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## Ag Leasing

<p><b>Allan Vyhnalek, Ext.</b> Educator, UNL Extension Email: <a href="mailto:avyhna@unl.edu">avyhna@unl.edu</a> Phone: 402-562-4901 2610 14<sup>th</sup> St. Columbus, NE 68601</p>	<p><b>Carrie Duffy, V. President</b> Mid-Continent Properties <a href="http://www.mcp.com">www.mcp.com</a> 402-334-0256 Ext. 16 402-290-7847 cell 11213 Davenport St., #105 Omaha, NE 68154</p>
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## Topics

- Cash rent update
- Factors influencing cash rents
- Communications needed for landlords and tenants
  - (For good lease arrangements)
- When and how you use a Farm Management Professional (Carrie)
- Other topics as time allows

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## Trends in Leases

- Crop Share - 40-60, 50-50, 30-70
- Cash Rents
  - More popular in Eastern vs. Western Nebraska
- Bushel leases
- Base rent plus bonus
- Flexible cash leases
  - Flex on yields, price or both (portion of gross income)
- Custom Farming

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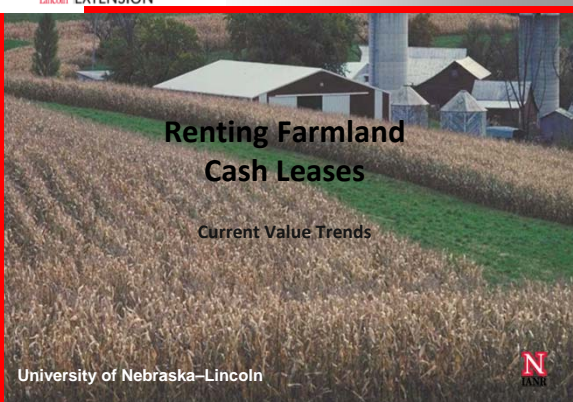
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### Renting Farmland Cash Leases

Current Value Trends

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### Be aware of the numbers out there!

- NASS – USDA – National Agricultural Statistics Service
  - Survey in the summer
  - Farmers are surveyed
  - Results in early to Mid-September
- UNL – Ag Econ Survey – by Dr. Bruce Johnson
  - Surveys went out 3 weeks ago
  - Preliminary results – Mid-March
  - Ag Professionals are surveyed – (Ag land managers, Ag loan officers, for example)
  - Third set of numbers!
    - Usually the highest – available almost every day.....

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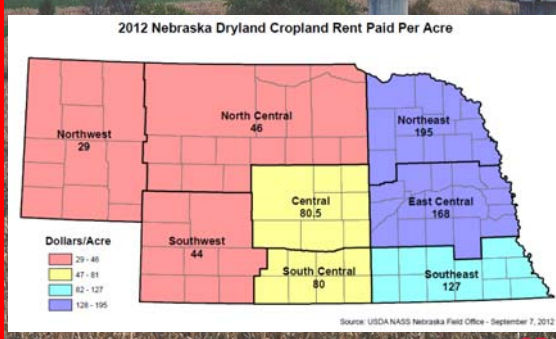
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### 2012 Nebraska Dryland Cropland Rent Paid Per Acre



Region	Dollars/Acre
Northwest	29
North Central	46
North Central	46
Southwest	44
Central	80.5
South Central	80
Northeast	195
East Central	168
Southeast	127

Source: USDA/NASS Nebraska Field Office - September 7, 2012

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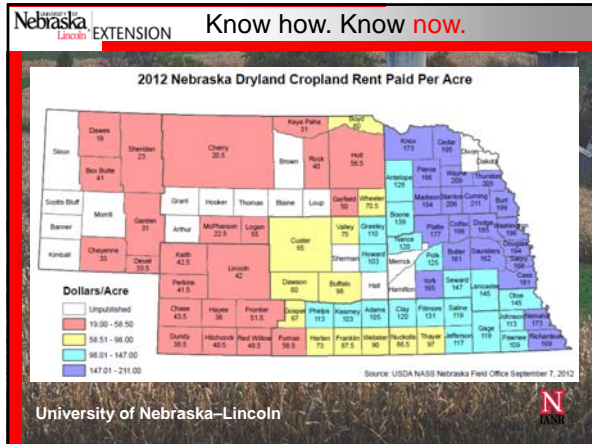
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### Reported Cash Rental Rates: Dryland Cropland

