

Fence Laws & Leasing 101

December 5, 2011
Jackson Co. Fair Building
4:30 p.m. to 7:30 p.m.

5:30 Fence Laws
John Donley, Devine and Donley Law Firm
6:20 Fence Viewing
Roger Coverdale, 2nd District County Commissioner
6:30 Leasing 101
Dr. Kevin Dhuyvetter, KSU Ag. Economist



Open Kitchen – Come and eat when you can
Meal Provided By - Jackson County Conservation District
Sponsors of this event are - K-State Research & Extension
Jackson Co. Conservation District



Leasing 101

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Renting cropland in Kansas...

- **KFMA farms with > 100 crop acres (2008-2010 avg)**
 - 88% of KFMA farms use rented crop land (range across six regions, 81%-93%)
 - 61% of crop acres farmed by KFMA members are rented (range across six regions, 51%-71%)
- **In other words, almost everybody rents land, and the majority of the acres they are farming are rented**
- **For owner-operators rent is the “profit” assigned to land after all other opportunity costs are considered**

Types of leases on crop land

- **Crop-share**
 - Landowner shares in annual revenues (production and government payments) and typically shares certain production costs
- **Cash rent**
 - Landowner gets a fixed annual cash payment in exchange for use of land
- **Numerous variants around these two**

Over the years, the majority of land leasing questions we receive pertain to:

- **Impact of adopting new technologies**
- **Cash renting (folks always want the “going rates”)**
- **“Non-traditional” leases**
 - Net share rent
 - Flexible cash rent
 - Bushel rent
 - Combination cash/cropshare
- **Terminating leases**

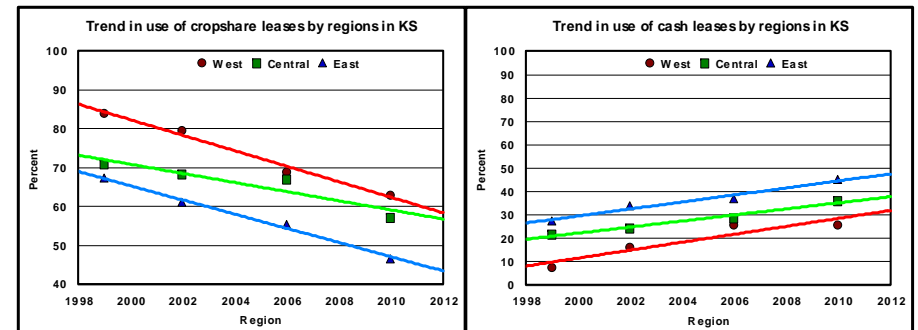
... regardless of the topic pertaining to lease terms, method of addressing questions does not change.

Distribution of non-irrigated crop leases by type of lease...

District	Type of Lease					
	Fixed Cash	Crop Share	Crop & Cash	Flexible Cash	Net Share	Other
Northwest-10	35.2%	54.6%	3.4%	0.0%	6.8%	0.0%
West Central-20	21.3%	58.5%	0.0%	0.0%	20.2%	0.0%
Southwest-30	20.8%	76.1%	0.0%	0.0%	3.1%	0.0%
North Central-40	41.3%	54.8%	1.0%	0.0%	2.9%	0.0%
Central-50	32.8%	53.8%	13.1%	0.0%	0.3%	0.0%
South Central-60	34.0%	63.0%	1.1%	0.0%	0.8%	1.1%
Northeast-70	48.7%	42.4%	5.8%	0.4%	1.8%	0.9%
East Central-80	50.9%	39.6%	7.4%	0.4%	1.7%	0.0%
Southeast-90	35.9%	58.2%	0.0%	0.0%	4.6%	1.3%
State	35.7%	55.7%	3.5%	0.1%	4.7%	0.4%

Source: Schlegel and Tsoodle -- 2010 KAS/KSU survey

Basic Lease Types in Kansas



Source: KSU and KS Ag Stat – Non-Irrigated Farm Lease Arrangement Surveys

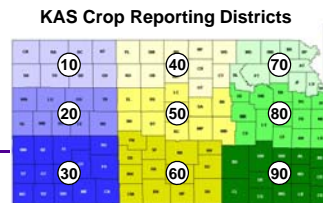
Crop share continues to be the most prevalent, but the trend has been a shift from crop share arrangements towards more cash rent leases.

Questions to ask:

- 1) What factors have been behind this trend?
- 2) Do we expect this to continue, stabilize, or reverse?

Length of cropland leases...

Region	Years rented
Northwest (10)	16.7
West Central (20)	17.6
Southwest (30)	21.0
North Central (40)	17.8
Central (50)	16.0
South Central (60)	18.1
Northeast (70)	21.9
East Central (80)	20.4
Southeast (90)	27.9
State	18.6



Producers tend to lease land from the same landowner for a long time.

Long-term relationships can be good or bad...

Determining the terms of a lease...

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



Source: Schlegel and Tsoodle -- 2010 KAS/KSU survey

Determining the terms of a lease...

Landowners and tenants in Kansas often claim to want a crop share or cash lease rate that is “fair” to both parties.

Economist’s definition of fair...



Determining the terms of a lease...

- How are cash lease rates or the terms of crop share leases established?
 - Short answer is “the market”

Market established rates...

- Land Use Value Project of the KSU Ag Econ Dept annually conducts one of four surveys (irrigated, non-irrigated, pasture, input costs)
- Kansas Agricultural Statistics (KAS) annually surveys landowners and producers regarding land values and cash rents
- Local and regional surveys of leasing practices
- With surveys there is often a trade-off between statistical validity and level of aggregation

Example of market established crop shares...

Table 11. Northeast-70 Nonirrigated Crop-Share Arrangements				
Crop	Landlord's Percent of Crop Received (or of Costs Paid)*			
	33% Share	40% Share	50% Share	Other % Share
Wheat (8 Leases)	1	4	3	
% of Total Leases in Lease Arrangement	12.5%	50.0%	37.5%	No Responses
% of Leases Sharing Fertilizer Costs	100.0%	100.0%	100.0%	
% of Leases Sharing Herbicide Costs	100.0%	75.0%	100.0%	
% of Leases Sharing Insecticide Costs	100.0%	50.0%	100.0%	
Corn (28 Leases)	2	8	18	
% of Total Leases in Lease Arrangement	7.1%	28.6%	64.3%	No Responses
% of Leases Sharing Fertilizer Costs	50.0%	100.0%	100.0%	
% of Leases Sharing Herbicide Costs	0.0%	87.5%	94.4%	
% of Leases Sharing Insecticide Costs	0.0%	87.5%	66.7%	
Soybeans (24 Leases)	9	15		
% of Total Leases in Lease Arrangement	No Responses	37.5%	62.5%	No Responses
% of Leases Sharing Fertilizer Costs		88.9%	100.0%	
% of Leases Sharing Herbicide Costs		77.8%	86.7%	
% of Leases Sharing Insecticide Costs		66.7%	40.0%	

* The percentages calculated in this table represent the percent of landlords sharing the same percent of costs as they share of the crop. For example, 75.0% of landlords receiving 40% of the wheat crop paid 40% of herbicide expenses.

