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# Farm Lease Trends / Leasing Alternatives

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Secure Your Farm's Future | Winter 2026

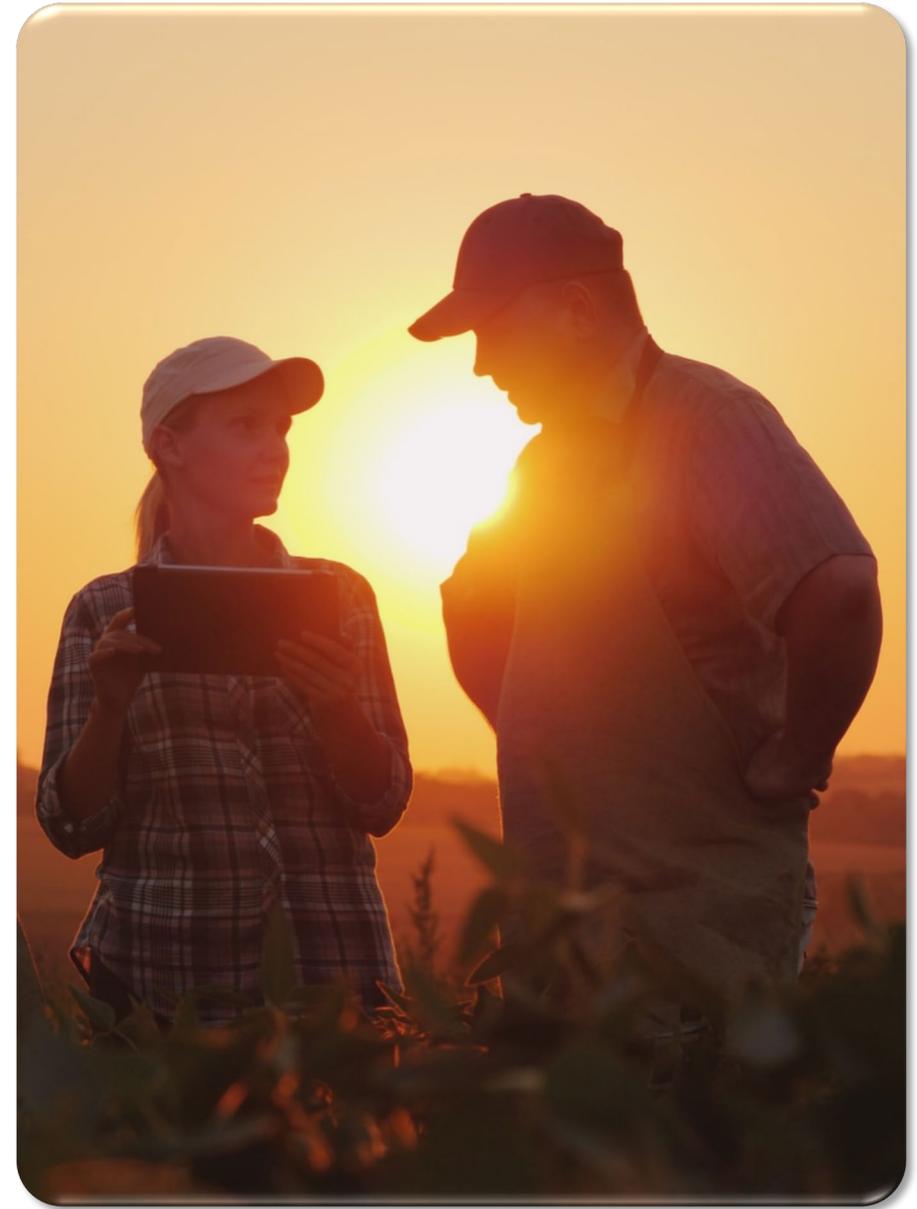


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# Purpose of a Lease

To define and document the split of income, expenses, and responsibilities of farm owner and farm operator



