Regional Trends in Farmland Leasing: Illinois

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November 27, 2012
Tenure on FBFM Farms

• Share rent (27%)

• Cash rent (55%)

• Variable cash rent
  – Cash rent with bonus

• Owned (18%)
Cash Rent

• Fixed cash rent

• Usually paid in one or two installments, one in spring, one in fall (movement toward one installment due up front)

• Typically one year in length (movement to short lease terms)

• Difficulty in setting cash rent each year

• Movement to include soil testing/fertilizer requirements in lease

• Concerns with yield documentation

www.farmdoc.illinois.edu
Cash Rents in Illinois
(Source USDA)

2010: $169
2011: $183
2012: $212
Cash Rent by County, 2012

- Released by USDA, September 7, 2012
- 2012 cash rents
- Average cash rents
Cash Rents, FBFM, Logan County, Illinois ($ per acre)

Avg. = $255 per acre
## Mid-Year Leasing Survey
Illinois Society of Professional Farm Managers and Rural Appraisers

<table>
<thead>
<tr>
<th>Land Quality</th>
<th>Expected Corn Yields</th>
<th>2012 Rent</th>
<th>2013 Proj. Rent</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bu./acre</td>
<td>$/acre</td>
<td>$/acre</td>
<td>$/acre</td>
</tr>
<tr>
<td>Excellent</td>
<td>Over 190</td>
<td>$373</td>
<td>$384</td>
<td>$11</td>
</tr>
<tr>
<td>Good</td>
<td>170 – 190</td>
<td>$317</td>
<td>$326</td>
<td>$9</td>
</tr>
<tr>
<td>Average</td>
<td>150 – 170</td>
<td>$269</td>
<td>$272</td>
<td>$4</td>
</tr>
<tr>
<td>Fair</td>
<td>150 or less</td>
<td>$212</td>
<td>$214</td>
<td>$2</td>
</tr>
</tbody>
</table>

Averages for professionally managed land

Always higher than averages

www.ispfmra.org/land-values.html
Variable Cash Rent

• Set a minimum cash rent

• Have a “bonus” based on a percentage of crop revenue

• Movement toward including crop insurance proceeds in revenue
Determining Crop Revenue

- **Crop Revenue** = **Yield** × **Price**

- **Yield options:**
  - Farm yield
  - Expected county yields

- **Prices (What and timing):**
  - Alternatives
    - Local delivery point
    - Future prices *
    - Crop insurance (base, harvest) *
  - Timing and collection
    - Suggest getting through spring and harvest

* Will impact rent factor level
Summary

• Continued movement to cash leases with:
  – Higher cash rents
  – Short lease terms
  – Fertilizer/soil testing requirements
  – Yield documentation requirements

• Some movement to variable cash rent agreements, with crop insurance in revenue calculation

• Cash rent levels may be overshooting “normal” return levels