Hertz Farm Management, Inc.

Caring for You and Your Farm®

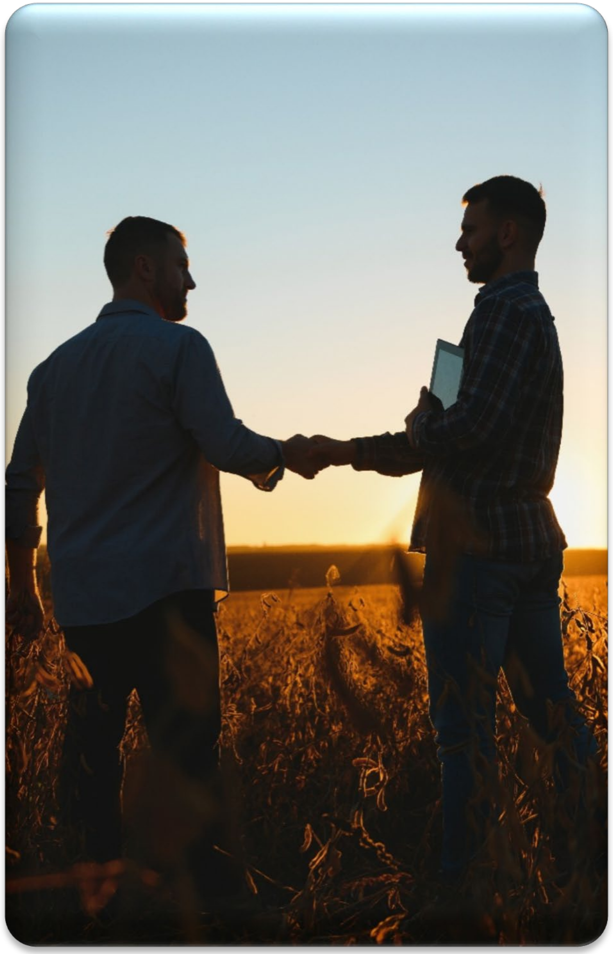
Professional Services for Farmland Owners and Investors

Farm Lease Trends / Leasing Alternatives

Secure Your Farm's Future | Summer 2026

Purpose of a Lease

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



Income

Clearly define how income is divided.

Expenses

Who is responsible for which expenses.

Responsibilities

Outline the roles and obligations of both parties.

Expression of Expectations

Farming Practices

- Crop Rotation
- Conservation
- Chemical
- Soil Fertility

Property Management

- Access
- Maintenance
- Fences
- Appearance
- Improvements

Business Practices

- Insurance
- Information
- Carbon Credits

Conservation Expectations

Conservation Programs
CRP • CSP • Carbon Credits

Payment Recipient

Hunting Rights

Maintenance Responsibility

In-Field Practices

Cover Crops

Residue Management

Soil Fertility

Soil testing & crop removal rates

SOIL TESTING

Regular soil testing provides the foundation of better nutrient management.

NUTRIENT ANALYSIS

Identify essential nutrients and soil conditions to develop fertility strategies.

CROP REMOVAL

Maximize yield, preserve quality, and improve operational efficiency.

Photo courtesy of serc.cartleton.edu

Skyrocketing Fertilizer

Product		15-May Price	4-Wks Ago		Year Ago	
			Price	% Chg	Price	% Chg
Prices are US$/short ton						
U.S. Gulf	**NH3**	**751**	706	6.4%	378	98.5%
Cornbelt	**NH3**	**975**	975	0.0%	635	53.5%
U.S. Gulf	**Urea**	**565**	710	-20.4%	470	20.2%
U.S. Gulf	**UAN**	**500**	493	1.5%	355	40.8%
C. Florida	**DAP**	**840**	820	2.4%	655	28.2%
New Orleans	**DAP**	**785**	748	5.0%	665	18.0%
Cornbelt	**Potash**	**378**	360	4.9%	375	0.7%
Pacific NW	**Potash**	**444**	434	2.3%	429	3.5%

Source: Green Markets Price Scan

Maintaining Fertility

Operator to maintain pH of **6.2-6.7**

Lime will be depleted **25%** on avg. each year

60 bu | 80 bu | 200 bu | 275 bu

NUTRIENTS	60 bu	80 bu	200 bu	275 bu
P Phosphorus	45	60	70	96
K Potassium	72	96	50	69

Source: Iowa State University

Communication of Farm Information

Access and ownership of the following:

Input Records

Access and ownership of input and application records.

Yields & Maps

Access and ownership of yield data and maps.