	Average	% Change from 2011	High	Low
Northwest	b	b	b	b
North	b	b	b	b
Northeast	212	18	275	165
Central	109	16	134	77
East	200	12	251	148
Southwest	57	19	71	46
South	115	20	140	80
Southeast	160	13	203	126

Source: 2012 UNL Nebraska Farm Real Estate Market Developments Survey  
b: Insufficient number of reports

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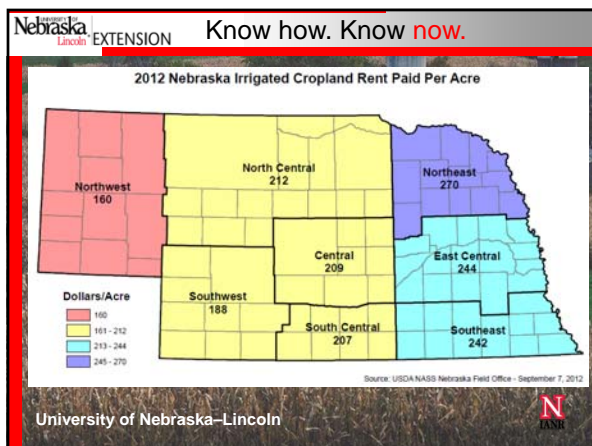
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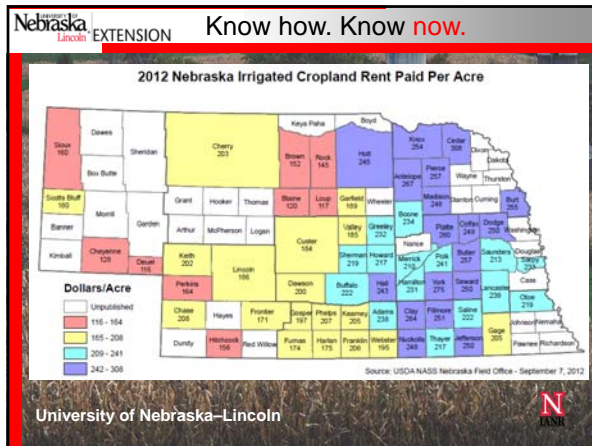
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### Reported Cash Rental Rates: Gravity Irrigated Cropland

	2012 Average	% Change from 2011	High	Low
Northwest	b	b	b	b
North	b	b	b	b
Northeast	285	15	333	250
Central	232	18	291	195
East	287	11	333	232
Southwest	b	b	b	b
South	245	16	309	201
Southeast	265	12	317	206

Source: 2012 UNL Nebraska Farm Real Estate Market Developments Survey  
b: Insufficient number of reports

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### Reported Cash Rental Rates: Center Pivot Irrigated Cropland

	2012 Average	% Change from 2011	High	Low
Northwest	200	17	235	155
North	229	17	264	180
Northeast	325	16	400	264
Central	257	16	305	209
East	313	15	377	257
Southwest	236	22	285	205
South	276	18	343	220
Southeast	301	17	361	240

Source: 2012 UNL Nebraska Farm Real Estate Market Developments Survey  
b: Insufficient number of reports

