

Leasing Agricultural Crop Land

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Purpose of lease talks

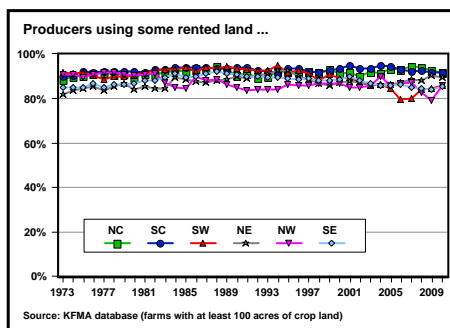
- Develop an understanding of the underlying economic principles and management aspects of land ownership and leasing
- Trying to reduce decisions to numbers
- Two decision tools:
 - *KSU-Landbuy.xls*
 - *KSU-Lease.xls*

Related papers are found at
www.agmanager.info

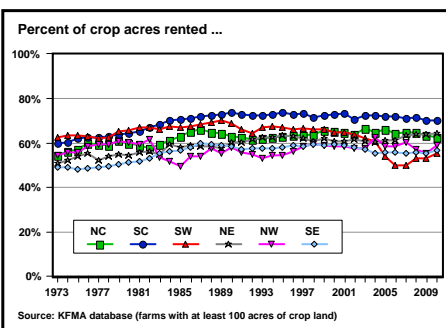
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Renting cropland in Kansas ...

- Producers in Kansas rely heavily upon rented land in their operations



Almost everybody rents land...

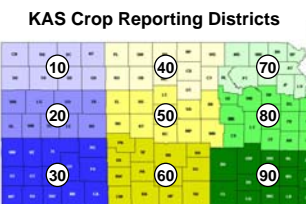


... and they rent the majority of their acres.

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Length of cropland leases...

Region	Years rented
Northwest (10)	16.7
West Central (20)	17.6
Southwest (30)	21.0
North Central (40)	17.8
Central (50)	16.0
South Central (60)	18.1
Northeast (70)	21.9
East Central (80)	20.4
Southeast (90)	27.9
State	18.6



Producers tend to lease land from the same landowner for a long time.

Long-term relationships can be good or bad...

Source: Schlegel and Tsoodle -- 2010 KAS/KSU survey

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Basic Lease Types

- **Crop-share**
 - Landowner shares in annual revenues and typically in certain annual costs
- **Cash rent**
 - Landowner gets a fixed annual cash amount for use of land
- **Numerous variants around these two**

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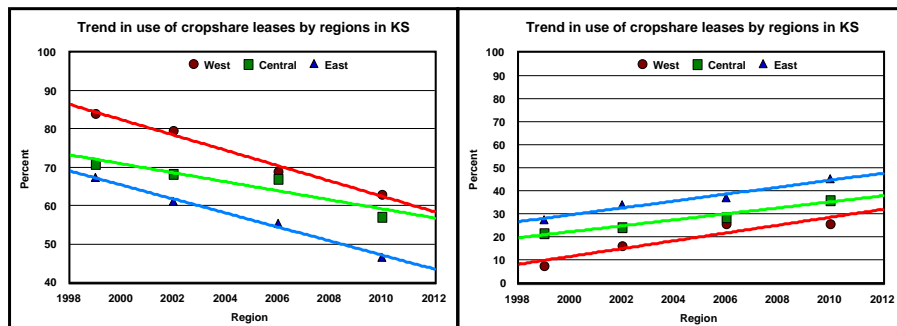
Distribution of leases by type of lease ...

Region	Cash	Share	Other
Northwest	35.2%	54.6%	10.2%
West Central	21.3	58.5	20.2
Southwest	20.8	76.1	3.1
North Central	41.3	54.8	3.9
Central	32.8	53.8	13.4
South Central	34.0	63.0	3.0
Northeast	48.7	42.4	8.9
East Central	50.9	39.6	9.5
Southeast	35.9	58.2	5.9
State	35.7	55.7	8.6

Source: Schlegel and Tsoodle -- 2010 KAS/KSU survey

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Basic Lease Types in Kansas



Source: KSU and KS Ag Stat – Non-Irrigated Farm Lease Arrangement Surveys

Crop share continues to be the most prevalent, but the trend has been a shift from crop share arrangements towards more cash rent leases.

Questions to ask:

- 1) What factors have been behind this trend?
- 2) Do we expect this to continue or to reverse in current environment?

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Determining the terms of a crop lease ...

- **How are cash lease rates or the terms of crop share leases established?**
 - Short answer is “the market”
- **While landowners and tenants (i.e., the market) ultimately determine terms of crop share and cash leases, we use the equitable concept to arrive at a starting point for negotiations – and to better understand the market.**

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Market established rates...

- Land Use Value Project of the KSU Ag Econ Dept annually conducts one of four surveys (irrigated, non-irrigated, pasture, input costs)
- Kansas Agricultural Statistics (KAS) annually surveys landowners and producers regarding land values and cash rents
- Local and regional surveys of leasing practices
- With surveys there is often a trade-off between statistical validity and level of aggregation

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Example of market established crop shares...

