

Survey of Iowa Leasing Practices, 2007

The Iowa farmland rental market has undergone considerable change in the past few years. The boom created by the demand for biofuels, changes in technology, and changes in the demographics of farmland owners have all created uncertainty with respect to the farmland rental markets.

This publication discusses the characteristics of Iowa farmland leases, based on a survey conducted every five years. Farmland rental rates are updated annually. They can be found in the ISU Extension Publication, FM 1851. They are also available online from the Ag Decision Maker Web site at: www.extension.iastate.edu/agdm.

The percentage of Iowa farmland that is leased has been relatively stable the past few decades. But, the mixture and the types of leases have changed considerably. One of the major reasons for these changes is the aging farmland owner and the shift toward more land being owned by people living outside of Iowa.

The following is a summary of average characteristics found for leased Iowa farmland. The data used to compile this information comes from the 2007 Iowa Land Ownership and Tenure survey. This was a random sample, telephone interview of Iowa landowners. Due to the nature of the survey the data presented here are based on the percent of farmland, not the percent of farmers or leases. Although in most cases the results would be similar, given the nature of the survey it is important to remember that it represents the percent of farmland and not individual leases. The 2007 Iowa Land Ownership and Tenure survey is an update of previous surveys conducted by Iowa State University Extension.

The survey results are intended for informational purposes only. The characteristics of an individual farm lease should be determined by the landlord and the tenant.

Tenure

The distribution of Iowa farmland based on tenure has remained relatively stable since the 2002 survey. The notable exception to this is the percent of farmland that is leased using a cash rent lease. Cash rented land increased by five percent of all Iowa farmland between

2002 and 2007. Table 1 provides a breakdown of Iowa farmland by type of tenure.

STATE OF IOWA 2007		
Owner Controlled:		46%
Owner operated	37%	
Custom farmed	2%	
Government conservation programs and other uses	7%	
Leased:		54%
Cash rent	42%	
Crop share	12%	
Other type of agricultural lease	<1%	
Total:		100%

Table 2 shows the change in land tenure since the 1982 survey. This table includes only the acres that are operated by the owner. Custom farmed acres and government programs acres have been omitted because they have changed so much over time, especially the government acres. Notice in Table 2 that the percentage of acres being cash rented has steadily increased while the owner operated acres have steadily decreased.

	1982	1992	2002	2007
Owner operated	55%	50%	41%	40%
Cash rent lease	21%	27%	40%	46%
Crop share lease	21%	22%	18%	13%
Other type of lease	1%	1%	1%	<1%
* Values do not include Government conservation program or custom acres				

Lease Characteristics

The general lease characteristics for all leased farmland in Iowa are presented in Table 3.

Cash leases are the most prevalent, accounting for 42 percent of all farmland and 77 percent of leased farmland.

A few cases reported something other than a cash or crop share lease. These were labor exchanges or something of a unique nature. Because these types of leases were less than .5 percent of all leased land they will not be discussed further in this publication.

Table 3 reveals some of the differences between the cash and crop share leases. The cash lease acres are more likely to have a written lease and they have been in effect fewer number of years compared to the crop share leases. The crop share lease acres are more likely to be owned by someone who lives on the farm and they are more likely to be rented to a relative.

Approximately two-thirds of all leased acres use a written lease. This is an increase from past years and is a move toward recommended practices regardless of the type of lease.

The use of a professional farm manager is more common for crop share leases.

Leased farmland in Iowa was equally divided between cash and crop share leases in 1982. The trend is toward more cash rent and this trend is likely to continue. Recent changes in demand for agricultural commodities and the fact that more crop share acres are leased to a relative may slow this rise toward cash rents. The aver-

age crop share acre has been leased by the same person almost twice as long as a cash rented acre.

