Agricultural Land Management Quarterly Presenters

Archived Programs: agecon.unl.edu/landmanagement

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Webinar Outline: Monday, August 17, 2020 at 12:00 PM CDT

- 2020 Nebraska Farm Real Estate Survey and Report Estimates
  - Agricultural land values & cash rental rates
  - Special feature report on addressing disaster in leases
- 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
Disclaimer

- Many cash rental rates in Nebraska were set prior to the economic shocks caused by COVID-19
- The survey collection period for the Nebraska Farm Real Estate Report may partially reflect these rates and not account for possible adjustments
- Landlords and tenants might consider amending contractual agreements to account for these shocks
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 Agricultural Statistics Districts
The package is built around creation of a new program that would initially deliver $125 million in property tax relief through state income tax credits with that commitment of state funding rising to $375 million no later than 2025.

In addition, 70% of casino gambling revenue generated in Nebraska would be delivered to property tax relief if voters approve a gambling initiative at the general election in November. That allocation is contained in the initiative's language.

The property tax component of the agreement begins with relief for about 6% of local school property taxes paid, rising to an estimated 18% in the fifth year.

That new program will be in addition to the current $275 million in property tax relief currently provided by the state's property tax credit cash fund.
Nebraska Dryland Cropland Rental Rates - 2020
Final Report Estimates

Northwest
$28/ac 2%

North
$52/ac 3%

Northeast
$215/ac 5%

Southwest
$37/ac -3%

Central
$91/ac 8%

East
$205/ac 2%

South
$76/ac 4%

Southeast
$165/ac 6%
Nebraska Dryland Cropland Rental Rates - 2020
Final Report Estimates

North
- High Grade (H): $85/ac
- Average (A): $52/ac
- Low Grade (L): $41/ac

Northwest
- High Grade (H): $39/ac
- Average (A): $28/ac
- Low Grade (L): $23/ac

Southwest
- High Grade (H): $54/ac
- Average (A): $37/ac
- Low Grade (L): $30/ac

Central
- High Grade (H): $105/ac
- Average (A): $91/ac
- Low Grade (L): $74/ac

Northwest
- High Grade (H): $39/ac
- Average (A): $28/ac
- Low Grade (L): $23/ac

South
- High Grade (H): $110/ac
- Average (A): $76/ac
- Low Grade (L): $49/ac

Southeast
- High Grade (H): $190/ac
- Average (A): $165/ac
- Low Grade (L): $130/ac

Northeast
- High Grade (H): $255/ac
- Average (A): $215/ac
- Low Grade (L): $170/ac

East
- High Grade (H): $235/ac
- Average (A): $205/ac
- Low Grade (L): $165/ac

By Region
- High Grade (H)
- Average (A)
- Low Grade (L)
Nebraska Center Pivot Irrigated Cropland Rental Rates - 2020
Final Report Estimates

Northwest: $140/ac -3%
North: $195/ac 5%
Northeast: $290/ac 4%
Central: $230/ac 7%
East: $280/ac -2%
Southwest: $185/ac 5%
South: $220/ac 7%
Southeast: $265/ac 6%
South: $220/ac 7%
Nebraska Center Pivot Irrigated Cropland Rental Rates - 2020
Final Report Estimates

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

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

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

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

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

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

Northeast
H: $325/ac
A: $290/ac
L: $245/ac

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

Southeast
H: $300/ac
A: $265/ac
L: $225/ac
<table>
<thead>
<tr>
<th>Region</th>
<th>High Grade (H)</th>
<th>Average (A)</th>
<th>Low Grade (L)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>$69.30/pair</td>
<td>$61.45/pair</td>
<td>$50.85/pair</td>
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<td>Northwest</td>
<td>$44.75/pair</td>
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<td>$59.45/pair</td>
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<td>$65.10/pair</td>
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<td>$57.80/pair</td>
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<tr>
<td>East</td>
<td>$63.80/pair</td>
<td>$51.30/pair</td>
<td>$44.15/pair</td>
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<td>$56.70/pair</td>
<td>$47.10/pair</td>
<td>$38.40/pair</td>
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<td>$58.25/pair</td>
<td>$50.45/pair</td>
<td>$36.55/pair</td>
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</table>