Table 8. North Central-40 Nonirrigated Crop-Share Arrangements				
Crop	Landlord's Percent of Crop Received (or of Costs Paid)*			
	33% Share	40% Share	50% Share	Other % Share
Wheat (60 Leases)				
Total Leases in Lease Arrangement	39	18	2	1
% of Total Leases in Lease Arrangement	65.0%	30.0%	3.3%	1.7%
% of Leases Sharing Fertilizer Costs	100.0%	94.4%	100.0%	100%
% of Leases Sharing Herbicide Costs	53.8%	72.2%	100.0%	100.0%
% of Leases Sharing Insecticide Costs	30.8%	33.3%	50.0%	0.0%
Corn (14 Leases)				
Total Leases in Lease Arrangement	9	5		
% of Total Leases in Lease Arrangement	64.3%	35.7%	No Responses	No Responses
% of Leases Sharing Fertilizer Costs	100.0%	100.0%		
% of Leases Sharing Herbicide Costs	55.6%	60.0%		
% of Leases Sharing Insecticide Costs	33.3%	60.0%		
Sorghum (24 Leases)				
Total Leases in Lease Arrangement	17	6	1	
% of Total Leases in Lease Arrangement	70.8%	25.0%	4.2%	No Responses
% of Leases Sharing Fertilizer Costs	100.0%	100.0%	0.0%	
% of Leases Sharing Herbicide Costs	52.9%	83.3%	0.0%	
% of Leases Sharing Insecticide Costs	35.3%	33.3%	0.0%	
Soybeans (26 Leases)				
Total Leases in Lease Arrangement	15	8	3	
% of Total Leases in Lease Arrangement	57.7%	30.8%	11.5%	No Responses
% of Leases Sharing Fertilizer Costs	100.0%	87.5%	33.3%	
% of Leases Sharing Herbicide Costs	46.7%	75.0%	33.3%	
% of Leases Sharing Insecticide Costs	6.7%	37.5%	33.3%	

* The percentages calculated in this table represent the percent of landlords sharing the same percent of costs as they share of the crop. For example, 53.8% of landlords receiving 33% of the wheat crop paid 33% of herbicide expenses.

Source: Schlegel and Tsoodle -- 2010 KAS/KSU survey (available at www.agmanager.info)

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Crop share percentages by region...

Percent of Leases by Crop Share Percentage

Landlord Share	Crop Reporting District								
	NW-10	WC-20	SW-30	NC-40	C-50	SC-60	NE-70	EC-80	SE-90
20.0%	0.0%	0.0%	0.0%	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%
25.0%	0.0%	3.5%	1.4%	0.0%	0.7%	0.0%	5.3%	1.0%	0.0%
33.3%	96.2%	96.5%	94.5%	62.7%	83.4%	90.8%	22.3%	70.7%	94.4%
40.0%	0.0%	0.0%	1.4%	28.9%	13.1%	6.4%	27.7%	9.1%	0.0%
50.0%	0.0%	0.0%	2.7%	6.3%	0.7%	2.1%	44.7%	17.2%	4.2%
66.7%	0.0%	0.0%	0.0%	0.0%	0.7%	0.0%	0.0%	1.0%	0.0%
75.0%	1.9%	0.0%	0.0%	0.0%	0.7%	0.0%	0.0%	0.0%	0.0%
Other	1.9%	0.0%	0.0%	0.7%	0.7%	0.7%	0.0%	1.0%	1.4%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Color coding scale	+80%	50-80%	20-50%	5-20%	< 5%
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Source: Schlegel and Tsoodle -- 2010 KAS/KSU survey (available at www.agmanager.info)

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Over the years, the majority of land leasing questions we receive pertain to:

- Impact of adopting new technologies
- Cash renting
- “Non-traditional” leases
 - Net share rent
 - Flexible cash rent
 - Bushel rent
 - Combination cash/cropshare
- Terminating leases

... regardless of the topic pertaining to lease terms, method of addressing questions does not change.

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Principles embodied in an equitable lease ...

- Profit maximization (MR=MC)
- Economic profits (expected profit = 0)
- Opportunity costs
- Risk across lease types
- Equal rates of return on annual investment (if economic profit = 0, then rate of return = 0)

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A good crop share lease should follow five basic principles ...

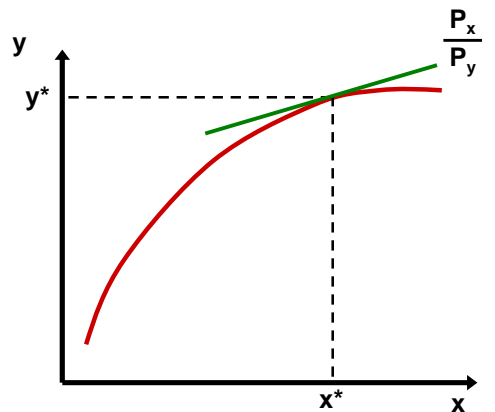
1. Yield increasing inputs should be shared
 2. Share arrangements should be adjusted as technology changes relative contributions
 3. Total returns divided in same proportion as resources contributed
-
4. Compensation for unused long-term investments at termination
 5. Good landlord/tenant communications

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Principle #1: Yield increasing inputs should be shared

Examples of yield increasing inputs

- Fertilizer
- Irrigation water
- Herbicides ???
- Seed ???

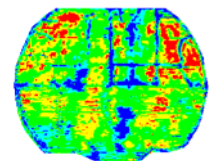


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Principle #2: Technology may affect share arrangements

Examples of technological change

- Reduced-/no-till
- New crops and/or rotations
- Center pivot irrigation
- Hybrid seed
- Bio-technology
- Precision agriculture (GPS)



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Principle #3:
Returns divided in same proportion as resources contributed.

This requires annual contributions of both parties to be identified (budgeting type approach).

