

Understanding Cash Rental Rates & Key Lease Provisions

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Most Common Questions

- What is the going rate for cropland or pasture in my area?
- What should I be getting for land?
- How can I get a fair lease rate?



Reality

- Land values and lease rates reflect many things and will differ between each piece of ground
 - Productivity of the land (bushels, stocking rate)
 - Farmability of the land (location, size of tracts)
 - Profitability in the ag sector



Importance Factors Affecting Rental Rate

- Crop Price
- Land Quality
- Relationship between Landowner & Tenant



Lease Rates

- Difficult to know going rates
 - There is just not much for published data
 - Fear of rates going up if talked about or made publicly available
- Personal relationships/Loyalty
 - Many of our farm leases have been passed down for generations.



Rents Estimated from Surveys

- Survey results tend to lag the market
 - Does not ask when rents were negotiated
- No control for the quality of land
 - Profit potential is a big factor in rental rates
- Could include non-market activities that will decrease rates
 - Help your neighbor/family subsidy
 - What other services does the tenant provide? (ex: Plowing snow for the landlord)

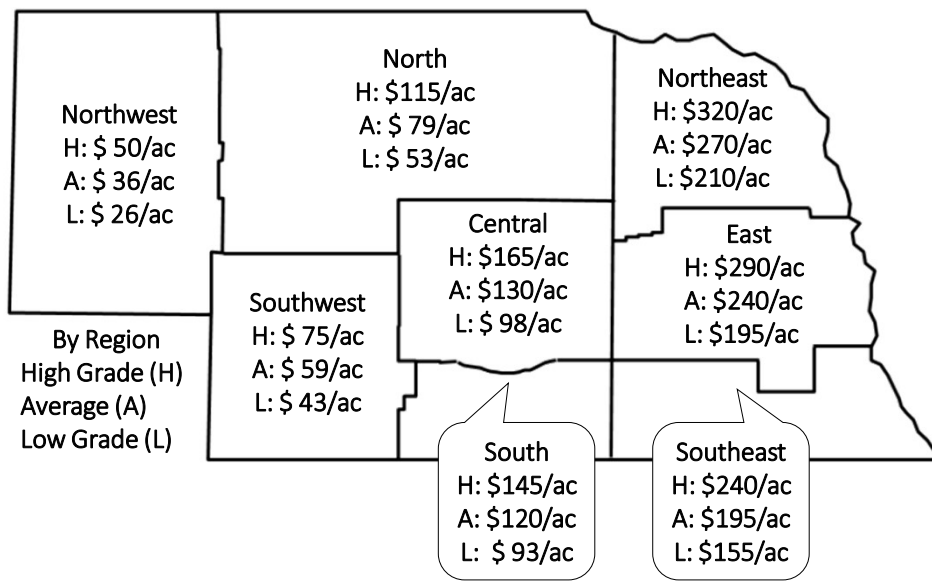


Nebraska Cash Rental Rates

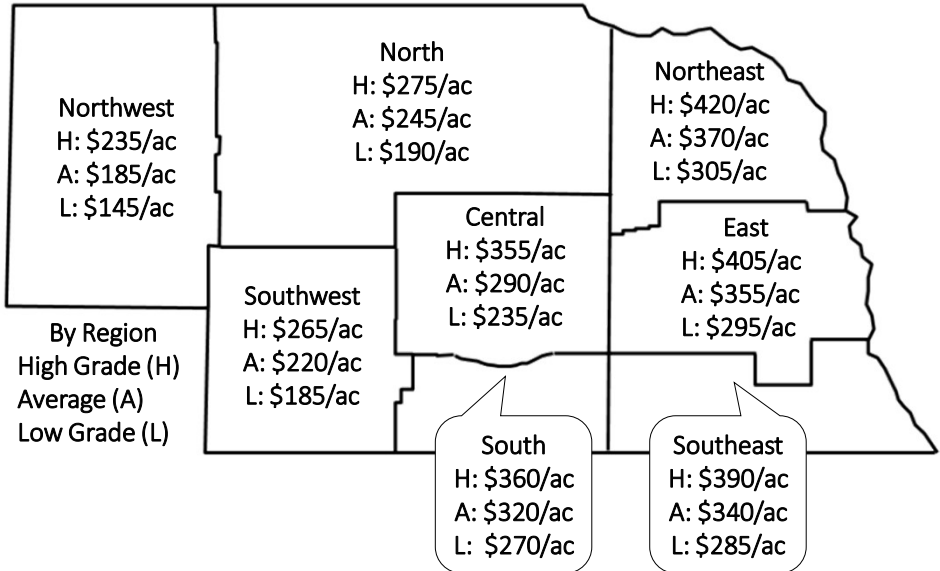
*2025 will be published in March



Nebraska Dryland Cropland Rental Rates – 2024

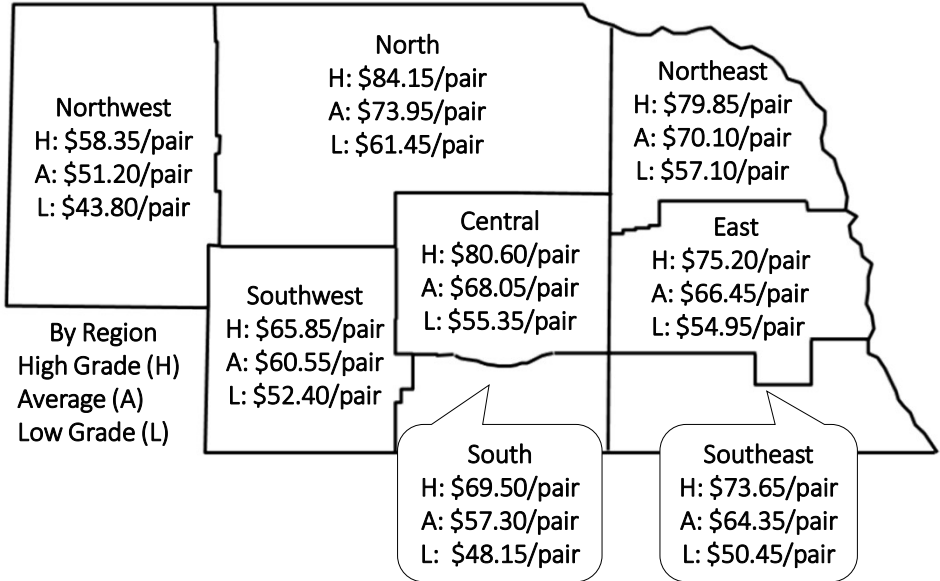


Nebraska Center Pivot Cropland Rental Rates – 2024



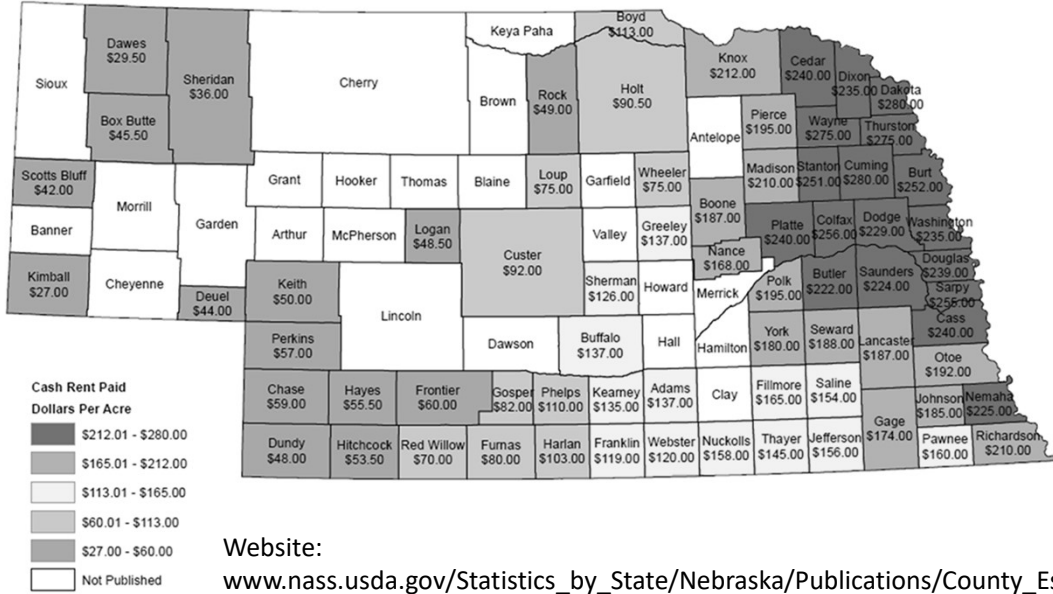
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Nebraska Cow-Calf Pair Monthly Rental Rates – 2024



