2018 FARM LEASE ARRANGEMENT SURVEY
SUMMARY FOR DRYLAND CROPS
K-STATE RESEARCH & EXTENSION
Post Rock District
OSBORNE County
Number of survey responses: 16 (23% return rate)

Summary of Cash Rent Paid to Landlord

<table>
<thead>
<tr>
<th>CROP ENTERPRISE</th>
<th>AVERAGE RENT/ACRE</th>
<th>CASH RENT RANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cropland (dryland)</td>
<td>$46.00</td>
<td>$15 - $65</td>
</tr>
</tbody>
</table>

Estimated Trend for 2019 Dryland Crop/Pasture Leases in Osborne County

<table>
<thead>
<tr>
<th>Trend</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No change</td>
<td>82%</td>
</tr>
<tr>
<td>Unsure of 2019 Trend</td>
<td>9%</td>
</tr>
<tr>
<td>Lower</td>
<td>9%</td>
</tr>
<tr>
<td>Higher</td>
<td>No responses</td>
</tr>
</tbody>
</table>

Trend of Lease Arrangements for 2019

<table>
<thead>
<tr>
<th>MORE CASH RENT</th>
<th>NO CHANGE</th>
<th>MORE CROP SHARE</th>
</tr>
</thead>
<tbody>
<tr>
<td>34%</td>
<td>33%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Adjustments to Cash Rents due to rising input costs in 2018

<table>
<thead>
<tr>
<th>NO ADJUSTMENTS</th>
<th>DECREASE</th>
<th>INCREASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>No responses</td>
<td>No responses</td>
</tr>
</tbody>
</table>
### Percentage of acres in the different Tillage Systems in 2018
**(Number of responses)**

<table>
<thead>
<tr>
<th></th>
<th>No -Till</th>
<th>Minimum Till</th>
<th>Conventional Till</th>
<th>Summer Fallow</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 - 100%</td>
<td></td>
<td>2 - 60%</td>
<td>2 - 100%</td>
<td></td>
</tr>
<tr>
<td>1 - 30%</td>
<td></td>
<td></td>
<td>1 – 40%</td>
<td>1 – 10%</td>
</tr>
</tbody>
</table>

Other comments: Tillage is up to tenant.

### When were the cash rent payments made to the landlord for 2018
**(% of responses)**

<table>
<thead>
<tr>
<th></th>
<th>All at once</th>
<th>Split payment</th>
<th>Dates</th>
<th>After Harvest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>22%</td>
<td>67%</td>
<td>Jan./March May/Nov. May/December May/August/December</td>
<td>11% (July and November)</td>
</tr>
<tr>
<td></td>
<td>(Payments in November or December)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Interest in Flexible Leasing Arrangements

<table>
<thead>
<tr>
<th></th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100%</td>
<td>No responses</td>
</tr>
</tbody>
</table>

### Crop Share Summary

<table>
<thead>
<tr>
<th>DRYLAND CROP ENTERPRISE</th>
<th>SHARE PAID TO LANDLORD</th>
<th>OTHER COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>1/3 - 100%</td>
<td></td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>1/3 – 100%</td>
<td></td>
</tr>
<tr>
<td>Corn</td>
<td>1/3 - 100%</td>
<td></td>
</tr>
<tr>
<td>Sunflowers</td>
<td>1/3 - 100%</td>
<td></td>
</tr>
<tr>
<td>Soybeans</td>
<td>1/3 – 100%</td>
<td></td>
</tr>
<tr>
<td>Alfalfa</td>
<td>1/3 - 60% 1/2 - 40%</td>
<td></td>
</tr>
<tr>
<td>Other Dryland Crops (Brome Hay)</td>
<td>1/3 – 100%</td>
<td></td>
</tr>
<tr>
<td>Landlord’s Share of Government Payments</td>
<td>1/3 - 89% None - 11%</td>
<td></td>
</tr>
<tr>
<td>Landlord’s Share of Crop Insurance Proceeds</td>
<td>1/3 - 86% None - 14%</td>
<td></td>
</tr>
</tbody>
</table>
### Percentage of Written and Oral Leases
#### For Pasture and Cropland (number of responses)

