

Survey of Iowa Leasing Practices, 2012

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 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. A separate survey on farmland rental rates is updated annually. The results can be found in Iowa State University Extension and Outreach Publication FM 1851. They are also available online from the Ag Decision Maker website, www.extension.iastate.edu/agdm.

The percentage of Iowa farmland that is leased has been relatively stable during the past few decades, but the mixture and the types of leases have changed. Major reasons for these changes are the aging farmland owner, increasing farm size, and the shift toward more land being owned by people living outside of Iowa.

This publication summarizes the average characteristics found for leased Iowa farmland. The data used to compile this information comes from the 2012 Iowa Land Ownership and Tenure survey. This survey was conducted using random sample telephone interviews of Iowa landowners with 40-acre tracts. Some of the 40-acre tracts have more than one ownership unit, and some ownership units have more than one owner.

See the Iowa State University Extension and Outreach Land Ownership and Tenure publication, PM 1983, for more information and a complete discussion of the survey methodology. The survey can be found on the Ag Decision Maker website or at the Extension Online Store.

Because the original data is designed to discuss farmland characteristics, the data presented here are based on the percent of leased 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 leased farmland and not individual leases.

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

Tenure is defined as the relationship between the tenant and landowner. The distribution of Iowa farmland based on tenure has remained relatively stable since the 2007 survey. The use of flexible cash rents has increased considerably and these types of rents now represent 8 percent of all farmland in Iowa. Table 1 provides a breakdown of Iowa farmland by type of tenure. The results presented in the remainder of this publication will be for leased farmland only. For information on all farmland see the Land Ownership and Tenure publication, PM 1983.

STATE OF IOWA 2012		
Owner Controlled:	45%	
Owner operated		37%
Custom farmed		3%
Government programs and other uses		5%
Leased:	55%	
Cash rent (fixed)		34%
Cash rent (flexible)		8%
Crop share		12%
Other types of leases		1%
Total:	100%	

Lease Characteristics

The general lease characteristics for all leased farmland in Iowa are presented in Table 2. Cash leases are the most prevalent, accounting for 42 percent of all farmland and 77 percent of leased farmland.

Leased farmland in Iowa was equally divided between cash and crop share leases in 1982. The percentage of cash leases changed over time relative to crop share leases. Today 42 percent of the land is farmed using a cash lease. The trend to cash rent and away from crop share slowed between 2007 and 2012. Recent changes in demand for agricultural commodities and the shift toward more flexible leases may have slowed the switch to cash rent leases.

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, similarly, some farmland was rented for other purposes. These types of rental arrangements will not be discussed further in this publication.

Table 2 reveals some of the differences between the cash and crop share leases. The cash lease acres are more likely to have a written lease.

Cash rents have been in effect for fewer years compared to crop share leases. But the difference is narrowing. In 2012, there were only four years difference on average, whereas in 2007 there were nine years difference between the length of time a cash rent and crop share lease had been in effect. The narrowing of the gap in length of time between types of leases and in the overall average length of time a lease has been in place reflect the move toward cash rents and toward a more stable, long-term relationship between the tenant and landlord.

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.

The use of a professional farm manager is more common for crop share leases. The overall use of a professional farm manager has increased substantially. In 2007, 5 percent of the leased farmland used a professional farm manager. In 2012, 11 percent of the leased acres used a professional farm manager, more than double from 2007.

