



AGRICULTURAL  
**LAND MANAGEMENT**  
**QUARTERLY**

Website: [agecon.unl.edu/landmanagement](http://agecon.unl.edu/landmanagement)



# Agricultural Land Management Quarterly Presenters

Archived Programs: [agecon.unl.edu/landmanagement](http://agecon.unl.edu/landmanagement)

**Jim Jansen**

Agricultural Economist

University of Nebraska-Lincoln

[jjansen4@unl.edu](mailto:jjansen4@unl.edu)

402-261-7572

webpage: [agecon.unl.edu/realestate](http://agecon.unl.edu/realestate)

**Allan Vyhnalek**

Farm & Ranch Succession and Transition

University of Nebraska-Lincoln

[avyhnalek2@unl.edu](mailto:avyhnalek2@unl.edu)

402-472-1771

webpage: [farm.unl.edu/succession](http://farm.unl.edu/succession)



# Upcoming Webinar: Monday, May 17, 2021

## 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



# Trends in Nebraska Cash Rental Rates for 2021

PRESENTED BY JIM JANSEN



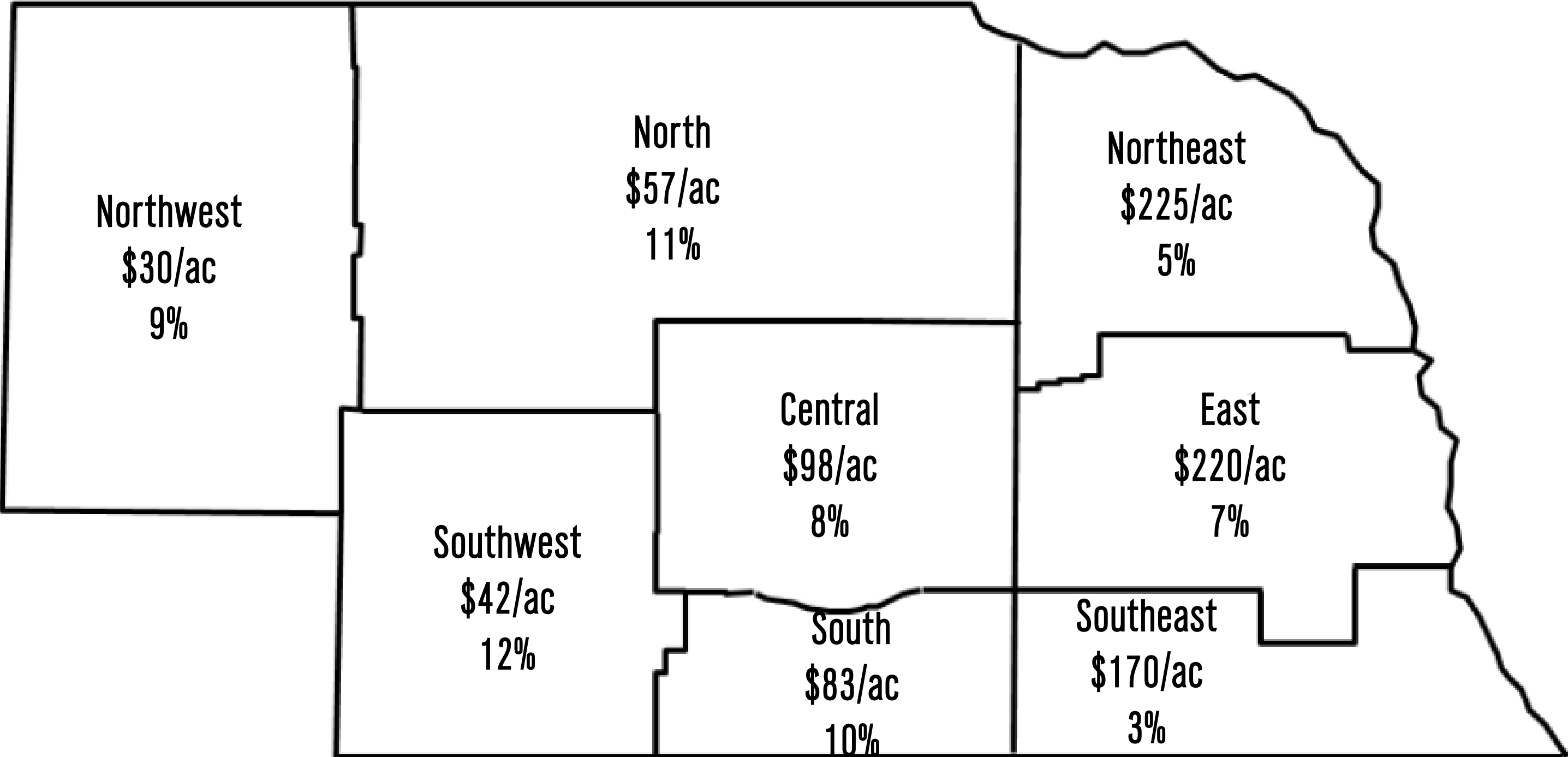
# Nebraska Farm Real Estate Survey

- 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>



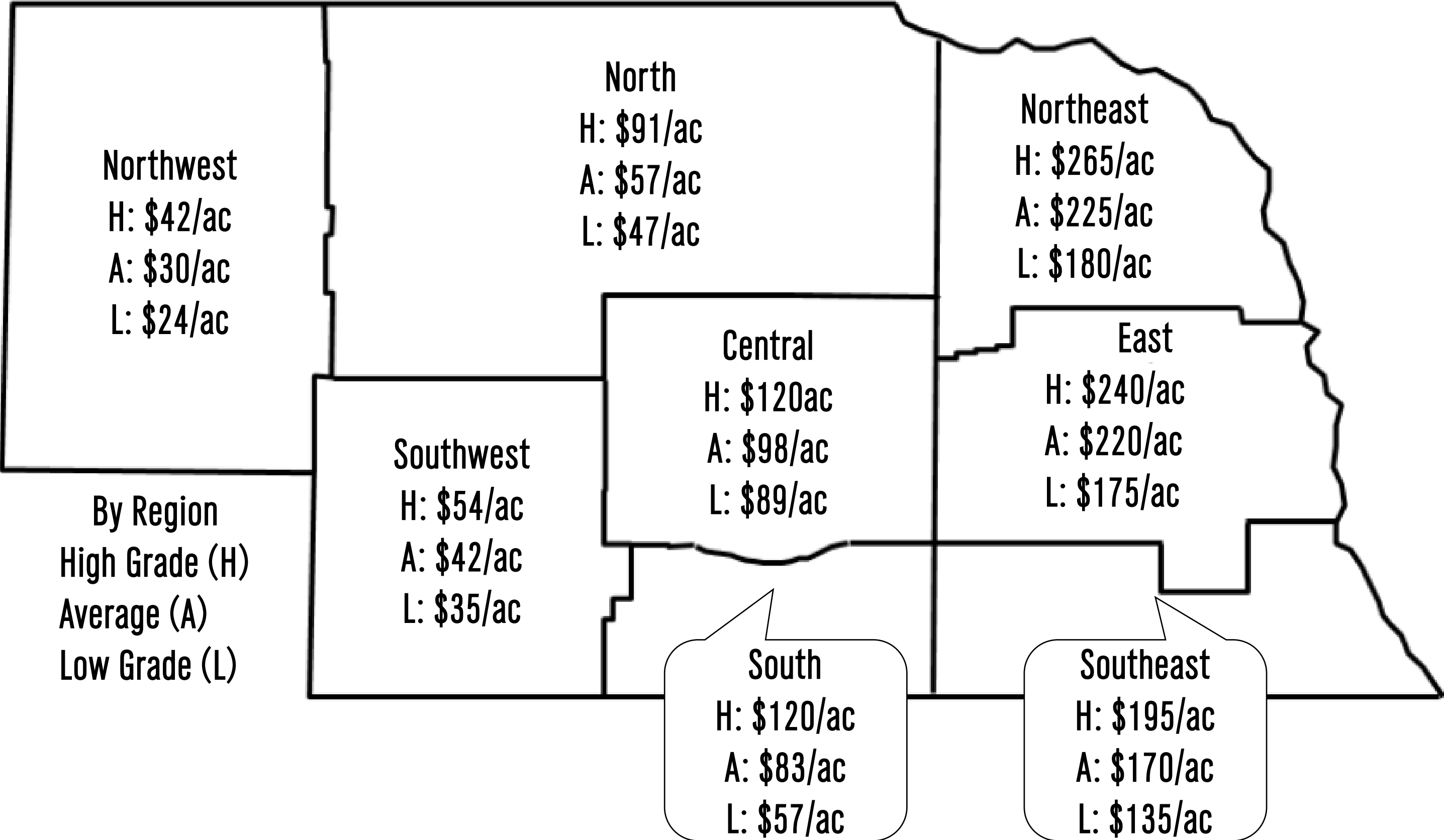
# Nebraska Dryland Cropland Rental Rates 2021

