Agricultural Land Management Quarterly Presenters

Archived Programs: agecon.unl.edu/landmanagement

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Outline of topics, Monday, February 15, 2021

• Recent Trends in Nebraska Cash Rental Rates
  • Trends in cash rents & farm real estate for 2020-2021
  • Calculating cash rental rates to reflect market prices or farm yields

• Updating Agricultural Leases for the 2021 Production Season
  • Considerations for landlords and tenants entering the new growing season
  • Aglease101.org - free lease resources

• Ask an Expert
  • Review of submitted questions
  • Upcoming land management workshops and publications
Trends in cash rents for 2020-2021

PRESENTED BY JIM JANSEN
Nebraska Farm Real Estate Survey

• Annual survey conducted since 1978 of Nebraska agricultural appraisers, professional farm managers, and bankers engaged in the land industry
• Preliminary results for land values and rental rates published the second week of March.
• Full report published in June
• Nebraska Farm Real Estate website full access to these resources: https://agecon.unl.edu/realestate
Nebraska Dryland Cropland Rental Rates – 2020

By Region
High Grade (H)
Average (A)
Low Grade (L)

Northwest
H: $39/ac
A: $28/ac
L: $23/ac

North
H: $85/ac
A: $52/ac
L: $41/ac

Southwest
H: $54/ac
A: $37/ac
L: $30/ac

Central
H: $105/ac
A: $91/ac
L: $74/ac

South
H: $110/ac
A: $76/ac
L: $49/ac

Northeast
H: $255/ac
A: $215/ac
L: $170/ac

East
H: $235/ac
A: $205/ac
L: $165/ac

Southeast
H: $190/ac
A: $165/ac
L: $130/ac
Nebraska Center Pivot Irrigated Cropland Rental Rates – 2020

Northwest
- H: $175/ac
- A: $140/ac
- L: $105/ac

By Region
High Grade (H)
Average (A)
Low Grade (L)

North
- H: $235/ac
- A: $195/ac
- L: $165/ac

Southwest
- H: $215/ac
- A: $185/ac
- L: $160/ac

Central
- H: $265/ac
- A: $230/ac
- L: $190/ac

East
- H: $320/ac
- A: $280/ac
- L: $245/ac

South
- H: $255/ac
- A: $220/ac
- L: $180/ac

Southeast
- H: $300/ac
- A: $265/ac
- L: $225/ac
Nebraska Cow-Calf Pair Monthly Rental Rates – 2020

Northwest
H: $44.75/pair
A: $37.90/pair
L: $30.70/pair

By Region
High Grade (H)
Average (A)
Low Grade (L)

North
H: $69.30/pair
A: $61.45/pair
L: $50.85/pair

Central
H: $65.10/pair
A: $54.70/pair
L: $39.50/pair

East
H: $63.80/pair
A: $51.30/pair
L: $44.15/pair

South
H: $56.70/pair
A: $47.10/pair
L: $38.40/pair

Southeast
H: $58.25/pair
A: $50.45/pair
L: $36.55/pair

Agricultural Economics
USDA-National Agricultural Statistics Service Cash Rent Survey

- Biennial survey conducted by the USDA-National Agricultural Statistics Service (NASS) of farmers and ranchers
  - Survey starts in late-winter and conducted through mid-summer of odd-numbered years (occasionally in even-numbered years)
  - Analysis published around the second week of September
- Nebraska county estimates in addition to other resources may be found at:
Nebraska Irrigated Cropland Rental Rates—2020
USDA-National Agricultural Statistics Service

Cash Rent Paid
Dollars Per Acre

Website: www.nass.usda.gov/Statistics_by_State/Nebraska/Publications/County_Estimates/
Nebraska Grazing Land Rental Rates–2020
USDA-National Agricultural Statistics Service

Website: www.nass.usda.gov/Statistics_by_State/Nebraska/Publications/County_Estimates/
Taxpayers Can Now Claim the LB 1107 Property Tax Credit