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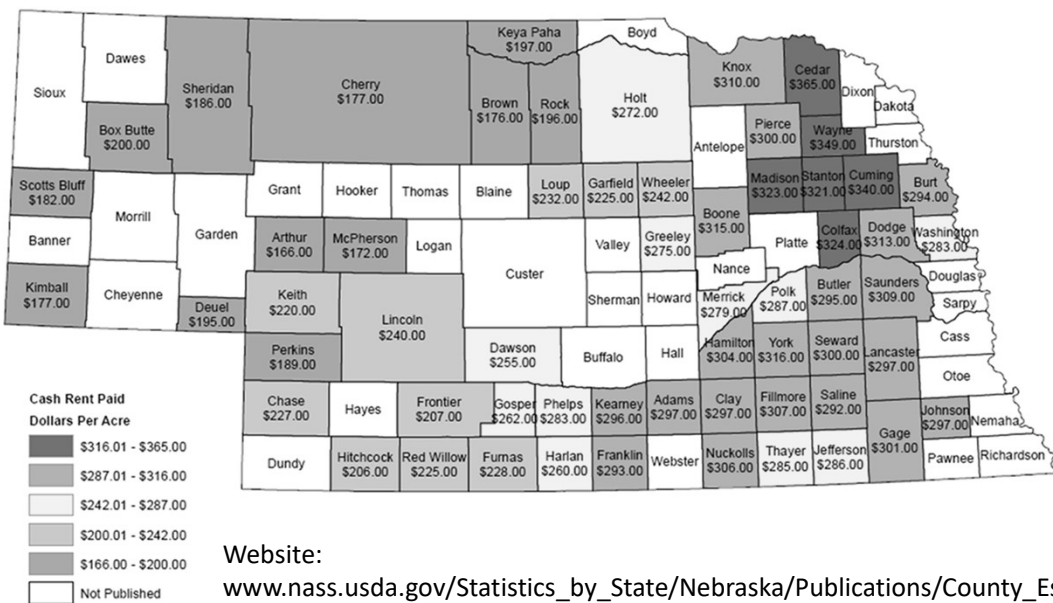
Nebraska Dryland Cropland Rental Rates – 2024 USDA-National Agricultural Statistics Service



Website: www.nass.usda.gov/Statistics_by_State/Nebraska/Publications/County_Es



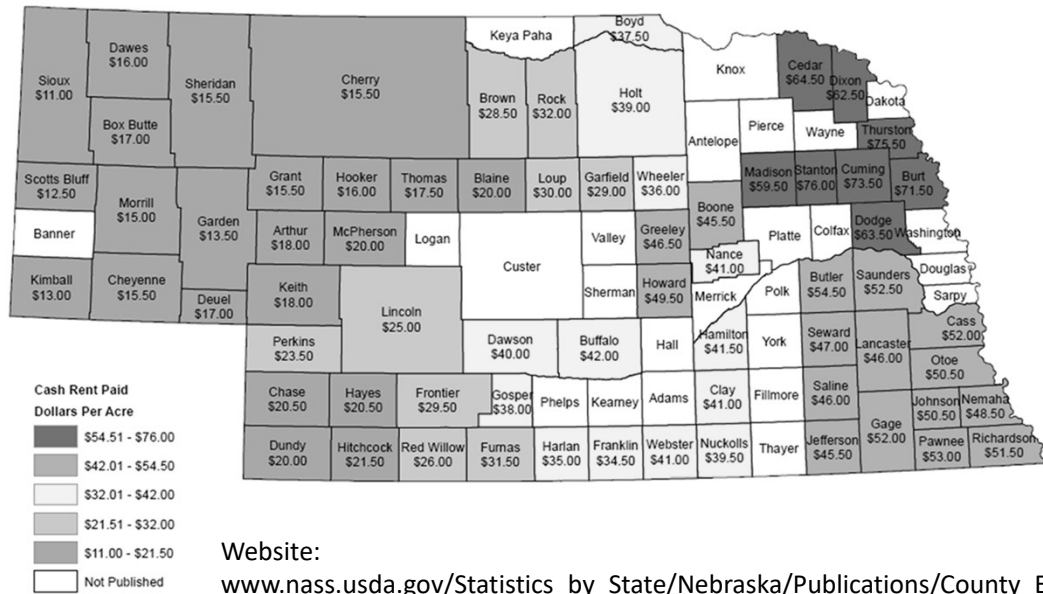
Nebraska Irrigated Cropland Rental Rates – 2024 USDA-National Agricultural Statistics Service