<table>
<thead>
<tr>
<th>Written Leases</th>
<th>Oral Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 - 100%</td>
<td>2 - 100%</td>
</tr>
<tr>
<td>2 - 33% or less</td>
<td>3 - 67% to 90%</td>
</tr>
<tr>
<td></td>
<td>1 - 10% or less</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>EXPENSE OR INPUT</th>
<th>Landowners % Share of Crop Expenses</th>
<th>Other Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fertilizer</td>
<td>1/3 - 100%</td>
<td></td>
</tr>
<tr>
<td>Fertilizer Application</td>
<td>None - 80% 1/3 – 20%</td>
<td></td>
</tr>
<tr>
<td>Herbicide</td>
<td>1/3 - 70% None - 30%</td>
<td></td>
</tr>
<tr>
<td>Herbicide Application</td>
<td>None - 70% 1/3 - 30%</td>
<td></td>
</tr>
<tr>
<td>Insecticide</td>
<td>1/3 - 63% None - 37%</td>
<td></td>
</tr>
<tr>
<td>Insecticide Application</td>
<td>None - 78% 1/3 - 22%</td>
<td></td>
</tr>
<tr>
<td>Harvesting Costs</td>
<td>None - 100%</td>
<td></td>
</tr>
<tr>
<td>Hauling Grain</td>
<td>None - 100%</td>
<td></td>
</tr>
<tr>
<td>Drying costs after harvest</td>
<td>None - 88% 1/3 - 12%</td>
<td>-Landlord charged at elevator.</td>
</tr>
<tr>
<td>Crop Insurance</td>
<td>1/3 - 56% None - 44%</td>
<td>-Landlord has own insurance.</td>
</tr>
<tr>
<td>Other production costs (seed, fungicide, crop consulting, water, etc.)</td>
<td>None - 90% 1/3 - 10%</td>
<td></td>
</tr>
<tr>
<td>Terrace/Conservation Structure Maintenance (annual upkeep costs)</td>
<td>None - 67% 100% - 33%</td>
<td>-Landlord responsible for terrace maintenance.</td>
</tr>
<tr>
<td>Terrace/Conservation Structure Construction (major land investments)</td>
<td>100% - 60% None - 30% 1/2 - 10%</td>
<td></td>
</tr>
</tbody>
</table>

Other comments: 25% of respondents indicated no crop share.

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Pasture Lease Summary

Physical Location of Pasture Land
Osborne Co. 79% Russell Co. 7%
Lincoln Co. 7% Smith Co. 7%

Pasture Land Rental Rates
Average rent/acre $17.75/acre
Range/acre $10 - $25/acre

Other Rental Rate Arrangements
None

Expected Trend for 2019 Stocking Rates
No Change 91%
Decrease 9%

Livestock Stocking Rate (Cow/Calf)
Average 9 acres/pair
Range 6 – 10 acres/pair

Mature Weight of Cow
Average 1,300 lbs.
Range 1,000 – 1,600 lbs.

Livestock Water Supply
Pond 50% Transported to site 14%
Well 27% Stream 9%

Summary of Tenant/Landlord Responsibilities

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>Tenant</th>
<th>Landlord</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintaining Water Supply</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>Maintaining Fences - Furnishing Materials</td>
<td>36%</td>
<td>64%</td>
</tr>
<tr>
<td>Maintaining Fences - Furnishing Labor</td>
<td>71%</td>
<td>29%</td>
</tr>
<tr>
<td>Controlling Weeds</td>
<td>69%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Special arrangements for weed control in pastures:
No - 62% Yes - 38%

Comments:
- Landowner contributes 1/3 of all control costs necessary for Musk Thistle.
- Aerial spray.
- Landlord furnishes chemical, tenant handles all application.