Crop Insurance Guarantees

Access and ownership of insurance policies and guarantees.

Lease Types & Considerations

Factors to Consider

Owner's Goals and Objectives

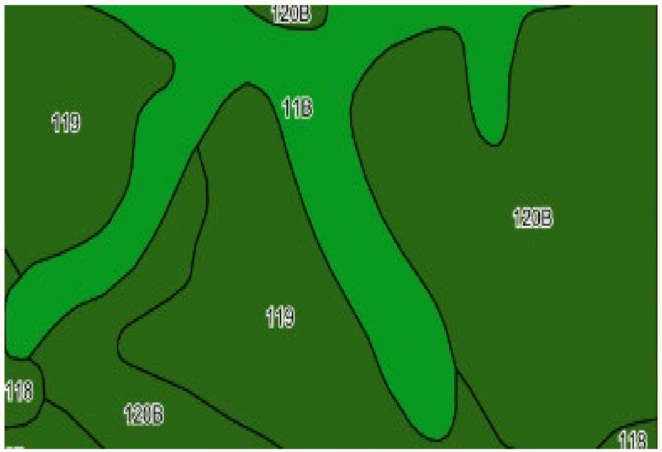
- **Immediate income and cash flow** versus making improvements that will enhance income long-term and market value of the land.
- **Multi-year lease versus a one-year lease**
- **Long-term versus short-term ownership**
- **Will the farm be retained by the next generation**
- **Maintaining family legacy**

Factors to Consider

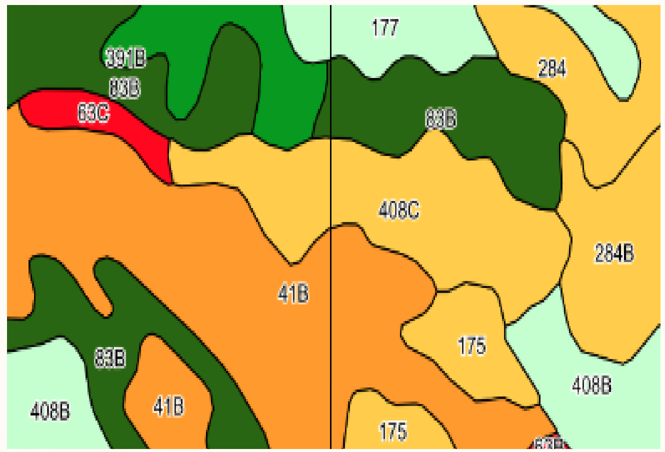
Land Quality/Productivity

As land becomes more productive and valuable, a participating lease becomes more advantageous because it aligns incentives, shares risk and helps protect valuable land improvements.

