

Why do Cash Rent Landlords Need to Know Yields?

“It’s none of their business”, “They are getting cash rent that is guaranteed and not affected by yields”, “It’s the operator’s data”, everyone has heard this before, but is it right? In some ways this is correct since that is the way leasing was done in the past. Most owners didn’t care or feel they didn’t need this information, but in the information age this is changing and for good reasons.

1. The information is readily available. Most, if not all growers have federal crop insurance, which lists the last ten years of crop production. Many operators now have yield monitors that not only show the yields but the variations in fields in an individual year and more importantly over time. This allows for the best areas and trouble spots to be identified and improved upon.
2. Yield translates to value in farm income and flows through to rental rates that an operator can afford and landowner deserves.
3. Yields and yield monitor data can and should be used for the operator and owner to work together to make the farm as productive as possible. If the yields are lower than they should be on a consistent basis then this needs to be figured out. If a landowner has a farm with lower yields related to factors they don’t want to correct then this should be pointed out and addressed by the tenant. If a new tenant is taking over a farm with low fertility, compaction or less than ideal drainage then this type of data can provide the reasoning for improvements to be made and the rents to be lower, until the issues is resolved. Without information many landowners think the operator is just a complainer and probably not telling the truth about yields.
4. Yields are an indication on the soil health and quality of the land. This cannot be judged by the soil surveys (CSR in Iowa) since these soil ratings assume adequate drainage and fertility. If you lined up 10 sons of Secretariat and had to choose the fastest horse you have a 10% chance of being right but if you had data on their past races then you know who is performing the best and who isn’t. It is similar with land. Just because farms have similar soils they may vary 25-40% in yield depending on a number of factors.
5. Flexible cash rent leases and crop share leases are directly affected by yields so monitoring this important factor is a must.

Some people will say that yield is not everything, but in the Midwest corn and soybean fields it is what we sell and more is better than less. Long term well managed leases depend on agronomic factors being optimized which leads to the best yield possible. The tools are available to educate cash rent landowners so they can work with and be proud of their tenants. There are some owners who are only interested in the highest cash rent and these folks will not change but if presented with good information you may be able to keep it reasonable. A mediator and data analyst like Farmland Stewardship Solutions may be what everyone needs.