Table 3. Characteristics of Leased Iowa Farmland, 2007

	Cash Rent	Crop Share	All Leased Acres
Percent of leased acres	77%	22%	100%
Written lease used	72%	50%	67%
Leased to a relative	31%	40%	33%
Professional farm manager used	3%	12%	5%
Owner resides on the property	32%	37%	33%
Fixed term lease	25%	13%	23%
Average tenure of current tenant (years)	9.5	18.1	11.3

Cash Rent Lease Characteristics

Table 4 shows selected characteristics of the cash rented land in Iowa. The majority of the land is leased for an indefinite period. Of the cash rented farmland under a fixed time period lease almost half (43 percent) are for three or more years.

Table 4. Characteristics of Cash Leased Farmland in Iowa; Percent of Acres, 2007

	Fixed	Indefinite				
Length of lease	25%	75%				
	1 year	2 years	3 years	> 3 years		
Number of years for a fixed lease	37%	20%	29%	14%		
	Yes	No				
Rent amount is fixed	88%	12%				
	Yield	Price	Price & Yield			
Nature of flex for flexible rent payments	28%	10%	62%			
	1	2	3	Other		
Number of rent payments per year	32%	58%	7%	4%		
	1	2 to 5	6 to 10	11 to 20	> 20	Average
Number of years tenant has rented	6%	27%	23%	28%	15%	9.5 yr.
	Never	Once or Twice	Monthly	Weekly	Daily	
How often landlord visits farm during year	7%	23%	25%	17%	27%	

A variable/flexible cash rent was used for 12 percent of the cash rented acres. This is a slight increase from last survey but a somewhat lower percentage than had been expected given the changing nature of commodity prices. Most of the flexible leases used both price and yield to determine the rent payment.

There is a fairly stable cash rent tenancy situation in Iowa. The average length of tenancy was 9.5 years, and 43 percent of the cash rent acres have been rented by the same tenant for more than 10 years.

Table 4 shows that more than half of the cash rented acres are visited by the owner at least once a month. However, seven percent of the cash rented acres are never visited by the owner during the growing season.

Almost 90 percent of the cash rent acres reported having either one or two payments per year. A two payment

schedule was used in a majority of the cases. The distribution of the payments by number of payments and time of year is shown in Table 5.

Crop Share Lease Characteristics

Table 6 presents the general characteristics for the land using a crop share type of lease. The length of crop share leases tended to be more indefinite than cash rent leases and even where there was a fixed period it tended to be for a longer term.

The crop share leased acres have been with the same tenant longer than for cash lease acres. Almost two-thirds of the crop share leased land has been with the same tenant more than 10 years, whereas less than half (43 percent) of the cash leased land has been with the same tenant that long.

Table 5. Distribution of Annual Rental Payment Schedules Based on Percent of Cash Rent Acres, 2007

Annual Rent Payment Schedule	Percent of Acres	January to March	April to June	July to September	October to December
100%	32%	49%	6%	3%	41%
50-50	58%				
First payment	---	74%	17%	3%	6%
Second payment	---	9%	2%	20%	69%
33-33-34	4%				
First payment	---	93%	7%	---	---
Second payment	---	---	32%	61%	7%
Third payment	---	---	---	10%	90%
25-25-50	1%				
First payment	---	35%	65%	---	---
Second payment	---	---	---	100%	---
Third payment	---	35%	---	---	65%

Table 6. Characteristics of Crop Share Leased Farmland in Iowa; Percent of Acres, 2007

	Fixed	Indefinite				
Length of lease	12%	88%				
	1 year	2 years	3 years	> 3 years		
Number of years for a fixed lease	40%	14%	8%	37%		
	1	2 to 5	6 to 10	11 to 20	> 20	Average
Years tenant has rented	3%	10%	21%	27%	39%	18.1
	Never	Once or Twice	Monthly	Weekly	Daily	
How often landlord visits farm during year	13%	27%	19%	12%	29%	

An interesting observation is that the percent of the crop share land that is never visited by the owner is almost double the percent of land that is cash rented and never visited.

