2018 LEASE SURVEY
SUMMARY REPORT
K-State Research and Extension
Post Rock District
JEWELL County

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2018 FARM LEASE ARRANGEMENT SURVEY SUMMARY FOR DRYLAND CROPS

K-STATE RESEARCH & EXTENSION

Post Rock District

JEWELL County

Number of survey responses: 29 (39% return rate)

Summary of Cash Rent Paid to Landlord

CROP ENTERPRISE	AVERAGE RENT/ACRE	CASH RENT RANGE
Cropland (dryland)	$72.00	$50 - $100

Estimated Trend for 2019 Dryland Crop/Pasture Leases in Jewell County

No change	60%
Unsure of 2019 Trend	26%
Higher	7%
Lower	7%

Trend of Lease Arrangements for 2019

NO CHANGE	MORE CASH RENT	MORE CROP SHARE
61%	33%	6%

Adjustments to Cash Rents due to rising input costs in 2018

NO ADJUSTMENTS	DECREASE	INCREASES
89%	11%	No responses

Percentage of acres in the different Tillage Systems in 2018
(Number of responses)

No -Till	Minimum Till	Conventional Till	Summer Fallow
12 - 100% 5 - 67% to 90%	2 - 100% 3 - 70% or less	5 - 33% or less	1 - 10% or less

When were the cash rent payments made to the landlord for 2018
(% of responses)

All at once	Split payment	Dates	After Harvest
22% (December)	61%	Jan./July Feb./Oct. April/Nov. May/Oct. July/Dec.	17%

Interest in Flexible Leasing Arrangements

No	Yes
95%	5%

Crop Share Summary

DRYLAND/IRRIGATED CROP ENTERPRISE	SHARE PAID TO LANDLORD	OTHER COMMENTS
Wheat	1/3 - 73% 2/5 - 27%	
Grain Sorghum	1/3 - 67% 2/5 - 33%	
Corn	1/3 - 64% 2/5 - 36%	
Sunflowers	1/3 - 80% 2/5 - 20%	
Soybeans	1/3 - 67% 2/5 - 33%	
Alfalfa	1/3 - 50% 2/5 - 50%	-Landowner sells hay. -Cash rent for alfalfa.
Other Dryland Crops (Brome Hay)	2/5 - 67% 1/3 - 33%	
Landlord's Share of Government Payments	1/3 - 64% 2/5 - 36%	
Landlord's Share of Crop Insurance Proceeds	1/3 - 67% 2/5 - 33%	-Landowner has own insurance. -Tenant has their own insurance.

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

Written Leases		Oral Leases		
5 - 100%	8 - 80% or less	7 - 100%	3 - 75% to 90%	5 - 50% or less

Landlord Share of Input or Cost (Percent of responses)

EXPENSE OR INPUT	Landowners % Share of Crop Expenses	Other Comments
Fertilizer	1/3 - 67% 2/5 - 33%	
Fertilizer Application	None - 75% 2/5 - 17% 1/3 - 8%	
Herbicide	1/3 - 34% None - 33% 2/5 - 33%	
Herbicide Application	None - 83% 2/5 - 17%	
Insecticide	None - 42% 1/3 - 33% 2/5 - 25%	
Insecticide Application	None - 75% 2/5 - 17% 1/3 - 8%	
Harvesting Costs	None - 100%	
Hauling Grain	None - 92% ½ - 8%	-Haul grain –own half of the trucks (landlord)
Drying costs after harvest	None - 100%	
Crop Insurance	1/3 - 54% 2/5 - 23% None - 15% 100% - 8%	-Landowner has own insurance.
Other production costs (seed, fungicide, crop consulting, water, etc.)	None - 73% 2/5 - 18% 1/3 - 9%	
Terrace/Conservation Structure Maintenance (annual upkeep costs)	None - 58% 100% - 42%	
Terrace/Conservation Structure Construction (major land investments)	100% - 100%	

Additional comments:
*Landowner gets 40% because of ownership of most of the machinery.
*46% of respondents do not crop share.

