

Crop Share Leasing Provisions

Although farm tenants and landowners are free to include whatever provisions they wish in a lease contract, many people want to know what practices are customary or common in their region. Practices that are widely followed are usually considered to treat the landowner and tenant fairly. However, individual circumstances may justify arrangements that are different from the majority of cases. Any lease must be evaluated as a whole, not by its individual parts. The general principle to follow is to divide the crop (and other income) in the same proportion as total costs are shared.

Although leasing practices tend to be stable, changes do occur because of changes in agricultural technology and economic conditions. The 2017 Iowa Farmland Ownership and Tenure Survey by the Department of Economics at Iowa State University was conducted to find out more about current leasing practices in Iowa. Responses were received from a statistically representative sample of over 500 landowners throughout the state via telephone.

As of July 2017, nine percent of all cropland in Iowa was reported to be under a crop share agreement, which represents 17 percent of all leased cropland. The area under crop share agreement declined by three percentage points from the 13 percent reported in 2012 and 22 percent in 1992. The typical 50-50 crop share is still the predominant form of crop share leased acres.

Table 1 shows the percent of crop share acres in the state under alternative splits of crop yields and costs between landowner and tenant. The

vast majority of crop share acres (89 percent) split both the corn crop and the soybean crop equally between landowners and tenants. Similarly, 88 percent of all acres under a crop share arrangement split costs of inputs such as seed, fertilizer, herbicides, and insecticides equally between landowners and tenants. Custom work is used in half of the acres under crop share. In those acres, custom work costs are typically equally split between landowners and tenants (42 percent out of the 50 percent of acres using custom work).

The 2017 survey also allows us to present the results in terms of percent of owners as well as percent of land. Table 2 replicates the crop share arrangements characteristics shown in Table 1 in terms of the percent of landowners with crop share agreements. The conclusions are similar as to the results by percent of land.

Table 3 reveals some of the differences between cash and crop share leases. The tenants typically have a shorter landowner-tenant relationship, 11 years on average, in cash rental arrangements compared to the average of 14 years for crop share leases. Landowners likely are more involved in the production decisions for crop share leases. However, the difference is narrowing. In 2017, there was only a three-year difference on average, whereas in 2007 and 2012, there were nine and four years difference between the length of time a cash rent and crop share lease had been in effect with the same tenant. The narrowing of the gap in length of time between types of leases and in the overall average length of time a lease has been in place reflect the move toward cash rents and toward a more stable, long-term relationship between the tenant and landlord.

Wendong Zhang, Alejandro Plastina, extension economists

Wendiam Sawadgo, graduate research assistant

The crop share lease acres are more likely to be rented to a relative or a friend, whereas the cash rental agreement is more likely to be a written lease. The use of a professional farm manager is more common for crop share leases as well. Interestingly, the percent of crop share leased land with an owner who lives on a farm has significantly decreased from 44 percent five years ago to only 36 percent as of July 2017, which is even lower than the share for cash rental leases.

Finally, Table 4 presents several additional characteristics of crop share leased farmland. Two-thirds of all crop share leased land has been rented by the same tenant, and a quarter of all land with a crop share lease were rented

by the same tenant. One interesting metric that serves as a nice proxy for landowners' involvements in decisions on rented land is how often the landowner visits the farm during a year. Table 4 shows that for 37 percent of crop share leased land, landowners visit the farm on a daily basis, which is much higher than the corresponding metric, 25 percent, for land rented out in cash rental arrangements. This is consistent with the common belief that landowners are typically more involved in crop share arrangements compared to cash rental agreements. However, Table 4 also shows that for 12 percent of land rented out with a crop share lease, the landowners never visit the rented farm.

Table 1. Distribution of crop share acres based on the portion of yield received or percent of costs paid by the landowner, 2017

	0%	25-49%	50%	51-99%	100%	Not used/ reported
Corn yield	---	8%	89%	2%	---	1%
Soybean yield	---	8%	89%	2%	---	1%
Inputs - seed, fertilizer, herbicides, insecticides	6%	2%	88%	---	4%	---
Custom work - custom combine, custom fertilizer application, custom pesticide application	8%	---	42%	---	---	50%

Table 2. Percent of landowners based on the portion of yield received or percent of costs paid by the landowner, 2017

	0%	25-49%	50%	51-99%	100%	Not used/ reported
Corn yield	---	6%	84%	4%	---	6%
Soybean yield	---	6%	84%	4%	---	6%
Inputs - seed, fertilizer, herbicides, insecticides	5%	<1%	86%	---	8%	0%
Custom work - custom combine, custom fertilizer application, custom pesticide application	10%	---	36%	---	---	54%

Table 3. Characteristics of leased Iowa farmland, 2017

	Cash rent	Crop share	All leased acres
Percent of leased acres	83%	17%	100%
Use written lease	69%	37%	64%
Leased to a relative	30%	39%	31%
Leased to a friend	21%	29%	22%
Professional farm manager used	2%	11%	4%
Owner lives on a farm	42%	36%	41%
Fixed-term lease	82%	13%	70%
Average tenure of current tenant (years)	11.6	14.4	12.1

Table 4. Characteristics crop share leased farmland in Iowa, percent of acres, 2017

	1	2 to 5	6 to 10	11 to 20		
Number of years for a fixed lease	18%	5%	14%	62%		
	1	2 to 5	6 to 10	11 to 20	> 20	Average
Years tenant has rented	6%	11%	15%	43%	25%	14.4
	Never	Once or twice	Monthly	Weekly	Daily	
How often owner visits farm during year	12%	33%	13%	5%	37%	
	1	2	3	4 or more		
Number of tenants	77%	18%	3%	2%		