

FarmWeek

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Good plan can make cash rent negotiations less complicated

BY DANIEL GRANT
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As cash rent negotiations draw near for many this fall, farmers and landowners should view the process much like school.

Those who do their homework are much more likely to

fare well compared to those who skip the work and have no plan.

Ray Brownfield, managing broker/owner of Land Pro in Oswego, discussed the upcoming cash rent negotiation process last week during a land values seminar in Morris.

“Obviously, with commodi-

ty prices where they’re at today and probably for the foreseeable future, we know there’s going to be pressure on cash rents,” Brownfield said.

Estimates released last week by the National Agricultural Statistics Service Illinois field office show statewide

average cash rents from 2014 to 2016 declined from \$233 to \$220 per acre for non-irrigated land and from \$262 to \$244 per acre for irrigated land.

The number of Illinois counties with an average rent at or above \$300 per acre declined from six in 2014 to two this year. For a list of all county rent averages, visit bit.ly/ILCashRents.

But that doesn’t necessarily mean farmers should expect a price break this fall despite a three-year plunge in farm income.

“It depends on where you are for 2016. Did you go down another \$25 to \$30 an acre or did you not,” Brownfield said. “I think that has something to do with this year’s negotiations.”

Brownfield believes rents on Class A ground will hold up best, while rental averages on less productive soil could face the most pressure.

“Operators may have to stretch themselves again to keep some of the land they want to keep,” he said. “If so, good luck to them. Their credit sources may have a different thought on this process.”

Brownfield noted that some farmers last year were forced to withdraw cash rent bids after banks refused to extend credit lines.

In order to avoid that type of situation, Brownfield recommends each farmer and landowner update his or her balance sheet prior to negotiations. He also recommends farmers get pre-approved by their banks for specific cash rent bids.

“Everybody has to do their numbers. Honesty has to be the key factor,” Brownfield said. “There’s no need for any of us being unrealistic about what we’re seeing (in the farm economy).”

The basic formula to estimate a fair cash rent value is to take the five-year average yield of each field, multiply it by current futures prices and subtract production costs to see what could be left to pay for rent.

Brownfield also recommends the use of a formal contract.

“I’m still surprised to see the number of oral leases out there,” he added. “It needs to be in writing with terms and conditions.”

A recent survey of Illinois professional farm managers and rural appraisers found half expect 2017 cash rents to decline by \$5 to \$25 per acre, 41 percent look for a \$25 to \$50 drop, while 9 percent believe rent levels could stay the same.

HARVEST GETS ROLLING



A combine rolls through a Stark County cornfield last week. As of early last week, Illinois farmers had harvested 3 percent of the corn crop, 4 percent below the five-year average. See page 7 for more information on harvest progress. (Photo by Cyndi Wiggs)

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