Dave Kehler's Shoppers Guide article for 1-9-18

Agriculture Lease Information

Submitted by: David Kehler, Butler County Extension Ag Program Coordinator

This time of year always brings a lot of questions about Ag leases to our office. The changes in crop prices, land values, input costs and the volatility of crop production continues to prompt these questions.. More than 80% of agricultural land is leased, so lease arrangements are an important factor in food production. There was a time when landowners and tenants shared a knowledge of production practices and understood the principles involved. As time has passed, many landlords are 2 or 3 generations removed from living on the farm and most do not live in a rural area. This factor has increased the need for better communications between the tenant and landlord, and it has increased the need for written leases. In the absence of a written lease, the Kansas Ag Lease Law provides the arrangements, even if that is not what both parties want. Historically, most crop lease arrangements were a share arrangement, and they continue to be. However, we are seeing many leases arrangement change to a net share arrangement, cash rent arrangement, or other "non-traditional" arrangements. In a crop share arrangement, there are 5 principles that should be followed for an equitable lease. 1 - The cost of all yield increasing inputs should be shared. Some examples would be fertilizer and herbicides. 2. Share arrangements should be evaluated as technology changes and adjusted as needed. 3. Total returns should be divided in the same proportions as resources are contributed. All inputs into producing the crop should be added up and the percentage that is put in by each party should determine the percentage of the outcome to each party. 4. Compensation for unused long term investments at lease termination. 5. As mentioned before, good communications. Traditionally, the crop share leases come close to a 1/3 landlord, 2/3 tenant arrangement, but we see many variations from this.

A net share arrangement is one in which the returns are shared, but none of the inputs are shared. This arrangement is used when the landlord wants to share in the crop risks and rewards, but they do not want to pay bills for things like fertilizer. The landlords contribution is the "Ag production" value of the land. Most of these arrangements come close to a 25%, 75%.

Cash rents arrangements are traditionally used in pasture rents, many hay meadow arrangements, and some crop production arrangements. Average values for cash rents are available at our office and at www.agmanager.info

Flexible cash rent is an example of another non-traditional arrangement. If you have questions about lease laws, share arrangements, or rates, give me a call. A share lease arrangement spreadsheet to help people with lease evaluation is available and I am willing to do so on an appointment basis.

A wide range of Ag lease information is available under the Farm Management section of the www.agmanager.info web site. Another good site is www.Aglease101.org

Lease termination information is included in the publication: Kansas Agriculture Lease Law. It can be picked up at our office or located in the Lease papers section at the agmanager site. If there is no written terms for a lease termination date, a written termination notice must be provided to the tenant at least 30 days prior to March 1. It should include the legal description of the property and must set the date of termination as March 1. A sample letter is included in the publication.