

Landowner and Farm Operator: Shared Investment for Shared Benefit

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Post-harvest through the end of the year, Peoples Company Land Managers are meeting with farm operators to review production data and discuss plans for the coming year. The goal on every managed farm is to maximize yields on the most productive acres and protect the sensitive acres. A key step in this process is to layer collected data, look for opportunities for improvement, and address concerns with erosion and fertility.

A recent meeting with a farm operator had me reviewing a farm that I manage in the Midwest. The farm has good curb appeal and has been well taken care of with fertility at optimum or above. The farm operator has been on the farm for several years and is using top of the line technology in his equipment to get the right rate of fertilizer, seed and crop protection on each acre.

The farm is 15 points above the county's average CSR2 (Corn Suitability Rating) with yields also above the county average. But as we looked at the collected data from the growing season, we began talking about the variability across the farm in regards to yield. The east end of the farm yielded 250 bu/a corn while the west 40 acres was below 220 bu/a.

The farm operator said, "If we could pattern tile the west 40, this whole farm would be set. We would see yields over 250 on the whole farm."

The landowner on this particular farm lives on a fixed income and does not have the resources to invest in large capital expenditure projects. However, completing the drainage needed on this farm would certainly add value to the farm if it were brought to the market. In addition, a fully tiled farm is rented at a premium as adequate drainage allows earlier planting, replanting avoidance, and increased yields. Tiling can be one of the best tools for weatherizing a farm.

While it seemed like a good project stopped dead in the water, I still asked the local tile contractor to bid out the project. It would consist of roughly 40 acres of 4" pattern tile and a 6" main line with outlets to the ditch. Total estimate for the project was \$700/acre for a total of \$28,000.

The landowner had \$10,000 he could invest in the project. To pull the project together, the farm operator paid \$18,000 of the tile with the agreement of a 4-year cash rent lease and an annual rent reduction of \$4,500 (\$45/a) to recoup the farm operators upfront tile investment. If for some reason the lease would need to be broken in that 4-year period, the farm operator would be reimbursed for the remaining amount. And the lease included a bonus clause so the landowner would receive a bonus in rent if commodity prices significantly increased in years two through four.

The landowner was happy to have such a significant project completed on his farm and the farm operator was more than willing to put up the investment in year one for four years of increased yields. To recover the cost, the farm operator only needs to annually increase his overall field yield average by 12 bushels/acre if using a conservative number of \$3.50/bushel.

Data sharing that leads to problem solving is possible when the landowner and farm operator are able to have a transparent and equitable relationship. Peoples Company Land Managers can help facilitate this process and add value to both parties.

To learn more about Peoples Company Land Management, please visit www.PeoplesCompany.com or email LandManagement@PeoplesCompany.com.

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