

## Leasing Land

Presented at U.S. AgBank Appraisal Seminar  
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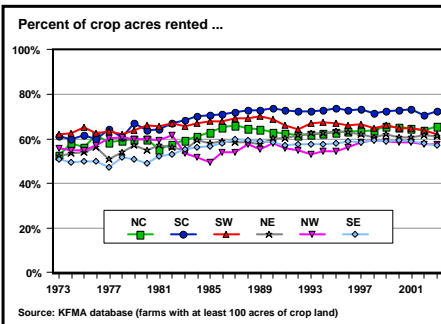
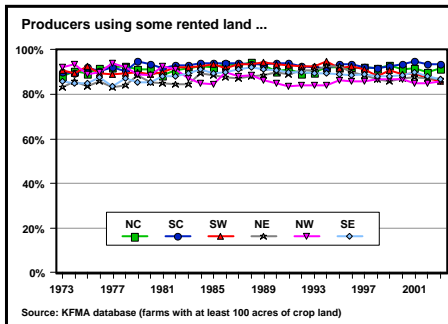
## Current land lease issues ...

### Majority of questions we get concern ...

- Impact of adopting new technologies
- Cash renting
- “Non-traditional” leases
  - Net share rent
  - Flexible cash rent
  - Bushel rent
  - Combination cash/cropshare

## Renting cropland in Kansas ...

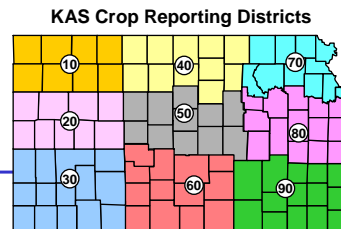
- Producers in Kansas rely heavily upon rented land in their operations



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## Length of cropland leases ...

Region	Years rented
Northwest (10)	22.0
West Central (20)	21.3
Southwest (30)	19.0
North Central (40)	18.1
Central (50)	16.6
South Central (60)	15.7
Northeast (70)	16.4
East Central (80)	15.7
South Central (90)	14.8
State	17.7



Source: Golden, Tsoodle, and Bigge -- 2002 KAS/KSU survey

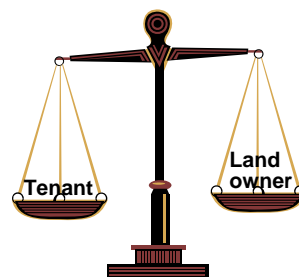
## Distribution of leases by type of lease ...

Region	Cash	Share	Other
Northwest	23.0%	74.3%	2.7%
West Central	16.4	75.8	7.8
Southwest	8.7	89.1	2.2
North Central	27.8	68.2	4.0
Central	25.7	62.0	12.3
South Central	19.7	75.2	5.1
Northeast	33.1	59.9	7.0
East Central	35.0	60.4	4.6
South Central	34.2	62.9	2.9
State	24.8	69.8	5.4

Source: Golden, Tsoodle, and Bigge -- 2002 KAS/KSU survey

## Determining the terms of a lease ...

How are cash lease rates or the terms of crop share leases established?





## Way to find acceptable lease rates (crop shares and cash rents) ...

While landowners and tenants (i.e., the market) ultimately determine terms of crop share and cash leases, we use the equitable concept to arrive at a starting point for negotiations.

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## Equitable vs. traditional share rent ...

*Equitable:* Income is shared in the same proportion as the contribution of total inputs.

*Traditional:* Income and shared expenses (if any) are shared in the same proportion as what has been done in the past. Share rent based on tradition may, or may not, be equitable.

Traditional = Equitable in the long-run

### **Principles embodied in an equitable lease ...**

- Profit maximization (MR=MC)
- Economic profits (expected profit = 0)
- Opportunity costs
- Risk across lease types
- Equal rates of return on annual investment  
(if economic profit = 0, then rate of return = 0)

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### **A good crop share lease should follow five basic principles ...**

1. Yield increasing inputs should be shared
  2. Share arrangements should be adjusted as technology changes
  3. Total returns divided in same proportion as resources contributed
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4. Compensation for unused long-term investments at termination
  5. Good landlord/tenant communications

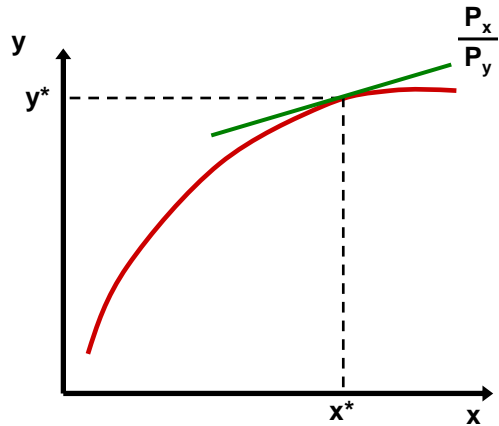


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**Principle #1:  
Yield increasing inputs should be shared**

Examples of yield increasing inputs

- Fertilizer
- Irrigation water
- Herbicides ???
- Seed ???