# Expression of Expectations



Conservation Practices



Soil Fertility



Access



Fences



Maintenance



Improvements



Chemical Practices



Information



Crop Rotation



Insurance



Appearance



Carbon Credits



# Conservation Expectations

- CRP, CSP, Carbon Credits
- Who is receiving the payments?
- Who is responsible for maintenance?
- Hunting rights



# In-field practices



*Cover Crops*



*Residue Management*



# Soil Fertility

## Soil testing & crop removal rates

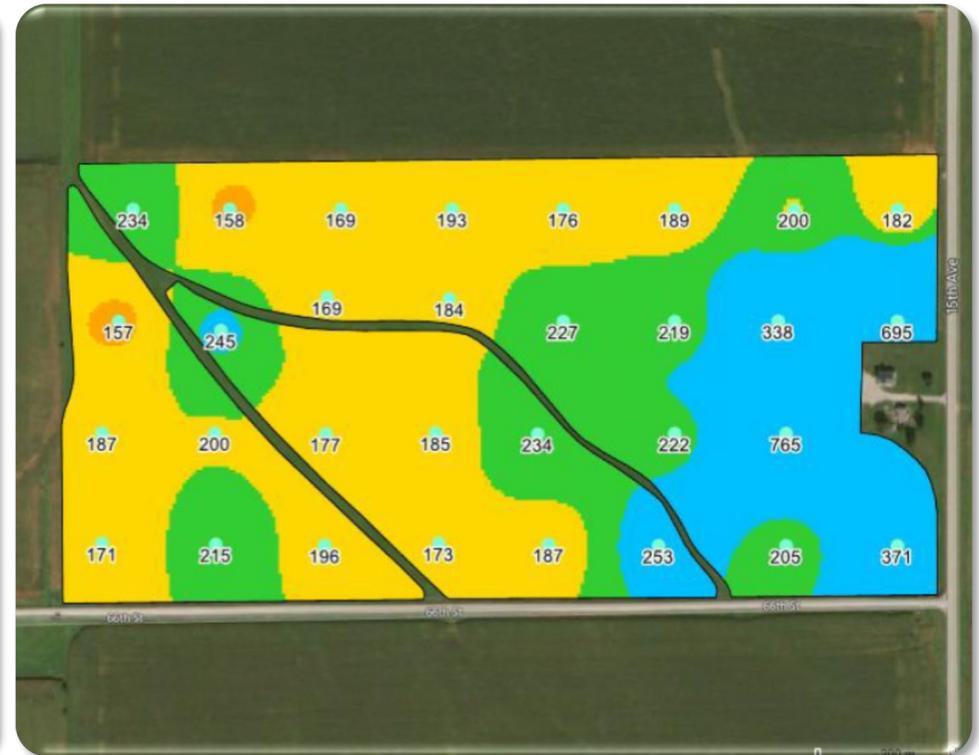
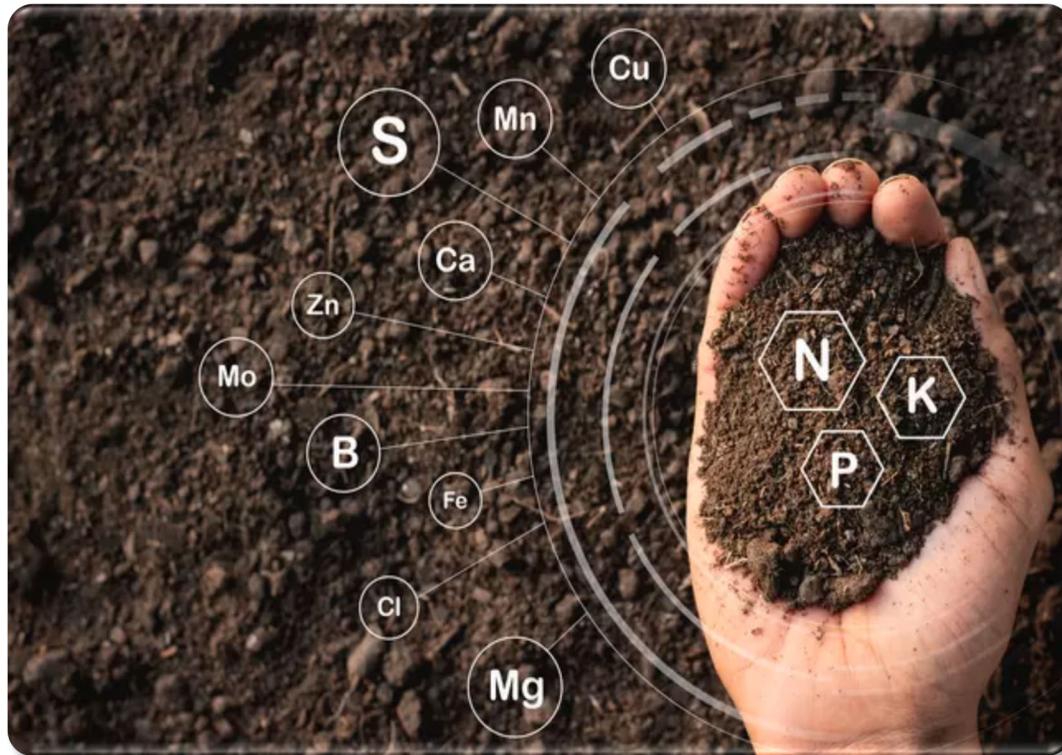


