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**2021 LEASE SURVEY  
SUMMARY REPORT  
K-State Research and Extension  
Post Rock District  
JEWELL County**

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# 2021 FARM LEASE ARRANGEMENT SURVEY SUMMARY FOR DRYLAND CROPS

## K-STATE RESEARCH & EXTENSION



### Post Rock District JEWELL County



Number of survey responses: 21 (27% return rate)

#### Summary of Cash Rent Paid to Landlord

CROP ENTERPRISE	AVERAGE RENT/ACRE	CASH RENT RANGE
Cropland (dryland)	\$80.00	\$60 - \$110
Cropland (irrigated)	\$233.00	\$225 - \$240

Comment: 32% of the respondents indicated no cash rent leases.

#### Estimated Trend for 2022 Dryland Crop/Pasture Leases in Jewell County

No change	60%
Unsure of 2022 Trend	20%
Higher	20%
Lower	No responses

#### Trend of Lease Arrangements for 2022

NO CHANGE	MORE CASH RENT	MORE CROP SHARE
53%	41%	6%

#### Adjustments to Cash Rents due to rising input costs in 2021

NO ADJUSTMENTS	INCREASE	DECREASE
86%	14%	No responses

**Percentage of acres in the different Tillage Systems in 2021  
(Number of responses)**

<b>No -Till</b>	<b>Minimum Till</b>	<b>Conventional Till</b>	<b>Summer Fallow</b>
12 - 100% 3 – 50% to 90%	2 - 50% or less	No responses	No responses

**When were the cash rent payments made to the landlord for 2021?  
(% of responses)**

<b>All at once</b>	<b>Split payment</b>	<b>Dates</b>	<b>After Harvest</b>
14% (March)	71%	March/Oct. March/Nov April/Nov. May/Oct. May/Dec. June/Dec. July/Nov.	14% (November)

**Interest in Flexible Leasing Arrangements**

<b>No</b>	<b>Yes</b>
100%	No responses

**Crop Share Summary**

<b>DRYLAND/IRRIGATED CROP ENTERPRISE</b>	<b>SHARE PAID TO LANDLORD</b>	<b>OTHER COMMENTS</b>
Wheat	1/3 - 90% 2/5 - 10%	
Grain Sorghum	1/3 - 80% 2/5 - 20%	
Corn	1/3 - 78% 2/5 - 22%	
Sunflowers	1/3 - 100%	
Soybeans	1/3 - 82% 2/5 - 18%	
Alfalfa	1/3 - 60% 1/2 - 40%	
Other Dryland Crops (Brome Hay)	1/3 - 67% 2/5 - 33%	
Landlord's Share of Government Payments	1/3 - 78% 2/5 - 22%	-Same as crop share percentage.
Landlord's Share of Crop Insurance Proceeds	1/3 - 76% 2/5 - 12% 100% – 12%	-Landowner has own insurance. -Tenant has their own insurance. -Same as crop share percentage.

Comment: 42% of respondents indicated no crop share.

**Percentage of Written and Oral Leases  
For Pasture and Cropland (number of responses)**

Written Leases			Oral Leases	
4 - 100%	3 - 67% to 80%	3 - 50% or less	6 - 100%	3 - 20% to 50%

**Landlord Share of Input or Cost  
(Percent of responses)**

EXPENSE OR INPUT	Landowners % Share of Crop Expenses	Other Comments
Fertilizer	1/3 - 73%    2/5 - 18% None - 9%	-Same as crop share percentage.
Fertilizer Application	None - 75%    2/5 - 25%	-Same as crop share percentage.
Herbicide	1/3 - 56%    None - 22% 2/5 - 22%	-Same as crop share percentage.
Herbicide Application	None - 75%    2/5 - 25%	-Same as crop share percentage.
Insecticide	1/3 - 57%    None - 29% 2/5 - 14%	-Same as crop share percentage.
Insecticide Application	None - 75%    2/5 - 25%	-Same as crop share percentage.
Harvesting Costs	None - 100%	
Hauling Grain	None - 100%	
Drying costs after harvest	None - 50%    1/3 - 33% 2/5 - 17%	-Same as crop share percentage.
Crop Insurance	1/3 - 70%    100% - 20% None - 10%	-Landowner has own insurance.
Other production costs (seed, fungicide, crop consulting, water, etc.)	None - 75%    2/5 - 25%	-Pay for fungicide.
Terrace/Conservation Structure Maintenance (annual upkeep costs)	None - 40%    100% - 40% 1/3 - 20%	-Landlord does all upkeep and construction.
Terrace/Conservation Structure Construction (major land investments)	100% - 78%    None - 11% 1/2 - 11%	-Landlord does all upkeep and construction.

