

Cornhusker Economics

2017 Crop Share Leasing Trends in Nebraska

Market Report	Year Ago	4 Wks Ago	8-11-17
Livestock and Products,			
Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	118.00	120.00	*
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	166.75	182.33	171.63
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	158.39	165.82	142.39
Choice Boxed Beef, 600-750 lb. Carcass.	200.54	212.93	201.37
Western Corn Belt Base Hog Price Carcass, Negotiated.	63.75	86.31	77.91
Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean.	75.19	104.10	94.19
Slaughter Lambs, woolled and shorn, 135-165 lb. National.	165.35	185.51	336.10
National Carcass Lamb Cutout FOB.	351.94	429.14	421.40
Crops,			
Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu.	2.99	4.04	3.32
Corn, No. 2, Yellow Columbus , bu.	2.99	3.38	3.35
Soybeans, No. 1, Yellow Columbus , bu.	9.42	9.07	8.48
Grain Sorghum, No.2, Yellow Dorchester, cwt.	4.50	5.71	5.58
Oats, No. 2, Heavy Minneapolis, Mn, bu.	2.30	3.19	3.07
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	163.75	148.00	*
Alfalfa, Large Rounds, Good Platte Valley, ton.	72.50	75.00	82.50
	*		
Grass Hay, Large Rounds, Good Nebraska, ton.		*	85.00
Dried Distillers Grains, 10% Moisture Nebraska Average.	122.50	102.50	116.00
	*		
Wet Distillers Grains, 65-70% Moisture Nebraska Average.		42.00	38.50
* No Market			

The Nebraska Farm Real Estate Market Highlights Report 2016-2017 provides recent trends on land values and rental rates for landlords, tenants, and stakeholders. Each year, a special feature section covers emerging issues related to agricultural land in Nebraska. This year the special feature section focuses on crop share leasing trends in Nebraska given the renewed interest in this lease arrangement due to lower commodity prices.

Nebraska landlords engaged in crop share lease arrangements typically receive a percentage of the actual crop yield as payment for leasing the property to the tenant. For example, under a 40:60 lease arrangement the landlord receives 40 percent of the crop produced with the tenant retaining the remaining 60 percent.

Depending upon the lease arrangement, the landlord might share input and production expenses of raising the crop. According to survey participants, the proportionality of sharing seed, fertilizer, and chemical expenses by the landlord tends to increase with the lease arrangements where he or she has a higher share of the crop. Table 1 shows the average distribution of expenses by lease arrangement. Expectations between landlords and tenants may vary from the state averages depending upon the norms of the region. In addition to the noted production expenses, landlords typically cover their proportional share of the premium for a crop insurance policy or other related risk management program.

Fertilizer expenses had the highest share of proportionally dividing the production expenses as the 40:60 and 50:50 crop share leases were reported to show that 84 and 89 percent, respectively, divided this expense between the landlord and tenant. Landlord sharing seed expenses had a tendency of increasing with the higher share lease arrangements as the 33:67, 40:60, and 50:50 crop shares proportionally divide this expenses on average 20, 44, and 75 percent, respectively. Those with a 33:67 crop share lease reported sharing fertilizer expense 33 percent of the time proportionally.

The most popular crop share lease arrangements in Nebraska included the 40:60 and 50:50 lease arrangements at approximately 40 percent each (Figure 1). The 33:67 and other lease arrangements accounted for less than 20 percent of the remaining crop share lease arrangements.

In nearly 60 percent of crop share lease arrangements, the landlord and tenant jointly market the landlord’s share of the crop (Figure 2). Approximately 23 percent of the time the landlord markets his or her share. The tenant markets the landlord’s share in about 13 percent of the crop share leases.

Less than 5 percent of the time some other entity does the marketing of the landlords share (such as a commodity marketing advisory service). The skill and interest of the landlord and tenant engaged in a crop share lease agreement tended to have a strong influence on which party markets the crop.

Survey results shown and discussed in this report are findings from the University of Nebraska–Lincoln 2017 Nebraska Farm Real Estate Market Survey. Complete results from the survey may be found at the Nebraska Farm Real Estate website: <http://agecon.unl.edu/realestate>

Reference

Jansen, J. A. (2017, June). Nebraska Farm Real Estate Market Highlights Survey and Report. *Nebraska Farm Real Estate Market Developments Highlights 2016-2017*, 195, 1-56. Department of Agricultural Economics, University of Nebraska–Lincoln.

Table 1. 2017 Production Expenses Paid by the Landlord to the tenants for Common Crop Share Lease Arrangements in Nebraska.

Expenses and Crop Share Lease Arrangements	Average Percent Distribution	
	Landlord Proportionally Shares	Landlord Does Not Proportionally Share
-----Percent-----		
Seed		
33:67	20	80
40:60	44	56
50:50	75	25
Fertilizer		
33:67	33	67
40:60	84	16
50:50	89	11
Chemical		
33:67	28	72
40:60	62	38
50:50	77	23

Source: UNL Nebraska Farm Real Estate Market Survey, 2017

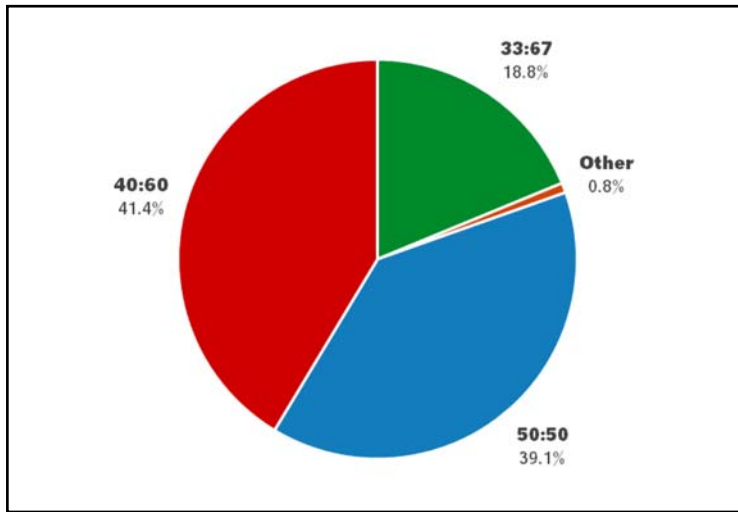


Figure 1. Prevalence of Common Crop Share Lease Arrangements for Landlords and Tenants in Nebraska.

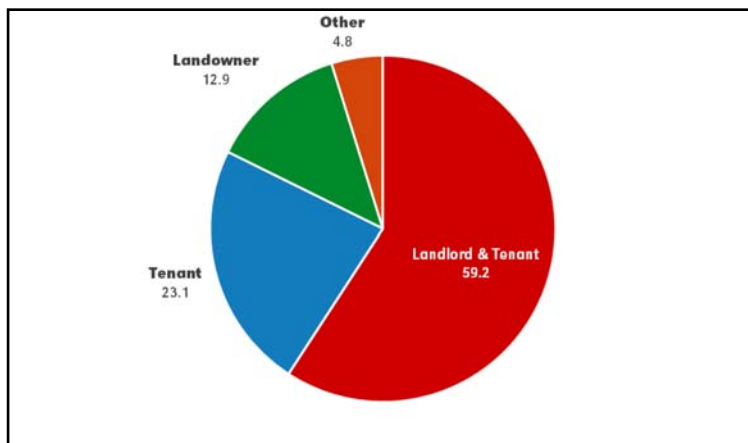


Figure 2. Marketer of Landlord Portion of Commodity Produced as Part of Crop Share Lease Arrangements in Nebraska.