Photo courtesy of [serc.cartleton.edu](http://serc.cartleton.edu)

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# Maintaining Fertility



Nutrients	60 bu	80 bu	200 bu	275 bu
Phosphorus	43	58	70	96
Potassium	72	96	50	69

- Operator to maintain PH of 6.2-6.7
- Lime will be depleted 25% each year



# Communication of Farm Information

Access and ownership of input records, yields, maps, crop insurance guarantees



# Lease Types & Considerations



# Factors to Consider

## Owner's Goals and Objectives

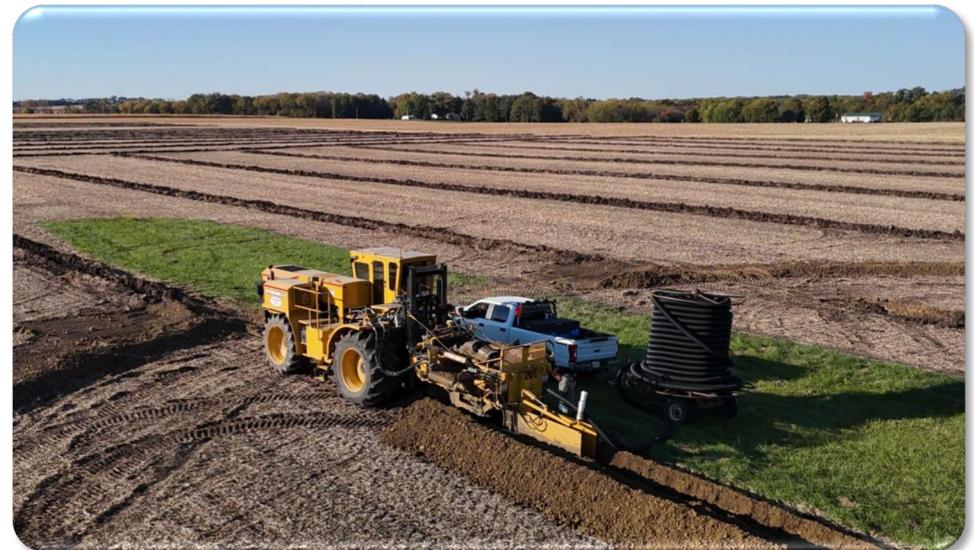
- Immediate income and cash flow versus making improvements that will enhance income long-term and market value
- Multi-Year Lease?
- Long-Term versus Short-Term Ownership
- Will the farm be retained by the next generation?
- Maintaining family heritage (Buildings)





