

## Should Farm Leasing Be An Annual Guessing Game?

For the past few months and continuing for a couple more, is Cash Rent Guessing Season. This is when the landowner and their tenant try to figure out what is the proper cash rent for the upcoming year. It is like the Chicago Cubs trying to accurately guess the number of wins for 2017. There may be some indication from this year, but there are a lot of variables that make it impossible to get it right. The same thing happens with cash rent where we don't know what crop will be planted or what prices and yields will be at the time we set cash rents. Would anyone have guessed some of the outstanding corn and soybean yields in 2016? It is conceivable that all cash rents are wrong when the dust settles in the winter following the season. Many leases in Iowa are set in August of the year prior, thus are in place 16 months ahead of knowing the final results. We don't have a crystal ball and doubt you do either. Tenants have some of the same apprehension and there is a better system for them also.

Why do we set cash rents this way? Primarily because very few owners want a crop-share lease anymore, since it's easier to cash rent. People feel that as long as their rent is consistent with the surveys and are somewhat in line with the others heard about, then this is ok until next year. Then they do it all over again.

So what alternative is there? Consider a "flex lease" that gives you a guaranteed base rent similar to what you have now, but you also have a chance to get a bonus if all goes well with yields and prices. This type of lease will perform with the higher rents you hear rumors about. It also will assure the owner they will get a rent appropriate for the annual productivity of the land as well as the market prices. In many cases the base rent is set at a level that an operator can almost lock in at break even based on their crop insurance guarantees.

The added bonus with a flex lease is the owner now is made aware of not only the yield, but what factors attributed to yields such as soil tests, fertilizer use and other agronomic practices. Leases under the guidance of **Farmland Stewardship Solutions** will provide you with high quality records/data such as yield maps, soil test information, fertilizer application data, conservation oversight and even water quality data, if it is being monitored. All of the information and analysis is provided in a comprehensive annual report. We handle the data and process which benefits the landowner and tenant. Farm leases are part of the farming business so we need to think of it that way. Flexible Cash Rent Leases are becoming the largest growth area in farm leasing. Why? Because they make sense on a lot of levels for both the landowner and tenant.

**Farmland Stewardship Solutions** is founded on the belief that farm leasing should and can be a system that is good for both the landowner and the tenant. Leasing should be an open working relationship that fosters trust and long term leases that fit both the larger farm tenant and beginning farmer. When looking ahead to your 2017 rental arrangement take the guessing out of it and be assured you are in a situation that will accurately reflect current market conditions and help you reach your farmland ownership goals.