

2017 River Valley Extension District Lease Survey Summary

January, 2018

Agriculture is facing one of the most significant financial downturns in recent history. With many similarities to the 1980s, landlords and tenants are carefully looking for ways to cut costs and improve revenue streams. Given these conditions, determining an equitable lease arrangement has become increasingly challenging with landowners and tenants frequently turning to the local K-State Research and Extension office for information on the “going rates” for pasture and cropland leases.

K-State Research and Extension, River Valley District recognizes the value of local rental rate information and conducted its first annual, district-wide lease survey in the fall of 2012.

The survey is sent to two landowners and/or tenants in each of the townships within the four counties that comprise the River Valley District to get a broad, cross-section response that represents the common terms for district leases. In addition, River Valley District Agriculture Program Development Committee and Governing Board members, as well as North Central Kansas Farm Management Association members within the district are invited to complete the survey. In all, 208 surveys were sent out in 2017 with 101 returned for a return rate of 48.6 percent.

While no one average value will hold true for all rental arrangements, the goal of the survey is to provide ag producers, ag lenders, and local or absentee landowners with local lease information that can be used as a basis to begin lease negotiations. The summaries that are included with this paper are a compilation from the local surveys returned and do not represent a random, scientific survey.

The Fall 2017 Survey Summary paper contains:

- Pasture Leasing Arrangements and Rates Summary
- Cropland Leasing Arrangements and Rates Summary
- Agriculture Labor Wage and Benefit Information
- Trends in Leases and Values of Ag Land in Kansas
- Overview of lease resources available

The Fall 2017 Survey was conducted by:

K-State Research and Extension, River Valley District

The Fall 2017 Survey was sponsored by:

K-State Research and Extension, River Valley District
Kansas Crossroads RC&D Area, Inc.

The Fall 2017 Paper was Written by:

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Kansas State University Agricultural Experiment Station and Cooperative Extension Service

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2017 River Valley District Pasture Survey Summary

Katelyn Brockus, District Extension Agent, Livestock Production

All survey recipients were provided a pasture survey with a total of sixty-four pasture lease surveys returned and compiled this year. However, individual questions may not have been answered by all respondents. Therefore, when reporting survey results, the “count” will also be reported to capture the certainty of the statistic.

The respondents were asked if they calved in the spring, fall, or both seasons. There we 28 who responded with spring calving, 7 fall calving, and 13 who responded with calving in both spring and fall.

For pasture rent paid by the acre, the average across the district was \$26.04, decreasing \$0.56 from the previous year, but staying relatively steady. Numbers ranged from \$15.00 to \$45.00 per acre. While this seems like a really wide range, keep in mind that arrangements can vary significantly by the type of soil and grass in the pasture, type of cattle pastured, availability of water, who maintains the fence, who manages the brush and weeds, etc. This is why it is hard to establish any one “going rate”. It is also worth noting that we saw more data based off of averages on a per pair basis compared to averages on a per acre basis. We saw a large shift in the average per pair data going from

\$170.50/pair in 2016 to \$203.43/pair in 2017. This could be due to various scenarios but a shift in the type of leases that are now being negotiated could be a causation in the shift. Table 1 illustrates the average lease rates reported in the district survey.

Table 1:

County	Average Per Acre	Minimum Per Acre	Maximum Per Acre	Average Per Pair	Total Responses
Washington	\$25.89	\$15.00	\$37.00	\$175.38	18
Clay	\$26.67	\$17.00	\$45.00	\$200.00	16
Cloud	\$26.60	\$17.00	\$37.00	\$231.67	14
Republic	\$25.00	\$15.00	\$40.00	\$206.67	16
All Counties	\$26.04	\$16.00	\$39.75	\$203.43	64

Table 2 illustrates the average stocking rates in the district. The average lease across the district in 2016 began April 27th and ended October 19 for an average grazing season of 175 days or approx. 6 months.

Table 2:

County	# Acres Per Pair	Mature Weight	Total Responses
Washington	5.82	1295	15
Clay	6.21	1252	15
Cloud	6.32	1270	11
Republic	5.85	1300	13
All Counties	6.05	1285	54

Table 3 illustrates a combination of all four counties when asked how often their lease rates were negotiated as well as how often other lease terms were discussed. Table 4 illustrates the average length of leases across the district. When analyzing the type of lease landowners and tenants have across the district, 40 (64.5%) respondents say they have oral leases while only 22 (35.5%) have written leases.