# Farm Improvements

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# Factors to Consider

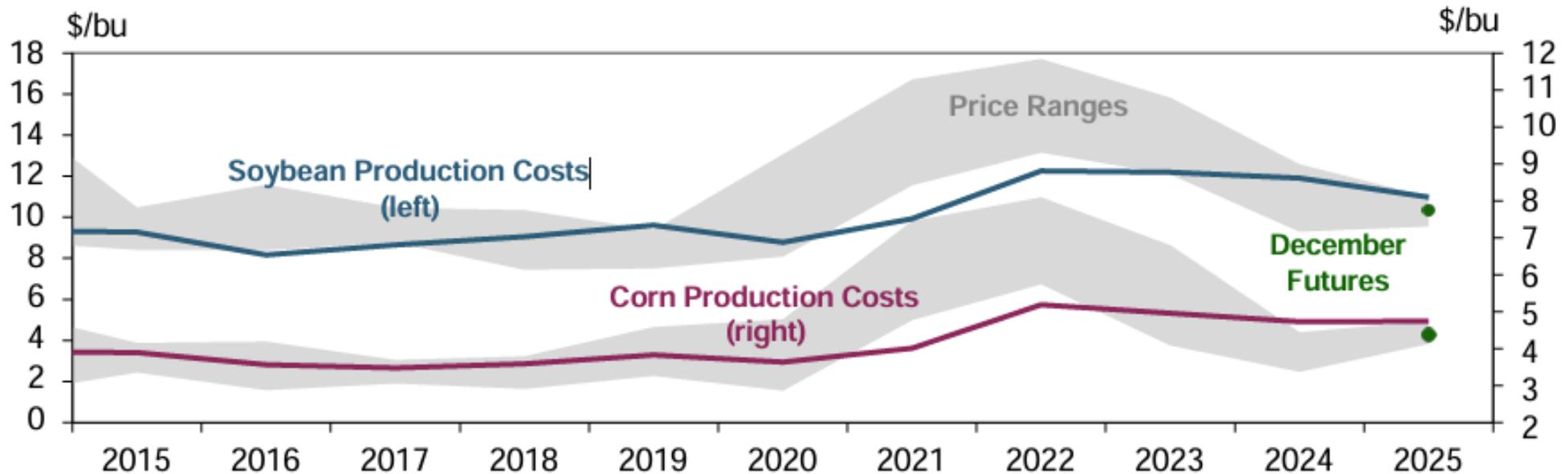
## Tax Implications Considerations:

- **§179 Deduction**  
Immediate expensing of qualified business expenses
- **§168(k) Bonus Depreciation**  
Bonus depreciation on qualified assets phasing out – 2025: 40%
  - As of July 2025, bonus depreciation underwent significant changes under the One Big Beautiful Bill (OBBB) reinstates 100% bonus depreciation
- **Social Security Ramification**
- **Estate Tax Ramifications**  
Considerations for high-net-worth transfers and exemptions
- **Deductibility of Certain Expenses**  
Differences between cash rent and participating leases
- **QBI Deduction (Qualified Business Income)**  
The deduction is 20%



# Financial Considerations

## Corn and Soybean Profit Opportunities



Note: Production costs are estimated using the USDA cost and return estimates and forecasts with national average yields and prices. Figures for 2025 are forecasts.

Sources: USDA, Haver Analytics, CME, Barchart.com, and FRB Kansas City staff calculations

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# Crop Income



## 2025 Corn

Yield	Price	\$/Acre
230	\$4.25	\$978

## 2026 Corn

Yield	Price	\$/Acre
230	\$4.35	\$1,001

## Difference

\$	%
\$23	2.4%

## 2025 Beans

Yield	Price	\$/Acre
65	\$9.90	\$644

## 2026 Beans

Yield	Price	\$/Acre
65	\$10.00	\$650

## Difference

\$	%
\$7	1.0%

Average                      \$811

\$825

\$15      1.8%



# Crop Expenses



Input	<u>2025 Corn</u>	<u>2026 Corn</u>	<u>Difference</u>	
	Cost/Acre	Cost/Acre	\$	%
Seed	\$125	\$125	\$0	0.0%
Fertilizer	190	200	\$10	5.3%
Chemicals	85	85	\$0	0.0%
Custom Hire	175	175	\$0	0.0%
Crop Insurance	25	25	\$0	0.0%
Drying & Storage	45	45	\$0	0.0%
<b>Total/Average</b>	<b>\$645</b>	<b>\$655</b>	<b>\$10</b>	<b>1.6%</b>