**Principle #1:  
Optimal fertilizer levels under crop share**

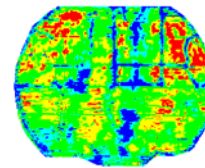
Fert (lb/ac)	Yield (bu)	Income (\$/ac)	Return over fert	VMP* (\$2.05/bu)	MIC** (\$0.30/lb)	Income and cost position of tenant			
						All inc. all cost	2/3 inc. all cost	2/3 inc. no cost	2/3 inc. 2/3 cost
0	36	\$73.80	\$73.80	---	---	\$73.80	\$49.20	\$49.20	\$49.20
10	50	\$102.50	\$99.50	\$28.70	\$3.00	\$99.50	\$65.33	\$68.33	\$66.33
20	60	\$123.00	\$117.00	\$20.50	\$3.00	\$117.00	\$76.00	\$82.00	\$78.00
30	68	\$139.40	\$130.40	\$16.40	\$3.00	\$130.40	\$83.93	\$92.93	\$86.93
40	74	\$151.70	\$139.70	\$12.30	\$3.00	\$139.70	\$89.13	\$101.13	\$93.13
50	79	\$161.95	\$146.95	\$10.25	\$3.00	\$146.95	\$92.97	\$107.97	\$97.97
60	83	\$170.15	\$152.15	\$8.20	\$3.00	\$152.15	\$95.43	\$113.43	\$101.43
70	86	\$176.30	\$155.30	\$6.15	\$3.00	\$155.30	\$96.53	\$117.53	\$103.53
80	88	\$180.40	\$156.40	\$4.10	\$3.00	\$156.40	\$96.27	\$120.27	\$104.27
90	89	\$182.45	\$155.45	\$2.05	\$3.00	\$155.45	\$94.63	\$121.63	\$103.63
100	90	\$184.50	\$154.50	\$2.05	\$3.00	\$154.50	\$93.00	\$123.00	\$103.00

\* VMP = Value of Marginal Product  
\*\* MIC = Marginal Input Cost

**Principle #2:  
Technology may affect share arrangements**

Examples of technological change

- Reduced-/no-till
- New crops and/or rotations
- Center pivot irrigation
- Hybrid seed
- Bio-technology
- Precision agriculture (GPS)

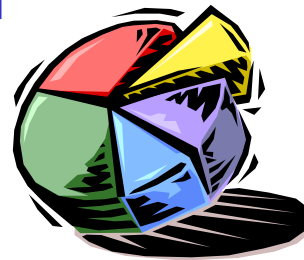


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**Principle #3:  
Returns divided in same proportion as  
resources contributed.**

**This requires annual contributions  
of both parties to be identified  
(budgeting type approach).**

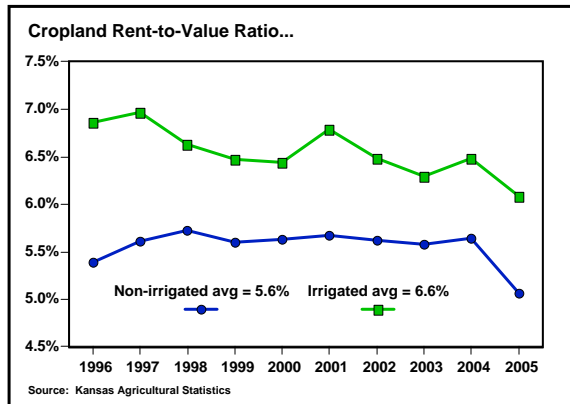
**Valuing inputs can depend on  
whether the lease being  
developed is a one-year lease  
versus multiple-year lease.**



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## Land contribution ...

The land contribution is typically based on an “average market value” for the land along with an historical average return to land.



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## Machinery contributions ...



Machinery contribution should be based on average costs. Two methods for estimating the machinery contribution:

1. Machinery investment approach - annual contribution is based on depreciation, interest, repairs, fuel and oil, and labor.
2. Custom rates approach - annual contribution is based on reported custom rates and the typical operations.



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### **Crop production input contributions ...**

The value of contributions for input expenses such as seed, herbicides, insecticides, fertilizer, etc. are generally valued at current market prices and represent “typical” production practices.

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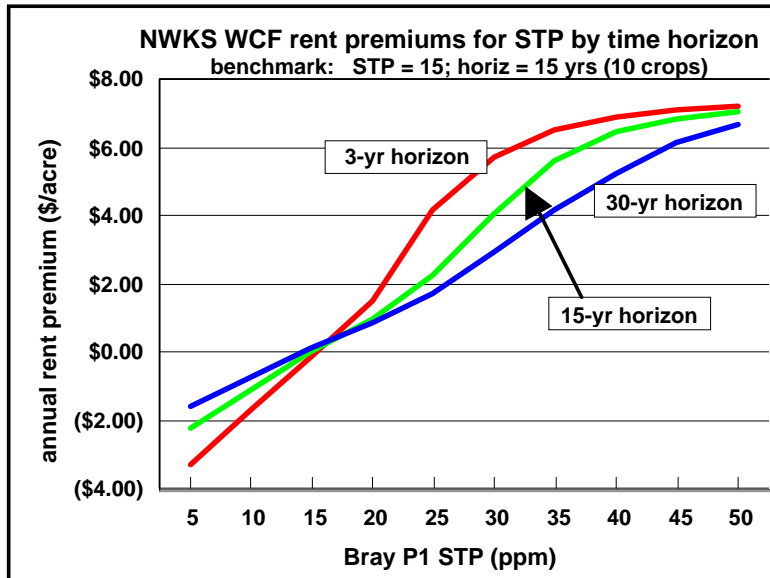
### **Principle #4: Compensation for unused long-term investments at lease termination.**

It is generally recommended that landowners make long-term investments such as terraces, irrigation well, lime, alfalfa seed, etc.

If the tenant pays for long-term investments, or shares their cost, he should be compensated for his share of any value that remains when the lease is terminated

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## Fertility levels impact rents (land values) . . .



Expected yield: 75 corn 45 wheat; allowed for application savings when doesn't pay

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## Does no-till impact rents (land values) . . .

- What are the long-term impacts of NT on soil quality?
  - organic matter (fertilizer provider)
  - soil structure (water holding capacity)
  - reduced erosion
- Market rents early vs. late (extra N needed early?)
- Will tenants be compensated for improvements at lease termination?

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**Principle #5:  
Good communications between the  
landlord and the tenant.**

Because so many of the terms of a lease are based on negotiation between the landowner and the tenant, good communications are critical.