## Preliminary Estimates

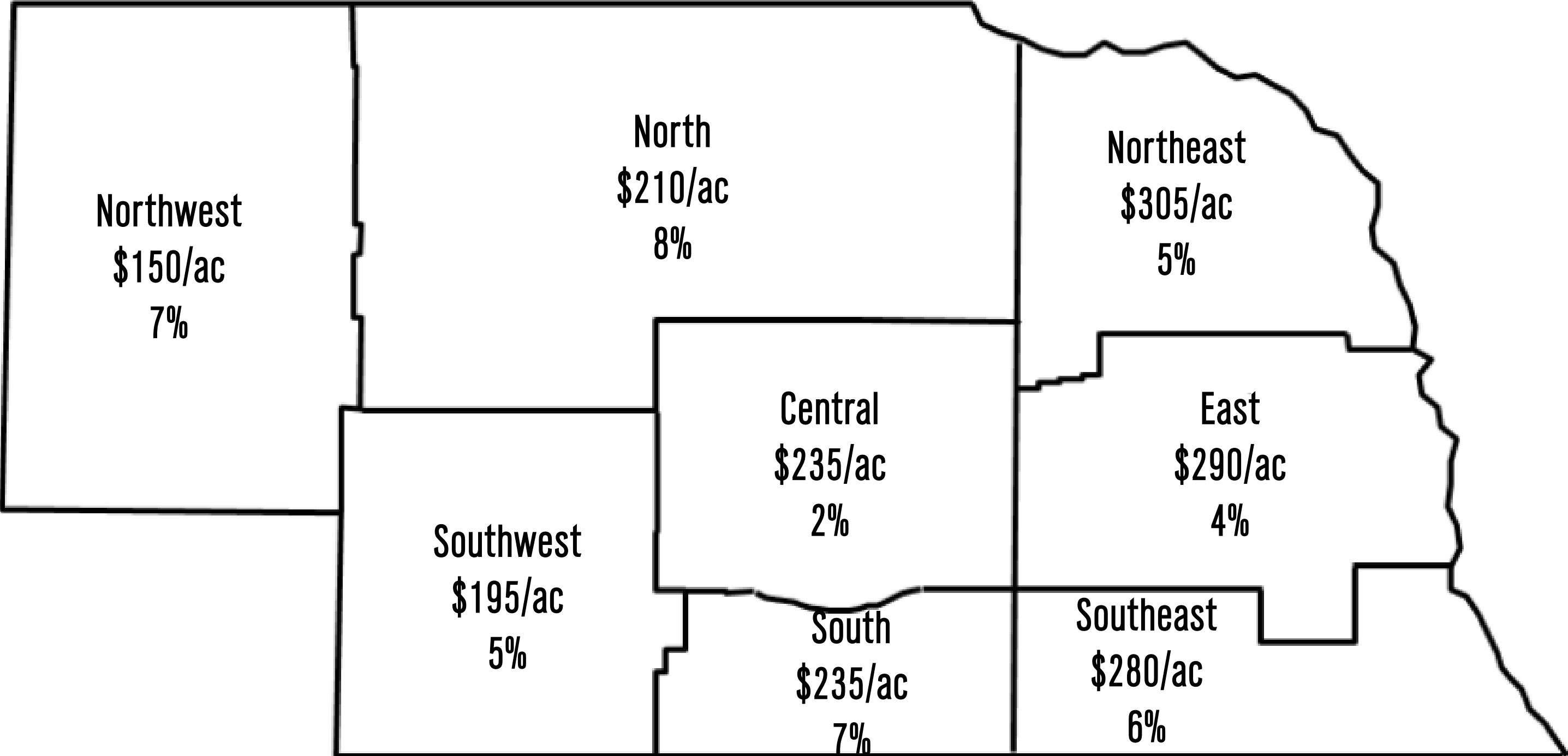


# Nebraska Dryland Cropland Rental Rates 2021

## Preliminary Estimates



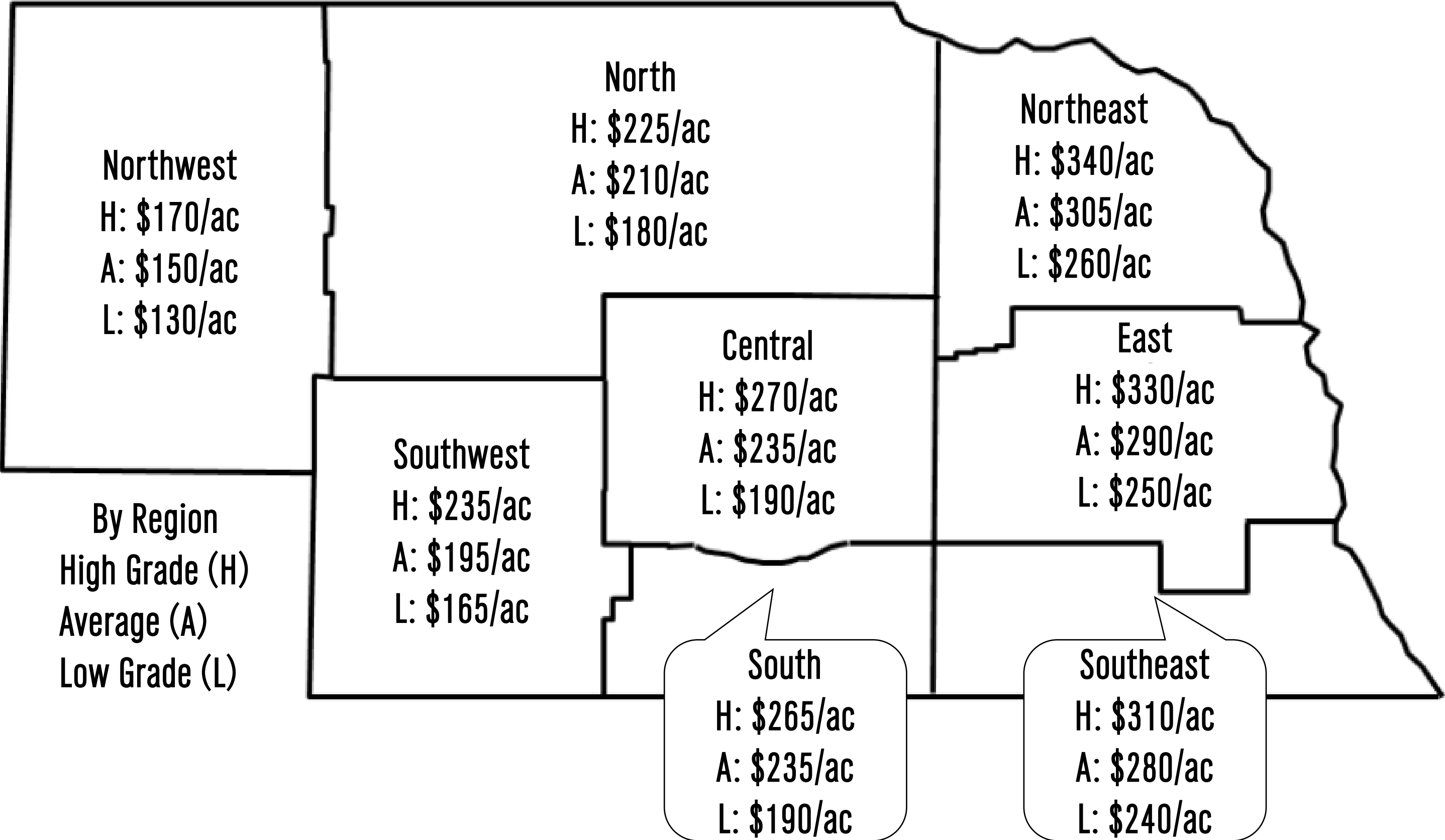
# Nebraska Center Pivot Irrigated Cropland Rental Rates 2021 Preliminary Estimates