# Crop Expenses



	<u>2025 Beans</u>	<u>2026 Beans</u>	<u>Difference</u>	
<u>Input</u>	<u>Cost/Acre</u>	<u>Cost/Acre</u>	<u>\$</u>	<u>%</u>
Seed	\$85	\$85	\$0	0.0%
Fertilizer	110	115	\$5	4.5%
Chemicals	90	95	\$5	5.6%
Custom Hire	155	155	\$0	0.0%
Crop Insurance	22	22	\$0	0.0%
Drying & Storage	10	10	\$0	0.0%
<u>Total/Average</u>	<u>\$472</u>	<u>\$482</u>	<u>\$10</u>	<u>2.1%</u>



# Revenue & Cost Comparison: 2025 vs 2026

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## \*\*Revenue per Acre\*\*

- Corn: \$978 (2025) → \$1,001 (2026) | ↑ \$23 (2.4%)
- Beans: \$644 (2025) → \$650 (2026) | ↑ \$7 (1.0%)
- **Average Revenue: \$811 → \$825 | ↑ \$15 (1.8%)**

## \*\*Cost per Acre\*\*

- Corn: \$645 → \$655 | ↑ \$10 (1.6%)
- Beans: \$472 → \$482 | ↑ \$10 (2.1%)
- **Average Cost: \$559 → \$569 | ↑ \$10 (1.8%)**



# Lease Termination Deadlines:

- Iowa** – September 1<sup>st</sup>
- Illinois** – November 1<sup>st</sup>
- Indiana** – Oral lease: 3 months prior to end of lease  
– Written lease: 3 months prior to end of lease or as specified in the lease
- Minnesota** – Same as Indiana
- Missouri** – 60 days prior to end of lease
- Nebraska** – Oral lease: September 1<sup>st</sup>  
– Written lease: September 1<sup>st</sup> or as specified in the lease
- Wisconsin** – October 1<sup>st</sup>



# Farm Lease Alternatives

## 1. Custom Operation

- Landowner: 100% of Income and Expenses
- Guarantees Landowner control
- Owner maximizes return from their land, improvements, and management
- Helps large farming operations stay below government payment limitations
- Helps young farmers spread costs without more risk



# Farm Lease Alternatives

## 2. Traditional 50/50 Crop Share

## 3. Variation to 50/50 Crop Share

- Operator pays more of the inputs
- Operator pays a cash rent in addition to one-half of the inputs



# Farm Lease Alternatives

## 4. Modified Crop Share

- Landowner receives a negotiated percentage of the crop and government payments and pays 100% of the seed, fertilizer, and herbicides
- Typical range is 75-80% to landowner
- Operator receives the balance percentage in return for machinery and labor
- Each party pays their respective share of crop insurance, drying, and storage