A lease is a legal contract in Kansas, thus it is suggested that terms of the lease agreed upon by both parties be put in writing. This becomes more important as the complexity of leases increases.

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**Tests of a good crop share lease ...**

- Are yield increasing inputs shared?
- Does it have flexibility to deal with change?
- Does it promote optimal management?
- Is income shared in same % as contributions?
- Is it written?
- Will it be reviewed periodically?
- Do all parties agree that lease is “fair”?

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## Impact of new technologies ...

- Why do people adopt new technologies?
- What happens as “new” technologies become common practice?
- How does this impact relative contributions?



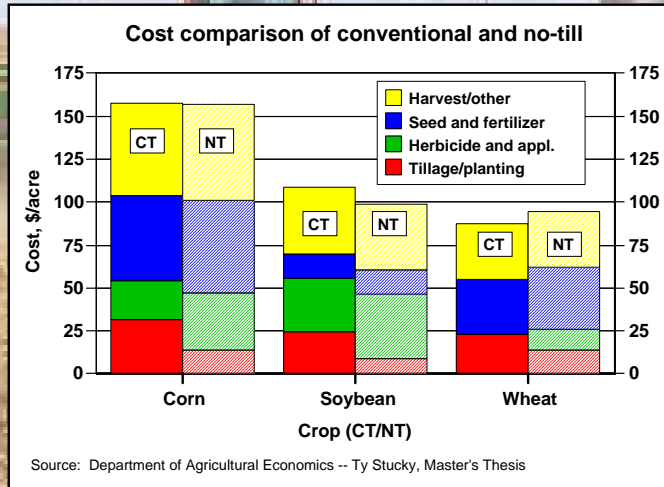
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**Technology adoption example:  
Impact switching to no-till has on  
equitable lease arrangements**

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## Lease examples of CT vs NT for NC Kansas

- Corn, soybean, wheat rotation projected budgets
- Average land values



Conventional (CT) vs. No-tillage (NT) Effect on Equitable Shares				
(Rotation = 50% W, 25% C, 25% S)				
Tillage system	Farm #1		Farm #2	
	CT	NT	CT	NT
Contribution	Contributor		Contributor	
Land	Landlord	Landlord	Landlord	Landlord
Machinery	Tenant	Tenant	Tenant	Tenant
Fertilizer/insect.	Shared	Shared	Shared	Shared
Herbicide	Tenant	Tenant	Shared	Shared
Herbicide appl.	Tenant	Tenant	Shared	Shared
Other	Tenant	Tenant	Tenant	Tenant
<b>Contributions</b>	<b>32.5/67.5</b>	<b>33.1/66.9</b>	<b>36.3/63.7</b>	<b>40.6/59.4</b>

## If you were previously sharing herbicides ...

- Rather than change the crop share splits, many producers/landowners continue to share “non-burndown” herbicides and the tenant pays 100% of the burndown herbicides.
- Is this equitable?
- Is there a problem with this arrangement?

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Conventional (CT) vs. No-tillage (NT) Effect on Equitable Shares (Rotation = 50% W, 25% C, 25% S)				
Tillage system	<u>Farm #1</u>		<u>Farm #2</u>	
	CT	NT	CT	NT
Contribution	Contributor		Contributor	
Land	Landlord	Landlord	Landlord	Landlord
Machinery	Tenant	Tenant	Tenant	Tenant
Fertilizer/insect.	Shared	Shared	Shared	Shared
Herbicide	Tenant	Tenant	Shared	Shared
Herbicide appl.	Tenant	Tenant	Shared	Shared
Burndown herbicide	Tenant	Tenant	Tenant	Tenant
Burndown appl.	Tenant	Tenant	Tenant	Tenant
Other	Tenant	Tenant	Tenant	Tenant
<b>Contributions</b>	<b>32.5/67.5</b>	<b>33.1/66.9</b>	<b>36.3/63.7</b>	<b>36.7/63.3</b>

**If the goal is to have an “equitable” lease ...**

**... then crops should be divided in the same proportion that inputs are provided, regardless of whether or not herbicide costs are shared.**

**What is most important is communication.**

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**Technology adoption example:  
Impact increasing cropping  
intensity has on equitable lease  
arrangements**

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## Lease examples of WF vs WCF in western KS

-- based on Farm Management Guides and *KSU-Lease.xls*



## Impact of increasing cropping intensity ...

Equitable Crop Shares with Wheat-Fallow vs. Wheat-Corn-Fallow Rotations  
(based on 2004 Farm Management Guides -- machinery costs adjusted)

Contributor --- (L=Landlord, T=Tenant, and S=Shared (equitably))

Alternative Arrangements for Sharing Various Inputs

Crop rotation	Wheat-Fallow			Wheat-Corn-Fallow			
	L	L	L	L	L	L	L
Land	L	L	L	L	L	L	L
Machinery	T	T	T	T	T	T	T
Fertilizer <sup>1</sup>	S	S	T	S	S	S	T
Herbicide (wheat) <sup>1</sup>	T	S	T	T	T	S	T
Herbicide (corn) <sup>1</sup>	---	---	---	T	S	S	T
Other	T	T	T	T	T	T	T
Contributions (L/T)	37.1/62.9	39.8/60.2	32.8/67.2	29.7/70.3	33.5/66.5	34.9/65.1	24.6/75.4
Net return, \$/ac	-\$18.10	-\$18.10	-\$18.10	-\$2.10	-\$2.10	-\$2.10	-\$2.10

<sup>1</sup> Product only; application cost is included in machinery category and is covered by tenant.

**Impact of increasing cropping intensity to increase returns ...**

... “profit” associated with new technology is bid out of the market over time.

... as profit is bid out of the market (typically through higher land costs), relative contributions change.

... equitable lease is “dynamic” as market adjusts to new technologies.