Base input values on expectations consistent with the time-frame of the lease (if expectations end up being significantly off, be willing to make adjustments).

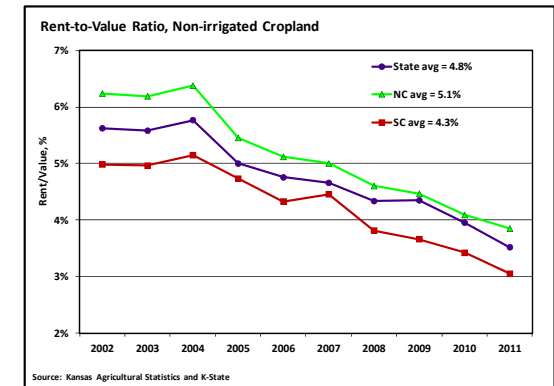


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Land contribution ...

The land contribution has typically been based on an “average market value” for the land along with an historical average return to land.

As cash leases become more common, the land contribution can be set equal to the cash rent.



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Machinery contributions ...

Machinery contribution should be based on average costs. Two methods for estimating the machinery contribution:

1. Machinery investment approach - annual contribution is based on depreciation, interest, repairs, fuel and oil, and labor.
2. Custom rates approach - annual contribution is based on reported custom rates and the typical operations.



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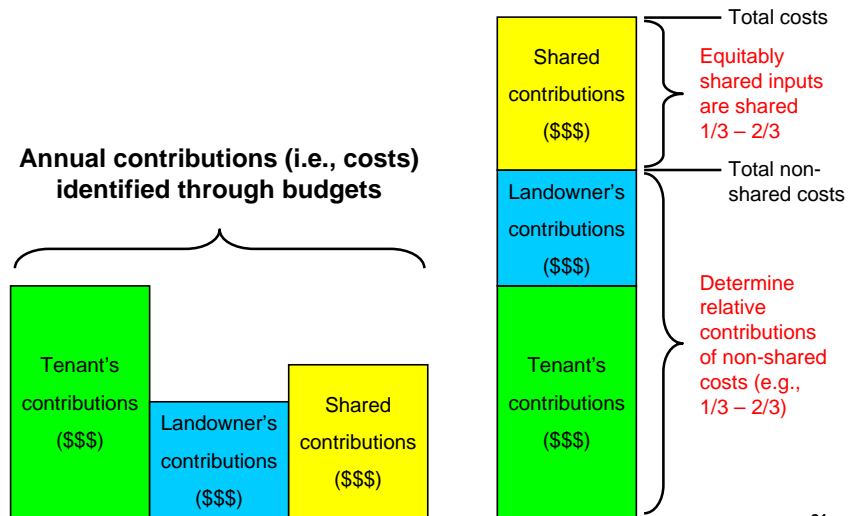
Crop production input contributions ...

The value of contributions for input expenses such as seed, herbicides, insecticides, fertilizer, etc. are generally valued at current market prices and represent “typical” production practices.

How do we deal with input prices if they deviate significantly from historical averages (e.g., fertilizer, fuel)?

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Principle #3:
Returns divided in same proportion as resources contributed.



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Principle #3:
Returns divided in same proportion as resources contributed.

Typical 2009 Crop Share Lease - Corn

Landlord		Tenant	
Land	\$190	Labor	\$ 30
1/2 Inputs*	\$165	1/2 Inputs	\$165
		Machinery	\$125
		Management	\$ 65
Share of Costs	\$355	Share of Costs	\$355
1/2 the Crop		1/2 the Crop	

* The owner is assumed to pay 50 percent of the costs for seed, fertilizer, lime, pesticides, crop insurance, interest as well as drying and storage on 1/2 the crop. Source: Iowa State University.

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Principle #4:
Compensation for unused long-term investments at lease termination.

It is generally recommended that landowners make long-term investments such as terraces, irrigation well, lime, alfalfa seed, etc.

If the tenant pays for long-term investments, or shares their cost, he should be compensated for his share of any value that remains when the lease is terminated

Lime, soil fertility (P), alfalfa stands, even no-till soil building (organic matter)

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Principle #5:
Good communications between the landlord and the tenant.

Because so many of the terms of a lease are based on negotiation between the landowner and the tenant, good communications are critical.

A lease is a legal contract in Kansas, thus it is suggested that terms of the lease agreed upon by both parties be put in writing. This becomes more important as the complexity of leases increases – or as the volatility of crop and input prices increases.

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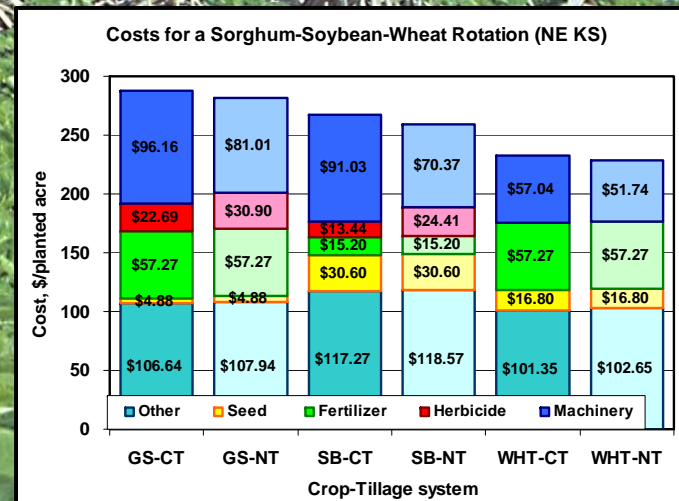
**Principle #2:
Technology may affect share arrangements**

- Why do people adopt new technologies?
- What happens as “new” technologies become common practice?
- How does this impact relative contributions?