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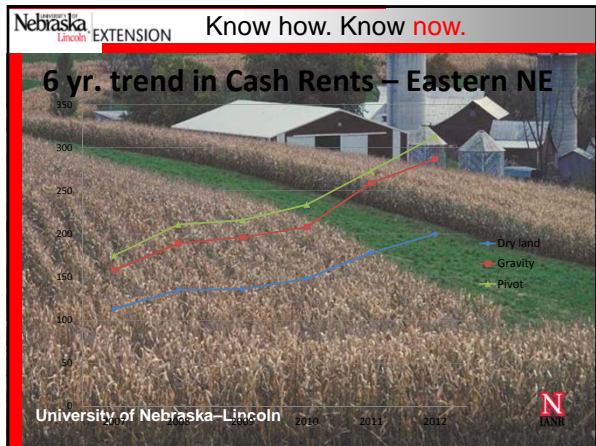
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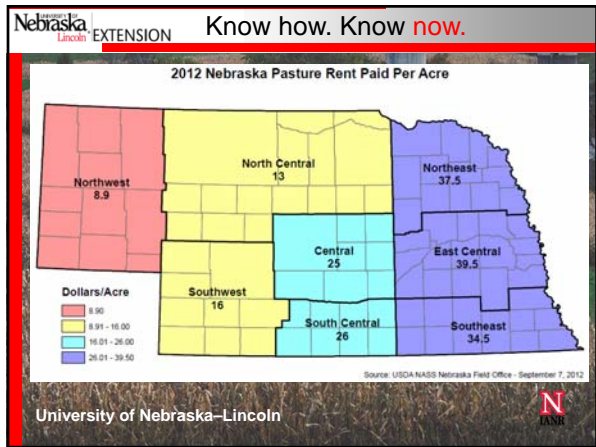
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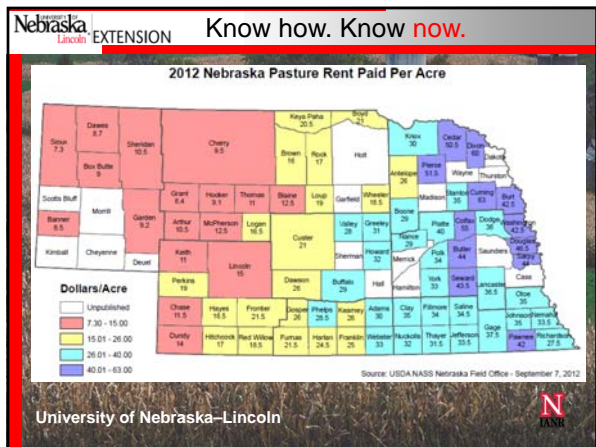
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### Reported Cash Rental Rates: Pasture

	Average	% Change from 2011	High	Low
Northwest	13	18	17	9
North	16	14	21	14
Northeast	51	9	62	36
Central	33	10	40	27
East	41	11	50	32
Southwest	15	7	21	13
South	36	13	42	30
Southeast	39	15	49	29

Source: 2012 UNL Nebraska Farm Real Estate Market Developments Survey

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### Cash Rent Summary

- Note Differences in numbers
  - NASS survey
  - UNL Cash Rent survey
  - Coffee Shop
- Cash rents clearly up recently – but don't always trend with land values (10% vs 30+%)
- When does the 'up' trend end?

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### Review – three sets of numbers for cash rents!

- Not a fan of surveys (comparing apples to oranges?)
- Not a fan of the coffee shop information
  - "Fish" stories, "topper" stories
  - Perfect ground/perfect situation
  - Making a decision on hundreds of thousands if not millions of dollars of asset
    - Based on information discovered at coffee shop?
- Base cash rent decision on productivity of the land!

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### Estimating Cash Rent

- To get to the right ball park (one simple way)
  - 25-30 % of gross corn revenue per acre
    - 200 bu./acre times \$6.00 per bushel \*\* = \$1200
    - \$1200 times .3 (30%) = \$360 (estimated rent)
  - 30 – 33% of gross soybean revenue per acre
    - 60 bu/acre times \$12.50 \*\* equals \$750 per acre
    - \$750 times .33 (33%) = \$248 (estimated rent)
  - Estimated rent about \$304 per acre – right blend for this farm (Assuming 50% corn and beans – averaging 360 and 248)

(\*\* local elevator price for fall '13)

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### Lease Communications

- The numbers are CRAZY – greed leads to less communication
- Build based on common set of goals
  - For the long-term good of the land resource
  - To have adequate return from the investment
    - For both the landlord and tenant
    - Understand who is taking the risk – and the reward or consequence of taking that risk
- Have to develop and cultivate Trust!
  - For Trust - Tell the truth! (yield monitor story)

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### Lease Communications

- What do we want to communicate? (as tenants.....)
- Landlord “Types” and Communications style
- As Tenant:
  - Date planted – cost of seed
  - Disease or insect pressure
  - Moisture updates
  - Yield
  - Expenses incurred (seed, tires, repairs, fuel, pricing for '13)
  - Price received
- Report to landlord once/month during growing season (suggested)



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### Lease Communications – What to communicate

- As Landlord:
  - How your expenses have changed?
    - Land taxes, other land expenses
- Be clear with expectations for the land
  - Tillage (call about cultivation)
  - Mowing (call about ditches)
  - Fences
  - Weeds



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### Other Expectations (landlord/tenant discuss)