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**Technology adoption EXAMPLE:**

**Impact of adding double crop soybeans to equitable lease**

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**Equitable Crop Shares with W-M (NT) vs. W-M-DC B (NT) in NC Kansas<sup>1</sup>**  
(Costs are based on 2003 FM Guides)

Alternative Arrangements for Sharing Various Inputs<sup>2</sup>

Contribution	Wheat-Milo			Wheat-Milo-DC Beans		
	A1	B1	C1	A2	B2	C2
Land	L	L	L	L	L	L
Machinery	T	T	T	T	T	T
Fertilizer (N-P-K)	S	S	S	S	S	S
Lime	L	L	S	L	L	S
Herbicide	S	S	S	S	S	S
Fertilizer application	T	S	S	T	S	S
Herbicide application	T	S	S	T	S	S
Other	T	T	T	T	T	T
<b>Contributions (L/T)</b>	<b>33.4/66.6</b>	<b>36.7/63.3</b>	<b>33.9/66.1</b>	<b>25.0/75.0</b>	<b>27.6/72.4</b>	<b>25.3/74.7</b>

<sup>1</sup> Land value is held constant across rotations (100% of wheat acres planted to DC beans)  
<sup>2</sup> L=Landlord, T=Tenant, S=Shared (equitably)

**Percent of acres planted to dc beans matters ...**

**Equitable Crop Shares with W-M (NT) vs. W-M-DC B (NT) in NC Kansas<sup>1</sup>**  
(Costs are based on 2003 FM Guides)

Alternative Arrangements for Sharing Various Inputs<sup>2</sup>

Contribution	Wheat-Milo			Wheat-Milo-DC Beans		
	A1	B1	C1	A2	B2	C2
Land	L	L	L	L	L	L
Machinery	T	T	T	T	T	T
Fertilizer (N-P-K)	S	S	S	S	S	S
Lime	L	L	S	L	L	S
Herbicide	S	S	S	S	S	S
Fertilizer application	T	S	S	T	S	S
Herbicide application	T	S	S	T	S	S
Other	T	T	T	T	T	T
<b>Contributions (L/T)</b>	<b>33.4/66.6</b>	<b>36.7/63.3</b>	<b>33.9/66.1</b>	<b>28.6/71.4</b>	<b>31.5/68.5</b>	<b>29.0/71.0</b>

<sup>1</sup> Land value is held constant across rotations (50% of wheat acres planted to DC beans)  
<sup>2</sup> L=Landlord, T=Tenant, S=Shared (equitably)

## **Adoption of new technologies ...**

**... tends to cause problems because traditional arrangements or rules-of-thumb are often not appropriate.**

**... should not be a problem if we follow basic principles of a good lease.**

**... if problems persist as to what is equitable, can lead to alternative leasing arrangements (e.g., cash lease).**

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## **Cash leasing**



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## **“Non-traditional” leases ...**

- **Cash rent**
- **Net share rent**
- **Bushel rent**
- **Flexible cash rent**
- **Combination cash and crop share rent**

**Because there is currently much interest in these types of leases, there must be good reasons to use them ...**

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## **“Non-traditional” leases ...**

**Numerous good reasons to use these different types of leases, but landowners and producers need to recognize several things when doing so ...**

- **Communication is critical**
- **Rules-of-thumb really don't exist**
- **More important to have a written lease**

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## Increased interest in cash rents ...



### Some possible explanations for the current interest in cash rents ...

- Increased cropping flexibility
- Landowners not wanting to share increased expenses of new tillage/cropping systems
- Landowners wanting fixed income
- Increasing farm size and landlords per farm
- Difficult to prorate technology costs (e.g., GIS)

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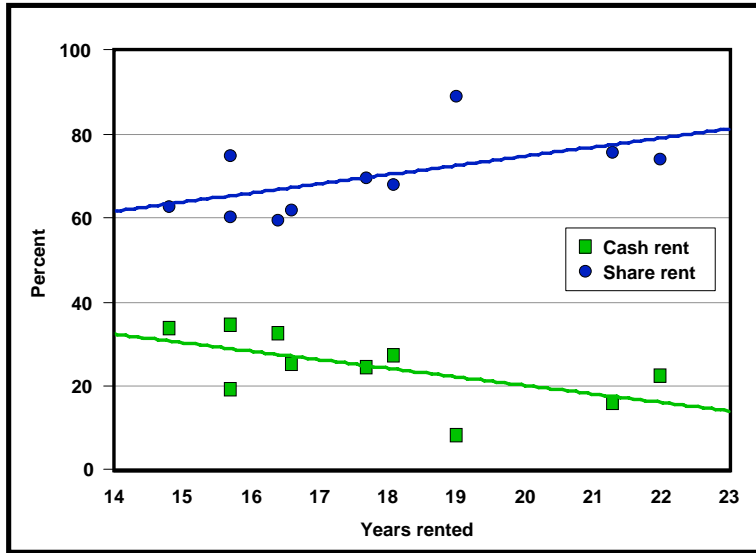
## Cash rents ...

Numerous good reasons to go to cash rent, but landowners and producers need to recognize several things when doing so ...

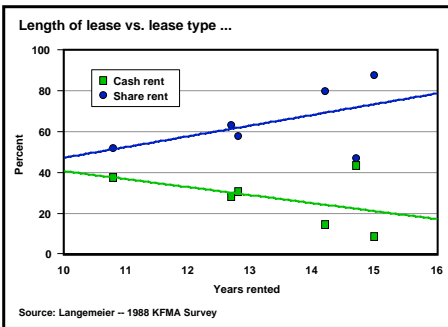
- Land tends to change hands more often

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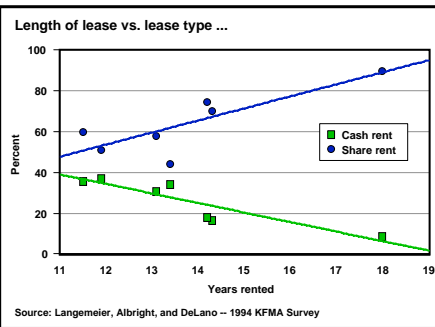
## Length of lease vs. lease type ...