Source: Schlegel and Tsoodle -- 2010 KAS/KSU survey (available at www.agmanager.info)

Example of market established crop shares...

Table 12. East Central-80 Nonirrigated Crop-Share Arrangements				
Crop	Landlord's Percent of Crop Received (or of Costs Paid)*			
	33% Share	40% Share	50% Share	Other % Share
Wheat (9 Leases)	4	2	3	
% of Total Leases in Lease Arrangement	44.4%	22.2%	33.3%	No Responses
% of Leases Sharing Fertilizer Costs	100.0%	100.0%	100.0%	
% of Leases Sharing Herbicide Costs	75.0%	100.0%	100.0%	
% of Leases Sharing Insecticide Costs	75.0%	50.0%	100.0%	
Corn (23 Leases)	15	2	5	1
% of Total Leases in Lease Arrangement	65.2%	8.7%	21.7%	4.3%
% of Leases Sharing Fertilizer Costs	100.0%	100.0%	80.0%	0.0%
% of Leases Sharing Herbicide Costs	73.3%	100.0%	80.0%	0.0%
% of Leases Sharing Insecticide Costs	60.0%	100.0%	80.0%	0.0%
Soybeans (37 Leases)	27	5	5	
% of Total Leases in Lease Arrangement	73.0%	13.5%	13.5%	No Responses
% of Leases Sharing Fertilizer Costs	100.0%	100.0%	100.0%	
% of Leases Sharing Herbicide Costs	74.1%	100.0%	100.0%	
% of Leases Sharing Insecticide Costs	51.9%	40.0%	100.0%	
Other Hay (5 Leases)	5			
% of Total Leases in Lease Arrangement	100.0%	No Responses	No Responses	No Responses
% of Leases Sharing Fertilizer Costs	80.0%			
% of Leases Sharing Herbicide Costs	0.0%			
% of Leases Sharing Insecticide Costs	0.0%			

Source: Schlegel and Tsoodle -- 2010 KAS/KSU survey (available at www.agmanager.info)

Crop share percentages by region...

Percent of Leases by Crop Share Percentage

Landlord Share	Crop Reporting District								
	NW-10	WC-20	SW-30	NC-40	C-50	SC-60	NE-70	EC-80	SE-90
20.0%	0.0%	0.0%	0.0%	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%
25.0%	0.0%	3.5%	1.4%	0.0%	0.7%	0.0%	5.3%	1.0%	0.0%
33.3%	96.2%	96.5%	94.5%	62.7%	83.4%	90.8%	22.3%	70.7%	94.4%
40.0%	0.0%	0.0%	1.4%	28.9%	13.1%	6.4%	27.7%	9.1%	0.0%
50.0%	0.0%	0.0%	2.7%	6.3%	0.7%	2.1%	44.7%	17.2%	4.2%
66.7%	0.0%	0.0%	0.0%	0.0%	0.7%	0.0%	0.0%	1.0%	0.0%
75.0%	1.9%	0.0%	0.0%	0.0%	0.7%	0.0%	0.0%	0.0%	0.0%
Other	1.9%	0.0%	0.0%	0.7%	0.0%	0.7%	0.0%	1.0%	1.4%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Color coding scale: +80% (dark red), 50-80% (red), 20-50% (orange), 5-20% (yellow), < 5% (light yellow)

Source: Schlegel and Tsoodle -- 2010 KAS/KSU survey (available at www.agmanager.info)

KAS surveyed market rates...

AGRICULTURAL LAND VALUES & CASH RENTS
Kansas Agricultural Statistics
Cooperating with the Kansas Department of Agriculture
Released: September 12, 2011

2011 Kansas Farmland Value Up 14 Percent
The average value of all farmland and buildings for 2011 in Kansas is estimated to be \$1,250 per acre. This compares with \$1,100 in 2010 and \$1,031 in 2009. Kansas' average value of all farmland and buildings increased 14 percent from 2010 to 2011. Irrigated cropland values rose 13 percent from 2010 while non-irrigated cropland increased 14 percent in value from last year. The value of Kansas pasture land increased 3 percent from 2010 to \$815 per acre.

2011 Cash Rents Up from Previous Year
The 2011 average cash rent farmers pay for non-irrigated cropland in Kansas was \$44 per acre, up from \$43.50 in 2010. The cash rent rate for non-irrigated cropland ranged from a low in the Southwest District of \$30.50 per acre to the high in the Northeast District of \$64.50 per acre. Following the Northeast District was the East Central with \$48.50, down \$1.50 from 2010, and the North Central with \$47.50 per acre.

2011 Cash Rental Rate for Irrigated Cropland in Kansas Averaged \$105 per acre, up from \$95 per acre in 2010. The Northeast District had the highest rent with \$120 per acre, followed by the North Central at \$120 and the Northeast at \$115 per acre. The Southwest District had the lowest irrigated rent with \$63 per acre, followed by the Central District with \$85.50 and East Central with \$84 per acre.

Pasture cash rent averaged \$16 per acre in 2011, up from \$15.50 in 2010. The rent for pasture in Kansas ranged from \$9.60 per acre in the Southwest District for a low to \$21.50 per acre in the Northeast District for the high. The Northeast District was followed by the East Central with \$21 and the North Central with \$19.50. Clay County has the highest average cash rental rate in Kansas at \$33 per acre, up \$1 from last year.

Kansas Farmland Values and Cash Rents, 2002 - 2011

Year	Irrigated Cropland		Non-Irrigated Cropland		Pasture and Buildings		All Farmland and Buildings		
	Value	Per Acre	Value	Per Acre	Value	Per Acre	Value	Per Acre	
2002	1,890	435	673	72.00	36,000	300	12,600	645	30,000
2003	1,980	440	679	75.00	36,000	400	12,600	665	31,465
2004	1,980	440	684	76.00	36,000	410	12,600	685	32,212
2005	1,980	440	688	72.00	37,500	430	13,200	700	32,760
2006	1,980	440	696	73.00	36,000	500	13,400	710	32,200
2007	2,360	680	814	82.00	41,000	660	14,500	950	45,374
2008	1,450	640	520	62.00	42,000	750	15,500	520	47,524
2009	1,000	1,000	1,000	69.00	43,500	750	15,500	1,300	47,500
2010	1,100	1,100	1,100	66.00	43,500	790	15,500	1,190	50,620
2011	1,250	1,250	1,250	105.00	44,500	810	15,500	1,250	52,000

* Rental rates are for land only. * All published in August 2012.

