Key Topics:

► Trends in . . .
  – Farmland values
  – Cash rental rates
► Costs of crop production -- resources
► Negotiating a fair cash lease rate
► 2019 Farm Leasing Considerations:
  – Communications
  – Legal issues . . . and much more!

The Goal?

• You leave here today with increased knowledge and confidence to assist you to - -
  – Review current leasing arrangements . . .
  – Take steps to plan for the future . . . and
  – Know where to go for resources and assistance.
Later today, we’ll use the 2018 Cash Rent Survey and consider methods to set rents.

Farmers, landowners, ag lenders, and professional farm managers supply information based on their best judgments about typical cash rental rates for high, medium, and low quality cropland in counties for which they have knowledge about multiple parcels of farmland.

Survey Responses:

- 1,596 responses
- 47% farm operators
- 29% landowners
- 9% ag lenders
- 13% professional farm managers & realtors
- 2% other professions

Respondents indicated being familiar with over 1.8 million cash rented acres across Iowa.

On average, that’s about 1,128 acres per respondent.
Does the cash rent survey tell you what your rent should be?

► It’s a tool that can be a starting or reference point for determining an appropriate cash rental rate for a particular farm.
► It is not intended to be the sole source for determining cash rents.

www.extension.iastate.edu/agdm

Get familiar with Ag Decision Maker!!
Farm Management Field Specialists

We can answer questions, refer you to resources, or refer you to someone with the expertise you need.
Financial Analysis Expertise?

- **Farm Financial Planning**: Confidential, private service.
- Computerized financial analysis using FINPACK software.
- For anyone who wants a more complete picture of farm finances.
- Takes guesswork out of whether a change would increase profitability and improve cash flow.
- FINPACK analysis provides more in-depth evaluation, which many lenders are requiring before further credit extension.
- Helps evaluate farm business, determine whether change is desirable.
- Provides in-depth plan so operator & lender can make decisions.
- Answers basic questions of sound farm business management:
  - Where am I today? Where do I want to be? How do I get there?
  - Looks at profitability, liquidity, solvency, and risk-bearing ability.
- Considers alternative plans such as addition, expansion, or phasing out a livestock operation, or buying, selling, or renting land.
- Evaluate ways to correct negative cash flow, profitability problems.

How does it work? What’s the cost?

- Trained extension associate meets with family – farm business owners to discuss the analysis and possible effects if changes are made.
- May introduce other farm and family financial materials or information about outside sources of help.
- **Cost?? No charge.** Funded by the Ag Credit School, a program of ISU Extension and Iowa Bankers Association.
- **Who performs the analysis?** Farm Financial Management associates are part-time extension employees with college degrees and special training in farm budgeting and financial analysis. They have farm backgrounds so they understand the current farm situation.
LOCATIONS of FINANCIAL ASSOCIATES shown on the map. Clients may travel to these locations, or may be able to arrange meetings at ISU Extension offices.

If you want more information on this no-cost financial analysis program . . .

• Talk to the Farm Management Specialist presenting the program today.

• VISIT the ISU Extension website that describes the program and lists contact information:

• www.extension.iastate.edu/farmanalysis/
Are you – or someone you know – feeling stress on the farm?

There are a variety of resources available to help.

IOWA CONCERN HOTLINE:
1-800-447-1985

• Available 24/7
• Free
• Confidential
• All kinds of concerns – financial, legal, family, stress-related
Also 24/7: Iowa Concern On-Line CHAT

• Just Google “Iowa Concern” and click on the link for On-Line Chat
• Available 24/7
• Free and Confidential

Managing Farm Business and Family Stress

Resources on managing Farm & Family Stress
Don’t hesitate to call – Iowa Concern Hotline:

1-800-447-1985

► What are some sources of Iowa Farmland Value Data?

► Why is it important for Farmland Owners and Farm Producers to think about farmland values?
County Assessors’ Offices

- Some county assessors maintain public (Pdf or Excel spreadsheet) document of ag land sales:
Realty & Auction Websites

FAYETTE COUNTY, IA
7/7/2016
- 140 acres sold for $588,000.00 ($4,200.00/A)
  > Click Here For Brochure (PDF)

LINN COUNTY, IA
6/30/2016
- 120 acres sold for $864,000.00 ($7,200.00/A)
  > Click Here For Brochure (PDF)

LINN COUNTY, IA
6/30/2016
- 80 acres sold for $720,000.00 ($9,000.00/A)
  > Click Here For Brochure (PDF)

KEOKUK COUNTY, IA
6/29/2016
- 49.5 acres sold for $450,450.00 ($9,100.00/A)
  > Click Here For Brochure (PDF)

KEOKUK COUNTY, IA
6/29/2016
- 6.2 acres sold for $125,000.00 ($A)
  > Click Here For Brochure (PDF)

KEOKUK COUNTY, IA
6/29/2016
- 141 acres sold for $1,187,925.00 ($8,425.00/A)
  > Click Here For Brochure (PDF)

KEOKUK COUNTY, IA
6/29/2016
- 58.8 acres sold for $317,520.00 ($5,400.00/A)
  > Click Here For Brochure (PDF)

POWESHIEK COUNTY, IA
6/15/2016
- 87 acres sold for $687,300.00 ($7,900.00/A)
  > Click Here For Brochure (PDF)

Federal Reserve Bank—Chicago

- www.chicagofed.org
  - Quarterly survey of ag lenders by state
  - AgLetter: Quarterly Newsletter re: ag land values & credit
  - Go to chicagofed.org and click on publications

IOWA STATE UNIVERSITY
Extension and Outreach
Ag Decision Maker
With cash rentals making up 80\% of District agricultural land operated by someone other than the owner, changes in their terms are a key indicator of agricultural conditions. Cash rental rates for farmland in the District decreased 5\% for 2018 relative to 2017—the smallest decline in four years. For 2018, average annual cash rents to lease farmland were down 5\% in Illinois, 3\% in Indiana, 6\% in Iowa, 3\% in Michigan, and 7\% in Wisconsin. . . . . Even so, an Iowa banker shared that “land rental rates are status quo to slightly lower, but demand limits a reduction in rent per acre.” There seemed to be enough farmers willing to take on more acres to plant, such that cash rents did not fall as much as they would have otherwise. Meanwhile, other farmers quietly ended their rental contracts, even defaulting on payments to landowners in some cases.
AgLetter: August 2018
Federal Reserve Bank of Chicago

