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**2015 LEASE SURVEY  
SUMMARY REPORT  
K-State Research and Extension  
Post Rock District  
SMITH County**

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# 2015 FARM LEASE ARRANGEMENT SURVEY SUMMARY FOR DRYLAND CROPS

## K-STATE RESEARCH & EXTENSION



### Post Rock Extension District

### SMITH County

Number of survey responses: 22 (28% return rate)

#### Summary of Cash Rent Paid to Landlord

CROP ENTERPRISE	AVERAGE RENT/ACRE	CASH RENT RANGE
Cropland (dryland)	\$66.00	\$37 - \$100
Native or Tame Pasture	\$23.00	\$15 - \$30
Native or Tame Hayland	\$20.00	\$15 - \$25
Winter Stalks	\$8.50	\$6 - \$10

**Other comments:** Cash rent in west Smith County less than east because of rainfall difference.

#### Estimated Trend for 2016 Dryland Crop/Pasture Leases in Smith County

RENTAL TREND IN 2016	CROPLAND
Higher	5%
No Change	71%
Lower	12%
Unsure of 2016 Trend	12%

#### Trend of Lease Arrangements for 2016

MORE CASH RENT	MORE CROP SHARE	NO CHANGE
36%	No responses	64%

#### Adjustments to Cash Rents due to rising input costs in 2015

INCREASE	DECREASE	NO ADJUSTMENTS
No responses	6%	94%

**Percentage of acres in the different Tillage Systems in 2015  
(Number of responses )**

<b>No-Till</b>	<b>Minimum Till</b>	<b>Conventional Till</b>	<b>Summer Fallow</b>
<b>12 - 100%</b> <b>2- 50-80%</b>	<b>2 - 30% or less</b>	<b>1 - 60% or less</b>	<b>1 - 40% or less</b>

**When were the cash rent payments made to the landlord for 2015? (% of responses)**

<b>All at once</b>	<b>Split payment</b>	<b>Dates</b>	<b>After harvest</b>
<b>19%</b> (Payments made in Nov.)	<b>81%</b>	March/Nov.    May/Nov.    July/Nov. March/Dec.    May/Dec.	<b>5%</b>

**Interest in Flexible Leasing Arrangements**

<b>Yes</b>	<b>No</b>
<b>20%</b>	<b>80%</b>

**Crop Share Summary**

<b>DRYLAND CROP ENTERPRISE</b>	<b>SHARE PAID TO LANDLORD</b>	<b>OTHER COMMENTS</b>
<b>Wheat</b>	<b>1/3 - 93%    2/5 - 7%</b>	
<b>Grain Sorghum</b>	<b>1/3 - 93%    2/5 - 7%</b>	
<b>Corn</b>	<b>1/3 - 82%    2/5 - 18%</b>	<b>-40% response was for irrigated.</b>
<b>Sunflowers</b>	<b>1/3 - 80%    2/5 - 20%</b>	
<b>Soybeans</b>	<b>1/3 - 83%    2/5 - 17%</b>	<b>-40% response was for irrigated.</b>
<b>Alfalfa</b>	<b>1/3 - 50%    2/5 - 50%</b>	
<b>Other Dryland Crops (OATS and Hay)</b>	<b>1/3 - 83%    2/5 - 17%</b>	
<b>Landlord's Share of Government Payments</b>	<b>1/3 - 92%    2/5 - 8%</b>	
<b>Landlord's Share of Crop Insurance Proceeds</b>	<b>1/3 - 72%    2/5 - 7% None - 21%</b>	<b>-Landlord buys own insurance.</b>

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

Written Leases			Oral Leases		
7 -100%	5- 50-75%	2- Less than 50%	2-100%	3- 50-90%	4-Less than 50%

**Landlord Share of Input or Cost  
(Percent of responses)**

EXPENSE OR INPUT	Landowners % Share of Crop Expenses	Other Comments
Fertilizer	1/3 - 88%      2/5 - 6% None - 6%	
Fertilizer Application	1/3 - 14%      None - 86%	
Herbicide	1/3 - 46%      None - 46% 2/5 - 8%	
Herbicide Application	1/3 - 15%      None - 85%	
Insecticide	1/3 -50%      None- 42% 2/5 - 8%	
Insecticide Application	1/3 - 33%      None - 67%	
Harvesting	None - 100%	
Hauling Grain	None - 100%	
Drying costs after harvest	1/3 - 46%      None - 46% 2/5 - 8%	
Crop Insurance	1/3 - 77%      None - 15% 2/5 - 8%	-Landowner buys insurance.
Other production costs (seed, fungicide, crop consulting, water, etc.)	None - 92%      1/3 - 8%	
Terrace/Conservation Structure Maintenance (annual upkeep costs)	None - 77%      100% - 23%	-One response landlord pays 50-100%.
Terrace/Conservation Structure Construction (major land investments)	100% - 75%      None - 25%	-Tenant performs small terrace work.

