
2022 LEASE SURVEY SUMMARY REPORT

K-State Research and Extension Post Rock District SMITH County



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2022 FARM LEASE ARRANGEMENT SURVEY SUMMARY FOR DRYLAND CROPS

K-STATE RESEARCH & EXTENSION



Post Rock District SMITH County



Number of survey responses: 33 (34% return rate)

Summary of Cash Rent Paid to Landlord

CROP ENTERPRISE	AVERAGE RENT/ACRE	CASH RENT RANGE
Cropland (dryland)	\$79.00	\$45 - \$125
Cropland (irrigated)	\$135.00	\$135.00

Other comments: Rental rates are moving up with increase commodity prices and the surge in land prices at recent local auctions despite the increase in other production costs. 100% of respondents indicated cash leases.

Estimated Trend for 2023 Dryland Crop/Pasture Leases in SMITH County

No change	39%
Higher	33%
Unsure of 2023 Trend	22%
Lower	6%

Trend of Lease Arrangements for 2023

NO CHANGE	MORE CASH RENT	MORE CROP SHARE
65%	30%	5%

Adjustments to Cash Rents due to rising input costs in 2022

NO ADJUSTMENTS	INCREASE	DECREASE
94%	6%	No responses

**Percentage of acres in the different Tillage Systems in 2022
(Number of responses)**

No -Till	Minimum Till	Conventional Till	Summer Fallow
12 - 100% 4 - 44% to 75%	2 – 100% 4 – 50% or less	2 – 25% or less	1 - 17% or less

**When were the cash rent payments made to the landlord for 2022?
(% of responses)**

All at once	Split payment	Dates	After Harvest
26% (Payments in March, Oct., Nov. and Dec.)	67%	Jan./Dec. March/May. March/Sept. March/Nov. March/Dec. April/Oct May/Nov. May/Dec. June/Dec. July/Nov. July/Dec. Aug./Nov.	22% (Payments in July and November and also varies by landlord.)

Interest in Flexible Leasing Arrangements

No	Yes
90%	10%

Crop Share Summary

DRYLAND CROP ENTERPRISE	SHARE PAID TO LANDLORD	OTHER COMMENTS
Wheat	1/3 – 79% 2/5 – 14% 30% - 7%	
Grain Sorghum	1/3 – 84% 2/5 – 8% 30% - 8%	
Corn	1/3 – 80% 2/5 – 13% 30% - 7%	
Sunflowers	1/3 – 100%	
Soybeans	1/3 - 80% 2/5 – 13% 30% - 7%	
Alfalfa	1/3 -71% 1/2 – 29%	
Other Dryland Crops (Brome Hay)	1/3 – 100%	
Landlord's Share of Government Payments	1/3 –79% 2/5 – 7% 30% - 7% None – 7%	
Landlord's Share of Crop Insurance Proceeds	1/3 –59% None – 25% 2/5 – 8% 30% - 8%	-Tenant has their own insurance. -Landowner has their own insurance.

Comment: 30% of respondents indicated no crop share leases.

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

Written Leases			Oral Leases		
8 – 100%	4 – 70% to 90%	3 – 50% or less	6 - 100%	2 – 75% to 80%	5 – 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 – 81% 2/5 – 13% None – 6%	-Share on dryland only.
Fertilizer Application	None – 73% 1/3 – 27%	
Herbicide	1/3 - 54% None - 33% 2/5 – 13%	
Herbicide Application	None - 79% 1/3 - 21%	
Insecticide	1/3 - 54% None - 33% 2/5 – 13%	
Insecticide Application	None - 71% 1/3 - 29%	
Harvesting Costs	None - 100%	
Hauling Grain	None - 100%	
Drying costs after harvest	None - 71% 1/3 - 29%	
Crop Insurance	1/3 - 53% None - 23% 2/5 – 8% 30% - 8% 100% - 8%	-Landowner has own insurance. -Landowner has own insurance for his 1/3 share. -Tenant has own insurance.
Other production costs (seed, fungicide, crop consulting, water, etc.)	None - 92% 1/3 – 8%	
Terrace/Conservation Structure Maintenance (annual upkeep costs)	None - 69% 1/3 - 15% 1/2 - 8% 100% - 8%	
Terrace/Conservation Structure Construction (major land investments)	100% - 79% 1/2 - 14% None – 7%	-Landowner pays for all costs for long term improvements. -Varies with each landlord.

Pasture Lease Summary

Physical Location of Pastureland

Phillips Co. 6%
Smith Co. 94%

Pastureland Rental Rates

Average rent/acre \$28.00/acre
Range/acre \$15- \$50/acre

Trends for stocking rates for 2023

No Change 64%
Decrease 18%
Increase 18%

Livestock Stocking Rate (Cow/Calf)

Average 6 acres/pair
Range 4-10 acres/pair

Mature Weight of Cow

Average 1,200 lbs.
Range 900-1,400 lbs.