Pasture Lease Summary

Physical Location of Pasture Land

Jewell Co.	80%	Smith Co.	5%
Mitchell Co.	5%	Cloud Co.	5%
Ottawa Co.	5%		

Pasture Land Rental Rates

Average rent/acre	$26.00/acre
Range/acre	$18-$40/acre

Other Rental Rate Arrangements

-$150 / pair for the season.
-$137.50 / pair for the season.

Expected Trend for 2019 Stocking Rate

No change	82%
Decrease	12%
Increase	6%

Livestock Stocking Rate (Cow/Calf)

Avg.	8 acres/pair
Range	5-10 acres/pair

Mature Weight of Cow

Average	1225 lbs.
Range	1000-1400 lbs.

Livestock Water Supply

Pond	38%	Stream	24%
Well	21%	Transported	17%

Summary of Tenant/Landlord Responsibilities

Responsibility	Tenant	Landlord
Maintaining Water Supply	65%	35%
Maintaining Fences - Furnishing Materials	18%	82%
Maintaining Fences - Furnishing Labor	88%	12%
Controlling Weeds	62%	38%

Special arrangements for weed control in pastures:

No - 85% **Yes - 15%**

Comments:

-Aerial spray.
-Landlord buys chemical, tenant does application.

2018 Grazing Period

Pasture season length (months)	Month Started	Month Ended
4 mo. – 13% 5 mo. – 13% 6 mo. – 69% 7 mo. – 5%	April - 12% May - 88%	Aug. – 6% Sept. – 6% Oct. – 6% Nov. – 82%

2017 Grazing Period (previous year)

Pasture season length (months)	Month Started	Month Ended
3 mo. - 8% 5 mo. - 42% 6 mo. - 42% 12 mo. - 8%	March - 8% April - 8% May - 84%	March - 8% Aug. - 8% Oct. - 34% Nov. - 50%

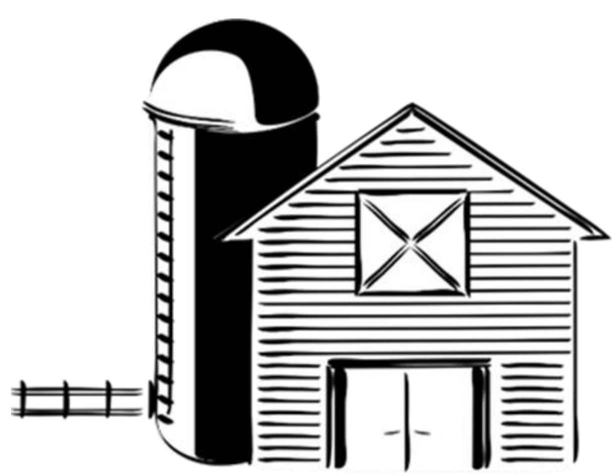
Additional comments:

-Grazing pressure was decreased by 15% due to adverse conditions early in the spring and summer.

Kinds of Pastureland - 2018

(number of responses to percent of their pastures)

Upland	Lowland/River	Mixture
10 - 100% 2 - 70% to 90%	1 - 10% or less	3 - 100% 1 – 10-30% or less



Crop Residue Grazing Summary

Physical Location of Crop Residue Land

Jewell Co.	82%
Smith Co.	9%
Republic Co.	9%

Crop Residue Rental Rates

***Corn/Sorghum Stalks**:

Average:	$8.85/acre
Range:	$7-$15/acre
Other:	$.50/hd/day

Type of Cattle/Livestock On Crop Residue

Dry Cows	55%
Cow/Calf Pairs	27%
Stocker/feeders	18%

Livestock Stocking Rate

2.5 ac. / head (average)
Average Weight: 1,300 lbs.