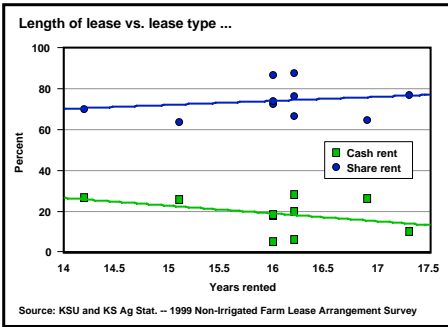
Source: Golden, Tsoodle, and Bigge -- 2002 KAS/KSU survey



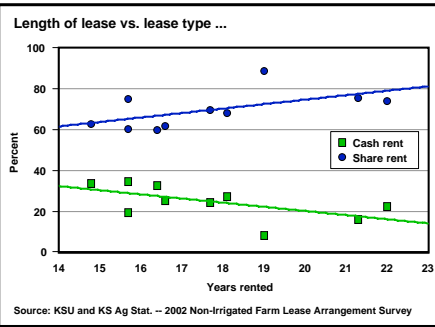
Source: Langemeier -- 1998 KFMA Survey



Source: Langemeier, Albright, and DeLano -- 1994 KFMA Survey



Source: KSU and KS Ag Stat. -- 1999 Non-Irrigated Farm Lease Arrangement Survey



Source: KSU and KS Ag Stat. -- 2002 Non-Irrigated Farm Lease Arrangement Survey

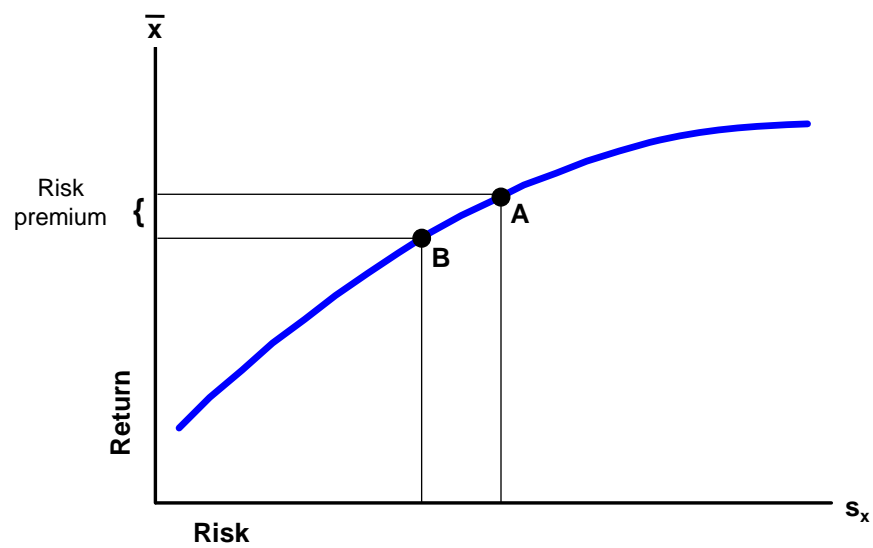
## Cash rents ...

Numerous good reasons to go to cash rent,  
but landowners and producers need to  
recognize several things when doing so ...

- Land tends to change hands more often
- Relative risks change

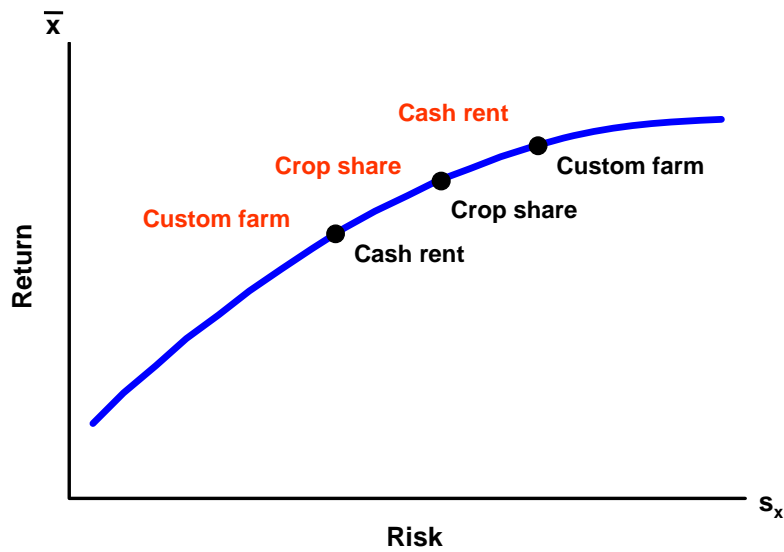
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## Risk-return tradeoff



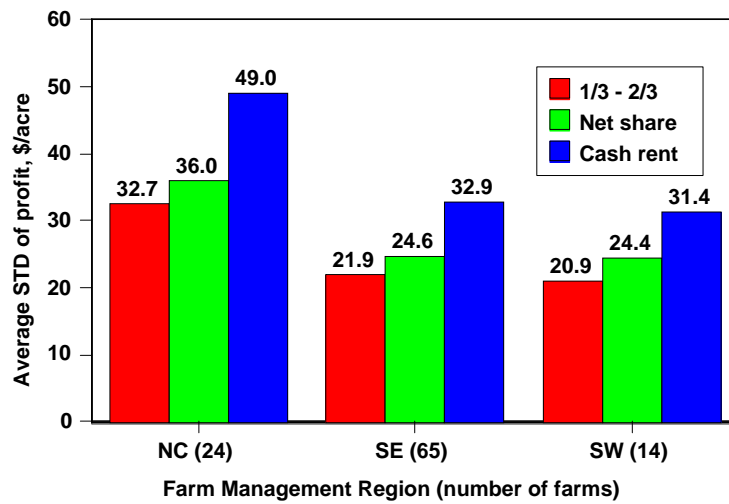
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## Landowner/producer risk-return tradeoff



