



Caring for You and Your Farm[®]

Professional Services for Farmland Owners and Investors:

- **Professional Farm Management**
- **Farmland Sales & Acquisitions**
- **Farmland Auctions**
- **Trusted Farmland Appraisals**





Caring for You and Your Farm®

**Landowner Educational Seminar
Winter 2025**

**Farm Lease Trends/
Leasing Alternatives**



www.Hertz.ag



Ag Trivia

What is the most common farm animal in the world?



Ag Trivia



- **How Much Water Does a Milk Cow Drink Per Day?**

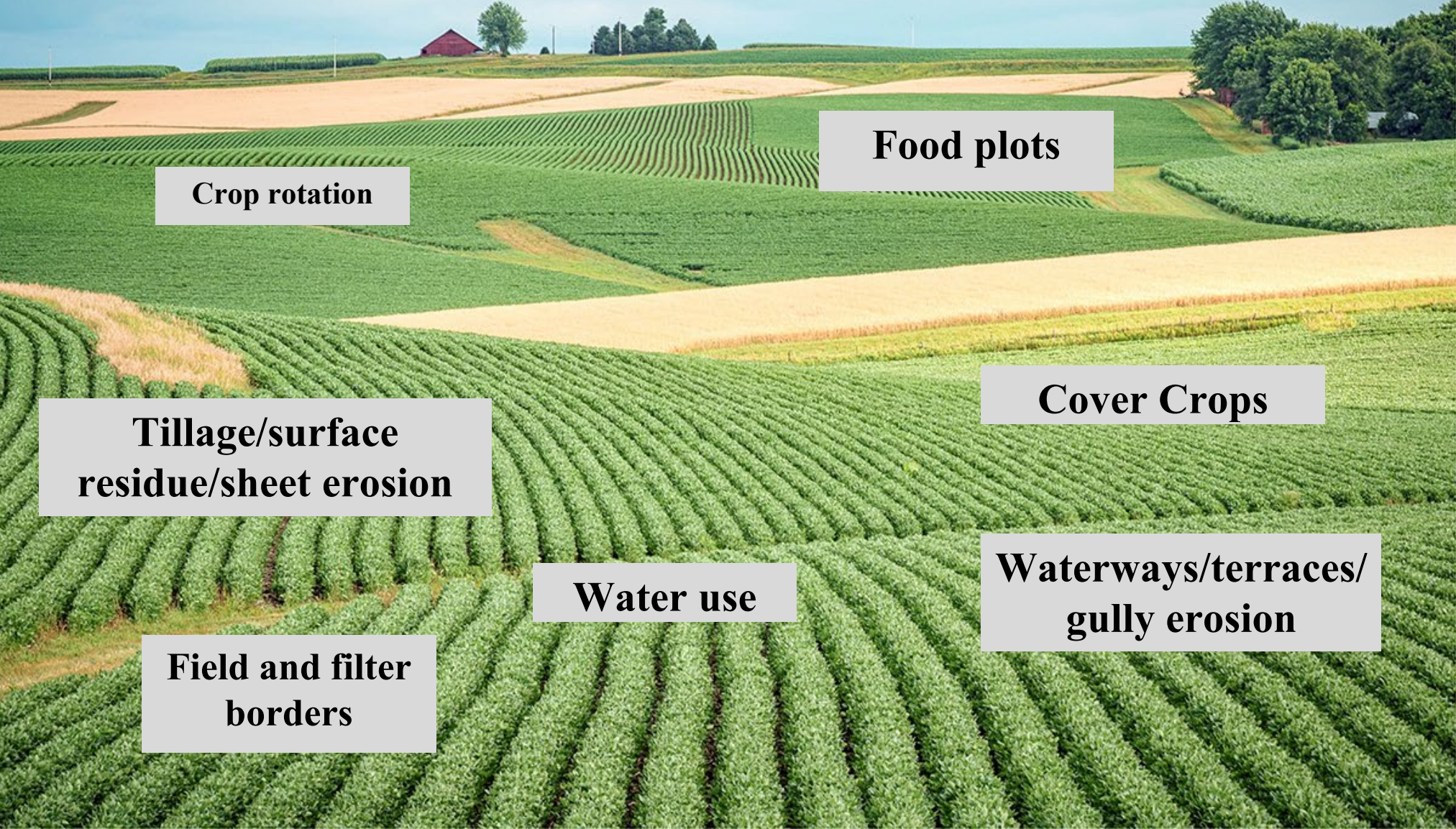


Purpose of a Lease

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



Conservation & Maintenance



Crop rotation

Food plots

**Tillage/surface
residue/sheet erosion**

Cover Crops

Water use

**Waterways/terraces/
gully erosion**

**Field and filter
borders**



Photo courtesy of Iowa Soybean Association

www.Hertz.ag



Expression of Expectations

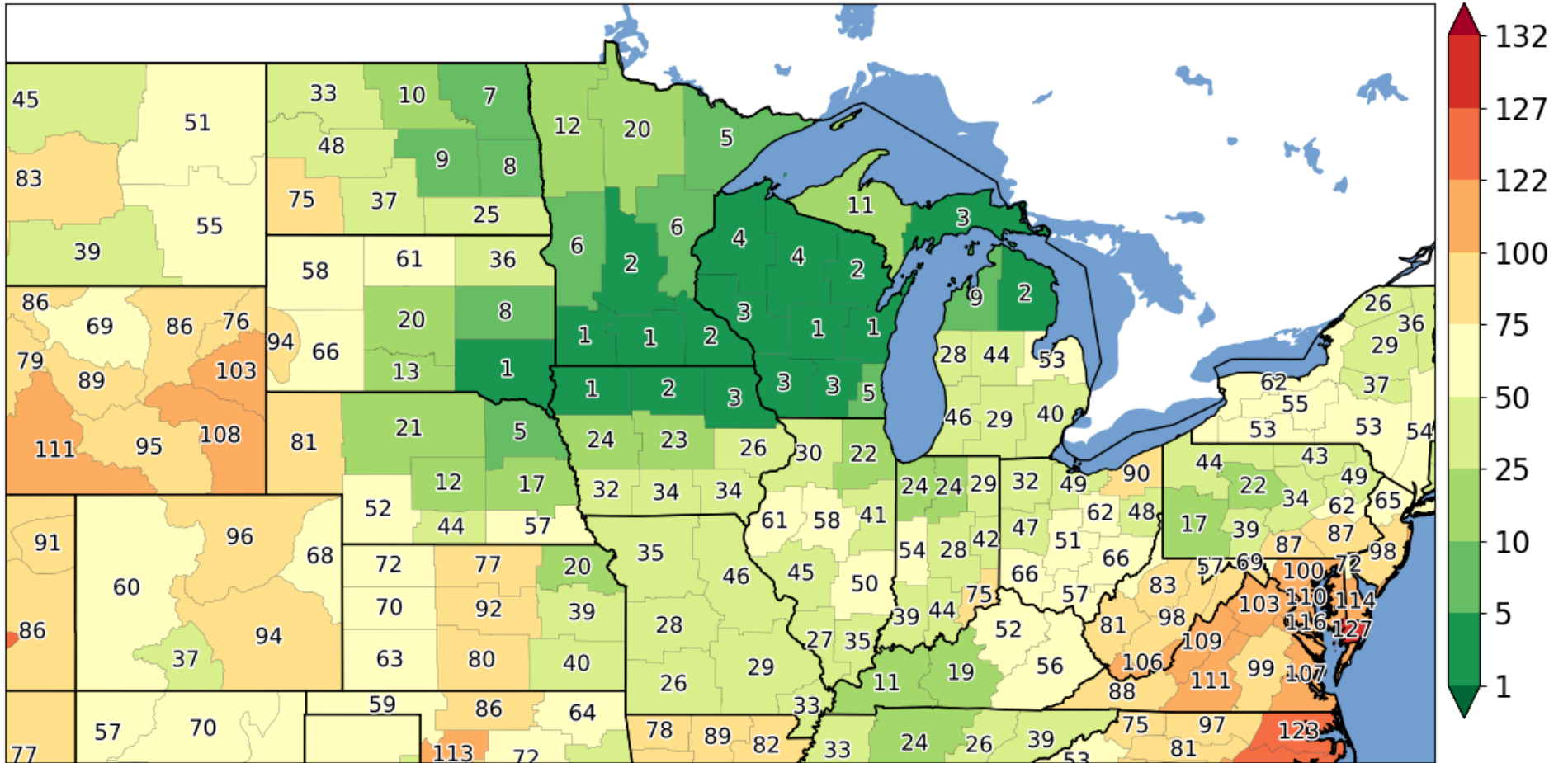
- Appearance
- Access
- Maintenance
- Chemical Practices
- Conservation
- CRP/CSP