KAS report (switched to county-level in 2009, but dropped CRD-level land values after 2010)

Kansas Land Prices and Cash Rental Rates
Kansas State University Agricultural Experiment Station and Cooperative Extension Service
Terri L. Kamstra
Agricultural Economist
Farm Management
MS-1100

Kansas Agricultural Statistics
For reporting purposes, Kansas Agricultural Statistics Service has divided the state into six agricultural reporting districts. The districts are: Northeast (NE), West Central (WC), Southwest (SW), North Central (NC), East Central (EC), and Southeast (SE) (Figure 1). Since 1976, Kansas Agricultural Statistics has collected price information on three types of land: irrigated cropland, non-irrigated cropland, and pasture. This information is combined to create additional land prices for all cropland and all land in farms. The all-cropland land value represents an average-weighted average of irrigated and non-irrigated cropland. Although these two categories do not represent a particular class of land (e.g., non-irrigated cropland), they provide a broader classification of interest. The land value for all land in farms reported includes the value of any buildings that may be on the land. The value of the buildings represents a small portion of the total value, on average, and thus this reporting method does not significantly affect the accuracy of land value reported.

Kansas Land Prices
Tables 1 through 3 show average prices of land and buildings. Table 1 shows district and average for the state for the most recent 20 years reported. Data are shown for each of the five land categories: all land in farms, all irrigated, non-irrigated cropland, irrigated cropland, and pasture. The annual data are based on a survey conducted by Kansas Agricultural Statistics in late of each year or for estimates of both January 1 land values and the percentage change in land value from the previous year as of June 1.

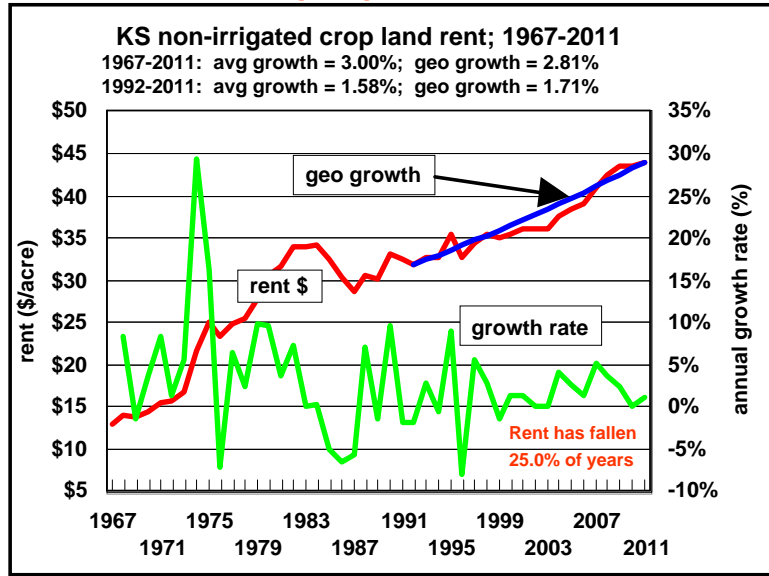
Table 1. Price per acre of land in farms and buildings, Kansas Agricultural Statistical Districts, 1991-2010*

Year	Irrigated Cropland		Non-Irrigated Cropland		Pasture and Buildings		All Farmland and Buildings		
	Value	Per Acre	Value	Per Acre	Value	Per Acre	Value	Per Acre	
1991	1,810	410	650	70.00	35,000	290	12,400	630	29,000
1992	1,810	410	650	70.00	35,000	290	12,400	630	29,000
1993	1,810	410	650	70.00	35,000	290	12,400	630	29,000
1994	1,810	410	650	70.00	35,000	290	12,400	630	29,000
1995	1,810	410	650	70.00	35,000	290	12,400	630	29,000
1996	1,810	410	650	70.00	35,000	290	12,400	630	29,000
1997	1,810	410	650	70.00	35,000	290	12,400	630	29,000
1998	1,810	410	650	70.00	35,000	290	12,400	630	29,000
1999	1,810	410	650	70.00	35,000	290	12,400	630	29,000
2000	1,810	410	650	70.00	35,000	290	12,400	630	29,000
2001	1,810	410	650	70.00	35,000	290	12,400	630	29,000
2002	1,810	410	650	70.00	35,000	290	12,400	630	29,000
2003	1,810	410	650	70.00	35,000	290	12,400	630	29,000
2004	1,810	410	650	70.00	35,000	290	12,400	630	29,000
2005	1,810	410	650	70.00	35,000	290	12,400	630	29,000
2006	1,810	410	650	70.00	35,000	290	12,400	630	29,000
2007	2,360	680	814	82.00	41,000	660	14,500	950	45,374
2008	1,450	640	520	62.00	42,000	750	15,500	520	47,524
2009	1,000	1,000	1,000	69.00	43,500	750	15,500	1,300	47,500
2010	1,100	1,100	1,100	66.00	43,500	790	15,500	1,190	50,620
2011	1,250	1,250	1,250	105.00	44,500	810	15,500	1,250	52,000

* Rental rates are for land only. * All published in August 2012.

KSU report - repackaging of KAS data (more history). KSU estimates of 2011 regional values

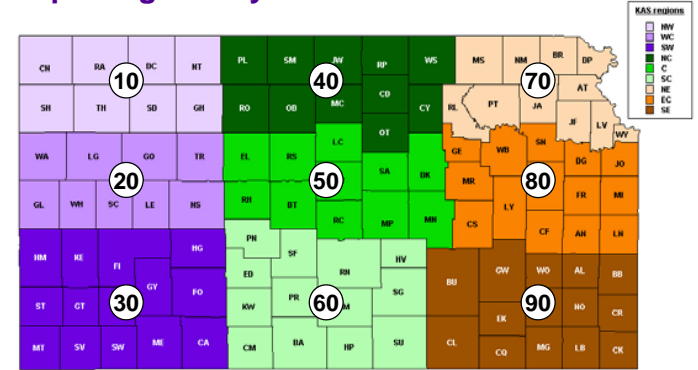
Cash rent historical perspective



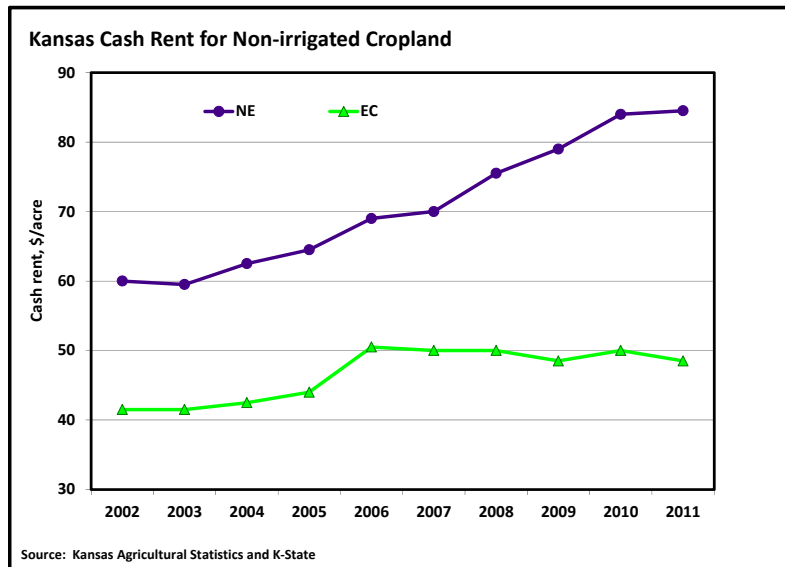
1967-2010 average land value growth = 5.37%

Market going rate...

