# FARMLAND LEASES: TALES, TYPES, AND TRENDS

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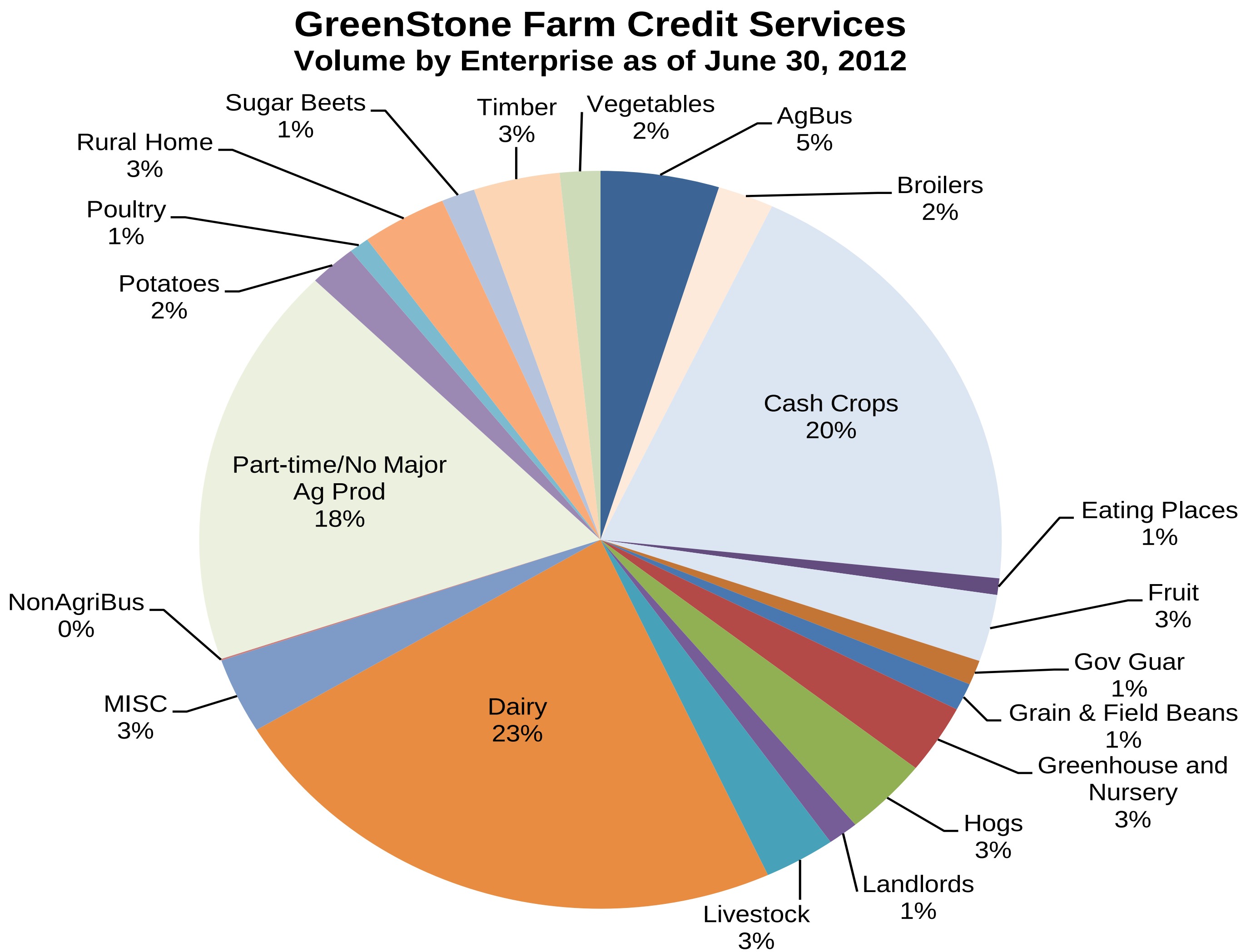
GreenStone® FARM CREDIT SERVICES