Variable Precipitation



31 Mar 2024 ~7 AM till 25 Jun 2024 ~7 AM Total Precipitation Ranks by Climate District
Based on IEM Estimates, 1 is wettest out of 132 total years (1893-2024)



Generated at 26 Jun 2024 11:20 AM CDT in 40.55s

data units ::
IEM Autoplot App #24



Source: Iowa Environmental Mesonet – Iowa State University – Data Plotter

www.Hertz.ag



Erosion



Waterways



Cover Crops

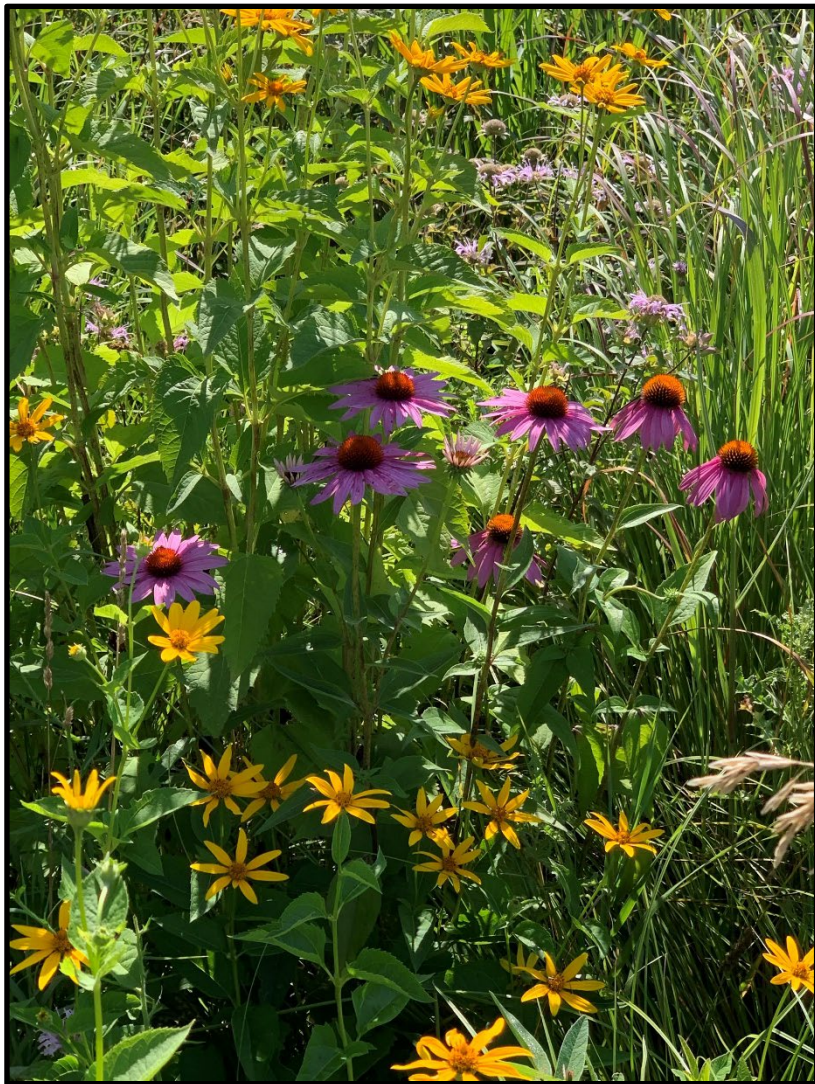
Who Should Pay the Cost?



Who Receives the Benefits?



CRP/CSP



- Conservation reserve
- Conservation stewardship
- Transferability of contracts and income
- Who is receiving the payments?
- Who is responsible for maintenance?



Expression of Expectations Cont'd:

- Fertilizer Balance
- Fences
- Improvements
- Information
- Insurance
- Carbon Credits