Percent change in dollar value of “good” farmland

Top: April 1, 2018 to July 1, 2018
Bottom: July 1, 2017 to July 1, 2018

<table>
<thead>
<tr>
<th></th>
<th>April 1, 2018 to July 1, 2018</th>
<th>July 1, 2017 to July 1, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois</td>
<td>0</td>
<td>-2</td>
</tr>
<tr>
<td>Indiana</td>
<td>+4</td>
<td>0</td>
</tr>
<tr>
<td>Iowa</td>
<td>+1</td>
<td>+1</td>
</tr>
<tr>
<td>Michigan</td>
<td>+4</td>
<td>+4</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>+2</td>
<td>+1</td>
</tr>
<tr>
<td>Seventh District</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Realtors Land Institute

- Semi-annual survey (March & September)
- Compares land classification by corn production
- Most recent survey always available on Ag Decision Maker
March 2018 RLI Survey

<table>
<thead>
<tr>
<th>Area in Iowa</th>
<th>High quality crop land</th>
<th>Medium quality crop land</th>
<th>Low quality crop land</th>
<th>Non-tillable pasture</th>
<th>Timber</th>
<th>Change in tillable cropland values past 6 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>$9,904</td>
<td>$10,107</td>
<td>$7,262</td>
<td>$7,500</td>
<td>$4,643</td>
<td>$4,820</td>
</tr>
<tr>
<td>East Central</td>
<td>9,888</td>
<td>10,254</td>
<td>7,210</td>
<td>7,523</td>
<td>4,568</td>
<td>4,821</td>
</tr>
<tr>
<td>North Central</td>
<td>8,809</td>
<td>9,035</td>
<td>6,660</td>
<td>6,940</td>
<td>4,501</td>
<td>4,789</td>
</tr>
<tr>
<td>Northeast</td>
<td><strong>9,373</strong></td>
<td>9,759</td>
<td>7,047</td>
<td>7,175</td>
<td><strong>4,438</strong></td>
<td><strong>4,700</strong></td>
</tr>
<tr>
<td>Northwest</td>
<td>10,814</td>
<td>10,969</td>
<td>8,250</td>
<td>8,452</td>
<td>5,297</td>
<td>5,439</td>
</tr>
<tr>
<td>South Central</td>
<td>7,017</td>
<td>7,274</td>
<td>4,676</td>
<td>4,761</td>
<td>3,064</td>
<td>3,264</td>
</tr>
<tr>
<td>Southeast</td>
<td>9,451</td>
<td>9,620</td>
<td>6,156</td>
<td>6,404</td>
<td>3,727</td>
<td>3,822</td>
</tr>
<tr>
<td>Southwest</td>
<td>7,792</td>
<td>8,064</td>
<td>6,193</td>
<td>6,363</td>
<td>4,500</td>
<td>4,871</td>
</tr>
<tr>
<td>West Central</td>
<td>9,053</td>
<td>9,304</td>
<td>7,197</td>
<td>7,205</td>
<td>4,845</td>
<td>4,935</td>
</tr>
<tr>
<td>State Average</td>
<td>9,122</td>
<td>9,376</td>
<td>6,739</td>
<td>6,925</td>
<td>4,398</td>
<td>4,552</td>
</tr>
</tbody>
</table>

Land Values 2018 Summary

August 2018 - Dollars/acre and percent change from 2017

http://usda.mannlib.cornell.edu/usda/current/AgriLandVa/AgriLandVa-08-02-2018.pdf
Timely topics in Newsletters – free to you on Ag Decision Maker

Iowa State University
Farmland Value Survey

- Conducted annually since 1941
- Mailed to 1100 licensed real estate brokers; 500-600 responses
- Released annually in mid-December
- November 1 to November 1
- Latest and historical surveys found on Ag Decision Maker website
  - www.extension.iastate.edu/agdm

SEE YOUR BOOK – page 23
"The survey is intended to provide information on general land value trends, geographical land price relationships, and factors influencing the Iowa land market. The survey is not intended to provide a direct estimate for any particular piece of property."
2016 and 2017 Farmland Values

State Average $7,326

City

Dollar Values

- $5,000 or less
- $5,000 to $7,000
- $7,000 to $8,000
- $8,000 to $9,000
- $9,000 or more

CARD
Center for Agricultural and Rural Development

IOWA STATE UNIVERSITY
Extension and Outreach

County estimates of average dollar value per acre for Iowa farmland based on U.S. Census of Agriculture estimates and the Nov. 1, 2017, Iowa Land Value Survey conducted by Center for Agricultural and Rural Development, Iowa State University and Iowa State University Extension and Outreach. The top figure is the estimated Nov. 1, 2017, value; the bottom figure is the estimated Nov. 1, 2016, value.
Northeast counties: 2016 (bottom #) & 2017 (top #) farmland values

<table>
<thead>
<tr>
<th>County</th>
<th>2016</th>
<th>2017</th>
<th>Percent Change 2015 to 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mitchell</td>
<td>7,696</td>
<td>7,503</td>
<td>-6.21%</td>
</tr>
<tr>
<td>Howard</td>
<td>6,631</td>
<td>6,419</td>
<td>-6.38%</td>
</tr>
<tr>
<td>Winneshiek</td>
<td>6,856</td>
<td>6,592</td>
<td>-6.55%</td>
</tr>
<tr>
<td>Allamakee</td>
<td>5,456</td>
<td>5,211</td>
<td>-6.71%</td>
</tr>
<tr>
<td>Floyd</td>
<td>7,512</td>
<td>7,323</td>
<td>-6.21%</td>
</tr>
<tr>
<td>Chickasaw</td>
<td>7,317</td>
<td>7,084</td>
<td>-6.38%</td>
</tr>
<tr>
<td>Fayette</td>
<td>8,000</td>
<td>7,694</td>
<td>-6.54%</td>
</tr>
<tr>
<td>Clayton</td>
<td>6,936</td>
<td>6,625</td>
<td>-6.71%</td>
</tr>
<tr>
<td>Butler</td>
<td>7,806</td>
<td>7,596</td>
<td>-6.24%</td>
</tr>
<tr>
<td>Bremer</td>
<td>8,402</td>
<td>8,139</td>
<td>-6.37%</td>
</tr>
<tr>
<td>Buchanan</td>
<td>8,153</td>
<td>7,913</td>
<td>-6.32%</td>
</tr>
<tr>
<td>Delaware</td>
<td>8,703</td>
<td>8,379</td>
<td>-6.42%</td>
</tr>
<tr>
<td>Dubuque</td>
<td>7,951</td>
<td>7,615</td>
<td>-6.59%</td>
</tr>
<tr>
<td>Grundy</td>
<td>8,816</td>
<td>8,552</td>
<td>-6.88%</td>
</tr>
<tr>
<td>Black Hawk</td>
<td>8,841</td>
<td>8,599</td>
<td>-6.52%</td>
</tr>
<tr>
<td>Buchanan</td>
<td>8,153</td>
<td>7,913</td>
<td>-6.32%</td>
</tr>
<tr>
<td>Delaware</td>
<td>8,703</td>
<td>8,379</td>
<td>-6.42%</td>
</tr>
<tr>
<td>Dubuque</td>
<td>7,951</td>
<td>7,615</td>
<td>-6.59%</td>
</tr>
</tbody>
</table>

