FARMLAND LEASING AND LAND VALUES 2014

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Workshop Purposes/Topics:
► Review updated land value, cash rental rate surveys + other resources
► Overview of CSR/CSR2
► Methods to determine fair cash rent—fixed and flexible
► Legal issues: Termination procedures, landlord liens, other legal issues
► Beginning Farmer Tax Credits
► 2014 Farm Bill basics, information
► Iowa Nutrient Reduction Strategy resources
► Bioenergy resources
► Production cost resources

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.
Let’s get familiar with your Farmland Leasing Arrangements book!

www.extension.iastate.edu/agdm

Get familiar with Ag Decision Maker!!
What is the Iowa Nutrient Reduction Strategy?

- Voluntary, science-based program to reduce Nitrogen and Phosphorous impact on water
- Includes cities, industry and agriculture
- A practice-based approach to show meaningful and measurable progress
- A framework for innovation and verification of new practices and technologies

Why? And why now?

- Iowa’s productive soils and cropping systems also contribute to water quality concerns
- Society and EPA expect more from cities, industry and agriculture
- Gulf Hypoxia Task Force requires plan to reduce N and P load to Gulf of Mexico by 45%
- EPA requests strategy that emphasizes state implementation of new and existing N and P practices for point and non-point sources
Iowa Nutrient Management Strategy: Cost Share Program
► $20 M of new state appropriations over 2013-14.
► Administered by Iowa Department Agriculture & Land Stewardship (IDALS) and Iowa Department of Natural Resources (IDNR); research by Iowa State University.
► **Contact:** Soil & Water Conservation District Office
► $1.4 M in cost-share funds available for Fall 2014 (farmers must match):
  - Cover Crops - $25/A
  - Adopt no-till or strip-till - $10/A
  - Use of Nitrification Inhibitors on fall-applied anhydrous ammonia - $3/A.

## Crop Conditions Information

Where to find it?—when you’re not there to look at the crop?!?

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### U.S. Drought Monitor

**Midwest**

<table>
<thead>
<tr>
<th>Drought Conditions (Percent/State)</th>
<th>July 24, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>53.14</td>
</tr>
<tr>
<td>Last Week</td>
<td>53.39</td>
</tr>
<tr>
<td>3-Months Ago</td>
<td>53.25</td>
</tr>
<tr>
<td>12-Months Ago</td>
<td>53.28</td>
</tr>
<tr>
<td>One Year Ago</td>
<td>53.28</td>
</tr>
</tbody>
</table>

**Legend:**
- D1 = Abnormal
- D2 = Drought
- D3 = Extreme Drought
- D4 = Exceptional Drought

**Source:** http://droughtmonitor.unl.edu

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In 2012 at this time – things looked different!
In 2013, we had moisture deficits in northwest Iowa:

In 2014, things look better.
Where to find that weekly USDA Report?
www.nass.usda.gov = the USDA’s National Agricultural Statistics Service

Just Google - - - > USDA NASS

Leased Land: Who owns above-ground residue – Landowner or Tenant?

• Above-Ground Residue: Iowa Code 562.5A
  – Tenant has right to take part of a harvested crop’s above ground plant, such as corn stover and other crop residue – at harvest, after harvest, until termination of tenancy.
  – Written lease may have language to alter rule.

Questions to ask . . . .

• Do you want to get into the corn stover harvesting business?
• Would you rather custom contract with someone else to do the harvest?
• Think about all the costs, benefits, risks
Ag Decision Maker File A1-70

Contains 8 examples related to pricing stover

This blank interactive spreadsheet is a free tool on Ag Decision Maker.
Read, review, question any written contract presented to you:

- What are you committing to provide/deliver?
- When?—Delivery dates?
- Price?—set, or determined by a formula?
- When will you be paid?—and is there a penalty for late payment by the buyer?
- What if you can't deliver, e.g., due to wet fall weather?
- Other provisions?

**Example: Quality requirements in the contracts?**

Bale Quality Metrics: Standards maintaining quality of inbound feedstock

- Moisture: Just as corn is corrected to 15.5% moisture to create a level comparison, we will purchase biomass on a Bone Dry Ton (BDT) basis to compare all bales equally. Shrink to 0% - BDT
  - 0 - 35% = No dock
  - 15 - 25% = $10/BDT dock
  - 25%+ = Rejected

Under what circumstances can your delivery be docked or rejected?

http://poet-dsm.com/biomass

**Example: Financial penalties in the contracts**

- Trailer Cleaning Fee:
  All trailers need to be cleaned off prior to scaling out. A $5 reduction fee will be added to the scale ticket if trailer is not cleaned.
- Broken Bales:
  Broken bales will not be tolerated on inbound deliveries. If a bale is determined to be inadmissable for handling off the trailer or breaks when being unloaded from a self-unloading trailer, a $40 fee will be added per bale to the scale ticket. Excessive broken bales may result in loads being rejected or future deliveries stopped.
- Late Deliveries:
  Deliveries will be scheduled on a per-bale basis. If the tonnage scheduled for delivery is not delivered in the proper week, a $10/BOT reduction to the contract price will be administered. If issues arise where deliveries cannot be made by the producer, the producer is responsible for contacting POET to work through the situation.

http://poet-dsm.com/biomass

Before you sign a legally binding contract . . .

- Have the contract reviewed by your attorney who is familiar with agricultural operations.
- Be sure you understand what you are committing to . . . What are your obligations as seller . . . and what are the obligations of the buyer?
Beginning Farmer Tax Credit Program

Program Purpose

- Encourage agricultural asset owners to lease to qualifying beginning farmers
- Provides owner a credit on Iowa income taxes owed
  - 7% on cash rent
  - 17% on crop share
  - 1% additional first year if BF is a military veteran

What Is An Ag Asset?

- Agricultural land
- Depreciable agricultural property
  - Breeding livestock
  - Machinery/equipment

Key Provisions - Taxpayer

- Owner of record of the asset
- Eligible to own land as a corporate asset owner
- Not at fault for terminating a prior lease
- Not a party to administrative/judicial action
- Not classified as violator by DNR
- Can have more than 1 tax credit/lessee
- At-fault termination must repay redeemed credits
Key Provisions - Beginning Farmer

- Net worth less than $678,731
- Sufficient education, training and knowledge to operate farm
- Have access to working capital
- Actively participate in management and labor of the operation and assume financial risk

Example: Calculating Cash Rent Tax Credit

- 160 acres cash rented
- $300 per acre
- $48,000 gross lease income
- $48,000 x 7% = $3360 Iowa income tax credit
- Can be used for flexible & crop-share leases too.