# GreenStone Overview

- Part of the nationwide Farm Credit System
- Dominant provider of credit and financial services in Michigan and Northeastern Wisconsin.
- $108 million paid in patronage since 2005
- 70% market share (against selected banks)
- 97% customer satisfaction in 2012
- 22,000 customers
- $6 billion in owned and managed assets
- 37 locations (headquarters in East Lansing)
- 460 team members

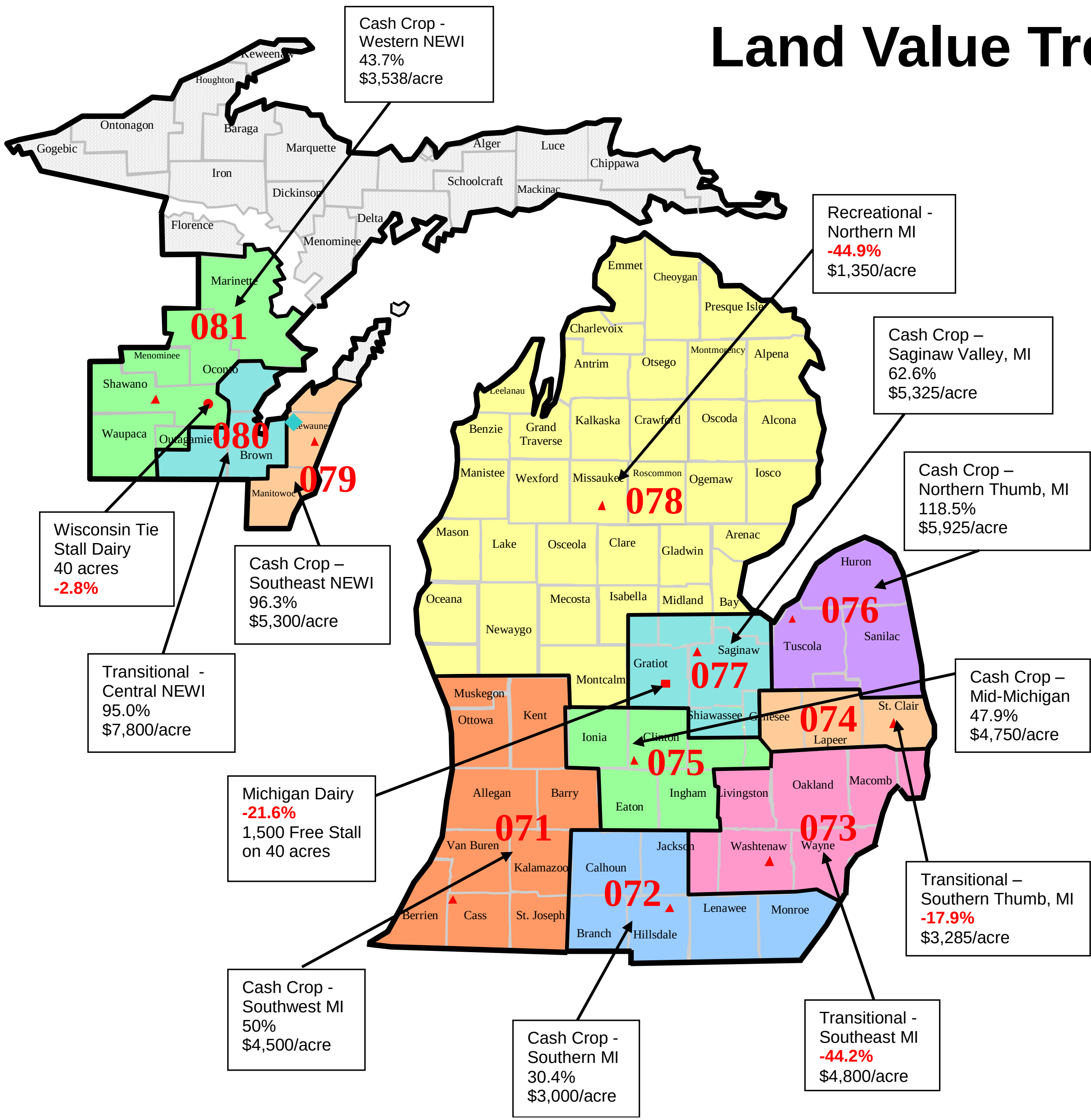
# Portfolio Diversity



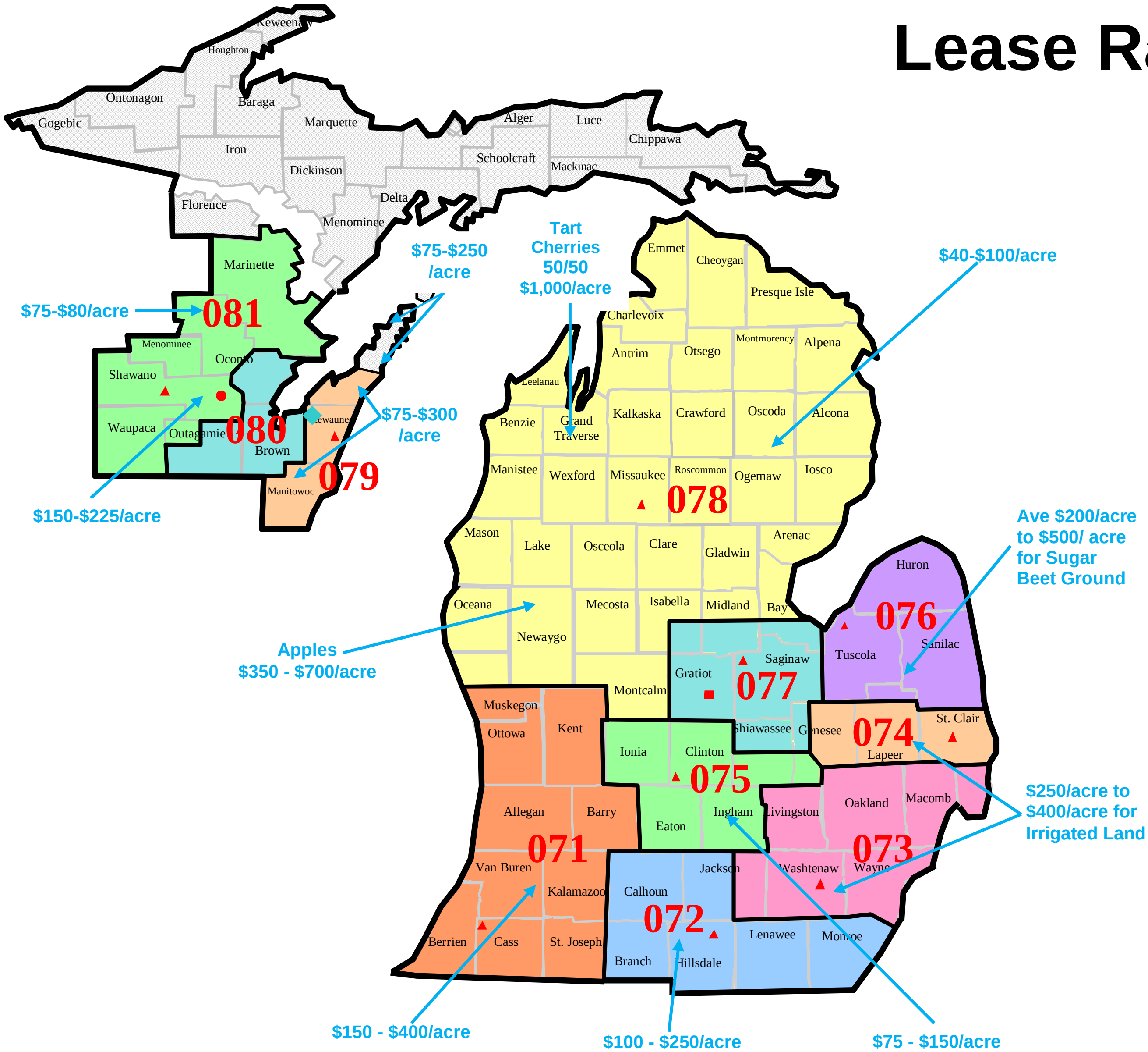
# Profitability Drives Rents

- Sugar Beet margins per acre in 2012  were $1000/acre, with variable costs/acre at $500 and land rents up to $500.
- Corn margins are $3-400/acre depending on yield with average rents running from $150 to $225/acre.
- Soybeans – $250-400/acre margin with similar cash rents for corn.
- Apples- $3,850/acre average net, including rent of $350-$700/acre, depending on age and productivity of the orchard.
- Tart cherries – $2,000/acre net less 50% if orchard is leased.  One of the few crops done on a shared basis.

# Land Value Trends Map



# Lease Rates



$75-$80/acre
081
080
079