Table 3:

All Counties	1 yr	2 yr	3 yr	5 yr
Lease Rates Negotiated	19 (35.2%)	5 (9.3%)	9 (16.7%)	21 (38.8%)
Other Lease Terms	8 (50%)	3 (18.8%)	2 (12.5%)	3 (18.7%)

Table 4:

All Counties	1 yr	2-5 yrs	6-10 yrs	11+ yrs
Length of Lease	2 (3.2%)	12 (19%)	14 (22.2%)	35 (55.6%)

Table 5 illustrates the relationship between the landowner and the tenant across the district. These numbers can play a factor in the amount of rent paid. However, in most cases across the district the landowner and tenant were not related.

Table 5:

All Counties	Immediate	Distant	Unrelated
Related to landowner/tenant	16 (25%)	7 (10.9%)	41 (64.1%)

Table 6 illustrates where the landowner resides. This can play a part in the quality of the land if the landowner is absentee and could affect stocking rates. The majority of the landowners reside in the same county as their tenants. When asked what the age of the operator was, 4.8% were age 20-30, 6.5% were age 31-40, 16.1% were age 41-50, 19.4% were age 51-60, 32.3% were age 61-70, and 21% were 70 plus years of age.

Table 6:

All Counties	Same County	Out of County	Out of State
Landowner Resides	46 (73%)	12 (19%)	5 (8%)

Water sources were reported in Table 7 with 67 respondents. While most had multiple sources, the majority of the pastures still relied on a pond, stream, and well. In 66.6% of the leases, the tenant was responsible for maintaining the water source while 28.3% the landowner was responsible and 5% shared the responsibility. The high percentage of livestock drinking from ponds and streams has implications for water quality and provide opportunities for livestock producers to take advantage of cost share assistance.

Table 7:

Sources of Water in a Pasture							
Transporting	Pond	Stream	Well	Other	Tenant	Landowner	Shared
3.1%	93.8%	36%	28.1%	20.3%	66.6%	28.3%	5%

Responsibility for the yearly maintenance of fencing is illustrated in Table 8. Labor for fencing was the responsibility of the tenant in over 79% of the leases while in over 53% of the leases the landowner provided the materials.

Table 8:

Yearly Maintenance of Fencing Responsibility		
	Labor	Materials
Tenant	79.4%	43.6%
Landlord	17.5%	53.2%
Shared	3.2%	3.2%

Over 82% of respondents listed thistles as the most critical problem in their pastures with cedar trees coming in second at 81%. The other problematic species listed in order of prevalence were: locust, hedge, other (Old World Bluestem, Sumac, Blackberry, Mullin, coralberry, and curly cup gumweed), sericea lespedeza, and brush. Controlling problematic plant species in a pasture has very mixed arrangements throughout the district. In 42.9% of the leases the tenant is responsible for controlling weeds and trees, in 23.2% the landlord is responsible for controlling weeds and trees, and in 30.4% it is a shared responsibility. Control methods varied considerably across the district and most respondents listed multiple control methods. Over 88% of respondents spot sprayed their pasture an average of every 1.05 years. Over 73% mechanically cut trees, brush, or weeds on an average of every 1.98 years. Prescribed burns were conducted by 38.1% of respondents on an average of every 3.48 years. Aerial spraying was done by 34.9% of respondents every 4.06 years on average. Approximately 79.1% of the grass in the district contains native warm season grasses while approximately 26.7% includes cool season grasses. Most of the pasture in the district still remains upland with a very small amount of river bottom ground.

Sixty-one respondents replied to the hunting survey questions. Of those 61, 86.9% did not have hunting as a part of their lease agreement while 13.1% did have a hunting agreement. (Note: Kansas lease law would indicate hunting rights go to the tenant unless otherwise specified in the lease agreement.) Seven of the surveys indicated that landlords retained the rights to hunting while one indicated that the tenant retained the rights. If those seven that retained hunting rights as landowners did not have an agreement in the lease, then they would technically be trespassing while hunting on land they own but lease out. Finally, the hunting agreements ranged from \$5 to \$8 an acre or some also indicated they were paid off of the number of animals hunted. The time frame ranged from a single season to year round agreements.

