2023 LEASE SURVEY SUMMARY REPORT
K-State Research and Extension Post Rock District
JEWELL County

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2023 FARM LEASE ARRANGEMENT SURVEY SUMMARY FOR DRYLAND CROPS

K-STATE RESEARCH & EXTENSION

Post Rock District

JEWELL County

Number of survey responses: 13 (17% return rate)

Summary of Cash Rent Paid to Landlord

CROP ENTERPRISE	AVERAGE RENT/ACRE	CASH RENT RANGE
Cropland (dryland)	$104 .00	$70 - $150
Cropland (irrigated)	$250.00	$225 - $275

Comment: 23% of the respondents indicated no cash rent leases.

Estimated Trend for 2024 Dryland Crop/Pasture Leases in Jewell County

Higher	66%
No change	17%
Unsure of 2024 Trend	17%
Lower	No responses

Trend of Lease Arrangements for 2024

NO CHANGE	MORE CASH RENT	MORE CROP SHARE
60%	40%	No responses

Adjustments to Cash Rents due to rising input costs in 2023

NO ADJUSTMENTS	INCREASE	DECREASE
100%	No responses	No responses

Percentage of acres in the different Tillage Systems in 2023
(Number of responses)

No -Till	Minimum Till	Conventional Till	Summer Fallow
7 - 100% 3 - 70% to 95%	1 - 100% 1 - 25% or less	1 - 30% or less	No responses

When were the cash rent payments made to the landlord for 2023?
(% of responses)

All at once	Split payment	Dates	After Harvest
11% (December)	89%	January/July March/Oct. March/Nov. April/Nov. May/November	No responses

Interest in Flexible Leasing Arrangements

No	Yes
90%	10%

Crop Share Summary

DRYLAND/IRRIGATED CROP ENTERPRISE	SHARE PAID TO LANDLORD	OTHER COMMENTS
Wheat	1/3 - 67% 2/5 - 33%	
Grain Sorghum	1/3 - 60% 2/5 - 40%	
Corn	1/3 - 60% 2/5 - 40%	
Sunflowers	1/3 - 50% 2/5 – 50%	
Soybeans	1/3 - 67% 2/5 - 33%	
Alfalfa	1/2 - 34% 1/3 - 33% 2/5 – 33%	
Other Dryland Crops (Brome Hay)	1/3 - 67% 2/5 - 33%	
Landlord's Share of Government Payments	1/3 - 68% 2/5 - 16% 100% - 16%	-Same as crop share percentage.
Landlord's Share of Crop Insurance Proceeds	1/3 - 57% 2/5 - 29% 100% - 14%	-Landowner has own insurance. -Tenant has their own insurance. -Same as crop share percentage.

Comment: 31% of respondents indicated no crop share. Share depends on the crop and the arrangements.

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

Written Leases	Oral Leases
5 - 100% 2 - 60% to 75% 1 - 50% or less	1 - 100% 3 - 50% or less

Landlord Share of Input or Cost
(Percent of responses)

EXPENSE OR INPUT	Landowners % Share of Crop Expenses	Other Comments
Fertilizer	1/3 - 67% 2/5 - 33%	-Same as crop share percentage. -Landowner pays 2/5 of fertilizer and chemicals and water to irrigate.
Fertilizer Application	None - 50% 1/3 - 33% 100% - 17%	-Same as crop share percentage.
Herbicide	None - 43% 2/5 - 29% 1/3 - 14% 100% - 14%	-Same as crop share percentage.
Herbicide Application	None - 83% 100% - 17%	-Same as crop share percentage.
Insecticide	None - 71% 1/3 - 14% 2/5 - 14%	-Same as crop share percentage.
Insecticide Application	None - 100%	-Same as crop share percentage.
Harvesting Costs	None - 83% 100% - 17%	
Hauling Grain	None - 83% 100% - 17%	
Drying costs after harvest	None - 60% 2/5 - 20% 1/3 - 20%	-Same as crop share percentage.
Crop Insurance	1/3 - 43% 2/5 - 29% None - 14% 100% - 14%	-Landowner has own insurance. -Tenant has own insurance.
Other production costs (seed, fungicide, crop consulting, water, etc.)	None - 100%	-Pay for fungicide.
Terrace/Conservation Structure Maintenance (annual upkeep costs)	None - 83% 100% - 17%	-Landlord does all upkeep and construction.
Terrace/Conservation Structure Construction (major land investments)	100% - 83% ½ - 17%	-Landlord does all upkeep and construction.