Website: www.nass.usda.gov/Statistics_by_State/Nebraska/Publications/County_Es



Nebraska Grazing Land Rental Rates – 2024 USDA-National Agricultural Statistics Service



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Estimating Cash Rental Rates by Adjusting Survey Data

- Land rental rate survey data:
 - Evaluate available cash rental survey data to establish a baseline in the landlord and tenant negotiation process.
- Average yields:

County	Value	Farm	Value
County Rental Rate	\$180/ac.	County Rent/Bushel	\$1.34/bu.
Corn Yield	134 bu./ac.	APH Yield	x 119 bu./ac.
County Rent/Bushel	\$1.34/bu.	Farm Level Rent	\$159.85/ac.



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Cash Equivalent From Crop Share

- Rent paid to landlord by tenant based off owner's share of net returns per acre.
- Example 50/50 split:

Value	Corn - March 2025	Corn - July 2025	Corn - Nov. 2025
Yield (50% share)	80 bu./ac.	80 bu./ac.	80 bu./ac.
Price/bushel	<u>x \$4.46/bu.</u>	<u>x \$3.92/bu.</u>	<u>x \$4.27/bu.</u>
Income	\$356.80/ac.	\$313.60/ac.	\$341.60/ac.
Owner Expenses*	<u>-\$165.00/ac.</u>	<u>-\$165.00/ac.</u>	<u>-\$165.00/ac.</u>
Net Return to Owner (Effective Rent)	\$191.80/ac.	\$148.60/ac.	\$176.60/ac.



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Cash Equivalent From Hay Share

- Rent paid to landlord by tenant based off owner's share of net returns per acre.
- Example 33/67 & 50/50 split:

Value	33:67 Hayland Share	50:50 Hayland Share
Yield (share)	0.5 ton/ac.	0.75 tons/ac.
Price/ton	<u>x \$100/ton</u>	<u>x \$100/ton</u>
Income	\$49.50/ac.	\$75.00/ac.
Owner Expenses*	<u>-\$0.00/ac.</u>	<u>-\$25.00/ac.</u>
Net Return to Owner (Effective Rent)	\$49.50/ac.	\$50.00/ac.

**In this example, the owner does not pay any expenses for the 33/67 hay share. Also, the owner pays \$25 per acre in fertilizer expense for the 50/50 hay share.*



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Return on Investment

- Multiply the estimated current market value by the expected rate of return to determine the rental rate per acre.

Farm	Dryland Cropland	Irrigated Cropland
Land Value	\$7,500/ac.	\$11,050/ac.
Rate of Return	x 2.8-3.2%	x 3.1-3.5%
Rental Rate per Acre	\$210-\$240/ac.	\$343-\$387/ac.

*Estimated net rates of return by land type are available in Table 5 of the Nebraska Farm Real Estate Market Highlights Report 2022-2023.



Return on Investment (continued)

- Selecting an appropriate market value and rate of return are key to estimating reasonable rental rates.
- Nebraska Farm Real Estate Survey provides estimated annual net rates of return (returns after landownership expenses – i.e. land taxes).
- Summaries provided in the land report estimate net rates of return for irrigated cropland, dryland cropland, and grazing land.