# Farm Lease Alternatives

## 5. Net Share

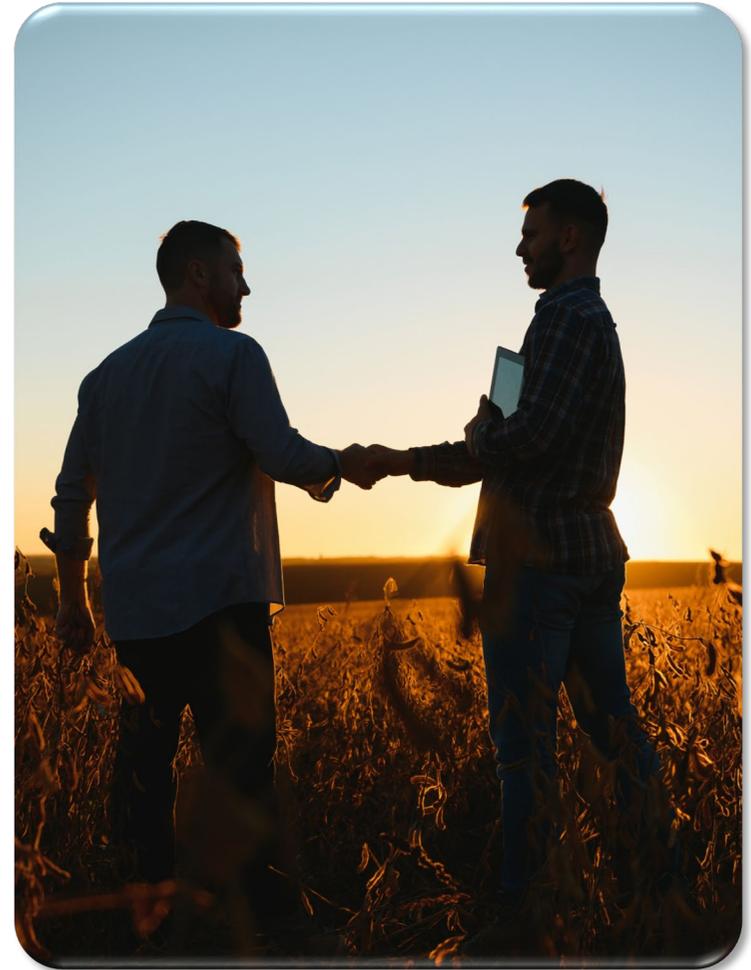
- Owner receives a specified percentage of crop (usually 30% to 40%)
- Farm operator pays all input costs
- Owner pays for crop insurance, drying, and storage on owner's share of crop



# Farm Lease Alternatives

## 6. Cash Rent

- Guaranteed Income
- Less Control
- Lower Risk ? ?
- UCC-1
- Rent Collection in a Challenging Growing Season
- Fertilizer–Requirements
- Tax Treatment



# Farm Lease Alternatives

## UCC-1

- Iowa, Minnesota, and Nebraska landowners must file a UCC-1 with the Secretary of State to secure deferred rent payments.
- Illinois landowners have a statutory landlord's lien and are not required to file a UCC-1. However, prospective grain buyers must be notified of the landowner's lien.



# Farm Lease Alternatives

## 7. Flex/Variable Cash Leases

- Cash rent lease with a variable component
- Shares risks without actively participating
- No “locked-in” rental rate
- Landowner can be guaranteed a base rent, plus a potential flex payment
- Landowner receives the actual yields on the farm



# Types of Flexible Leases

-  Based on Crop Yield Only
-  Based on Prices Only
-  Based on Gross Income (Yield and Price)
-  Based on Net Income (Yield and Price minus Inputs)
-  Based on Crop Insurance Parameters



# Flex Lease Example

- Base Rent \$275
- Flex = 35% over \$930/Acre on Corn  
40% over \$757/Acre on Soybeans

Corn		Soybeans	
Yield	230	Yield	65
Price	<u>X \$4.35</u>	Price	<u>X \$10.00</u>
Gross Income:	\$1,000.50	Gross Income:	\$650.00



# Flex Lease Example

	CORN	SOYBEANS
<b>GROSS INCOME:</b>	\$ 1000.50	\$ 650.00
<b>PRICE/ACRE:</b>	- \$ 930	- \$ 757
<b>TRIGGER INCOME:</b>	\$ 70.50	\$ -107.00
	x 35%	x 40%
<b>BONUS RENT:</b>	\$ 24.68	\$ 0
<b>BASE RENT:</b>	+ \$ 275.00	+ \$ 275.00
<b>TOTAL RENT:</b>	\$ 299.68	\$ 275.00

**Average Rent: \$287.34 / acre**



# Flex Lease Example

- APH = 210
- Spring Price = \$4.70

APH x Spring Price x 33% = Rent

**210 x \$4.70 x 0.33 = \$325/Acre**



# Where Do We Go From Here?





## 2026 LEASE COMPARISON

### High Producing Farm

200 Acres in Midwest Region

#### ASSUMPTIONS:

Cropland Acres      200.0      Corn Base      100.0      Bean Base      100.0

<u>CROP</u>	<u>ACRES</u>	<u>YIELD</u>	<u>\$/BU</u>
Corn	100.0	235	\$4.35
Soybeans	100.0	65	\$10.00
Crop Insurance Payment	0.0		
Government Program Pmt/A	0.0		
Cash Rent/Tillable Acre	\$320	Buildings	\$0