2018 Grazing Period

<table>
<thead>
<tr>
<th>Pasture season length</th>
<th>Month Started</th>
<th>Month Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 mo. – 92%</td>
<td>April – 8%</td>
<td>Nov. – 100%</td>
</tr>
<tr>
<td>7 mo. – 8%</td>
<td>May – 92%</td>
<td></td>
</tr>
</tbody>
</table>

2017 Grazing Period (previous year)

<table>
<thead>
<tr>
<th>Pasture season length</th>
<th>Month Started</th>
<th>Month Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 mo. - 17%</td>
<td>May - 92%</td>
<td>Nov. - 100%</td>
</tr>
<tr>
<td>6 mo. - 83%</td>
<td>June - 8%</td>
<td></td>
</tr>
</tbody>
</table>

Kinds of Pastureland - 2018

<table>
<thead>
<tr>
<th>Upland</th>
<th>Lowland/River</th>
<th>Mixture</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 – 100%</td>
<td>3 – 10% or less</td>
<td>1 – 100%</td>
</tr>
<tr>
<td>4 – 80% or more</td>
<td>2 – 10% or less</td>
<td></td>
</tr>
</tbody>
</table>
Crop Residue Grazing Summary

Physical Location of Crop Residue Land
Osborne Co. 75%
Smith Co. 12.5%
Russell 12.5%

Crop Residue Rental Rates
Average: $7.50/acre
Range: $5-$10/acre

Livestock Stocking Rate
Average: 2 acres/head/month
Range: 1-3 acres/head/month

Type of Cattle/Livestock On Crop Residue
Dry Cows: 86%
Stockers: 14%

Livestock Water Supply
Transported to site 42%
Well 28%
Other (Pond) 28%

Crops Utilized for Grazing - (% of responses)
Milo 50%
Corn 33%
Cover Crops 17%

Crop Residue Grazing Period 2018

<table>
<thead>
<tr>
<th>Grazing Season Length (months)</th>
<th>Month Started</th>
<th>Month ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 mo. – 20%</td>
<td>Nov. – 33%</td>
<td>Jan. - 50%</td>
</tr>
<tr>
<td>2 mo. – 40%</td>
<td>Dec. – 50%</td>
<td>Feb. - 17%</td>
</tr>
<tr>
<td>3 mo. – 40%</td>
<td>Jan. – 17%</td>
<td>Mar. - 33%</td>
</tr>
</tbody>
</table>

Crop Residue Summary of Tenant/Landlord Responsibilities 2018

<table>
<thead>
<tr>
<th>Responsibilities</th>
<th>Tenant</th>
<th>Landlord</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintaining water supplies</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>Maintaining Fences-Furnishing Materials</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>Maintaining Fences - Furnishing Labor</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Livestock Care</td>
<td>71%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Other comments with crop residue grazing
-I don’t figure any costs for grazing my own crop residue.
-Tenant handles all costs and responsibility when grazing any rented ground.
-Move cattle to a new field when stocks are 50% used up.
Recreational Leasing Summary

Percentage of Written and Oral Leases
For recreational hunting:

<table>
<thead>
<tr>
<th></th>
<th>Oral</th>
<th>Written</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>57%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Years with same tenant:
- 3-5 years: 43%
- 15-40 years: 57%

Leasing Arrangements for Hunting 2018:

<table>
<thead>
<tr>
<th>Hunting Type</th>
<th>Acres</th>
<th># Hunters</th>
<th>Length</th>
<th>Rental $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deer</td>
<td>3,280</td>
<td>Up to 6</td>
<td>Season</td>
<td>$500 to $2,250</td>
</tr>
<tr>
<td>Turkey</td>
<td>5,680</td>
<td>Up to 6</td>
<td>Season</td>
<td>$2,250 to $1,80/A</td>
</tr>
<tr>
<td>Game birds</td>
<td>2,680</td>
<td>Up to 6</td>
<td>Season</td>
<td>$2,250 to $1,80/A</td>
</tr>
<tr>
<td>Waterfowl</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fishing</td>
<td>2 ponds</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Rating of Hunting:
- Superior: No responses
- Excellent: 43%
- Very Good: 29%
- Good: 14%
- Fair: 14%

Are users required to sign a waiver of liability or carry liability insurance?
- No: 86%
- Yes: 14%

Is the property specifically managed to improve the wildlife or fish habitat?
- No: 75%
- Yes: 25%

Other comments related to recreational hunting:
- No leasing indicated (44% of respondents).
- Walk-in Hunting (No - 62%; Yes - 38%)
- This is up to the tenant.
- Written in farm lease.
- Hunter/season welcomes bird and turkey hunting when not deer hunting.