State Average Values
Nov 2017: $7,326
Nov 2016: $7,183

Percent change – 2015 to 2016 (Decreases)
Percent change – 2016 to 2017 (Increases)

2016 Iowa land values by crop reporting district
2017 Iowa Land Values by Crop Reporting District

Crop Reporting District 3 ➔

Crop Reporting ↔ District 2

IOWA STATE UNIVERSITY Extension and Outreach
Iowa Nominal and inflation-adjusted average value per acre of Iowa farmland

Buyers of Iowa Farmland 1989 - 2017
The increase in land values can be attributed to **limited land supply**.

Several points:

- Largest increase (**4.7%**) was reported in both Allamakee and Clayton Counties.
- **54%** of farmland sales were from estate sales. **23%** of farmland sales = retired farmers.
- Active farmers = **13%**. Investors = **8%**.
- **Limited land supply** is the main factor driving this year’s increase in farmland values.
- Commodity prices & farm incomes are still stagnant.
- We do not consider this a turn of the land market. Given rising interest rates and stagnant farm income, we would not be surprised to see continued decline in values in the future. This may likely be a temporary break in a downward adjustment trajectory.
Landlord-Tenant Communication: It’s a 2-way street

- Farmland owners need to be open to learning about current farming challenges, conditions, costs of productions.

- Producers need to listen to the interests and goals of farmland owners; and be willing to share information about inputs, yields, and crop plans.

Why is communication important?

- In some counties -- up to 70% of land is under a form of rental agreement.
- Overall, 53% of Iowa land is rented.
- Cash rent = 68%
- Flexible cash rent = 14%   Crop share = 17%
- 34% of Iowa land owned by landlords with no farming experience (much of this inherited).
- 23%: owned by retired farmers (don’t currently farm)
- Owners want to know and understand happenings on the land.
- Producers need to share information with owners about costs, methods of production.
Communication Methods:

• Newsletter
• E-mail
• Facebook, Twitter, blog
• Phone calls
• Stop by for a cup of coffee
• Annual or periodic meetings

• **KEY:** Don’t limit communication to annual rent payment and rent negotiations.

Winning Communication Strategies:

• Communicate regularly, not just once a year
• Producers: Take time to share and educate Owners about current trends in agriculture, farm costs
• Provide **regular** crop reports during growing season
• Maintain farm appearance
• Treat landowners like family – with respect and kindness.
Newsletters can be simple or fancy . . . .
Posted on a website, sent by Email or US Mail . . . . Or through other social media sites.
• Page 91:
• Annual Reports:
• Owner agrees: Info provided by the Tenant is kept confidential.
• Proprietary business information needs to be shared to negotiate lease terms – but it is not to be shared in the “coffee shop.”
Iowa Farmland: Keeping it “in the family” – Communication through the generations:

Mom & Dad: Own a section—640 acres
4 Kids – Allan  Bill  Cathy  Donna
Equal Shares—25% each

Allan: To 4 kids equally, each own 6.25% of 640 acres
Bill: To 5 kids equally, each own 5% of 640 acres
Cathy: To 3 kids equally, each own 8.333% of 640 acres
Donna: 0 kids, leaves to the church (25% share) (and church wants to sell)

► Do any of the “kids” live in Iowa?
► Who is the farm manager?
► If you’re the Producer tenant – how many landlords do you have now?
► Was there a “farm succession” plan?

Negotiation Process Tips:

• Start early, use data – facts.
• Producers: Know your costs,
  • overhead, breakeven points
• Producers: Understand challenges landowners face with declining revenues
• Producers: Share information on yields, prices, records, satellite photos, fertility records, government payments, crop insurance
• Landowners: Know your costs, know what you need
• Landowners: Learn about production costs
Farm Lease Basics:
A Few Legal-Related Pointers

- Available lease forms (in your book and on AgDM)
- Legal issues, including lease termination
- Farmland Ownership and Partition Actions – changes in Iowa law
Ag Decision Maker
Farm Lease Forms:

- Both “short” (3-page) and “long” (11-page) forms available on AgDM.
- “Short” form is in your book at page 88.
- Fillable-PDF forms.
- Forms can be adapted to your needs.
- Consult with your legal adviser.

Why should a farm lease be written?

- Provides more assurance that the parties understand one another.
- Lease of more than 1 year must be in writing to be enforceable.
- Lease of 5 years or more must be in writing and recorded at the county recorder’s office.
Shouldn’t a handshake be good enough?

- Don’t rely on selective memory.
- Be sure that you cover all the provisions that you intend to cover.
- Define meaning of terms.
- Put things in writing because you value the relationship... and because you don’t want there to be later misunderstandings!

A Few Examples . . . .

- Fencing issues
- Hunting rights
- Crop residue (stover) (belongs to producer unless a written lease says otherwise).

Written leases cover and clarify these topics – helps to avoid later misunderstandings.
Clarify whether this is a farm tenancy—in situations where this could be a question. For example . . . .

- Rural residential acreage where there may be livestock – but not the primary purpose.
- *Porter v. Harden* (Iowa Supreme Court (March 2017))– said a 6-acre residential acreage where tenants grazed 1 horse was not a “farm tenancy” under Iowa farm lease law.

If you are leasing a rural residential acreage (either as the owner or as the tenant) determine whether this is intended to be a residential lease, or if a farm tenancy is intended. This should be reflected in a written lease – see your attorney to use the correct lease form.

**Assuring the Rent is Paid**

- How can parties assure one another that the rent will be paid?
First Step? – Use a written lease.

And, be sure that:

1. Legal description and parcel number in lease is accurate.
2. Parties to lease are properly identified.
3. Lease terms are clear.

*When an agreement is in writing, people tend to take it more seriously, ask questions and clarify issues.*

Additional tools to assure rent payment may include:

- Require all rent paid on March 1. (Reduction for interest paid by the borrower may be a consideration.)
- Require irrevocable letter of credit from the Producer/Tenant’s lender.
- Require Landlord’s name be included as Payee on checks for crops.
- File and perfect a Landlord Lien – this includes recording the lease – seek professional legal assistance for this.
Farm Lease Termination: Does lease termination mean the end of the Owner–Tenant relationship?