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Lease examples of CT vs NT for NC/NE Kansas

- Sorghum, soybean, and wheat projected budgets
- Ashland Bottoms agronomy study (2009-10 prices)



If you were previously sharing herbicides ...

- Rather than change the crop share splits, many producers/landowners continue to share “non-burndown” herbicides and the tenant pays 100% of the burndown herbicides.
- Is this equitable?
- Is there a problem with this arrangement?

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**Conventional (CT) vs. No-tillage (NT) Effect on Equitable Shares
(Rotation = Wheat-Sorghum-Soybean -- Ashland Bottoms)**

Tillage system Input	Farm #1		Farm #2	
	CT	NT	CT	NT
Contributor	Contributor		Contributor	
Land	Landlord	Landlord	Landlord	Landlord
Machinery	Tenant	Tenant	Tenant	Tenant
Fertilizer and appl.	Shared	Shared	Shared	Shared
Herbicide and appl.				
Pre-emergence	Tenant	Tenant	Shared	Shared
Post-emergence	Shared	Shared	Shared	Shared
Seed	Tenant	Tenant	Tenant	Tenant
Technology fee	Tenant	Tenant	Tenant	Tenant
Other	Tenant	Tenant	Tenant	Tenant
Contributions (L/T)	40.2/59.8	41.4/58.6	42.0/58.0	46.0/54.0

Conventional (CT) vs. No-tillage (NT) Effect on Equitable Shares (Rotation = Wheat-Sorghum-Soybean -- Ashland Bottoms)				
Tillage system Input	Farm #1		Farm #2	
	CT	NT	CT	NT
	Contributor		Contributor	
Land	Landlord	Landlord	Landlord	Landlord
Machinery	Tenant	Tenant	Tenant	Tenant
Fertilizer and appl.	Shared	Shared	Shared	Shared
Herbicide and appl.				
Pre-emergence	Tenant	Tenant	Shared	Shared
Post-emergence	Shared	Shared	Shared	Shared
Seed	Tenant	Tenant	Tenant	Tenant
Technology fee	Tenant	Tenant	Tenant	Tenant
Other	Tenant	Tenant	Tenant	Tenant
Contributions (L/T)	40.2/59.8	41.4/58.6	42.0/58.0	46.0/54.0

If the goal is to have an “equitable” lease ...

... then crops should be divided in the same proportion that inputs are provided, regardless of whether or not herbicide costs are shared.

What is most important is communication.

Lease examples of WF vs WCF in western KS

-- based on Farm Management Guides and *KSU-Lease.xls*

Farm Management Guide MF-903

Wheat Cost-Return Budget in Western Kansas

Department of Agricultural Economics
Kansas State University Agricultural Experiment Station and Cooperative Extension Service



Farm Management Guide MF-2150

Corn Cost-Return Budget in Western Kansas

Department of Agricultural Economics
Kansas State University Agricultural Experiment Station and Cooperative Extension Service



Impact of increasing cropping intensity ...

Equitable Crop Share with Wheat-Fallow vs. Wheat-Corn-Fallow Rotations (based on 2010 Farm Management Guides -- with some minor adjustments)							
Contributor -- (L=Landlord, T=Tenant, and S=Shared (equitably))							
Alternative Arrangements for Sharing Various Inputs							
Crop rotation	Wheat-Fallow			Wheat-Corn-Fallow			
Land	L	L	L	L	L	L	L
Machinery	T	T	T	T	T	T	T
Fertilizer ¹	S	S	T	S	S	S	T
Herbicide (wheat) ¹	T	S	T	T	T	S	T
Herbicide (corn) ¹	n/a	na	na	T	S	S	T
Other	T	T	T	T	T	T	T
Contributions (L/T)	37.4/62.6	43.0/57.0	32.6/67.4	30.4/69.6	33.1/66.9	36.3/63.7	24.6/75.4
Net return, \$/ac	(\$13.39)	(\$13.39)	(\$13.39)	\$10.49	\$10.49	\$10.49	\$10.49

¹ Product only; application cost is included in machinery category and is covered by tenant.

Impact of increasing cropping intensity to increase returns ...

- ... “profit” associated with new technology is bid out of the market over time.
- ... as profit is bid out of the market (typically through higher land costs), relative contributions change.
- ... equitable lease is “dynamic” as market adjusts to new technologies.

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Adoption of new technologies ...

- ... tends to cause problems because traditional arrangements or rules-of-thumb are often not appropriate.
- ... should not be a problem if we follow basic principles of a good lease.
- ... if problems persist as to what is equitable, can lead to alternative leasing arrangements (e.g., cash lease).