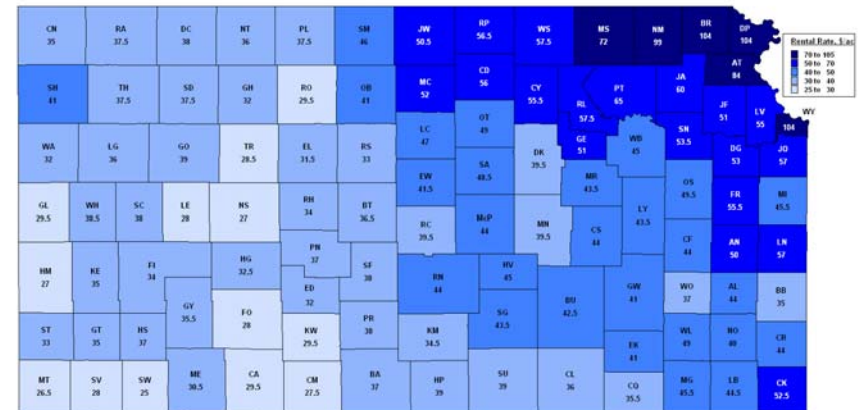
Historically Kansas Agricultural Statistics (KAS) reported average cash rent values for non-irrigated, irrigated, and pasture land at the crop reporting district (CRD) level – beginning in 2009 began reporting county-level data.



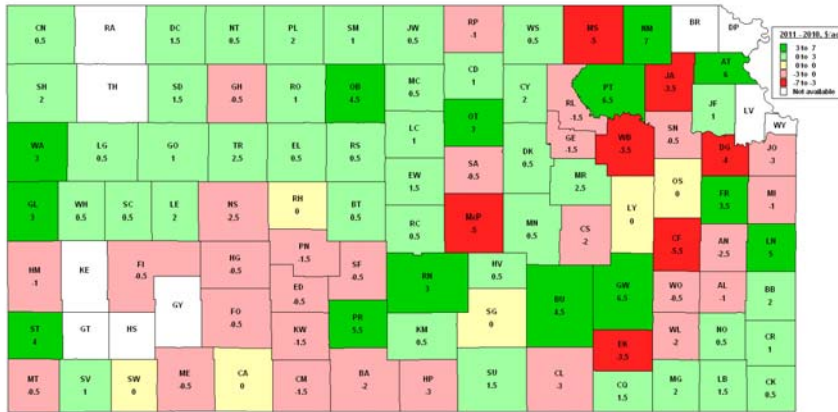
Market going rate?



Kansas Nonirrigated Cash Rents, 2011*



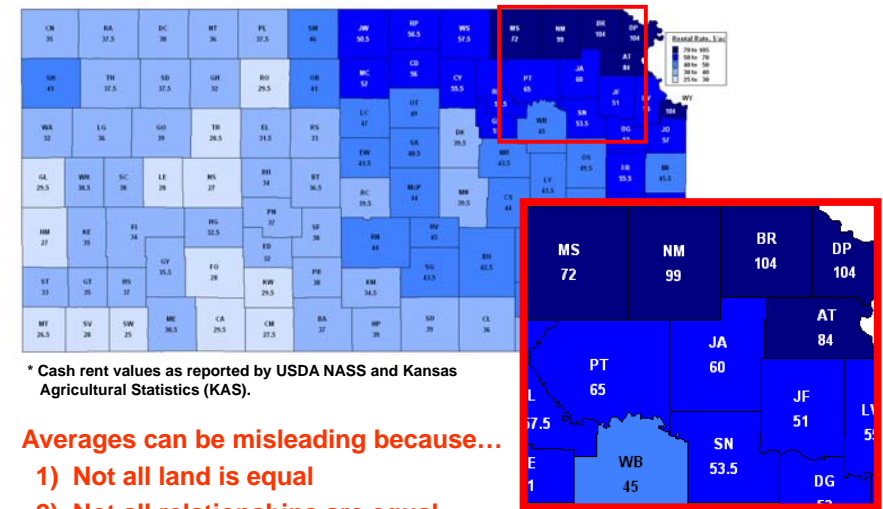
Non-irrigated Cash Rent – 2011 change from 2010, \$/ac



Of 95 counties with data in both 2010 and 2011, 35 (36.8%) decreased, 54 (56.8%) increased, and 6 did not change.

Average change = \$0.43 (ranged from -\$5.50 to +\$7.00)

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



* Cash rent values as reported by USDA NASS and Kansas Agricultural Statistics (KAS).

Averages can be misleading because...

- 1) Not all land is equal
- 2) Not all relationships are equal

Determining the terms of a crop lease...

- How are cash lease rates or the terms of crop share leases established?
 - Short answer is “the market”
- When market reported rates are not sufficient to answer the question at hand, what do we do?
- 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 – and to better understand the market.

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)

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

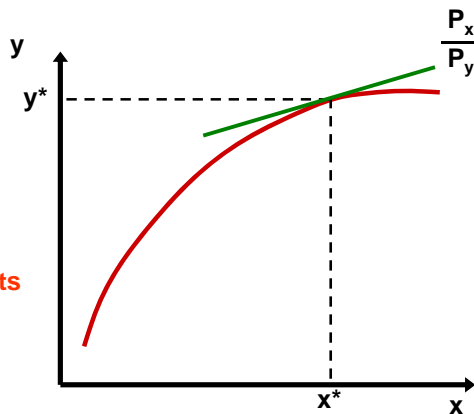
1. Yield increasing inputs should be shared
 2. Share arrangements should be re-evaluated as technology changes
 3. Total returns divided in same proportion as resources contributed
-
4. Compensation for unused long-term investments at termination
 5. Good landlord/tenant communications

Principle #1: Yield increasing inputs should be shared

Examples of yield increasing inputs

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

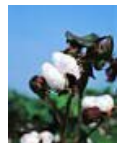
Sharing yield increasing inputs in the same % as income provides the economic signal to both parties to apply the optimal amount of the input.