- Not necessarily – but it means either the Owner (or the Tenant) want to make some changes for the next year.
- See your book – page 95 – for an easy-to-use form.

Without written notice of termination, lease automatically renews under the same terms and conditions for the following crop year.

Farm Lease Termination:

- Iowa Code 562.6: Amended in 2016 to clarify that whether the lease is oral or written, the termination notice must be in writing!
- Notice cannot be contained within the lease – it must be a separate written notice.
- Serve written notice on or before September 1 (this terminates the current least on the following March 1).
- Serve in person (have them sign the notice and keep a copy); or by Certified US Mail (keep copy of receipt, return receipt optional); or by publication if neither in-person or mail can be accomplished.
Farmland Ownership and Partition Law

- Learn ownership basics on AgDM at File C4-51

- Tenancy in Common (TIC): 2 or more owners have separate but undivided property interests.

- Interests may be equal or unequal, and all owners have rights.

- Disputes may arise among property owners.

---

Partition of Farmland by Tenants in Common

- Managing farm property is hard for ONE person!

- It’s often more difficult for a group of owners with differing interests to make decisions together.

- For this (or perhaps for other reasons) one or more owners may seek to divide or “partition” the ownership.
It’s best if farmland owners can arrive at an agreement on how to divide the property in an equitable manner.

- This may involve one or more owners buying out other(s) at an agreed-upon price.
- When parcels have different values (as is common), one owner may agree to make a payment to other(s) to equalize values.

When parties can’t reach agreement, a partition action may be filed in court.

- **Partition by Sale** = a court orders a sale of the entire property and the proceeds from the sale is divided up among the co-owners.
- **Partition in Kind** = property is divided among the co-owners in an “equitable and fair” manner.
- **2018:** Iowa legislature enacted a new partition law.
- **Partition by Sale** is still the default – but the new law adds a section that makes it somewhat easier to have a **Partition in Kind** when the property has been inherited by relatives. *(This is called “heirs property.”)*
New Iowa law outlines a procedure to allow a co-tenant of “heirs property” to request partition in kind.

• If all co-tenants do not want partition in kind, there is a procedure to facilitate buyout of co-tenant(s) wanting a sale.
• If the property of the co-tenant who wants partition by sale isn’t purchased through the buyout procedure, a court can order partition in kind.
• Also under this new law, the court can order equalization payments – or “owelty.”
• It’s hoped this new law will result in more settlements and fewer court proceedings – and encourage better family communication and estate planning.

If you want more in-depth information on Partition and Iowa law . . .

• Visit ISU’s Center for Ag Law & Taxation (CALT) and click on The Ag Docket to find an article detailing all the provisions of the new law.
• Consult with your own legal adviser.
• www.calt.iastate.edu
Turn to page 31 in your book

We’ll look at the 2018 Cash Rental Rate survey and walk through some calculations and ways to think about how to arrive at a number that is fair to both the Owner and the Producer.

When you have time, read through this page that explains the survey methodology and information.

Interactive Resource Tool

https://www.card.iastate.edu/tools/ag-risk/cash-rental-rates/
We’re focusing on counties in Crop Reporting Districts 2 or 3

Average/Typical Cash Rents for Corn & Soybean Acres – p 32

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn and Soybean Acres ($/tillable acre)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>District 1</td>
<td>$270</td>
<td>$259</td>
<td>$248</td>
<td>$234</td>
<td>$237</td>
</tr>
<tr>
<td>District 2</td>
<td>270</td>
<td>254</td>
<td>243</td>
<td>218</td>
<td>225</td>
</tr>
<tr>
<td><strong>District 3</strong></td>
<td><strong>277</strong></td>
<td><strong>273</strong></td>
<td><strong>250</strong></td>
<td><strong>241</strong></td>
<td><strong>244</strong></td>
</tr>
<tr>
<td>District 4</td>
<td>288</td>
<td>265</td>
<td>245</td>
<td>231</td>
<td>236</td>
</tr>
<tr>
<td>District 5</td>
<td>284</td>
<td>261</td>
<td>239</td>
<td>228</td>
<td>237</td>
</tr>
<tr>
<td>District 6</td>
<td>273</td>
<td>255</td>
<td>242</td>
<td>240</td>
<td>232</td>
</tr>
<tr>
<td>District 7</td>
<td>249</td>
<td>242</td>
<td>220</td>
<td>206</td>
<td>207</td>
</tr>
<tr>
<td>District 8</td>
<td>202</td>
<td>187</td>
<td>183</td>
<td>180</td>
<td>174</td>
</tr>
<tr>
<td>District 9</td>
<td>229</td>
<td>217</td>
<td>203</td>
<td>204</td>
<td>203</td>
</tr>
<tr>
<td><strong>State</strong></td>
<td><strong>$260</strong></td>
<td><strong>$246</strong></td>
<td><strong>$230</strong></td>
<td><strong>$219</strong></td>
<td><strong>$222</strong></td>
</tr>
</tbody>
</table>
Estimated Costs of Production

- Released late December or early January each year
- Numbers from several sources:
  - Iowa Farm Business Association
  - ISU Department of Ag & Land Stewardship
  - Survey of input suppliers around Iowa
  - Production and costs data from the Departments of Economics, Agricultural and Biosystems Engineering, and Agronomy at Iowa State University
  - Guidelines, planning purposes, costs can vary by farm.

Land, Inputs, Machinery, Labor

Estimated Costs of Crop Production in Iowa - 2018

Iowa Farm Business Association
ISU Department of Ag & Land Stewardship
Survey of input suppliers around Iowa
Production and costs data from the Departments of Economics, Agricultural and Biosystems Engineering, and Agronomy at Iowa State University
Guidelines, planning purposes, costs can vary by farm.

Fixed Cash Lease – Determining a “Fair” Rental Rate
On Ag Decision Maker – find interactive Excel Spreadsheet -- input variables, estimate cash rents.

Computing a Cropland Cash Rental Rate

Page 80

Computing Cropland Cash Rental Rate

We’ll walk through calculations for 4 different bases for cash rent calculations:
1. What others are charging
2. Average rent for production (yields)
3. Average rent for CSR
4. Return on Value
   – Plus consider other factors & flexible methods
**STEP ONE: Farmland Fact Finding**

1. Land value estimate for tillable acres ($/acre)
2. Number of Tillable Acres *(If you don't know, check county USDA FSA Office: Form 578 completed annually)*
3. Corn Suitability Rating? (CSR/CSR2) *(See County Assessor's Office or NRCS Soil Survey)*
4. Special features? Drainage issues, irregular field shapes *(See tile, terrace maps, aerial photos)*
5. Most recent 5-Year Actual/Average Yields on that farm (Corn & Soybeans).