Other Provisions

- 2-5 year lease term – can reapply
  - Farmland, machinery, breeding livestock
  - Tax credit issued yearly during lease
  - Renewable at expiration (with re-qualification)
- 7% of gross income = cash contract
- 17% of gross income = crop share agreement
- 1% bonus first year from military veterans
- Flex leases only calculated on base rent
  - No tax credit on bonus
- Lease value not higher/lower than market

Other Conditions

- $50,000 maximum tax credit per application and applicant
- Cash rent or crop share leases or combination, but not flex lease
- Tax credit non refundable
- Unused credits
  - Can carry forward 5 years
  - Cannot carry back to prior years
- Related party transactions OK
- Cannot rent from your own entity
- “Rent to own” not eligible
For More Information and to Apply:

- See 4-page application at: IowaFinanceAuthority.gov
- Beginning farmer’s financial statement
- Beginning farmer’s background letter
- Fees =
  - $200 application fee plus:
  - $50 service fee for each year of cash lease
  - $100 service fee for each year of crop share lease

The New 5-Year Farm Program (2014-2018)

What do we know?

Marketing Loan National Rates:
- $1.95/bu Corn
- $5.00/bu Soybeans

Web Sites on the New Farm Program

- ISU Polk County Ext. Farm Management (Government Farm Programs: FAQs, Fact Sheets, Regular Updates, Videos and Recorded Webcasts) www.extension.iastate.edu/polk/farm-management
- Farm Doc – U. of Illinois Ext. Economics www.farmdoc.illinois.edu
- Ag Manager – K-State Ext. Economics www.agmanager.info
- Ag Decision Maker – ISU Ext. Economics (Farm Program Decision Tool, Newsletters, Publications, Voiced Media, Monthly e-Newsletter, New Farm Program) www.extension.iastate.edu/agdm/info/farmbill.html
- USDA Farm Service Agency www.fsa.usda.gov/FSA/webapp?area=home&subject=arpl&topic=landing

ARC PLC Decisions: The 3 Step Process

1. **Update**: The farmland owner and the farm operator can “reallocate” base acres and/or “update” CC Yields by FSA farm number.

2. **Election**: Once Base Acres and Yields are determined for that farm, then the *Election* of the ARC or PLC program is established for the 5-year period 2014-2018.

3. **Enrollment**: Once Election has been completed then *Enrollment* takes place on the farm.

### ARC & PLC Approximate Timeline

<table>
<thead>
<tr>
<th>Mid-Summer - 2014</th>
<th>Late Summer - 2014</th>
<th>Winter 2014</th>
<th>Early 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producers receive letters notifying them of current bases and yields and 2008 to 2012 planting history of covered commodities.</td>
<td>Owners have opportunity to update yields and reallocate bases for ARC/PLC purposes.</td>
<td>Final Base &amp; Yield Decisions made by Owners.</td>
<td>ARC/PLC “Enrollment” for 2014 and 2015 starts.</td>
</tr>
<tr>
<td>(Update Process)</td>
<td>(Election Process)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source**: Johnson, ISU Extension, July 2014
Summary Acreage History Report

- The first part of August, **all owners and operators** will receive the following:

  1. **Letter** that provides basic background of base acreage “Reallocation” and “Update” of the CC Yield option.
  2. **“Summary Acreage History Report”** which shows the acreage of covered commodities reported to FSA, 2008 through 2012 per farm.

  **NOTE:** This report also includes the “Base Acres” and “CC Yield” as of 9/30/2013.

Reallocating Base Acreage
Farm Historic: 100 Total Base Acres

- **Corn** 50 Acres
- **Soybeans** 50 Acres

Source: McClure, Iowa FSA Office, July 2014

Base Acreage Reallocation
Example #1

<table>
<thead>
<tr>
<th>Current Base Acreage</th>
<th>Corn</th>
<th>Soybeans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>50</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Planted Acreage</th>
<th>Corn</th>
<th>Soybeans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>60</td>
<td>40</td>
<td>100</td>
</tr>
<tr>
<td>2010</td>
<td>100</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>2011</td>
<td>40</td>
<td>60</td>
<td>100</td>
</tr>
<tr>
<td>2012</td>
<td>60</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2009 to 2012 Average Reallocation Weight</th>
<th>0.65</th>
<th>0.35</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Base Reallocation</th>
<th>Corn</th>
<th>Soybeans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>65</td>
<td>35</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Johnson, ISU Extension, July 2014

In Summary:

- Owners and Operators should discuss the “Update” options and then the “Election” options available for their respective farms.

- County FSA Offices can assist owners and operators with an explanation of the basic provisions of PLC, ARC-CO & ARC-IC (Notice ARCPLC-4) and complete any missing acreage history research (Notice ARCPLC-5)

- Owners and Operators can visit: [WWW.fsa.usda.gov](http://WWW.fsa.usda.gov)
**Base Acreage Reallocation Example #2**

<table>
<thead>
<tr>
<th>Current Base Acreage</th>
<th>Corn</th>
<th>Soybeans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planted Acreage</td>
<td>50</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Corn</th>
<th>Soybeans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>0</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>2010</td>
<td>0</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>2011</td>
<td>0</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>2012</td>
<td>0</td>
<td>120</td>
<td>120</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Reallocation Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>0.75</td>
</tr>
<tr>
<td>2010</td>
<td>0.75</td>
</tr>
<tr>
<td>2011</td>
<td>0.75</td>
</tr>
<tr>
<td>2012</td>
<td>0.75</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average Reallocation Weight</th>
<th>0.25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Reallocation</td>
<td>75</td>
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</tbody>
</table>

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**Farm’s Yield Update Choices**

1. **Retain** the Farm’s Current CC Yield
   or

2. **Update** Yield (90% of Planted Yield history)


A plug yield of 75% of the county yield for any year with low or missing farm’s yield.

**Note:** This option is available per Crop for landowners and operators regardless of program election: PLC, ARC-CO or ARC-IC.

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**What’s Corn Suitability Rating?**

- An index that rates a parcel of land – the soil types in particular – based on productivity for row-crop production.
- Values range from 100 to 5 pts/acre.
- Assumes adequate management, natural weather, artificial drainage where needed, no frequent flooding, no land leveling or terracing.
- High CSR = theoretically high land productivity for row crop production.
- Just one factor for setting rental rate.

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**Learn more about CSRs:**

- [www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm)
- Understanding Iowa CSRs – File C2-86
- Computing CSR for Your Farm – File C2-87
- Original CSR explanation: [http://www.extension.iastate.edu/Publications/PM1168.pdf](http://www.extension.iastate.edu/Publications/PM1168.pdf)
- The Iowa Soil Properties and Interpretations Database (ISPAID): [http://www.extension.iastate.edu/soils/ispaid](http://www.extension.iastate.edu/soils/ispaid)
- [40-Slide Presentation on CSR2: www.ucs.iastate.edu/mnet/_repository/2013/soilmanagement/pdf/burr as.pdf](http://www.ucs.iastate.edu/mnet/_repository/2013/soilmanagement/pdf/burr as.pdf)
Why did CSR need to change?