Fertilizer Balance

Soil testing & crop removal rates

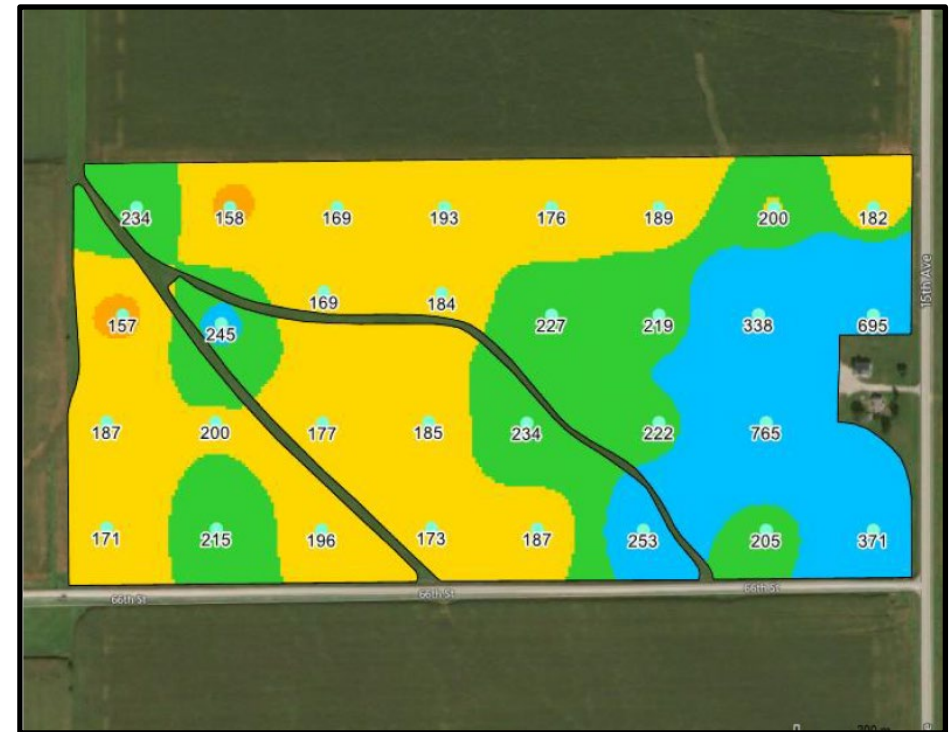


Photo courtesy of serc.cartleton.edu

www.Hertz.ag



Fertilizer Removal Rates - Corn

Corn Yield (bu/ ac)	Phosphorus (P)			Potassium (K)	
	P Removed in Grain (# of P ₂ O ₅)	MAP (11-52-0)	DAP (18-46-0)	K Removed in Grain (# of K ₂ O)	Potash (0-0-60)
125	40	77	87	28	46
150	48	92	104	33	55
175	56	108	122	39	64
190	61	117	132	42	70
200	64	123	139	44	73
210	67	129	146	46	77
220	70	135	153	48	81
230	74	142	160	51	84
240	77	148	167	53	88
250	80	154	174	55	92
275	88	169	191	61	101
300	96	185	209	66	110



Source = Pioneer
www.Hertz.ag



Fertilizer Removal Rates-Soybeans

Soybean Yield (bu/ac)	Phosphorus (P)			Potassium (K)	
	P Removed in Grain (# of P ₂ O ₅)	MAP (11-52-0)	DAP (18-46-0)	K Removed in Grain (# of K ₂ O)	Potash (0-0-60)
30	22	42	47	36	60
40	29	55	63	48	80
45	32	62	70	54	90
50	36	69	78	60	100
55	40	76	86	66	110
60	43	83	94	72	120
65	47	90	102	78	130
70	50	97	110	84	140
75	54	104	117	90	150
80	58	111	125	96	160
90	65	125	141	108	180



Source = Pioneer
www.Hertz.ag



Maintaining Fertility

	P_2O_5	K_2O
Corn	80	55
Soybeans	50	85

- Operator to maintain PH of 6.2-6.7
- Lime will be depleted 25% each year
- Undepleted lime will be refunded to operator at the termination of the lease



Communication of Farm Information

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

Input Records

Yield Maps

Soil Test Data

Crop Insurance Guarantees



Carbon Credits

Are they right for your farm?



Factors to Consider

1. **Owner's Goals and Objectives**
2. **Net Income Projections**
3. **Land Quality/Productivity**
4. **Capital Requirements and Cash Flow**
5. **Risk versus Rewards – Crop Insurance**
6. **Effects of Bio-Fuels and New Technology**
7. **Control**
8. **Landowner's Other Income**
9. **Improvements**
10. **Tax Implications**



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**
- **Long-Term versus Short-Term Ownership**
- **Will the farm be retained by the next generation**
- **Conservation**
- **Maintaining family heritage (Buildings)**



Multi-Year Leases

Owner Advantages

- **Locked in rental rate when market is softening**
- **Tenant longevity**
- **Eliminates the need to negotiate lease terms each year**