---

**Do you know the yields on your parcels – whether you’re the landowner or the producer/tenant?**  See page 61:

<table>
<thead>
<tr>
<th>NORTHEAST DISTRICT</th>
<th>Corn Yields</th>
<th>Soybean Yields</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10-yr Avg.</td>
<td>Highest Year</td>
</tr>
<tr>
<td>Allamakee</td>
<td>191</td>
<td>176</td>
</tr>
<tr>
<td>Buchanan</td>
<td>221</td>
<td>176</td>
</tr>
<tr>
<td>Chickasaw</td>
<td>194</td>
<td>176</td>
</tr>
<tr>
<td>Delaware</td>
<td>218</td>
<td>180</td>
</tr>
<tr>
<td>Fayette</td>
<td>208</td>
<td>178</td>
</tr>
<tr>
<td>Winneshiek</td>
<td>200</td>
<td>181</td>
</tr>
<tr>
<td>District average</td>
<td>209</td>
<td>180</td>
</tr>
</tbody>
</table>

---
Let’s take an Example . . . a fictional parcel in Winneshiek County:

Location: Winneshiek County
Tillable Acres in parcel: 75 Acres
Corn Yield: 178 bu/Acre
Soybean Yield: 46 bu/Acre

*These are the yields on that farm/parcel – ideally, a 5-year rolling average.*
Corn Suitability Rating: 82 CSR2

Method #1: What are others charging or paying?

- **Rumors often inaccurate.**
- **Compare to many others, not just one**
- **Seemingly small differences in land quality can make a big difference in appropriate rents.**
Method #1: Typical Cash Rent
► Start at page 32 to find the appropriate District page (1, 2, 3 etc)
► Example parcel in Winneshiek—p35
► Determine Overall as well as High, Middle, Low averages for county
► Determine where your parcel fits
► Select an appropriate figure from the survey information
► Note on “Example” parcel – CSR2 is high, but yields a little below average.

2018 CASH RENTAL SURVEY FOR CROP REPORTING DISTRICT 3

<table>
<thead>
<tr>
<th>Quality</th>
<th>District 3 Average</th>
<th>Allamakee &amp; Clayton</th>
<th>Black Hawk</th>
<th>Bremer</th>
<th>Buchanan</th>
<th>Chickasaw</th>
<th>Delaware</th>
<th>Dubuque</th>
<th>Fayette</th>
<th>Howard</th>
<th>Winneshiek</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of responses</td>
<td>155</td>
<td>16</td>
<td>24</td>
<td>19</td>
<td>22</td>
<td>9</td>
<td>16</td>
<td>7</td>
<td>11</td>
<td>13</td>
<td>18</td>
</tr>
<tr>
<td>2013 - 2017 avg. crop yield</td>
<td>181</td>
<td>188</td>
<td>188</td>
<td>192</td>
<td>191</td>
<td>187</td>
<td>195</td>
<td>201</td>
<td>191</td>
<td>186</td>
<td>180</td>
</tr>
<tr>
<td>Avg. row crop CSR2 index</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>54</td>
<td>51</td>
<td>58</td>
<td>58</td>
<td>55</td>
<td>51</td>
<td>53</td>
</tr>
</tbody>
</table>

Typical Cash Rent for Cash and Salaried, $ per tillable acre

<table>
<thead>
<tr>
<th>Quality</th>
<th>District 3 Average</th>
<th>Allamakee &amp; Clayton</th>
<th>Black Hawk</th>
<th>Bremer</th>
<th>Buchanan</th>
<th>Chickasaw</th>
<th>Delaware</th>
<th>Dubuque</th>
<th>Fayette</th>
<th>Howard</th>
<th>Winneshiek</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall average</td>
<td>$244</td>
<td>$241</td>
<td>$266</td>
<td>$250</td>
<td>$258</td>
<td>$264</td>
<td>$267</td>
<td>$244</td>
<td>$199</td>
<td>$250</td>
<td>$225</td>
</tr>
<tr>
<td>High quality third</td>
<td>$283</td>
<td>$289</td>
<td>$299</td>
<td>$307</td>
<td>$286</td>
<td>$275</td>
<td>$265</td>
<td>$219</td>
<td>$281</td>
<td>$217</td>
<td>$264</td>
</tr>
<tr>
<td>Average response</td>
<td>$250</td>
<td>$261</td>
<td>$274</td>
<td>$284</td>
<td>$278</td>
<td>$266</td>
<td>$256</td>
<td>$240</td>
<td>$245</td>
<td>$241</td>
<td>$267</td>
</tr>
<tr>
<td>Medium quality third</td>
<td>$245</td>
<td>$261</td>
<td>$274</td>
<td>$284</td>
<td>$278</td>
<td>$266</td>
<td>$256</td>
<td>$240</td>
<td>$245</td>
<td>$241</td>
<td>$267</td>
</tr>
<tr>
<td>Average response</td>
<td>$250</td>
<td>$261</td>
<td>$274</td>
<td>$284</td>
<td>$278</td>
<td>$266</td>
<td>$256</td>
<td>$240</td>
<td>$245</td>
<td>$241</td>
<td>$267</td>
</tr>
<tr>
<td>Low quality third</td>
<td>$200</td>
<td>$219</td>
<td>$229</td>
<td>$229</td>
<td>$210</td>
<td>$224</td>
<td>$207</td>
<td>$202</td>
<td>$196</td>
<td>$191</td>
<td>$196</td>
</tr>
<tr>
<td>Average response</td>
<td>$200</td>
<td>$219</td>
<td>$229</td>
<td>$229</td>
<td>$210</td>
<td>$224</td>
<td>$207</td>
<td>$202</td>
<td>$196</td>
<td>$191</td>
<td>$196</td>
</tr>
</tbody>
</table>