1. **Philosophical goal:** To get values proportional to CSR but with greater transparency, consistency & ease.

2. **Technical goal:** To have CSR2 consistent with today’s soil mapping, classification, and government programs.

3. **Ancillary goal:** To extend CSR2 across boundaries.

How might CSR2 change the CSR for my land? *It depends on the soil types.*

<table>
<thead>
<tr>
<th>SMH</th>
<th>Soil Name</th>
<th>CSR1 (Old)</th>
<th>CSR2 (New)</th>
</tr>
</thead>
<tbody>
<tr>
<td>8B</td>
<td>Judson silty clay loam, 2 to 5 percent slopes</td>
<td>82</td>
<td>94</td>
</tr>
<tr>
<td>9</td>
<td>Marshall silty clay loam, 0 to 2 percent slopes</td>
<td>90</td>
<td>100</td>
</tr>
<tr>
<td>9B</td>
<td>Marshall silty clay loam, 2 to 5 percent slopes</td>
<td>85</td>
<td>95</td>
</tr>
<tr>
<td>9C2</td>
<td>Marshall silty clay loam, 5 to 9 percent slopes, moderately eroded</td>
<td>68</td>
<td>87</td>
</tr>
<tr>
<td>9D2</td>
<td>Marshall silty clay loam, 9 to 14 percent slopes, moderately eroded</td>
<td>58</td>
<td>64</td>
</tr>
<tr>
<td>11B</td>
<td>Ackmore-Colo-Judson complex, 2 to 5 percent slopes</td>
<td>68</td>
<td>75</td>
</tr>
<tr>
<td>9KC2</td>
<td>Extra silty clay loam, 5 to 9 percent slopes, moderately eroded</td>
<td>65</td>
<td>87</td>
</tr>
<tr>
<td>9KD2</td>
<td>Extra silty clay loam, 9 to 14 percent slopes, moderately eroded</td>
<td>55</td>
<td>64</td>
</tr>
<tr>
<td>222C2</td>
<td>Clarinda silty clay loam, 5 to 9 percent slopes, moderately eroded</td>
<td>25</td>
<td>43</td>
</tr>
<tr>
<td>222D2</td>
<td>Clarinda silty clay loam, 9 to 14 percent slopes, moderately eroded</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>222D2</td>
<td>Larmor clay loam, 9 to 14 percent slopes, moderately eroded</td>
<td>15</td>
<td>13</td>
</tr>
</tbody>
</table>
Where do I find my CSR2 rating?
(use these on-line tools):

**ISPAID**

**WebSoilSurvey**

When & how will CSR2 be used by assessors?

- Soonest?—2015, required by 2017.
- CSR2 will be used same way CSR is used now, along with soil maps, to equalize tax assessments on agricultural land.
- Iowa Code requires that farmland assessments be based on productivity and net earning capacity.
- County assessors use CSR as the measure for determining productivity of each parcel of land within the county where the tract is located and spreading the valuation across all parcels.
- Formula starts with average productivity value per acre in each county as set by the Iowa Department of Revenue. That value is taken times the total taxable acres of farmland in the county.
- Total taxable farmland value for each county is divided by total CSR points for that county to determine the value of each CSR point.
- Value of each CSR point is then multiplied by the average CSR for individual tracts of farmland to equalize the value per acre based on inherent productivity.

Is CSR2 being used in your county?

- Ask your County Assessor!
- According to the Iowa Department of Revenue, implementation of the official NRCS Soil Survey with CSR2 is required for all Iowa county assessors in 2017.
- We do not know what each county tax assessor will do with CSR2 between now and then.
- They base their assessments on ISPAID data.
- Each county may work with soil ratings differently until 2017 so please check with your local assessor regarding any updates or changes to their property tax assessments using CSR/CSR2.

Six Key Sources of Iowa Farmland Value Data
(1) County Assessors’ Offices

- Some county assessors maintain a public (pdf) document of ag land sales – for example:
- www.siouxcounty.org/pdf/assessor/agsales.pdf
(2) Realty & Auction Sites

- **June 11, 2013** - 75.68 Acres of Sioux County, IA
  - **Farmland** - Sold for **$14,100.00**
  - **Address:** 2641 4900 Street, Orange City, Iowa

- **Sept 25-2013** - 109.25+/- acres of Section 7, Logan Twp Lyon County, IA
  - **Farmland—Northwestern College owners**
  - **Parcel A Sold for $13,000.00**
  - **Parcel B sold for $600.00**

- **October 15, 2013** - 114.96 acres Lyon County IA
  - **Richland Twp Farmland—Elvera Serck Family**
  - **Sold for $15,000.00 per acre**
Land Sale Results

<table>
<thead>
<tr>
<th>Legal Description</th>
<th>Date Sold</th>
<th>Price/acre</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>A parcel of land located in the SW1/4, Section 5, T5N-R6W</td>
<td>3-7-14</td>
<td>$4,000/acre</td>
<td>6.15 acres Good Twp., Ida Co.</td>
</tr>
<tr>
<td>Parcel A &amp; B in the NE1/4 of Section 20, T5N-R6W</td>
<td>3-6-14</td>
<td>$3,300/acre</td>
<td>46.47 Acres Sherman Twp., Ida Co.</td>
</tr>
<tr>
<td>SW1/4SW1/4, Section 22, T5N-R6W</td>
<td>2-7-14</td>
<td>$2,875/acre</td>
<td>41 Acres Center Twp., O'Brien Co.</td>
</tr>
<tr>
<td>SE1/4, Section 13, T5N-R6W</td>
<td>2-4-14</td>
<td>$2,200/acre</td>
<td>15.15 Acres Reading Twp., Ida Co.</td>
</tr>
<tr>
<td>NE1/4, Section 11, T5N-R6W</td>
<td>1-31-14</td>
<td>$1,500/acre</td>
<td>10.61 Acres Washington Twp., Ida Co.</td>
</tr>
<tr>
<td>Parcel B SW1/4, Section 12, T5N-R6W</td>
<td>12-18-2012</td>
<td>$12,000/acre</td>
<td>25.85 Acres Washington Twp., Ida Co.</td>
</tr>
<tr>
<td>SW1/4NE1/4, Section 27, T5N-R6W</td>
<td>11-28-2012</td>
<td>$12,775/acre</td>
<td>35 Acres Lynn Twp., Ida Co.</td>
</tr>
<tr>
<td>SW1/4, Section 32, T5N-R6W</td>
<td>11-26-2012</td>
<td>$10,800/acre</td>
<td>10 Acres in Indian Twp., Ida Co.</td>
</tr>
<tr>
<td>E1/4SW1/4, Section 31, T5N-R6W</td>
<td>11-13-2012</td>
<td>$20,000/acre</td>
<td>75.94 Acres Good Twp., Ida Co.</td>
</tr>
</tbody>
</table>

