

Thinking Ahead: 2020 Farm Leases

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While the 2019 crop has yet to be harvested, now is the time to begin considering 2020 farm leases.



We are blessed with an abundance of fertile ground in the United States. The challenge for many farmers is the acquisition of that land, whether it is owned or rented. The majority of today's farm operations have a mixed land base with success dependent upon good working relationships with non-operating landowners. The farmer benefit of renting land is the opportunity to quickly scale an operation when capital is limited. In a tightly held neighborhood, it may be the only way to control additional acres when land is not for sale.

Renting land involves a lease: a business contract between the farmer (lessee/tenant) and landowner (lessor). Clear communication of expectations and requirements is essential in a successful partnership. Choosing an appropriate lease is also critical, with each type of lease reflecting a different set of priorities.

In traditional row crop operations, the following leases are most common:

Custom Farming: Landowner assumes all production and economic risks; pays all of the crop expenses and receives all crop revenue while hiring a local farm operator to plant and harvest the crop for a flat fee.

Crop Share Leases: Landowner and farmer share in the expenses and revenue in proportions established in the lease document.

Flexible Cash Lease: Landowner receives a guaranteed cash rent payment, plus a bonus when gross revenue exceeds a predetermined base amount.

Cash Lease: Landowner receives a fixed rent payment annually.

The landowner has the ability to incorporate conservation into any of these described leases. Peoples Company's proprietary conservation lease amendment addresses the impact of farming practices on soil erosion and water quality for each individual farm, including tillage practices, crop rotation, permanent seeding (including CRP), cover crops, and the placement of commercial fertilizers.

Knowing how to maximize the most productive acres and protect the sensitive acres on each farm begins with analysis of operation data. Every farm lease should include an annual reporting requirement for the farmer to provide information related to chemical/fertilizer applied, tillage used, seed planted, and bushels harvested.

Peoples Company Land Managers are well equipped to discuss options landowners have for 2020 farm leases. Landowners can contact a Peoples Company Land Manager to provide a lease analysis, negotiate a 2020 lease with a farmer, or provide full land management services with accounting and production reports.

For more information, please visit www.peoplescompany.com or email landmanagement@peoplescompany.com.