#### INCOME

	CUSTOM	MODIFIED CROP SHARE	50/50 CROP SHARE	35/65 NET SHARE	CASH RENT
	\$/Acre				
Corn	1022	102,225	81,780	51,113	35,779
Soybeans	650	65,000	52,000	32,500	22,750
Government Program Payment	0	0	0	0	0
Crop Insurance Payment					
Cash Rent - Land	320				64,000
Building/CRP/Pasture		0	0	0	0
<b>TOTAL INCOME</b>		<b>\$167,225</b>	<b>\$133,780</b>	<b>\$83,613</b>	<b>\$58,529</b>
					<b>\$64,000</b>



**EXPENSES**

			80/20 MODIFIED CROP SHARE	50/50 CROP SHARE	35/65 NET SHARE	CASH RENT
<b>EXPENSES</b>	<b>\$/Acre</b>					
Corn - Seed	125	12,500	12,500	6,250	0	
Fertilizer	200	20,000	20,000	10,000	0	
Crop Insurance	25	2,500	2,000	1,250	875	
Dry and Store	45	4,500	3,600	2,250	1,575	
Custom Hire	175	17,500	0	0	0	
Pesticide	85	8,500	8,500	4,250	0	
Soybeans- Seed	85	8,500	8,500	4,250	0	
Fertilizer	115	11,500	11,500	5,750	0	
Pesticides	95	9,500	9,500	4,750	0	
Custom Hire	155	15,500	0	0	0	
Crop Insurance	22	2,200	1,760	1,100	770	
Storage	10	1,000	800	500	350	
Property Taxes		5,000	5,000	5,000	5,000	5,000
Repairs	500	500	500	500	500	500
Management Fees		12,542	12,040	8,361	5,853	5,120
Int. on Operating	8%	5,220	4,230	2,115	0	0
Insurance - Liability	180	180	180	180	180	180
- Property		0	0	0	0	0
<b>TOTAL EXPENSES</b>		<b>\$137,142</b>	<b>\$100,610</b>	<b>\$56,506</b>	<b>\$15,103</b>	<b>\$10,800</b>
<b>NET INCOME</b>			<b>\$30,083</b>	<b>\$33,170</b>	<b>\$27,106</b>	<b>\$43,426</b>
<b>NET INCOME/TILLABLE ACRE</b>			<b>\$150.42</b>	<b>\$165.85</b>	<b>\$135.53</b>	<b>\$217.13</b>





## 2019-2024 LEASE COMPARISON

### High Producing Farm

200 Acres in Midwest Region

#### ASSUMPTIONS:

Cropland Acres      200.0      Corn Base      100.0      Bean Base      100.0

<u>CROP</u>	<u>ACRES</u>	<u>YIELD</u>	<u>\$/BU</u>
Corn	100.0	227	\$4.99
Soybeans	100.0	62	\$11.82
Crop Insurance Payment	0.0		
Government Program Pmt/A	0.0		
Cash Rent/Tillable Acre	\$320	Buildings	\$0

#### INCOME

		CUSTOM	MODIFIED CROP SHARE	50/50 CROP SHARE	35/65 NET SHARE	CASH RENT
	\$/Acre					
Corn	1133	113,273	90,618	56,637	39,646	
Soybeans	733	73,284	58,627	36,642	25,649	
Government Program Payment	0	0	0	0	0	
Crop Insurance Payment						
Cash Rent - Land	320					64,000
Building/CRP/Pasture		0	0	0	0	0
<b>TOTAL INCOME</b>		<b>\$186,557</b>	<b>\$149,246</b>	<b>\$93,279</b>	<b>\$65,295</b>	<b>\$64,000</b>