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## Variability of tenant's return/acre versus lease type



Based on 10 years of data -- average profit for all three lease types is equal  
No allowance for crop insurance in analysis

**Cash rents may not be much lower than cash equivalents of crop share rents because risk may not be that much different ...**

- **Subsidized crop insurance**
- **Geographical spread of large farms**
- **Ad hoc disaster programs**
- **Non-insured assistance program (NAP)**
- **Landowners still have risk with cash rents**

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**Cash rents may even be higher than cash equivalents of crop share rents ...**

- **It may be easier to “bid away” land from other producers with cash rents (prevailing crop share arrangements are often “sticky”)**
- **Cost of servicing lease is lower for tenant**
  - **Costs associated with billing landlord for inputs**
  - **Marketing landlord’s crop**
  - **Reporting on crop progress**
  - **Educating landlord about new technologies**

**... cash rents are not just about risk/return, they are also about costs and revenues**

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## Methods of establishing cash rent values ...

- Market going rate (if available)
- 
- Crop share equivalent (adjusted for risk)
- Landowner's cost
- Amount tenant can afford to pay

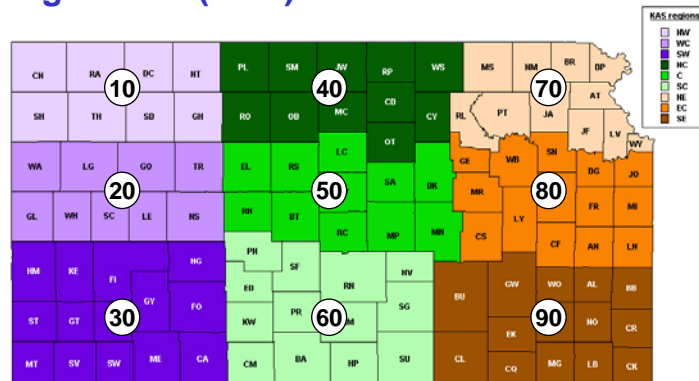


The last three require yield, price, and government payment projections (as well as cost information used for crop share).

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## Market going rate ...

- Kansas Agricultural Statistics (KAS) reports average cash rent values for non-irrigated, irrigated, and pasture land at the crop reporting district (CRD) level



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# KAS surveyed market rates ...

## AGRICULTURAL LAND VALUES



Released: August 17, 2005

### Kansas Farmland Values and Rents, 2005

Kansas' average value of all farmland and buildings for 2005 is estimated to be \$200 per acre. This compares with \$175 in 2004 and \$85 in 2003. Kansas' average value of all farmland and buildings increased by 11.9 percent from 2004 to 2005. The increase of \$85 per acre is the largest since a 17.2 percent increase from 1979 to 1980, when the average value increased by \$88 per acre. Irrigated cropland values rose 9 percent, non-irrigated was up 14 percent, and pasture land values increased 10 percent.

Rental rates for both types of cropland increased \$1.00 per acre, while pasture rents rose \$ 50 per acre.

### Kansas Farmland Values and Rents, 1994-2005

Year	Cropland			Pasture and Rangeland		All Farmland and Buildings (1)	
	Irrigated	Non-Irrigated	All Cropland	Irrigated	Non-Irrigated	Value Per Acre	Total Value
	Dollars						
1994	873	549	597	49.30	32.60	341	12,300
1995	920	595	623	51	35.50	343	11,750
1996	968	607	638	66.30	32.70	361	11,900
1997	990	615	649	69.00	34.00	365	11,600
1998	1,010	620	655	67.00	35.50	367	11,000
1999	1,020	625	646	66.00	35.00	370	11,300
2000	1,040	630	666	67.00	35.00	380	12,800
2001	1,060	635	673	72.00	36.00	390	12,400
2002	1,080	640	679	70.00	36.00	400	12,600
2003	1,080	645	684	68.00	36.00	410	12,400
2004	1,110	665	705	72.00	37.50	430	13,740
2005	1,200	760	800	73.00	38.50	500	13,400

1) Values per acre are for land and buildings. Rental rates are for land only. 2) Insufficient data to publish.

### The Land Values Survey-Background

The Agricultural Land Values Survey was conducted during May/June 2005. Survey respondents were asked to provide information on the value of the land they operate and the rental rates for any land they rented. Additional land value and rent data were collected in the June Agricultural Survey.

The Census provides the official base for estimates of all farmland values. However, the Census occurs once every five years and only estimates the value of all agricultural land and buildings. The Land Values Survey and Agricultural Survey provide data to make annual estimates of both market values and rental rates for different categories of farmland.

The average values in this report encompass a wide range of soil types and pastures. These data are more appropriate for studying overall trends and should not be used to establish rental rates or market values.

KAS report

## Farm Management Guide MF-1100

### Kansas Land Prices and Cash Rental Rates

Department of Agricultural Economics



Kansas State University Agricultural Experiment Station and Cooperative Extension Service

Kevia C. Blyvenner  
Agricultural Economist  
Farm Management

Terry L. Kueken  
Agricultural Economist  
Crop Production

This Farm Management Guide reports Kansas land prices and cash rents for 1994-2004. These data are useful to farm managers in determining cash rental rates, to landowners in establishing prices for leasing land, and to investors who have expectations of future price increases for land. The average prices in this guide encompass parcels of land that vary widely in productivity. Thus, these data are more appropriate for analyzing trends than for establishing market value or rental rates for specific tracts of land.