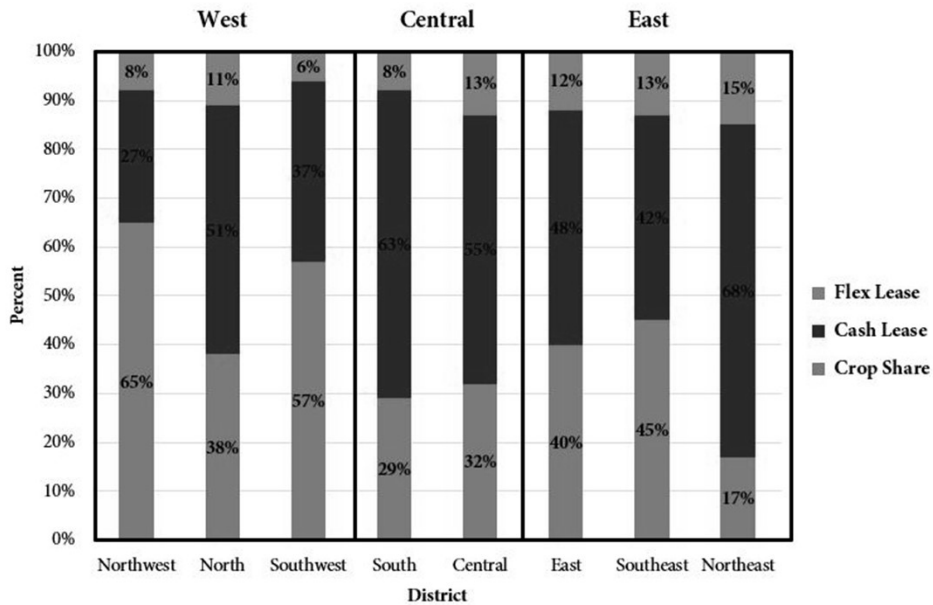


Agricultural Farmland Leases

Lease Arrangement Trends

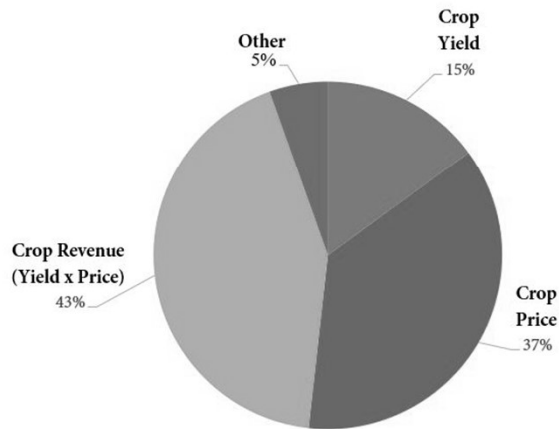


Land Lease Rental Arrangements by Agricultural Statistics District in Nebraska for 2022



Source: Nebraska Farm Real Estate Market Development Survey, 2022.

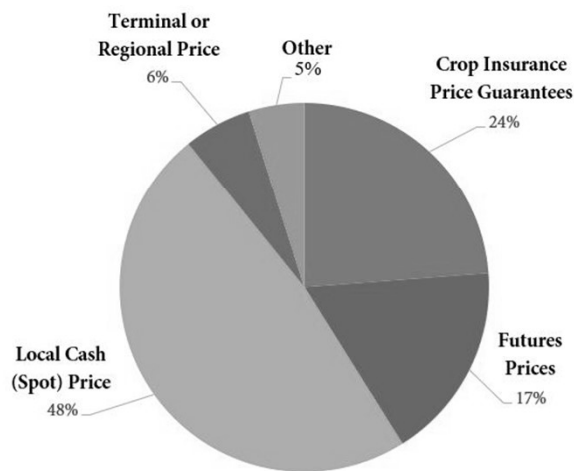
Reported Factors for Flexing Cash Lease Payments



Source: Nebraska Farm Real Estate Market Development Survey, 2022.



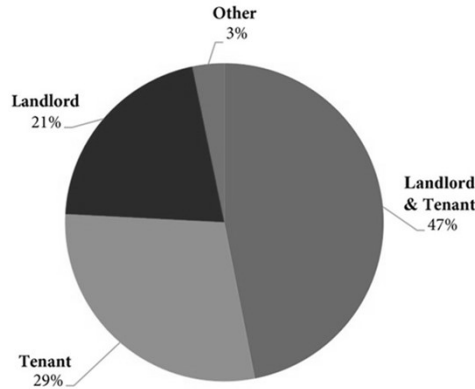
Reported Crop Price for Flexing Cash Leases



Source: Nebraska Farm Real Estate Market Development Survey, 2022.