		<b>CUSTOM</b>	<b>80/20 MODIFIED CROP SHARE</b>	<b>50/50 CROP SHARE</b>	<b>35/65 NET SHARE</b>	<b>CASH RENT</b>
<b>EXPENSES</b>	<b>\$/Acre</b>					
Corn - Seed	120	12,000	12,000	6,000	0	
Fertilizer	180	18,000	18,000	9,000	0	
Crop Insurance	25	2,500	2,000	1,250	875	
Dry and Store	30	3,000	2,400	1,500	1,050	
Custom Hire	165	16,500	0	0	0	
Pesticide	80	8,000	8,000	4,000	0	
Soybeans- Seed	80	8,000	8,000	4,000	0	
Fertilizer	90	9,000	9,000	4,500	0	
Pesticides	90	9,000	9,000	4,500	0	
Custom Hire	150	15,000	0	0	0	
Crop Insurance	22	2,200	1,760	1,100	770	
Storage	8	800	640	400	280	
Property Taxes		5,000	5,000	5,000	5,000	5,000
Repairs	500	500	500	500	500	500
Management Fees		13,992	13,432	9,328	6,529	5,120
Int. on Operating	8%	4,785	3,840	1,920	0	0
Insurance - Liability	180	180	180	180	180	180
- Property		0	0	0	0	0
<b>TOTAL EXPENSES</b>		<b>\$128,457</b>	<b>\$93,752</b>	<b>\$53,178</b>	<b>\$15,184</b>	<b>\$10,800</b>
<b>NET INCOME</b>		<b>\$58,100</b>	<b>\$55,493</b>	<b>\$40,101</b>	<b>\$50,110</b>	<b>\$53,200</b>
<b>NET INCOME/TILLABLE ACRE</b>		<b>\$290.50</b>	<b>\$277.47</b>	<b>\$200.50</b>	<b>\$250.55</b>	<b>\$266.00</b>



# Where are rents headed?

- **2025 Crop Yields**
- **Commodity Prices**
- **Crop Input Costs**
- **USA Trade Agreements**
- **Government Payments**
- **Farm Improvements**



# 2026 Cash Rent Net Profit

## Corn Scenario

- 250 bpa corn yield (High)
- \$4.35 per bushel price
- \$1,088 gross income
- \$606 in expenses
- \$482 profit before rent
- Less \$320 cash rent
- **\$162** net profit

## Soybean Scenario

- 70 bpa soybean yield (High)
- \$10.00 per bushel price
- \$700 gross income
- \$402 in expenses
- \$298 profit before rent
- Less \$320 cash rent
- **(\$22)** net profit

Scenario	Corn Net Profit	Soybean Net Profit	Simple Avg. Net Profit
High Yielding	\$162/acre	(\$22)/acre	\$70/acre
Average Yielding	\$70/acre	(\$62)/acre	\$4/acre
Low Yielding	(\$26)/acre	(\$102)/acre	(\$64)/acre



# Where are rents headed?

## *Average Cash Rents by State*

Year	Illinois	Iowa	Minnesota*	Nebraska**
2025	300	271	N/A	215
2024	340	279	N/A	220
2023	353	279	245	230
2022	322	256	243	225
2021	265	232	223	238
2020	270	222	208	226
2019	263	219	206	225
2018	260	222	208	210
2017	260	219	210	220
2016	283	230	222	234
2015	295	246	226	247
2014	323	260	240	260
2013	339	270	232	280



\*Average for Southern 1/3 of Minnesota

\*\*Average for Center Pivot Irrigated Southwest Region cropland

Sources: Iowa State University, University of Minnesota, University of Nebraska, and ISPFMRA

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# Questions?

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Office Location	Phone Number
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Humboldt, IA	515-932-1406
Mason City, IA	641-423-9531
Mt. Vernon, IA	319-995-9859
Nevada, IA	Toll Free: 800-593-5263
Strawberry Point, IA	563-933-4973
Washington, IA	319-382-9343
DeKalb, IL	815-748-4440
Geneseo, IL	309-944-2184
Kankakee, IL	815-935-9878
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