For Release January 19, 2013

The Changing Dynamics of Agricultural Leases

AGRI-VIEWS
by Chuck Otte, Geary County Extension Agent

Twenty years ago, well over 90% of all ag leases were crop share leases. That number is changing just as the nature of agriculture is changing. In some parts of the state, crop share lease numbers have dropped to 50% as these have switched to cash leases. The average longevity of leases in the state has been running about 18 years. As we see more leases move to cash leases, this is going to probably shorten up. These trends aren't necessarily bad, it's just different.

It is hard to explain to anyone that did not grow up on a farm or ranch how those of us involved in agriculture feel about land. Land is not a commodity, land is not an investment. Land is a way of life. As long as you have land, you have a way to make a living. You don't sell land. You, or someone in your family, worked hard to buy that land, improve that land and keep that land. Land is an heirloom that is kept and treasured for generations. If all of this sounds odd, then you likely didn't grow up involved in agriculture. If you did grow up involved in agriculture, all of this probably makes perfect sense.

In a nutshell, this is what is happening to agricultural leases. When a tenant and a landlord have a crop share lease there is a substantial involvement by the landlord in the crop production. There are, or at least should be, regular discussions of what crops are going to be grown. How those crops will be fertilized and what inputs are going to be needed as the landlord will be sharing in many of those expenses. When there's a good year, the landlord and the tenant both benefit. When there's a drought or some other natural disaster, both tenant and landlord feel the loss. It is a very tangible partnership.

When an ag lease is a cash lease, the dynamics start to change. A cash payment is made. The tenant plants what they want to. They make all of the decisions and they keep all the crop. If the crop year is good, the tenant claims all, or most, of the benefit. If there is a crop failure, even partial, the tenant bears all the risk. The landlord is isolated from the ups and downs. In many cases the cash rent is all paid up front. The landlord has very little risk, other than poor farming practices which may devalue the land and its long term productivity. The partnership feeling becomes far less tangible. It's still a partnership, but much harder to sense.

Land is changing hands. Mom and Dad are gone and the kids, or maybe the grandkids, sometimes nieces and nephews, now own the land. They didn't grow up on the farm. They don't have that tie to the land that their parents or grandparents did. They aren't interested in a partnership. They see the land, not as the life blood of agriculture, but as in investment. Something to provide a set income from annually, or perhaps to liquidate and sell. The new owners don't live on the land, they may not even live in state. The only communication the tenant may have with the new owners is once or twice a year to collect the rent or establish the rates for a new year.

I'm not saying that this is a bad situation, it's just the way things are going out on the farm. But the one thing that we can not escape, regardless of the kind of lease, is that there has to be fair, open, honest and regular communications. You may now be dealing with someone who does not understand agriculture, in fact they may not want to. But don't let that stop you from keeping the communications going and let's try to keep those partnerships intact!

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