Learning Objectives

- Highlight: What’s New in Iowa Farmland Leasing?
  - Beginning Farmer Tax Credit Programs
  - 2014 Land Value Survey
  - 2015 Cash Rental Rate Survey
- Discuss the Trends in Iowa Farmland Leasing
- Compare Methods for Estimating Cash Rental Rates
- Review Terminating and Writing a Farm Lease
- Provide some ISU Extension Farmland Leasing Resources.
Beginning Farmer Tax Credit Programs
Provides Iowa income tax credits to landowners
- Landlord can receive an annual state tax credit for leasing land or custom hiring a beginning farmer
  - 7% of gross income for a cash rent lease
  - cannot include the bonus portion of Flexible Cash Lease
  - 17% of gross income for crop share lease
  - 7% of custom hire labor (less than 12 months)
- Requires a minimum of a 2-year lease term
- Additional tax credit if the beginning farmer is a veteran.

Average value = $7,943 per acre
Average decrease of 8.9% per acre
Decline of $773 per acre from the 2013 record high
Only the second year since 1999 the annual survey has shown a decline.
2014 Percentage Change from 2013

2015 Iowa Cash Rent Rate Survey

1. Average Cash Rent $259/A
2. Average Cash Rent $254/A
3. Average Cash Rent $273/A
4. Average Cash Rent $265/A
5. Average Cash Rent $261/A
6. Average Cash Rent $255/A
7. Average Cash Rent $242/A
8. Average Cash Rent $187/A
9. Average Cash Rent $217/A
Iowa Land Value & Cash Rental Rate Trends

Latest Statewide Averages
Cash Rent: $246/A
Land Value: $7,943/A

Annual Land Value Appreciation vs. Cash Rent (2006-2015)

Land Value Appreciation
+172% 2006 to 2013
What is the Best Type of Farm Lease?

ISU Farmland Leasing Resources

- Ag Decision Maker Web Site
  - [www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm)

- Whole Farm – Leasing
  - Rental Rate Surveys, Lease Forms, Lease Agreements, Newsletter Articles and Decision Tools (Excel spreadsheets)
    - Computing a Cropland Cash Rental Rate: C2-20
    - Flexible Farm Lease Agreements: C2-21

- Crops – Cost & Return
  - Estimated Costs of Crop Production: A1-20
    - By Crop, Rotation, Tillage Practice and Yield Expectation.
Computing a Cropland Cash Rental Rate
Use of a Cash Rental Rate Estimation: C2-20

1) Estimated Cash Rental Rates
2) Yield Potential
3) Corn Suitability Rating Index
4) Percent of Land Value
5) Tenant’s Residual
6) Crop Share Equivalent.

Iowa Farmland Lease Terminations

- Iowa Farm Leases run from March 1 to the last day of February, unless stated in a written lease
- Termination must be given for Cropland by September 1 to be effective the last day of February the following calendar year
- Now applies to all cropland parcels, including those under 40 acres in size
- Lease forms can be obtained from the Iowa State University – Ag Decision Maker web site.
Assuring Cash Rent Payment is Made

- Require all rent be paid “upfront” on March 1. (Reduction for interest paid by the borrower may be a consideration.)
- Require irrevocable letter of credit from the Operator/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 with the Iowa Secretary of State’s Office.

Put Your Lease Agreement in Writing

Make sure that:
1) The legal description is accurate.
2) If no specific Term of Lease ending date is included, the lease continues year-to-year unless terminated.
3) The parties to the lease are properly identified.
4) The payment terms are clear: cash rent amount and payable date(s) as well as mailing address.
5) Both the Owners(s) and Operators(s) sign and date the lease, receive a copy.