Source: NE Department of Revenue, February 12, 2021: revenue.nebraska.gov

- LB 1107 created the Nebraska Property Tax Incentive Act that provides for a refundable income tax credit beginning in tax year 2020.
- This credit is available to individuals, corporations, fiduciaries, and financial institutions that pay school district real property taxes in Nebraska.
- The credit is determined by multiplying the amount of school district taxes, defined by the Act as property taxes levied on real property in Nebraska by a school district or multiple district school system (excluding property taxes levied for bonded indebtedness or any levy override approved by voters) by a credit percentage.
- This credit percentage is 6% for 2020.
Calculating Cash Rental Rates

PRESENTED BY JIM JANSEN
Estimating Cash Rental Rates by Adjusting Survey Data

- Land rental rate survey data:
- Evaluate available cash rental survey data to establish a baseline in the landlord and tenant negotiation process

<table>
<thead>
<tr>
<th>County</th>
<th>Value</th>
<th>Farm</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Rental Rate</td>
<td>$135/ac.</td>
<td>County Rent/Bushel</td>
<td>$1.13/bu.</td>
</tr>
<tr>
<td>Corn Yield</td>
<td>120 bu./ac.</td>
<td>APH Yield</td>
<td>x 135 bu./ac.</td>
</tr>
<tr>
<td>County Rent/Bushel</td>
<td>$1.13/bu.</td>
<td>Farm Level Rent</td>
<td>$151.88/ac.</td>
</tr>
</tbody>
</table>
Cash Equivalent From Crop Share

- Rent paid to landlord by tenant based off owner’s share of net returns per acre.
- Example 50/50 split:

<table>
<thead>
<tr>
<th>Value</th>
<th>Corn - March 2021</th>
<th>Corn - Nov. 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yield (50% share)</td>
<td>80 bu./ac.</td>
<td>80 bu./ac.</td>
</tr>
<tr>
<td>Price/bushel</td>
<td>x $5.21/bu.</td>
<td>x $4.30/bu.</td>
</tr>
<tr>
<td>Income</td>
<td>$417/ac.</td>
<td>$344/ac.</td>
</tr>
<tr>
<td>Owner Expenses</td>
<td>-$155/ac.</td>
<td>-$155/ac.</td>
</tr>
<tr>
<td>Net Return to Owner</td>
<td>$262/ac.</td>
<td>$189/ac.</td>
</tr>
<tr>
<td>(Effective Rent)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Cash Equivalent from Hayland Share

- Rent paid to landlord by tenant based off owner’s share of net returns per acre.

<table>
<thead>
<tr>
<th>Value</th>
<th>33:67 Hayland Share</th>
<th>50:50 Hayland Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yield (share)</td>
<td>0.83 ton/ac.</td>
<td>1.25 tons/ac.</td>
</tr>
<tr>
<td>Price/ton</td>
<td>x $80/ton</td>
<td>x $80/ton</td>
</tr>
<tr>
<td>Income</td>
<td>$66/ac.</td>
<td>$100/ac.</td>
</tr>
<tr>
<td>Owner Expenses*</td>
<td>-$0/ac.</td>
<td>-$10/ac.</td>
</tr>
<tr>
<td>Net Return to Owner (Effective Rent)</td>
<td>$66/ac.</td>
<td>$90/ac.</td>
</tr>
</tbody>
</table>

*In this example, the owner does not pay any expenses for the 33/67 hay share. Also, the owner pays $10 per acre in fertilizer expense for the 50/50 hay share.
Updating Agricultural Leases for the 2021 Production Season

PRESENTED BY ALLAN VYHNALEK
Having a Written Lease is Imperative!