Typical Corn Yield, bu. per acre

<table>
<thead>
<tr>
<th>Quality</th>
<th>District 3 Average</th>
<th>Allamakee &amp; Clayton</th>
<th>Black Hawk</th>
<th>Bremer</th>
<th>Buchanan</th>
<th>Chickasaw</th>
<th>Delaware</th>
<th>Dubuque</th>
<th>Fayette</th>
<th>Howard</th>
<th>Winneshiek</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>155</td>
<td>16</td>
<td>24</td>
<td>19</td>
<td>22</td>
<td>9</td>
<td>16</td>
<td>7</td>
<td>11</td>
<td>13</td>
<td>18</td>
</tr>
<tr>
<td>Middle</td>
<td>181</td>
<td>188</td>
<td>188</td>
<td>192</td>
<td>191</td>
<td>187</td>
<td>195</td>
<td>201</td>
<td>191</td>
<td>186</td>
<td>180</td>
</tr>
<tr>
<td>Low</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
</tr>
</tbody>
</table>

Average Rents per 5-year Average Yield or CSR2

<table>
<thead>
<tr>
<th>Quality</th>
<th>District 3 Average</th>
<th>Allamakee &amp; Clayton</th>
<th>Black Hawk</th>
<th>Bremer</th>
<th>Buchanan</th>
<th>Chickasaw</th>
<th>Delaware</th>
<th>Dubuque</th>
<th>Fayette</th>
<th>Howard</th>
<th>Winneshiek</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent per bu of corn yield</td>
<td>$1.28</td>
<td>$1.28</td>
<td>$1.41</td>
<td>$1.33</td>
<td>$1.33</td>
<td>$1.33</td>
<td>$1.33</td>
<td>$1.33</td>
<td>$1.33</td>
<td>$1.33</td>
<td>$1.33</td>
</tr>
<tr>
<td>Rent per bu of bean yield</td>
<td>$4.47</td>
<td>$4.38</td>
<td>$4.64</td>
<td>$4.63</td>
<td>$4.59</td>
<td>$4.59</td>
<td>$4.60</td>
<td>$4.44</td>
<td>$3.73</td>
<td>$4.25</td>
<td>$4.35</td>
</tr>
<tr>
<td>Rent per CSR2 index point</td>
<td>$3.06</td>
<td>$3.25</td>
<td>$3.13</td>
<td>$3.05</td>
<td>$3.09</td>
<td>$3.29</td>
<td>$3.07</td>
<td>$3.21</td>
<td>$3.76</td>
<td>$3.42</td>
<td>$3.98</td>
</tr>
</tbody>
</table>

Typical Cash Rent for Oats, Hay, and Pasture, $ per acre

<table>
<thead>
<tr>
<th>Quality</th>
<th>District 3 Average</th>
<th>Allamakee &amp; Clayton</th>
<th>Black Hawk</th>
<th>Bremer</th>
<th>Buchanan</th>
<th>Chickasaw</th>
<th>Delaware</th>
<th>Dubuque</th>
<th>Fayette</th>
<th>Howard</th>
<th>Winneshiek</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alfalfa hay, established</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
</tr>
<tr>
<td>Grass hay, established</td>
<td>$182</td>
<td>$182</td>
<td>$182</td>
<td>$182</td>
<td>$182</td>
<td>$182</td>
<td>$182</td>
<td>$182</td>
<td>$182</td>
<td>$182</td>
<td>$182</td>
</tr>
<tr>
<td>Improved perm. pasture</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
</tr>
<tr>
<td>Unimproved perm. pasture</td>
<td>$60</td>
<td>$60</td>
<td>$60</td>
<td>$60</td>
<td>$60</td>
<td>$60</td>
<td>$60</td>
<td>$60</td>
<td>$60</td>
<td>$60</td>
<td>$60</td>
</tr>
<tr>
<td>Pasture, $/AUM</td>
<td>$30</td>
<td>$30</td>
<td>$30</td>
<td>$30</td>
<td>$30</td>
<td>$30</td>
<td>$30</td>
<td>$30</td>
<td>$30</td>
<td>$30</td>
<td>$30</td>
</tr>
<tr>
<td>Cornstalk grazing</td>
<td>$12</td>
<td>$12</td>
<td>$12</td>
<td>$12</td>
<td>$12</td>
<td>$12</td>
<td>$12</td>
<td>$12</td>
<td>$12</td>
<td>$12</td>
<td>$12</td>
</tr>
<tr>
<td>Hunting rights</td>
<td>$5</td>
<td>$5</td>
<td>$5</td>
<td>$5</td>
<td>$5</td>
<td>$5</td>
<td>$5</td>
<td>$5</td>
<td>$5</td>
<td>$5</td>
<td>$5</td>
</tr>
</tbody>
</table>

$196
Method #1: Typical Cash Rent

• “Example” parcel – CSR2 (82) is higher than county average (78); but yields (178 & 46) are lower than county average (190-corn; 53-beans).

• Winneshiek County “high quality” rent is $254, medium quality rent is $225.

• Average ($254 + $225) /2 = $239.50

• We’ll use $240 as a “typical” rent for this parcel, based on the ISU survey.

Discussion of this “What Others are Charging” method can be found in your book - - page 80
Method #2: Average Rents per Yield (corn & beans)

- **Corn Yield calculation**
  - Parcel’s average corn yield = 178 bu/A
    - Times rent per bushel of Corn yield $1.18
    - Average Rent for Corn Acres: $210.04
      - 178 X $1.18 = $210.04

- **Soybean Yield calculation**
  - Parcel’s average bean yield = 46 bu/A
    - Times rent per bushel of bean yield $4.25
    - Average Rent for Bean Acres: $195.50
      - 46 X $4.25 = $195.50
**Method #2: Average the corn & bean calculations →**

- **Average Rent for Corn Acres:** $210.04
- **Average Rent for Bean Acres:** $195.50
- \((210.04 + 195.50) / 2 = 202.77\) ($203)
- **Average Rent, Corn & Soybean Acres:** $203

---

**Discussion of this “Average Yields” method can be found in your book - - - page 80**
Method #3: Corn Suitability Rating calculation

- **Corn Suitability Rating calculation**
- **Parcel’s CSR2 = 82**
  - Times rent per CSR index point $ 2.88
  - Average Rent for Corn Acres: $ 236.16
    - 82 CSR X $2.88/CSR point = $236.16

- Rent based on CSR2 only = $236
Method #4: Rent based on Return on Value/Investment

• Market value of cropland/parcel = $/acre

• Winneshiek County average: $6,856 (ISU Survey-Nov 1, 2017)

• “My” Parcel value = $7,300

• My Desired return on value = 2.9%

• $7,300 X 2.9% = $211.70/acre ($212)
2.9% Return on Value?—where does that come from??