Principle #2: Technology may affect share arrangements

Examples of technological change

- Reduced-/no-till
- New crops/rotations (e.g., double crop)
- Center pivot irrigation
- Hybrid seed
- Bio-technology
- Precision agriculture (autoswath, GPS)

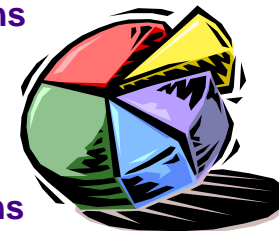


Impact of new technologies...

- Why do people adopt new technologies?
- What happens as “new” technologies become common practice?
- How does this impact relative contributions?
- Does adoption of new technologies impact the type of lease arrangement used?

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

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

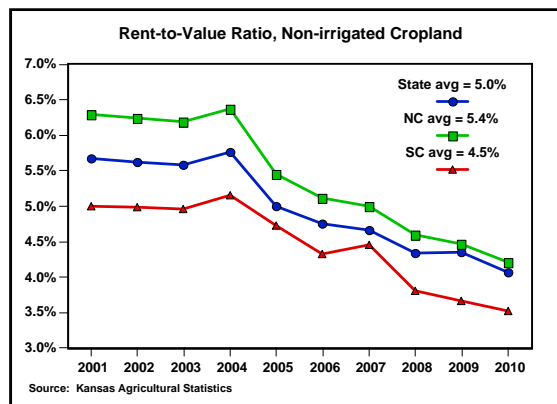


Base input values on expectations consistent with the time-frame of the lease (if expectations end up being significantly off, be willing to make adjustments).

Land contribution...

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

As cash leases become more common, the land contribution can be set equal to the cash rent. However we still often struggle with what the “right” number is.



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.

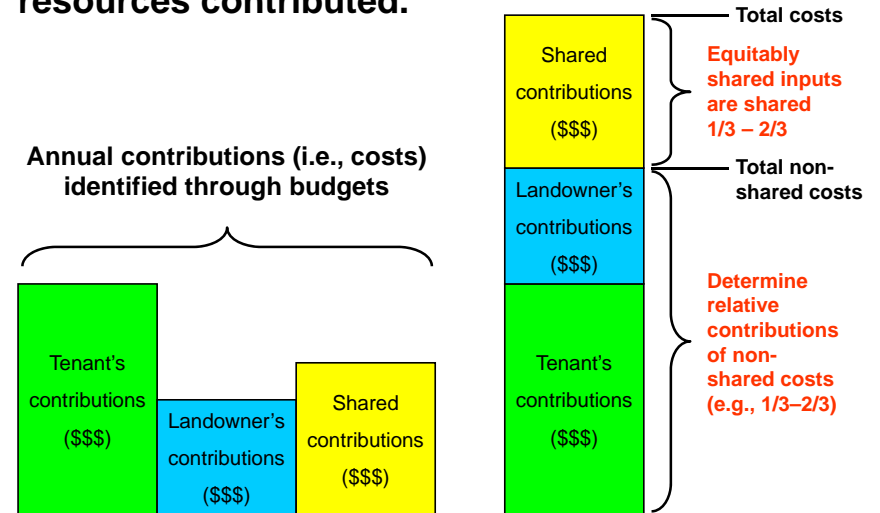


Crop production input contributions...

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.

How do we deal with input prices if they deviate significantly from historical averages (e.g., fertilizer, fuel)?

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



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

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 – or as the volatility of crop and input prices increases.

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?
 - Keep the automatic rollover clauses out!
- Do all parties agree that lease is “fair”?

“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 ...

Cash rents...

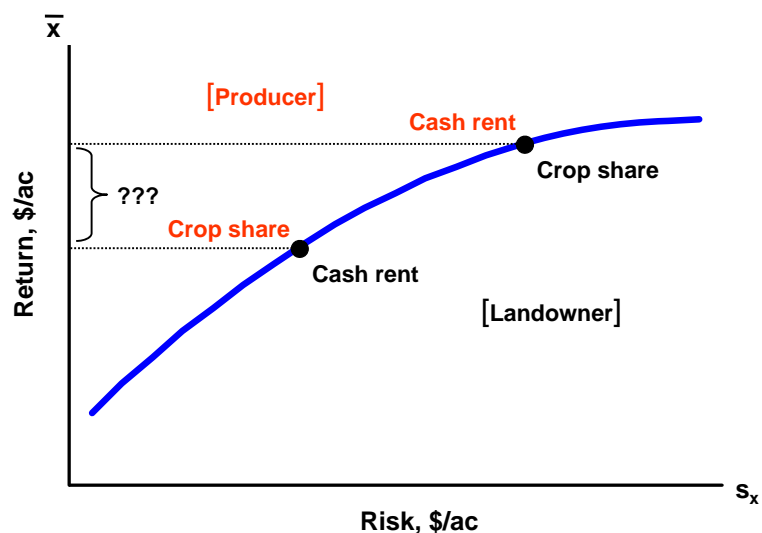
Numerous good reasons to go to cash rent, but landowners and producers need to recognize several things when doing so ...

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

Risk

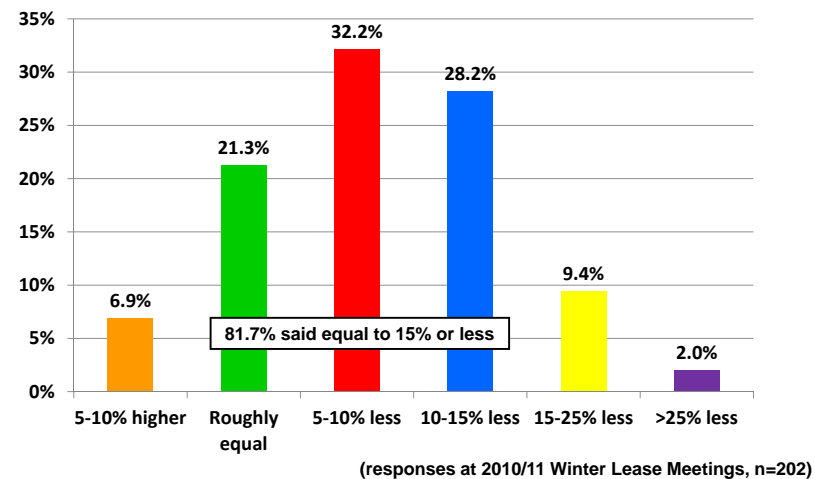
- Risk: variation about expected outcome
 - Suggests that the cash-equivalent of a share lease will be greater than cash rent
- Hasn't helped much in understanding rents
 - Risk changes over time (1990s-2006 vs. 2006-present)
 - Cash rent is not riskless
 - Costs may be higher with share rents
 - So cash rents may be higher than share rents i.e., tenants bid up cash rents to avoid costs
- Crop share rent shares are sticky
 - Only way to bid up rents is through cash rent

Landowner/producer risk-return tradeoff



What “you” told me about the risk premium...

