

# Land rent headache

By ROD SWOBODA

**E**ACH year in July and August, Iowa State University Extension holds farmland leasing meetings across the state. The meetings, designed for both landlords and tenants, are well-attended. This year's meetings are no exception.

"Explosive grain price volatility and big increases in 2008 crop production costs have farmers rethinking how much to pay for cash rent," says Steve Johnson, Iowa State University Extension farm management specialist in central Iowa. "We're also getting a lot of questions about flexible cash rent leases and some about crop-share and custom farming arrangements."

One approach to improve the odds that a rental agreement will share the returns from crop production in the same proportion as the landowner and operator contribute production inputs may be to revert to a more traditional crop-share lease.

At the meetings, ISU specialists explain the various types of crop leases and how to determine a fair cash rental rate. They also review results of ISU's cash rental rate survey.

## Lease renewal deadline

Summer is the time for farmers and landowners to begin preparing for the next crop year, says Johnson. That's because the deadline for serving notice of termination if either party wants to make changes in their existing farm lease is on or before Sept. 1 of each year. This is the Iowa law when 40 or more acres are involved.

"Of course, the lease can be terminated or changed after Sept. 1 if both the landlord and tenant agree to the change,"



**STATE OF CONFUSION:** Tremendous volatility in grain prices and soaring crop production costs are creating huge uncertainty about land rental rates and arrangements.

## Key Points

- Deadline to change cropland rental lease is Sept. 1.
- Grain prices and production costs create more uncertainty.
- Many are thinking about changing agreements.

notes Johnson. "But if neither party serves notice on or before Sept. 1, the lease stays in effect for another year."

Johnson suggests you send a written notice to your landlord or tenant if you wish to change the lease. Do it at least a week prior to the deadline, which falls on Labor Day in 2008.

In fact, he says you may want to hand-deliver your termination letter to the other party or send it by certified mail. In both cases, request a signature to have proof that the other party received this notice to terminate the current lease.

The latest ISU survey shows farmers in Iowa are paying an average of 18% more in cash rent for land in 2008 than 2007.

"Cash rent for cropland has increased significantly in 2008, driven by the sharply higher corn and soybean prices of the past two years," says William

Edwards, Iowa State University Extension economist.

Results from that statewide survey indicate the average cash rent for corn and soybean land for 2008 in Iowa is \$177 per acre, compared to \$150 in 2007. This is the largest increase in a single year since ISU initiated the statewide survey in 1994.

## Statewide increase

All of the 12 areas in Iowa showed increases, ranging from \$18 to \$32 per acre. Average estimates exceeded \$200 per acre in many counties.

The intent of the ISU survey is to report typical rents for 2008, not the highest or lowest values heard through informal sources. Rental values were estimated by asking more than 1,000 tenants, landowners, farm managers, lenders and other people familiar with the land market what they thought were typical rates in their county for high-, medium- and low-quality row cropland, as well as for hay and pasture acres.

Opinions about rental rates vary widely in this year's survey, even within counties. That indicates a great deal of uncertainty, notes Edwards.

The most positive factor affecting rents has been higher grain prices, especially for corn. Good yields in recent years have also lent support. On the negative side, a sizable share of the higher revenues are going to pay escalating costs for fuel, fertilizer, seed, pesticides and machinery. Wet, cool weather and flooding in Iowa may dampen competition for rented land for 2009.

The latest survey also presents typical dollars of rent being paid per bushel of corn and soybean yield for each county, based on the county average yield for each crop the past five years. The economists break the state into 12 separate areas to report results.

This year the average cash rent per bushel ranges from \$1 to \$1.20 for corn, and from \$3.35 to \$4.24 for beans. The average rental rate per point of corn suitability rating is also estimated, and ranges from \$2.15 to \$2.50 for most counties.

"These values are useful for adjusting rental rates for higher- or lower-than-average productivity levels on individual farms," says Edwards.

## Ag Statistics gains leader

**T**HE USDA National Agricultural Statistics Service's Iowa field office has a new chief. He's Greg Thessen, and he comes from NASS headquarters in Washington, D.C.

Growing up on a crop and livestock farm in Missouri, Thessen graduated from Lincoln University in 1987 with a degree in animal science and started his own cattle operation. He also worked as herd manager for a registered Hereford farm.



**THESSSEN**

His career with USDA's National Ag Statistics Service began in the Missouri field office in 1989. He worked in the Michigan field office from 1993 to 1997 where he completed additional statistics courses at Michigan State University. In March 1997, he was transferred to NASS headquarters in Washington, D.C., and was assigned to the Economics Section.

In September 1998, Thessen was named NASS's national cattle statistician and prepared cattle and cattle-on-feed estimates until January 2001. For the past eight years, he served as NASS's head of the Field Crops Section.

In this position, he was on the Ag Statistics Board for field crops and was responsible for the national field crop estimation program on acreage, yield, production, stocks, price and value. Major reports are prepared by the section.

Thessen can be reached in Des Moines by calling 515-284-4340.

## Insure autumn crops

**T**HE Sept. 30 deadline for crop insurance sign-up on forage production and winter wheat looms large for many producers. This is also the deadline for making changes to existing policies.

"Higher prices for grains and higher prices for inputs to produce those grains means there is more at risk on every acre," says Jan Eliassen, a private consultant who does risk management education work for the crop insurance industry, USDA's Risk



Management Agency and several state departments of agriculture.

The RMA acknowledged increased risk when it announced price change limits for Crop Revenue Coverage, Group Risk Income Protection and Revenue Assurance.

For CRC and GRIP, there will be a 200% price change limit between the base, or expected

price, and the harvest price. There will no longer be any downward price limitations for either plan.

For RA, the statement sets a 200% price change limit between projected harvest price and fall harvest price, and there will be no downward price change limit.

This is especially important for Iowa where both RA and CRC insurance plans are available on winter wheat.

Contact a crop insurance agent with questions.

Volume 133 ■ Number 8

### Fast find:

- NewsWatch..... 3
- Opinion..... 14
- Crops ..... 17
- Technology/Machinery.... 31
- Farm Management ..... 40
- Country Life..... 48
- Livestock ..... 52
- Conservation ..... 56
- Marketing..... 59
- Midwest Extra ..... MX1
- Corn Illustrated ..... CI1
- Official Show Program .. FPS1
- Marketplace/Classified..... MI

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