The distinguishing characteristic between cash and crop share leases is that some of the costs and/or the yield is divided between the landlord and the tenant. Table 7 presents the break down of the division of the crops and expenses for the crop share leased land in Iowa.

Notice in Table 7 that for the most part the typical 50-50 crop share is still the predominant form of crop share leased acres. The notable exceptions to the rule are for some custom applications and for lime.

One of the features with a crop share lease is there has to be one decision maker or some form of joint decision making for input use, crop type, and other similar decisions.

Table 8 shows how the crop share acreage is divided with respect to who is making the decisions for the vari-

ous aspects of crop production. Notice that the tenant makes most of the decisions.

Table 9 shows how grain hauling is divided on crop share leased acres. Notice there is a difference in who pays for the grain hauling and some differences in where the grain is hauled.

Demographic Characteristics

The following tables present some selected characteristics of leased Iowa farmland. The changing conditions with respect to Iowa land and land ownership are a source of concern for many citizens. Who will farm the land in the future and how will it be farmed are questions being asked.

Table 10 presents the breakdown of Iowa farmland based on the gender of the landowner. In estimating these percentages, farmland owned by a husband and wife is assumed to be equally owned so this source of possible gender bias can be removed.

Table 7. Distribution of Crop Share Acres Based on the Portion of Yield Received or Percent of Costs Paid by the Owner, 2007

	0%	25 to 49%	50%	51 to 99%	100%	Not Used/ Reported
Yield*	---	4%	93%	3%	---	---
Seed	2%	4%	88%	---	3%	3%
Fertilizer	1%	3%	88%	---	4%	4%
Custom fertilizer application	14%	1%	64%	---	3%	18%
Herbicides	3%	4%	83%	---	5%	5%
Insecticides	<1%	3%	87%	---	5%	5%
Custom pesticide application	13%	1%	57%	---	2%	28%
Liming	1%	3%	66%	1%	15%	13%
Drying	3%	4%	77%	3%	3%	10%
Custom combine	12%	1%	13%	---	---	74%

* Yield is percent received, all others are costs paid by owner.

Table 8. Distribution of Crop Share Acres Based on Decision Making Roles, 2007

	Owner Decides	Tenant Decides	Joint Decision	Don't Use/ NR	
Crop to plant	1%	47%	52%	---	
Seed variety	3%	74%	22%	---	
Fertilizer	---	73%	25%	1%	
Pesticides	---	81%	19%	---	
	Owner Only	Tenant Only	Together	Separately	No Insurance
Crop insurance	16%	21%	13%	48%	2%

Table 9. Distribution of Crop Share Acres Based on Grain Handling

Who Pays for Hauling Owner's Share of the Crop			
Owner	Tenant	Shared	NA/NR
12%	53%	33%	2%
If the Tenant Hauls, Where Do They Haul the Grain			
Field to Farm	Farm to Elevator		
24%	76%		

Table 10. Distribution of Iowa Farmland Based on Tenure and Gender, 2007

	Male	Female
Owner operated	62%	38%
Custom acres	67%	33%
Government program acres	54%	46%
Cash rent	47%	53%
Crop share	42%	58%
All farmland	53%	47%

Notice in Table 10 there are considerable differences in the percentage of acres by gender based on the type of tenure. Male ownership dominates the owner-operator category but females are the primary owners of rented land.

Table 11 shows the percentage of farmland based on the residence of owner. Similar to the data based on gender of ownership, the type of tenure has an influence on where the owner resides. As would be expected, considerably more owner operators live on a farm. The crop share rented land has the most rented land owned by people living on a farm but also living in a city of more than 50,000 inhabitants.

The aging of Iowa's farmland owners has been a phenomenon for a number of years. The increasing age of

owners continued in 2007. Table 12 presents the distribution of land based on the age and tenure of the owner.

The results in Table 12 are not surprising. It shows a relatively younger owner operator population and a higher percentage of the land owned by those who are renting the land. For crop share rented land, almost half is owned by people over the age of 75.