Livestock Water Supply

Pond 39%
Well 36%
Stream 19%
Transport 6%

Summary of Tenant/Landlord Responsibilities

Responsibility	Tenant	Landlord
Maintaining Water Supply	69%	31%
Maintaining Fences - Furnishing Materials	39%	61%
Maintaining Fences - Furnishing Labor	78%	22%
Controlling Weeds	56%	44%

Special arrangements for weed control in pastures:

No - 69% Yes - 31%

Comments:

- Landowner pays for weed control
- Pasture aerial sprayed every 3rd year
- Landowner pays for chemical, tenant applies

Grazing Period in 2022

Pasture season length (months)	Month Started	Month Ended
3 mo. - 6%	Jan. - 19%	Oct. - 50%
6 mo. - 56%	Apr. - 19%	Nov. - 31%
8 mo. - 19%	May - 56%	Dec. - 19%
12 mo. - 19%	July - 6%	

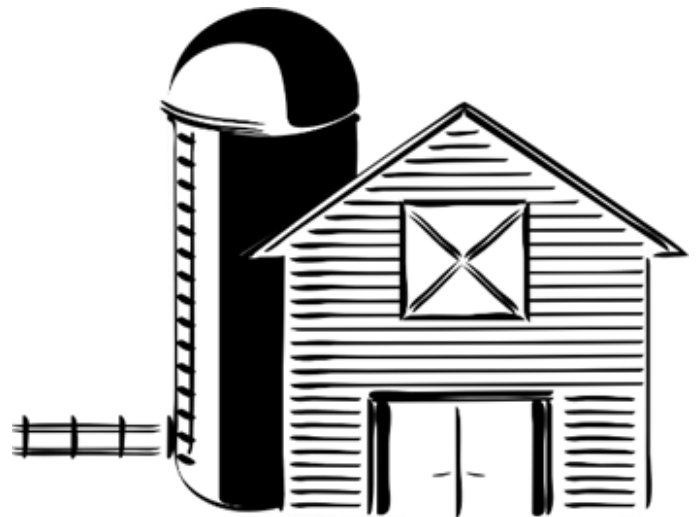
Grazing Period in 2021 (previous year)

Pasture season length (months)	Month Started	Month Ended
3 mo. - 14%	Jan. - 14%	Oct. - 72%
6 mo. - 72%	May - 72%	Nov. - 14%
12 mo. - 14%	July - 14%	Dec. - 14%

Kinds of Pastureland - 2022

(number of responses to percent of their pastures)

Upland	Lowland/River	Mixture
5- 100% 6- 70-90%	6- 30% or less	3- 100%



Crop Residue Grazing Summary

Physical Location of Crop Residue Land

Smith Co. 100%

Crop Residue Rental Rates

*Corn/Sorghum Stalks:

Average: \$14.00/acre
 Range: \$10.00-\$20.00/acre
 Other: \$1.00-1.25/hd./day

Type of Cattle/Livestock On Crop Residue

Cow/Calf Pairs 83%
 Dry Cows 17%

Livestock Stocking Rate

6.5 ac./pair (average)

Goals of crop residue grazing

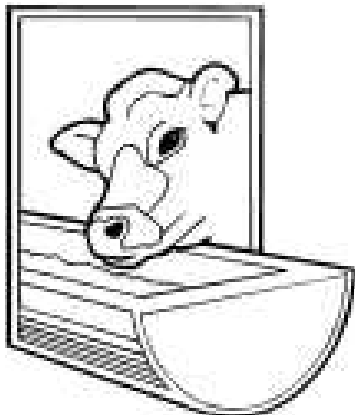
Maintain body condition 100%

Livestock Water Supply

Transported to Site 17%
 Well 67%
 Other/Creek 16%

Crops Utilized for Grazing

Milo 43%
 Corn 43%
 Cover Crops 14%
 (Cover crops included: alfalfa, collards, forage sorghum, barley, triticale, spring forage pea, oats, turnips, millet, sudan, rye, sunflowers, radishes, and volunteer wheat.)



Crop Residue Grazing Period 2022

Grazing Season Length (months)	Month Started	Month Ended
3 mo. – 100%	Nov. – 100%	Jan. – 50% Feb. – 50%

Crop Residue Summary of Tenant/Landlord Responsibilities 2022

Responsibilities	Tenant	Landlord
Maintaining water supplies	75%	25%
Maintaining Fences-Furnishing Materials	71%	29%
Maintaining Fences -Furnishing Labor	100%	No responses
Livestock Care	100%	No responses

Other comments with crop residue grazing

-Provide salt mineral



Recreational Leasing Summary

Percentage of Written and Oral Leases For recreational hunting:

Written	Oral
100%	No responses

Years with same tenant:

1-14 years 100%

Leasing Arrangements for Hunting 2022:

Hunting Type	Acres	# Hunters	Length	Rental \$
Deer	480	Unlimited	Fall Season	No response
Turkey	480	Unlimited	Season	No response
Game Birds	480	Unlimited	Season	No response

Rating of Hunting

Very Good 33%
Fair 67%

Are users required to sign a waiver of liability or carry liability insurance?

No 100%

Is the property specifically managed to improve the wildlife or fish habitat?