Pasture Lease Summary

Physical Location of Pastureland
Jewell Co. 90%
Mitchell Co. 10%

Pastureland Rental Rates
Average rent/acre $35.00/acre
Range/acre $20-$45/acre

Expected Trend for 2024 Stocking Rate
No change 70%
Increase No responses
Decrease 30%

Livestock Stocking Rate (Cow/Calf)
Avg. 7.5 acres/pair
Range 6-10 acres/pair

Mature Weight of Cow
Average 1,360 lbs.
Range 1,000-1,600 lbs.

Livestock Water Supply
Pond 47% Stream 21%
Well 32%
(Other water sources: Rural water district and spring fed.)

Summary of Tenant/Landlord Responsibilities

Responsibility	Tenant	Landlord
Maintaining Water Supply	90%	10%
Maintaining Fences - Furnishing Materials	10%	90%
Maintaining Fences - Furnishing Labor	70%	30%
Controlling Weeds	70%	30%

Special arrangements for weed control in pastures:
No - 89% **Yes - 11%**
Additional Comments: Landowner pays for chemical

2023 Grazing Period

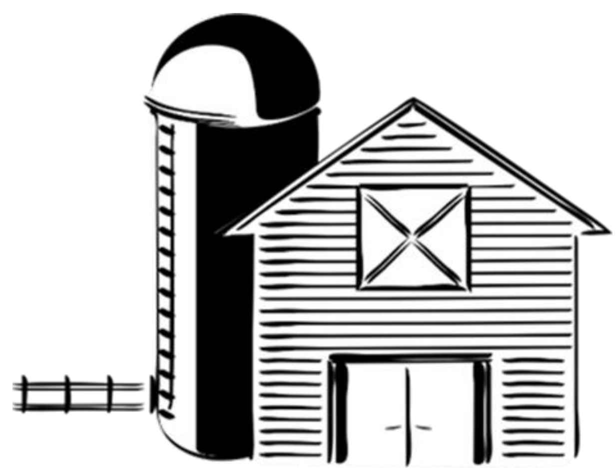
Pasture season length (months)	Month Started	Month Ended
4 mo. - 14% 5 mo. - 29% 6 mo. - 57%	May - 85% June - 15%	Oct. - 29% Nov. - 71%

2022 Grazing Period (previous year)

Pasture season length (months)	Month Started	Month Ended
5 mo. - 25% 6 mo. - 75%	May - 100%	Oct. - 25% Nov. - 75%

Kinds of Pastureland - 2023
(number of responses to percent of their pastures)

Upland	Lowland/River	Mixture
8 - 100% 2 - 75% to 90%	2 - 10% to 25%	No Responses



Crop Residue Grazing Summary

Physical Location of Crop Residue Land
Jewell Co. 100%

Crop Residue Rental Rates
Corn/Sorghum Stalks:
Average: $7.00/acre
Range/acre: $5.00 to $10.00
Other: $1.00-2.00/hd./day for 30 days
$0.30/hd./day
Cover Crops:
Average: $12.00/acre
Range/acre: $7.00-$20.00
Other: $0.50/hd./day
$1.00-$2.00/hd./day for 30-45 days

Type of Cattle/Livestock On Crop Residue
Cow/Calf Pairs 50%
Dry Cows 40% Average Wt.: 1400 lbs.
Stocker/Feeder 10%