(3) Federal Reserve Bank—Chicago

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

Federal Reserve Bank: May 2012

The Agricultural Newsletter from the Federal Reserve Bank of Chicago
Number 1944

Summary
Agricultural land values in the Seventh Federal Reserve District were still higher than a year ago during the first quarter of 2014, but by just 1 percent. In contrast, “good” farmland values depreciated 1 percent in the first quarter of 2014 relative to the fourth quarter of 2013. Moreover, cash rental rates for District agricultural land were down 2 percent for 2014 compared with 2013. Based on the survey responses of 214 District agricultural bankers, these results highlighted the variation in farmland values due to the localization of farmland markets; increases in farmland values in some areas contrasted with decreases in others. Demand to purchase agricultural land was weaker in the three- to six-month period ending with March 2014 compared with the same period ending with March 2013, yet there were pockets where farmers remained keen to purchase additional land. The number of farms sold, the...
**Federal Reserve Bank: May 2013**

<table>
<thead>
<tr>
<th>Top: January 1, 2013 to April 1, 2013</th>
<th>Bottom: January 1, 2013 to April 1, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>January 1, 2013 to April 1, 2013</strong></td>
<td><strong>April 1, 2012 to April 1, 2013</strong></td>
</tr>
<tr>
<td>Illinois</td>
<td>+5</td>
</tr>
<tr>
<td>Indiana</td>
<td>+4</td>
</tr>
<tr>
<td>Iowa</td>
<td>+3</td>
</tr>
<tr>
<td>Michigan</td>
<td>+12</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>0</td>
</tr>
<tr>
<td>Seventh District</td>
<td>+4</td>
</tr>
</tbody>
</table>

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**Federal Reserve Bank: May 2014**

<table>
<thead>
<tr>
<th>Top: January 1, 2014 to April 1, 2014</th>
<th>Bottom: January 1, 2014 to April 1, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>January 1, 2014 to April 1, 2014</strong></td>
<td><strong>April 1, 2013 to April 1, 2014</strong></td>
</tr>
<tr>
<td>Illinois</td>
<td>−4</td>
</tr>
<tr>
<td>Indiana</td>
<td>−4</td>
</tr>
<tr>
<td>Iowa</td>
<td>+1</td>
</tr>
<tr>
<td>Michigan</td>
<td>−3</td>
</tr>
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<td>Wisconsin</td>
<td>+1</td>
</tr>
<tr>
<td>Seventh District</td>
<td>−1</td>
</tr>
</tbody>
</table>

---

**Realtors Land Institute**

- See your book – at page 35
- Semi-annual survey (March and September)
- Compares land classification by corn production
- Most recent survey always available on Ag Decision Maker
- [www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm)
(5) **Farm Credit Services**  
**Benchmark Farm Appraisals**

- FCSA monitors real estate value trends through semi-annual appraisals of **66** farms in **4** states.
- **21** benchmark farms in Iowa.
- Approximately **65** appraisers update the values on Jan **1st** & July **1st**.
- As of January 2011, they had analyzed **13,700** sales in Iowa over the past 5 years.

---

**Farm Credit Services**  
**Benchmark Farm Values**  
*as of January 1, 2012*  
**# of Benchmark Farms shown in parenthesis**

<table>
<thead>
<tr>
<th>State</th>
<th>6-Month</th>
<th>1-Year</th>
<th>5-Year</th>
<th>10-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iowa</td>
<td>14.8%</td>
<td>34.0%</td>
<td>113.2%</td>
<td>257.7%</td>
</tr>
<tr>
<td>Neb</td>
<td>28.2%</td>
<td>43.4%</td>
<td>128.0%</td>
<td>225.7%</td>
</tr>
<tr>
<td>SoDak</td>
<td>10.0%</td>
<td>19.4%</td>
<td>84.8%</td>
<td>262.6%</td>
</tr>
<tr>
<td>Wyom</td>
<td>0.0%</td>
<td>-1.1%</td>
<td>19.6%</td>
<td>105.6%</td>
</tr>
</tbody>
</table>

---

**Farm Credit Services**  
**Benchmark Farm Values**  
*as of January 1, 2013*  
**# of Benchmark Farms shown in parenthesis**

<table>
<thead>
<tr>
<th>State</th>
<th>6-Month</th>
<th>1-Year</th>
<th>5-Year</th>
<th>10-Year</th>
</tr>
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<tbody>
<tr>
<td>Iowa</td>
<td>13.8%</td>
<td>20.8%</td>
<td>109.5%</td>
<td>303.1%</td>
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<tr>
<td>Neb</td>
<td>12.3%</td>
<td>30.7%</td>
<td>150.3%</td>
<td>313.3%</td>
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<tr>
<td>SoDak</td>
<td>17.6%</td>
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<td>99.1%</td>
<td>328.5%</td>
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<tr>
<td>Wyom</td>
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<td>1.1%</td>
<td>-5.9%</td>
<td>95.7%</td>
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**Farm Credit Services**  
**Benchmark Farm Values**  
*as of January 1, 2014*  
**# of Benchmark Farms shown in parenthesis**

<table>
<thead>
<tr>
<th>State</th>
<th>6-Month</th>
<th>1-Year</th>
<th>5-Year</th>
<th>10-Year</th>
</tr>
</thead>
<tbody>
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<td>-0.9%</td>
<td>-3.7%</td>
<td>103.0%</td>
<td>245.5%</td>
</tr>
<tr>
<td>Neb</td>
<td>1.5%</td>
<td>2.2%</td>
<td>143.6%</td>
<td>314.7%</td>
</tr>
<tr>
<td>SoDak</td>
<td>5.8%</td>
<td>13.6%</td>
<td>117.2%</td>
<td>332.7%</td>
</tr>
<tr>
<td>Wyom</td>
<td>5.8%</td>
<td>9.5%</td>
<td>7.8%</td>
<td>68.6%</td>
</tr>
</tbody>
</table>
(6) Iowa State University Farmland Value Survey

– Directed by Dr. Michael Duffy (since ‘82)
– 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 30

SUMMARY—Highlights (of results released December 2013):

