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## FARMLAND LEASING ARRANGEMENTS

The University of Nebraska Ag Economics Department publishes the Nebraska Farm Real Estate Market Report each year. A special feature of the recently published 2013-2014 report evaluated the types of farmland rental arrangements used in Nebraska. The estimates were for three leases types and did not consider custom farming leases. The three categories were; Crop Share-landowner receives a percentage of actual crop yield as payment for leasing the agricultural land to tenant. Landowner may share input and production costs of raising the crop; Cash Lease- landowner receives an agreed upon cash payment amount for leasing the agricultural land to the tenant; Cash Lease with Flexible Provisions: landowner and tenant set a base cash rental rate which can flex upon actual crop yields, prices, or a combination of the two. Final cash payment made to the landlord for leasing the agricultural land to the tenant may have premiums or discounts made to the base rate depending upon the agreements set up by the two parties.

Land lease arrangements for 2014 varied widely across Nebraska according to survey results. In Southeast Nebraska, cash leases were 44 percent, share leases 46 percent and cash leases with a flexible option 11 percent. Statewide cash leases were 48 percent, share leases 41 percent and cash leases with a flexible option were 11 percent. The Northwest District had the highest rate of crop share leases at 74 percent whereas the Northeast District had the highest rate of cash leases and cash leases with flexible provisions at 68 and 14 percent, respectfully. Survey respondents indicated that utilization of the different types of leases across the state correlates to the primary types of crops historically raised in a district and their yield expectations.

Expectations among respondents predict the use of more cash leases without flexible provisions for upcoming production years. Reporters indicated that landowners are concerned about receiving an agreed upon fixed cash rental. The uncertainty of lower crop yields observed within the last few years, and anticipated lower crop prices in the future, keep landowners very apprehensive about flexible lease provisions. Some agricultural economists think we will see an increase to some form of share leasing to handle wide market swings.

The survey also looked at grain storage facilities and whether they were included in the lease. They found that 75 percent of leases did not include the use of storage facilities without further lease payments. I generally would advise no additional lease cost for waterways or small capacity bins (<5000 bu) or buildings. Larger serviceable lots, bins or building should be priced for yearly use using the DIRT1 Five method of valuation. Survey results shown and discussed in this report are excerpted from the University of Nebraska-Lincoln 2014 Nebraska Farm Real Estate Market Survey. Land values and rental rates presented in this report are averages of survey panel members' responses by district. Actual land values and rental rates may vary depending upon the quality of the parcel and local market for an area. Complete results from the survey are available electronically via the Nebraska Farm Real Estate website: [agecon.unl.edu/realestate](http://agecon.unl.edu/realestate).

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