No 67%
Yes 33%

Other comments related to recreational hunting:

- Hunting open for free in designated areas.
- Trapping in select areas for bobcats only.
- Shelter belts have been established and bird activity has increases.
- Recreational hunting is controlled by the tenant.
- No hunting leasing indicated (82% of respondents).
- Walk-in Hunting (No -80%; Yes – 20%)



Information related to recreational hunting:

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

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

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

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

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



General Lease Concepts

Rules & Regulations:

- Leases must be longer than two years to allow tenants to sublease.
- When a farm is sold, the new owner substitutes for the old.
- Leases are binding on executors and heirs.
- Written leases can cover any length of time.
- Oral leases are **unenforceable** if they are one year or more in length.

Test of a Good Lease:

- Is it written?
- Does it encourage proper amounts of yield increasing expenses?
- Does it plan for new or needed improvements?
- Does it promote conservation?
- Is the crop shared in the same percentage as the contribution?

Lease Termination Notice:

- In writing
- At least 30 days prior to March 1
- **Spring planted crops:** must fix termination date of tenancy to take place on March 1
- **Fall seeded crops:** will be terminated the day after harvest or August 1
- **Exception to above:** written lease providing otherwise.

Crop Share Leases

A good crop share lease should follow five basic principles:

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

Advantages of Crop Share Leases:

- Yield and price risks and opportunities are shared by tenant and landlord.
- Less operating capital needed by the tenant.
- Management skills may be shared by an experienced landlord and tenant.
- Tax management opportunities from timing of sales and input purchases.
- Material participation issues

Disadvantages of Crop Share Leases:

- The landlord's income is more variable.
- More record keeping is required.
- Landlords have marketing decisions to make.
- Joint management decisions must be made and disagreements may occur.
- Material participation/Social Security issues

Cash Rental Leases

Methods to Determine Cash Rental Rates:

- **Market going rate (if available)**
Local competitive rental rates
- **Landowner's cost**
Depreciation, Interest, Repairs, Taxes, Insurance - Based on the premise of landowner's continuing to receive comparable returns to what has been received in the past.
- **Crop share equivalent (adjusted for risk)**
Converts equitable crop share rent to an expected dollar amount per acre.
- **What Tenant Can Afford to Pay**
 $\text{Revenue} - \text{Non-land Costs} = \text{Rent}$
(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

The agricultural industry in recent years has faced increased volatility in commodity prices and input costs, therefore creating uncertain profitability for farmers and ranchers. While 2022 maintained historically higher commodity prices, drought hit much of Kansas hard and decreased yields in most areas.

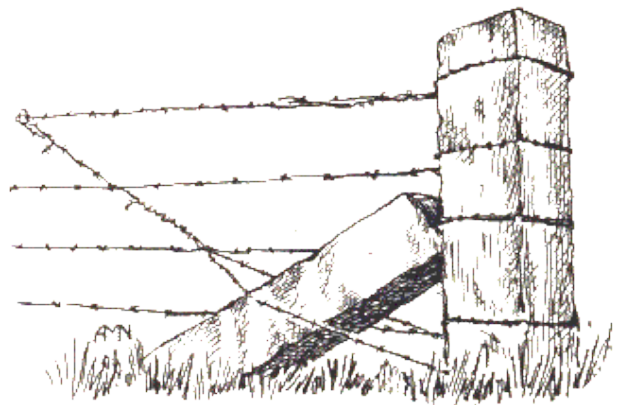
Amid these challenges, land prices have seen an unprecedented increase in value due to recent higher profitability in farming returns, historically high inflation rates, and increases in investment outside of agriculture. Interest rates increased dramatically throughout 2022, but did not slow the increasing land prices. According to surveys by USDA-NASS, the statewide average land value for cropland in 2022 increased by 24.5% over the 2021 value, reaching an all-time high of \$2,950 per acre.

A similar pattern can be observed in pasture values. The state average of pasture was \$1,850 per acre in 2022; an increase of 23.3% over the 2021 value. Farm profitability is expected to continue to drop from the historically high level it experienced in 2021 due to high input costs and ongoing drought, which could slow the increases in the land market value in 2022. Additional increases in interest rates will also likely slow the growth rate of farmland prices.

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 the last two 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 sudden 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.

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:

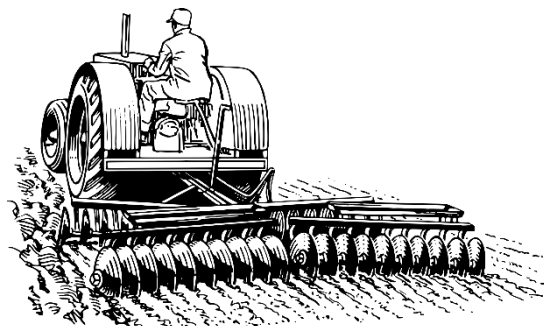
- Complex!
- Theory and intuition guide conceptual design, but little help with specific details.
- Not needed if cash rents are renegotiated frequently or every year.
- Hard to think of everything, which means we might need to be “tweaking” the arrangements regularly.
- If designed wrong, might increase 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.



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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.

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