# Pasture Lease Summary

## Physical Location of Pasture Land

Jewell Co. 75% Smith Co. 5%  
 Greenwood Co. 5% Russell Co. 5%  
 Republic Co. 5% Saline Co. 5%

## Pasture Land Rental Rates

Average rent/acre \$28.80/acre  
 Range/acre \$15-\$45/acre  
 (Other: \$150/pair or \$1.00/day)

## Expected Trend for 2022 Stocking Rate

No change 71%  
 Increase 7%  
 Decrease 21%

## Livestock Stocking Rate (Cow/Calf)

Avg. 8 acres/pair  
 Range 4-15 acres/pair

## Mature Weight of Cow

Average 1,193 lbs.  
 Range 1,000-1,350 lbs.

## Weight of Stockers

Beginning average 600 lbs.  
 Ending average 850 lbs.

## Livestock Water Supply

Pond 44% Stream 15%  
 Well 37% Transported 4%  
 (Other water sources: Rural water district and spring fed.)

## Summary of Tenant/Landlord Responsibilities

Responsibility	Tenant	Landlord
Maintaining Water Supply	62%	38%
Maintaining Fences - Furnishing Materials	36%	64%
Maintaining Fences - Furnishing Labor	86%	14%
Controlling Weeds	79%	21%

## Special arrangements for weed control in pastures:

No - 82% Yes - 18%

## 2021 Grazing Period

Pasture season length (months)	Month Started	Month Ended
4 mo. - 7% 5 mo. - 14% 6 mo. - 72% 12 mo. - 7%	April - 7% May - 93%	Aug. - 7% Oct. - 14% Nov. - 72% Dec. - 7%

Comment: Winter pasture November to April with additional feed supplied.

## 2020 Grazing Period (previous year)

Pasture season length (months)	Month Started	Month Ended
3 mo. - 20% 6 mo. - 80%	May - 100%	Aug. - 20% Nov. - 80%

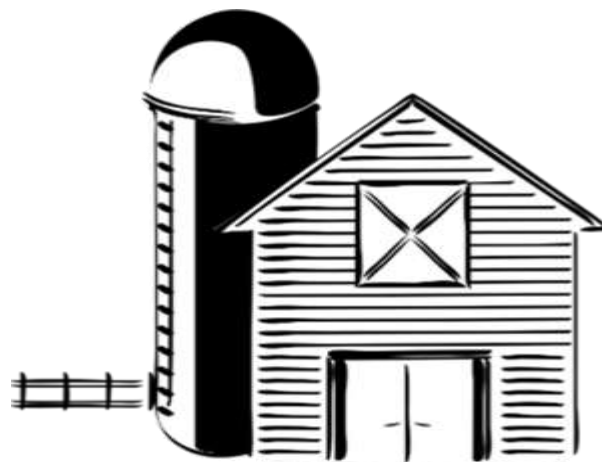
## Additional comments:

-Lower rates in Russell Co.  
 -32% indicated no pasture leases.

## Kinds of Pastureland - 2021

(number of responses to percent of their pastures)

Upland	Lowland/River	Mixture
9- 100% 3 - 50% to 90%	4- 50% or less	3- 50% or less



## Crop Residue Grazing Summary

### Physical Location of Crop Residue Land

Jewell Co. 76%      Rooks Co. 8%  
 Republic Co. 8%      Smith Co. 8%

### Crop Residue Rental Rates

#### \*Corn/Sorghum Stalks:

Average: \$8.00/acre  
 Range: \$5-\$12/acre  
 Other: \$1.00/hd./day  
 (Cover crops: \$16/A or \$1.25/hd./day)

### Type of Cattle/Livestock On Crop Residue

Cow/Calf Pairs 62%  
 Dry Cows 38%  
 Stocker/Feeders No response

### Livestock Stocking Rate

1.5 ac./head (average)  
 Average Weight: 1,150 lbs.