By Region:
- High Grade (H)
- Average (A)
- Low Grade (L)
Survey Response on Whether 2019 Land Leases Contained Provisions to Account for Damages from Flooding

Adjustments Made to Cash Rent on Cropland Having Extensive Prevented Plant for 2019

<table>
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<tr>
<th>Adjustment to Cash Rent</th>
<th>Response Rate - Percent</th>
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<tbody>
<tr>
<td>No Adjustments</td>
<td>36.4</td>
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<tr>
<td>Reduced Rent</td>
<td>39.1</td>
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<tr>
<td>No Rent</td>
<td>10.3</td>
</tr>
<tr>
<td>Other</td>
<td>14.2</td>
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Survey Response on Whether 2020 Lease Provisions Were Added or Revised to Account for Flooding

Landlord & Tenant Communication

PRESENTED BY ALLAN VYHNALEK
Good Communication for Agricultural Leases

• Time to be “checking out” the crop or grazing land
  • Tenant should consider taking the landlord out to visit the rented property
• Time to be discussing issues about the rented property
  • Consider different methods for addressing the challenges
    • What strategies might be available to incentivize the other party to help remediate an issue
      • Look for weed control, disease, or insect damage
      • Consider soil conservation practices for the future
      • If irrigating, what equipment needs are there?
Things to Observe on a Farm Visit

- Conditions to note and discuss on rented properties
  - Cropland
    - Uneven plant stand may indicate wet spots in fields
    - Weed issues with resistance and disease/insect pressure
    - Maturity of plants
  - Grazing land
    - Forage height and condition of plants
    - Overall weed pressure
    - Noxious weeds or brush
Verbal Leases and Approaching Deadlines

• Strongly encourage to terminate all verbal leases (handshake or oral agreement) and change to a written contract

• State of Nebraska requirements for terminating a verbal lease
  • Prior to September 1, 2020 notification required to terminate a verbal lease for the 2021 growing year
    • Notification must be given six months prior to March 1, 2021
      • Cropland leases require a six-month termination notice or the contract will automatically renew
      • Pasture leases are typically for five months and may not require a six-month termination notice
Value of a Written Lease

• Written leases carry a higher value over a verbal lease
• Protects the rights of both parties under the contract
  • Specific duties and rights of each party spelled out in the contract
• Documents lease terms for unforeseen events
  • An unforeseen passing of older landlords or tenants may require another party to step in and manage the estate
  • An absentee third party may not have current knowledge or experience in the agricultural industry
When should a lease be renegotiated?

- Maybe this is done at the same time every year
  - Avoids confusion and mistrust issues
- Does not have to be by September 1 (verbal lease termination deadline)
- No specific recommendation – just encouraging good communications
  - Tenants may desire renegotiating a lease early on to provide more certainty for securing crop inputs
AgLease101.org – Free PDF Leases

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

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.
# AgLease101.org – Free PDF Leases

**Document Library**

**Leases 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)

**Leases Forms**
- Cash Farm Lease (NCFMEC-01A)
- Crop-Share 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)

**About These Documents**
Each lease and supporting document was written, reviewed, and edited by members of the North Central Farm Management Extension Committee. Our goal is to help producers and land owners discuss and resolve issues to avoid legal risk. We also aim to guide both land renters and land owners towards informed and equitable decisions.
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.
### Flexible Crop Lease