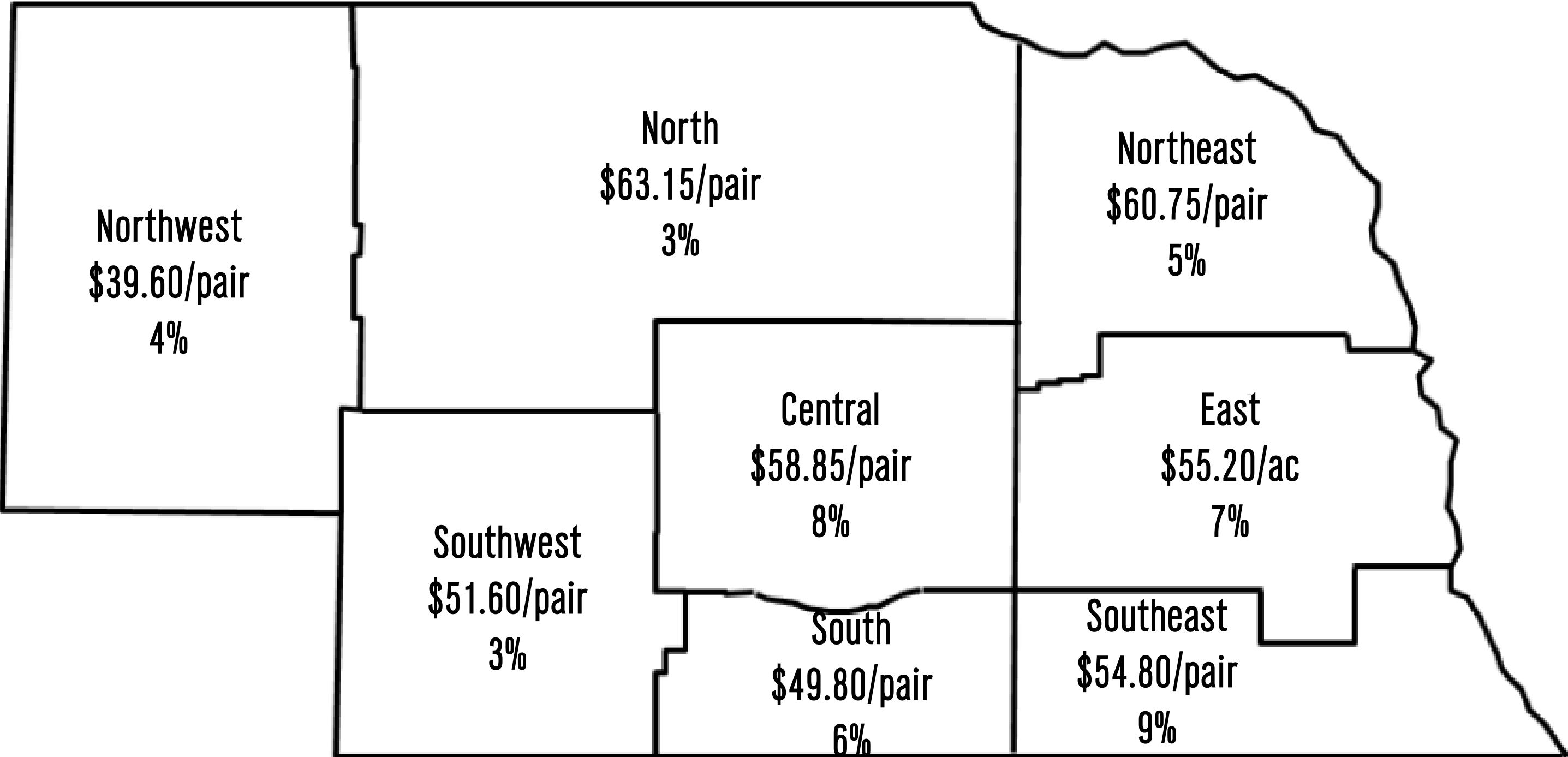
# Nebraska Center Pivot Irrigated Cropland Rental Rates 2021