### Goals of crop residue grazing

Maintain body condition 86%  
 Improve body condition 14%

### Livestock Water Supply

Transported to Site 27%  
 Other (pond/creek) 27%  
 Well 45%

### Crops Utilized for Grazing

Milo 28%  
 Corn 33%  
 Cover Crops 11%  
 Alfalfa 6%  
 Soybeans 6%  
 Cocktail Mixes 16%

(Cover crops included: collards, forage sorghum, barley, triticale, spring forage pea, oats, turnips, millet, sudan, rye, sunflowers, radishes, and volunteer wheat.)

## Crop Residue Grazing Period 2021

Grazing Season Length (months)	Month Started	Month Ended
1 mo. – 25%	May – 25%	Dec. – 25%
2 mo. – 75%	Nov. – 75%	Jan. – 50%
		Aug. – 25%

## Crop Residue Summary of Tenant/Landlord Responsibilities 2021

Responsibilities	Tenant	Landlord
Maintaining water supplies	90%	10%
Maintaining Fences-Furnishing Materials	70%	30%
Maintaining Fences - Furnishing Labor	90%	10%
Livestock Care	100%	No responses

### Other comments with crop residue grazing

- Rainfall ends grazing.
- Provide protein tubs or liquid protein.
- Tenant has use of crop residue at no charge.
- 53% indicated no crop residue leases.



# Recreational Leasing Summary

## Percentage of Written and Oral Leases For recreational hunting:

Oral	Written
70%	30%

## Years with same tenant:

1-10 years	78%
20-30 years	22%

## Leasing Arrangements for Hunting 2021:

Hunting Type	Acres	# Hunters	Length	Rental \$
Deer	2,769	2 to 6	-Season -Nov.-Jan.	\$600 to \$3,500
Turkey	2,260	2 to 6	-Season -Nov.-Jan.	\$1,000 to \$1,500
Game birds	1,590	2 to 6	-Season -2 days	-\$500 to \$1,500 -\$40/Acre
Water-fowl	1,060	2 to 6	-Season	\$1,500

## Rating of Hunting:

Excellent	30%	Good	40%
Very Good	10%	Fair	20%

## Are users required to sign a waiver of liability or carry liability insurance?

No	70%
Yes	30%

## Is the property specifically managed to improve the wildlife or fish habitat?

No	60%
Yes	40%

## Other comments related to recreational hunting:

- No hunting leases indicated (63%).
- Walk-in Hunting (No-67%; Yes-33%)
- Only a portion of my land is "Walk-in" hunting.
- Generally the hunting season is September 1 to April 1.



## Information related to recreational hunting:

In many parts of Kansas, hunting leases for cropland and pasture offer an additional revenue source for land-owners. Whether or not to pursue this option is going to depend on a couple of factors: how much can I charge and what is my liability exposure?

Information on hunting leases and rental rates is challenging to find and, when it is available, interpret accurately. There is very little consistency across hunting leases and learning what other people pay and/or receive is only half of the equation. How much a hunter is willing to pay for a lease will depend on the amount of land, the quality of the habitat, the range of wildlife and seasons the land can be hunted, along with documented harvests of trophy animals on that land. Each of these factors can affect the rental rate, as well as how many years the land may be rented. Another aspect of hunting leases that affects the rental rate is the availability of additional services such as housing, meals, guide services, and even transportation from the nearest airport. Landowners who cater to more of the needs of hunters will be able to charge a higher rent for their land.

The question of liability is an important one because risk exposure depends on the type of lease that is negotiated. Agricultural land owners can avoid liability if they allow hunters on their land at no charge or if they charge a fee for hunting only. This means if any additional services are provided such as guiding, lodging, etc. the landowner may be liable. Another option for the landowner to rent their land and not have to deal with liability is by contracting with the State of Kansas through the Walk-In Hunting program.