$150-$225/acre
$75-$250 /acre
$75-$300 /acre
Tart Cherries 50/50 $1,000/acre
$40-$100/acre
078
Ave $200/acre to $500/ acre for Sugar Beet Ground
076
077
074
075
073
071
072
Apples $350 - $700/acre
$250/acre to $400/acre for Irrigated Land
$150 - $400/acre
$100 - $250/acre
$75 - $150/acre
Keweenaw
Houghton
Ontonagon
Gogebic
Baraga
Marquette
Iron
Dickinson
Alger
Luce
Chippawa
Schoolcraft
Mackinac
Delta
Florence
Menominee
Marinette
Menominee
Oconto
Shawano
Waupaca
Outagamie
Brown
Kewaunee
Manitowoc
Emmet
Cheoygan
Presque Isle
Charlevoix
Antrim
Otsego
Montmorency
Alpena
Leelanau
Benzie
Grand Traverse
Kalkaska
Crawford
Oscoda
Alcona
Manistee
Wexford
Missaukee
Roscommon
Ogemaw
Iosco
Mason
Lake
Osceola
Clare
Gladwin
Arenac
Oceana
Newaygo
Mecosta
Isabella
Midland
Bay
Huron
Tuscola
Sanilac
Saginaw
Gratiot
Montcalm
Muskegon
Ottowa
Kent
Ionia
Clinton
Shiawassee
Genesee
Lapeer
St. Clair
Allegan
Barry
Eaton
Ingham
Livingston
Oakland
Macomb
Van Buren
Kalamazoo
Calhoun
Jackson
Washtenaw
Wayne
Berrien
Cass
St. Joseph
Branch
Hillsdale
Lenawee
Monroe

# Typical Land Rental Arrangements

- Lease and rental agreements are overwhelmingly on a cash per acre basis for not only row crops but, for many specialty crops as well.
- Agreements are informal. Typically for 1 to 3 years with some going up to five years or longer in NE Wisconsin.
- Rental rates are generally driven by overall projected commodity margins similar to the way a purchase price/acre is determined but:
  - Dairy producers are more apt to pay “whatever is necessary” to keep the acres needed to feed animals and spread manure.

# Typical Land Rental Arrangements

- Rents determined by:
  - Soil productivity.
  - Commodity profitability.
  - Localized supply and demand.
  - Length of time of the relationship between landlord and tenant.
  - Ease of operation of the parcel. (Size, location, etc.)

# Typical Land Rental Arrangements

- Emerging Trends
  - Some use of formally adjustable rental agreements to benefit landlords as commodity prices increase and producers should they decline.
  - Less successful operators blindly driving up land costs to “keep up with the neighbors”.
  - Larger producers can and are travelling further to acquire land (farming further north in Michigan.)