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Base land rent rates for family members on current market

Profit Planners

My son has built up a small hay business, buying standing forage and selling hay to horse customers. He wants to rent land from me to grow alfalfa to expand. How much should I charge him? What details should we include in the contract?

Erickson: You need to develop a written lease that outlines rental arrangements for both parties. If you do not have a lease of your own as an example, then refer to sources such as your local Extension office. Rental rates or terms should be based on current market values for your area. If you want to help him out, then do it with machinery arrangements or input expenses, but make sure he understands your contributions.

Evans: How did you work out the equipment, and is it figured into the plan? I would suggest making an arrangement that is similar to what you would set up if it were a neighbor, particularly if siblings are in existence.

If your son is in high school or college, it is important for him to learn the real world and not be in fantasy farming. If help is available, it would be important to document and explain such help.

With alfalfa, consider soil internal drainage and capacity for the cropland to produce revenue as cash rent for a comparison to establish value.

A contract set up as a cash lease makes sense, unless Dad has a livestock operation needing hay, such that a shared arrangement would make sense.

Gottschalk: Unless a discounted rental rate is part of your estate plan or a birthday present, use the customary rental rate for your area.

Universities have rental-rate reports available through the Extension education center. The lease should be at least three to five years in length and include a fertilizer clause.

Myers: I suggest making this arrange-

ment with your son using customary local lease rates — unless you knowingly wish to subsidize his hay enterprise. Details should include length of lease, fertilizer requirements and other husbandry issues.

Time for narrow-row changeover? My brother and I are convinced 20-inch row corn is our best option long term. It would mean changing out some equipment. Is now the time to change, or should we wait until the economy settles down?

Erickson: If you have solid budget projections for making the switch, then your own business financials are more important than the general economy.

Evans: Consider your tillage and fertilizer setup as you make this change. Setting up row cleaners for 20-inch rows has been a challenge for those desiring pure no-till. Consider the big-ticket equipment items for replacement as well. Try to match up items according to your depreciation schedule. Your confidence in your research should be the primary consideration. Waiting until the agriculture economy settles down may not happen in our lifetimes.

Gottschalk: I am not optimistic we will ever see things settle down. Perhaps this is the new normal.

If your research supports it and you can cash-flow it and your lender supports it, I would move forward.

Myers: Weigh financially the costs and benefits of this decision and the net positive impact in making this change.

If the positives are not overwhelming and you are uncertain, I would suggest caution while continuing to analyze.

Meet our panelists

- **David Erickson**, farmer, Altona, Ill.
- **Mark Evans**, Purdue Extension director
- **Dan Gottschalk**, financial consultant, Delphi, Ind.
- **Steve Myers**, farm manager, Busey Ag Resources, LeRoy, Ill.

Send us your questions

Send your farm management questions to us! Write to Profit Planners, *Prairie Farmer*, 515 W. Wildwood Dr., Mt. Zion, IL 62549; or e-mail jflint@farmprogress.com.

Rubes



"So are you coming in or what?"