## Preliminary Estimates



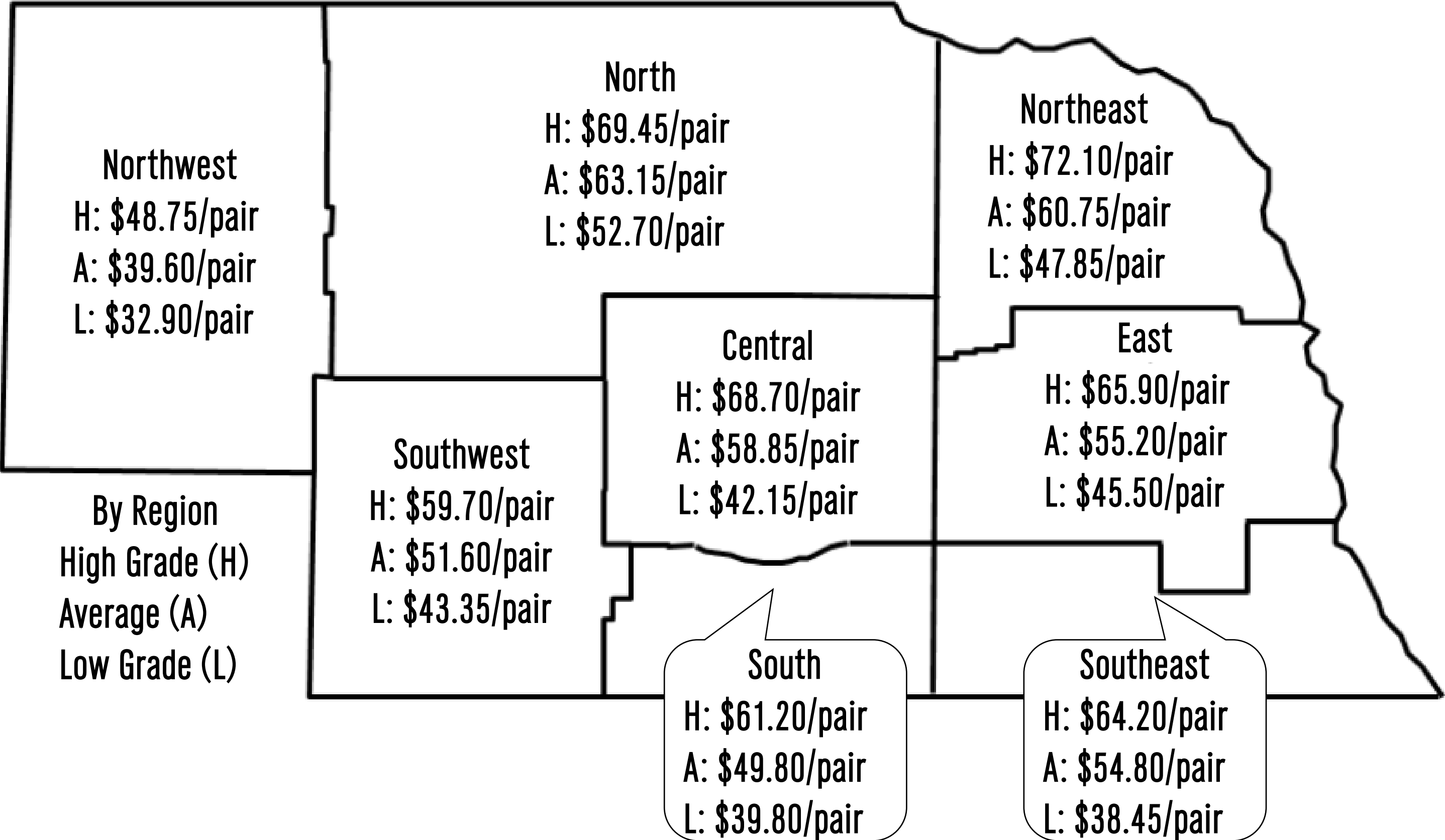
# Nebraska Cow-calf Pair Monthly Rental Rates 2021

