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Farm leasing arrangements

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Farm leasing arrangements are a dominant area of discussion for Iowa State University Extension field economists and their clients. News releases, fact sheets, and meetings provide annual updates regarding the current issues and relevant numbers. One product developed in 2003 that adds to the stream of information on this topic is the online Farm Leasing Arrangements course. It is constantly updated, and an online description is available at www.extension.iastate.edu/ames.

This article will describe each module in the course and provide additional resources. The Agricultural Management e-School (A.M.E.S.) courses rely on Ag Decision Maker resources and other land grant university sources. Over 575 students from 89 Iowa counties and 24 other states have taken A.M.E.S. courses.

Cash farm leases
Cash farm leases are the most popular type of farm lease. As a result, our first module in the course covers the topic. A significant resource used in this course is Cropland Leasing Practices -- C2-15. Out-of-state Iowa landowners are part of the target audience for the course and are likely to focus on this module. Because of that, Mike Duffy’s PM 1983 Farmland Ownership and Tenure in Iowa 1982-2002: A Twenty-Year Perspective is also referenced in the module. Decision Aids in the Cash Lease module focus on formulas and different approaches for reaching a leasing rate resulting in a contract that both sides can easily agree to.

Crop share leases
The 50-50 share lease is not the only way that Iowa farmland can be leased on shares. This module helps students to think through the possibilities of how costs and income can be shared. Decision tools are combined with research results to help analyze ways in which returns to landowners can be sufficient to retain the positive risk management benefits of share leasing to tenants.

Communication is important for any type of leasing arrangement, but a constant stream of communication is particularly important for crop share situations. This module strives to help landowners understand the questions they can and should ask. It also reminds tenants of the benefits of clear and timely communication. Students are reminded that a termination and switch to a cash lease are often only an undocumented invoice away.

Flexible cash leases
While flexible cash leases are not common, they do provide a nice transition from crop share leasing for landowners who want to retain risk without a constant stream of in-

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voices. Decision tools with examples help to overcome confusion regarding the calculation of the base rate and final payment under a variety of formulas.

Custom farming
Custom farming is an ever present alternative to leasing. From a tenant’s perspective, this module explains the responsibilities involved in performing the field operations for someone else’s farm. A sample contract is provided. Iowa Farm Custom Rate Survey -- A3-10 is emphasized as a good starting point in determining payment rates. This module attempts to make the point that rates need to be checked for profitability for both parties.

Renting hay and pasture land
There are areas in the Midwest that are not suitable for row crops. In parts of Iowa hay and pasture leases dominate. It can be difficult for absentee landowners to understand that non-crop acres are treated differently than land rented out for corn and soybeans. This module goes over those differences. Commonly used hay and pastureland leases are explained. Examples of average rental rates and methods to calculate the rates in different areas are given.

Renting farm buildings
Changes in farming and shifts in types of operations result in buildings and livestock facilities that outlast the owner's needs. With good information, the assets may be able to generate a sufficient return. Tenants can get the use and benefits of buildings and facilities without the large investment of building new. The owners also benefit by getting income from the facilities that are sitting unused on their property. This module provides decision aids and helps to determine rental rates for farm buildings. It also provides example contracts to emphasize the importance of “getting it in writing.”

Legal and tax considerations
A lease agreement is a legal contract and includes obligations for both parties. Reasons for a written lease, oral lease considerations, and lease termination open the discussion. Material participation, tax implications, and landlord liens round out the discussion.

A very common legal issue is responsibility for fences. A summary of fencing laws from the Iowa Code is included to help students understand their rights and responsibilities related to fences. References for further study include links to the National Ag Law Center and sample farm lease forms.

Environmental and conservation concerns
Of particular concern for some absentee landowners is the effect of farming operations on the environment. This module helps to expose students to programs designed to entice producers to adopt new practices. The breakdown of different environmental programs and what they could mean for a landowner is a primary topic in this module.

Alternative options such as sustainable agriculture practices and organic operations also are covered. Examples are included to show how individuals have customized lease agreements for different types of production. This module concludes with weed control and other environmental concerns that should be considered. References to environmental agriculture Web sites are listed along with links to organic crop research results.

Owner and tenant relations
Stress reduction, productivity increase, and simple relationship maintenance enhancement are the concepts dominating this module. Tips and methods of keeping a constant communication stream open are provided. Common questions based on situations that may arise with a landlord are in the evaluation component of this module.

USDA agencies and programs
The final content module is a basic overview of the many USDA agencies and programs available to agricultural producers. Links are included to agency websites along with explanations of payment programs. The purpose of this module is for the student to see options they may not have known about and to give more information on how government programs can benefit their operation financially.

Rogers Family Case Study: Renting the farm right
The application module for this course asks the student to use information from throughout this course and apply it to a realistic farm situation. The student decides on goals for the farm, selects a lease plan, and selects a tenant. Video clips are included that explain possible plans for the case farm. This case study helps the student apply concepts discussed in the course.

More information on the Farm Leasing Arrangements course and A.M.E.S. courses can be found at www.extension.iastate.edu/ames. The fee for most A.M.E.S. courses is $100.