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



**2015 FARM LEASE ARRANGEMENT SURVEY
SUMMARY FOR DRYLAND CROPS
K-STATE RESEARCH & EXTENSION**



**Post Rock Extension District
MITCHELL County**



Number of survey responses: 19 (33% returned rate)

Summary of Cash Rent Paid to Landlord

CROP ENTERPRISE	AVERAGE RENT/ACRE	CASH RENT RANGE
Cropland (dryland)	\$72.00	\$60 - \$125
Native or Tame Pasture	\$23.00	\$14 - \$35
Native or Tame Hayland	Not enough responses	Not enough responses
Winter Stalks	\$11.50	\$5 - \$25

Estimated Trend for 2016 Dryland Crop/Pasture Leases in Mitchell County

Higher	7%
No Change	47%
Lower	33%
Unsure of 2016 Trend	13%

Trend of Lease Arrangements for 2016

MORE CASH RENT	MORE CROP SHARE	NO CHANGE
60%	no response	40%

Adjustments to Cash Rents due to rising input costs in 2015

INCREASE	DECREASE	NO ADJUSTMENTS
No responses	No responses	100%

Are you interested in a flexible leasing arrangement?

YES	NO
73%	27%

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

All at once	Split payment	Dates	After harvest
45% May, July, November	55%	Jan.-July (2 responses) Feb. -Aug.	No responses

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

No-Till	Minimum Till	Conventional Till	Summer Fallow
4 - 100% 5- 70% to 90% 1 - 25% or less	5 - 30% and less	2 - 40% or less	1 - 10% or less

Crop Share Summary

DRYLAND CROP ENTERPRISE	SHARE PAID TO LANDLORD	OTHER COMMENTS
Wheat	1/3 - 86% 2/5 - 7% 3/10 - 7%	The 30% share pays no expenses.
Grain Sorghum	1/3 - 86% 2/5 - 7% 3/10 - 7%	The 30% share pays no expenses.
Corn	1/3 - 84% 2/5 - 8% 3/10 - 8%	The 30% share pays no expenses.
Sunflowers	1/3 - 84% 2/5 - 8% 3/10 - 8%	The 30% share pays no expenses.
Soybeans	1/3 - 86% 2/5 - 7% 3/10 - 7%	The 30% share pays no expenses.
Alfalfa	1/3 - 72% 2/5 - 14% 3/10 - 14%	The 30% share pays no expenses.
Other Dryland Crops (OATS and Hay)	1/3 - 78% 2/5 - 11% 3/10 - 11%	The 30% share pays no expenses.
Landlord's Share of Government Payments	1/3 - 82% 2/5 - 9% 3/10 - 9%	The 30% share pays no expenses.
Landlord's Share of Crop Insurance Proceeds	1/3 - 82% 2/5 - 9% 3/10 - 9%	Landowner has own insurance. The 30% share pays no expenses.

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

Written Leases		Oral Leases	
6 - 50% to 100%	2- 10% or less	4 - 90% to 100%	3 - 50%

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

EXPENSE OR INPUT	Landowners % Share of Crop Expenses	Other Comments
Fertilizer	1/3 - 93% 2/5 - 9%	
Fertilizer Application	None - 67% 1/3 - 22% 2/5 - 11%	
Herbicide	1/3 - 64% None - 18% 2/5 - 9% 1/5 - 9%	-No cost on wheat.
Herbicide Application	None - 67% 1/3 - 22% 2/5 - 11%	
Insecticide	1/3 - 73% None - 18% 2/5 - 9%	
Insecticide Application	None - 72% 1/3 - 14% 2/5 - 14%	
Harvesting	None - 86% 1/3 - 14%	
Hauling Grain	None - 86% 1/3 - 14%	
Drying costs after harvest	None - 50% 1/3 - 50%	
Crop Insurance	1/3 - 78% None - 22%	-Landowner buys their own insurance.
Other production costs (seed, fungicide, crop consulting, water, etc.)	None - 71% 1/3 - 29%	-33% of fungicide only. -Soybean seed is 33%, other seed zero.
Terrace/Conservation Structure Maintenance (annual upkeep costs)	None - 50% 100% - 38% 1/3 - 12%	-Landowner responsibility.
Terrace/Conservation Structure Construction (major land investments)	100% - 80% None - 10% 1/3 - 10%	-100% of initial construction.

Other comments:

-Landowner does NOT pay for herbicide that replaces tillage, but does share in all other chemicals.