Kansas Agricultural Statistics  
For reporting purposes, Kansas Agricultural Statistics services divide the state into nine agricultural statistical districts. The districts are: Northwest (NW), West Central (WC), Southwest (SW), North Central (NC), Central (C), South-Central (SC), Southeast (SE), East-Central (EC), and Southeast (SE). Since 1976, Kansas Agricultural Statistics has collected price information on three types of land:

nonirrigated cropland, irrigated cropland, and pasture. This information is combined in the additional land groupings: all-cropland and all-land in farms. While these two groupings do not represent a particular type of land (i.e., nonirrigated cropland), they provide a broader classification of interest. The land values reported also include the value of any buildings that may be on the land. The value of the buildings represents a small portion of the total value, and changes in this value reporting method does not significantly affect the accuracy of land values reported.

Kansas Land Prices  
Tables 1 through 5 show average prices of land and buildings in each district and the average for the state for the most recent 20 years reported. Data are shown for each of the five land groupings: all land in farms, all cropland, nonirrigated cropland, irrigated cropland, and pasture. The annual data are based on April 1 for 1985 and February 1 for 1994-1999, and January 1 for 2000-2004.

Table 1. Price per acre of all land in farms and buildings, Kansas Agricultural Statistical Districts, 1985-2004\*

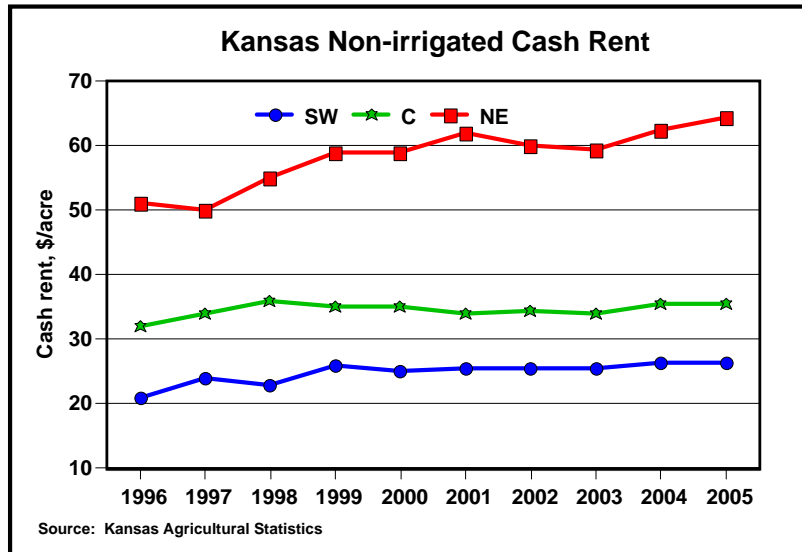
Year	NW	WC	SW	NC	C	SC	NE	EC	SE	State
1985	1837	2192	2487	2423	2533	3114	3423	3490	3421	2488
1986	1317	312	416	370	413	521	527	410	311	415
1987	813	207	377	343	484	484	474	363	330	373
1988	358	328	421	390	446	513	455	396	373	418
1989	384	370	441	417	463	559	484	405	384	430
1990	395	361	440	488	486	576	527	425	400	430
1991	399	363	410	474	517	570	570	430	397	440
1992	378	366	411	465	462	499	514	462	394	460
1993	399	371	411	444	451	546	506	430	407	465
1994	435	386	451	511	488	561	628	487	449	503
1995	491	386	464	527	545	579	606	451	501	535
1996	488	399	469	526	523	554	611	431	541	533
1997	560	410	480	540	540	576	618	520	575	565
1998	499	410	490	550	560	598	630	500	590	577
1999	499	405	500	560	530	599	606	520	600	550
2000	539	413	525	645	610	640	620	500	630	625
2001	569	445	540	625	600	665	645	575	665	645
2002	550	460	550	640	600	685	660	620	690	645
2003	560	470	550	660	610	700	660	600	710	685
2004	589	490	590	690	690	725	645	665	750	715

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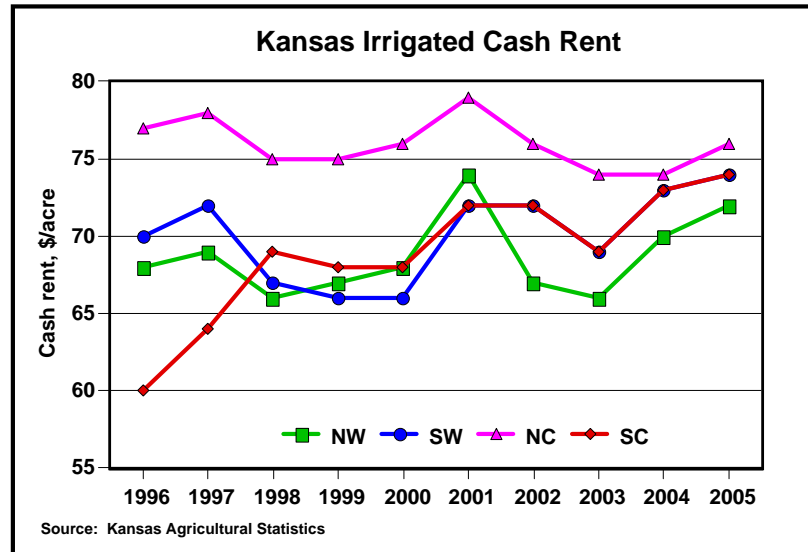
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# Market going rate ...



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## Market going rate ...