## Preliminary Estimates



# Nebraska Cow-Calf Pair Monthly Rental Rates 2021

## Preliminary Estimates

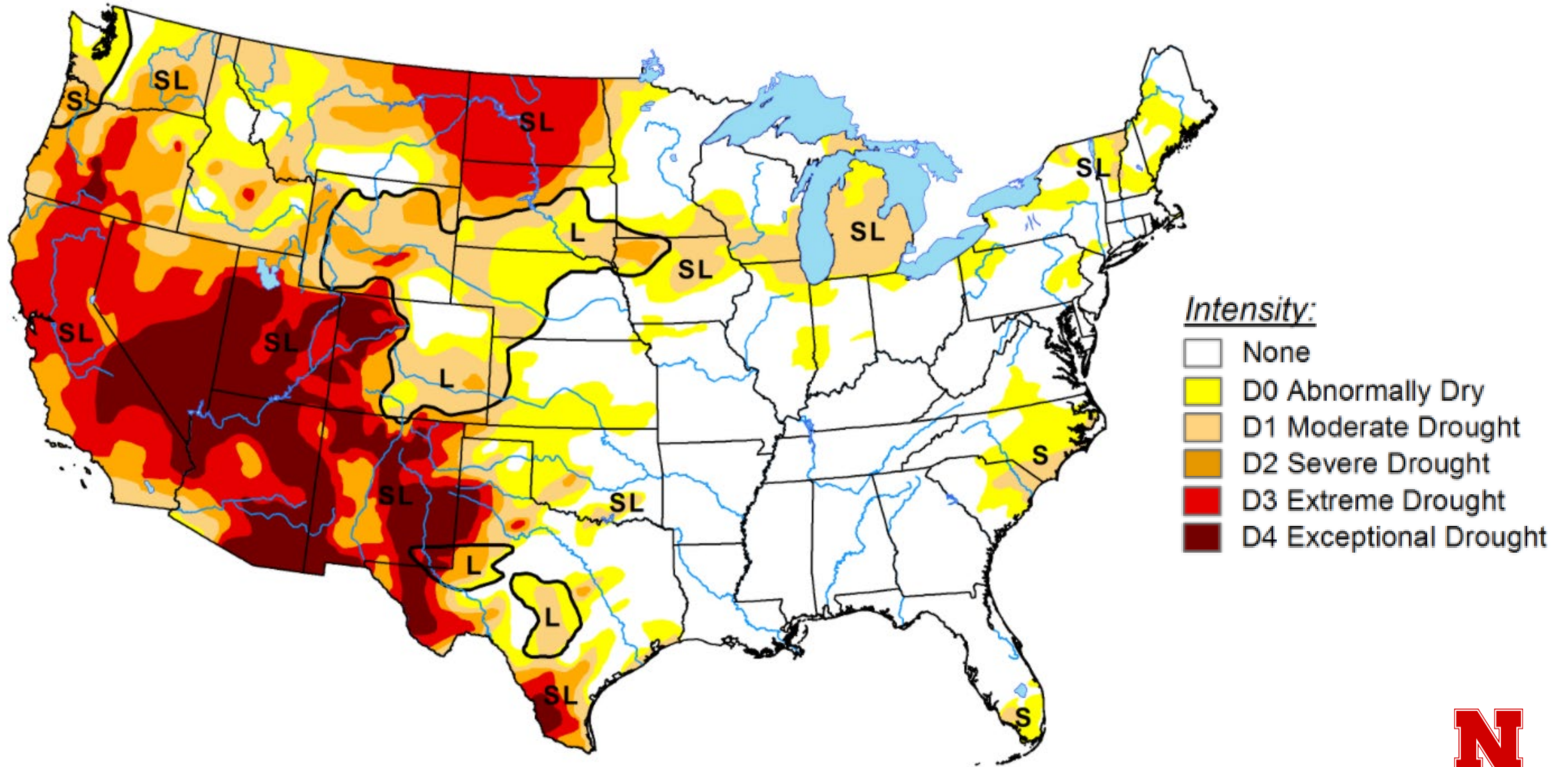


# Financial Implications for Changing Commodity Prices and Adjusting Cash Rents

PRESENTED BY JIM JANSEN

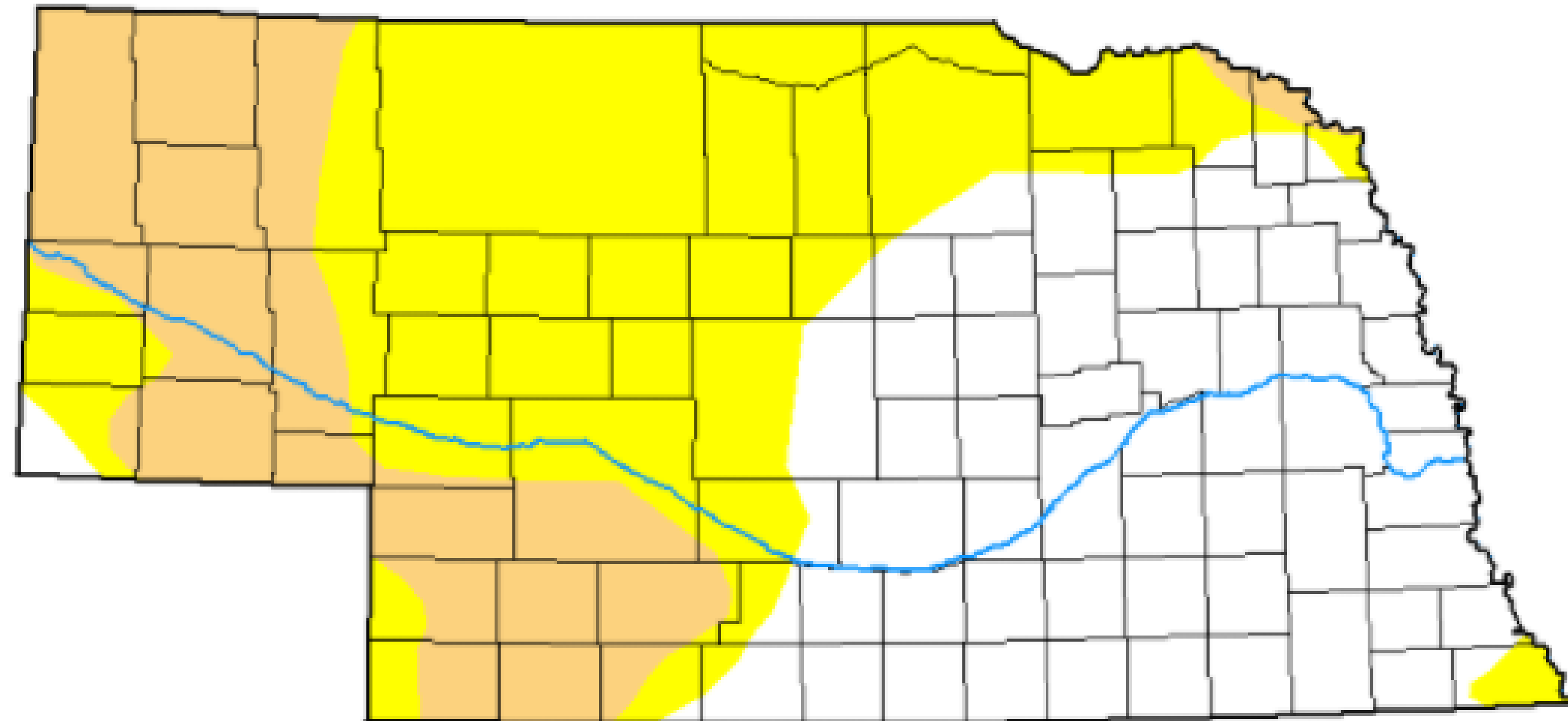


# U.S. Drought Monitor Map - May 13, 2021



Source: National Drought Mitigation Center, May 13, 2021

# U.S. Drought Monitor Map - May 13, 2021



## Intensity:

- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

Source: National Drought Mitigation Center, May 13, 2021

# Consider Using Flex Leases Due to Uncertainty in Prices or Yield

- Flexible cash leases vary the rent paid for land based upon the actual performance of the crop yield, pasture, or livestock
- The actual rent paid flexes with a predetermined range to more equitably divide the financial returns from the property or asset
  - Higher than expected performance results in a final rental rate higher than the agreed upon base rate.
  - Lower than expected performance results in a final rental rate lower than the agreed upon base rate.