- Not your grandpa’s farm anymore
- Handshake lease agreements may be ended at anytime
- Termination notice must be given by September 1 (previous year)
- Handshake leases for farmland start on March 1
- Fill-in-the-blank written leases may be found at: www.aglease101.org
Ag Lease 101 helps both land owners and land operators learn about alternative lease arrangements and includes sample written lease agreements for several alternatives. Ag Lease 101 was created by and is maintained by the North Central Farm Management Extension Committee.
## Lease Publications

- **Fixed and Flexible Cash Rental Arrangements for Your Farm**  
  (NCFMEC-01)
- **Crop Share Rental Arrangements For Your Farm**  
  (NCFMEC-02)
- **Pasture Rental Arrangements For Your Farm**  
  (NCFMEC-03)
- **Rental Agreements For Farm Buildings and Livestock Facilities**  
  (NCFMEC-04)
- **Purchasing and Leasing Farm Equipment**  
  (NCFMEC-05)
- **Beef Cow Rental Arrangements For Your Farm**  
  (NCFMEC-06)
- **Farm Building Rental Rate Survey**  
  (NCFMEC-07)

## Lease Forms

- **Cash Farm Lease**  
  (NCFMEC-01A)
- **Crop Share Farm Lease Cash Farm Lease**  
  (NCFMEC-02A)
- **Pasture Lease**  
  (NCFMEC-03A)
- **Farm Building or Livestock Facility Lease**  
  (NCFMEC-04A)
- **Farm Machinery Lease for Non-commercial Transactions**  
  (NCFMEC-05A)
- **Livestock Rental Lease**  
  (NCFMEC-06A)
Critical Lease Provisions in 2021

- May be too late to change lease provision for 2021 assuming a typical start of March 1
- In February, some parties have not set lease rate yet – so this remains a major discussion point (rental rates discussed earlier in presentation)
- Pay attention to fall crop prices vs. current crop prices!
- Doing the right thing for the property is more important than the cash rental rate!
  - Conservation of soil
  - Managing weed/insect/disease pressures
  - Maintaining or improving fertility
Critical Lease Provisions in 2021 (continued)

• Other lease considerations
  • Timing of lease payments
  • Irrigation equipment (ownership and maintenance)
  • Fertility and manure management
  • Stalk removal
  • Hunting rights
Pasture and Grazing Land Leases

• Pasture or grazing land typically have a 5 month lease
  • Typically May to October or June to November

• Notice of termination is not specifically required for a handshake agreement
  • Lease ends each year, so the termination notice is not necessary (still good to communicate with other party)
Pasture and Grazing Land Leases (continued)

- Control of noxious weeds and brush
- Consider adding lease provisions to address natural disaster
  - Fire
  - Hail
  - Drought
- How will the length of the lease be adjusted?
- How will lease payments be adjusted?
ASK AN EXPERT

PRESENTED BY JIM JANSEN & ALLAN VYHNALEK
Land Management Questions

• **Question:** When should the cash rent be due for my crop or grazing land leases?

• **Answer:** The period of time when the cash rent should be due varies upon the need and capacity of each party engaged in the lease.

• Typically a portion of the cash rent may be due around the signing of the lease and the remaining amount around harvest or sale of the livestock off grazing land (fall?).

• Other suggested timings amount of cash rent might include:
  • March 1\textsuperscript{st} – 1/2, November 1\textsuperscript{st} – 1/2
  • March 1\textsuperscript{st} – 1/3, June 1\textsuperscript{st} – 1/3, November 1\textsuperscript{st} – 1/3
Land Management Questions

• Question: Should I rent my land out on a single or multi-year lease arrangement?

• Answer: Depends on the parties engaged in the lease arrangement and norms of the area. No set standard exists on the length of the lease.
  • Multi-year lease may be used when the tenant has made large investment in the property such as irrigation equipment or amendments to the soil (lime).
  • When using multi-year lease, consider adding clauses to update the rental rate each year to account for economic conditions.
• Over the past 15 years – single year lease has become more popular.
  • Single year lease allow for greater flexibility and adjustments to events influencing agricultural land. Preferred method when working with a new party.
Land Management Questions

- **Question**: How should a flexible cash lease be arranged (adjusted) with a rise or fall in grain prices?
- **Answer**: A flex lease can account for changes in grain prices, crop yield, or revenue.