How should cash rent for non-irrigated land compare with expected returns from equitable crop share...



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).

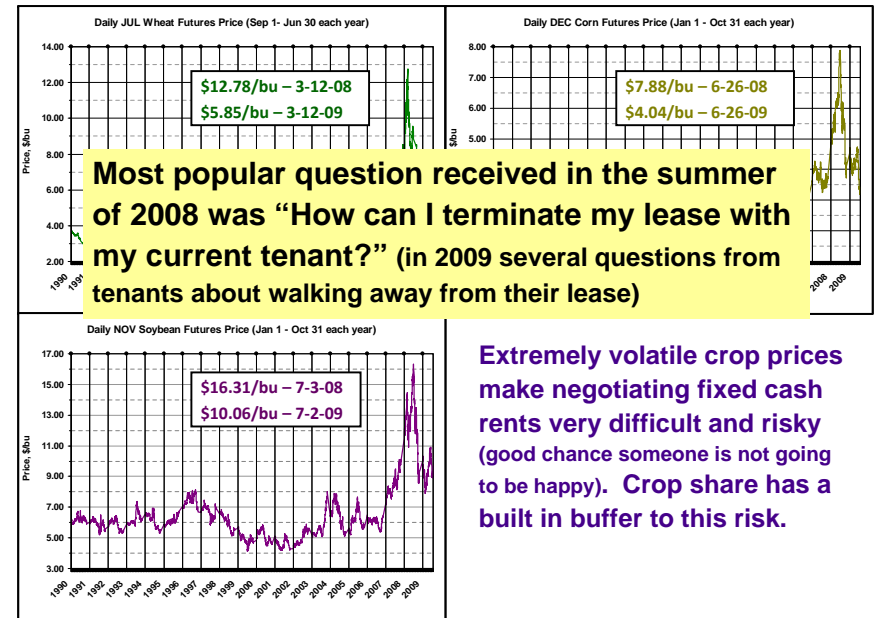
Flexible Cash Rents – WHAT?

- 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 (e.g., fertilizer price)
 - Other...

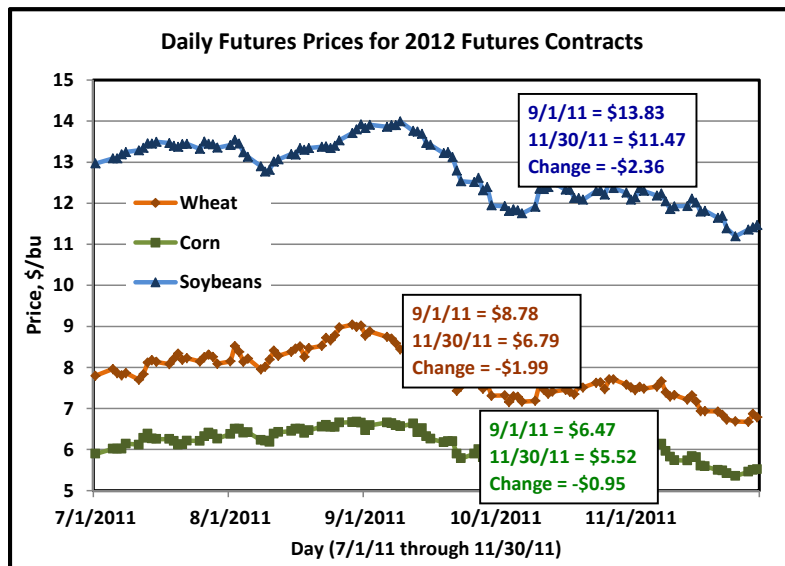
Flexible Cash Rents – WHY?

- Many good reasons to go to cash rent, but there are risks associated with multi-year fixed rents
- Method of allowing rents to vary from year-to-year without having to renegotiate rents annually (avoid mental anguish associated with rental rate negotiation)
- Way of sharing/managing risks associated with volatile markets (without hassles of crop share lease)
- FSA has changed rules allowing flexible leases
- Somewhat “force” a higher level of communication relative to fixed cash rent (poor/lack of communication is often an issue with problem lease arrangements)

Grain markets have been a bit volatile in recent years...



Is 2012 going to be another 2009?



When you negotiate your lease can have a big impact on results

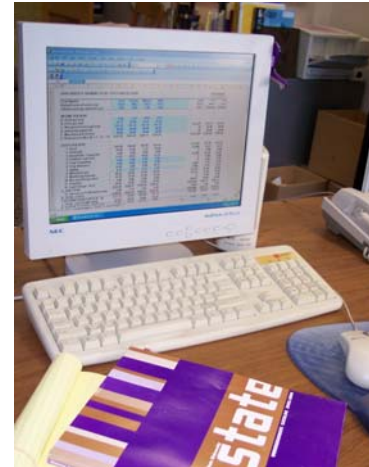
Flexible Cash Rents – WHY NOT?

- 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” arrangement 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)

KSU-Lease.xls

- A what-if spreadsheet to analyze rents
- Delineates relative contributions
- Allows considering cash vs. crop-share
 - Can deal with a risk premium
- Very flexible; can handle
 - Net share leases
 - Fixed bushel rents
 - Cash transfers
- Important purpose is to allow people to move beyond traditional leases when they need to change (and to analyze impact of cash rent)

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

KSU Lease.xls ----- A spreadsheet budgeting program to determine equitable crop share and cash lease rental arrangements.

Version -- 11.11.11

INPUTS vs CALCULATED VALUES
In the **Crop budgets**, **Shares**, and **Lease budgets** sheets all blue numbers are inputs and all black numbers are calculated from these inputs. The spreadsheet automatically recalculates every time an additional input is entered. Thus, it is important to wait until all data have been entered and reviewed before interpreting any of the calculated results (i.e., black numbers).

DESCRIPTION OF INPUTS
The paper titled **KSU-Lease.pdf** serves as a “users guide” and provides a brief overview of this spreadsheet. Also, several of the input cells (i.e., blue number) have a red diamond in the upper right hand corner of the cell. By moving your mouse cursor over this diamond, a brief description of the input will be displayed on the screen.

COMPANION PUBLICATIONS
This spreadsheet was developed as a decision-aid tool based on the principles of equitable leases outlined in several publications that can be found on the K-State Ag Econ departmental website (www.agecon.ksu.edu). Additionally, the budget format of this spreadsheet was designed to follow that of the K-State Farm Management Guide crop budgets, which are also available on the Ag Econ website, so they can also be a useful resource when analyzing leasing alternatives.