Regardless of the type of lease that is pursued, it is important to remember that the hunting rights to a piece of rented farmland transfer to the tenant unless they are explicitly retained by the landowner in a written contract. This means both landowners and producers need to discuss how a hunting lease would work for them and how the costs and benefits will be split. Examples of questions to answer include: Who pays for any improvements that affect the hunting lease, i.e. permanent blinds? Will the presence of livestock on the land be affected by hunting?

Communication between the landowner and producer can make hunting leases a beneficial option.



# General Lease Concepts

## Rules & Regulations:

- Leases must be longer than two years to allow tenants to sublease.
- When a farm is sold, the new owner substitutes for the old.
- Leases are binding on executors and heirs.
- Written leases can cover any length of time.
- Oral leases are **unenforceable** if they are one year or more in length.

## Test of a Good Lease:

- Is it written?
- Does it encourage proper amounts of yield increasing expenses?
- Does it plan for new or needed improvements?
- Does it promote conservation?
- Is the crop shared in the same percentage as the contribution?

## Lease Termination Notice:

- In writing
- At least 30 days prior to March 1
- **Spring planted crops:** must fix termination date of tenancy to take place on March 1
- **Fall seeded crops:** will be terminated the day after harvest or August 1
- **Exception to above:** written lease providing otherwise

## Crop Share Leases

### A good crop share lease should follow five basic principles:

- Yield increasing inputs should be shared.
- Share arrangements should be re-evaluated as technology changes.
- Total returns divided in same proportion as resources contributed.
- Compensation for unused long-term investments at termination.
- Good landlord/tenant communications

## Advantages of Crop Share Leases:

- Yield and price risks and opportunities are shared by tenant and landlord.
- Less operating capital needed by the tenant.
- Management skills may be shared by an experienced landlord and tenant.
- Tax management opportunities from timing of sales and input purchases.
- Material participation issues

## Disadvantages of Crop Share Leases:

- The landlord's income is more variable.
- More record keeping is required.
- Landlords have marketing decisions to make.
- Joint management decisions must be made and disagreements may occur.
- Material participation/Social Security issues

## Cash Rental Leases

### Methods to Determine Cash Rental Rates:

- **Market going rate (if available)**  
Local competitive rental rates
- **Landowner's cost**  
Depreciation, Interest, Repairs, Taxes, Insurance - Based on the premise of landowner's continuing to receive comparable returns to what has been received in the past.
- **Crop share equivalent (adjusted for risk)**  
Converts equitable crop share rent to an expected dollar amount per acre.
- **What Tenant Can Afford to Pay**  
 $\text{Revenue} - \text{Non-land Costs} = \text{Rent}$

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





## Advantages of Cash Leases:

- **For Landlords**
  - Less involvement in management.
  - No production costs to share.
  - No marketing decisions to make.
- **For Tenants**
  - More managerial control and freedom.
  - More income for above-average managers.
  - More potential for windfall profits in good years.

## Disadvantages of Cash Leases:

- **For Landlords**
  - No potential for windfall profits in good years.
  - Less tax management flexibility from timing sales and expenses.
  - Risk of exploiting or “mining” of the farmland by a tenant.
- **For Tenants**
  - Bears all yield and price risk.
  - Crop production and expenses are higher.

# Trends in Leases and Values of Agricultural Land in Kansas

by Robin Reid, K-State Research and Extension, Ag Economist

The agricultural industry in recent years has faced increased volatility in commodity prices and therefore uncertain profitability for farmers and ranchers. While 2021 offered higher commodity prices and profitability for most producers, the ongoing pandemic has created new challenges with supply chain disruptions and escalating input costs, adding stress to the bottom line for farmers and ranchers.

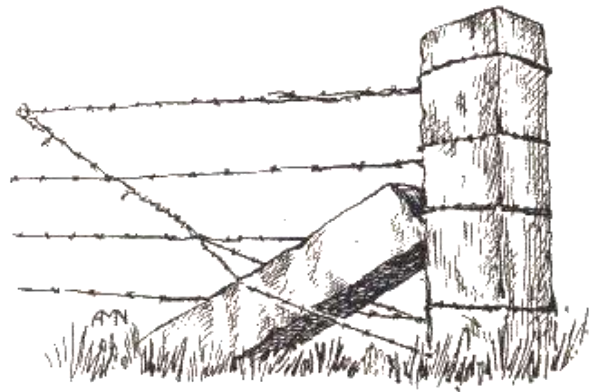
Amid these challenges, land prices have seen an unprecedented increase in value due to low interest rates, recent higher profitability in farming returns (due to government payments and higher commodity prices), historically high inflation rates, and increases in investment outside of agriculture. According to surveys by USDA-NASS, the statewide average land value for cropland in 2021 increased by 13.9% over the 2020 value, reaching an all-time high of