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Cash leasing *(and variations of cash leases)*

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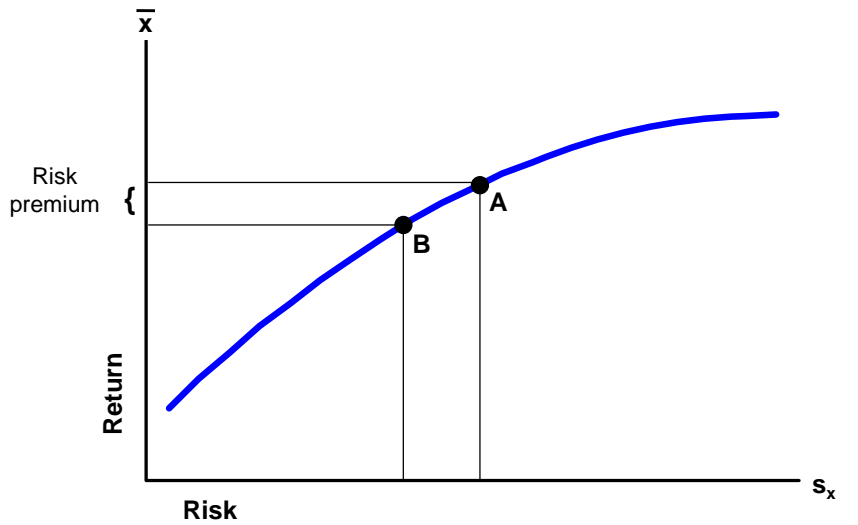
Cash rents ...

Numerous good reasons to go to cash rent, but landowners and producers need to recognize several things when doing so ...

- Land tends to change hands more often
- Relative risks change

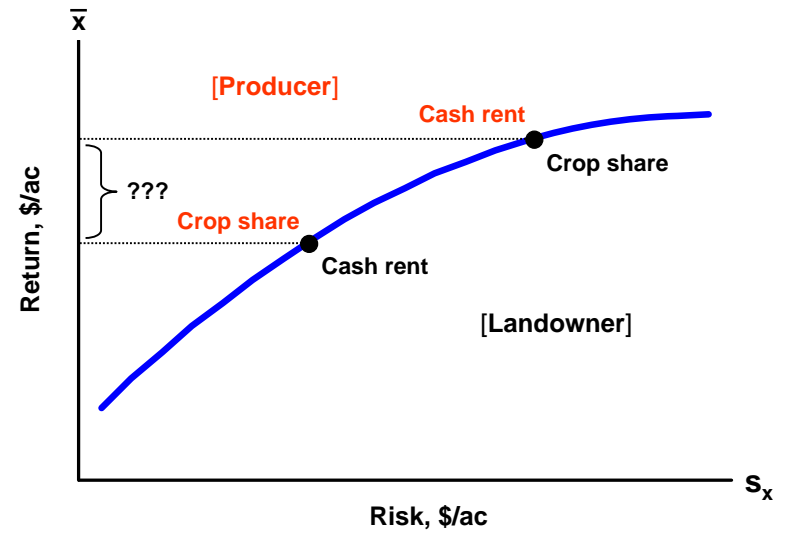
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Risk-return tradeoff



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Landowner/producer risk-return tradeoff



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Methods of establishing cash rent values ...

- Market going rate (if available)
-
- Crop share equivalent (adjusted for risk)
- Landowner's cost
- Amount tenant can afford to pay

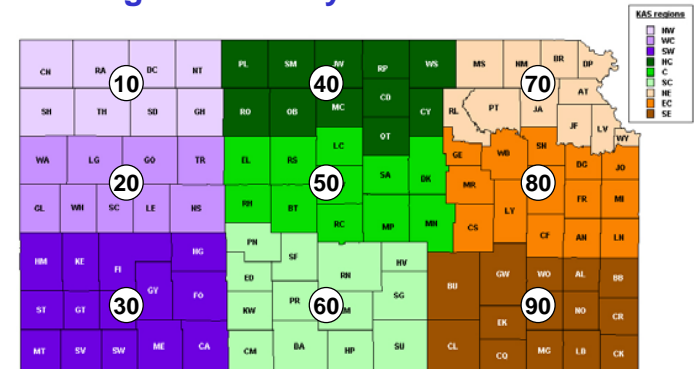


The last three require yield, price, and government payment projections (as well as cost information used for crop share).

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Market going rate ...

- Historically Kansas Agricultural Statistics (KAS) reported average cash rent values for non-irrigated, irrigated, and pasture land at the crop reporting district (CRD) level – beginning in 2009 changed to county-level data.



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KAS surveyed market rates ...

United States Department of Agriculture
National Agricultural Statistics Service, National Farm Outlook

AGRICULTURAL LAND VALUES & CASH RENTS
Kansas Agricultural Statistics

Cooperating with the Kansas Department of Agriculture
PO Box 2004 • Topeka KS 66602-2004 • (785)235-2228 • www.kas.usda.gov • kas@ks.usda.gov

Released: September 12, 2011

2011 Kansas Farmland Value Up 14 Percent

The average value of all farmland and buildings for 2011 in Kansas is estimated to be \$1,250 per acre. This compares with \$1,100 in 2010 and \$1,036 in 2009. Kansas' average value of all farmland and buildings increased 14 percent from 2010 to 2011. Irrigated cropland values rose 13 percent from 2010 while non-irrigated cropland increased 14 percent in value from last year. The value of Kansas pasture land increased 3 percent from 2010 to \$410 per acre.

2011 Cash Rents Up from Previous Year

The 2011 average cash rent farmers pay for non-irrigated cropland in Kansas was \$44 per acre, up from \$43.50 in 2010. The cash rental rates for non-irrigated cropland ranged from a low in the Southwest District of \$30.50 per acre to the high in the Northeast District of \$64.50 per acre. Following the Northeast District was the East Central with \$48.50, down \$1.50 from 2010, and the North Central with \$47.50 per acre.