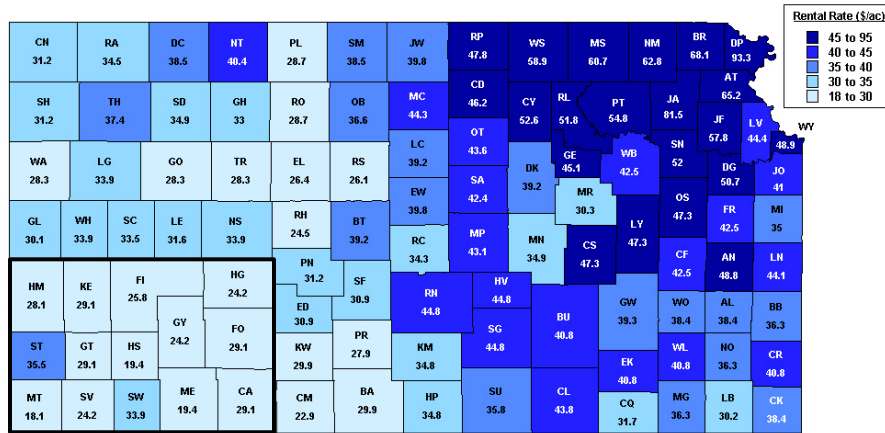
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## County-level cash rents ...

- County-level cash rents were estimated for non-irrigated crop and pasture land based upon the KAS reported CRD values
- CRD values prorated to individual counties based on 4-year average of county-level rents from FSA and 2002 census acreage data
- Weighted average county-level cash rents are exactly equal to the KAS reported district value
- Similar procedure done for land values

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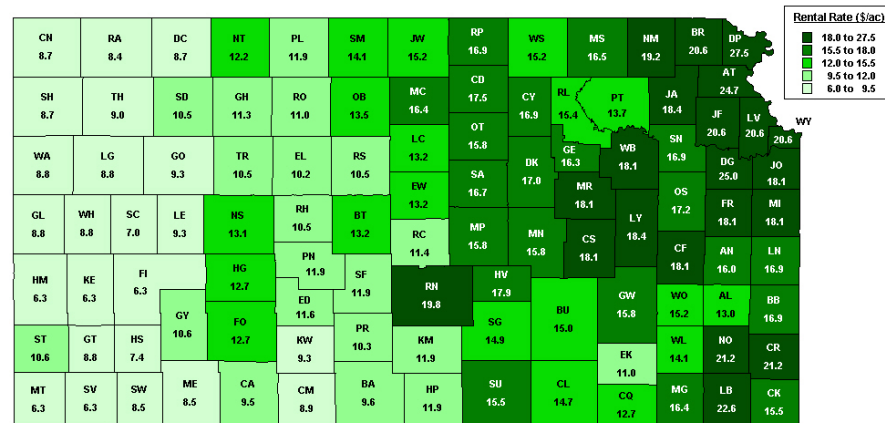
## Kansas county-level non-irrigated crop cash rents...



Based on KAS reported values for January 1, 2005

Acreage-weighted average of counties equals \$26.50 (KAS)

## Kansas county-level pasture cash rents ...



Based on KAS reported values for January 1, 2005

### **Methods of establishing cash rent values ...**

- **Crop share equivalent (adjusted for risk)**
  - Converts equitable crop share rent to an expected dollar amount per acre
- **Landowner's cost**
  - Based on the premise of landowner's continuing to receive comparable returns to what has been received in the past
- **Amount tenant can afford to pay**
  - Residual approach – after tenant pays all expenses, whatever income is left represents cash rent

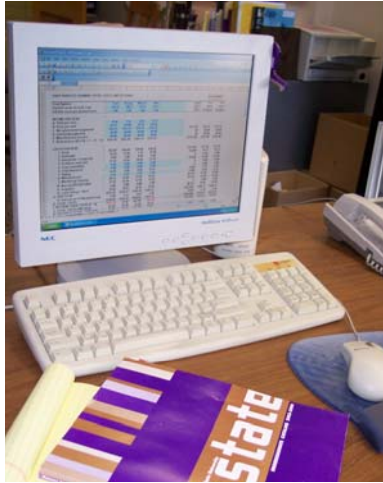
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### **Methods of establishing cash rent values ...**

- **Crop share equivalent (adjusted for risk)**
  - **Landowner's cost**
  - **Amount tenant can afford to pay**
- ... because no one method is “correct,” we typically suggest the average and range of the three methods as a starting point of negotiation between landowner and tenant.

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## Using “KSU-Lease.xls” to determine equitable crop share and cash leases ...



### Information/data required:

1. Crop rotation/mix
2. Income information
3. Production inputs
4. Machinery costs
5. Land value
6. Irrigation equipment
- 
7. Contributor of input
8. Risk adjustment

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## Sources of data ...

- Crop budgets are designed to follow KSU Farm Management Guides and thus these budgets are often a good “first start” at inputs
- Machinery costs are based on custom rates approach (as opposed to investment per acre)
- Generally suggest using “average” data as opposed to farm-specific data, but this will depend on situation

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### Time horizon of lease ...

- If intent of analysis is to establish a one-year lease, inputs (e.g., rotation, yield, prices, costs) should be based on expectations for next year
- If intent of analysis is to establish a multi-year lease, inputs should be based on longer term averages

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### Level of complexity ...

- *KSU-Lease* is extremely flexible and can be used to generate leases with terms that are quite simple to extremely complex
- For example equitable percentages for ...
  - net share lease (i.e., no inputs shared)
  - fertilizer shared equitably (i.e., same % as income)
  - fertilizer shared equitably, herbicides shared in some other proportion
  - different inputs shared differently for each crop
  - combination of crop share and cash rent

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**Using *KSU-Lease*  
(go to Excel)**

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***Questions ???***

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