Developed by:

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Kansas State University
Department of Agricultural Economics

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Home **Farm Management** **FM Guides** **Nonirrigated Crops**

Non-irrigated Crops

Crop	Western	South Central	North Central	Northeast	Southeast	Southwest
Wheat	MF-903	MF-674	MF-2159	MF-672	MF-992	
Grain Sorghum	MF-904	MF-675	MF-2159	MF-673	MF-995	
Forage Sorghum Silage		MF-649				
Soybeans	MF-2366	MF-2156	MF-2160	MF-670	MF-994	
Double Crop Soybeans		MF-2637	MF-2637	MF-2637	MF-2637	
Corn	MF-2150	MF-2157	MF-2161	MF-671	MF-993	
Corn Silage				MF-2364		
Sunflower	MF-887		MF-2144	MF-2144		
Double Crop Sunflower		MF-2145	MF-2145	MF-2145	MF-2145	
Canola		MF-2421				
Cane Hay	MF-997					
Alfalfa	MF-2367	MF-363	MF-363	MF-363	MF-363	
Cotton		MF-939			MF-939	MF-2585
Brome Hay		MF-2143	MF-2143	MF-2143	MF-2143	
Fescue Hay		MF-2146	MF-2146	MF-2146	MF-2146	

Excel Version of Crop Budgets [FM Guides - Crops - \(2009\).xls](#)

In order to read the PDF documents you will need Adobe Acrobat Reader. Click the on the following icon to download the free software

Department of Agricultural Economics K-State Research & Extension College of Agriculture Kansas State University

Pasture rental rates



Kansas Agricultural Statistics surveyed market rental rates (available at http://www.nass.usda.gov/Statistics_by_State/Kansas/index.asp)

USDA United States Department of Agriculture
National Agricultural Statistics Service, Kansas Field Office
AGRICULTURAL LAND VALUES & CASH RENTS
Kansas Agricultural Statistics
Cooperating with the Kansas Department of Agriculture
Released: September 15, 2011

2011 Kansas Farmland Value Up 14 Percent
The average value of all farmland and buildings for 2011 in Kansas is estimated to be \$1,292 per acre. This compares with \$1,106 in 2010 and \$1,230 in 2009. Kansas' average value of all farmland and buildings increased 14 percent from 2010 to 2011. Irrigated cropland values rose 13 percent from 2010 while non-irrigated cropland increased 14 percent in value from last year. The value of Kansas pasture land increased 3 percent from 2010 to \$410 per acre.

2011 Cash Rents Up from Previous Year
The 2011 average cash rent farmers pay for non-irrigated cropland in Kansas was \$44 per acre, up from \$43.50 in 2010. The cash rent rates for non-irrigated cropland ranged from a low in the Southwest District of \$30.50 per acre to the high in the Northeast District of \$64.50 per acre. Following the Northeast District was the East Central with \$48.50, down \$1.50 from 2010, and the North Central with \$47.50 per acre.

The 2011 cash rental rate for irrigated cropland in Kansas averaged \$101 per acre, up from \$95 per acre in 2010. The Northeast District had the highest rent with \$120 per acre, followed by the North Central at \$120 and the Midwest at \$110 per acre. The Southeast District had the lowest irrigated rent with \$63 per acre, followed by the Central District with \$65.50 and East Central with \$64 per acre.

The pasture cash rent averaged \$16 per acre in 2011, up from \$15.50 in 2010. The rent for pasture in Kansas ranged from \$9.00 per acre in the Southwest District for a low to \$21.50 per acre in the Northeast District for the high. The Northeast District was followed by the East Central with \$21 and the North Central with \$19.50. Comanche County has the highest average cash rental rate in Kansas at \$33 per acre, up \$1 from last year.

Kansas Farmland Values and Cash Rents, 2002 - 2011

Year	Cropland			Pasture and Rangeland		All Farmland			
	Irrigated	Non-Irrigated	All Crop Land	Value	Rent	Value	Total Value		
2002	1,380	630	670	72.00	36.00	300	42.00	640	30,430
2003	1,380	640							
2004	1,380	650							
2005	1,190	770							
2006	1,230	820							
2007	1,240	850							
2008	1,450	980							
2009	1,500	1,000							
2010	1,600	1,100							
2011	1,800	1,290							

* Rental rates are for land only. * \$68 to be paid.

BLUESTEM PASTURE RELEASE - 2009
KANSAS DEPARTMENT OF AGRICULTURE
In Cooperation with the National Agricultural Statistics Service
2100 West 10th
Topeka, Kansas 66604-1004
Phone: (785) 233-2205
Released: April 24, 2009

Bluestem pasture condition in the Flint Hills region is rated at 2 percent poor, 10 percent adequate, 57 percent good, and 25 percent excellent going into the 2009 grazing season. As of April 20, topsoil moisture conditions were rated mostly adequate to surplus across the Bluestem region. Sources of stock water being used are ponds, 50 percent streams, 30 percent wells, 7 percent and spring developments, 4 percent. Water supplies are rated adequate to surplus, with 92 percent reporting adequate or better supplies.

The percentage of pastures that are already contracted for mid-April, about 40 percent, are under contract for the full year. The average price per acre for pasture leased for the full year is \$110 per acre, with early summer contracts for the grazing season starting in April 2009. The average price per acre for pasture leased for the full year is \$110 per acre, with early summer contracts for the grazing season starting in April 2009.

Partial season contracts have been broken into two categories: contracts with winter grazing days or less and contracts with more than ninety grazing days. In winter stoker grazing arrangements, the average reported price is \$137.50 with 6.6 acres guaranteed. Lease rates on a per acre basis averaged \$18.10 for the full year.

Seventy-eight percent of the respondents reported burning of pastures, down 10 percentage points from last year. The average burning date was April 6.

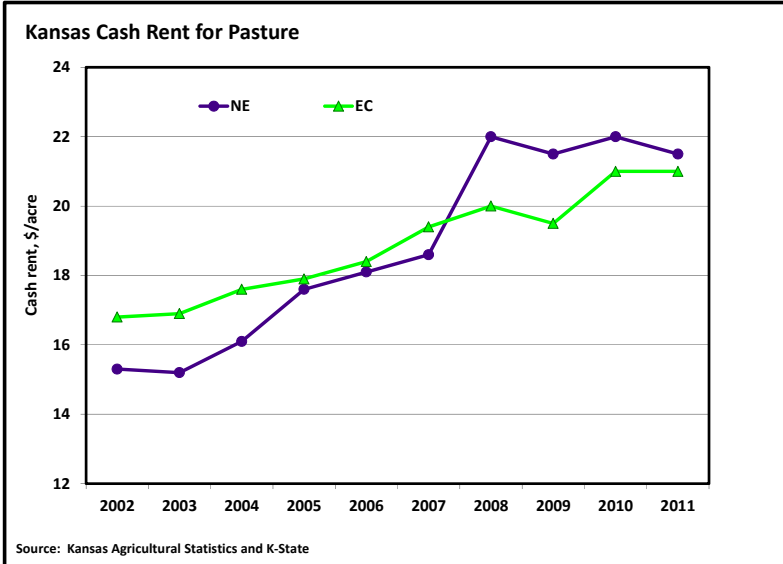
Services provided by the landlord or caretaker in full summer season leasing arrangements are reported as follows:

- Winter stoker grazing arrangements: the average reported price is \$24.00 per head per month with 8.2 acres guaranteed. For winter cow grazing arrangements, the average reported price is \$12.00 per head per month with 7.5 acres guaranteed.