2017 River Valley District Cropland Survey Summary

Tyler Husa, District Extension Agent, Crop Production

The following summary contains the responses of 82 returned surveys for cropland rental rates and related topics including renegotiation of leases, grazing residue and cover crops, custom rates, and hunting. Within each survey, each question may not have been answered by all respondents. The specific number of responses is mentioned with each data set. The survey does not reveal the quality of land, parcel size, technology being implemented, productivity, commodity prices, or other demand factors that might affect the rate that is negotiated between a landlord and tenant for a piece of land. The responses are compiled from Clay, Cloud, Washington, and Republic counties.

Renting Cropland- Written lease percentages have remained constant from the previous year at 49% reported having a written lease and 51% reported their lease is oral. For the cropland reported, 15 survey responders stated their leased land was above average in quality when compared to the rest of their county, 58 reported their land as average, and 7 stated their land in the lease arrangement was below average quality, and 1 no response.

Table 1 - Cash Rental Rates

Crop Enterprise	Average (Rent Per Acre)	Minimum	Maximum	Responses
Non-Irrigated Cropland	\$65.55	\$50.00	\$130.00	23
Irrigated Cropland	\$220.00	\$200.00	\$240.00	2

Table 2 - Crop Share Leasing

Crop Share	33/66	40/60	50/50	Other
Dryland	44%	49%	0%	7%
Irrigated	12%	33%	44%	11%

Crop Share- Table 2 expresses the percentages of crop share agreements. Most reported arrangements were paid in a 33.3%/66.6%, 40%/60%, or 50%/50% (landlord/tenant) arrangement.

Values in Table 3 give number of survey respondents that indicated occurring shares for arrangements that share the specific mentioned cost. In most lease arrangements not all expenses are shared.

Flex Rent- Flex rent is largely unused in the district. The single report had a \$100 per acre base cash rent that flexed in grain price variability, referencing grain price at a local grain cooperative.

Other Influencers - Over 63% of responders stated they have leased the land for to or from the other party for over 11 years. Numerous tenants/landlords were not related, but 37% do have some sort of relation to the other party.

Hunting Rights- Most often the renter and/or landowner had rights for hunting. Only 10% of those who responded reported that hunting rights were leased out and 75% said the landowner received the payment for the hunting lease. Rental rates by the acre ranged from \$3 to \$8 per acre with the average falling at \$5.33 per acre. Under Kansas Lease Law, the landowner cannot hunt leased ground without permission from the tenant, unless those rights are retained in a written lease.

Table 3 - Crop Share Lease: Production Expenses

52 Respondents	Percent Indicating They Share Cost With Landowner *
Types of Crop Production Expenses	
Fertilizer	100%
Herbicide	81%
Fungicide	73%
Insecticide	63%
Application	27%
Seed	13%
Harvest	2%
Structure Maintenance	31%
Irrigation Maintenance	14%
Other	2%

*no response was interpreted tenant assumed full cost

Variable Rate Technology– 36% of those surveyed stated that they use variable rate technology in their farm operation, this is an 8% increase from the previous year’s survey.

Grazing Cropland– The survey asked about grazing stalks, cover crops, alfalfa, and wheat. Many comments on this section indicated that it was agreed upon for the tenant to have complete rights to grazing with no extra charge.

Grazing	Average Rent Per Acre	Average Rate Per Head Per Day	Average Stocking Rate (Acres per Animal for # of Days)
Corn/Milo Stalks (15 responses)	\$6.03	\$0.43	1.9 acres for 36 days
Cover Crops (5 responses)	\$9.00	\$0.28	1.25 acres for 30 days
Alfalfa (3 responses)	\$10.00	\$0.35	No Data
Wheat (4 responses)	\$9.25	\$0.60	No Data

Custom Work– Many producers have some sort of custom work performed on their operation. Out of those surveyed, 21% reported that the hire custom work on their farm and 20% reported that they perform custom work for others. Many times the harvesting custom rate charge is not a flat fee per acre, but consists of a base with additional charge over a set yield, variance among commodity, and may include a hauling charge. Table 5 lists all reported custom farming operations along with the average rate charged. The number of people who gave a reported on each operation is listed in the “Count” column. Table 6 gives an example scenario of the cost for having crop ground custom farmed based upon the custom farming responses within the survey.