• 5.1% increase is 9th out of last 10 years
• Except for 2009 (economic “crash” year) – first single-digit increase since 2003
• Rate of increase slowed throughout the year, mimicking drop in crop prices
• Northwest Iowa showed actual declines in value
• Gross farm income will be the factor to watch for future directions

2013 and 2012 Iowa Land Values

2013 AVERAGE VALUES

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
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<td>[Data Table]</td>
<td>[Data Table]</td>
<td>[Data Table]</td>
<td>[Data Table]</td>
</tr>
</tbody>
</table>

2013 AVERAGE VALUES

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>[Data Table]</td>
<td>[Data Table]</td>
<td>[Data Table]</td>
<td>[Data Table]</td>
<td>[Data Table]</td>
<td>[Data Table]</td>
</tr>
</tbody>
</table>
Statewide Average

$8,716
up 5.1%
up $420

High Grade Land

$10,828
up 6.3%
up $646

Medium Grade Land

$8,047
up 3.5%
up $274
Low Grade Land

$5,298

up 3.5%

up $179

AVERAGE VALUES

all grades 1950–2013

WHO PURCHASED farmland

New Farmers 3%

Investors 18%

Existing Farmers 78%

Others 1%
Farm Leases: A Few Basics

Farm Lease Goals
- Determine goals for each party
  - Production
  - Highest potential return
  - Fair return to each party
  - Continuity of income
  - Risk minimization
  - Conservation
  - Stewardship
  - Farm transition
  - Other possible goals, considerations?

Why should a farm lease be written?
- A lease of more than one year must be in writing to be enforceable.
- A lease of 5 years or more must be in writing and recorded at the county recorder’s office.
- A written lease provides assurance that the parties understand one another.

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 any misunderstandings later!
An Example . . . .

• “You’ll take care of the fencing, right?”
• “Sure, you bet.”
• What did they just agree to???

A Few Farmland Legal Issues

• Iowa One-Call – applies to farm land
• Above-Ground Residue: Iowa Code 562.5A
  – Tenant has right to take part of a harvested crop’s above ground plant, such as corn stover and other crop residue – at harvest, after harvest, until termination of tenancy. But a written lease may have language to alter this rule.
• Mowing: Iowa Code 314.17
  blogs.extension.iastate.edu/agdm/ -- June 24

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) The legal description and parcel number in the lease is accurate.
(2) The parties to the lease are properly identified.
(3) The lease terms are clear.
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 the Landlord’s name be included as Payee on checks for crops.
- File and perfect a Landlord Lien—this includes recording the lease.

A Landlord’s Lien can be created by including language in a written lease.

- See Ag Decision Maker File C2-12 and in your Farmland Leasing Book.
- Let’s look at the language →

OWNER’S LIEN AND SECURITY INTEREST. The Operator acknowledges that a statutory Landlord’s Lien exists in favor of the Owner. The Operator grants to the Owner a security interest on, but not limited to, all growing or mature crops on the Real Estate as provided in the Iowa Uniform Commercial Code. The Operator shall sign security agreements and financing statements as requested by the Owner to perfect the Owner’s security interests. At Owner’s request, the Operator shall provide the Owner a list of potential buyers for the crops grown on the farm. The Operator agrees to deliver and sell such crops only to those buyers listed. The Owner shall deliver a Notice of Security Interest to those buyers and only those buyers listed. The Operator shall not sell such crops to any buyer not listed without first obtaining written consent of the Owner.

Should you “do it yourself”?

- Just having the language in the lease is not enough.
- Creation, filing and perfection of a Landlord Lien is a complicated legal procedure involving intricacies of Iowa law (Iowa Code ch 570 and related sections) and Uniform Commercial Code (UCC) (Iowa Code ch 554).
- Owner-Landlords who wish to do this may find it advisable to hire an attorney to be certain that all legal documents and procedures are correctly followed.
See also: “Iowa Farm Leases—Legal, Economic and Tax Considerations”

- Pages 3-4 of this article included in your Farmland Leasing Book include discussion of the Landlord’s Lien and security interests.

**Lease Components** - **Terminology**

- Term = length of lease
  - Tenancy for years
  - Periodic tenancy (set period – year to year)
  - Tenancy at will
- Rental rate/lease
- Land use
- Repair and improvements
- Records and accounts
- Right to entry
- Signature

**Terminology continued . . . .**

- Land Use – desired use of land by landlord
  - Soil fertility
  - Number of livestock per acre
  - Types of crops planted
  - Where specific crops are planted
  - Weed prevention, treatment
  - Conservation methods
  - Fertilizer application rates
  - Removal of minerals, gravel, etc..
  - Environment protection – soil erosion, care of permanent crops, and structures

**Terminology continued . . . .**

- Repair and Improvements
  - Who will make necessary improvements
  - How they will be made
  - Who will pay for improvements
- Records or Accounts
  - Production (yield and price)
  - Inputs
- Right to Entry
  - Tenant may treat any person who sets foot on the property as a trespasser; statement to provide landlord with right of entry
Reports: Annual or Periodic?

The 1997 U.S. Census of Agriculture indicated that over 40% of all U.S. agricultural land is rented. Furthermore, farm management associations in various states have found that tenants typically rent from 3 to as many as 20 landowners. Sometimes these landowners are neighbors, persons who have moved to town following retirement from farming, inherited the land through an estate, or purchased the land as a speculative investment. Thus, it is not uncommon for a tenant seldom to have contact with the landowner outside of the customary rental settlement.

A farm newsletter can take several forms. It can be very colorful and technical, or it can be a single typed page. But the goal is the same: to establish a regular communication link between the tenant and the landowner. This goal can be accomplished by making the landowner feel part of the farming operation. The level of either production or management

Farm Lease Termination

Does termination mean the end of the Owner-Tenant relationship?

• Does termination mean the Owner wants a new Tenant?
• No, not necessarily – but it means the Owner wants to make some changes for the next year.

► More farmland owners are requiring a written annual report as a condition of the lease.
► The owner agrees that any information provided by the tenant-producer (such as yields, management practices) are kept confidential.
► This is proprietary business information, and the parties need to share it to negotiate lease terms – but it is not to be shared in the “coffee shop.”
Lease Termination: The Right Way

- Lease can be terminated by mutual agreement
- Written lease may contain provisions for termination procedure
- **Serve written notice on or before September 1st**
- See page 95: Current lease terminates on following March 1st
- Serve in person, or by US Mail, Certified with Return Receipt

Exception: Animal Feeding Operations

- If primary use of a rented acreage of less than 40 acres is for an animal feeding operation, written notice requirement does not apply.
- “Mere cropper” exception remains – essentially refers to someone hired (as an employee or custom operator) to plant/harvest the crop.