\$2,250 per acre. A similar pattern can be observed in pasture values. The state average of pasture was \$1,500 per acre in 2021; an increase of 9.5% over the 2020 value. Farm profitability is expected to drop from the historically high level it experienced in 2021 due to increasing input costs, which could slow the increases in the land market value in 2022.

For most producers, high volatility in commodity and input prices translates into higher risk exposure from rental rates. During periods of high profitability, such as has been seen in the last two years, rental rates will increase and competition for land can be fierce as producers try to expand their land base to capture more returns. However, a sudden decline in profitability in the sector will not necessarily translate into lower rents in the short run, which becomes a very risky situation for a farmer or rancher.

Rental rates tend to lag behind commodity prices and profitability because land contracts and cash rental rates are often set for 3-5 year periods to allow both producers and landowner to plan for expected costs and returns. As a result, producers can be locked into rents that are not aligned with the current market; either higher or lower. In addition, from a landowner's perspective, higher profitability in agriculture will eventually translate into higher real estate taxes, putting upward pressure on rental rates.

Regardless of the particular situation a producer faces, strong communication with their landowner can be very beneficial to the long-run economic viability of their operation. Tenants who take extra time to work with their landowners, answer questions, and keep them up to date on the farm's situation will find it easier to have those difficult conversations.



# Flexible Cash Rents

## Principles:

- Flexible cash rents simply refer to land rental arrangements where the amount of cash rent paid (received) can vary based upon some pre-determined formula (i.e. formalizes bonus rents).
- Methods of “flexing” rental rates, i.e., formulas are based on:
  - Yield (actual for producer, co avg., etc.)
  - Price (harvest, season average, actual)
  - Revenue (yield x price, crop insurance, residue)
  - Costs (i.e. fertilizer price)
  - Other

## Advantages of Flexible Cash Rents:

- Method of allowing rents to vary year-to-year without having to renegotiate rents annually.
- Way of sharing/managing risks associated with volatile markets (without hassles of crop share lease).
- Somewhat “forces” a higher level of communication relative to fixed cash rent (poor/lack of communication is often an issue with problem lease arrangements).
- Trend in Kansas has been moving away from crop share leases to more cash leases.
- Volatility of last few years has significantly increased the risk of **fixed** cash rents.

## Disadvantages of Flexible Cash Rents:

- Complex!
- Theory and intuition guide conceptual design, but little help with specific details
- Not needed if cash rents are renegotiated frequently every year.
- Hard to think of everything, which means we might need to be “tweaking” the arrangements regularly.
- If designed wrong, might increase risk.
- Appealing for certain situations, but not appropriate in all cases (depends on why you are considering flexible cash rent).

## How to determine Flexible cash rents:

- There is not a single right way to do this! (But there are plenty of wrong ways).
- Establish a base cash rent:
  - Budget-derived value (KSU-Lease.xls) Online KSU spreadsheet (Excel) tailors to a specific situation and an equitable crop share can be calibrated to the local area.
- **Questions to ask:**
  - Does cash rent flex up and down or only up?
  - What yields and prices are used to determine actual gross revenue?
  - What crops should be included in calculations?
  - Are crop insurance and government payments included/accounted for?
  - What about flexing cash rent based on costs of crop inputs?
  - What will final rent be under alternative potential outcomes?

## Summary:

- Flexible cash leases are simply a way of sharing risks of unpredictable markets and yields without the hassles of crop ownership.
- Why not simply give landowner ad hoc “bonuses” when times are good?
- There are many types of flex leases – no one method is right or best in all cases.
- Communication, communication, communication! (Remember, it likely is a learning process for both parties.)
- The KSU website [www.agmanager.info](http://www.agmanager.info) has more information on **Flexible Cash Rents**.

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