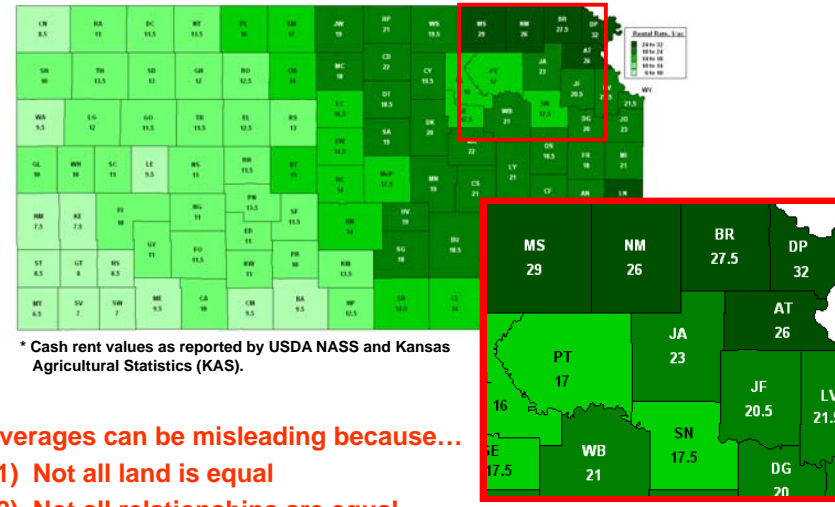
Discontinued

Switched to county-level rents in 2009, dropped CRD-land values after 2010)

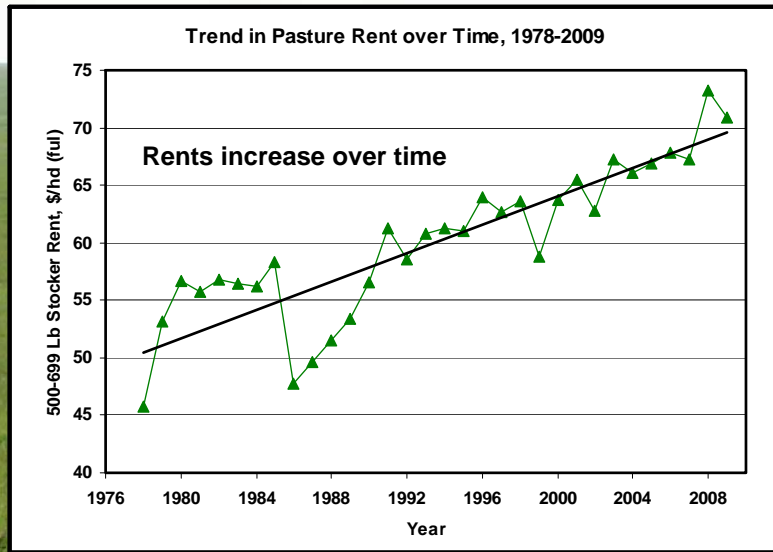
Market going rate?



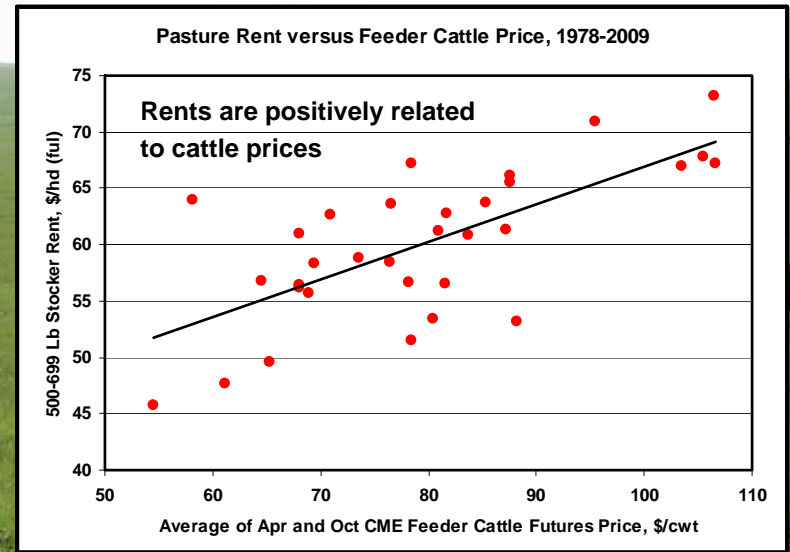
2011 Kansas county-level pasture cash rents...



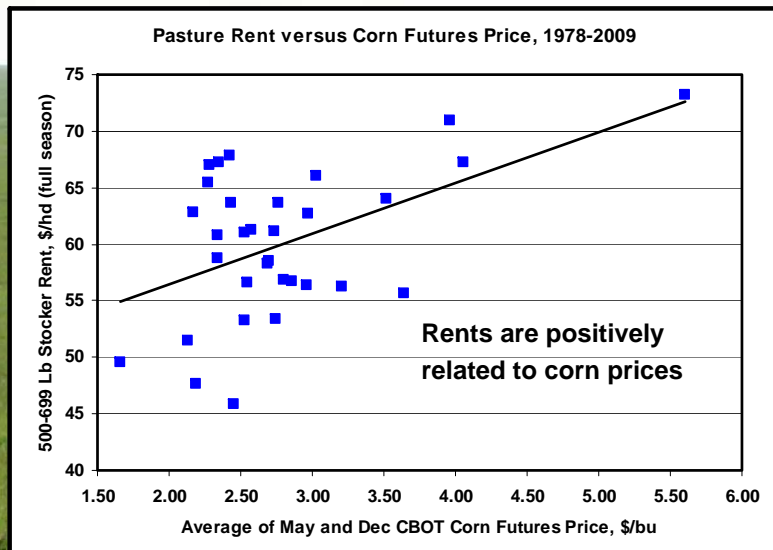
What drives pasture rental rates?



What drives pasture rental rates?



What drives pasture rental rates?




What drives pasture rental rates?



Determining Pasture Rents in the Flint Hills of Kansas

Kevin C. Dhuyvetter and Glynn T. Tonsor

Department of Agricultural Economics, Kansas State University
November 2010

www.agmanager.info 

Publication on *agmanager.info* that reports historical pasture rents and equations that can be used to forecast future rents (where forecasts are a function of time, feeder cattle prices, and corn prices).

Equations are also built into an online web tool...