The 2011 cash rental rate for irrigated cropland in Kansas averaged \$105 per acre, up from \$95 per acre in 2010. The Northeast District had the highest rent with \$120 per acre, followed by the North Central at \$120 and the Southwest at \$115 per acre. The Southwest District had the lowest irrigated rent with \$63 per acre, followed by the Central District with \$65.50 and East Central with \$64 per acre.

The pasture cash rent averaged \$16 per acre in 2011, up from \$15.50 in 2010. The rent for pasture in Kansas ranged from \$9.00 per acre in the Southwest District for a low to \$21.50 per acre in the Northeast District for the high. The Northeast District was followed by the East Central with \$21 and the North Central with \$19.50. Droughty Kansas had the highest average cash rental rate in Kansas at \$33 per acre, up \$1 from last year.

Kansas Farmland Values and Cash Rents, 2002 - 2011¹

Year	Cropland			Pasture and Rangeland		All Farmland and Buildings	
	Value	Per Acre	Per Acre	Value	Per Acre	Value	Per Acre
2002	1,080	830	673	72,000	36.00	200	12.00
2003	1,080	645	684	69,000	34.50	410	12.90
2004	1,080	690	686	72,000	37.50	420	13.20
2005	1,180	770	806	73,500	36.50	500	13.40
2006	1,200	850	854	74,000	36.00	510	13.70
2007	1,280	880	914	82,000	41.00	660	14.30
2008	1,450	880	1,020	92,000	42.50	790	15.00
2009	1,050	1,000	890	81,500	41.50	750	15.00
2010	1,000	1,100	950	83,000	43.00	790	15.00
2011	1,250	1,250	1,000	86,000	44.00	810	16.00

¹ Rental rates are for land only. ² 888 is published in August 2012.

KAS report (switched to county-level in 2009, but dropped CRD-level land values after 2010)

Farm Management Guide MF-1100

Kansas Land Prices and Cash Rental Rates

Department of Agricultural Economics • www.agricap.k-state.edu

Kansas State University Agricultural Experiment Station and Cooperative Extension Service
Kevin C. Havens
Agricultural Economist
Farm Management

The Farm Management Guide reports Kansas land prices and cash rents for 1991-2010. These data are useful to farm managers in determining cash rental rates, to landowners in calculating returns for making time adjustments to land prices, and to businessmen and investors who have expectations on historical price and rental levels for farmland. The average price in the guide represents per acre of land that vary widely by productivity. Thus, these data are more appropriate for analyzing trends than for establishing market value or rental rates for specific tracts of farmland.

Kansas Agricultural Statistics

The reporting program, Kansas Agricultural Statistics Service has divided the state into seven agricultural statistical divisions. The divisions are: Northeast (NE), West Central (WC), Southwest (SW), North Central (NC), Central (C), South Central (SC), Northeast (NE), East Central (EC), and Southeast (SE). (Figure 1). Since 1976, Kansas Agricultural Statistics has collected price information on three types of land: non-irrigated cropland, irrigated cropland, and pasture. This information is compiled in two tables.

additional land groupings, all cropland and all land to farms. The all-cropland land values represent an average-weighted average of irrigated and non-irrigated cropland. Although these two groupings do not represent a particular class of land (e.g., non-irrigated cropland), they provide a broader classification of interest.

The land value for all land in farms reported also includes the value of any buildings that may be on the land. The value of the buildings represents a small portion of the total value, on average, and thus this reporting method does not significantly affect the accuracy of land value reported.

Kansas Land Prices

Tables 1 through 7 show average prices of land (land holdings, Table 1) in each district and an average for the state for the most recent 20 years reported. Data are shown for each of the five land groupings: all land in farms, all cropland, non-irrigated cropland, irrigated cropland, and pasture. The annual data are based on a survey conducted by Kansas Agricultural Statistics in June of each year asking for estimates of both January 1 land values and the percentage change in land values from the previous year as of June 1.

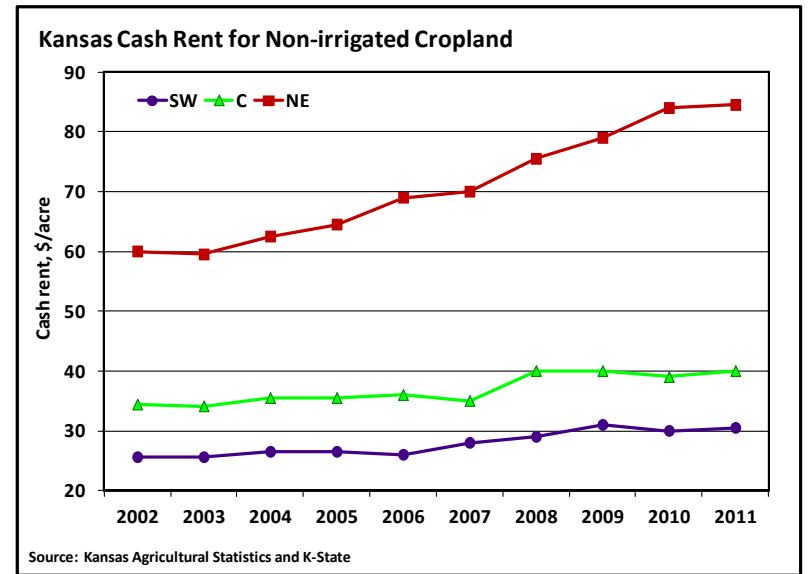
Table 1. Price per acre of all land in farms and buildings, Kansas Agricultural Statistics, 1991-2010¹