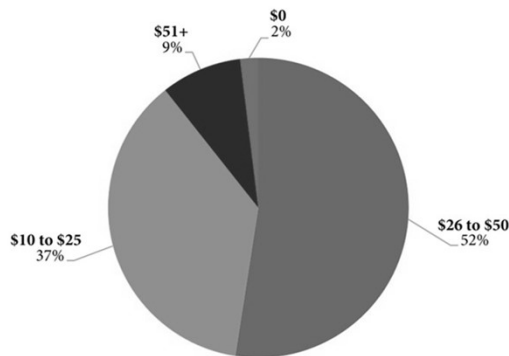
Entity Responsible for Maintaining Irrigation System as Part of Cash Lease in Nebraska



Source: Nebraska Farm Real Estate Market Development Survey, 2023.



Discount on Cash Rent per Acre When Tenant Owns Pivot for Irrigation System in Nebraska



Source: Nebraska Farm Real Estate Market Development Survey, 2023.



Discount on Cash Rent per Acre When Tenant Owns Power Unit for Irrigation System in Nebraska

Power Unit	Discount per Acre			
	\$0	\$1 to \$9	\$10 to \$20	\$20+
----- Percent of Respondents -----				
System Type				
Diesel Engine	15	28	45	12
Propane or Natural Gas Engine	21	37	33	9
Electrical Motor	18	31	35	16

Source: Nebraska Farm Real Estate Market Development Survey, 2023.



Agricultural Farmland Leases Crop Share Arrangements



Crop Share Lease Agreements

- *Landlords engaged in crop share lease arrangements typically receive a percentage of the actual crop yield as payment for leasing the property to the tenant*
- *Landowner usually shares input and production costs of raising the crop.*



Crop Shares = Fair (Equitable?)

- A fair way to rent, if the expenses are split properly
- Usually requires both parties to market grain
- Share in the risk and the reward



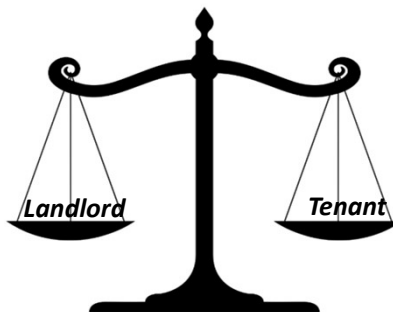
What are Typical Shares?

- Most common 40:60, 50:50, 33:67
 - Smaller amount going to the landowner
 - Irrigated crop/Eastern and Central Nebraska – 50:50
 - Non irrigated in SE, SC, SW – 40:60
 - Panhandle – 33:67
 - Depends on the crop, neighborhood and expenses



Share of Crop Income

- Both parties receive their share of:
 - Revenue from crop sales
 - Crop Insurance payments – if purchased by either party
 - Government disaster payments (when paid)



Share of Crop Expenses

Landlord (Landowner)

- **ALL Expenses**
 - Land taxes
 - Irrigation operation and maintenance fees
 - Irrigation ownership costs – depreciation, insurance, major repairs, taxes, interest
- **Their share of:**
 - Crop Insurance
 - Fertilizer, insecticide, fungicide, and herbicide
 - Energy for irrigation
 - Seed
- **Markets their share of the crop**

Tenant

- **ALL Expenses**
 - Labor
 - Minor irrigation equipment repairs & maintenance
 - All field operations
 - Cost of transporting landlord's share of crop to designated location (negotiable)
- **Their share of:**
 - Crop Insurance
 - Fertilizer, insecticide, fungicide, and herbicide
 - Energy for irrigation
 - Seed
- **Markets their share of the crop**



PROPER LEASE PROVISIONS



Lease Provision - General

- Have all leases in writing
 - If verbal – end that – get it in writing!
 - In Nebraska – verbal leases for farmland end BY September 1
 - Not the same for pasture
- Start and ending date of lease (length of lease)
- Timing of lease termination – how much notice?
- Holdover clauses?
- When will lease be negotiated? (for the next term)
- When is payment due?