Operation	Rate	Unit	Count
Anhydrous ammonia	\$15.66	acre	3
Applying dry fertilizer	N/A	acre	0
Baling (large round)	\$11.66	bale	3
Baling (small square)	N/A	bale	0
Combining	\$31.57	acre	7
Drilling	\$16.33	acre	3
Fertilizing	N/A	acre	0
Forage harvesting	N/A	truckload	0
Grain hauling	\$0.16	bushel	1
No till planting	\$18.50	acre	2
Planting	\$18.99	acre	7
Self propelled swather	N/A	hour	0
Spraying	\$6.88	acre	4
Stacking (small square)	N/A	bale	1
Strip till	\$15.00	acre	1
Swathing	\$15.00	acre	1
Tillage (disk, field cult, turbo till)	\$14.00	acre	1

Fertilizer (Dry, liquid anhydrous.) (\$/acre)	Disc (\$/acre)	Field Cultivate (\$/acre)	Planting (\$/acre)	Herbicide Application (\$/acre)	Insecticide/ Fungicide Application (\$/acre)	Harvest (\$/acre)	Grain haul (\$/bu)	TOTAL (\$/acre)
\$15.66 (conv. till)	\$14.00	\$14.00	\$18.99	\$6.88	\$6.88	\$31.57	\$0.16	\$159.74
\$15.66 (no-till)	N/A	N/A	\$18.50	\$6.88	\$6.88	\$31.57	\$0.16	\$117.25

-Costs for planting are based upon row-crop (for wheat substitute in \$16.33/ acre) for planting cost (refer to Table 5)
 -This scenario is dryland
 -Assume 150 bu/acre corn (for grain haul calculation)
 -(conv. till)- assumes 2 disc tillage paths and one field cultivator pass
 -(no-till)- does not include disking or field cultivation
 -3 applications of herbicide (1 pre- and 2 post-)
 -1 fungicide/insecticide application (we did not receive this data from the survey, so we assumed same cost of application as herbicide).
 - for more information on custom rates : <http://www.agmanager.info/machinery/papers/2016-rates-paid-kansas-farmers-custom-work>

Trends in Leases and Values of Agricultural Land in Kansas

Mykel Taylor, PhD, K-State Research & Extension, Farm Management Specialist

The past few years have seen wide fluctuations in land values and rental rates as a result of dramatic changes in profitability for farmers and ranchers in Kansas. According to surveys by USDA-NASS, the statewide average land value for non-irrigated cropland in 2009 was \$981/acre. Within a five-year span, that average more than doubled to \$2,150/acre in 2014. By 2017, non-irrigated land values in Kansas have fallen 13% and are expected to continue to decline as long as low commodity prices remain in place. A similar pattern can be observed in pasture values. The state average of pasture was \$761/acre in 2010 and, within five years, values increase 80% to a record high of \$1,390/acre in 2015. Pasture values have fallen off 7.2% since 2015. Information on rental rates is difficult to obtain and, while publically available information sources are very useful, the way in which the data are obtained affects how accurately they can be compared. There are two sources for counties in the River Valley District: the survey results discussed in this publication and the rental rate estimates available from K-State at www.AgManager.info. Table 1 presents rental rates from both sources for the years 2015-2017. In 2015, the K-State estimates reflect **the ability of the average producer to pay for land**, given current commodity prices, average yields, and costs of production. The River Valley District Survey results are a survey of what people are actually paying for land. In 2015 the non-irrigated cropland values differed by only a few dollars, with the K-State estimates at \$79.83/acre and the River Valley estimate of \$75.58/acre. However, starting in 2016 and continuing in 2017 the values were quite different with the K-State average estimate falling to \$37.38/acre in 2017. The large discrepancy between the two values reflects the drop in commodity prices with little to no decline in production costs.