# Pasture Lease Summary

## Physical Location of Pasture Land:

Smith Co. 85% Osborne Co. 5%  
Phillips Co. 10%

## Pasture Land Rental Rates:

Average rent per acre \$23.00/acre  
Range per acre \$15-\$30/acre

## Trends for stocking rates for 2016

Decrease 6%  
Increase No responses  
No Change 94%

## Livestock Stocking Rate: Cow/Calf

\*Avg. 8 acres/pair \*Range 5-14 acres/pair

## Mature Weight of Cow

Average 1350 lbs.  
Range 1200-1600 lbs.

## Livestock Water Supply:

Pond 44% Transported to site 6%  
Well 26% Rural Water 6%  
Stream 18%

## Summary of Tenant/Landlord Responsibilities

Responsibility	Tenant	Landlord
Maintaining Water Supply	71%	29%
Maintaining Fences - Furnishing Materials	26%	74%
Maintaining Fences - Furnishing Labor	89%	11%
Controlling Weeds	53%	47%

## Typical Pasture Grazing Period

Pasture season length (months)	Month Started	Month ended
6 mo. - 83%	Jan. - 17%	Nov. - 83%
12 mo. - 17%	May - 83%	Dec. - 17%

## Pasture Grazing in 2014

Pasture season length (month)	Month Started	Month Ended
5 mo. - 33%	April - 11%	October - 44%
6 mo. - 67%	May - 89%	November - 56%

## Pasture Grazing in 2015

Pasture season length (months)	Month Started	Month Ended
6 mo. - 43%	April - 14%	Sept. - 7%
7 mo. - 57%	May - 86%	Oct. - 43%
		Nov. - 50%

## Special arrangements for weed control in pastures:

No - 86% Yes - 14%

-Landowner may spray with plane.

## Kinds of Pastureland - 2015

(number of responses to percent of their pastures)

Upland	Lowland/River	Mixture
11 - 100%	4 - 50% or less	1 - 100%
4 - 50-95%		

## Other comments on pasture management:

-Our county seems to be less pasture rent than others nearby.  
-KSU Grazing Decision Tool -NEW- available at the Ag Manager website:  
[www.agmanager.info](http://www.agmanager.info)



# Crop Residue Grazing Summary

## Physical Location of Crop Residue Land:

Smith County 83%  
Osborne County 17%

## Crop Residue Rental Rates:

Average : \$10 per acre  
Range: \$8 - \$10 per acre  
(Other- \$1.00/head/day)

## Type of Cattle/Livestock On Wheat Pasture:

Cow/Calf Pairs 60%  
Cows only 40%  
Stockers/Feeders No responses

## Livestock Stocking Rate:

2 acres/animal (average)  
Other: Rotational graze; try to leave 1/3 of the residue;  
tenant makes the determination depending on rainfall.  
Average Weight of Animals Per Acre: 1400 lbs.

## Livestock Water Supply:

Transported to site 30%  
Well 30%  
Pond 20%  
Creek 10%  
Rural Water 10%

## Average of Nutritional Supplement

### In Addition to Crop Residue

Hay 3% of Body weight  
Silage  
Other: Protein tubs/minerals

## Crops Utilized for Grazing - (% of responses)

Corn 60%  
Milo 40%

## Rate of Gain in Crop Residue Grazing System

(Average) 1-2 lbs./day

# Crop Residue Grazing Period 2015

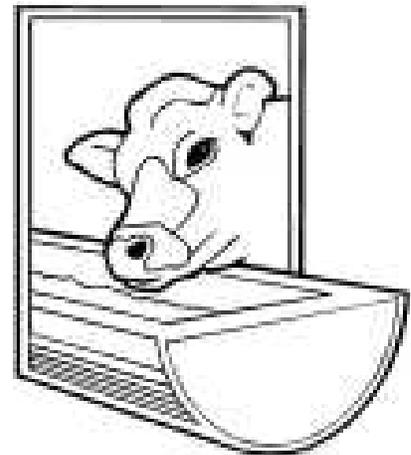
Grazing Season Length (months)	Month Started	Month ended
2 mo. - 36%	November - 100%	December - 36%
3 mo. - 18%		January - 19%
4 mo. - 46%		February - 9%
		March - 36%

## Crop Residue Summary of Tenant/Landlord Responsibilities 2015

Responsibilities	Tenant	Landlord
Maintaining water supplies	60%	40%
Maintaining Fences- Furnishing Materials	67%	33%
Maintaining Fences - Furnishing Labor	100%	0%
Livestock Care	100%	0%

## Other comments with crop residue grazing:

- \*No crop residue grazed or rented out. (8 responses)
- \*Rotational graze and try to leave at least 1/3 of the stalks.
- \*Hope to maintain weight, just a maintenance program.
- \*Only graze my own stalks and do not rent any other.