Owner Disadvantages

- **Inability to make changes if tenant is not performing to your standards**
- **Decline in market value if a farm is sold with a lease in place**
- **Unable to increase rent when the market is appreciating**
- **Less control**
- **One way street**



Factors to Consider

Land Quality/Productivity

The higher the quality of the land, and the more improvements the greater advantage to having a share of the crop

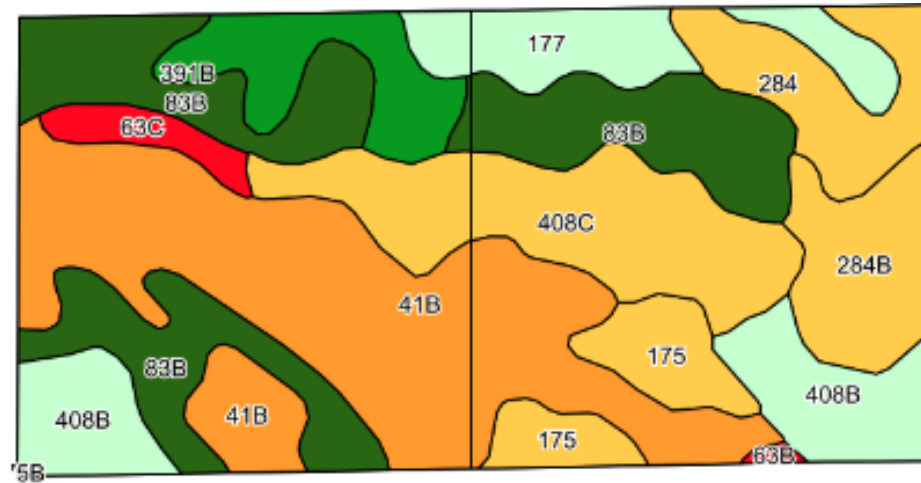


Productivity & Variability

**Highly Productive
Low Variability**



**vs. High Variability
Lower Productivity**



Farm Improvements



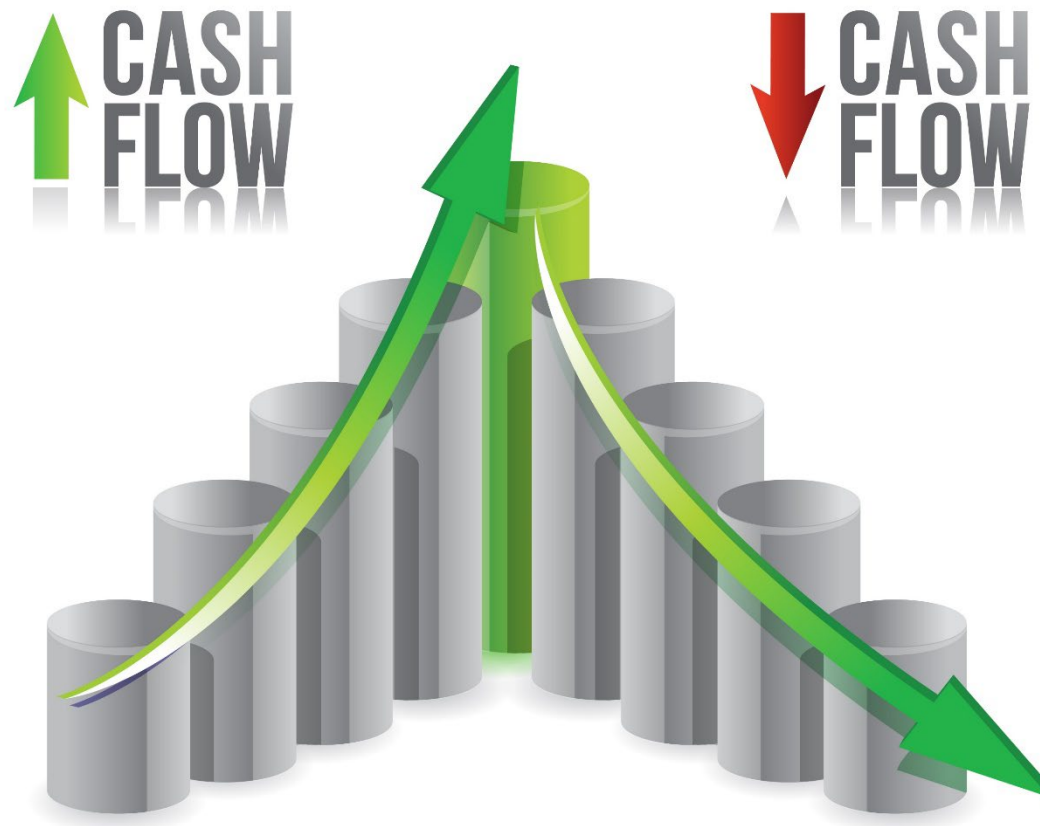
Factors to Consider

Tax Implications

- §179 Deductions
- §168(k) Bonus Depreciation
- Social Security Ramification
- Estate Tax Ramifications
- Deductibility of Certain Expenses
- QBI Deduction