Table 1. Rental Rate Estimates for Non-Irrigated Cropland (2015-2017).

	2015	2016	2017
K-State Estimates (\$/ac)			
Clay	79.90	56.30	37.60
Cloud	75.10	53.40	34.00
Republic	79.50	56.40	37.50
Washington	84.80	59.90	40.40
Average	79.83	56.50	37.38
River Valley Dist. Survey (\$/ac)	75.58	74.05	65.55

While the River Valley estimates are based on survey responses of actual rents paid, the K-State estimates are based on a representative budget for the region and expected yields and commodity prices. The difference between these two approaches is important, especially when there are large swings in commodity prices and/or yields. During periods of high profitability, rental rates will increase and competition for land can be fierce as producers try to expand their land base to capture more returns. However, a sudden decline in profitability in the sector, like the one we have experienced for the past two years, will not necessarily translate into lower rents in the short run as the K-State estimates would have suggested.

Rental rates tend to lag behind commodity prices and profitability for several reasons. First, land contracts and cash rental rates are often set for 3-5 year periods to allow both producers and landowner to plan for expected costs and returns. As a result, producers can be locked into a rent not aligned with the current market. Another reason rental rates do not decline as quickly as might be expected is due to concern over losing land. Rented land is often a significant part of the land base in an ag operation, driving decisions on machinery and labor. If a landowner will not accept a lower rent, then some producers will pay more than their total costs of production to keep it. The expectation is that taking a loss in the short run is preferable to losing acres and incurring an increase in total costs per acre.

Regardless of the particular situation a producer faces, strong communication with their landowner can be very beneficial to the long-run economic viability of their operation. Landowners will not be excited to lower rental rates, but if they have a strong understanding of the current market conditions they may be more willing to negotiate. Tenants who take extra time to work with their landowners, answer questions, and keep them up to date on the farm's situation will find it a little easier to have those difficult conversations about lowering the rent.

For more information on land values and rental rates in Kansas, visit www.AgManager.info/land-leasing

2017 River Valley District Labor Survey Summary

John Forshee, District Extension Director, Farm Management & Community Development

The 2017 survey is the second year that labor questions have been included as a part of the annual survey. Ninety-five surveys were returned with 37 surveys, or 39%, reporting the use of hired labor on their operation. The following is the summary of those surveys. Given the relatively small number of responses, the summary is a compilation of the fourteen reports from Clay County, three reports from Cloud County, eight reports each from Republic and Washington Counties, and four reporting labor hired in multiple counties.

For comparisons, wages and salaries are compared on a full-time equivalent or FTE. A full-time equivalent is considered to be one employee who works 2080 hours per year.

Full-Time: Twenty-two survey respondents reported that the operation included a full-time employee. Of these, twelve reported paying by the hour and eight reported paying an annual salary, one reported commodity wages, and one designated benefits only but did not include a wage response. For those reporting hourly, the high was \$22.00 per hour, the low was \$13.00 per hour, and an average of all reports was \$17.25 per hour. (These wages paid on a 2080 hour year would equate to \$45,760, \$27,040, and \$35,880 respectively. For those reporting paying an annual salary, the high report was \$50,000 per year, the low report was \$16,800 per year, and the average of the reports was \$37,600. Broken down to an hourly basis for a 2080 hour year, these would equate to \$24.04, \$8.08, and \$18.08 per hour respectively. Whether paying on a salary or hourly basis, the pay range for full-time employees is within a similar range.

Part-Time: Eleven of the 37 respondents employed part-time help paid on an hourly basis. The high was \$20.00 per hour, the low was \$9.00 per hour, and the average for part-time employees was \$13.72 per hour.

Seasonal: Eighteen of the surveys reported hiring labor on a seasonal basis. The seasonal labor reports showed a wide range in pay with the high reported at \$26.00 per hour, the low at \$12.00 per hour, and the average at \$14.86 per hour.

Benefits: When evaluating benefits, full-time employees generally received more benefits. Meals and equipment use were the most common benefits across all forms of hired labor. The following table provides a summary of the number of respondents reporting providing the particular benefit. Vision insurance, and fuel were included on the survey but no respondents offered these benefits.