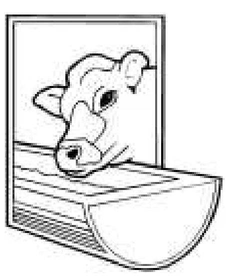
Livestock Stocking Rate
2 ac./head (average)

Goals of crop residue grazing
Maintain body condition 100%

Livestock Water Supply
Transported to Site 33%
Well 33%
Other (Rural Water) 33%

Crops Utilized for Grazing
Milo 33%
Corn 17%
Cover Crops 17%
Alfalfa 17%
Wheat 17%

(Cover crops included: collards, forage sorghum, barley, triticale, spring forage pea, oats, turnips, millet, sudan, rye, sunflowers, radishes, and volunteer wheat.)



Crop Residue Grazing Period 2023

Grazing Season Length (months)	Month Started	Month Ended
3 mo. - 57% 4 mo. - 29% 5 mo. - 14%	Oct. - 14% Nov. - 72% Dec. - 14%	Jan. - 14% Feb. - 43% Mar. - 43%

Other comments with crop residue grazing
- Must have for a sustainable cattle operation in our area

Responsibilities	Tenant	Landlord
Maintaining water supplies	100%	No responses
Maintaining Fences-Furnishing Materials	62%	38%
Maintaining Fences - Furnishing Labor	100%	No responses
Livestock Care	100%	No responses

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 Robin Reid, K-State Research and Extension, Ag Economist

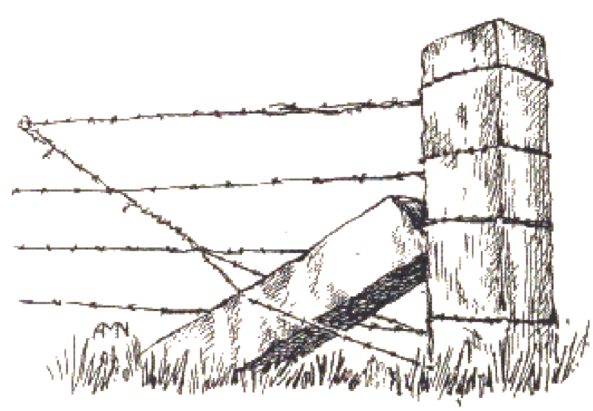
After experiencing higher commodity prices and farm profitability in recent years, 2023 started to bring uncertainty into the agricultural industry again. Higher input costs coupled with lower commodity prices, with the exception of cattle, have slowed the growth of agricultural land values and have had farmers questioning what an affordable cash rent may be.

Land prices in 2020-2022 have seen an exceptional increase in value due to recent higher profitability in farming returns, historically high inflation rates, and increases in investment outside of agriculture. While interest rates increased dramatically for the past 2 years, it seems that land prices are only minimally affected at this point. Likely interest rates will become a larger factor as cash for land purchases dwindles. According to surveys by USDA-NASS, the statewide average land value for cropland in 2023 increased by 16.6% over the 2022 value, reaching an all-time high of $3,440 per acre. A similar pattern can be observed in pasture values. The state average of pasture was $2,150 per acre in 2023; an increase of 16.2% over the 2022 value.

For most producers, high volatility in commodity and input prices translates into higher risk exposure from rental rates. During periods of high profitability, such as has been seen in recent years, 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 decline in profitability in the sector will not necessarily translate into lower rents in the short run, which becomes a very risky situation for a farmer or rancher. This may be a common situation in 2024, if commodity prices remain below cost of production.

Rental rates tend to lag behind commodity prices and profitability because land contracts and cash rental rates are often set for 3-5 year periods to allow both producers and landowners to plan for expected costs and returns. As a result, producers can be locked into rents that are not aligned with the current market; either higher or lower. In addition, from a landowner's perspective, higher profitability in agriculture will eventually translate into higher real estate taxes, putting upward pressure on rental rates.

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. 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.