# Flexible Crop Lease

- Flexible crop lease with changes in corn prices moving up and down.

Farm Base Rent	
Rental Rate	\$175/ac.
5-yr Farm APH	150 bu.
Planting Time Price Guarantee	\$4.70/bu.
Harvesting-Time Price Increase	
Actual Harvest Time Price Guarantee	\$5.15/bu.
Difference (\$5.15/bu. - \$4.70/bu.)	\$0.45/bu.
Percent Change $\frac{[\$5.15/\text{bu.} - \$4.70/\text{bu.}]}{[\$4.70/\text{bu.}]} \times 100$	9.6 %
Final Rent	
Rental Rate	\$175/ac.
Percent Increase in Rent (\$175 x 9.6%)	\$17/ac.
Final Rent	\$192/ac.

Farm Base Rent	
Rental Rate	\$175/ac.
5-yr Farm APH	150 bu.
Planting Time Price Guarantee	\$4.70/bu.
Harvesting-Time Price Decrease	
Actual Harvest Time Price Guarantee	\$4.25/bu.
Difference (\$4.25/bu. - \$4.70/bu.)	-\$0.45/bu.
Percent Change $\frac{[\$4.25/\text{bu.} - \$4.70/\text{bu.}]}{[\$4.70/\text{bu.}]} \times 100$	-9.6 %
Final Rent	
Rental Rate	\$175/ac.
Percent Decrease in Rent (\$175 x -9.6%)	-\$17/ac.
Final Rent	\$158/ac.





# Flexible Cow-calf Pair Lease

- Flexible pasture lease based on feeder cattle futures where prices moves down

Current Pasture Rent (\$/Pair)	\$275.00/pair
Expected Feeder Cattle Futures	\$145.00/cwt.
Actual Feeder Cattle Futures	\$135.85/cwt.
Percentage of Change	
$(135.85 - 145.00) / 145.00$	7% Change in Price Down
Drop Pasture Rent by 7%	-\$19.25/pair
Final Rent (\$/Pair)	\$255.75/pair

# Flexible Cow-calf Pair Lease

- Flexible pasture lease based on feeder cattle futures where prices moves up

Current Pasture Rent (\$/Pair)	\$275.00/pair
Expected Feeder Cattle Futures	\$145.00/cwt.
Actual Feeder Cattle Futures	\$155.15/cwt.
Percentage of Change	
$(155.15 - 145.00) / 145.00$	7% Change in Price Up
Increase Pasture Rent by 7%	+\$19.25/pair
Final Rent (\$/Pair)	\$294.25/pair

# Should Agricultural Leases for the 2021 Production Season Be Adjusted?

PRESENTED BY ALLAN VYHNALEK



# Communications Will be the Key to Successful Leasing

- Both landlord and tenant need to communicate effectively on needs related to leases
- The key to success will be how well you LISTEN
  - Seek first to understand, before you can be understood
  - Ask clarifying questions
- Everyone has been calling over the past 15 months due to unprecedented times
  - Maybe same applies to lease – need to do something out of the ordinary
  - Data shows very large increase for crops and steady/weak prices for livestock over the last 6 months



# Communication - Considerations for Tenants

- During the growing season – consider reporting to landlords regularly
  - Moisture – rainfall amounts
  - Weed pressure
  - Disease or insect pressures
  - Other pertinent issues
    - Current crop prices & farm economy
    - Use correct prices for the current marketing year
    - Report increases in other expenses; fertilizer, fuel, repairs, chemicals, etc.
- Remember – communication is critical even for cash leases!
  - Make sure the landlord views the land – in person or virtually



# Communication - Considerations for Landlords

- During the growing season – consider visiting with tenants
  - If feasible, consider visiting the land and look around – what events are influencing the property in 2021?
  - As for reports from tenants – if the operators are not communicating regularly
    - Express expectations on:
      - Weed control
      - Other management issues or concerns
- Remember – communication is critical even for cash leases!



# Adjustments to Leases by Type

- Do crop share leases need to be adjusted?
  - Typically not – production risk usually shared between landlords and tenants
  - Price risk also shared between landlord and tenant
- Flexible leases may not need to be adjusted depending upon the lease provisions
- So, would cash leases need to be adjusted?
  - Possibly, but what does the lease say?
    - Legally, a change to the terms of the lease or payment rates may not be required.
    - Remember with low commodity prices, the landlords usually have better deal
    - With high commodity prices, sometimes the tenants get the better deal



# Cash Lease Adjustments

- Adjusting the lease due to rapid increase in corn prices will be a joint landlord/tenant decision
  - What one party “thinks” should happen does not necessarily matter, but what can be mutually agreed upon
- Consider the gross crop revenue per acre compared to the cash rental rate
- Example: consider center pivot irrigated cash rental rate at \$300/acre
  - Expected corn yields of 200 bushels/acre and price \$5.85/bushel
  - Gross crop revenue is: 200 bushels x \$5.85 per bushel = \$1,170 per acre
    - Rent comprises 25.6% of gross revenue (typically in the 25 to 35% range)
    - Depends on area of Nebraska