Financial Considerations



Source: pascoedc.com

www.Hertz.ag

Crop Income



2024 Corn

Yield	Price	\$/Acre
230	\$4.75	\$1,093

2025 Corn

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

Difference

\$	%
-\$115	-10.5%

2024 Beans

Yield	Price	\$/Acre
65	\$11.50	\$748

2025 Beans

Yield	Price	\$/Acre
65	\$10.50	\$683

Difference

\$	%
-\$65	-8.7%

Average \$920

\$830

-\$90 -9.8%



Crop Income

Economic Aid Payments

- -- Corn, \$43.80 per acre
- -- Soybeans, \$30.61 per acre
- -- Wheat, \$31.80 per acre



Crop Expenses

2024 Corn

2025 Corn

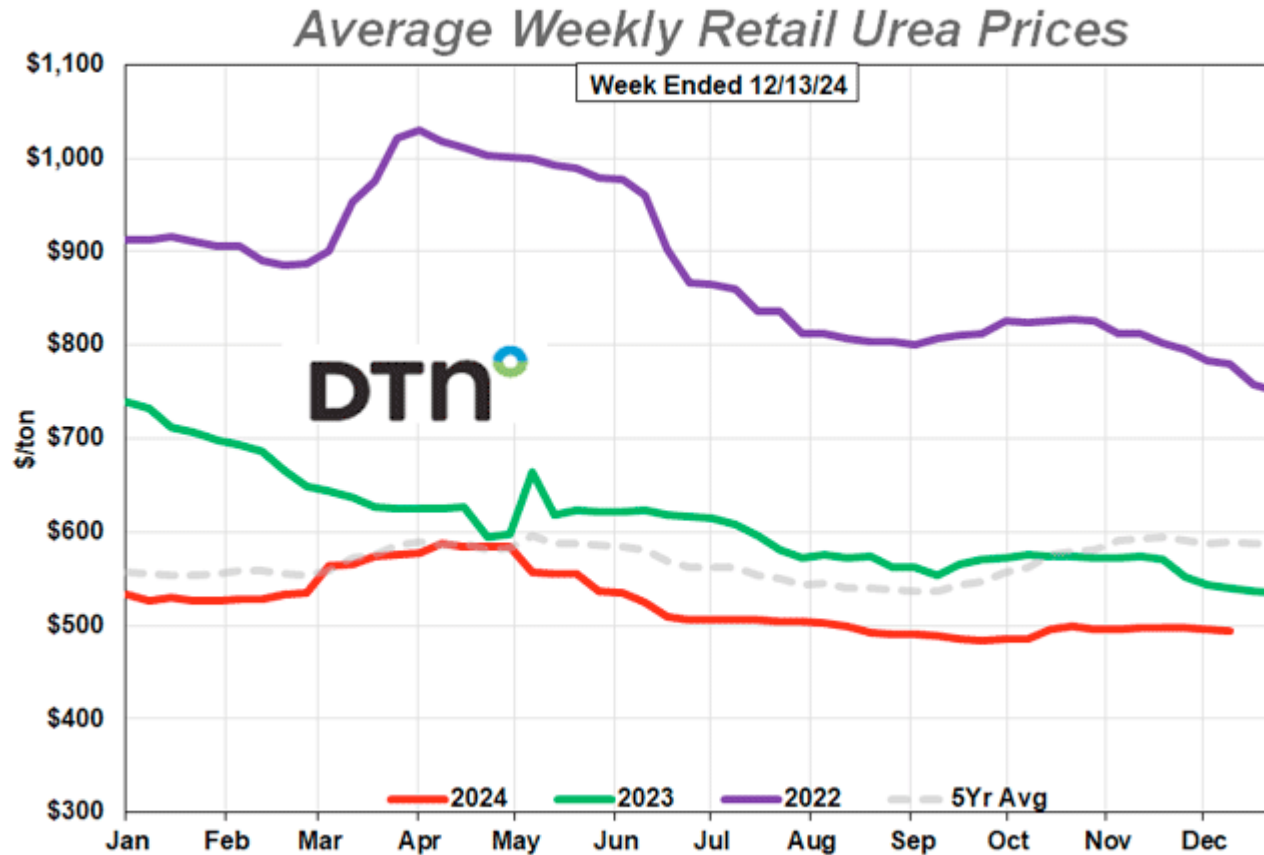
Difference



Input	Cost/Acre	\$/Acre	\$	%
Seed	\$125	\$130	\$5	4.0%
Fertilizer	210	200	-\$10	-4.8%
Chemicals	90	95	\$5	5.6%
Custom Hire	160	160	\$0	0.0%
Crop Insurance	25	22	-\$3	-12.0%
Drying & Storage	50	50	\$0	0.0%
Total/Average	\$660	\$657	-\$3	-0.5%



Crop Expenses



Crop Expenses



2024 Beans

2025 Beans

Difference

Input	Cost/Acre	\$/Acre	\$	%
Seed	\$85	\$90	\$5	5.9%
Fertilizer	125	120	-\$5	-4.0%
Chemicals	95	100	\$5	5.3%
Custom Hire	145	145	\$0	0.0%
Crop Insurance	22	20	-\$2	-9.1%
Drying & Storage	10	10	\$0	0.0%
Total/Average	\$482	\$485	\$3	0.6%



Changes 2024-25



<u>2024 Corn</u>			<u>2025 Corn</u>			<u>Difference</u>	
Yield	Price	\$/Acre	Yield	Price	\$/Acre	\$	%
230	\$4.75	\$1,093	230	\$4.25	\$978	-\$115	-10.5%

<u>2024 Beans</u>			<u>2025 Beans</u>			<u>Difference</u>	
Yield	Price	\$/Acre	Yield	Price	\$/Acre	\$	%
65	\$11.50	\$748	65	\$10.50	\$683	-\$65	-8.7%
Average		\$920			\$830	-\$90	-9.8%



<u>2024 Expenses</u>		<u>2025 Expenses</u>		<u>Difference</u>	
Crop	Cost/Acre	\$/Acre	\$/Acre	\$	%