Year	SW	WC	SW	NC	C	NE	EC	SE	State
1991	\$109	\$122	\$121	\$119	\$119	\$111	\$130	\$137	\$127
1992	97	96	115	111	111	111	114	111	106
1993	109	111	112	111	111	111	111	111	111
1994	111	111	111	111	111	111	111	111	111
1995	111	111	111	111	111	111	111	111	111
1996	111	111	111	111	111	111	111	111	111
1997	111	111	111	111	111	111	111	111	111
1998	111	111	111	111	111	111	111	111	111
1999	111	111	111	111	111	111	111	111	111
2000	111	111	111	111	111	111	111	111	111
2001	111	111	111	111	111	111	111	111	111
2002	111	111	111	111	111	111	111	111	111
2003	111	111	111	111	111	111	111	111	111
2004	111	111	111	111	111	111	111	111	111
2005	111	111	111	111	111	111	111	111	111
2006	111	111	111	111	111	111	111	111	111
2007	111	111	111	111	111	111	111	111	111
2008	111	111	111	111	111	111	111	111	111
2009	111	111	111	111	111	111	111	111	111
2010	111	111	111	111	111	111	111	111	111
2011	111	111	111	111	111	111	111	111	111

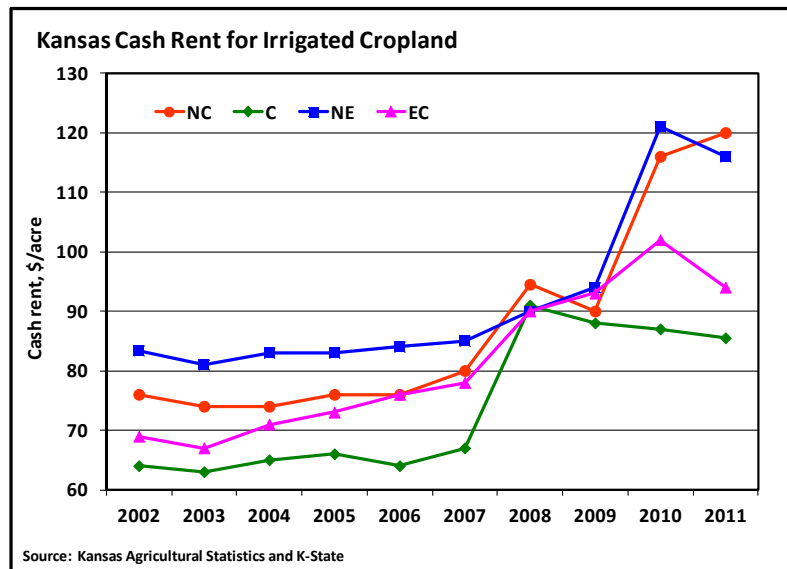
Land Economics 2 - Revised October 2008

KSU report - repackaging of KAS data (more history). KSU estimates of 2011 regional values

Market going rate ...



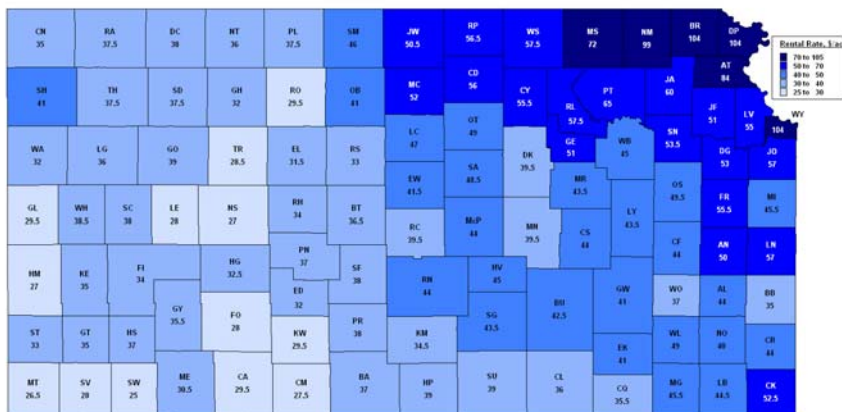
Market going rate ...



County-level cash rents ...

- 2002-08 county-level cash rents were estimated for non-irrigated crop and pasture land based upon the KAS reported CRD values (2009-2011 values are direct from NASS survey)
- CRD values prorated to individual counties based on 3-year average of county-level rents from FSA and census acreage data (2002 & 07)
- Weighted average county-level cash rents are exactly equal to the KAS reported district value
- Similar procedure was done for land values (regional land values were estimated in 2011)

Kansas Nonirrigated Cash Rents, 2011*



* Cash rent values as reported by USDA NASS and Kansas Agricultural Statistics (KAS).

KAS did not report values for BR, DP, GT, KE, RA, TH and WY counties – values for these counties were filled in with multi-county averages.

State average = \$44.00 compared to \$43.50 in 2010 (+1.1%)

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Methods of establishing cash rent values ...

- Crop share equivalent (adjusted for risk)
 - Converts equitable crop share rent to an expected dollar amount per acre
- Landowner's cost
 - Based on the premise of landowner's continuing to receive comparable returns to what has been received in the past
- Amount tenant can afford to pay
 - Residual approach – after tenant pays all expenses, whatever income is left represents cash rent

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Methods of establishing cash rent values ...