HIGHER PRODUCTIVITY LAND



LOWER PRODUCTIVITY LAND



Farm Improvements

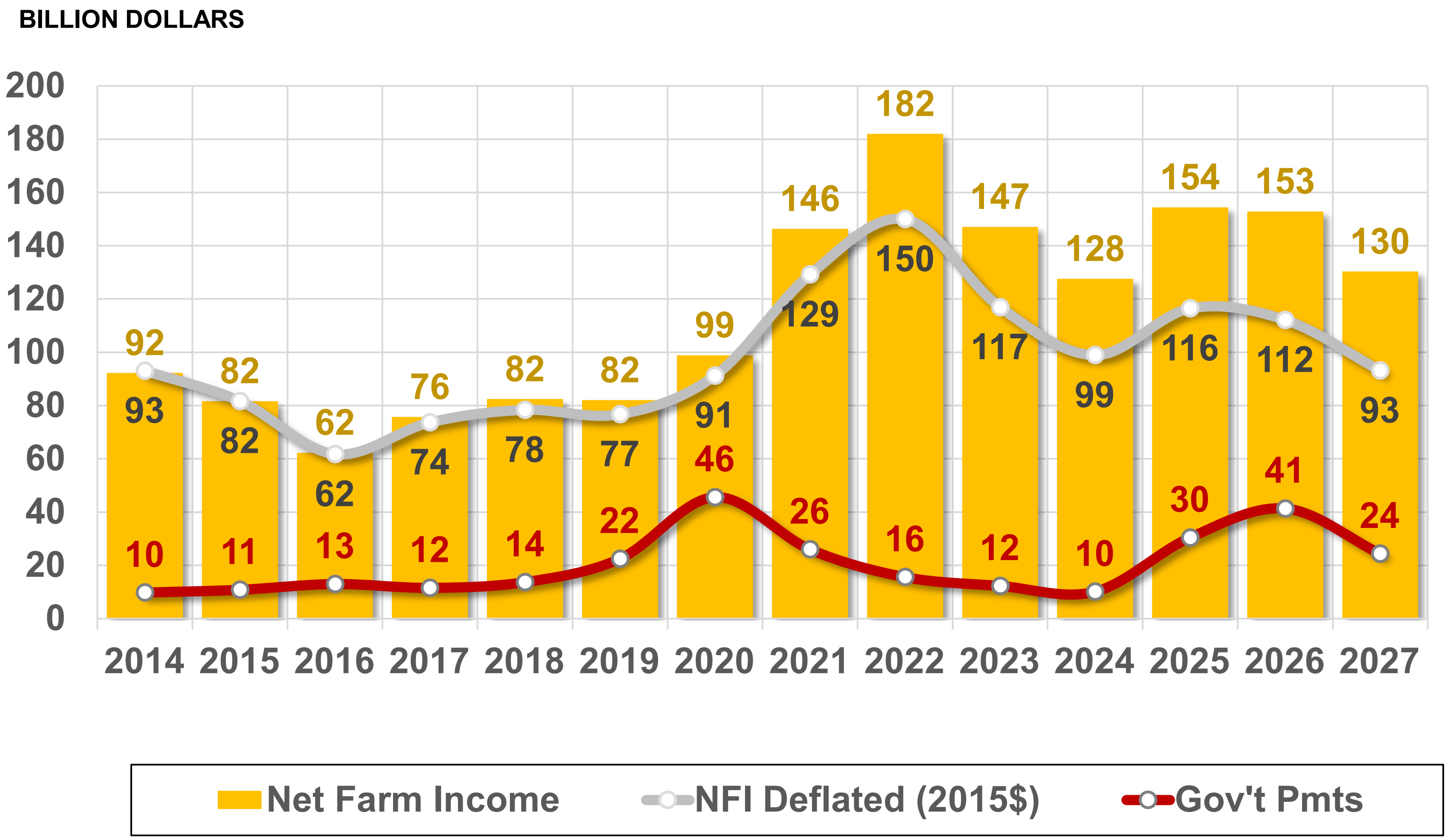
Factors to Consider

Tax Implications Considerations:

- **§179 Deduction**
  Immediate expensing of qualified business expenses
- **§168(k) Bonus Depreciation**
  Bonus depreciation on qualified assets reinstated at 100% in 2025
  - As of July 2025, bonus depreciation underwent significant changes under the One Big Beautiful Bill (OBBB) reinstates 100% bonus depreciation for qualifying property placed in service after January 19, 2025, eliminating the previously scheduled phase-out.
- **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

SECTOR NET FARM INCOME



Crop Revenue

CORN

	2026	2027	CHANGE
Yield (bu/acre)	230	**232**	+2
Price ($/bu)	$4.50	**$4.60**	+$0.10
Revenue/Acre	**$1,035**	**$1,067**	**+$32** (+3.1%)

⬆ **$32** (+3.1%)