Corn	\$660	\$657		-\$3	-0.5%
Beans	482	485		\$3	0.6%
Average		\$571	\$571	\$0	0.0%



Farm Lease Alternatives

1. Traditional 50/50 Crop Share

2. 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

3. 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

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**
- **Fertilizer–Requirements**
- **Tax Treatment**
- **Estate Planning Limitations**



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 \$935/Acre on Corn
40% over \$757/Acre on Soybeans

Yield		Price		Yield		Price
230		\$4.75		65		\$11.50
230 x \$4.75 = \$1,092.50				65 x \$11.50 = \$747.50		



Flex Lease Example

	CORN	SOYBEANS
GROSS INCOME:	\$ 1092.50	\$ 747.50
PRICE/ACRE:	- \$ 935	- \$ 757
TRIGGER INCOME:	\$ 157.50	\$ -9.50
	x 35%	x 40%
BONUS RENT:	\$ 55.12	\$ 0
BASE RENT:	+ \$ 275.00	+ \$ 275.00
TOTAL RENT:	\$ 330.12	\$ 275.00

Average Rent: \$302.56 / acre



Flex Lease Example

- APH = 210
- Spring Price = \$4.66

APH x Spring Price x 33% = Rent

210 x \$4.66 x 0.33 = \$323/Acre



Where do we go from here?



Lease Termination Deadlines:

- Iowa** – September 1st
- Illinois** – November 1st
- 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 1st
 - Written lease: September 1st or as specified in the lease
- Wisconsin** – October 1st





2024 LEASE COMPARISON
High Producing Farm
200 Acres in Midwest Region

ASSUMPTIONS:

Cropland Acres	200.0	Corn Base	100.0	Bean Base	100.0
CROP	ACRES	YIELD	\$/BU		
Corn	100.0	270	\$4.50		
Soybeans	100.0	70	\$11.00		
Crop Insurance Payment	0.0				
Government Program Pmt/A	0.0				
Cash Rent/Tillable Acre	\$330	Buildings	\$0		