2013 Legislative Updates

- **Past:** Iowa statute did not require written termination notice on parcels of less than 40 acres.
- **Now:** Iowa Code 562.5 requires a written termination notice on all parcels regardless of size.
- If proper written notice is not provided by September 1, the lease automatically continues on the same terms and conditions as the original agreement.

Land Holder Liability

- 2013 Legislature added phrase “Educational activities” to Iowa Code 416C -- included in list of recreational purposes for which Iowa landholders have protection from liability.
- So, if land holder desires to hold a school farm tour, the code provides some protection from liability.
Determining Farmland Cash Rents – Fixed, Flexible and other Arrangements

2014 Iowa Cash Rental Rate Survey

2014 Survey Methods & Responses

- Sent out over 6,000 surveys
- 1,674 county observations received

Timing and Purpose

- Questionnaires sent out in March
- Summary ready in May

Purpose: provide information to tenants and landlords to use as a starting point for estimating a fair cash rent.
Questions Asked:

- “What do you think typical cash rental rates are in your county?”
- Half paid in advance, half after harvest? Other?
- For corn and soybean land
  - High 1/3, medium 1/3, low 1/3 productivity
  - Based on farm yields reported to NASS
- Oats, hay, pasture, cornstalks, hunting

### Iowa Land Value & Cash Rental Rate Trends

**Most Recent Averages**

- **2014 Cash Rent:** $260/A
- **2013 Land Value:** $8716/A

### Average Cash Rental Rates for Cropland

**Crop Reporting District**

- **NW**
  - District 1: $270
  - District 2: $270
  - District 3: $277
- **NC**
  - District 4: $288
  - District 5: $264
  - District 6: $273
- **NE**
  - District 7: $249
  - District 8: $202
  - District 9: $229

### Rent per Bushel, CSR2 Index Point

<table>
<thead>
<tr>
<th>Crop Reporting District</th>
<th>Rent per bushel of corn yield*</th>
<th>Rent per bushel of soybean yield*</th>
<th>Rent per CSR index point**</th>
</tr>
</thead>
<tbody>
<tr>
<td>NW</td>
<td>$1.51</td>
<td>$5.38</td>
<td>$3.10</td>
</tr>
<tr>
<td>NC</td>
<td>$1.60</td>
<td>$5.69</td>
<td>$3.22</td>
</tr>
<tr>
<td>NE</td>
<td>$1.62</td>
<td>$5.49</td>
<td>$3.44</td>
</tr>
<tr>
<td>WC</td>
<td>$1.74</td>
<td>$6.00</td>
<td>$3.65</td>
</tr>
<tr>
<td>C</td>
<td>$1.73</td>
<td>$5.72</td>
<td>$3.30</td>
</tr>
<tr>
<td>EC</td>
<td>$1.65</td>
<td>$5.26</td>
<td>$3.34</td>
</tr>
<tr>
<td>SW</td>
<td>$1.64</td>
<td>$5.37</td>
<td>$3.12</td>
</tr>
<tr>
<td>SC</td>
<td>$1.74</td>
<td>$4.93</td>
<td>$2.58</td>
</tr>
<tr>
<td>SE</td>
<td>$1.70</td>
<td>$4.96</td>
<td>$2.85</td>
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</table>

*Based on 5-year average county yields, NASS. **new CSR2 values
**Oats, Hay, Hunting Rights**

**Average Rents**

<table>
<thead>
<tr>
<th>Crop Reporting District</th>
<th>Alfalfa</th>
<th>Grass Hay</th>
<th>Oats</th>
<th>Hunting Rights</th>
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<tbody>
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<td>NW</td>
<td>$219</td>
<td>$163</td>
<td>$223</td>
<td>$27</td>
</tr>
<tr>
<td>NC</td>
<td>$208</td>
<td>$138</td>
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</tr>
<tr>
<td>NE</td>
<td>$265</td>
<td>$202</td>
<td>$235</td>
<td>$8</td>
</tr>
<tr>
<td>WC</td>
<td>$222</td>
<td>$172</td>
<td>$214</td>
<td>$12</td>
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<tr>
<td>C</td>
<td>$186</td>
<td>$138</td>
<td>$167</td>
<td>$11</td>
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<tr>
<td>EC</td>
<td>$213</td>
<td>$167</td>
<td>$170</td>
<td>$13</td>
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<tr>
<td>SW</td>
<td>$134</td>
<td>$111</td>
<td>$108</td>
<td>$18</td>
</tr>
<tr>
<td>SC</td>
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<td>$83</td>
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<td>$13</td>
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<tr>
<td>SE</td>
<td>$161</td>
<td>$112</td>
<td>$141</td>
<td>$13</td>
</tr>
</tbody>
</table>

**Pasture, Corn Stalk Grazing**

**Average Rents**

<table>
<thead>
<tr>
<th>Crop Reporting District</th>
<th>Improved Pasture</th>
<th>Unimproved Pasture</th>
<th>Pasture per AUM</th>
<th>Corn stalk Grazing</th>
</tr>
</thead>
<tbody>
<tr>
<td>NW</td>
<td>$82</td>
<td>$57</td>
<td>NA</td>
<td>$11</td>
</tr>
<tr>
<td>NC</td>
<td>$71</td>
<td>$50</td>
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<td>NE</td>
<td>$75</td>
<td>$47</td>
<td>$16</td>
<td>$9</td>
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<tr>
<td>WC</td>
<td>$84</td>
<td>$57</td>
<td>NA</td>
<td>$7</td>
</tr>
<tr>
<td>C</td>
<td>$71</td>
<td>$53</td>
<td>NA</td>
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<td>SC</td>
<td>$71</td>
<td>$47</td>
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<td>$10</td>
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<tr>
<td>SE</td>
<td>$74</td>
<td>$42</td>
<td>NA</td>
<td>$18</td>
</tr>
</tbody>
</table>

Farm Leasing Arrangements have changed over the years (US Census of Agriculture)
Leased Farmland: Importance of Various Tenant Characteristics

Comparing Crop Share, Cash and Flex Rents

Cash Rent as % of Gross Crop Revenue

Other Factors

- Fertility and drainage
- Size and shape of fields, % tillable
- USDA program bases and yields
- Local grain prices and basis
- Seed production contracts
- Manure application contracts
- Longevity of lease
- “Extras” done by tenant
Common Types of Farmland Leases

- Descriptions of these basic types
- Advantages, Disadvantages
- How-to’s, Examples
- Resources

**Fixed Cash Lease**

- Tenant pays a fixed amount of cash rent per acre per year
- Terms may include restrictions on crops, tillage, conservation, pest control practices
- Otherwise, Tenant makes decisions, receives all revenue
Advantages/Disadvantages

• Simple, fewer misunderstandings
• Little financial risk for Owner, Tenant bears all risk
• Owner relieved of day-to-day decisions, Tenant has maximum freedom
• Fewer records necessary
• Frequent rate negotiation
• Tenant needs more operating capital

Fixed Cash Lease – Determining a “Fair” Rental Rate

Computing Cropland Cash Rental Rate

• Book – page 62
• Bases may include:
  – What others are charging
  – Average rent for production (yields)
  – Average rent for CSR
  – Return on Value
  – Other flexible methods

Do Your 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).