![Diagram showing rent range]

- **If Rent Rises Above $215, the Default Max Payment is Made**
  - Maximum Rent: $215
- **If Rent Falls Below $165, the Default Min Payment is Made**
  - Minimum Rent: $165
- **Base Rent**: $190

Rent Range
## Flexible Crop Lease

- Flexible lease where corn prices decrease and increase

<table>
<thead>
<tr>
<th>Farm Base Rent</th>
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<tbody>
<tr>
<td><strong>Rental Rate</strong></td>
</tr>
<tr>
<td><strong>Expected Yield</strong></td>
</tr>
<tr>
<td><strong>Expected Farm Price</strong></td>
</tr>
<tr>
<td><strong>Expected Farm Income</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Harversting-Time Price Increase</th>
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</thead>
<tbody>
<tr>
<td><strong>Actual Yield</strong></td>
</tr>
<tr>
<td><strong>Actual On-Farm Price</strong></td>
</tr>
<tr>
<td><strong>Actual Farm Income</strong></td>
</tr>
<tr>
<td><strong>Difference ($728/ac. - $645/ac.)</strong></td>
</tr>
<tr>
<td><strong>Percent Change</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Final Rent</th>
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</thead>
<tbody>
<tr>
<td><strong>Rental Rate</strong></td>
</tr>
<tr>
<td><strong>Percent Increase in Rent ($190 x 12.9%)</strong></td>
</tr>
<tr>
<td><strong>Final Rent</strong></td>
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<th>Harversting-Time Price Decrease</th>
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<td><strong>Actual Yield</strong></td>
</tr>
<tr>
<td><strong>Actual On-Farm Price</strong></td>
</tr>
<tr>
<td><strong>Actual Farm Income</strong></td>
</tr>
<tr>
<td><strong>Difference ($635/ac. - $645/ac.)</strong></td>
</tr>
<tr>
<td><strong>Percent Change</strong></td>
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<tbody>
<tr>
<td><strong>Rental Rate</strong></td>
</tr>
<tr>
<td><strong>Percent Decrease in Rent ($190 x -1.5%)</strong></td>
</tr>
<tr>
<td><strong>Final Rent</strong></td>
</tr>
</tbody>
</table>

*Expected and actual farm income do not include any safety net payments or crop insurance indemnity.*
Land Management Questions

• Question: Online participants may now submit their questions.
• Answer: Review of questions and answers will be based upon remaining time available.
Land Link

- Program started February 1, 2021
- Problem – twofold
  - Land seekers do not have access to land so they can farm or ranch
  - Older generations do not have succession path (their children are not farming or ranching)
- Land link matches land seekers with landowners
- Applications will be required from both parties
- All applications will be reviewed and followed-up with a phone interview
  - Possible land seeker matches will be shared with landowners to decide who they would like to interview
Interested Potential Land Link Participants

• Program website: https://farm.unl.edu/landlink

• Access program information and online application on the program website

• Questions?
  • Contact Allan Vynalek, 402-472-1771, avynalek2@unl.edu
Upcoming Landlord & Tenant Cash Rent Meetings
For more information web page: farm.unl.edu

- Ag Land Leasing, Budgeting and Management for 2021
- New NCERMEC grant funded project to extends landlord/tenant cash rental meetings through winter and summer 2021
  - Eastern Region – Feb. 25: landlord-tenant cash rent workshop, 9-11:30 a.m. CST;
  - crop budgeting workshop, 1:30-3 p.m. CST
  - Registration required to receive handouts at: https://farm.unl.edu/manage21
Upcoming Webinar: Monday, May 17, 2021 at 12:00 PM CST

Topics:

- Trends in Nebraska Cash Rental Rates
  - Trends in Nebraska cash rental rates for 2021
  - Financial implications for changing commodity prices and adjusting cash rents
- Proper Communication and Decision Making for Agricultural Land
  - Improving communication between landlords, tenants, and family members
  - Short and long-term decision making for agricultural land
- Ask an Expert
  - Review of submitted questions
  - Upcoming land management workshops and publications