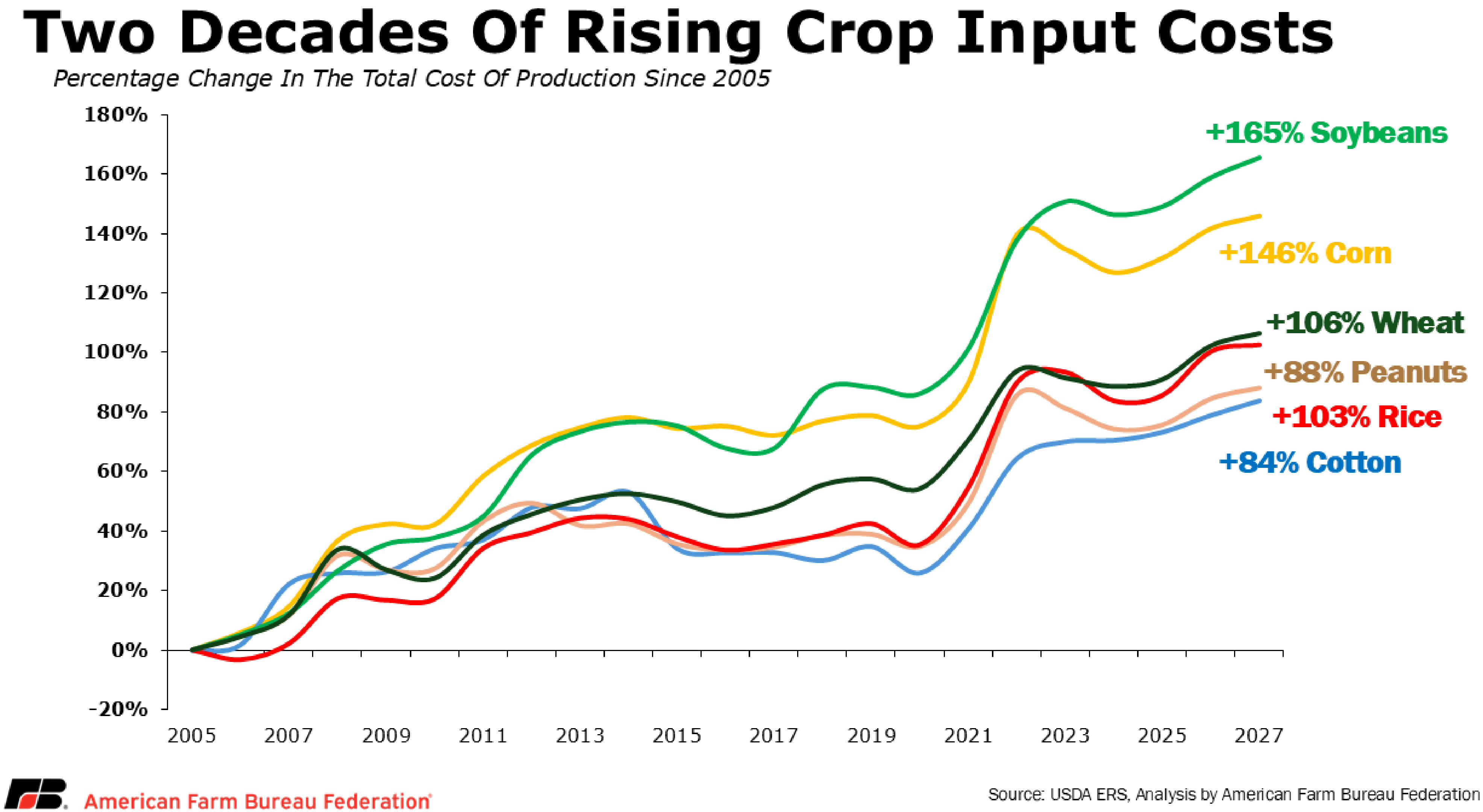
SOYBEANS

	2026	2027	CHANGE
Yield (bu/acre)	65	**65.5**	+0.5
Price ($/bu)	$11.15	**$11.15**	+$0.00
Revenue/Acre	**$725**	**$730**	**+$5** (+0.7%)

⬆ **$5** (+0.7%)

AVERAGE REVENUE PER ACRE	2026 **$880**	➡	2027 **$899**	**+$19** (+2.1%) per acre

Production Costs



Revenue & Cost Comparison:

2026 vs 2027

REVENUE (per Acre)

Corn

2026		2027		Change
$1,035	→	$1,067	⬆	+ $32 (+3.1%)

Soybeans

2026		2027		Change
$725	→	$730	⬆	+ $5 (+0.6%)

COST (per Acre)

Corn

2026		2027		Change
$655	→	$670	⬆	+ $15 (+2.3%)

Soybeans

2026		2027		Change
$477	→	$487	⬆	+ $10 (+2.1%)

AVERAGE REVENUE

$880 → $899

⬆ +$19 (2.1%)

AVERAGE COST

$566 → $579

⬆ +$13 (2.2%)