The landowners were asked their primary reason for owning the land. Most people have multiple reasons but we asked the respondents to select the primary reason. Understanding people's motivation for owning land can help us as we prepare for the future, especially with respect to the amount of land that will be changing hands in the next several years.

Table 11. Distribution of Iowa Farmland Based on Tenure and Residence of Owner, 2007

	On a Farm	Rural Area	Town with < 2,500	Town with 2,500 to 10,000	Town with 10,000 to 50,000	City with > 50,000	N/A
Owner operated	81%	4%	6%	4%	2%	3%	%0
Custom acres	47%	6%	0%	2%	10%	35%	%0
Government program acres	58%	10%	12%	11%	2%	6%	%0
Cash rent	39%	8%	17%	19%	6%	11%	0%
Crop share	45%	5%	6%	5%	15%	20%	3%
All farmland	57%	6%	11%	11%	5%	9%	1%>

Table 12. Distribution of Iowa Farmland Based on Tenure and Age of Owner, 2007

	< 25	25 - 34	35 - 44	45 - 54	55 - 64	65 - 74	> 75
Owner operated	0%	3%	11%	23%	27%	25%	11%
Custom acres	0%	0%	11%	7%	29%	9%	44%
Government program acres	0%	0%	8%	19%	31%	25%	15%
Cash rent	<1%	1%	3%	8%	17%	30%	40%
Crop share	---	4%	---	8%	16%	26%	47%
All farmland	<1%	2%	6%	15%	22%	27%	28%

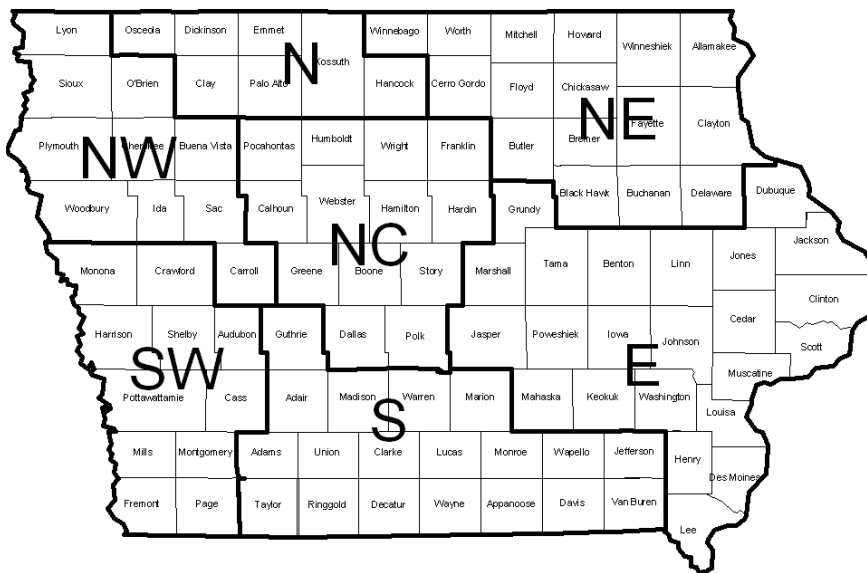
Table 13. Distribution of Iowa Farmland Based on Primary Reason for Owning and Tenure, 2007

	Tax	Current Income	Long-term Investment	Family/Sentimental	Home/Way of Life	Recreation/Fun	N/A
Owner operated	<1%	59%	20%	14%	4%	1%	2%
Custom farm	0%	35%	47%	14%	4%	0%	0%
Government program acres	0%	40%	31%	21%	5%	1%	1%
Cash rent	<1%	39%	30%	30%	2%	<1%	<1%
Crop share	1%	45%	23%	25%	2%	---	3%
All farmland	<1%	47%	26%	22%	3%	1%	1%

Table 13 shows the primary reason given for owning land based on the tenure of the owner. The column labeled tax in the table generally refers to those who answered that capital gains taxes were a consideration in their ownership.