Lease Provision - Fertility

- **Phosphorus**
 - Minimum to be left in soil at end of lease
 - Maximum that can be in soil (manure application)
 - Protect tenant with clause if large amount applied
- **Mining of soil**
 - Consider soil test at end of lease
 - Minimum nutrients left must be followed
- **Lime**
 - Typically a Landlord Expense
 - If tenant is applying – then protect with clause in lease



Lease Provision – Soil Health & Environmental Concerns

- Fixing excessive erosion
 - Typically, a landlord's expense
- Non-crop acres
 - Who controls cedar trees and noxious weeds?
- Tillage vs. No-till considerations
- Organic vs. Non-organic production



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Lease Provision - Fertility

- If there is a pasture, who is taking care of the fencing?
- For pasture – know what happens for the Big 3 Disasters!
 - Fire, Hail, or Drought
- Hunting rights
 - Crop ground vs. pasture
 - Nebraska recreational use law



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Lease Provision – Other Items

- Corn stalks use
 - Grazing vs. harvesting as bedding
 - Removing all material (not preferable)

- Manure application
 - How often
 - Limits on P application



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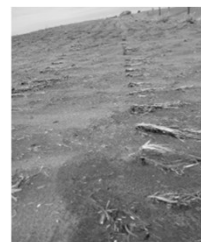
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For the Tenant - What to Communicate

- Force yourself to share information with the landlord
- Yes – even for cash leases!
- Timely crop updates
 - Include moisture conditions
 - Weed, disease, or insect pressures
- Consider sending as text or emails with pictures



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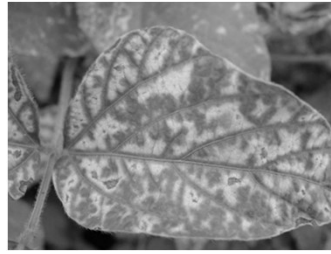
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For the Landlord - What to Communicate

- Overall management of the farm (do you have vision or goals?)
- Specifically:
 - Weed control
 - Erosion control
 - Non-crop acre management expectations
- If using farmstead, what is the expectation for managing that asset?



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One More Thought on Leasing

- Communications should happen more often than at lease negotiation time (both landlords and tenants)
- Are the landlords “Outstanding in their fields?”
 - If the landlord lives close enough – several trips per growing season should be made



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Leasing Considerations

- How is the tenant helping you?
 - Maintaining terraces and waterways
 - Controlling noxious weeds
 - Maintaining fences
 - Maintaining the irrigation system
- If the tenant is helping with these landlord expenses – the rent (especially cash rent) should be adjusted



Fillable PDF Leases – AgLease101.org

Ag Lease 101

Home Document Library About Ag Lease 101

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Lease 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)
- Farm Building Rental Rate Survey (NCFMEC-07)

Lease Publications

Lease Forms

- Cash Farm Lease (NCFMEC-01A)
- Crop Share Farm Lease Cash 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)

Fillable PDF Forms



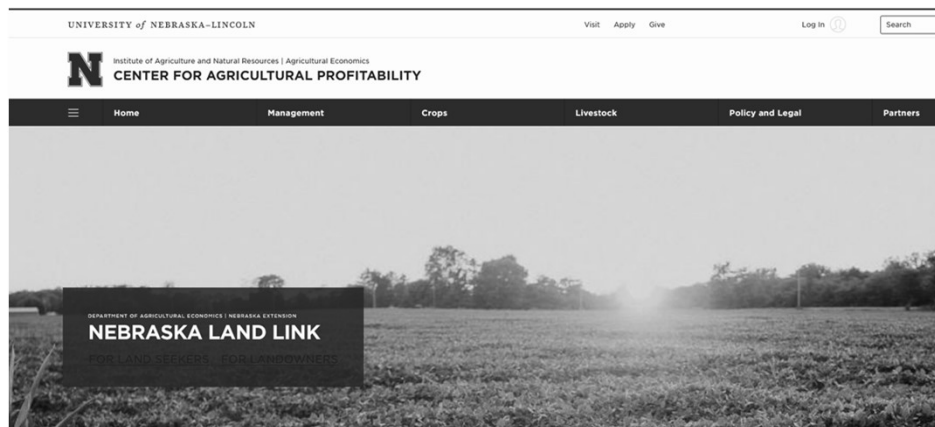
Nebraska Land Link: <https://cap.unl.edu/landlink>

- Started February 1, 2021
- Problem – two-fold
 - Land seekers don't have access to land so they can farm/ranch
 - Older generation does not have succession path (their children are not farming/ranching)
- Matches Land Seekers with Landowners
- Applications will be used with both groups
- All applications will be reviewed – follow-up phone interviews will be completed
 - Possible land seeker matches will be shared with landowners to decide who they want to interview



Nebraska Land Link: <https://cap.unl.edu/landlink>

- Online information and application is at this website



Questions?

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