Information related to recreational hunting:
(by Dr. Mykel Taylor, K-State Research and Extension, Farm Management specialist)

In many parts of Kansas, hunting leases for cropland and pasture offer an additional revenue source for land-owners. Whether or not to pursue this option is going to depend on a couple of factors: how much can I charge and what is my liability exposure?

Information on hunting leases and rental rates is challenging to find and, when it is available, interpret accurately. There is very little consistency across hunting leases and learning what other people pay and/or receive is only half of the equation. How much a hunter is willing to pay for a lease will depend on the amount of land, the quality of the habitat, the range of wildlife and seasons the land can be hunted, along with documented harvests of trophy animals on that land. Each of these factors can affect the rental rate, as well as how many years the land may be rented. Another aspect of hunting leases that affects the rental rate is the availability of additional services such as housing, meals, guide services, and even transportation from the nearest airport. Landowners who cater to more of the needs of hunters will be able to charge a higher rent for their land.

The question of liability is an important one because risk exposure depends on the type of lease that is negotiated. Agricultural land owners can avoid liability if they allow hunters on their land at no charge or if they charge a fee for hunting only. This means if any additional services are provided such as guiding, lodging, etc. the landowner may be liable. Another option for the landowner to rent their land and not have to deal with liability is by contracting with the State of Kansas through the Walk-In Hunting program.

Regardless of the type of lease that is pursued, it is important to remember that the hunting rights to a piece of rented farmland transfer to the tenant unless they are explicitly retained by the landowner in a written contract. This means both landowners and producers need to discuss how a hunting lease would work for them and how the costs and benefits will be split. Examples of questions to answer include: Who pays for any improvements that affect the hunting lease, i.e. permanent blinds? Will the presence of livestock on the land be affected by hunting?

Communication between the landowner and producer can make hunting leases a beneficial option.
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.

Trends in Leases and Values of Agricultural Land in Kansas

by Dr. Mykel Taylor, K-State Research and Extension, Farm Management specialist

The past few years have seen some wide fluctuations in both land values and rental rates as a result of dramatic changes in profitability for farmers and ranchers in Kansas. According to surveys by USDA-NASS, the statewide average land value for non-irrigated cropland in 2009 was $981/acre. Within a five-year span, that average more than doubled to $2,150/acre in 2014. By 2018, non-irrigated land values in Kansas have fallen 11% and are expected to continue to decline as long as low commodity prices remain in place. A similar pattern can be observed in pasture values. The state average of pasture was $761/acre in 2010 and, within five years, values increased 80% to a record high of $1,390/acre. Pasture values have fallen off 8% since 2015.

For most producers, high volatility in commodity prices translates into higher risk exposure from rental rates. During periods of high profitability, rental rates will increase and competition for land can be fierce as producers try to expand their land base to capture more returns. However, a sudden decline in profitability in the sector will not necessarily translate into lower rents in the short run.

Rental rates tend to lag behind commodity prices and profitability for several reasons. First, land contracts and cash rental rates are often set for 3-5 year periods to allow both producers and landowner to plan for expected costs and returns. As a result, producers can be locked into rents that are not aligned with the current market.

Another reason rental rates do not decline as quickly as might be expected is due to concern over losing land. Rented land is often a significant part of the land base in an ag operation, driving decisions on machinery and labor. If a landowner will not accept a lower rent, then some producers will pay more than their total costs of production to keep it. The expectation is that taking a loss in the short run is preferable to losing acres and incurring an increase in total costs per acre.

Regardless of the particular situation a producer faces, strong communication with their landowner can be very beneficial to the long-run economic viability of their operation. Landowners will not be excited to lower rental rates, but if they have a strong understanding of the current market conditions they may be more willing to negotiate. Tenants who take extra time to work with their landowners, answer questions, and keep them up to date on the farm’s situation will find it easier to have those difficult conversations about lowering the rent.
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, co avg., 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).
- 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 flexible 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:
  - 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 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.