Table 2. Characteristics of Leased Iowa Farmland, 2012

	Cash Rent	Crop Share	All Leased Acres
Percent of leased acres	77%	23%	100%
Written lease used	65%	46%	61%
Leased to a relative	33%	40%	35%
Professional farm manager used	6%	20%	9%
Owner lives on a farm	38%	44%	39%
Fixed-term lease	22%	9%	19%
Average tenure of current tenant (years)	11.3	15.5	12.2

	Fixed	Indefinite				
Length of lease	22%	78%				
	1 year	2 years	3 years	> 3 years		
Number of years for a fixed lease	17%	28%	31%	24%		
	Yes	No				
Rent amount is flexible	19%	81%				
	Yield	Price	Price & Yield			
Nature of flex for flexible rent payments	14%	13%	73%			
	1	2	3	Other		
Number of rent payments per year	34%	58%	4%	4%		
	1	2 to 5	6 to 10	11 to 20	> 20	Average
Number of years tenant has rented	4%	22%	30%	27%	17%	11.3 yr.
	Never	Once or Twice	Monthly	Weekly	Daily	
How often landlord visits farm during year	9%	31%	21%	12%	27%	

Cash Rent Lease Characteristics

Table 3 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, over half (55 percent) is for three or more years. This has been a notable change since 2007. In that year, only 14 percent of the fixed cash rent leases were for more than three years, but in 2012 almost a fourth (24 percent) of the cash rent acres were rented with more than a three-year lease. The number of fixed leases for one year dropped from 37 percent of the leases in 2007 to just 17 percent in 2012. This may be a reflection of the volatility of returns and the desire to secure land for longer periods.

Flexible cash rent was used for 19 percent of the cash rented acres. Flexible leases accounted for only 12 percent of the cash rented acres in 2007. In 2012 the flexible cash rents were 8 percent of all farmland in Iowa. Almost three-fourths (73 percent) of the flexible leases used both price and yield to determine the rent payment. This is

a shift from 2007. At that time, 28 percent of the flex cash rents used only yield for the variation. In 2012 just 14 percent of the acres used only yield for the basis of their flexible lease payment.

There is a stable cash rent tenancy situation in Iowa. The average length of tenancy was 11.3 years, and 44 percent of the cash rent acres have been rented by the same tenant for more than 10 years.

Table 3 shows that 60 percent of the cash rented acres are visited by the owner at least once a month. However, 9 percent of the cash rented acres are never visited by the owner during the growing season.

Ninety-one 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 4.

Annual Rent Payment Schedule	Percent of Acres	January to March	April to June	July to September	October to December
100%	34%	47%	7%	6%	39%
50-50					
First payment	57%	84%	15%	1%	---
Second payment	---	2%	---	24%	74%
33-33-34					
First payment	4%	98%	2%	---	---
Second payment	---	7%	12%	81%	---
Third payment	---	---	---	7%	93%
Four payments					
First payment	3%	82%	18%	---	---
Second payment	---	21%	46%	33%	---
Third payment	---	---	21%	46%	33%
Fourth payment	---	---	---	---	100%

	Fixed	Indefinite				
Length of lease	9%	91%				
	1 year	2 years	3 years	> 3 years		
Number of years for a fixed lease	34%	22%	20%	24%		
	1	2 to 5	6 to 10	11 to 20	> 20	Average
Years tenant has rented	5%	12%	20%	28%	35%	15.5
	Never	Once or Twice	Monthly	Weekly	Daily	
How often landlord visits farm during year	10%	28%	14%	11%	37%	

Crop Share Lease Characteristics

Table 5 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. In 2012 the fixed term crop share leases that were for more than three years decreased significantly. But, at the same time, the percentage for two-year or three-year leases increased substantially.

The crop share leased acres have been with the same tenant longer than for cash lease acres. Almost two-thirds (63 percent) 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.

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 6 presents the breakdown of the division of the crops and expenses for the crop share leased land in Iowa.

Notice in Table 6 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 custom applications, lime, and drying.

