308-325-3604







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

Barbara Soderlin University of NE Foundation Ph: 402-670-0095 barbara.soderlin@nufoundation.org



Upcoming Webinar: Mon. Aug 21, 2023 at 12:00 PM CDT

Topics:

- 2023 Nebraska Farm Real Estate Survey and Report Estimates
 - Agricultural land values & cash rental rates
 - Special feature report on adjusting irrigated cropland rental rates
- 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

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