- Grid soil sampling
- Stalks (crop residues)
  - Grazing
  - Baling
- Allowing manure to be applied

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### Lease Provisions

- Landlord expenses
  - Non-crop weed control
  - Soil work, terraces, waterways, etc.....
  - Volunteer Tree control
  - Fencing
  - Building maintenance
- In many cases, the tenant will cover the costs associated with the above expenses (especially relatives)
- If the above mentioned expenses are borne by the tenant, the lease can be adjusted

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### Have lease in Writing

- Include all the communications
- Include who is paying for what
- Include termination date
- Remember that you are putting the next generation in peril with out a written lease (hay rent example)
- **No written lease - termination date - August 31**

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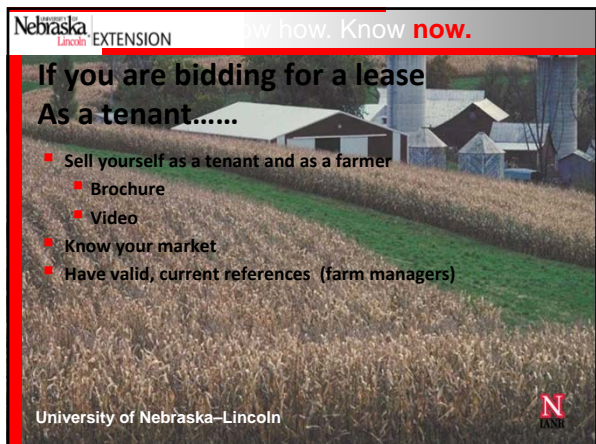
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### If you are bidding for a lease As a tenant.....

- Sell yourself as a tenant and as a farmer
  - Brochure
  - Video
- Know your market
- Have valid, current references (farm managers)

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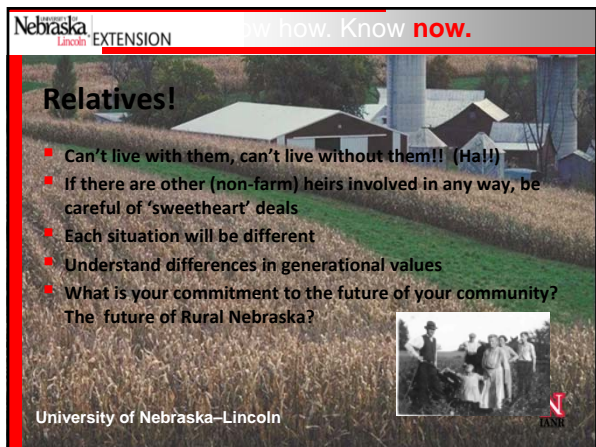
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### Relatives!

- Can't live with them, can't live without them!! (Ha!!)
- If there are other (non-farm) heirs involved in any way, be careful of 'sweetheart' deals
- Each situation will be different
- Understand differences in generational values
- What is your commitment to the future of your community? The future of Rural Nebraska?



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### When does a farm manager gets hired?!

- Multiple heirs
- Absentee owner
- Investors
- Deteriorated landlord/tenant relationships
- When farm will be developed, ie: when it is converted from rainfed to irrigated

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### Drought and Cash Rents

- Depends on if it continues or not
- Hope for the best – but Plan for the worst
- Pasture leases for 2013 are impacted! (more in a second)
- Think through:
  - Possible restrictions on drilling wells
  - Possible restrictions on water use
  - What happens if well goes dry and you need to re-drill?

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### Miscellaneous Topics

- Pasture Rents
  - Paid per acre/grazing season – or paid per cow/calf pair per month (or cents per pair per day)
  - Assumes 5 month grazing season (typical)
  - Current land survey says: (Eastern District)
    - \$41 per acre/year
    - \$38.25 per cow/calf pair per month
- Fence maintenance and labor are landlord costs
  - But in many cases – the tenant covers – so rent adjustment is needed

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### Pasture Rents – continued

- Plan for adjustments based on 2012 drought
  - Start of grazing likely delayed
  - Agronomically – need to adhere to good grazing mgt.
    - Good for the desirable grass population
    - Provision – in case of weed flush?
  - Provisions for shortened grazing season
  - Provisions in case regular water (pond or creek) is dry
  - Will you be able to agree – or will you need to identify someone to provide mediation?

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Thank You!  
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