# Cash Lease Adjustments

- Let's look more at rain-fed soybean example
  - Rent is \$180/acre
    - Dryland soybean APH: 40 bushels/acre
    - Price for fall soybeans: \$13.50/bushel
  - Gross Income: 40 bushels/acre x \$13.50/bushel = \$540/acre
  - Rent/Gross Income =  $\$180/\$540 = 33.3\%$  of gross income goes for paying rent
    - Remember the typical range is 25-33% (from previous slide)



# Pasture Leases

- Plan ahead for the Big 3! Fire, Drought, & Hail
- Landlords need to be clear about management expectations for their pasture (weed control, fertilization, stocking rate)
- Tenants need to report conditions – especially if drought is developing, or if volunteer trees (red cedars) are a problem (for example)



# 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](http://www.aglease101.org)

**Cash Farm Lease** NCFMEC-01A

For additional information see NCFMEC-01 (Fixed and Flexible Cash Rental Arrangements For Your Farm).  
This form can provide the landowner and operator with a guide for developing an agreement to fit their individual situation. This form is not intended to take the place of legal advice pertaining to contractual relationships between the two parties. Because of the possibility that an operating agreement may be legally considered a partnership under certain conditions, seeking proper legal advice is recommended when developing such an agreement.

This lease entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between  
\_\_\_\_\_, owner, of \_\_\_\_\_  
\_\_\_\_\_, spouse, of \_\_\_\_\_  
\_\_\_\_\_ Address  
\_\_\_\_\_ Address

hereafter known as "the owner," and

\_\_\_\_\_, operator, of \_\_\_\_\_  
\_\_\_\_\_, spouse, of \_\_\_\_\_  
\_\_\_\_\_ Address  
\_\_\_\_\_ Address

hereafter known as "the operator."

**I. Property Description**  
The landowner hereby leases to the operator, to occupy and use for agriculture and related purposes, the following described property:  
\_\_\_\_\_  
\_\_\_\_\_ consisting of approximately \_\_\_\_\_ acres situated in \_\_\_\_\_ County (Counties), \_\_\_\_\_ (State)

**II. General Terms of Lease**

**A. Time period covered.** The provisions of this agreement shall be in effect for \_\_\_\_\_ year(s), commencing on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_. This lease shall continue in effect from year to year thereafter unless written notice of termination is given by either party to the other at least \_\_\_\_ days prior to expiration of this lease or the end of any year of continuation.

**B. Review of lease.** A written request is required for general review of the lease or for consideration of proposed changes by either party, at least \_\_\_\_\_ days prior to the final date for giving notice to terminate the lease as specified in II-A.

**C. Amendments and alterations.** Amendments and alterations to this lease shall be in writing and shall be signed by both the owner and operator.

**D. No partnership intended.** It is particularly understood and agreed that this lease shall not be deemed to be, nor intended to give rise to, a partnership relation.

i



# AgLease101.org – Free PDF Leases

- AgLease101.org – Free PDF leases for landowners and operators


Ag Lease 101

Home Document Library About Ag Lease 101 Search

## Ag Lease 101

Click Document Library

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.










**N**  
AGRICULTURAL ECONOMICS







# AgLease101.org – Free PDF Leases

Lease Publications

## 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**  
**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)

Fillable PDF Forms

# Ask an Expert

PRESENTED BY JIM JANSEN & ALLAN VYHNALEK



# Land Management Questions

- **Question:** What should you do when you have no faith in your current lawyer and need to draw up an estate plan and will?
- **Answer:** Find a different lawyer! Website: [farm.unl.edu/succession](http://farm.unl.edu/succession) – article recently completed on how to select a lawyer for estate planning
  - You can interview potential lawyers
  - You can ask about their charges before you incur them
  - Be prepared when you go see the lawyer
    - Have a detailed balance sheet completed
    - Write out what you'd like to have happen to your assets



# Land Management Questions

- **Question:** If a tenant does not pay a landlord in accordance to terms of the lease agreement (amount or when due), does the lease continue until the termination date?
- **Answer:** Depending upon the provision in a lease for late payment, a landlord may have grounds for possibly evicting or dismissing a tenant
  - Certain states have specific provisions that allow for a landlord to demand the rent within a set period of time and a tenant may be evicted or a lien placed on the growing crop if rent has not been paid by the end of that period
  - Suggested to use an attorney to communicate with the uncooperative tenant and follow the proper procedure for dealing with late payments

\*\*\* Consult with an attorney for legal advice \*\*\*



# Land Management Questions

- **Question:** What is a fair rate for use of grain bins? Is the rate charged per month or annually? Should this be included in the cash rent for the property?
- **Answer:** Depends on the size and type of structure of the grain storage facility.
  - Consider renting on an annual basis and charging a flat rate between \$0.10 to \$0.20 per bushel (monthly charge leaves landlord little options if grain removed early)
  - Tenant pays the full utility bill for the grain bins
    - Rental fee charged for bins reflects the use of the grain bins and utilities
    - Suggested having a separate metered hook-up when possible



# Land Management Questions

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



# Upcoming Webinar: Monday, August 16, 2021 at 12:00 PM CDT

## Topics:

- 2021 Nebraska Farm Real Estate Survey and Report Estimates
  - Agricultural land values & cash rental rates
  - Special feature report on real estate transactions during COVID-19
- Landlord & Tenant Communication
  - Communicating crop progress on leased land
  - Terminating verbal leases and approaching deadline
- Ask an Expert
  - Review of submitted questions
  - Upcoming land management workshops and publications