- Crop share equivalent (adjusted for risk)
 - Landowner's cost
 - Amount tenant can afford to pay
- ... because no one method is "correct," we typically suggest the average and range of the three methods as a starting point of negotiation between landowner and tenant.

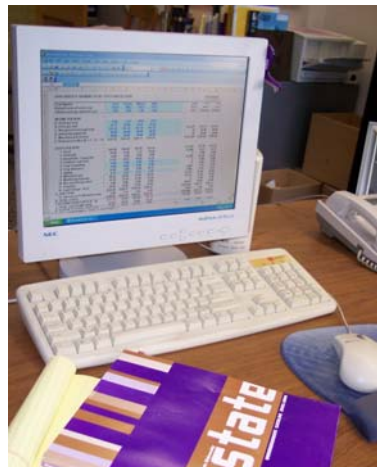
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KSU-Lease.xls

- A what-if spreadsheet to analyze rents
- Delineates relative contributions
- Allows considering cash vs. crop-share
 - Can deal with a risk premium
- Very flexible; can handle
 - Net share leases
 - Fixed bushel rents
 - Cash transfers
 - Flexible cash rents
- Important purpose is to allow people to move beyond traditional leases when they need to change (and to analyze impact of cash rent)

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Using "KSU-Lease.xls" to determine equitable crop share and cash leases ...



Information/data required:

1. Crop rotation/mix
2. Income information
3. Production inputs
4. Machinery costs
5. Land value
6. Irrigation equipment
-
7. Contributor of input
8. Risk adjustment

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Level of complexity ...

- **KSU-Lease is extremely flexible and can be used to generate leases with terms that are quite simple to extremely complex**
- **For example equitable percentages for ...**
 - net share lease (i.e., no inputs shared)
 - fertilizer shared equitably (i.e., same % as income)
 - fertilizer shared equitably, herbicides shared in some other proportion
 - different inputs shared differently for each crop
 - combination of crop share and cash rent

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Situation...

- Landowner (out of state) wants to know what she should charge for her land in NC KS.
- Possibly would consider a crop share lease, but really would prefer a cash rent.
- Tenant has rented land from family for a number of years (but current landowner just purchased land from sibling)
- First, a little more information...

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Publicly reported data...

Crop	Landlord's Percent of Crop Received (or of Costs Paid)*			
	33% Share	49% Share	50% Share	Other % Share
Wheat (60 Leases)				
Total Leases in Lease Arrangement	39	18	1	1
% of Total Leases in Lease Arrangement	65.0%	30.0%	3.3%	1.7%
% of Leases Sharing Fertilizer Costs	100.0%	94.4%	100.0%	100.0%
% of Leases Sharing Herbicide Costs	53.8%	72.2%	100.0%	100.0%
% of Leases Sharing Insecticide Costs	30.8%	33.3%	50.0%	0.0%
Corn (14 Leases)				
Total Leases in Lease Arrangement	9	5		
% of Total Leases in Lease Arrangement	64.3%	35.7%	No Responses	No Responses
% of Leases Sharing Fertilizer Costs	100.0%	100.0%		
% of Leases Sharing Herbicide Costs	55.6%	60.0%		
% of Leases Sharing Insecticide Costs	33.3%	60.0%		
Soybeans (24 Leases)				
Total Leases in Lease Arrangement	17	6	1	
% of Total Leases in Lease Arrangement	70.8%	25.0%	4.2%	No Responses
% of Leases Sharing Fertilizer Costs	100.0%	100.0%	0.0%	
% of Leases Sharing Herbicide Costs	52.9%	83.3%	0.0%	
% of Leases Sharing Insecticide Costs	35.3%	33.3%	0.0%	
Sorghum (24 Leases)				
Total Leases in Lease Arrangement	15	8	3	
% of Total Leases in Lease Arrangement	57.7%	30.8%	11.5%	No Responses
% of Leases Sharing Fertilizer Costs	100.0%	87.5%	33.3%	
% of Leases Sharing Herbicide Costs	46.7%	75.0%	33.3%	
% of Leases Sharing Insecticide Costs	6.7%	37.5%	33.3%	

Most common crop share in region is 67/33, but 60/40 is also common (tenant currently has 60/40 with other landowners)

*The percentages calculated in this table represent the percent of landlords sharing the same percent of costs as their share of the crop. For example, 53.8% of landlords receiving 33% of the wheat crop paid 33% of herbicide expenses.



Average rents of \$50-\$60 per acre in region reported by KAS for 2011 (in 2010 tenant paid \$60 for upland and \$70 for bottom ground).

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Various yield and price scenarios...

TABLE 4. Alternative Yield and Price Scenarios (minimum of one must be entered)

Yield scenarios to consider			
	Wheat	Corn	SB
Multi-county average (10-yr)	44	91	32
FM guides average	52	90	35
FM guides high	65	110	45
FM guides low	40	70	25
Crop insurance APH yields	54	136	45

Price scenarios to consider			
	Wheat	Corn	SB
5-yr average harvest (local coop)	\$5.54	\$3.53	\$8.70
5-yr avg for region (mktg year)	\$5.97	\$4.13	\$9.82
10-yr avg for region (mktg year)	\$4.65	\$3.13	\$7.77
Current futures + basis (2011-2014)	\$6.64	\$5.68	\$11.40
Other ???	\$5.70	\$4.12	\$9.42

Tenant's typical rotation would be ~45% corn, 35% sb, and 20% wheat.
Direct government payments ~\$15/ac.

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***What would you recommend?
(and why?)***

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Questions ???



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