# Recreational Leasing Summary

\*\*\*\*Not enough responses received to report.

## Information related to recreational hunting:

-Hunting leases can provide for a variety of land access arrangements. Some of these arrangements include:

- \*Non-Fee access
- \*Exchange for services
- \*Fee hunting
- \*Controlled Shooting areas

-A commonly asked question by landowners considering fee hunting for the first time is how much should be charged. This depends greatly on the number of hunters a tract of land can support as well as the services provided to the hunter.

-A survey conducted by KSU in 2003 indicates that private land leased in 2001 and 2002 for deer hunting averaged \$2.50 per acre in Kansas and ranged from \$.25 to \$12.00 per acre.

-It is recommended that all recreational land use agreements be in writing and signed by the lessor and the lessee. A sample lease can be found on the website [www.agmanager.info](http://www.agmanager.info) or stop by any Post Rock Extension District Office in Beloit, Lincoln, Mankato, Osborne or Smith Center.

-Hunting leases and other similar activities may expose landowners to liability and keep them from pursuing this type of business. The **Recreational Use Statute** is liability protection that is extended to landowners, tenants, lessees, occupants, and persons in control of property who make their land available for recreational use.

-Landowners do not own the wildlife, but they do own the habitat that sustains wildlife populations. The first step in managing the production of wildlife is to inventory existing game populations and habitat.

# 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

## Share-Leasing Beef Cows

### Advantages to Operator:

Leasing beef cows on a share basis can have definite advantages for both parties. Some advantages for the operator include:

1. Making use of working capital without going into debt for breeding stock.
2. Sharing the risk of the operation with the owner.
3. Obtaining capital over and above the limits of credit agencies.
4. Borrowing capital at a fair rate of interest. (This assumes the lease is equitable!)
5. Permitting an increase in the volume of business.
6. Getting started in livestock production for the beginning operator.
7. Providing more efficient utilization of labor if the operator is underemployed.

### Advantages to Owner:

Leasing can also be advantageous for the livestock owner. Some of these advantages include:

1. Allowing an owner to maintain a breeding herd, even though labor cannot be provided.
2. Providing a source of rental income.
3. Providing an opportunity for returns on capital investment.
4. Providing a means of transferring ownership over a period of time.

5. May have income tax and social security advantages.

## Determining Sharing Arrangements for Beef Cow Leasing

Three factors need to be determined for an equitable share-leasing arrangement.

1. Costs to be included.
2. Costs to be contributed by each party and costs to be shared.
3. Percent of costs contributed by each party.



When these three factors are determined, the owner and operator should share income in the same proportion as they contribute to the operation. Some production expenses, such as veterinary and drugs, may be shared. Any expense shared in the same proportion as income are not listed as contributions since they do not affect the relative contributions. However, these costs will affect cash flow and profitability analyses, so they can be listed in the shared expense section.

The leasing agreement should be evaluated occasionally to assure an equitable arrangement over time. Fluctuating prices can cause the proportion of contributions to shift. This could be caused by changes in interest rates, feed costs, value of breeding stock, or labor and management.

A key principal to remember when developing a cow herd lease is to **KEEP IT SIMPLE!** A beef cow lease should only involve the beef cows and bulls. The leasing of other items – pasture, machinery, etc. should be a separate agreement. The time and effort spent developing a simple, straight forward, and equitable arrangement in the beginning will be rewarded with better relations between owner and operator and a more efficient beef-cow enterprise.

(For a complete publication, stop by the Extension Office for “Beef Cow Leasing Arrangements”, MF2163 or go on-line at [www.ksre.ksu.edu](http://www.ksre.ksu.edu))



# 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, county average, 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)
- ❑ FSA has changed rules allowing flexible leases
- ❑ 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 cash rent)

## 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:
  - USDA NASS survey value
  - 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 (i.e. ACRE, SURE) 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](http://www.agmanager.info) has more information on **Flexible Cash Rents**.

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## Information compiled by:

Sandra L. Wick, [swick@ksu.edu](mailto:swick@ksu.edu)

**K-State Research & Extension**

**Post Rock District**

**Crop Production Agent**

**Smith Center Office: 785-282-6823**

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