Benefit Provided	Full-Time	Part-Time	Seasonal
Meals	8	5	6
Housing	5	0	0
Meat	4	0	0
Paid Holidays	5	0	0
Paid Vacation	11	1	0
Paid Sick Leave	8	2	0
Health Insurance	7 paid full, 1 paid 1/2	0	0
Dental Insurance	1		
Vehicle	6	0	3 (during seasonal work)
Equipment Use	8	1	6
Retirement	4	0	0
Clothing	1 (some)	1 (some)	

Regulations: Agricultural employer guidelines can be found at the Federal Department of Labor Wage and Hour Division, Fair Labor Standards Act in Agriculture at: https://www.dol.gov/whd/ag/ag_flsa.htm
The guidelines for agriculture are summarized in Fact Sheet #12: Agriculture Employers Under the Fair Labor Standards Act. (FLSA). The Migrant and Seasonal Agricultural Worker Protection Act may also apply.

Overview of Lease Resources Available

The following resources are available to help in almost any lease situation:

www.AgManager.info - This K-State Ag. Econ website has information on Agribusiness, Crops, Farm Management, Livestock and Meat, and Policy, as well as many Decision Tools that include tools related to crop, pasture, livestock and machinery leasing. These are a few of the publications and decision tools available on this extensive website:

- ⇒ “Projected Custom Rates for Kansas” and the “2010 Fence Material and Construction Cost Survey” are helpful companion pieces to the lease publications.
- ⇒ “Kansas Agricultural Lease Law” (C-668) provides an excellent overview and summary of some key elements of Kansas Agricultural Lease Law, including proper termination notification.
- ⇒ Farm Management Guides provide up-to-date K-State Budget information on livestock and crop enterprises that are helpful in determining costs of production.
- ⇒ Decision Tools such as KSU-Lease, KSU-Graze, FlexRent, and many other spreadsheet-based tools, are available for producers to input farm data for customized analysis and decision making.
- ⇒ Information on land values and rental rates in Kansas, visit www.AgManager.info/land-leasing
- ⇒ Information on hunting leases, visit www.AgManager.info/hunting-leases-kansas

www.aglease101.org - This website is a product of the North Central Farm Management Extension Committee and contains a library full of the North Central Regional lease publications and lease forms that have been popular resources available at local extension offices for years. The publications provide a great background on each form of leasing from fixed and flexible cash rent, to crop share, to pasture rental arrangements, to farm buildings and livestock facilities, to beef cow-herd arrangements. Each publication has an associated fill-in-the blank lease form that can be used as a template in developing leases. In addition, there are excel spreadsheet worksheets for pasture leases and beef cow leases.

www.ksre.k-state.edu/kams/ - Kansas Agricultural Mediation Service is an officially certified agricultural mediation program helping Kansas farmers facing financial adversity through problem solving and dispute resolution. KAMS is a confidential program with fees based upon the client’s ability to pay. KAMS services include mediation, legal assistance, family farm transition planning services, and financial counseling through the KSRE Farm Analyst Program. The free initial consultation is available by calling 1-800-321-3276.

www.kcare.k-state.edu - The Kansas Center for Agricultural Resources and the Environment (KCARE) was established to coordinate and enhance research, extension, and teaching activities pertaining to environmental issues related to agriculture. The website has a wealth of resources including drought management information.

www.ksre.k-state.edu - the home page of K-State Research and Extension is your on-line link to any and all services offered by KSRE and Kansas State University. The mission of K-State Research and Extension is: “We are dedicated to a safe, sustainable, competitive food and fiber system and to strong, healthy communities, families and youth through integrated research, analysis, and education.

www.rivervalley.k-state.edu - is the website for the River Valley Extension District #4. The district has offices in each of the four counties and may be contacted at:

- Belleville, 1815 M Street, Belleville, KS 66935 or phone 527-5084,
- Clay Center, 322 Grant Avenue, Clay Center, KS 67432 or phone 632-5335,
- Concordia, 811 Washington, Suite E, Concordia, KS 66901 or phone 243-8185,
- Washington, 214 C Street, Washington, KS 66968 or phone 325-2121.

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