It is interesting to note that, for the most part, there isn't too much difference in the tenure styles with respect to why they own the land. Owner operators rely on the land more heavily for current income and less for sentimental reasons but nonetheless indicated somewhat of an emotional attachment to the land ownership.

Figure 1.



Regional Variation:

The land ownership survey divided the state into seven regions consistent with earlier ownership surveys. The distribution of counties into each region is shown in Figure 1.

Table 14 presents the regional breakdown with respect to tenure characteristics. Notice there is considerable variation in tenure practices around the state. The Southern region has the highest percentage of land that is owner operated while the Northern region has the lowest percentage owner operated. These two areas are just reversed in terms of order when considering the percent of land that is cash rented.

Table 14. Tenure of Iowa Farmland by Region, 2007

	North-west	South-west	Northern	North Central	Southern	North-east	Eastern
Percent of Iowa farmland	12%	12%	7%	14%	16%	16%	23%
Owner controlled	44%	40%	23%	29%	59%	46%	48%
Custom farmed	5%	2%	---	5%	1%	1%	1%
Cash rent	39%	43%	58%	46%	29%	43%	43%
Crop share	12%	15%	18%	20%	8%	9%	8%
Other	---	>1%	---	---	2%	1%	>1%

	North-west	South-west	Northern	North Central	Southern	North-east	Eastern
Written lease	78%	58%	75%	76%	61%	59%	66%
With relative	38%	32%	45%	29%	27%	32%	30%
Owner resides on farm	27%	37%	31%	37%	49%	46%	49%
Professional farm manager	3%	6%	12%	9%	5%	3%	2%
Length of tenure (yrs)	10.9	11.0	11.3	12.1	5.9	9.7	9.8

Table 15 shows selected lease characteristics based on the same regions. The variation among the regions is not as great as the tenure but there are differences nonetheless. One of the biggest differences is the extremely short length of tenure for the Southern rented land. It is hard to explain this level of difference. It might be related to the predominant type of agriculture in the region or other geographic characteristics.

Regional differences can be attributed to many different factors. Tradition, predominant agriculture, soils and a host of other factors lead to the unique nature of each of Iowa's regions.

Conclusions:

Leasing farmland has been a part of the Iowa farming scene for a very long time. Over time the extent and nature of the practices have changed. Today we are in the midst of another change in Iowa agriculture. The biofuel boom has led to record high grain prices and these have led to record high land prices. Rents are tied to prices and land values so it only stands to reason that they are changing as well.

This publication has outlined some of the characteristics of Iowa farmland tenure and leasing practices. It is always in the tenant and landlord's best interest to develop their own lease but sometimes it is helpful to know what practices are being followed. Regardless, in the end the decision has to be made by the two parties.

Iowa is seeing an increase in the amount of land that is cash rented. It appears that this trend will likely continue for the foreseeable future. The data show that the people who use crop share leases have had the leases in place for a longer period of time and they have had the same tenant for a longer time. They are also older. This means it is likely that the crop share lease of today will be converted to a cash rent. However, there are signs that this change to cash rent will not continue indefinitely.

More of the crop share leases are between relatives. The crop share is one way in which an older party can help a younger party by sharing risk. This is not only the production risk but also the costs of production risk as well. The survey has shown that the 50-50 split is still the most common type of crop share lease.

Iowa landowners continue to improve their management practices. The number of leased acres using a written lease has steadily increased. Although most leases continue for an indefinite period it is important to have the initial understanding down in writing.

Iowa agriculture has witnessed many changes over the past few decades. The next few decades will be no different. More than half of the land is owned by people over 65 and more than 40 percent of the rented land is owned by people over 75. We all hope to retire someday and over the next several years Iowa will see a considerable change in the ownership and tenure of its farmland. Good sound leasing practices will help both the tenant and the landlord.

... and justice for all

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