Livestock Water Supply

Transported to Site	43%
Well	38%
Other (pond/creek)	19%

Crops Utilized for Grazing

Corn	36%
Milo	32%
Cover Crops	14%
Alfalfa	9%
Wheat	6%

Crop Residue Grazing Period 2018

Grazing Season Length (months)	Month Started	Month Ended
3 mo. – 72% 4 mo. – 14% 5 mo. – 14%	Oct. – 14% Nov. – 72% Dec. – 14%	Jan. – 29% Feb. – 57% Mar. – 14%

Crop Residue Summary of Tenant/Landlord Responsibilities 2018

Responsibilities	Tenant	Landlord
Maintaining water supplies	100%	0%
Maintaining Fences- Furnishing Materials	89%	11%
Maintaining Fences - Furnishing Labor	100%	0%
Livestock Care	100%	0%

Other comments with crop residue grazing

-Tenant rents crop ground and keeps grazing rights through the winter at no charge.

Recreational Leasing Summary

Percentage of Written and Oral Leases For recreational hunting:

Oral	Written
79%	21%

Years with same tenant:

2-14 years 67%
15 years or more 33%

Leasing Arrangements for Hunting 2018:

Hunting Type	Acres	# Hunters	Length	Rental $
Deer	2,231	2 to unlimited	*Season *Sept. to May *Nov. to Jan.	$600 to $10,000
Turkey	1,311	5 to unlimited	*Season *Sept. to May	$900 to $1,000
Game birds	1,311	2 to 5	*Season *Sept. to May	*$300/day (early) *$100/day (late)
Water-fowl	811	2 to 5	*Season *Sept. to May	No response
Fishing	311	2 to 5	*Season	No response

Rating of Hunting:

Excellent	27%	Good	37%
Very Good	27%	Fair	9%

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

No 90%
Yes 10%

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

No 64%
Yes 36%

Other comments related to recreational hunting:

-No leasing indicated (46%).
-Walk-in Hunting (No-70%; Yes-30%)
-My son hunts my land.

Information related to recreational hunting:

(by Dr. Mykel Taylor, K-State Research and Extension, Farm Management specialist)

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**
  Revenue - Non-land Costs = 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 Dr. Mykel Taylor, K-State Research and Extension, Farm Management specialist

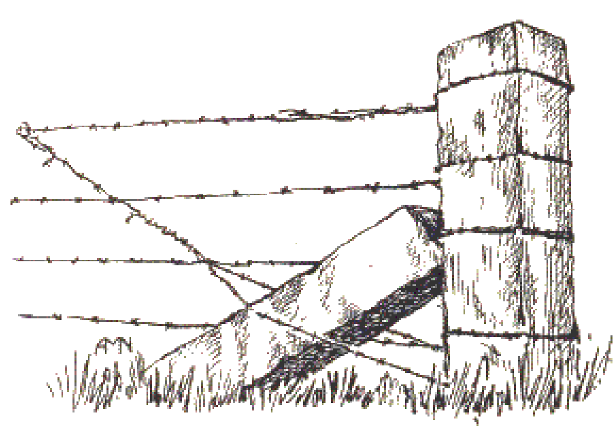
The past few years have seen some wide fluctuations in both land values and rental rates as a result of dramatic changes in profitability for farmers and ranchers in Kansas. According to surveys by USDA-NASS, the statewide average land value for non-irrigated cropland in 2009 was $981/acre. Within a five-year span, that average more than doubled to $2,150/acre in 2014. By 2016, non-irrigated land values in Kansas have fallen 10% and are expected to continue to decline as long as low commodity prices remain in place. A similar pattern can be observed in pasture values. The state average of pasture was $761/acre in 2010 and, within five years, values increase 80% to a record high of $1,390/acre. Pasture values have fallen off 7.2% since 2015.

For most producers, high volatility in commodity prices translates into higher risk exposure from rental rates. During periods of high profitability, 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.

Rental rates tend to lag behind commodity prices and profitability for several reasons. First, 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.

Another reason rental rates do not decline as quickly as might be expected is due to concern over losing land. Rented land is often a significant part of the land base in an ag operation, driving decisions on machinery and labor. If a landowner will not accept a lower rent, then some producers will pay more than their total costs of production to keep it. The expectation is that taking a loss in the short run is preferable to losing acres and incurring an increase in total costs per acre.

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. Landowners will not be excited to lower rental rates, but if they have a strong understanding of the current market conditions they may be more willing to negotiate. 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 about lowering the rent.



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).

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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 has more information on **Flexible Cash Rents.**

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