Table 6. Distribution of Crop Share Acres Based on the Portion of Yield Received or Percent of Costs Paid by the Owner, 2012

	0%	25 to 49%	50%	51 to 99%	100%	Not Used/ Reported
Yield*	---	7%	81%	6%	---	6%
Seed	5%	5%	80%	---	6%	4%
Fertilizer	3%	3%	82%	---	6%	6%
Custom fertilizer application	17%	2%	56%	---	2%	23%
Herbicides	5%	4%	77%	---	8%	6%
Insecticides	5%	3%	76%	---	6%	9%
Custom pesticide application	16%	4%	52%	---	2%	26%
Liming	5%	3%	61%	---	15%	16%
Drying	8%	2%	67%	4%	7%	12%
Custom combine	23%	---	20%	---	---	57%

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

Table 7. Distribution of Crop Share Acres Based on Hauling of the Landowner's Grain, 2012

From field to farm only	19%
From field directly to elevator	42%
From field to farm and later to elevator	30%
Not at all	4%
Other	5%

Table 7 shows how grain hauling is divided on crop share leased acres. Notice that almost a fifth (19 percent) of the time the tenant hauls the landlord's share of the grain only from the field to the farm. In just 4 percent of the acres, the tenant does not haul the landlord's grain.

Demographic Characteristics

Tables 8-10 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 8 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.

Notice in Table 8 there are considerable differences in the percentage of acres by gender based on the type of tenure. For all farmland, 53 percent is owned by males but for rented farmland the percentage is almost reversed, with females owning 52 percent of the rented land. The use of professional farm managers and enrollment in government conservation programs is significantly lower in land owned by females.

Table 8. Distribution of Iowa Leased Farmland Based on Selected Land Characteristics and Gender of the Owner, 2012

	Custom Farm	Use a Farm Manager	Government Acres	Cash Rent	Flex Lease	Crop Share	All Rented
Male	43%	61%	54%	48%	44%	50%	48%
Female	57%	39%	46%	52%	56%	50%	52%

Table 9. Distribution of Leased Iowa Farmland Based on Selected Land Characteristics and Residence of Owner, 2012

	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
Use a professional farm manager	11%	4%	8%	17%	13%	36%	10%
Custom farmed	31%	---	3%	---	27%	39%	0%
Enrolled in conservation programs	41%	12%	9%	14%	8%	8%	8%
Cash rent	38%	8%	13%	14%	7%	18%	3%
Crop share	44%	7%	9%	12%	10%	14%	5%
Flex rent lease	43%	1%	17%	17%	8%	8%	5%
All rented acres	39%	8%	12%	14%	7%	17%	3%

Table 10. Distribution of Leased Iowa Farmland Based on Selected Land Characteristics and Age of Owner, 2012

	< 25	25 - 34	35 - 44	45 - 54	55 - 64	65 - 74	> 75	N/A
Use of a professional farm manager	3%	3%	13%	6%	22%	33%	16%	4%
Conservation acres	---	---	3%	4%	27%	32%	26%	7%
Custom farmed	---	27%	---	13%	14%	---	46%	---
Cash rent	1%	2%	2%	8%	20%	26%	41%	1%
Crop share	---	1%	6%	6%	13%	31%	42%	---
Flex lease	---	---	---	6%	19%	33%	38%	3%
All rented acres	1%	2%	3%	7%	18%	27%	41%	1%

Table 9 shows the percentage of leased farmland based on the residence of the owner. The type of tenure is correlated with where the owner resides. As would be expected, use of a professional farm manager, custom farming, and rented land in general shows a lower percentage of land owned by those living on a farm.

The aging of Iowa's farmland owners has been a phenomenon for a number of years. The increasing age of owners continued in 2012. Table 10 presents the distribution of land based on the age and tenure of the owner.

Table 10 shows a relatively higher percentage of leased farmland held by elderly owners relative to the average. The notable exception to this is the use of a professional farm manager.

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 shows the primary reason given for owning leased farmland based on the tenure of the owner. It is interesting to note that, for the most part, there isn't much difference in the tenure styles with respect to why they own the land. But, for leased farmland under a custom farm arrangement or a flexible cash rent, the predominant reason for ownership is current income.