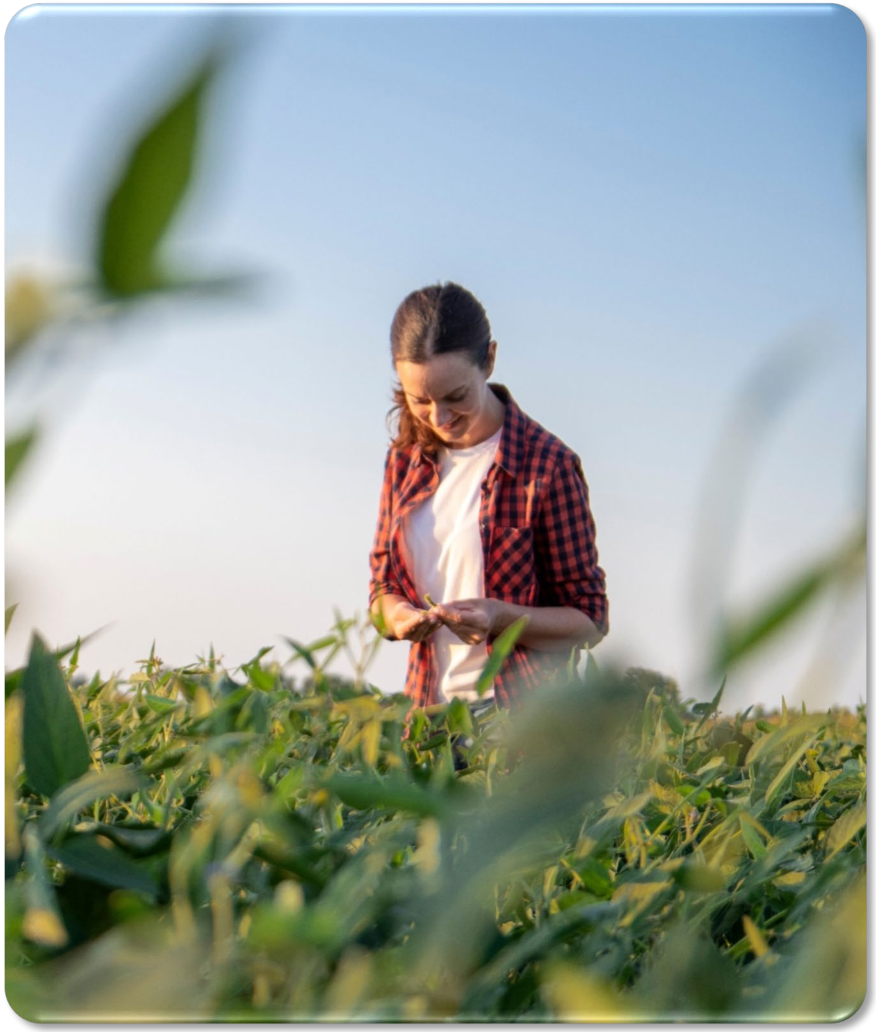
Lease Termination Deadlines:

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**

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

- Owner and operator share income and expenses 50/50
- Becoming less common as the total contribution by landowner and operator is typically no longer 50/50

3. Variation to 50/50 Crop Share

- Operator pays more of the inputs or receives less of the crop
- 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 Crop 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 = Up to 35% on Corn
Up to 40% on Soybeans

CORN	
Yield	220
Price	X $4.50
Gross Income	$990

SOYBEANS	
Yield	65
Price	X $10.75
Gross Income	$699

Flex Lease Example

	CORN	SOYBEANS
GROSS INCOME :	$990	$699
TOTAL PERCENTAGE :	x 35%	x 40%
TOTAL RENT :	$347	$280
BASE RENT :	$275	$275
FLEX RENT :	**$72**	**$ 5**

Average Rent: **$314 / acre**

Flex Lease Example

APH = 210

Spring Price = $4.50

APH x Spring Price x 33% = Rent

210 x $4.50 x 0.33

= $312/Acre

Where Do We Go from Here?

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2027 LEASE COMPARISON

High Producing Farm

200 Acres in Midwest Region

ASSUMPTIONS:

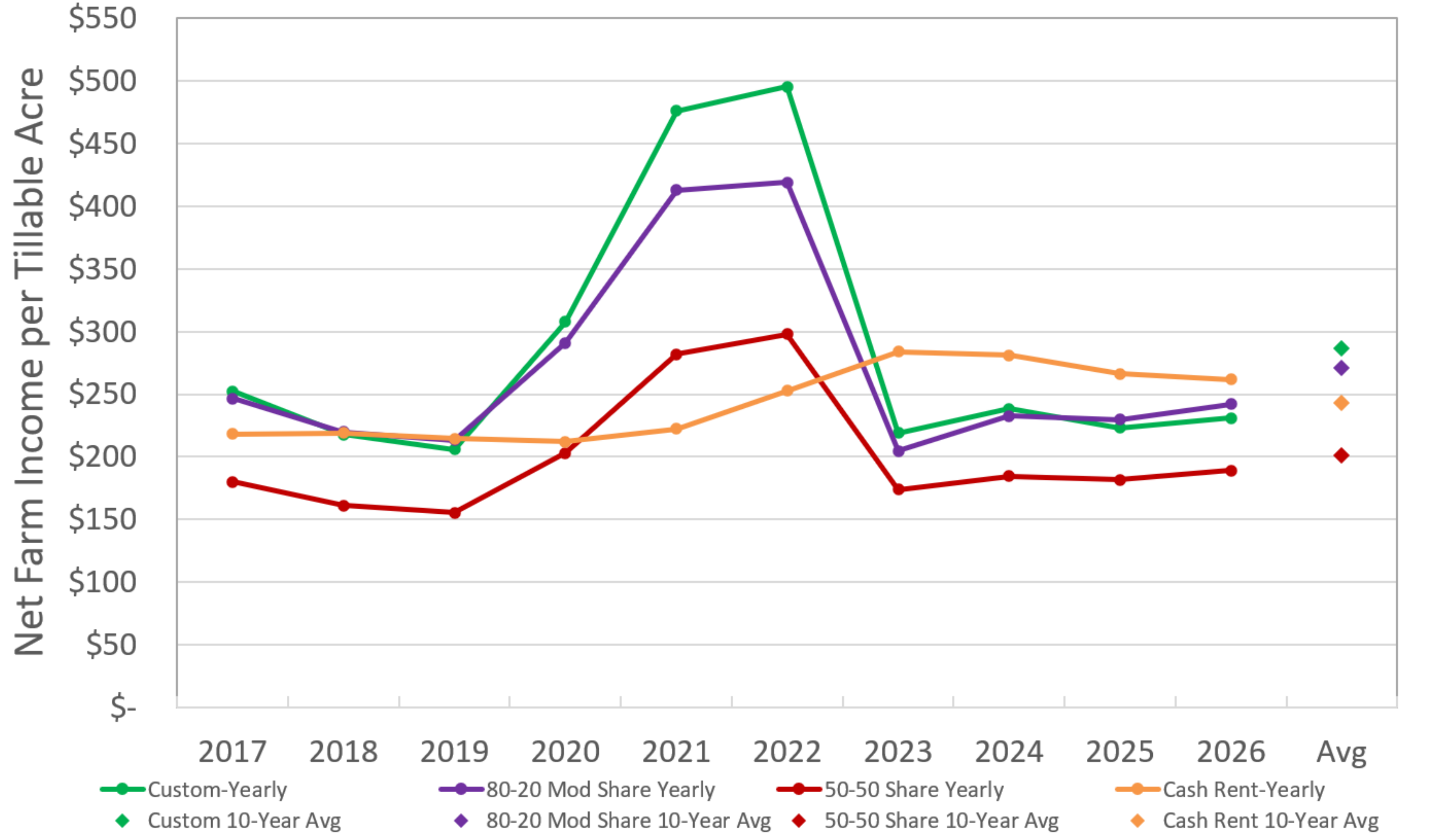
Cropland Acres	200.0	Corn Base	100.0	Bean Base	100.0

CROP	ACRES	YIELD	$/BU
Corn	100.0	236	$4.60
Soybeans	100.0	70	$11.15
Crop Insurance Payment	0.0		
Government Program Pmt/A *	0.0		
Cash Rent/Tillable Acre	$320	Buildings	$0

INCOME	$/Acre	CUSTOM	MODIFIED CROP SHARE	50/50 CROP SHARE	35/65 NET SHARE	CASH RENT
Corn	1086	108,560	86,848	54,280	37,996	
Soybeans	781	78,050	62,440	39,025	27,318	
Government Program Payment	0	0	0	0	0	
Crop Insurance Payment	0	0	0	0	0	
Cash Rent - Land	320					64,000
Building/CRP/Pasture		0	0	0	0	0
TOTAL INCOME		**$186,610**	**$149,288**	**$93,305**	**$65,314**	**$64,000**

EXPENSES	$/Acre	CUSTOM	MODIFIED CROP SHARE	50/50 CROP SHARE	35/65 NET SHARE	CASH RENT
Corn - Seed	130	13,000	13,000	6,500	0	
Fertilizer	210	21,000	21,000	10,500	0	
Crop Insurance	25	2,500	2,000	1,250	875	
Dry and Store	35	3,500	2,800	1,750	1,225	
Custom Hire	180	18,000	0	0	0	
Pesticide	80	8,000	8,000	4,000	0	
Soybeans- Seed	85	8,500	8,500	4,250	0	
Fertilizer	100	10,000	10,000	5,000	0	
Pesticides	95	9,500	9,500	4,750	0	
Custom Hire	150	15,000	0	0	0	
Crop Insurance	15	1,500	1,200	750	525	
Storage	8	800	640	400	280	
Property Taxes		7,000	7,000	7,000	7,000	7,000
Repairs	1,000	1,000	1,000	1,000	1,000	1,000
Management Fees		13,996	13,436	9,331	6,531	5,120
Int. on Operating @ 7%	7%	4,541	3,675	1,838	0	0
Insurance - Liability	180	180	180	180	180	180
- Property		0	0	0	0	0
TOTAL EXPENSES		**$138,017**	**$101,931**	**$58,498**	**$17,616**	**$13,300**
NET INCOME		**$48,593**	**$47,357**	**$34,807**	**$47,697**	**$50,700**
NET INCOME/TILLABLE ACRE		**$242.97**	**$236.79**	**$174.04**	**$238.49**	**$253.50**