Source: Johnson, ISU Extension, May 2011
Method #1: Typical Cash Rent

- Start at page 37, then go to appropriate District page (1, 2, etc)
- Example parcel is in Sioux – page 39
- 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 – CSR is high, but yields a little below average.

Let’s take an Example . . . .

Location: Sioux County
Tillable Acres in parcel: 75 Acres
Corn Yield: 175 bu/Acre
Soybean Yield: 50 bu/Acre

*These are the yields on that farm/parcel.*
Corn Suitability Rating: 91 CSR2
Method #1: Typical Cash Rent

• “Example” parcel – CSR2 (91) is higher than county average (89); but yields (175 & 50) are a little lower than county average (183-corn; 55-beans).
• Sioux County “high quality” rent is $352, medium quality rent is $292.
• Average ($352 + $292) / 2 = $322
• We’ll use $322 as a “typical” rent for this parcel, based on the ISU survey.

Method #2: Average Rents per Yield (corn & beans)

• Corn Yield calculation
  • Parcel’s average corn yield = 175 bu/A
    • Times rent per bushel of Corn yield $1.58
    • Average Rent for Corn Acres: $276.50
      – 175 X $1.58 = $276.50

• Soybean Yield calculation
  • Parcel’s average bean yield = 50 bu/A
    • Times rent per bushel of bean yield $5.25
    • Average Rent for Bean Acres: $262.50
      – 50 X $5.25 = $262.50

Method #2: Average the corn & bean calculations →

• Average Rent for Corn Acres: $276.50
• Average Rent for Bean Acres: $262.50
• ($276.50 + $262.50) / 2 = $269.50 ($270)
• Average Rent, Corn & Soybean Acres: $270
Method #3: Corn Suitability Rating calculation

- **Corn Suitability Rating calculation**
- **Parcel’s CSR = 91**
  - Times rent per CSR index point $3.25
  - Average Rent for Corn Acres: $388.68
    - 91 CSR X $3.25/CSR point = $295.75 ($296)
- Rent based on CSR only = $296

Method #4: Rent based on Return on Value/Investment

- Market value of cropland/parcel = $/acre
- Sioux County average: $12,296 (ISU Survey-Dec 2013)
- “My” Parcel value = $13,000
- “My” Desired return on value = 4.1%
- $13,000 X 4.1% = $533/acre

Overall Average Method

Average first three (3) Methods:

- Method 1: Typical Cash Rent $322
- Method 2: Average Rents per yield $270
- Method 3: Average Rents per CSR Point $296

Average $296 /acre

$296 per acre X 75 Tillable Acres = $22,200

Source: ISU Extension Publication FM-1851
## Overall Average Method

### Average of all 4 Methods

<table>
<thead>
<tr>
<th>Method</th>
<th>Description</th>
<th>Rent (in $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Typical Cash Rent</td>
<td>322</td>
</tr>
<tr>
<td>2</td>
<td>Average Rent per yield</td>
<td>270</td>
</tr>
<tr>
<td>3</td>
<td>Average Rent per CSR Point</td>
<td>296</td>
</tr>
<tr>
<td>4</td>
<td>Return on Investment/Value</td>
<td>533</td>
</tr>
</tbody>
</table>

Average $355.25 /acre

$355.25 /A X 75 Tillable Acres = $26,643.75

---

### Flexible Cash Lease

- Actual rent paid depends on actual yields attained and selling prices during lease period.
- Owner shares some risk of low yields, declining prices.
- Owner shares in “extra” profits.
- May take into account crop input costs.

---

### Why a Flexible Cash Lease?

- Rent reflects the farm’s actual yields and cash prices available at harvest (Gross Crop Revenue).
- Risk of revenue changes can be shared between the owner and tenant-producer.
- Landowner can be guaranteed a base rent, plus a bonus based on a % of the farm’s net revenue per acre (by crop rotation, tillage, yield).
- Tenant gets to reflect higher crop input costs.
- Most flex leases are multi-year.

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**Source:** ISU Extension Publication FM-1851
Determining Input Costs?

- See cost estimates in your Farmland Leasing book for different cropping plans/rotations – start at page 76.
- Owner & tenant can agree to use these averages. *Released annually in January.*
- More information available on Ag Decision Maker: [www.extension.iastate.edu/adgm](http://www.extension.iastate.edu/adgm)
- Owner & tenant can also figure actual costs based on decisions, local information (from coop, suppliers)

Flexible Cash Lease Advantages/Disadvantages

- Rent paid increases or decreases each year with changes in prices, yields.
- With a good formula, Owner and Tenant don’t need to renegotiate each year.
- Parties must agree on formula.
- Must agree on how to determine prices, yields.
- Uncertainty about Tenant’s cost and Owner’s income.
On Ag Decision Maker, you can find a list of examples of flexible lease arrangements.

For the entire list of examples:

- “Flexible Cash Rent Lease Examples”
- File C2-22
- www.extension.iastate.edu/agdm
- Whole Farm - Leasing

Flexible Lease: Percentage Share of Gross Revenue

- Owner gets cash rent = to % share of gross value of crop
- Crop Value = Actual Harvest Yield X Market Price*
- *Must agree on “market price”
- Historically – Iowa lease percentages range 30 to 45%
- Highly productive land tends to have higher percentage
- See book, page 66, Table 1
Average Iowa Cash Rent as Percent of Gross Crop Value and Gross Crop Revenue – see p66 in Farmland Leasing book