Table 11. Distribution of Leased Iowa Farmland Based on Primary Reason for Owning and Tenure, 2012

	Current Income	Long-term Investment	Family/Sentimental	Other
Custom farmed	85%	12%	---	3%
Conservation acres	43%	22%	26%	9%
Professionally farm managed	36%	36%	28%	---
Cash rent	50%	24%	24%	1%
Crop share	47%	25%	26%	1%
Flex cash	67%	5%	23%	5%
All rented acres	50%	24%	24%	1%

Regional Variation

Iowa is divided into nine crop reporting districts. These districts, shown in Figure 1, are used by the USDA to report various statistics and information.

Table 12 presents the regional breakdown for leased farmland with respect to tenure characteristics. Notice there are regional variations for some of the characteristics. Most of the variations reflect the difference in the predominant type of agriculture in the region.

Table 13 shows selected lease characteristics based on the same regions. There are variations among the regions. 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.

There had been a continual shift to cash rents, but from 2007 to 2012 this trend appears to have stopped. Only time will tell whether or not the change in the trend is permanent.

The data shows that the people who use crop share leases have had the leases in place for a longer period of time and they have had

Figure 1.

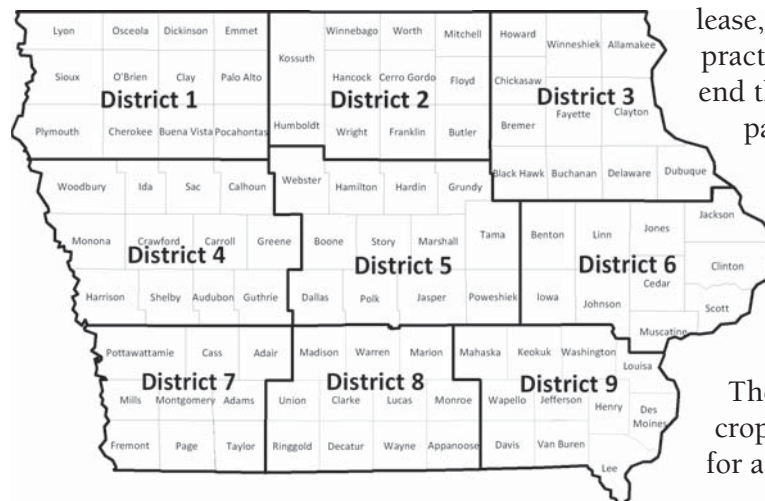


Table 12. Tenure of Leased Iowa Farmland by Region, 2012

	North-west	North Central	North-east	West Central	Central	East Central	South-west	South Central	South-east
Custom farmed	6%	---	---	1%	---	---	1%	1%	3%
Cash rent	78%	87%	86%	67%	73%	79%	63%	87%	76%
Crop share	20%	13%	14%	33%	27%	21%	37%	13%	24%
Govt. programs	2%	6%	6%	4%	3%	4%	8%	9%	4%
Professional farm manager	12%	11%	6%	10%	12%	14%	18%	15%	---
Percent of district farmland rented	61%	62%	54%	58%	58%	51%	52%	42%	43%

Table 13. Selected Lease Characteristics of Leased Iowa Farmland by Region, 2012

	North-west	North Central	North-east	West Central	Central	East Central	South-west	South Central	South-east
Written agreement	73%	69%	47%	57%	54%	60%	64%	52%	65%
With relative	38%	32%	48%	42%	27%	19%	45%	26%	31%
Owner lives on a farm	25%	25%	56%	37%	38%	45%	47%	38%	57%
Length of tenure (yrs)	14.26	13.72	10.42	10.80	11.37	12.02	11.84	9.53	12.18

the same tenant for a longer time. They are also older. This means it is possible that the crop share lease of today will be converted to a cash rent.

More of the crop share leases are between relatives than the cash leases. 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 older than 65 and more than 40 percent of the rented land is owned by people older than 75. Due to Iowa farmland owners' age structure, we could see considerable change in ownership and tenure over the next several years. One thing that will remain constant is that good, sound leasing practices will help both the tenant and the landlord.

... and justice for all

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