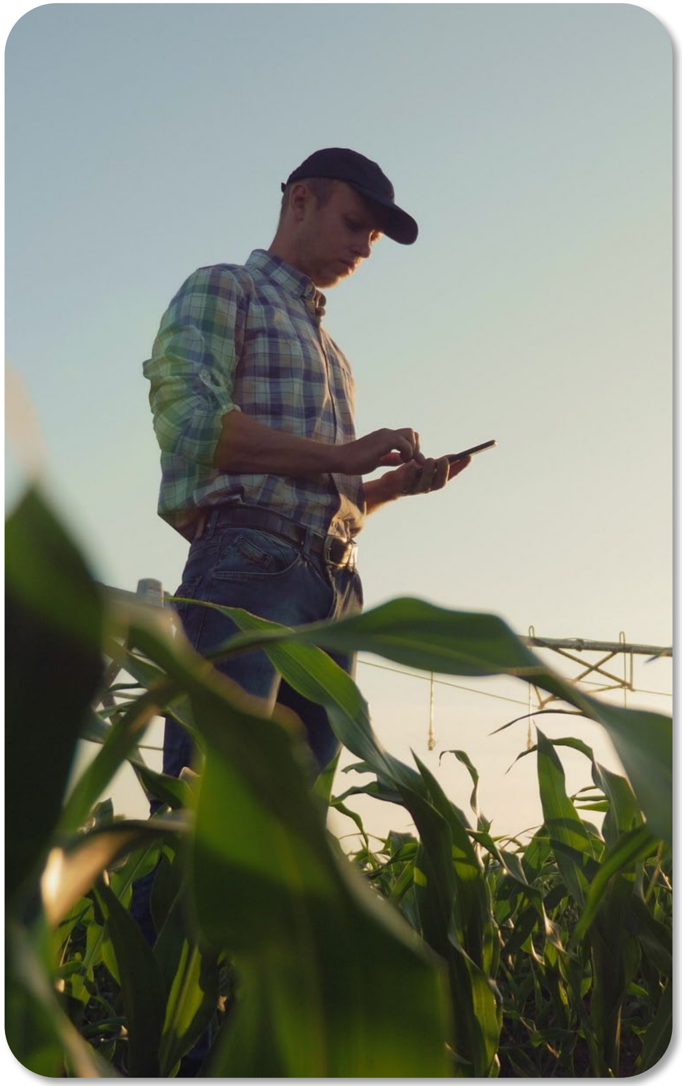
Example: 10-Year Lease Comparison



Data based on University of Illinois FarmDoc Crop Budgets, ISU Custom Rate Survey, ISU Cash Rent Survey. Actual farm performance will vary.