See your book – Page 43
Check the column – Rent as % of Value

### Cropland

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Rent, $/acre</th>
<th>Change, Percent</th>
<th>Land Value, $/acre</th>
<th>Rent as % of value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>88.60</td>
<td>-</td>
<td>1,517</td>
<td>5.6%</td>
</tr>
<tr>
<td>1995</td>
<td>99.60</td>
<td>1.0%</td>
<td>1,581</td>
<td>6.3%</td>
</tr>
<tr>
<td>1996</td>
<td>105.00</td>
<td>5.4%</td>
<td>1,810</td>
<td>5.8%</td>
</tr>
<tr>
<td>1997</td>
<td>110.00</td>
<td>4.8%</td>
<td>1,700</td>
<td>6.5%</td>
</tr>
<tr>
<td>1998</td>
<td>113.00</td>
<td>2.7%</td>
<td>1,860</td>
<td>6.1%</td>
</tr>
<tr>
<td>1999</td>
<td>112.00</td>
<td>-0.9%</td>
<td>1,900</td>
<td>5.9%</td>
</tr>
<tr>
<td>2000</td>
<td>115.00</td>
<td>2.7%</td>
<td>1,940</td>
<td>5.6%</td>
</tr>
<tr>
<td>2001</td>
<td>117.00</td>
<td>1.7%</td>
<td>1,890</td>
<td>5.8%</td>
</tr>
<tr>
<td>2002</td>
<td>120.00</td>
<td>2.6%</td>
<td>2,040</td>
<td>6.2%</td>
</tr>
<tr>
<td>2003</td>
<td>122.00</td>
<td>1.7%</td>
<td>2,120</td>
<td>5.8%</td>
</tr>
<tr>
<td>2004</td>
<td>126.00</td>
<td>3.3%</td>
<td>2,310</td>
<td>5.7%</td>
</tr>
<tr>
<td>2005</td>
<td>131.00</td>
<td>4.0%</td>
<td>2,760</td>
<td>4.7%</td>
</tr>
<tr>
<td>2006</td>
<td>133.00</td>
<td>1.5%</td>
<td>3,100</td>
<td>4.3%</td>
</tr>
<tr>
<td>2007</td>
<td>150.00</td>
<td>12.8%</td>
<td>3,600</td>
<td>4.2%</td>
</tr>
<tr>
<td>2008</td>
<td>170.00</td>
<td>13.3%</td>
<td>4,260</td>
<td>4.0%</td>
</tr>
<tr>
<td>2009</td>
<td>175.00</td>
<td>2.9%</td>
<td>3,880</td>
<td>4.4%</td>
</tr>
<tr>
<td>2010</td>
<td>176.00</td>
<td>0.6%</td>
<td>4,450</td>
<td>4.0%</td>
</tr>
<tr>
<td>2011</td>
<td>186.00</td>
<td>11.4%</td>
<td>5,600</td>
<td>3.5%</td>
</tr>
<tr>
<td>2012</td>
<td>235.00</td>
<td>19.9%</td>
<td>6,810</td>
<td>3.5%</td>
</tr>
<tr>
<td>2013</td>
<td>255.00</td>
<td>8.6%</td>
<td>8,000</td>
<td>3.2%</td>
</tr>
<tr>
<td>2014</td>
<td>260.00</td>
<td>2.0%</td>
<td>8,750</td>
<td>3.0%</td>
</tr>
<tr>
<td>2015</td>
<td>250.00</td>
<td>-3.8%</td>
<td>8,200</td>
<td>3.0%</td>
</tr>
<tr>
<td>2016</td>
<td>235.00</td>
<td>-6.0%</td>
<td>8,000</td>
<td>2.9%</td>
</tr>
<tr>
<td>2017</td>
<td>231.00</td>
<td>-1.7%</td>
<td>8,100</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

**Ag Decision Maker**

---

**Core Suitability Rating**

The Core Suitability Rating model (CPR and CS2) are fertility production indices developed for property tax assessment purposes. Values range from 0-30, with higher numbers indicating higher land productivity. Each crop type is rated on a 0-30 scale. The recent CR index replaces the CS2 index to greater detail. By identifying the soil type and area of each crop type in a farm's field and its weighted average CR2, the distribution or the crop type and its crop rating can be found. The Distribution or the crop type and its crop rating can be found. The Distribution of the CR2 index for a specific farm can be assessed to estimate a farm's crop use. Expected crop yields are known when average yields and prices are estimated for a farm. Key farmer inputs that would be influential in calculating crop yields would include the following: planting, harvesting, and crop inputs. The expected crop yields are known when average yields and prices are estimated for a farm. Key farmer inputs that would be influential in calculating crop yields would include the following: planting, harvesting, and crop inputs.

Rent as % of Value

The USDA Natural Resource and Conservation Service (NRCS) in its land survey CR index, includes only land suitable for crop production in the “suitable” category. A crop rotation ten year crop rotation can be compared by multiplying the average CR2 by the annual yield per acre. For example, assume a typical rotation ten year crop rotation per CR2 index point 0.2% for average yield. A rotation of wood in a CR2 of 60 would have a rotation of wood for additional CR2 of 0.2% in CR2 = 60. Rent as % of Value

Crop rotation as % of total Gross rental revenue

Crop rotation as % of total Gross rental revenue

Crop rotation as % of total Gross rental revenue

### Discussion of this “Return on Investment” method can be found in your book - - - page 81
Overall Average Method

Average of all 4 Methods

Method 1: Typical Cash Rent $240
Method 2: Average Rent per yield $203
Method 3: Average Rent per CSR2 Point $236
Method 4: Return on Investment/Value $212

$891/4 = Average $222.75 /acre

$222.75 /A X 75 Tillable Acres = $16,706.25

But – we don’t stop here. Consider . . . .

See p31 in Leasing book:

Determining Cash Rents
This summary can be used as a reference point for determining an appropriate cash rental rate for a particular farm. The following may justify a higher or lower than average rent in specific cases:

• Small size or unusual shape of fields
• Terraces or creeks that affect the time it takes to plant and harvest crops
• Difficult or restricted access to fields
• High or low fertility levels or pH index
• Existence of contracts for growing seed or specialty grains, or manure application
• Above-average local grain prices due to proximity to biofuel plants or feed mills
• USDA program variables, such as crop bases and assigned yields
• Longevity of the lease
• Other services performed by the tenant
Also consider:

- A calculation based on a share of the Gross Crop Revenue.
- Projected yields X crop prices to arrive at an estimated gross crop revenue.
- See your book, page 81

Consider costs of crop production:

- Producer must look closely at all categories.
- Landowners must understand these costs – and that cash rents are an important aspect of the overall costs.

Page 64: ISU Estimated Costs
• In your book (p83) and on AgDM – there is a Cash Rent Worksheet.