Flexible Cash Rents

Principles:

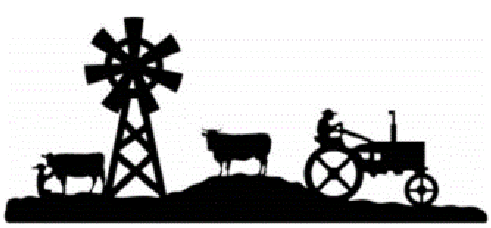
- Flexible cash rents simply refer to land rental arrangements where the amount of cash rent paid (received) can vary based upon some pre-determined formula (i.e. formalizes bonus rents).
- Methods of **"flexing"** rental rates, i.e., formulas are based on:
  -Yield (actual for producer, co avg., etc.)
  -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).

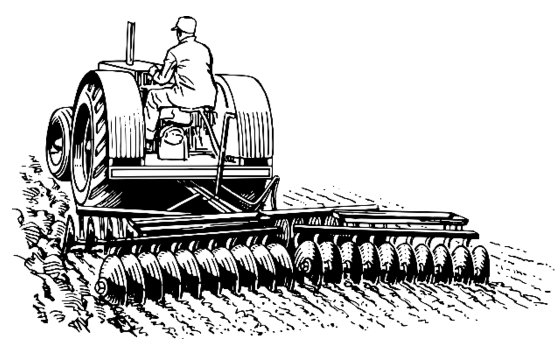


How to determine Flexible cash rents:

- 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.**



Net Share Lease Arrangements

There are many different kinds of leasing arrangements for producers to choose from today. In addition, many farmers, rent 80-90% of their acres and it is increasing every year. So it is critical that tenants and landowners have all the leasing tools that are available to them to determine the most equitable arrangements for their unique situation.

The traditional one-third/two-thirds lease arrangement has been very common for many years, however, even 40/60 is becoming more common along with a fairly new arrangement such as a net-share lease. The net share leasing arrangement may be 75/25 or 80/20 for the crop share percentages with the larger percentage going to the tenant.

A fairly new type of leasing arrangement is called a Net-share lease. In a Net-share lease, the tenant, covers 100% of the input costs, while landlords cover property taxes, crop insurance and a few other minor expenses. Then, the two parties agree on the percentage of the crop that goes to the landlord to sell.

This may be a lease arrangement worth looking into to determine if it may work in your specific situation. So generally, when the good times are really good, both parties get a share in that; but when the times are not as good, their sharing in that as well.

Advantages:

- Both parties win when yields and prices are high, and if they aren't, crop insurance is available to help put a floor under the return for the landlord.
- Can work very well in areas where the risk of crop production can vary widely from one year to the next.
- There is much less capital investment to add leased acres versus owned acres.
- The risk-reward to both the landlord and farmer are shared more equally under net-share leases.
- Lease rate self-adjusts when commodity prices change.
- Landowner still markets their own percentage of the grain.
- Landowner does not have inputs to pay.
- Tenant does not have to keep track of inputs and billing landlords.

Disadvantages:

- While the risk in crop production and crop prices is shared between the landowner and tenant, the cost of input prices is not.
- In years like 2022 when fertilizer prices soared, the tenant would be burdened by the entire fertilizer bill which could have caused them to lose money on the crop while the landowner still made money.
- Also, not sharing yield-increasing inputs (like a traditional crop-share) may disincentive tenants to utilize the optimal amount or the more expensive products.
- The landowner will not know their exact income until after harvest, which can be difficult for landowners that rely on rental income for living expenses.

Sources: Robin Reid, KSU Ag Economist; Sara Schafer, December 8, 2022, Ag Web Farm Journal.

K-State Research & Extension
Post Rock District
Smith Center Office: 785-282-6823
Sandra L. Wick, Crop Production Agent, swick@ksu.edu
Beloit Office: 785-738-3597
Blaire Todd, Livestock Agent, blairet@ksu.edu