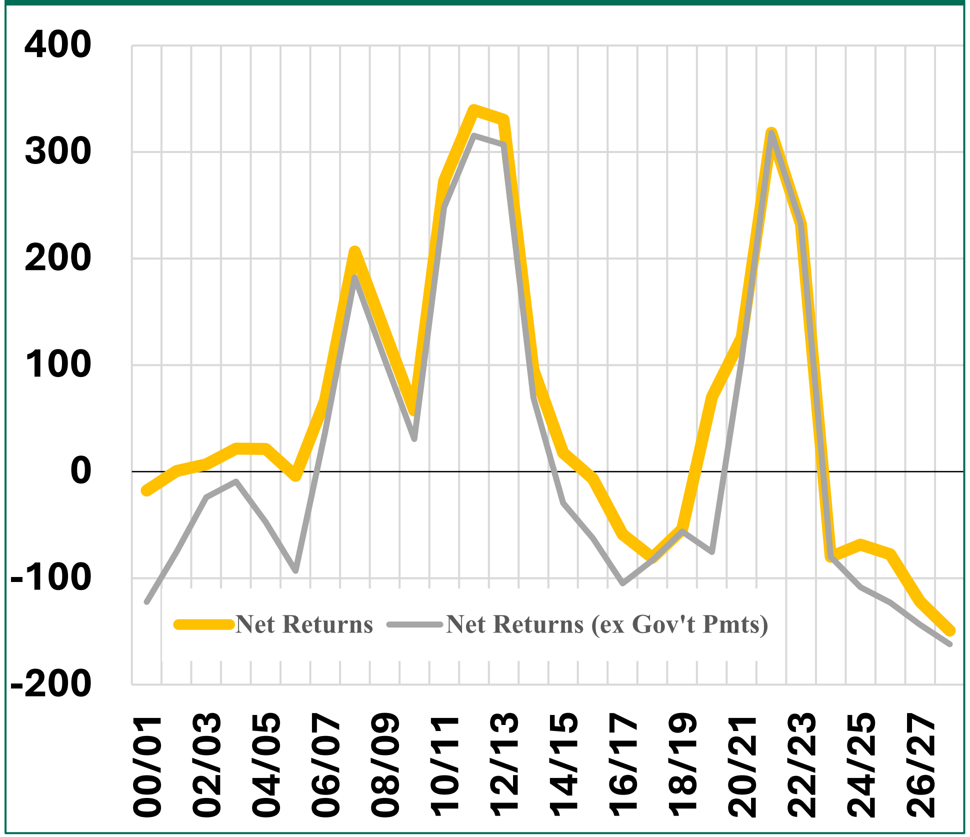
Where Are Rents Headed?

- 2026 Crop Yields
- Commodity Prices
- Crop Input Costs
- USA Trade Agreements
- Government Payments
- Farm Improvements

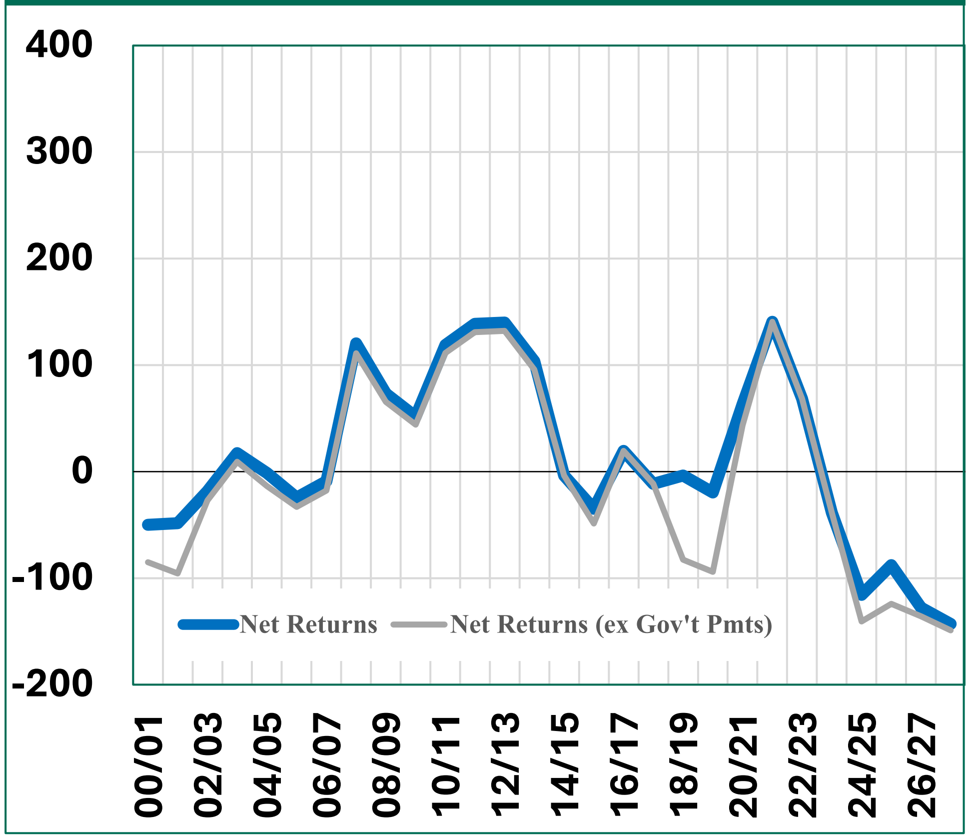


Average Renter Net Returns

CORN



SOYBEANS



Source: Corteva World Ag Forecast – April 2026

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Where Are Rents Headed?

Average Cash Rents by State

Year	Illinois	Iowa	Minnesota*	Nebraska**
2026	325	270	238	205
2025	300	271	238	215
2024	340	279	242	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 ISPFRMA

Questions?

Thank You

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