



October 25, 2013

## TENANT/LANDLORD LEASING UPDATE

As harvest continues in full swing, it won't be long before it's time to make final decisions about farm cash leases. Cash rental rates were bid up high for cropland after corn prices exceeded \$7.00 per bushel and competition for farm ground became even greater. But with the recent changes in the markets, will landlords be eager to offer a lower cash rental rate because corn is now 60% of the price it used to be or \$4.18 per bushel?

Soybean price remained solid this fall with \$12.50 being offered from the truck. A 40 bushel dryland bean crop will actually gross the same amount as a 120 bushel per acre dryland corn crop at these prices this fall.

It's because of added volatility in our farm prices and competition for land, that it is important that landlords and tenants have up-to-date information. Please hold the following meeting dates on your calendar. There is a Tenant/Landlord Farm Lease Update Workshop on Tuesday, December 10th at the First Lutheran Church (new Meeting Hall) in Wilber beginning at 1:00 p.m. This will be one of 27 locations across Nebraska including Fairbury on Thursday, December 12th at 1:00 p.m. at the Fairgrounds. Teaching the workshop will include Extension Educators Allan Vyhnalek and Tim Lemmons.

The latest trends in farmland values and cash lease values, good lease communications, writing a good farm lease and flexible cash leases will be covered in this meeting. Expectations from the farm lease, including goal setting for the rental property and other topics includes irrigation systems, hay rent, pasture rental agreements, and grain bin rental.

I can't stress how having a written farm lease is important in today's world and with the generational shift that is occurring. Farm business meetings need to be scheduled meetings to work out details of a written lease rather than at family gatherings. It is probably even more so important to have a written lease with family versus non-family. Meet twice per year, at signing and at the farm.

By meeting at the farm you can address specific issues that may need to be discussed. With family make sure it is just family because sometimes this can be a sensitive issue. It may be better to just have the family and not in-laws meet for a discussion about family land lease arrangements.

An attorney will draw up most farm leases for a reasonable fee and a lease doesn't necessarily have to be on an annual basis. If there is a good relationship between landlord and tenant, a multi-year lease may be the best arrangement for your farm. Verbal cropland (not pasture) farm leases in Nebraska end August 31st each year. However, new terms can always be changed after August 31st, if both parties agree.

Something that Paul Hay and I discuss a lot is a need for a phosphorus fertilizer and ag lime five year rule. If phosphorus, compost or manure is applied above crop removal rates to build a low



soil test on cash rented land, or lime is applied as a long-term soil amendment, the full benefit of it should be pro-rated over a 5-year period. If the tenant paid 100% of this cost in a cash rental agreement and the lease was terminated after 3 years, the tenant should be reimbursed for 2/5ths of the cost of the phosphorus or lime. This should be written in the lease and is only fair. Landlords can get money back for this from a prospective new tenant, if tenancy changes so the landlord risk is low and productivity of our cash rented land would increase.

I had a call this fall how disappointed a tenant was on cash rented land on his bean yields this year and he knows he is low in phosphorous and lime. We need more landlords who cash rent to consider the five-year rule, especially if the cash rental rate for the farm is in the upper third of the market.

I hope you mark down the Tenant/Landlord Cash Lease Workshop and try to make a note to attend Tuesday, December 10th in Wilber.

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