- Flexible lease where corn prices decrease and increase

<table>
<thead>
<tr>
<th></th>
<th>Farm Base Rent</th>
<th></th>
<th>Farm Base Rent</th>
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<tbody>
<tr>
<td><strong>Rental Rate</strong></td>
<td>$175/ac</td>
<td><strong>Rental Rate</strong></td>
<td>$175/ac</td>
<td></td>
</tr>
<tr>
<td><strong>5yr Farm A PH</strong></td>
<td>150 bu</td>
<td><strong>5yr Farm A PH</strong></td>
<td>150 bu</td>
<td></td>
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<tr>
<td><strong>Planting Time Price</strong></td>
<td>$3.50/bu</td>
<td><strong>Planting Time Price</strong></td>
<td>$3.50/bu</td>
<td></td>
</tr>
<tr>
<td><strong>Actual Harvest Time Price</strong></td>
<td>$3.05/bu</td>
<td><strong>Actual Harvest Time Price</strong></td>
<td>$3.95/bu</td>
<td></td>
</tr>
<tr>
<td>Difference ($3.05/bu - $3.50/bu)</td>
<td>-$0.45/bu</td>
<td>Difference ($3.95/bu - $3.50/bu)</td>
<td>$0.45/bu</td>
<td></td>
</tr>
<tr>
<td>Percent Change</td>
<td>[$3.05/bu - $3.50/bu] x 100</td>
<td>-12.9%</td>
<td>Percent Change</td>
<td>[$3.95/bu - $3.50/bu] x 100</td>
</tr>
<tr>
<td><strong>Final Rent</strong></td>
<td></td>
<td><strong>Final Rent</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Rental Rate</strong></td>
<td>$175/ac</td>
<td><strong>Rental Rate</strong></td>
<td>$175/ac</td>
<td></td>
</tr>
<tr>
<td>Percent Decrease in Rent ($175 x -12.9%)</td>
<td>-$23/ac</td>
<td>Percent Increase in Rent ($175 x 12.9%)</td>
<td>$23/ac</td>
<td></td>
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<tr>
<td><strong>Final Rent</strong></td>
<td>$153/ac</td>
<td><strong>Final Rent</strong></td>
<td>$198/ac</td>
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</table>
Land Management Questions

Question: What provisions need to be in a verbal lease termination letter?

Answer: Proper termination letters need to have the appropriate information for the parties and rented property. Things to include in a termination letter might include:

- Date
- Name and address of landlord and tenant
- Legal description of property
- Terms stating the termination of the lease

- Consider consulting an attorney who may send out a termination letter for a nominal fee
- Send via Certified mail with return receipt
Land Management Questions

• Question: If the ground will be sold and the current lease ends on February 28, 2021 - does notification need to be given to the tenant on lease termination?

• Answer: Professional courtesy should be shown to the other party any time major changes are made to the ownership of land
  • Notifying sooner rather than later important so the tenant may make adjustments
  • What does the lease contain related to termination?
    • Written lease – does the lease end or contain a rollover clause?
    • Verbal lease requires termination prior to September 1, 2020
    • Any existing lease not terminated (or ended) will rollover to the new owner!
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 Landlord & Tenant Cash Rent Meetings

• New Landlord/Tenant Cash Rent Workshop set for September 10, 2020 – 12:00 PM CDT
  • Pilot to focus on cash rental rates & flex leases, landlord/tenant communication issues & farm succession planning, and utilizing USDA programs
  • To register or additional details visit: https://farm.unl.edu/

• Effective Budgeting, Negotiation, and Management Strategies for Agricultural Land Program
  • New grant funded project to extend landlord/tenant cash rental in winter 2020
  • Locations TBA – stayed tuned to your local extension office
    • COVID-19 may force the meeting series to be hosted virtually
Upcoming Webinar: Monday, November 16, 2020 at noon central

Topics:
• USDA Land Management Highlights
  • 2020 county-level cash rental rate estimates
  • ARC & PLC
• Landlord & Tenant Communication
  • Harvest season reports and closing out the lease
  • Considerations for leases in 2021
• Ask an Expert
  • Review of submitted questions and from meeting participants
  • Upcoming land management workshops and publications
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