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Rent Paid</th>
<th>Corn Yield</th>
<th>Soybeans Yield</th>
<th>Corn Rent % Gross</th>
<th>Soybeans Rent % Gross</th>
<th>Corn Rent % Gross</th>
<th>Soybeans Rent % Gross</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$131</td>
<td>$371</td>
<td>$266</td>
<td>35%</td>
<td>49%</td>
<td>$433</td>
<td>$307</td>
</tr>
<tr>
<td>2005</td>
<td>$135</td>
<td>$311</td>
<td>$299</td>
<td>43%</td>
<td>45%</td>
<td>$494</td>
<td>$306</td>
</tr>
<tr>
<td>2006</td>
<td>$137</td>
<td>$490</td>
<td>$300</td>
<td>30%</td>
<td>49%</td>
<td>$570</td>
<td>$331</td>
</tr>
<tr>
<td>2007</td>
<td>$148</td>
<td>$595</td>
<td>$495</td>
<td>25%</td>
<td>30%</td>
<td>$627</td>
<td>$503</td>
</tr>
<tr>
<td>2008</td>
<td>$170</td>
<td>$444</td>
<td>$463</td>
<td>24%</td>
<td>38%</td>
<td>$776</td>
<td>$482</td>
</tr>
<tr>
<td>2009</td>
<td>$183</td>
<td>$672</td>
<td>$488</td>
<td>27%</td>
<td>38%</td>
<td>$778</td>
<td>$502</td>
</tr>
<tr>
<td>2010</td>
<td>$184</td>
<td>$756</td>
<td>$552</td>
<td>24%</td>
<td>33%</td>
<td>$850</td>
<td>$589</td>
</tr>
<tr>
<td>2011</td>
<td>$214</td>
<td>$984</td>
<td>$596</td>
<td>25%</td>
<td>38%</td>
<td>$999</td>
<td>$613</td>
</tr>
<tr>
<td>2012</td>
<td>$262</td>
<td>$952</td>
<td>$638</td>
<td>26%</td>
<td>40%</td>
<td>$1,107</td>
<td>$674</td>
</tr>
<tr>
<td>2013</td>
<td>$272</td>
<td>$721</td>
<td>$500</td>
<td>25%</td>
<td>40%</td>
<td>$928</td>
<td>$631</td>
</tr>
<tr>
<td>Average 2004-2013</td>
<td>$183</td>
<td>$657</td>
<td>$466</td>
<td>29%</td>
<td>40%</td>
<td>$738</td>
<td>$490</td>
</tr>
</tbody>
</table>

Methods to Determine the Actual Yield

- Scale tickets
- Combine monitors
- Storage capacity
- Crop insurance

Methods to Determine the Actual Price

- Cash
- Average of dates near harvest or rent payment date
- FSA posted prices
- Crop insurance

**Corn Example**
- Owner & Tenant agree: Rent = 26% of gross revenue
- Actual Yield = 180 bushels per acre
- Actual price = $4.55 per bushel
- Gross income = 180 X $4.55 = $819
- Cash Rent = $819 X 26% = $212.94
- See Form, page 69 – this example is Option A.

**Soybean Example**
- Owner & Tenant agree: Rent = 36% of gross revenue
- Actual Yield = 50 bushels per acre
- Actual price = $13.78 per bushel
- Gross income = 50 X $13.78 = $689
- Cash Rent = $689 X 36% = $248.04
- See Form, page 69 – this example is Option A.
Flexible Lease: Base Rent **Plus**

**Bonus option (Option B—p69)**

See Example 2, page 67

- Owner gets a **base** or minimum rent **plus** a share of gross revenue in excess of base value
- **Base rent?** Use an amount paid several years ago. *See Table 1, page 70*

- **Base value** for gross revenue? A typical gross yield value OR Tenant’s costs of production including the base rent.

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**Base Rent – How much?**

- Owner’s **base rent** should be less than a typical fixed cash rent for the same land – otherwise, there’s no downside risk for Owner!
- *See Table 1, page 66*
- OR look at ISU Extension cash rental surveys for past years -- available on Ag Decision Maker.

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**Soybean Example**

- Owner & Tenant agree: **Base Rent = $150/acre**  **Bonus Share = 35%**
- Tenant’s Production Cost = $260/acre
- Total Gross Cost (for Tenant) = $410 ($150 rent + $260 input costs)
- Actual soybean yield = 52 bu/acre
- Gross revenue = 52 X $13 = $676
- **Bonus to Owner:** $676 minus $410 = $266 X 35% = $93.10
- **$150 base + 93.10 bonus = $243.10 rent**
Go to Ag DecisionMaker to find the Excel spreadsheet that allows you to plug in different %s, yields, prices

**Custom Farming Contract**

- Not a “true” a lease.
- Operator supplies all labor and equipment.
- Owner pays operator fixed payment per acre, or a fixed payment for each operation
- May provide operator a bonus for meeting planting dates, yield goals
- “Net share lease” = provides operator percentage of crop instead of a cash payments.

**Advantages/Disadvantages**

- Little financial risk for operator.
- **Owner bears all risk**, benefits from unexpected high prices, yields, USDA payments
- Owner responsible for grain marketing
- Crop inputs – seeds, fertilizer, pesticides must be arranged for by owner
- Tax consequences to Owner (self-employment tax)?
- May need annual modification

**ISU Extension Custom Farming Contract Resources**

- AgDecisionMaker – Custom Farming: an Alternative to Leasing AgDM File A3-15
- **Building Rental Rate survey – pages 49, 50**
- 2013 Iowa Farm Custom Rate Survey – AgDM File A3-10 – your book→ page 52
- Pages 76-91 – cost information
Crop Share Lease

- Owner receives share of the crop + USDA payments, no cash payment from Tenant.
- In Iowa, typical for Owner to receive ½ of grain.
- Owner furnishes land, pays ½ cost of inputs: Fertilizer, seed, pesticide
- Tenant furnishes labor, fuel, equipment + ½ input costs
- Owner responsible for drying, storage, crop marketing

Advantages/Disadvantages

- Price & Yield risks are shared
- Owner more involved in decisions, grain marketing
- Both share benefits of yield-increasing technologies, high yields or prices
- More points to agree on
- If storage is shared, marketing decisions may be shared
- USDA participation, payment limits are factors
- Tax consequences to owner

ISU Extension

Crop Share Leasing Resources

- AgDecisionMaker – LEASE FORMS – there’s a link to an on-line fillable lease form that you can fill-in and print:
  www.mwps.org/stores/mwps/files/Free/ncr_77.pdf

- Adapting Crop Share Agreements for Sustainable & Organic Agriculture – AgDM File C2-31
Other Resources

• Articles and spreadsheets
  – [http://www.extension.iastate.edu/agdm/](http://www.extension.iastate.edu/agdm/)

• Online Courses – Ag Management e-School
  – [http://www.extension.iastate.edu/ames](http://www.extension.iastate.edu/ames)

• Workshops, meetings, conferences
  – [http://www.extension.iastate.edu/calendar/](http://www.extension.iastate.edu/calendar/)

• Publications – rental survey, land value survey, etc.
  – [http://store.extension.iastate.edu/](http://store.extension.iastate.edu/)

• Private Consultation
  – [http://www.extension.iastate.edu/ag/farm-management-0](http://www.extension.iastate.edu/ag/farm-management-0)

Questions?

Thank-you!
Please contact ISU Extension with your Farm Management questions!

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