• See also p87 for a flexible rent worksheet.

• Cash rent terms should be written into the lease – see spaces in the example forms.  

---

**CASH RENT (optional).** The Operator agrees to pay the Owner cash rent for the use of part or all of the Real Estate as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cropland</td>
<td>$</td>
</tr>
<tr>
<td>Cropland</td>
<td>$</td>
</tr>
<tr>
<td>Established hayland</td>
<td>$</td>
</tr>
<tr>
<td>Pasture</td>
<td>$</td>
</tr>
<tr>
<td>Pasture, per animal unit month (AUM) @ $ per AUM</td>
<td>$ (to be determined)</td>
</tr>
<tr>
<td>Buildings and storage structures, housing (or at the rate of $ per (bushel, ton, etc.))</td>
<td>$</td>
</tr>
</tbody>
</table>

Total annual rent: $
• Flexible lease terms should also be included in the lease agreement. *(See this “long” form lease on AgDM).*

### FLEXIBLE CASH RENT (optional)

The amount of cash rent per acre to be paid by the Operator to the Owner for the portion of the Real Estate designated as Cropland shall be determined as follows (check one and fill in the blanks where needed):

___ (a) Percent of Gross Revenue:
Actual gross revenue x ____ % (corn) or ____ % (soybeans) or ____ % (other crop)
Gross revenue will equal actual yield x actual price, plus other payments as described below.

___ (b) Base Rent plus Bonus
Corn: Base rent $____ + (actual gross revenue – base revenue $____) x ____ %
Soybeans: Base rent $____ + (actual gross revenue – base revenue $____) x ____ %
Other crop: Base rent $____ + (actual gross revenue – base revenue $____) x ____ %

___ (c) Other Method (describe below or attach an addendum)

The minimum rent per acre shall be $____ (optional)
The maximum rent per acre shall be $____ (optional)
The actual yield (if applicable) shall be determined as follows:

The actual price (if applicable) shall be determined as follows:

---

### Planning Ahead for 2019

**2018:** Losses will be common for tenants on cash rented land; especially where yield losses and/or lack of pre-harvest marketing occurred.

• Expect **2019 crop cost estimates** to be similar to 2018
• **Crop futures prices** indicate 2019 could be **another potential year** for **tight profit margins**
• **Operators should scrutinize most expenses**
  – **Variable Costs:** machinery & equipment repair, hired labor and crop inputs (especially seed, fertilizer, crop protection)
  – **Fixed Costs:** land *(including cash rent)*, machinery & equipment and **family living expenses.**
Additional Methods of Farmland Lease Valuation? – See your book on page 84—Flexible Farm Lease Agreements:

► Share of Gross Revenue
► Base Rent Plus Bonus

Consider a **Crop Share Equivalent Method:** See book page 82 for discussion and an example.

- Crop Share Equivalent method is discussed on page 82.
- This requires excellent, open communication -- but can be a very fair method of setting the rent.
Crop Share Equivalent Rent

Table 2. Crop share equivalent

<table>
<thead>
<tr>
<th>Income</th>
<th>Com</th>
<th>Soybeans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yield (1/2)</td>
<td>88 bu.</td>
<td>24 bu.</td>
</tr>
<tr>
<td>Price</td>
<td>$3.50</td>
<td>$9.50</td>
</tr>
<tr>
<td>Total income to owner</td>
<td>$308</td>
<td>$228</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seed (1/2)</td>
<td>$51</td>
<td>$26</td>
</tr>
<tr>
<td>Fertilizer (1/2)</td>
<td>43</td>
<td>20</td>
</tr>
<tr>
<td>Pesticides (1/2)</td>
<td>13</td>
<td>20</td>
</tr>
<tr>
<td>Crop insurance (1/2)</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Drying and storage (1/2)</td>
<td>25</td>
<td>0</td>
</tr>
<tr>
<td>Miscellaneous (1/2)</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Interest (1/2)</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Total expenses paid by owner</td>
<td>$147</td>
<td>$79</td>
</tr>
<tr>
<td>Net return to owner</td>
<td>$161</td>
<td>$149</td>
</tr>
</tbody>
</table>

Example 2 - Soybeans

- Base rent is $150 per acre.
- Tenant’s cost of production is $252 per acre, excluding land.
- Base gross revenue is $402 per acre ($150 + $252).
- Bonus is 35% of the gross revenue in excess of $402 per acre.
- Actual yield is 52 bushels of soybeans per acre and actual price is $9.50 per bushel.
- Gross revenue is equal to (52 bu. x $9.50) = $494 per acre.
- Revenue in excess of the base = $494 - $402 = $92.
- Rent is equal to $150 plus 35% of $92, or $150 + $32.20 = $182.20.
- However, if the market price of soybeans is $11 per bushel, the gross revenue would be $572, the bonus would be ($572 - $402) x 35% = $59.50, and the rent would be $209.50 per acre.
Other Flexible Cash Rent Examples:

• File C2-22 on Ag Decision Maker →

Farm Bill—“Prediction”? August 2, 2018:

brownfieldagnews.com/news/history-shows-farm-bill-extension-is-likely

A long-time policy specialist says history tells us the 2018 Farm Bill probably won’t get done on time. Syngenta senior government lead Mary Kay Thatcher says in the last 40 years, Congress has yet to pass a farm bill before the existing law was scheduled to expire. “So, that’s probably a pretty good trend-line.” Speaking to Brownfield Ag News at the Iowa Women In Ag Conference in Ankeny, Iowa, Thatcher points out Congress only has 11 days in session before the current Farm Bill expires September 30th. “... We still have 12 of the 12 appropriations bills to fund the federal government that needs to get done. You have Mr. Trump saying maybe he’s going to veto some of them if they don’t build a wall.” And with the Farm Bill conference committee now in place, Thatcher says the House and Senate remain far apart on SNAP [food stamps]. “I personally don’t see a way that the Senate could ever pass the kind of SNAP reform that the House passed, needing 60 votes. I don’t think you can find nine [Senate] Democrats that would vote for it.”
Questions?
Thank-you! Please contact ISU Extension with your Farm Management questions!

Melissa O’Rourke
B.S., M.A., J.D.
FARM & AGRIBUSINESS MANAGEMENT SPECIALIST
Housed at ISU Extension—Winneshiek County in Decorah
www.extension.iastate.edu/agdm
morourke@iastate.edu
Office phone: 563-382-2949
www.extension.iastate.edu
@MelissaISU

IOWA STATE UNIVERSITY
Extension and Outreach

Ag Decision Maker