Pasture Lease Summary

Physical Location of Pasture Land

Mitchell Co.	58%	Jewell Co.	21%
Osborne Co.	7%	Barber Co.	7%
Lincoln Co.	7%		

Pasture Land Rental Rates

Average rent per acre	\$23.00/acre
Range per acre	\$14 to \$35/acre

Other Rental Rate Arrangements

\$200 per/pair during the summer

Trends for stocking rates for 2016

No Change	63%
Decrease	12%
Increase	25%

Livestock Stocking Rate (Cow/Calf)

*Avg. 8 acres/pair *Range 6 to 10 acres/pair

Mature Weight of Cow

Average	1300 lbs.
Range	1200-1500 lbs.

Livestock Water Supply

Pond	45%	Transported to site	20%
Well	25%	Stream	10%

Summary of Tenant/Landlord Responsibilities

Responsibility	Tenant	Landlord
Maintaining Water Supply	100%	0%
Maintaining Fences - Furnishing Materials	44%	56%
Maintaining Fences - Furnishing Labor	100%	0%
Controlling Weeds	89%	11%

Typical Pasture Grazing Period

Pasture season length (months)	Month Started	Month ended
6 mo. - 100%	April -11% May - 89%	Oct. - 33% Nov. - 67%

Pasture Grazing in 2014

Pasture season length (months)	Month started	Month ended
5 mo. - 29% 6 mo. - 71%	April - 12% May - 88%	October - 43% November - 57%

Pasture Grazing in 2015

Pasture season length (months)	Month Started	Month Ended
6 mo. - 100%	May - 100%	October - 38% November - 62%

Special arrangements for weed control in pastures:

No - 100% Yes - None

Other comments:

- Depends on the rent that is paid.
- Tenant helps out on weed control.

Kinds of Pastureland - 2015

(number of responses to percent of their pastures)

Upland	Lowland/River	Mixture
8- 80% to 100%	2 - 20% or less	1- 100%

Other comments on pasture management:

- The landowner reserves the hunting rights.
- Tenant takes care of thistle control and fences.

Crop Residue Grazing Summary

Physical Location of Crop Residue Land:

Mitchell Co. 56% Ottawa Co. 11%
 Jewell Co. 22% Cloud Co. 11%

Crop Residue Rental Rates:

Average : \$15.00 per acre **Range:** \$7 to \$25

Type of Cattle/Livestock On Wheat Pasture:

Cow/Calf Pairs 75%
 Stockers/Feeders 25%

Livestock Stocking Rate:

4 acres/animal (average)
 Average Weight of Animals Per Acre: 1350 lbs.

Livestock Water Supply:

Transported to Site 63%
 Well 37%

Average of Nutritional Supplement

In Addition to Crop Residue:

Hay: 10-15 lbs./head/day
 Protein tubs/blocks

Crops Utilized for Grazing - (% of responses)

Milo 46%
 Corn 27%
 Soybeans 18%
 Wheat 9%

Rate of Gain in Crop Residue Grazing System:

* 1/2 to 1 lb/day
 * Just expect to maintain their body weight on bred cows.

Crop Residue Grazing Period 2015

Grazing Season Length (months)	Month Started	Month ended
1 mo. - 40%	November - 100%	January - 60%
2 mo. - 20%		February - 40%
3 mo. - 20%		
4 mo. - 20%		

Crop Residue Summary of Tenant/Landlord Responsibilities 2015

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

Other comments with crop residue grazing:

- * No crop residue grazed or rented out. (11 responses)
- * No grazing permitted.
- * Generally graze for 30-45 days.



Recreational Leasing Summary

Percentage of Written and Oral Leases For recreational hunting:

Written	Oral
50%	50%

Walk-In Hunting available - No - 80%; Yes - 20%

Years with same tenant:

1-5 years	50%
10 or more years	50%

Leasing Arrangements for Hunting 2015:

Hunting Type	Acres	# hunters	Length	Rental \$
Deer	1,640	Unlimited	*Season	\$3/Acre \$750/yr.
Turkey	1,480	Unlimited	*Season	\$3/Acre
Game Birds	1,680	10 to unlimited	*Season	\$3/Acre \$4/Acre
Water-fowl	80	Unlimited	*Season	\$3/Acre
Fishing	None	reported	-----	-----

Rating of Hunting:

Superior	20%
Excellent	40%
Very Good	20%
Good	20%
Fair	No responses



Are users required to sign a waiver of liability or carry liability insurance?

No	75%
Yes	25%

Is the property specifically managed to improve the wildlife or fish habitat?

Yes	20%
No	80%

Other comments related to recreational hunting:

- No leasing indicated (3 responses).
- No "Walk-In" hunting indicated (4 responses).

Other 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 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**
 $\text{Revenue} - \text{Non-land Costs} = \text{Rent}$

(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)



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 has more information on **Flexible Cash Rents**.

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