

10 points to consider in setting a Cash Rent

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1. Land Quality - It is important to know the soil types on a farm and what the productive capability of that land is.
2. Tile and Drainage - It is important to know the drainage capabilities on a farm and the condition of the existing tile. It is also important to determine if the farm includes "wetlands" or "highly erodible" land, as designated by the Natural Resources Conservation Service. This could affect future drainage and cropping practices.
3. Federal Farm Program - The current Federal Farm Program is being rewritten. It is likely to have several of the same features that were contained in the last program, but there is likely to be some new provisions. Prices have risen so high that there will not be LDPs or counter cyclical payments without a very large decline in prices, but the direct payments will continue.
4. Previous Crops, Herbicides, and Fertility - Cropping history and past herbicide usage can limit your crop options in the coming year. Soil fertility levels are often overlooked. Farms with high soil test levels for phosphorus and potassium will require considerably less fertilizer for crop production, and thus may have more rental value.
5. Use of Facilities - Use of grain drying and storage units, machinery storage, livestock buildings, and other facilities can add to the cash rent value on a farm unit. These items should be taken into account when determining equitable rental rates.
6. Crop Returns - The potential profit or net return from crop production should be considered in cash rental rate determination. The crop budgets at http://www.agecon.purdue.edu/extension/pubs/ID166_2008.pdf and the lease comparison spreadsheet at http://www.agecon.purdue.edu/extension/pubs/Farmland_values_files/Share_CashLease.xls may be helpful in developing these estimates.
7. Payment Dates - The payment dates for cash rental payments can change the "Net Rental Rate" due to interest on the payment. For example, the "Net Rental Rate" is \$5.00-\$6.00 per acre higher if 100% payment is required in the spring rather than only 30-50 percent, with the remainder due in the fall.
8. Payments on Tillable Acres - Most rental contract payments are based upon tillable acres. However, there are some contracts that base payment on total acres.
9. Previous History - The working relationship and previous experiences between landlord and tenant are often an important factor in determining final cash rental rates.
10. The "Going Rate" - The typical or average cash rental rates in an area is also used to determine final rental rates.