INCOME

		CUSTOM	80/20 MODIFIED CROP SHARE	50/50 CROP SHARE	35/65 NET SHARE	CASH RENT
	\$/Acre					
Corn	1215	121,500	97,200	60,750	42,525	
Soybeans	770	77,000	61,600	38,500	26,950	
Government Program Payment	0	0	0	0	0	
Crop Insurance Payment						
Cash Rent - Land	330					66,000
Building/CRP/Pasture		0	0	0	0	0
TOTAL INCOME		\$198,500	\$158,800	\$99,250	\$69,475	\$66,000



		CUSTOM	80/20 MODIFIED CROP SHARE	50/50 CROP SHARE	35/65 NET SHARE	CASH RENT
EXPENSES	\$/Acre					
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	1,000	
Dry and Store	50	5,000	4,000	2,500	2,000	
Custom Hire	160	16,000	0	0	0	
Pesticide	90	9,000	9,000	4,500	0	
Soybeans- Seed	85	8,500	8,500	4,250	0	
Fertilizer	120	12,000	12,000	6,000	0	
Pesticides	95	9,500	9,500	4,750	0	
Custom Hire	145	14,500	0	0	0	
Crop Insurance	22	2,200	1,760	1,100	880	
Storage	10	1,000	800	500	400	
Property Taxes		5,000	5,000	5,000	5,000	5,000
Repairs	500	500	500	500	500	500
Management Fees		14,888	14,292	9,925	6,948	5,280
Int. on Operating	8%	5,205	4,290	2,145	0	0
Insurance - Liability	180	180	180	180	180	180
- Property		0	0	0	0	0
TOTAL EXPENSES		\$138,473	\$104,322	\$58,850	\$16,908	\$10,960
NET INCOME		\$60,028	\$54,478	\$40,400	\$52,568	\$55,040
NET INCOME/TILLABLE ACRE		\$300.14	\$272.39	\$202.00	\$262.84	\$275.20



Where are rents headed?

- **Crop Yields**
- **Commodity Prices**
- **Crop Input Costs**
- **Government Payments**
- **Farm Improvements**
- **Impacts From 45Z Tax Credit**



Where are rents headed?

Average Cash Rents by State

Year	Illinois	Iowa	Minnesota*	Nebraska**
2024	340	279	245	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 ISPFMA



Questions?



Thank You



Stay Informed, Connect With Us

800-593-5263 (LAND)
Contact@Hertz.ag

Join Our Mailing List

Subscribe to our mailing list to receive current news, farmland listings and upcoming farmland auction information.

Subscribe

For Email Marketing you can trust.

The screenshot shows the Hertz Farm Management website's contact page. At the top, the Hertz logo is on the left, and navigation links for ABOUT, FARM MANAGEMENT, REAL ESTATE, APPRAISAL, AG INFO, SEMINARS, and INVEST are on the right. The main content area is divided into three sections: 1. 'Contact one of our offices' featuring a map of the central United States with yellow location pins and a 'Map/Satellite' toggle. 2. 'How Can We Help?' with a text block explaining the company's goal to help maximize farm ownership and a form for contact information (First Name, Last Name, Phone, Email, Message) and a 'Submit' button. 3. 'Find a Farmland Professional' which includes a search bar and a table of office locations. The table lists 15 offices with their names, phone numbers, and 'Hertz' and 'Details' buttons. The 'Hertz' button is red for Cedar Falls, IA, Mt. Vernon, IA, and Mankato, MN, and green for all other offices.

Office	Phone	Hertz	Details
Cedar Falls, IA	Phone: 319-224-1949	Hertz	Details
Humboldt, IA	Phone: 515-322-1406		Details
Mason City, IA	Phone: 641-423-9531		Details
Mt. Vernon, IA	Phone: 319-895-8958	Hertz	Details
Nevada, IA	Toll Free: 800-593-5263		Details
Strawberry Point, IA	Phone: 563-933-4973		Details
Washington, IA	Phone: 319-382-3243		Details
DeKalb, IL	Phone: 815-748-4440		Details
Geneseo, IL	Phone: 309-944-2184	Hertz	Details
Kankakee, IL	Phone: 815-935-9878		Details
Monticello, IL	Phone: 217-762-9881	Hertz	Details
Norfolk, NE	Phone: 402-971-9226		Details
Omaha, NE	Phone: 402-697-7500	Hertz	Details
Mankato, MN	Phone: 507-345-5263	Hertz	Details

Follow us on Social Media

@HertzAgLand



www.Hertz.ag

